



REPUBLIC OF KENYA

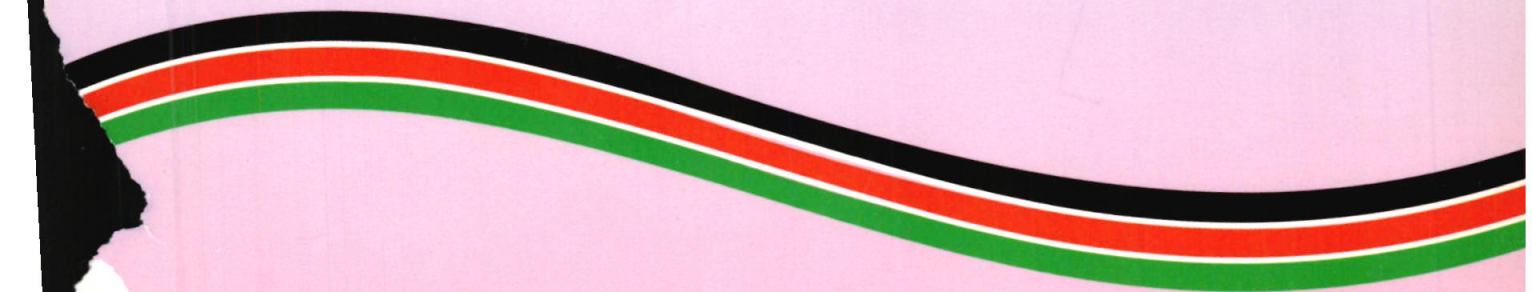


OFFICE OF THE CONTROLLER OF BUDGET

**ANNUAL COUNTY GOVERNMENTS
BUDGET IMPLEMENTATION REVIEW REPORT**

FY 2015/16

SEPTEMBER, 2016



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FY 2015/16

September, 2016



PREFACE

It is my pleasure to present the Annual County Governments Budget Implementation Review Report for FY 2015/16. The report presents information on the budget implementation and has been prepared in line with the requirements of Article 228 (6) of the Constitution of Kenya 2010, which requires the Controller of Budget (COB) to submit to each House of Parliament a report on the implementation of the budgets of both the National and County Governments every four months.

This report examines budget performance by the forty seven counties for the period July, 2015 to June, 2016. It is based on analysis of financial reports submitted to the Controller of Budget by the County Treasuries, the Approved County Budgets, and reports generated from the Integrated Financial Management Information System (IFMIS). The report highlights the achievements and challenges encountered in budget implementation and suggests recommendations to improve budget implementation.

Successful production of this report was made possible through dedication of staff of both the County Governments and the Office of the Controller of Budget (OCOB). I am therefore, grateful to these members of staff for their commitment and dedication in the production of this report.

The information contained in this report is useful to Parliament and the public at large in tracking budget implementation. It is also useful in monitoring budget implementation by the County governments. I therefore, call for the involvement of all stakeholders in budget implementation in order to promote efficient and effective management of public finances in the Country.



Mrs. Agnes Odhiambo
Controller of Budget

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ACRONYMS

A.I.A	Appropriations In Aid
BQ	Bills of Quantities
CBROP	Budget Review and Outlook Paper
CA	County Assembly
CARPS	Capacity Assessment and Rationalization of the Public Service
CBEF	County Budget and Economic Forum
CBK	Central Bank of Kenya
CBROP	County Budget Review and Outlook Paper
CEC	County Executive Committee.
CECM-F	County Executive Committee Member for Finance
CILOR	Contribution In Lieu of Rates
COB	Controller of Budget
CRA	Commission on Revenue Allocation
CRF	County Revenue Fund
DANIDA	Danish International Development Agency
E-G	Electronic Governance
RMFL	Road Maintenance Fuel Levy Fund
G-PAY	Government Payment System
ICT	Information Communication Technology
ICU	Intensive Care Unit
IFMIS	Integrated Financial Management Information System
IBEC	Intergovernmental Budget and Economic Council
MCA	Member of County Assembly
MTEF	Medium Term Expenditure Framework
O&M	Operations and Maintenance
OCOB	Office of the Controller of Budget
PE	Personnel Emoluments
PFM Act	Public Finance Management Act
PWDs	Persons with Disabilities
SMEs	Small and Medium Enterprises
KBR	Kenya Roads Board

EXECUTIVE SUMMARY

This FY 2015/16 Annual County Budget Implementation Review Report (CBIRR) is prepared in fulfilment of Article 228(6) of the Constitution of Kenya, 2010. It presents an overview of budget implementation by each of the 47 County Governments. It analyses revenue and expenditure performance. The key challenges encountered during budget implementation are identified and recommendations provided. Expenditure is analyzed by economic classification and County entity.

In FY 2015/16, the aggregate Approved Budget Estimates for the County governments amounted to Kshs.367.44 billion and comprised of Kshs.208.82 billion (56.8 per cent) for recurrent expenditure and Kshs.158.62 billion (43.2 per cent) for development activities. It is worth noting that the allocations to development activities conform to Section 107(2)(b) of the PFM Act, 2012 which requires that over the medium term, a minimum of thirty per cent of the budget shall be allocated to development expenditure.

To finance the Approved Budgets, County Governments expected to receive Kshs.259.77 billion from the National Government as equitable share of revenue, Kshs.21.91 billion as conditional allocations from both the National Government and Development Partners, raise Kshs.50.54 billion from local sources and utilize the unspent cash balances from FY 2014/15 of Kshs.36.07 billion.

The conditional allocations comprised of Kshs.4.50 billion for Leasing of Medical Equipment, Kshs.4.30 billion for Free Maternal Health Care, Kshs.3.60 billion for Level 5 Hospitals, Kshs.3.30 billion from the Road Maintenance Fuel Levy Fund, Kshs.900 million for Compensation of User Fees Foregone, Kshs.844.71 million from the Danish International Development Agency (DANIDA) to the Health Sector, Kshs.508.25 million from the World Bank for the Health Sector support, and Kshs.9.32 billion as other loans and grants.

During the year, the County Governments received Kshs.264.04 billion from the National Government. The transfers comprised of the equitable share of revenue raised nationally of Kshs.259.77, billion Kshs.3.60 billion as conditional grant to Level 5 Hospitals and Kshs.663.66 million from DANIDA. The Counties received Conditional allocations for Free Maternity Health care of Kshs.3.32 billion, a World Bank grant of Kshs.508.25 million and Kshs.900 million for User Fee Foregone which were disbursed through the Ministry of Health and Kshs.3.30 billion from the Road Maintenance Fuel Levy Fund disbursed by the Kenya Roads Board (KRB).

County Governments generated Kshs.35.02 billion in local revenue, which accounted for 69.3 per cent of the local revenue target for FY 2015/16, and an increase of 3.5 per cent from Kshs.33.85 billion generated in FY 2014/15. Analysis of the local revenue collected as a percentage of the annual target indicates that Nakuru, Kericho, Laikipia, Trans Nzoia and Baringo counties had the highest percentage of local revenue collected to annual local revenue target at 99.3 per cent, 98.7 per cent, 94.2 per cent, 93.8 per cent and 93.1 per cent respectively. On the other hand, Vihiga at 39.5 per cent, Siaya at 37.3 per cent, Kilifi at 36.9 per cent, Isiolo at 30.6 per cent, Tana River at 23.7 per cent and Garissa at 21.2 per cent had the lowest percentage of local revenue to annual target.

During the year the Counties accessed Kshs.303.47 billion from the County Revenue Funds (CRF), representing 82.6 per cent of the total Approved Budgets for FY 2015/16. These withdrawals consisted of Kshs.195.72 billion (64.5 per cent) for recurrent activities and Kshs.107.75 billion (35.5 per cent) for development expenditure.

The Counties spent a total of Kshs.295.30 billion which was 97.3 per cent of the total funds released for operations. This expenditure consisted of Kshs.191.85 billion for recurrent activities (65.0 per cent) and

Kshs.103.45 billion (35.0 per cent) for development activities. The aggregate expenditure represented 80.4 per cent of the annual Approved Budgets.

Counties that attained the highest aggregate absorption rates were Bomet, Wajir and Kiambu at 98.1 per cent, 93.9 per cent, 90.8 per cent and 90.1 per cent respectively. Embu, Vihiga, Kisumu and Makueni recorded the lowest absorption rates at 69.0 per cent, 68.9 per cent, 66.8 per cent and 58.3 per cent respectively.

Recurrent expenditure for the year amounted to Kshs.191.85 billion, representing 91.9 per cent of the approved recurrent budget and a decline from 92.4 per cent attained in the prior year. Further review of the recurrent expenditure indicates that the Counties incurred Kshs.118.65 billion (40.2 per cent) on personnel emoluments, and Kshs.73.20 billion (24.8 per) on operations and maintenance. Out of the Kshs.73.20 billion spent on operations and maintenance, Kshs.11.04 billion was on domestic and foreign travel, against an approved allocation of Kshs.12.83 billion, representing 86.0 per cent of the annual allocation and an increase of 20.7 per cent compared to Kshs.9.15 billion incurred in FY 2014/15. In addition, Counties spent Kshs.2.82 billion on MCAs' sitting allowances against an allocation of Kshs.3.45 billion, translating to of 81.6 per cent of the approved annual allocation and a decline by 2.4 per cent compared to Kshs.2.94 billion incurred in FY 2015/16.

With regard to development expenditure, the Counties incurred Kshs.103.45 billion translating to an absorption rate of **65.2 per cent** of the annual development budget, an improvement from **62.4 per cent** recorded in FY 2014/15.

Analysis of development expenditure indicated that Bomet, Mombasa, Wajir, Murang'a, Tana River and West Pokot Counties reported the highest absorption rates of development budgets at 94.6 per cent, 87.9 per cent, 85.1 per cent, 81.1 per cent, 80.4 per cent and 79.5 per cent respectively. The Counties that reported the lowest absorption rate were Machakos, Nakuru, Taita Taveta, Embu and Makueni at 44.6 per cent, 41.4 per cent, 41.1 per cent, 40.1 per cent and 31.7 per cent respectively.

The Office noted progress made by the Counties in addressing some of the challenges previously identified as affecting budget implementation. Some of the progress made included; (i) full adoption of the Integrated Financial Management Information System (IFMIS); (ii) establishment of County Budget and Economic Forums (CBEF); (iii) improvement in staff capacity, and (iv) improvement in the absorption of development funds. Despite the progress made, the Office identified the following challenges that continued to hamper effective budget implementation; (i) underperformance in local revenue collection, (ii) delays in approval of key budget documents, (iii) inadequate internal audit arrangements and Audit Committees, and (iv) late submission of financial reports which affected timely preparation of reports on budget execution.

In order to address the challenges, Counties should; (i) observe all budget timelines as stipulated in law with regard to the submission and approval of key planning documents in order to ensure smooth budgeting implementation, (ii) enhance local revenue collection mechanisms and strategies to achieve the targets, (iii) establish effective Internal Audit Committees in line with Section 155 of the PFM Act, 2012 and Regulation 167 of the PFM (County Governments) Regulations, 2015, and (iv) ensure timely preparation and submission of quarterly financial reports in line with Section 166(4) and 168(3) of the PFM Act, 2012.

KEY HIGHLIGHTS

Absorption Rate for FY 2015/16

KEY

OVERALL ABSORPTION RATES (%)

	0-10%
	10.1 - 20%
	20.1 - 30%
	30.1-40%
	40.1 -50%
	50.1 -60%
	60.1 -70%
	70.1 -80%
	80.1 -90%
	90.1 -100%



NOTE:

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

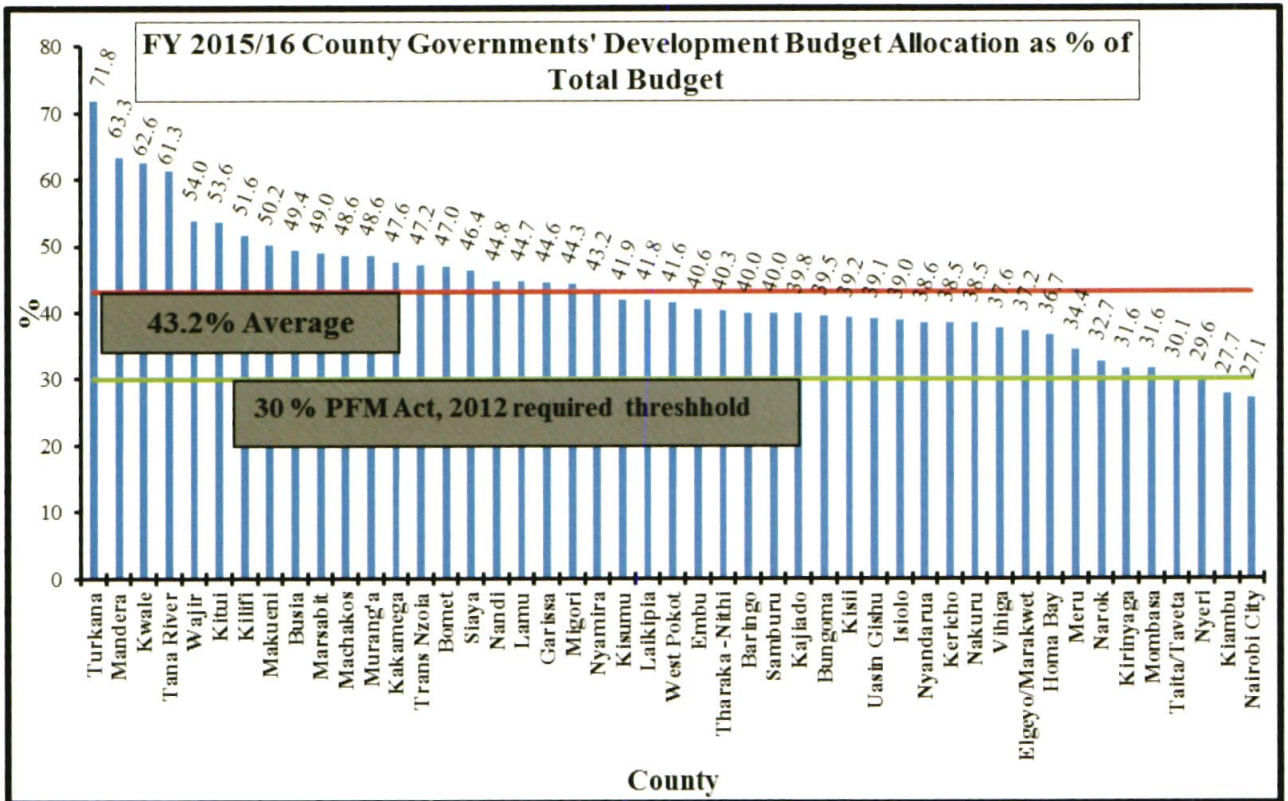
Source: [Office of The Controller of Budget]

FY 2015/16 County Governments' Approved Budget estimates

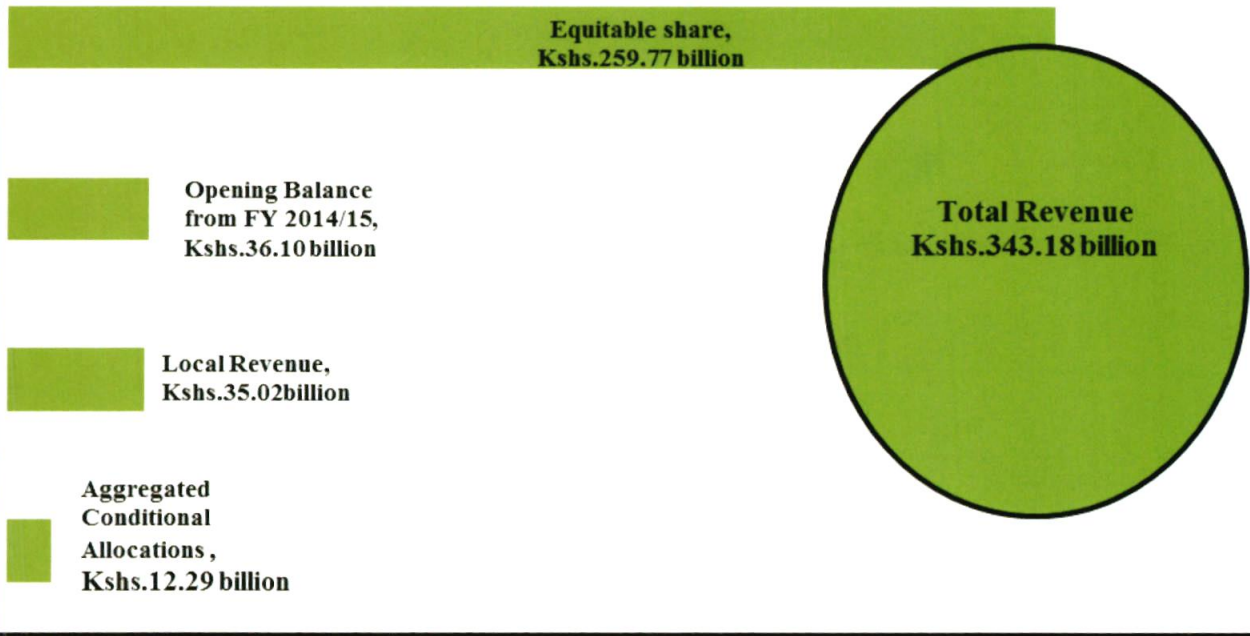
Development
Kshs.158.62 billion

Total Budget
Kshs.367.44
billion

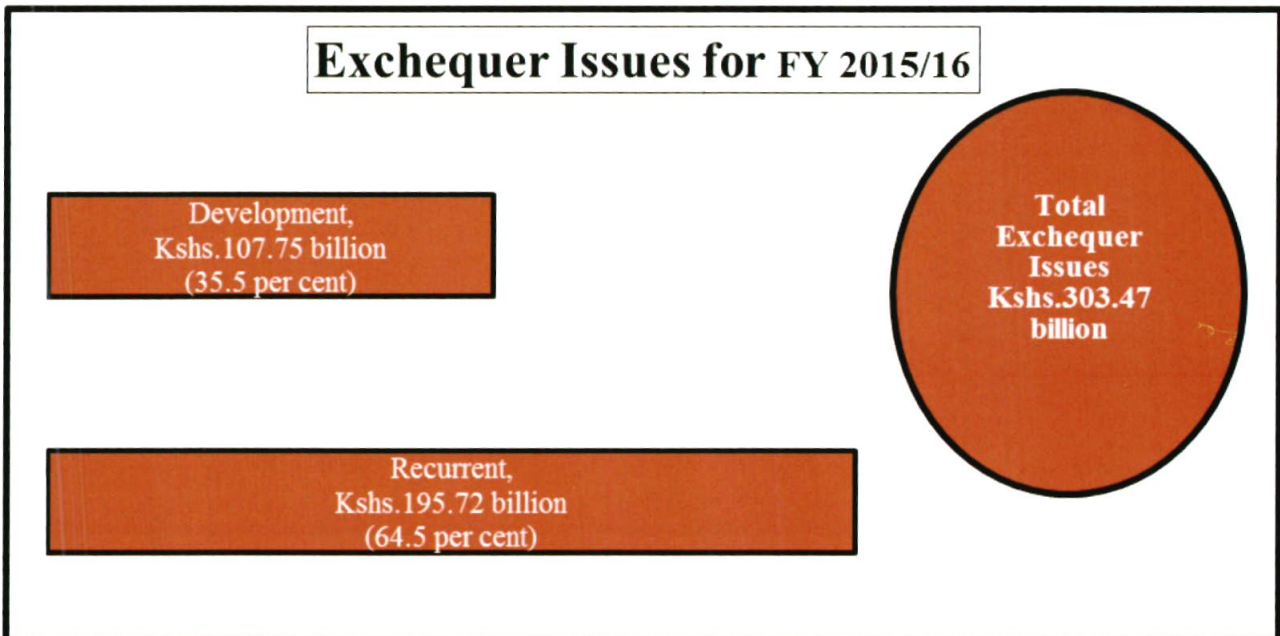
Recurrent
Kshs.208.82 billion



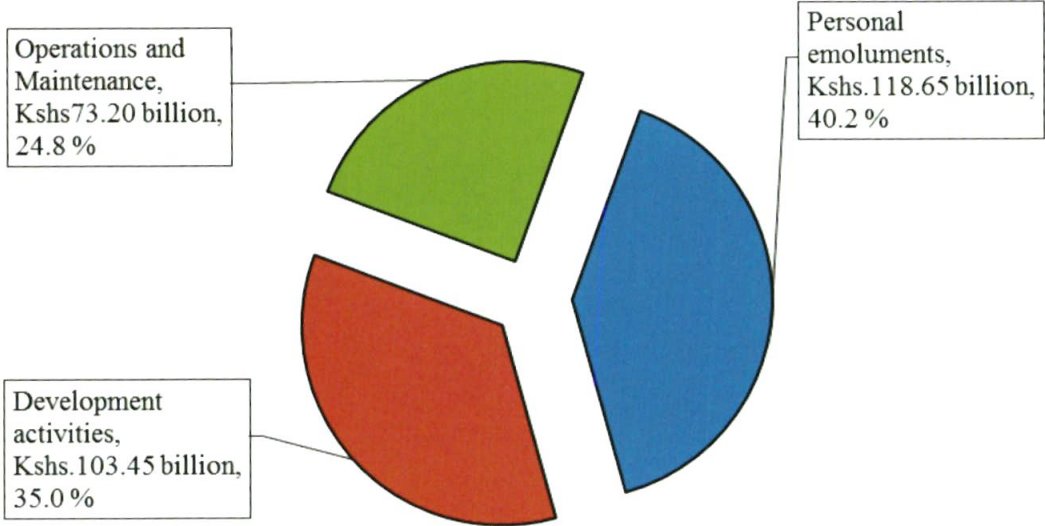
Total Revenue Available in FY 2015/16



Exchequer Issues for FY 2015/16



FY 2015/16 Expenditure by Economic Classification



1.0 INTRODUCTION

The Office noted the progress made by the Counties in addressing some of the challenges previously identified as affecting budget implementation. Some of the progress made included; (i) full adoption of the Integrated Financial Management Information System (IFMIS); (ii) establishment of County Budget and Economic Forums (CBEF); (iii) improvement in staff capacity, and (iv) improvement in the absorption of development funds. Despite the progress made, the Office identified the following challenges that continued to hamper effective budget implementation; (i) high expenditure on personnel emoluments, (ii) failure to establish and operationalize the County Budget and Economic Forum by some counties, (iii) late submission of financial reports, which affected timely preparation of reports on budget execution, (iv) delays in approval of key budget and planning documents, (v) underperformance in local revenue collection, (vi) inadequate internal audit arrangements and Audit Committees, (vii) huge pending bills, which negatively affect the business community, and (viii) failure by the National Treasury to disburse funds based on the approved cash disbursement schedule, which affected timely implementation of budgeted activities.

In order to address the challenges, Counties should; (i) ensure expenditure on personnel emoluments is contained at sustainable levels, (ii) establish and operationalize the County Budget and Economic Forums, (iii) ensure timely preparation and submission of quarterly financial reports in line with Section 166(4) and 168(3) of the PFM Act, 2012, (iv) observe budget timelines as stipulated in law with regard to the submission and approval of key planning documents in order to ensure smooth budgeting implementation, (v) formulate strategies to enhance local revenue collection, (vi) establish effective Internal Audit Committees in line with Section 155 of the PFM Act, 2012 and Regulation 167 of the PFM (County Governments) Regulations, 2015, and (vii) ensure effective management of pending bills by aligning procurement plans to cash flow projections. In addition, the National Treasury should disburse funds to Counties based on the cash disbursement schedule approved by the Senate to facilitate timely implementation of budgeted activities.

2.0 FINANCIAL ANALYSIS OF COUNTY BUDGET IMPLEMENTATION IN FY 2015/16

2.1 Introduction

This chapter presents the financial analysis of aggregated county budget implementation for the twelve months of FY 2015/16.

2.2 Revenue Analysis

In FY 2015/16, the combined County governments' budgets approved by the County Assemblies amounted to Kshs.367.44 billion. This comprised of Kshs.208.82 billion (56.8 per cent) allocated to recurrent expenditure and Kshs.158.62 billion (43.2 per cent) for development expenditure.

In order to finance the budgets, county governments expected to receive Kshs.259.77 billion as equitable share of revenue raised nationally, Kshs.27.27 billion as total conditional grants from the National Government and development partners, generate Kshs.50.54 billion from local sources, and utilize projected cash balance brought forward from FY 2014/15 of Kshs.36.10 billion. The conditional grants comprised of Kshs.4.50 billion for Leasing of Medical Equipment, Kshs.4.30 billion for Free Maternal Health Care, Kshs.3.60 billion for Level 5 Hospitals, Kshs.3.30 billion from the Road Maintenance Fuel Levy Fund, Kshs.900.0 million for compensation of User Fees Foregone, Kshs.844.71 million from DANIDA, Kshs.508.25 million from the World Bank, and Kshs.9.32 billion as Conditional Allocation-other loans and grants. All the conditional grants were contained in the County Allocation of Revenue Act (CARA), 2015.

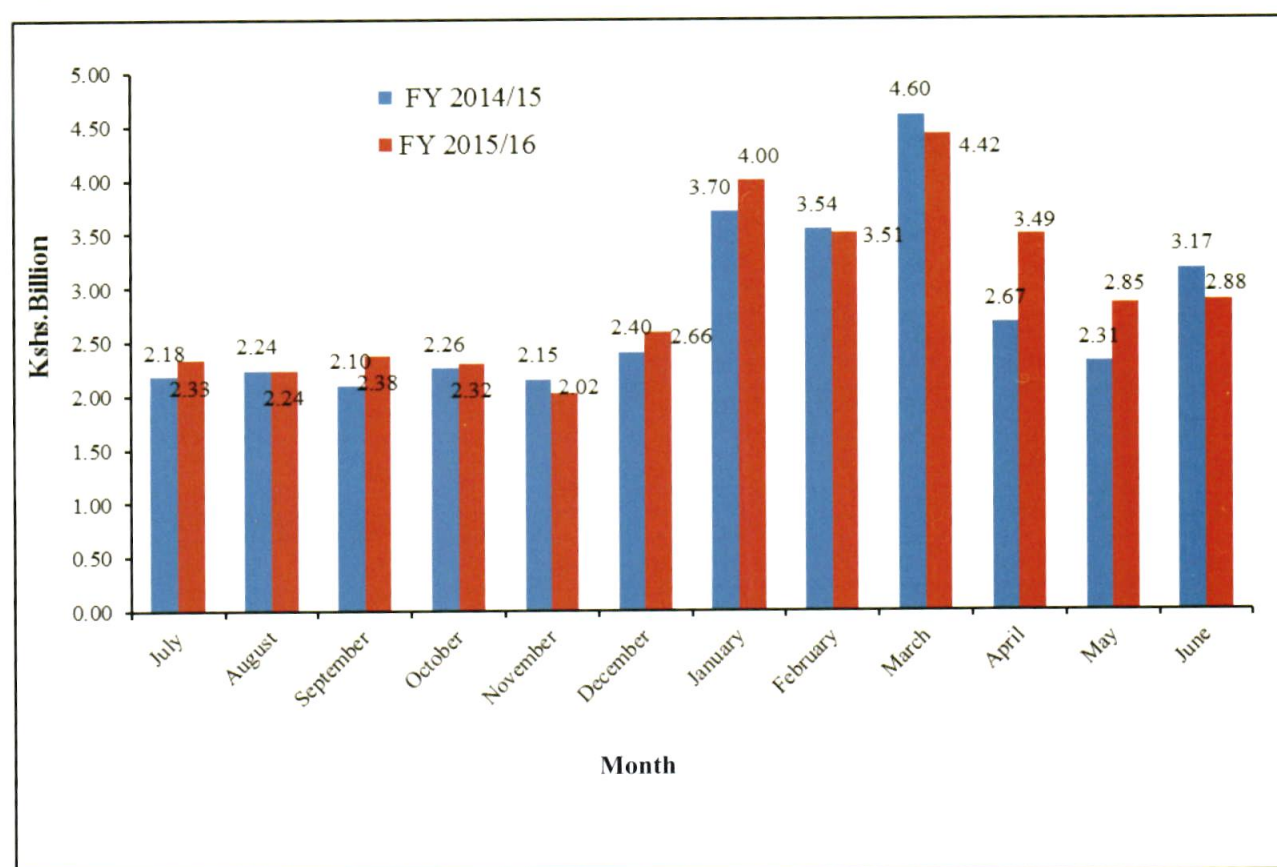
2.2.1 Revenue Out-turn

The total funds that were available to the County Governments in FY 2015/16 amounted to Kshs.343.18 billion. This amount consisted of Kshs.259.77 billion as equitable share of revenue, Kshs.3.60 billion as grant for Level 5 Hospitals, Kshs.663.66 million as a grant from DANIDA, Kshs.508.25 million grant from the World Bank, Kshs.3.32 billion for Free Maternal Health Care, Kshs.900 million as Compensation for User Fees Foregone, Kshs.3.3 billion from the Road Maintenance Fuel Levy Fund, Kshs.35.02 billion as revenue raised from local sources, and Kshs.36.10 billion as cash balance brought forward from FY 2014/15.

2.3 Locally Collected Revenue

The aggregate annual local revenue target for counties in FY 2015/16 is Kshs.50.54 billion. During the reporting period, county governments generated a total of Kshs.35.02 billion, which was 69.3 per cent of the annual target. This was an improvement compared to Kshs.33.85 billion (67.2 per cent of FY 2014/15 annual revenue target). The monthly local revenue collection in FY 2014/15 and FY 2015/16 is shown in Figure 2.1.

Figure 2.1: Monthly Local Revenue- FY 2014/15 and FY 2015/16 (Kshs. Billions)



Source: County Treasuries

The quarterly local revenue collection by county for the period July 2015-June 2016 is shown in Table 2.1

Table 2.1: Monthly local revenue collection for the period July 2015 – June 2016

County Title	Annual local revenue target FY2014/15 (Kshs.)	1st Quarter Local Revenue (Kshs.)	2nd Quarter Local Revenue (Kshs.)	3rd Quarter Local Revenue (Kshs.)	4th Quarter Local Revenue (Kshs.)	Total Local Revenue (Kshs.)	% of Local Revenue Against Annual Local Revenue Target
Baringo	300,000,000	77,326,161	52,357,215	72,750,071	76,883,756	279,317,203	93.1
Bomet	188,826,880	26,946,036	30,397,527	47,210,823	62,432,901	166,987,287	88.4
Bungoma	804,045,555	102,622,636	81,701,379	143,303,571	303,360,899	630,988,485	78.5
Busia	543,066,927	108,804,879	68,007,563	79,863,024	77,546,618	334,222,084	61.5
Elgeyo/ Marakwet	295,324,173	34,445,140	19,973,478	40,481,041	33,156,075	128,055,734	43.4
Embu	630,762,379	92,648,987	71,741,351	142,044,601	90,090,673	396,525,612	62.9
Garissa	500,000,000	24,763,118	20,839,300	32,271,143	28,070,114	105,943,675	21.2
HomaBay	202,733,667	43,487,781	39,896,821	55,039,062	45,341,741	183,765,405	90.6
Isiolo	360,000,000	36,095,279	20,456,913	28,470,140	25,085,840	110,108,172	30.6
Kajiado	1,232,330,387	140,745,739	113,341,248	208,677,100	188,220,891	650,984,978	52.8
Kakamega	1,000,000,000	110,227,243	107,367,607	143,274,350	143,369,092	504,238,292	50.4
Kericho	440,000,000	43,727,216	71,558,863	133,842,077	185,276,407	434,404,563	98.7
Kiambu	3,308,126,323	437,588,339	536,460,761	841,295,319	646,007,095	2,461,351,513	74.4

County Title	Annual local revenue target FY2014/15 (Kshs.)	1st Quarter Local Revenue (Kshs.)	2nd Quarter Local Revenue (Kshs.)	3rd Quarter Local Revenue (Kshs.)	4th Quarter Local Revenue (Kshs.)	Total Local Revenue (Kshs.)	% of Local Revenue Against Annual Local Revenue Target
Kilifi	1,407,318,463	73,395,750	95,594,730	242,203,518	107,881,627	519,075,625	36.9
Kirinyaga	500,000,000	65,048,128	53,019,014	164,158,069	108,151,929	390,377,140	78.1
Kisii	700,000,000	57,786,966	47,069,610	109,163,996	92,109,066	306,129,638	43.7
Kisumu	1,868,587,023	207,997,080	198,799,796	340,160,548	231,931,837	978,889,261	52.4
Kitui	608,200,000	94,842,117	60,185,125	156,402,737	104,758,749	416,188,728	68.4
Kwale	300,000,000	40,649,387	49,333,479	87,598,501	71,036,219	248,617,586	82.9
Laikipia	500,000,000	136,770,714	94,247,781	159,930,856	80,198,636	471,147,987	94.2
Lamu	107,000,000	10,905,995	10,150,163	25,626,832	10,641,410	57,324,400	53.6
Machakos	2,371,633,578	201,681,606	196,598,418	397,410,231	325,990,695	1,121,680,950	47.3
Makueni	400,000,000	40,295,311	46,962,142	63,875,062	62,038,290	213,170,805	53.3
Mandera	199,237,816	28,243,029	19,678,592	21,346,195	18,966,818	88,234,634	44.3
Marsabit	130,000,000	26,443,448	27,574,164	30,604,207	27,321,386	111,943,205	86.1
Meru	595,273,355	109,690,341	81,974,085	162,903,172	193,721,736	548,289,334	92.1
Migori	400,000,000	86,868,486	64,691,276	87,605,182	100,204,024	339,368,968	84.8
Mombasa	4,051,754,938	384,169,600	353,015,653	845,805,097	1,360,530,336	2,943,520,686	72.6
Murang'a	850,000,000	109,730,737	110,441,067	230,649,879	166,704,676	617,526,359	72.7
NairobiCity	15,289,917,527	2,228,013,602	2,737,765,625	4,655,878,689	2,088,350,384	11,710,008,300	76.6
Nakuru	2,312,257,727	436,180,425	394,181,295	691,840,301	773,260,821	2,295,462,842	99.3
Nandi	357,895,800	47,122,753	56,648,451	53,612,994	79,514,403	236,898,601	66.2
Narok	2,344,032,789	617,197,084	418,511,793	367,489,625	349,739,450	1,752,937,952	74.8
Nyamira	240,958,912	25,251,964	17,111,231	37,251,933	27,366,841	106,981,969	44.4
Nyandarua	392,000,000	49,124,850	38,518,284	102,438,603	89,144,449	279,226,186	71.2
Nyeri	1,082,000,000	144,725,321	132,487,114	216,776,000	215,566,000	709,554,435	65.6
Samburu	356,585,640	50,662,800	34,173,818	37,035,574	44,963,942	166,836,134	46.8
Siaya	343,309,926	29,169,787	23,247,342	42,382,381	33,132,257	127,931,767	37.3
Taita/Taveta	352,805,992	44,719,164	27,211,790	44,901,317	55,933,235	172,765,506	49.0
TanaRiver	120,000,000	3,384,957	7,542,537	7,037,461	10,440,126	28,405,081	23.7
Tharaka-Nithi	248,050,000	36,683,313	22,887,305	31,451,315	48,108,150	139,130,083	56.1
TransNzoia	389,026,513	50,986,745	40,627,795	144,354,784	129,000,711	364,970,035	93.8
Turkana	200,000,000	10,206,290	40,266,468	34,124,845	49,418,362	134,015,965	67.0
UasinGishu	1,037,217,425	144,887,625	109,831,736	292,018,961	172,304,003	719,042,325	69.3
Vihiga	352,158,881	34,892,381	27,382,900	32,904,000	43,759,000	138,938,281	39.5
Wajir	150,000,000	22,318,990	19,608,400	21,042,265	18,812,620	81,782,275	54.5
WestPokot	177,308,244	21,651,350	25,578,491	28,924,842	22,150,431	98,305,114	55.4
Total	50,539,446	6,951,126,649	6,917,017,496	11,935,432,294	9,217,994,719	35,021,571,159	69.3

Source: County Treasuries

Analysis of local revenue as a proportion of the annual revenue target indicates that Nakuru County attained the highest proportion at 99.3 per cent followed by Kericho and Laikipia at 98.7 per cent and 94.2 per cent respectively. Conversely, counties that recorded the lowest proportion of local revenue against annual targets were Isiolo at 30.6 per cent, Tana River at 23.7 per cent and Garissa at 21.2 per cent.

2.4 Funds Released to the Counties

2.4.1 Funds released to Counties from the Consolidated Fund

In FY 2015/16, the Controller of Budget (COB) approved transfer of Kshs.264.04 billion from the Consolidated Fund to the various County Revenue Funds (CRFs) in accordance with Article 206 (4) of the Constitution. The transfers were as follows; Kshs.259.77 billion as equitable share of revenue raised nationally; Kshs.3.60 billion as conditional allocations from the National Government to Level 5 Hospitals, and Kshs.663.66 million as conditional grant from DANIDA to supplement financing of county health facilities.

2.4.2 Conditional grants disbursed to Counties' operational accounts

During the same period, Counties received additional conditional grants from the National Government as follows; Kshs.3.32 billion as conditional allocations for Free Maternal Health Care from the Ministry of Health, Kshs.900 million for Compensation of User Fees Forgone from the Ministry of Health and Kshs.3.30 billion as a conditional allocation from the Road Maintenance Fuel Levy Fund from the Kenya Roads Board. Further, county governments received Kshs.508.25 million from the World Bank as a loan to supplement financing of County health facilities.

2.4.3 Funds Released to the County Operational Accounts

The COB authorised withdrawals of Kshs.303.47 billion from the County Revenue Funds to County Operational Accounts of the County Governments. The transfers comprised of Kshs.195.72 billion (64.5 per cent) for recurrent expenditure and Kshs.107.75 billion (35.5 per cent) for development expenditure.

From the Kshs.195.72 billion released for recurrent activities, Kshs.168.41 billion was released to the County Executive and Kshs.27.31 billion to the County Assemblies. On the other hand, out of Kshs.107.75 billion released towards development activities, the County Executive and the County Assemblies received Kshs.105.07 billion and Kshs.2.68 billion respectively.

The exchequer issues to the County Assembly and the County Executive in FY 2015/16 are shown in Table 2.2.

Table 2.2: The exchequer issues to the County Assembly and the County Executive for FY 2015/16

County	Exchequer Releases from CRF to County Operations Accounts, FY 2015/16 (Kshs. Million)								
	COUNTY ASSEMBLY			COUNTY EXECUTIVE			COMBINED EXCHEQUER ISSUES		
	Rec (Kshs)	Dev (Kshs)	Total	Rec (Kshs)	Dev (Kshs)	Total	Rec (Kshs)	Dev (Kshs)	Total
	A	B	C=A+B	D	E	F=D+E	G=A+D	H=B+E	I=G+H
Baringo	512.59	37.00	549.59	3,027.13	1,559.45	4,586.59	3,539.72	1,596.45	5,136.18
Bomet	488.50	10.00	498.50	2,243.56	2,320.39	4,563.95	2,732.06	2,330.39	5,062.44
Bungoma	677.36	43.39	720.75	4,840.83	2,956.22	7,797.05	5,518.20	2,999.61	8,517.81
Busia	649.00	128.66	777.66	2,987.88	2,742.79	5,730.67	3,636.88	2,871.45	6,508.32
Elgeyo/Marakwet	389.47	30.00	419.47	1,970.97	851.11	2,822.07	2,360.44	881.11	3,241.55
Embu	484.31	35.00	519.31	2,726.28	930.64	3,656.92	3,210.59	965.64	4,176.23
Garissa	657.50	-	657.50	3,288.00	2,600.90	5,888.90	3,945.50	2,600.90	6,546.40
Homa Bay	846.12	70.00	916.12	3,308.68	2,244.60	5,553.28	4,154.80	2,314.60	6,469.40

Exchequer Releases from CRF to County Operations Accounts, FY 2015/16 (Kshs. Million)									
County	COUNTY ASSEMBLY			COUNTY EXECUTIVE			COMBINED EXCHEQUER ISSUES		
	Rec (Kshs)	Dev (Kshs)	Total	Rec (Kshs)	Dev (Kshs)	Total	Rec (Kshs)	Dev (Kshs)	Total
	A	B	C=A+B	D	E	F=D+E	G=A+D	H=B+E	I=G+H
Isiolo	329.10	65.00	394.10	1,810.90	1,055.00	2,865.90	2,140.00	1,120.00	3,260.00
Kajiado	544.12	74.52	618.64	3,565.39	1,493.01	5,058.40	4,109.51	1,567.53	5,677.03
Kakamega	752.05	-	752.05	5,629.20	5,172.82	10,802.01	6,381.25	5,172.82	11,554.07
Kericho	516.97	-	516.97	2,693.59	1,804.72	4,498.31	3,210.56	1,804.72	5,015.28
Kiambu	827.46	44.00	871.46	7,348.01	2,358.92	9,706.93	8,175.47	2,402.92	10,578.39
Kilifi	802.82	220.00	1,022.82	4,763.54	3,638.17	8,401.71	5,566.37	3,858.17	9,424.53
Kirinyaga	477.25	10.00	487.25	2,635.03	1,120.50	3,755.53	3,112.29	1,130.50	4,242.79
Kisii	685.65	-	685.65	4,714.28	2,548.23	7,262.51	5,399.93	2,548.23	7,948.16
Kisumu	533.82	-	533.82	5,065.48	1,904.56	6,970.04	5,599.30	1,904.56	7,503.86
Kitui	626.40	147.65	774.04	3,948.09	3,398.83	7,346.92	4,574.48	3,546.48	8,120.96
Kwale	492.66	335.00	827.66	2,353.33	3,094.54	5,447.87	2,846.00	3,429.54	6,275.53
Laikipia	380.49	31.07	411.56	2,460.76	1,256.62	3,717.38	2,841.25	1,287.69	4,128.94
Lamu	344.52	31.46	375.98	1,367.81	738.79	2,106.60	1,712.33	770.25	2,482.58
Machakos	802.16	72.64	874.80	5,159.17	2,467.13	7,626.31	5,961.33	2,539.77	8,501.10
Makueni	611.87	92.37	704.23	3,625.60	1,473.13	5,098.73	4,237.47	1,565.49	5,802.96
Mandera	603.98	83.75	687.73	3,511.55	5,367.56	8,879.11	4,115.53	5,451.31	9,566.84
Marsabit	460.59	-	460.59	2,575.46	2,732.60	5,308.06	3,036.05	2,732.60	5,768.65
Meru	771.94	84.55	856.49	3,776.66	2,023.17	5,799.83	4,548.60	2,107.72	6,656.32
Migori	674.90	100.85	775.75	3,307.10	2,404.15	5,711.25	3,982.00	2,505.00	6,487.00
Mombasa	500.00	-	500.00	5,452.75	2,455.08	7,907.83	5,952.75	2,455.08	8,407.83
Murang'a	441.84	35.00	476.84	2,945.81	2,735.04	5,680.84	3,387.65	2,770.04	6,157.69
Nairobi City	1,184.50	115.00	1,299.50	14,103.76	120.00	14,223.76	15,288.26	235.00	15,523.26
Nakuru	743.38	11.63	755.01	7,004.03	2,527.66	9,531.69	7,747.41	2,539.29	10,286.70
Nandi	519.54	28.00	547.54	2,500.68	1,949.33	4,450.01	3,020.22	1,977.33	4,997.55
Narok	590.50	52.00	642.50	4,541.03	2,060.65	6,601.68	5,131.53	2,112.65	7,244.18
Nyamira	428.74	-	428.74	2,664.52	1,401.21	4,065.74	3,093.26	1,401.21	4,494.47
Nyandarua	592.54	103.00	695.54	2,680.48	1,704.84	4,385.33	3,273.03	1,807.84	5,080.87
Nyeri	547.54	55.00	602.54	3,818.92	1,265.93	5,084.85	4,366.46	1,320.93	5,687.39
Samburu	431.76	40.00	471.76	2,238.50	1,283.04	3,521.54	2,670.26	1,323.04	3,993.30
Siaya	582.03	73.89	655.92	2,889.78	1,893.11	4,782.88	3,471.81	1,967.00	5,438.81
Taita/Taveta	526.40	7.00	533.40	2,210.41	812.92	3,023.34	2,736.81	819.92	3,556.74
Tana River	413.20	97.79	510.99	1,344.08	2,352.48	3,696.56	1,757.28	2,450.27	4,207.55
Tharaka - Nithi	329.46	-	329.46	1,832.43	1,337.99	3,170.41	2,161.89	1,337.99	3,499.87
Trans Nzoia	498.25	-	498.25	2,745.99	2,645.59	5,391.58	3,244.24	2,645.59	5,889.83
Turkana	977.90	155.98	1,133.88	3,152.20	7,277.90	10,430.10	4,130.10	7,433.88	11,563.98
Uasin Gishu	478.38	28.71	507.10	3,841.73	2,184.51	6,026.24	4,320.12	2,213.23	6,533.34
Vihiga	623.92	50.00	673.92	2,029.69	1,141.48	3,171.17	2,653.60	1,191.48	3,845.08
Wajir	560.33	-	560.33	3,297.02	3,982.31	7,279.33	3,857.35	3,982.31	7,839.65
West Pokot	400.05	80.00	480.05	2,410.21	1,682.24	4,092.45	2,810.26	1,762.24	4,572.50
Total	27,313.86	2,679.91	29,993.77	168,408.32	105,071.84	273,480.15	195,722.17	107,751.75	303,473.93

Source: County Treasuries and OCOB

The Nairobi City County received the highest amount of funds from its CRF account to its operational accounts at Kshs.15.52 billion followed by Turkana County and Kakamega County at Kshs.11.56 billion and Kshs.11.55 billion respectively. The Counties that received the lowest amounts were; Isiolo at Kshs.3.26

billion, Elgeyo Marakwet at Kshs.3.24 billion and Lamu at Kshs.2.48 billion.

From the funds released for recurrent activities, the Nairobi City County, Kiambu County and Nakuru County received the highest amounts at Kshs.15.29 billion, Kshs.8.18 billion and Kshs.7.75 billion respectively. Conversely, Isiolo, Tana River, and Lamu Counties received the lowest amounts at Kshs.2.14 billion, Kshs.1.78 billion, Kshs.1.71 billion respectively.

The funds released for development activities indicate that Turkana County, Mandera County, and Kakamega County received the highest amount at Kshs.7.43 billion, Kshs.5.45 billion and Kshs.5.17 billion respectively. Counties that received the least amount for development expenditure were Taita Taveta at Kshs.819.92 million, Lamu at Kshs.770.25 million and Nairobi City at Kshs.235 million.

2.5 Expenditure Analysis

The total expenditure by County governments in FY 2015/16 was Kshs.295.29 billion representing an absorption rate of 80.4 per cent of the total annual County Government's Budgets. This was an increase from an absorption rate of 79.1 per cent attained in FY 2014/15 where total expenditure was Kshs.258.00 billion.

Recurrent expenditure was Kshs.191.85 billion, representing 91.9 per cent of the annual recurrent budget, and a decline from 92.4 per cent reported in FY 2014/15. Development expenditure amounted to Kshs.103.45 billion, representing an absorption rate of 65.2 per cent, and a increase from 62.4 per cent attained in FY 2014/15 where total development expenditure was Kshs.90.44 billion. The analysis of expenditure by economic classification in FY 2015/16 is provided in Table 2.3

Table 2.3: Expenditure by Economic Classification - FY 2015/16

County Title	Personnel Emoluments (Kshs.)	Operations & Maintenance (Kshs.)	Development Expenditure (Kshs.)	Total Expenditure (Kshs.)
	A	B	C	D=A+B+C
Baringo	2,252,071,989	1,163,410,677	1,273,081,880	4,688,564,546
Bomet	2,044,617,591	725,340,621	2,300,871,805	5,070,830,017
Bungoma	2,896,192,577	2,355,704,947	3,022,900,675	8,274,798,199
Busia	2,262,810,177	1,143,961,002	2,487,212,655	5,896,983,834
Elgeyo/Marakwet	1,794,447,050	480,132,737	653,943,787	2,928,523,574
Embu	2,333,814,879	691,030,402	932,312,229	3,957,157,510
Garissa	2,270,350,000	1,675,150,057	2,600,898,400	6,546,398,457
Homa Bay	2,582,898,378	1,290,112,830	1,903,111,265	5,776,122,473
Isiolo	1,373,834,426	753,656,446	1,118,639,889	3,246,130,761
Kajiado	1,794,790,104	1,800,919,239	1,544,660,489	5,140,369,832
Kakamega	3,739,850,039	1,865,910,595	4,246,534,146	9,852,294,780
Kericho	1,998,908,058	1,136,869,113	1,676,540,655	4,812,317,826
Kiambu	4,748,517,349	3,413,111,295	2,265,666,144	10,427,294,788
Kilifi	2,483,630,650	2,259,871,825	3,725,865,230	8,469,367,704
Kirinyaga	2,045,322,183	1,030,138,862	1,065,088,449	4,140,549,494
Kisii	3,564,678,554	1,835,060,877	2,540,709,617	7,940,449,048

County Title	Personnel Emoluments (Kshs.)	Operations & Maintenance (Kshs.)	Development Expenditure (Kshs.)	Total Expenditure (Kshs.)
	A	B	C	D=A+B+C
Kisumu	3,286,388,028	1,324,899,748	1,828,675,029	6,439,962,805
Kitui	2,555,923,090	1,542,777,818	3,771,923,767	7,870,624,675
Kwale	1,554,626,265	989,016,514	3,257,626,329	5,801,269,109
Laikipia	2,045,465,831	631,095,755	1,317,552,577	3,994,114,163
Lamu	822,051,625	766,848,741	916,557,181	2,505,457,547
Machakos	3,832,524,480	1,956,168,010	2,539,961,390	8,328,653,880
Makueni	2,184,415,983	1,816,838,026	1,504,471,970	5,505,725,979
Mandera	1,711,158,822	2,390,598,157	5,450,703,354	9,552,460,333
Marsabit	1,221,304,681	1,821,493,635	2,235,943,669	5,278,741,985
Meru	3,224,233,503	1,325,995,738	1,661,347,442	6,211,576,683
Migori	2,149,768,244	1,570,540,391	2,152,726,435	5,873,035,070
Mombasa	3,999,944,615	1,770,494,281	2,774,605,252	8,545,044,148
Murang'a	2,416,726,112	910,864,899	2,719,226,574	6,046,817,585
Nairobi City	13,471,932,400	6,312,934,809	4,166,156,458	23,951,023,667
Nakuru	4,796,552,740	3,358,169,212	2,230,888,129	10,385,610,081
Nandi	1,751,806,945	1,267,851,780	1,974,922,717	4,994,581,442
Narok	2,611,254,909	2,519,050,034	2,108,603,999	7,238,908,942
Nyamira	1,852,727,649	1,180,811,663	1,284,145,896	4,317,685,208
Nyandarua	1,688,263,999	1,506,869,922	1,679,717,342	4,874,851,263
Nyeri	2,613,391,228	1,190,787,424	1,161,269,008	4,965,447,660
Samburu	1,259,743,968	1,243,255,935	1,156,640,194	3,659,640,097
Siaya	1,682,079,805	1,416,130,837	1,835,091,255	4,933,301,897
Taita/Taveta	1,758,163,707	1,190,502,773	513,559,982	3,462,226,462
Tana River	866,183,302	748,399,530	2,250,439,824	3,865,022,656
Tharaka -Nithi	1,448,356,412	456,944,341	790,938,082	2,696,238,835
Trans Nzoia	1,843,550,993	1,699,982,050	1,789,797,093	5,333,330,136
Turkana	2,276,961,651	1,450,084,455	6,432,916,144	10,159,962,250
Uasin Gishu	2,412,171,214	1,579,301,549	2,220,829,644	6,212,302,407
Vihiga	1,452,166,288	585,803,606	970,277,490	3,008,247,384
Wajir	2,179,996,284	1,786,706,123	3,800,349,012	7,767,051,419
West Pokot	1,489,362,887	1,265,941,494	1,595,298,352	4,350,602,733
Total	118,648,931,665	73,197,540,914	103,451,198,904	295,297,671,344

Source: OCOB and County Treasuries

The Counties that attained the highest expenditure in absolute terms were; Nairobi City at Kshs.23.95 billion, Kiambu at Kshs.10.43 billion, Nakuru at Kshs.10.39 billion and Turkana at Kshs.10.16 billion. The lowest



expenditure was recorded by Vihiga, Elgeyo Marakwet, Tharaka Nithi, and Lamu counties at Kshs.3.00 billion, Kshs.2.93 billion, Kshs.2.70 billion, and Kshs.2.51 billion respectively.

Analysis of expenditure as a percentage of the funds released indicates that the following counties attained the highest percentage of expenditure to total funds released: - Nairobi City at 154.3 per cent, Mombasa at 101.6 per cent, Nakuru at 101.0 per cent, and Lamu at 100.9 per cent. These counties spent more than the total approved exchequer releases by COB and may be attributed to use of locally generated revenue at source, which contravenes the Constitution. The Counties that had the least percentages of expenditure to funds released included; Kisumu at 85.8 per cent, Kakamega at 85.3 per cent, Vihiga at 78.2 per cent and Tharaka Nithi at 77.0 per cent.

Counties that recorded the highest overall absorption rates were Bomet at 98.1 per cent, Wajr at 93.9 per cent, Kiambu at 90.8 per cent, and West Pokot at 90.1 per cent. Conversely, Embu, Vihiga, Kisumu, and Makueni Counties recorded the lowest overall absorption rates at 69.0 per cent, 68.9 per cent, 66.8 per cent and 58.3 per cent respectively. Overall absorption rate is a percentage of total expenditure to the Approved County Budget.

A review of cumulative expenditure by economic classification showed that Kshs.118.65 billion (40.2 per cent) was spent on personnel emoluments, Kshs.73.17 billion (24.8 per cent) on operations and maintenance, and Kshs.103.45 billion (35.0 per cent of the total expenditure) on development expenditure.

2.5.1 Development Expenditure

The County governments spent Kshs.103.45 billion on development activities, representing an absorption rate of **65.2 per cent** of the annual development budget, which is an increase from **62.4 per cent**, reported in FY 2014/15 where development expenditure was Kshs.90.44 billion.

Analysis of county budgets and expenditure in FY 2015/16 is provided in Table 2.4.

Table 2.4: County budget allocation, expenditure and absorption rate for FY 2015/16

County	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	3,540.88	2,360.89	5,901.78	3,415.48	1,273.08	4,688.56	96.5	53.9	79.4
Bomet	2,738.27	2,432.69	5,170.96	2,769.96	2,300.87	5,070.83	101.2	94.6	98.1
Bungoma	6,080.00	3,973.69	10,053.70	5,251.90	3,022.90	8,274.80	86.4	76.1	82.3
Busia	3,697.00	3,603.61	7,300.61	3,409.77	2,487.21	5,865.76	92.2	69.0	80.3
Elgeyo/ Marakwet	2,417.07	1,433.24	3,850.30	2,274.58	653.94	2,928.52	94.1	45.6	76.1
Embu	3,407.19	2,325.15	5,732.35	3,024.85	932.31	3,957.16	88.8	40.1	69.0
Garissa	4,101.55	3,300.74	7,402.29	3,945.50	2,600.90	6,546.40	96.2	78.8	88.4
Homa Bay	4,144.99	2,406.56	6,551.54	3,873.01	1,903.11	5,776.12	93.4	79.1	88.2
Isiolo	2,279.09	1,456.27	3,735.36	2,127.49	1,118.64	3,246.13	93.3	76.8	86.9

County	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			
Kajiado	4,109.76	2,717.77	6,827.53	3,595.71	1,544.66	5,140.37	87.5	56.8	75.3
Kakamega	6,446.74	5,865.71	12,312.45	5,605.76	4,246.53	9,852.29	87.0	72.4	80.0
Kericho	3,423.27	2,146.89	5,570.16	3,135.78	1,676.54	4,812.32	91.6	78.1	86.4
Kiambu	8,298.07	3,182.86	11,480.94	8,161.63	2,265.67	10,427.29	98.4	71.2	90.8
Kilifi	5,572.34	5,947.85	11,520.19	4,743.50	3,725.87	8,469.37	85.1	62.6	73.5
Kirinyaga	3,266.19	1,511.30	4,777.49	3,075.46	1,065.09	4,140.55	94.2	70.5	86.7
Kisii	5,578.92	3,601.15	9,180.08	5,399.74	2,540.71	7,940.45	96.8	70.6	86.5
Kisumu	5,603.95	4,033.67	9,637.62	4,611.29	1,828.68	6,439.96	82.3	45.3	66.8
Kitui	4,691.76	5,422.59	10,114.35	4,098.70	3,771.92	7,870.62	87.4	69.6	77.8
Kwale	2,846.00	4,765.48	7,611.48	2,543.64	3,257.63	5,801.27	89.4	68.4	76.2
Laikipia	3,015.24	2,169.14	5,184.38	2,676.56	1,317.55	3,994.11	88.8	60.7	77.0
Lamu	1,757.12	1,423.11	3,180.23	1,588.90	916.56	2,505.46	90.4	64.4	78.8
Machakos	6,018.20	5,699.97	11,718.17	5,788.69	2,539.96	8,328.65	96.2	44.6	71.1
Makueni	4,704.41	4,745.52	9,449.93	4,001.25	1,504.47	5,505.73	85.1	31.7	58.3
Mandera	4,216.87	7,284.54	11,501.42	4,101.76	5,450.70	9,552.46	97.3	74.8	83.1
Marsabit	3,201.67	3,075.28	6,276.95	3,042.80	2,235.94	5,278.74	95.0	72.7	84.1
Meru	5,397.15	2,825.87	8,223.02	4,550.23	1,661.35	6,211.58	84.3	58.8	75.5
Migori	4,046.38	3,222.98	7,269.37	3,720.31	2,152.73	5,873.04	91.9	66.8	80.8
Mombasa	6,823.18	3,155.60	9,978.79	5,770.44	2,774.61	8,545.04	84.6	87.9	85.6
Murang'a	3,548.44	3,351.84	6,900.28	3,327.59	2,719.23	6,046.82	93.8	81.1	87.6
Nairobi City	21,209.40	7,878.67	29,088.07	19,784.87	4,166.16	23,951.02	93.3	52.9	82.3
Nakuru	8,601.58	5,383.42	13,985.00	8,154.72	2,230.89	10,385.61	94.8	41.4	74.3
Nandi	3,147.43	2,552.57	5,700.00	3,019.66	1,974.92	4,994.58	95.9	77.4	87.6
Narok	5,588.97	2,718.01	8,306.98	5,130.30	2,108.60	7,238.91	91.8	77.6	87.1
Nyamira	3,093.26	2,357.30	5,450.56	3,033.54	1,284.15	4,317.69	98.1	54.5	79.2
Nyandarua	3,437.91	2,159.15	5,597.06	3,195.13	1,679.72	4,874.85	92.9	77.8	87.1
Nyeri	4,419.61	1,857.94	6,277.55	3,804.18	1,161.27	4,965.45	86.1	62.5	79.1
Samburu	2,670.26	1,778.65	4,448.91	2,503.00	1,156.64	3,659.64	93.7	65.0	82.3
Siaya	3,724.24	3,222.08	6,946.33	3,098.21	1,835.09	4,933.30	83.2	57.0	71.0
Taita/ Taveta	2,906.68	1,249.09	4,155.77	2,948.67	513.56	3,462.23	101.4	41.1	83.3
Tana River	1,767.69	2,799.20	4,566.89	1,614.58	2,250.44	3,865.02	91.3	80.4	84.6
Tharaka -Nithi	2,276.88	1,538.87	3,815.75	1,905.30	790.94	2,696.24	83.7	51.4	70.7

County	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			
Trans Nzoia	3,246.98	2,907.89	6,154.87	3,543.53	1,789.80	5,333.33	109.1	61.5	86.7
Turkana	3,810.69	9,707.43	13,518.11	3,757.05	6,402.92	10,159.96	98.6	66.0	75.2
Uasin Gishu	4,589.73	2,952.89	7,542.63	3,991.47	2,220.83	6,212.30	87.0	75.2	82.4
Vihiga	2,726.18	1,641.58	4,367.76	2,037.97	970.28	3,008.25	74.8	59.1	68.9
Wajir	3,809.52	4,463.28	8,272.80	3,966.70	3,800.35	7,767.05	104.1	85.1	93.9
West Pokot	2,823.03	2,007.46	4,830.49	2,755.30	1,595.30	4,350.60	97.6	79.5	90.1
Total	208,821.75	158,617.45	367,439.20	191,876.25	103,421.20	295,297.45	91.9	65.2	80.4

Source: OCOB and County Treasuries

Analysis of development expenditure as a proportion of approved annual development budget shows that Bomet, Mombasa and Wajir Counties attained the highest absorption rate at 94.6 per cent, 87.9 per cent and 85.1 per cent respectively. Taita Taveta County, Embu County and Makueni County reported the lowest absorption rate of their development budget at 41.1 per cent, 40.1 per cent and 31.7 per cent respectively. A detailed analysis of development projects undertaken by counties is provided in chapter three under each County.

2.5.2 Recurrent Expenditure

The Counties spent an aggregate of Kshs.191.85 billion or 65.0 per cent of the total expenditure on recurrent activities. This expenditure represents 91.9 per cent of the annual county government's budget for recurrent activities, and a decline from 92.4 per cent recorded in FY 2014/15 where expenditure stood at Kshs.167.56 billion.

Analysis of recurrent expenditure indicates that Trans Nzoia County attained the highest percentage of recurrent expenditure to its annual recurrent budget at 109.1 per cent, followed by Wajir County at 104.1 per cent, Taita Taveta at 101.4 per cent, and Bomet County at 101.2 per cent. Tharaka Nithi County, Siaya County, Kisumu County and Vihiga County recorded the lowest proportion of recurrent expenditure to annual recurrent budget at 83.7 per cent, 83.2 per cent, 82.3 per cent and 74.8 per cent respectively.

2.5.3 Personnel Emoluments

In the period July, 2015 to June, 2016, County Governments spent Kshs.118.65 billion on personnel emoluments, representing 61.9 per cent of the total recurrent expenditure and 40.2 per cent of total expenditure. This expenditure was an increase from Kshs.103.1 billion spent in FY 2014/15 where the personnel expenditure translated to 40.0 per cent of the total expenditure.

Nairobi City County reported the highest expenditure on personnel emoluments at Kshs.13.47 billion, followed by Nakuru County and Kiambu County at Kshs.4.80 billion and Kshs.4.75 billion respectively. Those with the lowest expenditure on personnel emoluments included Marsabit, Tana River, and Lamu at Kshs.1.22 billion, Kshs.866.18 million and Kshs.822.05 million respectively.

Analysis of personnel emoluments as a percentage of total expenditure by county shows that Elgeyo

Marakwet, Embu, and Nairobi recorded the highest percentage at 61.3 per cent, 59.0 per cent and 56.2 per cent respectively. Turkana, Tana River, and Mandera reported the least proportions at 22.4 per cent, 22.4 per cent and 17.9 per cent.

2.5.4 Operations and Maintenance Expenditure

A total of Kshs.73.17 billion was spent on operations and maintenance expenses during the reporting period, which translated to 24.8 per cent of the total expenditure. Counties that reported the highest expenditure on operations and maintenance were Nairobi City at Kshs.6.31 billion, Kiambu at Kshs.3.41 billion and Nakuru at Kshs.3.36 billion. Vihiga, Elgeyo Marakwet and Tharaka Nithi reported the least expenditure at Kshs.585.80 million, Kshs.480.13 million, and Kshs.456.94 million respectively.

Analysis of expenditure on operations and maintenance as a proportion of the total expenditure by county indicated that Kajiado attained the highest proportion at 35.0 per cent, followed by Narok and Marsabit Counties at 34.8 per cent and 34.5 per cent respectively. The Counties that attained the least proportion of operations and maintenance expenditure to their total expenditure during the reporting period were Murang'a, Bomet and Turkana at 15.1 per cent, 14.3 per cent and 14.3 per cent respectively.

2.5.4.1 Review of MCAs Sitting Allowances

During the reporting period, the County Assemblies spent Kshs.2.82 billion on MCAs Sitting allowances against an approved budget allocation of Kshs.3.45 billion. This expenditure translates to 81.6 per cent of the approved MCAs sitting allowance budget, and a decline from 85.6 per cent attained in FY 2014/15 where Kshs.2.94 billion was spent.

Table 2.5 shows the budgetary allocation and expenditure on MCAs and Speakers sitting allowances in FY 2015/16.

Table 2.5: FY 2015/16 Annual Budget Allocation and Expenditure on MCA Sitting Allowances

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	50,207,630	49,864,462	99.3	49	84,804
Bomet	28,296,015	28,296,015	100.0	35	67,371
Bungoma	105,704,600	71,419,180	67.6	64	92,994
Busia	114,816,000	98,926,596	86.2	54	152,665
Elgeyo/Marakwet	41,496,000	41,495,999	100.0	31	111,548
Embu	38,592,669	36,529,898	94.7	34	89,534
Garissa	80,906,400	75,970,850	93.9	49	129,202
Homa Bay	129,322,306	114,192,000	88.3	64	148,688
Isiolo	16,758,400	16,673,316	99.5	21	66,164
Kajiado	66,326,400	37,498,500	56.5	42	74,402
Kakamega	142,485,600	106,731,136	74.9	88	101,071
Kericho	77,068,503	71,097,114	92.3	48	123,432
Kiambu	100,000,000	100,000,000	100.0	88	94,697
Kilifi	83,194,800	65,035,700	78.2	55	98,539

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
Kirinyaga	61,526,400	37,436,000	60.8	30	103,989
Kisii	90,411,955	133,338,048	147.5	72	154,326
Kisumu	113,710,659	60,348,300	53.1	50	100,581
Kitui	63,626,000	59,197,747	93.0	57	86,546
Kwale	39,794,470	38,049,852	95.6	34	93,259
Laikipia	32,100,000	31,516,200	98.2	24	109,431
Lamu	24,102,400	21,486,400	89.1	21	85,263
Machakos	69,028,000	60,993,900	88.4	60	84,714
Makueni	51,390,000	52,354,830	101.9	48	90,894
Mandera	50,000,000	49,686,062	99.4	49	84,500
Marsabit	40,000,000	39,999,917	100.0	34	98,039
Meru	123,972,445	100,700,610	81.2	70	119,882
Migori	126,883,200	72,050,332	56.8	63	95,305
Mombasa	97,843,200	57,435,200	58.7	43	111,309
Murang'a	117,734,000	49,782,782	42.3	50	82,971
Nairobi City	152,270,700	122,041,420	80.1	128	79,454
Nakuru	87,455,000	79,599,414	91.0	75	88,444
Nandi	65,400,000	58,703,900	89.8	49	99,837
Narok	52,213,292	45,228,100	86.6	48	78,521
Nyamira	67,775,430	67,775,430	100.0	34	166,116
Nyandarua	66,364,927	68,158,594	102.7	42	135,235
Nyeri	97,857,600	64,156,300	65.6	48	111,382
Samburu	42,968,290	44,661,374	103.9	27	137,844
Siaya	86,221,838	69,470,881	80.6	49	118,148
Taita/Taveta	58,060,800	31,445,700	54.2	36	72,791
Tana River	55,702,400	28,307,880	50.8	27	87,370
Tharaka –Nithi	34,923,600	23,923,600	68.5	25	79,745
Trans Nzoia	78,124,800	75,448,000	96.6	40	157,183
Turkana	64,900,000	34,596,900	53.3	48	60,064
Uasin Gishu	41,320,300	41,320,300	100.0	45	76,519
Vihiga	108,549,088	89,263,894	82.2	40	185,966
Wajir	60,220,000	42,121,090	69.9	45	78,002
West Pokot	52,288,628	52,288,628	100.0	33	132,042
Total	3,449,914,745	2,816,618,351	81.6	2,266	103,583

Source: OCOB and County Treasuries

The County Assemblies that reported high expenditure on sitting allowance than the SRC's recommended

monthly maximum of Kshs.124,800 were: Vihiga at Kshs.185,966, Busia at Kshs.152,665, Nyamira at Kshs.166,116, Trans Nzoia at Kshs.157,183, Kisii at Kshs.154,326, Homa Bay at Kshs.148,688, Samburu at Kshs.137,844, Nyandarua at Kshs.135,235, West Pokot at Kshs.132,042, and Garissa at Kshs.129,202.

2.5.4.2 Review of Expenditure on Domestic and Foreign Travels

The County Governments spent Kshs.11.03 billion on domestic and foreign travel against an approved annual budget allocation of Kshs.12.83 billion. This expenditure represented 86.0 per cent of the total budget allocation on domestic and foreign travel, a decline from 91.0 per cent attained in FY 2014/15 where Kshs.9.15 billion was spent.

The expenditure on domestic and foreign travels by both the County Assembly and the County Executive is presented in Table 2.6.

Table 2.6: Expenditure on domestic and foreign travels by the County Assembly and the County Executive in FY 2015/16 (Kshs.Million)

County	County Assembly			County Executive			Total Expenditure		
	Budget	Expenditure	Expenditure as % of Budget	Budget	Expenditure	Expenditure as % of Budget	Budget	Expenditure	Expenditure as % of Budget
	A	B	C=B/A*100	D	E	F=E/D*100	G=A+D	H=B+E	I=H/G*100
Baringo	48.09	39.76	82.7	87.77	86.11	98.1	136	125.87	92.6
Bomet	93.07	93.07	100.0	63.73	63.73	100.0	157	156.80	100.0
Bungoma	20.32	19.20	94.5	356.04	332.13	93.3	376	351.33	93.3
Busia	64.71	65.30	100.9	256.20	230.48	90.0	320.91	295.79	92.2
Elgeyo/Marakwet	48.85	48.84	100.0	36.37	27.95	76.8	85	76.79	90.1
Embu	109.49	106.81	97.6	36.96	24.98	67.6	146	131.79	90.0
Garissa	46.03	43.94	95.5	128.34	122.80	95.7	174	166.74	95.6
Homa Bay	35.13	59.24	168.6	93.72	40.05	42.7	129	99.30	77.1
Isiolo	60.82	59.16	97.3	107.03	90.86	84.9	168	150.02	89.4
Kajiado	152.75	116.83	76.5	341.96	268.72	78.6	495	385.55	77.9
Kakamega	161.00	160.42	99.6	230.44	191.87	83.3	391	352.28	90.0
Kericho	62.23	60.85	97.8	120.77	120.57	99.8	183	181.42	99.1
Kiambu	173.01	170.99	98.8	215.07	213.76	99.4	388	384.75	99.1
Kilifi	159.74	137.50	86.1	241.36	165.39	68.5	401	302.89	75.5
Kirinyaga	109.00	99.00	90.8	68.16	61.38	90.1	177	160.38	90.5
Kisii	85.38	85.38	100.0	307.96	292.17	94.9	393	377.55	96.0
Kisumu	88.61	78.51	88.6	209.99	113.50	54.1	299	192.02	64.3
Kitui	117.34	93.42	79.6	184.68	176.13	95.4	302	269.54	89.2
Kwale	58.70	42.25	72.0	122.28	236.29	193.2	181	278.54	153.9
Laikipia	54.62	52.20	95.6	127.60	118.47	92.8	182	170.67	93.7
Lamu	89.18	84.71	95.0	113.02	95.49	84.5	202	180.20	89.1
Machakos	174.00	177.40	102.0	155.16	166.41	107.3	329	343.81	104.5
Makueni	100.30	103.70	103.4	132.39	159.92	120.8	233	263.63	113.3
Mandera	43.38	34.58	79.7	91.74	91.74	100.0	135	126.32	93.5
Marsabit	100.00	100.00	100.0	158.36	156.35	98.7	258	256.35	99.2
Meru	125.88	125.45	99.7	181.71	112.18	61.7	308	237.62	77.3
Migori	105.32	81.88	77.7	517.21	197.62	38.2	623	279.50	44.9
Mombasa	42.40	10.44	24.6	300.49	117.27	39.0	343	127.71	37.2

County	County Assembly			County Executive			Total Expenditure		
	Budget	Expenditure	Expenditure as % of Budget	Budget	Expenditure	Expenditure as % of Budget	Budget	Expenditure	Expenditure as % of Budget
	A	B	C=B/A*100	D	E	F=E/D*100	G=A+D	H=B+E	I=H/G*100
Murang'a	95.63	106.47	111.3	87.10	138.17	158.6	183	244.64	133.9
Nairobi City	250.74	244.94	97.7	386.31	237.31	61.4	637	482.25	75.7
Nakuru	72.50	78.30	108.0	208.69	165.71	79.4	281	244.00	86.8
Nandi	91.52	91.47	100.0	172.30	169.63	98.5	264	261.10	99.0
Narok	20.12	8.63	42.9	109.79	57.49	52.4	130	66.12	50.9
Nyamira	86.52	86.52	100.0	228.50	218.38	95.6	315	304.90	96.8
Nyandarua	119.44	119.58	100.1	207.13	201.17	97.1	327	320.75	98.2
Nyeri	109.00	108.35	99.4	147.34	58.21	39.5	256	166.56	65.0
Samburu	43.12	27.81	64.5	162.52	124.08	76.3	206	151.89	73.9
Siaya	31.22	30.29	97.0	362.21	287.93	79.5	393	318.22	80.9
Taita/Taveta	122.82	122.61	99.8	130.54	126.12	96.6	253	248.74	98.2
Tana River	91.48	66.08	72.2	101.84	92.23	90.6	193	158.31	81.9
Tharaka – Nithi	57.20	67.18	117.5	86.32	47.07	54.5	144	114.25	79.6
Trans Nzoia	52.77	56.65	107.3	106.00	140.61	132.6	159	197.25	124.2
Turkana	190.89	190.89	100.0	204.06	208.50	102.2	395	399.39	101.1
Uasin Gishu	90.58	92.87	102.5	186.22	80.97	43.5	277	173.84	62.8
Vihiga	98.50	104.29	105.9	248.73	113.03	45.4	347	217.32	62.6
Wajir	59.26	59.26	100.0	215.98	207.98	96.3	275	267.24	97.1
West Pokot	82.53	81.54	98.8	191.91	192.02	100.1	274	273.56	99.7
Total	4,295.17	4,094.56	95.3	8,530.01	6940.93	81.4	12,825.19	11,035.49	86.1

Source: OCOB and County Treasuries

In absolute terms, Nairobi City County had the highest expenditure domestic and foreign travel at Kshs.637.05 million, followed by Migori and Kajiado at Kshs.622.53 million and Kshs.494.71 million respectively. The Counties that had the least absolute expenditure were Narok, Homa Bay and Elgeyo Marakwet at Kshs.129.91 million, Kshs.128.85 million and Kshs.85.22 million respectively.

Analysis of expenditure on domestic and foreign travel as a proportion of budgetary allocation by County shows that six counties spent more than the approved annual allocation, an indication of weak budgetary control. These Counties are Kwale, Murang'a, Trans Nzoia, Makueni, Machakos and Turkana at 153.9 per cent, 133.9 per cent, 124.2 per cent, 113.3 per cent, 104.5 per cent and 101.1 per cent respectively. The counties should therefore enhance budgetary controls to ensure expenditure is within law.

2.6 Pending Bills as of 30th June, 2016

As at June 30, 2016, forty three Counties had accumulated pending bills amounting to Kshs.37.36 billion. The pending bills consisted of Kshs.10.45 billion for recurrent expenditure and Kshs.26.92 billion for development expenditure respectively. Table 2.7 shows the pending bills as at 30th June, 2016.

Table 2.7: Pending Bills for the Counties as at June 30, 2016

County	Recurrent Pending Bills (Kshs.)	Development Pending Bills (Kshs.)	Total Pending Bills (Kshs.)
Baringo	101,670,123	30,360,234	132,030,357
Bomet	9,320,356	152,067,752	161,388,108
Bungoma	20,495,947	26,162,319	46,658,266
Busia	85,227,507	303,604,696	388,832,203
Elgeyo/Marakwet	88,488,445	725,858,736	814,347,181
Embu	105,922,706	692,321,450	798,244,156
Garissa	255,143,666	55,356,334	310,500,000
Homa Bay	134,213,422	1,576,499,564	1,710,712,986
Isiolo	50,581,934	255,581,629	306,163,563
Kajiado	235,379,942	894,302,005	1,129,681,947
Kakamega	153,753,314	298,224,091	451,977,404
Kericho	219,342,450	340,368,574	559,711,024
Kiambu	107,801,303	280,562,945	388,364,248
Kilifi	372,108,694	1,174,260,190	1,546,368,883
Kirinyaga	34,614,977	63,665,704	98,280,681
Kisii	95,165,320	741,713,984	836,879,304
Kisumu	672,690,620	2,583,834,394	3,256,525,014
Kitui	0	0	0
Kwale	5,491,200	1,442,049,811	1,447,541,011
Laikipia	88,000,000	1,038,814,676	1,126,814,676
Lamu	63,308,811	125,083,971	188,392,782
Machakos *			
Makueni	59,723,048	75,528,005	135,251,053
Mandera		140,000,000	140,000,000
Marsabit	165,880,971	696,020,761	861,901,732
Meru	260,661,759	1,066,359,380	1,327,021,139
Migori	299,678,502	648,257,900	947,936,402
Mombasa	650,121,239	225,314,687	875,435,926
Murang'a	120,687,102	841,991,446	962,678,548
Nairobi City	3,207,715,960	1,832,371,340	5,040,087,300
Nakuru	984,461,616	2,690,628,173	3,675,089,789
Nandi	86,401,908	633,460,957	719,862,865
Narok	370,064,356	132,201,771	502,266,127
Nyamira	69,484,785	52,911,702	122,396,487

County	Recurrent Pending Bills (Kshs.)	Development Pending Bills (Kshs.)	Total Pending Bills (Kshs.)
Nyandarua	137,479,986	484,836,031	622,316,017
Nyeri	49,506,310	58,613,429	108,119,739
Samburu	153,063,608	803,645,154	956,708,762
Siaya	172,014,416	164,937,271	336,951,687
Taita/Taveta	183,078,967	526,212,257	709,291,224
Tana River	193,277,370	491,494,672	684,772,042
Tharaka –Nithi	43,275,616	707,009,229	750,284,845
Trans Nzoia	141,876,145	473,871,169	615,747,314
Turkana	-	-	-
Uasin Gishu	55,250,511	70,506,059	125,756,570
Vihiga	113,549,486	1,062,857,878	1,176,407,364
Wajir*			
West Pokot	30,248,592	237,405,259	267,653,851
TOTAL	10,446,222,990	26,917,127,579	37,363,350,577

Source: County Treasuries

*- Counties that had not submitted the status report by the time of finalizing this report.

Two Counties, namely: Machakos, and Wajir were yet to submit the status of pending bills at the time of finalizing this report while Kitui and Turkana did not report any pending bills. Counties that reported the highest amount of pending bills were Nairobi City, Nakuru and Kisumu at Kshs.5.04 billion, Kshs.3.68 billion and Kshs.3.26 billion respectively.

3.0 INDIVIDUAL COUNTY BUDGET PERFORMANCE

3.1 Baringo County

3.1.1 Overview of the FY 2015/16 Budget

The County’s FY 2015/16 Approved Supplementary Budget was Kshs.5.90 billion, comprising of Kshs.3.54 billion (60 per cent) and Kshs.2.36 billion (40 per cent) for recurrent and development expenditure respectively.

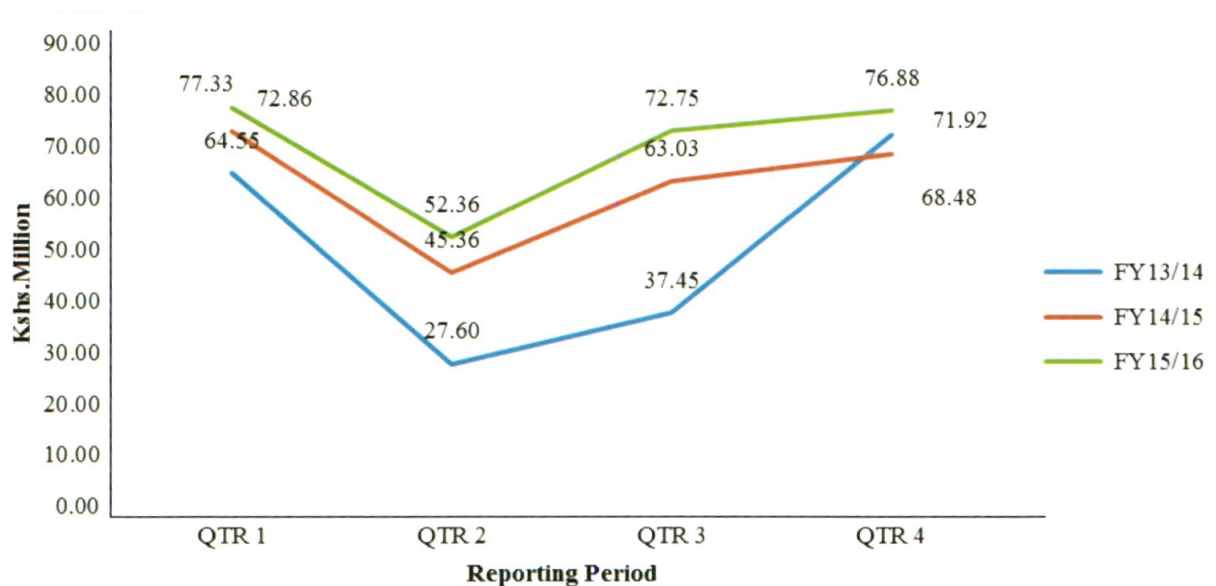
To finance the budget, the County expected to receive Kshs.4.44 billion (75.3 per cent) as equitable share of revenue raised nationally, Kshs.178.31 million (3 per cent) as total conditional grants, generate Kshs.300 million (5.1 per cent) from local sources, and had a cash balance of Kshs.886.34 million (15 per cent) from FY 2014/15. The conditional grants comprised of Kshs.65.76 million (1.1 per cent) for Free Maternal Health Care, Kshs.56.41 million (1 per cent) from the Road Maintenance Fuel Levy Fund, Kshs.12.95 million (0.2 per cent) for User Fees Foregone and Kshs.25.97 million (0.4 per cent) as a grant from DANIDA.

3.1.2 Revenue Analysis

During the year, the County received Kshs.4.44 billion as equitable share of the revenue raised nationally, Kshs.137.85 as total conditional allocation, raised Kshs.279.31 million from local sources, and had a cash balance of Kshs.886.34 million brought forward from FY 2014/15.

Figure 3.1 shows the quarterly trend in local revenue collection from FY 2013/14 to FY 2015/16.

Figure 3.1: Baringo County, Trend in Local Revenue Collection by Quarter from FY 2013/14 to FY 2015/16



Source: Baringo County Treasury

The total local revenue collected of Kshs.279.32 million consisted of Kshs.77.33 million generated in the first quarter, Kshs.52.36 million in the second quarter, Kshs.72.75 million in the third quarter, and Kshs.76.88 million in the fourth quarter. The revenue was 93 per cent of the annual local revenue target, and an improvement from Kshs.249.72 million collected in FY 2014/15.

Table 3.1 provides an analysis of the local revenue collected in FY 2015/16 by revenue stream.

Table 3.1: Baringo County analysis of revenue collected by stream in FY 2015/16

No	Revenue Stream	Annual Targeted Revenue (Kshs.)	Annual Actual Revenue (Kshs.)	Actual Revenue as a percentage of Annual (%)Target ()
1	Game Park Fees	65,378,064	44,298,390	68
2	Animal Stock Sale Fees	14,269,644	15,170,265	106
3	Produce & Other Cess	26,754,431	48,429,884	181
4	Single Business Permit	44,430,982	38,063,680	86
5	Plot Rent/ Rates	29,476,586	16,653,473	56
6	Market Fees & Others	28,871,413	37,106,682	129
7	Public Health Licences	6,000,000	2,960,400	49
7	Veterinary Services	6,000,000	3,843,152	64
9	Koibatek ATC	5,113,620	2,157,105	42
10	Marigat AMS	8,522,700	1,158,190	14
11	Hospital Revenue	65,182,560	69,475,982	107
Total		300,000,000	279,317,203	93

Source: Baringo County Treasury

Analysis of the local revenue collected by stream indicates that, produce and cess recorded the highest performance against annual target at 181 per cent. This was followed by market fees at 129 per cent, and Hospital revenue at 107 per cent.

The County deposited all locally generated revenue into the County Revenue Fund account maintained at Central Bank of Kenya (CBK) as required by Article 207 (1) of the Constitution.

3.1.3 Conditional Grants

Table 3.2 shows an analysis of the conditional grants disbursement in FY 2015/16.

Table 3.2: Baringo County analysis of conditional grant releases in FY 2015/16

No.	Conditional Grant	Amount allocated as provided in CARA 2015 (Kshs.)	Actual receipt of the Conditional Grant (Kshs.)	Actual receipts as a percentage of Annual Allocation (%)
1	Conditional Allocation Free Maternal Health Care	65,759,400	51,262,500	78.0
2	Road Maintenance Fuel Levy Fund	56,410,082	56,410,084	100.0
3	Compensation for Use Fees Foregone	12,950,107	12,950,107	100.0
4	World Bank support to Health Facilities	17,224,300	17,224,300	100.0
5	DANIDA (Health Facilities)	25,970,000	12,985,000	50.0
Total		178,313,889	150,831,991	84.6

Source: Baringo County Treasury

Analysis of the conditional grant releases for the period under review indicated that the Road Maintenance Fuel Levy Fund, Compensation for Use Fees Foregone and World Bank support to health facilities grant recorded the highest receipt against annual target at 100 per cent. This was followed by releases towards Free Maternal Health Care at 78 per cent.

3.1.4 Exchequer Issues

During the period under review, the COB authorised withdrawal of Kshs.5.14 billion from the CRF account, which was 87 per cent of the Approved Supplementary Budget. The amount represented an increase of 24.2 per cent from Kshs.4.14 billion authorized in FY 2014/15 and consisted of Kshs.3.53 billion (68.9 per cent) for recurrent expenditure and Kshs1.60 million (31.1 per cent) for development activities.

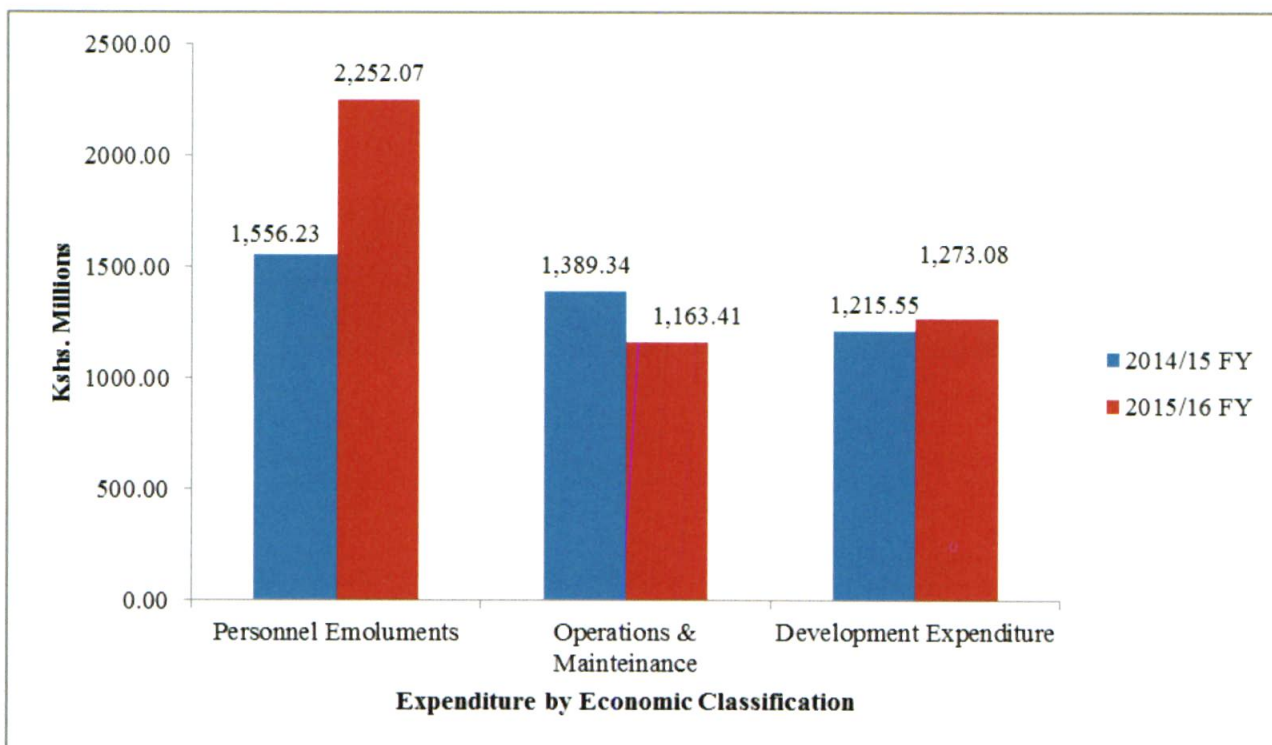
3.1.5 Overall Expenditure Review

The County spent a total of Kshs.4.69 billion in FY 2015/16, which was 91.3 per cent of the total funds released for operations. This was an increase from the Kshs.4.16 billion spent in FY 2014/15.

A total of Kshs.3.42 billion was spent on recurrent activities, while Kshs.1.27 billion was spent on development activities. The recurrent expenditure was 96.5 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 pending bills as at 30th June, 2016 that amounted to Kshs.30.36 million for development and Kshs.101.67 million for recurrent expenditure.

The recurrent expenditure represented 96.5 per cent of the annual recurrent budget, a decrease from 99.5 per cent incurred in FY 2014/15. Development expenditure recorded an absorption rate of 53.9 per cent, which was a decrease from 59.5 per cent absorbed in FY 2014/15. Figure 3.2 presents a comparison between the expenditure in FY 2015/16 and FY 2014/15 by economic classification.

Figure 3.2: Baringo County, Expenditure by Economic Classification for FY 2015/16 and FY 2014/15



Source: Baringo County Treasury

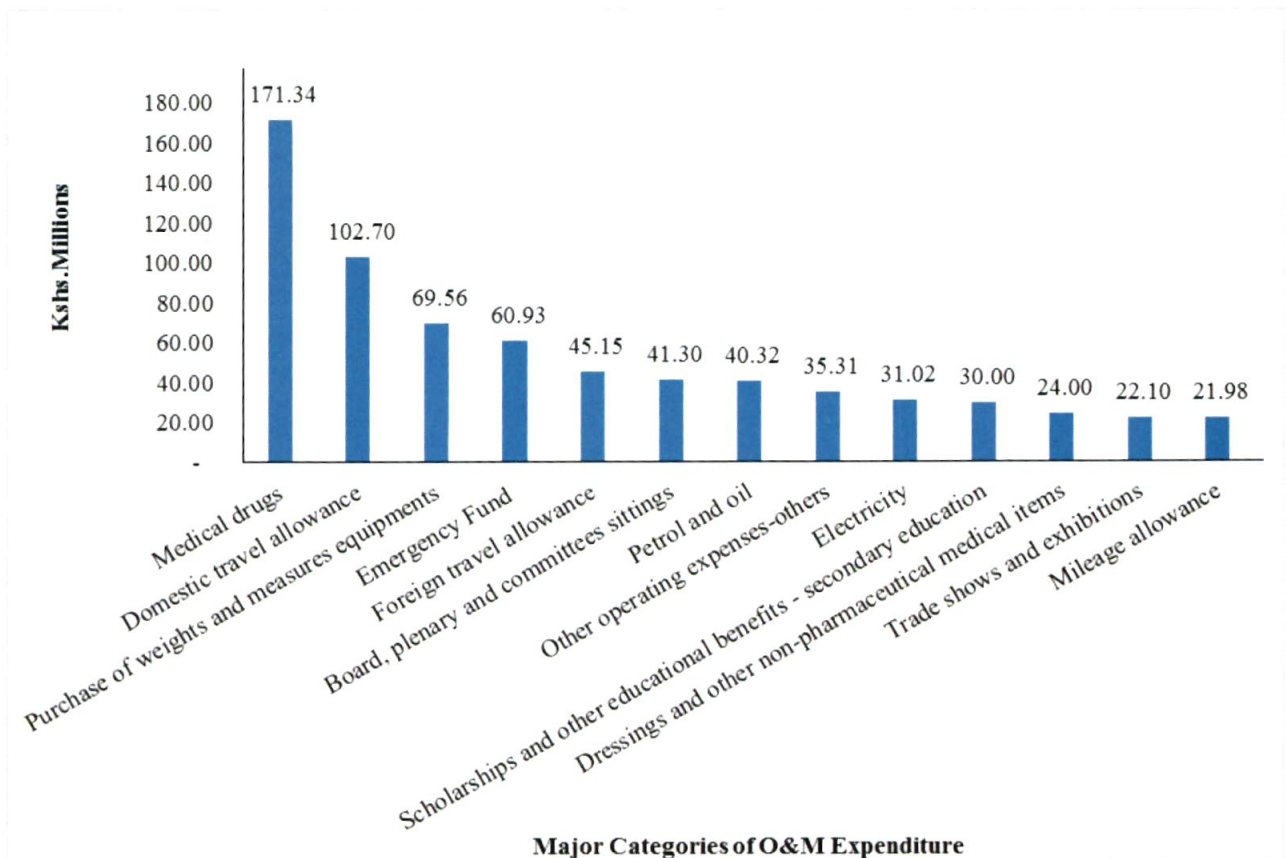
3.1.6 Analysis of Recurrent Expenditure

The total recurrent expenditure of Kshs.3.42 billion represented 96.5 per cent of the annual recurrent budget of Kshs3.54 billion. The County spent Kshs.2.25 billion (65.9 per cent) on personnel emoluments and Kshs.1.16 billion (34.1 per cent) on operations and maintenance as shown in Figure 3.2. Expenditure on personnel emoluments represented an increase of 44.2 per cent compared to FY 2014/15 when the County spent Kshs.1.56 billion.

The County spent Kshs.49.90 million on sitting allowances to the 49 MCAs and the Speaker against the annual budget allocation of Kshs.50.21 million. This was an increase compared to Kshs.31.5 million spent in FY 2014/15. The average monthly sitting allowance was Kshs.84,804 compared to SRC’s recommended monthly ceiling of Kshs.124,800.

Expenditure on domestic and foreign travel was Kshs.125.87 million compared to Kshs.135.86 million spent in FY 2014/15, representing a slight decrease of 7.9 per cent. Figure 3.3 shows a summary of the operations and maintenance expenditure by major categories.

Figure 3.3: Baringo County, Operations and Maintenance Expenditure for FY 2015/16

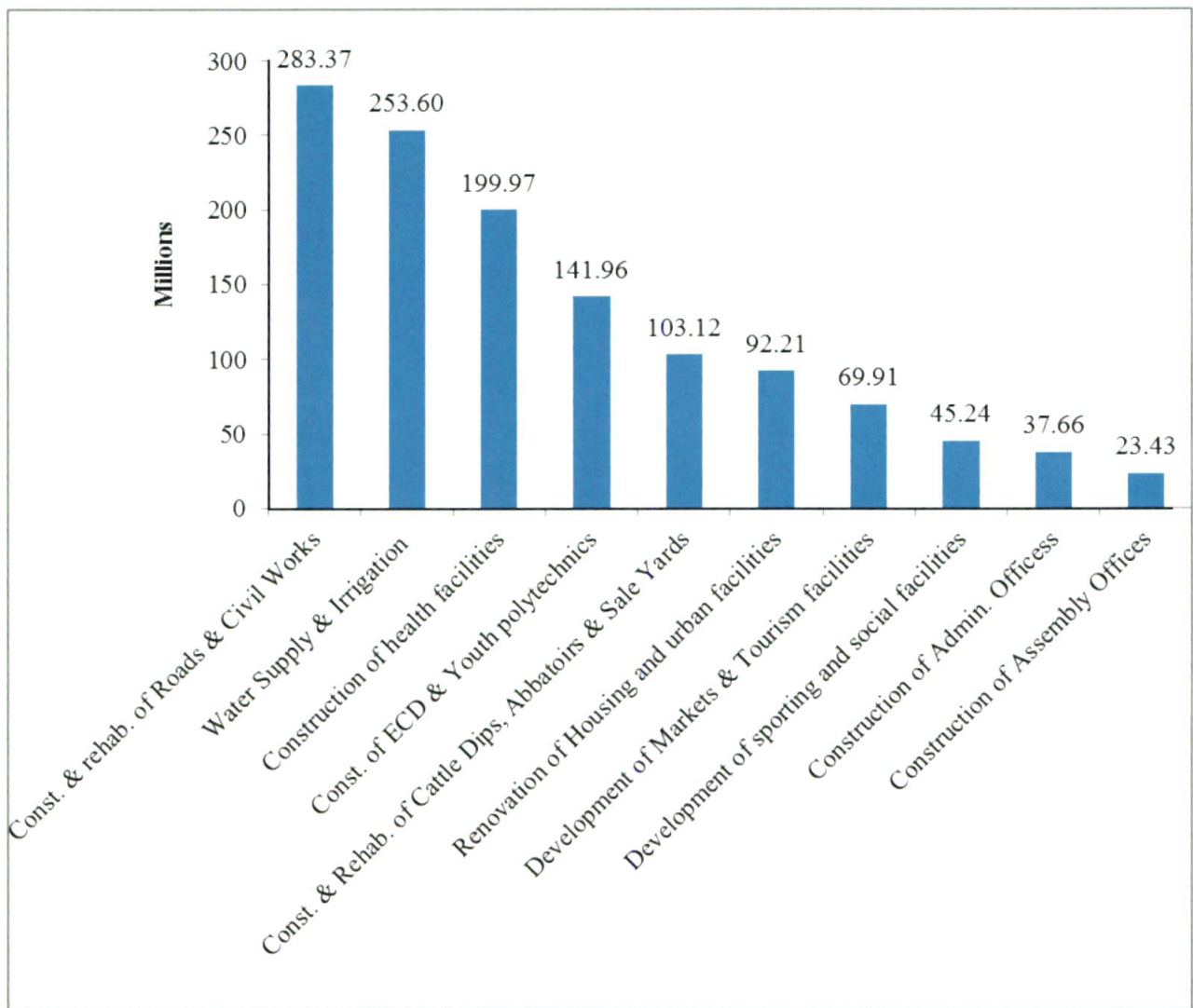


Source: Baringo County Treasury

3.1.7 Analysis of Development Expenditure

The total development expenditure of Kshs.1.27 billion represented 53.9 per cent of the annual development budget of Kshs.2.36 billion. Figure 3.4 provides a summary of the development expenditure during the period under review.

Figure 3.4: Baringo County, Summary of Development Expenditure for FY 2015/16



Source: Baringo County Treasury

Analysis of the development expenditure indicates that the highest expenditure of Kshs.283.37 million was incurred by the Transport and Infrastructure Department on development and maintenance of access roads. A total of 3.55 kilometres of roads were tarmacked while 606.4 kilometres were graded and gravelled across the 30 wards in the County. The second highest expenditure of Kshs.253.60 million was incurred by Water and Irrigation Department on construction of water pans, water connection and establishment of irrigation schemes. A total of 8,000 households were connected to piped water, 234,000 cm of water conserved and approximately 750 acres of irrigation schemes established. Kshs.394.25 million and Kshs.266.8 million was spent on refurbishment and construction of health facilities and construction of ECD’s and Youth Polytechnics respectively.

3.1.8 Analysis of Budget Performance by Department

Table 3.3 shows a summary of FY 2015/16 annual budget estimates and budget performance by department.

Table 3.3: Baringo County, FY 2015/16 Budget Performance by Department

Department	Budget Allocation (Kshs.Million)		Exchequer Issues (Kshs.Million)		Expenditure (Kshs. Million)		Expenditure to Exchequer Issues (%)		Expenditure to Budget Allocation (Absorption rate (%))	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
County Assembly	512.59	65.28	512.59	37	423.11	23.43	82.5	63.3	82.5	35.9
Governor/County Executive services	300.14	60	300.13	26.35	295.95	6.89	98.6	26.1	98.6	11.5
County Treasury Services	361.91	42.88	361.11	28.98	300.26	30.78	83.1	106.2	83.0	71.8
Transport and Infrastructure	50.44	542.88	50.44	353.68	45.61	283.37	90.4	80.1	90.4	52.2
Industrialization, Commerce and Tourism	111.33	96.44	111.33	96.33	89.49	69.91	80.4	72.6	80.4	72.5
Education, Sports, Culture & Art	267.97	266.8	267.97	208.44	256.46	141.96	95.7	68.1	95.7	53.2
Health	1,470.17	409.66	1469.81	221.00	1580.61	199.97	107.5	90.5	107.5	48.8
Housing & Urban Development	83.32	136.79	83.32	95.33	59.08	92.21	70.9	96.7	70.9	67.4
Agriculture, Livestock, Fisheries & Marketing	209.42	203.58	209.42	122.56	208.89	103.12	99.7	84.1	99.7	50.7
Youth, Gender & Social Security Services	49.75	105.17	49.75	81.20	43.57	45.24	87.6	55.7	87.6	43.0
Water & Irrigation	95.59	394.25	95.59	288.77	84.57	253.60	88.5	87.8	88.5	64.3
Environment & Natural Resources	28.26	37.15	28.26	36.81	27.88	22.62	98.7	61.4	98.7	60.9
Total	3,540.89	2,360.88	3,539.72	1,596.45	3,415.48	1,273.08	96.5	79.7	96.5	53.9

Source: Baringo County Treasury

Analysis of budget performance by department shows that the Department of Industrialization, Commerce and Tourism attained the highest absorption rate of development expenditure at 72.5 per cent while the Office of the Governor/County Executive and the County Assembly reported the lowest absorption of 11.5 per cent and 35.9 per cent respectively. On the other hand, the Health Department had the highest percentage of recurrent

expenditure to recurrent budget at 107.5 per cent while the Department of Housing and Urban Development had the lowest at 70.9 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. Improved adherence to budget timelines. The CECM-F submitted the budget estimates to the County Assembly on 29th April, 2015, which was approved on 23rd June 2015.
- ii. Automation of revenue collection which has led to improved revenue performance. The local revenue collection has improved by 11.9 per cent from Kshs.249.72 million in FY 2014/15 to Kshs.279.32 in FY 2015/16.
- iii. The County has established a County Budget and Economic Forum (CBEF) as per the provisions of Section 137 of the PFM Act, 2012.
- iv. Establishment of an Internal Audit Committee in compliance with Section 155 of the PFM Act, 2012.

Despite the progress made, 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 execution reports.
2. A high wage bill that increased by 44 per cent from Kshs.1.56 billion in FY 2014/15 to Kshs.2.25 billion in FY 2015/16. This increase is due to continuous staff recruitment, which may result in unsustainable salary costs.

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(4)(b) of PFM Act, 2012 to facilitate timely preparation of budget execution report.*
2. *The County Public Service Board should establish an optimal staffing structure in order to manage the wage bill.*

3.2 Bomet County

3.2.1 Overview of the FY 2015/16 Budget

The County's FY 2015/16 Approved Supplementary Budget was Kshs.5.17 billion, comprising of Kshs.2.74 billion (53.0 per cent) and Kshs.2.43 billion (47.0 per cent) for recurrent and development expenditure respectively.

To finance the budget, the County expected to receive Kshs.4.71 billion (91.0 per cent) as equitable share of revenue raised nationally, Kshs.248.49 million (4.8 per cent) as total conditional grants, generate Kshs.188.83 million (3.7 per cent) from local sources, and had a cash balance of Kshs.26.75 million (0.5 per cent) from FY 2014/15.

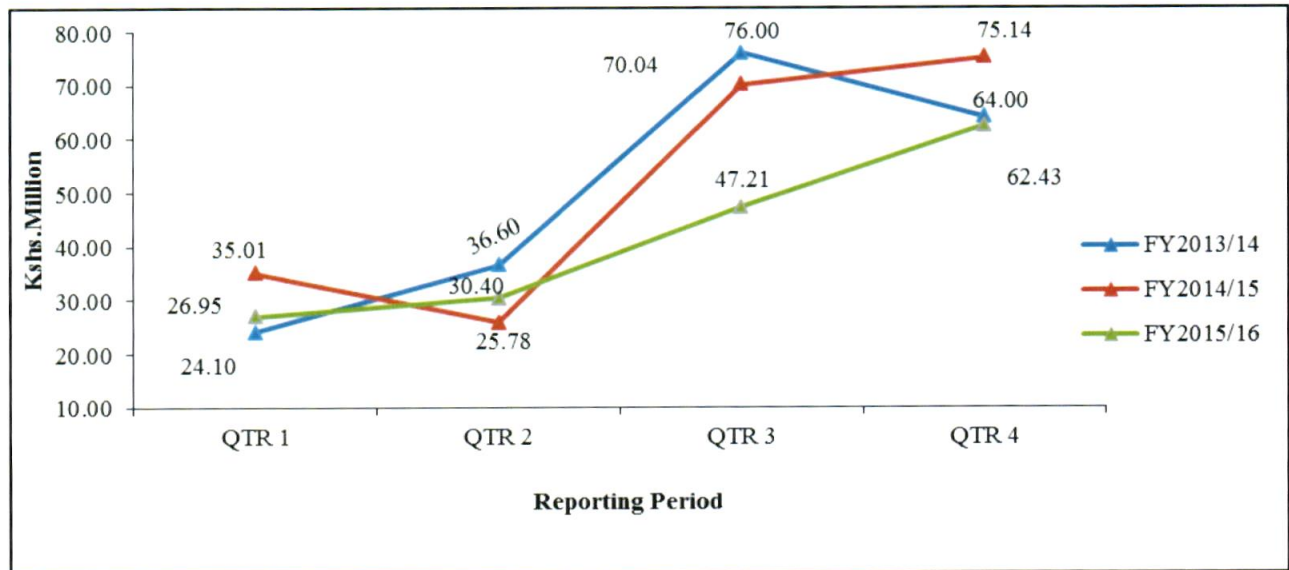
The conditional grants comprised of Kshs.95.74 million (38.5 per cent) for the leasing of medical equipment, Kshs.58.45 million (23.5 per cent) for Free Maternal Health Care, Kshs.59.79 million (24.1 per cent) from the Road Maintenance Fuel Levy Fund, Kshs.16.88 million (6.8 per cent) for User Fees Foregone and Kshs.17.62 million (7.1 per cent) as a grant from DANIDA.

3.2.2 Revenue Analysis

During the year, the County received Kshs.4.71 billion as equitable share of the revenue raised nationally, Kshs.137.49 million as total conditional grants. The County raised Kshs.166.99 million from local sources, and had a cash balance of Kshs.26.75 million brought forward from FY 2014/15.

Figure 3.9 shows the quarterly trend in local revenue collection from FY 2013/14 to FY 2015/16.

Figure 3.5: Bomet County, Trend in Local Revenue Collection by Quarter from FY 2013/14 to FY 2015/16



Source: Bomet County Treasury

The total local revenue collected for FY 2015/16 of Kshs.166.99 million consisted of Kshs.26.95 million raised in the first quarter, Kshs.30.40 million in the second quarter, Kshs.47.21 million in the third quarter and Kshs.62.43 million raised in the fourth quarter. The revenue collected accounted for 88.4 per cent of the annual local revenue target, and was a decline of 18.9 per cent compared to Kshs.205.97 million collected in FY 2014/15. Table 3.4 provides an analysis of the local revenue collected in FY 2015/16 by revenue stream.

Table 3.4: Bomet County, Trend in Local Revenue Collection for FY 2015/16

No	Revenue Stream	Annual Targeted Revenue (Kshs.)	Annual Actual Revenue	Actual Revenue as a percentage of Annual Target (%)
1	Markets & Slaughter	3,677,471.00	11,668,305.00	317.3
2	Miscellaneous Receipts	7,403,544.00	9,036,633.65	122.1
3	Parking Charges	11,638,883.00	12,301,750.00	105.7
4	Rental Income	4,086,818.00	3,675,959.00	90.0
5	Cheptalal Hospital	800,622.00	720,133.00	90.0
6	Unilever Tea (Land Rates)	12,815,615.00	11,527,221.00	90.0
7	Williamson Tea (Land Rates)	2,882,780.00	2,592,965.00	90.0
8	James Finlay KE (Land Rates)	9,609,194.00	8,643,152.00	90.0
9	Kipsigis Highlands (Land Rates)	1,600,948.00	1,440,000.00	90.0
10	Sotik Tea (Land Rates)	3,975,714.00	3,576,023.00	90.0
11	Embomos Tea Farm	14,000,000.00	12,570,614.00	89.8
12	Sigor Sub-County Hospital	4,400,000.00	3,934,625.00	89.4
13	Longisa County Hospital	36,000,000.00	31,587,020.00	87.7
14	Property Rates	10,710,113.00	9,275,843.00	86.6
15	Business Permits	32,438,620.00	27,350,252.00	84.3
16	Hospital/Dispensaries/Health Centers (HSSF)	8,671,362.00	3,482,162.00	40.2
17	Cess Collections	18,105,034.00	4,243,031.00	23.4
18	Others revenue streams	6,010,162.00	9,361,598.00	155.8
	Total	188,826,880.00	166,987,286.65	88.4

Source: Bomet County Treasury

Analysis of the local revenue collected by stream indicates that markets and slaughter revenue, miscellaneous receipts and parking charges recorded the highest performance against annual target at 317.3 per cent, 122.1 per cent and 105.7 per cent respectively.

The County deposited all locally generated revenue into the County Revenue Fund account maintained at Central Bank of Kenya (CBK) as required by Article 207 (1) of the Constitution.

3.2.3 Conditional Grants

Table 3.5 shows an analysis of the conditional grants released in FY 2015/16.

Table 3.5: Bomet County analysis of conditional grant releases in FY 2015/16

No.	Conditional Grant	Amount allocated as provided in CARA 2015 (Kshs.)	Actual receipt of the Conditional Grant (Kshs.)	Actual receipts as a percentage of Annual Allocation (%)
1	Leasing of Medical Equipment	95,744,681	-	-
2	Road Maintenance Fuel Levy Fund	59,793,197	59,793,197	100.0
3	Free Maternal Health Care	58,452,800	43,192,500	73.9
4	User Fees Foregone	16,880,750	16,880,750	100.0
5	DANIDA Grant	17,620,000	17,620,000	100.0
	Total	248,491,428	137,486,447	55.3

Source: Bomet County Treasury

All the anticipated revenue from conditional grants was fully realized except for the Free Maternal Health Care grant which received 73.6 per cent of the annual projection and the Leasing of Medical Equipment grant, which did not record any receipts.

3.2.4 Exchequer Issues

The Controller of Budget (COB) authorised withdrawal of Kshs.5.06 billion from the CRF account, which was 97.9 per cent of the Approved Supplementary Budget. The amount represented an increase of 12.9 per cent from Kshs.4.48 billion (99.4 per cent) authorized in FY 2014/15 and consisted of Kshs.2.73 billion (54.0 per cent) for recurrent expenditure and Kshs.2.33 billion (46.0 per cent) for development activities.

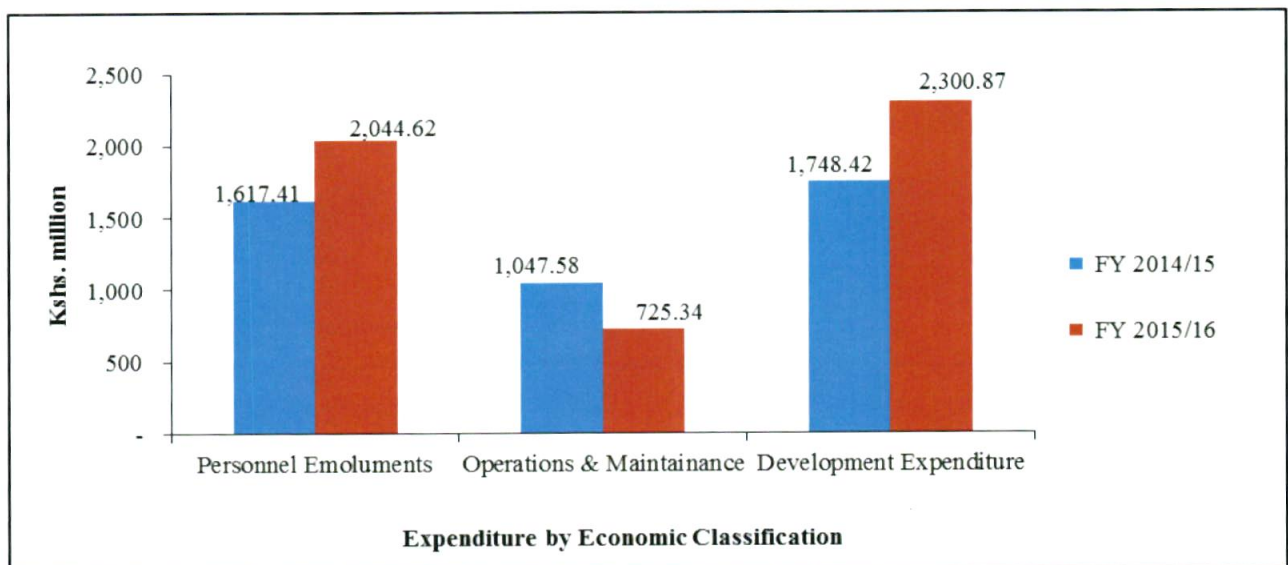
3.2.5 Overall Expenditure Review

The County spent a total of Kshs.5.07 billion in FY 2015/16, which was 100.2 per cent of the total funds released for operations. This was an increase from the Kshs.4.41 billion spent in FY 2014/15.

A total of Kshs.2.77 billion was spent on recurrent activities, while Kshs.2.30 billion was spent on development activities. The recurrent expenditure was 101.4 per cent of the funds released for recurrent activities while development expenditure accounted for 98.7 per cent of the funds released for development activities. The expenditure excluded pending bills as at 30th June, 2016 that amounted to Kshs.152.07 million for development activities and Kshs.9.32 million for recurrent expenditure.

The recurrent expenditure represented 101.2 per cent of the annual recurrent budget, an increase from 96.4 per cent attained in FY 2014/15. On the other hand, development expenditure recorded an absorption rate of 94.6 per cent, representing a decline from 99.6 per cent spent in FY 2014/15. Figure 3.6 represents a comparison between expenditure in FY 2015/16 and FY 2014/15 by economic classification.

Figure 3.6: Bomet County, Expenditure by Economic Classification for FY 2014/15 and FY 2015/16



Source: Bomet County Treasury

3.2.6 Analysis of Recurrent Expenditure

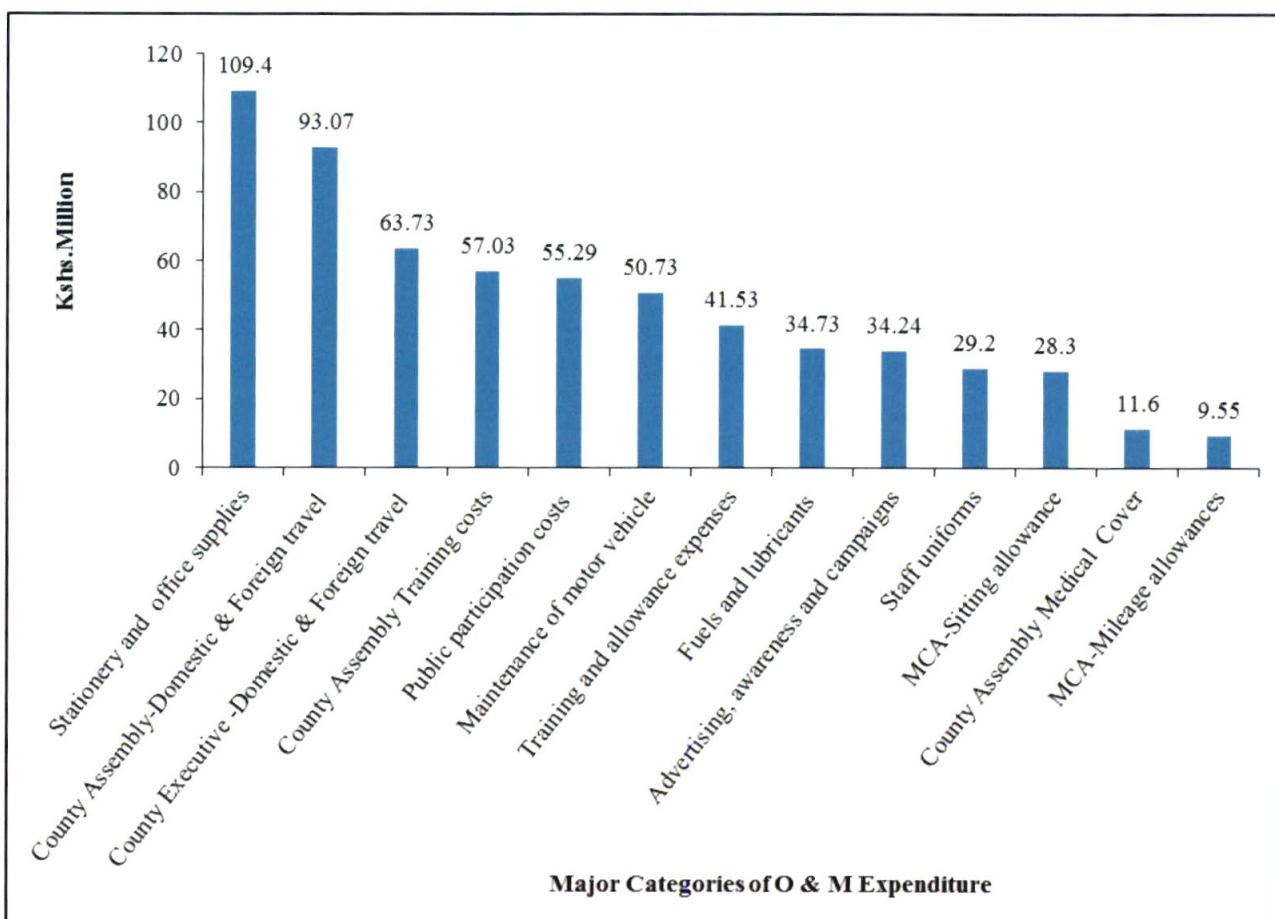
The total recurrent expenditure was Kshs.2.77 billion against an approved recurrent budget of Kshs.2.74 billion, representing 101.2 per cent. The County spent Kshs.2.04 billion (73.6 per cent) on personnel emoluments, Kshs.725.34 million (26.4 per cent) on operations and maintenance as shown in Figure 3.6. Expenditure on

personnel emoluments represented an increase of 74.9 per cent compared to FY 2014/15 when the County spent Kshs.1.17 billion. The increase is attributed to a growing workforce in the County.

The County spent Kshs.28.30 million on sitting allowances to the 35 MCAs and the Speaker against the annual budget allocation of Kshs.28.30 million. This was a decrease compared to Kshs.44.82 million spent in FY 2014/15. The average monthly sitting allowance was Kshs.67,371 compared to SRC’s recommended monthly ceiling of Kshs.124,800.

Expenditure on domestic and foreign travel was Kshs.156.80 million compared to Kshs.117.75 million spent in FY 2014/15, representing an increase of 29.4 per cent. Figure 3.7 shows a summary of the operations and maintenance expenditure by major categories.

Figure 3.7: Bomet County, Operations and Maintenance Expenditure for FY 2015/16

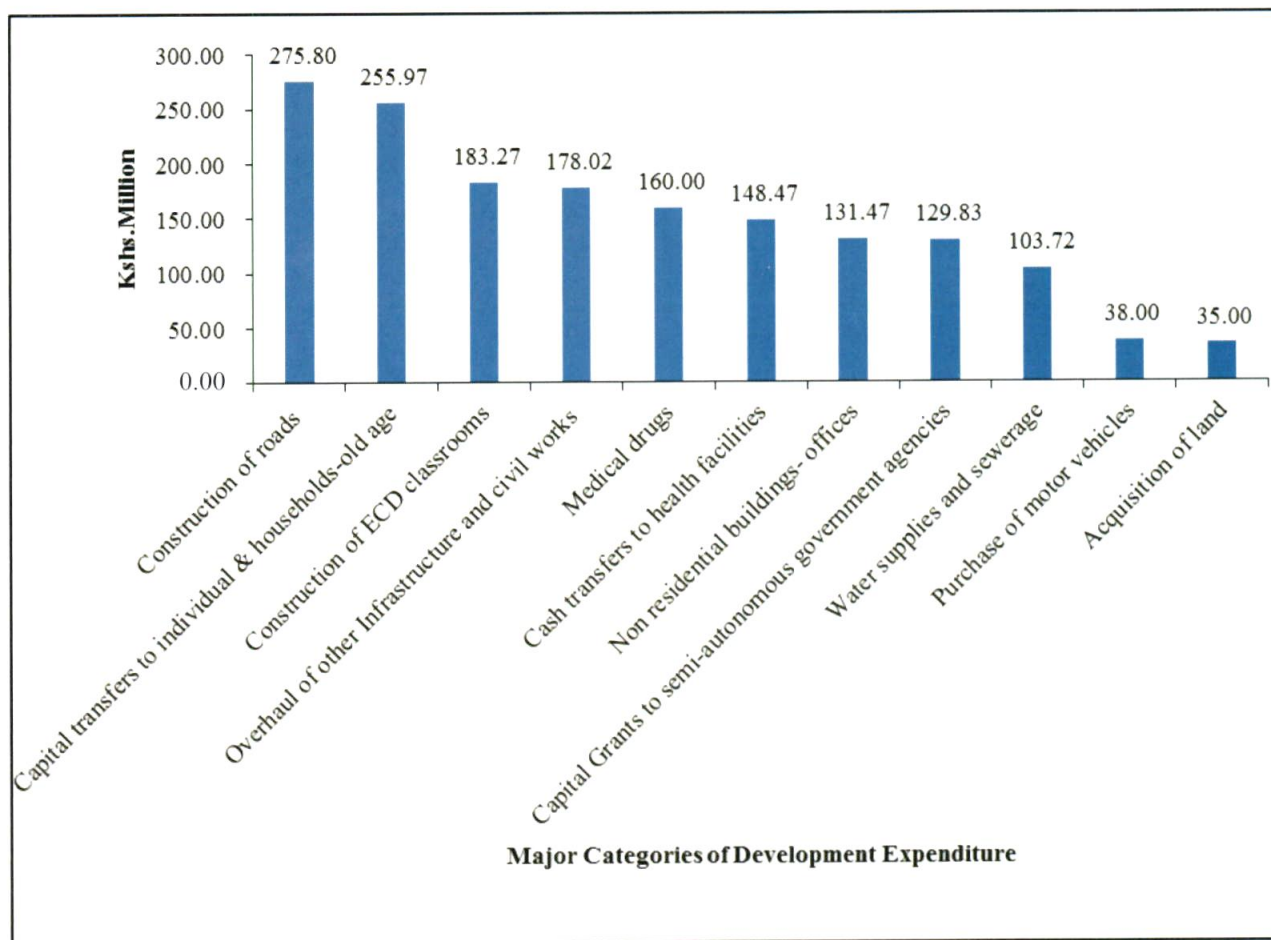


Source: Bomet County Treasury

3.2.7 Analysis of Development Expenditure

The total development expenditure was Kshs.2.30 billion against an annual development budget of Kshs.2.43 billion, representing 94.5 per cent of the annual development budget. Figure 3.8 provides a summary of development expenditure during the period under review.

Figure 3.8: Bomet County, Summary of Development Expenditure for FY 2015/16



Source: Bomet County Treasury

Analysis of the development expenditure in FY 2015/16 indicates that the highest expenditure of Kshs.275.80 million was incurred by the Roads Department on development and maintenance of access roads. A total of 520 kilometres of roads were graded while 250 kilometres were gravelled across the 30 wards in the County. The second highest expenditure of Kshs.255.97 million was incurred by the Social Services Department on transfers to individual old age persons. Kshs.183.27 million was spent on construction of ECD classrooms and Kshs.178.20 million on other infrastructure and civil works.

3.2.8 Analysis of Budget Performance by Department

Table 3.6 shows a summary of FY 2015/16 annual budget estimates and budget performance by department.

Table 3.6: Bomet County, FY 2015/16 Budget Performance by Department

Department	Budget Allocation (Kshs.Million)		Exchequer Issues (Kshs.Million)		Expenditure (Kshs.Million)		Expenditure to Exchequer Issues (%)		Expenditure to Budget Allocation (Absorption rate (%))	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
County Executives	384.80	0.00	382.63	0.00	384.45	0.00	100.5	0.0	99.9	0.0
Administration	314.26	40.00	314.06	39.00	351.91	70.06	112.1	179.6	112.0	175.1
Finance and Economic Planning	288.73	29.68	288.39	28.19	281.35	15.53	97.6	55.1	97.4	52.3
Public Health and Environment	195.94	8.90	195.48	8.73	195.90	8.89	100.2	101.9	100.0	99.9
Agri-business, Cooperatives & Marketing	152.14	175.91	152.00	167.27	152.06	175.51	100.0	104.9	99.9	99.8
Social Services	42.87	412.09	42.67	409.09	42.88	384.45	100.5	94.0	100.0	93.3
Medical Services	471.91	538.21	471.48	482.88	477.31	454.61	101.2	94.1	101.1	84.5
Lands, Housing and Urban Planning	66.22	125.55	65.92	121.90	65.90	125.51	100.0	103.0	99.5	100.0
Water and Irrigation	37.58	373.44	37.48	372.44	38.14	355.16	101.8	95.4	101.5	95.1
Education and Vocational Trainings	161.80	281.51	161.72	262.41	162.88	274.48	100.7	104.6	100.7	97.5
Roads and Public Works	117.90	391.87	117.03	389.91	117.75	391.87	100.6	100.5	99.9	100.0
Trade, Energy, Tourism and Industrialization	14.73	45.51	14.69	38.58	18.44	41.67	125.5	108.0	125.2	91.6
County Assembly	489.37	10.00	488.50	10.00	481.04	3.12	98.5	31.2	98.3	31.2
Total	2738.27	2432.69	2732.06	2330.39	2770.01	2300.87	101.4	98.7	101.2	94.6

Source: Bomet County Treasury

Analysis of development budget performance by department shows that the Department of Administration attained the highest absorption rate of 175.1 per cent in development expenditure while the Department of Finance and Economic Planning and the County Assembly had the least absorption rates in development expenditure at 52.3 per cent and 31.2 per cent respectively.

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;

1. Improved adherence to budget timelines.

2. Establishment of County Budget and Economic Forum as required by Section 137 of the PFM Act, 2012.
3. Adoption of IFMIS in processing of financial transactions.
4. Improvement in human capacity through recruitment of additional key staff and continuous training.
5. Establishment of an audit committee in compliance with Section 155 of the PFM Act, 2012.

Despite the progress made, 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 execution reports.
2. A high wage bill that increased by 26 per cent from Kshs.1.62 billion in FY 2014/15 to Kshs.2.04 billion in FY 2015/16 representing 40.3 per cent of the total expenditure.
3. Underperformance in local revenue collection. The local revenue collection declined by 18.9 per cent from Kshs.205.97 million in FY 2014/15 to Kshs.166.99 million in FY 2015/16.

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(4) 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 Treasury should formulate strategies to increase local revenue collection.*

3.3 Bungoma County

3.3.1 Overview of the FY 2015/16 Budget

The County's FY 2015/16 Approved Supplementary Budget was Kshs.10.05 billion, comprising of Kshs.6.08 billion (60.5 per cent) and Kshs.3.97 billion (39.5 per cent) for recurrent and development expenditure respectively.

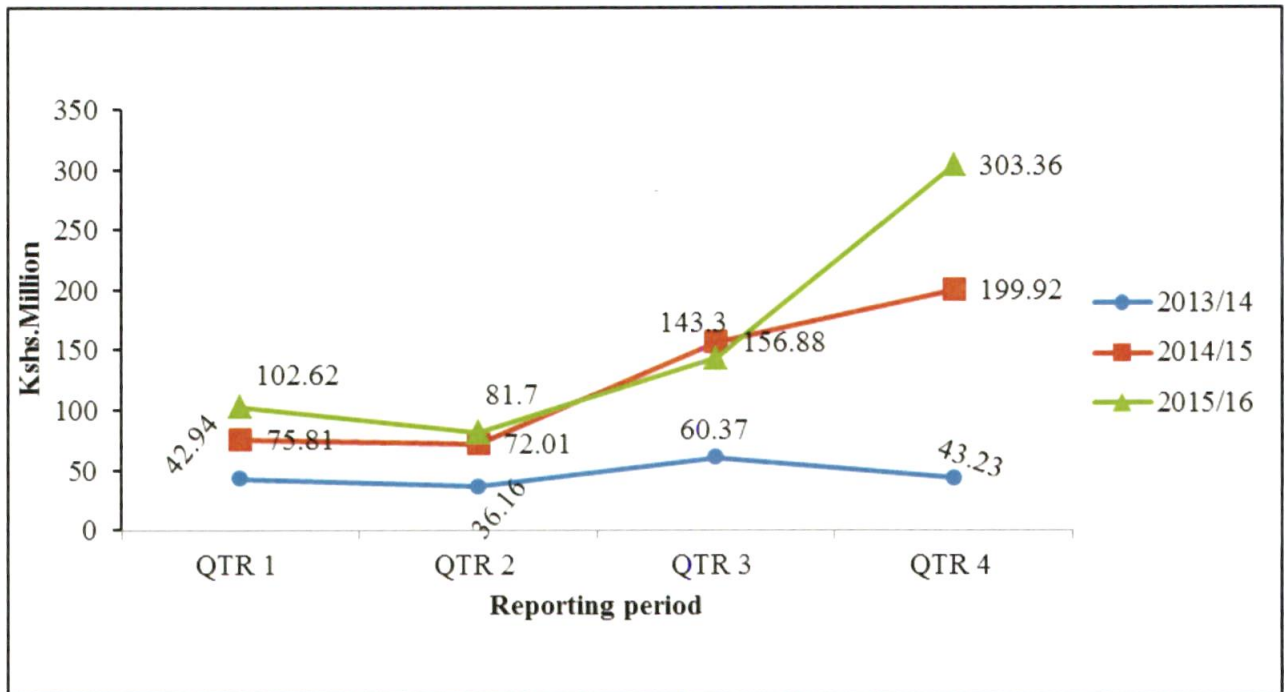
To finance the budget, the County expected to receive Kshs.7.68 billion (74.7 per cent) as equitable share of revenue raised nationally, Kshs.416.65 million (4.1 per cent) as total conditional grants, generate Kshs.804.05 million (8.0 per cent) from local sources, and had a cash balance of Kshs.1.37 billion (13.3 per cent) from FY 2014/15. The conditional grants comprised of Kshs.170.63 million (1.7 per cent) for Free Maternal Health Care, Kshs.97.50 million (1.0 per cent) from the Road Maintenance Fuel Levy Fund, Kshs.38.02 million (0.4 per cent) for User Fees Foregone, Kshs.95.74 million (0.9 per cent) for Leasing of Medical Equipment and Kshs.14.75 million (0.1 per cent) as a grant from DANIDA.

3.3.2 Revenue Analysis

During the year, the County received Kshs.7.68 billion as equitable share of revenue raised nationally, Kshs.105.32 million as total conditional allocations, raised Kshs.630.99 million from local sources, and had a cash balance of Kshs.1.37 billion brought forward from FY 2014/15.

Figure 3.9 shows the quarterly trend in local revenue collection from FY 2013/14 to FY 2015/16.

Figure 3.9: Bungoma County, Trend in Local Revenue Collection by Quarter from FY 2013/14 to FY 2015/16



Source: Bungoma County Treasury

The total local revenue collected for the FY 2015/16 of Kshs.630.99 million consisted of Kshs.102.62 million generated in the first quarter, Kshs.81.70 million in the second quarter, Kshs.143.30 million in the third quarter, and Kshs.303.36 million in the fourth quarter. The revenue collected was 78.5 per cent of the annual local revenue target, an improvement from Kshs.504.62 million collected in FY 2014/15.

Table 3.7 provides an analysis of the local revenue collected in FY 2015/16 by revenue stream.

Table 3.7: Bungoma County analysis of revenue collected by stream in FY 2015/16

No	Revenue Stream	Annual Targeted Revenue (Kshs.)	Annual Actual Revenue (Kshs.)	Actual Revenue as a percentage of Annual Target (%)
1	Enclosed bus park fee	54,372,964	46,504,888	85.5
2	Market fee	44,307,413	37,243,479	84.1
3	Crop cess	42,765,732	33,170,179	77.6
4	Single Business permit	87,761,160	68,604,520	78.2
5	Other Revenue Sources	217,506,606	126,426,154	58.1
6	Appropriations -In- Aid	357,331,682	319,039,273	89.3
Total		804,045,556	630,988,485	78.5

Source: Bungoma County Treasury

Analysis of the local revenue by stream indicates that, Appropriations -In- Aid (A-I-A) recorded the highest performance against annual target at 89.3 per cent. This was followed by enclosed bus park fee at 85.5 per cent, and market fee at 84.1 per cent, single business permits 78.2 per cent, crop cess at 77.6 per cent and other revenue sources at 58.1 per cent.

The County deposited all locally generated revenue into the County Revenue Fund account maintained at Central Bank of Kenya (CBK) as required by Article 207 (1) of the Constitution.

3.3.3 Conditional Grants

Table 3.8 shows an analysis of the conditional grants released in FY 2015/16.

Table 3.8: Bungoma County analysis of conditional grant releases in FY 2015/16

No.	Conditional Grant	Amount allocated as provided in CARA 2015 (Kshs.)	Actual receipt of the Conditional Grant (Kshs.)	Actual receipts as a percentage of Annual Allocation (%)
1	Road Maintenance Fuel Levy Fund	97,503,257	49,239,146	50.5
2	Free Maternal Health Care	170,630,600	56,077,500	33.0
3	User Fees Forgone	38,017,014	0.00	0.0
4	DANIDA Grant	14,750,000	0.00	0.0
5	Leasing of Medical Equipment*	95,744,681	0.00	0.0
Total		416,645,552	105,316,646	25.3

Source: Bungoma County Treasury

Analysis of the conditional grant releases for the period under review indicated that the Road Maintenance Fuel Levy recorded the highest performance against annual target at 50.5 per cent. This was followed by releases towards Free Maternal Health Care at 33.0 per cent.

3.3.4 Exchequer Issues

During the period under review, the Controller of Budget authorised withdrawal of Kshs.8.52 billion from the CRF account, which was 84.7 per cent of the Approved Supplementary Budget. The amount represented an increase of 18.7 per cent from Kshs.7.18 billion authorized in FY 2014/15 and consisted of Kshs.5.52 billion (64.8 per cent) for recurrent expenditure and Kshs.2.99 billion (35.2 per cent) for development activities.

3.3.5 Overall Expenditure Review

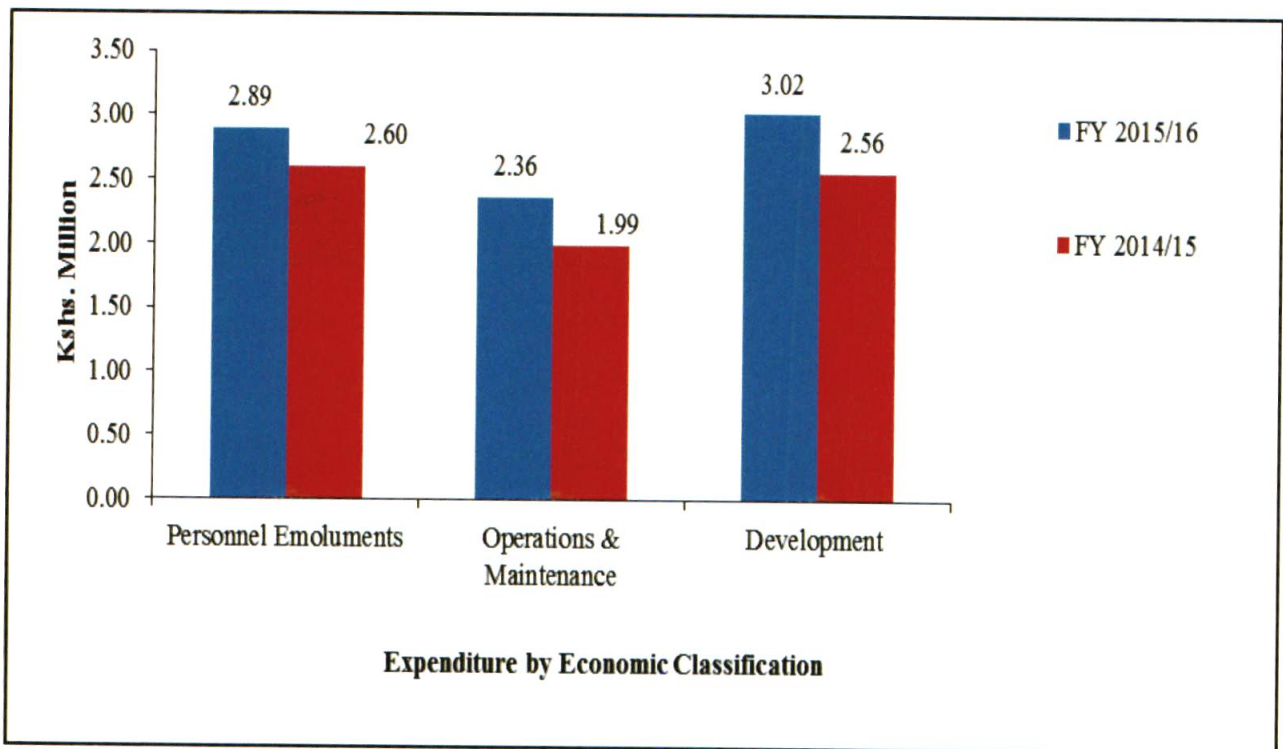
The County spent a total of Kshs.8.27 billion in FY 2015/16, which was 97.1 per cent of the total funds released for operations. This was an increase from the Kshs.7.14 billion spent in FY 2014/15.

A total of Kshs.5.25 billion was spent on recurrent activities, while Kshs.3.02 billion was spent on development activities. The recurrent expenditure was 95.2 per cent of the funds released for recurrent activities while development expenditure accounted for 100.8 per cent of the funds released for development activities. The expenditure excluded pending bills as at 30th June, 2016 that amounted to Kshs.26.16 million for development

and Kshs.20.50 million for recurrent expenditure.

The recurrent expenditure represented 86.4 per cent of the annual recurrent budget, a decrease from 96.1 per cent attained in FY 2014/15. Development expenditure recorded an absorption rate of 76.1 per cent, which was an increase from 46.7 per cent absorbed in FY 2014/15. Figure 3.10 presents a comparison between the expenditure in FY 2015/16 and FY 2014/15 by economic classification.

Figure 3.10: Bungoma County, Expenditure by Economic Classification for FY 2015/16 and FY 2014/15



Source: Bungoma County Treasury

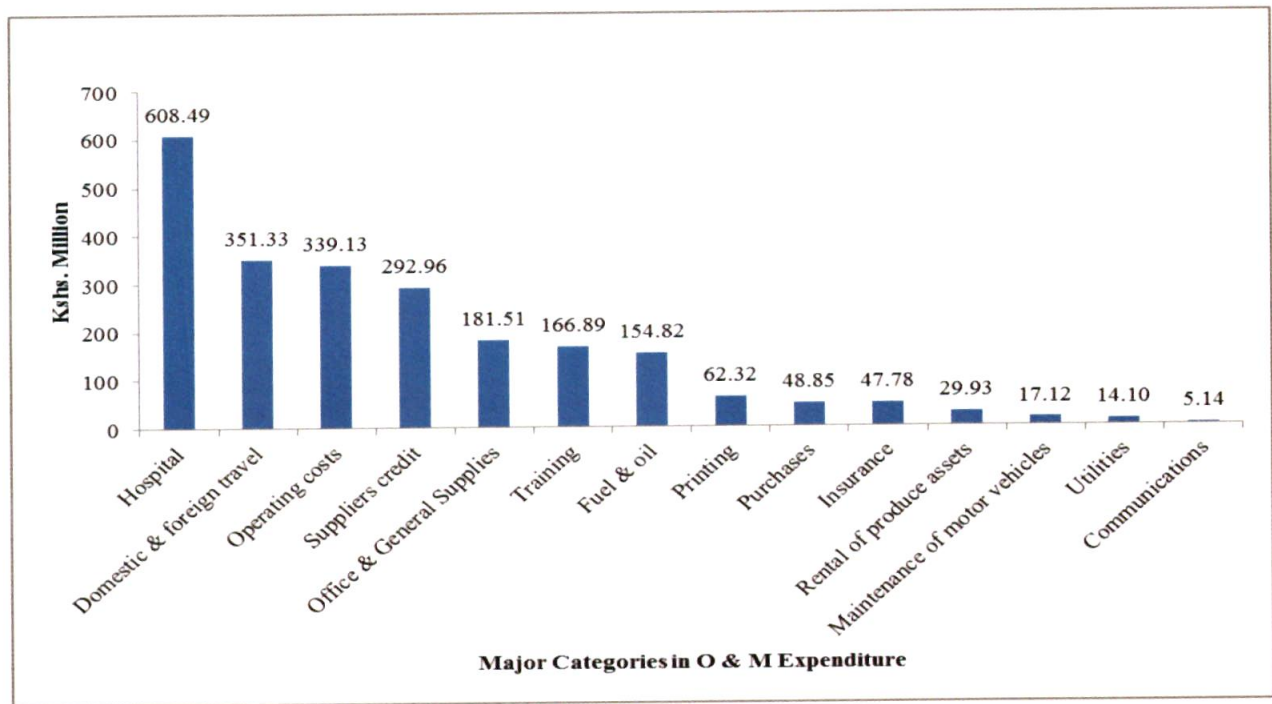
3.3.6 Analysis of Recurrent Expenditure

The total recurrent expenditure of Kshs.5.25 billion represented 86.4 per cent of the annual recurrent budget. The County spent Kshs.2.89 billion (55.0 per cent) on personnel emoluments and Kshs.2.36 billion (45.0 per cent) on operations and maintenance as shown in Figure 3.10. Expenditure on personnel emoluments represented an increase of 0.1 per cent compared to FY 2014/15 when the County spent Kshs.2.60 billion.

The County spent Kshs.71.42 million on sitting allowances to the 64 MCAs and the Speaker against the annual budget allocation of Kshs.105.71 million. This was a decrease compared to Kshs.102.29 million spent in FY 2014/15. The average monthly sitting allowance was Kshs.92,994 compared to SRC’s recommended monthly ceiling of Kshs.124, 800.

Expenditure on domestic and foreign travel was Kshs.351.33 million compared to Kshs.164.46 million spent in FY 2014/15, representing an increase of 113.63 per cent. Figure 3.11 shows a summary of the operations and maintenance expenditure by major categories.

Figure 3.11: Bungoma County, Operations and Maintenance Expenditure for FY 2015/16

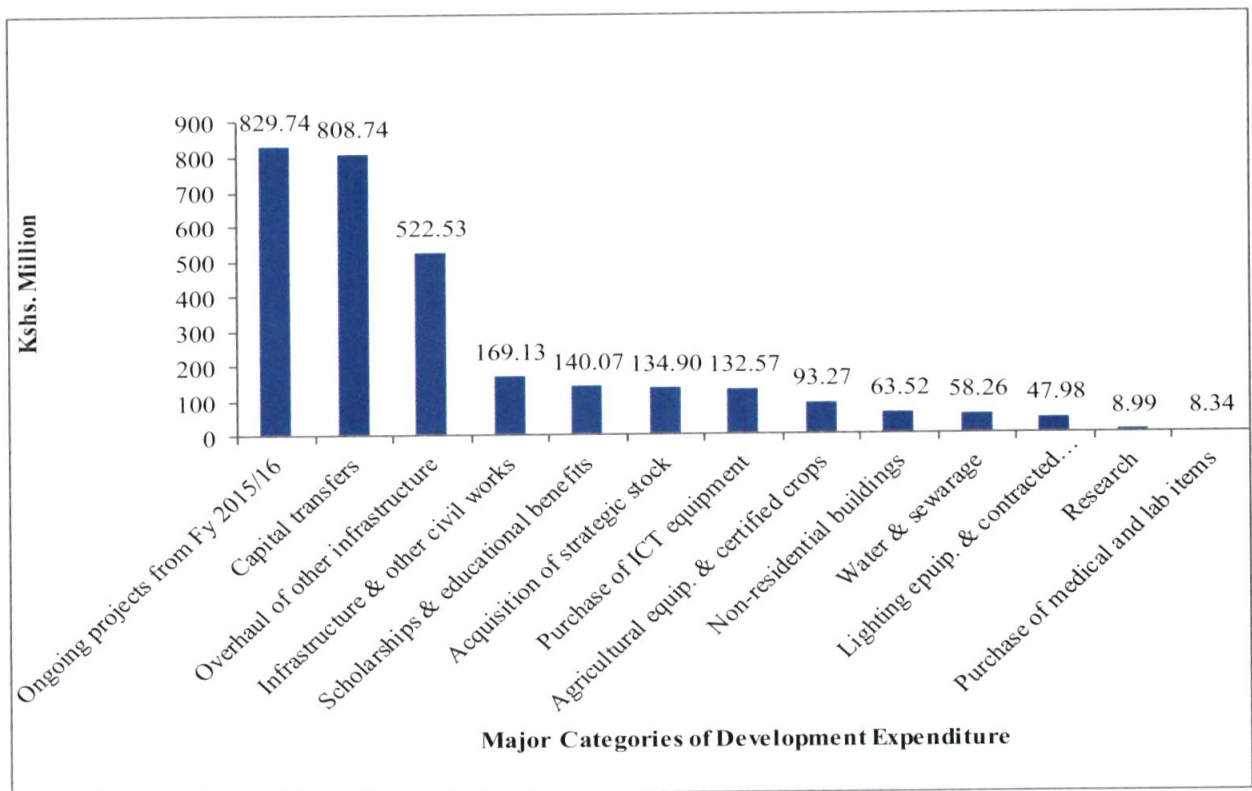


Source: Bungoma County Treasury

3.3.7 Analysis of Development Expenditure

The total development expenditure of Kshs.3.02 billion represented 76.1 per cent of the annual development budget. Figure 3.12 provides a summary of development expenditure during the period under review.

Figure 3.12: Bungoma County, Summary of Development Expenditure for FY 2015/16



Source: Bungoma County Treasury

Analysis of the development expenditure indicated that the highest expenditure of Kshs.829.74 million was spent on ongoing projects from FY 2014/15. The second highest expenditure of Kshs.808.59 million was on capital transfers. The County spent Kshs.140.07 million on scholarship and other educational benefits and Kshs.134.90 million on the acquisition of strategic stock.

3.3.8 Analysis of Budget Performance by Department

Table 3.9 shows a summary of FY 2015/16 annual budget estimates and budget performance by department.

