



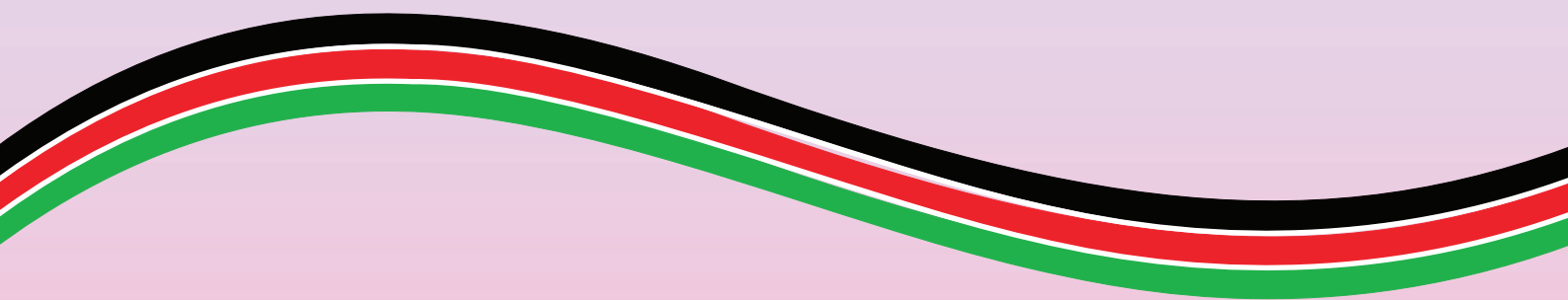
REPUBLIC OF KENYA

OFFICE OF THE CONTROLLER OF BUDGET

**COUNTY GOVERNMENTS BUDGET
IMPLEMENTATION REVIEW REPORT**

**FIRST NINE MONTHS
OF FY 2018/19**

JUNE 2019





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PREFACE

I am pleased to present the County Governments Budget Implementation Review Report (CBIRR) for the first nine months of the Financial Year (FY) 2018/19. The report has been prepared in accordance with Article 228 (6) of the Constitution of Kenya, 2010 and Section 9 of the Controller of Budget Act, 2016. It covers the period from July, 2018 to March, 2019.

The report contains information on the progress made by the County Governments in the implementation of their FY 2018/19 Budgets. Information contained in this report includes; revenue received, expenditures outturn for both development and recurrent activities. The report is based on analysis of financial reports from County Treasuries submitted to the Office of the Controller of Budget (OCOB) in line with Section 166 and Section 168 of the Public Finance Management (PFM) Act, 2012. Information from the financial reports is augmented with data from the Integrated Financial management Information System (IFMIS), Approved Budgets, and internal records on exchequer issues at the Office of the Controller of Budget. The report identifies key challenges that affected effective budget implementation during the reporting period and contains appropriate recommendations to address the challenges.

The Office continues to stress its commitment to the principles that underpin prudent management of public finances. As such, this report is aimed at promoting openness and accountability in the use of public funds. It is my hope that the information contained in this report will equip our partners, stakeholders and the Public at large to effectively engage in oversight of budget implementation at the County level.



Mrs. Agnes Odhiambo, CBS

CONTROLLER OF BUDGET

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ACRONYMS

ADP	Annual Development Plan
A-I-A	Appropriations in Aid
ASDSP	Agriculture Sector Development Support Programme
CA	County Assembly
CARA	County Allocation of Revenue Act
CBEF	County Budget and Economic Forum
CBIRR	County Budget Implementation Review Report
CBK	Central Bank of Kenya
CBROP	County Budget Review and Outlook Paper
CEC	County Executive Committee
CFSP	County Fiscal Strategy Paper
CECM-F	County Executive Committee Member for Finance
CIDP	County Integrated Development Plan
COB	Controller of Budget
CRF	County Revenue Fund
DANIDA	Danish International Development Agency
ERP	Enterprise Resource Planning
EU	European Union
ECDE	Early Childhood Development Education
FAO	Food and Agriculture Organization
FY	Financial Year
IB	Internet Banking
ICT	Information Communication Technology
IDA	International Development Association
IDEAS	Instruments for Devolution Advice and Support
IFMIS	Integrated Financial Management Information System
IPPD	Integrated Payroll Personnel Database
KASP	Kenya Agricultural Support Programme

KCSAP	Kenya Climate Smart Agriculture Project
KDSP	Kenya Devolution Support Programme
KRB	Kenya Roads Board
Kshs	Kenya Shillings
KUSP	Kenya Urban Support Project
MCA	Member of County Assembly
NARIGP	National Agricultural and Rural Inclusive Growth Project
O&M	Operations and Maintenance
OCOB	Office of the Controller of Budget
PE	Personnel Emoluments
PFM	Public Finance Management
RMLF	Road Maintenance Levy Fund
SRC	Salaries and Remuneration Commission
THSUC	Transforming Health Systems for Universal Health Care
UHC	Universal Health Care
UIG	Urban Institutional Grants
WSDP	Water & Sanitation Development Project

EXECUTIVE SUMMARY

This is the third quarter County Budget Implementation Review Report (CBIRR) for the Financial Year 2018/19 which covers the period July, 2018 to March, 2019. The report highlights the progress made in budget implementation by each of the 47 County Governments and has been prepared in fulfilment of Article 228 (6) of the Constitution of Kenya, 2010 and Section 9 of the Controller of Budget Act, 2016.

On aggregate, the Approved Budgets for the County Governments for the Financial Year (FY) 2018/19 amounted to Kshs.**476.12** billion comprising Kshs.**285.30** billion (59.9 per cent) for recurrent expenditure and Kshs.**190.86** billion (40.1 per cent) for development expenditure. In order to finance budgets, County Governments were allocated Kshs.314 billion as the equitable share of revenue raised nationally, Kshs.25.5 billion as conditional grants from the National Government and Kshs.36.98 billion allocations as loans and grants from Development Partners. In addition, the Counties expect to generate Kshs.52.18 billion from the own sources of revenue, and utilise Kshs.54.17 billion unspent funds from FY 2017/18.

During the reporting period, total revenue available to the County Governments amounted to Kshs.302.6 billion comprising of Kshs.200.89 billion as equitable share of revenue and grants to Level 5 Hospitals, Kshs.3.52 billion from the Road Maintenance Fuel Levy Fund, Kshs.1.58 billion for Transforming Health Systems for Universal Care Project (World Bank), Kshs.11.46 billion IDA (World Bank) credit; Kenya Urban Support Project (KUSP), Kshs.1 billion for IDA (World Bank)- Kenya Climate Smart Agriculture Project (KCSAP), Kshs.1.04 billion from DANIDA for Universal Healthcare in Devolved System Program, Kshs.28.94 billion as revenue raised from own revenue sources, and Kshs.54.17 billion cash balance from FY 2017/18.

In the first nine months of FY 2018/19, aggregate revenue generated by the County Governments from own sources amounted to **Kshs.28.92 billion** which was an improvement compared to Kshs.22.23 billion raised in a similar period in the previous financial year. The own-source revenue performance was **55.4 per cent** of the annual target of Kshs.52.18 billion. Counties that raised a higher proportion of own-source revenue compared to annual target were; Narok, Migori, and Isiolo Counties at 93.1 per cent, 86.7 per cent and 84.3 per cent respectively. Equally, counties that recorded the lowest proportion of own-source revenue against annual targets were Meru at 29.4 per cent, Kisii at 27.4 per cent and Wajir at 22.9 per cent.

In the first nine months of FY 2018/19, the Controller of Budget authorized the withdrawal of **Kshs.249.75 billion** from the County Revenue Funds (CRF). This amount comprised of **Kshs.190.61 billion (76.3 per cent)** for recurrent and **Kshs.59.14 billion (23.7 per cent)** for development activities. The authorized amount was an improvement from Kshs.194.33 billion released in a similar period of FY 2017/18. Counties that had the highest amount of funds released from the County Revenue Fund were Nairobi City at Kshs.14.86 billion, Kiambu at Kshs.10.42 billion, and Kakamega at Kshs.8.55 billion while those that received the lowest releases were; Samburu at Kshs.2.83 billion, Isiolo at Kshs.2.66 billion and Lamu at Kshs.1.93 billion.

The total expenditure during the period was **Kshs.230.47 billion** which comprised of **Kshs.183.92 billion** for recurrent expenditure (**64.5 per cent** of the annual recurrent budget) and **Kshs.46.55 billion** for development expenditure (**24.4 per cent** of the annual development budget). This expenditure was **48.4 per cent** of the total annual County Government budgets and was an improvement from Kshs.183.66 billion spent in a similar period of FY 2017/18. Review of the cumulative expenditure by economic classification showed that Kshs.120.54 billion (52.3 per cent) was incurred on personnel emoluments, Kshs.63.39 billion (27.5 per cent) on operations and maintenance and Kshs.46.55 billion (20.2 per cent) on development activities.

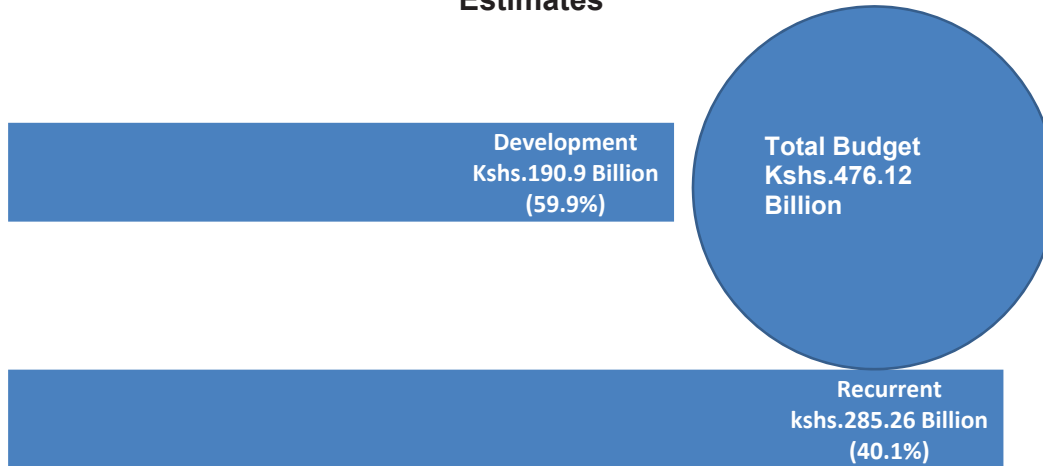
The expenditure on personnel emoluments (PE) of Kshs.120.54 billion was an increase from Kshs.108.04 billion incurred in a similar period in FY 2017/18 when the personnel expenditure translated to 58.8 per cent

of the total expenditure. Counties that reported highest expenditure on personnel emoluments as a percentage of total expenditure were; Machakos County at 66.4 per cent, Embu County at 66.2 per cent and Nyamira County at 66.1 per cent.

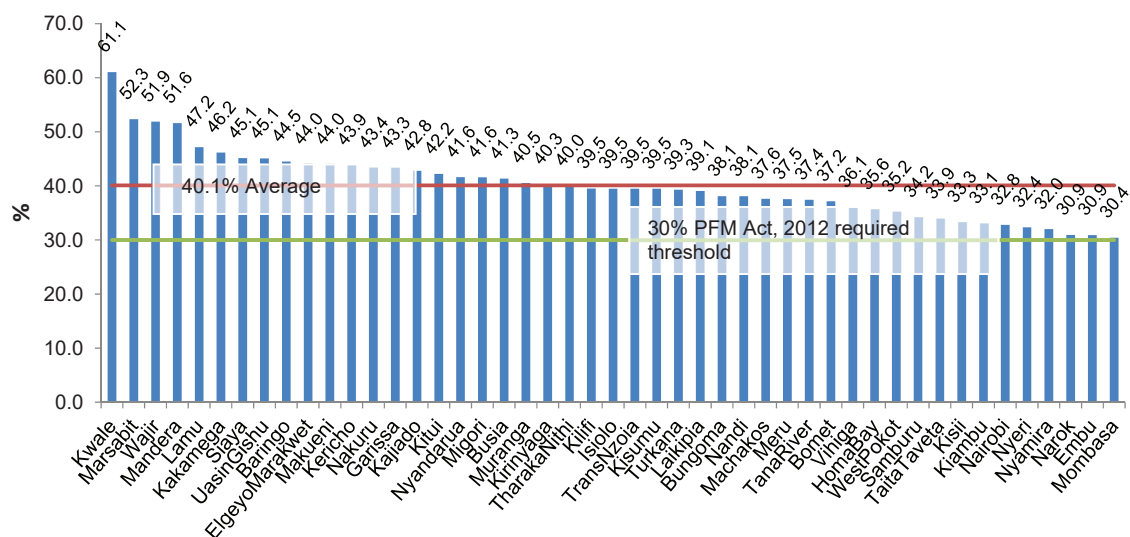
During the reporting period, the Office identified the following challenges faced by County Governments as they implemented their budgets. These included: high expenditure on Personnel Emoluments, under-performance of own sources of revenue collection, delays in the disbursement of equitable share by the National Treasury, late submission of quarterly financial reports to the Controller of Budget, and, high expenditure on travelling by the Counties which increased significantly compared to previous periods.

To address these challenges, the Office recommends that County Governments should establish optimal staffing levels to ensure that personnel costs are sustainable and within the set limit of 35 per cent of a County's total revenue as provided in Regulation 25 (1) (b) of the Public Finance Management (County Governments) Regulations, 2015. Further, County Treasuries to develop and implement strategies to enhance own sources of revenue. The National Treasury should disburse funds to the Counties on a timely manner in order to enhance smooth budget execution, while County Treasuries should prepare and submit reports on financial and non-financial performance to the Office of the Controller of Budget in line with Section 166 and 168 of the PFM Act, 2012. Finally, Counties should rationalise expenditure on non-core activities, such as travelling, in order to free funds for key development programmes.

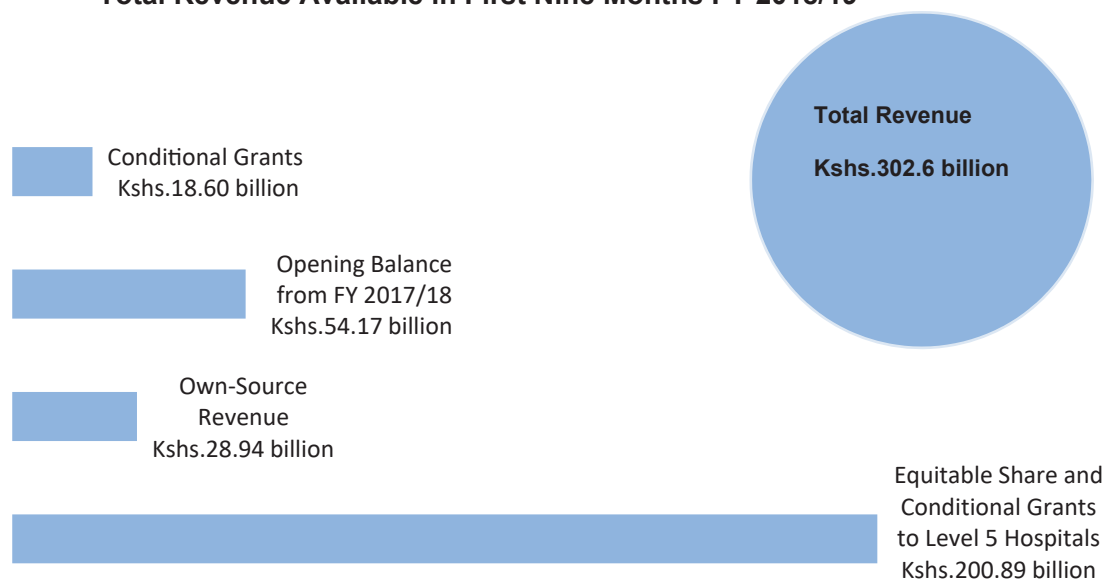
FY 2018/19 County Governments' Approved Budget Estimates



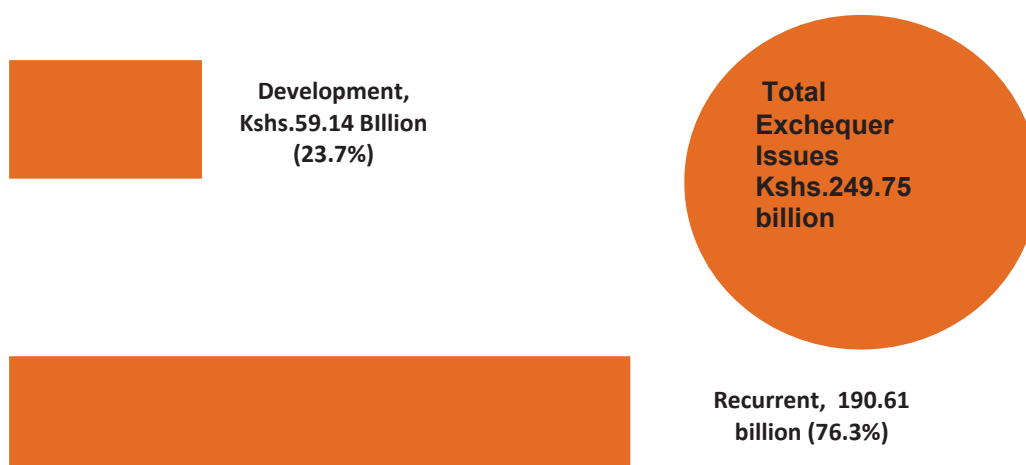
FY 2018/19 County Governments' Development Budget Allocation as a Percentage of Total Budget



Total Revenue Available in First Nine Months FY 2018/19



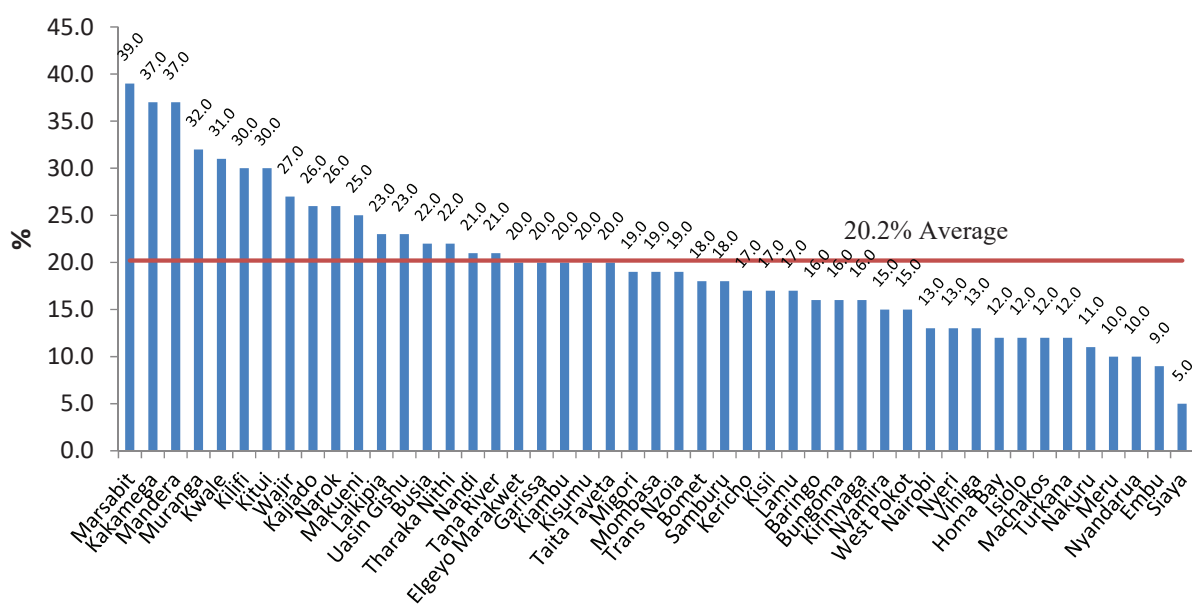
Exchequer Issues in the First Nine Months of FY 2018/19



Expenditure by Economic Classification for First Nine Months FY 2018/19



Development Expenditure as a Percentage of Total Expenditure in the First Nine Months of FY 2018/19



1 INTRODUCTION

The Office of the Controller of Budget (OCOB) is established by Article 228 of the Constitution of Kenya, 2010 to oversee and report on the implementation of the National and County Governments Budgets. Further, Article 228 (4) of the Constitution and Section 9 of the Controller of Budget Act, 2016 spell out the mandate of the Controller of Budget, which include; authorizing withdrawals from public funds, reporting on budget implementation to each House of Parliament every four months and publishing and publicizing the statutory reports, among other functions.

In order to fulfil its mandate, OCOB has prepared this County Budget Implementation Review Report (CBIRR). The report presents the progress made by the County Governments in implementing their budgets in the first nine months of the Financial Year (FY) 2018/19.

The report provides information on the FY 2018/19 Budgets, revenue received by the Counties in the first nine months of the financial year, disbursements of equitable share of revenue from the National Treasury, revenue from conditional grants from both the National Government and Development Partners and revenue generated from own sources. Information on expenditure by Counties is largely based on financial and non-financial reports from the Counties. Both revenue and expenditure outturn is compared with annual targets as provided in the Approved Budgets of the Counties. The report also highlights key challenges that were faced by the County Governments in the course of budget implementation during the period under review. Further, the reports contains recommendations aimed at addressing the challenges in order to enhance budget execution.

This report is structured as follows: Chapter Two provides an analysis of the aggregated budget performance of the 47 county governments. Specifically, the chapter analyses revenue performance against targets and also presents analysis of actual expenditure which is compared with the approved Budget Estimates. Expenditure is disaggregated into recurrent and development expenditure. Recurrent expenditure is further analysed into Personnel Emoluments (PE) and Operations and Maintenance (O&M). In the analysis, absorption rate is computed as a percentage of actual expenditure against approved budget and captures the level of actual expenditures against budgeted expenditures.

Chapter Three presents the performance by each of the 47 Counties. The chapter contains information on budget allocation, exchequer issues and expenditure for the first nine months of FY 2018/19. Chapter Four highlights the key challenges faced by the County Governments and also includes appropriate recommendations to address the identified challenges in order to ensure smooth implementation of County Budgets. Chapter five provides the conclusion.

2 FINANCIAL ANALYSIS OF COUNTY GOVERNMENTS PERFORMANCE

2.1 Introduction

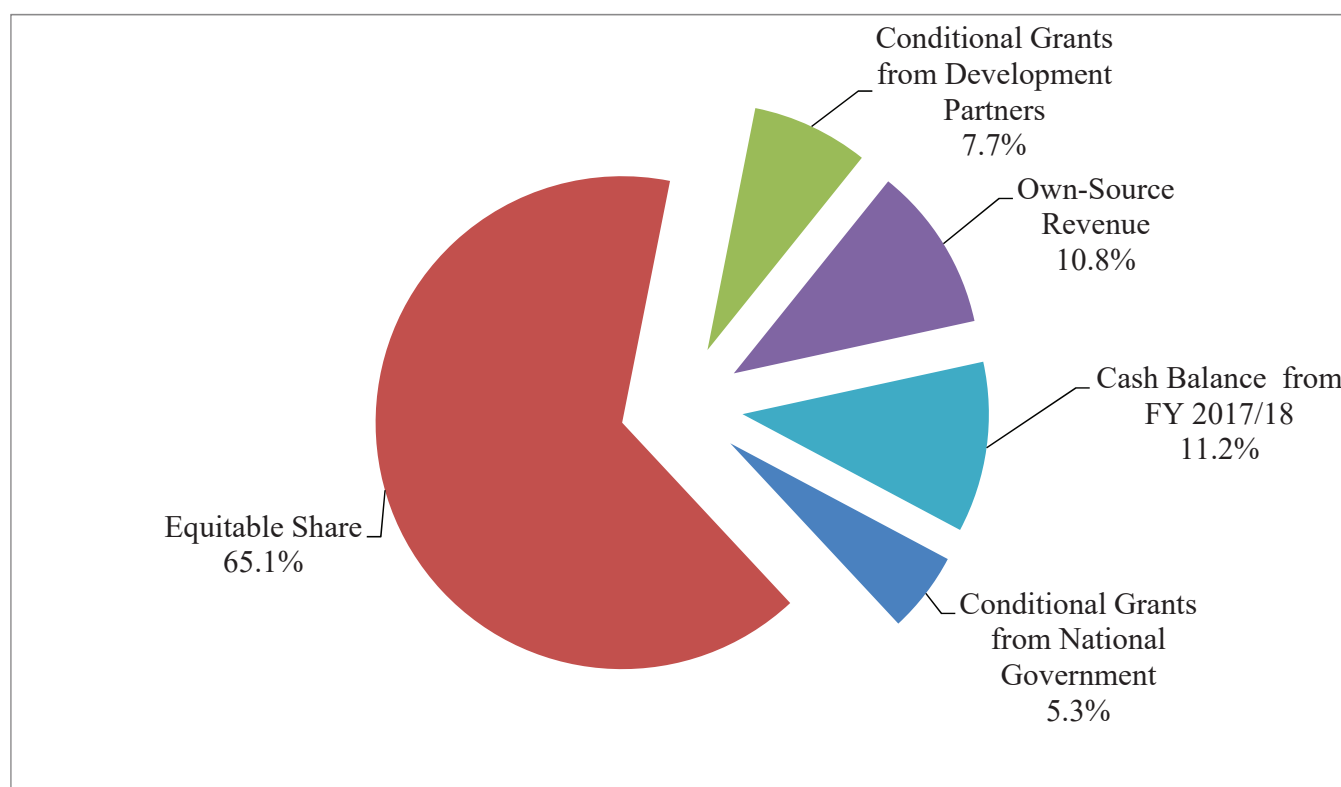
This chapter presents analysis of budget performance by County Governments in the first nine months of FY 2018/19.

2.2 Revenue Analysis

In FY 2018/19, the combined County Government's budgets approved by the County Assemblies amounted to Kshs.476.12 billion and comprised of Kshs.285.30 billion (59.9 per cent) allocated to recurrent expenditure and Kshs.190.86 billion (40.1 per cent) for development expenditure.

In order to finance the budgets, county governments expect to receive Kshs.314 billion as equitable share of revenue raised nationally, Kshs.25.5 billion as total conditional grants from the National Government, Kshs.36.98 billion as conditional grants from Development Partners, generate Kshs.52.18 billion from own sources of revenue, and Kshs.54.17 billion cash balance from FY 2017/18. Figure 2.1 shows expected sources of budget financing in FY 2018/19.

Figure 2.1: Expected Sources of Budget Financing in FY 2018/19



The conditional grants as per CARA, 2018 are shown in Table 2.1.

Table 2.1: Conditional Grants as per CARA, 2018

S/No.	Grants Contained in CARA, 2018	Annual CARA, 2018 Allocation (Kshs.)
Conditional grants from the National Government		
1	Leasing of Medical Equipment	9,400,000,000
2	Level 5 Hospitals	4,326,000,000
3	Road Maintenance Fuel Levy Fund	8,269,000,000
4	Compensation of User Fee Foregone	900,000,000
5	Rehabilitation of Village Polytechnics	2,000,000,000
6	Construction of County Headquarters	605,000,000
	Sub Total	25,500,000,000
Conditional grants from the Development Partners		
7	Transforming Health Systems for Universal Car Project (World Bank),	3,636,589,847
8	IDA (World Bank) credit (National Agricultural and Rural Inclusive Growth Project (NA-RIGP)	2,949,138,423
9	IDA (World Bank)- Kenya Climate Smart Agriculture Project (KCSAP),	3,039,000,000
10	IDA (World Bank) credit: Kenya Devolution Support Project (KDSP) “Level 1 grant”,	2,300,000,000
11	IDA (World Bank) credit: Kenya Urban Support Project (KUSP)	11,464,702,500
12	DANIDA for Universal Healthcare in Devolved System Program	1,012,500,000
13	EU for Instruments for Devolution Advice and Support (IDEAS)	1,040,000,000
14	IDA (World Bank) credit: Water & Sanitation Development Project (WSDP)	3,800,000,000
15	IDA (World Bank) credit: Kenya Devolution Support Project (KDSP) “Level 2 grant”	4,000,000,000
16	Sweden-Agricultural Sector Development Support Programme (ASDSP) II + Bal c/f in FY 2017/18	1,005,453,368
17	EU for Water Tower Protection and Climate Change Mitigation and Adaption Programme (WaTER)	880,000,000
18	IDA (World Bank) credit: Kenya Urban Support Project (KUSP)-Urban Institutional Grants (UIG) + Bal c/f in FY 2017/18.	1,854,000,000
	Sub Total	36,981,384,138
	Grand Total	62,481,384,138

Source: CARA, 2018

2.3 Revenue Out-turn

The total funds available to the County Governments in the first nine months of FY 2018/19 amounted to Kshs.302.6 billion. This amount comprised of Kshs.200.89 billion as equitable share of revenue and grants to Level 5 Hospitals, Kshs.3.52 billion from the Road Maintenance Fuel Levy Fund, Kshs.1.58 billion for Transforming Health Systems for Universal Care Project (World Bank), Kshs.11.46 billion IDA (World Bank) credit: Kenya Urban Support Project (KUSP), Kshs.1 billion for IDA (World Bank)- Kenya Climate Smart Agriculture Project (KCSAP), Kshs.1.04 billion from DANIDA for Universal Healthcare in Devolved System Program, Kshs.28.94 billion as revenue raised from own revenue sources, and Kshs.54.17 billion cash balance from FY 2017/18.

2.4 Own-source revenue

The aggregate annual own-source revenue target for counties was Kshs.52.18 billion. During the reporting period, County Governments generated a total of Kshs.28.92 billion, which was 55.4 per cent of the annual target. This was an increase of 30.1 per cent compared to Kshs.22.23 billion generated in a similar period of FY 2017/18, which was 42.3 per cent of the annual revenue target.

The monthly own-source revenue collection for the period July 2018 to March 2019 is shown in Table 2.2.

Table 2.2: Quarterly Own-source revenue Collection for the Period July 2018-March 2019

County Title	First Nine Months of FY 2018/19 Own-source revenue (Kshs. Million)				Annual Revenue Target for FY 2018/19 (Kshs. Million)	% of Local Revenue Against Annual Target
	First Quarter of FY 2018/19	Second Quarter of FY 2018/19	Third Quarter of FY 2018/19	Total Own-source revenue		
Baringo	127.49	61.62	79.88	268.98	401.15	67.1
Bomet	26.58	39.31	61.89	127.77	245.00	52.2
Bungoma	137.74	250.88	216.41	605.03	1,101.00	55.0
Busia	51.30	55.56	75.04	181.90	452.52	40.2
Elgeyo Marakwet	31.14	25.73	48.80	105.68	130.44	81.0
Embu	129.14	126.71	224.39	480.25	950.00	50.6
Garissa	25.89	19.57	35.94	81.40	250.00	32.6
Homa Bay	14.80	22.29	21.18	58.27	173.00	33.7
Isiolo	54.02	33.24	39.95	127.21	150.86	84.3
Kajiado	189.77	174.13	367.16	731.06	1,583.86	46.2
Kakamega	116.33	96.60	356.95	569.88	1,200.00	47.5
Kericho	38.24	65.11	202.02	305.37	829.82	36.8
Kiambu	443.12	563.38	830.83	1,837.34	2,736.73	67.1
Kilifi	117.30	146.13	288.15	551.58	1,345.07	41.0
Kirinyaga	68.19	62.56	191.59	322.33	650.00	49.6
Kisii	59.44	60.85	139.81	260.10	950.00	27.4
Kisumu	153.86	251.44	147.84	553.14	1,382.57	40.0
Kitui	98.98	107.65	118.20	324.84	500.00	65.0
Kwale	46.65	49.04	116.57	212.26	303.11	70.0
Laikipia	164.31	121.46	287.04	572.82	800.00	71.6
Lamu	6.15	11.73	24.34	42.23	70.00	60.3
Machakos	210.00	231.88	85.56	527.44	1,720.06	30.7
Makueni	76.46	65.42	175.39	317.28	670.50	47.3
Mandera	17.85	20.02	28.76	66.63	169.59	39.3
Marsabit	16.71	16.95	42.94	76.60	140.00	54.7
Meru	131.01	86.53	144.21	361.75	1,228.80	29.4
Migori	69.20	64.28	126.61	260.09	300.00	86.7
Mombasa	298.64	706.56	1,606.57	2,611.77	3,877.22	67.4
Muranga	131.29	117.99	244.30	493.58	1,000.00	49.4
Nairobi City	1,794.44	2,080.73	4,367.22	8,242.39	15,496.71	53.2
Nakuru	545.56	457.79	955.29	1,958.64	2,685.00	72.9
Nandi	41.32	42.05	62.43	145.80	459.29	31.7
Narok	1,193.86	647.32	823.19	2,664.37	2,862.64	93.1
Nyamira	32.82	31.65	55.83	120.30	255.57	47.1
Nyandarua	63.94	55.74	89.08	208.75	410.00	50.9
Nyeri	170.26	160.76	269.98	601.00	1,000.00	60.1
Samburu	87.25	87.25	15.83	190.33	255.03	74.6
Siaya	27.63	36.33	51.78	115.73	325.00	35.6
Taita Taveta	66.83	57.42	93.72	217.97	300.00	72.7
Tana River	10.75	9.22	12.24	32.21	60.00	53.7
Tharaka Nithi	44.35	39.96	45.30	129.61	300.00	43.2
Trans Nzoia	36.23	41.22	154.20	231.66	500.00	46.3

County Title	First Nine Months of FY 2018/19 Own-source revenue (Kshs. Million)				Annual Revenue Target for FY 2018/19 (Kshs. Million)	% of Local Revenue Against Annual Target
	First Quarter of FY 2018/19	Second Quarter of FY 2018/19	Third Quarter of FY 2018/19	Total Own-source revenue		
Turkana	36.36	33.56	43.21	113.13	250.00	45.3
Uasin Gishu	157.22	125.61	397.05	679.88	1,200.00	56.7
Vihiga	30.25	32.63	59.15	122.04	153.67	79.4
Wajir	12.69	13.52	19.53	45.74	200.00	22.9
West Pokot	27.04	22.13	38.26	87.43	152.37	57.4
Total	7,430.42	7,629.51	13,881.61	28,941.54	52,176.56	55.5

Source: County Treasuries

During the period under review, Nairobi City County generated the highest amount of own-source revenue in nominal terms at Kshs.8.24 billion, followed by Narok and Mombasa at Kshs.2.66 billion and Kshs.2.61 billion respectively. The Counties that generated the lowest amount in nominal terms were Wajir, Lamu and Tana River at Kshs.45.74 million, Kshs.42.23 million, and Kshs.32.21 million respectively.

Analysis of own-source revenue as a proportion of the annual revenue target indicated that Narok, Migori, and Isiolo Counties recorded the highest proportion at 93.1 per cent, 86.7 per cent and 84.3 per cent respectively. Conversely, counties that recorded the lowest proportion of own-source revenue against annual targets were Meru at 29.4 per cent, Kisii at 27.4 per cent and Wajir at 22.9 per cent.

2.5 Funds Released to the Counties

2.5.1 Funds Released to Counties from the Consolidated Fund

In the first nine months of FY 2018/19, the Controller of Budget (COB) approved transfer of Kshs.200.89 billion from the Consolidated Fund to the various County Revenue Funds (CRFs) as equitable share of revenue and conditional grants to Level 5 Hospitals in accordance with Article 206 (4) of the Constitution.

