

REPUBLIC OF KENYA

OFFICE OF THE CONTROLLER OF BUDGET

COUNTY GOVERNMENTS BUDGET IMPLEMENTATION REVIEW REPORT

FIRST NINE MONTHS FY 2016/17

MAY, 2017



THE REPUBLIC OF KENYA

OFFICE OF THE CONTROLLER OF BUDGET

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PARLIAMENT OF KENYA LIBRARY

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PREFACE

I am pleased to present the quarterly County Governments Budget Implementation Review Report (CBIRR) for the first nine months of FY 2016/17. This report has been prepared pursuant to Article 228 (6) of the Constitution of Kenya, 2010 and Section 9 of the Controller of Budget Act, 2016 which require the Controller of Budget to submit to each House of Parliament a report on the implementation of the budgets of the National and County Governments every four months.

This is the third CBIRR in FY 2016/17 and presents budget performance by the forty seven counties for the period June 2016 to March 2017. It highlights progress made in the FY 2016/17 budget implementation, identifies the key challenges facing budget implementation and also provides recommendations aimed at enhancing budget execution.

The report is based on data from the approved county budgets, financial reports submitted to the Office of the Controller of Budget (OCOB) by the County Treasuries in line with Section 166 and 168 of the Public Finance Management (PFM) Act, 2012 and reports generated from the Integrated Financial Management Information System (IFMIS). The analysis and findings are aligned to provisions of the Constitution of Kenya, 2010 and the Public Finance Management Act, 2012.

Preparation of this report has been made possible through concerted effort of staff from the County Treasuries and the OCOB. I am grateful to all the staff who were involved in the preparation of this report.

This report is intended to inform oversight institutions, the public, policy makers, analysts and other stakeholders on the progress made by county governments in implementing the FY 2016/17 budgets. It is my hope that readers of this report will continually take interest in monitoring the budget implementation status and ultimately promote prudent financial management of public resources.



Mrs. Agnes Odhiambo, CBS

Controller of Budget

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ACRONYMS

ADP	Annual Development Plan
CA	County Assembly
CARA	County Allocation of Revenue Act
CBEF	County Budget and Economic Forum
CBK	Central Bank of Kenya
CBROP	County Budget Review and Outlook Paper
CBD	Central Business District
CEC	County Executive Committee
CFSP	County Fiscal Strategy Paper
CECM-F	County Executive Committee Member for Finance
COB	Controller of Budget
CRA	Commission on Revenue Allocation
CRF	County Revenue Fund
E-G	Electronic Governance
G-PAY	Government Payment System
ICT	Information Communication Technology
IFMIS	Integrated Financial Management Information System
IBEC	Intergovernmental Budget and Economic Council
IPPD	Integrated Payroll Personnel Database
LAPFUND	Local Authorities Provident Fund
LATF	Local Authority Transfer Fund
MCA	Member of County Assembly
MTEF	Medium Term Expenditure Framework
O&M	Operations and Maintenance
OCOB	Office of the Controller of Budget
P/E	Personnel Emoluments
PFM Act	Public Finance Management Act
SMEs	Small and Medium Enterprises
SRC	Salaries and Remuneration Commission

EXECUTIVE SUMMARY

This is the third County Budget Implementation Review Report (CBIRR) for the Financial Year (FY) 2016/17 and covers the period July 2016 to March 2017. It presents the progress made by the County Governments in budget implementation by analysing the revenue received and expenditure incurred during the period against the annual budgeted estimates. Expenditure analysis is based on financial returns made by the County Treasuries in line with Section 166 and 168 of the Public Finance Management (PFM) Act, 2012 and expenditure reports generated from the Integrated Financial Management Information System (IFMIS).

On aggregate, the FY 2016/17 approved budgets for the County Governments amounted to Kshs.400.25 billion comprising Kshs.234.73 billion (58.6 per cent) for recurrent expenditure and Kshs.165.51 billion (41.4 per cent) for development expenditure. County governments were allocated Kshs.280.3 billion as the equitable share of revenue raised nationally and Kshs.21.90 billion as total conditional grants from the National Government and Development Partners. Additionally, they expected to raise Kshs.59.71 billion from local sources, and also utilize Kshs.38.55 billion cash balance from FY 2015/16.

During the reporting period, the total revenue available to the County Governments amounted to Kshs.251.53 billion. This amount comprised of Kshs.185.23 billion from the equitable share of revenue raised nationally, conditional grants to Level 5 Hospitals, and grants from DANIDA; Kshs.24.71 billion from local sources, Kshs.2.59 billion for Free Maternal Healthcare, Kshs.450 million for User Fees Foregone, and Kshs.38.55 billion cash balance from FY 2015/16.

In the first nine months of the FY 2016/17, the aggregate revenue raised by County Governments amounted to Kshs.24.71 billion which was 41.4 per cent of the annual local revenue target of Kshs.59.71 billion. This performance represented a decrease of 4.6 per cent compared to Kshs.25.89 billion raised in a similar period of FY 2015/16.

Analysis of the local revenue collected indicates that Nairobi City, Mombasa and Kiambu Counties generated the highest local revenue in absolute terms at Kshs.8.72 billion, Kshs.1.94 billion and Kshs.1.64 billion respectively. Conversely, Tana River, Mandera and Lamu Countries generated the lowest local revenue at Kshs.22.25 million, Kshs.44.55 million and Kshs.51.02 million respectively.

The Controller of Budget (COB) authorised withdrawal of **Kshs.229.85 billion** from the County Revenue Funds to the various County Operational Accounts representing 57.43 per cent of the total Approved Budget Estimates for FY 2016/17. The withdrawals comprised of Kshs.156.98 billion (68.3 per cent) for recurrent activities and Kshs.72.87 billion (31.7 per cent for development projects The Counties that received the highest amount of funds for operations were; Nairobi City at Kshs.10.89 billion; Turkana at Kshs.10.07 billion; and Kiambu at Kshs.7.75 billion. Conversely, those that received the lowest were; Lamu at Kshs.2.04 billion, Isiolo at Kshs.2.32 billion and Tharaka Nithi at Kshs.2.57 billion.

The aggregate expenditure for the period was **Kshs.207.82 billion** which comprised of Kshs.145.07 billion for recurrent expenditure (61.8 per cent of the annual recurrent budget) and Kshs.62.74 billion for development expenditure (37.9 per cent of the annual development budget). The expenditure of Kshs.207.82 billion was **51.9 per cent** of the annual County Governments budgets and an increase

of 13.1 per cent from Kshs.183.76 incurred in a similar period of FY 2015/16. Counties that recorded the highest aggregate absorption rates were; Isiolo at 68.4 per cent, Tana River at 65.8 per cent, and Bomet at 35.2 per cent. Conversely, Kirinyaga, Kwale, and Lamu Counties recorded the lowest overall absorption rates at 42.1 per cent, 41.4 per cent, and 27.2 per cent respectively.

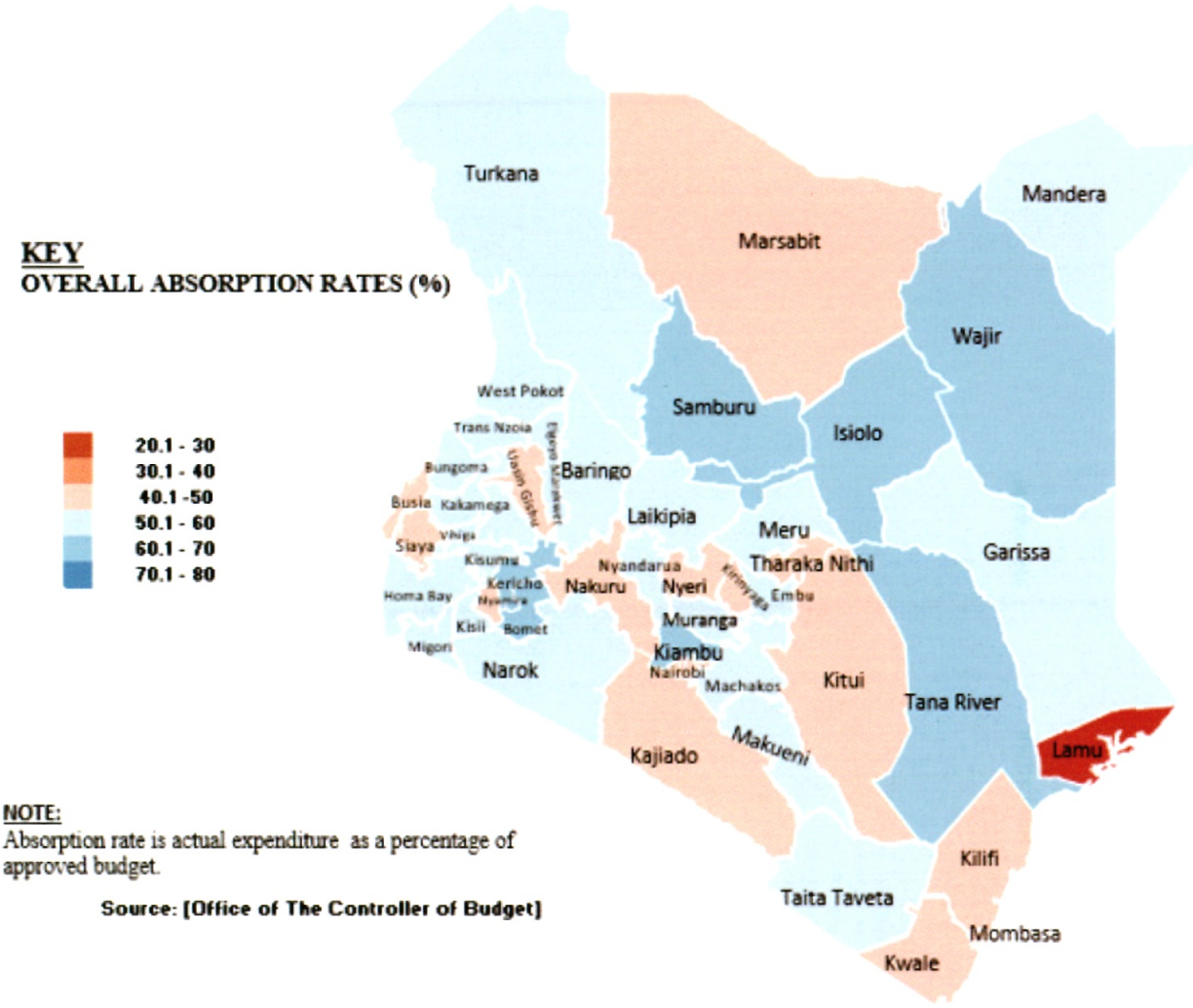
Counties with the highest absorption rate of development expenditure were Tana River at 72.1 per cent, followed by Bomet and Isiolo at 65.5 per cent and 61.2 per cent respectively. Lamu, Nairobi City and Taita Taveta counties recorded the least at 8.3 per cent, 12.9 per cent and 19.8 per cent, respectively. Absorption rate is computed as a percentage of total expenditure to the Approved Budget.

Analysis of expenditure by economic classification shows that Kshs.91.39 billion (44 per cent) was spent on personnel emoluments, Kshs.53.68 billion (25.8 per cent) on operations and maintenance, and Kshs.62.74 billion (30.2 per cent) on development activities. A review of personnel emoluments as a percentage of total expenditure indicates that Nairobi City, Taita Taveta, and Tharaka Nithi recorded the highest percentage at 63.6 per cent, 61.2 per cent and 61.1 per cent respectively.

The Office identified some challenges that faced budget implementation by the County Governments. Thse included; high expenditure on personnel emoluments which stood at 43.3 per cent of total expenditure for the reporting period, delays in establishment and operationalization of County Budget and Economic Forums (CBEF) contary to Section 137 of the PFM Act, 2012, IFMIS connectivity challenges, under-performance in local revenue collection, which was 41.4 per cent of the annual target, and, delays in the establishement of Internal Audit Committees.

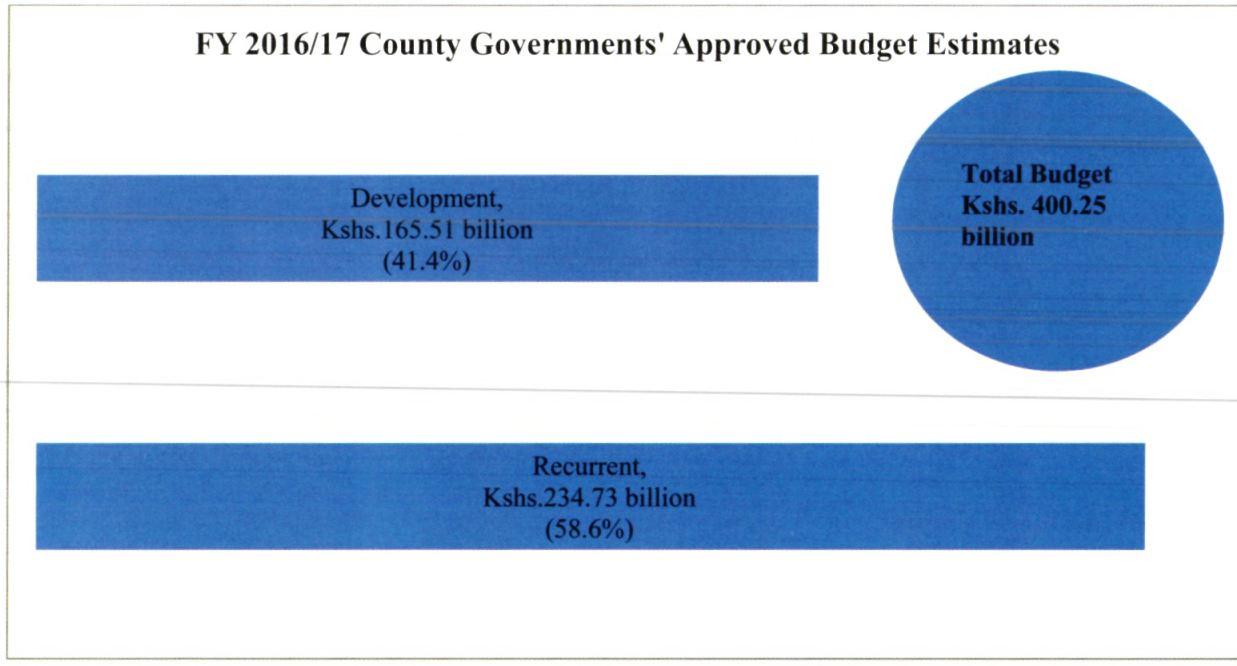
The Office recommends that Counties should ensure the wage bill does not exceed 35 per cent of their total revenue in line with Regulation 25 (1) of the Public Finance Management (County Government) Regulations 2015. Further, the Counties should establish the County Budget and Economic Forums, liaise with the National Treasury to address the IFMIS connectivity challenges and also operationalize the Internal Audit Committees.

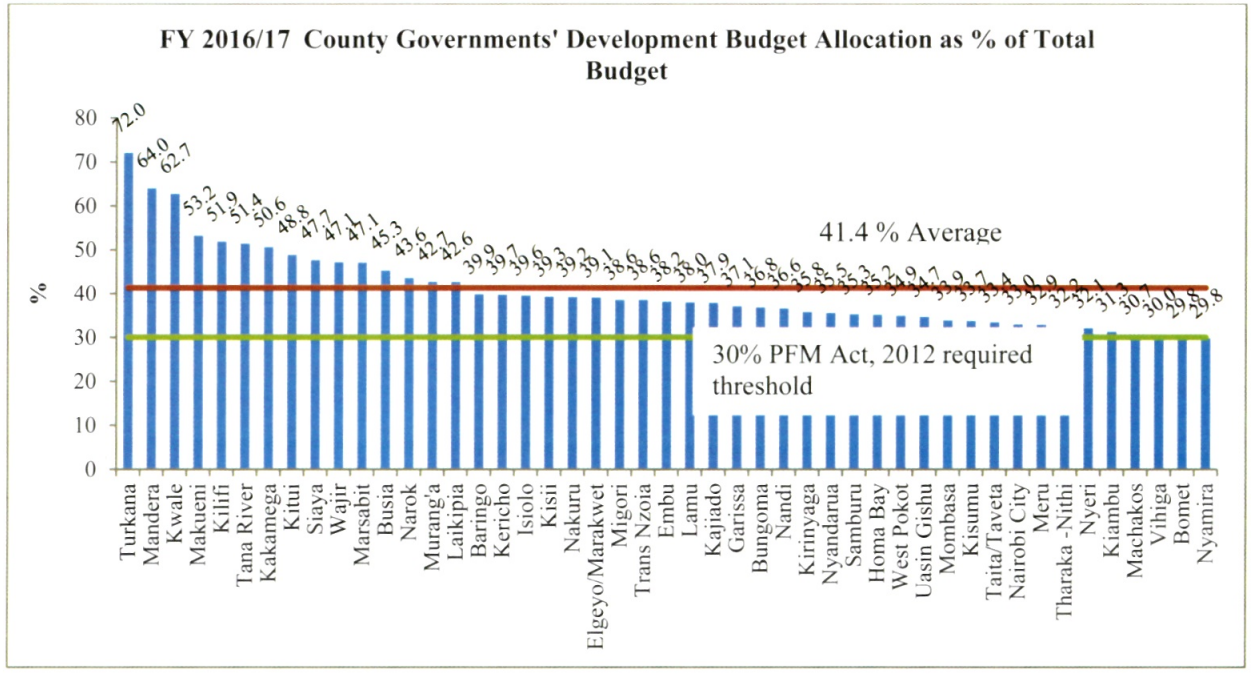
Overall Absorption Rates for the First Nine Months of the FY2016/17

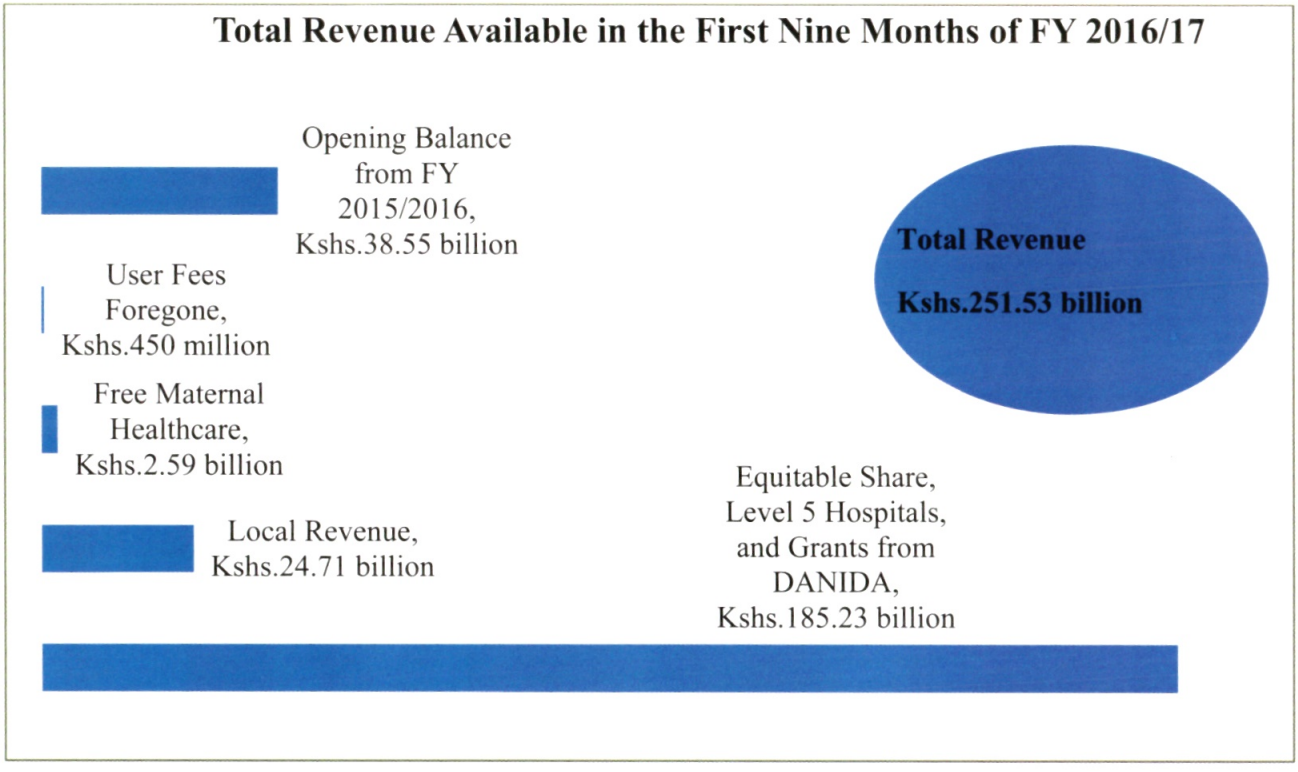


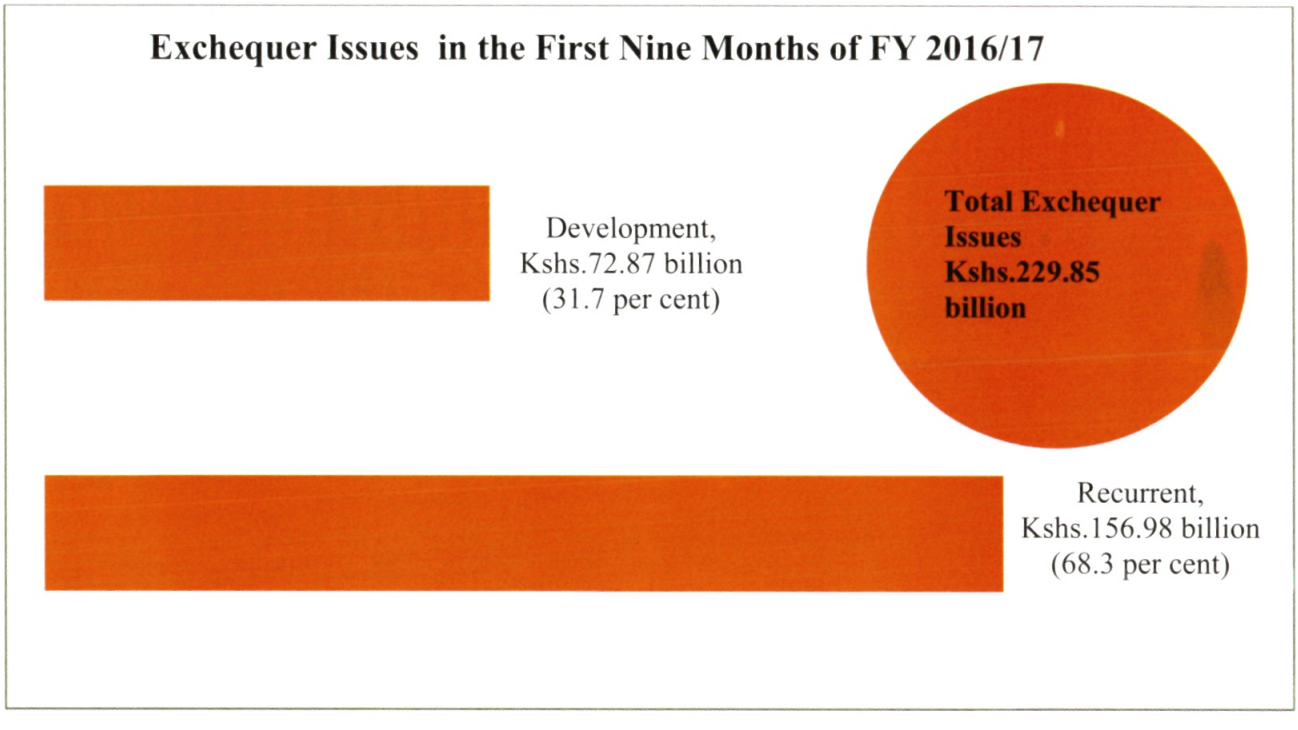
NOTE:
Absorption rate is actual expenditure as a percentage of approved budget.

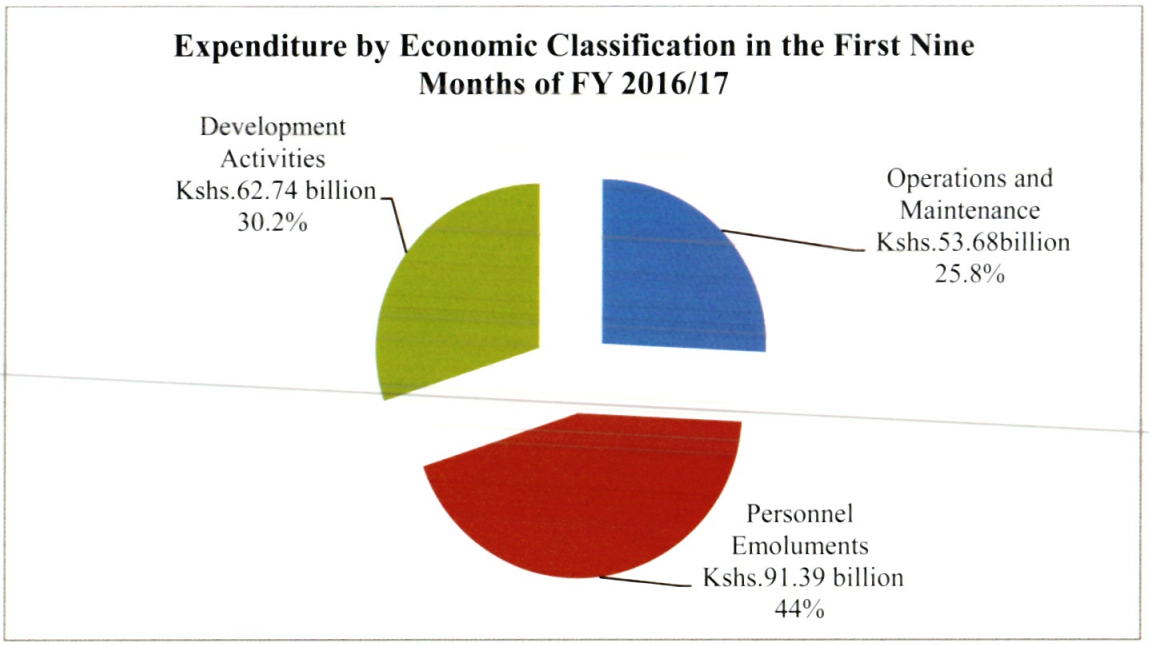
Source: [Office of The Controller of Budget]

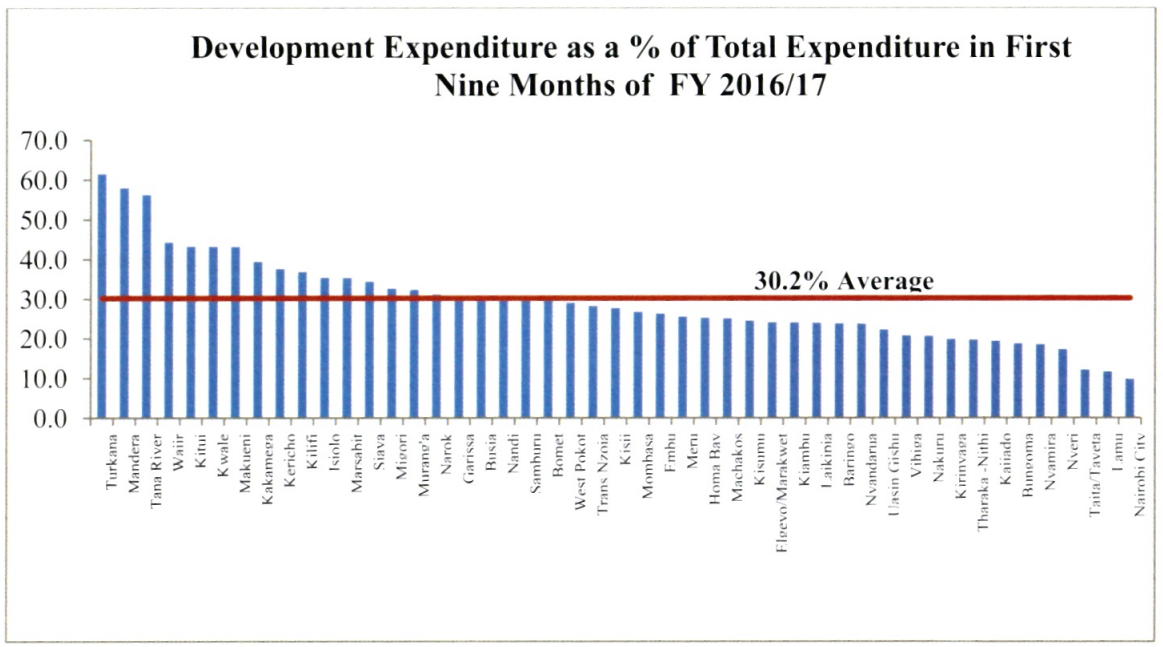

FY 2016/17 County Governments' Approved Budget Estimates
Development, Kshs.165.51 billion (41.4%)
Total Budget Kshs. 400.25 billion
Recurrent, Kshs.234.73 billion (58.6%)


FY 2016/17 County Governments' Development Budget Allocation as % of Total Budget
%
41.4 % Average
30% PFM Act, 2012 required threshold
Turkana
Mandera
Kwale
Makueni
Kilifi
Tana River
Kakamega
Kitui
Siaya
Wajir
Marsabit
Busia
Narok
Murang'a
Laikipia
Baringo
Kericho
Isiolo
Kisii
Nakuru
Elgeyo/Marakwet
Migori
Trans Nzoia
Embu
Lamu
Kajiado
Garissa
Bungoma
Nandi
Kirinyaga
Nyandarua
Samburu
Homa Bay
West Pokot
Uasin Gishu
Mombasa
Kisumu
Taita/Taveta
Nairobi City
Meru
Tharaka -Nithi
Nyeri
Kiambu
Machakos
Vihiga
Bomet
Nyamira


Total Revenue Available in the First Nine Months of FY 2016/17
Opening Balance from FY 2015/2016, Kshs.38.55 billion
User Fees Foregone, Kshs.450 million
Free Maternal Healthcare, Kshs.2.59 billion
Local Revenue, Kshs.24.71 billion
Equitable Share, Level 5 Hospitals, and Grants from DANIDA, Kshs.185.23 billion
Total Revenue
Kshs.251.53 billion


Exchequer Issues in the First Nine Months of FY 2016/17
Development, Kshs.72.87 billion (31.7 per cent)
Recurrent, Kshs.156.98 billion (68.3 per cent)
Total Exchequer Issues Kshs.229.85 billion


Expenditure by Economic Classification in the First Nine Months of FY 2016/17
Development Activities Kshs.62.74 billion 30.2%
Operations and Maintenance Kshs.53.68billion 25.8%
Personnel Emoluments Kshs.91.39 billion 44%


Development Expenditure as a % of Total Expenditure in First Nine Months of FY 2016/17
70.0
60.0
50.0
40.0
30.0
20.0
10.0
0.0
30.2% Average
Turkana
Mandera
Tana River
Wajir
Kitui
Kwale
Makueni
Kakamega
Kericho
Kilifi
Isiolo
Marsabit
Siaya
Migori
Murang'a
Narok
Garissa
Busia
Nandi
Samburu
Bomet
West Pokot
Trans Nzoia
Kisii
Mombasa
Embu
Meru
Homa Bay
Machakos
Kisumu
Elgeyo/Marakwet
Kiambu
Laikipia
Baringo
Nyandarua
Uasin Gishu
Vihiga
Nakuru
Kirinyaga
Tharaka -Nithi
Kajiado
Bungoma
Nyamira
Nyeri
Taita/Taveta
Lamu
Nairobi City

1 INTRODUCTION

This County Budget Implementation Review Report (CBIRR) by the Office of the Controller of Budget (OCOB) covers the period July 2016 to March 2017. It has been prepared in fulfilment of Article 228(6) of the Constitution of Kenya, 2010, Section 9 of the Controller of Budget Act, 2016 and Section 39 (8) of the Public Finance Management (PFM) Act, 2012 that require the Controller of Budget (COB) to submit quarterly reports to Parliament on budget implementation and also ensure members of the public access information on budget implementation by the National and County Governments.

The CBIRR is mainly based on quarterly financial reports submitted to the COB by the County Governments in line with Section 166 and 168 of the Public Finance Management (PFM) Act, 2012 and data obtained from the Integrated Financial Management System (IFMIS). The Disbursement Schedule contained in the County Allocation of Revenue Act (CARA), 2016 has been used to provide information on expected revenue flow from the National Government.

The report is organized into five chapters. Chapter one is the introduction while chapter two analyses cumulative budget performance by the Counties. Specifically, it presents an analysis of revenue performance, and a review of actual expenditure against approved budget estimates for individual counties and at aggregate level. Overall expenditure is analysed by recurrent and development expenditure categories. Recurrent expenditure is further analysed by economic classification of personnel emoluments and operations and maintenance; which is further analysed to identify costs on sitting allowances for Members of County Assemblies (MCAs), and, domestic and foreign travel expenditure. Absorption rate is used to measure performance and is computed as a percentage of expenditure against the approved annual budget estimates.

Chapter three presents county specific budget implementation performance. It presents information on budget allocation, revenue analysis, exchequer issues and expenditure in the first nine months of FY 2016/17. It also highlights the progress made in implementing recommendations contained in prior reports by the OCOB and identifies challenges that hampered budget execution in the reporting period. Appropriate recommendations are included to address the challenges faced by each County.

The cross-cutting challenges and recommendations to enhance smooth execution of budgets by the County Governments are highlighted in chapter four. Finally, the conclusion is provided in chapter five.

2 FINANCIAL ANALYSIS OF COUNTY GOVERNMENTS BUDGET IMPLEMENTATION IN THE FIRST NINE MONTHS OF FY 2016/17

2.0 Introduction

This chapter presents financial analysis of aggregated county budget implementation for the first nine months of FY 2016/17.

2.1 Annual Budget Financing

In FY 2016/17, the combined approved County Government Budgets amounted to Kshs.400.25 billion and comprise of Kshs.234.73 billion (58.6 per cent) allocated to recurrent expenditure and Kshs.165.51 billion (41.4 per cent) for development expenditure.

In order to finance the budgets, County Governments expect to receive Kshs.280.3 billion as equitable share of revenue raised nationally, Kshs.21.9 billion as total conditional grants from the National Government and Development Partners, generate Kshs.59.71 billion from local sources, and utilize Kshs.38.55 billion projected cash balance brought forward from FY 2015/16. The conditional grants comprise of Kshs.4.5 billion for Leasing of Medical Equipment, Kshs.4.12 billion for Free Maternal Healthcare, Kshs.4 billion for Level 5 Hospitals, Kshs.4.31 billion from the Road Maintenance Fuel Levy Fund, Kshs.900 million for Compensation of User Fees Foregone, Kshs.200 million as special purpose grant to support Emergency Medical Services, Kshs.422.36 million from DANIDA, Kshs.1.3 billion as World Bank loan, and Kshs.2.15 billion as Conditional Allocation from Other Loans and Grants. These Conditional Grants were contained in the County Allocation of Revenue Act (CARA), 2016.

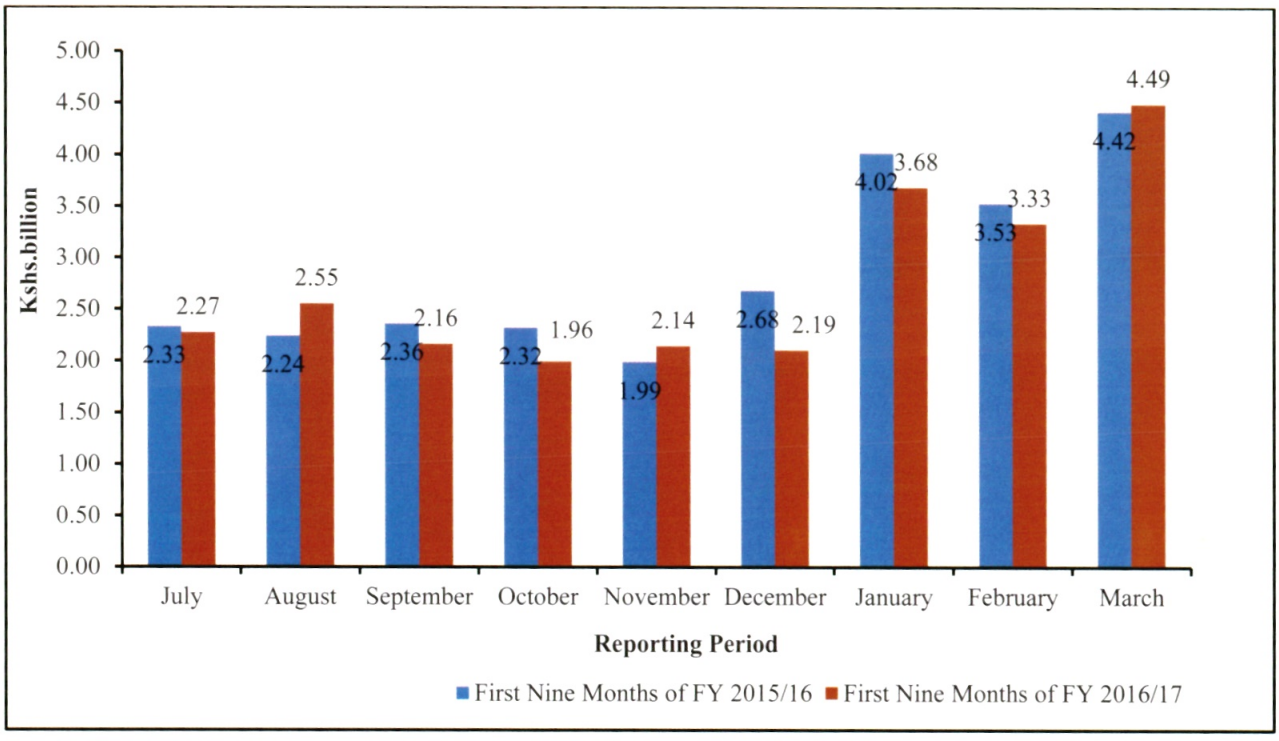
2.1.1 Budget Financing in the First Nine Months of FY 2016/17

The total funds that were available to the County Governments in the first nine months of FY 2016/17 amounted to Kshs.251.53 billion. This amount consisted of Kshs.185.23 billion from the equitable share of revenue raised nationally, conditional grants to Level 5 Hospitals, and grants from DANIDA; Kshs.24.71 billion as revenue generated from local sources; Kshs.2.59 billion for Free Maternal Healthcare, Kshs.450 million for User Fees Foregone, and Kshs.38.55 billion cash balance brought forward from FY 2015/16.

2.2 Locally Collected Revenue

The aggregate annual local revenue target for counties in FY 2016/17 is Kshs.59.71 billion. During the reporting period, the County Governments generated a total of Kshs.24.71 billion, which was 41.4 per cent of the annual target. This was a decrease compared to Kshs.25.89 billion (46.9 per cent of FY 2015/16 annual revenue target) realised in a similar period of FY 2015/16. The monthly local revenue collection in the first nine months of FY 2016/17 and in a similar period of FY 2015/16 is shown in Figure 2.1.

Figure 2.1: Monthly Local Revenue collection for the first nine months of FY 2016/17 and the first nine months of FY 2015/16 (Kshs. Billion)



Source: *County Treasuries*

The monthly local revenue collection for the period July, 2016 to March, 2017 is shown in Table 2.1

Table 2.1: Monthly Local Revenue Collection for the Period July, 2016 to March, 2017

Local Revenue Collection in the First Nine Months of FY 2016/17						
County Title	First Quarter of FY 2016/17	Second Quarter of FY 2016/17	Third Quarter of FY 2016/17	Total Local Revenue Collection	Annual Local Revenue Target for FY 2016/17	% of total Local Revenue Collection to Annual Target
	A	B	C	D=A+B+C	E	F=D/E*100
Baringo	91,426,072	59,288,234	71,993,883	222,708,189	472,000,000	47.2
Bomet	100,163,619	37,172,887	59,790,182	197,126,688	207,709,568	94.9
Bungoma	105,524,675	102,599,218	318,591,746	526,715,639	731,896,718	72.0
Busia	69,988,384	64,398,780	70,612,959	205,000,123	587,510,998	34.9
Elgeyo/Marakwet	24,905,877	20,542,123	30,143,211	75,591,211	160,021,113	47.2
Embu	99,331,976	95,061,482	101,508,749	295,902,207	803,772,092	36.8
Garissa	21,416,486	19,785,201	21,209,079	62,410,766	350,000,000	17.8
Homa Bay	40,697,810	30,910,563	43,019,119	114,627,492	233,541,540	49.1
Isiolo	37,940,997	20,195,760	18,608,397	76,745,154	250,000,000	30.7
Kajiado	121,297,878	104,104,688	174,825,666	400,228,232	1,248,371,716	32.1
Kakamega	102,583,711	88,484,734	109,877,097	300,945,542	894,070,561	33.7
Kericho	62,380,333	101,541,664	192,943,467	356,865,464	603,346,705	59.1
Kiambu	455,554,055	419,089,671	762,314,457	1,636,958,183	3,767,972,188	43.4
Kilifi	132,744,867	173,900,378	189,610,268	496,255,512	1,585,881,577	31.3

Local Revenue Collection in the First Nine Months of FY 2016/17						
County Title	First Quarter of FY 2016/17	Second Quarter of FY 2016/17	Third Quarter of FY 2016/17	Total Local Revenue Collection	Annual Local Revenue Target for FY 2016/17	% of total Local Revenue Collection to Annual Target
	A	B	C	D=A+B+C	E	F=D/E*100
Kirinyaga	78,075,942	49,221,110	126,498,377	253,795,429	743,239,866	34.1
Kisii	73,292,944	43,301,000	85,864,436	202,458,380	750,000,000	27.0
Kisumu	211,209,760	241,557,388	323,520,926	776,288,074	1,584,987,119	49.0
Kitui	91,246,587	56,379,145	87,910,618	235,536,350	668,799,000	35.2
Kwale	45,057,651	33,730,228	80,231,502	159,019,381	330,000,000	48.2
Laikipia	52,413,065	57,605,862	131,123,054	241,141,981	670,000,000	36.0
Lamu	18,241,996	13,443,203	19,333,326	51,018,525	84,000,000	60.7
Machakos	215,641,903	224,790,482	431,831,079	872,263,464	2,855,665,315	30.5
Makueni	43,745,134	26,756,815	83,003,428	153,505,377	500,000,000	30.7
Mandera	13,733,496	15,445,760	15,366,462	44,545,718	265,643,523	16.8
Marsabit	24,102,699	23,876,724	41,823,533	89,802,956	120,000,000	74.8
Meru	126,054,421	79,538,678	158,780,782	364,373,881	773,236,727	47.1
Migori	93,850,397	50,246,696	74,816,540	218,913,633	420,000,000	52.1
Mombasa	351,343,709	496,302,660	1,094,101,102	1,941,747,471	5,553,992,770	35.0
Murang'a	112,311,181	77,881,618	201,466,627	391,659,426	993,550,000	39.4
Nairobi City	2,038,350,816	2,168,459,211	4,509,675,319	8,716,485,346	19,565,657,059	44.5
Nakuru	275,572,395	256,823,116	594,952,564	1,127,348,075	2,597,264,658	43.4
Nandi	101,587,001	32,145,212	42,772,211	176,504,424	362,283,894	48.7
Narok	824,524,753	389,714,485	259,035,136	1,473,274,374	3,623,471,334	40.7
Nyamira	26,655,816	21,268,124	28,397,635	76,321,575	198,230,100	38.5
Nyandarua	49,096,833	53,561,192	109,646,181	212,304,206	390,000,000	54.4
Nyeri	169,833,726	138,378,967	186,919,631	495,132,324	1,095,101,000	45.2
Samburu	65,209,411	40,702,426	44,123,057	150,034,894	341,867,422	43.9
Siaya	38,807,258	28,605,872	59,304,682	126,717,812	270,000,000	46.9
Taita/Taveta	39,643,238	30,708,423	44,505,991	114,857,652	355,587,656	32.3
Tana River	8,349,423	4,949,548	8,952,275	22,251,246	60,000,000	37.1
Tharaka -Nithi	24,263,430	19,747,128	15,211,568	59,222,127	200,000,000	29.6
Trans Nzoia	67,119,995	30,702,605	78,724,118	176,546,718	500,000,000	35.3
Turkana	41,848,315	30,508,033	30,080,170	102,436,518	180,000,000	56.9
Uasin Gishu	117,672,605	102,187,816	304,538,336	524,398,757	1,192,000,000	44.0
Vihiga	23,560,000	15,947,000	25,223,000	64,730,000	220,000,000	29.4
Wajir	21,573,075	17,185,915	20,025,115	58,784,105	230,119,550	25.5
West Pokot	19,404,094	16,518,847	22,537,121	58,460,062	122,245,626	47.8
Total	**6,969,349,809**	**6,225,266,672**	**11,505,344,183**	**24,699,960,663**	**59,713,037,395**	**41.4**

Source: *County Treasuries*

The total local revenue collection for all the 47 counties was 41.4 per cent of the annual local revenue target of Kshs.59.71 billion. Analysis of local revenue as a proportion of the annual revenue target by county indicated that Bomet County attained the highest proportion at 94.9 per cent followed by Marsabit and Bungoma at 74.8 per cent and 72 per cent respectively. Conversely, counties that

recorded the lowest proportion of local revenue against annual targets were Mandera at 16.8 per cent, Garissa at 17.8 per cent and Wajir at 25.5 per cent.

2.3 Funds Released to the Counties

2.3.1 Funds released to counties from the Consolidated Fund

In first nine months of FY 2016/17, the Controller of Budget approved transfer of Kshs.185.23 billion from the Consolidated Fund to the various County Revenue Funds (CRFs) in accordance with Article 206 (4) of the Constitution. The transferred amount included: Equitable share of revenue raised nationally, Conditional allocations from the National Government to Level 5 Hospitals, and the conditional grant from DANIDA to supplement financing of County Health Facilities.

In addition, County Governments received Kshs.2.59 billion and Kshs.450 million from the Ministry of Health for the Free Maternal Healthcare program and Compensation of User Fees Foregone respectively. Further, the Kenya Roads Board transferred a total Kshs.4.31 billion from the Road Maintenance Fuel Levy to the County Revenue Fund Accounts for road maintenance.

2.3.2 Funds Released to the County Operational Accounts

The COB authorised withdrawal of Kshs.229.85 billion from the County Revenue Funds to the various County Operational Accounts. The transfers comprised of Kshs.156.98 billion (68.3 per cent) for recurrent expenditure and Kshs.72.87 billion (31.7 per cent) to finance development activities.

From the aggregate of Kshs.156.98 billion released for recurrent activities, Kshs.135.74 billion (86.5 per cent) was released to the County Executives, while Kshs.21.24 billion (13.5 per cent) to the County Assemblies. On the other hand, out of Kshs.72.87 billion released towards development activities, the County Executive and the County Assemblies received Kshs.70.88 billion (97.3 per cent) and Kshs.1.99 billion (2.7 per cent) respectively.

The exchequer issues to the County Assembly and the County Executive in the first nine months of FY 2016/17 are shown in **Table 2.2**.

Table 2.2: Exchequer Issues to the County Assembly and the County Executive for the first nine months of FY 2016/17

Exchequer Releases from the CRF to County Operations Accounts in the First Nine Months of FY 2016/17 (Kshs. Million)									
County	COUNTY ASSEMBLY			COUNTY EXECUTIVE			COMBINED		
	Rec	Dev	Total	Rec	Dev	Total	Rec	Dev	Total
Baringo	430.17	30.00	460.17	2,252.88	977.20	3,230.08	2,683.05	1,007.20	3,690.25
Bomet	389.59	-	389.59	2,629.90	1,197.29	3,827.18	3,019.48	1,197.29	4,216.77
Bungoma	658.29	59.00	717.29	3,895.26	1,046.36	4,941.62	4,553.55	1,105.36	5,658.91
Busia	492.25	45.60	537.85	2,566.00	2,024.95	4,590.95	3,058.25	2,070.55	5,128.80
Elgeyo/ Marakwet	363.24	16.04	379.28	1,878.70	727.16	2,605.86	2,241.94	743.20	2,985.14
Embu	373.08	-	373.08	2,503.88	1,000.40	3,504.28	2,876.96	1,000.40	3,877.35
Garissa	390.50	-	390.50	2,511.06	1,365.40	3,876.46	2,901.56	1,365.40	4,266.96
Homa Bay	510.00	-	510.00	2,706.00	1,115.00	3,821.00	3,216.00	1,115.00	4,331.00
Isiolo	330.00	75.00	405.00	1,247.73	670.00	1,917.73	1,577.73	745.00	2,322.73
Kajiado	409.37	48.40	457.77	2,376.80	774.61	3,151.42	2,786.17	823.01	3,609.19
Kakamega	674.97	-	674.97	3,628.78	2,992.84	6,621.62	4,303.75	2,992.84	7,296.59
Kericho	436.39	-	436.39	2,218.55	1,631.02	3,849.57	2,654.94	1,631.02	4,285.96

Exchequer Releases from the CRF to County Operations Accounts in the First Nine Months of FY 2016/17 (Kshs. Million)									
County	COUNTY ASSEMBLY			COUNTY EXECUTIVE			COMBINED		
	Rec	Dev	Total	Rec	Dev	Total	Rec	Dev	Total
Kiambu	601.32	13.20	614.52	5,543.91	1,590.18	7,134.09	6,145.23	1,603.38	7,748.61
Kilifi	545.00	120.00	665.00	3,504.00	2,062.69	5,566.69	4,049.00	2,182.69	6,231.69
Kirinyaga	363.00	-	363.00	2,118.25	787.42	2,905.68	2,481.25	787.42	3,268.68
Kisii	553.69	113.00	666.69	3,442.06	1,519.48	4,961.54	3,995.75	1,632.48	5,628.24
Kisumu	511.95	-	511.95	4,096.29	1,398.38	5,494.67	4,608.24	1,398.38	6,006.62
Kitui	528.89	117.52	646.41	3,505.09	2,418.22	5,923.31	4,033.98	2,535.74	6,569.72
Kwale	353.86	270.00	623.86	1,924.35	1,720.64	3,644.99	2,278.21	1,990.64	4,268.85
Laikipia	300.00	20.00	320.00	2,189.20	718.80	2,908.00	2,489.20	738.80	3,228.00
Lamu	248.00	49.50	297.50	1,222.68	516.66	1,739.35	1,470.68	566.16	2,036.85
Machakos	580.44	119.64	700.08	4,283.94	1,574.88	5,858.82	4,864.38	1,694.52	6,558.90
Makueni	556.16	53.94	610.10	3,290.13	3,446.27	6,736.40	3,846.29	3,500.21	7,346.50
Mandera	426.69	68.50	495.19	2,816.07	4,360.65	7,176.72	3,242.76	4,429.15	7,671.91
Marsabit	374.67	-	374.67	2,290.98	1,412.11	3,703.09	2,665.66	1,412.11	4,077.77
Meru	674.14	-	674.14	3,651.87	1,762.58	5,414.45	4,326.01	1,762.58	6,088.59
Migori	460.00	-	460.00	2,788.22	1,640.00	4,428.22	3,248.22	1,640.00	4,888.22
Mombasa	280.58	-	280.58	3,749.73	1,588.90	5,338.63	4,030.31	1,588.90	5,619.21
Murang'a	429.00	30.00	459.00	2,516.00	1,817.00	4,333.00	2,945.00	1,847.00	4,792.00
Nairobi City	913.73	44.00	957.73	9,932.83	-	9,932.83	10,846.56	44.00	10,890.56
Nakuru	625.22	102.20	727.42	4,676.22	2,066.77	6,742.99	5,301.44	2,168.97	7,470.42
Nandi	450.00	99.00	549.00	2,239.22	1,458.00	3,697.22	2,689.22	1,557.00	4,246.22
Narok	429.25	60.00	489.25	3,611.37	1,711.93	5,323.30	4,040.61	1,771.93	5,812.55
Nyamira	352.68	-	352.68	2,295.39	631.65	2,927.04	2,648.07	631.65	3,279.72
Nyandarua	443.22	157.00	600.22	2,208.67	786.32	2,994.99	2,651.89	943.32	3,595.20
Nyeri	379.50	-	379.50	2,765.33	735.13	3,500.47	3,144.83	735.13	3,879.97
Samburu	308.35	-	308.35	1,756.33	890.04	2,646.36	2,064.68	890.04	2,954.72
Siaya	472.00	27.12	499.12	2,444.50	1,222.88	3,667.38	2,916.50	1,250.00	4,166.50
Taita/Taveta	347.09	32.80	379.89	1,754.38	841.89	2,596.26	2,101.47	874.68	2,976.15
Tana River	360.93	76.01	436.94	1,399.63	1,749.62	3,149.25	1,760.55	1,825.64	3,586.19
Tharaka -Nithi	230.10	-	230.10	1,683.61	658.38	2,341.98	1,913.71	658.38	2,572.08
Trans Nzoia	400.70	-	400.70	2,487.76	1,332.52	3,820.28	2,888.46	1,332.52	4,220.98
Turkana	666.43	-	666.43	3,209.23	6,196.29	9,405.51	3,875.65	6,196.29	10,071.94
Uasin Gishu	382.40	12.00	394.40	3,009.44	1,073.12	4,082.56	3,391.84	1,085.12	4,476.95
Vihiga	422.97	55.76	478.73	2,031.22	762.36	2,793.58	2,454.19	818.12	3,272.31
Wajir	484.86	-	484.86	2,856.81	1,781.40	4,638.21	3,341.67	1,781.40	5,123.07
West Pokot	330.00	70.00	400.00	2,028.60	1,125.76	3,154.36	2,358.60	1,195.76	3,554.36
Total	**21,244.67**	**1,985.23**	**23,229.90**	**135,738.84**	**70,881.15**	**206,619.99**	**156,983.51**	**72,866.38**	**229,849.89**

Source: *County Treasuries and OCOB*

The Nairobi City County received the highest amount of funds released from its CRF account into the operational accounts at Kshs.10.89 billion followed by Turkana and Kiambu counties at Kshs.10.07 billion and Kshs.7.75 billion respectively. Counties that received the lowest releases were; Lamu at Kshs.2.04 billion, Isiolo at Kshs.2.32 billion and Tharaka Nithi at Kshs.2.57 billion.

Analysis of the funds released for development activities indicate that Turkana, Mandera, and Makueni Counties received the highest amount at Kshs.6.2 billion, Kshs.4.43 billion, and Kshs.3.5

billion respectively. On the other hand, counties that received the lowest funds towards development programs were Nyamira at Kshs.631.65 million, Lamu at Kshs.566.14 million, and Nairobi City at Kshs.44 million.

2.4 Expenditure Analysis

The total expenditure by county governments in the first nine months of FY 2016/17 was Kshs.207.82 billion representing an absorption rate of **51.9 per cent** of the total annual County Government budgets. This was an increase from an absorption rate of **50.3 per cent** attained in a similar period of FY 2015/16 where total expenditure was Kshs.183.76 billion.

In the first nine months of FY 2016/17, recurrent expenditure was Kshs.145.07 billion, representing **61.8 per cent** of the annual recurrent budget, a decrease from 63.5 per cent reported in a similar period of FY 2015/16. Development expenditure amounted to Kshs.62.74 billion, representing an absorption rate of **37.9 per cent**, an increase from **33.9 per cent** attained in a similar period of FY 2015/16 where aggregate development expenditure was Kshs.55.32 billion.

Analysis of the expenditure by economic classification for the first nine months of FY 2016/17 is provided in Table 2.3.

Table 2.3: Expenditure by Economic Classification for the First Nine Months of FY 2016/17

County Title	Personnel Emoluments (Kshs.)	Operations & Maintenance (Kshs.)	Development Expenditure (Kshs.)	Total Expenditure (Kshs.)
	A	B	C	D=A+B+C
Baringo	1,645,420,992	911,552,454	800,221,777	3,357,195,223
Bomet	1,641,222,348	939,960,786	1,101,832,699	3,683,015,833
Bungoma	2,414,935,923	1,887,623,932	994,793,088	5,297,352,943
Busia	1,685,194,861	1,166,870,225	1,246,408,806	4,098,473,892
Elgeyo/Marakwet	1,416,889,117	489,275,460	607,268,229	2,513,432,806
Embu	1,838,138,502	769,331,980	931,894,788	3,539,365,270
Garissa	2,097,000,000	804,558,268	1,292,080,000	4,193,638,268
Homa Bay	1,980,702,628	777,727,703	933,416,650	3,691,846,981
Isiolo	933,898,101	721,605,738	907,039,354	2,562,543,193
Kajiado	1,326,860,969	1,145,305,657	596,530,538	3,068,697,164
Kakamega	2,775,926,002	1,021,103,655	2,473,680,094	6,270,709,751
Kericho	1,367,107,737	1,029,687,453	1,447,008,804	3,843,803,994
Kiambu	3,801,568,684	2,195,735,395	1,903,924,154	7,901,228,233
Kilifi	1,948,899,733	2,089,106,319	2,356,386,952	6,394,393,004
Kirinyaga	1,151,682,704	615,983,583	439,957,785	2,207,624,072
Kisii	2,878,898,462	987,117,522	1,484,356,081	5,350,372,065
Kisumu	2,424,909,991	1,056,591,173	1,130,509,980	4,612,011,144
Kitui	1,535,154,705	1,077,239,633	1,997,563,637	4,609,957,975
Kwale	1,337,106,731	576,184,312	1,457,535,324	3,370,826,367
Laikipia	1,788,251,928	498,130,563	722,093,807	3,008,476,298
Lamu	451,841,843	318,680,015	101,436,410	871,958,268
Machakos	3,304,488,150	1,341,380,379	1,558,871,085	6,204,739,614
Makueni	1,968,094,901	1,525,827,473	2,657,906,638	6,151,829,012
Mandera	1,381,841,486	1,417,490,783	3,869,392,389	6,668,724,658
Marsabit	936,499,955	1,121,790,024	1,126,029,981	3,184,319,960

County Title	Personnel Emoluments (Kshs.)	Operations & Maintenance (Kshs.)	Development Expenditure (Kshs.)	Total Expenditure (Kshs.)
	A	B	C	D=A+B+C
Meru	2,611,991,277	1,296,045,684	1,343,972,503	5,252,009,464
Migori	1,830,089,249	1,099,408,139	1,421,519,768	4,351,017,156
Mombasa	1,882,555,034	2,202,050,922	1,494,336,311	5,578,942,267
Murang'a	2,110,263,029	1,093,875,313	1,532,798,458	4,736,936,800
Nairobi City	9,611,952,549	4,035,680,181	1,475,144,544	15,122,777,274
Nakuru	3,249,400,507	2,523,116,304	1,510,843,957	7,283,360,768
Nandi	1,413,985,849	1,184,972,831	1,118,345,200	3,717,303,880
Narok	1,963,340,000	1,751,319,200	1,681,931,331	5,396,590,531
Nyamira	1,412,490,873	744,514,509	492,279,847	2,649,285,229
Nyandarua	1,433,717,774	1,007,889,290	761,295,025	3,202,902,089
Nyeri	1,923,325,033	874,728,247	586,350,532	3,384,403,812
Samburu	965,009,494	1,042,815,015	858,338,368	2,866,162,877
Siaya	1,311,617,499	797,635,027	1,108,764,534	3,218,017,060
Taita/Taveta	1,560,062,507	679,581,603	309,960,287	2,549,604,397
Tana River	908,040,418	409,430,917	1,699,003,127	3,016,474,462
Tharaka -Nithi	1,185,800,575	371,361,099	384,017,386	1,941,179,060
Trans Nzoia	1,591,940,223	1,350,492,539	1,159,952,880	4,102,385,642
Turkana	2,031,356,948	1,167,662,388	5,108,328,120	8,307,347,456
Uasin Gishu	1,834,553,045	842,037,472	769,429,936	3,446,020,453
Vihiga	1,500,986,601	720,152,005	585,184,511	2,806,323,117
Wajir	2,015,917,480	950,157,092	2,364,884,827	5,330,959,399
West Pokot	1,013,499,995	1,045,112,152	842,199,957	2,900,812,104
Total	**91,394,432,412**	**53,675,898,414**	**62,747,020,460**	**207,817,351,286**

Source: *OCOB and County Treasuries*

The Counties that attained the highest expenditure in absolute terms were; Nairobi City at Kshs.15.12 billion, Turkana at Kshs.8.31 billion, and Kiambu at Kshs.7.9 billion while the lowest expenditure was recorded by Lamu, Tharaka Nithi, and Kirinyaga counties at Kshs.0.87 billion, Kshs.1.94 billion, and Kshs.2.21 billion, respectively.

Counties that recorded the highest overall absorption rates were Isiolo at 68.4 per cent, Tana River at 65.8 per cent and Bomet at 65.2 per cent. Conversely, Kirinyaga, Kwale, and Lamu Counties recorded the lowest overall absorption rates at 42.1 per cent, 41.4 per cent, and 27.2 per cent respectively. The overall absorption rate is computed as a percentage of total expenditure to the Approved County Budget.

Analysis of total expenditure as a percentage of the total funds authorized for withdrawal by the Controller of Budget indicated that expenditure by five Counties, namely; Nairobi City at 138.9 per cent, Isiolo at 110.3 per cent, Wajir at 104.1 per cent, Kilifi at 102.6 per cent, and Kiambu at 102 per cent exceeded the funds authorized for withdrawal by the Controller of Budget. This may be attributed to spending of local revenue at source contrary to Section 109 of the PFM Act, 2012.

A review of cumulative expenditure by economic classification showed that Kshs.91.39 billion (44 per cent) was spent on personnel emoluments, Kshs.56.68 billion (25.8 per cent) on operations and maintenance, and Kshs.62.74 billion (30.2 per cent) on development activities.

2.4.1 Development Expenditure

The County Governments spent **Kshs.62.74 billion** on development activities, representing an absorption rate of **37.9 per cent** of the annual development budget, which is an increase from **33.9 per cent**, reported in a similar period of FY 2015/16 when development expenditure was Kshs.55.32 billion.

Analysis of county budgets and expenditure in the first nine months of FY 2016/17 is provided in Table 2.4.

Table 2.4: County Budget Allocation, Expenditure and Absorption Rates for the First Nine Months of FY 2016/17

County Title	Budget Estimates (Kshs. Million)			Expenditure (Kshs. Million)			Recurrent Absorption Rate (%)	Development Absorption Rate (%)	Overall Absorption Rate
	Rec	Dev	Total	Rec	Dev	Total			
	A	B	C=A+B	D	E	F=D+E	G=D/A*100	H=E/B*100	I=F/C*100
Baringo	3,921.23	2,600.12	6,521.34	2,556.97	800.22	3,357.20	65.2	30.8	51.5
Bomet	3,962.96	1,682.04	5,644.99	2,581.18	1,101.83	3,683.02	65.1	65.5	65.2
Bungoma	6,401.31	3,732.46	10,133.77	4,302.56	994.79	5,297.35	67.2	26.7	52.3
Busia	4,634.42	3,831.58	8,466.00	2,852.07	1,246.41	4,098.47	61.5	32.5	48.4
Elgeyo/Marak-wet	2,886.76	1,852.41	4,739.17	1,906.16	607.27	2,513.43	66.0	32.8	53.0
Embu	4,157.41	2,567.76	6,725.17	2,607.47	931.89	3,539.37	62.7	36.3	52.6
Garissa	4,764.56	2,805.96	7,570.52	2,901.56	1,292.08	4,193.64	60.9	46.0	55.4
Homa Bay	4,342.76	2,353.88	6,696.64	2,758.43	933.42	3,691.85	63.5	39.7	55.1
Isiolo	2,264.09	1,482.33	3,746.42	1,655.50	907.04	2,562.54	73.1	61.2	68.4
Kajiado	4,354.48	2,655.90	7,010.38	2,472.17	596.53	3,068.70	56.8	22.5	43.8
Kakamega	6,080.46	6,225.15	12,305.61	3,797.03	2,473.68	6,270.71	62.4	39.7	51.0
Kericho	3,786.86	2,498.22	6,285.08	2,396.80	1,447.01	3,843.80	63.3	57.9	61.2
Kiambu	8,769.88	3,990.08	12,759.97	5,997.30	1,903.92	7,901.23	68.4	47.7	61.9
Kilifi	6,271.55	6,759.88	13,031.43	4,038.01	2,356.39	6,394.39	64.4	34.9	49.1
Kirinyaga	3,369.02	1,875.84	5,244.86	1,767.67	439.96	2,207.62	52.5	23.5	42.1
Kisii	6,103.97	3,952.04	10,056.01	3,866.02	1,484.36	5,350.37	63.3	37.6	53.2
Kisumu	6,087.57	3,094.76	9,182.33	3,481.50	1,130.51	4,612.01	57.2	36.5	50.2
Kitui	5,553.07	5,293.55	10,846.61	2,612.39	1,997.56	4,609.96	47.0	37.7	42.5
Kwale	3,031.61	5,105.16	8,136.77	1,913.29	1,457.54	3,370.83	63.1	28.6	41.4
Laikipia	3,409.17	2,533.97	5,943.14	2,286.38	722.09	3,008.48	67.1	28.5	50.6
Lamu	1,991.54	1,219.72	3,211.26	770.52	101.44	871.96	38.7	8.3	27.2
Machakos	7,539.57	3,336.43	10,876.00	4,645.87	1,558.87	6,204.74	61.6	46.7	57.0
Makueni	4,921.71	5,601.70	10,523.40	3,493.92	2,657.91	6,151.83	71.0	47.4	58.5
Mandera	4,326.27	7,694.42	12,020.69	2,799.33	3,869.39	6,668.72	64.7	50.3	55.5
Marsabit	3,609.18	3,210.00	6,819.18	2,058.29	1,126.03	3,184.32	57.0	35.1	46.7
Meru	6,553.95	3,212.50	9,766.45	3,908.04	1,343.97	5,252.01	59.6	41.8	53.8
Migori	4,749.07	2,981.63	7,730.69	2,929.50	1,421.52	4,351.02	61.7	47.7	56.3
Mombasa	7,875.97	4,035.90	11,911.87	4,084.61	1,494.34	5,578.94	51.9	37.0	46.8
Murang'a	4,707.53	3,505.29	8,212.82	3,204.14	1,532.80	4,736.94	68.1	43.7	57.7
Nairobi City	23,161.54	11,392.99	34,554.53	13,647.63	1,475.14	15,122.78	58.9	12.9	43.8

County Title	Budget Estimates (Kshs. Million)			Expenditure (Kshs. Million)			Recurrent Absorption Rate (%)	Development Absorption Rate (%)	Overall Absorption Rate
	Rec	Dev	Total	Rec	Dev	Total			
	A	B	C=A+B	D	E	F=D+E	G=D/A*100	H=E/B*100	I=F/C*100
Nakuru	8,963.23	5,779.10	14,742.33	5,772.52	1,510.84	7,283.36	64.4	26.1	49.4
Nandi	4,377.21	2,526.11	6,903.32	2,598.96	1,118.35	3,717.30	59.4	44.3	53.8
Narok	5,537.70	4,273.61	9,811.31	3,714.66	1,681.93	5,396.59	67.1	39.4	55.0
Nyamira	3,938.16	1,670.90	5,609.06	2,157.01	492.28	2,649.29	54.8	29.5	47.2
Nyandarua	3,615.15	1,991.52	5,606.67	2,441.61	761.30	3,202.90	67.5	38.2	57.1
Nyeri	4,872.62	2,304.91	7,177.53	2,798.05	586.35	3,384.40	57.4	25.4	47.2
Samburu	2,960.82	1,612.49	4,573.31	2,007.82	858.34	2,866.16	67.8	53.2	62.7
Siaya	3,836.82	3,492.67	7,329.49	2,109.25	1,108.76	3,218.02	55.0	31.7	43.9
Taita/Taveta	3,119.45	1,565.26	4,684.72	2,239.64	309.96	2,549.60	71.8	19.8	54.4
Tana River	2,227.56	2,357.66	4,585.21	1,317.47	1,699.00	3,016.47	59.1	72.1	65.8
Tharaka –Nithi	2,686.75	1,273.16	3,959.90	1,557.16	384.02	1,941.18	58.0	30.2	49.0
Trans Nzoia	4,224.48	2,650.52	6,875.00	2,942.43	1,159.95	4,102.39	69.7	43.8	59.7
Turkana	4,207.94	10,818.38	15,026.32	3,199.02	5,108.33	8,307.35	76.0	47.2	55.3
Uasin Gishu	5,042.94	2,676.15	7,719.09	2,676.59	769.43	3,446.02	53.1	28.8	44.6
Vihiga	3,529.59	1,511.05	5,040.64	2,221.14	585.18	2,806.32	62.9	38.7	55.7
Wajir	4,588.44	4,093.50	8,681.95	2,966.07	2,364.88	5,330.96	64.6	57.8	61.4
West Pokot	3,414.26	1,832.13	5,246.39	2,058.61	842.20	2,900.81	60.3	46.0	55.3
Total	**234,732.57**	**165,512.75**	**400,245.32**	**145,070.33**	**62,747.02**	**207,817.35**	**61.8**	**37.9**	**51.9**

Source: *OCOB and County Treasuries*

Tana River County recorded the highest absorption rate of development expenditure at 72.1 per cent, followed by Bomet and Isiolo counties at 65.5 per cent and 61.2 per cent respectively. Lamu, Nairobi City and Taita Taveta counties recorded the least at 8.3 per cent, 12.9 per cent and 19.8 per cent, respectively.

2.4.2 Recurrent Expenditure

During the reporting period, the Counties spent an aggregate of Kshs.145.07 billion, translating to 69.8 per cent of the total expenditure on recurrent activities. This expenditure represents **61.8 per cent** of the annual County Governments' budgets for recurrent activities, a decrease from **63.5 per cent** recorded in a similar period of FY 2015/16 where expenditure was Kshs.128.44 billion.

Turkana County reported the highest percentage of recurrent expenditure to annual recurrent budget at 76 per cent, followed by Isiolo County at 73.1 per cent, and Taita Taveta County at 71.8 per cent. Lamu, Kitui, and Mombasa Counties recorded the lowest proportion of recurrent expenditure to annual recurrent budgets at 38.7 per cent, 47 per cent, and 51.9 per cent respectively.

2.4.2.1 Personnel Emoluments

The County Governments spent Kshs.90.95 billion on personnel emoluments, representing **61.8 per cent** of the total recurrent expenditure and **43.3 per cent** of total expenditure. This expenditure was an increase of 6 per cent from Kshs.85.82 billion spent in a similar period of FY 2015/16 where the personnel expenditure translated to 46.7 per cent of the total expenditure.

Analysis of personnel emoluments as a percentage of total expenditure by county shows that Nairobi City, Taita Taveta, and Tharaka Nithi recorded the highest percentage at 63.6 per cent, 61.2 per cent and 61.1 per cent respectively. Mandera, Turkana and Marsabit reported the least proportions at 20.7 per cent, 24.5 per cent and 29.4 per cent respectively.

2.4.2.1 Operations and Maintenance Expenditure

A total of Kshs.56.24 billion was spent on operations and maintenance expenditure during the reporting period, which translated to 26.8 per cent of the total expenditure.

Analysis of expenditure on operations and maintenance as a proportion of the total expenditure by county indicated that Kakamega had the highest proportion at 42.4 per cent, followed by Mombasa and Kajiado Counties at 39.5 per cent and 37.3 per cent respectively. The Counties that attained the least proportion of operations and maintenance expenditure to their total expenditure during the reporting period were; Tana River, Turkana, and Laikipia at 13.6 per cent, 14.1 per cent and 16.6 per cent respectively.

2.4.2.1 Review of MCA's Sitting Allowances

During the reporting period, the County Assemblies spent Kshs.1.73 billion on MCA's sitting allowances against an approved budget allocation of Kshs.3.36 billion. This expenditure translates to 51.5 per cent of the approved MCA's sitting allowance budget, a decrease from 56.1 per cent attained in a similar period of FY 2015/16 where Kshs.2.68 billion was spent.

Table 2.5 shows the budgetary allocation and expenditure on MCAs and Speakers sitting allowances in the first nine months of FY 2016/17.

Table 2.5: County Budget Allocation, Expenditure and Absorption Rate of MCA's Sitting Allowance in the First Nine Months of FY 2016/17

County	MCA Sitting Allowances				
	Budgetary Allocation (Kshs)	Expenditure (Kshs)	Absorption %	No. of MCAs & Speaker	Average monthly sitting allowance Per MCA (Kshs)
	A	B	C=B/A*100	D	E=B/D/12
Baringo	58,500,000	31,771,898	54.3	49	72,045
Bomet	45,011,000	24,803,830	55.1	36	76,555
Bungoma	68,808,000	46,170,570	67.1	64	80,157
Busia	107,827,201	53,112,490	49.3	54	109,285
Elgeyo/Marakwet	37,496,000	28,297,025	75.5	31	101,423
Embu	33,216,000	21,018,100	63.3	34	68,687
Garissa	87,000,000	52,300,520	60.1	49	118,595
Homa Bay	126,313,600	71,221,720	56.4	64	123,649
Isiolo	30,615,936	8,057,280	26.3	21	42,631
Kajiado	66,440,344	18,655,000	28.1	42	49,352
Kakamega	169,674,400	80,901,511	47.7	88	102,148
Kericho	82,989,357	41,532,896	50.0	48	96,141
Kiambu	100,000,000	60,284,302	60.3	88	76,117
Kilifi	80,712,000	39,820,501	49.3	54	81,935
Kirinyaga	62,000,000	27,787,500	44.8	30	102,917
Kisii	95,411,955	64,245,800	67.3	72	99,145

County	MCA Sitting Allowances				
	Budgetary Allocation (Kshs)	Expenditure (Kshs)	Absorption %	No. of MCAs & Speaker	Average monthly sitting allowance Per MCA (Kshs)
	A	B	C=B/A*100	D	E=B/D/12
Kisumu	86,050,000	33,402,100	38.8	50	74,227
Kitui	57,788,600	35,281,240	61.1	57	68,774
Kwale	55,216,000	28,851,034	52.3	34	94,284
Laikipia	31,984,000	24,262,935	75.9	24	112,328
Lamu	28,326,400	2,280,000	8.0	21	12,063
Machakos	85,472,714	42,379,100	49.6	60	78,480
Makueni	50,000,000	40,544,300	81.1	48	93,853
Mandera	63,000,000	25,463,700	40.4	49	57,741
Marsabit	40,000,000	19,500,000	48.8	34	63,725
Meru	104,991,600	65,994,100	62.9	70	104,753
Migori	93,783,200	45,448,900	48.5	63	80,157
Mombasa	101,197,056	30,376,463	30.0	43	78,492
Murang'a	74,609,600	49,499,209	66.3	49	112,243
Nairobi City	140,599,158	78,409,500	55.8	128	68,064
Nakuru	110,000,000	75,833,540	68.9	75	112,346
Nandi	73,382,400	45,444,600	61.9	49	103,049
Narok	71,510,400	28,861,520	40.4	48	66,809
Nyamira	68,812,800	17,396,600	25.3	34	56,852
Nyandarua	68,414,000	30,104,254	44.0	42	79,641
Nyeri	88,857,600	35,985,500	40.5	48	83,300
Samburu	51,465,601	29,496,230	57.3	27	121,384
Siaya	84,361,600	44,078,521	52.2	49	99,951
Taita/Taveta	65,436,800	25,119,900	38.4	36	77,531
Tana River	44,990,400	13,575,600	30.2	27	55,867
Tharaka –Nithi	26,660,000	14,759,534	55.4	25	65,598
Trans Nzoia	82,272,000	49,050,300	59.6	40	136,251
Turkana	73,776,000	35,765,588	48.5	48	82,791
Uasin Gishu	61,560,000	33,722,000	54.8	45	83,264
Vihiga	10,330,000	7,854,790	76.0	40	21,819
Wajir	70,361,200	21,377,523	30.4	46	51,637
West Pokot	46,907,060	30,833,192	65.7	33	103,815
Total	**3,364,131,982**	**1,730,932,716**	**51.5**	**2266**	**84,875**

Source: *OCOB and County Treasuries*

Trans Nzoia County Assembly reported a higher monthly average expenditure on MCA's sitting allowances than the SRC's recommended monthly maximum of Kshs.124,800 at Kshs.136,251.

2.4.2.1 Review of Expenditure on Domestic and Foreign Travels

The County Governments spent Kshs.8.59 billion on domestic and foreign travel against an approved annual budget allocation of Kshs.13.17 billion. This expenditure represented 65.2 per cent of the total budget allocation towards domestic and foreign travel, an increase from 63.1 per cent attained in a similar period of FY 2015/16 where a total of Kshs.7.15 billion was spent.

The expenditure on domestic and foreign travel by both the County Assemblies and the County

Executives in the first nine months of FY 2016/17 is presented in Table 2.6.

Table 2.6: Expenditure on Domestic and Foreign Travels by the County Assemblies and the County Executives in the First Nine Months of FY 2016/17 (Kshs. million)

County	County Assembly			County Executive			Total Expenditure		
	Budget	Expenditure	Performance	Budget	Expenditure	Performance	Budget	Expenditure	Performance
	A	B	C=B/A*100	D	E	F=E/D*100	G=A+D	H=B+E	I=H/G*100
Baringo	97.80	80.47	82.3	49.82	45.17	90.7	147.62	125.64	85.1
Bomet	83.20	77.31	92.9	108.24	90.79	83.9	191.44	168.10	87.8
Bungoma	14.00	3.92	28.0	235.89	251.24	106.5	249.89	255.16	102.1
Busia	47.02	38.93	82.8	188.17	109.36	58.1	235.20	148.28	63.0
Elgeyo/ Marakwet	45.24	38.20	84.4	30.88	26.25	85.0	76.13	64.45	84.7
Embu	104.26	97.13	93.2	63.72	33.74	52.9	167.98	130.87	77.9
Garissa	66.40	38.68	58.3	94.00	56.78	60.4	160.40	95.47	59.5
Homa Bay	62.33	50.60	81.2	102.22	69.46	68.0	164.54	120.05	73.0
Isiolo	74.60	38.04	51.0	111.08	76.88	69.2	185.67	114.92	61.9
Kajiado	92.80	81.09	87.4	149.28	152.00	101.8	242.08	233.10	96.3
Kakamega	157.00	110.77	70.6	153.13	79.04	51.6	310.13	189.81	61.2
Kericho	85.35	68.95	80.8	103.08	89.90	87.2	188.43	158.85	84.3
Kiambu	211.50	144.33	68.2	242.97	158.69	65.3	454.47	303.02	66.7
Kilifi	116.68	71.96	61.7	137.20	83.51	60.9	253.88	155.47	61.2
Kirinyaga	103.00	72.60	70.5	78.05	31.30	40.1	181.05	103.90	57.4
Kisii	96.25	59.96	62.3	304.09	204.18	67.1	400.34	264.14	66.0
Kisumu	78.46	25.03	31.9	264.86	114.96	43.4	343.32	140.00	40.8
Kitui	136.18	92.45	67.9	281.27	164.12	58.4	417.45	256.58	61.5
Kwale	114.54	79.11	69.1	114.27	68.35	59.8	228.81	147.45	64.4
Laikipia	52.50	38.67	73.7	31.75	26.42	83.2	84.25	65.09	77.3
Lamu	88.72	62.46	70.4	77.48	36.11	46.6	166.20	98.57	59.3
Machakos	178.00	174.78	98.2	374.69	165.88	44.3	552.69	340.66	61.6
Makueni	66.00	58.32	88.4	120.56	136.99	113.6	186.56	195.32	104.7
Mandera	98.56	61.98	62.9	114.94	49.61	43.2	213.50	111.58	52.3
Marsabit	97.76	64.99	66.5	151.85	80.86	53.2	249.61	145.84	58.4
Meru	119.75	65.04	54.3	139.43	63.01	45.2	259.18	128.05	49.4
Migori	106.88	98.34	92.0	192.66	133.80	69.5	299.54	232.14	77.5
Mombasa	46.68	0.26	0.5	646.92	99.95	15.4	693.60	100.20	14.4
Murang'a	121.50	98.05	80.7	164.64	105.59	64.1	286.14	203.64	71.2
Nairobi City	296.61	267.83	90.3	934.88	181.17	19.4	1,231.49	449.01	36.5
Nakuru	32.50	36.37	111.9	86.26	286.45	332.1	118.76	322.82	271.8
Nandi	65.00	57.71	88.8	204.00	152.17	74.6	269.00	209.89	78.0
Narok	21.98	26.89	122.3	134.42	86.21	64.1	156.40	113.10	72.3
Nyamira	127.25	109.39	86.0	321.84	205.10	63.7	449.09	314.49	70.0
Nyandarua	104.15	100.32	96.3	189.55	134.66	71.0	293.71	234.98	80.0
Nyeri	125.00	78.83	63.1	174.94	31.46	18.0	299.94	110.29	36.8
Samburu	68.33	46.87	68.6	129.30	66.18	51.2	197.63	113.05	57.2
Siaya	74.25	59.87	80.6	170.34	125.98	74.0	244.58	185.85	76.0

County	County Assembly			County Executive			Total Expenditure		
	Budget	Expenditure	Performance	Budget	Expenditure	Performance	Budget	Expenditure	Performance
	A	B	C=B/A*100	D	E	F=E/D*100	G=A+D	H=B+E	I=H/G*100
Taita Taveta	110.48	95.14	86.1	174.93	161.04	92.1	285.42	256.19	89.8
Tana River	73.40	43.15	58.8	147.13	117.30	79.7	220.53	160.44	72.8
Tharaka Nithi	55.66	48.10	86.4	136.65	48.17	35.2	192.31	96.26	50.1
Trans Nzoia	73.47	58.96	80.3	76.70	206.05	268.6	150.17	265.01	176.5
Turkana	98.48	87.10	88.4	153.55	194.40	126.6	252.03	281.50	111.7
Uasin Gishu	67.61	62.51	92.4	253.19	86.01	34.0	320.80	148.52	46.3
Vihiga	124.35	112.00	90.1	148.73	110.40	74.2	273.09	222.39	81.4
Wajir	82.32	60.17	73.1	211.11	159.20	75.4	293.43	219.36	74.8
West Pokot	85.18	79.90	93.8	245.60	11.42	4.6	330.77	91.31	27.6
Total	**4,448.99**	**3,423.51**	**77.0**	**8,720.23**	**5,167.30**	**59.3**	**13,169.22**	**8,590.82**	**65.2**

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

In absolute terms, Nairobi City County had the highest expenditure of domestic and foreign travel at Kshs.449.01 million, followed by Machakos County and Nakuru County at Kshs.340.66 million and Kshs.322.82 million, respectively. The Counties that recorded the least expenditure are; Elgeyo Marakwet, Laikipia, and West Pokot at Kshs.64.45 million, Kshs.65.09 million and Kshs.91.31 million, respectively.

Analysis of expenditure on domestic and foreign travel as a proportion of the annual budgetary allocation by County indicated that a total of five counties spent above 100 per cent of their budget allocation, which is irregular and should be addressed by way of a Supplementary Budget. These counties included: Nakuru County at 271.8 per cent, Trans Nzoia County at 176.5 per cent, Turkana County at 111.7 per cent, Makueni County at 104.7 per cent, and Bungoma at 102.1 per cent.

3 INDIVIDUAL COUNTY BUDGET PERFORMANCE

This chapter provides individual County budget performance for the first nine months of FY 2016/17. The 47 County Governments are presented in alphabetical order.

3.1 Baringo County

3.1.1 Overview of the FY 2016/17 Budget

The County's FY 2016/17 Approved Budget was Kshs.6.52 billion, comprising of Kshs.3.92 billion (60.1 per cent) and Kshs.2.60 billion (39.9 per cent) allocation for recurrent and development expenditure respectively.

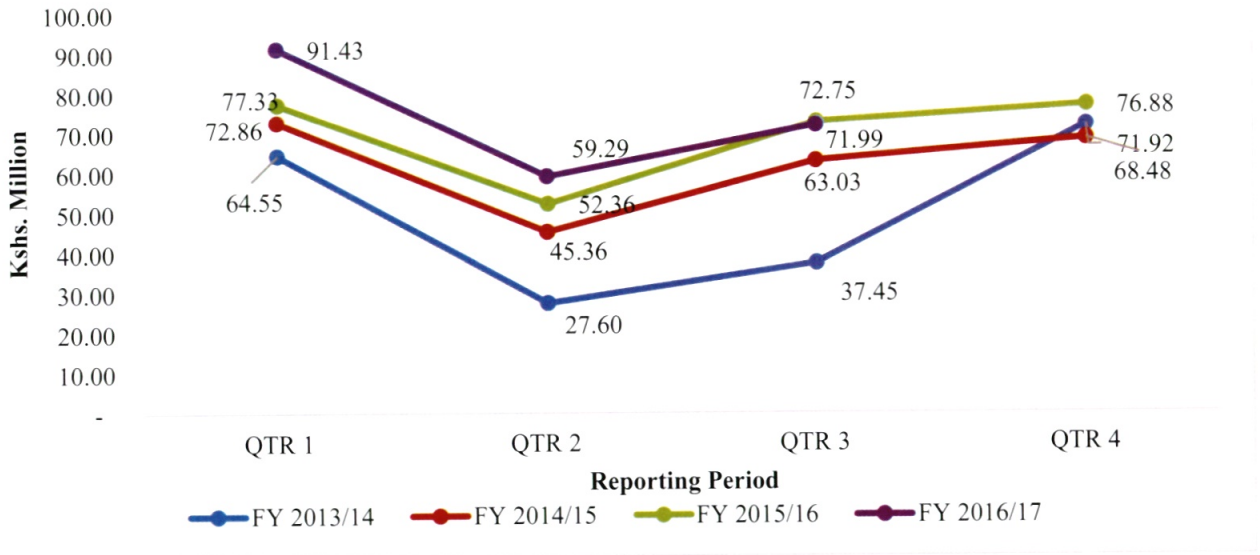
To finance the budget, the County expects to receive Kshs.4.79 billion (73.5 per cent) as equitable share of revenue raised nationally, Kshs.269.45 million (4.1 per cent) as total conditional grants, generate Kshs.472 million (7.2 per cent) from local sources, and Kshs.892.71 million (13.7 per cent) cash balance from FY 2015/16. The conditional grants comprise of Kshs.64.66 million for Free Maternal Healthcare, Kshs.73.62 million from the Road Maintenance Fuel Levy Fund, Kshs.13.37 million for User Fees Foregone, Kshs.12.99 million from DANIDA, Kshs.77.76 million as World Bank support to Health Facilities and Kshs.27.05 million for the Capacity and Performance Grant.

3.1.2 Revenue Analysis

During the first nine months of FY 2016/17, the County received Kshs.2.80 billion as equitable share of the revenue raised nationally, Kshs.90.2 million as total conditional allocations, raised Kshs.222.71 million from local sources, and had a cash balance of Kshs.892.71 million brought forward from FY 2015/16.

Figure 3.1 shows the quarterly trend in local revenue collection from the first quarter of FY 2013/14 to the third quarter of FY 2016/17.

Figure 3.1: Baringo County, Trend in Local Revenue Collection by Quarter from the First Quarter of FY 2013/14 to the Third Quarter of FY 2016/17



Source: *Baringo County Treasury*

The total local revenue collected in the first nine months of FY 2016/17 amounted to Kshs.222.71 million, representing an increase of 10 per cent compared to Kshs.202.43 million generated in a similar period of FY 2015/16, and represented 47.1 per cent of the annual local revenue target.

3.1.3 Conditional Grants

Table 3.1 shows an analysis of conditional grants released in the first nine months of FY 2016/17.

Table 3.1: Baringo County, Analysis of Conditional Grants Released in the First Nine Months of FY 2016/17

No.	Conditional Grant	Allocation based on CARA, 2016 (Kshs.)	Receipts during the first nine months of FY 2016/17 (Kshs.)	Actual receipts as a percentage of Annual Allocation (%)
1	Conditional Allocation Free Maternal Healthcare	64,662,618	33,635,000	52.0
2	Roads Maintenance Fuel Levy Fund	73,620,416	36,810,208	50.0
3	Compensation for use fees forgone	13,370,516	6,685,258	50.0
4	World Bank support to Health Facilities	77,761,278	-	-
5	DANIDA (Health Facilities)	12,985,000	-	-
6	Capacity Performance Grant (Not contained in CARA,2016)	27,052,470	-	-
	TOTAL	**269,452,298**	**77,130,466**	**28.6**

Source: *Baringo County Treasury*

Analysis of the conditional grants released during the period under review indicates that, the User Fees Foregone grant and Road Maintenance Fuel Levy Fund recorded the highest receipts at 52 per cent and 50 per cent of the annual target respectively. The County is yet to receive funds from the World Bank grant to health facilities, Capacity Performance grant, and DANIDA.

3.1.4 Exchequer Issues

During the reporting period, the Controller of Budget authorised withdrawal of Kshs.3.69 billion from the CRF account, which was 56.6 per cent of the Approved Budget. This amount represented an increase of 9.5 per cent from Kshs.3.37 billion authorized in a similar period of FY 2015/16 and consisted of Kshs.2.68 billion (72.7 per cent) for recurrent expenditure and Kshs.1.01 billion (27.3 per cent) for development activities.

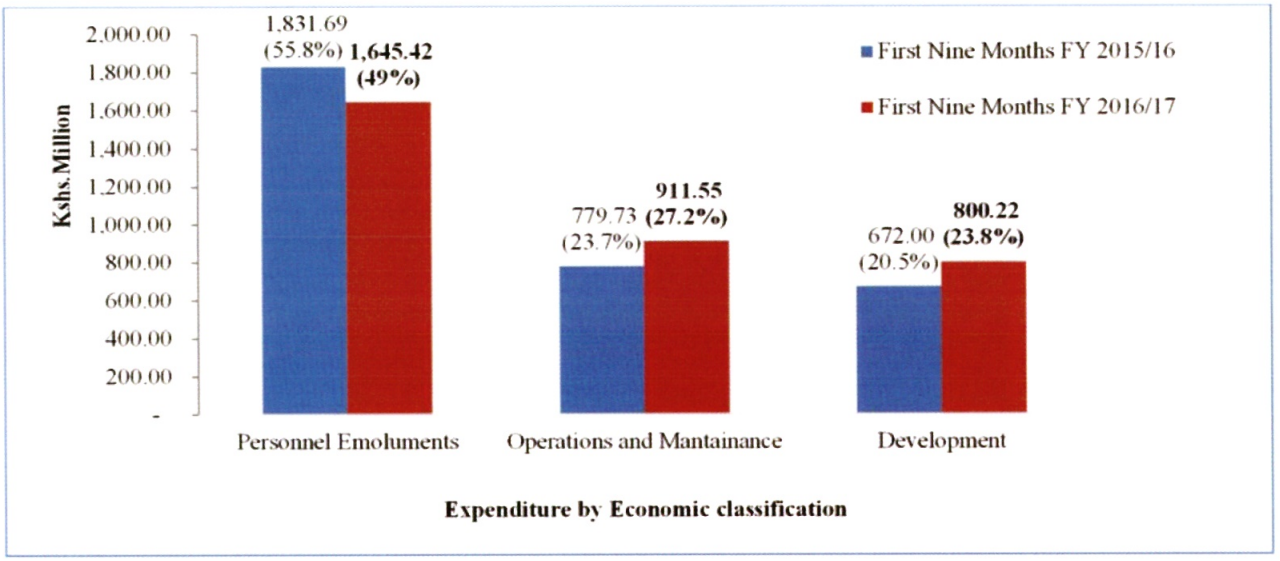
3.1.5 Overall Expenditure Review

The County spent Kshs.3.36 billion, which was 91 per cent of the total funds released for operations. This was an increase of 2.4 per cent from Kshs.3.28 billion spent in a similar period of FY 2015/16.

A total of Kshs.2.56 billion was spent on recurrent activities, while Kshs.800.22 million was spent on development activities. The recurrent expenditure was 97.7 per cent of the funds released for recurrent activities while development expenditure accounted for 79.5 per cent of the funds released for development activities. The expenditure excluded outstanding commitments as at 31st March, 2017 that amounted to Kshs.60.1 million for development and Kshs.26.5 million for recurrent expenditure.

The recurrent expenditure represented 65.2 per cent of the annual recurrent budget, a decrease from 76.1 per cent spent in a similar period of FY 2015/16. Development expenditure recorded an absorption rate of 30.8 per cent, which was an increase from 27.8 per cent attained in a similar period of FY 2015/16. Figure 3.2 presents a comparison between the total expenditure in the first nine months of FY 2016/17 and the first nine months of FY 2015/16.

Figure 3.2: Baringo County, Expenditure by Economic Classification for the First Nine Months of FY 2016/17 and FY 2015/16

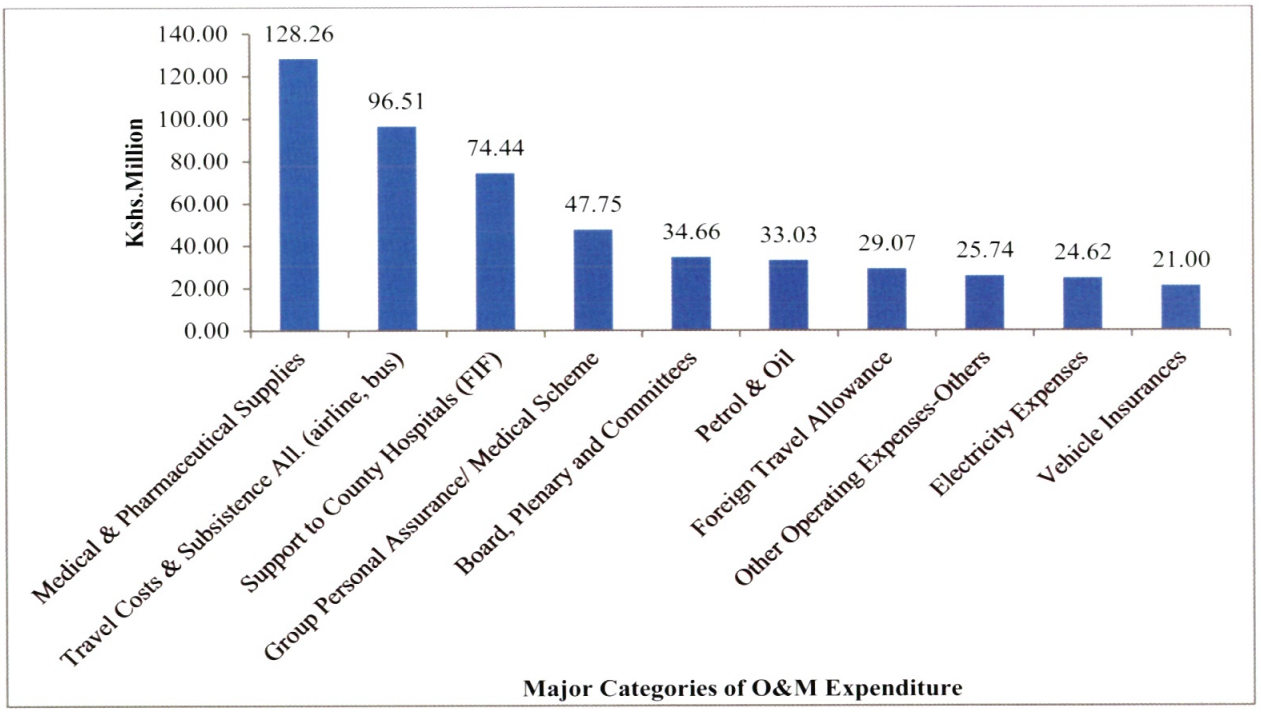


Source: *Baringo County Treasury*

3.1.6 Analysis of Recurrent Expenditure

The total recurrent expenditure of Kshs.2.62 billion consisted of Kshs.1.71 billion (64.4 per cent) spent on personnel emoluments and Kshs.911.55 million (34.8 per cent) on operations and maintenance as shown in Figure 3.2. Expenditure on personnel emoluments represented a decrease of 6.6 per cent compared to a similar period of FY 2015/16 when the County spent Kshs.1.83 billion. Figure 3.3 shows a summary of operations and maintenance expenditure by major categories.

Figure 3.3: Baringo County, Operations and Maintenance Expenditure by Major Categories for the First Nine Months of FY 2016/17



Source: *Baringo County Treasury*

The County spent Kshs.31.77 million on sitting allowances to the 49 MCAs and the Speaker against the annual budget allocation of Kshs.58.5 million. This was an increase of 29.8 per cent compared to Kshs.24.47 million spent in the same period of FY 2015/16. The average monthly sitting allowance was Kshs.72,045 per MCA compared to SRC's recommended monthly ceiling of Kshs.124,800

Expenditure on domestic and foreign travel amounted to Kshs.125.63 million and consisted of Kshs.80.4 million spent by the County Assembly and Kshs.45.2 million by the County Executive. This was an increase of 21 per cent compared to Kshs.103.82 million spent in a similar period of FY 2015/16.

3.1.7 Development Expenditure Analysis

The total development expenditure of Kshs.800.22 million represented 30.8 per cent of the annual development budget of Kshs.2.6 billion. Table 3.2 provides a summarised list of development projects with the highest expenditure during the period under review.

Table 3.2: Baringo County, List of Development Projects with the Highest Expenditure in the First Nine Months of FY 2016/17

S/No.	Project name	Ward (Location of the Project)	Estimated Budget (Kshs.)	Expenditure as at 31st March, 2017 (Kshs.)	Absorption rate (%)
1	Supply of Bull Dozers SD22	Saimo Kipsaraman	21,950,000	20,950,000	95.4
2	Upgrade of Eldama Ravine Mission Hospital Road	Eldama Ravine	29,901,440	16,511,117	55.2
3	Marigat Road upgrade to bitumen standard	Marigat Ward	14,000,000	13,974,355	99.8
4	Compensation for KIMAO Land	County Project	10,000,000	10,000,000	100.0
5	Office Extension at County Assembly	Kabarnet Ward	65,747,519	9,264,107	14.1
6	Rehabilitation of Kabarnet Stadium	Kabarnet Ward	24,000,000	9,012,040	37.6
7	Supply of Garbage Collection Truck	County Project	10,101,562	9,000,000	89.1
8	C unty Spatial Plan	County Project	12,000,000	8,082,961	67.4
9	Milk Processing Plant - Eldama Ravine	Eldama Ravine Ward	20,958,000	6,626,420	31.6

Source: *Baringo County Treasury*

Analysis of the development expenditure by project indicates that, the highest expenditure of Kshs.20.95 million was incurred on acquisition of bulldozers for Saimo Kipsaraman Ward, followed by Kshs.16.51 million for upgrade of the Eldama Ravine Mission Hospital Road to bitumen standard.

3.1.8 Budget and Budget Performance Analysis by Department

Table 3.3 shows a summary of budget estimates and budget performance by department for the first nine months of FY 2016/17

Table 3.3: Baringo County, Budget Performance by Department for the First Nine Months of FY 2016/17

Department	Annual Budget Allocation (Kshs. Million)		First Nine months of FY 2016/17 Exchequer Issues (Kshs. Million)		First Nine months of FY 2016/17 Expenditure (Kshs. Million)		First Nine months of FY 2016/17 Expenditure to Exchequer Issues (%)		First Nine months of FY 2016/17 Absorption rate (%)	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
County Assembly	573.78	65.75	430.17	30.00	400.64	14.20	93.1	47.3	69.8	21.6
Office of the Governor	393.64	153.60	296.89	21.59	236.56	10.96	79.7	50.8	60.1	7.1
Finance and Economic Planning	258.06	26.48	146.88	27.76	148.25	14.01	100.9	50.5	57.4	52.9
Roads, Public Works and Transport	56.16	533.07	40.51	267.68	42.53	218.73	105.0	81.7	75.7	41.0
Tourism, Culture, Sports, Youth and Gender Development	80.08	90.70	59.05	27.94	68.11	33.67	115.3	120.5	85.0	37.1
Education, Communication and ICT	286.42	237.78	171.80	87.77	168.86	123.02	98.3	140.2	59.0	51.7
Health and Sanitation	1,818.57	466.23	1,216.62	143.06	1,227.04	96.01	100.9	67.1	67.5	20.6
Land, Physical Planning and Urban Development	65.11	114.14	41.90	42.92	35.04	64.30	83.6	149.8	53.8	56.3
Agriculture, Livestock, Fisheries & Marketing	227.37	251.89	160.80	137.47	134.85	65.44	83.9	47.6	59.3	26.0
Youth, Gender & Social Security Services	33.77	160.97	23.29	47.40	19.81	40.71	85.0	85.9	58.6	25.3
Water & Irrigation	100.12	424.96	74.84	142.09	58.49	97.82	78.2	68.8	58.4	23.0
Environment & Natural Resources	28.16	74.53	20.29	31.53	16.78	21.33	82.7	67.7	59.6	28.6
TOTAL	**3,921.23**	**2,600.12**	**2,683.05**	**1,007.20**	**2,556.97**	**800.22**	**95.3**	**79.5**	**65.2**	**30.8**

Source: *Baringo County Treasury*

Analysis of budget performance by department shows that the Land, Physical Planning and Urban Development Department attained the highest absorption rate of development budget at 56.3 per cent while the Office of the Governor incurred the least at 7.1 per cent. On the other hand, the Department of Tourism, Culture, Sports, Youth and Gender Development had the highest percentage of recurrent expenditure to recurrent budget at 85 per cent while the Department of Land, Physical Planning and Urban Development had the lowest at 53.8 per cent.

3.1.9 Observations and Recommendations

The County has made progress in addressing some of the challenges previously identified as affecting budget implementation. Some of the progress made included:

i. Improvement in absorption of development budget to 30.8 per cent compared to 27.8 per cent in a similar period of FY 2015/16.

ii. Improvement in local revenue collection by 10 per cent from Kshs.202.43 million in the first nine months of FY 2015/16 to Kshs.222.71 million in the reporting period.

Despite the above progress, the following challenges continued to hamper effective budget

implementation;

1. Late submission of financial reports to the Controller of Budget by the County Treasury, which affected timely preparation of budget implementation reports.

2. Delay by the Fund Administrator of the Baringo County Youth Fund to submit expenditure reports contrary to Section 168 of the PFM Act, 2012.

3. IFMIS connectivity challenges, which slowed down approval of procurement requests and payment to suppliers.

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

1. *The County Treasury should ensure timely preparation and submission of financial reports to the Office of the Controller of Budget in line with Section 166 of PFM Act, 2012.*

2. *The Fund Administrator should ensure timely submission of expenditure reports in line with Section 168 of the PFM Act, 2012.*

3. *The County Treasury should liaise with the IFMIS Directorate for support in the application of IFMIS and the E-procurement module.*

3.2 Bomet County

3.2.1 Overview of the FY 2016/17 Budget

The County's FY 2016/17 Approved Budget was Kshs.5.64 billion, comprising of Kshs.3.96 billion (70 per cent) and Kshs.1.68 billion (30 per cent) allocation for recurrent and development expenditure respectively.

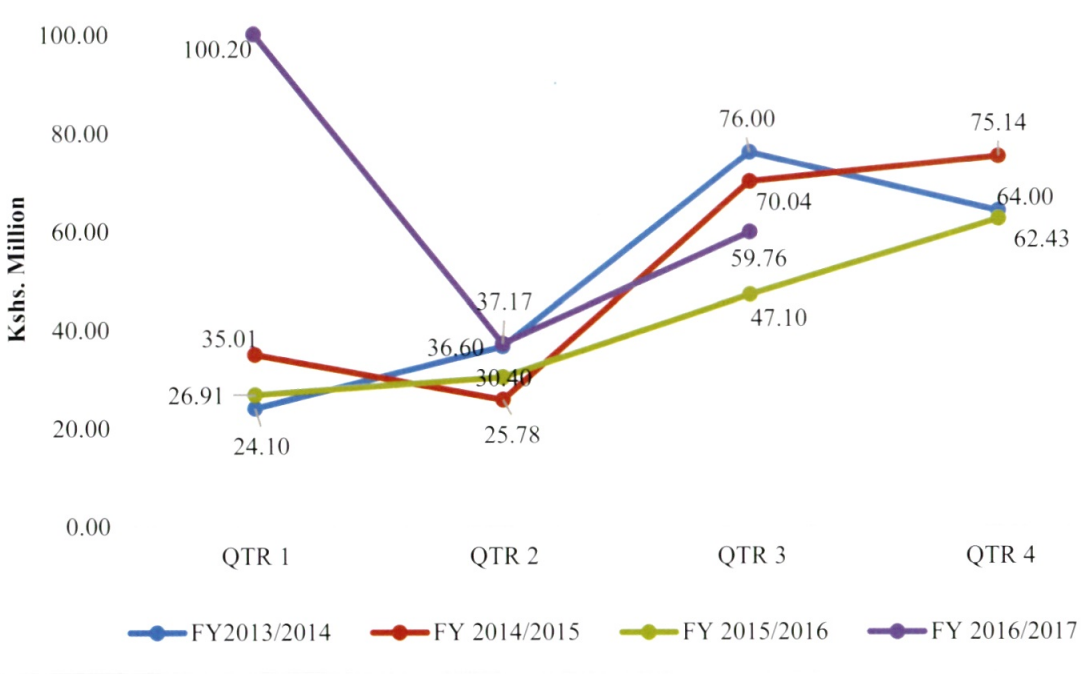
To finance the budget, the County expects to receive Kshs.5.17 billion (91.7 per cent) as equitable share of revenue raised nationally, Kshs.258.04 million (4.6 per cent) as total conditional grants, generate Kshs.207.7 million (3.7 per cent) from local sources. The conditional grants comprise of Kshs.58.45 million (22 per cent) for Free Maternal Healthcare, Kshs.78.03 million (29 per cent) from the Road Maintenance Fuel Levy Fund, Kshs.16.90 million (6 per cent) for User Fees Foregone, Kshs.17.60 million 7 per cent) from DANIDA.

3.2.2 Revenue Analysis

During the first nine months of 2016/17, the County received Kshs.4.22 billion as equitable share of the revenue raised nationally, Kshs.125.00 million from conditional grants allocations, raised Kshs.197.13 million from local sources, and had a cash balance of Kshs.35 million brought forward from FY 2015/16.

Figure 3.4shows the quarterly trend in local revenue collection from the first quarter of FY 2013/14 to the second quarter of FY 2016/17.

Figure 3.4: Bomet County, Trend in Local Revenue Collection by Quarter from the First quarter of FY 2013/14 to Third Quarter FY 2016/17



Source: *Bomet County Treasury*

The total local revenue collected in the first nine months of FY 2016/17 amounted to Kshs.197.13 million, representing an increase of 88.6 per cent compared to Kshs.104.41 million generated in a similar period of FY 2015/16, and represented 80.8 per cent of the annual local revenue target.

3.2.3 Conditional Grants

Table 3.4 shows an analysis of conditional grants released in the first nine months of FY 2016/17.

Table 3.4: Bomet County, Analysis of Conditional Grants Released in the First Nine Months of FY 2016/17

S/No.	Conditional Grant	Allocation based on CARA, 2016 (Kshs.)	Receipts during the first nine months of FY 2016/17 (Kshs.)	Actual receipts as a percentage of Annual Allocation (%)
1	Road Maintenance Fuel Levy Fund	78,035,696	78,035,696	100
2	Free Maternal Healthcare	61,258,095	46,435,883	76
3	World Bank (Capacity Building)	28,000,000	-	-
4	User Fees Foregone	14,191,766	517,865	4
5	DANIDA grant	8,810,000	-	-
	TOTAL	**190,295,557**	**124,989,444**	**66**

Source: *Bomet County Treasury*

Analysis of the conditional grants released during the period under review indicates that, the Road Maintenance Fuel Levy Fund and Free Maternal Healthcare grant recorded the highest receipts at 100 per cent and 76 per cent of annual target respectively. The County is yet to receive funds from the World Bank grant to health facilities and DANIDA.

3.2.4 Exchequer Issues

During the reporting period, the Controller of Budget authorised withdrawal of Kshs.4.22 billion from the CRF account, which was 74.8 per cent of the Approved Budget. This amount represented an increase of 24.5 per cent from Kshs.3.39 billion authorized in a similar period of FY 2015/16 and consisted of Kshs.3.02 billion (71.6 per cent) for recurrent expenditure and Kshs.1.2 billion (28.4 per cent) for development activities.

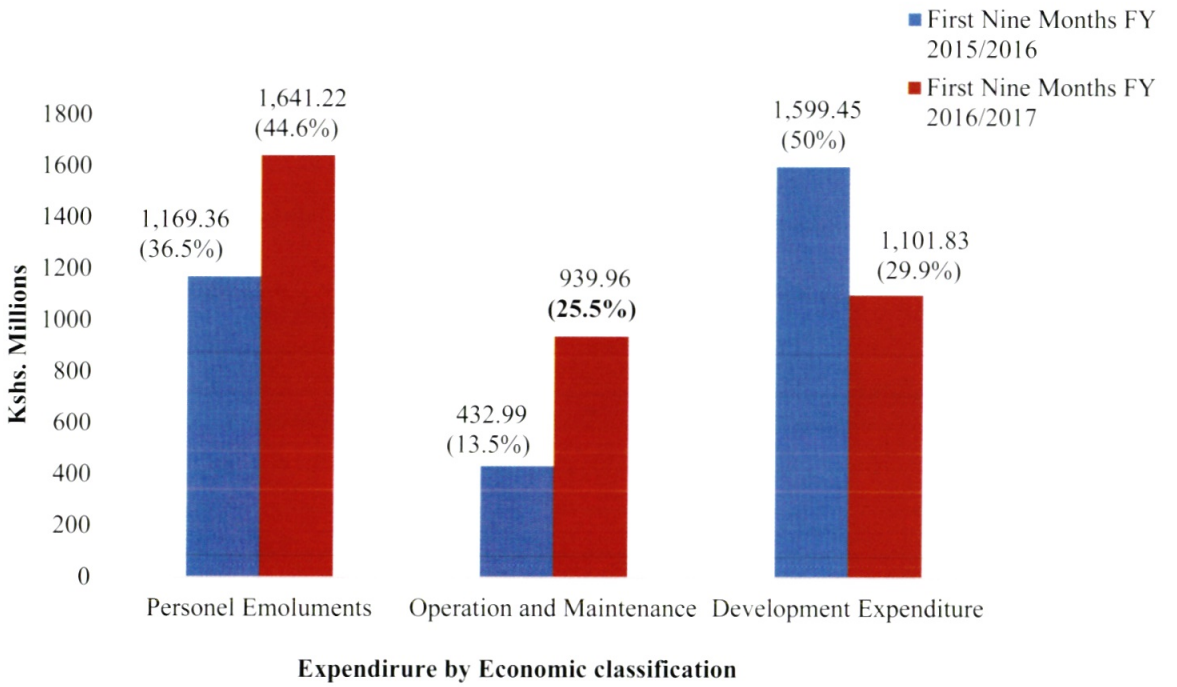
3.2.5 Overall Expenditure Review

The County spent Kshs.3.68 billion, which was 87.3 per cent of the total funds released for operations. This was an increase of 15 per cent from Kshs.3.2 billion spent in a similar period of FY 2015/16.

A total of Kshs.2.58 billion was spent on recurrent activities, while Kshs.1.1 billion was spent on development activities. The recurrent expenditure was 85.5 per cent of the funds released for recurrent activities while development expenditure accounted for 92 per cent of the funds released for development activities.

The recurrent expenditure represented 65.1 per cent of the annual recurrent budget, an increase from 60.6 per cent spent in a similar period of FY 2015/16. Development expenditure recorded an absorption rate of 65.5 per cent, which was an increase from 58.9 per cent attained in a similar period of FY 2015/16. Figure 3.5 presents a comparison between the total expenditure in the first nine months of FY 2016/17 and the first nine months of FY 2015/16.

Figure 3.5: Bomet County, Expenditure by Economic Classification for the First Nine Months of FY 2016/17 and FY 2015/16



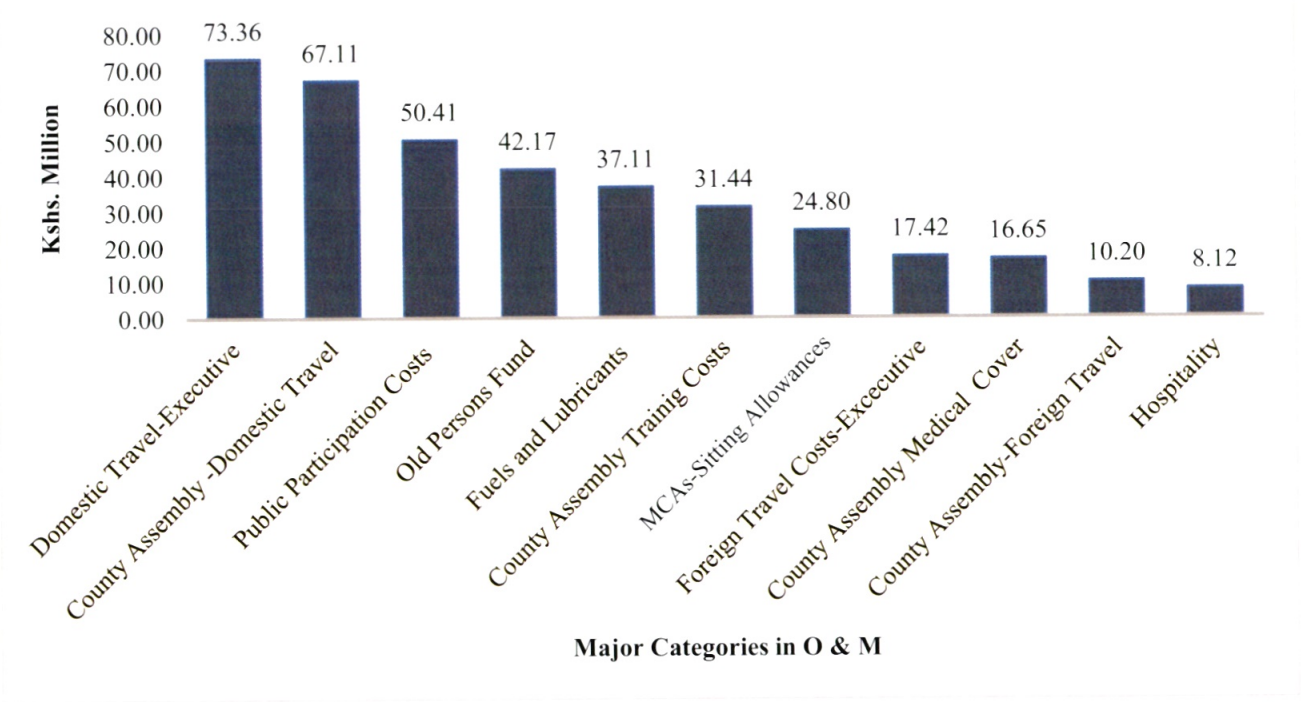
Source: *Bomet County Treasury*

3.2.6 Analysis of Recurrent Expenditure

The total recurrent expenditure of Kshs.2.58 billion consisted of Kshs.1.64 billion (63.6 per cent) spent

on Personnel Emoluments and Kshs.939.96 million (36.4 per cent) on Operations and Maintenance as shown in Figure 3.5. Expenditure on personnel emoluments represented an increase of 40.4 per cent compared to a similar period of FY 2015/16 when the County spent Kshs.1.17 billion. Figure 3.6 shows a summary of the operations and maintenance expenditure by major categories.

Figure 3.6: Bomet County, Operations and Maintenance Expenditure by Major Categories for the First Nine Months of FY 2016/17



Source: *Bomet County Treasury*

The County spent Kshs.24.80 million on sitting allowances to the 35 MCAs and the Speaker against the annual budget allocation of Kshs.45.01 million. This was an increase of 25.6 per cent compared to Kshs.19.74 million spent in the same period of FY 2015/16. The average monthly sitting allowance was Kshs.76,555 per MCA compared to SRC's recommended monthly ceiling of Kshs.124, 800.

Expenditure on domestic and foreign travel amounted to Kshs.168.1 million and consisted of Kshs.77.31 million by the County Assembly and Kshs.90.79 million by the County Executive. This was an increase of 73.3 per cent compared to Kshs.97.02 million spent in a similar period of FY 2015/16.

3.2.7 Development Expenditure Analysis

The total development expenditure of Kshs.1.1 billion represented 65.5 per cent of the annual development budget of Kshs.1.68 billion. Table 3.5 provides a summarised list of development projects with the highest expenditure during the period under review.

Table 3.5: Bomet County, List of Development Projects with the Highest Expenditure in the First Nine Months of FY 2016/17

S/No.	Project name	Ward	Estimated Budget (Kshs.)	Expenditure as at 31st March, 2017 (Kshs.)	Absorption rate (%)
		(Location of the Project)			
1	Construction of Roads	Across the entire County	423,277,408	396,585,642	94
2	Water infrastructure Development	BIDP programme ,Bomet Water Company and Various Water Projects Across the County	284,000,000	165,804,430	58
3	Construction of ECD Classrooms	ECD Classrooms was constructed 6 per ward	147,607,706	127,440,758	86
4	Cooperative Societies	Silibwet, and Kipsonoi,Ward	91,331,856	79,301,736	87
5	Bursaries and Support Services	All wards in the entire county	55,000,000	51,496,720	93
6	Ward Offices	Construction of Ward Offices in All the Wards	60,000,000	50,661,493	83
7	Vocational and Training Centers	Kipsonoi Ward	40,000,000	40,000,000	100
8	Development and Management of Tegat Sport Facility	Kembu Ward	46,000,000	31,165,636	67
9	Building of Dispensaries/Hospitals	One Dispensary per Ward	43,900,000	20,935,806	48
11	Purchase of Dental Equipment	Longisa Referral Hospital	10,000,000	4,270,000	42
	Total		**1,201,116,970**	**967,662,221**	**81**

Source: *Bomet County Treasury*

Analysis of the development expenditure by project indicates that, the highest expenditure of Kshs.396.59 million was spent on construction of roads, followed by Kshs.165.80 on water infrastructure, and Kshs.127.44 on constructions of ECD classrooms.

3.2.8 Budget and Budget Performance Analysis by Department

Table 3.6 shows a summary of budget estimates and budget performance by department for the first nine months of FY 2016/17.

Table 3.6: Bomet County, Budget Performance by Department for the First Nine Months of FY 2016/17

Department	Annual Budget Allocation (Kshs. Million)		First Nine months of FY 2016/17 Exchequer Issues (Kshs. Million)		First Nine months of FY 2016/17 Expenditure (Kshs. Million)		First Nine months of FY 2016/17 Expenditure to Exchequer Issues (%)		First Nine months of FY 2016/17 Absorption rate (%)	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
County Executives	325.57	-	290.72	-	282.16		97.1	-	86.7	-

Department	Annual Budget Allocation (Kshs. Million)		First Nine months of FY 2016/17 Exchequer Issues (Kshs. Million)		First Nine months of FY 2016/17 Expenditure (Kshs. Million)		First Nine months of FY 2016/17 Expenditure to Exchequer Issues (%)		First Nine months of FY 2016/17 Absorption rate (%)	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
Public Service Board	47.52	-	39.74	-	17.69	-	44.5	-	37.2	-
Administration	371.61	60	361.8	54.37	374.01	50.66	103.4	93.2	100.6	84.4
Finance	314.43	25.36	273.17	4.8	203.42	15.09	74.5	314.4	64.7	59.5
Land, Public And Environment	205.52	121.76	189.3	82.82	147.61	47.69	78.0	57.6	71.8	39.2
Agri-Business, Coopertives& Marketing	182.69	207.08	165.36	201.9	117.59	111.01	71.1	55.0	64.4	53.6
Social Services	543.98	30.7	56	15.5	83.59	48.82	149.3	315.0	15.4	159.0
Medical Services	936.03	55.4	808.61	42.43	667.11	26.1	82.5	61.5	71.3	47.1
Economic Planning and Development	45.4	30	30.04	0	30.55	0	101.7	-	67.3	-
Water Services	92.97	284	76.22	197.42	47.69	167.09	62.6	84.6	51.3	58.8
Education And Vocational Trainings	182.03	253.36	160.74	163.87	124.51	219.66	77.5	134.0	68.4	86.7
Roads And Public Works	135.87	429.78	125.5	407.63	98.98	407.28	78.9	99.9	72.8	94.8
ICT, Training And Industry	60.08	68.2	52.45	26.55	43.01	6.29	82.0	23.7	71.6	9.2
County Assembly	519.25	116.41	389.82	0	343.26	2.14	88.1	-	66.1	1.8
Total	**3,962.95**	**1,682.05**	**3,019.47**	**1,197.29**	**2,581.18**	**1,101.83**	**85.5**	**92.0**	**65.1**	**65.5**

Source: *Bomet County Treasury*

Analysis of budget performance by department shows that the Social Services Department attained the highest absorption rate of development budget at 159 per cent while the Economic Planning and Development Department did not incur any development expenditure. On the other hand, the Department of Administration and County Executive had the highest percentage of recurrent expenditure to recurrent budget at 100.6 and 86.7 per cent respectively while the Department of Social Services had the lowest at 15.4. An absorption rate above 100 per cent is irregular and should be addressed through passage of a Supplementary Budget.

3.2.9 Observations and Recommendations

The County has made progress in addressing some of the challenges previously identified as affecting budget implementation. Some of the progress made included:

i. Improvement in the use of IFMIS and Internet Banking platform to process financial transactions.

Despite above the progress, the following challenges continued to hamper effective budget implementation;

1. High wage bill which has increased by 40.4 per cent to Kshs.1.64 billion in the reporting period

compared to a similar period of FY 2015/16 when the County spent Kshs.1.17 billion, and represented 44.6 per cent of total expenditure.

2. Late submission of financial reports by the County Treasury, which affected timely preparation of budget implementation report.

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

1. *The County Public Service Board should establish an optimal staffing structure in order to manage the wage bill.*

2. *The County Treasury should ensure timely preparation and submission of financial reports to the Office of the Controller of Budget in line with Section 166 of PFM Act, 2012.*

3.3 Bungoma County

3.3.1 Overview of the FY 2016/17 Budget

The County's FY 2016/17 Supplementary Budget was Kshs.10.13 billion, comprising of Kshs.6.40 billion (63.2 per cent) and Kshs.3.73 billion (36.8 per cent) allocation for recurrent and development expenditure respectively.

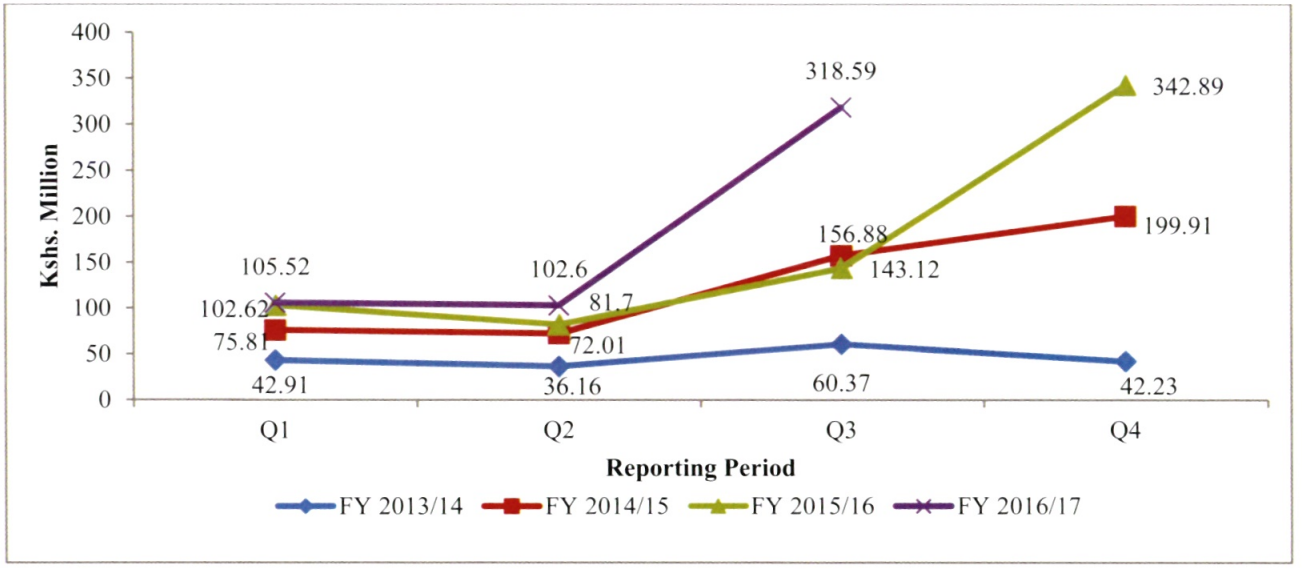
To finance the budget, the County expects to receive Kshs.8.28 billion (80.9 per cent) as equitable share of revenue raised nationally, Kshs.456.67 million (4.5 per cent) as total conditional grants, generate Kshs.731.92 million (7.2 per cent) from local sources, and Kshs.762.19 million (7.4 per cent) cash balance from FY 2015/16. The conditional grants comprises of Kshs.189.57 million (41.5 per cent) for Free Maternal Healthcare, Kshs.127.25 million (27.9 per cent) from the Road Maintenance Fuel Levy Fund, Kshs.95.74 (21.0 per cent) for Leasing of medical Equipment, Kshs.33.28 million (7.3 per cent) for User Fees Foregone and Kshs.7.38 million (1.6 per cent) from DANIDA, Kshs.3.17 million (0.7 per cent) from Coffee Cess and Kshs.273,131 (0.1 per cent) from Tea Cess.

3.3.2 Revenue Analysis

During the first nine months of FY 2016/17, the County received Kshs.5.66 billion as equitable share of the revenue raised nationally, Kshs.248.12 million as total conditional allocations, raised Kshs.526.73 million from local revenue sources, and had a cash balance of Kshs.762.19 million brought forward from FY 2015/16.

Figure 3.7 shows the quarterly trend in local revenue collection from the first quarter of FY 2013/14 to the third quarter of FY 2016/17.

Figure 3.7: Bungoma County, Trend in Local Revenue Collection by Quarter from the First Quarter FY 2013/14 to the Third Quarter FY 2016/17



Source: *Bungoma County Treasury*

The total local revenue collected in the first nine months of FY 2016/17 amounted to Kshs.526.71 million, representing an increase of 60.8 per cent compared to Kshs.327.63 million generated in a similar period of FY 2015/16, and represented 72.0 per cent of the annual local revenue target.

3.3.3 Conditional Grants

Table 3.7 shows an analysis of conditional grants released in the first nine months of FY 2016/17.

Table 3.7: Bungoma County, Analysis of Conditional Grants Released in the First Nine Months of FY 2016/17

No.	Conditional Grant	Allocation based on CARA, 2016 (Kshs.)	FY 2016/17 Actual receipt of Conditional Grants (Kshs.)	Actual receipts as a percentage of Annual Allocation (%)
1	Road Maintenance Fuel Levy Fund	127,250,840	127,250,840	100.0
2	Free Maternal Healthcare	189,574,801	100,782,500	53.2
3	User Fees Foregone	33,282,912	16,641,456	50.0
4	DANIDA Grant	7,375,000	-	-
5	Leasing of Medical Equipment	95,744,680	-	-
6	Coffee Cess (Not in CARA, 2016)	3,173,202	3,173,202	100.0
7	Tea Cess (Not in CARA, 2016)	273,131	273,131	100.0
	TOTAL	**456,674,566**	**248,121,129**	**54.4**

Source: *Bungoma County Treasury*

Analysis of the conditional grants released during the period under review indicates that, the Road Maintenance Fuel Levy Fund and User Fees Foregone, Coffee Cess and Tea Cess grants recorded the highest receipts at 100 per cent of the annual target, followed by Free Maternal Healthcare at 53.2 per cent and User Fees Foregone at 50 per cent. The County is yet to receive funds from DANIDA and for Leasing of Medical Equipment.