Table 3.9: Bungoma County, FY 2015/16 Budget Performance by Department

Department	Budget Allocation (Kshs Million)		Exchequer issues (Kshs Million)		Expenditure (kshs. Million)		% of Expenditure to exchequer issues		Expenditure to Budget Allocation (Absorption rate (%))	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
Public Administration	418.82	60.12	434.05	48.73	388.61	41.7	89.5	85.6	92.8	69.4
Finance and Planning	1243.05	1443.6	1103.23	593.89	1295.03	788.77	117.4	132.8	104.2	54.6
Agriculture, Livestock, Fisheries and Co-op Devt.	407.74	415.5	413.37	396.91	324.78	398.86	78.6	100.5	79.7	96.0
Trade, Energy, land, Industrialization,	150.35	335.5	82.1	388.98	101.91	283.29	124.1	72.8	67.8	84.4
Roads and Public Works	134.14	876.6	130.31	871.9	112.9	824.36	86.6	94.5	84.2	94.0
Tourism, Forestry, Env't, Water and Natural Resources	80.7	274.93	61.3	260.5	76.05	239.68	124.1	92.0	94.2	87.2
Education, Science, Sports and Youth Affairs	527.93	242.66	355.33	273.75	314.9	289.37	88.6	105.7	59.6	119.2
Governors' office	409.17	6.67	380.74	3.5	377.24	4.51	99.1	128.9	92.2	67.6
Health	1,876.47	165.66	1,729.27	70.94	1,450.73	83.2	83.9	117.3	77.3	50.2
CPSB	38.48	0	41.84	0	36.41	0	87.0	-	94.6	-
County Assembly	677.36	53.19	677.36	43.39	674.56	43.39	99.6	100.0	99.6	81.6
Gender and Culture	76.19	71.3	75.29	15.73	67.2	15.25	89.3	96.9	88.2	21.4
Housing and sanitation	39.59	28.04	34	27.84	31.82	10.46	93.6	37.6	80.4	37.3
TOTAL	6,079.99	3,973.77	5,518.19	2,996.06	5,252.14	3022.84	95.2	100.8	86.4	76.1

Source: Bungoma County Treasury

Analysis of budget performance by department shows that the Department of Education, Science, Sports and Youth Affairs attained the highest absorption rate of development expenditure at 119.2 per cent while the Department of Gender and Culture attained the lowest absorption rate at 21.4 per cent. The Finance and Planning Department had the highest percentage of recurrent expenditure to recurrent budget at 104.2 per cent while the Department of Education, Science, Sports and Youth Affairs had the lowest at 59.6 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 absorption of development budget. In FY 2015/16, the County attained an absorption rate of 76.1 per cent compared to 46.7 per cent in FY 2014/15.
- ii. The County has established a County Budget and Economic Forum as per the provisions of Section 137 of the PFM Act, 2012.
- iii. The County has adopted IFMIS in processing financial transactions.
- iv. Improvement in human capacity through recruitment of additional key staff and continuous training.
- v. The County has established an audit committee in compliance with Section 155 of the PFM Act, 2012

Despite the progress made, 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 execution reports.
2. Delay in approval of key planning policy documents by the County Assembly, such as the ADP, CFSP and CBROP.
3. Spending of revenue at source in contravention of Section 109 of the PFM Act 2012. Based on our analysis of bank statements and expenditure returns, that the Departments of Health and Agriculture did not bank all its revenue receipts into the CRF account.

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 observe the budget timelines as stipulated in law with regard to approval of key planning documents so as to facilitate smooth implementation of the budget.*
3. *The County should ensure all departments adhere to Section 109 of the PFM Act, 2012 and bank all revenue receipts into the CRF account.*

3.4 Busia County

3.4.1 Overview of the FY 2015/16 Budget

The County's FY 2015/16 Approved Supplementary Budget was Kshs.7.30 billion, comprising of Kshs.3.70 billion (50.7 per cent) and Kshs.3.60 billion (49.3 per cent) for recurrent and development expenditure respectively.

To finance the budget, the County expected to receive Kshs.5.44 billion (74.5 per cent) as equitable share of revenue raised nationally, Kshs.915.55 million (12.6 per cent) as total conditional grants, generate Kshs.543.1 million (7.4 per cent) from local sources, and had a cash balance of Kshs.497.5 million (6.8 per cent) from 2014/2015. The conditional grants comprised of Kshs.99.71 million (1.4 per cent) for Free Maternal Health Care, Kshs.69.11 million (0.9 per cent) from the Road Maintenance Fuel Levy Fund, Kshs.11.38 million (0.2 per cent) for User Fees Foregone and Kshs.12.99 million (0.2 per cent) as a grant from DANIDA.

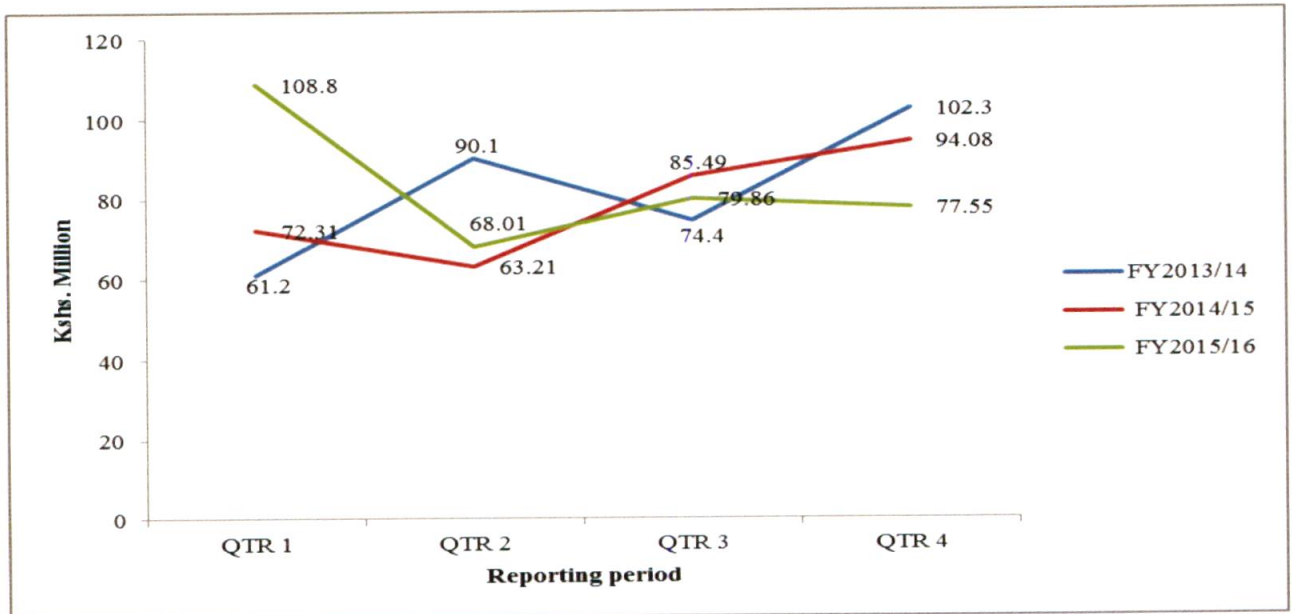
3.4.2 Revenue Analysis

During the year, the County received Kshs.5.44 billion as equitable share of the revenue raised nationally, Kshs.566.61 million as equitable share of revenue raised nationally erroneously transferred to Bungoma

County in FY 2014/15, Kshs.151.3 million as total conditional allocations, raised Kshs.334.22 million from local sources, and had a cash balance of Kshs.497.52 million brought forward from FY 2014/15.

Figure 3.13 shows the quarterly trend in local revenue collection from FY 2013/14 to FY 2015/16.

Figure 3.13: Busia County, Trend in Local Revenue Collection by Quarter from FY 2013/14 to FY 2015/16



Source: Busia County Treasury

The total local revenue collected in the FY 2015/16 of Kshs.334.22 million consisted of Kshs.108.80 million generated in the first quarter, Kshs.68.01 million in the second quarter, Kshs.79.86 million in the third quarter, and Kshs.77.55 million in the fourth quarter. The revenue was 61.5 per cent of the annual local revenue target, and an improvement from Kshs.315.20 million collected in FY 2014/15.

Table 3.10 provides an analysis of the local revenue collected in FY 2015/16 by revenue stream.

Table 3.10: Busia County analysis of revenue collected by stream in FY 2015/16

No	Revenue Stream	Annual Targeted Revenue (Kshs.)	Annual Actual Revenue	Actual Revenue as a percentage of Annual Target (%)
1	Other Miscellaneous	1,150,000	27,923,561	2428.1
2	Tractor Hire Services	3,680,000	3,528,700	95.9
3	Trailer Parking fees	126,500,000	110,916,530	87.7
4	Fish Cess	3,105,000	2,620,988	84.4
5	Stock Sale	4,140,000	3,363,150	81.2
6	Single Business Permits	43,700,000	35,301,600	80.8
7	Hospital users fees	69,000,000	53,841,713	78.0
8	Bus parking fees	40,250,000	31,305,130	77.8
9	Market Fees	32,200,000	20,767,060	64.5
10	Transit Produce Cess	28,750,000	18,309,917	63.7
11	Other Sources	190,591,927	26,343,735	13.8
Total		543,066,927	334,222,084	61.5

Source: Busia County Treasury

Analysis of the local revenue collected by stream indicated that, Other Miscellaneous category recorded the highest performance against annual target at over 100 per cent. This is attributed to un-reconciled revenue receipts deposited directly into the local county revenue account by citizens who did not deliver the deposit slips to the county revenue unit on time for proper identification and accounting. This was followed by Tractor Hire Services at 95.9 per cent attributed to increased agricultural mechanization activities within the county, and Trailer Parking Fees at 87.7 per cent attributed to the busy transport activities at the Busia boarder point. The County deposited all locally generated revenue into the County Revenue Fund account maintained at Central Bank of Kenya (CBK) as required by Article 207 (1) of the Constitution.

3.4.3 Conditional Grants

Table 3.11 shows an analysis of the conditional grants released in FY 2015/16.

Table 3.11: Busia County analysis of conditional grant releases in FY 2015/16

No.	Conditional Grant	Amount allocated as provided in CARA 2015 (Kshs.)	Actual receipt of the Conditional Grant (Kshs.)	Actual receipts as a percentage of Annual Allocation (%)
1	Road Maintenance Fuel Levy Fund	69,109,240	69,109,240	100
2	Free Maternal Health Care	99,713,600	70,778,120	71.0
3	User Fees Forgone	11,377,011	11,377,011	100
4	DANIDA Grant	12,990,000	0	0
5	Other Sources	626,612,679	0	0
Total		819,802,530	151,264,371	78.3

Source: Busia County Treasury

All projected revenue from conditional grants was fully realized except for Free Maternal Health Care which realized 71 per cent of the annual target.

3.4.4 Exchequer Issues

During the period under review, the Controller of Budget (COB) authorised withdrawal of Kshs.6.51 billion from the CRF account, which was 89.9 per cent of the Approved Supplementary Budget. The amount represented an increase of 26.4 per cent from Kshs.5.15 billion authorized in FY 2014/15 and consisted of Kshs.3.64 billion (55.9 per cent) for recurrent expenditure and Kshs.2.87 billion (44.1 per cent) for development activities.

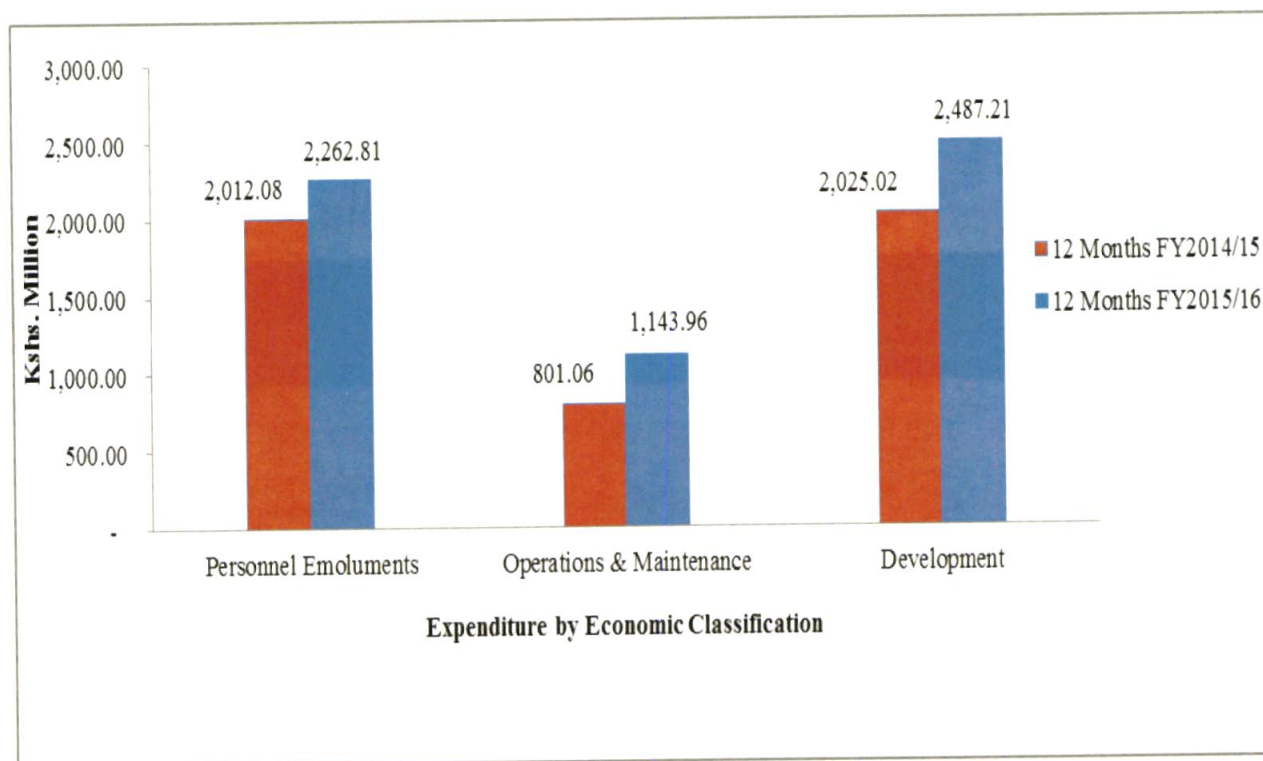
3.4.5 Overall Expenditure Review

The County spent a total of Kshs.5.87 billion in FY 2015/16, which was 90.6 per cent of the funds released for operations. This was an increase from the Kshs.4.99 billion spent in FY 2014/15.

A total of Kshs.3.41 billion was spent on recurrent activities, while Kshs.2.49 million was spent on development activities. The recurrent expenditure was 93.8 per cent of the funds released for recurrent activities while development expenditure accounted for 86.6 per cent of the funds released for development activities. The expenditure excludes pending bills as at 30th June, 2016.

The recurrent expenditure represented 93.8 per cent of the annual recurrent budget, an increase from 88.1 per cent attained in FY 2014/15. Conversely, development expenditure recorded an absorption rate of 69 per cent, which was also an increase from 68.7 per cent attained in FY 2014/15. Figure 3.14 presents a comparison between the expenditure in FY 2015/16 and FY 2014/15 by economic classification.

Figure 3.14: Busia County, Expenditure by Economic Classification for FY 2015/16 and FY 2014/15



Source: Busia County Treasury

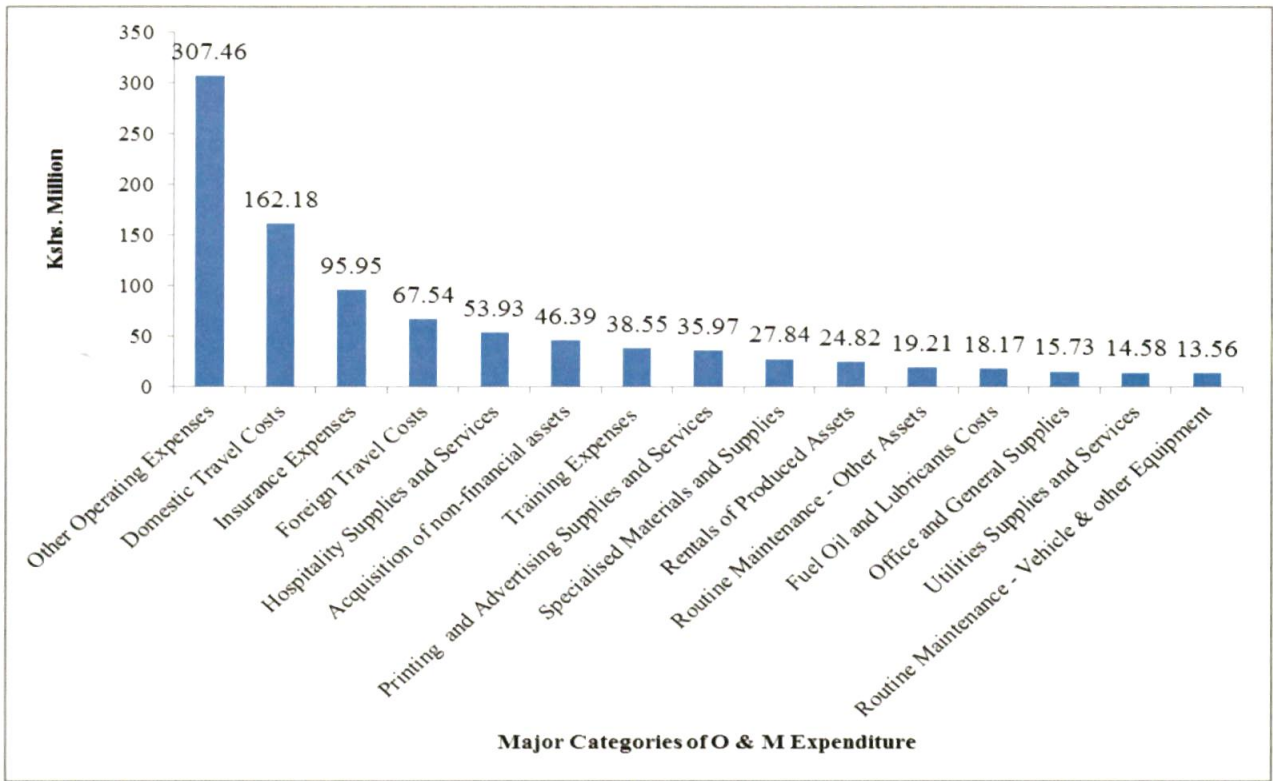
3.4.6 Analysis of Recurrent Expenditure

The total recurrent expenditure of Kshs.3.41 billion represented 92.2 per cent of the annual recurrent budget of Kshs.3.7 billion. The County spent Kshs.2.26 billion (66.7 per cent) on personnel emoluments and Kshs.1.14 billion (33.3 per cent) on operations and maintenance as shown in Figure 3.14. Expenditure on personnel emoluments represented an increase of 12.4 per cent compared to FY 2014/15 when the County spent Kshs.2.01 billion.

The County spent Kshs.98.90 million on sitting allowances to the 54 MCAs and the Speaker against the annual budget allocation of Kshs.114.82 million. This was an increase compared to Kshs.98.52 million spent in FY 2014/15. The average monthly sitting allowance was Kshs.152,665 compared to SRC's recommended monthly ceiling of Kshs.124, 800.

Expenditure on domestic and foreign travel was Kshs.295.78 million compared to Kshs.135.77 million spent in FY 2014/15, representing an increase of 69.2 per cent. Figure 3.15 shows a summary of the operations and maintenance expenditure by major categories.

Figure 3.15: Busia County, Operations and Maintenance Expenditure for FY 2015/16

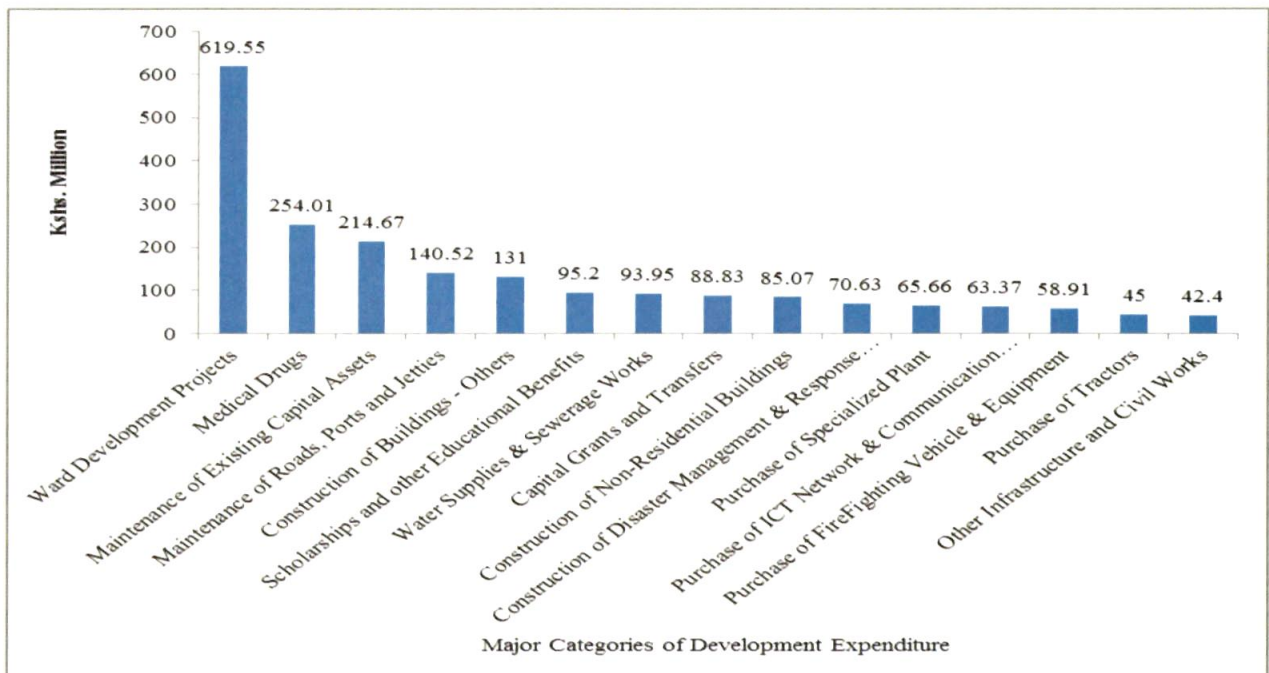


Source: Busia County Treasury

3.4.7 Analysis of Development Expenditure

The total development expenditure of Kshs.2.49 billion represented 69.2 per cent of the annual development budget of Kshs.3.60 billion, representing 69 per cent of the annual development budget. Figure 3.16 provides a summary of development expenditure during the period under review.

Figure 3.16: Busia County, Summary of Development Expenditure for FY 2015/16



Source: Busia County Treasury

Analysis of the development expenditure indicated that the highest expenditure of Kshs.619.55 million was incurred on development and maintenance of access roads across the 35 wards in the County. The second highest expenditure of Kshs.254.01 million was incurred on purchase of medical drugs by the Health and Sanitation Department. Kshs.214.67 million was spent on improving existing capital assets by all the departments while Kshs.140.52 million was spent by the Department of Public Works, Roads and Transport on maintenance of roads across the County.

3.4.8 Analysis of Budget Performance by Department

Table 3.12 shows a summary of FY 2015/16 annual budget estimates and budget performance by department.

Table 3.12: Busia County, FY 2015/16 Budget Performance by Department

Department	Budget Allocation (Kshs.Million)		Exchequer Issues (Kshs.Million)		Expenditure (Kshs.Million)		Expenditure to Exchequer Issues (%)		Expenditure to Budget Allocation (Absorption rate (%))	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
Agriculture and Animal Resources	214.91	253.93	214.91	253.93	186.55	196.96	86.8	77.6	86.8	77.6
Economic Planning, Trade, Co-operative and Industrialization	45.48	147.57	45.48	94.79	41.76	78.69	91.8	83.0	91.8	53.3
Education and Vocational Training	239.99	403.69	239.99	312.73	162.25	237.67	67.6	76.0	67.6	58.9
Finance and ICT	637.22	128.5	637.22	85.49	780.01	167.23	122.4	195.6	122.4	130.1
Community, Culture, Sports & Social Services	60.92	177.25	60.92	151.5	45.25	80.31	74.3	53.0	74.3	45.3
Public Works, Roads, Transport and Energy	68.76	723.05	68.76	565.75	69.25	725.02	100.7	128.2	100.7	100.3
Public Service Management	240.52	51.08	240.52	51.08	291.36	42.01	121.1	82.2	121.1	82.2
Lands, Housing & Urban development	38.07	357.67	38.07	148.6	37.72	75.08	99.1	50.5	99.1	21.0
Water, Environment & natural resources	68.7	425.08	68.7	424.08	57.17	251	83.2	59.2	83.2	59.0
Health and Sanitation	969.27	589.57	969.18	510.85	796.41	422.56	82.2	82.7	82.2	71.7
County Public Service Board	49.02	0	49.02	0	28.2	0	57.5	0	57.5	0
Office of the Governor	253.61	192.71	253.61	144	210.35	113.72	82.9	0	82.9	59
Office of the Deputy Governor	30.7	0	30.7	0	15.71	0	51.2	0	51.2	0
Office of the County Secretary	70.78	0	70.78	0	61.45	0	86.8	0	86.8	0
County Assembly	709.04	153.47	649	128.66	595.12	96.97	91.7	0	83.9	63
Total	3,696.99	3,603.57	3,636.86	2,871.46	3,378.56	2,487.22	92.9	86.6	91.4	69.0

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 expenditure at 130.1 per cent while the Department of Lands, Housing and physical planning incurred the least development expenditure at 21 per cent. The Finance Department had the highest percentage of recurrent expenditure to recurrent budget at 122.4 per cent while the Office of the Deputy Governor had the lowest at 51.2 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. Progressive automation of revenue collection which has led to improved revenue performance. The local revenue collection has improved from Kshs.315.20 million in FY 2014/15 to Kshs.334.22 in FY 2015/16.

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 Section 155(5) of the PFM Act, 2012.
2. Delay in approval of the supplementary budget by the County Assembly which affected smooth implementation of the development budget.
3. In FY 2015/16, the expenditure on MCA sitting allowances was Kshs.98.9 million which translated to a monthly average of Kshs. 152,665 for each MCA compared to the recommended SRC's maximum monthly ceiling of Kshs.124,800.

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

1. *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.*
2. *The County Assembly should approve supplementary budgets and other key planning documents in a timely manner to facilitate smooth implementation of the budget.*
3. *The County Assembly should put in place effective budgetary controls to ensure all expenditure is within the law. The MCA allowances paid in excess of the allowed threshold should be recovered.*

3.5 Elgeyo Marakwet County

3.5.1 Overview of the FY 2015/16 Budget

The County's FY 2015/16 Approved Supplementary Budget was Kshs.3.85 billion, comprising of Kshs.2.42 billion (62.8 per cent) and Kshs.1.43 billion (37.2 per cent) for recurrent and development expenditure respectively.

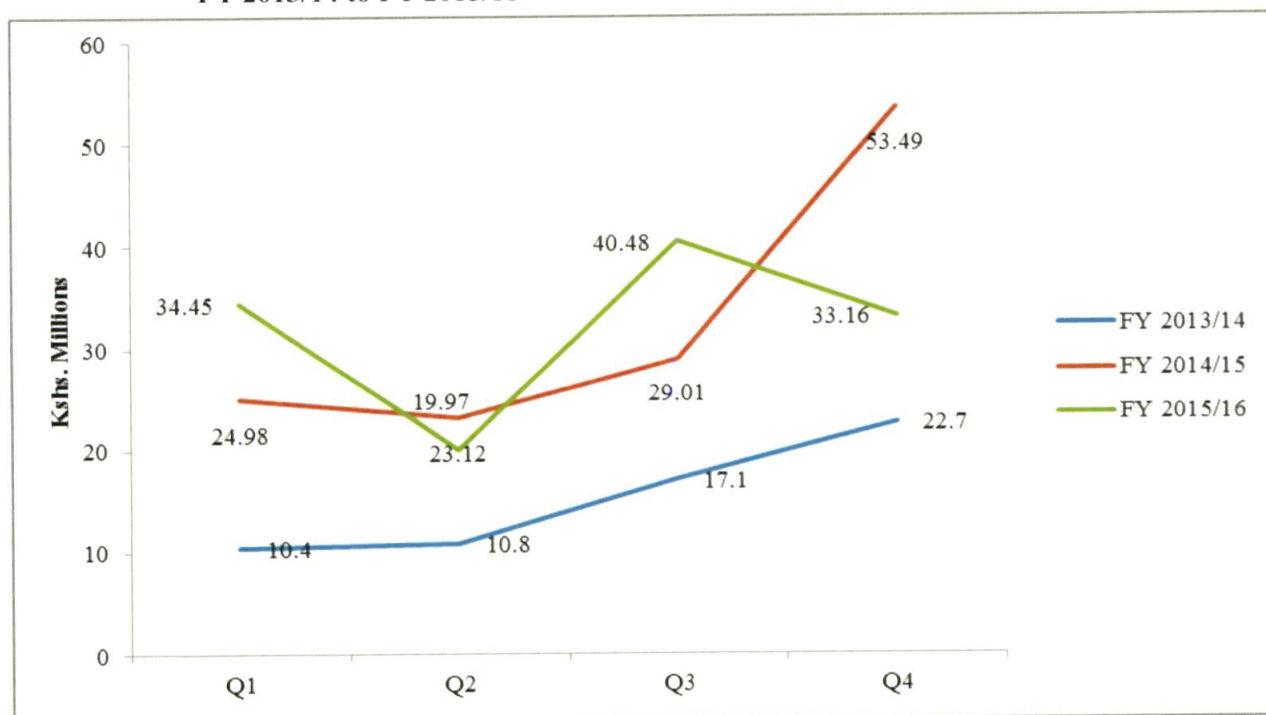
To finance the budget, the County expected to receive Kshs.3.27 billion (82.9 per cent) as equitable share of revenue raised nationally, Kshs.134.56 million (3.5 per cent) as total conditional grants, generate Kshs.149.98 million (3.8 per cent) from local sources, and had a cash balance of Kshs.295.32 million (7.5 per cent) from FY 2014/15. The conditional grants comprised of Kshs.95.74 million (41.6 per cent) for leasing of medical equipment, Kshs.43.41 million (18.8 per cent) for Free Maternal Health Care, Kshs.41.55 million (18.0 per cent) from the Road Maintenance Fuel Levy Fund, Kshs.8.62 million (3.7 per cent) for User Fees Foregone, Kshs.20.18 (8.8 per cent) for World Bank grant to support health facilities and Kshs.20.80 million (9.0 per cent) as a grant from DANIDA.

3.5.2 Revenue Analysis

During the year, the County received Kshs.3.27 billion as equitable share of the revenue raised nationally, Kshs.134.13 million as total conditional allocations, raised Kshs.128.06 million from local sources, and had a cash balance of Kshs.295.32 million brought forward from FY 2014/15.

Figure 3.17 shows the quarterly trend in local revenue collection from FY 2013/14 to FY 2015/16.

Figure 3.17: Elgeyo Marakwet County, Trend in Local Revenue Collection by Quarter from FY 2013/14 to FY 2015/16



Source: Elgeyo Marakwet County Treasury

The total local revenue collected in the FY 2015/16 of Kshs.128.06 million consisted of Kshs.34.45 million generated in the first quarter, Kshs.19.97 million in the second quarter, Kshs.40.48 million in the third quarter, and Kshs.33.16 million in the fourth quarter. The revenue was 85.4 per cent of the annual local revenue target, a decrease from Kshs.128.68 million collected in FY 2014/15.

Table 3.13 provides an analysis of the local revenue collected in FY 2015/16 by revenue stream.

Table 3.13: Elgeyo Marakwet County analysis of revenue collected by stream in FY 2015/16

No	Revenue Stream	Annual Targeted Revenue (Kshs.)	Annual Actual Revenue	Actual Revenue as a percentage of Annual Target (%)
1	Penalties /Fines	313,723	777,317.50	248.8
2	Market Fees	7,472,890	6,167,497.00	83.5
3	Bus Park/ Parking Fees	3,660,103	4,401,850.00	120.3
4	Produce / Cess Collection	30,638,247	31,585,437.40	103.1
5	Single Business Permits	18,923,699	14,825,039.00	78.1

No	Revenue Stream	Annual Targeted Revenue (Kshs.)	Annual Actual Revenue	Actual Revenue as a percentage of Annual Target (%)
6	Health (A-I-A)	65,284,932	47,101,459.00	72.1
7	House/Stall Rent	1,033,329	2,082,200.00	201.5
8	Other Departments	18,501,197	12,022,617.00	65.0
9	Other Sources	4,151,231	9,092,316.00	219.0
Total		149,979,351	128,055,733.90	85.4

Source: Elgeyo Marakwet County Treasury

Analysis of the local revenue collected by stream indicated that, Penalties/Fines recorded the highest performance against annual target at 248.8 per cent. This was followed by House/Stall rent at 201.5 per cent, and Bus Park/Parking Fess at 120.3 per cent.

The County deposited all locally generated revenue into the County Revenue Fund account maintained at Central Bank of Kenya (CBK) as required by Article 207 (1) of the Constitution.

3.5.3 Conditional Grants

Table 3.14 shows an analysis of the conditional grants released in FY 2015/16.

Table 3.14: Elgeyo Marakwet County analysis of conditional grant releases in FY 2015/16

No.	Conditional Grant	Amount allocated as provided in CARA 2015 (Kshs.)	Actual receipt of the Conditional Grant (Kshs.)	Actual receipts as a percentage of Annual Allocation (%)
1.	World Bank Grant	20,179,116	20,179,116	100.0
2.	Road Maintenance Fuel Levy Fund	41,545,473	41,545,473	100.0
3.	Free Maternal Health Care	43,409,800	43,409,800	100.0
4.	User Fees Forgone	8,624,640	7,194,840	83.4
5.	DANIDA Grant	20,800,000	20,800,000	100.0
Total		134,559,029	134,129,229	99.7

Source: Elgeyo Marakwet County Treasury

All projected revenue from conditional grants was fully realized except for the User Fee Foregone which realized of 83.4 per cent of the annual target.

3.5.4 Exchequer Issues

During the period under review, the Controller of Budget (COB) authorised withdrawal of Kshs.3.24 billion from the CRF account, which was 84.2 per cent of the Approved Supplementary Budget. The amount represented a decrease of 8.3 per cent from Kshs.3.51 billion authorized in FY 2014/15 and consisted of Kshs.2.36 billion (72.8 per cent) for recurrent expenditure and Kshs.881.11 million (27.2 per cent) for development activities.

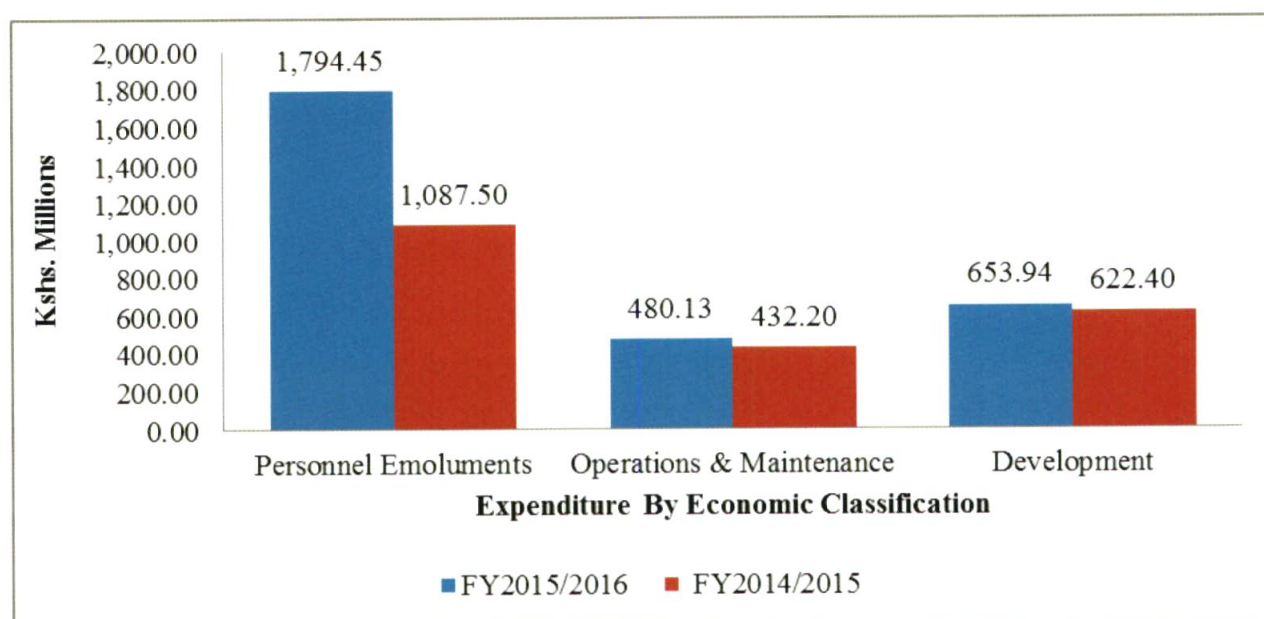
3.5.5 Overall Expenditure Review

The County spent a total of Kshs.2.93 billion in FY 2015/16, which was 90.4 per cent of the total funds released for operations. This was a decline from the Kshs.3.39 billion spent in FY 2014/15.

A total of Kshs.2.27 billion was spent on recurrent activities, while Kshs.653.94 million was spent on development activities. The recurrent expenditure was 70.1 per cent of the funds released for recurrent activities while development expenditure accounted for 20.2 per cent of the funds released for development activities. The expenditure excluded pending bills as at 30th June, 2016 that amounted to Kshs.725.86 million for development and Kshs.88.49 million for recurrent expenditure.

The recurrent expenditure represented 94.1 per cent of the annual recurrent budget, a decrease from 99.1 per cent attained in FY 2014/15. Development expenditure recorded an absorption rate of 45.6 per cent, which was a decrease from 75.1 per cent attained in FY 2014/15. Figure 3.18 presents a comparison between the total expenditure in FY 2015/16 and FY 2014/15.

Figure 3.18: Elgeyo Marakwet County, Expenditure by Economic Classification for FY 2015/16 and FY 2014/15



Source: Elgeyo Marakwet County Treasury

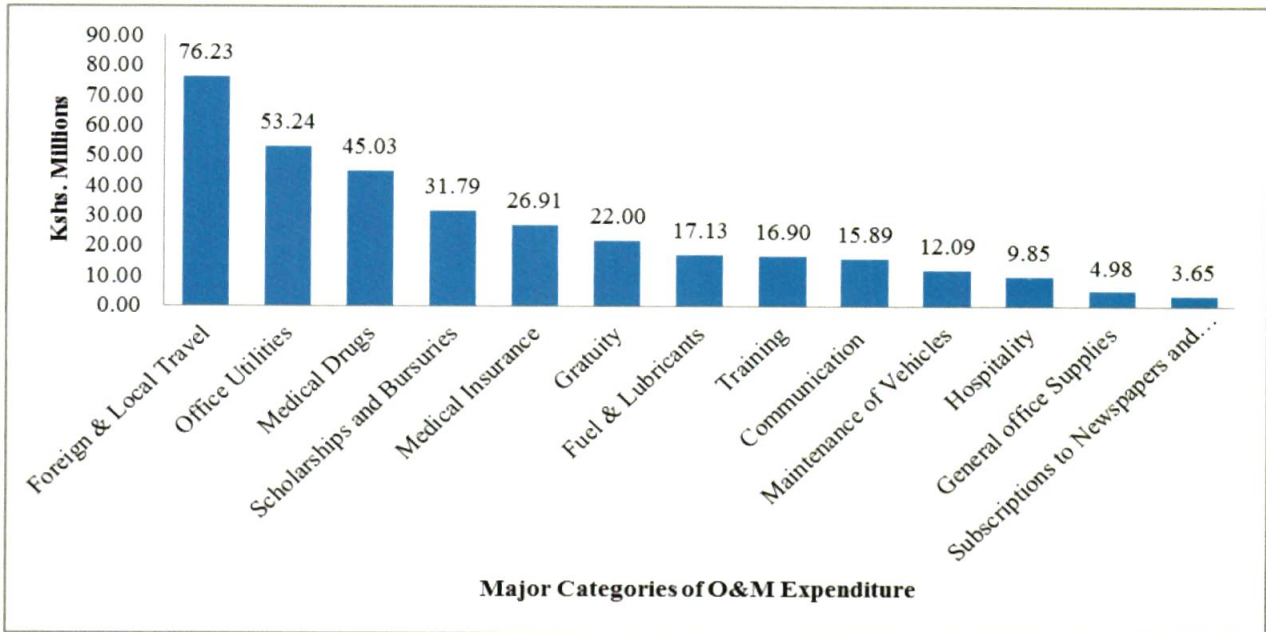
3.5.6 Analysis of Recurrent Expenditure

The total recurrent expenditure of Kshs.2.27 billion represented an annual recurrent budget of Kshs.2.42 billion, representing 93.8 per cent of the annual recurrent budget. The County spent Kshs.1.79 billion (78.9 per cent) on personnel emoluments and Kshs.480.13 million (21.1 per cent) on operations and maintenance as shown in Figure 3.18. The expenditure on personnel emoluments represented an increase of 20.9 per cent compared to FY 2014/15 when the County spent Kshs.1.48 billion. The increase is attributed to a growing workforce in the County, as well as annual staff salary increment and promotions.

The County spent Kshs.41.5 million on sitting allowances to the 30 MCAs and the Speaker against the annual budget allocation of Kshs.41.5 million. This was an increase compared to Kshs.33.50 million spent in FY 2014/15. The average monthly sitting allowance was Kshs.111,548.38 compared to SRC's recommended monthly ceiling of Kshs.124,800.

Expenditure on domestic and foreign travel was Kshs.76.23 million compared to Kshs.104.03 million spent in FY 2014/15, representing a slight decrease of 26.7 per cent. Figure 3.19 shows a summary of the operations and maintenance expenditure by major categories.

Figure 3.19: Elgeyo Marakwet County, Operations and Maintenance Expenditure for FY 2015/16

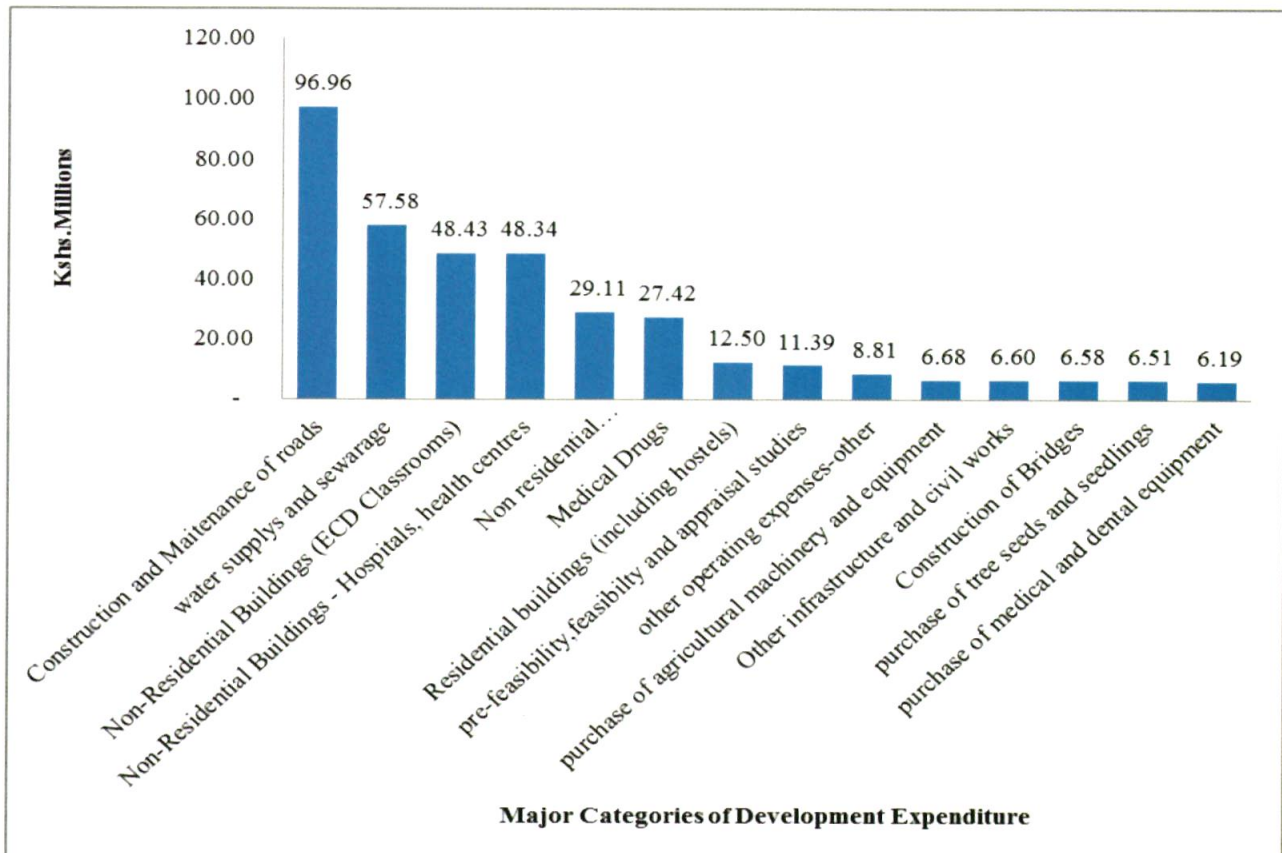


Source: Elgeyo Marakwet County Treasury

3.5.7 Analysis of Development Expenditure

The total development expenditure was Kshs.653.94 million against an annual development budget of Kshs.1.43 billion, representing 45.7 per cent of the annual development budget. Figure 3.20 provides a summary of development expenditure during the period under review.

Figure 3.20: Elgeyo Marakwet County, Summary of Development Expenditure for FY 2015/16



Source: Elgeyo Marakwet County Treasury

Analysis of the development expenditure in FY 2015/16 indicated that Kshs.96.96 million was incurred by the Roads, Public Works and Transport department on construction and maintenance of access roads. A total of 36.6 kilometres of roads were graded while 55 kilometres were gravelled across the 20 wards in the County. The second highest expenditure of Kshs.57.58 million was incurred by the Water, Lands and Physical Planning Department on water supplies and Sewerage. Kshs.48.43 million and Kshs.48.34 million was spent on Construction of ECD classrooms and and rehabilitation of Health centres respectively.

3.5.8 Analysis of Budget Performance by Department

Table 3.15 shows a summary of FY 2015/16 annual budget estimates and budget performance by department.

Table 3.15: Elgeyo Marakwet County, FY 2015/16 Budget Performance by Department

Department	Budget Allocation (Kshs.Million)		Exchequer Issues (Kshs.Million)		Expenditure (Kshs.Million)		Expenditure to Exchequer Issues (%)		Expenditure to Budget Allocation (Absorption rate (%))	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
Office of the Governor	81.47	31.69	80.11	13.16	78.62	24.48	98.1	186.0	96.5	77.2
Administration	23.35	-	23.35	-	20.87	-	89.4	-	89.4	-
County Assembly	426.07	44.96	389.47	30	406.77	24.48	104.44	81.6	95.47	54.45
Finance and Economic Planning	164.74	28.64	164.74	20.68	157.94	10.94	95.87	52.90	95.87	38.20
Roads, Public works and Transport	77.63	268.58	77.15	172.55	61.98	142.57	80.34	82.63	79.84	53.08
Youth Affairs, Culture, Children and Gender	25.43	120.39	25.10	53.48	23.32	75.71	92.91	141.57	91.70	62.89
Education and Technical Training	138.86	241.27	136.08	183.25	138.08	60.33	101.47	32.92	99.44	25.00
Health Services	1,088.53	201.63	1,074.57	186.12	1,017.94	110.82	94.73	59.54	93.52	54.96
Water, Lands, Housing and Physical Planning	66.59	261.46	66.49	83.00	62.53	90.40	94.04	108.92	93.90	34.58
Trade, Tourism, Cooperatives and Wildlife	47.75	55.99	47.28	34.09	43.60	24.92	92.22	73.10	91.31	44.51
Agriculture, Livestock and Fisheries	173.63	131.16	173.63	75.96	166.39	56.34	95.83	74.17	95.83	42.96
ICT and Public Service	68.93	47.45	68.50	28.82	64.10	27.76	93.58	96.32	92.99	58.50
County Public Service Board	34.10	-	33.96	-	32.44	-	95.52	-	95.13	-
Total	2,417.07	1,433.24	2,360.44	881.11	2,274.58	653.94	96.36	74.22	94.10	45.63

Source: Elgeyo Marakwet County Treasury

Analysis of budget performance by department shows that the Office of the Governor attained the highest absorption rate of development expenditure at 77.2 per cent while the department of Education and Technical Training had the lowest at 25.0 per cent. Similarly, the Education and Technical Training Department had the

highest percentage of recurrent expenditure to recurrent budget at 99.44 per cent while the Department of Roads and Public Works had the lowest at 79.84 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. Adoption of IFMIS in processing financial transactions.
- ii. Improvement in staff capacity through training.

Despite the progress made, 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 execution reports.
2. A high wage bill that increased from Kshs.1.48 billion in FY2014/15 to Kshs.1.79 billion in the period under review. The wage bill represents 46.5 per cent of the total budget which is above the ceiling of 35 per cent provided under the Public Finance Management (County Government) Regulations, 2015.
3. Delay in approving key planning policy documents such as the ADP, CFSP and CBROP. None of these documents were approved within the PFM Act, 2012 prescribed timelines.
4. Failure to reconcile IFMIS payroll data to the IPPD data. While IFMIS reports indicated total expenditure on P.E as Kshs.1.79 billion, data from the IPPD indicated Kshs.1.49 billion as the total payroll cost 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 to the County Assembly, Office of the Controller of Budget and the National Treasury in line with Section 166 of the 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 observe the budget timelines as stipulated in law in finalizing key planning documents in order to facilitate smooth implementation of the budget*
4. *The County should reconcile the IFMIS and IPPD data on a monthly basis for accurate reporting.*

3.6 Embu County

3.6.1 Overview of the FY 2015/16 Budget

The County's FY 2015/16 Approved Supplementary Budget was Kshs.5.73 billion, comprising of Kshs.3.41 billion (59.4 per cent) and Kshs.2.32 billion (41.6 per cent) for recurrent and development expenditure respectively.

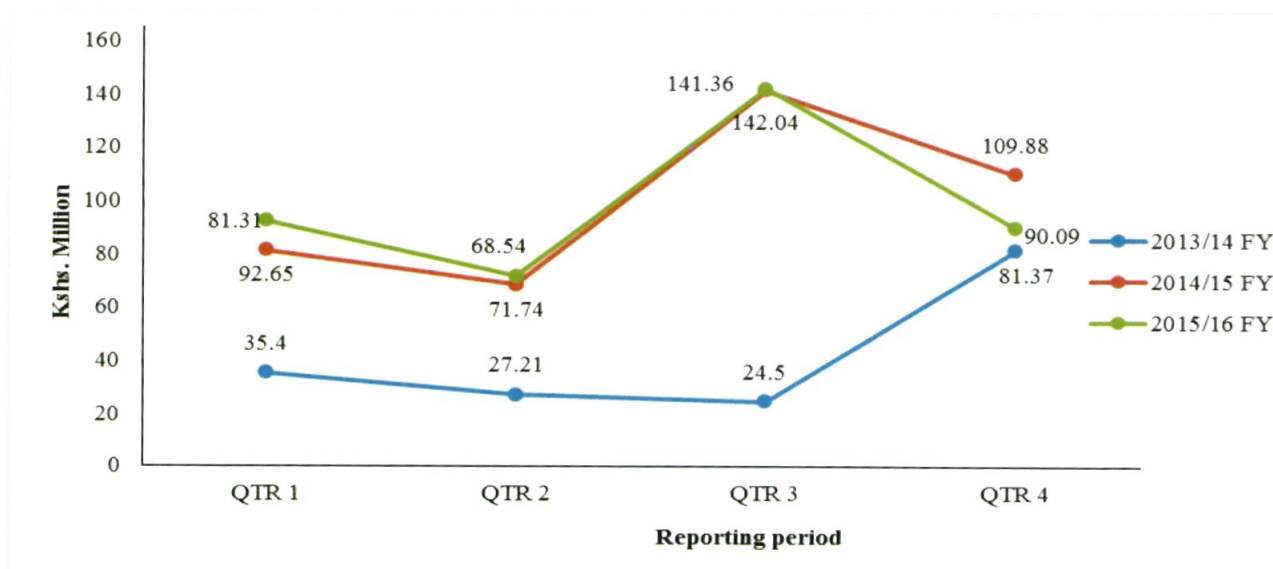
To finance the budget, the County expected to receive Kshs.3.84 billion (66.9 per cent) as equitable share of revenue raised nationally, Kshs.420.75 million (7.3 per cent) as total conditional grants, generate Kshs.630.76 Million (11.0 per cent) from local sources, and had a cash balance of Kshs.842.88 million (14.7 per cent) from FY 2014/15. The conditional grants comprised of Kshs.192.88 million (45.8 per cent) for the Level 5 Hospital, Kshs.95.74 million (22.8 per cent) for leasing of medical equipment, Kshs.57.59 million (13.7 per cent) for Free Maternal Health Care, Kshs.48.75 million (11.6 per cent) from the Road Maintenance Fuel Levy Fund, Kshs.12.03 million (2.9 per cent) for User Fees Foregone and Kshs.13.75 million (3.3 per cent) as a grant from DANIDA.

3.6.2 Revenue Analysis

During the year, the County received Kshs.3.84 billion as equitable share of the revenue raised nationally, Kshs279.48 million as total conditional allocations, raised Kshs.396.52 million from local sources, and had a cash balance of Kshs.842.88 million brought forward from FY 2014/15.

Figure 3.21 shows the quarterly trend in local revenue collection from FY 2013/14 to FY 2015/16.

Figure 3.21: Embu County, Trend in Local Revenue Collection by Quarter from FY 2013/14 to FY 2015/16



Source: Embu County Treasury

The total local revenue collected in FY 2015/16 of Kshs.396.52 million consisted of Kshs.92.65 million generated in the first quarter, Kshs.71.74 million in the second quarter, Kshs.142.04 million in the third quarter, and Kshs.90.09 million in the fourth quarter. The revenue was 62.9 per cent of the annual local revenue target, a decrease from Kshs.401.1 million collected in FY 2014/15.

Table 3.16 provides an analysis of the local revenue collected in FY 2015/16 by revenue stream.

Table 3.16: Embu County analysis of revenue collected by stream in FY 2015/16

No.	Revenue Stream	Actual Annual Revenue (Kshs.)	Contribution to Total Revenue (%)
1	Medical Levies and Hospital fees	151,959,419	38.3
2	Single Business Permits	58,079,141	14.6
3	Produce Cess	53,275,687	13.4
4	Other Sources	32,371,611	8.2
5	Parking Fees	32,245,595	8.1
6	Market Fees	22,334,263	5.6
7	Property Rent & Rates	20,410,172	5.1
8	Liquor License	13,950,864	3.5
9	Public Health Fees	6,191,356	1.6
10	Buildings Approvals	5,707,504	1.4
	Total	396,525,612	100.0

Source: Embu County Treasury

Analysis of revenue by stream indicated that medical levies recorded the highest performance at 38.3 per cent of the total local revenue. This was followed by single business permits at 14.6 per cent. The County Treasury did not provide the annual revenue target by stream.

The County deposited all locally generated revenue into the County Revenue Fund account maintained at Central Bank of Kenya (CBK) as required by Article 207 (1) of the Constitution.

3.6.3 Conditional Grants

Table 3.17 shows an analysis of the conditional grants released in FY 2015/16.

Table 3.17: Embu County analysis of conditional grant releases in FY 2015/16

No.	Conditional Grant	Amount allocated as provided in CARA 2015 (Kshs.)	Actual receipt of the Conditional Grant (Kshs.)	Actual receipts as a percentage of Annual Allocation (%)
1	Level 5 Hospitals	192,882,857	192,882,857	100.0
2	Road Maintenance Fuel Levy Fund	48,754,599	48,754,599	100.0
3	Free Maternal Health Care	57,593,200	43,557,500	75.6
4	User Fees Forgone	12,032,884	12,032,884	100.0
5	DANIDA Grant	13,750,000	6,875,000	50.0
Total		325,013,540	304,102,840	93.6

Source: *Embu County Treasury*

All projected revenue from conditional grants was fully realized except for the Free Maternal Health Care and DANIDA grant which realized 75.6 per cent and 50 per cent of the annual target respectively.

3.6.4 Exchequer Issues

During the period under review, the COB authorised withdrawal of Kshs.4.18 billion from the CRF account, which was 72.9 per cent of the Approved Supplementary Budget. The amount represented an increase of 8.6 per cent from Kshs.3.85 billion authorized in FY 2014/15 and consisted of Kshs.3.21 billion (76.8 per cent) for recurrent expenditure and Kshs.965.64 million (23.2 per cent) for development activities.

3.6.5 Overall Expenditure Review

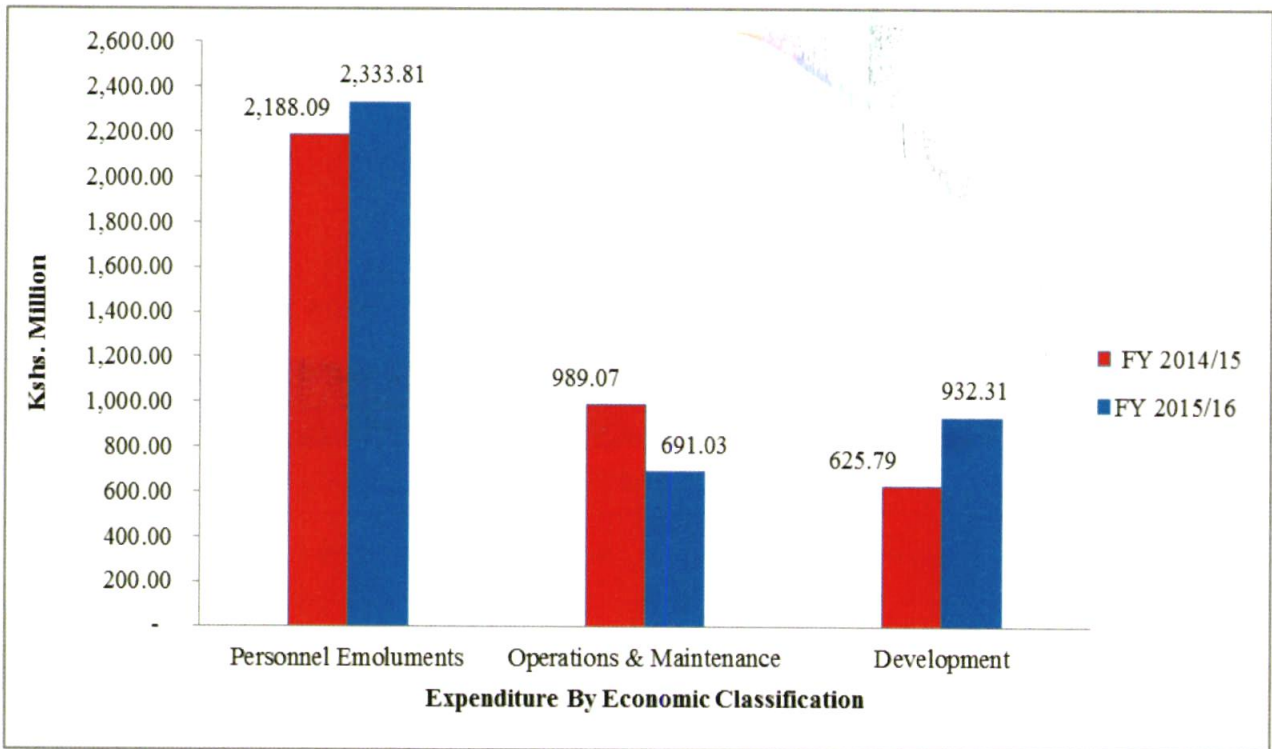
The County spent a total of Kshs.3.96 billion in FY 2015/16, which was 94.7 per cent of the total funds released for operations. This was an increase from the Kshs3.80 billion spent in FY 2014/15.

A total of Kshs.3.02 billion was spent on recurrent activities, while Kshs.932.31 million was spent on development activities. The recurrent expenditure was 94.2 per cent of the funds released for recurrent activities while development expenditure accounted for 96.5 per cent of the funds released for development activities. The expenditure excluded pending bills as at 30th June, 2016 that amounted to Kshs.692.32 million for development and Kshs.105.92 million for recurrent expenditure.

The recurrent expenditure represented 88.8 per cent of the annual recurrent budget, a decrease from 93.3 per cent attained in FY 2014/15. Development expenditure recorded an absorption rate of 40.1 per cent, which

was an increase from 39.5 per cent attained in FY 2014/15. Figure 3.22 presents a comparison between the total expenditure in FY 2015/16 and FY 2014/15.

Figure 3.22: Embu County, Expenditure by Economic Classification for FY 2015/16 and FY 2014/15



Source: Embu County Treasury

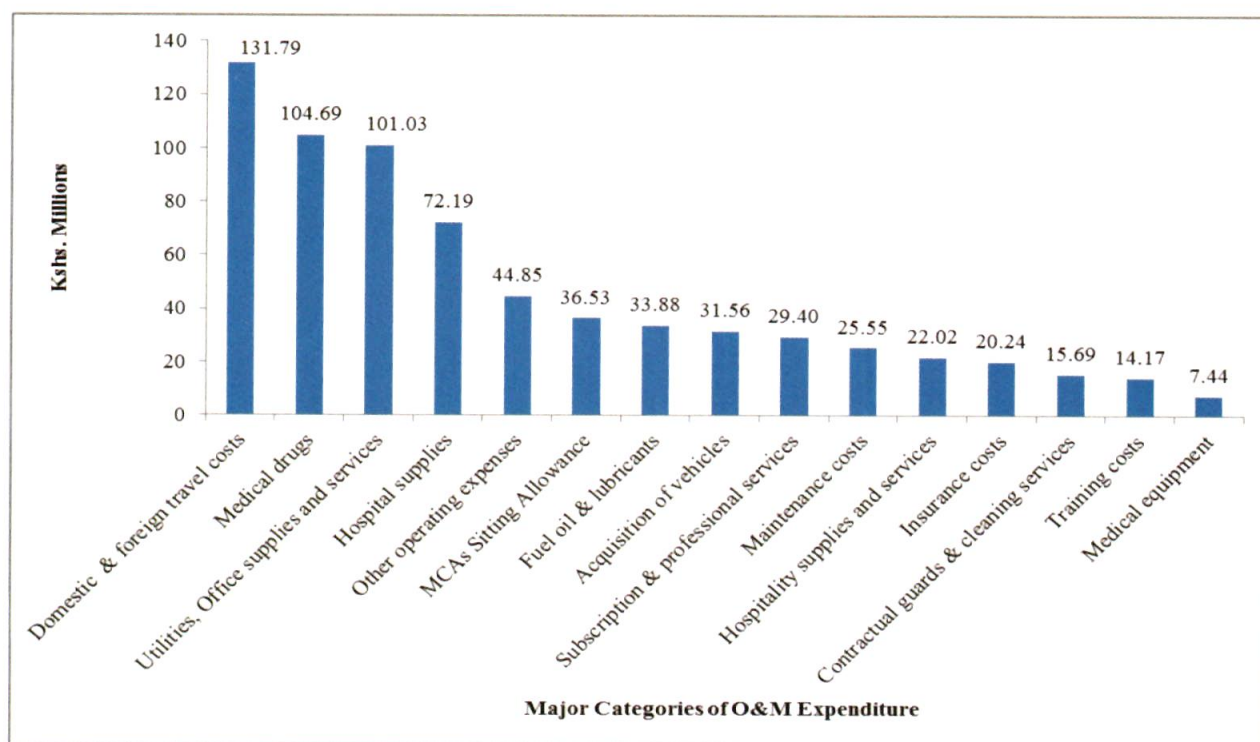
3.6.6 Analysis of Recurrent Expenditure

The total recurrent expenditure of Kshs.3.02 billion represented 88.8 per cent of the annual recurrent budget against an annual recurrent budget of Kshs.3.41 billion. The County spent Kshs.2.33 billion (77.2 per cent) on personnel emoluments and Kshs.691.03 million (22.8 per cent) on operations and maintenance as shown in Figure 3.22. The expenditure on personnel emoluments represented an increase of 6.4 per cent compared to FY 2014/15 when the County spent Kshs2.19 billion. The increase is attributed to a growing workforce in the County.

The County spent Kshs.36.53 million on sitting allowances to the 33 MCAs and the Speaker against the annual budget allocation of Kshs.38.59 million. This was an increase compared to Kshs.33.57 million spent in FY 2014/15. The average monthly sitting allowance was Kshs.89,534 compared to SRC’s recommended monthly ceiling of Kshs.124,800.

Expenditure on domestic and foreign travel was Kshs.131.79 million compared to Kshs.144.92 million spent in FY 2014/15, representing a decrease of 9.1 per cent. Figure 3.23 shows a summary of the operations and maintenance expenditure by major categories.

Figure 3.23: Embu County, Operations and Maintenance Expenditure for FY 2015/16

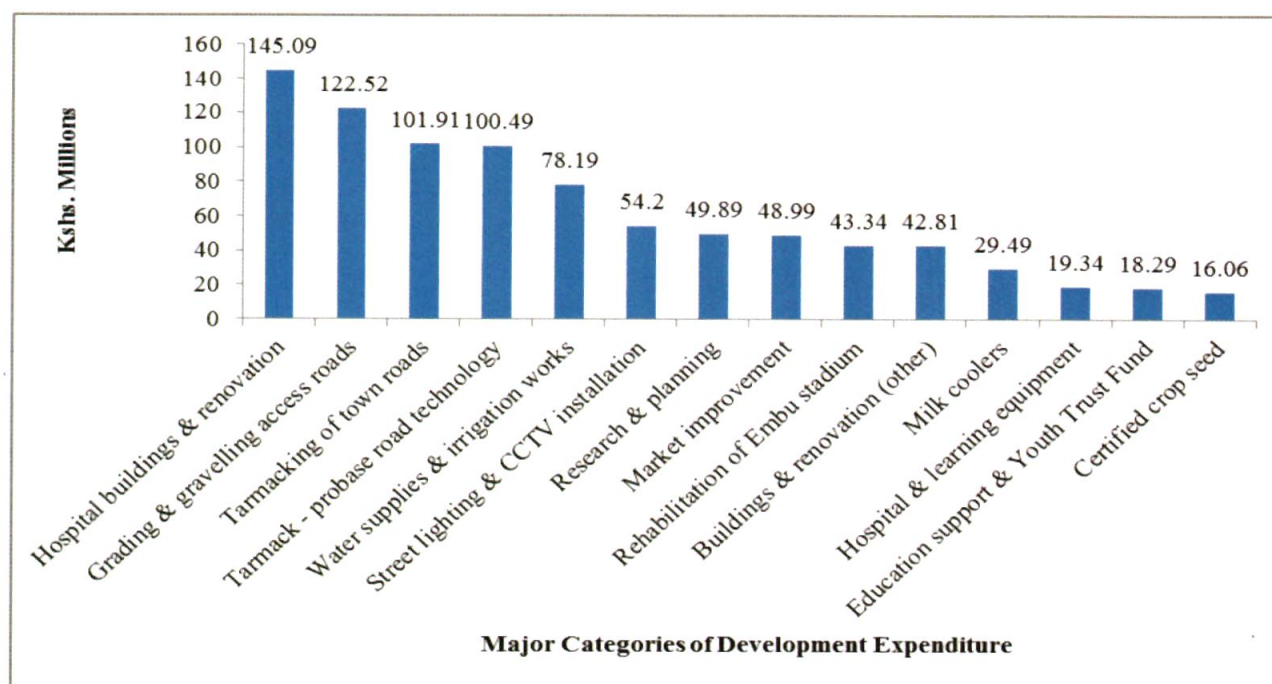


Source: Embu County Treasury

3.6.7 Analysis of Development Expenditure

The total development expenditure was Kshs.932.31 million against an annual development budget of Kshs.2.33 billion, representing 40.1 per cent of the annual development budget. Figure 3.24 provides a summary of development expenditure during the period under review.

Figure 3.24: Embu County, Summary of Development Expenditure for FY 2015/16



Source: Embu County Treasury

Analysis of the development expenditure indicated that the highest expenditure of Kshs.145.09 million was incurred by the Health Services Department on construction and renovation of buildings. The second highest expenditure of Kshs.122.52 million was incurred by the Infrastructure and Public Works Department on improvement of access roads. Kshs.101.91 million and Kshs.100.49 million was spent by the Infrastructure and Public Works Department to tarmac roads by conventional and Probase Road Technology respectively.

3.6.8 Analysis of Budget Performance by Department by department

Table 3.18 shows a summary of FY 2015/16 annual budget estimates and budget performance by department.

Table 3.18: Embu County, FY 2015/16 Budget Performance by Department

Department	Budget Allocation (Kshs Million)		Exchequer Issues (Kshs Million)		Expenditure (Kshs Million)		Expenditure to Exchequer issues (%)		Expenditure to Budget Allocation (Absorption rate (%))	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
Office of the Governor	394.47	-	388.66	-	370.09	-	95.2	-	93.8	-
Finance and Economic Planning	73.22	463.29	52.89	53.00	40.43	47.41	76.5	89.4	55.2	10.2
Health Services	1,370.56	257.80	1,319.21	107.92	1,290.98	23.44	97.9	21.7	94.2	9.1
Embu Level 5 Hospital	256.49	156.30	178.67	145.00	149.28	135.54	83.6	93.5	58.2	86.7
Education & Technology	145.54	82.66	148.08	28.00	129.31	23.66	87.3	84.5	88.8	28.6
Youth Empowerment & Sports	18.96	68.47	18.65	43.00	7.20	55.79	38.6	129.7	37.9	81.5
Infrastructure & Public Works	64.28	800.75	59.77	349.58	50.94	391.16	85.2	111.9	79.2	48.8
Trade & Investments	13.11	103.27	12.33	51.01	8.54	75.22	69.3	147.5	65.2	72.8
Gender Empowerment	7.30	52.64	6.64	9.70	4.23	7.74	63.8	79.8	58.0	14.7
Lands, Water & Environment	79.35	183.98	68.17	47.80	64.27	79.31	94.3	165.9	81.0	43.1
Agriculture & Livestock	256.90	117.99	235.51	95.63	221.63	92.86	94.1	97.1	86.3	78.7
Public Service & Administration	232.74	3.00	231.42	-	219.52	0.20	94.9	-	94.3	6.6
County Public Service Board	5.94	-	6.28	-	2.88	-	45.8	-	48.4	-
County Assembly	484.31	35.00	484.31	35.00	465.54	-	96.1	-	96.1	-
Total	3,403.19	2,325.15	3,210.59	965.64	3,024.85	932.31	94.2	96.5	88.9	40.1

Source: Embu County Treasury

Analysis of budget performance by department shows that Level 5 Hospital attained the highest absorption rate of development expenditure at 86.7 per cent while the County Assembly did not incur any development expenditure. On the other hand, the County Assembly had the highest percentage of recurrent expenditure to recurrent budget at 96.1 per cent while the Department of Youth Empowerment & Sports had the lowest at 37.9 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. Adoption of IFMIS in processing financial transactions by the County Assembly.
- ii. Improvement in human capacity through recruitment of additional key staff and continuous training.

Despite the progress made, 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 execution reports.
2. A high wage bill that increased from Kshs.2.19 billion in FY 2014/15 to Kshs.2.33 billion in FY 2015/16. The wage bill represented 59 per cent of the total budget which is above the limit of 35 per cent provided under Public Finance Management (County Governments) Regulations, 2015. Continued increase in the wage bill may result in unsustainable salary costs.
3. Delay in approval of key planning documents such as the ADP and CFSP by the County Assembly.
4. Underperformance in local revenue collection. The local revenue collection has declined from Kshs.401.1 million in the FY 2014/15 to Kshs.396.52 million in the reporting period and represents 62.9 per cent of the annual target.
5. Failure to constitute the County Budget and Economic Forum (CBEF) for consultation in the budget process and economic matters as required by Section 137 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 Public Service Board should establish an optimal staffing structure in order to manage the wage bill.*
3. *The County Treasury and County Assembly should observe the budget timelines as stipulated in law with regard to approval of key planning documents so as to facilitate smooth implementation of the budget.*
4. *The County Treasury should formulate strategies to enhance local revenue collection.*
5. *The County should establish an effective CBEF for consultation in the budget and economic process in line with Section 137 of the PFM Act, 2012.*

3.7 Garissa County

3.7.1 Overview of the FY 2015/16 Budget

The County's FY 2015/16 Approved Supplementary Budget was Kshs.7.4 billion, comprising of Kshs.4.1 billion (55.4 per cent) and Kshs.3.3 billion (44.6 per cent) for recurrent and development expenditure respectively.

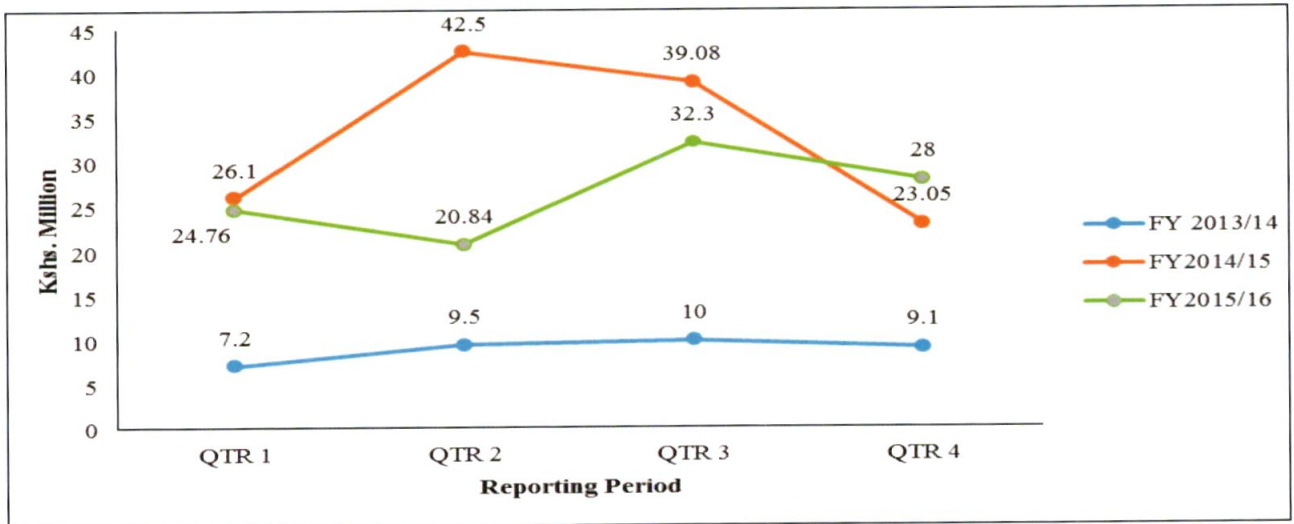
To finance the budget, the County expected to receive Kshs.5.77 billion (79.4 per cent) as equitable share of revenue raised nationally, Kshs.531.21 million (7.3 per cent) as total conditional grants, generate Kshs.500 million (6.9 per cent) from local sources, and had a cash balance of Kshs.463 million (6.4 per cent) from FY 2014/15. The conditional grants comprised of Kshs.360.05 million (67.8 per cent) for Level 5 Hospital, Kshs.50.29 million (9.5 per cent) for Free Maternal Health Care, Kshs.73.32 million (13.8 per cent) from the Road Maintenance Fuel Levy Fund, Kshs.14.52 million (2.7 per cent) for User Fees Foregone, Kshs.15.09 million (2.8 per cent) as World Bank grant to support health facilities, and Kshs.17.94 million (3.4 per cent) as a grant from DANIDA.

3.7.2 Revenue Analysis

During the year, the County received Kshs.5.77 billion as equitable share of the revenue raised nationally, Kshs.472.01 million as total conditional allocations, raised Kshs.105.94 million from local sources, and had a cash balance of Kshs.463 million brought forward from FY 2014/15.

Figure 3.25 shows the quarterly trend in local revenue collection from FY 2013/14 to FY 2015/16.

Figure 3.25: Garissa County, Trend in Local Revenue Collection by Quarter from FY 2013/14 to FY 2015/16



Source: Garissa County Treasury.

The total local revenue collected in FY 2015/16 of Kshs.105.9 million consisted of Kshs.24.76 million generated in the first quarter, Kshs.20.84 million in the second quarter, Kshs.32.27 million in the third quarter, and Kshs.28.07 million in the fourth quarter. The revenue was 21.2 per cent of the annual local revenue target, a decrease from Kshs.130.72 million collected in FY 2014/15.

Table 3.19 provides an analysis of the local revenue collected in FY 2015/16 by revenue stream.

Table 3.19: Garissa County analysis of revenue collected by stream in FY 2015/16

No.	Revenue Stream	Annual Targeted Revenue	Annual Actual Revenue	Performance (%)
		(Kshs.)	(Kshs.)	
1	Stock Auction Fees(Cattle)	39,477,200	7,970,320	20.2
2	Market Fresh Produce Fees	34,888,000	5,329,250	15.3
3	Single Business Permits	45,974,680	17,026,173	37.0
4	Building Materials	36,996,000	8,319,650	22.5
5	Land Rates	43,309,560	10,690,635	24.7
6	PG Hospital Revenues	120,463,400	25,127,080	20.8
7	Others	178,891,160	31,480,567	17.6
	TOTAL	500,000,000	105,943,675	21.2

Source: Garissa County Treasury

Analysis of the local revenue by stream indicated that, single business permit recorded the highest performance against annual target at 37 per cent. This was followed by land rates at 24.7 per cent and building materials at 22.5 per cent.

The County deposited all locally generated revenue into the County Revenue Fund account maintained at Central Bank of Kenya (CBK) as required by Article 207 (1) of the Constitution.

3.7.3 Conditional Grants

Table 3.20 shows an analysis of the conditional grants released in FY 2015/16.

Table 3.20: Garissa County analysis of conditional grant releases in FY 2015/16

No.	Conditional Grant	Amount allocated as provided in CARA 2015 (Kshs.)	Actual receipt of the Conditional Grant (Kshs.)	Actual receipts as a percentage of Annual Allocation (%)
1	Level 5 Hospitals	360,048,000	360,048,000	100
2	Road Maintenance Fuel Levy Fund	73,319,649	55,356,334	75.5
3	Free Maternal Health Care	50,286,600	42,080,000	83.7
4	User Fees Forgone	14,523,507	14,523,507	100
5	DANIDA Grant	17,940,000	0	0
6	World Bank Grants	15,088,268	0	0
Total		531,206,024	472,007,841	88.9

Source: Garissa County Treasury

Two grants, namely; User Fees Foregone and Level 5 Hospital were fully realized. However, there were no receipts from the DANIDA and World Bank grants.

3.7.4 Exchequer Issues

During the period under review, the COB authorised withdrawal of Kshs.6.55 billion from the CRF account, which was 88.4 per cent of the Approved Supplementary Budget. The amount represented a decrease of 1.5 per cent from Kshs.6.6 billion authorized in FY 2014/15 and consisted of Kshs.3.95 billion (60.3 per cent) for recurrent expenditure and Kshs.2.6 billion (39.7 per cent) for development activities.

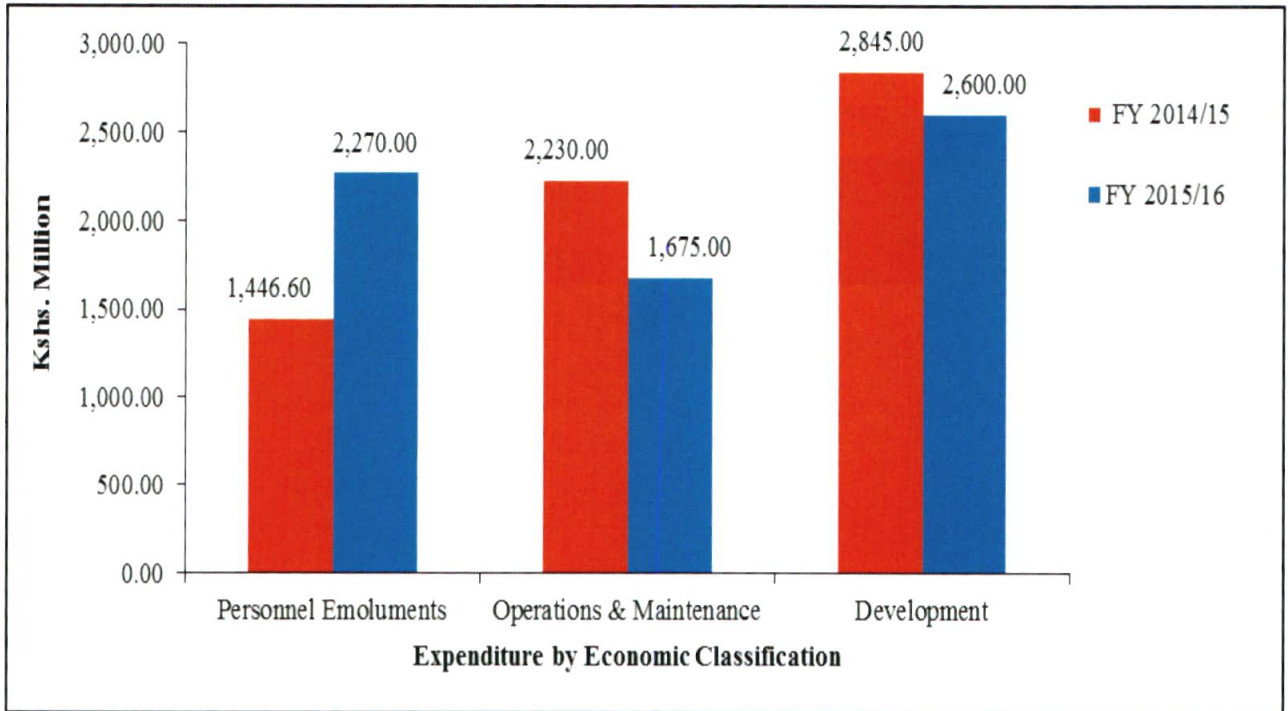
3.7.5 Overall Expenditure Review

The County spent a total of Kshs.6.55 billion in FY 2015/16, which was 100 per cent of the funds released for operations. This was a decline from the Kshs.6.59 billion spent in FY 2014/15.

A total of Kshs.3.95 billion was spent on recurrent activities, while Kshs.2.6 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 100 per cent of the funds released for development activities. The expenditure excluded pending bills as at 30th June, 2016 that amounted to Kshs.55.4 million for development and Kshs.255.1 million for recurrent expenditure.

The recurrent expenditure represented 96.2 per cent of the annual recurrent budget, a decrease from 96.4 per cent attained in FY 2014/15. Development expenditure recorded an absorption rate of 78.8 per cent, which was an increase from 72.4 per cent absorbed in FY 2014/15. Figure 3.26 presents a comparison between the expenditure in FY 2015/16 and FY 2014/15 by economic classification.

Figure 3.26: Garissa County, Expenditure by Economic Classification for FY 2015/16 and FY 2014/15



Source: Garissa County Treasury

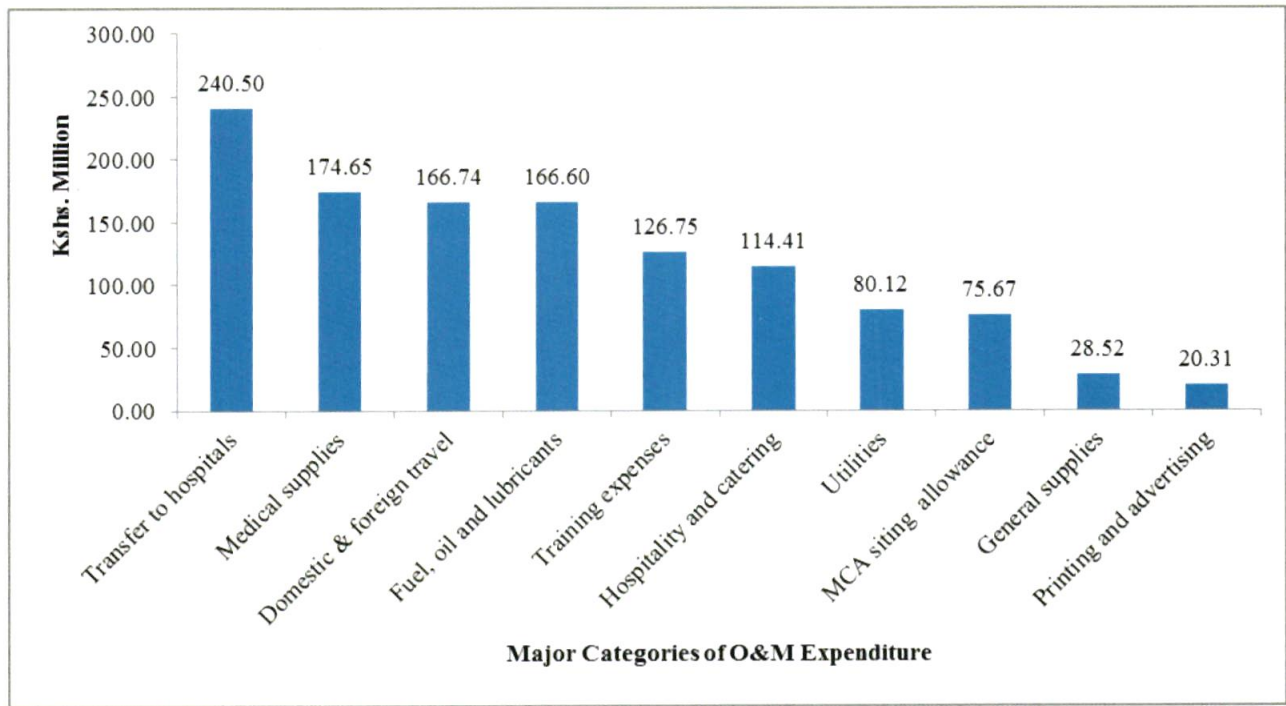
3.7.6 Analysis of Recurrent Expenditure

The total recurrent expenditure of Kshs.3.95 billion represented 96.2 per cent of the annual recurrent budget. The County spent Kshs.2.27 billion (57.5 per cent) on personnel emoluments and Kshs.1.67 billion (42.5 per cent) on operations and maintenance as shown in Figure 3.25. Expenditure on personnel emoluments represented an increase of 56.6 per cent compared to FY 2014/15 when the County spent Kshs.1.45 billion. The increase is attributed to a growing workforce in the County

The County spent Kshs.75.97 million on sitting allowances to the 49 MCAs and the Speaker against the annual budget allocation of Kshs.80.91 million. This was an increase compared to Kshs.65.13 million spent in FY 2014/15. The average monthly sitting allowance was Kshs.129, 202 and exceeded SRC’s recommended monthly ceiling of Kshs.124,800.

Expenditure on domestic and foreign travel was Kshs.166.74 million compared to Kshs.152.42 million spent in FY 2014/15, representing an increase of 8.6 per cent. Figure 3.27 shows a summary of the operations and maintenance expenditure by major categories.

Figure 3.27: Garissa County, Operations and Maintenance Expenditure for FY 2015/16

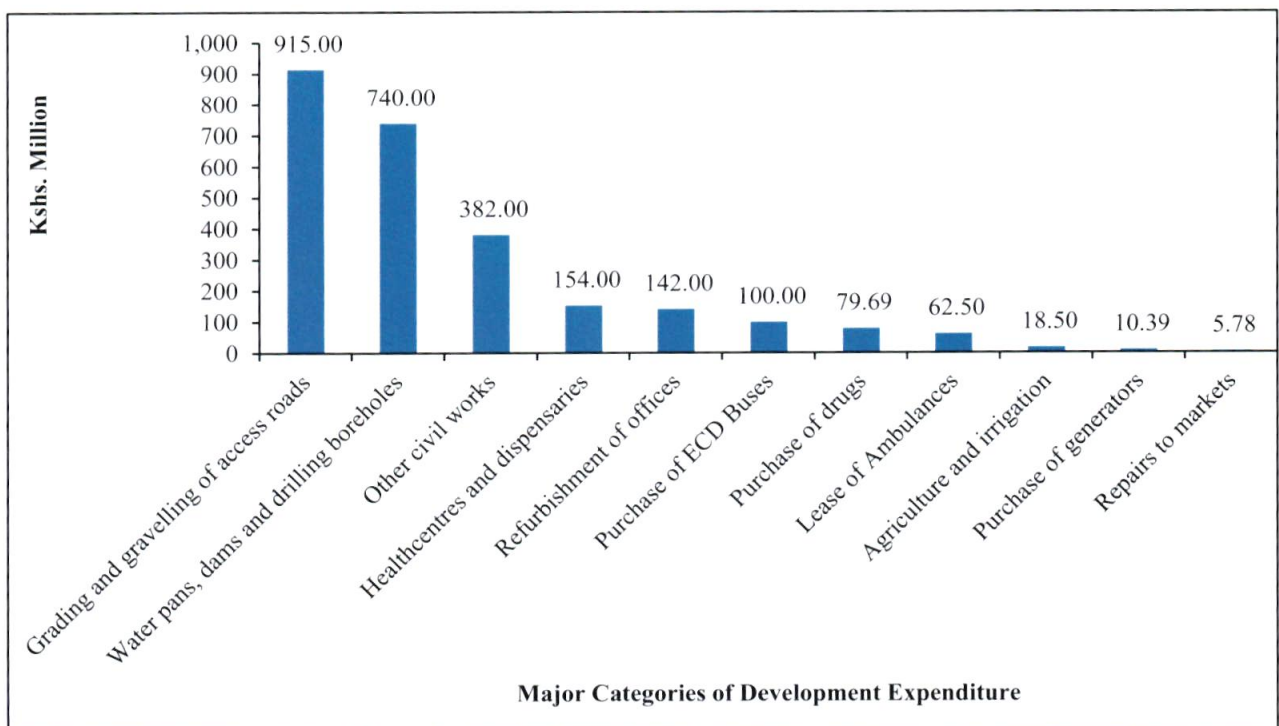


Source: Garissa County Treasury

3.7.7 Analysis of Development Expenditure

The total development expenditure of Kshs.2.6 billion represented 78.8 per cent of the annual development budget. Figure 3.28 provides a summary of development expenditure during the period under review.

Figure 3.28: Garissa County, Summary of Development Expenditure for FY 2015/16



Source: Garissa County Treasury

Analysis of the development expenditure indicated that the highest expenditure of Kshs.915 million was incurred by the Roads and Infrastructure Department on development and maintenance of access roads. A total of 120 kilometres of roads were graded while 85 kilometres were gravelled. The second highest expenditure of Kshs.740 million was incurred by the Water Department on construction of water pans, dams and borehole drilling. Kshs.382 million was spent on civil works and refurbishment of offices by the County Executive.

3.7.8 Analysis of Budget Performance by Department

Table 3.21 shows a summary of FY 2015/16 annual budget estimates and budget performance by department.

Table 3.21: Garissa County, FY 2015/16 Budget Performance by Department

Department	Budget Allocation (Kshs.Million)		Exchequer Issues (Kshs.Million)		Expenditure (Kshs. Million)		Expenditure to Exchequer Issues (%)		Expenditure to Budget Allocation (Absorption rate (%))	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
Agriculture	90.50	80.50	83.80	46.70	83.60	46.70	99.8	100.0	92.4	58.0
Culture	30.90	37.00	29.60	11.40	27.70	11.20	93.6	98.2	89.6	30.3
Roads and Infrastructure	87.20	919.84	74.80	909.20	85.10	915.00	113.8	100.6	97.6	99.5
Education	142.20	346.50	131.20	248.20	131.80	240.00	100.5	96.7	92.7	69.3
Environment	26.50	113.00	26.00	12.00	17.00	11.70	65.4	97.5	64.2	10.4
Finance and Economic Planning	1,361.30	600.90	1,312.00	270.00	1,323.00	320.00	100.8	118.5	97.2	53.3
Health	1,226.20	271.00	1,195.40	290.40	1,191.00	241.20	99.6	83.1	97.1	89.0
Livestock	101.90	60.00	94.30	38.60	94.00	38.50	99.7	99.7	92.2	64.2
Trade and Youths	76.80	85.00	74.90	36.90	76.00	36.60	101.5	99.2	99.0	43.1
Water	128.55	787.00	128.70	737.50	124.40	740.00	96.7	100.3	96.8	94.0
Executive Services	145.5	-	139.80	-	134.40	-	96.1	-	92.4	-
County Assembly	684.00	-	657.5	-	657.50	-	100.0	-	96.1	-
Total	4,101.55	3,300.74	3,948.00	2,600.90	3,945.50	2,600.90	100.0	100.0	96.2	78.8

Source: Garissa County Treasury

Analysis of budget performance by department shows that the Department of Roads and Infrastructure attained the highest absorption rate of development expenditure at 99.5 per cent while the County Executive and the County Assembly did not incur any development expenditure. On the other hand, Trade and Youth department had the highest percentage of recurrent expenditure to recurrent budget at 99 per cent while the Department of Environment had the lowest at 64.2 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 a monitoring and evaluation unit to oversee implementation of development projects.
- ii. Establishment of the County Budget and Economic Forum (CBEF), which is involved in budget and economic matters.

Despite the progress made, the following challenges continued to hamper effective budget implementation in the county;

1. Decline in local revenue collection from Kshs.130.72 million in FY 2014/15 to Kshs.105.94 million collected in FY 2015/16.
2. In FY 2015/16, the expenditure on MCA sitting allowances was Kshs.75.97 million which translated to a monthly average of Kshs.129,202 for each MCA compared to the recommended SRC's maximum monthly ceiling of Kshs.124,800.

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

1. *The County Treasury should put in place proper revenue collection strategies to enhance revenue collection.*
2. *The County Assembly should put in place adequate budgetary controls to ensure expenditure is within the law. All excess payments of MCA sitting allowances should be recovered.*

3.8 Homa Bay County

3.8.1 Overview of the FY 2015/16 Budget

The County's FY 2015/16 Approved Supplementary Budget was Kshs.6.55 billion, comprising of Kshs.4.14 billion (63.3 per cent) and Kshs.2.41 billion (36.7 per cent) allocated for recurrent and development expenditure respectively.

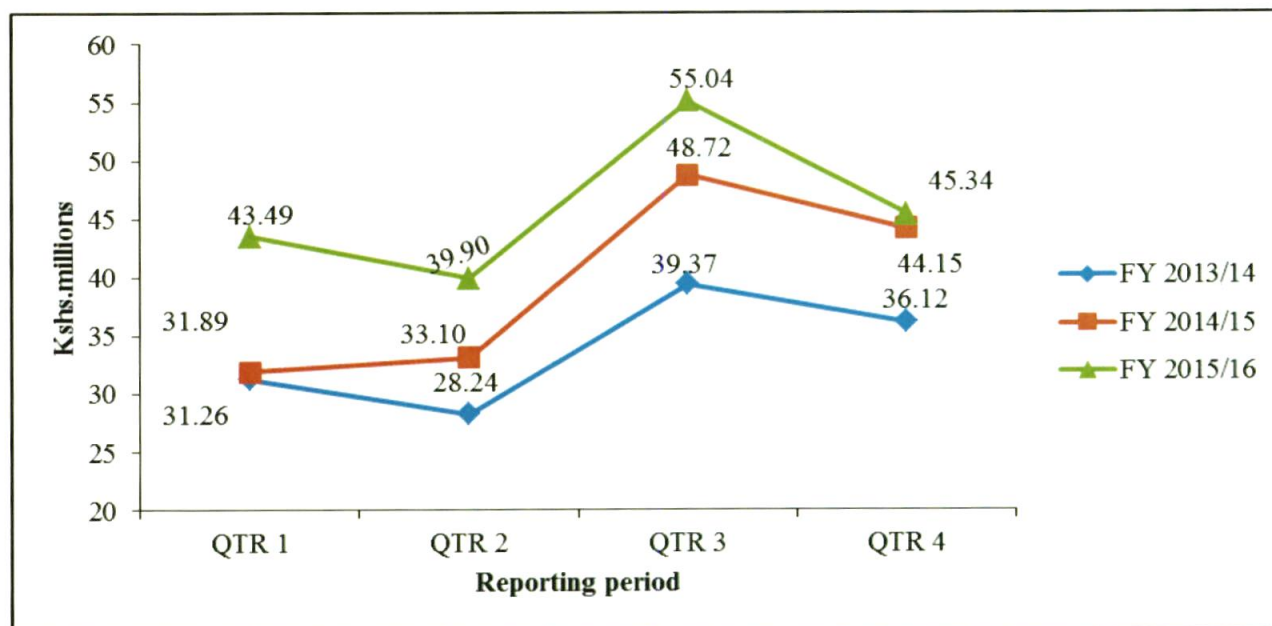
To finance the budget, the County expected to receive Kshs.5.63 billion (91.0 per cent) as equitable share of revenue raised nationally, Kshs.249.90 million (4.0 per cent) as total conditional grants, generate Kshs.202.73 million (3.3 per cent) from local sources, and had a cash balance of Kshs.6.99 million (0.1 per cent) from FY 2014/15. The conditional grants comprised of Kshs.131.09 million (52.5 per cent of the total conditional allocation) for Free Maternal HealthCare, Kshs.71.58 million (28.6 per cent) from the Road Maintenance Fuel Levy Fund, Kshs.22.47 million (9.0 per cent) for User Fees Foregone and Kshs.24.77 million (9.9 per cent) as a grant from DANIDA.

3.8.2 Revenue Analysis

During the year, the County received Kshs.5.63 billion as equitable share of the revenue raised nationally, Kshs.210.64 million as total conditional allocations, raised Kshs.183.76 million from local sources, and had a cash balance of Kshs.6.99 million brought forward from FY 2014/15.

Figure 3.29 shows the quarterly trend in local revenue collection from FY 2013/14 to FY 2015/16.

Figure 3.29: Homa Bay County, Trend in Local Revenue Collection by Quarter from FY 2013/14 to FY 2015/16



Source: Homa Bay County Treasury

The total local revenue collected for the FY 2015/16 of Kshs.183.76 million consisted of Kshs.43.49 million generated in the first quarter, Kshs.39.90 million in the second quarter, Kshs.55.04 million in the third quarter and Kshs.45.34 million in the fourth quarter. The revenue was 90.6 per cent of the annual local revenue target, an improvement from Kshs.157.86 million collected in FY 2014/15.

Table 3.22 provides an analysis of the local revenue collected in FY 2015/16 by revenue stream.

Table 3.22: Homa Bay County analysis of revenue collected by stream in FY 2015/16

No	Revenue Stream	Annual Targeted Revenue (Kshs.)	Annual Actual Revenue	Actual Revenue as a percentage of Annual Target (%)
1	Cess (Fish, Wheat, Maize, Sugarcane)	11,712,032	14,868,154	126.9
2	House Management Unit	1,991,334	2,379,000	119.5
3	Motorbike Fees	6,725,208	6,665,620	99.1
4	Enclosed Bus Park	21,404,796	19,032,380	88.9
5	Market Dues	38,774,892	34,329,515	88.5
6	Land Rates	2,015,240	1,687,381	83.7
7	Sign Boards & Advertising Fees	471,713	265,460	56.3
8	Urban Planning Fees	1,948,826	1,090,390	56.0
9	Single Business Permits	27,996,427	15,556,947	55.6
10	Health Sector	52,000,000	19,482,942	37.5
11	Others revenue streams	37,693,199	68,406,616	181.5
TOTAL		202,733,667	183,764,405	90.6

Source: Homa Bay County Treasury

Analysis of the local revenue collected by stream indicated that, Cess (fish, wheat, maize, and sugarcane) and the house management unit recorded the highest performance at 126.9 per cent and 119.5 per cent of the annual target respectively. However, the County did not deposit all locally generated revenue into the County Revenue Fund account maintained at Central Bank of Kenya (CBK) as required by Article 207 (1) of the Constitution. This is evidenced by the Health department, which utilized Kshs.19.53 million at source in the fourth quarter of the year.

3.8.3 Conditional Grants

Table 3.23 shows an analysis of the conditional grants released in FY 2015/16.

Table 3.23: Homa Bay County analysis of conditional grant releases in FY 2015/16

No.	Conditional Grant	Amount allocated as provided in CARA, 2015 (Kshs.)	Actual receipt of the Conditional Grant (Kshs.)	Actual receipts as a percentage of Annual Allocation (%)
1	Road Maintenance Fuel Levy Fund	71,582,731	71,582,731	100.0
2	Free Maternal Health Care	131,089,000	91,817,500	70.0
3	User Fees Forgone	22,466,004	22,466,004	100.0
4	DANIDA Grant	24,770,000	24,770,000	100.0
	Total	249,907,735	210,636,235	84.3

Source: Homa Bay County Treasury

Analysis of the conditional grants released for the FY 2015/16 indicate that all projected revenue from conditional grants was fully realised except for Free Maternal Healthcare grant, where 70.0 per cent of the projected amount for FY 2015/16 was released.

3.8.4 Exchequer Issues

During the period under review, the Controller of Budget authorised withdrawal of Kshs.6.47 billion from the CRF account, which was 98.7 per cent of the Approved Supplementary Budget. The amount represented an increase of 41.6 per cent from Kshs.4.57 billion authorized in FY 2014/15 and consisted of Kshs.4.15 billion (64.2 per cent) for recurrent expenditure and Kshs.2.31 billion (35.8 per cent) for development activities.

3.8.5 Overall Expenditure Review

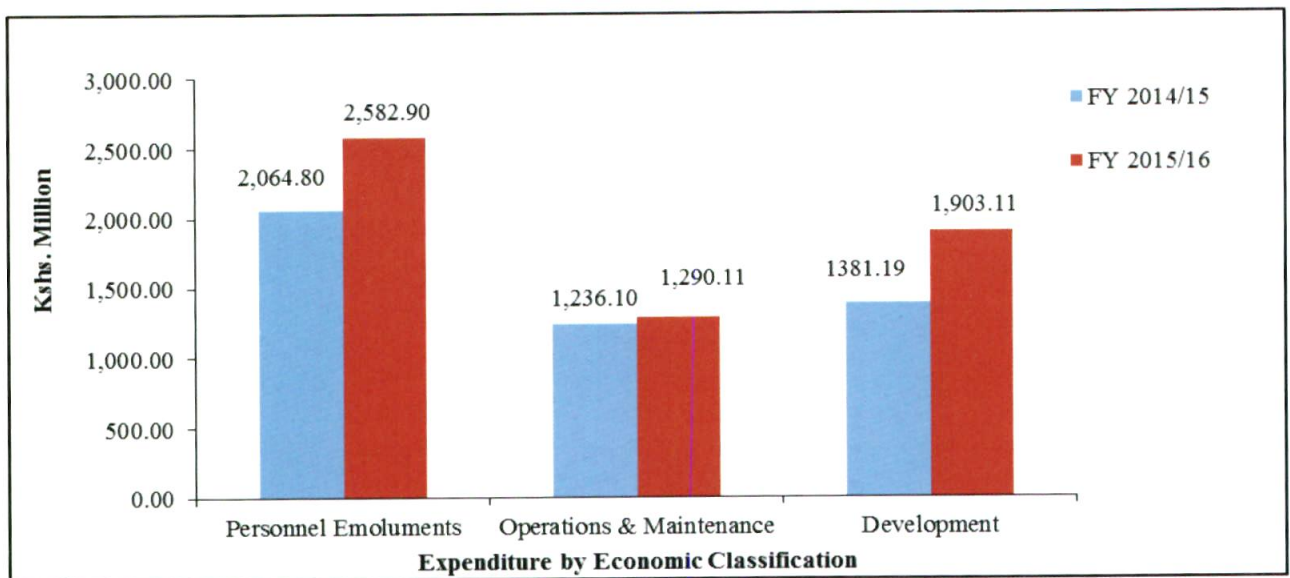
The County spent a total of Kshs.5.78 billion in FY 2015/16, which was 89.3 per cent of the total funds released for operations. This was an increase from the Kshs.5.28 billion spent in FY 2014/15.

A total of Kshs.3.87 billion was spent on recurrent activities, while Kshs.1.90 billion was spent on development activities. The recurrent expenditure was 93.2 per cent of the funds released for recurrent activities while development expenditure accounted for 82.2 per cent of the funds released

for development activities. The expenditure excluded pending bills as at 30th June, 2016 that amounted to Kshs.1.58 billion for development and Kshs.134.21 million for recurrent expenditure.

The recurrent expenditure represented 93.4 per cent of the annual recurrent budget, a decrease from 107.6 per cent attained in FY 2014/15. Development expenditure recorded an absorption rate of 79.1 per cent, which was a decrease from 101.2 per cent attained in FY 2014/15. Figure 3.30 presents a comparison between expenditure in FY 2015/16 and FY 2014/15 by economic classification.

Figure 3.30: Homa Bay County, Expenditure by Economic Classification for FY 2015/16 and FY 2014/15



Source: Homa Bay County Treasury

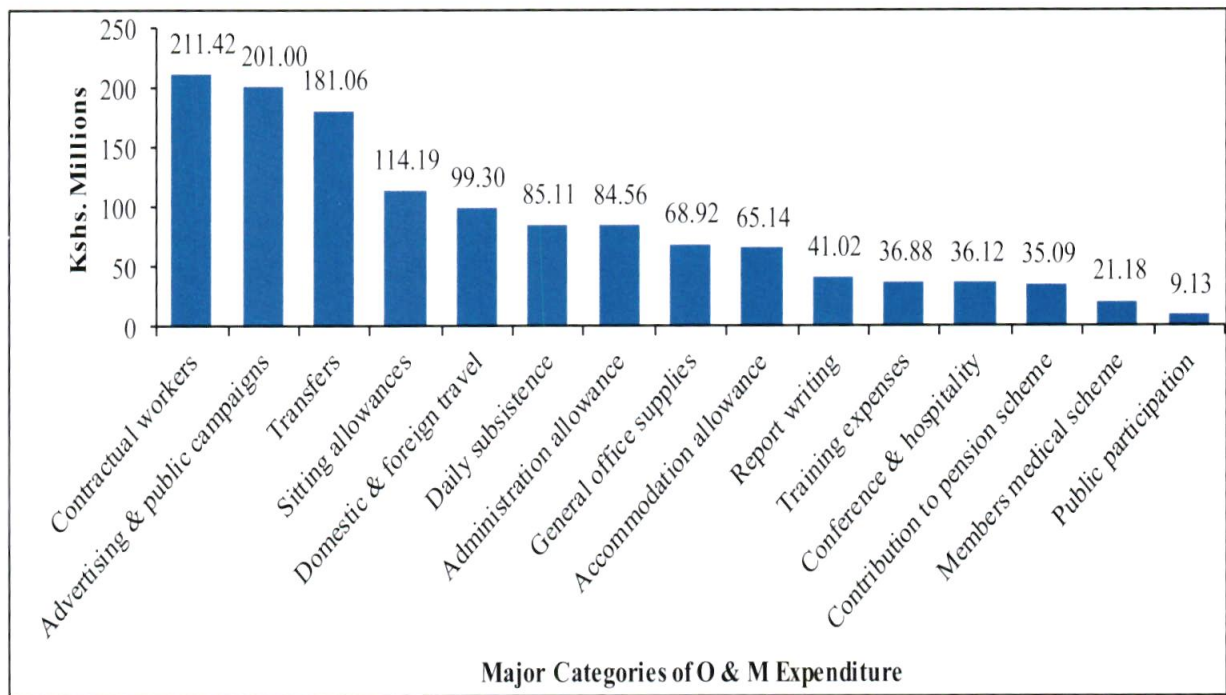
3.8.6 Analysis of Recurrent Expenditure

The total recurrent expenditure of Kshs.3.87 billion represented 93.4 per cent of the annual recurrent budget of Kshs.4.14 billion. The County spent Kshs.2.58 billion (66.7 per cent) on personnel emoluments and Kshs.1.29 billion (33.3 per cent) on operations and maintenance as shown in Figure 2. Expenditure on personnel emoluments represented an increase of 25.2 per cent compared to Kshs.2.06 billion spent in FY 2014/15. The increase is attributed to a growing workforce in the County.

The County spent Kshs.114.19 million on sitting allowances to the 64 MCAs and the Speaker against the annual budget allocation of Kshs.129.32 million. This was a decrease compared to Kshs.126.55 million spent in FY 2014/15. The average monthly sitting allowance was Kshs.148,688 and exceeded the SRC’s recommended monthly ceiling of Kshs.124,800.

Expenditure on domestic and foreign travel was Kshs.99.30 million compared to Kshs.177.08 million spent in FY 2014/15, representing a decrease of 43.9 per cent. Figure 3.31 shows a summary of the operations and maintenance expenditure by major categories.

Figure 3.31: Homa Bay County, Operations and Maintenance Expenditure for FY 2015/16

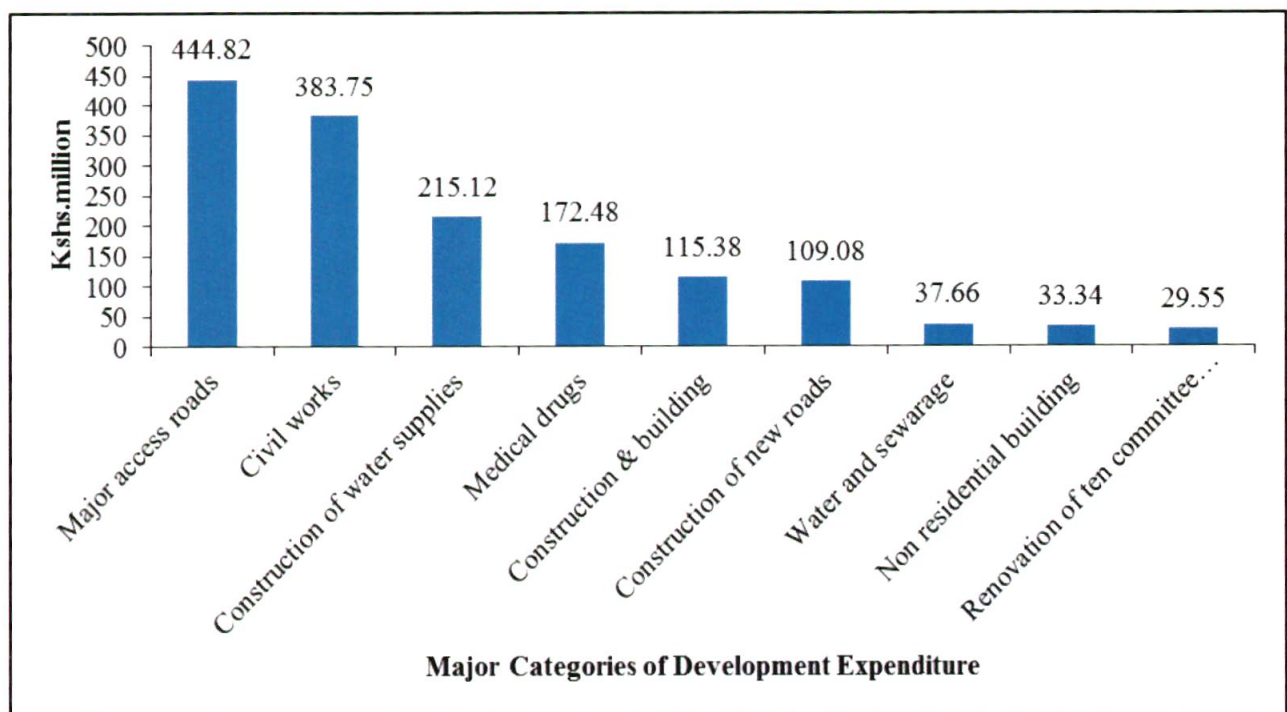


Source: Homa Bay County Treasury

3.8.7 Analysis of Development Expenditure

The total development expenditure of Kshs.1.90 billion represented 79.1 per cent of the annual development budget of Kshs.2.21 billion. Figure 3.32 provides a summary of development expenditure during the period under review.

Figure 3.322: Homa Bay County, Summary of Development Expenditure for FY 2015/16



Source: Homa Bay County Treasury

Analysis of the development expenditure indicated that the highest expenditure of Kshs.444.82 million was incurred by the Roads department on construction and maintenance of major and access roads. A total of 687.23 kilometres of roads were graded and gravelled across the County's 40 Wards.

The second highest expenditure of Kshs.215.12 million was incurred by the Water department on construction of water supplies and sewerage systems, while the lowest expenditure of Kshs.29.55 million was incurred by the County Assembly to refurbish ten committee rooms.

3.8.8 Analysis of Budget Performance by Department

Table 3.24 shows a summary of FY 2015/16 annual budget estimates and budget performance by department.

Table 3.24: Homa Bay County, FY 2015/16 Budget Performance by Department

Department	Budget Allocation (Kshs. Million)		Exchequer Issues (Kshs. Million)		Expenditure (Kshs. Million)		Expenditure to Exchequer Issues (%)		Expenditure to Budget Allocation (Absorption rate (%))	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
Office of the Governor	459.48	36.5	463.48	36.5	752.24	6.52	162.3	17.9	163.7	17.9
Finance & Economic Planning	656.6	7.95	651.83	4.95	561.43	145.81	86.1	2,945.7	85.5	1,834.1
Tourism, Culture, Youth and Sports	36.49	72.91	37.95	60.91	26.96	29.39	71	48.3	73.9	40.3
Health and Medical Services	1,054.82	557.55	1,054.82	518.07	925.42	350.61	87.7	67.7	87.7	62.9
Education and ICT	352.01	115.22	352.01	115.16	343.75	46.54	97.7	40.4	97.7	40.4
Transport and Infrastructure	65.1	657.19	66.5	654.56	69.94	742.19	105.2	113.4	107.4	112.9
County Assembly	880.12	70	846.12	70	667.02	31.2	78.8	44.6	75.8	44.6
Lands, Housing & Physical planning	58.08	110.95	58.08	128.87	34.72	114.35	59.8	88.7	59.8	103.1
Trade, Industry, Co-operatives and Investments	130.53	140.58	131.93	127.86	66.32	110.18	50.3	86.2	50.8	78.4
Energy and Natural Resources	30.74	94.67	31.76	88.4	24.18	31.35	76.1	35.5	78.7	33.1
Agriculture, Livestock and Fisheries Services	210.2	197.03	213.2	181.42	172.19	79.86	80.8	44	81.9	40.5
Water Services and Environment	113.21	346	115.35	327.9	150.85	215.12	130.8	65.6	133.3	62.2
County Public Service Board	97.77	-	131.77	-	78.09	-	59.3	-	79.9	-
Total	4,145.15	2,406.55	4,154.80	2,314.60	3,873.11	1,903.12	93.2	82.2	93.4	79.1

Source: Homa Bay County Treasury

Analysis of budget performance by department shows that the Department of Finance and Economic Planning attained the highest absorption rate of its development budget at 1,834.1 per cent while the Office of the Governor had the highest percentage of recurrent expenditure to its recurrent budget

at 163.7 per cent, which indicated inadequate budgetary control. On the other hand, the Office of the Governor had the lowest absorption rate of its development budget at 17.9 per cent while the Department of Trade, Industry, Investment and Co-operatives had the lowest percentage of recurrent expenditure to its recurrent budget at 50.8 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. Improvement in local revenue collection from Kshs.157.86 million collected in FY 2014/15 to Kshs.183.76 million collected in the FY 2015/16.
- ii. Establishment of the County Budget and Economic Forum in line with Section 137 of the PFM Act, 2012.
- iii. Improvement in human capacity through recruitment of additional key staff and continuous training.

Despite the progress made, 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 execution reports.
2. A high wage bill that increased from Kshs.2.06 billion in FY 2014/15 to Kshs.2.58 billion in FY 2015/16. The increase in the wage bill is due to continuous staff recruitment, which may result in unsustainable salary costs.
3. Failure to establish an Internal Audit Committee to oversee financial operations contrary to Section 155 of the PFM Act, 2012.
4. Failure to deposit all locally generated revenue into the County Revenue Fund account maintained at Central Bank of Kenya (CBK) as required by Article 207 (1) of the Constitution and Section 109 of the PFM Act, 2012. The Department of Health Services did not deposit all its revenue receipts into the CRF account.
5. Intermittent use of IFMIS to process financial transactions contrary to Section 12 of the PFM Act, 2012.
6. In FY 2015/16, the County Assembly reported expenditure on MCA sitting allowances of Kshs.114.19 million which translated to a monthly average of Kshs.148,688 for each MCA compared to the recommended SRC's maximum monthly ceiling of Kshs.124,800.

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, Commission for Revenue Allocation and the National Treasury 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 and also strengthen the internal audit function in line with Section 155 of the PFM Act, 2012.*
- 4. The County should ensure that all the locally generated revenue is deposited into the CRF account in line with Article 207 (1) of the Constitution, 2010 and Section 109 of the PFM Act, 2012.*
- 5. The County Treasury should liaise with the National Treasury to ensure IFMIS is fully adopted by all the county entities in processing financial transactions.*
- 6. The County Assembly should put in place adequate budgetary controls to ensure its expenditure is within the law. All excess payments of MCA sitting allowances should be recovered.*

3.9 Isiolo County

3.9.1 Overview of the FY 2015/16 Budget

The County's FY 2015/16 Approved Supplementary Budget was Kshs.3.74 billion, comprising of Kshs.2.28 billion (61.0 per cent) and Kshs.1.46 billion (39.0 per cent) for recurrent and development expenditure respectively.

To finance the budget, the County expected to receive Kshs.3.06 billion (83.9 per cent) as equitable share of revenue raised nationally, Kshs.177.82 million (4.9 per cent) as total conditional grants, generate Kshs.360.0 million (9.9 per cent) from local sources, Kshs.47.34 million (1.3 per cent) as Appropriations - In-Aid. The County did not budget for the opening balance of Kshs.23.85 million brought forward from FY 2014/15. The conditional grants comprised of Kshs.95.74 million (35.3 per cent) for leasing of Medical Equipment, Kshs.23.21 million (8.5 per cent) for Free Maternal Health Care, Kshs.38.83 million (14.3 per cent) from the Road Maintenance Fuel Levy Fund, Kshs.3.34 million (1.2 per cent) for User Fees Foregone, Kshs.8.73 million (3.2 per cent) from World Bank grant to support health facilities and Kshs.7.97 million (2.9 per cent) as a grant from DANIDA.

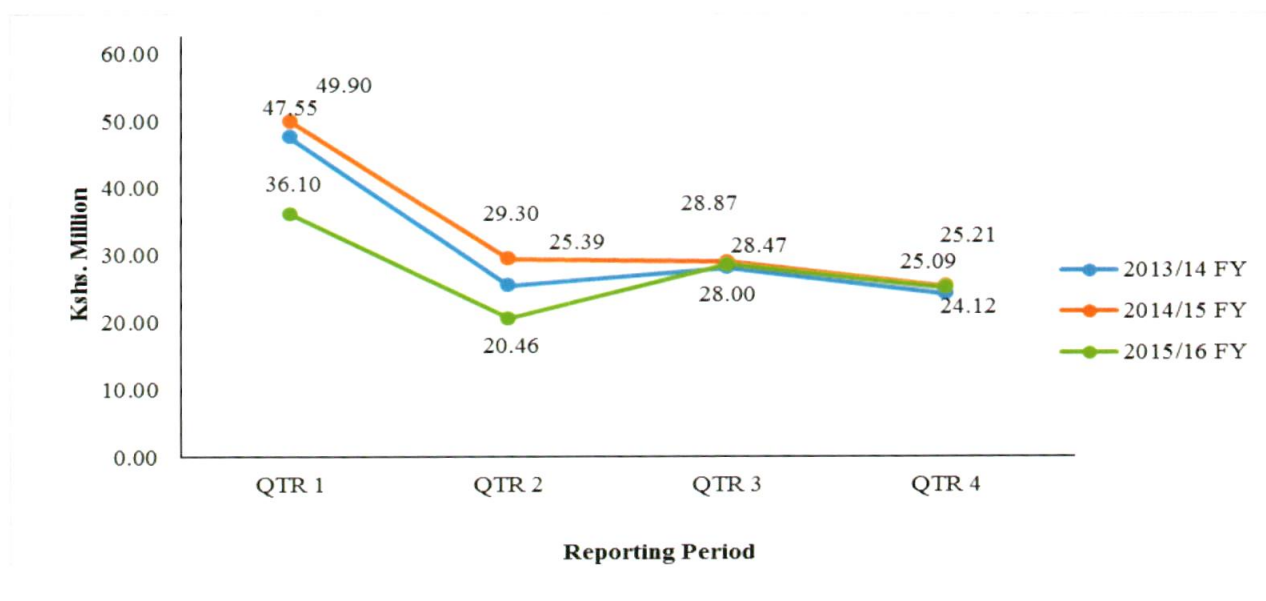
3.9.2 Revenue Analysis

During the year, the County received Kshs.3.06 billion as equitable share of the revenue raised nationally, Kshs.77.59 million as total conditional allocations, raised Kshs.110.11 million from local sources, and had a cash balance of Kshs.23.85 million brought forward from FY 2014/15.

Figure 3.33 shows the quarterly trend in local revenue collection from FY 2013/14 to FY 2015/16.



Figure 3.33: Isiolo County, Trend in Local Revenue Collection by Quarter from FY 2013/14 to FY 2015/16



Source: Isiolo County Treasury

The total local revenue collected in the FY 2015/16 of Kshs.110.11 million consisted of Kshs.36.10 million generated in the first quarter, Kshs.20.46 million in the second quarter, Kshs.28.47 million in the third quarter and Kshs.25.09 million in the fourth quarter. The revenue was 30.6 per cent of the annual local revenue target, a decrease from Kshs.133.70 million collected in FY 2014/15.

Table 3.25 provides an analysis of the local revenue collected in FY 2015/16 by revenue stream.

Table 3.25: Isiolo County analysis of revenue collected by stream in FY 2015/16

No	Revenue Stream	Annual Targeted Revenue (Kshs.)	Annual Actual Revenue	Actual Revenue as a percentage of Annual Target (%)
1	Slaughter Fee	1,500,000	1,724,405	115.0
2	Hospital Fees	15,000,000	14,275,262	95.2
3	Parking Fee	6,000,000	5,380,070	89.7
4	SBP & Promotions Fee	6,500,000	5,326,815	82.0
5	Clearance & Consent	500,000	395,000	79.0
6	Livestock Cess	6,000,000	3,969,905	66.2
7	Agri. Produce Cess/Barter/Market Entrance/Tractor	1,500,000	891,852	59.5
8	Sand Cess	10,200,000	5,583,450	54.7
9	Water Levies	3,000,000	1,406,410	46.9
10	Miraa Cess	5,000,000	2,133,664	42.7
11	Hides & Skin	400,000	106,150	26.5
12	Land Rates & Rents	70,000,000	18,505,929	26.4
13	Game Park Entrance Fees	210,000,000	49,546,706	23.6
14	Murram Cess	300,000	53,000	17.7
15	Other Sources	13,600,000	1,486,409	10.9
16	Tender Doc Sales	2,000,000	84,000	4.2
17	Planning & Survey Fee	8,500,000	15,000	0.2
TOTALS		360,000,000	110,884,027	30.6

Source: Isiolo County Treasury

Analysis of the local revenue collected by stream indicated that, slaughter fees recorded the highest performance against annual target at 115.0 per cent. This was followed by hospital fees at 95.2 per cent, and single business permits at 89.7 per cent.

The County deposited all locally generated revenue into the County Revenue Fund account maintained at Central Bank of Kenya (CBK) as required by Article 207 (1) of the Constitution.

3.9.3 Conditional Grants

Table 3.26 shows an analysis of the conditional grants released in FY 2015/16.

Table 3.26: Isiolo County analysis of conditional grant releases in FY 2015/16

No.	Conditional Grant	Amount allocated as provided in CARA 2015 (Kshs.)	Actual receipt of the Conditional Grant (Kshs.)	Actual receipts as a percentage of Annual Allocation (%)
1	Road Maintenance Fuel Levy Fund	38,828,547	38,828,547	100.0
2	Free Maternal Health Care	23,209,200	18,720,000	80.7
3	User Fees Forgone	3,340,178	3,340,178	100.0
4	DANIDA Grant	7,970,000	7,970,000	100.0
5	World Bank (Kenya Health Sector Support Project)	8,728,052	8,728,052	100.0
6	Leasing of Medical Equipment	95,744,681	0	0.0
Total		177,820,658	77,586,777	43.6

Source: Isiolo County Treasury

All projected revenue from the conditional grants were fully realized except for Free Maternal Health Care Fund which recorded 80.7 per cent of the annual target.

3.9.4 Exchequer Issues

During the period under review, the COB authorised withdrawal of Kshs.3.26 billion from the CRF account, which was 87.3 per cent of the Approved Supplementary Budget. The amount represented an increase of 3.9 per cent from Kshs.3.14 billion authorized in FY 2014/15 and consisted of Kshs.2.14 billion (65.6 per cent) for recurrent expenditure and Kshs.1.12 billion (34.4 per cent) for development activities.

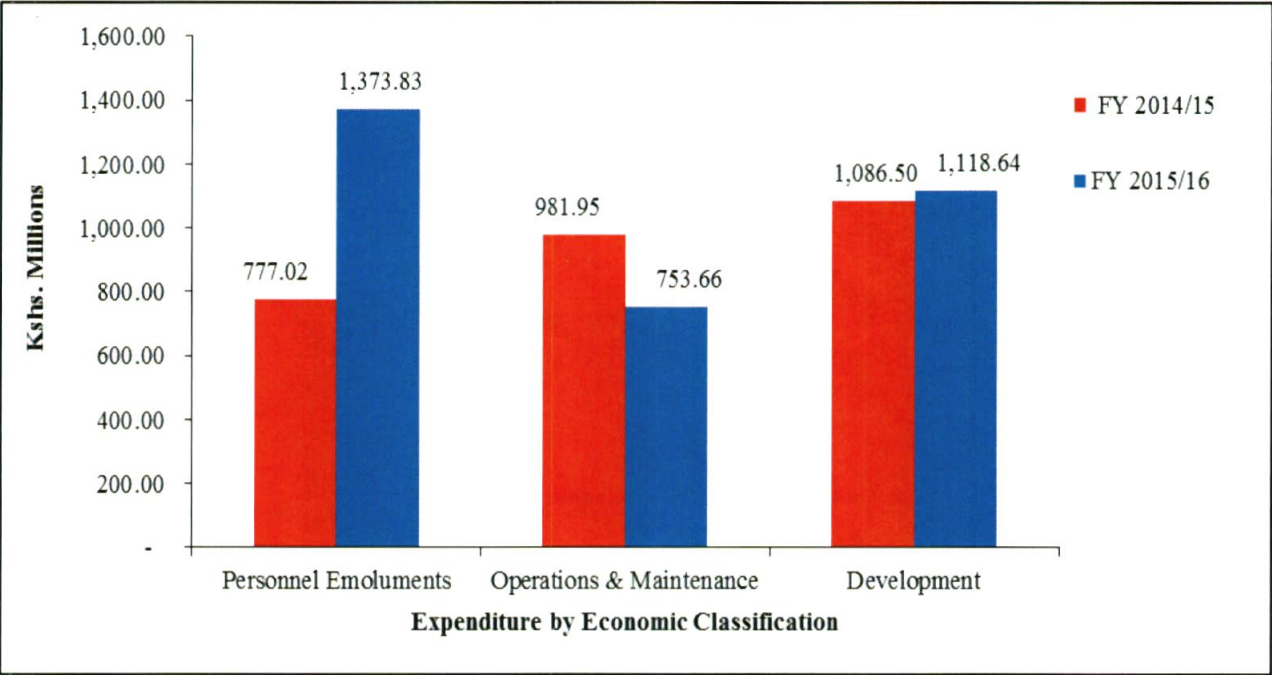
3.9.5 Overall Expenditure Review

The County spent a total of Kshs.3.25 billion in FY 2015/16, which was 99.6 per cent of the total funds released for operations. This was an increase from the Kshs.2.85 billion spent in FY 2014/15.

A total of Kshs.2.13 billion was spent on recurrent activities, while Kshs.1.12 billion was spent on development activities. The recurrent expenditure was 99.4 per cent of the funds released for recurrent activities while development expenditure accounted for 99.9 per cent of the funds released for development activities. The expenditure excluded pending bills as at 30th June, 2016 that amounted to Kshs.255.58 million for development and Kshs.50.58 million for recurrent expenditure.

The recurrent expenditure represented 93.3 per cent of the annual recurrent budget, a increase from 85.4 per cent attained in FY 2014/15. Development expenditure recorded an absorption rate of 76.8 per cent, which was a decrease from 82.2 per cent absorbed in FY 2014/15. Figure 3.34 presents a comparison between the expenditure in FY 2015/16 and FY 2014/15 by economic classification.

Figure 3.34: Isiolo County, Expenditure by Economic Classification for FY 2015/16 and FY 2014/15



Source: Isiolo County Treasury

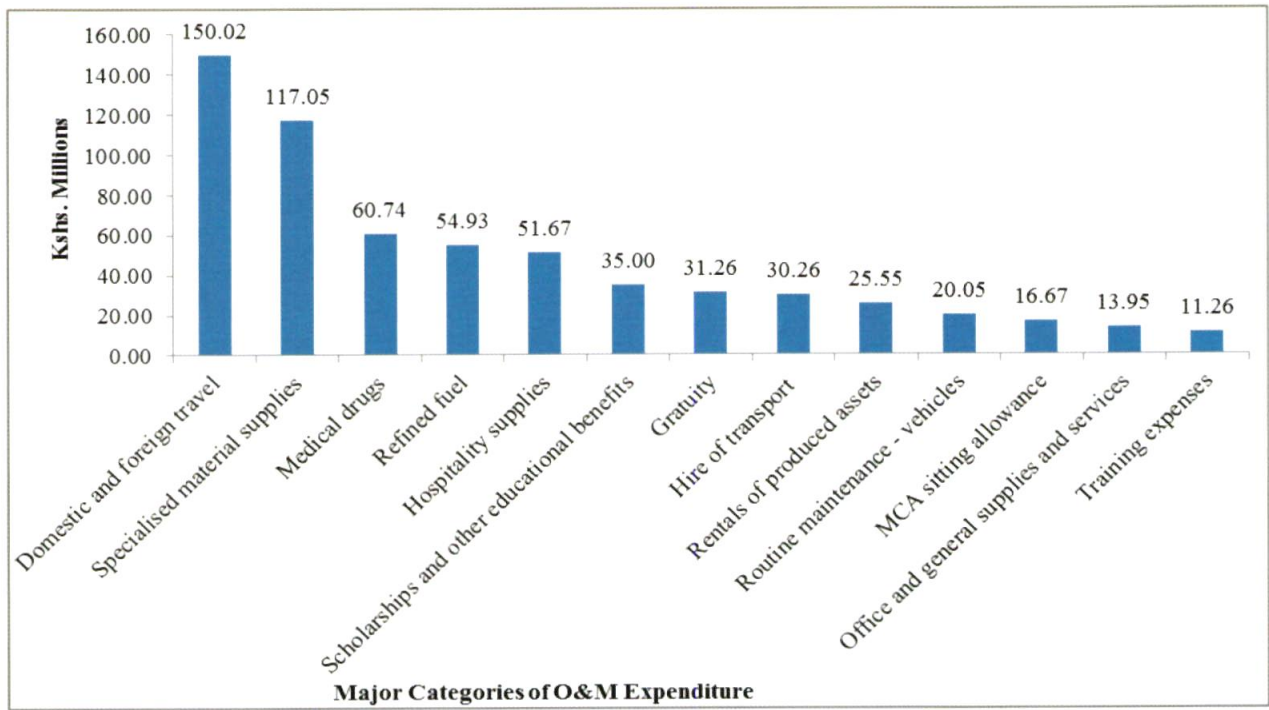
3.9.6 Analysis of Recurrent Expenditure

During the period under review the total recurrent expenditure of Kshs.2.13 billion represented 93.3 per cent against the annual recurrent budget. The County spent Kshs.1.37 billion (64.4 per cent) on personnel emoluments and Kshs.753.66 million (35.6 per cent) on operations and maintenance as shown in Figure 3.34. The expenditure on personnel emoluments represented an increase of 76.8 per cent compared to FY 2014/15 when the County spent Kshs.777.02 million. This significant increase is attributed to a growing workforce in the County.

The County spent Kshs.16.67 million on sitting allowances to the 21 MCAs and the Speaker against the annual budget allocation of Kshs.16.76 million. This was an increase compared to Kshs.13.59 million spent in FY 2014/15. The average monthly sitting allowance was Kshs.66,164 compared to SRC’s recommended monthly ceiling of Kshs.124,800.

Expenditure on domestic and foreign travel was Kshs.150.02 million compared to Kshs.276.96 million spent in FY 2014/15, representing a decrease of 45.8 per cent. Figure 3.35 shows a summary of the operations and maintenance expenditure by major categories.

Figure 3.35: Isiolo County, Operations and Maintenance Expenditure for FY 2015/16

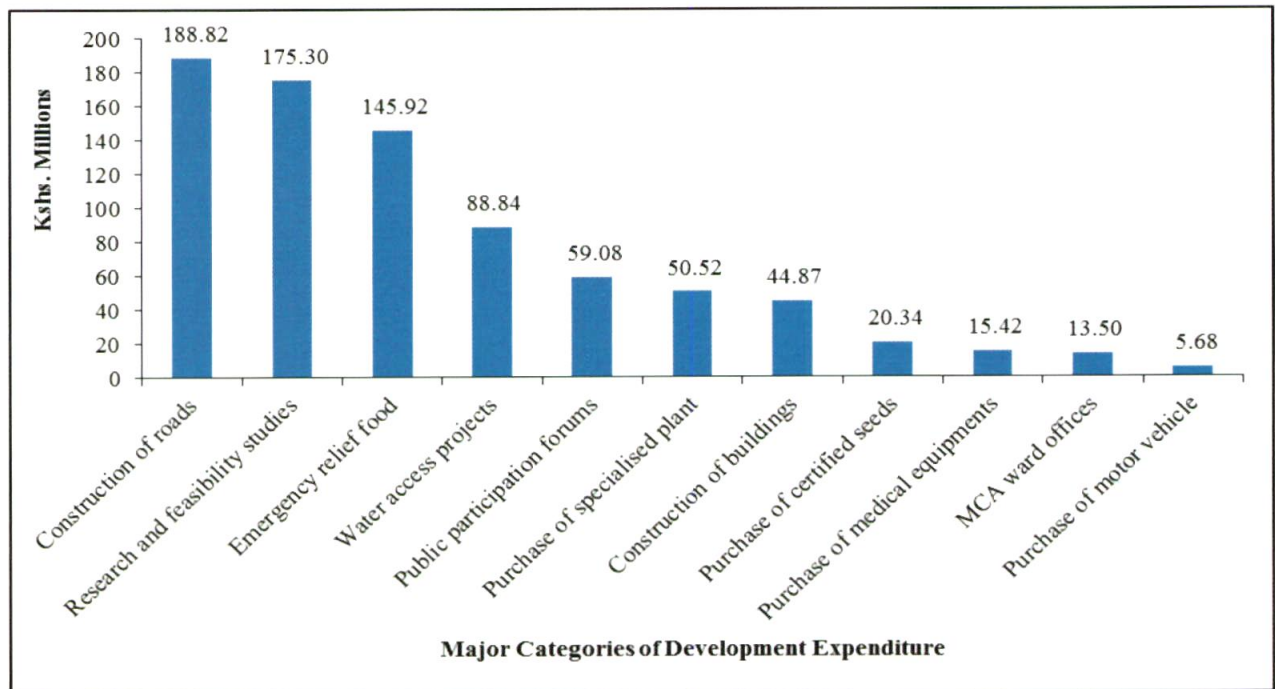


Source: Isiolo County Treasury

3.9.7 Analysis of Development Expenditure

The total development expenditure of Kshs.1.12 billion represented 76.8 per cent of the annual development budget of Kshs.1.46 billion. Figure 3.36 provides a summary of development expenditure during the period under review.

Figure 3.36: Isiolo County, Summary of Development Expenditure for FY 2015/16



Source: Isiolo County Treasury

Analysis of the development expenditure in FY 2015/16 indicated that the highest expenditure of Kshs.188.82 million was incurred by the Roads Housing and Works department on construction and maintenance of access roads. A total of 70 kilometres of roads were graded while 30 kilometres were gravelled across the 10 wards in the County. The second highest expenditure of Kshs.175.3 million was incurred on research and feasibility studies.

3.9.8 Analysis of Budget Performance by Department

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Table 3.27: Isiolo County, FY 2015/16 Budget Performance by Department

Department	Budget Allocation (Kshs.Million)		Exchequer Issues (Kshs.Million)		Expenditure (Kshs. Million)		Expenditure to Exchequer Issues (%)		Expenditure to Budget Allocation (Absorption rate (%))	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
County Assembly	367.93	98.00	329.10	65.00	341.22	53.39	103.7	82.1	92.7	54.5
Office of the Governor	232.38	128.00	217.40	22.00	210.58	116.53	96.9	529.7	90.6	91.0
County Public Service Board	55.61	-	49.31	-	49.86	-	101.1	0.0	89.7	0.0
Office of the County Secretary	11.09	-	11.30	-	8.51	-	75.3	0.0	76.8	0.0
County treasury and Planning	283.34	265.00	296.03	185.50	273.53	154.32	92.4	83.2	96.5	58.2
Lands Development	34.94	40.87	26.16	55.00	27.55	39.31	105.3	71.5	78.9	96.2
Roads, Housing and Works	24.05	282.00	23.88	235.00	21.92	212.95	91.8	90.6	91.2	75.5
Agriculture	49.69	19.36	41.89	11.00	45.09	16.28	107.6	148.0	90.7	84.1
Livestock and Fisheries	109.44	91.50	77.40	78.00	83.53	87.32	107.9	112.0	76.3	95.4
Cohesion and Intergovernmental Relations	19.23	43.86	11.53	35.00	16.94	49.39	147.0	141.1	88.1	112.6
Education and Vocational Training	132.82	42.00	100.05	31.00	132.70	28.33	132.6	91.4	99.9	67.4
Sports and Youth Department	11.28	35.59	13.13	19.00	8.03	37.50	61.2	197.4	71.2	105.4
Water and Irrigation	56.40	158.31	69.34	118.50	55.51	94.07	80.1	79.4	98.4	59.4
Environment and Natural Resources	35.09	53.66	30.68	51.00	32.43	47.64	105.7	93.4	92.4	88.8
Medical Services	339.14	63.97	323.08	77.00	324.00	64.18	100.3	83.4	95.5	100.3
Public Health	277.80	36.03	252.31	38.50	264.55	28.40	104.9	73.8	95.2	78.8
Trade, Industrialization	30.87	10.69	33.75	5.00	27.06	12.41	80.2	248.2	87.7	116.2
Town Administration	16.13	24.00	14.52	21.00	15.24	23.91	104.9	113.8	94.5	99.6
Public Service Management and ICT	140.89	7.10	167.72	7.50	140.76	7.09	83.9	94.5	99.9	99.9
Tourism & Culture	50.98	56.35	51.44	65.00	48.46	45.63	94.2	70.2	95.1	81.0
Total	2,279.09	1,456.27	2,140.00	1,120.00	2,127.49	1,118.64	99.4	99.9	93.3	76.8

Source: Isiolo County Treasury

Analysis of budget performance by department shows that the Department of Trade and Industrialization attained the highest absorption rate of development expenditure at 116.2 per cent while the County Assembly had the lowest at 54.5 per cent. On the other hand, the Public Service Management and ICT department had the highest percentage of recurrent expenditure to recurrent budget at 99.9 per cent while the Department of Sports and Youth Affairs had the lowest at 71.2 per cent.

3.9.9 Observations and Recommendations

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

- (i) Improved capacity of the County Assembly technical staff through training.
- (ii) Adoption of IFMIS and internet banking in processing financial transactions by the County Assembly.

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

1. Continued underperformance in local revenue collection. The local revenue collection has declined by 17.6 per cent from Kshs.133.70 million in the FY 2014/15 to Kshs.110.11 million in FY 2015/16.
2. A high wage bill that has increased from Kshs.777.02 million in FY 2014/15 to Kshs.1.37 billion in FY 2015/16. Continued increase in the wage bill may result in unsustainable salary costs.
3. Late submission of financial reports by the County Treasury which affected timely preparation of budget execution reports.

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

1. *The County Treasury should formulate strategies to enhance local revenue collection.*
2. *The County Public Service Board should establish an optimal staffing structure in order to manage the wage bill.*
3. *The County Treasury should ensure timely preparation and submission of financial reports in line with Section 166(4) of PFM Act, 2012.*

3.10 Kajjido County

3.10.1 Overview of the FY 2015/16 Budget

The County's FY 2015/16 Approved Supplementary Budget for Kajjido County for FY 2015/16 is Kshs.6.83 billion comprising of Kshs.4.11 billion (60.2 per cent) for recurrent expenditure and Kshs.2.72 billion (39.8 per cent) for development expenditure respectively.

In order to finance the budget, the County will receive Kshs.4.41 billion (64.6 per cent) as equitable share raised nationally, Kshs.171.46 million (2.5 per cent) as total conditional grants, generate Kshs.1.23 billion (18.0 per cent) from local sources and Kshs.984.80 million (14.3 per cent) as cash balance brought forward from FY 2014/15. The conditional grants comprised of Kshs.17.89 million (10.4 per cent) from DANIDA, Kshs.49.86 million (29.1 per cent) as Free Maternal Healthcare grant Kshs.16.02 million (9.3 per cent) as compensation for User Fees Forgone and Kshs.56.06 million (32.7 per cent) from the Road Maintenance Fuel Levy Fund.

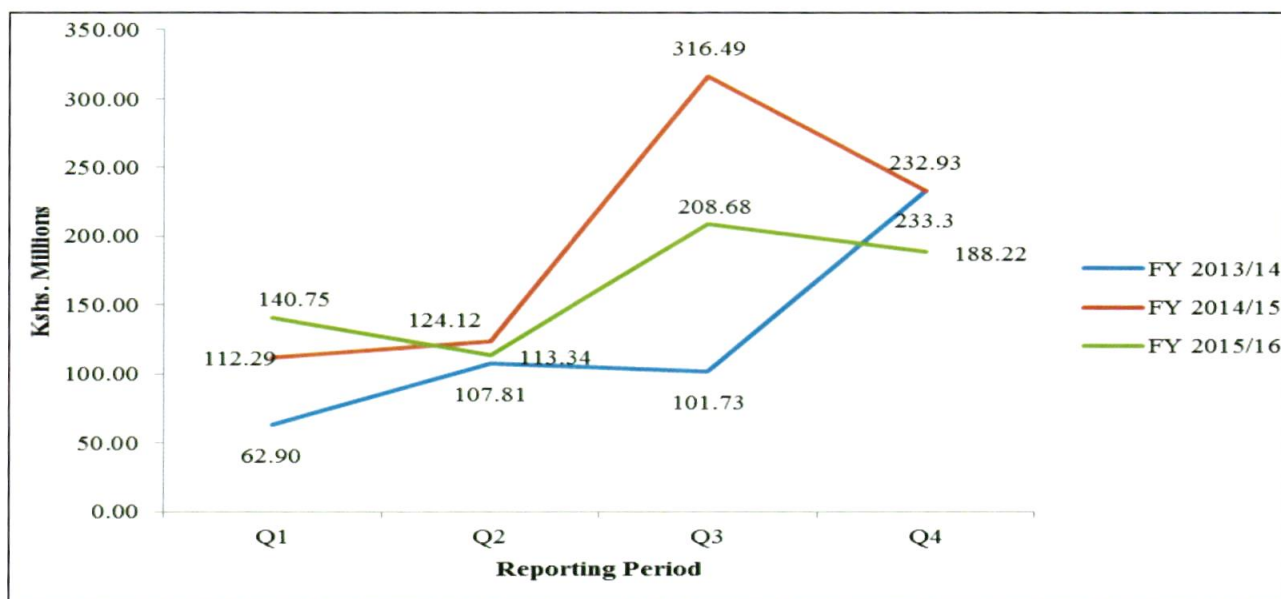
3.10.2 Revenue Analysis

During the year, the County received Kshs.4.41 billion as equitable share of the revenue raised nationally, Kshs.142.74 million as total conditional allocations, raised Kshs.650.98 million from local sources, and had a

cash balance of Kshs.984.80 million brought forward from FY 2014/15.

Figure 3.37 shows the quarterly trend in local revenue collection from FY 2013/14 to FY 2015/16.

Figure 3.37: Kajiado County, Trend in Local Revenue Collection by Quarter from FY 2013/14 to FY 2015/16



Source: Kajiado County Treasury

The total local revenue collected for the FY 2015/16 of Kshs.650.98 million consisted of Kshs.140.75 million generated in the first quarter, Kshs.113.34 million in the second quarter, Kshs.208.68 million in the third quarter, and Kshs.188.22 million in the fourth quarter. The revenue was 52.8 per cent of the annual local revenue target, a decrease from Kshs.785.84 million collected in FY 2014/15.

Table 3.28 provides an analysis of the local revenue collected in FY 2015/16 by revenue stream.

Table 3.28: Kajiado County analysis of revenue collected by stream in FY 2015/16

No.	Revenue Stream	Annual Targeted Revenue (Kshs.)	Actual Revenue (Kshs.)	Revenue Performance (%)
1	Advertising and promotions	32,450,000	47,577,406	146.6
2	Livestock cess	28,650,000	27,490,414	96.0
3	Public Health, Medical Levies and Hospital fees	95,288,579	67,945,829	71.3
4	Land Rent and Rates	133,417,353	89,780,867	67.3
5	Produce Cess	19,000,000	11,094,256	58.4
6	Single Business Permit	235,542,098	123,760,176	52.5
7	Sand and mineral cess	293,595,916	133,143,149	45.3
8	building plan approval	135,500,000	61,349,069	45.3
9	Parking Fees	70,479,332	27,299,702	38.7
10	Market Fees	123,209,453	38,675,479	31.4
11	Liquor Licensing	58,000,000	15,964,500	27.5
12	Other Sources	7,197,657	6,904,131	95.9
	TOTAL	1,232,330,388	650,984,978	52.8

Source: Kajiado County Treasury

Analysis of the local revenue collected by stream indicated that, Advertising and Promotions recorded the highest performance against the annual target at 146.6 per cent. This was followed by Livestock Cess at 96 per cent, and Public Health and Hospital Fees at 71.3 per cent.

The County deposited all locally generated revenue into the County Revenue Fund account maintained at Central Bank of Kenya (CBK) as required by Article 207 (1) of the Constitution.

3.10.3 Conditional Grants

Table 3.29 shows an analysis of the conditional grants released in FY 2015/16.

Table 3.29: Kajiado County analysis of conditional grant releases in FY 2015/16

No.	Conditional Grant	Amount allocated as provided in CARA 2015 (Kshs.)	Actual receipt of the Conditional Grant (Kshs.)	Actual receipts as a percentage of Annual Allocation (%)
1	Road Maintenance Fuel Levy Fund	56,055,021	42,321,543	75.5
2	Free Maternal Health Care	49,856,800	35,910,840	72.0
3	User Fees Forgone	16,021,218	14,970,000	93.4
4	DANIDA Grant	17,890,000	17,890,000	100.0
5	World Bank Grant	31,643,654	31,643,654	100.0
Total		171,466,693	142,736,037	83.2

Source: Kajiado County Treasury

Revenue from conditional grant releases for the period under review indicated that only the DANIDA and World Bank grants were fully realized. The User Fees Foregone, Fuel Levy Fund and Free Maternal Healthcare grants recorded 93.4 per cent, 75.5 per cent and 72 per cent of the annual targets respectively.

3.10.4 Exchequer Issues

During the period under review, the Controller of Budget (COB) authorised withdrawal of Kshs.5.68 billion from the CRF account, which was 83.2 per cent of the Approved Supplementary Budget. The amount represented an increase of 19.8 per cent from Kshs.4.74 billion authorized in FY 2014/15 and consisted of Kshs. 4.11 billion (72.4 per cent) for recurrent expenditure and Kshs.1.57 billion (27.6 per cent) for development activities.