During the same period, Counties received Kshs.1.58 billion for Transforming Health Systems for Universal Care Project (World Bank), Kshs.11.46 billion IDA (World Bank) credit: Kenya Urban Support Project (KUSP), Kshs.1 billion for IDA (World Bank) - Kenya Climate Smart Agriculture Project (KCSAP), Kshs.1.04 billion from DANIDA for Universal Healthcare in Devolved System Program. These amounts were directly disbursed to the County Revenue Fund Accounts.

2.5.2 Funds Released to the County Operational Accounts

The COB authorised withdrawals of Kshs.249.75 billion from the County Revenue Funds to the County Operational Accounts of the County Government in the reporting period. The transfers comprised of Kshs.190.61 billion (76.3 per cent) for recurrent expenditure and Kshs.59.14 billion (23.7 per cent) for development expenditure. The authorised withdrawal was an increase by 28.5 per cent from Kshs.194.33 billion released in a similar period of FY 2017/18.

Out of Kshs.190.61 billion authorised for recurrent activities, Kshs.22.47 billion was for the County Assemblies while Kshs.168.14 billion was for County Executives. The development exchequer comprised of Kshs.1 billion for the County Assemblies and Kshs.58.13 billion for the County Executives.

The exchequer authorised to the County Assembly and the County Executive in the first nine months of FY 2018/19 are shown in Table 2.3.

Table 2.3: The Exchequer Authorised to the County Assembly and the County Executive for the First Nine Months of FY 2018/19 (Kshs. Million)

County	COUNTY ASSEMBLY (KSHS. MILLION)			COUNTY EXECUTIVE (KSHS. MILLION)			COMBINED EXCHEQUER AUTHORIZED (KSHS. MILLION)		
	Rec	Dev	Total	Rec	Dev	Total	Rec	Dev	Total
	A	B	C=A+B	D	E	F=D+E	G=A+D	H=B+E	I=G+H
Baringo	415.91	-	415.91	2,518.28	694.23	3,212.51	2,934.19	694.23	3,628.42
Bomet	455.50	23.93	479.43	3,140.76	1,052.08	4,192.84	3,596.26	1,076.01	4,672.27
Bungoma	583.33	46.03	629.36	4,605.59	950.29	5,555.89	5,188.92	996.32	6,185.24
Busia	555.00	-	555.00	3,103.13	1,471.20	4,574.33	3,658.13	1,471.20	5,129.33
Elgeyo / Marakwet	449.58	-	449.58	1,905.75	658.86	2,564.61	2,355.34	658.86	3,014.20
Embu	382.04	-	382.04	2,515.67	436.46	2,952.13	2,897.71	436.46	3,334.17
Garissa	502.70	-	502.70	4,027.47	1,350.09	5,377.55	4,530.17	1,350.09	5,880.25
Homa Bay	458.00	-	458.00	3,394.09	676.60	4,070.68	3,852.09	676.60	4,528.68
Isiolo	296.00	25.00	321.00	1,963.52	372.71	2,336.23	2,259.52	397.71	2,657.23
Kajiado	471.15	40.44	511.59	3,306.65	1,129.90	4,436.54	3,777.80	1,170.34	4,948.14
Kakamega	588.95	-	588.95	4,311.59	3,645.38	7,956.98	4,900.54	3,645.38	8,545.93
Kericho	547.22	-	547.22	2,805.99	781.81	3,587.80	3,353.21	781.81	4,135.02
Kiambu	646.18	-	646.18	7,520.92	2,250.36	9,771.27	8,167.10	2,250.36	10,417.45
Kilifi	598.66	162.13	760.79	5,054.75	1,656.44	6,711.19	5,653.41	1,818.56	7,471.97
Kirinyaga	460.11	27.60	487.71	2,381.49	606.81	2,988.30	2,841.59	634.41	3,476.00
Kisii	634.91	15.27	650.18	4,213.86	1,453.68	5,667.54	4,848.77	1,468.95	6,317.73
Kisumu	470.00	-	470.00	4,366.76	1,735.20	6,101.96	4,836.76	1,735.20	6,571.96
Kitui	497.00	-	497.00	4,216.24	2,037.23	6,253.48	4,713.24	2,037.23	6,750.48
Kwale	420.52	35.99	456.51	3,531.69	1,532.06	5,063.75	3,952.21	1,568.05	5,520.26
Laikipia	314.90	1.71	316.61	2,811.56	1,008.60	3,820.16	3,126.46	1,010.31	4,136.77
Lamu	268.02	116.53	384.55	1,303.12	244.89	1,548.01	1,571.14	361.42	1,932.56
Machakos	619.97	6.42	626.39	4,924.98	1,962.47	6,887.45	5,544.95	1,968.89	7,513.84
Makueni	550.58	11.18	561.77	3,587.73	1,410.20	4,997.93	4,138.31	1,421.38	5,559.69
Mandera	523.97	51.09	575.06	4,382.68	2,809.50	7,192.18	4,906.65	2,860.60	7,767.24
Marsabit	331.60	38.24	369.84	2,561.71	1,875.73	4,437.44	2,893.31	1,913.97	4,807.28
Meru	675.92	4.51	680.42	4,494.64	613.65	5,108.29	5,170.56	618.16	5,788.71
Migori	446.00	-	446.00	2,542.92	1,706.76	4,249.68	2,988.92	1,706.76	4,695.68
Mombasa	291.86	-	291.86	5,516.05	1,893.15	7,409.20	5,807.91	1,893.15	7,701.06
Murang'a	405.00	22.00	427.00	3,251.43	1,954.44	5,205.86	3,656.43	1,976.44	5,632.86
Nairobi City	886.89	-	886.89	12,556.24	1,418.03	13,974.27	13,443.13	1,418.03	14,861.17
Nakuru	666.49	63.04	729.53	5,360.83	2,318.93	7,679.75	6,027.32	2,381.97	8,409.29
Nandi	468.79	20.74	489.53	3,191.29	1,214.82	4,406.11	3,660.08	1,235.56	4,895.64
Narok	510.00	15.00	525.00	4,512.31	1,786.50	6,298.80	5,022.31	1,801.50	6,823.80
Nyamira	443.99	13.18	457.16	2,777.07	522.70	3,299.77	3,221.05	535.88	3,756.93
Nyandarua	466.63	41.83	508.46	2,280.10	459.71	2,739.81	2,746.73	501.54	3,248.27
Nyeri	454.89	1.72	456.61	3,519.28	898.67	4,417.95	3,974.17	900.39	4,874.56
Samburu	236.80	-	236.80	2,063.29	531.65	2,594.94	2,300.09	531.65	2,831.74
Siaya	531.20	9.90	541.10	2,893.44	467.55	3,360.98	3,424.64	477.45	3,902.09
Taita/Taveta	376.88	-	376.88	2,133.40	650.86	2,784.26	2,510.28	650.86	3,161.14
Tana River	362.27	56.00	418.27	2,274.83	970.11	3,244.94	2,637.09	1,026.11	3,663.21

County	COUNTY ASSEMBLY (KSHS. MILLION)			COUNTY EXECUTIVE (KSHS. MILLION)			COMBINED EXCHEQUER AUTHORIZED (KSHS. MILLION)		
	Rec	Dev	Total	Rec	Dev	Total	Rec	Dev	Total
	A	B	C=A+B	D	E	F=D+E	G=A+D	H=B+E	I=G+H
Tharaka Nithi	218.66	-	218.66	2,091.44	682.12	2,773.56	2,310.10	682.12	2,992.22
Trans Nzoia	409.39	-	409.39	2,715.72	1,160.88	3,876.60	3,125.10	1,160.88	4,285.99
Turkana	757.00	114.60	871.60	4,633.11	605.79	5,238.90	5,390.11	720.39	6,110.50
Uasin Gishu	503.77	-	503.77	3,128.00	1,938.10	5,066.10	3,631.77	1,938.10	5,569.87
Vihiga	413.50	2.32	415.82	2,486.35	562.55	3,048.90	2,899.85	564.87	3,464.72
Wajir	524.30	-	524.30	2,650.99	1,176.46	3,827.45	3,175.29	1,176.46	4,351.75
West Pokot	376.00	41.97	417.97	2,612.31	792.94	3,405.25	2,988.31	834.92	3,823.23
Total	22,468.03	1,008.37	23,476.40	168,140.99	58,129.14	226,270.13	190,609.02	59,137.51	249,746.54

Source: County Treasuries and OCOB

Nairobi City County received the highest amount from its CRF account to the operational accounts at Kshs.14.86 billion followed by Kiambu County and Kakamega County at Kshs.10.42 billion and Kshs.8.55 billion respectively. Counties that received the lowest exchequer were; Samburu at Kshs.2.83 billion, Isiolo at Kshs.2.66 billion, and Lamu at Kshs.1.93 billion.

2.6 Expenditure Analysis

The total expenditure by County governments was Kshs.230.47 billion representing an absorption rate of 48.4 per cent of the total annual County Governments' Budgets. This was an increase from an absorption rate of 44.4 per cent attained in a similar period of FY 2017/18 where total expenditure was Kshs.183.66 billion.

Recurrent expenditure was Kshs.183.92 billion, representing 64.5 per cent of the annual recurrent budget and an increase from 59.1 per cent reported in a similar period of FY 2017/18. Development expenditure amounted to Kshs.46.55 billion, representing an absorption rate of 24.4 per cent and an increase from 17.7 per cent attained in the first nine months of FY 2017/18 where total development expenditure was Kshs.25.98 billion. The analysis of expenditure by economic classification in the first nine months of FY 2018/19 is provided in Table 2.4.

Table 2.4: Expenditure by Economic Classification in the First Nine Months of FY 2018/19

County Title	Personnel Emoluments (Kshs.)	Operations & Maintenance (Kshs.)	Development Expenditure (Kshs.)	Total Expenditure (Kshs.)
	A	B	C	D=A+B+C
Baringo	2,150,520,032	706,703,056	545,359,162	3,402,582,251
Bomet	1,968,273,924	1,059,445,112	668,315,166	3,696,034,203
Bungoma	3,453,570,530	1,616,784,941	992,539,217	6,062,894,688
Busia	1,943,737,608	1,432,491,111	942,204,061	4,318,432,781
Elgeyo/Marakwet	1,801,002,995	513,659,592	578,542,515	2,893,205,102
Embu	2,401,875,959	893,464,249	332,262,862	3,627,603,070
Garissa	3,292,372,819	1,408,333,740	1,151,189,082	5,851,895,641
Homa Bay	2,398,914,489	1,018,459,319	470,709,422	3,888,083,230
Isiolo	1,113,458,623	1,061,402,423	288,526,744	2,463,387,790
Kajiado	1,396,030,148	1,487,002,485	1,033,750,916	3,916,783,549

County Title	Personnel Emoluments (Kshs.)	Operations & Maintenance (Kshs.)	Development Expenditure (Kshs.)	Total Expenditure (Kshs.)
	A	B	C	D=A+B+C
Kakamega	3,833,637,991	1,135,647,813	2,952,343,526	7,921,629,330
Kericho	2,033,604,167	1,254,388,002	653,771,412	3,941,763,581
Kiambu	4,994,564,349	1,826,857,536	1,713,692,300	8,535,114,185
Kilifi	1,135,443,415	2,497,767,477	1,570,092,703	5,203,303,595
Kirinyaga	1,998,036,039	812,048,709	531,460,152	3,341,544,900
Kisii	3,356,233,914	1,418,357,725	1,010,863,939	5,785,455,578
Kisumu	3,253,320,254	1,202,327,647	1,114,222,920	5,569,870,821
Kitui	3,257,144,051	1,642,474,257	2,122,014,091	7,021,632,399
Kwale	1,235,413,736	1,780,662,586	1,344,464,337	4,360,540,659
Laikipia	1,917,298,697	811,911,627	816,452,660	3,545,662,984
Lamu	579,110,000	905,348,538	314,215,024	1,798,673,562
Machakos	3,962,385,807	1,261,274,532	744,399,600	5,968,059,939
Makueni	2,585,200,583	1,439,891,122	1,310,012,510	5,335,104,215
Mandera	2,179,022,760	2,637,929,417	2,825,846,749	7,642,798,926
Marsabit	1,829,176,431	1,004,132,396	1,796,885,944	4,630,194,771
Meru	3,678,602,079	1,482,279,937	597,218,458	5,758,100,474
Migori	1,931,535,186	1,276,006,587	734,625,165	3,942,166,938
Mombasa	3,545,204,410	2,303,232,800	1,373,316,454	7,221,753,664
Murang'a	2,646,848,532	711,616,570	1,597,765,057	4,956,230,159
Nairobi City	11,196,371,716	4,936,004,258	2,316,583,943	18,448,959,917
Nakuru	4,282,387,302	1,539,537,703	751,520,010	6,573,445,015
Nandi	2,422,621,776	1,217,819,058	962,808,156	4,603,248,990
Narok	3,060,695,268	1,960,539,119	1,795,481,502	6,816,715,889
Nyamira	2,493,749,782	727,963,513	550,298,868	3,772,012,163
Nyandarua	1,518,254,058	1,221,341,041	302,592,646	3,042,187,745
Nyeri	2,656,591,470	1,207,169,314	602,953,686	4,466,714,470
Samburu	1,336,761,965	727,454,830	441,070,000	2,505,286,795
Siaya	2,018,684,112	1,096,483,549	179,285,134	3,294,452,795
Taita/Taveta	1,609,625,424	1,124,738,358	670,130,000	3,404,493,782
Tana River	1,124,225,860	1,068,609,925	580,772,176	2,773,607,961
Tharaka -Nithi	1,571,470,331	665,672,290	647,688,226	2,884,830,847
Trans Nzoia	1,887,078,445	1,125,991,800	696,889,447	3,709,959,692
Turkana	2,906,200,000	2,345,780,000	696,740,000	5,948,720,000
Uasin Gishu	2,486,857,013	1,306,762,014	1,128,790,920	4,922,409,947
Vihiga	1,700,235,538	987,800,147	413,740,163	3,101,775,848
Wajir	2,821,897,199	333,392,659	1,176,461,483	4,331,751,341
West Pokot	1,570,760,755	1,193,392,918	506,129,499	3,270,283,172
Total	120,536,007,543	63,388,353,802	46,546,998,008	230,471,359,353

Source: OCOB and County Treasuries

Counties that reported the highest expenditure in nominal terms were; Nairobi City at Kshs.18.44 billion, Kiambu at Kshs.8.54 billion and Kakamega at Kshs.7.92 billion. The lowest expenditure was reported by Samburu, Isiolo and Lamu at Kshs.2.51 billion, Kshs.2.46 billion and Kshs.1.8 billion respectively.

Review of cumulative expenditure by economic classification showed that Kshs.120.54 billion (52.3 per cent) was incurred on personnel emoluments, Kshs.63.39 billion (27.5 per cent) on operations and maintenance and Kshs.46.55 billion (20.2 per cent) on development activities.

2.7 Development Expenditure

County Governments incurred Kshs.46.55 billion on development activities, representing an absorption rate of 24.4 per cent of the annual development budget, which is an increase from 17.7 per cent, reported in a similar period of FY 2017/18, when development expenditure was Kshs.25.98 billion.

Analysis of county budgets and expenditure in the first nine months of FY 2018/19 is provided in Table 2.5

Table 2.5: County Budget Allocation, Expenditure and Absorption Rate in the First Nine Months of FY 2018/19

County Title	Budget Estimates (Kshs.Million)			Expenditure (Kshs.Million)			Recurrent Absorption Rate (%)	Development Absorption Rate (%)	Overall Absorption Rate
	Rec	Dev	Total	Rec	Dev	Total			
	A	B	C=A+B	D	E	F=D+E	G=D/A*100	H=E/B*100	I=F/C*100
Baringo	4,525.58	3,629.45	8,155.03	2,857.22	545.36	3,402.58	63.1	15.0	41.7
Bomet	5,127.68	3,032.92	8,160.60	3,027.72	668.32	3,696.03	59.0	22.0	45.3
Bungoma	8,052.68	4,956.84	13,009.52	5,070.36	992.54	6,062.89	63.0	20.0	46.6
Busia	5,106.71	3,596.93	8,703.64	3,376.23	942.20	4,318.43	66.1	26.2	49.6
Elgeyo/Marakwet	3,135.27	2,465.81	5,601.08	2,314.66	578.54	2,893.21	73.8	23.5	51.7
Embu	4,681.24	2,094.84	6,776.09	3,295.34	332.26	3,627.60	70.4	15.9	53.5
Garissa	5,760.17	4,402.57	10,162.74	4,700.71	1,151.19	5,851.90	81.6	26.1	57.6
Homa Bay	4,976.89	2,755.20	7,732.09	3,417.37	470.71	3,888.08	68.7	17.1	50.3
Isiolo	3,146.60	2,053.91	5,200.51	2,174.86	288.53	2,463.39	69.1	14.0	47.4
Kajiado	5,444.39	4,069.65	9,514.04	2,883.03	1,033.75	3,916.78	53.0	25.4	41.2
Kakamega	7,801.08	6,688.34	14,489.42	4,969.29	2,952.34	7,921.63	63.7	44.1	54.7
Kericho	4,799.41	3,752.36	8,551.77	3,287.99	653.77	3,941.76	68.5	17.4	46.1
Kiambu	11,127.37	5,497.42	16,624.79	6,821.42	1,713.69	8,535.11	61.3	31.2	51.3
Kilifi	8,719.58	5,700.40	14,419.98	3,633.21	1,570.09	5,203.30	41.7	27.5	36.1
Kirinyaga	3,671.39	2,481.53	6,152.92	2,810.08	531.46	3,341.54	76.5	21.4	54.3
Kisii	8,013.42	3,997.58	12,011.00	4,774.59	1,010.86	5,785.46	59.6	25.3	48.2
Kisumu	6,960.65	4,539.15	11,499.80	4,455.65	1,114.22	5,569.87	64.0	24.5	48.4
Kitui	6,805.63	4,969.60	11,775.23	4,899.62	2,122.01	7,021.63	72.0	42.7	59.6
Kwale	4,764.23	7,468.68	12,232.92	3,016.08	1,344.46	4,360.54	63.3	18.0	35.6
Laikipia	4,052.92	2,599.70	6,652.62	2,729.21	816.45	3,545.66	67.3	31.4	53.3
Lamu	2,559.54	2,285.60	4,845.14	1,484.46	314.22	1,798.67	58.0	13.7	37.1
Machakos	7,630.30	4,600.80	12,231.11	5,223.66	744.40	5,968.06	68.5	16.2	48.8
Makueni	5,895.51	4,630.21	10,525.72	4,025.09	1,310.01	5,335.10	68.3	28.3	50.7
Mandera	6,633.04	7,076.92	13,709.96	4,816.95	2,825.85	7,642.80	72.6	39.9	55.7
Marsabit	4,127.00	4,526.51	8,653.51	2,833.31	1,796.89	4,630.19	68.7	39.7	53.5
Meru	7,807.57	4,692.02	12,499.60	5,160.88	597.22	5,758.10	66.1	12.7	46.1
Migori	5,141.56	3,659.55	8,801.12	3,207.54	734.63	3,942.17	62.4	20.1	44.8
Mombasa	9,455.79	4,135.98	13,591.77	5,848.44	1,373.32	7,221.75	61.9	33.2	53.1
Murang'a	5,262.20	3,588.58	8,850.78	3,358.47	1,597.77	4,956.23	63.8	44.5	56.0
Nairobi City	22,410.40	10,934.45	33,344.85	16,132.38	2,316.58	18,448.96	72.0	21.2	55.3
Nakuru	10,467.35	8,011.58	18,478.94	5,821.93	751.52	6,573.45	55.6	9.4	35.6
Nandi	5,179.21	3,187.26	8,366.47	3,640.44	962.81	4,603.25	70.3	30.2	55.0
Narok	7,041.48	3,153.37	10,194.86	5,021.23	1,795.48	6,816.72	71.3	56.9	66.9
Nyamira	4,690.66	2,207.38	6,898.05	3,221.71	550.30	3,772.01	68.7	24.9	54.7

County Title	Budget Estimates (Kshs.Million)			Expenditure (Kshs.Million)			Recurrent Absorption Rate (%)	Development Absorption Rate (%)	Overall Absorption Rate
	Rec	Dev	Total	Rec	Dev	Total			
	A	B	C=A+B	D	E	F=D+E	G=D/A*100	H=E/B*100	I=F/C*100
Nyandarua	4,478.77	3,190.76	7,669.54	2,739.60	302.59	3,042.19	61.2	9.5	39.7
Nyeri	5,976.95	2,859.59	8,836.54	3,863.76	602.95	4,466.71	64.6	21.1	50.5
Samburu	3,856.21	2,004.91	5,861.12	2,064.22	441.07	2,505.29	53.5	22.0	42.7
Siaya	4,555.82	3,747.26	8,303.08	3,115.17	179.29	3,294.45	68.4	4.8	39.7
Taita/Taveta	3,955.76	2,031.69	5,987.45	2,734.36	670.13	3,404.49	69.1	33.0	56.9
Tana River	4,573.56	2,736.65	7,310.21	2,192.84	580.77	2,773.61	47.9	21.2	37.9
Tharaka -Nithi	3,430.29	2,290.71	5,721.00	2,237.14	647.69	2,884.83	65.2	28.3	50.4
Trans Nzoia	4,867.14	3,175.42	8,042.56	3,013.07	696.89	3,709.96	61.9	21.9	46.1
Turkana	8,218.31	5,317.15	13,535.46	5,251.98	696.74	5,948.72	63.9	13.1	43.9
Uasin Gishu	5,469.52	4,488.54	9,958.06	3,793.62	1,128.79	4,922.41	69.4	25.1	49.4
Vihiga	4,478.07	2,524.50	7,002.57	2,688.04	413.74	3,101.78	60.0	16.4	44.3
Wajir	6,342.70	6,832.99	13,175.69	3,155.29	1,176.46	4,331.75	49.7	17.2	32.9
West Pokot	4,081.98	2,217.24	6,299.22	2,764.15	506.13	3,270.28	67.7	22.8	51.9
Total	285,259.60	190,860.54	476,120.15	183,924.36	46,547.00	230,471.36	64.5	24.4	48.4

Source: OCOB and County Treasuries

Kakamega County recorded the highest expenditure on development activities at Kshs.2.95 billion, followed by Mandera County and Nairobi County at Kshs.2.83 billion and Kshs.2.32 billion respectively. Detailed analysis of development projects undertaken by Counties is provided in Chapter Three.

2.8 Recurrent Expenditure

The Counties incurred a total of Kshs.183.92 billion or 79.8 per cent of the total expenditure on recurrent activities. This expenditure represented 64.5 per cent of the annual County Governments' budget for recurrent activities and an increase from 59.1 per cent recorded in a similar period of FY 2017/18 when expenditure stood at Kshs.157.67 billion.

Analysis of expenditure in absolute terms shows that Nairobi City County attained the highest expenditure on recurrent activities at Kshs.16.13 billion, followed by Kiambu and Mombasa Counties at Kshs.6.82 billion and Kshs.5.85 billion respectively. The lowest recurrent expenditure were recorded by Isiolo, Samburu, and Lamu Counties at Kshs.2.17 billion, Kshs.2.06 billion and Kshs.1.48 billion respectively.

2.8.1 Personnel Emoluments

During the first nine months of FY 2018/19, the County Governments spent Kshs.120.54 billion on personnel emoluments, representing 65.5 per cent of the total recurrent expenditure and 52.3 per cent of total expenditure. This was an increase from Kshs.108.04 billion incurred in the first nine months of FY 2017/18 when personnel expenditure translated to 58.8 per cent of the total expenditure.

Nairobi City County reported the highest expenditure on personnel emoluments at Kshs.11.2 billion, followed by Kiambu and Nakuru Counties at Kshs.4.99 billion and Kshs.4.28 billion respectively. Analysis of personnel emoluments as a percentage of total expenditure by county shows that Machakos County, Embu County and Nyamira County recorded the highest percentage at 66.4 per cent, 66.2 per cent and 66.1 per cent respectively.

2.8.2 Operations and Maintenance Expenditure

A total of Kshs.63.39 billion was incurred on operations and maintenance during the reporting period, which translated to 27.5 per cent of the total expenditure. Counties that reported the highest expenditure on operations and maintenance were; Nairobi City at Kshs.4.94 billion, Mandera at Kshs.2.64 billion and Kilifi at Kshs.2.5 billion. Analysis of expenditure on operations and maintenance as a proportion of the total expenditure by county indicated that Lamu attained the highest proportion at 50.3 per cent, followed by Kilifi and Isiolo Counties at 48 per cent and 43.1 per cent respectively.

2.8.3 Review of MCAs Committee Sitting Allowances

During the reporting period, the County Assemblies spent Kshs.1.55 billion on MCAs committee sitting allowances against an approved budget allocation of Kshs.2.71 billion. This expenditure translates to 57.2 per cent of the approved MCAs committee sitting allowance budget and an increase by 131.1 per cent attained in a similar period of FY 2017/18 when Kshs.670.12 million was incurred.

Table 2.6 shows the County budgetary allocation and expenditure on MCAs committee sitting allowances in the first nine months of FY 2018/19.

Table 2.6: Budget Allocation, Expenditure and Absorption Rate of MCAs Committee Sitting Allowance in the First Nine Months of FY 2018/19

MCAs Committee Sitting Allowances					
County	Budgetary Allocation (Kshs)	Expenditure (Kshs)	Absorption (%) Rate	No. of MCAs	Average monthly sitting allowance Per MCA (Kshs)
	A	B	C=B/A*100	D	E=B/D/9
Baringo	12,000,000	4,088,411	34.1	46	9,875.39
Bomet	30,387,430	23,094,770	76.0	37	69,353.66
Bungoma	53,691,719	35,847,959	66.8	61	65,296.83
Busia	113,529,600	54,881,162	48.3	54	112,924.20
Elgeyo/Marakwet	35,900,555	23,619,700	65.8	34	77,188.56
Embu	36,446,810	25,447,777	69.8	35	80,786.59
Garissa	121,213,200	55,293,200	45.6	49	125,381.41
Homa Bay	98,342,000	59,583,350	60.6	61	108,530.69
Isiolo	26,532,950	16,237,834	61.2	18	100,233.54
Kajiado	34,500,000	8,834,447	25.6	42	23,371.55
Kakamega	134,784,000	96,897,473	71.9	90	119,626.51
Kericho	56,535,200	31,990,640	56.6	48	74,052.41
Kiambu	74,000,000	66,281,800	89.6	93	79,189.73
Kilifi	96,844,800	42,229,814	43.6	54	86,892.62
Kirinyaga	80,000,000	23,199,400	29.0	34	75,815.03
Kisii	100,822,400	55,769,400	55.3	70	88,522.86
Kisumu	55,106,000	25,658,619	46.6	49	58,182.81
Kitui	65,936,000	29,810,120	45.2	54	61,337.70
Kwale	60,956,000	22,803,475	37.4	34	74,521.16
Laikipia	15,000,000	12,658,100	84.4	24	58,602.31
Lamu	11,500,000	4,870,700	42.4	19	28,483.63
Machakos	80,214,903	20,184,300	25.2	60	37,378.33
Makueni	67,992,093	38,178,900	56.2	49	86,573.47
Mandera	41,760,000	28,218,000	67.6	49	63,986.39

MCAs Committee Sitting Allowances					
County	Budgetary Allocation (Kshs)	Expenditure (Kshs)	Absorption (%) Rate	No. of MCAs	Average monthly sitting allowance Per MCA (Kshs)
	A	B	C=B/A*100	D	E=B/D/9
Marsabit	35,489,098	25,357,225	71.5	31	90,886.11
Meru	101,935,200	68,899,384	67.6	69	110,949.09
Migori	-	38,704,900	-	57	75,448.15
Mombasa	43,705,600	28,127,100	64.4	43	72,679.84
Murang'a	66,955,200	35,815,536	53.5	50	79,590.08
Nairobi City	108,101,400	75,967,978	70.3	128	65,944.43
Nakuru	111,000,000	66,240,350	59.7	79	93,165.05
Nandi	38,103,996	23,859,800	62.6	40	66,277.22
Narok	63,813,760	20,869,550	32.7	48	48,309.14
Nyamira	66,643,200	29,639,651	44.5	37	89,007.96
Nyandarua	57,219,200	23,490,188	41.1	40	65,250.52
Nyeri	79,164,800	29,600,600	37.4	45	73,087.90
Samburu	25,466,200	18,586,018	73.0	28	73,754.04
Siaya	47,929,600	35,789,600	74.7	43	92,479.59
Taita/Taveta	23,948,000	23,948,000	100.0	34	78,261.44
Tana River	39,951,600	39,707,881	99.4	24	183,832.78
Tharaka –Nithi	28,370,000	9,990,354	35.2	21	52,859.02
Trans Nzoia	53,297,600	23,692,900	44.5	40	65,813.61
Turkana	81,764,000	13,669,300	16.7	48	31,641.90
Uasin Gishu	40,509,389	31,317,504	77.3	48	72,494.22
Vihiga	44,678,400	38,138,550	85.4	39	108,656.84
Wajir	23,751,000	23,524,693	99.0	46	56,822.93
West Pokot	21,156,314	18,037,500	85.3	34	58,946.08
Total	2,706,949,217	1,548,653,913	57.2	2,236	76,955.57

Source: OCOB and County Treasuries

Garissa and Tana River County Assemblies reported a higher expenditure on committee sitting allowance than the Salaries and Remuneration Commission (SRC) recommended monthly ceiling of Kshs.124,800. Migori County Assembly reported an expenditure of Kshs.38,704,900 without a budget allocation for this expenditure in the Approved Budget.

2.8.4 Review of Expenditure on Domestic and Foreign Travels

The County Governments incurred Kshs.14.62 billion on domestic and foreign travel during the reporting period and comprised of Kshs.9.43 billion for domestic travel and Kshs.5.19 billion for foreign travel. This expenditure was an increase by 108.9 per cent compared to Kshs.7.01 billion incurred in a similar period of FY 2017/18.

The expenditure on domestic and foreign travel by both the County Assembly and the County is presented in Table 2.7.

Table 2.7: Expenditure on Domestic and Foreign Travels by the County Assembly and the County Executive in the First Nine Months of FY 2018/19 (Kshs.Million)

County	County Assembly (Kshs.Million)			County Executive (Kshs.Million)			Total Expenditure (Kshs.Million)		
	Domestic Exp.	Foreign Exp.	Total	Domestic Exp.	Foreign Exp.	Total	Domestic Exp.	Foreign Exp.	Total
	A	B	C=B+A	D	E	F=D+E	G=A+D	H=B+E	I=G+H
Baringo	65.54	15.01	80.55	26.76	15.47	42.24	92.30	30.48	122.79
Bomet	86.36	23.53	109.89	105.82	105.82	211.64	192.18	129.35	321.53
Bungoma	16.34	1.39	17.74	205.25	18.87	224.12	221.59	20.26	241.86
Busia	63.10	14.97	78.07	73.78	16.74	90.53	136.89	31.71	168.60
Elgeyo/Marakwet	58.47	4.99	63.46	18.17	2.43	20.60	76.64	7.42	84.06
Embu	119.23	-	119.23	85.27	1.36	86.63	204.50	1.36	205.86
Garissa	86.93	-	86.93	283.43	283.43	566.87	370.36	283.43	653.79
Homa Bay	67.17	-	67.17	184.61	184.61	369.22	251.78	184.61	436.39
Isiolo	61.63	2.77	64.40	76.12	76.12	152.24	137.75	78.89	216.64
Kajiado	123.95	21.18	145.13	117.12	117.12	234.25	241.08	138.30	379.38
Kakamega	116.30	-	116.30	141.45	141.45	282.90	257.75	141.45	399.20
Kericho	99.59	20.67	120.26	94.43	32.74	127.16	194.02	53.41	247.43
Kiambu	131.14	67.80	198.94	124.54	124.54	249.09	255.68	192.34	448.02
Kilifi	120.51	19.98	140.49	106.59	106.59	213.18	227.10	126.57	353.67
Kirinyaga	73.10	27.45	100.56	35.49	35.49	70.98	108.59	62.94	171.53
Kisii	88.19	27.65	115.84	324.12	324.12	648.23	412.31	351.76	764.08
Kisumu	85.59	19.76	105.34	204.01	204.01	408.02	289.60	223.77	513.36
Kitui	90.22	16.79	107.02	217.18	217.18	434.36	307.41	233.98	541.38
Kwale	97.42	20.80	118.22	97.41	97.41	194.82	194.83	118.21	313.04
Laikipia	45.06	6.49	51.55	101.49	2.08	103.57	146.56	8.57	155.12
Lamu	41.76	26.83	68.59	15.19	15.19	30.38	56.95	42.02	98.97
Machakos	141.15	31.69	172.84	220.72	220.72	441.45	361.87	252.41	614.28
Makueni	61.26	7.74	69.00	72.56	14.67	87.23	133.82	22.41	156.24
Mandera	48.98	26.21	75.19	67.89	67.89	135.78	116.87	94.10	210.97
Marsabit	55.29	20.98	76.27	96.17	96.17	192.33	151.46	117.15	268.60
Meru	156.13	54.69	210.81	49.93	49.93	99.86	206.06	104.62	310.67
Migori	53.02	11.52	64.54	340.27	3.48	343.75	393.29	15.00	408.29
Mombasa	8.30	-	8.30	122.20	122.20	244.40	130.50	122.20	252.70
Murang'a	122.37	2.86	125.24	90.77	90.77	181.53	213.14	93.63	306.77
Nairobi City	48.40	31.01	79.41	274.94	274.94	549.88	323.34	305.95	629.28
Nakuru	78.77	32.07	110.84	94.27	94.27	188.54	173.04	126.34	299.38
Nandi	32.82	27.96	60.78	114.18	114.18	228.36	147.00	142.14	289.13
Narok	103.20	10.00	113.20	97.79	30.33	128.11	200.99	40.32	241.31
Nyamira	90.44	26.65	117.09	99.26	23.25	122.51	189.70	49.90	239.60
Nyandarua	79.67	12.81	92.48	136.50	136.50	273.01	216.17	149.32	365.49
Nyeri	124.04	39.46	163.50	55.36	2.31	57.67	179.40	41.77	221.17
Samburu	17.12	18.95	36.07	48.69	27.71	76.41	65.81	46.66	112.48
Siaya	98.74	9.91	108.65	132.40	132.40	264.80	231.14	142.31	373.45
Taita/Taveta	78.64	46.76	125.40	146.99	146.99	293.99	225.63	193.75	419.38
Tana River	53.73	26.37	80.11	90.95	90.95	181.91	144.69	117.33	262.02
Tharaka –Nithi	52.26	15.57	67.83	107.66	24.91	132.57	159.92	40.48	200.4

County	County Assembly (Kshs.Million)			County Executive (Kshs.Million)			Total Expenditure (Kshs.Million)		
	Domestic Exp.	Foreign Exp.	Total	Domestic Exp.	Foreign Exp.	Total	Domestic Exp.	Foreign Exp.	Total
	A	B	C=B+A	D	E	F=D+E	G=A+D	H=B+E	I=G+H
Trans Nzoia	88.17	18.26	106.43	32.78	32.78	65.56	120.95	51.04	171.99
Turkana	134.18	131.27	265.45	120.03	13.17	133.20	254.21	144.44	398.65
Uasin Gishu	70.58	24.01	94.60	77.88	77.88	155.77	148.47	101.90	250.37
Vihiga	75.92	12.57	88.49	92.94	92.94	185.89	168.86	105.52	274.37
Wajir	43.38	7.87	51.25	66.56	66.56	133.12	109.95	74.43	184.38
West Pokot	102.00	28.17	130.17	183.09	17.42	200.51	285.09	45.6	330.69
Total	3,756.21	1,013.41	4,769.62	5,671.04	4,174.95	9,845.99	9,427.26	5,188.37	14,615.63

Source: OCOB and County Treasuries

In absolute terms, Kisii County incurred the highest expenditure on domestic and foreign travel at Kshs.764.08 million, followed by Garissa County and Nairobi City County at Kshs.653.79 million and Kshs.629.28 million respectively.