3.3.4 Exchequer Issues

During the reporting period, the Controller of Budget authorised withdrawal of Kshs.5.66 billion from the CRF account, which was 55.8 per cent of the Approved Budget. This amount represented a decrease of 4.4 per cent from Kshs.5.92 billion authorized in a similar period of FY 2015/16 and consisted of Kshs.4.55 billion (80.5 per cent) for recurrent expenditure and Kshs.1.11 billion (19.5 per cent) for development activities.

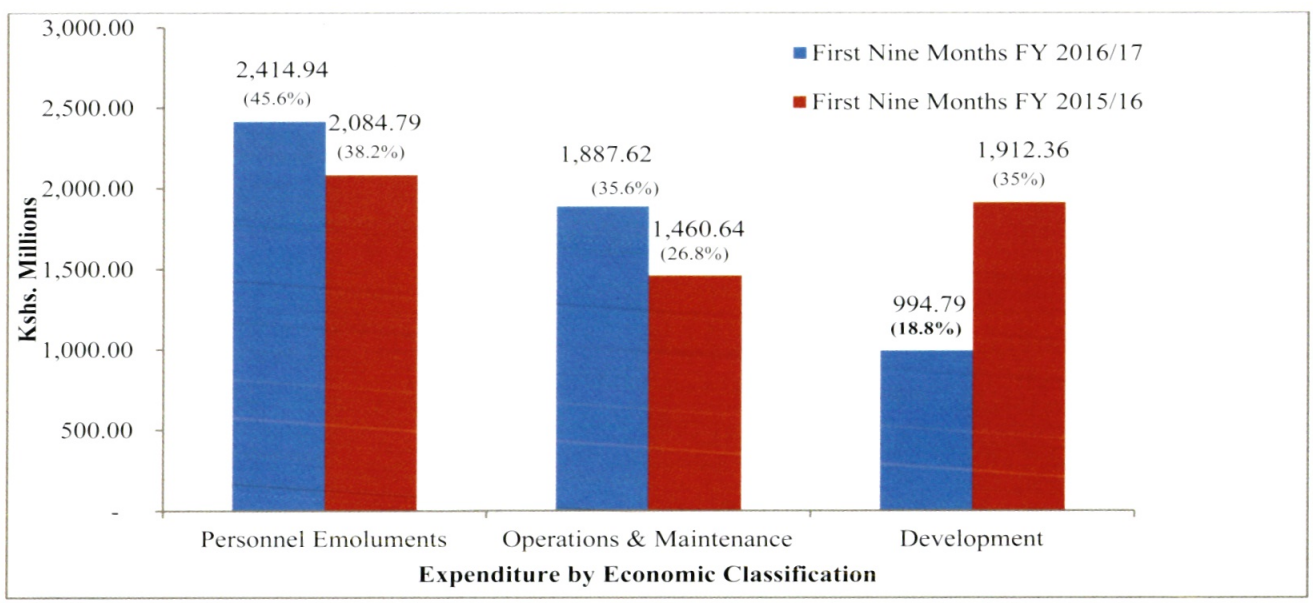
3.3.5 Overall Expenditure Review

The County spent Kshs.5.30 billion, which was 93.6 per cent of the total funds released for operations. This was a decrease of 2.9 per cent from Kshs.5.46 billion spent in a similar period of FY 2015/16.

A total of Kshs.4.30 billion was spent on recurrent activities, while Kshs.994.79 million was spent on development activities. The recurrent expenditure was 94.5 per cent of the funds released for recurrent activities while development expenditure accounted for 90 per cent of the funds released for development activities. The expenditure excluded outstanding commitments as at 31st March, 2017 that amounted to Kshs.362.29 million for development and Kshs.62.55 million for recurrent expenditure.

The recurrent expenditure represented 67.2 per cent of the annual recurrent budget, an increase from 61.3 per cent spent in a similar period of FY 2015/16. Development expenditure recorded an absorption rate of 26.7 per cent, which was a decrease from 45.6 per cent attained in a similar period of FY 2015/16. Figure 3.8presents a comparison between the total expenditure in the first nine months of FY 2016/17 and the first nine months of FY 2015/16.

Figure 3.8: Bungoma County, Expenditure by Economic Classification for the First Nine Months of FY 2016/17 and FY 2015/16



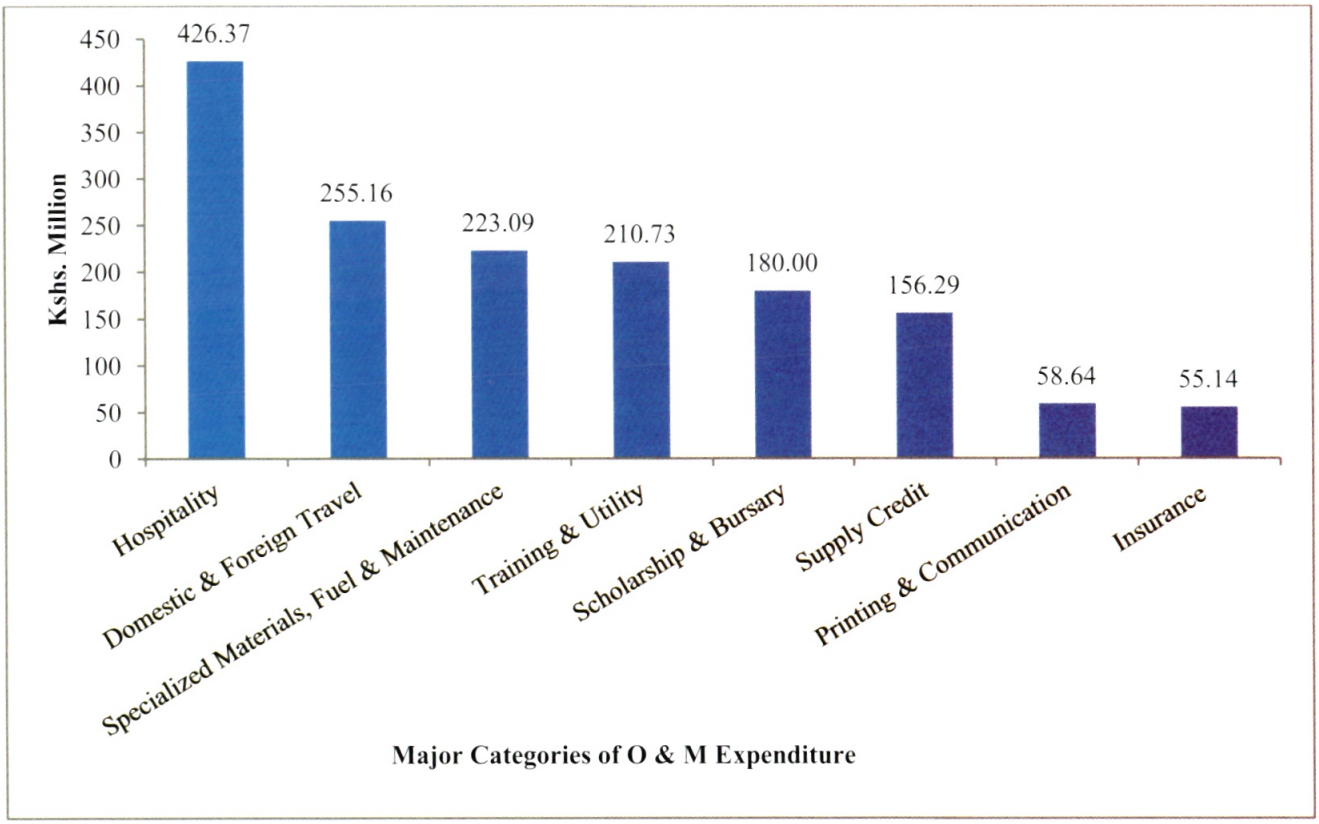
Source: *Bungoma County Treasury*

3.3.6 Analysis of Recurrent Expenditure

The total recurrent expenditure of Kshs.4.30 billion consisted of Kshs.2.41 billion (56 per cent) spent on personnel emoluments and Kshs.1.89 billion (44 per cent) on operations and maintenance as shown in Figure 3.8. Expenditure on personnel emoluments represented an increase of 16 per

cent compared to a similar period of FY 2015/16 when the County spent Kshs.2.08 billion. Figure 3.9 shows a summary of operations and maintenance expenditure by major categories.

Figure 3.9: Bungoma County, Operations and Maintenance Expenditure by Major Categories for the First Nine Months of FY 2016/17



Source: *Bungoma County Treasury*

The County spent Kshs.46.17 million on sitting allowances to the 64 MCAs and the Speaker against the annual budget allocation of Kshs.68.81 million. This was a decrease of 19.7 per cent compared to Kshs.57.52 million spent in the same period of FY 2015/16. The average monthly sitting allowance was Kshs.80,157 per MCA compared to SRC's recommended monthly ceiling of Kshs.124,800

Expenditure on domestic and foreign travel amounted to Kshs.255.16 million and consisted of Kshs.3.92 million by the County Assembly and Kshs.251.24 million by the County Executive. This was an increase of 3.8 per cent compared to Kshs.245.68 million spent in a similar period of FY 2015/16.

3.3.7 Development Expenditure Analysis

The total development expenditure of Kshs.994.79 million represented 26.7 per cent of the annual development budget of Kshs.3.73 billion. Table 3.8 provides a summarised list of development projects with the highest expenditure during the period under review.

Table 3.8: Bungoma County, List of Development Projects with the Highest Expenditure in the First Nine Months of FY 2016/17

S/No.	Project name	Ward (Location of the Project)	Estimated Budget (Kshs.)	Expenditure as at 31st March, 2017 (Kshs.)	Absorption rate (%)
1	Upgrading of Misikhu –Brigadier road	Misikhu	1,200,000,000	111,593,920	9.3
2	Acquisition of strategic stocks	County wide	177,501,500	83,002,580	46.8
3	Garbage collection and transportation	County Wide	99,441,040	41,434,040	41.7
4	Construction of office block	County Assembly	49,660,408	25,660,408	51.7
5	Upgrading of Marell- Namuyemba road	Kanduyi	73,020,632	25,531,832	35
6	Purchase of Lighting Equipment	Mayanja, Chwele, Kamukuywa, Lugulu, Kanduyi, Cheptais, Myanga	46,600,000	25,000,000	53.7
7	Upgrading Cheptais Market road	Cheptais Market	59,638,800	23,107,487	38.8
8	Construction OF High Altitude Centre	Mt. Elgon	370,686,300	18,226,333	4.9
9	Kapkateny- Cheptonon- Kaimugun road	Mt. Elgon	27,855,000	18,032,200	64.7
10	Purchase of tractor	Head Quarters	18,000,000	15,000,000	83.3
	Total		**2,122,403,680**	**386,588,800**	**18.2**

Source: *Bungoma County Treasury*

Analysis of the development expenditure by project indicates that, the highest expenditure of Kshs.111.59 million was spent on construction of the Misikhu –Brigadier road, followed by Kshs.83 million on acquisition of strategic stocks.

3.3.8 Budget and Budget Performance Analysis by Department

Table 3.9 shows a summary of budget estimates and budget performance by department for the first nine months of FY 2016/17

Table 3.9: Bungoma County, Budget Performance by Department for the First Nine Months of FY 2016/17

Department	Annual Budget Allocation (Kshs. Million)		First Nine months of FY 2016/17 Exchequer Issues (Kshs. Million)		First Nine months of FY 2016/17 Expenditure (Kshs. Million)		First Nine months of FY 2016/17 Expenditure to Exchequer Issues (%)		First Nine months of FY 2016/17 Absorption rate (%)	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
Administration	315.62	42.25	190.35	5.02	200.80	19.46	105.5	387.6	63.6	46.1
Finance and Economic Planning	1,249.98	1,232.77	892.01	20.00	948.24	324.25	106.3	1621.3	75.9	26.3
Lands, Urban and Physical Planning	68.18	212.67	43.59	81.51	63.73	60.72	146.2	74.5	93.5	28.6
Agriculture	393.59	387.04	249.47	290.44	227.47	31.79	91.2	10.9	57.8	8.2
Trade, Energy and Industrialization	57.56	135.42	39.12	24.36	29.05	29.07	74.3	119.3	50.5	21.5
Roads and Public Works	116.94	857.17	76.63	419.19	82.73	260.55	108.0	62.2	70.7	30.4
Tourism and water	63.30	267.22	18.40	-	17.95	38.50	97.6	-	28.4	14.4
Water	-	-	29.49	103.55	28.76	53.82	97.5	52.0	-	-
Education	535.65	139.00	439.57	25.25	442.13	29.23	100.6	115.8	82.5	21.0
Governors' office	363.54	-	263.42	-	273.55	-	103.8	-	75.2	-
Deputy Governor's Office	43.08	-	31.07	-	25.20	-	81.1	-	58.5	-
County Secretary	54.40	15.68	33.68	2.25	30.68	-	91.1	0.0	56.4	0.0
Sub County Administration	33.00	-	20.16	-	26.38	-	130.9	-	79.9	-
Health	2,083.83	209.08	1,442.09	53.98	1,225.69	76.54	85.0	141.8	58.8	36.6
CPSB	49.60	-	38.17	-	39.35	-	103.1	-	79.3	-
Assembly	838.41	68.00	658.29	59.00	547.85	58.36	83.2	98.9	65.3	85.8
Gender and Culture	98.41	89.07	66.82	-	67.06	-	100.4	-	68.1	0.0
Housing and Sanitation	36.22	77.08	21.21	20.81	20.38	12.50	96.1	60.1	56.3	16.2
Total	**6,401.31**	**3,732.45**	**4,553.54**	**1,105.36**	**4,297.00**	**994.79**	**94.4**	**90.0**	**67.1**	**26.7**

Source: *Bungoma County Treasury*

Analysis of budget performance by department shows that the County Assembly attained the highest absorption rate of development budget at 85.8 per cent while the County Secretary and the Gender and Culture Departments did not incur any development expenditure. On the other hand the Department of Land, Urban, Physical Planning had the highest percentage of recurrent expenditure to recurrent budget at 93.5 per cent while the Department of Tourism and Natural resources had the lowest at 28.4 per cent.

3.3.9 Observations and Recommendations

The County has made progress in addressing some of the challenges previously identified as affecting budget implementation. Some of the progress made included:

i. Improvement in staff capacity through training.

ii. Automation of revenue collection which has led to improved local revenue collection by 60.8 per cent from Kshs.327.63 million in the first nine months of FY 2015/16 to Kshs.526.71 million collected in a similar period of FY 2016/17.

Despite the above progress, the following challenges continued to hamper effective budget implementation;

1. Late submission of financial reports by the County Treasury, which affected timely preparation of budget implementation report.

2. High wage bill, which increased by 16 per cent from Kshs.2.08 billion in the first half of FY 2015/16 to Kshs.2.41 billion in the period under review, representing 45.6 per cent of the total expenditure for the period.

3. From analysis of bank statements and expenditure returns, the Office has noted spending of revenue at source in contravention of Section 109 of the PFM Act 2012. Specifically, the Department of Health and Agriculture did not bank all its revenue receipts into the CRF account.

4. Slow implementation of development activities during the first nine months of FY 2016/17. The County spent Kshs.994.79 million which represented 26.7 per cent of the annual development budget of Kshs.3.73 billion, against an expected absorption rate of 75 per cent.

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

1. *The County Treasury should ensure timely preparation and submission of financial reports to the Controller of Budget in line with Section 166 of PFM Act, 2012.*

2. *The County Public Service Board should establish an optimal staffing structure in order to ensure a sustainable wage bill.*

3. *The County Treasury should ensure adherence to Section 109 of the PFM Act, 2012 and bank all revenue receipts intact into the CRF account.*

4. *The County should identify and address issues that cause delays in the implementation of development projects.*

3.4 Busia County

3.4.1 Overview of the FY 2016/17 Budget

The County's FY 2016/17 Supplementary Budget was Kshs.8.47 billion, comprising of Kshs.4.64 billion (54.8 per cent) and Kshs.3.83 billion (45.2 per cent) allocation for recurrent and development expenditure respectively.

To finance the budget, the County expects to receive Kshs.5.87 billion (69.3 per cent) as equitable share of revenue raised nationally, Kshs.206.07 million (2.4 per cent) as total conditional grants, generate Kshs.587.51 million (6.9 per cent) from local revenue sources, Kshs.29.76 million (0.4 per cent) from the Kenya Devolution Support Program, Kshs.108.00 million (1.3 per cent) as AIA from County Assembly Revolving Fund, and Kshs.1.66 billion (19.7 per cent) cash balance from FY 2015/16.

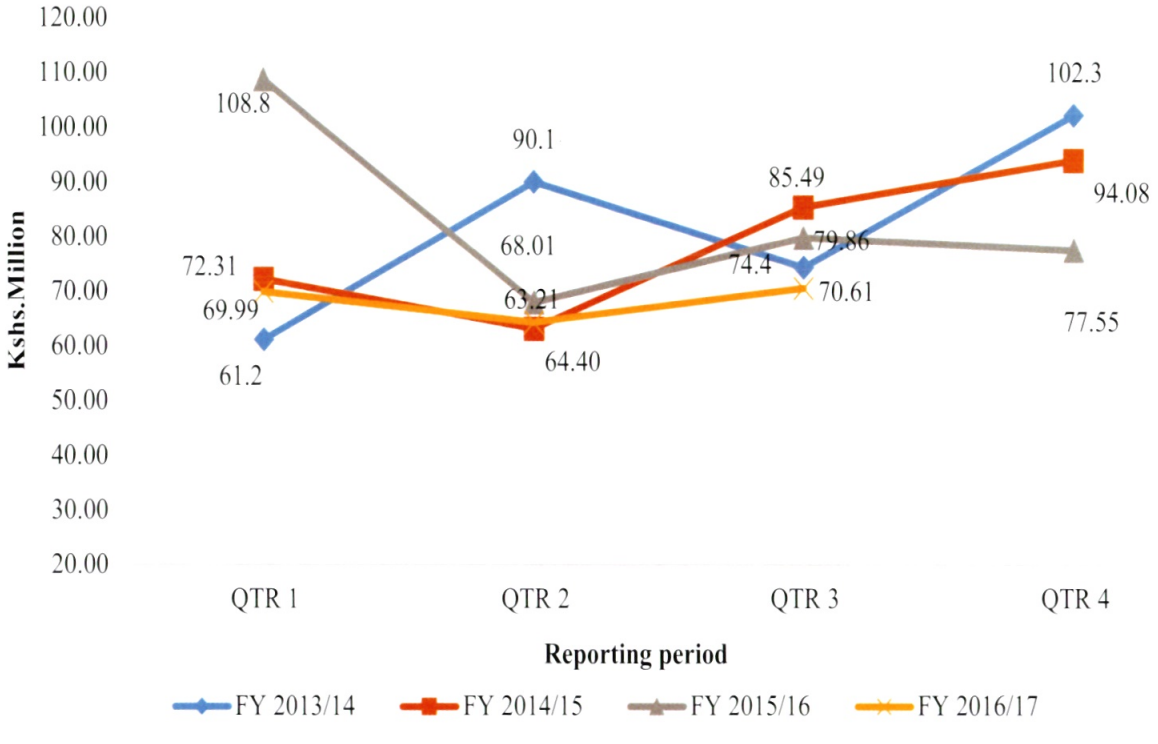
The conditional grants comprise of Kshs.92.08 million (44.7 per cent) for Free Maternal Healthcare, Kshs.90.19 million (43.8 per cent) from the Road Maintenance Fuel Levy Fund, Kshs.17.30 million (8.4 per cent) for User Fees Foregone and Kshs.6.5 million (3.2 per cent) from DANIDA.

3.4.2 Revenue Analysis

During the first nine months of FY 2016/17, the County received Kshs.3.96 billion as equitable share of the revenue raised nationally, Kshs.160.23 million as total conditional allocation, raised Kshs.205 million from local revenue sources, and had cash balance of Kshs.899.23 million brought forward from FY 2015/16.

Figure 3.10 shows the quarterly trend in local revenue collection from the first quarter of FY 2013/14 to the third quarter of FY 2016/17.

Figure 3.10: Busia County, Trend in Local Revenue Collection by Quarter from the First Quarter FY 2013/14 to the Third Quarter of FY 2016/17



Source: *Busia County Treasury*

The total local revenue collected in the first nine months of FY 2016/17 amounted to Kshs.205 million, representing a decrease of 20.1 per cent compared to Kshs.256.67 million generated in a similar period of FY 2015/16, and represented 34.9 per cent of the annual local revenue target.

3.4.3 Conditional Grants

Table 3.10 shows an analysis of conditional grants released in the first nine months of FY 2016/17.

Table 3.10: Busia County, Analysis of Conditional Grants Released in the First Nine Months of FY 2016/17

No.	Conditional Grant	Allocation based on CARA, 2016 (Kshs.)	Nine month, FY 2016/17 Actual receipt of the Conditional Grant (Kshs.)	Performance (%)
1	Road Maintenance Fuel Levy Fund	90,194,001	90,194,000	100
2	Free Maternal Healthcare	92,079,522	48,392,500	52.6
3	User Fees Foregone	17,302,828	8,651,414	50.0
4	DANIDA Grant	6,495,000	12,990,000	200.0
	TOTAL	**206,071,351**	**160,227,914**	**77.8**

Source: *Busia County Treasury*

Analysis of the conditional grants released during the period under review indicates that, the DANIDA grant and the Road Maintenance Fuel Levy Fund recorded the highest percentage of receipts at 200 and 100 per cent respectively. The DANIDA grant is inclusive of arrears from FY 2015/16 received in the current financial year.

3.4.4 Exchequer Issues

During the reporting period, the Controller of Budget authorised withdrawal of Kshs.5.13 billion from the CRF account, which was 60.6 per cent of the Approved Budget. This amount represented an increase of 25.4 per cent from Kshs.4.09 billion authorized in a similar period of FY 2015/16 and consisted of Kshs.3.06 billion (59.6 per cent) for recurrent expenditure and Kshs.2.07 billion (40.4 per cent) for development activities.

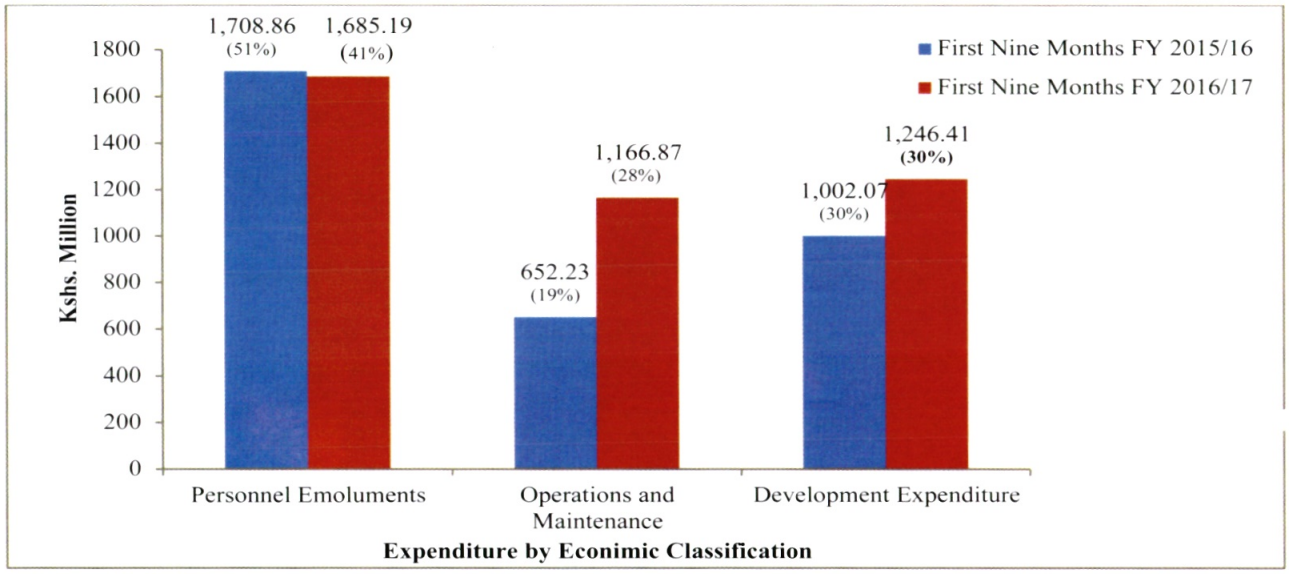
3.4.5 Overall Expenditure Review

The County spent Kshs.4.1 billion, which was 79.9 per cent of the total funds released for operations. This was an increase of 22 per cent from Kshs.3.36 billion spent in a similar period of FY 2015/16.

A total of Kshs.2.85 billion was spent on recurrent activities, while Kshs.1.25 billion was spent on development activities. The recurrent expenditure was 93.3 per cent of the funds released for recurrent activities while development expenditure accounted for 60.2 per cent of the funds released for development activities.

The recurrent expenditure represented 61.5 per cent of the annual recurrent budget, a decrease from 71.3 per cent spent in a similar period of FY 2015/16. Development expenditure recorded an absorption rate of 32.5 per cent, which was a decrease from 33.9 per cent attained in a similar period of FY 2015/16. Figure 3.11 presents a comparison between the total expenditure in the first nine months of FY 2016/17 and the first nine months of FY 2015/16.

Figure 3.11: Busia County, Expenditure by Economic Classification for the First Nine Months of FY 2016/17 and FY 2015/16

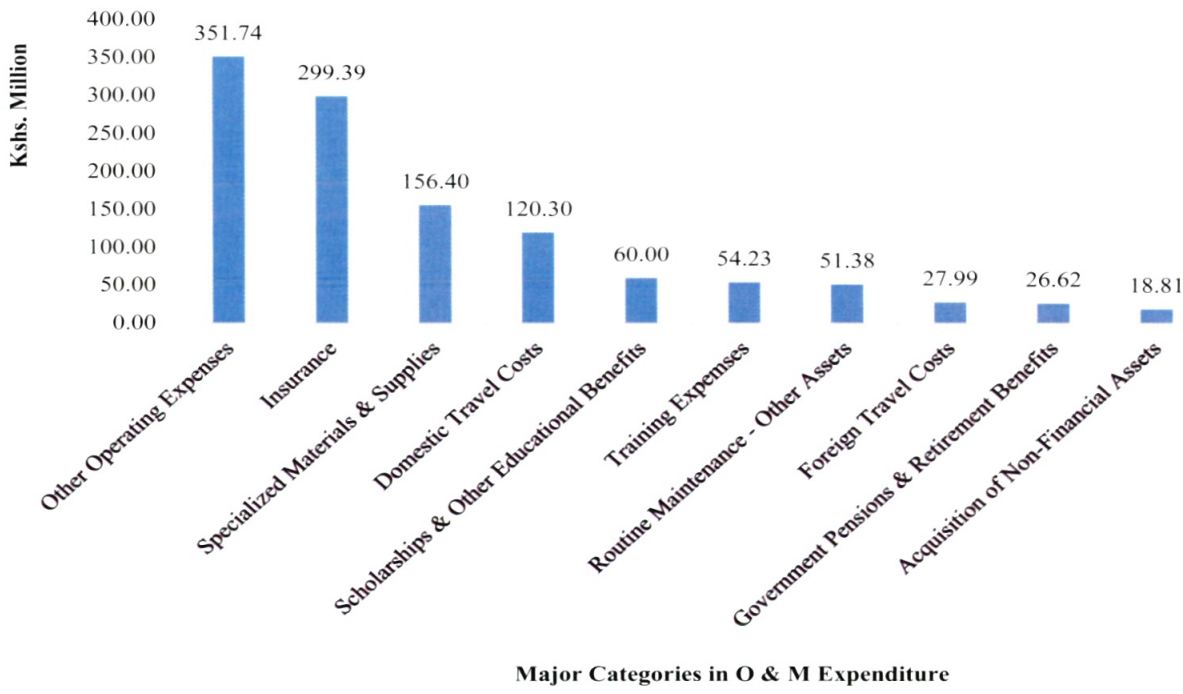


Source: *Busia County Treasury*

3.4.6 Analysis of Recurrent Expenditure

The total recurrent expenditure of Kshs.2.85 billion consisted of Kshs.1.68 billion (59.1 per cent) spent on personnel emoluments and Kshs.1.17 billion (40.9 per cent) on operations and maintenance as shown in Figure 3.11. Expenditure on personnel emoluments represented a decrease of 31.6 per cent compared to a similar period of FY 2015/16 when the County spent Kshs.1.71 billion. Figure 3.12 shows a summary of operations and maintenance expenditure by major categories.

Figure 3.12: Busia County, Operations and Maintenance Expenditure by the Major Categories for the First Nine months of FY 2016/17



Source: *Busia County Treasury*

The County spent Kshs.53.11 million on sitting allowances to the 54 MCAs and the Speaker against the annual budget allocation of Kshs.107.83 million. This was a decrease of 46.2 per cent compared to Kshs.98.64 million spent in the same period of FY 2015/16. The average monthly sitting allowance was Kshs.109,285 per MCA compared to SRC's recommended monthly ceiling of Kshs.124,800

Expenditure on domestic and foreign travel amounted to Kshs.148.29 million and consisted of Kshs.38.93 million spent by the County Assembly and Kshs.109.35 million by the County Executive. This was an increase of 1.6 per cent compared to Kshs.145.92 million spent in a similar period of FY 2015/16.

3.4.7 Development Expenditure Analysis

The total development expenditure of Kshs.1.25 billion represented 32.5 per cent of the annual development budget of Kshs.3.83 billion. Table 3.11 provides a summarised list of development projects with the highest expenditure during the period under review.

Table 3.11: Busia County, List of Development Projects with the Highest Expenditure in the First Nine Months of FY 2016/17

S/No.	Project name	(Location of the Project)	Estimated Budget (Kshs.)	Expenditure as at 31st March, 2017 (Kshs.)	Absorption rate (%)
1	Purchase of lighting, and street lighting equipment	All County major towns	336,477,393	173,732,319	51.6
2	Construction of buildings	Entire County	529,145,219	127,771,589	24.1
3	Routine maintenance of county roads	Entire County	391,629,639	124,989,199	31.9
4	Water supplies and sewerage works	Entire County	143,200,000	97,772,107	68.3
5	Construction of major and access roads	Entire County	424,839,189	97,552,229	23.0
6	Construction of bridges and box culverts	Entire County	158,500,000	56,526,953	35.7
7	Medical drugs and supplies	Entire County	120,718,300	48,520,885	40.2
8	Purchase of land for investment	Countywide	95,712,552	27,841,727	29.1
9	Purchase of ICT networking and communication equipment	All sub county headquarters	80,671,657	25,285,203	31.3
10	Construction of non-residential buildings	Entire County	258,965,364	15,173,068	5.9
	Total		**2,539,859,313**	**795,165,279**	**31.3**

Source: *Busia County Treasury*

Analysis of the development expenditure by project indicates that, the highest expenditure of Kshs.173.73 million was spent on purchase of lighting equipment, installation of solar masts and street lighting in major towns and market centres. This was followed by Kshs.127.77 million spent on construction of buildings.

3.4.8 Budget and Budget Performance Analysis by Department

Table 3.12 shows a summary of budget estimates and budget performance by department for the first nine months of FY 2016/17

Table 3.12: Busia County, Budget Performance by Department for the First Nine Months of FY 2016/17

Department	Annual Budget Allocation (Kshs. Million)		First Nine months of FY 2016/17 Exchequer Issues (Kshs. Million)		First Nine months of FY 2016/17 Expenditure (Kshs. Million)		First Nine months of FY 2016/17 Expenditure to Exchequer Issues (%)		First Nine months of FY 2016/17 Absorption rate (%)	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
Agriculture and Animal Resources	221.21	276.73	152.59	196	128.87	93.18	84.5	47.5	58.3	33.7
Economic Planning, Trade, Co-operative and Industrialization	68.84	188.88	48.26	86.1	21.98	11.72	45.5	13.6	31.9	6.2
Education and Vocational Training	306.1	358.23	174.43	174.95	189.62	15.98	108.7	9.1	61.9	4.5
Finance and ICT	836.92	100.35	564.21	74.67	741.24	83.39	131.4	111.7	88.6	83.1
Community, Culture, Sports & Social Services	94.28	148.59	66.07	55.37	44.63	41.67	67.5	75.3	47.3	28.0
Public Works, Roads, Transport and Energy	85.39	1135.04	59.87	651.51	19.64	396.99	32.8	60.9	23.0	35.0
Public Service Management	171.2	0	119.78	0	117.42	0	98.0	0	68.6	0
Lands, Housing & Urban development	121.84	375.61	85.42	88.31	30.94	160.85	36.2	182.1	25.4	42.8
Water, Environment & natural resources	68.67	515.01	48.12	209.45	19.49	192.75	40.5	92.0	28.4	37.4
Health and Sanitation	1308.98	407.75	912.85	313.59	800.48	105.93	87.7	33.8	61.2	26.0
County Public Service Board	60.44	0	33.13	0	18.53	0	55.9	0	30.7	0
Office of the Governor	421.9	224.54	231.36	175	256.91	123.8	111.0	0	60.9	55
Office of the Deputy Governor	30.84	0	16.91	0	3.85	0	22.8	0	12.5	0
Office of the County Secretary	96.07	0	53	0	6.36	0	12.0	0	6.6	0
County Assembly	741.73	100.84	492.25	45.6	452.11	20.15	91.8	0	61.0	20
Total	**4,634.41**	**3,831.57**	**3,058.25**	**2,070.55**	**2,852.07**	**1,246.41**	**93.3**	**60.2**	**61.5**	**32.5**

Source: *Busia County Treasury*

Analysis of budget performance by department shows that the Department of Finance and ICT attained the highest absorption rate of development budget at 83.1 per cent while the Department of Economic Planning, Trade, Co-operatives and Industrialization and the Department of Education and Vocational Training had the least absorption rates at 6.2 per cent and 4.5 per cent respectively. On the other hand, the Department of Finance and ICT had the highest percentage of recurrent expenditure to recurrent budget at 88.6 per cent while the Office of the County Secretary had the lowest at 6.6 per cent.

3.4.9 Observations and Recommendations

The County has made progress in addressing some of the challenges previously identified as affecting budget implementation. Some of the progress made included:

i. Establishment of the County Budget and Economic Forum in line with Section 137 of the PFM Act, 2012.

ii. Timely submission of quarterly financial reports by the County Government entities in line with Section 166 of the PFM Act, 2012.

Despite the progress made, the following challenges continued to hamper effective budget implementation:

1. Failure to establish an Internal Audit Committee to oversee financial operations in the County contrary to the provisions of Section 155 of the PFM Act, 2012.

2. Under-performance in local revenue collection. Local revenue collection has declined by 20.1 per cent from Kshs.256.67 million in the first nine months of FY 2015/16 to Kshs.205 million in the reporting period.

3. Failure to bank all locally collected revenue into the County Revenue Fund Account held with the Central Bank of Kenya (CBK) contrary to Section 109 of the PFM Act, 2012. An analysis of reports submitted to the OCOB indicates that while Kshs.205 million was collected locally, Kshs.189.28 million was banked into the CRF account at the CBK during the reporting period.

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 of the PFM Act, 2012*

2. *The County Treasury should formulate and implement strategies to enhance local revenue collection.*

3. *The County should ensure all revenue collected is banked intact into the County Revenue Fund account in line with Section 109 of the PFM Act, 2012.*

3.5 Elgeyo Marakwet County

3.5.1 Overview of the FY 2016/17 Budget

The County's FY 2016/17 Approved Budget was Kshs.4.74 billion, comprising of Kshs.2.89 billion (60.9 per cent) and Kshs.1.85 billion (39.1 per cent) allocation for recurrent and development expenditure respectively.

To finance the budget, the County expects to receive Kshs.3.53 billion (74.5 per cent) as equitable share of revenue raised nationally, Kshs.204.61 million (4.3 per cent) as total conditional grants, generate Kshs.160.02 million (3.4 per cent) from local sources, and Kshs.845.69 million (17.8 per cent) cash balance from FY 2015/16. The conditional grants comprise of Kshs.50.23 million (25.6 per cent) for Free Maternal Healthcare, Kshs.54.22 million (26.5 per cent) from the Road Maintenance

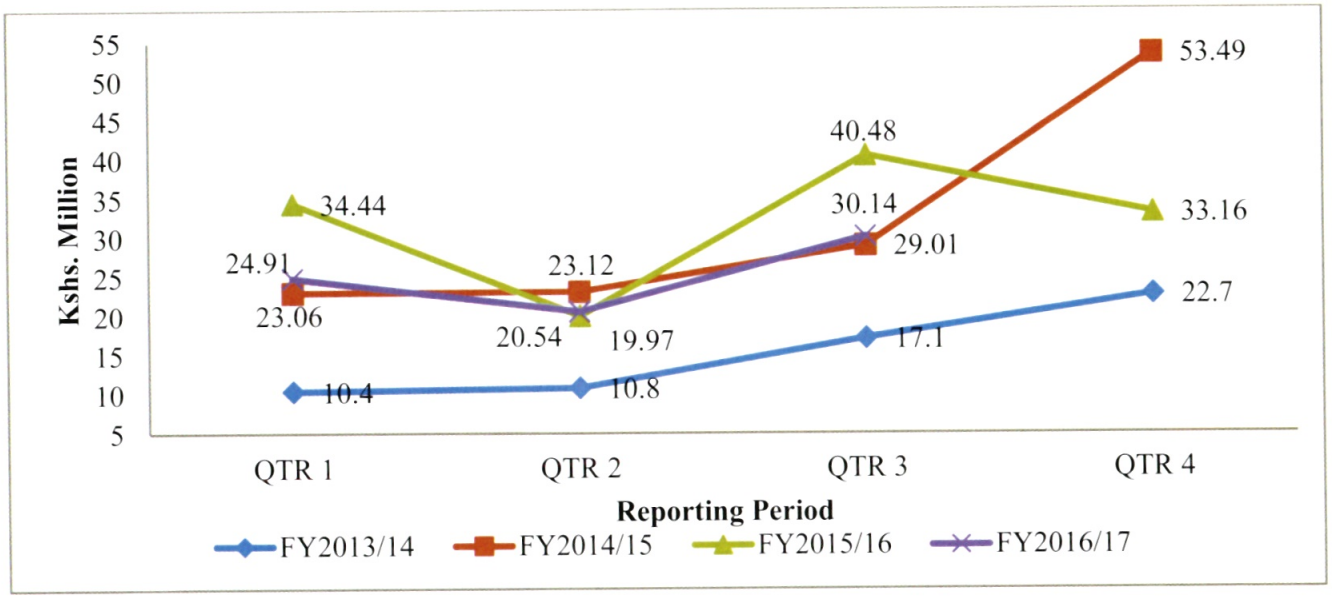
Fuel Levy Fund, Kshs.8.96 million (4.4 per cent) for User Fees Foregone, Kshs.10.40 million (5.1 per cent) from DANIDA, Kshs.56.95 million (27.8 per cent) from World Bank, and Kshs.23.88 million (11.7 per cent) from other Loans and Grants.

3.5.2 Revenue Analysis

During the third quarter of FY 2016/17, the County received Kshs.2.06 billion as equitable share of the revenue raised nationally, Kshs.87.88 million as total conditional allocations, raised Kshs.75.59 million from local sources, and had a cash balance of Kshs.845.69 million brought forward from FY 2015/16.

Figure 3.13 shows the quarterly trend in local revenue collection from the first quarter of FY 2013/14 to the third quarter of FY 2016/17.

Figure 3.13: Elgeyo Marakwet County, Trend in Local Revenue Collection by Quarter from the First Quarter FY 2013/14 to the Third Quarter FY 2016/17



Source: *Elgeyo Marakwet County Treasury*

The total local revenue collected in the first nine months of FY 2016/17 amounted to Kshs.75.59 million, representing a decrease of 20.3 per cent compared to Kshs.94.90 million generated in a similar period of FY 2015/16, and represented 47.2 per cent of the annual local revenue target.

3.5.3 Conditional Grants

Table 3.13 shows an analysis of conditional grants released in the first nine months of FY 2016/17.

Table 3.13: Elgeyo Marakwet County, Analysis of Conditional Grants Released in the First Nine Months of FY 2016/17

No.	Conditional Grant	Allocation based on CARA, 2016 (Kshs.)	FY 2016/17 Actual receipt of Conditional Grants (Kshs.)	Actual receipts as a percentage of Annual Allocation (%)
1	Road Maintenance Fuel Levy Fund	54,220,715	54,220,715	100.0
2	Free Maternal Healthcare	50,228,374	29,182,500	58.1

No.	Conditional Grant	Allocation based on CARA, 2016 (Kshs.)	FY 2016/17 Actual receipt of Conditional Grants (Kshs.)	Actual receipts as a percentage of Annual Allocation (%)
3	World Bank grant to health facilities	56,932,570	-	-
4	User Fees Foregone	8,956,070	4,478,033	50.0
5	DANIDA grant	10,400,00	-	-
	TOTAL	**204,613,295**	**87,881,248**	**43.0**

Source: *Elgeyo Marakwet County Treasury*

Analysis of the conditional grants released during the period under review indicates that, the Road Maintenance Fuel Levy Fund recorded the highest receipts at 100 per cent of annual target while Free Maternal Healthcare and User Fees Foregone grants recorded 58.1 per cent and 50 per cent respectively. The County is yet to receive funds from the Kenya Devolution Support Programme Trust, the World Bank grant to health facilities, Kenya Devolution Support Programme, and DANIDA.

3.5.4 Exchequer Issues

During the reporting period, the Controller of Budget authorised withdrawal of Kshs.2.99 billion from the CRF account, which was 63.0 per cent of the Approved Budget. This amount represented an increase of 31.1 per cent from Kshs.2.28 billion authorized in a similar period of FY 2015/16 and consisted of Kshs.2.24 billion (74.9 per cent) for recurrent expenditure and Kshs.743.2 million (25.1 per cent) for development activities.

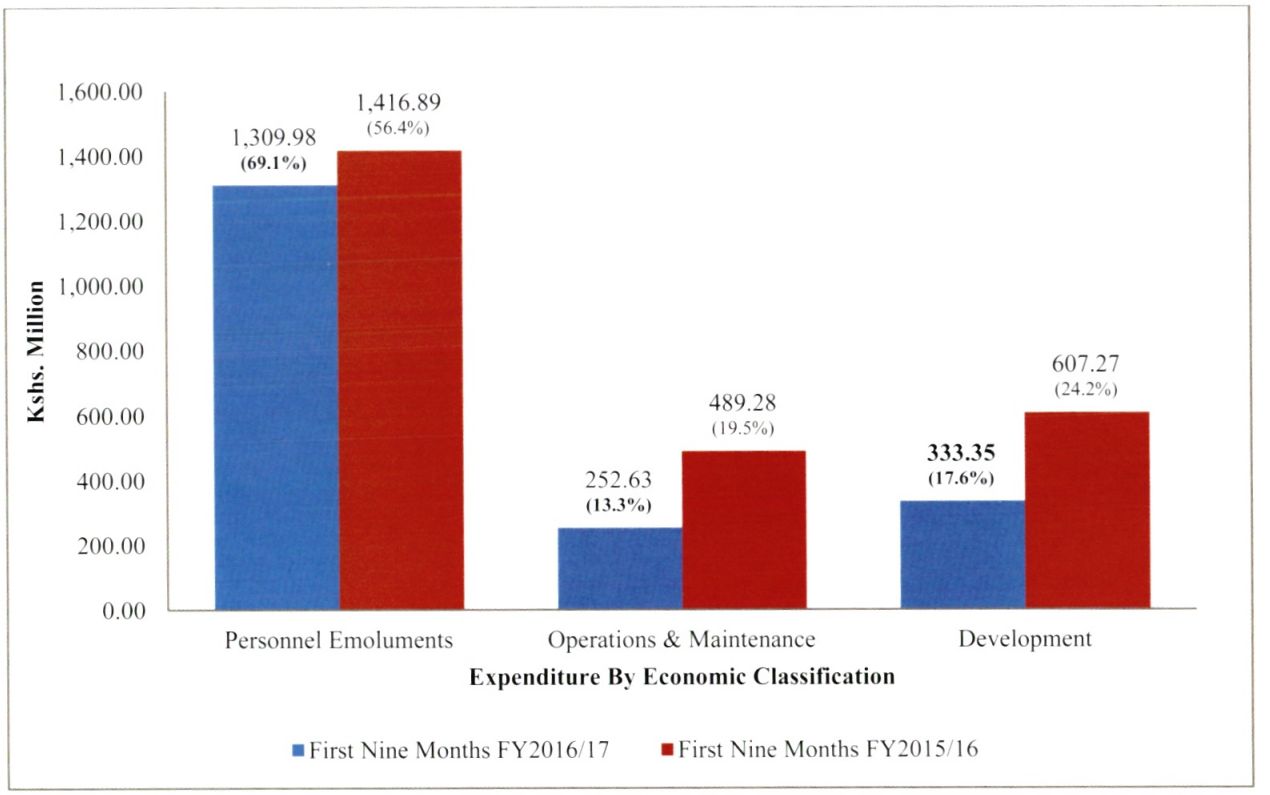
3.5.5 Overall Expenditure Review

The County spent Kshs.2.51 billion, which was 84.2 per cent of the total funds released for operations. This was an increase of 32.1 per cent from Kshs.1.90 billion spent in a similar period of FY 2015/16.

A total of Kshs.1.91 billion was spent on recurrent activities, while Kshs.607.27 million was spent on development activities. The recurrent expenditure was 85.0 per cent of the funds released for recurrent activities while development expenditure accounted for 81.7 per cent of the funds released for development activities. The expenditure excluded outstanding commitments as at 31st March, 2017 that amounted to Kshs.449.83 million for development and Kshs.38.93 million for recurrent expenditure.

The recurrent expenditure represented 66 per cent of the annual recurrent budget, an increase from 64.6 per cent spent in a similar period of FY 2015/16. Development expenditure recorded an absorption rate of 32.8 per cent, which was an increase from 23.3 per cent attained in a similar period of FY 2015/16. Figure 3.14 presents a comparison between the total expenditure in the first nine months of FY 2016/17 and the first nine months of FY 2015/16.

Figure 3.14: Elgeyo Marakwet County, Expenditure by Economic Classification for the First Nine Months of FY 2016/17 and FY 2015/16

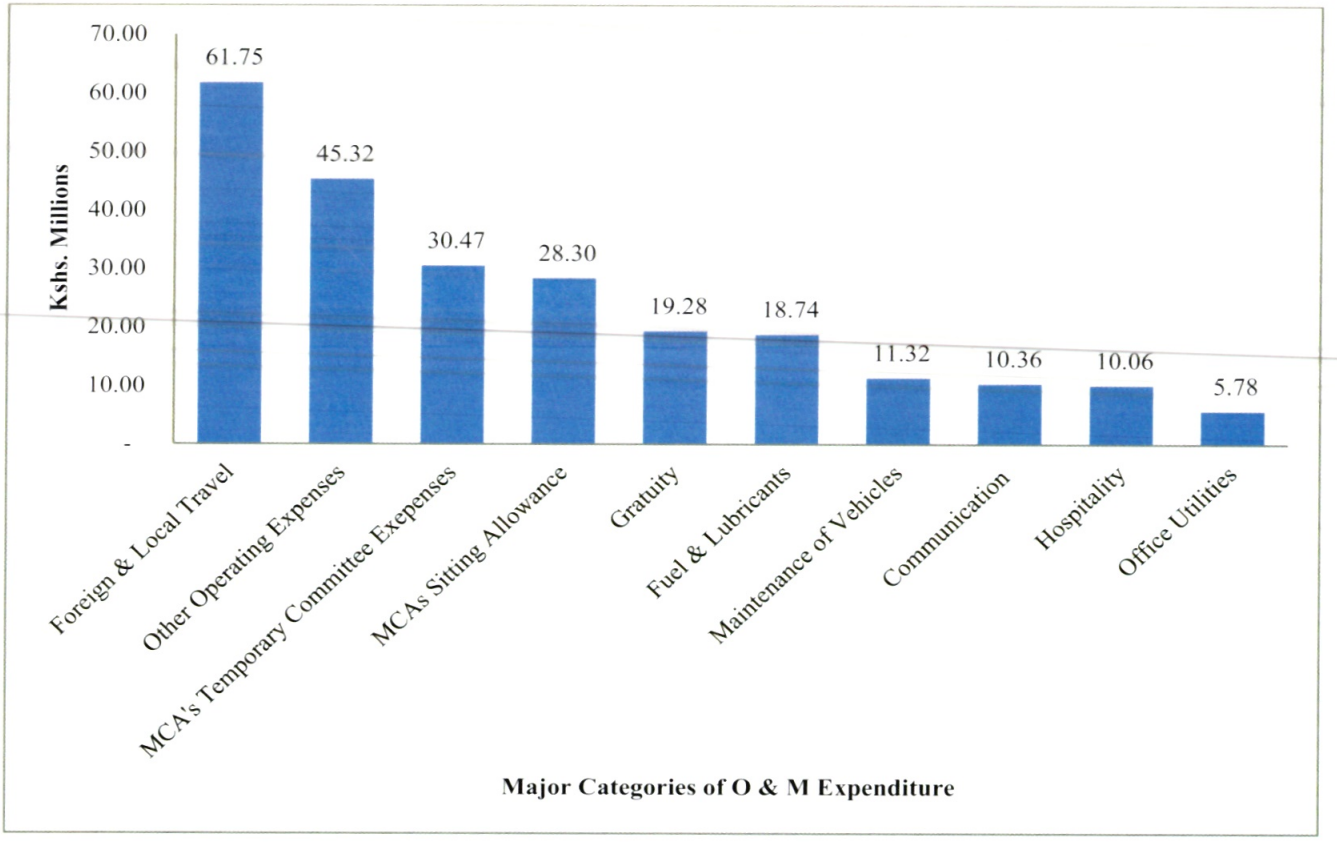


Source: *Elgeyo Marakwet County Treasury*

3.5.6 Analysis of Recurrent Expenditure

The total recurrent expenditure of Kshs.1.91 billion consisted of Kshs.1.42 billion (74.3 per cent) spent on personnel emoluments and Kshs.489.28 million (25.7 per cent) on operations and maintenance as shown in Figure 3.14. Expenditure on personnel emoluments represented an increase of 8.4 per cent compared to a similar period of FY 2015/16 when the County spent Kshs.1.31 billion. Figure 3.15shows a summary of the operations and maintenance expenditure by major categories.

Figure 3.15: Elgeyo Marakwet County, Operations and Maintenance Expenditure by Major Categories for the First Nine months of FY 2016/17



Source: *Elgeyo Marakwet County Treasury*

The County spent Kshs.28.30 million on sitting allowances to the 30 MCAs and the Speaker against the annual budget allocation of Kshs.37.50 million. This was a decrease of 6.7 per cent compared to Kshs.30.33 million spent in the same period of FY 2015/16. The average monthly sitting allowance was Kshs.101,423 per MCA compared to SRC's recommended monthly ceiling of Kshs.124,800

Expenditure on domestic and foreign travel amounted to Kshs.61.75 million and consisted of Kshs.38.20 million by the County Assembly and Kshs.23.55 million by the County Executive. This was an increase of 10.2 per cent compared to Kshs.56.04 million spent in a similar period of FY 2015/16.

3.5.7 Development Expenditure Analysis

The total development expenditure of Kshs.607.27 million represented 32.8 per cent of the annual development budget of Kshs.1.85 billion. Table 3.14 provides a summarised list of development projects with the highest expenditure during the period under review.

Table 3.14:Elgeyo Marakwet County, Summary of Development Projects with the Highest Expenditure in the First Nine Months of FY 2016/17

S/No.	Project name	Ward (Location of the Project)	Estimated Budget (Kshs.)	Expenditure as at 31st March 2017 (Kshs.)	Absorption rate (%)
1	Supply and Delivery of Mortuary Equipments	Kapchemutwo	7,600,000.00	7,600,000.00	100.0
2	Gravelling of Roads	Lelan	4,748,100.00	4,748,100.00	100.0

S/No.	Project name	Ward (Location of the Project)	Estimated Budget (Kshs.)	Expenditure as at 31st March 2017 (Kshs.)	Absorption rate (%)
3	Supply and Delivery of Milk Cooler	Metkei	3,650,000.00	3,650,000.00	100.0
4	Construction of Chebara Dining Hall	Moiben/Kuserwo	5,629,765.00	5,066,789.00	90.0
5	Construction of Kapchelal –Kapkessum Water project	Kapchemutwa	3,533,940.00	3,180,546.00	90.0
6	Installation of Solar Street lights	Keiyo North	2,560,125.00	2,304,113.00	90.0
7	Construction of Trin ECD classroom at Kapkerembe	Tambach	2,193,550.00	1,974,195.00	90.0
8	Installation of Street Lights	Marakwet West and East	4,898,800.00	4,408,920.00	90.0
9	Construction of Kapchebau Twin ECD classroom	Embobut	2,300,000.00	1,702,695.00	74.0
10	Construction of Tugumoi –Ainobyat Water Project	Metkei	7,083,110.00	3,470,310.00	49.0
	Total		**44,197,390**	**38,105,668**	**86.2**

Source: *Elgeyo Marakwet County Treasury*

Analysis of the development expenditure by project indicates that, the highest expenditure of Kshs.7.60 million was incurred on construction, and delivery of Mortuary Equipment to Kapchemutwo, followed by the gravelling of roads at Kshs.4.75 million.

3.5.8 Budget and Budget Performance Analysis by Department

Table 3.15 shows a summary of budget estimates and budget performance by department for the first nine months of FY 2016/17

Table 3.15: Elgeyo Marakwet County, Budget Performance by Department for the First Nine Months of FY 2016/17

Department	Annual Budget Allocation (Kshs. Million)		First Nine Months of FY 2016/17 Exchequer Issues (Kshs. Million)		First Nine Months of FY 2016/17 Expenditure (Kshs. Million)		First Nine Months of FY 2016/17 Expenditure to Exchequer Issues(%)		First Nine Months of FY 2016/17 Absorption rate(%)	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
Office of the Governor	171.54	36.37	137.61	33	96.45	1.3	70.1	3.9	56.2	3.6
Administration	29.89	-	23.9	-	19.14	-	80.1	-	64	-
County Assembly	467.09	17.5	363.24	16.04	297.18	6.74	81.8	42	63.6	38.5
Finance & Economic Planning	212.36	1.93	149.59	0.76	131.47	1.3	87.9	171.1	61.9	67.4
Roads, Public Works & Transport	70.08	377.61	53.02	143.46	46.65	167.98	88	117.1	66.6	44.5
Youth Affairs, Culture, Children & Sports	19.8	116.74	15.7	57.95	13.81	42.03	88	72.5	69.7	36
Education & Technical Training	177.82	340.27	164.82	138.82	100.14	109.42	60.8	78.8	56.3	32.2
Health and Sanitation	1,281.69	235.75	958.45	89.9	886.91	65.29	92.5	72.6	69.2	27.7
Water, Lands, Housing and Physical Planning	77.01	344.81	63.3	87.82	53.47	94.61	84.5	107.7	69.4	27.4
Trade, Tourism, Cooperatives and Wildlife	56.11	110.35	44.13	56.2	35.95	37.31	81.5	66.4	64.1	33.8
Agriculture	182.6	199.96	145.09	72.1	121.2	71.6	83.5	99.3	66.4	35.8
ICT and Public Service	105.93	69.62	95.85	46.96	79.49	8.67	82.9	18.5	75	12.5
County Public Service Board	34.85	1.51	27.25	0.2	24.32	1.02	89.2	510	69.8	67.5
TOTAL	**2,886.76**	**1,852.42**	**2,241.95**	**743.21**	**1,906.17**	**607.27**	**85**	**81.7**	**66**	**32.8**

Source: *Elegyo Marakwet County Treasury*

Analysis of budget performance by department shows that the County Public Service Board attained the highest absorption rate of development budget at 67.5 per cent while the Office of the Governor had the lowest absorption rate at 3.6 per cent. On the other hand the Department of ICT and Public Service had the highest percentage of recurrent expenditure to recurrent budget at 75.0 per cent while the Office of the Governor had the lowest at 56.2 per cent.

3.5.9 Observations and Recommendations

The County has made progress in addressing some of the challenges previously identified as affecting budget implementation. Some of the progress made included:

i. Timely preparation and approval of the County's budget documents such as the Annual Development Plan (ADP), County Fiscal Strategy Paper (CFSP), Budget Estimates and Appropriation Bills.

ii. Improvement in absorption of development budget. In the reporting period, the County attained an absorption rate of 32.8 per cent compared to 23.3 per cent in similar period of FY 2015/16.

Despite the above progress, the following challenges continued to hamper effective budget implementation;

1. Failure to reconcile IFMIS payroll data to the IPPD data. While the IFMIS reports indicate total expenditure on personnel emoluments as Kshs.1.42 billion, the IPPD report indicated that Kshs.1.12 billion as the total payroll costs.

2. Under-performance in local revenue collection. Local revenue collection has declined by 20.4 per cent from Ksh.94.90 million in the first nine months of FY2015/16 to Kshs.75.59 million in the reporting period.

3. Failure to make regular repayment of the County Executive Car Loan and Mortgage Fund facility by some members contrary to the Approved Regulations.

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

1. *The County should reconcile the IFMIS and IPPD data on a monthly basis to enhance accuracy in reporting.*

2. *The County Treasury should formulate and implement strategies to enhance local revenue collection.*

3. *The Administrator of the Executive Car Loan and Mortgage Fund should ensure all disbursed loans are repaid as per the Approved Regulations.*

3.6 Embu County

3.6.1 Overview of the FY 2016/17 Budget

The County's FY 2016/17 Supplementary Budget was Kshs.6.73 billion, comprising of Kshs.4.16 billion (61.8 per cent) and Kshs.2.57 billion (38.2 per cent) allocation for recurrent and development expenditure respectively.

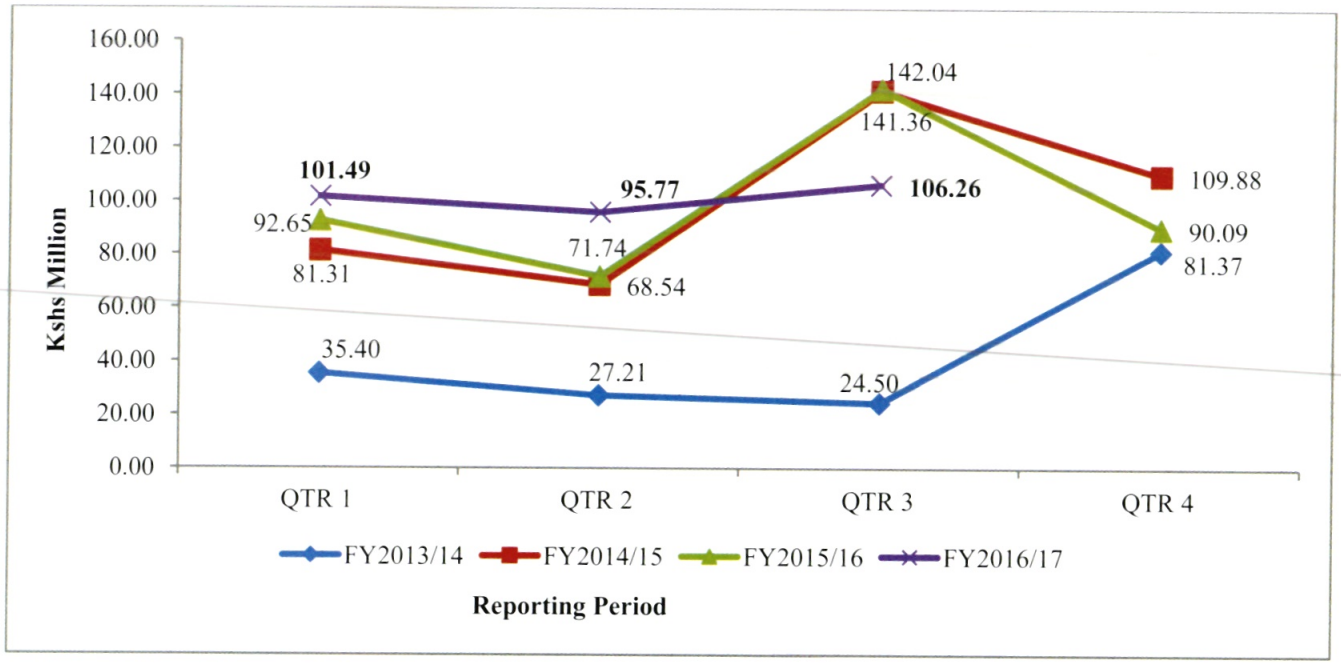
To finance the budget, the County expects to receive Kshs.4.14 billion (61.6 per cent) as equitable share of revenue raised nationally, Kshs.555.75 million (8.3 per cent) as total conditional grants, generate Kshs.803.77 million (11.9 per cent) from local sources, and Kshs.1.22 billion (18.2 per cent) cash balance from FY 2015/16. The conditional grants comprise of Kshs.95.75 million (17.2 per cent) for Leasing of Medical Equipment, Kshs.286.70 million (51.6 per cent) for Level 5 Hospital, Kshs.54.99 million (9.9 per cent) for Free Maternal Healthcare, Kshs.63.63 million (11.5 per cent) from the Road Maintenance Fuel Levy Fund, Kshs.10.78 million (1.9 per cent) for User Fees Foregone, Kshs.6.87 million (1.2 per cent) from DANIDA and Kshs.37 million (6.7 per cent) from Other Loans and Grants.

3.6.2 Revenue Analysis

During the first nine months of FY 2016/17, the County received Kshs.2.42 billion as equitable share of the revenue raised nationally, Kshs.214.57 million as total conditional allocations, raised Kshs.303.52 million from local sources, and had a cash balance of Kshs.1.22 billion brought forward from FY 2015/16.

Figure 3.16 shows the quarterly trend in local revenue collection from the first quarter of FY 2013/14 to the third quarter of FY 2016/17.

Figure 3.16: Embu County, Trend in Local Revenue Collection by quarter from the First Quarter of FY 2013/14 to the Third Quarter of FY 2016/17



Source: *Embu County Treasury*

The total local revenue collected in the first nine months of FY 2016/17 amounted to Kshs.303.52 million, representing a decrease of 0.9 per cent compared to Kshs.306.43 million generated in a similar period of FY 2015/16, and represented 37.8 per cent of the annual local revenue target.

3.6.3 Conditional Grants

Table 3.16 shows an analysis of conditional grants released in the first nine months of FY 2016/17.

Table 3.16: Embu County Analysis of Conditional Grants Released in the First Nine Months of FY 2016/17

No.	Conditional Grant	Allocation based on CARA,2016 (Kshs.)	Receipts during the first nine months of FY 2016/17(Kshs (Kshs.)	Actual receipts as a percentage of Annual Allocation (%)
1	Road Maintenance Fuel Levy Fund	63,629,297	39,093,489	61.4
2	Free Maternal Healthcare	54,985,378	6,345,000	11.5
3	User Fees Foregone	10,776,608	-	0.0
4	DANIDA Grant	6,875,000	-	0.0
5	Embu Level 5 Hospital	286,705,202	169,136.068	59.0
6	World Bank grant to health facilities	25,417,291	-	-
7	Ministry of Agriculture Donor Funds (Not in CARA, 2016)	11,613,728	-	-
	Total	**434,585,213**	**214,574,557**	**49.4**

Source: *Embu County Treasury*

Analysis of the conditional grants released during the period under review indicates that the Road Maintenance Fuel Levy Fund, Level 5 Hospital grant and Free Maternal Healthcare were at 61.4 per cent, 59.0 per cent and 11.5 per cent of the annual targets respectively. The County is yet to receive

funds from the following conditional grants; User Fees Foregone, DANIDA, the World Bank grant to health facilities, and the Ministry of Agriculture's donor grant.

3.6.4 Exchequer Issues

During the reporting period, the Controller of Budget authorised withdrawal of Kshs.3.88 billion from the CRF account, which was 57.7 per cent of the Approved Budget. This amount represented an increase of 37.1 per cent from Kshs.2.83 billion authorized in a similar period of FY 2015/16 and consisted of Kshs.2.88 billion (74.2 per cent) for recurrent expenditure and Kshs.1.0 billion (25.8 per cent) for development activities.

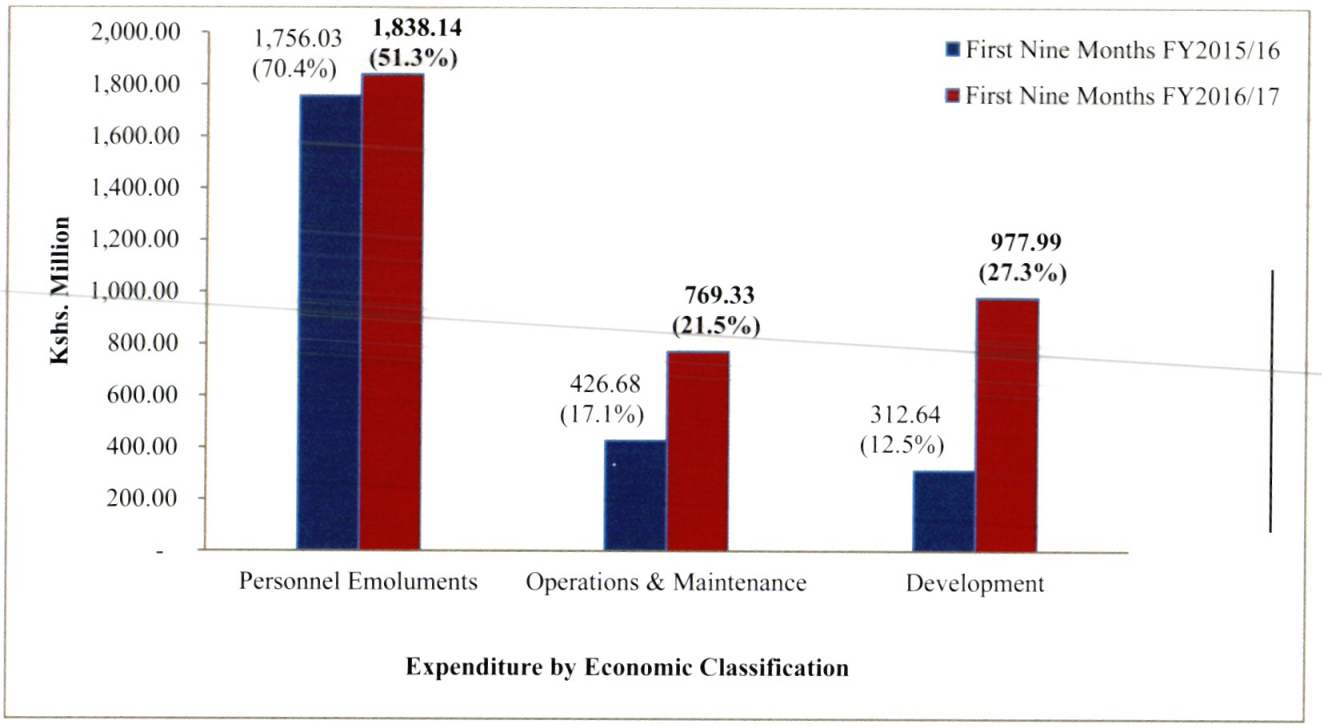
3.6.5 Overall Expenditure Review

The County spent Kshs.3.59 billion, which was 92.4 per cent of the total funds released for operations. This was an increase of 43.8 per cent from Kshs.2.49 billion spent in a similar period of FY 2015/16.

A total of Kshs.2.61 billion was spent on recurrent activities, while Kshs.977.99 million was spent on development activities. The recurrent expenditure was 90.6 per cent of the funds released for recurrent activities while development expenditure accounted for 97.8 per cent of the funds released for development activities. The expenditure excluded outstanding commitments as at 31st March, 2017 that amounted to Kshs.353.48 million for development and Kshs.976.04 million for recurrent expenditure.

The recurrent expenditure represented 62.7 per cent of the annual recurrent budget, a decrease from 66.1 per cent spent in a similar period of FY 2015/16. Development expenditure recorded an absorption rate of 38.1 per cent, which was an increase from 19.9 per cent attained in a similar period of FY 2015/16. Figure 3.17 presents a comparison between the total expenditure in the first nine months of FY 2016/17 and the first nine months of FY 2015/16.

Figure 3.17: Embu County, Expenditure by Economic Classification for the First Nine Months of FY 2016/17 and FY 2015/16

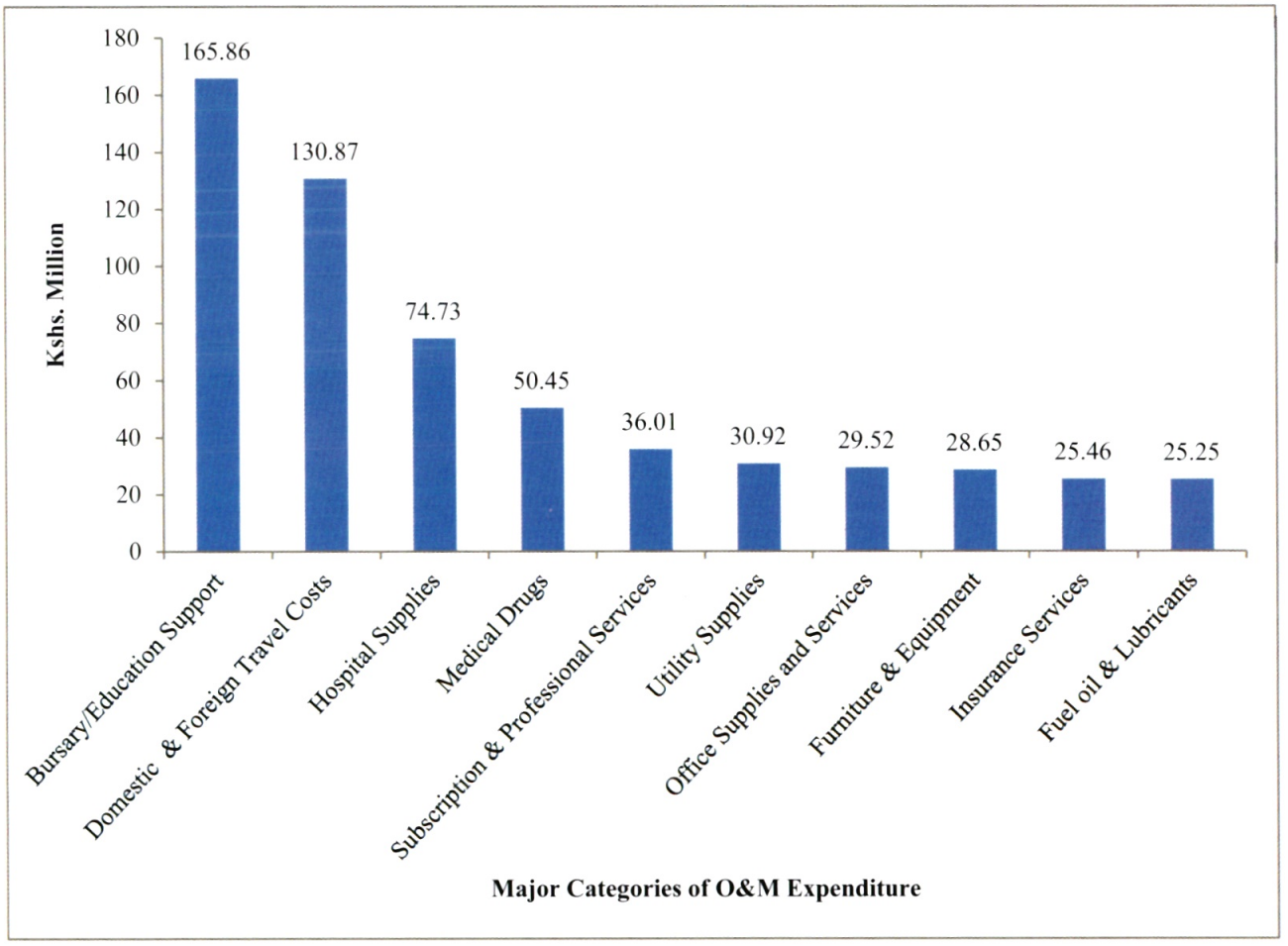


Source: *Embu County Treasury*

3.6.6 Analysis of Recurrent Expenditure

The total recurrent expenditure of Kshs.2.61 billion consisted of Kshs.1.84 million (70.5 per cent) spent on personnel emoluments and Kshs.769.33 million (29.5 per cent) on operations and maintenance as shown in Figure 3.17. Expenditure on personnel emoluments represented an increase of 4.7 per cent compared to a similar period of FY 2015/16 when the County spent Kshs.1.76 billion. Figure 3.18 shows a summary of operations and maintenance expenditure by major categories.

Figure 3.18: Embu County, Operations and Maintenance Expenditure Major Categories for the First Nine Months of FY 2016/17



Source: *Embu County Treasury*

The County spent Kshs.21.02 million on sitting allowances to the 33 MCAs and the Speaker against the annual budget allocation of Kshs.33.22 million. This was a decrease of 38.8 per cent compared to Kshs.31.42 million spent in the same period of FY 2015/16. The average monthly sitting allowance was Kshs.68,687 per MCA compared to SRC's recommended monthly ceiling of Kshs.124,800

Expenditure on domestic and foreign travel amounted to Kshs.130.87 million and consisted of Kshs.97.13 million spent by the County Assembly and Kshs.33.74 million by the County Executive. This was an increase of 47.4 per cent compared to Kshs.88.77 million spent in a similar period of FY 2015/16.

3.6.7 Development Expenditure Analysis

The total development expenditure of Kshs.977.99 million represented 38.1 per cent of the annual development budget of Kshs.2.57 billion. Table 3.17 provides a summarised list of development projects with the highest expenditure during the period under review.

Table 3.17: Embu County, List of Development Projects with the Highest Expenditure in the First Nine Months of FY 2016/17

No.	Project Name	Ward (Location of the Project)	Annual Budget (Kshs.)	Expenditure as at 31st March, 2017 (Kshs.)	Absorption rate (%)
1	Tarmacking of Embu-Kibugu road	Kirimari/Nginda	346,512,554	131,139,268	37.8
2	Construction of ECDE classes	County wide	83,456,061	38,646,623	46.3
3	Supply of UPVCWater Pipes	County wide	38,442,659	38,423,558	99.9
4	Purchase of Dialysis Machines	Kirimari	18,420,000	18,420,000	100.0
5	Construction of OPD and Casualty unit and waiting bay	Kirimari	13,000,000	17,525.640	134.8
6	Completion of Theatre block	Kirimari	18,000,000	15,650,649	86.9
7	Purchase of garbage trucks	Kirimari	0.0	15,427,000	100.0
8	Roofing of Embu Mitumba stalls-Kirimari	Kirimari	19,320,000	12,849,042	67.0
9	Construction of a theatre, CCC, mortuary , store room, Incinerator at Kiritiri hospital	Mavuria	15,030,709	10,809,252	71.9
10	Acquisition of Land Parcel Mbeti / Gachoka/749	Mbeti South	9,900,000	9,900,000	100.0
	Total		**562,081,983**	**291,282,918**	**51.8**

Source: *Embu County Treasury*

Analysis of the development expenditure by project indicates that, the highest expenditure of Kshs.131.14 million was spent on tarmacking of Embu-Kibugu road, followed by Kshs.38.65 million on construction of ECDE classrooms.

3.6.8 Budget and Budget Performance Analysis by Department

Table 3.18 shows a summary of budget estimates and budget performance by department for the first nine months of FY 2016/17

Table 3.18: Embu County, Budget Performance by Department for the First Nine Months of FY 2016/17

Department	Annual Budget Allocation (Kshs. Million)		First Nine months of FY 2016/17 Exchequer Issues (Kshs. Million)		First Nine months of FY 2016/17 Expenditure (Kshs. Million)		First Nine months of FY 2016/17 Expenditure to Exchequer Issues (%)		First Nine months of FY 2016/17 Absorption rate (%)	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
Office of the Governor	356.58	-	248.55	-	238.40	-	95.9	-	66.9	-
Public Service & Administration	318.48	4.5	201.36	-	242.94	-	120.6	-	76.3	-
County Public service Board	38.37	-	24.87	-	19.37	-	77.9	-	50.5	-
Finance and Economic Planning	186.69	40.51	100.60	23.01	25.54	7.55	25.4	32.8	13.7	18.6
Health Services	1,636.87	363.69	1,144.76	130.98	1,010.37	117.75	88.3	89.9	61.7	32.4

Department	Annual Budget Allocation (Kshs. Million)		First Nine months of FY 2016/17 Exchequer Issues (Kshs. Million)		First Nine months of FY 2016/17 Expenditure (Kshs. Million)		First Nine months of FY 2016/17 Expenditure to Exchequer Issues (%)		First Nine months of FY 2016/17 Absorption rate (%)	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
Embu Level 5 Hospital	283.23	189.69	178.17	-	116.62	88.86	65.5	100.0	41.2	46.8
Trade, Investment & Industrialization	35.32	171.60	20.30	35.49	12.25	90.17	60.4	254.1	34.7	52.5
Education, Science & Technology	357.43	134.53	284.05	34.92	285.53	61.78	100.5	176.9	79.9	45.9
Youth Empowerment & Sports	12.42	108.75	7.82	28.00	5.43	38.60	69.4	137.8	43.7	35.5
Infrastructure & Public Works	66.52	1,010.44	43.88	606.60	32.46	375.79	74.0	61.9	48.8	37.2
Gender Empowerment & Culture	16.69	90.59	9.99	-	2.42	19.83	24.2	100.0	14.5	21.9
Lands, Water & Natural Resources	113.30	260.60	69.01	101.50	79.14	102.39	114.7	100.9	69.9	39.3
Agriculture, Livestock & Fisheries	231.85	104.76	170.52	39.89	162.00	75.27	95.0	188.7	69.9	71.9
County Assembly	503.66	88.10	373.08	-	375.02	-	100.5	-	74.5	-
TOTAL	**4,157.41**	**2,567.76**	**2,876.96**	**1,000.40**	**2,607.47**	**977.99**	**90.6**	**97.8**	**62.7**	**38.1**

Source: *Embu County Treasury*

Analysis of budget performance by department shows that the Department of Agriculture, Livestock and Fisheries attained the highest absorption rate of development budget at 71.9 per cent while the Department of Public Service & Administration and the County Assembly did not incur any development expenditure. On the other hand, the County Assembly had the highest percentage of recurrent expenditure to its recurrent budget at 74.5 per cent while the Department of Finance & Economic Planning had the lowest at 13.7 per cent.

3.6.9 Observations and Recommendations

The County has made progress in addressing some of the challenges previously identified as affecting budget implementation. Some of the progress made included:

i. Improvement in absorption of development budget from 19.9 per cent in the first nine months of FY 2015/16 to 38.1 per cent in the reporting period.

Despite the above progress, the following challenges continued to hamper effective budget implementation;

1. Late submission of financial reports by the County Treasury, which affected timely preparation of budget implementation report.

2. Failure to develop legislation to operationalize established some County Public Funds such as the Emergency and Women Trust Fund contrary to Section 116 of the PFM Act, 2012.

3. IFMIS connectivity challenges, which slowed down approval of procurement requests and payments to suppliers.

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

1. *The County Treasury should ensure timely preparation and submission of financial reports to the Office of the Controller of Budget in line with Section 166 of PFM Act, 2012.*
2. *The County should ensure regulations establishing any County Public Funds are in place in line with Section 116 of the PFM Act, 2012. This should be done before operationalization of the established County Public Fund.*
3. *The County Treasury should liaise with the IFMIS Directorate for support in the application of IFMIS and the E-procurement module.*

3.7 Garissa County

3.7.1 Overview of the FY 2016/17 Budget

The County's FY 2016/17 Approved Supplementary Budget was Kshs.7.57 billion, comprising of Kshs.4.76 billion (62.9 per cent) and Kshs.2.81 billion (37.1 per cent) allocation for recurrent and development expenditure respectively.

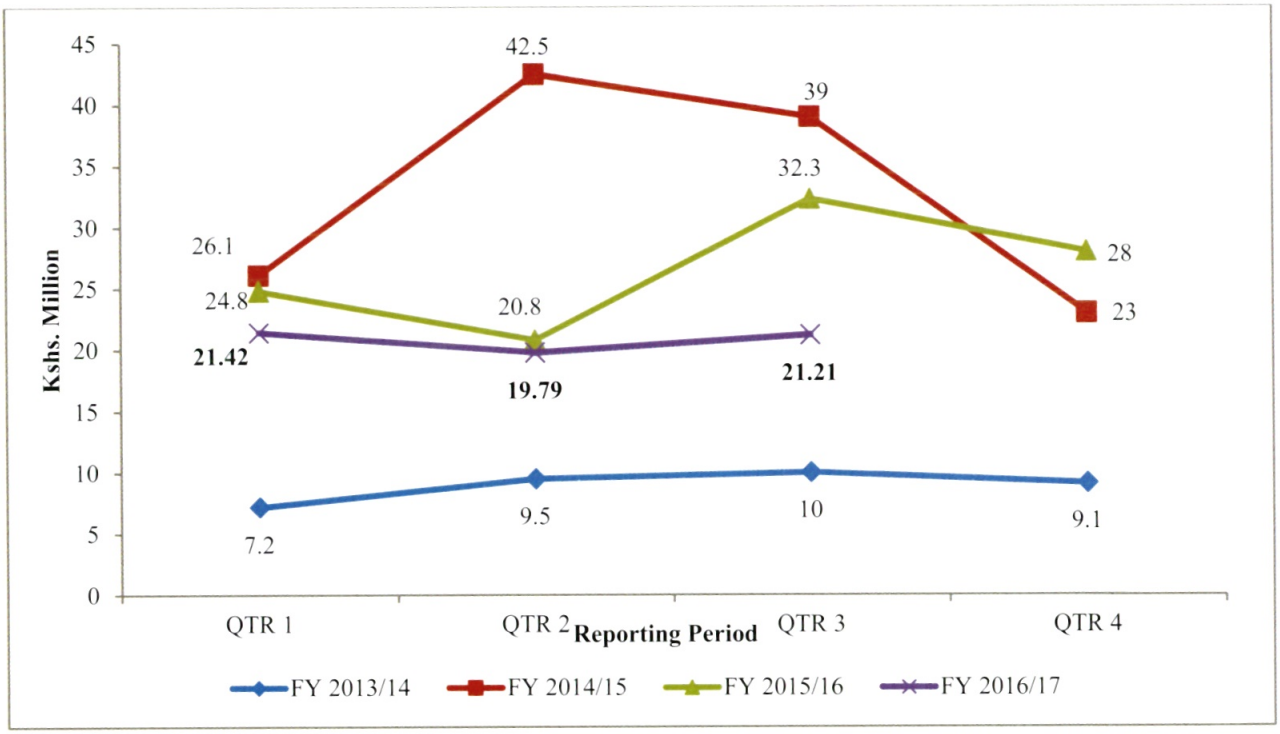
To finance the budget, the County expects to receive Kshs.6.23 billion (82.3 per cent) as equitable share of revenue raised nationally, Kshs.686.8 million (9.1 per cent) as total conditional grants, generate Kshs.350 million (4.6 per cent) from local sources, and Kshs.306 million (4 per cent) cash balance of from FY 2015/16. The conditional grants comprise of Kshs.53.77 million (7.8 per cent) for Free Maternal Healthcare, Kshs.95.63 million (13.9 per cent) from the Road Maintenance Fuel Levy Fund, Kshs.13.13 million (1.9 per cent) for User Fees Foregone, Kshs.8.9 million (1.3 per cent) from DANIDA, Kshs.328.32 million (47.8 per cent) for Level 5 Hospital, Kshs.50.13 million (7.3 per cent) as World Bank grant, and Kshs.136.77 million (19.9 per cent) as conditional allocation grants from other loans and grants.

3.7.2 Revenue Analysis

During the first nine months of FY 2016/17, the County received Kshs.4.27 billion as equitable share of the revenue raised nationally, Kshs.300.83 million as total conditional allocations, raised Kshs.62.42 million from local revenue sources, and had a cash balance of Kshs.306 million brought forward from FY 2015/16.

Figure 3.19 shows the quarterly trend in local revenue collection from the first quarter of FY 2013/14 to the third quarter of FY 2016/17.

Figure 3.19: Garissa County, Trend in Local Revenue Collection by quarter from the First Quarter of FY 2013/14 to the Third Quarter of FY 2016/17



Source: *Garissa County Treasury*

The total local revenue collected in the first nine months of FY 2016/17 amounted to Kshs.62.42 million, representing a decrease of 19.9 per cent compared to Kshs.77.9 million generated in a similar period of FY 2015/16, and represented 17.8 per cent of the annual local revenue target.

3.7.3 Conditional Grants

Table 3.19 shows an analysis of conditional grants released in the first nine months of FY 2016/17.

Table 3.19: Garissa County Analysis of Conditional Grants Released in the First Nine Months of FY 2016/17

No.	Conditional Grant	Allocation based on CARA, 2016 (Kshs.)	Receipts during the first nine months of FY 2016/17(Kshs.)	Actual receipts as a percentage of Annual Allocation (%)
1	Level Five Hospital	328,323,699	246,242,272	75.0
2	Road Maintenance Fuel Levy Fund	95,629297	23,922,244	25.0
3	Free Maternal Healthcare	53,772809	19,365,140	36.0
4	World Bank grant to health facilities	50,131467	-	-
5	User Fees Foregone	13,126,919	11,308,402	86.1
6	Other loans and grants	136,774681	-	-
7	DANIDA grant	8,970,000	-	-
	TOTAL	**686,728,872**	**300,838,058**	**43.8**

Source: Garissa County Treasury

Analysis of the conditional grants released during the period under review indicates that, User Fees Foregone and the Level Five Hospital grants recorded the highest receipts at 86.1 per cent and 75 per cent of annual target respectively. The County is yet to receive funds from the World Bank grant to health facilities, Other Loans and Grants, and DANIDA.

3.7.4 Exchequer Issues

During the reporting period, the Controller of Budget authorised withdrawal of Kshs.4.27 billion from the CRF account, which was 56.4 per cent of the Approved Supplementary Budget. This amount represented a slight increase of 1.6 per cent from Kshs.4.20 billion authorized in a similar period of FY 2015/16 and consisted of Kshs.2.90 billion (68 per cent) for recurrent expenditure and Kshs.1.37 billion (32 per cent) for development activities.

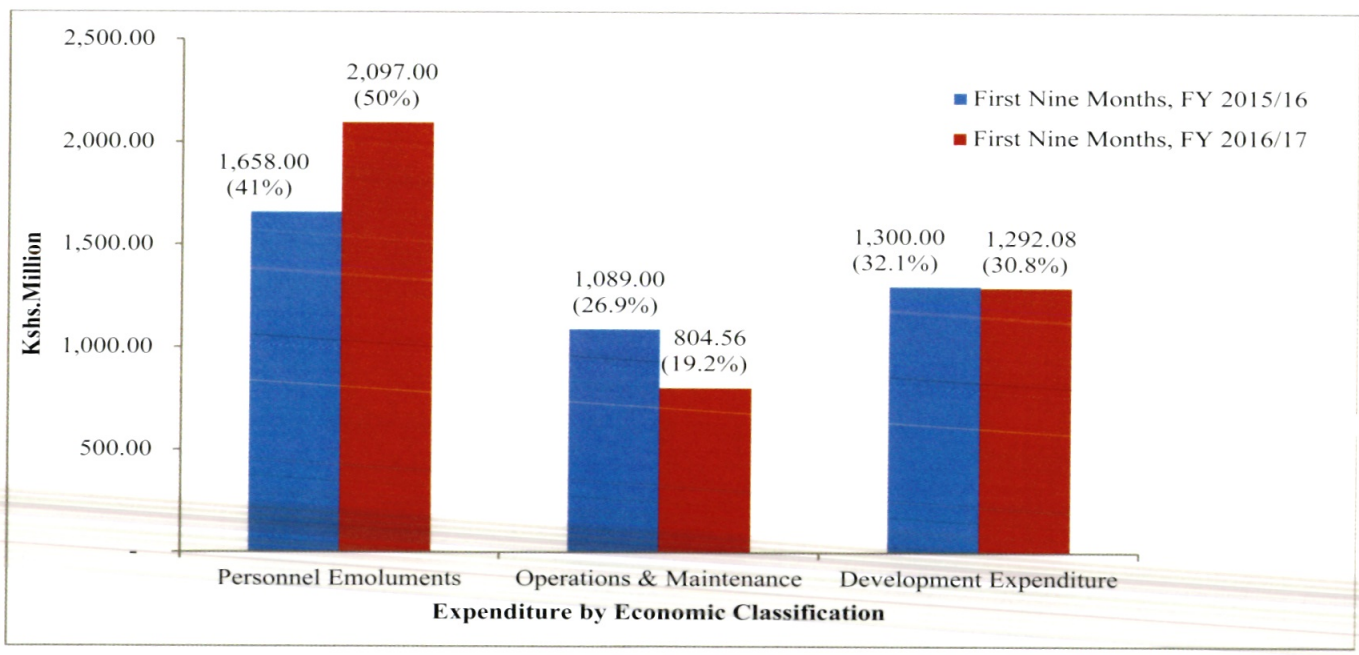
3.7.5 Overall Expenditure Review

The County spent Kshs.4.19 billion, which was 98.3 per cent of the total funds released for operations. This was an increase of 1.9 per cent from Kshs.4.05 billion spent in a similar period of FY 2015/16.

A total of Kshs.2.9 billion was spent on recurrent activities, while Kshs.1.29 billion was spent on development activities. The recurrent expenditure was 100 per cent of the funds released for recurrent activities while development expenditure accounted for 94.6 per cent of the funds released for development activities. The expenditure excluded outstanding commitments as at 31st March, 2017 that amounted to Kshs.73.3 million for development expenditure.

The recurrent expenditure represented 60.9 per cent of the annual recurrent budget, a decrease from 70.1 per cent spent in a similar period of FY 2015/16. Development expenditure recorded an absorption rate of 46 per cent, which was an increase from 37.8 per cent attained in a similar period of FY 2015/16. Figure 3.20 presents a comparison between the total expenditure in the first nine months of FY 2016/17 and the first nine months of FY 2015/16.

Figure 3.20: Garissa County, Expenditure by Economic Classification for the First Nine Months of FY 2016/17 and FY 2015/16

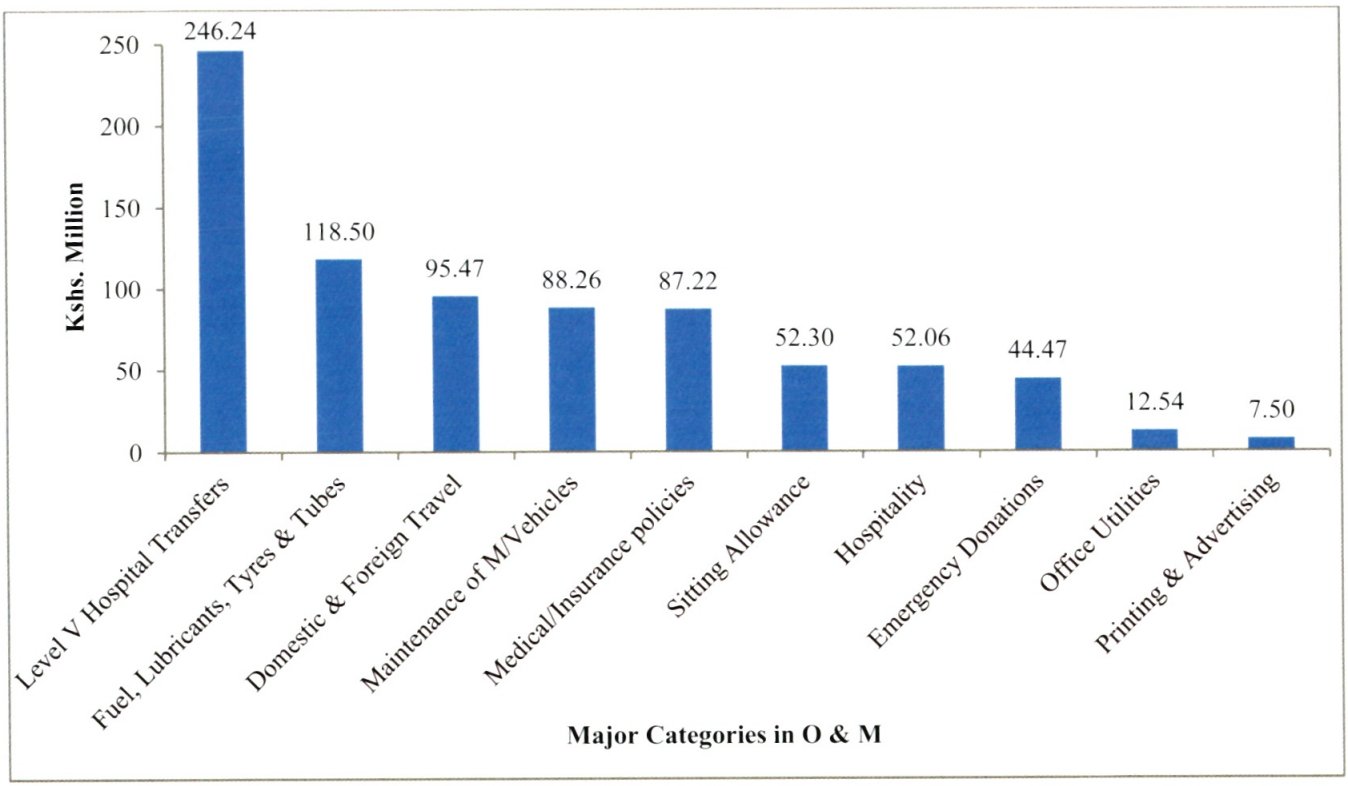


Source: *Garissa County Treasury*

3.7.6 Analysis of Recurrent Expenditure

The total recurrent expenditure of Kshs.2.9 billion consisted of Kshs.2.1 billion (72.3 per cent) spent on personnel emoluments and Kshs.804.56 million (27.7 per cent) on operations and maintenance as shown in Figure 3.20. Expenditure on personnel emoluments represented an increase of 24.5 per cent compared to a similar period of FY 2015/16 when the County spent Kshs.1.66 billion. Figure 3.21 shows a summary of operations and maintenance expenditure by major categories.

Figure 3.21: Garissa County, Operations and Maintenance Expenditure Major Categories for the First Nine Months of FY 2016/17



Source:Garissa *County Treasury*

The County spent Kshs.52.3 million on sitting allowances to the 49 MCAs and the Speaker against the annual budget allocation of Kshs.87 million. This was an increase of 4 per cent compared to Kshs.50.3 million spent in the same period of FY 2015/16. The average monthly sitting allowance was Kshs.118,595 per MCA compared to SRC's recommended monthly ceiling of Kshs.124,800

Expenditure on domestic and foreign travel amounted to Kshs.95.47 million and consisted of Kshs.38.7 million spent by the County Assembly and Kshs.56.8 million by the County Executive. This was a decrease of 22.8 per cent compared to Kshs.123.6 million spent in a similar period of FY 2015/16.

3.7.7 Development Expenditure Analysis

The total development expenditure of Kshs.1.29 billion represented 46 per cent of the annual development budget of Kshs.2.81 billion. Table 3.20 provides a summarised list of development projects with the highest expenditure during the period under review.

Table 3.20: Garissa County, List of Development Projects with the Highest Expenditure in the First Nine Months of FY 2016/17

S/No.	Project name	Ward (Location of the Project)	Estimated Budget (Kshs.)	Expenditure as at 31st March, 2017 (Kshs.)	Absorption rate (%)
1	Masalani Water Project	Masalani	158,000,000	118,000,000	74.7
2	Construction of water supply Ijara Sub-County	Ijara	108,750,000	70,000,000	64.4
3	Upgrading of Garswein- Gababa Road	Masalani	56,000,000	56,000,000	100
4	Installation of Flash light	Balambala	49,000,000	49,000,000	100
5	Construction of Modogashe Sub-Couty Hospital	Modogashe	23,600,000	23,600,000	100
6	Piping of Waber West	Township	20,000,000	19,200,000	96
7	Grading Of Guyobombi Dam, Baraki Road	Baraki	18,486,294	18,486,294	100
8	Hareri Dherow water pan	Hulugho	17,400,000	17,400,000	100
9	Aden Wobi water pan	Hulugho	12,600,000	12,600,000	100
10	Construction of Hagajirir Dispensary	Hagajirir	12,000,500	12,000,500	100
	Total		**475,836,794**	**396,286,794**	**83.3**

Source: *Garissa County Treasury*

Analysis of the development expenditure by project indicates that, the highest expenditure of Kshs.118 million was spent on construction of Masalani Water Supply, followed by construction of Ijara water supply at Kshs.70 million and upgrading of the Garsweino- Gababa road at Kshs.56 million.

3.7.8 Budget and Budget Performance Analysis by Department

Table 3.21 shows a summary of budget performance by department for the first nine months of FY 2016/17.

Table 3.21: Garissa County, Budget Performance by Department for the First Nine Months of FY 2016/17

Department	Annual Budget Allocation (Kshs. Million)		First nine months of FY 2016/17 Exchequer Issues (Kshs. Million)		First nine months of FY 2016/17 Expenditure (Kshs. Million)		First nine months of FY 2016/17 Expenditure to Exchequer Issues (%)		First nine months of FY 2016/17 Absorption rate (%)	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
Transport ,Infrastructure and Lands	94.2	1028	49.5	445.5	49.5	372.4	100.0	83.6	52.5	36.2
Water Services	136.7	617	105.5	430	105.5	430	100.0	100.0	77.2	69.7
Finance and Economic Planning	1428	250.3	737.1	180	737.1	180	100.0	100.0	51.6	71.9
Health and Sanitation	1375	327.2	991	211.2	991	211.2	100.0	100.0	72.1	64.5
Education	279	67.5	164	0	164	0	100.0	-	58.8	0.0
Trade, Cooperative and Youth	71.1	39	17	0	17	0	100.0	-	23.9	0.0

Department	Annual Budget Allocation (Kshs. Million)		First nine months of FY 2016/17 Exchequer Issues (Kshs. Million)		First nine months of FY 2016/17 Expenditure (Kshs. Million)		First nine months of FY 2016/17 Expenditure to Exchequer Issues (%)		First nine months of FY 2016/17 Absorption rate (%)	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
Environment, Energy and Natural Resources	38.3	130	14	18.5	14	18.5	100.0	100.0	36.6	14.2
Urban Services	163.1	97	117	80	117	80	100.0	100.0	71.7	82.5
Agriculture	101	74	81	0	81	0	100.0	-	80.2	0.0
Livestock and Pastoral Economy	81.8	62	60	0	60	0	100.0	-	73.3	0.0
Women Affairs and Culture	37.3	42	25	0	25	0	100.0	-	67.0	0.0
Executive Services	279.7	22	150	0	150	0	100.0	-	53.6	0.0
County Assembly	679.5	50	390	0	390	0	100.0	-	57.4	0.0
TOTAL	**4764.7**	**2806**	**2901.1**	**1365.2**	**2901.1**	**1292.1**	**100.0**	**94.7**	**60.9**	**46.0**

Source: *Garissa County Treasury*

Analysis of budget performance by department shows that the Department of Urban Services attained the highest absorption rate of development budget at 82.5 per cent. On the other hand, the Department of Agriculture had the highest percentage of recurrent expenditure to recurrent budget at 80.2 per cent.

3.7.9 Observations and Recommendations

The County has made progress in addressing some of the challenges previously identified as affecting budget implementation. Some of the progress made included:

i. Establishment of the County Budget and Economic Forum as required by Section 137 of the PFM Act, 2012.

Despite the above progress, the following challenges continued to hamper effective budget implementation;

1. Delay in submission of financial reports to the Controller of Budget by the County Treasury, which affected timely preparation of the budget implementation report.

2. Under-performance in local revenue collection. Local revenue collection has declined by 19.9 per cent from Kshs.77.9 million in the first nine months of FY 2015/16 to Kshs.62.42 million in the reporting period.

3. Failure to establish an Internal Audit Committee to oversee financial operations in the County contrary to Section 155 of the PFM Act, 2012.

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

1. *The County Treasury should ensure timely preparation and submission of financial reports to the Office of the Controller of Budget in line with Section 166 of PFM Act, 2012.*

2. *The County Treasury should formulate and implement strategies to enhance local revenue collection.*

3. *The County should establish an Internal Audit Committee in line with Section 155 of the PFM Act, 2012.*

3.8 Homa Bay County

3.8.1 Overview of the FY 2016/17 Budget

The County's FY 2016/17 Approved Budget was Kshs.6.70 billion, comprising of Kshs.4.34 billion (64.8 per cent) and Kshs.2.35 billion (35.2 per cent) allocation for recurrent and development expenditure respectively.

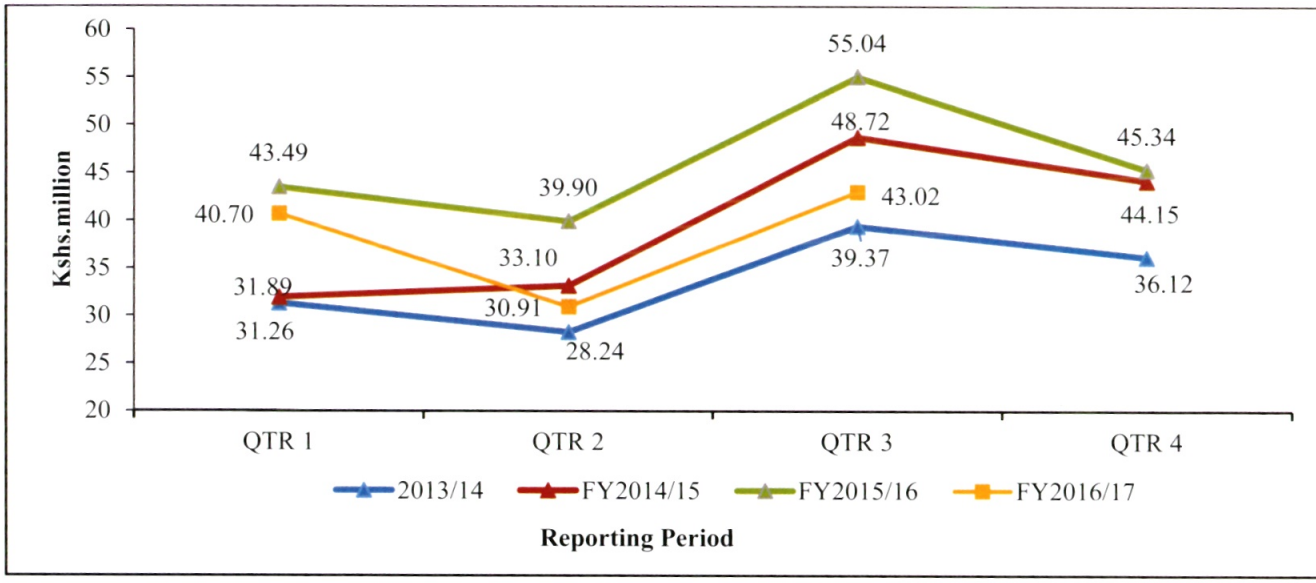
To finance the budget, the County expects to receive Kshs.6.08 billion (90.3 per cent) as equitable share of revenue raised nationally, Kshs.382.91 million (5.7 per cent) as total conditional grants, generate Kshs.233.54 million (3.5 per cent) from local sources, and Kshs.34.10 million (0.5 per cent) cash balance from FY 2015/16. The conditional grants comprise of Kshs.128.74 million (25 per cent) for Free Maternal Healthcare, Kshs.93.42 million (24.4 per cent) from the Road Maintenance Fuel Levy Fund, Kshs.22.62 million (5.9 per cent) for User Fees Foregone, Kshs.12.09 million (3.2 per cent) from DANIDA and Kshs.30.29 million (7.9 per cent) from Other Loans and Grants.

3.8.2 Revenue Analysis

During the first nine months of FY 2016/17, the County received Kshs.4.33 billion as equitable share of the revenue raised nationally, Kshs.173.23 million as total conditional allocations, raised Kshs.114.63 million from local sources, and had a cash balance of Kshs.34.10 million brought forward from FY 2015/16.

Figure 3.22 shows the quarterly trend in local revenue collection from the first quarter of FY 2013/14 to the third quarter of FY 2016/17.

Figure 3.22: Homa Bay County, Trend in Local Revenue Collection by Quarter from the First Quarter FY 2013/14 to the Third Quarter FY 2016/17



Source: *Homa Bay County Treasury*

The total local revenue collected in the first nine months of FY 2016/17 amounted to Kshs.114.63 million, representing a decrease of 17.2 per cent compared to Kshs.138.43 million generated in a similar period of FY 2015/16, and represented 49.2 per cent of the annual local revenue target.

3.8.3 Conditional Grants

Table 3.22 shows an analysis of conditional grants released in the first nine months of FY 2016/17.

Table 3.22: Homa Bay County, Analysis of Conditional Grants Released in the First Nine Months of FY 2016/17

No.	Conditional Grant	Allocation based on CARA, 2016 (Kshs.)	FY 2016/17 Actual receipt of Conditional Grants (Kshs.)	Actual receipts as a percentage of Annual Allocation (%)
1	Road Maintenance Fuel Levy Fund	93,422,137	93,422,136	100
2	Free Maternal Healthcare	128,736,441	68,500,000	53.2
3	World Bank grant to health facilities	30,293,030	-	-
4	Leasing of Medical Equipment	95,744,681	-	-
5	Level 5 Hospital	-	-	-
6	User Fees Foregone	22,616,803	11,308,402-	50
7	DANIDA grant	12,385,000	-	-
	TOTAL	**383,198,092**	**173,230,538**	**42.2**

Source: *Homa Bay County Treasury*

Analysis of the conditional grants released during the period under review indicates that, the Road Maintenance Fuel Levy Fund recorded the highest receipts at 100 per cent of annual target, followed by Free Maternity Healthcare at 53.2 per and Users fees Foregone with 50 per cent. The County is yet to receive funds from the World Bank grant to health facilities and DANIDA.

3.8.4 Exchequer Issues

During the reporting period, the Controller of Budget authorised withdrawal of Kshs.4.33 billion from the CRF account, which was 64.7 per cent of the Approved Budget. This amount represented an decrease of 3.7 per cent from Kshs.4.49 billion authorized in a similar period of FY 2015/16 and consisted of Kshs.3.22 billion (74.3 per cent) for recurrent expenditure and Kshs.1.12 billion (25.7 per cent) for development activities.

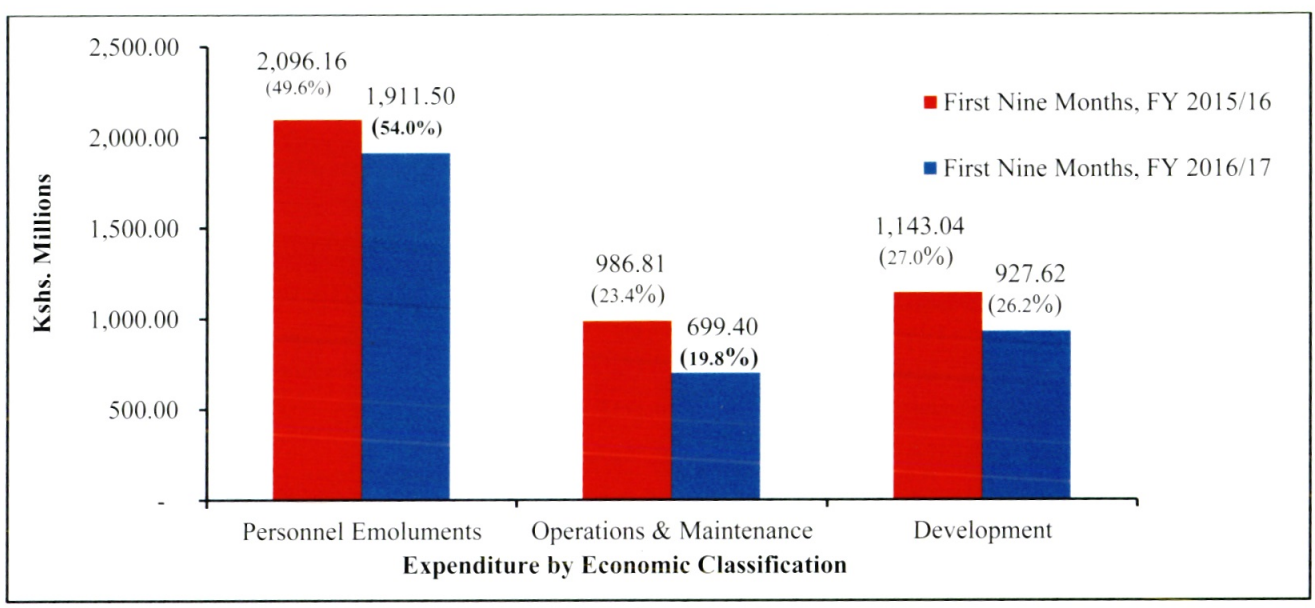
3.8.5 Overall Expenditure Review

The County spent Kshs.3.69 billion, which was 85.2 per cent of the total funds released for operations. This was a decrease of 19.5 per cent from Kshs.4.23 billion spent in a similar period of FY 2015/16.

A total of Kshs.2.61 billion was spent on recurrent activities, while Kshs.927.62 million was spent on development activities. The recurrent expenditure was 85.8 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. The expenditure excluded outstanding commitments as at 31st March, 2017 that amounted to Kshs.560.42 million for development and Kshs124.59 million for recurrent expenditure.

The recurrent expenditure represented 63.5 per cent of the annual recurrent budget, a decrease from 78.1 per cent spent in a similar period of FY 2015/16. Development expenditure recorded an absorption rate of 39.4 per cent, which was a decrease from 51.6 per cent attained in a similar period of FY 2015/16. Figure 3.23 presents a comparison between the total expenditure in the first nine months of FY 2016/17 and the first nine months of FY 2015/16.

Figure 3.23: Homa Bay County, Expenditure by Economic Classification for the First Nine Months of FY 2016/17 and FY 2015/16



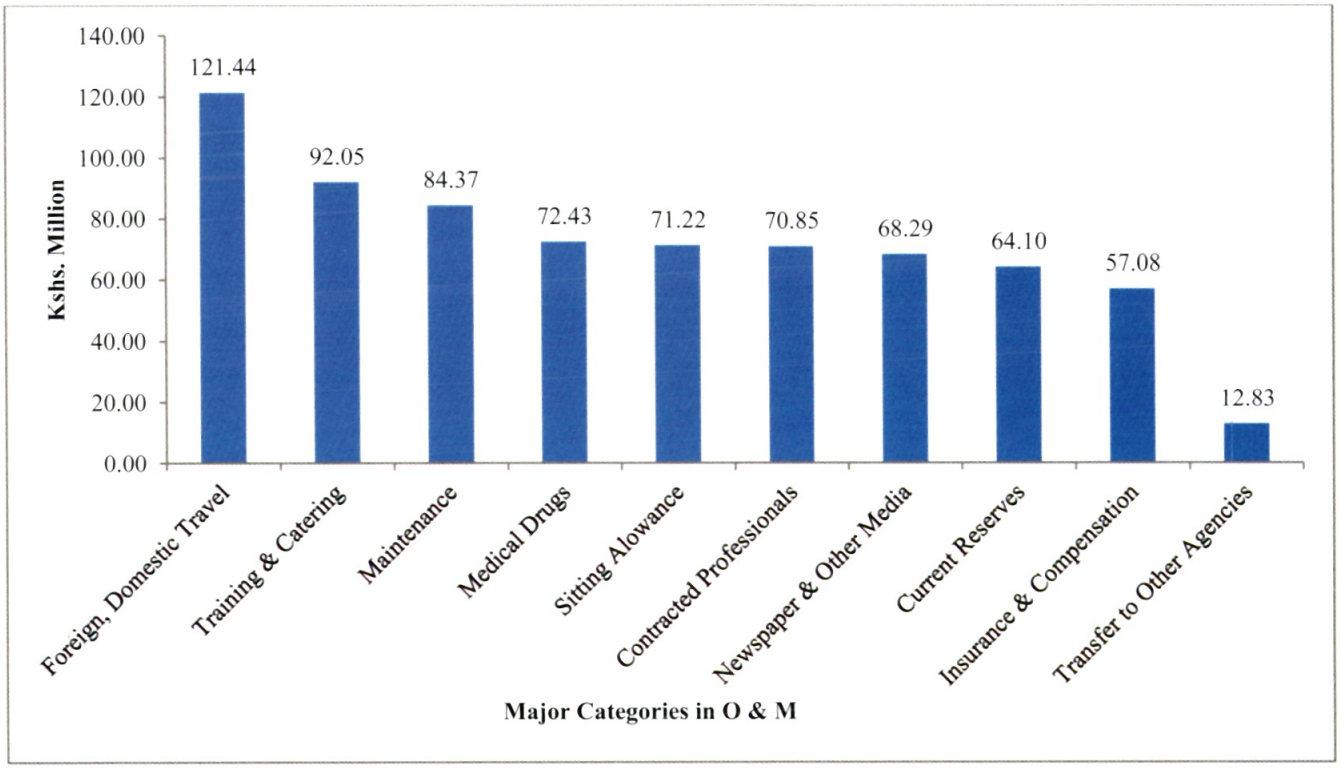
Source: *Homa Bay County Treasury*

3.8.6 Analysis of Recurrent Expenditure

The total recurrent expenditure of Kshs. 2.61 billion consisted of Kshs 1.9 billion (72 per cent) spent on personnel emoluments and Kshs.699.4 million (28 per cent) on operations and maintenance as shown in Figure 3.23. Expenditure on personnel emoluments represented a decrease of 8.8 per cent

compared to a similar period of FY 2015/16 when the County spent Kshs.2.10 billion. Figure 3.24 shows a summary of operations and maintenance expenditure by major categories.

Figure 3.24: Homa Bay County, Operations and Maintenance Expenditure by Major Categories for the First Nine Months of FY 2016/17



Source: *Homa Bay County Treasury*

The County spent Kshs.71.22 million on sitting allowances to the 64 MCAs and the Speaker against the annual budget allocation of Kshs.126.3 million. This was a decrease of 16.8 per cent compared to Kshs.85.55 million spent in the same period of FY 2015/16. The average monthly sitting allowance was Kshs.123,649 per MCA compared to SRC's recommended monthly ceiling of Kshs.124,800.

Expenditure on domestic and foreign travel amounted to Kshs.121.44 million and consisted of Kshs.51.98 million by the County Assembly and Kshs.69.46 million by the County Executive. This was an increase of 53.5 per cent compared to Kshs.79.10 million spent in a similar period of FY 2015/16.

3.8.7 Development Expenditure Analysis

The total development expenditure of Kshs.927.62 million represented 39.4 per cent of the annual development budget of Kshs.2.35 billion. Table 3.23 provides a summarised list of development projects with the highest expenditure during the period under review.

Table 3.23: Homa Bay County, Summary of Development Projects with the Highest Expenditure in the First Nine Months of FY 2016/17

NO	Project Name	Department	ward (Location of the project)	Annual Budget (Kshs.)	Expenditure as at 31st March, 2017 (Kshs.)	Absorption rate (%)
1	Major roads	Transport	Rusinga Island ward,North Kabuoch Ward,Kanyadoto,Kabondo West Ward.	343,099,000	203,697,012	59.4
2	Construction and expansion of water supply	Water and environment	Kojwach Kabondo –East Ruma-Kaksingri Kibiri Kotieno Kochia	546,017,854	183,935,592	33.7
3	Other Infrastructure and Civil Works	All departments	All wards	406,380,681	144,291,492	35.5
4	Construction of ECD centres/ Renovation of medical blocks	Education and Health	All wards & Sub-counties	427,072,000	126,046,041	29.5
5	Routine maintenance – Other Ass	Transport and infrastructure	All wards	181,275,440	46,098,502	25.4
6	Construction of other roads	Transport and infrastructure	All wards	154,572,000	43,488,999	28.1
7	Purchase of plant and Machinery	Transport and infrastructure	Homa Bay central ward	50,000,000	43,450,000	86.9
8	Purchase of Equipment, Tools and Accessories	Education and ICT	Central Kasipul, Gwasi-South & North, Kochia, Kabondo West	277,679,000	40,992,888	14.8
9	Construction/renovation of health facilities(health centres &dispensaries)	Health services	All wards	70,000,000	27,826,580	39.8
10	Purchase of drilling rig.	Water and Environment	Homa Bay central ward	50,000,000	20,840,353	41.7
11	Development of IT Platform	Education and IT	Mbita Sub- county,Magunga Ward,Kotaro Ward	72,587,060	20,500,000	28.2
12	Purchase of medical and dental equipment	Health Services	All Sub-County Hospitals	40,000,000	10,000,000	25.0
13	Engineering and design plans	Lands and Housing	Kokwanyo Kokelo ward	12,219,632	3,391,190	27.8

Source: *Homa Bay County Treasury*

Analysis of the development expenditure by project indicates that, the highest expenditure of Kshs.203.70 million was spent on construction of major roads, followed by Kshs.183.93 million on construction and expansion of water supplies.

3.8.8 Budget and Budget Performance Analysis by Department

Table 3.24 shows a summary of budget performance by department for the first nine months of FY 2016/17.

Table 3.24: Homa Bay County, Budget Performance by Department for the First Nine Months of FY 2016/17

Department	Budget Allocation (Kshs. Million)		First Nine Months FY 2016/17 Exchequer Issues (Kshs. Million)		First Nine Months FY 2016/17 Expenditure (Kshs. Million)		First Nine Months FY 2016/17 Expenditure to Exchequer Issues (%)		First Nine Months FY 2016/17 Absorption rate (%)	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
Agriculture, Livestock and Fisheries	194.26	204	194	105	138.35	7.9	71.3	7.5	71.2	3.9
Tourism, Culture and Sports	83.39	60	79.3	30	34.25	29.83	43.2	99.4	41.1	49.7
Transport and Infrastructure	74.46	613.99	67.6	302	31.4	332.02	46.5	109.9	42.2	54.1
Energy and Natural Resources	30.98	100.01	27.2	70	14.88	18.73	54.7	26.8	48.0	18.7
Education and ICT	325.89	102	262.2	45.01	241.783	10.93	92.2	24.3	74.2	10.7
Health	1474.6	265	1198	134	868.51	132.35	72.5	98.8	58.9	49.9
Lands, Housing and Physical Planning	45.84	76	37.5	20	36.89	13.62	98.4	68.1!	80.5	17.9
Trade, Industry and Investment	122.79	130	124.5	65	98.63	19.22	79.2	29.6	80.3	14.8
Water and Environment	115.3	600	95.5	279	84.91	206.82	88.9	74.1	73.6	34.5
Finance and Economic Planning	299.34	109.88	196.3	25	198.75	79.56	101.3	318.2	66.4	72.4
Office of the Governor	539.03	65	368.9	40	419.26	64.11	113.7	160.3	77.8	98.6
County Public Service Board	99.16	10	55	0	31.58	0	57.4	-	31.9	0.0
County Assembly Service Board	937.72	18	510	0	354.75	11.54	69.6	-	37.8	64.1
Total	**4,342.8**	**2,353.9**	**3,216**	**1,115**	**2,610.95**	**927.6**	**81.2**	**83.2**	**60.1**	**39.4**

Source: *Homa Bay County Treasury*

Analysis of budget performance by department shows that the Office of the Governor attained the highest absorption rate of development budget at 98.6 per cent while the County Public Service Board did not incur any development expenditure. On the other hand the Department of Lands, Housing and Physical Planning and Trade, Industry and Investment had the highest percentage of recurrent expenditure to recurrent budget at 80.5 per cent and 80.3 per cent respectively, while the Department of County Public Service Board had the lowest at 31.9 per cent.

3.8.9 Observations and Recommendations

The County has made progress in addressing some of the challenges previously identified as affecting budget implementation. Some of the progress made included:

i. Automation of local revenue collection which may enhance collection, reduce leakages and improve reporting.

ii. Establishment of a County Budget and Economic Forum (CBEF) in line with Section 137 of the PFM Act, 2012.

iii. Improvement in staff capacity through training.

Despite the above progress, the following challenges continued to hamper effective budget implementation;

1. Spending of revenue at source in contravention of Section 109 of the PFM Act 2012. From analysis of bank statements and expenditure returns, the COB has noted that the Department of Health did not bank all its revenue receipts into the CRF account.

2. Under-performance in local revenue collection. Local revenue collection declined by 17.2 per cent from Kshs.138.43 million in the first nine months of FY 2015/16 to Kshs.114.63 million in the reporting period.

3. The COB has noted, from the analysis of bank statements and expenditure reports that the County has continued to make financial transactions from bank accounts maintained at commercial banks and made cheque payments. This contravenes Government policy which requires that all payments by government to be made online through Internet Banking platform.

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

1. *The County should ensure all departments adhere to Section 109 of the PFM Act, 2012 and bank all revenue receipts into the CRF account.*

2. *The County Treasury should formulate and implement strategies to enhance local revenue collection.*

3. *Accounting Officers should ensure payments are made online through the prescribed Internet Banking platform operated by the Central Bank of Kenya.*

3.9 Isiolo County

3.9.1 Overview of the FY 2016/17 Budget

The County's FY 2016/17 Approved Budget was Kshs.3.74 billion, comprising of Kshs.2.26 billion (60.4 per cent) and Kshs.1.48 billion (39.6 per cent) allocation for recurrent and development expenditure respectively.

To finance the budget, the County expects to receive Kshs.3.30 billion (88.0 per cent) as equitable share of revenue raised nationally, Kshs.198.35 million (5.3 per cent) as total conditional grants, generate Kshs.250 million (6.7 per cent) from local sources, and Kshs.9.96 million cash balance from FY 2015/16. The conditional grants comprise of Kshs.95.74 million (48.30 per cent) for leasing of medical equipment, Kshs.22.18 million (11.2 per cent) for Free Maternal Healthcare, Kshs.50.67 million (25.5 per cent) from the Road Maintenance Fuel Levy Fund, Kshs.3.51 million (1.8 per cent) for User Fees Foregone, Kshs.3.99 million (2 per cent) from DANIDA, and Kshs.22.25 million (11.2

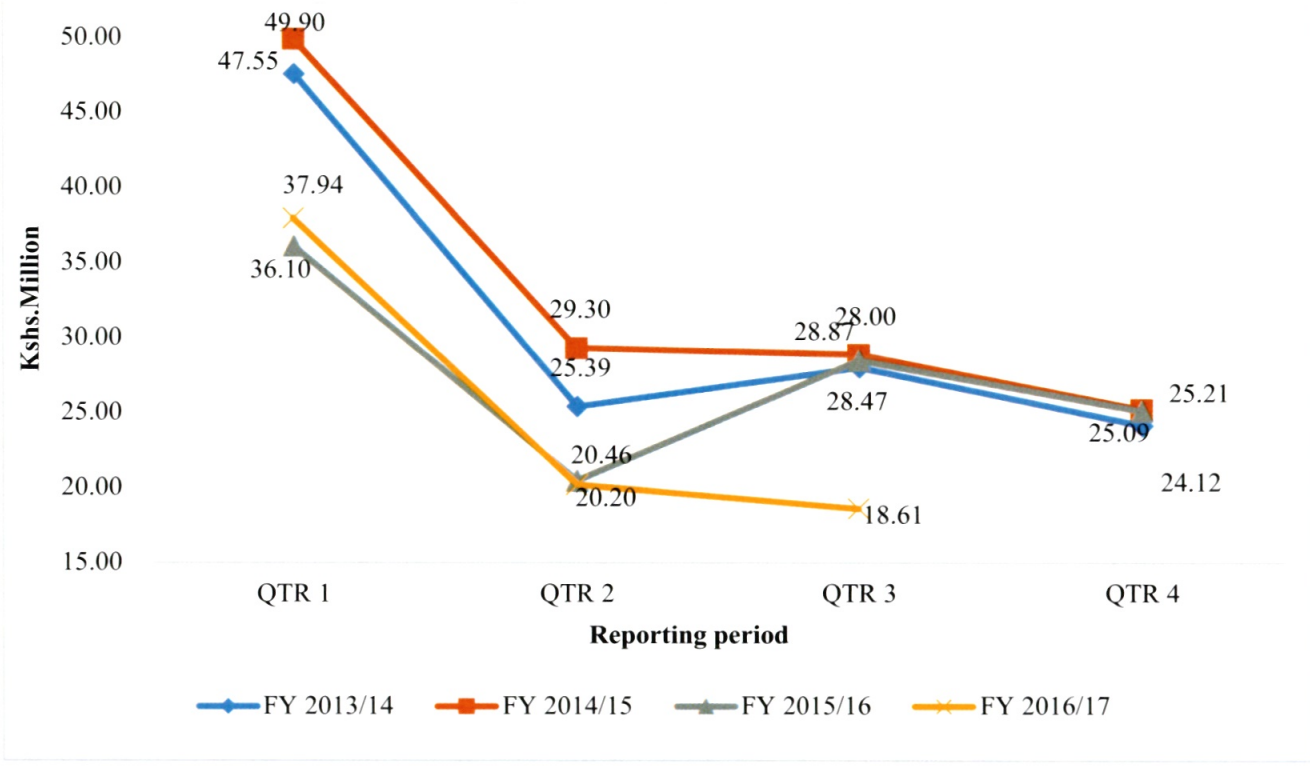
per cent) as conditional grants from other loans and grants.

3.9.2 Revenue Analysis

During the first nine months of FY 2016/17, the County received Kshs.2.77 billion as equitable share of the revenue raised nationally, Kshs.93.61 million as total conditional allocations, raised Kshs.76.75 million from local revenue sources, and had a cash balance of Kshs.10.12 million brought forward from FY 2015/16.

Figure 3.25 shows the quarterly trend in local revenue collection from the first quarter of FY 2013/14 to the third quarter of FY 2016/17.

Figure 3.25: Isiolo County, Trend in Local Revenue Collection by Quarter from the First Quarter FY 2013/14 to the Third Quarter FY 2016/17



Source: *Isiolo County Treasury*

The total local revenue collected in the first nine months of FY 2016/17 amounted to Kshs.76.75 million, representing a decrease of 9.8 per cent compared to Kshs.85.02 million generated in a similar period of FY 2015/16, and represented 30.7 per cent of the annual local revenue target.

3.9.3 Conditional Grants

Table 3.25 shows an analysis of conditional grants released in the first nine months of FY 2016/17.

Table 3.25: Isiolo County, Analysis of Conditional Grants Released in the First Nine Months of FY 2016/17

No.	Conditional Grant	Allocation based on CARA, 2016 (Kshs.)	FY 2016/17 Actual receipt of Conditional Grants (Kshs.)	Actual receipts as a percentage of Annual Allocation (%)
1	Road Maintenance Fuel Levy Fund	50,674,844	50,674,844	100.0
2	Free Maternal Healthcare	22,181,866	18,932,500	85.4
3	World Bank grant to health facilities	22,247,373	22,247,373	100.0
4	User Fees Foregone	3,514,477	1,757,238	50.0
5	DANIDA grant	3,985,000	-	--
	TOTAL	**102,603,560**	**93,611,955**	**91.2**

Source: *Isiolo County Treasury*

Analysis of the conditional grants released during the period under review indicates that, the Road Maintenance Fuel Levy Fund and World Bank grant to health facilities recorded the highest receipt at 100 per cent of annual targets. The County is yet to receive funds from DANIDA.

3.9.4 Exchequer Issues

During the reporting period, the Controller of Budget authorised withdrawal of Kshs.2.32 billion from the CRF account, which was 62 per cent of the Approved Budget. This amount represented an increase of 5.5 per cent from Kshs.2.20 billion authorized in a similar period of FY 2015/16 and consisted of Kshs.1.58 billion (67.9 per cent) for recurrent expenditure and Kshs.745 million (32.1 per cent) for development activities.