3.10.5 Overall Expenditure Review

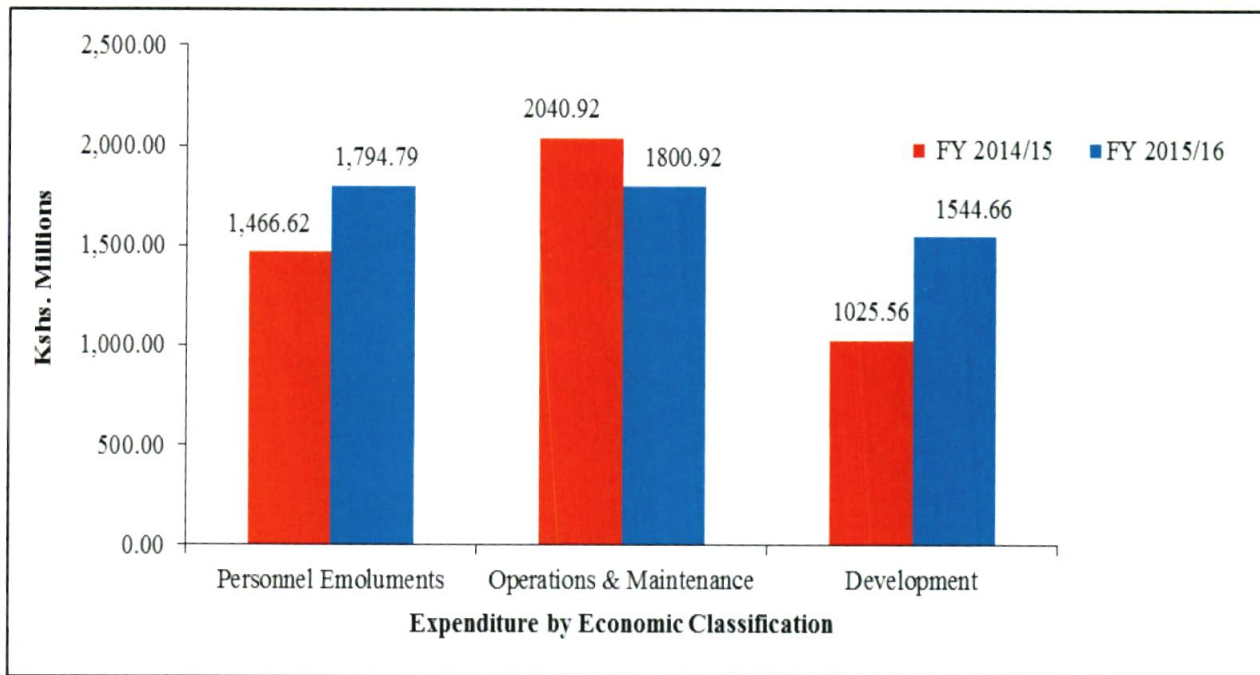
The County spent a total of Kshs.5.14 billion in FY 2015/16, which was 90.5 per cent of the total funds released for operations. This was a decline from the Kshs.4.53 billion spent in FY 2014/15.

A total of Kshs.3.59 billion was spent on recurrent activities, while Kshs.1.54 billion was spent on development activities. The recurrent expenditure was 87.5 per cent of the funds released for recurrent activities while development expenditure accounted for 98.5 per cent of the funds released for development activities. The expenditure excluded pending bills as at 30th June, 2016 that amounted to Kshs.894.30 million for development and Kshs.235.38 million for recurrent expenditure.

The recurrent expenditure represented 87.5 per cent of the annual recurrent budget, a decrease from 96.8 per cent attained in FY 2014/15. Development expenditure recorded an absorption rate of 56.8 per cent, which

was an increase from 50.2 per cent attained in FY 2014/15. Figure 3.38 presents a comparison between the total expenditure in FY 2015/16 and FY 2014/15.

Figure 3.38: Kajiado County, Expenditure by Economic Classification for FY 2015/16 and FY 2014/15



Source: Kajiado County Treasury

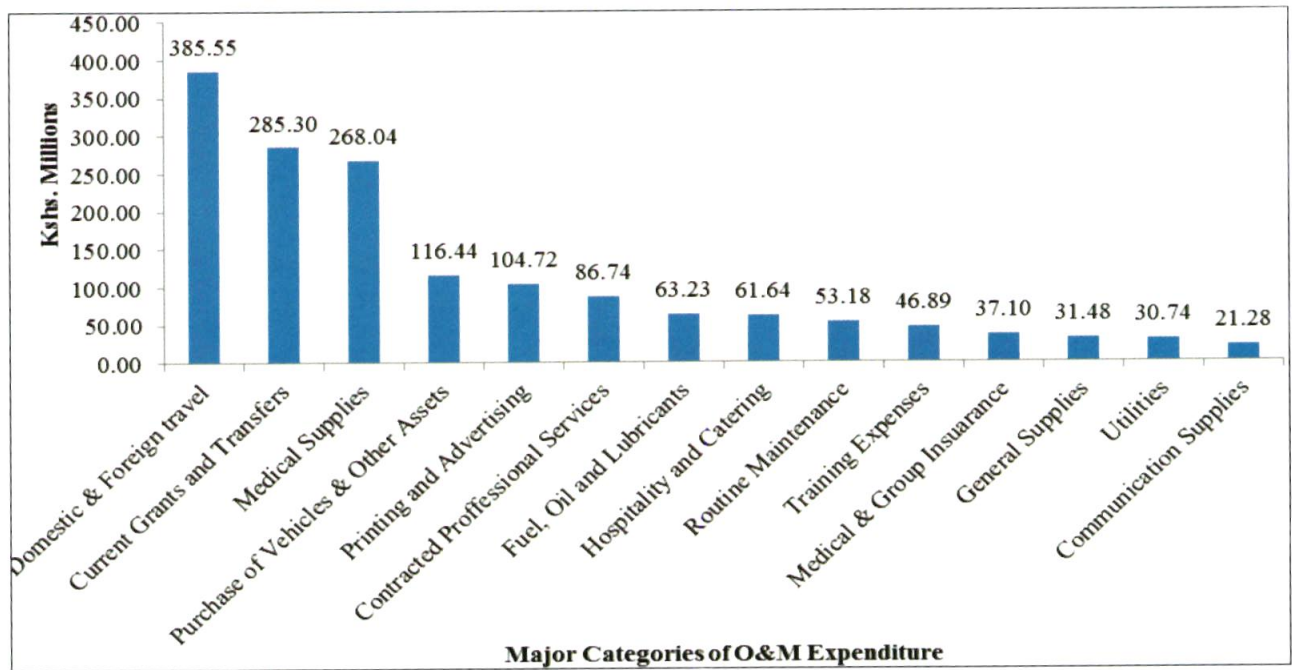
3.10.6 Analysis of Recurrent Expenditure

The total recurrent expenditure of Kshs.3.59 billion represented 87.5 per cent of the annual recurrent budget of Kshs.4.11 billion. The County spent Kshs.1.79 billion (49.8 per cent) on personnel emoluments and Kshs.1.80 billion (50.1 per cent) on operations and maintenance as shown in Figure 3.38. Expenditure on personnel emoluments represented an increase of 21.8 per cent compared to FY 2014/15 when the County spent Kshs.1.47 billion. The increase is attributed to a growing workforce in the County.

The County spent Kshs.37.49 million on sitting allowances to the 41 MCAs and the Speaker against the annual budget allocation of Kshs.66.33 million. This was a decrease compared to Kshs.58.61 million spent in FY 2014/15. The average monthly sitting allowance was Kshs.74,402 compared to SRC’s recommended monthly ceiling of Kshs.124,800.

Expenditure on domestic and foreign travel was Kshs.385.55 million compared to Kshs.354.72 million spent in FY 2014/15, representing an increase of 8.7 per cent. Figure 3.39 shows a summary of the operations and maintenance expenditure by major categories.

Figure 3.39: Kajiado County, Operations and Maintenance Expenditure for FY 2015/16

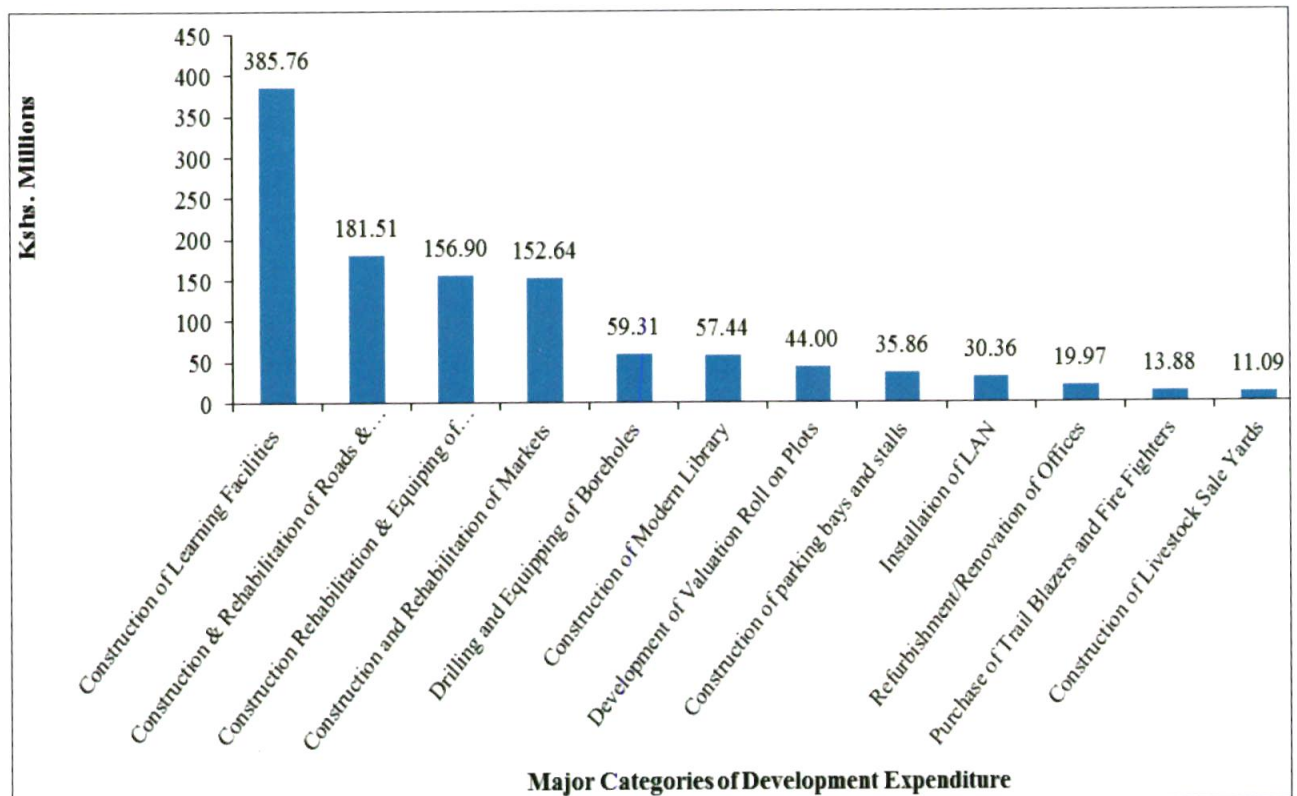


Source: Kajiado County Treasury

3.10.7 Analysis of Development Expenditure

The total development expenditure was Kshs.1.54 billion against an annual development budget of Kshs.2.72 billion, representing 56.8 per cent of the annual development budget. Figure 3.40 provides a summary of development expenditure during the period under review.

Figure 3.40: Kajiado County, Summary of Development Expenditure for FY 2015/16



Source: Kajiado County Treasury

Analysis of the development expenditure indicated that the highest expenditure of Kshs.385.76 million was incurred by the Department of Education on construction of learning facilities. The second highest expenditure of Kshs.181.51 million was incurred by the Department of Roads and Public Works on construction and rehabilitation of roads. Kshs.156.90 million was spent on construction, rehabilitation and equipping of Health Facilities and Kshs.152.64 million on construction and rehabilitation of markets.

3.10.8 Analysis of Budget Performance by Department

Table 3.30 shows a summary of FY 2015/16 annual budget estimates and budget performance by department.

Table 3.30: Kajiado County, FY 2015/16 Budget Performance by Department

Department	Budget Allocation (Kshs.Million)		Exchequer Issues (Kshs.Million)		Expenditure (Kshs.Million)		Expenditure to Exchequer Issues (%)		Expenditure to Budget Allocation (Absorption rate (%))	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
County Executive	189.57	-	189.57	-	187.25	-	98.8	-	98.8	-
Finance & Economic Planning	526.03	84.03	526.03	25.00	509.16	56.63	96.8	226.5	96.8	67.4
Lands & Physical Planning	145.78	72.95	145.78	68.50	90.88	30.43	62.3	44.4	62.3	41.7
Public Service Board	90.18	-	89.93	-	89.26		99.3	-	99.0	-
Agriculture	266.05	36.50	266.05	36.50	238.30	11.09	89.6	30.4	89.6	30.4
Trade & Industrialization	93.60	273.23	93.60	221.23	90.16	154.97	96.3	70.0	96.3	56.7
Roads & Public Works	95.38	749.44	95.38	326.77	94.92	483.07	99.5	147.8	99.5	64.5
Water And Irrigation	105.96	374.24	105.96	174.95	96.95	171.52	91.5	98.0	91.5	45.8
Education	294.31	636.84	294.31	282.64	275.52	378.87	93.6	134.0	93.6	59.5
ICT And Gender	45.19	89.59	45.19	89.59	45.19	87.80	100.0	98.0	100.0	98.0
Health	1,285.64	276.43	1,285.64	267.83	1114.37	156.90	86.7	58.6	86.7	56.8
Public Service & E-Government	427.97	-	427.97	-	422.88	0.00	98.8	-	98.8	-
County Assembly	544.12	124.52	544.12	74.52	340.87	13.36	62.6	17.9	62.6	10.7
Total	4,110	2,718	4,110	1,568	3,596	1544.66	87.5	98.5	87.5	56.8

Source: Kajiado County Treasury

Analysis of budget performance by department shows that the Department of ICT and Gender attained the highest absorption rate of development expenditure at 98 per cent followed by the Department of Finance and Economic Planning at 67.4 per cent. The County Assembly incurred the lowest expenditure against development budget at 10.7 per cent. On the other hand, the Department of ICT and Gender had the highest percentage of recurrent expenditure to recurrent budget at 100 per cent while the Department of Lands and

Physical Planning had the lowest at 62.3 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. Adherence to budget timelines. The CECM-F submitted the budget estimates to the County Assembly on 30th April 2016, which was approved on 30th June 2016. The ADP and the CFSP were submitted to the County Assembly on 1st September 2015 and 28th February 2016 respectively.
- ii. Establishment of the County Budget and Economic Forum (CBEF) in line with Section 137 of the PFM Act, 2012. The CBEF is involved in budgeting and economic matters in the County.
- iii. Establishment of an audit committee in compliance with Section 155 of the PFM Act 2012.

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

1. Underperformance in local revenue collection. The local revenue collection has declined from Kshs.785.84 million in the FY 2014/15 to Kshs.650.98 million in the reporting period.
2. Failure by Fund Administrators to submit expenditure reports to the Controller of Budget on the established County Funds regularly, which is contrary to Section 168 (3) of the PFM Act, 2012.

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

1. *The County Treasury should formulate strategies to increase local revenue collection.*
2. *The County Treasury should ensure timely submission of expenditure reports on the established Funds in line with Section 168 of the PFM Act, 2012.*

3.11 Kakamega County

3.11.1 Overview of the FY 2015/16 Budget

The County's FY 2015/16 Approved Supplementary Budget was Kshs.12.31 billion, comprising of Kshs.6.45 billion (52.4 per cent) and Kshs.5.87 billion (47.6 per cent) for recurrent and development expenditure respectively.

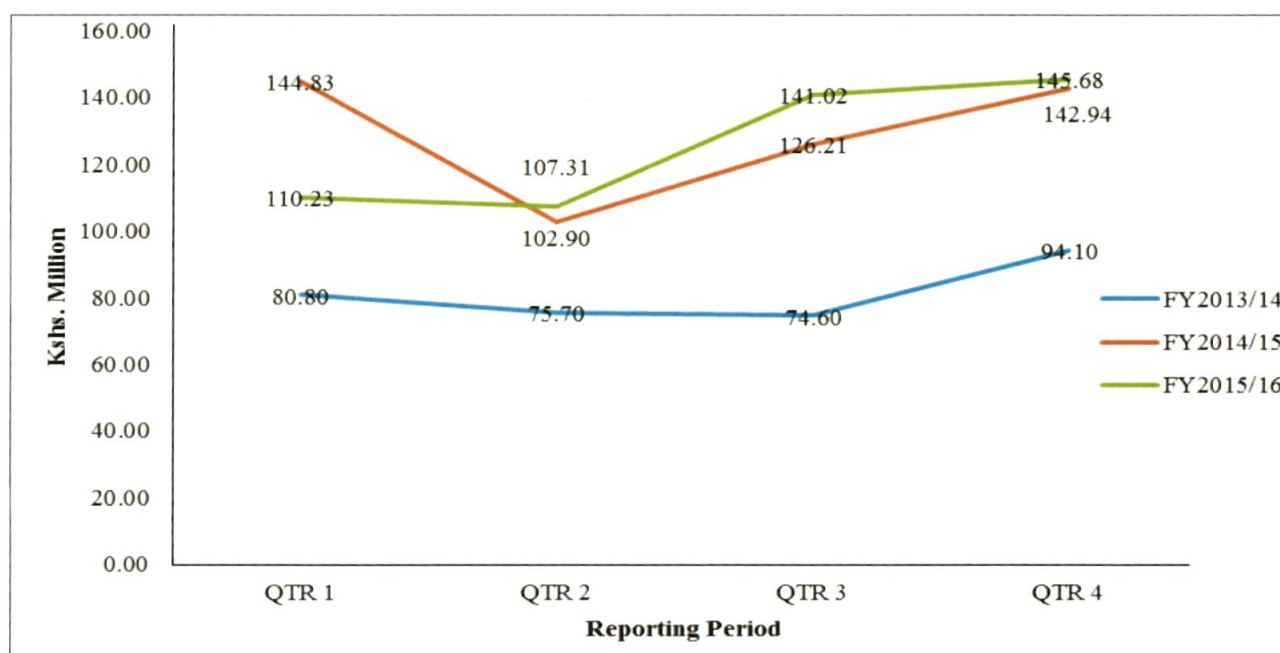
To finance the budget, the County expected to receive Kshs.8.91 billion (71.8 per cent) as equitable share of revenue raised nationally, Kshs.828.92 million (6.7 per cent) as total conditional grants, generate Kshs.1 billion (8.1 per cent) from local sources, and had a cash balance of Kshs.1.67 million (13.5 per cent) from FY 2014/15. The conditional grants comprised of Kshs.342.9 million (41.4 per cent) for the Level 5 Hospital, Kshs.214.9 million (25.9 per cent) for Free Maternal Health Care, Kshs.113.16 million (13.7 per cent) from the Road Maintenance Fuel Levy Fund, Kshs.38.71 million (4.7 per cent) for User Fees Foregone, Kshs.95.7 million (11.6 per cent) for Leasing of Medical Equipment and Kshs.23.5 million (2.8 per cent) as a grant from DANIDA.

3.11.2 Revenue Analysis

During the year, the County received Kshs. 8.9 billion as equitable share of revenue raised nationally, Kshs.828.9 million as total conditional allocations, raised Kshs.504.24 million from local sources, and had a cash balance of Kshs.1.67 billion brought forward from FY 2014/15.

Figure 3.41 shows the quarterly trend in local revenue collection from FY 2013/14 to FY 2015/16.

Figure 3.41: Kakamega County, Trend in Local Revenue Collection by Quarter from FY 2013/14 to FY 2015/16



Source: Kakamega County Treasury

The total local revenue collected for FY 2015/16 of Kshs.504.24 million consisted of Kshs.110.23 million generated in the first quarter, Kshs.107.31 million in the second quarter, Kshs.141.02 million in the third quarter, and Kshs.145.68 million in the fourth quarter. The revenue was 50.4 per cent of the annual local revenue target, a decrease from Kshs.516.89 million collected in FY 2014/15.

Table 3.31 provides an analysis of the local revenue collected in FY 2015/16 by revenue stream.

Table 3.31: Kakamega County analysis of revenue collected by stream in FY 2015/16

No	Revenue Stream	Annual Targeted Revenue (Kshs.)	Annual Actual Revenue	Actual Revenue as a percentage of Annual Target (%)
1	Health facilities & Public health	275,100,000	175,786,142	63.9
2	Single Business Permit	123,160,304	71,420,051	58.0
3	Devolved Units & others	21,000,000	58,228,508	277.3
4	Bus Park	48,285,392	48,381,260	100.2
5	CESS	241,500,000	43,186,774	17.9
6	Barter Market	39,361,412	32,389,482	82.3
7	Property Rates	47,250,000	19,078,434	40.4
7	Liquor Licences	38,331,879	13,139,200	34.3
9	Housing/Stall Rent	4,011,672	11,958,910	298.1
10	Parking Fee	48,668,340	8,925,394	18.3
11	Other sources	113,331,001	21,744,137	19.2
Total		1,000,000,000	504,238,292	50.4

Source: Kakamega County Treasury

Analysis of the local revenue by stream indicated that, housing/stall rent recorded the highest performance against annual target at 298.1 per cent. This was followed by money collected by devolved units & others at 277.3 per cent, and bus park fees at 100.1 per cent.

The County did not deposit all locally generated revenue into the County Revenue Fund account maintained at Central Bank of Kenya (CBK) as required by Article 207 (1) of the Constitution. The affected revenue stream is the liquor license fees which was deposited in a commercial bank account and thereafter, spent.

3.11.3 Conditional Grants

Table 3.32 shows an analysis of the conditional grants released in FY 2015/16.

Table 3.32: Kakamega County analysis of conditional grant releases in FY 2015/16

No.	Conditional Grant	Amount allocated as provided in CARA 2015 (Kshs.)	Actual receipt of the Conditional Grant (Kshs.)	Actual receipts as a percentage of Annual Allocation (%)
1	Level 5 Hospitals	342,902,857	342,902,857	100
2	Road Maintenance Fuel Levy Fund	113,164,138	113,164,138	100
3	Free Maternal Health Care	214,900,000	165,945,000	77.2
4	User Fees Foregone	38,709,716	38,709,716	100
5	DANIDA Grant	23,500,000	0	0.0
Total		733,176,711	660,721,711	90.1

Source: Kakamega County Treasury

All projected revenue from the conditional grants was fully realized except for the Free Maternal Health Care which recorded a performance of 77.2 per cent of the annual target and DANIDA grant, which was not funded.

3.11.4 Exchequer Issues

During the period under review, the Controller of Budget (COB) authorised withdrawal of Kshs.11.55 billion from the CRF account, which was 93.8 per cent of the Approved Supplementary Budget. The amount represented an increase of 38.8 per cent from Kshs.8.32 billion authorized in FY 2014/15 and consisted of Kshs.6.38 billion (55.2 per cent) for recurrent expenditure and Kshs.5.17 million (44.8 per cent) for development activities.

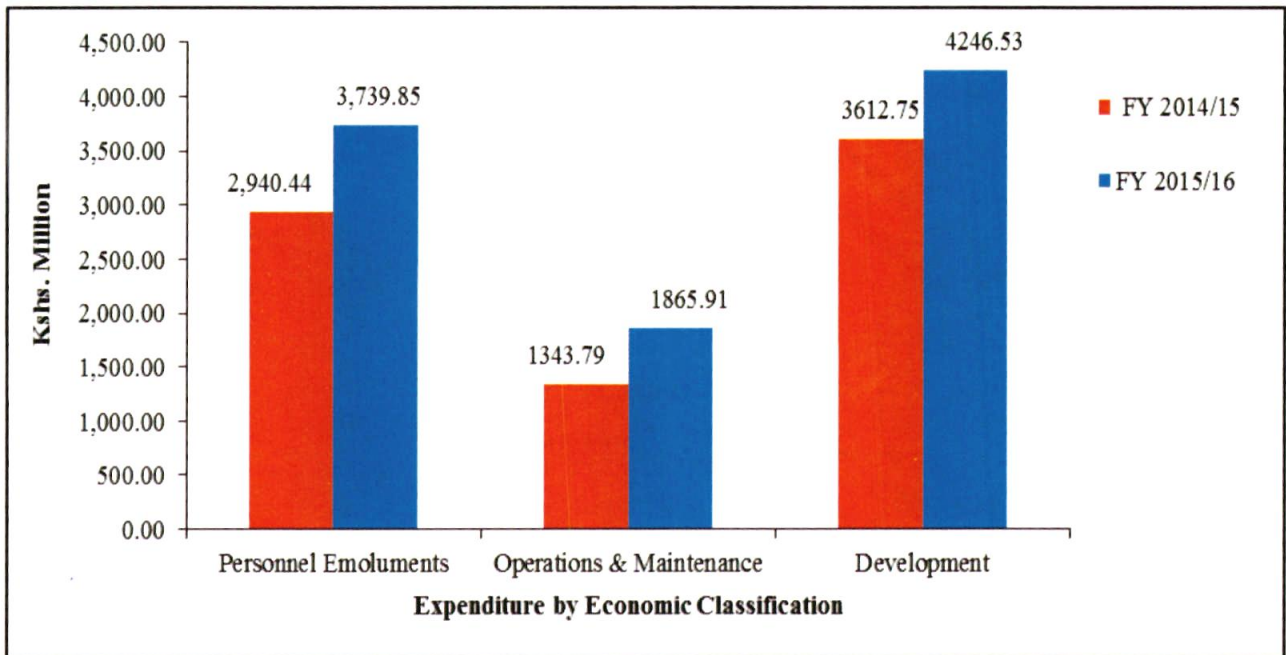
3.11.5 Overall Expenditure Review

The County spent a total of Kshs.9.85 billion in FY 2015/16, which was 85.3 per cent of the total funds released for operations. This was an increase from the Kshs.7.49 billion spent in FY 2014/15.

A total of Kshs.5.61 billion was spent on recurrent activities, while Kshs.4.25 billion was spent on development activities. The recurrent expenditure was 87.8 per cent of the funds released for recurrent activities while development expenditure accounted for 82.1 per cent of the funds released for development activities. The expenditure excluded pending bills as at 30th June, 2016 that amounted to Kshs.298.22 million for development and Kshs.153.75 million for recurrent expenditure.

The recurrent expenditure represented 87 per cent of the annual recurrent budget, an increase from 80.3 per cent attained in FY 2014/15. Development expenditure recorded an absorption rate of 72.4 per cent, which was also an increase from 60.6 per cent attained in FY 2014/15. Figure 3.42 presents a comparison between the expenditure in FY 2015/16 and FY 2014/15 by economic classification.

Figure 3.42: Kakamega County, Expenditure by Economic Classification for FY 2015/16 and FY 2014/15



Source: Kakamega County Treasury

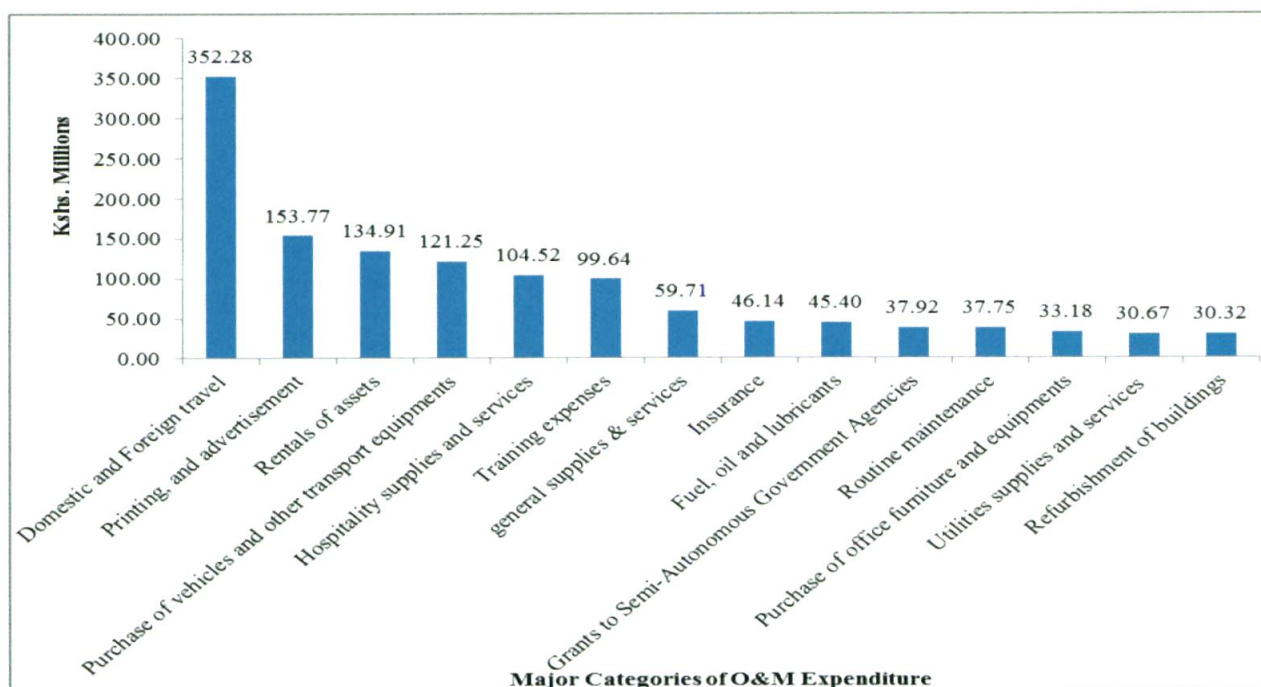
3.11.6 Analysis of Recurrent Expenditure

The total recurrent expenditure was Kshs.5.60 billion against an annual recurrent budget of Kshs.6.45 billion, representing 87 per cent of the annual recurrent budget. The County spent Kshs.3.74 billion (66.7 per cent) on personnel emoluments and Kshs.1.86 billion (33.3 per cent) on operations and maintenance as shown in Figure 3.42. The expenditure on personnel emoluments represented an increase of 27.2 per cent compared to FY 2014/15 when the County spent Kshs.2.94 billion. This increase is attributed to recruitment and promotions of staff in the County.

The County spent Kshs.106.73 million on sitting allowances to the 88 MCAs and the Speaker against the annual budget allocation of Kshs.142.48 million. This was a decrease compared to Kshs.147.54 million spent in FY 2014/15. The average monthly sitting allowance was Kshs.101, 071 compared to SRC’s recommended monthly ceiling of Kshs.124, 800.

Expenditure on domestic and foreign travel was Kshs.352.28 million compared to Kshs.250.7 million spent in FY 2014/15, representing an increase of 40.5 per cent. Figure 3.43 shows a summary of the operations and maintenance expenditure by major categories.

Figure 3.43: Kakamega County, Operations and Maintenance Expenditure for FY 2015/16

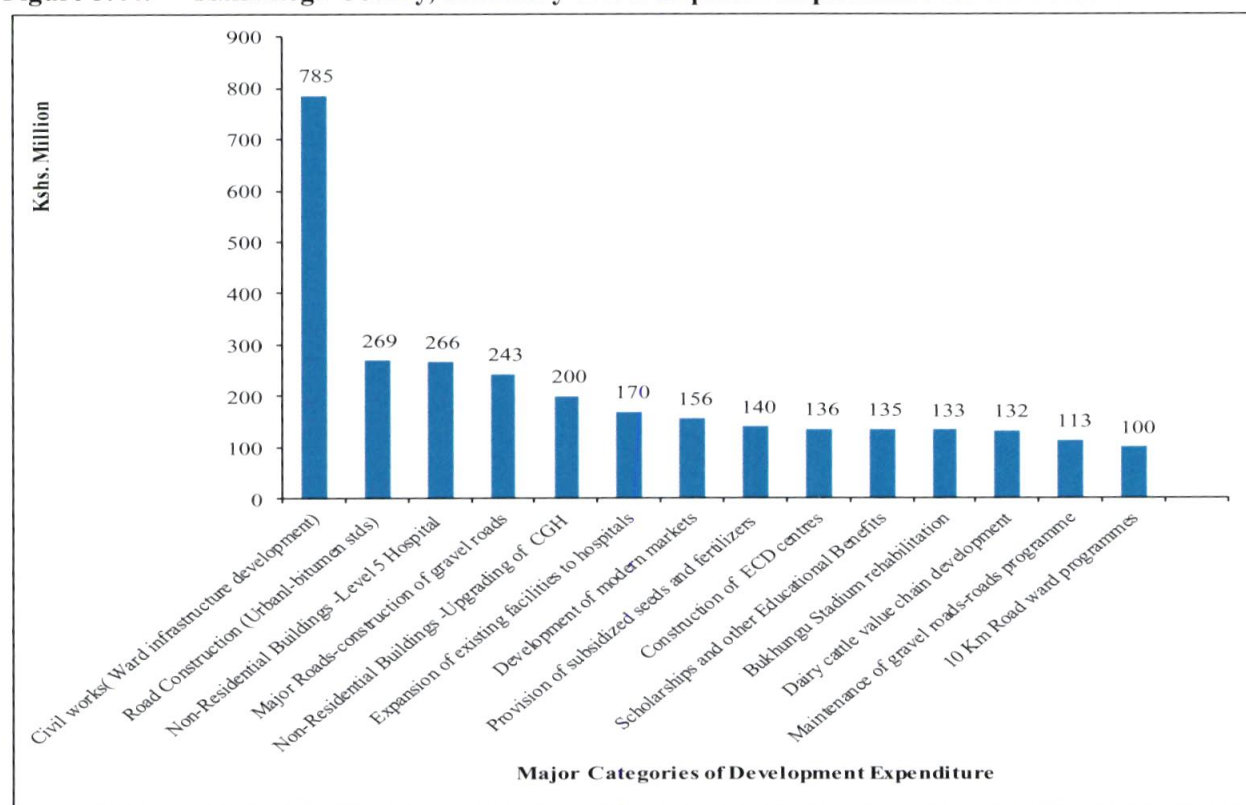


Source: Kakamega County Treasury

3.11.7 Analysis of Development Expenditure

The total development expenditure was Kshs.4.25 billion against an annual development budget of Kshs.5.87 billion, representing 72.4 per cent of the annual development budget. Figure 3.44 provides a summary of development expenditure during the period under review.

Figure 3.44: Kakamega County, Summary of Development Expenditure for FY 2015/16



Source: Kakamega County Treasury

Analysis of the development expenditure in FY 2015/16 indicated that the highest expenditure of Kshs.785.21 million was incurred by the Department of Civil Works on ward infrastructure development. The second highest expenditure of Kshs.269.37 million was incurred by the Transport, Infrastructure & Public Works department on upgrading of urban roads to bitumen standard. Kshs.266.47 million was spent on construction of non-residential buildings at the level 5 and other hospitals by the Health Services department and Kshs.242.91 million was spent on gravelling of roads by the Transport, Infrastructure & Public Works department.

3.11.8 Analysis of Budget Performance by Department

Table 3.33 shows a summary of FY 2015/16 annual budget estimates and budget performance by department.

Table 3.33: Kakamega County, FY 2015/16 Budget Performance by Department

Department	Budget Allocation (Kshs.Million)		Exchequer Issues (Kshs.Million)		Expenditure (Kshs. Million)		Expenditure to Exchequer Issues (%)		Expenditure to Budget Allocation (Absorption rate (%))	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
Office of the Governor	255.41	247.99	247.75	230.59	203.49	10.57	82.1	4.6	79.7	4.3
Public Service and Administration	2,650.75	169.23	2,635.14	152.90	2,358.77	73.11	89.5	47.8	89.0	43.2
County Treasury	250.37	124.99	242.85	96.48	224.98	116.30	92.6	120.5	89.9	93.0
Environment, Natural Resource, Water and Forestry	49.12	195.73	47.64	183.33	25.50	141.99	53.5	77.4	51.9	72.5
Labour, Social Services, Youth & Sports	24.44	250.02	23.71	244.50	19.79	226.73	83.5	92.7	81.0	90.7
Transport, Infrastructure & Public Works	22.81	1,904.31	22.13	1,641.03	12.16	1,702.96	54.9	103.8	53.3	89.4
Lands, Housing, Urban Areas & Physical planning	53.99	197.66	52.37	186.01	36.09	97.41	68.9	52.4	66.8	49.3
Health Services	2,162.35	1,139.43	2,161.47	1,083.27	1,931.86	805.20	89.4	74.3	89.3	70.7
Agriculture, Livestock, Fisheries & Co-operatives	89.79	529.26	87.10	513.11	53.70	394.67	61.7	76.9	59.8	74.6
Industrialization, Trade & Tourism	26.29	418.26	25.51	411.89	17.48	225.84	68.5	54.8	66.5	54.0
Education, Science & Technology	23.45	588.83	22.75	429.70	16.09	451.75	70.7	105.1	68.6	76.7
County Public Service Board	51.12	0.00	49.58	0.00	41.10	0	82.9	-	80.4	-
County Assembly	786.85	100.00	763.25	0.00	752.05	0	98.5	0	95.6	-
Total	6,446.74	5,865.71	6,281.25	5,172.82	5,605.76	4,246.53	87.8	82.1	87.0	72.4

Source: Kakamega County Treasury

Analysis of budget performance by department shows that the County Treasury attained the highest absorption

rate of development expenditure at 93 per cent while the County Assembly did not incur any development expenditure. The County Assembly had the highest percentage of recurrent expenditure to recurrent budget at 95.6 per cent while the Department of Environment, Natural Resource, Water and Forestry had the lowest at 51.9 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. Improvement in absorption of development budget from 60.6 per cent in FY 2014/15 to 72.4 per cent in FY 2015/16.
- ii. Establishment of an Internal Audit Committee in line with Section 155(5) of the PFM Act, 2015.
- iii. Establishment of the County Budget and Economic Forum (CBEF) in line with Section 137 of the PFM Act 2015.

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

1. Failure by MCAs to regularly repay the Car and Mortgage Loans advanced to them by the County Government.
2. Late submission of financial reports by the County Treasury which affected timely preparation of budget execution reports.
3. Intermittent use of IFMIS in processing transactions contrary to Section 12 of the PFM Act, 2012.
4. Failure to develop regulations to operationalize some established County Public Funds such as “*Mkopo Mashinani*” under the Department of Trade. This contravenes Section 116 of the PFM Act, 2012.

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

1. *The Administrator of the Car Loan and Mortgage Fund should ensure all disbursed loans are repaid.*
2. *The County Treasury should ensure timely submission of expenditure reports in line with Section 166 and 168 of the PFM Act, 2012.*
3. *The County Treasury to ensure IFMIS is used by all county entities in processing financial transactions.*
4. *The County should ensure legislations establishing any County Public Fund are in place before operationalizing any County Fund.*

3.12 Kericho County

3.12.1 Overview of the FY 2015/16 Budget

The County's FY 2015/16 Approved Supplementary Budget was Kshs.5.57 billion, comprising of Kshs.3.42 billion (61.5 per cent) and Kshs.2.45 billion (38.5 per cent) for recurrent and development expenditure respectively.

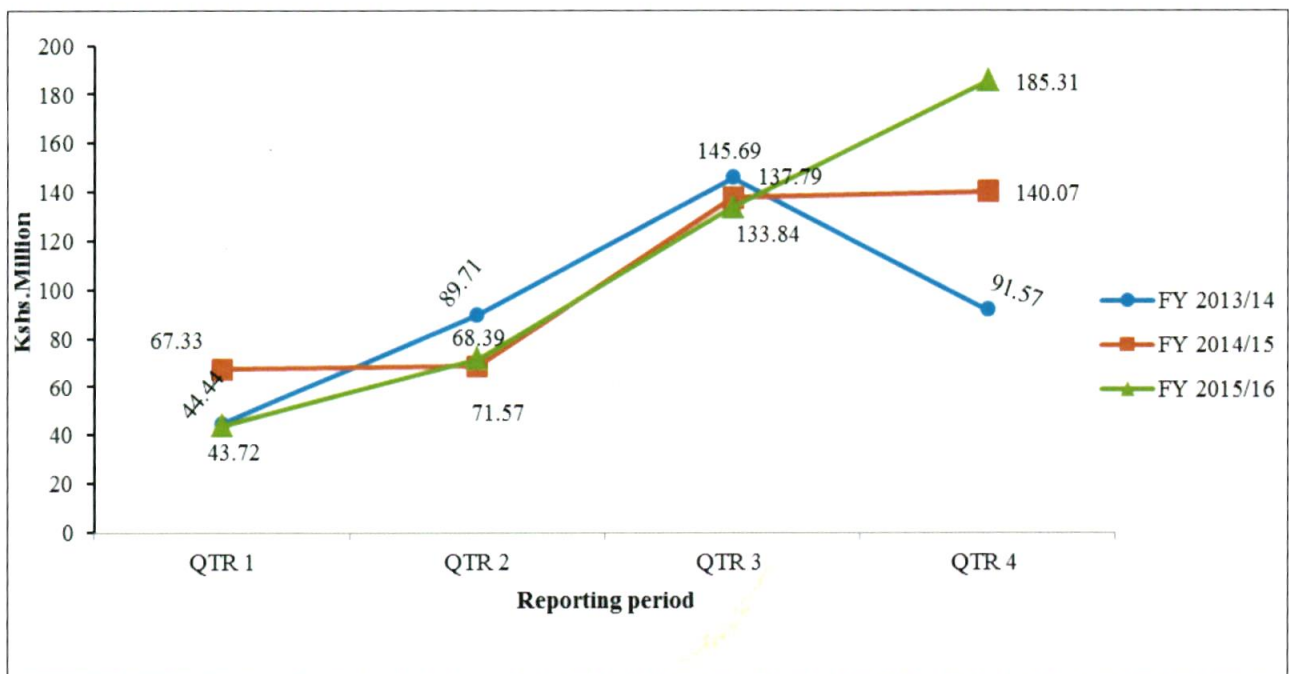
To finance the budget, the County expected to receive Kshs.4.51 billion (80.9 per cent) as equitable share of revenue raised nationally, Kshs.193.69 million (3.5 per cent) as total conditional grants, generate Kshs.440 million (7.9 per cent) from local sources, and had a cash balance of Kshs.431.40 million (7.7 per cent) from FY 2014/15. The conditional grants comprised of Kshs.98.85 million (1.78 per cent) for Free Maternal Health Care, Kshs.57.23 million (1.0 per cent) from the Road Maintenance Fuel Levy Fund, Kshs.17.68 million (0.3 per cent) for User Fees Foregone and Kshs.19.93 million (0.4 per cent) as a grant from DANIDA.

3.12.2 Revenue Analysis

During the year, the County received Kshs.4.51 billion as equitable share of the revenue raised nationally, Kshs.166.08 as total conditional allocation, raised Kshs.434.44 million from local sources, and had a cash balance of Kshs.431.40 million brought forward from FY 2014/15.

Figure 3.45 shows the quarterly trend in local revenue collection from FY 2013/14 to FY 2015/16.

Figure 3.45: Kericho County, Trend in Local Revenue Collection by Quarter from FY 2013/14 to FY 2015/16



Source: Kericho County Treasury

The total local revenue collected in FY 2015/16 of Kshs.434.44 million consisted of Kshs.43.72 million generated in the first quarter, Kshs.71.57 million in the second quarter, Kshs.133.84 million in the third quarter, and Kshs.185.31 million in the fourth quarter. The revenue collected was 98.7 per cent of the annual local revenue target, an increase from Kshs.413.31 million collected in FY 2014/15.

Table 3.34 provides an analysis of the local revenue collected in FY 2015/16 by revenue stream.

Table 3.34: Kericho County analysis of revenue collected by stream in FY 2015/16

No	Revenue Stream	Annual Targeted Revenue (Kshs.)	Actual Annual Revenue (Kshs)	Actual Revenue as a percentage of Annual Target (%)
1	Tea Produce cess	33,145,428	54,756,247	165.2
2	Liquor Licence Fees	8,472,325	11,306,660	133.5
3	Single Business Permit	46,857,719	47,512,322	101.4
4	Market /Trade Fees	23,976,737	23,813,280	99.3
5	Land Rates/Plot rents	71,100,947	70,352,964	98.9
6	Bus park fees	27,257,241	26,231,569	96.2
7	Health Services-F.I.F	140,000,000	130,893,040	93.5
8	Car Parking Fees	13,064,923	12,092,520	92.6
9	Sub-County Public Health	7,613,751	6,763,202	88.8
10	House /Kiosk & Stall rents	11,937,874	10,159,639	85.1
11	Forest produce cess	9,377,609	7,391,955	78.8
12	Advertisements	8,527,273	6,531,082	76.6
13	Plan Approval fees	7,872,109	5,535,671	70.3
14	Other sources	30,796,064	21,100,582	68.5
TOTAL		440,000,000	434,440,733	98.7

Source :Kericho County Treasury

Analysis of the local revenue collected by stream indicated that tea produce cess recorded the highest performance against the annual target at 165.2 per cent. This was closely followed by liquor license fees and single business permits at 133.5 per cent and 101.4 per cent respectively.

The County deposited all the local revenue into the County Revenue Fund Account maintained at Central Bank of Kenya (CBK) in line with Article 207 (1) of the Constitution.

3.12.3 Conditional Grants

Table 3.35 shows an analysis of the conditional grants released in FY 2015/16.

Table 3.35: Kericho County analysis of conditional grant releases in FY 2015/16

No.	Conditional Grant	Amount allocated as provided in CARA 2015 (Kshs.)	Actual receipt of the Conditional Grant (Kshs.)	Actual receipts as a percentage of Annual Allocation (%)
1	Road Maintenance Fuel Levy Fund	57,229,294	57,229,294	100.0
2	Free Maternal Health Care	98,854,000	71,247,500	72.1
3	User Fees Forgone	17,676,855	17,676,855	100.0
4	DANIDA Grant	19,930,000	19,930,000	100.0
TOTAL		193,690,149	166,083,649	85.7

Source: Kericho County Treasury

All projected revenue from conditional grants was fully realized except for the Free Maternal Health Care grant, which recorded a performance of 72.1 per cent against its annual target.

3.12.4 Exchequer Issues

During the period under review, the Controller of Budget (COB) authorised withdrawal of Kshs.5.02 billion from the CRF account, which was 90.0 per cent of the Approved Supplementary Budget. The amount represented an increase of 13.7 per cent from Kshs.4.41 billion authorized in FY 2014/15 and consisted of Kshs.3.21 billion (64.0 per cent) for recurrent expenditure and Kshs.1.80 billion (36.0 per cent) for development activities.

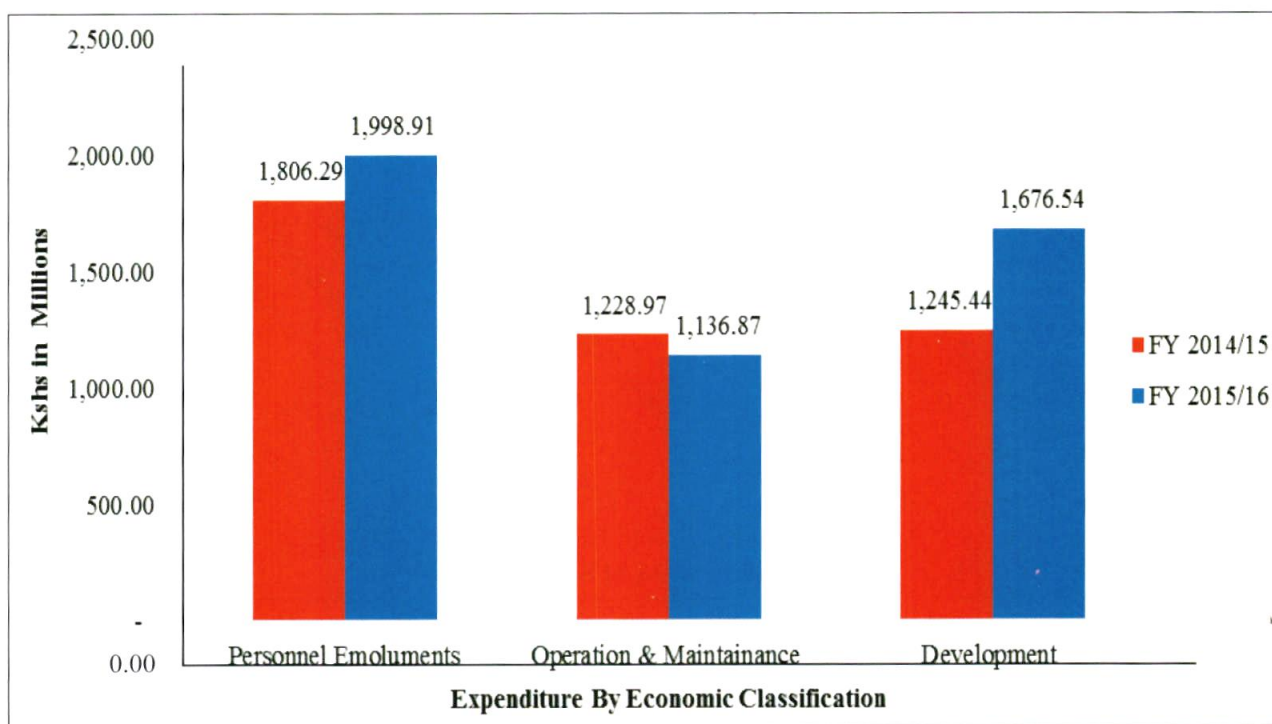
3.12.5 Overall Expenditure Review

The County spent a total of Kshs.4.81 billion in FY 2015/16, which was 96.0 per cent of the total funds released for operations. This was an improvement from Kshs.4.28 billion recorded in the FY 2014/15.

A total of Kshs.3.14 billion was spent on recurrent activities, while Kshs.1.68 billion 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 92.9 per cent of the funds released for development activities. The expenditure excluded pending bills as at 30th June, 2016 that amounted to Kshs.340.37 million for development and Kshs.219.34 million for recurrent expenditure.

The recurrent expenditure represented 91.6 per cent of the annual recurrent budget, a decrease from 97.4 per cent reported in FY 2014/15. Development expenditure recorded an absorption rate of 78.1 per cent, which was an increase from 73.4 per cent registered in the FY 2014/15. Figure 3.46 presents a comparison between the expenditure in FY 2015/16 and FY 2014/15 by economic classification.

Figure 3.46: Kericho County, Expenditure by Economic Classification for FY 2015/16 and FY 2014/15



Source: Kericho County Treasury

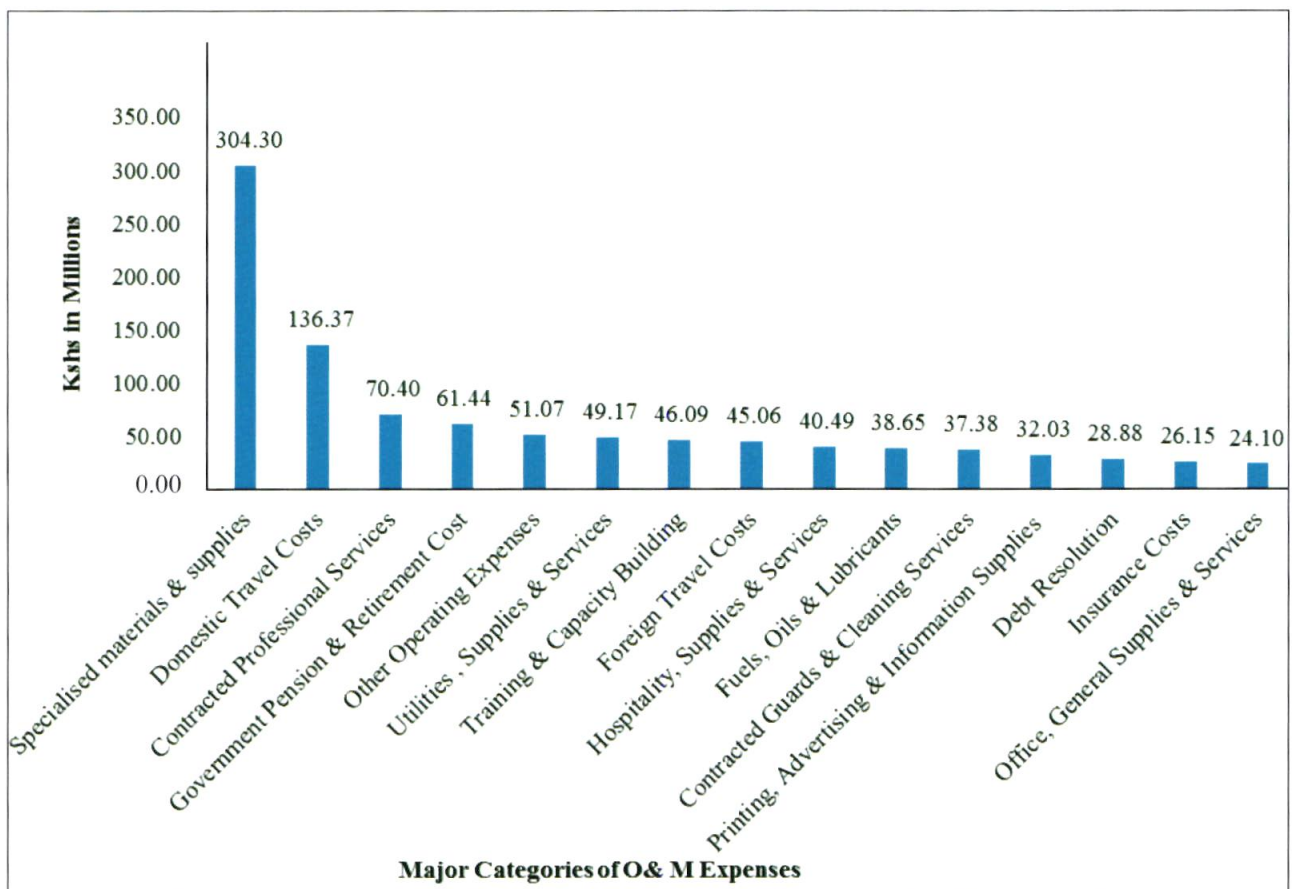
3.12.6 Analysis of Recurrent Expenditure

The total recurrent expenditure of Kshs.3.14 billion represented 91.6 per cent of the annual recurrent budget of Kshs.3.42 billion. The County spent Kshs.1.99 billion (63.7 per cent) on personnel emoluments and Kshs.1.14 million (36.3 per cent) on operations and maintenance as shown in Figure 3.46. Expenditure on personnel emoluments represented an increase of 10.7 per cent compared to FY 2014/15 when the County spent Kshs.1.81 billion. This increase is attributed to absorption of staff working under Economic Stimulus Programme, additional staff devolved from the National Government’s Ministries of Health and Education, and staff promotions.

The County spent Kshs.71.10 million on sitting allowances to the 47 MCAs and the Speaker against the annual budget allocation of Kshs.77.60 million. This was an increase compared to Kshs.58.58 million spent in FY 2014/15. The average monthly sitting allowance was Kshs.123,432 compared to SRC’s recommended monthly ceiling of Kshs.124,800.

Expenditure on domestic and foreign travel was Kshs.181.42 million compared to Kshs.163.37 million spent in FY 2014/15, representing an increase of 11.0 per cent. Figure 3.47 shows a summary of the operations and maintenance expenditure by major categories.

Figure 3.47: Kericho County, Operations and Maintenance Expenditure for FY 2015/16

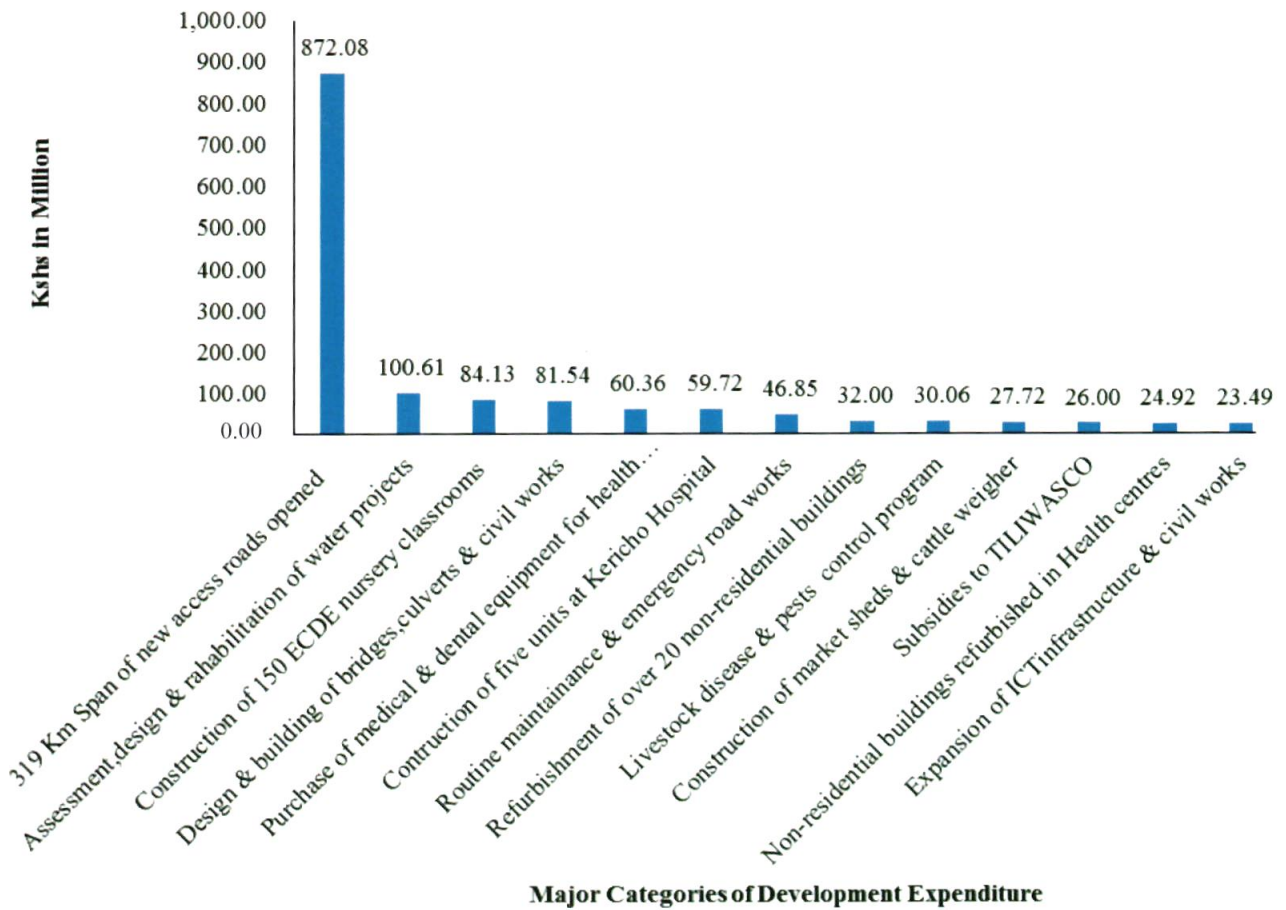


Source: Kericho County Treasury

3.12.7 Analysis of Development Expenditure

The total development expenditure of Kshs.1.68 billion represented 78.1 per cent of the annual development budget of Kshs.2.15 billion. Figure 3.48 provides a summary of development expenditure during the period under review.

Figure 3.48: Kericho County, Summary of Development Expenditure for FY 2015/16



Source: Kericho County Treasury

Analysis of the development expenditure indicated that the highest expenditure of Kshs.872.08 million was incurred by the Public Works, Roads & Transport department on construction of new access roads. A total of 319 kilometres of roads were opened up, graded and gravelled across the 29 Wards in the County.

The second highest expenditure of Kshs.100.61 million was incurred by the Environment, Water, Energy & Natural Resources department in assessment, design, and rehabilitation of water projects, and supply of pipes and pipe works to benefit areas not served by the Kericho Water Sewerage & Sanitation Company Ltd. The third highest expenditure of Kshs.84.13 million was spent on construction and completion of close to 150 ECD nursery classrooms by the Department of Education, Youth, Culture & Social Services while the Department of Public Works, Roads & Transport utilised Kshs.81.54 million on development and construction of 5 bridges, 23 box culverts and other civil works.

3.12.8 Analysis of Budget Performance by Department

Table 3.36 shows a summary of FY 2015/16 annual budget estimates and budget performance by department.

Table 3.36: Kericho County, FY 2015/16 Budget Performance by Department

Department/Entity	Budget Allocation (Kshs.Million)		Exchequer Issues (Kshs.Million)		Expenditure (Kshs. Million)		Expenditure to Exchequer Issues (%)		Expenditure to Budget Allocation (Absorption rate (%))	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
County Assembly Services	538.04	-	517.25	-	516.97	-	99.9	-	96.1	-
Public Service & Administration	270.31	6.27	270.11	-	266.52	0.12	98.7	-	98.6	2.0
Office of the Governor & Deputy Governor	151.72	-	141.59	-	151.36	-	106.9	-	99.8	-
County Public Service Board	49.71	-	41.70	-	41.07	-	98.5	-	82.6	-
Finance & Economic Planning	241.18	112.91	235.46	105.39	194.85	86.07	82.8	81.7	80.8	76.2
Agriculture, Livestock & Fisheries	166.63	152.04	151.61	84.00	164.48	75.87	108.5	90.3	98.7	49.9
Environment, Water, Energy & Natural Resources	70.25	217.03	57.68	138.95	67.66	127.46	117.3	91.7	96.3	58.7
Education, Youth, Culture & Social services	285.21	187.77	189.73	114.90	191.41	86.81	100.9	75.6	67.1	46.2
Health Services	1,454.11	235.46	1,428.00	203.93	1,359.28	178.47	95.2	87.5	93.5	75.8
Land, Housing & Physical Planning	40.20	99.62	32.71	31.00	35.05	48.93	107.2	157.8	87.2	49.1
Public Works, Roads & Transport	64.60	1,031.53	58.40	1,028.23	64.57	1,014.80	110.6	98.7	100.0	98.4
ICT & E-Government	20.92	38.71	20.92	33.00	19.63	27.18	93.8	82.4	93.8	70.2
Trade, Industrialization, Tourism, Wildlife & Cooperative Development	70.39	65.55	65.39	65.33	62.93	30.83	96.2	47.2	89.4	47.0
TOTAL	3,423.27	2,146.89	3,210.56	1,804.72	3,135.78	1,676.54	97.7	92.9	91.6	78.1

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 expenditure at 98.4 per cent while Public Service & Administration recorded the lowest absorption rate of development expenditure at 2.0 per cent. The Public Works, Roads & Transport Department recorded the highest percentage of recurrent expenditure to recurrent budget at 100 per cent while the Department of Education, Youth, Culture & Social Services had the lowest at 67.1 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. Establishment of a County Budget and Economic Forum (CBEF) which is involved in preparation of key policy documents, including budgeting and economic matters of the County.
- ii. Adherence to stipulated timelines in the preparation, approval and submission of key planning documents as outlined in the PFM Act, 2012.

Despite the progress made, the following challenge continued to hamper effective budget implementation;

1. A high wage bill that increased from Kshs.1.81 billion in FY 2014/15 to Kshs.2.00 billion in FY 2015/16 and constituted 41.6 per cent of the total expenditure in FY 2015/16. Continued increase in the wage bill may result in unsustainable salary costs.

The County should implement the following recommendation 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. In addition, the County should ensure that provisions of Regulation 25(1) (b) of the PFM (County Governments) Regulations, 2015 are complied with.

3.13 Kiambu County

3.13.1 Overview of the FY 2015/16 Budget

The County's FY 2015/16 Approved Supplementary Budget was Kshs.11.48 billion, comprising of Kshs.8.3 billion (72.3 per cent) and Kshs.3.18 billion (27.7 per cent) for recurrent and development expenditure respectively.

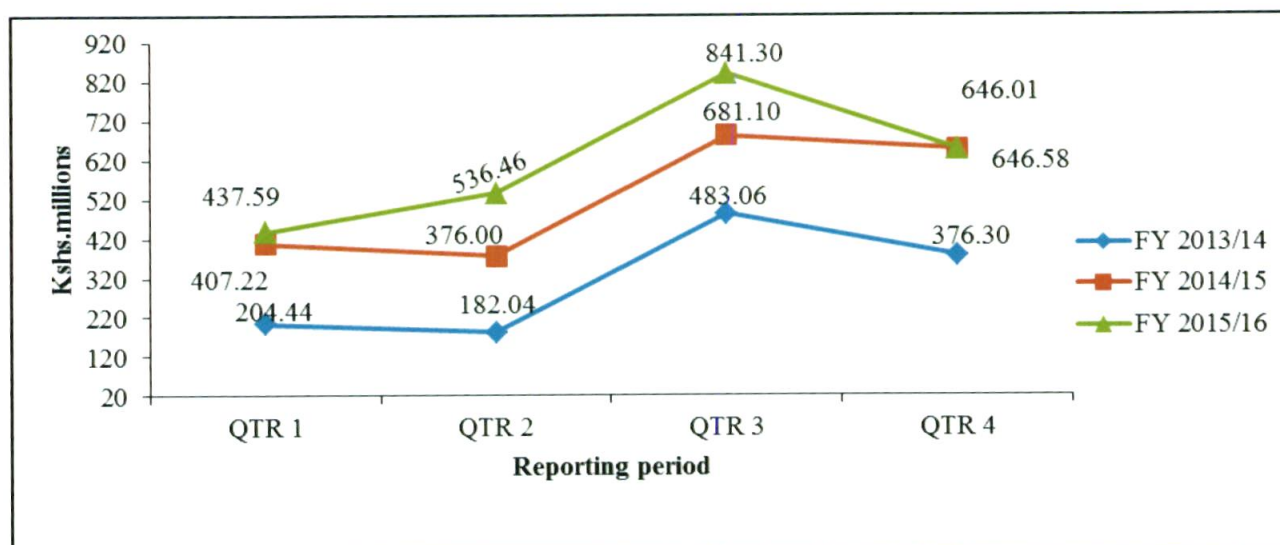
To finance the budget, the County expected to receive Kshs.7.46 billion (65.0 per cent) as equitable share of revenue raised nationally, Kshs.706.68 million (6.2 per cent) as total conditional grants and generate Kshs.3.30 billion (28.8 per cent) from local sources. The unspent balance from FY 2014/15 amounting to Kshs.2.59 million (0.02 per cent) was not factored in the revenue estimates. The conditional grants comprised of Kshs.330.04 million for Level 5 Hospital, Kshs.224.76 million for Free Maternal HealthCare, Kshs.94.8 million from the Road Maintenance Fuel Levy Fund, Kshs.37.84 million for User Fees Foregone and Kshs.19.2 million as a grant from DANIDA.

3.13.2 Revenue Analysis

During the year, the County received Kshs.7.46 billion as equitable share of the revenue raised nationally, Kshs.678.89 million as total conditional allocations, raised Kshs.2.49 billion from local sources, and had a cash balance of Kshs.2.59 million brought forward from FY 2014/15.

Figure 3.49 shows the quarterly trend in local revenue collection from FY 2013/14 to FY 2015/16.

Figure 3.49: Kiambu County, Trend in Local Revenue Collection by Quarter from FY 2013/14 to FY 2015/16



Source: Kiambu County Treasury

The total local revenue collected in FY 2015/16 of Kshs.2.49 billion consisted of Kshs.437.89 million generated in the first quarter, Kshs.536.46 million in the second quarter, Kshs.841.30 million in the third quarter and Kshs.646.01 million in the fourth quarter. The revenue was 75.2 per cent of the annual local revenue target, and an improvement from Kshs.2.11 billion collected in FY 2014/15.

Figure 3.49 provides an analysis of the local revenue collected in FY 2015/16 by revenue stream.

Table 3.37: Kiambu County analysis of revenue collected by stream in FY 2015/16

No	Revenue Stream	Annual Targeted Revenue (Kshs.)	Actual Revenue (Kshs.)	Actual Revenue as a percentage of Annual Target (%)
1	Liquor licenses	10,000,000	92,719,895	927.2
2	Health services	400,000,000	505,714,876	126.4
3	Interest on Loans(mortgage)	90,000,000	99,674,505	110.7
4	Physical services	500,000,000	442,149,451	88.4
5	Others Sources	361,433,362	318,686,450	88.2
6	Water, Environment & Natural resources	80,000,000	66,613,155	83.3
7	Business permits	380,000,000	295,231,826	77.7
8	Vehicle parking fees	420,000,000	276,210,777	65.8
9	Cess - royalties	220,000,000	100,539,451	45.7
10	Market enhance fees	200,000,000	71,498,822	35.7
11	Land rates	646,692,961	219,948,910	34.0
	Total	3,308,126,323	2,488,988,118	75.2

Source: Kiambu County Treasury

Analysis of the local revenue collected by stream indicated that liquor licences, health services collections, and interest on loans (mortgage) recorded the highest performance against their annual target at 927.2 per cent, 126.4 per cent and 110.7 per cent respectively.

The County deposited all locally generated revenue into the County Revenue Fund account maintained at Central Bank of Kenya (CBK) as required by Article 207 (1) of the Constitution.

3.13.3 Conditional Grants

Table 3.38 shows an analysis of conditional grant disbursement in FY 2015/16

Table 3.38: Kiambu County analysis of Conditional grant releases in 2015/16

No.	Conditional Grant	Amount allocated as provided in CARA, 2015 (Kshs.)	Actual receipt of the Conditional Grant (Kshs.)	Actual receipts as a percentage of Annual Allocation (%)
1	Level 5 Hospital	330,044,000	330,044,000	100.0
2	Road Maintenance Fuel Levy Fund	94,811,800	94,811,800	100.0
3	Free Maternal Health Care	224,785,400	196,995,000	87.6
4	User Fees Forgone	37,838,646	37,838,646	100.0
5	DANIDA Grant	19,200,000	19,200,000	100.0
	Total	706,679,846	678,889,446	96.1

Source: *Kiambu County Treasury*

All projected revenue from conditional grants was fully realized except for the Free Maternal Health Care grant, where 87.6 per cent of the projected amount was realized in the FY 2015/16.

3.13.4 Exchequer Issues

During the period under review, the Controller of Budget (COB) authorised withdrawal of Kshs.10.58 billion from the CRF account, which was 92.1 per cent of the Approved Supplementary Budget. The amount represented an increase of 17.9 per cent from Kshs.8.97 billion authorized in FY 2014/15 and consisted of Kshs.8.18 billion (79.1 per cent) for recurrent expenditure and Kshs.2.4 billion (20.9 per cent) for development activities.

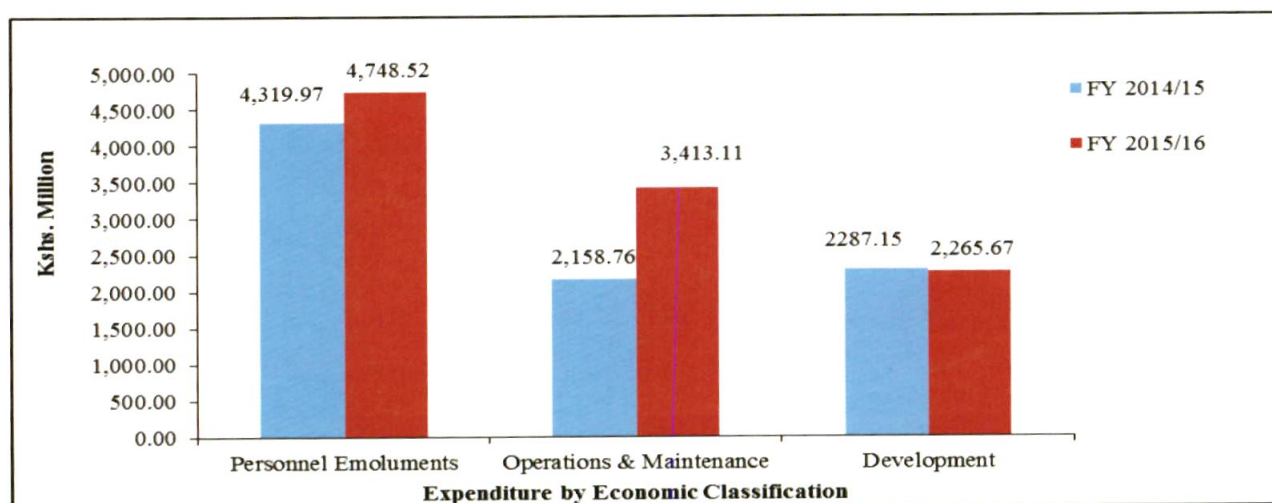
3.13.5 Overall Expenditure Review

The County spent a total of Kshs.10.43 billion in FY 2015/16, which was 98.6 per cent of the total funds released for operations. This was an increase from the Kshs.8.77 billion spent in FY 2014/15.

A total of Kshs.8.16 billion was spent on recurrent activities, while Kshs.2.27 billion was spent on development activities. The recurrent expenditure was 99.8 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 pending bills as at 30th June, 2016 that amounted to Kshs.107.8 million for development and Kshs.280.56 million for recurrent expenditure.

The recurrent expenditure represented 98.4 per cent of the annual recurrent budget, an increase from 93.3 per cent attained in FY 2014/15. Development expenditure recorded an absorption rate of 71.4 per cent, which was an increase compared to 66.7 per cent realized in FY 2014/15. Figure 3.50 presents a comparison between expenditure in FY 2015/16 and FY 2014/15 by economic classification.

Figure 3.50: Kiambu County, Expenditure by Economic Classification for FY 2015/16 and FY 2014/15



Source: Kiambu County Treasury

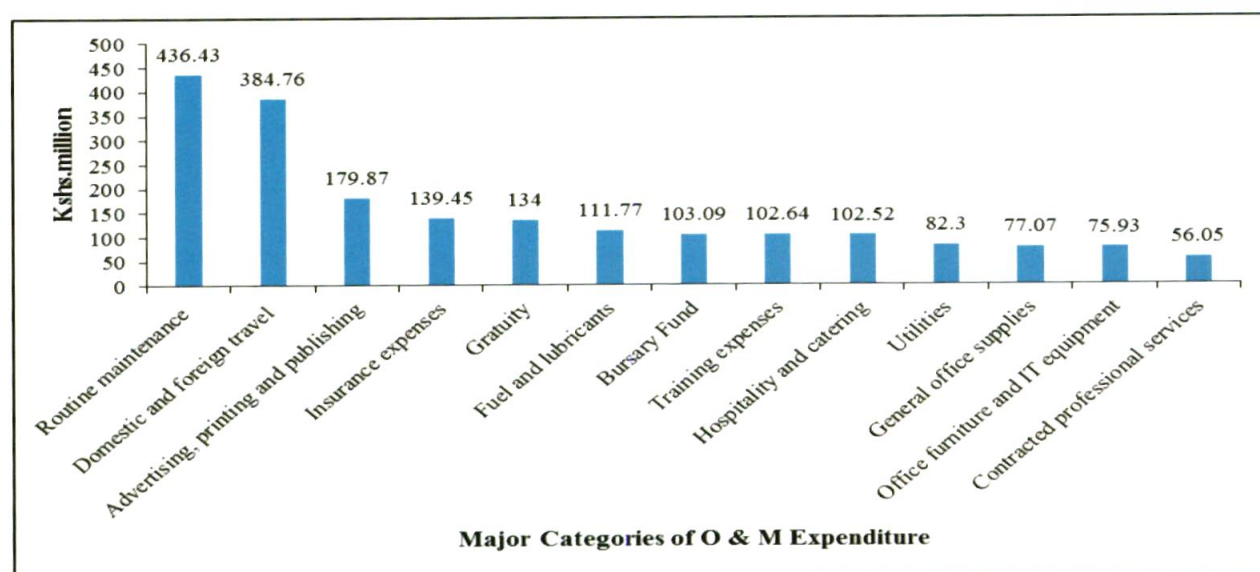
3.13.6 Analysis of Recurrent Expenditure

The total recurrent expenditure was Kshs.8.16 billion against an annual recurrent budget of Kshs.8.3 billion, representing 98.3 per cent of the annual recurrent budget. The County spent Kshs.4.75 billion (58.2 per cent) on personnel emoluments and Kshs.3.41 billion (41.8 per cent) on operations and maintenance as shown in Figure 3.50. Expenditure on personnel emoluments represented an increase of 9.7 per cent compared to Kshs.4.32 billion spent in FY 2014/15. The increase is attributed to a growing workforce in the County.

The County spent Kshs.100 million on sitting allowances to the 87 MCAs and the Speaker against the annual budget allocation of Kshs.100 million. This was an increase compared to Kshs.71.46 million spent in FY 2014/15. The average monthly sitting allowance was Kshs.94,696.9 compared to SRC’s recommended monthly ceiling of Kshs.124,800.

Expenditure on domestic and foreign travel was Kshs.384.76 million compared to Kshs.370 million spent in FY 2014/15, representing a slight increase of 4 per cent. Figure 3.51 shows a summary of the operations and maintenance expenditure by major categories.

Figure 3.51: Kiambu County, Operations and Maintenance Expenditure for FY 2015/16

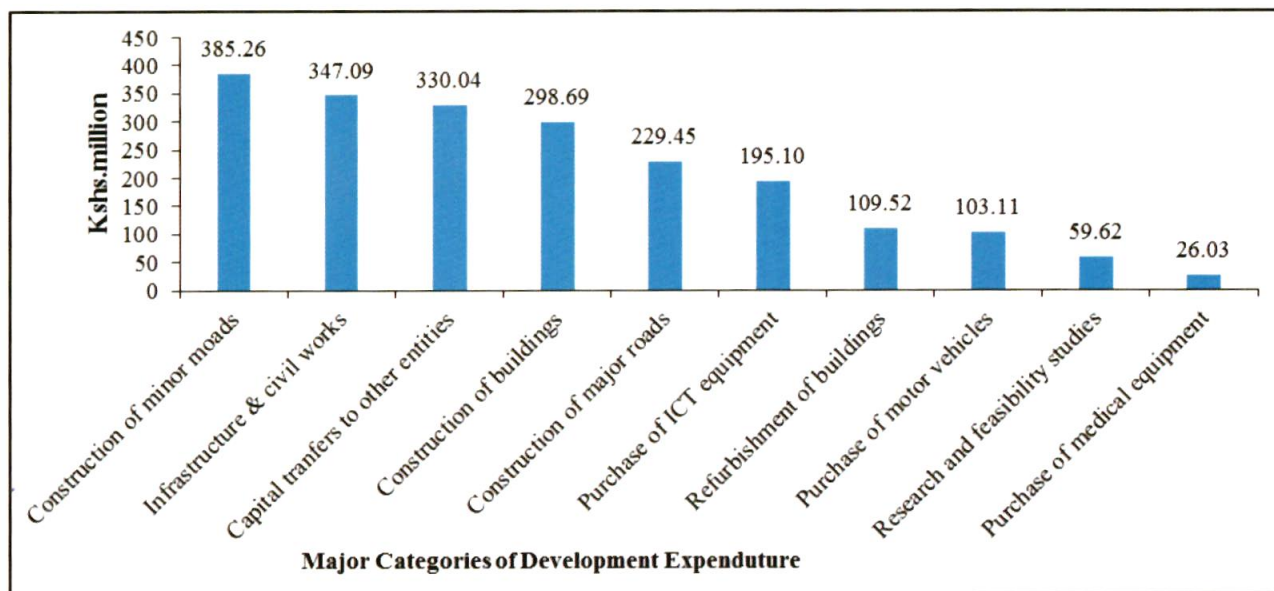


Source: Kiambu County Treasury

3.13.7 Analysis of Development Expenditure

The total development expenditure of Kshs.2.27 billion represented 71.2 per cent of the approved development budget. Figure 3.52 provides a summary of development expenditure during the period under review.

Figure 3.52: Kiambu County, Summary of Development Expenditure for FY 2015/16



Source: Kiambu County Treasury

Analysis of the development expenditure indicated that the highest expenditure of Kshs.385.26 million was incurred by the Roads, Transport & Public Works Department on construction and maintenance of access roads. The second highest expenditure category of Kshs.347.09 million was incurred on infrastructure and civil works activities which included installation of street and high mast lights, drainage and sewerage works. Kshs.330.04 million was transferred to the Thika Level 5 Hospital for construction of a reproductive health unit while Kshs.299.45 million was spent to construct various buildings in the County.

3.13.8 Analysis of Budget Performance by Department

Table 3.39 shows a summary of FY 2015/16 annual budget estimates and budget performance by department.

Table 3.39: Kiambu County, FY 2015/16 Budget Performance by Department

Department	Budget Allocation (Kshs.Million)		Exchequer Issues (Kshs.Million)		Annual Expenditure (Kshs.Million)		Expenditure to Exchequer Issues (%)		Expenditure to Budget Allocation (Absorption rate (%))	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
County Assembly	828	44.84	827.46	44	814.84	3.26	98.5	7.4	98.4	7.3
County Executive	429.28	7.18	406.48	0.001	420	6.71	103.3	671,000	97.8	93.5
County Public Service Board	53.6	0	53.61	0	53.53	0	99.9	0	99.9	0
Finance and Econ. Planning	1,332.83	42.5	1,332.83	11.79	1,328.03	8.99	99.6	76.3	99.6	21.2
Administrative & Public Service	520.23	135.3	520.23	80.33	521.85	114.76	100.3	142.9	100.3	84.8
Agriculture, Livestock & Fisheries	351.23	214.52	351.23	107.21	343.75	119.01	97.9	111	97.9	55.5
Water, Environment & Natural Resources	201.7	243.5	201.7	219.24	200.31	131.09	99.3	59.8	99.3	53.8
Health Services	3,156.35	894	3,147.00	783.65	3,139.98	599.61	99.8	76.5	99.5	67.1
Education, Culture, ICT & Social Services	529.34	276.3	439.34	95.21	449.02	176.3	102.2	185.2	84.8	63.8
Youth, Sports & Communications	139.35	193.8	139.35	70.71	140.13	144.63	100.6	204.5	100.6	74.6
Lands, Physical Planning & Housing	135.78	121.04	135.78	107.76	134.27	117.26	98.9	108.8	98.9	96.9
Trade, Tourism, Industry & Cooperative	186.42	113.15	186.42	98.53	186.27	56.56	99.9	57.4	99.9	50
Roads, Transport & Public Works	433.94	896.75	433.94	784.47	429.62	787.48	99	100.4	99	87.8
TOTAL	8,298.05	3,182.88	8,175.37	2,402.90	8,161.60	2,265.66	99.8	94.3	98.4	71.2

Source: Kiambu County Treasury

Analysis of budget performance by department shows that the Department of Lands, Physical Planning and Housing attained the highest absorption rate of development expenditure at 96.9 per cent followed by the County Executive at 93.5 per cent. The County Assembly had the lowest absorption at 7.3 per cent. All departments managed to absorb over 95 per cent of their recurrent budget with the exception of Education, Culture, ICT and Social Services Department which absorbed 84.8 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. Increased staff capacity through continuous training.

- ii. Enhancement in local revenue collection which resulted in improved local revenue performance from Kshs.2.11 billion in FY 2014/15 to Kshs.2.49 billion in FY 2015/16.

Despite the progress made, 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 execution reports.
2. Intermittent use IFMIS in processing financial transactions by the County Assembly which may result in inaccurate reporting.
3. The development allocation amounted to Kshs.3.18 billion, translating to 27.7 per cent of the total budget. This allocation is below the threshold established by Section 107 (2) (b) of the PFM Act, 2012 which requires allocation to development expenditure to be at least thirty per cent of the County Government's budget in the medium term.

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(4) of PFM Act, 2012.*
2. *The County Treasury should liaise with the National Treasury to ensure IFMIS is fully adopted by all public entities in processing financial transactions.*
3. *The County Treasury should ensure that budget allocation to development expenditure is at least thirty per cent of the County Government's budget over the medium term in line with Section 107 (2) (b) of the PFM Act, 2012..*

3.14 Kilifi County

3.14.1 Overview of the FY 2015/16 Budget

The County's FY 2015/16 Approved Supplementary Budget was Kshs.11.52 billion, comprising of Kshs.5.57 billion (48.4 per cent) and Kshs.5.95 billion (51.6 per cent) for recurrent and development expenditure respectively.

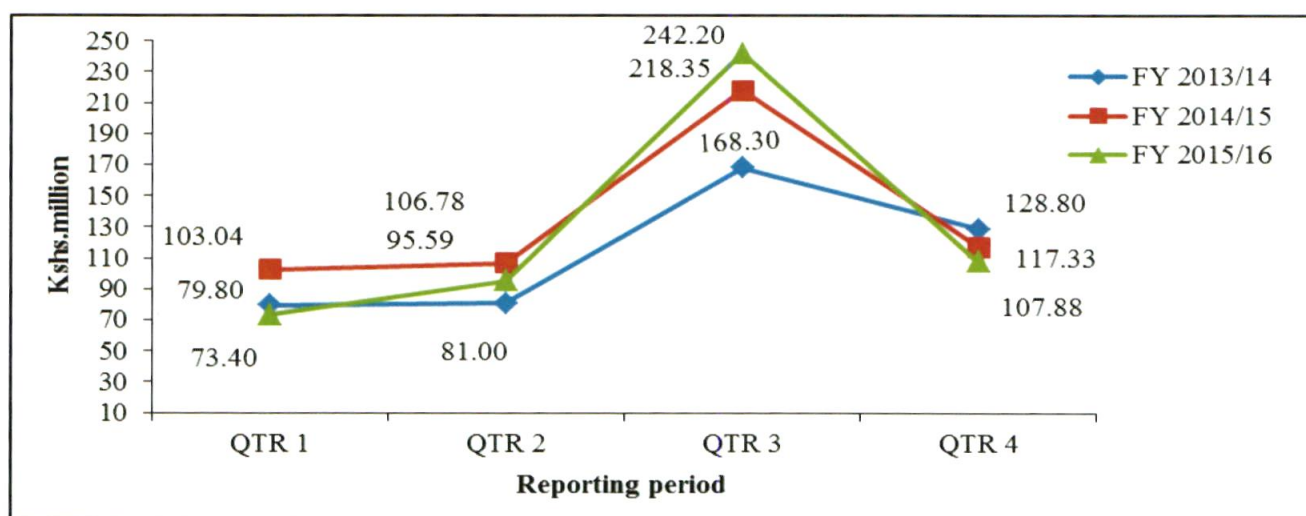
To finance the budget, the county expected to receive Kshs.7.44 billion (64.6 per cent) as equitable share of revenue raised nationally, Kshs.475.53 million (4.1 per cent) as total conditional grants, generate Kshs.1.41 billion (12.2 per cent) from local sources, raise Kshs.91.69 million (0.8 per cent) as facility improvement fund and had a cash balance of Kshs.2.1 billion (18.3 per cent) from FY 2014/15. The conditional grants comprised of Kshs.95.7 million (20.1 per cent) for Leasing of Medical Equipment, Kshs.177.08 million (37.2 per cent) for Free Maternal Health Care, Kshs.94.53 million (19.9 per cent) from the Road Maintenance Fuel Levy Fund, Kshs.66.78 million (14 per cent) as World Bank grant to support health facilities, Kshs.25.87 million (5.4 per cent) for User Fees Foregone and Kshs.15.53 million (3.3 per cent) as a grant from DANIDA.

3.14.2 Revenue Analysis

During the year, the County received Kshs.7.44 billion as equitable share of revenue raised nationally, Kshs.379.78 million as total conditional allocations, raised Kshs.519.08 million from local sources, and had a cash balance of Kshs.1.17 billion brought forward from FY 2014/15.

Figure 3.53 shows the quarterly trend in local revenue collection from FY 2013/14 to FY 2015/16.

Figure 3.53: Kilifi County, Trend in Local Revenue Collection by Quarter from FY 2013/14 to FY 2015/16



Source: Kilifi County Treasury

The total local revenue collected for the FY 2015/16 of Kshs.519.08 million consisted of Kshs.73.4 million generated in the first quarter, Kshs.95.59 million in the second quarter, Kshs.242.2 million in the third quarter, and Kshs.107.88 million in the fourth quarter. The revenue was 36.9 per cent of the annual local revenue target, a decrease from Kshs.545.50 million collected in FY 2014/15.

Table 3.40 provides an analysis of the local revenue collected in FY 2015/16 by revenue stream.

Table 3.40: Kilifi County analysis of revenue collected by stream in FY 2015/16

No	Revenue Stream	Annual Targeted Revenue (Kshs.)	Annual Actual Revenue	Actual Revenue as a percentage of Annual Target (%)
1	Plot ground rent	17,259,003	79,212,900	459.0
2	Cess on natural resources	165,753,979	227,592,701	137.3
3	Business Permits	155,441,695	81,354,711	52.3
4	Slaughter House and Livestock sale Yards	7,847,665	2,361,531	30.1
5	Rent/Stall rents	25,829,842	5,526,180	21.4
6	Bill Boards and signage	76,486,673	14,279,412	18.7
7	Market Fees	100,139,093	18,367,672	18.3
8	Other revenue streams	53,008,337	9,579,784	18.1
9	Food Hygiene Fees	11,096,950	1,903,500	17.2
10	House rent	16,219,038	2,220,100	13.7
11	Survey fees and plot rents	23,589,887	2,845,087	12.1
12	Land Rates and other Land Revenue	421,012,611	43,063,378	10.2
13	Parking Fees	237,885,561	23,479,633	9.9
14	Building Plan approval and Inspection	61,905,431	5,596,395	9.0
15	Refuse Collection	15,648,297	1,061,143	6.8
16	Sale of Tender Documents	18,194,400	631,500	3.5
	Total	1,407,318,463	519,075,625	36.9

Source: Kilifi County Treasury

Analysis of the local revenue collected by stream indicated that plot ground rent and cess on natural resources recorded the highest performance against annual target at 459.0 per cent and 137.3 per cent respectively. All other revenue streams recorded low revenue outturn.

The County deposited all locally generated revenue into the County Revenue Fund account maintained at Central Bank of Kenya (CBK) as required by Article 207 (1) of the Constitution.

3.14.3 Conditional Grants

Table 3.41 shows an analysis of the conditional grants released in FY 2015/16.

Table 3.41: Kilifi County analysis of conditional grant releases in FY 2015/16

No.	Conditional Grants	Amount allocated as provided in CARA 2015 (Kshs.)	Actual receipt of the Conditional Grant (Kshs.)	Actual receipts as a percentage of Annual Allocation (%)
1	Leasing Of Medical Equipment	95,744,681	0	0
2	Road Maintenance Fuel Levy Fund	94,528,196	94,528,196	100
3	Free Maternal Health Care	177,077,600	132,717,500	74.9
4	User Fees Forgone	25,867,884	25,867,884	100
5	DANIDA Grant	15,530,000	15,530,000	100
6	World Bank Grant	66,776,764	66,776,764	100
	Total	475,525,125	379,780,444.00	79.9

Source: Kilifi County Treasury

Analysis of the conditional grant releases for the period under review indicated that all projected revenue from conditional grants was fully realized except for the Free Maternal Healthcare that realized 74.9 per cent of the annual target.

3.14.4 Exchequer Issues

During the period under review, the Controller of Budget (COB) authorised withdrawal of Kshs.9.42 billion from the CRF account, which was 81.8 per cent of the Approved Supplementary Budget. The amount represented an increase of 25.56 per cent from Kshs.7.51 billion authorized in FY 2014/15 and consisted of Kshs.5.57 billion (59.1 per cent) for recurrent expenditure and Kshs.3.86 million (40.9 per cent) for development activities.

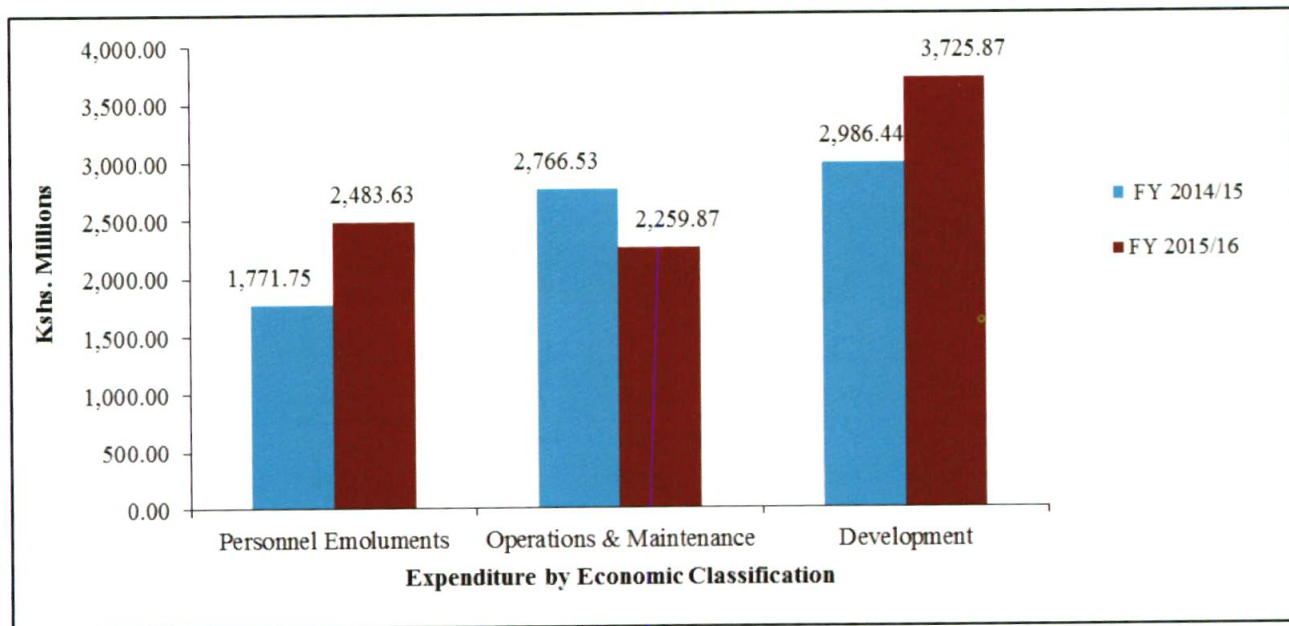
3.14.5 Overall Expenditure Review

The County spent a total of Kshs.8.47 billion in FY 2015/16, which was 89.9 per cent of the total funds released for operations. This was an improvement from Kshs.7.51 billion spent in FY 2014/15.

A total of Kshs.4.74 billion was spent on recurrent activities, while Kshs.3.73 billion was spent on development activities. The recurrent expenditure was 85.2 per cent of the funds released for recurrent activities while development expenditure accounted for 96.6 per cent of the funds released for development activities. The expenditure excluded pending bills as at 30th June, 2016 that amounted to Kshs.1.17 billion for development and Kshs.372.11 million for recurrent expenditure.

The recurrent expenditure represented 85.1 per cent of the annual recurrent budget, a decrease from 85.9 per cent attained in FY 2014/15. Conversely, development expenditure recorded an absorption rate of 62.6 per cent, which was a decrease from 77.3 per cent attained in FY 2014/15. Figure 3.54 presents a comparison between expenditure in FY 2015/16 and FY 2014/15 by economic classification.

Figure 3.54: Kilifi County, Expenditure by Economic Classification for FY 2015/16 and FY 2014/15



Source: Kilifi County Treasury

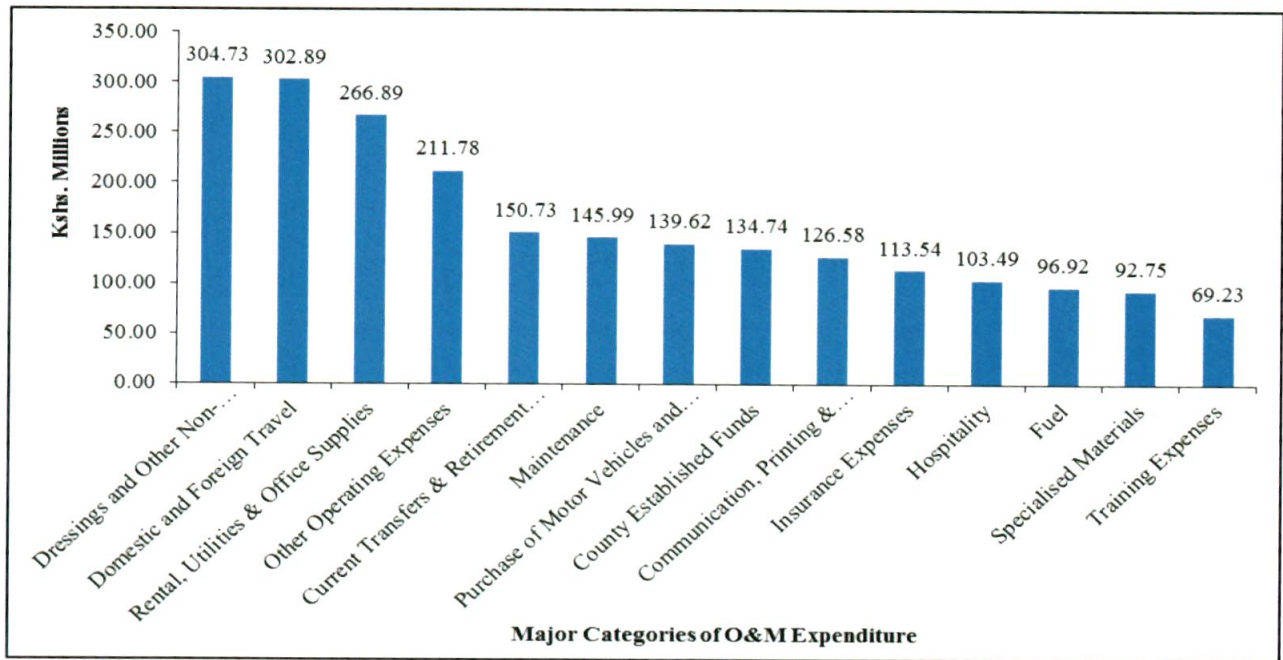
3.14.6 Analysis of Recurrent Expenditure

The total recurrent expenditure of Kshs.4.74 billion represented 85.1 per cent of the annual recurrent budget. The County spent Kshs.2.48 billion (52.4 per cent) on personnel emoluments and Kshs.2.26 billion (47.6 per cent) on operations and maintenance as shown in Figure 2. The expenditure on personnel emoluments represented an increase of 40.2 per cent compared to FY 2014/15 when the County spent Kshs.1.77 billion. The increase is attributed to a growing workforce in the County.

The County spent Kshs.65.04 million on sitting allowances to the 54 MCAs and the Speaker against the annual budget allocation of Kshs.83.19 million. This was a decrease compared to Kshs.69.85 million spent in FY 2014/15. The average monthly sitting allowance was Kshs.98,539 compared to SRC's recommended monthly ceiling of Kshs.124,800.

Expenditure on domestic and foreign travel was Kshs.302.89 million compared to Kshs.265.01 million spent in FY 2014/15, representing an increase of 14.3 per cent. Figure 3.55 shows a summary of the operations and maintenance expenditure by major categories.

Figure 3.55: Kilifi County, Operations and Maintenance Expenditure for FY 2015/16

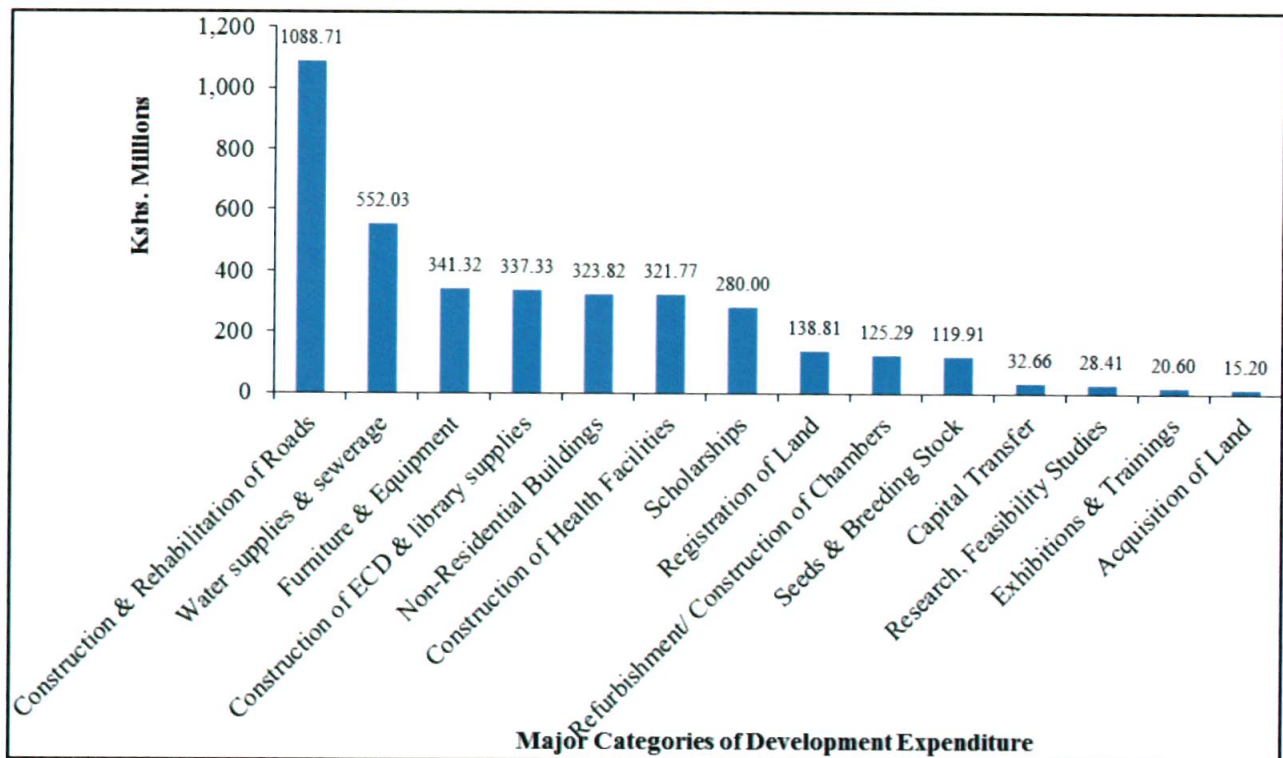


Source: Kilifi County Treasury

3.14.7 Analysis of Development Expenditure

The total development expenditure of Kshs.3.73 billion represented 62.6 per cent of the annual development budget of Ksh.5.95 billion. Figure 3.56 provides a summary of development expenditure during the period under review.

Figure 3.56: Kilifi County, Summary of Development Expenditure for FY 2015/16



Source: Kilifi County Treasury

Analysis of the development expenditure in FY 2015/16 indicated that the highest expenditure of Kshs.1.09 billion was incurred by the Public Works and Services department on construction and maintenance of access roads. A total of 200 kilometres of roads were graded while 65 kilometres were gravelled across the 35 wards in the County. The second highest expenditure of Kshs.533.96 million was incurred by the Environment and Natural Resources department on water supplies and sewerage works, while Kshs.294.54 million and Kshs.122.17 million was spent to refurbish offices by the County Executive and County Assembly respectively.

3.14.8 Analysis of Budget Performance by Department

Table 3.42 shows a summary of FY 2015/16 annual budget estimates and budget performance by department.

Table 3.42: Kilifi County, FY 2015/16 Budget Performance by Department

Department	Budget Allocation (Kshs.Million)		Exchequer Issues (Kshs.Million)		Expenditure (Kshs.Million)		Expenditure to Exchequer Issues (%)		Expenditure to Budget Allocation (Absorption rate (%))	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
County Assembly	802.82	276.82	802.82	220.00	695.45	126.17	86.6	57.4	86.6	45.6
County Executive	411.19	0.00	411.19	0.00	351.10	1.19	85.4		85.4	
Finance and Economic Planning	450.45	55.00	450.45	35.50	333.27	17.00	74.0	47.9	74.0	30.9
Agriculture	283.48	508.18	283.48	371.85	269.19	297.36	95.0	80.0	95.0	58.5
Environment And Natural Resources	154.40	812.26	154.42	484.64	150.12	586.79	97.2	121.1	97.2	72.2
Education, Sports and Youth Affairs	581.20	1211.22	581.20	1032.19	341.67	699.82	58.8	67.8	58.8	57.8
County Health Services	1895.84	802.52	1895.84	413.56	1760.59	502.07	92.9	121.4	92.9	62.6
Lands, Physical Planning, Housing and Energy	92.02	294.46	92.02	75.32	84.59	157.08	91.9	208.6	91.9	53.3
Public Works and Services	229.88	1535.65	229.88	1018.88	190.95	1105.04	83.1	108.5	83.1	72.0
ICT, E-Government, Culture And Social Services	101.99	104.79	101.99	43.70	85.37	93.50	83.7	213.9	83.7	89.2
Trade Development And Regulation	125.28	249.75	125.28	112.51	107.43	70.09	85.7	62.3	85.7	28.1
Public Service Board	44.94	0.00	38.97	0.00	25.26	0.00	64.8		56.2	
Public Service Management	398.83	97.20	398.83	50.00	348.50	69.76	87.4	139.5	87.4	71.8
Total	5572.32	5947.85	5566.37	3858.17	4743.50	3725.87	85.2	96.6	85.1	62.6

Source: Kilifi County Treasury

Analysis of budget performance by department shows that the Department of ICT, E-Government, Culture and Social Services attained the highest absorption rate of its development budget at 89.2 per cent while the County Executive and the Public Service Board did not incur any development expenditure. The Environment and Natural Resources department had the highest percentage of the recurrent expenditure to its recurrent budget at 97.2 per cent while the Public Service Board had the lowest at 56.2 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. Adoption of IFMIS in processing financial transactions.
- ii. Improvement in human capacity through recruitment of additional key staff and continuous training.

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

1. Underperformance in local revenue collection, which accounted for 36.9 per cent of the approved revenue targets. The local revenue collection declined by 4.8 per cent from Kshs.545.5 million collected in the FY 2014/15 to Kshs.519.08 million collected in in the reporting period.
2. Late submission of financial reports by the County Treasury which affected timely preparation of budget execution 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. Failure to constitute the County Budget and Economic Forum (CBEF) as required by Section 137 of the PFM Act, 2012.

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

1. *The County Treasury should formulate strategies to enhance local revenue collection.*
2. *The County Treasury should ensure timely preparation and submission of financial reports in line with Section 166 (4) of PFM Act, 2012.*
3. *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 and Regulation 167 of the PFM (County Governments) Regulations, 2015, in order to enhance transparency and accountability in the management of public resources.*
4. *The County should establish an effective CBEF for consultation in the budget process and economic matters in line with Section 137 of the PFM Act, 2012.*

3.15 Kirinyaga County

3.15.1 Overview of the FY 2015/16 Budget

The County's FY 2015/16 Approved Supplementary Budget was Kshs.4.78 billion, comprising of Kshs.3.27 billion (68.4 per cent) and Kshs.1.51 billion (31.6 per cent) for recurrent and development expenditure respectively.

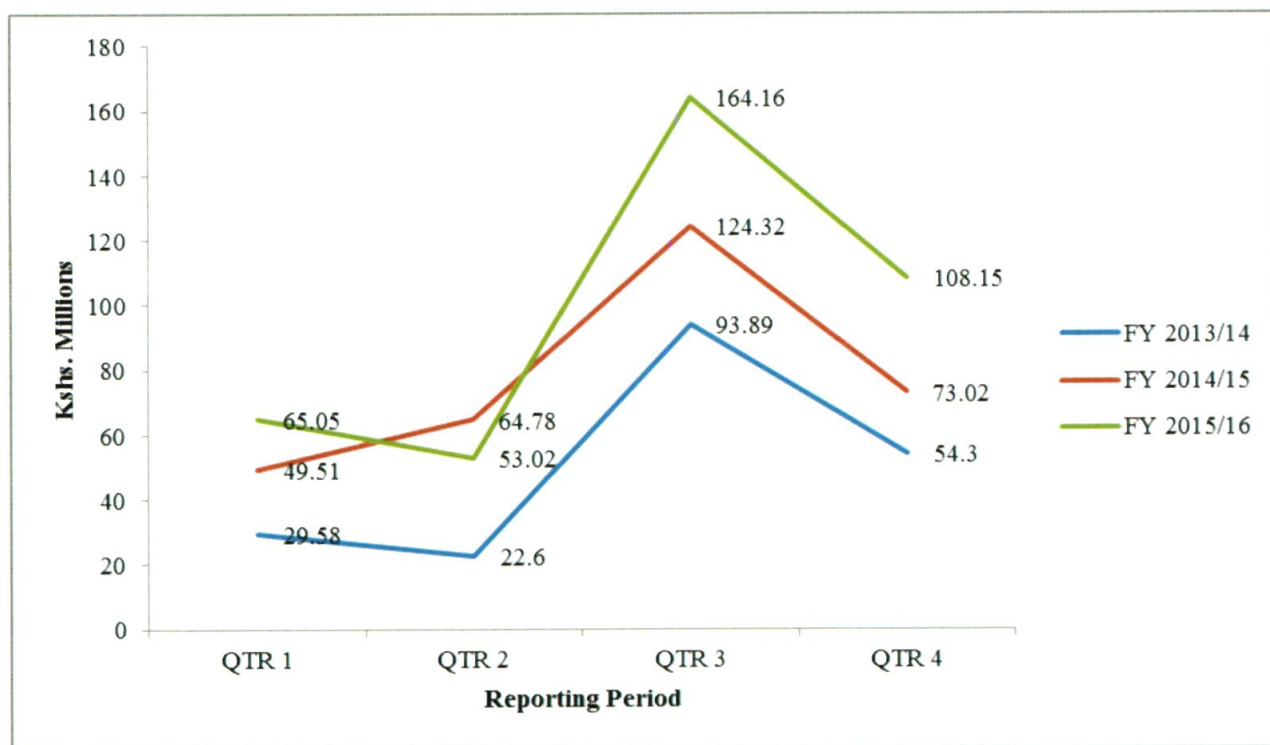
To finance the budget, the County expected to receive Kshs.3.54 billion (72.6 per cent) as equitable share of revenue raised nationally, Kshs.216.49 million (4.4 per cent) as total conditional grants, generate Kshs.500.00 million (10.3 per cent) from local sources, and had a cash balance of Kshs.618.53 million (12.7 per cent) from FY 2014/15. The conditional grants comprised of Kshs.95.74 million (44.2 per cent) for the leasing of medical equipment, Kshs.50.72 million (23.4 per cent) for Free Maternal Health Care, Kshs.44.95 million (20.8 per cent) from the Road Maintenance Fuel Levy Fund, Kshs.12.31 million (5.7 per cent) for User Fees Foregone and Kshs.12.77 million (5.9 per cent) as a grant from DANIDA.

3.15.2 Revenue Analysis

During the year, the County received Kshs.3.54 billion as equitable share of the revenue raised nationally, Kshs.216.49 million as total conditional allocations, raised Kshs.390.38 million from local sources, and had a cash balance of Kshs.618.53 million brought forward from FY 2014/15.

Figure 3.57 shows the quarterly trend in local revenue collection from FY 2013/14 to FY 2015/16.

Figure 3.57: Kirinyaga County, Trend in Local Revenue Collection by Quarter from FY 2013/14 to FY 2015/16



Source: Kirinyaga County Treasury

The total local revenue collected in FY 2015/16 of Kshs.390.38 million consisted of Kshs.65.05 million generated in the first quarter, Kshs.53.02 million in the second quarter, Kshs.164.16 million in the third quarter, and Kshs.108.15 million in the fourth quarter. The revenue was 78.1 per cent of the annual local revenue target, and an improvement from Kshs.311.64 million collected in FY 2014/15. Table 3.43 provides an analysis of the local revenue collected in FY 2015/16 by revenue stream.

Table 3.43: Kirinyaga County analysis of revenue collected by stream in FY 2015/16

No.	Revenue Stream	Targeted Receipts	Actual Receipts	Revenue Performance (%)
	A	B	C	D=C/B*100
1	Business Permits	82,687,448	99,862,816	120.8
2	Market Entrance/Gate Fee	50,000,000	41,519,105	83.0
3	Quarry Cess/Fee	6,518,500	6,557,300	100.6
4	Parking Fee	25,000,000	19,782,900	79.1
5	Land, Ground Rates & Arrears	92,044,331	41,992,781	45.6
6	Liquor License	40,000,000	44,453,876	111.1
7	Health (Hospitals)	117,806,035	67,276,306	57.1
8	Veterinary Services	3,317,900	2,652,335	79.9
9	Buildings Plans	8,599,493	4,111,781	47.8
10	Public Health	20,000,000	16,539,750	82.7
11	Kamweti ATC	4,900,612	3,837,358	78.3
12	Others*	49,125,681	41,790,832	85.1
	TOTAL	500,000,000	390,377,140	78.1

Source: Kirinyaga County Treasury

*Where "Others" includes: advertisement, conservancy fee, land/plot subdivision, change of user & ownership, survey fee, sale of minutes, transfer fee, weights, coop audit and administrative fees.

Analysis of the local revenue collected by stream indicated that, business permits recorded the highest performance against annual target at 120.8 per cent. This was followed by liquor licenses at 111.1 per cent, and quarry cess/fees at 100.6 per cent. Land, ground rates & arrears recorded the least performance against annual target at 45.6 per cent followed by buildings plans at 47.8 per cent.

The County deposited all locally generated revenue into the County Revenue Fund account maintained at Central Bank of Kenya (CBK) as required by Article 207 (1) of the Constitution.

3.15.3 Conditional Grants

Table 3.44 shows an analysis of the conditional grants released in FY 2015/16.

Table 3.44: Kirinyaga County analysis of conditional grant releases in FY 2015/16

No.	Conditional Grant	Amount allocated as provided in CARA 2015 (Kshs.)	Actual receipt of the Conditional Grant (Kshs.)	Actual receipts as a percentage of Annual Allocation (%)
1	Road Maintenance Fuel Levy Fund	44.95	44.95	100.0
2	Free Maternal Health Care	50.72	53.79	106.0
3	User Fees Forgone	12.31	12.31	100.0
4	DANIDA Grant	12.77	12.77	100.0
	Total	120.75	120.75	100.0

Source: Kirinyaga County Treasury

All the projected revenue from conditional grants was fully realized except the Free Maternal Health Care grant which realized 106 per cent against the annual target.

3.15.4 Exchequer Issues

During the period under review, the Controller of Budget (COB) authorized withdrawal of Kshs.4.24 billion from the CRF account, which was 88.8 per cent of the Approved Supplementary Budget. The amount represented an increase of 25.8 per cent from Kshs.3.37 billion authorized in FY 2014/15 and consisted of Kshs.3.11 billion (73.4 per cent) for recurrent expenditure and Kshs.1.13 billion (26.6 per cent) for development activities.

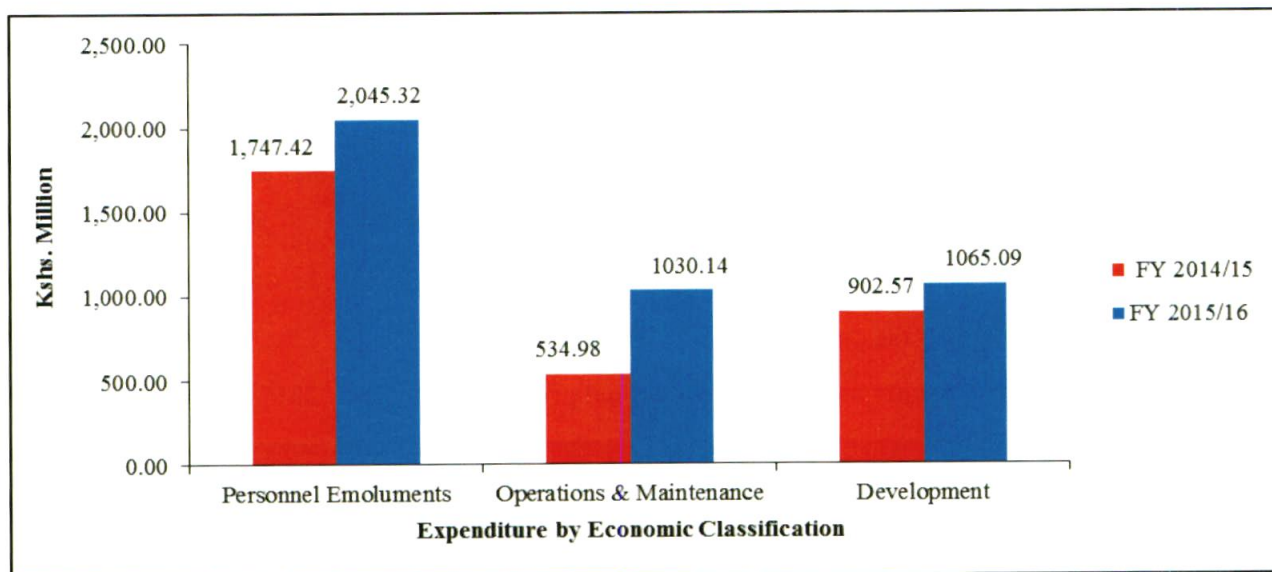
3.15.5 Overall Expenditure Review

The County spent a total of Kshs.4.14 billion in FY 2015/16, which was 97.6 per cent of the total funds released for operations. This was an improvement from Kshs.3.18 billion spent in FY 2014/15.

A total of Kshs.3.08 billion was spent on recurrent activities, while Kshs.1.06 billion was spent on development activities. The recurrent expenditure was 98.8 per cent of the funds released for recurrent activities while development expenditure accounted for 94.2 per cent of the funds released for development activities. The expenditure excluded pending bills as at 30th June, 2016 that amounted to Kshs.63.6 million for development and Kshs.34.6 million for recurrent expenditure.

The recurrent expenditure represented 94.2 per cent of the annual recurrent budget, an increase from 90.0 per cent attained in FY 2014/15. Conversely, development expenditure recorded an absorption rate of 70.5 per cent, which was also an increase from 57.6 per cent attained in FY 2014/15. Figure 3.58 presents a comparison between the expenditure in FY 2015/16 and FY 2014/15 by economic classification.

Figure 3.58: Kirinyaga County, Expenditure by Economic Classification for FY 2015/16 and FY 2014/15



Source: Kirinyaga County Treasury

3.15.6 Analysis of Recurrent Expenditure

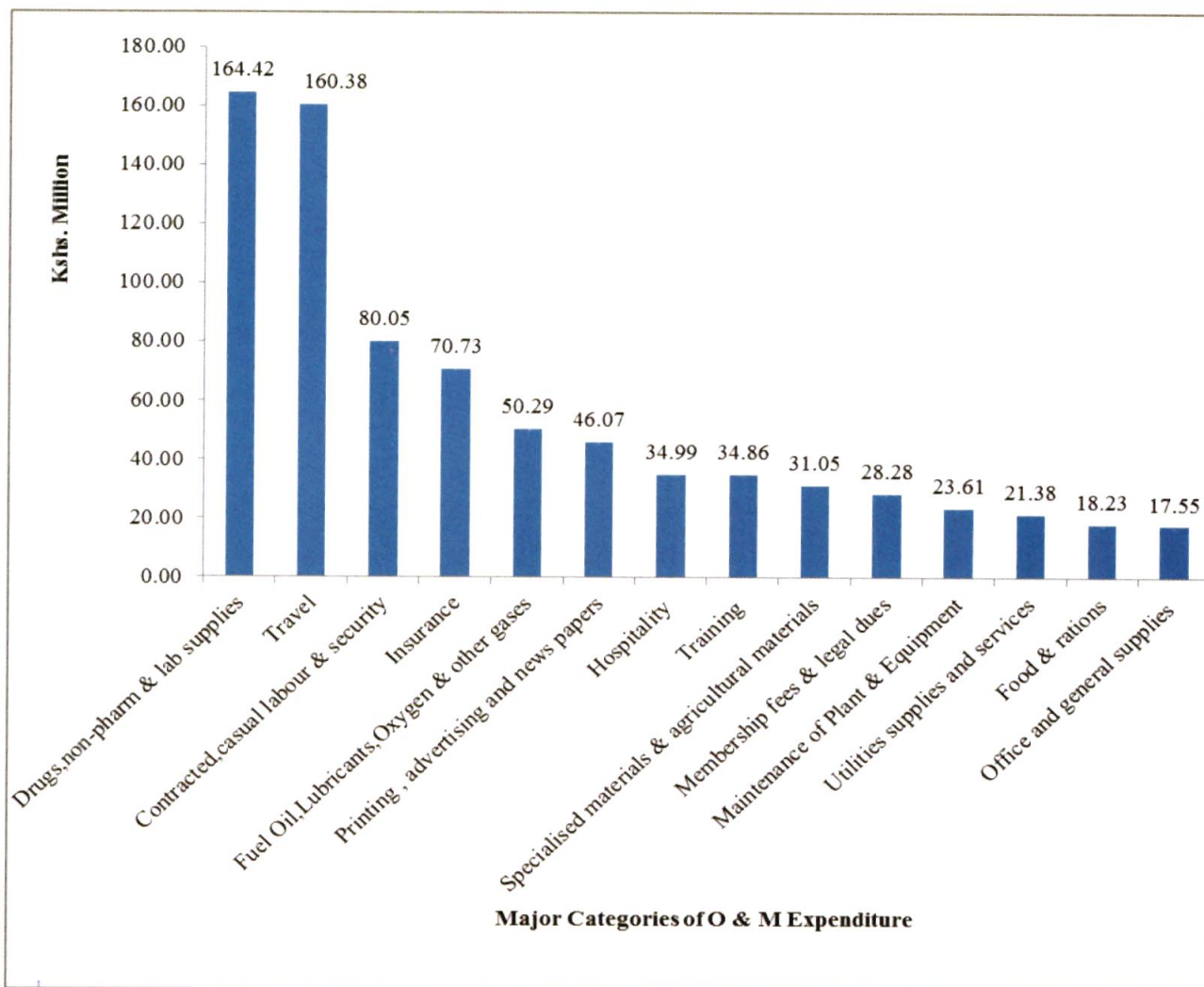
The total recurrent expenditure of Kshs.3.08 billion represented 94.2 per cent of the annual recurrent budget. The County spent Kshs.2.05 billion (66.5 per cent) on personnel emoluments and Kshs.1.03 billion (33.5 per cent) on operations and maintenance as shown in Figure 3.58. Expenditure on personnel emoluments

represented an increase of 17.0 per cent compared to FY 2014/15 when the County spent Kshs.1.75 billion. The increase is attributed to a growing workforce in the County.

The County spent Kshs.37.44 million on sitting allowances to the 30 MCAs and the Speaker against the annual budget allocation of Kshs.61.53 million. This was a decrease compared to Kshs.49.99 million spent in FY 2014/15. The average monthly sitting allowance was Kshs.103, 989 compared to SRC’s recommended monthly ceiling of Kshs.124,800.

Expenditure on domestic and foreign travel was Kshs.160.38 million compared to Kshs.98.95 million spent in FY 2014/15, representing an increase of 62.1 per cent. Figure 3.59 shows a summary of the operations and maintenance expenditure by major categories.

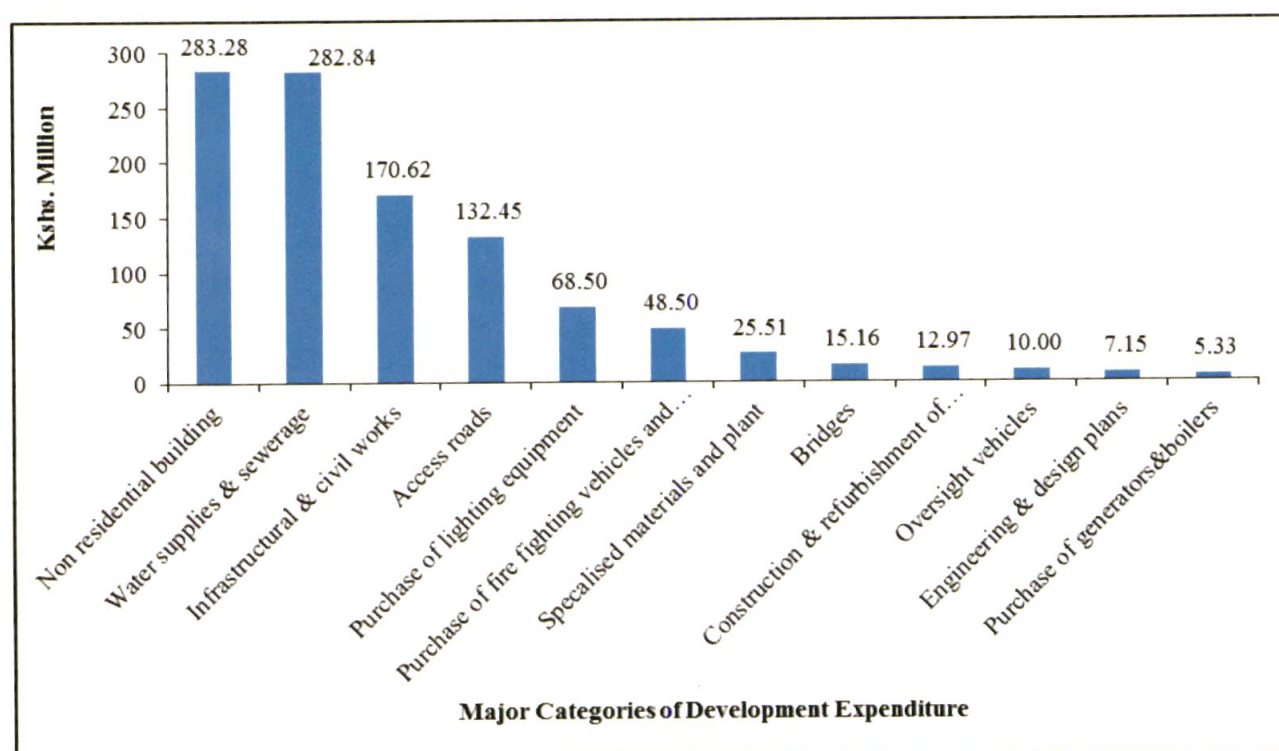
Figure 3.59: Kirinyaga County, Operations and Maintenance Expenditure for FY 2015/16



3.15.7 Analysis of Development Expenditure

The total development expenditure was Kshs.1.07 billion represented 70.5 of the annual development budget. Figure 3.60 provides a summary of development expenditure during the period under review.

Figure 3.60: Kirinyaga County, Summary of Development Expenditure for FY 2015/16



Source: Kirinyaga County Treasury

Analysis of the development expenditure indicated that the highest expenditure of Kshs.283.28 million was incurred on construction of non-residential buildings by various departments which included construction of dispensaries at a cost of Kshs.119.13 million. The second highest expenditure of Kshs.259.78 million was incurred by the Environment and Natural Resources Department on water supplies & sewerage projects. Kshs.108.11million was spent on construction of the headquarters by the County Executive Service department, and Kshs.10.00 million on purchase of oversight vehicles by the County Assembly. The Department of Transport and Infrastructure incurred Kshs.63.88 million on other infrastructural and civil works and Kshs.132.45 million on access roads.

3.15.8 Analysis of Budget Performance by Department

Table 3.49 shows a summary of FY 2015/16 annual budget estimates and budget performance by department.

Table 3.45: Kirinyaga County, FY 2015/16 Budget Performance by Department

Department	Budget Allocation (Kshs.Million)		Exchequer Issues (Kshs.Million)		Expenditure (Kshs.Million)		Expenditure to Exchequer Issues (%)		Expenditure to Budget Allocation (Absorption rate (%))	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
County Assembly	477.25	57.21	477.25	10	477.98	10.00	100.	100.0	100.2	17.5
County Executive Services	349.38	118.69	323.01	108.69	322.77	108.11	99.9	99.5	92.4	91.1

Department	Budget Allocation (Kshs.Million)		Exchequer Issues (Kshs.Million)		Expenditure (Kshs.Million)		Expenditure to Exchequer Issues (%)		Expenditure to Budget Allocation (Absorption rate (%))	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
Finance and Economic planning	575.91	0.97	508.03	0	507.96	0	100.0	-	88.2	0.0
Medical Services	1,155.40	295.21	1,155.40	139.33	1155.4	132.53	100.0	95.1	100.0	44.9
Education	182.63	85.72	162.57	62.19	162.12	54.73	99.7	88.0	88.8	63.8
Agriculture	237.19	77.3	224.37	48.33	219.2	41.61	97.7	86.1	92.4	53.8
Gender/Culture & Social Services	70.58	51.85	57.66	44.52	53.5	23.63	92.8	53.1	75.8	45.6
Trade & Cooperative Development	43.98	95.8	37.15	75.68	28.88	60.45	77.7	79.9	65.7	63.1
Environment and natural resources	71.67	320.34	71.67	315.56	67.67	311.6	94.4	98.7	94.4	97.3
Physical Planning and Housing	29.33	91.5	27.66	31.55	23.73	27.79	85.8	88.1	80.9	30.4
Transport and Infrastructure	72.86	316.69	67.51	294.64	56.25	294.64	83.3	100.0	77.2	93.0
Total	3,266.19	1,511.30	3,112.28	1130.50	3075.46	1065.09	98.8	94.2	94.2	70.5

Source: Kirinyaga County Treasury

Analysis of budget performance by department shows that the Department of Environment and Natural Resources attained the highest absorption rate of development expenditure at 97.3 per cent while the Finance and Economic Planning department did not incur any development expenditure. The Health & Medical Services department and County Assembly had the highest percentage of recurrent expenditure to recurrent budget at 100 per cent while the Department of Trade & Co-operative Development had the lowest at 65.7 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 included;

- i. Improvement in local revenue collection by 25 per cent from Kshs.311.64 million in FY 2014/15 to Kshs.390.38 million in FY 2015/16.
- ii. Improvement in absorption of development budget from 57.6 per cent in FY 2015/16 to 70.5 per cent in FY 2015/16.

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

1. The County has constituted the County Budget and Economic Forum (CBEF) as required by Section 137 of the PFM Act, 2012 for consultation on the budget process. However, the CBEF is not fully involved in County budget and economic affairs.
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. Intermittent use IFMIS by the County Assembly to process financial transactions.
4. Failure to reconcile IFMIS generated reports and IPPD on personnel expenditure. This resulted in variances between the two records. For instance, while the IFMIS reports indicated total personnel emoluments of Kshs.2,045,322,183 for FY 2015/16, the IPPD data reflected Kshs.2,014,030,898.

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

1. *The County Government should ensure that the CBEF is actively involved in the budget process and economic matters of the County in line with Section 137 of the PFM Act 2012.*
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 ensure IFMIS is used by all County entities in processing financial transactions.*
4. *The County should regularly reconcile the IFMIS data and IPPD for accurate reporting.*

3.16 Kisii County

3.16.1 Overview of the FY 2015/16 Budget

The County's FY 2015/16 Approved Supplementary Budget was Kshs.9.18 billion, comprising of Kshs.5.58 billion (60.8 per cent) and Kshs.3.60 billion (39.2 per cent) for recurrent and development expenditure respectively.

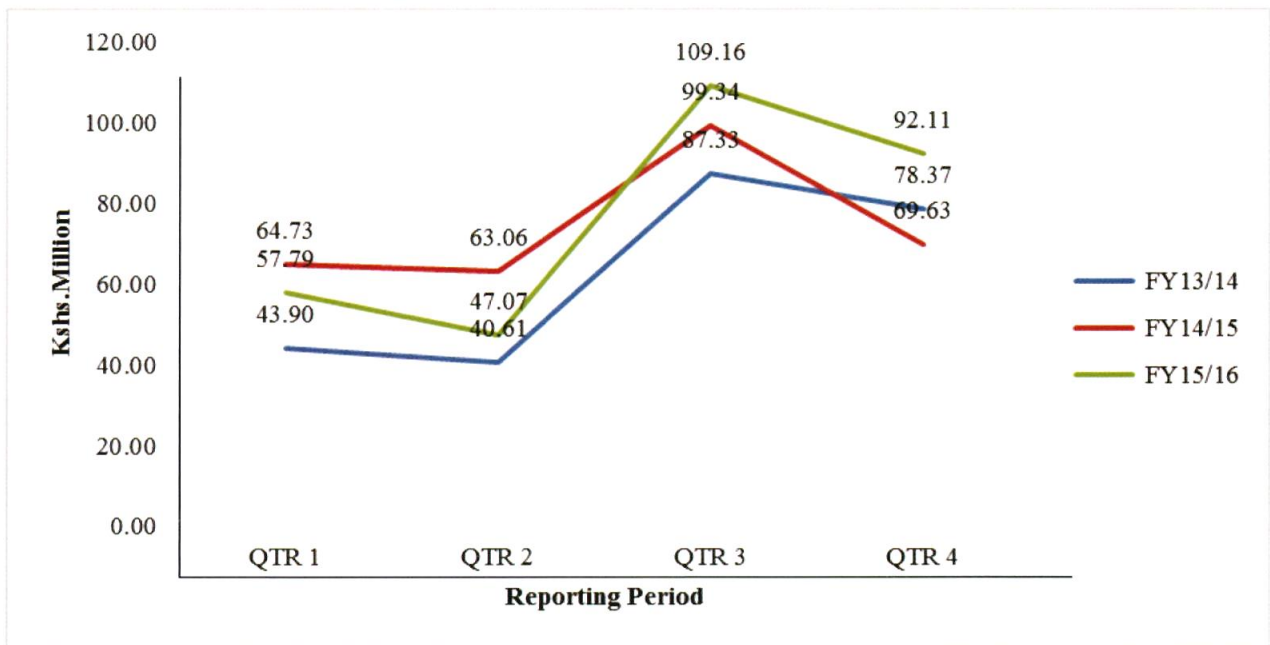
To finance the budget, the County expected to receive Kshs.7.09 billion (78.1 per cent) as equitable share of revenue raised nationally, Kshs.673.24 million (7.4 per cent) as total conditional grants, generate Kshs.700 million (7.7 per cent) from local sources, and had a cash balance of Kshs.617.47 million (6.8 per cent) from FY 2014/15. The conditional grants comprised of Kshs.338.62 million (50.3 per cent) for Level 5 Hospital, Kshs.194.70 million (28.9 per cent) for Free Maternal Health Care, Kshs.90.11 million (13.4 per cent) from the Road Maintenance Fuel Levy Fund, Kshs.26.86 million (4.0 per cent) for User Fees Foregone and Kshs.22.95 million (3.4 per cent) as a grant from DANIDA.

3.16.2 Revenue Analysis

During the year, the County received Kshs.7.09 billion as equitable share of revenue raised nationally, Kshs.568.39 million as total conditional allocations, raised Kshs.306.13 million from local sources, and had a cash balance of Kshs.611.86 million brought forward from FY 2014/15.

Figure 3.61 shows the quarterly trend in local revenue collection from FY 2013/14 to FY 2015/16.

Figure 3.61: Kisii County, Trend in Local Revenue Collection by Quarter from FY 2013/14 to FY 2015/16



Source: Kisii County Treasury

The total local revenue collected for the FY 2015/16 of Kshs.306.13 million consisted of Kshs.57.79 million generated in the first quarter, Kshs.47.07 million in the second quarter, Kshs.109.16 million in the third quarter, and Kshs.92.11 million in the fourth quarter. The revenue was 43.7 per cent of the annual local revenue target, and an improvement from Kshs.296.77 million collected in FY 2014/15.

Table 3.36 provides an analysis of the local revenue collected in FY 2015/16 by revenue stream.

Table 3.46: Kisii County analysis of revenue collected by stream in FY 2015/16

No	Revenue Stream	Annual Targeted Revenue (Kshs.)	Annual Actual Revenue	Actual Revenue as a percentage of Annual Target (%)
1	Parking fees	90,900,000	93,727,257	103.1
2	Market dues	61,700,000	63,056,237	102.2
3	Fire compliance	8,500,000	8,484,045	99.8
4	Advertisement and Billboards	25,000,000	24,467,384	97.9
5	Single Business Permit	119,000,000	66,472,810	55.9
6	Plan Approvals	32,000,000	14,255,593	44.5
7	CESS	20,000,000	8,148,750	40.7
8	Rent and Rates	140,700,000	24,745,879	17.6
9	Revenue from devolved units	162,400,000	2,612,735	1.6
10	Miscellaneous Revenue	39,800,000	158,948	0.4
	Total	700,000,000	306,129,638	43.7

Source: Kisii County Treasury

Analysis of the local revenue by stream indicated that, parking fees recorded the highest performance against annual target at 103.1 per cent. This was followed by market dues at 102.2 per cent, and fire compliance at 99.8 per cent.

In FY 2015/16, the County did not deposit all locally generated revenue into the County Revenue Fund account maintained at Central Bank of Kenya (CBK) as required by Article 207 (1) of the Constitution. Revenue collected by the Health Services department and Liquor Licensing fees was spent at source.

3.16.3 Conditional Grants

Table 3.46 shows an analysis of the conditional grants released in FY 2015/16.

Table 3.47: Kisii County analysis of conditional grant releases in FY 2015/16

No.	Conditional Grant	Amount allocated as provided in CARA, 2015 (Kshs.)	Actual receipt of the Conditional Grant (Kshs.)	Actual receipts as a percentage of Annual Allocation (%)
1	Level 5 Hospitals	338,616,571	338,616,571	100.0
2	DANIDA Grant	22,950,000	22,950,000	100.0
3	User Fees Foregone	26,859,653	26,859,653	100.0
4	Free Maternal Health Care	194,699,400	134,452,500	69.1
5	Road Maintenance Fuel Levy Fund	90,112,658	45,506,893	50.5
	Total	673,238,282	568,385,617	84.4

Source: Kisii County Treasury

Analysis of the conditional grants indicated that the Level 5 Hospital grant, DANIDA grant, and the grant for User Fees Foregone recorded the highest receipts against annual target at 100 per cent. This was followed by releases towards Free Maternal Health Care at 69.1 per cent and Road Maintenance Fuel Levy grant at 50.5 per cent.

3.16.4 Exchequer Issues

During the period under review, the Controller of Budget (COB) authorised withdrawal of Kshs.7.95 billion from the CRF account, which was 86.6 per cent of the Approved Supplementary Budget. The amount represented an increase of 21.6 per cent from Kshs.6.54 billion authorized in FY 2014/15 and consisted of Kshs.5.40 billion (67.9 per cent) for recurrent expenditure and Kshs.2.55 million (32.1 per cent) for development activities.

3.16.5 Overall Expenditure Review

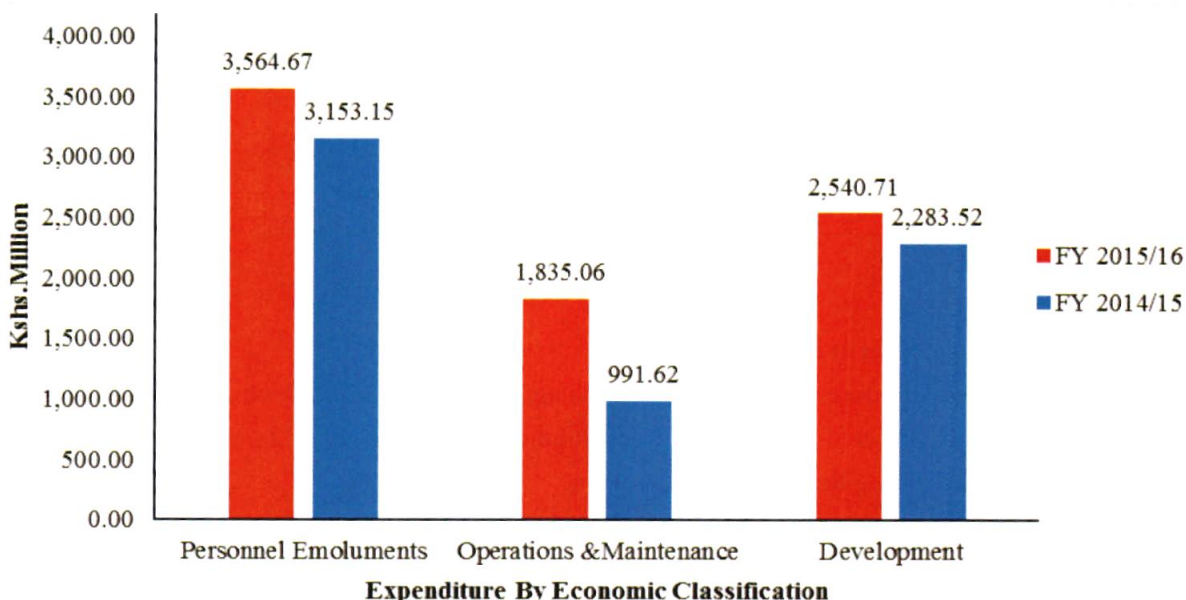
The County spent a total of Kshs.7.94 billion in FY 2015/16, which was 99.9 per cent of the funds released for operations. This was an improvement from Kshs.6.54 billion spent in FY 2014/15.

A total of Kshs.5.40 billion was spent on recurrent activities, while Kshs.2.54 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 99.7 per cent of the funds released for development activities. The

expenditure excluded pending bills as at 30th June, 2016 that amounted to Kshs.741.71 million for development and Kshs.95.17 million for recurrent expenditure.

The recurrent expenditure represented 96.8 per cent of the annual recurrent budget, an increase from 92.7 per cent attained in FY 2014/15. Development expenditure recorded an absorption rate of 70.6 per cent, which was a decrease from 79.9 per cent attained in FY 2014/15. Figure 3.62 presents a comparison between the expenditure in FY 2015/16 and FY 2014/15 by economic classification.

Figure 3.62: Kisii County, Expenditure by Economic Classification for FY 2015/16 and FY 2014/15



Source: Kisii County Treasury

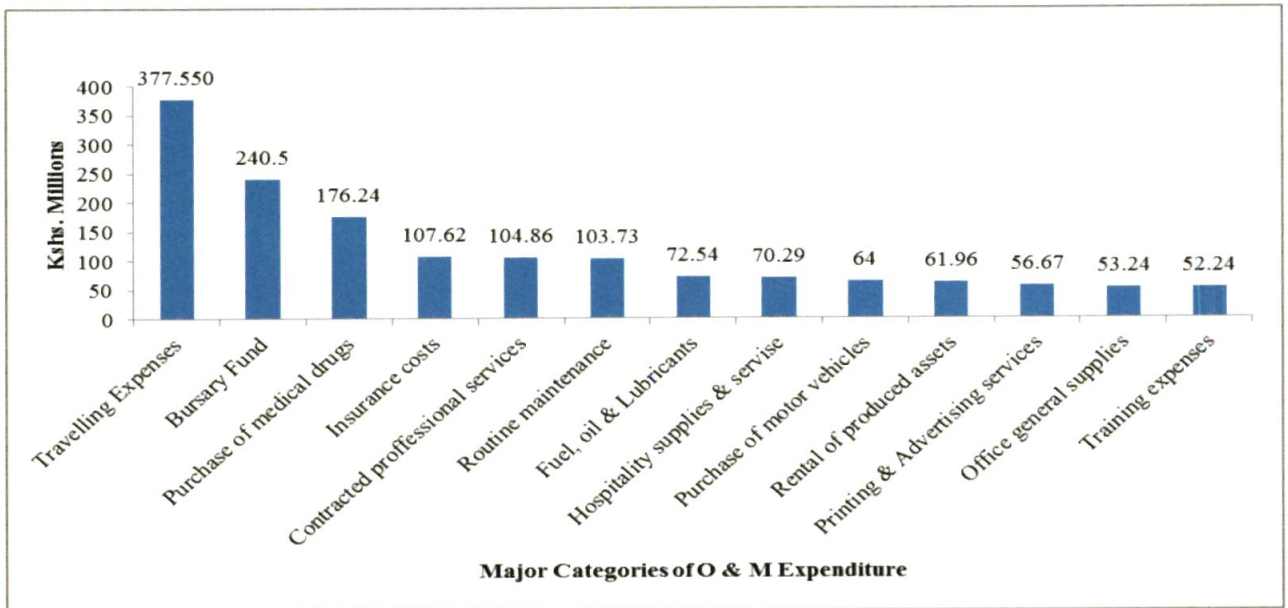
3.16.6 Analysis of Recurrent Expenditure

The total recurrent expenditure was Kshs.5.40 billion against an annual recurrent budget of Kshs.5.58 billion, representing 96.8 per cent of the annual recurrent budget. The County spent Kshs.3.56 billion (66.0 per cent) on personnel emoluments and Kshs.1.84 billion (34.0 per cent) on operations and maintenance as shown in Figure 3.62. Expenditure on personnel emoluments represented an increase of 13.1 per cent compared to FY 2014/15 when the County spent Kshs.3.15 billion.

The County spent Kshs.133.34 million on sitting allowances to the 71 MCAs and the Speaker against the annual budget allocation of Kshs.90.41 million. This was an increase compared to Kshs.118.40 million spent in FY 2014/15. The average monthly sitting allowance was Kshs.154,326 compared to SRC’s recommended monthly ceiling of Kshs.124,800.

Expenditure on domestic and foreign travel was Kshs.377.55 million compared to Kshs.257.95 million spent in FY 2014/15, representing an increase of 46.4 per cent. Figure 3.63 shows a summary of the operations and maintenance expenditure by major categories.

Figure 3.63: Kisii County, Operations and Maintenance Expenditure for FY 2015/16

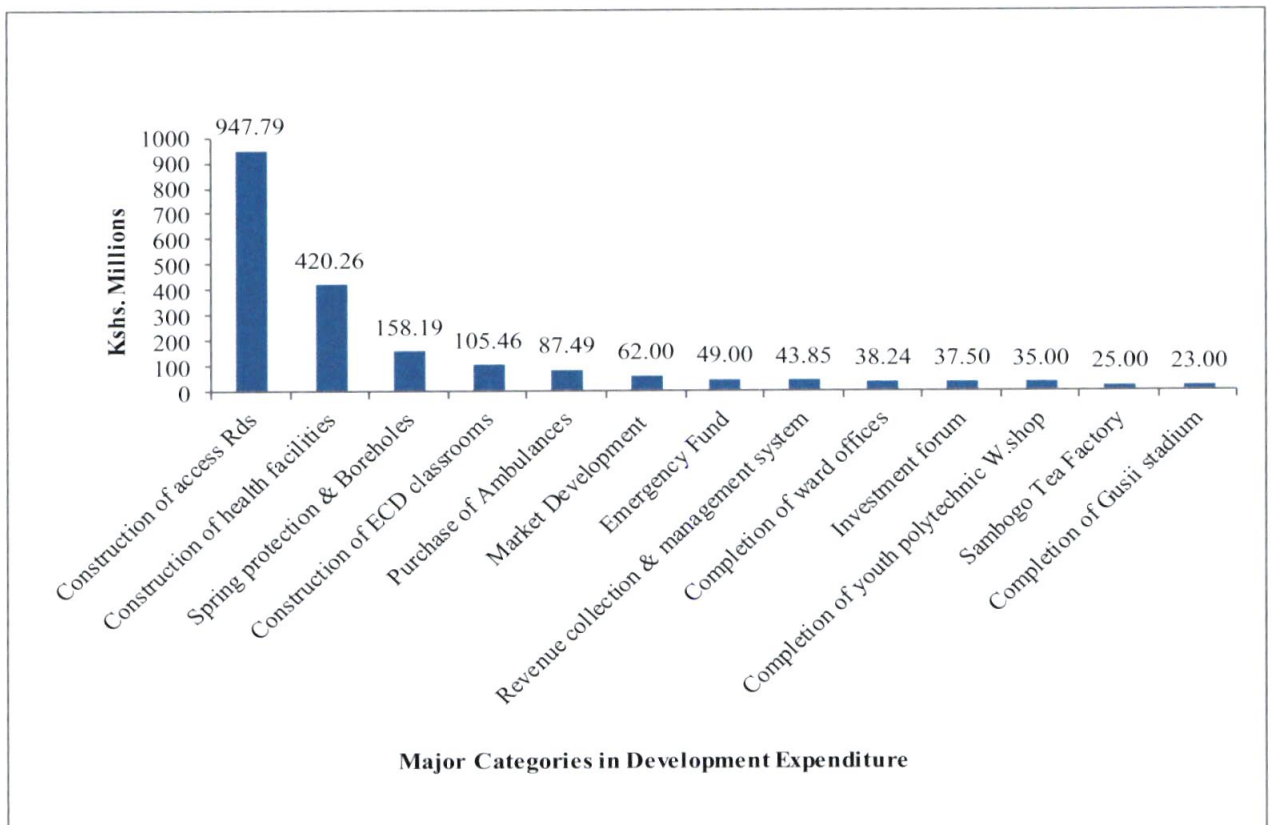


Source: Kisii County Treasury

3.16.7 Analysis of Development Expenditure

The total development expenditure was Kshs.2.54 billion against an annual development budget of Kshs.3.60 billion, representing 70.6 per cent of the annual development budget. Figure 3.64 provides a summary of development expenditure during the period under review.

Figure 3.64: Kisii County, Summary of Development Expenditure for FY 2015/16



Source: Kisii County Treasury

Analysis of the development expenditure indicated that the highest expenditure of Kshs.947.79 million was incurred by the Roads, Public Works and Transport department on construction and maintenance of access roads. A total of 190 kilometres of roads were graded, while 184 kilometres were gravelled. The second highest expenditure category of Kshs.420.26 million was incurred by the Health Services department on construction of health facilities which included construction of a male ward and an ultra-modern mortuary at the at Kisii Level 5 Hospital, and construction of various dispensaries in the County. A total of Kshs.158.19 million and Kshs.105.46 million was spent on water spring protection and drilling of boreholes by the Department of Water, Environment and Natural Resources and on construction of ECD classrooms by the Education department respectively.

3.16.8 Analysis of Budget Performance by Department

Table 3.48 shows a summary of FY 2015/16 annual budget estimates and budget performance by department.