3 BUDGET PERFORMANCE BY COUNTY

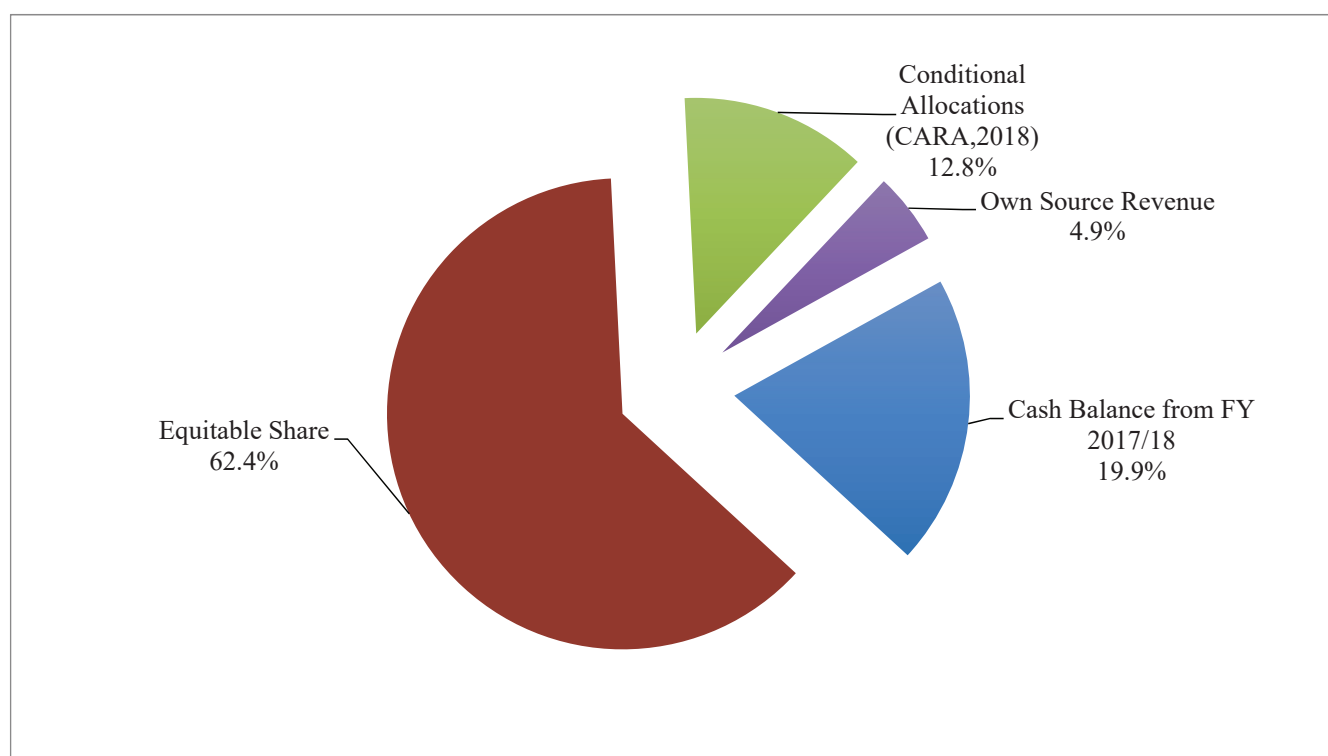
3.1 Baringo County

3.1.1 Overview of the FY 2018/19 Budget

The County's FY 2018/19 Approved Budget was Kshs.8.16 billion, comprising of Kshs.4.53 billion (55.5 per cent) and Kshs.3.63 billion (44.5 per cent) allocation for recurrent and development expenditure respectively.

To finance the budget, the County expects to receive Kshs.5.09 billion (62.4 per cent) as equitable share of revenue raised nationally, Kshs.1.05 billion (12.8 per cent) as total conditional grants, generate Kshs.401.47 million (4.9 per cent) from own-sources of revenue, and Kshs.1.62 billion (19.9 per cent) cash balance from FY 2017/18.

Figure 3.1: Baringo County, Expected Sources of Budget Financing in FY 2018/19



Source: Baringo County Treasury

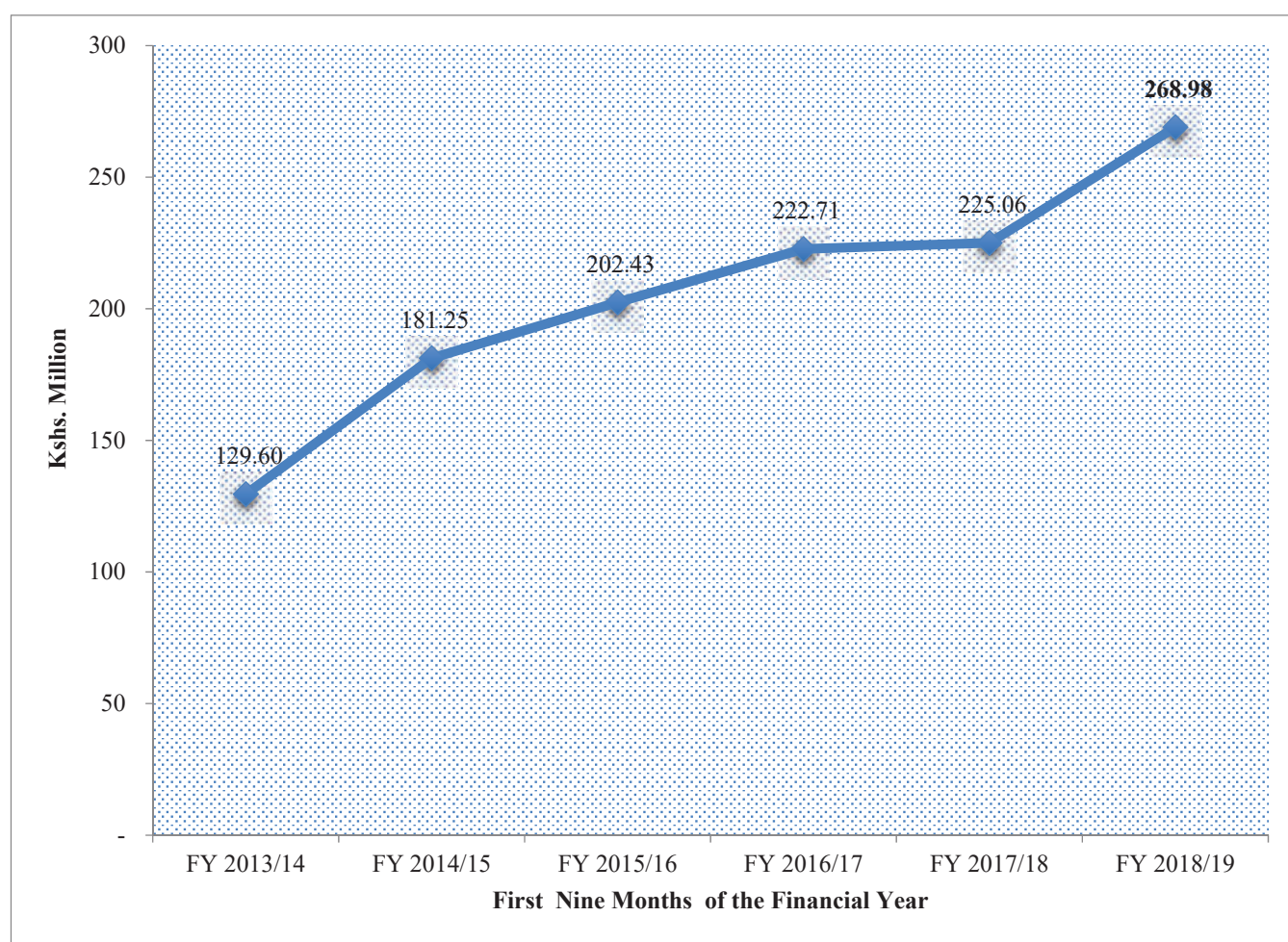
The conditional grants contained in the CARA, 2018 are shown in Table 3.1.

3.1.2 Revenue Analysis

During the first nine months of FY 2018/19, the County received Kshs.2.98 billion as equitable share of the revenue raised nationally, Kshs.1.05 billion as total conditional grants, raised Kshs.268.98 million from own-sources of revenue, and had a cash balance of Kshs.1.62 billion from FY 2017/18. The total funds available for budget implementation amounted to Kshs.3.67 billion.

Figure 3.2 shows the trend in own-sources of revenue collection for the first nine months from FY 2013/14 to FY 2018/19.

Figure 3.2: Baringo County, Trend in Own Sources of Revenue Collection for the First Nine Months from FY 2013/14 to FY 2018/19



Source: Baringo County Treasury

The County generated a total of Kshs.268.98 million from own revenue sources during the first nine months of FY 2018/19. This amount represented an increase of Kshs 43.92 million compared to that realised during a similar period of the FY 2017/18 and represented 19.5 per cent of the annual target.

3.1.3 Conditional Grants

The County received Kshs.505.58 million as conditional grants in the first nine months of the financial year 2018/19 as shown in Table 3.1.

Table 3.1: Baringo County, Conditional Grants/Loans Received in the First Nine Months of FY 2018/19

S/No	Grants/Loans	Annual Allocation, per CARA, 2018 (Kshs)	Annual Budget Allocation for FY 2018/19 (Kshs)	Actual receipts in the First Nine Months of FY 2018/19 (in Kshs.)	Actual Receipts as Percentage of Annual Allocation (%)
1.	Compensation for User Fee Foregone	13,191,000	13,191,000	-	-
2.	Leasing of Medical Equipment	200,000,000	200,000,000	-	-
3.	Road Maintenance Fuel Levy	133,931,014	133,931,014	-	-
4.	Rehabilitation of Village Polytechnics	35,605,000	35,605,000	35,605,000	100.0
5.	Transforming Health Systems for Universal Care Project (WB)	78,899,347	78,899,347	25,330,906	32.1
6.	Kenya Climate Smart Agriculture Project (KCSAP)	117,000,000	117,000,000	42,084,111	36.0
7.	Kenya Devolution Support Project (KDSP) “Level 1 grant”	43,729,455	43,729,455	-	-
8.	Kenya Urban Support Programme	52,360,500	52,360,500	52,360,500	100.0
9.	DANIDA Grant	16,706,250	16,706,250	8,353,125	50.0
10.	EU Grant for instrument for Devolution Advice and support	85,000,000	85,000,000	73,254,422	86.2
11.	Kenya Devolution Support Project (KDSP) “Level II grant”	-	173,023,342	173,023,342	-
12.	ASDPS (Agricultural Sector Development Support Programme)	20,718,749	20,718,749	20,718,749	100.0
13.	KUSP (Balance 2017/2018)	41,200,000	41,200,000	41,200,000	100.0
14.	Road Maintenance Fuel Levy 2017/18 FY	-	33,653,742	33,653,742	-
Total		838,341,315	1,045,018,399	505,583,897	60.3

Source: Baringo County Treasury

Analysis of revenue from conditional grants indicates that the County received full allocation from Kenya Urban Support Programme (KUSP), Rehabilitation of Village Polytechnics, ASDPS (Agricultural Sector Development Support Programme), and Kenya Devolution Support Project (KDSP) “Level II grant”.

3.1.4 Exchequer Issues

To finance the budget, the Controller of Budget approved the withdrawal of Kshs 3.63 billion from the County Revenue Fund Account. The withdrawals represented 44.5 per cent of the Approved Budget and translated to an increase of 5.1 per cent from Kshs.3.45 billion approved in the first nine months of FY 2017/18 and comprised of Kshs.2.93 billion (80.9 per cent) to fund recurrent expenditure and Kshs.694.23 million (19.1 per cent) for development activities.

3.1.5 Overall Expenditure Review

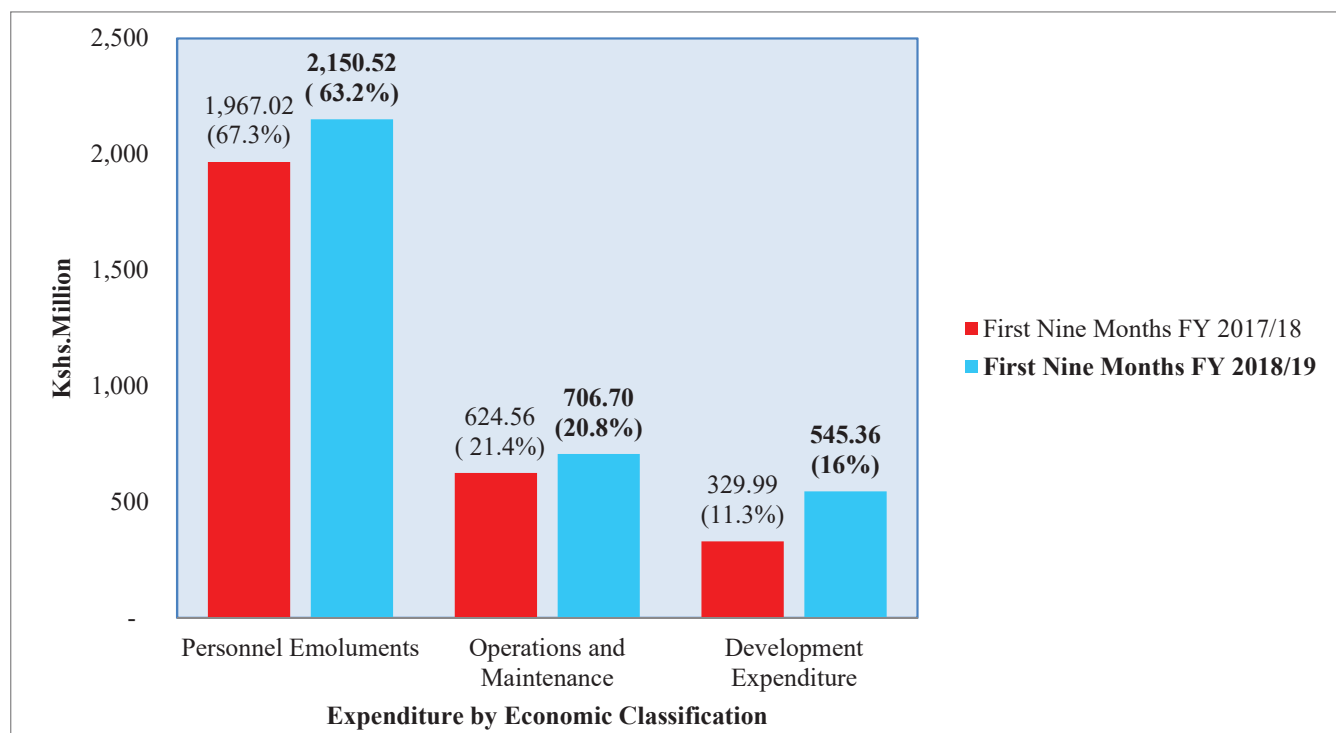
The County spent a total of Kshs.3.40 billion on recurrent and development activities. This expenditure represented 93.8 per cent of the total funds released from the County Revenue Fund Account and was an increase of 16.5 per cent from Kshs.2.92 billion spent in the first nine months of FY 2017/18. The expenditure excluded outstanding commitments as at March 31, 2019 which amounted to Kshs.56.92 million for development activities and Kshs.251.35 million for recurrent expenditure.

Expenditure on recurrent activities amounted to Kshs.2.86 billion while Kshs.545.36 billion was spent on development activities. The recurrent expenditure was 97.4 per cent of the funds released for recurrent activities, while development expenditure was 78.6 per cent of funds released for development activities.

The recurrent expenditure represented 63.1 per cent of the annual recurrent budget, an increase from 62.7 per cent recorded in the first nine months of FY 2017/18. Development expenditure recorded an absorption

rate of 15 per cent, which was a decrease from 17.4 per cent attained in the first nine months of FY 2017/18. Figure 3.3 presents a comparison between the total expenditure in the first nine months of FY 2018/19 and a similar period in FY 2017/18.

Figure 3.3: Baringo County, Expenditure by Economic Classification



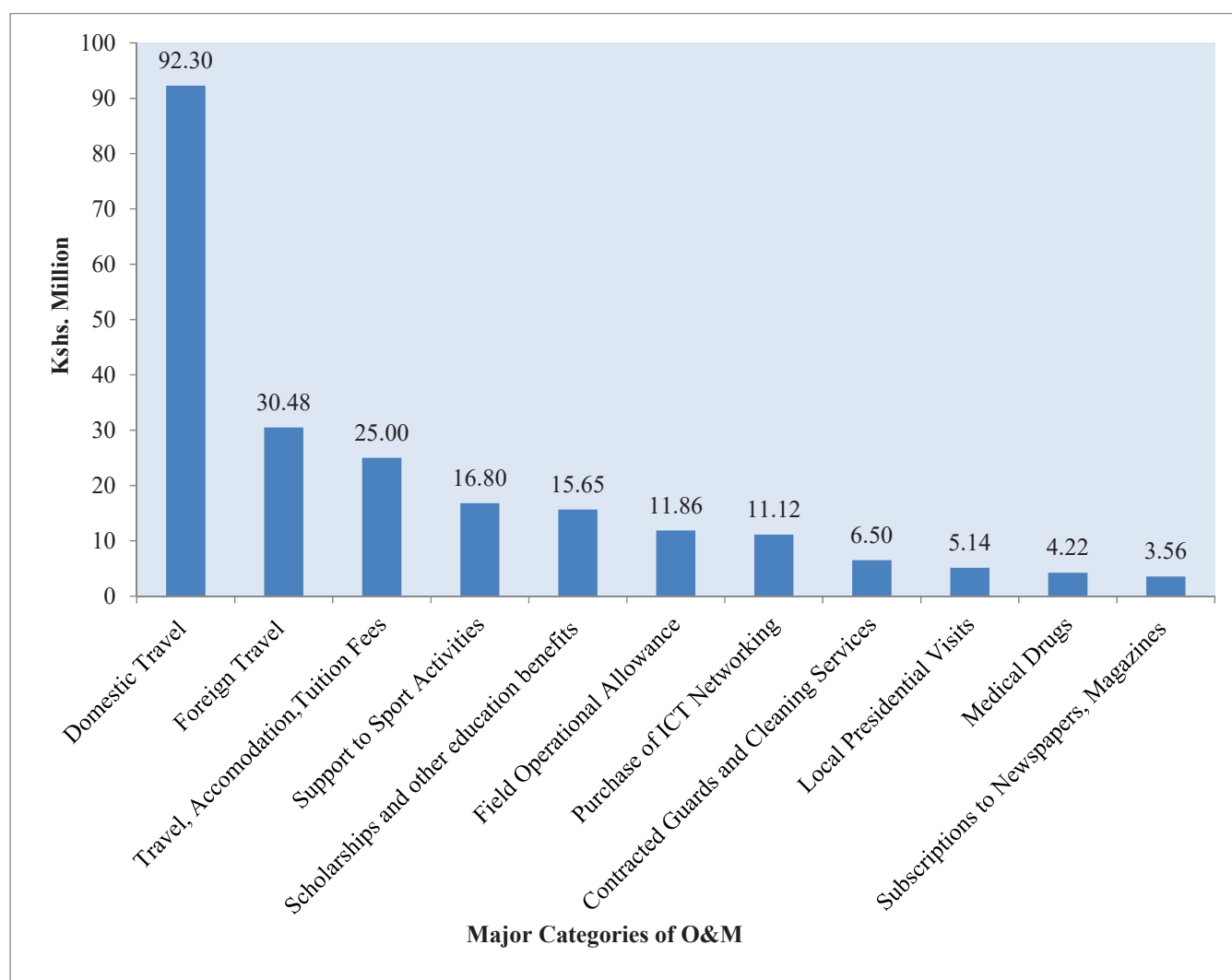
Source: Baringo County Treasury

3.1.6 Analysis of Recurrent Expenditure

The total recurrent expenditure of Kshs.2.86 billion comprised of Kshs.2.15 billion (75.2 per cent) incurred on personnel emoluments and Kshs.706.70 million (24.8 per cent) on operations and maintenance as shown in Figure 3.3.

Expenditure on personnel emoluments represented a decrease of 9.3 per cent compared to a similar period of FY 2017/18 when the County spent Kshs.1.97 billion and was 63.2 per cent of total expenditure in the first nine months of FY 2018/19. Figure 3.4 shows a summary of operations and maintenance expenditure by major categories.

Figure 3.4: Baringo County, Operations and Maintenance Expenditure by Major Categories in the First Nine Months of FY 2018/19



Source: Baringo County Treasury

The County spent Kshs.4.09 million on committee sitting allowances for the 46 MCAs and the speaker against the annual budget allocation of Kshs.12 million. This represented a decline of 34.1 per cent compared to Kshs.6.69 million spent in a similar period of FY 2017/18. The average monthly sitting allowance translated to Kshs.9,875 per MCA against the SRC's recommended monthly ceiling of Kshs.124,800. However, it is key to note that this amount may not represent the actual amount paid since the assembly charged their sitting allowances on basic salary vote.

Expenditure on domestic travel amounted to Kshs.92.30 million and comprised of Kshs.65.54 million spent by the County Assembly and Kshs.26.76 million spent by the County Executive. This represented 3.2 per cent of total recurrent expenditure and was an increase of 60.6 per cent compared to Kshs.57.4 million spent in the first nine months of FY 2017/18.

3.1.7 Development Expenditure

The total development expenditure of Kshs.545.36 million represented 15 per cent of the annual development expenditure budget of Kshs.3.63 billion. Table 3.2 provides a summary of development projects with the highest expenditure in the first nine months of the financial year.

Table 3.2: Baringo County, List of Development Projects with the Highest Expenditure in First Nine Months of FY 2018/19

S/No.	Project Name	Project Location	Annual Project Budget (Kshs.)	Expenditure in First Nine Months (Kshs.)	Absorption Rate (%)
1	Construction /Maintenance of Roads -RRI initiative	County Wide	40,000,000	28,142,025	70
2	Equipping of Mogotio Information Centre	Mogotio Ward	13,166,411	5,300,000	40
3	Fuel For Ward Dozer Roads-Saimo Kipsaraman	Saimo Kipsaraman Ward	5,000,000	4,000,000	80
4	Opening And Upgrading of KVDA Kampi Samaki Roads - Kiserian - Noosukuro Road Structures Development	Kampi Samaki - Kiserian Noosukuro	4,000,000	4,000,000	100
5	Andama-Osiemon-Kwa Thuku Road	Andama-Osiemon	3,500,000	3,500,000	100
6	Construction of County social hall and play theatre phase I at Kabarnet	Kabarnet Ward	12,320,059	3,500,000	28
7	Mogotio Town W/S	Mogotio Ward	3,500,000	3,500,000	100
8	Lomerimeri Water Pan	Tangulbei Ward	3,500,000	3,500,000	100
9	Tuwio Pan Dam	Tirioko Ward	3,500,000	3,500,000	100
10	Tangia Water Pan	Tirioko Ward	3,500,000	3,500,000	100

Source: Baringo County Treasury

3.1.8 Budget Performance by County Department

Table 3.3 shows a summary of the approved budget allocation and performance by department in the first nine months of FY 2018/19.

Table 3.3: Baringo County, Budget Performance by Department

Department	Annual Budget Allocation in FY 2018/19 (Kshs. Million)		Exchequer Issues in First Nine Months of FY 2018/19 (Kshs. Million)		Expenditure in First Nine Months of FY 2018/19 (Kshs. Million)		Expenditure to Exchequer Issues (%)		Absorption Rate (%)	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
County Assembly	667.24	19.50	415.91	-	406.27	-	97.7	-	60.9	-
The Governor's Office	503.10	33.43	297.37	-	272.03	0.36	91.5	-	54.1	1.1
County Finance and Economic Planning	308.85	21.16	165.37	3.00	205.47	4.01	124.2	133.6	66.5	18.9
Roads, Transport, Energy and Public Works	63.52	883.78	45.19	174.18	40.29	189.47	89.2	108.8	63.4	21.4
Trade, Cooperatives and Industrialisation	75.70	20.37	58.04	20.48	36.50	7.40	62.9	36.1	48.2	36.3
Education and Vocational training	337.58	313.54	214.67	79.20	276.17	64.74	128.7	81.7	81.8	20.6
Youth Affairs, Sports, Culture, Gender and Social services	34.60	79.97	1,391.12	57.95	23.06	18.88	1.66	32.58	66.65	23.61
Health Services	2,009.11	735.55	51.28	60.73	1,366.79	50.16	2,665.5	82.6	68.0	6.8
Lands, Housing & Urban Development	120.50	191.45	173.33	167.07	22.52	20.82	13.0	12.5	18.7	10.9
Agriculture, Livestock, and Fisheries Management	247.89	445.41	21.20	16.56	115.53	70.91	545.0	428.2	46.6	15.9

Department	Annual Budget Allocation in FY 2018/19 (Kshs. Million)		Exchequer Issues in First Nine Months of FY 2018/19 (Kshs. Million)		Expenditure in First Nine Months of FY 2018/19 (Kshs. Million)		Expenditure to Exchequer Issues (%)		Absorption Rate (%)	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
Water and Irrigation	121.65	829.79	76.14	90.01	68.48	92.33	89.9	102.6	56.3	11.1
Tourism, Wildlife Management, Natural Resources and Mining	35.82	55.49	24.58	25.04	24.11	26.28	98.1	104.9	67.3	47.4
TOTAL	4,525.58	3,629.45	2,934.19	694.23	2,857.22	545.36	97.4	78.6	63.1	15.0

Source: Baringo County Treasury

Analysis of expenditure by department shows that the Tourism, Wildlife Management, Natural Resources and Mining recorded the highest absorption rate of development budget at 47.4 per cent while the County Assembly did not incur any development expenditure. The Department of Education and Vocational training had the highest percentage of recurrent expenditure to its recurrent budget at 81.7 per cent while the Department of Housing and Urban Development had the lowest at 18.7 per cent.

3.1.9 Key Observations and Recommendations

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

- Improvement in the use of IFMIS and the Internet Banking Platform in processing of financial transactions.
- Establishment of the Internal Audit Committee in line with Section 155 of the PFM Act, 2012.
- Improvement of own-source revenue collections by 19.5 per cent from Kshs.225.05 million in a similar period in FY 2017/18 to Kshs.268.98 million in the reporting period.

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

- A high wage bill that increased by 9.3 per cent from Kshs.1.97 billion in the first nine months of FY 2017/18 to Kshs.2.15 billion in the reporting period. The wage bill accounted for 63.2 per cent of total expenditure in the reporting period.
- High expenditure on domestic travel, which increased by 60.6 per cent from Kshs.57.46 million in a similar period of FY 2017/18 to Kshs.92.30 million in the reporting period.

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

- The County Public Service Board should establish an optimal staffing structure in order to manage the wage bill.*
- The County Treasury should ensure that expenditure on non-core budget items is rationalised to provide more resources for development projects.*

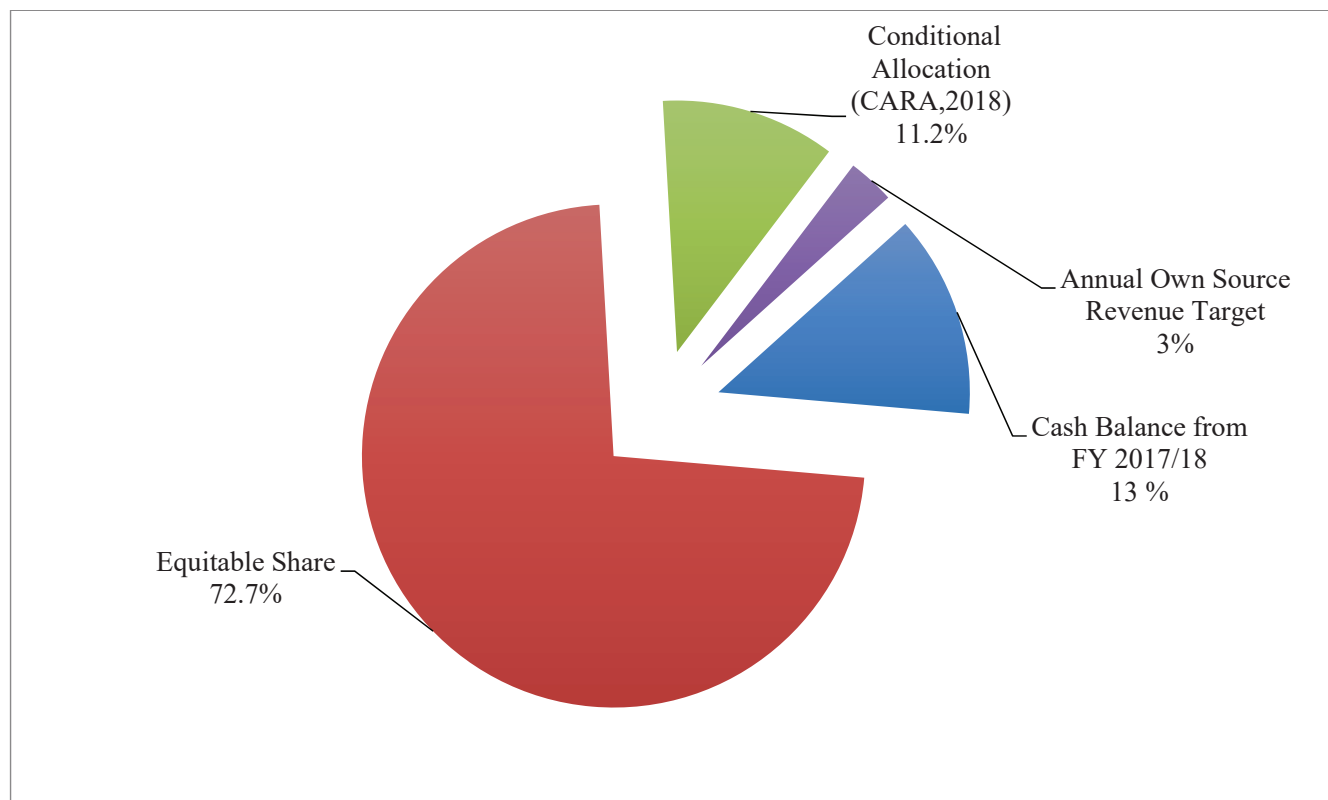
3.2 Bomet County

3.2.1 Overview of the FY 2018/19 Budget

The County's FY 2018/19 Approved Supplementary Budget was Kshs 8.16 billion, comprising of Kshs.5.13 billion (62.8 per cent) and Kshs.3.03 billion (37.2 per cent) allocation for recurrent and development expenditure respectively.

To finance the budget, the County expects to receive Kshs.5.93 billion (72.7 per cent) as equitable share of revenue raised nationally, Kshs.916.77million (11.2 per cent) as total conditional grants, generate Kshs.245 million (3 per cent) from own-sources of revenue, and Kshs.1.06 billion (13 per cent) cash balance brought forward from FY 2017/18.

Figure 3.5: Bomet County, Expected Sources of Budget Financing in FY 2018/19



Source: Bomet County Treasury

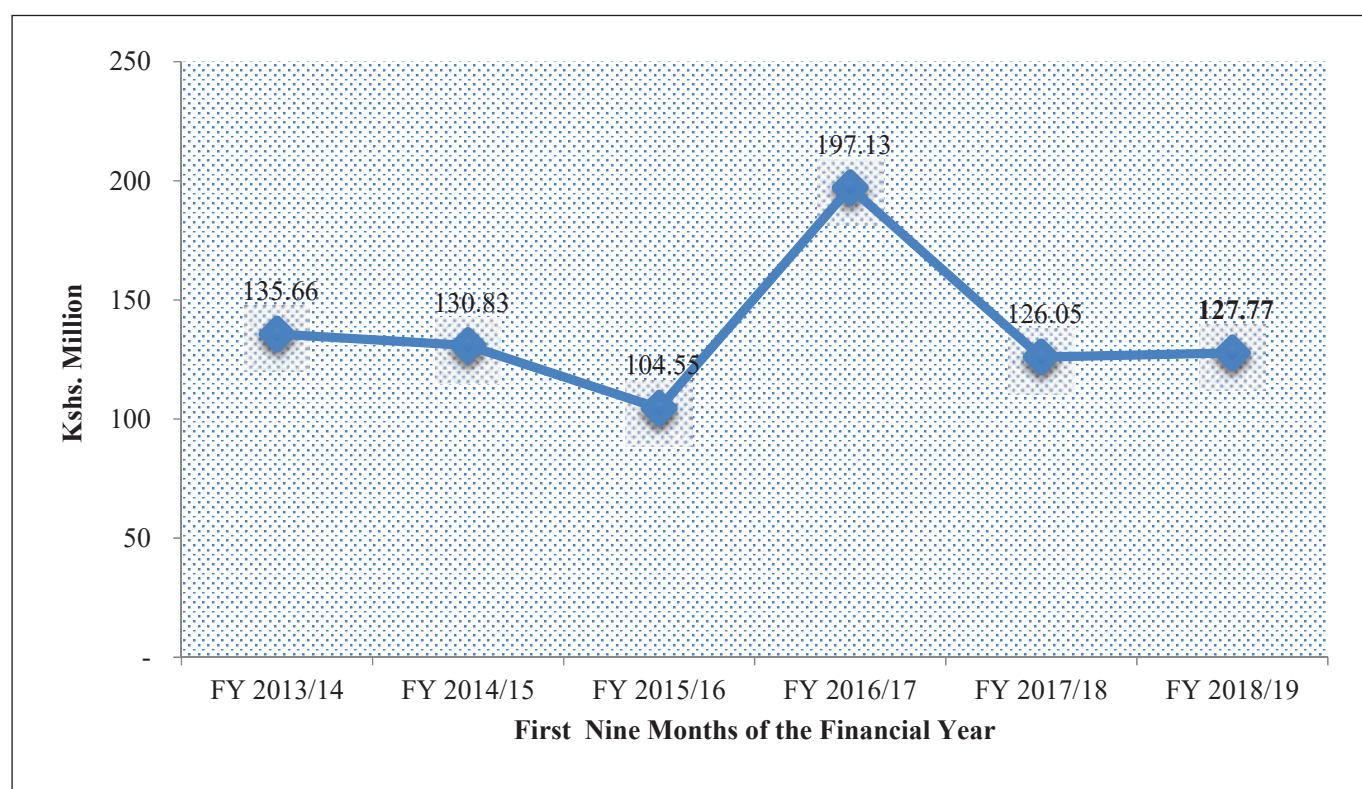
The conditional grants contained in the CARA, 2018 are shown in Table 3.4.

3.2.2 Revenue Analysis

During the first nine months of FY 2018/19, the County received Kshs.3.48 billion as equitable share of revenue raised nationally, raised Kshs.127.77 million from own-source revenue, received Kshs.316.54 as conditional grants, and had a cash balance of Kshs.1.06 billion from FY 2017/18. The total available funds amounted to Kshs.4.68 billion.

Figure 3.6 shows the trend in own-sources of revenue in the first nine months from FY 2013/14 to FY 2018/19.