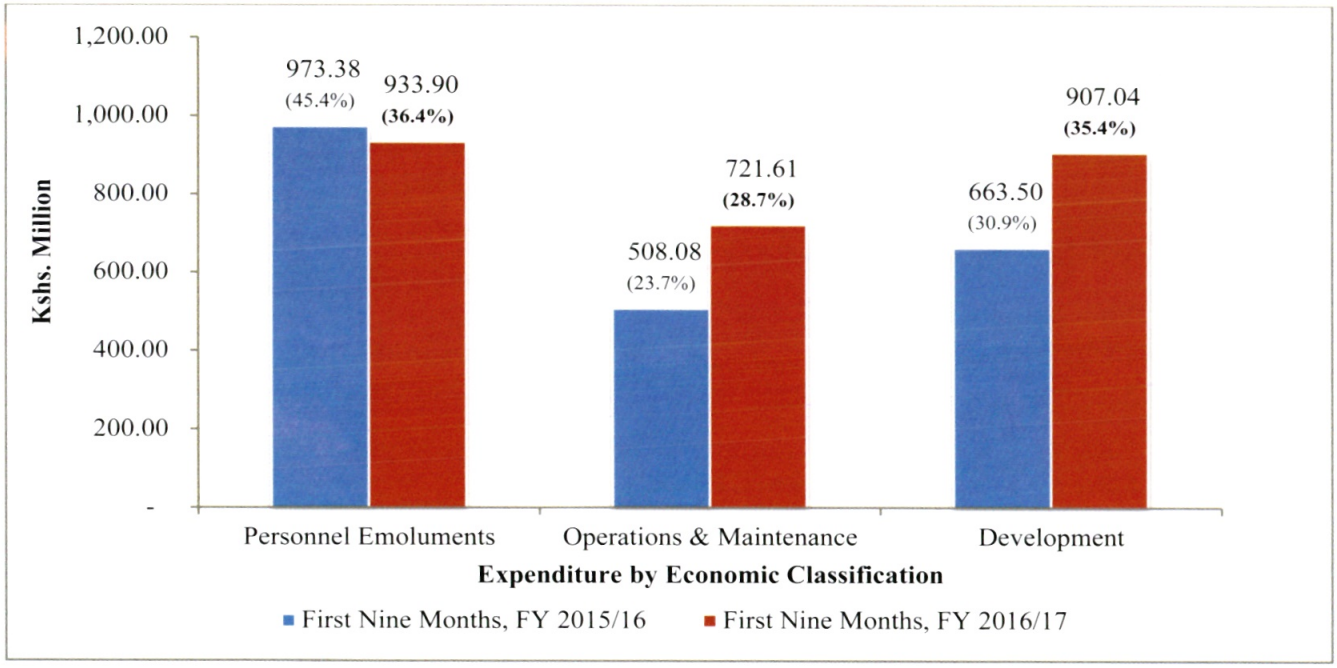
3.9.5 Overall Expenditure Review

The County spent Kshs.2.56 billion, which was 104.9 per cent of the total funds released for operations. This was an increase of 19.5 per cent from Kshs.2.15 billion spent in a similar period of FY 2015/16.

A total of Kshs.1.66 billion was spent on recurrent activities, while Kshs.907.04 million was spent on development activities. The recurrent expenditure was 104.9 per cent of the funds released for recurrent activities while development expenditure accounted for 121.8 per cent of the funds released for development activities. The county did not report on outstanding commitments as at 31st March, 2017.

The recurrent expenditure represented 73.1 per cent of the annual recurrent budget, an increase from 70.0 per cent spent in a similar period of FY 2015/16. Development expenditure recorded an absorption rate of 61.2 per cent, which was an increase from 39.4 per cent attained in a similar period of FY 2015/16. Figure 3.26 presents a comparison between the total expenditure in the first nine months of FY 2016/17 and the first nine months of FY 2015/16.

Figure 3.26: Isiolo County, Expenditure by Economic Classification for the First Nine Months of FY 2016/17 and FY 2015/16

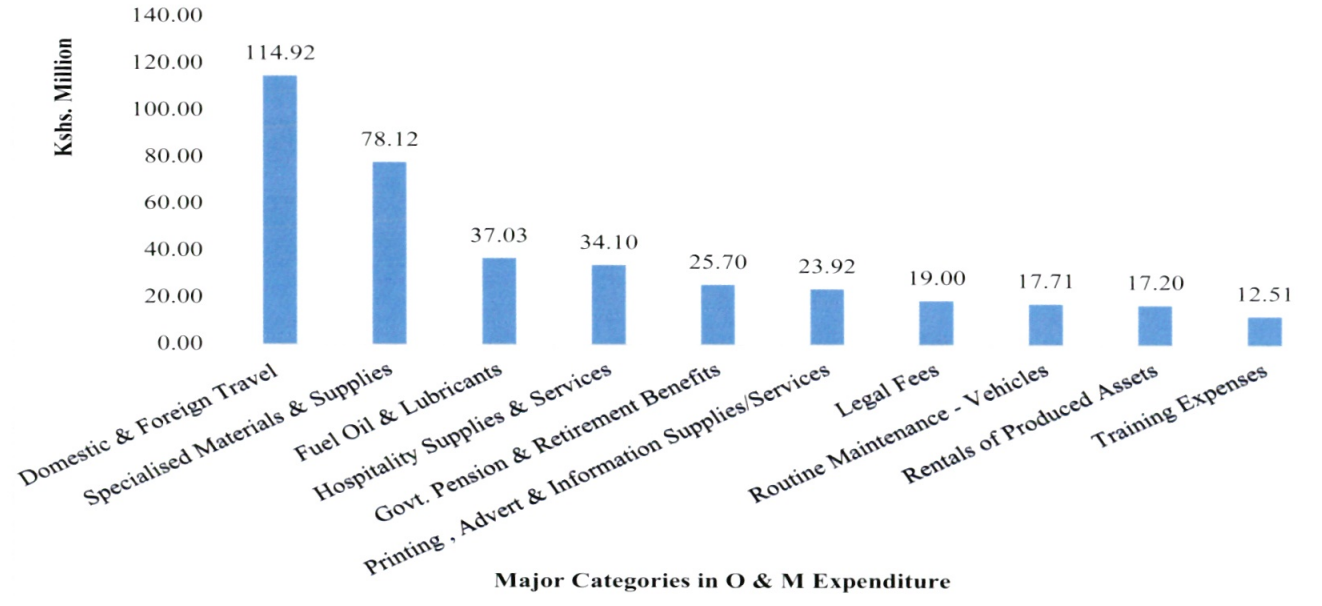


Source: *Isiolo County Treasury*

3.9.6 Analysis of Recurrent Expenditure

The total recurrent expenditure of Kshs.1.66 billion consisted of Kshs.933.9 million (56.4 per cent) spent on personnel emoluments and Kshs.721.61 million (43.6 per cent) on operations and maintenance as shown in Figure 3.26. Expenditure on personnel emoluments represented a decrease of 4.1 per cent compared to a similar period of FY 2015/16 when the County spent Kshs.93.38 million. Figure 3.27 shows a summary of operations and maintenance expenditure by major categories.

Figure 3.27: Isiolo County, Operations and Maintenance Expenditure by Major Categories for the First Nine Months of FY 2016/17



Source: *Isiolo County Treasury*

The County spent Kshs.8.06 million on sitting allowances to the 21 MCAs and the Speaker against the annual budget allocation of Kshs.30.62 million. This was a decrease of 59.6 per cent compared to Kshs.19.93 million spent in the same period of FY 2015/16. The average monthly sitting allowance was Kshs.42,631 per MCA compared to SRC's recommended monthly ceiling of Kshs.124,800

Expenditure on domestic and foreign travel amounted to Kshs.114.92 million and consisted of Kshs.38.04 million by the County Assembly and Kshs.76.88 million by the County Executive. This was a decrease of 2.1 per cent compared to Kshs.117.35 million spent in a similar period of FY 2015/16.

3.9.7 Development Expenditure Analysis

The total development expenditure of Kshs.907.4 million represented 61.2 per cent of the annual development budget of Kshs.1.48 billion. Table 3.26 provides a summarised list of development projects with the highest expenditure during the period under review.

Table 3.26: Isiolo County, List of Development Projects with the Highest Expenditure in the First Nine Months of FY 2016/17

S/No.	Project name	Ward (Location of the Project)	Estimated Budget (Kshs.)	Expenditure as at 31st March, 2017 (Kshs.)	Absorption rate (%)
1	Emergency Relief	All Wards	90,956,246	86,880,000	95.5
2	Completion of abattoirs	Burat	110,000,000	33,000,000	30
3	Sand Access roads	Burat	10,000,000	9,789,726	97.9
4	Bush clearing Belgesh Road	Garba Tulla	5,000,000	4,970,208	99.4
5	Cadastal Surveying Isiolo town	Bula Pesa/Wabera	5,000,000	4,943,954	98.9
6	Kina Fresh produce market	Kina	5,000,000	4,886,260	97.7
7	Boundary Demarcation	Kina	4,500,000	4,369,954	97.1
8	Purchase of Survey Equipment	Wabera	5,000,000	4,369,900	87.4
9	Renovation of Medical Training College at ICRH	Wabera	4,300,000	4,157,200	96.7
10	Fencing of Bula Pesa Cemetery	Bula Pesa	2,700,000	2,689,700	99.6
	Total		**242,456,246**	**160,056,902**	**66.0**

Source: *Isiolo County Treasury*

Analysis of the development expenditure by project indicates that, the highest expenditure of Kshs.88.66 million was spent on emergency relief supplies by the Office of the Governor, followed by Kshs.33 million spent on completion of Abattoirs by the Livestock and Fisheries Department.

3.9.8 Budget and Budget Performance Analysis by Department

Table 3.27 shows a summary of budget performance by department for the first nine months of FY 2016/17.

Table 3.27: Isiolo County, Budget Performance by Department for the First Nine Months of FY 2016/17

Department	Annual Budget Allocation (Kshs. Million)		First nine months of FY 2016/17 Exchequer Issues (Kshs. Million)		First nine months of FY 2016/17 Expenditure (Kshs. Million)		First nine months of FY 2016/17 Expenditure to Exchequer Issues (%)		First nine months of FY 2016/17 Absorption rate (%)	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
County Assembly	377.92	157.72	330.00	75.00	319.00	74.00	96.7	98.7	84.4	46.9

Department	Annual Budget Allocation (Kshs. Million)		First nine months of FY 2016/17 Exchequer Issues (Kshs. Million)		First nine months of FY 2016/17 Expenditure (Kshs. Million)		First nine months of FY 2016/17 Expenditure to Exchequer Issues (%)		First nine months of FY 2016/17 Absorption rate (%)	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
Office of the Governor	194.78	90.96	161.86	10.00	149.44	86.88	92.3	868.8	76.7	95.5
County Public Service Board	64.01	0	31.77	0.00	37.69	0.00	118.6	0.0	58.9	0.0
Office of the County Secretary	11.65	0	7.51	0.00	8.03	0.00	107.0	0.0	69.0	0.0
County treasury and Planning	325.35	245.02	215.21	40.00	198.35	97.29	92.2	243.2	61.0	39.7
Lands Development	34.71	50.5	17.37	13.00	19.01	19.51	109.4	150.1	54.8	38.6
Roads, Housing and Works	25.52	152	24.05	130.00	16.42	145.52	68.3	111.9	64.4	95.7
Agriculture	56.99	35	29.91	25.00	42.48	11.00	142.0	44.0	74.5	31.4
Livestock and Fisheries	77.99	110	43.48	120.00	53.13	96.17	122.2	80.1	68.1	87.4
Cohesion and Intergovernmental relations	16.85	-	9.50	0.00	11.18	0.00	117.7	0.0	66.3	0.0
Education and Vocational training	151.14	86	64.24	66.00	118.43	49.12	184.3	74.4	78.4	57.1
Sports, Youth and Culture	9.95	33	3.83	5.00	2.61	32.93	68.0	658.7	26.2	99.8
Tourism, culture and Social services	49.6	50	27.32	26.00	32.20	26.83	117.8	103.2	64.9	53.7
Public Service Management and ICT	81.46	49	69.73	20.00	21.17	42.33	30.4	211.6	26.0	86.4
Water and Irrigation	56.8	177.5	38.07	77.00	36.94	95.98	97.0	124.7	65.0	54.1
Environment and Natural Resources	34.02	45.5	19.48	27.00	20.46	36.40	105.0	134.8	60.1	80.0
Medical Services	352.85	54.18	234.40	35.00	308.99	20.99	131.8	60.0	87.6	38.8
Public Health	307.82	101.95	227.62	64.00	240.30	46.46	105.6	72.6	78.1	45.6
Trade, Industrialization	25.36	32	18.49	0.00	14.95	13.63	80.9	0.0	59.0	42.6
Town Administration	9.31	12	3.86	12.00	4.71	12.00	122.0	100.0	50.6	100.0
TOTAL	**2,264.08**	**1,482.33**	**1,577.73**	**745.00**	**1,655.50**	**907.04**	**104.9**	**121.8**	**73.1**	**61.2**

Source: *Isiolo County Treasury*

Analysis of budget performance by department shows that the Town Administration Department attained the highest absorption rate of development budget at 100 per cent while the Department of Agriculture had the lowest at 31.4 per cent. On the other hand the Department of Medical Services had the highest percentage of recurrent expenditure to recurrent budget at 87.6 per cent while the Department of Public Service Management and ICT had the lowest at 26.0 per cent.

3.9.9 Observations and Recommendations

The County has made progress in addressing some of the challenges previously identified as affecting budget implementation. Some of the progress made included:

i. Improved capacity of the technical staff through training.

ii. Use of IFMIS and the Internet Banking platform in processing financial transactions.

The following challenges continued to hamper effective budget implementation:

1. Failure to pay suppliers in time which led to a High Court orders that attached the County Revenue Collection Account at Consolidated Bank. A total of Kshs.27.80 million was recovered directly from the County Collection Account during the period.

2. Delay by Fund Administrators to submit expenditure reports on the Bursary Fund, Emergency Fund, MCA Car Loan Fund contrary to Section 168 of the PFM Act, 2012.

3. Late submission of financial reports by the County Treasury, which affected timely preparation of budget implementation report.

4. Failure to establish an Internal Audit Committee to oversee financial operations in the County contrary to Section 155 of the PFM Act, 2012.

5. The County has not constituted the CBEF in line with Section 137 of the PFM Act, 2012 for consultation in the budget process and economic matters.

6. Under-performance in local revenue collection. Local revenue collection declined by 9.8 per cent from Kshs.85.02 million collected in a similar period of FY 2015/16 to Kshs.76.75 million in the reporting period.

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

1. *The County should ensure payments to suppliers for good and services delivered is done in a timely manner.*

2. *The Bursary, Car Loan, Mortgage, and Emergency Fund Administrators should ensure timely submission of expenditure reports in line with Section 168 of the PFM Act, 2012.*

3. *The County Treasury should ensure timely preparation and submission of financial reports in line with Section 166 of PFM Act, 2012.*

4. *The County should establish an Internal Audit Committee in line with Section 155 of the PFM Act, 2012.*

5. *The County should establish the CBEF in line with Section 137 of the PFM Act, 2012.*

6. *The County Treasury should formulate and implement strategies to enhance local revenue collection.*

3.10 Kajiado County

3.10.1 Overview of the FY 2016/17 Budget

The County's FY 2016/17 Approved Budget was Kshs.7.01 billion, comprising of Kshs.4.35 billion (62.1 per cent) and Kshs.2.66 billion (37.9 per cent) allocation for recurrent and development expenditure respectively.

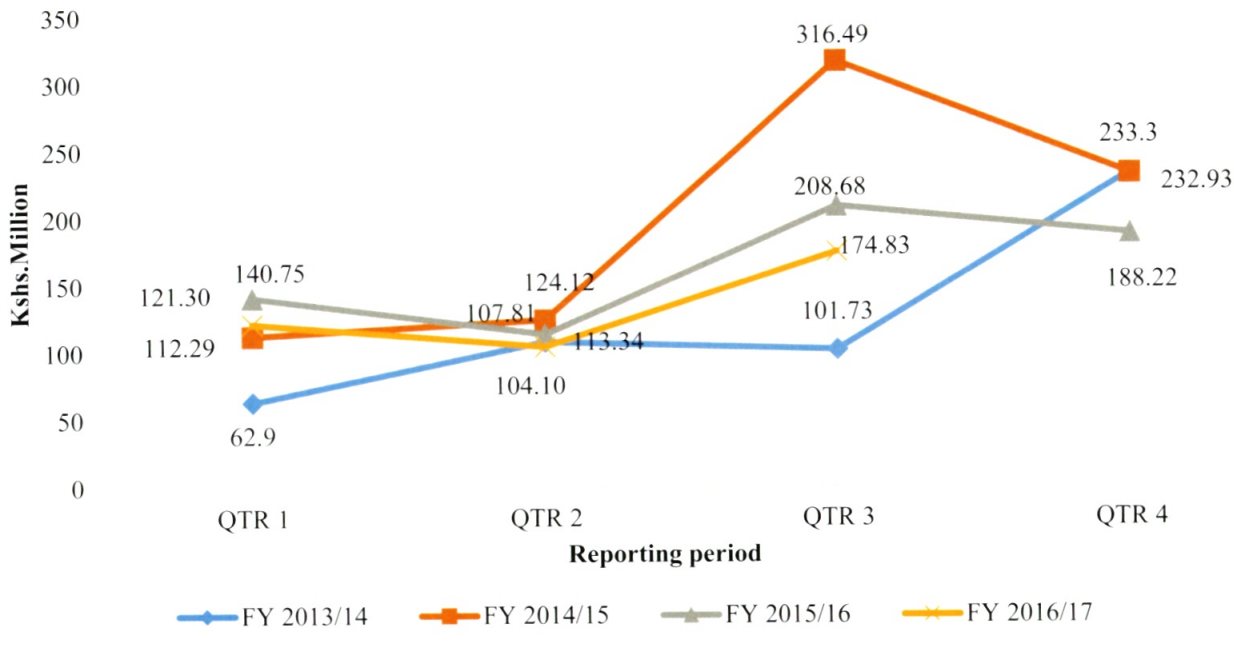
To finance the budget, the County expects to receive Kshs.4.76 billion (67.9 per cent) as equitable share of revenue raised nationally, Kshs.280.73 million (4 per cent) as total conditional grants, generate Kshs.1.25 billion (17.8 per cent) from local sources, and Kshs.720 million (10.3 per cent) cash balance from FY 2015/16. The conditional grants comprise of Kshs.54.76 million (19.5 per cent) for Free Maternal Healthcare, Kshs.73.16 million (26.1 per cent) from the Road Maintenance Fuel Levy Fund, Kshs.16.31 million (5.8 per cent) for User Fees Foregone, Kshs.8.95 million (3.2 per cent) from DANIDA, Kshs.100.58 million (35.8 per cent) as World Bank Loan, and Kshs.26.97 million (9.6 per cent) grant for Kenya Devolution Support Program. The County did not budget for Kshs.40 million for Other Loans and Grants which is contained in the CARA 2016.

3.10.2 Revenue Analysis

During the first nine months of FY 2016/17, the County received Kshs.2.79 billion as equitable share of the revenue raised nationally, Kshs.111.01 million as total conditional allocations, raised Kshs.400.23 million from local revenue sources, and had a cash balance of Kshs.720 million brought forward from FY 2015/16.

Figure 3.28 shows the quarterly trend in local revenue collection from the first quarter of FY 2013/14 to the third quarter of FY 2016/17.

Figure 3.28: Kajiado County, Trend in Local Revenue Collection by Quarter from the First Quarter of FY 2013/14 to the Third Quarter of FY 2016/17



Source: *Kajiado County Treasury*

The total local revenue collected in the first nine months of FY 2016/17 amounted to Kshs.400.23 million, representing a decrease of 13.5 per cent compared to Kshs.462.77 million generated in a similar period of FY 2015/16, and represented 32.1 per cent of the annual local revenue target.

3.10.3 Conditional Grants

Table 3.28 shows an analysis of conditional grants released in the first nine months of FY 2016/17.

Table 3.28: Kajiado County, Analysis of Conditional Grants Released in the First Nine Months of FY 2016/17

No.	Conditional Grant	Allocation based on CARA,2016(Kshs.)	First nine months, FY 2016/17 Actual receipt of the Conditional Grant (Kshs.)	Actual receipts as a percentage of Annual Allocation (%)
1	Road Maintenance Fuel Levy Fund	73,157,028	73,157,028	100.0
2	User Fees Foregone	16,311,160	8,155,580	50.0
3	Free Maternal Healthcare	54,758,022	19,975,000	36.5
4	World Bank Loan	100,581,341	9,717,500	9.7
5	DANIDA Grant	8,945,000	-	-
6	Other Loans and Grants	40,000,000	-	-
Total		**293,752,551**	**111,005,108**	**37.8**

Source: *Kajiado County Treasury*

Analysis of the conditional grants released during the period under review indicates that, the Road Maintenance Fuel Levy Fund and User Fees Foregone grants recorded the highest receipt at 100 per cent and 50 per cent of annual target respectively. The County is yet to receive funds from DANIDA and for Other Loans and Grants.

3.10.4 Exchequer Issues

During the reporting period, the Controller of Budget authorised withdrawal of Kshs.3.61 billion from the CRF account, which was 51.5 per cent of the Approved Budget. This amount represented an increase of 6.6 per cent from Kshs.3.37 billion authorized in a similar period of FY 2015/16 and consisted of Kshs.2.79 billion (77.2 per cent) for recurrent expenditure and Kshs.823.01 million (22.8 per cent) for development activities.

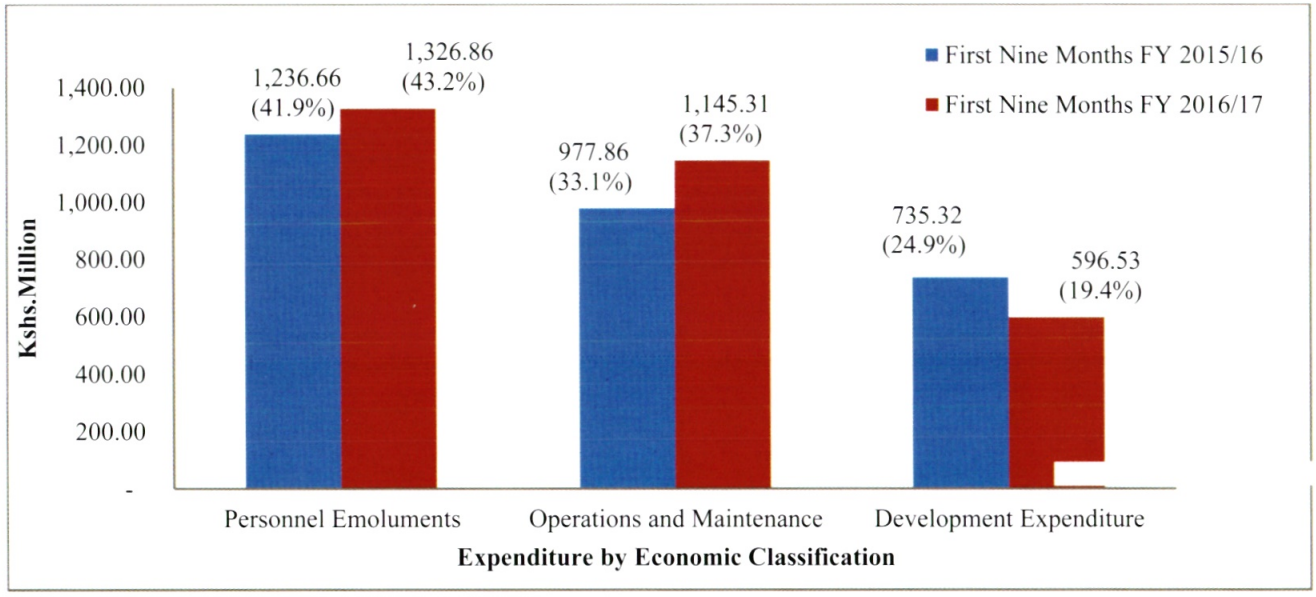
3.10.5 Overall Expenditure Review

The County spent Kshs.3.07 billion, which was 85 per cent of the total funds released for operations. This was an increase of 3.9 per cent from Kshs.2.95 billion spent in a similar period of FY 2015/16.

A total of Kshs.2.47 billion was spent on recurrent activities, while Kshs.596.53 million was spent on development activities. The recurrent expenditure was 88.7 per cent of the funds released for recurrent activities while development expenditure accounted for 72.5 per cent of the funds released for development activities. The expenditure excluded outstanding commitments as at 31st March, 2017 that amounted to Kshs.58.16 million for development and Kshs.205.63 million for recurrent expenditure.

The recurrent expenditure represented 56.8 per cent of the annual recurrent budget, a slight increase from 56.4 per cent spent in a similar period of FY 2015/16. Development expenditure recorded an absorption rate of 22.5 per cent, which was a marginal decrease from 27.6 per cent attained in a similar period of FY 2015/16. Figure 3.29 presents a comparison between the total expenditure in the first nine months of FY 2016/17 and the first nine months of FY 2015/16.

Figure 3.29: Kajiado County, Expenditure by Economic Classification for the First Nine Months of FY 2016/17 and FY 2015/16

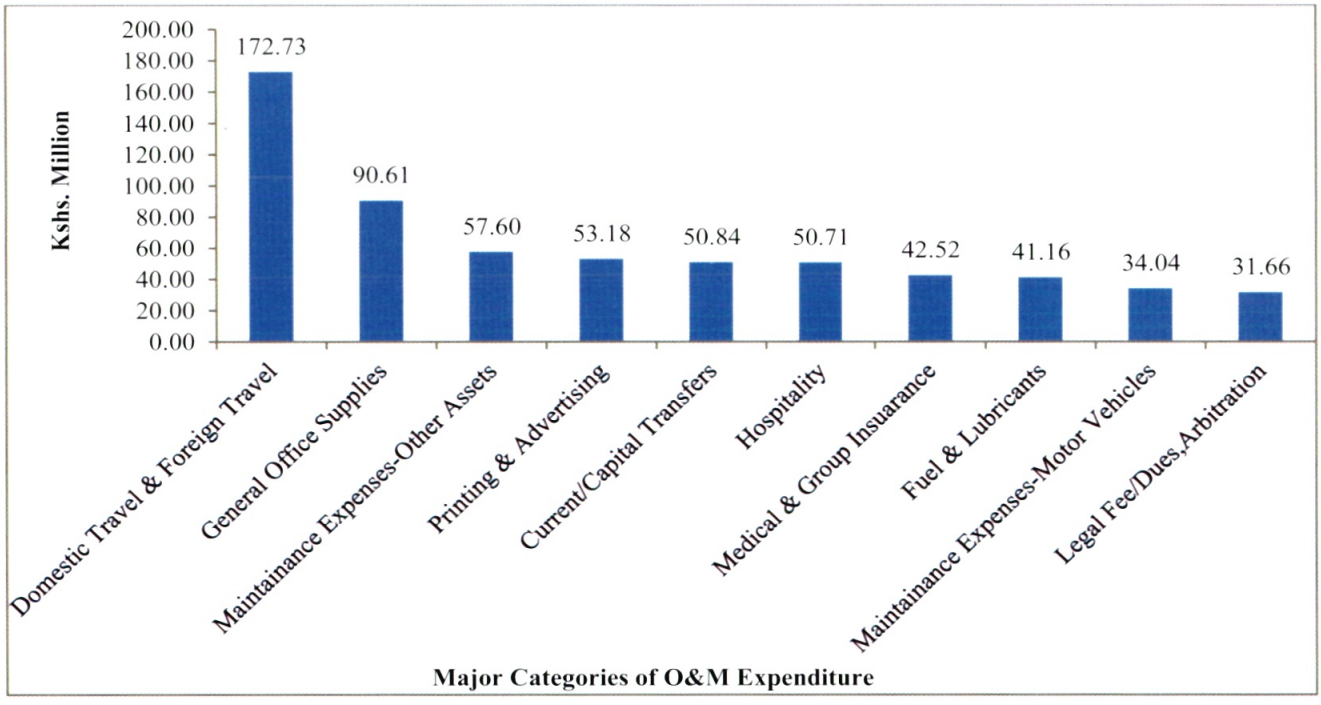


Source: *Kajiado County Treasury*

3.10.6 Analysis of Recurrent Expenditure

The total recurrent expenditure of Kshs.2.47 billion consisted of Kshs.1.33 billion (53.8 per cent) spent on personnel emoluments and Kshs.1.14 million (46.2 per cent) on operations and maintenance as shown in Figure 3.29. Expenditure on personnel emoluments represented an increase of 6.8 per cent compared to a similar period of FY 2015/16 when the County spent Kshs.1.24 million. Figure 3.30 shows a summary of operations and maintenance expenditure by major categories.

Figure 3.30: Kajiado County, Operations and Maintenance Expenditure by Major Categories for the First Nine Months of FY 2016/17



Source: *Kajiado County Treasury*

The County spent Kshs.18.66 million on sitting allowances to the 41 MCAs and the Speaker against the annual budget allocation of Kshs.66.44 million. This was a decrease of 35.5 per cent compared to Kshs.28.93 million spent in the same period of FY 2015/16. The average monthly sitting allowance was Kshs.85,164 per MCA compared to SRC's recommended monthly ceiling of Kshs.124,800.

Expenditure on domestic and foreign travel amounted to Kshs.172.73 million and consisted of Kshs.81.09 million spent by the County Assembly and Kshs.91.64 million by the County Executive. This was a decrease of 19.5 per cent compared to Kshs.214.53 million spent in a similar period of FY 2015/16.

3.10.7 Development Expenditure Analysis

The total development expenditure of Kshs.596.53 million represented 22.5 per cent of the annual development budget of Kshs.2.66 billion. Table 3.29 provides a summarised list of development projects with the highest expenditure during the period under review.

Table 3.29: Kajiado County, List of Development Projects with the Highest Expenditure in the First Nine Months of FY 2016/17

S/No.	Project name	Ward (Location of the Project)	Estimated Budget (Kshs.)	Expenditure as at 31st March, 2017 (Kshs.)	Absorption rate (%)
1	Maternity wing and ward at Kajiado Hospital	Dalalekutuk	53,279,145	19,310,583	36.2
2	Development of valuation roll	Headquarters	17,000,000	17,000,000	100
3	Construction of Kimana market phase III	Kimana	19,383,407	15,127,154	78
4	Construction of Loitoktok market	Kuku Ward	27,947,613	13,966,794	50
5	KCB ground fence at Kajiado	Ildamat	19,461,384	13,478,620	69.3
6	Masonry wall and gate at Rongai market	Ongata Rongai	12,710,433	12,420,433	97.7
7	Fence and upgrading of Namanga Sub-County Hospital	Matapato South	10,118,134	10,118,107	100
8	Isinya market sheds, shops and toilet	Kaputie North	19,995,952	9,109,004	45.6
9	Market shed and refuse bin at Kimana market	Kimana	12,419,634	8,939,238	72
10	Site clearance, grading and gravelling and drainage at Empiron Maisoyati Road	Kimana	9,171,722	8,887,804	96.9
	Total		**201,487,423**	**128,357,738**	**63.7**

Source: *Kajiado County Treasury*

Analysis of the development expenditure by project indicates that, the highest expenditure of Kshs.19.31 million was spent on construction of maternity ward at Kajiado Hospital, followed by Kshs.17 million on development of a property valuation roll.

3.10.8 Budget and Budget Performance Analysis by Department

Table 3.30 shows a summary of budget estimates and budget performance by department for the first nine months of FY 2016/17.

Table 3.30: Kajiado County, Budget Performance by Department for the First Nine Months of FY 2016/17

Department	Budget Allocation (Kshs. Million)		First nine months of FY 2016/17 Exchequer Issues (Kshs. Million)		First nine months of FY 2016/17 Expenditure (Kshs. Million)		First nine months of FY 2016/17 Expenditure to Exchequer Issues (%)		First nine months of FY 2016/17 Absorption rate (%)	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
Office of the Governor and the Deputy Governor	166.71	0.00	117.49	0.00	114.37	0.00	97.3		68.6	0
Finance and Economic Planning	442.00	87.84	203.73	40.85	201.41	19.44	98.9	47.6	45.6	22.1
Lands, Physical Planning, Environment, Wildlife and Natural Resources	177.26	124.48	119.62	24.62	106.70	23.94	89.2	97.2	60.2	19.2
County Public Service Board	78.04	0.00	56.29	0.00	38.06	0.00	67.6	0.0	48.8	0.0
Agriculture, Livestock and Fisheries	261.43	46.09	166.26	14.00	134.02	6.01	80.6	42.9	51.3	13.0
Industrialization and Enterprise Development	97.03	189.63	72.24	77.81	64.56	113.85	89.4	146.3	66.5	60.0
Public Works, Roads, Transport, and Housing	175.86	705.22	113.69	191.27	61.78	141.19	54.3	73.8	35.1	20.0
Water and Irrigation	98.62	403.85	67.56	70.50	60.25	88.51	89.2	125.6	61.1	21.9
Education, Youth, Sports, and Social Services	268.22	519.93	139.99	260.80	165.65	126.35	118.3	48.4	61.8	24.3
ICT and Gender	81.16	101.98	48.37	19.58	32.19	3.92	66.5	20.0	39.7	3.8
Health Services	1518.88	346.36	1045.19	75.18	902.31	73.31	86.3	97.5	59.4	21.2
County Public Service	428.41	10.00	261.38	0.00	240.89	0.00	92.2	0.0	56.2	0.0
County Assembly	560.87	120.52	374.37	48.40	349.98	0.00	93.5	0.0	62.4	0.0
Total	**4354.48**	**2655.90**	**2786.17**	**823.01**	**2472.17**	**596.53**	**88.7**	**72.5**	**56.8**	**22.5**

Source: *Kajiado County Treasury*

Analysis of budget performance by department shows that Department of Industrialization and Enterprise Development attained the highest absorption rate of development budget at 60 per cent while the County Public Service department and the County Assembly did not incur any development expenditure. On the other hand, the Office of the Governor and the Deputy Governor had the highest percentage of recurrent expenditure to recurrent budget at 68.6 per cent while the Department of Public Works, Roads, Transport, and Housing had the lowest at 35.1 per cent.

3.10.9 Observations and Recommendations

The County has made progress in addressing some of the challenges previously identified as affecting budget implementation. Some of the progress made included:

i. Improved adherence to budget timelines. For example, the CECM-F submitted the 2017 CFSP

to the County Assembly in December, 2016 for approval, which is within the legal timelines.

ii. Automation of local revenue collection which is anticipated to increase County revenue in the future.

Despite the above progress, the following challenges continued to hamper effective budget implementation;

1. Delays by Fund Administrators to regularly submit quarterly expenditure reports on the Bursary Fund, Emergency Fund, Car & Mortgage Fund for Executive, Disability Fund, and Youth and Women Enterprise Fund contrary to Section 168 of the PFM Act, 2012.

2. Under-performance in local revenue collection. Local revenue collection declined by 13.5 per cent from Kshs.462.77 million in the first nine months of FY 2015/16 to Kshs.400.23 million in the reporting period.

3. IFMIS connectivity challenges, which slowed down approval of procurement requests and payments.

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

1. *The County Treasury should ensure timely submission of expenditure reports on the established Funds in line with Section 168 of the PFM Act, 2012.*

2. *The County should develop and implement strategies to enhance revenue collection.*

3. *The County Treasury should liaise with the IFMIS Directorate for support in the use of IFMIS and the E-procurement modules.*

3.11 Kakamega County

3.11.1 Overview of the FY 2016/17 Budget

The County's FY 2016/17 Supplementary Budget was Kshs.12.30 billion, comprising of Kshs.6.08 billion (49.4 per cent) and Kshs.6.22 billion (50.6 per cent) allocation for recurrent and development expenditure respectively.

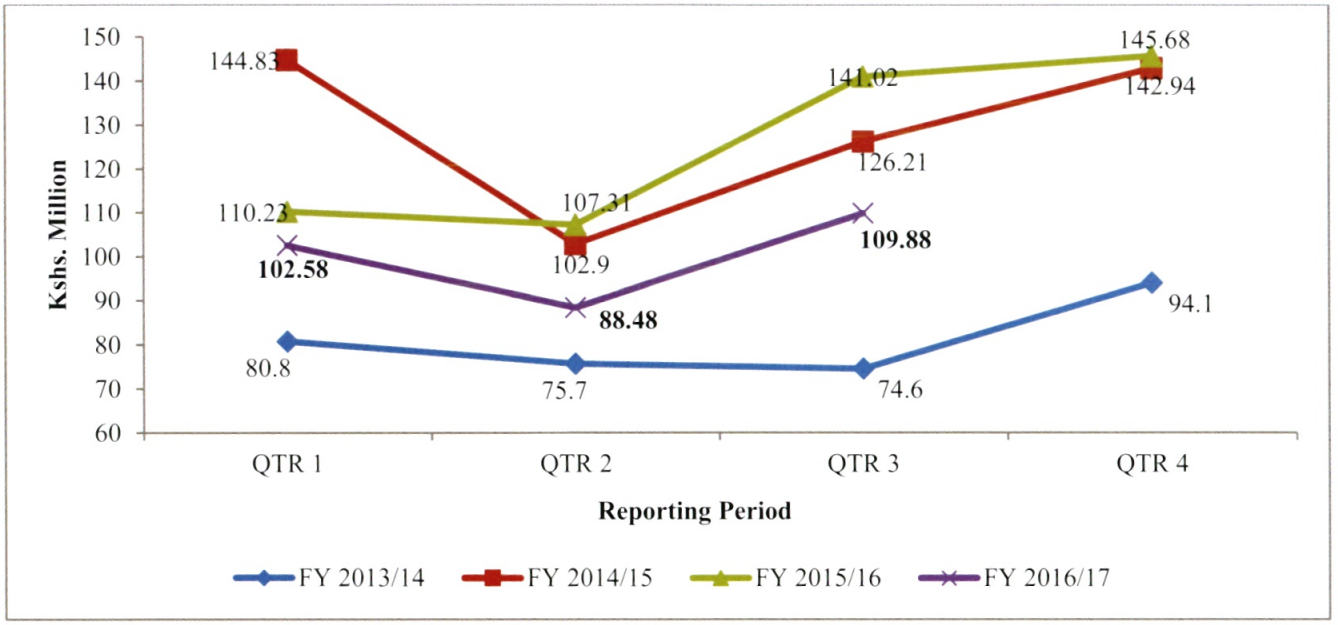
To finance the budget, the County expects to receive Kshs.9.61 billion (78.1 per cent) as equitable share of revenue raised nationally, Kshs.861.35 million (7 per cent) as total conditional grants, generate Kshs.894.10 million (7.3 per cent) from local sources, and Kshs.938.10 million (7.6 per cent) cash balance from FY 2015/16. The conditional grants comprise of Kshs.406.94 million (47.2 per cent) for the Kakamega Level 5 Hospital, Kshs.217.18 million (25.2 per cent) for Free Maternal Healthcare, Kshs.147.70 million (17.2 per cent) from the Road Maintenance Fuel Levy Fund, Kshs.38.62 million (4.5 per cent) for User Fees Foregone, Kshs.11.75 million (1.4 per cent) from DANIDA and Kshs.39.17 million (4.4 per cent) from Other Loans and Grants.

3.11.2 Revenue Analysis

During the first nine months of FY 2016/17, the County received Kshs.5.62 billion as equitable share of the revenue raised nationally, Kshs.477.64 million as total conditional allocations, raised Kshs.300.94 million from local sources, and had a cash balance of Kshs.938.09 million brought forward from FY 2015/16.

Figure 3.31 shows the quarterly trend in local revenue collection from the first quarter of FY 2013/14 to the third quarter of FY 2016/17.

Figure 3.31: Kakamega County, Trend in Local Revenue Collection by Quarter from the First Quarter FY 2013/14 to the Third Quarter FY 2016/17



Source: *Kakamega County Treasury*

The total local revenue collected in the first nine months of FY 2016/17 amounted to Kshs.300.94 million, representing a decrease of 16.1 per cent compared to Kshs.358.56 million generated in a similar period of FY 2015/16, and represented 33.7 per cent of the annual local revenue target

3.11.3 Conditional Grants

Table 3.31 shows an analysis of conditional grants released in the first nine months of FY 2016/17.

Table 3.31: Kakamega County, Analysis of Conditional Grants Released in the First Nine Months of FY 2016/17

No.	Conditional Grant	Allocation based on CARA, 2016 (Kshs.)	FY 2016/17 Actual receipt of Conditional Grants (Kshs.)	Actual receipts as a percentage of Annual Allocation (%)
1	Road Maintenance Fuel Levy Fund	147,689,749	147,689,748	100.0
2	Free Maternal Healthcare	217,184,083	70,552,500	32.5
3	World Bank grant to health facilities	39,175,578	-	-
4	User Fees Foregone	38,617,147	19,308,574	50.0
5	DANIDA grant	11,750,000	-	-
6	Kakamega Level 5 Hospital	406,936,416	240,092,483	59.0
	TOTAL	**861,352,973**	**477,643,305**	**55.5**

Source: *Kakamega County Treasury*

Analysis of the conditional grants released during the period under review indicates that, the Road Maintenance Fuel Levy Fund and Kakamega Level 5 Hospital received the highest percentage of receipts at 100 per cent and 59 per cent of the annual target respectively. The County is yet to receive

funds from the World Bank grant to health facilities, and the DANIDA grant.

3.11.4 Exchequer Issues

During the reporting period, the Controller of Budget authorised withdrawal of Kshs.7.29 billion from the CRF account, which was 59.3 per cent of the Supplementary Budget. This amount represented an increase of 7 per cent from Kshs.6.81 billion authorized in a similar period of FY 2015/16 and consisted of Kshs.4.30 billion (59 per cent) for recurrent expenditure and Kshs.2.99 billion (41 per cent) for development activities.

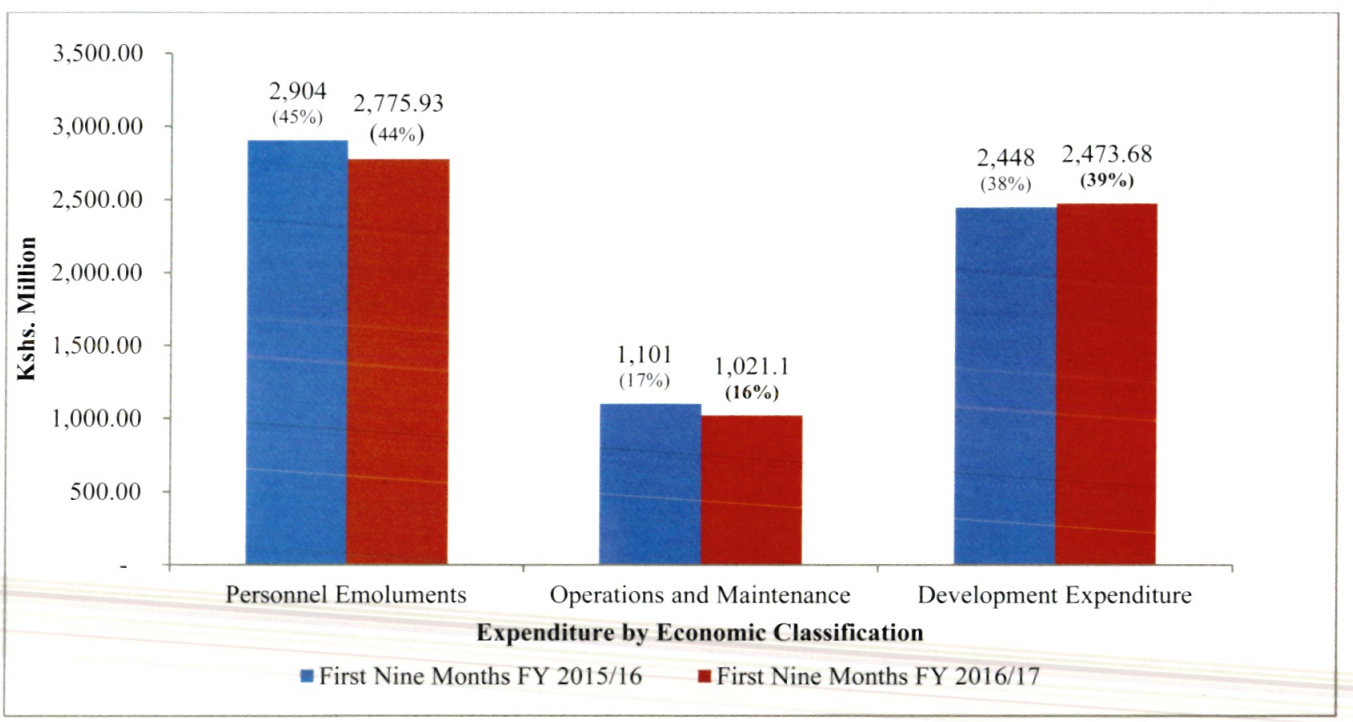
3.11.5 Overall Expenditure Review

The County spent Kshs.6.27 billion, which was 86 per cent of the total funds released for operations. This was a decrease of 2.8 per cent from Kshs.6.45 billion spent in a similar period of FY 2015/16.

A total of Kshs.3.80 billion was spent on recurrent activities, while Kshs.2.47 million was spent on development activities. The recurrent expenditure was 88.4 per cent of the funds released for recurrent activities while development expenditure accounted for 82.6 per cent of the funds released for development activities. The expenditure excluded outstanding commitments as at 31st March, 2017 that amounted to Kshs.283.45 million for development and Kshs.148.16 million for recurrent expenditure.

The recurrent expenditure represented 62.5 per cent of the annual recurrent budget, a decrease from 63.7 per cent spent in a similar period of FY 2015/16. Development expenditure recorded an absorption rate of 39.7 per cent, which was a decrease from 40.5 per cent attained in a similar period of FY 2015/16. Figure 3.32 presents a comparison between the total expenditure in the first nine months of FY 2016/17 and the first nine months of FY 2015/16.

Figure 3.32: Kakamega County, Expenditure by Economic Classification for the First Nine Months of FY 2016/17 and FY 2015/16

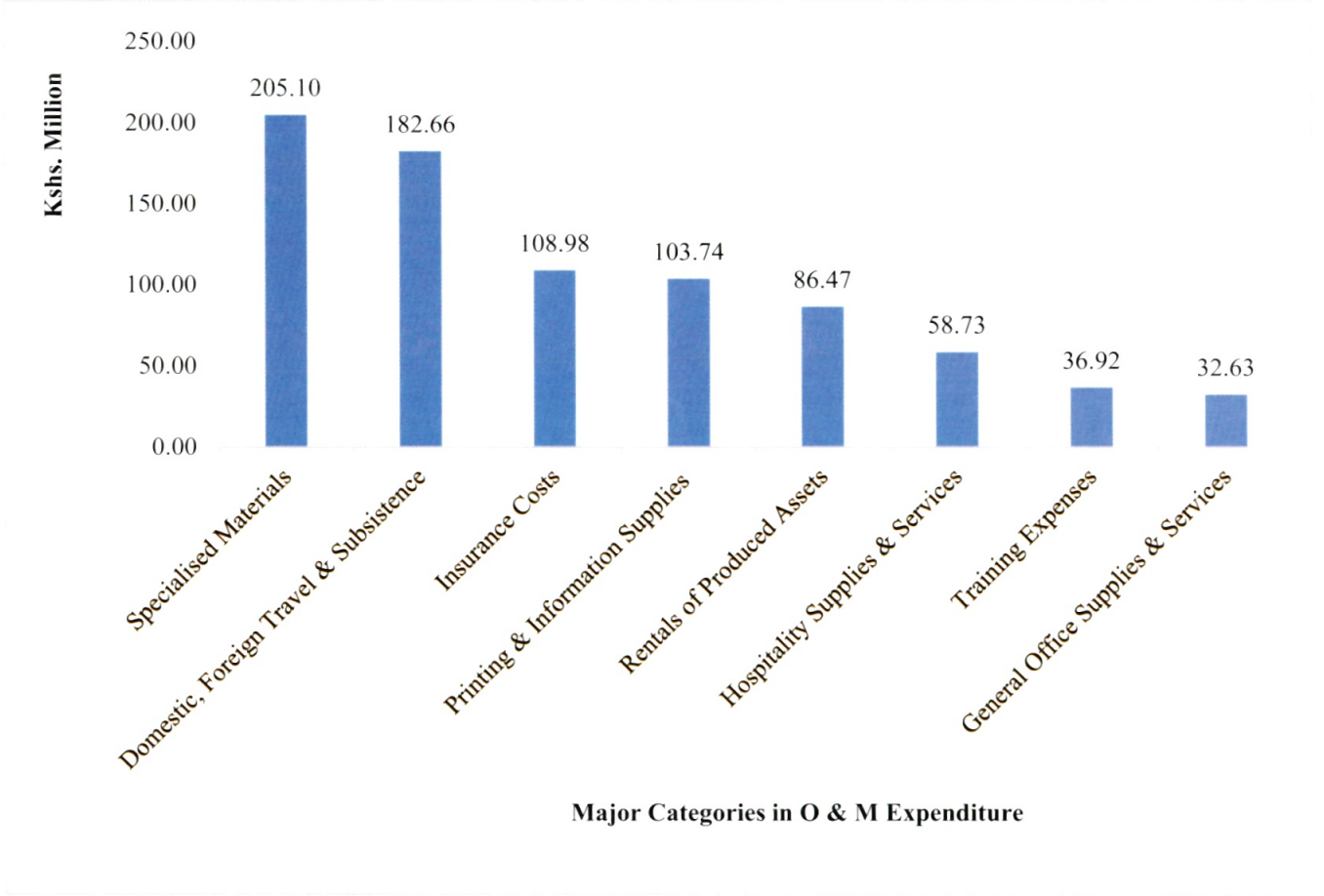


Source: *Kakamega County Treasury*

3.11.6 Analysis of Recurrent Expenditure

The total recurrent expenditure of Kshs.3.80 billion consisted of Kshs.2.78 billion (73.2 per cent) spent on personnel emoluments and Kshs.1.02 billion (26.8 per cent) on operations and maintenance as shown in Figure 3.32. Expenditure on personnel emoluments represented a decrease of 4.1 per cent compared to a similar period of FY 2015/16 when the County spent Kshs.2.90 billion. Figure 3.33 shows a summary of operations and maintenance expenditure by major categories.

Figure 3.33: Kakamega County, Operations and Maintenance Expenditure by Major Categories for the First Nine months of FY 2016/17



Source: *Kakamega County Treasury*

The County spent Kshs.80.90 million on sitting allowances to the 87 MCAs and the Speaker against the annual budget allocation of Kshs.169.67 million. This was a decrease of 5.5 per cent compared to Kshs.85.59 million spent in the same period of FY 2015/16. The average monthly sitting allowance was Kshs.102,148 per MCA compared to SRC's recommended monthly ceiling of Kshs.124,800

Expenditure on domestic and foreign travel amounted to Kshs.182.66 million and consisted of Kshs. 110.79 million by the County Assembly and Kshs.71.87 million by the County Executive. This was a decrease of 21.7 per cent compared to Kshs.233.29 million spent in a similar period of FY 2015/16.

3.11.7 Development Expenditure Analysis

The total development expenditure of Kshs.2.47 billion represented 39.7 per cent of the annual development budget of Kshs.6.22 billion. The County Treasury did not provide a detailed report on development projects undertaken during the reporting period.

3.11.8 Budget and Budget Performance Analysis by Department

Table 3.32 shows a summary of budget estimates and budget performance by department for the first nine months of FY 2016/17

Table 3.32: Kakamega County, Budget Performance by Department for the First Nine Months of FY 2016/17

Department	Annual Budget Allocation (Kshs. Million)		First nine months of FY 2016/17 Exchequer Issues (Kshs. Million)		First nine months of FY 2016/17 Expenditure (Kshs. Million)		First nine months of FY 2016/17 Expenditure to Exchequer Issues (%)		First nine months of FY 2016/17 Absorption rate (%)	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
Office of the Governor	230.60	229.00	174.13	-	126.61	0.14	72.7	-	54.9	0.1
Public Service and Administration	3,972.26	176.35	2,828.75	66.86	2622.49	41.36	92.7	61.9	66.0	23.5
County Treasury	153.30	177.15	81.73	99.22	37.74	35.38	46.2	35.7	24.6	20.0
Environment, Natural Resource, Water and Forestry	22.63	211.42	15.87	77.05	7.50	64.77	47.2	84.1	33.1	30.6
Labour, Social Services, Youth & Sports	24.95	348.09	17.52	169.84	3.47	152.10	19.8	89.6	13.9	43.7
Transport, Infrastructure & Public Works	12.92	2,052.59	10.02	1,115.04	5.63	1112.80	56.2	99.8	43.6	54.2
Lands, Housing, Urban Areas & Physical planning	43.75	289.60	29.80	64.56	16.77	61.60	56.3	95.4	38.3	21.3
Health Services	567.65	1,173.25	378.76	630.55	253.82	477.72	67.0	75.8	44.7	40.7
Agriculture, Livestock, Fisheries & Co-operatives	66.25	514.96	42.36	192.30	16.51	71.53	39.0	37.2	24.9	13.9
Industrialization, Trade & Tourism	25.91	408.00	14.55	270.27	9.97	161.06	68.5	59.6	38.5	39.5
Education, Science & Technology	26.48	544.73	15.63	307.16	5.48	295.22	35.1	96.1	20.7	54.2
County Public Service Board	33.86	-	14.80	-	10.88	0.00	73.5	-	32.1	-
County Assembly	899.91	100.00	674.97	-	680.16	-	100.8		75.6	0.0
TOTAL	**6,080.47**	**6,225.14**	**4,298.89**	**2,992.85**	**3797.03**	**2473.68**	**88.4**	**82.6**	**62.5**	**39.7**

Source: *Kakamega County Treasury*

Analysis of budget performance by department shows that the Department of Education, Science & Technology and the Department of Transport, Infrastructure & Public Works attained the highest absorption rate of development budget at 54.2 per cent. On the other hand, the County Assembly incurred the highest percentage of recurrent expenditure to recurrent budget at 75.6 per cent, followed by the Public Service and Administration Department at 66 per cent.

3.11.9 Observations and Recommendations

The County has made progress in addressing some of the challenges previously identified as affecting budget implementation. Some of the progress made included:

i. Establishment of an Audit Committee in line with Section 155 of the PFM Act, 2012.

ii. Appointment of substantive Accounting Officers/Chief Officers for County spending entities.

Despite the above progress, the following challenges continued to hamper effective budget implementation;

1. Late submission of financial reports by the County Treasury contrary to Section 166 of the PFM Act, 2012. The detailed development expenditure had not been submitted at the time of compiling this report.

2. Under-performance in local revenue collection. Local revenue collection declined by 16.1 per cent from Kshs.358.56 million in the first nine months of FY 2015/16 to Kshs.300.95 million in the reporting period, which represented 33.7 per cent of the annual target.

3. Intermittent use of IFMIS, which is the prescribed financial system to record and report all financial transactions contrary to Section 12 of the PFM Act, 2012.

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

1. *The County Treasury should ensure timely submission of expenditure reports in line with Section 166 and Section 168 of the PFM Act, 2012.*

2. *The County Treasury should develop and implement strategies to mobilize local revenue.*

3. *The County Treasury to ensure IFMIS is used in processing and reporting all financial transactions.*

3.12 Kericho County

3.12.1 Overview of the FY 2016/17 Budget

The County's FY 2016/17 Supplementary Budget was Kshs.6.29 billion, comprising of Kshs.3.79 billion (60.3 per cent) and Kshs.2.50 billion (39.7 per cent) allocations for recurrent and development expenditure respectively.

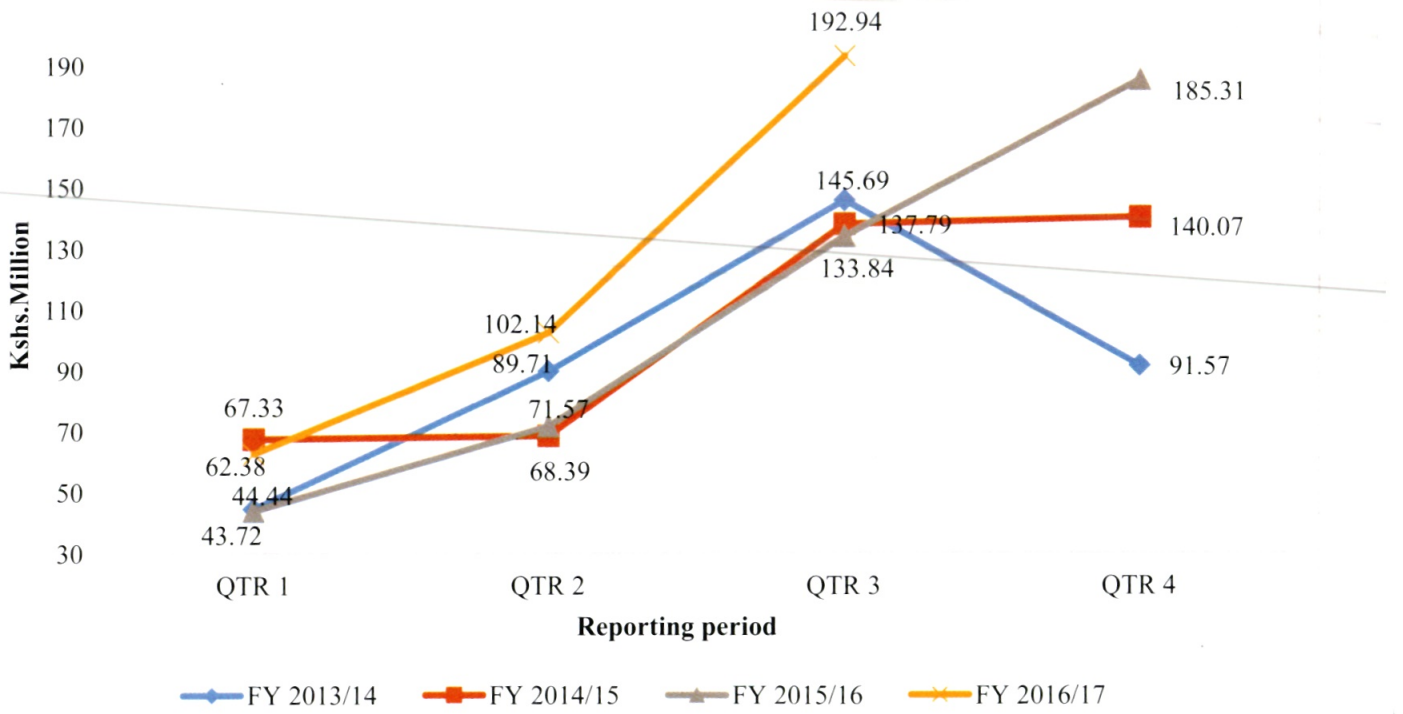
To finance the budget, the County expects to receive Kshs.4.86 billion (77.3 per cent) as equitable share of revenue raised nationally, Kshs.222.87 million (3.5 per cent) as total conditional grants, generate Kshs.603.35 million (9.6 per cent) from local sources, Kshs.27.18 million (0.4 per cent) from the World Bank for the devolution support programme, Kshs.30.29 million (0.5 per cent) as Nursing Allowance Grants, and Kshs.540.37 million (8.6 per cent) cash balance from the FY 2015/16. The conditional grants comprise of Kshs.89.33 million (40.1 per cent) for Free Maternal Healthcare, Kshs.74.69 million (33.5 per cent) from the Road Maintenance Fuel Levy Fund, Kshs.18.31 million (8.2 per cent) for User Fees Foregone, Kshs.19.22 million (8.6 per cent) grant from World Bank for improvement of Health Services, and Kshs.21.32 million (9.6 per cent) from DANIDA.

3.12.2 Revenue Analysis

During the first nine months of FY 2016/17, the County received Kshs.3.28 billion as equitable share of the revenue raised nationally, Kshs.135.54 million as total conditional allocations, raised Kshs.356.87 million from local sources, and had a cash balance of Kshs.540.37 million brought forward from FY 2015/16.

Figure 3.34 shows the quarterly trend in local revenue collection from the first quarter of FY 2013/14 to the third quarter of FY 2016/17.

Figure 3.34: Kericho County, Trend in Local Revenue Collection by Quarter from the First Quarter FY 2013/14 to Third Quarter FY 2016/17



Source: *Kericho County Treasury*

The total local revenue collected in the first nine months of FY 2016/17 amounted to Kshs.356.87 million, representing a significant increase of 43.3 per cent compared to Kshs.249.13 million generated in a similar period of FY 2015/16, and represented 59.1 per cent of the annual revised local revenue target.

3.12.3 Conditional Grants

Table 3.33 shows an analysis of conditional grants released in the first nine months of FY 2016/17.

Table 3.33: Kericho County, Analysis of Conditional Grants Released in the First Nine Months of FY 2016/17

No.	Conditional Grant	Allocation based on CARA, 2016 (Kshs.)	FY 2016/17 Actual receipt of Conditional Grants (Kshs.)	Actual receipts as a percentage of Annual Allocation (%)
1	Road Maintenance Fuel Levy Fund	74,689,564	74,689,564	100.0
2	Free Maternal Healthcare	89,327,921	51,697,500	57.9
3	World Bank grant to health facilities	19,221,242	-	-
4	Kenya Devolution Support Programme Trust from World Bank (Not in CARA,2016)	27,177,381	-	-
5	User Fees Foregone	18,313,556	9,156,778	50.0
6	DANIDA grant	21,318,891	-	-
	TOTAL	**250,048,555**	**135,543,842**	**54.2**

Source: *Kericho County Treasury*

Analysis of the conditional grants released during the period under review indicates that, the Road Maintenance Fuel Levy Fund and Free Maternal Healthcare grants recorded the highest receipts at 100 per cent and 57.9 per cent of annual target respectively. The County is yet to realize funds from the World Bank grants for health facilities improvement, the Kenya Devolution Support Programme Trust from World Bank, and DANIDA.

3.12.4 Exchequer Issues

During the reporting period, the Controller of Budget authorised withdrawal of Kshs.4.29 billion from the CRF account, which was 68.2 per cent of the Approved Budget. This amount represented an increase of 30.0 per cent from Kshs.3.29 billion authorized in a similar period of FY 2015/16 and consisted of Kshs.2.66 billion (61.9 per cent) for recurrent expenditure and Kshs.1.63 billion (38.1 per cent) for development activities.

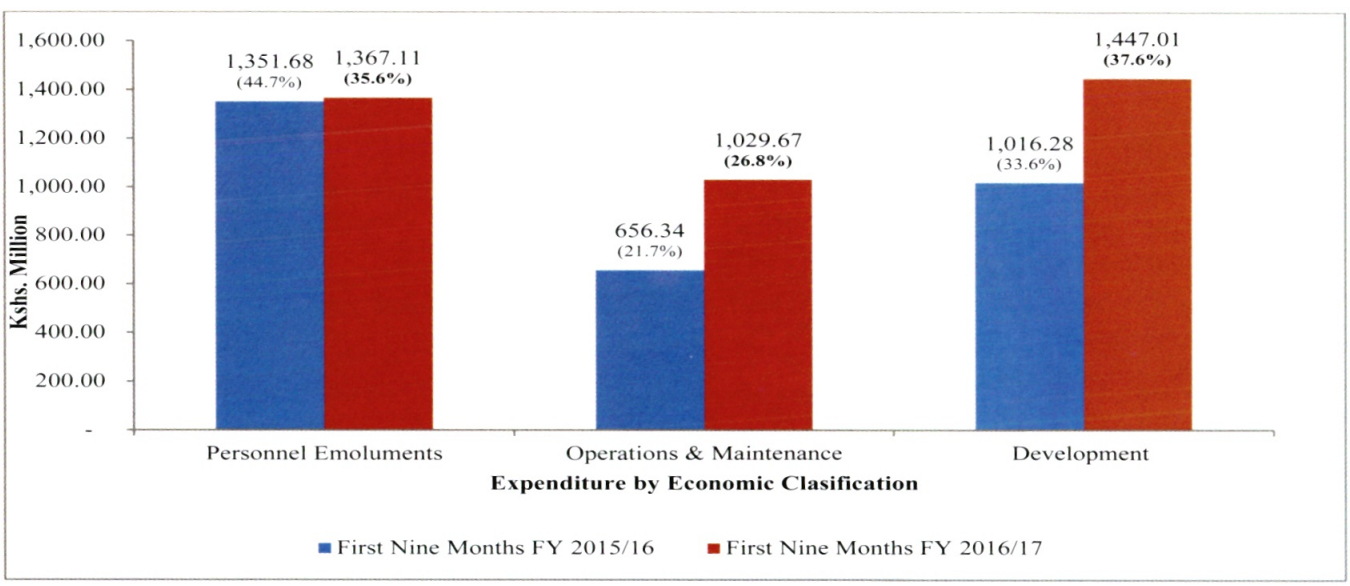
3.12.5 Overall Expenditure Review

The County spent Kshs.3.84 billion, which was 89.7 per cent of the total funds released for operations. This was an increase of 26.5 per cent from Kshs.3.04 billion spent in a similar period of FY 2015/16.

A total of Kshs.2.39 billion was spent on recurrent activities, while Kshs.1.45 million was spent on development activities. The recurrent expenditure was 90.3 per cent of the funds released for recurrent activities while development expenditure accounted for 88.7 per cent of the funds released for development activities. The expenditure excluded outstanding commitments as at 31st March, 2017 that amounted to Kshs.552.78 million for development and Kshs.52.46 million for recurrent expenditure.

The recurrent expenditure represented 63.3 per cent of the annual recurrent budget, a marginal increase from 61.6 per cent spent in a similar period of FY 2015/16. Development expenditure recorded an absorption rate of 57.9 per cent, which was also a slight increase from 56 per cent attained in a similar period of FY 2015/16. Figure 3.35 presents a comparison between the total expenditure in the first nine months of FY 2016/17 and the first nine months of FY 2015/16.

Figure 3.35: Kericho County, Expenditure by Economic Classification for the First Nine Months of FY 2016/17 and FY 2015/16

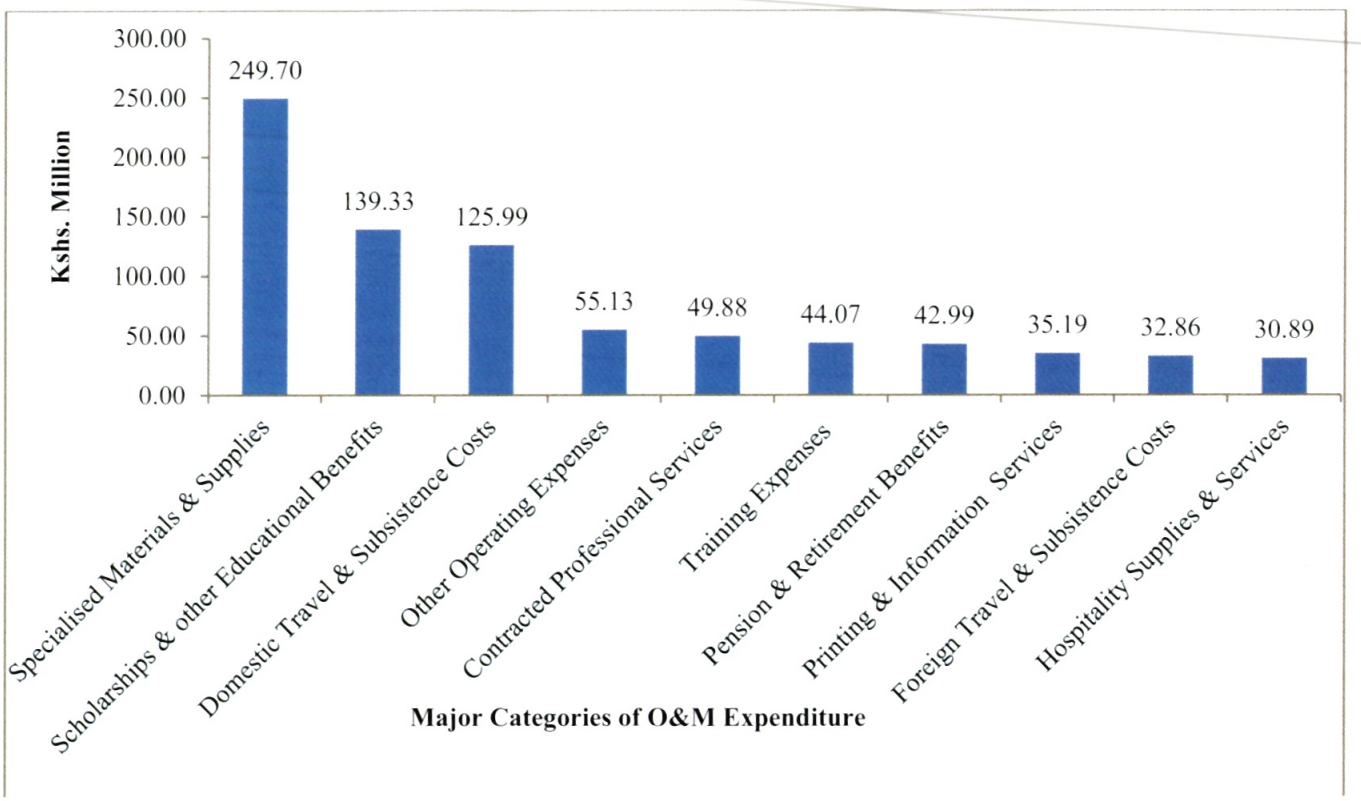


***Source**;Kericho County Treasury*

3.12.6 Analysis of Recurrent Expenditure

The total recurrent expenditure of Kshs.2.39 billion consisted of Kshs.1.37 billion (57.0 per cent) spent on personnel emoluments and Kshs.1.02 billion (43.0 per cent) on operations and maintenance as shown in Figure 3.35. Although the expenditure on personnel emoluments represented a slight increase of 1.1 per cent compared to a similar period of FY 2015/16 when the County spent Kshs.1.35 billion, the salaries and allowances for the month of March was paid in April, 2017, and if included, it would reflect an increase in wage bill. Figure 3.36 shows a summary of operations and maintenance expenditure by major categories.

Figure 3.36: Kericho County, Operations and Maintenance Expenditure by Major Categories for the First Nine Months of FY 2016/17



Source: *Kericho County Treasury*

The County spent Kshs.41.53 million on sitting allowances to the 47 MCAs and the Speaker against the annual budget allocation of Kshs.82.99 million. This was a decrease of 13.1 per cent compared to Kshs.46.99 million spent in the same period of FY 2015/16. The average monthly sitting allowance was Kshs.96,141 per MCA compared to SRC's recommended monthly ceiling of Kshs.124,800

Expenditure on domestic and foreign travel amounted to Kshs.158.85 million and consisted of Kshs.68.95 million by the County Assembly and Kshs.89.90 million by the County Executive. This was an increase of 22.7 per cent compared to Kshs.129.49 million spent in a similar period of FY 2015/16.

3.12.7 Development Expenditure Analysis

The total development expenditure of Kshs.1.45 billion represented 57.9 per cent of the annual development budget of Kshs.2.50 billion. Table 3.34 provides a summarised list of development projects with the highest expenditure during the period under review.

Table 3.34: Kericho County, List of Development Projects with the Highest Expenditure in the First Nine Months of FY 2016/17

S/No.	Project Name	Ward (Location of the Project)	Estimated Budget (Kshs.)	Expenditure as at 31st March, 2017 (Kshs.)	Absorption (%)
1	Completion of approximately 319 km stretch of newly opened , developed and maintained rural access roads for FY 2015/2016	Across the 29 wards	913,477,915	884,467,617	96.8
2	A close to 140 newly constructed & completion of pre- existing ECDE nursery classrooms	Within 30 wards	171,886,696	91,694,126	53.3
3	Emergency road works, Supply of goods & Contracted Services attributed to emergent circumstances	Across the County	81,000,000	76,098,543	93.9
4	Construction of water & sewerage infrastructures including pipelines works to benefit areas not serviced by KEWASCO.	Sub-counties	183,513,871	57,446,934	31.3
5	Designing & construction of road drainage structures, infrastructures & other civil works (Bridges & culverts)	Across 30 wards	50,378,361	44,588,111	88.5
6	Construction of market sheds & installation of cattle weighing machine in newly rehabilitated slaughter houses	Six Sub-counties	33,449,440	32,903,245	98.4
7	Maintenance of access roads & drainage structures within urban areas	Urban areas	36,800,000	27,680,021	75.2
8	Construction & completion of health facility centers & dispensaries	Across 57 health facilities	52,998,584	24,533,435	46.3
9	Construction of perimeter wall within the County Assembly premises & rehabilitation of County office buildings	County Assembly premises	16,313,212	22,743,032	139.4
10	Construction & rehabilitation of existing residential building within estates	Belgut & Moi Lower estates	8,586,025	18,789,262	218.8

Source: *Kericho County Treasury*

Analysis of the development expenditure by project indicates that, the highest expenditure of Kshs.884.47 million was spent on construction of access roads. Approximately 139 kilometres of access roads were gravelled. This was followed by Kshs.91.69 million spent on construction of a close to 140 pre-existing and new ECDE classrooms across the 30 wards.

3.12.8 Budget and Budget Performance Analysis by Department

Table 3.35 shows a summary of budget estimates and budget performance by department for the first nine months of FY 2016/17

Table 3.35: Kericho County, Budget Performance by Department for the First Nine Months of FY 2016/17

Department	Annual Budget Allocation (Kshs. Million)		First Nine Months of FY 2016/17 Exchequer Issues (Kshs. Million)		First Nine Months of FY 2016/17 Expenditure (Kshs. Million)		First Nine Months of FY 2016/17 Expenditure to Exchequer Issues (%)		First Nine Months of FY 2016/17 Absorption rate (%)	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
County Assembly Services	634.28	-	436.39	-	391.20	-	89.6	-	61.7	-

Department	Annual Budget Allocation (Kshs. Million)		First Nine Months of FY 2016/17 Exchequer Issues (Kshs. Million)		First Nine Months of FY 2016/17 Expenditure (Kshs. Million)		First Nine Months of FY 2016/17 Expenditure to Exchequer Issues (%)		First Nine Months of FY 2016/17 Absorption rate (%)	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
Public Service and Administration	312.03	9.11	194.49	-	185.09	-	95.2	-	59.3	-
Office of the Governor & Deputy Governor	158.93	-	102.24	-	129.93	-	127.1	-	81.8	-
County Public Service Board	62.09	-	36.86	-	28.35	-	76.9	-	45.7	-
Finance &Economic Planning	263.89	158.91	138.75	93.00	130.77	76.10	94.2	81.8	49.6	47.9
Agriculture, Livestock &Fisheries	184.08	199.36	127.51	97.08	108.75	60.14	85.3	62.0	59.1	30.2
Environment, Water, Energy & Natural Resources	82.98	216.01	58.34	130.00	52.67	72.97	90.3	56.1	63.5	33.8
Education ,Youth, Culture & Social services	490.75	326.60	317.05	130.00	285.41	94.58	90.0	72.8	58.2	29.0
Health Services	1,364.66	307.60	1,087.19	161.83	957.40	41.13	88.1	25.4	70.2	13.4
Land, Housing & Physical Planning	41.70	67.21	29.45	37.76	28.17	62.20	95.7	164.7	67.6	92.6
Public Works, Roads & Transport	70.61	1,099.37	40.36	917.34	33.33	970.76	82.6	105.8	47.2	88.3
ICT & E-Government	39.05	58.32	30.60	34.00	20.73	23.49	67.7	69.1	53.1	40.3
Trade, Industrialization, Tourism, Wildlife & Cooperative Development	81.83	55.72	55.71	30.00	44.99	45.65	80.8	152.2	55.0	81.9
TOTAL	**3,786.86**	**2,498.22**	**2,654.94**	**1,631.02**	**2,396.80**	**1,447.01**	**90.3**	**88.7**	**63.3**	**57.9**

Source: *Kericho County Treasury*

Analysis of budget performance by department shows that the Department of Public Works, Roads & Transport attained the highest absorption rate of development budget at 88.3 per cent while the County Public Service Management, Gubernatorial Office, County Public Service Board and the County Assembly did not incur any development expenditure. On the other hand the office of the Governor & Deputy Governor had the highest percentage of recurrent expenditure to recurrent budget at 81.8 per cent while the Department of Public Works, Roads & Transport had the lowest at 47.2 per cent.

3.12.9 Observations and Recommendations

The County has made progress in addressing some of the challenges previously identified as affecting budget implementation. Some of the progress made included:

i. Timely submission of quarterly financial statements on County Funds in line with Section 166 of the PFM Act, 2012.

ii. Improvement in technical capacity through continuous staff training and recruitment of key personnel.

iii. Improved performance in local revenue collection by 43.3 per cent from Kshs.249.13 million achieved in the first nine months of FY 2015/16 to Kshs.356.87 million realised in the reporting period.

Despite the above progress, the following challenges continued to hamper effective budget implementation;

1. IFMIS operational challenges which, affected effective budget implementation by slowing down procurement processes and settlement of supplier invoices

2. An escalating wage bill from Kshs.1.35 billion spent in the first nine months of FY 2015/16 to Kshs.1.37 billion during the period under review, excluding salaries and allowances paid in April, 2017 for the month of March, 2017.

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

1. *The County Treasury should liaise with the National Treasury to ensure that IFMIS downtimes and connectivity challenges are resolved.*

2. *The County Public Service Board should establish and implement an optimal staffing structure in order to manage the rising the wage bill.*

3.13 Kiambu County

3.13.1 Overview of the FY 2016/17 Budget

The County's FY 2016/17 Supplementary Budget was 12.76 billion, comprising of Kshs.8.77 billion (68.7 per cent) and Kshs.3.99 billion (31.3 per cent) allocation for recurrent and development expenditure respectively.

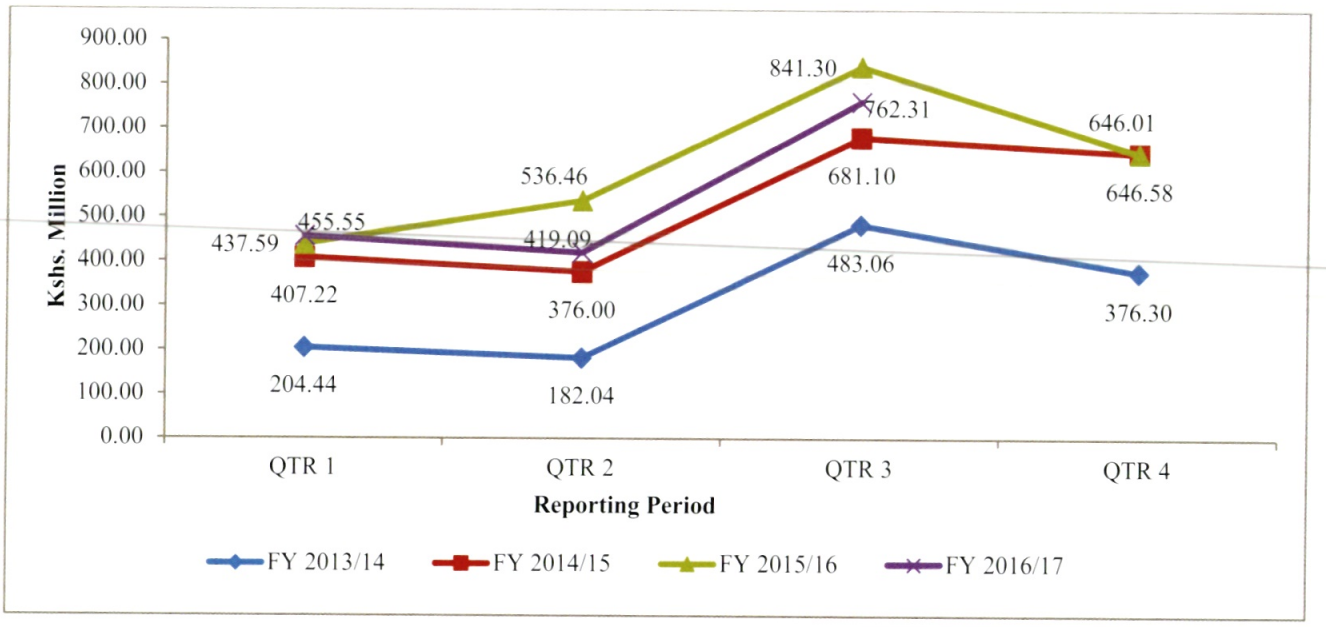
To finance the budget, the County expects to receive Kshs.8.05 billion (63.5 per cent) as equitable share of revenue raised nationally, Kshs.849.4 million (6.7 per cent) as total conditional grants, generate Kshs.3.77 billion (29.7 per cent) from local sources, and Kshs.151.37 million cash balance from FY 2015/16. The conditional grants comprise of Kshs.393.06 million (46.3 per cent) for the Thika Level 5 Hospital, Kshs.221.52 million (26.1 per cent) for Free Maternal Healthcare, Kshs.123.74 million (14.6 per cent) from the Road Maintenance Fuel Levy Fund, Kshs.35.77 million (4.21 per cent) for User Fees Foregone, Kshs.9.6 million (1.1 per cent) from DANIDA and Kshs.65.3 million (7.7 per cent) as conditional allocation grants from other loans and grants. The County did not budget for Kshs.95.7 million provided in the CARA, 2016 for Leasing of Medical Equipment as well as the outstanding balances at the end of FY 2016/17.

3.13.2 Revenue Analysis

During the first nine months of FY 2016/17, the County received Kshs.5.7 billion as equitable share of the revenue raised nationally, Kshs.607.99 million as total conditional allocations, raised Kshs.1.64 billion from local sources, and had a cash balance of Kshs.151.37 million brought forward from FY 2015/16.

Figure 3.37 shows the quarterly trend in local revenue collection from the first quarter of FY 2013/14 to the third quarter of FY 2016/17.

Figure 3.37: Kiambu County, Trend in Local Revenue Collection by Quarter from the First Quarter of FY 2013/14 to Third Quarter of FY 2016/17



Source: *Kiambu County Treasury*

The total local revenue collected in the nine months of FY 2016/17 amounted to Kshs.1.64 billion which is a decrease of 9.4 per cent compared to Kshs.1.82 billion generated in a similar period of FY 2015/16, and represented 43.4 per cent of the annual local revenue target.

3.13.3 Conditional Grants

Table 3.36 shows an analysis of conditional grants released in the first nine months of FY 2016/17.

Table 3.36: Kiambu County, Analysis of Conditional Grant Releases up to Third Quarter of FY 2016/17

No.	Conditional Grant	Allocation based on CARA,2016(Kshs.)	Receipts during the first nine months of FY 2016/17 (Kshs.)	Actual receipts as a percentage of Annual Allocation (%)
1	Road Maintenance Fuel Levy Fund	123,738,238	123,738,237	100.00
2	Free Maternal Healthcare	221,521,352	139,517,500	62.98
3	User Fees Foregone	35,773,082	17,886,541	50.00
4	DANIDA Grant	9,600,000	-	-
5	Level 5 Hospitals	393,063,584	296,763,006	75.50
6	World Bank Loan	35,253,497	-	-
7	Other Loans and Grants	30,087,000	30,087,000	100.00
Total		**849,036,753**	**607,992,284**	**71.61**

Source: *Kiambu County Treasury*

Analysis of the conditional grants released during the period under review indicates that, the Roads Maintenance Fuel Levy Fund received the highest percentage at 100 per cent of annual target, followed by Level 5 Hospital at 75.5 per cent, Free Maternal Healthcare at 62.9 per cent, and User Fees Foregone at 50 per cent. Donor funds from UN Habitat had been rolled over from the previous year and recorded 100 per cent performance.

3.13.4 Exchequer Issues

During the reporting period, the Controller of Budget authorised withdrawal of Kshs.7.75 billion from the CRF account, which was 60.7 per cent of the Approved Supplementary Budget. This amount represented an increase of 9.14 per cent from Kshs.7.04 billion authorized in a similar period of FY 2015/16 and consisted of Kshs.6.15 billion (79.3 per cent) for recurrent expenditure and Kshs.1.6 billion (20.7 per cent) for development activities.

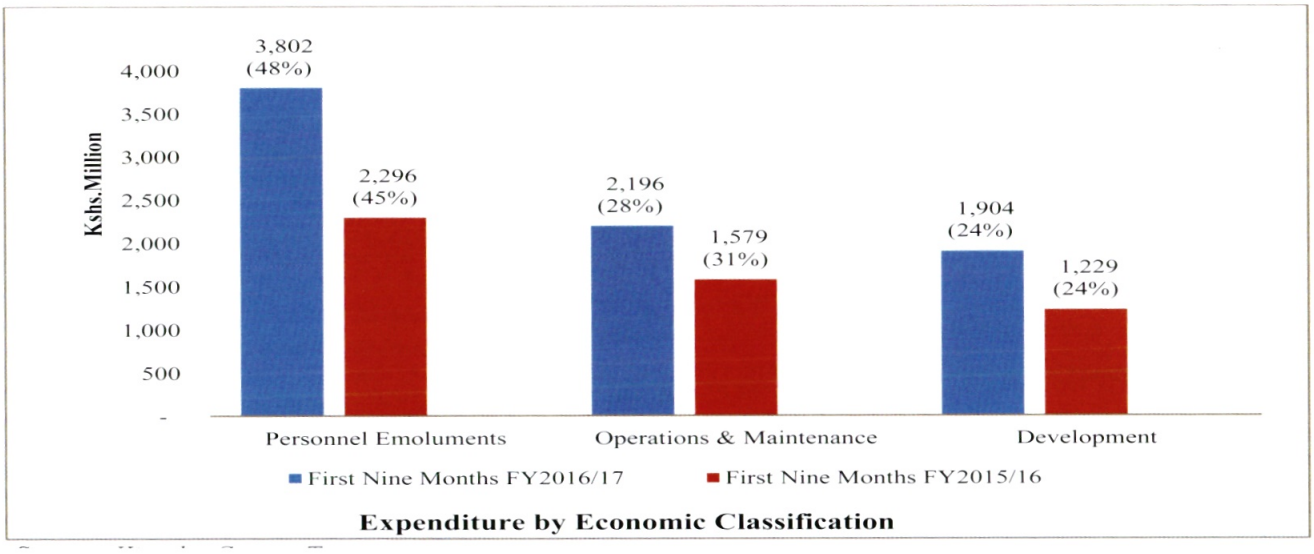
3.13.5 Overall Expenditure Review

The County spent Kshs.7.9 billion, which was 101.9 per cent of the total funds released for operations. This was an increase of 54.9 per cent from Kshs.5.1 billion spent in a similar period of FY 2015/16.

A total of Kshs.5.99 billion was spent on recurrent activities, while Kshs.1.9 billion was spent on development activities. The recurrent expenditure was 97.6 per cent of the funds released for recurrent activities while development expenditure accounted for 118.7 per cent of the funds released for development activities. The expenditure excluded outstanding commitments as at 31st March, 2017 that amounted to Kshs.543.05 million for development and Kshs.239.67 million for recurrent expenditure.

The recurrent expenditure represented 68 per cent of the annual recurrent budget, an increase from 54.2 per cent spent in a similar period FY 2015/16. Development expenditure recorded an absorption rate of 48 per cent, which was an increase from 31 per cent attained in a similar period of FY 2015/16. Figure 3.38 presents a comparison between the total expenditure in the first nine months of FY 2016/17 and FY 2015/16.

Figure 3.38: Kiambu County, Expenditure by Economic Classification for the First Nine Months of FY 2016/17 and FY 2015/16

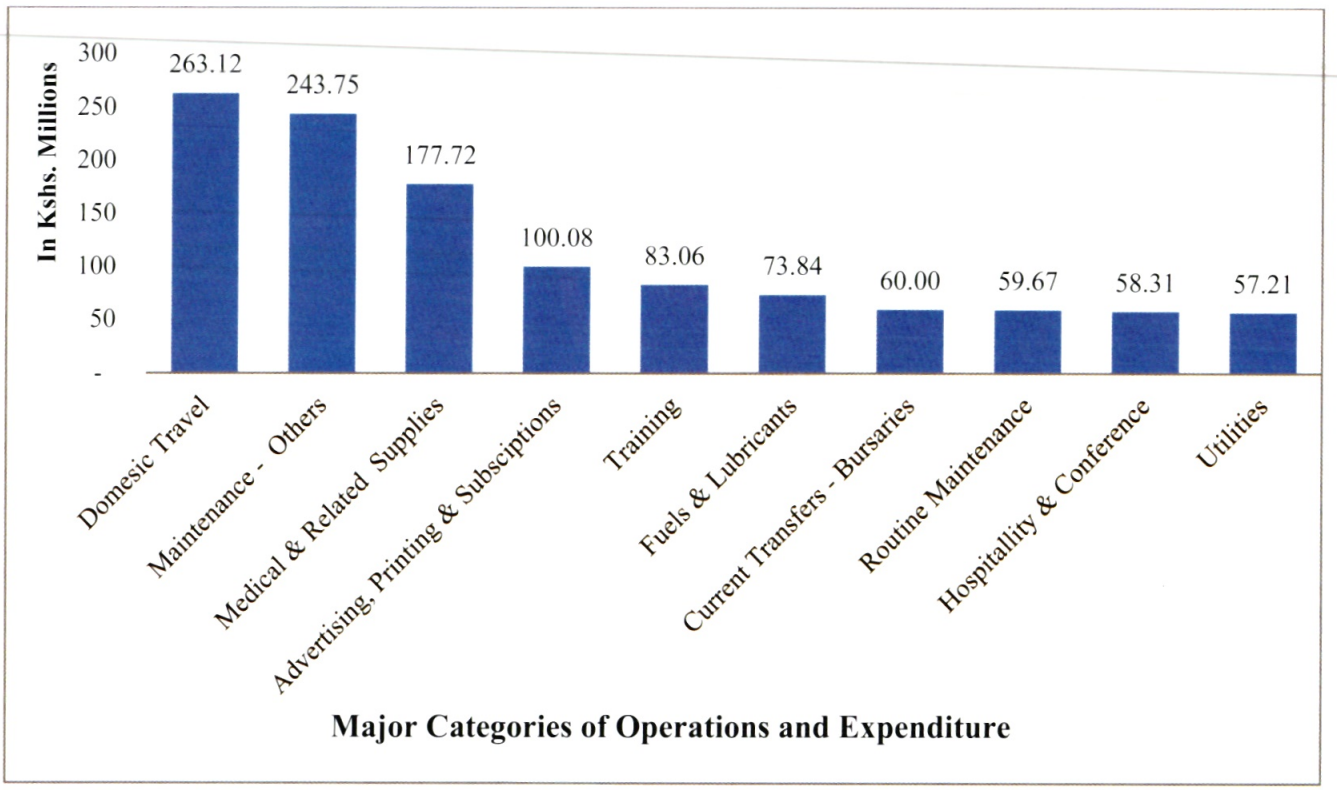


Source: Kiambu County Treasury

3.13.6 Analysis of Recurrent Expenditure

The total recurrent expenditure of Kshs.5.99 billion consisted of Kshs.3.80 billion (63.4 per cent) spent on personnel emoluments and Kshs.2.20 billion (36.6 per cent) on operations and maintenance as shown in Figure 3.38. Expenditure on personnel emoluments represented an increase of 65.6 per cent compared to a similar period of FY 2015/16 when the County spent Kshs.2.29 billion. Figure 3.39 shows a summary of operations and maintenance expenditure by major categories.

Figure 3.39: Kiambu County, Operations and Maintenance Expenditure for the first nine months of FY 2016/17



Source: *Kiambu County Treasury*

The County spent Kshs.60.28 million on sitting allowances to the 87 MCAs and the Speaker against the annual budget allocation of Kshs.100 million. This was a decrease compared to Kshs.72.96 million spent in the same period of FY 2015/16. The average monthly sitting allowance was Kshs.76,117 compared to SRC's recommended monthly ceiling of Kshs.124,800.

Expenditure on domestic and foreign travel amounted to Kshs.303.02 million and consisted of Kshs.144.33 million spent by the County Assembly and Kshs.158.69 million by the County Executive. This was an increase of 47.8 per cent compared to Kshs.205.7 million spent in a similar period of FY 2015/16.

3.13.7 Development Expenditure Analysis

The total development expenditure of Kshs.1.90 billion represented 47.6 per cent of the annual development budget of Kshs.3.99 billion. Table 3.37 provides a summarised list of development projects carried out during the period under review.

Table 3.37: Kiambu County, List of Development Projects with the Highest Expenditure in the First Nine Months of FY 2016/17

S/No.	Project name	Ward (Location of the Project)	Estimated Budget (Kshs.)	Expenditure as at 31st March, 2017 (Kshs.)	Absorption rate (%)
1	Construction & Rehabilitation of Githunguri CBD Roads	Githunguri	103,900,000	49,754,233	47.9
2	Ongoing construction of 3 storeyed type medical wards at Tigoni Sub County hospital	Ngecha/Tigoni	160,740,000	38,566,940	24
3	Supply of skip loader and tipper	Headquarter	30,000,000	20,398,000	68
4	Proposed rehabilitation & construction Ruiru stadium	Gitothua	30,000,000	18,593,639	61.9
5	Part Payment Supply, installation & testing of milk pasteurizer in Gatundu North, Gatundu South, Limuru, Kiambaa, Kiambu Sub-Counties	Gatundu North/Gatundu South/Limuru/Kiambaa/ Kiambu	46,000,000	18,500,000	40.2
6	Construction of bio-digester at Gatundu level 4 Hospital	Ng'enda	14,707,410	14,700,000	99.9
7	Construction & Rehabilitation of Limuru market	Limuru Central	-	11,751,835	-
8	Construction of Kamwangi market	Gituamba	-	11,587,112	-
9	Improvement of LAN at Thika Water Office	Thika Town	8,656,732	8,656,732	100
10	Construction of 2 no. classroom of ablution block at Kawaida ECDE.	Cianda	5,720,580	3,495,730	61.1

Source: *Kiambu County Treasury*

Analysis of the development expenditure by projects indicates that, the highest expenditure of Kshs.49.75 million was incurred by the Department of Roads, Transport and Public Works on construction of Githunguri CBD roads while the Health Department spent Kshs.38.57 million on construction of Tigoni Level 4 Hospital medical wards and Kshs.14.7 million on construction of bio-digester at the Gatundu Level 4 Hospital. The County also incurred Kshs.20.4 million on a skip loader and tipper under the Environment Department while in the same period, a total of Kshs.18.5 million was used in installation of 4 milk pasteurizers in Gatundu North, Gatundu South, Limuru, Kiambaa and Kiambu Sub-Counties.

3.13.8 Budget and Budget Performance Analysis by Department

Table 3.38 shows a summary of budget estimates and budget performance by department for the first nine months of FY 2016/17.

Table 3.38: Kiambu County, Budget Performance by Department for the First Nine Months of FY 2016/17

Department	Budget Allocation (Kshs. Million)		First nine months FY 2016/17 Exchequer Issues (Kshs. Million)		First Nine Months FY 2016/17 Expenditure (Kshs. Million)		First Nine Months FY 2016/17 Expenditure to Exchequer Issues (%)		First Nine Months FY 2016/17 Absorption rate (%)	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
County Assembly	906.25	47.64	601.32	13.2	531.97	4.34	88.5	32.9	58.7	9.1
County Executive	367.13	7.20	221.48	0.00	187.40	3.27	84.6	0.0	51.0	45.4
County Public Service Board	62.52	-	38.7	-	28.70	0	74.2	n/a	45.9	0.0

Department	Budget Allocation (Kshs. Million)		First nine months FY 2016/17 Exchequer Issues (Kshs. Million)		First Nine Months FY 2016/17 Expenditure (Kshs. Million)		First Nine Months FY 2016/17 Expenditure to Exchequer Issues (%)		First Nine Months FY 2016/17 Absorption rate (%)	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
Finance and Econ. Planning	1,342.90	38.00	824.38	0.00	853.91	0.01	103.6	-	63.6	0.0
Administrative & Public Service	483.17	91.80	392	0	371.67	10.76	94.8	-	76.9	11.7
Agriculture, Livestock & Fisheries	396.83	260.56	311.86	58.83	288.40	78.84	92.5	134.0	72.7	30.3
Water, Environment & Natural Resources	253.22	332.20	176.58	137.71	177.10	82.54	100.3	59.9	69.9	24.8
Health Services	3,199.19	1,030.06	2486.62	552.31	2,741.87	553.83	110.3	100.3	85.7	53.8
Education, Culture, ICT & Social Services	680.31	282.07	381.23	81.77	351.50	108.90	92.2	133.2	51.7	38.6
Youth, Sports & Communications	151.88	338.86	75.17	72.75	28.30	166.38	37.6	228.7	18.6	49.1
Lands, Physical Planning & Housing	176.77	169.14	117.34	8.03	107.66	45.20	91.8	562.9	60.9	26.7
Trade, Tourism, Industry & Cooperative	268.65	166.82	164.9	97.9	68.70	120.32	41.7	122.9	25.6	72.1
Roads, Transport & Public Works	481.06	1,125.67	353.66	580.89	260.04	729.54	73.5	125.6	54.1	64.8
Total	**8,769.88**	**3,890.02**	**6,145.24**	**1,603.39**	**5,997.22**	**1,903.93**	**97.6**	**118.7**	**68.4**	**48.9**

Source: *Kiambu County Treasury*

Analysis of budget performance by department shows that the Department of Trade, Tourism, Industry and Cooperative attained the highest absorption rate of development budget at 72.1 per cent followed by Roads, Transport and Public Works Department which attained 64.8 per cent. On the other hand, the Health Department realized the highest absorption of recurrent budget at 85.7 per cent followed by the Administration and Public Service Department at 76.9 per cent.

3.13.9 Observations and Recommendations

The County has made progress in addressing some of the challenges previously identified as affecting budget implementation. Some of the progress made included:

i. Establishment of the County Budget and Economic Forum (CBEF) in line with Section 137 of the PFM Act, 2012.

ii. Improvement in the administration and reporting on the established County Funds.

Despite the above progress, the following challenges continued to hamper effective budget implementation;

1. IFMIS connectivity challenges, which slowed down approval of procurement requests and payments to suppliers.

2. Under-performance in local revenue collection. Local revenue collected in the first nine months of FY 2016/17 amounted to Kshs.1.64 billion which is a decrease compared to Kshs.1.81 billion generated in a similar period of FY 2015/16, and represented a decline of 9.4 per cent.

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

1. *The County Treasury should liaise with the IFMIS Directorate for support in application of IFMIS and the E-procurement module.*

2. *The County Treasury should develop and implement strategies to enhance local revenue collection.*

3.14 Kilifi County

3.14.1 Overview of the FY 2016/17 Budget

The County's FY 2016/17 Supplementary Budget was Kshs.13.03 billion, comprising of Kshs.6.27 billion (48.1 per cent) and Kshs.6.76 billion (51.9 per cent) allocation for recurrent and development expenditure respectively.

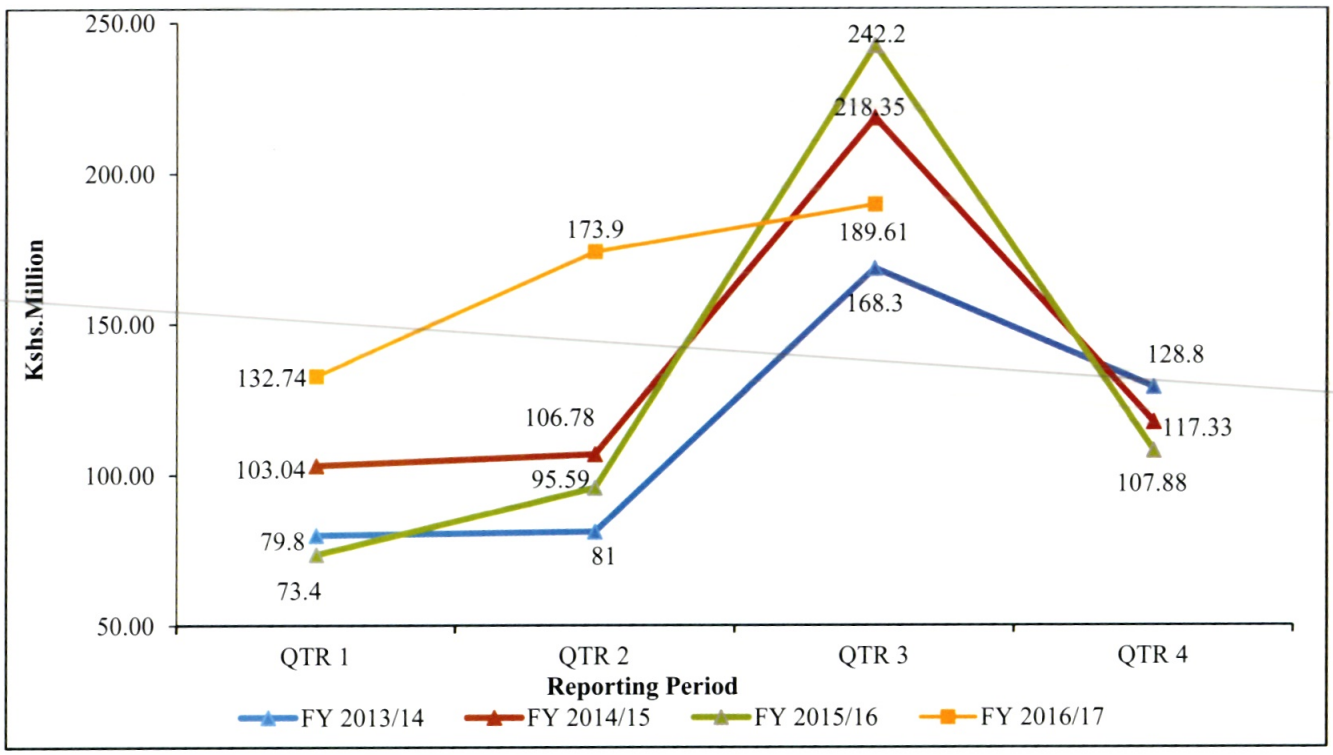
To finance the budget, the County expects to receive Kshs.8.03 billion (61.6 per cent) as equitable share of revenue raised nationally, Kshs.584.79 million (4.5 per cent) as total conditional grants, generate Kshs.1.59 billion (12.2 per cent) from local sources, Kshs.2.83 billion (21.7 per cent) cash balance from FY 2015/16. The conditional grants comprise of Kshs.181.67 million (31.1 per cent) for Free Maternal Healthcare, Kshs.123.37 million (21.1 per cent) from the Road Maintenance Fuel Levy Fund, Kshs.26.39 million (4.5 per cent) for User Fees Foregone, Kshs.7.77 million (1.3 per cent) from DANIDA, Kshs.114.66 million (19.6 per cent) as a loan from the World Bank, Kshs.95.74 million (16.4 per cent) for Leasing of Medical Equipment, and Kshs.35.19 million (6 per cent) from the World Bank, Kenya Devolution Support Program Capacity & Performance Grant .

3.14.2 Revenue Analysis

During the first nine months of FY 2016/17, the County received Kshs.6.75 billion as equitable share of the revenue raised nationally, Kshs.163.04 million as total conditional allocations, raised Kshs.496.26 million from local sources, and had a cash balance of Kshs.121.27 million brought forward from FY 2015/16.

Figure 3.40 shows the quarterly trend in local revenue collection from the first quarter of FY 2013/14 to the third quarter of FY 2016/17.

Figure 3.40: Kilifi County, Trend in Local Revenue Collection by Quarter from the First Quarter FY 2013/14 to the Third Quarter FY 2016/17



Source: *Kilifi County Treasury*

The total local revenue collected in the first nine months of FY 2016/17 amounted to Kshs.496.26 million, representing an increase of 20.7 per cent compared to Kshs.411.19 million generated in a similar period of FY 2015/16, and represented 31.3 per cent of the annual local revenue target.

3.14.3 Conditional Grants

Table 3.39 shows an analysis of conditional grants released in the first nine months of FY 2016/17.

Table 3.39: Kilifi County, Analysis of Conditional Grants Released in the First Nine Months of FY 2016/17

No.	Conditional Grant	Allocation based on CARA, 2016 (Kshs.)	FY 2016/17 Actual receipt of Conditional Grants (Kshs.)	Actual receipts as a percentage of Annual Allocation (%)
1	Road Maintenance Fuel Levy Fund	123,368,108	75,373,351	61.1
2	User Fees Foregone	26,392,597	13,196,298	50
3	Free Maternal Healthcare	181,669,778	74,467,500	41
4	Leasing of Medical Equipment	95,744,681	-	-
5	DANIDA Grant	7,765,000	-	-
6	World Bank Loan	114,657,642	-	-
7	World Bank, Kenya Devolution Support Program Capacity &Performance Grant. (Not contained in CARA, 2016)	35,193,507	-	-
Total		**584,791,313**	**163,037,149**	**27.9**

Source: *Kilifi County Treasury*

Analysis of the conditional grants released during the period under review indicates that, the Road

Maintenance Fuel Levy Fund and User Fees Foregone grants recorded the highest receipts at 61.1 per cent and 50 per cent of the annual target. The County is yet to receive funds from the World Bank grant to health facilities, Kenya Devolution Support Programme, and DANIDA.

3.14.4 Exchequer Issues

During the reporting period, the Controller of Budget authorised withdrawal of Kshs.6.23 billion from the CRF account, which was 47.8 per cent of the Approved Budget. This amount represented an increase/decrease of 3.0 per cent from Kshs.6.05 billion authorized in a similar period of FY 2015/16 and consisted of Kshs.4.05 billion (65 per cent) for recurrent expenditure and Kshs.2.18 billion (35 per cent) for development activities.

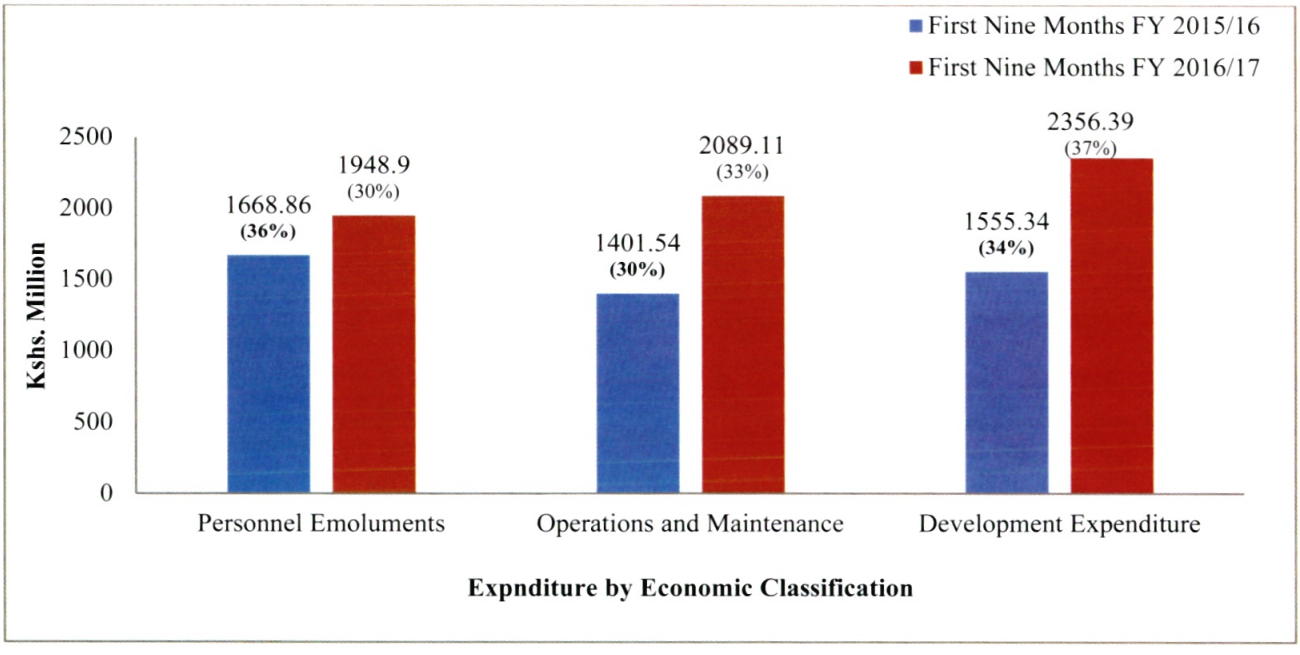
3.14.5 Overall Expenditure Review

The County spent Kshs.6.39 billion, which was 102.6 per cent of the total funds released for operations. This was an increase of 38 per cent from Kshs.4.63 billion spent in a similar period of FY 2015/16.

A total of Kshs.4.04 billion was spent on recurrent activities, while Kshs.2.35 billion was spent on development activities. The recurrent expenditure was 99.7 per cent of the funds released for recurrent activities while development expenditure accounted for 108 per cent of the funds released for development activities. The expenditure excluded outstanding commitments as at 31st March, 2017 that amounted to Kshs.775.22 million for development and Kshs.347.46 million for recurrent expenditure.

The recurrent expenditure represented 64.4 per cent of the annual recurrent budget, an increase from 54.9 per cent spent in a similar period of FY 2015/16. Development expenditure recorded an absorption rate of 34.9 per cent, which was an increase from 26.2 per cent attained in a similar period of FY 2015/16. Figure 3.41 presents a comparison between the total expenditure in the first nine of FY 2016/17 and first nine of FY 2015/16.

Figure 3.41: Kilifi County, Expenditure by Economic Classification for the First Nine Months of FY 2016/17 and FY 2015/16

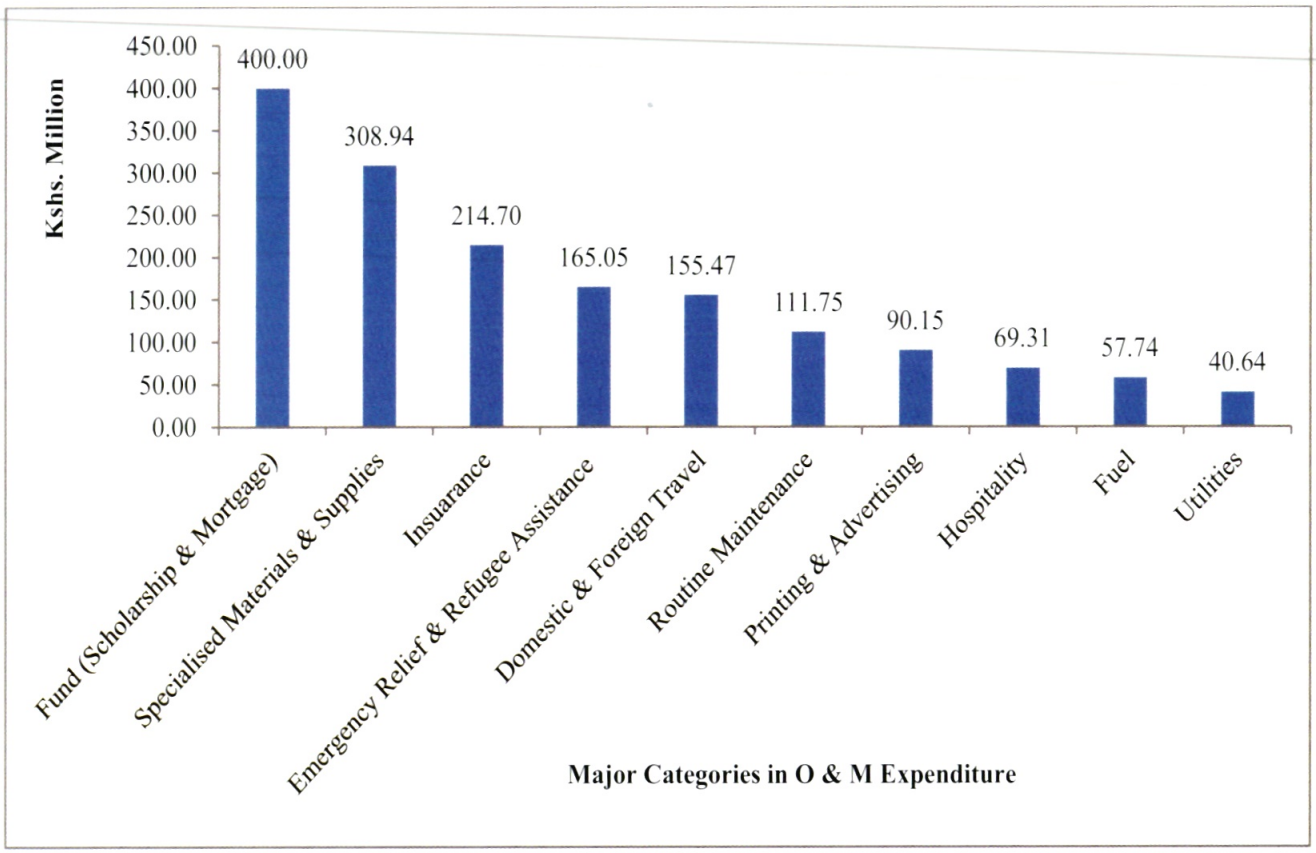


Source: *Kilifi County Treasury*

3.14.6 Analysis of Recurrent Expenditure

The total recurrent expenditure of Kshs.4.04 billion consisted of Kshs.1.95 billion (48.3 per cent) spent on personnel emoluments and Kshs.2.09 billion (51.7 per cent) on operations and maintenance as shown in Figure 3.41. Expenditure on personnel emoluments represented an increase of 16.8 per cent compared to a similar period of FY 2015/16 when the County spent Kshs.1.67 billion. Figure 3.42 shows a summary of operations and maintenance expenditure by major categories.

Figure 3.42: Kilifi County, Operations and Maintenance Expenditure by Major Categories for the First Nine Months of FY 2016/17



Source: *Kilifi County Treasury*

The County spent Kshs.39.82 million on sitting allowances to the 54 MCAs and the Speaker against the annual budget allocation of Kshs.80.71 million. This was a decrease of 17.8 per cent compared to Kshs.48.47 million spent in the same period of FY 2015/16. The average monthly sitting allowance was Kshs.81,935 per MCA compared to SRC's recommended monthly ceiling of Kshs.124,800

Expenditure on domestic and foreign travel amounted to Kshs.155.47 million and consisted of Kshs.71.96 million by the County Assembly and Kshs.83.51 million by the County Executive. This was a decrease of 23.3 per cent compared to Kshs.202.63 million spent in a similar period of FY 2015/16.

3.14.7 Development Expenditure Analysis

The total development expenditure of Kshs.2.36 billion represented 34.9 per cent of the annual development budget of Kshs.6.76 billion. Table 3.40 provides a summarised list of development projects with the highest expenditure during the period under review.

Table 3.40: Kilifi County, List of Development Projects with the Highest Expenditure in the First Nine Months of FY 2016/17

S/No.	Project name	Dept	Ward (Location of the Project)	Estimated Budget (Kshs.)	Expenditure as at 31st March, 2017 (Kshs.)	Absorption rate (%)
1	Completion of 2.5KM Upgrading of B8 - Sultan Palace road	Roads	Kikambala	72,000,000	72,000,000.00	100
2	Agricultural mechanization through Procurement of 20 tractors	Agriculture	County wide	56,000,000	53,699,373.72	95.9
3	Mtwapa market phase II	Trade	Mtwapa	81,436,002	38,979,461.95	47.9
4	Kilifi Mnarani Street lights	Road	Mnarani	36,000,000	35,981,142.00	99.9
5	Upgrading to bitumen of Mtwapa roads	Road	Mtwapa	38,347,648	31,526,316.00	82.2
6	Upgrading of Malindi Township Roads to Bitumen Standard (Ngala-Malindi High-Muyeye-New Bus Park)	Road	Malindi	150,000,000	30,646,272.00	20.4
7	Cabro in Shella Ngala to Muyeye road (Rehabilitation of Shella Ward Road)	Road	Shella	25,000,000	24,731,200.00	98.9
8	Kambicha-Marereni water supply pipeline project	Water	Kambicha	24,000,000.00	16,721,031.00	69.7
9	Development of Burangi Irrigation Scheme (Rice production)	Agriculture	Burangi	20,000,000	14,045,320.00	70.2
10	Capacity building and sensitization on Mbegu Fund	Trade	County wide	16,157,400	13,941,075.00	86.3
	Total			**518,941,050**	**332,271,192.00**	**64**

Source: *Kilifi County Treasury*

Analysis of the development expenditure by project indicates that, the highest expenditure of Kshs.72 million was incurred on upgrading of 2.5Km B8 - Sultan Palace road, followed by Kshs.53.7 million spent on agricultural mechanisation through procurement of 20 tractors.

3.14.8 Budget and Budget Performance Analysis by Department

Table 3.41 shows a summary of budget estimates and budget performance by department for the first nine months of FY 2016/17

Table 3.41: Kilifi County, Budget Performance by Department for the First Nine Months of FY 2016/17

Department	Annual Budget Allocation (Kshs. Million)		First nine months of FY 2016/17 Exchequer Issues (Kshs. Million)		First nine months of FY 2016/17 Expenditure (Kshs. Million)		First nine months of FY 2016/17 Expenditure to Exchequer Issues (%)		First nine months of FY 2016/17 Absorption rate (%)	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
County Assembly	774.92	415.14	545.00	120.00	436.34	128.92	80.1	107.4	56.3	31.1
County Executive	371.23	-	204.93	-	190.28	-	92.9	-	55.6	-
Finance and Economic Planning	517.65	40.06	355.41	-	259.64	6.73	73.1	-	45.7	16.8
Agriculture, Livestock and Fisheries	298.77	478.82	222.87	183.14	184.38	166.66	82.7	91.0	61.3	34.8

Department	Annual Budget Allocation (Kshs. Million)		First nine months of FY 2016/17 Exchequer Issues (Kshs. Million)		First nine months of FY 2016/17 Expenditure (Kshs. Million)		First nine months of FY 2016/17 Expenditure to Exchequer Issues (%)		First nine months of FY 2016/17 Absorption rate (%)	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
Water, Environment, Natural Resources and Solid Waste Management	197.50	1,296.45	140.19	337.21	150.00	524.00	107.0	155.4	86.0	40.4
Education, Sports and Youth Affairs	684.53	1,083.98	590.35	289.52	540.26	346.96	91.5	119.8	77.4	32.0
County Health Services	1975.31	773.29	1,034.54	396.50	1,316.41	242.86	127.2	61.3	67.5	31.4
Roads, Transport & Public Works	309.78	1,729.41	163.54	281.30	208.68	726.93	127.6	258.4	88.7	42.0
Lands, Physical Planning, Housing and Energy	192.85	289.91	137.22	279.98	141.65	61.51	103.2	22.0	67.5	21.2
ICT, E-Government, Culture And Social Services	123.64	141.78	85.56	80.79	70.32	33.90	82.2	42.0	63.7	23.9
Trade Development And Regulation	77.85	357.55	57.63	140.38	41.35	103.93	71.8	74.0	51.3	29.1
Public Service Board	67.03	-	46.47	-	39.98	-	86.0	-	59.6	-
Public Service Management	680.49	153.49	465.31	73.88	458.71	13.98	98.6	18.9	81.1	9.1
TOTAL	**6,271.54**	**6,759.88**	**4,049.00**	**2,182.69**	**4,038.01**	**2,356.39**	**99.7**	**108.0**	**66.4**	**34.9**

Source: *Kilifi County Treasury*

Analysis of budget performance by department shows that Roads, Transport & Public Works Department attained the highest absorption rate of development budget at 42 per cent while the County Executive and Public Service Board departments did not incur any development expenditure. On the other hand the Department of Roads, Transport & Public Works had the highest percentage of recurrent expenditure to recurrent budget at 88.7 per cent while the Department of Finance and Economic Planning had the lowest at 45.7 per cent.

3.14.9 Observations and Recommendations

The County has made progress in addressing some of the challenges previously identified as affecting budget implementation. Some of the progress made included:

i. Improved adherence to budget timelines. The County Executive Committee Member for Finance (CECM-F) submitted the FY 2017/18 budget estimates to the County Assembly on 29th February 2017 for consideration and approval.

Despite the above progress, the following challenges continued to hamper effective budget implementation;

1. IFMIS connectivity challenges, which slowed down approval of procurement requests and payments to suppliers.
2. Late submission of financial reports by the County Treasury, which affected timely preparation of budget implementation reports.
3. Failure to establish an Internal Audit Committee to oversee financial operations in the County

contrary to Section 155 of the PFM Act, 2012.

4. The County has not constituted the County Budget and Economic Forum (CBEF) as required by Section 137 of the PFM Act, 2012 for consultation in the budget process.

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

1. *The County Treasury should liaise with IFMIS Directorate to ensure support in use of IFMIS and the E-procurement module*

2. *The County Treasury should ensure timely submission of financial reports in line with Section 166 of the PFM Act, 2012.*

3. *The County should establish an Internal Audit Committee in line with Section 155 of the PFM Act, 2012.*

4. *The County should establish the CBEF in line with Section 137 of the PFM Act, 2012.*

3.15 Kirinyaga County

3.15.1 Overview of the FY 2016/17 Budget

The County's FY 2016/17 Supplementary Budget was Kshs.5.24 billion, comprising of Kshs.3.37 billion (64 per cent) and Kshs.1.88 billion (36 per cent) allocations for recurrent and development expenditure respectively.

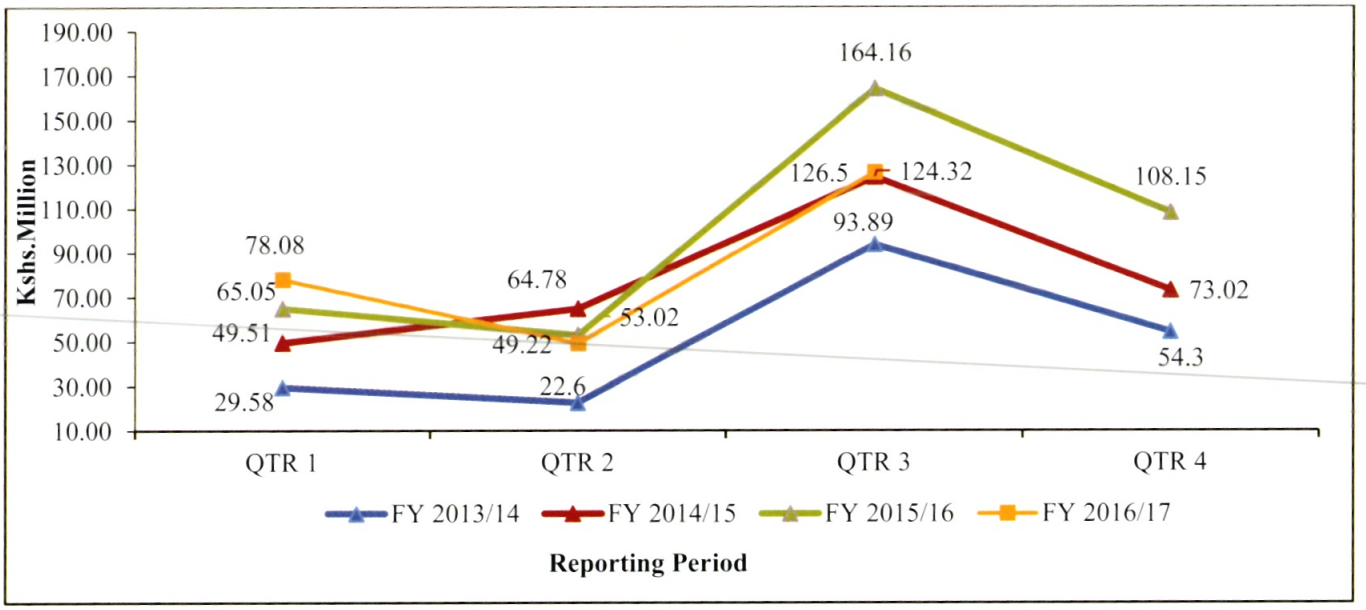
To finance the budget, the County expects to receive Kshs.3.82 billion (73 per cent) as equitable share of revenue raised nationally, Kshs.167.19 million (3.2 per cent) as total conditional grants, generate Kshs.743.24 million (14.1 per cent) from local sources, and Kshs.448.95 million (8.6 per cent) cash balance from FY 2015/16. The County also expects to receive Kshs.17.27 million (0.3 per cent) from Coffee Cess Funds and Kshs.45.00 million (0.9 per cent) refund from Local Authority Provident Fund (LAPFUND). The conditional grants comprise of Kshs.45.39 million (27.2 per cent) for Free Maternal Healthcare, Kshs.58.66 million (35.1 per cent) from the Road Maintenance Fuel Levy Fund, Kshs.11.63 million (7.0 per cent) for User Fees Foregone, Kshs.6.39 million (3.8 per cent) from DANIDA, and Kshs.24.60 million (14.7 per cent) from World Bank Loan, and Kshs.20.52 million (12.3 per cent) for Other Loans and Grants.

3.15.2 Revenue Analysis

During the first nine months of FY 2016/17, the County received Kshs.2.58 billion as equitable share of the revenue raised nationally, Kshs.58.53 million as total conditional allocations, raised Kshs.253.8 million from local sources, and had a cash balance of Kshs.448.95 million brought forward from FY 2015/16.

Figure 3.43 shows the quarterly trend in local revenue collection from the first quarter of FY 2013/14 to the third quarter of FY 2016/17.

Figure 3.43: Kirinyaga County, Trend in Local Revenue Collection by Quarter from the First Quarter FY 2013/14 to the Third Quarter FY 2016/17



Source: *Kirinyaga County Treasury*

The total local revenue collected in the first nine months of FY 2016/17 amounted to Kshs.253.8 million, representing a decrease of 10.1 per cent compared to Kshs.282.23 million generated in a similar period of FY 2015/16, and represented 34.1 per cent of the annual local revenue target.

3.15.3 Conditional Grants

Table 3.42 shows an analysis of conditional grants released in the first nine months of FY 2016/17.

Table 3.42: Kirinyaga County, Analysis of Conditional Grants Released in the First Nine Months of FY 2016/17

No.	Conditional Grant	Allocation based on CARA, 2016 (Kshs.)	FY 2016/17 Actual receipt of Conditional Grants (Kshs.)	Actual receipts as a percentage of Annual Allocation (%)
1	Road Maintenance Fuel Levy Fund	58,660,195	46,600,454	79.4
2	Free Maternal Healthcare	45,389,754	23,390,000	51.5
3	User Fees Foregone	11,625,078	5,812,539	50.0
4	DANIDA Grant	6,385,000	-	-
5	Kenya Devolution Support Programme Trust (Not in CARA, 2016)	24,601,287	-	-
6	Other Loans and Grants	20,517,876	-	-
	TOTAL	**167,179,190**	**75,802,993**	**45.3**

Source: *Kirinyaga County Treasury*

Analysis of the conditional grants released during the period under review indicates that, the Road Maintenance Fuel Levy Fund had the highest receipts against annual target at 79.4 per cent, followed by Free Maternal healthcare at 51.5 per cent. The County is yet to receive funds from DANIDA and the Kenya Devolution Support Programme.

3.15.4 Exchequer Issues

During the reporting period, the Controller of Budget authorized withdrawal of Kshs.3.27 billion from the CRF account, which was 62.3 per cent of the Supplementary Budget. This amount represented an increase of 25.1 per cent from Kshs.2.61 billion authorized in a similar period of FY 2015/16 and consisted of Kshs.2.48 billion (75.9 per cent) for recurrent expenditure and Kshs.787.42 million (24.1 per cent) for development activities.