Table 3.48: Kisii County, FY 2015/16 Budget Performance by Department

Department	Annual Budget Allocation (Kshs. Million)		Exchequer Issues (Kshs.Million)		Expenditure (Kshs.Million)		Expenditure to Exchequer Issues (%)		Expenditure to Budget Allocation (Absorption rate (%))	
	Rec	Dev.	Rec	Dev.	Rec	Dev.	Rec	Dev.	Rec	Dev.
Health Services	1,862.90	968.39	1,847.53	696.95	1843.18	690.70	99.8	99.1	98.9	71.3
Agriculture	267.37	138.50	260.61	96.31	260.61	97.02	100.0	100.7	97.5	70.1
County Assembly	713.65	35.00	685.65	-	685.65	-	100.0		96.1	-
County Executive (Office of the Governor and Deputy Governor) & CPSB	433.83	-	422.59	-	422.59	-	100.0	-	97.4	-
County Administration	475.83	142.80	454.46	62.83	448.00	57.63	98.6	91.7	94.2	40.4
Finance and Economic Planning	726.16	142.50	669.04	131.24	679.67	131.24	101.6	100.0	93.6	92.1
Water, Environment and Natural Resources	136.09	358.50	130.81	172.28	130.81	172.20	100.0	100.0	96.1	48.0
Education	551.93	218.75	549.04	145.46	549.04	145.46	100.0	100.0	99.5	66.5
Land, Physical Planning & Urban Development	84.54	201.00	75.20	116.45	75.20	110.91	100.0	95.2	89.0	55.2

Department	Annual Budget Allocation (Kshs. Million)		Exchequer Issues (Kshs. Million)		Expenditure (Kshs. Million)		Expenditure to Exchequer Issues (%)		Expenditure to Budget Allocation (Absorption rate (%))	
	Rec	Dev.	Rec	Dev.	Rec	Dev.	Rec	Dev.	Rec	Dev.
Roads, Public Works and Transport	138.58	1012.21	132.03	956.87	132.03	965.80	100.0	100.9	95.3	95.4
Trade Regulations & Development	60.55	165.00	57.51	108.24	57.49	108.24	100.0	100.0	94.9	65.6
Culture and Social Services	64.91	208.50	52.95	61.60	52.94	61.50	100.0	99.8	81.6	29.5
Kisii Town	62.58	10.00	62.53	-	62.53	-	100.0	-	99.9	-
TOTAL	5,578.92	3,601.15	5,399.93	2,548.23	5,399.74	2,540.70	100.0	99.7	96.8	70.6

Source: Kisii County Treasury

Analysis of budget performance by department shows that the Department of Roads, Public works and Transport attained the highest absorption rate of development expenditure at 95.4 per cent while the County Assembly, County Executive, and Kisii Town did not incur any development expenditure. On the other hand, the Kisii Town department had the highest percentage of recurrent expenditure to recurrent budget at 99.9 per cent while the Department of Culture and Social Services had the lowest at 81.6 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. Adoption of IFMIS by the County Assembly in processing of financial transactions.
- ii. Establishment of the County Budget and Economic Forum (CBEF), which is involved in the budget making process and economic matters.

Despite the progress made, 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 execution reports.
2. High wage bill that has increased by 13 per cent from Kshs.3.15 billion in FY 2014/15 to Kshs.3.56 billion in FY 2015/16 and represented 44.9 per cent of total expenditure. The high wage bill may result in unsustainable salary costs.
3. Spending of revenue at source in contravention of Section 109 of the PFM Act 2012. From the analysis of bank statements and expenditure returns, the Department of Health Services did not deposit its locally generated revenue into the CRF account. Receipts from Liquor Licensing were also spent at source.
4. Failure to designate Administrators for established County Funds. Specifically, the CECM-F is yet to designate Fund Administrators for the County Assembly Car loan and Mortgage Fund, Bursaries Fund and Mortgage, Emergency Fund, and the Car Loan for Civil Servants Fund.
5. Failure to reconcile IFMIS reports to IPPD data. While IFMIS returns showed total personnel expenditure

of Kshs.3, 564,678,554 in FY 2015/16, data from the IPPD indicated Kshs.3, 138,368 as the total payroll costs for the same period.

6. The County Assembly reported expenditure on MCA sitting allowance of Kshs.133.34 million which is more than the budgeted amount of Kshs.90.41 million. Further, the MCAs sitting allowance translated to a monthly average of Kshs.154,326 per MCA against the SRC's recommended ceiling of Kshs.124,800.

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 (4) of PFM Act, 2012.*
2. *The County Public Service Board should develop an optimal staffing structure to ensure a sustainable wage bill.*
3. *The County should ensure all departments adhere to Section 109 of the PFM Act, 2012 and deposit all locally generated revenue intact into the CRF account.*
4. *The CECM-F should designate an Administrator for each of the established County Funds to ensure effective management and reporting as envisaged by Section 116 of the PFM Act, 2012.*
5. *The County should regularly reconcile the IFMIS reports and IPPD data to ensure accurate reporting.*
6. *The County Assembly should put in place effective budgetary controls to ensure all expenditure is within the law. The MCA allowances paid in excess of the allowed threshold should be recovered.*

3.17 Kisumu County

3.17.1 Overview of the FY 2015/16 Budget

The County's FY 2015/16 Approved Supplementary Budget was Kshs.9.64 billion, comprising of Kshs.5.60 billion (58.1 per cent) and Kshs.4.03 billion (41.8 per cent) for recurrent and development expenditure respectively.

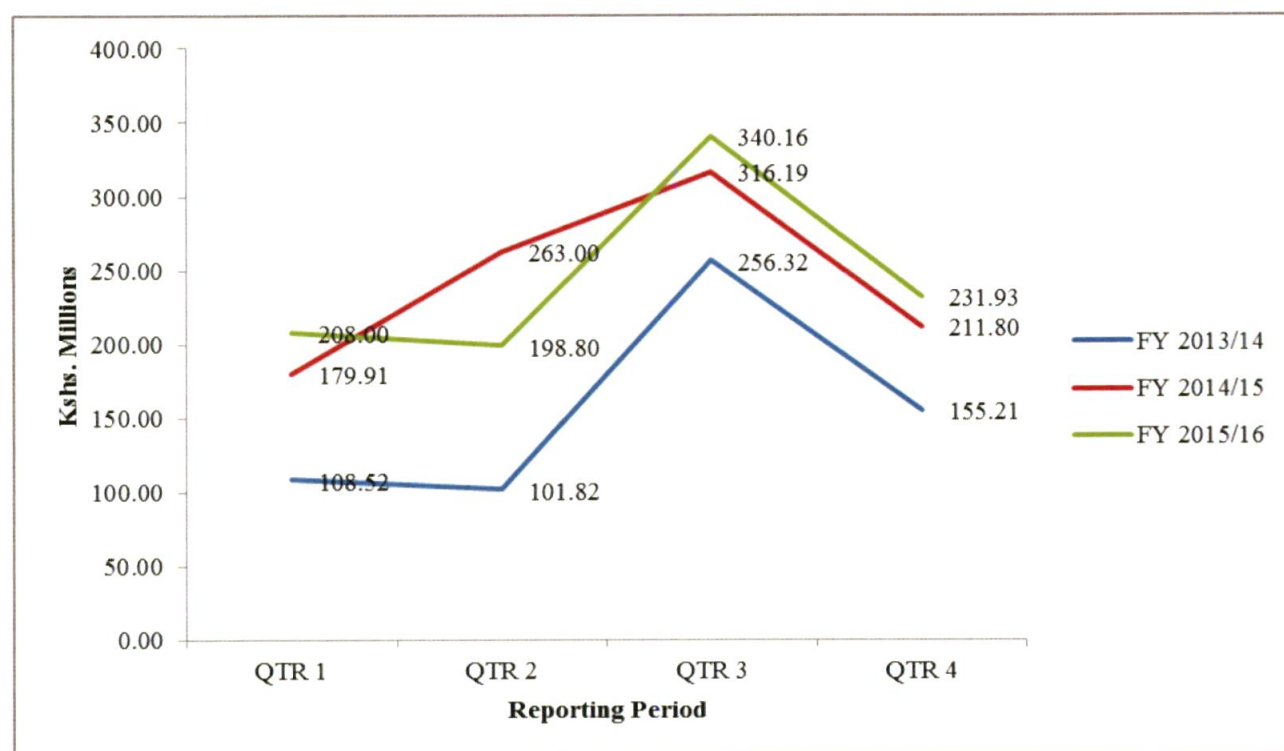
To finance the budget, the County expected to receive Kshs.5.68 billion (59.2 per cent) as equitable share of revenue raised nationally, Kshs.669.48 million (7.0 per cent) as total conditional grants, generate Kshs.1.87 billion (19.5 per cent) from local sources, and had a cash balance of Kshs.1.37 billion (14.3 per cent) from FY 2014/15. The conditional grants comprised of Kshs.338.62 million (50.6 per cent) for Level 5 Hospital, Kshs.123.78 million (18.5 per cent) for Free Maternal Health Care, Kshs.95.74 million (14.3 per cent) for leasing of medical equipment, Kshs.72.17 million (10.8 per cent) from the Road Maintenance Fuel Levy Fund, Kshs.22.58 million (3.4 per cent) for User Fees Foregone and Kshs.16.58 million (2.5 per cent) as a grant from DANIDA.

3.17.2 Revenue Analysis

During the year, the County received Kshs.5.68 billion as equitable share of the revenue raised nationally, Kshs.557.89 million as total conditional allocations, raised Kshs.978.89 million from local sources, and had a cash balance of Kshs.1.02 billion brought forward from FY 2014/15.

Figure 3.65 shows the quarterly trend in local revenue collection from FY 2013/14 to FY 2015/16.

Figure 3.65: Kisumu County, Trend in Local Revenue Collection by Quarter from FY 2013/14 to FY 2015/16



Source: Kisumu County Treasury

The total local revenue collected in FY 2015/16 of Kshs.978.89 million consisted of Kshs.208.00 million generated in the first quarter, Kshs.198.80 million in the second quarter, Kshs.340.16 million in the third quarter, and Kshs.231.93 million in the fourth quarter. The revenue was 52.4 per cent of the annual local revenue target, and an improvement from Kshs.970.90 million collected in FY 2014/15.

Table 3.47 provides an analysis of the local revenue collected in FY 2015/16 by revenue stream.

Table 3.49: Kisumu County analysis of revenue collected by stream in FY 2015/16

No	Revenue Stream	Annual Targeted Revenue (Kshs.)	Annual Actual Revenue	Actual Revenue as a percentage of Annual Target (%)
1	Parking Fees	77,729,500	199,907,457	257.2
2	Rental Income	33,683,640	38,095,833	113.1
3	Single Business Permits	100,000,000	102,692,607	102.7
4	Signboards and advertisements	67,209,213	58,658,636	87.3
5	Land Rates	171,904,848	138,485,703	80.6
6	Market Fees	113,244,059	82,223,325	72.6
7	Liquor Licenses	25,082,200	17,073,658	68.1
8	Levies from Agriculture, Livestock and Fisheries	27,038,475	12,195,158	45.1
9	Public Health, Medical Levies & Fees	719,808,508	257,906,382	35.8
10	Building Plans	53,537,361	18,024,376	33.7
11	Others	479,349,218	53,626,126	11.2
Total		1,868,587,022	978,889,261	52.4

Source: Kisumu County Treasury

Analysis of the local revenue collected by stream indicated that, parking fees recorded the highest performance

against annual target at 257.2 per cent. This was followed by rental income at 113.1 per cent and single business permits at 102.7 per cent.

The County deposited all locally generated revenue into the County Revenue Fund account maintained at Central Bank of Kenya (CBK) as required by Article 207 (1) of the Constitution.

3.17.3 Conditional Grants

Table 3.48 shows an analysis of the conditional grants released in FY 2015/16.

Table 3 50.: Kisumu County analysis of conditional grant releases in FY 2015/16

No.	Conditional Grant	Amount allocated as provided in CARA 2015 (Kshs.)	Actual receipt of the Conditional Grant (Kshs.)	Actual receipts as a percentage of Annual Allocation (%)
1	Level 5 Hospitals	338,616,571.00	338,616,571.00	100.0
2	Road Maintenance Fuel Levy Fund	72,170,965.00	72,170,964.00	100.0
3	User Fees Forgone	22,585,235	22,585,235.00	100.0
4	DANIDA Grant	16,580,000	16,580,000.00	100.0
5	Free Maternal Health Care	123,782,400	107,937,500.00	87.2
Total		573,735,171.00	557,890,270.00	97.2

Source: *Kisumu County Treasury*

All projected revenue from conditional grants was fully achieved except for the Free Maternal Health Care, which recorded a performance of 87.2 per cent.

3.17.4 Exchequer Issues

During the period under review, the COB authorised withdrawal of Kshs.7.27 billion from the CRF account consisting of Kshs.5.60 billion (74.6 per cent) for recurrent expenditure and Kshs.1.90 million (25.4 per cent) for development activities. Further, the County's Health Department had Kshs.235.11 million bank balances in their operational accounts brought forward from FY 2014/15, which was not paid to the CRF account as required by Section 136 of the PFM Act, 2012.

Therefore, total available funds amounted to Kshs.7.50 billion, which was 77.9 per cent of the Approved Supplementary Budget. The amount represented an increase of 15.3 per cent from Kshs.6.50 billion authorized in FY 2014/15.

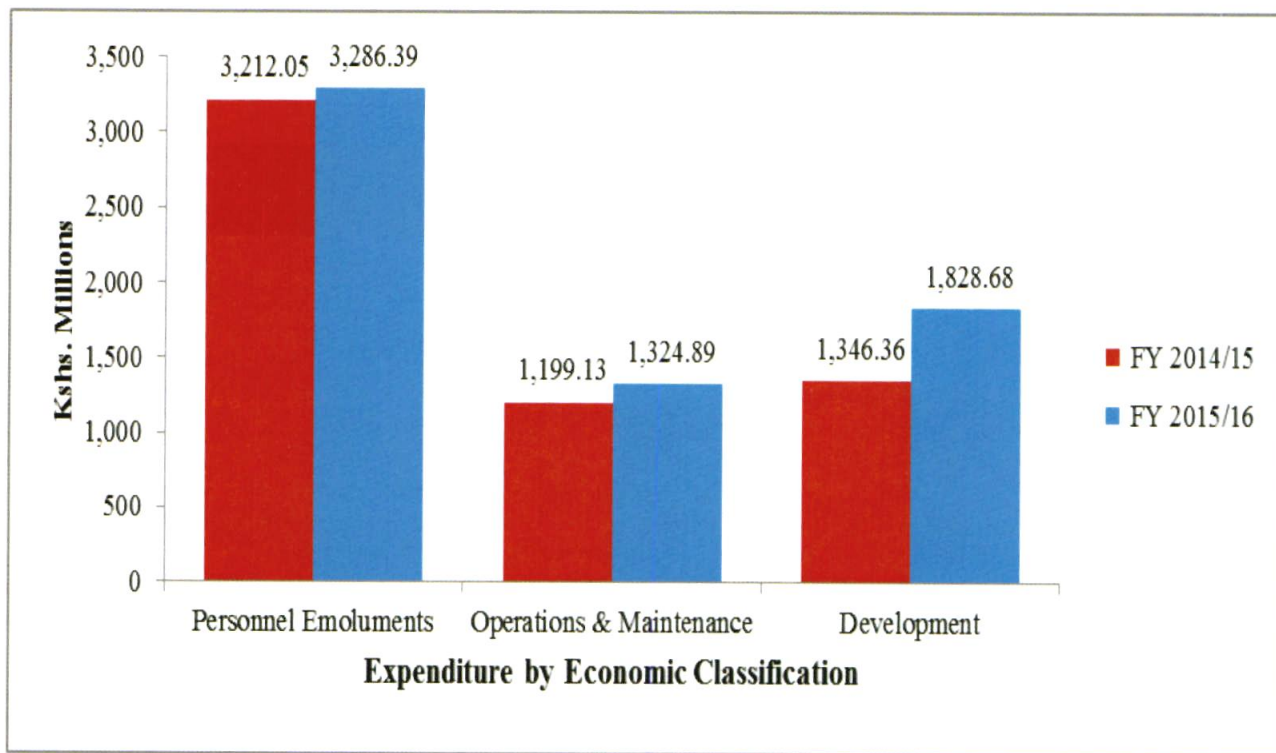
3.17.5 Overall Expenditure Review

The County spent a total of Kshs.6.44 billion in FY 2015/16, which was 85.8 per cent of the total funds released for operations. This was an increase from the Kshs.5.76 billion spent in FY 2014/15.

A total of Kshs.4.61 billion was spent on recurrent activities, while Kshs.1.83 billion was spent on development activities. The recurrent expenditure was 82.4 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 pending bills as at 30th June, 2016 that amounted to Kshs.2.58 billion for development and Kshs.672.69 million for recurrent expenditure.

The recurrent expenditure represented 82.3 per cent of the annual recurrent budget, a decrease from 86.6 per cent attained in FY 2014/15. Development expenditure recorded an absorption rate of 45.3 per cent, which was a decrease from 47.4 per cent attained in FY 2014/15. Figure 3.66 presents a comparison between the expenditure in FY 2015/16 and FY 2014/15 by economic classification.

Figure 3.66: Kisumu County, Expenditure by Economic Classification for FY 2015/16 and FY 2014/15



Source: Kisumu County Treasury

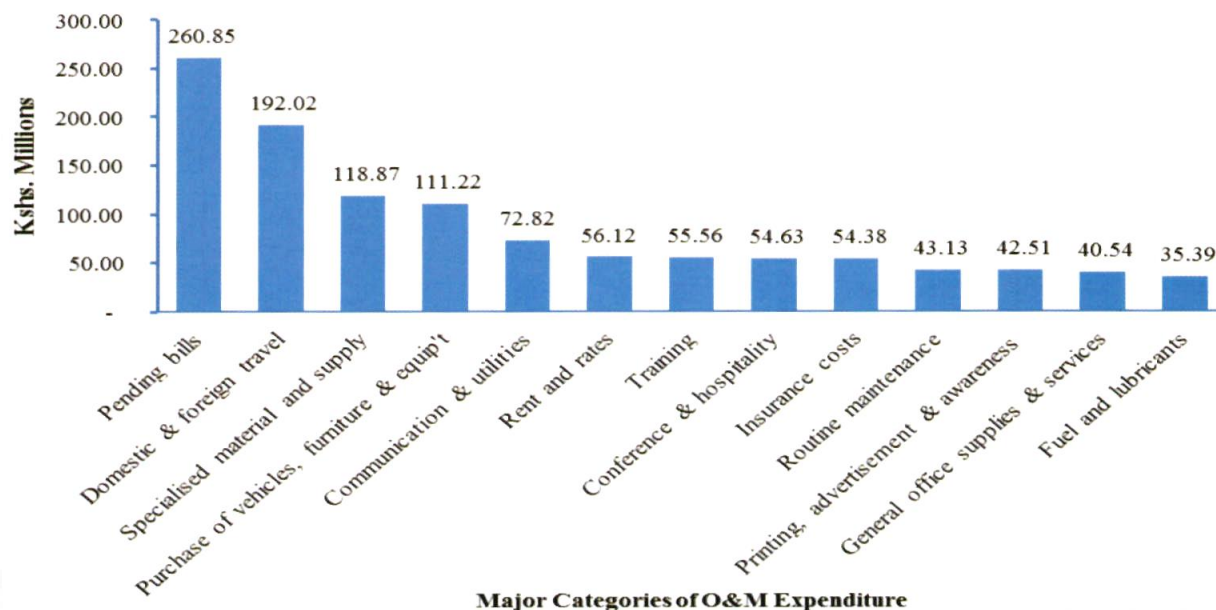
3.17.6 Analysis of Recurrent Expenditure

The total recurrent expenditure of Kshs.4.61 billion represented 82.3 per cent of the annual recurrent budget. The County spent Kshs.3.29 billion (71.4 per cent) on personnel emoluments and Kshs.1.32 billion (28.6 per cent) on operations and maintenance as shown in Figure 3.66. Expenditure on personnel emoluments represented an increase of 2.3 per cent compared to FY 2014/15 when the County spent Kshs.3.21 billion.

The County spent Kshs.60.35 million on sitting allowances to the 49 MCAs and the Speaker against the annual budget allocation of Kshs.113.71 million. This was an increase compared to Kshs.65.09 million spent in FY 2014/15. The average monthly sitting allowance was Kshs.100,581 compared to SRC’s recommended monthly ceiling of Kshs.124,800.

Expenditure on domestic and foreign travel was Kshs.192.02 million compared to Kshs.133.46 million spent in FY 2014/15, representing an increase of 43.9 per cent. Figure 3.67 shows a summary of the operations and maintenance expenditure by major categories.

Figure 3.67: Kisumu County, Operations and Maintenance Expenditure for FY 2015/16



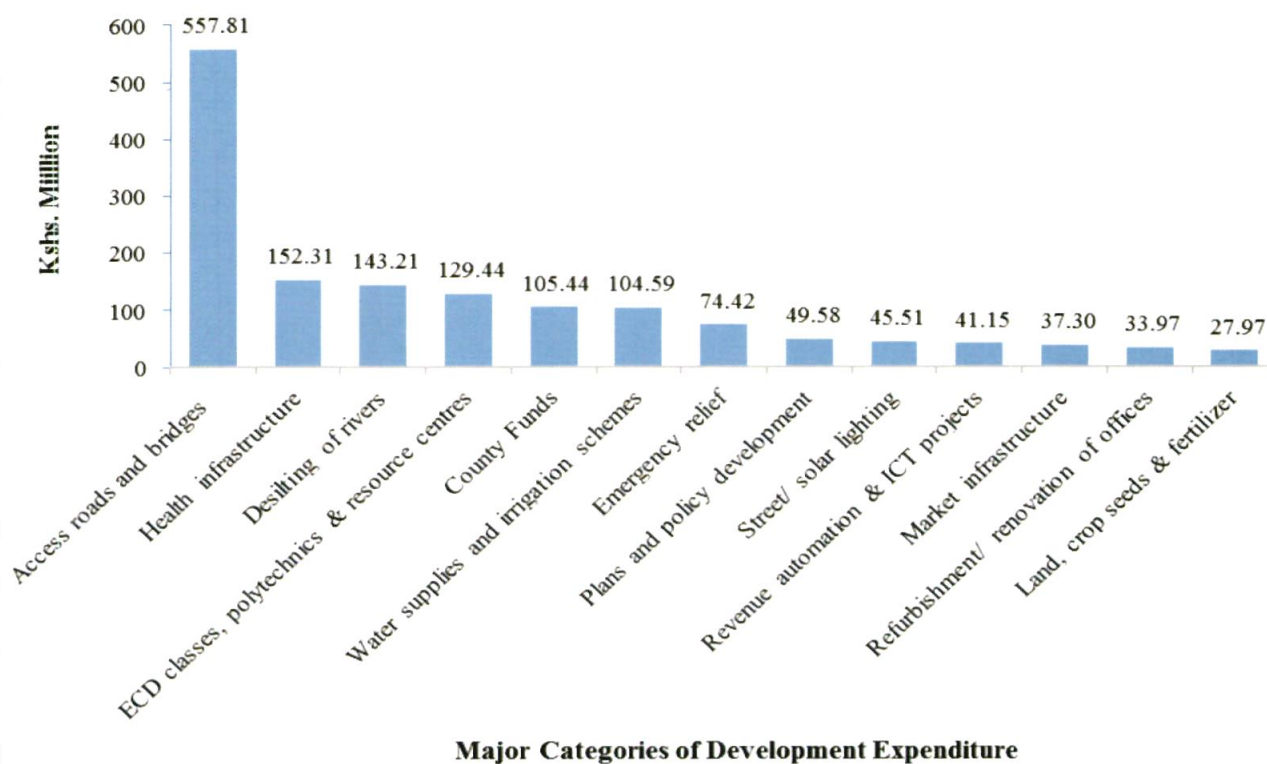
Major Categories of O&M Expenditure

Source: Kisumu County Treasury

3.17.7 Analysis of Development Expenditure

The total development expenditure of Kshs.1.83 billion represented 45.3 per cent of the annual development budget of Kshs.4.03 billion. Figure 3.68 provides a summary of development expenditure during the period under review.

Figure 3.68: Kisumu County, Summary of Development Expenditure for FY 2015/16



Major Categories of Development Expenditure

Source: Kisumu County Treasury

Analysis of the development expenditure in FY 2015/16 indicated that the highest expenditure of Kshs.557.81 million was incurred on construction of access roads and bridges across the 35 wards in the County. This amount comprised of Kshs.483.23 million spent by the Finance and Planning department on pending bills and Kshs.74.58 million spent by the Department of Roads, Transport and Public Works.

The second highest expenditure category of Kshs.152.31 million was incurred on construction, equipping and renovation of health facilities, which included Kshs.77.48 million by the Finance and Planning department on pending bills and Kshs.74.83 million by the Health department. Kshs.143.21 million was spent on de-silting of rivers by the Office of the Governor while Kshs.105.44 million was spent on the Bursary Fund and, on the Women, Youth and People with Disability Fund.

3.17.8 Analysis of Budget Performance by Department

Table 3.49 shows a summary of FY 2015/16 annual budget estimates and budget performance by department.

Table 3.51 Kisumu County, FY 2015/16 Budget Performance by Department

Department	Budget Allocation (Kshs.Million)		Exchequer Issues (Kshs.Million)		Expenditure (Kshs.Million)		Expenditure to Exchequer Issues (%)		Expenditure to Budget Allocation (Absorption rate (%))	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
Office of the Governor & County Administration	391.16	235.00	391.16	110.81	1,990.50	217.63	508.9	196.4	508.9	92.6
Finance and Planning	793.68	1,477.26	783.87	1,052.42	610.08	1,076.93	77.8	102.3	76.9	72.9
Agriculture, Livestock & Fisheries	280.46	180.01	286.26	89.20	156.10	31.61	54.5	35.4	55.7	17.6
Education, Gender, Culture & Sports	145.30	371.00	145.29	163.80	105.65	166.73	72.7	101.8	72.7	44.9
Health Services	2,122.99	241.71	2,122.99	75.00	802.12	74.83	37.8	99.8	37.8	30.9
Tourism, Trade & Heritage	68.05	130.00	68.05	43.50	17.13	47.07	25.2	108.2	25.2	36.2
Lands, Housing & Physical Planning	27.38	252.30	27.12	10.50	3.16	0.02	11.7	0.2	11.5	0.01
Roads, Transport & Public Works	113.90	484.37	113.78	109.20	97.73	74.58	85.9	68.3	85.8	15.4
Industrialization, Enterprise Development, Mining and Energy	78.28	232.00	78.28	107.50	27.86	29.03	35.6	27.0	35.6	12.5
Water, Environment & Natural Resources	107.12	210.02	107.12	62.63	54.66	43.12	51.0	68.8	51.0	20.5
Communication & Information Technology	65.91	130.00	65.91	40.00	24.30	49.34	36.9	123.3	36.9	38.0
County Public Service Board	58.96	0	58.78	0	44.97	0	76.5	-	76.3	-
City of Kisumu	816.86	90.00	816.86	40.00	205.82	17.77	25.2	44.4	25.2	19.7
County Assembly	533.90	0	533.82	0	471.39	0	88.3	-	88.3	-
Total	5,603.95	4,033.67	5,599.30	1,904.56	4,611.47	1,828.67	82.3	96.0	82.3	45.3

Source: Kisumu County Treasury

Analysis of budget performance by department shows that the Office of the Governor attained the highest absorption rate of development expenditure at 92.6 per cent while the Department of Lands, Housing and Physical Planning had the lowest at 0.01 per cent. On the other hand, the Office of the Governor had the highest percentage of recurrent expenditure to recurrent budget at 508.9 per cent due to staff costs that were charged against this vote. The Department of Lands, Housing and Physical Planning had the lowest recurrent expenditure at 11.5 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. Automation of revenue collection which has led to improved revenue performance. The local revenue collection has improved from Kshs.970.90 million in FY 2014/15 to Kshs.978.89 million in the reporting period.
- ii. The County has established a County Budget and Economic Forum (CBEF) in line with Section 137 of the PFM Act, 2012. The CBEF is involved in budgeting and economic matters in the County.

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

1. Intermittent use of IFMIS by the Health and the Kisumu City departments contrary to Section 12 of the PFM Act, 2012..
2. A high wage bill that increased from Kshs.3.21 billion in FY 2014/15 to Kshs.3.29 billion in FY 2015/16 representing 51 per cent of total expenditure. Regulation 25 (1) (b) of the Public Finance Management (County Governments) Regulations, 2015 sets the ceilings on the County Government's expenditure on wages and benefits at 35 per cent of the County's total revenue Continued increase in the wage bill may result in unsustainable salary costs.
3. Late submission of financial reports by the County Treasury which affected timely preparation of budget execution reports.
4. Unreconciled personnel expenditure. While the IFMIS reports indicated total personnel emoluments as Kshs.3.29 billion for FY 2015/16, data from the IPPD showed Kshs.2.69 billion as the total payroll cost for the same period.

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 IFMIS is used by all County public entities in processing financial transactions.*
- 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 timely preparation and submission of financial reports in line with Section 166 (4) of PFM Act, 2012.*
- 4. The County should regularly reconcile the IFMIS data and IPPD to enhance accuracy in financial reporting.*

3.18 Kitui County

3.18.1 Overview of the FY 2015/16 Budget

The County's FY 2015/16 Approved Supplementary Budget was Kshs.10.11 billion, comprising of Kshs.4.69 billion (46.4 per cent) and Kshs.5.42 billion (53.6 per cent) for recurrent and development expenditure respectively.

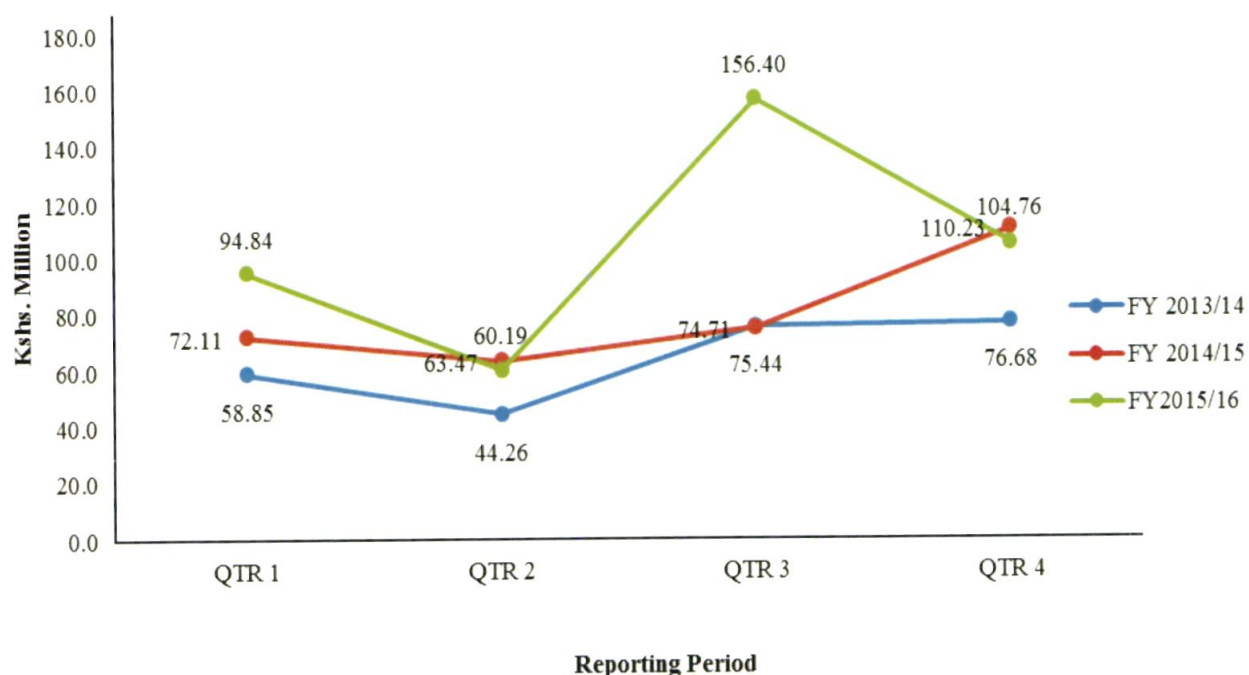
To finance the budget, the county expected to receive Kshs.7.27 billion (71.1 per cent) as equitable share of revenue raised nationally, Kshs.283.52 million (2.8 per cent) as total conditional grants, generate Kshs.608.20 million (5.9 per cent) from local sources, and had a cash balance of Kshs.2.07 billion (20.2 per cent) from FY 2014/15. The conditional grants comprised of Kshs.63.61 million (22.4 per cent) for Free Maternal Health Care, Kshs.92.32 million (32.6 per cent) from the Road Maintenance Fuel Levy Fund, Kshs.23.61 million (8.3 per cent) for User Fees Foregone, Kshs.36.99 million (13.0 per cent) as a grant from DANIDA, Kshs.47.00 million (16.6 per cent) as loan from World Bank to supplement financing of county health facilities and Kshs.20.00 million (7.1 per cent) as grant from UNDP. The UNDP grant was in the budget estimates but not in the CARA 2015.

3.18.2 Revenue Analysis

During the year, the County received Kshs.7.27 billion as equitable share of revenue raised nationally, Kshs.250.70 million as total conditional allocations, raised Kshs.416.19 million from local sources, and had a cash balance of Kshs.1.86 billion brought forward from FY 2014/15.

Figure 3.69 shows the quarterly trend in local revenue collection from FY 2013/14 to FY 2015/16.

Figure 3.69: Kitui County, Trend in Local Revenue Collection by Quarter from FY 2013/14 to FY 2015/16



Source: Kitui County Treasury

The total local revenue collected in FY 2015/16 of Kshs.416.19 million consisted of Kshs.94.84 million generated in the first quarter, Kshs.60.19 million in the second quarter, Kshs.156.40 million in the third quarter, and Kshs.104.76 million in the fourth quarter. The revenue was 68.4 per cent of the annual local revenue target, and an improvement from Kshs.320.52 million collected in FY 2014/15.

Table 3.50 provides an analysis of the local revenue collected in FY 2015/16 by revenue stream.

Table 3.52: Kitui County analysis of revenue collected by stream in FY 2015/16

No	Revenue Stream	Annual Targeted Revenue (Kshs.)	Annual Actual Revenue	Actual Revenue as a percentage of Annual Target (%)
1	Direct Deposits (Unreconciled Revenue Deposits)	-	134,724,987	∞
2	Single Business Permits	33,453,125	79,482,321	237.6
3	Sign Board & Advertising	7,387,701	12,505,635	169.3
4	Earth works	23,772,500	19,857,677	83.5
5	Land Administration Fees	9,994,000	6,741,873	67.5
6	Market Fees	70,708,904	41,638,795	58.9
7	Parking Fees	51,330,400	24,342,794	47.4
7	Land rates	45,809,370	14,829,390	32.4
9	Cess	80,092,810	25,799,990	32.2
10	Other Sources	185,685,638	43,112,911	23.2
11	Alcoholic Drinks License	99,965,552	13,152,355	13.2
Total		608,200,000	416,188,728	68.4

Source: Kitui County Treasury

Analysis of revenue by stream indicated that unreconciled revenue amounted to Kshs.134.72 million. This amount relates to direct deposits of funds in the revenue collection account which were not matched to the revenue streams. Single business permits recorded the highest performance against annual target at 237.6 per cent followed by sign board and advertising fees at 169.3 per cent, and earth works at 83.5 per cent.

While some revenue streams outperformed the annual targets, other streams performed poorly compared to target. They included; alcoholic drinks license fees that had a performance of 13.2 per cent. There is need for the County to identify and address the reasons behind the poor performance by some streams. There is also need for all receivers of revenue to ensure that all revenue is properly accounted for.

The County deposited all locally generated revenue into the County Revenue Fund account maintained at Central Bank of Kenya (CBK) as required by Article 207 (1) of the Constitution.

3.18.3 Conditional Grants

Table 3.51 shows an analysis of the conditional grants released in FY 2015/16.

Table 3.53: Kitui County analysis of conditional grant releases in FY 2015/16

No.	Conditional Grant	Amount allocated as provided in CARA 2015 (Kshs.)	Actual receipt of the Conditional Grant (Kshs.)	Actual receipts as a percentage of Annual Allocation (%)
1	World Bank Loan to Supplement Financing of County Health Facilities	46,995,266	46,995,266	100.0
2	DANIDA Grant to supplement Financing for County Health Facilities	36,990,000	36,990,000	100.0
3	Road Maintenance Fuel Levy Fund	92,318,534	92,318,535	100.0
4	Compensation for User Fees Foregone	23,606,211	23,606,211	100.
5	Free Maternal Health Care Allocation	63,610,400	50,790,000	79.8
Total		263,520,411	250,700,012	95.1

Source: Kitui County Treasury

All projected revenue from conditional grants was fully achieved except for the Free Maternal Health Care allocation which recorded a performance at 79.8 per cent.

3.18.4 Exchequer Issues

During the period under review, the Controller of Budget (COB) authorised withdrawal of Kshs.8.12 billion from the CRF account, which was 80.3 per cent of the Approved Supplementary Budget. The amount represented an increase of 14.4 per cent from Kshs.7.10 billion authorized in FY 2014/15 and consisted of Kshs.4.57 billion (56.3 per cent) for recurrent expenditure and Kshs.3.55 billion (43.7 per cent) for development activities.

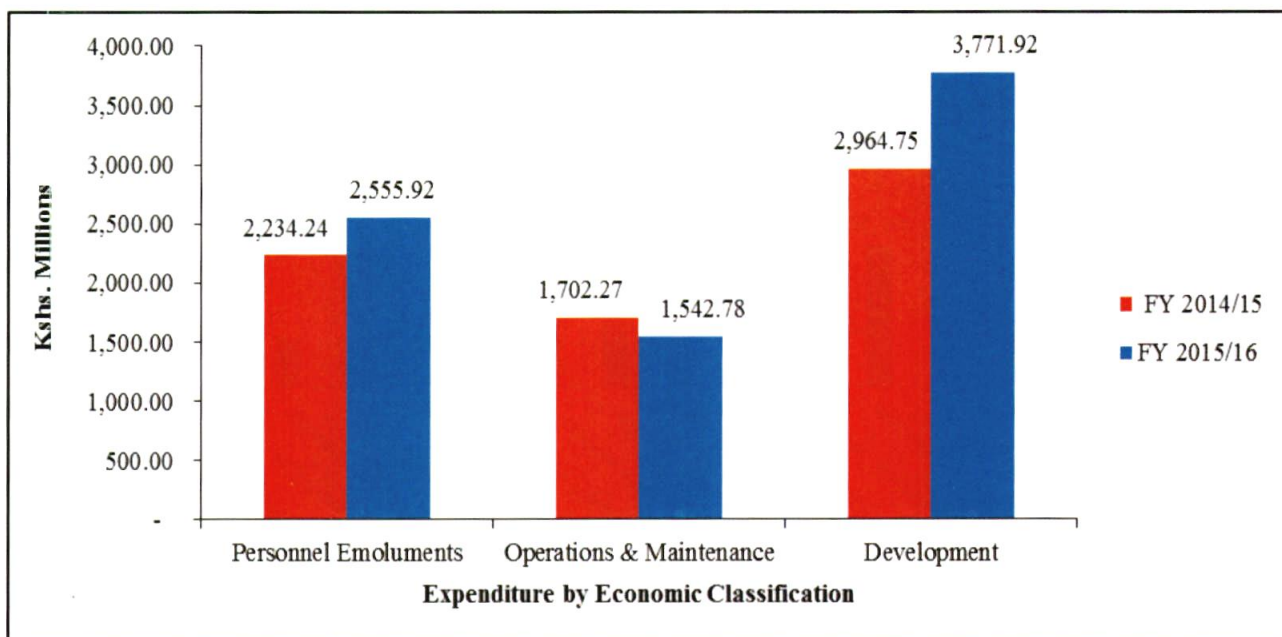
3.18.5 Overall Expenditure Review

The County spent a total of Kshs.7.87 billion in FY 2015/16, which was 96.9 per cent of the total funds released for operations. This was an increase from the Kshs.6.90 billion spent in FY 2014/15.

A total of Kshs.4.10 billion was spent on recurrent activities, while Kshs.3.77 billion was spent on development activities. The recurrent expenditure was 89.6 per cent of the funds released for recurrent activities while development expenditure accounted for 106.4 per cent of the funds released for development activities. The County did not report any pending bills as at 30th June, 2016.

The recurrent expenditure represented 87.4 per cent of the annual recurrent budget, a decrease from 87.9 per cent attained in FY 2014/15. Development expenditure recorded an absorption rate of 69.6 per cent, which was an increase from 58.3 per cent absorbed in FY 2014/15. Figure 3.70 presents a comparison between the total expenditure in FY 2015/16 and FY 2014/15.

Figure 3.70: Kitui County, Expenditure by Economic Classification for FY 2015/16 and FY 2014/15



Source: Kitui County Treasury

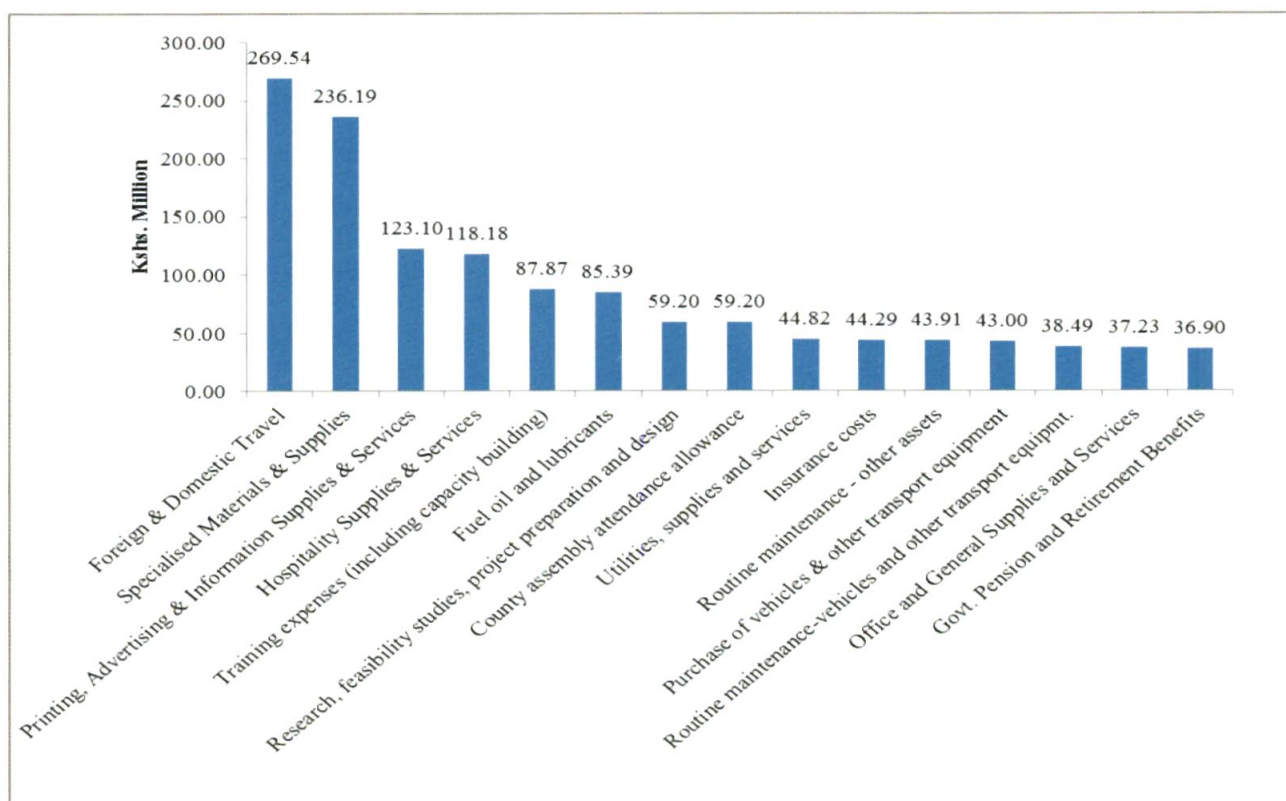
3.18.6 Analysis of Recurrent Expenditure

The total recurrent expenditure of Kshs.4.10 billion represents 87.4 per cent of the annual recurrent budget of Kshs.4.69 billion. The County spent Kshs.2.56 billion (62.4 per cent) on personnel emoluments and Kshs.1.54 billion (37.6 per cent) on operations and maintenance as shown in Figure 3.70. Expenditure on personnel emoluments represented an increase of 14.4 per cent compared to FY 2014/15 when the County spent Kshs.2.23 billion. The increase is attributed to a growing workforce in the County.

The County spent Kshs.59.20 million on sitting allowances to the 56 MCAs and the Speaker against the annual budget allocation of Kshs.63.63 million. This was an increase compared to Kshs.50.44 million spent in FY 2014/15. The average monthly sitting allowance was Kshs.86,546.41 compared to SRC’s recommended monthly ceiling of Kshs.124,800.

Expenditure on domestic and foreign travel was Kshs.269.54 million compared to Kshs.211.42 million spent in FY 2014/15, representing an increase of 27.5 per cent. Figure 3.71 shows a summary of the operations and maintenance expenditure by major categories.

Figure 3.71: Kitui County, Operations and Maintenance Expenditure for FY 2015/16

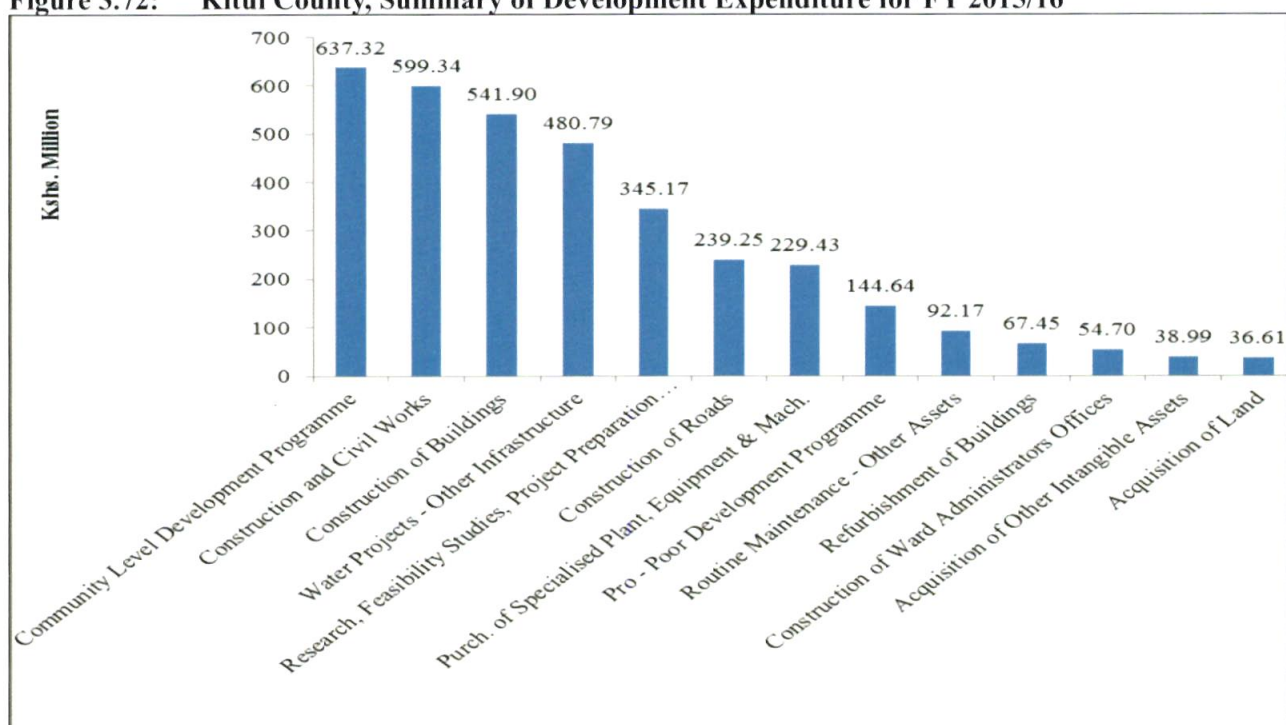


Source: Kitui County Treasury

3.18.7 Analysis of Development Expenditure

The total development expenditure was Kshs.3.77 billion against an annual development budget of Kshs.5.42 billion, representing 69.6 per cent of the annual development budget. Figure 3.72 provides a summary of development expenditure during the period under review.

Figure 3.72: Kitui County, Summary of Development Expenditure for FY 2015/16



Source: Kitui County Treasury

Analysis of the development expenditure indicated that the highest expenditure of Kshs.637.32 million was incurred by the Office of the Governor on the Community Level Infrastructure Development Programme (CLIDP). The programme activities included building of classrooms, improvement of roads, construction of drifts, pipeline extensions among other community identified projects. A total of Kshs.480.79 million was incurred on water projects across the County, Kshs.239.25 million on construction of roads while Kshs.144.64 million was incurred under the Pro-Poor Programme.

3.18.8 Analysis of Budget Performance by Department

Table 3.52 shows a summary of FY 2015/16 annual budget estimates and budget performance by department.

Table 3.54: Kitui County, FY 2015/16 Budget Performance by Department

Department	Budget Allocation (Kshs.Million)		Exchequer Issues (Kshs.Million)		Expenditure (Kshs.Million)		Expenditure to Exchequer Issues (%)		Expenditure to Budget Allocation (Absorption rate (%))	
	Rec	Dev.	Rec	Dev.	Rec	Dev.	Rec	Dev.	Rec	Dev.
Office Of The Governor	427.08	1,188.65	400.57	363.62	385.45	922.88	96.2	253.8	90.3	77.6
Administration & Coordination	361.07	236.58	361.07	113.75	410.24	124.83	113.6	109.7	113.6	52.8
Agriculture, Water & Irrigation	388.33	858.08	388.33	690.29	362.83	647.89	93.4	93.9	93.4	75.5
Basic Education, Training, & Skills Dev.	360.75	236.45	360.75	136.08	346.02	142.94	95.9	105.0	95.9	60.4
Land, Infrastructure & Urban Development	242.38	735.03	242.17	628.19	215.42	780.61	89.0	124.3	88.9	106.2
Health & Sanitation	1,602.77	734.75	1,589.00	710.29	1,259.20	286.69	79.2	40.4	78.6	39.0
Trade, Industry & Cooperatives	59.01	295.23	59.01	246.78	55.66	193.50	94.3	78.4	94.3	65.5
Culture, Youth, Sports & Social Services	55.44	206.95	55.44	159.94	46.04	143.45	83.0	89.7	83.0	69.3
Environment, Energy & Minerals Investment Development	33.15	261.93	33.14	120.97	27.81	200.75	83.9	165.9	83.9	76.6
Natural Resources & Tourism	42.12	79.67	42.11	51.67	38.67	44.05	91.8	85.3	91.8	55.3
Finance & Economic Planning	247.63	64.03	247.61	8.58	232.41	28.05	93.9	327.0	93.9	43.8
County Public Service Board	58.92	-	58.91	-	55.22	0.00	93.7	-	93.7	-
County Assembly	703.09	179.56	626.40	147.65	604.79	123.88	96.6	83.9	86.0	69.0
Kitui Town Administration	70.63	221.22	70.62	72.39	33.17	78.51	47.0	108.4	47.0	35.5
Mwingi Town Administration	39.38	124.45	39.34	96.29	25.78	53.89	65.5	56.0	65.5	43.3
Total	4,691.76	5,422.59	4,574.48	3,546.48	4,098.70	3,771.92	89.6	106.4	87.4	69.6

Source: Kitui County Treasury

Analysis of budget performance by department shows that the Department of Land Infrastructure and Urban Development attained the highest absorption rate of development expenditure at 106.2 per cent while the Kitui Town Administration attained the least at 35.5 per cent. The Administration and Coordination of County Affairs department had the highest percentage of recurrent expenditure to recurrent budget at 113.6 per cent while Kitui Town Administration had the lowest at 47.0 per cent. As observed some votes exceeded their budget allocation, while others exceeded their exchequer issues. The accounting officers should adhere to budget allocations and the approved exchequer requisitions.

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 of development budget from 58.3 per cent in FY 2014/15 to 69.9 per cent in FY 2015/16.
- ii. Improvement in local revenue collection by 29.8 per cent from Kshs.320.52 million in FY 2014/15 to Kshs.416.19 in FY 2015/16.
- iii. Establishment of the County Budget and Economic Forum (CBEF) in line with Section 137 of the PFM Act, 2012.

Despite the progress made, 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 execution reports.
2. Failure to establish an Internal Audit Committee to oversee financial operations in the County contrary to Section 155 of the PFM Act 2012 and Regulation 167 of the PFM (County Governments) Regulations, 2015.
3. Delay in submission of quarterly reports on established County Public Funds contrary to Section 168(3) of 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 (4) of PFM Act, 2012.*
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 ensure timely submission of expenditure reports on the Established County Funds in line with Section 168 of the PFM Act, 2012.*

3.19 Kwale County

3.19.1 Overview of the FY 2015/16 Budget

The County's FY 2015/16 Approved Supplementary Budget was Kshs.7.61 billion, comprising of Kshs.2.84 billion (37.4 per cent) and Kshs.4.765 billion (62.6 per cent) for recurrent and development expenditure respectively.

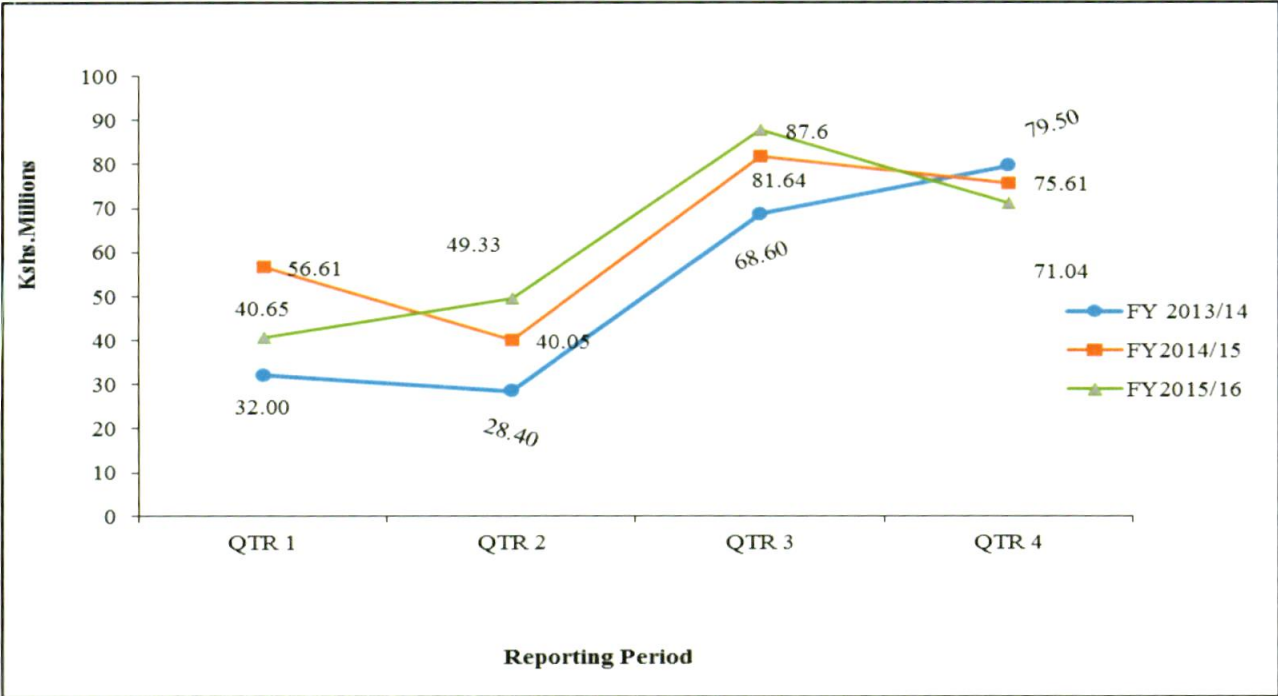
To finance the budget, the county expected to receive Kshs.5.12 billion (67.3 per cent) as equitable share of revenue raised nationally, Kshs.339.83 million (4.5 per cent) as total conditional grants, generate Kshs.300 million (3.9 per cent) from local sources, and had a cash balance of Kshs.1.85 billion (24.3 per cent) from FY 2014/15. The conditional grants of Kshs.339.83 million comprised Free Maternal Health Care, Kshs.104.41 million (1.3 per cent), Road Maintenance Fuel Levy Fund of Kshs.65.11 million (0.8 per cent), User Fees Foregone of Kshs.15.15 million (0.3 per cent), World Bank Health Grant of Kshs.45.76 million (0.6 per cent), Leasing of medical equipment of Kshs.95.74 million (1.2 per cent) and Kshs.13.62 million (0.1 per cent) as a grant from DANIDA.

3.19.2 Revenue Analysis

During the year, the County received Kshs.5.12 billion as equitable share of the revenue raised nationally, Kshs.214.04 million as total conditional allocations, raised Kshs.248.62 million from local sources, and had a cash balance of Kshs.1.42 billion brought forward from FY 2014/15.

Figure 3.73 shows the quarterly trend in local revenue collection from FY 2013/14 to FY 2015/16.

Figure 3.73: Kwale County, Trend in Local Revenue Collection by Quarter from FY 2013/14 to FY 2015/16



Source: Kwale County Treasury

The total local revenue collected in FY 2015/16 of Kshs.248.62 million consisted of Kshs.40.65 million generated in the first quarter, Kshs.49.33 million in the second quarter, Kshs.87.60 million in the third quarter, and Kshs.71.04 million in the fourth quarter. The revenue was 82.9 per cent of the annual local revenue target, a decrease from Kshs.253.97 million collected in FY 2014/15.

Table 3.53 provides an analysis of the local revenue collected in FY 2015/16 by revenue stream.

Table 3.55: Kwale County analysis of revenue collected by stream in FY 2015/16

No	Revenue Stream	Annual Targeted Revenue (Kshs.)	Annual Actual Revenue	Actual Revenue as a percentage of Annual Target (%)
1	House and Stalls Rent	6,938,800	7,478,097	107.8
2	Royalties and Cess	30,188,220	31,845,730	105.5
3	Single Business Permit	58,447,660	60,552,431	103.6
4	Parking Fees	10,764,000	11,028,074	102.5
5	Transit Goods	6,000,000	6,113,755	101.9
6	Miscellaneous	5,052,000	5,138,630	101.7
7	Auction Fees	5,972,140	6,032,637	101.0
8	Advertisement	12,601,700	12,720,628	100.9
9	Revenue from hospitals	52,160,000	32,621,588	62.5
10	Land Rates	88,066,590	53,092,173	60.3
11	Other Sources	23,808,890	21,993,843	92.4
Total Local Revenue		300,000,000	248,617,586	82.9

Source: Kwale County Treasury

Analysis of the local revenue collected by stream indicated that, rent from houses and stalls recorded the highest performance against annual target at 107.8 per cent. This was followed by royalties and cess at 105.5 per cent and single business permits at 103.6 per cent.

The County deposited all locally generated revenue into the County Revenue Fund account maintained at Central Bank of Kenya (CBK) as required by Article 207 (1) of the Constitution.

3.19.3 Conditional Grants

Table 3.54 shows an analysis of the conditional grants released in FY 2015/16.

Table 3.56: Kwale County analysis of conditional grant releases in FY 2015/16

No.	Conditional Grant	Amount allocated as provided in CARA 2015 (Kshs.)	Actual receipt of the Conditional Grant (Kshs.)	Actual receipts as a percentage of Annual Allocation (%)
1	User Fees Forgone	15,149,869.00	15,149,869.00	100.0
2	DANIDA Grant	13,620,000.00	13,620,000.00	100.0
3	World Bank Loan to supplement financing of County Health Facilities	45,759,322.00	45,759,322.00	100.0
4	Road Maintenance Fuel Levy Fund	65,113,404.00	65,113,400.00	100.0
5	Free Maternal Health Care	104,441,400.00	74,397,500.00	71.2
6	Leasing of Medical Equipment	95,744,680.85	0.00	0.0
Total		339,828,675.85	214,040,091.00	63.0

Source: Kwale County Treasury

All projected revenue from conditional grants was fully realized except for the Free Maternal health Care

which recorded 71.2 per cent of the annual target. The County reported receipt of medical equipment from the Ministry of Health (National Government), though the value of the equipment was not provided by the time of finalizing this report.

3.19.4 Exchequer Issues

During the period under review, the COB authorised withdrawal of Kshs.6.27 billion from the CRF account, which was 82.5 per cent of the Approved Supplementary Budget. The amount represented an increase of 25.7 per cent from Kshs.4.99 billion authorized in FY 2014/15 and consisted of Kshs.2.85 billion (45.4 per cent) for recurrent expenditure and Kshs.3.43 billion (54.6 per cent) for development activities.

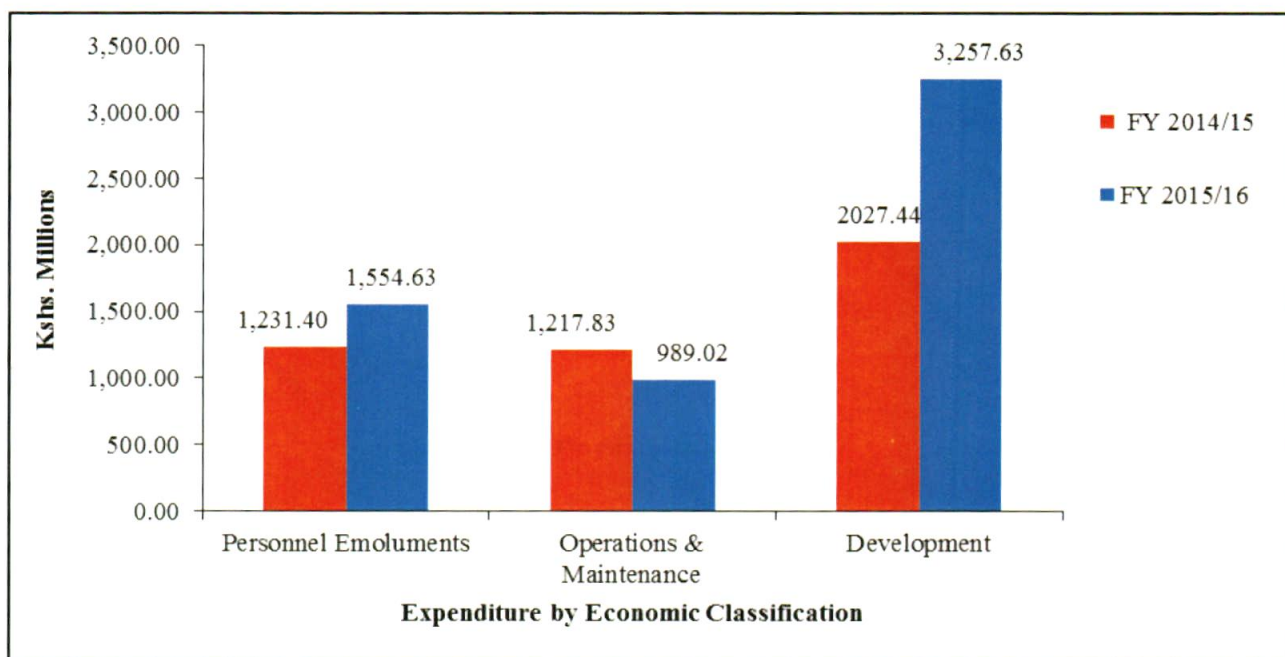
3.19.5 Overall Expenditure Review

The County spent a total of Kshs.5.80 billion in FY 2015/16, which was 92.5 per cent of the total funds released for operations. This was an increase from the Kshs.1.32 billion spent in FY 2014/15.

A total of Kshs.2.54 billion was spent on recurrent activities, while Kshs.3.26 billion was spent on development activities. The recurrent expenditure was 89.4 per cent of the funds released for recurrent activities while development expenditure accounted for 95.0 per cent of the funds released for development activities. The expenditure excluded pending bills as at 30th June, 2016 that amounted to Kshs.1.44 billion for development expenditure and Kshs.5.49 million for recurrent expenditure.

The recurrent expenditure represented 89.4 per cent of the annual recurrent budget, an increase from 84.9 per cent attained in FY 2014/15. Development expenditure recorded an absorption rate of 68.4 per cent, which was an increase from 55.8 per cent absorbed in FY 2014/15. Figure 3.74 presents a comparison between the expenditure in FY 2015/16 and FY 2014/15 by economic classification.

Figure 3.74: Kwale County, Expenditure by Economic Classification for FY 2015/16 and FY 2014/15



Source: Kwale County Treasury

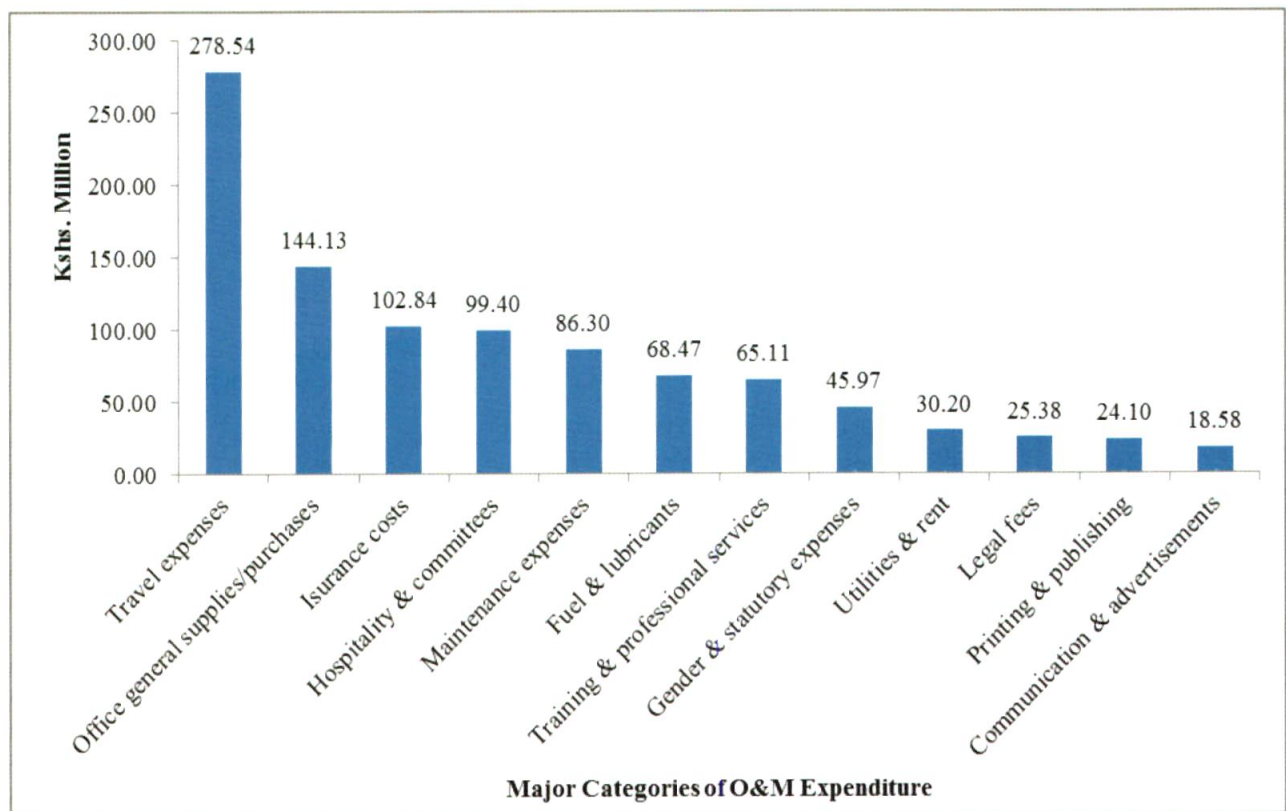
3.19.6 Analysis of Recurrent Expenditure

The total recurrent expenditure of Kshs.2.54 billion represented 89.4 per cent of the annual recurrent budget of Kshs.2.85 billion. The County spent Kshs.1.55 billion (61.1 per cent) on personnel emoluments and Kshs.989.02 million (38.9 per cent) on operations and maintenance as shown in Figure 3.74. The expenditure on personnel emoluments represented an increase of 26.2 per cent compared to FY 2014/15 when the County spent Kshs.1.23 billion. The increase is attributed to a growing workforce in the County owing to hiring of ECD teachers, absorption of temporary health workers, and yearly salary increments.

The County spent Kshs.38.05 million on sitting allowances to the 33 MCAs and the Speaker against the annual budget allocation of Kshs.39.79 million. This was a decrease compared to Kshs.47.63 million spent in FY 2014/15. The average monthly sitting allowance was Kshs.93,259 compared to SRC's recommended monthly ceiling of Kshs.124,800.

Expenditure on domestic and foreign travel was Kshs.278.54 million compared to Kshs.225.02 million spent in FY 2014/15, representing an increase of 23.8 per cent. Figure 3.75 shows a summary of the operations and maintenance expenditure by major categories.

Figure 3.75: Kwale County, Operations and Maintenance Expenditure for FY 2015/16

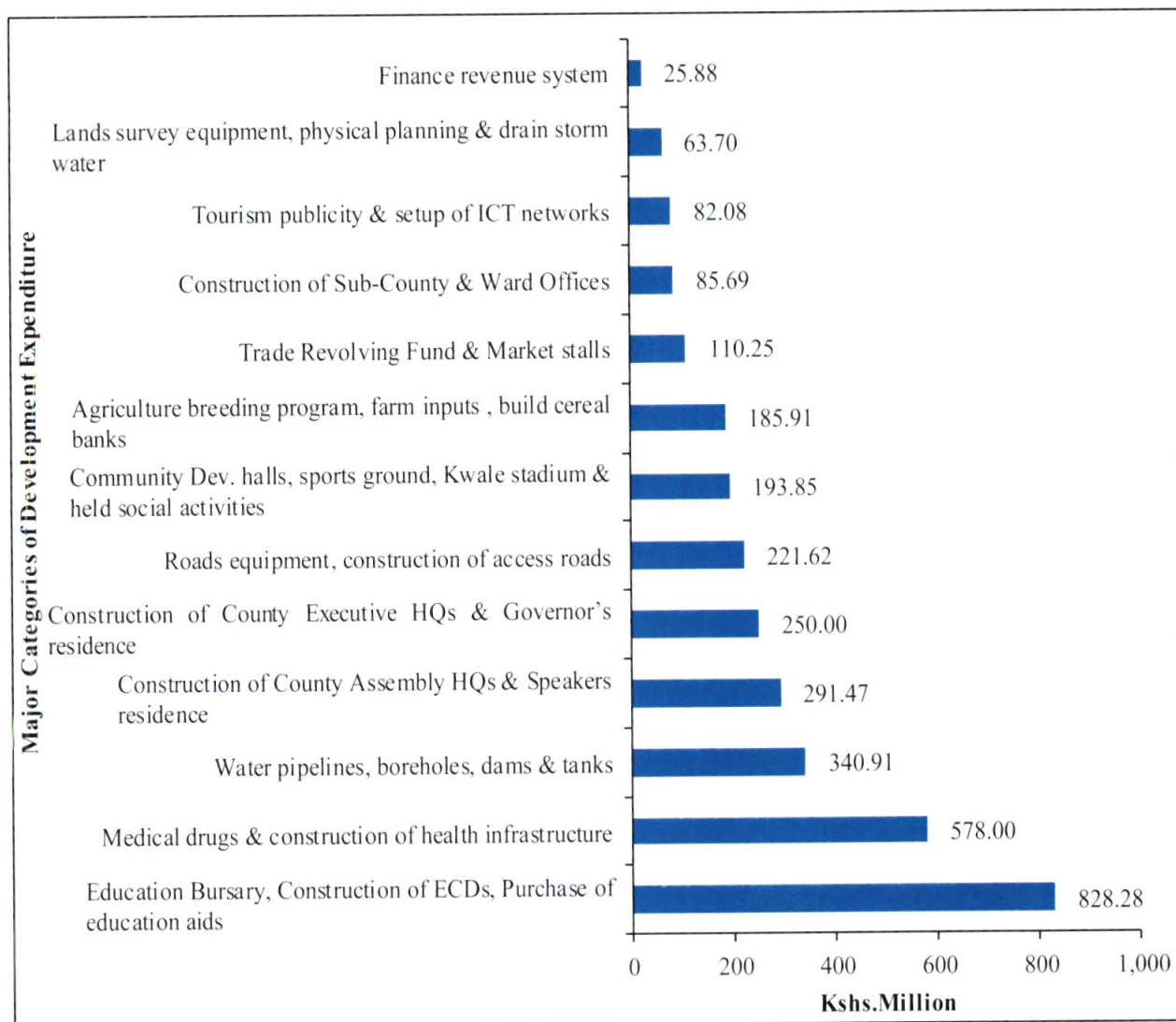


Source: Kwale County Treasury

3.19.7 Analysis of Development Expenditure

The total development expenditure of Kshs.3.26 billion represented 68.4 per cent of the annual development budget of Kshs.4.76 billion. Figure 3.76 provides a summary of development expenditure during the period under review.

Figure 3.76: Kwale County, Summary of Development Expenditure for FY 2015/16



Source: Kwale County Treasury

Analysis of the development expenditure indicated that the highest expenditure of Kshs.828.28 million was incurred by the Education Research and Human Resource department on construction of new ECD Centres and equipping them with education aids, and, distribution of Kshs.400 million as bursary to 34,556 successful applicants in Secondary Schools and Tertiary Colleges.

The second highest expenditure category of Kshs.578 million was incurred by the Medical & Public Health Services department on purchase of medical drugs and equipment for health centres. The Medical & Public Health Services department has also embarked on building health infrastructure like accident units, renal units, maternity wings, and staff houses among others.

3.19.8 Analysis of Budget Performance by Department

Table 3.55 shows a summary of FY 2015/16 annual budget estimates and budget performance by department.

Table 3.57: Kwale County, FY 2015/16 Budget Performance by Department

Department	Budget Allocation (Kshs. Million)		Exchequer Issues (Kshs. Million)		Expenditure (Kshs. Million)		Expenditure to Exchequer Issues (%)		Expenditure to Budget Allocation (Absorption rate (%))	
	Rec	Dev.	Rec	Dev.	Rec	Dev.	Rec	Dev.	Rec	Dev.
Office of the Governor & CPSB	153.27	270.00	153.27	140.50	120.85	250	78.8	177.9	78.8	92.6
Agriculture, Livestock & Fisheries	169.57	230.91	169.57	226.89	160.78	185.91	94.8	81.9	94.8	80.5
Education, Research & HR	186.75	1,107.98	186.75	1,000.56	179.23	828.28	96.0	82.8	96.0	74.8
Medical & Public Health Services	951.52	785.25	951.52	333.39	881.09	578	92.6	173.4	92.6	73.6
Water Services	57.63	501.28	57.63	285.00	41.65	340.91	72.3	119.6	72.3	68.0
Public Service & Administration	132.10	126.97	132.10	126.97	93.43	85.69	70.7	67.5	70.7	67.5
Infrastructure & Public Works	127.41	360.76	127.41	223.63	109.49	221.62	85.9	99.1	85.9	61.4
Community, Culture & Talent Management	72.33	317.26	72.33	225.00	67.93	193.85	93.9	86.2	93.9	61.1
County Assembly	492.66	479.10	492.66	335.00	427.7	291.46	86.8	87.0	86.8	60.8
Lands, Housing & Physical planning	48.96	115.28	48.96	103.00	30.1	63.7	61.5	61.8	61.5	55.3
Tourism and ICT	41.64	155.22	41.64	139.64	36.81	82.08	88.4	58.8	88.4	52.9
Industry, Trade & Investment	57.00	245.47	57.00	219.95	46.87	110.25	82.2	50.1	82.2	44.9
Finance and Economic Planning	355.17	70.00	355.17	70.00	347.71	25.88	97.9	37.0	97.9	37.0
TOTAL	2,846.00	4,765.48	2,846.00	3,429.54	2,543.64	3,257.63	89.4	95.0	89.4	68.4

Source: Kwale County Treasury

Analysis of budget performance by department shows that the Office of the Office of the Governor & CPSB attained the highest absorption rate of development expenditure at 92.6 per cent while Department of Agriculture, Livestock and Fisheries followed at 80.5 per cent. On the other hand, the Finance and Economic Planning department had the highest percentage of recurrent expenditure to recurrent budget at 97.9 per cent

while the Department Lands Housing and Physical Planning had the lowest at 61.5 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 included:

- i. Improvement in absorption of development budget from 55.8 per cent in FY 2014/15 to 68.4 per cent in FY 2015/16.

Despite the progress made, the following challenge continued to hamper effective budget implementation;

1. A decline in local revenue collection by 2.1 per cent from Kshs.254.01 million in FY 2014/15 to Kshs.248.62 million in FY 2015/16.

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

1. *The County Treasury should formulate strategies to enhance local revenue collection.*

3.20 Laikipia County

3.20.1 Overview of the FY 2015/16 Budget

The County's FY 2015/16 Approved Supplementary Budget was Kshs.5.18 billion, comprising of Kshs.3.02 billion (58.2 per cent) and Kshs.2.17 billion (41.8 per cent) for recurrent and development expenditure respectively.

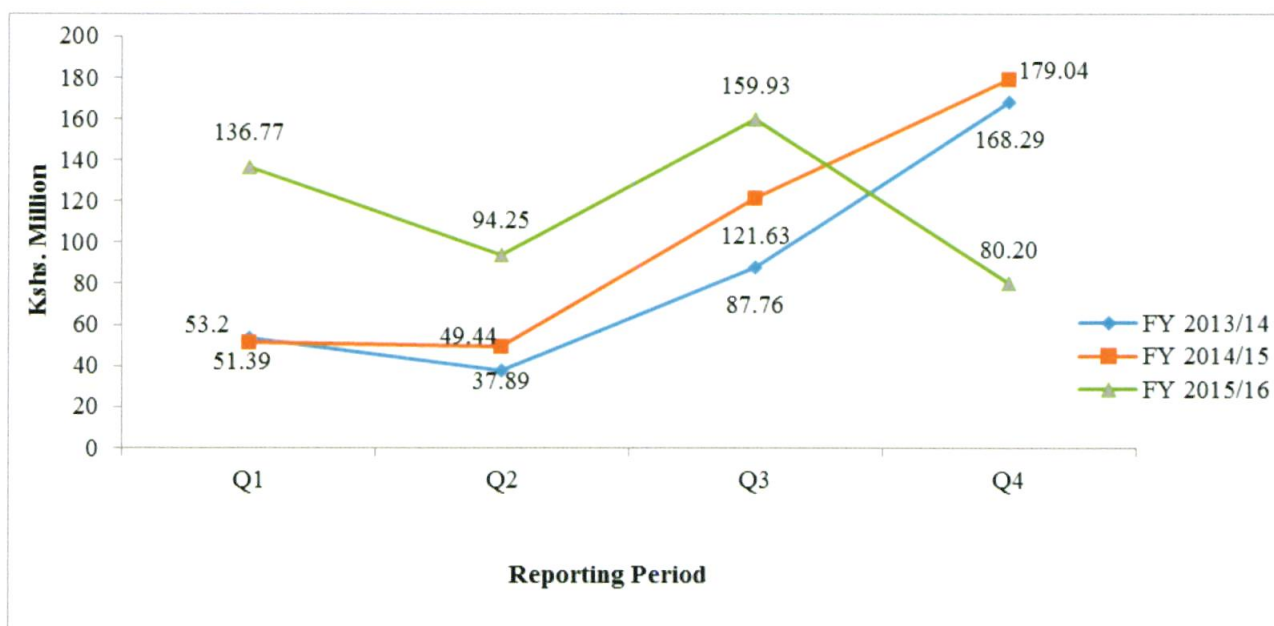
To finance the budget, the county expected to receive Kshs.3.45 billion (67.3 per cent) as equitable share of revenue raised nationally, Kshs.242.85 million (4.7 per cent) as total conditional grants, generate Kshs.500 million (9.7 per cent) from local sources, and had a cash balance of Kshs.334.21 million (6.5 per cent) from FY 2014/15. The conditional grants comprised of Kshs.95.74 million (3.4 per cent) for lease of medical equipment, Kshs.63.61 million (26.2 per cent) for Free Maternal Health Care, Kshs.43.82 million (18 per cent) from the Road Maintenance Fuel Levy Fund, Kshs.9.31 million (3.8 per cent) for User Fees Foregone, Kshs.18.85 million (7.8 per cent) as World Bank grant to support health facilities and Kshs.11.53 million (4.7 per cent) as a grant from DANIDA.

3.20.2 Revenue Analysis

During the year, the County received Kshs.3.17 billion as equitable share of the revenue raised nationally, Kshs.135.96 million as total conditional allocations, raised Kshs.471.15 million from local sources, and had a cash balance of Kshs.334.21 million brought forward from FY 2014/15.

Figure 3.77 shows the quarterly trend in local revenue collection from FY 2013/14 to FY 2015/16.

Figure 3.77: Laikipia County, Trend in Local Revenue Collection by Quarter from FY 2013/14 to FY 2015/16



Source: Laikipia County Treasury

The total local revenue collected in FY 2015/16 of Kshs.471.15 million consisted of Kshs.136.77 million generated in the first quarter, Kshs.94.25 million in the second quarter, Kshs.159.93 million in the third quarter, and Kshs.80.20 million in the fourth quarter. The revenue was 94.2 per cent of the annual local revenue target, and an improvement from Kshs.401.50 million collected in FY 2014/15.

Table 3.58 provides an analysis of the local revenue collected in FY 2015/16 by revenue stream.

Table 3.58: Laikipia County analysis of revenue collected by stream in FY 2015/16

No	Revenue Stream	Annual Target Revenue (Kshs.)	Annual Actual Revenue (Kshs.)	Actual Revenue as a Percentage of Annual Target (%)
1	Parking Fees	35,200,000	53,219,225	151.2
2	Councils Natural Resources & Exploration	35,620,000	36,587,193	102.7
3	Plot Rent	17,500,000	15,261,107	87.2
4	Public Health & Sanitation Service Fees	14,775,000	11,462,648	77.6
5	Land Rates	110,500,000	85,494,515	77.4
6	Business Permits	95,400,000	68,449,039	71.7
7	Housing and Social Premises Use Fees	26,100,000	14,992,742	57.4
8	Market Fees	17,000,000	8,866,009	52.2
9	Technical Assistance fees	29,300,000	13,224,118	45.1
10	Cess	59,670,000	22,040,336	36.9
11	Other Local Revenue	58,935,000	17,279,899	29.3
12	Hospital Collection Fees	-	124,271,156	-
Total		500,000,000	471,147,987	94.2

Source: Laikipia County Treasury

Analysis of the local revenue collected by stream indicated that, parking fees recorded the highest performance against annual target at 151.2 per cent. This was followed by income from natural resources & exploration activities at 102.7 per cent.

Overall, the County achieved 94.2 per cent of its annual revenue target, which can be attributed to increased effort in revenue collection and improved construction of parking spaces in the major towns. In addition, promotion of the tourism sector led to increased revenue from natural resources exploration. The County deposited all locally generated revenue into the County Revenue Fund account maintained at Central Bank of Kenya (CBK) as required by Article 207 (1) of the Constitution.

3.20.3 Conditional Grants

Table 3.59 shows an analysis of the conditional grants released in FY 2015/16.

Table 3.59: Laikipia County analysis of conditional grant releases in FY 2015/16

No	Conditional Grant	Amount allocated as Provided in CARA 2015 (Kshs.)	Actual receipt of the conditional Grant (Kshs)	Actual Receipts as a Percentage of Amount Allocation (%)
1	World Bank Grant	18,845,096.00	18,845,096.00	100.0
2	DANIDA	11,530,000.00	11,530,000.00	100.0
3	Road Maintenance Fuel Levy Fund	43,820,742.00	43,820,740.00	100.0
4	User Fee Foregone	9,305,967.00	9,305,967.00	100.0
5	Free Maternal Health Care	63,610,400.00	52,457,500.00	82.5
6	Leasing of Medical Equipment	95,744,680.00	-	0.0
Grand Total		242,856,885.00	135,959,303.00	56.0

Source: Laikipia County Treasury

All projected revenue from conditional grant was fully realised except Free Maternal Health Care which recorded a performance of 82.5 per cent. The County reported receipt of medical equipment from the Ministry of Health (National Government), though the value of the equipment was not provided by the time of finalizing this report.

3.20.4 Exchequer Issues

During the period under review, the Controller of Budget (COB) authorised withdrawal of Kshs.4.13 billion from the CRF account, which was 79.6 per cent of the Approved Supplementary Budget. The amount represented an increase of 16.7 per cent from Kshs.3.54 billion authorized in FY 2014/15 and consisted of Kshs.2.84 billion (68.8 per cent) for recurrent expenditure and Kshs.1.29 million (31.2 per cent) for development activities.

3.20.5 Overall Expenditure Review

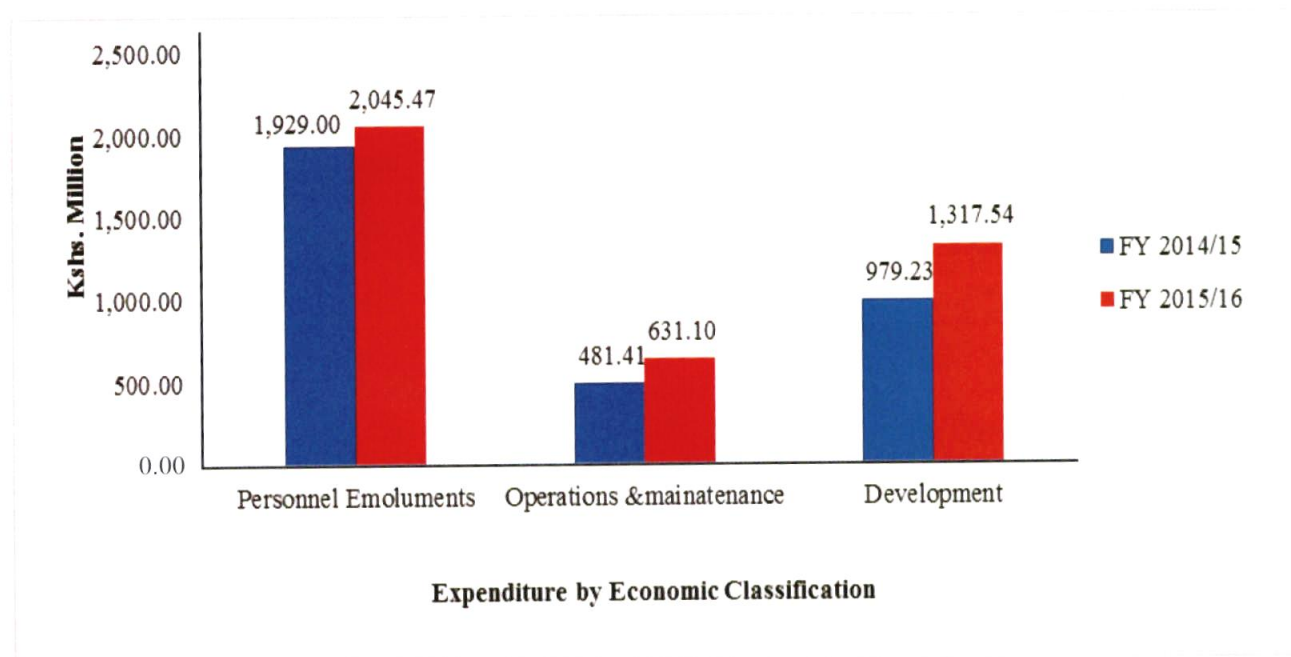
The County spent a total of Kshs.3.99 billion in FY 2015/16, which was 96 per cent of the total funds released for operations. This was an increase from the Kshs.3.39 billion spent in FY 2014/15.

A total of Kshs.2.68 billion was spent on recurrent activities, while Kshs.1.31 million was spent on development activities. The recurrent expenditure was 94.2 per cent of the funds released for recurrent activities while development expenditure accounted for 102.3 per cent of the funds released for development activities. The

expenditure excluded pending bills as at 30th June, 2016 that amounted to Kshs.88 million for development and Kshs.1.04 billion for recurrent expenditure.

The recurrent expenditure represented 88.8 per cent of the annual recurrent budget, and decrease from 96.2 per cent attained in FY 2014/15. Conversely, development expenditure recorded an absorption rate of 60.7 per cent, which was also an increase from 53.9 per cent attained in FY 2014/15. Figure 3.78 presents a comparison between the expenditure in FY 2015/16 and FY 2014/15 by economic classification.

Figure 3.78: Laikipia County, Expenditure by Economic Classification for FY 2015/16 and FY 2014/15



Source: Laikipia County Treasury

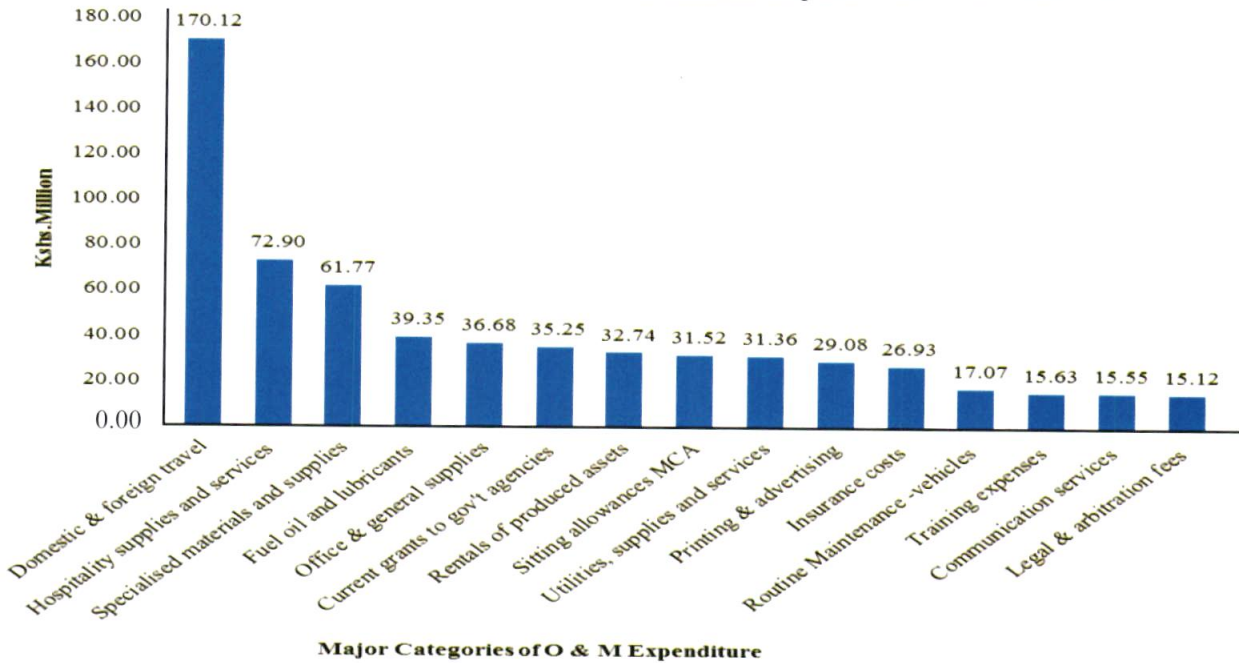
3.20.6 Analysis of Recurrent Expenditure

The total recurrent expenditure of Kshs.2.68 billion represented 88.8 per cent of the annual recurrent budget of Kshs.3.02 billion. The County spent Kshs.2.05 billion (82.3 per cent) on personnel emoluments and Kshs.631.10 million (17.7 per cent) on operations and maintenance as shown in Figure 3.78. Expenditure on personnel emoluments represented an increase of 38.9 per cent compared to FY 2014/15 when the County spent Kshs1.93 billion. The increase is attributed to a growing workforce in the County due to establishment of new offices and recruitment of new officers such as departmental directors. Also payment of arrears and gratuity to former Local Authority staff increased the personnel emoluments.

The County spent Kshs.31.50 million on sitting allowances to the 23 MCAs and the Speaker against the annual budget allocation of Kshs.35.98 million. This was an increase compared to Kshs.17.04 million spent in FY 2014/15. The average monthly sitting allowance was Kshs.109,431 compared to SRC's recommended monthly ceiling of Kshs.124,800.

Expenditure on domestic and foreign travel was Kshs.170.12 million compared to Kshs.109.23 million spent in FY 2014/15, representing a significant increase of 55.7 per cent. Figure 3.79 shows a summary of the operations and maintenance expenditure by major categories.

Figure 3.79: Laikipia County, Operations and Maintenance Expenditure for FY 2015/16

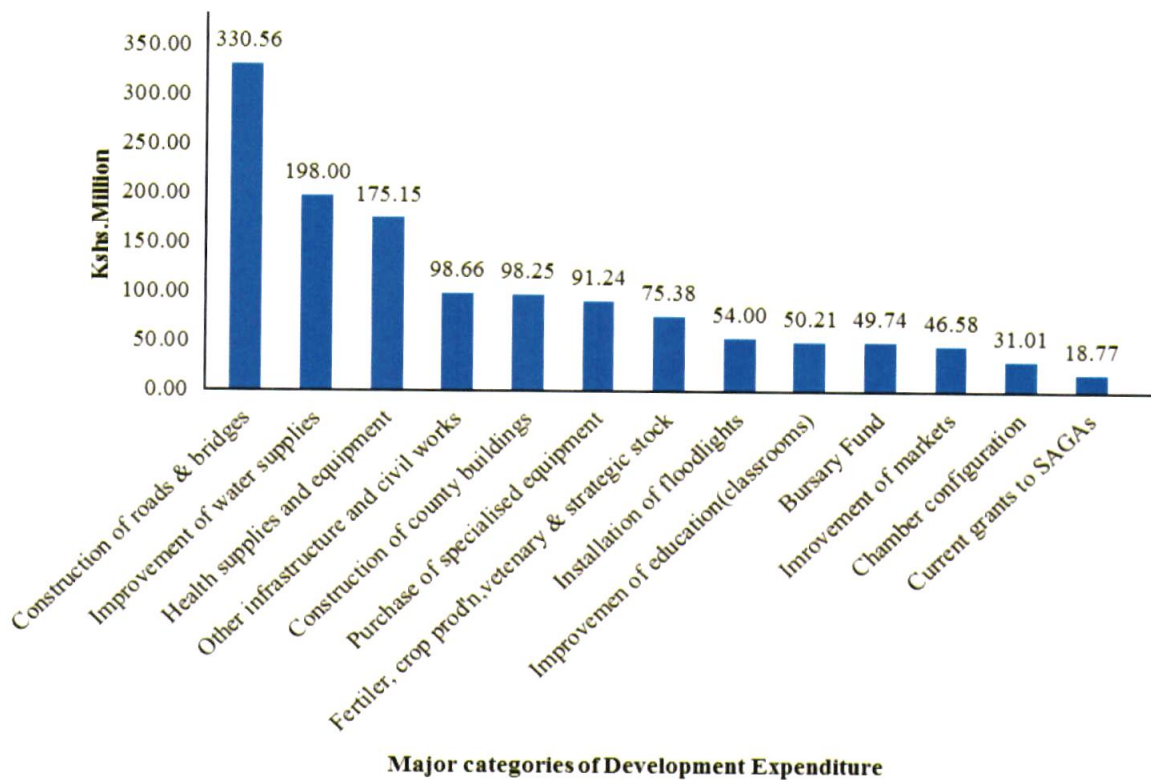


Source: Laikipia County Treasury

3.20.7 Analysis of Development Expenditure

The total development expenditure was Kshs.1.32 billion against an annual development budget of Kshs.2.17 billion, representing 60.7 per cent of the annual development budget. Figure 3.80 provides a summary of development expenditure during the period under review.

Figure 3.80: Laikipia County, Summary of Development Expenditure for FY 2015/16



Source: Laikipia County Treasury

Analysis of the development expenditure in FY 2015/16 indicated that the highest expenditure of Kshs.330.56 million was incurred by the Infrastructure department on opening, gravelling and grading of roads, and maintenance and rehabilitation and construction of bridges. A total of 135 kilometres of roads were opened, 87.3 kilometres gravelled, 677 kilometres graded while four bridges were rehabilitated. The second highest expenditure of Kshs.198 million was incurred by the Water, Environment, Forestry and Natural Resources department on improvement of water supplies, drilling bore holes, construction of water tanks, and laying of water pipes. Also a total of Kshs.31.01 million was spent by the County Assembly on refurbishment of the County Assembly chambers.

3.20.8 Analysis of Budget Performance by Department

Table 3.60 shows a summary of FY 2015/16 annual budget estimates and budget performance by department.

Table 3.60: Laikipia County, FY 2015/16 Budget Performance by Department

Department	Budget Allocation (Kshs.Millions)		Exchequer Issues (Kshs.Millions)		Expenditure (Kshs. Millions)		Expenditure to Exchequer Issues (%)		Expenditure to Budget Allocation (Absorption rate (%))	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
Agriculture	22.17	104.06	21.81	69.61	19.97	66.44	91.6	95.4	90.1	63.8
Education, Gender, Sports, Culture & Social Services	30.00	99.60	26.65	75.00	23.99	75.00	90.0	100.0	80.0	75.3
County Administration	2,104.34	283.78	2,073.30	52.92	1,971.95	54.83	95.1	103.6	93.7	19.3
Infrastructure	21.50	305.82	18.81	292.32	17.37	274.67	92.3	94.0	80.8	89.8
Finance & Planning	228.50	771.00	119.05	386.24	101.07	432.08	84.9	111.9	44.2	56.0
Trade, Industrialization & Tourism	21.00	68.70	19.42	65.70	17.83	68.70	91.8	104.6	84.9	100.0
Health	193.00	353.11	167.99	189.53	164.97	189.53	98.2	100.0	85.5	53.7
Water, Environment, Forestry & Natural Resources	14.24	152.00	13.74	125.30	10.78	125.29	78.5	100.0	75.7	82.4
County Assembly	380.49	31.07	380.49	31.07	348.64	31.01	91.6	99.8	91.6	99.8
Total	3,015.24	2,169.14	2,841.26	1,287.69	2,676.57	1,317.55	94.2	102.3	88.8	60.7

Source: Laikipia County Treasury

Analysis of budget performance by department shows that the Department of Trade, Industry and tourism attained the highest absorption rate of development expenditure at 100 per cent. The County Assembly had the highest percentage of recurrent expenditure to recurrent budget at 91.6 per cent while the Department of Finance and Planning had the lowest at 80.8 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;

- iv. Improvement in revenue collection by 17.6 per cent from Kshs.400.80 million in FY 2014/15 to

Kshs.417.15 million in FY 2015/16.

- v. Improvement in absorption of development budget from 53.9 per cent in FY 2014/15 to 60.7 per cent in FY 2015/16.

Despite the progress made, 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 execution reports.
2. Failure by Fund Administrators to submit expenditure reports on the established County Funds. This is contrary to Section 168(3) of the PFM Act, 2012 and affected completeness of budget reporting.
3. A high wage bill which increased from Kshs.1.93 billion in FY 2014/15 to Kshs.2.05 billion in FY 2015/16, and represented 51.2 per cent of total expenditure.
4. 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 in line with Section 166 (4) of PFM Act, 2012.*
2. *The CECM-F should ensure timely submission of expenditure reports on the established County Funds in line with Section 168 of the PFM Act, 2012.*
3. *The County Public Service Board should establish an optimal staffing structure in order to manage the wage bill. Further, there is need to ensure compliance with the personnel emoluments ceiling of 35 per cent provided under the Public Finance Management (County Governments) Regulations, 2015.*
4. *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.*

3.21 Lamu County

3.21.1 Overview of the FY 2015/16 Budget

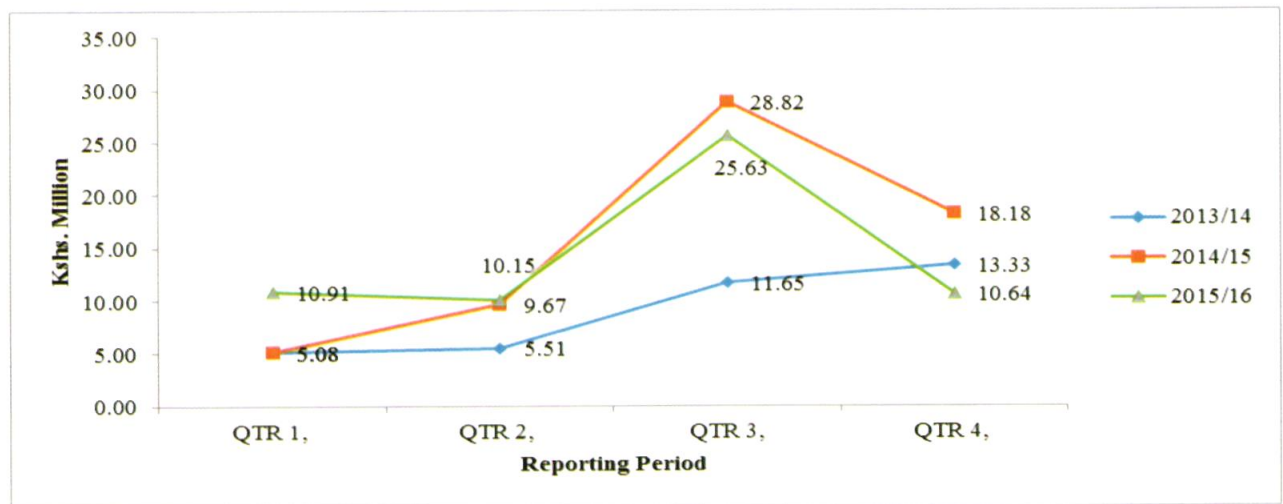
The County's FY 2015/16 Approved Supplementary Budget was Kshs.3.18 billion, comprising of Kshs.1.76 billion (55.3 per cent) and Kshs1.42 billion (44.7 per cent) allocated for recurrent and development expenditure respectively.

To finance the budget, the County expected to receive Kshs.2.05 billion (64.5 per cent) as equitable share of revenue raised nationally, Kshs.167.75 million (5.2per cent) as total conditional grants, generate Kshs.107 million (3.4 per cent) from local sources ,Ksh.25 million from donations (0.8 per cent) and had a cash balance of Kshs.828.60 million (26.1 per cent) from FY 2014/15. The conditional grants comprised of Kshs.100 million (3.1 per cent) for Emergency Medical Services, Kshs.16.76 million (0.5 per cent) for Free Maternal Health Care, Kshs.26.07 million (0.8 per cent) from the Road Maintenance Fuel Levy Fund, Kshs.2.37 million (0.07 per cent) for User Fees Foregone, Ksh.14.91 (0.5 per cent) World Bank loan to supplement health facilities and Kshs.7.64 million (0.2 per cent) as a grant from DANIDA.

3.21.2 Revenue Analysis

During the year, the County received Kshs.2.05 billion as equitable share of revenue raised nationally, Kshs.151.72 million as total conditional allocations, raised Kshs.57.32 million from local sources, and had a cash balance of Kshs.828.60 million brought forward from FY 2014/15. Figure 3.81 shows the quarterly trend in local revenue collection from FY 2013/14 to FY 2015/16.

Figure 3.81: Lamu County, Trend in Local Revenue Collection by Quarter from FY 2013/14 to FY 2015/16



Source: Lamu County Treasury

The total local revenue collected for the FY 2015/16 of Kshs.57.32 million consisted of Kshs.10.91 million generated in the first quarter, Kshs.10.15 million in the second quarter, Kshs.25.63million in the third quarter, and Kshs.10.64 million in the fourth quarter. The revenue was 53.6 per cent of the annual local revenue target, a decrease from Kshs.61.67 million collected in FY 2014/15.

Table 3.61 provides an analysis of the local revenue collected in FY 2015/16 by revenue stream.

Table 3.61: Lamu County analysis of revenue collected by stream in FY 2015/16

No.	Revenue Stream	Annual Targeted Revenue (Kshs.)	Annual Actual Revenue (Kshs.)	Revenue Performance (%)
1	Building & plan approval	480,000.00	1,125,634.00	234.5
2	Promotion fees	400,000.00	113,500.00	28.4
3	Other revenue streams	4,102,400.00	15,722,721.00	383.3
4	Public Health, Medical Levies and Hospital fees	15,200,000.00	10,762,011.00	70.8
5	Cess collection	5,560,000.00	3,370,579.00	60.6
6	Fisheries	600,000.00	403,650.00	67.3
7	Local quarry	1,000,000.00	715,002.00	71.5
8	District Veterinary Office	1,200,000.00	1,103,825.00	92.0
9	Market fees	4,957,600.00	2,408,299.00	48.6
10	Single Business Permit	20,400,000.00	5,899,420.00	28.9
12	Property rates	51,000,000.00	4,576,687.00	9.0
13	Sign Board and Bill Boards	2,100,000.00	125,500.00	6.0
15	M.ATDC/AMS(Agriculture Department)	-	10,997,572.00	-
TOTAL		107,000,000.00	57,324,400.00	53.6

Source: Lamu County Treasury

Analysis of the local revenue by stream indicated that building and plan approval fees recorded the highest performance against annual target at 234.5 per cent. This was followed by District Veterinary income at 92.0 per cent, and local quarry cess at 71.5 per cent.

The County deposited all locally generated revenue into the County Revenue Fund account maintained at Central Bank of Kenya (CBK) as required by Article 207 (1) of the Constitution.

3.21.3 Conditional Grants

Table 3.62 shows an analysis of the conditional grants released in FY 2015/16.

Table 3.62: Lamu County analysis of conditional grant releases in FY 2015/16

	Conditional Grant	Amount allocated as provided in CARA,2015 (Kshs.)	2015/2016 Actual receipt of the conditional Grant (Kshs.)	Actual Receipts as a percentage of Annual Allocation (%)
1	Road Maintenance Fuel Levy Fund	26,065,747	26,065,747	100.0
2	Free Maternal Health Care	16,762,200	12,337,500	73.6
3	User Fees Foregone	2,366,871	2,366,871	100.0
4	DANIDA Grant	7,640,000	3,820,000	50.0
5	World Bank Loan.	14,910,000	7,132,526	47.8
6	Special Grant for Emergency Medical Services	100,000,000	100,000,000	100.0
	Total	167,744,818	151,722,644	90.45

Source: Lamu County Treasury

Analysis of the conditional grant releases indicated that the special grant for Emergency Medical Services, Road Maintenance Fuel Levy Fund, and User Fees Foregone recorded the highest performance against annual target at 100 per cent. This was followed by releases towards Free Maternal Health Care at 73.6 per cent, grant from DANIDA, and World Bank Loan which recorded performance of 50 per cent and 47.8 per cent of the annual target respectively.

3.21.4 Exchequer Issues

During the period under review, the Controller of Budget (COB) authorised withdrawal of Kshs.2.48 billion from the CRF account, which was 78.1 per cent of the Approved Supplementary Budget. The amount represented an increase of 27.2 per cent from Kshs.1.95 billion authorized in FY 2014/15 and consisted of Kshs.1.71 billion (69.0 per cent) for recurrent expenditure and Kshs.770.25 million (31.0 per cent) for development activities.

3.21.5 Overall Expenditure Review

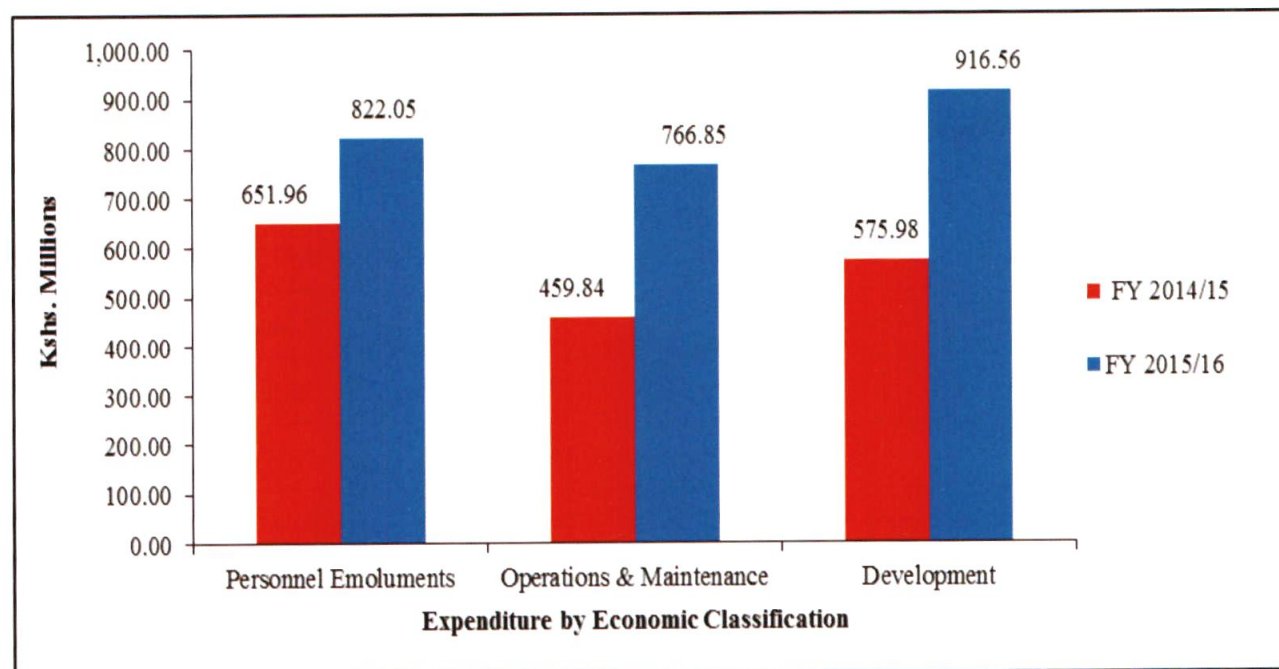
The County spent a total of Kshs.2.51 billion in FY 2015/16, which was 78.8 per cent of the funds released for operations. This was an increase from the Kshs.1.72 billion spent in FY 2014/15.

A total of Kshs.1.59 billion was spent on recurrent activities, while Kshs.916.56 million was spent on development activities. The recurrent expenditure was 92.8 per cent of the funds released for recurrent

activities while development expenditure accounted for 119.0 per cent of the funds released for development activities. The expenditure excluded pending bills as at 30th June, 2016 that amounted to Kshs.125.08 million for development and Kshs.63.31 million for recurrent expenditure.

The recurrent expenditure represented 90.4 per cent of the annual recurrent budget, an increase from 83.0 per cent attained in FY 2014/15. Conversely, development expenditure recorded an absorption rate of 64.4 per cent, which was also an increase from 50.8 per cent absorbed in FY 2014/15. Figure 3.82 presents a comparison between the expenditure in FY 2015/16 and FY 2014/15 by economic classification.

Figure 3.82: Lamu County, Expenditure by Economic Classification for FY 2015/16 and FY 2014/15



Source: Lamu County Treasury

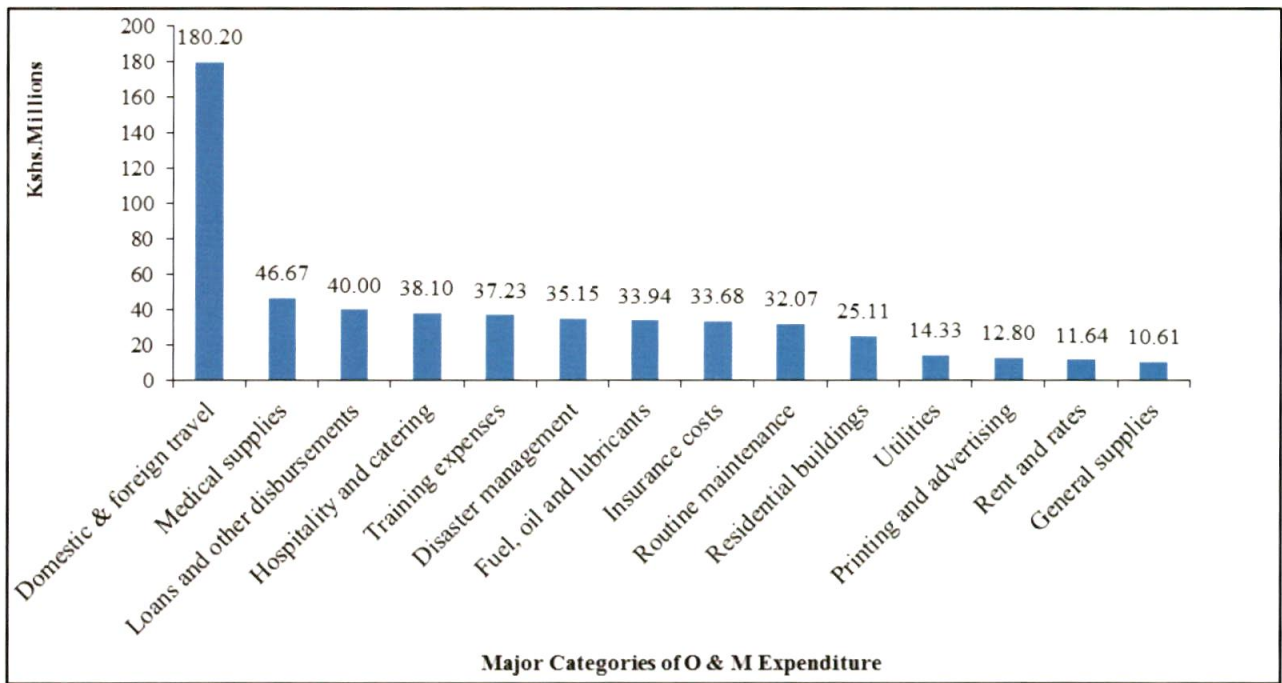
3.21.6 Analysis of Recurrent Expenditure

The total recurrent expenditure was Kshs.1.59 billion against an annual recurrent budget of Kshs.1.76 billion, representing 90.4 per cent of the annual recurrent budget. The County spent Kshs.822.05 million (51.7 per cent) on personnel emoluments and Kshs.766.85 million (48.3 per cent) on operations and maintenance as shown in Figure 3.82. The expenditure on personnel emoluments represented an increase of 26.1 per cent compared to FY 2014/15 when the County spent Kshs.651.96 million.

The County spent Kshs.21.49 million on sitting allowances to the 20 MCAs and the Speaker against the annual budget allocation of Kshs.24.10 million. This was a decrease compared to Kshs.24.24 million spent in FY 2014/15. The average monthly sitting allowance was Kshs.85,263 compared to SRC's recommended monthly ceiling of Kshs.124,800.

Expenditure on domestic and foreign travel was Kshs.180.20 million compared to Kshs.107.55 million spent in FY 2014/15, representing an increase of 67.5 per cent. Figure 3.83 shows a summary of the operations and maintenance expenditure by major categories.

Figure 3.83: Lamu County, Operations and Maintenance Expenditure for FY 2015/16

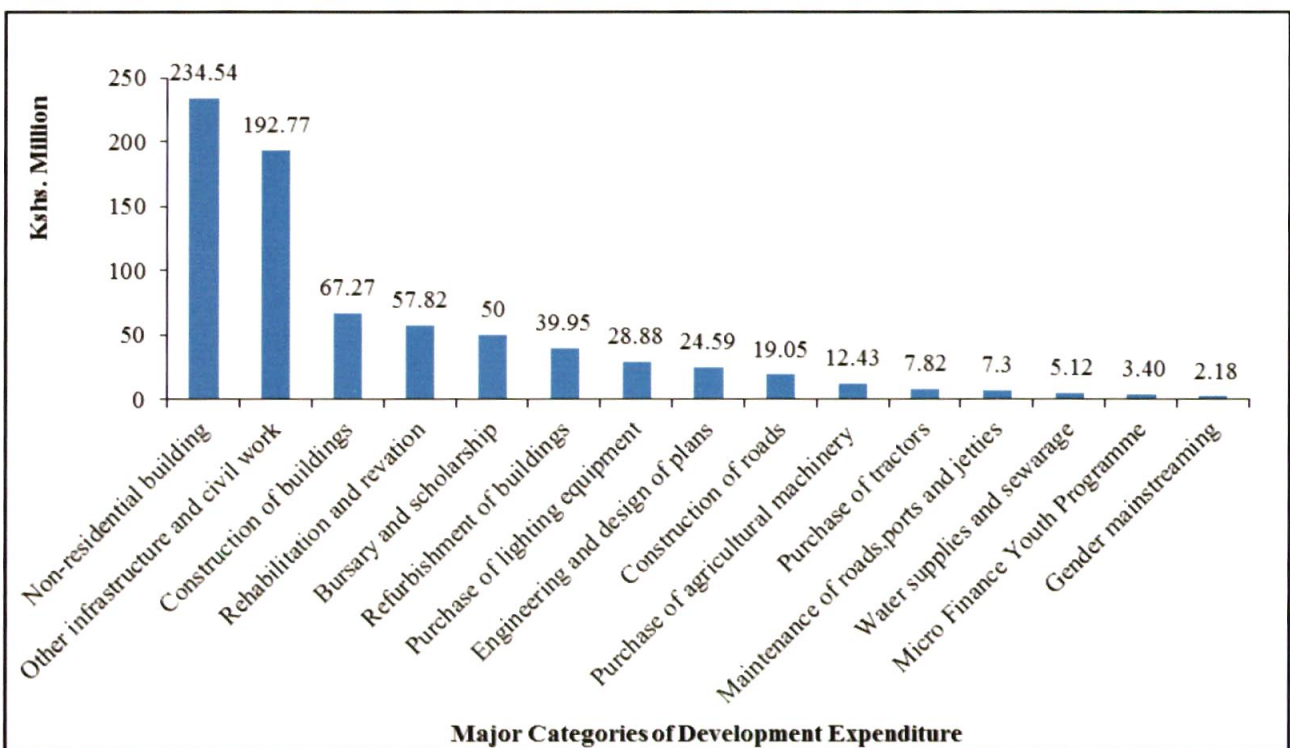


Source: Lamu County Treasury

3.21.7 Analysis of Development Expenditure

The total development expenditure was Kshs.916.56 million against an annual development budget of Kshs.1.42 billion, representing 64.4 per cent of the annual development budget. Figure 3.84 provides a summary of development expenditure during the period under review.

Figure 3.84: Lamu County, Summary of Development Expenditure for FY 2015/16



Source: Lamu County Treasury

Analysis of the development expenditure by category indicated that the highest expenditure of Kshs.234.54 million was incurred on construction of non-residential buildings, which included construction of the County Headquarters and other offices. The second highest expenditure of Kshs.192.77 million was incurred on other infrastructure and civil works. A total of Kshs.67.27 million was spent on construction of other buildings by the Department of Education, which constructed a total of 30 ECDs. A total of Kshs.57.82 million was spent to refurbish offices by the County Executive and County Assembly.

3.21.8 Analysis of Budget Performance by Department

Table 3.61 shows a summary of FY 2015/16 annual budget estimates and budget performance by department.

Table 3.63: Lamu County, FY 2015/16 Budget Performance by Department

Department	Annual Budget Allocation (Kshs. Million)		Exchequer Issues (Kshs.Million)		Expenditure (Kshs.Million)		Expenditure to Exchequer Issues (%)		Expenditure to Annual Budget (Absorption rate %)	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
County Assembly Services	344.78	105.92	344.52	31.46	331.15	57.96	96.1	184.2	96.0	54.7
County Executive Services	376.58	195.08	360.31	85.54	330.57	161.26	91.7	188.5	87.8	82.7
Finance & Economic Planning	157.85	26.33	157.85	19.33	150.62	24.66	95.4	127.6	95.4	93.7
County Public Service Board	45.06	-	41.91	-	40.86	0	97.5	0.0	90.7	0.0
Agriculture and Irrigation	67.73	54.56	67.73	29.36	59.07	50.24	87.2	171.1	87.2	92.1
Land, Physical Planning, Infrastructure, Water, Urban Development and Natural Resources	53.01	298.41	53.01	152.85	48.74	215.06	91.9	140.7	91.9	72.1
Education, Gender, Sports, Youth & Social Services	54.48	234.4	54.48	137.25	52.63	174.57	96.6	127.2	96.6	74.5
Health & Sanitation	522.49	366.56	497.39	235.03	448.54	149.79	90.2	63.7	85.8	40.9
Trade, Culture ,Tourism& Investment Development	35.67	47.23	35.67	23.62	33.45	36.35	93.8	153.9	93.8	77.0
Fisheries, Livestock, Veterinary & Co-operative Development	68.67	78.78	68.67	47.89	63.91	42.89	93.1	89.6	93.1	54.4
ICT & E-Government and Public Participation	30.79	15.84	30.79	7.92	29.37	3.77	95.4	47.6	95.4	23.8
Total	1,757.11	1,423.11	1,712.33	770.25	1,588.91	916.55	92.8	119.0	90.4	64.4

Source: Lamu County Treasury

Analysis of budget performance by department shows that the Department of Finance and Economic Planning attained the highest absorption rate of development expenditure at 93.7 per cent while the Department of ICT, E-government and Public Participation attained the lowest at 23.8 per cent. The County Assembly had the highest percentage of the recurrent budget at 96.1 per cent while the Department of Health and Sanitation had the lowest at 85.9 per cent.

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:

1. Improvement in absorption of development budget. In FY 2015/16, the County attained an absorption rate of 64.4 per cent compared to 33.5 per cent in FY 2014/15.
2. Adoption of IFMIS in processing financial transactions.
3. Improvement in human capacity through recruitment of additional key staff and continuous training.

Despite the progress made, 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 execution reports.
2. Delay in approval of key planning policy documents such as the ADP, CFSP and CBROP by the County Assembly, which affected budget execution.
3. Underperformance in local revenue collection. The local revenue collection has declined by 7.6 per cent from Kshs.61.67 million in FY 2014/15 to Kshs.57.32 million in FY 2015/16.
4. Failure to constitute the County Budget and Economic Forum (CBEF) as required by Section 137 of the PFM Act, 2012 for consultation in the budget process and economic matters.

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 (4) of PFM Act, 2012.*
2. *The County Assembly should observe the budget timelines as stipulated in law with regard to approval of key planning documents in order to facilitate smooth implementation of the budget.*
3. *The County Treasury should formulate strategies to enhance local revenue collection.*
4. *The County should establish an effective County Budget and Economic Forum for consultation in the budget process and economic matters in line with Section 137 of the PFM Act, 2012.*

3.22 Machakos County

3.22.1 Overview of the FY 2015/16 Budget

The County's FY 2015/16 Approved Supplementary Budget was Kshs.11.72 billion, comprising of Kshs.6.02 billion (51.4 per cent) and Kshs.5.70 billion (48.6 per cent) allocated for recurrent and development expenditure respectively.

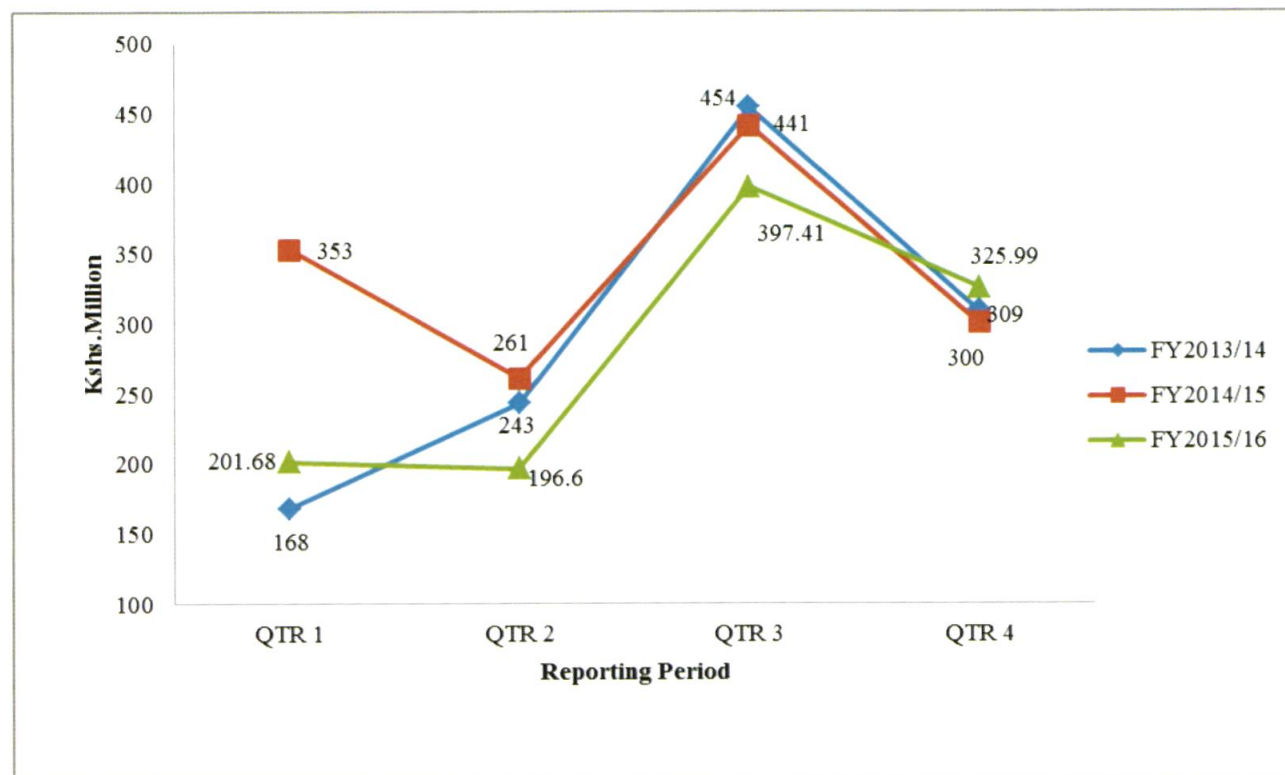
To finance the budget, the County expected to receive Kshs.6.77 billion (57.8 per cent) as equitable share of revenue raised nationally, Kshs.2.58 billion (22.0 per cent) as total conditional grants, generate Kshs.2.37 billion (20.2 per cent) from local sources, and had a cash balance of Kshs.538 million from FY 2014/15. The conditional grants comprised of Kshs.304.32 million (11.8 per cent) for Level 5 Hospital, Kshs.97.13 million (3.8 per cent) for Free Maternal Health Care, Kshs.85.98 million (3.3 per cent) from the Road Maintenance Fuel Levy Fund, Kshs.25.61 million (1.0 per cent) for User Fees Foregone, Kshs.95.74 million (3.7 per cent) for Leasing of Medical Equipment, Kshs.26.7 million (1.1 per cent) as a grant from DANIDA, Kshs.180 million (7 per cent) as other loans and grants and Kshs.1.76 billion (68.3 per cent) other unspecified grants, not contained in CARA,2015.

3.22.2 Revenue Analysis

During the year, the County received Kshs.6.77 billion as equitable share of the revenue raised nationally, Kshs.539.75 million as total conditional allocations, raised Kshs.1.12 billion from local sources, and had a cash balance of Kshs.538 million brought forward from FY 2014/15.

Figure 3.85: Shows the quarterly trend in local revenue collection from FY 2013/14 to FY 2015/16.

Figure 3.85: Machakos County, Trend in Local Revenue Collection by Quarter from FY 2013/14 to the FY 2015/16



Source: Machakos County Treasury

The total local revenue collected for the FY 2015/16 of Kshs.1.12 billion consisted of Kshs.201.68 million generated in the first quarter, Kshs.196.60 million in the second quarter, Kshs.397.41 million in the third quarter, and Kshs.325.99 million in the fourth quarter. The revenue was 47.3 per cent of the annual local revenue target, a decrease from Kshs.1.37 billion collected in FY 2014/15.

Figure 3.69 provides an analysis of the local revenue collected in FY 2015/16 by revenue stream.

Table 3.64: Machakos County, Analysis of revenue collection per stream for the FY 2015/16.

No.	Revenue Stream	Targeted Receipts	Actual Receipts	Actual Revenue as percentage of Annual Targets (%)
1	Cess Receipts	51,881,288.00	10,173,681.00	19.6
2	Property Rates	389,415,731.00	194,305,215.50	49.9
3	Liquor Licenses	107,739,304.00	62,677,357.00	58.2
4	Quarry	244,173,538.00	163,945,473.00	67.1
5	Receipts From Royalties Other (Sand Harvesting/ Gravel)	335,643,994.00	63,104,222.65	18.8
6	House Rents	33,511,236.00	2,324,356.00	6.9
7	Building Plan Approval	221,850,218.00	164,386,870.00	74.1
8	Receipts From Administrative Fees And Charges	100,202,732.00	53,149,018.25	53.0
9	Game Park Fees	8,197,272.00	8,443,206.00	103.0
10	Sign Board And Advertisement Fee	72,852,242.00	35,013,041.00	48.1
11	Single Business Licences	282,239,362.00	197,985,046.00	70.1
12	Parking Fees	132,768,350.00	78,695,119.00	59.3
13	Market Fees	78,923,070.00	47,829,717.10	60.6
14	Sale Of Tender Documents	3,270,310.00	711,000.00	21.7
15	Receipts From Fines, Penalties, Forfeitures And Other Charges	8,277,913.00	1,101,871.00	13.3
16	Miscellaneous Receipts	10,051,334.00	2,473,270.00	24.6
17	Others	290,635,684.00	35,362,486.00	12.2
	Totals	2,371,633,578.00	1,121,680,949.50	47.3

Source: Machakos County Treasury.

Analysis of the local revenue by stream indicated that, game park fees recorded the highest performance against annual target at 103 per cent. This was followed by building plan approval fees at 74.1 per cent, and quarry cess at 67.1 per cent.

The County deposited all locally generated revenue into the County Revenue Fund account maintained at Central Bank of Kenya (CBK) as required by Article 207 (1) of the Constitution.

3.22.3 Conditional Grants

Table 3.63 shows an analysis of the conditional grants released in FY 2015/16.

Table 3.65: Machakos County analysis of conditional grant releases in FY 2015/16

No.	Conditional Grant	Amount allocated as provided in CARA 2015 (Kshs.)	Actual receipt of the Conditional Grant (Kshs.)	Actual receipts as a percentage of Annual Allocation (%)
1	Level 5 Hospitals	304,326,286	304,326,286	100
2	Road Maintenance Fuel Levy Fund	85,984,407	85,984,411	100
3	Free Maternal Health Care	97,134,800	96,395,000	99.2
4	User Fees Foregone	25,607,954	25,607,954	100
5	DANIDA Grant	26,700,000	-	-
6	Other loans and grants	180,000,000	-	-
7	Leasing of Medical Equipment	95,744,681	-	-
Total		815,498,128	512,313,651	62.8

Source: Machakos County Treasury

The projected revenue from three conditional grants, namely; Level 5 Hospital, Road Maintenance Fuel Levy Fund, and User Fees Forgone was fully realized while the Free Maternal Health Care grant recorded 99.2 per cent of the annual target. The County did not report receipt of any revenue from the DANIDA grant, the Leasing of Medical Equipment grant and the Other Loans and Grants category.

3.22.4 Exchequer Issues

During the period under review, COB authorised withdrawal of Kshs.8.50 billion from the CRF account, which was 72.5 per cent of the Approved Supplementary Budget. The amount represented an increase of 24.8 per cent from Kshs.6.81 billion authorized in FY 2014/15 and consisted of Kshs.5.96 billion (70.1 per cent) for recurrent expenditure and Kshs.2.54 billion (29.9 per cent) for development activities.

3.22.5 Overall Expenditure Review

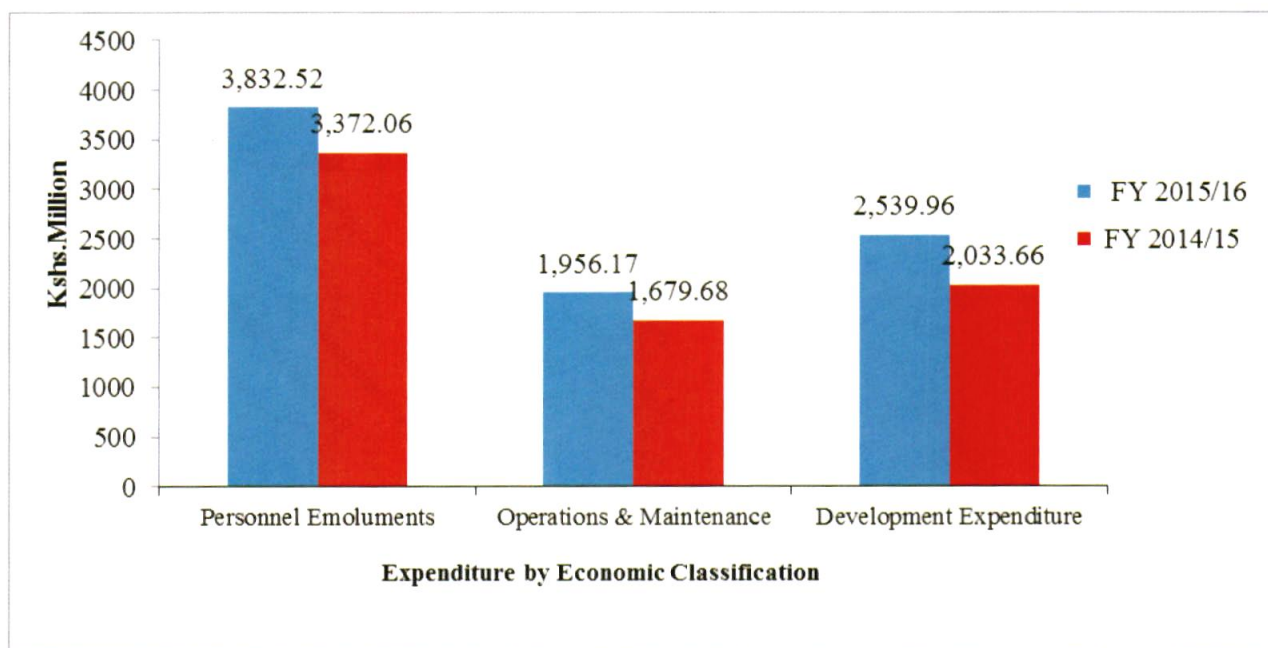
The County spent a total of Kshs.8.33 billion in FY 2015/16, which was 98 per cent of the total funds released for operations. This was an increase from the Kshs.7.08 billion spent in FY 2014/15.

A total of Kshs.5.79 billion was spent on recurrent activities, while Kshs.2.54 billion was spent on development activities. The recurrent expenditure was 97.1 per cent of the funds released for recurrent activities while development expenditure accounted for 100 per cent of the funds released for development activities. The County Treasury did not provide a report on pending bills as at 30th June, 2016.

The recurrent expenditure represented 96.2 per cent of the annual recurrent budget, a decrease from 103.1 per cent attained in FY 2014/15. Conversely, development expenditure recorded an absorption rate of 44.6

per cent, which was a decrease from 46.7 per cent attained in FY 2014/15. Figure 3.86 presents a comparison between the expenditure in FY 2015/16 and FY 2014/15 by economic classification.

Figure 3.86: Machakos County, Expenditure by Economic Classification for FY 2014/15 and FY 2015/16



Source: Machakos County Treasury

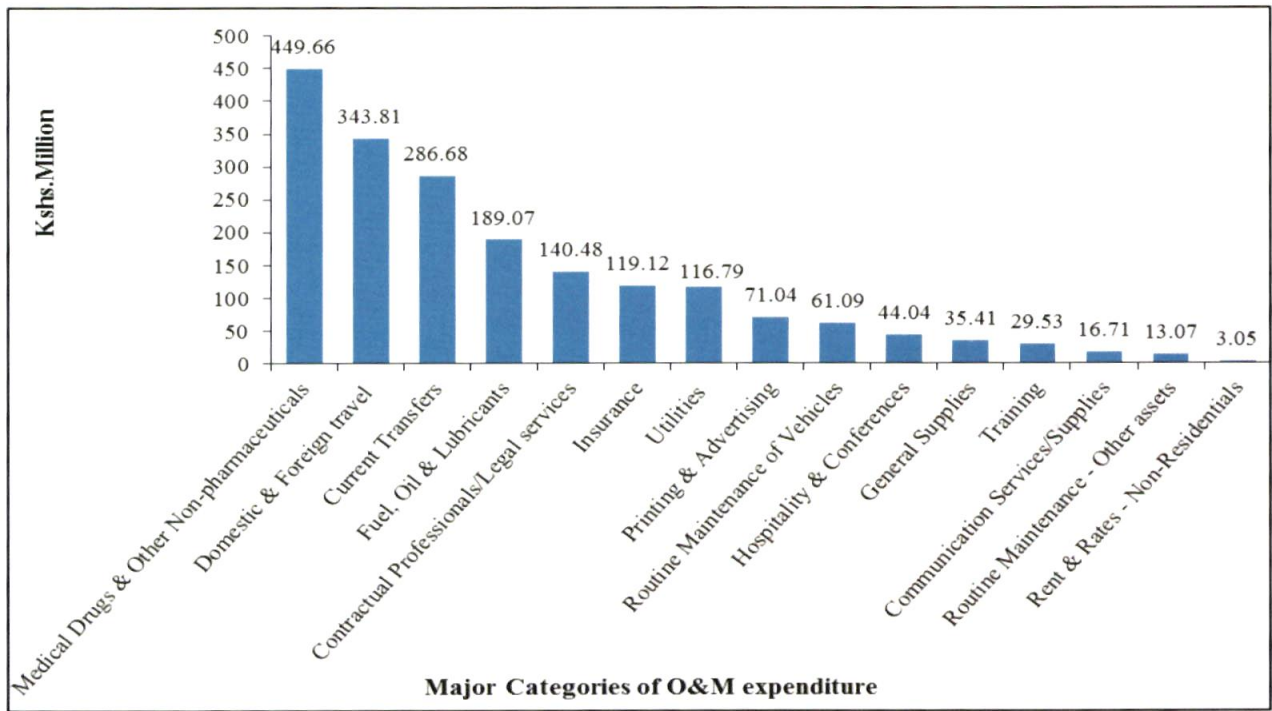
3.22.6 Analysis of Recurrent Expenditure

The total recurrent expenditure was Kshs.5.79 billion against an annual recurrent budget of Kshs.6.02 billion, representing 96.2 per cent of the annual recurrent budget. The County spent Kshs.3.83 billion (67.4 per cent) on personnel emoluments and Kshs.1.96 million (32.6 per cent) on operations and maintenance as shown in Figure 3.86. Expenditure on personnel emoluments represented an increase of 15.5 per cent compared to FY 2014/15 when the County spent Kshs.3.37 billion. The increase is attributed to the growing workforce, mainly in the Health and Water sector.

The County spent Kshs.60.99 million on sitting allowances to the 60 MCAs and the Speaker against the annual budget allocation of Kshs.69 million. This was an increase compared to Kshs.39.99 million spent in FY 2014/15. The average monthly sitting allowance was Kshs.84,714 compared to SRC’s recommended monthly ceiling of Kshs.124, 800.

Expenditure on domestic and foreign travel was Kshs.343.81 million compared to Kshs.230.13 million spent in FY 2014/15, representing an increase of 49.4 per cent. Figure 3.87 shows a summary of the operations and maintenance expenditure by major categories.

Figure 3.87: Machakos County, Operations and Maintenance Expenditure for FY 2015/16

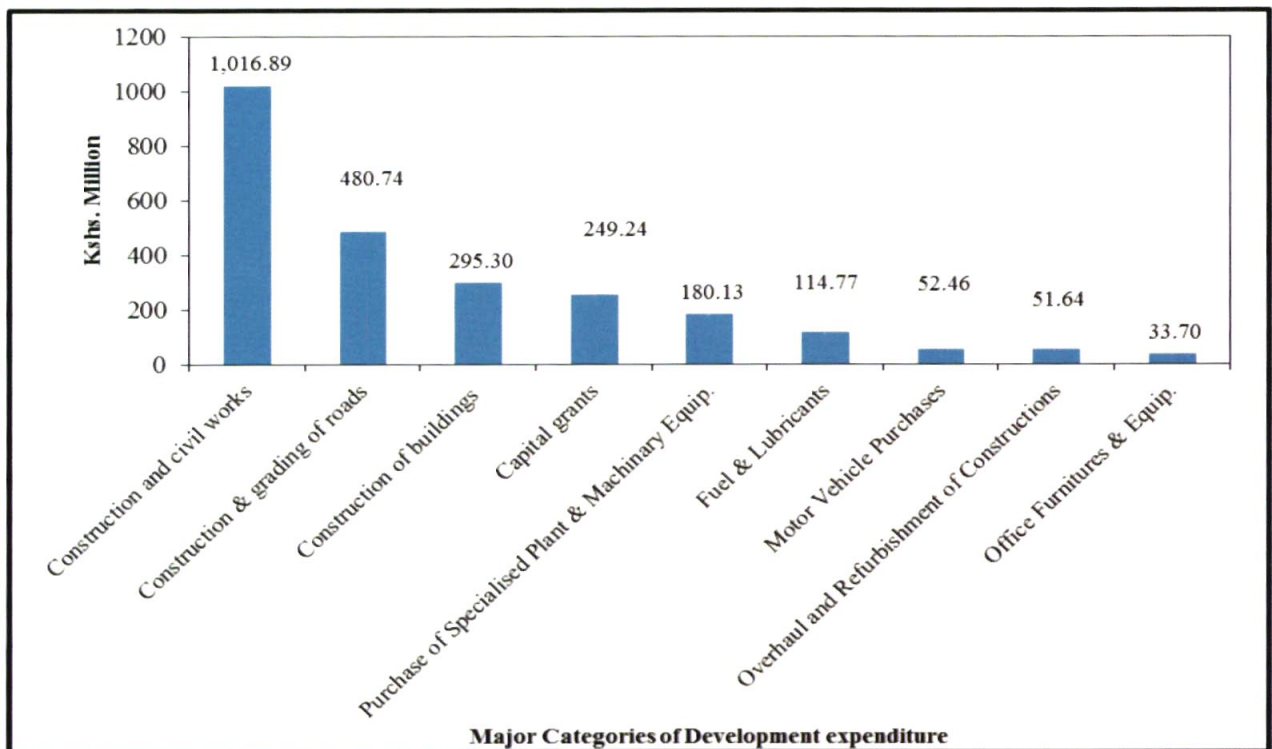


Source: Machakos County Treasury

3.22.7 Analysis of Development Expenditure

The total development expenditure was Kshs.2.54 billion against an annual development budget of Kshs.5.69 billion, representing 44.6 per cent of the annual development budget. Figure 3.88 provides a summary of development expenditure during the period under review.

Figure 3.88: Machakos County, Summary of Development Expenditure for the FY 2015/16



Source: Machakos County Treasury

Analysis of the development expenditure in FY 2015/16 indicated that the highest expenditure of Kshs.1.02 billion was incurred by the Water and Irrigation department on construction and civil works. Some of the activities undertaken by the department included; development of irrigation schemes, equipping of boreholes, construction of dams and water pans, casing and gravelling of boreholes, water supplies and sewerage services, and payment of contractual employees. The second highest expenditure of Kshs.480.74 million was incurred by the Transport Roads and Housing department on development and maintenance of both major roads and rural access roads.

3.22.8 Analysis of Budget Performance by Department

Table 3.66 shows a summary of FY 2015/16 annual budget estimates and budget performance by department.

Table 3.66: Machakos County, FY 2015/16 Budget Performance by Department

Department	Budget Allocation (FY 2015/16)		Exchequer Issues		Expenditure		% of Expenditure to Exchequer Issues		Expenditure to Budget Allocation (Absorption rate (%))	
	Rec.	Dev.	Rec.	Dev.	Rec.	Dev.	Rec.	Dev.	Rec.	Dev.
Office of The Governor	544.15	50.63	494.15	30.4	509.36	34.8	103.1	114.5	93.6	68.7
Public Service, Labor & ICT	225.35	132.62	295.35	87.87	106.31	20.07	36.0	22.8	47.2	15.1
Trade, Investment & Eco. Planning	56.22	411.67	56.22	171.6	80.91	165.28	143.9	96.3	143.9	40.1
Finance & Revenue Mgt.	470.5	46.14	341.32	35.48	395.6	22.67	115.9	63.9	84.1	49.1
Decentralized Units, County Admin.	648.37	183.95	648.66	49.86	622.31	41.74	95.9	83.7	96.0	22.7
Agri., Lands & Livestock	348.27	159.83	404.38	97.48	347.8	78.71	86.0	80.7	99.9	49.2
Health, Environment & Emergency	2,148.91	559.8	2,143.10	274	2,201.92	323.81	102.7	118.2	102.5	57.8
Transport, Roads & Housing	267.97	1298.83	312.12	827.12	267.02	696.01	85.6	84.1	99.6	53.6
Education, Youth & Social	226.13	268.51	183.83	58.09	190.68	100.9	103.7	173.7	84.3	37.6
Water & Irrigation	107.7	2,216.12	107.57	718.42	106.38	874.56	98.9	121.7	98.8	39.5
Tourism, Sports and Culture	130.56	285.05	130.56	111.03	122.61	106.82	93.9	96.2	93.9	37.5
County Public Service Board	41.9	6	41.99	5.8	36.17	0	86.1	0.0	86.3	0.0
County Assembly	802.16	80.81	802.16	72.64	801.64	74.57	99.9	102.7	99.9	92.3
TOTAL	6,018.19	5,699.96	5,961.41	2,539.79	5,788.71	2539.94	97.1	100.0	96.2	44.6

Source: Machakos County Treasury

Analysis of budget performance by department shows that the County Assembly attained the highest absorption rate of development expenditure at 92.3 per cent while the County Public Service Board did not incur any development expenditure. On the other hand, the Trade, Investment and Economic Planning department had the highest percentage of recurrent expenditure to recurrent budget at 143.9 per cent while the Department of Public Service, Labour and ICT had the lowest at 47.2 per cent.

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. Establishment of the County Budget and Economic Forum (CBEF) in line with Section 137 of the PFM Act, 2012.
- ii. Adoption of IFMIS in processing financial transactions.
- iii. Improvement in human capacity through recruitment of additional key staff and continuous training.

Despite the progress made, 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 execution reports.
2. A high wage bill that increased by 15.7 per cent from Kshs.3.37 billion in FY 2014/15 to Kshs.3.90 billion in FY 2015/16 representing 46 per cent of total expenditure. Continued increase in the wage bill may result in unsustainable salary costs.
3. Underperformance in local revenue collection. The local revenue collection declined by 18.2 per cent from Kshs.1.37 billion in FY 2014/15 to Kshs.1.12 billion in FY 2015/16, and represented 47.3 per cent of the annual target.
4. Failure to establish an Internal Audit Committee to oversee financial operations in the County contrary to Section 155(5) of the PFM Act, 2012.

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

- 1. The County Treasury should ensure timely preparation and submission of financial reports in line with Section 166 (4) of PFM Act, 2012.*
- 2. The County Public Service Board should establish an optimal staffing structure in order to manage the wage bill. Further, the County should comply with the limit of personnel costs at not greater than 35 per cent of the total revenue as provided in the Public Finance Management (County Governments) Regulations, 2015.*
- 3. The County Treasury should formulate strategies to enhance local revenue collection.*
- 4. 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.*

3.23 Makueni County

3.23.1 Overview of the FY 2015/16 Budget

The County's FY 2015/16 Approved Supplementary Budget was Kshs.9.45 billion comprising of Kshs.4.70 billion (49.8 per cent) and Kshs.4.75 billion (50.2 per cent) for recurrent expenditure and development expenditure respectively.