Figure 3.6: Bomet County, Trend in Own-source revenue Collection in the First Nine Months from FY 2013/14 to FY 2018/19



Source: Bomet County Treasury

The County generated a total of Kshs.127.77 million from own-sources of revenue during the first nine months of FY 2018/19, representing an increase of 9.5 per cent compared to Kshs.141.22 million generated in the first nine months of FY 2017/18 and represented 52.2 per cent of the annual target.

3.2.3 Conditional Grants

The County received Kshs.316.54 million as conditional grants in the first nine months of the financial year as shown in Table 3.4.

Table 3.4: Bomet County, Analysis of Conditional Grants Received in the First Nine Months of FY 2018/19

S/No	Grants	Annual CARA, 2018 Allocation (in Kshs)	Annual Budget Allocation (in Kshs)	Actual receipts in first nine months of FY 2018/19 (in Kshs.)	Actual Receipts as Percentage of Annual Allocation (%)
A	Grants Contained in the CARA, 2018				
	Compensation for User Fee Foregone	16,713,356	16,713,356	-	-
	Leasing of Medical Equipment	200,000,000	200,000,000	-	-
	Road Maintenance Fuel Levy	156,252,849	156,252,849	78,126,425	50.0
	Transforming Health Systems for Universal Care Project (World Bank)	86,405,581	86,405,581	9,158,789	10.6
	IDA (World Bank) -Kenya Climate Smart Agriculture Project (KCSAP)	117,000,000	117,000,000	35,841,567	30.6
	IDA (World Bank) Kenya Devolution Support Programme "Level 1 grant"	-	-	-	-

S/No	Grants	Annual CARA, 2018 Allocation (in Kshs)	Annual Budget Allocation (in Kshs)	Actual receipts in first nine months of FY 2018/19 (in Kshs.)	Actual Receipts as Percentage of Annual Allocation (%)
A	Grants Contained in the CARA, 2018				
	IDA (World Bank) -Kenya Urban Support Project (KUSP)	209,534,800	209,534,800	168,334,800	80.3
	DANIDA - Universal Healthcare in Devolved System Programme	17,617,500	17,617,500	17,617,500	0.0
	Kenya Devolution Support Programme “Level 1 grant”	44,888,193	44,888,193	-	-
	ASDSP	20,485,395	20,485,395	7,458,275	36.4
	CA- Development of Youth polytechnics	47,875,000	47,875,000	-	-
Grand Total		916,772,674	916,772,674	316,537,356	32.6

Source: Bomet County Treasury

Analysis of revenue from conditional grants in the period under review indicates that the County received the highest disbursement from IDA (World Bank) for Kenya Urban Support Project (KUSP) at 80.3 per cent of annual allocation and Road Maintenance Fuel Levy) at 50 per cent.

3.2.4 Exchequer Issues

The Controller of Budget approved withdrawal of Kshs.4.67 billion from the County Revenue Fund Account, which was 57.3 per cent of the Approved Budget. The withdrawals represented an increase of 29 per cent from Kshs.3.62 million approved in the first nine months of FY 2017/18 and comprised of Kshs.3.60 billion (77 per cent) for recurrent expenditure and Kshs.1.08 billion (23 per cent) for development activities.

3.2.5 Overall Expenditure Review

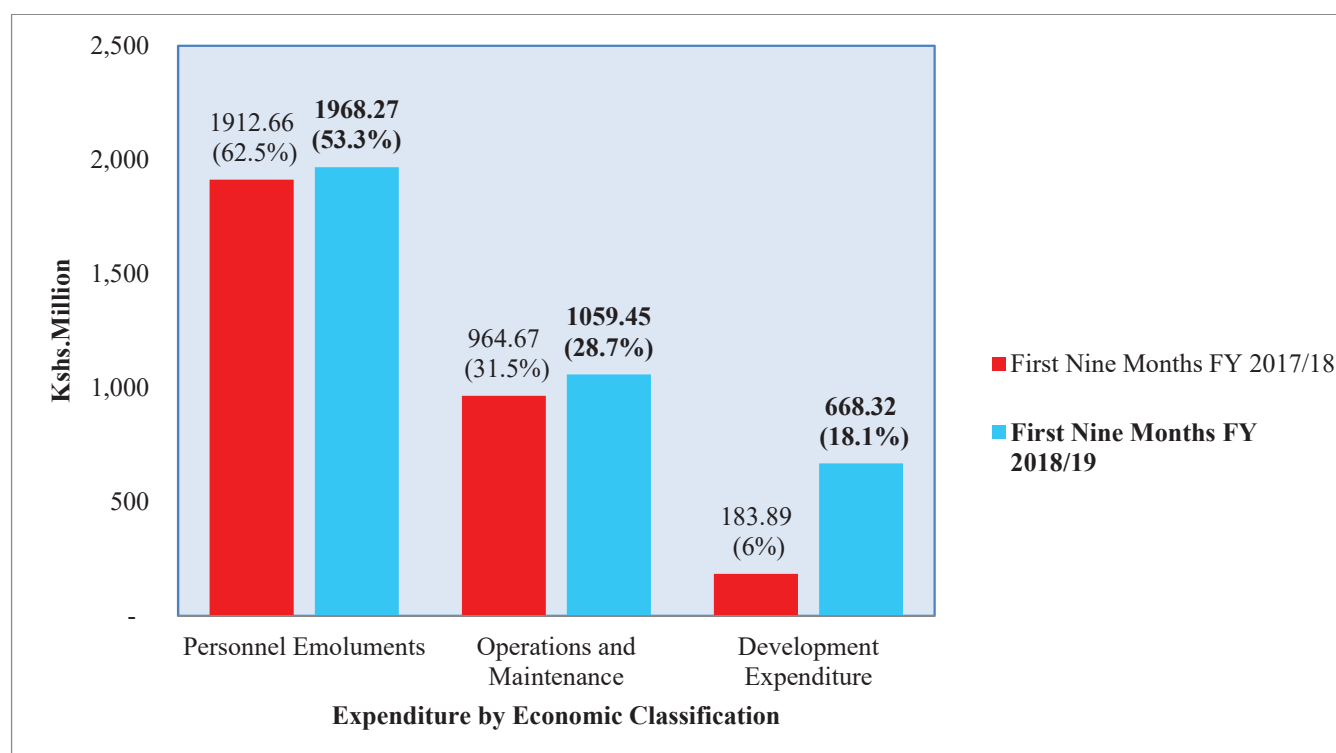
The County spent Kshs.3.70 billion, which was 80.0 per cent of the total funds released for operations. This was an increase of 20.8 per cent from Kshs.3.06 billion spent in the first second quarter of FY 2017/19.

A total of Kshs.3.03 billion was spent on recurrent activities while Kshs.668.32 million was spent on development activities. The recurrent expenditure was 84.2 per cent of the funds released for recurrent activities, while development expenditure was 62.1 per cent of funds released for development activities. The expenditure excluded outstanding commitments which amounted to Kshs.25.1 million for development activities and Kshs.49.78 million for recurrent expenditure as at March 31, 2018.

The recurrent expenditure represented 59 per cent of the annual recurrent budget, a decrease from 67.8 per cent recorded in the first nine months of FY 2017/18. Development expenditure recorded an absorption rate of 22 per cent, which was an increase from 9.4 per cent attained in the first nine months of FY 2017/18.

Figure 3.7 presents a comparison between the total expenditure in the first nine months of FY 2018/19 and the first nine months of the FY 2017/18.

Figure 3.7: Bomet County, Expenditure by Economic Classification



Source: Bomet County Treasury

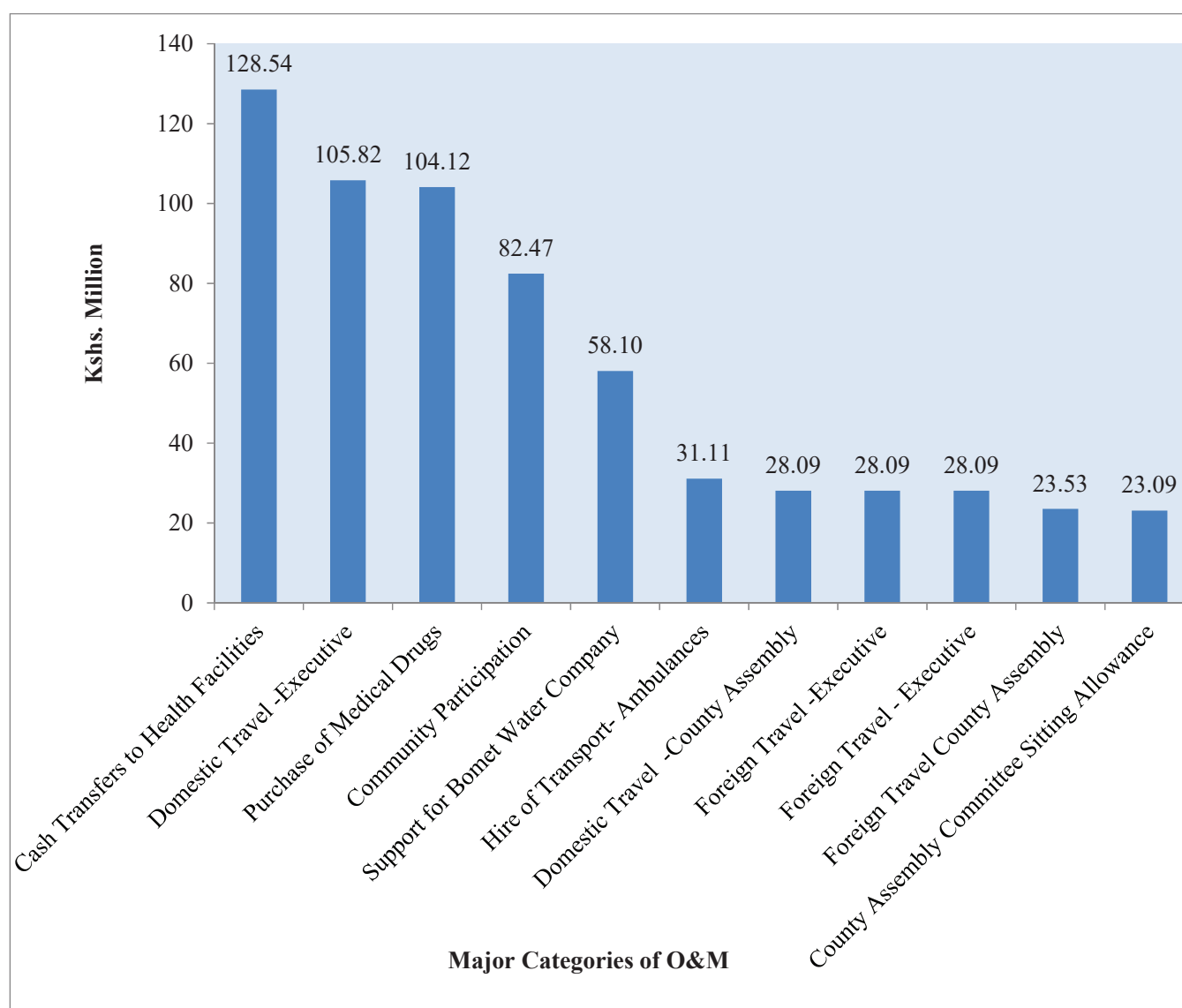
3.2.6 Analysis of Recurrent Expenditure

The total recurrent expenditure of Kshs.3.21 billion comprised of Kshs.1.97 billion (66.5 per cent) incurred on personnel emoluments and Kshs.1.06 billion (33.5 per cent) on operations and maintenance as shown in Figure 3.3.

Expenditure on personnel emoluments represented an increase of 2.9 per cent compared to the first nine months of FY 2017/18 when the County spent Kshs.1.91 billion, and was 53.3 per cent of total expenditure in the first nine months of FY 2018/19.

Figure 3.8 shows a summary of operations and maintenance expenditure by major categories.

Figure 3.8: Bomet County, Operations and Maintenance Expenditure by Major Categories in the First Nine Months of FY 2018/19



Source: Bomet County Treasury

The County spent Kshs.23.09 million on committee sitting allowances to the 37 MCAs and the speaker against the annual budget allocation of Kshs.30.39 million. This was an increase of 173.3 per cent compared to Kshs.4.79 million spent in the first nine months of FY 2017/18. The average monthly sitting allowance was Kshs.69, 354 per MCA compared to SRC's recommended monthly ceiling of Kshs.124,800.

Expenditure on domestic travel amounted to Kshs.133.91 million and comprised of Kshs.28.09 million spent by the County Assembly and Kshs.105.82 million by the County Executive. This represented 4.2 per cent of total recurrent expenditure and was an increase of 17.2 per cent compared to Kshs.114.31 million spent in the first nine months of FY 2017/18.

3.2.7 Development Expenditure Analysis

The total development expenditure of Kshs.668.32 million represented 22 per cent of the annual development budget of Kshs.3.03 billion.

Table 3.5 provides a summary of development projects with the highest expenditure in the first nine months of the financial year.

Table 3.5: Bomet County, List of Development Projects with the Highest Expenditure in the first Nine Months FY 2018/19

S/No.	Project Name	Project location	Project budget (Kshs.)	Project Expenditure in first nine months of FY 2018/19 (Kshs.)	Absorption Rate (%)
1	Purchase of Fire Truck	Bomet	25,000,000	25,000,000	100
2	Food & Nutrition Security	Irrigation scheme at Kaboson	18,700,000	15,666,667	83.8
3	Purchase of Ambulance (2)	Longisa Hospital	30,000,000	23,200,000	77.3
4	Development of ICT infrastructure	Merigi, Kiptenden, Embomos, Kapkures	9,455,897	4,750,581	50.2
5	Construction of Roads	Varied	815,338,575	378,332,382	46.4
6	Development Of Water Infrastructure	Sotik, Chepalungu, Konoin, Bomet East, Bomet Central	267,061,471	76,860,147	28.8
7	ECD Infrastructure development	Varied	145,068,277	25,088,480	17.3
8	Industrial Development- Jua kali	Kametori, Kipraisi, Nyatembe, Chebelion etc	33,000,000	4,375,728	13.3
9	Hospital/ Dispensary Development	Bomet Maternity wing, Mulot Dispensary	68,000,000	539,071	0.8
10	Cooperative Societies Developments	Varied	88,193,200	17,227,120	19.5

Source: Bomet County Treasury

3.2.8 Budget and Budget Performance Analysis by Department

Table 3.6 shows a summary of budget estimates and budget performance by department in the first nine months of FY 2018/19.

Table 3.6: Bomet County, Budget Performance by Department

Department	Budget Allocation (Kshs. Million)		Exchequer Issues in First Nine Months of FY 2018/19 (Kshs. Million)		Expenditure in First Nine Months of FY 2018/19 (Kshs. Million)		Expenditure to Exchequer Issues (%)		Absorption Rate (%)	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
County Executives	540.71	-	394.88	-	384.99	-	97.5	-	71.2	
Public Service Board	48.46	-	44.55	-	32.61	-	73.2	-	67.3	
Administration	432.59	130.75	285.78	45.80	320.40	40.97	112.1	89.4	74.1	31.3
ICT	40.42	-	32.37	-	22.08	-	68.2	-	54.6	
Finance	354.21	35.93	250.80	-	222.98	-	88.9	-	63.0	-
Economic Planning	186.36	-	90.75	-	80.43	-	88.6	-	43.2	
Lands and Urban Planning	206.33	259.63	129.18	189.12	121.28	13.63	93.9	7.2	58.8	5.2
Youth, Sports, Gender and Culture	153.94	44.00	81.02	-	51.43	-	63.5		33.4	0.0
Medical Services and Public Health	1,229.73	387.76	909.13	47.99	683.99	59.57	75.2	124.1	55.6	15.4
Agriculture, Live-stock and Cooperatives	271.57	393.07	202.24	121.80	131.58	46.31	65.1	38.0	48.5	11.8
Water, Sanitation And Environment	160.08	284.26	124.78	82.82	83.94	76.86	67.3	92.8	52.4	27.0
Education and Vocational Training	635.76	150.99	411.73	28.74	384.00	25.09	93.3	87.3	60.4	16.6

Department	Budget Allocation (Kshs. Million)		Exchequer Issues in First Nine Months of FY 2018/19 (Kshs. Million)		Expenditure in First Nine Months of FY 2018/19 (Kshs. Million)		Expenditure to Exchequer Issues (%)		Absorption Rate (%)	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
Roads, Public Works and Transport	187.83	959.14	141.60	514.18	79.81	386.60	56.4	75.2	42.5	40.3
Trade, Energy, Tourism and Industry	53.78	209.75	41.95	21.61	18.03	16.94	43.0	78.4	33.5	8.1
County Assembly	625.90	177.65	455.50	23.93	410.16	2.35	90.0	9.8	65.5	1.3
Total	5,127.68	3,032.92	3,596.26	1,076.01	3,027.72	668.32	84.2	62.1	59.0	22.0

Source: Bomet 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 budget at 40.3 per cent. The Department of Administration had the highest percentage of recurrent expenditure to recurrent budget at 74.1 per cent while the Department of Youth, Sports Gender, and Culture had the lowest at 33.4 per cent.

3.2.9 Key Observations and Recommendations

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

- The County has embraced the use of IFMIS in processing financial transactions.
- In compliance to Section 155 of the PFM Act, 2012 the County has established an Audit Committee.

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

- Delay in disbursement of the equitable share of revenue raised nationally by the National Treasury.
- Low absorption of the development budget. The County reported an absorption rate of 22 per cent compared to the expected threshold of 75 per cent for the first nine months.

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

- The County Treasury should liaise with the National Treasury to ensure that funds allocated to the County are released in a timely manner.*
- The County should identify and address the causes of low absorption of the development budget to enhance effective budget implementation.*

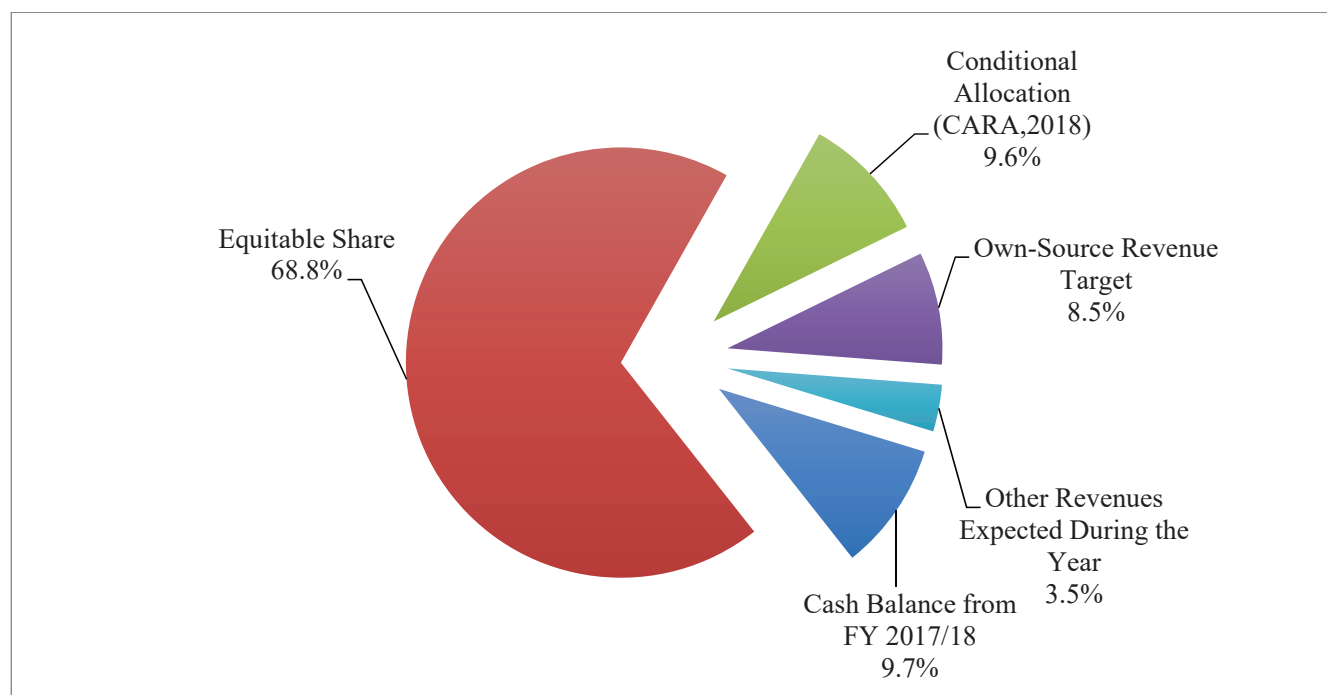
3.3 Bungoma County

3.3.1 Overview of the FY 2018/19 Budget

The County's FY 2018/19 Approved Supplementary Budget was Kshs.13.01 billion, comprising of Kshs.8.05 billion (61.9 per cent) and Kshs.4.96 billion (38.1 per cent) allocation for recurrent and development expenditure respectively.

To finance the budget, the County expects to receive Kshs.8.95 billion (68.8 per cent) as equitable share of revenue raised nationally, Kshs.1.25 billion (9.6 per cent) as total conditional grants, generate Kshs.1.10 billion (8.5 per cent) from own-sources of revenue, Kshs.1.26 billion (9.7 per cent) cash balance brought forward from FY 2017/18 and Kshs.456.52 million (8.5 per cent) as other revenues expected during the year.

Figure 3.9: Bungoma County, Expected Sources of Budget Financing in FY 2018/19



Source: Bungoma County Treasury

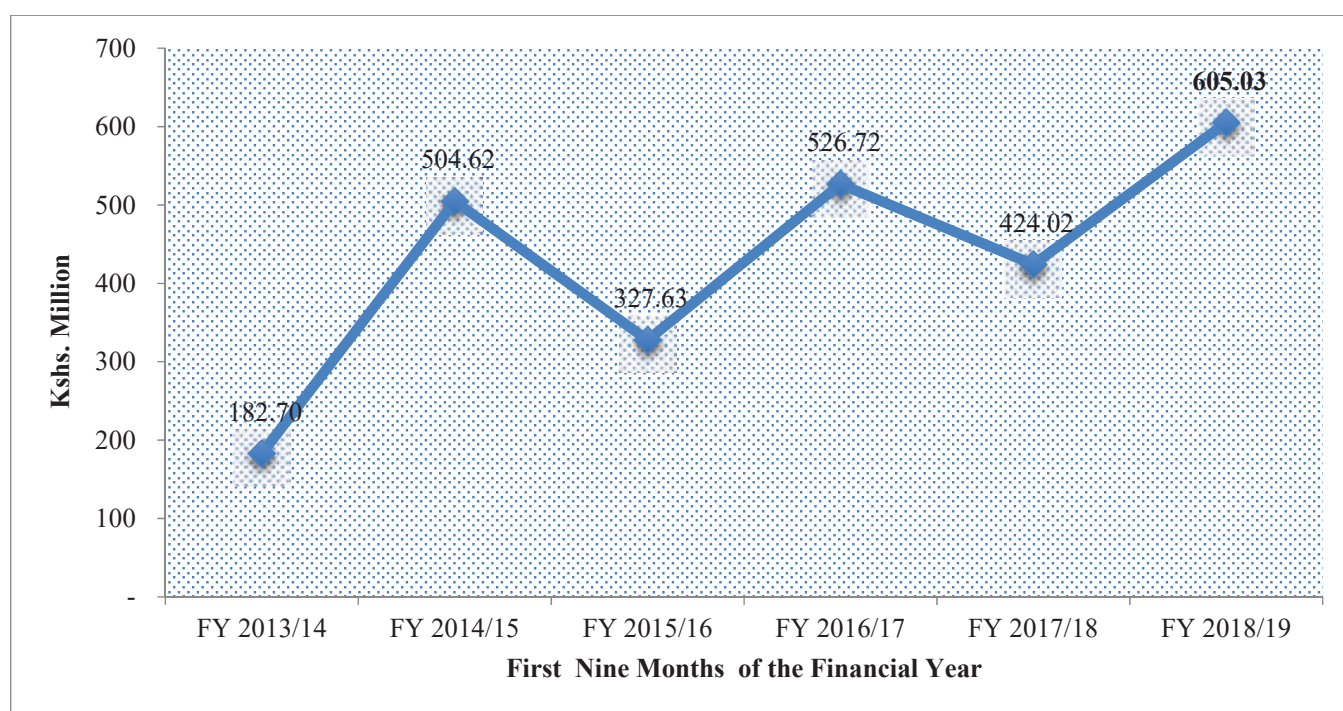
The conditional grants contained in the CARA, 2018 are shown in Table 3.7.

3.3.2 Revenue Analysis

During the first nine months of FY 2018/19, the County received Kshs.6.19 billion as equitable share of the revenue raised nationally, Kshs.583.27 million as total conditional grants, raised Kshs.605.03 million from own-sources of revenue, and had a cash balance of Kshs.1.26 billion from FY 2017/18. The total funds available for budget implementation amounted to Kshs.8.64 billion.

Figure 3.10 shows the trend in own-sources of revenue collection for the first nine months from FY 2013/14 to FY 2018/19.

Figure 3.10: Bungoma County, Trend in Own Sources of Revenue Collection for the First Nine Months from FY 2013/14 to FY 2018/19



Source: Bungoma County Treasury

The County generated a total of Kshs.605.03 million from own revenue sources during the first nine months of FY 2018/19. This amount represented an increase of Kshs.143.65 million compared to that realised during a similar period of the FY 2017/18 and represented 55 per cent of the annual target.

3.3.3 Conditional Grants

The County received Kshs.583.27 million as conditional grants in the first nine months of the financial year 2018/19 as shown in Table 3.7.

Table 3.7: Bungoma County, Conditional Grants/Loans Received in the First Nine Months of FY 2018/19

S/ No	Grants	Annual CARA, 2018 Allocation (in Kshs)	Annual Budget Allocation (in Kshs)	Actual Receipts in First Nine Months of FY 2018/19 (in Kshs.)	Actual Receipts as Percentage of Annual Allocation (%)
A	Grants Contained in the CARA, 2018				
1	Kenya Urban Support Project (KUSP)	300,977,100	340,977,100	-	-
2	Road Maintenance Fuel Levy	235,619,376	235,619,376	-	-
3	Leasing of Medical Equipment	200,000,000	200,000,000	-	-
	National Agricultural and Rural Inclusive Growth Project (NARIGP)	140,435,163	140,435,163	5,500,000	3.9
	Transforming Health Systems for Universal Care Project (WB)	100,000,000	115,388,909	-	-
	Rehabilitation of Village Polytechnics	65,500,000	65,500,000	76,276,625	116.5
	Kenya Devolution Support Project (KDSP) "Level 1 grant"	58,329,310	74,742,377	17,830,062	23.9

S/ No	Grants	Annual CARA, 2018 Allocation (in Kshs)	Annual Budget Allocation (in Kshs)	Actual Receipts in First Nine Months of FY 2018/19 (in Kshs.)	Actual Receipts as Percentage of Annual Allocation (%)
A	Grants Contained in the CARA, 2018				
	Compensation for User Fee Foregone	32,837,307	32,837,307	-	-
	DANIDA Grant	29,362,500	41,551,298	53,968,783	129.9
	EU-Water Tower Protection and Climate Change Mitigation and Adaption Programme (WaTER)	80,000,000	-		-
	Agricultural Sector Development Support Programme (ASDSP)	22,404,685	-		-
	Kenya Urban Support Project (KUSP)- Urban Institutional Grants	41,200,000	-	300,977,993	-
	Sub Total	1,306,665,441	1,247,051,530	454,553,463	36.5
B	Other Grants				
	Agriculture, Livestock, Fisheries and co-op development (NARGP)	-	41,115,415	10,906,249	26.5
	Development of Youth Polytechnics	-	76,276,635	-	-
	Sirisia Hospital grant	-	99,999,945	-	-
	Roads and Public Works: RMLF	-	239,129,429	-	-
	Sub Total	-	456,521,424	10,906,249	2.4
	Grand Total	1,306,665,441	1,703,572,954	465,459,712	27.3

Source: Bungoma County Treasury

Analysis of revenue from conditional grants indicates that, disbursements to DANIDA Grant and Rehabilitation of Village Polytechnics exceeded the budgetary allocation at 129.9 per cent, and 116.5 per cent respectively.

3.3.4 Exchequer Issues

To finance the budget, the Controller of Budget approved the withdrawal of Kshs.6.19 billion from the County Revenue Fund Account. The withdrawals represented 47.5 per cent of the Approved Budget and translated to an increase of 9.5 per cent from Kshs.5.65 billion approved in the first nine months of FY 2017/18 and comprised of Kshs.5.19 billion (83.9 per cent) to fund recurrent expenditure and Kshs.996.32 million (16.1 per cent) for development activities.

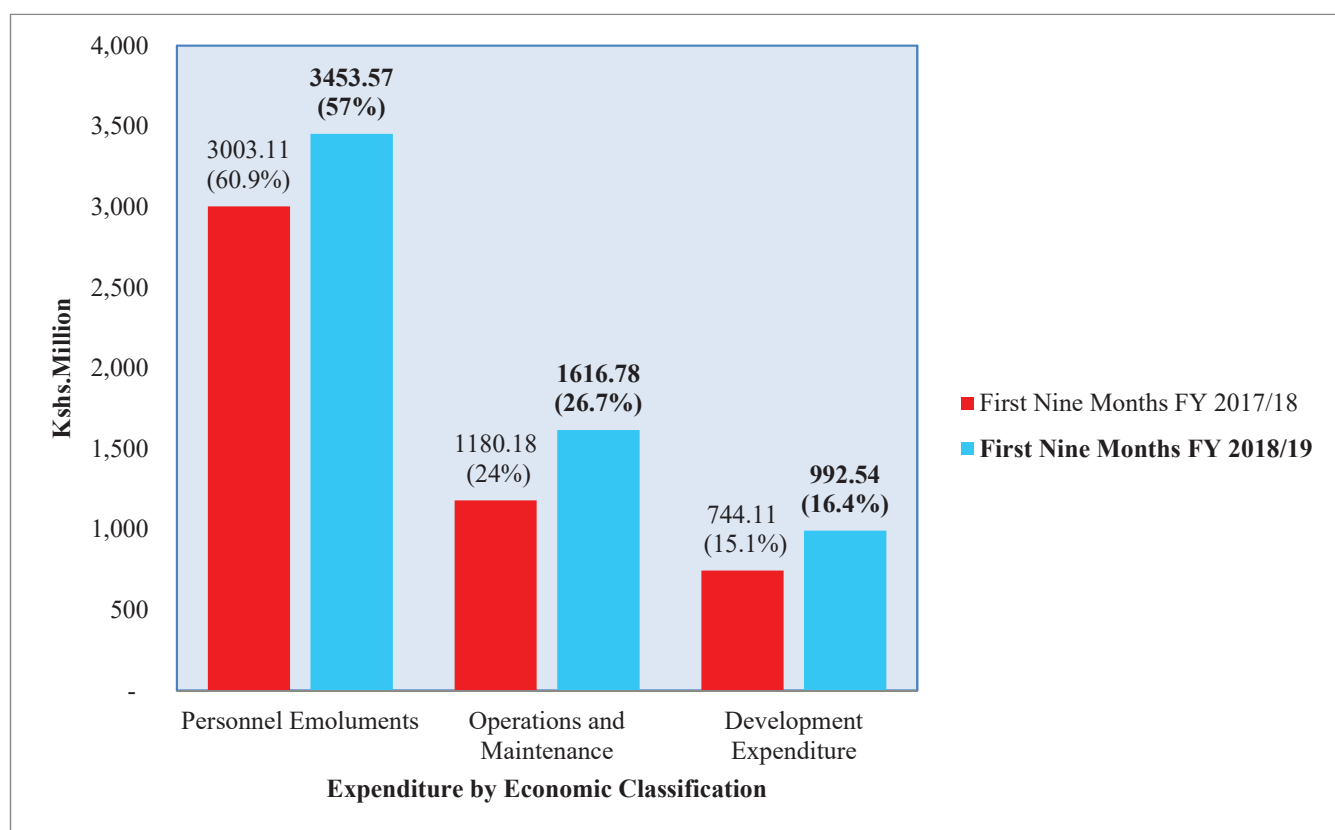
3.3.5 Overall Expenditure Review

The County spent a total of Kshs.6.06 billion on recurrent and development activities. This expenditure represented 98 per cent of the total funds released from the County Revenue Fund Account and was an increase of 23 per cent from Kshs.4.93 billion spent in the first nine months of FY 2017/18. The expenditure excluded outstanding commitments as at March 31, 2019 which amounted to Kshs.407.58 million for development activities and Kshs.178.24 million for recurrent expenditure.

Expenditure on recurrent activities amounted to Kshs.5.07 billion while Kshs.992.54 million was spent on development activities. The recurrent expenditure was 97.7 per cent of the funds released for recurrent activities, while development expenditure was 99.6 per cent of funds released for development activities.

The recurrent expenditure represented 63 per cent of the annual recurrent budget, an increase from 54.4 per cent recorded in the first nine months of FY 2017/18. Development expenditure recorded an absorption rate of 20 per cent, which was a decrease from 22.9 per cent attained in the first nine months of FY 2017/18. Figure 3.11 presents a comparison between the total expenditure in the first nine months of FY 2018/19 and a similar period in FY 2017/18.

Figure 3.11: Bungoma County, Expenditure by Economic Classification



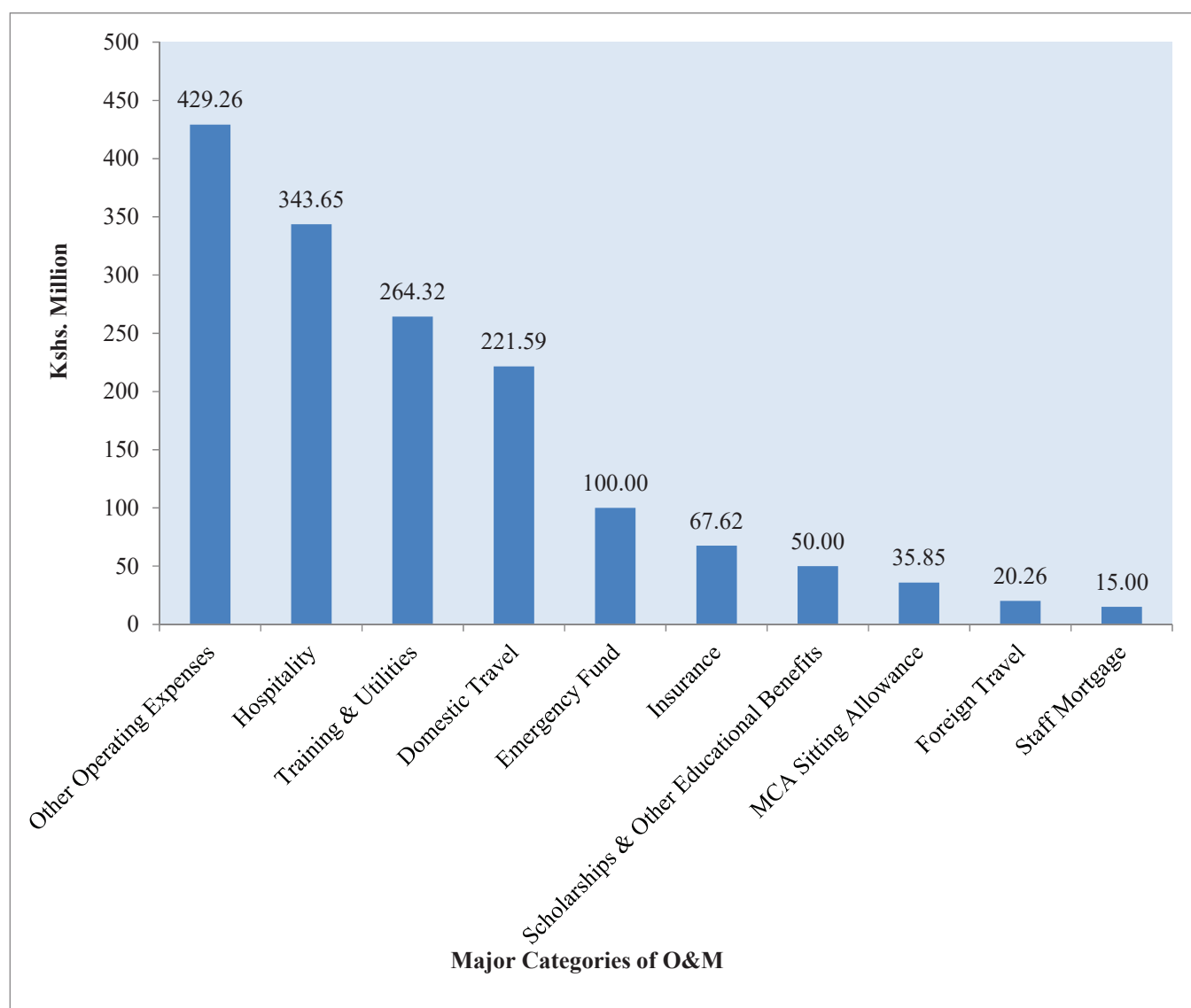
Source: Bungoma County Treasury

3.3.6 Analysis of Recurrent Expenditure

The total recurrent expenditure of Kshs.5.07 billion comprised of Kshs.3.45 billion (68.1 per cent) incurred on personnel emoluments and Kshs.1.62 billion (31.9 per cent) on operations and maintenance as shown in Figure 3.12.