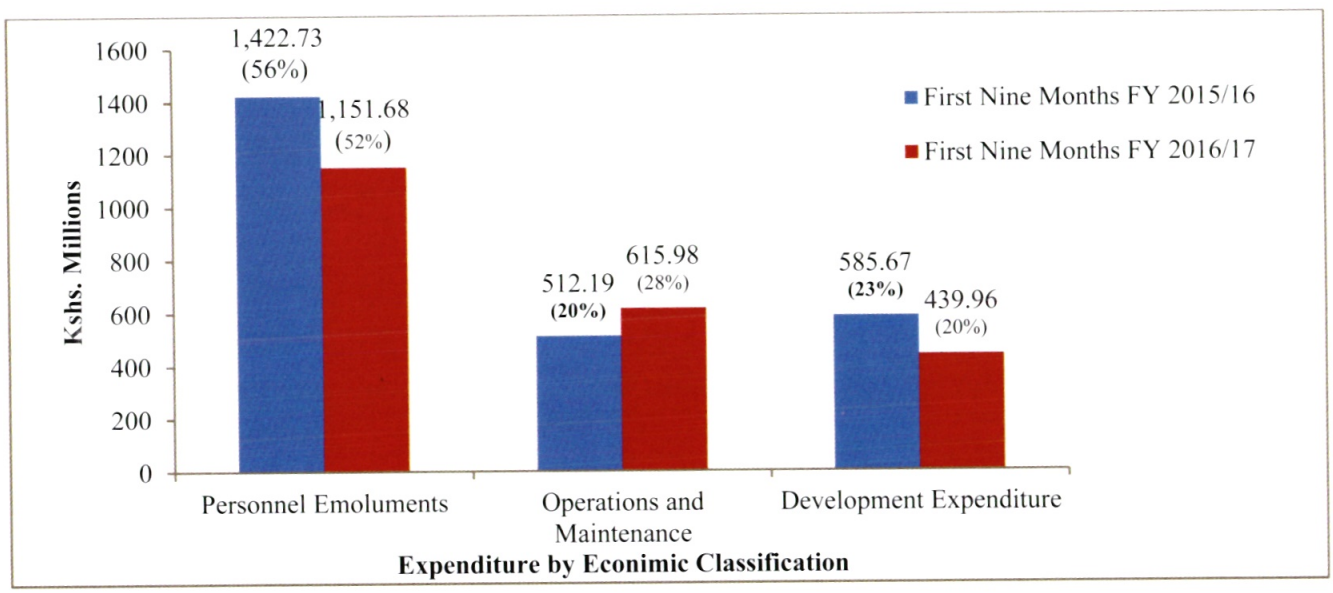
3.15.5 Overall Expenditure Review

The County spent Kshs.2.21 billion, which was 67.5 per cent of the total funds released for operations. This was a decrease of 12.4 per cent from Kshs.2.52 billion spent in a similar period of FY 2015/16.

A total of Kshs.1.78 billion was spent on recurrent activities, while Kshs.439.96 million was spent on development activities. The recurrent expenditure was 71.2 per cent of the funds released for recurrent activities while development expenditure accounted for 55.9 per cent of the funds released for development activities. The expenditure excluded outstanding commitments as at 31st March, 2017 that amounted to Kshs.146.62 million for development and Kshs.79.67 million for recurrent expenditure.

The recurrent expenditure represented 52.5 per cent of the annual recurrent budget, a decrease from 59.2 per cent spent in a similar period of FY 2015/16. Development expenditure recorded an absorption rate of 23.5 per cent, which was a decrease from 38.8 per cent attained in a similar period of FY 2015/16. Figure 3.44 presents a comparison between the total expenditure in the first nine months of FY 2016/17 and the first nine months of FY 2015/16.

Figure 3.44: Kirinyaga County, Expenditure by Economic Classification for the First Nine Months of FY 2016/17 and FY 2015/16



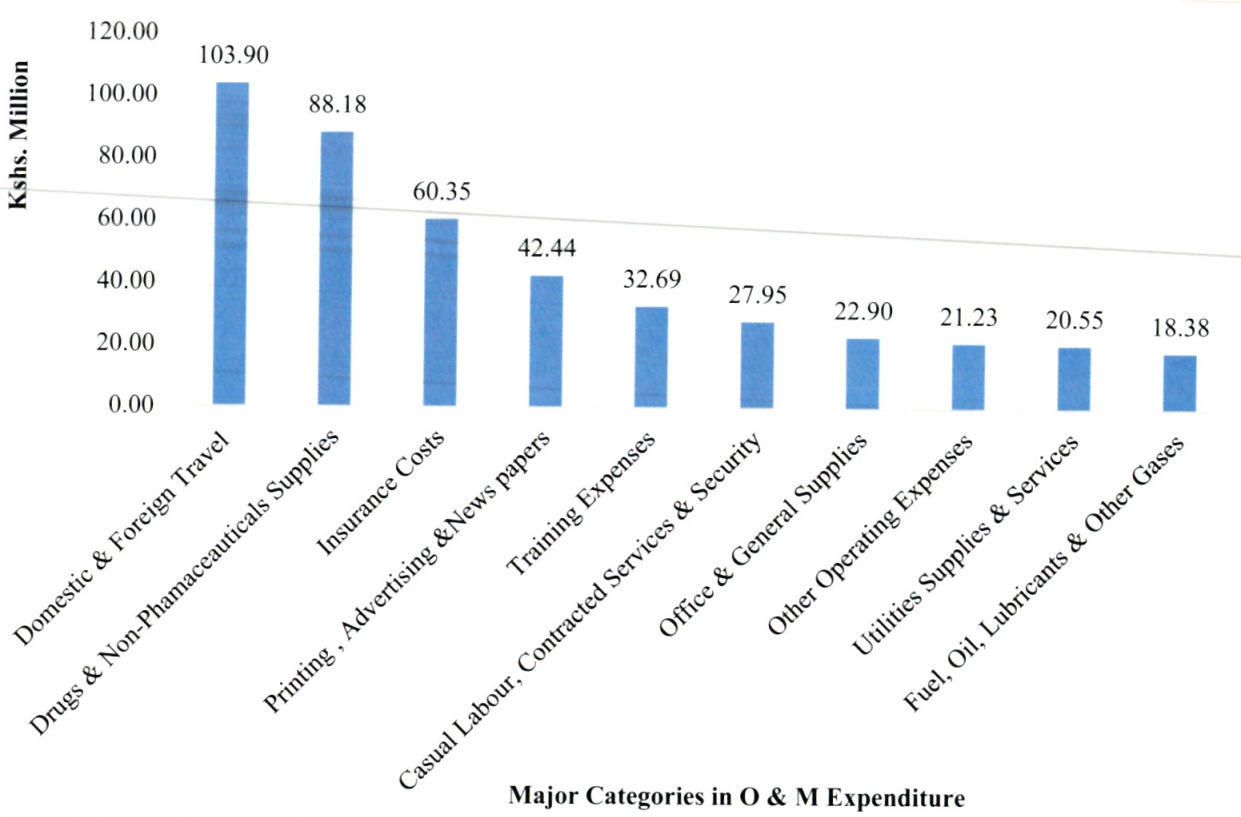
Source: *Kirinyaga County Treasury*

3.15.6 Analysis of Recurrent Expenditure

The total recurrent expenditure of Kshs.1.77 billion consisted of Kshs.1.15 billion (65.2 per cent) spent on personnel emoluments and Kshs.615.98 million (34.8 per cent) on operations and maintenance

as shown in Figure 3.44. Expenditure on personnel emoluments represented a decrease of 19.1 per cent compared to a similar period of FY 2015/16 when the County spent Kshs.1.42 billion. Figure 3.45 shows a summary of operations and maintenance expenditure by major categories.

Figure 3.45: Kirinyaga County, Operations and Maintenance Expenditure Major Categories for the First Nine Months of FY 2016/17



Source: *Kirinyaga County Treasury*

The County spent Kshs.27.79 million on sitting allowances to the 30 MCAs and the Speaker against the annual budget allocation of Kshs.62.00 million. This was an increase of 0.8 per cent compared Kshs.27.57 million spent in the same period of FY 2015/16. The average monthly sitting allowance was Kshs.102,917 per MCA compared to SRC's recommended monthly ceiling of Kshs.124,800

Expenditure on domestic and foreign travel amounted to Kshs.103.90 million and consisted of Kshs.72.60 million by the County Assembly and Kshs.31.30 million by the County Executive. This was a decrease of 13.2 per cent compared to Kshs.119.66 million spent in a similar period of FY 2015/16.

3.15.7 Development Expenditure Analysis

The total development expenditure of Kshs.439.96 million represented 23.5 per cent of the annual development budget of Kshs.1.88 billion. Table 3.43 provides a summarized list of development projects with the highest expenditure during the period under review.

Table 3.43: Kirinyaga County, List of Development Projects with the Highest Expenditure in the First Nine Months of FY 2016/17

S/No.	Project Name	Ward (Location of the Project)	Estimated Budget (Kshs.)	Expenditure as at 31st March, 2017 (Kshs.)	Absorption Rate (%)
1	County headquarters	Kutus	144,843,258	124,739,650	86.1
2	Improvement of access roads	County	466,373,042	49,345,428	10.6
3	Street Lighting Program in towns	County Wide	40,000,000	39,285,656	98.2
4	Mwea Maikima Water Project	Nyangati/Mwea	25,957,762	25,947,465	100.0
5	Capital Transfers (Grading of Access Roads In Tea Zone Areas)	County	20,517,876	20,517,876	100.0
6	Purchase of medical drug	County	130,000,000	17,833,331	13.7
7	BackHoe	Flagship	10,000,000	9,930,258	99.3
8	Kerugoya Referral Hospital-Renovation of OPD	Kerugoya Ward	9,511,689	8,983,465	94.4
9	Hire of Graders and Machinery	County Wide	100,000,000	7,919,500	7.9
10	Bridges	County	8,329,000	7,581,789	91.0
	Total		**955,532,627**	**309,251,087**	**32.4**

Source: *Kirinyaga County Treasury*

Analysis of the development expenditure by project indicates that, the highest expenditure of Kshs.124.74 million was spent by the Office of the Governor on construction of the County Headquarters, followed by Kshs.49.35 million on improvement of access roads and Kshs.39.29 million on street lighting. The Department of Agriculture incurred Kshs.20.52 million on grading of access roads in Tea Zone Areas.

3.15.8 Budget and Budget Performance Analysis by Department

Table 3.44 shows a summary for the first nine months of FY 2016/17 second supplementary budget estimates and budget performance by department.

Table 3.44: Kirinyaga County, Budget Performance by Department for the First Nine Months of FY 2016/17

Department	Second Supplementary Budget Allocation (Kshs. Million)		Third Quarter of FY 2016/17 Exchequer Issues (Kshs. Million)		Third Quarter of FY 2016/17 Expenditure (Kshs. Million)		Third Quarter of FY 2016/17 Expenditure to Exchequer Issues (%)		Third Quarter of FY 2016/17 Absorption rate (%)	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
County Assembly	480.47	50.00	363.00	-	321.42	-	88.5		66.9	0.0
County Executive Services	373.81	144.84	302.36	139.03	182.18	126.25	60.3	90.8	48.7	87.2
Finance and Economic Planning	536.09	2.27	371.45	1.71	246.18	-	66.3	0.0	45.9	0.0
Medical Services	1,252.13	308.64	920.22	94.98	650.35	50.05	70.7	52.7	51.9	16.2
Education	231.59	93.65	187.39	27.54	183.81	14.66	98.1	53.3	79.4	15.7
Agriculture	208.31	153.19	145.88	34.87	98.38	42.18	67.4	121.0	47.2	27.5
Gender/Culture &Social Services	51.67	98.91	37.72	35.22	19.37	6.04	51.4	17.1	37.5	6.1
Trade & Co-operative Development	33.76	92.86	22.14	34.66	12.24	16.21	55.3	46.8	36.3	17.5
Environment and Natural Resources	97.68	248.73	65.07	189.39	25.20	107.19	38.7	56.6	25.8	43.1

Department	Second Supplementary Budget Allocation (Kshs. Million)		Third Quarter of FY 2016/17 Exchequer Issues (Kshs. Million)		Third Quarter of FY 2016/17 Expenditure (Kshs. Million)		Third Quarter of FY 2016/17 Expenditure to Exchequer Issues (%)		Third Quarter of FY 2016/17 Absorption rate (%)	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
Physical Planning and Housing	26.07	74.43	16.46	24.95	5.96	-	36.2	0.0	22.9	0.0
Transport and Infrastructure	77.46	608.31	49.56	205.08	22.57	77.37	45.5	37.7	29.1	12.7
TOTAL	**3,369.02**	**1,875.84**	**2,481.25**	**787.42**	**1,767.67**	**439.96**	**71.2**	**55.9**	**52.5**	**23.5**

Source: *Kirinyaga County Treasury*

Analysis of budget performance by department shows that the Office of the Governor attained the highest absorption rate of development budget at 87.2 per cent, followed by the Department of Environment and Natural Resources at 43.1 per cent. On the other hand, the Department of Education had the highest percentage of recurrent expenditure to recurrent budget at 79.4 per cent, followed by the County Assembly at 66.9 per cent.

3.15.9 Observations and Recommendations

The County has made progress in addressing some of the challenges previously identified as affecting budget implementation. Some of the progress made include:

i. Compliance with the requirement to use IFMIS and internet banking by the County Assembly which has ensured transparent financial management and standard financial reporting as contemplated by Article 226 of the Constitution.

ii. Establishment of the County Budget and Economic Forum (CBEF) as per the requirement of Section 137 of the PFM Act, 2012.

Despite the above progress, the following challenges continued to hamper effective budget implementation;

1. High wage bill at Kshs.1.15 billion which accounted for 55.2 per cent of the total expenditure during the reporting period.

2. IFMIS connectivity challenges, which slowed down approval of procurement requests and payment to suppliers.

3. Under-performance in local revenue collection. In the FY 2016-17, the County local revenue target was Kshs.743 million compared to actual local revenue receipt of Kshs.390.38 million in FY 2015/16. The County had collected 34.1 per cent of the annual target as at the end of March 2017.

4. Failure to establish an Internal Audit Committee to oversee financial operations in the County contrary to Section 155 of the PFM Act, 2012.

5. Delay by Fund Administrators to submit expenditure reports on the established County Funds

contrary to Section 168 of the PFM Act, 2012. The expenditure returns which were pending include those for the Bursary Fund, Emergency Fund, and Car & Mortgage Fund.

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

1. *The County Public Service Board should develop an optimal staffing structure, devise and implement strategies to address the escalating wage bill.*

2. *The County Treasury should liaise with the IFMIS Directorate for support in the use of IFMIS and the E-procurement module.*

3. *The County Treasury should develop and implement strategies to enhance local revenue collection.*

4. *The County should establish an Internal Audit Committee in line with Section 155 of the PFM Act, 2012.*

5. *The respective Fund Administrator should ensure timely submission of expenditure reports in line with Section 168 of the PFM Act, 2012.*

3.16 Kisii County

3.16.1 Overview of the FY 2016/17 Budget

The County's FY 2016/17 Approved Budget was Kshs.10.06 billion, comprising of Kshs.6.10 billion (60.7 per cent) and Kshs.3.95 billion (39.3 per cent) allocation for recurrent and development expenditure respectively.

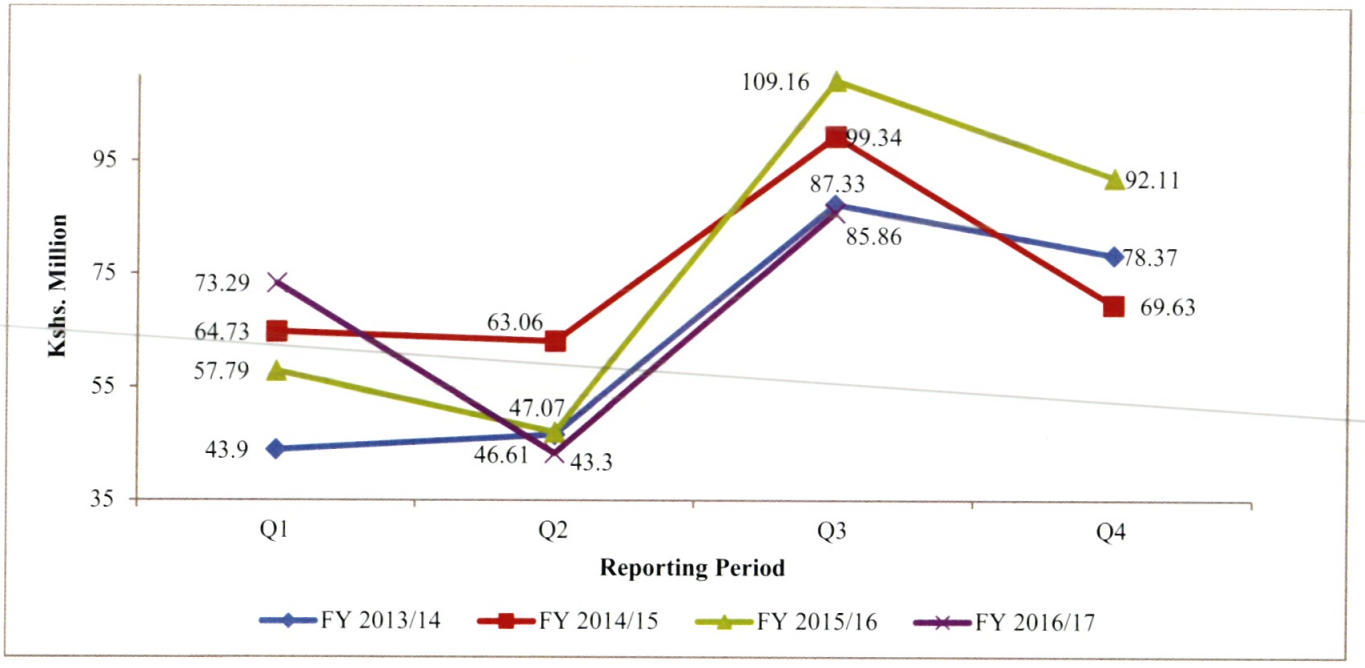
To finance the budget, the County expects to receive Kshs.7.65 billion (76 per cent) as equitable share of revenue raised nationally, Kshs.961.85 million (9.6 per cent) as total conditional grants, generate Kshs.750 million (7.5 per cent) from local sources, and Kshs.690.05 million (6.9 per cent) cash balance from FY 2015/16. The conditional grants comprise of Kshs.397.69 million (41.3 per cent) for Level 5 Hospital, Kshs.168.13 million (17.5 per cent) for Free Maternal Healthcare, Kshs.117.61 million (12.2 per cent) from the Road Maintenance Fuel Levy Fund, Kshs.26.95 million (2.8 per cent) for User Fees Foregone, Kshs.11.48 million (1.2 per cent) from DANIDA, Kshs.95.74 million (10 per cent) for Leasing of Medical Equipment, and Kshs.144.25 million (15 per cent) from Other Loans and Grants.

3.16.2 Revenue Analysis

During the first nine months of FY 2016/17, the County received Kshs.4.51 billion as equitable share of the revenue raised nationally, Kshs.406.08 million as total conditional allocations, raised Kshs.202.46 million from local sources, and had a cash balance of Kshs.687.91 million brought forward from FY 2015/16.

Figure 3.46 shows the quarterly trend in local revenue collection from the first quarter of FY 2013/14 to the third quarter of FY 2016/17.

Figure 3.46: Kisii County, Trend in Local Revenue Collection by Quarter from the First Quarter of FY 2013/14 to the Third Quarter of FY 2016/17



Source: *Kisii County Treasury*

The total local revenue collected in the first nine months of FY 2016/17 amounted to Kshs.202.46 million, representing a decrease of 5.4 per cent compared to Kshs.214.02 million generated in a similar period of FY 2015/16, and represented 27 per cent of the annual local revenue target.

3.16.3 Conditional Grants

Table 3.45 shows an analysis of conditional grants released in the first nine months of FY 2016/17.

Table 3.45: Kisii County Analysis of Conditional Grants Released in the First Nine Months of FY 2016/17

No.	Conditional Grant	Allocation based on CARA,2016(Kshs.)	Third Quarter, FY 2016/17 Actual receipt of the Conditional Grant (Kshs.)	Actual receipts as a percentage of Annual Allocation (%)
1	Free Maternal Healthcare	168,133,301	106,983,585	63.6
2	Road Maintenance Fuel Levy Fund	117,605,419	58,802,710	50.0
3	Level 5 Hospital	397,687,861	234,635,838	59.0
4	User Fees Foregone	26,947,170	5,654,370	21.0
5	DANIDA Grant	11,475,000	-	-
6	Leasing of Medical Equipment	95,744,681	-	-
7	Other Loans and Grants	144,251,811	-	-
Total		**961,845,243**	**406,076,509**	**42.2**

Source: *Kisii County Treasury*

Analysis of the conditional grants released during the period under review indicates that, the Free Maternal Healthcare grant recorded the highest receipt at 63.6 per cent followed by Level 5 Hospital at 59 per cent. The County is yet to receive funds from the following conditional grants; DANIDA, Leasing of Medical Equipment, and other loans and grants.

3.16.4 Exchequer Issues

During the reporting period, the Controller of Budget authorized withdrawal of Kshs.5.63 billion from the CRF account, which was 55.9 per cent of the Approved Budget. This amount represented an increase of 9.1 per cent from Kshs.5.15 billion authorized in a similar period of FY 2015/16 and consisted of Kshs.3.99 billion (71.0 per cent) for recurrent expenditure and Kshs.1.63 billion (29.0 per cent) for development activities.

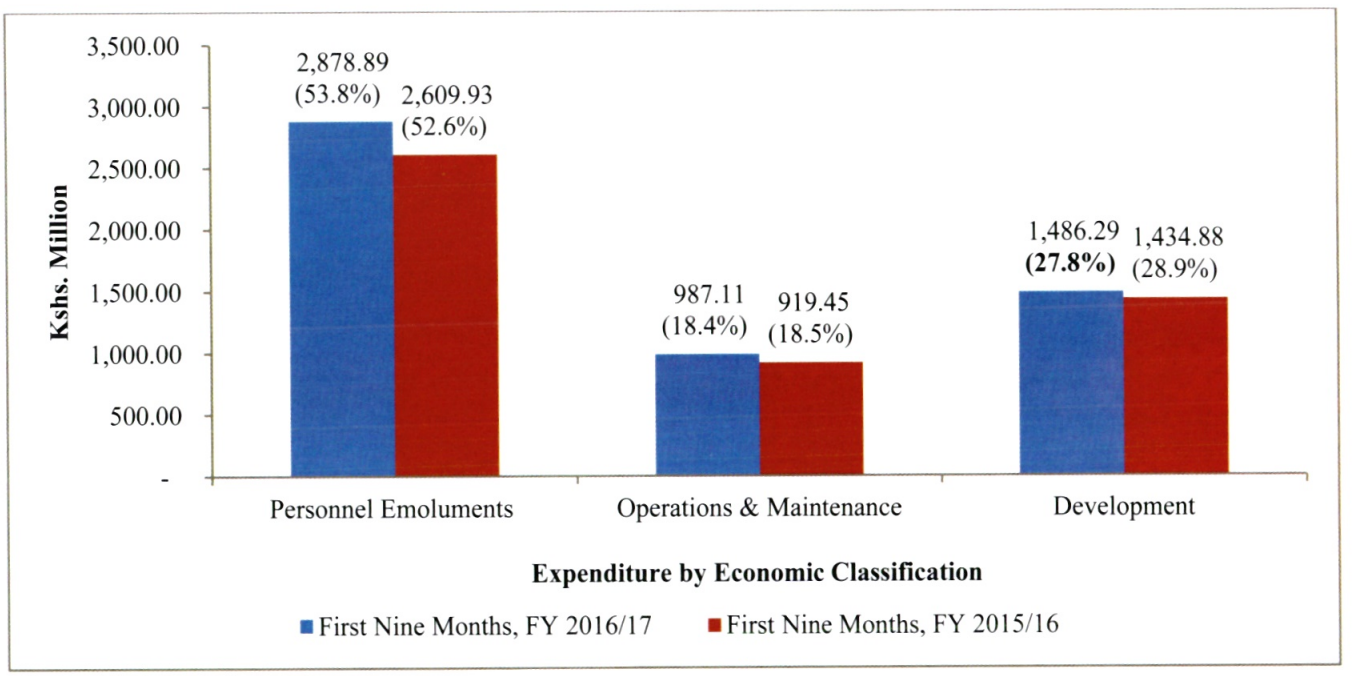
3.16.5 Overall Expenditure Review

The County spent Kshs.5.35 billion, which was 95.1 per cent of the total funds released for operations. This was an increase of 7.8 per cent from Kshs.4.96 billion spent in a similar period of FY 2015/16.

A total of Kshs.3.87 billion was spent on recurrent activities, while Kshs.1.48 billion was spent on development activities. The recurrent expenditure was 96.8 per cent of the funds released for recurrent activities while development expenditure accounted for 91 per cent of the funds released for development activities. The expenditure excluded outstanding commitments as at 31st March, 2017 that amounted to Kshs.430.65 million for development and Kshs.88.90 million for recurrent expenditure.

The recurrent expenditure represented 63.3 per cent of the annual recurrent budget, the same as in a similar period of FY 2015/16. Development expenditure recorded an absorption rate of 37.6 per cent, which was a marginal decrease from 39.8 per cent attained in a similar period of FY 2015/16. Figure 3.47 presents a comparison between the total expenditure in the first nine months of FY 2016/17 and the first nine months of FY 2015/16.

Figure 3.47: Kisii County, Expenditure by Economic Classification for the First Nine Months of FY 2016/17 and FY 2015/16

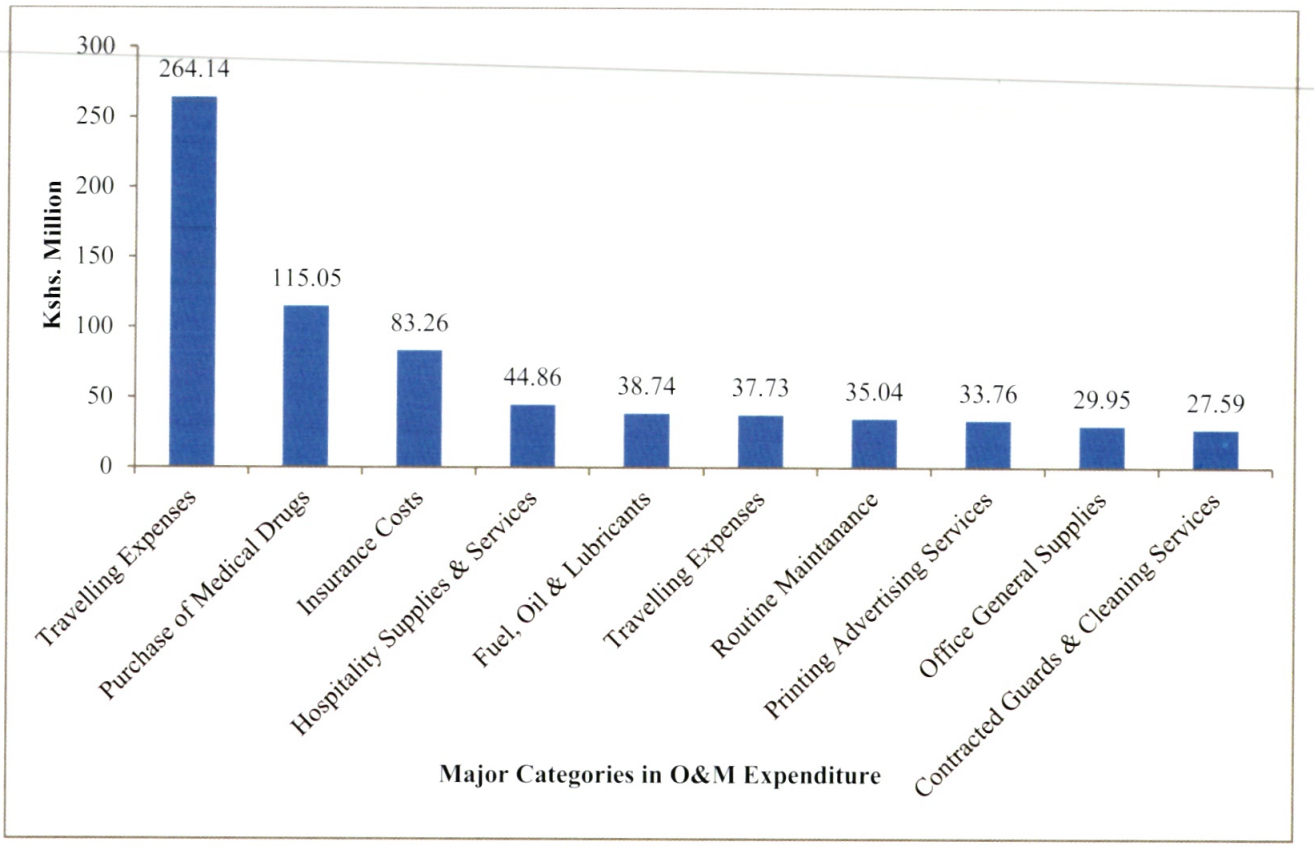


Source: *Kisii County Treasury*

3.16.6 Analysis of Recurrent Expenditure

The total recurrent expenditure of Kshs.3.87 billion consisted of Kshs.2.88 billion (74.5 per cent) spent on personnel emoluments and Kshs.987.11 million (25.5 per cent) on operations and maintenance as shown in Figure 3.47. Expenditure on personnel emoluments represented an increase of 10.3 per cent compared to a similar period of FY 2015/16 when the County spent Kshs.2.61 billion. Figure 3.48 shows a summary of operations and maintenance expenditure by major categories.

Figure 3.48: Kisii County, Operations and Maintenance Expenditure by Major Categories for the First Nine Months of FY 2016/17



Source: *Kisii County Treasury*

The County spent Kshs.64.24 million on sitting allowances to the 71 MCAs and the Speaker against the annual budget allocation of Kshs.95.41 million. This was a decrease of 28.6 per cent compared to Kshs.90.01 million spent in the same period of FY 2015/16. The average monthly sitting allowance was Kshs.99,145 per MCA compared to SRC's recommended monthly ceiling of Kshs.124,800

Expenditure on domestic and foreign travel amounted to Kshs.264.13 million and consisted of Kshs.59.96 million spent by the County Assembly and Kshs.204.18 million by the County Executive. This was an increase of 14.9 per cent compared to Kshs.229.92 million spent in a similar period of FY 2015/16.

3.16.7 Development Expenditure Analysis

The total development expenditure of Kshs.1.48 billion represented 37.6 per cent of the annual development budget of Kshs.3.95 billion. Table 3.46 provides a summarized list of development projects with the highest expenditure during the period under review.

Table 3.46: Kisii County, List of Top Development Projects with the Highest Expenditure in the First Nine Months of FY 2016/17

No.	Project Name	Ward (Location of the Project)	Estimated Budget (Kshs.)	Expenditure as at 31st March, 2017(Kshs.)	Absorption rate (%)
1	Renovation of Nyangito Hospital Ward	Level 5 Hospital	18,686,179	8,800,250	47.1
2	Moremani- Nyangoge - Bokeire-Kiabusura-Bitare-Majoge Bassi Border road	Bomorenda	8,140,000	8,140,000	100.0
3	Construction of Keera BC-Riangondi-Nyabiosi road	Nyacheki	5,280,000	5,280,000	100.0
4	Construction of Omochango-Inyenga (Kiango Market) Road	Bombaba	4,950,000	4,950,000	100.0
5	Nyacheki Mkt - Gisena Mission -Mochengo Junction road	Nyacheki	4,620,000	4,620,000	100.0
6	Construction of Nyamagwa Boys-Mosaraba-Riobara road	Boitang'are	4,620,000	4,620,000	100.0
7	Construction of water reticulation of Suguta gravity scheme	Bassi central	4,196,000	4,196,000	100.0
8	Construction of Kiogoro ward headquarters	Kiogoro	4,052,000	4,052,000	100.0
9	Omwari borehole	suneka	3,978,000	3,978,000	100.0
10	Construction of Bomariba ward headquarters	Bomariba	4,500,000	3,669,573	81.5
	TOTAL		**63,022,179**	**52,305,823**	**83**

Source: *Kisii County Treasury*

Analysis of the development expenditure by project indicates that, the highest expenditure of Kshs.8.8 million was spent on renovation of Nyangito ward followed by Kshs.8.14 million on construction of Moremani- Nyangoge - Bokeire-Kiabusura-Bitare-Majoge Bassi Border road.

3.16.8 Budget and Budget Performance Analysis by Department

Table 3.47 shows a summary of budget estimates and budget performance by department for the first nine months of FY 2016/17

Table 3.47: Kisii County, Budget Performance by Department for the First Nine Months of FY 2016/17

Department	Budget Allocation (Kshs. Million)		First half FY 2016/17 Exchequer Issues (Kshs. Million)		First Nine Months of FY 2016/17 Expenditure (Kshs. Million)		First Nine Months of FY 2016/17 Expenditure to Exchequer Issues (%)		First Nine Months FY 2016/17 Absorption rate (%)	
	Rec	Dev.	Rec	Dev.	Rec	Dev.	Rec	Dev.	Rec	Dev.
Health	2,296.07	776.60	1711.95	313.71	1587.06	282.07	92.7	89.9	69.1	36.3
Agriculture	296.38	238.50	188.75	54.50	200.41	79.15	106.2	145.2	67.6	33.2
County Assembly	883.79	195.00	553.69	113.00	489.60	46.53	88.4	41.2	55.4	23.9
County Executive (Office of the Governor and Deputy Governor) & CPSB	385.50	20.00	272.25		249.50	-	91.6	-	64.7	-

Department	Budget Allocation (Kshs. Million)		First half FY 2016/17 Exchequer Issues (Kshs. Million)		First Nine Months of FY 2016/17 Expenditure (Kshs. Million)		First Nine Months of FY 2016/17 Expenditure to Exchequer Issues (%)		First Nine Months FY 2016/17 Absorption rate (%)	
	Rec	Dev.	Rec	Dev.	Rec	Dev.	Rec	Dev.	Rec	Dev.
County Administration	511.98	143.50	367.30	34.00	378.65	38.71	103.1	113.9	74.0	27.0
Finance and Economic Planning	595.62	144.49	264.10	44.00	377.24	72.62	142.8	165.0	63.3	50.3
Environment	152.00	399.95	97.19	158.70	81.68	115.98	84.0	73.1	53.7	29.0
Education & Youth Affairs	545.76	327.50	246.78	87.50	227.27	45.50	92.1	52.0	41.6	13.9
Land ,Physical Planning & Urban Development	85.24	169.70	52.78	52.85	56.48	57.07	107.0	108.0	66.3	33.6
Public Works and Transport		130.58 983.81	100.17	658.92	79.89	656.21	79.8	99.6	61.2	66.7
Trade Regulations & Development	68.92	256.00	50.65	55.20	35.75	41.15	70.6	74.5	51.9	16.1
Culture and Social Services	82.74	253.00	47.45	55.10	55.95	45.56	117.9	82.7	67.6	18.0
Kisii Town	69.39	44.00	42.70	5.00	46.53	3.81	109.0	76.2	67.1	8.7
TOTAL	**6,103.97**	**3,952.04**	**3,995.75**	**1,632.48**	**3,866.01**	**1,484.36**	**96.8**	**90.9**	**63.3**	**37.6**

Source: *Kisii County Treasury*

Analysis of budget performance by department shows that the Department of Public Works and Transport attained the highest absorption rate of development budget at 66.7 per cent while the County Executive (Office of the Governor, Deputy Governor and County Public Service Board) did not incur any development expenditure. On the other hand, the Department of County Administration and Health Services Department had the highest percentage of recurrent expenditure to recurrent budget at 74 per cent and 69.1 per cent respectively while the Department of Education and Youth Affairs had the lowest at 41.6 per cent.

3.16.9 Observations and Recommendations

The County has made progress in addressing some of the challenges previously identified as affecting budget implementation. Some of the progress made included:

i. Establishment of the County Budget and Economic Forum in line with Section 137 of the PFM Act, 2012.

ii. Establishment of an Internal Audit Committee in compliance with Section 155(5) of the PFM Act, 2012.

Despite the above progress, the following challenges continued to hamper effective budget implementation;

1. Delay in disbursement of the equitable share of revenue raised nationally by the National Treasury. As at the end of the reporting period, Kshs.4.71 billion had been disbursed against an expected

disbursement of Kshs.6.08 billion.

2. Spending of local revenue at source in contravention of Section 109 of the PFM Act, 2012. From the analysis of bank statements and expenditure returns, the OCOB noted that the Department of Health Services and the Department of Trade Regulations and Development did not bank all local revenue receipts into the CRF account.

3. High wage bill that increased by 16.1 per cent from Kshs.2.61 billion in the first nine months of FY 2015/16 to Kshs.2.88 billion in the period under review, representing 53.8 per cent of the total expenditure.

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

1. *The County Treasury should liaise with the National Treasury to ensure that funds allocated to the County are released in a timely manner in line with the CARA, 2016 Disbursement Schedule.*

2. *The County should ensure all departments adhere to Section 109 of the PFM Act, 2012 and bank all revenue receipts into the CRF account.*

3. *The County Public Service Board should establish an optimal staffing structure in order to manage the wage bill.*

3.17 Kisumu County

3.17.1 Overview of the FY 2016/17 Budget

The County's FY 2016/17 Supplementary Budget was Kshs.9.18 billion, comprising of Kshs.6.09 billion (66.3 per cent) and Kshs.3.09 billion (33.7 per cent) allocation for recurrent and development expenditure respectively.

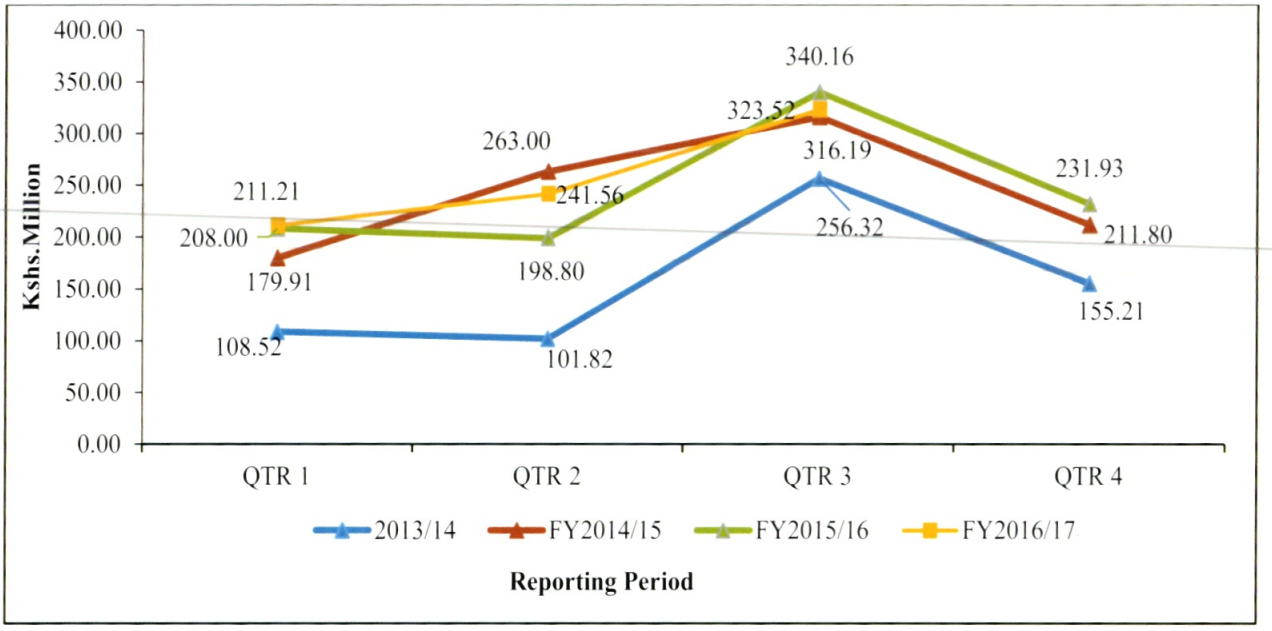
To finance the budget, the County expects to receive Kshs.6.13 billion (66.8 per cent) as equitable share of revenue raised nationally, Kshs.749.96 million (8.2 per cent) as total conditional grants, generate Kshs.1.58 billion (17.2 per cent) from local sources, and Kshs.717.23 million (7.8 per cent) cash balance from FY 2015/16. The conditional grants comprise of Kshs.351.45 million (46.9 per cent) for the Kisumu Level 5 Hospital, Kshs.118.02 million (15.7 per cent) for Free Maternal Healthcare, Kshs.94.19 million (12.6 per cent) from the Road Maintenance Fuel Levy Fund, Kshs.95.74 million (12.8 per cent) for Leasing of Medical Equipment, Kshs.21.85 million (2.9 per cent) for User Fees Foregone, Kshs.8.29 million (1.1 per cent) from DANIDA, Kshs.30.42 million (4.1 per cent) for Kenya Devolution Support Programme grant and Kshs.30.0 million (4.0 per cent) from Other Loans and Grants.

3.17.2 Revenue Analysis

During the first nine months of FY 2016/17, the County received Kshs.4.14 billion as equitable share of the revenue raised nationally, Kshs.417.03 million as total conditional allocations, raised Kshs.776.29 million from local sources, and had a cash balance of Kshs.717.23 million brought forward from FY 2015/16.

Figure 3.49 shows the quarterly trend in local revenue collection from the first quarter of FY 2013/14 to the third quarter of FY 2016/17.

Figure 3.49: Kisumu County, Trend in Local Revenue Collection by Quarter from the First Quarter FY 2013/14 to the Third Quarter FY 2016/17



Source: *Kisumu County Treasury*

The total local revenue collected in the first nine months of FY 2016/17 amounted to Kshs.776.29 million, representing a decrease of 3.9 per cent compared to Kshs.746.96 million generated in a similar period of FY 2015/16, and represented 49 per cent of the annual local revenue target.

3.17.3 Conditional Grants

Table 3.48 shows an analysis of conditional grants released in the first nine months of FY 2016/17.

Table 3.48: Kisumu County, Analysis of Conditional Grants Released in the First Nine Months of FY 2016/17

No.	Conditional Grant	Allocation based on CARA, 2016 (Kshs.)	Receipts during the first nine months of FY 2016/17(Kshs.)	Actual receipts as a percentage of Annual Allocation (%)
1	Road Maintenance Fuel Levy Fund	94,189,837	94,189,836	100.0
2	Grant to Level 5 Hospital	351,445,087	235,468,208	67.0
3	Free Maternal Healthcare	118,015,691	76,445,000	64.8
4	User Fees Foregone	21,854,292	10,927,146	50.0
5	Kenya Devolution Support Programme Trust (Not in CARA, 2016)	30,418,403	-	-
6	Leasing of Medical Equipment	95,744,681	-	-
7	Other Loans and Grants	30,000,000	-	-
8	DANIDA grant	8,290,000	-	-
	TOTAL	**749,957,991**	**417,030,190**	**55.6**

Source: *Kisumu County Treasury*

Analysis of the conditional grants released during the period under review indicates that, the Road Maintenance Fuel Levy Fund recorded the highest percentage of receipt against annual target at 100 per cent, followed by the grant to Level 5 Hospital at 67 per cent and Free Maternal Healthcare at 64.8 per cent. No receipts were reported against all other conditional grants during the period under review.

3.17.4 Exchequer Issues

During the reporting period, the Controller of Budget authorised withdrawal of Kshs.6.01 billion from the CRF account, which was 65.5 per cent of the Approved Budget. This amount represented an increase of 19.5 per cent from Kshs.5.03 billion authorized in a similar period of FY 2015/16 and consisted of Kshs.4.61 billion (76.7 per cent) for recurrent expenditure and Kshs.1.40 billion (23.3 per cent) for development activities.

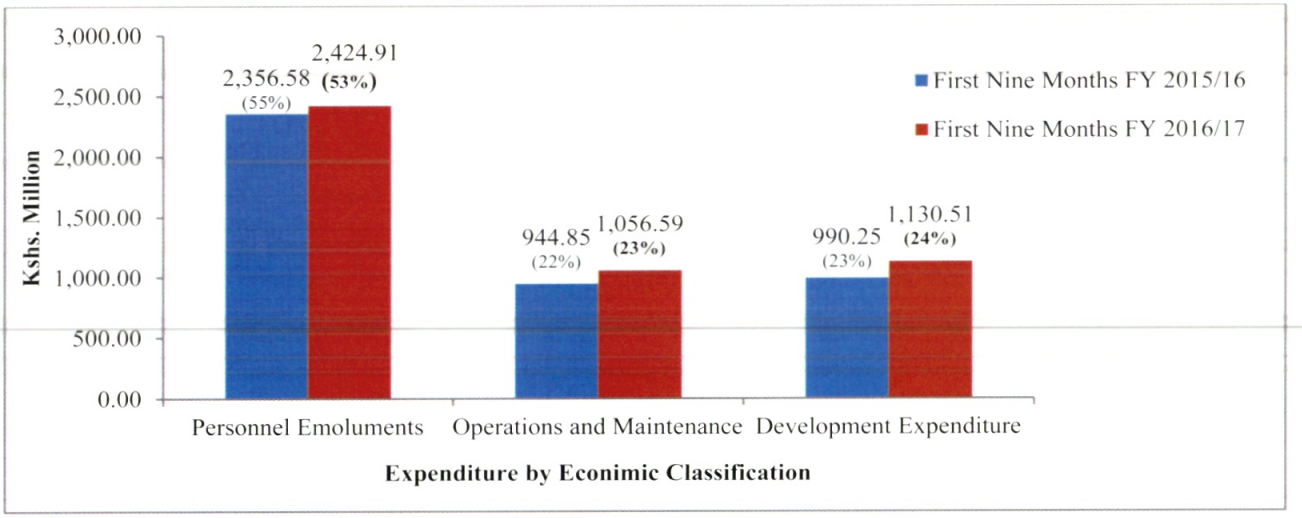
3.17.5 Overall Expenditure Review

The County spent Kshs.4.61 billion, which was 76.7 per cent of the total funds released for operations. This was an increase of 7.5 per cent from Kshs.4.29 billion spent in a similar period of FY 2015/16.

A total of Kshs.3.48 billion was spent on recurrent activities, while Kshs.1.13 billion was spent on development activities. The recurrent expenditure was 75.5 per cent of the funds released for recurrent activities while development expenditure accounted for 80.7 per cent of the funds released for development activities. The expenditure excluded outstanding commitments as at 31st March, 2017 that amounted to Kshs.437.76 million for development and Kshs.100,.95 million for recurrent expenditure.

The recurrent expenditure represented 57.2 per cent of the annual recurrent budget, a decrease from 57.8 per cent spent in a similar period of FY 2015/16. Development expenditure recorded an absorption rate of 36.5 per cent, which was an increase from 25.2 per cent attained in a similar period of FY 2015/16. Figure 3.50 presents a comparison between the total expenditure in the first nine months of FY 2016/17 and the first nine months of FY 2015/16.

Figure 3.50: Kisumu County, Expenditure by Economic Classification for the First Nine Months of FY 2016/17 and FY 2015/16

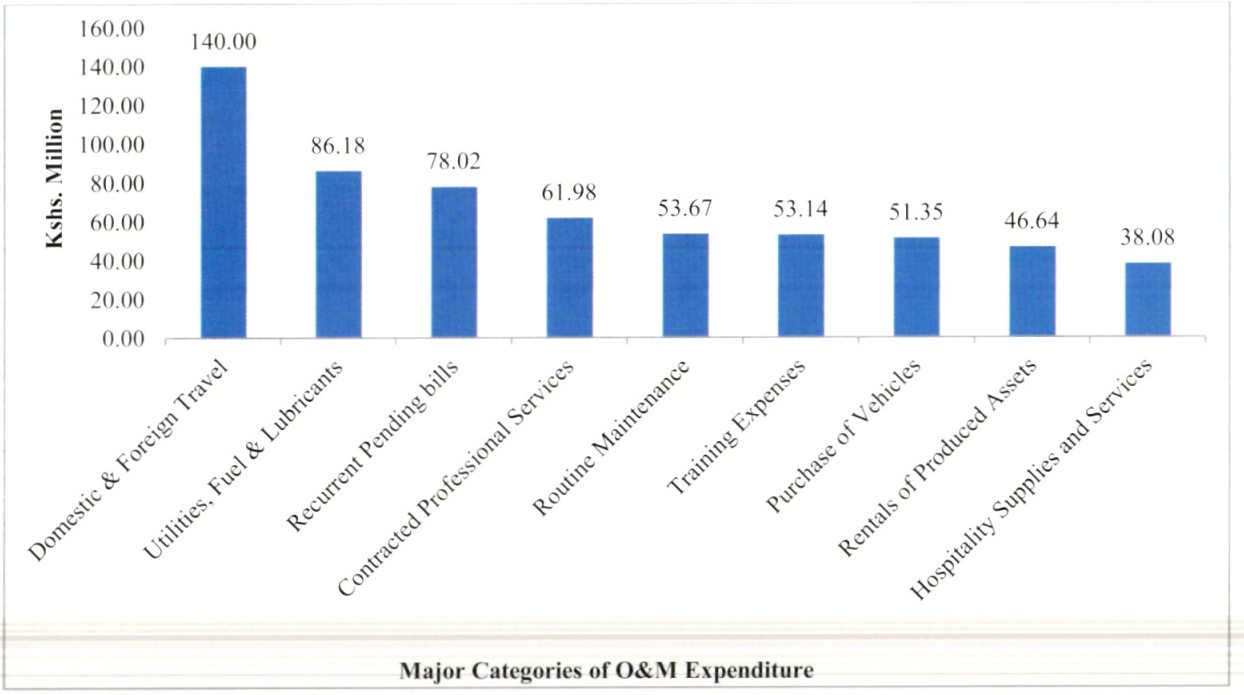


Source: *Kisumu County Treasury*

3.17.6 Analysis of Recurrent Expenditure

The total recurrent expenditure of Kshs.3.48 billion consisted of Kshs.2.42 billion (69.5 per cent) spent on personnel emoluments and Kshs.1.06 billion (30.5 per cent) on operations and maintenance as shown in Figure 3.50. Expenditure on personnel emoluments represented an increase of 2.5 per cent compared to a similar period of FY 2015/16 when the County spent Kshs.2.36 billion. Figure 3.51 shows a summary of operations and maintenance expenditure by major categories.

Figure 3.51: Kisumu County, Operations and Maintenance Expenditure by major categories for the First Nine Months of FY 2016/17



Source: *Kisumu County Treasury*

The County spent Kshs.33.4 million on sitting allowances to the 49 MCAs and the Speaker against

the annual budget allocation of Kshs.86.05 million. This was a decrease of 44.9 per cent compared to Kshs.60.6 million spent in the same period of FY 2015/16. The average monthly sitting allowance was Kshs.74,227 per MCA compared to SRC's recommended monthly ceiling of Kshs.124,800

Expenditure on domestic and foreign travel amounted to Kshs.140 million and consisted of Kshs.25.03 million by the County Assembly and Kshs.114.96 million by the County Executive. This was an increase of 42.8 per cent compared to Kshs.98.06 million spent in a similar period of FY 2015/16.

3.17.7 Development Expenditure Analysis

The total development expenditure of Kshs.1.13 billion represented 36.5 per cent of the annual development budget of Kshs.3.09 billion. Table 3.49 provides a summarised list of development projects with the highest expenditure during the period under review.

Table 3.49: Kisumu County, List of Development Projects with the Highest Expenditure in the First Nine Months of FY 2016/17

S/No.	Project name	Ward (Location of the Project)	Estimated Budget (Kshs.)	Expenditure as at 31st March, 2017 (Kshs.)	Absorption rate (%)
1	Supply of Earth Moving Machines (Hydraulic Excavator and Motor Grader)	County Headquarters	30,000,000	44,999,500	150.0
2.	Installation and commissioning of flood lights at Kisumu West, Seme, Nyando and Kisumu Central	4 Sub-counties	9,227,957	9,227,957	100.0
3.	Completion of Ongeche Resource Centre	Kobura	4,000,000	9,209,958	230.2
4.	Purchase of ICT Software Licences	County Headquarters	10,000,000	9,149,361	91.5
5.	Construction of Nyangoma Rehabilitation Centre	Nyangoma Masogo	18,487,470	8,861,439	47.9
6.	ECD Feeding Programme (Supply and delivery of 3200bags of 25kgs each of non-aromatic Ahero rice grade 1)	Countywide	14,400,000	8,000,000	55.6
7.	Love Bar- Makogilo – Corner Mbaya Access Road	Nyangoma Masogo	3,000,000	7,948,320	264.9
8.	Construction of Perimeter Fence at Mamboleo Slaughter House	Kajulu	4,000,000	7,764,456	194.1
9.	Construction of Restaurant at Kanyakwar Cultural Centre	North Kisumu	7,124,995	7,592,272	106.6
10.	Construction of Sangoro-Sango Rota Water Supply (Pipeline Extension)	West Nyakach	4,877,110	5,842,425	119.8
	Total		**105,117,532**	**118,595,688**	**112.8**

Source: *Kisumu County Treasury*

Analysis of the development expenditure by project indicates that, the highest expenditure of Kshs.50 million was spent on purchase of earth moving machines including hydraulic excavator, followed by Kshs.9.23 million on installation and commissioning of flood lights in four Sub-Counties namely; Kisumu West, Seme, Nyando and Kisumu Central, while Kshs.9.21 million on construction of Ongeche Resource Centre. On the other hand, the least expenditure of Kshs.5.84 million was incurred on extension of pipeline for Sangoro – Sango Rota Water Supply.

3.17.8 Budget and Budget Performance Analysis by Department

Table 3.50 shows a summary of budget estimates and budget performance by department for the first nine months of FY 2016/17.

Table 3.50: Kisumu County, Budget Performance by Department for the First Nine Months of FY 2016/17

Department	Annual Budget Allocation (Kshs. Million)		First nine months of FY 2016/17 Exchequer Issues (Kshs. Million)		First nine months of FY 2016/17 Expenditure (Kshs. Million)		First nine months of FY 2016/17 Expenditure to Exchequer Issues (%)		First nine months of FY 2016/17 Absorption rate (%)	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
Office of the Governor and County Administration	417.85	127.50	321.20	97.46	621.42	111.13	193.5	114.0	148.7	87.2
Finance and Economic Planning	752.62	1,040.94	503.49	414.82	500.55	743.90	99.4	179.3	66.5	71.5
Roads, Transport and Public Works	119.35	300.00	97.03	147.00	95..72	46.49	98.6	31.6	80.2	15.5
Health	2,245.35	222.87	1,670.87	168.52	915.70	37.67	54.8	22.4	40.8	16.9
Education, Youth, Culture & Social Development	378.45	146.25	284.41	80.62	272.80	49.61	95.9	61.5	72.1	33.9
Agriculture, Livestock & Fisheries	272.50	170.00	227.46	59.44	188.05	56.79	82.7	95.5	69.0	33.4
Water, Environment & Natural Resources	157.38	250.00	121.73	133.85	99.24	4.21	81.5	3.1	63.1	1.7
Commerce, Tourism & Heritage	76.76	178.92	58.14	55.77	41.36	14.62	71.1	26.2	53.9	8.2
Land, Housing & Physical Planning	30.04	156.40	23.15	45.00	12.33	5.15	53.3	11.4	41.0	3.3
Communication & Information Technology	65.12	127.50	50.16	15.00	13.63	45.42	27.2	302.8	20.9	35.6
City of Kisumu	749.45	102.38	601.55	88.45	322.27	2.86	53.6	3.2	43.0	2.8
Industrialization, Enterprise Development, Energy & Mining	120.93	272.00	100.08	92.45	69.82	12.66	69.8	13.7	57.7	4.6
County Public Service Board	47.15	0.00	37.02	0.00	37.65	0.00	101.7	-	79.9	-
County Assembly	654.62	0.00	511.95	0.00	290.96	0.00	56.8	-	44.4	-
TOTAL	**6,087.57**	**3,094.76**	**4,608.24**	**1,398.38**	**3,481.50**	**1,130.51**	**75.6**	**80.8**	**57.2**	**36.5**

Source: *Kisumu County Treasury*

Analysis of budget performance by department shows that the Office of the Governor and County Administration attained the highest absorption rate of development budget at 87.2 per cent while the Water, Environment and Natural Resources Department recorded the least at 1.7 per cent. On the other hand, the Office of the Governor and County Administration had the highest percentage of recurrent expenditure to its recurrent budget at 148.7 per cent occasioned by staff costs that were charged against this vote. The Communication & Information Technology Department had the lowest percentage of recurrent expenditure to annual recurrent budget at 20.9 per cent.

3.17.9 Observations and Recommendations

The County has made progress in addressing some of the challenges previously identified as affecting budget implementation. Some of the progress made included:

i. Improved staff technical capacity through training, especially on the use of IFMIS.

ii. Establishment of the County Budget and Economic Forum (CBEF) as per Section 137 of the PFM Act, 2012.

Despite the above progress, the following challenges continued to hamper effective budget implementation;

1. Failure to observe timelines for paying statutory deductions which led to direct recovery of Kshs.312.88 million from the County Development Operational Account held at the Central Bank of Kenya by the Kenya Revenue Authority.

2. Late submission of financial reports by the County Treasury, which affected timely preparation of the budget implementation report.

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

1. *The County Treasury should ensure timely payment of statutory deductions to avoid penalties.*

2. *The County Treasury should ensure timely submission of revenue and expenditure reports to the Controller of Budget in line with Section 166 of the PFM Act, 2012.*

3.18 Kitui County

3.18.1 Overview of the FY 2016/17 Budget

The County's FY 2016/17 Supplementary Budget was Kshs.10.85 billion, comprising of Kshs.5.55 billion (51.2 per cent) and Kshs.5.29 billion (48.8 per cent) allocation for recurrent and development expenditure respectively.

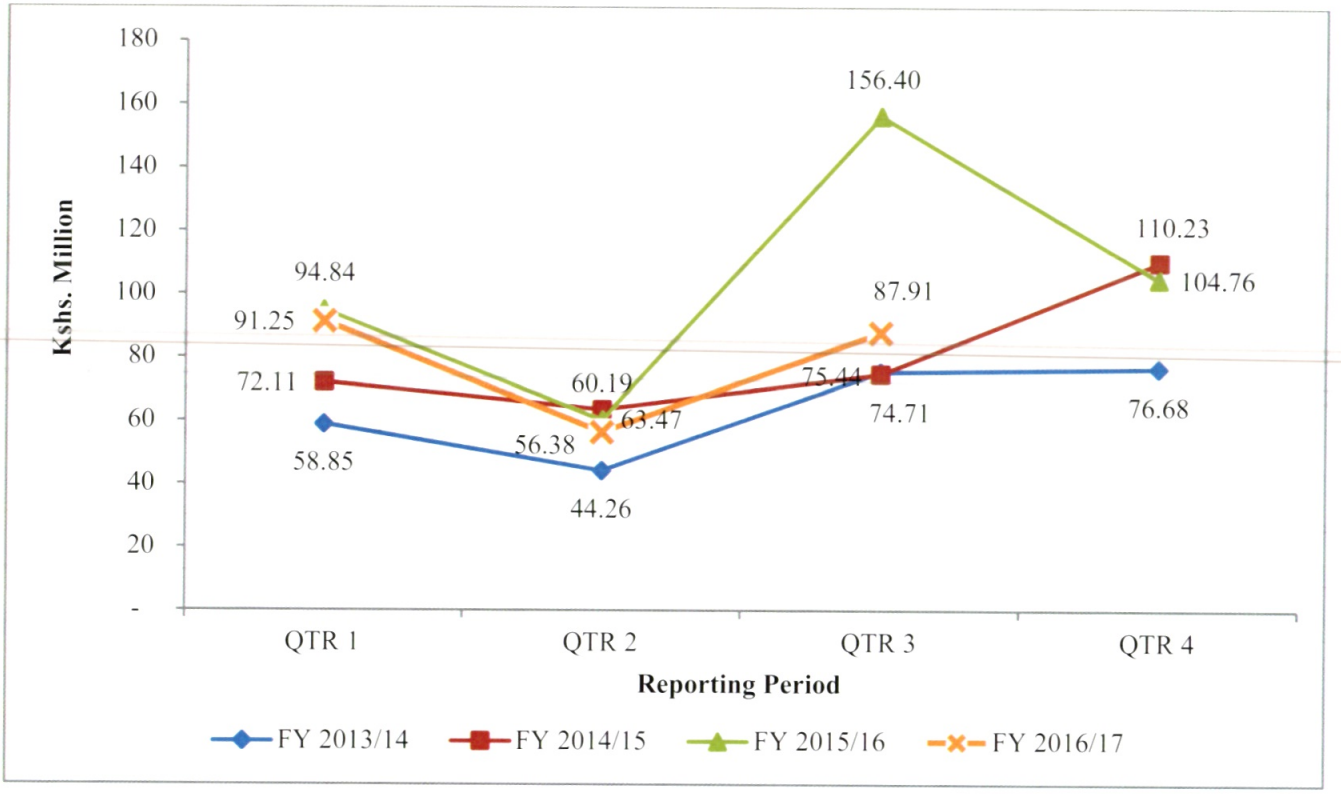
To finance the budget, the County expects to receive Kshs.7.84 billion (72.3 per cent) as equitable share of revenue raised nationally, Kshs.382.74 million (3.5 per cent) as total conditional grants, generate Kshs.668.80 million (6.2 per cent) from local sources, and Kshs.1.95 billion (18.0 per cent) cash balance from FY 2015/16. The conditional grants comprise of Kshs.54.37 million (14.2 per cent) for Free Maternal Healthcare, Kshs.120.48 million (31.5 per cent) from the Road Maintenance Fuel Levy Fund, Kshs.23.14 million (6.0 per cent) for User Fees Foregone, Kshs.18.50 million (4.8 per cent) from DANIDA and Kshs.166.25 million (43.4 per cent) from other Loans and Grants.

3.18.2 Revenue Analysis

During the first nine months of FY 2016/17, the County received Kshs.4.59 billion as equitable share of the revenue raised nationally, Kshs.169.52 million as total conditional allocations, raised Kshs.235.54 million from local sources, and had a cash balance of Kshs.1.84 billion brought forward from FY 2015/16.

Figure 3.52 shows the quarterly trend in local revenue collection from the first quarter of FY 2013/14 to the third quarter of FY 2016/17.

Figure 3.52: Kitui County, Trend in Local Revenue Collection by Quarter from the First Quarter FY 2013/14 to the Third Quarter FY 2016/17



Source: *Kitui County Treasury*

The total local revenue collected in the first nine months of FY 2016/17 amounted to Kshs.235.54 million, representing a decrease of 24.4 per cent compared to Kshs.311.43 million generated in a similar period of FY 2015/16, and represented 35.2 per cent of the annual local revenue target.

3.18.3 Conditional Grants

Table 3.51 shows an analysis of conditional grants released in the first nine months of FY 2016/17.

Table 3.51: Kitui County, Analysis of Conditional Grants Released in the First Nine Months of FY 2016/17

No.	Conditional Grant	Allocation based on CARA, 2016 (Kshs.)	Receipts during the first nine months of FY 2016/17(Kshs.)	Actual receipts as a percentage of Annual Allocation (%)
1	Road Maintenance Fuel Levy Fund	120,484,293	120,484,292	100.0
2	Free Maternal Healthcare	54,367,434	37,462,500	68.9
5	User Fees Foregone	23,144,997	11,572,498	50.0
3	World Bank grant to health facilities	131,525,244	-	-
4	Kenya Devolution Support Programme Trust (Not in CARA, 2016)	34,721,395	-	-
5	DANIDA grant	18,495,000	-	-
	TOTAL	**382,738,363**	**169,519,290**	**44.3**

Source: *Kitui County Treasury*

Analysis of the conditional grants released during the period under review indicates that, the Road

Maintenance Fuel Levy Fund recorded the highest percentage of receipts at 100 per cent, followed by the Free Maternal Healthcare at 68.9 per cent. The County is yet to receive funds from the following conditional grants; the World Bank grant to health facilities, Kenya Devolution Support Programme, and DANIDA.

3.18.4 Exchequer Issues

During the reporting period, the Controller of Budget authorised withdrawal of Kshs.6.57 billion from the CRF account, which was 60.6 per cent of the Approved Budget. This amount represented an increase of 23.0 per cent from Kshs.5.34 billion authorized in a similar period of FY 2015/16 and consisted of Kshs.4.03 billion (61.4 per cent) for recurrent expenditure and Kshs.2.54 billion (38.6 per cent) for development activities.

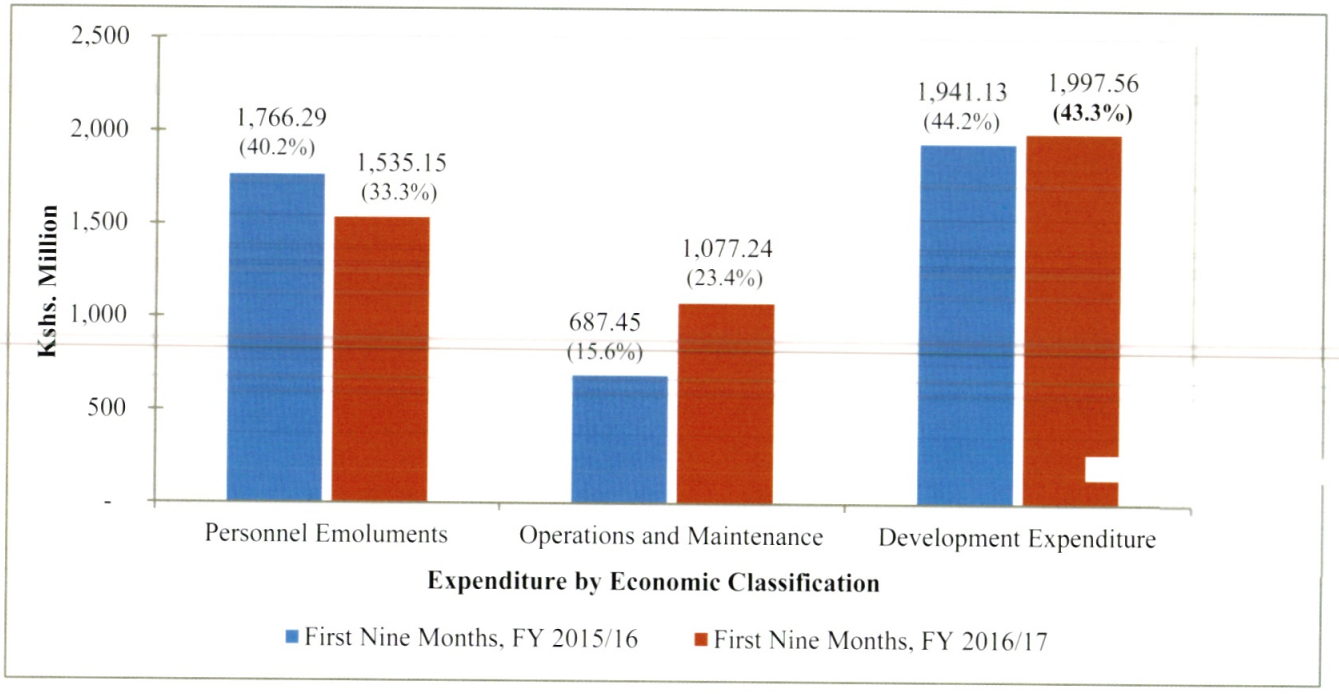
3.18.5 Overall Expenditure Review

The County spent Kshs.4.61 billion, which was 70.2 per cent of the total funds released for operations. This was an increase of 4.9 per cent from Kshs.4.39 billion spent in a similar period of FY 2015/16.

A total of Kshs.2.61 billion was spent on recurrent activities, while Kshs.2 billion was spent on development activities. The recurrent expenditure was 64.8 per cent of the funds released for recurrent activities while development expenditure accounted for 78.8 per cent of the funds released for development activities. The expenditure excluded outstanding commitments as at 31st March, 2017 that amounted to Kshs.1.21 billion for development expenditure and Kshs.505.90 million for recurrent expenditure.

The recurrent expenditure represented 47.0 per cent of the annual recurrent budget, a decrease from 51.2 per cent spent in a similar period of FY 2015/16. Development expenditure recorded an absorption rate of 37.7 per cent, which was an increase from 35.7 per cent attained in a similar period of FY 2015/16. Figure 3.53 presents a comparison between the total expenditure in the first nine months of FY 2016/17 and the first nine months of FY 2015/16.

Figure 3.53: Kitui County, Expenditure by Economic Classification for the First Nine Months of FY 2016/17 and FY 2015/16

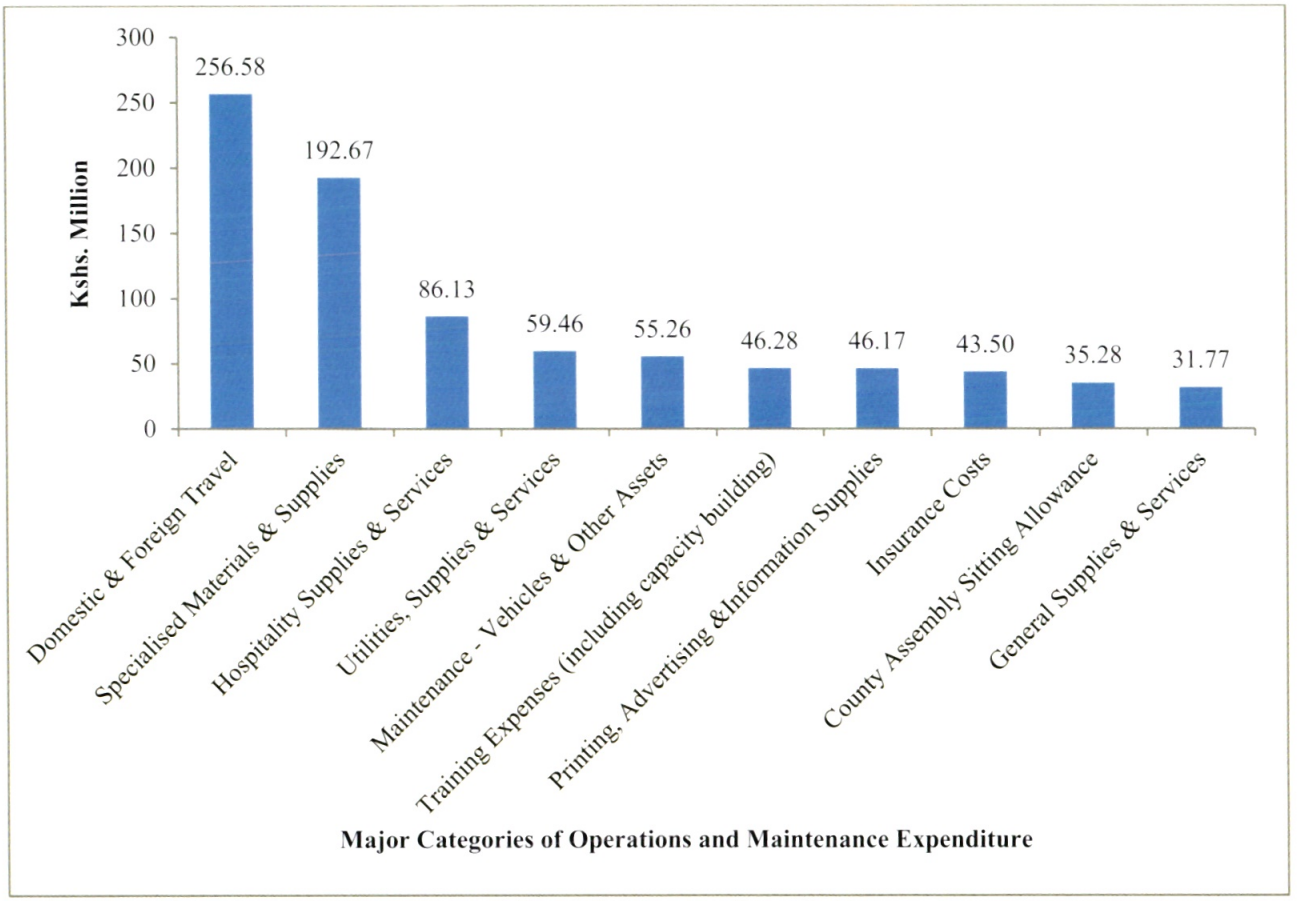


Source: *Kitui County Treasury*

3.18.6 Analysis of Recurrent Expenditure

The total recurrent expenditure of Kshs.2.61 billion consisted of Kshs.1.54 billion (58.8 per cent) spent on personnel emoluments and Kshs.1.08 billion (41.2 per cent) on operations and maintenance as shown in Figure 3.53 . Expenditure on personnel emoluments represented a decrease of 13.1 per cent compared to a similar period of FY 2015/16 when the County spent Kshs.1.77 billion. Figure 3.54 shows a summary of operations and maintenance expenditure by major categories.

Figure 3.54: Kitui County, Operations and Maintenance Expenditure by Major Categories for the First Nine Months of FY 2016/17



Source: *Kitui County Treasury*

The County spent Kshs.35.28 million on sitting allowances to the 56 MCAs and the Speaker against the annual budget allocation of Kshs.57.79 million. This was a decrease of 12.7 per cent compared to Kshs.40.42 million spent in the same period of FY 2015/16. The average monthly sitting allowance was Kshs.68,774 per MCA compared to SRC's recommended monthly ceiling of Kshs.124,800.

Expenditure on domestic and foreign travel amounted to Kshs.256.58 million and consisted of Kshs.92.45 million spent by the County Assembly and Kshs.164.12 million by the County Executive. This was an increase of 78.4 per cent compared to Kshs.143.78 million spent in a similar period of FY 2015/16.

3.18.7 Development Expenditure Analysis

The total development expenditure of Kshs.2 billion represented 37.7 per cent of the annual development budget of Kshs.5.29 billion. Table 3.52 provides a summarised list of development projects with the highest expenditure during the period under review.

Table 3.52: Kitui County, List of Development Projects with the Highest Expenditure in the First Nine Months of FY 2016/17

S/No.	Project name	Ward (Location of the Project)	FY 2016/17 Estimated Budget (Kshs.)	Expenditure as at 31st March, 2017 (Kshs.)	Absorption rate (%)
1	Construction of Modern Debating Chamber	Kitui Central (at the County Assembly)	145,502,473	117,516,103	80.8
2	Upgrading to Bitumen Standards of Kitui School-Ithookwe Show Ground Airstrip	Kitui Central (Kitui Town Administration)	133,451,699	50,049,032	37.5
3	Opening up of Road from Bavaria Junction to Mutuni Road through Kamangu Stream & Kalundu River	Kitui Central (Land, Infrastructure and Urban Development [LIUD])	26,482,891	22,521,184	85.0
4	Construction of Mutendea-Kaayo Bridge Kyamathyaka-Kwa Mulungu Kathivo Road	Kitui West (LIUD)	56,683,619	22,006,716	38.8
5	Payment for the Supply, Delivery, Installation and Commissioning of Hospital Equipment at Ikutha Health Centre	Kitui South (Health and Sanitation)	19,790,294	19,790,294	100.0
6	Construction of Ultra-Modern Resource Centre	Kitui Central (Culture, Youth, Sports and Social Service)	106,209,000	16,526,113	15.6
7	Construction of Enziu (Kwa Muthui) River Drift		18,834,669	15,811,306	83.9
8	Construction of Kathande-Kaumu Drift	Kitui East (LIUD)	23,130,439	15,801,759	68.3
9	Supply, Delivery, Installation and Commissioning of Hospital Equipment at Zombe	Kitui East (Health and Sanitation)	15,050,254	15,050,254	100.0
10	Construction of Mwengea River Drift	Mwingi North (LIUD)	14,792,132	14,792,127	100.0
	Total		**559,927,469**	**309,864,888**	**55.3**

Source: *Kitui County Treasury*

Analysis of the development expenditure by project indicates that, the highest expenditure of Kshs.117.52 million was spent on construction of a modern debating chamber at the County Assembly of Kitui, followed by Kshs.50.05 million spent on upgrading to bitumen standards of Kitui School to Ithookwe Show Ground Airstrip.

3.18.8 Budget and Budget Performance Analysis by Department

Table 3.53 shows a summary of budget estimates and budget performance by department for the first nine months of FY 2016/17

Table 3.53: Kitui County, Budget Performance by Department for the First Nine Months of FY 2016/17

Department	Annual Budget Allocation (Kshs. Million)		First nine months of FY 2016/17 Exchequer Issues (Kshs. Million)		First nine months of FY 2016/17 Expenditure(Kshs. Million)		First nine months of FY 2016/17 Expenditure to Exchequer Issues (%)		First nine months of FY 2016/17 Absorption rate (%)	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
Office of the Governor	569.05	885.66	412.89	221.72	249.67	290.02	60.5	130.8	43.9	32.7
Administration & Coordination of County Affairs	416.27	161.87	318.06	72.64	172.62	36.6	54.3	50.4	41.5	22.6
Agriculture, Water & Irrigation	546.11	672.33	396.99	337.64	235.4	257.21	59.3	76.2	43.1	38.3

Department	Annual Budget Allocation (Kshs. Million)		First nine months of FY 2016/17 Exchequer Issues (Kshs. Million)		First nine months of FY 2016/17 Expenditure(Kshs. Million)		First nine months of FY 2016/17 Expenditure to Exchequer Issues (%)		First nine months of FY 2016/17 Absorption rate (%)	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
Basic Education, Training and Skills Development	366.14	419.14	259.85	311.26	223.57	127.86	86	41.1	61.1	30.5
Land, Infrastructure and Urban Development	225.54	873.92	179.02	548.95	151.95	434.07	84.9	79.1	67.4	49.7
Health and Sanitation	1,770.78	762.3	1,297.68	328.91	794.37	223.04	61.2	67.8	44.9	29.3
Trade, Industry, IT and Cooperatives	91.84	252.8	67.74	101.37	39.97	150.13	59	148.1	43.5	59.4
Culture, Youth, Sports and Social Services	58.95	191.64	48.6	125.21	25.15	98.69	51.8	78.8	42.7	51.5
Environment, Energy & Minerals Investment Development	42.16	229.37	33.87	99.96	27.18	81.12	80.3	81.2	64.5	35.4
Natural Resources and Tourism	52.56	86.93	43.75	46.61	29.93	31.05	68.4	66.6	56.9	35.7
Finance and Economic Planning	477.21	132.33	279.04	0	173.3	2.99	62.1	∞	36.3	2.3
County Public Service Board	66.71	0	52.15	0	40.71	0	78.1	-	61	-
County Assembly	729.13	185.38	526.72	117.52	402.6	79.03	76.4	67.3	55.2	42.6
Kitui Town Administration	81.91	296.12	65.87	168.79	27.68	125.63	42	74.4	33.8	42.4
Mwingi Town Administration	58.7	143.74	49.6	55.17	18.29	60.11	36.9	109	31.2	41.8
TOTAL	**5,553.1**	**5,293.6**	**4,031.8**	**2,535.7**	**2,612.4**	**1,997.6**	**64.8**	**78.8**	**47**	**37.7**

Source: *Kitui County Treasury*

Analysis of budget performance by department shows that the Department of Trade, Industry, IT and Cooperatives attained the highest absorption rate of development budget at 59.4 per cent while Finance and Economic Planning Department had the lowest at 2.3 per cent. On the other hand, the Department of Land, Infrastructure and Urban Development had the highest percentage of recurrent expenditure to recurrent budget at 67.4 per cent while the Mwingi Town Administration had the lowest at 31.2 per cent.

3.18.9 Observations and Recommendations

The County has made progress in addressing some of the challenges previously identified as affecting budget implementation. Some of the progress made included:

i. Improvement in absorption rate of development budget by 2.9 per cent from Kshs.1.94 billion development expenditure in the first nine months of FY 2015/16 to Kshs.2 billion in the reporting period.

ii. The County has commenced the process of recruiting members of the Internal Audit Committee in line with Section 155 of the PFM Act, 2012.

Despite the above progress, the following challenges continued to hamper effective budget implementation;

1. Late submission of financial reports by the County Treasury and Administrators of County Funds,

which affected timely preparation of budget implementation report.

2. High expenditure on domestic and foreign travel, which has increased by 78.4 per cent from Kshs.143.78 million in the first nine months of FY 2015/16 to Kshs.256.58 million in the current reporting period.

3. Under-performance in local revenue collection. Local revenue collection has declined by 24.4 per cent from Kshs.311.43 million in the first nine months of FY 2015/16 to Kshs.235.54 million in the reporting period.

4. IFMIS connectivity challenges, which slowed down approvals of procurement requests and payments.

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

1. *The County Treasury and Administrators of County Funds should ensure timely preparation and submission of financial reports to the Office of the Controller of Budget within a period prescribed by the COB in line with Section 16 of the COB Act, 2016.*

2. *Expenditure on domestic and foreign travel should be contained to free up resources for development spending.*

3. *The County Treasury should formulate and implement strategies to enhance local revenue collection.*

4. *The County Treasury should liaise with the IFMIS Directorate for support in the use of IFMIS and the E-procurement module.*

3.19 Kwale County

3.19.1 Overview of the FY 2016/17 Budget

The County's FY 2016/17 Approved Budget was Kshs.8.14 billion, comprising of Kshs.3.03 billion (37.3 per cent) and Kshs.5.11billion (62.7 per cent) allocation for recurrent and development expenditure respectively.

To finance the budget, the County expects to receive Kshs.5.53 billion (68 per cent) as equitable share of revenue raised nationally, Kshs.433.41 million (5.3 per cent) generate Kshs.330 million (4.1 per cent) from local sources, had a cash balance of Kshs.1.84 billion (22.6 per cent) from FY 2015/16. The conditional grants comprise of Kshs.119.39 million (27.5 per cent) for Free Maternal Healthcare, Kshs.85.0 million (19.6 per cent) for Roads Maintenance Fuel Levy Fund, Kshs.97.74 million (22.1 per cent) for Leasing of Medical Equipment, Kshs.28.91 million (6.7 per cent) from the World Bank Capacity Building and Performance grant, Kshs.15.40 million (3.6 per cent) for User Fees Foregone, Kshs.6.81 million (1.6 per cent) from DANIDA and Kshs.82.17 million (19 per cent)

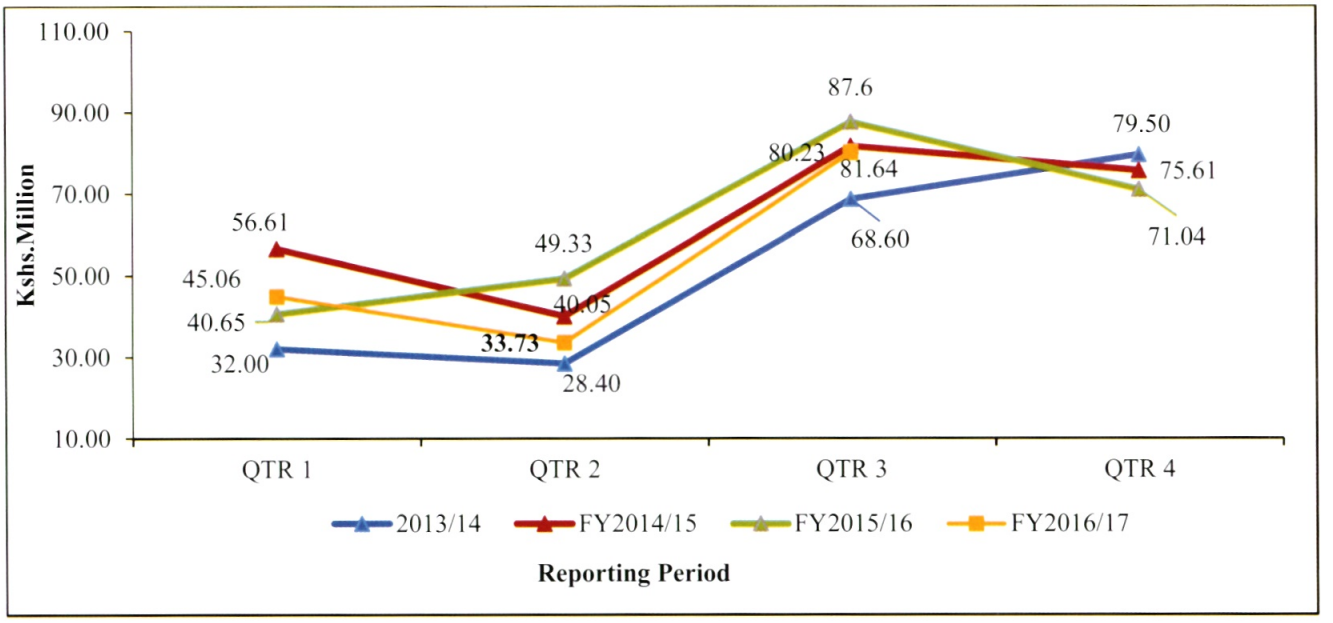
for Other Loans and Grants.

3.19.2 Revenue Analysis

During the first nine months of FY 2016/17, the County received Kshs.3.24 billion as equitable share of the revenue raised nationally, Kshs.143.82 million as total conditional allocations, raised Kshs.159.02 million from local sources, and had a cash balance of Kshs.1.04 billion brought forward from FY 2015/16.

Figure 3.55 shows the quarterly trend in local revenue collection from the first quarter of FY 2013/14 to the third quarter of FY 2016/17.

Figure 3.55: Kwale County, Trend in Local Revenue Collection by quarter from the First Quarter of FY 2013/14 to the Third Quarter of FY 2016/17



Source: *Kwale County Treasury*

The total local revenue collected in the first nine months of FY 2016/17 amounted to Kshs.159.02 million, representing a decrease of 10.5 per cent compared to Kshs.177.58 million generated in a similar period of FY 2015/16, and represented 53 per cent of the annual local revenue target.

3.19.3 Conditional Grants

Table 3.54 shows an analysis of conditional grants released in the first nine months of FY 2016/17.

Table 3.54: Kwale County, Analysis of Conditional Grants Released in the First Nine Months of FY 2016/17

No.	Conditional Grant	Allocation based on CARA, 2016 (Kshs.)	Receipts during the first nine months of FY 2016/17(Kshs.)	Actual receipts as a percentage of Annual Allocation (%)
1	Road Maintenance Fuel Levy Fund	84,979,062.00	84,979,062	100
5	User Fees Foregone	15,397,611.00	7,698,806	50
2	Free Maternal Healthcare	119,385,662.00	51,142,500	42.8
3	World Bank grant to health facilities	28,911,337.61	-	-
4	Kenya Devolution Support Programme Trust (Not in CARA, 2016)	82,166,289.00	-	-
6	DANIDA grant	6,810,000.00	-	-
7	Leasing of Medical Equipment	95,744,681.00	-	-
	TOTAL	**433,394,642.61**	**143,820,367**	**33.2**

Source: *Kwale County Treasury*

Analysis of the conditional grants released during the period under review indicates that, the Road Maintenance Fuel Levy Fund recorded the highest receipt at 100 per cent, followed by User Fees Foregone at 50 per cent. The County is yet to receive funds from the following conditional grants; Leasing of Medical Equipment, the World Bank grant to health facilities, Kenya Devolution Support Programme, and DANIDA.

3.19.4 Exchequer Issues

During the reporting period, the Controller of Budget authorised withdrawal of Kshs.4.27 billion from the CRF account, which was 52.5 per cent of the Approved Budget. This amount represented a decrease of 2.5 per cent from Kshs.4.22 billion authorized in a similar period of FY 2015/16 and consisted of Kshs.2.28 billion (53.4 per cent) for recurrent expenditure and Kshs.1.99 billion (46.6 per cent) for development activities.

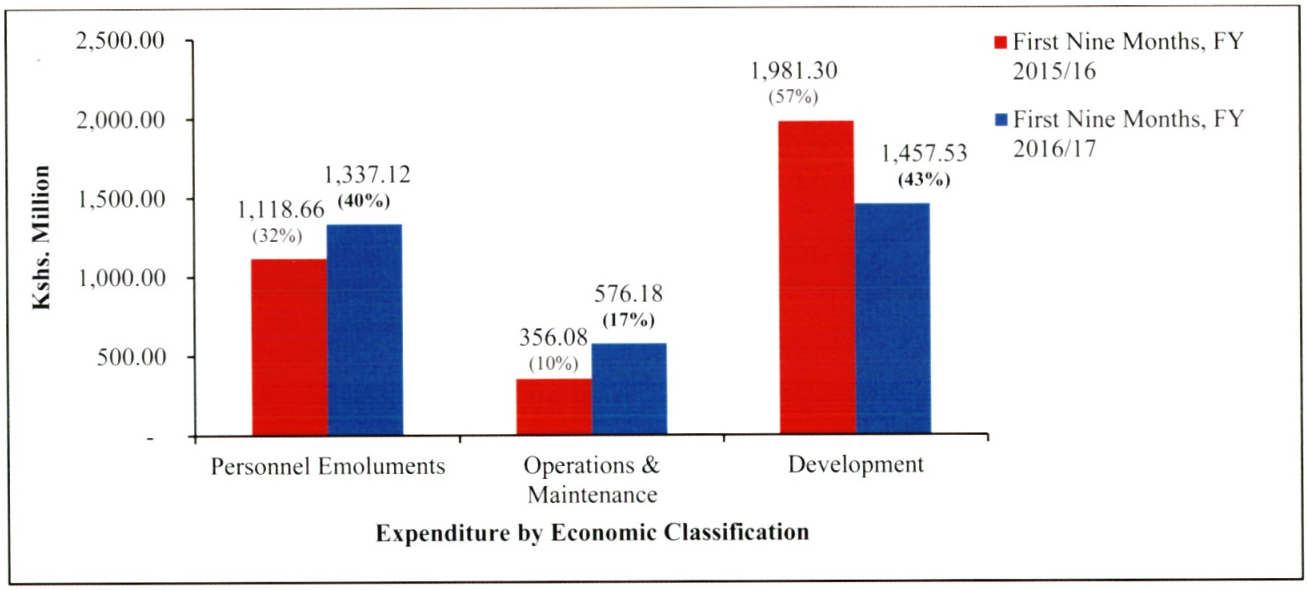
3.19.5 Overall Expenditure Review

The County spent Kshs.3.37 billion, which was 79 per cent of the total funds released for operations. This was a decrease of 3.5 per cent from Kshs.3.46 billion spent in a similar period of FY 2015/16.

A total of Kshs.1.91 billion was spent on recurrent activities, while Kshs.1.46 billion was spent on development activities. The recurrent expenditure was 84.0 per cent of the funds released for recurrent activities while development expenditure accounted for 73.2 per cent of the funds released for development activities. The expenditure excluded outstanding commitments as at 31st March, 2017 that amounted to Kshs.1.30 billion for development and Kshs.85.08 million for recurrent expenditure.

The recurrent expenditure represented 63.1 per cent of the annual recurrent budget, an increase from 52 per cent spent in a similar period of FY 2015/16. Development expenditure recorded an absorption rate of 28.6 per cent, which was a decrease from 41.5 per cent attained in a similar period of FY 2015/16. Figure 3.56 presents a comparison between the total expenditure in the first nine months of FY 2016/17 and the first nine months of FY 2015/16.

Figure 3.56: Kwale County, Expenditure by Economic Classification for the First Nine Months of FY 2016/17 and FY 2015/16

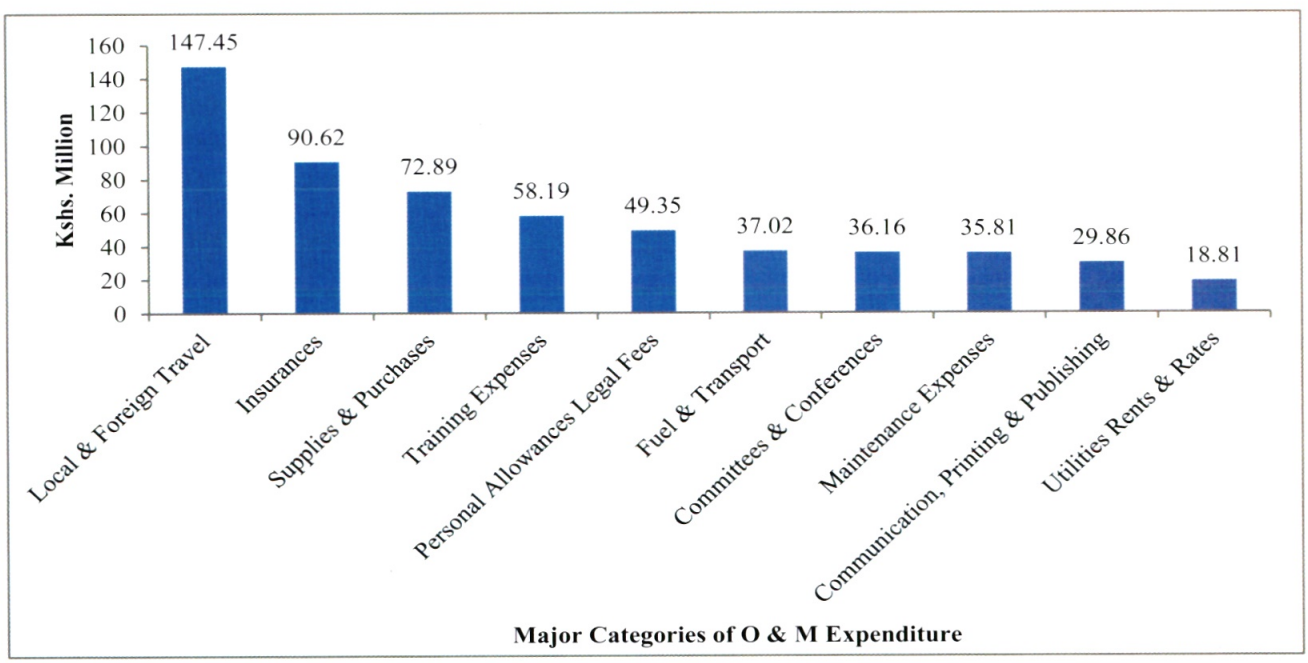


Source: *Kwale County Treasury*

3.19.6 Analysis of Recurrent Expenditure

The total recurrent expenditure of Kshs.1.91 billion consisted of Kshs.1.34 billion (69.9 per cent) spent on personnel emoluments and Kshs.576.18 million (30.1 per cent) on operations and maintenance as shown in Figure 3.56. Expenditure on personnel emoluments represented an increase of 19.5 per cent compared to a similar period of FY 2015/16 when the County spent Kshs.1.12 billion. Figure 3.57 shows a summary of operations and maintenance expenditure by major categories.

Figure 3.57: Kwale County, Operations and Maintenance Expenditure Major Categories for the First Nine Months of FY 2016/17



Source: *Kwale County Treasury*

The County spent Kshs.28.85 million on sitting allowances to the 33 MCAs and the Speaker against the annual budget allocation of Kshs.55.22 million. This was an increase of 13.3 per cent compared to Kshs.21.30 million spent in the same period of FY 2015/16. The average monthly sitting allowance was Kshs.97,142 per MCA compared to SRC's recommended monthly ceiling of Kshs.124,800

Expenditure on domestic and foreign travel amounted to Kshs.147.45 million and consisted of Kshs.79.11 million spent by the County Assembly and Kshs.68.36 million by the County Executive. This was an increase of 60.8 per cent compared to Kshs.91.72 million spent in a similar period of FY 2015/16.

3.19.7 Development Expenditure Analysis

The total development expenditure of Kshs.1.46 billion represented 28.6 per cent of the annual development budget of Kshs.5.511 billion. Table 3.55 provides a summarised list of development projects with the highest expenditure during the period under review.

Table 3.55: Kwale County, List of Development Projects with the Highest Expenditure in the First Nine Months of FY 2016/17

S/No.	Project name	Ward (Location of the Project)	Estimated Budget (Kshs.)	Expenditure as at 31st March, 2017 (Kshs.)	Absorption rate (%)
1	Water provision – building of dams & water tanks, drilling boreholes and piping water	All Wards	505,933,994	243,482,253	48.1
2	Education - building of ECDs	All Wards	528,068,524	239,776,478	45.4
3	Community Development - community centers & Fencing of county sports fields	All Wards	161,707,185	123,922,769	76.6
4	Infrastructure - gravelling and opening of county roads	All Wards	175,956,412	90,556,725	51.5
5	County Assembly HQ & Speakers residence	Matuga & Ukunda Wards respectively	180,000,000	74,164,097	41.2
6	Trade - Jua Kali Sheds & Markets	All Wards	62,760,495	46,004,976	73.3
7	Health -Kwale Accident Emergency Unit	Kinango Ward	31,992,628	29,154,428	91.1
8	Agriculture - Auction Rings	Mwaereni, Davaya & Kinondo Wards	21,065,426	16,069,869	76.3
9	ICT - Fiber Optic backbone cable	Matuga Ward	18,396,057	14,716,846	80.0
10	Public Admin - Ward Admin Offices & a garbage skipper	All Wards	22,831,281	13,046,446	57.1
11	Finance - Revenue automation & valuation of assets	All Wards	55,967,090	12,471,017	22.3
12	Lands - Surveying Schemes	Mwakamba, Ng'ombeni,,Mwaluganje, Bofu & Maji ya Chumvi areas	13,350,000	8,615,700	64.5
	Total		**1,778,029,092**	**911,981,604**	**51.3**

Source: *Kwale County Treasury*

Analysis of the development expenditure indicates that the highest development projects expenditure of Kshs.243.48 million was spent on water provision activities, followed by Kshs.239.78 million on construction of ECD classrooms.

3.19.8 Budget and Budget Performance Analysis by Department

Table 3.56 shows a summary of budget estimates and budget performance by department for the first nine months of FY 2016/17

Table 3.56: Kwale County, Budget Performance by Department for the First Nine Months of FY 2016/17

Department	Annual Budget Allocation (Kshs. Million)		First half of FY 2016/17 Exchequer Issues (Kshs. Million)		First half of FY 2016/17 Expenditure (Kshs. Million)		First half of FY 2016/17 Expenditure to Exchequer Issues (%)		First half of FY 2016/17 Absorption rate (%)	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
Finance & Economic Planning	285.15	55.97	211.22	47.97	183.74	12.47	87.0	26.0	64.4	22.3
Agriculture, Livestock &Fisheries	168.73	189.8	128.66	108.75	109.19	43.33	84.9	39.8	64.7	22.8
Lands, Housing & Physical Planning	53.92	74.56	37.74	35.71	16.75	13.08	44.4	36.6	31.1	17.5
Medical & Public Health Services	1,047.83	939.39	780.43	266.60	750.56	247.25	96.2	92.7	71.6	26.3
County Assembly	497.98	330.18	353.86	270.00	285.17	102.82	80.6	38.1	57.3	31.1
Industry, Trade & Investment	57.48	234.36	40.80	127.26	25.02	57.67	61.3	45.3	43.5	24.6
Community, Culture & Talent Management	70.14	330.27	49.48	160.36	34.48	83.09	69.7	51.8	49.2	25.2
Office of the Governor & CPSB	151.93	162.69	121.86	88.69	99.25	137.64	81.4	155.2	65.3	84.6
Education, Research & Human Resources	236.85	1,320.64	190.78	333.38	146.58	337.15	76.8	101.1	61.9	25.5
Water Services	51.31	794.16	36.20	217.67	27.08	243.48	74.8	111.9	52.8	30.7
Infrastructure & Public Works	122.1	465.3	85.90	191.73	60.66	127.77	70.6	66.6	49.7	27.5
Tourism and ICT		38.6 164.32	29.02	99.02	21.3	42.89	73.4	43.3	55.2	26.1
Public Service & Administration	249.59	43.51	212.27	43.51	153.51	8.89	72.3	20.4	61.5	20.4
TOTAL	**3,031.61**	**5,105.16**	**2,278.21**	**1,990.64**	**1,913.29**	**1,457.53**	**84.0**	**73.2**	**63.1**	**28.6**

Source: *Kwale County Treasury*

Analysis of budget performance by department shows that the Office of the Governor and County Public Service Board attained the highest absorption rate of development budget at 84.6 per cent. On the other hand, the Department of Medical and Public Health Services had the highest percentage of recurrent expenditure to recurrent budget at 71.6 per cent while the Department of Lands, Housing and Physical Planning had the lowest at 31.1 per cent.

3.19.9 Observations and Recommendations

The County has made progress in addressing some of the challenges previously identified as affecting budget implementation. Some of the progress made include:

i. Establishment of an Internal Audit Committee in compliance to Section 155 (5) of the PFM Act, 2012.

ii. Timely submission of quarterly reports in line with Section 166 of the PFM Act, 2012.

Despite the above progress, the following challenges continued to hamper effective budget implementation;

1. Delay in disbursement of the equitable share of revenue raised nationally by the National Treasury. As at the end of the reporting period, Kshs.3.23 billion had been disbursed against an expected disbursement of Kshs.4.15 billion.

2. High wage bill that increased by 19.5 per cent from Kshs.1.12 billion in the first nine months of FY 2015/16 to Kshs.1.34 billion in the period under review and represented 39.7 per cent of the total expenditure for the reporting period.

3. Under-performance in local revenue collection. Local revenue collection has declined by 10.5 per cent from Kshs.177.58 million in the first nine months of FY 2015/16 to Kshs.159.02 million in the reporting period.

4. IFMIS connectivity challenges, which slowed down approval of procurement requests and payments.

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

1. *The County Treasury should liaise with the National Treasury to ensure that funds allocated to the County are released in a timely manner in line with the CARA, 2016 Disbursement Schedule.*

2. *The County Public Service Board should establish an optimal staffing structure in order to manage the wage bill.*

3. *The County Treasury should formulate and implement strategies to enhance local revenue collection.*

4. *The County Treasury to liaise with the IFMIS Directorate for support in utilization of IFMIS and E-procurement module.*

3.20 Laikipia County

3.20.1 Overview of the FY 2016/17 Budget

The County's FY 2016/17 Approved Budget was Kshs.5.94 billion, comprising of Kshs.3.41 billion (57.4 per cent) and Kshs.2.53 billion (42.6 per cent) allocation for recurrent and development expenditure respectively.

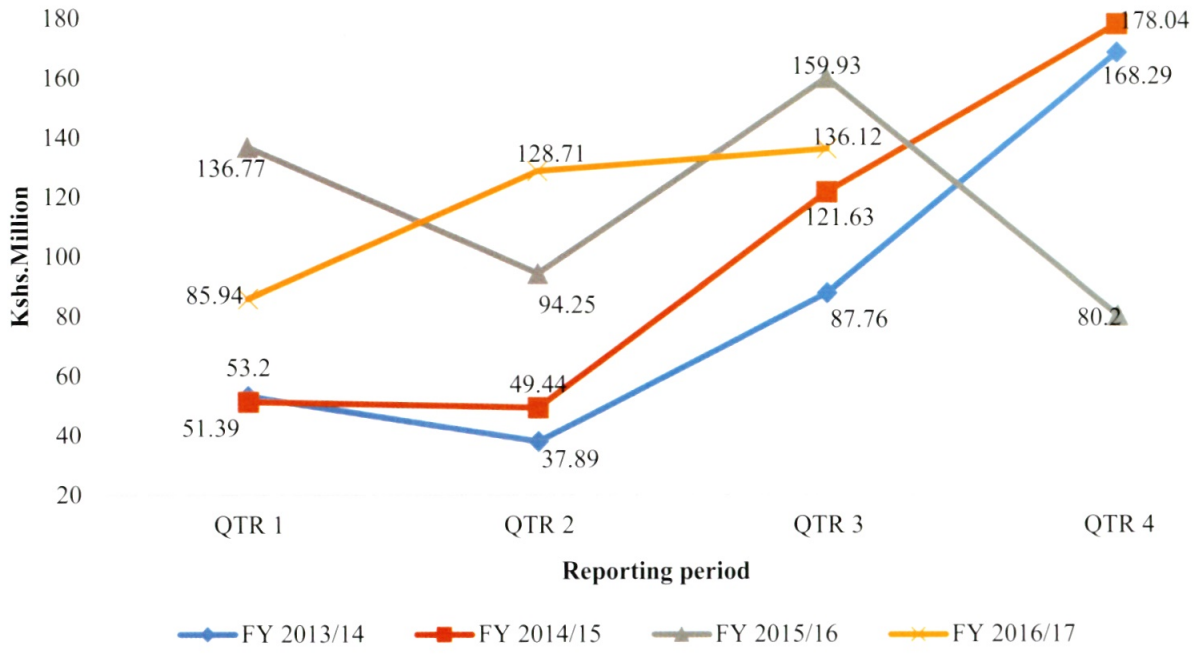
To finance the budget, the County expects to receive Kshs.3.72 billion (62.6 per cent) as equitable share of revenue raised nationally, Kshs.484.26 million (4.4 per cent) as total conditional grants, generate Kshs.670 million (11.3 per cent) from local sources, generate from other sources Kshs.903.76 million (15.21 per cent), and Kshs.357.23 million (6 per cent) cash balance of from FY 2015/16. The conditional grants comprise of Kshs.61.41 million (12.7 per cent) for Free Maternal Healthcare, Kshs.57.19 million (11.8 per cent) from the Road Maintenance Fuel Levy Fund, Kshs.9.87 million (2 per cent) for User Fees Foregone, Kshs.5.77 million (1.2 per cent) from DANIDA, Kshs.95.74 million (19.8 per cent) for Leasing of Medical Equipment and Kshs.60.05 million (12.4 per cent) as World Bank Loan and Kshs.194.24 million (40.1 per cent) from other loans and grants.

3.20.2 Revenue Analysis

During the first nine months of FY 2016/17, the County received Kshs.3.22 billion as equitable share of the revenue raised nationally, Kshs.180.04 million as total conditional allocations, raised Kshs.350.77 million from local sources, and had a cash balance of Kshs.357.23 million brought forward from FY 2015/16.

Figure 3.58shows the quarterly trend in local revenue collection from the first quarter of FY 2013/14 to the third quarter of FY 2016/17.

Figure 3.58: Laikipia County, Trend in Local Revenue Collection by Quarter from the First Quarter FY 2013/14 to the Third Quarter FY 2016/17



Source: *Laikipia County Treasury*

The total local revenue collected in the first nine months of FY 2016/17 amounted to Kshs.350.77 million, representing decrease of 10.3 per cent compared to Kshs.390.95 million generated in a similar period of FY 2015/16, and represented 38.8 per cent of the annual local revenue target.

3.20.3 Conditional Grants

Table 3.57 shows an analysis of conditional grants released in the first nine months of FY 2016/17.

Table 3.57: Laikipia County, Analysis of Conditional Grants Released in the First Nine Months of FY 2016/17

No.	Conditional Grant	Allocation based on CARA, 2016 (Kshs.)	FY 2016/17 Actual receipt of Conditional Grants (Kshs.)	Actual receipts as a percentage of Annual Allocation (%)
1	Road Maintenance Fuel Levy Fund	57,190,153	57,190,153	100
2	Free Maternal Healthcare	61,409,667	57,862,500	94.2
3	User Fees Foregone	9,872,539	4,936,270	50
4	DANIDA Grant	5,765,000	-	-

No.	Conditional Grant	Allocation based on CARA, 2016 (Kshs.)	FY 2016/17 Actual receipt of Conditional Grants (Kshs.)	Actual receipts as a percentage of Annual Allocation (%)
5	World Bank Loan	60,049,676	60,049,676	100
	TOTAL	**194,287,0335**	**180,038,599**	**9.3**

Source: *Laikipia County Treasury*

Analysis of the conditional grants released during the period under review indicates that, the Road Maintenance Fuel Levy Fund and World Bank Loan grants recorded the highest receipts at 100 per of the annual target followed by User Fees Foregone at 94.2 per cent. The County is yet to receive funds from the DANIDA grant.

3.20.4 Exchequer Issues

During the reporting period, the Controller of Budget authorised withdrawal of Kshs.3.23 billion from the CRF account, which was 61.5 per cent of the Approved Budget. This amount represented an increase of 17 per cent from Kshs.2.76 billion authorized in a similar period of FY 2015/16 and consisted of Kshs.2.49 billion (77.1 per cent) for recurrent expenditure and Kshs.738.8 million (22.9 per cent) for development activities.

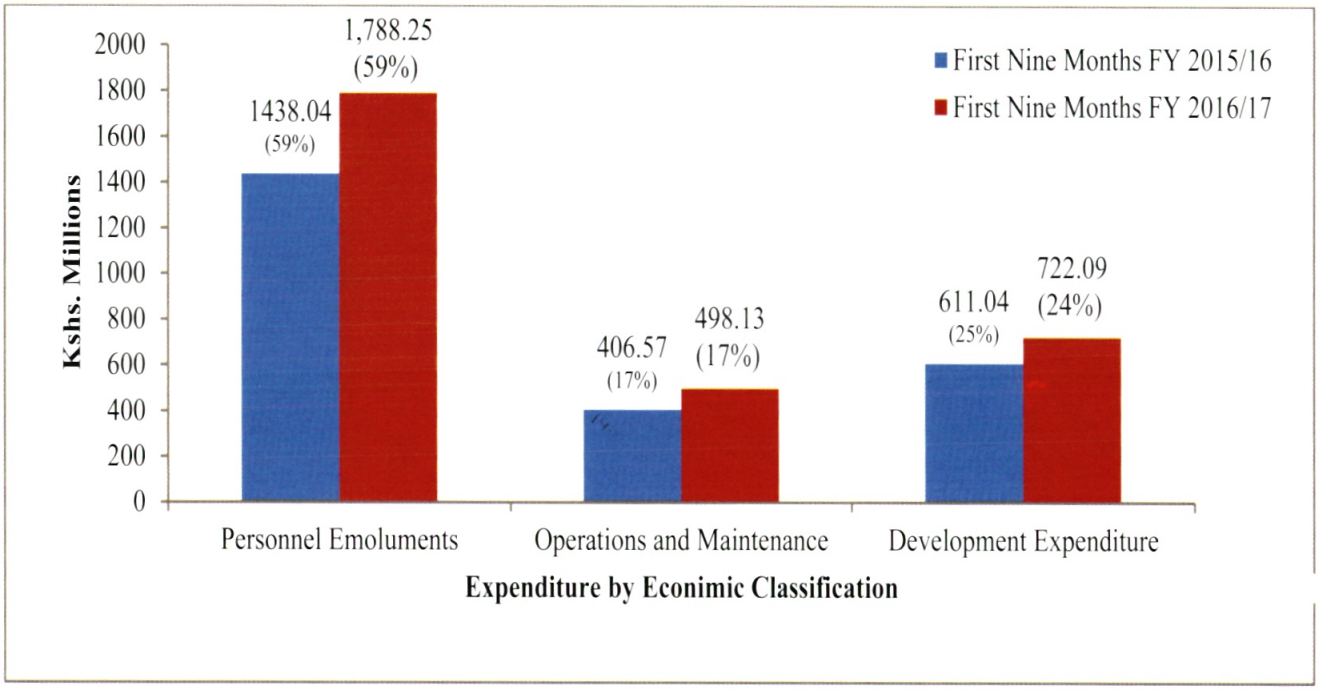
3.20.5 Overall Expenditure Review

The County spent Kshs.3.0 billion, which was 92.9 per cent of the total funds released for operations. This was an increase of 23.6 per cent from Kshs.2.46 billion spent in a similar period of FY 2015/16.

A total of Kshs.2.29 billion was spent on recurrent activities, while Kshs.722.09 million was spent on development activities. The recurrent expenditure was 91.9 per cent of the funds released for recurrent activities while development expenditure accounted for 97.7 per cent of the funds released for development activities. The expenditure excluded outstanding commitments as at 31st March, 2017 that amounted to Kshs.618.89 million for development and Kshs.43.63 million for recurrent expenditure.

The recurrent expenditure represented 67.1 per cent of the annual recurrent budget, an increase from 64.5 per cent spent in a similar period of FY 2015/16. Development expenditure recorded an absorption rate of 97.7 per cent, which was an increase from 72.6 per cent attained in a similar period of FY 2015/16. Figure 3.59 presents a comparison between the total expenditure in the first nine of FY 2016/17 and first nine of FY 2015/16.

Figure 3.59: Laikipia County, Expenditure by Economic Classification for the First Nine Months of FY 2016/17 and FY 2015/16

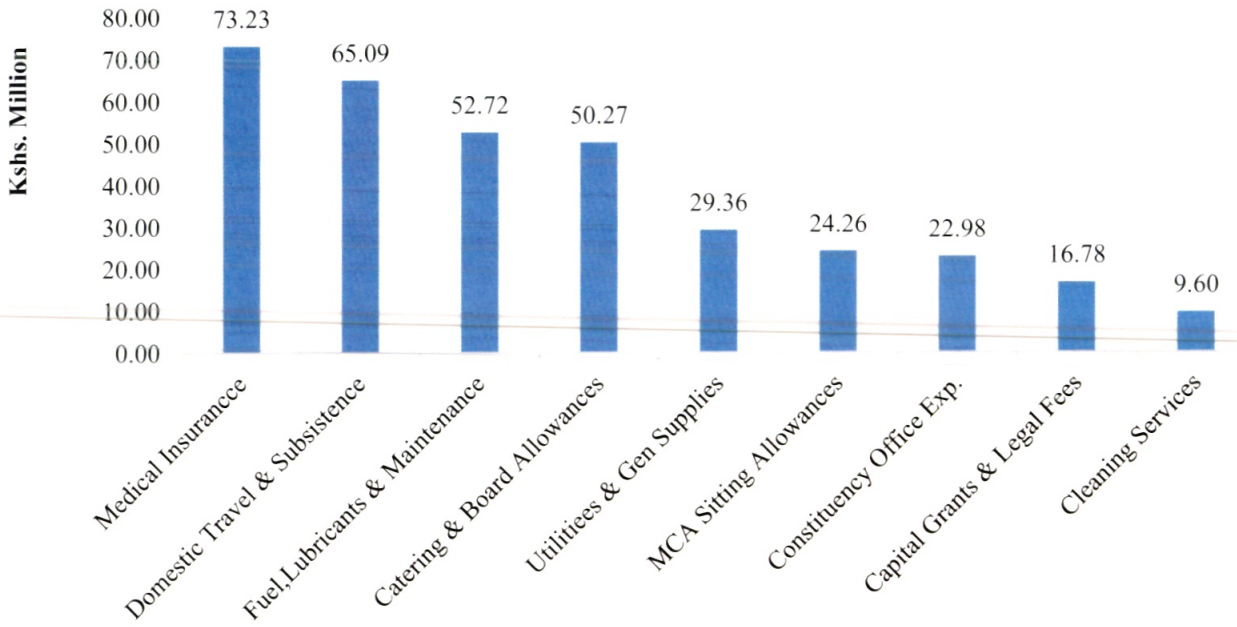


Source: *Laikipia County Treasury*

3.20.6 Analysis of Recurrent Expenditure

The total recurrent expenditure of Kshs.2.29 billion consisted of Kshs.1.79 billion (76.3 per cent) spent on personnel emoluments and Kshs.498.13 million (19.4 per cent) on operations and maintenance as shown in Figure 3.59. Expenditure on personnel emoluments represented an increase of 19.6 per cent compared to a similar period of FY 2015/16 when the County spent Kshs.1.44 billion. Figure 3.60 shows a summary of operations and maintenance expenditure by major categories.

Figure 3.60: Laikipia County, Operations and Maintenance Expenditure by Major Categories for the First Nine months of FY 2016/17



Source: *Laikipia County Treasury*

The County spent Kshs.24.26 million on sitting allowances to the 24 MCAs and the Speaker against the annual budget allocation of Kshs.31.94 million. This was an increase of 7.9 per cent compared to Kshs.22.35 million spent in the same period of FY 2015/16. The average monthly sitting allowance was Kshs.112,328 per MCA compared to SRC's recommended monthly ceiling of Kshs.124, 800.

Expenditure on domestic and foreign travel amounted to Kshs.65.09 million and consisted of Kshs.38.67 million by the County Assembly and Kshs.26.42 million by the County Executive. This was a decrease of 67.2 per cent compared to Kshs.108.85 million spent in a similar period of FY 2015/16.

3.20.7 Development Expenditure Analysis

The total development expenditure of Kshs.722.09 million represented 28.4 per cent of the annual development budget of Kshs.2.53 billion. Table 3.58 provides a summarised list of development projects with the highest expenditure during the period under review.

Table 3.58: Laikipia County, List of Development Projects with the Highest Expenditure in the First Nine Months of FY 2016/17

S/No.	Project name	Estimated Budget (Kshs.)	Expenditure as at 31st March, 2017 (Kshs.)	Absorption rate (%)
1	Supply of medical drugs	103,499,428	39,278,275	38
2	Supply of fire engine	31,387,932	31,387,932	100
3	Construction of Ewaso Ngiro	27,921,576	27,921,576	100
4	Supply of drugs	19,619,169	19,619,169	100
5	Electrical fences at Laikipia North Conservancy	18 ,417,421	18 ,417,421	100
6	Purchase of plastic tanks	15,571,000	14,077,800	90.4
7	Supply of electrical materials	10,623,539	10,623,539	100
8	Supply, delivery, installation, commissioning 250kva generator	7,815,650	7,815,650	100
9	Supply & Delivery of 30,000 sq meters of dam liners	7,650,084	7,650,084	100
10	Revenue Automation	6,336,207	6,336,207	100

Source: *Laikipia County Treasury*

The highest expenditure was on payment of medical drugs which was a pending bills from FY 2015/16, followed by supply of fire engine at Kshs.31.39 million, and construction of Ewaso Ngiro at Kshs.27.92 million.

3.20.8 Budget and Budget Performance Analysis by Department

Table 3.59 shows a summary of budget estimates and budget performance by department for the first nine months of FY 2016/17

Table 3.59: Laikipia County, Budget Performance by Department for the First Nine Months of FY 2016/17

Department	Budget Allocation (Kshs)		Exchequer Issues (Kshs)		Expenditure (Kshs)		Expenditure To Exchequer Issues (%)		Absorption (%)	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
County Administration	2,406.15	129.86	1,849.29	-	1,694.01	1.54	91.6	0	70.4	1.2
Finance and Planning	232.36	1,144.96	148.82	649.3	86.9	618.89	0.58	0.95	37.4	54.1
Health	235.98	423.45	107.09	40.9	108.12	48.19	1.01	0	45.8	11.4
Agriculture	16.91	107.36	12.07	-	10.8	2.47	0.89	0	63.9	2.3
Infrastructure	31.41	321.4	17.06	28.6	19.78	41.39	1.16	0	63	12.9
Education	41.84	113.8	19.35	-	24.51	-	1.27	0	58.6	0
Trade & Industrialization	23.82	88	15.25	-	19.82	-	1.3	0	83.2	0
Water	29.22	165.14	20.27	-	24.45	7.06	1.21	0	83.7	4.3
County Assembly	391.47	40	300	20	298	2.55	0.99	0	76.1	6.4
TOTAL	**3,409.17**	**2,533.97**	**2,489.20**	**738.8**	**2,286.38**	**722.09**	**91.9**	**97.7**	**67.1**	**28.5**

Source: *Laikipia County Treasury*

Analysis of budget performance by department shows that the Department of Finance attained the highest absorption rate of development budget at 54 per cent while the Departments for Education and Trade and Industrialization did not incur any development expenditure. On the other hand the Department of Water had the highest percentage of recurrent expenditure to recurrent budget at 83.7

per cent while the Department of Finance and Planning had the lowest at 37.4 per cent.

3.20.9 Observations and Recommendations

The County has made progress in addressing some of the challenges previously identified as affecting budget implementation. Some of the progress made included:

i. Formulation of strategies to enhance local revenue collection such as local rates waiver and exemption of penalties by the County Treasury.

ii. The County Treasury has liaised with IFMIS Directorate for support in application of IFMIS and the E-procurement module.

Despite the above progress, the following challenges continued to hamper effective budget implementation;

1. Late submission of financial reports by the County Treasury to the Controller of Budget, which affected timely preparation of budget implementation report contrary to Section 166 of the PFM Act, 2012.

2. High wage bill that increased by 19.6 per cent from Kshs.1.43 billion in the first nine months of FY 2015/16 to Kshs.1.79 billion in the period under review representing 59.4 per cent of total expenditure.

3. Failure to establish an Internal Audit Committee to oversee financial operations in the County contrary to the provisions of Section 155 of the PFM Act, 2012.

4. The County has not constituted the CBEF in line with Section 137 of the PFM Act, 2012 for consultation in the budget process.

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

1. *The County Treasury should ensure timely preparation and submission of financial reports in line with Section 166 of PFM Act, 2012.*

2. *The County Public Service Board should establish an optimal staffing structure in order to manage the wage bill.*

3. *The County should establish an Internal Audit Committee in line with Section 155 of the PFM Act, 2012.*

4. *The County should establish a CBEF in line with Section 137 of the PFM Act, 2012.*

3.21 Lamu County

3.21.1 Overview of the FY 2016/17 Budget

The County's FY 2016/17 Supplementary Budget was Kshs.3.21 billion, comprising of Kshs.1.99 billion (62.0 per cent) and Kshs.1.22 billion (38.0 per cent) allocation for recurrent and development expenditure respectively.

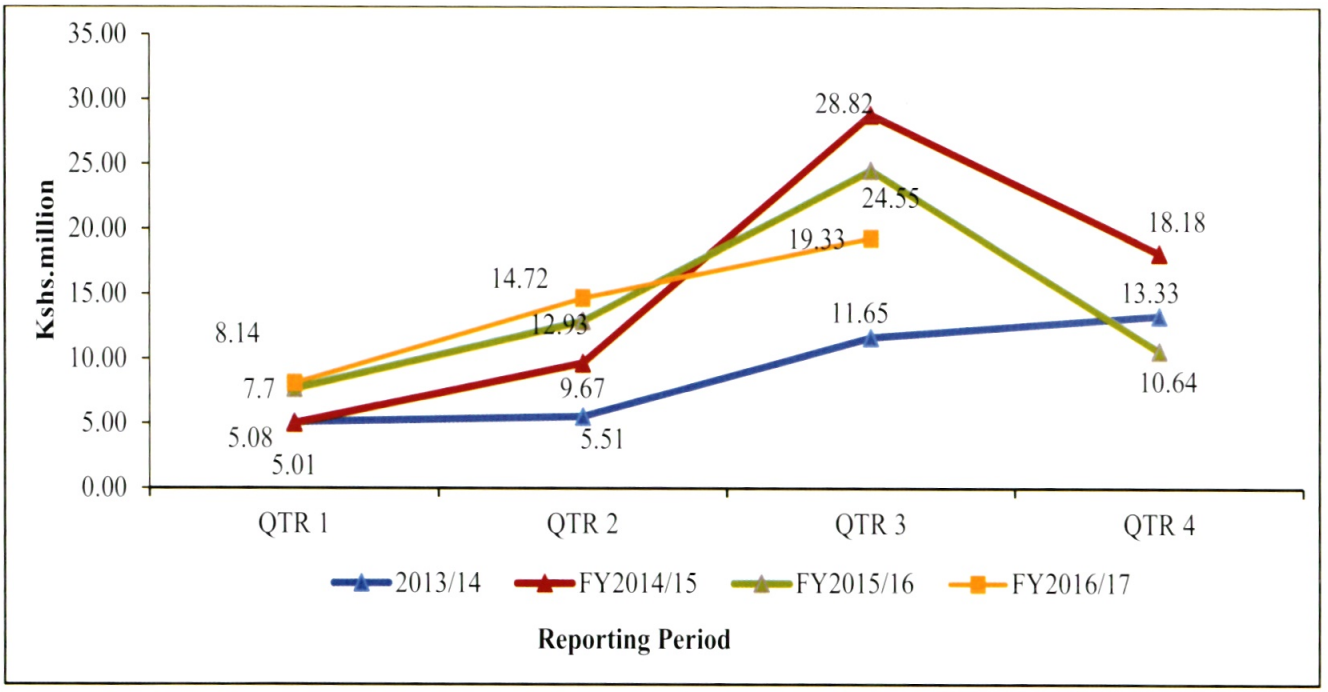
To finance the budget, the County expects to receive Kshs.2.21 billion (68.8 per cent) as equitable share of revenue raised nationally, Kshs.236.18 million (7.4 per cent) as total conditional grants, generate Kshs.84.0 million (2.6 per cent) from local revenue sources, and Kshs.677.06 million (21.1 per cent) cash balance from FY 2015/16. The conditional grants comprise of Kshs.19.80 million (8.4 per cent) for Free Maternal Healthcare, Kshs.46.34 million (19.6 per cent) from the Road Maintenance Fuel Levy Fund, Kshs.2.48 million (1.0 per cent) for User Fees Foregone, Kshs.10.52 million (4.5 per cent) from DANIDA and Kshs.157.05 million (66.5 per cent) from Other Loans and Grants.

3.21.2 Revenue Analysis

During the first nine months of FY 2016/17, the County received Kshs.1.49 billion as equitable share of the revenue raised nationally, Kshs.143.82 million as total conditional allocations, raised Kshs.42.19 million from local revenue sources, and had a cash balance of Kshs.677.06 million brought forward from FY 2015/16.

Figure 3.61 shows the quarterly trend in local revenue collection from the first quarter of FY 2013/14 to the third quarter of FY 2016/17.

Figure 3.61: Lamu County, Trend in Local Revenue Collection by Quarter from the First Quarter FY 2013/14 to the Third Quarter FY 2016/17



Source: *Lamu County Treasury*

The total local revenue collected in the first nine months of FY 2016/17 amounted to Kshs.42.19 million, representing a decrease of 7.0 per cent compared to Kshs.45.18 million generated in a similar period of FY 2015/16, and represented 50.2 per cent of the annual local revenue target.

3.21.3 Conditional Grants

Table 3.60 shows an analysis of conditional grants released in the first nine months of FY 2016/17.

Table 3.60: Lamu County, Analysis of Conditional Grants Released in the First Nine Months of FY 2016/17

No.	Conditional Grant	Allocation based on CARA, 2016 (Kshs.)	FY 2016/17 Actual receipt of Conditional Grants (Kshs.)	Actual receipts as a percentage of Annual Allocation (%)
1	Road Maintenance Fuel Levy Fund	46,341,432	34,018,227	73.4
2	Free Maternal Healthcare	19,797,520	4,737,500	23.9
3	World Bank grant to health facilities	12,933,407	-	-
4	User Fees Foregone	2,481,810	1,240,905	50.0
5	DANIDA grant	10,517,500	3,820,000	36.3
6	Special Purpose Grant, Emergency Medical	100,000,000	100,000,000	100.0
7	World Bank Grant	23,486,716	-	-
8	World Bank Grant for capacity building	20,567,432	-	-
TOTAL		**236,183,737**	**143,816,632**	**60.9**

Source: *Lamu County Treasury*

Analysis of the conditional grants released during the period under review indicates that, Special Purpose grant for health recorded the highest receipts at 100 per cent of annual target, followed the Road Maintenance Fuel Levy Fund at 73.4 per cent, and, User Fee Foregone at 50 per cent. The County is yet to receive funds the World Bank grant to health facilities, World Bank grant for capacity building, and the Kenya Devolution Support program.

3.21.4 Exchequer Issues

During the reporting period, the Controller of Budget authorised withdrawal of Kshs.2.04 billion from the CRF account, which was 63.4 per cent of the Approved Budget. This amount represented an increase of 22.9 per cent from Kshs.1.66 billion authorized in a similar period of FY 2015/16 and consisted of Kshs.1.47 billion (72.2 per cent) for recurrent expenditure and Kshs.566.16 million (27.8 per cent) for development activities.

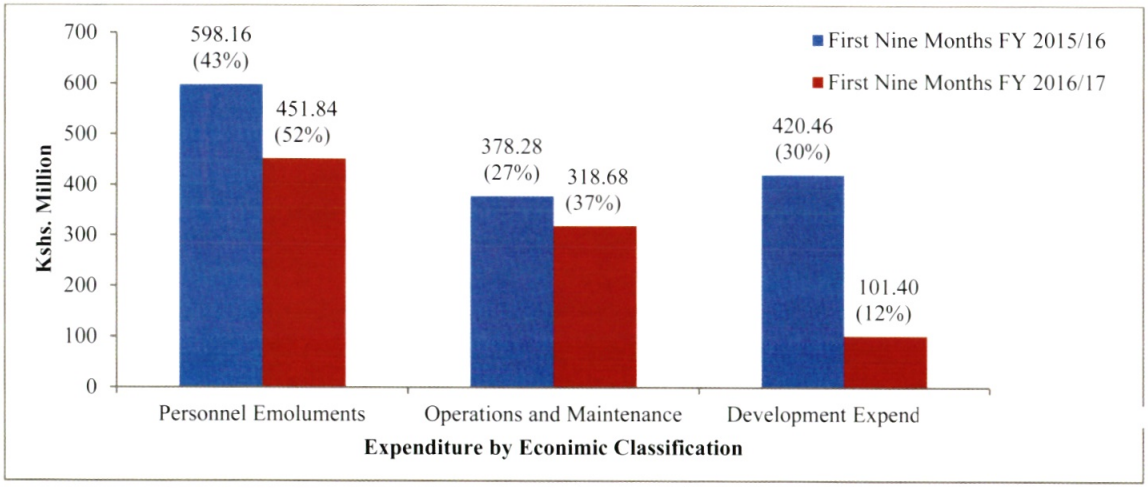
3.21.5 Overall Expenditure Review

The County spent Kshs.871.96 million, which was 42.8 per cent of the total funds released for operations. This was a decrease of 60.6 per cent from Kshs.1.40 billion spent in a similar period of FY 2015/16.