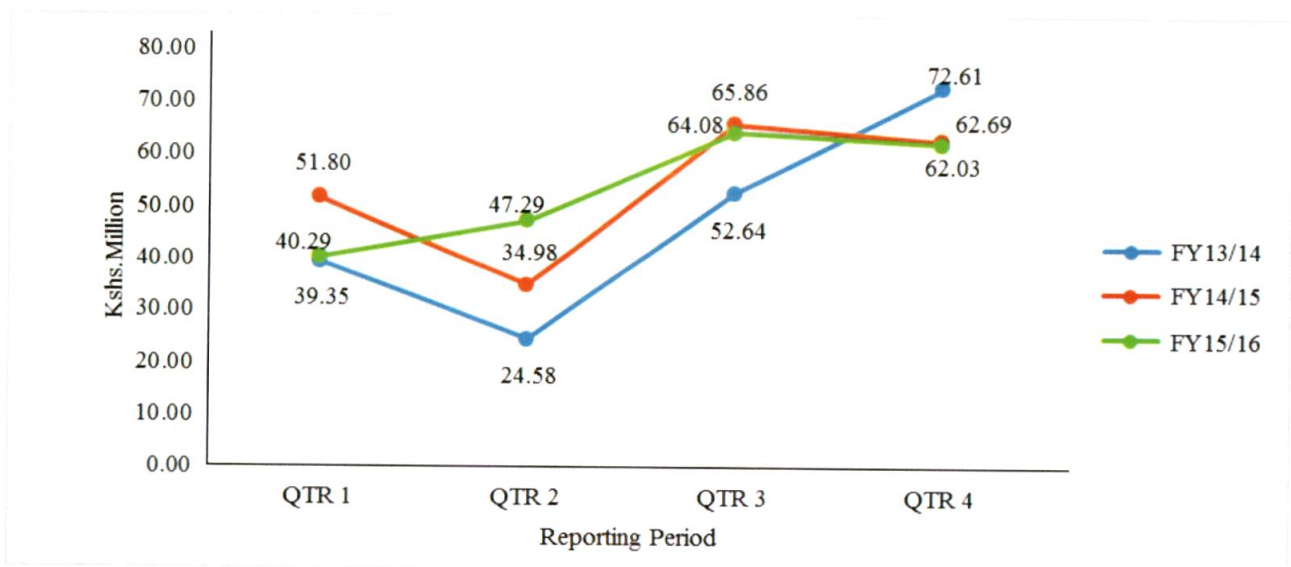
To finance the budget, the County expected to receive Kshs.5.97 billion (63 per cent) as equitable share of revenue raised nationally, Kshs.568.15 million (7.2 per cent) as total conditional grants, generate Kshs.400 million (4.2 per cent) from local sources, Kshs.89.08 million (0.9 per cent) from Hospital and Public health FIF and had a cash balance of Kshs.2.42 billion (25.6 per cent) from FY 2014/15. The conditional grants comprised of Kshs.80.80 million (12.3 per cent) for Free Maternal Health Care, Kshs.75.83 million (11.5 per cent) from the Road Maintenance Fuel Levy Fund, Kshs.20.61 million (3.2 per cent) for User Fees Foregone, Kshs.95.74 million from the Leasing of Medical Equipment, Kshs.51.02 million (0.5 per cent) from World Bank grant, Kshs.220 million (2.3 per cent) from Other Loans and Grants and Kshs.24.13 million (3.7 per cent) as a grant from DANIDA.

3.23.2 Revenue Analysis

During the year, the County received Kshs.5.97 billion as equitable share of the revenue raised nationally, Kshs.199.42 million as total conditional allocations, raised Kshs.213.17 million from local sources, and had a cash balance of Kshs.2.42 billion brought forward from FY 2014/15.

Figure 3.89 shows the quarterly trend in local revenue collection from FY 2013/14 to FY 2015/16.

Figure 3.89: Makueni County, Trend in Local Revenue Collection by Quarter from FY 2013/14 to FY 2015/16



Source: Makueni County Treasury

The total local revenue collected in FY 2015/16 of Kshs.213.17 million consisted of Kshs.40.29 million generated in the first quarter, Kshs.47.29 million in the second quarter, Kshs.64.08 million in the third quarter and Kshs.62.03 million in the fourth quarter. The revenue was 53.3 per cent of the annual local revenue target, and a decline from Kshs.215.34 million collected in FY 2014/15.

Table 3.65 provides an analysis of the local revenue collected in FY 2015/16 by revenue stream.

Table 3.67: Makueni County analysis of revenue collection by stream in FY 2015/16

No	Revenue Stream	Annual Targeted Revenue (Kshs.)	Annual Actual Revenue	Actual Revenue as a percentage of Annual Target (%)
1	Permits	80,000,000	65,078,465	81.3
2	Liquor license Fees	35,900,000	28,684,270	79.9
3	Parking Fees	35,000,000	25,809,465	73.7
4	Market Entrance Fees	30,000,000	25,583,865	85.3
5	Cess	11,100,000	13,020,759	117.3
6	Plot rent Fees	18,200,000	11,683,487	64.2
7	Stock Market Fees	10,000,000	8,410,305	84.1
8	Plan approval Fees	15,750,000	4,552,617	28.9
9	Conservancy Fees	4,550,000	4,237,480	93.1
10	Other Plot dues	17,750,000	4,080,785	23.0
11	Other sources of revenue	141,750,000	22,568,991	15.9
Total		400,000,000	213,710,489	53.3

Source: Makueni County Treasury

Analysis of revenue collected by stream indicated that cess recorded the highest performance against annual target at 117.3 per cent. This was closely followed by conservancy fees at 93.1 per cent.

The County deposited all locally revenue into the County Revenue Fund account maintained at Central Bank of Kenya (CBK) in line with Article 207 (1) of the Constitution.

3.23.3 Conditional Grants

Table 3.66 shows an analysis of conditional grant disbursement in FY 2015/16

Table 3.68: Makueni County analysis of conditional grant releases in FY 2015/16

No.	Conditional Grant	Amount allocated as provided in CARA 2015 (Kshs.)	Actual receipt of the Conditional Grant (Kshs.)	Actual receipts as a percentage of Annual Allocation (%)
1	Road Maintenance Fuel Levy Fund	75,834,678	75,834,678	100.0
2	Free Maternal Health Care	80,802,400	90,900,000	112.5
3	User Fees Foregone	20,618,293	20,618,293	100.0
4	DANIDA Grant	24,130,000	12,065,000	50.0
5	Leasing of Medical Equipment	95,744,681	-	0.0
6	World Bank Loan	51,022,686	-	0.0
7	Other Loans and Grants	220,000,000	-	0.0
TOTAL		568,152,738	199,417,971	35.1

Source: Makueni County Treasury

From the table above, projected revenue from the Road Maintenance Fuel Levy Fund and the User Fee Foregone grants was fully realized. The County received more revenue compared to the projected revenue from the Free Maternal Health Care grant at 112.5 per cent, while the DANIDA grant attained 50 per cent of the annual revenue.

3.23.4 Exchequer Issues

During the period under review, the Controller of Budget authorised withdrawal of Kshs.5.80 billion from the CRF account, which was 61.4 per cent of the approved supplementary budget. The amount represented an increase of 21.6 per cent from Kshs.4.77 billion authorized in a similar period of FY 2014/15 and consisted of Kshs.4.24 billion (73 per cent) for recurrent expenditure and Kshs.1.56 billion (27 per cent) for development activities.

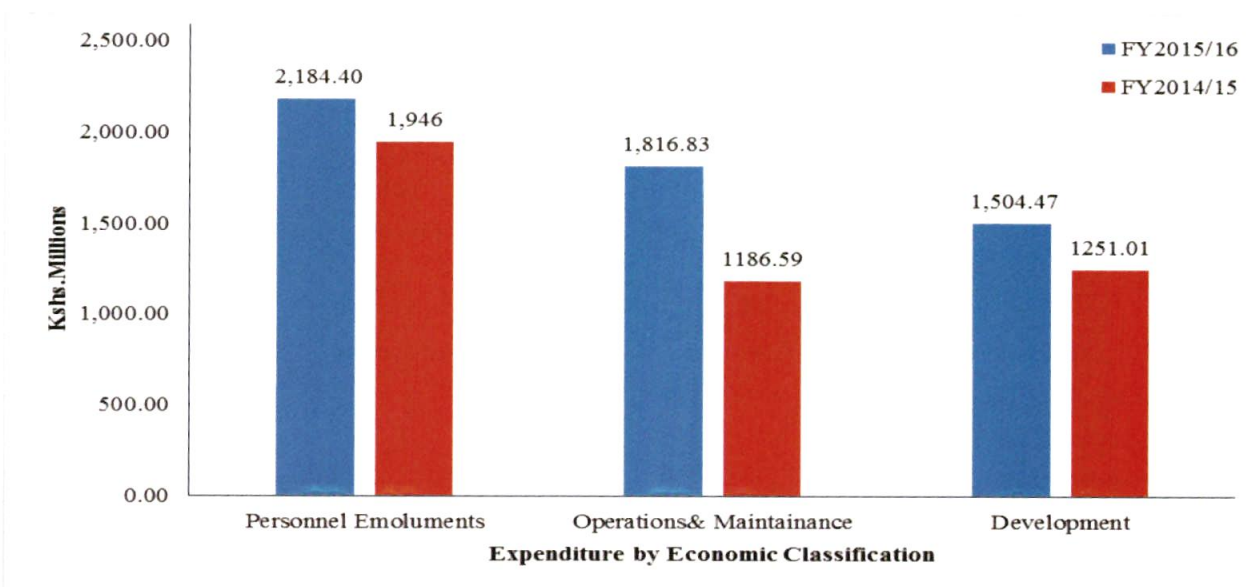
3.23.5 Overall Expenditure Review

The County spent a total of Kshs.5.51 billion in FY 2015/16, which was 94.9 per cent of the total funds released for operations. This was an increase from the Kshs.4.38 billion spent in FY 2014/15.

A total of Kshs.4.0 billion was spent on recurrent activities and Kshs.1.5 billion on development activities. Recurrent expenditure was 94.4 per cent of the funds released for recurrent activities while development expenditure accounted for 96.1 per cent of the funds released for development activities. The expenditure excluded pending bills as at 30th June, 2016 that amounted to Kshs.75.52 million for development and Kshs.59.72 million for recurrent expenditure.

The Recurrent expenditure represented 85.1 per cent of the approved annual recurrent budget, a decrease from 86.6 per cent attained in FY 2014/15. Development expenditure recorded an absorption rate of 31.7 per cent, which was a decrease from 37.3 per cent absorbed in FY 2014/15. Figure 3.90 presents a comparison between the total expenditure in FY 2015/16 and FY 2014/15

Figure 3.90: Makueni County, Expenditure by Economic Classification for FY 2014/15 and FY 2015/16



Source: Makueni County Treasury

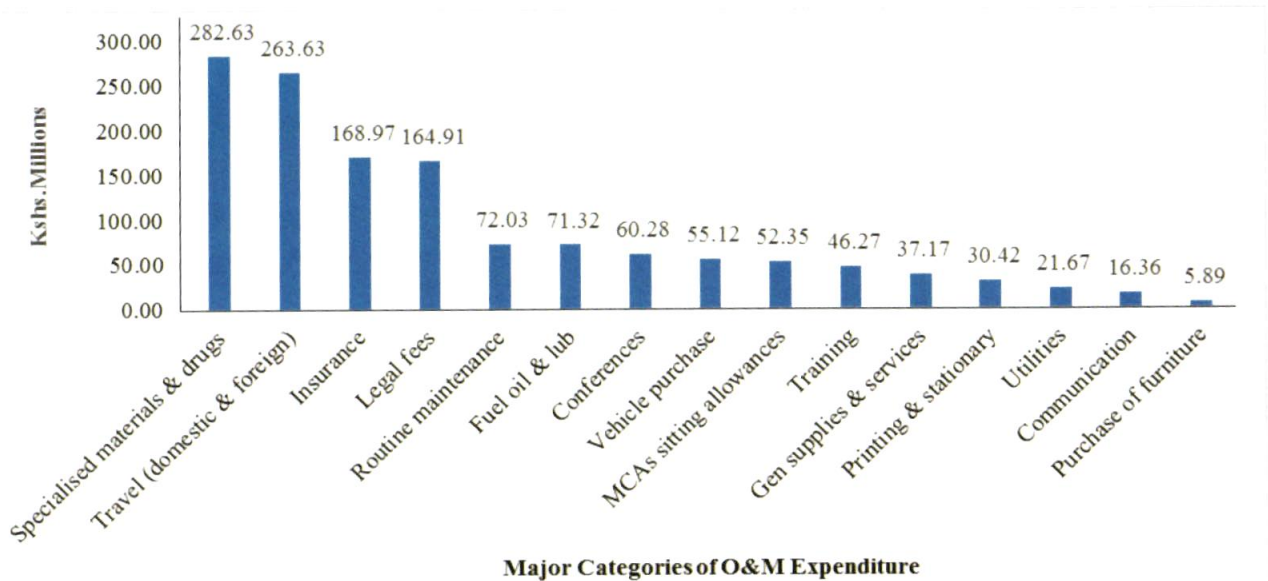
3.23.6 Analysis of Recurrent Expenditure

The total recurrent expenditure of Kshs.4.0 billion represented 85.1 per cent of the annual recurrent budget of Kshs.4.70 billion. The County spent Kshs.2.18 billion (39.7 per cent) on personnel emoluments and Kshs.1.81 billion (33 per cent) on operations and maintenance as shown in Figure 3.90. Expenditure on personnel emoluments represented an increase of 12.2 per cent compared to FY 2014/15 when the County spent Kshs.1.94 billion. The increase is attributed to a growing workforce in the County.

The County spent Kshs.52.35 million on sitting allowances to the 47 MCAs and the Speaker against an annual budget of Kshs.51.39 million. This represents an increase from Kshs.28.20 million spent in FY 2014/15. The average monthly sitting allowance per MCA was Kshs.90,894 compared to SRC’s recommended monthly ceiling of Kshs.124, 800.

The aggregate expenditure on domestic and foreign travel was Kshs.263.63 million compared to Kshs.239.10 million spent in FY 2014/15, representing an increase of 10.1 per cent. Figure 3.91 shows a summary of the operations and maintenance expenditure by major categories.

Figure 3.91: Makueni County, Operations and Maintenance Expenditure for FY 2015/16

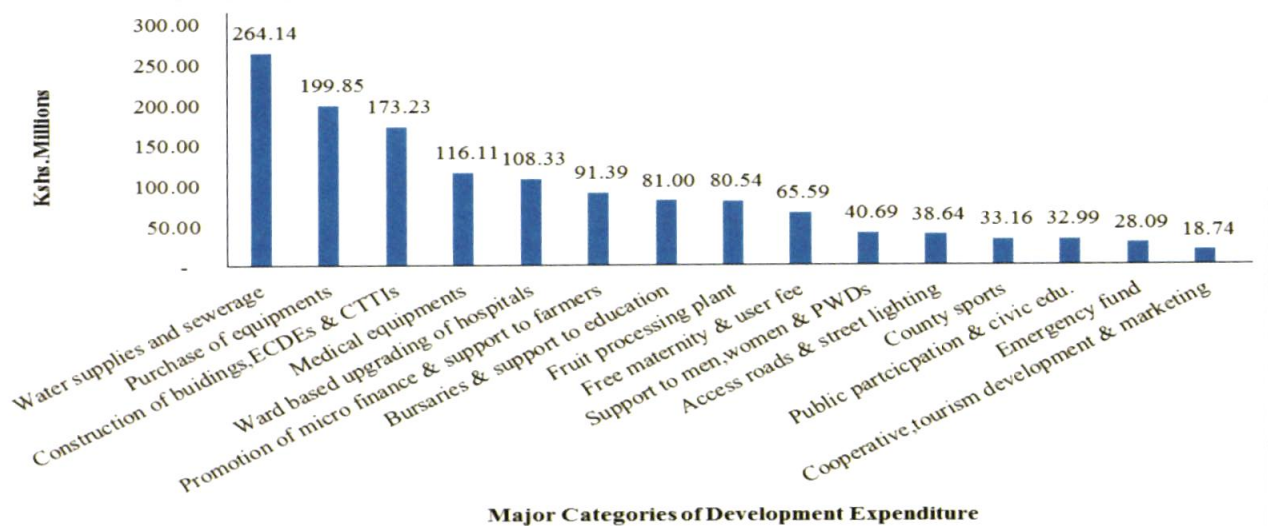


Source: Makueni County Treasury

3.23.7 Analysis of Development Expenditure

The total development expenditure of Kshs.1.50 billion represented 31.7 per cent of the annual development budget of Kshs.4.74 billion. Figure.3.92 provides a summary of development expenditure during the period under review.

Figure.3.92: Makueni County, Summary of Development Expenditure for FY 2015/16



Source: Makueni County Treasury

Analysis of the development expenditure indicated that the highest expenditure of Kshs.264.14 million was spent by the Department of Water and Irrigation on construction of water supplies that included sand dams and earth dams across all the wards. The second highest expenditure of Kshs.199.85 million was incurred by the Transport and Water & Irrigation departments on purchase of equipment's such as rollers, excavators, drilling rigs and water buzzers.

3.23.8 Annual Analysis of Budget Performance by Department FY 2015/16

Table.3.67 shows a summary of FY 2015/16 annual budget estimates and budget performance by department.

Table.3.69: Makueni County, FY 2015/16 Budget Performance by Department

Department	Budget Allocation (Kshs.Millions)		Exchequer Issues (Kshs.Millions)		Expenditure (Kshs.Millions)		Expenditure To Exchequer Issues (%)		Expenditure to Budget Allocation (Absorption rate (%))	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
County Attorney's Office	79.92	0	56.54	0	114.26	0	202.1	0.0	143.0	0.0
County Public Service Board	57.79	0	52.61	0	47.97	0	91.2	0.0	83.0	0.0
Department of Lands	36.96	163.07	34.47	72.33	26.35	43.64	76.4	60.3	71.3	26.8
Office of Governor	209.77	0	195.99	0	183.43	0	93.6	0.0	87.4	0.0
Department of Trade	46.74	301.77	46.59	150.08	39.68	89.62	85.2	59.7	84.9	29.7
Department of Gender	64.75	315.41	63.92	133.34	52.43	108.8	82.0	81.6	81.0	34.5
County Public Service	213.67	0	198.51	0	172.21	0	86.8	0.0	80.6	0.0
Department of Finance	609.08	274.38	561.06	35.94	492.23	28.09	87.7	78.2	80.8	10.2
Department of Education & ICT	221.56	427.98	201.02	115.49	186.43	141.4	92.7	122.4	84.1	33.0
Department of Transport	152.44	649.74	139.32	206.16	122.49	159.02	87.9	77.1	80.4	24.5
Department of Agriculture	237.62	454.81	207.47	134.7	187.25	120.97	90.3	89.8	78.8	26.6
County Assembly	611.87	92.37	611.87	92.37	609.44	54.55	99.6	59.1	99.6	59.1
Department of Water & Irrigation	168.82	1,169.23	163.17	352.63	156.98	382.65	96.2	108.5	93.0	32.7
Department of Health	1,745.33	823.87	1,499.91	254.27	1,437.39	332.07	95.8	130.6	82.4	40.3
Department of Devolution & Public Service	248.09	72.9	205.03	18.18	172.72	43.68	84.2	240.3	69.6	59.9
TOTAL	4,704.41	4,745.52	4,237.47	1,565.49	4,001.25	1,504.47	94.4	96.1	85.1	31.7

Source: Makueni County Treasury

Analysis of budget performance by department shows that the Department of Devolution and Public service reported the highest absorption rate for development expenditure at 59.9 per cent. The County Attorney's Office reported recurrent expenditure in excess of its annual recurrent budget allocation by 43 per cent, while the Department of Devolution and Public Service had the lowest percentage rate of recurrent expenditure at 69.6 per cent.

3.23.9 Observations and Recommendations

The County has made progress in addressing 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 human capacity through recruitment of additional staff and continuous training.

Despite the progress made, the following challenges continued to hamper effective budget implementation in the County;

1. Underperformance in local revenue collection from Kshs.215.34 million in the FY 2014/15 to Kshs.213.17 million in FY 2015/16, and constituted of 53.3 per cent of the annual target.
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. A high wage bill that increased by 12.9 per cent from Kshs.1.94 billion in FY 2014/15 to Kshs.2.18 billion in FY 2015/16. Continued increase in the wage bill may result in unsustainable salary costs.
4. Low absorption of development budget, which stood at 31.7 per cent compared to 37.3 per cent in FY 2014/15.

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

1. *The County Treasury should formulate strategies to increase local revenue collection.*
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 Public Service Board should establish an appropriate staffing structure to ensure a sustainable wage bill.*
4. *The County should identify and address the causes of low absorption of development budget in order to improve absorption of funds.*

3.24 Mandera County

3.24.1 Overview of the FY 2015/16 Budget

The FY 2015/16 Approved Budget for Mandera County was Kshs.11.50 billion. It comprised of Kshs.4.22 billion (36.7 per cent) and Kshs.7.28 billion (63.3 per cent) for recurrent and to development expenditure respectively.

To finance the budget, the County expected to receive Kshs.8.96 billion (77.9 per cent) as equitable share of revenue raised nationally, Kshs.14.62 million (1.7 per cent) as total conditional grants, generate Kshs.199.24 million (1.7 per cent) from local sources, and had a cash balance of Kshs.2.12 billion (18.5

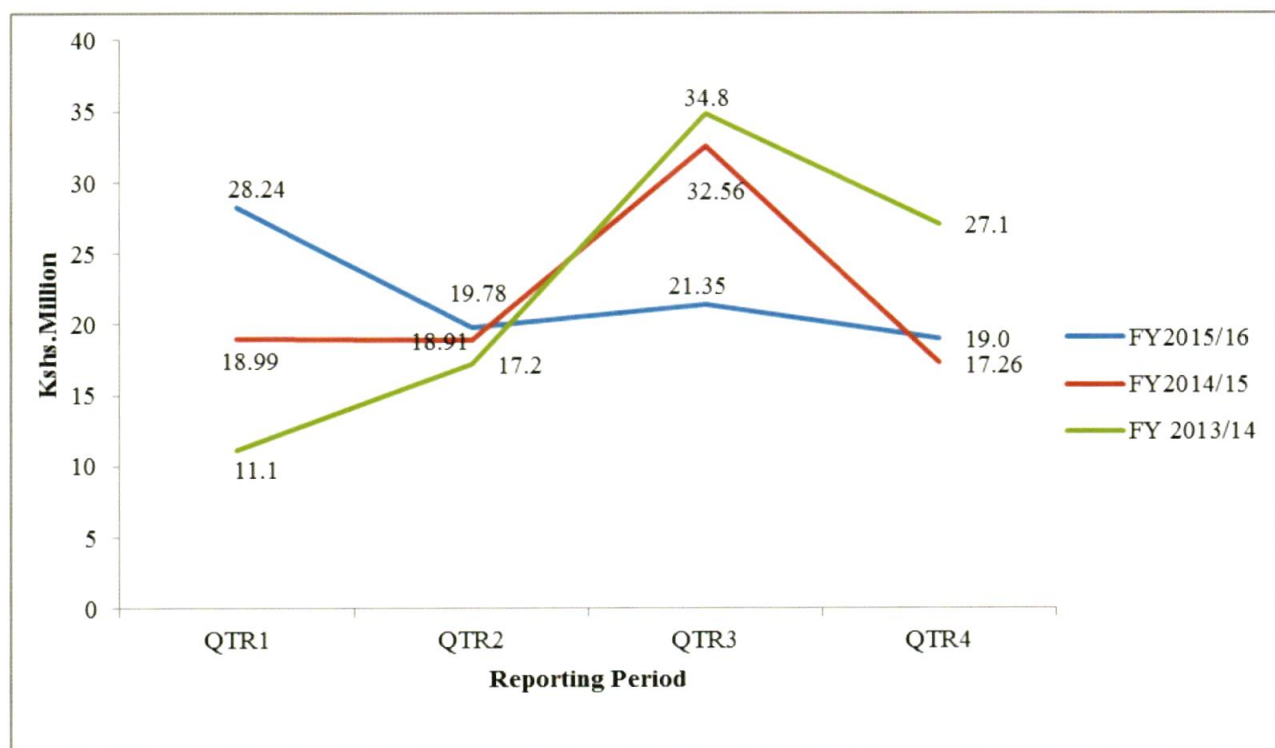
per cent) from FY2014/15. The conditional grants comprised of Kshs.46.42 million (0.4 per cent) for Free Maternal Health Care, Kshs.23.91 million (0.2 per cent) for Foregone User Fees, Kshs.25.36 million (0.2 per cent) from the World Bank funding as support for health sector and Kshs.113.77 million (1.0 per cent) from Road Maintenance Fuel Levy Fund.

3.24.2 Revenue Analysis

During the year, the County received Kshs.8.96 billion as equitable share of the revenue raised nationally, Kshs.196.20 million as total conditional allocations, raised Kshs.88.23 million from local sources, and had a cash balance of Kshs.2.12 billion brought forward from FY 2014/15.

The quarterly trend in local revenue collection from FY 2013/14 to FY 2015/16 is shown in Figure 3.93.

Figure 3.93: Mandera County, Trend in Local Revenue Collection by Quarter from FY 2013/14 to FY 2015/16



Source: Mandera County Treasury

The total local revenue collected in the FY 2015/16 of Kshs.88.23 million consisted of Kshs.28.24 million generated in the first quarter, Kshs.19.78 million in the second quarter, Kshs. 21.35 million in the third quarter and Kshs.19.0 million in the fourth quarter of FY 2015/16. This revenue was 44.3 per cent of the annual local revenue target, and an improvement from Kshs.87.73 million collected in FY 2014/15. Further analysis of local revenue for the FY 2015/16 by stream is shown in Figure 3.73.

Table 3.70: Mandera County analysis of revenue collection by stream for FY 2015/16

Revenue Stream	Annual Target	Annual Revenue collection	Revenue Performance (%)
Land rents	25,586,653	18,126,370	70.8
single Business Permit	19,680,924	7,559,135	38.4
Income from Water Management	18,452,035	7,951,200	43.1
Miraa Movements	17,137,280	7,559,135	44.1
Plot Transfers/Sub-Divisions/Application Fees	12,200,000	5,074,200	41.6
Public Health	11,600,000	724,500	6.2
Livestock Markets	10,278,887	1,507,500	14.7
Agriculture Cess	10,000,000	6,388,397	63.9
Slaughter fees and Charges	9,265,687	4,578,825	49.4
Markets stalls	8,684,321	3,288,626	37.9
Livestock Movement	7,538,916	967,000	12.8
Income from Quarries	7,427,516	1,249,730	16.8
stores	7,261,954	305,040	4.2
Hospital collection	7,040,000	9,179,746	130.4
Income from Sale of Tenders documents	5,437,744	1,196,983	22.0
Hire of Public Works Equipment	5,000,000	-	-
Barriers	4,214,210	6,471,717	153.6
Bus park/Taxis	2,645,321	2,524,437	95.4
Building plan	1,539,432	-	-
Rental income	266,544	90,050	33.8
Others	4,633,210	3,492,043	75.4
Total	199,237,816	88,234,634	44.3

Source: Mandera County Treasury

Analysis of local revenue collected by stream indicated that barrier fees and hospital fees recorded the highest performance against annual target at 153.6 per cent and 130.4 per cent respectively.

The County deposited all locally revenue into the County Revenue Fund account maintained at Central Bank of Kenya (CBK) in line with Article 207 (1) of the Constitution.

3.2.4.3 Conditional Grants

Analysis of conditional grants for FY 2015/16 is shown in Table 3.69.

Table 3.71: Mandera County analysis of conditional grant for the FY 2015/16

Conditional Grant	Amount allocated as provided in CARA 2015 (Kshs.)	Actual Revenue	Actual Performance in %
A	B	C	D= (C/B)*100
World Bank Grant	25,355,000	13,686,168	54.0
Road Maintenance Fuel Levy Fund	113,767,220	113,767,220	100.0
Free Maternal Health Care	46,418,400	37,515,000	80.8
User Fees Foregone	23,910,336	23,910,336	100.0
Total	224,070,956	196,188,724	87.6

Source: Mandera County Treasury

All projected revenue from conditional grants was fully realized except for the World Bank Health Funds which recorded 54.0 per cent of the annual target and the Free Maternal Health Care grant which attained 80.8 per cent.

3.24.4 Exchequer Issues

During the period under review, the Controller of Budget (COB) authorised withdrawal of Kshs.9.57 billion from the CRF account, which was 83.2 per cent of the approved budget. The amount represented an increase of 3.2 per cent from Kshs. 9.02 billion authorized in FY 2014/15 and consisted of Kshs. 4.12 billion (43.0 per cent) for recurrent expenditure and Kshs. 5.45 billion (57.0 per cent) for development activities.

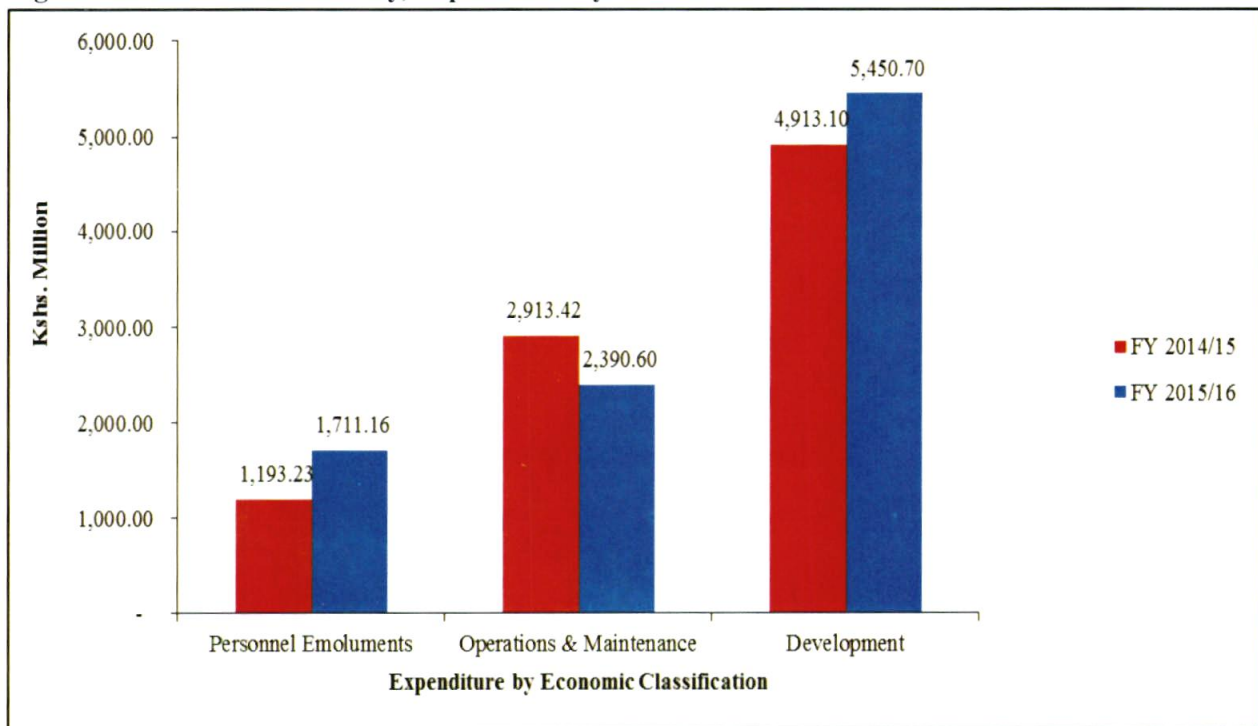
3.24.5 Overall Expenditure Review

The County spent a total of Kshs.9.55 billion in FY 2015/16, which was 99.8 per cent of the total funds released for operations. This was an increase from the Kshs.9.02 billion spent in FY 2014/15.

A total of Kshs.4.10 billion was spent on recurrent activities and Kshs. 5.45 billion on development activities. Recurrent expenditure was 99.7 per cent of the funds released for recurrent activities while development expenditure accounted for 100.0 per cent of the funds released for development activities. The County did not provide a report on pending bills as of 30th June, 2016.

The recurrent expenditure represented 97.3 per cent of the approved annual recurrent budget, an increase from 73.1 per cent attained in FY 2014/15. Development expenditure recorded an absorption rate of 74.8 per cent, a decrease from 88.3 per cent attained in FY 2014/15. A comparison of expenditure in FY 2014/15 and FY 2015/16 by economic classification is shown in Figure 3.94.

Figure 3.94: Mandera County, Expenditure by Economic Classification in FY 2014/15 and FY 2015/16



Source: Mandera County Treasury

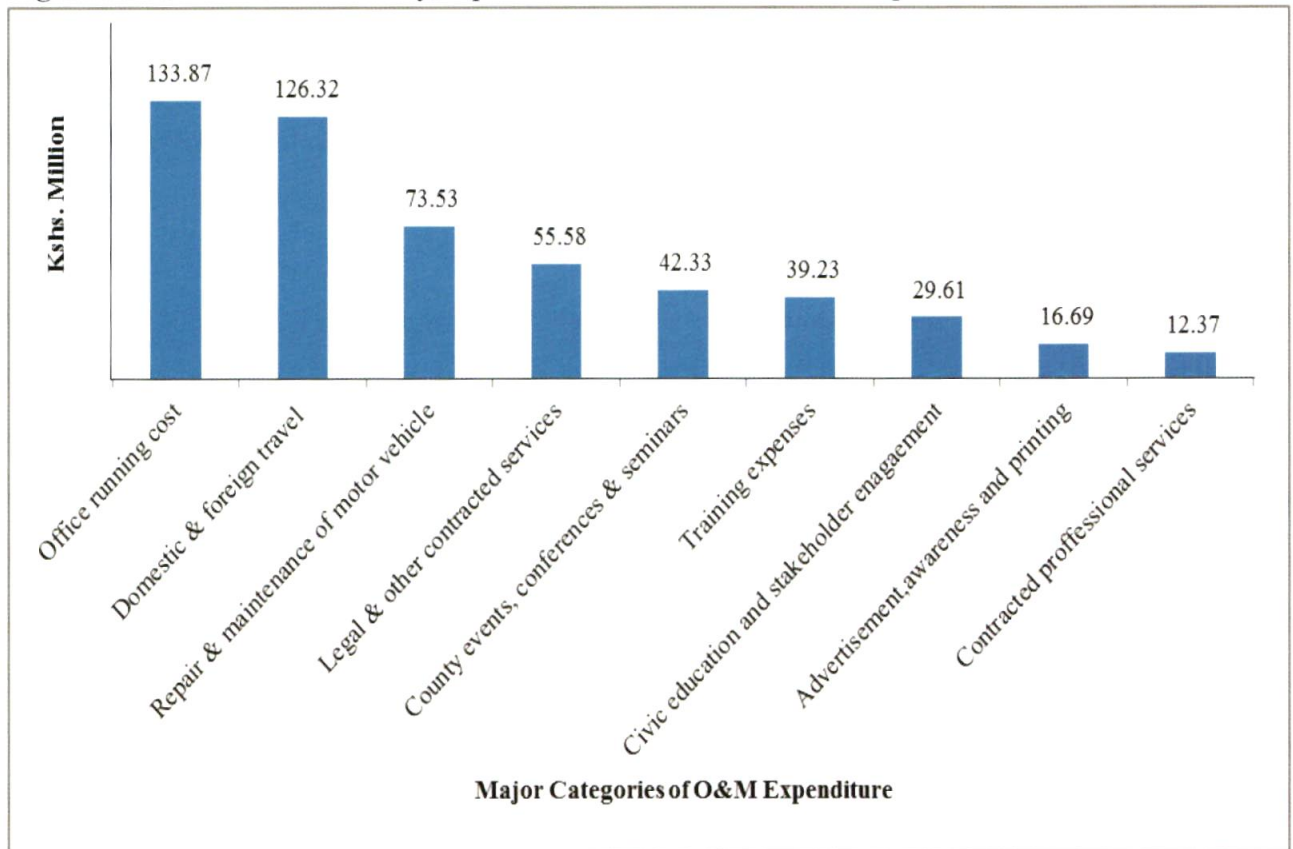
3.24.6 Analysis of Recurrent Expenditure

The total recurrent expenditure of Kshs.4.10 billion represented 97.3 per cent of the annual recurrent budget of Kshs.4.22 billion. The County spent Kshs.1.71 billion (37.2 per cent) on personnel emoluments and Kshs.2.39 billion (62.8 per cent) on operations and maintenance as shown in Figure 3.94. Expenditure on personnel emoluments represented an increase of 37.2 per cent compared to FY 2014/2015 when the County spent Kshs.1.19 billion.

The County spent Kshs.49.69 million on sitting allowances to the 49 MCAs and the Speaker against the annual budget allocation of Kshs.50.00 million. This was an increase compared to Kshs.22.30 million spent in FY 2014/15. The average monthly sitting allowance was Kshs.84,500 compared to SRC’s recommended monthly ceiling of Kshs.124,800.

Expenditure on domestic and foreign travel was Kshs.126.32 million compared to Kshs.126.28 million spent in FY 2014/15, representing an increase of 0.03 per cent. Figure 3.95 shows a summary of the operations and maintenance expenditure by major categories.

Figure 3.95: Mandera County, Operations and Maintenance Expenditure for FY 2015/16

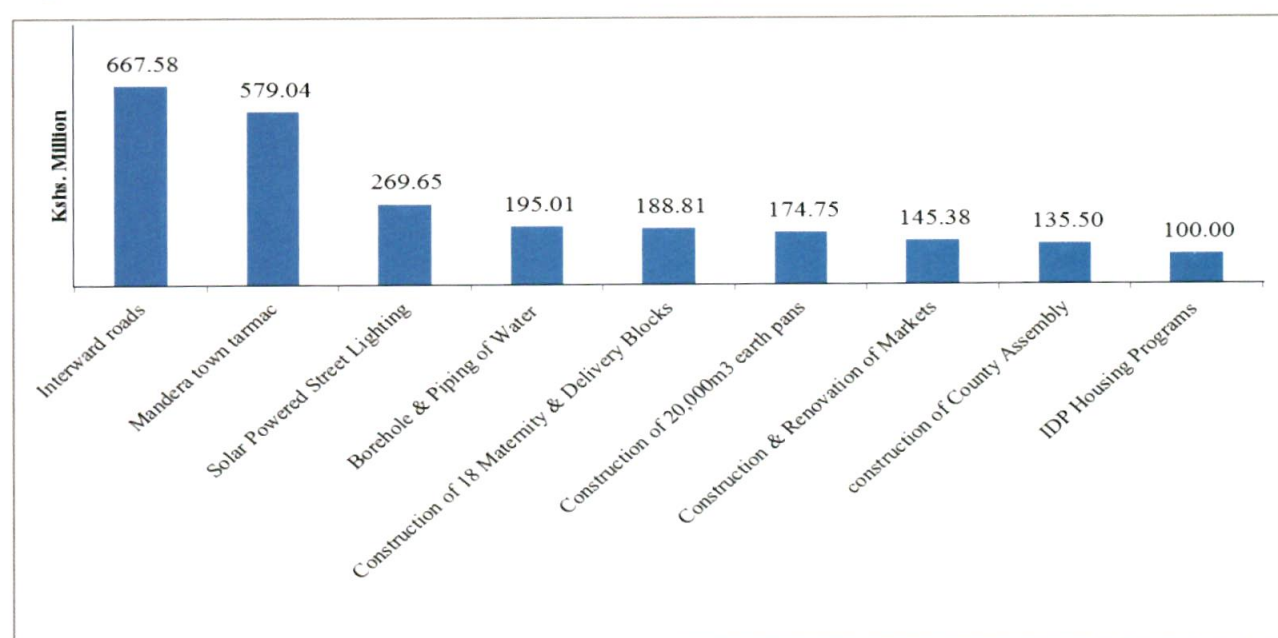


Source: Mandera County Treasury

3.24.7 Analysis of Development Expenditure

The total development expenditure of Kshs.5.45 billion represented 74.8 per cent of the annual development budget of Kshs.7.28 billion. Figure 3.96 provides a summary of development expenditure during the period under review.

Figure 3.96: Mandera County, Summary of Development Expenditure for FY 2015/16



Source: Mandera County Treasury

Analysis of the development expenditure indicated that the highest expenditure of Kshs.667.58 million was incurred by the Public Works, Roads and Transport department on construction and maintenance of inter-ward roads. The second highest expenditure of Kshs.579.04 million was spent on tarmacking of roads in Mandera town. The Water, Energy, Environment and Natural Resources department spent Kshs.269.65 million on installation of solar powered street lights. Other notable development expenditure included Kshs.195.01 million and Kshs. 188.81 million on borehole drilling and water piping, and construction of maternity and delivery blocks in 18 health centres respectively.

3.24.8 Analysis of Budget Performance by Department

Table 3.72 shows a summary of FY 2015/16 annual budget estimates and budget performance by department.

Table 3.72: Mandera County, FY 2015/16 Budget Performance by Department

Department	Budget		Exchequer Issues		Expenditure		Expenditure to Exch. Issues		Expenditure to Budget Allocation (Absorption rate (%))	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
Agriculture Livestock and Fisheries	161.24	404.59	161.24	221.20	161.20	221.66	100.0	100.2	100.0	54.8
Education, Culture and Sports	333.09	597.26	333.09	448.61	333.09	448.08	100.0	99.9	100.0	75.0
Gender, Youth and Social Service	24.55	74.07	24.55	15.00	24.55	15.00	100.0	100.0	100.0	20.3
Finance	514.38	1,142.50	514.38	1,092.50	514.38	1,093.44	100.0	100.1	100.0	95.7

Department	Budget		Exchequer Issues		Expenditure		Expenditure to Exch. Issues		Expenditure to Budget Allocation (Absorption rate (%))	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
Health Services	1,001.44	596.18	983.30	470.30	969.62	469.71	98.6	99.9	96.8	78.8
Trade, Investments Industrializations and Cooperative Development	32.45	402.05	32.45	157.59	32.44	157.59	100.0	100.0	100.0	39.2
County Assembly	631.98	169.50	603.98	83.75	603.98	83.75	100.0	100.0	95.6	49.4
Lands, Housing and Physical Planning	50.27	91.70	50.27	77.70	50.27	77.70	100.0	100.0	100.0	84.7
Office of the Governor and Deputy Governor	456.69	-	456.69	-	456.69	-	100.0	0.0	100.0	0.0
County Public Service Board	50.21	-	50.21	-	50.20	-	100.0	0.0	100.0	0.0
Public Service, Management and Devolved Unit	638.10	148.75	597.10	105.99	597.09	105.99	100.0	100.0	93.6	71.3
Public Works Roads and Transport	97.27	2,098.95	97.27	1,765.06	97.27	1,764.37	100.0	100.0	100.0	84.1
Water, Energy Environment and Natural Resources	225.19	1,559.00	210.98	1,013.62	210.96	1,013.43	100.0	100.0	93.7	65.0
Total	4,216.87	7,284.54	4,115.53	5,451.31	4,101.76	5,450.70	99.7	100.0	97.3	74.8

Source: Mandera County Treasury

Analysis of budget performance by department shows that the Finance department reported the highest absorption of development expenditure at 95.7 per cent while the Ministry of Gender, Youth and Social Services reported the lowest at 20.3 per cent. On the other hand, all departments except the Health Services department, Water, Energy Environment and Natural Resources department, Public Service Management & Devolved Unit department, and the County Assembly reported 100 per cent absorption of recurrent expenditure against their annual recurrent budget allocation.

3.24.9 Observations and Recommendations

The County has made progress in addressing the challenge previously identified as affecting budget implementation. Some of the progress made included;

- i. Timely submission of quarterly financial reports by the County Assembly.

Despite the progress made, the following challenges continued to hamper effective budget implementation in the county;

1. Failure by Fund Administrators to submit expenditure reports on the established County Funds as required by Section 168 (3) of the PFM Act, 2012.
2. Delay in approval of key planning documents such as the ADP compared to the timelines established by the PFM Act, 2012.
3. Underperformance in local revenue collection against the set target. The total local revenue collected during FY2015/16 was Kshs. 88.23 million which was 44.3 per cent of the annual local revenue target.
4. Failure to develop regulations to operationalize some established County Public Funds such as the SME Fund, Youth Women and PWDS fund, which contravenes Section 116 of the PFM Act, 2012.
5. Failure to constitute the CBEF as required by Section 137 of the PFM Act, 2012.

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

1. *Ensure timely submission of expenditure reports on the established Funds in line with Section 168 (3) of the PFM Act, 2012.*
2. *Ensure full compliance with budget timelines in approval of key planning documents as stipulated in PFMA 2012 to facilitate smooth implementation of the budget.*
3. *The County Treasury should formulate strategies to enhance revenue collection.*
4. *Develop regulations to operationalize all County Public Funds in line with Section 116 of the PFM Act, 2012.*
5. *Establish an effective CBEF for consultation in the budgeting process and economic matters in line with Section 137 of the PFM Act, 2012.*

3.25 Marsabit County

3.25.1 Overview of the FY 2015/16 Budget

The County's FY 2015/16 Approved Supplementary Budget was Kshs.6.27 billion, comprising of Kshs.3.20 billion (51 per cent) and Kshs.3.07 billion (49 per cent) for recurrent and development expenditure respectively.

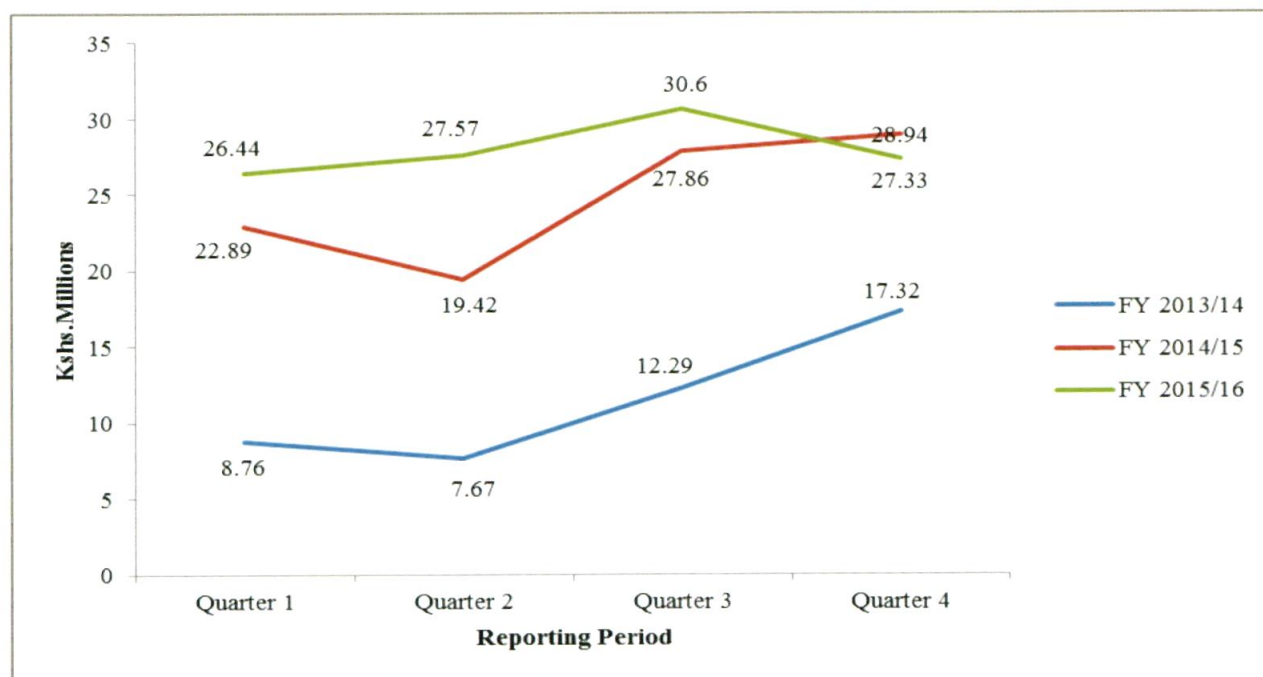
To finance the budget, the County expected to receive Kshs.5.19 billion (82.8 per cent) as equitable share of revenue raised nationally, Kshs.117.49 million (1.9 per cent) as total conditional grants, generate Kshs.130 million (2.1 per cent) from local sources, and had a cash balance of Kshs.813.19 million (12.9 per cent) from FY 2014/15. The conditional grants comprised of Kshs.65.92 million (56.1 per cent) from the Road Maintenance Fuel Levy, Kshs.19.34 million (16.5 per cent) for Free Maternal Health Care, Kshs.6.79 million (5.8 per cent) for User Fees Foregone, Kshs.10.08 million (8.6 per cent) from World Bank and Kshs.15.35 million (13.1 per cent) as a grant from DANIDA.

3.25.2 Revenue Analysis

During the year, the County received Kshs.5.19 billion as equitable share of the revenue raised nationally, Kshs.87.88 million as total conditional allocations, raised Kshs.111.94 million from local sources, and had a cash balance of Kshs.813.19 million brought forward from FY 2014/15.

Figure 3.97 shows the quarterly trend in local revenue collection from FY 2013/14 to FY 2015/16.

Figure 3.97: Marsabit County, Trend in Local Revenue Collection by Quarter from FY 2013/14 to FY 2015/16



Source: Marsabit County Treasury

The total local revenue collected in FY 2015/16 of Kshs.111.94 million consisted of Kshs.26.44 million generated in the first quarter, Kshs.27.57 million in the second quarter, Kshs.30.60 million in the third quarter, and Kshs.27.32 million in the fourth quarter. The revenue was 86.1 per cent of the annual local revenue target, and an improvement from Kshs.99.1 million collected in FY 2014/15.

Table 3.72 provides an analysis of the local revenue collected in FY 2015/16 by revenue stream.

Table 3.72: Marsabit County analysis of revenue collected by stream in FY 2015/16

No	Revenue Stream	12 Months Actual Revenue
	A	C
1	Hospital Charges	21,212,380
2	Livestock Charges	19,634,675
3	Produce Cess	13,562,500
4	Single Business Permit	18,088,039
5	Land Transaction Charges	12,972,117
6	Other Sources	12,532,049
7	Royalties	5,597,770
8	Lease Rentals	3,127,000
	TOTAL	111,943,205

Source: Marsabit County Treasury

Analysis of revenue collected by stream indicated that the highest amount of revenue of Kshs.21.20 million was generated from hospital charges, followed by livestock charges at Kshs.19.60 million. The County did not provide a breakdown of revenue target by stream.

3.25.3 Conditional Grants

Table 3.73 shows an analysis of the conditional grants released in FY 2015/16.

Table 3.73: Marsabit County analysis of conditional grant releases in FY 2015/16

No.	Conditional Grant	Amount allocated as provided in CARA 2015 (Kshs.)	Actual receipt of the Conditional Grant (Kshs.)	Performance (%)
	A	B	C	$D = \frac{C}{B} \times 100$
1	Road Maintenance Fuel Levy Fund	65,923,423	49,772,185	75.5
2	Free Maternal Health Care	19,341,000	18,227,500	70.1
3	User Fees Forgone	6,787,069	6,787,069	100
4	DANIDA Grant	15,350,000	7,675,000	50
5	World Bank Grant	10,086,676	10,086,676	100
6.	Leasing of Medical Equipment	95,744,681	-	-
TOTAL		117,488,168	87,883,430	74.8

Source: Marsabit County Treasury

Analysis of the conditional grant releases for the period under review indicated that the World Bank grant and User Fees Foregone recorded the highest receipts against annual target at 100 per cent. The DANIDA grant recorded a performance of 50 per cent of the annual target. This is because; the Danish Embassy withheld the balance due to failure by the County Treasury to use IFMIS to disburse funds to health facilities. The County did not budget for nor receive any funds against the Leasing of Medical Equipment grant of Kshs.95.74 million.

3.25.4 Exchequer Issues

During the period under review, the Controller of Budget (COB) authorised withdrawal of Kshs.5.77 billion from the CRF account, which was 92 per cent of the Approved Supplementary Budget. The amount represented an increase of 12.7 per cent from Kshs.5.12 billion authorized in FY 2014/15 and consisted of Kshs.3.03 billion (52.5 per cent) for recurrent expenditure and Kshs.2.73 billion (47.5 per cent) for development activities.

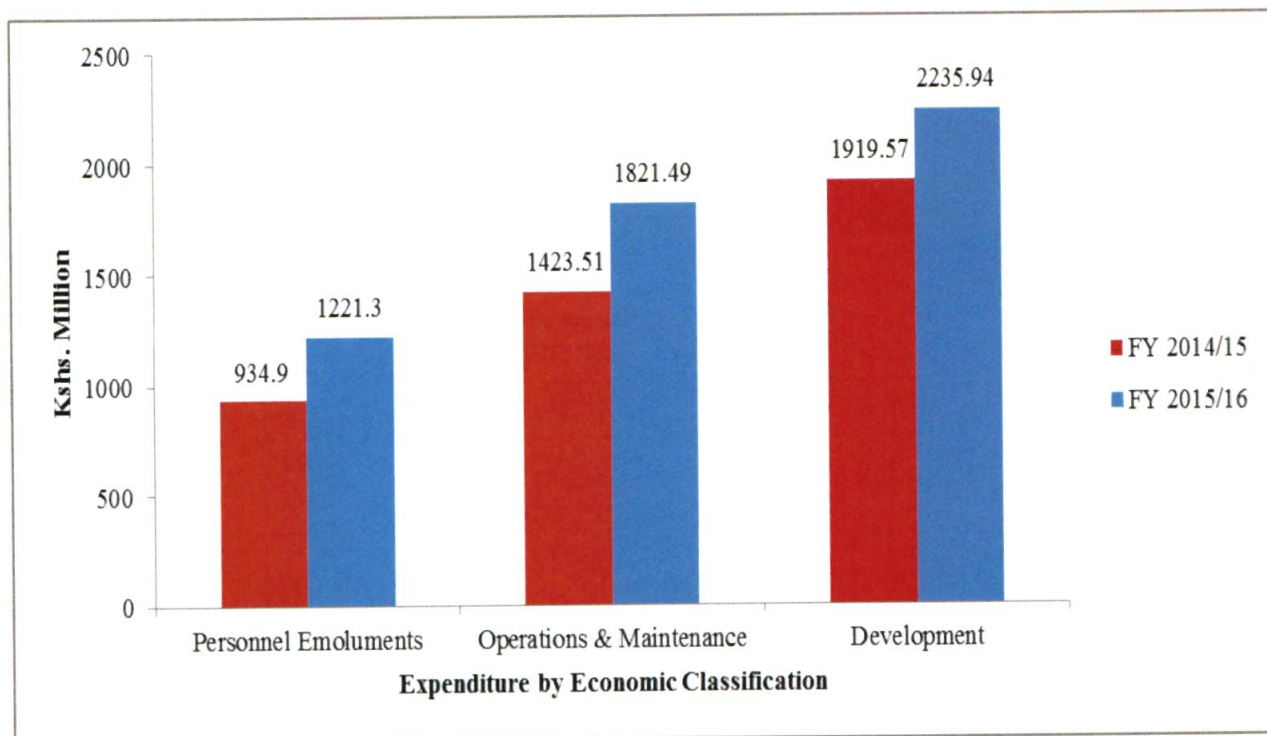
3.25.5 Overall Expenditure Review

The County spent a total of Kshs.5.28 billion in FY 2015/16, which was 91.5 per cent of the total funds released for operations. This was an increase from the Kshs.4.38 billion spent in FY 2014/15.

A total of Kshs.3.04 billion was spent on recurrent activities, while Kshs.2.23 billion was spent on development activities. The recurrent expenditure was 100.3 per cent of the funds released for recurrent activities while development expenditure accounted for 81.8 per cent of the funds released for development activities. The expenditure excluded pending bills as at 30th June, 2016 that amounted to Kshs.696.02 million for development and Kshs.165.88 million for recurrent expenditure.

The recurrent expenditure represented 95 per cent of the annual recurrent budget, an increase from 90.1 per cent attained in FY 2014/15. Development expenditure recorded an absorption rate of 72.7 per cent, which was also an increase from 63.8 per cent absorbed in FY 2014/15. Figure 3.98 presents a comparison between the total expenditure in FY 2015/16 and FY 2014/15.

Figure 3.98: Marsabit County, Expenditure by Economic Classification for FY 2015/16 and FY 2014/15



Source: Marsabit County Treasury

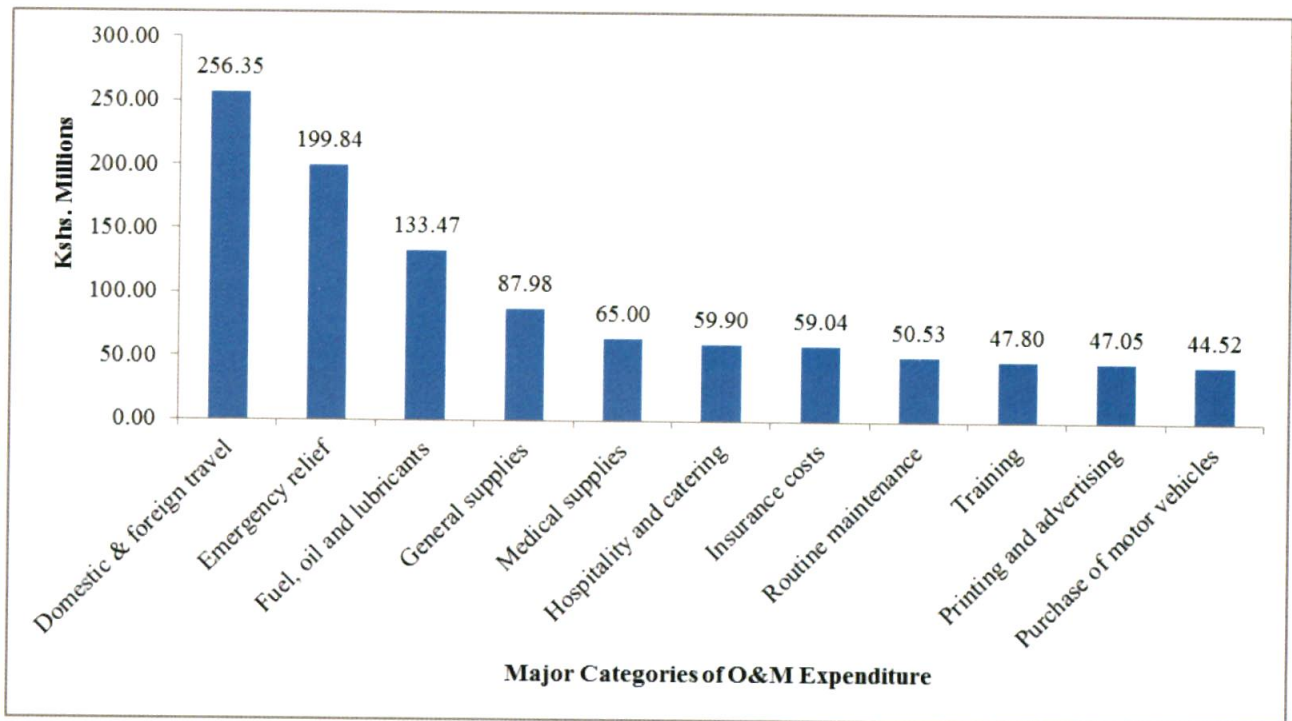
3.25.6 Analysis of Recurrent Expenditure

The total recurrent expenditure of Kshs.3.04 billion represented 95 per cent of the annual recurrent budget. The County spent Kshs.1.22 billion (40.1 per cent) on personnel emoluments and Kshs.1.82 billion (59.9 per cent) on operations and maintenance as shown in Figure 3.98. Expenditure on personnel emoluments represented an increase of 30.5 per cent compared to FY 2014/15 when the County absorbed Kshs.934.90 million. The increase is attributed to a growing workforce in the County.

The County spent Kshs.39.90 million on sitting allowances to the 33 MCAs and the Speaker against the annual budget allocation of Kshs.40 million. This was a decrease compared to Kshs.44.99 million spent in FY 2014/15. The average monthly sitting allowance was Kshs.98,039 compared to SRC's recommended monthly ceiling of Kshs.124,800.

Expenditure on domestic and foreign travel was Kshs.256.34 million compared to Kshs.183.31 million absorbed in FY 2014/15, representing an increase of 39.8 per cent. Figure 3.99 shows a summary of the operations and maintenance expenditure by major categories.

Figure 3.99: Marsabit County, Operations and Maintenance Expenditure for FY 2015/16

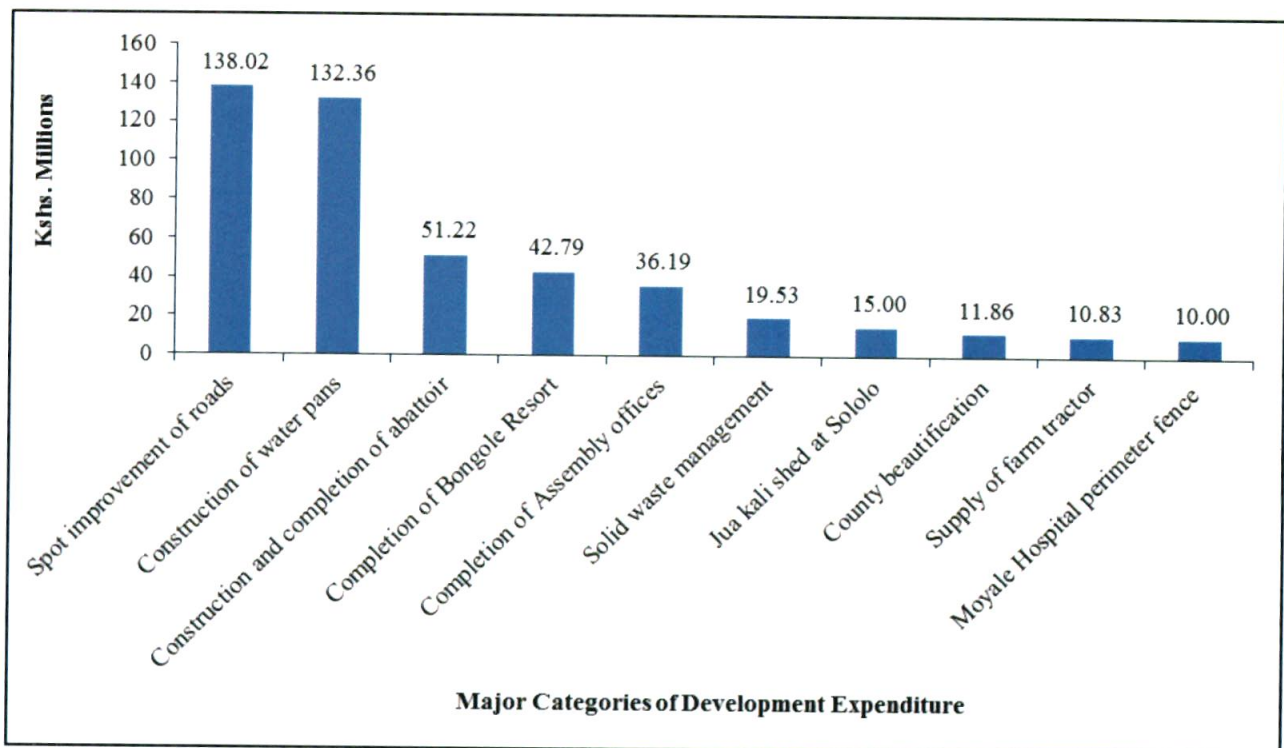


Source: Marsabit County Treasury

3.25.7 Analysis of Development Expenditure

The total development expenditure of Kshs.2.23 billion represented 72.7 per cent of the annual development budget. Figure 3.100 provides a summary of development expenditure during the period under review.

Figure 3.100: Marsabit County, Summary of Development Expenditure for FY 2015/16



Source: Marsabit County Treasury

Analysis of the development expenditure indicated that the Department of Public Works, Roads & Transport incurred the highest expenditure of Kshs.138.02 million on improvement of roads across the County. The second highest expenditure category of Kshs.132.36 million was incurred by the Department of Water, Environment & Natural Resources on construction of 4 mega dams. The County Assembly reported the third highest expenditure category of Kshs.51.22 million on construction of an abattoir.

3.25.8 Analysis of Budget Performance by Department

Table 3.75 shows a summary of FY 2015/16 annual budget estimates and budget performance by department.

Table 3.75: Marsabit County, FY 2015/16 Budget Performance by Department

Department	Annual Budget Allocation (Kshs. Million)		Exchequer Issues (Kshs. Million)		Expenditure (Kshs. Million)		Expenditure to Exchequer Issues (%)		Expenditure to Budget Allocation (Absorption rate (%))	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
County Assembly Services	469.77	56.23	460.59	-	467.06	36.19	101.4	0	99.4	64.4
Office of the Governor & Deputy Governor	413.39	149	412.46	133.00	407.58	141.15	98.8	106.1	98.6	94.7
County Public Service Board	56.58	5.00	56.34	5.00	55.88	5	99.2	100	98.8	100.0
Finance & Economic Planning	480.38	560.00	479.74	520.00	476.26	461.93	99.3	88.8	99.1	82.5
Agriculture, Livestock & Fisheries Development	157.33	143.89	156.81	139.30	156.2	114.72	99.6	82.4	99.3	79.7
Water, Environment & Natural Resources	128.77	775.25	128.52	775.25	127.99	600.12	99.6	77.4	99.4	77.4
Education, Skills Development, Youth & Sports	134.04	169.48	102.63	137.35	99.96	91.32	97.4	66.5	74.6	53.9
Health Services	764.70	344.60	711.64	336.45	685.18	270.01	96.3	80.3	89.6	78.4
Energy, Land & Urban Development	105.25	167.10	104.25	163.00	104.25	81.53	100.0	50	99.0	48.8
Public Works, Roads & Transport	160.59	387.03	93.73	266.45	137.18	168.02	146.4	63.1	85.4	43.4
Administration, Coordination & ICT	218.08	25.00	217.76	24.80	215.16	21.12	98.8	85.2	98.7	84.5
Trade, Industry & Enterprise Development	60.09	103.80	60.00	64.00	57.93	78.24	96.6	122.3	96.4	75.4
Tourism, Culture & Social services	52.69	188.90	51.58	168.00	52.12	166.56	101.0	99.1	98.9	88.2
TOTAL	3,201.66	3,075.28	3,036.05	2,732.60	3042.75	2235.91	100.2	81.8	95.0	72.7

Source: Marsabit County Treasury

Analysis of budget performance by department shows that most of the departments attained a performance of over 90 per cent of their recurrent expenditure except the Education, Skills Development, Youth and Sports Department which reported 74.6 per cent. The Department of Roads and Public Works had the lowest absorption rate of its development budget at 43.4 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;

- Improvement in local revenue collection by 13 per cent from Kshs.99.1 million in FY 2014/15 to

Kshs.111.94 million in FY 2015/16.

- ii. Adoption of IFMIS in processing financial transactions.
- iii. Improvement in absorption of development budget from 63.8 per cent registered in FY 2014/15 to 72.7 per cent in FY 2015/16.
- iv. Improvement in human capacity through recruitment of additional key staff and continuous capacity building.

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

1. Failure to involve the County Budget and Economic Forum (CBEF) in county planning and the budget making process as required by Section 137 of the PFM Act, 2012.

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

1. *The County Treasury should establish an Internal Audit Committee and strengthen the internal audit function in line with Section 155 of the PFM Act, 2012.*

3.26 Meru County

3.26.1 Overview of the FY 2015/16 Budget

The County's FY 2015/16 Approved Supplementary Budget was Kshs.8.22 billion, comprising of Kshs.5.40 billion (65.6 per cent) and Kshs.2.83 billion (34.4 per cent) for recurrent and development expenditure respectively.

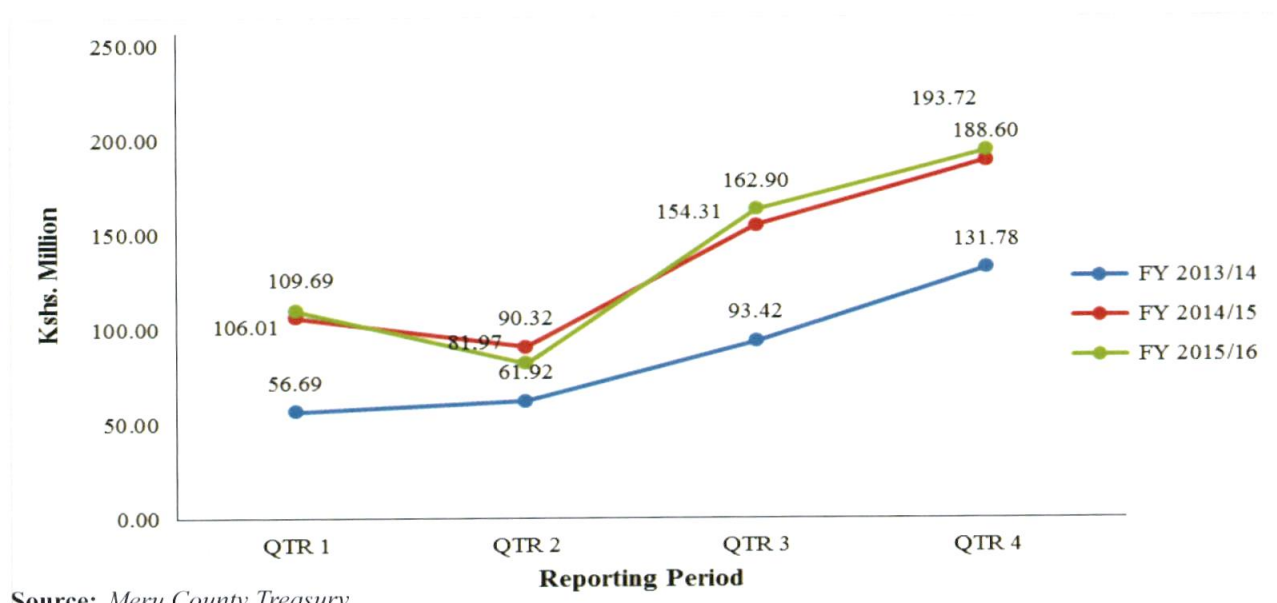
To finance the budget, the County expected to receive Kshs.6.49 billion (78.1 per cent) as equitable share of revenue raised nationally, Kshs.502.80 million (6.0 per cent) as total conditional grants, generate Kshs.595.27 million (7.2 per cent) from local sources, and had a cash balance of Kshs.665.71 million (8.8 per cent) from FY 2014/15. The conditional grants comprised of Kshs.244.32 million (2.9 per cent) for Level 5 Hospital, Kshs.123.78 million (1.5 per cent) for Free Maternal Health Care, Kshs.82.49 million (1.0 per cent) from the Road Maintenance Fuel Levy Fund, Kshs.31.62 million (0.4 per cent) for User Fees Foregone and Kshs.20.59 million (0.2 per cent) as a grant from DANIDA. However, the County did not budget for Free Maternal Health Care of Kshs.123.78 million and over-budgeted for User Fees Foregone conditional grant by Kshs.28.38 million.

3.26.2 Revenue Analysis

During the year, the County received Kshs.6.49 billion as equitable share of the revenue raised nationally, Kshs.464.54 million as total conditional allocations, raised Kshs.548.29 million from local sources and had a cash balance of Kshs. 665.71 million brought forward from FY 2014/15.

Figure 3.101 shows the quarterly trend in local revenue collection from FY 2013/14 to FY 2015/16.

Figure 3.101: Meru County, Trend in Local Revenue Collection by Quarter from FY 2013/14 to FY 2015/16



Source: Meru County Treasury

The total local revenue collected for the FY 2015/16 of Kshs.548.29 million consisted of Kshs.109.69 million generated in the first quarter, Kshs.81.97 million in the second quarter, Kshs.162.90 million in the third quarter, and Kshs.193.72 million in the fourth quarter. The revenue was 92.1 per cent of the annual local revenue target, an increase from Kshs.539.24 million collected in FY 2014/15.

Table 3.76 provides an analysis of the local revenue collected in FY 2015/16 by revenue stream.

Table 3.76: Meru County analysis of revenue collected by stream in FY 2015/16

No	Revenue Stream	Annual Targeted Revenue (Kshs.)	Annual Actual Revenue	Actual Revenue as a percentage of Annual Target (%)
1	Hospital FIF	160,000,000	148,409,818	92.8
2	Single business permit	100,291,184	107,913,329	107.6
3	Parking fees	68,956,213	59,152,649	85.8
4	Cess	55,070,751	58,725,016	106.6
5	Market fee	49,016,416	44,649,111	91.1
6	Land Rates	66,778,450	39,964,791	59.8
7	Building plans approval fees	9,613,189	14,640,440	152.3
8	House rent/Stall rent	13,376,766	11,960,659	89.4
9	Kaguru ATC- Demo Farm & Training	0	11,799,887	
10	Outdoor adverts. & Signboard	17,069,429	9,217,635	54.0
11	Others	55,100,958	41,855,998	76.0
	Total	595,273,356	548,289,333	92.1

Source: Meru County Treasury

Analysis of the local revenue collected by stream indicated that, building plans approval fees recorded the

highest performance against annual target at 152.3 per cent. This was followed by single business permit fees at 107.6 per cent.

The County did not deposit all locally generated revenue into the County Revenue Fund account maintained at Central Bank of Kenya (CBK) as required by Article 207 (1) of the Constitution. Specifically, local revenue collection by the Liquor Board and from Hospital charges was not deposited.

3.26.3 Conditional Grants

Table 3.77 shows an analysis of the conditional grants released in FY 2015/16.

Table 3.77: Meru County analysis of conditional grant releases in FY 2015/16

No.	Conditional Grant	Amount allocated as provided in CARA 2015 (Kshs.)	Actual receipt of the Conditional Grant (Kshs.)	Actual receipts as a percentage of Annual Allocation (%)
1	Level 5 Hospitals	244,318,286	244,318,286	100.0
2	Road Maintenance Fuel Levy Fund	82,490,349	82,490,349	100.0
3	Free Maternal Health Care	123,782,400	106,112,500	85.7
4	User Fees Forgone	31,615,328	31,615,328	100.0
5	DANIDA Grant	20,590,000	-	0.0
Total		502,796,363	464,536,463	92.4

Source: Meru County Treasury

All projected revenue from conditional grants was fully realized except for the Free Maternal Health Care grant, which reported a performance of 85.7 per cent of the annual target. The County did not receive any funds against the DANIDA grant due to non-fulfilment of the donor conditions, which include use of IFMIS to disburse funds to the health facilities.

3.26.4 Exchequer Issues

During the period under review, the COB authorised withdrawal of Kshs.6.66 billion from the CRF account, which was 80 per cent of the Approved Supplementary Budget. The amount represented a decrease of 3.6 per cent from Kshs.6.91 billion authorized in FY 2014/15 and consisted of Kshs.4.55 billion (68.3 per cent) for recurrent expenditure and Kshs.2.11 billion (31.7 per cent) for development activities.

3.26.5 Overall Expenditure Review

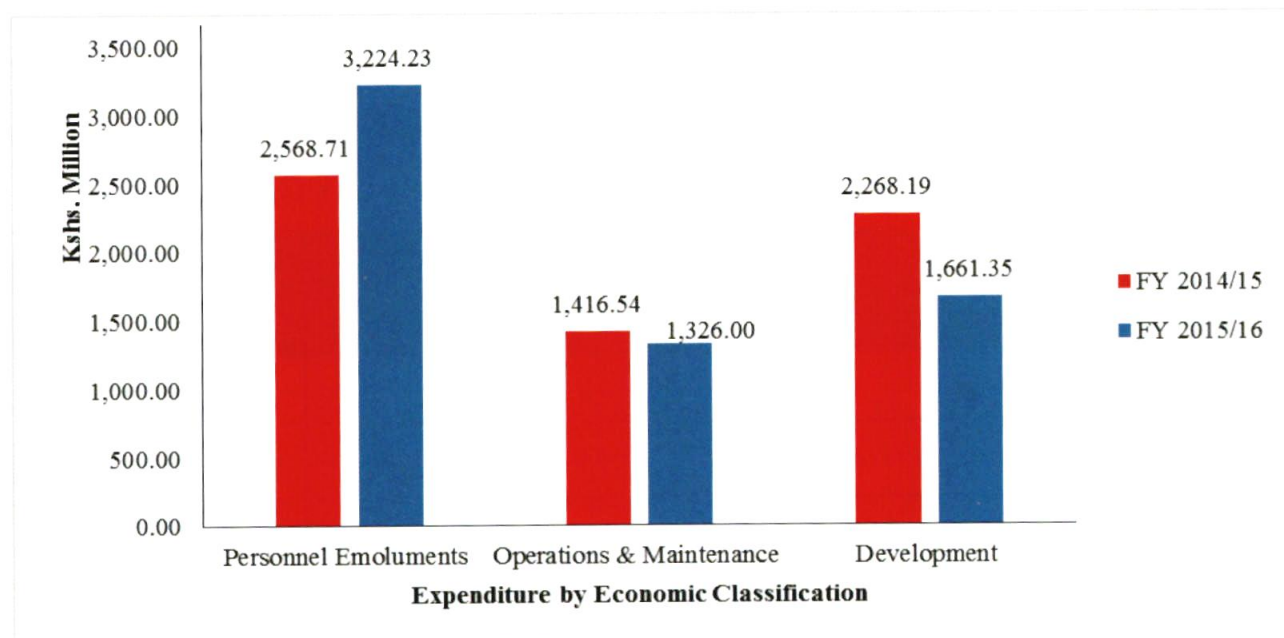
The County spent a total of Kshs.6.21 billion in FY 2015/16, which was 93.3 per cent of the total funds released for operations. This was a decline from the Kshs.6.25 billion spent in FY 2014/15.

A total of Kshs.4.55 billion was spent on recurrent activities, while Kshs.1.66 billion was spent on development activities. The recurrent expenditure was 100.0 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 pending bills as at 30th June, 2016 that amounted to Kshs.1.07 billion for development and Kshs.260.66 million for recurrent expenditure.

The recurrent expenditure represented 84.3 per cent of the annual recurrent budget, a decrease from 90.9 per

cent attained in FY 2014/15. Development expenditure recorded an absorption rate of 58.8 per cent, which was a decrease from 67.5 per cent attained in FY 2014/15. Figure 3.102 presents a comparison between expenditure in FY 2015/16 and FY 2014/15 by economic classification.

Figure 3.102: Meru County, Expenditure by Economic Classification for FY 2015/16 and FY 2014/15



Source: Meru County Treasury

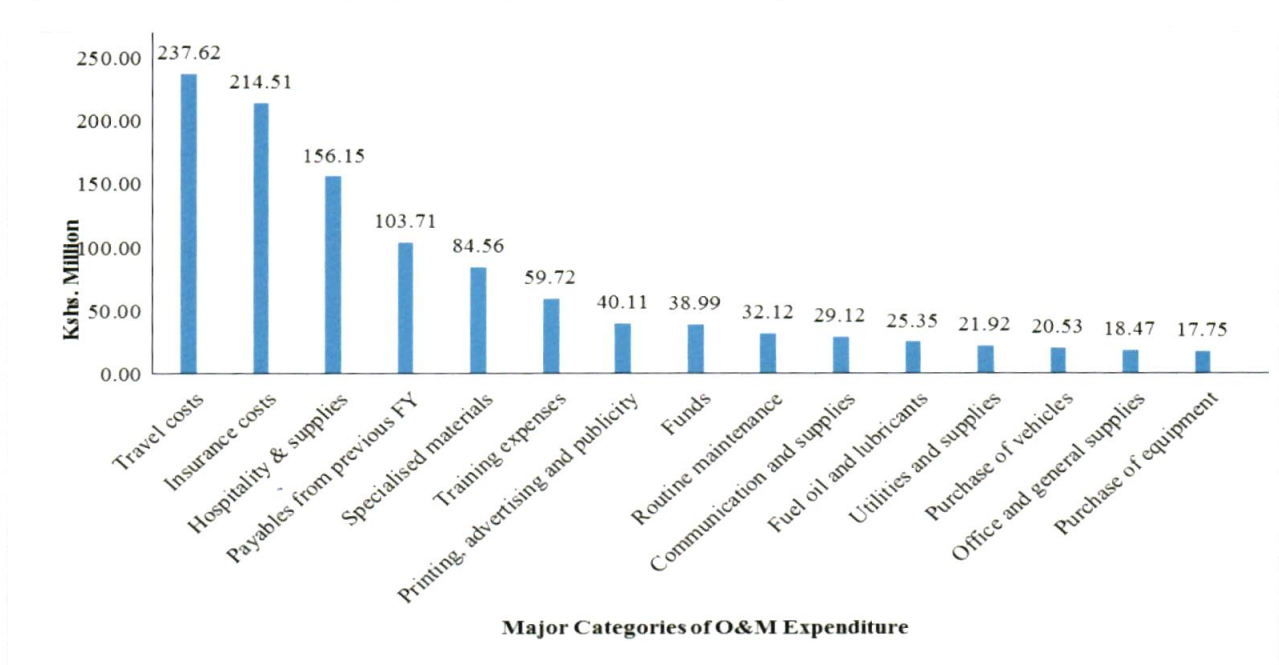
3.26.6 Analysis of Recurrent Expenditure

During the period under review the total recurrent expenditure of Kshs.4.55 billion represented 84.3 per cent of the annual recurrent budget. The County spent Kshs.3.22 billion (70.9 per cent) on personnel emoluments and Kshs.1.33 billion (29.1 per cent) on operations and maintenance as shown in Figure 3.102. The expenditure on personnel emoluments represented an increase of 25.5 per cent compared to FY 2014/15 when the County spent Kshs.2.57 billion. The increase is attributed to a growing workforce in the County and annual salary increments.

The County spent Kshs.100.70 million on sitting allowances to the 69 MCAs and the Speaker against the annual budget allocation of Kshs.123.97 million. This was a decrease compared to Kshs.107.61 million spent in FY 2014/15. The average monthly sitting allowance was Kshs.119, 882 compared to SRC’s recommended monthly ceiling of Kshs.124, 800.

Expenditure on domestic and foreign travel was Kshs.237.62 million compared to Kshs.186.3 million spent in FY 2014/15, representing an increase of 27.5 per cent. Figure 3.91 shows a summary of the operations and maintenance expenditure by major categories.

Figure 3.103: Meru County, Operations and Maintenance Expenditure for FY 2015/16

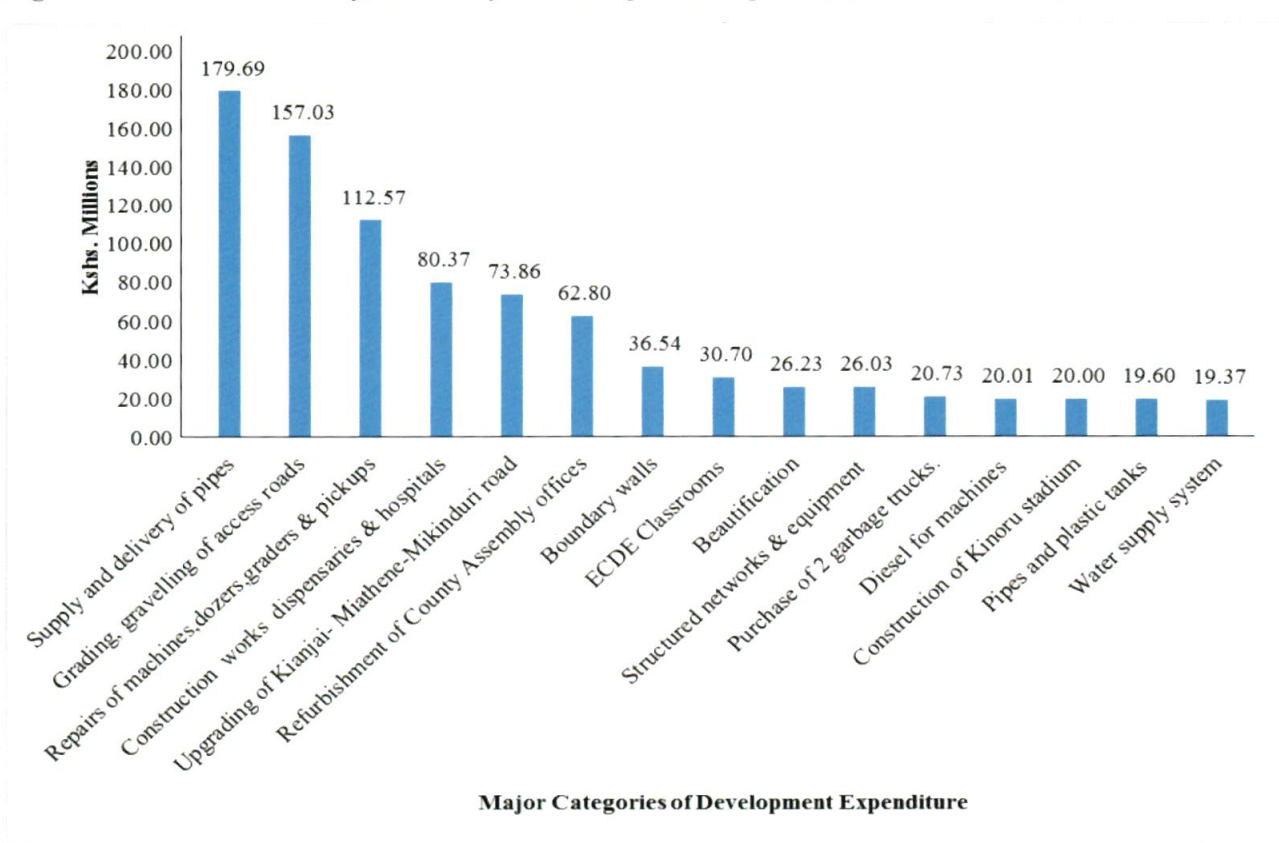


Source: Meru County Treasury

3.26.7 Analysis of Development Expenditure

The total development expenditure of Kshs.1.66 billion represented 58.8 per cent of the annual development budget of Kshs.2.83 billion. Figure 3.104 provides a summary of development expenditure during the period under review.

Figure 3.104: Meru County, Summary of Development Expenditure for FY 2015/16



Source: Meru County Treasury

Analysis of the development expenditure indicated that the highest expenditure of Kshs.179.69 million was incurred by the Water, Environment and Natural Resources department on supply and delivery of pipes. The second highest expenditure of Kshs.157.03 million was incurred by the Transport and Infrastructure department on grading and gravelling of access roads. A total of Kshs.112.57 million was spent on the repairs and maintenance of machines, dozers, graders and pickup vehicles while Kshs.80.37 million was incurred on construction of dispensaries and hospitals. In addition Kshs.73.86 million was used as on upgrading of the Kianjai-Miathene-Mikinduri road while Kshs.62.80 million was spent on refurbishment of the County Assembly offices.

3.26.8 Analysis of Budget Performance by Department

Table 3.78 shows a summary of FY 2015/16 annual budget estimates and budget performance by department.

Table 3.78: Meru County, FY 2015/16 Budget Performance by Department

Department	Annual Budget Allocation (Kshs. Million)		Annual Exchequer Issues (Kshs.Million)		Annual Expenditure (Kshs.Million)		Expenditure to Exchequer Issues (%)		Expenditure to Budget Allocation (Absorption rate (%))	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
County Assembly	792.12	114.07	771.94	84.55	776.33	80.16	100.6	94.8	98.0	70.3
Office of the Governor	288.22	-	222.63	-	239.74	-	107.7	-	83.2	-
County Treasury	575.64	133.20	404.53	2.00	373.76	151.10	92.4	7554.9	64.9	113.4
Agriculture, Fishery and Livestock	308.46	177.22	295.99	140.80	269.28	55.04	91.0	39.1	87.3	31.1
Water, Environment and Natural Resources	104.22	533.29	93.07	533.30	85.79	293.55	92.2	55.0	82.3	55.0
Education	459.41	143.35	310.55	174.09	289.22	78.87	93.1	45.3	63.0	55.0
Health	1,830.33	339.19	1,547.75	202.47	1,608.45	161.49	103.9	79.8	87.9	47.6
Lands, Housing, Physical and Economic Planning	98.00	122.51	82.30	91.95	87.49	101.87	106.3	110.8	89.3	83.2
Public Service and Administration	651.00	24.60	576.11	-	592.61	4.91	102.9	-	91.0	20.0
Transport and Infrastructure	98.14	804.41	90.27	554.49	90.00	497.37	99.7	89.7	91.7	61.8
Co-operative, Tourism and Enterprise Development	79.27	270.10	69.38	148.05	63.97	171.17	92.2	115.6	80.7	63.4
Culture, Gender and Sports	59.63	161.43	49.27	176.02	45.95	63.32	93.3	36.0	77.1	39.2
County Public Service Board	18.19	-	12.96	-	11.56	-	89.2	-	63.6	-
Town Administration	34.51	2.50	21.85	-	16.06	2.50	73.5	-	46.5	100.0
Total	5,397.14	2,825.87	4,548.60	2,107.72	4,550.21	1,661.35	100.0	78.8	84.3	58.8

Source: Meru County Treasury

Analysis of budget performance by department shows that the County Treasury attained the highest absorption

rate of development expenditure at 113.4 per cent which is more than its approved annual budget. The Department of Public Service and Administration had the lowest development expenditure absorption at 20.0 per cent. On the other hand, the County Assembly had the highest percentage of recurrent expenditure to recurrent budget at 98.0 per cent while the Department of Town Administration had the lowest at 46.5 per cent.

3.26.9 Observations and Recommendations

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

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

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

1. A high wage bill that increased from Kshs.2.57 billion in FY 2014/15 to Kshs.3.22 billion in FY 2015/16, which represented 51.9 per cent of total expenditure. Continued increase in the wage bill may result in unsustainable salary costs.
2. Lack of regulations to operationalize some established County Public Funds such as the Disaster Management Fund and the Bursary Fund. This contravenes Section 116 of the PFM Act, 2012 which requires approval of the County Executive Committee and the County Assembly prior to establishment of County Funds.
3. Failure to deposit all locally generated revenue into the County Revenue Fund account as required by Article 2017(1) of the Constitution.

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 that regulations establishing any County Public Funds are in place in line with Section 116 of the PFM Act, 2012. This should be done before the operationalisation of any established County Public Fund.*
3. *The County Treasury should ensure that all locally generated revenue is deposited into the CRF account unless reasonably excluded by an Act of Parliament in line with Article 207 of the Constitution.*

3.27 Migori County

3.27.1 Overview of the FY 2015/16 Budget

The County's FY 2015/16 Approved Supplementary Budget was Kshs.7.27 billion, comprising of Kshs.4.05 billion (55.7 per cent) and Kshs.3.22 billion (44.3 per cent) for recurrent and development expenditure respectively.

To finance the budget, the County expected to receive Kshs.5.83 billion (80.3 per cent) as Equitable share of revenue raised nationally, generate Kshs.400 million (5.5 per cent) from local sources, and had a cash balance of Kshs.538.74 million (7.4 per cent) from FY 2014/15. The conditional grants comprised of Kshs.44.49 million (0.6 per cent) for Leasing of Medical Equipment, Kshs.109.70 million (1.5 per cent) for Maternal Health Care, Kshs.74.15 million (1.0 per cent) from the Roads

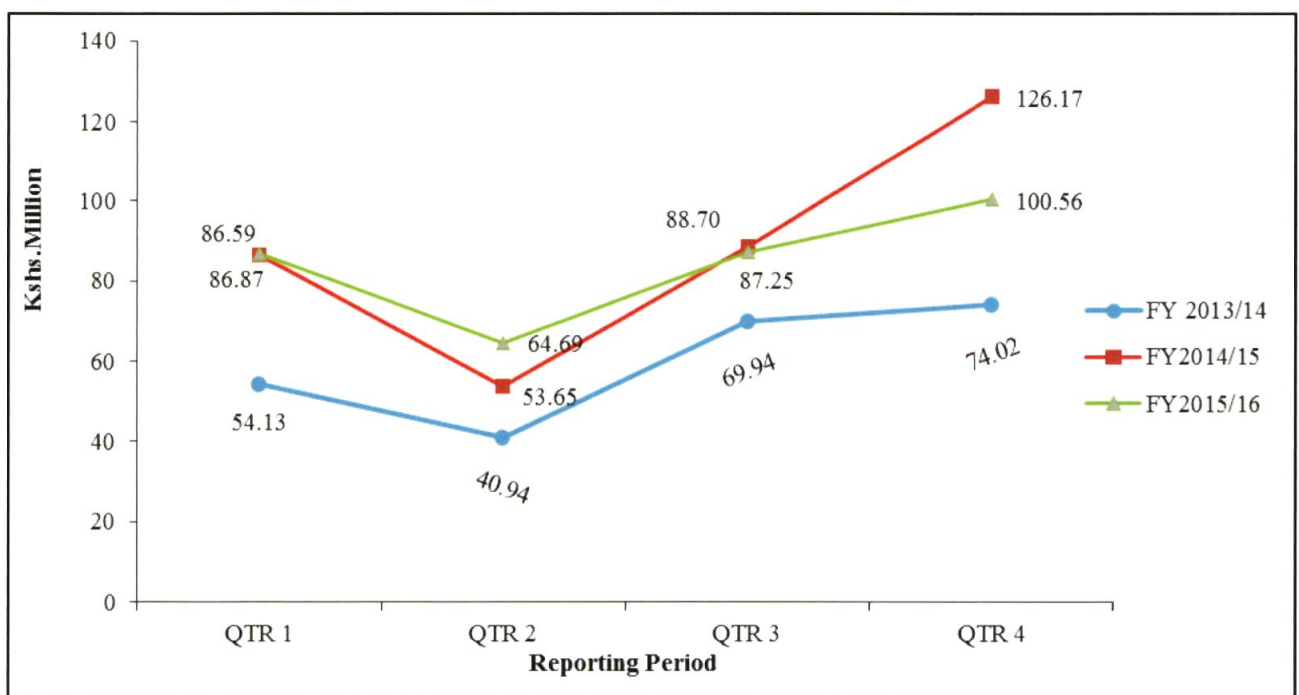
Maintenance Fuel Levy Fund, Kshs.100.00 million (1.4 per cent) as a grant from European Union , Kshs.100.00 million (1.4 per cent) as a grant from Water Trust Fund , Kshs.20.44 million (0.3 per cent) as a conditional grant from DANIDA, Direct transfer to Ministry of Health Bank Account of Kshs.45.0 million (0.6 per cent) from UNFPA.

3.27.2 Revenue Analysis

During the year, the County received Kshs.5.84 billion as equitable share of the revenue raised nationally, Kshs.277.30 million as total conditional allocations, raised Kshs.339.37 million from local sources, and had a cash balance of Kshs.538.74 million brought forward from FY 2014/15.

Figure 3.105 shows the quarterly trend in local revenue collection from FY 2013/14 to FY 2015/16.

Figure 3.105: Migori County, Trend in Local Revenue Collection by Quarter from FY 2013/14 to FY 2015/16



Source: Migori County Treasury

The total local revenue collected in FY 2015/16 of Kshs.339.37 million consisted of Kshs.86.87 million generated in the first quarter, Kshs.64.69 million in the second quarter, Kshs.87.25 million in the third quarter, and Kshs.100.56 million in the fourth quarter. The revenue was 84.8 per cent of the annual local revenue target, a decrease from Kshs.355.39 million collected in FY 2014/15.

Table 3.77 provides an analysis of the local revenue collected in FY 2015/16 by revenue stream.

Table 3.79: Migori County analysis of revenue collected by stream in FY 2015/16

No	Revenue Stream	Annual Targeted Revenue (Kshs.)	Annual Actual Revenue	Actual Revenue as a percentage of Annual Target (%)
1	Parking - Bus Park	60,000,000	54,992,730	91.7
2	S.B.P./ Applications	50,000,000	49,267,580	98.5
3	Market Dues	50,000,000	44,476,731	89.0
4	Ministry of Health	45,000,000	38,736,926	86.1
5	Sugar-Cane - Cess	40,000,000	28,499,856	71.3
6	Lands Dept.(Land - Rents/Rates)	15,000,000	22,035,419	146.9
7	Motorcycles - Parking Fee	22,000,000	20,703,400	94.1
8	C/A, C/F, S.H. Fees	19,000,000	14,769,870	77.7
9	Tobacco - Cess	40,000,000	12,375,597	30.9
10	Maize/Potatoes - Cess	11,000,000	11,816,499	107.4
11	Other sources	48,000,000	41,694,359	86.9
Total		400,000,000	339,368,967	84.8

Source: Migori County Treasury

Analysis of the local revenue collected by stream indicated that, land rates recorded the highest performance against annual target at 146.9 per cent. This was followed by maize/potato cess at 107.4 per cent and single business permits at 98.5 per cent.

The County deposited all locally generated revenue into the County Revenue Fund account maintained at Central Bank of Kenya (CBK) as required by Article 207 (1) of the Constitution.

3.27.3 Conditional Grants

Table 3.81 shows an analysis of the conditional grants released in FY 2015/16.

Table 3.81: Migori County analysis of conditional grant releases in FY 2015/16

No.	Conditional Grant	Amount allocated as provided in CARA 2015 (Kshs.)	Actual receipt of the Conditional Grant (Kshs.)	Actual receipts as a percentage of Annual Allocation (%)
1	Road Maintenance Fuel Levy Fund	74,147,432	74,147,432	100.0
2	Free Maternal Health Care	165,043,200	104,565,000	63.4
3	User Fees Forgone	21,379,200	21,379,200	100.0
4	Danida Grant	20,440,000	10,220,000	50.0
5	Result Based Fund(Health Dept)	67,012,156	67,012,156	100.0
Total		348,021,988	277,323,788	79.7

Source: Migori County Treasury

All projected revenue from conditional grants was fully realized except for the Free Maternal Health Care Fund and DANIDA grants recorded performances of 63.4 per cent and 50.0 per cent of their annual targets respectively.

3.27.4 Exchequer Issues

During the period under review, the Controller of Budget (COB) authorised withdrawal of Kshs.6.49 billion from the CRF account, which was 89.2 per cent of the Approved Supplementary Budget. The amount represented an increase of 16.9 per cent from Kshs.5.39 billion authorized in FY 2014/15 and consisted of Kshs.3.98 billion (61.4 per cent) for recurrent expenditure and Kshs.2.51 million (38.6 per cent) for development activities.

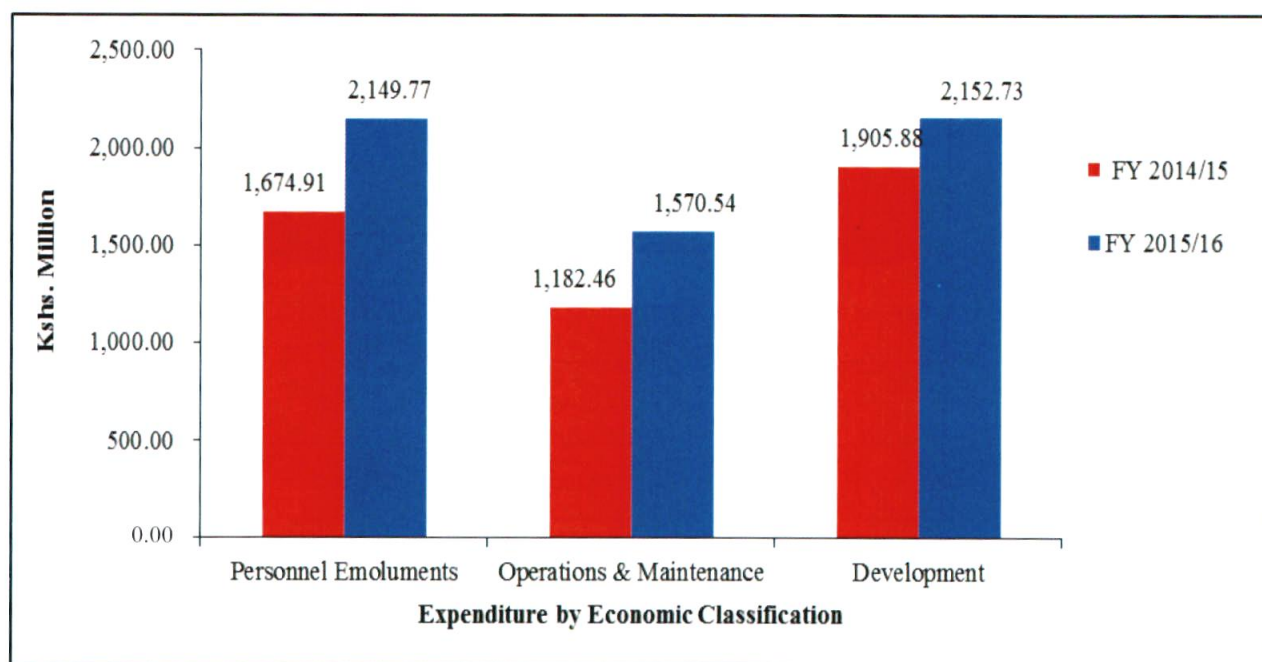
3.27.5 Overall Expenditure Review

The County spent a total of Kshs.5.87 billion in FY 2015/16, which was 90.5 per cent of the funds released for operations. This was an improvement from Kshs.4.76 billion spent in FY 2014/15.

A total of Kshs.3.72 billion was spent on recurrent activities, while Kshs.2.15 billion was spent on development activities. The recurrent expenditure was 93.5 per cent of the funds released for recurrent activities while development expenditure accounted for 85.7 per cent of the funds released for development activities. The expenditure excluded pending bills as at 30th June, 2016 that amounted to Kshs.648.3 million for development and Kshs.299.7 million for recurrent expenditure.

The recurrent expenditure represented 91.9 per cent of the annual recurrent budget, a decrease from 98.9 per cent attained in FY 2014/15. Conversely, development expenditure recorded an absorption rate of 66.7 per cent, which was an increase from 65.4 per cent attained in FY 2014/15. Figure 3.106 presents a comparison between the expenditure in FY 2015/16 and FY 2014/15 by economic classification.

Figure 3.106: Migori County, Expenditure by Economic Classification for FY 2015/16 and FY 2014/15



Source: Migori County Treasury

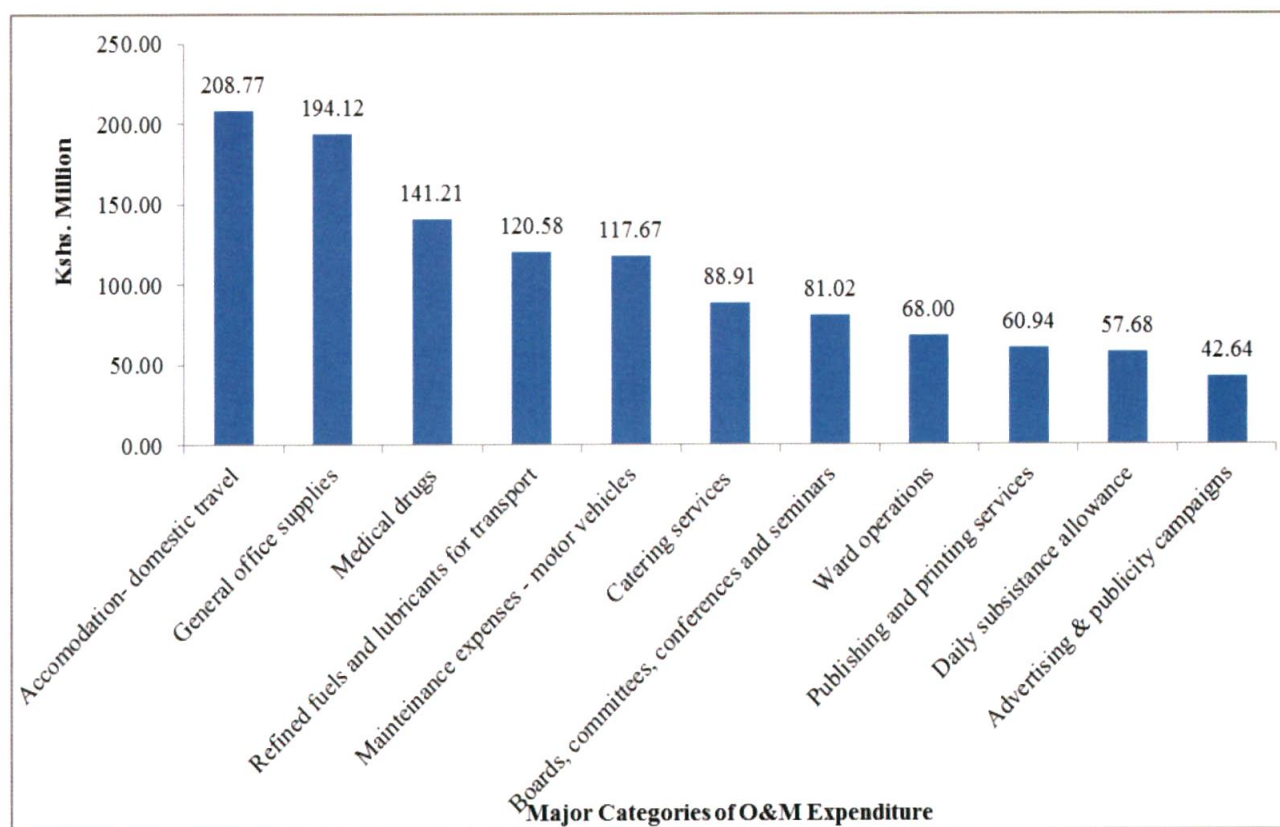
3.27.6 Analysis of Recurrent Expenditure

The total recurrent expenditure was Kshs.3.72 billion and represented 91.9 per cent of the annual recurrent budget of Kshs.4.05 billion. The County spent Kshs.2.15 billion (57.8 per cent) on personnel emoluments and Kshs1.57 million (42.2 per cent) on operations and maintenance as shown in Figure 3.106. Expenditure on personnel emoluments represented an increase of 28.7 per cent compared to FY 2014/15 when the County spent Kshs.1.67 billion. The increase is attributed to recruitment of additional staff in the County.

The County spent Kshs.72.05 million on sitting allowances to the 63 MCAs and the Speaker against the annual budget allocation of Kshs.126.88 million. This was an increase compared to Kshs.130.75 million spent in FY 2014/15. The average monthly sitting allowance was Kshs.95,305 compared to SRC’s recommended monthly ceiling of Kshs.124,800.

Expenditure on domestic and foreign travel was Kshs.273.49 million and consisted of Kshs.197.6 million for the County Executive and Kshs.75.9 million for the County Assembly compared to Kshs.155.70 million spent in FY 2014/15, representing an increase of 75.65 per cent. Figure 3.107 shows a summary of the operations and maintenance expenditure by major categories.

Figure 3.107: Migori County, Operations and Maintenance Expenditure for FY 2015/16

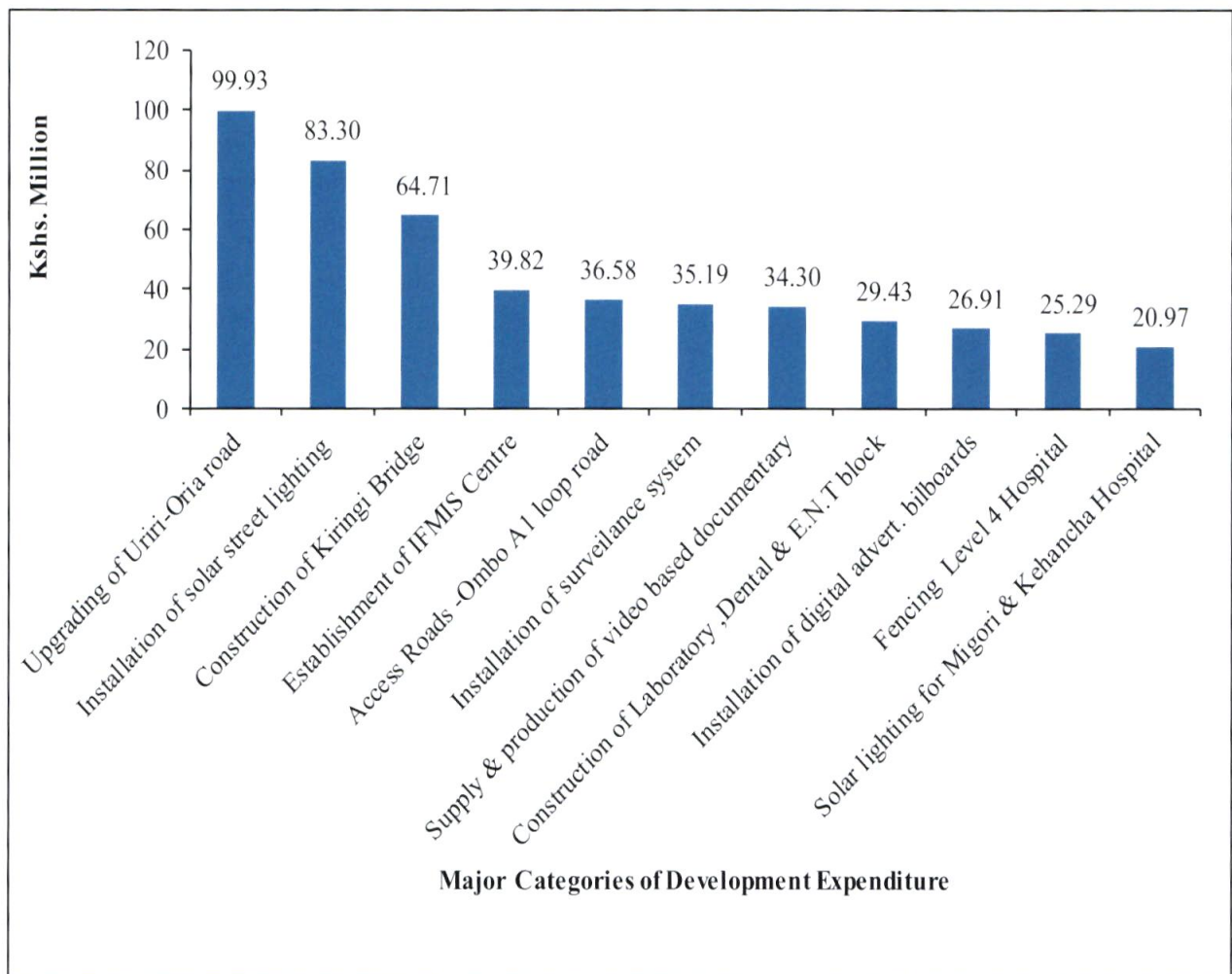


Source: Migori County Treasury

3.27.7 Analysis of Development Expenditure

The total development expenditure was Kshs.2.15 billion against an annual development budget of Kshs.3.22 billion, representing 66.8 per cent of the annual development budget. Figure 3.108 provides a summary of development expenditure during the period under review.

Figure 3.108: Migori County, Summary of Development Expenditure for FY 2015/16



Source: Migori County Treasury

Analysis of the development expenditure indicated that the highest expenditure of Kshs.99.93 million was incurred by the Roads and Public Works department on upgrading of 15 kilometres of road to bitumen standard. The second highest expenditure of Kshs.83.30 million was incurred on installation of solar street lights. A total of Kshs.64.71 million was spent on construction of the Kiringi Bridge and the approach roads- Eastern by-pass and establishment, while Kshs.39.82 million was incurred on the establishment of the County’s IFMIS centre.

3.27.8 Analysis of Budget Performance by Department

Table 3.79 shows a summary of FY 2015/16 annual budget estimates and budget performance by department.

Table 3.81: Migori County, FY 2015/16 Budget Performance by Department

Department	Budget allocation (Kshs. Millions)		Exchequer issues (Kshs. Millions)		Expenditure (Kshs. Millions)		% of expenditure to exchequer issues		Expenditure to Budget Allocation (Absorption rate %)	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
Executive	501.2	121.0	500.1	44.9	472.7	59.6	94.5	132.7	94.3	49.3
Finance & planning	669.4	175.0	669.3	113.4	618.6	242.1	92.4	213.5	92.4	138.3
Agriculture, Lands, Veterinary, Livestock and Fisheries	211.8	619.5	206.8	304.1	192.9	142.9	93.3	47.0	91.1	23.1
Trade, Tourism & Industrialization	46.3	59.9	46.3	60.0	46.2	54.7	99.8	91.2	99.8	91.3
Roads & Public Works	41.6	1,278.0	41.6	1,120.2	40.4	858.4	97.1	76.6	97.1	67.2
Health, Water & Sanitation	956.8	255.8	952.0	255.7	867.5	303.0	91.1	118.5	90.7	118.5
Education, Youth Development & Vocational Training	136.6	189.9	136.3	187.1	112.4	36.8	82.5	19.7	82.3	19.4
Land and Housing	32.9	84.2	32.8	82.8	40.9	58.1	124.7	70.2	124.3	69.0
Environment & Natural Resources	34.6	84.8	34.5	26.6	34.0	63.1	98.6	237.2	98.3	74.4
Public Service Management	692.5	209.5	687.3	209.5	691.1	282.6	100.6	134.9	99.8	134.9
County Assembly	722.6	145.3	674.9	100.9	603.5	51.5	89.4	51.0	83.5	35.4
TOTAL	4,046.3	3,222.9	3,981.9	2,505.2	3,720.2	2,152.8	93.4	85.9	91.9	66.8

Source: Migori County Treasury

Analysis of budget performance by department shows that the Department of Finance and Economic Planning attained the highest absorption rate of development expenditure at 138.3 per cent. On the other hand, the Land and Housing department had the highest percentage of recurrent expenditure to recurrent budget at 124.3 per cent while the Department of Education, Youth Development & Vocational Training had the lowest at 82.3 per cent.

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 the County Budget and Economic Forum (CBEF) in line with Section 137 of the PFM Act, 2012. The County Budget Economic Forum is involved in budgeting and economic matters in the County.

- ii. Adoption of IFMIS in processing financial transactions.
- iii. Improvement in human capacity through recruitment of additional key staff and continuous training.

Despite the progress made, 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 execution reports.
2. Underperformance in local revenue collection. The local revenue collection has declined by 5 per cent from Kshs.355.11 million in the FY 2014/15 to Kshs.339.37 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 County Assembly, Office of the Controller of Budget, Commission for Revenue Allocation and the National Treasury in line with Section 166 of PFM Act, 2012.*
2. *The County Treasury 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 strategies to enhance local revenue collection.*

3.28 Mombasa County

3.28.1 Overview of the FY 2015/16 Budget

The County's FY 2015/16 Approved Supplementary Budget was Kshs.9.98 billion, comprising of Kshs.6.62 billion (66.4 per cent) and Kshs.3.36 billion (33.6 per cent) allocated for recurrent and development expenditure respectively.

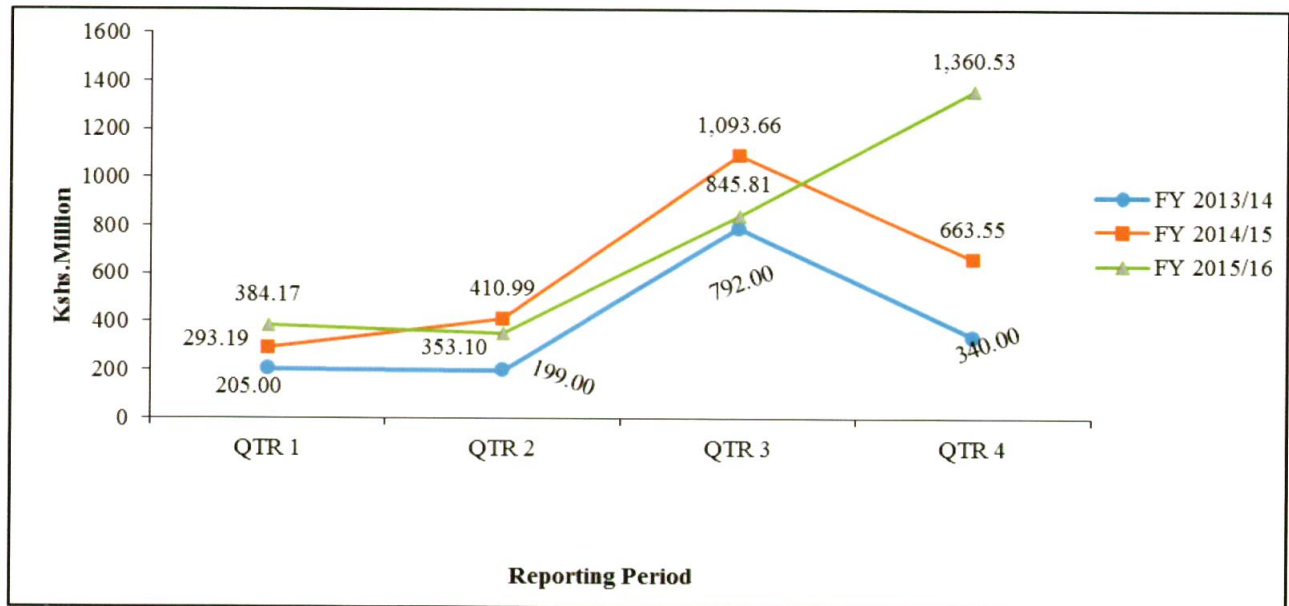
To finance the budget, the County expected to receive Kshs.5.19 billion (52.1 per cent) as equitable share of revenue raised nationally, Kshs.729.13 million (7.3 per cent) as total conditional grants, generate Kshs.4.05 billion (40.6 per cent) from local sources. The conditional grants comprised of Kshs.402.98 million (55.3 per cent) for Level 5 Hospital, Kshs.136.20 million (18.7 per cent) for Free Maternal Health Care, Kshs.66.0 million (9.0 per cent) from the Road Maintenance Fuel Levy Fund, Kshs.21.8 million (3.0 per cent) for User Fees Foregone, Kshs.95.7 million (13.1 per cent) for leasing of medical equipment and Kshs.6.3 million (0.9 per cent) as a grant from DANIDA.

3.28.2 Revenue Analysis

During the year, the County received Kshs.8.36 billion as equitable share of the revenue raised nationally, Kshs.575.22 million as total conditional allocations, raised Kshs.2.94 billion from local sources. The County Treasury did not report any cash balance from FY 2014/15 and did not borrow to supplement budget financing.

Figure 3.109 shows the quarterly trend in local revenue collection from FY 2013/14 to FY 2015/16.

Figure 3.109: Mombasa County, Trend in Local Revenue Collection by Quarter from FY 2013/14 to FY 2015/16



Source: Mombasa County Treasury

The total local revenue collected in FY 2015/16 of Kshs.2.94 billion consisted of Kshs.384.17 million generated in the first quarter, Kshs.353.01 million in the second quarter, Kshs.845.80 million in the third quarter, and Kshs.1.36 billion in the fourth quarter. The revenue was 72.6 per cent of the annual local revenue target, and an improvement from Kshs.2.49 billion collected in FY 2014/15.

Table 3.82 provides an analysis of the local revenue collected in FY 2015/16 by revenue stream.

Table 3.82: Mombasa County analysis of revenue collected by stream in FY 2015/16

No	Revenue Stream	Annual Targeted Revenue in (Kshs. million)	Annual Actual Revenue in (Kshs. million)	Actual Revenue as a percentage of Annual Target (%)
1	Premises inspection fees	6.47	300.53	4,644.9
2	Demolition of structures fees	2.55	80.83	3,169.8
3	Inoculation fees	9.76	74.98	768.2
4	Cost sharing services fees	5.53	15	271.2
5	Towing fees	83.35	207.2	248.6
6	Business permits	287.62	487.91	169.6
7	Land rates	394.38	533.78	135.3
8	Building plans approval fees	29.11	37.37	128.4
9	Ground rates	1.01	1.25	123.7
10	Other sources	3,231.97	1,204.67	37.3
Total		4,051.75	2,943.52	72.6

Source: Mombasa County Treasury

Analysis of the local revenue collected by stream indicated that, premises inspection fees recorded the highest performance against annual target at 4,644.9 per cent. This was followed by demolition of structures at 3,169.8 per cent, and inoculation fees at 768.2 per cent. It was observed that several revenue streams exceeded the targeted collection amounts by a big margin, which may denote enhancement in revenue collection strategies by the County Government.

The County deposited all locally generated revenue into the County Revenue Fund account maintained at Central Bank of Kenya (CBK) as required by Article 207 (1) of the Constitution.

3.28.3 Conditional Grants

Table 3.83 shows an analysis of the conditional grants released in FY 2015/16.

Table 3.83: Mombasa County analysis of conditional grant releases in FY 2015/16

No.	Conditional Grant	Amount allocated as provided in CARA 2015 (Kshs.)	Actual receipt of the Conditional Grant (Kshs.)	Actual receipts as a percentage of Annual Allocation (%)
1	Level 5 Hospitals	402,918,857	402,918,857	100
2	Road Maintenance Fuel Levy Fund	66,030,539	33,345,423	50.5
3	Free Maternal Health Care	136,246,600	112,184,982	82.3
4	User Fees Foregone	21,896,682	21,896,682	100
5	Other loans and grants	-	4,880,000	-
6	Leasing of Medical Equipment	95,744,681	-	-
7	DANIDA Grant	6,300,000	-	-
Total		729,137,359	575,225,944	78.9

Source: Mombasa County Treasury

Analysis of conditional grants performance indicated that, grants for Level 5 Hospital and User Fees Foregone were fully realised. However, the County did not report receipt of grants from the DANIDA grant. The County received medical equipment from the Ministry of Health (National Government), but the value of the equipment was not provided by the time of finalizing this report.

3.28.4 Exchequer Issues

During the period under review, the Controller of Budget (COB) authorised withdrawal of Kshs.8.36 billion from the CRF account, which was 83.8 per cent of the Approved Supplementary Budget. The amount represented an increase of 18.2 per cent from Kshs.7.07 billion authorized in FY 2014/15 and consisted of Kshs.5.95 billion (71.2 per cent) for recurrent expenditure and Kshs.2.41 billion (28.8 per cent) for development activities.

3.28.5 Overall Expenditure Review

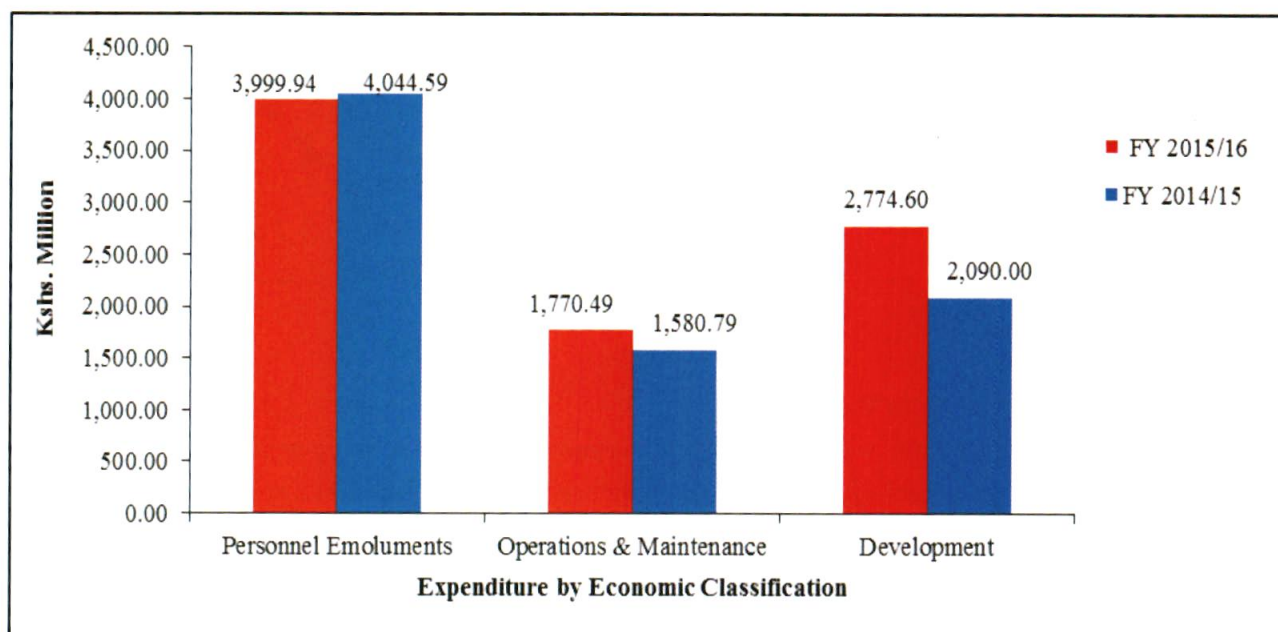
The County spent a total of Kshs.8.54 billion in FY 2015/16, which was 102.1 per cent of the funds released for operations. This was an increase from the Kshs.7.71 billion spent in FY 2014/15.

A total of Kshs.5.77 billion was spent on recurrent activities, while Kshs.2.77 billion was spent on development

activities. The recurrent expenditure was 96.9 per cent of the funds released for recurrent activities while development expenditure accounted for 114.9 per cent of the funds released for development activities. The expenditure excluded pending bills as at 30th June, 2016 that amounted to Kshs.225.31 million for development and Kshs.650.12 million for recurrent expenditure.

The recurrent expenditure represented 87.3 per cent of the annual recurrent budget, an increase from 72.9 per cent attained in FY 2014/15. Development expenditure recorded an absorption rate of 82.4 per cent, which was also an increase from 29.5 per cent attained in FY 2014/15. Figure 3.110 presents a comparison between the expenditure in FY 2015/16 and FY 2014/15 by economic classification.

Figure 3.110: Mombasa County, Expenditure by Economic Classification for FY 2015/16 and FY 2014/15



Source: Mombasa County Treasury

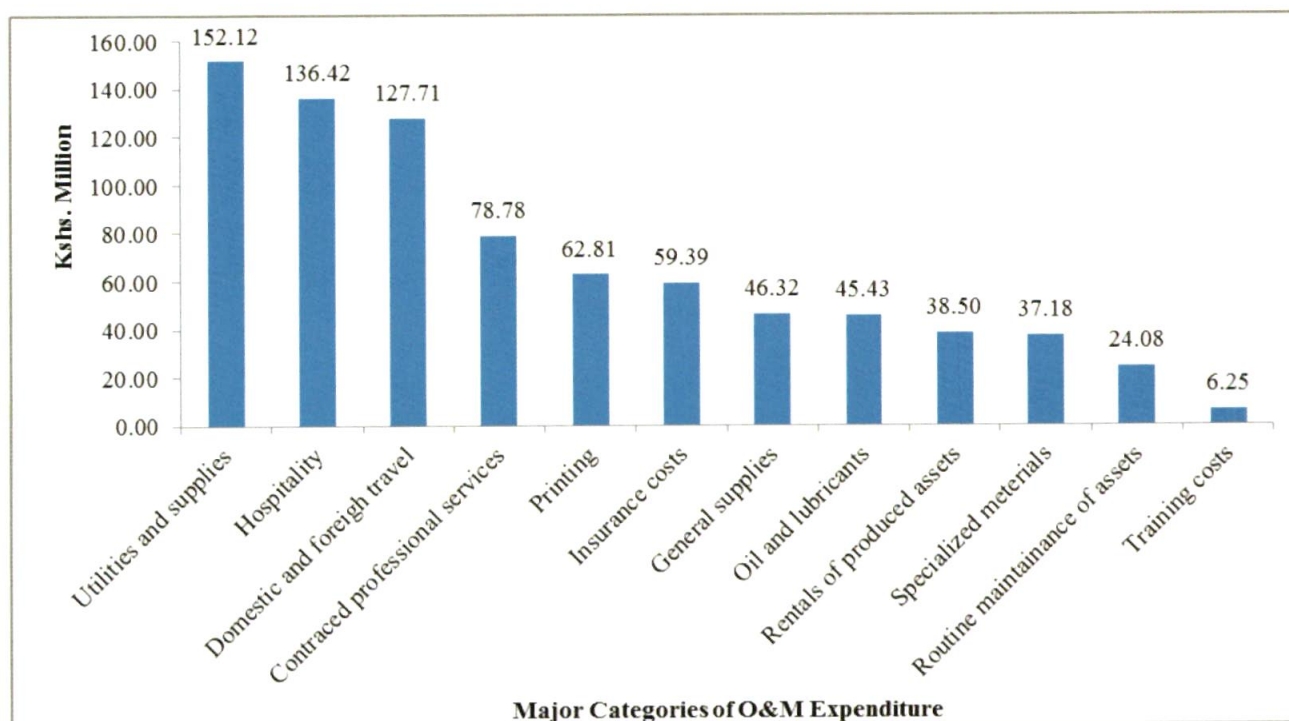
3.28.6 Analysis of Recurrent Expenditure

The total recurrent expenditure was Kshs.5.77 billion against an annual recurrent budget of Kshs.6.61 billion, representing 87.3 per cent of the annual recurrent budget. The County spent Kshs.3.99 billion (69.1 per cent) on personnel emoluments and Kshs.1.77 billion (30.9 per cent) on operations and maintenance as shown in Figure 3.110. Expenditure on personnel emoluments represented a decrease of 1.2 per cent compared to FY 2014/15 when the County spent Kshs.4.04 billion.

The County spent Kshs.57.43 million on sitting allowances to the 43 MCAs and the Speaker against the annual budget allocation of Kshs.97.84 million. This was an increase compared to Kshs.52.71 million spent in FY 2014/15. The average monthly sitting allowance was Kshs.111,309 compared to SRC's recommended monthly ceiling of Kshs.124,800.

Expenditure on domestic and foreign travel was Kshs.127.71 million compared to Kshs.55.35 million spent in FY 2014/15, representing an increase of 130.7 per cent. Figure 3.111 shows a summary of the operations and maintenance expenditure by major categories.

Figure 3.111: Mombasa County, Operations and Maintenance Expenditure for FY 2015/16

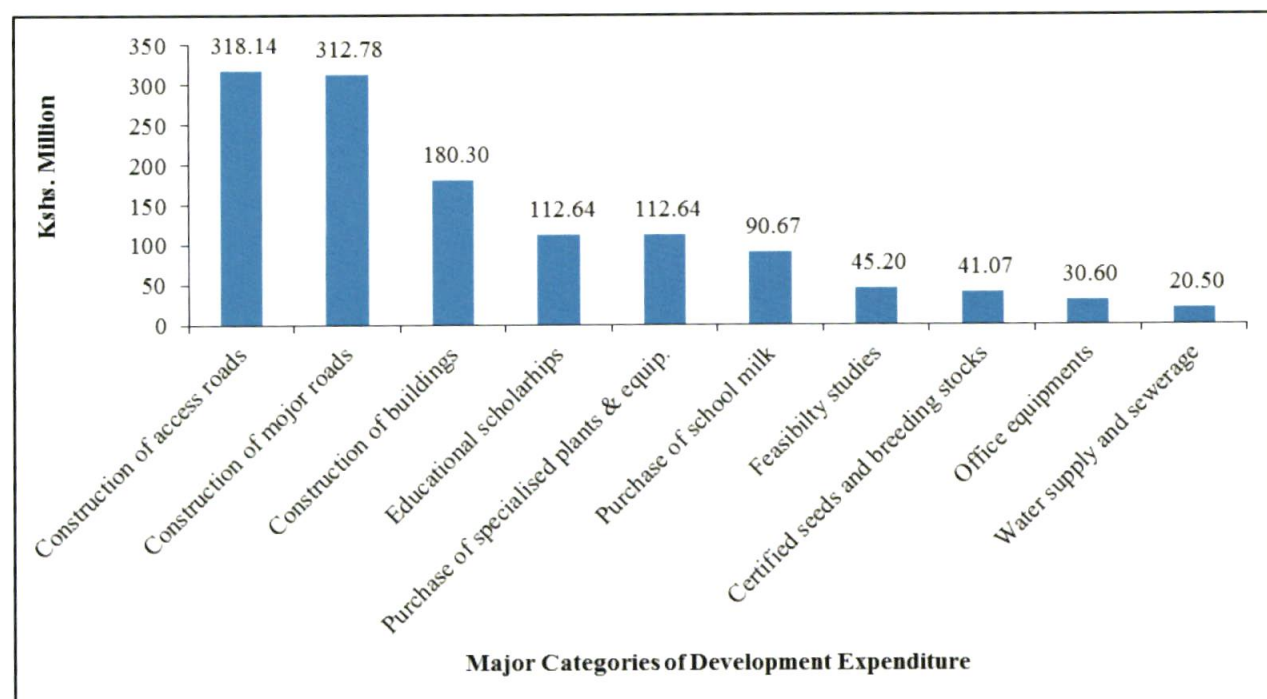


Source: Mombasa County Treasury

3.28.7 Analysis of Development Expenditure

The total development expenditure was Kshs.2.77 billion against an annual development budget of Kshs.3.36 billion, representing 82.4 per cent of the annual development budget. Figure 3.112 provides a summary of development expenditure during the period under review.

Figure 3.112: Mombasa County, Summary of Development Expenditure for FY 2015/16



Source: Mombasa County Treasury

Analysis of the development expenditure indicated that the highest expenditure of Kshs.318.14 million was incurred on construction and maintenance of access roads. A total of 23.4 kilometres of access roads were opened up and maintained while Kshs.312.78 million was incurred on construction of major roads by the Transport and Infrastructure department. A total of Kshs.180.30 million was spent on construction and refurbishment of offices by the County Executive Department.

3.28.8 Analysis of Budget Performance by Department

Table 3.84 shows a summary of FY 2015/16 annual budget estimates and budget performance by department.

Table 3.84: Mombasa County, FY 2015/16 Budget Performance by Department

Department	Budget Allocation (Kshs. million)		Exchequer Issues (Kshs. million)		Expenditure (Kshs. million)		Expenditure to Exchequer Issues (%)		Expenditure to Budget Allocation (Absorption rate (%))	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
County Executive	836.87	181.25	503.59	113.50	630.63	144.86	125.2	127.6	75.4	79.9
County Assembly	675.77	43.00	500.00	00	507.26	7.38	101.5		75.1	17.2
Public Service Board	112.24	20.32	45.00	-	42.20	0	93.7	-	37.6	-
Finance and Economic Planning	824.96	767.60	824.96	431.30	893.25	884.75	108.3	205.1	108.3	115.3
Tourism Development	105.69	35.40	18.18	40.50	79.64	32.09	438.1	79.2	75.4	90.6
Education	245.89	415.73	245.89	406.56	197.65	259.45	80.4	63.8	80.4	62.4
Health	2,049.53	370.64	2,049.53	209.94	2,065.13	220.15	100.7	104.9	100.7	59.4
Water, Environment, Natural Resources	515.11	223.73	515.11	70.00	450.75	41.52	87.5	59.3	87.5	18.6
Youth, Gender Sports	152.11	120.12	152.11	147.75	83.69	105.33	55.0	71.3	55.0	87.7
Trade, Energy, and Industrial Development	305.71	84.00	305.71	52.17	275.16	14.73	90.0	28.2	90.0	17.5
County Planning Land and Housing	218.62	183.87	218.62	91.35	138.99	184.91	63.6	202.4	63.6	100.6
Transport and Infrastructure	398.04	876.35	398.04	813.33	311.33	864.19	78.2	106.3	78.2	98.6
Agriculture, Livestock and Fisheries	176.01	40.81	176.01	39.30	94.76	15.25	53.8	38.8	53.8	37.4
Total	6,616.55	3,362.82	5,952.75	2,415.7	5,770.44	2774.61	96.9	114.9	87.2	82.5

Source: Mombasa County Treasury

Analysis of budget performance by department shows that the Department of Finance and Economic Planning attained the highest absorption rate development expenditure at 115.3 per cent and highest percentage of recurrent expenditure to annual budget at 108.3 per cent. The County Public Service Board did not incur any development expenditure and also, had the lowest percentage of recurrent expenditure to annual budget at 37.6 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. Automation of revenue collection, which led to improved revenue performance. The local revenue collection has improved by 18 per cent from Kshs.2.49 billion in FY 2014/15 to Kshs.2.94 billion in FY 2015/16.
- ii. Adoption of IFMIS in processing financial transactions.

Despite the progress made, the following challenge continued to hamper effective budget implementation;

1. A high wage bill which may result in unsustainable salary costs in the long run. The wage bill represented 46.8 per cent of total expenditure in FY 2015/16.

The County should implement the following recommendation 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. Further, there is need to ensure compliance with personnel emoluments ceiling of 35 per cent provided under the Public Finance Management (County Governments) Regulations, 2015.*

3.29 Murang'a County

3.29.1 Overview of the FY 2015/16 Budget

The County's FY 2015/16 Approved Supplementary Budget was Kshs.6.90 billion, comprising of Kshs.3.55 billion (51.4 per cent) and Kshs.3.35 billion (48.6 per cent) for recurrent and development expenditure respectively.

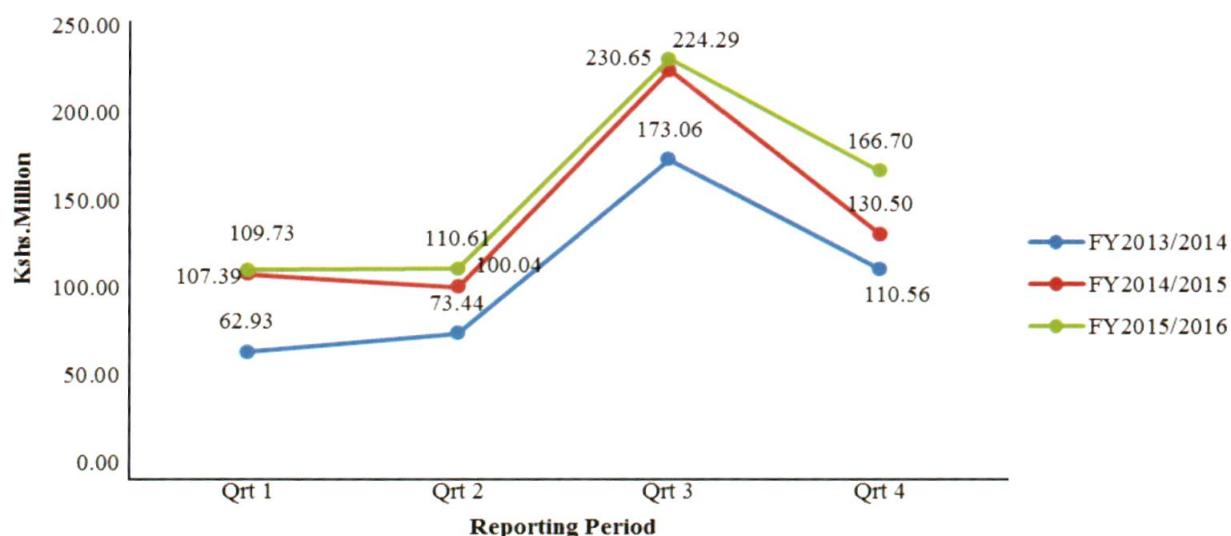
To finance the budget, the County expected to receive Kshs.5.36 billion (77.4 per cent) as equitable share of revenue raised nationally, Kshs.291.37 million (4.2 per cent) as total conditional grants, generate Kshs.850.00 million (12.3 per cent) from local sources, and had a cash balance of Kshs.420.58 million (6.1 per cent) from FY 2014/15. The conditional grants comprised of Kshs.95.74 million (1.4 per cent) for Leasing of Medical Equipment, Kshs.80.80 million (1.2 per cent) for Free Maternal Health Care, Kshs.68.04 million (1.0 per cent) from the Road Maintenance Fuel Levy Fund, Kshs.24.81 million (0.4 per cent) as a grant from DANIDA and Kshs.21.97 million (0.3 per cent) for User Fees Foregone.

3.29.2 Revenue Analysis

During the year, the County received Kshs.5.36 billion as equitable share of the revenue raised nationally, Kshs.184.32 million as total conditional allocations, raised Kshs.613.69 million from local sources, and had a cash balance of Kshs.420.58 million brought forward from FY 2014/15.

Figure 3.113 shows the quarterly trend in local revenue collection from FY 2013/14 to FY 2015/16.

Figure 3.113: Murang'a County, Trend in Local Revenue Collection by Quarter from FY 2013/14 to FY 2015/16



Source: Murang'a County Treasury

The total local revenue collected in FY 2015/16 of Kshs.617.53 million consisted of Kshs.109.73 million generated in the first quarter, Kshs.110.04 million in the second quarter, Kshs.230.65 million in the third quarter, and Kshs.166.70 million in the fourth quarter. The revenue was 72.7 per cent of the annual local revenue target, and an improvement from Kshs.562.23 million collected in FY 2014/15.

Table 3.85 provides an analysis of the local revenue collected in FY 2015/16 by revenue stream.

Table 3.85: Murang'a County analysis of revenue collected by stream in FY 2015/16

No	Revenue Streams	Annual Targeted Revenue (Kshs.)	Annual Actual Revenue	Revenue Performance (%)
	Other Cess Revenue	4,567,059	12,764,601	279.5
	Plan Approval	14,640,676	20,374,784	139.2
	Liquor Licence	32,765,978	40,010,100	122.1
	Public Health	21,978,152	26,148,580	119.0
	Land Subdivision/Transfer	11,385,565	11,282,340	99.1
	Parking/Bus Park Fee	75,162,310	55,579,390	73.9
	Hospitals	117,380,294	85,933,391	73.2
	Barter Market Fee	72,499,500	50,231,815	69.3
	Licences	149,582,757	101,037,870	67.5
	Land Rates/plot rent	70,674,675	47,128,152	66.7
	Building Materials Cess	106,698,221	70,653,549	66.2
	Sale of Forms	17,676,441	11,425,650	64.6
	Other Revenue	104,005,164	57,947,791	55.7
	Finance Income	50,983,208	27,097,703	53.2
	Total	850,000,000	617,526,359	72.7

Source: Murang'a County Treasury

Analysis of the local revenue collected by stream indicated that, other cess revenue recorded the highest performance against annual target at 279.5 per cent. This was followed by plans approval at 139.2 per cent, and liquor licences at 122.1 per cent.

The County did not deposit all locally generated revenue into the County Revenue Fund account maintained at Central Bank of Kenya (CBK) as required by Article 207 (1) of the Constitution. The amount not deposited in the CRF account included receipts from sale of manure from Marira farm to farmers.

3.29.3 Conditional Grants

Table 3.86 shows an analysis of the conditional grants released in FY 2015/16.

Table 3.86: Murang'a County analysis of conditional grant releases in FY 2015/16

No.	Conditional Grant	Amount allocated as provided in CARA 2015 (Kshs.)	Actual receipt of the Conditional Grant (Kshs.)	Actual receipts as a percentage of Annual Allocation (%)
1	Road Maintenance Fuel Levy Fund	68,038,977	68,038,977	100.0
2	User Fees Forgone	21,971,530	21,971,530	100.0
3	DANIDA Grant	24,810,000	24,810,000	100.0
4	Free Maternal Health Care	80,802,400	69,497,500	86.0
5	Leasing of medical Equipment	95,744,681	0	0.0
Total		291,367,588	184,318,007	63.3

Source: Murang'a County Treasury

All conditional grants were fully realised except the Free Maternal Health Care grant, which recorded performance of 86.0 per cent. The Ministry of Health (National Government) delivered medical equipment to the County, though the value of the equipment was not provided by the time of finalization of this report.

3.29.4 Exchequer Issues

During the period under review, the Controller of Budget authorised withdrawal of Kshs.6.16 billion from the CRF account, which was 89.2 per cent of the Approved Supplementary Budget. The amount represented an increase of 16.0 per cent from Kshs.5.31 billion authorized in FY 2014/15 and consisted of Kshs.3.39 billion (55.0 per cent) for recurrent expenditure and Kshs.2.77 billion (45 per cent) for development activities.

3.29.5 Overall Expenditure Review

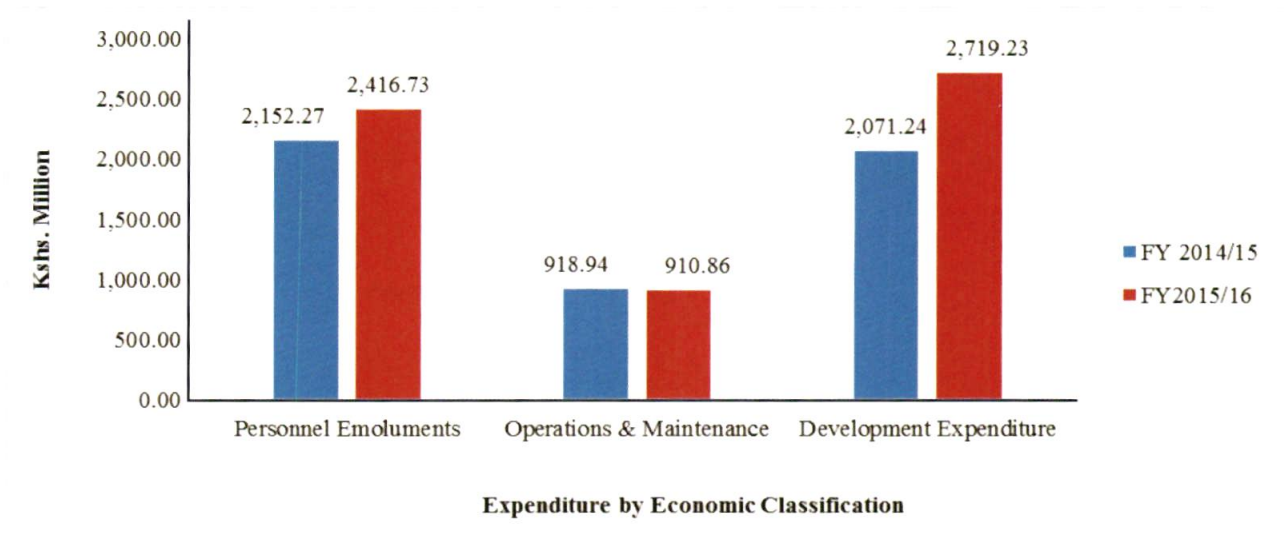
The County spent a total of Kshs.6.05 billion in FY 2015/16, which was 98.2 per cent of the funds released for operations. This was an increase from the Kshs.5.31 billion spent in FY 2014/15.

A total of Kshs.3.33 billion was spent on recurrent activities, while Kshs.2.72 billion was spent on development activities. The recurrent expenditure was 98.2 per cent of the funds released for recurrent activities while development expenditure accounted for 98.2 per cent of the funds released for development activities. The

expenditure excluded pending bills as at 30th June, 2016 that amounted to Kshs.841.99 million for development and Kshs.120.69 million for recurrent expenditure.

The recurrent expenditure represented 93.8 per cent of the annual recurrent budget, a decrease from 107.2 per cent incurred in FY 2014/15. Development expenditure recorded an absorption rate of 81.1 per cent, which was an increase from 75.3 per cent attained in FY 2014/15. Figure 3.114 presents a comparison between the expenditure in FY 2015/16 and FY 2014/15 by economic classification.

Figure 3.114: Murang’a County, Expenditure by Economic Classification for FY 2015/16 and FY 2014/15



Source: *Murang’a County Treasury*

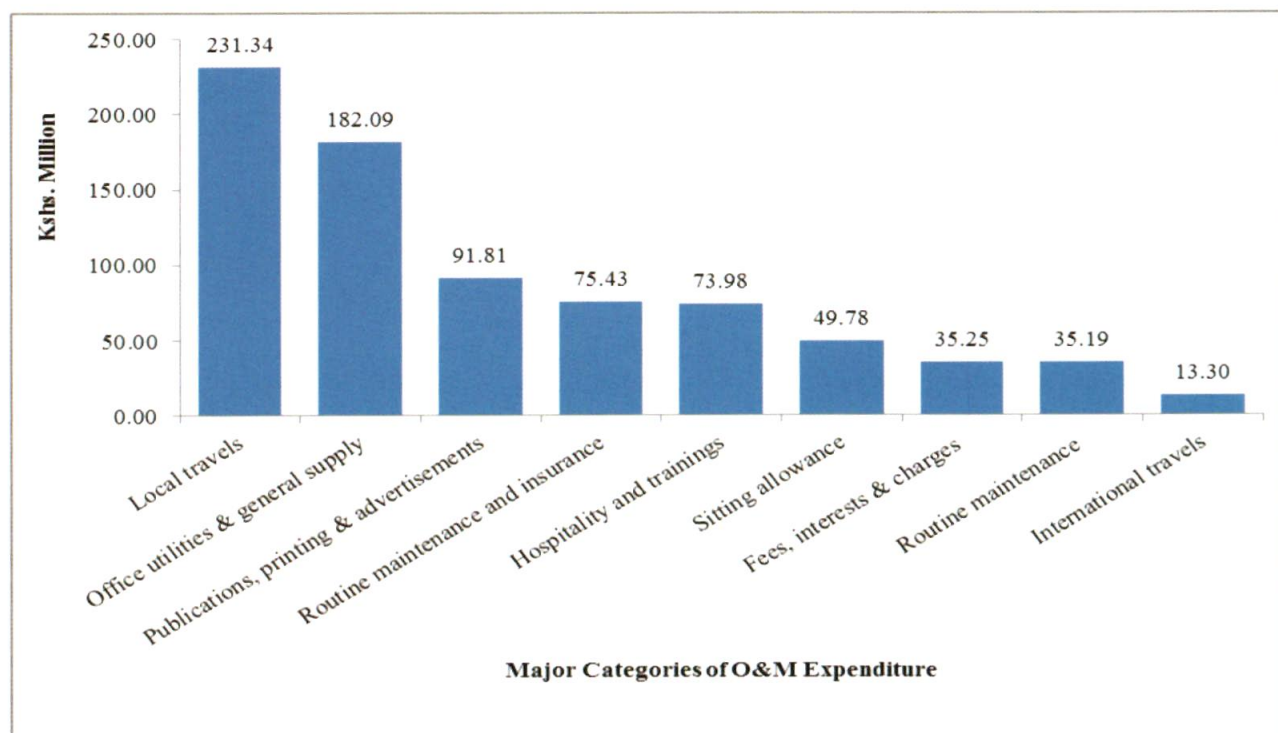
3.29.6 Analysis of Recurrent Expenditure

The total recurrent expenditure of Kshs.3.33 billion represented 93.8 per cent of the annual recurrent budget of Kshs.3.55 billion. The County spent Kshs.2.42 billion (72.6 per cent) on personnel emoluments and Kshs.910.86 million (27.4 per cent) on operations and maintenance as shown in Figure 3. Expenditure on personnel emoluments represented an increase of 12.3 per cent compared to FY 2014/15 when the County spent Kshs.2.15 billion.