Expenditure on personnel emoluments represented an increase of 15.0 per cent compared to a similar period of FY 2017/18 when the County spent Kshs.3 billion and was 57 per cent of total expenditure in the first nine months of FY 2018/19. Figure 3.12 shows a summary of operations and maintenance expenditure by major categories.

Figure 3.12: Bungoma County, Operations and Maintenance Expenditure by Major Categories in the First Nine Months of FY 2018/19



Source: Bungoma County Treasury

The County spent Kshs.35.85 million on committee sitting allowances for the 61 MCAs and the speaker against the annual budget allocation of Kshs.53.69 million. This represented an increase of 6.7 per cent compared to Kshs.33.61 million spent in a similar period of FY 2017/18. The average monthly sitting allowance translated to Kshs.65,297 per MCA against the SRC's recommended monthly ceiling of Kshs.124,800.

Expenditure on domestic travel amounted to Kshs.221.59 million and comprised of Kshs.16.34 million spent by the County Assembly and Kshs.205.25 million spent by the County Executive. This represented 4.4 per cent of total recurrent expenditure and was an increase of 17.3 per cent compared to Kshs.101.99 million spent in the first nine months of FY 2017/18.

3.3.7 Development Expenditure

The total development expenditure of Kshs.992.54 million represented 20 per cent of the annual development expenditure budget of Kshs.4.96 billion. Table 3.8 provides a summary of development projects with the highest expenditure in the first nine months of the financial year.

Table 3.8: Bungoma County, List of Development Projects with the Highest Expenditure in First Nine Months of FY 2018/19

S/ No.	Project Name	Project Location	Project Budget (Kshs.)	Project Expenditure in First Nine Months of FY 2018/19 (Kshs.)	Absorption Rate (%)
1.	Purchase of graders	HQ	136,325,000	129,529,375	95.0
2.	Grants for Vocational Training Centres (VTCS)	Countywide	141,776,625	75,516,625	53.3
3.	Construction of casualty department, packing bay and walk ways at Bungoma County	County Referral Hospital	25,331,402	49,030,810	193.6
4.	Construction of Perimeter wall	County Referral Hospital	11,000,000	32,463,132	295.1
5.	Construction of intake, pipeline and tanks at Chebukwabi-Kibingei water project phase II	Chebukwabi	38,390,917	30,712,726	80.0
6.	Construction of storm water drainage in Bungoma town	Bungoma Town	37,257,250	21,109,169	56.7
7.	Extension of Sitikho Water Project	Sitikho	17,304,764	8,652,381	50.0
8.	Purchase of land to establish KMTC	Kapsokwonyi	4,950,000	4,950,000	100.0

Source: Bungoma County Treasury

3.3.8 Budget Performance by County Department

Table 3.9 shows a summary of the approved budget allocation and performance by department in the first nine months of FY 2018/19.

Table 3.9: Bungoma County, Budget Performance by Department

Department	Budget Allocation (Kshs. Million)		Exchequer Issues in First Nine Months of FY 2018/19 (Kshs. Million)		Expenditure in First Nine Months of FY 2018/19 (Kshs. Million)		Expenditure to Exchequer Issues (%)		Absorption Rate (%)	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
Agriculture, Livestock, Fisheries and Co-operative Development	461.50	574.63	303.42	31.33	279.00	48.02	92.0	153.3	60.5	8.4
Tourism, Forestry, Environment, Water and Natural Resources	164.16	505.42	127.05	72.62	130.55	91.79	102.8	126.4	79.5	18.2
Roads and Public Works	187.36	1,678.94	143.22	338.18	127.11	601.88	88.8	178.0	67.8	35.8
Education	1,048.13	491.56	740.17	90.46	724.36	88.20	97.9	97.5	69.1	17.9
Health and Sanitation	2,986.83	378.21	1,712.18	6.22	1,601.06	5.48	93.5	88.1	53.6	1.4
Trade, Energy and Industrialization	49.31	252.17	32.30	31.13	27.70	26.22	85.8	84.2	56.2	10.4
Land, Urban and Physical Planning	126.87	510.70	60.81	336.26	52.26	48.47	85.9	14.4	41.2	9.5
Gender & Culture	121.64	173.54	79.18	-	77.94	-	98.4	0.00	64.1	0.0
Finance and Planning	969.62	27.39	753.27	21.69	822.85	27.20	109.2	125.4	84.9	99.3
County Public Service	49.57	-	37.39	9.67	41.43	-	110.8	0.00	83.6	0.00
Governors & D/Governor's Office	442.42	-	310.10	-	330.13	-	106.5	0.00	74.6	0.00
Public Administration & County Secretary	543.01	79.32	288.22	-	259.82	2.01	90.1	0.00	47.8	2.5
Housing	26.28	28.45	18.28	12.74	12.49	11.64	68.4	91.4	47.5	40.9

Department	Budget Allocation (Kshs. Million)		Exchequer Issues in First Nine Months of FY 2018/19 (Kshs. Million)		Expenditure in First Nine Months of FY 2018/19 (Kshs. Million)		Expenditure to Exchequer Issues (%)		Absorption Rate (%)	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
County Assembly	874.98	256.51	583.33	46.03	583.64	41.63	100.1	90.4	66.7	16.2
Total	8,051.67	4,956.84	5,188.92	996.32	5,070.36	992.54	97.7	99.6	63.0	20.0

Source: Bungoma County Treasury

Analysis of expenditure by department shows that the Department of Finance and Planning recorded the highest absorption rate of development budget at 99.3 per cent while the Department of Gender and Culture did not incur any development expenditure. The Department of Finance and Planning had the highest percentage of recurrent expenditure to recurrent budget at 84.9 per cent while the Department of Land, Urban and Physical Planning had the lowest at 41.2 per cent.

3.3.9 Key Observations and Recommendations

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

- Improvement in the collection of revenue by 31 per cent from Kshs.461.38 million in the nine months of FY 2017/18 to Kshs.605.03 million in the reporting period.
- Timely submission of quarterly reports by the County Government to the Controller of Budget in line with Section 166 of the PFM Act, 2012

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

- A high wage bill that increased by 15 per cent from Kshs.3 billion in the first nine months of FY 2017/18 to Kshs.3.45 billion in the period under review.
- Slow implementation of development activities during the first nine months of FY 2018/19. The County spent Kshs.992.54 million, which represented 20 per cent of the annual development budget of Kshs.4.96 billion against the expected absorption rate of 75 per cent.

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

- The County Public Service Board should establish an optimal staffing structure in order to manage the wage bill.*
- The County should identify and address issues that cause delays in the implementation of development projects.*

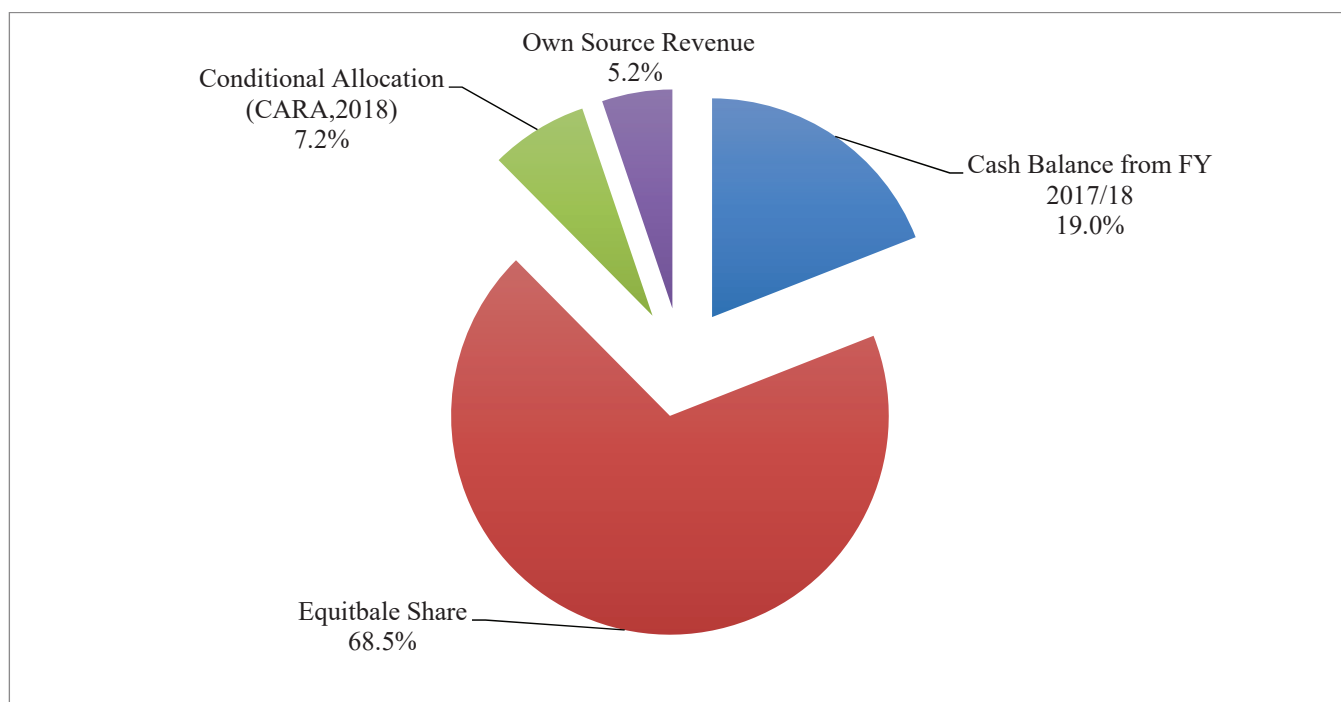
3.4 Busia County

3.4.1 Overview of the FY 2018/19 Budget

The County's FY 2018/19 Approved Supplementary Budget was Kshs.8.70 billion, comprising of Kshs.5.11 billion (58.7 per cent) and Kshs.3.59 billion (41.3 per cent) allocation for recurrent and development expenditure respectively.

To finance the budget, the County expects to receive Kshs.5.97 billion (68.5 per cent) as equitable share of revenue raised nationally, Kshs.627.60 million (7.2 per cent) as total conditional grants, generate Kshs.452.52 million (5.2 per cent) from own-sources of revenue, and Kshs.1.66 billion (19.0 per cent) cash balance from FY 2017/18.

Figure 3.13: Busia County Expected Sources of Budget Financing in FY 2018/19



Source: Busia County Treasury

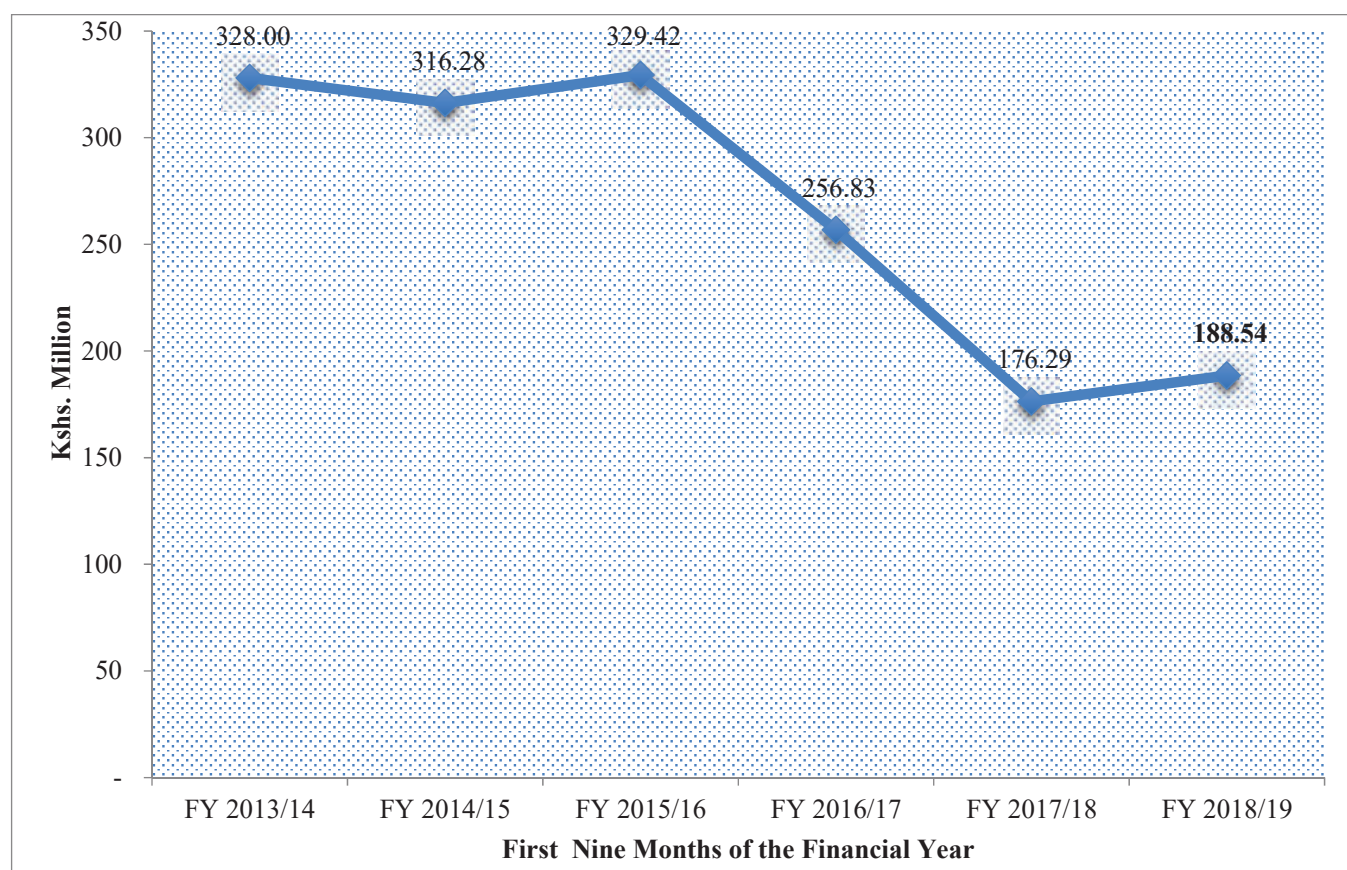
The conditional grants contained in the CARA, 2018 are shown in Table 3.10.

3.4.2 Revenue Analysis

During the first nine months of FY 2018/19, the County received Kshs.3.68 billion as equitable share of the revenue raised nationally, Kshs. 271.61 million as total conditional grants, raised Kshs.188.54 million from own-sources of revenue, and had a cash balance of Kshs.1.66 billion from FY 2017/18. The total funds available for budget implementation amounted to Kshs.4.85 billion.

Figure 3.14 shows the trend in own-sources of revenue collection for the first nine months from FY 2013/14 to FY 2018/19.

Figure 3.14: Busia County, Trend in Own Sources of Revenue Collection for the First Nine Months from FY 2013/14 to FY 2018/19



Source: Busia County Treasury

The County generated a total of Kshs.188.54 million from own revenue sources during the first nine months of FY 2018/19. This amount represented an increase of Kshs 12.25 million compared to that realised during a similar period of the FY 2017/18 and represented 41.7 per cent of the annual target.

3.4.3 Conditional Grants

The County received Kshs.271.61 million as conditional grants in the first nine months of the financial year 2018/19 as shown in Table 3.10.

Table 3.10: Busia County, Conditional Grants/Loans Received in the First Nine Months of FY 2018/19

S/ No	Grants	Annual CARA, 2018 Allocation (in Kshs)	Annual Budget Allocation (in Kshs)	Actual receipts in First Nine Months of FY 2018/19 (in Kshs.)	Actual Receipts as Percentage of Annual Allocation (%)
A	Grants Contained in the CARA, 2018				
1.	Compensation for User Fee Foregone	16,934,085	16,934,085	-	-
2.	Road Maintenance Fuel Levy	157,619,376	157,079,584	78,539,792	50
3.	Rehabilitation of Village Polytechnics	61,960,000.00	61,960,000	-	-
4.	Transforming Health Systems for Universal Care Project (World Bank)	86,622,298.00	86,622,298	31,309,750.75	36.1

S/ No	Grants	Annual CARA, 2018 Allocation (in Kshs)	Annual Bud- get Allocation (in Kshs)	Actual receipts in First Nine Months of FY 2018/19 (in Kshs.)	Actual Re- ceipts as Percentage of Annual Allocation (%)
A	Grants Contained in the CARA, 2018				
5.	IDA (World Bank) -Kenya Climate Smart Agriculture Project (KCSAP)	117,000,000.00	117,000,000	41,146,884	35.2
6.	IDA (World Bank) Kenya Devolution Support Programme "Level 1 grant"	47,393,422	47,393,422	-	-
7.	IDA (World Bank) -Kenya Urban Support Project (KUSP)	101,071,500	101,071,500	101,071,500	100
8.	DANIDA - Universal Healthcare in Devolved System Programme	19,541,250	19,541,250	19,541,250	100
9.	Sweden - Agriculture Sector Development Support Programme (ASDSP) II + Bal C/F in FY 2017/18	21,640,239			-
10.	EU - Water Tower Protection and Climate Change Mitigation and Adoption Programme (WaTER)	80,000,000			-
11.	IDA (World Bank) credit: Kenya Urban Support Project (KUSP) - Urban Institutional Grants (UIG) + Bal C/F in FY 2017/18	41,200,000	20,000,000	-	-
Grand Total		750,982,170	627,602,139	271,609,176.8	43.3

Source: Busia County Treasury

Analysis of revenue from conditional grants indicates that, the County received full allocation for the Kenya Urban Support Programme and DANIDA - Universal Healthcare in Devolved System Programme.

3.4.4 Exchequer Issues

To finance the budget, the Controller of Budget approved the withdrawal of Kshs.5.13 billion from the County Revenue Fund account. The withdrawals represented 58.9 per cent of the Approved Budget and translated to an increase of 45.6 per cent from Kshs3.52 billion approved in the first nine months of FY 2017/18 and comprised of Kshs.3.66 billion (71.3 per cent) to fund recurrent expenditure and Kshs.1.47 billion (28.7 per cent) for development activities.

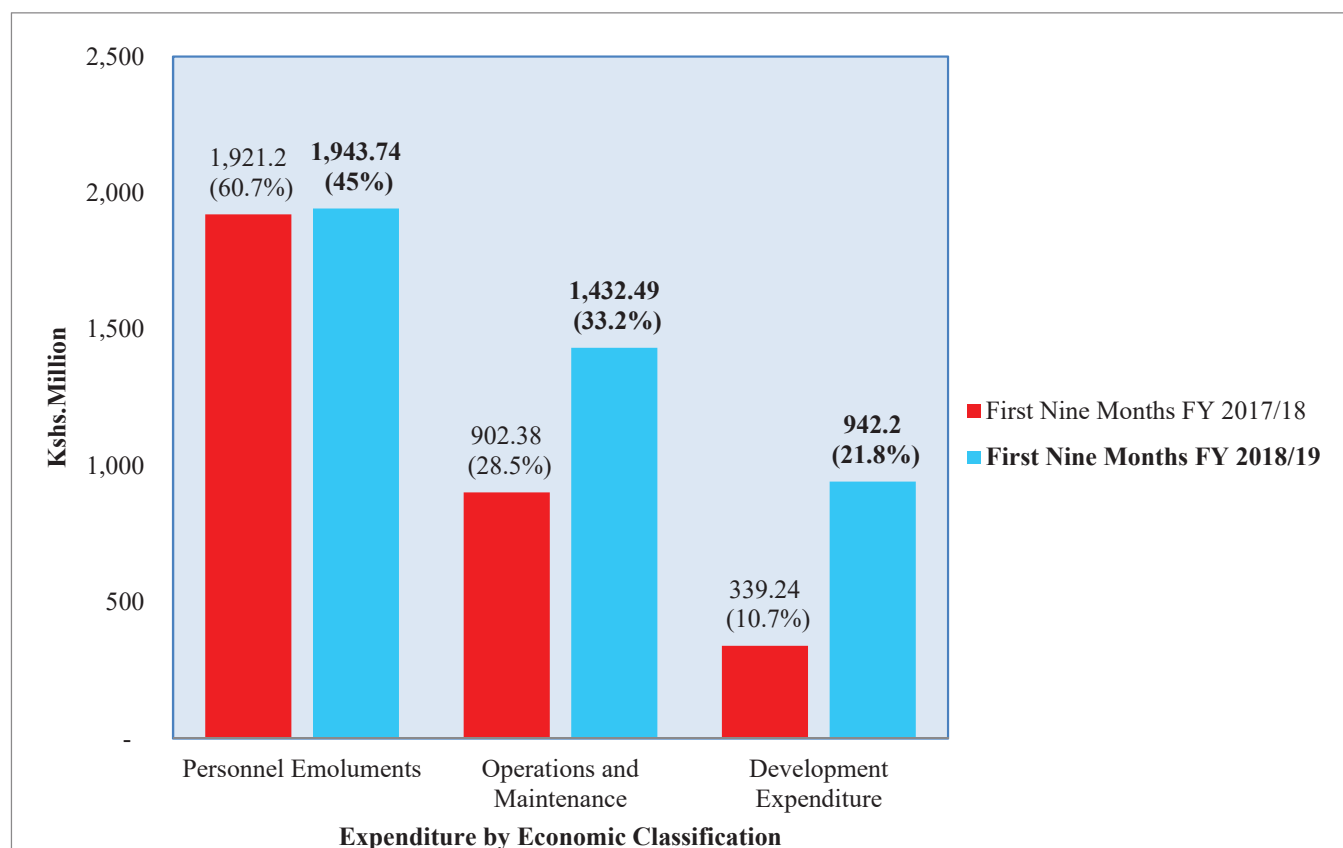
3.4.5 Overall Expenditure Review

The County spent a total of Kshs.4.32 billion on recurrent and development activities. This expenditure represented 84.2 per cent of the total funds released from the County Revenue Fund account and was an increase of 36.5 per cent from Kshs.3.16 billion spent in the first nine months of FY 2017/18. The expenditure excluded outstanding commitments as at March 31, 2019 which amounted to Kshs.364.87 million for development activities and Kshs.193.69 million for recurrent expenditure.

Expenditure on recurrent activities amounted to Kshs.3.38 billion while Kshs.942.20 million was spent on development activities. The recurrent expenditure was 92.3 per cent of the funds released for recurrent activities, while development expenditure was 64 per cent of funds released for development activities.

The recurrent expenditure represented 66.1 per cent of the annual recurrent budget, an increase from 55.8 per cent recorded in the first nine months of FY 2017/18. Development expenditure recorded an absorption rate of 26.2 per cent, which was an increase from 14.2 per cent attained in the first nine months of FY 2017/18. Figure 3.15 presents a comparison between the total expenditure in the first nine months of FY 2018/19 and a similar period in FY 2017/18.

Figure 3.15: Busia County, Expenditure by Economic Classification



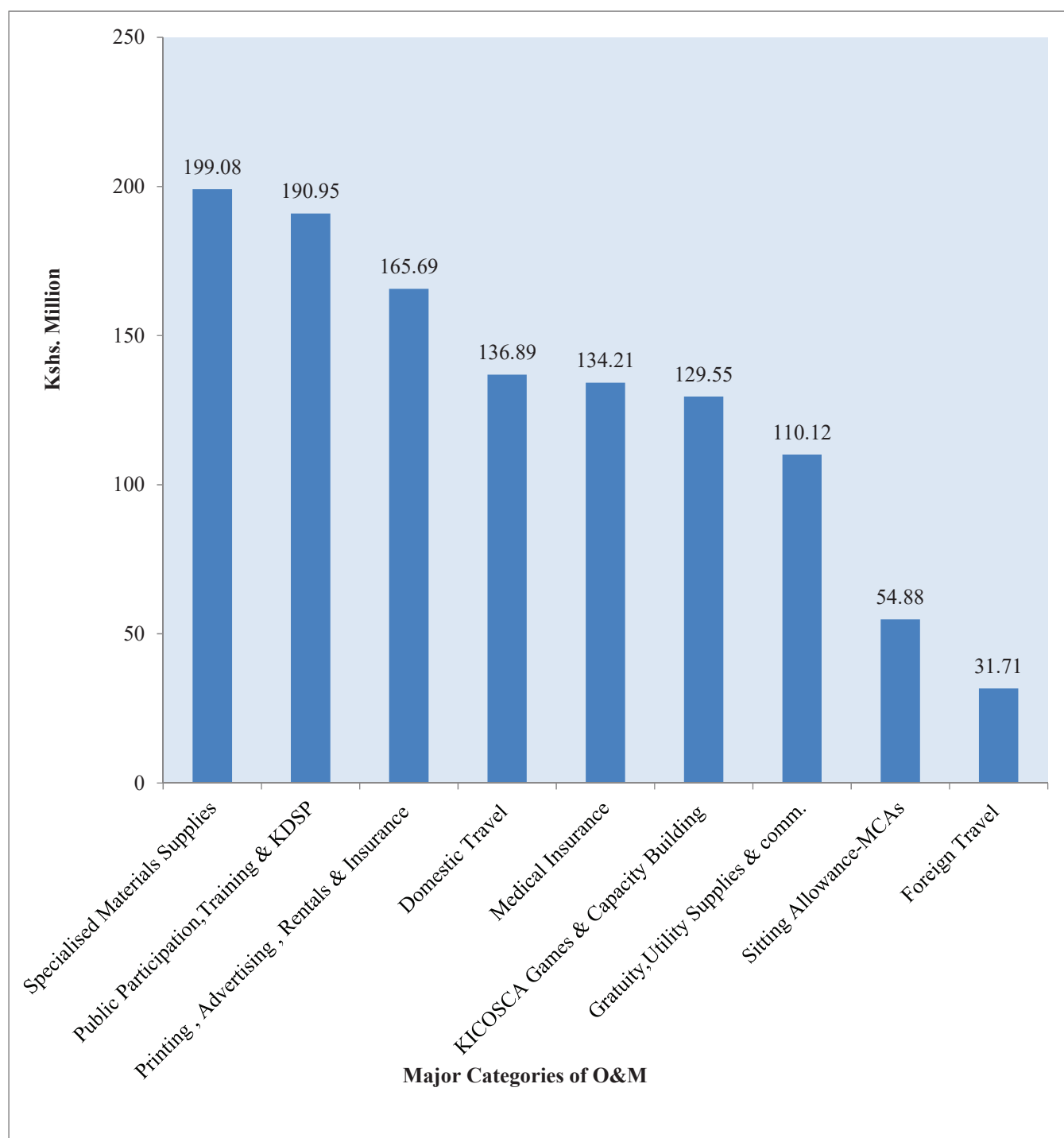
Source: Busia County Treasury

3.4.6 Analysis of Recurrent Expenditure

The total recurrent expenditure of Kshs.3.38 billion comprised of Kshs.1.94 billion (57.6 per cent) incurred on personnel emoluments and Kshs.1.43 billion (42.4 per cent) on operations and maintenance as shown in Figure 3.15.

Expenditure on personnel emoluments represented an increase of 12 per cent compared to a similar period of FY 2017/18 when the County spent Kshs.1.92 billion and was 45 per cent of total expenditure in the first nine months of FY 2018/19. Figure 3.16. shows a summary of operations and maintenance expenditure by major categories.

Figure 3.16: Busia County, Operations and Maintenance Expenditure by Major Categories in the First Nine Months of FY 2018/19



Source: Busia County Treasury

The County spent Kshs.54.88 million on committee sitting allowances for the 54 MCAs and the speaker against the annual budget allocation of Kshs.113.53 million. This represented an increase of 193.3 per cent compared to Kshs.18.71 million spent in a similar period of FY 2017/18. The average monthly sitting allowance translated to Kshs.112,924 per MCA against the SRC's recommended monthly ceiling of Kshs.124,800.

Expenditure on domestic and foreign travel amounted to Kshs.168.6 million and comprised of Kshs.78.07 million spent by the County Assembly and Kshs.90.53 million spent by the County Executive. This represented 5 per cent of total recurrent expenditure and was an increase of 63.4 per cent compared to Kshs.103.18 million spent in the first nine months of FY 2017/18.

3.4.7 Development Expenditure

The total development expenditure of Kshs.942.20 million represented 26.2 per cent of the annual development expenditure budget of Kshs.3.59 billion. The County did not provide a report on the status of their development projects in the reporting period.

3.4.8 Budget Performance by County Department

Table 3.11 shows a summary of the approved budget allocation and performance by department in the first nine months of FY 2018/19.

Table 3.11: Busia County, Budget Performance by Department

Department	Budget Allocation (Kshs. Million)		Exchequer Issues in First Nine Months of FY 2018/19 (Kshs. Million)		Expenditure in First Nine Months of FY 2018/19 (Kshs. Million)		Expenditure to Exchequer Issues (%)		Absorption Rate (%)	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
Agriculture and animal Resources	214.70	303.12	147.50	82.26	153.55	75.56	104.1	91.9	71.5	24.9
Trade, Cooperatives and Industrialization	58.95	138.04	46.87	15.82	36.72	7.28	78.3	46.0	62.3	5.3
Educational and vocational training	473.42	277.89	250.07	103.63	173.92	137.63	69.6	132.8	36.7	49.5
Finance, Economic planning and ICT	1441.31	75.61	860.38	19.97	1,175.37	11.68	136.6	58.5	81.5	15.5
Youth, Culture, sports, Tourism and social services	76.95	110.59	69.11	43.35	46.11	57.87	66.7	133.5	59.9	52.3
Roads, Public Works, Energy and Transport	74.56	1,121.13	63.28	712.87	54.47	492.85	86.1	69.1	73.1	44.0
Public Service management	50.57	-	38.33	-	18.29	-	47.7	-	36.2	-
Lands, Housing and urban Development	112.94	360.12	48.70	198.30	37.23	24.77	76.4	12.5	33.0	6.9
Water, Environment and Natural Resources	126.13	510.54	106.04	142.12	70.74	49.77	66.7	35.0	56.1	9.7
Health and Sanitation	1,365.74	613.78	1,179.83	151.59	878.70	75.33	74.5	49.7	64.3	12.3
County Public Service Board	48.36	-	32.79	-	9.70	-	29.6	-	20.1	-
The Governorship	334.59	16.10	260.24	1.30	180.02	9.46	69.2	727.5	53.8	58.7
County Assembly	728.50	70.00	555.00	-	535.98	-	96.6	-	73.6	-
Total	5,106.71	3,596.93	3,658.13	1,471.20	3,370.80	942.20	92.1	64.0	66.0	26.2

Source: Busia County Treasury

Analysis of expenditure by department shows that the Office of the Governor recorded the highest absorption rate of development budget at 58.7 per cent while the County Assembly and the County Public service Board did not incur any development expenditure. The Department of Finance, Economic planning and ICT had the highest percentage of recurrent expenditure to its recurrent budget at 81.5 per cent while the County Public Service Board had the lowest at 20.1 per cent.

3.4.9 Key Observations and Recommendations

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

- i. Improvement in the collection of revenue by 6.9 per cent from Kshs.176.29 million in the nine months of FY 2017/18 to Kshs.188.54 million in the reporting period.
- ii. Establishment of an Internal Audit Committee.

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

1. High wage bill which accounted for 45 per cent of the total expenditure in the reporting period, having increased by 12 per cent compared to a similar period of FY 2017/18.
2. Delay by Fund Administrators to submit expenditure reports of the Car Loan and Mortgage Fund, Emergency Fund, Bursary Fund and the Trade Enterprise Fund contrary to Section 168 of the PFM Act, 2012.
3. Low absorption of the development budget, which accounted for 26.2 per cent of the total development budget compared to 75 per cent expected in the reporting period.
4. High expenditure on non-core activities such as traveling which increased by 63.4 per cent to Kshs.168.6 million compared to Kshs.103.18 million in a similar period in FY 2017/18.

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 and devise strategies to address the escalating wage bill.*
2. *All Fund Administrators should ensure timely submission of expenditure reports on established Funds in line with Sec 168 of PFM Act 2012.*
3. *The County should identify and address the causes of low expenditure on development projects in order to enhance effective budget implementation.*
4. *The County should rationalise expenditure on non-core activities in order to free funds for key development programmes.*

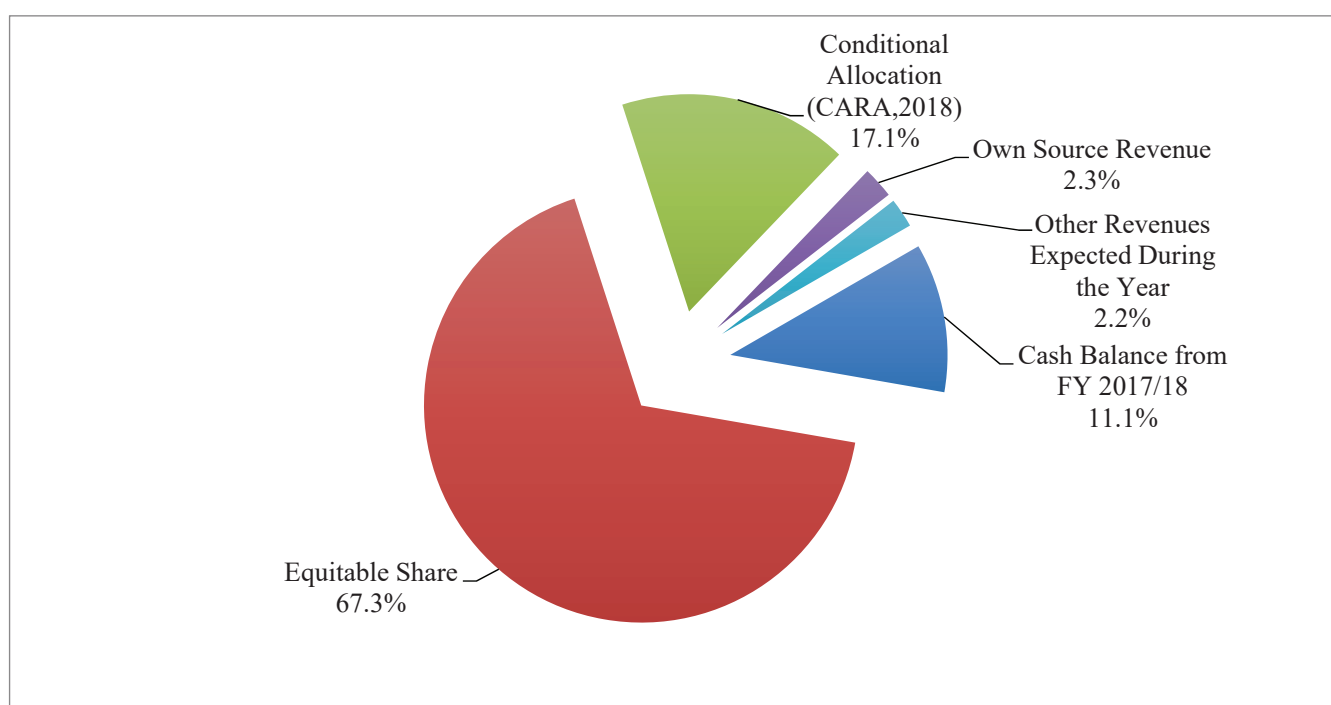
3.5 Elgeyo Marakwet County

3.5.1 Overview of the FY 2018/19 Budget

The County's FY 2018/19 Approved Supplementary Budget was Kshs.5.60 billion, comprising of Kshs.3.14 billion (56 per cent) and Kshs.2.47 billion (44 per cent) allocation for recurrent and development expenditure respectively.