A total of Kshs.770.52 million was spent on recurrent activities, while Kshs.101.44 million was spent on development activities. The recurrent expenditure was 52.4 per cent of the funds released for recurrent activities while development expenditure accounted for 17.9 per cent of the funds released for development activities. The expenditure excluded outstanding commitments as at 31st March, 2017 that amounted to Kshs.85 million.

The recurrent expenditure represented 38.7 per cent of the annual recurrent budget, a decrease from 21.1 per cent spent in a similar period of FY 2015/16. Development expenditure recorded an absorption rate of 8.3 per cent, which was a decrease from 31.8 per cent attained in a similar period of FY 2015/16. Figure 3.62 presents a comparison between the total expenditure in the first nine of FY 2016/17 and first nine of FY 2015/16.

Figure 3.62: Lamu County, Expenditure by Economic Classification for the First Nine Months of FY 2016/17 and FY 2015/16

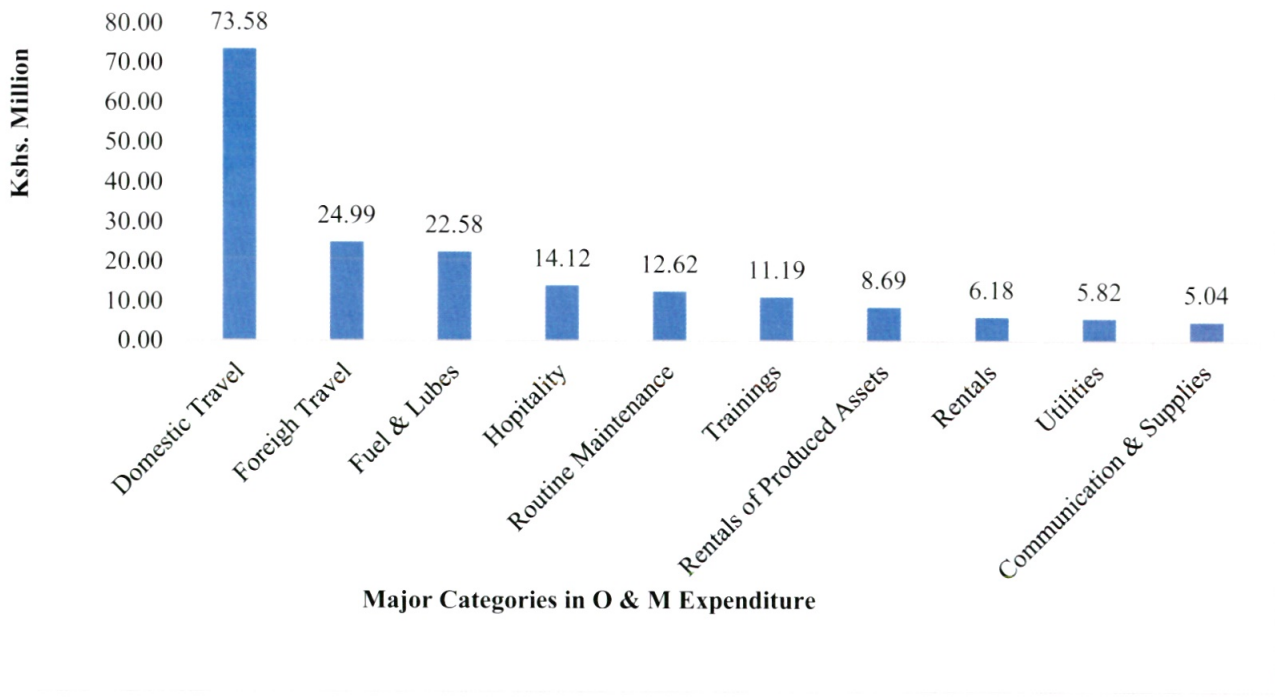


Source: *Lamu County Treasury*

3.21.6 Analysis of Recurrent Expenditure

The total recurrent expenditure of Kshs.770.52 million consisted of Kshs.451.84 million (58.6 per cent) spent on personnel emoluments and Kshs.318.68 million (41.4 per cent) on operations and maintenance as shown in Figure 3.62. Expenditure on personnel emoluments represented a decrease of 10.7 per cent compared to a similar period of FY 2015/16 when the County spent Kshs.724.75 million. Figure 3.63 shows a summary of operations and maintenance expenditure by major categories.

Figure 3.63: Lamu County, Operations and Maintenance Expenditure by Major Categories for the First Nine months of FY 2016/17



Source: *Lamu County Treasury*

The County spent Kshs.2.28 million on sitting allowances to the 20 MCAs and the Speaker against the annual budget allocation of Kshs.5.23 million. This was a decrease of 85 per cent compared to Kshs.15.23 million spent in the same period of FY 2015/16. The average monthly sitting allowance was Kshs.12,718 per MCA compared to SRC's recommended monthly ceiling of Kshs.124,800

Expenditure on domestic and foreign travel amounted to Kshs.98.57 million and consisted of Kshs.62.46 million by the County Assembly and Kshs.36.11 million by the County Executive. This was a decrease of 0.3 per cent compared to Kshs.98.9 million spent in a similar period of FY 2015/16.

3.21.7 Development Expenditure Analysis

The total development expenditure of Kshs.101.43 million represented 8.3 per cent of the annual development budget of Kshs.1.22 billion. Table 3.61 provides a summarised list of development projects with the highest expenditure during the period under review.

Table 3.61: Lamu County, List of Development Projects with the Highest Expenditure in the First Nine Months of FY 2016/17

S/No.	Project name	Ward (Location of the Project)	Estimated Budget (Kshs.)	Expenditure as at 31st March, 2017 (Kshs.)	Absorption rate (%)
1	Construction of enforcement and training centers	Hindi	30,000,000	27,277,167	90.9
2	Construction of county headquarters	Hindi	27,263,593	19,112,347	70.1
3	Planning of Mokowe Metropolis	Mokowe Metropolis	8,000,000	8,000,000	100
4	Construction of paved ways and waterways	Faza, Ndau, Kizingitini	9,850,612	7,304,423	74.2
5	ICT infrastructure development	Lamu headquarters	7,025,758	7,025,758	100
6	Construction of Kiunga Fish Market	Kiunga	7,000,000	6,500,000	92.8
7	Completion of Kizingitini Ice plant phase 2	Faza	17,000,000	5,698,465	33.5
8	Construction of Hindi Magogoni settlement scheme phase 2	Hindi Magogoni	13,032,000	5,568,000	42.7
9	Upgrading of Mokowe Health Center	Hindi	10,000,000	4,506,693	45
10	Renovation of Faza Hospital	Faza	17,000,000	2,385,655	14

Source: *Lamu County Treasury*

Analysis of the development expenditure by project indicates that, the highest expenditure of Kshs.27.3 million was spent on construction of training centres in Hindi, followed by Kshs.19.1 million spent on construction of the County headquarters

3.21.8 Budget and Budget Performance Analysis by Department

Table 3.62 shows a summary of budget estimates and budget performance by department for the first nine months of FY 2016/17

Table 3.62: Lamu County, Budget Performance by Department for the First Nine Months of FY 2016/17

Department	Annual Budget Allocation (Kshs. Million)		First nine months of FY 2016/17 Exchequer Issues (Kshs. Million)		First nine months of FY 2016/17 Expenditure (Kshs. Million)		First nine months of FY 2016/17 Expenditure to Exchequer Issues (%)		First nine months of FY 2016/17 Absorption rate (%)	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
County Assembly	333.20	82.00	248.00	49.50	207.26	2.22	83.6	4.5	62.2	2.7
Office of The Governor	114.31	94.82	87.68	56.54	144.93	15.50	165.3	27.4	126.8	16.3
Public Service Board	45.65		36.96		20.86		56.4			
Public Service Management	285.28		204.13							
Finance and Economic Planning	179.86	25.00	104.18	12.00	37.05	1.78	35.6	14.8	20.6	7.1
Agriculture	68.25	44.73	57.04	23.18	20.96	3.76	36.7	16.2	30.7	8.4
Lands and Physical Planning	63.93	288.10	52.09	133.02	20.11	14.92	38.6	11.2	31.5	5.2
Education	144.29	113.71	121.13	58.71	57.03	21.63	47.1	36.8	39.5	19.0
Health	607.55	422.91	440.16	151.99	217.00	31.95	49.3	21.0	35.7	7.5
Trade	36.39	40.00	29.26	24.62	9.51		32.5		26.1	
ICT Development	33.98	27.06	27.95	17.04	9.04	4.39	32.3	25.8	26.6	16.2
Fisheries Livestock and Livestock Development	78.83	81.38	62.07	39.68	26.74	5.28	43.1	13.3	33.9	6.5
TOTAL	**1,991.53**	**1,219.72**	**1,470.68**	**566.20**	**770.50**	**101.44**	**52.4**	**17.9**	**37.7**	**8.3**

Source: *lamu County Treasury*

Analysis of budget performance by department shows that the department of education attained the highest absorption rate of development budget at 19 per cent while the County Public Service Management, Intergovernmental and Special Initiatives Department and the County Assembly did not incur any development expenditure. On the other hand, the Office of the Governor and the County Assembly had the highest percentage of recurrent expenditure to recurrent budget at 126.8 per cent and 62.2 per cent respectively while the Department of Public Service Board did not report any recurrent expenditure.

3.21.9 Observations and Recommendations

The County has made progress in addressing some of the challenges previously identified as affecting budget implementation. Some of the progress made included:

i. Establishment of a County Budget and Economic Forum in line with Section 137 of the PFM Act, 2012.

ii. Improvement in human capacity through recruitment of additional key staff and continuous training.

Despite the above progress made, the following challenges continued to hamper effective budget implementation;

1. Failure to establish an Internal Audit Committee to oversee financial operations contrary to Section 155 of the PFM Act,2012.

2. Late submission of financial reports by the County Treasury. The quarterly report for the reporting period was submitted on 2nd May, 2017 while Section 166 of the PFM Act, 2012 requires this report to be submitted by the 15th day after the end of the quarter.

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 of the PFM Act, 2012.*

2. *The County Treasury should ensure timely preparation and submission of financial reports in line with Section 166 of PFM Act, 2012.*

3.22 Machakos County

3.22.1 Overview of the FY 2016/17 Budget

The County's FY 2016/17 Approved Budget was Kshs.10.88 billion, comprising of Kshs.7.54 billion (69.3 per cent) and Kshs.3.34 billion (30.7 per cent) allocation for recurrent and development expenditure respectively.

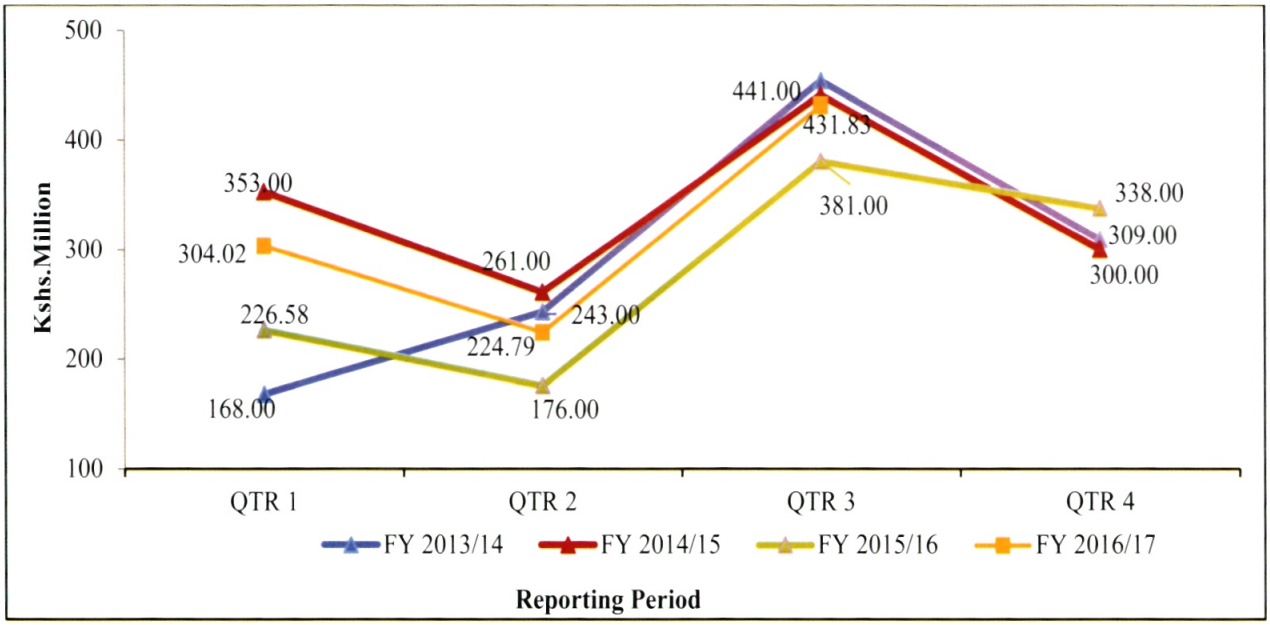
To finance the budget, the County expects to receive Kshs.7.30 billion (65.1 per cent) as equitable share of revenue raised nationally, Kshs.716.87 million (6.4 per cent) as total conditional grants, generate Kshs.2.86 billion (25.5 per cent) from local sources, and Kshs.339.70 million (3 per cent) cash balance from FY 2015/16. The conditional grants comprise of Kshs.365.32 million (51.0 per cent) for the Machakos Level 5 Hospital, Kshs.105 million (14.7 per cent) for Free Maternal Healthcare, Kshs.95.74 million (13.4 per cent) for Leasing of Medical Equipment, Kshs.112 million (15.7 per cent) from the Road Maintenance Fuel Levy Fund, Kshs.24.76 million (3.4 per cent) for User Fees Foregone, and Kshs.13.35 million (1.8 per cent) from DANIDA.

3.22.2 Revenue Analysis

During the first nine months of FY 2016/17, the County received Kshs.4.93 billion as equitable share of the revenue raised nationally, Kshs.375.32 million as total conditional allocations, raised Kshs.931.83 million from local sources, and had a cash balance of Kshs.339.70 million brought forward from FY 2015/16.

Figure 3.64shows the quarterly trend in local revenue collection from the first quarter of FY 2013/14 to the third quarter of FY 2016/17.

Figure 3.64: Machakos County, Trend in Local Revenue Collection by Quarter from the First Quarter of FY 2013/14 to the Third Quarter of FY2016/17



Source: *Machakos County Treasury*

The total local revenue collected in the first nine months of FY 2016/17 amounted to Kshs.960.64 million which is an increase of 22.6 per cent compared to Kshs.783.58 million generated in a similar period of FY 2015/16, and represented 33.6 per cent of the annual local revenue target.

3.22.3 Conditional Grants

Table 3.63 shows an analysis of conditional grant disbursement in the first nine months of FY 2016/17.

Table 3.63: Machakos County Analysis of Conditional Grant Releases in the First Nine Months of FY 2016/17

No.	Conditional Grant	Allocation based on CARA,2016(Kshs.)	Actual receipt of the Conditional Grants, First nine months of FY 2016/17 (Kshs.)	Actual receipts as a percentage of Annual Allocation (%)
1	Machakos Level 5 Hospital	365,317,919	244,763,008	67.0
2	Road Maintenance Fuel Levy Fund	112,217,667	56,108,834	50.0
3	Free Maternal Healthcare	105,476,087	55,430,000	52.6
4	User Fees Forgone	24,764,877	12,382,438	50.0
5	KRB - Coffee Cess Allocation(Not in CARA, 2016)	-	6,636,751	-
6	DANIDA Grant	13,350,000	-	-
7	Leasing of Medical Equipment	95,744,681	-	-
TOTAL		**716,871,231**	**375,321,031**	**52.4**

Source: *Machakos County Treasury*

Analysis of the conditional grants released during the period under review indicates that, receipts towards the Machakos Level 5 Hospital recorded the highest performance at 67.0 per cent of annual traget, followed by the Free Maternal Healthcare at 52.6 per cent.

3.22.4 Exchequer Issues

During the reporting period, the Controller of Budget authorised withdrawal of Kshs.6.56 billion from the CRF account, which was 60.3 per cent of the FY 2016/17 Approved Budget. This amount represented an increase of 7.6 per cent from Kshs.6.10 billion authorized in a similar period of FY 2015/16 and consisted of Kshs.4.86 billion (74.2 per cent) for recurrent expenditure and Kshs.1.69 billion (25.8 per cent) for development activities.

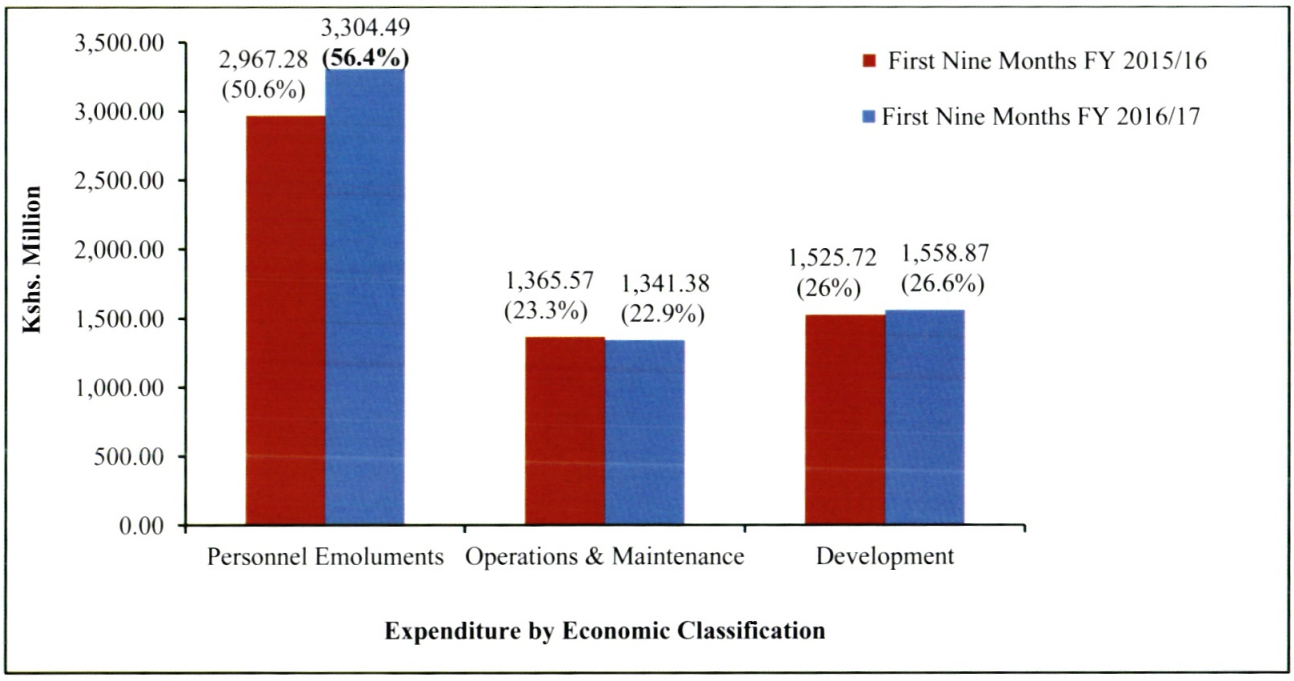
3.22.5 Overall Expenditure Review

The County spent Kshs.6.20 billion, which was 94.6 per cent of the total funds released for operations. This was an increase of 5.9 per cent from Kshs.5.86 billion spent in a similar period in FY 2015/16.

A total of Kshs.4.64 billion was spent on recurrent activities, while Kshs.1.56 billion was spent on development activities. The recurrent expenditure was 95.5 per cent of the funds released for recurrent activities while development expenditure accounted for 92 per cent of the funds released for development activities. The expenditure excluded outstanding commitments as at 31st March, 2017, which was not provided by the County.

The recurrent expenditure represented 61.6 per cent of the annual recurrent budget, a decrease from 82.5 per cent spent in a similar period in FY 2015/16. Development expenditure recorded an absorption rate of 46.7 per cent, which was an increase from 26.8 per cent attained in a similar period of FY 2015/16. Figure 3.65 presents a comparison between the total expenditure in the first nine months of FY 2016/17 and the first nine months of FY 2015/16.

Figure 3.65: Machakos County, Expenditure by Economic Classification for the First Nine Months of FY 2015/16 and of FY 2016/17



Source: *Machakos County Treasury*

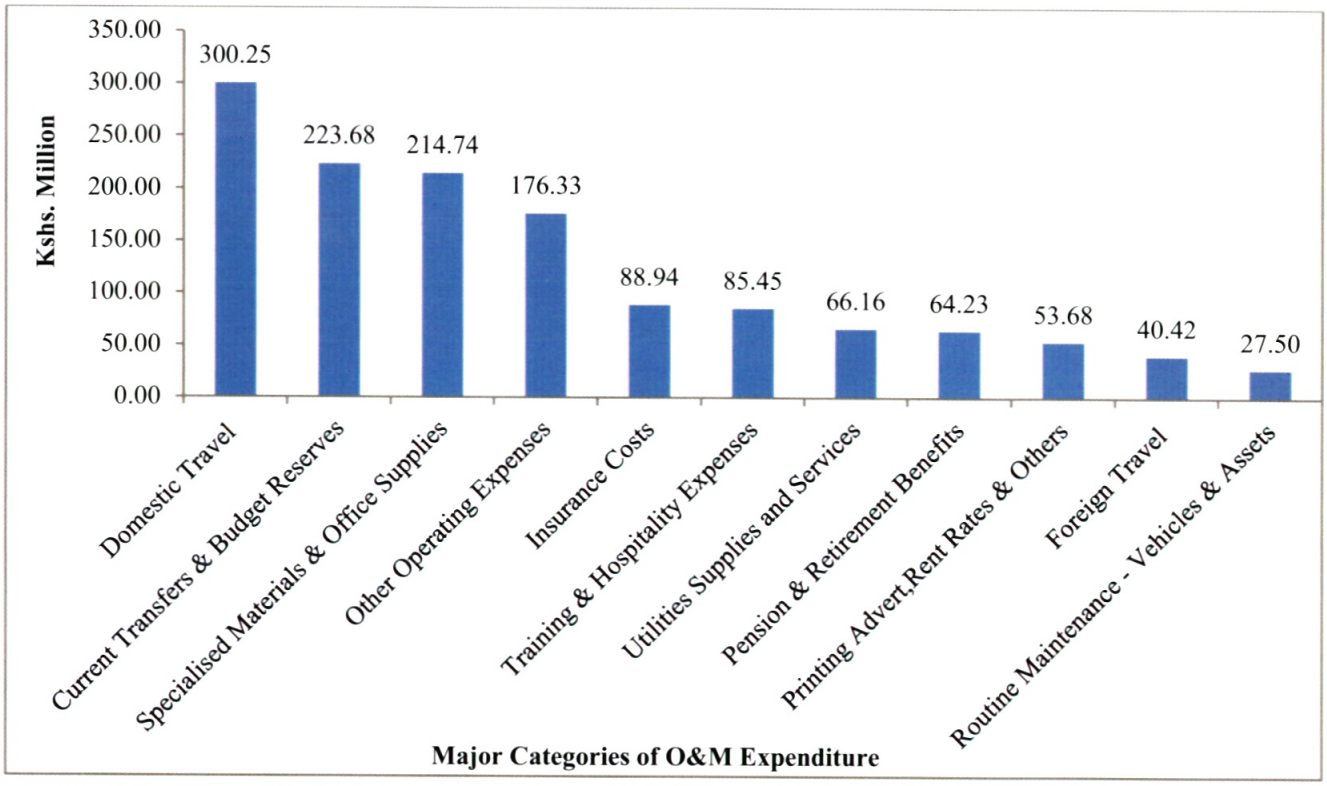
3.22.6 Analysis of Recurrent Expenditure

The recurrent expenditure of Kshs.4.64 billion consisted of Kshs.3.30 billion (71.2 per cent) spent

on personnel emoluments and Kshs.1.34 million (28.8 per cent) on operations and maintenance as shown in Figure 3.65. Expenditure on personnel emoluments represented an increase of 11.1 per cent compared to a similar period of FY 2015/16 when the County spent Kshs.2.97 billion.

Figure 3.66 shows a summary of operations and maintenance expenditure by major categories.

Figure 3.66: Machakos County, Operations and Maintenance Expenditure for First Nine Months of FY 2016/17



Source: *Machakos County Treasury*

The County spent Kshs.42.38 million on sitting allowances to the 59 MCAs and the Speaker against the annual budget allocation of Kshs.85.47 million. This was an increase of 1.5 per cent compared to Kshs.41.74 million spent in the same period of FY 2015/16. The average monthly sitting allowance was Kshs.78,480 compared to SRC's recommended monthly ceiling of Kshs.124,800.

Expenditure on domestic and foreign travel amounted to Kshs.340.66 million and consisted of Kshs.174.78 million spent by the County Assembly and Kshs.165.88 million by the County Executive. This was an increase of 52.1 per cent compared to Kshs.223.95 million spent in a similar period of FY 2015/16.

3.22.7 Development Expenditure Analysis

The total development expenditure of Kshs.1.56 billion represented 46.7 per cent of the annual development budget of Kshs.3.34 billion. Table 3.64 below provide a summary of development projects implemented during the period under review.

Table 3.64: Machakos County, Summary of Development Projects Implemented in the First Nine Months of FY 2016/17

S/ No.	Project name	Ward	Approved Budget (Kshs.)	Expenditure as at 31st March, 2017 (Kshs.)	Absorption rate (%)
1	Construction & grading of roads	Across the County	461,085,551	335,709,620	72.8
2	Construction and refurbishment of buildings	Across the County	640,575,452	284,906,051	44.5
3	Overhaul / refurbishment of construction and civil works	Across the County	698,981,008	260,553,495	37.3
4	Capital grants and transfers (Fuel Levy Fund, Free Maternity, User fee forgone)	Across the County	208,000,000	209,168,846	100.6
5	Basic Wages - Temporary employees on roads work and on water projects	Across the County	261,403,240	151,393,865	57.9
6	Purchase of specialized plant and machinery equipment.	Across the County	251,048,027	96,377,194	38.4
7	Fuel & lubricants	Across the County	130,062,583	88,108,210	67.7
8	Motor vehicle purchases	Across the County	140,442,969	64,133,331	45.7
9	Office furniture & equipment – (Office of the Governor, I CT, Finance and County Assembly).	Across the County	86,408,690	33,706,352	39.0
10	Purchase of certified seeds, breeding stock and live animals	Across the County	29,959,708	21,050,160	70.3
11	Acquisition of strategic stocks, research and feasibility studies	Across the County	40,864,872	13,763,962	33.7
	Total		**2,948,832,099**	**1,558,871,085**	**52.9**

Source: *Machakos County Treasury*

Analysis of the development expenditure by projects indicates that the highest expenditure of Kshs.335.70 million was spent on construction and gravelling of roads, followed by Kshs.284.90 million on construction and refurbishment of buildings by the Department of Transport, Roads and Housing.

3.22.8 Budget and Budget Performance Analysis by Department

Table 3.65 shows a summary of budget estimates and budget performance by department for the first nine months of FY 2016/17.

Table 3.65: Machakos County, Budget Performance by Department for the First Nine Months of FY 2016/17

Department	Budget Allocation (Kshs. Million)		First Nine Months, FY 2016/17 Exchequer Issues (Kshs. Million)		First Nine Months, FY 2016/17 Expenditure (Kshs. Million)		First Nine Months, FY 2016/17 Expenditure to Exchequer Issues (%)		First Nine Months, FY 2016/17 Absorption rate (%)	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
Office of The Governor	514.57	51.07	371.20	8.36	261.29	33.95	70.4	16.37	50.8	66.5
Public Services, ICT & Labour	587.11	48.33	342.46	26.79	3,139.80	8.4	916.8	0	534.8	17.4
Trade, Economic Planning & Energy	179.99	928.26	111.35	102.68	24.82	30.32	22.3	29.5	13.8	3.3
Finance and Revenue Mgt.	338.57	75.74	233.72	5.17	57.82	3.46	24.7	0.0	17.1	4.6

Department	Budget Allocation (Kshs. Million)		First Nine Months, FY 2016/17 Exchequer Issues (Kshs. Million)		First Nine Months, FY 2016/17 Expenditure (Kshs. Million)		First Nine Months, FY 2016/17 Expenditure to Exchequer Issues (%)		First Nine Months, FY 2016/17 Absorption rate (%)	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
Decentralized Units, Water & Irrigation.	1,129.49	952.39	801.24	672.43	147.26	489.4	18.4	72.8	13.0	51.4
Agriculture, Lands & Urban Development	463.11	114.53	346.57	69.94	13.97	41.47	4.0	0.0	3.0	36.2
Health Services and Emergency Services	2,680.80	214.28	1,577.20	175.64	258.13	155.43	16.4	88.5	9.6	72.5
Transport, Roads and Housing	259.4	566.22	193.23	416.54	31.7	657.24	16.4	157.8	12.2	116.1
Education, Youth and Social Welfare	182.75	67.2	130.67	30.59	116.48	6.99	89.1	22.9	63.7	10.4
Environment, Sanitation and Solid Waste Mgt.	69.87	51.54	49.99	4.99	5.67	0	11.3	0.0	8.1	0.0
Tourism, Culture and Co-operative Development	132.59	102.13	86.72	61.76	48.94	53.52	56.4	0.0	36.9	52.4
County Public Service Board	55.65	7.64	39.59	-	3.6	0	9.1	0.0	6.5	0.0
County Assembly	945.67	157.07	580.44	119.64	536.41	78.69	92.4	65.8	56.7	50.1
TOTAL	**7,539.57**	**3,336.40**	**4,864.38**	**1,694.53**	**4,645.89**	**1,558.87**	**95.5**	**92.0**	**61.6**	**46.7**

Source: *Machakos County Treasury*

Analysis of budget performance by department shows that the Department of Transport, Roads and Housing attained the highest absorption rate at 116.1 per cent while the Department of Environment, Sanitation and Solid Waste Management, and the County Public Services did not incur any development expenditure in the period under review. On the other hand, the Department of Public Services, ICT and Labour had the highest percentage of recurrent expenditure to its recurrent budget at 534.8 per cent while the Department of Agriculture, Lands and Urban development had the lowest at 3 per cent. An absorption rate above 100 per cent is irregular and should be regularised through a Supplementary Budget before the end of the financial year.

3.22.9 Observations and Recommendations

The County has made progress in addressing some of the challenges previously identified as affecting budget implementation. Some of the progress made included:

i. Improvement in absorption of development budget. In the reporting period, the County attained an absorption rate of 46.7 per cent compared to 26.8 per cent in a similar period in FY 2015/16.

ii. The local revenue collection has improved by 19.9 per cent to Kshs.960.64 million in the first nine months of FY 2016/17 from Kshs.783.58 million in a similar period of FY 2016/17.

iii. Establishment of the County Budget and Economic Forum as per Section 137 of the PFM Act, 2012.

Despite the above progress, the following challenges continued to hamper effective budget implementation;

1. High wage bill that increased by 11.1 per cent from Kshs.2.97 billion in the first nine months of

FY 2015/16 to Kshs.3.30 billion in the period under review. The wage bill accounted for 53.3 per cent of total expenditure in the reporting period.

2. Failure to establish an Internal Audit Committee contrary to Section 155 of the PFM Act, 2012.

3. Delays by the Fund Administrators of both the County Assembly and the County Executive Car and Mortgage Funds to submit expenditure reports contrary to Section 168 of the PFM Act, 2012.

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

1. *The County Public Service Board should establish an optimal staffing structure in order to manage the ballooning wage bill.*

2. *The County should establish an Internal Audit Committee in line with Section 155 of the PFM Act, 2012.*

3. *The CECM-F should ensure the Fund Administrators prepare and submits expenditure reports on the in line with Section 168 of the PFM Act, 2012.*

3.23 Makueni County

3.23.1 Overview of the FY 2016/17 Budget

The County's FY 2016/17 Approved Supplementary Budget was Kshs.10.52 billion, comprising of Kshs.4.92 billion (46.8 per cent) and Kshs.5.60 billion (53.2 per cent) allocation for recurrent and development expenditure respectively.

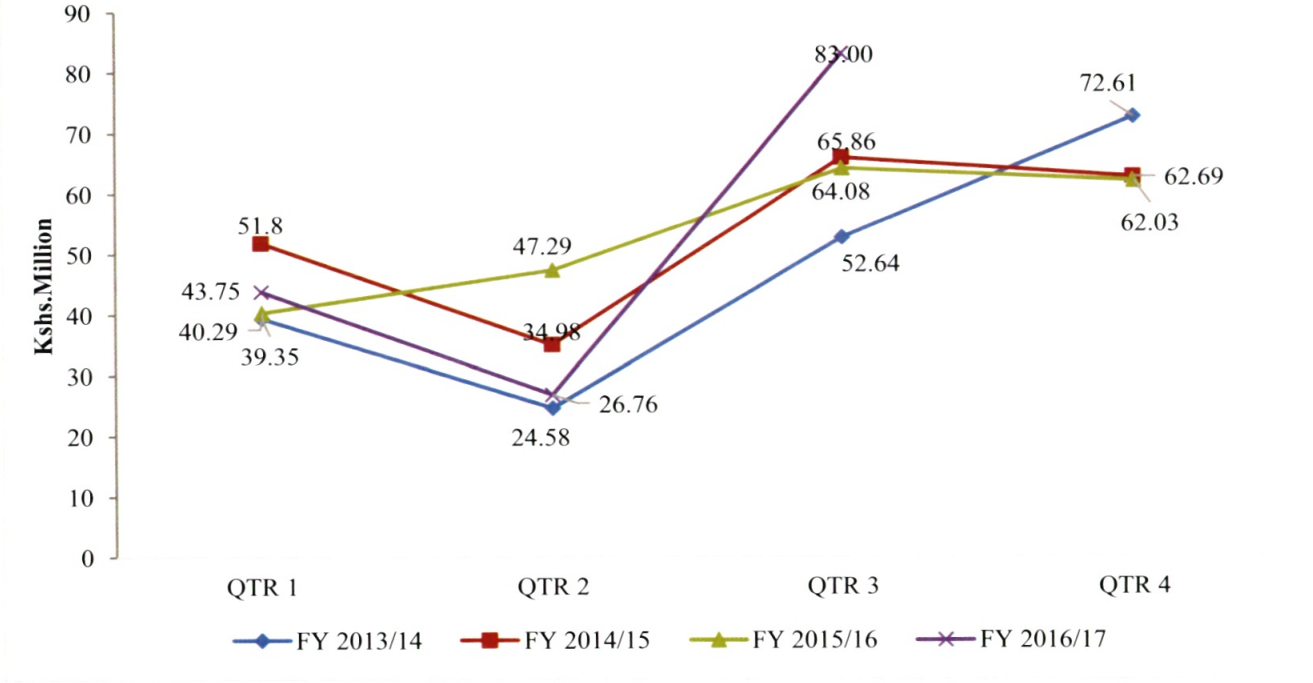
To finance the budget, the County expects to receive Kshs.6.44 billion (61.2 per cent) as equitable share of revenue raised nationally, Kshs.309.92 million (2.9 per cent) as total conditional grants, generate Kshs.500 million (4.7 per cent) from local revenue sources, and Kshs.3.27 billion (31.2 per cent) cash balance from FY 2015/16. The conditional grants comprise of Kshs.83.69 million (27.0 per cent) for Free Maternal Healthcare, Kshs.98.97 million (31.9 per cent) from the Road Maintenance Fuel Levy Fund, Kshs.19.44 million (6.3 per cent) for User Fees Foregone, Kshs.95.74 million (30.9 per cent) for Leasing of Medical Equipment, and Kshs.12.06 million (3.9 per cent) from DANIDA.

3.23.2 Revenue Analysis

During the first nine months of FY 2016/17, the County received Kshs.3.76 billion as equitable share of the revenue raised nationally, Kshs.165.67 million as total conditional allocations, raised Kshs.153.51 million from local revenue sources, and had a cash balance of Kshs.3.27 billion brought forward from FY 2015/16.

Figure 3.67 shows the quarterly trend in local revenue collection from the first quarter of FY 2013/14 to the third quarter of FY 2016/17.

Figure 3.67: Makueni County, Trend in Local Revenue Collection by Quarter from the First Quarter of FY 2013/14 to the Third Quarter of FY 2016/17



Source: *Makueni County Treasury*

The total local revenue collected in the first nine months of FY 2016/17 amounted to Kshs.153.51 million, representing an increase of 1.2 per cent compared to Kshs.151.66 million generated in a similar period of FY 2015/16, and represented 30.7 per cent of the annual local revenue target.

3.23.3 Conditional Grants

Table 3.66 shows an analysis of conditional grants released in the first nine months of FY 2016/17.

Table 3.66: Makueni County, Analysis of Conditional Grants Released in the First Nine Months of FY 2016/17

No.	Conditional Grant	Allocation based on CARA,2016(Kshs.)	FY 2016/17 Actual receipt of the Conditional Grant(Kshs)	Actual receipts as a percentage of Annual Allocation (%)
1	Road Maintenance Fuel Levy Fund	98,971,324	98,971,324	100
2	Free Maternal Healthcare	83,696,467	66,694,901	80
3	User Fees Foregone	19,449,802	0	0
4	DANIDA Grant	12,065,000	0	0
5	Leasing of Medical Equipment	95,744,681	0	0
TOTAL		**309,927,274**	**165,666,225**	**53**

Source: *Makueni County Treasury*

Analysis of conditional grants for the period under review indicates that the Road Maintenance Fuel Levy Fund recorded the highest performance at 100 per cent of its annual target, followed by Free Maternal Healthcare at 80 per cent.

3.23.4 Exchequer Issues

During the reporting period, the Controller of Budget authorised withdrawal of Kshs.7.34 billion from the CRF account, which was 69.8 per cent of the Approved Supplementary Budget. This amount represented an increase of 67.9 per cent from Kshs.4.37 billion authorized in a similar period of FY 2015/16 and consisted of Kshs.3.84 billion (52.4 per cent) for recurrent expenditure and Kshs.3.5 billion (47.6 per cent) for development activities.

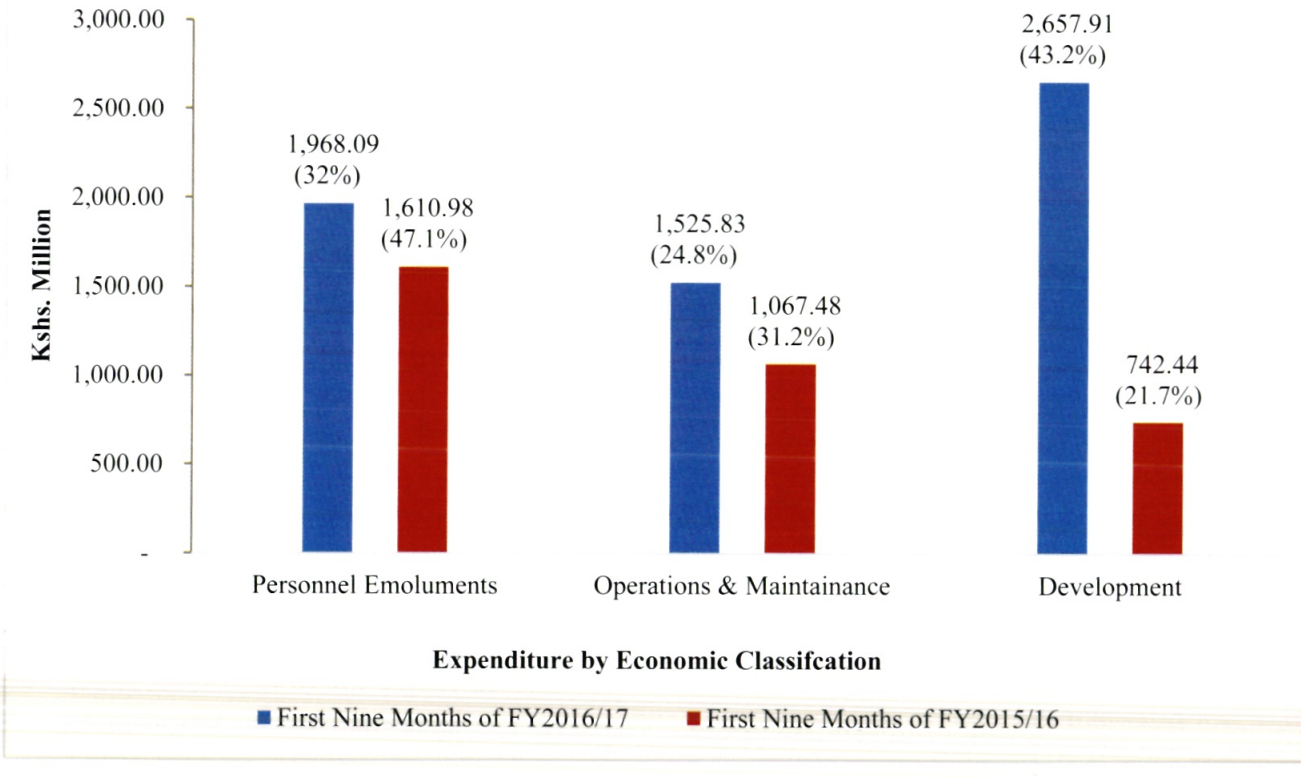
3.23.5 Overall Expenditure Review

The County spent Kshs.6.15 billion, which was 83.7 per cent of the total funds released for operations. This was an increase of 79.8 per cent from Kshs.3.42 billion spent in a similar period of FY 2015/16.

A total of Kshs.3.49 billion was spent on recurrent activities, while Kshs.2.66 billion was spent on development activities. The recurrent expenditure was 90.8 per cent of the funds released for recurrent activities while development expenditure accounted for 75.9 per cent of the funds released for development activities. The expenditure excluded outstanding commitments as at 31st March, 2017 that amounted to Kshs.52.35 million for development and Kshs.5.55 million for recurrent expenditure.

The recurrent expenditure represented 71 per cent of the annual recurrent budget, an increase from 59.8 per cent spent in a similar period of FY 2015/16. Development expenditure recorded an absorption rate of 47.4 per cent, which was an increase from 14.9 per cent attained in a similar period of FY 2015/16. Figure 3.68 presents a comparison between the total expenditure in the first nine months of FY 2016/17 and the first nine months of FY 2015/16.

Figure 3.68: Makueni County, Expenditure by Economic Classification for the First Nine Months of FY 2016/17 and FY 2015/16



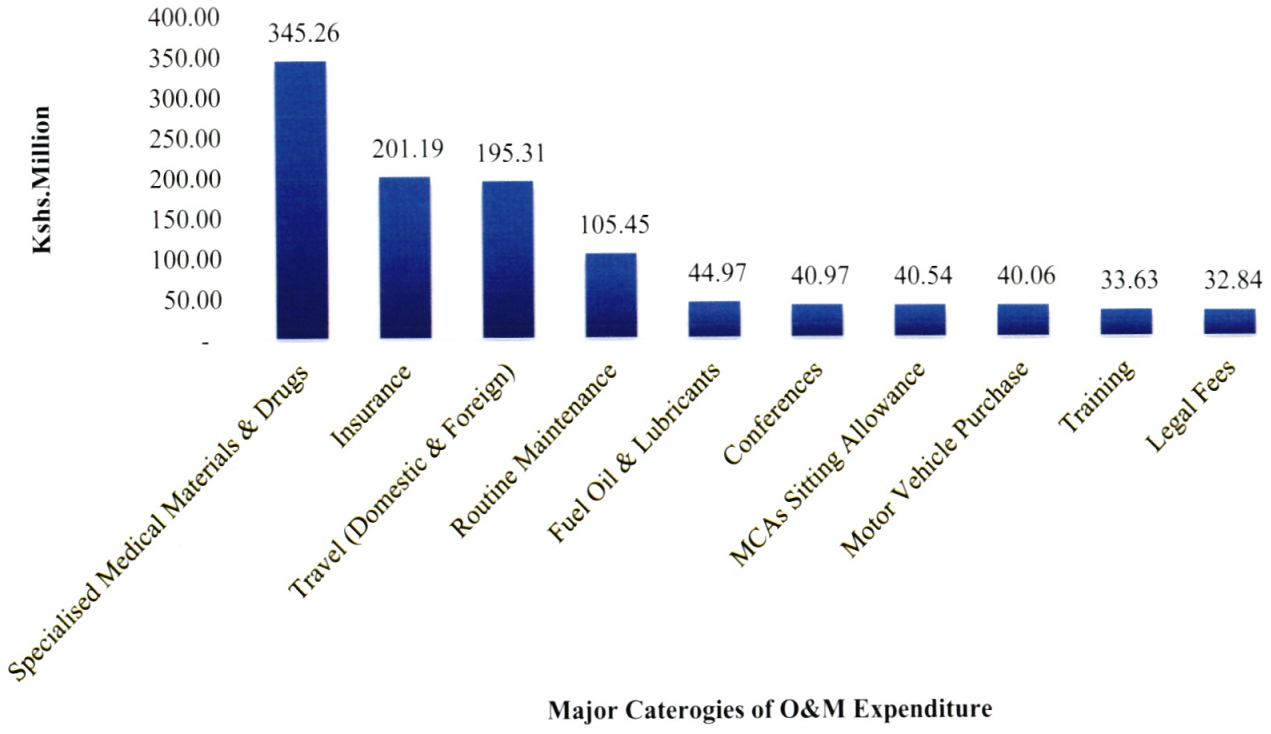
Source: *Makueni County Treasury*

3.23.6 Analysis of Recurrent Expenditure

The total recurrent expenditure of Kshs.3.49 billion consisted of Kshs.1.97 billion (56.3 per cent) spent on personnel emoluments and Kshs.1.53 billion (43.7 per cent) on operations and maintenance as shown in Figure 3.67. Expenditure on personnel emoluments represented an increase of 22.2 per cent compared to a similar period of FY 2015/16 when the County spent Kshs.1.61 billion.

Figure 3.69 shows a summary of operations and maintenance expenditure by major categories.

Figure 3.69: Makueni County, Operations and Maintenance Expenditure Major Categories for the First Nine Months of FY 2016/17



Source: *Makueni County Treasury*

The County spent Kshs.40.54 million on sitting allowances to the 47 MCAs and the Speaker against the annual budget allocation of Kshs.50 million. This was a decline of 7.2 per cent compared to Kshs.43.7 million spent in a similar period of FY 2015/16. The average monthly sitting allowance was Kshs.93,853 per MCA compared to SRC's recommended monthly ceiling of Kshs.124,800.

Expenditure on domestic and foreign travel amounted to Kshs.195.31 million and consisted of Kshs.58.32 million by the County Assembly and Kshs.136.99 million by the County Executive. This was an increase of 13.8 per cent compared to Kshs.171.59 million spent in a similar period of FY 2015/16.

3.23.7 Development Expenditure Analysis

The total development expenditure of Kshs.2.66 billion represented 47.4 per cent of the annual development budget of Kshs.5.6 billion. Table 3.67 provides a summarised list of development projects with the highest expenditure during the period under review.

Table 3.67: Makueni County, List of Development Projects with the Highest Expenditure in the First Nine Months of FY 2016/17

No.	Project Name	Ward (Location)	Annual Budget (Kshs.)	Expenditure as at 31st March, 2017 (Kshs.)	Absorption rate (%)
1	Water supplies and sewerage	Across the Wards	1,007,329,125	489,205,450	48.6
2	Fruit Processing Plant	Kilili/Kalamba	558,280,199	339,431,298	60.8
3	Emergency Fund	Across the Wards	36,400,000	23,292,044	64.0
4	Tetheka Fund	Across the Wards	160,000,000	82,056,380	51.3
5	Universal Healthcare	Across the Wards	200,406,000	86,750,399	43.3
6	Ward based upgrading of dispensaries	Across the Wards	456,991,116	232,600,784	50.9
7	Access roads	Across the Wards	345,168,125	183,059,067	53.0
8	Construction of ECDE,&CTTIs	Across the Wards	384,492,546	193,524,893	50.3
9	Purchase of 5 hospital generators	Across the 5 Wards	32,000,000	31,000,000	96.9
10	Promotion of Micro Finance	Across the Wards	46,000,000	32,472,686	70.6
	Total		**3,227,067,111**	**1,693,393,001**	**52.5**

Source: *Makueni County Treasury*

Analysis of the development expenditure by project indicates that, the highest expenditure of Kshs.489.2 million was spent on water supplies and sewerage activities - sand dams and earth dams, followed by Kshs.339.43 million on a Fruit Processing Plant, and Kshs.232.6 million on ward based heavy and light grading of access roads.

3.23.8 Budget and Budget Performance Analysis by Department

Table 3.68 shows a summary for the first nine months of FY 2016/17 budget estimates and budget performance by department.

Table 3.68: Makueni County, Budget Performance by Department for the First Nine Months of FY 2016/17

Department	Budget Allocation (Kshs. Million)		First nine months FY 2016/17 Exchequer Issues (Kshs. Million)		First nine months FY 2016/17 Expenditure (Kshs. Million)		First nine months FY 2016/17 Expenditure to Exchequer Issues (%)		First nine months FY 2016/17 Absorption rate (%)	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
County Attorney's Office	43.75	-	42.18	-	23.12	-	54.8	-	52.8	-
County Public Service Board	75.64		55.16	-	52.04	-	94.3	-	68.8	-
Department of Lands, Physical Planning & Mining	40.44	164.5	31.13	125.12	26.35	100.57	84.6	80.4	65.2	61.1
Office of Governor	232.79	-	202.95	-	165.1	-	81.4	-	70.9	-
Department of Trade, Tourism & Cooperatives	52.4	318.53	33.99	234.94	35.92	167.2	105.7	71.2	68.5	52.5

Department	Budget Allocation (Kshs. Million)		First nine months FY 2016/17 Exchequer Issues (Kshs. Million)		First nine months FY 2016/17 Expenditure (Kshs. Million)		First nine months FY 2016/17 Expenditure to Exchequer Issues (%)		First nine months FY 2016/17 Absorption rate (%)	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
Department of Youth, Gender, Sports & Social services	59.29	451.88	42.08	192.16	36.61	262.81	87.0	136.8	61.7	58.2
County Secretary	345.45	-	279.21	-	254.79	-	91.3	-	73.8	-
Department of finance & Socio Economic Planning	549.53	92.08	298.26	28.54	309.99	24.15	103.9	84.6	56.4	26.2
Department of Education & ICT	229.59	535.86	144.79	336.09	159.17	306.66	109.9	91.2	69.3	57.2
Department of Transport & Infrastructure	147.08	804.17	109.87	534.47	95.56	277.21	87.0	51.9	65.0	34.5
Department of Agriculture, Livestock & Fisheries development	256.47	695.23	172.37	314.95	185.94	427.82	107.9	135.8	72.5	61.5
Department of water, Irrigation & Environment	164.58	1,207.33	112.21	897.13	110.55	516.03	98.5	57.5	67.2	42.7
Department of Health	1,792.66	1,122.22	1,562.99	733.49	1,372.66	471.73	87.8	64.3	76.6	42.0
Department of Devolution & Public Service	236.3	141.66	166.17	43.66	161.44	47.11	97.2	107.9	68.3	33.3
Sand Authority	51.7	8.3	36.74	5.7	45.41	16.25	123.6	285.1	87.8	195.8
County Assembly	644.05	59.94	556.16	53.94	459.27	40.37	82.6	74.8	71.3	67.4
TOTAL	**4,921.72**	**5,601.70**	**3,846.26**	**3,500.19**	**3,493.92**	**2,657.91**	**90.8**	**75.9**	**71.0**	**47.4**

Source: *Makueni County Treasury*

Analysis of budget performance by department shows that the Sand Authority attained the highest absorption rate of development budget at 195.8 per cent (an absorption rate above 100 per cent, which should be regularised through a Supplementary Budget) followed by County Assembly at 67.4 per cent. On the other hand the Department of Sand Authority had the highest percentage of recurrent expenditure to recurrent budget at 87.8 per cent followed by the Department of Health Services at 76.6 per cent.

3.23.9 Observations and Recommendations

The County has made progress in addressing some of the challenges previously identified as affecting budget implementation. Some of the progress made included:

i. Establishment of an Internal Audit Committee and strengthening of the Internal Audit Department to oversee financial operations as required by Section 155 of the PFM Act, 2012.

ii. Improvement in absorption of development budget from 14.9 per cent in a similar period of FY 2015/16 to 43.4 per cent in the reporting period.

Despite the above progress, the following challenges continued to hamper effective budget implementation;

1. Delay in disbursement of the equitable share of revenue raised nationally by the National Treasury. As at the end of the reporting period, Kshs.3.76 billion had been disbursed against an expected disbursement of Kshs.4.86 billion.

2. Under-performance in local revenue collection. The local revenue collected in the first nine months of FY 2016/17 was Kshs.153.51 million which was 30.7 per cent of the annual local revenue target of Kshs.500 million.

3. Delays by Fund Administrators to submit expenditure reports on the established County Funds, such as Bursary Fund, Emergency Fund, Assembly Car & Mortgage Fund, and, the Tetheka Fund.

4. IFMIS connectivity challenges, which slowed down approval of procurement requests and payments to suppliers.

5. Failure by County Assembly Members to regularly repay the Car and Mortgage Loans as required by the Makueni County Assembly Car and Mortgage Scheme Regulations, 2014.

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

1. *The County Treasury should liaise with the National Treasury to ensure that funds allocated to the County are released in a timely manner in line with CARA, 2016 Disbursement Schedule.*

2. *The County Treasury should formulate and implement strategies to enhance local revenue collection.*

3. *The Fund Administrators should ensure timely submission of financial reports in line with Section 168 of the PFM Act, 2012.*

4. *The County Treasury should liaise with IFMIS Directorate for support in application of IFMIS and E-procurement module.*

5. *The Administrator of the Car Loan and the Mortgage Fund should ensure all disbursed loans are repaid as per the approved regulations.*

3.24 Mandera County

3.24.1 Overview of the FY 2016/17 Budget

The County's FY 2016/17 Approved Budget was Kshs.12.02 billion, comprising of Kshs.4.33 billion (36.0 per cent) and Kshs.7.69 billion (64.0 per cent) allocation for recurrent and development expenditure respectively.

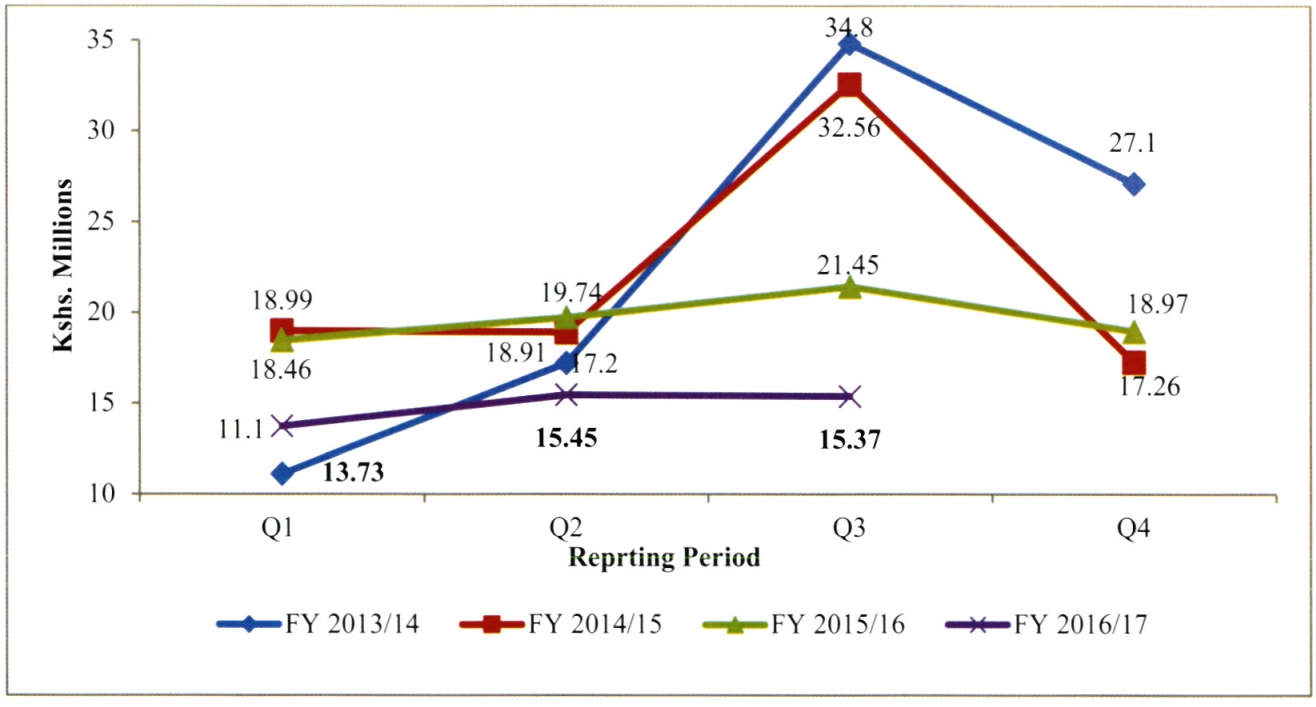
To finance the budget, the County expects to receive Kshs.9.66 billion (80.4 per cent) as equitable share of revenue raised nationally, Kshs.308.43 million (2.6 per cent) as total conditional grants, generate Kshs.265.64 million (2.2 per cent) from local sources, and Kshs.1.78 billion (14.8 per cent) cash balance from FY 2015/16. The conditional grants comprise of Kshs.55.34 million (17.9 per cent) for Free Maternal Healthcare, Kshs.148.48 million (48.1 per cent) from the Road Maintenance Fuel Levy Fund, Kshs.15.52 million (5.0 per cent) for User Fees Foregone, Kshs.7.31 million (2.4 per cent) from DANIDA and Kshs.39.30 million (12.7 per cent) from the Kenya Devolution Support Program.

3.24.2 Revenue Analysis

During the first nine months of FY 2016/17, the County received Kshs.5.65 billion as equitable share of the revenue raised nationally, Kshs.185.65 million as total conditional allocations, raised Kshs.44.55 million from local sources, and had a cash balance of Kshs.1.80 billion brought forward from FY 2015/16.

Figure 3.70 shows the quarterly trend in local revenue collection from the first quarter of FY 2013/14 to the third quarter of FY 2016/17.

Figure 3.70: Mandera County, Trend in Local Revenue Collection by quarter from first quarter FY 2013/14 to Third quarter FY 2016/17



Source: *Mandera County Treasury*

The total local revenue collected in the first nine months of FY 2016/17 amounted to Kshs.44.55 million, representing a decrease of 33.9 per cent compared to Kshs.59.65 million generated in a similar period of FY 2015/16, and represented 16.8 per cent of the annual local revenue target.

3.24.3 Conditional Grants

Table 3.69 shows an analysis of conditional grants released in the first nine months of FY 2016/17.

Table 3.69 : Mandera County, Analysis of Conditional Grants Released in the First Nine Months of FY 2016/17

Revenue Stream	Allocation based on CARA, 2016 (Kshs.)	FY 2016/17 Actual receipt of Conditional Grants (Kshs.)	Actual receipts as a percentage of Annual Allocation (%)
DANIDA Funds to Rural Health facilities	7,310,000	-	-
World Bank Health Funds (Ministry of Health)	42,477,798	-	-
Road Maintenance Fuel Levy Fund (State Department of Infrastructure)	148,476,828	148,476,828	100.0
Kenya Devolution Support Program	39,304,000	-	-
Maternal HealthCare (Ministry of Health)	55,335,158	29,412,500	53.2
User Fees foregone (Ministry of Health)	15,521,730	7,760,865	50.0
Total	**308,425,514**	**185,650,193**	**60.2**

Source: *Mandera County Treasury*

Analysis of the conditional grants released during the period under review indicates that the Road Maintenance Fuel Levy Fund recorded the highest receipts at 100 per cent of annual target. The County is yet to receive funds from the Kenya Devolution Support Program, World Bank Health Funds (Ministry of Health), and DANIDA funding to Rural Health facilities.

3.24.4 Exchequer Issues

During the reporting period, the Controller of Budget authorised withdrawal of Kshs.7.67 billion from the CRF account, which was 63.8 per cent of the Approved Budget. This amount represented an increase of 13 per cent from Kshs.6.79 billion authorized in a similar period of FY 2015/16 and consisted of Kshs.3.24 billion (42.3 per cent) for recurrent expenditure and Kshs.4.43 billion (57.7 per cent) for development activities.

3.24.5 Overall Expenditure Review

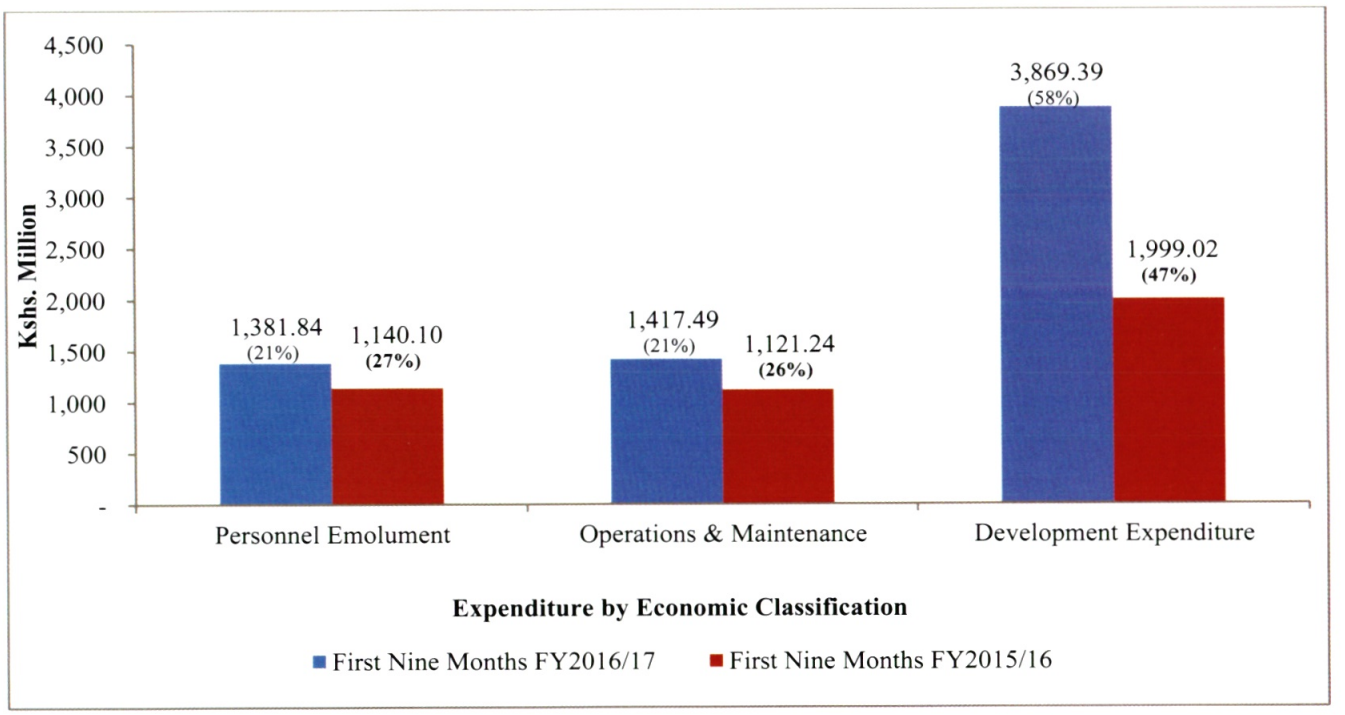
The County spent Kshs.6.67 billion which was 86.9 per cent of the total funds released for operations. This was an increase of 56.6 per cent from Kshs.4.26 billion spent in a similar period of FY 2015/16.

A total of Kshs.2.80 billion was spent on recurrent activities, while Kshs.3.87 billion was spent on development activities. The recurrent expenditure was 86.3 per cent of the funds released for recurrent activities while development expenditure accounted for 87.4 per cent of the funds released for development activities.

The recurrent expenditure represented 64.7 per cent of the annual recurrent budget, an increase from 53.6 per cent spent in a similar period of FY 2015/16. Development expenditure recorded an absorption rate of 50.3 per cent, which was an increase from 27.4 per cent attained in a similar period

of FY 2015/16. Figure 3.71 presents a comparison between the total expenditure in the first nine of FY 2016/17 and first nine of FY 2015/16.

Figure 3.71: Mandera County, Expenditure by Economic Classification for the First Nine Months of FY 2016/17 and FY 2015/16

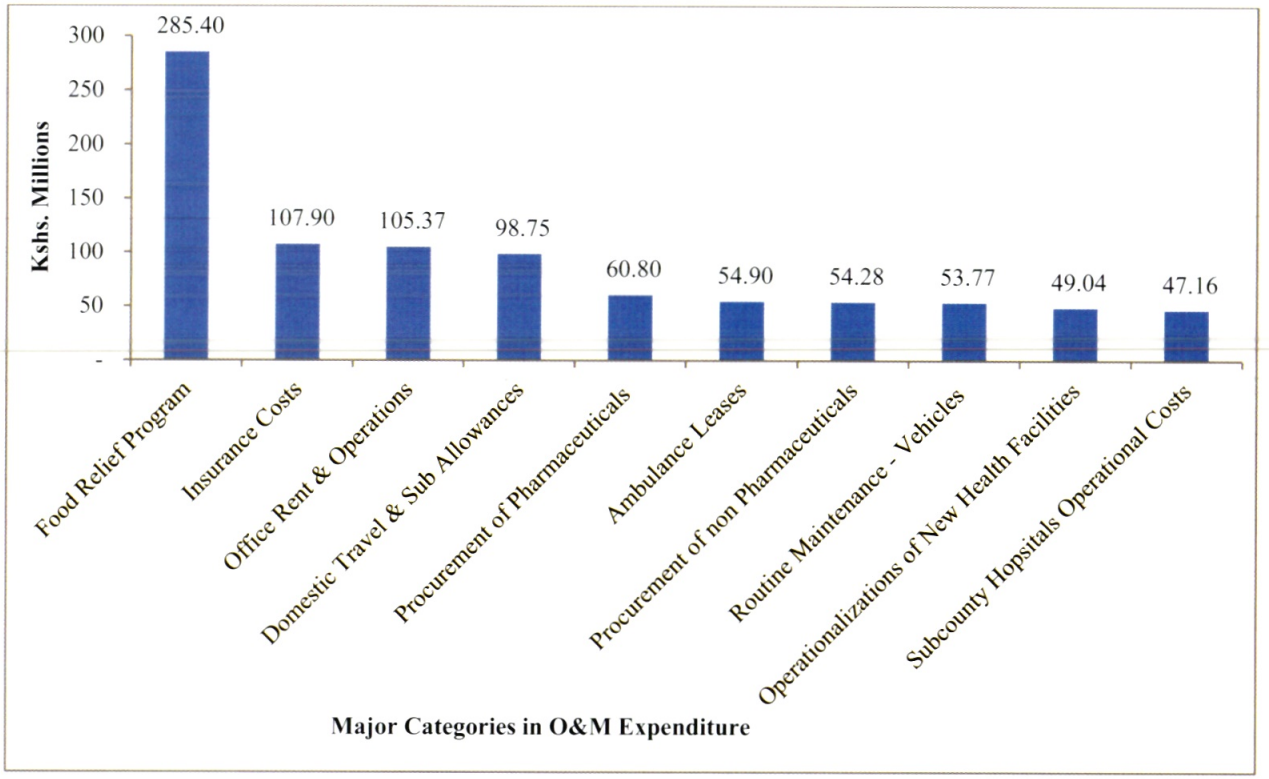


Source: *Mandera County Treasury*

3.24.6 Analysis of Recurrent Expenditure

The total recurrent expenditure of Kshs.2.80 billion consisted of Kshs.1.38 billion (49.3 per cent) spent on personnel emoluments and Kshs.1.42 billion (50.7 per cent) on operations and maintenance as shown in Figure 3.71. Expenditure on personnel emoluments represented an increase of 21 per cent compared to a similar period of FY 2015/16 when the County spent Kshs.1.14 billion. Figure 3.72 shows a summary of operations and maintenance expenditure by major categories.

Figure 3.72: Mandera County, Operations and Maintenance Expenditure by the Major Categories for the First Nine months of FY 2016/17



Source: *Mandera County Treasury*

The County spent Kshs.25.46 million on sitting allowances to the 48 MCAs and the Speaker against the annual budget allocation of Kshs.63 million. This was a decrease of 11 per cent compared to Kshs.28.59 million spent in the same period of FY 2015/16. The average monthly sitting allowance was Kshs.57,741 per MCA compared to SRC's recommended monthly ceiling of Kshs.124, 800

Expenditure on domestic and foreign travel amounted to Kshs.111.59 million and consisted of Kshs.61.98 million by the County Assembly and Kshs.49.61 million by the County Executive. This was a decrease of 7.3 per cent compared to Kshs.120.36 million spent in a similar period of FY 2015/16.

3.24.7 Development Expenditure Analysis

The total development expenditure of Kshs.3.87 billion represented 50.3 per cent of the annual development budget of Kshs.7.69 billion. Table 3.70 provides a summarised list of development projects with the highest expenditure during the period under review.

Table 3.70: Mandera County, List of Development Projects with the Highest Expenditure in the First Nine Months of FY 2016/17

S/No	Project name	Ward (Location of the Project)	Estimated Budget (Kshs.)	Expenditure as at 31st March, 2017 (Kshs.)	Absorption rate (%)
1	Construction, improvement and Supervision of roads in all sub-counties	Countywide	1,922,622,410	887,195,683	46.1
2	Construction and Rehabilitation of 20,000m3, 30,000m3,60,000m3, 70,000m3 100,000, of Earth Pan in all sub-counties	Countywide	934,367,549	603,115,263	64.5

S/No	Project name	Ward (Location of the Project)	Estimated Budget (Kshs.)	Expenditure as at 31st March, 2017 (Kshs.)	Absorption rate (%)
3	Construction, Piping, Drilling of borehole, Fencing and Rehabilitation of water supply in all sub-counties	Countywide	580,226,263	313,061,349	54.0
4	Construction, Renovation, Refurbishment and Fencing of Ashabito, Kutulo, Rhamu Dimtu, Rhamu, Miraa Market, Mandera East,Sala, Eymole,Elwak SME Market	Ashabito, Kutulo, Rhamu Dimtu, Rhamu, Miraa Market, Mandera East,Sala, Eymole,Elwak SME Market	356,886,521	197,971,040	55.5
5	Supply of solar Equipment and Installation of Solar Powered Street Lighting - Rhamu Town	Rhamu Town	237,925,354	175,764,413	73.9
6	Construction Of Mandera Accident and Emergency Unit in Mandera Town and Elwak Town	Mandera Town and Elwak Town	236,350,750	145,200,881	61.4
7	Construction of Building, fencing and other infrastructures in all sub-counties	Countywide	327,345,879	104,176,838	31.8
8	Construction of 6-Bed Maternity & Delivery Block And Related Works At Elgolicha Dispensary	Elgolicha Dispensary	174,642,508	92,186,574	52.8
9	IDP Housing Programs	Not Stated	395,483,534	90,704,458	22.9
10	Construction of ECD Classes in 134 Public Primary School and 6 model ECD classrooms-On-going Projects in Mandera East, Lafey, Banissa, Mandera South, Mandera North and Mandera West.	Mandera East, Lafey, Banissa, Mandera South, Mandera North and Mandera West.	94,405,050	88,430,000	93.7
	Total		**5,260,255,818**	**2,697,806,499**	**51**

Source: *Mandera County Treasury*

Analysis of the development expenditure by project indicates that, the highest expenditure of Kshs.887.20 million was spent on road construction, followed by Kshs.603.12 million on construction and rehabilitation of earth pans in the sub-counties.

3.24.8 Budget and Budget Performance Analysis by Department

Table 3.71 shows a summary of budget estimates and budget performance by department for the first nine months of FY 2016/17

Table 3.71: Mandera County, Budget Performance by Department for the First Nine Months of FY 2016/17

Department	Annual Budget Allocation (Kshs. Million)		First nine months of FY 2016/17 Exchequer Issues (Kshs. Million)		First nine months of FY 2016/17 Expenditure (Kshs. Million)		First nine months of FY 2016/17 Expenditure to Exchequer Issues (%)		First nine months of FY 2016/17 Absorption rate (%)	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
County Assembly	700.17	155.92	426.69	68.50	338.00	56.91	79.2	83.1	48.3	36.5
Ministry of Agriculture, Livestock and Fisheries	141.75	446.32	106.78	235.10	83.84	220.62	78.5	93.8	59.1	49.4
Ministry of Education, Culture and Sports	432.95	304.95	232.71	240.87	194.99	224.40	83.8	93.2	45.0	73.6

Department	Annual Budget Allocation (Kshs. Million)		First nine months of FY 2016/17 Exchequer Issues (Kshs. Million)		First nine months of FY 2016/17 Expenditure (Kshs. Million)		First nine months of FY 2016/17 Expenditure to Exchequer Issues (%)		First nine months of FY 2016/17 Absorption rate (%)	
Ministry of Gender, Youth and Social Services	71.92	59.07	31.20	27.00	13.32	27.00	42.7	100.0	18.5	45.7
Ministry of Finance & Economic Planning and ICT	543.09	594.57	472.60	249.50	447.61	243.51	94.7	97.6	82.4	41.0
Health Services	1,002.5	830.27	828.64	512.54	781.25	437.79	94.3	85.4	77.9	52.7
Ministry of Trade, Investments, Industrialization, and Cooperative Development	45.70	479.18	32.97	243.45	25.17	201.82	76.4	82.9	55.1	42.1
Lands, Housing Developments and Physical Planning	60.51	139.80	52.93	86.05	40.21	44.65	76.0	51.9	66.4	31.9
Office of the Governor and Deputy Governor	299.60	-	238.40	-	205.29	-	86.1		68.5	
County Public Service Board	71.28	-	49.96	-	41.62	-	83.3		58.4	
Ministry of Public Service Management and Devolved Units	558.62	204.39	453.77	100.65	405.91	87.27	89.5	86.7	72.7	42.7
Public Works Roads and Transport	125.67	2,461.7	76.57	1,396.6	55.00	1,134.5	71.8	81.2	43.8	46.1
Ministry of Water, Energy, Environment, Natural Resources Tourism and Wildlife	272.56	2,018.2	239.55	1,268.9	167.13	1,190.9	69.8	93.9	61.3	59.0
Total	**4,326.3**	**7,694.4**	**3,242.8**	**4,429.2**	**2,799.3**	**3,869.4**	**86.3**	**87.4**	**64.7**	**50.3**

Source: *Mandera County Treasury*

Analysis of budget performance by department shows that the Ministry of Education, Culture and Sports attained the highest absorption rate of development budget at 73.6 per cent while the Lands, Housing Developments and Physical Planning had the lowest rate at 31.9 per cent. On the other hand the Ministry of Finance and Economic Planning and ICT had the highest percentage of recurrent expenditure to recurrent budget at 82.4 per cent while the Ministry of Gender, Youth and Social Services had the lowest at 18.5 per cent.

3.24.9 Observations and Recommendations

The County has made progress in addressing some of the challenges previously identified as affecting budget implementation which included:

i. Improvement in absorption of development budget from 27.4 per cent in the first nine months of FY 2015/16 to 50.3 per cent in the reporting period.

Despite the above progress, the following challenges continued to hamper effective budget implementation;

1. Under-performance in local revenue collection. Local revenue collection declined by 33.9 per cent from Kshs.59.65 million in the first nine months of FY 2015/16 to Kshs.44.55 million in the reporting period.

2. From analysis of imprest bank statements, the Office has noted that a substantial amount of money was transferred to imprest accounts. This may imply that some payments were made from the imprest accounts rather than through the internet banking platform as required by the National Treasury.

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

1. *The County Treasury should formulate and implement strategies to enhance local revenue collection.*

2. *The County Treasury should discourage direct cash payments, which is prone to abuse, by maintaining optimal imprest cash-level.*

3.25 Marsabit County

3.25.1 Overview of the FY 2016/17 Budget

The County's FY 2016/17 Supplementary Budget was Kshs.6.82 billion, comprising of Kshs.3.61 billion (52.9 per cent) and Kshs.3.21 billion (47.1 per cent) allocation for recurrent and development expenditure respectively.

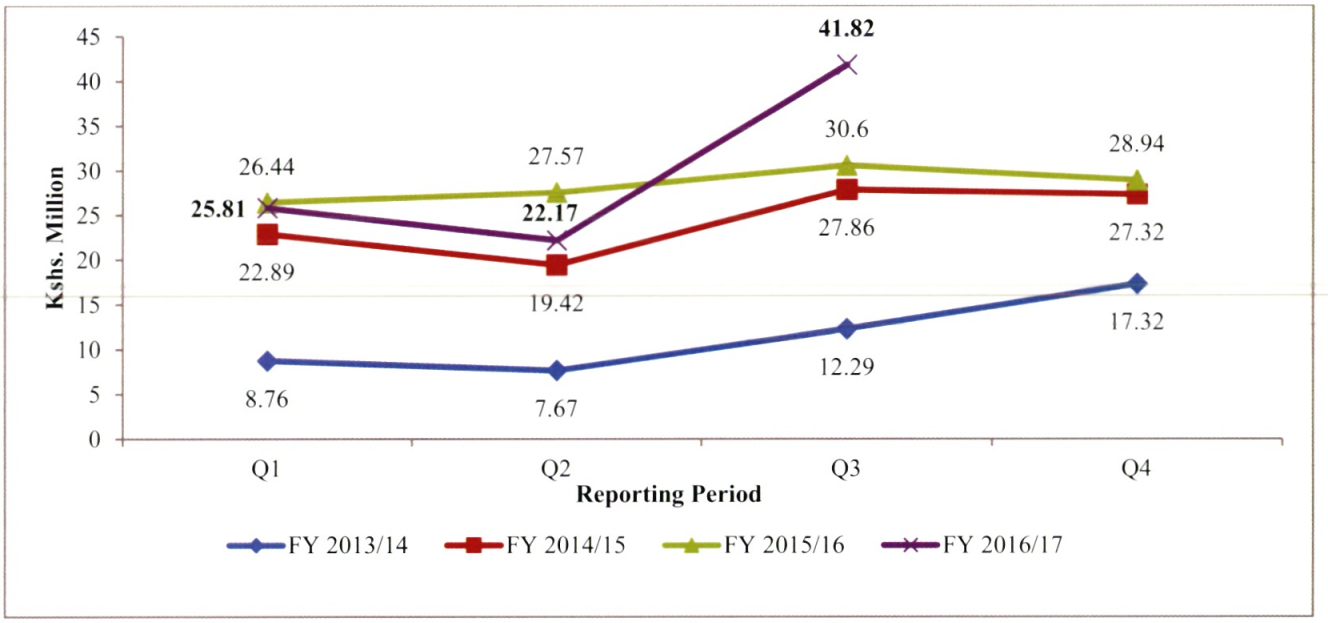
To finance the budget, the County expects to receive Kshs.5.60 billion (82.1 per cent) as equitable share of revenue raised nationally, Kshs.160.31 million (2.4 per cent) as total conditional grants, generate Kshs.120 million (1.8 per cent) from local revenue sources, and Kshs.939.37 million (13.8 per cent) cash balance from FY 2015/16. The conditional grants comprise of Kshs.25.09 million (15.7 per cent) for Free Maternal Healthcare, Kshs.86.04 million (53.7 per cent) from the Road Maintenance Fuel Levy Fund, Kshs.6.87 million (4.3 per cent) for User Fees Foregone, Kshs.7.67 million (4.8 per cent) from DANIDA, and Kshs.34.63 million (21.6 per cent) from Other Loans and Grants. The County Treasury did not budget Kshs.29.08 million from World Bank, Kenya Devolution Support Programme.

3.25.2 Revenue Analysis

During the first nine months of FY 2016/17, the County received Kshs.3.26 billion as equitable share of the revenue raised nationally, Kshs.82.02 million as total conditional allocations, raised Kshs.89.80 million from local revenue sources, and had a cash balance of Kshs.939.37 million brought forward from FY 2015/16.

Figure 3.73 shows the quarterly trend in local revenue collection from the first quarter of FY 2013/14 to the third quarter of FY 2016/17.

Figure 3.73: Marsabit County, Trend in Local Revenue Collection by Quarter from the First Quarter FY 2013/14 to the Third Quarter FY 2016/17



***Source**: Marsabit County Treasury*

The total local revenue collected in the first nine months of FY 2016/17 amounted to Kshs.89.80 million, representing an increase of 6.1 per cent compared to Kshs.84.62 million generated in a similar period of FY 2015/16, and represented 74.8 per cent of the annual local revenue target.

3.25.3 Conditional Grants

Table 3.72 shows an analysis of conditional grants released in the first nine months of FY 2016/17.

Table 3.72: Marsabit County, Analysis of Conditional Grants Released in the first nine months of FY 2016/17

No.	Conditional Grant	Allocation based on CARA, 2016 (Kshs.)	FY 2016/17 Actual receipt of Conditional Grants (Kshs.)	Actual receipts as a percentage of Annual Allocation (%)
1	Road Maintenance Fuel Levy Fund	86,036,213	64,527,159	75.0
2	Free Maternal Healthcare	25,096,698	14,054,150	56.0
3	World Bank grant to health facilities	34,627,134	-	-
5	User Fees Foregone	6,872,636	3,436,318	50.0
6	DANIDA grant	7,675,000	-	-
	TOTAL	**160,307,681**	**82,017,627**	**51.2**

***Source:** Marsabit County Treasury*

Analysis of the conditional grants released during the period under review indicates that, the Road Maintenance Fuel Levy Fund recorded the highest receipts at 75 per cent of the annual target followed by Free Maternal Healthcare at 56 per cent and foregone user fees at 50 per cent. The County is yet to receive funds from the World Bank grant to health facilities and DANIDA.

3.25.4 Exchequer Issues

During the reporting period, the Controller of Budget authorised withdrawal of Kshs.4.07 billion from the CRF account, which was 59.7 per cent of the Supplementary Budget. This amount represented a decrease of 14.3 per cent from Kshs.3.56 billion authorized in a similar period of FY 2015/16 and consisted of Kshs.2.66 billion (65.3 per cent) for recurrent expenditure and Kshs.1.41 billion (34.6 per cent) for development activities.

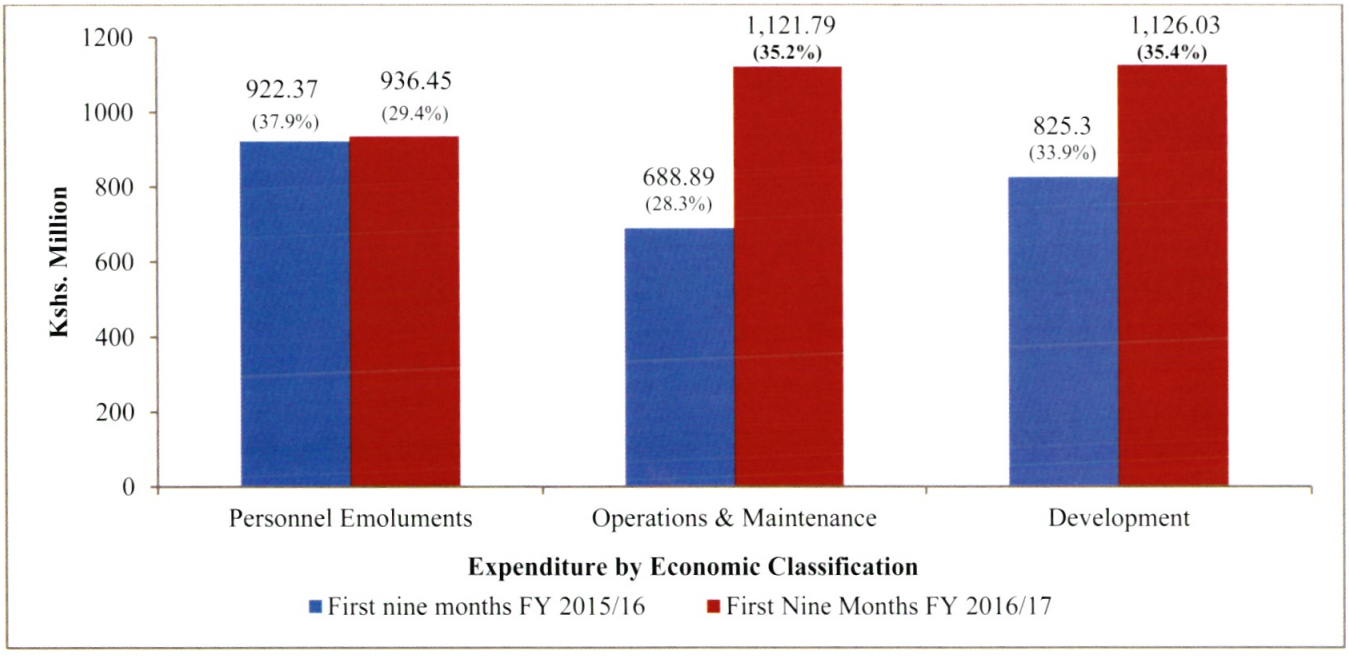
3.25.5 Overall Expenditure Review

The County spent Kshs.3.18 billion, which was 78.2 per cent of the total funds released for operations. This was an increase of 30.9 per cent from Kshs.2.43 billion spent in a similar period of FY 2015/16.

A total of Kshs.2.06 billion was spent on recurrent activities, while Kshs.1.13 billion was spent on development activities. The recurrent expenditure was 77.2 per cent of the funds released for recurrent activities while development expenditure accounted for 79.7 per cent of the funds released for development activities. The expenditure excluded outstanding commitments as at 31st March, 2017 that amounted to Kshs.230 million for development and Kshs.426.98 million for recurrent expenditure.

The recurrent expenditure represented 57 per cent of the annual recurrent budget, an increase from 53.1 per cent spent in a similar period of FY 2015/16. Development expenditure recorded an absorption rate of 35.1 per cent, which was an increase from 29.4 per cent attained in a similar period of FY 2015/16. Figure 3.74 presents a comparison between the total expenditure in the first nine months of FY 2016/17 and the first nine months of FY 2015/16.

Figure 3.74: Marsabit County, Expenditure by Economic Classification for the First Nine Months of FY 2016/17 and FY 2015/16



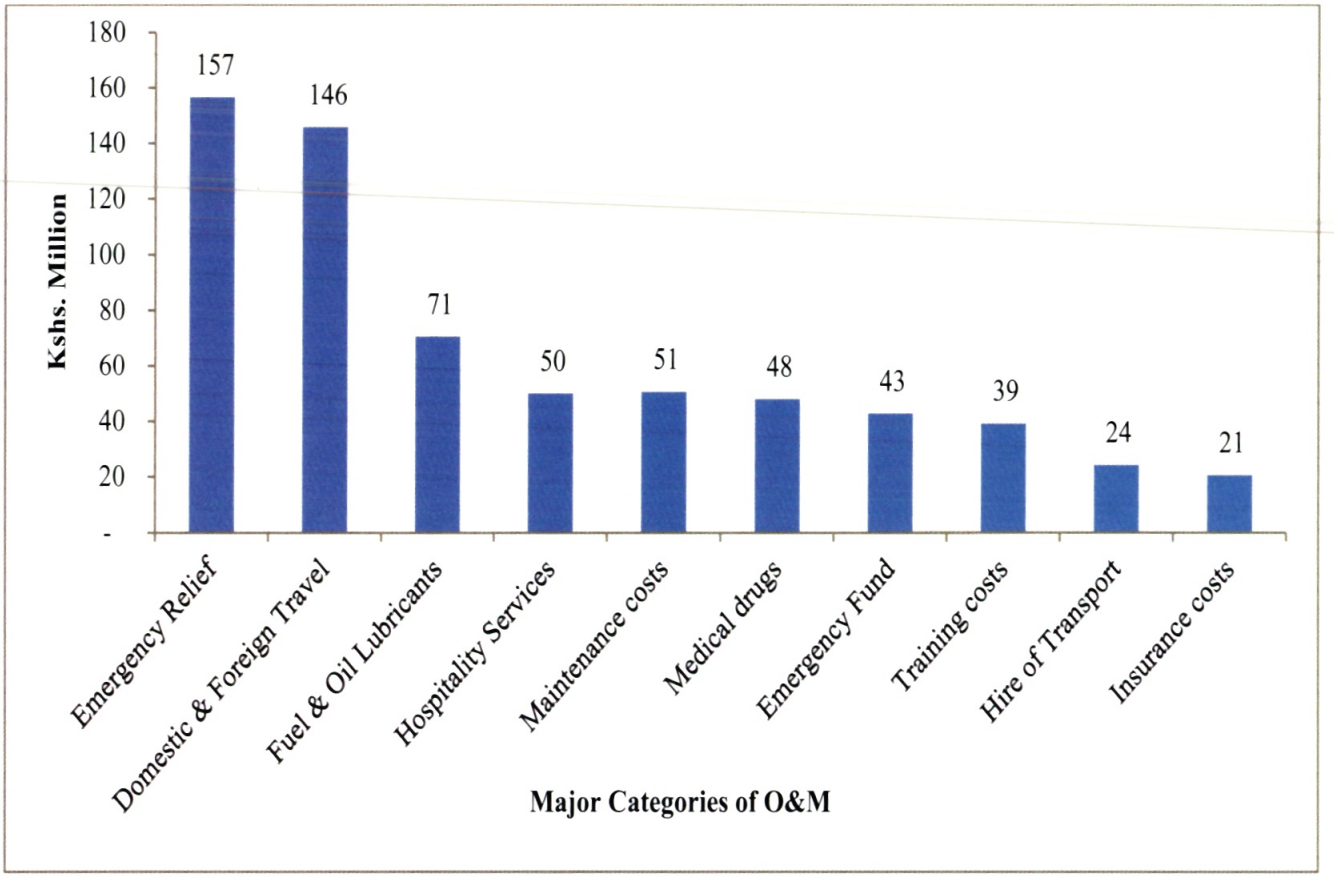
Source: *Marsabit County Treasury*

3.25.6 Analysis of Recurrent Expenditure

The total recurrent expenditure of Kshs.2.06 billion consisted of Kshs.936.45 million (45.6 per cent) spent on personnel emoluments and Kshs.1.12 billion (54.4 per cent) on operations and maintenance

as shown in Figure 3.74. Expenditure on personnel emoluments represented an increase of 1.5 per cent compared to a similar period of FY 2015/16 when the County spent Kshs.922.37 million. Figure 3.75 shows a summary of operations and maintenance expenditure by major categories.

Figure 3.75: Marsabit County, Operations and Maintenance Expenditure by Major Categories for the First Nine Months of FY 2016/17



Source: *Marsabit County Treasury*

The County spent Kshs.19.5 million on sitting allowances to the 33 MCAs and the Speaker against the annual budget allocation of Kshs.40 million. This was an increase of 14.7 per cent compared to Kshs.17 million spent in the same period of FY 2015/16. The average monthly sitting allowance was Kshs.63,725 per MCA compared to SRC's recommended monthly ceiling of Kshs.124,800

Expenditure on domestic and foreign travel amounted to Kshs.145.84 million and consisted of Kshs.64.98 million by the County Assembly and Kshs.80.86 million by the County Executive. This was a decrease of 2.8 per cent compared to Kshs.150.07 million spent in a similar period of FY 2015/16.

3.25.7 Development Expenditure Analysis

The total development expenditure of Kshs.1.13 billion represented 35.1 per cent of the annual development budget of Kshs.3.21 billion. Table 3.73 provides a summarised list of development projects with the highest expenditure during the period under review.

Table 3.73: Marsabit County, List of Development Projects with the Highest Expenditure in the First Nine Months of FY 2016/17

S/No.	Project name	Ward (Location of the Project)	Estimated Budget (Kshs.)	Expenditure as at 31st March, 2017 (Kshs.)	Absorption rate (%)
1	Construction of major roads	Countywide	174,300,000	157,300,000	90.2
2	Spot improvement of minor roads	Countywide	132,204,601	135,204,601	102.3
3	Perimeter fencing of Moyale Hospital	Moyale	20,000,000	20,000,000	100.0
4	Perimeter fencing of Marsabit Hospital	Saku	20,000,000	19,548,206	97.7
5	Construction of North Horr Health Centre	North Horr	12,000,000	12,000,000	100.0
6	Construction of Maternity Laisamis Hospital	Laisamis	5,479,260	4,383,408	80.0
7	Construction of Admin Block	Illeret	5,568,000	2,227,200	40.0
8	Construction of Dormitory	Nomadic School	3,499,500	3,499,500	100.0
	Total		**373,051,361**	**354,162,915**	94.9

Source: *Marsabit County Treasury*

Analysis of the development expenditure by project indicates that, the highest expenditure of Kshs.157.3 million was spent on construction of major roads, followed by Kshs.135.2 million spent on improvement of minor roads. The County also spent a total of Kshs.39.55 million on construction of a perimeter fence around the Marsabit and Moyale hospitals.

3.25.8 Budget and Budget Performance Analysis by Department

Table 3.74 shows a summary of budget estimates and budget performance by department for the first nine months of FY 2016/17

Table 3.74: Marsabit County, Budget Performance by Department for the First Nine Months of FY 2016/17

Department	Annual Budget Allocation (Kshs. Million)		First nine months of FY 2016/17 Exchequer Issues (Kshs. Million)		First nine months of FY 2016/17 Expenditure (Kshs. Million)		First nine months of FY 2016/17 Expenditure to Exchequer Issues (%)		First nine months of FY 2016/17 Absorption rate (%)	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
County Assembly	500	60.31	374.67	0	297.5	0	79.4	0.0	58.9	0.0
Office of the Governor and Deputy Governor and the County Executive Headquarters	399.83	353.72	300.52	14.01	265.95	47.86	88.5	341.6	66.0	13.5
Finance and Economic Planning	491.36	192.38	398.89	100.42	316.49	73.43	79.3	73.1	69.5	38.2
Agriculture, Livestock, Veterinary and Fisheries	160.59	136.55	122.45	98.56	91.22	53.66	74.5	54.4	55.6	39.3
Water, Environment and Natural Resources	168.52	608.84	128.11	270.15	91.55	306.56	71.5	113.5	60.1	50.4
Education, Skills Development, Youth Affairs & Sports	159.15	366.53	99.39	154.78	72.5	101.51	72.9	65.6	54.4	27.7
County Health Services	899.36	475.49	687.95	285.74	553.5	174.8	80.5	61.2	61.1	36.8
Energy, Land & Urban Development	96.61	257.86	80.7	117.57	56.85	96.83	70.4	82.4	48.8	37.6
County Transport, Public Works and Roads	269.67	337.86	105.02	156.74	148.87	68.59	141.8	43.8	77.6	20.3
Trade, Industry & Enterprise Development	77.31	219.1	59.19	90.1	41.95	121.96	70.9	135.4	50.2	55.7
Tourism, Culture, Social Services and Gender	41.57	144.22	33.44	90.02	23.86	61.21	71.4	68.0	50.6	42.4
County Public Service Board	74.82	5	55.47	5	47.53	2.86	85.7	57.2	66.6	57.2
Administration, Coordination & ICT	270.39	52.14	219.84	28.94	149.54	16.76	68.0	57.9	46.2	32.1
TOTAL	**3,609.18**	**3,210**	**2,665.64**	**1,412.03**	**2,058.29**	**1,126.03**	**77.2**	**79.7**	**57.0**	**35.1**

Source: *Marsabit County Treasury*

Analysis of budget performance by department shows that the Office of the County Public Service Board attained the highest absorption rate of development budget at 57.2 per cent followed by the Trade, Industry & Enterprise Development at 55.7 per cent while the County Assembly did not report any development expenditure. On the other hand the Department of Transport, Public Works & Housing had the highest percentage of recurrent expenditure to recurrent budget at 77.6 per cent while the Administration & ICT had the lowest at 46.2 per cent.

3.25.9 Observations and Recommendations

The County has made progress in addressing some of the challenges previously identified as affecting budget implementation. Some of the progress made included:

i. Improvement in absorption of development budget. In the reporting period, the County attained an absorption rate of 35.1 per cent compared to 29.4 per cent attained in a similar period of FY 2015/16.

ii. Establishment of an Internal Audit Department in line with section 155 of the PFM Act 2012.

Despite the above progress, the following challenges continued to hamper effective budget implementation;

1. Late submission of financial reports by the County Treasury to the Controller of Budget, which affected timely preparation of budget implementation report.

2. Failure by Fund Administrators to submit expenditure reports on established County Funds to the Controller of Budget. Expenditure returns which were pending included for Bursary Fund, Emergency Fund, and Car & Mortgage Fund for both the County Assembly and the Executive contrary to Section 168 of the PFM Act, 2012.

3. IFMIS connectivity challenges, which slowed down approval of procurement requests and payment to suppliers.

4. Failure by the County Assembly to process all financial transactions through the IFMIS system.

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

1. *The County Treasury should ensure timely preparation and submission of financial reports in line with Section 166 of PFM Act, 2012.*

2. *Fund Administrators should ensure timely submission of expenditure reports in line with Section 168 of the PFM Act, 2012.*

3. *The County Treasury should liaise with the IFMIS Directorate for support in application of IFMIS and the E-procurement module.*

4. *The County Treasury should liaise with the County Assembly to ensure all transactions are processed through the IFMIS system.*

3.26 Meru County

3.26.1 Overview of the FY 2016/17 Budget

The County's FY 2016/17 Supplementary Budget was Kshs.9.77 billion, comprising of Kshs.6.55 billion (67.1 per cent) and Kshs.3.21 billion (32.9 per cent) allocation for recurrent and development expenditure respectively.

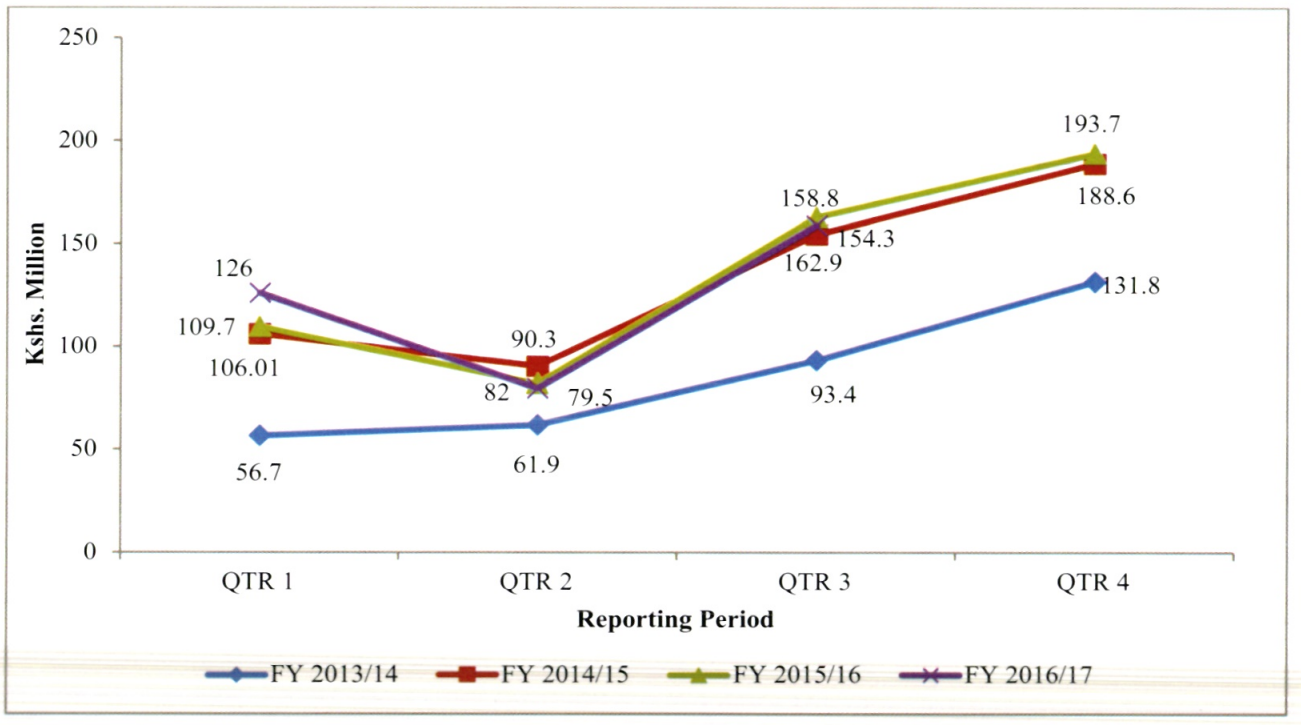
To finance the budget, the County expects to receive Kshs.7.01 billion (71.0 per cent) as equitable share of revenue raised nationally, Kshs.665.34 million (6.8 per cent) as total conditional grants, generate Kshs.773.24 million (7.9 per cent) from local sources (includes Hospital A-I-A of Kshs.185 million), and Kshs.1.32 billion (13.5 per cent) cash balance from FY 2015/16. The conditional grants comprise of Kshs.356.07 million (53.5 per cent) for Meru Level 5 Hospital, Kshs.114.7 million (17.2 per cent) for Free Maternal Healthcare, Kshs.107.66 million (16.2 per cent) from the Road Maintenance Fuel Levy Fund, Kshs.32.1 million (4.8 per cent) for User Fees Foregone, Kshs.10.3 million (1.5 per cent) from DANIDA and Kshs.44.52 million (6.7 per cent) from Other Loans and Grants.

3.26.2 Revenue Analysis

During the first nine months of FY 2016/17, the County received Kshs.4.73 billion as equitable share of the revenue raised nationally, Kshs.222.12 million as total conditional allocations, raised Kshs.364.37 million from local sources, and had a cash balance of Kshs.1.32 billion brought forward from FY 2015/16. The local sources include Hospital A-I-A of Kshs.75.86 million.

Figure 3.76 shows the quarterly trend in local revenue collection from the first quarter of FY 2013/14 to the third quarter of FY 2016/17.

Figure 3.76: Meru County, Trend in Local Revenue Collection by Quarter from the First Quarter of FY 2013/14 to the Third Quarter of FY 2016/17



Source: *Meru County Treasury*

The total local revenue collected in the first nine months of FY 2016/17 amounted to Kshs.364.37 million, representing an increase of 2.8 per cent compared to Kshs.354.6 million generated in a

similar period of FY 2015/16, and represented 47.1 per cent of the annual local revenue target.

3.26.3 Conditional Grants

Table 3.75 shows an analysis of conditional grants released in the first nine months of FY 2016/17.

Table 3.75: Meru County Analysis of Conditional Grants Released in the First Nine Months of FY 2016/17

No.	Conditional Grant	Allocation based on CARA, 2016 (Kshs.)	Receipts during the first nine months of FY 2016/17(Kshs.)	Actual receipts as a percentage of Annual Allocation (%)
1	Road Maintenance Fuel Levy Fund	107,657,595	107,657,595	100.0
2	Free Maternal Healthcare	114,704,443	58,555,000	51.0
3	World Bank grant to health facilities	13,420,040	-	0.0
4	Kenya Devolution Support Programme Trust (Not in CARA, 2016)	-	8,753,558	N/A
5	User Fees Foregone	32,096,227	16,048,113	50.0
6	Coffee Cess	-	5,615,993	N/A
7	Tea Development Fund	-	25,487,506	N/A
8	DANIDA grant	10,295,000	-	0.0
Total		**278,173,305**	**222,117,765**	**79.8**

Source: *Meru County Treasury*

Analysis of the conditional grants released during the period under review indicates that, the Road Maintenance Fuel Levy Fund recorded the highest receipt at 100 per cent while Free Maternal Healthcare and User Fee Foregone attained 51 per cent and 50 per cent respectively. The County is yet to receive funds from the World Bank grant to health facilities, and the DANIDA grant.

3.26.4 Exchequer Issues

During the reporting period, the Controller of Budget authorised withdrawal of Kshs.6.09 billion from the CRF account, which was 62.3 per cent of the supplementary Budget. This amount represented an increase of 42.8 per cent from Kshs.4.26 billion authorized in a similar period of FY 2015/16 and consisted of Kshs.4.33 billion (71.1 per cent) for recurrent expenditure and Kshs.1.76 billion (28.9 per cent) for development activities.

3.26.5 Overall Expenditure Review

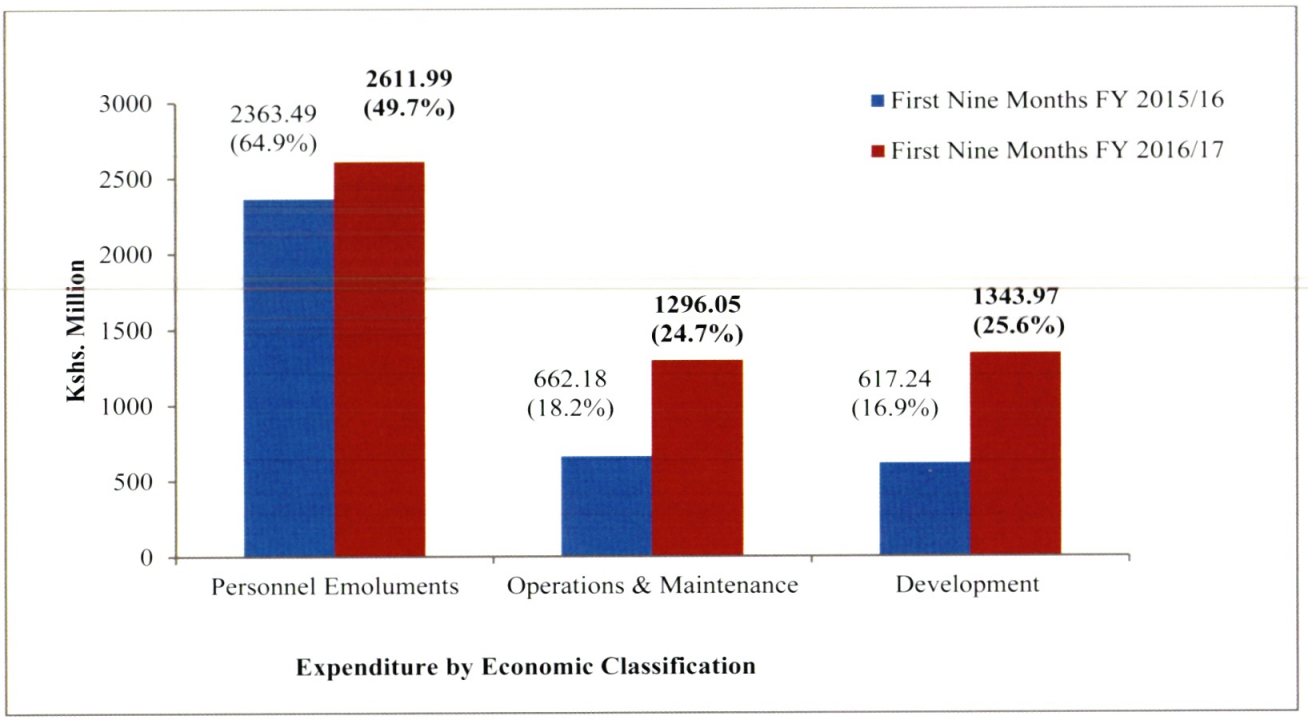
The County spent Kshs.5.25 billion, which was 86.3 per cent of the total funds released for operations. This was an increase of 44.2 per cent from Kshs.3.64 billion spent in a similar period of FY 2015/16.

A total of Kshs.3.91 billion was spent on recurrent activities, while Kshs.1.34 billion was spent on development activities. The recurrent expenditure was 90.3 per cent of the funds released for recurrent activities while development expenditure accounted for 76.3 per cent of the funds released for development activities. The expenditure excluded outstanding commitments as at 31st March, 2017 that amounted to Kshs.917.35 million for development and Kshs.489.53 million for recurrent expenditure.

The recurrent expenditure represented 59.6 per cent of the annual recurrent budget, an increase from 59.2 per cent spent in a similar period of FY 2015/16. Development expenditure recorded an absorption rate of 41.8 per cent, which was an increase from 18.2 per cent attained in a similar period of FY 2015/16. Figure 3.77 presents a comparison between the total expenditure in the first nine

months of FY 2016/17 and the first nine months of FY 2015/16.

Figure 3.77: Meru County, Expenditure by Economic Classification for the First Nine Months of FY 2016/17 and FY 2015/16

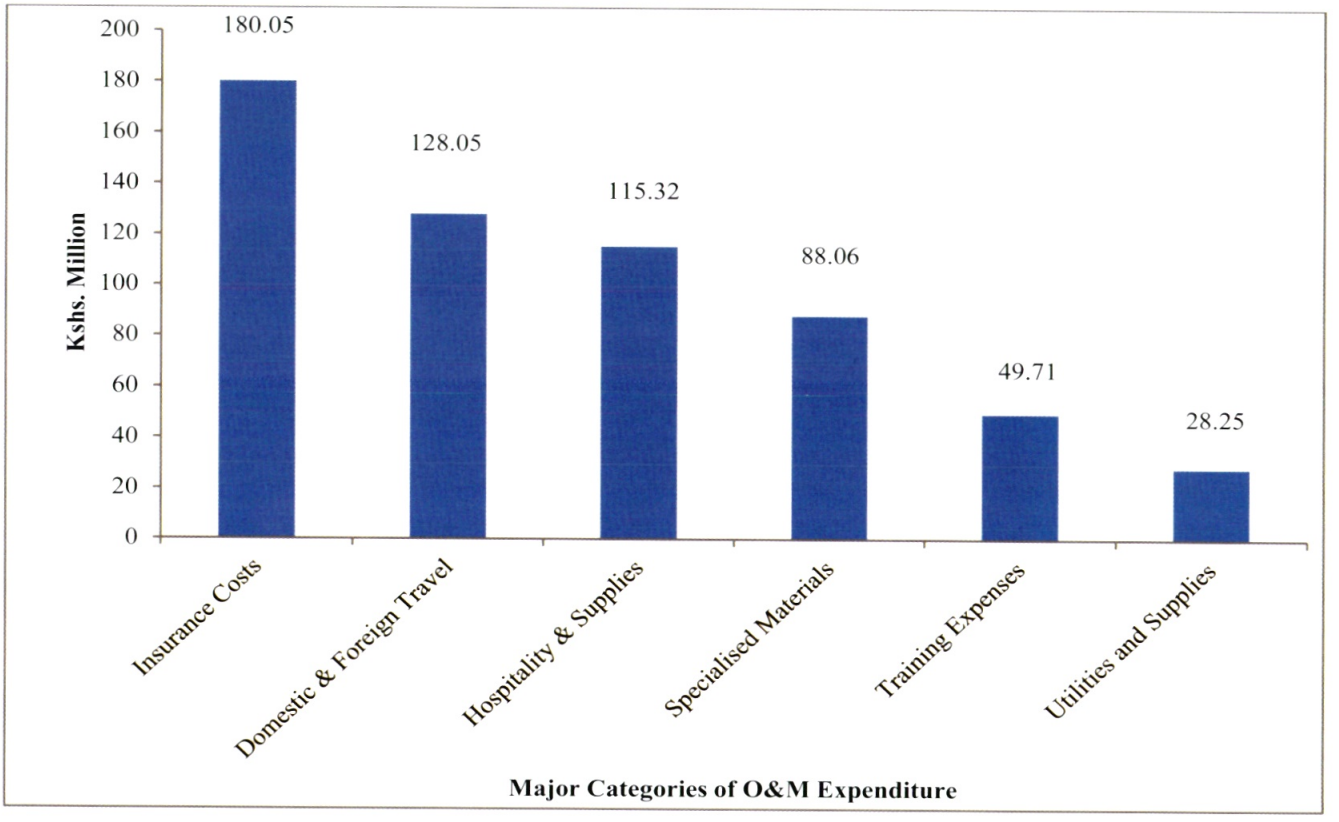


Source: *Meru County Treasury*

3.26.6 Analysis of Recurrent Expenditure

The total recurrent expenditure of Kshs.3.91 billion consisted of Kshs.2.61 billion (66.8 per cent) spent on personnel emoluments and Kshs.1.3 billion (33.2 per cent) on operations and maintenance as shown in Figure 3.77. Expenditure on personnel emoluments represented an increase of 10.5 per cent compared to a similar period of FY 2015/16 when the County spent Kshs.2.36 billion. Figure 3.78 shows a summary of operations and maintenance expenditure by major categories.

Figure 3.78: Meru County, Operations and Maintenance Expenditure Major Categories for the First Nine Months of FY 2016/17



Source: *Meru County Treasury*

The County spent Kshs.65.99 million on sitting allowances to the 69 MCAs and the Speaker against the annual budget allocation of Kshs.104.99 million. This was a decrease of 13.5 per cent compared to Kshs.76.29 million spent in the same period of FY 2015/16. The average monthly sitting allowance was Kshs.104,753 per MCA compared to SRC's recommended monthly ceiling of Kshs.124,800

Expenditure on domestic and foreign travel amounted to Kshs.128.05 million and consisted of Kshs.65.04 million by the County Assembly and Kshs.63.01 million by the County Executive. This was an increase of 25.1 per cent compared to Kshs.102.39 million spent in a similar period of FY 2015/16.

3.26.7 Development Expenditure Analysis

The total development expenditure of Kshs.1.34 billion represented 41.8 per cent of the annual development budget of Kshs.3.21 billion. Table 3.76 provides a summarised list of development projects with the highest expenditure during the period under review.

Table 3.76: Meru County, List of Development Projects with the Highest Expenditure in the First Nine Months of FY 2016/17

S/No.	Project name	Ward (Location of the Project)	Annual Budget (Kshs.)	Expenditure as at 31st March, 2017 (Kshs.)	Absorption rate (%)
1	Gravelling, Grading, Manual Works, Culverts and Drainage Systems of Roads	County wide	135,901,851	135,901,851	100.0
2	Construction of Water Supply	Muthara, Gatuntu-Bwetha, Gatwe, Gikui-Mweru Igoji, Kangeta, Kiagu-Kauthene, Kiamiogo , Kianjai, Koome Machaka, Michimikuru, Mitunguu, Muramba, Njia, Mbirikene, Matiandui, Kithingangu	144,963,727	118,911,815	82.0
3	Supply of Mortuary Chambers	Mortuary Chamber Level 5 and Nyambene	62,666,529	62,798,167	100.2
4	Supply of UPVC Pipes	County Wide	32,866,440	36,564,658	111.3
5	Upgrading of Basin Route and Police Station to Kwakanga roads	Maua	33,398,214	33,398,214	100.0
6	Supply, delivery, installing and testing of one water drilling rig complete with support and utility vehicle.	Meru County Headquarters	32,500,000	32,480,000	99.9
7	ECDE Classrooms	Ntima West, Abogeta Central, Timau, Mbeu, A/Kiongo, Meru County, Karama, Abo Central, Njia Ward, Mikinduri, Kiguchwa, Abo West, Abo East, Ntima East, Karama, Tigania East, Akachiu, Kanuni, Akachiu Ward, Naathu, Muthara, Thangatha Ward, Kiirua-Naari, Kibirichia Ward, Kiagu	41,484,065	25,729,952	62.0
8	Supply of ambulances	Meru County Headquarters	39,142,618	39,142,618	100.0
9	Supply of generators	Akachiu Hospital & Level 5 Hospital	25,349,167	20,349,167	80.3
10	Tree planting	Igembe Region, Lower Igembe Region, Lower Igembe Grazing Zone	34,993,527	18,243,335	52.1
	Total		**583,266,138**	**523,519,779**	**89.8**

Source: *Meru County Treasury*

Analysis of the development expenditure by project indicates that, the highest expenditure of

Kshs.135.9 million was spent on Gravelling, grading, manual works, culverts and drainage systems of roads across the County, followed by Kshs.118.91 million which was spent on Construction of Water Supply in Muthara, Gatuntu-Bwetha, Gatwe, Gikui-Mweru Igoji, Kangeta, Kiagu-Kauthene, Kiamiogo, Kianjai, Koome Machaka, Michimikuru, Mitunguu, Muramba, Njia, Mbirikene, Matiandui and Kithingangu.

3.26.8 Budget and Budget Performance Analysis by Department

Table 3.77 shows a summary for the first nine months of FY 2016/17 budget estimates and budget performance by department.

Table 3.77: Meru County, Budget Performance by Department for the First Nine Months of FY 2016/17

Department	Budget Allocation (Kshs. Million)		First nine months FY 2016/17 Exchequer Issues (Kshs. Million)		First nine months FY 2016/17 Expenditure (Kshs. Million)		First nine months FY 2016/17 Expenditure to Exchequer Issues (%)		First nine months FY 2016/17 Absorption rate (%)	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
County Assembly	914.69	6.52	674.14	-	576.17	0.60	85.5	-	63.0	9.2
Office of the Governor	381.55	-	207.87	-	211.71	-	101.8	-	55.5	-
County Treasury	957.26	174.86	547.58	47.35	412.16	50.00	75.3	105.6	43.1	28.6
Agriculture, Fishery and Livestock	377.01	228.80	233.62	76.89	214.96	130.39	92.0	169.6	57.0	57.0
Water, Environment and Natural Resources	113.82	500.09	69.51	233.79	66.85	275.18	96.2	117.7	58.7	55.0
Education	496.12	192.17	290.80	179.37	413.62	36.39	142.2	20.3	83.4	18.9
Health	2,250.61	461.98	1,497.54	311.71	1,347.65	276.22	90.0	88.6	59.9	59.8
Lands, Housing, Physical and Economic Planning	104.00	130.20	74.34	121.76	67.47	72.07	90.8	59.2	64.9	55.4
Public Service and Administration	635.92	84.26	523.07	33.17	425.39	21.98	81.3	66.3	66.9	26.1
Transport and Infrastructure	110.14	763.36	72.07	465.98	65.77	272.39	91.2	58.5	59.7	35.7
Co-operative, Tourism and Enterprise Development	82.94	344.61	53.79	106.42	50.49	115.43	93.9	108.5	60.9	33.5
Culture, Gender and Sports	68.14	323.11	38.06	185.80	28.61	91.34	75.2	49.2	42.0	28.3
County Public Service Board	25.28	-	14.30	-	11.42	-	79.8	-	45.2	-
Town Administration	36.47	2.55	29.31	0.36	15.79	1.99	53.9	559.6	43.3	78.0
Total	**6,553.95**	**3,212.50**	**4,326.01**	**1,762.58**	**3,908.04**	**1,343.97**	**90.3**	**76.3**	**59.6**	**41.8**

Source: *Meru County Treasury*

Analysis of budget performance by department shows that the Town Administration department attained the highest absorption rate of development budget at 78 per cent while the County Assembly

had the lowest absorption of development expenditure at 9.2. On the other hand, the Department of Education had the highest percentage of recurrent expenditure to recurrent budget at 83.4 per cent while the Department of Culture, Gender and Sports had the lowest at 42 per cent.

3.26.9 Observations and Recommendations

The County has made progress in addressing some of the challenges previously identified as affecting budget implementation. Some of the progress made included:

i. Timely submission of quarterly financial reports by the County Government entities in line with Section 166 of the PFM Act, 2012.

ii. Alignment of revenue estimates to the CARA, 2016 through the Supplementary Budget that was approved in March, 2017

Despite the above progress, the following challenges continued to hamper effective budget implementation;

1. Delay by Fund Administrators to regularly submit quarterly expenditure reports on the Bursary Fund, and Car & Mortgage Fund contrary to Section 168 of the PFM Act, 2012.

2. Failure to establish an Internal Audit Committee to oversee financial operations in the County contrary to Section 155 of the PFM Act, 2012.

3. Non- disclosure of revenue generated through AMS (Agricultural Mechanization Services) and ATC (Agricultural Training Centre).

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

1. *The Administrators of the Bursary Fund, and County Executive Staff Car Loan and Mortgage Fund should ensure timely submission of expenditure reports in line with Section 168 of the PFM Act, 2012.*

2. *The County should establish an Internal Audit Committee in line with Section 155 of the PFM Act, 2012.*

3. *All revenue raised by the County should be clearly disclosed and deposited into the CRF account in line with Section 109 of the PFM Act, 2012.*

3.27 Migori County

3.27.1 Overview of the FY 2016/17 Budget

The County's FY 2016/17 Supplementary Budget was Kshs.7.30 billion comprising of Kshs.4.75 billion (61.4 per cent) and Kshs.2.98 billion (38.6 per cent) allocation for recurrent and development expenditure respectively.

To finance the budget, the County expects to receive Kshs.6.30 billion (81.5 per cent) as equitable share of revenue raised nationally, Kshs.566.03 million (7.3 per cent) as total conditional grants, generate Kshs.420 million (5.4 per cent) from local sources, and Kshs.446.63 million (5.8 per cent) cash balance from FY 2015/16. The conditional grants comprise of Kshs.172.35 million (30.4 per cent) for Free Maternal Healthcare, Kshs.96.77 million (17.1 per cent) from the Road Maintenance

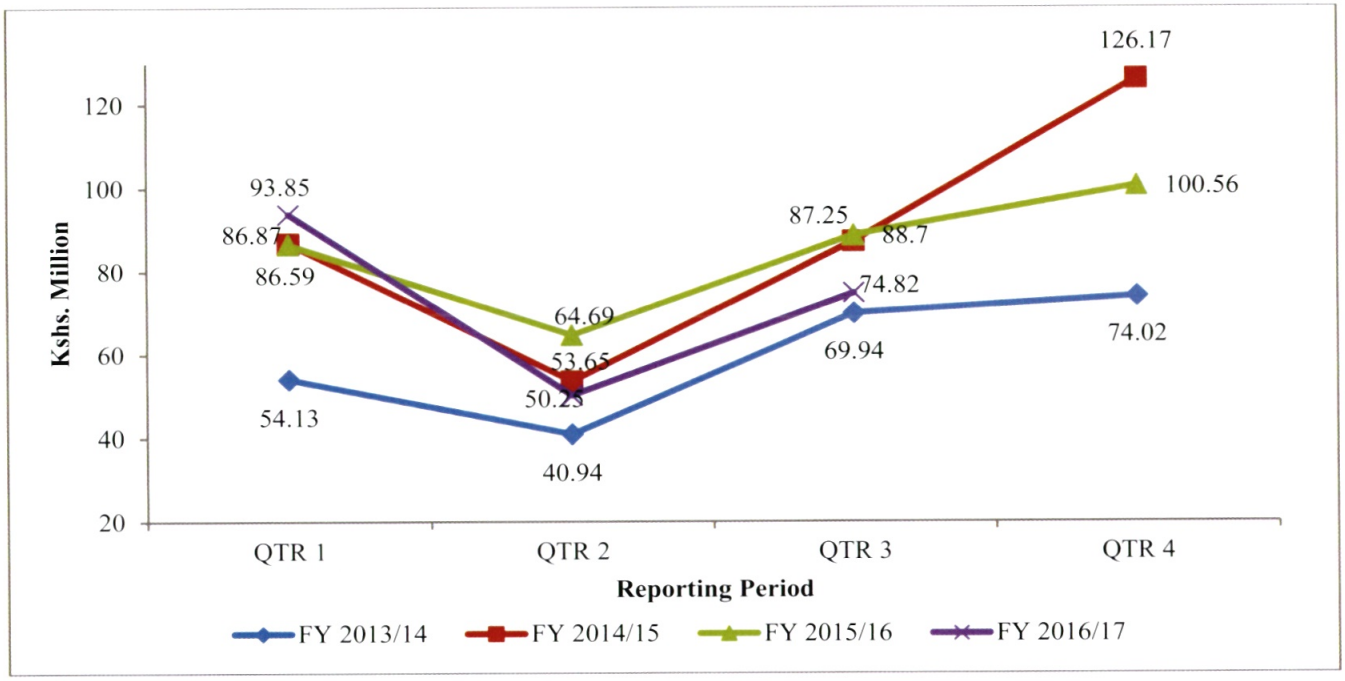
Fuel Levy Fund, Kshs.21.88 million (3.9 per cent) for User Fees Foregone, Kshs.10.22 million (1.8 per cent) from DANIDA, Kshs.95.74 million (16.9 per cent) for Leasing of Medical Equipment, and Kshs.169.06 million (29.9 per cent) as other loans and grants.

3.27.2 Revenue Analysis

During the first nine months of FY 2016/17, the County received Kshs.4.75 billion as equitable share of the revenue raised nationally, Kshs.107.07 million as total conditional allocations, raised Kshs.218.91 million from local sources, and had a cash balance of Kshs.446.63 million brought forward from FY 2015/16.

Figure 3.79 shows the quarterly trend in local revenue collection from the first quarter of FY 2013/14 to the third quarter of FY 2016/17.

Figure 3.79: Migori County, Trend in Local Revenue Collection by Quarter from the First Quarter FY 2013/14 to the Third Quarter FY 2016/17



Source: *Migori County Treasury*

The total local revenue collected in the first nine months of FY 2016/17 amounted to Kshs.218.91 million representing a decrease of 8.3 per cent compared to Kshs.238.83 million generated in a similar period of FY 2015/16, and represented 52.1 per cent of the annual local revenue target.

3.27.3 Conditional Grants

Figure 3.79 shows an analysis of conditional grants released in the first nine months of FY 2016/17.

Table 3.78: Migori County, Analysis of Conditional Grants Released in the First Nine Months of FY 2016/17

No.	Conditional Grant	Amount allocated as provided in CARA 2016 (Kshs.)	Actual receipt of the Conditional Grants, First Half, FY 2016/17 (Kshs.)	Actual receipts as a percentage of Annual Allocation (%)
1	Road Maintenance Fuel Levy Fund	96,769,311	43,279,828	44.7

No.	Conditional Grant	Amount allocated as provided in CARA 2016 (Kshs.)	Actual receipt of the Conditional Grants, First Half, FY 2016/17 (Kshs.)	Actual receipts as a percentage of Annual Allocation (%)
2	Free Maternal Healthcare	172,348,147	52,865,000	30.7
3	User Fees Foregone	21,882,372	10,941,186	50.0
4	DANIDA Grant	10,220,000	-	-
5	World Bank Loan	169,061,327	-	-
6	Other Loans and Grants	95,744,681	-	-
Total		**566,025,838**	**107,086,014**	**18.92**

Source: *Migori County Treasury*

Analysis of the conditional grants released during the period under review indicates that, the User Fees Foregone grant recorded the highest receipt at 50 per cent of the annual target followed by Road Maintenance Fuel Levy at 44.7 per cent and Free Maternal Healthcare at 30.7 per cent. The County is yet to receive funds from World Bank and DANIDA.

3.27.4 Exchequer Issues

During the reporting period, the Controller of Budget authorised withdrawal of Kshs.4.90 billion from the CRF account, which was 63.2 per cent of the Approved Budget. This amount represented an increase of 12.6 per cent from Kshs.4.35 billion authorized in a similar period of FY 2015/16 and consisted of Kshs.3.23 billion (65.8 per cent) for recurrent expenditure and Kshs.1.68 billion (34.2 per cent) for development activities.