The County spent Kshs.49.78 million on sitting allowances to the 50 MCAs and the Speaker against the annual budget allocation of Kshs.117.73 million. This was a decrease compared to Kshs.64.49 million spent in FY 2014/15. The average monthly sitting allowance was Kshs.82,971 compared to SRC’s recommended monthly ceiling of Kshs.124,800.

Expenditure on domestic and foreign travel was Kshs.244.64 million compared to Kshs.146.93 million spent in FY 2014/15, representing an increase of 66.5 per cent. Figure 3.115 shows a summary of the operations and maintenance expenditure by major categories.

Figure 3.115: Murang'a County, Operations and Maintenance Expenditure for FY 2015/16

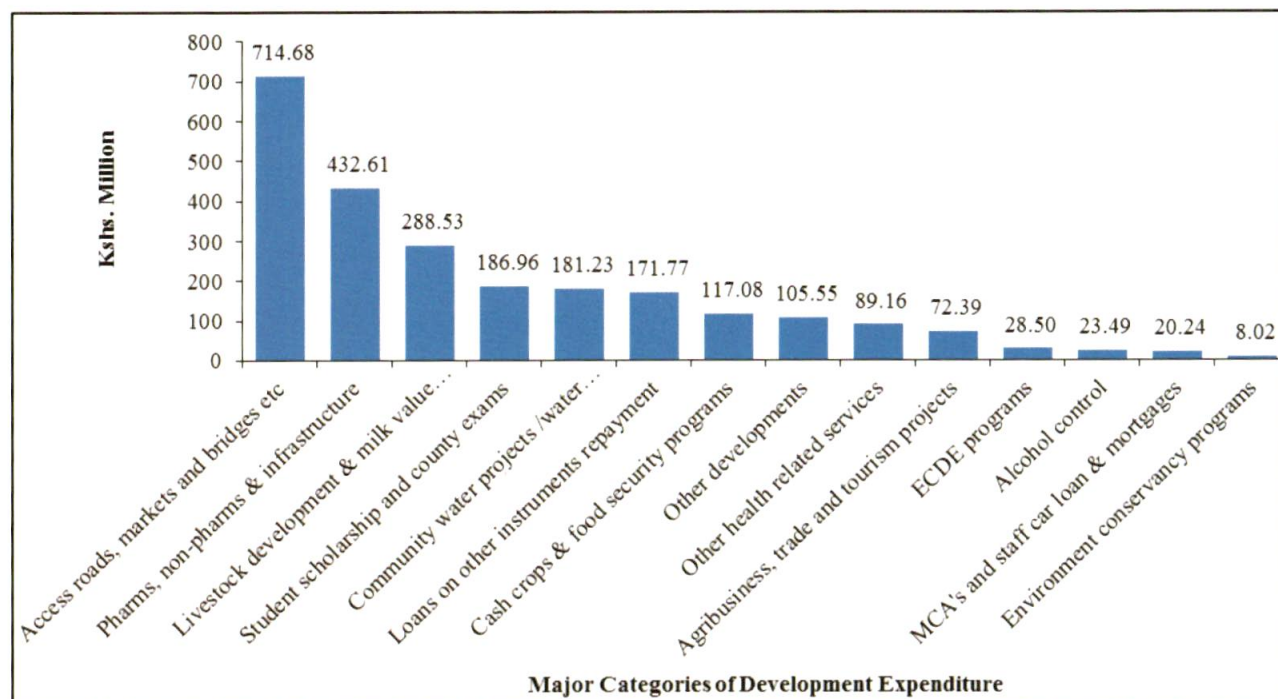


Source: Murang'a County Treasury

3.29.7 Analysis of Development Expenditure

The total development expenditure of Kshs.2.72 billion represented 81.1 per cent of the annual development budget of Kshs.3.35 billion. Figure 3.116 provides a summary of development expenditure during the period under review.

Figure 3.116: Murang'a County, Summary of Development Expenditure for FY 2015/16



Source: Murang'a County Treasury

Analysis of the development expenditure indicated that the highest expenditure of Kshs.714.68 million was incurred by The Energy, Roads and Infrastructure department on grading and gravelling of roads, construction of modern markets and other infrastructural projects. The second highest expenditure of Kshs.432.61 million was incurred by the Health and Sanitation Department on purchase of drugs, non-pharmaceuticals, construction of health infrastructures and purchase of health related equipment. A total of Kshs.288.53 million was spent on the livestock development program in supply of subsidised artificial insemination and construction of a milk processing factory at Maragua.

3.29.8 Analysis of Budget Performance by Department

Table 3.87 shows a summary of FY 2015/16 annual budget estimates and budget performance by department.

Table 3.87: Murang'a County, FY 2015/16 Budget Performance by Department

Department	Annual Budget Allocation (Kshs. Million)		Annual Exchequer Issues (Kshs.Million)		Annual Expenditure (Kshs.Million)		Expenditure to Exchequer Issues (%)		Expenditure to Budget Allocation (Absorption rate (%))	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
Office of the Governor and Deputy Governor	218.37	6.10	218.16	-	179.73	-	82.4	0.0	82.3	0.0
County Assembly	588.99	255.58	441.84	35.00	465.68	35.00	105.4	100.0	79.1	13.7
Finance IT and Planning	276.21	140.74	274.78	81.79	295.42	194.64	107.5	238.0	107.0	138.3
Agriculture, Livestock Fisheries	141.34	136.49	141.34	133.93	96.98	194.04	68.6	144.9	68.6	142.2
Energy, Transport and Infrastructure	54.72	1,215.66	54.72	1,210.94	28.19	895.91	51.5	74.0	51.5	73.7
Commerce, Trade, Industry and Tourism	6.13	95.00	6.13	93.50	2.69	81.85	43.9	87.5	43.8	86.2
Health and Sanitation	1,252.21	631.51	1,252.21	520.95	1,528.86	686.77	122.1	131.8	122.1	108.8
Lands, Housing and Physical Planning	11.28	33.28	11.28	33.28	4.02	1.02	35.6	3.1	35.6	3.1
Public Service and Administration	727.63	24.29	727.62	21.00	441.60	-	60.7	0.0	60.7	0.0
Education and Technical Training	172.80	167.68	172.80	27.00	217.52	215.46	125.9	798.0	125.9	128.5
Youth, Culture, Gender, Social Services and Special Programs	49.65	610.13	37.65	578.13	48.85	406.51	129.7	70.3	98.4	66.6
Environment and Natural Resources	9.10	29.88	9.10	29.88	7.31	8.02	80.3	26.8	80.3	26.8
County Public Service Board	40.00	5.50	40.00	4.65	10.74	-	26.9	0.0	26.9	0.0
Total	3,548.44	3,351.84	3,387.65	2,770.04	3,327.59	2,719.23	98.2	98.2	93.8	81.1

Source: Murang'a County Treasury

Analysis of budget performance by department shows that the Department of Agriculture, Livestock and

Fisheries attained the highest absorption rate of development expenditure at 142.2 per cent while the Office of the Governor and Deputy Governor, County Public Service Board and the Public Service and Administration departments did not incur any development expenditure. The Education and Technical Training department had the highest percentage of recurrent expenditure to recurrent budget at 125.9 per cent while the Department of County Public Service Board had the lowest at 26.9 per cent.

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. Improvement in local revenue collection by 10 per cent from Kshs.562.23 million in FY 2014/15 to Kshs.617.53 million in FY 2015/16.
- ii. Improved absorption of development funds from 75.3 per cent in FY 2014/15 to 81.1 per cent in FY 2015/16.

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

1. Failure by the County Assembly to refund unspent funds to the County Revenue Fund account at the beginning of FY 2015/16 as required by law (Section 136 (2) of the PFM Act 2012).
2. Operationalization of the Scholarship Fund prior to approval of the revised regulations to establish clear separation of powers between implementation and oversight as required by Article 175 and 179 of the Constitution and Section 9(2) of the County Governments Act, 2012.
3. Expenditure for some Votes exceeded the appropriated amounts. The Departments of Finance, IT and Finance, Agriculture, Livestock and Fisheries, Health and Sanitation, and Education and Technical Training reported expenditure above amounts appropriated.

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

1. *The County Treasury should ensure all County entities should deposit unspent balances into the County Revenue Fund account at the end of each financial year.*
2. *The CECM-F should ensure that appropriate regulations are in place to operationalize the Scholarship Fund.*
3. *The County should ensure all expenditure is within the law.*

3.30 Nairobi City County

3.30.1 Overview of the FY 2015/16 Budget

The County's FY 2015/16 Approved Supplementary Budget was Kshs.29.09 billion, comprising of Kshs.21.21 billion (72.9 per cent) and Kshs.7.88 billion (27.1 per cent) for recurrent to development expenditure respectively.

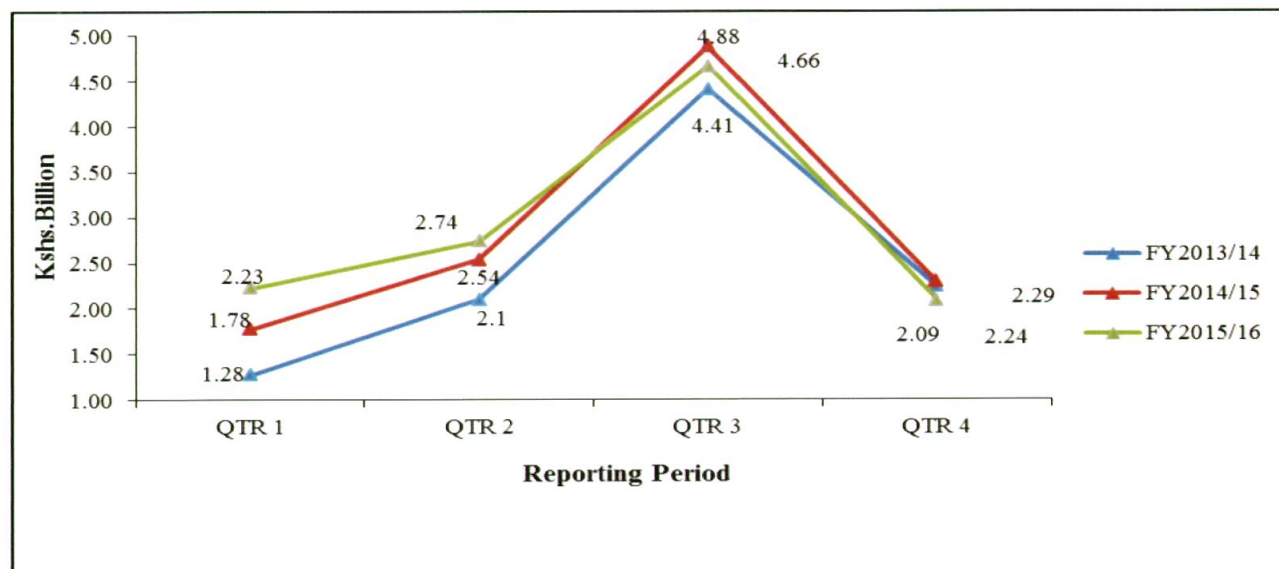
To finance the budget, the County expected to receive Kshs.13.00 billion (44.7 per cent) as equitable share of the revenue raised nationally, Kshs.811.65 million (2.8 per cent) as total conditional grants, generate Kshs.15.29 million (52.5 per cent) from local sources. The conditional grants comprised of Kshs.95.74 million for the Leasing of Medical Equipment, Kshs.443.10 million for Free Maternal Health Care, Kshs.165.10 million from the Road Maintenance Fuel Levy Fund, Kshs.79.91 million for User Fees Foregone, Kshs.27.80 million as a grant from DANIDA.

3.30.2 Revenue Analysis

During the year, the County received Kshs.13.00 billion as equitable share of the revenue raised nationally, Kshs.472.04 million as total conditional allocations, raised Kshs.11.71 billion from local sources.

Figure 3.118 shows the quarterly trend in local revenue collection from FY 2013/14 to FY 2015/16.

Figure 3.117: Nairobi County, Trend in Local Revenue collection by Quarter from FY 2013/14 to FY 2015/16



Source: Nairobi City County Treasury

The total local revenue collected in FY 2015/16 amounted to Kshs.11.71 billion and consisted of Kshs.2.23 billion generated in the first quarter, Kshs.2.74 billion in the second quarter, Kshs.4.88 billion in the third quarter and Kshs.2.29 billion in the fourth quarter. The revenue was 76.6 per cent of the annual local revenue target, and an improvement from Kshs.10.03 billion collected in FY 2014/15.

Table 3.88 provides an analysis of the local revenue collected in FY 2015/16 by revenue stream.

Table 3.88: Nairobi City County, analysis of revenue collection by stream in FY 2015/16

No	Revenue Stream	Annual Targeted Revenue (Kshs.)	Annual Actual Revenue (Kshs)	Actual Revenue as a percentage of Annual Target (%)
1	Fire inspection certificate	160,000,000	162,541,902	101.6
2	Rents	300,000,000	292,269,037	97.4
3	Other incomes	1,013,797,505	982,464,420	96.9
4	Regulations of building /change /amalg/sub	140,000,000	135,418,360	96.7
5	Decentralization-wards	238,000,000	221,160,235	92.9
6	Wakulima market and other markets	243,000,000	212,832,324	87.6
7	Billboards & advertisements	800,000,000	663,294,591	82.9
8	Other revenue streams	599,120,022	495,349,729	82.7
9	Rates	3,800,000,000	3,110,292,526	81.8
10	Parking fees	2,600,000,000	2,037,870,304	78.4
11	Building permits (1.25 % of construction Cost)	1,650,000,000	1,171,228,462	71
12	Single Business Permits	2,826,000,000	1,785,786,139	63.2
13	Construction site board	270,000,000	167,368,379	62
14	Liquor licenses	450,000,000	208,355,190	46.3
15	Food handlers certificate	200,000,000	63,776,702	31.9
Total		15,289,917,527	11,710,008,300	76.6

Source: Nairobi City County Treasury

Analysis of the local revenue collected by stream indicated that, issuance of fire inspection certificates recorded the highest performance against annual target at 101.6 per cent. This was followed by rent from County-owned properties at 97.4 per cent.

During the year, the County utilized locally collected revenue at source, contrary to Article 207 (1) of the Constitution and Section 109 of the PFM, Act, 2012 which stipulates that all funds raised or collected on behalf of the County Government should be deposited into the CRF account.

3.30.3 Conditional Grants

Table 3.89 shows an analysis of the conditional grants released in FY 2015/16.

Table 3.89: Nairobi County analysis of conditional grant releases in FY 2015/16

No.	Conditional Grant	Amount allocated as provided in CARA 2015 (Kshs.)	Actual receipt of the Conditional Grant (Kshs.)	Actual receipts as a percentage of Annual Allocation (%)
1	Leasing of Medical Equipment	95,744,000	0.0	0.0
2	Road Maintenance Fuel Levy Fund	165,100,152	165,100,152	100.0
3	Free Maternal Health Care	443,094,200*	233,780,000	52.8
4	User Fees Foregone	79,907,491*	73,155,271	91.5
5	DANIDA Grant	27,800,000	0.0	0.0
	Total	811,645,843	472,035,423	58.2

Source: Nairobi City County Treasury

* The amounts differ from those in the approved CARA 2015.

Analysis of conditional grants performance indicated that the Road Maintenance Fuel Levy Fund was fully realized, followed by the User Fees Foregone grant at 91.5 per cent. The County did not receive any funds from the DANIDA grant due to failure to meet the funding conditions. The Ministry of Health (National Government) delivered medical equipment to the County in FY 2015/16 though the value of the equipment was not provided by the time of finalizing this report.

3.30.4 Exchequer Issues

During the period under review, Controller of Budget (COB) authorized withdrawal of Kshs.15.52 billion from the CRF account, which was 53.4 per cent of the Approved Supplementary Budget. The amount represented an increase of 3.5 per cent from Kshs.11.13 billion authorized in FY 2014/15 and consisted of Kshs.15.29 billion (98.5 per cent) for recurrent expenditure and Kshs.235.00 million (1.5 per cent) for development activities.

3.30.5 Overall Expenditure Review

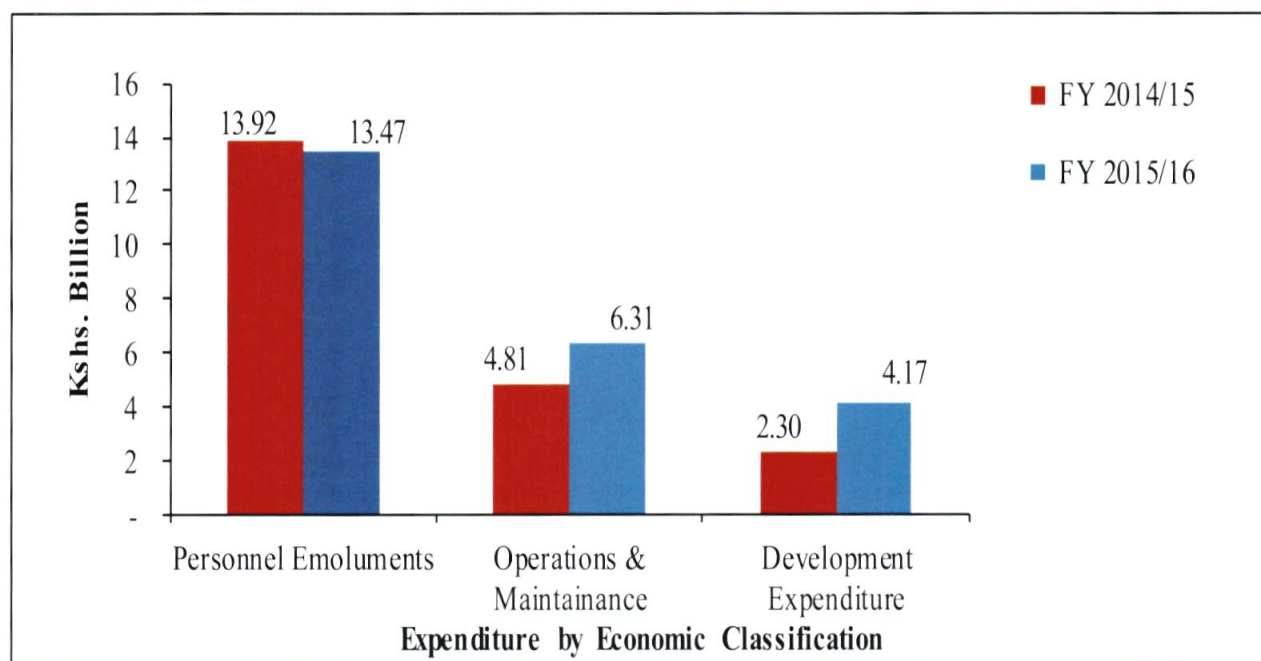
The County spent a total of Kshs.23.95 billion in FY 2015/16, which was 154.3 per cent of the total funds released for operations. This was an increase from Kshs.17.70 billion spent in FY 2014/15.

A total of Kshs.19.78 billion was spent on recurrent activities, while Kshs.4.17 billion was spent on development activities. Recurrent expenditure was 129.4 per cent of the funds released for recurrent activities while development expenditure accounted for 1,772.8 per cent of the funds released for development activities. The

expenditure excluded pending bills as at 30th June, 2016 that amounted to Kshs.1.83 billion for development and Kshs.3.21 billion for recurrent expenditure.

The recurrent expenditure represented 93.3 per cent of the approved recurrent budget, a decline from 99.9 per cent realized in FY 2014/15. On the other hand, development expenditure recorded an absorption rate of 52.9 per cent, which was an increase from 33.5 per cent absorbed in FY 2014/15. Figure 3.118 presents a comparison of the total expenditure in FY 2014/15 and FY 2015/16.

Figure 3.118: Nairobi City County, Expenditure by Economic Classification for FY 2014/15 and FY 2015/16



Source: Nairobi City County Treasury

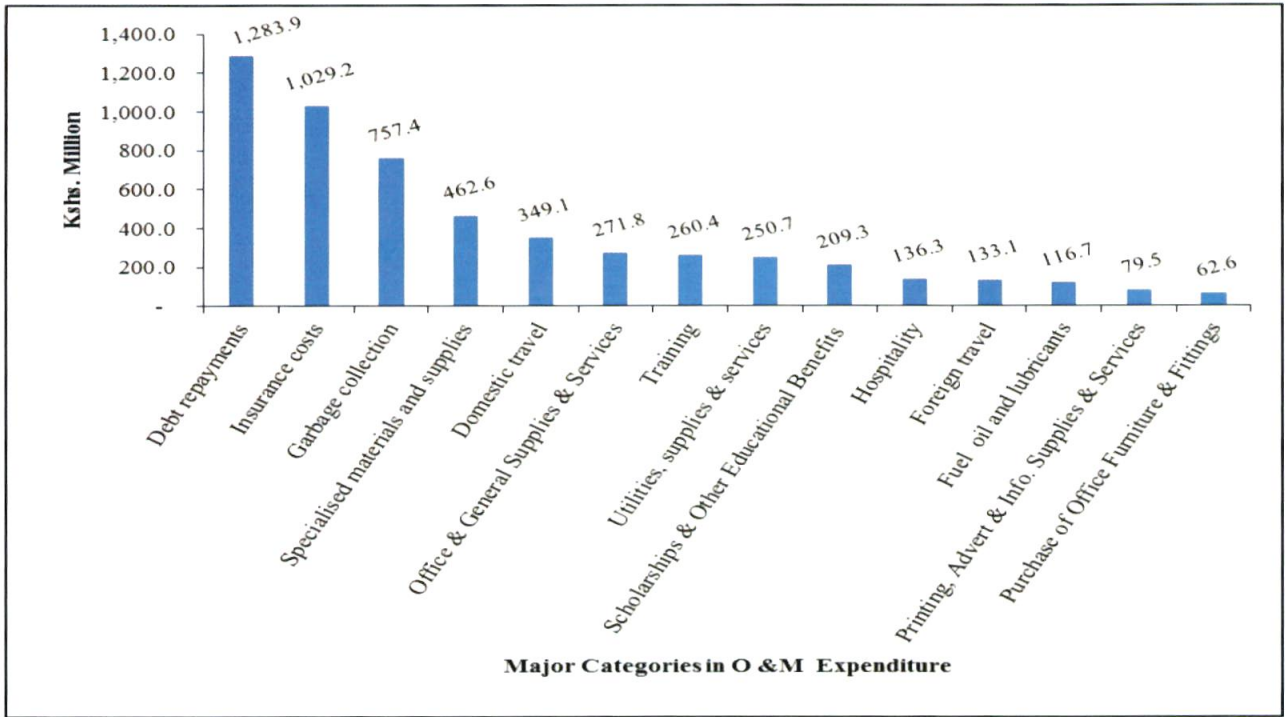
3.30.6 Recurrent Expenditure Analysis

A further review of the recurrent expenditure for the reporting period indicated that the County spent Kshs.13.47 billion (68.1 per cent) on personnel emoluments and Kshs.6.31 billion (31.9 per cent) on operations and maintenance as shown in Figure 3.118. Expenditure on personnel emoluments represented a decline of 3.2 per cent compared to FY 2014/15 when the County spent Kshs.13.92 billion.

The County spent Kshs.122.04 million on sitting allowances to 128 MCAs and the speaker against the revised budget allocation of Kshs.152.27 million. This was a decline compared to Kshs.151.52 million spent in FY 2014/15. The average monthly sitting allowance per MCA was Kshs.79,454 compared to SRC recommended monthly ceiling of Kshs.124,800.

Expenditure on domestic and foreign travel amounted to Kshs.482.25 million compared to Kshs.340.52 million in FY 2014/15, representing an increase of 41.6 per cent. The expenditure comprised of Kshs.236.31 million spent by the County Executive and Kshs.244.94 million by the County Assembly. Figure 3.119 shows a summary of the operations and maintenance expenditure by major categories.

Figure 3.119: Nairobi City County, Operations and Maintenance Expenditure for FY 2015/16

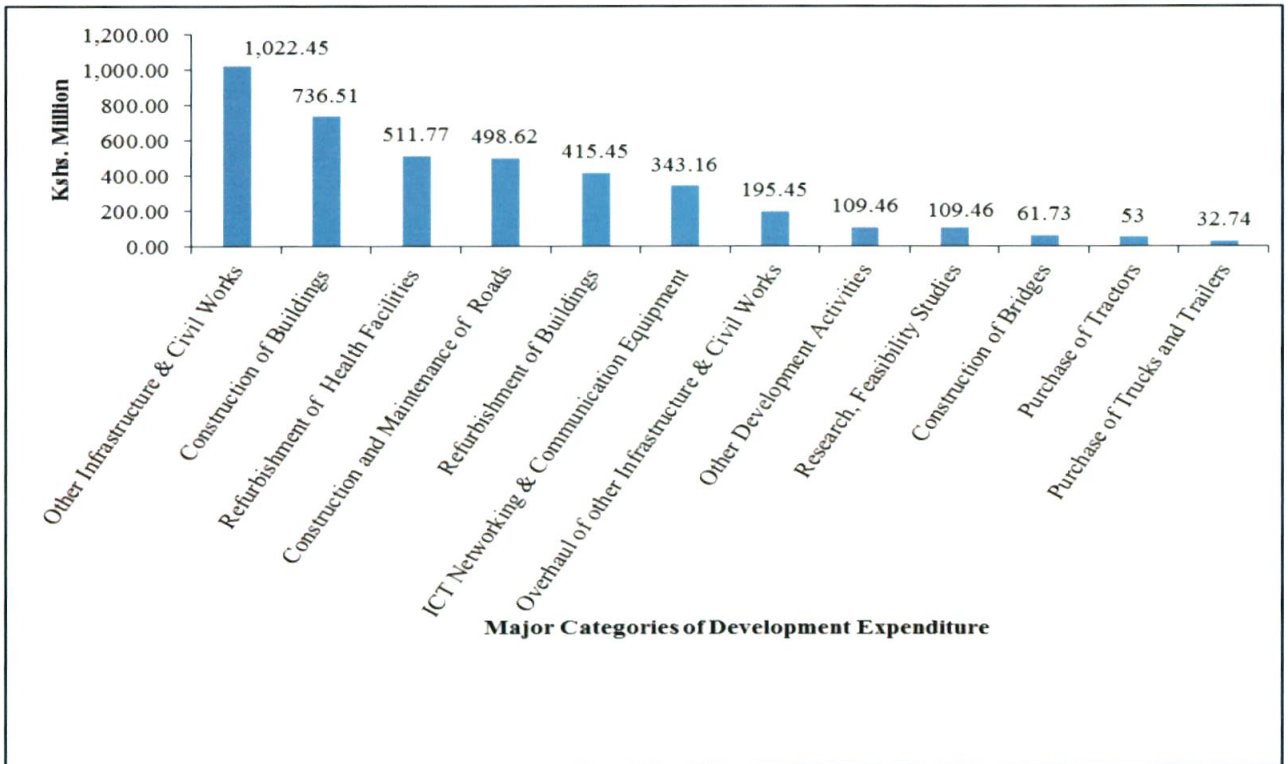


Source: Nairobi County Treasury

3.30.7 Analysis of Development Expenditure

The total development expenditure of Kshs.4.17 billion represented 52.9 per cent of the approved development budget of Kshs.7.88 billion. Figure 3.120 provides a summary of development expenditure during the period under review.

Figure 3.120: Nairobi City County, Summary of Development Expenditure for FY 2015/16



Source: Nairobi County Treasury

Analysis of the development expenditure indicated that the County incurred the highest expenditure of 1.02 billion on other infrastructure and civil works; Kshs.736.51 million on construction of buildings; Kshs.511.77 million on refurbishment of health facilities (hospitals, health centres and a mortuary) and Kshs.498.62 million on construction and maintenance of roads.

3.30.8 Approved Analysis of Budget Performance by Department

Table 3.90 shows a summary of FY 2015/16 annual budget estimates and budget performance by department.

Table 3.90: Nairobi City County, FY 2015/16 Budget Performance by Department

Department	Annual Budget Allocation (Kshs. Million)		9 Months Exchequer Issues (Kshs. Million)		9 Months Expenditure (Kshs. Million)		Expenditure to Exchequer Issues (%)		Expenditure to Budget Allocation (Absorption rate (%))	
	Rec.	Dev.	Rec.	Dev.	Rec.	Dev.	Rec.	Dev.	Rec.	Dev.
County Public Service Board	74.75	8.00	47.55	0.00	46.85	0.00	98.5	-	62.7	-
Governor's Office	4,661.77	151.20	3,876.32	0.00	4,437.29	136.78	114.5	-	95.2	90.5
ICT,E-Government & Public Communications	145.39	350.00	82.66	0.00	108.63	317.44	131.4	-	74.7	90.7
Finance & Economic Planning	3,010.59	93.28	1,857.73	0.00	2,950.20	59.88	158.8	-	98.0	64.2
Health	5,068.15	1,237.80	4,233.23	0.00	4,375.57	529.31	103.4	-	86.3	42.8
Physical Planning, Lands & Housing	381.29	172.00	325.68	0.00	351.52	137.59	107.9	-	92.2	80.0
Public Works & Infrastructure	1,286.86	4,317.50	1,007.56	120.00	1,194.69	1,816.63	118.6	1,513.9	92.8	42.1
Education ,Youth Affairs Social Services	1,567.48	311.00	1,189.91	0.00	1,521.82	233.76	127.9	-	97.1	75.2
Trade Cooperative, Industrialization	346.89	411.00	197.78	0.00	286.94	370.82	145.1	-	82.7	90.2
Public Service Management	1,464.69	12.00	344.14	0.00	1,431.07	7.23	415.8	-	97.7	60.2
Agriculture, Livestock & Fisheries Development	287.95	32.00	205.68	0.00	250.53	29.63	121.8	-	87.0	92.6
Water, Energy, Environment Forestry & Natural Resources	1,412.03	454.92	735.52	0.00	1,395.06	218.57	189.7	-	98.8	48.0
County Assembly	1,501.55	327.97	1,184.50	115.00	1,434.71	308.51	121.1	268.3	95.5	94.1
TOTAL	21,209.39	7,878.67	15,288.26	235.00	19,784.87	4,166.16	129.4	1,772.8	93.3	52.9

Source: Nairobi County Treasury

A breakdown of expenditure by department shows that the County Assembly attained the highest absorption rate of its development budget at 94.1 per cent followed by the ICT, E-Government and Public Communications department at 90.7 per cent. On the other hand, the Department of Water, Energy, Environment and Forestry and Natural Resources had the highest percentage of the recurrent expenditure to its annual recurrent budget at 98.8 per cent while the County Public Service Board had the lowest percentage at 62.7 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. Adoption of IFMIS in processing financial transactions.
- ii. Improvement in revenue collection by 16.7 per cent from Kshs.10.03 billion in FY 2014/15 to Kshs.11.71 billion in FY 2015/16.

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

1. Use of locally collected revenue at source contrary to Article 207 (1) of the Constitution and Section 109 (2) of the PFM Act, 2012 which require that all funds raised or collected on behalf of the County Government should be deposited into the CRF account.
2. The County Assembly has not fully embraced use of IFMIS in processing financial transactions. Some transactions are generated manually, which may lead to inaccurate reporting.
3. Personnel emoluments amounted to Kshs.13.47 billion, translating to 56.2 per cent of the total expenditure, and therefore, above the limit of 35 per cent allowed under the Regulations. Regulation 25 (1) (b) of the Public Finance Management (County Governments) Regulations, 2015 sets a limit on the County Government's expenditure on wages and benefits at 35 per cent of the County's total revenue.
4. Low absorption of development budget whereby, the County spent Kshs.4.17 billion compared to the budget allocation of Kshs.7.88 billion, representing an absorption rate of 52.9 per cent.

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

1. *The County Treasury should ensure that all local revenue collected is deposited into the County Revenue Fund account as required by Section 109(2) of the PFM Act, 2012.*
2. *The County Assembly should adopt IFMIS in processing all financial transactions as required by the law.*
3. *The County should comply with the set limit on personnel costs in line with Regulation 25 (1) (b) of the Public Finance Management (County Governments) Regulations, 2015.*
4. *The County should come up with measures to address the low absorption of development budget in order to enhance implementation of development activities.*

3.31 Nakuru County

3.31.1 Overview of the FY 2015/16 Budget

The County's FY 2015/16 Approved Supplementary Budget was Kshs.13.98 billion, comprising of Kshs.8.6 billion (62 per cent) and Kshs.5.38 billion (38 per cent) for recurrent and development expenditure respectively.

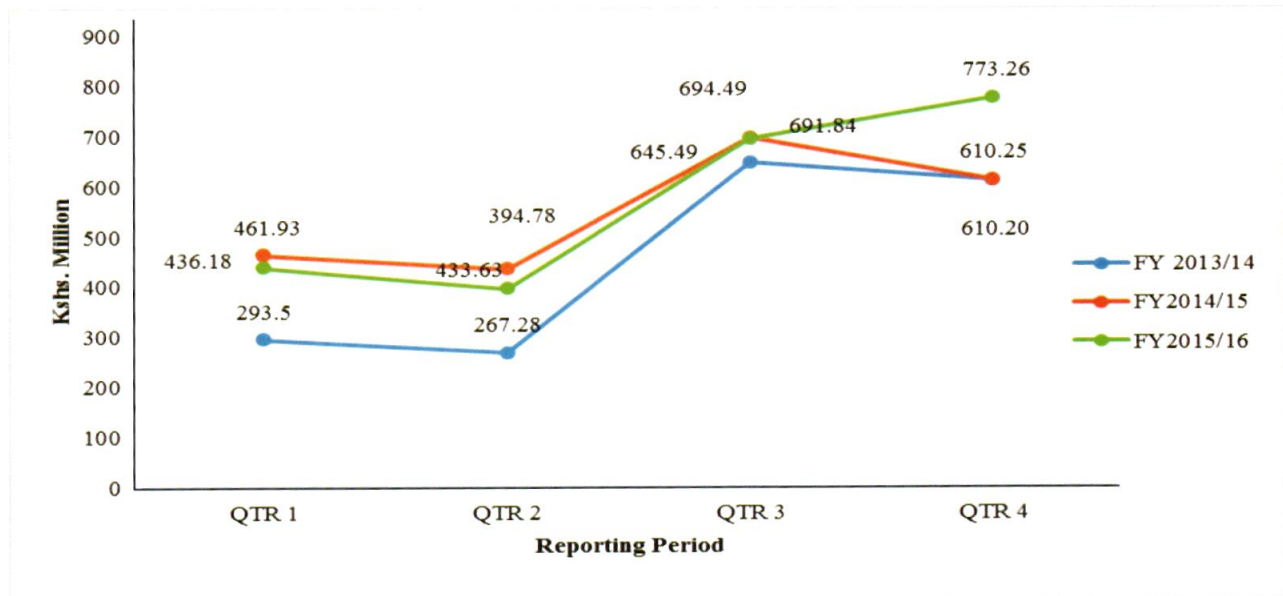
To finance the budget, the County expected to receive Kshs.8.12 billion (58.0 per cent) as equitable share of revenue raised nationally, Kshs.951.84 million (6.81 per cent) as total conditional grants, generate Kshs.2.31 billion (16.5 per cent) from local sources, and had a cash balance of Kshs.1.97 billion (14.1 per cent) from FY 2014/15. The conditional grants comprised of Kshs.377.19 million (2.7 per cent) for Level 5 Hospital, Kshs.313.16 million (2.2 per cent) for Free Maternal Health Care, Kshs.103.10 million (0.3 per cent) from the Road Maintenance Fuel Levy Fund, Kshs.37.37million (0.3 per cent) for User Fees Foregone and Kshs.25.26 million (0.2 per cent) as a grant from DANIDA.

3.31.2 Revenue Analysis

During the year, the County received Kshs.8.12 billion as equitable share of the revenue raised nationally, Kshs.727.29 million as total conditional allocations, raised Kshs.2.30 billion from local sources, and had a cash balance of Kshs.1.97 billion brought forward from FY 2014/15.

Figure 3.121 below shows the quarterly trend in local revenue collection from FY 2013/14 to FY 2015/16.

Figure 3.121: Nakuru County, Trend in Local Revenue Collection by Quarter from FY 2013/14 to FY 2015/16



Source: Nakuru County Treasury

The total local revenue collected in FY 2015/16 of Kshs.2.30 billion consisted of Kshs.436.18 million generated in the first quarter, Kshs.394.78 million in the second quarter, Kshs.691.84 million in the third quarter, and Kshs.773.26 million in the fourth quarter. The revenue was 78.0 per cent of the annual local revenue target, an increase from Kshs.2.20 billion collected in FY 2014/15.

Table 3.91 below provides an analysis of the local revenue collected in FY 2015/16 by revenue stream.

Table 3.91: Nakuru County analysis of revenue collected by stream in FY 2015/16

No	Revenue Stream	Annual Targeted Revenue (Kshs.)	Annual Actual Revenue	Revenue Performance (%)
	A	B	C	D=C/B*100
1	Property tax (plot rent and land rates)	571,108,038	319,171,789	55.9
2	Single Business Permit	420,000,000	384,962,894	91.7
3	Market Fees	105,000,000	63,614,650	60.6
4	Building Approval	80,325,850	36,928,134	46.0
5	Cess	125,910,000	46,262,249	36.7
6	Royalties	103,092,000	163,641,687	158.7
7	Stock/ Slaughter fees	20,000,000	4,716,120	23.6
8	House Rent	50,000,000	47,475,050	95.0
9	Advertising	288,000,000	100,842,351	35.0
10	Parking fees	265,000,000	282,619,325	106.6
11	Liquor Licensing	85,000,000	43,326,840	51.0
12	County Parks Fees	5,000,000	58,600	1.2
13	Water And Sewerage	4,500,000	-	-
14	Other Fees and Charges	119,321,839	194,936,420	163.4
15	Health fees and charges	70,000,000	92,098,858	131.6
16	FIF	631,874,110	514,680,179	81.5
	Total Local Sources	2,944,131,836.71	2,295,335,146.00	78.0

Source: Nakuru County Treasury

Analysis of the local revenue collection by stream indicated that, royalties recorded the highest performance against annual target at 158.7 per cent. This was followed by health fees and charges at 131.57 per cent, and parking fees at 106.65 per cent. The water and sewerage revenue stream did not record any revenue during the year.

The County deposited all locally generated revenue into the County Revenue Fund account maintained at Central Bank of Kenya (CBK) as required by Article 207 (1) of the Constitution.

3.31.3 Conditional Grants

Table 3.92 shows an analysis of the conditional grants released in FY 2015/16.

Table 3.92: Nakuru County analysis of conditional grant releases in FY 2015/16

No.	Conditional Grant	Amount allocated as provided in CARA 2015 (Kshs.)	Actual receipt of the Conditional Grant (Kshs.)	Actual receipts as a percentage of Annual Allocation (%)
1	Level 5 Hospitals	377,193,143.00	377,193,143.00	100.0
2	Road Maintenance Fuel Levy Fund	103,104,393.00	103,104,388.00	100.0
3	Free Maternal Health Care	313,167,800.00	184,361,500.00	58.9
4	User Fees Forgone	37,373,449.00	37,373,448.00	100.0
5	DANIDA Grant	25,260,000.00	25,260,000.00	100.0
Total		856,098,785.00	727,292,479.00	85.0

Source: Nakuru County Treasury

All projected revenue from conditional grants was fully realized except for the Free Maternal Health Care grant which recorded 58.9 per cent of the annual target.

3.31.4 Exchequer Issues

During the period under review, the COB authorised withdrawal of Kshs.10.28 billion from the CRF account, which was 74 per cent of the Approved Supplementary Budget. The amount represented an increase of 22 per cent from Kshs.8.46 billion authorized in FY 2014/15 and consisted of Kshs.7.74 billion (75.29 per cent) for recurrent expenditure and Kshs.2.53 billion (24.61 per cent) for development activities.

3.31.5 Overall Expenditure Review

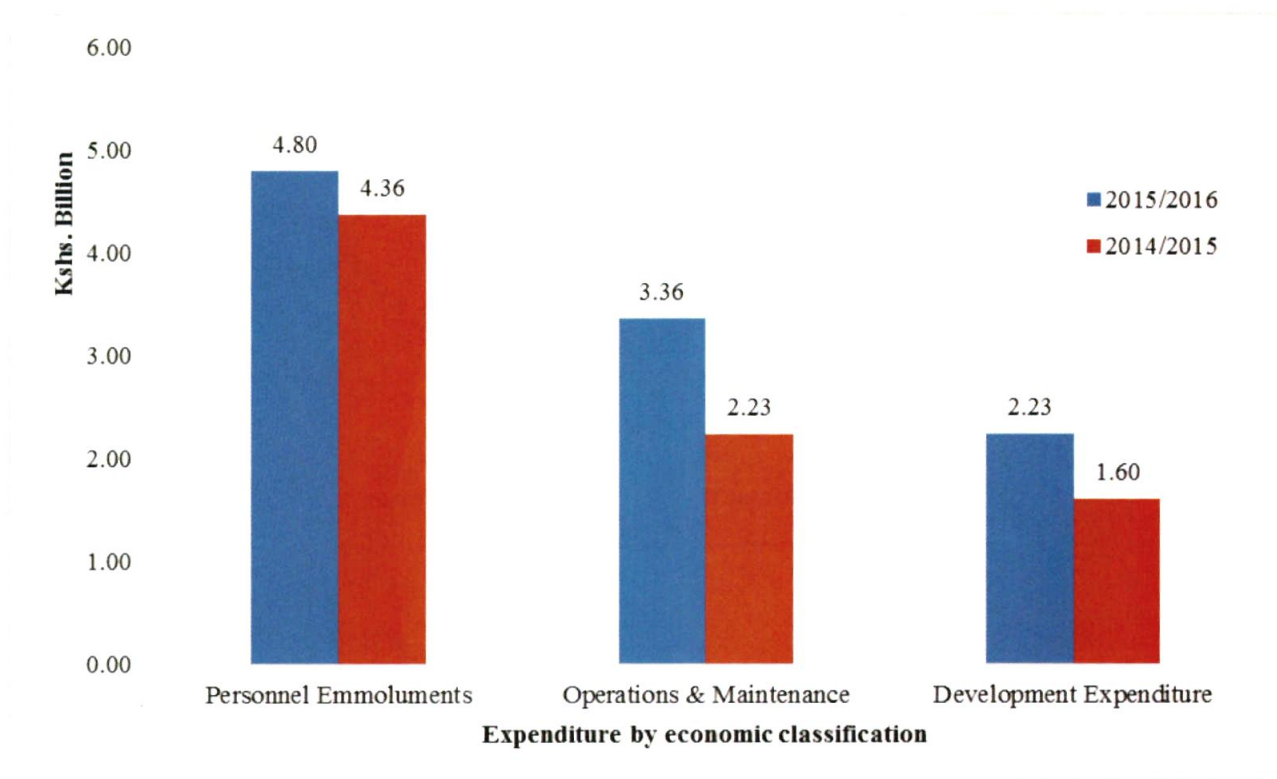
The County spent a total of Kshs.10.38 billion in FY 2015/16, which was 101 per cent of the funds released for operations. This was an increase from the Kshs.8.20 billion spent in FY 2014/15.

A total of Kshs.8.15 billion was spent on recurrent activities, while Kshs.2.23 billion was spent on development programmes. The recurrent expenditure was 105.3 per cent of the funds released for recurrent activities while development expenditure accounted for 87.9 per cent of the funds released for development programmes. The expenditure excluded pending bills as at 30th June, 2016 that amounted to Kshs.2.69 billion for development and Kshs.984.46 million for recurrent expenditure.

The recurrent expenditure represented 94.8 per cent of the annual recurrent budget, a decrease from 96.6 per cent spent in FY 2014/15. Development expenditure recorded an absorption rate of 41.4 per cent, which

was a decrease from 43.2 per cent absorbed in FY 2014/15. Figure 3.122 presents a comparison between the expenditure in FY 2015/16 and FY 2014/15 by economic classification.

Figure 3.122: Nakuru County, Expenditure by Economic Classification for FY 2015/16 and FY 2014/15



Source: Nakuru County Treasury

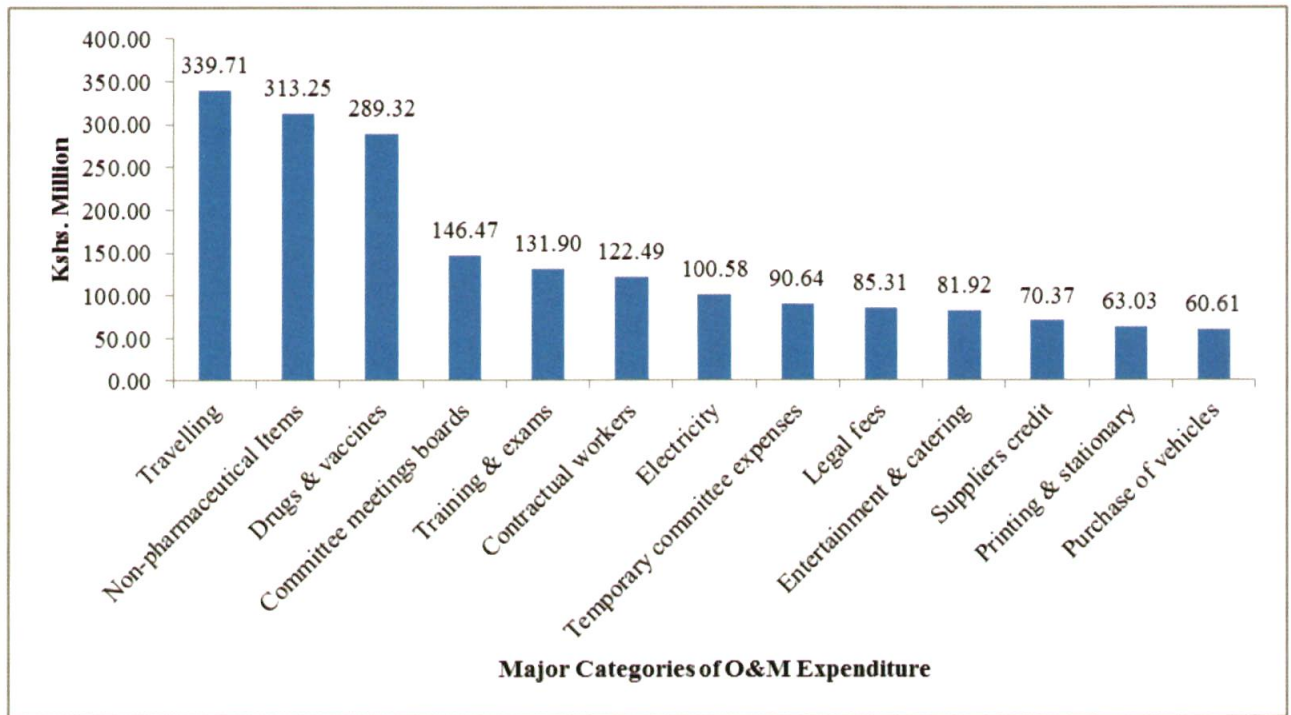
3.31.6 Analysis of Recurrent Expenditure

The total recurrent expenditure of Kshs.8.15 billion represented 94.8 per cent of the annual recurrent budget of Kshs.8.60 billion. The County spent Kshs.4.80 billion (58.8 per cent) on personnel emoluments and Kshs.3.36 million (41.2 per cent) on operations and maintenance as shown in Figure 3.122. The expenditure on personnel emoluments represented an increase of 5.6 per cent compared to FY 2014/15 when the County spent Kshs.4.36 billion.

The County spent Kshs.79.59 million on sitting allowances to the 75 MCAs and the Speaker against the annual budget allocation of Kshs.87.45 million. This was a decrease compared to Kshs.100.45 million spent in FY 2014/15. The average monthly sitting allowance was Kshs.88,444 compared to SRC’s recommended monthly ceiling of Kshs.124,800.

Expenditure on domestic and foreign travel was Kshs.339.71 million compared to Kshs.224.75 million spent in FY 2014/15, representing an increase of 51.2 per cent. Figure 3.123 shows a summary of the operations and maintenance expenditure by major categories.

Figure 3.123: Nakuru County, Operations and Maintenance Expenditure for FY 2015/16

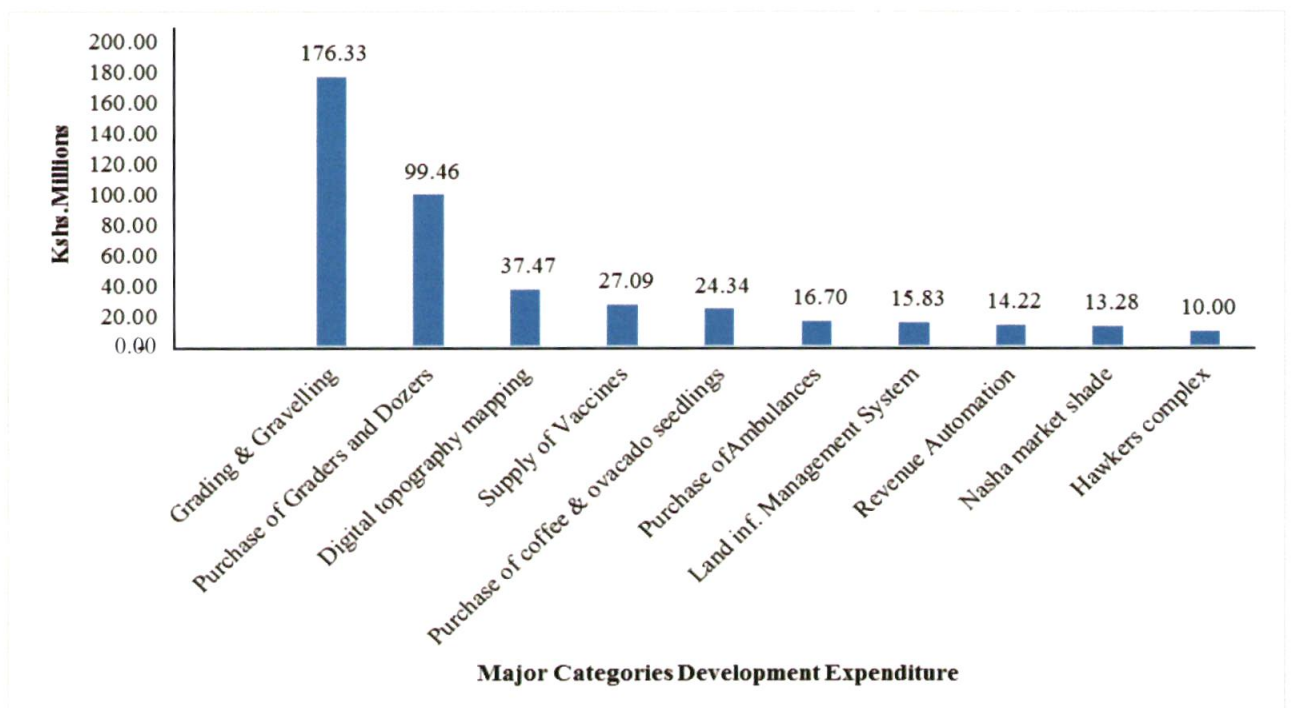


Source: Nakuru County Treasury

3.31.7 Analysis of Development Expenditure

The total development expenditure of Kshs.2.23 billion represented 41.4 per cent of the annual development budget of Kshs.5.38 billion. Figure 3.124 provides a summary of development expenditure during the period under review.

Figure 3.124: Nakuru County, Summary of Development Expenditure for FY 2015/16



Source: Nakuru County Treasury

Analysis of the development expenditure indicated that the highest expenditure of Kshs.176.33 million was incurred by the Roads, Public Works and Transport Department on construction and maintenance of access roads. The second highest expenditure category of Kshs.99.46 million was incurred by the same department on purchase of motor graders and dozers. A total of Kshs.37.47 million and Kshs.27.09 million was spent on consultancy services for digital topographical mapping and on supply of vaccines respectively.

3.31.8 Analysis of Budget Performance by Department

Table 3.93 shows a summary of FY 2015/16 annual budget estimates and budget performance by department.

Table 3.93: Nakuru County, FY 2015/16 Budget Performance by Department

DEPARTMENTS	BUDGET ALLOCATION (Kshs. Million)		EXCHEQUER ISSUES (Kshs. Million)		EXPENDITURE (Kshs. Million)		% of expenditure to exchequer issues		Expenditure to Budget Allocation (Absorption rate (%))	
	REC	DEV	REC	DEV	REC	DEV	REC	DEV	REC	DEV
Finance and Economic Planning	776.94	446.90	710.10	264.00	854.46	174.73	120.3	66.2	110.0	39.1
Public Service Management	889.93	84.25	874.49	0.00	812.37	14.87	92.9	0.00	91.3	17.6
Agriculture, Livestock Development and Fisheries	534.28	237.09	498.55	62.72	462.16	147.57	92.7	235.3	86.5	62.2
Land, Housing and Urban Development	111.14	226.73	103.48	183.46	91.73	154.66	88.7	84.3	82.5	68.2
Office of the Governor and Deputy Governor	257.81	37.55	226.09	4.00	306.81	9.10	135.7	227.4	119.0	24.2
Education, Culture Youth Affairs and Social Services	660.93	785.58	533.47	426.75	425.96	291.86	79.8	68.4	64.4	37.2
Trade, Industrialization and Tourism	128.20	287.46	118.71	141.29	114.15	84.21	96.2	59.6	89.0	29.3
Information, Communication and E-Government	36.67	72.21	36.64	16.56	37.78	18.26	103.1	110.3	103.0	25.3
Roads, Public Works and Transport	295.54	1531.27	261.21	677.43	272.68	733.20	104.4	108.2	92.3	47.9
Environment, Energy, Natural Resources and Water	356.85	549.05	316.44	210.33	287.87	168.55	91.0	80.1	80.7	30.7
Health Services	3601.86	913.67	3255.11	535.73	3702.30	416.86	113.7	77.8	102.8	45.6
County Public Service Board	78.60	7.04	69.74	5.39	69.67	5.39	99.9	100.0	88.6	76.6
County Assembly	872.84	204.59	743.38	11.63	716.77	11.63	96.4	100.0	82.1	5.7
TOTAL	8,601.58	5,383.42	7,747.41	2,539.29	8,154.72	2,230.89	105.3	87.9	94.8	41.4

Source: Nakuru County Treasury

Analysis of budget performance by department shows that the County Public Service Board attained the highest absorption rate of development expenditure at 76.6 per cent while the County Assembly had the least at 5.7 per cent absorption rate. On the other hand, the Office of the Governor and Deputy Governor had the highest percentage of recurrent expenditure at 119.0 per cent while the Department of Education, Culture Youth Affairs and Social Services had the lowest at 64.4 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. Adoption of IFMIS in processing of financial transactions.
- ii. Improvement in human capacity through recruitment of additional key staff and continuous training.

Despite the progress made, 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 execution reports.
2. A high wage bill that has increased by 9.6 per cent from Kshs.4.37 billion in FY 2014/15 to Kshs.4.79 billion in FY 2015/16. The wage bill represents 46.2 per cent of the total expenditure which is above the ceiling of 35 per cent provided under Public Finance Management (County Governments) Regulations, 2015. The continued increase in the wage bill may result in unsustainable salary costs.
3. Failure to establish an Internal Audit Committee to oversee financial operations in the County contrary to Section 155 (5) of the PFM Act, 2012.
4. Failure to fully involve the County Budget and Economic Forum (CBEF) on planning, budgeting and economic matters in the County as required by Section 137 of the PFM Act, 2012.
5. Decline in absorption of development funds. In FY 2015/16, the County attained an absorption rate for development budget of 41.4 per cent compared to 43.2 per cent in FY 2014/15.

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(4) of PFM Act, 2012.*
2. *The County Public Service Board should ensure the staffing structure is optimal for sustainable wage bill.*
3. *The County Treasury should establish an Internal Audit Committee and also strengthen the internal audit function in line with Section 155 of the PFM Act, 2012.*
4. *The County Executive should ensure that the CBEF is actively involved in the budget process and economic matters of the County in line with Section 137 of the PFM Act 2012.*
5. *The County Executive should put in place strategies to ensure that absorption of development funds is enhanced.*

3.32 Nandi County

3.32.1 Overview of the FY 2015/16 Budget

The County's FY 2015/16 Approved Supplementary Budget was Kshs.5.70 billion, comprising of Kshs.3.15 billion (55.3 per cent) and Kshs.2.55 billion (44.7 per cent) for recurrent and development expenditure respectively.

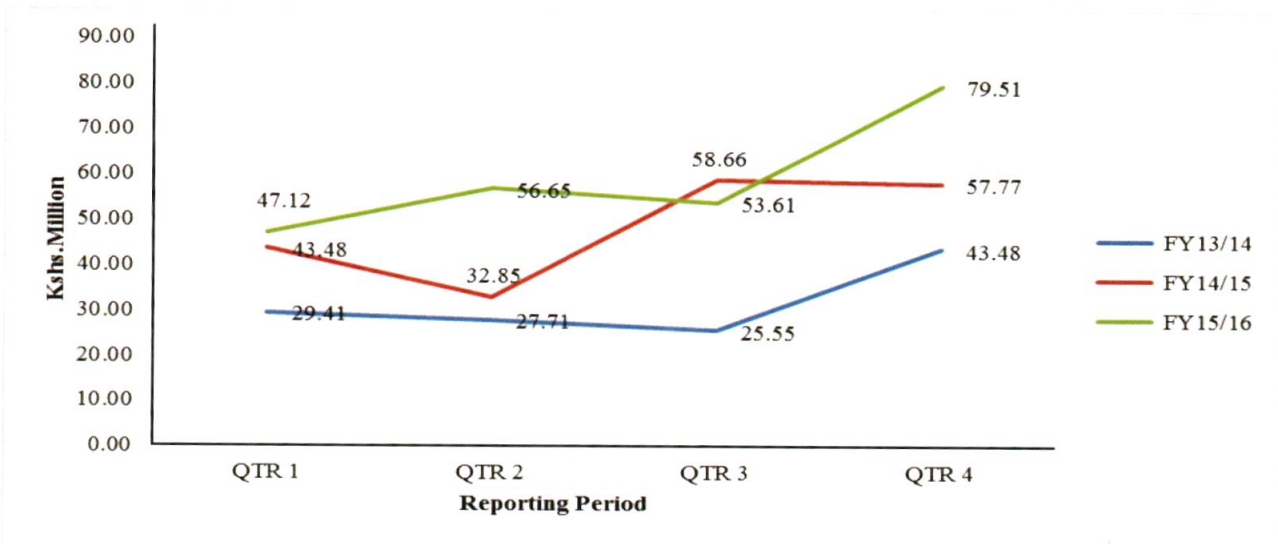
To finance the budget, the County expected to receive Kshs.4.76 billion (82.1 per cent) as equitable share of revenue raised nationally, Kshs.259.06 million (6.1 per cent) as total conditional grants, generate Kshs.357.90 million (4.4 per cent) from local sources and Kshs.432.30 million (7.4 per cent) as projected cash balance from FY 2014/15. The conditional grants comprised of Kshs.95.74 million (27.1 per cent) for Leasing of Medical Equipment, Kshs.67.05 million (19.0 per cent) for Maternal Health Care, Kshs.17.55 million (5.0 per cent) from User Fee Foregone, Kshs.60.41 million (17.1 per cent) from the Road Maintenance Fuel Levy Fund, Kshs.93.62 million (26.5 per cent) as County Emergency Fund and Kshs.18.31million (5.3 per cent) as a conditional grant from DANIDA. However, County Emergency Fund is not among the conditional grants allocated to the County in CARA, 2015.

3.32.2 Revenue Analysis

During the year, the County received Kshs.4.61 billion as equitable share of the revenue raised nationally, Kshs.108.09 million as total conditional allocations, cumulatively raised Kshs.236.90 million from local sources, and had a cash balance of Kshs.432.30 million brought forward from FY 2014/15.

Figure 3.125 shows the quarterly trend in local revenue collection from FY 2013/14 to FY 2015/16.

Figure 3.125: Nandi County, Trend in Local Revenue Collection by Quarter from FY 2013/14 to FY 2015/16



Source: Nandi County Treasury

The total local revenue collected in FY2015/16 of Kshs.236.90 million consisted of Kshs.47.12 million generated in the first quarter, Kshs.56.65 million in the second quarter, Kshs.53.61 million in the third quarter, and Kshs.79.51 million in the fourth quarter. The revenue was 66.2 per cent of the annual local revenue target, and an improvement from Kshs.183.90 million collected in FY 2014/15.

Table 3.94 provides an analysis of the local revenue collected in FY 2015/16 by revenue stream.

Table 3.94: Nandi County analysis of revenue collected by stream in FY 2015/16

No.	Revenue Stream	Annual Targeted Revenue (Kshs.)	Annual Actual Revenue	Actual Revenue as a percentage of Annual Target (%)
1	(FIF) Maternity and Inpatient	67,048,800	57,154,568	85.2
2	Parking Fees	35,142,700	35,222,291	100.2
3	Business Permits	28,500,000	30,589,401	107.3
4	Health and Sanitation	40,000,000	28,093,981	70.2
5	Land Rates	22,150,000	26,163,805	118.1
6	Kiborgok Tea Proceeds	18,600,000	17,698,810	95.2
7	Agriculture cess	6,600,000	9,201,200	139.4
8	Market Fees	15,300,000	8,843,155	57.8
9	Cess	96,800,000	5,810,815	6.0
10	House and Stalls Rent	3,896,000	3,906,900	100.3
11	Other sources	23,858,300	14,213,675.00	59.6
TOTAL		357,895,800	236,898,601	66.2

Source: Nandi County Treasury

Analysis of the local revenue collected by stream indicated that, agriculture cess recorded the highest performance against annual target at 139.4 per cent. This was followed by land rates at 118.1 per cent, and business permit at 107.3 per cent. The overall increase in local revenue is attributable to enhanced enforcement efforts by the County.

The County deposited all locally generated revenue into the County Revenue Fund account maintained at Central Bank of Kenya (CBK) as required by Article 207 (1) of the Constitution.

3.32.3 Conditional Grants

Table 3.95 shows an analysis of the conditional grants released in FY 2015/16.

Table 3.95: Nandi County analysis of conditional grant releases in FY 2015/16

No.	Conditional Grant	Amount allocated as provided in CARA 2015 (Kshs.)	Actual receipt of the Conditional Grant (Kshs.)	Actual receipts as a percentage of Annual Allocation (%)
1	Road Maintenance Fuel Levy Fund	60,405,657	30,504,858	50.5
2	Free Maternal Health Care	67,048,800	41,727,500	62.2
3	User Fees Foregone	17,551,588	17,551,588	100.0
4	DANIDA Grant	18,310,000	18,310,000	100.0
5.	Leasing of Medical Equipment	95,740,050	0	0.0
Total		259,056,095	108,093,946	41.7

Source: Nandi County Treasury

Analysis of conditional grants for the period under review indicated that the DANIDA grant and User Fees Foregone recorded the highest receipts against annual target at 100.0 per cent. This was closely followed by Free Maternal Health Care grant at 62.2 per cent. The county reported receipt of medical equipment from the National Government whose value was not provided by the time of finalizing this report.

3.32.4 Exchequer Issues

During the period under review, the Controller of Budget authorised withdrawal of Kshs.5.00 billion from the CRF account, which was 87.7 per cent of the Approved Supplementary Budget. The amount represented an increase of 7.1 per cent from Kshs.4.67 billion authorized in FY 2014/15 and consisted of Kshs.3.02 billion (60.4 per cent) for recurrent expenditure and Kshs.1.98 billion (39.6 per cent) for development activities.

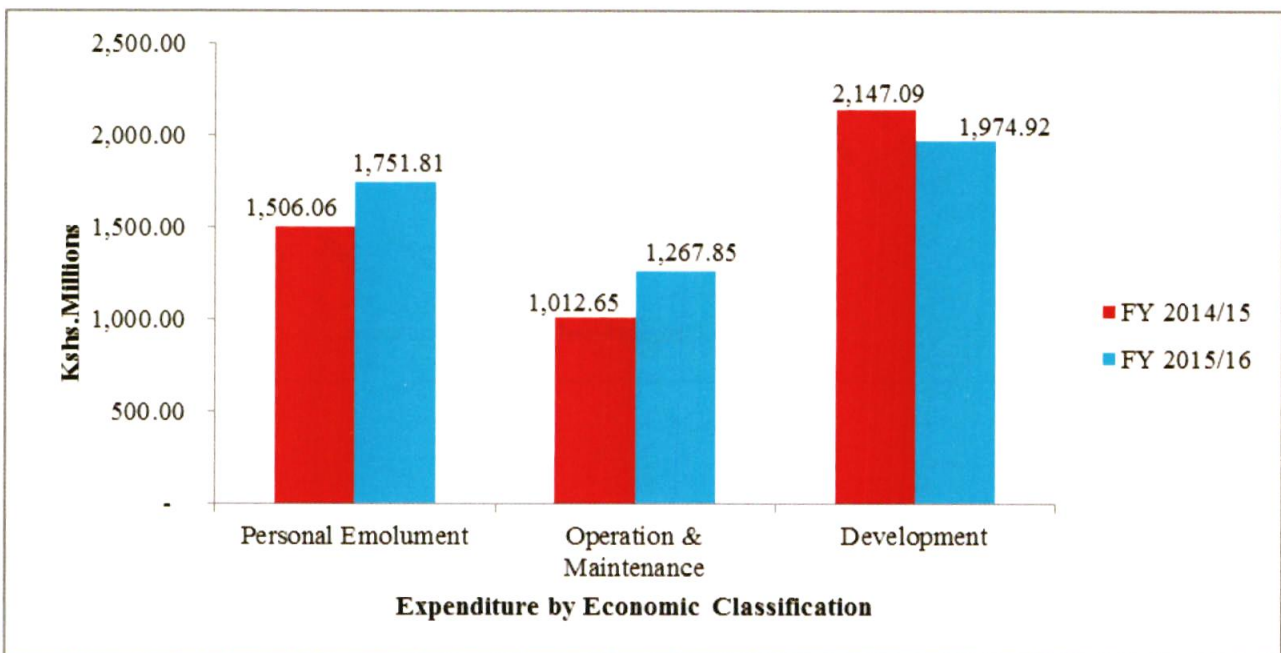
3.32.5 Overall Expenditure Review

The County spent a total of Kshs.4.98 billion in FY 2015/16, which was 99.6 per cent of the funds released for operations. This was an improvement from Kshs.4.67 billion spent in FY 2014/15.

A total of Kshs.3.02 billion was spent on recurrent activities, while Kshs.1.97 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 99.6 per cent of the funds released for development activities. The expenditure excluded pending bills as at 30th June, 2016 that amounted to Kshs.633.46 million for development and Kshs.86.40 million for recurrent expenditure.

The recurrent expenditure represented 95.6 per cent of the annual recurrent budget, a decrease from 99.9 per cent attained in FY 2014/15. Conversely, development expenditure recorded an absorption rate of 77.3 per cent, which was a decrease from 99.9 per cent absorbed in FY 2014/15. Figure 3.126 presents a comparison between the expenditure in FY 2015/16 and FY 2014/15 by economic classification.

Figure 3.126: Nandi County, Expenditure by Economic Classification for FY 2015/16 and FY 2014/15



Source: Nandi County Treasury

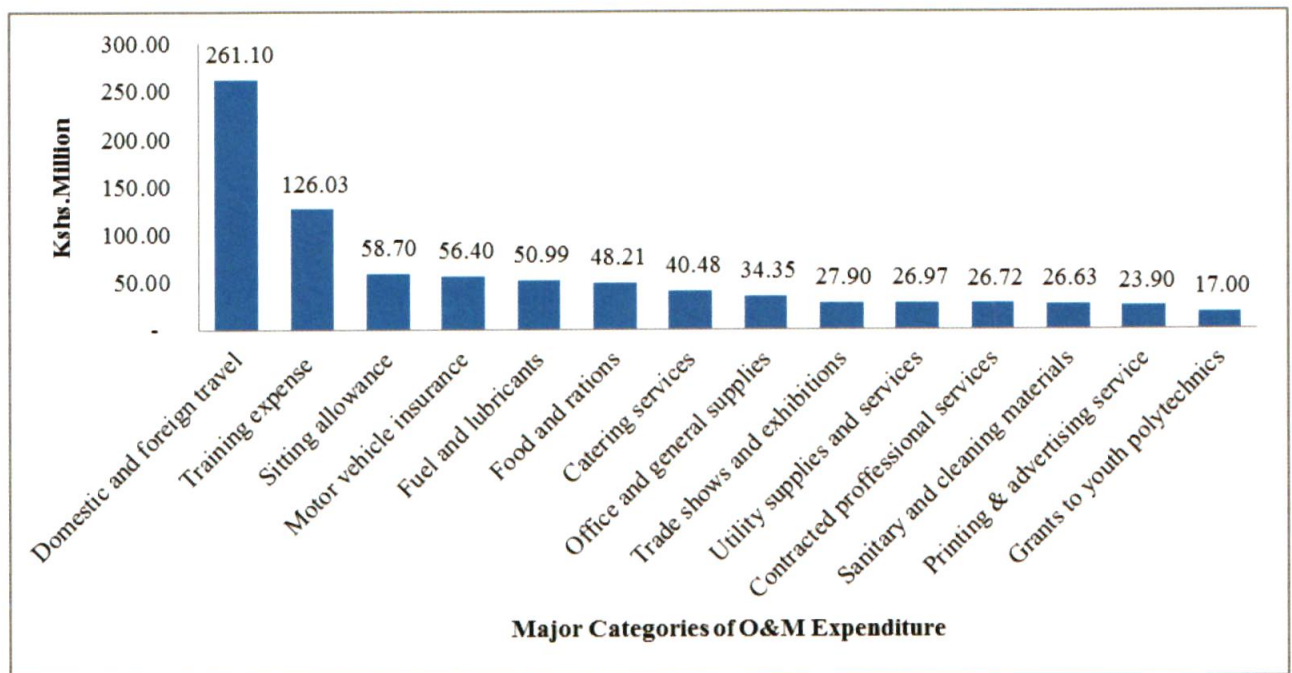
3.32.6 Analysis of Recurrent Expenditure

The total recurrent expenditure of Kshs.3.02 billion represented 95.6 per cent of the annual recurrent budget. The County spent Kshs.1.75 billion (58.1 per cent) on personnel emoluments and Kshs.1.26 billion (41.9 per cent) on operations and maintenance as shown in Figure 3.126. Expenditure on personnel emoluments represented an increase of 13.7 per cent compared to FY 2014/15 when the County spent Kshs.1.51 billion. This increase is attributed to absorption of Economic Stimulus Package Nurses, recruitment of staff in the health sector, promotions and annual salary increments to staffs.

The County spent Kshs.58.70 million on sitting allowances to the 48 MCAs and the Speaker against the annual budget allocation of Kshs.65.40 million. This was an increase compared to Kshs.31.36 million spent in FY 2014/15. The average monthly sitting allowance was Kshs.99,837 compared to SRC’s recommended monthly ceiling of Kshs.124,800.

Expenditure on domestic and foreign travel was Kshs.261.10 million compared to Kshs.218.38 million spent in FY 2014/15, representing an increase of 16.4 per cent. Figure 3.127 shows a summary of the operations and maintenance expenditure by major categories.

Figure 3.127: Nandi County, Operations and Maintenance Expenditure for FY 2015/16

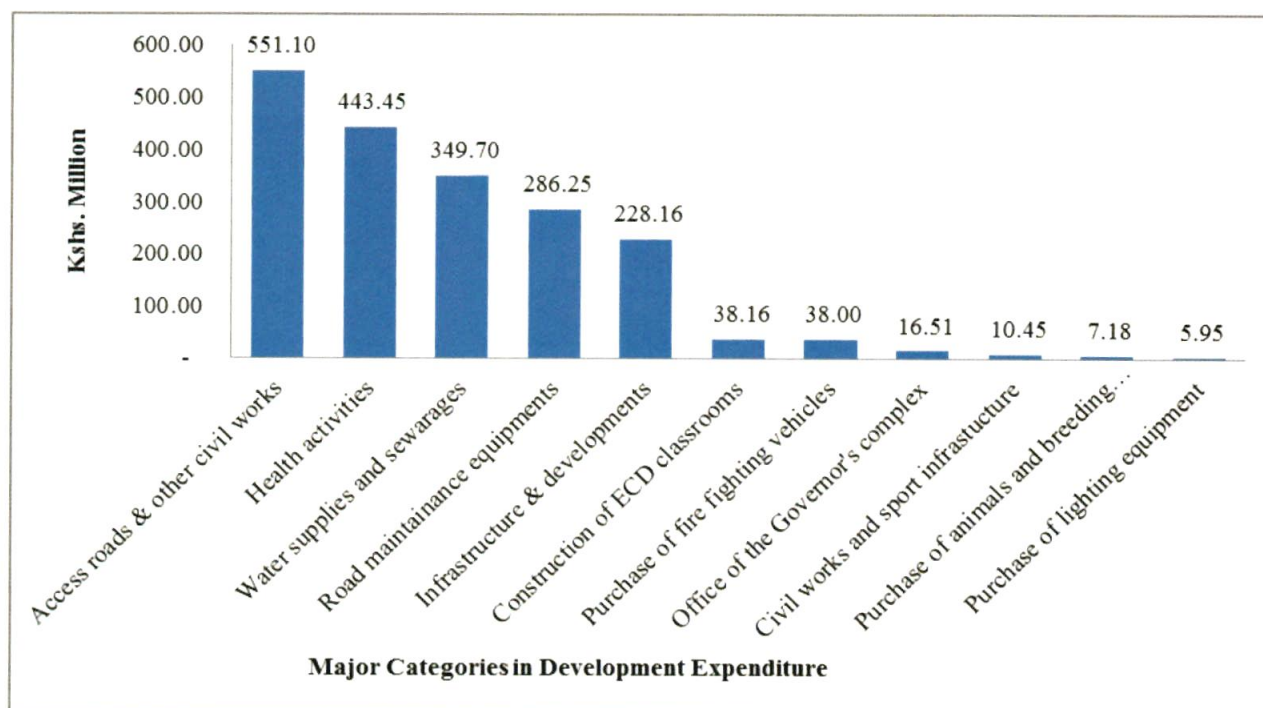


Source: Nandi County Treasury

3.32.7 Analysis of Development Expenditure

The total development expenditure of Kshs.1.97 billion represented 77.3 per cent of the annual development budget of Kshs.2.55 billion. Figure 3.127 provides a summary of development expenditure during the period under review.

Figure 3.128: Nandi County, Summary of Development Expenditure for FY 2015/16



Source: Nandi County Treasury

Analysis of the development expenditure indicated that the highest expenditure of Kshs.551.10 million was incurred by the Public Works, Roads and Transport Department on construction and maintenance of access roads. A total of 809 kilometres of roads were graded while 135 kilometres were gravelled. The second highest expenditure of Kshs.443.45 million was incurred by the Health Service Department on various activities and services while Kshs.349.70 million was spent by the Water, Environment, Energy & Natural Resources Department to provide water to some households in the County.

3.32.8 Analysis of Budget Performance by Department

Table 3.96 shows a summary of FY 2015/16 annual budget estimates and budget performance by department

Table 3.96: Nandi County, FY 2015/16 Budget Performance by Department

Department	Budget Allocation (Kshs.Million)		Exchequer Issues (Kshs.Million)		Expenditure (Kshs.Million)		Expenditure to Exchequer Issues (%)		Expenditure to Budget Allocation (Absorption rate (%))	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
Office of the Governor & Deputy Governor	419.03	197.00	407.81	20.00	407.19	160.04	99.8	800.2	97.2	81.2
Finance & Economic Planning	513.66	85.89	513.41	85.80	511.78	48.83	99.7	0.0	99.6	56.9
Education, Youth, Culture & Social Services	274.03	168.90	180.30	101.00	180.29	38.16	100.0	37.8	65.8	22.6
Health Services	868.87	486.20	852.88	445.00	865.69	443.45	101.5	99.7	99.6	91.2
Gender, Culture & Social Development	36.59	36.75	36.09	23.00	35.12	11.27	97.3	49.0	96.0	30.7
Public Works, Roads and Transport	147.74	771.21	147.67	693.50	146.49	692.48	99.2	99.9	99.2	89.8

Department	Budget Allocation (Kshs.Million)		Exchequer Issues (Kshs.Million)		Expenditure (Kshs.Million)		Expenditure to Exchequer Issues (%)		Expenditure to Budget Allocation (Absorption rate (%))	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
County Assembly Services	524.20	28.56	519.54	28.00	519.42	23.52	100.0	84.0	99.1	82.4
Public Service & Administration	56.03	115.00	56.01	115.00	54.97	72.83	98.1	63.3	98.1	63.3
Trade, Industrialization, Tourism, Wildlife & Cooperative Development	72.00	46.77	71.28	41.03	68.41	22.53	96.0	0.0	95.0	48.2
County Public Service Board	26.79	0.00	26.29	-	25.06	-	95.3	0.0	93.5	0.0
Agriculture, Livestock & Fisheries Development	172.94	161.29	172.93	113.00	171.31	112.12	99.1	99.2	99.1	69.5
Water ,Environment, Energy & Natural Resources	35.55	455.01	35.55	312.00	33.94	349.70	95.5	112.1	95.5	76.9
Total	3,147.43	2,552.57	3,019.77	1,977.33	3,019.66	1,974.92	99.7	99.6	95.6	77.3

Source: Nandi County Treasury

Analysis of budget performance by department shows that the Department of Health Services attained the highest absorption rate of development expenditure at 91.2 per cent while the County Public Service Board did not incur any development expenditure. On the other hand, the Finance & Economic Planning Department and the Health Services Department reported the highest percentage of recurrent expenditure to recurrent budget at 99.6 per cent while the Department of Education, Youth, Culture & Social Services had the lowest at 65.8 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. Adoption of IFMIS in processing of financial transactions.
- ii. Improvement in human capacity through recruitment of additional key staff and continuous training.
- iii. Automation of revenue collection, which has led to improved revenue performance by 28.8 per cent from Kshs.183.90 million in FY 2014/15 to Kshs.236.90 million in FY 2015/16.

Despite the progress made, the following challenge continued to hamper effective budget implementation;

1. Failure by the Bursary Fund Administrator to submit quarterly financial reports. This is contrary to Section 168 of the PFM Act, 2012 and affects reporting on budget implementation.

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

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

3.33 Narok County

3.33.1 Overview of the FY 2015/16 Budget

The County’s FY 2015/16 Approved Supplementary Budget was Kshs.8.31 billion, comprising of Kshs.5.59 billion (67.3 per cent) and Kshs.2.72 billion (32.7 per cent) for recurrent and development expenditure respectively.

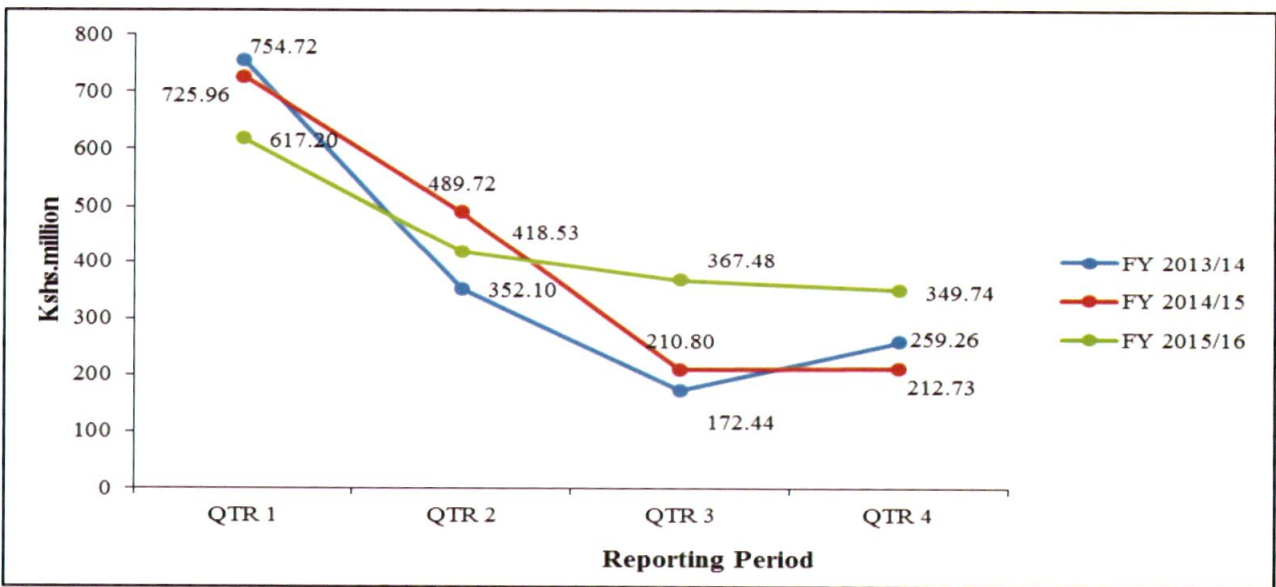
To finance the budget, the County expected to receive Kshs.5.31 billion (63.9 per cent) as equitable share of revenue raised nationally, Kshs.237.48 million (2.9 per cent) as total conditional grants, generate Kshs.2.34 billion (28.2 per cent) from local sources, and had projected a cash balance of Kshs.419.68 million (5.1 per cent) from FY 2014/15. The conditional grants comprised of Kshs.67.17 million (28.3 per cent) from the Road Maintenance Fuel Levy Fund, Kshs.56.30 million (23.7 per cent) for Maternal Health Care, Kshs.38.14 million (16.1 per cent) from World Bank to supplement financing of health facilities, Kshs.19.83 million (8.4 per cent) for User Fees Foregone and Kshs.56.0 million (23.6 per cent) donor grant from DANIDA.

3.33.2 Revenue Analysis

During the year, the County received Kshs.5.29 billion as equitable share of the revenue raised nationally, Kshs.165.82 million as total conditional allocations. The County raised Kshs.1.75 billion from local sources, and had a cash balance of Kshs.419.68 million brought forward from FY 2014/15.

Figure 3.116 shows the quarterly trend in local revenue collection from FY 2013/14 to FY 2015/16

Figure 3.129: Narok County, Trend in Local Revenue Collection by Quarter from FY 2013/14 to FY 2015/16



Source: Narok County Treasury

The total local revenue collected in FY 2015/16 of Kshs.1.75 billion consisted of Kshs.617.20 million raised in the first quarter, Kshs.418.53 million in the second quarter, Kshs.367.48 million in the third quarter and Kshs.349.74 million raised in the fourth quarter. The revenue was 74.8 per cent of the annual local revenue target, and an improvement of 6.7 per cent from Kshs.1.64 billion collected in FY 2014/15.

Table 3.97 Narok County, Trend in Local Revenue Collection for FY 2015/16

Table 3.97: Narok County analysis of revenue collected by stream in FY 2015/16

No	Revenue Stream	Annual Targeted Revenue (Kshs.)	Annual Actual Revenue	Actual Revenue as a percentage of Annual Target (%)
1	Mara Game Reserve	1,645,528,188	1,429,667,775	86.9
2	Cess Revenue	77,000,000	62,271,350	80.9
3	Other income	24,500,000	19,335,516	78.9
4	Miscellaneous Income	252,704,596	159,147,542	63.0
5	Single Business Permits	32,500,000	17,121,396	52.7
6	Plot Rent	163,900,000	48,406,435	29.5
7	Conservancy and Solid Waste	24,500,000	4,735,385	19.3
8	Markets and Slaughter Fees	65,400,000	9,032,073	13.8
9	Motor Vehicle Parking	40,000,000	2,776,930	6.9
10	House Rents	18,000,000	420,950	2.3
Total		2,344,032,784	1,752,915,352	74.8

Source: Narok County Treasury

Analysis of the local revenue collected by stream indicated that revenue from the Maasai Mara Game Reserve recorded the highest performance against annual target at 86.9 per cent. This was followed by cess at 80.9 per cent, and other income at 78.9 per cent. Income from house rent recorded the least performance at 2.3 per cent against the annual target followed by motor vehicle parking fees at 6.9 per cent.

The County deposited all locally generated revenue into the County Revenue Fund account maintained at Central Bank of Kenya (CBK) as required by Article 207 (1) of the Constitution.

3.33.3 Conditional Grants

Table 3.98 shows an analysis of the conditional grants released in FY 2015/16.

Table 3.98: Narok County analysis of conditional grant releases in FY 2015/16

No.	Conditional Grant	Amount allocated as provided in CARA 2015 (Kshs.)	Actual receipt of the Conditional Grant (Kshs.)	Actual receipts as a percentage of Annual Allocation (%)
1	Road Maintenance Fuel Levy Fund	67,173,929	67,173,929	100
2	Free Maternal Health Care	56,303,800	22,780,000	40.1
3	User Fees Forgone	19,834,915	19,834,915	100
4	DANIDA Grant	56,027,350	56,027,350	100
5	World Bank Grant to supplement financing of Health facilities	38,137,350	-	0
Total		237,477,344	165,816,194	69.8

Source: Narok County Treasury

All projected revenue from conditional grants was fully realised except for the Free Maternal Health Care grant and the World Bank grant to supplement financing of health facilities, which recorded a performance of 40.1 per cent and 0 per cent against annual target respectively.

3.33.4 Exchequer Issues

During the period under review, the Controller of Budget (COB) authorised withdrawal of Kshs.7.24 billion from the CRF account, which was 87.2 per cent of the Approved Supplementary Budget. The amount represented an increase of 11.76 per cent from Kshs.6.39 billion (79.6 per cent) authorized in FY 2014/15 and consisted of Kshs.5.13 billion (70.8 per cent) for recurrent expenditure and Kshs.2.11 billion (29.2 per cent) for development activities.

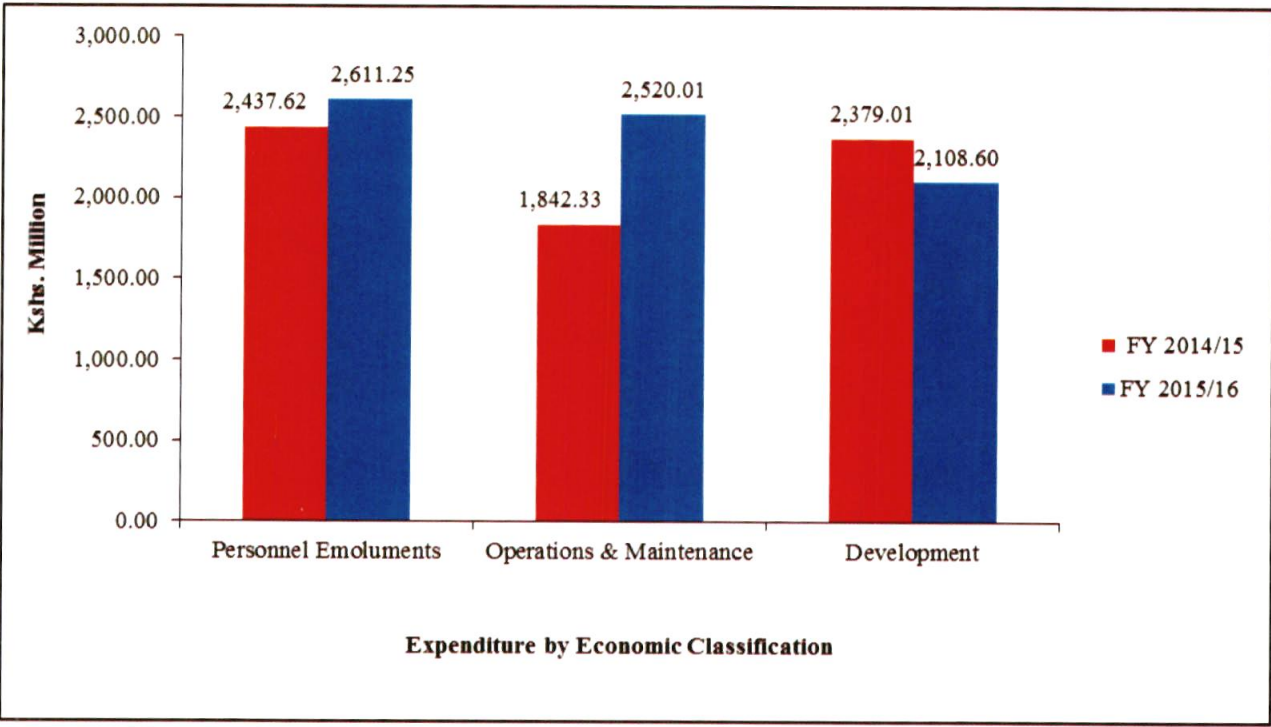
3.33.5 Overall Expenditure Review

The County spent a total of Kshs.7.24 billion in FY 2015/16, which was 99.9 per cent of the funds released for operations. This was an increase from the Kshs.6.39 billion spent in FY 2014/15.

A total of Kshs.5.13 billion was spent on recurrent activities, while Kshs.2.11 billion was spent on development activities. The recurrent expenditure was 99.8 per cent of the funds released for recurrent activities while development expenditure accounted for 99.8 per cent of the funds released for development activities. The expenditure excluded pending bills as at 30th June, 2016 that amounted to Kshs.132.20 million for development and Kshs.370.06 million for recurrent expenditure.

The recurrent expenditure represented 91.8 per cent of the annual recurrent budget, an increase from 87.0 per cent attained in FY 2014/15. Development expenditure recorded an absorption rate of 77.6 per cent, up from 67.2 per cent spent in FY 2014/15. Figure 3.130 below represents a comparison between the expenditure in FY 2015/16 and FY 2014/15 by economic classification.

Figure 3.130: Narok County Expenditure by Economic Classification for FY 2014/15 and FY 2015/16



Source: Narok County Treasury

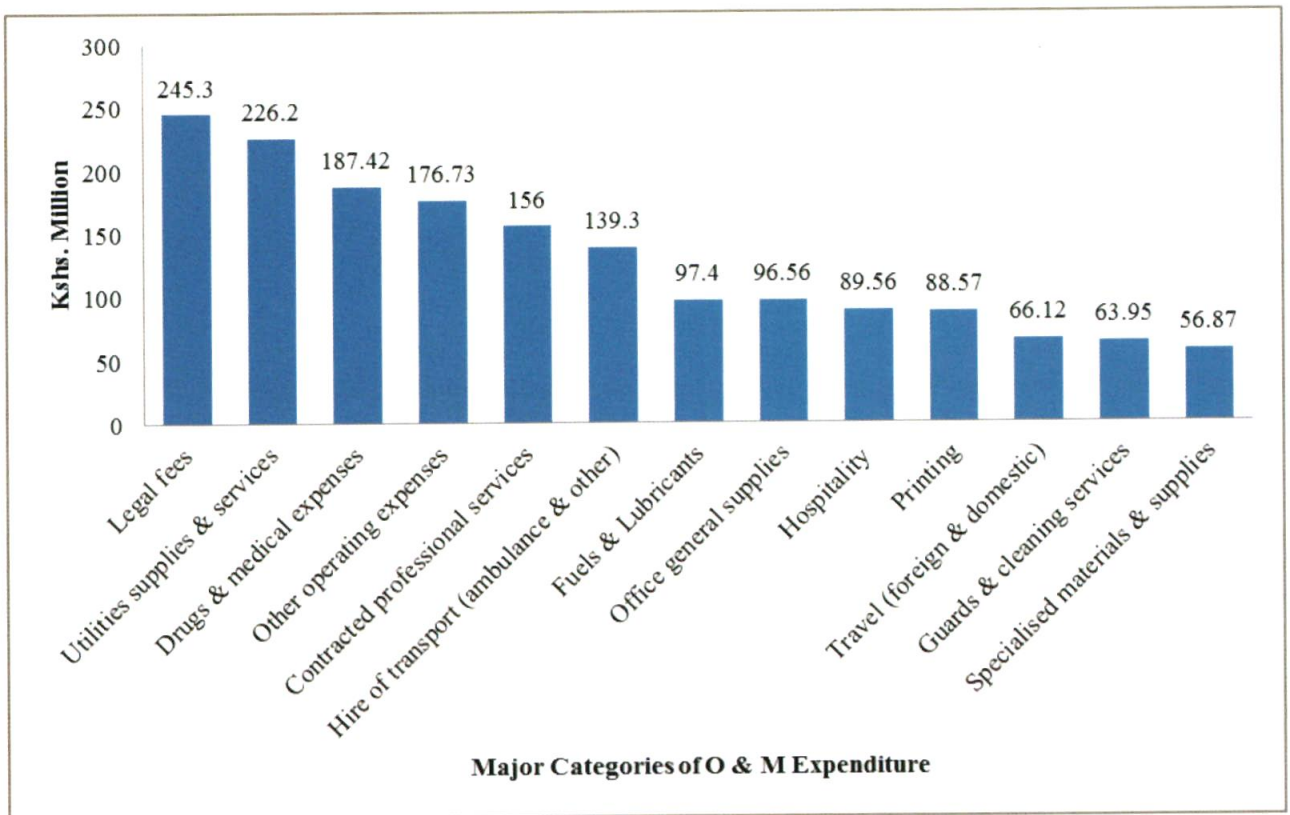
3.33.6 Analysis of Recurrent Expenditure

The total recurrent expenditure of Kshs.5.13 billion represented 91.8 per cent of the annual recurrent budget of Kshs.5.59 billion. The County spent Kshs.2.61 billion (36.1 per cent) on personnel emoluments and Kshs.2.52 billion (34.8 per cent) on operations and maintenance as shown in Figure 3.130. Expenditure on personnel emoluments represented an increase of 7.1 per cent compared to FY 2014/15 when the County spent Kshs.2.44 billion. The increase is attributed to a growing workforce in the County and payment of salary arrears for the defunct Local Authorities staff.

The County spent Kshs.45.23 million on sitting allowances to the 48 MCAs and the Speaker against the annual budget allocation of Kshs.52.21 million. This was an increase compared to Kshs.39.23 million spent in FY 2014/15. The average monthly sitting allowance was Kshs.78,521 compared to SRC’s recommended monthly ceiling of Kshs.124,800.

Expenditure on domestic and foreign travel was Kshs.66.12 million compared to Kshs.138.97 million spent in FY 2014/15, representing a decrease of 52.4 per cent. Figure 3.131 shows a summary of the operations and maintenance expenditure.

Figure 3.131: Narok County, Operations and Maintenance Expenditure for FY 2015/16

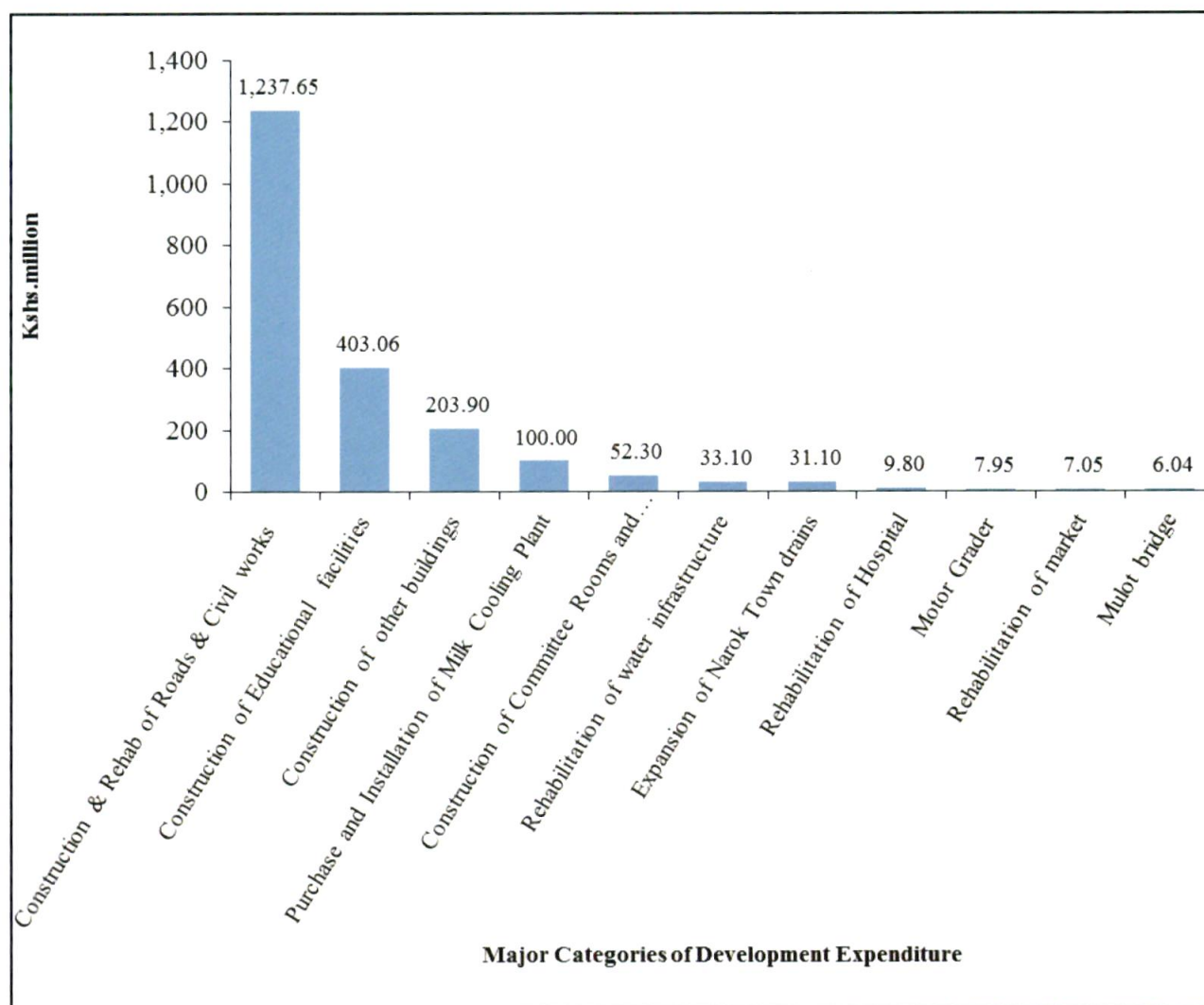


Source: Narok County Treasury

3.33.7 Analysis of Development Expenditure

The total development expenditure was Kshs.2.11 billion against an annual development budget of Kshs.2.72 billion, representing 77.6 per cent of the annual development budget. Figure 3.132 provides a summary of development expenditure during the period under review.

Figure 3.132: Narok County, Summary of Development Expenditure for FY 2015/16



Source: *Narok County Treasury*

Analysis of the development expenditure in FY 2015/16 indicated that the highest expenditure of Kshs.1.2 billion was incurred by the Roads Transport and Infrastructure Department on development and maintenance of various roads. An average of 400 kilometres of roads was graded while 350 kilometres were gravelled across the 30 wards in the County. The second highest expenditure of Kshs.403.06 million was incurred by the Education Social Cultural, Youth and Sports Department on Construction, schools and other learning facilities. Other expenditure included; construction of other buildings and infrastructure at Kshs.203.90 million, and purchase of milk cooling plant at Kshs.100.00 million.

3.33.8 Analysis of Budget Performance by Department

Table 3.97 shows a summary of FY 2015/16 annual budget estimates and budget performance by department.

Table 3.99: Narok County, FY 2015/16 Budget Performance by Department

Department	Supplementary Budget Allocation (Kshs.Million)		Exchequer Issues (Kshs.Million)		Expenditure (Kshs. Million)		% Of Expenditure to Exchequer		Expenditure to Budget Allocation (Absorption rate (%))	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
County Assembly	611.33	187.41	590.50	52.00	590.42	52.00	99.9	100.0	96.6	27.8
Governor's Office	1,917.37	10.00	1,839.88	-	1,839.81	-	100.0	-	96.0	-
Finance and Economic Planning	568.19	403.00	520.79	50.00	520.43	49.12	99.9	98.2	91.6	12.2
Roads, Transport and Infrastructure	106.88	1,238.16	96.46	1,237.75	96.40	1,237.65	99.9	99.9	90.2	99.9
Education, Social Cultural, Youth and Sports	536.54	430.50	352.36	405.00	352.35	403.06	100.0	99.5	65.7	93.6
Water, Environment, Energy and Natural Resources	94.88	43.26	85.31	42.00	85.31	41.95	100.0	99.9	89.9	97.0
County Public Service Board	73.59	-	71.63	-	71.61	-	99.9	-	97.3	-
Agriculture, Livestock and Fisheries	178.03	149.00	177.67	119.00	177.12	118.98	99.7	99.9	99.5	79.9
Health Services	1,341.98	159.00	1,244.80	151.90	1,244.80	151.90	100.0	100.0	92.8	95.5
Lands, Housing and physical planning	93.97	54.68	86.39	38.00	86.36	37.89	99.9	99.7	91.9	69.3
ICT and E-Government	25.81	5.00	25.69	5.00	25.69	5.00	100.0	100.0	99.5	100.0
Trade, Cooperatives, Tourism and Wildlife	40.41	38.00	40.05	12.00	40.00	11.05	99.9	92.1	99.0	29.1
TOTAL	5,588.97	2,718.01	5,131.53	2,112.65	5,130.30	2,108.60	99.9	99.8	91.8	77.6

Source: Narok County Treasury

Recurrent budget performance analysis indicated that ICT and E-government and Department of Trade and Cooperatives ha the highest absorption rates of 99.5 per cent and 99.0 per cent respectively. Department of Education and Department of Environment had the least absorption rate, standing at 65.7 per cent and 89.9 per cent respectively.

Analysis of Development budget performance by department shows that the Department of ICT and E-government attained 100 per cent absorption rate, followed by Department of Roads, Transport and Public Works attained an absorption rate of 99.9 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. Automation of revenue collection which has led to improved revenue performance. The local revenue collection has improved by 7 per cent to Kshs.1.75 billion in FY 2015/16 compared to FY 2014/15 when the County generated Kshs.1.64 billion.
- ii. Adoption of IFMIS in processing financial transactions.

Despite the progress made, the following challenge continued to hamper effective budget implementation;

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

The County should implement the following recommendation 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.

3.34 Nyamira County

3.34.1 Overview of the FY 2015/16 Budget

The County’s FY 2015/16 Approved Supplementary Budget was Kshs.5.45 billion, comprising of Kshs.3.09 billion (56.8 per cent) and Kshs.2.36 billion (43.2 per cent) for recurrent and development expenditure respectively.

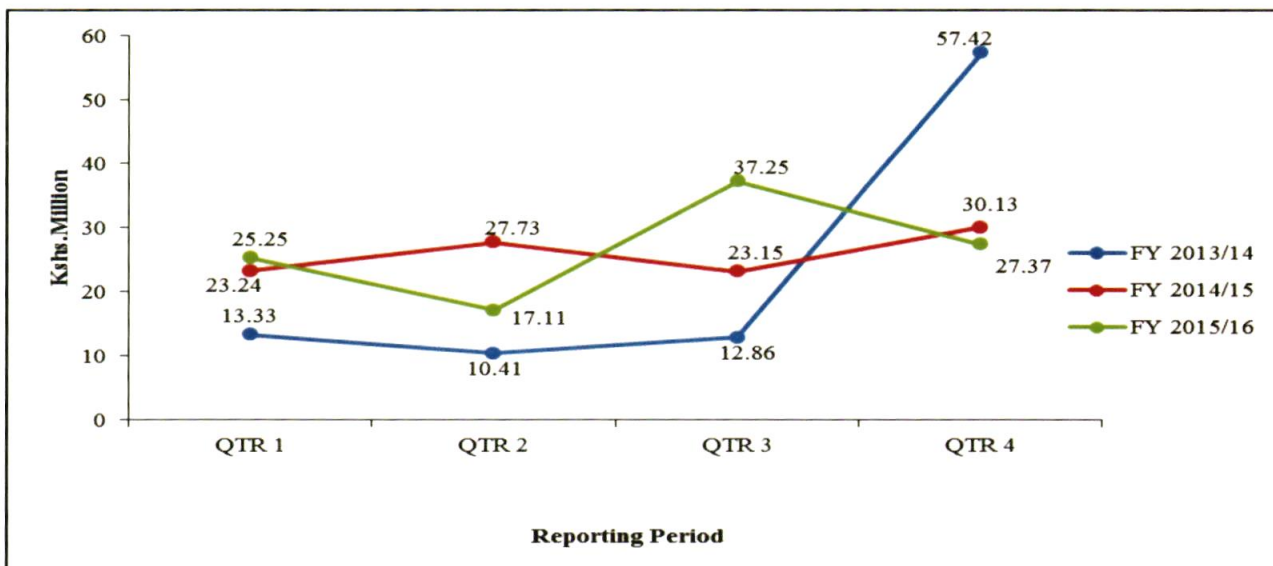
To finance the budget, the county expected to receive Kshs.4.15 billion (76.2 per cent) as equitable share of revenue raised nationally, Kshs.266.33 million (4.9 per cent) as total conditional grants, generate Kshs.240.96 million (4.4 per cent) from local sources, and Kshs.788.73 million (14.5 per cent) as projected cash balance from FY 2014/15. The conditional grants comprised of Kshs.95.74 million (36.0 per cent) for the leasing of medical equipment, Kshs.79.94 million (30.0 per cent) for Free Maternal Health Care, Kshs.52.78 million (19.8 per cent) from the Road Maintenance Fuel Levy Fund, Kshs.13.95 million (5.2 per cent) for User Fees Foregone and Kshs.23.92 million (9.0 per cent of the total conditional allocation) as a grant from DANIDA.

3.34.2 Revenue Analysis

During the year, the County received Kshs.4.15 billion as equitable share of revenue raised nationally, Kshs.137.98 million as total conditional allocations, raised Kshs.106.98 million from local sources, and had a cash balance of Kshs.726.76 million brought forward from FY 2014/15.

Figure 3.133 shows the quarterly trend in local revenue collection from FY 2013/14 to FY 2015/16.

Figure 3.133: Nyamira County, Trend in Local Revenue Collection by Quarter from FY 2013/14 to FY 2015/16



Source: Nyamira County Treasury

The total local revenue collected for the FY 2015/16 of Kshs.106.98 million consisted of Kshs.25.25 million generated in the first quarter, Kshs.17.11 million in the second quarter, Kshs.37.25 million in the third quarter, and Kshs.27.37 million in the fourth quarter. The revenue was 44.4 per cent of the annual local revenue target, and an improvement from Kshs.104.20 million collected in FY 2014/15.

Table 3.98 provides an analysis of the local revenue collected in FY 2015/16 by revenue stream.

Table 3.100: Nyamira County analysis of revenue collected by stream in FY 2015/16

No	Revenue Stream	Annual Targeted Revenue (Kshs.)	Annual Actual Revenue (Kshs.)	Actual Revenue as a percentage of Annual Target (%)
1	Land Rates	3,880,714	10,242,154	263.9
2	Weights & Measures Charges	324,723	574,530	176.9
3	Advertisement Charges	1,155,043	1,626,410	140.8
7	Plot Rent	2,184,299	2,302,324	105.4
4	Public Health Medical	40,540,898	41,928,359	103.4
5	Storage Charges & water	238,260	210,630	88.4
6	Impounding Charges	277,487	234,450	84.5
8	Market Stall Rent	1,605,684	948,000	59.0
9	Physical Planning Charges, Survey Fees & Building Plan Application Fees	4,050,810	2,181,245	53.8
10	Cattle Fees & Cattle Movement Permit	3,105,176	1,243,220	40.0
11	Single Business Permit	47,571,157	18,000,842	37.8
12	Parking Charges - Matatu & Private	38,753,346	12,795,660	33.0
13	Veterinary Charges	7,296,951	2,064,085	28.3
14	Single Business Application Fees	7,078,225	1,599,500	22.6
15	Slaughter Fees	485,340	100,460	20.7
16	Market dues	44,327,473	7,786,740	17.6
17	Motor Bike Stickers	6,791,162	1,077,580	15.9
18	Agricultural Cess	20,577,612	2,064,780	10.0
19	Other Revenue Streams	10,714,552	1,000	0.0
Total		240,958,912	106,981,969	44.4

Source: Nyamira County Treasury

Analysis of the local revenue by stream indicated that land rates, weights and measures charges and advertisement charges recorded the highest performance against the annual target at 263.9 per cent, 176.9 per cent and 140.8 per cent respectively.

The County deposited all locally generated revenue into the County Revenue Fund account maintained at Central Bank of Kenya (CBK) as required by Article 207 (1) of the Constitution.

3.34.3 Conditional Grants

Table 3.99 shows analysis of conditional grants disbursement in FY 2015/16.

Table 3.101: Nyamira County analysis of conditional grant releases in FY 2015/16

No.	Conditional Grant	Amount allocated as provided in CARA 2015 (Kshs.)	Actual receipt of the Conditional Grant (Kshs.)	Actual receipts as a percentage of Annual Allocation (%)
1	DANIDA Grant	23,920,000	23,920,000	100.0
2	Compensation for User Fees Foregone	13,945,233	13,945,233	100.0
3	Free Maternity Health Care	79,942,800	73,466,842	91.9
4	Road Maintenance Fuel Levy Fund	52,776,448	26,652,106	50.5
5	Leasing of Medical Equipment	95,744,681	0.0	0.0
Total		266,329,162	137,984,181	51.8

Source: Nyamira County Treasury

Analysis of the conditional grant released in the period under review indicated that all projected revenue was fully realized except for the Free Maternity Health Care and Road Maintenance Fuel Levy Fund grants, which recorded performance of 91.9 per cent and 50.5 per cent of the annual target respectively. The county reported receipt of medical equipment from the National Government, whose value was not provided as at the time of finalizing this report.

3.34.4 Exchequer Issues

During the period under review, the Controller of Budget authorised withdrawal of Kshs.4.49 billion from the CRF account, which was 82.5 per cent of the Approved Supplementary Budget. The amount represented an increase of 24.0 per cent from Kshs.3.62 billion authorized in FY 2014/15 and consisted of Kshs.3.09 billion (68.8 per cent) for recurrent expenditure and Kshs.1.40 billion (31.2 per cent) for development activities.

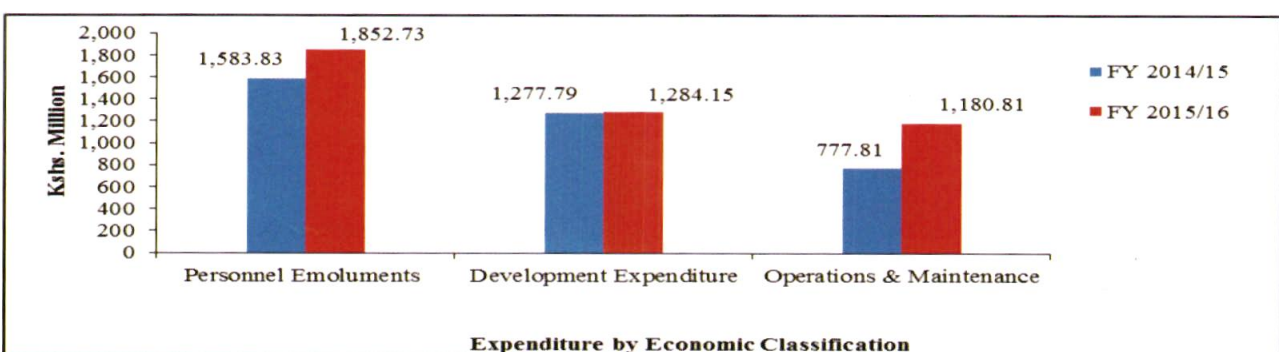
3.34.5 Overall Expenditure Review

The County spent a total of Kshs.4.31 billion in FY 2015/16, which was 96.1 per cent of the total funds released for operations. This was an increase from the Kshs.3.62 billion spent in FY 2014/15.

A total of Kshs.3.03 billion was spent on recurrent activities, while Kshs.1.28 billion was spent on development activities. The recurrent expenditure was 98.1 per cent of the funds released for recurrent activities while development expenditure accounted for 91.6 per cent of the funds released for development activities. The expenditure excluded pending bills as at 30th June, 2016 that amounted to Kshs.52.91 million for development and Kshs.69.48 million for recurrent expenditure.

The recurrent expenditure represented 98.1 per cent of the annual recurrent budget, an increase from 86.8 per cent realized in FY 2014/15. Development expenditure recorded an absorption rate of 54.5 per cent, which was a decrease from 65.2 per cent absorbed in FY 2014/15. Figure 3.134 presents a comparison between the expenditure in FY 2015/16 and FY 2014/15 by economic classification.

Figure 3.134: Nyamira County, Expenditure by Economic Classification for FY 2014/15 and FY 2015/16



Source: Nyamira County Treasury

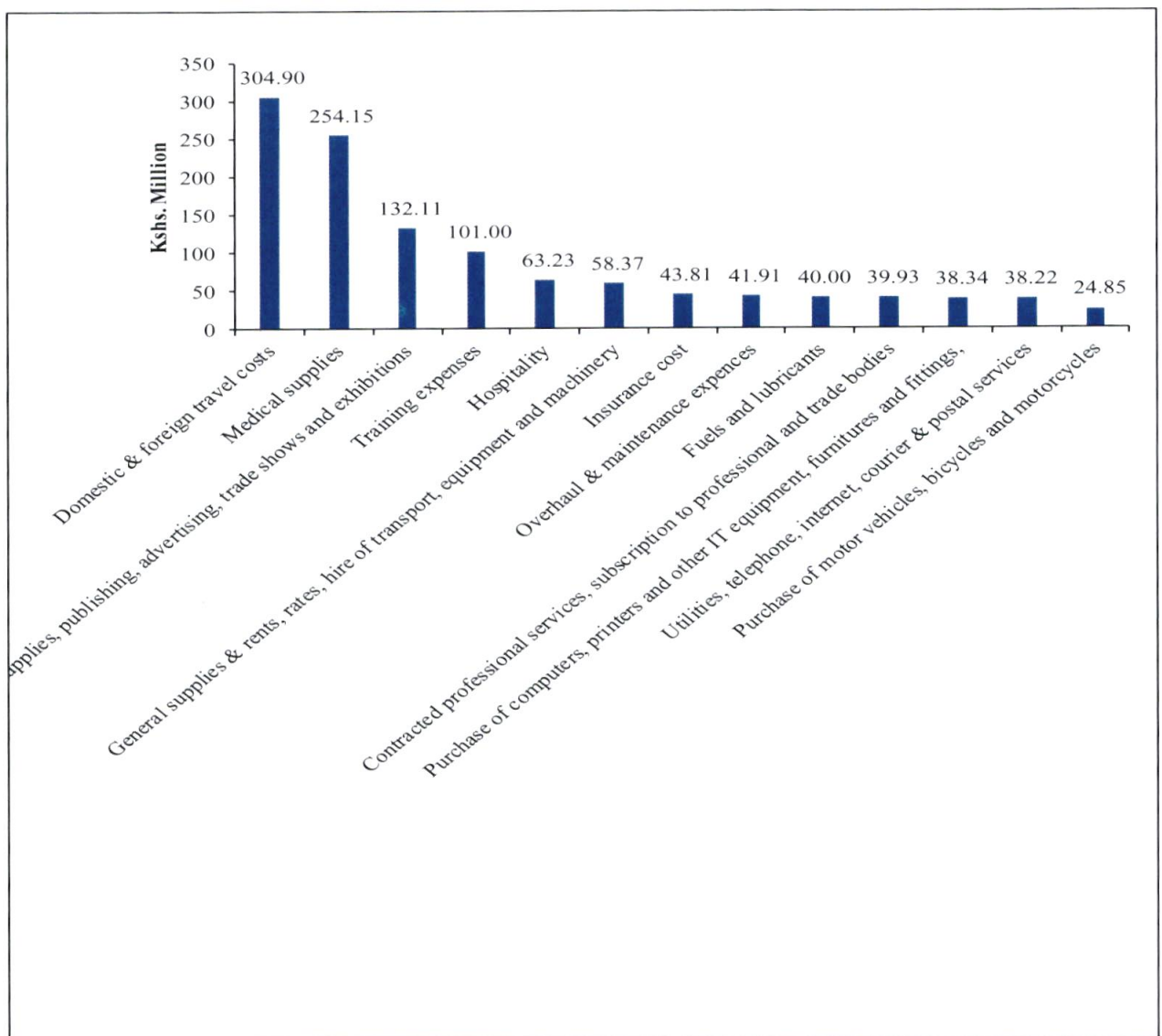
3.34.6 Analysis of Recurrent Expenditure

The total recurrent expenditure of Kshs.3.03 billion represented 98.1 per cent of the annual recurrent budget of Ksh.3.28 billion. The County spent Kshs.1.85 billion (61.1 per cent) on personnel emoluments and Kshs.1.18 million (38.9 per cent) on operations and maintenance as shown in Figure 3.134. Expenditure on personnel emoluments represented an increase of 17.0 per cent compared to Kshs.1.58 billion incurred by the County in FY 2014/15. The increase is attributed to a growing workforce in the County.

The County spent Kshs.67.78 million on sitting allowances to the 33 MCAs and the Speaker against the annual budget allocation of Kshs.67.78 million. This was an increase compared to Kshs.50.19 million spent in FY 2014/15. The average monthly sitting allowance was Kshs.166,116 compared to SRC’s recommended monthly ceiling of Kshs.124,800.

Expenditure on domestic and foreign travel was Kshs.304.90 million compared to Kshs.210.42 million spent in FY 2014/15, representing an increase of 44.9 per cent. Figure 3.135 shows a summary of the operations and maintenance expenditure by major categories.

Figure 3.135: Nyamira County, Operations and Maintenance Expenditure for FY 2015/16

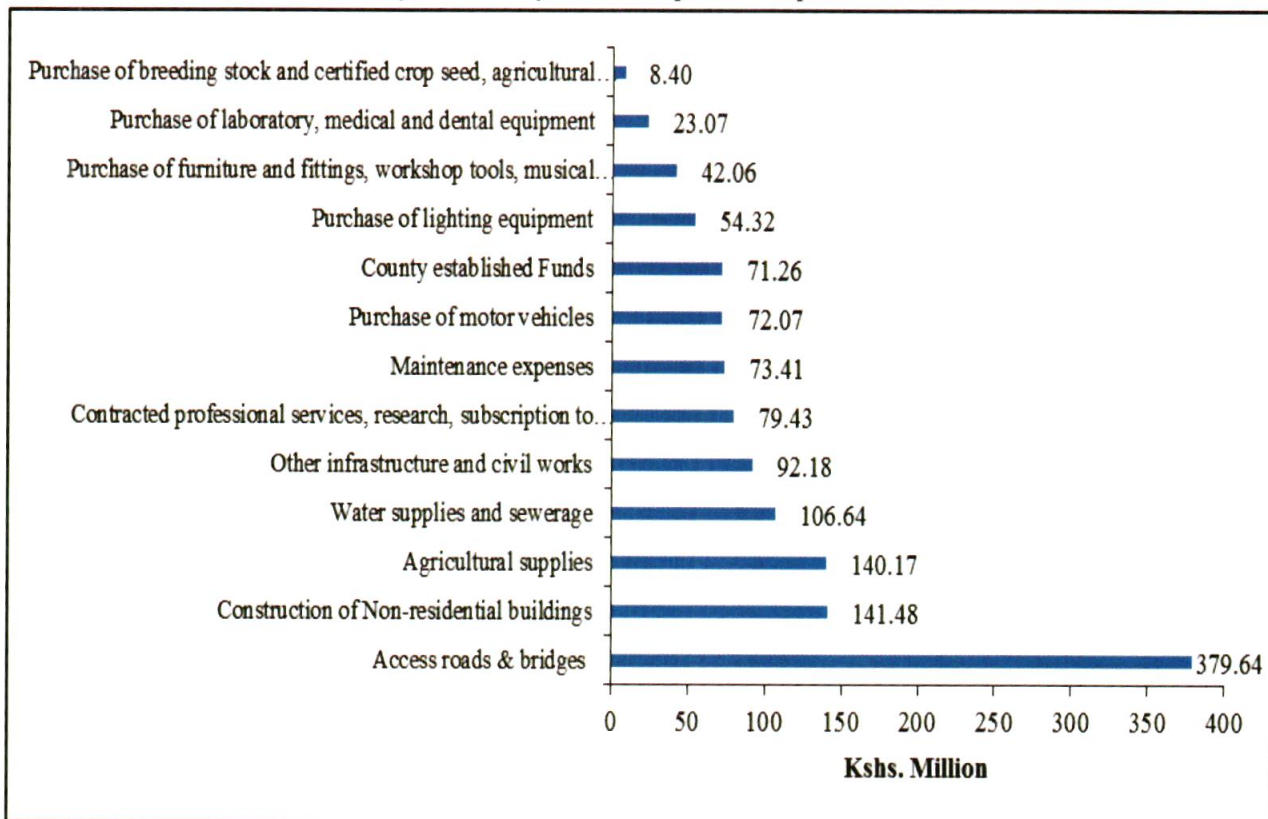


Source: Nyamira County Treasury

3.34.7 Analysis of Development Expenditure

The total development expenditure of Kshs. 1.28 billion represented 54.5 per cent against an annual development budget of Kshs.2.36 billion. Figure 3.136 provides a summary of development expenditure during the period under review.

Figure 3.136: Nyamira County, Summary of Development Expenditure for FY 2015/16



Source: Nyamira County Treasury

Analysis of the development expenditure indicated that the highest expenditure of Kshs.379.64 million was incurred by the Roads and Public Works Department on construction and maintenance of access roads. The second highest expenditure of Kshs.141.48 million was incurred on construction of non-residential buildings, which included Kshs.57.72 million by the Department of Lands and Urban Planning for construction of markets, Kshs.47.43 million by the Department of Education for construction of Manga Stadium, and Kshs.31.14 million for construction of several Polytechnics across the County. The Agriculture Department spent Kshs.140.17 million on agricultural supplies.

3.34.8 Analysis of Budget Performance by Department

Figure 3.115 shows a summary of FY 2015/16 annual budget estimates and budget performance by department.

Table 3.102: Nyamira County, FY 2015/16 Budget Performance by Department

Department	Budget Allocation (Kshs.Million)		Exchequer Issues (Kshs.Million)		Expenditure (Kshs. Million)		Expenditure to Exchequer Issues (%)		Absorption rate (%)	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
County Assembly	428.74	-	428.74	-	428.72	-	100	-	100	-
Executive Office	369.62	65.03	369.62	21	359.43	62.46	97.2	297.5	97.2	96.1
Finance and Economic Planning	243.18	111.9	243.18	78.32	239.84	97.85	98.6	124.9	98.6	87.4
Agriculture, Livestock & Fisheries	188	174.21	188	129.3	181.14	154.8	96.4	119.7	96.4	88.9
Water & Environment	82.33	236.03	82.43	190.82	81.24	186.9	98.6	97.9	98.7	79.2
Education and ICT	198.75	241.42	198.75	46.55	197.59	43.18	99.4	92.8	99.4	17.9
Health Services	1180.49	518.32	1180.49	363.22	1167.02	143.47	98.9	39.5	98.9	27.7
Lands and Urban Planning	41.78	176.78	41.78	61.9	39.53	107.55	94.6	173.8	94.6	60.8
Roads and Public Works	53.7	780.59	53.7	486.3	49.43	458.39	92	94.3	92	58.7
Trade and Tourism	37.05	32.17	37.05	17.36	36.12	18.64	97.5	107.4	97.5	57.9
Youth, Gender, Culture & Sports	89.7	7.95	89.7	6.45	76.14	5.73	84.9	88.8	84.9	72.1
Public Service Board	36.99	-	36.99	-	36.98	-	100	-	100	-
Public Administration and Coordination of Decentralized Units	142.83	12.9	142.83	-	140.35	5.18	98.3	-	98.3	40.1
Total	3093.16	2357.3	3093.26	1401.21	3033.54	1284.15	98.1	91.6	98.1	54.5

Source: Nyamira County Treasury

Analysis of budget performance by department shows that the County Executive Office attained the highest absorption rate of its development budget at 96.1 per cent while the Department of Education and ICT had the lowest absorption rate at 17.9 per cent. On the other hand, the County Assembly and County Public Service Board had the highest percentage of recurrent expenditure to its recurrent budget at 100 per cent, while the Department of Youth, Gender, Culture and Sports had the lowest at 84.9 per cent. The County Assembly had recurrent expenditure pending bills of Ksh.31.88 million despite reporting the highest percentage of recurrent expenditure to its recurrent budget at 100 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. Establishment of the County Budget and Economic Forum (CBEF) as required by Section 137 of the PFM Act, 2012. The CBEF is involved in budgeting and economic matters in the County.
- ii. Improvement in human capacity through recruitment of additional key staff and continuous training.

- iii. Compliance with Article 207 (1) of the Constitution, which requires all revenue to be deposited into the CRF account.

Despite the progress made, 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 execution reports.
2. A high wage bill that increased from Kshs.1.58 billion in FY 2014/15 to Kshs.1.85 billion in FY 2015/16, representing 42.9 per cent of total expenditure. Continued increase in the wage bill may result in unsustainable salary costs.
3. Delay in approving of key planning policy documents such as the ADP, CFSP and CBROP by the County Assembly. None of these documents were approved within the PFM Act, 2012 prescribed timelines, which affected timely execution of budgeted activities.
4. Intermittent use of IFMIS in processing financial transactions contrary to Section 12 of the PFM Act, 2012.
5. Failure to reconcile IFMIS to IPPD data. While the IFMIS returns showed total Personnel emoluments as Kshs.1.85 billion in FY 2015/16, data generated from the IPPD indicated that the total payroll cost was Kshs.1.42 billion.
6. In FY 2015/16, the County Assembly reported expenditure on MCA sitting allowances of Kshs.67.78 million which translated to a monthly average of Kshs.166,116 for each MCA compared to the recommended SRC's maximum monthly ceiling of Kshs.124,800

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 (4) 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 Treasury and County Assembly should observe the budget timelines as stipulated in law in the preparation and approval of key planning documents to facilitate smooth budget implementation.*
4. *The County Treasury should liaise with the National Treasury to ensure IFMIS is fully adopted by all county public entities in processing financial transactions.*
5. *The County should regularly reconcile the IFMIS payroll data and IPPD for accurate reporting.*
6. *The County Assembly should put in place adequate budgetary controls to ensure its expenditure is within the law. All excess payments of MCA sitting allowances should be recovered.*

3.35 Nyandarua County

3.35.1 Overview of the FY 2015/16 Budget

The County's FY 2015/16 Approved Supplementary Budget was Kshs.5.59 billion, comprising of Kshs.3.43 billion (61.4 per cent) and Kshs.2.15 billion (38.6 per cent) for recurrent and development expenditure respectively.

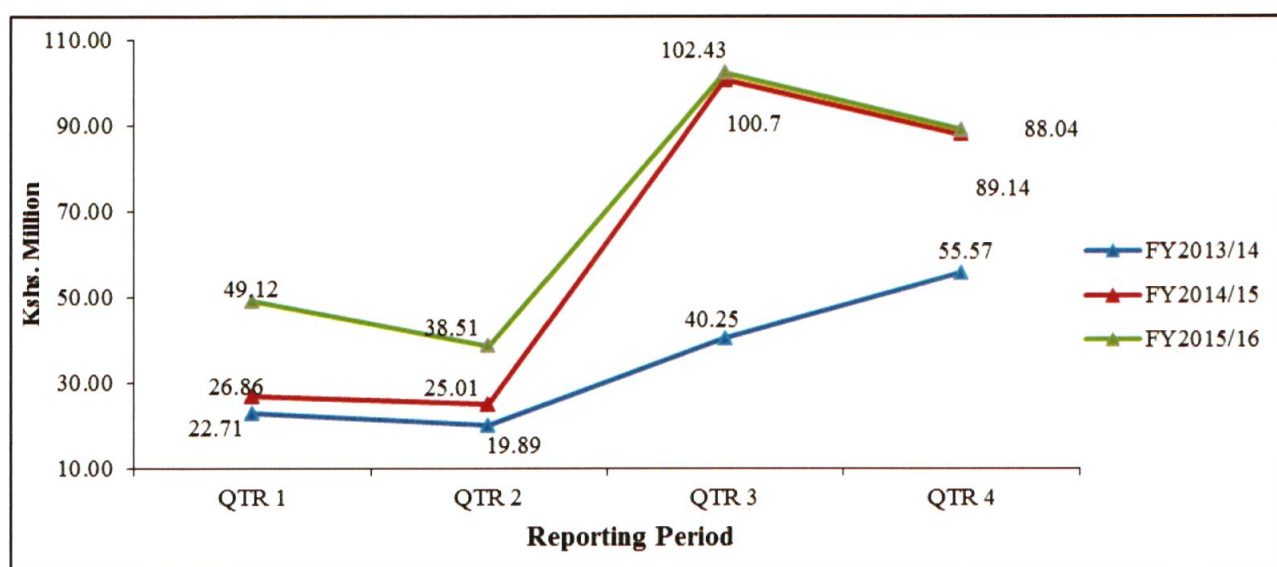
To finance the budget, the County expected to receive Kshs.4.3 billion (77 per cent) as equitable share of revenue raised nationally, Kshs.306.93 million (5.5 per cent) as total conditional grants, generate Kshs.392 million (7 per cent) from local sources, and had a cash balance of Kshs.591.05 million (10.6 per cent) from FY 2014/15. The conditional grants comprised of Kshs.95.74 million (1.7 per cent) for the Leasing of Medical Equipment, Kshs.50.71 million (0.9 per cent) for Free Maternal Health Care, Kshs.54.71 million (1 per cent) from the Road Maintenance Fuel Levy Fund, Kshs.13.89 million (0.2 per cent) for User Fees Foregone, Kshs.18.86 million (0.3 per cent) as a grant from DANIDA and Kshs.73 million (1.3 per cent) as conditional allocation grants from Other Loans and Grants.

3.35.2 Revenue Analysis

During the year, the County received Kshs.4.31 billion as equitable share of the revenue raised nationally, Kshs.118.16 million as total conditional allocations, raised Kshs.279.22 million from local sources, and had a cash balance of Kshs.592.05 million brought forward from FY 2014/15.

Figure 3.137 shows the quarterly trend in local revenue collection from FY 2013/14 to FY 2015/16.

Figure 3.137: Nyandarua County, Trend in Local Revenue Collection by Quarter from FY 2013/14 to FY 2015/16



Source: Nyandarua County Treasury

The total local revenue collected in FY 2015/16 amounted to Kshs.279.22 million and consisted of Kshs.49.12 million generated in the first quarter, Kshs.38.51 million in the second quarter, Kshs.102.43 million in the third quarter and Kshs.89.14 million in the fourth quarter. The revenue was 71.2 per cent of the annual local revenue target, and an improvement from Kshs.240.61 million collected in FY 2014/15.

Table 3.101 provides an analysis of the local revenue collected in FY 2015/16 by revenue stream.

Table 3.103: Nyandarua County analysis of revenue collected by stream in FY 2015/16

No	Revenue Stream	Annual Targeted Revenue (Kshs.)	Annual Actual Revenue	Actual Revenue as a percentage of Annual Target (%)
1	Single Business Permits	30,912,037	80,724,977	261.1
2	Produce Cess and Royalties	4,451,185	52,194,840	1,172.6
3	J. M. Hospital	-	30,912,037	-
4	Bus And matatu fees	3,018,200	14,003,830	464.0
5	Plot Rates	13,021,102	13,021,102	100.0
6	Liquor License	119,700	12,253,800	10,237.1
7	Open air market fees	5,566,069	10,754,926	193.2
8	Engineer Hospital	-	6,156,970	-
9	Vaccination	2,029,057	5,566,069	274.3
10	Other Sources	332,882,650	53,637,635	16.1
TOTAL		392,000,000	279,226,186	71.2

Source: Nyandarua County Treasury

Analysis of the local revenue collected by stream indicated that, liquor license recorded the highest performance against annual target at 10,237.1 per cent. This was followed by produce cess at 1,172.6 per cent, and bus & matatu fees at 464 per cent.

The County deposited all locally generated revenue into the County Revenue Fund account maintained at Central Bank of Kenya (CBK) as required by Article 207 (1) of the Constitution.

3.35.3 Conditional Grants

Table 3.102 shows an analysis of the conditional grants released in FY 2015/16.

Table 3.103: Nyandarua County analysis of conditional grant releases in FY 2015/16

No.	Conditional Grant	Amount allocated as provided in CARA 2015 (Kshs.)	Actual receipt of the Conditional Grant (Kshs.)	Actual receipts as a percentage of Annual Allocation (%)
1	Road Maintenance Fuel Levy Fund	54,714,122	54,714,123	100.0
2	Free Maternal Health Care	50,716,400	30,690,000	60.5
3	User Fees Foregone	13,898,986	13,898,986	100.0
4	DANIDA Grant	18,860,000	18,860,000	100.0
5	Other Loans and Grants	73,000,000	-	0.0
Total		211,189,508	118,163,109	56.0

Source: Nyandarua County Treasury

All projected revenue from conditional grants was fully realised except for the Free Maternal Health Care grant which recorded 60.5 per cent of the annual target and Other Loans and Grants which did not record any receipts.

3.35.4 Exchequer Issues

During the period under review, the Controller of Budget (COB) authorised withdrawal of Kshs.5.08 billion from the CRF account, which was 90.8 per cent of the Approved Supplementary Budget. The amount represented an increase of 23 per cent from Kshs.4.13 billion authorized in FY 2014/15 and consisted of Kshs.3.27 billion (64.4 per cent) for recurrent expenditure and Kshs.1.8 billion (35.6 per cent) for development activities.

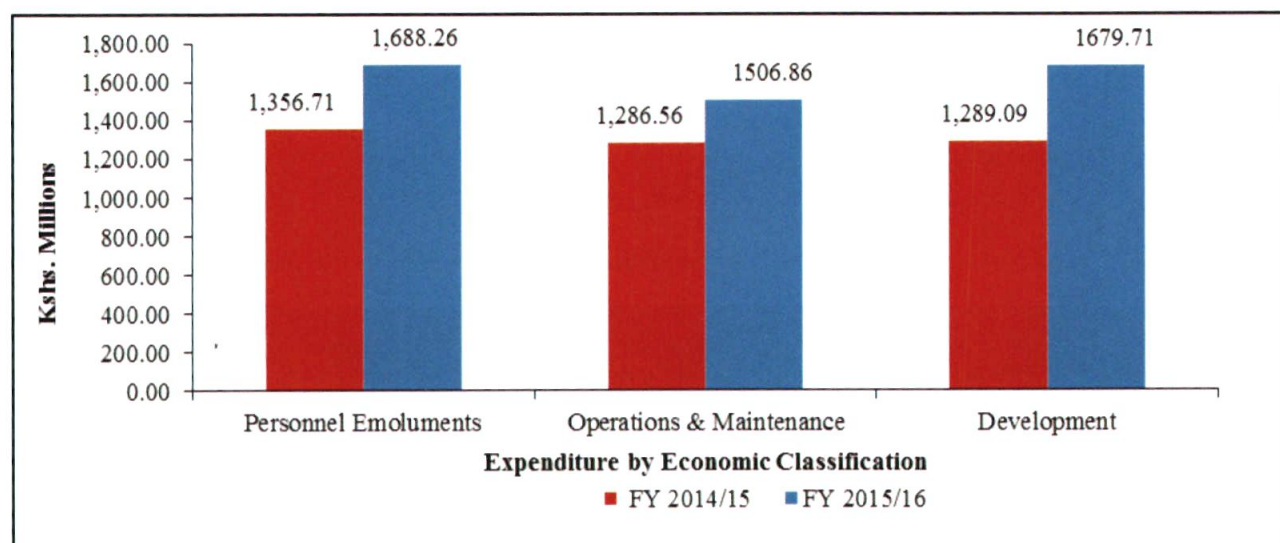
3.35.5 Overall Expenditure Review

The County spent a total of Kshs.4.87 billion in FY 2015/16, which was 95.9 per cent of the total funds released for operations. This was an increase from Kshs.3.93 billion spent in FY 2014/15.

A total of Kshs.3.19 billion was spent on recurrent activities, while Kshs.1.67 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 92.9 per cent of the funds released for development activities. The expenditure excluded pending bills as at 30th June, 2016 that amounted to Kshs.484.83 million for development and Kshs.137.47 million for recurrent expenditure.

The recurrent expenditure represented 92.9 per cent of the annual recurrent budget, a decrease from 100.6 per cent attained in FY 2014/15. Conversely, development expenditure recorded an absorption rate of 77.8 per cent, which was an increase from 70.5 per cent absorbed in FY 2014/15. Figure 3.138 presents a comparison between the expenditure in FY 2015/16 and FY 2014/15 by economic classification.

Figure 3.138: Nyandarua County, Expenditure by Economic Classification for FY 2015/16 and FY 2014/15



Source: Nyandarua County Treasury

3.35.6 Analysis of Recurrent Expenditure

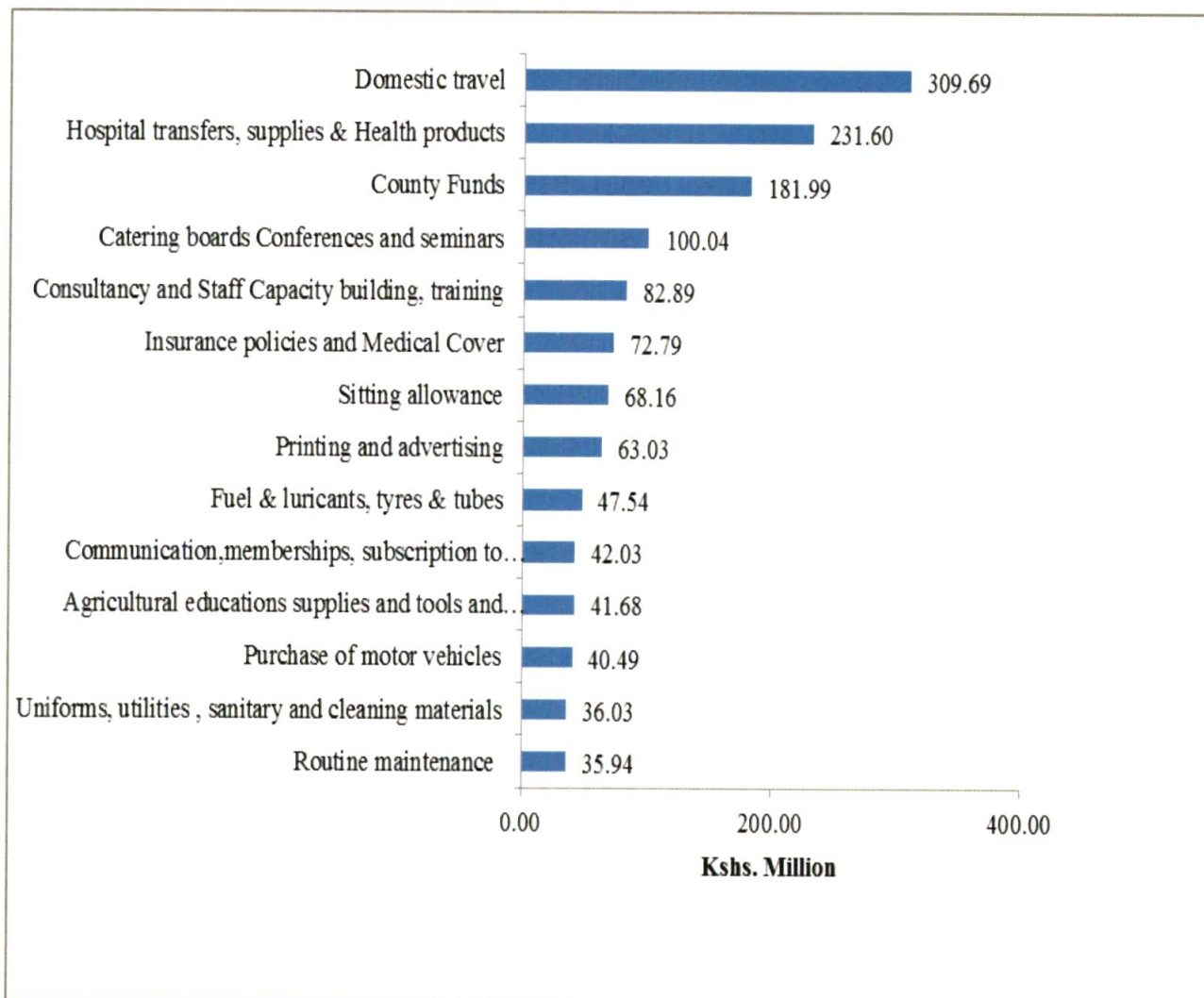
The County spent of Kshs.1.68 billion (52.8 per cent) on personnel emoluments and Kshs.1.50 billion (47.2 per cent) on operations and maintenance as shown in Figure 3.138. Expenditure on personnel emoluments represented an increase of 19.6 per cent compared to FY 2014/15 when the County spent Kshs.1.35 billion. The increase is attributed to a growing workforce in the County.

The County spent Kshs.68.15 million on sitting allowances to the 42 MCAs and the Speaker against the annual budget allocation of Kshs.66.36 million. This was an increase compared to Kshs.66.26 million spent

in FY 2014/15. The average monthly sitting allowance was Kshs.135,235 compared to SRC’s recommended monthly ceiling of Kshs.124,800.

Expenditure on domestic and foreign travel amounted to Kshs.320.75 million compared to Kshs.162.19 million spent in FY 2014/15, representing an increase of 49.4 per cent. Figure 3.139 shows a summary of the operations and maintenance expenditure by major categories.

Figure 3.139: Nyandarua County, Operations and Maintenance Expenditure for FY 2015/16

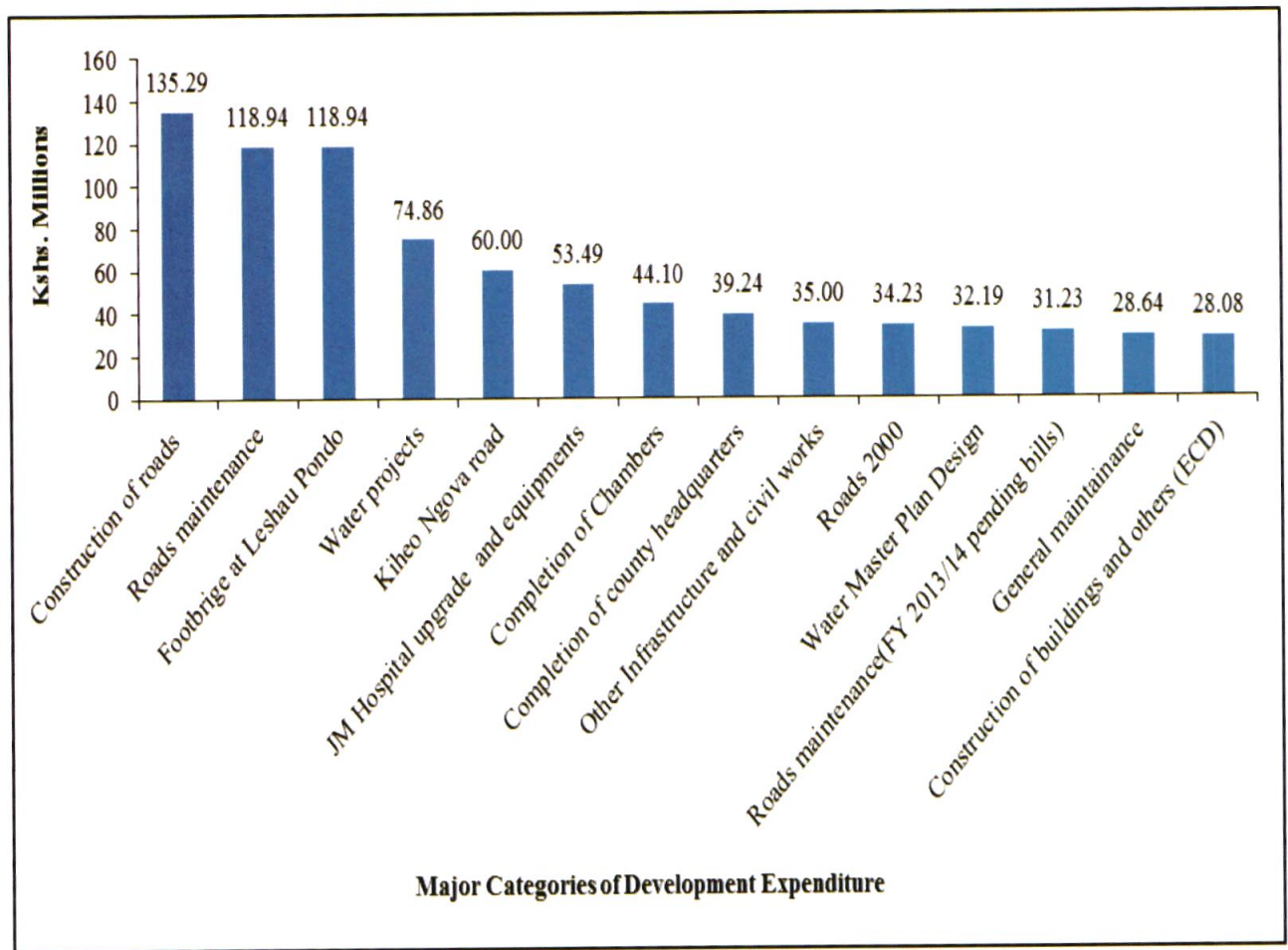


Source: Nyandarua County Treasury

3.35.7 Analysis of Development Expenditure

The total development expenditure of Kshs.1.67 billion represented 77.8 per cent of the annual development budget of Kshs.2.15 billion. Figure 3.140 provides a summary of development expenditure during the period under review.

Figure 3.140: Nyandarua County, Summary of Development Expenditure for FY 2015/16



Source: Nyandarua County Treasury

Analysis of the development expenditure indicated that the highest expenditure of Kshs.929.87 million was incurred by the Roads, Transport & Public Works Department, of which Kshs.135.29 million was spent on construction of roads and Kshs.118.94 million on payment of pending bills related to road works. The second highest expenditure of Kshs.202.45 million was incurred by the Water, Environment & Natural Resources Department, out of which Kshs.74.86 million was on water projects and Kshs.32.19 million on the water master plan design. The Department of County Attorney E-Government and Intergovernmental Relations incurred Kshs.13.04 million on construction of a County Law Court, and on automation of County revenue. The Gubernatorial Office did not incur any development expenditure in the period under review.

3.35.8 Analysis of Budget Performance by Department

Table 3.105 shows a summary of FY 2015/16 annual budget estimates and budget performance by department.