To finance the budget, the County expects to receive Kshs.3.77 billion (67.3 per cent) as equitable share of revenue raised nationally, Kshs.1.08 billion (19.3 per cent) as total conditional grants, generate Kshs.130.44 million (2.3 per cent) from own-sources of revenue, and Kshs.620.90 million (11.1 per cent) cash balance from FY 2017/18.

Figure 3.17: Elgeyo Marakwet County Expected Sources of Budget Financing in FY 2018/19



Source: Elgeyo Marakwet County Treasury

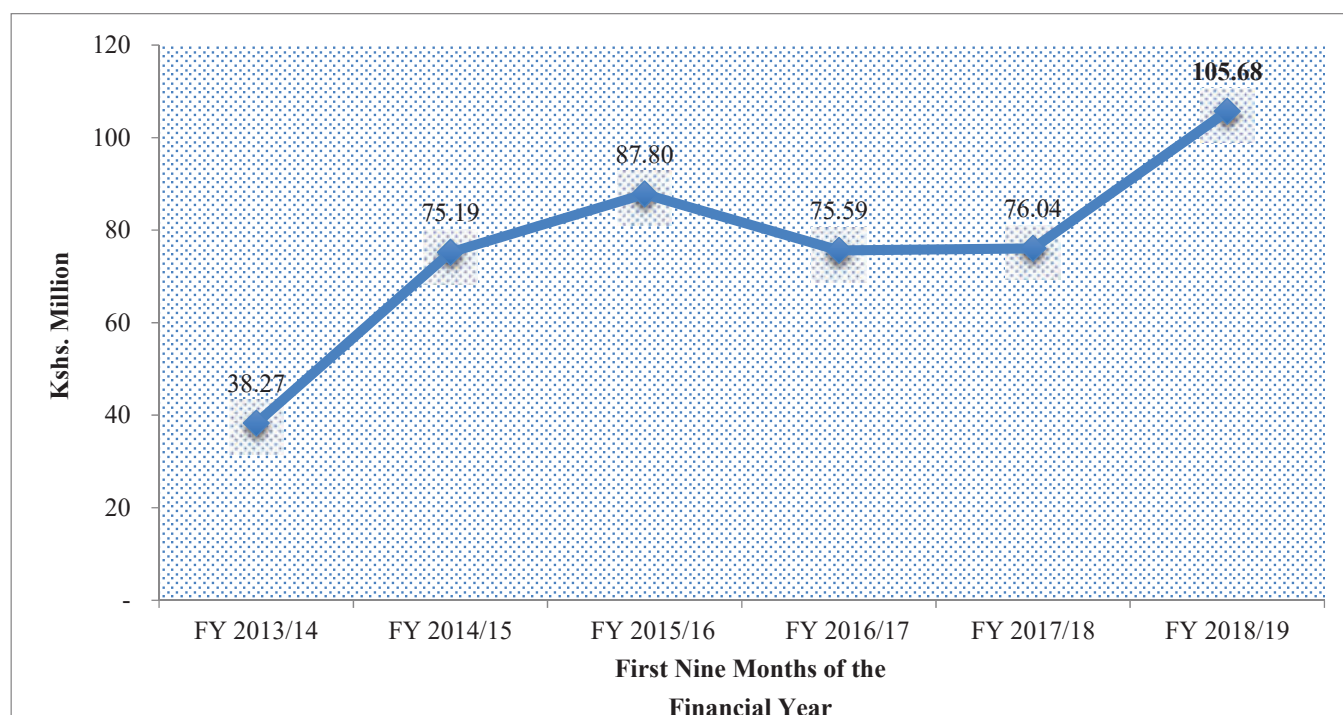
The conditional grants contained in the CARA, 2018 are shown in Table 3.12. The County also budgeted for rollover funds from the Road Maintenance Levy fund of Kshs.101.97 million, Kenya Devolution Support Programme of Kshs.21.91 million, and Development of Youth Polytechnic grant of Kshs.37.64 million resulting in differences in the total conditional grants expected and total budgeted conditional grants as set out in the CARA , 2018 of Kshs.161.53 million.

3.5.2 Revenue Analysis

During the first nine months of FY 2018/19, the County received Kshs.2.2 billion as equitable share of the revenue raised nationally, Kshs.273.82 million as total conditional grants, raised Kshs.105.68 million from own-sources of revenue, and had a cash balance of Kshs.620.90 million from FY 2017/18. The total funds available for budget implementation amounted to Kshs.3.20 billion.

Figure 3.18 shows the trend in own-sources of revenue collection from the first nine months FY 2013/14 to the first nine months of FY 2018/19.

Figure 3.18: Elgeyo Marakwet County, Trend in Own Sources of Revenue Collection for the First Nine Months from FY 2013/14 to FY 2018/19



Source: Elgeyo Marakwet County Treasury

The County generated a total of Kshs.105.68 million from own-sources of revenue during the first nine months of FY 2018/19. This amount represented a significant increase of 39 per cent compared to Kshs.76.04 million realised during a similar period of the FY 2017/18 and represented 81 per cent of the annual target.

3.5.3 Conditional Grants

The County received Kshs.273.82 million as conditional grants in the first nine months of the financial year 2018/19 as shown in Table 3.12.

Table 3.12: Elgeyo Marakwet County, Conditional Grants/Loans Received in the First Nine Months of FY 2018/19

S/No	Grants/Loans	Annual Allocation, per CARA, 2018 (Kshs)	Annual Budget Allocation for FY 2018/19 (Kshs)	Actual receipts in the First Nine Months of FY 2018/19 (in Kshs.)	Actual Receipts as Percentage of Annual Allocation (%)
A	Grants/Loans contained in CARA, 2018				
1.	Compensation for User Fee Foregone	8,788,919	8,788,919	-	-
2.	Leasing of Medical Equipment	200,000,000	200,000,000	-	-
3.	Road Maintenance Fuel Levy	99,208,158	201,183,138	49,604,079	24.7
4.	Rehabilitation of Village Polytechnics	41,800,000	79,441,245	19,875,000	25.0
5.	Transforming Health Systems for Universal Care Project (World Bank)	50,000,000	50,000,000	15,896,789	31.8
6.	IDA (World Bank) -Kenya Climate Smart Agriculture Project (KCSAP)	117,000,000	117,000,000	31,698,328	27.1

S/No	Grants/Loans	Annual Allocation, per CARA, 2018 (Kshs)	Annual Budget Allocation for FY 2018/19 (Kshs)	Actual receipts in the First Nine Months of FY 2018/19 (in Kshs.)	Actual Receipts as Percentage of Annual Allocation (%)
A	Grants/Loans contained in CARA, 2018				
7.	IDA (World Bank) Kenya Devolution Support Programme "Level 1 grant"	38,552,919	60,461,883	-	0.0
8.	IDA (World Bank) -Kenya Urban Support Project (KUSP)	89,802,100	131,002,100	89,802,100	68.6
9.	DANIDA - Universal Healthcare in Devolved System Programme	12,150,000	12,150,000	12,150,000	100
10.	Sweden - Agriculture Sector Development Support Programme (ASDSP) II + Bal C/F in FY 2017/18	19,408,938	19,408,938	-	-
11.	EU - Water Tower Protection and Climate Change Mitigation and Adoption Programme (WaTER)	80,000,000	80,000,000	-	-
12.	IDA (World Bank) credit: Kenya Urban Support Project (KUSP) - Urban Institutional Grants (UIG) + Bal C/F in FY 2017/18	41,200,000	-	-	-
	Sub Total	797,911,034	959,436,223	219,026,296	22.8
	Other Grants Not Contained in CARA, 2018				
13.	World Bank – Maternal Health	-	1,009,812	-	-
14.	Savings from Staff Exits (Not Grant)	-	54,797,763	54,797,763	-
15.	Retention Funds (Not Grant)	-	66,495,981	-	-
	Sub Total	-	122,303,556	54,797,763	44.8
	Grand Total	797,911,034	1,081,739,779	273,824,059	25.3

Source: Elgeyo Marakwet County Treasury

Analysis of revenue from conditional grants indicates that, the County received funds from IDA (World Bank) - Kenya Urban Support Project (KUSP) Kshs.89,802,100, Road Maintenance Fuel Levy Kshs.49,604,079, and IDA (World Bank) - Kenya Climate Smart Agriculture Project (KCSAP) Kshs.31,698,328. The receipts accounted for 68.6 per cent, 24.7 per cent, and 27.1 per cent of the annual allocation respectively.

3.5.4 Exchequer Issues

To finance the budget, the Controller of Budget approved the withdrawal of Kshs.3.01 billion from the County Revenue Fund account. The withdrawals represented 52.7 per cent of the Approved Supplementary Budget and translated to an increase of 31.1 per cent from Kshs.2.25 billion approved in the first nine months of FY 2017/18 and comprised of Kshs.2.36 billion (78.1 per cent) to fund recurrent expenditure and Kshs.658.86 million (21.9 per cent) for development activities.

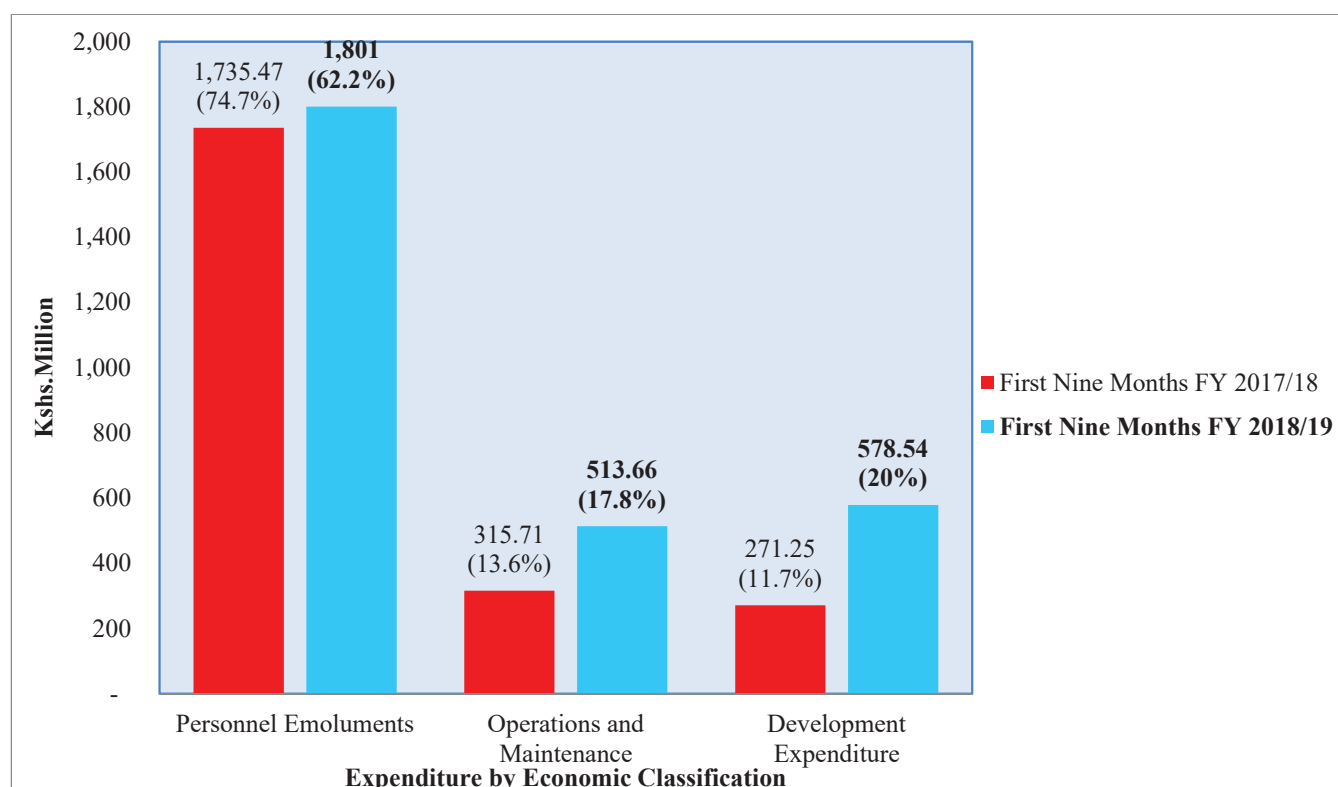
3.5.5 Overall Expenditure Review

The County spent a total of Kshs.2.89 billion on recurrent and development activities. This expenditure represented 96 per cent of the total funds released from the County Revenue Fund account and was a significant increase of 24.6 per cent from Kshs.2.32 billion spent in the first nine months of FY 2017/18. The expenditure excluded outstanding commitments as at March 31, 2019 which amounted to Kshs.495.85 million for development activities and Kshs.22.15 million for recurrent expenditure.

Expenditure on recurrent activities amounted to Kshs.2.31 billion while Kshs.578.54 million was spent on development activities. The recurrent expenditure was 98.3 per cent of the funds released for recurrent activities, while development expenditure was 87.8 per cent of funds released for development activities.

The recurrent expenditure represented 73.8 per cent of the annual recurrent supplementary budget, an increase from 69.3 per cent recorded in the first nine months of FY 2017/18. Development expenditure recorded an absorption rate of 23.5 per cent, which was an increase from 14 per cent attained in the first nine months of FY 2017/18. Figure 3.19 presents a comparison between the total expenditure in the first nine months of FY 2018/19 and a similar period in FY 2017/18.

Figure 3.19: Elgeyo Marakwet County, Expenditure by Economic Classification



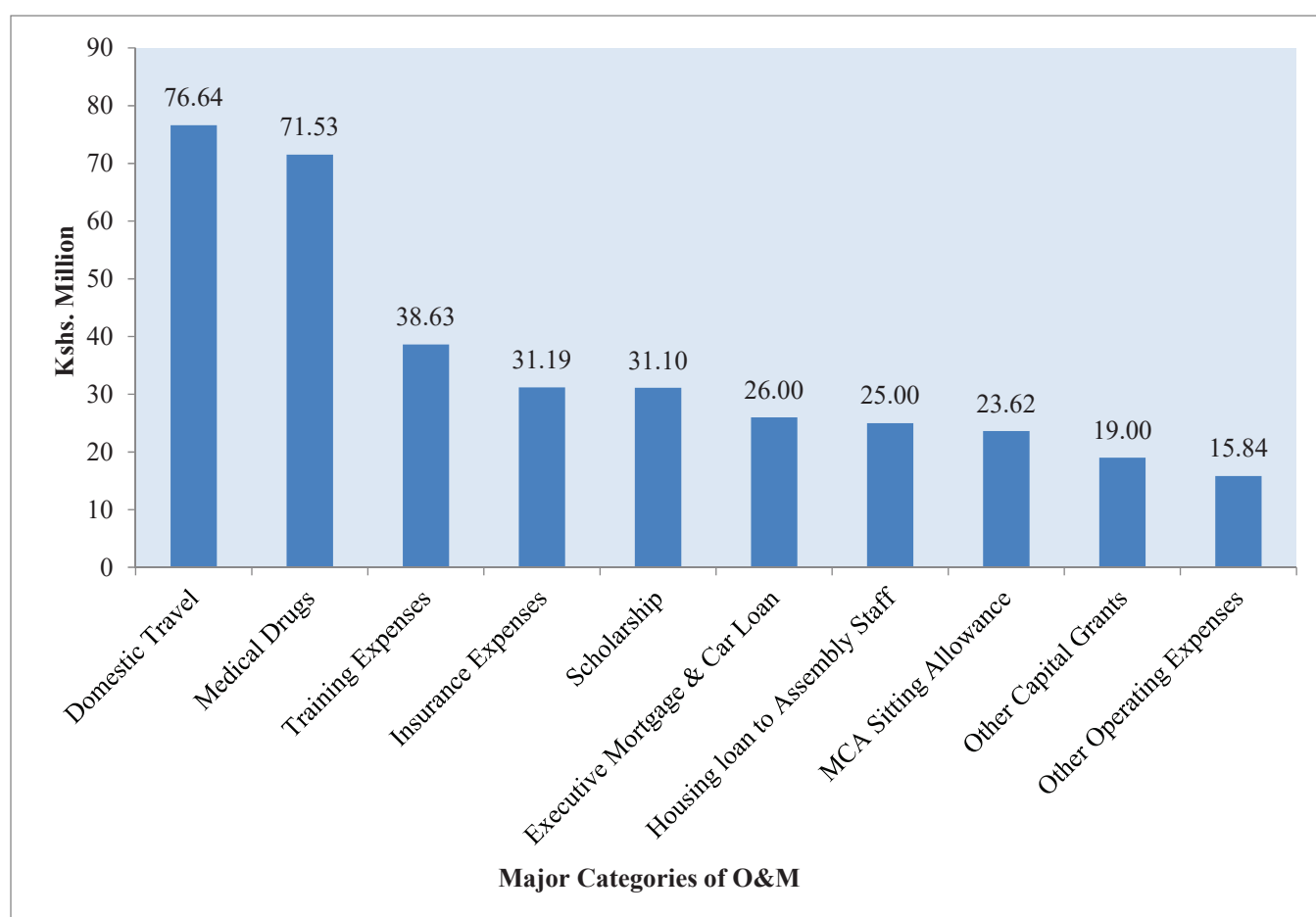
Source: Elgeyo Marakwet County Treasury

3.5.6 Analysis of Recurrent Expenditure

The total recurrent expenditure of Kshs.2.31 billion comprised of Kshs.1.80 billion (77.8 per cent) incurred on personnel emoluments and Kshs.513.66 million (22.2 per cent) on operations and maintenance as shown in Figure 3.19.

Expenditure on personnel emoluments represented an increase of 3.4 per cent compared to a similar period of FY 2017/18 when the County spent Kshs.1.74 billion and was 62.2 per cent of total expenditure in the first nine months of FY 2018/19. Figure 3.20 shows a summary of operations and maintenance expenditure by major categories.

Figure 3.20: Elgeyo Marakwet County, Operations and Maintenance Expenditure by Major Categories in the First Nine Months of FY 2018/19



Source: Elgeyo Marakwet County Treasury

The County spent Kshs.23.62 million on committee sitting allowances for the 34 MCAs and the speaker against the annual budget allocation of Kshs.35.9 million. This represented a decline of 20.8 per cent compared to Kshs.29.82 million spent in a similar period of FY 2017/18. The average monthly sitting allowance translated to Kshs.77,188 per MCA against the SRC's recommended monthly ceiling of Kshs.124,800.

Expenditure on domestic travel amounted to Kshs.76.64 million and comprised of Kshs.58.47 million spent by the County Assembly and Kshs.18.17 million spent by the County Executive. This represented 3.3 per cent of total recurrent expenditure and was a significant increase of 109.7 per cent compared to Kshs.36.54 million spent in the first nine months of FY 2017/18.

3.5.7 Development Expenditure

The total development expenditure of Kshs.578.54 million represented 23.5 per cent of the annual development expenditure budget of Kshs.2.47 billion. Table 3.13 provides a summary of development projects with the highest expenditure in the first nine months of the financial year.

Table 3.13: Elgeyo Marakwet County, List of Development Projects with the Highest Expenditure in First Nine Months of FY 2018/19

S/No.	Project Name	Project Location (Ward)	Annual Project Budget (Kshs.)	Expenditure in First Nine Months (Kshs.)	Absorption Rate (%)
1	Climate Smart Agriculture Project - IDA (World Bank)	Countywide	117,000,000	5,709,150	4.9
2	Vocational Training Centre Capitation & Infrastructure Support	Countywide	79,441,245	37,641,000	47.4
3	Kapsowar Water Project-	Kapsowar	11,561,565	4,709,615	40.7
4	Opening, Construction & Maintenance of Salaba-Kabulwo Road	Emsoo	10,000,000	4,103,290	41.0
5	Emsoo Water Project	Emsoo	8,560,499	7,844,820	91.6
6	Supply of Spare Parts for Maintenance of Plant & Machinery	All Wards	8,000,000	7,491,536	93.6
7	Supply of Foot and Mouth (FMD) -Veterinary Materials & Supplies	Countywide	8,000,000	6,310,680	78.9
8	Opening and Maintenance of Kamui Disp-Marsitet Road	Kapsowar	6,000,000	5,480,600	91.3
9	Maintenance of Matira-Koitiilal Road	Kapsowar	3,999,975	3,999,975	100
10	Mogil Water Project	Sambirir	3,995,690	3,995,690	100

Source: Elgeyo Marakwet County Treasur

3.5.8 Budget Performance by County Department

Table 3.14 shows a summary of the approved budget allocation and performance by department in the first nine months of FY 2018/19.

Table 3.14: Elgeyo Marakwet County, Budget Performance by Department

Department	Annual Budget Allocation in FY 2018/19 (Kshs. Million)		Exchequer Issues in First Nine Months of FY 2018/19 (Kshs. Million)		Expenditure in First Nine Months of FY 2018/19 (Kshs. Million)		Expenditure to Exchequer Issues (%)		Absorption Rate (%)	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
County Assembly	566.84	1.13	449.58	0	447.04	0.00	99.4	0	78.9	0
Office of the Governor	161.59	0	114.72	0	109.49	0.00	95.4	0	67.8	0
Finance and Economic planning	243.24	0	155.71	0	139.53	0.00	89.6	0	57.4	0
Agriculture, and Irrigation	96.76	277.93	71.51	73.86	69.69	35.23	97.5	47.7	72.0	12.7
Education and Tech. Training	212.63	384.99	165.15	82.91	162.59	118.61	98.4	143.1	76.5	30.8
Health and Sanitation	1,384.06	478.89	1,053.80	62.18	1,054.99	53.53	100.1	86.1	76.2	11.2
Water, Lands, Environment & Climate Change	73.79	553.57	54.02	237.59	51.62	155.08	95.6	65.3	70.0	28.0
Roads, Public Works and Transport	65.28	478.05	46.21	125.61	44.72	145.75	96.8	116.0	68.5	30.5
Tourism, Culture, Wildlife, Trade & Industry	36.93	54.62	26.11	12.59	24.37	9.44	93.3	75.0	66.0	17.3
Youth Affairs, Sports, ICT & Social Services	36.77	117.76	25.15	38.63	24.06	35.86	95.7	92.8	65.4	30.5
Public Service Management & County Administration	108.49	76.67	83.39	16.42	81.06	16.75	97.2	102.0	74.7	21.9

Department	Annual Budget Allocation in FY 2018/19 (Kshs. Million)		Exchequer Issues in First Nine Months of FY 2018/19 (Kshs. Million)		Expenditure in First Nine Months of FY 2018/19 (Kshs. Million)		Expenditure to Exchequer Issues (%)		Absorption Rate (%)	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
County Public Service Board	55.44	0.48	39.78	0	37.01	0.00	93.0	0	66.8	0
Livestock Production, Fisheries & Cooperative Development	93.43	41.72	70.20	9.08	68.50	8.30	97.6	91.4	73.3	19.9
TOTAL	3,135.25	2,465.81	2,355.33	658.87	2,314.67	578.55	98.3	87.8	73.8	23.5

Source: Elgeyo Marakwet County Treasury

Analysis of expenditure by department shows that the Department of Education and Technical Training recorded the highest absorption rate of development budget at 30.8 per cent while the County Assembly, Office of the Governor, Department of Finance and Economic Planning, and Livestock Production, Fisheries & Cooperative Development did not incur any development expenditure. The County Assembly and the Department of Education and Technical Training had the highest percentage of recurrent expenditure to its recurrent budget at 78.9 per cent and 76.5 per cent respectively while the Department of Finance and Economic Planning had the lowest at 57.4 per cent.

3.5.9 Key Observations and Recommendations

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

- Establishment of the County Budget and Economic Forum (CBEF) as required by Section 137 of the PFM Act, 2012.
- Improvement in own-source revenue collection by 39 per cent from Kshs.76.04 million collected in the first nine months of FY 2017/18 to Kshs.105.68 million in the reporting period.

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

- High wage bill which accounted for 62.2 per cent of the total expenditure during the reporting period thus constraining funding to other programmes.
- Delay in disbursement of the equitable share of revenue raised nationally by the National Treasury.
- High expenditure on non-core activities such as domestic travel costs which increased by 109.7 per cent to Kshs.76.64 million compared to Kshs.36.54 million spent in the first nine months of FY 2017/18.

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

- The County Public Service Board should develop an optimal staffing structure and devise strategies to address the escalating wage bill.*
- The County Treasury should liaise with the National Treasury to ensure that funds allocated to the County are released in a timely manner.*
- The County leadership should rationalise expenditure on non-core activities so as to free funds for development programmes.*

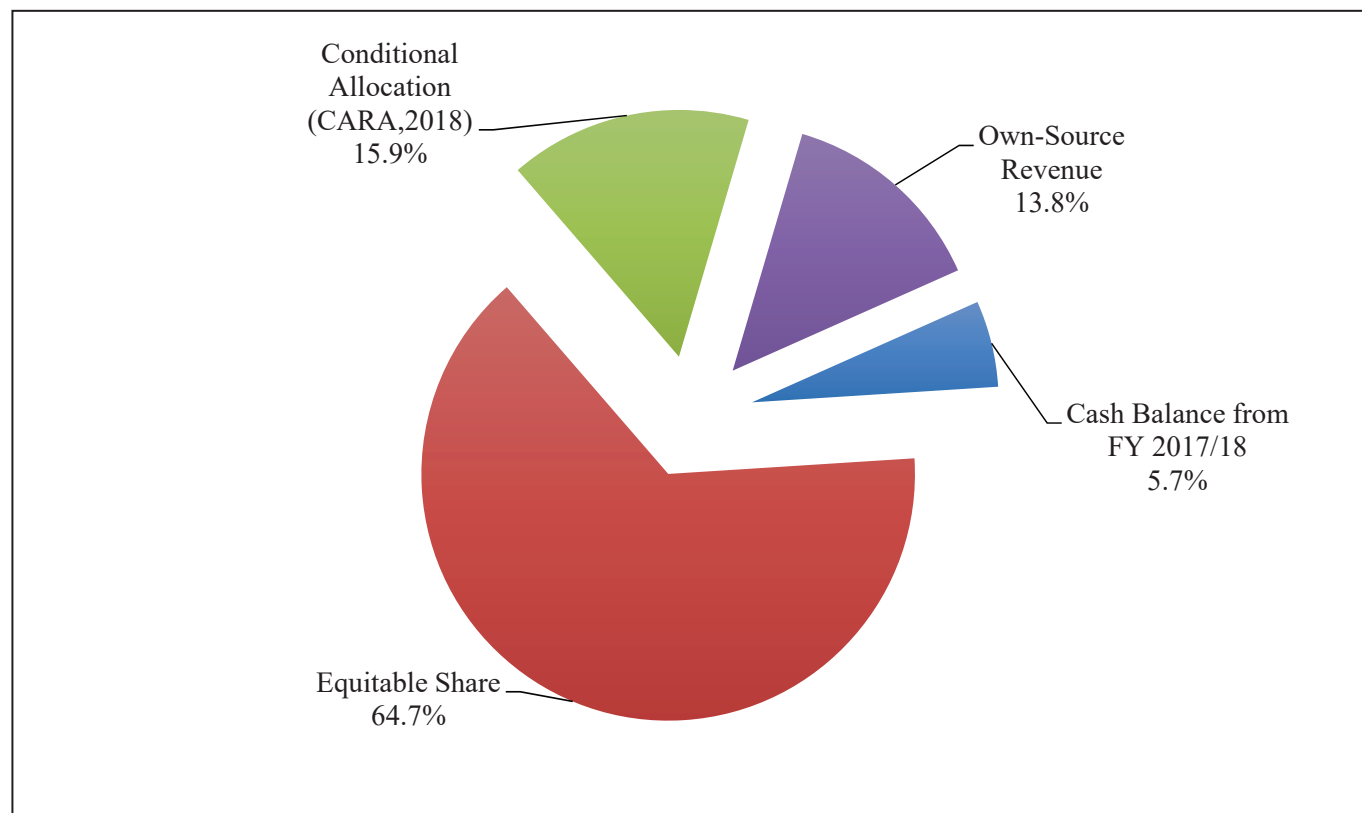
3.6 Embu County

3.6.1 Overview of the FY 2018/19 Budget

The County's FY 2018/19 Supplementary Budget was Kshs.6.78 billion, comprising of Kshs.4.68 billion (69.1 per cent) and Kshs.2.09 billion (30.9 per cent) allocation for recurrent and development expenditure respectively.

To finance the budget, the County expects to receive Kshs.4.46 billion (65.8 per cent) as equitable share of revenue raised nationally, Kshs.1.20 billion (16.2 per cent) as total conditional grants, generate Kshs.950 million (14. per cent) from own-sources of revenue, and Kshs.389.88 million (5.8 per cent) cash balance from FY 2017/18.

Figure 3.21: Embu County, Expected Sources of Budget Financing in FY 2018/19



Source: Embu County Treasury

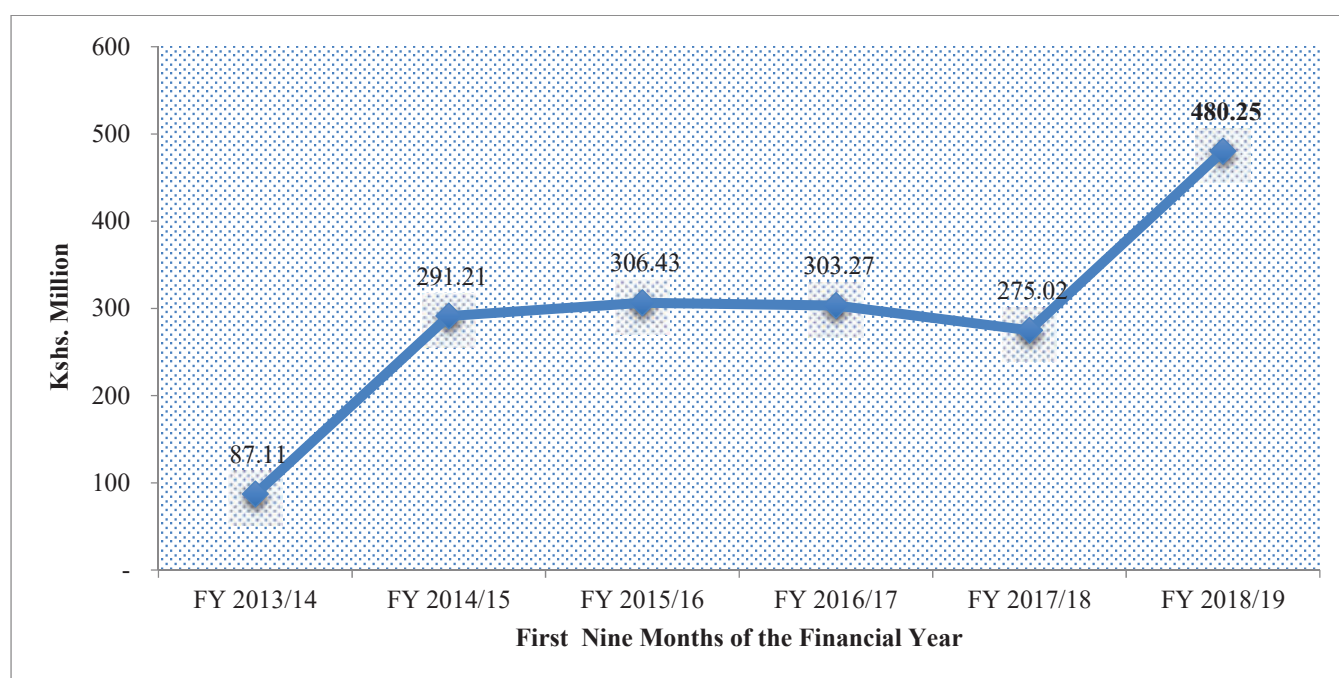
The conditional grants contained in the CARA, 2018 are shown in Table 3.15.

3.6.2 Revenue Analysis

During the first nine months of FY 2018/19, the County received Kshs.2.62 billion as equitable share of the revenue raised nationally, Kshs.303.13 million as total conditional grants, raised Kshs.480.25 million from own-sources of revenue, and had a cash balance of Kshs.389.88 million from FY 2017/18. The total funds available for budget implementation amounted to Kshs.3.80 billion.

Figure 3.22 shows the trend in own-sources of revenue collection from the first nine months FY 2013/14 to the first nine months of FY 2018/19.

Figure 3.22: Embu County, Trend in Own Sources of Revenue Collection for the First Nine Months from FY 2013/14 to FY 2018/19



Source: Embu County Treasury

The County generated a total of Kshs.480.25 million from own revenue sources during the first nine months of FY 2018/19. This amount represented an increase of Kshs.205.22 million compared to that realised during a similar period of the FY 2017/18 and represented 50.6 per cent of the annual target.

3.6.3 Conditional Grants

The County received Kshs.303.13 million as conditional grants in the first nine months of the financial year 2018/19 as shown in Table 3.15.