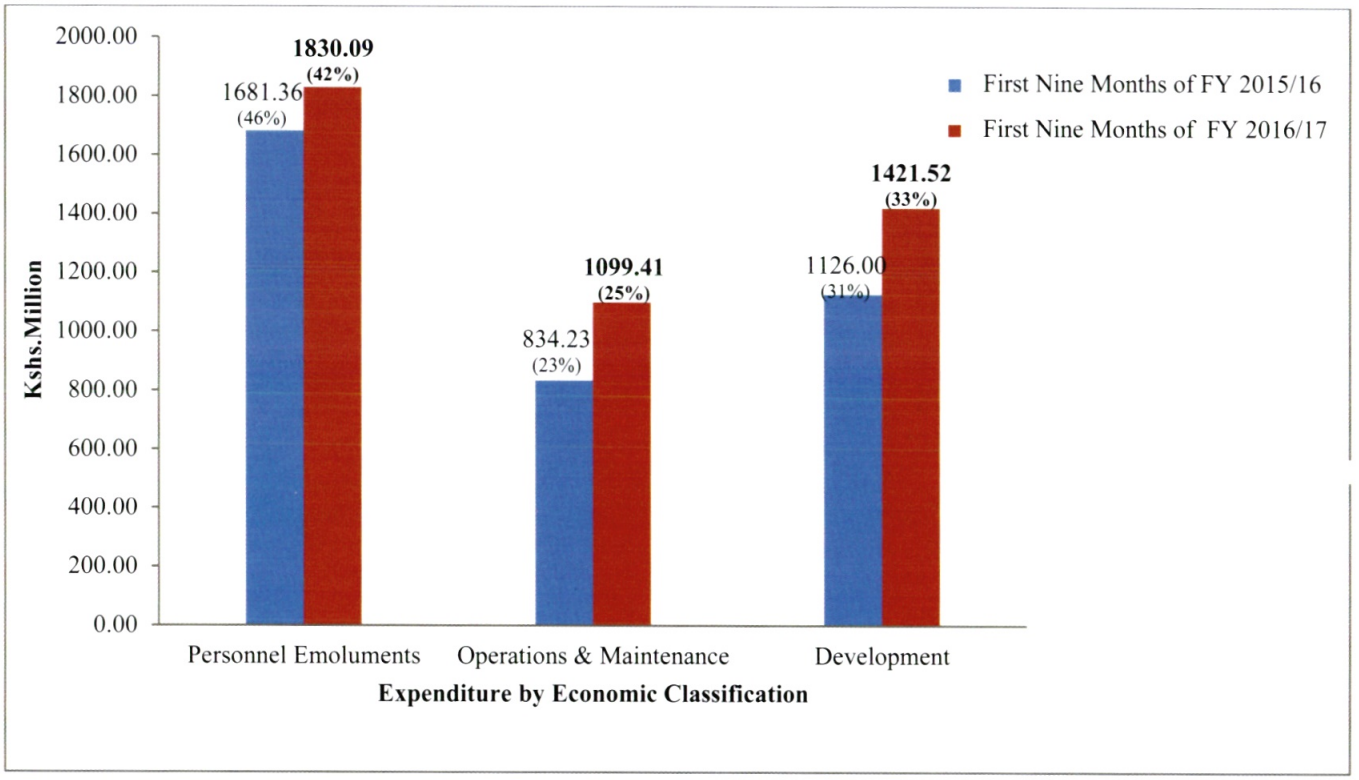
3.27.5 Overall Expenditure Review

The County spent Kshs.4.35 billion which was 89 per cent of the total funds released for operations. This was an increase of 19.5 per cent from Kshs.3.64 billion spent in a similar period of FY 2015/16.

A total of Kshs.2.93 billion was spent on recurrent activities, while Kshs.1.42 billion was spent on development activities. The recurrent expenditure was 90.2 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.

The recurrent expenditure represented 61.7 per cent of the annual recurrent budget, a decrease from 62.2 per cent spent in a similar period of FY 2015/16. Development expenditure recorded an absorption rate of 47.7 per cent, which was an increase from 34.9 per cent attained in a similar period of FY 2015/16. Figure 3.80 presents a comparison between the total expenditure in the first nine of FY 2016/17 and first nine of FY 2015/16.

Figure 3.80: Migori County, Expenditure by Economic Classification for the First Nine Months of FY 2016/17 and FY 2015/16

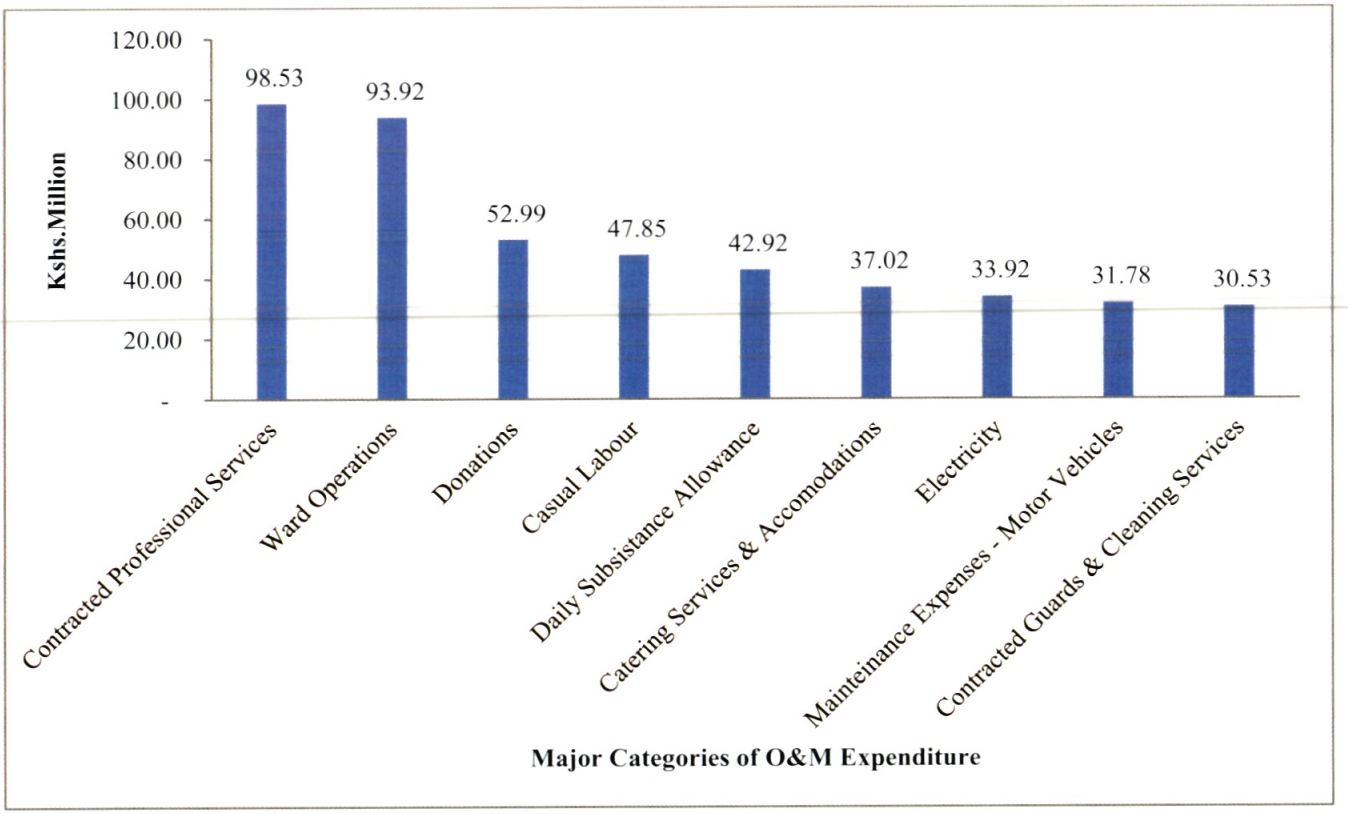


Source: *Migori County Treasury*

3.27.6 Analysis of Recurrent Expenditure

The total recurrent expenditure of Kshs.2.93 billion consisted of Kshs.1.83 billion (62.5 per cent) spent on personnel emoluments and Kshs.1.1 billion (37.5 per cent) on operations and maintenance as shown in Figure 3.80. Expenditure on personnel emoluments represented an increase of 8.8 per cent compared to a similar period of FY 2015/16 when the County spent Kshs.1.68 billion. Figure 3.81 shows a summary of operations and maintenance expenditure by major categories.

Figure 3.81: Migori County, Operations and Maintenance Expenditure by Major Categories for the First Nine Months of FY 2016/17



Source: *Migori County Treasury*

The County spent Kshs.45.45 million on sitting allowances to the 63 MCAs and the Speaker against the annual budget allocation of Kshs.93.78 million. This was a decrease of 25.0 per cent compared to Kshs.60.64 million spent in the same period of FY 2015/16. The average monthly sitting allowance was Kshs.80,157 per MCA compared to SRC's recommended monthly ceiling of Kshs.124,800

Expenditure on domestic and foreign travel amounted to Kshs.232.14 million and consisted of Kshs.98.34 million spent by the County Assembly and Kshs133.80 million by the County Executive. This was a decrease of 14.9 per cent compared to Kshs.272.93 million spent in a similar period of FY 2015/16.

3.27.7 Development Expenditure Analysis

The total development expenditure of Kshs.1.42 billion represented 47.7 per cent of the annual development budget of Kshs.2.98 billion. Table 3.79 provides a summarised list of development projects with the highest expenditure during the period under review.

Table 3.79: Migori County, List of Development Projects with the Highest Expenditure in the First Nine Months of FY 2016/17

S/No.	Project name	Ward (Location of the Project)	Estimated Budget (Kshs.)	Expenditure as at 31st March, 2017 (Kshs.)	Absorption rate (%)
1	Upgrading to Bitumen-Uriri- Oria Road	Uriri Sub-county	797,392,630	72,000,000	9.0

S/No.	Project name	Ward (Location of the Project)	Estimated Budget (Kshs.)	Expenditure as at 31st March, 2017 (Kshs.)	Absorption rate (%)
2	Power back-up battery	County Wide	29,058,000	29,058,000	100.0
3	Solar Street Lighting	County-wide	20,000,000	20,000,000	100.0
4	Configuration of hospital. management system	County-Hospital	18,244,985	18,244,985	100.0
5	Supply of Incinerators	County-Wide	16,043,124	16,043,124	100.0
6	Supply of solar power system	County-Wide	14,430,225	14,430,225	100.0
7	Laying of pipeline & Construction of water kiosk	County-Wide	13,222,600	13,222,600	100.0
8	Consultancy Services to undertake development of a framework for network	County Head quarter	9,830,000	9,830,000	100.0
	Total		**918,221,564**	**192,828,934**	**21.0**

Source: *Migori County Treasury*

Analysis of the development expenditure by project indicates that, the highest expenditure of Kshs.72 million was spent on upgrading to bitumen standard of the Uriri-Oria road, followed by Kshs.29.06 million spent on power back-up batteries.

3.27.8 Budget and Budget Performance Analysis by Department

Table 3.80 shows a summary of budget estimates and budget performance by department for the first nine months of FY 2016/17.

Table 3.80: Migori County, Budget Performance by Department for the First Nine Months of FY 2016/17

Department	Annual Budget Allocation (Kshs. Million)		First Nine Months of FY 2016/17 Exchequer Issues (Kshs. Million)		First Nine Months of FY 2016/17 Expenditure (Kshs. Million)		First Nine Months of FY 2016/17 Expenditure to Exchequer Issues (%)		First Nine Months of FY 2016/17 Absorption rate (%)	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
Agriculture & Rural Development, Water and Sanitation Services	289.40	455.85	196.61	217.83	203.35	157.76	103.4	72.4	70.3	34.6
County Executive	292.67	94.00	202.50	-	159.06	99.50	78.5	0.0	54.3	105.8
Public Service management	645.94	327.00	440.92	179.46	279.80	164.00	63.5	91.4	43.3	50.2
Education, Vocational Training& Sports, Gender Culture & Social Services	216.59	221.50	152.13	101.93	221.47	13.80	145.6	13.5	102.3	6.2
Trade & Tourism	81.87	26.44	56.31	18.73	50.57	14.92	89.8	79.6	61.8	56.4
Lands physical planning and housing	66.01	47.90	45.05	41.62	36.68	17.99	81.4	43.2	55.6	37.6
Finance& Economic Planning	735.99	367.24	506.72	61.34	397.97	311.36	78.5	507.6	54.1	84.8

Department	Annual Budget Allocation (Kshs. Million)		First Nine Months of FY 2016/17 Exchequer Issues (Kshs. Million)		First Nine Months of FY 2016/17 Expenditure (Kshs. Million)		First Nine Months of FY 2016/17 Expenditure to Exchequer Issues (%)		First Nine Months of FY 2016/17 Absorption rate (%)	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
Health	1,558.13	365.30	1,071.96	140.91	760.82	161.37	71.0	114.5	48.8	44.2
Environment & Natural Resources	69.76	83.38	47.63	2.26	62.85	1.48	131.9	65.4	90.1	1.8
Roads & Public Works	70.51	948.02	48.38	884.91	60.44	440.98	124.9	49.8	85.7	46.5
County Assembly	722.19	45.00	460.00	31.01	696.49	38.36	151.4	123.7	96.4	85.2
TOTAL	**4,749.07**	**2,981.63**	**3,228.22**	**1,680**	**2,929.5**	**1,421.52**	**90.2**	**86.7**	**61.7**	**47.7**

Source: *Migori County Treasury*

Analysis of budget performance by department shows that the Department of County Executive attained the highest absorption rate of development budget at 105.8 per cent while the Department of Environment & Natural Resources had the lowest absorption rate at 1.8 per cent. On the other hand, the Education, Vocational Training & Sports, Gender, Culture & Social Services Department had the highest percentage of recurrent expenditure to recurrent budget at 102.3 per cent while the Department of Public Service management had the lowest at 43.3 per cent. An absorption rate above 100 per cent is irregular and should be regularised by passage of a Supplementary Budget.

3.27.9 Observations and Recommendations

The County has made progress in addressing some of the challenges previously identified as affecting budget implementation. Some of the progress made included:

i. Establishment of an audit committee in compliance with Section 155 (5) of the PFM Act, 2012.

ii. Improved staff capacity especially on the use of IFMIS, E-procurement and Internet Banking modules.

iii. Establishment of a County Budget and Economic Forum (CBEF) in line with Section 137 of the PFM Act, 2012.

Despite the above progress, the following challenges continued to hamper effective budget implementation;

1. High wage bill that increased by 8.8 per cent from Kshs.168 billion in the first nine months of FY 2015/16 to Kshs.1.83 billion in the period under review, and represented 42.1 per cent of total expenditure.

2. Late submission of financial reports by the County Treasury, which affected timely preparation of budget implementation report contrary to Section 166 of the PFM Act, 2012.

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

1. The County Public Service Board should establish and implement an optimal staffing structure in order to manage the wage bill.

2. *The County Treasury should ensure timely preparation and submission of financial reports to the Office of the Controller of Budget in line with Section 166 of PFM Act, 2012.*

3.28 Mombasa County

3.28.1 Overview of the FY 2016/17 Budget

The County's FY 2016/17 Supplementary/Approved Budget was Kshs.11.91 billion, comprising of Kshs.7.88 billion (66.1 per cent) and Kshs.4.04 billion (33.9 per cent) allocation for recurrent and development expenditure respectively.

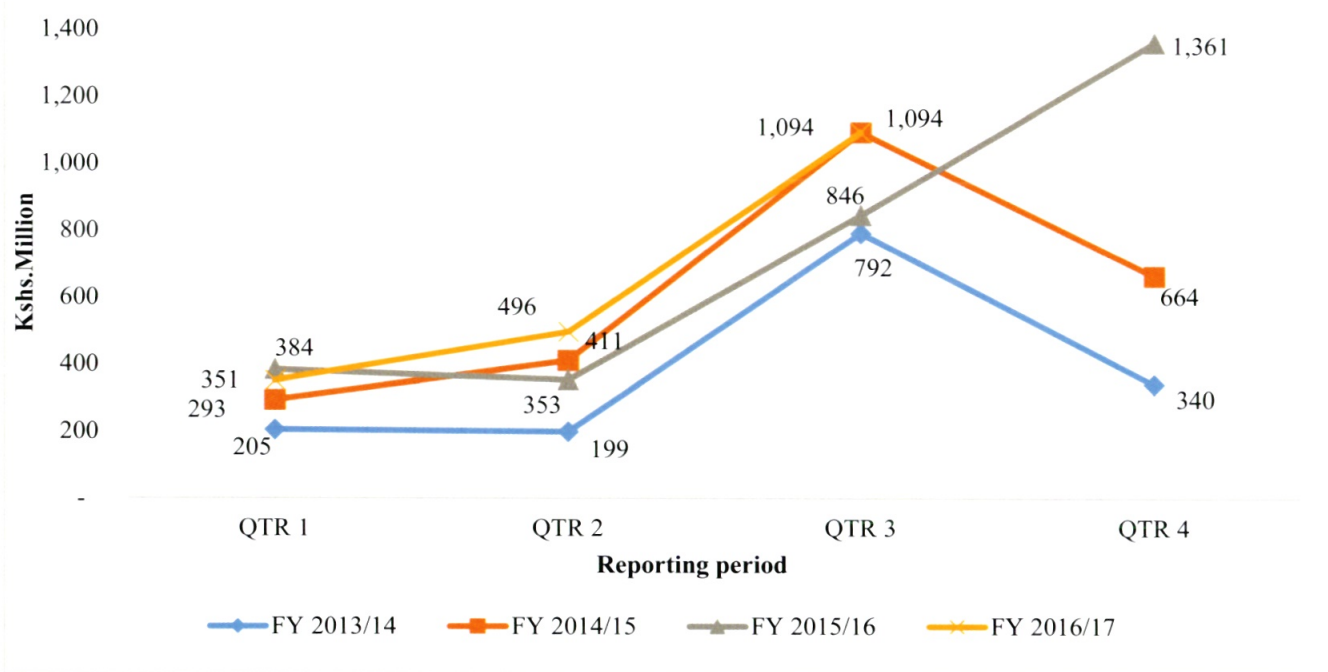
To finance the budget, the County expects to receive Kshs.5.61 billion (47.1 per cent) as equitable share of revenue raised nationally, Kshs.749.35 million (6.3 per cent) as total conditional grants, generate Kshs.5.55 billion (46.6 per cent) from local sources. The conditional grants comprise of Kshs.125.72 million (16.7 per cent) for Free Maternal Healthcare, Kshs.86.18 million (11.6 per cent) from the Road Maintenance Fuel Levy Fund, Kshs.23.51 million (3.1 per cent) for User Fees Foregone, Kshs.3.15 million (0.4 per cent) from DANIDA, Kshs.95.74 million (12.8 per cent) for Leasing of Medical Equipment, Kshs.369.94 million (49.4 per cent) for Mombasa Level Five Hospital, Kshs.29.12 million (3.8 per cent) from the World Bank and Kshs.16 million (2.2 per cent) from Other Loans and Grants.

3.28.2 Revenue Analysis

During the first nine months of FY 2016/17, the County received Kshs.3.78 billion as equitable share of the revenue raised nationally, Kshs.323.52 million as total conditional allocations, raised Kshs.1.94 billion from local sources.

Figure 3.82 shows the quarterly trend in local revenue collection from the first quarter of FY 2013/14 to the third quarter of FY 2016/17.

Figure 3.82: Mombasa County, Trend in Local Revenue Collection by Quarter from First Quarter FY 2013/14 to the Third Quarter FY 2016/17



Source: *Mombasa County Treasury*

The total local revenue collected in the first nine months of FY 2016/17 amounted to Kshs.1.94 billion, representing an increase of 22.8 per cent compared to Kshs.1.58 billion generated in a similar period of FY 2015/16, and represented 34.9 per cent of the annual local revenue target.

3.28.3 Conditional Grants

Table 3.81shows an analysis of conditional grants released in the first nine months of FY 2016/17.

Table 3.81: Mombasa County, Analysis of Conditional Grants Released in the First Nine Months of FY 2016/17

No.	Conditional Grant	Allocation based on CARA, 2016 (Kshs.)	FY 2016/17 Actual receipt of Conditional Grants (Kshs.)	Actual receipts as a percentage of Annual Allocation (%)
1	Road Maintenance Fuel Levy Fund	86,176,009	43,088,004	49.9
2	Free Maternal Healthcare	125,722,505	32,572,156	25.9
3	World Bank grant to health facilities	29,106,112	-	-
4	User Fees Foregone	23,514,312	-	-
5	Mombasa Level 5 Hospital	369,942,197	247,861,274	67.0
6	DANIDA grant	3,150,000	-	-
7	Leasing of Medical Equipment	95,744,681	-	-
8	Others	16,000,000	-	-
	TOTAL	**749,355,816**	**323,521,434**	**31.2**

Source: *Mombasa County Treasury*

Analysis of the conditional grants released during the period under review indicates that, the Level Five Hospitals Fund recorded the highest receipts at 67 per cent of annual target. The Road Maintenance Fuel Levy Fund recorded the second highest receipts at 49.9 per cent while the Free Maternal Healthcare recorded 25.9 per cent of annual target. The County is yet to receive funds from the World Bank grant to health facilities, Kenya Devolution Support Programme, Leasing of Medical Equipment, Users Fees Foregone, and the DANIDA grant.

3.28.4 Exchequer Issues

During the reporting period, the Controller of Budget authorised withdrawal of Kshs.5.62 billion from the CRF account, which was 47.2 per cent of the Approved Budget. This amount represented an increase of 7.7 per cent from Kshs.5.22 billion authorized in a similar period of FY 2015/16 and consisted of Kshs.4.03 billion (71.8 per cent) for recurrent expenditure and Kshs.1.59 billion (28.2 per cent) for development activities.

3.28.5 Overall Expenditure Review

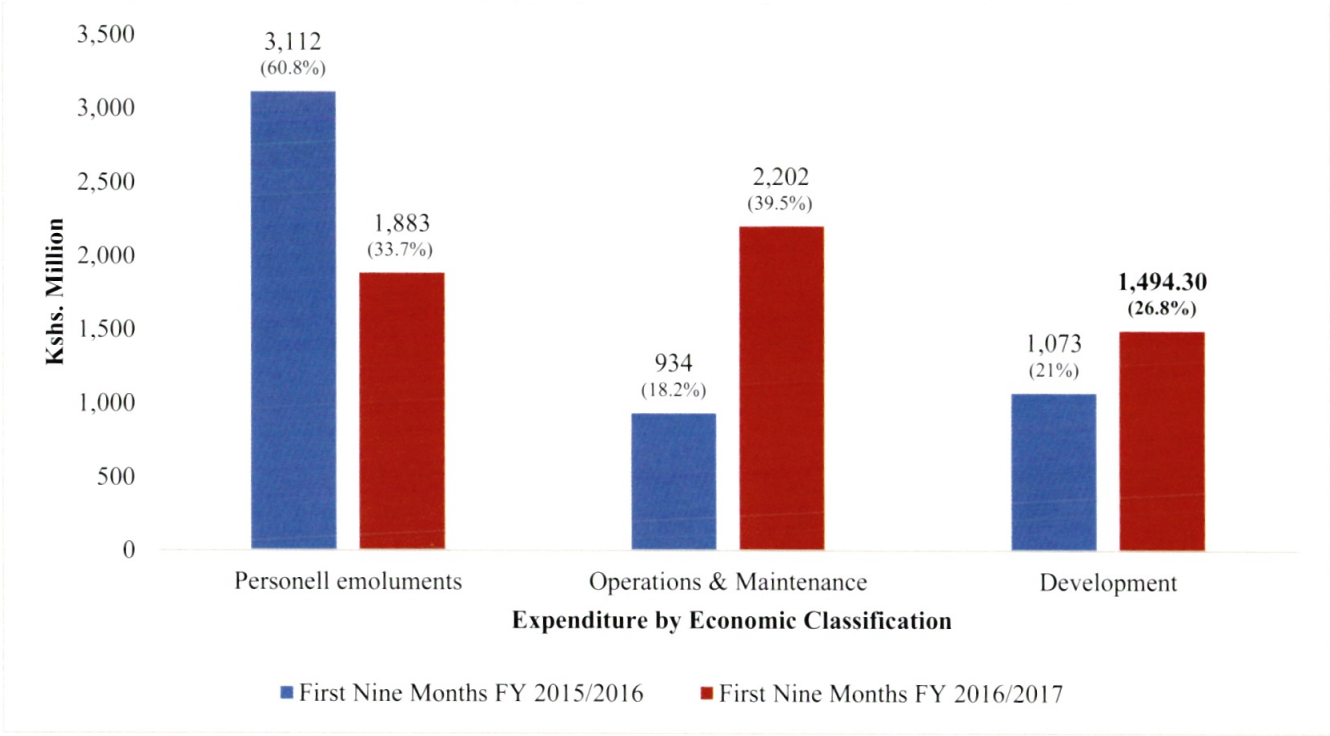
The County spent Kshs.5.58 billion, which was 99.3 per cent of the total funds released for operations. This was a decrease of 6.7 per cent from Kshs.5.9 billion spent in a similar period of FY 2015/16.

A total of Kshs.4.08 billion was spent on recurrent activities, while Kshs.1.49 billion was spent on development activities. The recurrent expenditure was 101.3 per cent of the funds released for recurrent activities while development expenditure accounted for 94 per cent of the funds released for development activities. The expenditure excluded outstanding commitments as at 31st March, 2017 that amounted to Kshs.424.8 million for development and Kshs.484.52 million for recurrent

expenditure.

The recurrent expenditure represented 51.8 per cent of the annual recurrent budget, a decrease from 65.7 per cent spent in a similar period of FY 2015/16. Development expenditure recorded an absorption rate of 37 per cent, which was a decrease from 46.1 per cent attained in a similar period of FY 2015/16. Figure 3.83 presents a comparison between the total expenditure in the first nine months of FY 2016/17 and the first nine months of FY 2015/16.

Figure 3.83: Mombasa County, Expenditure by Economic Classification for the First Nine Months of FY 2016/17 and FY 2015/16

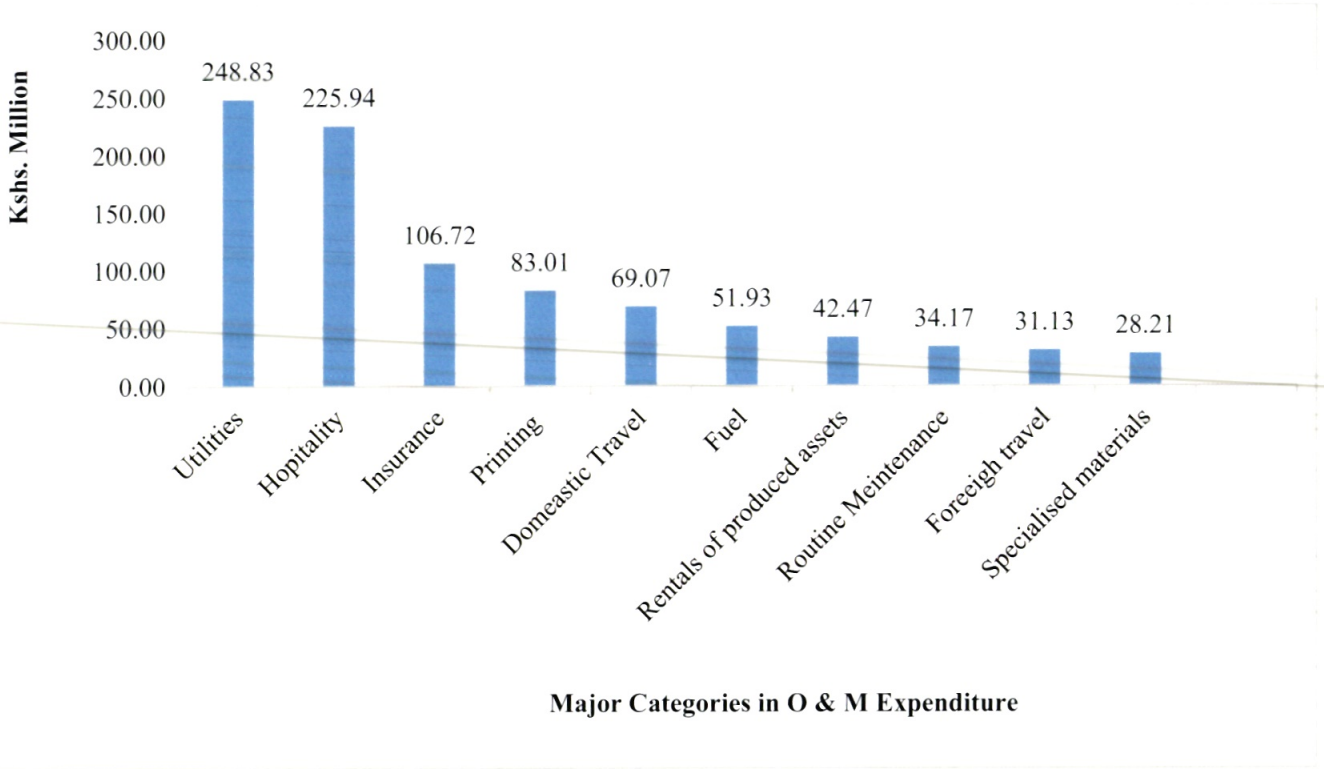


Source: *Mombasa County Treasury*

3.28.6 Analysis of Recurrent Expenditure

The total recurrent expenditure of Kshs.4.08 billion consisted of Kshs.1.88 billion (46.1 per cent) spent on personnel emoluments and Kshs.2.2 billion (53.9 per cent) on operations and maintenance as shown in Figure 3.83. Expenditure on personnel emoluments represented a decrease of 39.5 per cent compared to a similar period of FY 2015/16 when the County spent Kshs.3.11 billion. Figure 3.84 shows a summary of the operations and maintenance expenditure by major categories.

Figure 3.84: Mombasa County, Operations and Maintenance Expenditure by Major Categories for the First Nine Months of FY 2016/17



Source: *Mombasa County Treasury*

The County spent Kshs.30.37 million on sitting allowances to the 43 MCAs and the Speaker against the annual budget allocation of Kshs.96.65 million. This was a decrease of 36.6 per cent compared to Kshs.47.90 million spent in the same period of FY 2015/16. The average monthly sitting allowance was Kshs.78,492 per MCA compared to SRC's recommended monthly ceiling of Kshs.124,800.

Expenditure on domestic and foreign travel amounted to Kshs.100.2 million and consisted of Kshs.255,400 by the County Assembly and Kshs.99.98 million by the County Executive. This was an increase of 30.9 per cent compared to Kshs.76.55 million spent in a similar period of FY 2015/16.

3.28.7 Development Expenditure Analysis

The total development expenditure of Kshs.1.49 million represented 36.8 per cent of the annual development budget of Kshs.4.04 billion. Table 3.82 provides a summarised list of development projects with the highest expenditure during the period under review.

Table 3.82: Mombasa County, List of Development Projects with the Highest Expenditure in the First Nine Months of FY 2016/17

S/No.	Project name	(Location of the Project)	Estimated Budget (Kshs.)	Expenditure as at 31st March, 2017 (Kshs.)	Absorption rate (%)
1	Purchase of 4 fire engines	Mvita	75,000,000	75,000,000	100
2	Construction of Uwanja Wa Ndege sports facility	Changamwe	66,270,664	63,466,930	95.8
3	Construction of Mtopanga Vikwatani Road	Kisauni	62,201,629	62,201,535	100
4	Supply of high mast lighting	Mvita	148,605,424	61,142,493	41.3
5	Expansion of New Nyali Road	Nyali	65,933,127	60,691,388	92.1
6	Construction of Sunlight Mishomoroni road	Kisauni	51,100,276	51,048,928	99.8
7	Construction of Chembani Road Kisauni	Kisauni	61,076,048	49,597,579	81.2
8	Construction of Mwagosi Bokole Road	Changamwe	44,948,540	44,948,540	100
9	Construction of Chembani Turkey Road	Kisauni	61,076,048	41,267,961	67.6
10	Bomu sports facility	Changamwe	85,075,195	27,511,800	31.6
	Total		**721,286,951**	**536,877,154**	**74.4**

Source: *Mombasa County Treasury*

Analysis of the development expenditure by project indicates that, the highest expenditure of Kshs.75 million was spent on purchase of four fire engines, followed by Kshs.63.46 million on construction of Uwanja wa Ndege Sports facilities.

3.28.8 Budget and Budget Performance Analysis by Department

Table 3.83 shows a summary of budget estimates and budget performance by department for the first nine months of FY 2016/17

Table 3.83: Mombasa County, Budget Performance by Department for the First Nine Months of FY 2016/17

Department	Annual Budget Allocation (Kshs. Million)		First Nine Months of FY 2016/17 Exchequer Issues (Kshs. Million)		First Nine Months of FY 2016/17 Expenditure (Kshs. Million)		First Nine Months of FY 2016/17 Expenditure to Exchequer Issues (%)		First Nine Months FY 2016/17 Absorption rate (%)	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
Office of the Governor	338.23	206.19	116.38	38.60	197.02	81.35	169.3	210.6	58.2	38.8
County Assembly	618.54	40.61	280.58		129.91	0	46.3	0	21.0	0
Public Service Commission	121.98	19.19	36.35		22.24	0	61.2	0	18.23	0
Finance and Economic Planning	1,568.3	835.0	782.55	33.67	1,019.39	448.40	130.3	1,331.7	64.9	53.7
Tourism and Betting Control	124.97	33.44	44.86		50.16	2.50	111.8	0	40.1	7.5
Education	960.18	387.03	523.43	166.24	525.44	149.15	100.4	89.7	54.72	38.5
Health	2,467.16	396.96	1,568.18	152.55	1,458.02	58.06	92.9	38.1	59.1	14.6
Environment Energy and Natural Resources	132.61	45.00	40.66	0.61	39.69	0	97.6		29.9	0

Department	Annual Budget Allocation (Kshs. Million)		First Nine Months of FY 2016/17 Exchequer Issues (Kshs. Million)		First Nine Months of FY 2016/17 Expenditure (Kshs. Million)		First Nine Months of FY 2016/17 Expenditure to Exchequer Issues (%)		First Nine Months FY 2016/17 Absorption rate (%)	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
Youth Gender and Sports	233.90	477.45	99.60	140.79	60.01	81.98	60.0	58.2	25.65	17.2
Trade and Cooperative Development	333.12	120.34	144.09	14.21	198.29	27.26	137.6	191.8	59.5	22.6
Lands Housing and Public Works	215.75	169.16	83.56	31.93	84.85	81.57	101.5	255.5	39.3	48.2
Transport and Infrastructure	585.22	1,266.91	230.99	1,010.0	225.75	564.03	97.7	55.8	38.6	44.5
Agriculture Livestock and Fisheries	175.93	38.55	79.01	0.23	73.71	0	93.3	0	41.9	41.8
TOTAL	**7,875.97**	**4,035.90**	**4,030.24**	**1,588.83**	**4,084.60**	**1,494.33**	**101.35**	**94.1**	**51.86**	**37.0**

Source: *Mombasa County Treasury*

Analysis of budget performance by department shows that the Department of Finance and Economic Planning attained the highest absorption rate of development budget at 53.7 per cent while the County Public Service Management, Environment Energy and Natural Resources and the County Assembly did not incur any development expenditure. On the other hand the Department of Finance and Economic Planning and Trade and Cooperative Developments had the highest percentage of recurrent expenditure to recurrent budget at 64.9 per cent and 59.5 per cent respectively, while the County Assembly had the lowest absorption rate at 21.0 per cent.

3.28.9 Observations and Recommendations

The County has made progress in addressing some of the challenges previously identified as affecting budget implementation. Some of the progress made included:

i. Establishment of a County Budget and Economic Forum (CBEF) in line with Section 137 of the PFM Act, 2012.

ii. Improvement in local revenue collection by 22.8 per cent from Kshs.1.58 billion in the first nine months of FY 2015/16 to Kshs.1.94 in the reporting period.

Despite the above progress, the following challenges continued to hamper effective budget implementation;

1. Late submission of financial reports by the County Treasury, which affected timely preparation of budget implementation report.

2. Delay by Fund Administrators to submit expenditure reports on the established County Funds contrary to Section 168 of the PFM Act, 2012. The expenditure returns which were pending included for Bursary Fund, Emergency Fund and Car & Mortgage Fund.

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

1. *The County should ensure timely submission of expenditure reports in line with Section 168 of the PFM Act, 2012.*

2. *Fund Administrators should ensure timely submission of expenditure reports in line with Section 168 of the PFM Act, 2012.*

3.29 Murangá County

3.29.1 Overview of the FY 2016/17 Budget

The County's FY 2016/17 Supplementary Budget was Kshs.8.21 billion, comprising of Kshs.4.71 billion (57.3 per cent) and Kshs.3.51 billion (42.7 per cent) allocation for recurrent and development expenditure respectively.

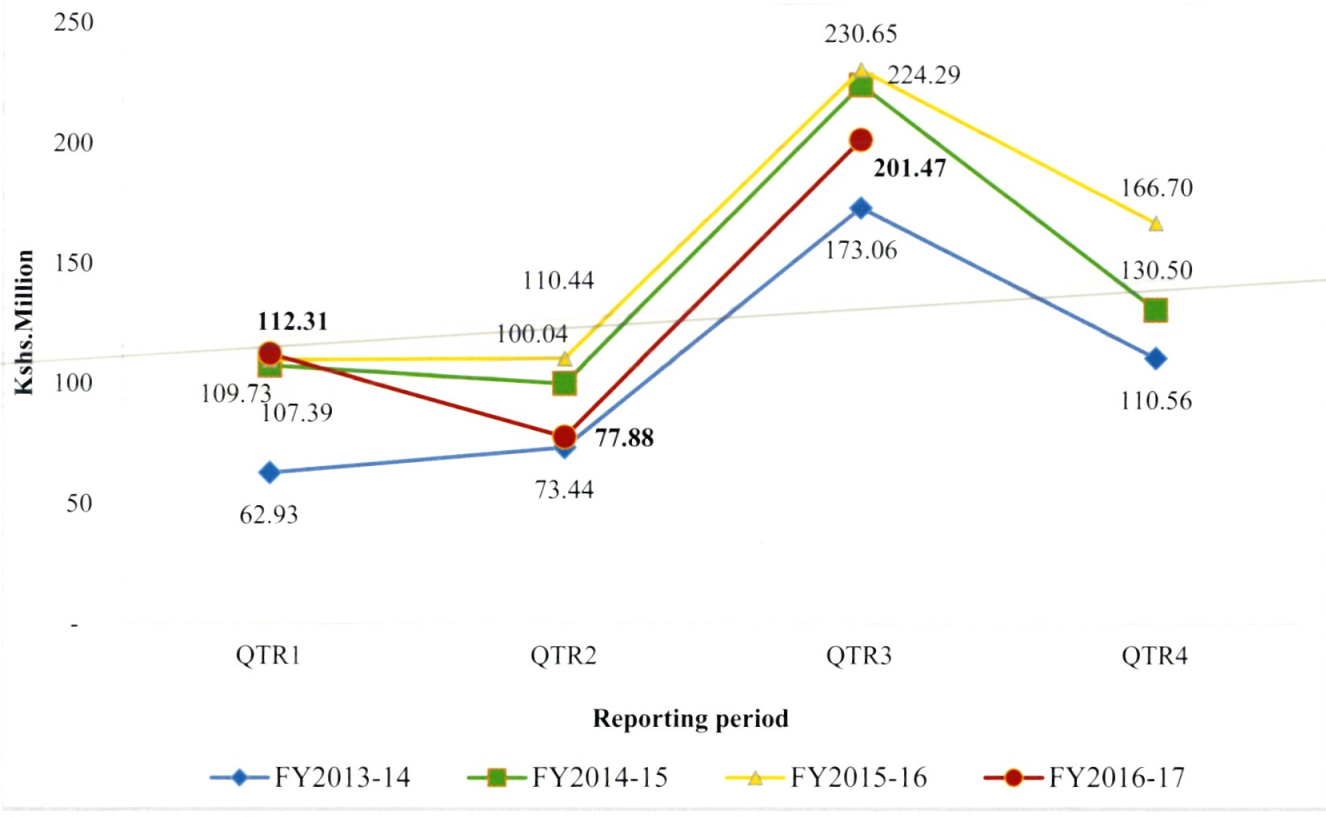
To finance the budget, the County expects to receive Kshs.5.78 billion (70.9 per cent) as equitable share of revenue raised nationally, Kshs.884.57 million (3.6 per cent) as total conditional grants, generate Kshs.993.55 million (12.2 per cent) from local sources, and Kshs.496.52 million (6.1 per cent) cash balance from FY 2015/16. The conditional grants comprise of Kshs.95.75 million (10.8 per cent) for Leasing of Medical Equipment, Kshs.78.83 million (8.9 per cent) for Free Maternal Healthcare, Kshs.88.80 million (10 per cent) from the Road Maintenance Fuel Levy Fund, Kshs.20.75 million (2.3 per cent) for User Fees Foregone and Kshs.12.41 million (1.4 per cent) from DANIDA, and Kshs.588.04 million (66.5 per cent) as other conditional grants and loans as provided in CARA 2016.

3.29.2 Revenue Analysis

During the first nine months of FY 2016/17, the County received Kshs.4.36 billion as equitable share of the revenue raised nationally, Kshs.150.97 million as total conditional allocations, received Kshs.391.66 million from local sources, and had a cash balance of Kshs.496.52 million brought forward from FY 2015/16.

Figure 3.85 shows the quarterly trend in local revenue collection from the first quarter of FY 2013/14 to the third quarter of FY 2016/17.

Figure 3.85: Murang'a County, Trend in Local Revenue Collection by Quarter from the First Quarter FY 2013/14 to the Third Quarter FY 2016/17



Source: *Murang'a County Treasury*

The total local revenue collected in the first nine months of FY 2016/17 amounted to Kshs.391.66 million, representing a decrease of 13.1 per cent compared to Kshs.450.82 million generated in a similar period of FY 2015/16, and represented 39.4 per cent of the annual local revenue target.

3.29.3 Conditional Grants

Table 3.84 shows an analysis of conditional grants released in the first nine months of FY 2016/17.

Table 3.84: Murang'a County, Analysis of Conditional Grants Released in the First Nine Months of FY 2016/17

No.	Conditional Grant	Allocation based on CARA, 2016 (Kshs.)	FY 2016/17 Actual receipt of Conditional Grants (Kshs.)	Actual receipts as a percentage of Annual Allocation (%)
1	Road Maintenance Fuel Levy Fund	88,797,208	66,597,906	75.0
2	Free Maternal Healthcare	78,828,699	84,373,256	84.7
3	User Fees Foregone	20,749,146		
4	Kenya Devolution Support Programme Trust (Not in CARA, 2016)	29,535,323	-	-
5	DANIDA grant	12,405,000	-	-
TOTAL		**230,315,376**	**150,971,162**	**65.5**

Source: *Murang'a County Treasury*

Analysis of the conditional grants released during the period under review indicates that, the Free

Maternal Healthcare and User Fees Foregone grants recorded the highest receipts at 84.7 per cent of the annual target, followed by the Road Maintenance Fuel Levy Fund at 75 per cent. The County is yet to receive funds from the Kenya Devolution Support Programme, and DANIDA.

3.29.4 Exchequer Issues

During the reporting period, the Controller of Budget authorised withdrawal of Kshs.4.79 billion from the CRF account, which was 58.3 per cent of the Approved Budget. This amount represented an increase of 6.4 per cent from Kshs.4.50 billion authorized in a similar period of FY 2015/16 and consisted of Kshs.2.95 billion (62.6 per cent) for recurrent expenditure and Kshs.1.85 billion (52.7 per cent) for development activities.

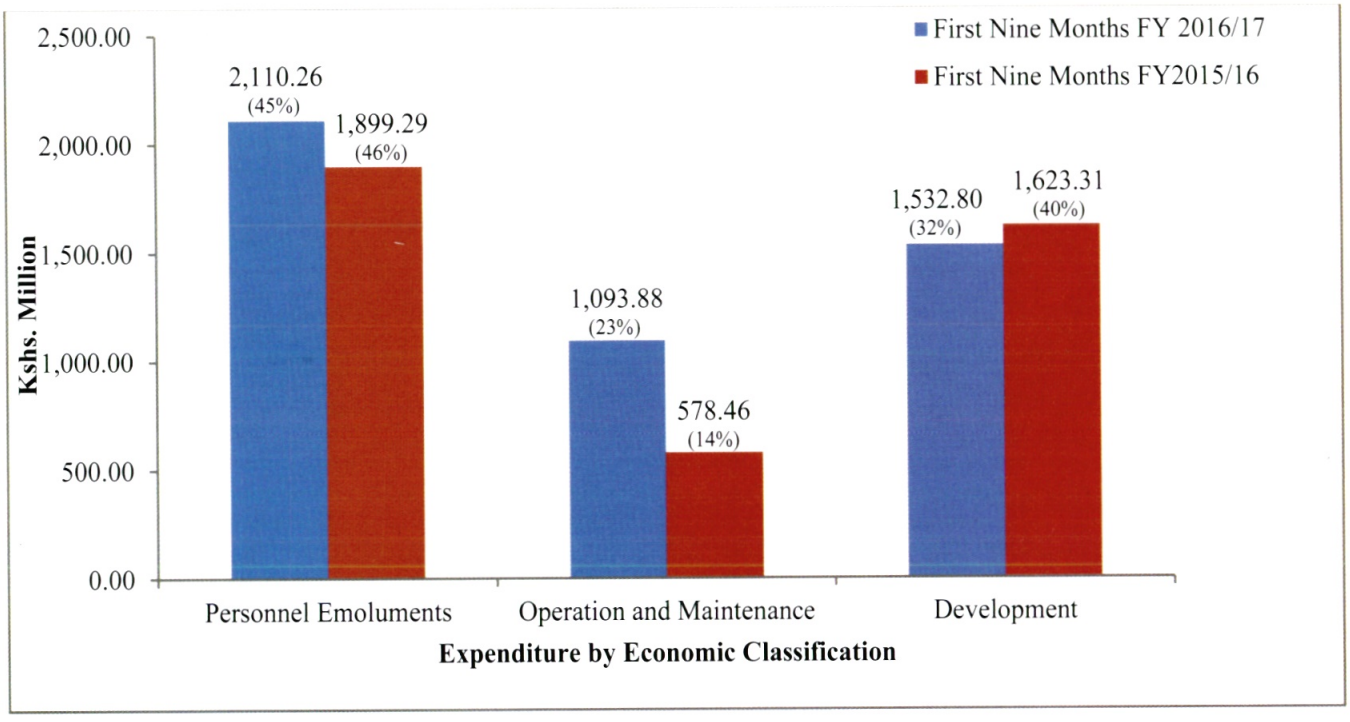
3.29.5 Overall Expenditure Review

The County spent Kshs.4.74 billion, which was 98.9 per cent of the total funds released for operations. This was an increase of 16.9 per cent from Kshs.4.10 billion spent in a similar period of FY 2015/16.

A total of Kshs.3.2 billion was spent on recurrent activities, while Kshs.1.53 billion was spent on development activities. The recurrent expenditure was 108.8 per cent of the funds released for recurrent activities while development expenditure accounted for 83 per cent of the funds released for development activities.

The recurrent expenditure represented 68.1 per cent of the annual recurrent budget, a decrease from 69.8 per cent spent in a similar period of FY 2015/16. Development expenditure recorded an absorption rate of 43.7 per cent, which was a decrease from 48.4 per cent attained in a similar period of FY 2015/16. Figure 3.86 presents a comparison between the total expenditure in the first nine of FY 2016/17 and first nine of FY 2015/16.

Figure 3.86: Murang'a County, Expenditure by Economic Classification for the First Nine Months of FY 2016/17 and FY 2015/16

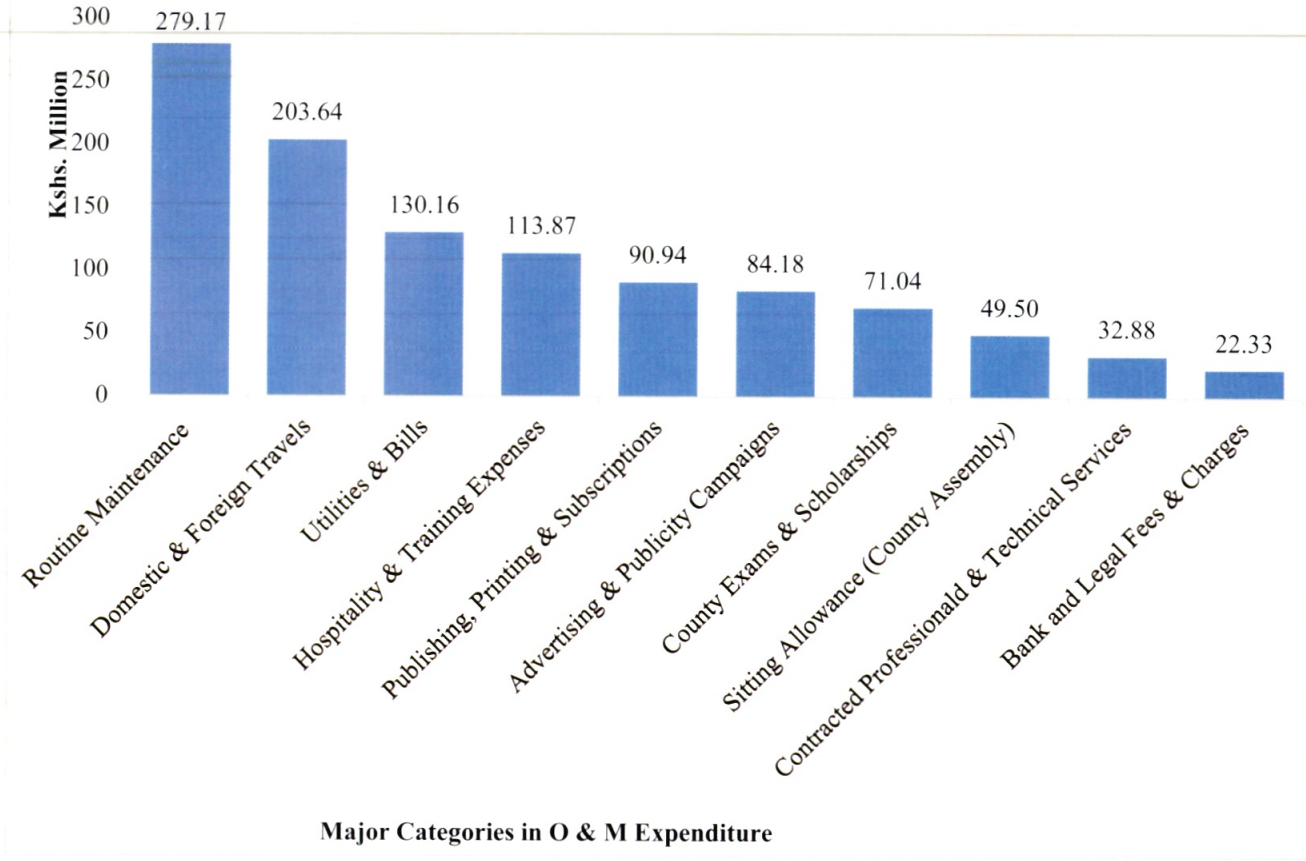


Source: *Murang'a County Treasury*

3.29.6 Analysis of Recurrent Expenditure

The total recurrent expenditure of Kshs.4.74 billion consisted of Kshs.2.11 billion (44.5 per cent) spent on personnel emoluments and Kshs.1.09 billion (23.1 per cent) on operations and maintenance as shown in Figure 3.86. Expenditure on personnel emoluments represented an increase of 11.1 per cent compared to a similar period of FY 2015/16 when the County spent Kshs.1.90 billion. Figure 3.87 shows a summary of operations and maintenance expenditure by major categories.

Figure 3.87: Murang'a County, Operations and Maintenance Expenditure by the major categories for the First Nine months of FY 2016/17



Source: *Murang'a County Treasury*

The County spent Kshs.49.5 million on sitting allowances to the 48 MCAs and the Speaker against the annual budget allocation of Kshs.74.61 million. This was an increase of 239.0 per cent compared to Kshs.14.6 million spent in the same period of FY 2015/16. This was due to improved reporting of sitting allowance by the county assembly separate from basic salary. The average monthly sitting allowance was Kshs.112,243 per MCA compared to SRC's recommended monthly ceiling of Kshs.124,800

Expenditure on domestic and foreign travel amounted to Kshs.203.64 million and consisted of Kshs.98.05 million by the County Assembly and Kshs.105.59 million by the County Executive. This was an increase of 18.7 per cent compared to Kshs.171.50 million spent in a similar period of FY 2015/16.

3.29.7 Development Expenditure Analysis

The total development expenditure of Kshs.1.53 million represented 43.7 per cent of the annual development budget of Kshs.3.51 billion. Table 3.85 provides a summarised list of development

projects with the highest expenditure during the period under review.

Table 3.85: Murangá County, Summary of Development Projects with the Highest Expenditure in the First Nine Months of FY 2016/17

Project name	Ward (location of project)	Location	Amount (Kshs.)
Construction/ Refurbishment of Buildings & Access Roads	Grading of Githima access road in Kigumo	Kigumo	5,035,032
	Part payment for Kirwara hospital	Kirwara	5,000,000
	Supply of water meters for Ithanga water supply	Ithanga	4,504,309
	Gravelling of access roads in Ruchu ward	Ruchu	4,482,653
	Gravelling of Marumi-Kaimiri access road in Kigumo ward	Kigumo	4,211,983
Milk, Mariira and Horticulture Programs	Milk processing plant - Murang'a Cooperative Creameries in Maragua	Maragua	43,301,049
Agricultural Materials, Supplies and Small Equipment	Supply of maize seeds-County wide	County Wide	19,352,000
	Manure distribution and support-County wide	County Wide	13,000,000
ECDE Feeding Program	Funds for ECDE feeding Program-County wide	County Wide	21,000,000
Polytechnic Capitation	Transfer of fund -for youth polytechnics-County wide	County Wide	4,000,000
Total			**123,887,026**

Source: *Murang'a County Treasury*

Analysis of the development expenditure by project indicates that, the highest expenditure of Kshs.21 million was spent on the ECDE feeding Program, followed by Kshs.19.35 million on supply of maize seeds.

3.29.8 Budget and Budget Performance Analysis by Department

Table 3.86 shows a summary of budget estimates and budget performance by department for the first nine months of FY 2016/17

Table 3.86: Murang'a County, Budget Performance by Department for the First Nine Months of FY 2016/17

Department	Annual Budget Allocation (Kshs. Million)		First nine months FY 2016/17 Exchequer Issues (Kshs. Million)		First nine months FY 2016/17 Expenditure (Kshs. Million)		First nine months of FY 2016/17 Expenditure to Exchequer Issues (%)		First nine months FY 2016/17 Absorption rate (%)	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
County Assembly	672.42	70.00	429.00	30.00	419.34	12.14	97.7	40.5	62.4	17.3
Office of the Governor and Deputy Governor	269.36	11.50	173.40	-	139.51	-	80.5	0.0	51.8	0.0
Finance and Planning	318.01	38.00	203.50	-	566.94	14.86	278.6	Above 100	178.3	39.1
Agriculture, Livestock and Fisheries	209.30	248.23	134.10	160.00	135.69	97.03	101.2	60.6	64.8	39.1
Transport Energy and Infrastructure	38.72	1,929.02	27.75	1,290.45	114.14	832.55	411.3	64.5	294.8	43.2
Trade, Enterprise, Industries and Resource Mobilization	32.31	25.63	19.90	13.00	7.56	8.72	38.0	67.1	23.4	34.0
Health and Sanitation	1,736.03	528.92	984.60	211.55	890.01	348.12	90.4	164.6	51.3	65.8
Land, Housing and Physical Planning	30.00	13.00	17.45	-	2.04	-	11.7	0.0	6.8	0.0
Public Service and Administration	892.66	1.57	610.45	0.00	619.70	3.67	101.5	Above 100	69.4	234.1
Education and Technical Training	278.98	365.86	184.01	105.00	281.43	76.70	152.9	73.1	100.9	21.0

Department	Annual Budget Allocation (Kshs. Million)		First nine months FY 2016/17 Exchequer Issues (Kshs. Million)		First nine months FY 2016/17 Expenditure (Kshs. Million)		First nine months of FY 2016/17 Expenditure to Exchequer Issues (%)		First nine months FY 2016/17 Absorption rate (%)	
Youth, Women and Co-Operatives	185.87	213.19	133.75	37.00	49.98	116.17	37.4	314.0	26.9	54.5
Environment and Natural Resources	13.73	60.37	7.30	-	0.65	-	8.9	0.0	4.7	0.0
County Public Service Board	30.15	-	19.79	-	-	-	0.0	0.0	0.0	0.0
Total	**4,708**	**3,505**	**2,945**	**1,847**	**3,204.14**	**1532.80**	**108.8**	**83.0**	**68.1**	**43.7**

Source: *Murang'a County Treasury*

Analysis of budget performance by department shows that the Health and Sanitation Department attained the highest absorption rate of development budget at 65.8 per cent while the Environment and Natural Resources, County Public Service Board, Office of the Governor and the Land, Housing and Physical Planning Department did not incur any development expenditure. On the other hand the Department of Transport Energy and Infrastructure had the highest percentage of recurrent expenditure to recurrent budget at 294.8 per cent while the County Public Service Board did not report any recurrent expenditure.

3.29.9 Observations and Recommendations

The County has made progress in addressing some of the challenges previously identified as affecting budget implementation. Some of the progress made included:

i. Adherence to SRC guidelines on MCAs sitting allowances.

ii. Improved capacity of technical staff through training.

Despite the above progress, the following challenges continued to hamper effective budget implementation;

1. Late submission of financial reports by the County Treasury, which affected timely preparation of budget implementation report.

2. Spending of revenue at source contrary to Section 109 of the PFM Act 2012.

3. Under-performance in local revenue collection. Local revenue collection declined by 13.1 per cent from Kshs.450.82 million in by the third quarter of FY 2015/16 to Kshs.391.66 million in the reporting period.

4. IFMIS connectivity challenges, which slowed down approval of procurement requests and payment to suppliers.

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

1. The County Treasury should ensure timely preparation and submission of financial reports in

line with Section 166 of PFM Act, 2012.

2. *The County Treasury should ensure that all local revenues collected is deposited intact into the County Revenue Fund as required in Section 109 of the PFM Act, 2012*

3. *The County Treasury should formulate and implement strategies to enhance local revenue collection.*

4. *The County Treasury should liaise with the IFMIS Directorate for support in the application of IFMIS and the E-procurement module.*

3.30 Nairobi County

3.30.1 Overview of the FY 2016/17 Budget

The County's FY 2016/17 Supplementary Budget was Kshs.34.55 billion, comprising of Kshs.23.16 billion (67.0 per cent) and Kshs.11.39 billion (33.0 per cent) allocation for recurrent and development expenditure respectively.

To finance the budget, the County expects to receive Kshs.14.28 billion (41.3 per cent) as equitable share of revenue raised nationally, Kshs.714 million (2.1 per cent) as total conditional grants, and generate Kshs.19.57 billion (56.6 per cent) from local sources. The conditional grants comprise of Kshs.303 million for Free Maternal Healthcare, Kshs.214 million for Road Maintenance Fuel Levy Fund, Kshs.73 million for User Fees Foregone, Kshs.96 million for leasing of medical equipment and Kshs.28 million from DANIDA.

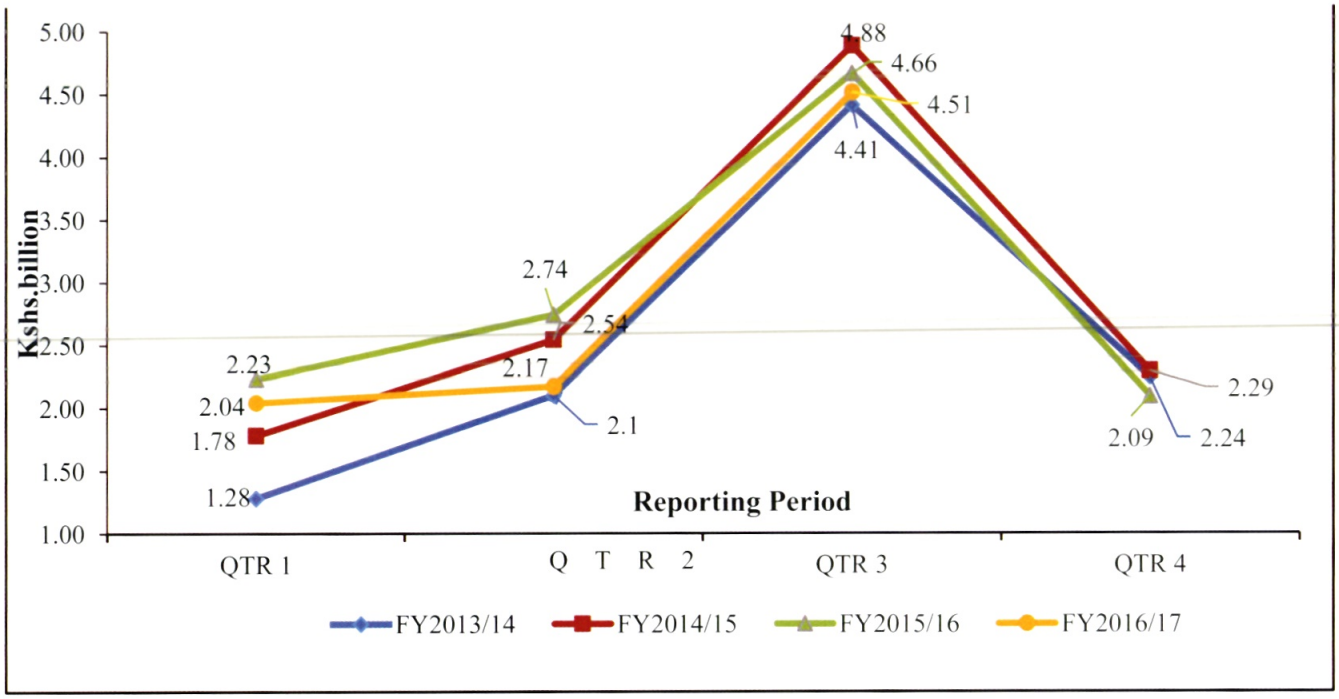
However, the approved revenue estimates for both unconditional allocation and conditional allocations from the National Government and the development partners differ from those provided for in CARA, 2016. The County overestimated the equitable share of revenue raised nationally by Kshs.253.49 million; Free Maternal Healthcare by Kshs.103.10 million; DANIDA grant by Kshs.14.10 million while compensation for User Fees Foregone and Road Maintenance Fuel Levy Fund were underestimated by Kshs.6.88 million and Kshs.1.47 million, respectively.

3.30.2 Revenue Analysis

During the first nine months of FY 2016/17, the County received Kshs.10.76 billion as equitable share of the revenue raised nationally, Kshs.307.82 million as total conditional allocations, and raised Kshs.8.72 billion from local sources.

Figure 3.88 shows the quarterly trend in local revenue collection from the first quarter of FY 2013/14 to the third quarter of FY 2016/17.

Figure 3.88: Nairobi City County, Trend in Local Revenue Collection by Quarter from the First Quarter FY 2013/14 to the Third Quarter FY 2016/17



Source: *Nairobi City County Treasury*

The total local revenue collected in the first nine months of FY 2016/17 amounted to Kshs.8.72 billion which was a decrease of 9.4 per cent compared to Kshs.9.62 billion generated in a similar period of FY 2015/16. The revenue generated accounted for 44.5 per cent of the annual local revenue target.

3.30.3 Conditional Grants

Table 3.87shows an analysis of conditional grant disbursement in the first nine months of FY 2016/17.

Table 3.87: Nairobi City County, Analysis of Conditional Grant Released in the First Nine Months of FY 2016/17

No.	Conditional Grant	Allocations based on CARA 2016 (Kshs.)	First nine months, FY 2016/17 Actual receipt of the Conditional Grant (Kshs.)	Actual receipts as a percentage of Annual Allocation (%)
1	Free Maternal Healthcare	199,899,133	36,622,500	18.3
2	Road Maintenance Fuel Levy Fund	215,471,089	161,603,316	75.0
3	Compensation for User Fees Foregone	79,879,082	84,482,041	105.8
4	DANIDA grant	13,900,000	-	-
5	Leasing of Medical Equipment	95,744,681	-	-
Total		**604,893,985**	**307,822,857**	**50.9**

Source: *Nairobi County Treasury*

Analysis of the conditional grants released in the period under review indicates that, Compensation for User fees forgone recorded the highest receipts against annual target at 105.8 per cent followed by Road Maintenance Fuel Levy Fund and Free Maternal Healthcare at 75.0 per cent and 18.3 per cent respectively.

3.30.4 Exchequer Issues

During the reporting period, the Controller of Budget authorised withdrawal of Kshs.10.89 billion from the CRF account, which was 31.5 per cent of the approved supplementary budget. This amount represented a decline of 18.3 per cent from Kshs.11.13 billion authorized in a similar period of FY 2015/16 and consisted of Kshs.10.85 billion (99.6 per cent) for recurrent expenditure and Kshs.44 million (0.4 per cent) for the County Assembly development activities.

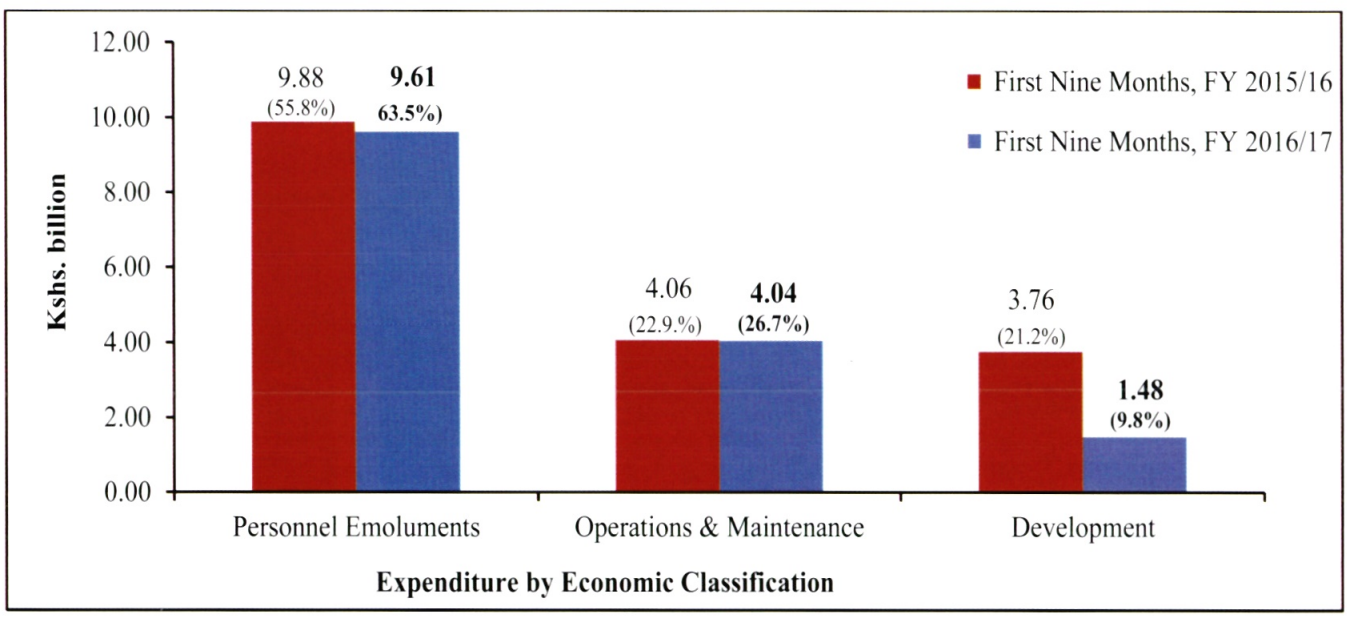
3.30.5 Overall Expenditure Review

The County spent Kshs.15.13 billion, which was 138.9 per cent of the total funds released for operations. This represented a decline of 14.6 per cent from Kshs.17.70 billion spent in a similar period of FY 2015/16.

A total of Kshs.13.65 billion was spent on recurrent activities, while Kshs.1.48 billion was spent on development activities despite not requesting funds for the development activities. The recurrent expenditure was 125.8 per cent of the funds released for recurrent activities.

The recurrent expenditure represented 58.9 per cent of the annual recurrent budget, a decrease from 70.3 per cent spent in a similar period of FY 2015/16. Development expenditure recorded an absorption rate of 12.9 per cent, which was a decline from 34.2 per cent absorbed in a similar period of FY 2015/16. Figure 3.89 presents a comparison between the total expenditure in the first nine months of FY 2016/17 and FY 2015/16.

Figure 3.89: Nairobi City County, Expenditure by Economic Classification for the First Nine Months of FY 2016/17 and FY 2015/16



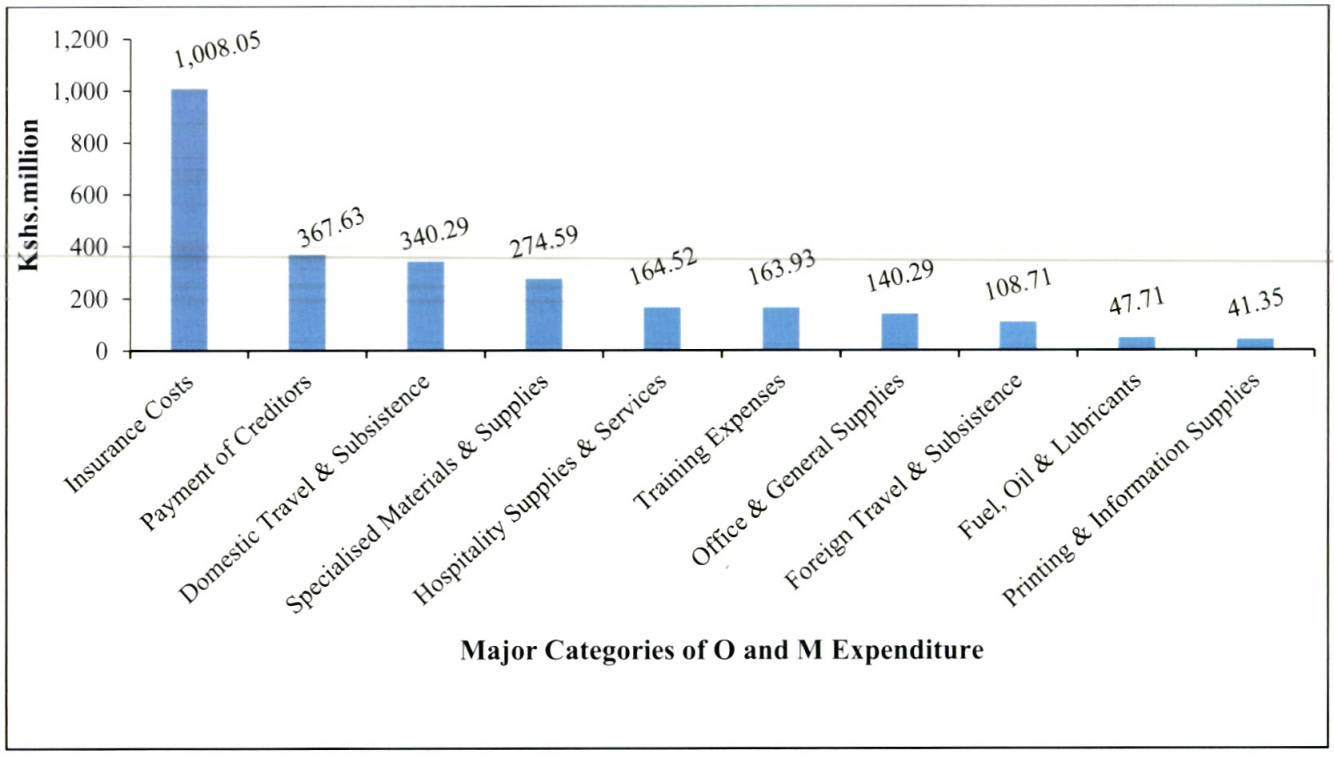
Source: *Nairobi City County Treasury*

3.30.6 Analysis of Recurrent Expenditure

The total recurrent expenditure of Kshs.13.65 billion consisted of Kshs.9.61 billion (70.4 per cent) spent on personnel emoluments and Kshs.4.04 billion (29.6 per cent) on operations and maintenance as shown in Figure 3.89. Expenditure on personnel emoluments represented a decrease of 2.7 per cent compared to a similar period of FY 2015/16 when the County spent Kshs.9.88 billion. Figure

3.90 shows a summary of operations and maintenance expenditure by major categories.

Figure 3.90: Nairobi City County, Operations and Maintenance Expenditure by Major Categories for First Nine Months of FY 2016/17



Source: *Nairobi City County Treasury*

The County sent Kshs.78.41 million on sitting allowances to the 128 MCAs and the Speaker against the annual budget allocation of Kshs.140.60 million. This was a decrease of 11.3 per cent compared to Kshs.88.42 million spent in a similar period of FY 2015/16. The average monthly sitting allowance was Kshs.68,064 per MCA compared to SRC's recommended monthly ceiling of Kshs.124,800.

Expenditure on domestic and foreign travel amounted to Kshs.449.01 million compared to Kshs.320.93 million spent in a similar period of FY 2015/16, representing an increase of 39.9 per cent. The amount consisted of Kshs.181.17 million for County executive and Kshs.267.83 million for the County Assembly.

3.30.7 Development Expenditure Analysis

The total development expenditure of Kshs.1.48 billion represented 12.9 per cent of the annual development budget of Kshs.11.39 billion. Table 3.88 provides a list of top development projects with the highest expenditure during the period under review.

Table 3.88: Nairobi City County, List of Development Expenditure with the Highest Expenditure for the First Nine Months of FY 2016/17

Department	Project Name	Ward (Location of the Project)	Annual Budget (Kshs.)	Expenditure as at 31st March, 2017 (Kshs.)	Absorption rate (%)
Public Works, Transport & Infrastructure	Routine maintenance of road and drainages city wide	City Wide	506,931,972	115,604,909	22.8

Department	Project Name	Ward (Location of the Project)	Annual Budget (Kshs.)	Expenditure as at 31st March, 2017 (Kshs.)	Absorption rate (%)
Construction of Aviation Total Road	Routine maintenance of Streetlights	City Wide	437,064,656	68,293,400	15.6
	Construction of access to Hacco Industries	Clay City	104,936,007	36,184,554	34.5
	Construction Public Transport Facility along Parkroad	Ngara Ward	59,326,586	34,111,988	57.5
	Rehabilitation of Kahuho Road	Riruta Satellite and Waithaka	79,419,538	30,307,522	38.2
		Embakasi	130,146,272	22,571,697	17.3
	Construction of Falcon road	Carlifonia Ward	236,699,117	22,056,470	9.3
	Rehabilitation of Nzohe road	Karen	-	21,631,152	-
	Construction of Ndwaru road	Waithaka	-	20,171,153	-
	Rehabilitation of access road to Akiba II Estate	South C	-	19,925,225	-
	Rehabilitation of Thiong'o Road	Kangemi	65,557,314	16,985,980	25.9
	Completion of by-pass Mihang'o link road	Mihang'o	-	15,847,284	-
Environment, Water, Energy & Natural Resources	Purchase of 10 No Skip Loaders	Dandora	-	107,880,000	-
	Improvement of Dandora Dumpsite (Perimeter wall)	Dandora	-	11,269,590	-
Education, Youth Affairs, Sports, Culture & Social Services	Construction of a rehabilitation centre in Ruai	Ruai	50,000,000.00	18,220,190.00	36.4
	Proposed construction of Uhuru Social Hall	Uhuru	-	6,281,226.00	-
County Public Service board	Office Partitioning for Public Service Board	Cityhall	10,000,000.00	7,486,484.00	74.9
Office of Governor & Deputy Governor	Purchase of firefighting equipment	Fire station	-	14,923,000.00	-
	Refurbishment Of Legal Offices	Cityhall	10,000,000.00	4,781,329.00	47.8

Source: *Nairobi City County Treasury*

The County incurred the highest development expenditure of Kshs.115.60 million on routine maintenance of roads and drainages across the city, followed by Kshs.107.88 million on purchase of ten skip loaders, and Kshs.68.29 million on routine maintenance of streetlights.

3.30.8 Budget and Budget Performance Analysis by Department

Table 3.89 shows a summary of the first nine months of FY 2016/17 budget estimates and budget performance by department.

Table 3.89: Nairobi City County, Budget Performance by Department for the First Nine Months of FY 2016/17

Department	Budget Allocation (Kshs. Million)		First nine months of FY 2016/17 Exchequer Issues (Kshs. Million)		First nine months of FY 2016/17 Expenditure (Kshs. Million)		First nine months of FY 2016/17 Expenditure to Exchequer Issues (%)	First nine months of FY 2016/17 Absorption rate (%)	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Rec	Dev
County Public Service Board	87.00	28.00	20.74	0.00	32.37	7.49	156.1	37.2	26.7

Department	Budget Allocation (Kshs. Million)		First nine months of FY 2016/17 Exchequer Issues (Kshs. Million)		First nine months of FY 2016/17 Expenditure (Kshs. Million)		First nine months of FY 2016/17 Expenditure to Exchequer Issues (%)	First nine months of FY 2016/17 Absorption rate (%)	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Rec	Dev
Office of Governor & Deputy Governor	5568.83	559.00	2,831.76	0.00	3,405.60	42.81	120.3	61.2	7.7
ICT, E-Government & Public Communications	305.00	150.00	31.10	0.00	53.80	44.78	173.0	17.6	29.9
Finance & Economic Planning	2821.00	100.00	967.55	0.00	1,608.51	0.00	166.2	57.0	0.0
Health	5480.00	1070.00	2,660.00	0.00	3,462.22	16.04	130.2	63.2	1.5
Urban Planning & Lands	318.00	435.00	130.62	0.00	157.93	3.75	120.9	49.7	0.9
Public Works, Transport & Infrastructure	1404.00	6528.00	639.73	0.00	656.35	988.55	102.6	46.7	15.1
Education, Youth Affairs, Sports, Culture & Social Services	1510.10	380.00	583.81	0.00	730.91	63.31	125.2	48.4	16.7
Trade, Commerce, Tourism & Cooperatives	631.00	570.00	153.03	0.00	235.35	0.00	153.8	37.3	0.0
Public Service Management	1345.00	115.00	1,054.44	0.00	1,185.16	22.14	112.4	88.1	19.2
Agriculture, Livestock Development, Fisheries and Forestry	384.00	150.00	177.89	0.00	209.00	19.44	117.5	54.4	13.0
Environment, Water, Energy & Natural Resources	1577.00	970.00	614.41	0.00	832.28	217.74	135.5	52.8	22.4
Urban Renewal and Housing	210.00	188.00	67.78	0.00	75.53	0.00	111.4	36.0	0.0
County Assembly	1520.60	149.99	913.73	44.00	1,002.63	49.11	109.7	65.9	32.7
TOTAL	**23,161.53**	**11,392.99**	**10,846.56**	**44.00**	**13,647.63**	**1,475.14**	**125.8**	**58.9**	**12.9**

Source: *Nairobi City County Treasury*

Analysis of budget performance by department shows that the County Assembly attained the highest absorption rate of its development budget at 32.7 per cent, followed by the ICT, E-Government and Public Communications Department, the County Public Service Board, Environment, Water, Energy and Natural Resources Department and Public Service Management Department at 29.9 per cent, 26.7 per cent, 22.4 per cent and 19.2 per cent respectively. On the other hand, the Department of Public Service Management had the highest percentage of recurrent expenditure to its recurrent budget at 88.1 per cent while ICT, E-Government and Public Communications Department had the lowest at 17.6 per cent.

3.30.9 Observations and Recommendations

The County has made progress in addressing some of the challenges previously identified as affecting budget implementation. Some of the progress made included:

i. Improvement in staff capacity through training and recruitment of technical staff.

ii. Timely submission of financial reports to the Office of the Controller of Budget.

Despite the above progress, the following challenges continued to hamper effective budget implementation.

1. Decline in local revenue collection. The local revenue collected in the reporting period of Kshs.8.72

billion represented a decline 9.4 per cent from Kshs.9.62 billion collected in the similar period of FY 2015/16.

2. Spending of revenue at source contrary to Section 109 of the PFM Act 2012.

3. High personnel emoluments which accounted for 63.6 per cent of the total expenditure in the reporting period, thus constraining funding to other programmes.

4. Low implementation of development projects in the first nine months of FY 2016/17. The County incurred cumulative development expenditure of Kshs.1.48 billion accounting for an absorption rate of 12.9 per cent.

5. IFMIS connectivity challenges, which slowed down approval of procurement requests and payment to suppliers.

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

1. *The County Treasury should formulate and implement strategies to enhance local revenue collection.*

2. *The County Treasury should ensure that all local revenue collected is deposited into the County Revenue Fund account as required by Section 109 of the PFM Act, 2012.*

3. *The County Public Service Board should develop an optimal staffing structure, devise and implement strategies to manage the wage bill.*

4. *The County should come up with measures to address the low absorption of development funds in order to enhance implementation of development activities.*

5. *The County Treasury to liaise with the IFMIS Directorate for support in utilization of IFMIS and E-procurement module.*

3.31 Nakuru County

3.31.1 Overview of the FY 2016/17 Budget

The County's FY 2016/17 Approved Budget was Kshs.14.74 billion comprising of Kshs.8.96 billion (61 per cent) allocation for recurrent and Kshs.5.78 billion (39 per cent) allocation for development expenditure respectively.

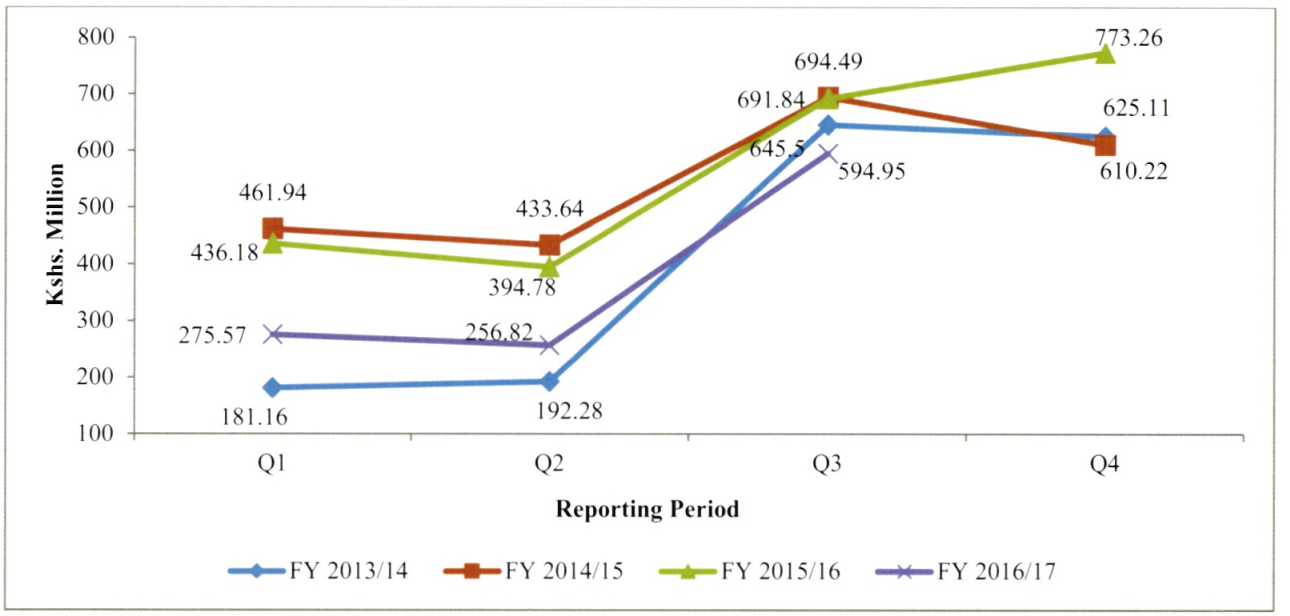
To finance the budget, the County expects to receive Kshs.8.76 billion (59.4 per cent) as equitable share of revenue raised nationally, Kshs.1.47 billion (10 per cent) as total conditional grants, generate Kshs.2.60 billion (17.6 per cent) from local sources, and Kshs.1.92 billion (13 per cent) cash balance from FY 2015/16. The conditional grants comprise of Kshs.215.28 million (14.6 per cent) for Free Maternal Healthcare, Kshs.134.56 million (9.1 per cent) from the Road Maintenance Fuel Levy Fund, Kshs.39.22 million (2.7 per cent) for User Fees Foregone, Kshs.25.26 million (1.7 per cent) from DANIDA, Kshs.95.74 million (6.5 per cent) for Leasing of Medical Equipment, Kshs.356.07 (24.2 per cent) for Nakuru Level 5 Hospital, and Kshs.605 million (41.1 per cent) as Facility Improvement Fund.

3.31.2 Revenue Analysis

During the first nine months of FY 2016/17, the County received Kshs.5.12 billion as equitable share of the revenue raised nationally, Kshs.422.91 million as total conditional allocations, raised Kshs.1.13 billion from local sources, and had a cash balance of Kshs.927.94 million brought forward from FY 2015/16.

Figure 3.91 shows the quarterly trend in local revenue collection from the first quarter of FY 2013/14 to the third quarter of FY 2016/17.

Figure 3.91: Nakuru County, Trend in Local Revenue Collection by Quarter from the First Quarter FY 2013/14 to the Third Quarter FY 2016/17



Source: *Nakuru County Treasury*

The total local revenue collected in the first nine months of FY 2016/17 amounted to Kshs.1.13 billion, representing a decrease of 26 per cent compared to Kshs.1.52 billion generated in a similar period of FY 2015/16, and represented 43.4 per cent of the annual local revenue target.

3.31.3 Conditional Grants

Table 3.90 shows an analysis of conditional grants released in the first nine months of FY 2016/17.

Table 3.90: Nakuru County, Analysis of Conditional Grants Released in the First Nine Months of FY 2016/17

No.	Conditional Grant	Amount allocated as provided in CARA 2016 (Kshs.)	First nine months, FY 2016/17 Actual receipt of the Conditional Grant (Kshs.)	Actual receipts as a percentage of Annual Allocation (%)
1	Donor Grants (DANIDA)	25,260,000	-	0.0
2	User Fees Foregone	39,216,180	19,608,090	50.0
3	Leasing of Medical Equipment	95,744,681	-	0.0
4	Free Maternal Healthcare	215,283,613	125,940,913	58.5

No.	Conditional Grant	Amount allocated as provided in CARA 2016 (Kshs.)	First nine months, FY 2016/17 Actual receipt of the Conditional Grant (Kshs.)	Actual receipts as a percentage of Annual Allocation (%)
5	Road Maintenance Fuel Levy Fund (RMFLF)	134,560,844	67,280,422	50.0
6	Nakuru Level- 5 Hospital	356,069,364	210,080,925	59.0
TOTAL		**866,134,682**	**422,910,350**	**48.8**

Source: *Nakuru County Treasury*

Analysis of the conditional grants released during the period under review indicates that Nakuru Level 5 Hospital recorded the highest percentage receipt at 59 per cent of the annual target, followed by Free Maternal Healthcare at 58.5 per cent. The County is yet to receive funds from DANIDA and for the Leasing of Medical Equipment grant.

3.31.4 Exchequer Issues

During the reporting period, the Controller of Budget authorised withdrawal of Kshs.7.47 billion from the CRF account, which was 50.3 per cent of the Approved Budget. This amount represented a decrease of 1.3 per cent from Kshs.7.57 billion authorized in a similar period of FY 2015/16 and consisted of Kshs.5.25 billion (71 per cent) for recurrent expenditure and Kshs.2.17 billion (29 per cent) for development activities.

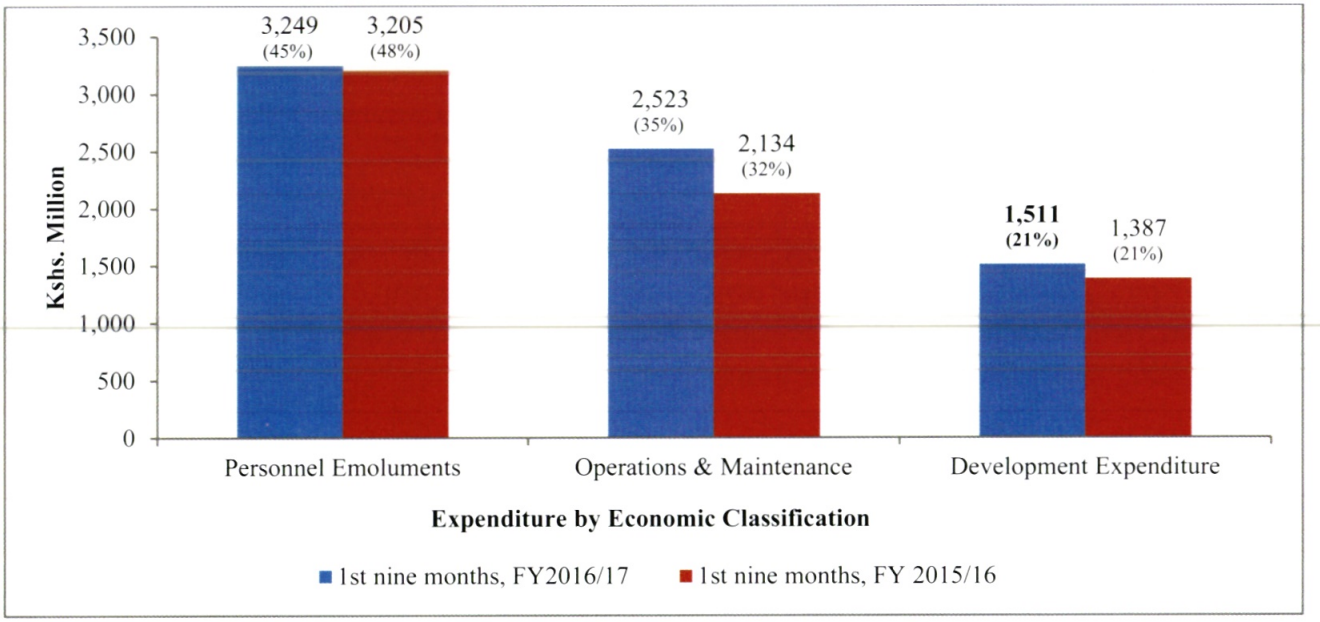
3.31.5 Overall Expenditure Review

The County spent Kshs.7.28 billion, which was 98 per cent of the total funds released for operations. This was an increase of 7.6 per cent from Kshs.6.73 billion spent in a similar period of FY 2015/16.

A total of Kshs.5.77 billion was spent on recurrent activities, while Kshs.1.51 billion was spent on development activities. The recurrent expenditure was 110 per cent of the funds released for recurrent activities while development expenditure accounted for 69.6 per cent of the funds released for development activities. The expenditure excluded outstanding commitments as at 31st March, 2017 that amounted to Kshs.677.77 million for development and Kshs.414.42 million for recurrent expenditure.

The recurrent expenditure represented 64.4 per cent of the annual recurrent budget, an increase from 63.9 per cent spent in a similar period of FY 2015/16. Development expenditure recorded an absorption rate of 26.13 per cent, which was an increase from 25.8 per cent attained in a similar period of FY 2015/16. Figure 3.92 presents a comparison between the total expenditure in the first nine months of FY 2016/17 and the first nine months of FY 2015/16.

Figure 3.92: Nakuru County, Expenditure by Economic Classification for the First Nine Months of FY 2016/17 and FY 2015/16

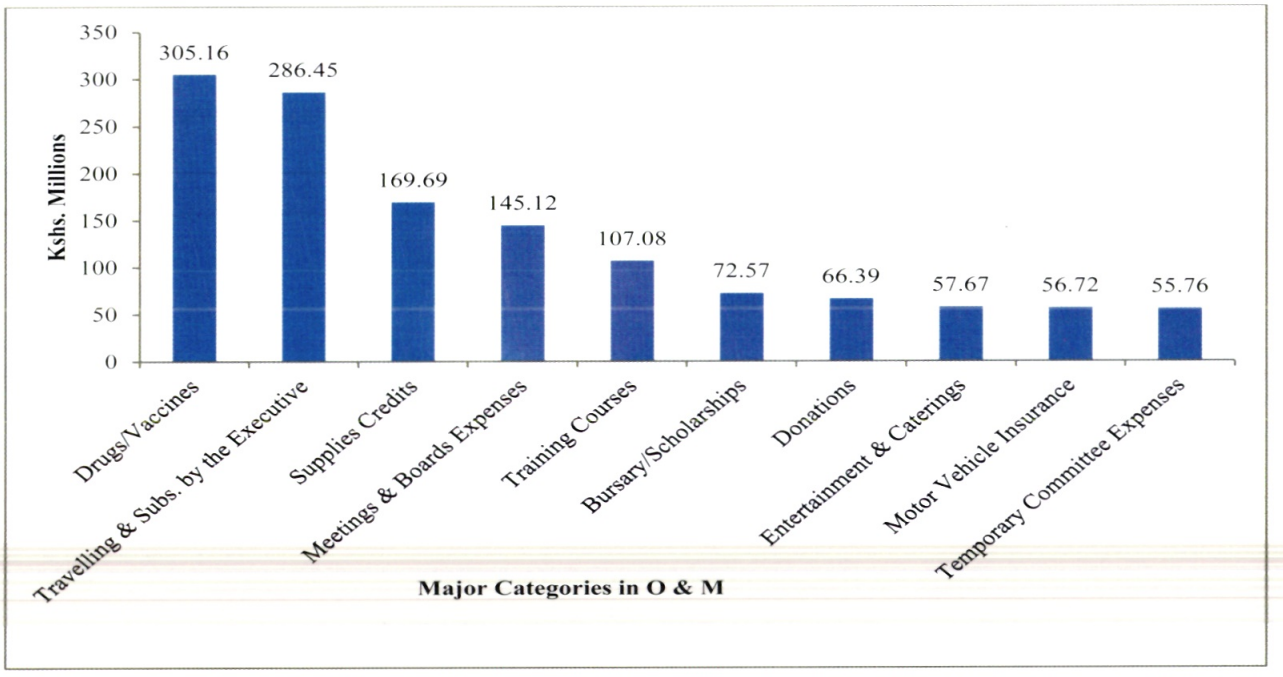


Source: *Nakuru County Treasury*

3.31.6 Analysis of Recurrent Expenditure

The total recurrent expenditure of Kshs.5.77 billion consisted of Kshs.3.25 billion (56 per cent) spent on personnel emoluments and Kshs.2.52 billion (44 per cent) on operations and maintenance as shown in Figure 3.92. Expenditure on personnel emoluments represented an increase of 1.2 per cent compared to a similar period of FY 2015/16 when the County spent Kshs.3.21 billion. Figure 3.93 shows a summary of operations and maintenance expenditure by major categories.

Figure 3.93: Nakuru County, Operations and Maintenance Expenditure by Major Categories for the First Nine Months of FY 2016/17



Source: *Nakuru County Treasury*

The County spent Kshs.75.83 million on sitting allowances to the 74 MCAs and the Speaker against the annual budget allocation of Kshs.110 million. This was an increase of 17.8 per cent compared to Kshs.50.13 million spent in the same period of FY 2015/16. The average monthly sitting allowance was Kshs.112,346 per MCA compared to SRC's recommended monthly ceiling of Kshs.124, 800

Expenditure on domestic and foreign travel amounted to Kshs.322.82 million and consisted of Kshs.36.37 million by the County Assembly and Kshs.286.45 million by the County Executive. This was a decrease of 14.4 per cent compared to Kshs.282.25 million spent in a similar period of FY 2015/16.

3.31.7 Development Expenditure Analysis

The total development expenditure of Kshs.1.51 billion represented 26.1 per cent of the annual development budget of Kshs.5.78 billion. Table 3.91provides a summarised list of development projects with the highest expenditure during the period under review.

Table 3.91: Nakuru County, List of Development Projects with the Highest Expenditure in the First Nine Months of FY 2016/17

No.	Project Name	Ward (Location of the Project)	Annual Budget (Kshs.)	Expenditure as at 31st March, 2017 (Kshs.)	Absorption rate (%)
1	Supply of vaccines	H/Q	56,500,000	54,130,000	95.8
2	Re-engineering and upgrading the ZIZI system	H/Q	35,000,000	32,146,607	91.8
3	Consultation services for digital topographical mapping and preparation of Nakuru Spatial Plan	H/Q	68,900,562	30,541,379	44.3
4	Fee note on preparation of draft valuation roll	H/Q	18,700,000	9,089,006	48.6
5	Purchase of land block 27/910 Mwariki	Rhoda/Mwariki	14,854,044	9,000,000	60.6
6	Proposed renovation of pavilion stand Afraha Stadium	H/Q	-	8,507,858	-
7	Spot improvement and routine maintenance of Pombo-Reboit-Badiat-Soitaran road	Keringet	9,103,100	8,358,326	91.8
8	Mawalebo water project	H/Q	20,000,000	7,791,377	39.0
9	Periodic and routine maintenance of Bamba and part of John Momanyi Road, Nakuru West	Shabab	22,859,550	7,652,343	33.5
10	Land information management system consultation service	H/Q	10,000,000	7,625,452	76.3
	TOTAL		**255,917,256**	**174,842,348**	**68.3**

Source: *Nakuru County Treasury*

Analysis of the development expenditure by project indicates that, the highest expenditure of Kshs.54.13 million was spent on the purchase of vaccines by the Department of Agriculture, Livestock and Fisheries, followed by Kshs.32.15 million spent by the Department of Finance and Economic Planning in re-engineering and upgrading the ZIZI System. The Department of Lands and Physical Planning spent Kshs.30.54 million to prepare the Nakuru Spatial Plan, and Kshs.7.63 million in the establishment a land information management system.

3.31.8 Budget and Budget Performance Analysis by Department

Table 3.92 shows a summary for the first nine months of FY 2016/17 budget estimates and budget performance by department.

Table 3.92: Nakuru County Budget Performance by Department for the First Nine Months of FY 2016/17

Department	Budget Allocation (Kshs. Million)		First nine months FY 2016/17 Exchequer Issues (Kshs. Million)		First nine months FY 2016/17 Expenditure (Kshs. Million)		First nine months FY 2016/17 Expenditure to Exchequer Issues (%)		First nine months FY 2016/17 Absorption rate (%)	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
Office of the Governor and Deputy Governor	202	58	153	5	314	54	206	1070	155	92
Finance and Economic Planning	978	402	560	41	717	90	128	223	73	22
County Public Service Board	57	4	29	4	30	13	105	374	52	374
Public Service Management	753	46	492	43	537	24	109	56	71	52
Health Services	4,019	919	2,173	305	2,476	110	114	36	62	12
Trade, Industrialization and tourism	131	262	82	101	84	60	101	59	64	23
Roads, Public Works and Transport	306	1,778	197	602	222	571	113	95	73	32
Information, Communication and E- Government	58	41	35	32	27	32	77	97	47	77
Agriculture, Livestock Development and Fisheries	542	272	309	111	292	79	94	72	54	29
Land, Housing and Urban Development	113	240	87	198	78	87	90	44	69	36
Education, Culture Youth Affairs and Social Services	562	848	288	293	259	260	90	89	46	31
Environment, Energy, Natural Resources and Water	375	688	250	332	213	130	85	39	57	19
County Assembly	865	220	645	102	524	-	81	0	60	0
TOTAL	**8,962**	**5,779**	**5,301**	**2,169**	**5,773**	**1,511**	**109**	**70**	**64**	**26**

Source: *Nakuru County Treasury*

Analysis of budget performance by department shows that the Office of the Governor and Deputy Governor attained the highest absorption rate of development budget at 92 per cent while the County Assembly did not incur any development expenditure. On the other hand, the Office of the Governor and Deputy Governor, Department of Finance and Economic Planning and Department of Roads, Public Works and Transport had the highest percentage of recurrent expenditure to recurrent budget at 155 per cent and 73 per cent respectively while the Department of Education, Culture, Youth Affairs and Social Services had the lowest at 46 per cent.

3.31.9 Observations and Recommendations

The County has made progress in addressing some of the challenges previously identified as affecting budget implementation. Some of the progress made included:

i. Establishment of the County Budget and Economic Forum (CBEF) in line with Section 137 of the PFM Act, 2012.

ii. Establishment of an Internal Audit Committee in line with Section 155 (5) of the PFM Act, 2012.

iii. Timely submission of quarterly reports in line with Section 166 of the PFM Act, 2012.

Despite the above progress, the following challenges continued to hamper effective budget implementation;

1. Under-performance in local revenue collection. Local revenue collection declined by 26 per cent from Kshs.1.52 billion in the first nine months of FY 2015/16 to Kshs.1.13 billion in the reporting period.

2. IFMIS connectivity challenges, which slowed down approval of procurement requests and payment to suppliers.

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

1. *The County Treasury should formulate and implement strategies to enhance local revenue collection.*

2. *The County Treasury should liaise with the IFMIS Directorate for support in application of IFMIS and the E-procurement module.*

3.32 Nandi County

3.32.1 Overview of the FY 2016/17 Budget

The County's FY 2016/17 Approved Budget was Kshs.6.90 billion, comprising of Kshs.4.38 billion (63.4 per cent) and Kshs.2.53 billion (36.6 per cent) allocation for recurrent and development expenditure respectively.

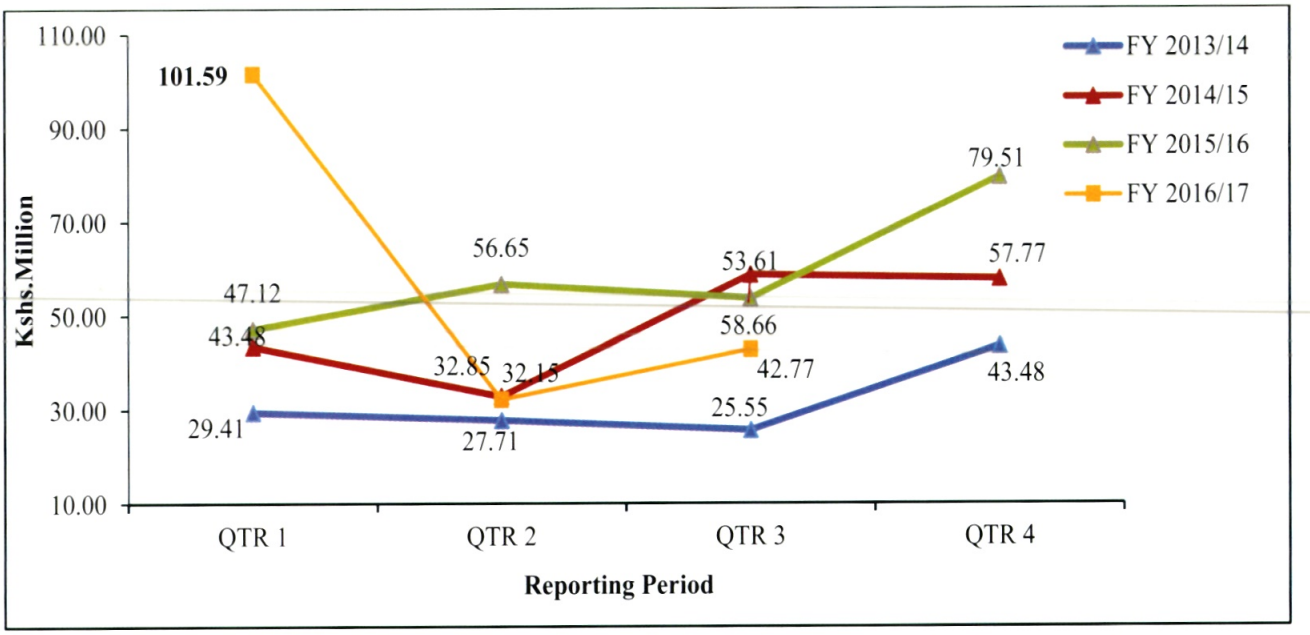
To finance the budget, the County expects to receive Kshs.5.13 billion (76.6 per cent) as equitable share of revenue raised nationally, Kshs.174.24 million (2.6 per cent) as total conditional grants, generate Kshs.362.3 million (5.4 per cent) from local sources, Kshs.59.70 million (0.9 per cent) from Kenya Water Trust Fund, and had Kshs.973 million (14.5 per cent) cash balance from FY 2015/16. The conditional grants comprise of Kshs.68.20 million (39.1 per cent) for Free Maternal Healthcare, Kshs.78.84 million (45.2 per cent) from the Road Maintenance Fuel Levy Fund, Kshs.18.06 million (10.4 per cent) for User Fees Foregone, and Kshs.9.1 million (5.3 per cent) from DANIDA.

3.32.2 Revenue Analysis

During the first nine months of FY 2016/17, the County received Kshs.3.05 billion as equitable share of the revenue raised nationally, Kshs.137.17 million as total conditional allocations, raised Kshs.176.51 million from local sources, and had a cash balance of Kshs.973 million brought forward from FY 2015/16.

Figure 3.94 shows the quarterly trend in local revenue collection from the first quarter of FY 2013/14 to the third quarter of FY 2016/17.

Figure 3.94: Nandi County, Trend in Local Revenue Collection by quarter from the First Quarter of FY 2013/14 to the Third Quarter of FY 2016/17



Source: *Nandi County Treasury*

The total local revenue collected in the first nine months of FY 2016/17 amounted to Kshs.176.51 million, representing a decrease of 12.2 per cent compared to Kshs.157.38 million generated in a similar period of FY 2015/16, and represented 48.7 per cent of the annual local revenue target.

3.32.3 Conditional Grants

Table 3.93 shows an analysis of conditional grants released in the first nine months of FY 2016/17.

Table 3.93: Nandi County, Analysis of Conditional Grants Released in the First Nine Months of FY 2016/17

No.	Conditional Grant	Allocation based on CARA, 2016 (Kshs.)	Receipts during the first nine months of FY 2016/17 (Kshs.)	Actual receipts as a percentage of Annual Allocation (%)
1	Road Maintenance Fuel Levy Fund	78,835,014	78,835,014	100.0
2	Free Maternal Healthcare	68,195,394	48,617,500	71.3
3	User Fees Foregone	18,055,819	9,721,408	53.8
4	DANIDA grant	9,155,000	0	0.0
	TOTAL	**174,241,227**	**137,173,922**	**78.7**

Source: *Nandi County Treasury*

Analysis of the conditional grants released during the period under review indicates that, the Road Maintenance Fuel Levy Fund recorded the highest receipts at 100 per cent while the Free Maternal Healthcare grant recorded 71.3 per cent. The County Treasury did not report any receipts from DANIDA.

3.32.4 Exchequer Issues

During the reporting period, the Controller of Budget authorised withdrawal of Kshs.4.25 billion from the CRF account, which was 61.5 per cent of the Approved Budget. This amount represented an increase of 25.7 per cent from Kshs.3.38 billion authorized in a similar period of FY 2015/16 and consisted of Kshs.2.69 billion (63.3per cent) for recurrent expenditure and Kshs.1.56 billion (36.7 per cent) for development activities.

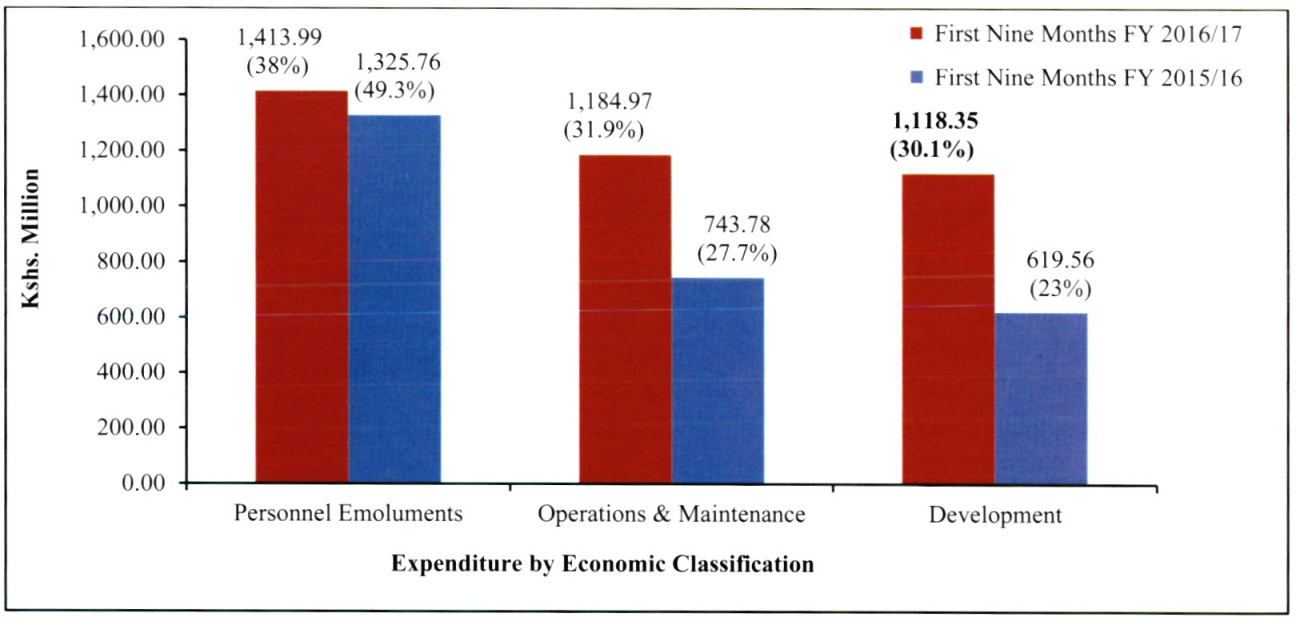
3.32.5 Overall Expenditure Review

The County spent Kshs.3.72 billion, which was 87.5 per cent of the total funds released for operations. This was an increase 38.3 per cent from Kshs.2.69 billion spent in a similar period of FY 2015/16.

A total of Kshs.2.60 billion was spent on recurrent activities, while Kshs.1.12 billion was spent on development activities. The recurrent expenditure was 96.3 per cent of the funds released for recurrent activities while development expenditure accounted for 68.8 per cent of the funds released for development activities. The expenditure excluded outstanding commitments as at 31st March, 2017 that amounted to Kshs.429.62 million for development and Kshs.309.04 million for recurrent expenditure.

The recurrent expenditure represented 59.1 per cent of the annual recurrent budget, a decrease from 74.7 per cent spent in a similar period of FY 2015/16. Development expenditure recorded an absorption rate of 44.3 per cent, which was an increase from 23.2 per cent attained in a similar period of FY 2015/16. Figure 3.95 presents a comparison between the total expenditure in the first nine months of FY 2016/17 and the first nine months of FY 2015/16.

Figure 3.95: Nandi County, Expenditure by Economic Classification for the First Nine Months of FY 2016/17 and FY 2015/16



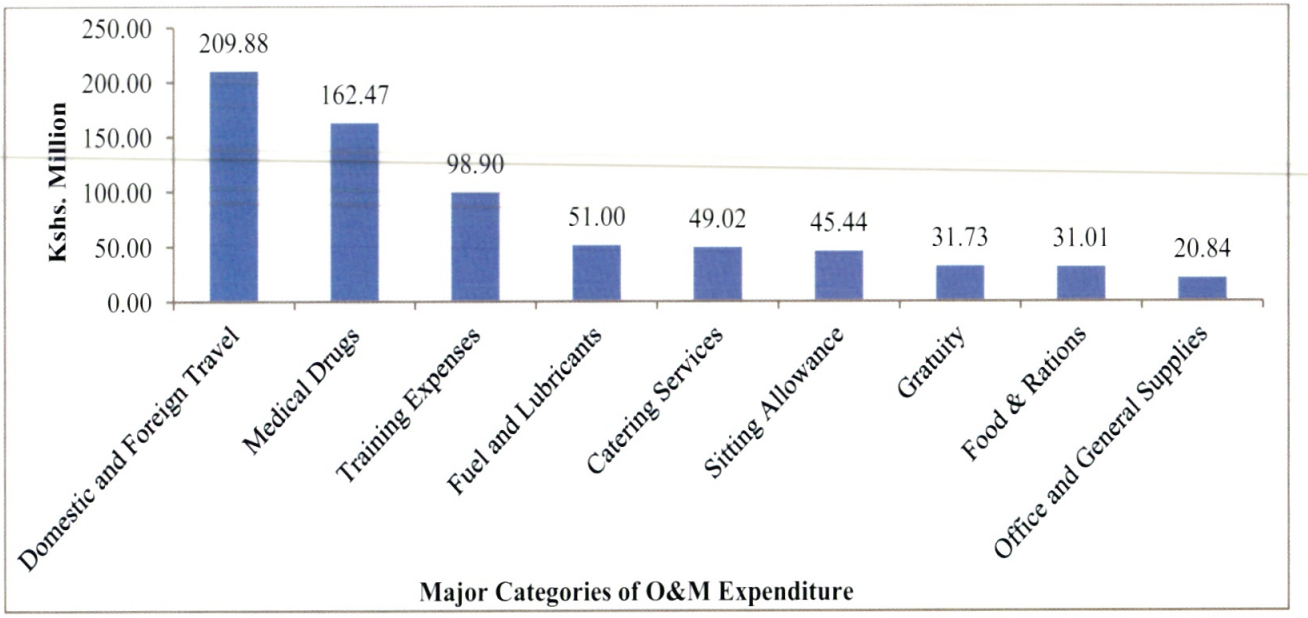
Source: *Nandi County Treasury*

3.32.6 Analysis of Recurrent Expenditure

The total recurrent expenditure of Kshs.2.6 billion consisted of Kshs.1.41 billion (54.4 per cent) spent on personnel emoluments and Kshs.1.18 billion (45.6 per cent) on operations and maintenance as

shown in Figure 3.95. Expenditure on personnel emoluments represented an increase of 6 per cent compared to a similar period of FY 2015/16 when the County spent Kshs.1.33 billion. Figure 3.96 shows a summary of operations and maintenance expenditure by major categories.

Figure 3.96: Nandi County, Operations and Maintenance Expenditure Major Categories for the First Nine Months of FY 2016/17



Source: *Nandi County Treasury*

The County spent Kshs.45.44 million on sitting allowances to the 48 MCAs and the Speaker against the annual budget allocation of Kshs.73.38 million. This was a decrease of 10.1 per cent compared to Kshs.50.56 million spent in the same period of FY 2015/16. The average monthly sitting allowance was Kshs.103,049 per MCA compared to SRC's recommended monthly ceiling of Kshs.124, 800

Expenditure on domestic and foreign travel amounted to Kshs.209.88 million and consisted of Kshs.57.71 million by the County Assembly and Kshs.152.17 million by the County Executive. This was an increase 13.6 per cent compared to Kshs.184.76 million spent in a similar period of FY 2015/16.

3.32.7 Development Expenditure Analysis

The total development expenditure of Kshs.1.12 billion represented 44.3 per cent of the annual development budget of Kshs.2.53 billion. Table 3.94 provides a summarised list of development projects with the highest expenditure during the period under review.

Table 3.94: Nandi County, List of Development Projects with the Highest Expenditure in the First Nine Months of FY 2016/17

S/No.	Project name	(Location of the Project)	Estimated Budget (Kshs.)	Expenditure as at 31st March, 2017 (Kshs.)	Absorption rate (%)
1	Water Supplies and Sewerage	County Wide	430,000,000	310,935,773	72.3
2	Access Roads	County Wide	401,810,000	245,335,153	61.1
3	Purchase of Specialized Plant & Equipment	Kapsabet	200,000,000	91,255,496	45.6
4	Sports Infrastructure Development-Kipchoge Stadium	Kapsabet	121,308,000	84,790,664	69.9
5	Fire Fighting Vehicles and Equipment	Kapsabet	38,000,000	38,000,000	100.0

S/No.	Project name	(Location of the Project)	Estimated Budget (Kshs.)	Expenditure as at 31st March, 2017 (Kshs.)	Absorption rate (%)
6	Early Child Development and Education	County Wide	98,050,000	28,437,696	29.0
7	Construction of Buildings - Nandi County Assembly	Kapsabet	100,900,000	20,049,267	19.9
8	Purchase of Vaccine and Sera	County Wide	12,442,500	10,000,000	80.4
9	Maternity Block-Kabiemit Dispensary	Ndalat	2,233,520	2,032,503	91.0
	Total		**1,404,744,020**	**830,836,551**	**59.1**

Source: *Nandi County Treasury*

Analysis of the development expenditure by project indicates that the highest expenditure of Kshs.310.94 million was incurred on water supplies and sewerage activities across the County followed by Kshs.245.33 million which was spent on gravelling and grading of roads.

3.32.8 Budget and Budget Performance Analysis by Department

Table 3.95 shows a summary of budget estimates and budget performance by department for the first nine months of FY 2016/17

Table 3.95: Nandi County, Budget Performance by Department for the First Nine Months of FY 2016/17

Department	Annual Budget Allocation (Kshs. Million)		First Nine Months of FY 2016/17 Exchequer Issues (Kshs. Million)		First Nine Months of FY 2016/17 Expenditure (Kshs. Million)		First Nine Months of FY 2016/17 Expenditure to Exchequer Issues (%)		First Nine Months of FY 2016/17 Absorption rate (%)	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
Office of the Governor	445.62	132.34	263.67	-	283.48	0.30	107.5	0.0	63.6	0.2
Finance and Economic Planning	732.68	149.10	335.50	30.00	423.42	24.39	126.2	81.3	57.8	16.4
Roads, Public Works and Transport	242.53	771.21	201.77	630.00	89.81	435.26	44.5	69.1	37.0	56.4
Health and Sanitation	1,318.69	173.26	947.61	65.00	960.36	106.99	101.3	164.6	72.8	61.8
Education, Communication and ICT	411.70	153.05	174.71	130.00	223.38	52.13	127.9	40.1	54.3	34.1
Agriculture, Livestock, Fisheries and Veterinary Services	197.94	144.34	113.31	55.00	103.31	25.35	91.2	46.1	52.2	17.6
Trade, Industry and Cooperatives	46.20	21.86	32.49	10.00	25.47	0.79	78.4	7.9	55.1	3.6
Public Service & Administration	220.46	166.05	64.18	50.00	47.95	50.71	74.7	101.4	21.8	30.5
Water development, Environment & Natural Resources	59.95	516.41	37.57	380.00	33.81	310.94	90.0	81.8	56.4	60.2
Tourism, Culture, Sports, Youth and Gender Development	66.82	179.60	46.48	108.00	27.37	91.43	58.9	84.7	41.0	50.9

Department	Annual Budget Allocation (Kshs. Million)		First Nine Months of FY 2016/17 Exchequer Issues (Kshs. Million)		First Nine Months of FY 2016/17 Expenditure (Kshs. Million)		First Nine Months of FY 2016/17 Expenditure to Exchequer Issues (%)		First Nine Months of FY 2016/17 Absorption rate (%)	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
County Public Service Management	34.35	-	21.93	-	14.20	-	64.7	0.0	41.3	0.0
County Assembly	600.29	118.90	450.00	99.00	366.41	20.05	81.4	20.3	61.0	16.9
TOTAL	**4,377.21**	**2,526.11**	**2,689.22**	**1,557.00**	**2,598.96**	**1,118.35**	**96.6**	**71.8**	**59.4**	**44.3**

Source: *Nandi County Treasury*

Analysis of budget performance by department shows that the Health and Sanitation Department attained the highest absorption rate of development budget at 61.8 per cent while the County Public Service Management did not incur any development expenditure. On the other hand, the Department of Health and Sanitation had the highest percentage of recurrent expenditure to recurrent budget at 72.8 per cent while the Department of Public Service & Administration had the lowest at 21.8 per cent.

3.32.9 Observations and Recommendations

The County has made progress in addressing some of the challenges previously identified as affecting budget implementation. Some of the progress made included:

i. Improvement in human capacity through recruitment of additional key staff and continuous training.

ii. Automation of revenue collection which led to improved revenue performance. Local revenue collection improved by 12.2 per cent from Kshs.157.38 million in the first nine months of FY 2015/16 to Kshs.176.51 million in the period under review.

Despite the above progress, the following challenges continued to hamper effective budget implementation;

1. Late submission of financial reports by the County Treasury, which affected timely preparation of budget implementation reports.

2. Delay in approval of key planning policy documents such as the ADP, CFSP, CBROP and the Supplementary Budget by the County Assembly, which has affected effective budget implementation.

3. Failure to reconcile IFMIS payroll data to the IPPD data. While IFMIS reports indicates total expenditure on personnel emoluments as Kshs.1.41 billion data form the IPPD indicated that Kshs.934.27 million as the total payroll costs for the same period.

4. IFMIS connectivity challenges, which slowed down approvals of procurement requests and payment to suppliers.

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

1. *The County Treasury should ensure timely preparation and submission of financial reports to the Office of the Controller of Budget in line with Section 166 of PFM Act, 2012.*

2. *The County Assembly should observe the timelines stipulated in law in the approval of key planning documents so as to facilitate smooth implementation of the budget.*

3. *The County should reconcile the IFMIS & IPPD data on a monthly basis to enhance accuracy in reporting.*

4. *The County Treasury should liaise with the IFMIS Directorate for support in use of IFMIS and the E-procurement module.*

3.33 Narok County

3.33.1 Overview of the FY 2016/17 Budget

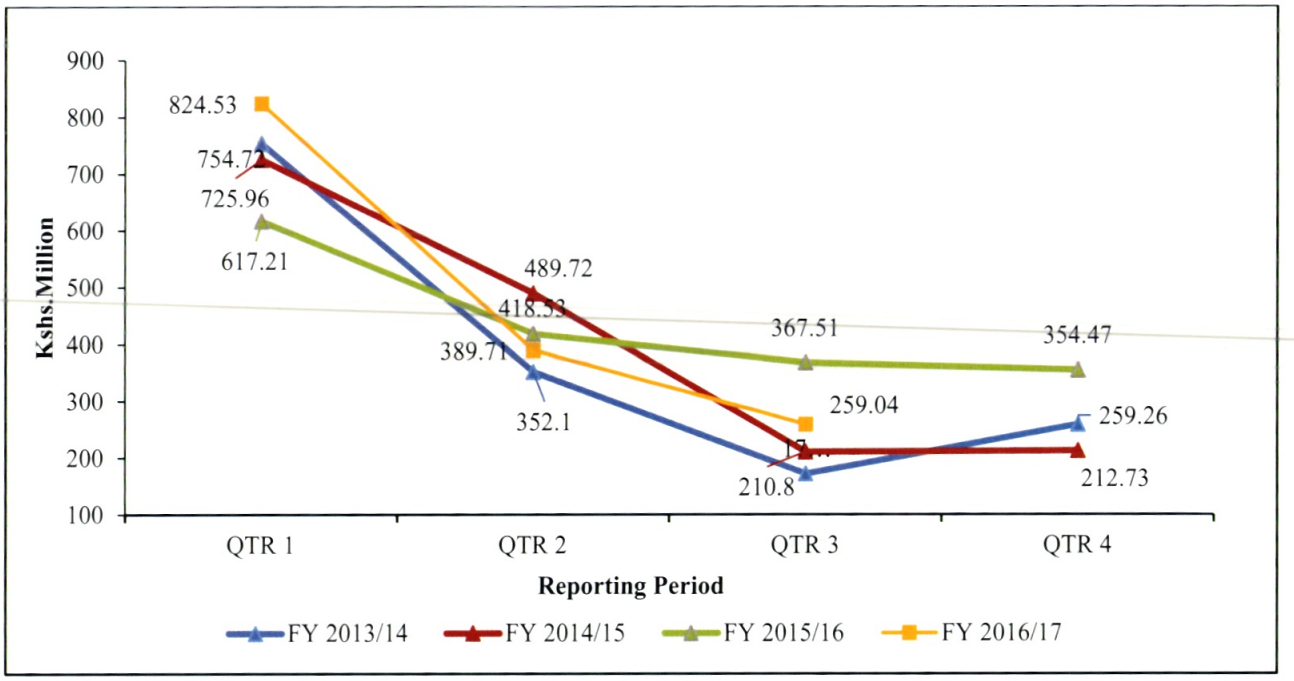
The County's FY 2016/17 Approved Budget was Kshs.9.81billion, comprising of Kshs.5.54 billion (56.4 per cent) and Kshs.4.27 billion (43.6 per cent) allocation for recurrent and development expenditure respectively.

To finance the budget, the County expects to receive Kshs.5.81 billion (58.8 per cent) as equitable share of revenue raised nationally, Kshs.379.07 million (3.8 per cent) as total conditional grants, generate Kshs.3.62 billion (36.7 per cent) from local sources, and Kshs.63.70 million (0.6 per cent) cash balance from FY 2015/16. The conditional grants comprise of Kshs.56.33 million (14.9 per cent) for Maternal Healthcare, Kshs.87.67 million (23.1 per cent) from the Road Maintenance Fuel Levy Fund, Kshs.19.83 million (5.2 per cent) for User Fees Foregone, Kshs.90.15 million (23.8 per cent) from DANIDA, Kshs.95.74 million (25.3 per cent) for Leasing of Medical Equipment, and Kshs.29.35 million (7.7 per cent) for Kenya Devolution Support Programme.

3.33.2 Revenue Analysis

During the first nine months of FY2016/17, the County received Kshs.3.79 billion as equitable share of the revenue raised nationally, Kshs.136.37 million as total conditional allocations, raised Kshs.1.47 billion from local sources, and had a cash balance of Kshs.63.70 million brought forward from FY 2015/16. Figure 3.97 shows the quarterly trend in local revenue collection from the first quarter of FY 2013/14 to the third quarter of FY 2016/17.

Figure 3.97: Narok County, Trend in Local Revenue Collection by Quarter from the FY 2013/14 to the Third Quarter FY 2016/17



Source: *Narok County Treasury*

The total local revenue collected in the first nine months of FY 2016/17 amounted to Kshs.1.47 billion which is an increase of 5 per cent compared to Kshs.1.40 billion generated in a similar period of FY 2015/16, and represented 40.7 per cent of the annual local revenue target.

3.33.3 Conditional Grants

Table 3.96shows an analysis of conditional grant disbursement in the first nine months of FY 2016/17.

Table 3.96: Narok County, Analysis of Conditional Grant Releases in the First Nine Months of FY 2016/17

No.	Conditional Grant	Amount allocated as provided in CARA 2016 (Kshs.)	Third Quarter, FY 2016/17 Actual receipt of the Conditional Grant (Kshs.)	Actual receipts as a percentage of Annual Allocation (%)
1	Road Maintenance Fuel Levy Fund	87,668,239	87,668,239	100.0
2	Free Maternal Healthcare	56,330,000	38,652,500	68.6
3	User Fees Foregone	19,834,915	10,053,367	50.7
4	DANIDA Grant	90,146,403	-	-
5	Kenya Devolution Support Program Trust (Not in CARA, 2016)	29,350,511	-	-
6	Leasing of Medical Equipment	95,744,681	-	-
Total		**379,074,749**	**136,374,106**	**36.0**

Source: *Narok County Treasury*

3.33.4 Exchequer Issues

During the reporting period, the Controller of Budget authorised withdrawal of Kshs.5.81.billion

from the CRF account, which was 59.2 per cent of the Approved Budget. This amount represented an increase of 24.1 per cent from Kshs.4.68 billion authorized in a similar period of FY 2015/16 and consisted of Kshs.4.04 billion (69.5 per cent) for recurrent expenditure and Kshs.1.77 billion (30.5 per cent) for development activities.