Table 3.105: Nyandarua County, FY 2015/16 Budget Performance by Department

Department	Budget Allocation (Kshs. Million)		Exchequer Issues (Kshs. Million)		Expenditure(Kshs. Million)		Expenditure to Exchequer Issues (%)		Expenditure to Budget Allocation (Absorption rate (%))	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
Agriculture, Livestock, Fisheries & Irrigation	264.81	89.37	252.81	62.61	241.93	70.25	95.7	112.2	91.4	78.6
County Assembly	605.57	115.30	592.54	103.00	605.04	58.91	102.1	57.2	99.9	51.1
County Attorney , E-Government & Intergovernmental Relations	55.23	36.05	55.23	34.00	38.53	13.04	69.8	38.4	69.8	36.2
Education, Youth, Children Affairs, Culture & Social Services	207.69	62.93	207.69	49.58	201.65	72.05	97.1	145.3	97.1	114.5
Finance & Economic Planning	525.23	36.53	521.56	36.53	518.93	49.15	99.5	134.5	98.8	134.5
Gubernatorial Office	341.87	0.00	326.02	0.00	333.49	0.00	102.3	0.0	97.5	0.0
Health Services	1103.34	236.12	983.02	167.18	964.07	173.55	98.1	103.8	87.4	73.5
Industrialization, Cooperatives, Trade, Enterprise, Weights & Measures	65.65	76.82	65.64	76.29	56.66	50.26	86.3	65.9	86.3	65.4
Lands, Housing & Physical Planning	58.73	92.36	58.73	46.11	47.04	24.85	80.1	53.9	80.1	26.9
Roads, Transport & Public Works	106.17	1049.23	106.17	875.80	100.08	929.87	94.3	106.2	94.3	88.6
Tourism, Wildlife & Sports	38.29	41.60	38.29	36.70	23.00	35.33	60.1	96.3	60.1	84.9
Water, Environment & Natural Resources	65.32	322.84	65.32	320.05	64.72	202.46	99.1	63.3	99.1	62.7
TOTAL	3,437.91	2,159.15	3,273.03	1,807.84	3,195.13	1,679.72	97.6	92.9	92.9	77.8

Source: Nyandarua County Treasury

Analysis of budget performance by department shows that the Department of Finance and Economic Planning attained the highest absorption rate of its development budget at 134.5 per cent while the Gubernatorial Office 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 99.9 per cent while the Department of Tourism, Wildlife & Sports had the lowest at 60.1 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. Improvement in local revenue collection from Kshs.240.61 million in FY 2014/15 to Ksh.279.23 million in FY 2015/16. This improvement is attributed to the County Government's efforts to seal revenue leakages.
- ii. Improvement in the absorption of development funds from 70.5 per cent attained in FY 2014/15 to 77.8 per cent attained in FY 2015/16.

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

1. **Lack of Internal Audit Committee contrary to Section 155(5) of the PFM Act, 2012.**
2. Expenditure for some Votes exceeded the appropriated amounts. For example, the Education, Youth, Children Affairs, Culture & Social Services Department and the Finance & Economic Planning Department **reported development expenditure in excess of the approved development budget allocation.**
3. In FY 2015/16, the County Assembly reported expenditure on MCA sitting allowances of Kshs.68.15 million which translated to a monthly average of Kshs.135,235 for each MCA compared to the recommended SRC's maximum monthly ceiling of Kshs.124,800.

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

1. *The County Treasury should establish an Internal Audit Committee as per Section 155(5) of the PFM Act, 2012 in order to enhance public financial management.*
2. *The County should ensure all expenditure is within the law.*
3. *The County Assembly should put in place adequate budgetary controls to ensure its expenditure is within the law. All excess payments of MCA sitting allowances should be recovered.*

3.36 Nyeri County

3.36.1 Overview of the FY 2015/16 Budget

The County's FY 2015/16 Approved Supplementary Budget was Kshs.6.28 billion, comprising of Kshs.4.42 billion (70.4 per cent) and Kshs.1.86 billion (29.6 per cent) for recurrent and development expenditure respectively.

To finance the budget, the County expected to receive Kshs.4.45 billion (70.9 per cent) as equitable share of revenue raised nationally, Kshs.546.33 million (8.7 per cent) as total conditional grants, generate Kshs.1.08 billion (17.2 per cent) from local sources and had Kshs.200.00 million (3.2 per cent) as projected cash balance from FY 2014/15. The conditional grants comprised of Kshs.368.62 million

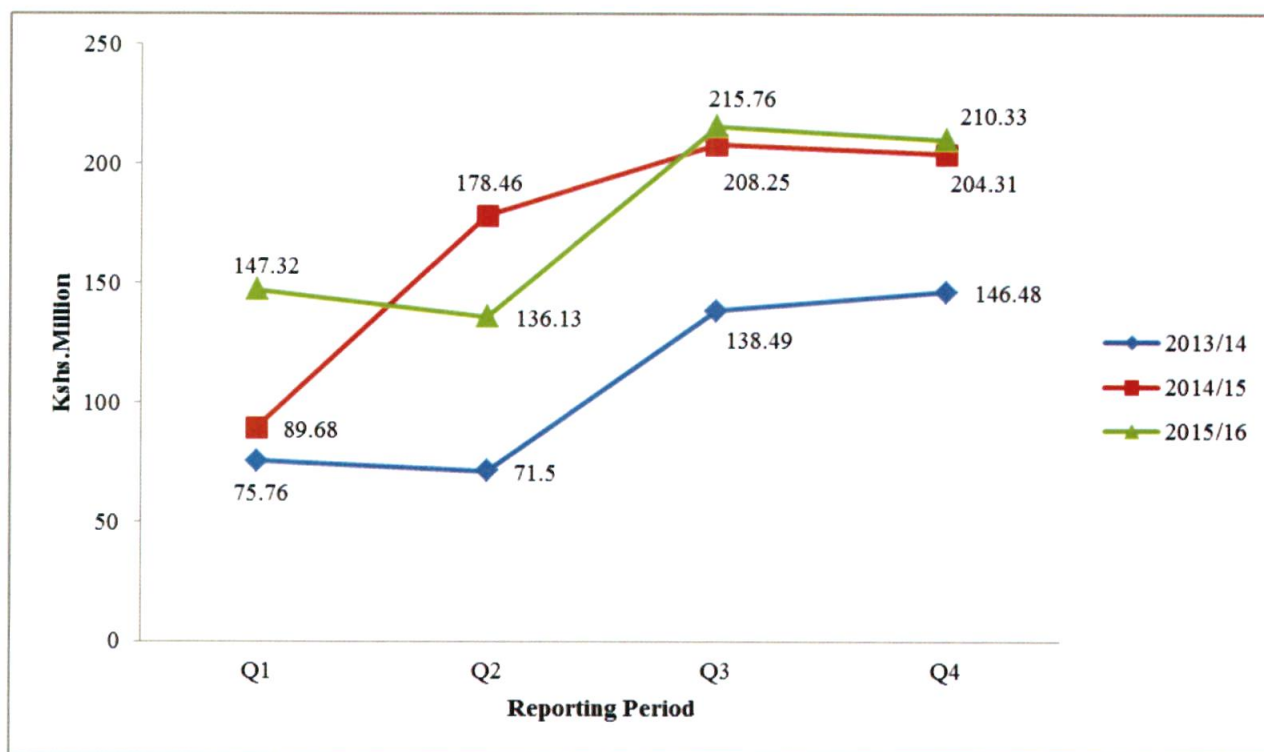
(67.5 per cent) for Level 5 Hospital, Kshs.82.09 million (15.0 per cent) for free Maternal Health Care, Kshs.56.51 million (10.3 per cent) from the Road Maintenance Fuel Levy Fund, Kshs.16.16 million (3.0 per cent) for User Fees Foregone and Kshs.22.93 million (4.2 per cent) as a grant from DANIDA.

3.36.2 Revenue Analysis

During the year, the County received Kshs.4.45 billion as equitable share of the revenue raised nationally, Kshs.527.53 million as total conditional allocations, raised Kshs.709.55 million from local sources, and had a cash balance of Kshs.205.66 million brought forward from FY 2014/15.

Figure 3.141 shows the quarterly trend in local revenue collection by quarter from FY 2013/14 to FY 2015/16.

Figure 3.141: Nyeri County, Trend in Local Revenue Collection by Quarter from FY 2013/14 to FY 2015/16



Source: Nyeri County Treasury

The total local revenue collected in FY 2015/16 of Kshs.709.55 million consisted of Kshs.147.32 million generated in the first quarter, Kshs.136.13 million in the second quarter, Kshs.215.76 million in the third quarter, and Kshs.210.33 million in the fourth quarter. The revenue was 65.6 per cent of the annual local revenue target, and an improvement from Kshs.680.70 million collected in FY 2014/15.

Table 3.105 provides an analysis of the local revenue collected in FY 2015/16 by revenue stream.

Table 3.106: Nyeri County analysis of revenue collected by stream in FY 2015/16

No	Revenue Stream	Annual Targeted Revenue (Kshs.)	Annual Actual Revenue	Actual Revenue as a percentage of Annual Target (%)
1	Agency Fees (Fees from Housing Finance, Insurance Firms, etc.)	13,703	1,184,125	8,641.4
2	Garbage Dumping Fee/waste disposal charges	72,800	1,202,910	1,652.3
3	Slaughter House Inspection Fees	630,484	1,009,140	160.1
4	Impounding Charges/Court Fines, penalties, and forfeitures	4,003,200	5,150,180	128.7
5	Social Hall Hire	133,420	154,000	115.4
6	Co-operative Audit	1,574,622	1,724,300	109.5
7	Right-of-Way / Way-Leave Fee (KPLN, Telkom, etc.)	1,680,000	1,640,880	97.7
7	Nursery Schools Fee (Kingongo)	216,160	210,950	97.6
9	Agricultural Mechanisation Station	1,928,200	1,854,400	96.2
10	Others Sources	1,071,747,061	695,417,650	64.9
Total		1,082,000,000	709,548,535	65.6

Source: Nyeri County Treasury

Analysis of the local revenue collected by stream indicated that agency fees recorded the highest performance against annual target at 8,641.4 per cent. This was followed by garbage dumping fees at 1,652.3 per cent and slaughter house fees at 160.1 per cent. The top two performing revenue streams achieved a performance rate of more than one thousand per cent compared to their annual targets. This suggests that there is need to improve revenue forecasting accuracy in order to achieve reliable revenue estimates.

The County deposited all locally generated revenue into the County Revenue Fund account maintained at Central Bank of Kenya (CBK) as required by Article 207 (1) of the Constitution.

3.36.3 Conditional Grants

Table 3.105 shows an analysis of the conditional grants released in FY 2015/16.

Table 3.107: Nyeri County analysis of conditional grant releases in FY 2015/16

No.	Conditional Grant	Amount allocated as provided in CARA 2015 (Kshs.)	Actual receipt of the Conditional Grant (Kshs.)	Actual receipts as a percentage of Annual Allocation (%)
1	Level 5 Hospital	368,620,571	368,620,571	100
2	Road Maintenance Fuel Levy Fund	56,519,885	56,519,885	100
3	User Fees Foregone	16,166,813	16,166,813	100
4	DANIDA Grant	22,930,000	22,930,000	100
5	Free Maternal Health Care	82,091,800	63,295,000	77.1
Total		546,329,069	527,532,269	96.6

Source: Nyeri County Treasury

All projected revenue from conditional grants was fully realized except the Free Maternal Health Care which recorded a performance of 77.1 per cent of the annual target.

3.36.4 Exchequer Issues

During the period under review, the Controller of Budget (COB) authorised withdrawal of Kshs.5.69 billion from the CRF account, which was 90.6 per cent of the Approved Supplementary Budget. The amount represented an increase of 15.6 per cent from Kshs.4.92 billion authorized in FY 2014/15 and consisted of Kshs.4.37 billion (76.8 per cent) for recurrent expenditure and Kshs.1.32 billion (23.2 per cent) for development activities.

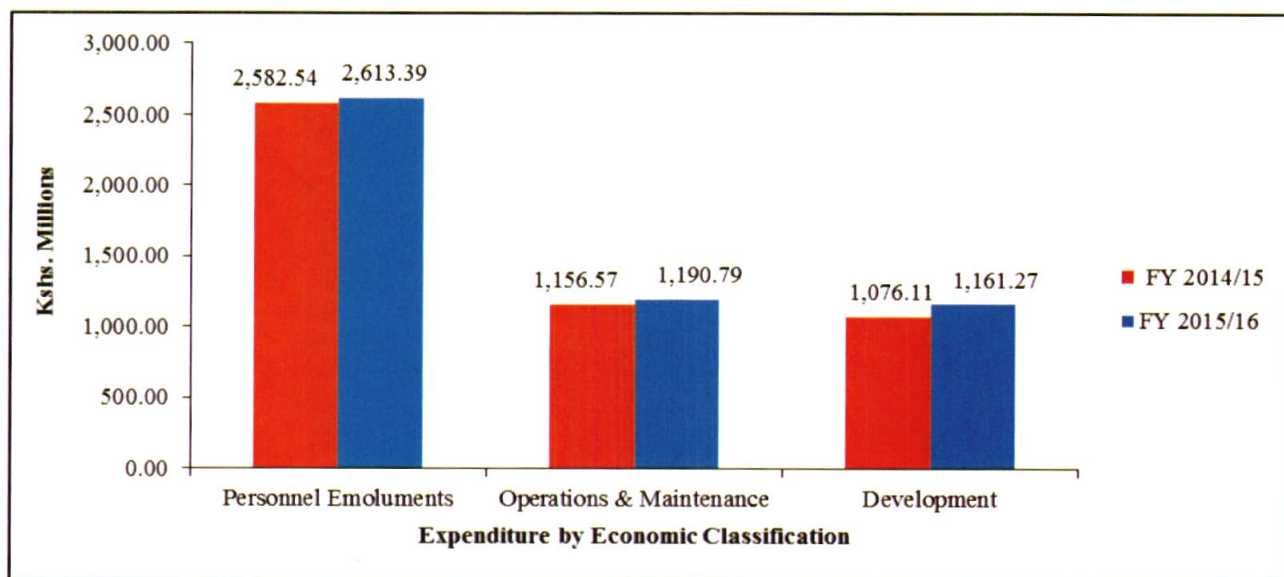
3.36.5 Overall Expenditure Review

The county spent a total of Kshs.4.97 billion in FY 2015/16, which was 87.3 per cent of the total funds released for operations. This was an increase from the Kshs.4.82 billion spent in FY 2014/15.

A total of Kshs.3.80 billion was spent on recurrent activities, while Kshs.1.16 billion was spent on development activities. The recurrent expenditure was 87.1 per cent of the funds released for recurrent activities while development expenditure accounted for 87.9 per cent of the funds released for development activities. The expenditure excluded pending bills as at 30th June, 2016 that amounted to Kshs.58.61 million for development and Kshs.49.51 million for recurrent expenditure.

The recurrent expenditure represented 86.1 per cent of the annual recurrent budget, a decrease from 96.7 per cent attained in FY 2014/15. Development expenditure recorded an absorption rate of 62.5 per cent, which was a decrease from 68.2 per cent absorbed in FY 2014/15. Figure 3.142 presents a comparison between the expenditure in FY 2015/16 and FY 2014/15 by economic classification.

Figure 3.142: Nyeri County, Expenditure by Economic Classification for FY 2015/16 and FY 2014/15



Source: Nyeri County Treasury

3.36.6 Analysis of Recurrent Expenditure

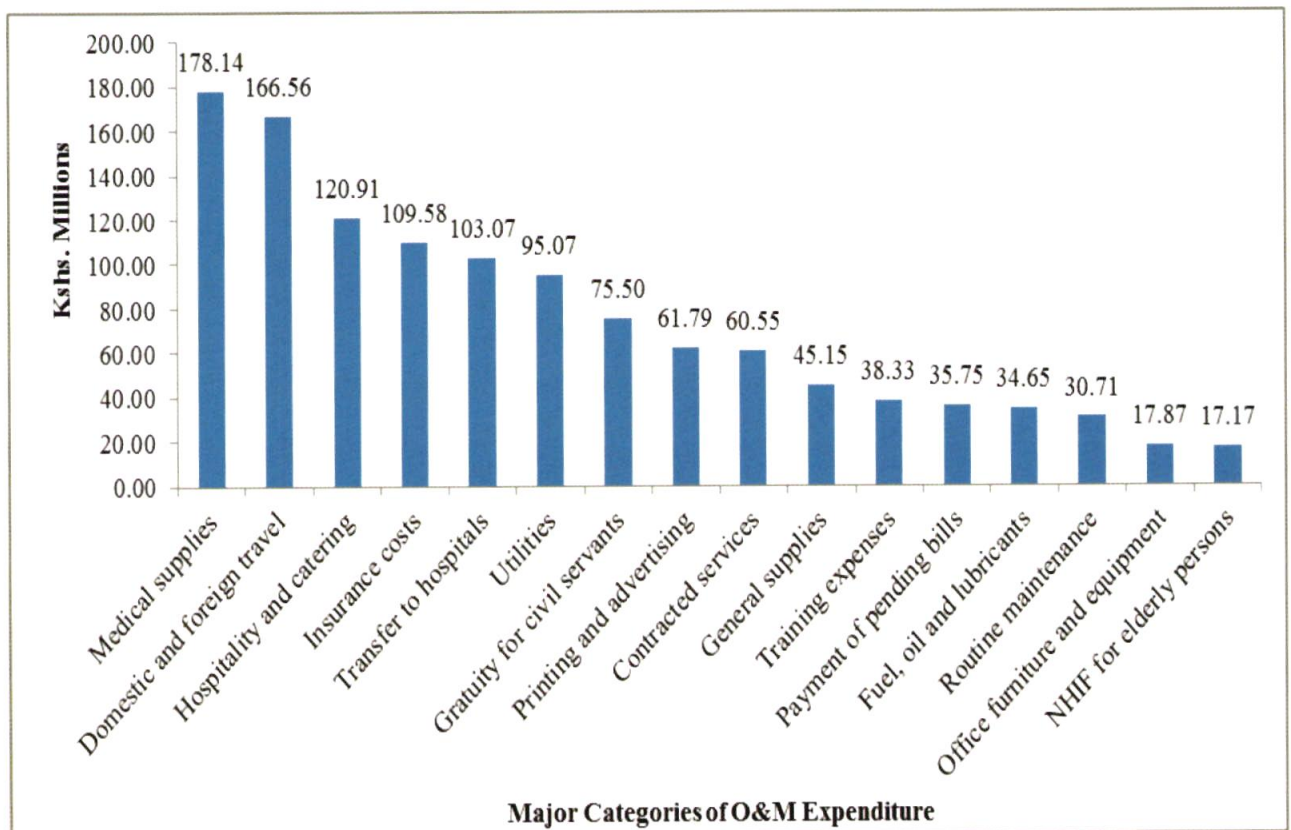
The total recurrent expenditure of Kshs.3.80 billion represented 86.1 per cent of the annual recurrent budget of Kshs.4.42 billion. The County spent Kshs.2.61 billion (68.7 per cent) on personnel emoluments and Kshs.1.19 billion (31.3 per cent) on operations and maintenance as shown in Figure 3.142. Expenditure on personnel

emoluments represented an increase of 1.2 per cent compared to FY 2014/15 when the County spent Kshs.2.58 billion. This increase is attributed to annual salary increments and promotions in the County.

The County spent Kshs. 64.16 million on sitting allowances to the 46 MCAs and the Speaker against the annual budget allocation of Kshs.97.86 million. This was a decrease compared to Kshs.82.58 million spent in FY 2014/15. The average monthly sitting allowance was Kshs.111,382 compared to SRC’s recommended monthly ceiling of Kshs.124,800.

Expenditure on domestic and foreign travel was Kshs.166.56 million compared to Kshs.203.87 million spent in FY 2014/15, representing a decrease of 25.3 per cent. Figure 3.143 shows a summary of the operations and maintenance expenditure by major categories.

Figure 3.143: Nyeri County, Operations and Maintenance Expenditure for FY 2015/16

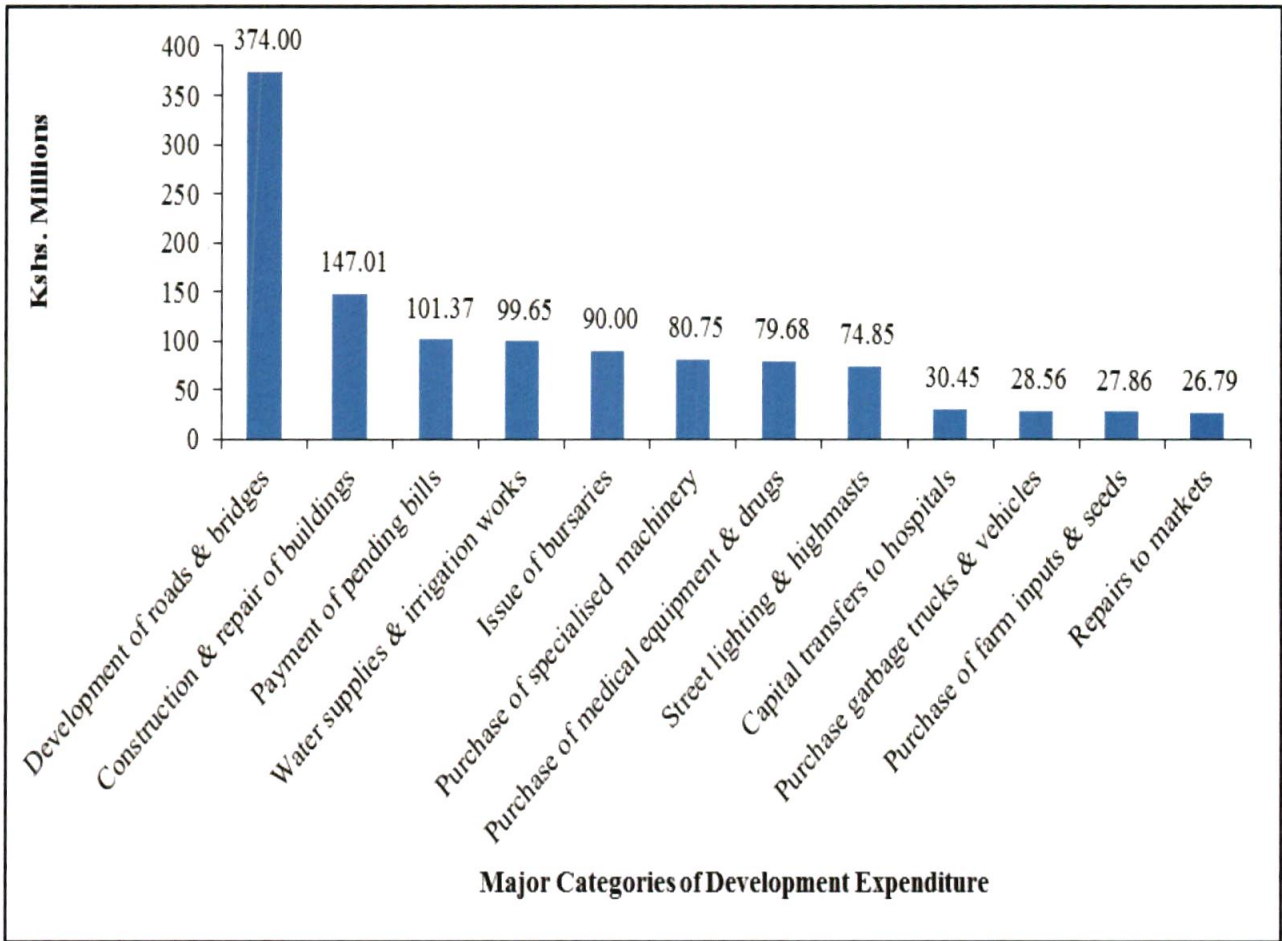


Source: Nyeri County Treasury

3.36.7 Analysis of Development Expenditure

The total development expenditure of Kshs.1.16 billion represented 62.5 per cent of the annual development budget of Kshs.1.86 billion. Figure 3.144 provides a summary of development expenditure during the period under review.

Figure 3.144: Nyeri County, Summary of Development Expenditure for FY 2015/16



Source: Nyeri County Treasury

Analysis of the development expenditure indicated that the highest expenditure of Kshs.374 million was incurred by the Department of Lands and Infrastructure Development on construction and maintenance of access roads and bridges. A total of 350 kilometres of roads were graded while 347 kilometres were gravelled across the 30 wards in the County.

The second highest expenditure of Kshs.147.01 million was incurred on construction and refurbishment of buildings in the County. A further Kshs.101.37 million was incurred on payment of pending bills from FY 2014/15 while Kshs.99.65 million was spent on water supplies and irrigation works by the Department of Water, Environment and Natural Resources.

3.36.8 Analysis of Budget Performance by Department

Table 3.108 shows a summary of FY 2015/16 annual budget estimates and budget performance by department.

Table 3.108: Nyeri County, FY 2015/16 Budget Performance by Department

Department	Budget Allocation (Kshs.Million)		Exchequer Issues (Kshs.Million)		Expenditure (Kshs. Million)		Expenditure to Exchequer Issues (%)		Expenditure to Budget Allocation (Absorption rate (%))	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
Office of the Governor	106.87	0	106.87	0	72.71	0	68.0	-	68.0	-
Office of the County Secretary	145.08	5	143.08	5	111.27	4.95	77.8	99.0	76.7	99.0
Finance and Economic Planning	345.05	182.38	315.05	121.3	246.92	113.00	78.4	93.2	71.6	62.0
Education and ICT	69.82	134.67	69.82	121	48.41	104.88	69.3	86.7	69.3	77.9
Health Services	1914.3	273.16	1914.3	191.93	1,834.94	197.51	95.9	102.9	95.9	72.3
Special programmes	76.17	32.37	76.17	13	44.79	7.36	58.8	56.6	58.8	22.7
Lands and Infrastructure Development	114.05	633.42	114.05	474.12	92.83	429.85	81.3	90.7	81.4	67.9
Public Administration, Information and Communication	420.58	30	420.58	29.92	372.89	16.70	88.7	55.8	88.7	55.7
Trade, Industrialization and Tourism	81.28	152.19	81.28	50.7	29.36	37.09	36.1	73.2	36.1	24.4
Agriculture	306.5	94.05	305.39	68.9	250.65	44.55	82.1	64.7	81.8	47.4
Water, Sanitation and Natural Resources	134.14	145.66	134.14	111.02	88.84	99.84	66.2	89.9	66.2	68.5
Energy	100.85	85.04	100.85	79.04	71.02	74.88	70.4	94.7	70.4	88.1
County Public Service Board	37.32	0	37.32	0	28.24	0	75.7	-	75.7	-
County Assembly	567.58	90	547.54	55	511.30	30.67	93.4	55.8	90.1	34.1
Total	4,419.61	1,857.94	4,366.46	1,320.93	3,804.18	1,161.30	87.1	87.9	86.1	62.5

Source: Nyeri County Treasury

Analysis of budget performance by department shows that the Office of the County Secretary attained the highest absorption rate of development expenditure at 99.1 per cent while the Special Programmes department had the lowest at 22.7 per cent. The Health Services department had the highest percentage of recurrent expenditure to recurrent budget at 95.9 per cent while the Department of Trade, Industrialization and Tourism had the lowest at 36.1 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. Establishment of a monitoring and evaluation unit in the County.
- ii. Improvement in internal audit capacity through recruitment of additional staff.
- iii. Compliance with timelines for preparation and approval of key budget and planning documents as espoused under 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 Section 155 of the PFM Act, 2012.
2. The County has not constituted the County Budget and Economic Forum (CBEF) as required by Section 137 of the PFM Act, 2012.
3. Failure to designate administrators of established County Public Funds, such as the Car Loans and Mortgage Fund and the Women Empowerment Fund. This has rendered administration and accounting for the funds difficult.

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

1. *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.*
2. *The County should establish an effective CBEF for consultation in the budget process and economic matters in line with Section 137 of the PFM Act, 2012*
3. *For each established public Fund, the County Executive Member for Finance should designate a person responsible for administering the Fund in line with the requirements of Section 116 of the PFM Act, 2012.*

3.37 Samburu County

3.37.1 Overview of the FY 2015/16 Budget

The County's FY 2015/16 Approved Supplementary Budget was Kshs.4.45 billion, comprising of Kshs.2.67 billion (60 per cent) and Kshs.1.78 billion (40 per cent) for recurrent and development expenditure respectively.

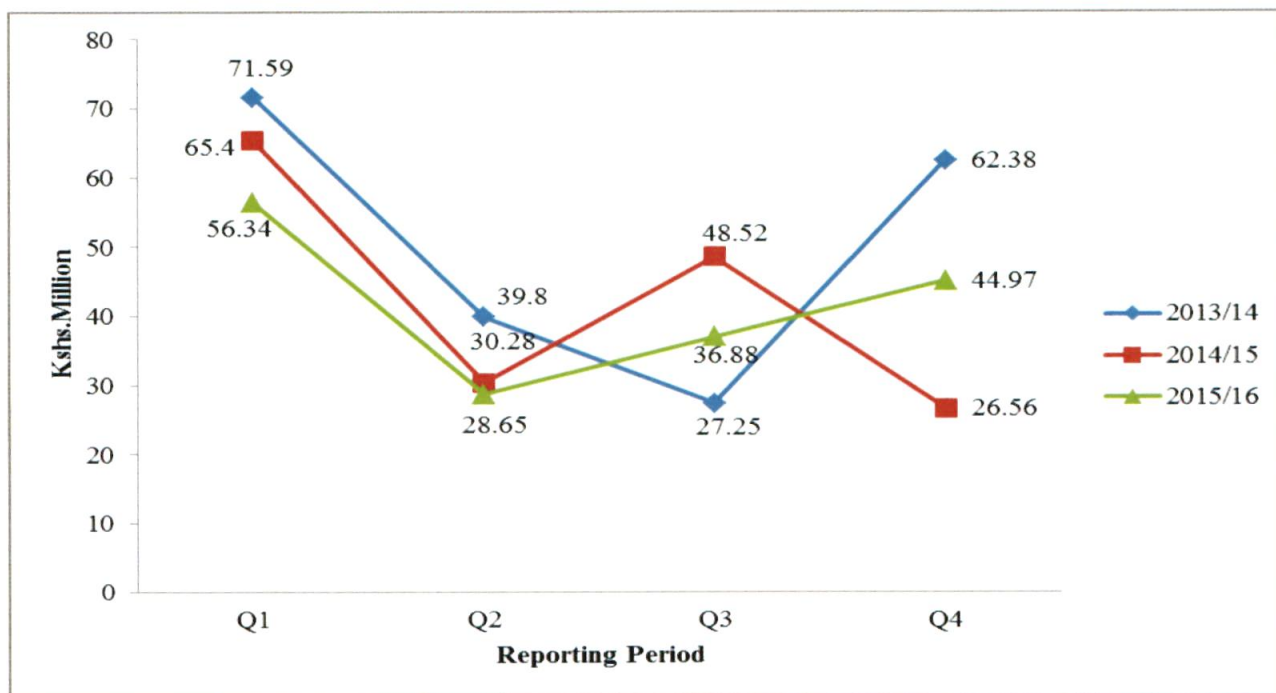
To finance the budget, the County expected to receive Kshs.3.55 billion (79.8 per cent) as equitable share of revenue raised nationally, Kshs.84.19 million (1.9 per cent) as total conditional grants, generate Kshs.356.59 million (8 per cent) from local sources, and had a cash balance of Kshs.355.38 million (7.9 per cent) from FY 2014/15. The conditional grants comprised of Kshs.45.13 million (53.6 per cent) for the Road Maintenance Fuel Levy, Kshs.14.18 million (16.8 per cent) for Free Maternal Health Care, Kshs.5.22 million (6.2 per cent) for User Fees Foregone, Kshs.10.99 million (13.1 per cent) as a grant from DANIDA and Kshs.8.67 million (10.3 per cent) as grant from the World Bank.

3.37.2 Revenue Analysis

During the year, the County received Kshs.3.55 billion as equitable share of revenue raised nationally, Kshs.79.98 million as total conditional allocations, raised Kshs.166.84 million from local sources, and had a cash balance of Kshs.355.38 million brought forward from FY 2014/15.

Figure 3.145 shows the quarterly trend in local revenue collection from FY 2013/14 to FY 2015/16.

Figure 3.145: Samburu County, Trend in Local Revenue Collection by Quarter from FY 2013/14 to FY 2015/16



Source: Samburu County Treasury

The total local revenue collected in FY 2015/16 of Kshs.166.84 million consisted of Kshs.56.34 million generated in the first quarter, Kshs.28.65 million in the second quarter, Kshs.36.88 million in the third quarter, and Kshs.44.97 million in the fourth quarter. The revenue was 46.8 per cent of the annual local revenue target, a decrease from Kshs.195.72 million collected in FY 2014/15.

Table 3.109 provides an analysis of the local revenue collected in FY 2015/16 by revenue stream.

Table 3.109: Samburu County analysis of revenue collected by stream in FY 2015/16

No.	Revenue Stream	Annual Targeted Revenue (Kshs.)	12 Months Actual Revenue (Kshs.)	Actual Revenue as a percentage of Annual Targets (%)
1	Health Department	9,450,000	9,272,531	98.1
2	Samburu National Reserve	210,000,000	101,059,988	48.1
3	Others Sources	50,830,640	25,991,568	51.1
4	Cess Receipts	32,285,000	12,476,308	38.6
5	Single Business Permits	18,470,000	9,556,450	51.7
6	Land Rates	25,500,000	8,479,290	33.3
	TOTAL	356,585,640	166,836,135	46.8

Source: Samburu County Treasury

Analysis of the local revenue collected by stream indicated that, fees from the Health department recorded the highest performance against annual target at 98.1 per cent. This was followed by single business permits at 51.7

per cent. The total collection as percentage of annual revenue targets was 46.8 per cent. This underperformance was attributed to a slump in the tourism sector, which led to a decline in tourist arrivals at the Samburu National Reserve.

The County deposited all locally generated revenue into the County Revenue Fund account maintained at Central Bank of Kenya (CBK) as required by Article 207 (1) of the Constitution.

3.37.3 Conditional Grants

Table 3.109 shows an analysis of the conditional grants released in FY 2015/16.

Table 3.110: Samburu County analysis of conditional grant releases in FY 2015/16

No.	Conditional Grant	Amount allocated as provided in CARA 2015 (Kshs.)	12 Months Actual receipt of the Conditional Grant (Kshs.)	Performance (%)
1	Road Maintenance Fuel Levy Fund	45,129,793	45,129,788	99.9
2	Free Maternal Health Care	14,183,400	9,975,000	70.3
3	User Fees Foregone	5,220,197	5,220,197	100
4	DANIDA Grant	10,990,000	10,990,000	100
5	World Bank Grant	8,669,898	8,669,898	100
	TOTAL	84,193,288	79,984,883	95

Source: Samburu County Treasury

All projected revenue from conditional grants was fully realized except from the Road Maintenance Fuel levy fund and Free Maternal Health Care grant which recorded performance of 99.9 per cent and 70.3 per cent of the annual target respectively.

3.37.4 Exchequer Issues

During the period under review, the Controller of Budget (COB) authorised withdrawal of Kshs.3.92 billion from the CRF account, which was 88.1 per cent of the Approved Supplementary Budget. The amount represented an increase of 8.3 per cent from Kshs.3.62 billion authorized in FY 2014/15 and consisted of Kshs.2.59 billion (66 per cent) for recurrent expenditure and Kshs.1.32 billion (34 per cent) for development activities.

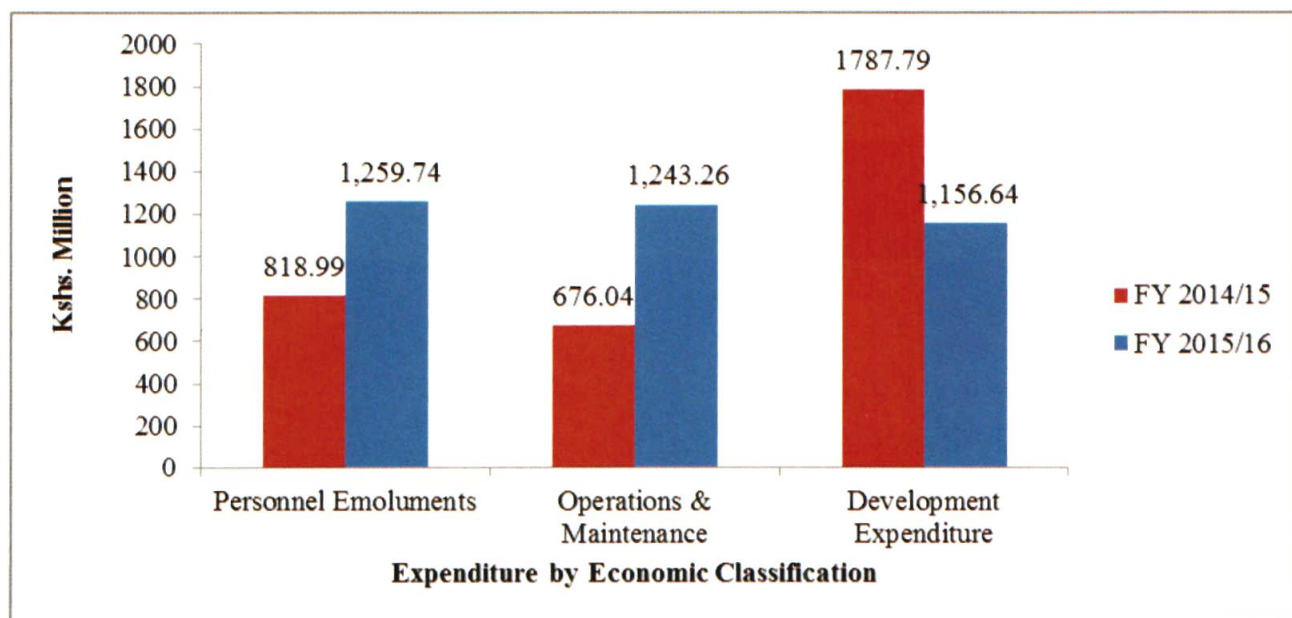
3.37.5 Overall Expenditure Review

The County spent a total of Kshs.3.66 billion in FY 2015/16, which was 93.4 per cent of the total funds released for operations. This was a decline from the Kshs.3.28 billion spent in FY 2014/15.

A total of Kshs.2.5 billion was spent on recurrent activities, while Kshs.1.15 billion was spent on development activities. The recurrent expenditure was 96.5 per cent of the funds released for recurrent activities while development expenditure accounted for 87.5 per cent of the funds released for development activities. The expenditure excluded pending bills as at 30th June, 2016 that amounted to Kshs.803.65 million for development and Kshs.153.06 million for recurrent expenditure.

The recurrent expenditure represented 93.7 per cent of the annual recurrent budget, an increase from 80.3 per cent attained in FY 2014/15. Conversely, development expenditure recorded an absorption rate of 65.1 per cent, which was a decrease from 78.2 per cent attained in FY 2014/15. Figure 3.146 presents a comparison between the total expenditure in FY 2015/16 and FY 2014/15.

Figure 3.146: Samburu County, Expenditure by Economic Classification for FY 2015/16 and FY 2014/15



Source: Samburu County Treasury

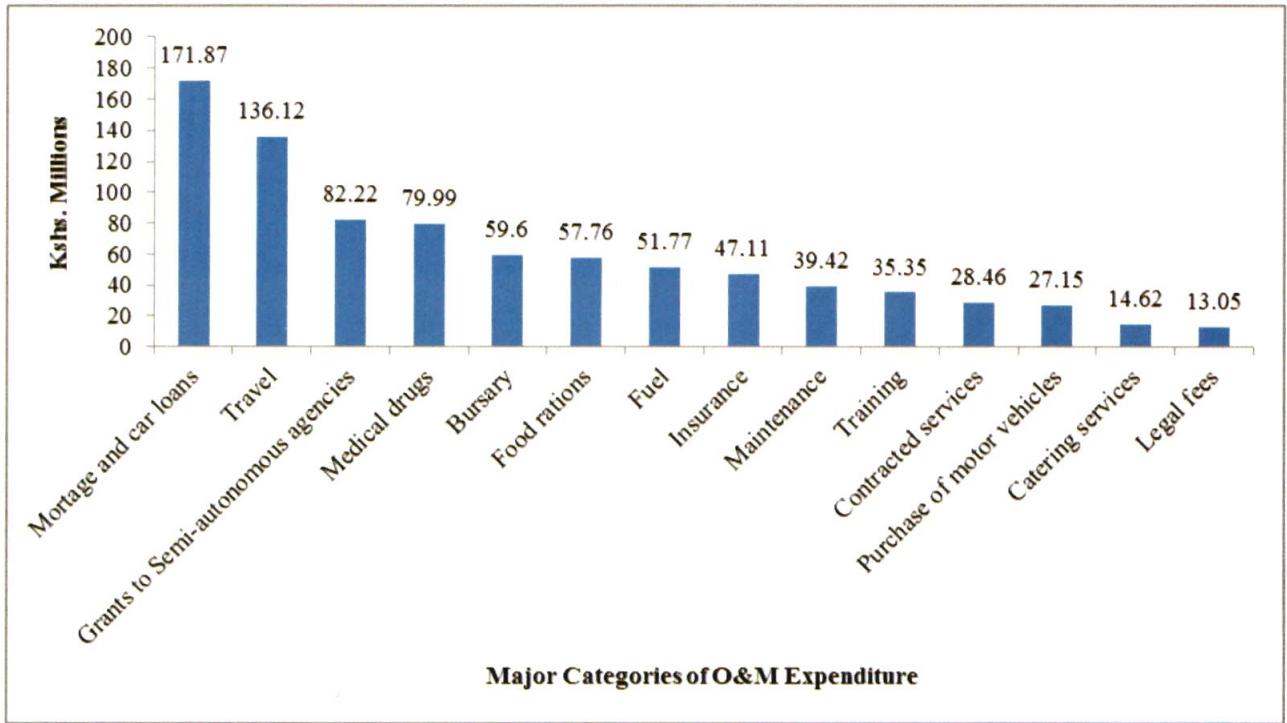
3.37.6 Analysis of Recurrent Expenditure

The total recurrent expenditure was Kshs.2.5 billion against an annual recurrent budget of Kshs.2.59 billion, representing 93.6 per cent of the annual recurrent budget. The County spent Kshs.1.25 billion (50.3 per cent) on personnel emoluments and Kshs.1.24 billion (49.7 per cent) on operations and maintenance as shown in Figure 3.146. The expenditure on personnel emoluments represented an increase of 34.9 per cent compared to FY 2014/15 when the County spent Kshs.818.99 million. The increase is attributed to a growing workforce in the County as a result of continued recruitment by the County Public Service Board.

The County spent Kshs.44.66 million on sitting allowances to the 26 MCAs and the Speaker against the annual budget allocation of Kshs.42.97 million. This was a decrease compared to Kshs.37.7 million spent in FY 2014/15. The average monthly sitting allowance was Kshs.137, 844 compared to SRC's recommended monthly ceiling of Kshs.124, 800.

Expenditure on domestic and foreign travel was Kshs.136.12 million compared to Kshs.156.9 million spent in FY 2014/15, representing a decrease of 13.2 per cent. Figure 3.147 shows a summary of the operations and maintenance expenditure by major categories.

Figure 3.147: Samburu County, Operations and Maintenance Expenditure for FY 2015/16

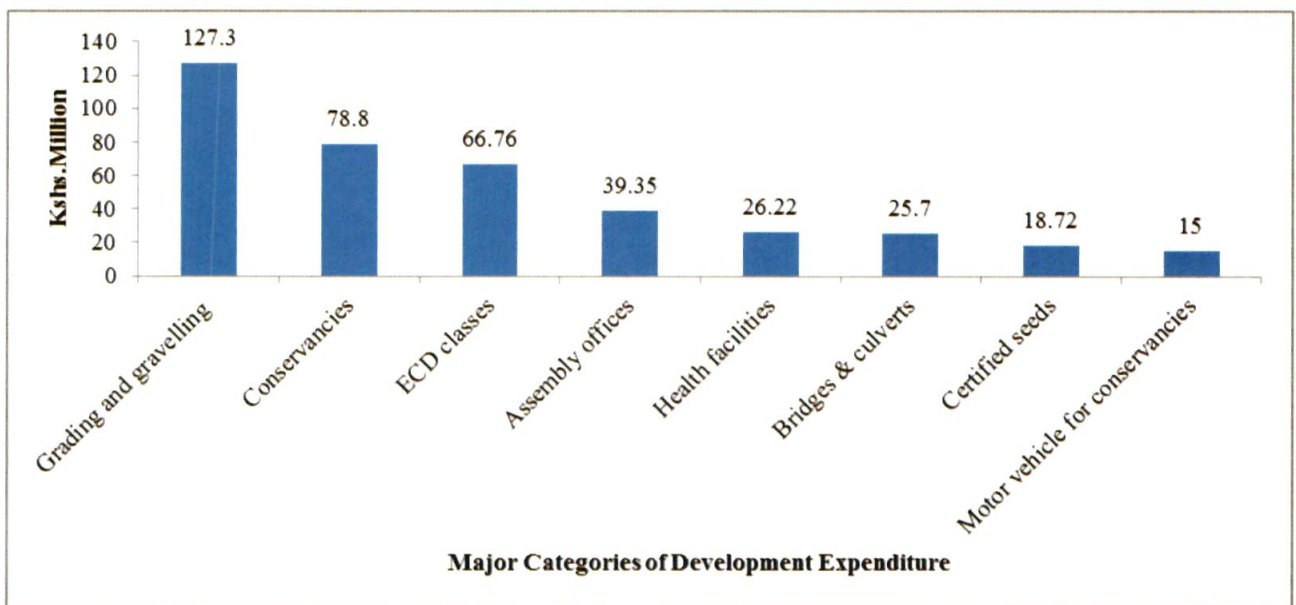


Source: Samburu County Treasury

3.37.7 Analysis of Development Expenditure

The total development expenditure of Kshs.1.15 billion represented 65.1 per cent of the annual development budget of Kshs.1.78 billion. Figure 3.148 provides a summary of development expenditure during the period under review.

Figure 3.148: Samburu County, Summary of Development Expenditure for FY 2015/16



Source: Samburu County Treasury

Analysis of the development expenditure indicated that the highest expenditure of Kshs.127.3 million was incurred on construction and maintenance of access roads. The second highest expenditure of Kshs.78.8

million was incurred on supporting community conservancies while Kshs.66.76 million was incurred on construction and equipping of ECD classes. A total of Kshs.39.35 million was spent on the design of the County Assembly Chambers.

3.37.8 Analysis of Budget Performance by Department

Table 3.111 shows a summary of FY 2015/16 annual budget estimates and budget performance by department.

Table 3.111: Samburu County, FY 2015/16 Budget Performance by Department

Department	Annual Budget Allocation (Kshs. Million)		12-Months Exchequer Issues (Kshs. Million)		12-Months Expenditure (Kshs. Million)		Expenditure to Exchequer Issues (%)		Expenditure to Budget Allocation (Absorption rate (%))	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
County Assembly	454.46	50	379.76	40	434.48	39.35	114.4	98.4	95.6	78.7
County Executive	391.15	15	391.15	15.00	343.2	13.74	87.7	91.6	87.7	91.6
Finance & Economic planning	336.69	20.5	336.69	3.79	316.54	10.77	94.0	284.2	94.0	52.5
Agriculture, Livestock, Veterinary & Fisheries	145.04	186.24	145.04	114.80	118.88	133.64	82.0	116.4	82.0	71.8
Environment & Natural Resources	39.91	55.51	39.91	20.57	30.56	17.42	76.6	84.7	76.6	31.4
Education, Youth Affairs & Social Development	308.63	208.38	308.63	130.74	281.58	107.67	91.2	82.4	91.2	51.7
County Health Services	571.92	125.51	571.92	100.24	602.46	96.59	105.3	96.4	105.3	77.0
Lands, Physical Planning and Urban Development	85.62	112.94	85.62	59.46	66.22	77.94	77.3	131.1	77.3	69.0
County Transport, Public Works and Water Services	157.54	799.66	157.54	667.13	152.21	507.76	96.6	76.1	96.6	63.5
Trade, Tourism, Cooperatives and Enterprise Development	107.63	176.59	107.63	160.03	105.21	151.64	97.7	94.8	97.8	85.9
Culture, Social Services and Gender	71.67	28.3	71.68	11.27	51.65	1.16	72.1	10.3	72.1	4.1
TOTAL	2,670.26	1778.63	2,595.56	1,323	2502.99	1157.68	96.4	87.5	93.7	65.1

Source: Samburu County Treasury

Analysis of budget performance by department shows that the County Executive (Governor's Office) registered the highest absorption rate of its development expenditure at 91.6 per cent, followed by the Department of Trade, Tourism, Cooperatives and Enterprise Development at 85.9 per cent. The Department of Culture, Social Services and Gender registered the lowest absorption of development budget at 4.1 per cent. On the other hand, the Department of Health Services incurred 105.3 per cent of its recurrent budget while the Culture, Social Services and Gender department had the lowest at 72.1 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. Adoption of IFMIS in processing financial transactions and financial reporting.

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 Section 155 of the PFM Act, 2012.
2. Low local revenue collection which decreased from Kshs.195.72 million in FY 2014/15 to Kshs.166.84 million in FY 2015/16.
3. The recurrent expenditure for the Health Services department exceeded the appropriated amounts by 5.3 per cent.
4. In FY 2015/16, the County Assembly reported expenditure on MCA sitting allowances of Kshs.44.66 million which translated to a monthly average of Kshs.137,840 for each MCA compared to the recommended SRC's maximum monthly ceiling of Kshs.124,800.

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

1. *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.*
2. *The County should devise strategies to enhance its local revenue collection.*
3. *The County should ensure that all expenditure is within the law.*
4. *The County Assembly should put in place adequate budgetary controls to ensure its expenditure is within the law. All excess payments of MCAs' sitting allowances should be recovered.*

3.38 Siaya County

3.38.1 Overview of the FY 2015/16 Budget

The County's FY 2015/16 Approved Supplementary Budget was Kshs.6.95 billion, comprising of Kshs.3.72 billion (53.5 per cent) and Kshs.3.22 billion (46.5 per cent) allocated for recurrent and development expenditure respectively.

To finance the budget, the County expected to receive Kshs.5.00 billion (71.9 per cent) as equitable share of revenue raised nationally, Kshs.425.95 million (6.1 per cent) as total conditional grants, generate Kshs.434.91 million (6.3 per cent) from local sources, Kshs.93.62 million (1.4 per cent) from other sources and had a cash balance of Kshs.1.09 billion (15.7 per cent) from FY 2014/15. The conditional grants comprised of Kshs.95.74 million (22.5 per cent of the total conditional grants) for Leasing of Medical Equipment, Kshs.128.08 million (30.1 per cent) for the Free Maternal HealthCare, Kshs.19.63 million (4.6 per cent) for the User Fees foregone, Kshs.63.46 million (14.9 per cent) from the Road Maintenance Fuel Levy Fund, Kshs.91.50 million (21.5 per cent) as World Bank grant to support health facilities, Kshs.27.53 million (6.5 per cent) as a conditional grant from DANIDA to supplement financing for county health facilities.

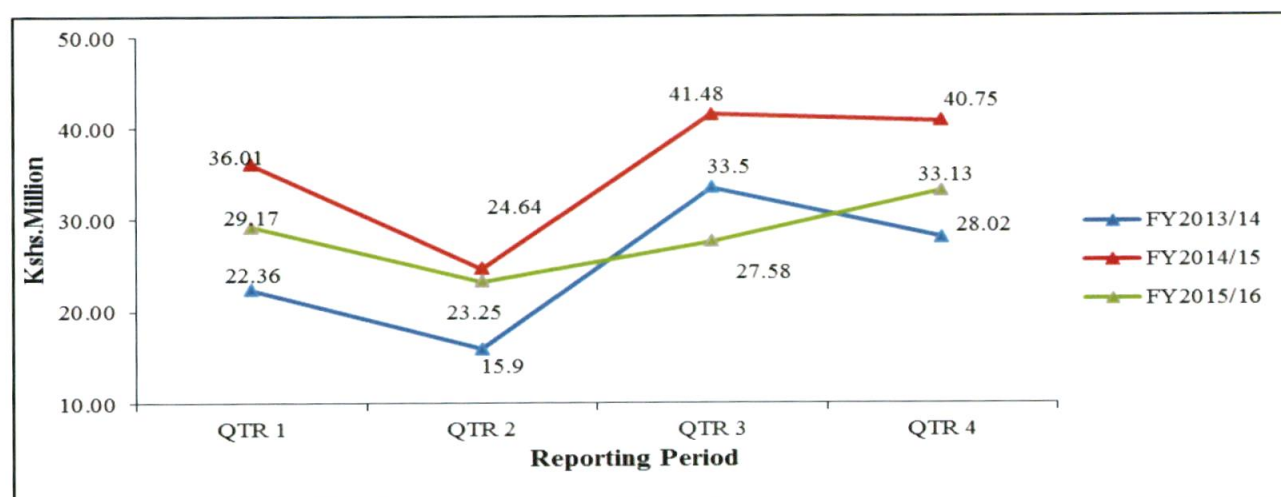
3.38.2 Revenue Analysis

During the year, the County received Kshs.5.00 billion as equitable share of revenue raised nationally, Kshs.185.2 million as total conditional allocations, raised Kshs.127.93 million from local sources, and had a

cash balance of Kshs.1.09 billion brought forward from FY 2014/15.

Figure 3.149 shows the quarterly trend in local revenue collection from FY 2013/14 to FY 2015/16.

Figure 3.149: Siaya County, Trend in Local Revenue Collection by Quarter from FY 2013/14 to FY 2015/16



Source: Siaya County Treasury

The total local revenue collected for the FY 2015/16 of Kshs.127.93 million consisted of Kshs.29.17 million generated in the first quarter, Kshs.23.25 million in the second quarter and Kshs.27.58 million in the third quarter and Kshs.33.13 million in the fourth quarter. The revenue was 37.3 per cent of the annual local revenue target, a decrease from Kshs.143.33 million collected in FY 2014/15.

Table 3.112 provides an analysis of the local revenue collected in FY 2015/16 by revenue stream.

Table 3.112: Siaya County analysis of revenue collected by stream in FY 2015/16

No	Revenue Stream	Annual Targeted Revenue (Kshs.)	Annual Actual Revenue	Actual Revenue as a percentage of Annual Target (%)
1	Weight and Measures charges	555,000	623,755	112.4
2	Bus Park	12,000,000	11,858,870	98.8
3	Plan Approvals	2,500,000	1,823,696	72.9
4	Fish Cess	6,500,000	4,316,150	66.4
5	SBP	45,000,000	25,797,518	57.3
6	Plot Rents	5,900,000	2,770,781	47.0
7	Market Fee	50,000,000	22,646,625	45.3
8	Kiosk/Stall/Rent/Ground	5,239,800	2,346,445	44.8
9	Hospital Revenue	113,309,926	40,339,672	35.6
10	Other revenue streams	27,155,200	9,627,844	35.5
11	Agriculture	13,500,000	2,465,128	18.3
12	Land Rates	16,150,000	2,419,683	15.0
13	Public Health	45,500,000	895,600	2.0
	Total	343,309,926	127,931,767	37.3

Source: Siaya County Treasury

Analysis of the local revenue by stream indicated that charges for weight and measures inspection, recorded the highest performance against annual target at 112.4 per cent. This was followed by bus park fees at 98.8 per cent, and plan approvals at 72.9 per cent. In absolute terms, the County received the highest revenue from the hospital fees at Kshs.40.3 million, followed by the single business permits, market fee at Kshs.25.8 million and Kshs.22.6 million respectively.

The County did not deposit all locally generated revenue into the County Revenue Fund account maintained at Central Bank of Kenya (CBK) as required by Article 207 (1) of the Constitution. The County reported revenue collection of Kshs.127.93 million but only Kshs.120.44 million was deposited into the CRF, an indication that some of the revenue might have been spent at source.

3.38.3 Conditional Grants

Table 3.113 shows an analysis of the conditional grants released in FY 2015/16.

Table 3.113: Siaya County analysis of conditional grant releases in FY 2015/16

No.	Conditional Grant	Amount allocated as provided in CARA 2015 (Kshs.)	Actual receipt of the Conditional Grant (Kshs.)	Actual receipts as a percentage of Annual Allocation (%)
1	Road Maintenance Fuel Levy Fund	63,456,905	63,456,901	100.0
2	Free Maternal Health Care	128,080,400	74,625,000	58.3
3	User Fees Foregone	19,643,077	19,634,077	100.0
4	DANIDA Grant	27,530,000	27,530,000	100.0
5	Leasing of Medical Equipment	95,744,681	-	0.0
6	World Bank Grant	91,500,000	-	0.0
	Total	425,946,063	185,245,978	43.5

Source: Siaya County Treasury

Road Maintenance Fuel Levy Fund, User Fees Foregone and DANIDA grants were fully realized. However, the Leasing of Medical Equipment and from the World Bank grants did not report any revenue during the FY 2015/16.

3.38.4 Exchequer Issues

During the period under review, the COB authorised withdrawal of Kshs.5.44 billion from the CRF account, which was 78.3 per cent of the Approved Supplementary Budget. The amount represented an increase of 14.3 per cent from Kshs.4.76 billion authorized in FY 2014/15 and consisted of Kshs.3.47 billion (63.8 per cent) for recurrent expenditure and Kshs.1.97 billion (36.2 per cent) for development activities.

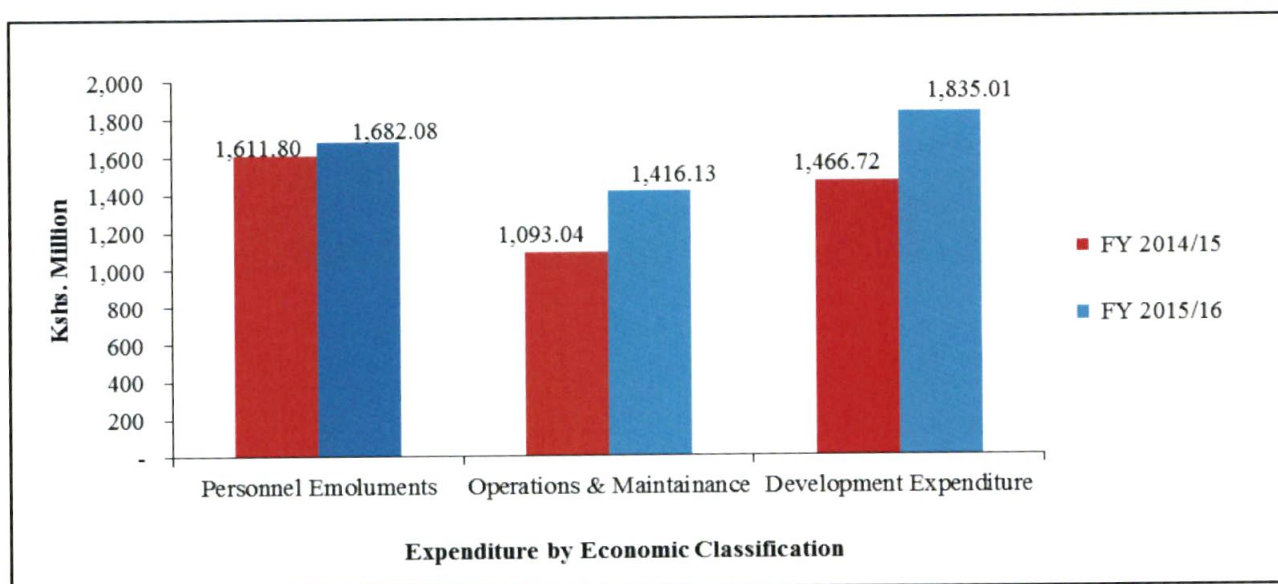
3.38.5 Overall Expenditure Review

The County spent a total of Kshs.4.93 billion in FY 2015/16, which was 90.7 per cent of the total funds released for operations. This was an increase from the Kshs.4.17 billion spent in FY 2014/15.

A total of Kshs.3.10 billion was spent on recurrent activities, while Kshs.1.84 billion was spent on development activities. The recurrent expenditure was 89.2 per cent of the funds released for recurrent activities while development expenditure accounted for 93.3 per cent of the funds released for development activities. The expenditure excluded pending bills as at 30th June, 2016 that amounted to Kshs.164.94 million for development and Kshs.172.01 million for recurrent expenditure.

The recurrent expenditure represented 83.2 per cent of the annual recurrent budget, a increase from 78.8 per cent attained in FY 2014/15. On the other hand, development expenditure recorded an absorption rate of 57.0 per cent, which was a decrease from 59.8 per cent attained in FY 2014/15. Figure 3.150 presents a comparison between the expenditure in FY 2015/16 and FY 2014/15 by economic classification.

Figure 3.150: Siaya County, Expenditure by Economic Classification for FY 2015/16 and FY 2014/15



Source: Siaya County Treasury

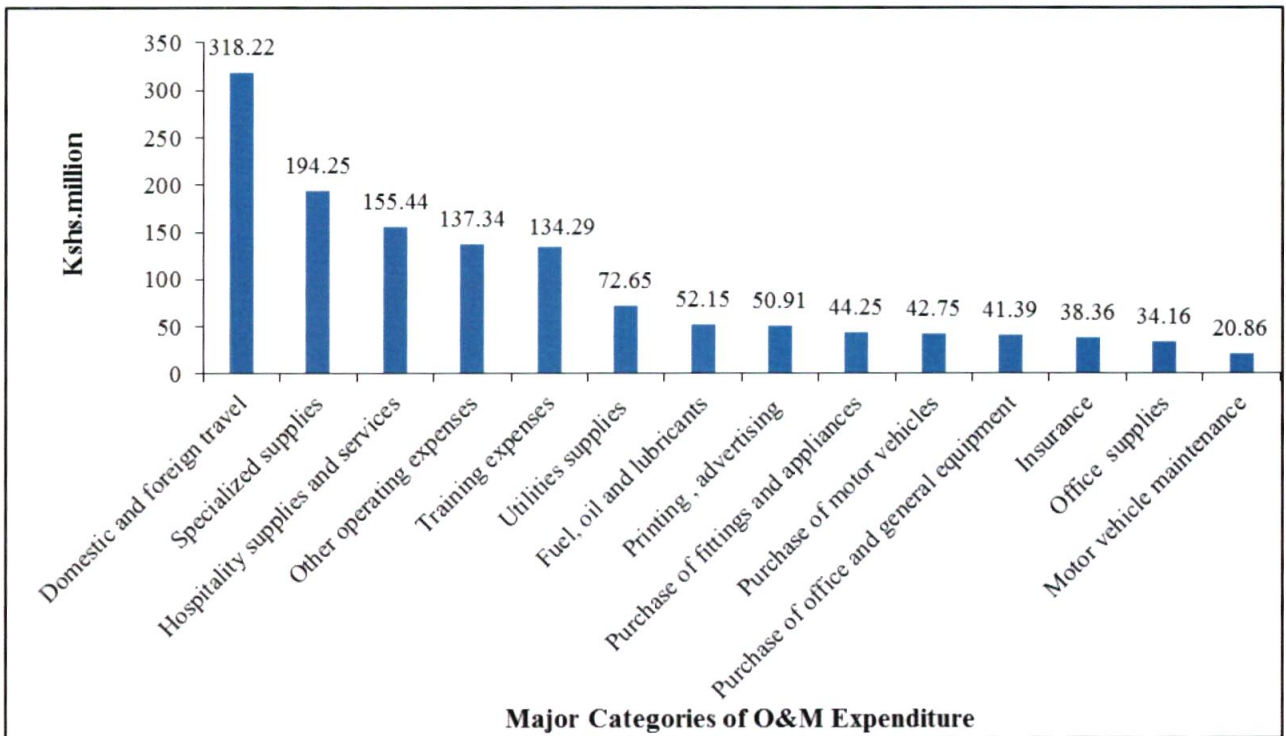
3.38.6 Analysis of Recurrent Expenditure

The total recurrent expenditure was Kshs.3.10 billion against an annual recurrent budget of Kshs.3.72 billion, representing 83.2 per cent of the annual recurrent budget. The County spent Kshs.1.68 billion (54.2 per cent) on personnel emoluments and Kshs.1.42 billion (45.8 per cent) on operations and maintenance as shown in Figure 3.150. Expenditure on personnel emoluments represented an increase of 4.4 per cent compared to FY 2014/15 when the County spent Kshs.1.61 billion. The increase is attributed to a growing workforce in the County.

The County spent Kshs.69.47 million on sitting allowances to the 48 MCAs and the Speaker against the annual budget allocation of Kshs.86.22 million. This was a decrease compared to Kshs.86.60 million spent in FY 2014/15. The average monthly sitting allowance was Kshs.118,148 compared to SRC's recommended monthly ceiling of Kshs.124,800.

Expenditure on domestic and foreign travel was Kshs.318.22 million compared to Kshs.219.58 million spent in FY 2014/15, representing an increase of 79.2 per cent. Figure 3.151 shows a summary of the operations and maintenance expenditure by major categories.

Figure 3.151: Siaya County, Operations and Maintenance Expenditure for FY 2015/16

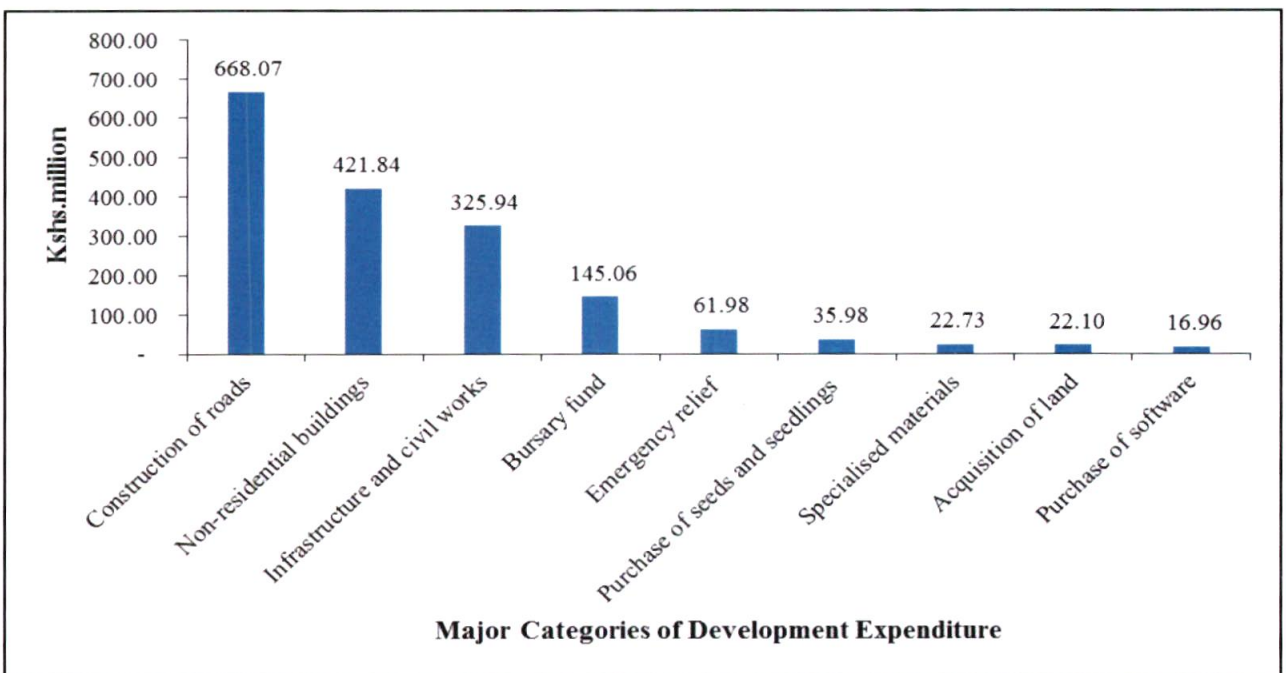


Source: Siaya County Treasury

3.38.7 Analysis of Development Expenditure

The total development expenditure was Kshs.1.84 billion against an annual development budget of Kshs.3.22 billion, representing 57.1 per cent of the annual development budget. Figure 3.152 provides a summary of development expenditure during the period under review.

Figure 3.152: Siaya County, Summary of Development Expenditure for FY 2015/16



Source: Siaya County Treasury

Analysis of the development expenditure in FY 2015/16 indicated that the highest expenditure of Kshs.668.07

million was incurred by the Transport and Roads department on construction and maintenance of access roads. The second highest expenditure of Kshs.421.84 million was incurred on construction, refurbishment and repairs of non-residential buildings.

3.38.8 Analysis of Budget Performance by Department

Table 3.114 shows a summary of FY 2015/16 annual budget estimates and budget performance by department.

Table 3.114: Siaya County, FY 2015/16 Budget Performance by Department

Department	Budget Allocation (Kshs. Million)		Exchequer Issues (Kshs. Million)		Expenditure (Kshs. Million)		Expenditure to exchequer issues (%)		Expenditure to Budget Allocation (Absorption rate (%))	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
County Assembly	582.03	73.89	582.03	73.89	517.23	33.10	88.9	44.8	88.9	44.8
Executive	525.86	140.65	483.86	47.04	470.04	9.47	97.1	20.1	89.4	6.7
Finance and Economic Planning	472.44	25.00	462.34	25.00	449.07	22.07	97.1	88.3	95.1	88.3
Agriculture	225.36	165.42	225.36	126.52	195.97	93.25	87.0	73.7	87.0	56.4
Water, Environment and Natural Resources	103.97	313.84	103.97	177.99	104.94	161.86	100.9	90.9	100.9	51.6
Education	149.79	750.75	148.73	557.72	120.93	360.44	81.3	64.6	80.7	48.0
Health	1486.99	668.85	1287.72	408.83	1096.30	237.11	85.1	58.0	73.7	35.5
Physical Planning, Lands and Housing	52.28	77.21	52.28	84.86	40.75	69.73	77.9	82.2	77.9	90.3
Transport/Roads	40.69	876.81	40.69	365.54	33.36	764.27	82.0	209.1	82.0	87.2
Trade Development	42.82	75.16	42.82	68.30	33.54	31.92	78.3	46.7	78.3	42.5
ICT Tourism and Wildlife	42.00	54.50	42.00	31.30	36.08	51.87	85.9	165.7	85.9	95.2
TOTAL	3,724.24	3,222.08	3,471.81	1,967.00	3,098.21	1,835.09	89.2	93.3	83.2	57.0

Source: Siaya County Treasury

Analysis of budget performance by department shows that the ICT Tourism and Wildlife department attained the highest absorption of its development budget at 95.2 per cent while the Executive department had the lowest at 6.7 per cent. On the other hand, the Water, Environment and Natural Resources department reported the highest percentage of recurrent expenditure to its recurrent budget at 100.9 per cent while the Health department had the lowest at 73.7 per cent.

3.38.9 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. Adoption of the IFMIS in processing financial transactions.
- ii. Enhancement of human capacity through recruitment of additional key staff and continuous training.

Despite the progress made, 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 execution reports.
2. Failure to establish an Internal Audit Committee to oversee financial operations in the County contrary to Section 155 of the PFM Act, 2012 and Regulation 167 of the PFM (County Governments) Regulations, 2015.
3. Underperformance in local revenue collection, which accounted for 37.3 per cent of the annual target, declining from Kshs.143.33 million in FY 2014/15 to Kshs.127.03 million in FY 2015/16.
4. Failure to deposit all locally generated revenue into the County Revenue Fund account maintained at Central Bank of Kenya (CBK) as required by Article 207 (1) of the Constitution. The County collected Kshs.127.93 million but deposited Kshs.120.44 million into the CRF account, an indication that some of the revenue might have been spent at source.
5. Failure to constitute the County Budget and Economic Forum (CBEF) as per Section 137 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 (4) of PFM Act, 2012.*
2. *The County Treasury should establish an Internal Audit Committee and also strengthen the internal audit function in line with Section 155 of the PFM Act, 2012 and Regulation 167 of the PFM (County Governments) Regulations, 2015.*
3. *The County should formulate strategies to increase local revenue.*
4. *The County should ensure that all the revenue raised is deposited into the CRF account in line with Article 207 (1) of the Constitution, 2010 and Section 109 of the PFM Act, 2012.*
5. *The County should establish an effective CBEF for consultation in the budget process and economic matters in line with Section 137 of the PFM Act, 2012.*

3.39 Taita Taveta County

3.39.1 Overview of the FY 2015/16 Budget

The County's FY 2015/16 Approved Supplementary Budget was Kshs.4.16 billion, comprising of Kshs.2.91 billion (70 per cent) and Kshs.1.25 billion (30 per cent) allocated for recurrent and development expenditure respectively.

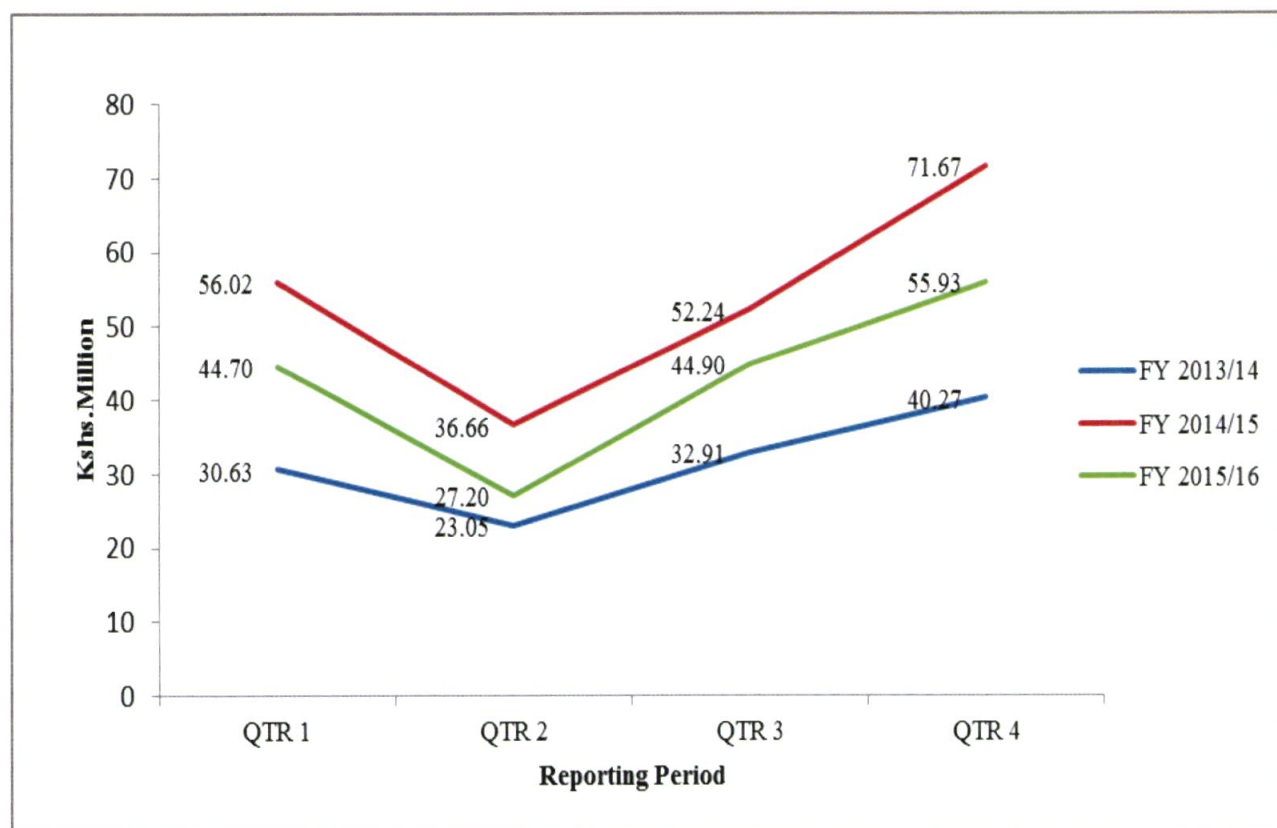
To finance the budget, the county expected to receive Kshs.3.31 billion (79.6 per cent) as equitable share of revenue raised nationally, Kshs.201.35 million (4.9 per cent) as total conditional grants, generate Kshs.352.81 million (8.5 per cent) from local sources, and had a cash balance of Kshs.42.96 million (1.1 per cent) from FY 2014/15. The conditional grants comprised of Kshs.95.74 million (47.5 per cent) for Leasing of medical equipment, Kshs.42.12 million (20.9 per cent) for Free Maternal Health Care, Kshs.42.04 million (20.9 per cent) from the Road Maintenance Fuel Levy Fund, Kshs.6.64 million (3.3 per cent) for User Fees Foregone and Kshs.14.81 million (7.4 per cent) as a grant from DANIDA.

3.39.2 Revenue Analysis

During the year, the County received Kshs.3.31 billion as equitable share of revenue raised nationally, Kshs.201.35 as total conditional allocation, raised Kshs.172.77 million from local sources, and had a cash balance of Kshs.42.96 million brought forward from FY 2014/15. The County also borrowed Kshs.185 million to supplement budget financing in FY 2015/16.

Figure 3.153 shows the quarterly trend in local revenue collection from FY 2013/14 to FY 2015/16.

Figure 3.153: Taita Taveta County, Trend in Local Revenue Collection by Quarter from FY 2013/14 to FY 2015/16



Source: Taita Taveta County Treasury

The total local revenue collected in the FY 2015/16 of Kshs.172.77 million consisted of Kshs.44.70 million generated in the first quarter, Kshs.27.20 million in the second quarter, Kshs.44.90 million in the third quarter, and Kshs.55.93 million in the fourth quarter. The revenue was 49 per cent of the annual local revenue target, a decrease from Kshs.216.53 million collected in FY 2014/15.

Table 3.115 provides an analysis of the local revenue collected in FY 2015/16 by revenue stream.

Table 3.115: Taita Taveta County analysis of revenue collected by stream in FY 2015/16

No	Revenue Stream	Annual Targeted Revenue (Kshs.)	Annual Actual Revenue	Actual Revenue as a percentage of Annual Target (%)
1	Devolved Functions (Health & Public Health)	100,073,407	47,853,289	47.8
2	Other Revenue	74,568,172	26,129,934	35.0
3	Single Business Permits	35,986,192	23,700,050	65.9
4	Land Rates	39,216,584	14,346,412	36.6
5	General Cess	34,319,609	12,361,338	36.0
6	Market Fees	17,826,747	12,179,566	68.3
7	Bus Park Fees	19,076,912	9,970,091	52.3
8	Natural Resources Exploitation	8,667,556	6,667,695	76.9
9	Approval Of Building Plans	6,851,293	4,942,448	72.1
10	House Rent	9,897,764	4,292,122	43.4
11	Reserved Parking Fees	0	3,931,650	-
12	Other Local Levies	5,151,061	3,245,450	63.0
13	Market Stalls/Slabs	1,170,696	3,145,460	268.7
TOTAL		352,805,992	172,765,505	49.0

Source: Taita Taveta County Treasury

Analysis of the local revenue by stream indicated that income from market stalls recorded the highest performance against annual target at 268.7 per cent. This was followed by revenue from natural resources exploitation at 76.9 per cent, and building plans approval at 72.14 per cent.

The County deposited all locally generated revenue into the County Revenue Fund account maintained at Central Bank of Kenya (CBK) as required by Article 207 (1) of the Constitution.

3.39.3 Conditional Grants

Table 3.116 shows an analysis of the conditional grants released in FY 2015/16.

Table 3.116: Taita Taveta County analysis of conditional grant releases in FY 2015/16

No.	Conditional Grant	Amount allocated as provided in CARA 2015 (Kshs.)	Actual receipt of the Conditional Grant (Kshs.)	Actual receipts as a percentage of Annual Allocation (%)
1	Road Maintenance Fuel Levy Fund	42,042,522	42,042,522	100.0
2	Free Maternal Health Care	42,120,400	32,507,500	77.2
3	User Fees Foregone	6,635,345	6,635,345	100.0
4	DANIDA Grant	14,810,000	14,810,000	100.0
Total		105,608,267	95,995,367	90.9

Source: Taita Taveta County Treasury

Analysis of the conditional grant releases for the period under review indicated that the Road Maintenance Fuel Levy Fund grant, DANIDA grant and the grant for User Fees Foregone were fully realized. The Free Maternal Health Care grant recorded the least performance of 77.2 per cent against annual target.

3.39.4 Exchequer Issues

During the period under review, the COB authorised withdrawal of Kshs.3.56 billion from the CRF account, which was 85.6 per cent of the Approved Supplementary Budget. The amount represented an increase of 0.6 per cent from Kshs.3.54 billion authorized in FY 2014/15 and consisted of Kshs.2.74billion (77.2 per cent) for recurrent expenditure and Kshs.811.9 million (22.8 per cent) for development activities.

3.39.5 Overall Expenditure Review

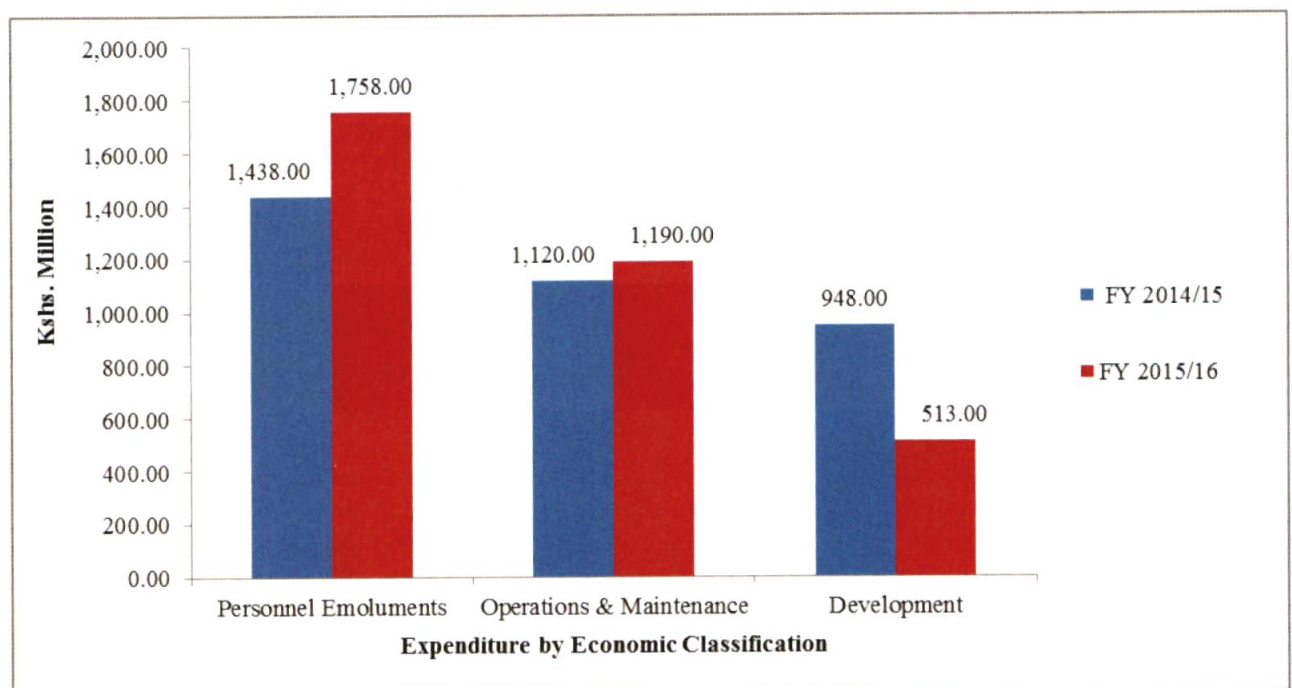
The County spent a total of Kshs.3.46 billion in FY 2015/16, which was 97.46 per cent of the total funds released for operations. This was a decline from the Kshs.3.50 billion spent in FY 2014/15.

A total of Kshs.2.95 billion was spent on recurrent activities, while Kshs.513.56 million was spent on development activities. The recurrent expenditure was 107.8 per cent of the funds released for recurrent activities while development expenditure accounted for 62.7 per cent of the funds released for development activities. The expenditure excluded pending bills as at 30th June, 2016 that amounted to Kshs.526.21 million for development and Ksh.183.08 million for recurrent expenditure.

The recurrent expenditure represented 101.4 per cent of the annual recurrent budget, a decrease from 112.44 per cent attained in FY 2014/15. Development expenditure recorded an absorption rate of 41.1 per cent, which was a decrease from 75 per cent attained in FY 2014/15. Figure 3.154 presents a comparison between the expenditure in FY 2015/16 and FY 2014/15 by economic classification.

Figure 3.154: Taita Taveta County, Expenditure by Economic Classification for FY 2015/16 and

FY 2014/15



Source: Taita Taveta County Treasury

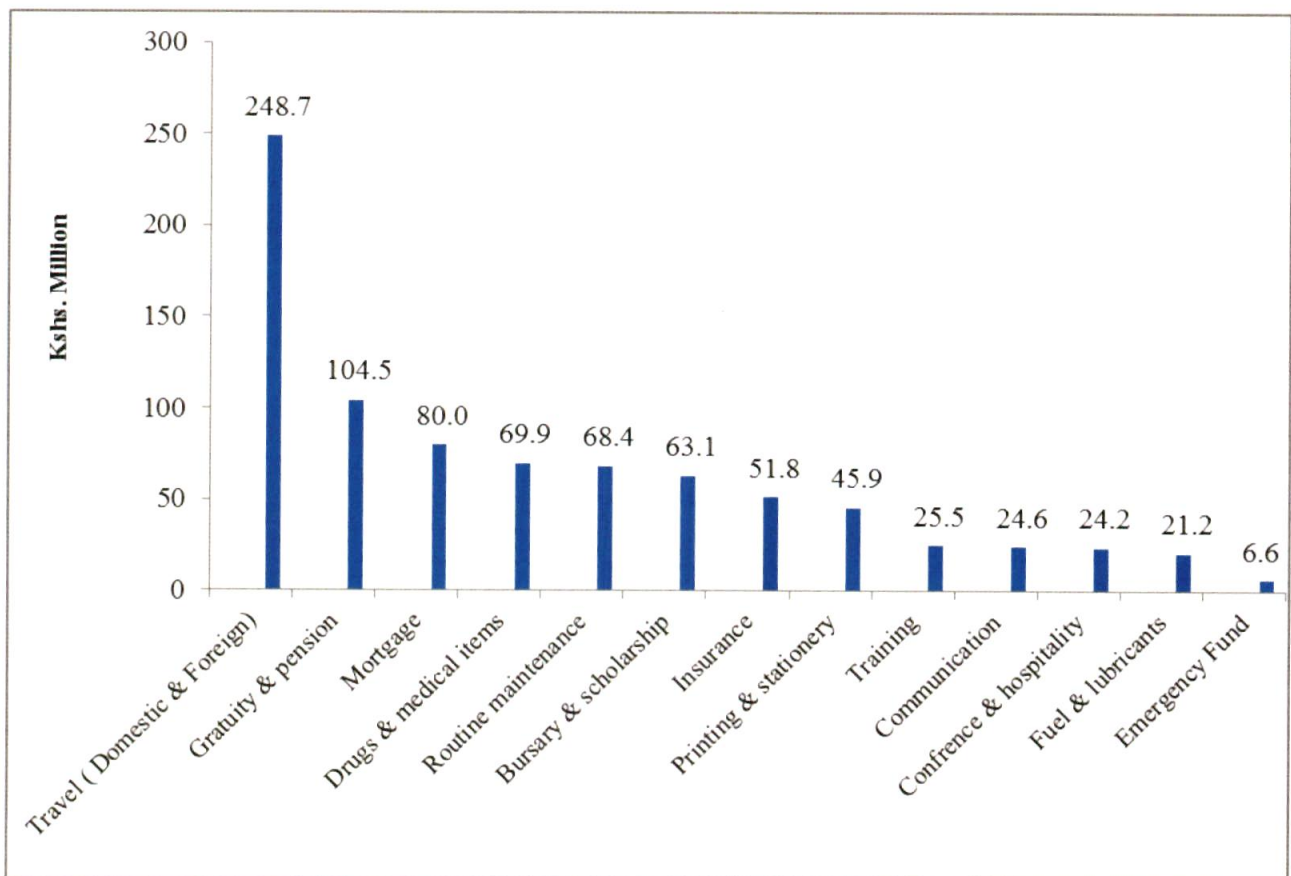
3.39.6 Analysis of Recurrent Expenditure

The total recurrent expenditure was Kshs.2.95 billion against an annual recurrent budget of Kshs.2.91 billion, representing 101.4 per cent of the annual recurrent budget. The County spent Kshs.1.76 billion (59.7 per cent) on personnel emoluments and Kshs.1.19 billion (40.3 per cent) on operations and maintenance as shown in Figure 3.154. Expenditure on personnel emoluments represented an increase of 18.2 per cent compared to FY 2014/15 when the County spent Kshs.1.44 billion. The increase is attributed to a growing workforce in the County.

The County spent Kshs.31.45 million on sitting allowances to the 35 MCAs and the Speaker against the annual budget allocation of Kshs.58.06 million. This was an increase compared to Kshs.26.44 million spent in FY 2014/15. The average monthly sitting allowance was Kshs.72,791 compared to SRC’s recommended monthly ceiling of Kshs.124, 800.

Expenditure on domestic and foreign travel was Kshs.248.74 million compared to Kshs.271 million spent in FY 2014/15, representing a slight decrease of 9.3 per cent. Figure 3.155 shows a summary of the operations and maintenance expenditure by major categories.

Figure 3.155: Taita Taveta County, Operations and Maintenance Expenditure for FY 2015/16

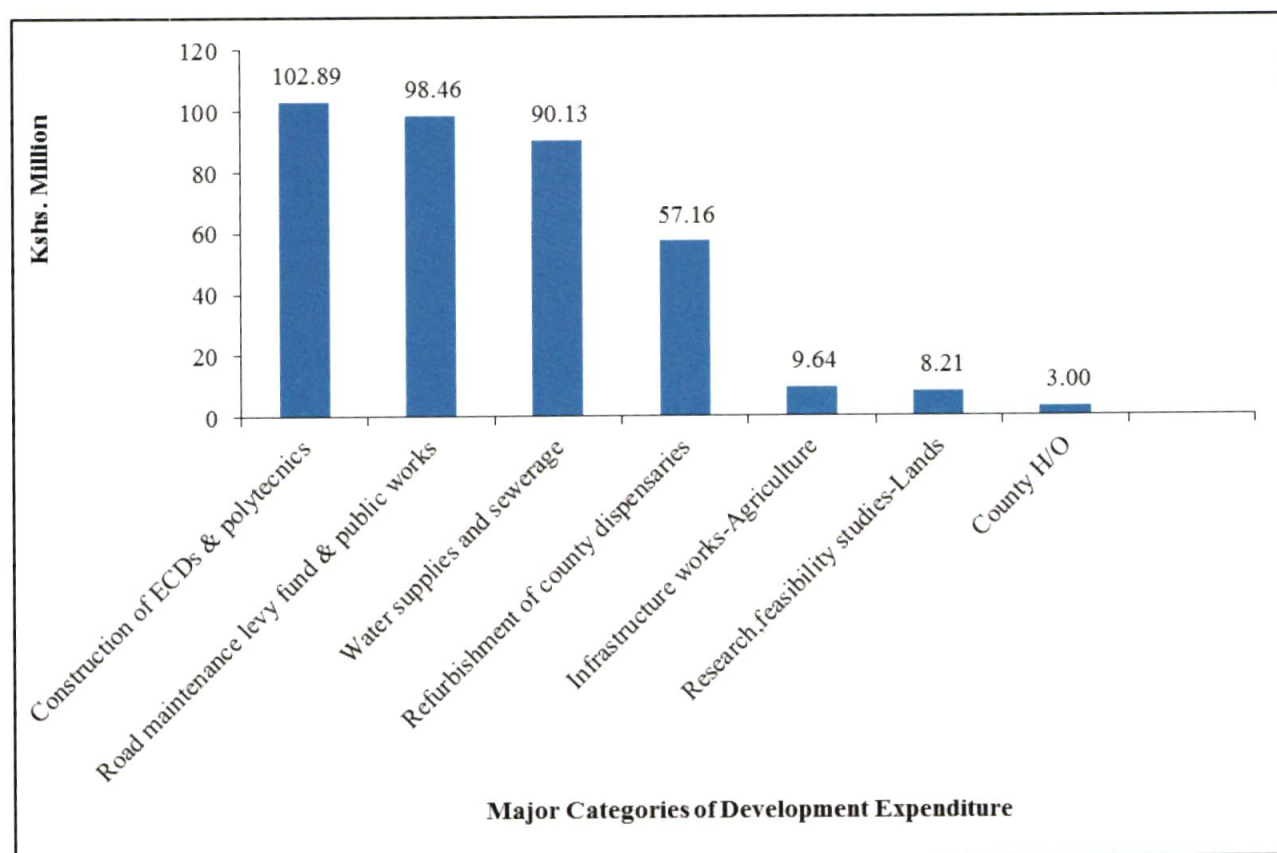


Source: Taita Taveta County

3.39.7 Analysis of Development Expenditure

The total development expenditure was Kshs.513.56 million against an annual development budget of Kshs.1.25 billion, representing 41.1 per cent of the annual development budget. Figure 3.156 provides a summary of development expenditure during the period under review.

Figure 3.156: Taita Taveta County, Summary of Development Expenditure for FY 2015/16



Source: Taita Taveta County Treasury

Analysis of the development expenditure indicated that the highest expenditure of Kshs.102.89 million was incurred by the Education department on development and maintenance of various ECDs within the County. The second highest expenditure of Kshs.98.46 million was incurred by the Infrastructure and Public Works department.

3.39.8 Analysis of Budget Performance by Department

Table 3.117 shows a summary of FY 2015/16 annual budget estimates and budget performance by department.

Table 3.117: Taita Taveta County, FY 2015/16 Budget Performance by Department

Department	Annual Budget Allocation (Kshs)		12 Months Exchequer Issues (Kshs)		12 Months Expenditure (Kshs)		Expenditure To Exchequer Issues (%)		Expenditure to Budget Allocation (Absorption rate (%))	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
County Assembly	550.38	7.00	526.40	7.00	552.99	-	105.1	0.0	100.5	0.0
Administration & Devolution	159.25	6.90	159.25	2.41	177.47	6.25	1.1	0.0	111.4	0.0
Water & Irrigation	38.68	263.12	25.12	117.51	36.75	90.13	1.5	0.0	95.0	34.3
Health	947.24	209.42	931.17	129.02	935.10	57.16	1.0	0.0	98.7	27.3
County Treasury	411.45	42.34	342.70	20.85	415.95	39.36	1.2	0.0	101.1	93.0

Department	Annual Budget Allocation (Kshs)		12 Months Exchequer Issues (Kshs)		12 Months Expenditure (Kshs)		Expenditure To Exchequer Issues (%)		Expenditure to Budget Allocation (Absorption rate (%))	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
Education	321.64	144.96	320.43	123.36	391.48	102.90	1.2	0.0	121.7	71.0
Governor & Deputy Governor	134.59	29.28	106.13	16.58	144.43	28.49	1.4	1.7	107.3	97.3
Agriculture, Fisheries & Vet	130.51	151.09	118.22	36.40	111.91	9.64	0.9	0.0	85.7	6.4
Trade & Community Affairs	42.78	113.99	42.75	103.55	37.19	46.92	0.9	0.5	86.9	41.2
Land & Physical Planning	8.97	10.21	8.65	8.83	7.52	8.21	0.9	0.0	83.8	80.4
County Public Service Board	41.79		41.79	-	41.23	-		0.0	98.7	0.0
Infrastructure, Public Works	39.02	268.55	36.81	249.32	30.79	119.41	0.8	0.5	78.9	44.5
Tourism, Emt. & Natural Resources	77.52	5.11	77.38	5.11	66.51	5.11	0.9	0.0	85.8	100.0
TOTAL	2,903.81	1,251.95	2,736.81	819.92	2,949.31	513.56	126.4	1.7	789.4	217.3

Source: Taita Taveta County Treasury

Analysis of budget performance by department shows that the Department of Tourism, Environment and Natural Resources attained the highest absorption rate of development expenditure at 100 per cent while the Administration and Devolution, the County Public Service Board and the County Assembly did not incur any development expenditure. On the other hand, the Education department had the highest percentage of recurrent expenditure to recurrent budget at 121.7 per cent while the Department of Lands and Physical Planning had the lowest at 83.8 per cent.

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. Adoption of the IFMIS in processing financial transactions.
- ii. Enhancement of human capacity through recruitment of additional key staff and continuous training.

Despite the progress made, 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 execution reports.
2. A high wage bill that increased by 22.2 per cent from Kshs.1.44 billion in FY 2014/15 to Kshs.1.76 billion in FY 2015/16, representing 50.8 per cent of total expenditure. The wage bill was above the ceiling of 35 per cent provided under the Public Finance Management (County Governments) Regulations, 2015. The continued increase in the wage bill may result in unsustainable salary costs.

3. Underperformance in local revenue collection, which declined by 25.3 per cent from Kshs.216.53 million in FY 2014/15 to Kshs.172.77 million in FY 2015/16.
4. While the IFMIS returns showed total personnel expenditure as Kshs.1.76 billion in FY 2015/16, data from the IPPD indicated Kshs.1.49 billion as the total payroll cost 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(4) of PFM Act, 2012.*
2. *The County Public Service Board should ensure the staffing structure is optimal for a sustainable wage bill.*
3. *The County Treasury should come up with strategies to increase local revenue collection.*
4. *The County should regularly reconcile the IFMIS data and IPPD for accurate reporting.*

3.40 Tana River County

3.40.1 Overview of the FY 2015/16 Budget

The County's FY 2015/16 Approved Supplementary Budget was Kshs.4.57 billion, comprising of Kshs.1.77 billion (38.7 per cent) and Kshs.2.80 billion (61.3 per cent) for recurrent and development expenditure respectively.

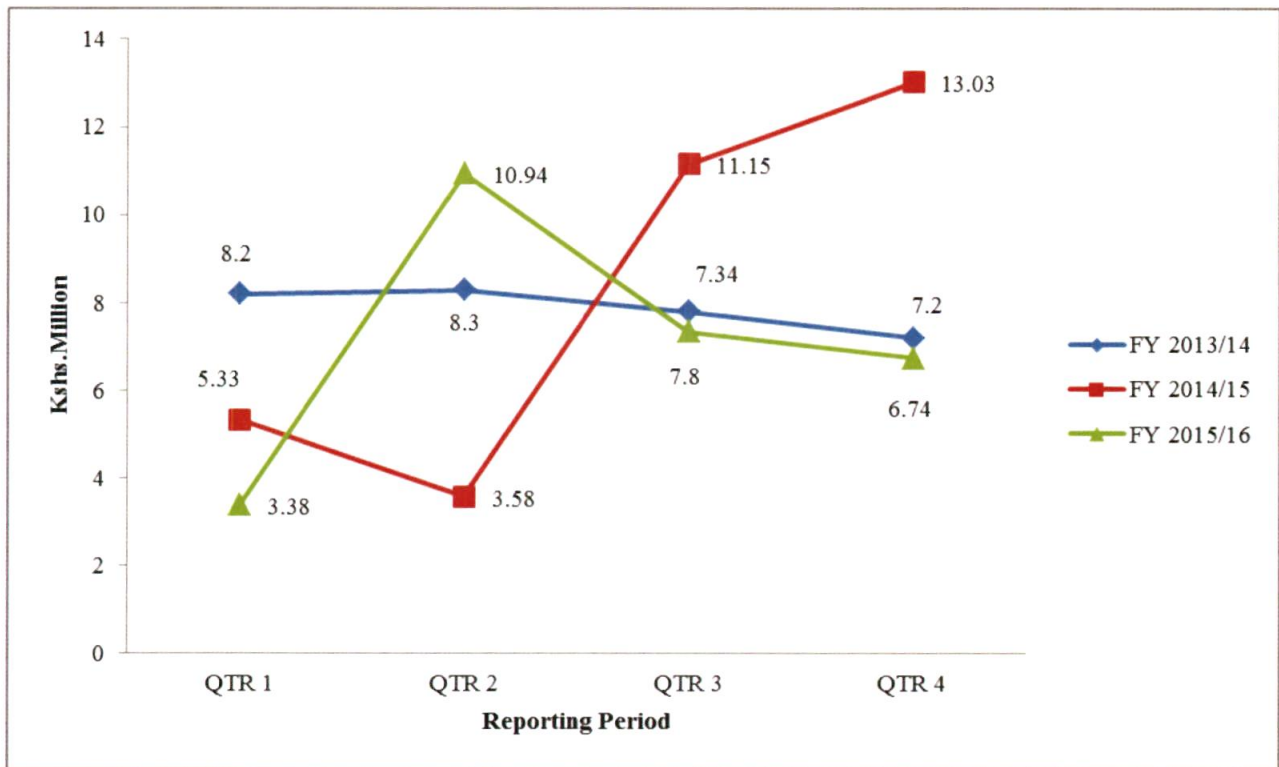
To finance the budget, the County expected to receive Kshs.3.98 billion (87.3 per cent) as equitable share of revenue raised nationally, Kshs.93.33 million (2.0 per cent) as total conditional grants, generate Kshs.120 million (2.6 per cent) from local sources, and had a cash balance of Kshs.368.80 million (8.1 per cent) from FY 2014/15. The conditional grants comprised of Kshs.50.62 million (1.1 per cent) from Road Maintenance Fuel Levy Fund, Kshs.19.34 million (0.4 per cent) for Free Maternal Health Care, Kshs.5.6 million (0.1 per cent) for User Fee Foregone, Kshs.8.48 million (0.2 per cent) from the World Bank and Kshs.9.29 million (0.2 per cent) as a grant from DANIDA.

3.40.2 Revenue Analysis

During the year, the County received Kshs.3.98 billion as equitable share of the revenue raised nationally, Kshs.84.26 million as total conditional allocations, raised Kshs.28.41 million from local sources, and had a cash balance of Kshs.368.80 million brought forward from FY 2014/15.

Figure 3.157 shows the quarterly trend in local revenue collection from FY 2013/14 to FY 2015/16.

Figure 3.157: Tana River County, Trend in Local Revenue Collection by Quarter from FY 2013/14 to FY 2015/16



Source: Tana River County Treasury

The total local revenue collected in FY 2015/16 of Kshs.28.41 million consisted of Kshs.3.38 million generated in the first quarter, Kshs.10.94 million in the second quarter, Kshs.7.8 million in the third quarter, and Kshs.6.74 million in the fourth quarter. The revenue was 23.7 per cent of the annual local revenue target, a decrease from Kshs.33.09 million collected in FY 2014/15.

Table 3.118 provides an analysis of the local revenue collected in FY 2015/16 by revenue stream.

Table 3.118: Tana River County analysis of revenue collected by stream in FY 2015/16

No	Revenue Stream	Annual Targeted Revenue (Kshs.)	Annual Actual Revenue	Actual Revenue as a percentage of Annual Target (%)
1	Single Business Permits	12,169,500	3,165,906	26.0
2	Land Rates	16,748,858	765,352	4.6
3	Mango Cess	3,400,000	2,239,475	65.9
4	Motor Cycle License	3,400,000	849,458	25.0
5	Gypsum	15,350,500	3,339,458	21.8
6	Export Fees	3,958,177	2,654,458	67.1
7	Charcoal	11,113,000	3,624,617	32.6
7	Auction cess	4,677,500	2,433,503	52.0
9	Tall Charges	3,000,000	531,808	17.7
10	Miraa	2,331,000	946,458	40.6
11	Grazing Fees	3,522,767	594,458	16.9

No	Revenue Stream	Annual Targeted Revenue (Kshs.)	Annual Actual Revenue	Actual Revenue as a percentage of Annual Target (%)
12	Slaughter Fees	2,730,999	475,058	17.4
13	Tenders	8,000,000	448,458	5.6
14	House Rent	4,400,000	1,987,458	45.2
15	Sand Cess	2,400,000	1,094,458	45.6
16	Others	22,800,698	2,719,063	11.9
Total		120,002,999	28,405,081	23.7

Source: Tana River County Treasury

Analysis of the local revenue collected by stream indicated that, export fees recorded the highest performance against annual target at 67.1 per cent. This was followed by mango cess at 65.9 per cent and fees from auction cess at 52 per cent.

The County deposited all locally generated revenue into the County Revenue Fund account maintained at Central Bank of Kenya (CBK) as required by Article 207 (1) of the Constitution.

3.40.3 Conditional Grants

Table 3.119 shows an analysis of the conditional grants released in FY 2015/16.

Table 3.119: Tana River County analysis of conditional grant releases in FY 2015/16

No.	Conditional Grant	Amount allocated as provided in CARA 2015 (Kshs.)	Actual receipt of the Conditional Grant (Kshs.)	Actual receipts as a percentage of Annual Allocation (%)
1	Road Maintenance Fuel Levy Fund	50,617,289	50,617,289	100.0
2	Free Maternal Health Care	19,341,000	10,270,000	53.1
3	User Fees Forgone	5,596,140	5,596,140	100.0
4	DANIDA Grant	9,290,000	9,290,000	100.0
5	World Bank Grant	8,481,988	8,481,988	100.0
Total		93,326,417	84,255,417	90.3

Source: Tana River County Treasury

All projected revenue from consolidated grants was fully realized except from the Free Maternal Health Care grant, which recorded a performance of 53.1 per cent of the annual target.

3.40.4 Exchequer Issues

During the period under review, the COB authorised withdrawal of Kshs.4.21 billion from the CRF account, which was 92.1 per cent of the Approved Supplementary Budget. The amount represented a decrease of 14.9 per cent from Kshs.4.55 billion authorized in FY 2014/15 and consisted of Kshs.1.76 billion (41.8 per cent) for recurrent expenditure and Kshs.2.45 million (58.2 per cent) for development activities.

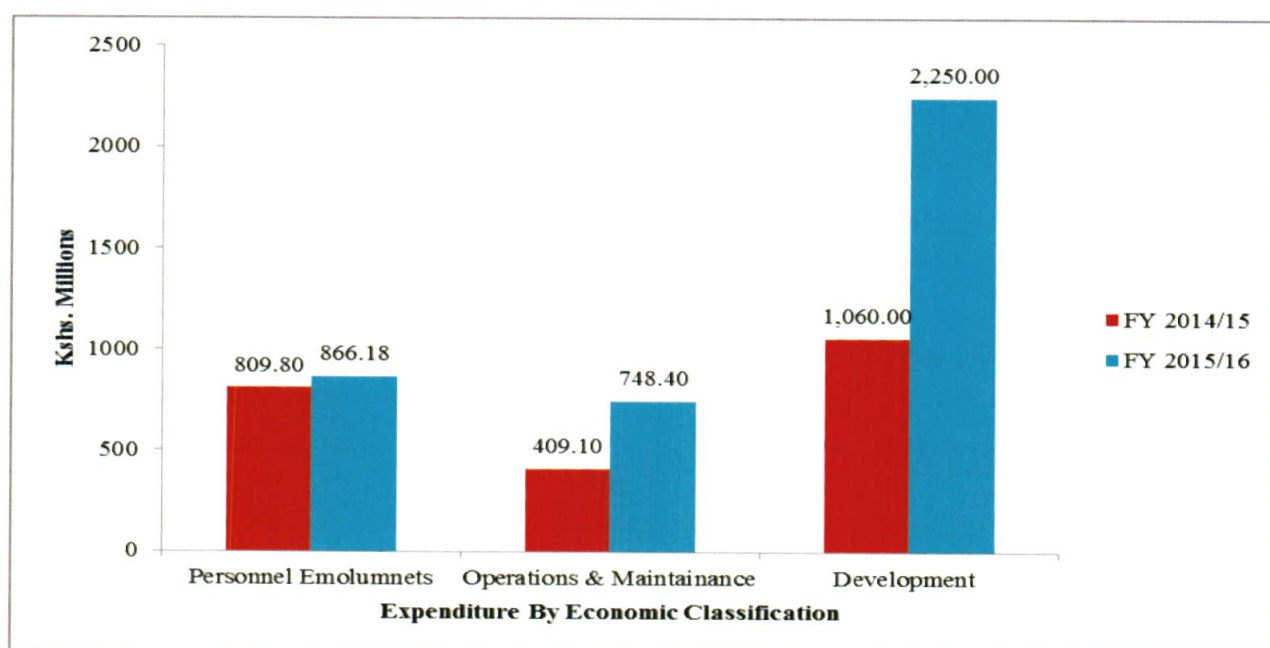
3.40.5 Overall Expenditure Review

The County spent a total of Kshs.3.86 billion in FY 2015/16, which was 91.9 per cent of the total funds released for operations. This was an increase from the Kshs.2.35 billion spent in FY 2014/15.

A total of Kshs.1.61 billion was spent on recurrent activities, while Kshs.2.25 billion 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 91.8 per cent of the funds released for development activities. The expenditure excluded pending bills as at 30th June, 2016 that amounted to Kshs.525.39 million for development and Kshs.193.28 million for recurrent expenditure.

The recurrent expenditure represented 91.3 per cent of the annual recurrent budget, an increase from 71.7 per cent attained in FY 2014/15. Development expenditure recorded an absorption rate of 80.4 per cent, which was an increase from 43.3 per cent attained in FY 2014/15. Figure 3.158 presents a comparison between the expenditure in FY 2015/16 and FY 2014/15 by economic classification.

Figure 3.158: Tana River County, Expenditure by Economic Classification for FY 2015/16 and FY 2014/15



Source: Tana River County Treasury

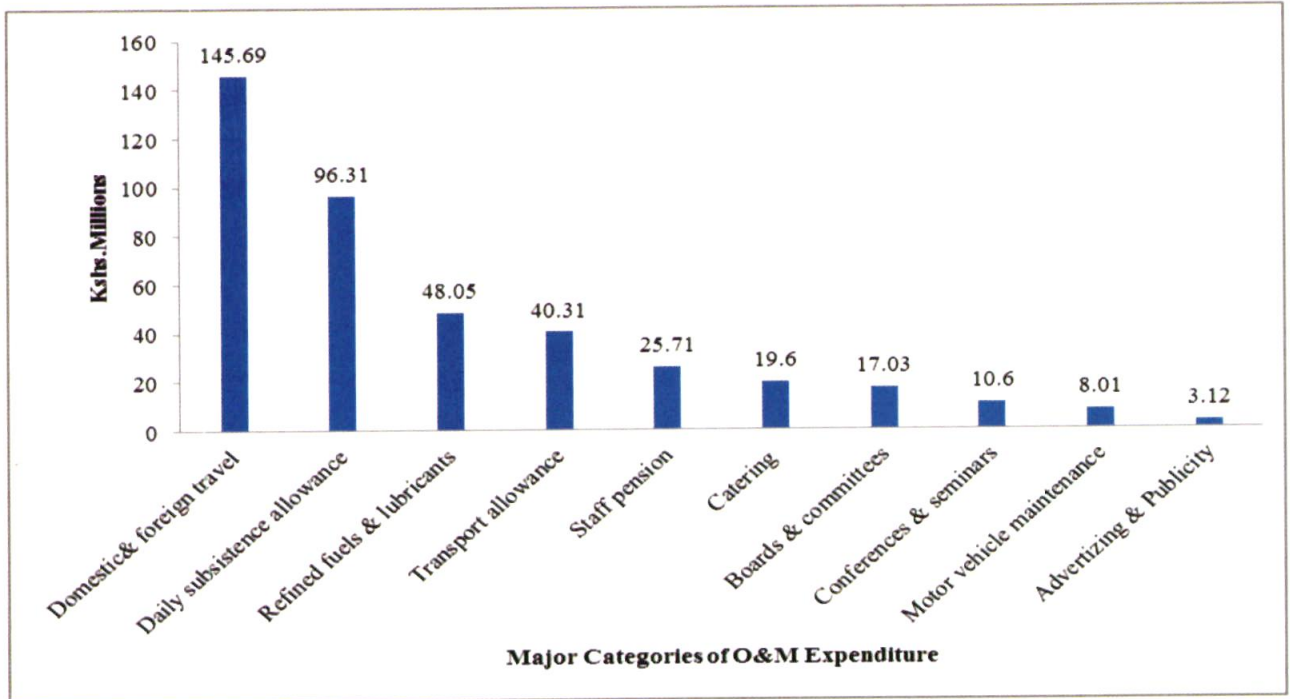
3.40.6 Analysis of Recurrent Expenditure

The total recurrent expenditure of Kshs.1.61 billion represented 91.3 per cent of the annual recurrent budget of Kshs.1.77 billion. The County spent Kshs.866.18 million (53.6 per cent) on personnel emoluments and Kshs.748.4 million (46.4 per cent) on operations and maintenance as shown in Figure 3.158. Expenditure on personnel emoluments represented an increase of 7 per cent compared to FY 2014/15 when the County spent Kshs.809.8 million. The increase is attributed to a growing workforce in the County.

The County spent Kshs.28.31 million on sitting allowances to the 27 MCAs and the Speaker against the annual budget allocation of Kshs.55.7 million. This was an increase compared to Kshs.21.55 million spent in FY 2014/15. The average monthly sitting allowance was Kshs.87,370 compared to SRC's recommended monthly ceiling of Kshs.124,800.

Expenditure on domestic and foreign travel was Kshs.145.69 million compared to Kshs.210.11 million spent in FY 2014/15, representing a decrease of 30.7 per cent. Figure 3.159 shows a summary of the operations and maintenance expenditure by major categories.

Figure 3.159: Tana River County, Operations and Maintenance Expenditure for FY 2015/16

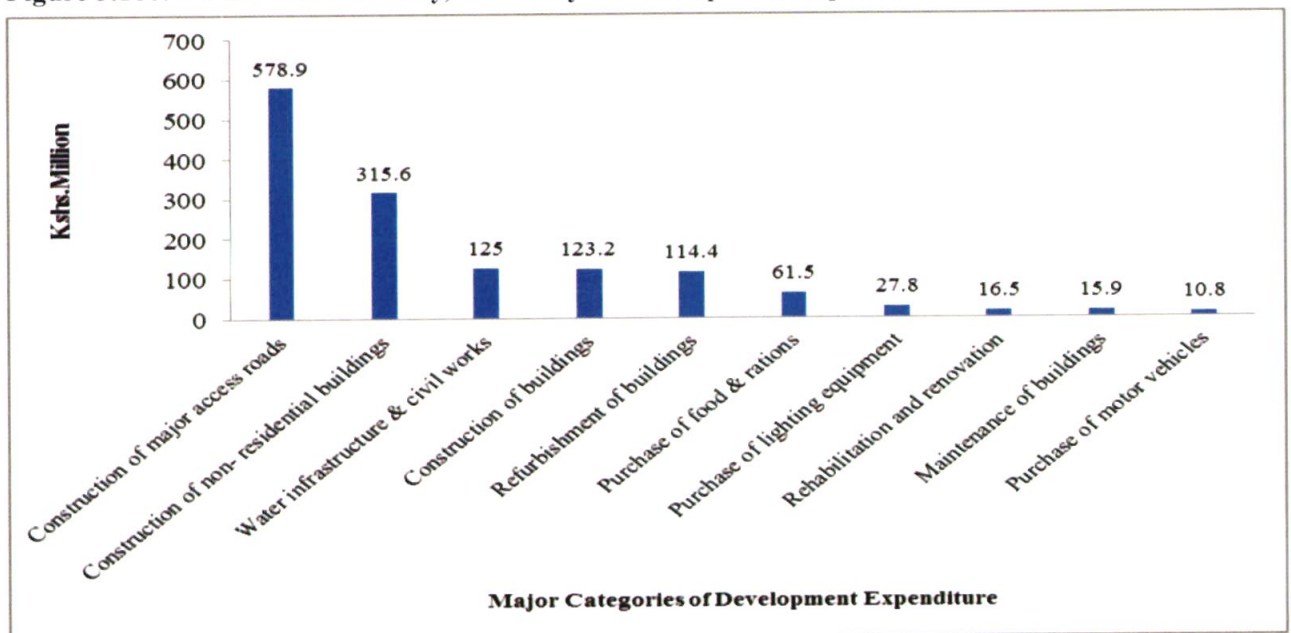


Source: Tana River County Treasury

3.40.7 Analysis of Development Expenditure

The total development expenditure of Kshs.2.25 billion represented 80.4 per cent of the annual development budget of Kshs.2.80 billion. Figure 3.160 provides a summary of development expenditure during the period under review.

Figure 3.160: Tana River County, Summary of Development Expenditure for FY 2015/16



Source: Tana River County Treasury

Analysis of the development expenditure indicated that the highest expenditure of Kshs.578.9 million was incurred by the Roads and Public Works department on construction roads. A total of 10 kilometres of roads were tarmacked. Further, Kshs.315.6 million and Kshs.125 million was spent to on construction of non-residential buildings and water infrastructure and civil works respectively.

3.40.8 Analysis of Budget Performance by Department

Table 3.120 shows a summary of FY 2015/16 annual budget estimates and budget performance by department.

Table 3.120: Tana River County, FY 2015/16 Budget Performance by Department

Department	Budget Allocation (Kshs.Million)		Exchequer Issues (Kshs.Million)		Expenditure (Kshs. Million)		Expenditure to Exchequer Issues (%)		Expenditure to Budget Allocation (Absorption rate (%))	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
Office of the Governor	403.34	102.28	403.1	98.08	394.34	85.37	97.8	87.0	97.8	83.5
Finance and Economic Planning	138.93	60.14	138.93	60.14	130.82	10.85	94.2	18.0	94.2	18.0
Education and Youth Dev.	53.2	292.16	52.22	304.16	50.96	110.09	97.6	36.2	95.8	37.7
Water & Health Services	339.18	717.31	339.1	382.45	370.7	410.45	109.3	107.3	109.3	57.2
Cohesion & Special programmes	25.1	159.83	25.1	146.6	24.99	130.35	99.6	88.9	99.6	81.6
Roads & Public Works	36.76	690.31	35.59	296.31	30.7	757.16	86.3	255.5	83.5	109.7
Gender, Culture	29.87	45.97	27.1	63.97	17.96	16.89	66.3	26.4	60.1	36.7
Trade, Industrialization and Tourism	42.95	175.35	42.9	201.35	32.36	674.73	75.4	335.1	75.3	384.8
Agriculture & Lands	156.78	345.15	156.45	375.15	146.5	17.16	93.6	4.6	93.4	5.0
Environ and Natural resources	71.41	43.07	70.42	425.52	60.13	3.22	85.4	0.8	84.2	7.5
County Public Service Board	46.49	0	46.3	0	42.82	0	92.5	-	92.1	0.0
County Assembly	423.49	167.63	420.2	96.54	312.3	33.73	74.3	34.9	73.7	20.1
Total	1767.5	2799.2	1757.41	2450.27	1614.58	2250.	91.9	91.8	91.3	80.4

Source: Tana River County Treasury.

Analysis of budget performance by department shows that the Department of Trade and Tourism overspent on its development budget allocation by 384.8 per cent while the Department of Roads and Public Works overspent by 9.3 per cent. On recurrent expenditure, the Water and Health Services department overshoot its budgetary allocation by 9.3 per cent. Expenditure above the approved allocation is irregular and indicates weak budgetary controls.

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. Successful implementation of the Internet Banking payment system and adoption of IFMIS to process financial transactions.
- ii. Refurbishment of buildings to create additional office space.
- iii. Continuous capacity building of staff through training.
- iv. Improvement in absorption of development budget from 43.3 Per cent in FY 2014/15 to 80.4 per cent in FY 2015/16.

Despite the progress made, 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 execution reports.
2. Failure by the Bursary Fund Administrator to submit expenditure reports contrary to Section 168 of the PFM Act, 2012 which requires quarterly financial statements for each county public fund to be submitted not later than fifteen days after the end of each quarter.
3. Decline in local revenue collection by 8.5 per cent from Kshs.33.09 million in the FY 2014/15 to Kshs.28.41 million.

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 (4) of PFM Act, 2012.*
2. *The Administrator of the Bursary Fund should ensure timely submission of expenditure reports in line with Section 168 of the PFM Act, 2012.*
3. *The County should formulate strategies to increase local revenue collection.*

3.41 Tharaka Nithi County

3.41.1 Overview of the FY 2015/16 Budget

The County's FY 2015/16 Approved Supplementary Budget was Kshs.3.82 billion, comprising of Kshs.2.28 billion (59.7 per cent) and Kshs.1.54 billion (40.3 per cent) for recurrent and development expenditure respectively.

To finance the budget, the County expected to receive Kshs.3.14 billion (81.7 per cent) as equitable share of revenue raised nationally, Kshs.205.59 million (5.4 per cent) as total conditional grants, generate Kshs.248.05 billion (6.5 per cent) from local sources, and had a cash balance of Kshs.250 million (6.5 per cent) from FY 2014/15. The conditional grants comprised of Kshs.95.74 million (46.6 per cent) for Leasing of Medical Equipment, Kshs.35.24 million (17.1 per cent) for Free Maternal Health Care, Kshs.39.86 million (19.4 per cent) from the Road Maintenance Fuel Levy Fund, Kshs.8.5 million (4.1 per cent) for User Fees Foregone and Kshs.12.33 million (6 per cent) as a grant from DANIDA. The County government did not budget Kshs.28.71 million brought forward from the FY 2014/15 and Kshs.13.90 (6.8 per cent) as World Bank grants to support

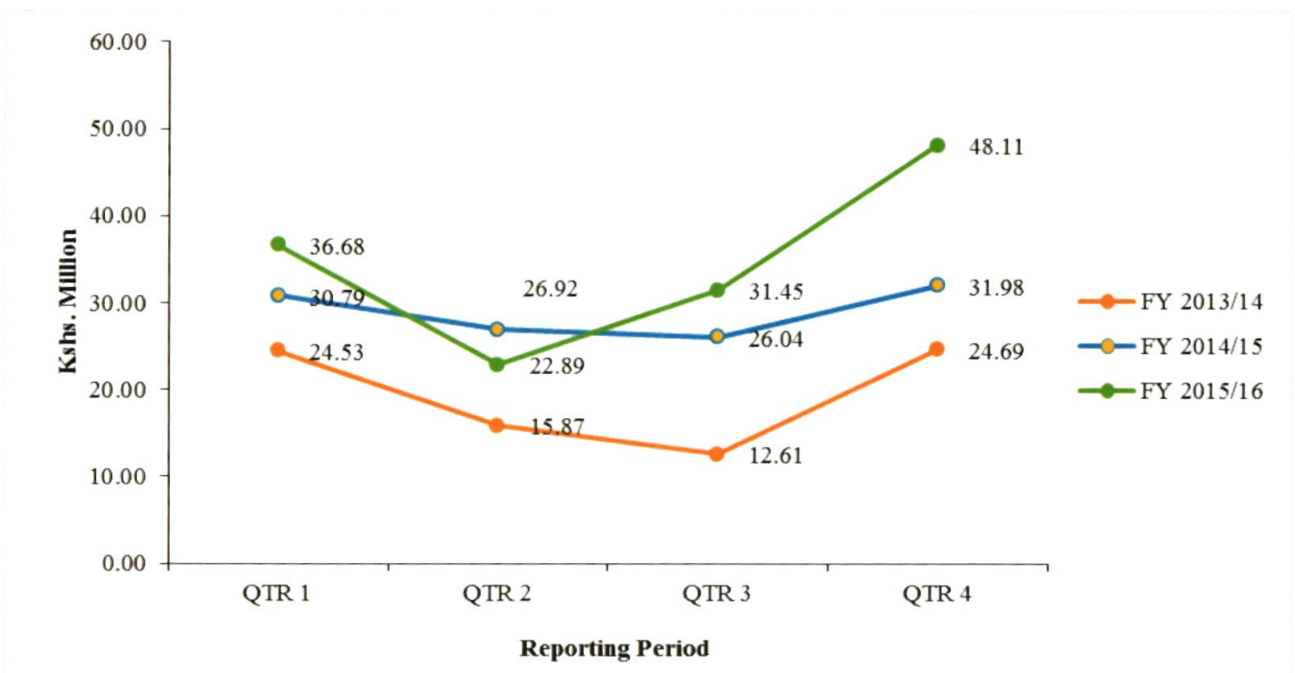
county health facilities.

3.41.2 Revenue Analysis

During the year, the County received Kshs.3.14 billion as equitable share of the revenue raised nationally, Kshs.102.37 million as total conditional allocations, raised Kshs.139.13 million from local sources, and had a cash balance of Kshs.278.71 million brought forward from FY 2014/15. In addition, the County regularly accessed short term financing of Kshs.85 million every month from July 2015 to February 2016 from the Co-operative Bank of Kenya-Chuka Branch to finance staff salaries. This was done without the approval of the County Assembly or guarantee of the National Treasury as provided in law.

Figure 3.161 shows the quarterly trend in local revenue collection from FY 2013/14 to FY 2015/16.

Figure 3.161: Tharaka Nithi County, Trend in Local Revenue Collection by Quarter from FY 2013/14 to FY 2015/16



Source: Tharaka Nithi County Treasury

The total local revenue collected in FY 2015/16 of Kshs.138.44 million consisted of Kshs.36.68 million generated in the first quarter, Kshs.22.89 million in the second quarter, Kshs.31.45 million in the third quarter, and Kshs.48.11 million in the fourth quarter. The revenue was 56.1 per cent of the annual local revenue target, and an improvement from Kshs.115.73 million collected in FY 2014/15.

Table 3.121 provides an analysis of the local revenue collected in FY 2015/16 by revenue stream.

Table 3.121: Tharaka Nithi County analysis of revenue collected by stream in FY 2015/16

No	Revenue Stream	Annual Targeted Revenue (Kshs.)	Annual Actual Revenue	Actual Revenue as a percentage of Annual Target (%)
1	Single Business Permit	41,500,000	24,632,698	59.4
2	Cess fees	40,000,000	23,244,361	58.1
3	Appropriation in the Hospital/Dispensaries	62,130,000	23,052,672	37.1
4	Market and slaughter	32,000,000	18,384,750	57.5
5	Vehicle Parking	32,000,000	11,981,960	37.4
6	Liquor Inspection	1,200,000	8,315,750	693
7	Livestock Sales	5,700,000	4,200,000	73.7
8	Plots rents	9,500,000	2,622,275	27.6
9	Land & Rates	2,800,000	1,979,658	70.7
10	Others	21,220,000	20,715,958.85	97.6
Total		248,050,000	139,130,082.85	56.1

Source: Tharaka Nithi County Treasury

Analysis of the local revenue collected by stream indicated that, liquor inspection recorded the highest performance against annual target at 693 per cent. This was followed by others at 97.6 per cent, and livestock sales at 73.7 per cent. There was improvement in revenue performance due to an increase in the number of enforcement vehicles at the inspecting revenue collection centres.

The County did not deposit all locally generated revenue into the County Revenue Fund account maintained at Central Bank of Kenya (CBK) as required by Article 207 (1) of the Constitution.

3.41.3 Conditional Grants

Table 3.122 shows an analysis of the conditional grants released in FY 2015/16.

Table 3.122: Tharaka Nithi County analysis of conditional grant releases in FY 2015/16

No.	Conditional Grant	Amount allocated as provided in CARA 2015 (Kshs.)	Actual receipt of the Conditional Grant (Kshs.)	Actual receipts as a percentage of Annual Allocation (%)
1	Leasing of Medical Equipment	95,744,681	0.00	0
2	Road Maintenance Fuel Levy Fund	39,857,530	39,857,528	100
3	Free Maternal Health Care	35,243,600	37,532,594	106.5
4	User Fees Foregone	8,515,829	8,515,829	100
5	DANIDA Grant	12,330,000	12,330,000	100
6	World Bank Grant	13,899,808	13,899,808	100
Total		205,591,448	112,135,759	54.5

Source: Tharaka Nithi County Treasury

All projected revenue from conditional grants was fully realized. The Ministry of Health (National Government) delivered medical equipment to the County, though the value of the equipment was not provided by the time of finalizing this report.

3.41.4 Exchequer Issues

During the period under review, the Controller of Budget (COB) authorized withdrawal of Kshs.3.50 billion from the CRF account, which was 91.6 per cent of the Approved Supplementary Budget. The amount represented an increase of 22.4 per cent from Kshs.2.86 billion authorized in FY 2014/15 and consisted of Kshs.2.16 billion (61.8 per cent) for recurrent expenditure and Kshs.1.34 billion (38.2 per cent) for development activities.

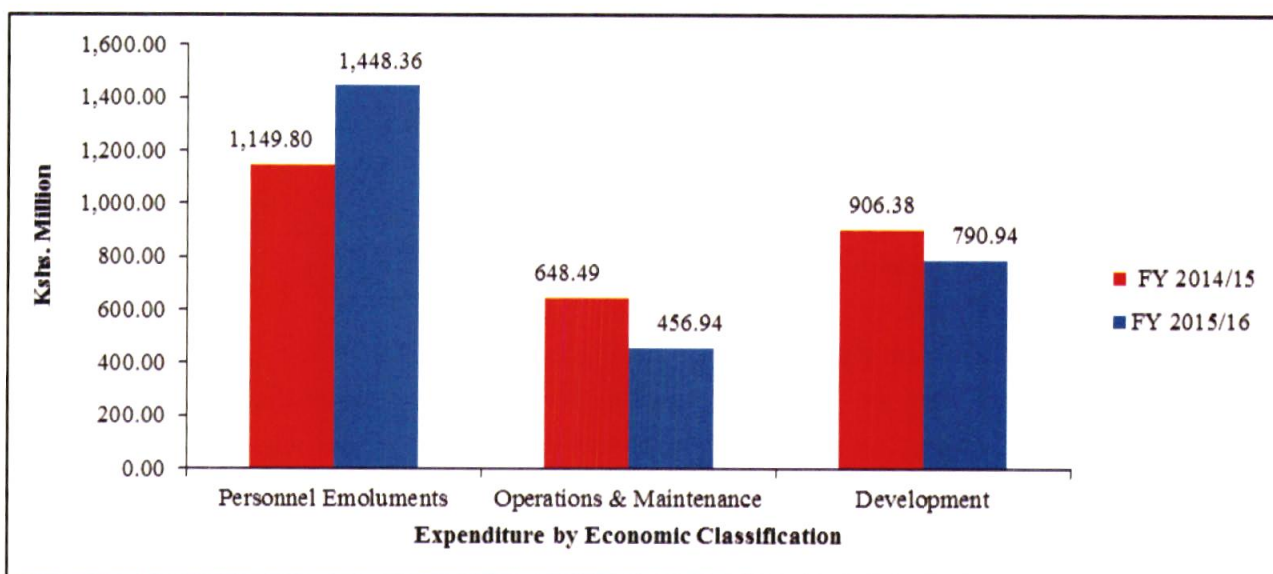
3.41.5 Overall Expenditure Review

The County spent a total of Kshs.2.70 billion in FY 2015/16, which was 77.1 per cent of the total funds released for operations. This expenditure was similar to Kshs.2.70 billion spent in FY 2014/15.

A total of Kshs.1.91 billion was spent on recurrent activities, while Kshs.790.94 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 59 per cent of the funds released for development activities. The expenditure excluded pending bills as at 30th June, 2016 that amounted to Kshs.707.01 million for development and Kshs.43.28 million for recurrent expenditure.

The recurrent expenditure represented 83.8 per cent of the annual recurrent budget, a decrease from 90.1 per cent attained in FY 2014/15. Development expenditure recorded an absorption rate of 51.4 per cent, which was an increase from 45.7 per cent absorbed in FY 2014/15. Figure 3.162 presents a comparison between the expenditure in FY 2015/16 and FY 2014/15 by economic classification.

Figure 3.162 : Tharaka Nithi County, Expenditure by Economic Classification for FY 2015/16 and FY 2014/15



Source: Tharaka Nithi County Treasury

3.41.6 Analysis of Recurrent Expenditure

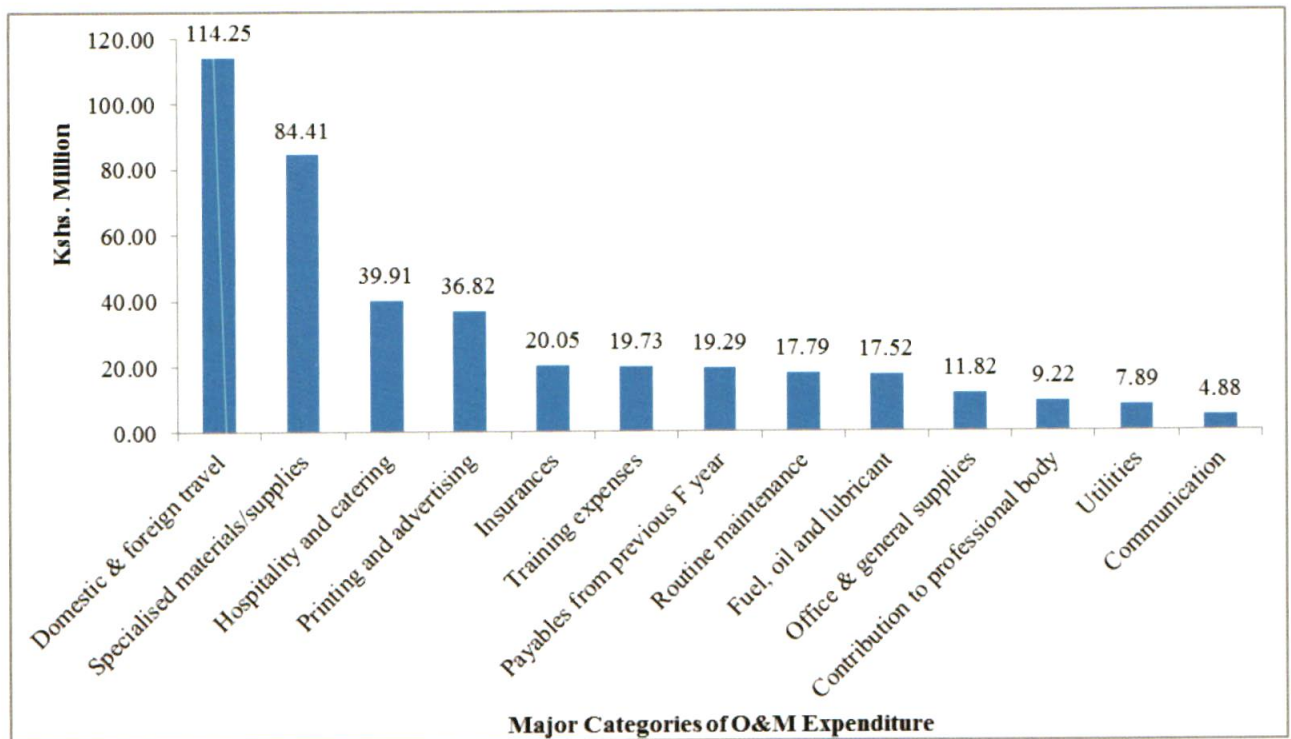
The total recurrent expenditure of Kshs.1.91 billion represented 83.8 per cent of the annual recurrent budget of

Kshs.2.28 billion. The County spent Kshs.1.45 billion (76 per cent) on personnel emoluments and Kshs.456.94 million (24 per cent) on operations and maintenance as shown in Figure 3.162. Expenditure on personnel emoluments represented an increase of 26 per cent compared to FY 2014/15 when the County spent Kshs.1.15 billion. The continued increase in the wage bill is due to continuous staff recruitment and annual salary increment for employees in the County.

The County spent Kshs.23.92 million on sitting allowances to the 24 MCAs and the Speaker against the annual budget allocation of Kshs.34.92 million. This was an increase compared to Kshs.20.89 million spent in FY 2014/15. The average monthly sitting allowance was Kshs.79, 745 compared to SRC’s recommended monthly ceiling of Kshs.124, 800.

Expenditure on domestic and foreign travel was Kshs.114.25 million compared to Kshs.115.41 million spent in FY 2014/15, representing a decrease of 1.0 per cent. Figure 3 shows a summary of the operations and maintenance expenditure by major categories.

Figure 3.163: Tharaka Nithi County, Operations and Maintenance Expenditure for FY 2015/16

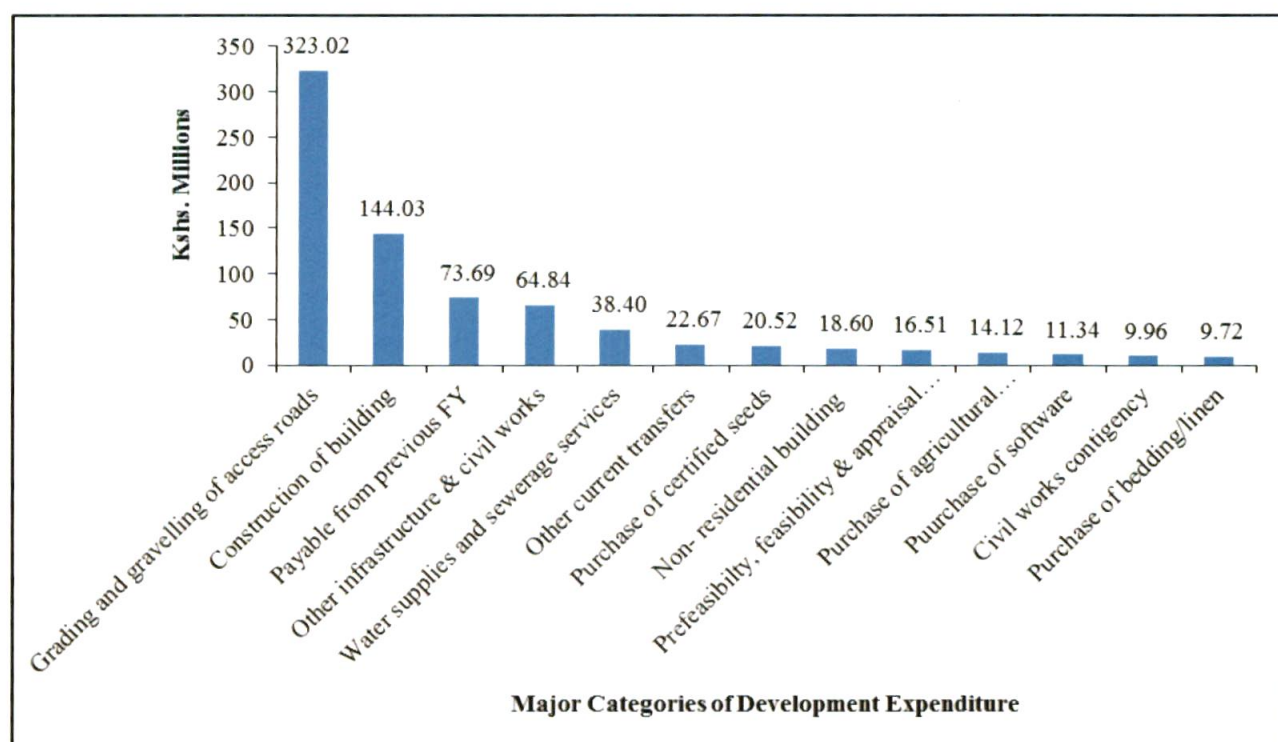


Source: Tharaka Nithi County Treasury

3.41.7 Analysis of Development Expenditure

The total development expenditure was Kshs.790.84 million against an annual development budget of Kshs.1.54 billion, representing 51.4 per cent of the annual development budget. Figure 3.164 provides a summary of development expenditure during the period under review.

Figure 3.164: Tharaka Nithi County, Summary of Development Expenditure for FY 2015/16



Source: Tharaka Nithi County Treasury

Analysis of the development expenditure in FY 2015/16 indicated that the highest expenditure of Kshs.323.02 million was incurred by the Roads, Transport, Housing, Public Works and Legal Affairs department on construction and maintenance of access roads. A total of 1,018.4 kilometers of roads were graded while 101 kilometers were graveled across the 15 wards in the County. The second highest expenditure of Kshs.144.03 million was incurred by various departments on construction of buildings. A total of Kshs.73.69 million and Kshs.64.84 million was spent to pending bills from the previous financial year and on other infrastructure & civil works by different departments of the County respectively.

3.41.8 Analysis of Budget Performance by Department

Table 3.123 shows a summary of FY 2015/16 annual budget estimates and budget performance by department.

Table 3.123: Tharaka Nithi County, FY 2015/16 Budget Performance by Department

Department	Budget Allocation (Kshs.Million)		Exchequer Issues (Kshs.Million)		Expenditure (Kshs.Million)		Expenditure to Exchequer Issues (%)		Expenditure to Budget Allocation (Absorption rate (%))	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
County Assembly	359.41	0.00	329.46	0.00	347.12	0.00	105.4	0	96.6	0.0
County Executive	142.42	0.00	142.42	0.00	123.38	0.00	86.6	0	86.6	0.0
County Public Service Board	27.88	0.00	27.88	0.00	16.33	0.00	58.6	0.0	58.6	0.0
Finance and Econ. Planning	246.45	69.50	208.45	48.50	171.55	56.46	82.3	116.4	69.6	81.2

Department	Budget Allocation (Kshs.Million)		Exchequer Issues (Kshs.Million)		Expenditure (Kshs.Million)		Expenditure to Exchequer Issues (%)		Expenditure to Budget Allocation (Absorption rate (%))	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
Health Services	836.99	147.82	806.95	135.82	773.79	82.00	95.9	60.4	92.4	55.5
Agriculture, Livestock & Fisheries	187.95	90.16	187.95	84.86	162.83	84.32	86.6	100	86.6	93.5
Water & Irrigation	7.79	139.95	7.79	139.95	0.00	49.16	0.0	35.1	0.0	35.1
Labour and Urban Development	118.25	66.87	118.25	43.37	84.50	32.12	71.5	74.1	71.5	48.0
Education, Youth, Gender & Social Services	147.62	161.61	130.62	140.65	104.00	15.16	79.6	10.8	70.5	9.4
Tourism, Environment & Natural Resources	47.65	90.27	47.65	90.24	28.12	29.97	59	33.2	59	33.2
Physical Planning, Land, Energy & ICT	56.67	67.92	56.67	40.12	35.18	51.23	62.1	127.7	62.1	75.4
Trade, Industry & Cooperative	44.55	51.35	44.55	33.85	25.67	37.62	57.6	111.1	57.6	73.3
Roads, Transport, Housing, Public Works & Legal Affairs	53.25	653.42	53.25	580.72	32.84	352.89	61.7	60.8	61.7	54.0
Total	2,276.88	1,538.87	2,161.89	1,337.99	1905.30	790.94	88.1	59.1	83.7	51.4

Source: Tharaka Nithi County Treasury

Analysis of budget performance by department shows that the Department of Agriculture, Livestock and Fisheries attained the highest absorption rate of development expenditure at 93.5 per cent. The County Assembly had the highest percentage of recurrent expenditure to recurrent budget at 96.6 per cent.

3.41.9 Observations, Recommendations and progress made

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

1. Automation of revenue collection which has led to improved revenue performance by 19.6 per cent from Kshs.115.73 million in the FY 2014/15 to Kshs.138.44 million in FY 2015/16.
2. The County has established a monitoring and evaluation unit to enhance oversight and reporting on the development project implementation.

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

1. High wage bill that has increased by 26 per cent from Kshs.1.15 billion in FY 2014/15 by Kshs.1.45 billion in FY 2015/16 representing 53.7 per cent of total expenditure. This increase may result in unsustainable salary costs.

2. Failure to establish an Internal Audit Committee contrary to Section 155(5) of the PFM Act, 2012.
3. Spending of revenue at source in contravention of Section 109 of the PFM Act, 2012. From analysis of bank statements and expenditure returns, the Office noted that the Department of Veterinary Services did not bank its locally generated revenue into the CRF account.
4. Intermittent use of IFMIS to process financial transactions contrary to Section 12 (e) of the PFM Act, 2012.
5. Failure to develop legislation to operationalize some established County Public Funds such as the Joint Loan Board for Youth, Women and People Living with Disability, and the Staff Loan and Mortgage Fund. This contravenes Section 116 (1) of the PFM Act, 2012 which requires the CECF-M Finance to prepare legislations for approval of the County Executive Committee and the County Assembly for all established County Funds.

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 ensure a sustainable 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 ensure all departments adhere to Section 109 of the PFM Act, 2012 and deposit all revenue receipts intact into the CRF account.*
4. *The County Treasury should liaise with the National Treasury to ensure IFMIS is adopted by all county public entities in processing financial transactions.*
5. *The County Treasury should ensure that the Regulations and Acts 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 any County Public Fund.*

3.42 Trans Nzoia County

3.42.1 Overview of the FY 2015/16 Budget

The County's FY 2015/16 Approved Supplementary Budget was Kshs.6.15 billion. It comprised of Kshs.3.24 billion (52.8 per cent) and Kshs.2.91 billion (47.2 per cent) for recurrent and development expenditure respectively.

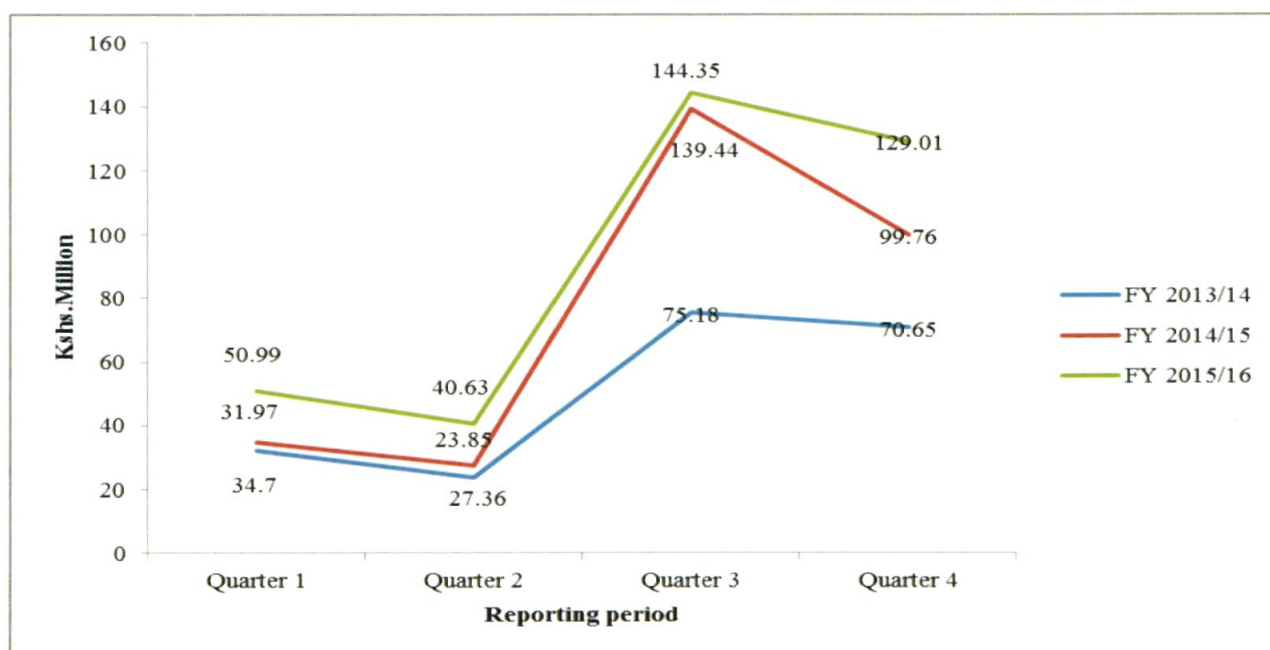
To finance the budget, the county expected to receive Kshs.5.10 billion (82.9 per cent) as Equitable share of revenue raised nationally, Kshs.163.11 million (2.9 per cent) as total conditional grants, generate Kshs.389.03 million (6.6 per cent) from local sources, and had a cash balance of Kshs.451.26 million (7.6 per cent) from FY 2014/15. The conditional grants comprise of Kshs.67.91 million (41.6 per cent) for Maternal Health Care, Kshs.19.09 million (11.7 per cent) for compensation of User Fees Forgone, Kshs.64.78 million (39.7 per cent) from Road Maintenance Fuel Levy Fund, and Kshs.11.33 million (7.0 per cent) as a conditional grant from DANIDA. However, Kshs.95.74 million for Leasing of Medical Equipment was not factored in the FY2015/16 budget though provided for in CARA 2015.

3.42.2 Revenue Analysis

During the year, the County received Kshs.5.10 billion as equitable share of the revenue raised nationally, Kshs.152.27 million as total conditional allocations, raised Kshs.364.97 million from local sources, and had a cash balance of Kshs.451.26 million brought forward from FY 2014/15.

Figure 3.165 shows the quarterly trend in local revenue collection from FY 2013/14 to FY 2015/16.

Figure 3.165: Trans Nzoia County, Trend in Local Revenue Collection by Quarter from FY 2013/14 to FY 2015/16



Source: Trans Nzoia County Treasury

The total local revenue collected for the FY 2015/16 of Kshs.364.97 million consisted of Kshs.50.99 million generated in the first quarter, Kshs.40.63 million in the second quarter, Kshs.144.35 million in the third quarter, and Kshs.129.01 million in the fourth quarter. The revenue was 93.8 per cent of the annual local revenue target, and an improvement from Kshs.301.27 million collected in FY 2014/15.

Table 3.124 provides an analysis of the local revenue collected in FY 2015/16 by revenue stream.