Table 3.15: Embu County, Conditional Grants/Loans Received in the First Nine Months of FY 2018/19

S/No	Grants	Annual CARA, 2018 Allocation (in Kshs)	Annual Budget Allocation (in Kshs)	Actual Receipts in First Nine Months of FY 2018/19 (in Kshs.)	Actual Receipts as Percentage of Annual Allocation (%)
A	Grants Contained in the CARA, 2018				
1	IDA (World Bank) -Kenya Urban Support Project (KUSP)	119,892,100	119,892,100	119,892,100	100
2	DANIDA - Universal Healthcare in Devolved System Programme	13,770,000	13,770,000	13,770,000	100
3	Transforming Health Systems for Universal Care Project (World Bank)	50,000,000	50,000,000	31,508,325	63
4	Grant to Embu Level- 5 Hospital	301,040,462	301,040,462	132,457,803	44
5	Sweden - Agriculture Sector Development Support Programme (ASDSP) II + Bal C/F in FY 2017/18	17,741,363	23,241,363	5,500,000	23.7
6	Leasing of Medical Equipment	200,000,000	200,000,000	-	-

S/No	Grants	Annual CARA, 2018 Allocation (in Kshs)	Annual Budget Allocation (in Kshs)	Actual Receipts in First Nine Months of FY 2018/19 (in Kshs.)	Actual Receipts as Percentage of Annual Allocation (%)
A	Grants Contained in the CARA, 2018				
7	IDA (World Bank) -National Agricultural and Rural Inclusive Growth Project (NARIGP)	140,435,163	140,435,163	-	-
8	IDA (World Bank) credit: Kenya Urban Support Project (KUSP) - Urban Institutional Grants (UIG) + Bal C/F in FY 2017/18	41,200,000	41,200,000	-	-
9	IDA (World Bank) Kenya Devolution Support Programme "Level 1 grant"	40,595,727	40,595,727	-	-
10	Rehabilitation of Village Polytechnics	37,900,000	37,900,000	-	-
11	Road Maintenance Fuel Levy	117,396,321	117,396,321	-	-
12	Compensation for User Fee Foregone	10,724,225	10,724,225	-	-
Grand Total		1,090,695,361	1,096,195,361	303,128,228	27.7

Source: Embu County Treasury

Analysis of revenue from conditional grants indicates that, the County received full allocation for the IDA (World Bank) -Kenya Urban Support Project (KUSP) and DANIDA - Universal Healthcare in Devolved System Programme.

3.6.4 Exchequer Issues

To finance the budget, the Controller of Budget approved the withdrawal of Kshs.3.33 billion from the County Revenue Fund Account. The withdrawals represented 49.2 per cent of the Approved Budget and translated to a decrease of 1.9 per cent from Kshs.3.40 billion approved in the first nine months of FY 2017/18 and comprised of Kshs.2.90 billion (86.9 per cent) to fund recurrent expenditure and Kshs.436.46 million (13.1 per cent) for development activities.

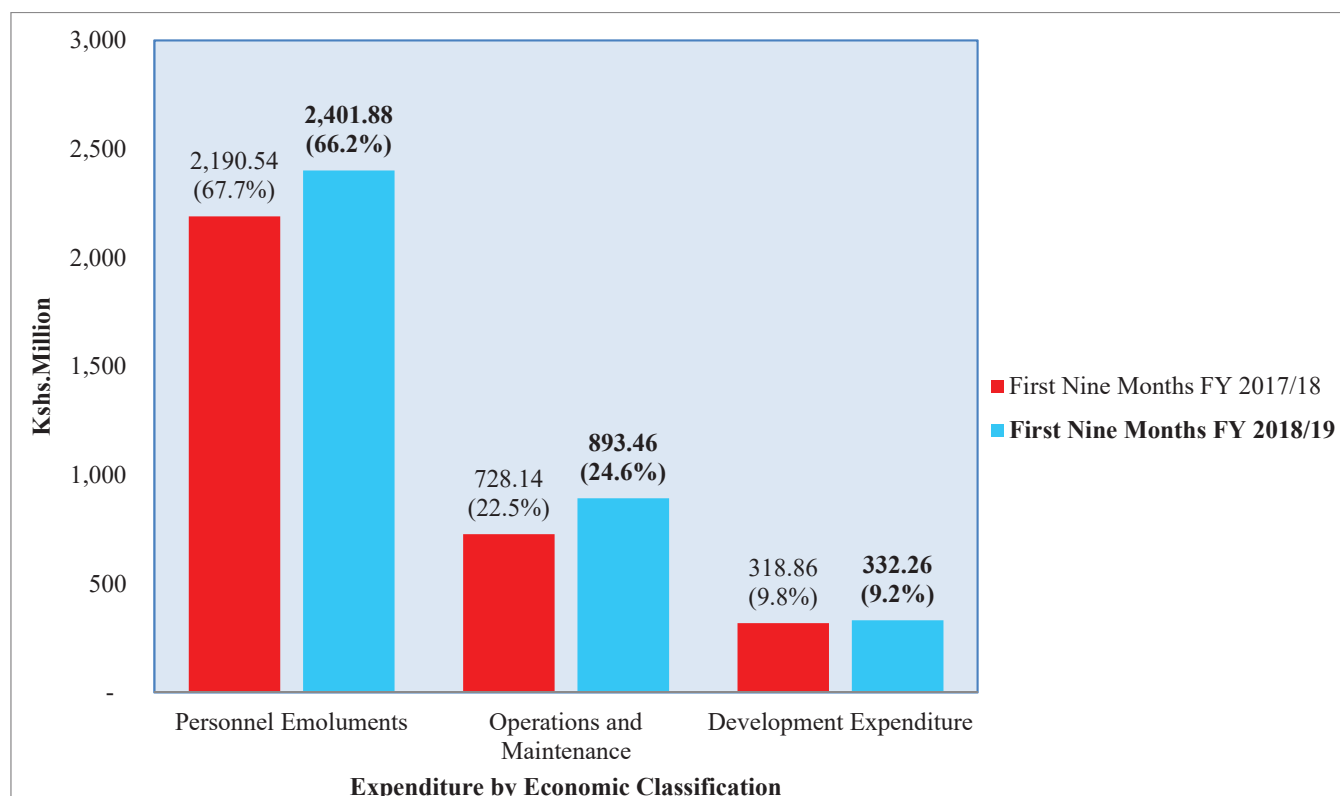
3.6.5 Overall Expenditure Review

The County spent a total of Kshs.3.63 billion on recurrent and development activities. This expenditure represented 108.8 per cent of the total funds released from the County Revenue Fund Account and was an increase of 12.0 per cent from Kshs.3.24 billion spent in the first nine months of FY 2017/18.

Expenditure on recurrent activities amounted to Kshs.2.63 billion while Kshs.332.26 million was spent on development activities. The recurrent expenditure was 113.7 per cent of the funds released for recurrent activities, while development expenditure was 76.1 per cent of funds released for development activities.

The recurrent expenditure represented 70.4 per cent of the annual recurrent budget, an increase from 12.9 per cent recorded in the first nine months of FY 2017/18. Development expenditure recorded an absorption rate of 15.9 per cent, which was an increase from 4.2 per cent attained in the first nine months of FY 2017/18. Figure 3.23 presents a comparison between the total expenditure in the first nine months of FY 2018/19 and a similar period in FY 2017/18.

Figure 3.23: Embu County, Expenditure by Economic Classification



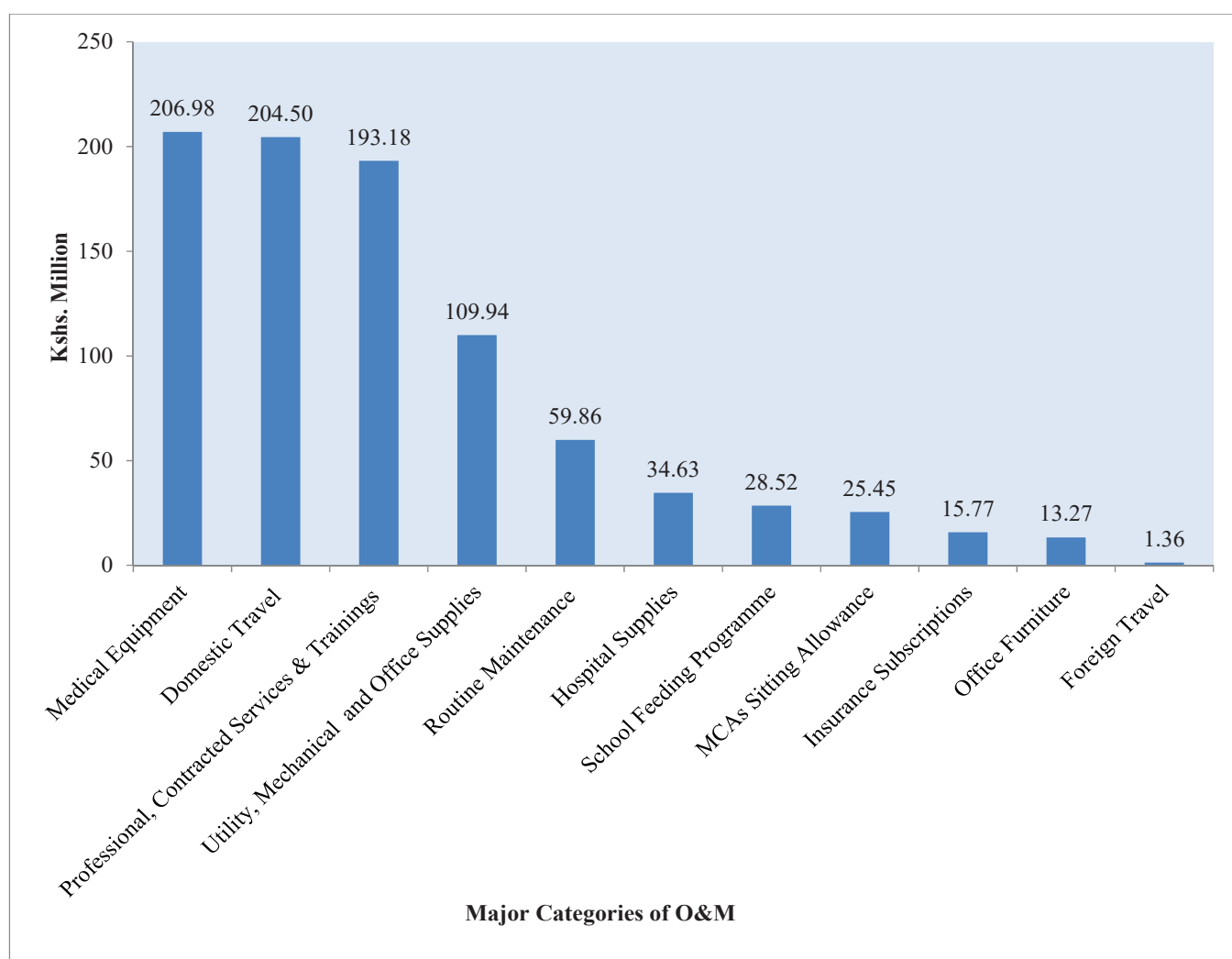
Source: Embu County Treasury

3.6.6 Analysis of Recurrent Expenditure

The total recurrent expenditure of Kshs.3.30 billion comprised of Kshs.2.40 billion (66.2 per cent) incurred on personnel emoluments and Kshs.893.46 million (24.6 per cent) on operations and maintenance as shown in Figure 3.23.

Expenditure on personnel emoluments represented an increase of 9.6 per cent compared to a similar period of FY 2017/18 when the County spent Kshs.2.19 billion and was 66.2 per cent of total expenditure in the first nine months of FY 2018/19. Figure 3.24 shows a summary of operations and maintenance expenditure by major categories.

Figure 3.24: Embu County, Operations and Maintenance Expenditure by Major Categories in the First Nine Months of FY 2018/19



Source: Embu County Treasury

The County spent Kshs.25.45 million on committee sitting allowances for the 34 MCAs and the speaker against an annual budget allocation of Kshs.36.45 million. This represented an increase of 27.6 per cent compared to Kshs.19.94 million spent in a similar period of FY 2017/18. The average monthly sitting allowance translated to Kshs.80,787 per MCA against the SRC's recommended monthly ceiling of Kshs.124,800.

Expenditure on domestic travel amounted to Kshs.204.50 million and comprised of Kshs.119.23 million spent by the County Assembly and Kshs.85.27 million spent by the County Executive. This represented 6.2 per cent of total recurrent expenditure and was an increase of 102.2 per cent compared to Kshs.101.82 million spent in the first nine months of FY 2017/18.

3.6.7 Development Expenditure

The total development expenditure of Kshs.332.26 million represented 15.9 per cent of the annual development expenditure budget of Kshs.2.09 billion. Figure 3.16 provides a summary of development projects with the highest expenditure in the first nine months of the financial year.

Table 3.16: Embu County, List of Development Projects with the Highest Expenditure in First Nine Months of FY 2018/19

S/No.	Project Name	Project Location	Project Expenditure in First Nine Months of FY 2018/19 (Kshs.)
1	Upgrading to Bitumen - Kwa Mutoi - Nduuri Road	Runyenjes Central	49,288,317
2	Tarmacking of Mukuuri/Nduuri Road	-	38,418,122
3	Upgrading to Bitumen of Uchumi - Kiambuthi - Minni Inn Road	Kirimari	9,957,295
4	Completion of Staff Houses	Kirimari	8,935,978
5	Construction of Microwave Incinerator Building	Kirimari	7,965,851
6	Construction of Badea Phase 1 (5th Payment, Final Payment)	Kirimari	7,632,521
7	Installation of Milk Processing Equipment (Includes Procuring)	County Wide	3,994,750
8	Construction of Ndatu Footbridge (Kiithimu Ward)	-	3,994,344
9	Construction of Kiangungi Dispensary-Kyeni North	Kyeni North	3,994,176
10	Rehabilitation of mortuary coldroom phase 2 at Embu level 5 hosp.	-	3,988,080

Source: Embu County Treasury

3.6.8 Budget Performance by County Department

Figure 3.17 shows a summary of the approved budget allocation and performance by department in the first nine months of FY 2018/19.

Table 3.17: Embu County, Budget Performance by Department

Department	Budget Allocation (Kshs. Million)		Exchequer Issues in first nine months of FY 2018/19 (Kshs. Million)		Expenditure in first nine months of FY 2018/19 (Kshs. Million)		Expenditure to Exchequer Issues (%)		Absorption Rate (%)	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
Office of Governor	183.04	-	107.66	-	78.57	-	73.0	-	42.9	-
County Public Service Board	29.36	-	21.93	-	13.20	-	60.2	-	45	-
Public Service and Administration	469.25	11.00	449.33	-	305.91	-	68.1	-	65.2	-
County Assembly	592.74	72.00	382.04	-	382	-	100	-	64.4	-
Gender, Culture, Children & Social Services	8.87	39.20	8.87	-	3.08	1.49	34.8	-	34.8	3.8
Finance and Economic Planning	163.71	24.00	61.10	-	19.26	-	31.5	-	11.8	-
Lands, Physical Planning and Urban Development	94.23	143.05	41.99	110	5.70	9.72	13.6	8.8	6.0	6.8
Trade Tourism and Tourism Industrialization	19.74	91.99	14.53	20.95	7.64	11.79	52.6	56.3	38.7	12.8
Agriculture, Livestock, Fisheries & Cooperatives	380.18	162.23	200.20	-	170.14	7.40	85.0	-	44.8	4.6

Department	Budget Allocation (Kshs. Million)		Exchequer Issues in first nine months of FY 2018/19 (Kshs. Million)		Expenditure in first nine months of FY 2018/19 (Kshs. Million)		Expenditure to Exchequer Issues (%)		Absorption Rate (%)	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
Water, Environment and Natural Resources	57.38	83.86	27.42	-	36.65	3.59	133.7	-	63.9	4.3
Health	1,933.79	249.23	1,123.82	64.66	1,245.29	30.74	110.8	47.5	64.4	12.3
Level 5 Hospital	239.05	248.44	145.96	18.55	113.94	39.01	78.1	210.3	47.7	15.7
Infrastructure & Public Works	69.84	856.29	44.37	188.65	37.17	210.35	83.8	111.5	53.2	24.6
Education, Youth Empowerment & Sports	440.08	113.54	268.49	33.65	215.00	9.92	80.1	29.5	48.9	8.7
Total	4,681.24	2,094.84	2,897.71	436.46	2,633.54	324.02	90.9	74.2	56.3	15.5

Source: Embu County Treasury

Analysis of expenditure by department shows that the Department of Infrastructure and Public Works recorded the highest absorption rate of development budget at 24.6 per cent. The Department of Public Service and Administration had the highest percentage of recurrent expenditure to recurrent budget at 65.2 per cent while the Department of Lands, Physical Planning and Urban Development had the lowest at 6.0 per cent.

3.6.9 Key Observations and Recommendations

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

- Improvement in the collection of own-source revenue by 74.6 per cent from Kshs.275.02 million in the first nine months of FY 2017/18 to Kshs.480.25 million in the reporting period.

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

- A high wage bill that stood at 66.2 per cent of the overall expenditure in the first nine months of FY 2018/19 compared to the recommended 35 per cent of the County Government total revenue in line with regulation 25(1)(b) of the PFM Regulations, 2015.
- Late submission of financial reports by the County Treasury, which affected timely preparation of budget implementation report contrary to section 166 of the PFM Act, 2012.
- Slow implementation of development activities during the first nine months of FY 2018/19. The County spent Kshs.332.26 million, which represented 15.9 per cent of the annual development budget of Kshs.2.09 billion against the expected absorption rate of 75 per cent.

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

- The County Public Service Board should establish an optimal staffing structure in order to manage the wage bill.*
- The County Treasury should ensure timely preparation and submission of financial reports in line with Section 166 of PFM Act, 2012.*
- The County should address the causes of low expenditure of the development budget.*

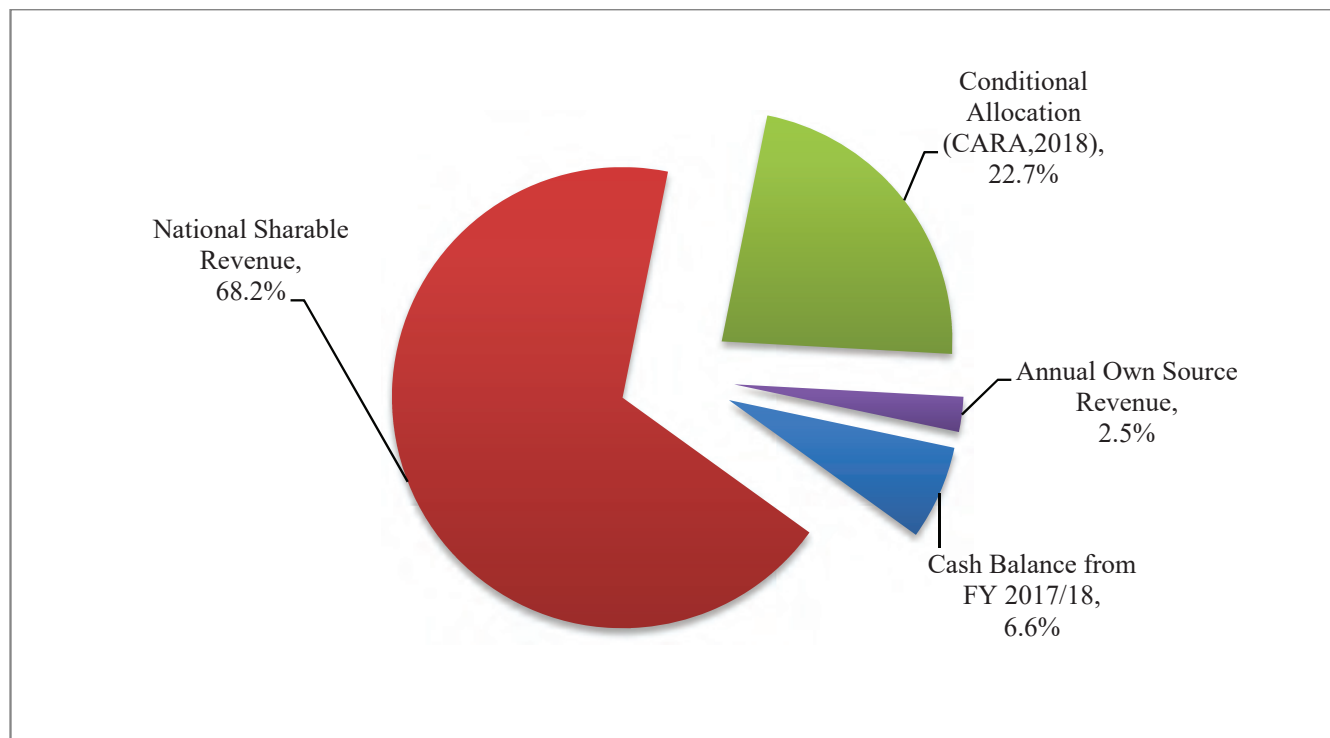
3.7 Garissa County

3.7.1 Overview of the FY 2018/19 Budget

The County's FY 2018/19 Approved Budget was Kshs.10.16 billion, comprising of Kshs.5.76 billion (56.7 per cent) and Kshs.4.40 billion (43.3 per cent) allocation for recurrent and development expenditure respectively.

To finance the budget, the County expects to receive Kshs.6.93 billion (68.2 per cent) as equitable share of revenue raised nationally, Kshs.2.31 billion (22.7 per cent) as total conditional grants, generate Kshs.250 million (2.5 per cent) from own-sources of revenue, and Kshs.672.33 million (6.6 per cent) cash balance from FY 2017/18.

Figure 3.25: Garissa County Expected Sources of Budget Financing in FY 2018/19



Source: Garissa County Treasury

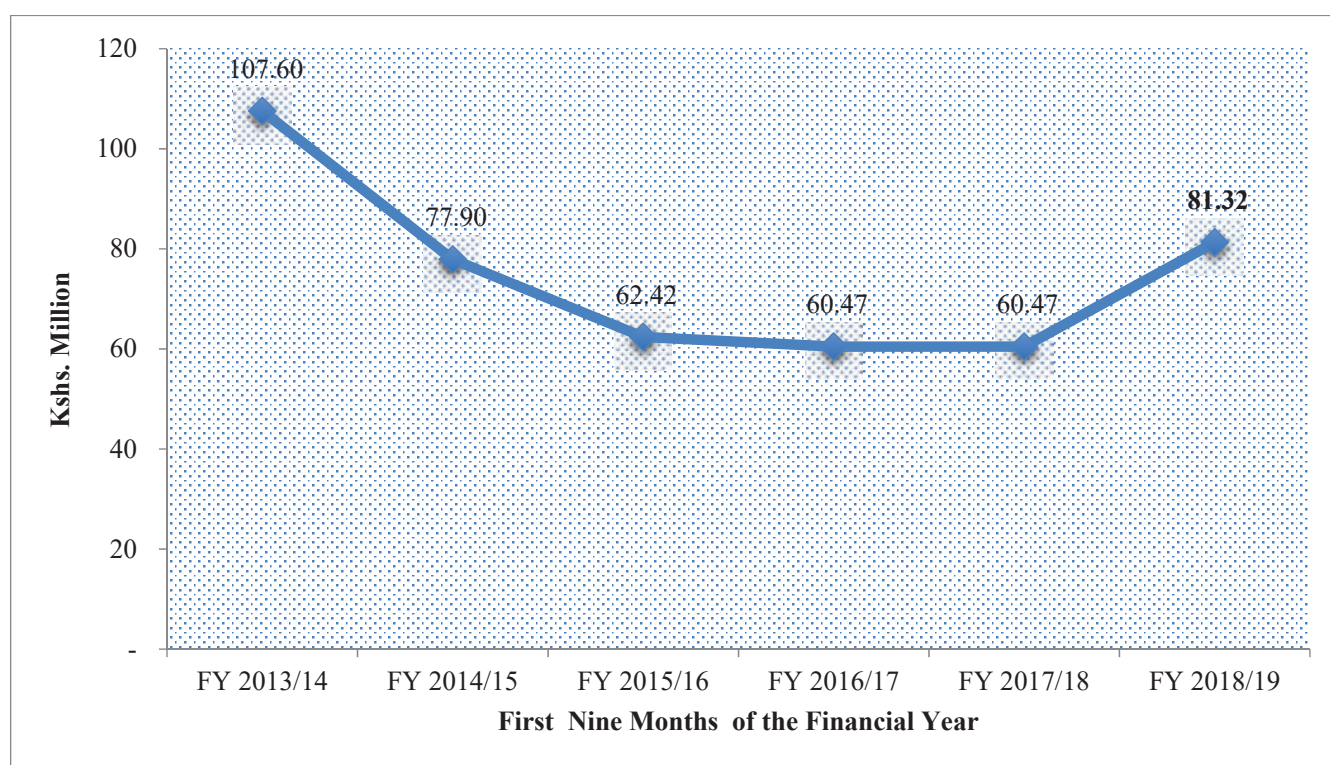
The conditional grants contained in the CARA, 2018 are shown in Table 3.18.

3.7.2 Revenue Analysis

During the first nine months of FY 2018/19, the County received Kshs.4.23 billion as equitable share of the revenue raised nationally, Kshs.649.52 million as total conditional grants, raised Kshs.81.32 million from own-sources of revenue, and had a cash balance of Kshs.1.09 billion from FY 2017/18. The total funds available for budget implementation amounted to Kshs 6.06 billion.

Figure 3.26 shows the trend in own-sources of revenue collection from the first nine months FY 2013/14 to the first nine months of FY 2018/19.

Figure 3.26: Garissa County, Trend in Own Sources of Revenue Collection for the First Nine Months from FY 2013/14 to FY 2018/19



Source: Garissa County Treasury

The County generated a total of Kshs.81.39 million from own-sources of revenues during the first nine months of FY 2018/19. This amount represented an increase of Kshs.20.92 million compared to that realised during a similar period of the FY 2017/18 and represented 32.5 per cent of the annual target.

3.7.3 Conditional Grants

The County received Kshs.649.52 million as conditional grants in the first nine months of the financial year 2018/19 as shown in Table 3.18.

Table 3.18: Garissa County, Conditional Grants/Loans Received in the First Nine Months of FY 2018/19

S/No	Grants/Loans	Annual Allocation, per CARA, 2018 (Kshs)	Annual Budget Allocation for FY 2018/19 (Kshs)	Actual Receipts in the First Nine Months of FY 2018/19 (in Kshs.)	Actual Receipts as Percentage of Annual Allocation (%)
1.	Conditional Grants to Level - 5 Hospital	344,739,884	344,739,884	168,922,543	49
2.	Compensation for User Fee Foregone	-1,2964,636	12,964,636	-	-
3.	Leasing of Medical Equipment	200,000,000	200,000,000	-	-
4.	Road Maintenance Fuel Levy	182,708,358	182,708,358	91,354,179	50
5.	Grants to Youth Polytechnic	35,355,000	35,355,000	-	-
6.	Transforming Health Systems for Universal Care Project (WB)	100,000,000	100,000,000	68,556,430	68.6

S/No	Grants/Loans	Annual Allocation, per CARA, 2018 (Kshs)	Annual Budget Allocation for FY 2018/19 (Kshs)	Actual Receipts in the First Nine Months of FY 2018/19 (in Kshs.)	Actual Receipts as Percentage of Annual Allocation (%)
7.	Water and Sanitation Development (World Bank)	1,000,000,000	1,000,000,000	-	-
8.	Kenya Climate Smart Agriculture Project (KCSAP)	150,000,000	150,000,000	55,847,540	37.2
9.	Kenya Devolution Support Project (KDSP) "Level 1 grant"	47,735,752	47,735,752	-	-
10.	Kenya Urban Support Project (KUSP)	233,506,000	233,506,000	233,506,000	100
Grand Total		2,307,009,630	2,307,009,630	649,521,692	28

Source: Garissa County Treasury

Analysis of revenue from conditional grants indicates that the County received full allocation for Kenya Urban Support Project (KUSP).

3.7.4 Exchequer Issues

To finance the budget, the Controller of Budget approved the withdrawal of Kshs.5.88 billion from the County Revenue Fund account. The withdrawals represented 58.9 per cent of the Approved Budget and translated to an increase of 53.6 per cent from Kshs.3.85 billion approved in the first nine months of FY 2017/18 and comprised of Kshs.4.53 billion (77 per cent) to fund recurrent expenditure and Kshs.1.35 billion (23 per cent) for development activities.

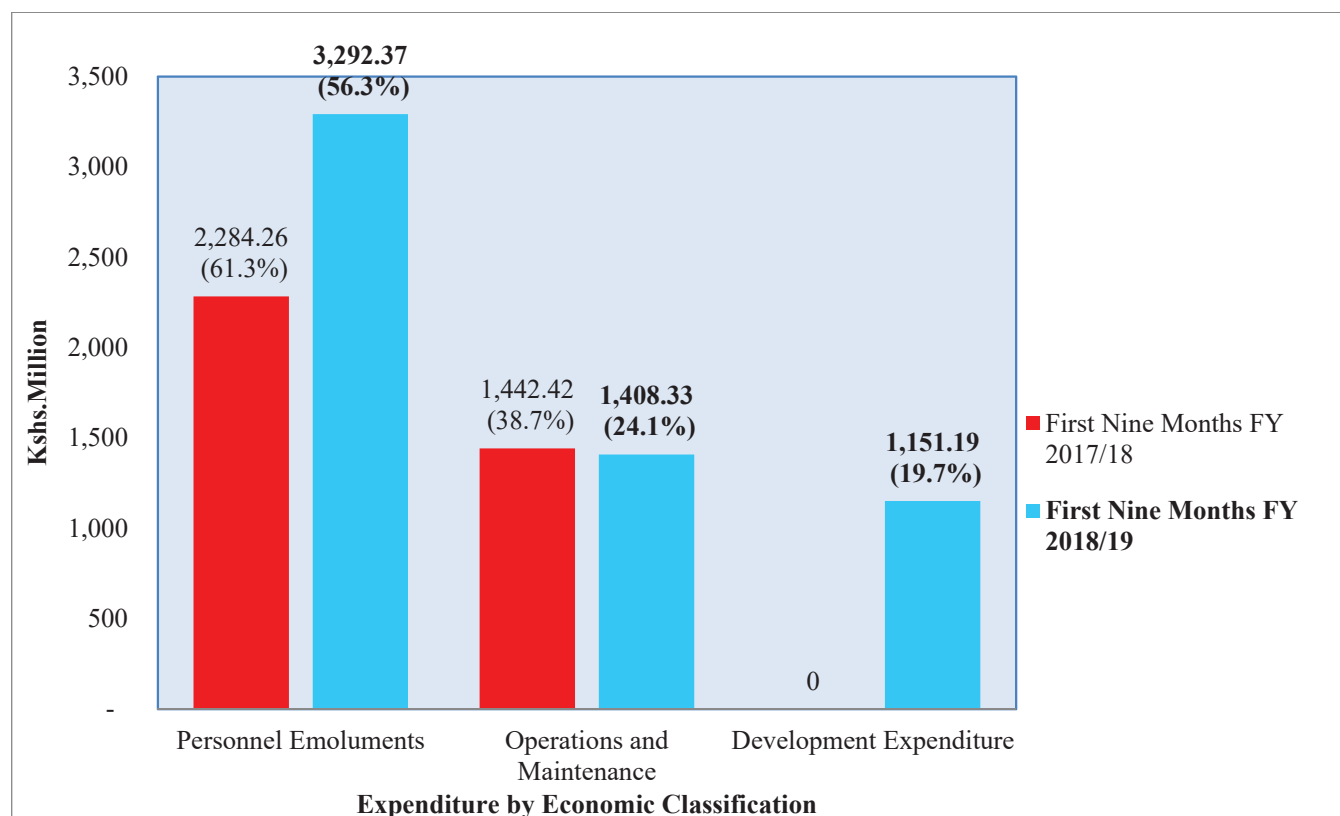
3.7.5 Overall Expenditure Review

The County spent a total of Kshs.5.73 billion on recurrent and development activities. This expenditure represented 99.6 per cent of the total funds released from the County Revenue Fund account and was an increase of 57 per cent from Kshs.3.73 billion spent in the first nine months of FY 2017/18. The expenditure excluded outstanding commitments as at March 31, 2019 which amounted to Kshs.187.34 million for development activities and Kshs.143.89 million for recurrent expenditure.

Expenditure on recurrent activities amounted to Kshs.4.57 billion while Kshs.1.15 billion was spent on development activities. The recurrent expenditure was 101 per cent of the funds released for recurrent activities, while development expenditure was 85.4 per cent of funds released for development activities.

The recurrent expenditure represented 79.4 per cent of the annual recurrent budget, an increase from 22.7 per cent recorded in the first nine months of FY 2017/18. Development expenditure recorded an absorption rate of 27.3 per cent, while there was no development expenditure in the first nine months of FY 2017/18. Figure 3.27 presents a comparison between the total expenditure in the first nine months of FY 2018/19 and a similar period in FY 2017/18.

Figure 3.27: Garissa County, Expenditure by Economic Classification



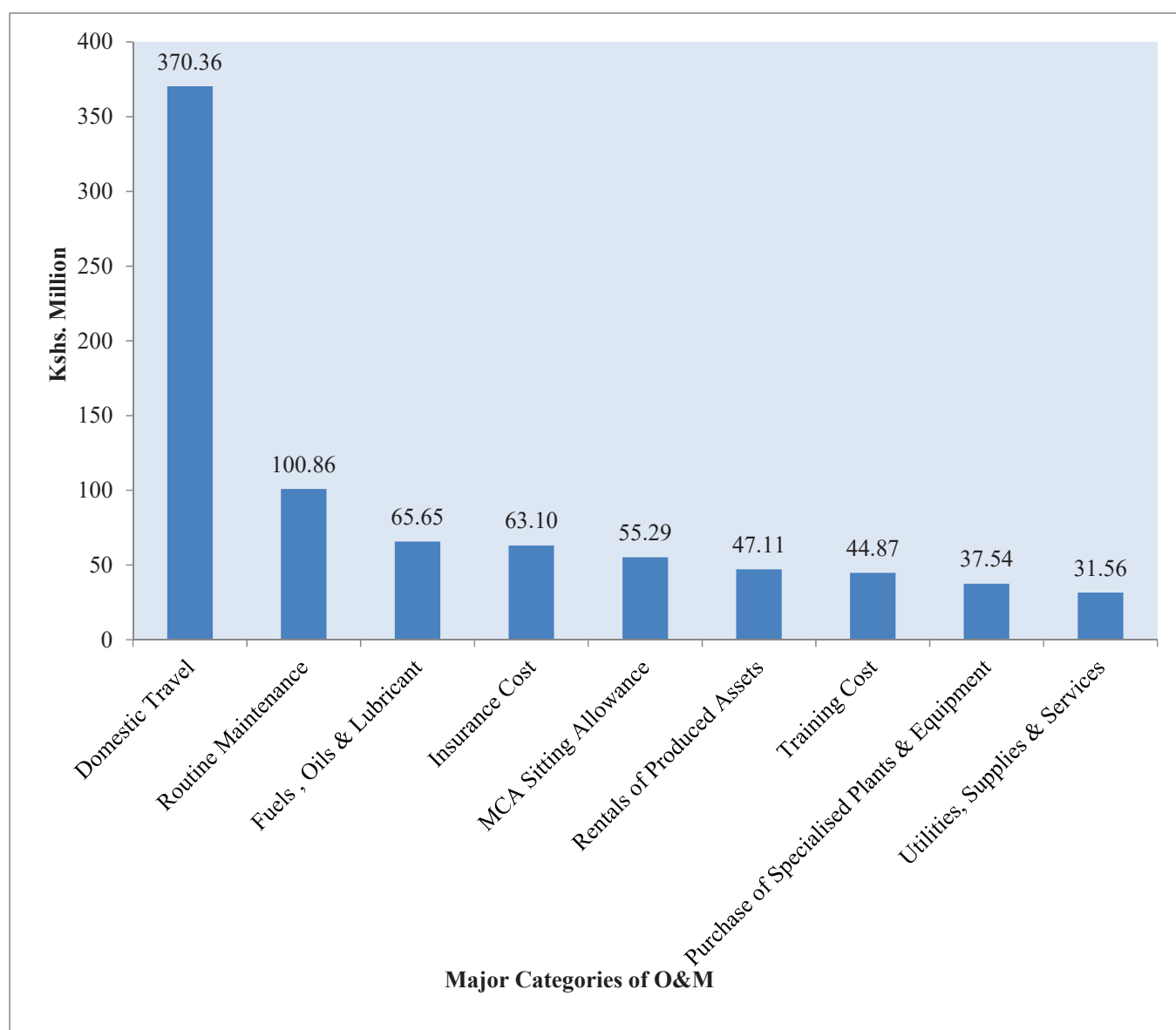
Source: Garissa County Treasury

3.7.6 Analysis of Recurrent Expenditure

The total recurrent expenditure of Kshs.4.57 billion comprised of Kshs.3.29 billion (70.0 per cent) incurred on personnel emoluments and Kshs.1.41 billion (30 per cent) on operations and maintenance as shown in Figure 3.27.