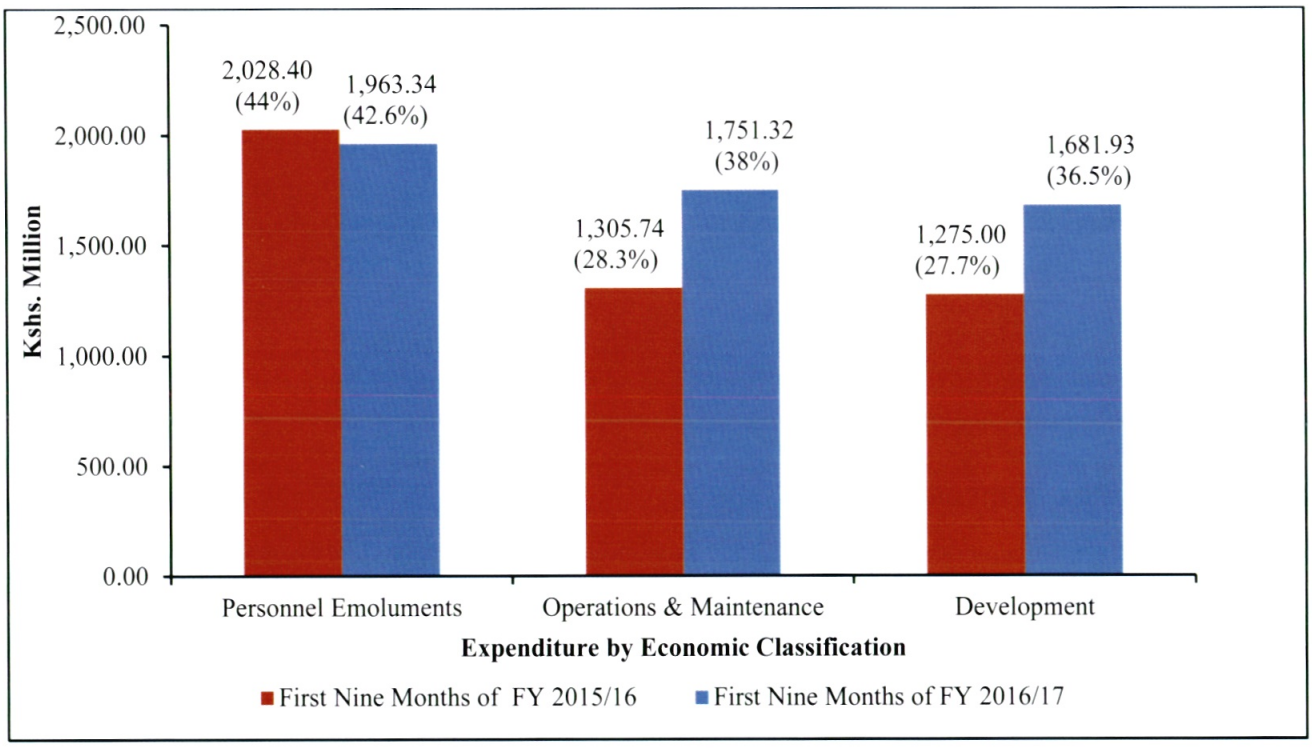
3.33.5 Overall Expenditure Review

The County spent Kshs.5.4 billion, which was 92.8 per cent of the total funds released for both recurrent and development expenditure. This was an increase of 19.7 per cent from Kshs.4.51 billion spent in a similar period in FY 2015/16.

A total of Kshs.3.71 billion was spent on recurrent activities, while Kshs.1.68 billion was spent on development activities. The recurrent expenditure was 96.6 per cent of the funds released for recurrent activities while development expenditure accounted for 71.8 per cent of the funds released for development activities.

The recurrent expenditure represented 67.1 per cent of the annual recurrent budget, an increase from 65.8 per cent spent in a similar period of FY 2015/16. Development expenditure recorded an absorption rate of 39.4 per cent, which was an increase from 32.0 per cent attained in a similar period of FY 2015/16. Figure 3.98 presents a comparison between the total expenditure in the first nine months of FY 2016/17 and the first nine months of FY 2015/16.

Figure 3.98: Narok County, Expenditure by Economic Classification for the First Nine Months of FY 2016/17 and FY 2015/16.



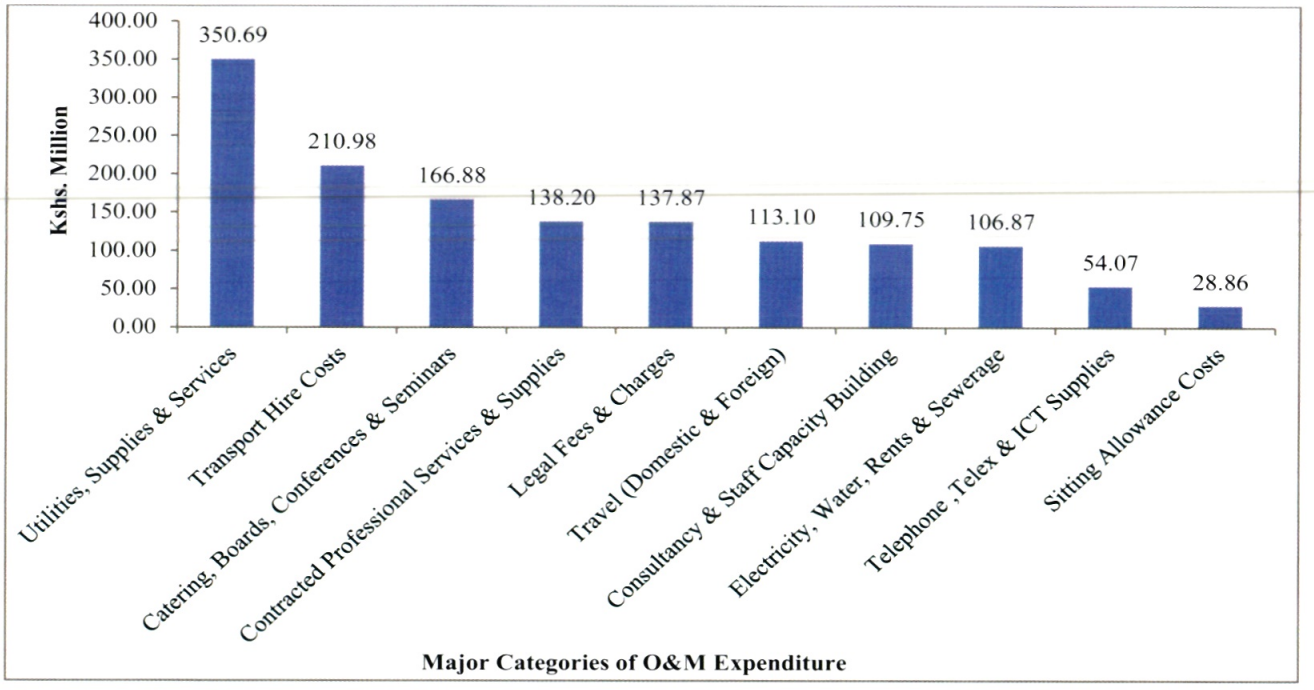
Source: *Narok County Treasury*

3.33.6 Analysis of Recurrent Expenditure

The total recurrent expenditure of Kshs.3.71 billion consisted of Kshs.1.96 billion (52.8 per cent) spent on personnel emoluments and Kshs.1.75 billion (47.2 per cent) on operations and maintenance

as shown in Figure 3.98. Expenditure on personnel emoluments represented a decrease of 3.2 per cent compared to a similar period of FY 2015/16 when the County spent Kshs.2.03 billion. Figure 3.99 shows a summary of operations and maintenance expenditure by major categories.

Figure 3.99: Narok County, Operations and Maintenance Expenditure by Major Categories for the First Nine Months of FY 2016/17



Source: *Narok County Treasury*

The County spent Kshs.28.86 million on sitting allowances to the 48 MCAs and the Speaker against the annual budget allocation of Kshs.71.51 million. This was a decrease of 14.2 per cent compared to Kshs.33.62 million spent in the same period of FY 2015/16. The average monthly sitting allowance was Kshs.66,809 per MCA compared to SRC's recommended monthly ceiling of Kshs.124,800.

Expenditure on domestic and foreign travel amounted to Kshs.113.10 million and consisted of Kshs.26.89 million by the County Assembly and Kshs.86.21 million by the County Executive. This was an increase of over 100 per cent compared to Kshs.29.33 million spent in a similar period of FY 2015/16.

3.33.7 Development Expenditure Analysis

The total development expenditure of Kshs.1.68 billion represented 39.4 per cent of the annual development budget of Kshs.4.27 billion. Table 3.97 provides a summarised list of development projects with the highest expenditure during the period under review.

Table 3.97: Narok County, List of Development Projects with the Highest Expenditure in the First Nine Months of FY 2016/17

S/No.	Project name	Ward (Location of the Project)	Estimated Budget (Kshs.)	Expenditure as at 31st March, 2017 (Kshs.)	Absorption rate (%)
1	Construction of schools	Across Sub-Counties	402,470,000	608,500,000	151.2
2	Refurbishment of access roads	Across Sub-Counties	393,849,120	379,450,000	96.3

S/No.	Project name	Ward (Location of the Project)	Estimated Budget (Kshs.)	Expenditure as at 31st March, 2017 (Kshs.)	Absorption rate (%)
3	Acquisition & maintenance of equipment	Across Sub-Counties	193,834,120	164,920,000	85.1
4	Grading & maintenance of major roads	Across Sub-Counties	230,000,000	160,830,000	69.9
5	County Development Fund-19%	Headquarter	165,000,000	117,100,000	71.0
6	Construction of County Assembly building	Headquarter	-	47,320,000	N/A
7	Civil works & maintenance	Across Sub-Counties	73,500,000	45,998,000	62.6
8	Construction of hospital facilities	Across Sub-Counties	150,000,000	40,760,000	27.2
9	Refurbishment of building	Headquarter	165,000,000	20,710,000	12.6
	Total		**1,773,653,240**	**1,585,588,000**	**89.4**

Source: *Narok County Treasury*

Analysis of the development expenditure indicates that the highest expenditure of Kshs.608.5 million was spent on construction of schools across the County by the Education and Social Services Department, followed by Kshs.379.45 million on refurbishment of roads.

3.33.8 Budget and Budget Performance Analysis by Department

Table 3.98 shows a summary of budget estimates and budget performance by department for the first nine months of FY 2016/17

Table 3.98: Narok County, Budget Performance by Department for the First Nine Months of FY 2016/17

Department	Annual Budget Allocation (Kshs. Million)		First nine months of FY 2016/17 Exchequer Issues (Kshs. Million)		First nine months of FY 2016/17 Expenditure (Kshs. Million)		First nine months of FY 2016/17 Expenditure to Exchequer Issues (%)		First nine months of FY 2016/17 Absorption rate (%)	
	Rec	Dev.	Rec	Dev.	Rec	Dev.	Rec	Dev.	Rec	Dev.
Narok County Assembly	620	287	429.24	60	403.6	47.32	94.0	78.9	65.1	16.5
Governor's Office	331	-	262.61	-	205.1	-	78.1	-	62.0	-
Finance & ICT	542.21	427.06	388.23	-	307.9	224.29	79.3	-	56.8	52.5
Transport	108.05	1,247.69	83.73	876.83	150.31	734.01	179.5	83.7	139.1	58.8
Education & Social Services	695.87	804.94	438.11	699.1	376.32	467.6	85.9	66.9	54.1	58.1
Environment & Water	60.48	283.71	50.76	-	47.27	80	93.1	-	78.2	28.2
Public Service Board	78.57	-	66.56	-	35.64	-	53.5	-	45.4	-
Agriculture & Livestock	242.27	429.7	198.12	10	179.99	0.93	90.8	9.3	74.3	0.2
Health & Sanitation	1,513.44	353	1,169.94	116	1,254.13	99.73	107.2	86.0	82.9	28.3
Lands & Physical Plan	96.31	200.5	77.44	-	50.77	22.6	65.6	-	52.7	11.3
Tourism, Trade, Co-op	248.93	210	206.78	10	155.16	5.45	75.0	54.5	62.3	2.6
Administration & Public Service Management	1,000.57	30	669.02	-	548.42	-	82.0	-	54.8	-
Total	**5,537.7**	**4,273.6**	**4,040.54**	**1,771.93**	**3,714.61**	**1,681.93**	**91.9**	**94.9**	**67.1**	**39.4**

Source: *Narok County Treasury*

Analysis of budget performance by department shows that the Transport Department attained the highest absorption rate of its development budget at 58.8 per cent while the Department of Administration and Public Service Management did not spent on development expenditure. On the other hand, the Department of Transport had the highest percentage of recurrent expenditure to its recurrent budget at 139.1 per cent (a performance of above 100 per cent is irregular and should be regularised by way of passage of a Supplementary Budget) while the Department of Public Service Board had the lowest at 45.4 per cent.

3.33.9 Observations and Recommendations

The County has made progress in addressing some of the challenges previously identified as affecting budget implementation. Some of the progress made included:

i. Improvement in local revenue collection by 5 per cent from Kshs.1.40 billion collected in the first nine months of FY 2015/16 to Kshs.1.47 billion in the reporting period.

Despite the above progress, the following challenges continued to hamper effective budget implementation;

1. IFMIS connectivity challenges which slowed down processing of financial transactions.
2. Failure to establish an Internal Audit Committee to oversee financial operations in the County contrary to the provisions of Section 155 of the PFM Act, 2012.

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

1. *The County Treasury should liaise with the IFMIS Directorate for support in the use of IFMIS.*
2. *The County should establish an Internal Audit Committee in line with Section 155 of the PFM Act, 2012.*

3.34 Nyamira County

3.34.1 Overview of the FY 2016/17 Budget

The County's FY 2016/17 Supplementary Budget was Kshs.5.61 billion, comprising of Kshs.3.94 billion (70.2 per cent) and Kshs.1.67 billion (29.8 per cent) allocation for recurrent and development expenditure respectively.

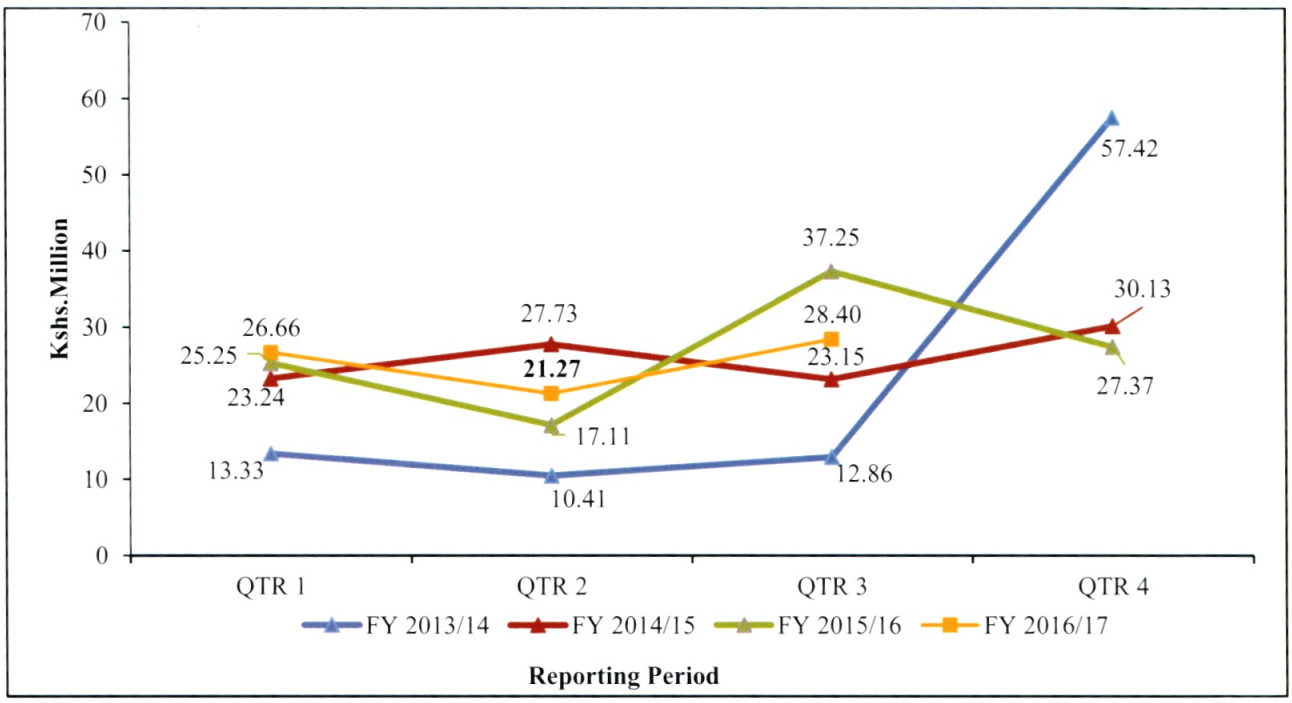
To finance the budget, the County expects to receive Kshs.4.48 billion (79.9 per cent) as equitable share of revenue raised nationally, Kshs.291 million (5.2 per cent) as total conditional grants, generate Kshs.198.23 million (5.2 per cent) from local revenue sources, and Kshs.637.02 million (11.1 per cent) cash balance from FY 2015/16. The conditional grants comprise of Kshs.82.17 million (28.2 per cent) for Free Maternal Healthcare, Kshs.68.88 million (23.7 per cent) from the Road Maintenance Fuel Levy Fund, Kshs.11.58 million (4 per cent) for User Fees Foregone, Kshs.18.56 million (6.4 per cent) from DANIDA, Kshs.26.28 (9.0 per cent) from the World Bank for Devolution Support Programme, Ksh.34.61 million (11.9 Per cent) from Agriculture, Fisheries and Food Authority, Kshs.12.93 (4.4 Per cent) from the World Bank, and Kshs.36.00 million (12.4 per cent) from the National Treasury for Nursing Service Allowances.

3.34.2 Revenue Analysis

During the first nine months of FY 2016/17, the County received Kshs.2.62 billion as equitable share of the revenue raised nationally, Kshs.149.45 million as total conditional allocations, raised Kshs.76.32 million from local revenue sources, and had a cash balance of Kshs.633.78 million brought forward from FY 2015/16.

Figure 3.100shows the quarterly trend in local revenue collection from the first quarter of FY 2013/14 to the third quarter of FY 2016/17.

Figure 3.100: Nyamira County, Trend in Local Revenue Collection by Quarter from First Quarter of FY 2013/14 to Third Quarter of FY 2016/17



Source: *Nyamira County Treasury*

The total local revenue collected in the first nine months of FY 2016/17 amounted to Kshs.76.32 million, representing a decrease of 4.1 per cent compared to Kshs.79.62 million generated in a similar period of FY 2015/16, and represented 38.5 per cent of the annual local revenue target.

3.34.3 Conditional Grants

Table 3.99 shows an analysis of conditional grants released in the first nine months of FY 2016/17.

Table 3.99: Nyamira County Analysis of Conditional Grants Released in the First Nine Months of FY 2016/17

No.	Conditional Grant	Allocation based on CARA, 2016 (Kshs.)	Receipts during the first nine months of FY 2016/17(Kshs.)	Actual receipts as a percentage of Annual Allocation (%)
1	Road Maintenance Fuel Levy Fund	68,878,185	68,878,185	100.0
2	Agriculture, Fisheries and Food Authority - 10 per cent Tea Ad valorem levy & Coffee Cess. (Not in CARA, 2016)	34,610,871	34,610,871	100.0

No.	Conditional Grant	Allocation based on CARA, 2016 (Kshs.)	Receipts during the first nine months of FY 2016/17(Kshs.)	Actual receipts as a percentage of Annual Allocation (%)
3	Compensation for User Fees Foregone	11,578,458	5,789,229	50.0
4	Free Maternal Healthcare	82,174,925	40,167,500	48.9
5	The National Treasury - Nursing Service Allowance (Not in CARA, 2016)	36,000,000	-	-
6	World Bank Devolution Support Programme (Not in CARA, 2016)	26,275,445	-	-
7	DANIDA grant	18,557,268	-	-
8	World Bank (Not in CARA, 2016)	12,933,173	-	-
	TOTAL	**291,008,325**	**149,445,785**	**51.4**

Source: *Nyamira County Treasury*

Analysis of the conditional grants released during the period under review indicates that, the Road Maintenance Fuel Levy Fund and Agriculture, Fisheries and Food Authority - 10 per cent Tea Ad Valorem Levy & Coffee Cess recorded the highest actual receipt at 100 per cent of the annual target. The County is yet to receive funds from the following conditional grants; the National Treasury - Nursing Service Allowance, World Bank, and DANIDA.

3.34.4 Exchequer Issues

During the reporting period, the Controller of Budget authorised withdrawal of Kshs.3.28 billion from the CRF account, which was 58.5 per cent of the Approved Budget. This amount represented an increase of 14.7 per cent from Kshs.2.86 billion authorized in a similar period of FY 2015/16 and consisted of Kshs.2.65 billion (80.7 per cent) for recurrent expenditure and Kshs.631.65 million (19.3 per cent) for development activities.

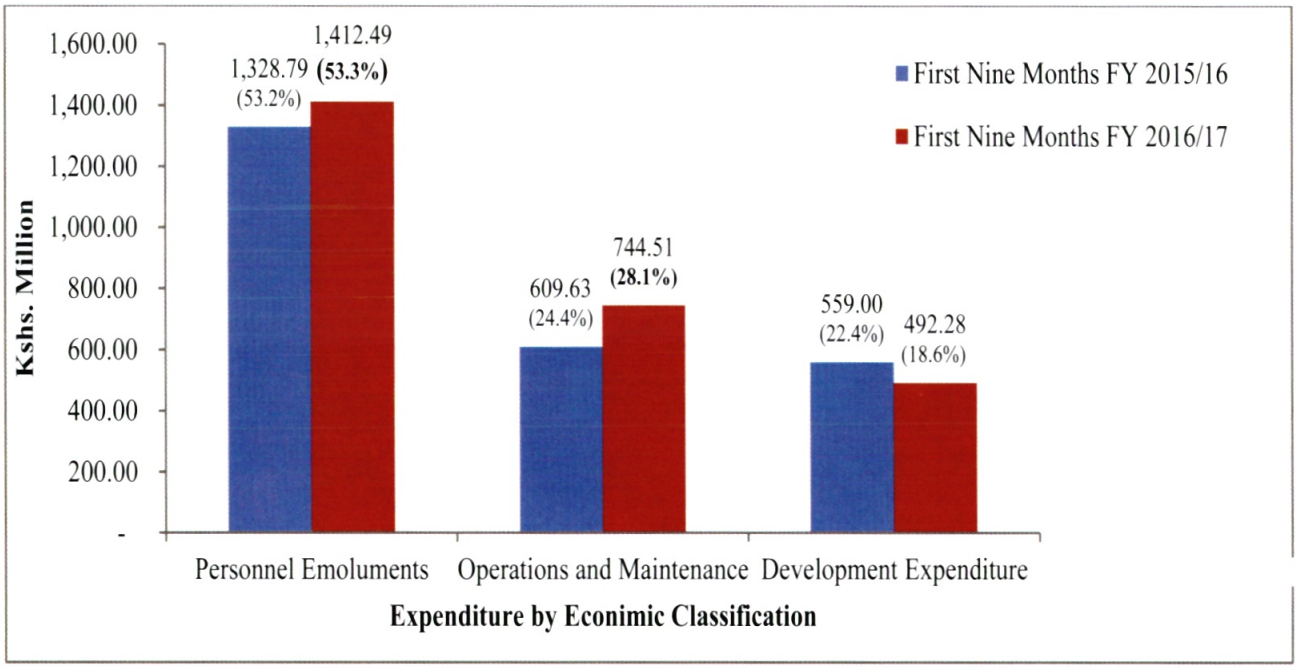
3.34.5 Overall Expenditure Review

The County spent Kshs.2.65 billion, which was 80.8 per cent of the total funds released for operations. This was an increase of 6.1 per cent from Kshs.2.50 billion spent in a similar period of FY 2015/16.

A total of Kshs.2.16 billion was spent on recurrent activities, while Kshs.492.28 million was spent on development activities. The recurrent expenditure was 81.5 per cent of the funds released for recurrent activities while development expenditure accounted for 77.9 per cent of the funds released for development activities. The expenditure excluded outstanding commitments as at 31st March, 2017 that amounted to Kshs.449.47 million for development and Kshs.435.58 million for recurrent expenditure.

The recurrent expenditure represented 54.8 per cent of the annual recurrent budget, a decrease from 66.7 per cent spent in a similar period of FY 2015/16. Development expenditure recorded an absorption rate of 29.5 per cent, which was an increase from 21.2 per cent attained in a similar period of FY 2015/16. Figure 3.101 presents a comparison between the total expenditure in the first nine months of FY 2016/17 and the first nine months of FY 2015/16.

Figure 3.101: Nyamira County, Expenditure by Economic Classification for the First Nine Months of FY 2016/17 and FY 2015/16

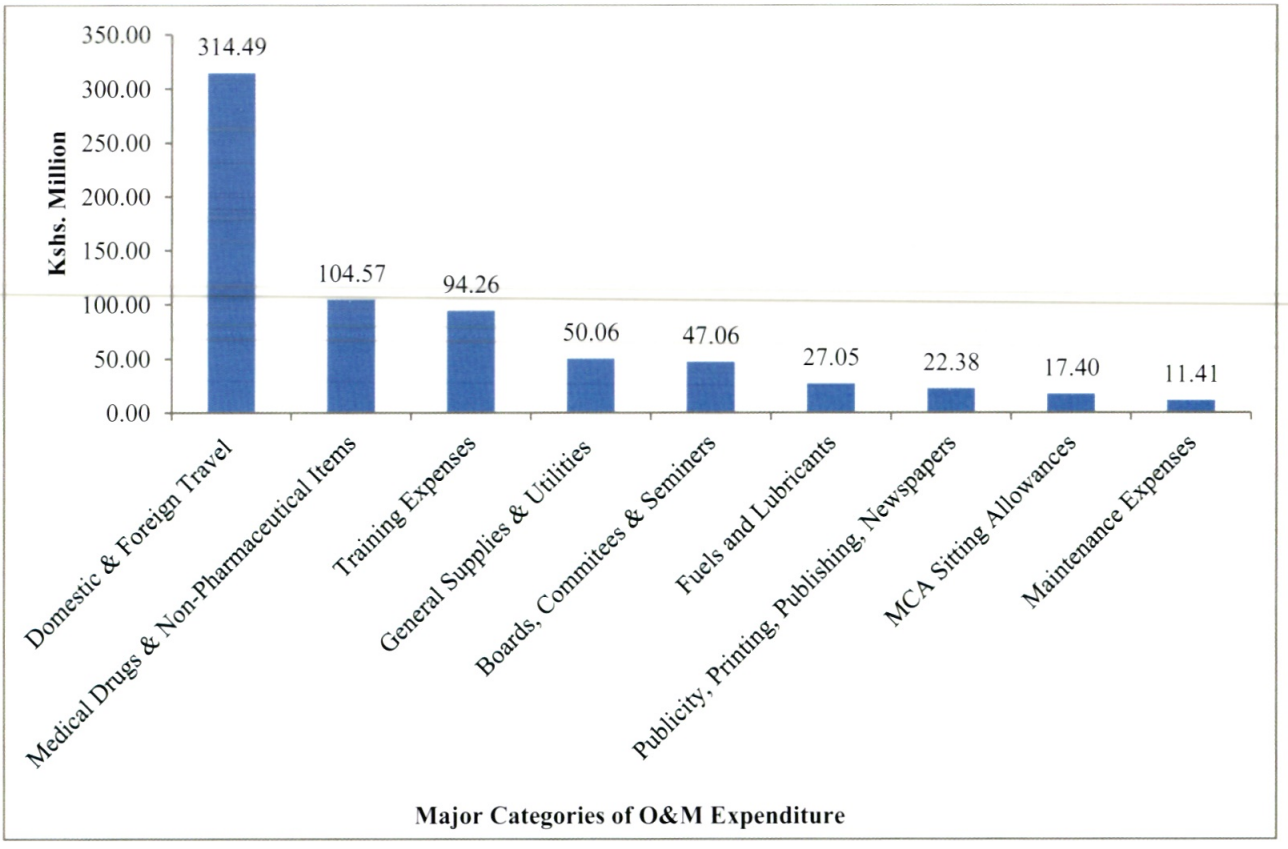


Source: *Nyamira County Treasury*

3.34.6 Analysis of Recurrent Expenditure

The total recurrent expenditure of Kshs.2.16 billion consisted of Kshs.1.41 billion (65.5 per cent) spent on personnel emoluments and Kshs.744.51 million (34.5 per cent) on operations and maintenance as shown in Figure 3.101. Expenditure on personnel emoluments represented an increase of 6.3 per cent compared to a similar period of FY 2015/16 when the County spent Kshs.1.33 billion. Figure 3.102shows a summary of operations and maintenance expenditure by major categories.

Figure 3.102: Nyamira County, Operations and Maintenance Expenditure by Major Categories for the First Nine months of FY 2016/17



Source: *Nyamira County Treasury*

The County spent Kshs.17.4 million on sitting allowances to the 33 MCAs and the Speaker against the annual budget allocation of Kshs.68.81 million. This was a decrease of 46.9 per cent compared to Kshs.32.78 million spent in the same period of FY 2015/16. The average monthly sitting allowance was Kshs.56,852 per MCA compared to SRC's recommended monthly ceiling of Kshs.124,800

Expenditure on domestic and foreign travel amounted to Kshs.314.49 million and consisted of Kshs.109.39 million spent by the County Assembly and Kshs.205.10 million by the County Executive. This was an increase of 62.4 per cent compared to Kshs.193.61 million spent in a similar period of FY 2015/16.

3.34.7 Development Expenditure Analysis

The total development expenditure of Kshs.492.28 million represented 29.5 per cent of the annual development budget of Kshs.1.67 billion. Table 3.100 provides a summarised list of development projects with the highest expenditure during the period under review.

Table 3.100: Nyamira County, List of Development Projects with the Highest Expenditure in the First Nine Months of FY 2016/17

S/No.	Project name	Ward (Location of the Project)	Annual Budget (Kshs.)	Expenditure as at 31st March, 2017 (Kshs.)	Absorption rate (%)
1	Opening & gravelling of 600km of roads using MTF Machinery	All Wards	490,000,000	103,240,056	51
2	Commercialization of Crops production and value chains development	All Wards	53,128,569	34,002,284	65
3	Commercial Livestock production and value addition and marketing	All Wards	31,200,000	19,968,000	65
4	Proposed Construction of 80 bed capacity with Doctor's Plaza	Township	142,319,154	16,201,361	47
5	Construction of Car Parking Lots	Township	29,267,002	15,000,000	60
6	Solar powered street lighting	County wide	63,904,500	14,058,990	100
7	Aquaculture production and fish utilization	All Wards	22,195,000	13,317,000	60
8	Animal Health and management	All Wards	19,490,598	12,084,171	58
9	Kemasare Water Project	Nyamaiya	22,084,014	8,760,979	70
10	Home solar kits	County wide	7,349,600	7,349,600	100
	Total		**880,938,437**	**243,982,441**	**27.7**

Source: *Nyamira County Treasury*

Analysis of the development expenditure by project indicates that, the highest expenditure of Kshs.103.24 million was spent on gravelling of approximately 600 km of roads by the Department of Transport, Roads & Public Works, followed by Kshs.34.00 million on commercialization of crops production and value chains development by the Department of Agriculture, Livestock & Fisheries.

3.34.8 Budget and Budget Performance Analysis by Department

Table 3.101 shows a summary of budget estimates and budget performance by department for the first nine months of FY 2016/17

Table 3.101: Nyamira County, Budget Performance by Department for the First Nine Months of FY 2016/17

Department	Annual Budget Allocation (Kshs. Million)		First nine months of FY 2016/17 Exchequer Issues (Kshs. Million)		First nine months of FY 2016/17 Expenditure (Kshs. Million)		First nine months of FY 2016/17 Expenditure to Exchequer Issues (%)		First nine months of FY 2016/17 Absorption rate (%)	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
County Assembly	488.71	180.00	352.68	-	322.99	-	91.6	0	66.1	-
Executive Office	314.26	-	216.63	-	148.06	-	68.3	0	47.1	-
Finance & Economic Planning	524.81	34.87	309.81	-	270.17	4.53	87.2	0.0	51.5	13.0
Agriculture, Livestock & Fisheries	157.56	142.98	118.46	26.50	105.25	42.95	88.9	162.1	66.8	30.0
Environment, Water, Energy, Mining & Natural Resources	89.59	184.26	71.50	91.07	54.57	62.52	76.3	68.6	60.9	33.9
Education & ICT	355.07	113.05	282.26	31.09	158.94	77.64	56.3	249.8	44.8	68.7
Health Services	1,271.71	270.92	820.82	156.84	718.12	140.32	87.5	89.5	56.5	51.8

Department	Annual Budget Allocation (Kshs. Million)		First nine months of FY 2016/17 Exchequer Issues (Kshs. Million)		First nine months of FY 2016/17 Expenditure (Kshs. Million)		First nine months of FY 2016/17 Expenditure to Exchequer Issues (%)		First nine months of FY 2016/17 Absorption rate (%)	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
Lands, Housing & Urban Development	43.65	52.73	31.84	44.00	30.07	22.92	94.5	52.1	68.9	43.5
Roads, Transport & Public Works	103.79	498.29	76.87	218.65	62.93	108.77	81.9	49.7	60.6	21.8
Trade, Tourism, & Cooperative Development	46.41	47.86	33.16	10.00	32.41	9.76	97.7	97.6	69.8	20.4
Youth, Sports, Gender, Culture & Social Services	142.91	91.98	96.43	44.00	86.90	10.63	90.1	24.2	60.8	11.6
County Public Service Board	55.10	-	39.10	-	35.93	-	91.9	0.0	65.2	-
Public Administration & Coordination of Devolved Units	345.39	53.16	198.51	9.50	130.66	12.23	65.8	128.7	37.8	23.0
TOTAL	**3,938.96**	**1,670.10**	**2,648.07**	**631.65**	**2,157.01**	**492.28**	**81.5**	**77.9**	**54.8**	**29.5**

Source: *Nyamira County Treasury*

Analysis of budget performance by department shows that the Department Education & ICT attained the highest absorption rate of development budget at 68.7 per cent while the County Assembly did not incur any development expenditure. On the other hand, the Department of Trade, Tourism, & Cooperative Development had the highest percentage of recurrent expenditure to recurrent budget at 69.8 per cent while the Department of Public Administration & Coordination of Devolved Units had the lowest at 37.8 per cent.

3.34.9 Observations and Recommendations

The County has made progress in addressing some of the challenges previously identified as affecting budget implementation. Some of the progress made included:

i. Enactment of the Bursary Fund Regulations which will enhance administration of the bursary allocation.

ii. Timely approval of a Supplementary Budget to regularise revenue and expenditure items for conformity with the CARA, 2016.

Despite the above progress, the following challenges continued to hamper effective budget implementation;

1. Late submission of financial reports by the County Treasury contrary to Section 166 of the PFM Act, 2012, which affected timely preparation of budget implementation report.

2. Delay by the Bursary Fund Administrator to submit expenditure reports contrary to Section 168 of the PFM Act, 2012

3. Under-performance in local revenue collection. Local revenue collection has declined by 4.1 per

cent from Kshs.79.62 million in the first nine months of FY 2015/16 to Kshs.76.32 million in the reporting period.

4. A high wage bill that increased by 6.3 per cent from Kshs.1.33 billion in the first nine months of FY 2015/16 to Kshs.1.41 billion during the period under review, and translated to 53.3 per cent of total expenditure.

5. Failure to reconcile IFMIS payroll data to the IPPD data. While IFMIS reports indicate total expenditure on personnel emoluments as Kshs.1.41 billion, data form the IPPD indicate Kshs.1.39 billion as the total payroll costs for the same period.

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

1. *The County Treasury should ensure timely preparation and submission of financial reports in line with Section 166 of PFM Act, 2012.*

2. *The Bursary Fund Administrator should ensure timely submission of expenditure reports in line with Section 168 of the PFM Act, 2012.*

3. *The County Treasury should formulate and implement strategies to enhance local revenue collection.*

4. *The County Public Service Board should establish an optimal staffing structure in order to manage the wage bill and ensure compliance with Regulation 25(1) (b) of the Public Finance Management (County Governments) Regulations, 2015.*

5. *The County should reconcile the IFMIS & IPPD data on a monthly basis to enhance accurate reporting.*

3.35 Nyandarua County

3.35.1 Overview of the FY 2016/17 Budget

The County's FY 2016/17 Approved Supplementary Budget was Kshs.5.61 billion, comprising of Kshs.3.61 billion (64.5 per cent) and Kshs.1.99 billion (35.5 per cent) allocation for recurrent and development expenditure respectively.

To finance the budget, the County expects to receive Kshs.4.65 billion (82.9 per cent) as equitable share of revenue raised nationally, Kshs.272.91 million (4.9 per cent) as total conditional grants, generate Kshs.390 million (6.7 per cent) from local sources, and had a cash balance of Kshs.296.38 million (5.3 per cent) from FY 2015/16. The conditional grants comprise of Kshs.95.74 million (1.6 per cent) for leasing of medical equipment, Kshs.71.41 million (1.3 per cent) from the Road Maintenance Fuel Levy Fund, Kshs.46.51 million (0.8 per cent) for Free Maternal Healthcare, Kshs.13.12 million (0.2 per cent) for User Fees Foregone and Kshs.9.43 million (0.2 per cent) from DANIDA. The County

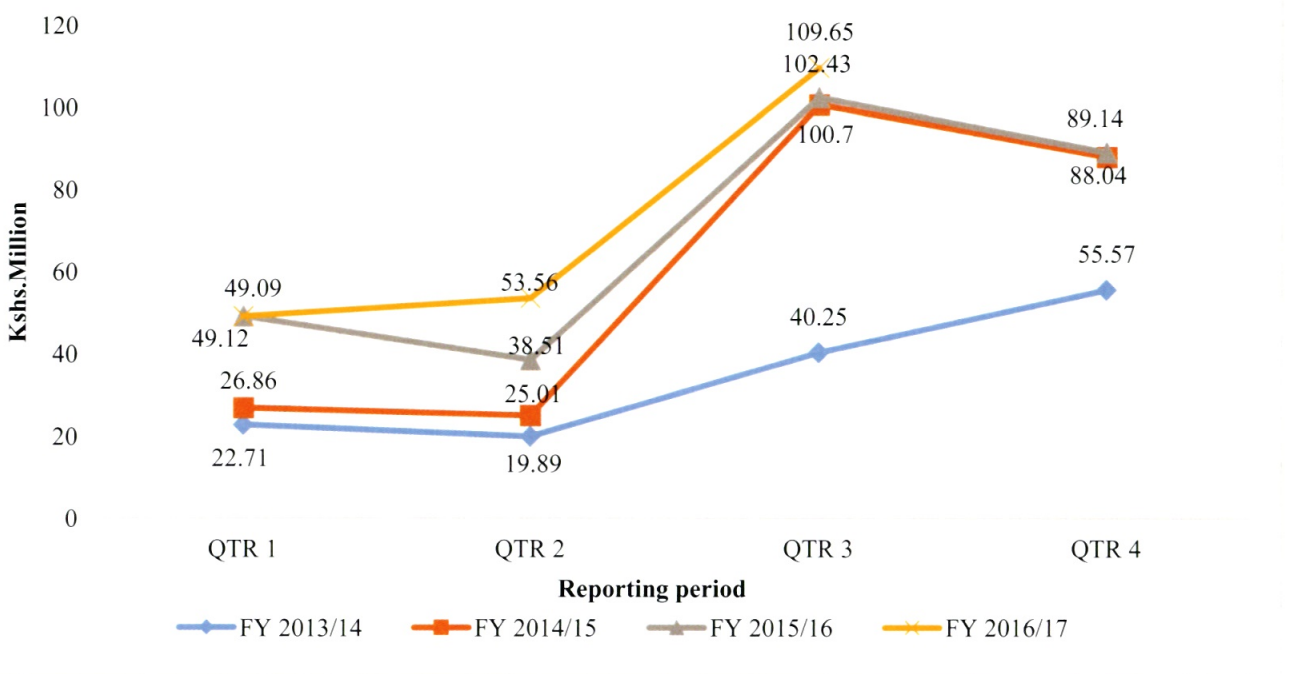
also budgeted for other grants not contained in the CARA, 2016 which included; Kshs.10 million (0.2 per cent) for Maternal Healthcare from the World Bank, and Kshs.26.69 million (0.5 per cent) as International Development Agency (IDA) grant for County Capacity Building.

3.35.2 Revenue Analysis

During the first nine months of FY 2016/17, the County received Kshs.3.13 billion as equitable share of the revenue raised nationally, Kshs.65.02 million as total conditional allocations, raised Kshs.212.30 million from local sources, and had a cash balance of Kshs.296.37 million brought forward from FY 2015/16.

Figure 3.103 shows the quarterly trend in local revenue collection from the first quarter of FY 2013/14 to the third quarter of FY 2016/17.

Figure 3.103: Nyandarua County, Trend in Local Revenue Collection by Quarter from the First Quarter of FY 2013/14 to the Third Quarter of FY 2016/17



Source: *Nyandarua County Treasury*

The total local revenue collected in the first nine months of FY 2016/17 amounted to Kshs.212.3 million, representing an increase of 11.7 per cent compared to Kshs.190.06 million generated in a similar period of FY 2015/16, and represented 54.4 per cent of the annual local revenue target.

3.35.3 Conditional Grants

Table 3.102 shows an analysis of conditional grants released in the first nine months of FY 2016/17.

Table 3.102: Nyandarua County Analysis of Conditional Grants Released in the First Nine Months of FY 2016/17

No.	Conditional Grant	Allocation based on CARA,2016(Kshs.)	Actual receipt of the Conditional Grants, First Nine Months of FY 2016/17 (Kshs.)	Actual receipts as a percentage of Annual Allocation (%)
1	Leasing of Medical Equipment	95,744,681	-	-
2	Road Maintenance Levy Fund	71,407,030	35,703,515	50.0
3	Maternal Healthcare	46,514,879	15,545,000	33.4
4	IDA Grant County for Capacity Building	26,689,751	-	0.0
5	User Fee Foregone	13,122,329	13,773,620	105.0
6	Maternal Health (World Bank)	10,000,000	-	-
7	Donor Fund- DANIDA	9,430,000	-	-
TOTAL		**272,908,670**	**65,022,135**	**23.8**

Source: *Nyandarua County Treasury*

Analysis of the conditional grants released during the period under review indicates that, the User Fees Foregone recorded the highest receipt at 105 per cent of its annual allocation, followed by Road Maintenance Fuel Levy Fund at 50 per cent. The County is yet to receive funds from the World Bank Grant to Health facilities, IDA grant for County Capacity Building, and DANIDA.

3.35.4 Exchequer Issues

During the reporting period, the Controller of Budget authorised withdrawal of Kshs.3.6 billion from the CRF account, which was 64.1 per cent of the Approved Supplementary Budget. This amount represented an increase of 20.1 per cent from Kshs.2.99 billion authorized in a similar period of FY 2015/16 and consisted of Kshs.2.65 billion (73.8 per cent) for recurrent expenditure and Kshs.943.3 million (26.2 per cent) for development activities.

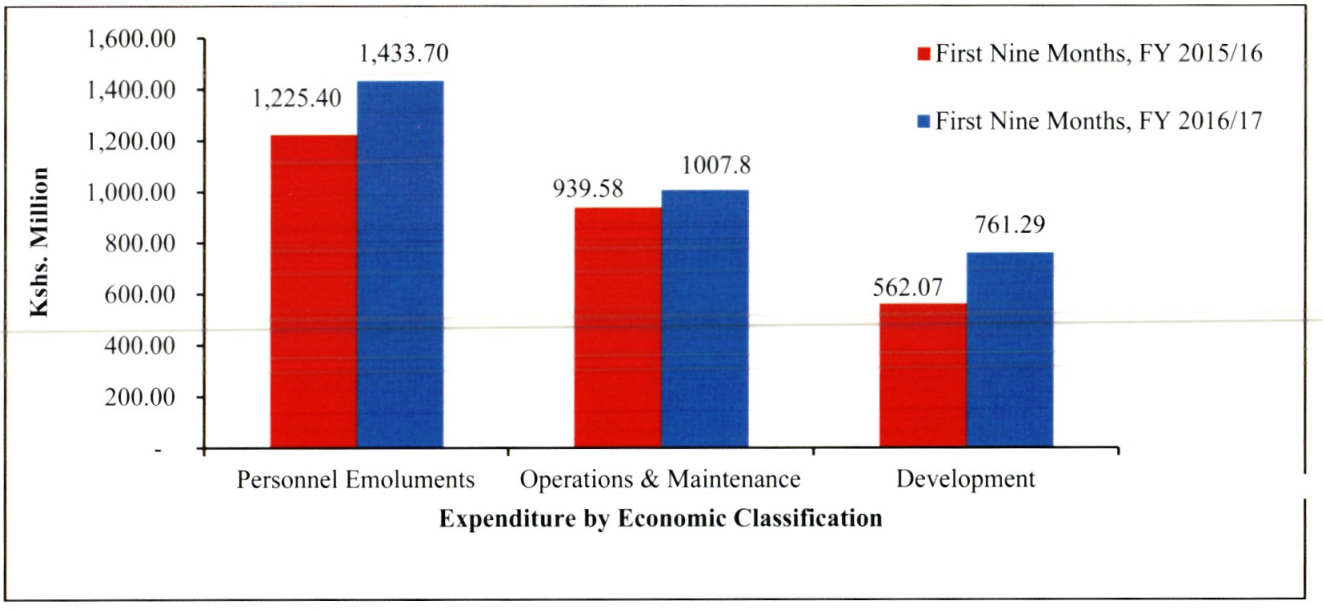
3.35.5 Overall Expenditure Review

The County spent Kshs.3.2 billion, which was 89.14 per cent of the total funds released for operations. This was an increase of 15 per cent from Kshs.2.72 billion spent in a similar period of FY 2015/16.

A total of Kshs.2.44 billion was spent on recurrent activities, while Kshs.761.3 million was spent on development activities. The recurrent expenditure was 92.1 per cent of the funds released for recurrent activities while development expenditure accounted for 80.7 per cent of the funds released for development activities.

The recurrent expenditure represented 67.5 per cent of the annual recurrent budget, an increase from 64.1 per cent spent in a similar period of FY 2015/16. Development expenditure recorded an absorption rate of 38.2 per cent, which was an increase from 25.31 per cent attained in a similar period of FY 2015/16. Figure 3.104 presents a comparison between the total expenditure in the first nine months of FY 2016/17 and the first nine months of FY 2015/16.

Figure 3.104: Nyandarua County, Expenditure by Economic Classification for the First Nine Months of FY 2016/17 and FY 2015/16

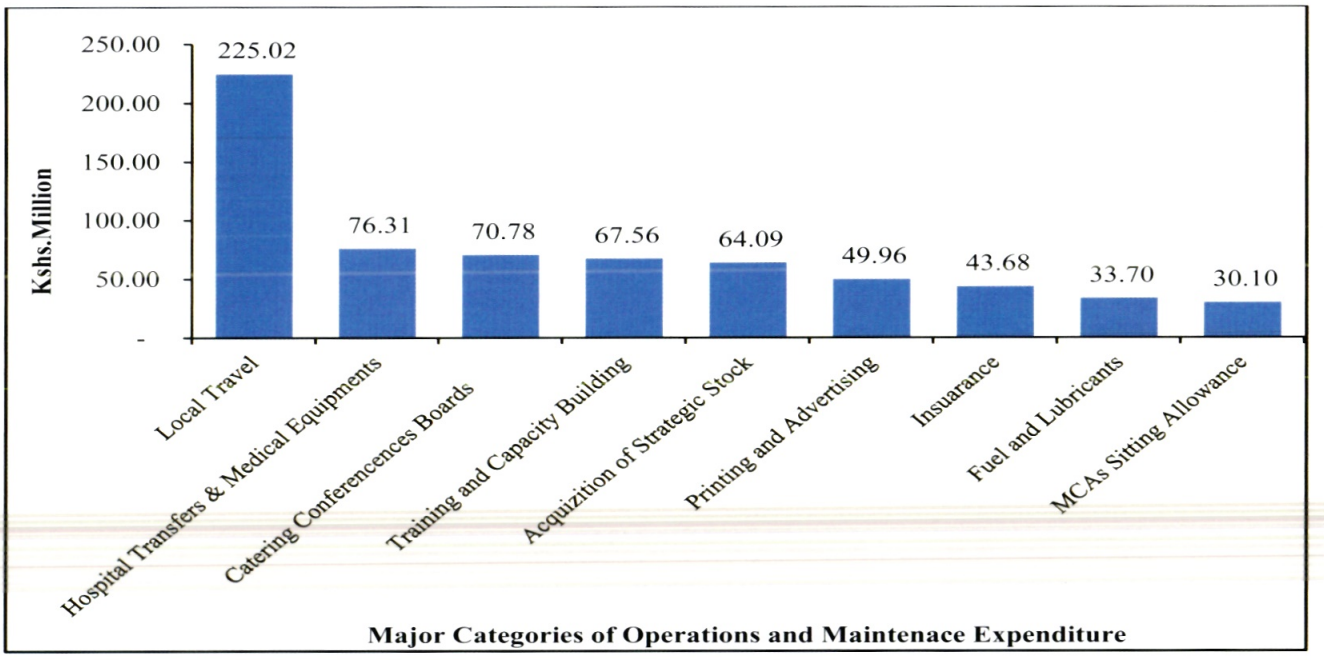


Source: *Nyandarua County Treasury*

3.35.6 Analysis of Recurrent Expenditure

The total recurrent expenditure of Kshs.2.44 billion consisted of Kshs.1.43 million (58.7 per cent) spent on personnel emoluments and Kshs.1.01 billion (41.3 per cent) on operations and maintenance as shown in Figure 3.104. Expenditure on personnel emoluments represented an increase of 17 per cent compared to a similar period of FY 2015/16 when the County spent Kshs.1.23 billion. Figure 3.105 shows a summary of operations and maintenance expenditure by major categories.

Figure 3.105: Nyandarua County, Operations and Maintenance Expenditure Major Categories for the First Nine Months of FY 2016/17



Source: *Nyandarua County Treasury*

The County spent Kshs.30.1 million on sitting allowances to the 42 MCAs and the Speaker against the annual budget allocation of Kshs.68.41 million. This was a decrease of 44.2 per cent compared to Kshs.53.95 million spent in the same period of FY 2015/16. The average monthly sitting allowance was Kshs.79,641 per MCA compared to SRC's recommended monthly ceiling of Kshs.124,800

Expenditure on domestic and foreign travel amounted to Kshs.234.97 million and consisted of Kshs.100.31 million by the County Assembly and Kshs.134.66 million by the County Executive. This was an increase of 19.5 per cent compared to Kshs.196.59 million spent in a similar period of FY 2015/16.

3.35.7 Development Expenditure Analysis

The total development expenditure of Kshs.761.29 million represented 38.2 per cent of the annual development budget of Kshs.1.99 billion. Table 3.103 provides a summarised list of development projects with the highest expenditure during the period under review.

Table 3.103: Nyandarua County, List of Development Projects with the Highest Expenditure in the First Nine Months of FY 2016/17

S/No.	Project name	(Location of the Project)	Estimated Budget (Kshs.)	Expenditure as at 31st March, 2017 (Kshs.)	Absorption rate (%)
1	Completion of County Assembly Chambers	Olkalou	206,793,913	132,657,337	64.1
2	Pending Bills from FY 2015/16	County Wide	230,000,000	123,248,748	53.8
3	Flagship project - JM Kariuki Hospital upgrade	Olkalou	53,460,000	41,156,896	77.0
4	Drainage Systems- Olkalou Estates	Olkalou	29,335,000	20,534,500	70.0
5	Purchase of firefighting vehicles and equipment	County Wide	18,000,000	18,000,000	100.0
6	Acquisition of Land - Other (Access Roads and social amenities)	County Wide	28,022,141	15,865,541	56.6
7	Purchase of milk coolers	County Wide	13,000,000	13,000,000	100.0
8	Subsidized fertilizers (ward specific Kshs.200,000)	County Wide	10,053,795	9,853,795	98.0
9	Roads maintenance (Fuel Levy Fund)	County Wide	71,407,030	8,506,700	11.9
10	Construction of three admission wards in Shamata Health Centre	Shamata	7,920,000	7,676,222	96.9
	Total		**667,991,879**	**390,908,328**	**58.5**

Source: *Nyandarua County Treasury*

Analysis of the development expenditure by project indicates that, the highest expenditure of Kshs.132.65 million was spent on completion of the County Assembly Chambers followed by Kshs.123.24 million which was spent on pending bills from FY 2015/16 under the Roads Transport and Infrastructure Department.

3.35.8 Budget and Budget Performance Analysis by Department

Table 3.104 shows a summary for the first nine months of FY 2016/17 budget estimates and budget performance by department.

Table 3.104: Nyandarua County, Budget Performance by Department for the First Nine Months of FY 2016/17

Department	Budget Allocation (Kshs. Million)		First Nine Months FY 2016/17 Exchequer Issues (Kshs. Million)		First Nine Months FY 2016/17 Expenditure (Kshs. Million)		First Nine Months FY 2016/17 Expenditure to Exchequer Issues (%)		First Nine Months FY 2016/17 Absorption rate (%)	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
Agriculture, Livestock, Fisheries & Irrigation	247.68	81.65	177.49	44.25	186.05	32.77	104.8	74.1	75.1	40.1
County Assembly	593.71	206.79	443.22	157.00	423.43	132.66	95.5	84.5	71.3	64.1
County Attorney, E-Government & Intergovernmental Relations	79.24	24.93	63.93	17.04	31.24	8.65	48.9	0.0	39.4	34.7
Education, Youth, Children Affairs, Culture & Social Services	192.10	64.43	146.01	29.47	169.13	12.85	115.8	43.6	88.0	20.0
Finance and Economic Planning	579.56	5.00	495.03	3.09	453.89	4.43	91.7	143.2	78.3	88.6
Gubernatorial Office	409.35	7.60	278.86	-	259.15	-	92.9	0.0	63.3	0.0
Health Services	1,147.79	161.08	773.52	89.81	696.71	71.75	90.1	79.9	60.7	44.5
Industrialisation, Cooperatives, Trade, Enterprise, Weights & Measures	60.54	34.53	42.49	28.85	35.89	21.03	84.5	72.9	59.3	60.9
Lands Housing and Physical Planning	63.14	115.27	46.04	45.96	11.77	25.02	25.6	54.4	18.6	21.7
Roads Public Works and Transport	121.20	904.16	91.94	380.45	88.16	328.05	95.9	86.2	72.7	36.3
Tourism Wildlife and Sports	58.61	61.35	43.91	25.00	29.94	0.50	68.2	2.0	51.1	0.8
Water, Environment & Natural Resources	62.24	324.71	49.45	122.40	56.24	123.59	113.7	101.0	90.3	38.1
TOTAL	**3,615.15**	**1,991.52**	**2,651.89**	**943.32**	**2,441.61**	**761.30**	**92.1**	**80.7**	**67.5**	**38.2**

Source: *Nyandarua County Treasury*

Analysis of budget performance by department shows that the Finance and Economic Planning department attained the highest absorption rate of development budget at 88.6 per cent while the Gubernatorial Office did not incur any development expenditure. On the other hand the Department of Water Environment and Natural Resources had the highest percentage of recurrent expenditure to recurrent budget at 90.3 per cent while the Department of Lands Housing and Physical Planning had the lowest at 18.6 per cent.

3.35.9 Observations and Recommendations

The County has made progress in addressing some of the challenges previously identified as affecting budget implementation. Some of the progress made included:

i. Improved absorption of development funds. Development expenditure recorded an absorption rate of 38.2 per cent (Kshs.761.29 million), which was an increase from 25.31 per cent (Kshs.562.07 million) attained in a similar period of FY 2015/16.

Despite the above progress, the following challenges continued to hamper effective budget implementation;

1. High wage bill which accounted for 44.8 per cent of total expenditure during the reporting period, and thus constraining funding to other planned programmes. The wage bill increased by 17 per cent from Kshs.1.23 billion in the first nine months of FY 2015/16 to Kshs.1.43 billion in the reporting period.

2. IFMIS connectivity challenges, which slowed down approval of procurement requests and payments to suppliers.

3. Local revenue collection was below the target. The County collected Kshs.212.3 million which was 54.4 per cent of the annual local revenue target of Kshs.390 million.

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

1. *The County Public Service Board should develop an optimal staffing structure to address the escalating wage bill.*

2. *The County Treasury to liaise with the IFMIS Directorate for support in application of IFMIS and E-procurement module.*

3. *The County Treasury should formulate and implement strategies to enhance local revenue collection.*

3.36 Nyeri County

3.36.1 Overview of the FY 2016/17 Budget

The County's FY 2016/17 Approved Supplementary Budget was Kshs.7.18 billion, comprising of Kshs.4.87 billion (67.9 per cent) and Kshs.2.3 billion (32.1 per cent) allocation for recurrent and development expenditure respectively.

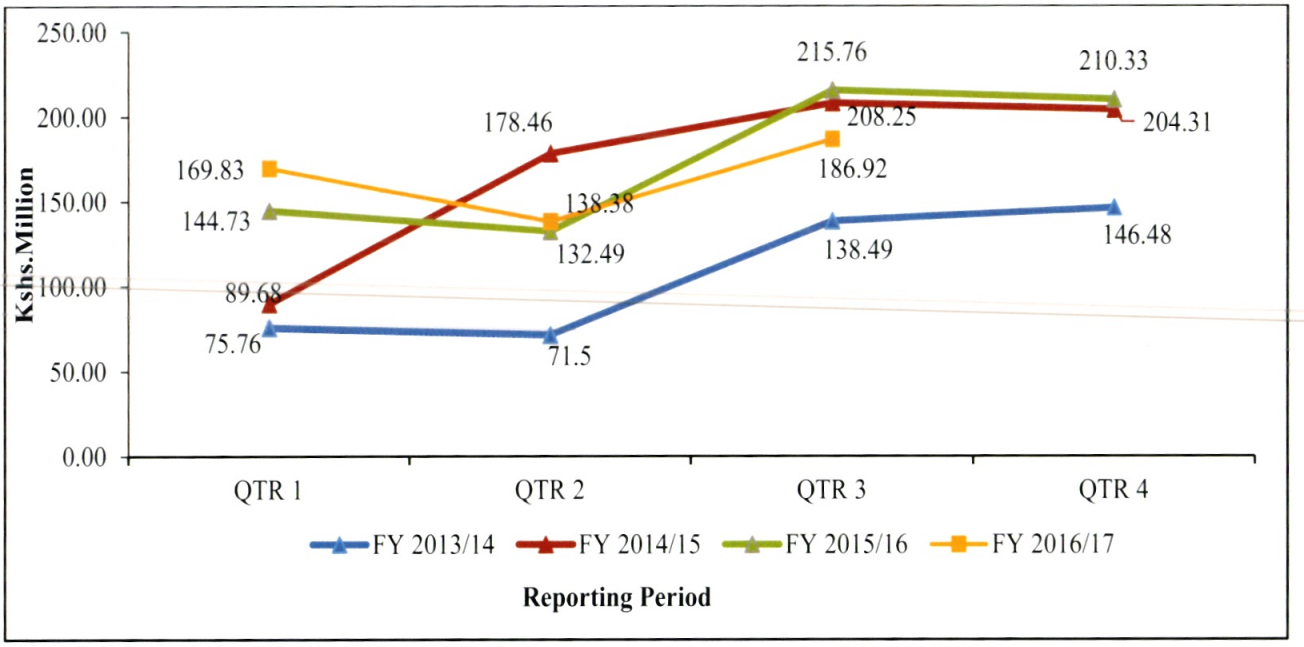
To finance the budget, the County expects to receive Kshs.4.8 billion (66.9 per cent) as equitable share of revenue raised nationally, Kshs.557.23 million (7.8 per cent) as total conditional grants, generate Kshs.1.1 billion (15.3 per cent) from local sources, Kshs.693 million (9.7 per cent) cash balance from FY 2015/16, and Kshs.31.43 million (0.4 per cent) as Coffee and Tea Cess releases. The conditional grants comprise of Kshs.388.44 million (69.7 per cent) for the Nyeri Level 5 Hospital, Kshs.69.22 million (12.4 per cent) for Free Maternal Healthcare, Kshs.73.76 million (13.2 per cent) from the Road Maintenance Fuel Levy Fund, Kshs.14.35 million (2.6 per cent) for User Fees Foregone and Kshs.11.47 million (2.1 per cent) from DANIDA.

3.36.2 Revenue Analysis

During the first nine months of FY 2016/17, the County received Kshs.2.84 billion as equitable share of the revenue raised nationally, Kshs.270.12 million as total conditional allocations, Kshs.31.43 million as Coffee and Tea Cess releases, raised Kshs.495.13 million from local sources, and had a cash balance of Kshs.693 million brought forward from FY 2015/16.

Figure 3.106 shows the quarterly trend in local revenue collection from the first quarter of FY 2013/14 to the third quarter of FY 2016/17.

Figure 3.106: Nyeri County, Trend in Local Revenue Collection by quarter from the First Quarter of FY 2013/14 to the Third Quarter of FY 2016/17



Source: *Nyeri County Treasury*

The total local revenue collected in the first nine months of FY 2016/17 amounted to Kshs.495.13 million, representing a decrease of 0.8 per cent compared to Kshs.499.22 million generated in a similar period of FY 2015/16, and represented 45.2 per cent of the annual local revenue target.

3.36.3 Conditional Grants

Table 3.105 shows an analysis of conditional grants released in the first nine months of FY 2016/17.

Table 3.105: Nyeri County, Analysis of Conditional Grants Released in the First Nine Months of FY 2016/17

No.	Conditional Grant	Allocation based on CARA, 2016 (Kshs.)	Receipts during the first nine months of FY 2016/17(Kshs.)	Actual receipts as a percentage of Annual Allocation (%)
1	Level 5 Hospital	388,439,306	198,104,046	51
2	Road Maintenance Fuel Levy Fund	73,763,719	36,881,860	50
3	User Fees Foregone	14,347,664	7,173,832	50
4	Free Maternal Healthcare	69,215,585	27,957,500	40.4
5	DANIDA grant	11,465,000	0	0
	TOTAL	**557,231,274**	**270,117,238**	**48.5**

Source: *Nyeri County Treasury*

Analysis of the conditional grants released during the period under review indicates that, the Level 5 Hospital grant recorded the highest receipt against annual allocation at 51 per cent. This was followed by the Road Maintenance Fuel Levy Fund and User Fees Foregone with a performance of 50 per cent. The County is yet to receive funds from the DANIDA grant.

3.36.4 Exchequer Issues

During the reporting period, the Controller of Budget authorised withdrawal of Kshs.3.88 billion from the CRF account, which was 54.1 per cent of the Supplementary Budget. This amount represented an increase of 8.3 per cent from Kshs.3.58 billion authorized in a similar period of FY 2015/16 and consisted of Kshs.3.14 billion (81.1 per cent) for recurrent expenditure and Kshs.735.13 million (18.9 per cent) for development activities.

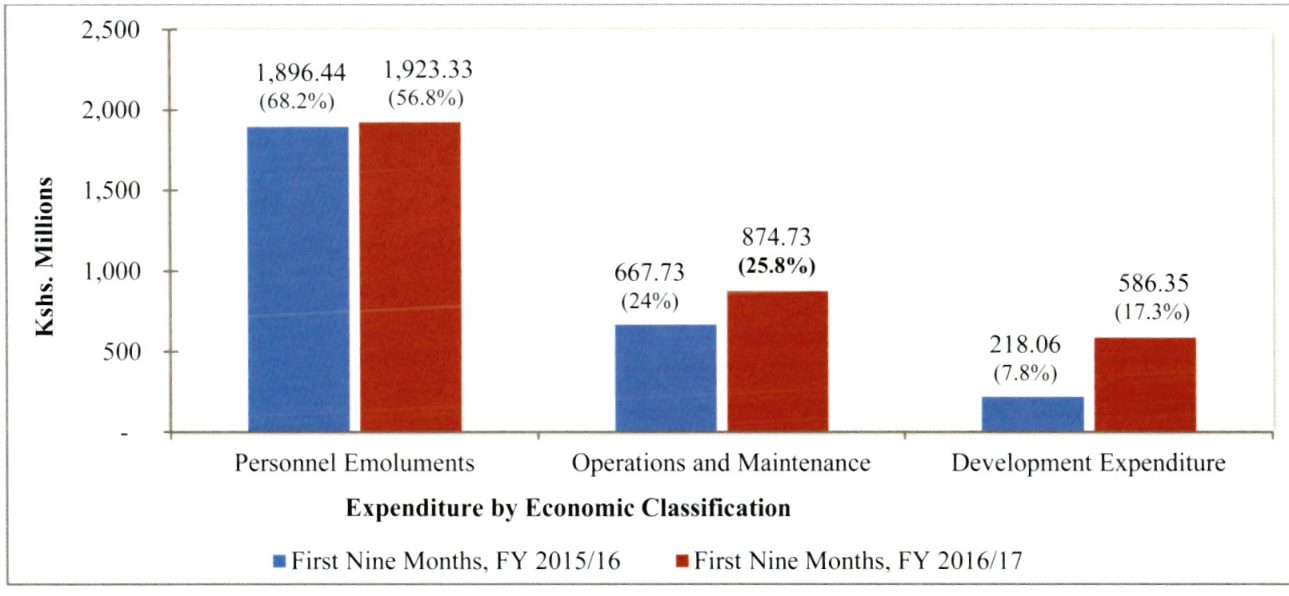
3.36.5 Overall Expenditure Review

The County spent Kshs.3.38 billion, which was 87.2 per cent of the total funds released for operations. This was an increase of 21.6 per cent from Kshs.2.78 billion spent in a similar period of FY 2015/16.

A total of Kshs.2.8 billion was spent on recurrent activities, while Kshs.586.35 million was spent on development activities. The recurrent expenditure was 89 per cent of the funds released for recurrent activities while development expenditure accounted for 79.8 per cent of the funds released for development activities. The expenditure excluded outstanding commitments as at 31st March, 2017 that amounted to Kshs.152.46 million for development expenditure and Kshs.219.67 million for recurrent expenditure.

The recurrent expenditure represented 57.4 per cent of the annual recurrent budget, a slight decrease from 58 per cent spent in a similar period of FY 2015/16. Development expenditure recorded an absorption rate of 25.4 per cent, which was an increase from 11.7 per cent attained in a similar period of FY 2015/16. Figure 3.107 presents a comparison between the total expenditure in the first nine months of FY 2016/17 and the first nine months of FY 2015/16.

Figure 3.107: Nyeri County, Expenditure by Economic Classification for the First Nine Months of FY 2016/17 and FY 2015/16



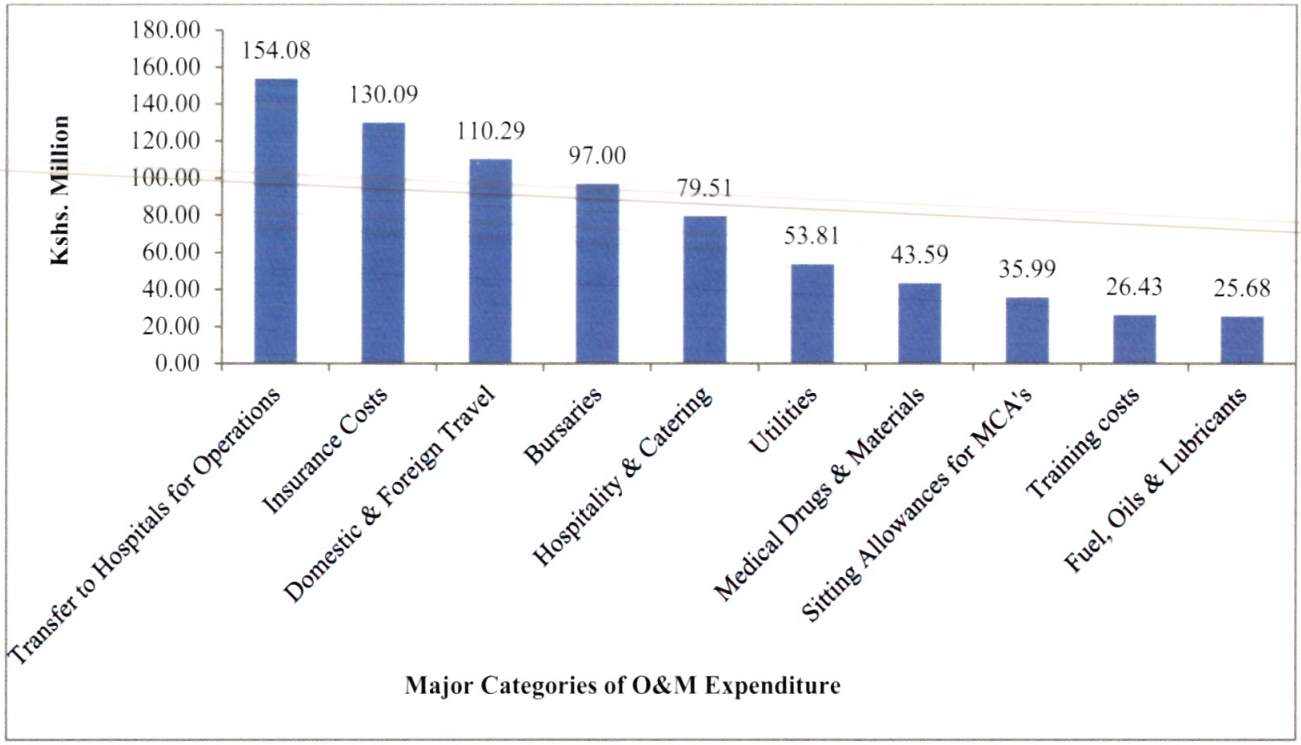
Source: *Nyeri County Treasury*

3.36.6 Analysis of Recurrent Expenditure

The total recurrent expenditure of Kshs.2.8 billion consisted of Kshs.1.92 billion (68.7 per cent) spent on personnel emoluments and Kshs.874.73 million (31.3 per cent) on operations and maintenance as shown in Figure 3.107. Expenditure on personnel emoluments represented an increase of 1.4 per cent

compared to a similar period of FY 2015/16 when the County spent Kshs.1.9 billion. Figure 3.108 shows a summary of operations and maintenance expenditure by major categories.

Figure 3.108: Nyeri County, Operations and Maintenance Expenditure Major Categories for the First Nine Months of FY 2016/17



Source: *Nyeri County Treasury*

The County spent Kshs.35.99 million on sitting allowances to the 47 MCAs and the Speaker against the annual budget allocation of Kshs.88.86 million. This was a decrease of 31 per cent compared to Kshs.52.19 million spent in the same period of FY 2015/16. The average monthly sitting allowance was Kshs.83,300 per MCA compared to SRC's recommended monthly ceiling of Kshs.124,800

Expenditure on domestic and foreign travel amounted to Kshs.110.29 million and consisted of Kshs.78.83 million by the County Assembly and Kshs.31.46 million by the County Executive. This was an increase of 9.2 per cent compared to Kshs.100.99 million spent in a similar period of FY 2015/16.

3.36.7 Development Expenditure Analysis

The total development expenditure of Kshs.586.35 million represented 25.4 per cent of the annual development budget of Kshs.2.3 billion. Table 3.106 provides a summarised list of development projects with the highest expenditure during the period under review.

Table 3.106: Nyeri County, List of Development Projects with the Highest Expenditure in the First Nine Months of FY 2016/17

S/No.	Project name	Ward (Location of the Project)	Estimated Budget (Kshs.)	Expenditure as at 31st March, 2017 (Kshs.)	Absorption rate (%)
1	Construction of access roads	Countywide	542,226,041	297,619,082	54.9

S/No.	Project name	Ward (Location of the Project)	Estimated Budget (Kshs.)	Expenditure as at 31st March, 2017 (Kshs.)	Absorption rate (%)
2	Purchase of medical drugs and supplies	Countywide	115,100,000	90,621,970	78.7
3	Pending bills	Headquarters	58,613,429	53,123,186	90.6
4	Capital grants to hospitals	Countywide	45,043,396	35,400,000	78.6
5	Irrigation works	Countywide	197,853,383	27,389,538	13.8
6	Refurbishment of markets	Countywide	80,000,000	25,018,063	31.3
7	Installation of streetlights	Countywide	35,500,000	14,220,117	40.1
8	Construction of bridges and culverts	Countywide	25,000,000	11,402,707	45.6
9	Construction of ECDE classes		48,199,916	9,950,504	20.6
10	Purchase of survey equipment	Headquarters	13,719,555	4,039,555	29.4
	Total		**1,161,255,720**	**568,784,722**	**49.0**

Source: *Nyeri County Treasury*

Analysis of the development expenditure by project indicates that, the highest expenditure of Kshs.279.62 million was spent on construction and maintenance of access roads, followed by Kshs.90.62 million spent on purchase of medical drugs and supplies. Payment of development expenditure pending bills for FY 2015/16 was Kshs.53.12 million.

3.36.8 Budget and Budget Performance Analysis by Department

Table 3.107 shows a summary of budget estimates and budget performance by department for the first nine months of FY 2016/17

Table 3.107: Nyeri County, Budget Performance by Department for the First Nine Months of FY 2016/17

Department	Annual Budget Allocation (Kshs. Million)		First Nine Months of FY 2016/17 Exchequer Issues (Kshs. Million)		First Nine Months of FY 2016/17 Expenditure (Kshs. Million)		First Nine Months of FY 2016/17 Expenditure to Exchequer Issues (%)		First Nine Months of FY 2016/17 Absorption rate (%)	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
Office of the Governor	116.02	0	66.41	0	52.63	0	79.3	-	45.4	-
Office of the County Secretary	259.57	7.3	112.28	0	120.08	0	106.9	0	46.3	0
Finance and Economic Planning	392.49	65.99	217.73	63.5	163.50	53.9	75.1	84.9	41.7	81.7
Lands, Housing and Physical Planning	65.28	49.15	35.21	9.5	16.70	9.04	47.4	95.2	25.6	18.4
Health and Sanitation	1,923.16	466.56	1,280.69	202.6	1,342.74	127.93	104.8	63.1	69.8	27.4
Special Programmes	113.36	118	60.14	3.24	35.1	0	58.4	0	31	0
Public Administration	417.62	8.83	315.75	0	264.8	0	83.9	0	63.4	0
Agriculture, Livestock & Fisheries	303.80	194.02	238.93	31.75	174.52	5.52	73	17.4	57.4	2.8
Tourism and Culture	29.34	14.85	8.06	5.00	5.99	0.08	74.3	1.6	20.4	0.6
Education, ICT, Trade & Industrialization	276.95	275.02	182.25	38.65	130.71	44.23	71.7	114.4	47.2	16.1
Water, Environment & Natural Resources	130.68	200.00	97.73	79.99	56.28	27.39	57.6	34.2	43.1	13.7

Department	Annual Budget Allocation (Kshs. Million)		First Nine Months of FY 2016/17 Exchequer Issues (Kshs. Million)		First Nine Months of FY 2016/17 Expenditure (Kshs. Million)		First Nine Months of FY 2016/17 Expenditure to Exchequer Issues (%)		First Nine Months of FY 2016/17 Absorption rate (%)	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
County Public Service Board	36.57	0	24.77	0	10.74	0	43.3	0	29.4	0
Roads & Infrastructure Development	59.71	781.08	47.80	280.27	21.05	304.02	44.0	108.5	35.3	38.9
Energy	103.95	61.98	77.61	20.63	40.26	14.22	51.9	68.9	38.7	22.9
County Assembly	644.12	62.12	379.49	0	362.96	0	95.6	0	56.4	0
TOTAL	**4,872.62**	**2,304.91**	**3,144.83**	**735.13**	**2,798.05**	**586.35**	**89.0**	**79.8**	**57.4**	**25.4**

Source: *Nyeri County Treasury*

Analysis of budget performance by department shows that the Department of Finance and Economic Planning attained the highest absorption rate of development budget at 81.7 per cent while the Office of the County Secretary, Department of Public Administration, Department of Special Programmes and the County Assembly did not incur any development expenditure during the period under review. On the other hand the Department of Health and Sanitation had the highest percentage of recurrent expenditure to recurrent budget at 69.8 per cent while the Department of Tourism and Culture had the lowest at 20.4 per cent.

3.36.9 Observations and Recommendations

The County has made progress in addressing some of the challenges previously identified as affecting budget implementation. Some of the progress made included:

i. Improvement in absorption of development budget. In the reporting period, the County attained an absorption rate of 25.4 per cent compared to 11.7 per cent attained in a similar period in FY 2015/16.

ii. Compliance with requirements of Section 116 of the PFM Act, 2016 by ensuring that legislations establishing County Public Funds are in place before operationalization of County Funds.

Despite the above progress, the following challenges continued to hamper effective budget implementation;

1. IFMIS connectivity challenges, which slowed down approval of procurement requests and payments to suppliers.

2. Delay in disbursement of the equitable share of revenue raised nationally by the National Treasury. As at the end of the reporting period, Kshs.2.84 billion had been disbursed against an expected disbursement of Kshs.3.62 billion.

3. Failure to establish an Internal Audit Committee to oversee financial operations in the County

contrary to the provisions of Section 155 of the PFM Act, 2012.

4. Late submission of financial reports by the County Treasury, which affected timely preparation of budget implementation review report.

5. Delays by Fund Administrators to submit expenditure reports on the established County Funds contrary to Section 168 of the PFM Act, 2012. The expenditure returns that were pending included; Bursary Fund, Emergency Fund and, Car & Mortgage Fund.

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

1. *The County Treasury should liaise with the IFMIS Directorate for support in application of IFMIS.*

2. *The County Treasury should liaise with the National Treasury to ensure that funds allocated to the County are released in a timely manner in line with the CARA, 2016 Disbursement Schedule.*

3. *The County should establish an Internal Audit Committee in line with Section 155 of the PFM Act, 2012.*

4. *The County Treasury should ensure timely preparation and submission of financial reports to the Office of the Controller of Budget in line with Section 166 of PFM Act, 2012.*

5. *The Fund Administrators should ensure timely submission of expenditure reports in line with Section 168 of the PFM Act, 2012.*

3.37 Samburu County

3.37.1 Overview of the FY 2016/17 Budget

The County's FY 2016/17 Supplementary Budget was Kshs.4.57 billion, comprising of Kshs.2.96 billion (52.9 per cent) and Kshs.1.61 billion (47.1 per cent) allocation for recurrent and development expenditure respectively.

To finance the budget, the County expects to receive Kshs.3.83 billion (83.8 per cent) as equitable share of revenue raised nationally, Kshs.141.15 million (3.1 per cent) as total conditional grants, generate Kshs.341.87 million (7.5per cent) from local revenue sources, and Kshs.223.34 million (4.9 per cent) cash balance from FY 2015/16. The conditional grants comprise of Kshs.16.95 million (12 per cent) for Free Maternal Healthcare, Kshs.58.89 million (41.7 per cent) from the Road Maintenance Fuel Levy Fund, Kshs.5.32 million (3.8 per cent) for User Fees Foregone, Kshs.5.49 million (3.9 per cent) from DANIDA, and Kshs.54.49 million (39 per cent) from Other Loans and Grants The County Treasury had also included Kshs.30 million as health support funds though the source of financing was not provided, and Kshs.4 million as insurance payments.

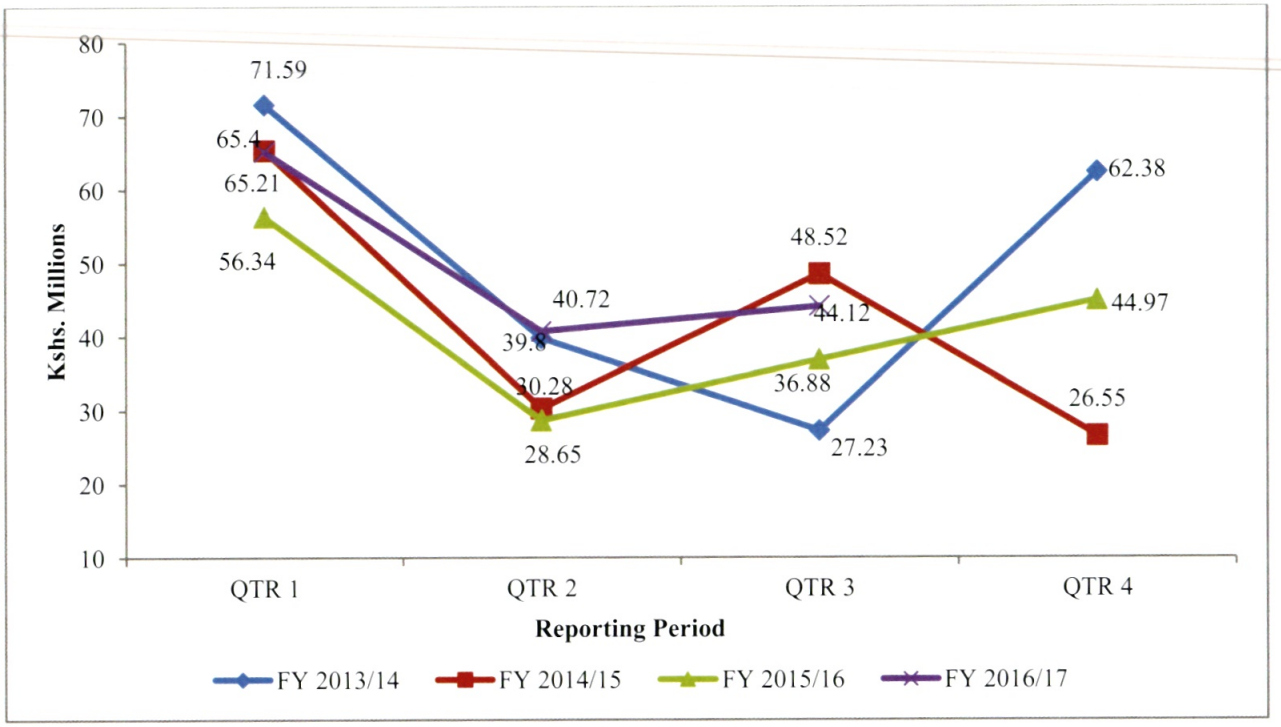
3.37.2 Revenue Analysis

During the first nine months of FY 2016/17, the County received Kshs.2.89 billion as equitable share

of the revenue raised nationally, Kshs.55.75 million as total conditional allocations, raised Kshs.150.03 million from local revenue sources, and had a cash balance of Kshs.223.34 million brought forward from FY 2015/16.

Figure 3.109 shows the quarterly trend in local revenue collection from the first quarter of FY 2013/14 to the third quarter of FY 2016/17.

Figure 3.109: Samburu County, Trend in Local Revenue Collection by Quarter from the First Quarter FY 2013/14 to the Third Quarter FY 2016/17



Source: *Samburu County Treasury*

The total local revenue collected in the first nine months of FY 2016/17 amounted to Kshs.150.03 million, representing an increase of 23.1 per cent compared to Kshs.121.87 million generated in a similar period of FY 2015/16, and represented 43.9 per cent of the annual local revenue target.

3.37.3 Conditional Grants

Table 3.108 shows an analysis of conditional grants released in the first nine months of FY 2016/17.

Table 3.108: Samburu County, Analysis of Conditional Grants released in the First Nine Months of FY 2016/17

No.	Conditional Grant	Allocation based on CARA, 2016 (Kshs.)	FY 2016/17 Actual receipt of Conditional Grants (Kshs.)	Actual receipts as a percentage of Annual Allocation (%)
1	Road Maintenance Fuel Levy Fund	58,898,587	44,173,941	75
2	Free Maternal Healthcare	16,946,829	8,912,500	52.6
3	World Bank grant to health facilities	29,848,554	-	-

No.	Conditional Grant	Allocation based on CARA, 2016 (Kshs.)	FY 2016/17 Actual receipt of Conditional Grants (Kshs.)	Actual receipts as a percentage of Annual Allocation (%)
4	Kenya Devolution Support Programme Trust (Not in CARA, 2016)	24,638,639	-	-
5	User Fees Foregone	5,321,855	2,660,927	50
6	DANIDA grant	5,495,000	-	-
	TOTAL	**141,149,464**	**55,747,368**	**39.5**

Source: *Samburu County Treasury*

Analysis of the conditional grants released during the period under review indicates that, the Road Maintenance Fuel Levy Fund recorded the highest receipts at 75 per cent of the annual target, followed by the Free Maternal Healthcare grant at 52.6 per cent and User Fees Foregone at 50 per cent. The County is yet to receive funds from the World Bank grant to health facilities, Kenya Devolution Support Programme, and DANIDA.

3.37.4 Exchequer Issues

During the reporting period, the Controller of Budget authorised withdrawal of Kshs.2.95 billion from the CRF account, which was 64.5 per cent of the Supplementary Budget. This amount represented an increase of 13 per cent from Kshs.2.61billion authorized in a similar period of FY 2015/16 and consisted of Kshs.2.06 billion (69.8 per cent) for recurrent expenditure and Kshs.890.04 million (30.2 per cent) for development activities.

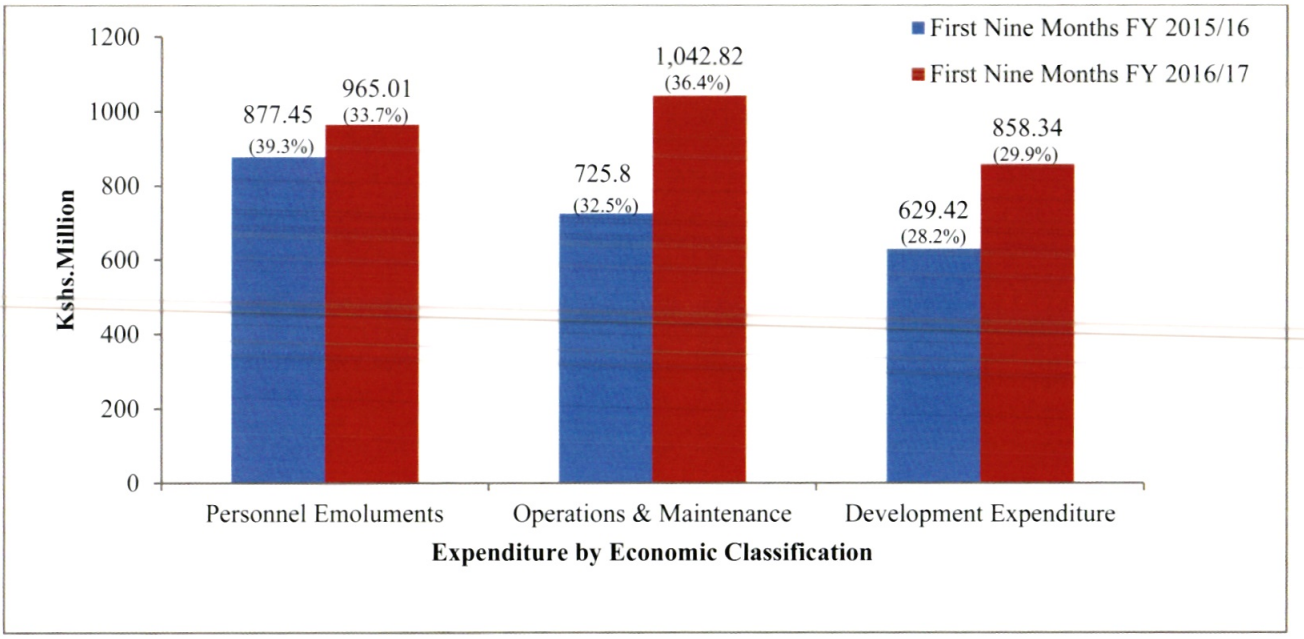
3.37.5 Overall Expenditure Review

The County spent Kshs.2.87 billion, which was 97.3 per cent of the total funds released for operations. This was an increase of 28.7 per cent from Kshs.2.23 billion spent in a similar period of FY 2015/16.

A total of Kshs.2.01 billion was spent on recurrent activities, while Kshs.858.34 million was spent on development activities. The recurrent expenditure was 97.6 per cent of the funds released for recurrent activities while development expenditure accounted for 96 per cent of the funds released for development activities. The expenditure excluded outstanding commitments as at 31st March, 2017 that amounted to Kshs.248.28 million for development and Kshs.364.62 million for recurrent expenditure.

The recurrent expenditure represented 67.9 per cent of the annual recurrent budget, an increase from 63.4 per cent spent in a similar period of FY 2015/16. Development expenditure recorded an absorption rate of 53.3 per cent, which was an increase from 36 per cent attained in a similar period of FY 2015/16. Figure 3.110 presents a comparison between the total expenditure in the first nine of FY 2016/17 and first nine of FY 2015/16.

Figure 3.110: Samburu County, Expenditure by Economic Classification for the First Nine Months of FY 2016/17 and FY 2015/16

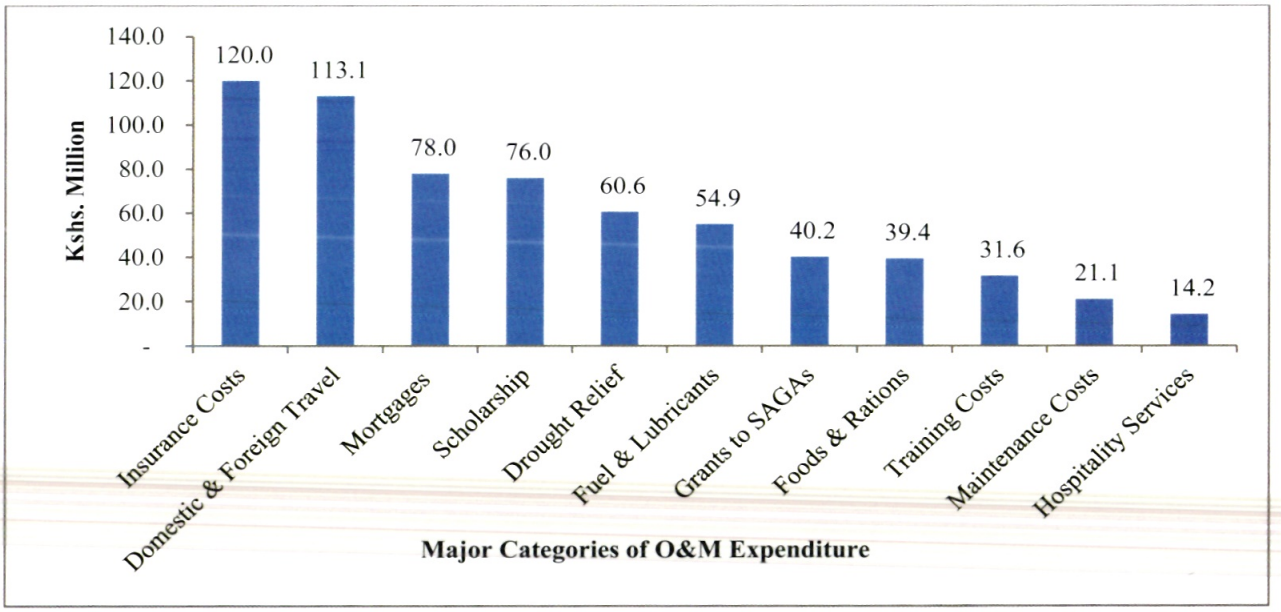


Source: *Samburu County Treasury*

3.37.6 Analysis of Recurrent Expenditure

The total recurrent expenditure of Kshs.2.01 billion consisted of Kshs.965.01 million (48 per cent) spent on personnel emoluments and Kshs.1.04 billion (52 per cent) on operations and maintenance as shown in Figure 3.110. Expenditure on personnel emoluments represented an increase of 9.9 per cent compared to a similar period of FY 2015/16 when the County spent Kshs.877.45 million. Figure 3.111 shows a summary of operations and maintenance expenditure by major categories.

Figure 3.111: Samburu County, Operations and Maintenance Expenditure by Major Categories for the First Nine months of FY 2016/17



Source: *Samburu County Treasury*

The County spent Kshs.29.5 million on sitting allowances to the 26 MCAs and the Speaker against the annual budget allocation of Kshs.41.46 million. This was a decrease of 13.9 per cent compared to Kshs.34.26 million spent in the same period of FY 2015/16. The average monthly sitting allowance was Kshs.121,383 per MCA compared to SRC's recommended monthly ceiling of Kshs.124,800

Expenditure on domestic and foreign travel amounted to Kshs.113.1 million and consisted of Kshs.46.87 million by the County Assembly and Kshs.66.18 million by the County Executive. This was an increase of 22.9 per cent compared to Kshs.92 million spent in a similar period of FY 2015/16.

3.37.7 Development Expenditure Analysis

The total development expenditure of Kshs.858.34 million represented 53.3 per cent of the annual development budget of Kshs.1.61 billion. Table 3.109 provides a summarised list of development projects with the highest expenditure during the period under review.

Table 3.109: Samburu County, List of Development Projects with the Highest Expenditure in the First Nine Months of FY 2016/17

S/No.	Project name	Ward (Location of the Project)	Estimated Budget (Kshs.)	Expenditure as at 31st March, 2017 (Kshs.)	Absorption rate (%)
1	Construction of ECDs	County wide	54,609,721	48,240,875	88.3
2	Drilling of boreholes (16 No.)	Samburu North/East	70,000,000	42,830,614	61.2
3	Purchase of Camels	County wide	21,104,011	12,590,000	59.7
4	Purchase of Certified seeds	County wide	10,000,000	7,880,500	78.8
5	Construction of Archer's Post health Centre	Samburu East	15,000,000	9,880,951	65.9
6	Development of County Spatial Plan	County Wide	50,000,000	27,545,364	55.1
7	Construction of County Offices	Central	50,000,000	33,952,125	67.9
	Total		**270,713,732**	**182,920,429**	**67.6**

Source: *Samburu County Treasury*

Analysis of the development expenditure by project indicates that, the highest expenditure of Kshs.48.24 million was spent on construction of ECDs classrooms across the County, followed by Kshs.42.83 million spent on drilling of 16 boreholes in Samburu East and North.

3.37.8 Budget and Budget Performance Analysis by Department

Table 3.110 shows a summary of budget estimates and budget performance by department for the first nine months of FY 2016/17

Table 3.110: Samburu County, Budget Performance by Department for the First Nine Months of FY 2016/17.

Department	Annual Budget Allocation (Kshs. Million)		First nine months of FY 2016/17 Exchequer Issues (Kshs. Million)		First nine months of FY 2016/17 Expenditure (Kshs. Million)		First nine months of FY 2016/17 Expenditure to Exchequer Issues (%)		First nine months of FY 2016/17 Absorption rate (%)	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
County Assembly	419.81	120	308.35	0	297.28	0	96.4	0	70.8	0.0
County Executive	401.59	5	241.46	0	229.29	0	95	0	57.1	0.0
Finance & Economic planning	579.59	10.73	361.51	5	425.07	9.94	117.6	198.8	73.3	92.6

Agriculture, Livestock, Veterinary & Fisheries	161.42	91.3	92.54	68.56	81.14	40.92	87.7	59.7	50.3	44.8
Environment & Natural Resources	46.34	35.12	33.83	34.2	24.19	20.83	71.5	60.9	52.2	59.3
Education, Youth Affairs & Social Development	349.7	150.96	318.16	91.83	267.43	94.28	84.1	102.7	76.5	62.5
County Health Services	541.47	101.5	397.38	94.28	381.65	41.62	96	44.1	70.5	41.0
Lands, Physical Planning and Urban Development	81.43	98.43	57.53	60.63	40.31	53.91	70.1	88.9	49.5	54.8
County Transport, Public Works and Water Services	187.02	822.49	118.39	431.11	119.83	476.37	101.2	110.5	64.1	57.9
Trade, Tourism, Cooperatives and Enterprise Development	126.12	149.84	87.85	95.43	99.89	102.14	113.7	107	79.2	68.2
Culture, Social Services & Gender	66.34	27.11	47.68	9	41.75	18.44	87.6	204.9	62.9	68.0
TOTAL	**2960.83**	**1612.48**	**2064.68**	**890.04**	**2007.83**	**858.45**	**97.2**	**96.5**	**67.8**	**53.2**

Source: *Samburu County Treasury*

Analysis of budget performance by department shows that the Department of Finance and Economic Planning attained the highest absorption rate of development budget at 18.5 per cent while the County assembly and the Office of the Governor did not incur any development expenditure. On the other hand the Department of Trade, Tourism, Cooperatives and Enterprise Development had the highest percentage of recurrent expenditure to recurrent budget at 79.2 per cent while the Department of Lands, Physical Planning and Urban Development had the lowest at 49.5 per cent.

3.37.9 Observations and Recommendations

The County has made progress in addressing some of the challenges previously identified as affecting budget implementation. Some of the progress made included:

i. Improvement in absorption of development budget to 53.3 per cent compared to 36 per cent reported in a similar period in FY 2015/16.

ii. The County has complied with requirements of Section 116 of the PFM Act, 2012 by ensuring that legislations establishing County Public Funds are in place before operationalization of the Funds.

Despite the above progress, the following challenges continued to hamper effective budget implementation;

1. Late submission of financial reports to the Controller of Budget by the County Treasury, which affected timely preparation of budget implementation reports.
2. Delay by Fund Administrators to submit expenditure reports on established County Funds contrary to Section 168 of the PFM Act, 2012.

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

1. *The County Treasury should ensure timely preparation and submission of financial reports in line with Section 166 of PFM Act, 2012.*

2. *The County Treasury should ensure timely submission of expenditure reports on Established Funds in line with Section 168 of the PFM Act, 2012.*

3.38 Siaya County

3.38.1 Overview of the FY 2016/17 Budget

The County's FY 2016/17 Approved Budget was Kshs.7.33 billion, comprising of Kshs.3.84 billion (52.3 per cent) and Kshs.3.49 billion (47.3 per cent) allocation for recurrent and development expenditure respectively.

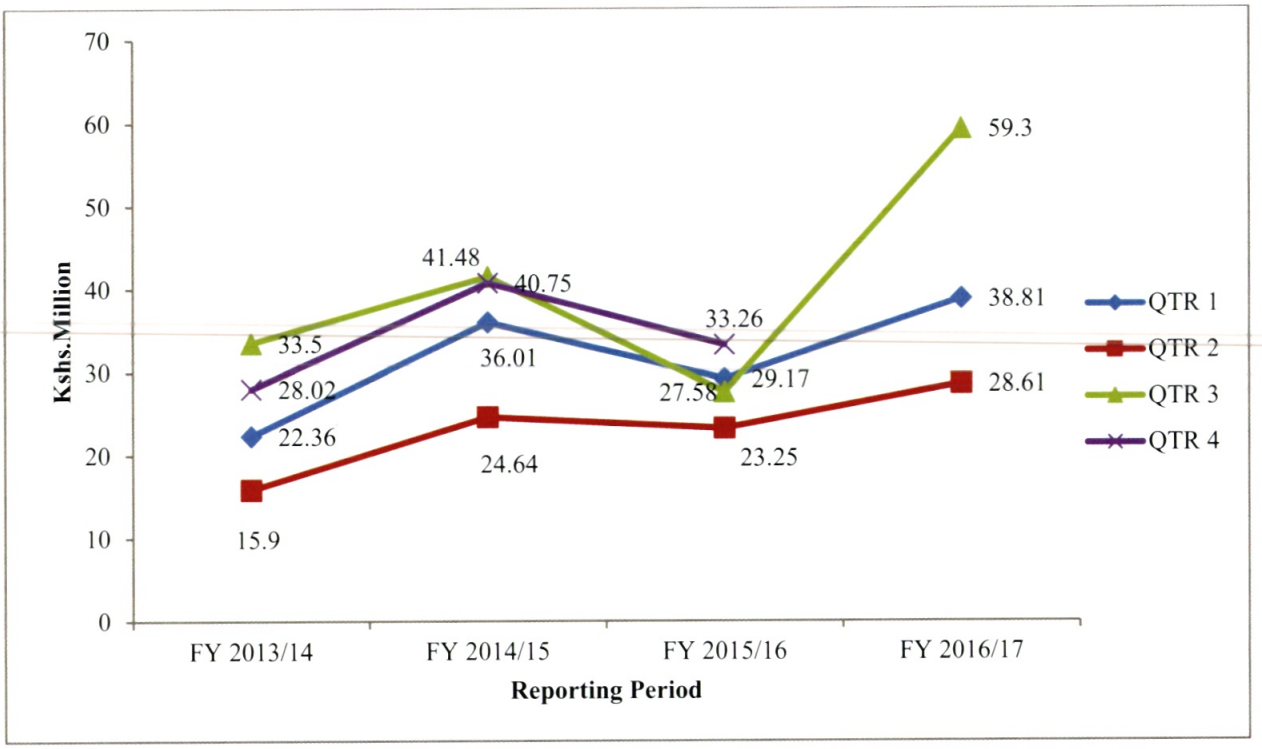
To finance the budget, the County expects to receive Kshs.5.39 billion (74.5 per cent) as equitable share of revenue raised nationally, Kshs.256.73 million (3.5 per cent) as total conditional grants, generate Kshs.270 million (3.7 per cent) from local sources, and Kshs.1.32 billion (18.2 per cent) cash balance from FY 2015/16. The conditional grants comprise of Kshs.112.56 million (43.8 per cent) for Free Maternal Healthcare, Kshs.82.82 million (32.3 per cent) from the Road Maintenance Fuel Levy Fund, Kshs.19.06 million (7.4 per cent) for User Fees Foregone, Kshs.13.77 million (5.4 per cent) from DANIDA, and Kshs.28.56 million (11.1 per cent) from Other Loans and Grants.

3.38.2 Revenue Analysis

During the first nine months of FY 2016/17, the County received Kshs.3.15 billion as equitable share of the revenue raised nationally, Kshs.146.82 million as total conditional allocations, raised Kshs.126.72 million from local revenue sources, and had a cash balance of Kshs.1 billion brought forward from FY 2015/16. The Office notes that the cash balance of Kshs.1 billon varies with the amount indicated in the Approved Budget of Kshs.1.32 billion. This variance should be reconciled and regularised in the Supplementary Budget.

Figure 3.112 shows the quarterly trend in local revenue collection from the first quarter of FY 2013/14 to the third quarter of FY 2016/17.

Figure 3.112: Siaya County, Trend in Local Revenue Collection by Quarter from the First Quarter of FY 2013/14 to the Third Quarter of FY 2016/17



Source: *Siaya County Treasury*

The total local revenue collected in the first nine months of FY 2016/17 amounted to Kshs.126.72 million, representing an increase of 58.4 per cent compared to Kshs.80 million generated in a similar period of FY 2015/16, and represented 46.9 per cent of the annual local revenue target.

3.38.3Conditional Grants

Table 3.111 shows an analysis of conditional grants released in the first nine months of FY 2016/17.

Table 3.111: Siaya County, Analysis of Conditional Grants Released in the First Nine Months of FY 2016/17

No.	Conditional Grant	Amount allocated as provided in CARA 2016 (Kshs.)	Actual receipt of the Conditional Grants at end of Q3, FY 2016/17 (Kshs.)	Actual Receipts as a Percentage of Annual Allocation (%)
1	Road Maintenance Fuel Levy Fund	82,817,177	82,879,530	100
2	User Fees Foregone	19,057,307	9,528,653	50
3	Free Maternal Healthcare	112,559,127	54,415,000	48.3
4	DANIDA Grant	13,765,000	-	-
5	Kenya Devolution Support Programme Trust (Not in CARA, 2016)	28,555,102	-	-
Total		**256,753,713**	**146,823,183**	**57.2**

Source: *Siaya County Treasury*

Analysis of the conditional grants released during the period under review indicates that, the Road Maintenance Fuel Levy Fund and User Fees Foregone grants recorded the highest percentage of receipts at 100 per cent and 50 per cent of annual targets respectively. The County is yet to receive funds from DANIDA and the Kenya Devolution Support Programme.

3.38.4 Exchequer Issues

During the reporting period, the Controller of Budget authorised withdrawal of Kshs.4.17 billion from the CRF account, which was 56.8 per cent of the Approved Budget. This amount represented an increase of 13.6 per cent from Kshs.3.67 billion authorized in a similar period of FY 2015/16 and consisted of Kshs.2.92 billion (70 per cent) for recurrent expenditure and Kshs.1.25 billion (30 per cent) for development activities.

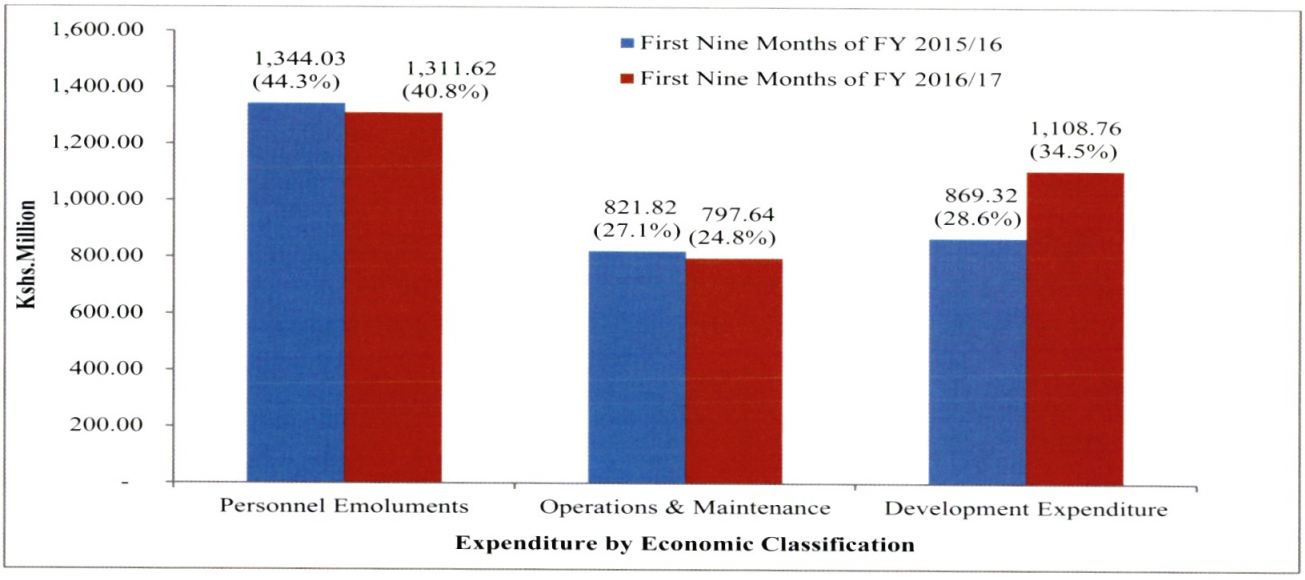
3.38.5 Overall Expenditure Review

The County spent Kshs.3.22 billion, which was 77.2 per cent of the total funds released for operations. This was an increase of 5.9 per cent from Kshs.3.04 billion spent in a similar period of FY 2015/16.

A total of Kshs.2.11 billion was spent on recurrent activities, while Kshs.1.11 billion was spent on development activities. The recurrent expenditure was 72.3 per cent of the funds released for recurrent activities while development expenditure accounted for 88.8 per cent of the funds released for development activities. The expenditure excluded outstanding commitments as at 31st March, 2017 that amounted to Kshs.249.17 million for development and Kshs.189.52 million for recurrent expenditure.

The recurrent expenditure represented 55 per cent of the annual recurrent budget, a decrease from 58.2 per cent spent in a similar period of FY 2015/16. Development expenditure recorded an absorption rate of 31.7 per cent, which was an increase from 27.0 per cent attained in a similar period of FY 2015/16. Figure 3.113presents a comparison between the total expenditure in the first nine months of FY 2016/17 and the first nine months of FY 2015/16.

Figure 3.113: Siaya County, Expenditure by Economic Classification for the First Nine Months of FY 2016/17 and FY 2015/16

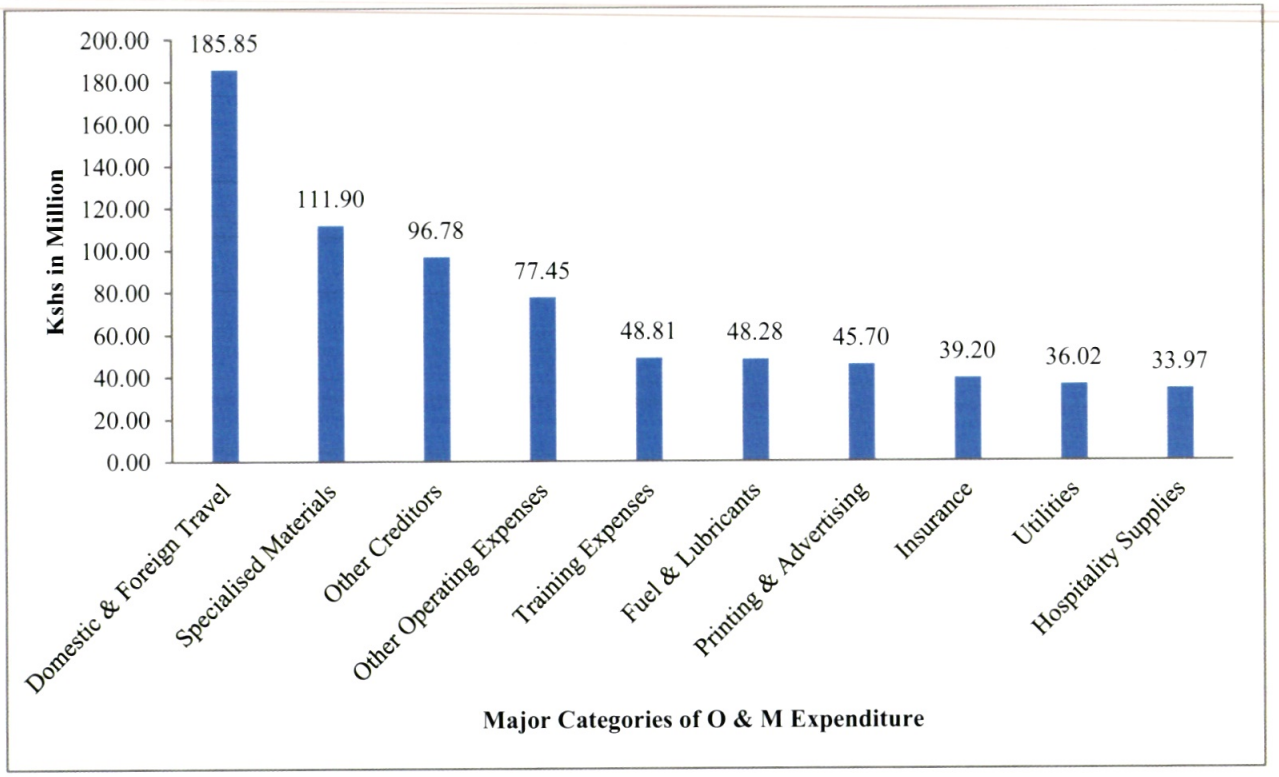


Source: *Siaya County Treasury*

Analysis of Recurrent Expenditure

The total recurrent expenditure of Kshs.2.11 billion consisted of Kshs.1.31 billion (62.2 per cent) spent on personnel emoluments and Kshs.797.64 million (37.8 per cent) on operations and maintenance as shown in Figure 3.112. Expenditure on personnel emoluments represented a marginal decrease of 2.4 per cent compared to a similar period of FY 2015/16 when the County spent Kshs.1.34 billion. Figure 3.114 shows a summary of operations and maintenance expenditure by major categories.

Figure 3.114: Siaya County, Operations and Maintenance Expenditure by Major Categories for the First Nine Months of FY 2016/17



Source: Siaya *County Treasury*

The County spent Kshs.44.08 million on sitting allowances to the 48 MCAs and the Speaker against the annual budget allocation of Kshs.84.36 million. This was a decrease of 40.1 per cent compared to Kshs.73.57 million spent in the same period of FY 2015/16. The average monthly sitting allowance was Kshs.99,951 per MCA compared to SRC's recommended monthly ceiling of Kshs.124,800

Expenditure on domestic and foreign travel amounted to Kshs.185.85 million and consisted of Kshs.59.87 million by the County Assembly and Kshs.125.98 million by the County Executive. This was an increase of 26.7 per cent compared to Kshs.146.73 million spent in a similar period of FY 2015/16.

3.38.6 Development Expenditure Analysis

The total development expenditure of Kshs.1.11 billion represented 31.7 per cent of the annual development budget of Kshs.3.49 billion. Table 3.112 provides a summarised list of development projects with the highest expenditure during the period under review.

Table 3.112: Siaya County, List of Development Projects with the Highest Expenditure in the First Nine Months of FY 2016/17

S/No.	Project name	(Location of the Project)	Estimated Budget (Kshs.)	Expenditure as at 31st March, 2017 (Kshs.)	Absorption rate (%)
1	Supply, delivery and commissioning of fire engine	Headquarters	45,000,000	55,000,000	122.2
2	Refurbishment of Siaya Referral Hospital	Siaya Township	119,827,681	25,177,469	21
3	Construction & commissioning of irrigation projects	Bondo and Alego Usonga	26,100,000	13,683,628	52.4
4	Rehabilitation of new water pans and dams	Various	12,950,000	12,923,328	99.8
5	Supply, installation, commissioning, and maintenance of solar street lightening project in Siaya County	Various	14,000,000	10,475,110	74.8
6	Funding of the Lake Region Economic Bloc	Headquarters	10,000,000	10,000,000	100
7	Renovation of Siaya ATC	Siaya Township	12,000,000	8,722,712	72.7
8	Completion of Rwambwa Economic Stimulus Project	Usonga	11,527,517	7,555,559	65.5
9	Supply of Tractors	Headquarters	45,716,880	7,145,656	15.6
10	Renovation works at Siaya Stadium	Siaya Township	12,859,388	12,859,388	100
	Total		**309,981,466**	**163,542,850**	**52.8**

Source: *Siaya County Treasury*

Analysis of the development expenditure by project indicates that, the highest expenditure of Kshs.55 million was spent on the acquisition of a fire engine and a grader, followed by Kshs.25.18 million on the refurbishment of the Siaya County Referral hospital

3.38.7 Budget and Budget Performance Analysis by Department

Table 3.113 shows a summary for the first nine months of FY 2016/17 budget estimates and budget performance by department.

Table 3.113: Siaya County, Budget Performance by Department for the First Nine Months of FY 2016/17

Department	Budget Allocation (Kshs. Million)		9 Months 0f FY 2016/17 Exchequer Issues (Kshs. Million)		9 Months of FY 2016/17 Expenditure (Kshs. Million)		9 Months of FY 2016/17 Expenditure to Exchequer Issues (%)		9 Months of FY 2016/17 Absorption rate (%)	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
County Assembly	599.91	91.43	472.00	27.12	322.46	0.72	68.3	2.7	53.8	0.8
County Executive	406.01	48.01	305.11	0.00	248.05	10.62	81.3	-	61.1	22.1
Finance, Economic Planning and Vision 2030	589.24	32.93	446.83	30.00	394.56	1.00	88.3	3.3	67.0	3.0
Agriculture, Livestock and Fisheries	239.33	268.95	192.78	103.75	138.58	66.37	71.9	64.0	57.9	24.7
Water, Environment and Natural Resources	96.64	329.85	77.52	149.90	47.67	112.55	61.5	75.1	49.3	34.1

Department	Budget Allocation (Kshs. Million)		9 Months 0f FY 2016/17 Exchequer Issues (Kshs. Million)		9 Months of FY 2016/17 Expenditure (Kshs. Million)		9 Months of FY 2016/17 Expenditure to Exchequer Issues (%)		9 Months of FY 2016/17 Absorption rate (%)	
Education, Youth, Sports, Culture and Social Services	284.30	629.05	167.81	205.73	126.13	155.80	75.2	75.7	44.4	24.8
County Health Services	1314.75	687.94	1012.69	323.43	712.41	96.13	70.3	29.7	54.2	14.0
Physical Planning, Survey and Housing	54.50	39.30	43.78	20.00	17.69	1.65	40.4	8.2	32.5	4.2
Roads and Transport	93.02	1130.93	67.70	264.08	33.40	619.04	49.3	234.4	35.9	54.7
Trade and Cooperative Services	46.59	188.27	37.52	113.48	14.46	18.84	38.6	16.6	31.0	10.0
Tourism and ICT	112.53	46.03	92.77	12.50	53.84	26.04	58.0	208.3	47.8	56.6
TOTAL	**3,836.82**	**3,492.67**	**2,916.50**	**1,250.00**	**2,109.25**	**1,108.76**	**72.3**	**88.8**	**55.0**	**31.7**

Source: *Siaya County Treasury*

Analysis of budget performance by department shows that the Department of Tourism and ICT attained the highest absorption rate of development budget at 56.6 per cent while the County Assembly had the lowest at 0.8 per cent. On the other hand, the Department of Finance, Economic Planning and Vision 2030 had the highest percentage of recurrent expenditure to recurrent budget at 67 per cent while the Department Trade and Cooperative Services had the lowest at 31 per cent.

3.38.8Observations and Recommendations

The County continues to make progress in addressing some of the challenges previously identified as affecting budget implementation. Some of the progress made included:

i. Improvement in absorption of development funds to 31.7 per cent in the reporting period compared to 27.0 per cent in a similar period of FY 2015/16.

ii. Improvement in local revenue collection by 58.4 per cent to Kshs.126.72 million in the reporting period from Kshs.80 million generated in a similar period of FY 2015/16.

Despite the above progress, the following challenges continued to hamper effective budget implementation;

1. Late submission of financial reports to the Controller of Budget by the County Treasury, which affected timely preparation of budget implementation reports contrary to Section 166 of the PFM Act, 2012.

2. Delay by Fund Administrators of the Bursary Fund Car Loan and Mortgage Funds to submit expenditure reports on the established County Funds contrary to Section 168 of the PFM Act, 2012. The pending expenditure returns included for Bursary Fund, and the Car & Mortgage Fund.

3. Failure to establish an Internal Audit Committee contrary to Section 155 of the PFM Act, 2012.

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

1. *The County Treasury should ensure adherence to Section 166 of the PFM Act, 2012 on quarterly financial reporting.*

2. *The Administrators of the Bursary Fund and the Car and Mortgage should ensure timely submission of expenditure reports in line with Section 168 of the PFM Act, 2012.*

3. *The County should establish an Internal Audit Committee in line with Section 155 of the PFM Act, 2012.*

3.39 Taita Taveta County

3.39.1 Overview of the FY 2016/17 Budget

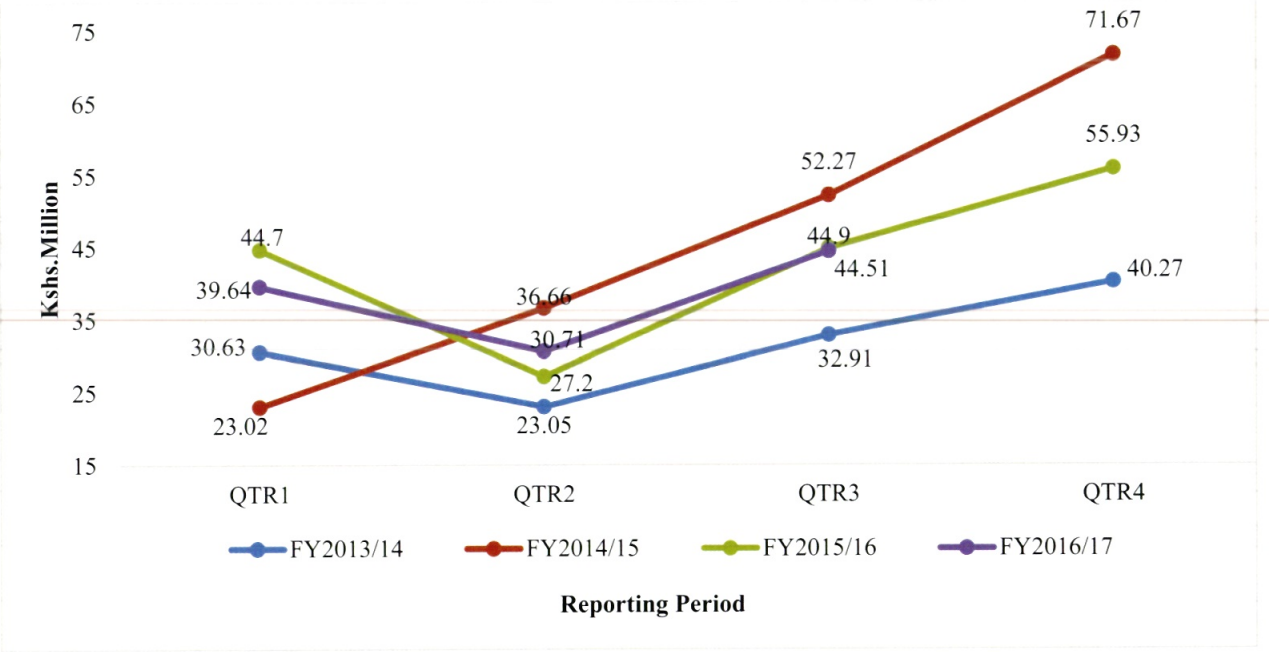
The County's FY 2016/17 Supplementary Budget was Kshs.4.68 billion, comprising of Kshs.3.12 billion (67 per cent) and Kshs.1.57 billion (33 per cent) allocation for recurrent and development expenditure respectively.

To finance the budget, the County expects to receive Kshs.3.57 billion (76.8 per cent) as equitable share of revenue raised nationally, Kshs.516.65 million (10.4 per cent) as total conditional grants, generate Kshs.355.89 million (7.6 per cent) from local sources, and Kshs.241.41 million (5.2 per cent) cash balance from FY 2015/16. The conditional grants comprise of Kshs.95.74 million (18.5 per cent) for Leasing of Medical Equipment, Kshs.37.67 million (7.3 per cent) for Free Maternal Healthcare, Kshs.54.87 million (10.6 per cent) from the Road Maintenance Fuel Levy Fund, Kshs.6.63 million (1.3 per cent) for User Fees Foregone, Kshs.7.41 million (1.4 per cent) from DANIDA, Kshs.23.98 million (4.6 per cent) as a World Bank loan, and Kshs.290.36 million (56.2 per cent) from Other Loans and Grants.

3.39.2 Revenue Analysis

During the first nine months of 2016/17, the County received Kshs.2.7 billion as equitable share of the revenue raised nationally, Kshs.77.42 million as total conditional allocations, raised Kshs.114.86 million from local sources, and had a cash balance of Kshs.241.41 million brought forward from FY 2015/16. Figure 3.115 shows the quarterly trend in local revenue collection from the first quarter of FY 2013/14 to the third quarter of FY 2016/17.

Figure 3.115: Taita Taveta County, Trend in Local Revenue Collection by Quarter from the First Quarter FY 2013/14 to the Third Quarter FY 2016/17



Source: *Taita Taveta County Treasury*

The total local revenue collected in the first nine months of FY 2016/17 amounted to Kshs.114.86 million, representing a decrease of 1.7 per cent compared to Kshs.116.8 million generated in a similar period of FY 2015/16, and represented 32.3 per cent of the annual local revenue target.

3.39.3 Conditional Grants

Table 3.114 shows an analysis of conditional grants released in the first nine months of FY 2016/17.

Table 3.114: Taita Taveta, County Analysis of Conditional Grants Released in the First Nine Months of FY 2016/17

No.	Conditional Grant	Allocation based on CARA, 2016 (Kshs.)	FY 2016/17 Actual receipt of Conditional Grants (Kshs.)	Actual receipts as a percentage of Annual Allocation (%)
1	Road Maintenance Fuel Levy Fund	54,869,411	54,954,630	100
2	Free Maternal Healthcare	37,659,621	19,145,000	51
3	Compensation For User Fees Foregone	6,631,099	3,315,549	50
4	DANIDA Grant	7,405,000	-	-
5	National Drought Management Authority Grant	9,920,000	-	-
6	Red Cross Grant	100,000,000	-	-
7	Kenya Devolution Support Programme- World Bank	23,981,101	-	-
8	European Union Grant	112,000,000	-	-
9	Leasing of Medical Equipment	95,744,681	-	-
10	Health Sector Services Fund-World Bank	36,034,216	-	-
11	Health Sector Services Fund-World Bank-2015/16 b/f	17,242,898		-
12	Universal Healthcare project-World Bank	15,160,743		-
	TOTAL	**516,648,770**	**77,415,179**	**15**

Source: *Taita Taveta County Treasury*

Analysis of the conditional grants released during the period under review indicates that, the Road Maintenance Fuel Levy Fund recorded the highest receipts at 100 per cent of the annual target, followed by the Free Maternal Healthcare at 51 per cent.

3.39.4 Exchequer Issues

During the reporting period, the Controller of Budget authorised withdrawal of Kshs.2.98 billion from the CRF account, which was 63.5 per cent of the Approved Budget. This amount represented an increase of 26.3 per cent from Kshs.2.36 billion authorized in a similar period of FY 2015/16 and consisted of Kshs.2.10 billion (70.6 per cent) for recurrent expenditure and Kshs.874.68 million (29.4 per cent) for development activities.

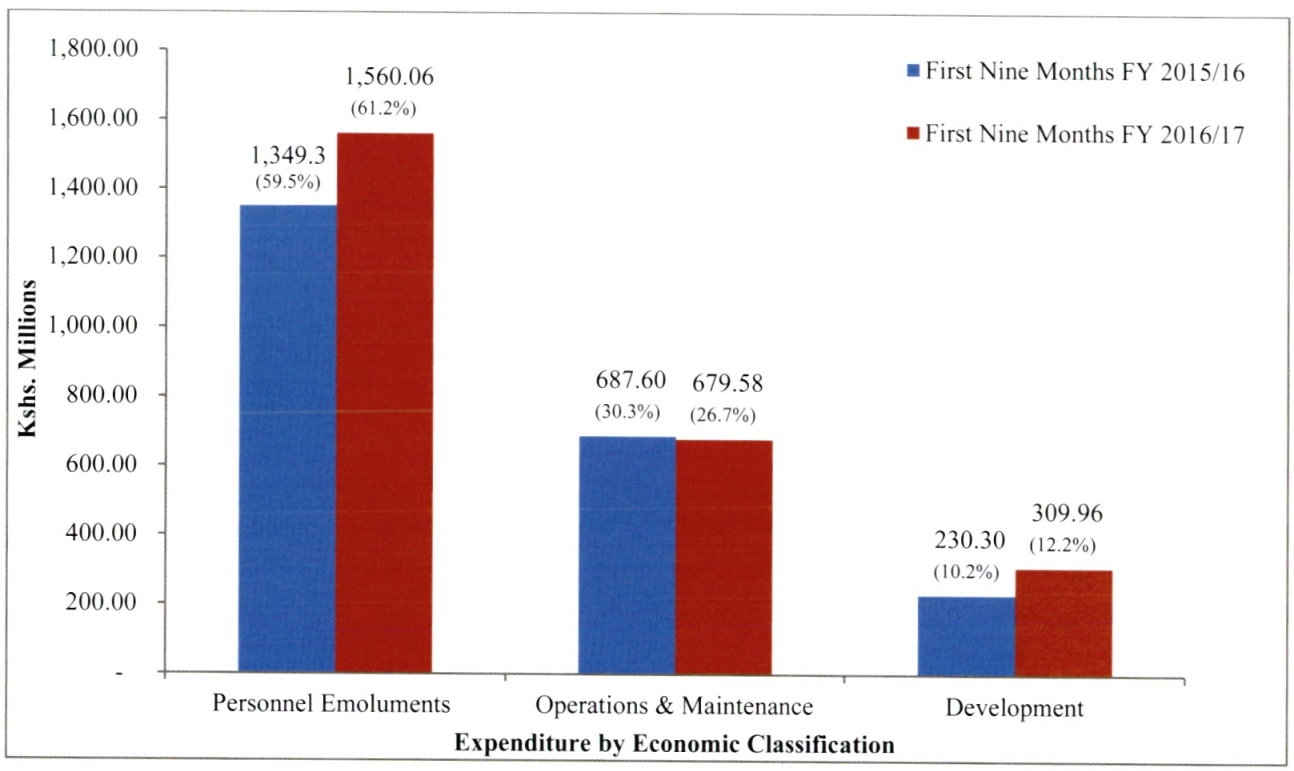
3.39.5 Overall Expenditure Review

The County spent Kshs.2.55 billion, which was 85.7 per cent of the total funds released for operations. This was an increase of 12.3 per cent from Kshs.2.27 billion spent in a similar period of FY 2015/16.

A total of Kshs.2.24 billion was spent on recurrent activities, while Kshs.309.96 million was spent on development activities. The recurrent expenditure was 106.6 per cent of the funds released for recurrent activities while development expenditure accounted for 35.4 per cent of the funds released for development activities. The expenditure excluded outstanding commitments as at 31st March, 2017 that amounted to Kshs.35.34 million for development and Kshs.185.44 million for recurrent expenditure.