Table 3.124: Trans Nzoia County analysis of revenue collected by stream in FY 2015/16

No	Revenue Stream	Annual Targeted Revenue (Kshs.)	Annual Actual Revenue	Actual Revenue as a percentage of Annual Target (%)
1	Liquor Fees	-	8,498,750	-
2	Refuse Collection and Conservancy	2,985,074	10,694,097	358.3
3	Advertisement, Signboard and Billboard Fees	7,462,687	22,630,307	303.2
4	Cattle Auction and Slaughter Fees	3,731,344	6,891,422	184.7
5	Single Business Permits	43,562,333	78,190,670	179.5
6	Public Health, Medical Levies and Hospital fees	119,000,000	114,234,474	96.0
7	Parking Fees	54,822,388	37,960,193	69.2
8	Cess	33,582,090	20,747,161	61.8
9	Land Rates	67,164,179	36,902,834	54.9
10	Market Fees	52,238,806	24,633,038	47.2
11	Other Sources	4,477,612	3,587,089	80.1
Total		389,026,513	364,970,035	93.8

Source: Trans Nzoia County Treasury

Analysis of the local revenue collected by stream indicated that, refuse collection and conservancy recorded the highest performance against annual target at 358.3 per cent. This was followed by advertisement, signboard and billboard fees at 303.2 per cent, and cattle auction and slaughter fees at 184.7 per cent.

The County deposited all locally generated revenue into the County Revenue Fund account maintained at Central Bank of Kenya (CBK) as required by Article 207 (1) of the Constitution.

3.42.3 Conditional Grants

Table 3.125 shows an analysis of the conditional grants released in FY 2015/16.

Table 3.125: Trans Nzoia County analysis of conditional grant releases in FY 2015/16

No.	Conditional Grant	Amount allocated as provided in CARA 2015 (Kshs.)	Actual receipt of the Conditional Grant (Kshs.)	Actual receipts as a percentage of Annual Allocation (%)
1	Road Maintenance Fuel Levy Fund	64,782,039	64,782,039	100
2	Free Maternal Health Care	67,908,400	68,402,500	100.7
3	User Fees Forgone	19,085,197	19,085,197	100
4	DANIDA Grant	11,330,000	-	0.0
Total		163,105,363	152,269,736	93.4

Source: *Trans Nzoia County Treasury*

Most of the projected revenue from conditional grants was fully realized with the Free Maternal Health Care surpassing annual target by 7 per cent. Only the DANIDA grant did not record receipts. This was due to the County's failure to meeting conditions set by the donor for disbursement of the grant, which included; (i) appropriation of the DANIDA grant support in the County's annual budget and approved work plans, (ii) use of IFMIS for disbursement of DANIDA funds to the eligible health facilities, and (iii) accounting of funds through IFMIS.

3.42.4 Exchequer Issues

During the period under review, the Controller of Budget (COB) authorised withdrawal of Kshs.5.89 billion from the CRF account, which was 95.7 per cent of the Approved Supplementary Budget. The amount represented an increase of 19.4 per cent from Kshs.4.75 billion authorized in FY 2014/15 and consisted of Kshs.3.24 billion (55.8 per cent) for recurrent expenditure and Kshs.2.65 billion (44.2 per cent) for development activities.

3.42.5 Overall Expenditure Review

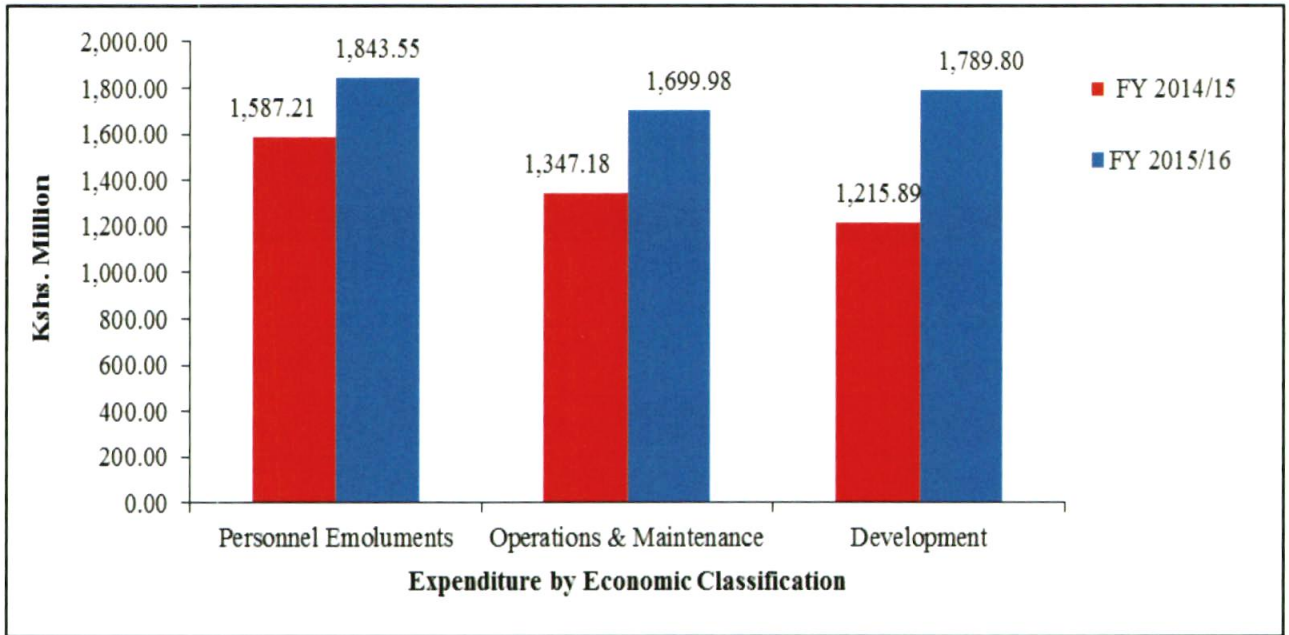
The County spent a total of Kshs.5.33 billion in FY 2015/16, which was 90.6 per cent of the funds released for operations. This was an increase from the Kshs.4.09 billion absorbed in FY 2014/15.

A total of Kshs.3.54 billion was spent on recurrent activities, while Kshs.1.79 billion on development activities. The recurrent expenditure was 109.2 per cent of the funds released for recurrent activities while development expenditure accounted for 67.7 per cent of the funds released for development activities. The expenditure excluded pending bills as at 30th June, 2016 that amounted to Kshs.473.87 million for development and

Kshs.141.88 million for recurrent expenditure.

The recurrent expenditure represented 109.1 per cent of the annual recurrent budget, an increase from 95.8 per cent absorbed in FY 2014/15. Development expenditure recorded an absorption rate of 61.5 per cent, which was also an increase from 53.5 per cent absorbed in FY 2014/15. Figure 3.166 presents a comparison between the expenditure in FY 2015/16 and FY 2014/15 by economic classification.

Figure 3.166: Trans Nzoia County, Expenditure by Economic Classification for FY 2015/16 and FY 2014/15



Source: *Trans Nzoia County Treasury*

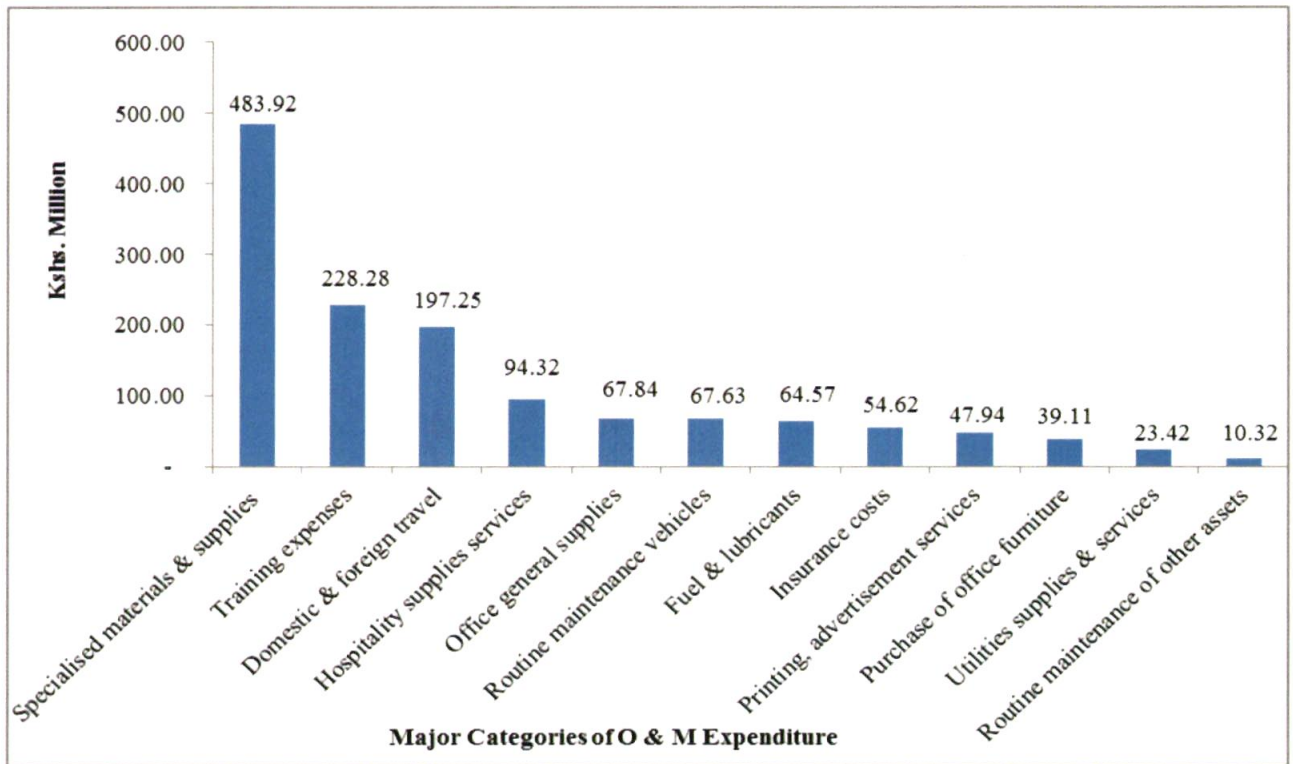
3.42.6 Analysis of Recurrent Expenditure

The total recurrent expenditure of Kshs.3.54 billion represented 109.1 per cent of the annual recurrent budget. The County spent Kshs.1.84 billion (48 per cent) on personnel emoluments and Kshs.1.70 million (52 per cent) on operations and maintenance as shown in Figure 3.166. Expenditure on personnel emoluments represented an increase of 16.2 per cent compared to FY 2014/15 when the County spent Kshs.1.59 billion. The increase is attributed to a growing workforce in the County.

The County spent Kshs.75.45 million on sitting allowances to the 39 MCAs and the Speaker against the annual budget allocation of Kshs.78.12 million. This was a decrease compared to Kshs.89.61 million absorbed in FY 2014/15. The average monthly sitting allowance was Kshs.157,183 and exceeded the SRC’s recommended monthly ceiling of Kshs.124,800.

Expenditure on domestic and foreign travel was Kshs.197.25 million compared to Kshs.227.79 million incurred in FY 2014/15, representing a slight decrease of 13.4 per cent. Figure 3.167 shows a summary of the operations and maintenance expenditure by major categories.

Figure 3.167: Trans Nzoia County, Operations and Maintenance Expenditure for FY 2015/16

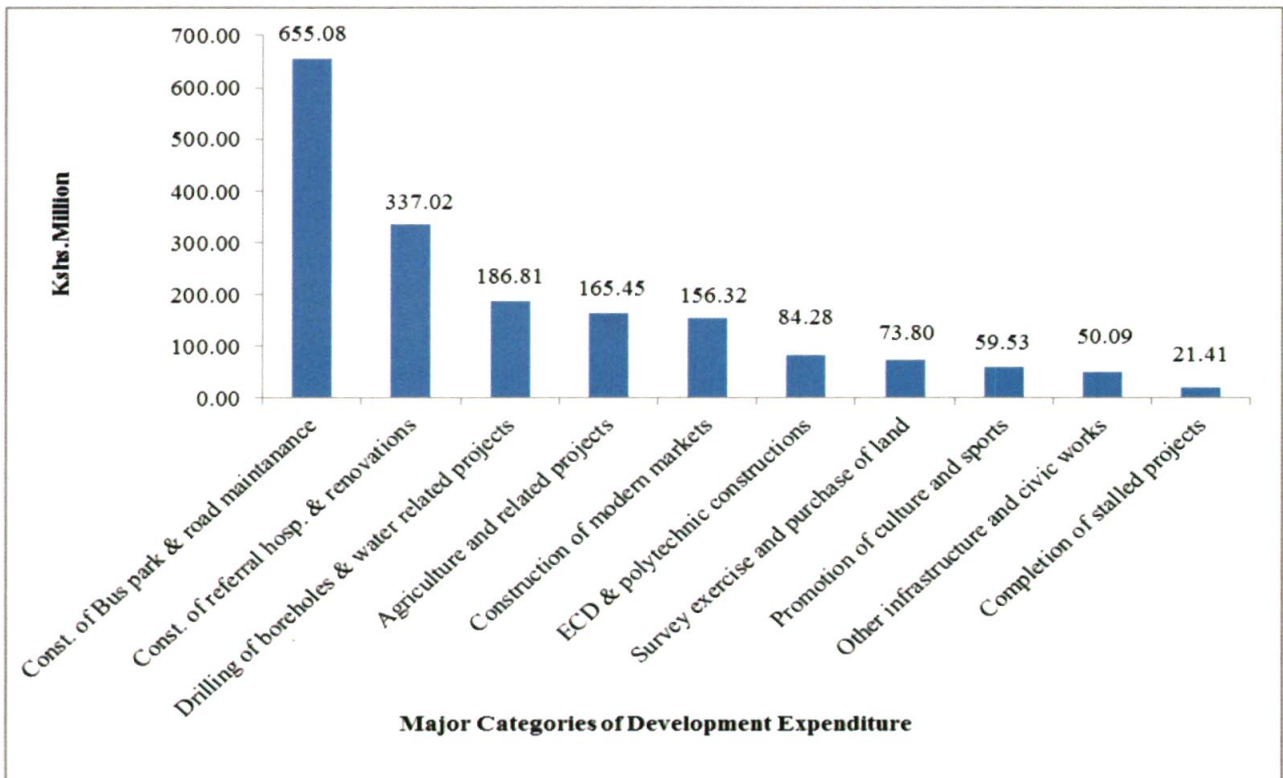


Source: Trans Nzoia County Treasury

3.42.7 Analysis of Development Expenditure

The total development expenditure of Kshs.1.79 billion represented 61.5 per cent of the annual development budget. Figure 3.168 provides a summary of development expenditure during the period under review.

Figure 3.168: Trans Nzoia County, Summary of Development Expenditure for FY 2015/16



Source: Trans Nzoia County Treasury

Analysis of the development expenditure indicated that the highest expenditure of Kshs.655.08 million was incurred by the Public Works, Transport & Infrastructure department on construction of Bus Park, street lighting, routine maintenance of access roads, culvert installation, ditches and trench opening. The second highest expenditure of Kshs.337.02 million was incurred by Health department on construction of referral hospital and renovation works in the health facilities, while the third highest expenditure of Kshs.186.81 million was incurred by the Department of Water, Energy, Environment, Forestry, and Natural Resources on drilling of boreholes and protection of water springs and related projects.

3.42.8 Analysis of Budget Performance by Department

Table 3.126 shows a summary of FY 2015/16 annual budget estimates and budget performance by department.

Table 3.126: Trans Nzoia County, FY 2015/16 Budget Performance by Department

Department	Budget Allocation (Kshs.Million)		Exchequer Issues (Kshs.Million)		Expenditure (Kshs. Million)		% of Expenditure to Exchequer Issues		Expenditure to Budget Allocation (Absorption rate (%))	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
Health	1,221.38	477.51	1,221.35	434.54	1,276.71	337.02	104.5	77.6	104.5	70.6
Agriculture, livestock and fisheries	256.02	184.70	256.02	182.75	343.14	165.45	134.0	90.5	134.0	89.6
Water, Energy, Environment, Forestry & Natural Resources	46.23	302.29	45.96	282.66	49.78	186.81	108.3	66.1	107.7	61.8
Education, ICT & Vocational Training	171.87	187.55	171.87	185.29	226.91	84.28	132.0	45.5	132.0	44.9
Public Works, Transport & Infrastructure	199.46	1,061.55	198.59	1,048.28	234.42	655.08	118.0	62.5	117.5	61.7
Lands, Housing & Physical Planning	28.58	163.29	27.61	124.20	52.42	73.80	189.9	59.4	183.4	45.2
Finance	417.13	79.70	416.68	66.41	290.48	34.87	69.7	52.5	69.6	43.8
Economic Planning, Commerce & Industry	30.47	151.83	30.47	149.43	44.09	156.32	144.7	104.6	144.7	103.0
Governance and Public Service Management	324.67	92.69	324.67	62.76	497.80	31.84	153.3	50.7	153.3	34.4
Gender, Youth, Sports, Culture & Tourism	52.77	119.80	52.77	109.27	64.52	59.53	122.2	54.5	122.2	49.7
County Assembly	498.40	86.98	498.25	0	463.26	4.80	93.0	0	92.9	5.5
Total	3,246.98	2,907.89	3,244.24	2,645.59	3,543.53	1,789.80	109.2	67.7	109.1	61.5

Source: Trans Nzoia County Treasury

Analysis of budget performance by department shows that the Department of Economic Planning, Commerce

and Industry attained the highest absorption rate of development expenditure at 103 per cent while the County Assembly registered the lowest absorption rate at 5.5 per cent. The Department of Lands, Housing and Physical Planning had the highest performance recurrent expenditure compared to budget at 183.4 per cent while the Department of Finance had the lowest at 69.6 per cent. Most departments had expenditure in excess of their recurrent budget allocations.

3.42.9 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 61.5 per cent in FY 2015/16 compared to 53.5 per cent achieved in FY 2014/15.
- ii. Improvement in local revenue collection by 24 per cent from Kshs.301.27 million in FY 2014/15 to Kshs.364.97 million in FY 2015/16.
- iii. Establishment of the County Budget Economic Forum that is involved in the budget process and economic matters in line with Section 137 of the PFM Act 2012.

Despite the progress made, 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 execution reports.
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. Intermittent use IFMIS contrary to Section 12 of the PFM Act, 2012.
4. Most departments incurred expenditure in excess of the approved budget allocation as shown in Table 3.124.
5. In FY 2015/16, the County Assembly reported expenditure on MCAs' sitting allowances of Kshs.75.45 million which translated to a monthly average of Kshs.157,183 for each MCA compared to the recommended SRC's maximum monthly ceiling of Kshs.124,800.

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 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 liaise with the National Treasury to ensure IFMIS is used by all county public entities in processing financial transactions.*
4. *The County should put in place budgetary controls to ensure all expenditure is within law.*
5. *The County Assembly should put in place adequate budgetary controls to ensure its expenditure is within the law. All excess payments of MCAs' sitting allowances should be recovered.*

3.43 Turkana County

3.43.1 Overview of the FY 2015/16 Budget

The County's FY 2015/16 Approved Supplementary Budget was 13.52 billion, comprising Kshs.3.81 billion (28.2 per cent) for recurrent expenditure and Kshs.9.71 billion (71.8 per cent) for development expenditure.

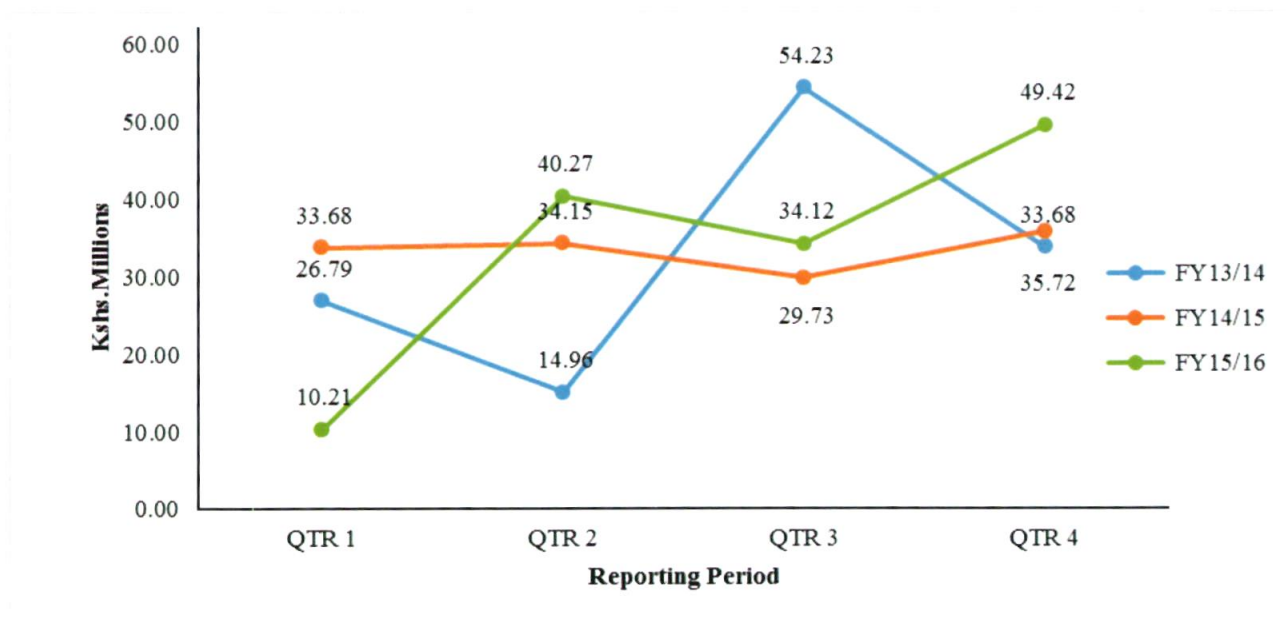
To finance the budget, the County expected to receive Kshs.10.48 billion (77.5 per cent) as equitable share of revenue raised nationally, Kshs.304.57 million (0.02 per cent) as total conditional grants, generate Kshs.200 million (0.02 per cent) from local sources, and Kshs.2.48 billion (18.3 per cent) as projected cash balance from FY 2014/15. The conditional grants comprised of Kshs.95.74 million (31.4 per cent) for Leasing of Medical Equipment, Kshs.23.21 million (7.6 per cent) for Maternal Health Care, Kshs.133.12 million (43.7 per cent) from the Road Maintenance Fuel Levy Fund, Kshs.19.94 million (6.5 per cent) for User Fees Foregone, Kshs.20.49 million (6.7 per cent) as World Bank grant to support health facilities and Kshs.12.07 million (4.0 per cent) as a conditional grant from DANIDA. Further, the county budgeted for Kshs.56.72 million from the United Nations Joint Program.

3.43.2 Revenue Analysis

During the year, the County received Kshs.10.48 billion as equitable share of the revenue raised nationally, Kshs.188.34 million as total conditional allocations, raised Kshs.134.02 million from local sources, and had a cash balance of Kshs.2.48 billion brought forward from FY 2014/15.

Figure 3.169 shows the quarterly trend in local revenue collection from FY 2013/14 to FY 2015/16.

Figure 3.169: Turkana County, Trend in Local Revenue Collection by Quarter from FY 2013/14 to FY 2015/16



Source: Turkana County Treasury

The total local revenue collected in FY 2015/16 of Kshs.134.02 million consisted of Kshs.10.21 million generated in the first quarter, Kshs.40.27 million in the second quarter, Kshs.34.12 million in the third quarter, and Kshs.49.42 million in the fourth quarter. The revenue was 67 per cent of the annual local revenue target, and an improvement from Kshs.126.52 million collected in FY 2014/15.

Table 3.127 provides an analysis of the local revenue collected in FY 2015/16 by revenue stream.

Table 3.127: Turkana County analysis of revenue collected by stream in FY 2015/16

No.	Revenue Stream	Annual Targeted Receipts (Kshs)	Annual Actual Receipts (Kshs)	Revenue Performance (%)
1	Lorry Parking Fees	200,000	260,300	130.2
2	Direct Deposit	27,156,000	54,951,723	202.4
3	Matatu Fees	423,500	632,540	149.4
4	Bus Park Fees	500,000	591,030	118.2
5	Land Cruiser Fees	257,000	955,370	371.7
6	Fish Market Fees	523,000	1,326,490	253.6
7	Single Business Permits	4,530,650	20,900,880	461.3
8	Miscellaneous Receipt	135,679,350	52,194,932	38.5
9	Animals Auction Fees	5,670,000	126,040	2.2
11	Other Fees	25,060,500	2,076,660	8.3
Total		200,000,000	134,015,965	67.0

Source: Turkana County Treasury

Analysis of the local revenue collected by stream indicated that, single business permits recorded the highest performance against annual target at 461 per cent. This was followed by land cruiser fees at 372 per cent, and fish market fees at 254 per cent.

The County deposited all locally generated revenue into the County Revenue Fund account maintained at Central Bank of Kenya (CBK) as required by Article 207 (1) of the Constitution.

3.43.3 Conditional Grants

Table 3.128 shows an analysis of the conditional grants released in FY 2015/16.

Table 3.128: Turkana County analysis of conditional grant releases in FY 2015/16

No.	Conditional Grant	Amount allocated as provided in CARA 2015 (Kshs.)	Actual receipt of the Conditional Grant (Kshs.)	Actual receipts as a percentage of Annual Allocation (%)
1	Road Maintenance Fuel Levy Fund	133,118,571	133,118,571	100.0
2	Free Maternal Health Care	23,209,200	23,209,200	100.0
3	User Fees Forgone	19,939,321	19,939,321	100.0
4	DANIDA Grant	12,070,000	12,070,000	100.0
5	Leasing of Medical Equipment	95,744,681	0	0.0
6	World Bank grant	20,486,700	0	0.0
Total		304,568,473	188,337,092	61.8

Source: Turkana County Treasury

All projected revenue from conditional grants was fully realized except for the Leasing of Medical Equipment and World Bank grants, which did not report any receipts.

3.43.4 Exchequer Issues

During the period under review, the Controller of Budget authorised withdrawal of Kshs.11.56 billion from the CRF account, which was 75.2 per cent of the Approved Supplementary Budget. The amount represented an increase of 10.1 per cent from Kshs.10.5 billion authorized in FY 2014/15 and consisted of Kshs.4.13 billion (35.7 per cent) for recurrent expenditure and Kshs.7.43 billion (64.3 per cent) for development activities.

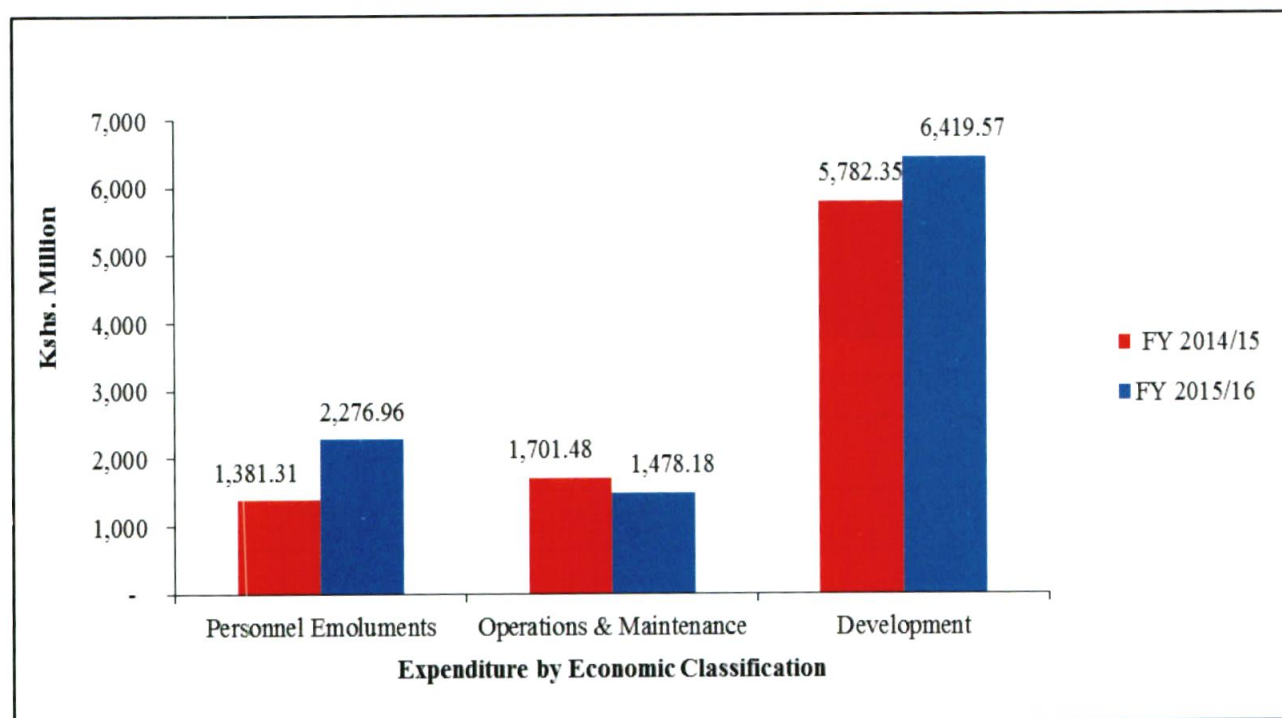
3.43.5 Overall Expenditure Review

The County spent a total of Kshs.10.16 billion in FY 2015/16, which was 87.6 per cent of the total funds released for operations. This was an increase from the Kshs.9.02 billion spent in FY 2014/15.

A total of Kshs.3.73 billion was spent on recurrent activities, while Kshs.6.43 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 86.5 per cent of the funds released for development activities. The County did not report any pending bills as at 30th June, 2016.

The recurrent expenditure represented 97.8 per cent of the annual recurrent budget, a decrease from 97.9 per cent attained in FY 2014/15. Development expenditure recorded an absorption rate of 66.3 per cent, which is an increase from 58.9 per cent absorbed in FY 2014/15. Figure 3.170 presents a comparison between the total expenditure in FY 2015/16 and FY 2014/15.

Figure 3.170: Turkana County, Expenditure by Economic Classification for FY 2015/16 and FY 2014/15



Source: Turkana County Treasury

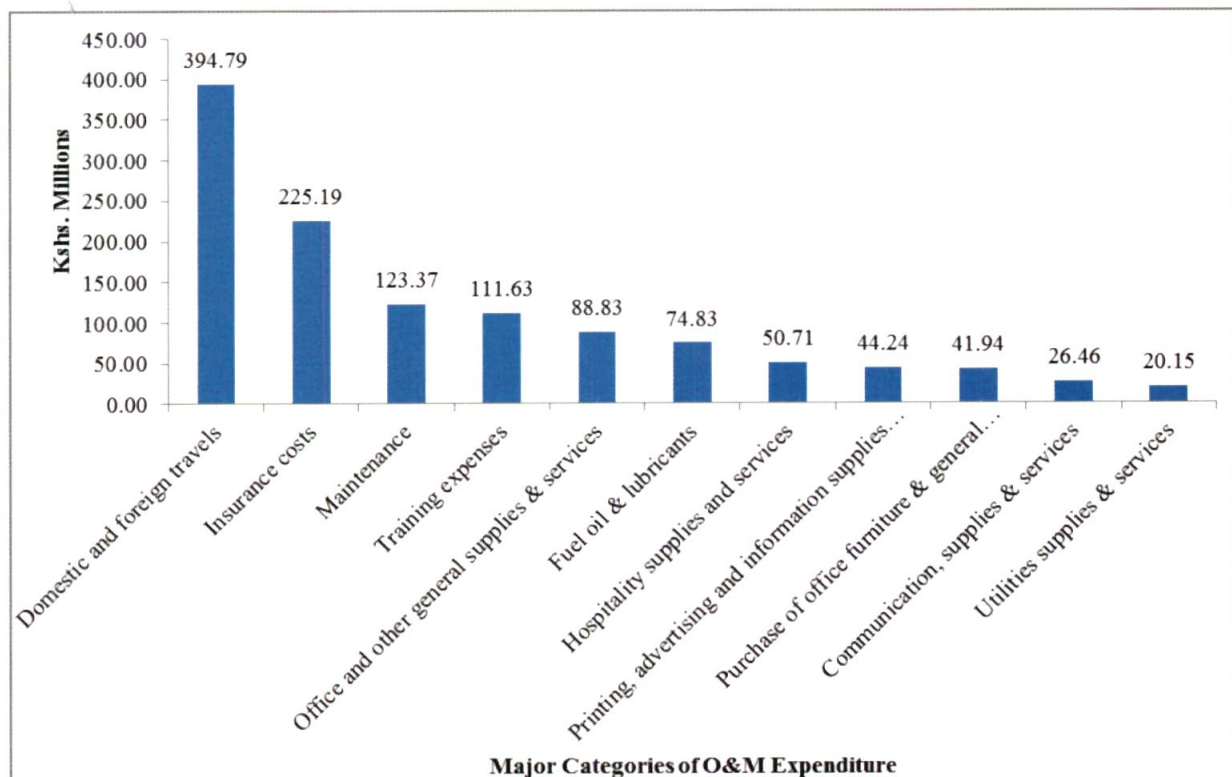
3.43.6 Analysis of Recurrent Expenditure

The total recurrent expenditure of Kshs.3.73 billion represented 97.8 per cent of the annual recurrent budget of Kshs.3.81 billion. The County spent Kshs.2.28 billion (61.1 per cent) on personnel emoluments and Kshs.1.48 million (38.9 per cent) on operations and maintenance as shown in Figure 3.170. Expenditure on personnel emoluments represented an increase of 65.9 per cent compared to FY 2014/15 when the County spent Kshs.1.38 billion. The increase is attributed to a growing workforce in the County and annual salary increments.

The County spent Kshs.34.6 million on sitting allowances to the 47 MCAs and the Speaker against the annual budget allocation of Kshs.64.9 million. This was a decrease compared to Kshs.54.3 million spent in FY 2014/15. The average monthly sitting allowance was Kshs.60,064 compared to SRC’s recommended monthly ceiling of Kshs.124,800.

Expenditure on domestic and foreign travel was Kshs.394.79 million compared to Kshs.294.55 million spent in FY 2014/15, representing an increase of 22 per cent. Figure 3.171 shows a summary of the operations and maintenance expenditure by major categories.

Figure 3.171: Turkana County, Operations and Maintenance Expenditure for FY 2015/16

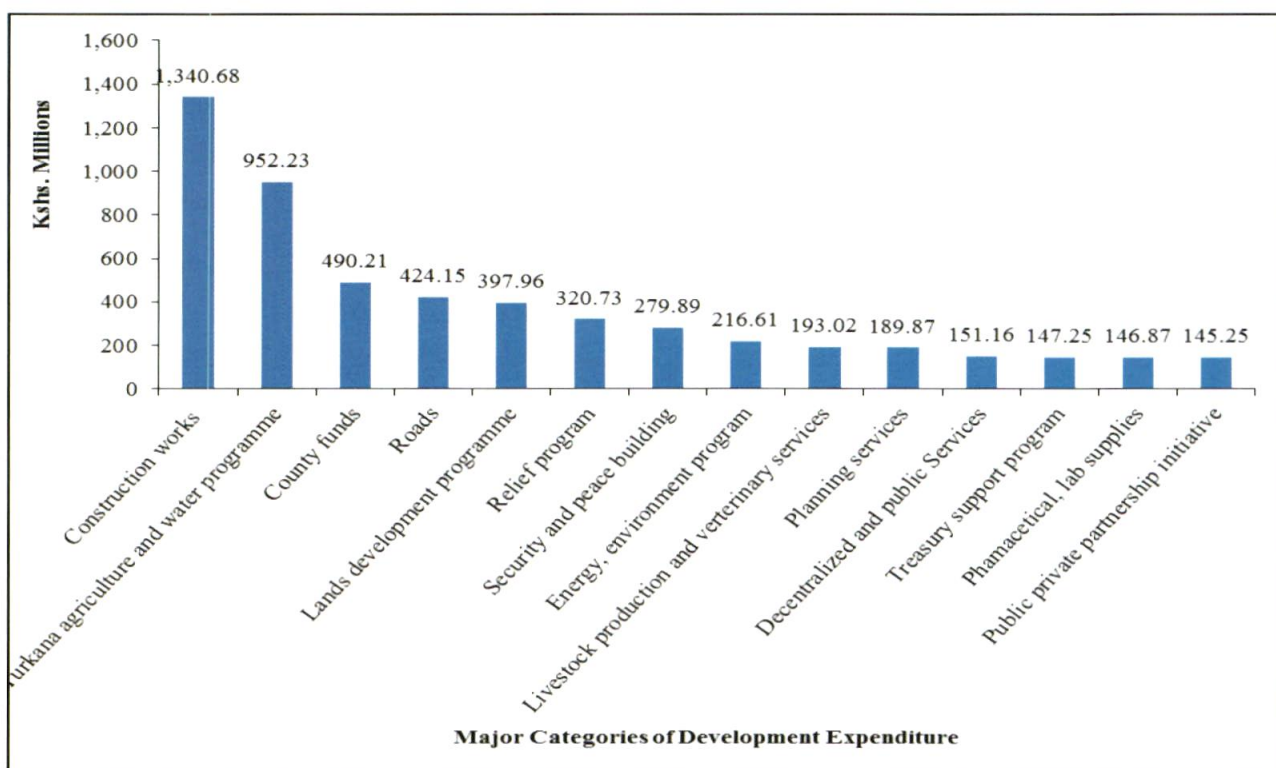


Source: Turkana County Treasury

3.43.7 Analysis of Development Expenditure

The total development expenditure of Kshs.6.43 billion represented 66.3 per cent of annual development budget of Kshs.9.71 billion. Figure 3.172 provides a summary of development expenditure during the period under review.

Figure 3.172: Turkana County, Summary of Development Expenditure for FY 2015/16



Source: Turkana County Treasury

Analysis of the development expenditure indicated that the highest expenditure of Kshs.1.34 billion was incurred on construction of classrooms, health centres and dispensaries and offices. The second highest expenditure of Kshs.952.23 million was incurred on irrigation and water services across the 30 wards in the County on irrigation schemes, boreholes and purchase of water pipes while Kshs.490.21 million was spent on established County Funds which included; the Turkana Skills and Development Fund, Biashara Fund, and Emergency Fund.

3.43.8 Analysis of Budget Performance by Department

Table 3.129 shows a summary of FY 2015/16 annual budget estimates and budget performance by department.

Table 3.129: Turkana County, FY 2015/16 Budget Performance by Department

Departments	Budget Allocation (Kshs.Million)		Exchequer Issues (Kshs.Million)		Expenditure (Kshs. Million)		Expenditure to Exchequer Issues (%)		Expenditure to Budget Allocation (Absorption rate (%))	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
Finance and Planning	146.65	965.87	146.47	936.62	137.49	861.76	93.9	92.0	93.8	89.2
Education and Culture	33.93	1931.49	33.93	1341.74	18.13	949.70	53.4	70.8	53.4	49.2
Health	154.78	1227.08	154.90	887.15	132.43	728.51	85.5	82.1	85.6	59.4
PSDM	1942.99	793.04	2268.04	538.20	1945.70	596.85	85.8	110.9	100.1	75.3

Departments	Budget Allocation (Kshs.Million)		Exchequer Issues (Kshs.Million)		Expenditure (Kshs. Million)		Expenditure to Exchequer Issues (%)		Expenditure to Budget Allocation (Absorption rate (%))	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
Trade, Tourism and Industrialization	47.68	396.59	47.58	329.27	47.48	278.41	99.8	84.6	99.6	70.2
CPSB	63.73	27.31	63.65	27.24	60.74	27.15	95.4	99.7	95.3	99.4
Roads	68.44	1145.51	68.34	951.60	41.13	487.98	60.2	51.3	60.1	42.6
Governor's Office	152.49	545.81	147.64	345.74	158.26	533.74	107.2	154.4	103.8	97.8
Deputy Governor	29.54	0.00	29.19	0.00	20.51	0.00	70.3	0.0	69.4	0.0
Pastoral Economy	50.61	328.55	50.61	307.21	46.95	240.51	92.8	78.3	92.8	73.2
Energy and Environment	45.05	278.73	45.01	240.39	45.86	223.66	101.9	93.0	101.8	80.2
Water Irrigation Agriculture	43.75	1268.08	43.74	923.40	26.16	952.23	59.8	103.1	59.8	75.1
Lands, Physical Planning and Housing	53.16	591.38	53.09	449.33	68.31	397.96	128.7	88.6	128.5	67.3
County Assembly	977.90	207.98	977.90	155.98	977.90	154.46	100.0	99.0	100.0	74.3
Total	3810.69	9707.43	4130.10	7433.88	3727.05	6432.92	90.2	86.5	97.8	66.3

Source: Turkana County Treasury

Analysis of budget performance by department shows that the County Public Service Board (CPSB) attained the highest absorption rate of development expenditure at 99.4 per cent while the Roads department had the lowest development expenditure at 42.6 per cent. On the other hand, the Lands, Physical Planning and Housing department had the highest percentage of recurrent expenditure to recurrent budget at 128.5 per cent while the Department of Education and Culture had the lowest at 53.4 per cent.

3.43.9 Observations and Recommendations

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

- i. Improved adherence to budget timelines. The CECM-F submitted the FY 2016/17 budget estimates to the County Assembly on 28th April, 2016, which were approved on 30th June, 2016.
- ii. Improvement in absorption of development budget from 59 per cent in FY 2014/15 to 64 per cent in FY 2015/16.
- iii. Automation of revenue collection, which has led to improved revenue performance from Kshs.126 million collected in FY 2014/15 to Kshs.134 million in FY 2015/16.
- iv. The County has established the County Budget and Economic Forum (CBEF) as per the provisions of Section 137 of the PFM Act, 2012.

Despite the progress made, the following challenges continued to hamper effective budget implementation in the County;

1. Late submission of financial reports by the County Treasury which affected timely preparation of budget execution reports.
2. Failure by Fund Administrators to submit expenditure reports on the established County Funds such as the Turkana Skills Development Fund, Biashara Fund and the Emergency Fund. This is contrary to Section 168(3) of the PFM Act, 2012.
3. Delay in approving of key planning policy documents such as the ADP, CFSP and CBROP by the County Assembly.
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. Expenditure for some Votes exceeded the appropriated amounts. For example, the Lands department, Energy & Environment department and the Governor's Office incurred expenditure above their recurrent expenditure budget allocation.

The County should therefore 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(4) of PFM Act, 2012.*
2. *The County Treasury should ensure timely submission of expenditure reports on the County Funds in line with Section 168 of the PFM Act, 2012.*
3. *The County Treasury should observe the budget timelines as stipulated in law in approval and submission of key planning documents so as to facilitate smooth implementation of the budget.*
4. *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.*
5. *The County should ensure all expenditure is within the law.*

3.44 Uasin Gishu County

3.44.1 Overview of the FY 2015/16 Budget

The County's FY 2015/16 Approved Supplementary Budget was Kshs.7.54 billion, comprising of Kshs.4.59 billion (60.9 per cent) and Kshs.2.95 billion (39.1 per cent) for recurrent and development expenditure respectively.

To finance the budget, the County expected to receive Kshs.5.19 billion (68.8 per cent) as equitable share of revenue raised nationally, Kshs.221.44 million (2.9 per cent) as total conditional grants, generate Kshs.1.04 billion (13.8 per cent) from local sources, and had a cash balance of Kshs.1.09 million (14.5 per cent) from FY 2014/15. The conditional grants comprised of Kshs.117.34 million (53.0 per cent) for Free Maternal Health Care, Kshs.65.94 million (29.8 per cent) from the Road Maintenance Fuel Levy Fund, Kshs.20.84 million (9.4 per cent) for User Fees Foregone and Kshs.17.32 million (7.8 per cent)

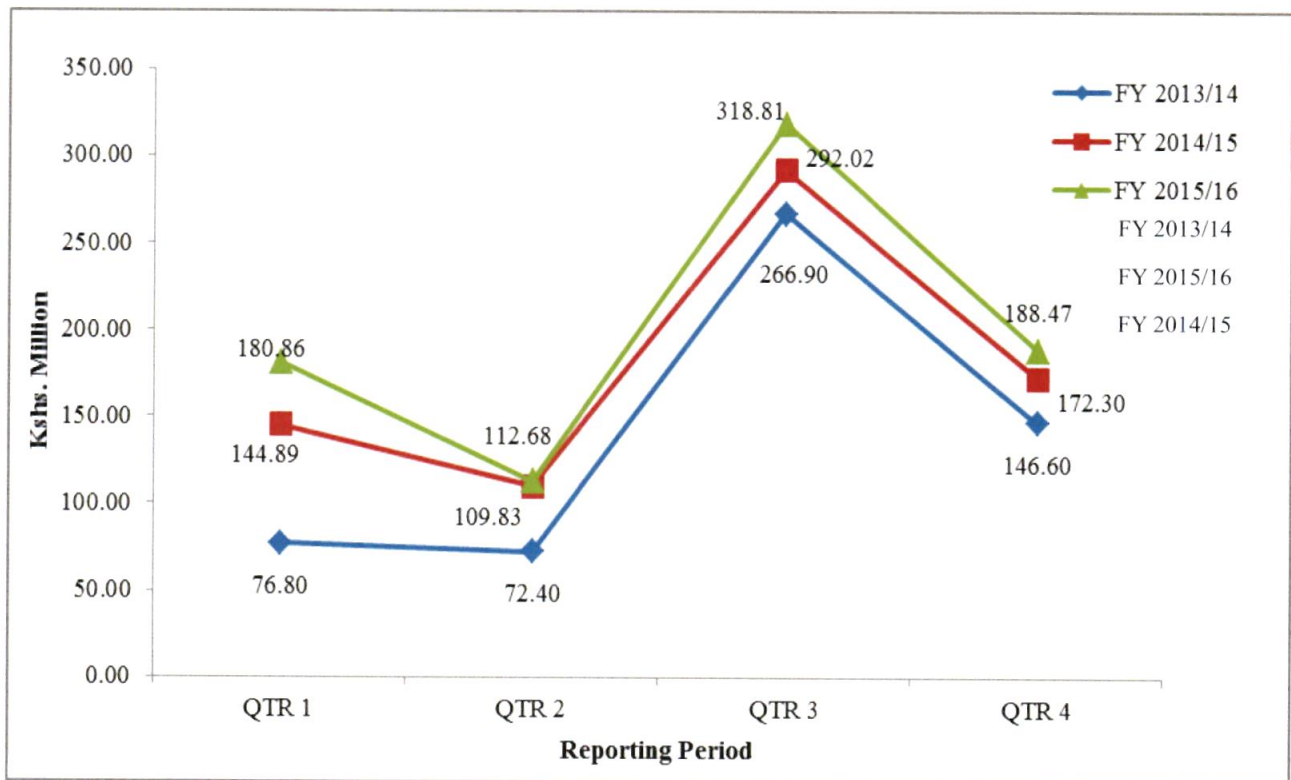
as a grant from DANIDA. The CA-lease for hospital equipment conditional grant of Kshs.95.7million was not budgeted for.

3.44.2 Revenue Analysis

During the year, the County received Kshs.5.19 billion as equitable share of the revenue raised nationally, Kshs.134.10 million as total conditional allocations, raised Kshs.719.04 million from local sources, and had a cash balance of Kshs.1.09 billion brought forward from FY 2014/15.

Figure 3.173 shows the quarterly trend in local revenue collection from FY 2013/14 to FY 2015/16.

Figure 3.173: Uasin Gishu County, Trend in Local Revenue Collection by Quarter from FY 2013/14 to FY 2015/16



Source: Uasin Gishu County Treasury

The total local revenue collected in FY 2015/16 of Kshs.719.04 million consisted of Kshs.144.89 million generated in the first quarter, Kshs.109.83 million in the second quarter, Kshs.292.02 million in the third quarter, and Kshs.172.30 million in the fourth quarter. The revenue was 69.3 per cent of the annual local revenue target, a decrease from Kshs.800.10 million collected in FY 2014/15.

Table 3.130 provides an analysis of the local revenue collected in FY 2015/16 by revenue stream.

Table 3.130: Uasin Gishu County analysis of revenue collected by stream in FY 2015/16

No	Revenue Stream	Annual Targeted Revenue (Kshs.)	Annual Actual Revenue (Kshs.)	Revenue Performance (%)
1	Single Business Permits	200,000,000	150,533,881	75.3
2	Enclosed Bus Park	105,000,000	96,444,690	91.9
3	Street Parking	90,000,000	62,682,571	69.6
4	Land Rates	237,217,425	57,056,904	24.1
5	Sign Boards & Advert Fees	40,000,000	24,997,622	62.5
6	Court fines	15,000,000	19,119,918	127.5
7	House Management Unit	79,000,000	19,552,717	24.8
7	Health Centres	44,000,000	17,867,836	40.6
9	Urban Planning Fees	60,000,000	11,885,247	19.8
10	Cess (Wheat, Maize, Sugarcane)	50,000,000	15,396,739	30.8
11	Unclassified – Direct banking	***	173,782,492	****
12	Market fees	32,800,000	16,587,216	50.6
13	Others	84,200,000	53,134,491	63.1
TOTAL		1,037,217,425	719,042,324	69.3

Source: Uasin Gishu County Treasury

Analysis of the local revenue collected by stream indicated that, court fines recorded the highest performance against annual target at 127.5 per cent. This was followed by enclosed bus park at 91.9 per cent, and single business permits 75.3 per cent.

The County deposited all locally generated revenue into the County Revenue Fund account maintained at Central Bank of Kenya (CBK) as required by Article 207 (1) of the Constitution.

3.44.3 Conditional Grants

Table 3.131 shows an analysis of the conditional grants released in FY 2015/16.

Table 3.131: Uasin Gishu County analysis of conditional grant releases in FY 2015/16

No.	Conditional Grant	Amount allocated as provided in CARA 2015 (Kshs.)	Actual receipt of the Conditional Grant (Kshs.)	Actual receipts as a per cent of Annual Allocation (%)
1	Road Maintenance Fuel Levy Fund	65,941,437	65,941,437	100.0
2	Free Maternal Health Care	117,335,400	29,995,000	25.6
3	User Fees Forgone	20,843,281	20,843,281	100.0
4	DANIDA Grant	17,320,000	17,320,000	100.0
Total		221,440,119	134,099,718	60.6

Source: Uasin Gishu County Treasury

All projected revenue from conditional grants was fully realized except for the Free Maternal Health Care grant, which recorded a performance of 25.6 per cent of the annual target.

3.44.4 Exchequer Issues

During the period under review, the Controller of Budget (COB) authorised withdrawal of Kshs.6.53 billion from account, which was 86.6 per cent of the Approved Supplementary Budget. The amount represented an increase of 6.5 per cent from Kshs.6.13 billion authorized in FY 2014/15 and consisted of Kshs.4.32 billion (66.1 per cent) for recurrent expenditure and Kshs.2.21 billion (33.9 per cent) for development activities.

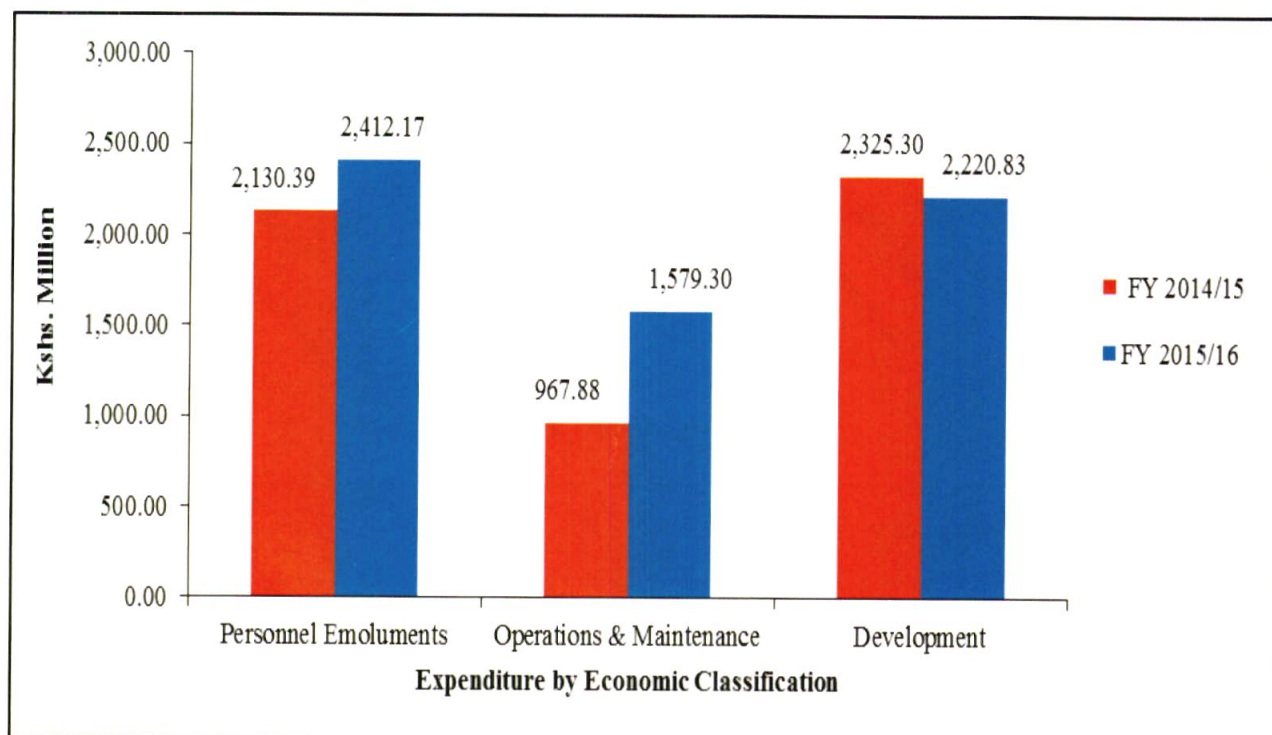
3.44.5 Overall Expenditure Review

The County spent a total of Kshs.6.21 billion in FY 2015/16, which was 95.1 per cent of the total funds released for operations. This was an increase from the Kshs.5.54 billion spent in FY 2014/15.

A total of Kshs.3.99 billion was spent on recurrent activities, while Kshs.2.22 billion was spent on development activities. The recurrent expenditure was 92.4 per cent of the funds released for recurrent activities while development expenditure accounted for 100.3 per cent of the funds released for development activities. The expenditure excluded pending bills as at 30th June, 2016 that amounted to Kshs.55.25 million for recurrent expenditure of which the County assembly amounted to Kshs.3.91 million and County executive had Kshs.51.34 million. The development expenditure had pending bills of Kshs.70.51 million.

The recurrent expenditure represented 87.0 per cent of the annual recurrent budget, a decrease from 90.8 per cent attained in FY 2014/15. Conversely, development expenditure recorded an absorption rate of 75.2 per cent, which was an increase from 69.2 per cent absorbed in FY 2014/15. Figure 3.174 presents a comparison between the total expenditure in FY 2015/16 and FY 2014/15.

Figure 3.174: Uasin Gishu County, Expenditure by Economic Classification for FY 2015/16 and FY 2014/15



Source: Uasin Gishu County Treasury

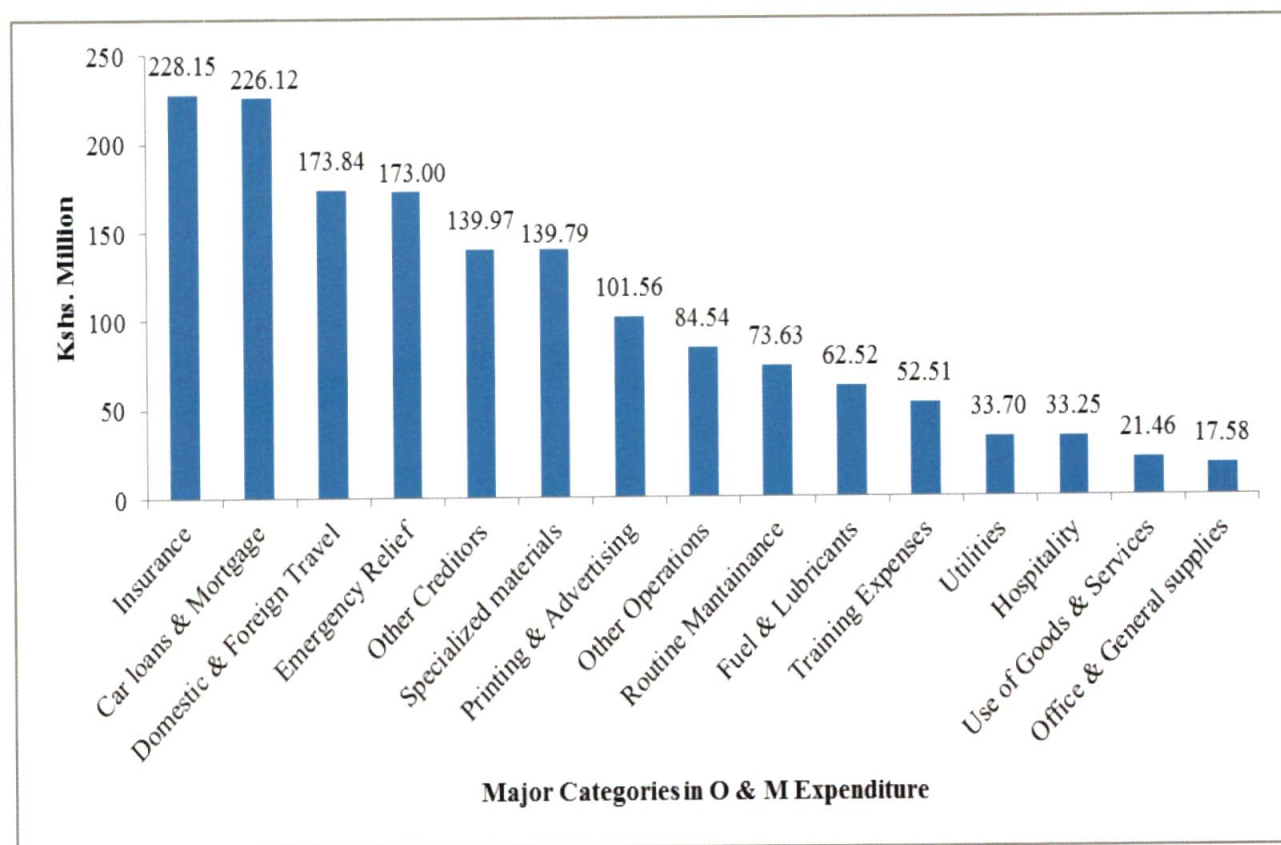
3.44.6 Analysis of Recurrent Expenditure

The total recurrent expenditure of Kshs.3.99 billion represented 87.0 per cent of the Kshs.4.59 billion, of the annual recurrent budget. The County spent Kshs.2.41 billion (74.6 per cent) on personnel emoluments and Kshs.1.58 billion (25.4 per cent) on operations and maintenance as shown in Figure 3.174. Expenditure on personnel emoluments represented an increase of 13.1 per cent compared to FY 2014/15 when the County spent Kshs.2.13 billion. The increase is attributed to a growing workforce in the County.

The County spent Kshs.41.32 million on sitting allowances to the 45 MCAs and the Speaker against the annual budget allocation of Kshs.41.32 million. This was a decrease compared to Kshs.53.05 million spent in FY 2014/15. The average monthly sitting allowance was Kshs.76,519 compared to SRC's recommended monthly ceiling of Kshs.124,800.

Expenditure on domestic and foreign travel was Kshs.173.84 million compared to Kshs.164.60 million spent in FY 2014/15, representing a slight increase of 5.6 per cent. Figure 3.175 shows a summary of the operations and maintenance expenditure by major categories.

Figure 3.175: Uasin Gishu County, Operations and Maintenance Expenditure for FY 2015/16

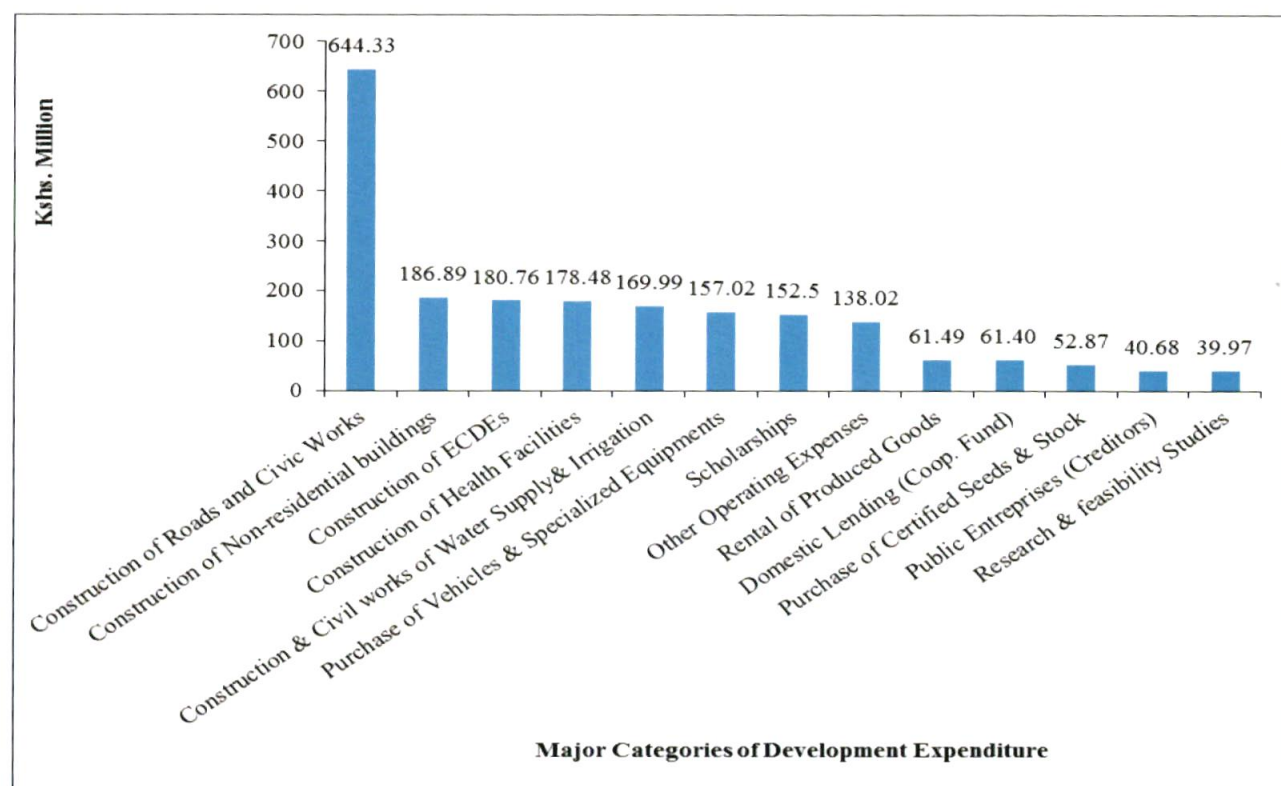


Source: Uasin Gishu County Treasury

3.44.7 Analysis of Development Expenditure

The total development expenditure of Kshs.2.22 billion represented 75.3 per cent of the annual development budget of Kshs.2.95 billion. Figure 3.176 provides a summary of development expenditure during the period under review.

Figure 3.176: Uasin Gishu County, Summary of Development Expenditure for FY 2015/16



Source: Uasin Gishu County Treasury

Analysis of the development expenditure indicated that the highest expenditure of Kshs.644.33 million was incurred by the Roads and Public Works department on grading, gravelling and maintenance of access roads. The second highest expenditure of Kshs.186.89 million was incurred by the Department of Public Service Management on construction of non-residential buildings. A total of Kshs.180.76 million was incurred on construction of ECDE classrooms (278 ECDEs centres constructed) while Kshs.178.48 million was utilized in the construction and refurbishment of health facilities.

3.44.8 Analysis of Budget Performance by Department

Table 3.132 shows a summary of FY 2015/16 annual budget estimates and budget performance by department.

Table 3.132: Uasin Gishu County, FY 2015/16 Budget Performance by Department

Department	Budget Allocation (Kshs.Million)		Exchequer Issues (Kshs.Million)		Expenditure (Kshs. Million)		Expenditure to Exchequer Issues (%)		Expenditure to Budget Allocation (Absorption rate (%))	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
Office of the Governor	113.55	10.00	107.92	5.00	77.96	8.40	72.2	168.0	68.7	84.0
Public Service Management	649.42	79.44	585.82	36.78	582.65	73.51	99.5	199.9	89.7	92.5
Finance and Economic Planning	739.13	110.02	702.57	62.94	644.39	52.52	91.7	83.4	87.2	47.7
Education, Social, Culture & Youth	306.05	443.31	301.30	303.35	229.17	344.01	76.1	113.4	74.9	77.6

Department	Budget Allocation (Kshs.Million)		Exchequer Issues (Kshs.Million)		Expenditure (Kshs. Million)		Expenditure to Exchequer Issues (%)		Expenditure to Budget Allocation (Absorption rate (%))	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
Health Services	1,226.90	223.40	1,128.64	100.00	1,106.99	183.87	98.1	183.9	90.2	82.3
ICT and E-Government	32.09	65.46	30.52	49.32	21.54	41.84	70.6	84.8	67.1	63.9
Lands, Housing and Physical Planning	69.90	198.46	67.76	197.46	60.52	143.17	89.3	72.5	86.6	72.1
Roads and Public Works	398.87	941.42	372.56	847.11	359.85	838.76	96.6	99.0	90.2	89.1
Trade, Industrialization and Tourism	130.30	204.37	127.55	153.71	105.50	118.65	82.7	77.2	81.0	58.1
Agriculture, Livestock & Fisheries	240.55	326.62	236.45	242.74	190.71	169.06	80.7	69.6	79.3	51.8
Water, Environment and Natural Resources	139.23	318.66	136.88	187.16	115.47	230.04	84.4	122.9	82.9	72.2
County Public Service Board	45.36	3.00	43.75	3.00	33.04	3.00	75.5	100	72.8	100
County Assembly	498.38	28.71	478.38	24.65	463.68	13.99	96.9	56.8	93.0	48.7
Total	4,589.73	2,952.89	4,320.12	2,213.23	3,991.47	2,220.83	92.4	100.3	87.0	75.2

Source: Uasin Gishu County Treasury

Analysis of budget performance by department shows that the County Public Service Board attained the highest absorption rate of development expenditure at 100 per cent which was spent on purchase of motor vehicle. The Department of Finance and Economic Finance and Planning reported the lowest absorption rate on the development expenditure at 47.7 per cent. The Health Services Department and the Department of Roads and Public Works recorded the highest percentage of recurrent expenditure to the approved recurrent budget at 93.0 per cent while the Department of Information Communication Technology (ICT) and E-Government had the lowest at 67.1 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. Timely submission of quarterly reports by the County Government entities in line with Section 166 (4) of the PFM Act, 2012.
- ii. Improvement in human capacity through recruitment of additional key staff and continuous training.
- iii. Improvement in absorption of development budget from 69.3 per cent in FY 2014/15 to 75.2 per cent in FY 2015/16.
- iv. Automation of local revenue collection.

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

1. A high wage bill that increased from Kshs.2.13 billion in FY 2014/15 to Kshs.2.41 billion in FY 2015/16, and represented 38.8 per cent of total expenditure. Continued increase in the wage bill may result in unsustainable salary costs.

2. Delay in approval of key planning policy documents such as the CFSP by the County Assembly.

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 for a sustainable wage bill. In addition the wage bill should be in line with the personnel emoluments ceiling of 35 per cent provided under the Public Finance Management (County Governments) Regulations, 2015.
2. The County Assembly should observe the budget timelines as stipulated in law with regard to approval of key planning documents so as to facilitate smooth implementation of the budget.

3.45 Vihiga County

3.45.1 Overview of the FY 2015/16 Budget

The County’s FY 2015/16 Approved Supplementary Budget was Kshs.4.37 billion, comprising of Kshs.2.73 billion (62.4 per cent) and Kshs.1.64 billion (37.6 per cent) for recurrent and development expenditure respectively.

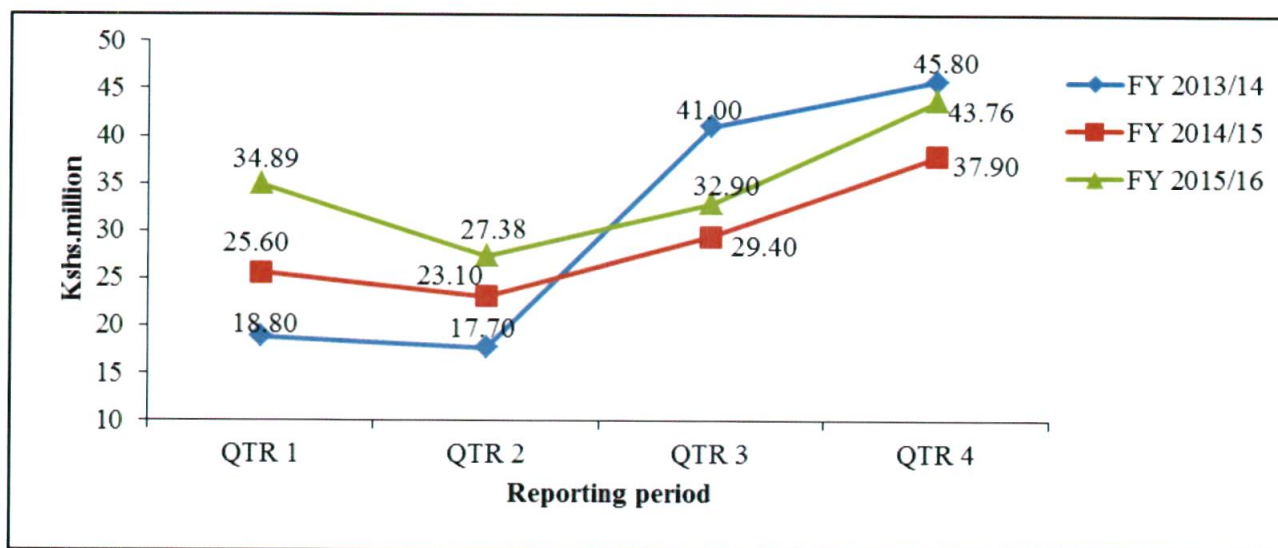
To finance the budget, the County expected to receive Kshs.3.87 billion (88.5 per cent) as equitable share of revenue raised nationally, Kshs.144.19 million (3.3 per cent) as total conditional grants, generate Kshs.352.16 million (8.1 per cent) from local sources, and had a cash balance of Kshs.4.33 million (0.1 per cent) from FY 2014/15. The conditional grants comprised of Kshs.67.91 million (47.1 per cent) for Free Maternal HealthCare, Kshs.49.18 million (34.1 per cent) from the Road Maintenance Fuel Levy Fund, Kshs.12.93 million (9.0 per cent) for User Fees Foregone and Kshs.14.17 million (9.8 per cent) as a grant from DANIDA.

3.45.2 Revenue Analysis

During the year, the County received Kshs.3.87 billion as equitable share of the revenue raised nationally, Kshs.117.59 million as total conditional allocations, raised Kshs.138.94 million from local sources, and had a cash balance of Kshs.4.33 million brought forward from FY 2014/15.

Figure 3.177 shows the quarterly trend in local revenue collection from FY 2013/14 to FY 2015/16.

Figure 3.177: Vihiga County, Trend in Local Revenue Collection by Quarter from FY 2013/14 to FY 2015/16



Source: Vihiga County Treasury

The total local revenue collected in FY 2015/16 of Kshs.138.94 million consisted of Kshs.34.89 million generated in the first quarter, Kshs.27.38 million in the second quarter, Kshs.32.90 million in the third quarter and Kshs.43.76 million in the fourth quarter. The revenue was 39.5 per cent of the annual local revenue target, and an improvement from Kshs.115.4 million collected in FY 2014/15.

Table 3.133 provides an analysis of the local revenue collected in FY 2015/16 by revenue stream.

Table 3.133: Vihiga County analysis of revenue collected by stream in FY 2015/16

No.	Revenue Stream	Annual Targeted Revenue (Kshs.)	Annual Actual Revenue	Actual Revenue as a percentage of Annual Target (%)
1	Application and renewal of license	920,000	1,014,255	110.2
2	Bus park fees	44,873,915	37,472,360	83.5
3	Market fees	18,500,000	13,618,577	73.6
4	Plan approval	1,120,944	476,130	42.5
5	Single business permit	53,104,577	20,557,712	38.7
6	Other Revenue sources	214,857,432	62,345,577	29.0
7	Rent income	3,847,416	1,069,804	27.8
8	Rates	4,026,585	991,266	24.6
9	Group registration	908,012	218,650	24.1
10	Motor cycle stickers	3,000,000	704,730	23.5
11	Advertising and wall branding	7,000,000	469,220	6.7
	Total	352,158,881	138,938,281	39.5

Source: *Vihiga County Treasury*

Analysis of the local revenue collected by stream indicated that application and renewal of license fees recorded the highest performance against annual target at 110.2 per cent. This was followed by bus park fees at 83.5 per cent and market fees at 73.6 per cent.

The County deposited all locally generated revenue into the County Revenue Fund account maintained at Central Bank of Kenya (CBK) as required by Article 207 (1) of the Constitution.

3.45.3 Conditional Grants

Table 3.134 shows an analysis of the conditional grants released in FY 2015/16.

Table 3.134: Vihiga County analysis of conditional grant releases in FY 2015/16

No.	Conditional Grant	Amount allocated as provided in CARA, 2015 (Kshs.)	Actual receipt of the Conditional Grant (Kshs.)	Actual receipts as a percentage of Annual Allocation (%)
1	Road Maintenance Fuel Levy Fund	49,179,806	49,179,806	100.0
2	Free Maternal Health Care	67,908,400	41,315,000	60.8
3	User Fees Forgone	12,928,219	12,928,219	100.0
4	DANIDA Grant	14,170,000	14,170,000	100.0
	Total	144,186,425	117,593,025	81.6

Source: *Vihiga County Treasury*

All projected receipts from conditional grants were fully realized except for the Free Maternal Health Care which had a performance of 60.8 per cent of the annual target.

3.45.4 Exchequer Issues

During the period under review, the Controller of Budget (COB) authorised withdrawal of Kshs.3.85 billion from the CRF account, which was 88.0 per cent of the Approved Supplementary Budget. The amount represented a decrease of 5.4 per cent from Kshs.4.07 billion authorized in FY 2014/15 and consisted of Kshs.2.65 billion (69.0 per cent) for recurrent expenditure and Kshs.1.19 billion (31.0 per cent) for development activities.

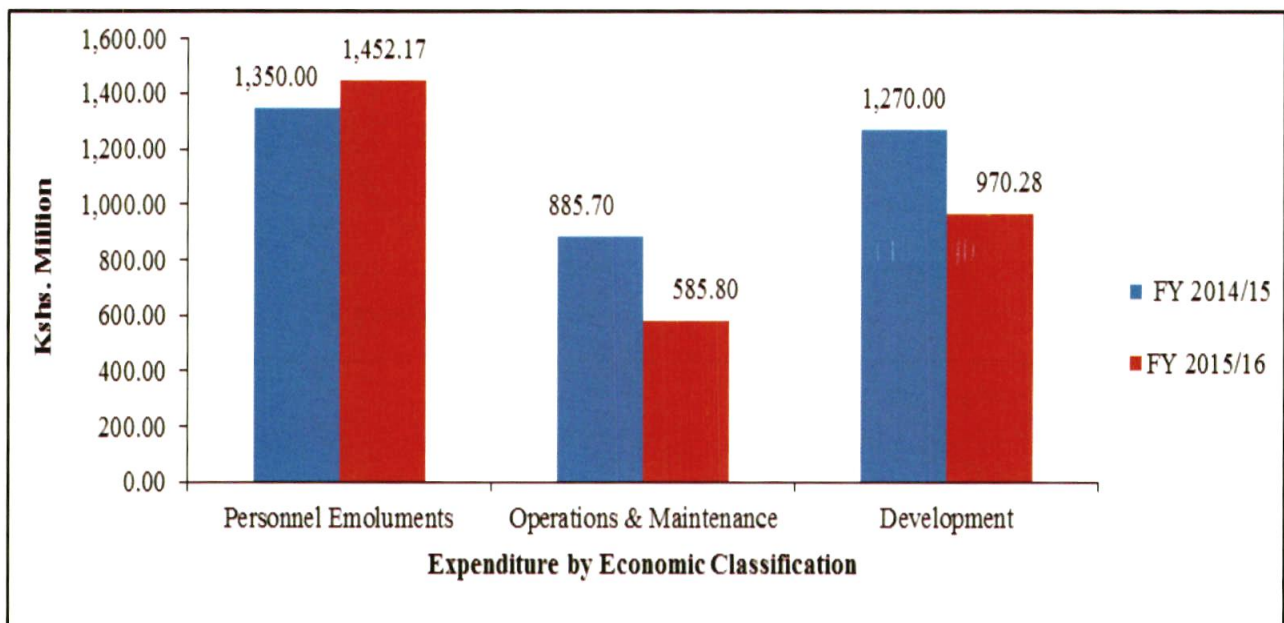
3.45.5 Overall Expenditure Review

The County spent a total of Kshs.3.01 billion in FY 2015/16, which was 78.2 per cent of the funds released for operations. This was a decline from the Kshs.3.50 billion spent in FY 2014/15.

A total of Kshs.2.04 billion was spent on recurrent activities, while Kshs.970.28 million on development activities. The recurrent expenditure was 76.8 per cent of the funds released for recurrent activities while development expenditure accounted for 81.4 per cent of the funds released for development activities. The expenditure excluded pending bills as at 30th June, 2016 that amounted to Kshs.1.06 billion for recurrent expenditure Kshs.113.55 million for recurrent expenditure.

The recurrent expenditure represented 74.8 per cent of the annual recurrent budget, a decrease from 87.8 per cent achieved in FY 2014/15. Development expenditure recorded an absorption rate of 59.1 per cent, which was also an increase from 57.2 per cent realized in FY 2014/15. Figure 3.178 presents a comparison between expenditure in FY 2015/16 and FY 2014/15 by economic classification.

Figure 3.178: Vihiga County, Expenditure by Economic Classification for FY 2015/16 and FY 2014/15



Source: Vihiga County Treasury

3.45.6 Analysis of Recurrent Expenditure

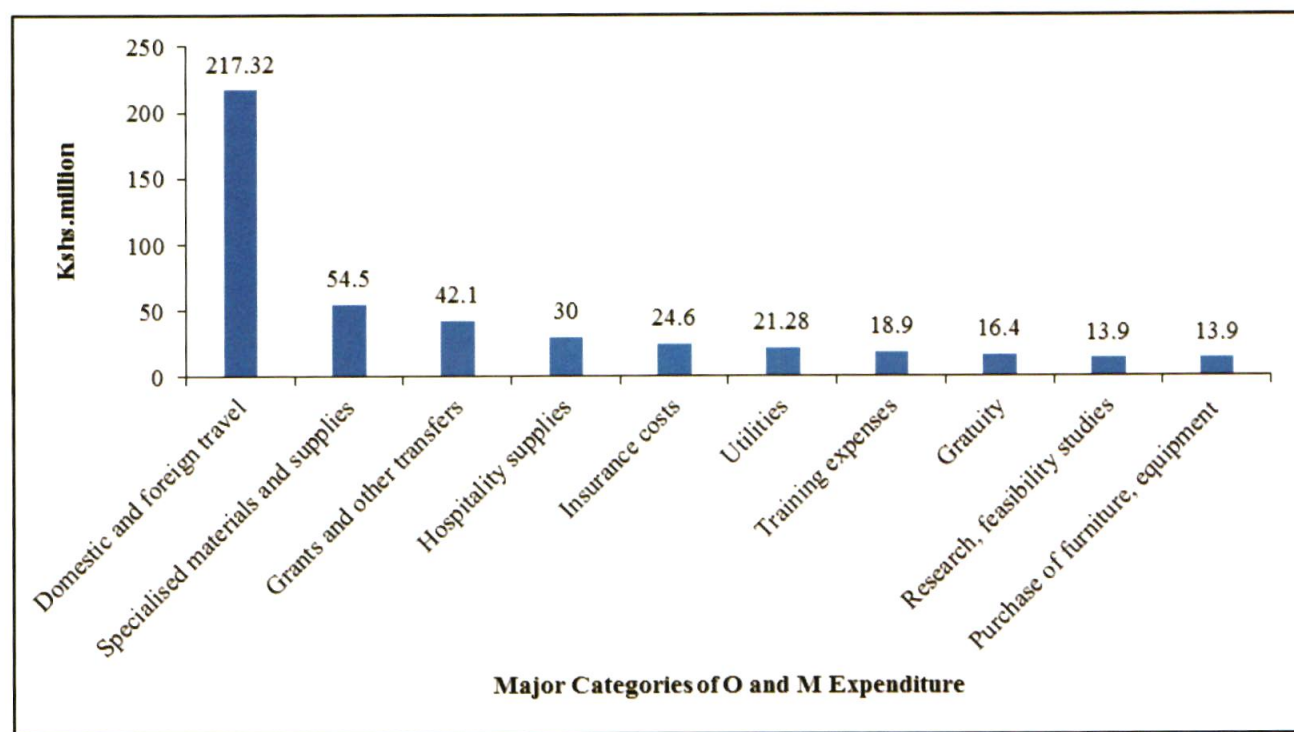
The total recurrent expenditure was Kshs.2.04 billion against an annual recurrent budget of Kshs.2.73 billion, representing 74.8 per cent of the annual recurrent budget.

The County spent Kshs.1.45 billion (71.3 per cent) on personnel emoluments and Kshs.585.80 million (28.7 per cent) on operations and maintenance as shown in Figure 3.178. Expenditure on personnel emoluments represented an increase of 7.4 per cent from FY 2014/15 when the County spent Kshs.1.35 billion. The increase is attributed to the growing workforce that includes employment of casual workers on annual contracts. In addition, the County employed village polytechnic instructors as well as additional ECD teachers.

The County spent Kshs.89.26 million on sitting allowances to the 39 MCAs and the Speaker against the annual budget allocation of Kshs.108.55 million. This was an increase compared to Kshs.61.86 million spent in FY 2014/15. The average monthly sitting allowance was Kshs.185,966 compared to SRC's recommended monthly ceiling of Kshs.124, 800.

Expenditure on domestic and foreign travel was Kshs.217.32 million compared to Kshs.84.53 million incurred in FY 2014/15, representing an increase of 157.1 per cent. Figure 3.179 shows a summary of the operations and maintenance expenditure by major categories

Figure 3.179: Vihiga County, Operations and Maintenance Expenditure for FY 2015/16

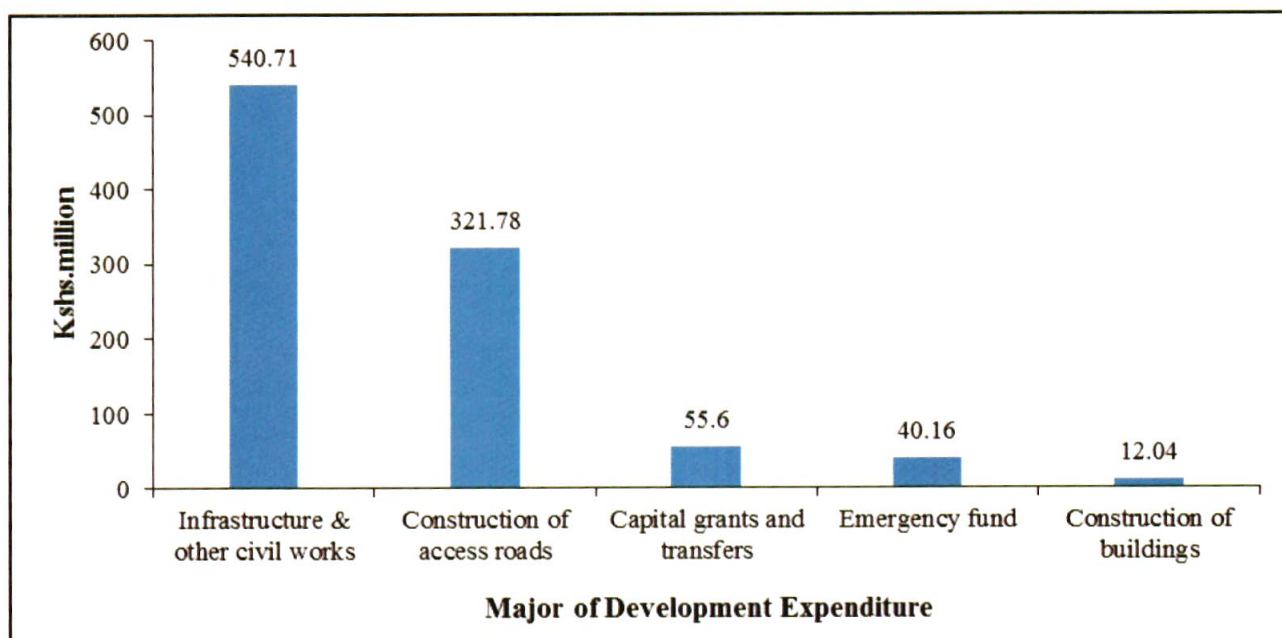


Source: Vihiga County Treasury

3.45.7 Analysis of Development Expenditure

The total development expenditure of Kshs.970.28 million represented 59.1 per cent of the annual development budget. Figure 3.180 provides a summary of development expenditure during the period under review.

Figure 3.180: Vihiga County, Summary of Development Expenditure for FY 2015/16



Source: Vihiga County Treasury

Analysis of the development expenditure indicated that the highest expenditure of Kshs.540.71 million was incurred on infrastructure and civic works. The second highest expenditure of Kshs.321.78 million was incurred by the Department of Transport and Infrastructure on tarmacking 1.8 Kilometres of the Mbale-loop road, and, grading and gravelling of other roads.

3.45.8 Analysis of Budget Performance by Department

Table 3.135 shows a summary of FY 2015/16 annual budget estimates and budget performance by department.

Table 3.135: Vihiga County, FY 2015/16 Budget Performance by Department

Department	Budget Allocation (Kshs.Million)		Exchequer Issues (Kshs.Million)		Expenditure (Kshs.Million)		Expenditure to Exchequer Issues (%)		Expenditure to Budget Allocation (Absorption rate (%))	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
Agriculture, Livestock, Fisheries	130.13	30.75	129.88	14.14	91.32	11.77	70.3	83.2	70.2	38.3
Lands, housing	28.31	44.05	28.12	15	15.54	4.75	55.3	31.7	54.9	10.8
Transport & Infrastructure	55.88	230.08	53.24	221.08	33.94	326.74	63.7	147.8	60.7	142.0
Industrialisation, Trade & Tourism	45.7	81.4	45.36	5	16.04	28.89	35.4	577.8	35.1	35.5
Health Services	738.67	181.21	737.63	123.88	579.61	31.65	78.6	25.5	78.5	17.5
Education, Science & Technology	114.13	204.2	109.98	197.58	52.74	77.63	48.0	39.3	46.2	38.0

Department	Budget Allocation (Kshs.Million)		Exchequer Issues (Kshs.Million)		Expenditure (Kshs.Million)		Expenditure to Exchequer Issues (%)		Expenditure to Budget Allocation (Absorption rate (%))	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
County Executive	262.09	50	256.7	0	201.29	40.16	78.4		76.8	80.3
County Assembly	669.13	103	623.92	50	530.75	32.81	85.1	65.6	79.3	31.9
County Treasury	279.56	598.99	271.61	549.89	240.92	390.93	88.7	71.1	86.2	65.3
County PSB	54.32	0	54.09	0	30.14	0	55.7		55.5	
Public Service & Administration	225.19	6.4	222.28	0	169.96	0	76.5		75.5	0.0
Gender, Culture, Youth & Sports	49.7	70.9	47.48	0	38.59	17.84	81.3		77.6	25.2
Environment, Natural Resources, Water and Forestry	73.37	40.6	73.29	14.91	36.34	7.1	49.6	47.6	49.5	17.5
Total	2,726.18	1,641.58	2,653.58	1,191.48	2,037.18	970.28	76.8	81.4	74.8	59.1

Source: *Vihiga County Treasury*

Analysis of budget performance by department shows that the Department of Transport and Infrastructure attained the highest absorption rate of its development budget at 142.0 per cent while both the Department of Health services and that of Environment, Natural Resources, Water and Forestry had the lowest absorption rate at 17.5 per cent. The Public Service and Administration department did not incur any development expenditure. On the other hand, the County Treasury had the highest percentage of recurrent expenditure to its recurrent budget at 86.2 per cent while the Department of Industrialization, Trade and Tourism had the lowest at 35.1 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. Improvement in revenue collection from Kshs.115.4 million in FY 2014/15 to Kshs.138.94 million in FY 2015/16, representing an increase of 20.4 per cent.
- ii. Improved adherence with the budget preparation cycle as provided in the PFM Act, 2012.

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

1. Expenditure for some Votes exceeded the appropriated amount. For example, the development expenditure by the Department of Transport and Infrastructure exceeded the approved supplementary

budget allocation by 42 per cent.

2. Failure to submit quarterly financial reports on the established County Funds; namely; the Empowerment Fund, the Education Fund, and the Emergency Fund as required by Section 168 of the PFM Act, 2012.
3. In FY 2015/16, the County Assembly reported expenditure on MCA sitting allowances of Kshs.89.26 million which translated to a monthly average of Kshs.185,996 for each MCA compared to the recommended SRC's maximum monthly ceiling of Kshs.124,800.

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

1. *The County should enhance budgetary control to ensure expenditure is within the law.*
2. *The Fund Administrators should ensure that quarterly reports on established Funds are prepared and submitted to the Controller of Budget in line with the provisions of Section 168 of the PFM Act, 2012.*
3. *The County Assembly should put in place adequate budgetary controls to ensure its expenditure is within the law. All excess payments of MCAs' sitting allowances should be recovered.*

3.46 Wajir County

3.46.1 Overview of the FY 2015/16 Budget

The County's FY 2015/16 Approved Supplementary Budget was Kshs.8.27 billion, comprising of Kshs 3.81 billion (46.1 per cent) and Kshs.4.46 billion (53.9 per cent) for recurrent and development expenditure respectively.

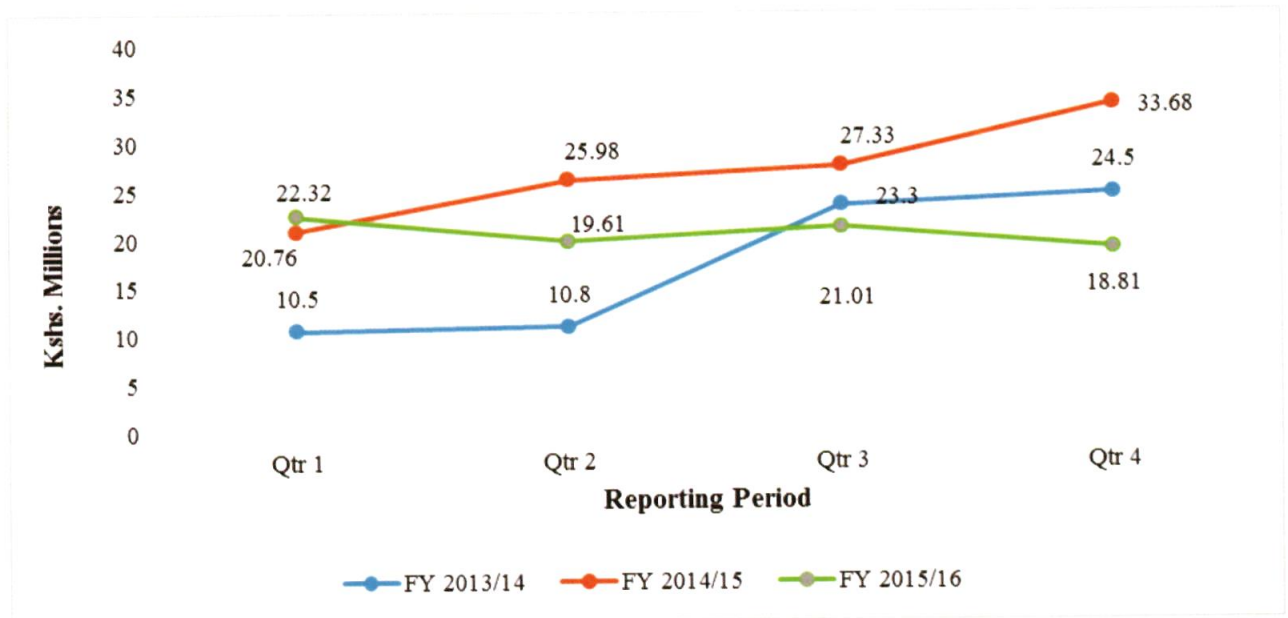
To finance the budget, the County expected to receive Kshs.7.23 billion (87.4 per cent) as equitable share of revenue raised nationally, Kshs.289.80 million (3.5 per cent) as total conditional grants, generate Kshs.150.00 million (1.8 per cent) from local sources, and had a cash balance of Kshs.670.09 million (8.1 per cent) from FY 2014/15. The conditional grants comprised of Kshs.50.29 million (17.4 per cent) for Free Maternal Health Care, Kshs.91.88 million (31.7 per cent) from the Road Maintenance Fuel Levy Fund, Kshs.15.43 million (5.3 per cent) for User Fees Foregone, Kshs.16.37 million (5.7 per cent) as loan from World Bank and Kshs.20.09 million (6.9 per cent) as a grant from DANIDA.

3.46.2 Revenue Analysis

During the year, the County received Kshs.7.23 billion as equitable share of the revenue raised nationally, Kshs.157.60 million as total conditional allocations, raised Kshs.81.75 million from local sources, and had a cash balance of Kshs.670.51 million brought forward from FY 2014/15.

Figure 3.168 shows the quarterly trend in local revenue collection from FY 2013/14 to FY 2015/16.

Figure 3.181: Wajir County, Trend in Local Revenue Collection by Quarter from FY 2013/14 to FY 2015/16



Source: Wajir County Treasury

The total local revenue collected in the FY 2015/16 of Kshs.81.75 million consisted of Kshs.22.32 million generated in the first quarter, Kshs.19.61 million in the second quarter, Kshs.21.01 million in the third quarter, and Kshs.18.81 million in the fourth quarter. The revenue was 54.5 per cent of the annual local revenue target, a decrease from Kshs.107.74 million collected in FY 2014/15.

Table 3.136 provides an analysis of the local revenue collected in FY 2015/16 by revenue stream

Table 3.136: Wajir County analysis of revenue collected by stream in FY 2015/16

No	Revenue Stream	Annual Actual Revenue (Kshs. in millions)	Actual Revenue as a percentage of Annual Target (%)
1	Miraa cess	18.87	20.4
2	Livestock Auction fees	10.81	13.2
3	Cost Sharing	7.78	7.9
4	Single business permit	7.74	9.5
5	Hire of County Assembly	7.42	9.1
6	Building Materials	6.70	8.2
7	Cereals	3.84	4.7
7	Livestock Export fees	2.58	3.2
9	Land Rent	2.55	3.1
10	Septic Tanks	2.13	2.6
11	Other sources	11.33	13.9
Total		81.75	100

Source: Wajir County Treasury

Analysis of the local revenue collected by stream indicated that, Miraa cess made the highest contribution of the annual revenue collected at 20.4 per cent. This was followed by other sources at 13.9 per cent, and Livestock Auction fees at 13.2 per cent. The County did disaggregate the annual revenue target by revenue stream.

The County deposited all locally generated revenue into the County Revenue Fund account maintained at Central Bank of Kenya (CBK) as required by Article 207 (1) of the Constitution.

3.46.3 Conditional Grants

Table 3.137 shows an analysis of the conditional grants released in FY 2015/16.

Table 3.137: Wajir County analysis of conditional grant releases in FY 2015/16

No.	Conditional Grant	Amount allocated as provided in CARA 2015 (Kshs.)	Actual receipt of the Conditional Grant (Kshs.)	Actual receipts as a percentage of Annual Allocation (%)
1	Road Maintenance Fuel Levy Fund	91,879,854	91,879,854	100
2	Free Maternal Health Care	50,286,600	50,286,600	100
3	User Fees Forgone	15,429,821	15,429,821	100
4	DANIDA Grant	20,090,000	0.00	0.00
Total		177,686,275	157,596,275	88.7

Source: *Wajir County Treasury*

All projected revenue from conditional grants was fully realized except for the DANIDA grant which did not record any revenue.

3.46.4 Exchequer Issues

During the period under review, the Controller of Budget (COB) authorised withdrawal of Kshs.7.84 billion from the CRF account, which was 95.4 per cent of the Approved Supplementary Budget. The amount represented an increase of 17.2 per cent from Kshs.6.73 billion authorized in FY 2014/15 and consisted of Kshs.3.86 billion (49.2per cent) for recurrent expenditure and Kshs.3.98 billion (50.8 per cent) for development activities.

3.46.5 Overall Expenditure Review

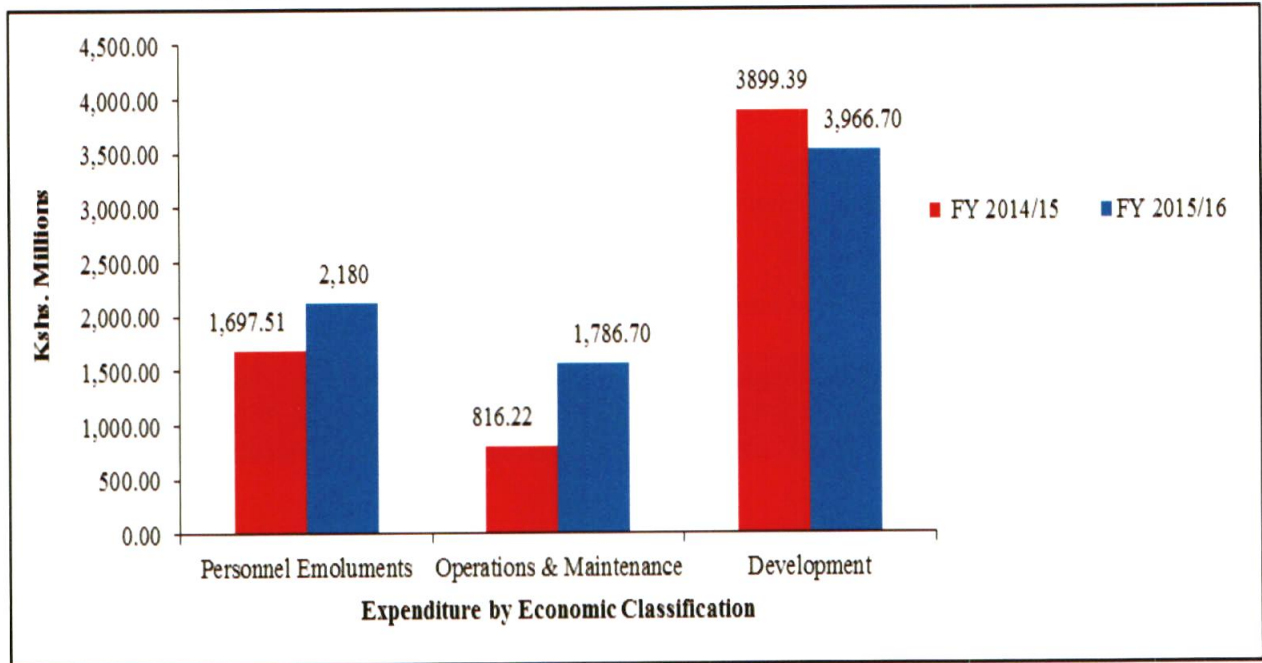
The County spent a total of Kshs.7.77 billion in FY 2015/16, which was 99.1 per cent of the total funds released for operations. This was an increase from the Kshs.6.57 billion spent in FY 2014/15.

A total of Kshs.3.97 billion was spent on recurrent activities, while Kshs.3.80 billion was spent on development activities. The recurrent expenditure was 102.8 per cent of the funds released for recurrent activities while development expenditure accounted for 95.4 per cent of the funds released for development activities. Data on pending bills had not been availed at the time of finalizing this report.

The recurrent expenditure represented 104.1 per cent of the annual recurrent budget, an increase from 92.3 per cent attained in FY 2014/15. Development expenditure recorded an absorption rate of 85.1 per cent, which

was a decrease from 89.4 per cent absorbed in FY 2014/15. Figure 3.169 presents a comparison between the total expenditure in FY 2015/16 and FY 2014/15.

Figure 3.182: Wajir County, Expenditure by Economic Classification for FY 2015/16 and FY 2014/15



Source: Wajir County Treasury

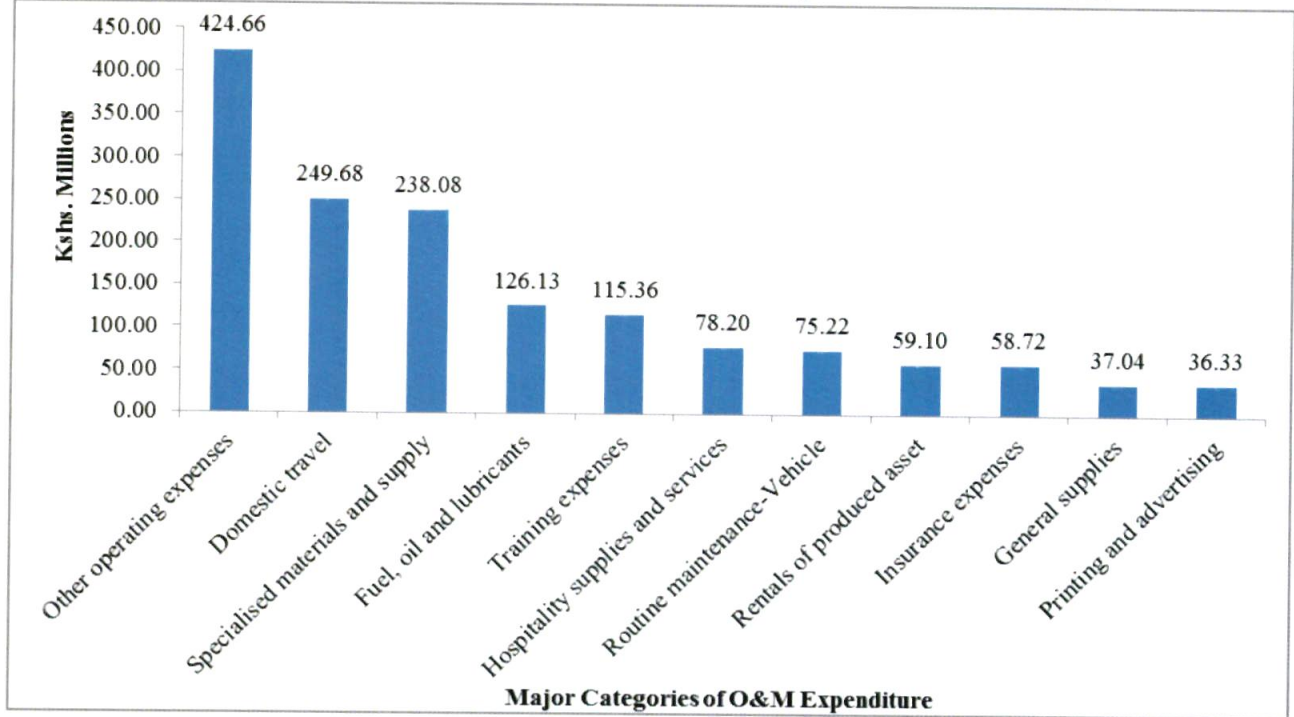
3.46.6 Analysis of Recurrent Expenditure

The total recurrent expenditure of Kshs.3.97 billion represented 102.8 per cent of the annual recurrent budget of Ksh.3.81 billion. The County spent Kshs.2.18 billion (54.5 per cent) on personnel emoluments and Kshs.1.79 billion (53.3 per cent) on operations and maintenance as shown in Figure 3. Expenditure on personnel emoluments represented an increase of 25.3 per cent compared to FY 2014/15 when the County spent Kshs.1.70 million. The increase is attributed to a growing workforce in the County and the regular annual salary increment.

The County spent Kshs.42.12 million on sitting allowances to the 45 MCAs and the Speaker against the annual budget allocation of Kshs.60.22 million. This was a decrease compared to Kshs.90.01 million spent in FY 2014/15. The average monthly sitting allowance was Kshs.78,002 compared to SRC's recommended monthly ceiling of Kshs.124,800.

Expenditure on domestic and foreign travel was Kshs.267.24 million compared to Kshs.182.08 million spent in FY 2014/15, representing an increase of 52.3 per cent. Figure 3.170 shows a summary of the operations and maintenance expenditure by major categories.

Figure 3.183: Wajir County, Operations and Maintenance Expenditure for FY 2015/16

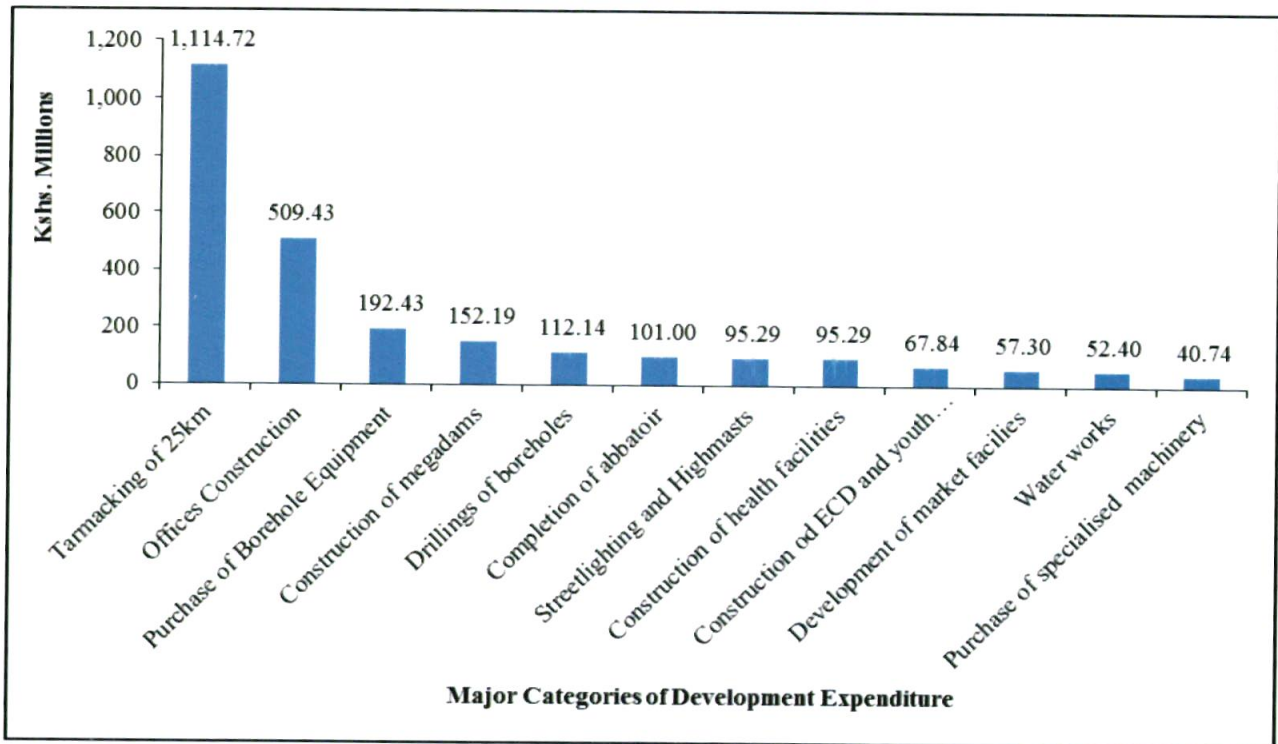


Source: Wajir County Treasury

3.46.7 Analysis of Development Expenditure

The total development expenditure of Kshs.3.80 represented 95.4 per cent of the annual budget of Kshs.4.46 billion. Figure 3.171 provides a summary of development expenditure during the period under review.

Figure 3.184: Wajir County, Summary of Development Expenditure for FY 2015/16



Source: Wajir County Treasury

Analysis of the development expenditure in FY 2015/16 indicated that the highest expenditure of Kshs.1.11 billion was incurred by the Lands and Infrastructure department on construction and maintenance of access roads and tarmacking of 25 kilometres of roads in the County. The second highest expenditure of Kshs.509.43 million was incurred by the Public Works department on office construction while Kshs.192.43 million and Kshs.152.19 million was spent on purchase of borehole equipment and construction of dams by the Water, Sanitation and Natural Resources department respectively.

3.46.8 Analysis of Budget Performance by Department

Table 3.138 shows a summary of FY 2015/16 annual budget estimates and budget performance by department.

Table 3.138: Wajir County, FY 2015/16 Budget Performance by Department

Department	Budget Allocation (Kshs.Million)		Exchequer Issues (Kshs.Million)		Expenditure (Kshs.Million)		Expenditure to Exchequer Issues (%)		Expenditure to Budget Allocation (Absorption rate (%))	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
Office of the Governor	420.15	0.00	420.15	0	409.19	0.00	97.4	0.0	97.4	0.0
WAJWASCO	49.71	69.46	49.71	66.81	42.85	65.36	86.2	97.8	86.2	94.1
Finance and Economic Planning	495.19	13.95	495.19	12.00	469.73	12.90	94.9	107.5	94.9	92.5
Education and Youth	197.20	203.75	197.20	186.67	193.36	184.54	93.6	98.9	93.6	93.6
Health Services	696.57	740.86	696.57	568.35	682.83	604.47	98.0	106.4	98.0	81.6
Public Services & Special programmes	555.72	21.00	555.72	15.91	531.58	17.40	95.7	109.4	95.7	82.9
Lands and Infrastructure	99.78	351.10	99.78	269.81	75.28	176.53	75.5	65.4	75.5	50.3
E-government, Information and Communication	86.30	67.17	86.30	64.40	72.95	37.67	84.5	58.5	84.5	43.7
Trade, Industrialization and Co-operative	51.67	193.77	51.67	178.70	50.68	184.18	98.1	103.0	98.1	95.1
Agriculture and Livestock	160.70	174.80	160.70	157.45	157.23	132.03	97.8	83.9	97.8	75.5
Water, Sanitation and Natural resources	159.40	1025.32	159.40	935.47	147.12	985.99	92.3	105.4	92.3	96.2
Energy and Environment.	87.19	206.43	87.19	190.65	82.62	164.52	94.8	86.3	94.8	79.7
County Public Service Board	35.52	0.00	35.52	0.00	33.72	0.00	94.9	0.0	94.9	0.0
County Assembly	560.33	0.00	560.33	0.00	560.30	0.00	99.9	0.0	99.9	0.0
Total	3809.52	4463.28	3809.52	3982.31	3701.44	3533.79	97.2	88.7	95.2	79.2

Source: Wajir County Treasury

Analysis of budget performance by department shows that the Department of Water, Sanitation and Natural Resources attained the highest absorption rate of development expenditure at 96.2 per cent while the Office of the Governor and the County Assembly did not incur any development expenditure. The County Assembly had the highest percentage of recurrent expenditure to recurrent budget at 99.9 per cent while the Department of Lands and Infrastructure had the lowest at 75.5 per cent.

3.46.9 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. Adoption of IFMIS in processing financial transactions.

Despite the progress made, 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 execution reports.
2. Failure by Fund Administrators to submit expenditure reports on the established County Funds such as the Bursary Fund and the Revolving Fund, contrary to Section 168 of the PFM Act, 2012.
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. Underperformance in local revenue collection. The local revenue collection has declined from Kshs.107.7 million in the FY 2014/15 to Kshs.81.75 million in the reporting period and represents 54.5 per cent of the annual target.

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

1. *The County Treasury should ensure timely preparation and submission of financial reports in line with Section 166 (4) of PFM Act, 2012.*
2. *The County Treasury should ensure timely submission of expenditure reports on the established Funds in line with Section 168 of the PFM Act, 2012.*
3. *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.*
4. *The County Treasury should formulate strategies to increase local revenue collection.*

3.47 West Pokot County

3.47.1 Overview of the FY 2015/16 Budget

The County's FY 2015/16 Approved Supplementary Budget was Kshs.4.83 billion, comprising of Kshs.2.82 billion (58.4 per cent) and Kshs.2.01 billion (41.6 per cent) for recurrent and development expenditure respectively.

To finance the budget, the County expected to receive Kshs.4.31 billion (89.3 per cent) as equitable share of revenue raised nationally, Ksh.135.99 million (2.8 per cent) as total conditional grants, generate Kshs.177.31 million (3.7 per cent) from local sources and had a cash balance of Kshs.203.5 million (4.2 per cent) from FY 2014/15. The Kshs.135.99 million conditional grant comprised of Kshs.11.95 million (8.8 per cent) for User Fees Foregone, Kshs.41.26 million (30.3 per cent) for Free Maternal Health Care, Kshs.54.8 million (40.3 per cent) from the Road Maintenance Fuel Levy Fund, Kshs.15.8 million (11.6 per cent) as World Bank grant

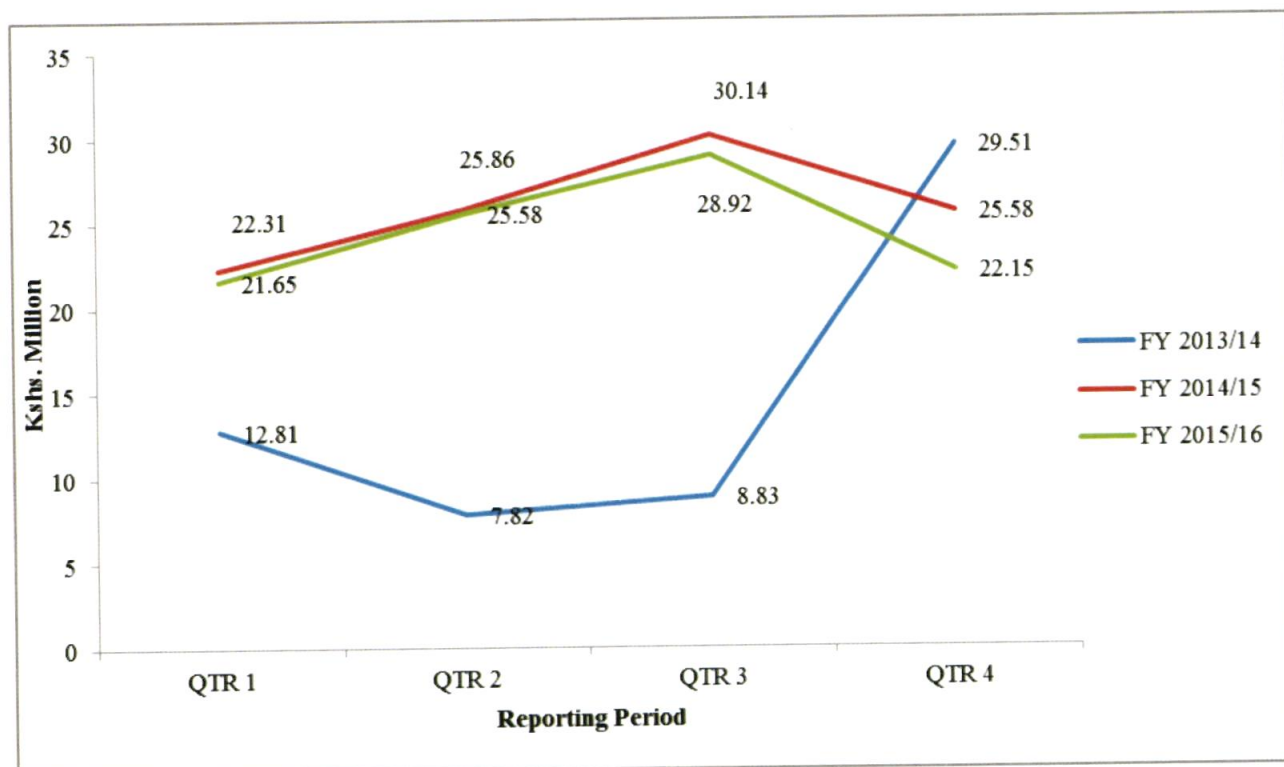
to support health facilities, Kshs.12.18 million (9 per cent) as a conditional grant from DANIDA. However, Kshs.95.74 million for Leasing of Medical Equipment was not factored in the budget.

3.47.2 Revenue Analysis

During the year, the County received Kshs.4.31 billion as equitable share of revenue raised nationally, Kshs.132.40 million as total conditional allocations, raised Kshs.98.31 million from local sources, and had a cash balance of Kshs.203.5 million brought forward from FY 2014/15. The County did not borrow any funds to finance the budget.

Figure 3.185 shows the quarterly trend in local revenue collection from FY 2013/14 to FY 2015/16.

Figure 3.185: West Pokot County, Trend in Local Revenue Collection by Quarter from FY 2013/14 to 2015/16



Source: West Pokot County Treasury

The total local revenue collected in FY 2015/16 of Kshs.98.31 million consisted of Kshs.21.65 million generated in the first quarter, Kshs.25.58 million in the second quarter, Kshs.28.92 million in the third quarter, and Kshs.22.15 million in the fourth quarter. The revenue was 55.4 per cent of the annual local revenue target, a decrease from Kshs.103.9 million collected in FY 2014/15.

Error! Reference source not found. provides an analysis of the local revenue collected in FY 2015/16 by revenue stream.

Table 3.139: West Pokot County analysis of revenue collected by stream in FY 2015/16

No.	Revenue stream	Budget estimates 2015/16	Actual revenue FY 2015/16	Revenue Performance (%)
1	Kiosk Rent	3,200,000	1,784,300	55.8
2	Single Business Permits	16,000,000	6,607,420	41.3
3	Market Fees	6,000,000	3,379,335	56.3
4	Building Approval Fee	500,000	235,600	47.1
5	Other Cess	8,000,000	5,989,511	74.9
6	Royalties	30,000,000	25,772,015	85.9
7	Livestock Cess	12,000,000	7,041,955	58.7
8	House Rent	500,000	1,566,832	313.4
9	Advertising Fee	1,000,000	258,560	25.9
10	Parking Fee	500,000	696,550	139.3
11	Bus Pack and Motorcycle Operating Fee	7,000,000	6,036,988	86.2
12	Renewals/Application Fee	2,200,000	1,454,100	66.1
13	Liquor Licensing Fee	1,000,000	62,000	6.2
14	Other Fees/ Charges	11,000,000	9,402,495	85.5
15	Hire of Agricultural Machinery and Sale of Seedlings	2,500,000	364,400	14.6
16	Health (Cost Sharing & NHIF)	40,000,000	26,453,217	66.1
17	Lands Rates	30,908,244	655,280	2.1
18	Livestock Permits	5,000,000	544,555	10.9
Total Own Revenue		177,308,244	98,305,114	55.4

Source: West Pokot County Treasury

Analysis of the local revenue by stream indicated that, house rent recorded the highest performance against annual target at 313.4 per cent. This was followed by parking fees at 139.3 per cent, and royalties at 89 per cent. Land rates recorded the lowest performance against annual target at 2.1 percent followed by liquor licencing at 6.2 per cent

The County deposited all locally generated revenue into the County Revenue Fund account maintained at Central Bank of Kenya (CBK) as required by Article 207 (1) of the Constitution.

3.47.3 Conditional Grants

Table 3.140 shows an analysis of the conditional grants released in FY 2015/16.

Table 3.140: West Pokot County analysis of conditional grant releases in FY 2015/16

Conditional grant	Amount allocated as provided in CARA 2015 (Kshs.)	Actual receipt of the Conditional Grant (Kshs.)	Actual receipts as a percentage of Annual Allocation (%)
Road Maintenance Fuel Levy Fund	54,798,238	54,798,236	100.0
Free Maternal Health Care	41,260,800	37,675,000	91.3
User Fees Foregone	11,950,786	11,950,786	100.0
DANIDA Grant	12,180,000	12,180,000	100.0
World Bank Grant	15,799,898	15,799,898	100.0
TOTAL	135,989,722	132,403,920	97.4

Source: West Pokot County Treasury

Analysis of the conditional grant releases for the period under review indicated that all projected revenue was fully realized except for the Free Maternal Health Care grant, which recorded a performance of 91.3 per cent against the annual target.

3.47.4 Exchequer Issues

During the period under review, the Controller of Budget authorised withdrawal of Kshs.4.57 billion from the CRF account, which was 94.7 per cent of the Approved Supplementary Budget. The amount represented an increase of 9.9 per cent from Kshs.4.16 billion authorized in FY 2014/15 and consisted of Kshs.2.81 billion (61.5 per cent) for recurrent expenditure and Kshs.1.76 billion (38.5 per cent) for development activities.

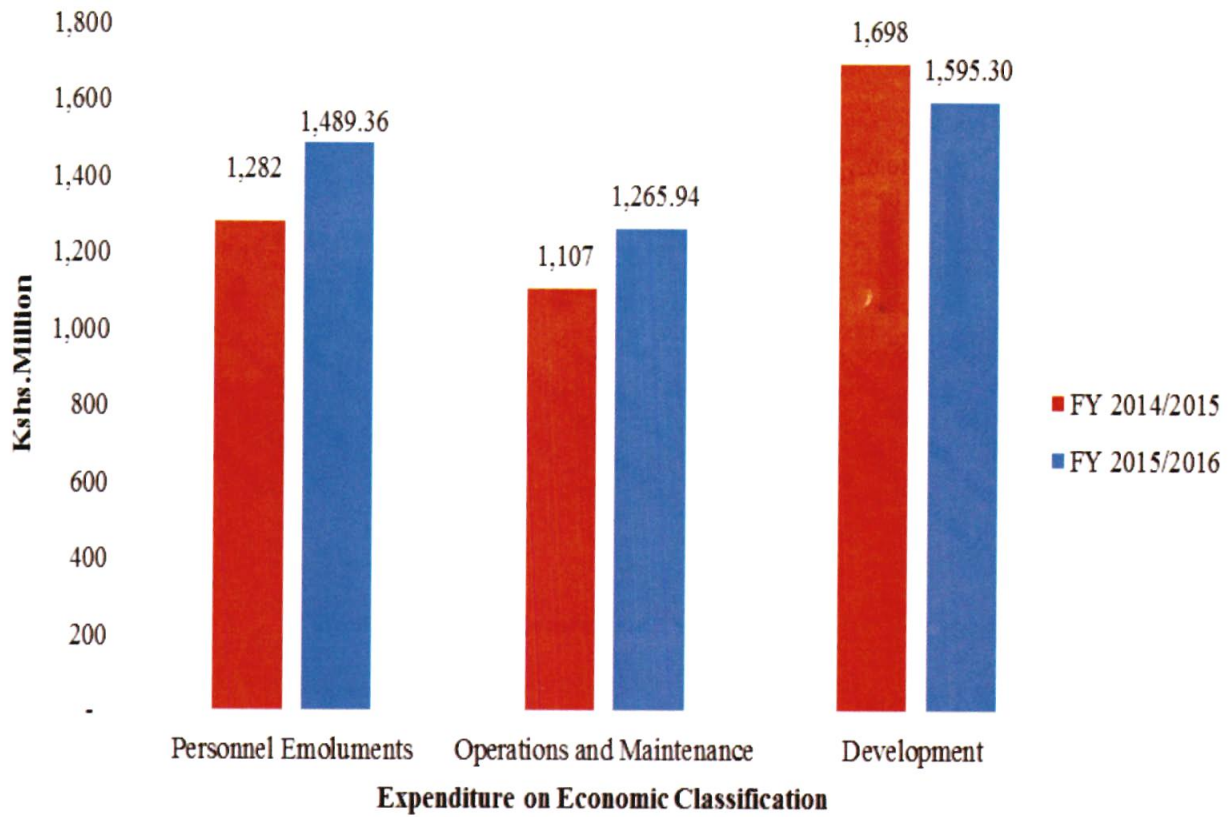
3.47.5 Overall Expenditure Review

The County spent a total of Kshs.4.35 billion in FY 2015/16, which was 95.1 per cent of the total funds released for operations. This was an increase from the Kshs.4.09 billion spent in FY 2014/15.

A total of Kshs.2.76 billion was spent on recurrent activities, while Kshs.1.6 billion was spent on development activities. The recurrent expenditure was 98 per cent of the funds released for recurrent activities while development expenditure accounted for 90.5 per cent of the funds released for development activities. The expenditure excluded pending bills as at 30th June, 2016 that amounted to Kshs.30.25 million for development and Kshs.237.41 million for recurrent expenditure.

The recurrent expenditure represented 97.6 per cent of the annual recurrent budget, a decrease from 98.6 per cent attained in FY 2014/15. Development expenditure recorded an absorption rate of 79.5 per cent, which was a decrease from 91.8 per cent attained in FY 2014/15. Figure 3.182 presents a comparison between the expenditure in FY 2015/16 and FY 2014/15 by economic classification.

Figure 3.186: West Pokot County, Expenditure by Economic Classification for FY 2015/16 and FY 2014/15



Source: West Pokot County Treasury

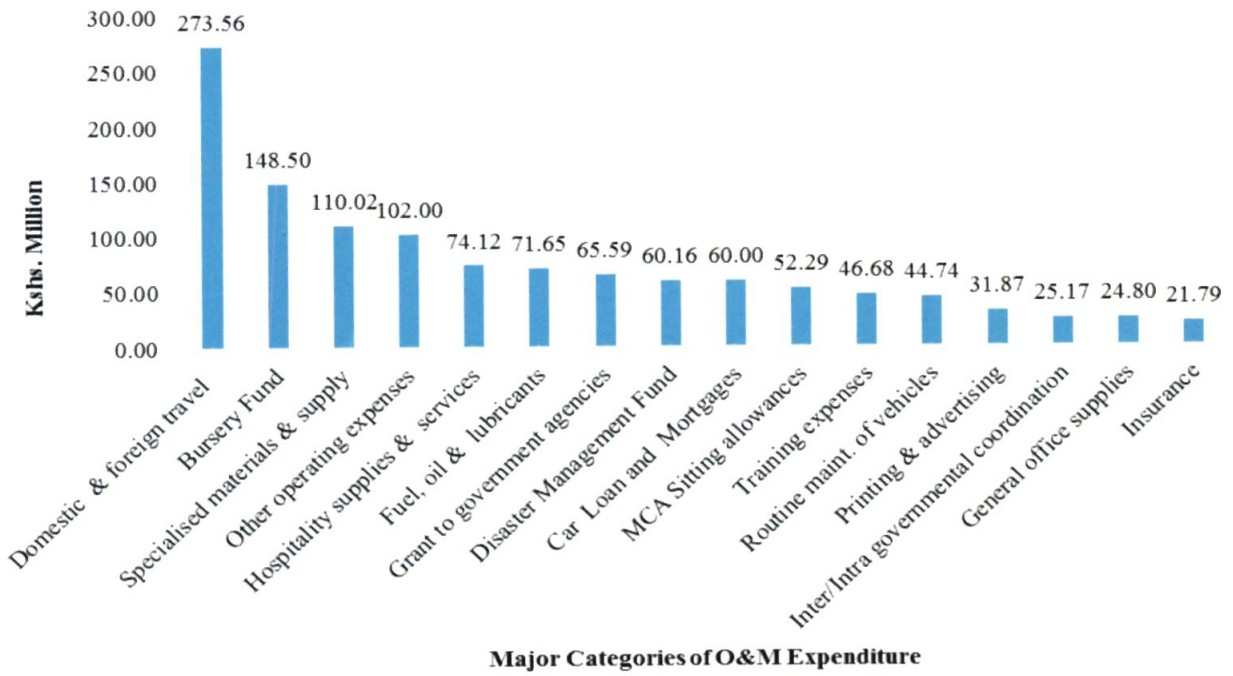
3.47.6 Analysis of Recurrent Expenditure

The total recurrent expenditure of Kshs.2.76 billion represented 97.6 per cent of the annual recurrent budget. The County spent Kshs.1.49 billion (54.1 per cent) on personnel emoluments and Kshs.1.27 million (45.9 per cent) on operations and maintenance as shown in Figure 3.182. The expenditure on personnel emoluments represented an increase of 16.4 per cent compared to FY 2014/15 when the County spent Kshs.1.28 billion. The increase is attributed to a growing workforce in the County.

The County spent Kshs.52.29 million on sitting allowances to the 32 MCAs and the Speaker against the annual budget allocation of Kshs.52.29 million. This was an increase compared to Kshs.44.66 million spent in FY 2014/15. The average monthly sitting allowance was Kshs.132,042 and exceeded the SRC’s recommended monthly ceiling of Kshs.124,800.

Expenditure on domestic and foreign travel was Kshs.273.56 million compared to Kshs.241.90 million spent in FY 2014/15, representing an increase of 13.1 per cent. Figure 3.183 shows a summary of the operations and maintenance expenditure by major categories.

Figure 3.187: West Pokot County, Operations and Maintenance Expenditure for FY 2015/16

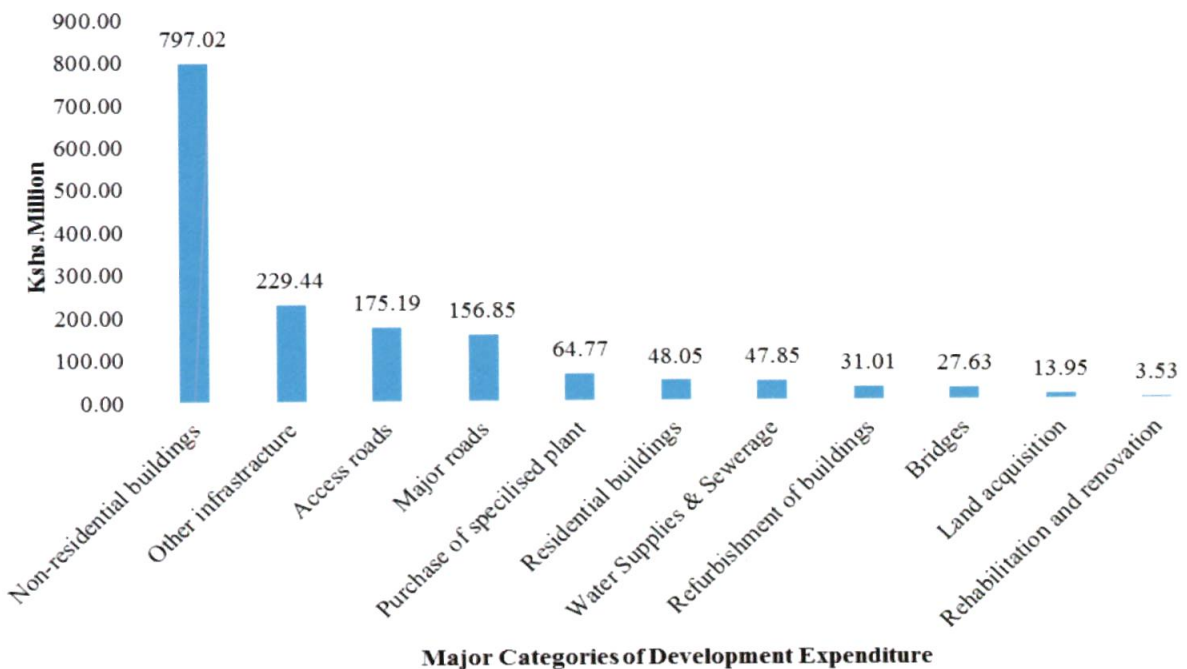


Source: West Pokot County Treasury

3.47.7 Analysis of Development Expenditure

The total development expenditure of Kshs.1.6 billion represented 79.5 per cent of the annual development budget of Kshs.2 billion. Figure 3.184 provides a summary of development expenditure during the period under review.

Figure 3.188: West Pokot County, Summary of Development Expenditure for FY 2015/16



Source: West Pokot County Treasury

Analysis of the development expenditure indicated that the highest expenditure of Kshs.797.02 million was incurred on construction of non-residential buildings. The buildings included; an Agricultural Training Centre at Keringeti, Ward offices, Governor’s residence, students’ hostels and a kitchen hall at Chester Teachers Training College, ECD classrooms at the West Pokot ECD College, completion of construction of staff houses at various dispensaries, and completion of an ICU unit and casualty wing at Kapenguria County Referral Hospital, among others. The second highest expenditure of Ksh.229.44 million was incurred on construction of other infrastructure which included; construction of irrigation schemes at Karimangole, Soybei, Orwa, and Mokuwo.

3.47.8 Analysis of Budget Performance by Department

Table 3.141 shows a summary of FY 2015/16 annual budget estimates and budget performance by department

Table 3.141: West Pokot County, FY 2015/16 Budget Performance by Department

Department	Annual Budget Allocation (Kshs Million)		Exchequer Issues (Kshs Million)		Expenditure (Kshs Million)		Expenditure To Exchequer Issues (%)		Expenditure to Budget Allocation (Absorption rate (%))	
	Rec	Dev.	Rec	Dev.	Rec	Dev.	Rec	Dev.	Rec	Dev.
Office of the Governor	439.80	103.93	438.17	74.00	433.39	85.11	98.9	115.0	98.5	81.9
Finance and Economic Planning	116.09	72.33	115.30	65.15	113.14	42.23	98.1	64.8	97.5	58.4
Roads, Public Works and Transport	82.87	390.96	82.73	348.92	71.97	351.26	87.0	100.7	86.8	89.8
Health and Sanitation	901.02	265.24	900.10	258.29	878.85	179.58	97.6	69.5	97.5	67.7
Education, Communication and ICT	285.36	345.29	284.85	282.24	279.06	269.10	98.0	95.3	97.8	77.9
Agriculture and Irrigation	94.71	210.24	94.09	198.00	94.70	181.81	100.6	91.8	100.0	86.5
Livestock, Fisheries and Veterinary Services	105.00	111.78	104.51	87.00	101.38	76.11	97.0	87.5	96.5	68.1
Trade, Industry and Cooperatives	38.81	71.86	38.74	69.29	37.45	63.48	96.7	91.6	96.5	88.3
Land, Physical Planning and Urban Development	64.63	27.57	64.58	23.11	62.24	27.04	96.4	117.0	96.3	98.1

Department	Annual Budget Allocation (Kshs Million)		Exchequer Issues (Kshs Million)		Expenditure (Kshs Million)		Expenditure To Exchequer Issues (%)		Expenditure to Budget Allocation (Absorption rate (%))	
Water development, Environment & Natural Resources	59.91	196.52	59.50	168.40	55.55	155.18	93.4	92.2	92.7	79.0
Tourism, Culture, Sports, Youth and Gender Development	42.60	101.92	42.13	85.85	41.44	96.28	98.4	112.2	97.3	94.5
County Public Service Management	152.55	22.00	151.27	22.00	150.48	0.08	99.5	0.4	98.6	0.4
County Assembly	439.67	87.81	434.27	80.00	435.67	68.04	100.3	85.0	99.1	77.5
TOTAL	2,823.0	2,007.5	2,810.3	1,762.2	2,755.30	1,595.30	98.0	90.5	97.6	79.5

Source: West Pokot County Treasury

Analysis of budget performance by department shows that the Department of Land, Physical Planning and Urban Development attained the highest absorption rate of development expenditure at 98.1 per cent while the Department of County Public Service Management had the lowest absorption rate of 0.4 per cent. The Agriculture and Irrigation department had the highest expenditure against its recurrent budget at 100 per cent while the Department of Roads, Public Works and Transport had the lowest at 86.8 per cent.

3.47.9 Observations and Recommendations

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

- i. Improved adherence to budget timelines. The CECM-F submitted the CFSP and the FY 2015/16 Budget Estimates to the County Assembly on Feb 28th 2016 and April 30th, 2016 respectively, which were approved by the County Assembly on June 30th, 2016 and March 13, 2016 respectively.
- ii. The County has established a County Budget and Economic Forum (CBEF) as per the provisions of Section 137 of the PFM Act, 2012, which is involved in budgeting and economic matters in the County.
- iii. Adoption of IFMIS in the processing financial transactions.
- iv. Improvement in human capacity through recruitment of additional key staff and continuous training.

Despite the progress made, the following challenges continued to hamper effective budget implementation in the County;

1. Late submission of financial reports by the County Treasury which affected timely preparation of budget execution reports.
2. Failure to establish an Internal Audit Committee to oversee financial operations in the County contrary to Section 155 (5) of the PFM Act, 2012.
3. Underperformance in local revenue collection which stood at 55.4 per cent of the annual local revenue target. The local revenue collection has declined by 5.4 per cent from Kshs.103.9 million in FY 2014/15 to

Kshs.98.31 million in FY 2015/16.

4. Failure to reconcile IFMIS payroll data to IPPD data. While the data generated from IFMIS showed total personnel expenditure of Kshs.1.49 billion for FY 2015/16, data from the IPPD indicated Kshs.1.42 billion as the total payroll cost for the same period. The IFMIS reports also indicated total MCAs' allowances of Kshs.52.29 million while the manually generated payment schedules reflected Kshs.45.78 million.
5. In FY 2015/16, the County Assembly reported expenditure on MCAs' sitting allowances of Kshs.52.29 million which translated to a monthly average of Kshs.132,042 for each MCA compared to the recommended SRC's maximum monthly ceiling of Kshs.124,800.

The County should therefore 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(4) of PFM Act, 2012.*
2. *The County should establish an Internal Audit Committee and also strengthen the internal audit function in line with Section 155 (5) of the PFM Act, 2012.*
3. *The County should formulate strategies to increase local revenue collection.*
4. *The County should regularly reconcile the IFMIS payroll data to the IPPD data, and the MCAs' sitting allowance schedules to ensure accurate reporting.*
5. *The County Assembly should put in place adequate budgetary controls to ensure its expenditure is within the law. All excess payments of MCAs' sitting allowances should be recovered.*

4.0 KEY CHALLENGES AND RECOMMENDATIONS

This section highlights cross-cutting issues that affected budget implementation in FY 2015/16. It also makes appropriate recommendations aimed at addressing the challenges in order to enhance smooth budget execution by the County Governments.

4.1 High expenditure on Personnel Emoluments

In FY 2015/16, the County Governments' spent an aggregate of Kshs.118.65 billion on personnel emoluments (PE), which accounted for 40.2 per cent of the total expenditure for the period and an increase by 15.1 per cent from Kshs.103.10 billion incurred in FY 2014/15. The OCOB has noted an increase in the wage bill, which, if not well managed, will reduce spending on development activities in the long run.

There is need for County Governments to ensure that expenditure on personnel emoluments is contained at sustainable levels and in compliance with Regulation 25 (1) (b) of the Public Finance Management (County Governments) Regulations, 2015 which sets a limit on the County Government's expenditure on wages and benefits at 35 per cent of the County's total revenue.

4.2 Establishment and operationalization of the County Budget and Economic Forums (CBEF)

Section 137 of the PFM Act, 2012 requires a county government to establish the County Budget and Economic Forum (CBEF) to provide means for consultation on matters relating to budgeting and financial management at the County level.

The OCOB has noted that while most of the Counties have constituted the CBEF in line with the provisions of Section 137 of the PFM Act, 2012 some counties are yet to establish the CBEF.

The Office recommends that all county governments should establish CBEFs and also ensure that the CBEFs are actively involved in the budget, economic and financial matters.

4.3 Late submission of financial reports

Section 166 (4) of the PFM Act, 2012 requires the County Treasury to prepare and submit financial reports to the County Assembly, Office of the Controller of Budget, Commission on Revenue Allocation (CRA) and the National Treasury, not later than one month after the end of each quarter. Further, Section 168 of the PFM Act, 2012 requires the designated Fund Administrators of county established Funds to submit financial reports to the County Treasury and the Controller of Budget, not later than fifteen days after the end of each quarter.

The Office notes that during the reporting period, some County Treasuries delayed in submitting their financial reports leading to delays in the preparation of County Budget Implementation Review Report (CBIRR).

County Governments should ensure timely preparation and submission of financial reports in line with Sections 166 and 168 of the PFM Act, 2012 to facilitate timely preparation of County Budget Implementation Review Reports.

4.4 Delays in approval of key budget documents

The Office noted that there were delays in the preparation and approval of key planning documents such as the Annual Development Plan, and the County Fiscal and Strategy Papers in most Counties. This affected smooth implementation of the budget.

Delay in the approval of key budget and planning documents by the County Assembly negatively affects the budget process timelines provided under Section 117 and 126 of the PFM, Act, 2012 and overall budget implementation.

The Office urges the County Governments to ensure adherence to the budget timelines stipulated in law with regard to the submission and approval of budget and planning documents.

4.5 Underperformance in local revenue collection

During the reporting period, the Counties collected Kshs.35.02 billion, representing 69.3 per cent of the annual target of Kshs.50.54 billion, an increase of 3.5 per cent from Kshs.33.85 billion realized in FY 2014/15. The local revenue underperformance implies that some of the planned activities were not implemented.

Counties should formulate strategies to increase local revenue collection.

4.6 Failure by the National Treasury to disburse funds based on the CARA, 2015 disbursement Schedule

The National Treasury did not fully adhere to the disbursement schedule approved by the Senate in releasing funds to the Counties in FY 2015/16. Counties were therefore, lacked certainty on when to expect disbursements, which affected planning of activities. This implied that some planned activities could not be implemented on time.

It is therefore recommended that the National Treasury should release funds based on the CARA disbursement schedule in order to ensure that budget implementation is not affected.

4.7 Inadequate Internal Audit Function and Audit Committees

During the reporting period, the Office noted that some Counties were yet to established internal audit departments, while in some, where the function and an Audit Committee is established, these were ineffective in undertaking their functions. The OCOB is concerned that this issue has not been addressed despite having been raised in previous reports.

The Office recommends that Counties should establish effective internal audit departments and Internal Audit Committees in line with Section 155 of the PFM Act, 2012 and Regulation 167 of the PFM (County Governments) Regulations, 2015, in order to enhance transparency and accountability in the management of public resources.

4.8 Huge pending bills

As at June, 2016 the County Governments reported pending bills amounting to Kshs.37.36 billion. This figure could have been higher if all the counties had submitted their data on pending bills by the time of finalizing this report. These bills were attributed to failure by the Counties to effectively align their procurement plans to the cash flow plans as well as delay by the National Treasury to disburse funds to the County governments.

The accumulation of huge pending bills negatively affects the business community.

The County Governments should ensure effective management of pending bills by aligning procurement plans to cash flow projections and also ensuring that all pending bills are budgeted for in the ensuing financial year and are settled as soon as possible.

4.9 Failure by the National Treasury to disburse funds based on the approved Cash Disbursement Schedule

The National Treasury did not fully adhere to the Disbursement Schedule approved by the Senate in releasing funds to the Counties in FY 2015/16. Therefore the Counties lacked certainty on when to expect cash disbursements, which affected timely implementation of budgeted activities.

It is therefore recommended that the National Treasury should release funds based on the approved Cash Disbursement Schedule in order to facilitate timely implementation of activities.

5.0 CONCLUSION

This report provides an overview of budget implementation by the County Governments during FY 2015/16. The report indicated that the overall absorption of funds improved from 79.1 per cent attained in FY 2014/2015 to 80.4 per cent in FY 2015/16.

On aggregate, the Counties spent Kshs.191.85 billion on recurrent expenditure translating to 91.9 per cent of the approved recurrent budget of Kshs.208.82 billion compared to 92.4 per cent attained in FY 2014/15. A total of Kshs.103.45 billion was spent on development activities which translated to 65.2 per cent of the approved development budget of Kshs.158.62 billion, an improvement compared to the absorption rate of 62.4 per cent attained in FY 2014/15.

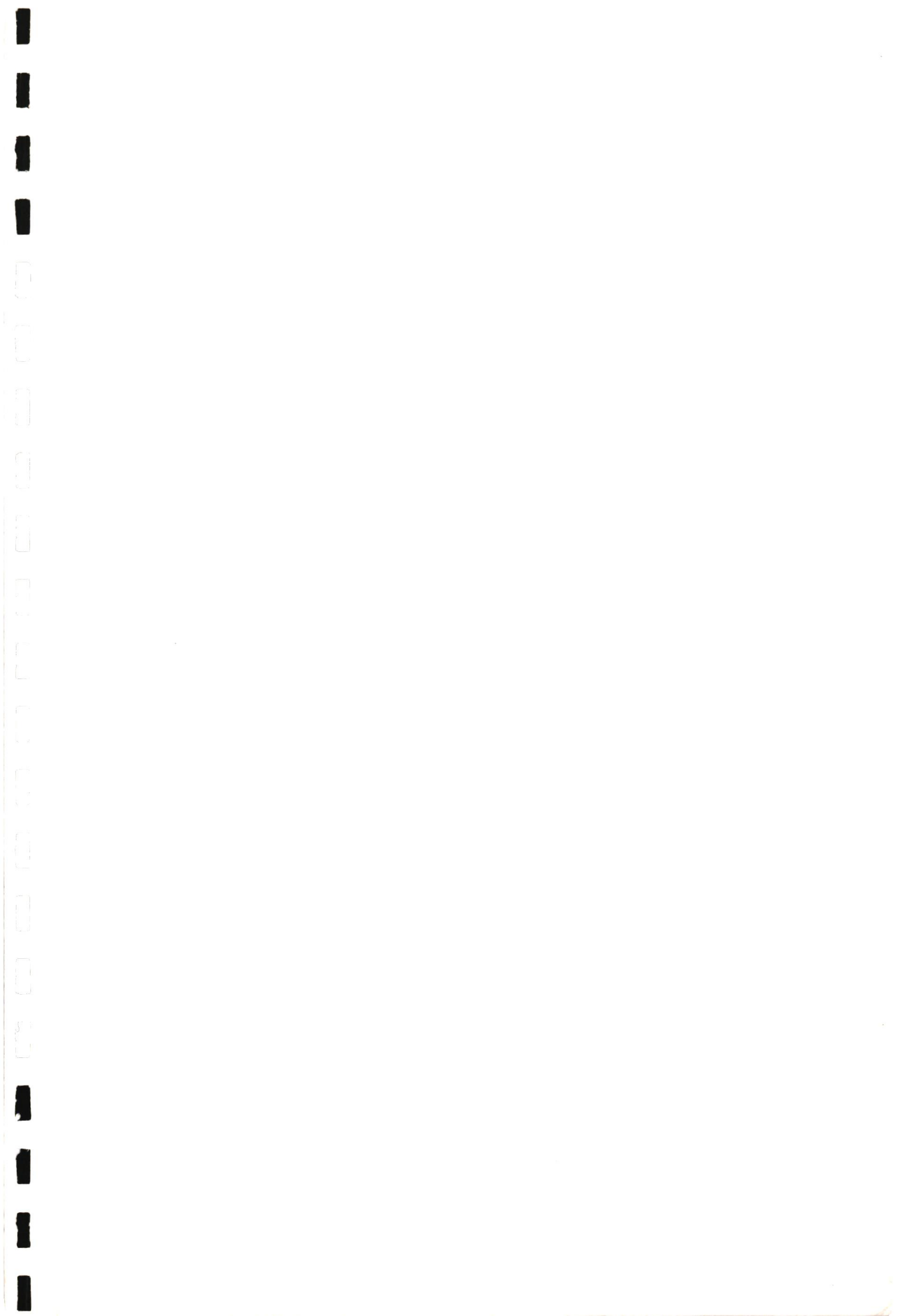
The improved performance is attributed to better planning and improvement in staff capacity through training and the efforts instituted by the Counties to address the challenges that affected budget implementation. Further, oversight institutions including the County Assemblies and the participation of citizens in budget implementation have enhanced budget execution.

This report has also identified cross-cutting challenges which have continued to derail effective and efficient budget execution. Some of these challenges included; delays in approval of key budget documents, underperformance of local revenue collection, inadequate internal audit function and Audit Committees, late submission of financial reports, delays in disbursement of funds by the National Treasury, high level of pending bills, and, a high wage bill. The report also provides appropriate recommendations aimed at addressing the challenges in order to enhance smooth execution of the budget by the County Governments.

The Office of the Controller of Budget (OCOB) is committed in promoting prudent and effective utilization of public resources. Therefore, the Office will continue to provide regular reports to all stakeholders with regard to budget implementation with the aim of informing and positively influencing budget execution by the County Governments.

The Office recognizes that the success of devolution will largely depend on how the National and County Governments utilize the scarce resources in implementing planned activities geared towards stimulating growth and development, creating employment opportunities, creating wealth and ultimately attaining the high standard of living for Kenyan citizens in line with Vision 2030.

NOTES



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