The recurrent expenditure represented 71.8 per cent of the annual recurrent budget, an increase from 70.8 per cent spent in a similar period of FY 2015/16. Development expenditure recorded an absorption rate of 19.8 per cent, which was a decrease from 22.9 per cent attained in a similar period of FY 2015/16. Figure 3.116presents a comparison between the total expenditure in the first nine months of FY 2016/17 and the first nine months of FY 2015/16.

Figure 3.116: Taita Taveta County, Expenditure by Economic Classification for the First Nine Months of FY 2016/17 and FY 2015/16



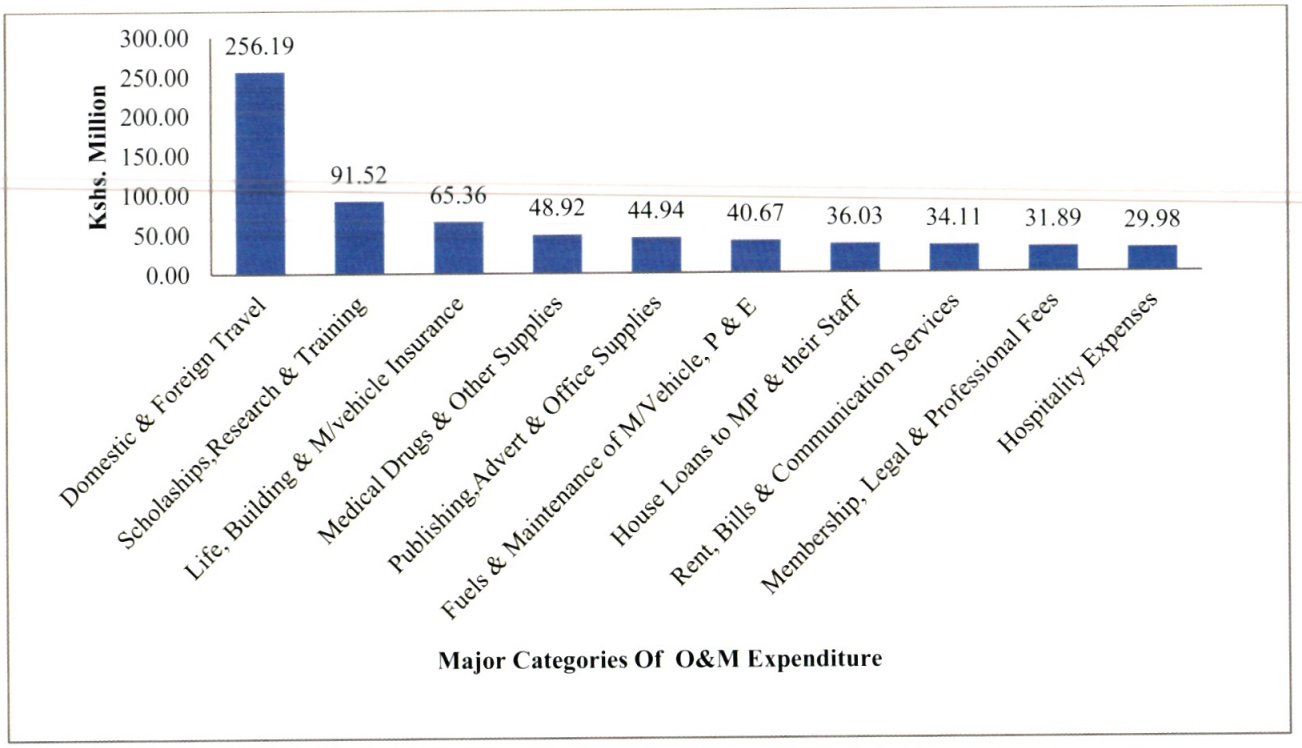
Source: *Taita Taveta County Treasury*

3.39.6 Analysis of Recurrent Expenditure

The total recurrent expenditure of Kshs.2.24 billion consisted of Kshs.1.56 billion (61 per cent) spent on personnel emoluments and Kshs.679.58 million (27 per cent) on operations and maintenance as

shown in Figure 3.116. Expenditure on personnel emoluments represented an increase of 15.6 per cent compared to a similar period of FY 2015/16 when the County spent Kshs.1.35 billion. Figure 3.117 shows a summary of operations and maintenance expenditure by major categories.

Figure 3.117: Taita Taveta County, Operations and Maintenance Expenditure by Major Categories for the First Nine months of FY 2016/17



Source: *Taita Taveta County Treasury*

The County spent Kshs.25.12 million on sitting allowances to the 35 MCAs and the Speaker against the annual budget allocation of Kshs.65.44 million. This was a decrease of 55.1 per cent compared to Kshs.55.99 million spent in the same period of FY 2015/16. The average monthly sitting allowance was Kshs.77,530 per MCA compared to SRC's recommended monthly ceiling of Kshs.124,800.

Expenditure on Domestic and Foreign Travel amounted to Kshs.256.19 million and consisted of Kshs.95.14 million by the County Assembly and Kshs.161.04 million by the County Executive. This was an increase of 31.4 per cent compared to Kshs.195.01 million spent in a similar period of FY 2015/16.

3.39.7 Development Expenditure Analysis

The total development expenditure of Kshs.309.96 million represented 19.8 per cent of the annual development budget of Kshs.1.57 billion. Table 3.115 provides a summarised list of development projects with the highest expenditure during the period under review.

Table 3.115: Taita Taveta County, List of Development Projects with the Highest Expenditure in the First Nine Months of FY 2016/17

S/No	Project Name	Ward(Location of project)	Annual Budget (Kshs.)	Expenditure as at 31st March 2017 (Kshs.)	Absorption Rate (%)
1	Construction of ECD Centre, Youth Improvement Programme & Kambungu Youth Polytechnic	County Wide	166,702,000	101,195,108	61
2	Various Bore holes & Water Projects	County Wide	414,771,557	65,607,490	16

S/No	Project Name	Ward(Location of project)	Annual Budget (Kshs.)	Expenditure as at 31st March 2017 (Kshs.)	Absorption Rate (%)
3	Construction of Health Facilities and Other current transfers	County Wide	272,888,814	48,457,199	18
4	Opening and murraming of access roads and overhaul of roads and bridges	County Wide	43,173,720	33,672,291	78
5	Construction of County HQs	County Wide	49,499,500	19,203,410	39
6	Construction of Boda Boda sheds, Markets, Social Halls and Rehabilitation of Wundanyi,Tateta,Mwatate & Voi Stadiums	Wundanyi,Tateta,Mwatate &Voi	22,362,685	11,580,812	52
7	Construction of administration offices & packing bay	Wundanyi HQ	16,596,858	8,740,370	53
8	Refurbishment of County Assembly	Wundanyi HQ	60,000,000	7,543,827	13
9	Livestock Multiplication Progmamme, Slaughterhouse facility, water & Buchuma LCM Infrastructure & Fish ponds	Lake jipe,Mwakitao, Mwashuma & Bura	13,221,193	6,664,627	50
10	Agribusiness project, Demonstration farms, Water harvesting and Land reclamation	County Wide	120,000,000	6,380,613	5

Source: *Taita Taveta County Treasury*

Analysis of the development expenditure by project indicates that, the highest expenditure of Kshs.101.20 million was spent on construction of ECD centres, Youth Improvement Programmes and Construction of Youth Polytechnics, followed by Kshs.65.61 million on drilling of bore holes and other water projects.

3.39.8 Budget and Budget Performance Analysis by Department

Table 3.116 shows a summary of budget estimates and budget performance by department for the first nine months of FY 2016/17

Table 3.116: Taita Taveta County, Budget Performance by Department for the First Nine Months of FY 2016/17

Department	Supplementary Budget Allocation(Kshs. Million)		First Nine Months FY 2016/17 Exchequer Issues (Kshs. Million)		First Nine Months FY 2016/17 Expenditure (Kshs. Million)		First Nine Months FY 2016/17 Expenditure to Exchequer Issues (%)		First Nine Months FY 2016/17 Absorption rate (%)	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
County Assembly	571.00	60.00	347.09	32.80	439.86	7.54	126.7	23.0	77.0	12.6
Administration and Devolution	853.89	21.17	559.81	14.31	583.62	8.74	104.3	61.1	68.3	41.3
The Governor's and Deputy Governor's Office	127.48	46.60	65.27	29.62	119.33	18.68	182.8	63.0	93.6	40.1
Finance and Planning	419.57	5.00	186.82	1.58	323.33	0.53	173.1	33.4	77.1	10.5
Agriculture, Livestock and Fisheries	82.43	165.15	71.66	81.10	68.02	13.05	94.9	16.1	82.5	7.9
Industrialization, Energy, Research and ICT	18.73	31.85	15.44	31.94	-	-	-	-	-	-
Water and Irrigation	35.04	414.77	28.97	200.10	20.24	65.61	69.9	32.8	57.8	15.8

Department	Supplementary Budget Allocation(Kshs. Million)		First Nine Months FY 2016/17 Exchequer Issues (Kshs. Million)		First Nine Months FY 2016/17 Expenditure (Kshs. Million)		First Nine Months FY 2016/17 Expenditure to Exchequer Issues (%)		First Nine Months FY 2016/17 Absorption rate (%)	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
Education and Libraries	291.19	180.87	213.13	130.30	187.00	101.20	87.7	77.7	64.2	55.9
Health	529.76	255.84	476.38	59.63	399.52	48.46	83.9	81.3	75.4	18.9
Trade and Community Affairs	51.77	126.08	28.69	91.02	26.21	11.58	91.4	12.7	50.6	9.2
County Public Service Board	35.31	-	28.81	37.78	21.53	-	74.7	-	61.0	-
Infrastructure and Public Works	39.28	237.55	28.59	137.19	21.22	33.67	74.2	24.5	54.0	14.2
Lands and Mining	25.63	5.09	19.52	13.35	4.85	-	24.8	-	18.9	-
Tourism and Natural Resources	38.37	15.29	31.30	13.98	24.91	0.91	79.6	6.5	64.9	6.0
TOTAL	**3,119.45**	**1,565.26**	**2,101.47**	**874.68**	**2,239.64**	**309.96**	**106.6**	**35.4**	**71.8**	**19.8**

Source: *Taita Taveta County Treasury*

Analysis of budget performance by department shows that the department of Education and Libraries attained the highest absorption rate of development budget at 55.9 per cent while the Industrialisation, Energy, Research & ICT, County Public Service Board, and Lands & Mining Departments did not incur any development expenditure. On the other hand, the Office of the Governor and Depute Governor had the highest percentage of recurrent expenditure to recurrent budget at 93.6 per cent while the Department of Industrialisation, Energy, Research & ICT did not incur any recurrent expenditure

3.39.9 Observations and Recommendations

The County has made progress in addressing some of the challenges previously identified as affecting budget implementation. Some of the progress made included:

i. Improved staff capacity through training, particularly on IFMIS by both the County Executive and the County Assembly.

ii. Establishment of a County Budget and Economic Forum (CBEF) in line with Section 137 of the PFM Act, 2012.

Despite the above progress, the following challenges continued to hamper effective budget implementation;

1. High wage bill that has increased by 15.6 per cent from Kshs.1.35 billion in the first nine months of FY 2015/16 to Kshs.1.56 billion during the period under review, and represented 61.2 per cent of total expenditure.

2. Under-performance in local revenue collection. Local revenue collection has declined from Kshs.116.8 million in the first nine months of FY 2015/16 to Kshs.114.6 million in the reporting period.

3. Low absorption of development funds, which declined from 22.9 per cent in a similar period of FY 2015/16 to 19.8 per cent in the period under review.

4. Delay by Fund Administrators to submit expenditure reports on the Bursary Fund and the Car & Mortgage Fund contrary to Section 168 of the PFM Act, 2012.

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

1. *The County Public Service Board should ensure the staffing structure is optimal to ensure a sustainable wage bill.*
2. *The County Treasury should formulate and implement strategies to enhance local revenue collection.*
3. *The County should come up with measures to improve absorption of development funds.*
4. *The Administrators of the Bursary Fund and Car & Mortgage Fund should submit quarterly financial reports in line with Section 168 of the PFM Act, 2012.*

3.40 Tana River County

3.40.1 Overview of the FY 2016/17 Budget

The County's FY 2016/17 approved Budget was Kshs.4.59 billion comprising of Kshs.2.23 billion (48.6 per cent) and Kshs.2.36 billion (51.4 per cent) allocation for recurrent and development expenditure respectively.

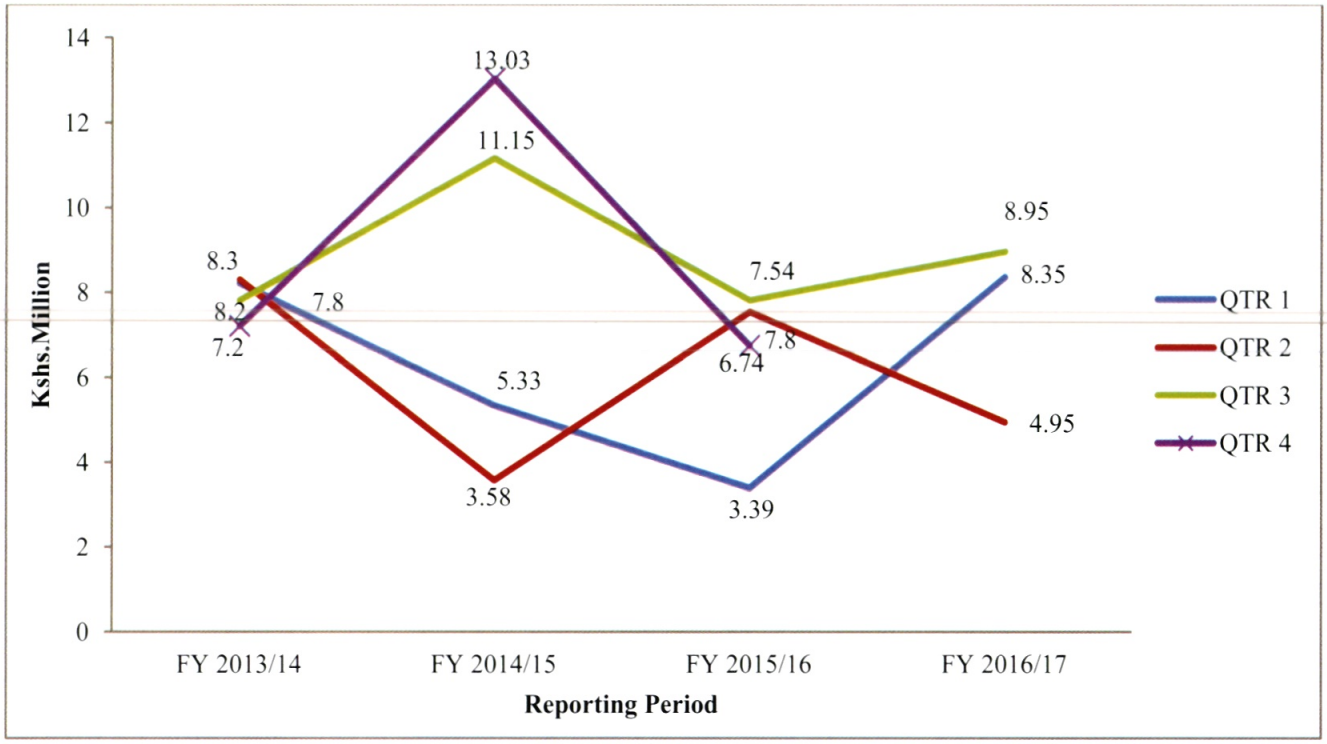
To finance the budget, the County expects to receive Kshs.4.3 billion (84.5 per cent) as equitable share of revenue raised nationally, Kshs.321.55 million (6.3 per cent) as total conditional grants, generate Kshs.60 million (1.2 per cent) from local sources, and Kshs.407.62 million (8 per cent) cash balance from FY 2015/16. The conditional grants comprise of Kshs.25.23 million (7.8 per cent) for Free Maternal Healthcare, Kshs.66.06 million (20.5 per cent) from the Road Maintenance Fuel Levy Fund, Kshs.5.7 million (1.8 per cent) for User Fees Foregone, Kshs.4.65 million (1.4 per cent) from DANIDA, Kshs.100 million (31.1 per cent) for special purpose grant - Emergency Medical Services, and Kshs.95.75 million (29.8 per cent) Conditional Grant for Leasing of Medical Equipment.

3.40.2 Revenue Analysis

During the first nine months of FY 2016/17, the County received Kshs.3.59 billion as equitable share of the revenue raised nationally, Kshs.178.46 million as total conditional allocations, raised Kshs.22.25 million from local sources, and had a cash balance of Kshs.407.62 million brought forward from FY 2015/16.

Figure 3.118 shows the quarterly trend in local revenue collection from the first quarter of FY 2013/14 to the third quarter of FY 2016/17.

Figure 3.118: Tana River County, Trend in Local Revenue Collection by Quarter from the First Quarter of FY 2013/14 to the Third Quarter of FY 2016/17



Source: *Tana River County Treasury*

The total local revenue collected in the first nine months of FY 2016/17 amounted to Kshs.22.25 million representing an increase of 18.8 per cent compared to Kshs.18.73 million generated in a similar period of FY 2015/16, and represented 37.1 per cent of the annual local revenue target.

3.40.3 Conditional Grants

Table 3.117 shows an analysis of conditional grants released in the first nine months of FY 2016/17.

Table 3.117: Tana River County, Analysis of Conditional Grants Released in the First Nine Months of FY 2016/17

No.	Conditional Grant	Allocation based on CARA, 2016 (Kshs.)	Receipts during the first nine months of FY 2016/17(Kshs.)	Actual receipts as a percentage of Annual Allocation (%)
1	Road Maintenance Fuel Levy Fund	66,060,281	66,060,281	100.0
2	Free Maternal Healthcare	25,230,780	9,552,500	37.9
3	World Bank grant to health facilities	24,174,105	-	-
4	User Fees Foregone	5,699,850	2,849,925	50.0
5	DANIDA grant to supplement financing of County Health Facilities	4,645,000	-	-
6	Special purpose grant supporting Emergency Medical Services	100,000,000	100,000,000	100.0
7	Conditional Grant –Leasing of Medical Equipment	95,744,681	-	-
	TOTAL	**321,554,697**	**178,462,706**	**55.5**

Source: *Tana River County Treasury*

Analysis of the conditional grants released during the period under review indicates that, the Special

Purpose Grant Supporting Emergency Medical Services and Road Maintenance Fuel Levy Fund recorded the highest receipts at 100 per cent of annual target. The County is yet to receive funds from the World Bank and the DANIDA grant to health facilities.

3.40.4 Exchequer Issues

During the reporting period, the Controller of Budget authorised withdrawal of Kshs.3.59 billion from the CRF account, which was 78.2 per cent of the Approved Budget. This amount represented an increase of 28.6 per cent from Kshs.2.8 billion authorized in a similar period of FY 2015/16 and consisted of Kshs.1.76 billion (49.1 per cent) for recurrent expenditure and Kshs.1.83 billion (50.9 per cent) for development activities.

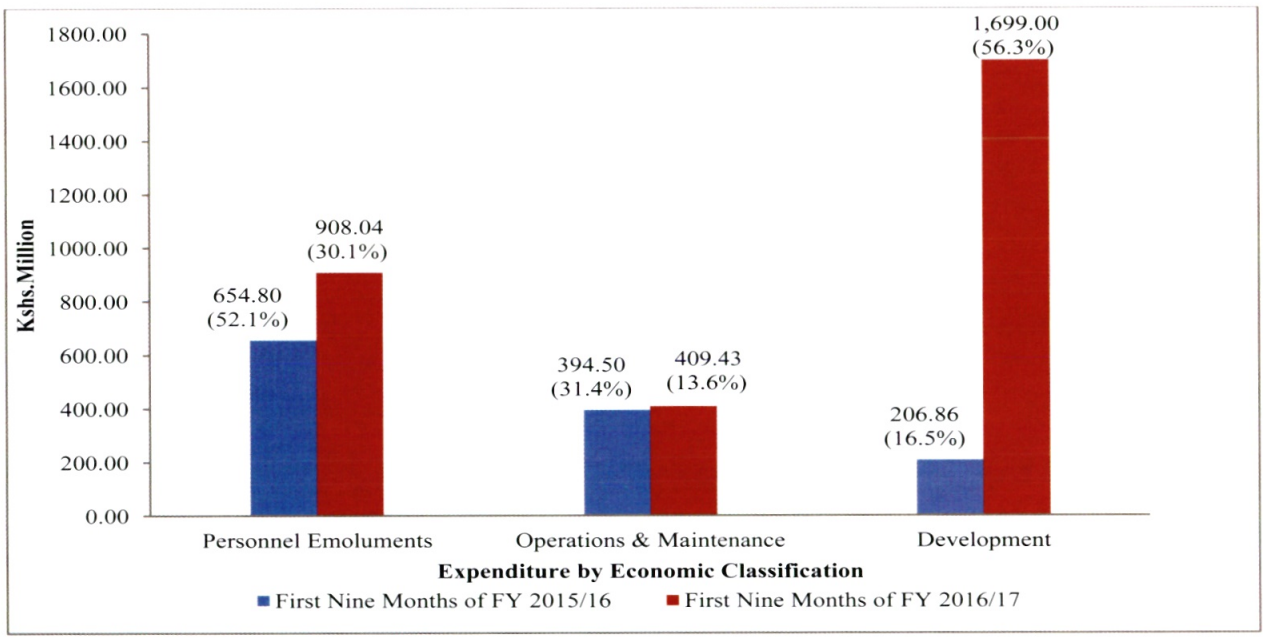
3.40.5 Overall Expenditure Review

The County spent Kshs.3.02 billion which was 84.1 per cent of the total funds released for operations. This was an increase of over 100 per cent from Kshs.1.26 billion spent in a similar period of FY 2015/16.

A total of Kshs.1.32 billion was spent on recurrent activities, while Kshs.1.70 billion was spent on development activities. The recurrent expenditure was 74.8 per cent of the funds released for recurrent activities while development expenditure accounted for 93.1 per cent of the funds released for development activities. The expenditure excluded outstanding commitments as at 31st March, 2017 that amounted to Kshs.28.29 million for development and Kshs.77.74 million for recurrent expenditure.

The recurrent expenditure represented 59.1 per cent of the annual recurrent budget, an increase from 17 per cent spent in a similar period of FY 2015/16. Development expenditure recorded an absorption rate of 72.1 per cent, which was an increase from 7.0 per cent attained in a similar period of FY 2015/16. Figure 3.119 presents a comparison between the total expenditure in the first nine months of FY 2016/17 and the first nine months of FY 2015/16.

Figure 3.119: Tana River County, Expenditure by Economic Classification for the First Nine Months of FY 2016/17 and FY 2015/16

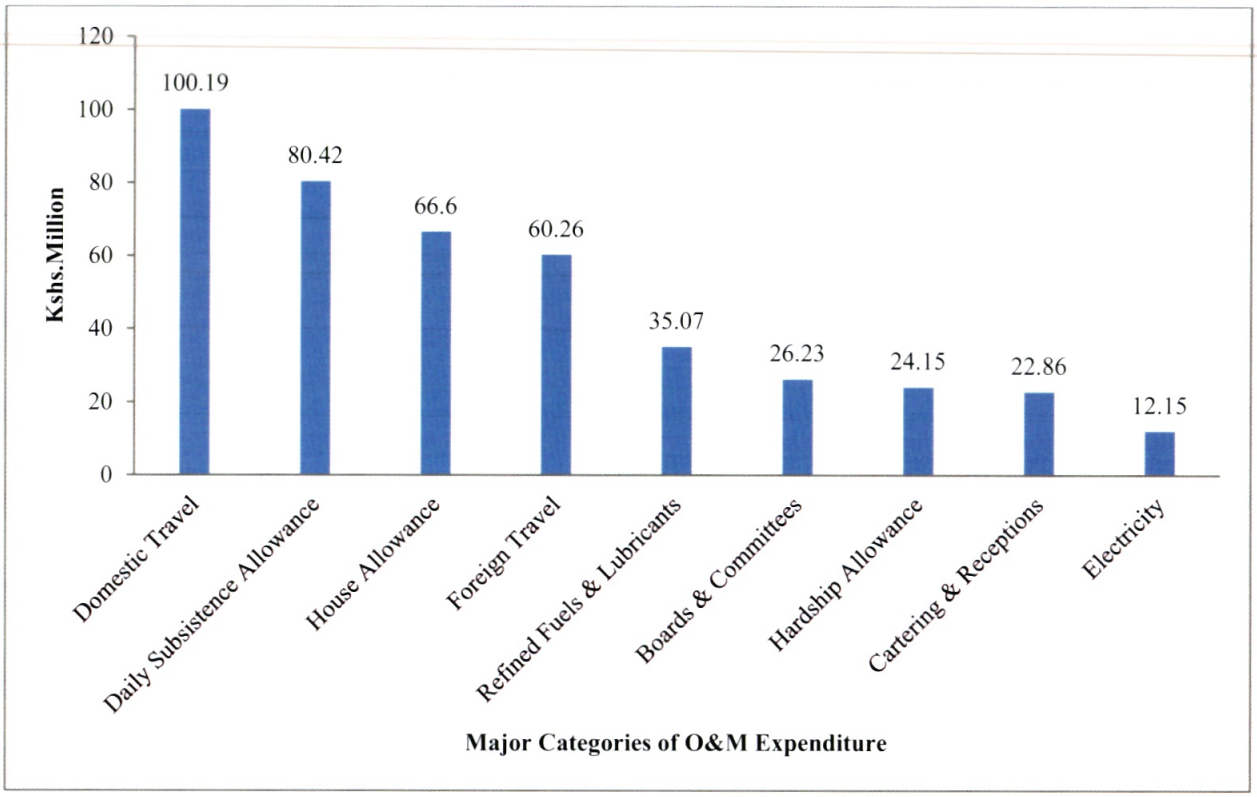


Source: *Tana River County Treasury*

3.40.6 Analysis of Recurrent Expenditure

The total recurrent expenditure of Kshs.1.32 billion consisted of Kshs.908.04 million (68.9 per cent) spent on personnel emoluments and Kshs.409.43 million (31.1 per cent) on operations and maintenance as shown in Figure 3.119. Expenditure on personnel emoluments represented an increase of 38.7 per cent compared to a similar period of FY 2015/16 when the County spent Kshs.654.80 million. Figure 3.120 shows a summary of operations and maintenance expenditure by major categories.

Figure 3.120: Tana River County, Operations and Maintenance Expenditure Major Categories for the First Nine Months of FY 2016/17



Source: *Tana River County Treasury*

The County spent Kshs.13.58 million on sitting allowances to the 27 MCAs and the Speaker against the annual budget allocation of Kshs.44.99 million. This was an increase of 136.2 per cent compared to Kshs.5.75 million spent in the same period of FY 2015/16. The average monthly sitting allowance was Kshs.55,867 per MCA compared to SRC's recommended monthly ceiling of Kshs.124,800

Expenditure on domestic and foreign travel amounted to Kshs.160.44 million and consisted of Kshs.43.15 million spent by the County Assembly and Kshs.117.30 million by the County Executive. This was an increase of 206 per cent compared to Kshs.52.43 million spent in a similar period of FY 2015/16.

3.40.7 Development Expenditure Analysis

The total development expenditure of Kshs.1.70 billion represented 72.1 per cent of the annual development budget of Kshs.2.36 billion. Table 3.118 provides a summarised list of development projects with the highest expenditure during the period under review.

Table 3.118: Tana River County, List of Development Projects with the Highest Expenditure in the First Nine Months of FY 2016/17

No.	Project name	(Location of the Project)	Estimated Budget (Kshs.)	Expenditure as at 31st March. 2017 (Kshs.)	Absorption rate (%)
1	Office Renovation of the County Assembly	County-Wide	4,401,040	4,605,153	104.6
2	Supply and Delivery of Computers and Laptops	Chewani Ward	7,946,000	6,410,028	80.7
3	Purchase Installation and Commissioning of Exchange and other Communication equipment	County-Wide	7,888,000	7,544,625	95.6
4	Proposed Drainage Works, Septic Tank Soak Pit and Ablution Block	County-Wide	6,808,306	5,696,918	83.7
5	Purchase, Supply Delivery Installation of Outdoor Air Conditioning	Chewani Ward	5,906,140	3,676,271	62.2
6	Purchase, Supply, Delivery of Catering Equipment	County-Wide	9,904,080	5,780,679	58.4
7	Landscaping and Beatification of County Assembly Premises	Chewani Ward	8,786,829	8,786,829	100.0
	Total		**51,640,395**	**42,500,503**	**82.3**

Source: *Tana River County Treasury*

Analysis of the development expenditure by project indicates that, the highest expenditure of Kshs.8.79 million was spent on landscaping and beatification of County Assembly premises, followed by Kshs.7.54 million on purchase installation and commissioning of exchange and other communication equipment.

3.40.8 Budget and Budget Performance Analysis by Department

Table 3.119 shows a summary of budget estimates and budget performance by department for the first nine months of FY 2016/17

Table 3.119: Tana River County, Budget Performance by Department for the First Nine Months of FY 2016/17

Department	Annual Budget Allocation (Kshs. Million)		First Nine Months of FY 2016/17 Exchequer Issues (Kshs. Million)		First Nine Months of FY 2016/17 Expenditure (Kshs. Million)		First Nine Months of FY 2016/17 Expenditure to Exchequer Issues (%)		First Nine Months of FY 2016/17 Absorption rate (%)	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
County Assembly	442.44	98.09	360.93	76.01	316.06	41.80	87.6	55.0	71.4	42.6
Office of the Governor	369.28	96.21	270.79	101.21	260.81	93.17	96.3	92.1	70.6	96.8
Finance& Economic Planning	118.00	59.55	202.15	42.32	81.10	35.83	40.1	84.7	68.7	60.2
Roads & Public Works	48.99	403.20	34.83	292.67	26.40	290.14	75.8	99.1	53.9	72.0
Health, Water and Sanitation Services	586.06	597.54	433.16	430.72	320.23	390.97	73.9	90.8	54.6	65.4
Education, Vocational Training& Sports	183.95	238.45	114.80	132.91	75.13	90.96	65.4	68.4	40.8	38.1
Agriculture & Rural Development	220.39	388.17	174.10	358.35	132.97	332.08	76.4	92.7	60.3	85.6

Department	Annual Budget Allocation (Kshs. Million)		First Nine Months of FY 2016/17 Exchequer Issues (Kshs. Million)		First Nine Months of FY 2016/17 Expenditure (Kshs. Million)		First Nine Months of FY 2016/17 Expenditure to Exchequer Issues (%)		First Nine Months of FY 2016/17 Absorption rate (%)	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
Gender, Culture & Social Services	45.54	116.88	25.50	53.71	23.91	40.79	93.8	75.9	52.5	34.9
Trade & Tourism	71.30	230.00	34.29	210.56	23.33	200.43	68.1	95.2	32.7	87.1
Environment & Natural Resources	31.13	27.35	19.05	27.35	16.56	25.24	86.9	92.3	53.2	100.0
Cohesion& Special Programmes	49.34	102.22	38.25	99.84	25.58	79.54	66.9	79.7	51.8	77.8
County Public Service Board	61.09	0.00	52.71	0	43.68	0	82.9	0.0	71.5	0.0
TOTAL	**2,227.56**	**2,357.66**	**1,760.55**	**1,825.64**	**1,317.47**	**1,699.00**	**74.8**	**93.1**	**59.1**	**72.1**

Source: *Tana River County Treasury*

Analysis of budget performance by department shows that the Department of Environment and Natural Resources attained the highest absorption rate of development budget at 100 per cent while the Department of Gender, Culture and Social Services had the lowest absorption rate at 34.9 per cent. On the other hand, the County Public Service Board had the highest percentage of recurrent expenditure to recurrent budget at 71.5 per cent while the Department of Trade and Tourism had the lowest at 32.7 per cent.

3.40.9 Observations and Recommendations

The County has made progress in addressing some of the challenges previously identified as affecting budget implementation. Some of the progress made included:

i. Timely submission of the quarterly expenditure returns to the Office of the Controller of Budget in line with Section 166 of the PFM Act, 2012.

ii. Improved staff capacity especially on the use of IFMIS as a result of continuous training.

Despite the above progress, the following challenges continued to hamper effective budget implementation;

1. IFMIS connectivity challenges, which slowed down approval of procurement requests and payment to suppliers.

2. Under-performance in local revenue collection. Local revenue collection represented 37.1 per cent of the annual local revenue target and below the 75 per cent expected performance over the nine months period.

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

1. *The County Treasury should liaise with the IFMIS Directorate for support in use of IFMIS and the E-Procurement module.*

2. *The County Treasury should formulate and implement strategies to enhance local revenue collection.*

3.41 Tharaka Nithi County

3.41.1 Overview of the FY 2016/17 Budget

The County's FY 2016/17 Approved Supplementary Budget was Kshs.3.96 billion, comprising of Kshs.2.69 billion (67.9 per cent) and Kshs.1.27 billion (32.1 per cent) allocation for recurrent and development expenditure respectively.

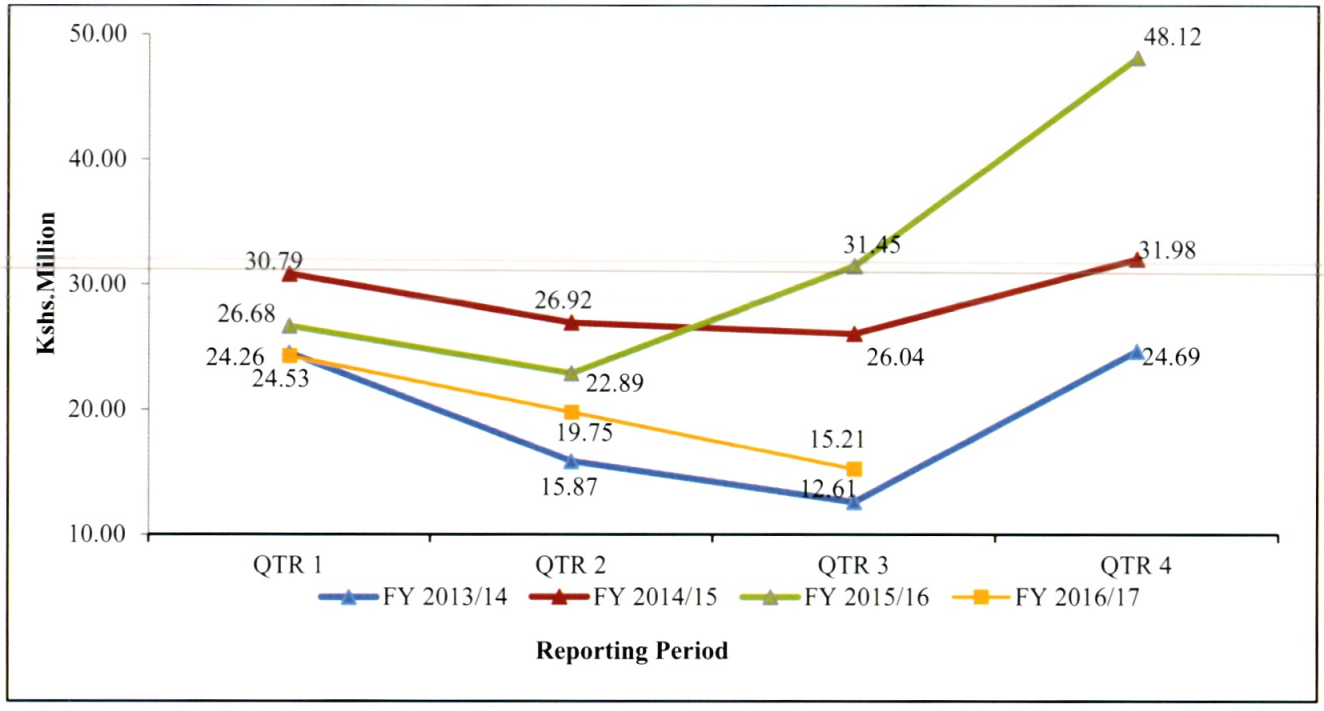
To finance the budget, the County expects to receive Kshs.3.39 billion (85.6 per cent) as equitable share of revenue raised nationally, Kshs.165.01 million (4.3 per cent) as total conditional grants, generate Kshs.200 million (5.1 per cent) from local sources, and Kshs.199.43 million (5.0 per cent) cash balance from FY 2015/16. The conditional grants comprise of Kshs.29.85 million (17.1 per cent) for Free Maternal Healthcare, Kshs.52.02 million (29.7 per cent) from the Road Maintenance Fuel Levy Fund, Kshs.8.42 million (4.8 per cent) for User Fees Foregone, Kshs.6.17 million (3.5 per cent) from DANIDA, Kshs.23.9 million (13.7 per cent) for Kenya Devolution Support Programme, and Kshs.44.65 million (31.2 per cent) from Other Loans and Grants.

3.41.2 Revenue Analysis

During the first nine months of FY 2016/17, the County received Kshs.2.29 billion as equitable share of the revenue raised nationally, Kshs.75.72 million as total conditional allocations, raised Kshs.59.22 million from local sources, and had a cash balance of Kshs.199.43 million brought forward from FY 2015/16.

Figure 3.121 shows the quarterly trend in local revenue collection from the first quarter of FY 2013/14 to the third quarter of FY 2016/17.

Figure 3.121: Tharaka Nithi County, Trend in Local Revenue Collection by quarter from the First Quarter of FY 2013/14 to the Third Quarter of FY 2016/17



Source: *Tharaka Nithi County Treasury*

The total local revenue collected in the first nine months of FY 2016/17 amounted to Kshs.59.22 million, representing a decrease of 26.9 per cent compared to Kshs.81.02 million generated in a similar period of FY 2015/16, and represented 29.6 per cent of the annual local revenue target.

3.41.3 Conditional Grants

Table 3.120 shows an analysis of conditional grants released in the first nine months of FY 2016/17.

Table 3.120: Tharaka Nithi County, Analysis of Conditional Grants Released in the First Nine Months of FY 2016/17

No.	Conditional Grant	Allocation based on CARA,2016(Kshs.)	Actual receipt of the Conditional Grants, First Half, FY 2016/17 (Kshs.)	Actual receipts as a percentage of Annual Allocation (%)
1	Road Maintenance Fuel Levy Fund	52,017,792	52,017,792	100
2	World Bank Grant	44,654,343	-	-
3	Free Maternal Healthcare	29,853,703	16,020,000	54
4	Kenya Devolution Support Programme Trust (Not in CARA, 2016)	23,900,000	-	-
5	User Fees Foregone	8,419,197	4,209,598	50
6	DANIDA Grant	6,165,000	-	-
Total		**165,010,035**	**72,247,390**	**43.8**

Source: *Tharaka Nithi County Treasury*

Analysis of the conditional grants released during the period under review indicates that, the Road Maintenance Fuel Levy Fund recorded the highest receipt at 100 per cent of annual allocation,

followed by Free Maternal Healthcare and User Fees Foregone grants which recorded a performance of 54 per cent and 50 per cent respectively. The County is yet to receive funds from the World Bank grant to health facilities, Kenya Devolution Support Programme, and DANIDA.

3.41.4 Exchequer Issues

During the reporting period, the Controller of Budget authorised withdrawal of Kshs.2.57 billion from the CRF account, which was 64.9 per cent of the Approved Supplementary Budget. This amount represented an increase of 8 per cent from Kshs.2.38 billion authorized in a similar period of FY 2015/16 and consisted of Kshs.1.91 billion (74.4 per cent) for recurrent expenditure and Kshs.658.38 million (25.6 per cent) for development activities.

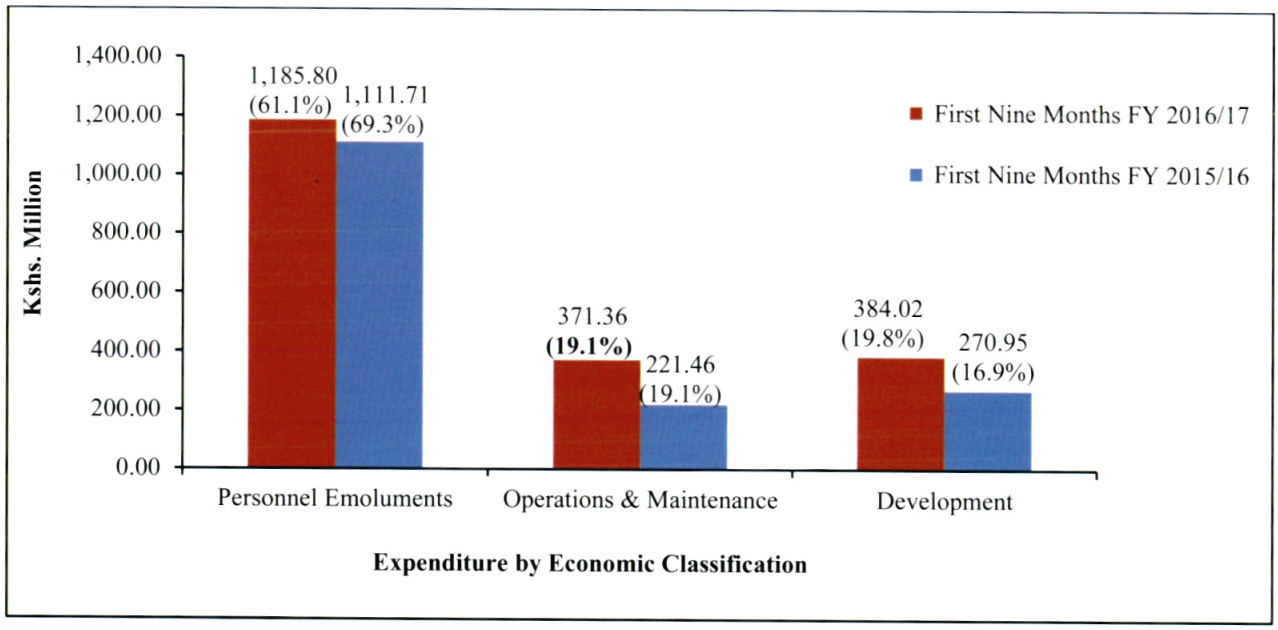
3.41.5 Overall Expenditure Review

The County spent Kshs.1.94 billion, which was 75.5 per cent of the total funds released for operations. This was an increase of 21.3 per cent from Kshs.1.60 billion spent in a similar period of FY 2015/16.

A total of Kshs.1.56 billion was spent on recurrent activities, while Kshs.384.02 million was spent on development activities. The recurrent expenditure was 81.4 per cent of the funds released for recurrent activities while development expenditure accounted for 58.3 per cent of the funds released for development activities. The expenditure excluded outstanding commitments as at 31st March, 2017 that amounted to Kshs.146.99 million for development and Kshs.62.88 million for recurrent expenditure.

The recurrent expenditure represented 58.0 per cent of the annual recurrent budget, slight decrease from 58.3 per cent spent in a similar period of FY 2015/16. Development expenditure recorded an absorption rate of 30.2 per cent, which were an increase from 16.5 per cent attained in a similar period of FY 2015/16. Figure 3.122 presents a comparison between the total expenditure in the first nine months of FY 2016/17 and the first nine months of FY 2015/16.

Figure 3.122: Tharaka Nithi County, Expenditure by Economic Classification for the First Nine Months of FY 2016/17 and FY 2015/16

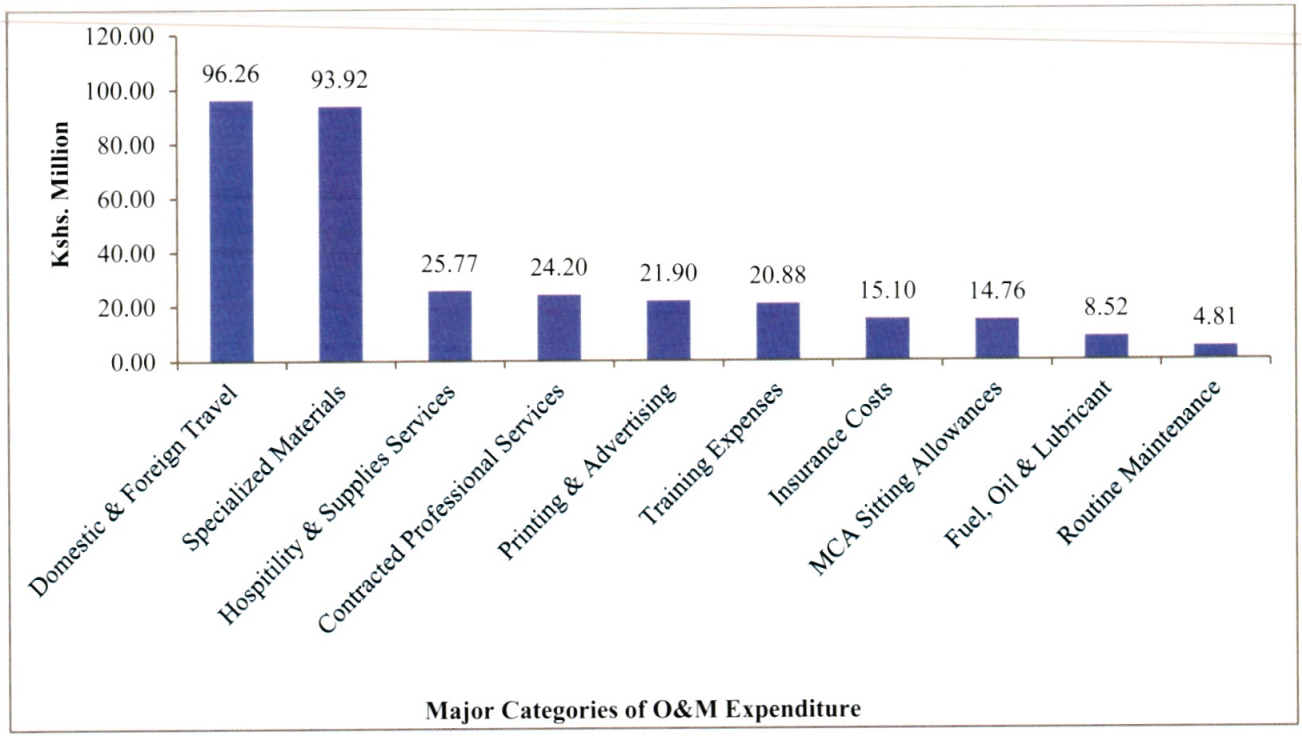


Source: *Tharaka Nithi County Treasury*

3.41.6 Analysis of Recurrent Expenditure

The total recurrent expenditure of Kshs.1.56 billion consisted of Kshs.1.19 billion (76.3 per cent) spent on personnel emoluments and Kshs.371.36 million (23.7per cent) on operations and maintenance as shown in Figure 3.122. Expenditure on personnel emoluments represented an increase of 6.7 per cent compared to a similar period of FY 2015/16 when the County spent Kshs.1.11 billion. Figure 3.123 shows a summary of operations and maintenance expenditure by major categories.

Figure 3.123: Tharaka Nithi County, Operations and Maintenance Expenditure Major Categories for the First Nine Months of FY 2016/17



Source: *Tharaka Nithi County Treasury*

The County spent Kshs.14.76 million on sitting allowances to the 24 MCAs and the Speaker against the annual budget allocation of Kshs.26.67 million. This was a decrease of 30.2 per cent compared to Kshs.21.15 million spent in the same period of FY 2015/16. The average monthly sitting allowance was Kshs.65,598 per MCA compared to SRC's recommended monthly ceiling of Kshs.124, 800.

An aggregate Expenditure on domestic and foreign travel amounted to Kshs.96.26 million and consisted of Kshs.48.1 million by the County Assembly and Kshs.48.17 million by the County Executive. This was an increase of 47.6 per cent compared to Kshs.65.23 million spent in a similar period of FY 2015/16.

3.41.7 Development Expenditure Analysis

The total development expenditure of Kshs.384.02 million represented 30.2 per cent of the annual development budget of Kshs.1.27 billion. Table 3.121 provides a summarised list of development projects with the highest expenditure during the period under review.

Table 3.121: Tharaka Nithi County, List of Development Projects with the Highest Expenditure in the First Nine Months of FY 2016/17

S/No.	Project name	Ward (Location of the Project)	Estimated Budget (Kshs.)	Expenditure as at 31st March, 2017 (Kshs.)	Absorption rate (%)
1	Maintenances and improvement of feeder roads	Countywide	150,000,000	97,054,645	64.7
2	Rehabilitation, Maintenance of roads and civil works	Countywide	90,000,000	83,588,707	92.9
3	Construction of ECDE Classes	Countywide	36,050,000	19,018,480	52.8
4	Market Construction	Countywide	40,000,000	18,006,283	45
5	Other infrastructure project	Countywide	20,000,000	15,209,999	76
6	Purchase of Hospital Equipment	Chuka county Hospital-Karingani	14,000,000	12,016,226	85.8
7	Milk cooler installation	Upper zone	10,000,000	10,000,000	100
8	Muthambi-Gitije Irrigation project	Muthambi	3,000,000	9,968,370	332.3
9	Construction of Dispensary	Countywide	19,300,000	7,904,006	41
10	Marimanti Pediatric ward	Marimanti	8,000,000	7,496,424	93.7
	Total		**390,350,000**	**280,263,140**	**71.8**

Source: *Tharaka Nithi County Treasury*

Analysis of the development expenditure indicated that the highest expenditure of Kshs.97.05 million was incurred by the Road, Public Works and Transport Department on maintenance and improvement of feeder roads. The second highest expenditure of Kshs.83.59 million was incurred on rehabiliation, maintenance of roads and civil works.

3.41.8 Budget and Budget Performance Analysis by Department

Table 3.122 shows a summary of budget estimates and budget performance by department for the first nine months of FY 2016/17

Table 3.122: Tharaka Nithi County, Budget Performance by Department for the First Nine Months of FY 2016/17

Department	Annual Budget Allocation (Kshs. Million)		First Nine Month of FY 2016/17 Exchequer Issues (Kshs. Million)		First Nine months of FY 2016/17 Expenditure (Kshs. Million)		First Nine Months of FY 2016/17 Expenditure to Exchequer Issues (%)		First Nine Months of FY 2016/17 Absorption rate (%)	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
County Executive	155.57	0.00	117.38	0.00	87.00	0.00	74.1	0	55.9	0
Finance and Economic	335.32	147.08	232.48	37.00	144.30	29.34	62.1	79.3	43	19.9
Labour and Urban Development	168.54	71.00	122.75	32.00	79.53	7.56	64.8	23.6	47.2	10.6
Education, Youth, Gender and Social Service	165.29	73.5	116.91	44.21	93.49	32.38	80	73.2	56.6	44.1
Health Service	992.16	104.3	744.00	57.00	701.80	46.04	94.3	80.8	70.7	44.1
Physical planning and Land	56.03	31.00	42.59	0.00	26.90	2.28	63.2	0.0	48	7.4
Tourism, Environment and Natural Services	48.75	19.5	37.09	3.50	28.56	6.80	77	194.3	58.6	34.9

Department	Annual Budget Allocation (Kshs. Million)		First Nine Month of FY 2016/17 Exchequer Issues (Kshs. Million)		First Nine months of FY 2016/17 Expenditure (Kshs. Million)		First Nine Months of FY 2016/17 Expenditure to Exchequer Issues (%)		First Nine Months of FY 2016/17 Absorption rate (%)	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
Road, Transport, Housing, Public work and legal affairs	73.94	448.00	55.36	303.92	13.43	188.08	24.3	61.9	18.2	42
Agriculture, Livestock and Fisheries Development	204.18	72.78	153.54	53.00	131.58	26.30	85.7	49.6	64.4	36.1
Trade, Industry and Cooperative development	45.44	88.00	32.14	53.00	20.49	18.40	63.8	34.7	45.1	20.9
County Assembly	402.25	70.00	230.10	36.00	219.34	0.00	95.3	0.0	54.5	0.0
County Public Services Board	30.36	0.00	23.21	0.00	13.30	0.00	57.3	0.0	43.8	0.0
Water services and Irrigation	8.92	148.00	6.16	74.75	0.58	26.85	9.4	35.9	6.5	18.1
TOTAL	**2,686.75**	**1,273.16**	**1,913.71**	**658.38**	**1,557.16**	**384.02**	**81.4**	**58.3**	**58.0**	**30.2**

Source: *Tharaka Nithi County Treasury*

Analysis of budget performance by department shows that the department of Education, Youth, Gender and Social Services and Health Services attained the highest absorption rate of development budget at 44.1 per cent each while the County Assembly did not incur any development expenditure. On the other hand the Department of Health Services had the highest percentage of recurrent expenditure to recurrent budget at 70.7 per cent, followed by the Agriculture, Livestock and Fisheries Development which attained the absorption rate at 64.4 per cent while the Department of Water Service and Irrigation had the lowest at 6.5 per cent.

3.41.9 Observations and Recommendations

The County has made progress in addressing some of the challenges previously identified as affecting budget implementation. Some of the progress made included:

i. Improvement in the absorption of development budget. In the reporting period, the County attained an absorption rate of 30.2 per cent compared to 16.5 per cent in a similar period FY 2015/16.

Despite the above progress, the following challenges continued to hamper effective budget implementation.

1. High wage bill that increased by 6.7 per cent from Kshs.1.11 billion in the first nine months of FY 2015/16 to Kshs.1.19 billion in the period under review. The expenditure on wage bill accounted for 61.1 per cent of total expenditure in the reporting period.

2. Failure to establish an Internal Audit Committee to oversee financial operations in the County contrary to the provisions of Section 155 of the PFM Act, 2012.

3. Under-performance in local revenue collection. Local revenue collection has declined by 26.9 per cent from Kshs.81.02 million in the first nine months of FY 2015/16 to Kshs.59.22 million in the reporting period.

4. Intermittent use of IFMIS, which is the prescribed financial system to record and report all financial transactions. This is contrary to provisions of Section 12 of the PFM Act, 2012.

5. IFMIS connectivity challenges, which slowed down approval of procurement and payments to suppliers.

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

1. *The County Public Service Board should establish an optimal staffing structure in order to manage the wage bill.*

2. *The County should establish an Internal Audit Committee and also strengthen the internal audit function in line with Section 155 of the PFM Act, 2012.*

3. *The County Treasury should formulate and implement strategies to enhance local revenue collection.*

4. *The County Treasury should liaise with the National Treasury to ensure IFMIS is used by all county public entities in processing financial transactions.*

5. *The County Treasury should liaise with the IFMIS Directorate for support in application of IFMIS and E-Procurement module.*

3.42 Trans Nzoia County

3.42.1 Overview of the FY 2016/17 Budget

The County's FY 2016/17 Supplementary Budget was Kshs.6.88 billion, comprising of Kshs.4.22 billion (61.4 per cent) and Kshs.2.65 billion (38.6 per cent) allocation for recurrent and development expenditure respectively.

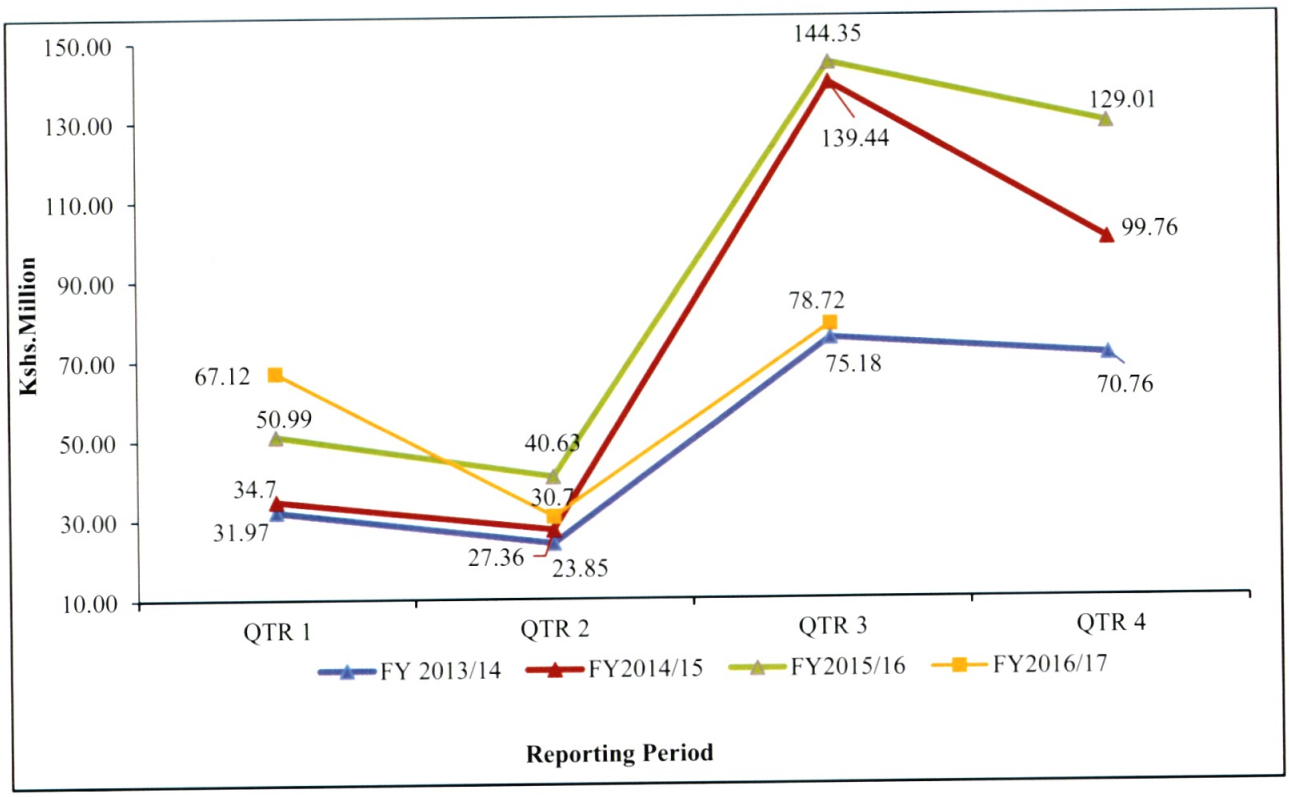
To finance the budget, the County expects to receive Kshs.5.50 billion (80 per cent) as equitable share of revenue raised nationally, Kshs.287.45 million (4.2 per cent) as total conditional grants, generate Kshs.500 million (7.3 per cent) from local revenue sources, and had a projected cash balance of Kshs.585 million (8.5 per cent) from FY 2015/16. The conditional grants comprise of Kshs.76.29 million (26.5 per cent) for Free Maternal Healthcare, Kshs.84.55 million (29.4 per cent) from the Road Maintenance Fuel Levy Fund, Kshs.20.21 million (7 per cent) for User Fees Foregone, Kshs.13.76 million (4.8 per cent) from DANIDA and Kshs.92.64 million (32.2 per cent) as grants from Other Loans and Grants.

3.42.2 Revenue Analysis

During the third quarter of FY 2016/17, the County received Kshs.3.71 billion as equitable share of the revenue raised nationally, Kshs.136.06 million as total conditional allocations, raised Kshs.176.55 million from local revenue sources, and had a cash balance of Kshs.261.08 million brought forward from FY 2015/16.

Figure 3.124 shows the quarterly trend in local revenue collection from the first quarter of FY 2013/14 to the third quarter of FY 2016/17.

Figure 3.124: Trans Nzoia County, Trend in Local Revenue Collection by Quarter from the First Quarter of FY 2013/14 to the Third Quarter of FY 2016/17



Source: *Trans Nzoia County Treasury*

The total local revenue collected in the first nine months of FY 2016/17 amounted to Kshs.176.55 million, representing a decrease of 25.2 per cent compared to Kshs.235.97 million generated in a similar period of FY 2015/16, and represented 35.3 per cent of the annual local revenue target.

3.42.3 Conditional Grants

Table 3.123 shows an analysis of conditional grants released in the first nine months of FY 2016/17.

Table 3.123: Trans Nzoia County Analysis of Conditional Grants Released in the First Nine Months of FY 2016/17

No.	Conditional Grant	Allocation based on CARA,2016(Kshs.)	First nine months, FY 2016/17 Actual receipt of the Conditional Grant (Kshs.)	Actual receipts as a percentage of Annual Allocation (%)
1	Road Maintenance Fuel Levy Fund	84,546,600	85,128,448	100.7
2	User Fees Foregone	20,209,153	10,104,576	50.0

ii. Timely submission of quarterly reports by the County Government entities in line with Section 166 of the PFM Act, 2012. The quarterly report for the reporting period was submitted on 12th April, 2017.

Despite the above progress, the following challenges continued to hamper effective budget implementation;

1. Delay in disbursement of the equitable share of revenue raised nationally by the National Treasury. As at the end of the reporting period, Kshs.3.71 billion had been disbursed against an expected disbursement of Kshs.4.15 billion.

2. Under performance in local revenue collection. The local revenue collection declined by 25.2 per cent from Kshs.235.97 million in the third quarter of FY 2015/16 to Kshs.176.55 million in the reporting period.

3. Intermittent use of IFMIS, which is the prescribed financial system to record and report all financial transactions contrary to Section 12 of the PFM Act, 2012.

4. Failure to establish an Internal Audit Committee to oversee financial operations in the County contrary to Section 155 of the PFM Act, 2012.

5. High wage bill that increased by 25.2 per cent from Kshs.1.27 billion in the first nine months of FY 2015/16 to Kshs.1.59 billion in the period under review, and translated to 38.8 per cent of total expenditure.

6. The average monthly sitting allowance per MCAs was Ksh.136,251 which exceeded the SRC recommend ceiling of Ksh.124,800.

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

1. *The County Treasury should liaise with the National Treasury to ensure that funds allocated to the County are released in a timely manner in line with the CARA, 2016 Disbursement Schedule.*

2. *The County Treasury should formulate and implement strategies to enhance local revenue collection.*

3. *The County Treasury should liaise with the National Treasury to ensure IFMIS is used by all county public entities in processing financial transactions.*

4. *The County should establish an Internal Audit Committee in line with Section 155 of the PFM Act, 2012.*

5. *The County Public Service Board should establish an optimal staffing structure in order to manage the wage bill.*

6. *The County Assembly should ensure adherence to the SRC guidelines on MCA sitting allowances. All payments in excess of the SRC guidelines should be recovered.*

3.43 Turkana County

3.43.1 Overview of the FY 2016/17 Budget

The County's FY 2016/17 Approved Budget was Kshs.15.03 billion, comprising of Kshs.4.21 billion (28 per cent) and Kshs.10.82 billion (72 per cent) allocation for recurrent and development expenditure respectively.

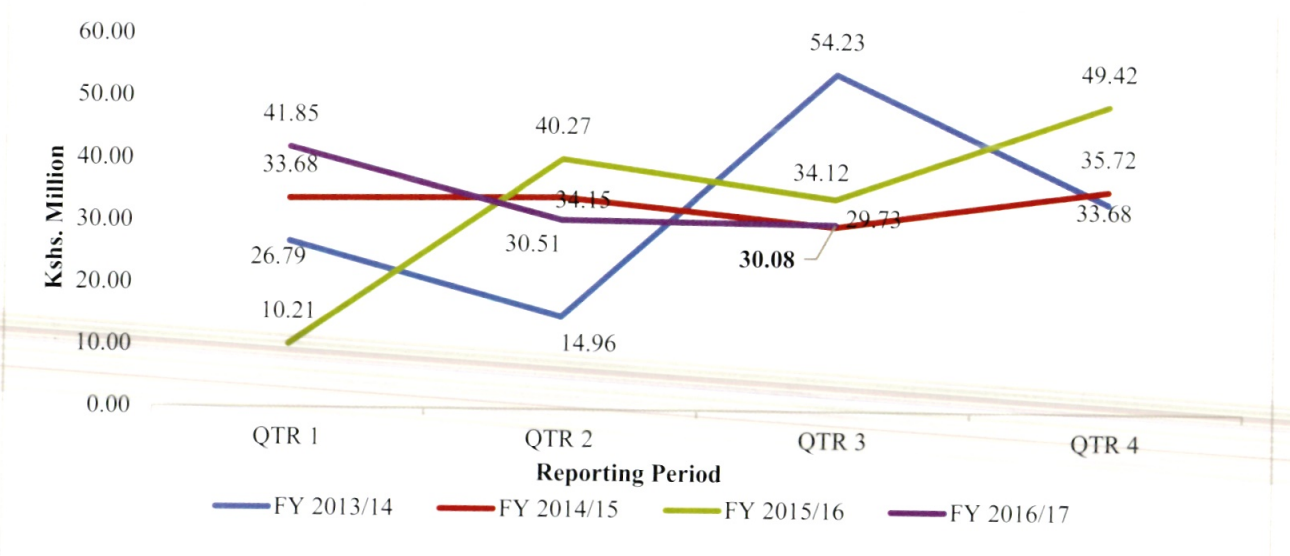
To finance the budget, the County expects to receive Kshs.11.31 billion (75.2 per cent) as equitable share of revenue raised nationally, Kshs.381.10 million (2.5 per cent) as total conditional grants, generate Kshs.180 million (1.2 per cent) from local sources, and Kshs.3.16 billion (21 per cent) cash balance from FY 2015/16. The conditional grants comprise of Kshs.31.96 million (8.4 per cent) for Free Maternal Healthcare, Kshs.173.73 million (45.6 per cent) from the Road Maintenance Fuel Levy Fund, Kshs.26.12 million (6.9 per cent) for User Fees Foregone, Kshs.43.44 million from World Bank to health facilities (11.4), Kshs.6.04 million (1.6 per cent) from DANIDA, Kshs.67.26 (17.6 per cent) for results based financing, and Kshs.32.56 million (8.5 per cent) from Other Loans and Grants.

3.43.2 Revenue Analysis

During the first nine months of FY 2016/17, the County received Kshs.7.63 billion as equitable share of the revenue raised nationally, Kshs.121.89 million as total conditional allocations, raised Kshs.102.44 million from local sources, and had a cash balance of Kshs.2.8 billion brought forward from FY 2015/16.

Figure 3.127 shows the quarterly trend in local revenue collection from the first quarter of FY 2013/14 to the third quarter of FY 2016/17.

Figure 3.127: Turkana County, Trend in Local Revenue Collection by Quarter from the First Quarter FY 2013/14 to the Third Quarter FY 2016/17



Source: *Turkana County Treasury*

The total local revenue collected in the first nine months of FY 2016/17 amounted to Kshs.102.44 million, representing an increase of 21.1 per cent compared to Kshs.84.6 million generated in a similar period of FY 2015/16, and represented 56.9 per cent of the annual local revenue target.

3.43.3 Conditional Grants

Table 3.126 shows an analysis of conditional grants released in the first nine months of FY 2016/17.

Table 3.126: Turkana County, Analysis of Conditional Grants Released in the First Nine Months of FY 2016/17

Conditional Grant	Amount allocated as provided in CARA 2016 (Kshs.)	First Nine Months, FY 2016/17 Actual receipt of the Conditional Grant (Kshs.)	Actual receipts as a percentage of Annual Allocation (%)
Road Maintenance Fuel Levy Fund	173,732,145	86,866,072.50	50.0
Free Maternal Healthcare	31,964,040	21,967,500.00	68.7
World Bank to health facilities	67,258,982	-	0.0
Foregone User Fees	26,122,720	13,061,360	50.0
DANIDA Grant to health	6,035,000	-	-
Kenya Devolution Support Programme Trust	43,439,295	-	-
Loans and Grants - others	32,556,700	-	-
Sub total	**381,108,882**	**121,894,933**	**32.0**

Source: *Turkana County Treasury*

Analysis of the conditional grant releases for the period under review indicates that the Road Maintenance Fuel Levy recorded the highest actual receipt at 68.7 per cent of the annual target. The county is yet to receive funds from the following conditional grants; World Bank grant to health facilities, Kenya Devolution Support Programme Trust and DANIDA.

3.43.4 Exchequer Issues

During the reporting period, the Controller of Budget authorised withdrawal of Kshs.10.07 billion from the CRF account, which was 67 per cent of the Approved Budget. This amount represented an increase of 27.3 per cent from Kshs.7.91 billion authorized in a similar period of FY 2015/16 and consisted of Kshs.3.88 billion (38.5 per cent) for recurrent expenditure and Kshs.6.2 billion (61.5 per cent) for development activities.

3.43.5 Overall Expenditure Review

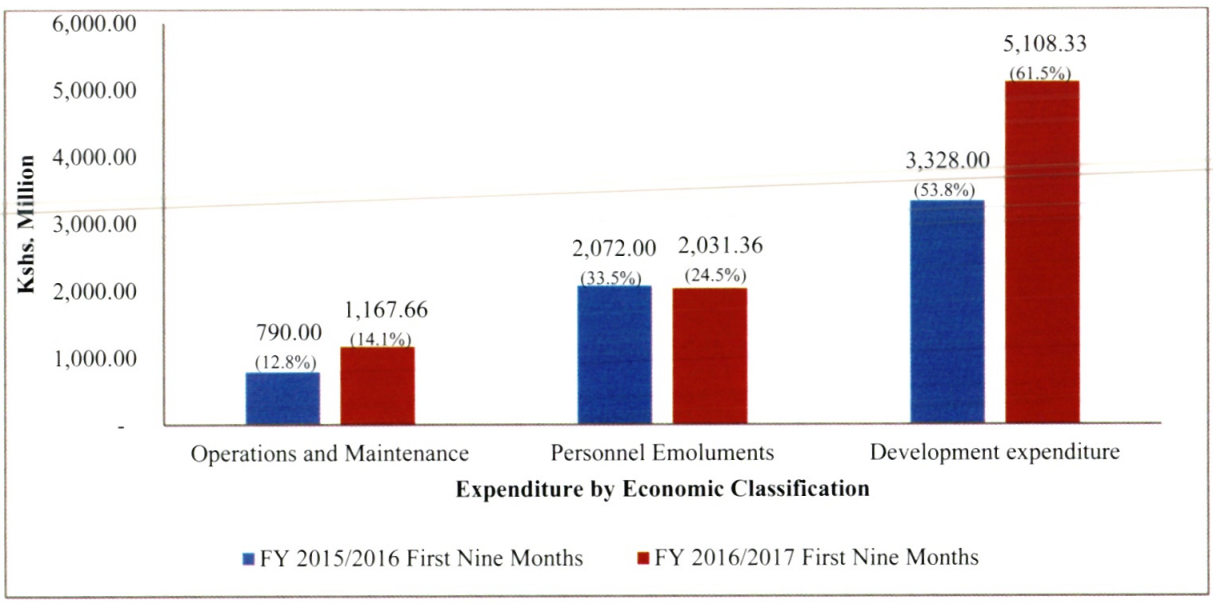
The County spent Kshs.8.31 billion, which was 82.4 per cent of the total funds released for operations. This was an increase of 34.2 per cent from Kshs.6.19 billion spent in a similar period of FY 2015/16.

A total of Kshs.3.2 billion was spent on recurrent activities, while Kshs.5.11 billion was spent on development activities. The recurrent expenditure was 82.5 per cent of the funds released for recurrent activities while development expenditure accounted for 82.4 per cent of the funds released for development activities. The county did not report any outstanding commitments by 31st March, 2017.

The recurrent expenditure represented 76 per cent of the annual recurrent budget, an increase from 69.3 per cent spent in a similar period of FY 2015/16. Development expenditure recorded an

absorption rate of 47.2 per cent, which was an increase from 36 per cent attained in a similar period of FY 2015/16. Figure 3.128 presents a comparison between the total expenditure in the first nine months of FY 2016/17 and the first nine months of FY 2015/16.

Figure 3.128: Turkana County, Expenditure by Economic Classification for the First Nine Months of FY 2016/17 and FY 2015/16

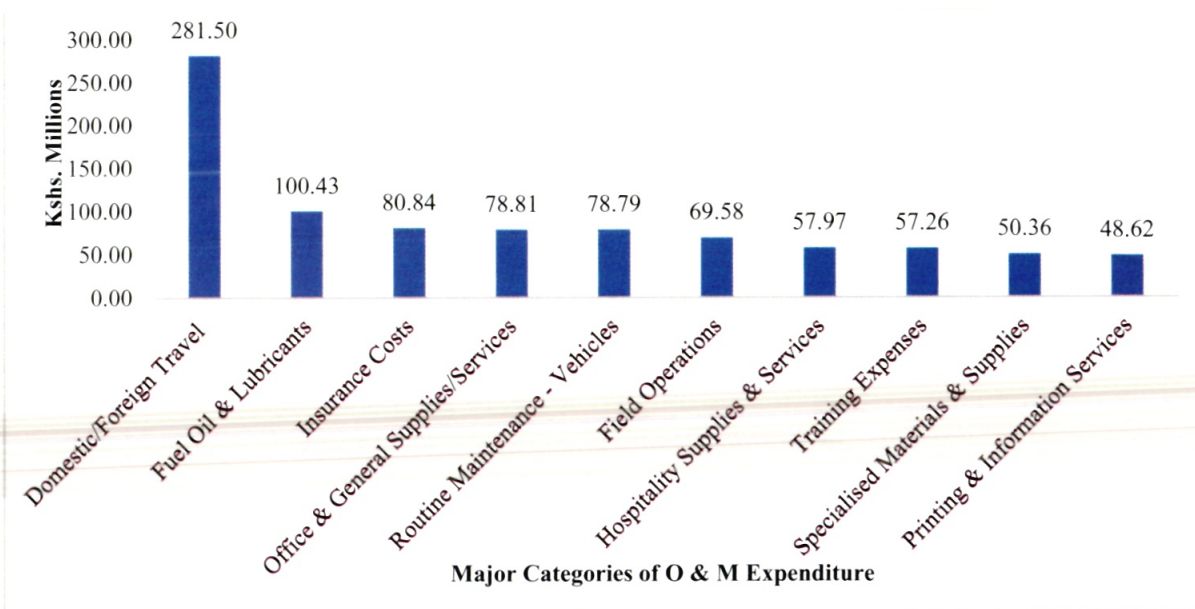


Source: *Turkana County Treasury*

3.43.6 Analysis of Recurrent Expenditure

The total recurrent expenditure of Kshs.3.2 billion consisted of Kshs.2.03 billion (63.5 per cent) spent on personnel emoluments and Kshs.1.17 billion (36.5 per cent) on operations and maintenance as shown in Figure 3.128. Expenditure on personnel emoluments represented a decrease of 1.9 per cent compared to a similar period of FY 2015/16 when the County spent Kshs.2.07 billion. Figure 3.129 shows a summary of operations and maintenance expenditure by major categories.

Figure 3.129: Turkana County, Operations and Maintenance Expenditure by Major Categories for the First Nine Months of FY 2016/17



Source: *Turkana County Treasury*

The County spent Kshs.35.77 million on sitting allowances to the 47 MCAs and the Speaker against the annual budget allocation of Kshs.73.78 million. This was an increase of 15.8 per cent compared to Kshs.30.9 million spent in the same period of FY 2015/16. The average monthly sitting allowance was Kshs.82,791 per MCA compared to SRC's recommended monthly ceiling of Kshs.124,800

Expenditure on domestic and foreign travel amounted to Kshs.281.5 million and consisted of Kshs.87.1 million by the County Assembly and Kshs.194.4 million by the County Executive. This was an increase of 54.9 per cent compared to Kshs.181.73 million spent in a similar period of FY 2015/16.

3.43.7 Development Expenditure Analysis

The total development expenditure of Kshs.5.11 billion represented 47.2 per cent of the annual development budget of Kshs.10.81 billion. Table 3.127 provides a summarised list of development projects with the highest expenditure during the period under review.

Table 3.127: Turkana County, List of Development Projects with the Highest Expenditure in the First Nine Months of FY 2016/17

S/No.	Name of project	Physical Location	Department	Budgeted Amount in Kshs.	Actual Expenditure in Kshs.
1	Construction of new dispensaries, 1 per Ward	All the 20 wards	Health and Sanitation	353,116,073	332,359,790
2	Construction and Protection of 13 Water Pans	All the 6 sub counties	Water, Irrigation and Agriculture	257,195,213	318,111,996
3	Construction of 4 irrigation Schemes	Nakwamu, Kaptir, Kanaodon	Water, Irrigation and Agriculture	171,949,901	305,178,300
4	Humanitarian Relief Assistance	Entire County	Public Service, Decentralized Administration & Disaster Management	340,000,000	301,533,816
5	Rural Roads at Wards	All the 30 wards	Roads, Transport and Public Works	131,022,292	172,181,101
6	Pharmaceuticals	All hospitals in the county	Health and Sanitation	255,000,000	171,308,035
7	ECDE Development Programme	Entire County	Education, Culture, Sports, Gender and Social Services	498,468,435	165,972,342
8	Improvement of sub-county headquarters water supplies (Lokichar, Lokori, Lokitaung, Lorugum, Kalokol, Kakuma and Kibish)	Lokichar, Lokori, Lokitaung, Lorugum, Kalokol, Kakuma and Kibish)	Water, Irrigation and Agriculture	140,000,000	151,286,007
9	Construction of County Headquarters	Lodwar Town	Finance and Economic Planning	150,000,000	126,787,480
10	Conflict Prevention, Mitigation and Resettlement	Entire County	Office of the Governor	70,000,000	100,770,598

Source: *Turkana County Treasury*

Analysis of the development expenditure indicates that the highest expenditure of Kshs.332.36 million was incurred by the Department of Health and Sanitation on construction of a new dispensary in each of the 30 wards, followed by construction and protection of 13 water pans in the six sub- counties by the Department of Water Services, Irrigation & Agriculture whose total expenditure was Kshs.318.11 million against a budget of Kshs.257.2 million.

3.43.8 Budget and Budget Performance Analysis by Department

Table 3.128 shows a summary of budget estimates and budget performance by department for the first nine months of FY 2016/17

Table 3.128: Turkana County, Budget Performance by Department for the First Nine Months of FY 2016/17

Department	BUDGET ALLOCATION (Kshs)		First Nine Months FY 2016/17 Exchequer Issues (Kshs. Million)		First Nine Months FY 2016/17 Expenditure (Kshs. Million)		First Nine Months FY 2016/17 Expenditure to Exchequer Issues (%)		First Nine Months FY 2016/17 Absorption rate (%)	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
Governance (Office of the Governor and Liaison)	164.13	468.70	220.61	171.00	96.11	334.45	43.6	195.6	58.6	71.4
Office of the Deputy Governor	29.52	-	28.35	-	10.07	-	35.5	-	34.1	-
Finance and Planning	197.74	991.21	192.65	607.19	188.10	673.08	97.6	110.9	95.1	67.9
Water services, Irrigation & Agriculture	65.33	1,622.97	58.31	1,286.50	36.09	1,277.31	61.9	99.3	55.2	78.7
Health & Sanitation Services	170.82	1,763.40	323.90	1,252.19	221.37	519.21	68.3	41.5	129.6	29.4
Tourism, Trade & Industrialization	60.57	555.01	152.38	223.06	41.24	173.57	27.1	77.8	68.1	31.3
Education, Cultural, Sports, Gender and Social Services	36.38	1,620.39	46.75	688.44	10.39	432.78	22.2	62.9	28.6	26.7
Public Services, Decentralized Admin. & Disaster Management	2,346.82	865.13	1,903.28	506.36	1,846.21	433.13	97.0	85.5	78.7	50.1
Transport, Roads & Public Works	62.02	1,213.20	46.31	848.05	38.08	356.57	82.2	42.0	61.4	29.4
Pastoral Economy & Fisheries	63.21	482.68	74.32	184.45	31.05	235.19	41.8	127.5	49.1	48.7
Energy, Environment & Natural Resources	38.08	308.05	30.42	183.70	29.07	263.02	95.6	143.2	76.3	85.4
Lands, Physical Planning, Housing & Urban Areas Management	63.17	438.23	57.37	238.78	44.28	343.80	77.2	144.0	70.1	78.5
County Assembly	830.77	420.39	666.43	-	572.93	33.04	86.0	-	69.0	7.9
County Public Service Board	79.37	69.01	74.57	6.57	34.02	33.19	45.6	505.5	42.9	48.1
TOTAL	**4,208**	**10,818**	**3,876**	**6,196**	**3,199**	**5,108**	**82.5**	**82.4**	**76.0**	**47.2**

Source: *Turkana County Treasury*

Analysis of budget performance by department shows that the Department of Energy, Environment and Natural Resources attained the highest absorption rate of development budget at 85.4 per cent while the County Assembly had the least absorption rate of development expenditure at 7.9 per cent. On the other hand the Department of Health and Sanitation had the highest percentage of recurrent expenditure to recurrent budget at 129.6 per cent while the Department of Education, Cultural, Sports, Gender and Social Services had the lowest at 28.6 per cent.

3.43.9 Observations and Recommendations

The County has made progress in addressing some of the challenges previously identified as affecting budget implementation. Some of the progress made included:

i. Improvement in absorption of development funds. In the reporting period, the county attained an absorption rate of 47.2 per cent as compared to 36 per cent same period in FY 2015/16.

Despite the above progress, the following observations continued to hamper effective budget implementation in the County;

1. Late submission of financial reports to the Controller of Budget by the County Treasury, which affected timely preparation of budget implementation report. Section 166 of the PFM Act, 2012 requires the financial reports to be submitted by the 15th day after the end of each quarter.

2. Delay by Fund Administrators to submit financial reports on the established County Funds contrary to Section 168 of the PFM Act, 2012. The financial reports which are pending include Bursary Fund, Emergency Fund, Car & Mortgage Fund and Youth and Women Development Programme (Grants) reports.

3. Delay in establishment of an Internal Audit Committee to oversee financial operations in the County contrary to the provisions of Section 155 of the PFM Act, 2012.

4. Intermittent use of IFMIS, which is the prescribed financial system to record and report all financial transactions contrary to provisions of Section 12 of the PFM Act, 2012.

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

1. *The County Treasury should ensure timely preparation and submission of financial reports in line with Section 166 of PFM Act, 2012.*

2. *The Fund Administrator for Bursary Fund, Emergency Fund, Car Loan and Mortgage Fund and Youth and Women Development should ensure timely submission of financial reports in line with Section 168 of the PFM Act, 2012.*

3. *The County should establish an Internal Audit Committee in line with Section 155 of the PFM Act, 2012.*

4. *The County Treasury should liaise with the National Treasury to ensure IFMIS is used by all county public entities in processing financial transactions.*

3.44 Uasin Gishu County

3.44.1 Overview of the FY 2016/17 Budget

The County's FY 2016/17 Supplementary Budget was Kshs.7.72 billion, comprising of Kshs.5.04 billion (65.3 per cent) and Kshs.2.68 billion (34.7 per cent) allocation for recurrent and development expenditure respectively.

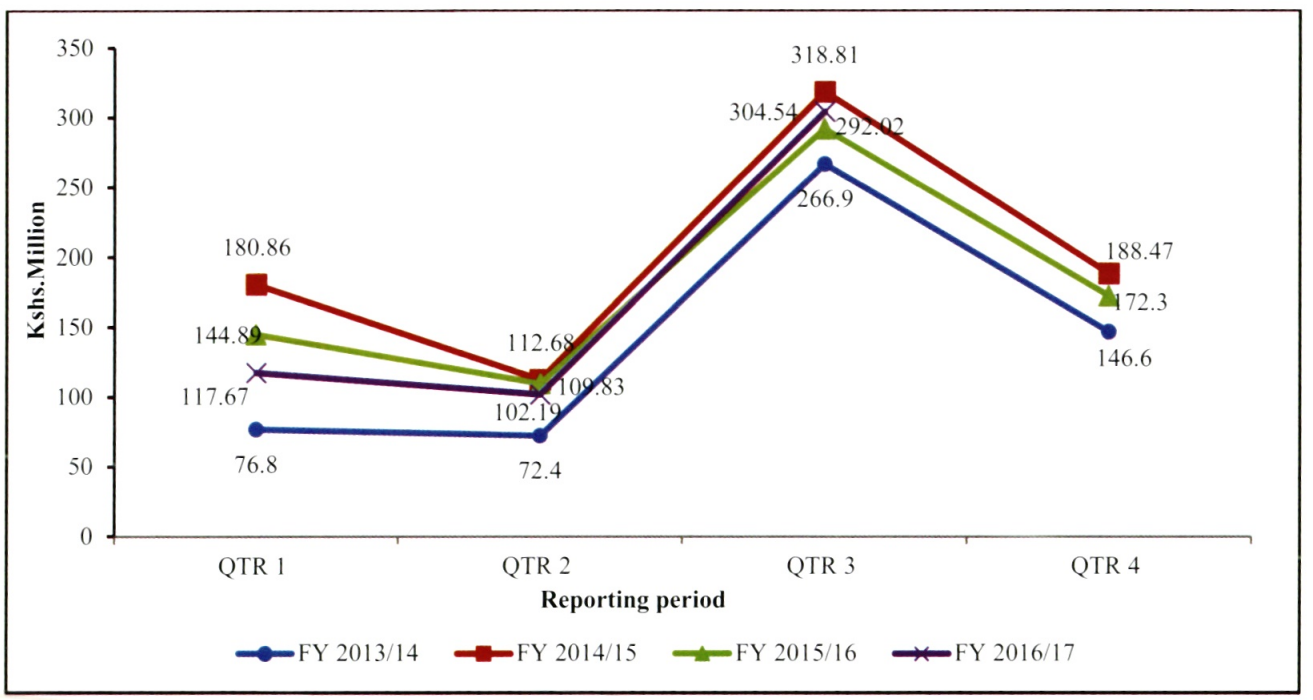
To finance the budget, the County expects to receive Kshs.5.6 billion (72.9 per cent) as equitable share of revenue raised nationally, Kshs.212.32 million (2.8 per cent) as total conditional grants, generate Kshs.1.19 billion (15.5 per cent) from local sources, and Kshs.672.85 million (8.8 per cent) cash balance from FY 2015/16. The conditional grants comprise of Kshs.40.77 million (19.2 per cent) for Free Maternal Healthcare, Kshs.86.06 million (40.5 per cent) from the Road Maintenance Fuel Levy Fund, Kshs.22.18 million (10.4 per cent) for User Fees Foregone, Kshs.8.66 million (4.1 per cent) from DANIDA and Kshs.54.65 million (25.7 per cent) from Other Loans and Grants.

3.44.2 Revenue Analysis

During the first nine months of FY 2016/17, the County received Kshs.3.28 billion as equitable share of the revenue raised nationally, Kshs.118.38 million as total conditional allocations, raised Kshs.524.40 million from local sources, and had a cash balance of Kshs.672.85 million brought forward from FY 2015/16.

Figure 3.130 shows the quarterly trend in local revenue collection from the first quarter of FY 2013/14 to the third quarter of FY 2016/17.

Figure 3.130: Uasin Gishu County, Trend in Local Revenue Collection by quarter from the First Quarter of FY 2013/14 to the Third Quarter of FY 2016/17



Source: *Uasin Gishu County Treasury*

The total local revenue collected in the first nine months of FY 2016/17 amounted to Kshs.524.40 million, representing a decrease of 4.1 per cent compared to Kshs.546.74 million generated in a

similar period of FY 2015/16, and represented 44 per cent of the annual local revenue target.

3.44.3 Conditional Grants

Table 3.129 shows an analysis of conditional grants released in the first nine months of FY 2016/17.

Table 3.129: Uasin Gishu County, Analysis of Conditional Grants Released in the First Nine Months of FY 2016/17

No.	Conditional Grant	Allocation based on CARA, 2016 (Kshs.)	Receipts during the first nine months of FY 2016/17(Kshs.)	Actual receipts as a percentage of Annual Allocation (%)
1	Road Maintenance Fuel Levy Fund	86,059,722	86,059,722	100
2	Free Maternal Healthcare	40,766,831	14,900,000	36.5
3	World Bank grant to health facilities	25,591,703	-	-
4	Kenya Devolution Support Programme Trust (Not in CARA, 2016)	29,059,000	-	-
5	User Fees Foregone	22,181,068	17,420,534	78.5
6	DANIDA grant	8,660,000	-	-
	TOTAL	**212,318,324**	**118,380,256**	**55.8**

Source: *Uasin Gishu County Treasury*

Analysis of the conditional grants released during the period under review indicates that, the Road Maintenance Fuel Levy Fund grant recorded the highest receipts at 100 per cent of the annual target followed by User Fees Foregone and Free Maternal Healthcare at 78.5 per cent and 36.5 per cent respectively. The County is yet to receive funds from the World Bank grant to health facilities, the Kenya Devolution Support Programme and DANIDA.

3.44.4 Exchequer Issues

During the reporting period, the Controller of Budget authorised withdrawal of Kshs.4.48 billion from the CRF account, which was 58 per cent of the Supplementary Budget. This amount represented an increase of 9 per cent from Kshs.4.11 billion authorized in a similar period of FY 2015/16 and consisted of Kshs.3.39 billion (75.8 per cent) for recurrent expenditure and Kshs.1.09 billion (24.2 per cent) for development activities.

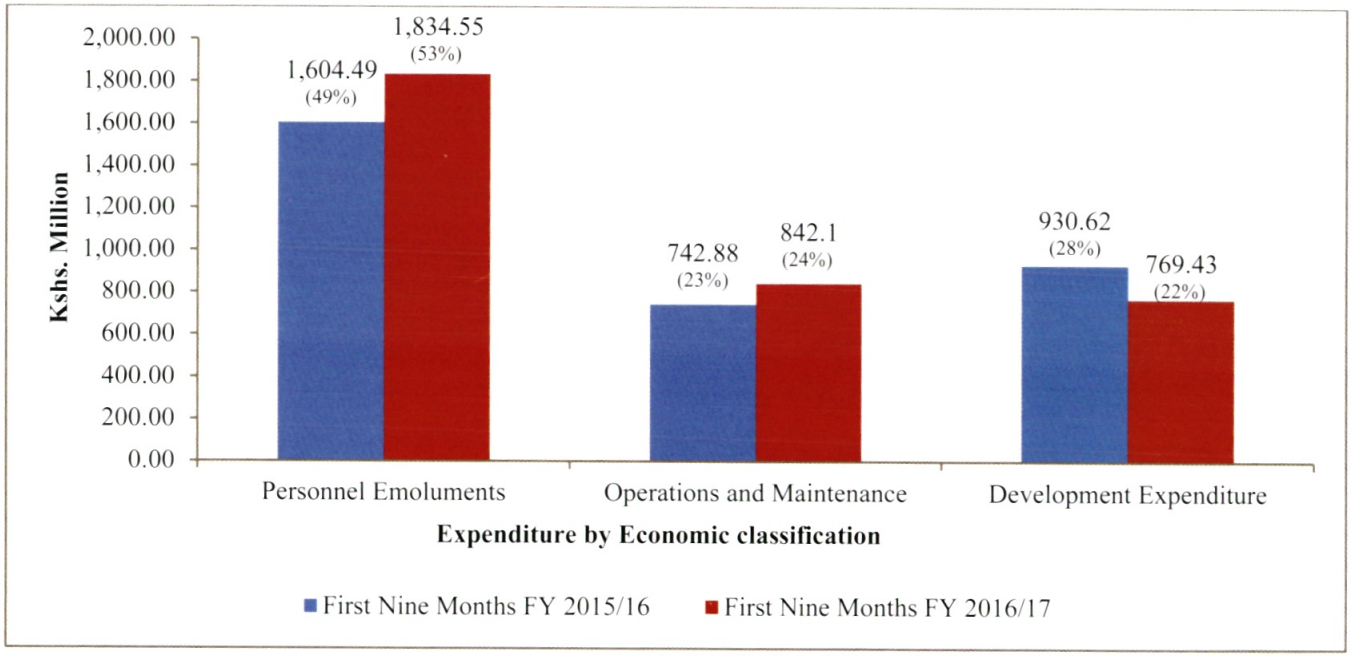
3.44.5 Overall Expenditure Review

The County spent Kshs.3.45 billion, which was 77 per cent of the total funds released for operations. This was an increase of 1.2 per cent from Kshs.3.41 billion spent in a similar period of FY 2015/16.

A total of Kshs.2.68 billion was spent on recurrent activities, while Kshs.769.43 million was spent on development activities. The recurrent expenditure was 78.9 per cent of the funds released for recurrent activities while development expenditure accounted for 70.9 per cent of the funds released for development activities. The expenditure excluded outstanding commitments as at 31st March, 2017 that amounted to Kshs.268.73 million for development and Kshs.640.74 million for recurrent expenditure.

The recurrent expenditure represented 53.1 per cent of the annual recurrent supplementary budget, a marginal decrease from 53.9 per cent spent in a similar period of FY 2015/16. Development expenditure recorded an absorption rate of 28.8 per cent, which was a decrease from 31.6 per cent attained in a similar period of FY 2015/16. Figure 3.131 presents a comparison between the total expenditure in the first nine months of FY 2016/17 and the first nine months of FY 2015/16.

Figure 3.131: Uasin Gishu County, Expenditure by Economic Classification for the First Nine Months of FY 2016/17 and FY 2015/16

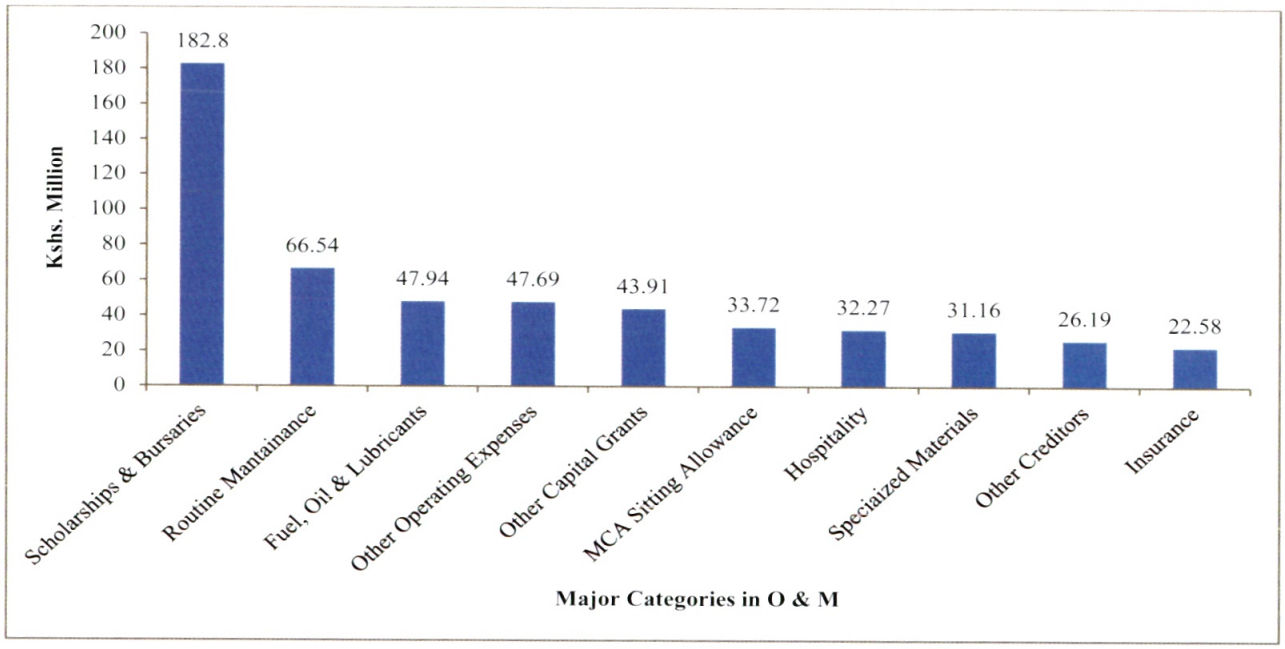


Source: *Uasin Gishu County Treasury*

3.44.6 Analysis of Recurrent Expenditure

The total recurrent expenditure of Kshs.2.68 billion consisted of Kshs.1.83 billion (68.5 per cent) spent on personnel emoluments and Kshs.842.04 million (31.5 per cent) on operations and maintenance as shown in Figure 3.131. Expenditure on personnel emoluments represented an increase of 14.4 per cent compared to a similar period of FY 2015/16 when the County spent Kshs.1.6 billion. Figure 3.132 shows a summary of operations and maintenance expenditure by major categories.

Figure 3.132: Uasin Gishu County, Operations and Maintenance Expenditure Major Categories for the First Nine Months of FY 2016/17



Source: *Uasin Gishu County Treasury*

The County spent Kshs.33.72 million on sitting allowances to the 45 MCAs and the Speaker against the annual budget allocation of Kshs.61.56 million. This was an increase of 41.8 per cent compared to Kshs.23.78 million spent in the same period of FY 2015/16. The average monthly sitting allowance was Kshs.83,264 per MCA compared to SRC's recommended monthly ceiling of Kshs.124,800

Expenditure on domestic and foreign travel amounted to Kshs.148.52 million and consisted of Kshs.62.51 million spent by the County Assembly and Kshs.86.01 million by the County Executive. This was an increase of 26.6 per cent compared to Kshs.117.32 million spent in a similar period of FY 2015/16.

3.44.7 Development Expenditure Analysis

The total development expenditure of Kshs.769.43 million represented 28.8 per cent of the annual development budget of Kshs.2.68 billion. Table 3.130 provides a summarised list of development projects with the highest expenditure during the period under review.

Table 3.130: Uasin Gishu County, List of Development Projects with the Highest Expenditure in the First Nine Months of FY 2016/17

S/No.	Project name	Ward (Location of the Project)	Estimated Budget (Kshs.)	Expenditure as at 31st March 2017 (Kshs.)	Absorption rate (%)
1	Construction of Cooling plants	County wide	225,600,184	117,591,967	52.1
2	Preparation of Spatial Planning	County wide	97,839,915	68,487,864	70.0
3	Construction of Kimbilio Bridge	Nginyel	40,940,750	32,155,997	78.5
4	Purchase of Acaracides-Disease control	County wide	28,191,100	28,191,100	100
5	Purchase of vaccine & sera	County wide	27,139,400	25,242,525	93.0
6	Construction of Fire station Maili Nne	Kapsaos	26,083,209	24,485,941	93.9
7	Land banking and administration	County wide	20,490,000	20,490,000	100
8	Construction of Panvilla-Rivatex Road Phase II	Kipkenyo	33,326,039	16,197,336	48.6
9	Valuation Roll Eldoret town	Eldoret town	26,032,952	13,016,476	50.0
10	Construction of Kipketiengwet Bridge	Kapkures	17,001,211	10,070,839	59.2
	Total		**542,644,760**	**355,930,045**	**65.6**

Source: *Uasin Gishu County Treasury*

Analysis of the development expenditure by project indicates that, the highest expenditure of Kshs.117.59 million was spent on construction of cooling plants in various wards followed by Kshs.68.49 million on preparations of the spatial plans, and Kshs.32.16 million on construction of the Kimbilio bridge in Nginyel Ward, Turbo Sub-County.

3.44.8 Budget and Budget Performance Analysis by Department

Table 3.131 shows a summary of budget estimates and budget performance by department for the first nine months of FY 2016/17

Table 3.131: Uasin Gishu County, Budget Performance by Department for the First Nine Months of FY 2016/17

Department	Budget Allocation (Kshs. Million)		Nine Month FY 2016/17 Exchequer Issues (Kshs. Million)		Nine Month FY 2016/17 Expenditure (Kshs. Million)		Nine Month FY 2016/17 Expenditure to Exchequer Issues (%)		Nine Month FY 2016/17 Absorption rate (%)	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
Office of the Governor	187.65	0.00	118.61	0.00	89.27	3.70	75.3	***	47.6	***
Public Service Management	463.07	3.71	311.68	0.00	261.83	0.00	84.0	0.00	56.5	0.00
Finance	305.66	8.85	181.35	0.00	150.60	0.00	83.0	0.00	49.3	0.00
Budget and Economic Planning	74.63	0.00	42.48	0.00	7.76	0.00	18.3	0.00	10.4	0.00
Education, Social, and Culture Services	456.18	80.41	320.89	8.60	225.01	6.74	70.1	78.3	49.3	8.4
Youth and Sports Development	103.19	43.00	72.07	0.00	48.66	0.00	67.5	0.00	47.2	0.00
Health Services	1,638.88	190.03	1,088.13	104.91	952.40	43.23	87.5	41.2	58.1	22.7
ICT and E-Government	45.79	64.27	30.07	0.00	13.17	22.26	43.8	***	28.8	34.6
Lands, Housing and Physical Planning	115.12	151.84	72.12	49.68	51.04	39.37	70.8	79.3	44.3	25.9
Roads and Public Works	501.16	874.07	335.02	584.76	265.28	329.99	79.2	56.4	52.9	37.8
Trade, Industrialization and Tourism	101.67	193.59	63.86	58.34	32.44	23.01	50.8	39.4	31.9	11.9
Agriculture, Livestock & Fisheries	247.38	545.36	174.95	92.93	133.19	173.87	76.1	187.1	53.8	31.9
Water, Environment and Natural resources	156.12	454.91	104.58	123.79	83.23	121.01	79.6	97.8	53.3	26.6
County Public Service Board	63.59	0.00	48.38	0.00	20.54	0.00	42.5	0.00	32.3	0.00
Public Administration and Coordination	82.74	50.20	45.24	50.11	15.98	6.26	35.3	12.5	19.3	12.5
County Assembly	500.09	15.91	382.40	12.00	326.19	0.00	85.3	-	65.2	-
TOTAL	**5,042.92**	**2,676.15**	**3,391.84**	**1,085.12**	**2,676.59**	**769.43**	**78.9**	**70.9**	**53.1**	**28.8**

Source: *Uasin Gishu County Treasury*

Analysis of budget performance by department shows that the Department of Roads and Public Works attained the highest absorption rate of development budget at 37.8 per cent while the Departments of Finance, Public Service Management, Youth and Sports Development did not incur any development expenditure. On the other hand, the County Assembly had the highest percentage of recurrent expenditure to recurrent budget at 65.2 per cent while the Department of Economic Planning had the lowest at 10.4 per cent.

3.44.9 Observations and Recommendations

The County has made progress in addressing some of the challenges previously identified as affecting budget implementation. Some of the progress made included:

i. Compliance with the requirement to use IFMIS and the internet banking platform by the County Executive, which has ensured transparent financial management and standard financial reporting in the County as contemplated by Article 226 of the Constitution.

Despite the above progress, the following challenges continued to hamper effective budget

implementation;

1. The County Assembly operationalized the Uasin Gishu County Assembly Staff Mortgage Fund prior to the approval of the Fund Regulations contrary Section 116 of the PFM Act, 2012.

2. Slow implementation of development activities during the first nine months of FY 2016/17. The County spent Kshs.781.43 million on development projects which represented 28.8 per cent of the annual development budget of Kshs.2.68 billion.

3. Failure to establish a County Budget and Economic Forum (CBEF) contrary to Section 137 of the PFM Act, 2012.

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

1. *The County Assembly should ensure that Uasin Gishu County Assembly Staff Mortgage Fund Regulations are approved to regularize operationalization of the Fund.*

2. *The County should identify and address issues that cause delays in implementation of development projects.*

3. *The County should establish a County Budget and Economic Forum (CBEF) as per Section 137 of the PFM Act, 2012.*

3.45 Vihiga County

3.45.1 Overview of the FY 2016/17 Budget

The County's FY 2016/17 Approved Budget was Kshs.5.04 billion comprising of Kshs.3.53 billion (70 per cent) and Kshs.1.51 billion (30.0 per cent) allocation for recurrent and development expenditure respectively.

To finance the budget, the County expects to receive Kshs.4.17 billion (82.8 per cent) as equitable share of revenue raised nationally, Kshs.275.93 million (5.5 per cent) as total conditional grants, generate Kshs.220 million (4.4 per cent) from local sources, and Kshs.367.41 million (7.3 per cent) cash balance from FY 2015/16. The conditional grants comprise of Kshs.66.45 million (24.1 per cent) for Free Maternal Healthcare, Kshs.64.18 million (23.3 per cent) from the Road Maintenance Fuel Levy Fund, Kshs.13 million (4.7 per cent) for User Fees Foregone, Kshs.7.09 million (2.6 per cent) from DANIDA and Kshs.125.19 million (45.4 per cent) from Other Loans and Grants.

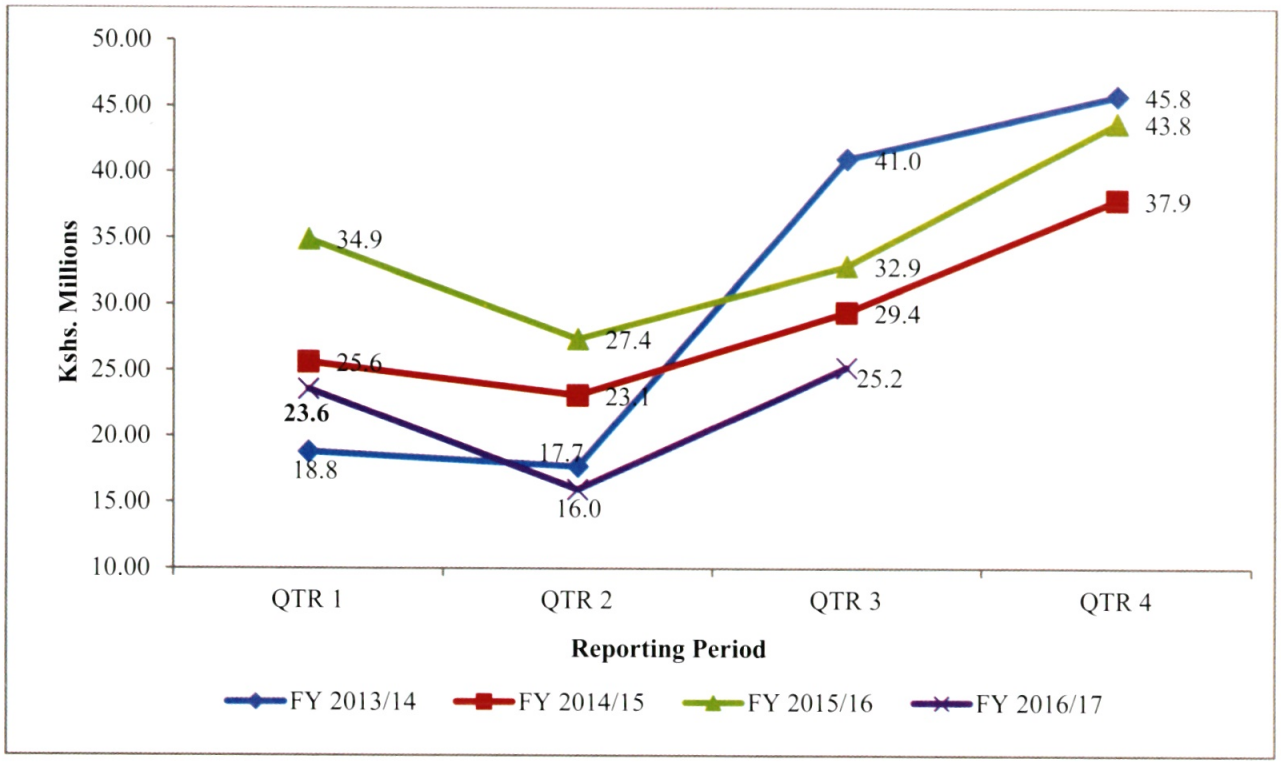
3.45.2 Revenue Analysis

During the first nine months of FY 2016/17, the County received Kshs.2.82 billion as equitable share of the revenue raised nationally, Kshs.108.29 million as total conditional allocations, raised Kshs.64.73 million from local sources, and had a cash balance of Kshs.367.41 million brought forward from FY 2015/16.

Figure 3.133 shows the quarterly trend in local revenue collection from the first quarter of FY 2013/14

to the third quarter of FY 2016/17.

Figure 3.133: Vihiga County, Trend in Local Revenue Collection by Quarter from the First Quarter FY 2013/14 to the Third Quarter FY 2016/17



Source: *Vihiga County Treasury*

The total local revenue collected in the first nine months of FY 2016/17 amounted to Kshs.64.73 million, representing a decrease of 32 per cent compared to Kshs.95.18 million generated in a similar period of FY 2015/16, and represented 29.4 per cent of the annual local revenue target.

3.45.3 Conditional Grants

Table 3.132 shows an analysis of conditional grants released in the first nine months of FY 2016/17.

Table 3.132: Vihiga County, Analysis of Conditional Grants Released in the First Nine Months of FY 2016/17

No.	Conditional Grant	Allocation based on CARA, 2016 (Kshs.)	FY 2016/17 Actual receipt of Conditional Grants (Kshs.)	Actual receipts as a percentage of Annual Allocation (%)
1	Road Maintenance Fuel Levy Fund	64, 184, 231	64, 184, 231	100
2	Free Maternal Healthcare	66, 469, 814	32, 400, 000	48.7
3	Tea Infrastructure fund (Not in CARA, 2016)	3, 937, 233	3, 937, 233	100
4	Kenya Devolution Support Program Trust (Not in CARA, 2016)	25, 507, 414	7, 765, 835	30.4
5	User Fees Foregone	13, 002, 761	6, 501, 380	50.0
6	DANIDA grant	7, 085, 000	-	-
7	Leasing of medical equipment	95, 744, 681	-	-
	TOTAL	**275, 931, 134**	**108,287,299**	**39.2**

Source: *Vihiga County Treasury*

Analysis of the conditional grants released during the period under review indicates that, the Road Maintenance Fuel Levy Fund and Tea Infrastructure Fund grants recorded the highest receipts at 100 per cent annual target. The County is yet to receive funds from the following conditional grants; Leasing of Medical Equipment, and DANIDA.

3.45.4 Exchequer Issues

During the reporting period, the Controller of Budget authorised withdrawal of Kshs.3.27 billion from the CRF account, which was 64.9 per cent of the Approved Budget. This amount represented an increase of 19.8 per cent from Kshs.2.73 billion authorized in a similar period of FY 2015/16 and consisted of Kshs.2.45 billion (74.9 per cent) for recurrent expenditure and Kshs.818.12 million (25.1 per cent) for development activities.

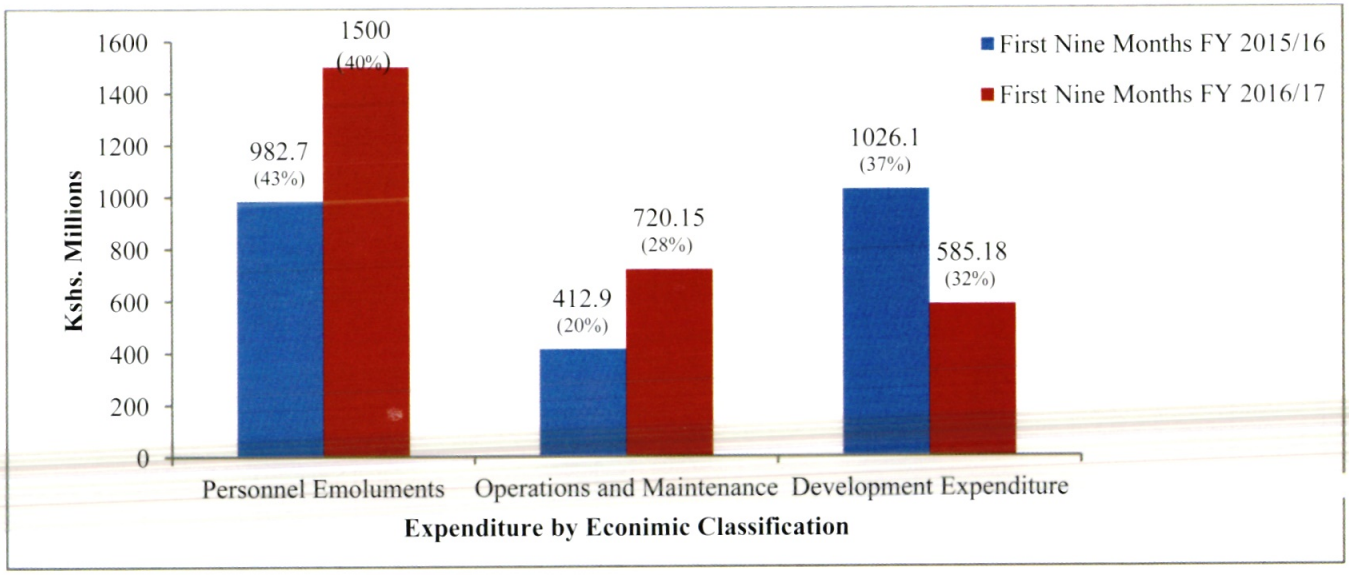
3.45.5 Overall Expenditure Review

The County spent Kshs.2.81 billion, which was 85.9 per cent of the total funds released for operations. This was an increase of 16.1 per cent from Kshs.2.42 billion spent in a similar period of FY 2015/16.

A total of Kshs.2.22 billion was spent on recurrent activities, while Kshs.585.18 million was spent on development activities. The recurrent expenditure was 90.6 per cent of the funds released for recurrent activities while development expenditure accounted for 71.5 per cent of the funds released for development activities. The expenditure excluded outstanding commitments as at 31st March, 2017 that amounted to Kshs.255.82 million for development and Kshs.66.12 million for recurrent expenditure.

The recurrent expenditure represented 62.9 per cent of the annual recurrent budget, an increase from 55 per cent spent in a similar period of FY 2015/16. Development expenditure recorded an absorption rate of 38.7 per cent, which is a decrease from 56 per cent attained in a similar period of FY 2015/16. Figure 3.134 presents a comparison between the total expenditure in the first nine months of FY 2016/17 and the first nine months of FY 2015/16.

Figure 3.134: Vihiga County, Expenditure by Economic Classification for the First Nine Months of FY 2016/17 and FY 2015/16

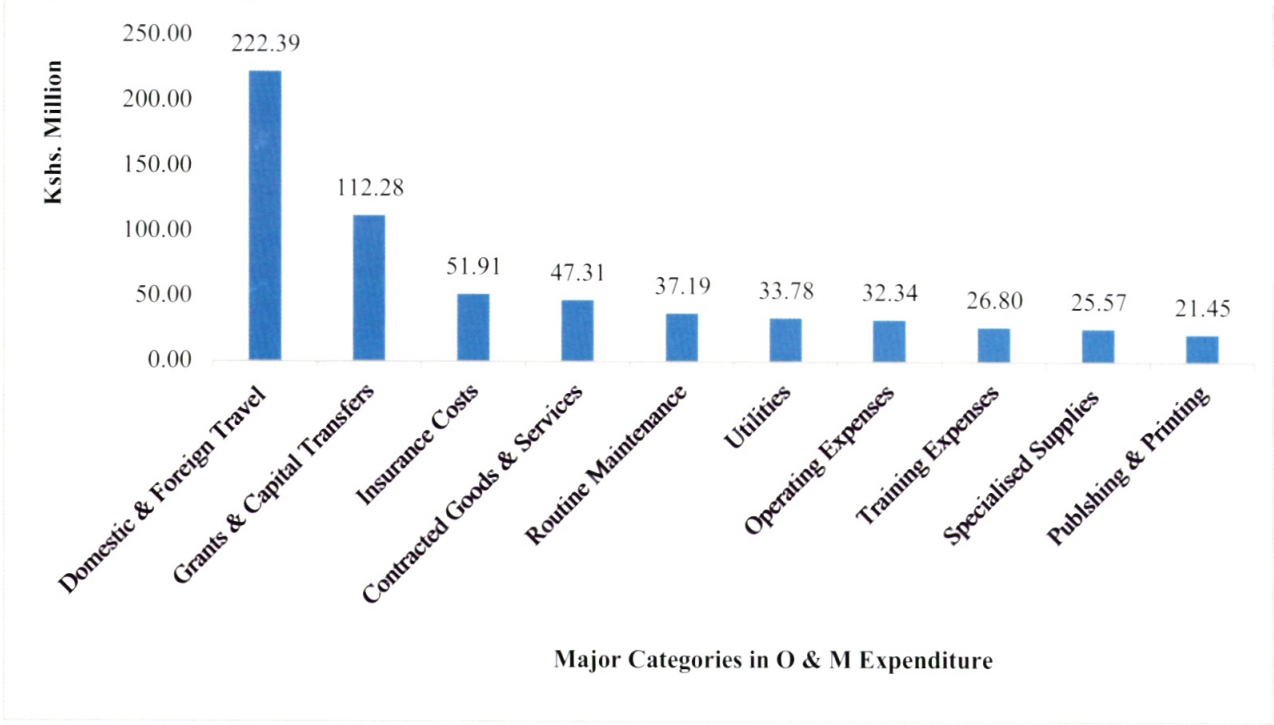


Source: *Vihiga County Treasury*

3.45.6 Analysis of Recurrent Expenditure

The total recurrent expenditure of Kshs.2.22 billion consisted of Kshs.1.5 billion (67.6 per cent) spent on personnel emoluments and Kshs.720 million (32.4 per cent) on operations and maintenance as shown in Figure 3.134. Expenditure on personnel emoluments represented an increase of 52.6 per cent compared to a similar period of FY 2015/16 when the County spent Kshs.982.65 million. Figure 3.135 shows a summary of the operations and maintenance expenditure by major categories.

Figure 3.135: Vihiga County, Operations and Maintenance Expenditure by Major Categories for the First Nine months of FY 2016/17



Source: *Vihiga County Treasury*

The County spent Kshs.7.85 million on sitting allowances to the 39 MCAs and the Speaker against the annual budget allocation of Kshs.10.33 million. This was a decrease of 83.7 per cent compared to Kshs.48.3 million spent in a similar period of FY 2015/16. The average monthly sitting allowance was Kshs.21, 819 per MCA compared to SRC's recommended monthly ceiling of Kshs.124,800

Expenditure on domestic and foreign travel amounted to Kshs.222.40 million and consisted of Kshs.112 million by the County Assembly and Kshs.110.4 million by the County Executive. This was an increase of 37.7 per cent compared to Kshs.161.47 million spent in a similar period of FY 2015/16.

3.45.7 Development Expenditure Analysis

The total development expenditure of Kshs.585.18 million represented 38.7 per cent of the annual development budget of Kshs.1.51 billion. Table 3.133 provides a summarised list of development projects with the highest expenditure during the period under review.

Table 3.133: Vihiga County, Summary of Development Projects with the Highest Expenditure for the First Nine Months, FY 2016/17

No.	Project Name	Ward (Location of the Project)	Annual Budget (Kshs.)	Expenditure as at 31st March, 2017 (Kshs.)	Absorption rate (%)
1	Cabro and civil works	County assembly	52,755,000	28,000,000	53.1
2	Construction of Hobunaka bridge	Emabungo	7,656,371	7,656,371	100.0
3	Supply of oxygen plant	Vihiga Referal hospital	30,045,160	5,000,000	16.6
4	Construction of Givigoi hospital	Gisambai	44,283,400	5,000,000	11.3
5	Construction of dormitiry at Kaimosi T.T.C.	Shiru	26,662,000	5,000,000	18.8
6	Construction of Kidundu road	Central Maragoli	5,422,403	4,422,403	81.6
7	Construction of Maragalo box culvert	Shamakhokho	6,081,013	2,581,013	42.4
8	Construction of Shiru polytechnic	Shiru	8,978,346	2,500,000	27.8
9	Re-roofing of Sabatia health Centre	Wodanga	3,037,387	1,000,000	32.9
10	Construction of ECD classroom at Lyamidi primary school.	South Maragoli	1,100,000	1,000,000	90.9

Source: *Vihiga County Treasury.*

Analysis of the development expenditure by project indicates that, the highest expenditure of Kshs.28 million was spent on civil works by the County Assembly, followed by Kshs.7.66 million spent on construction of the Hobunaka Bridge in Emabungo Ward.

3.45.8 Budget and Budget Performance Analysis by Department

Table 3.134 shows a summary of budget estimates and budget performance by department for the first nine months of FY 2016/17

Table 3.134: Vihiga County, Budget Performance by Department for the First Nine Months of FY 2016/17.

Department	Annual Budget Allocation (Kshs. Million)		First nine months of FY 2016/17 Exchequer Issues (Kshs. Million)		First nine months of FY 2016/17 Expenditure (Kshs. Million)		First nine months of FY 2016/17 Expenditure to Exchequer Issues (%)		First nine months of FY 2016/17 Absorption rate (%)	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
Agriculture, Livestock, Fisheries	125.89	57.60	102.98	53.66	94.89	3.23	92.1	6.0	75.4	5.6
Lands, Housing & Physical planning	57.53	28.46	35.02	13.00	24.71	1.5	70.6	11.5	43.0	5.3
Transport & Infrastructure	105.63	490.07	105.63	332.55	53.48	230.38	50.6	69.3	50.6	47.0
Trade & Tourism	51.84	36.2	35.46	28.22	24.66	17.7	69.5	62.7	47.6	48.9
Health Services	1,030.06	223.65	787.18	141.89	693.85	55.83	88.1	39.3	67.4	25.0
Education, Science & Technology	329.77	138.92	100.95	68.21	174.99	139.09	173.3	203.9	53.1	100.1
County Executive	258.22	45.00	225.74	0	177.48	0	78.6	0	68.7	0
County Assembly	533.77	115.00	422.97	55.76	394.15	39.64	93.2	71.1	73.8	34.5
Finance & Economic planning	242.62	230.17	215.39	4.59	160.33	73.11	74.4	1592	66.1	31.8
County Public Service Board	61.99	0	35.55	0	24.22	0	68.1	0	39.1	0

Department	Annual Budget Allocation (Kshs. Million)		First nine months of FY 2016/17 Exchequer Issues (Kshs. Million)		First nine months of FY 2016/17 Expenditure (Kshs. Million)		First nine months of FY 2016/17 Expenditure to Exchequer Issues (%)		First nine months of FY 2016/17 Absorption rate (%)	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
Public Service & Administration.	465.05	15.00	279.98	15.00	320.75	7.24	114.6	48.3	69.0	48.3
Gender, Culture, Youth & Sports.	205.20	51.05	65.50	36.41	43.09	4.33	65.7	11.9	21.0	8.5
Environment, Water & Forestry	62.02	79.93	42.87	68.82	33.28	13.16	77.6	19.1	53.7	16.5
TOTAL	**3,529.59**	**1,511.05**	**2,454.23**	**818.12**	**2,219.88**	**585.18**	**90.5**	**71.5**	**62.9**	**38.7**

Source: *Vihiga County Treasury*

Analysis of budget performance by department shows that the Department of Education, Science & Technology attained the highest absorption rate of development budget at 100.1 per cent while the Department of Lands, housing & physical planning and Department of Agriculture, Livestock, Fisheries had the lowest development expenditure at 5.3 per cent and 5.6 per cent respectively. On the other hand the Department of Agriculture, Livestock, Fisheries had the highest percentage of recurrent expenditure to recurrent budget at 75.4 per cent followed by the County Assembly at 73.8 per cent while the Department of Gender, Culture, Youth and Sports had the lowest at 21.0 per cent.

3.45.9 Observations and Recommendations

The County has made progress in addressing some of the challenges previously identified as affecting budget implementation. Some of the progress made included:

i. Establishment of the County Budget and Economic Forum in line with Section 137 of the PFM Act, 2012.

The following challenges continued to hamper effective budget implementation;

1. The wage bill has increased by 52.6 per cent from Kshs.982.65 million in the first nine months of FY 2015/16 to Kshs.1.5 billion in the reporting period, and accounted for 53.5 per cent of the total expenditure for the reporting period.

2. Under-performance of local revenue collection. Local revenue declined by 32 per cent from Kshs.95.18 million collected during the first nine months of FY 2015/16 to Kshs.64.73 million in the reporting period.

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

1. *The County Public Service Board should establish an optimal staffing structure in order to manage the wage bill.*

2. *The County Treasury should formulate and implement strategies to enhance local revenue collection.*

3.46 Wajir County

3.46.1 Overview of the FY 2016/17 Budget

The County's FY 2016/17 Approved Supplementary Budget was Kshs.8.68 billion, comprising of Kshs.4.59 billion (52.9 per cent) and Kshs.4.09 billion (47.1 per cent) allocation for recurrent and development expenditure respectively.

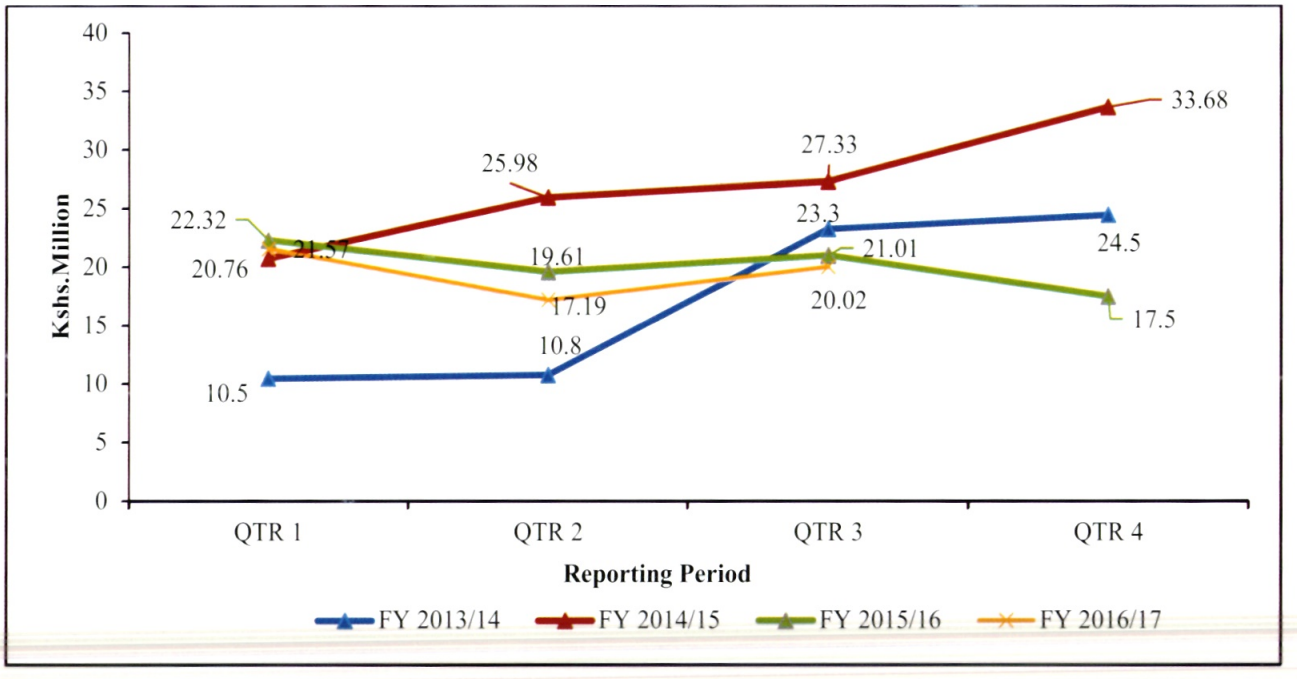
To finance the budget, the County expects to receive Kshs.7.80 billion (89.9 per cent) as equitable share of revenue raised nationally, Kshs.247.71 million (2.9 per cent) as total conditional grants, generate Kshs.230.12 million (2.65 per cent) from local sources, and Kshs.365.27 million (4.21 per cent) cash balances from FY 2015/16. The conditional grants comprise of Kshs.55.57 million (22.5 per cent) for Free Maternal Healthcare, Kshs.119.91 million (48.4 per cent) from the Road Maintenance Fuel Levy Fund, Kshs.16.01 million (6.46 per cent) for User Fees Foregone, Kshs.10.05 million (4.06 per cent) from DANIDA and Kshs.46.17 million (18.63 per cent) as conditional allocation from Other Loans and Grants.

3.46.2 Revenue Analysis

During the first nine months of FY 2016/17, the County received Kshs.4.97 billion as equitable share of the revenue raised nationally, Kshs.165.42 million as total conditional allocations, raised Kshs.58.78 million from local sources, and had a cash balance of Kshs.365.27 million brought forward from FY 2015/16.

Figure 3.136 shows the quarterly trend in local revenue collection from the first quarter of FY 2013/14 to the third quarter of FY 2016/17.

Figure 3.136: Wajir County, Trend in Local Revenue Collection by Quarter from First Quarter FY 2013/14 to Third Quarter FY 2016/17



Source: *Wajir County Treasury*