Expenditure on personnel emoluments represented an increase of 44.1 per cent compared to a similar period of FY 2017/18 when the County spent Kshs.2.28 billion and was 56.3 per cent of total expenditure in the first nine months of FY 2018/19. Figure 3.28 shows a summary of operations and maintenance expenditure by major categories.

Figure 3.28: Garissa County, Operations and Maintenance Expenditure by Major Categories in the First Nine Months of FY 2018/19



Source: Garissa County Treasury

The County spent Kshs.55.29 million on committee sitting allowances for the 49 MCAs and the speaker against the annual budget allocation of Kshs.121.21 million. This represented an increase of 76.7 per cent compared to Kshs.31.29 million spent in a similar period of FY 2017/18. The average monthly sitting allowance translated to Kshs.125,381 per MCA against the SRC's recommended monthly ceiling of Kshs.124,800.

Expenditure on domestic travel amounted to Kshs.376.13 million and comprised of Kshs.86.93 million spent by the County Assembly and Kshs.289.2 million spent by the County Executive. This represented 8.2 per cent of total recurrent expenditure and was an increase of 458.7 per cent compared to Kshs.67.32 million spent in the first nine months of FY 2017/18.

3.7.7 Development Expenditure

The total development expenditure of Kshs.1.15 billion represented 27.3 per cent of the annual development expenditure budget of Kshs.4.23 billion. The County did not provide a report on the status of their development projects in the reporting period.

3.7.8 Budget Performance by County Department

Table 3.19 shows a summary of the approved budget allocation and performance by department in the first nine months of FY 2018/19.

Table 3.19: Garissa County, Budget Performance by Department

Department	Annual Budget Allocation in FY 2018/19 (Kshs. Million)		Exchequer Issues in First Nine Months of FY 2018/19 (Kshs. Million)		Expenditure in First Nine Months of FY 2018/19 (Kshs. Million)		Expenditure to Exchequer Issues (%)		Absorption Rate (%)	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
Agriculture, Livestock and Co-operative	210.27	370	183.14	120.21	183.15	120.10	100	99.9	87.1	32.5
Environment, Energy and Natural Resources	62.50	30	62.28	11.32	62.25	10.40	100	91.9	99.6	34.7
Roads and Transport	83.36	282.71	61.79	125.22	62.31	125.67	100.8	100.4	74.7	44.5
Trade and Enterprises Development	88.94	170.00	79.77	110.80	79.91	110.63	100.2	99.8	89.8	65.1
Health and Sanitation	2,161.47	520	1,844.00	73.55	1,873.40	73.10	101.6	99.4	86.7	14.1
Education and Labour	653.15	75.36	509.89	72.52	509.59	71.80	99.9	99.0	78	95.3
County Assembly	711.00	70.00	502.70	-	496.89	-	98.8	-	69.9	-
County Executive	276.34	180	205.31	45.37	205.30	45.20	100	99.6	74.3	25.1
Finance and Economic planning	979.72	300	591	190.26	590.96	190.10	100	99.9	60.3	63.4
Gender, Social services and sports	76.59	281	62.30	-	62.29	-	100	-	81.3	-
Water and Irrigation Services	171.61	1,680	171.33	255.92	171.35	250.70	100	98.0	99.8	14.9
Land, Housing and Urban	244.19	443.51	222.34	344.91	242.75	153.49	109.2	44.5	99.4	34.6
County Public Services Board	51.04	-	34.32	-	34.57		100.7	0.0	67.7	-
Total	5,760.18	4,402.58	4,530.17	1,350.08	4,574.72	1,151.19	101.0	85.3	79.4	26.1

Source: Garissa County Treasury

Analysis of expenditure by department shows that the Department of Education and Labour recorded the highest absorption rate of development budget at 95.3 per cent while the County Assembly and Department of Gender, Social Services and sports did not incur any development expenditure. The Department of Water & Irrigation had the highest percentage of recurrent expenditure to recurrent budget at 99.8 per cent while the Department of Finance and Economic Planning had the lowest at 60.3 per cent.

3.7.9 Key Observations and Recommendations

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

- Improvement in own-source revenue collection by 34.6 per cent from Kshs.60.47 million collected in the first nine months of FY 2017/18 to Kshs.81.39 million in the reporting period.
- Improvement in the absorption of development budget from no expenditure in the first nine months of FY 2017/18 to 27.3 per cent in the reporting period.

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

1. A high wage bill that increased by 44.1 per cent from Kshs.2.28 billion in the first nine months of FY 2017/18 to Kshs.3.29 billion during the period under review.
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. High expenditure on non-core activities such as domestic travel which increased by 458.7 per cent to Kshs.376.13 million compared to Kshs.67.32 million in a similar period in FY 2017/18.
4. Low absorption of the development budget. The County recorded an absorption rate of 27.3 per cent compared to the expected threshold of 75 per cent in the reporting period.

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

1. *The County Public Service Board should establish an optimal staffing structure in order to manage the wage bill in line with the law.*
2. *The County should establish an Internal Audit Committee in line with Section 155 of the PFM Act, 2012.*
3. *The County should streamline expenditure on non-core activities in order to free funds for development programmes.*
4. *The County should identify and address the causes of low absorption of the development budget with a view of enhancing effective budget implementation.*

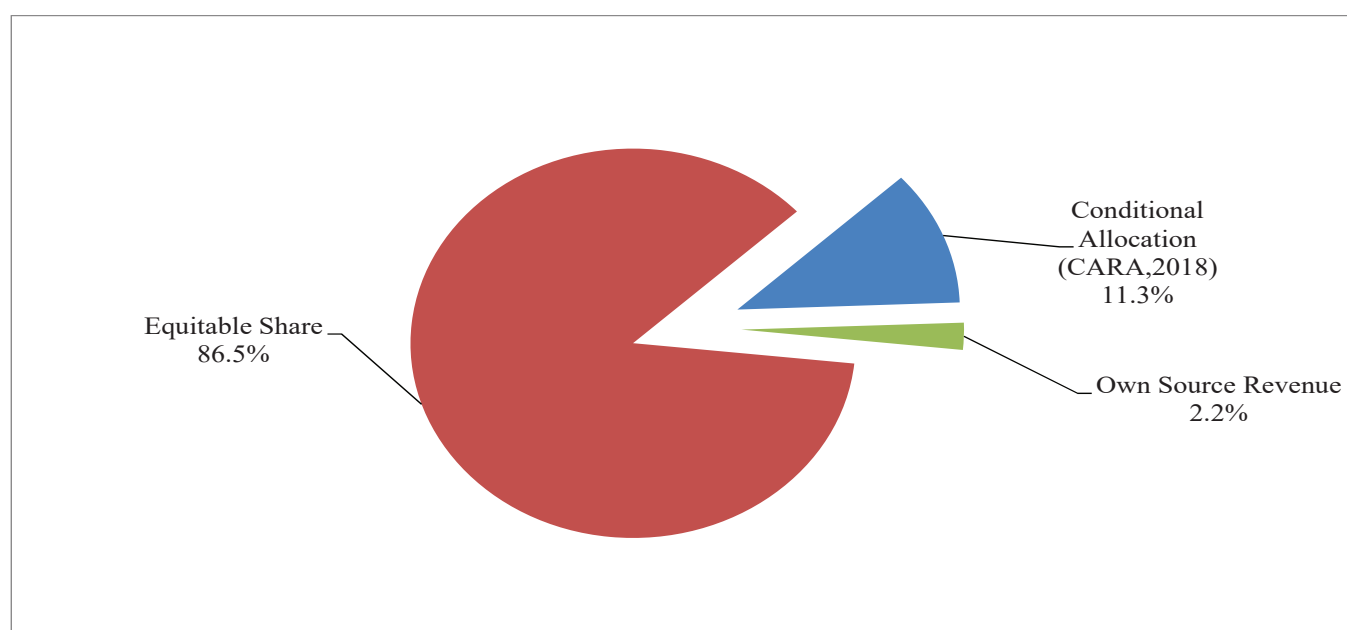
3.8 Homa Bay County

3.8.1 Overview of the FY 2018/19 Budget

The County's FY 2018/19 Approved Budget was Kshs.7.73 billion, comprising of Kshs.4.98 billion (64.4 per cent) and Kshs.2.76 billion (35.6 per cent) allocation for recurrent and development expenditure respectively.

To finance the budget, the County expects to receive Kshs.6.69 billion (86.5 per cent) as equitable share of revenue raised nationally, Kshs.870.90 million (11.3 per cent) as total conditional grants, generate Kshs.173 million (2.2 per cent) from own-sources of revenue. The County did not budget for cash balance from FY2017/18 which amounted to Kshs.591.16 million.

Figure 3.29: Homa Bay County, Expected Sources of Budget Financing in FY 2018/19



Source: Homa Bay County Treasury

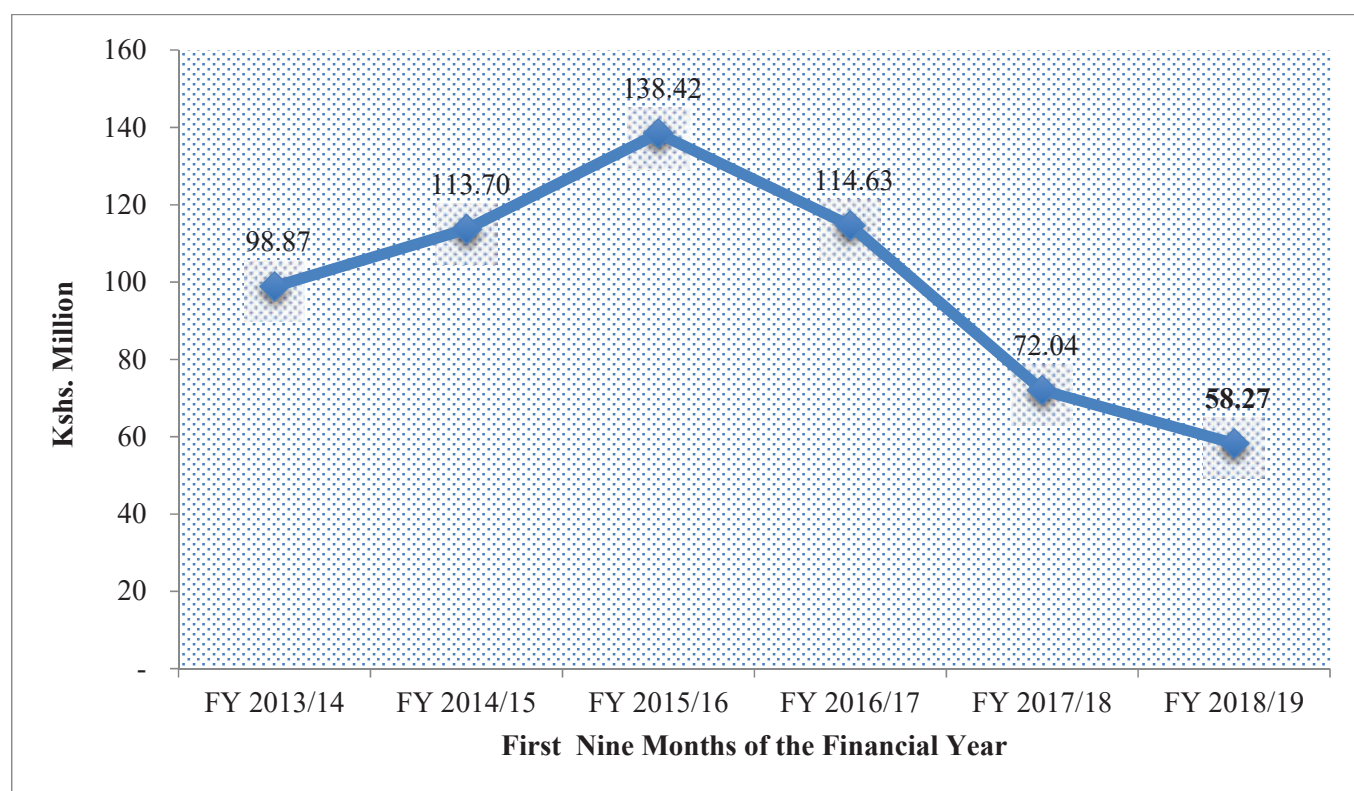
The conditional grants contained in the CARA, 2018 are shown in Table 3.20.

3.8.2 Revenue Analysis

During the first nine months of FY 2018/19, the County received Kshs.3.91 billion as equitable share of the revenue raised nationally, Kshs.261.03 million as total conditional grants, raised Kshs.58.27 million from own-sources of revenue, and had a cash balance of Kshs.591.16 million from FY 2017/18. The total funds available for budget implementation amounted to Kshs.4.82 billion.

Figure 3.30 shows the trend in own-sources of revenue collection for the first nine months from FY 2013/14 to FY 2018/19.

Figure 3.30: Homa Bay County, Trend in Own Sources of Revenue Collection for the First Nine Months from FY 2013/14 to FY 2018/19



Source: Homa Bay County Treasury

The County generated a total of Kshs.58.27 million from own revenue sources in the first nine months of FY 2018/19. This amount represented a decrease of Kshs.13.77 million compared to that realised during a similar period of the FY 2017/18 and represented 33.7 per cent of the annual target.

3.8.3 Conditional Grants

The County received Kshs.261.03 million as conditional grants in the first nine months of the financial year 2018/19 as shown in Table 3.20.

Table 3.20: Homa Bay County, Conditional Grants/Loans Received in the First Nine Months of FY 2018/19

S/ No	Grants /Loans	Annual CARA, 2018 Allocation (in Kshs)	Annual Budget Allocation (in Kshs)	Actual re- ceipts in First Nine Months of FY 2018/19 (in Kshs.)	Actual Receipts as Percentage of Annual Allocation (%)
A	Grants Contained in the CARA, 2018				
1	Leasing of Medical Equipment	200,000,000	200,000,000	-	-
2	Road Maintenance Fuel Levy	176,094,481	176,094,481	88,047,241	50
3	National Agricultural and Rural Inclusive Growth Project (NARIGP)	140,435,163	140,435,163	-	-
4	Kenya Urban Support Project (KUSP)	119,361,500	119,361,500	119,361,500	100
5	Transforming Health Systems for Universal Care Project (WB)	85,820,342	85,820,342	15,955,798	18.6
6	Kenya Devolution Support Project (KDSP) “Level 1 grant”	49,500,526	49,500,526	-	-
7	Rehabilitation of Village Polytechnics	46,675,000	46,675,000	-	-
8	Kenya Urban Support Project (KUSP) Balance c/f in FY 2017/18	41,200,000	-	-	-
9	DANIDA Grant	21,870,000	30,818,129	27,481,377	89.2
10	Compensation for User Fee Foregone	22,185,346	22,185,346	-	-
11	Sweden-Agricultural Sector Development Support Programme(ASDSP)II	21,091,658	-	-	-
	Sub Total	924,234,016	870,890,487	250,845,916	28.8
B	Other Grants				
12	UN Habitat - Nyakwere Market Upgrade	-	-	10,188,000	-
	Sub Total	-	-	10,188,000	-
	Grand Total	924,234,016	870,890,487	261,033,916	30.0

Source: Homa Bay County Treasury

Analysis of revenue from conditional grants indicates that, the County received full allocation for Kenya Urban Support Programme. The County also received Kshs.10.19 million from UN Habitat - Nyakwere Market Upgrade which was not contained in CARA, 2018 and in the Approved Budget.

3.8.4 Exchequer Issues

To finance the budget, the Controller of Budget approved withdrawal of Kshs.4.53 billion from the County Revenue Fund Account. The withdrawals represented 58.6 per cent of the Approved Budget and translated to an increase of 33.2 per cent from Kshs.3.40 billion approved in the first nine months of FY 2017/18 and comprised of Kshs.3.85 billion (85.1 per cent) to fund recurrent expenditure and Kshs.676.6 million (14.9 per cent) for development activities.

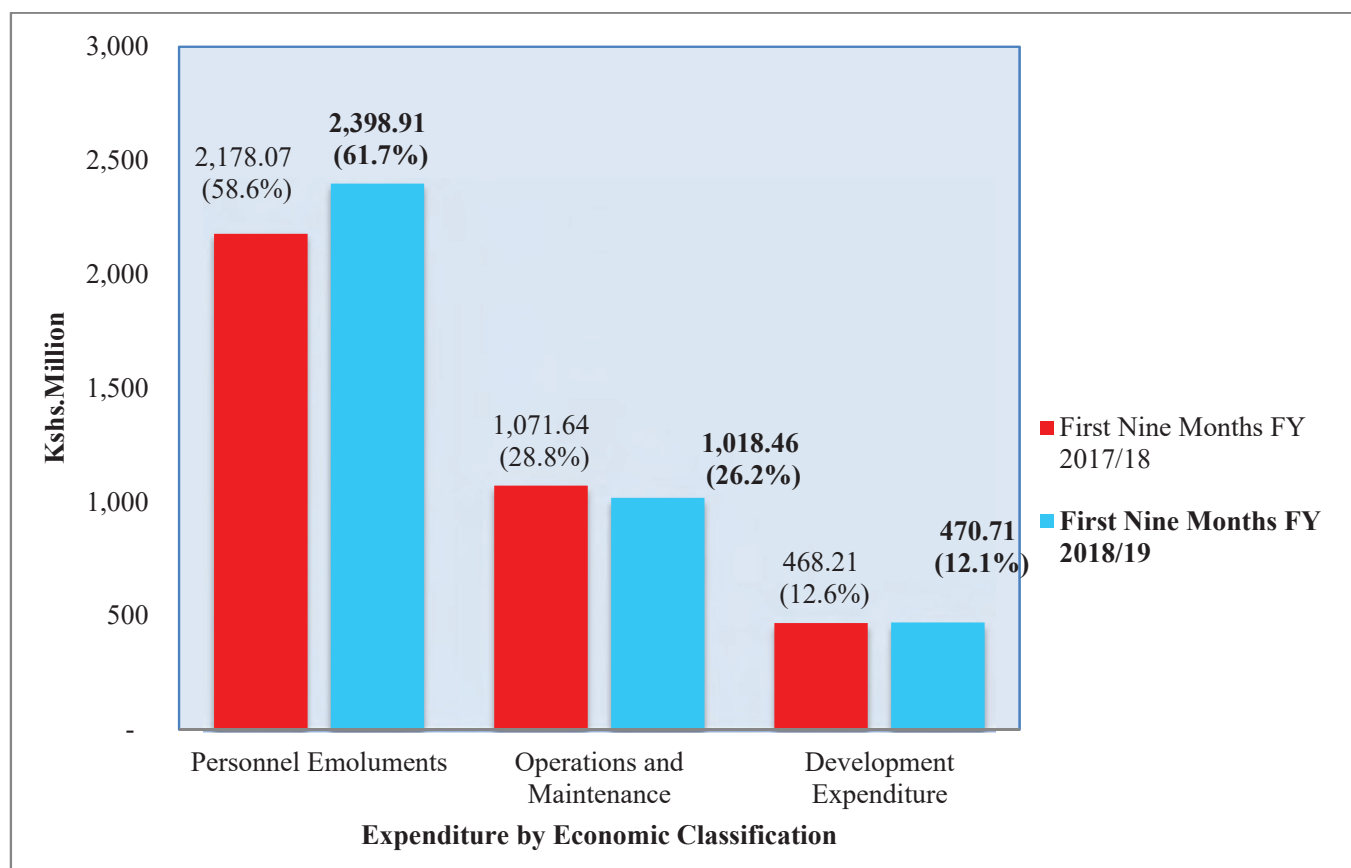
3.8.5 Overall Expenditure Review

The County spent a total of Kshs.3.89 billion on recurrent and development activities. This expenditure represented 85.9 per cent of the total funds released from the County Revenue Fund Account and was an increase of 4.6 per cent from Kshs.3.72 billion spent in the first nine months of FY 2017/18. The expenditure excluded outstanding commitments as at March 31, 2019 which amounted to Kshs.620.76 million for development activities and Kshs.45.12 million for recurrent expenditure.

Expenditure on recurrent activities amounted to Kshs.3.42 billion while Kshs.470.71 million was spent on development activities. The recurrent expenditure was 88.7 per cent of the funds released for recurrent activities, while development expenditure was 69.6 per cent of funds released for development activities.

The recurrent expenditure represented 68.7 per cent of the annual recurrent budget, an increase from 65.3 per cent recorded in the first nine months of FY 2017/18. Development expenditure recorded an absorption rate of 17.1 per cent, which was a decrease from 21.2 per cent attained in the first nine months of FY 2017/18. Figure 3.31 presents a comparison between the total expenditure in the first nine months of FY 2018/19 and a similar period in FY 2017/18.

Figure 3.31: Homa Bay County, Expenditure by Economic Classification



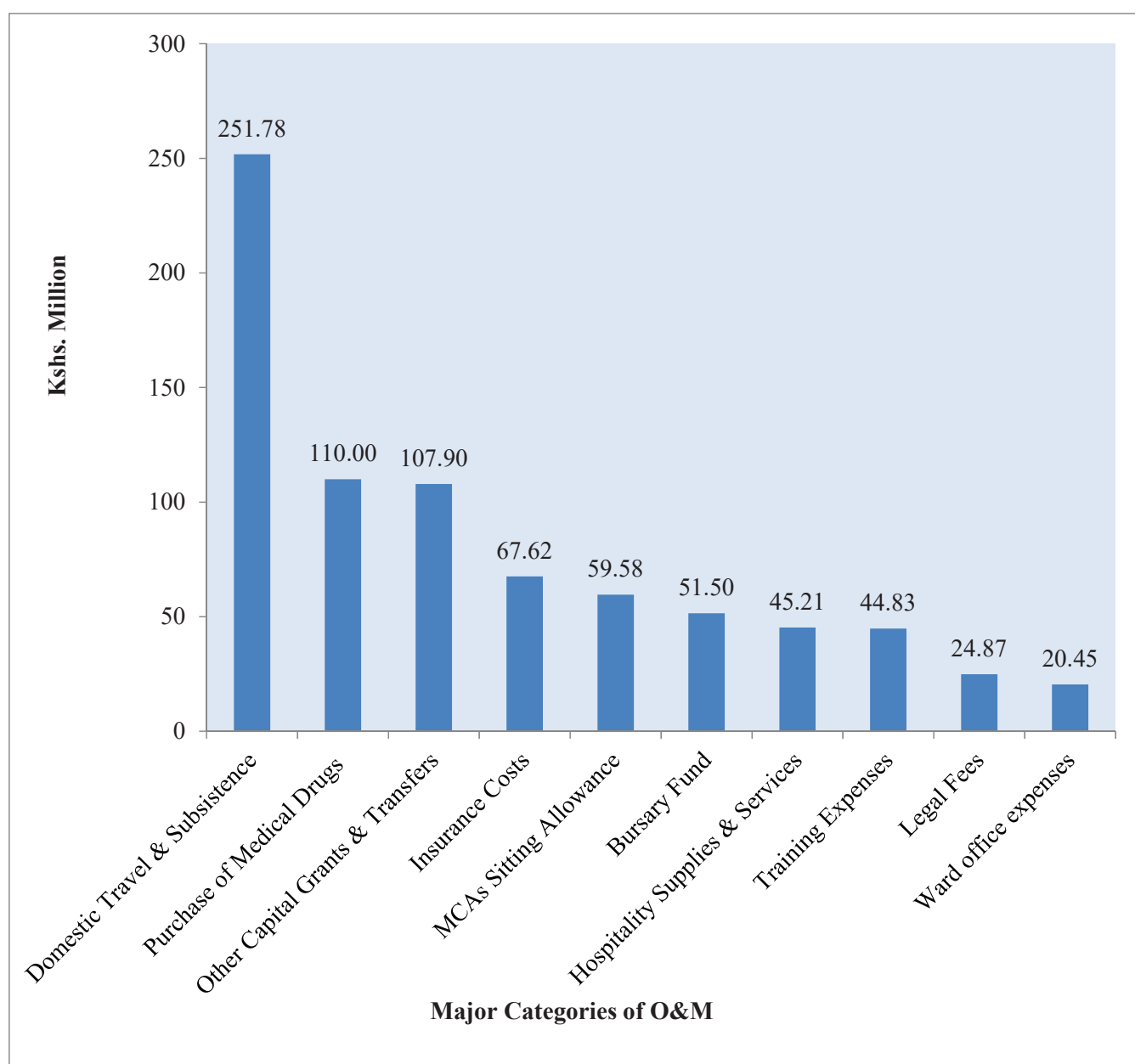
Source: Homa Bay County Treasury

3.8.6 Analysis of Recurrent Expenditure

The total recurrent expenditure of Kshs.3.42 billion comprised of Kshs.2.40 billion (70.2 per cent) incurred on personnel emoluments and Kshs.1.02 billion (29.8 per cent) on operations and maintenance as shown in Figure 3.31.

Expenditure on personnel emoluments represented an increase of 10.1 per cent compared to a similar period of FY 2017/18 when the County spent Kshs.2.18 billion and was 61.7 per cent of total expenditure in the first nine months of FY 2018/19. Figure 3.32 shows a summary of operations and maintenance expenditure by major categories.

Figure 3.32: Homa Bay County, Operations and Maintenance Expenditure by Major Categories in the First Nine Months of FY 2018/19



Source: Homa Bay County Treasury

The County spent Kshs.59.58 million on committee sitting allowances for the 61 MCAs and the speaker against the annual budget allocation of Kshs.98.34 million. This represented an increase of 176 per cent compared to Kshs.21.59 million spent in a similar period of FY 2017/18. The average monthly sitting allowance translated to Kshs.108,531 per MCA against the SRC's recommended monthly ceiling of Kshs.124,800.

Expenditure on domestic and foreign travel amounted to Kshs.251.78 million and comprised of Kshs.67.17 million spent by the County Assembly and Kshs.184.61 million spent by the County Executive. This represented 7.4 per cent of total recurrent expenditure and was an increase of 80.5 per cent compared to Kshs.139.49 million spent in the first nine months of FY 2017/18.

3.8.7 Development Expenditure

The total development expenditure of Kshs.470.71 million represented 17.1 per cent of the annual development expenditure budget of Kshs.2.76 billion. Table 3.21 provides a summary of development projects with the highest expenditure in the first nine months of the financial year.

Table 3.21: Homa Bay County, List of Development Projects with the Highest Expenditure in First Nine Months of FY 2018/19

S/No.	Project Name	Project Budget (Kshs.)	Project Expenditure in First Nine Months of FY 2018/19 (Kshs.)	Absorption Rate (%)
1	Infrastructure and Civil Works	1,051,878,400	211,980,177	20.2
2	Maintenance of Roads, Ports and Jetties	195,543,214	86,812,459	44.4
3	Major Roads	164,114,948	59,000,000	36
4	Emergency Relief (food, medicine , Blankets)	150,000,000	30,200,000	20.1
5	Engineering and Design Plans	177,850,000	24,007,017	13.5
6	Purchase of Educational Aids and Related Equipment	13,958,942	6,196,303	44.4
7	Purchase of Graders	12,000,000	5,160,345	43
8	Bridges	12,895,000	4,726,950	36.7
9	Purchase of Medical and Dental Equipment	150,000,000	4,200,000	2.8
10	Pre-feasibility, Feasibility & Appraisal Studies	208,834,960	2,824,800	1.4

Source: Homa Bay County Treasury

3.8.8 Budget Performance by County Department

Table 3.22 shows a summary of the approved budget allocation and performance by department in the first nine months of FY 2018/19.

Table 3.22: Homa Bay County, Budget Performance by Department

Department	Budget Allocation (Kshs. Million)		Exchequer Issues in First Nine Months of FY 2018/19 (Kshs. Million)		Expenditure in First Nine Months of FY 2018/19 (Kshs. Million)		Expenditure to Exchequer Issues (%)		Absorption Rate (%)	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
Agriculture, Live-stock, Fisheries and Food Security	193.18	202.54	166.00	21.39	151.06	38.51	91.0	180.1	78.2	19.0
Tourism, Sports, Youth Gender, Culture and Social Services	69.50	106.71	57.38	4.85	43.63	3.00	76.0	61.9	62.8	2.8
Roads, Transport and Public Works	72.74	501.80	62.04	137.15	68.04	200.23	109.7	146.0	93.5	39.9
Energy and Mining	34.74	75.46	28.10	20.70	27.34	3.90	97.3	18.8	78.7	5.2
Education and ICT	534.20	119.60	434.20	116.82	296.84	24.87	68.4	21.3	55.6	20.8
Health Services	2,073.69	440.39	1,754.89	44.70	1,483.65	29.58	84.5	66.2	71.5	6.7
Lands, Housing, Urban Development and Physical Planning	68.12	204.86	58.44	154.86	41.28	2.15	70.6	1.4	60.6	1.0

Department	Budget Allocation (Kshs. Million)		Exchequer Issues in First Nine Months of FY 2018/19 (Kshs. Million)		Expenditure in First Nine Months of FY 2018/19 (Kshs. Million)		Expenditure to Exchequer Issues (%)		Absorption Rate (%)	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
Trade, Industrialization, Cooperatives and Enterprise Development	192.18	150.41	179.18	53.89	132.09	33.04	73.7	61.3	68.7	22.0
Water, Environment and Natural Resources	152.77	311.99	127.10	110.24	105.18	47.37	82.8	43.0	68.8	15.2
Finance, Economic Planning and Service Delivery	111.15	503.12	100.70	-	114.19	47.70	113.4	-	102.7	9.5
Office of the Governor	533.92	78.00	400.70	12.00	403.35	35.72	100.7	297.7	75.5	45.8
County Public Service Board	33.43	1.00	25.36	-	11.23	0.50	44.3	-	33.6	50.0
County Assembly	907.26	59.32	458.00	-	539.50	4.13	117.8	-	59.5	7.0
TOTAL	4,976.89	2,755.20	3,852.09	676.60	3,417.38	470.71	88.7	69.6	68.7	17.1

Source: Homa Bay County Treasury

Analysis of expenditure by department shows that the Office of the Governor recorded the highest absorption rate of development budget at 45.8 per cent while the Department of Lands, Housing, Urban Development and Physical Planning and Department of Tourism, Sports, Youth Gender, Culture and Social Services recorded the lowest absorption rate of development budget at 1.0 per cent and 2.8 per cent respectively. The Department of Finance, Economic Planning and Service Delivery had the highest percentage of recurrent expenditure to recurrent budget at 102.7 per cent while the Department of Education and ICT had the lowest at 55.6 per cent. Expenditure above 100 per cent of the budget is irregular and should be regularised before the end of the financial year.

3.8.9 Key Observations and Recommendations

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

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

During the reporting period, the Office noted the following challenges which hampered effective budget implementation;

1. Late submission of financial reports by the County Treasury contrary to Section 166 of the PFM Act, 2012, which affected timely preparation of budget implementation report.
2. Failure to budget for all conditional grants as per CARA, 2018.
3. High wage bill, which accounted for 70.2 per cent of the total recurrent expenditure during the reporting period thus constraining funding of other programmes.
4. Under-performance in own-source revenue collection which declined from Kshs.72.04 million in the first nine months of FY 2017/18 to Kshs.58.27 million in the reporting period.
5. Low absorption of the development budget, which was 17.1 per cent of the development budget.

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 the PFM Act, 2012.*
2. *The County should prepare a Supplementary Budget to align conditional grants to the CARA, 2018.*
3. *The County Public Service Board should develop an optimal staffing structure and devise strategies to address the escalating wage bill.*
4. *The County Treasury should formulate strategies to enhance own-source revenue collection such as automation of revenue collection.*
5. *The County should identify and address the causes of low absorption of development budget in order to ensure effective budget implementation.*

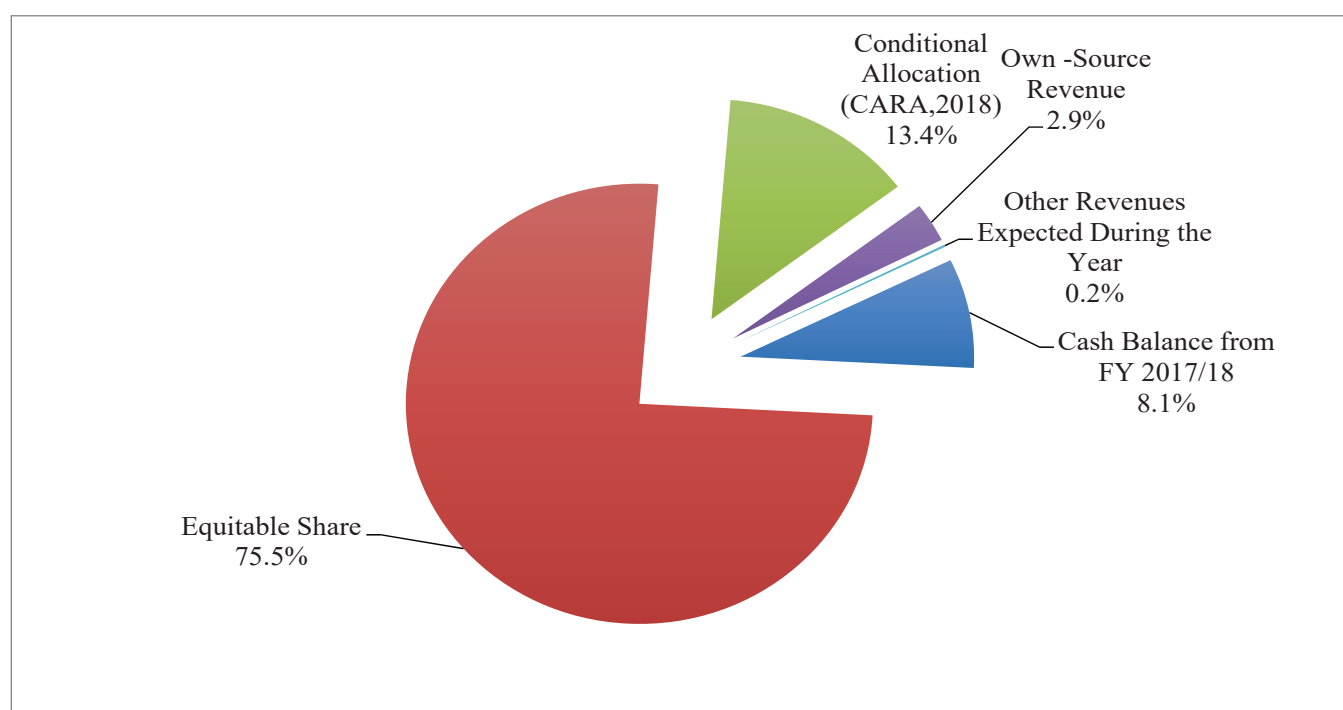
3.9 Isiolo County

3.9.1 Overview of the FY 2018/19 Budget

The County's FY 2018/19 Approved Supplementary Budget was Kshs.5.20 billion, comprising of Kshs.3.15 billion (60.5 per cent) and Kshs.2.05 billion (39.5 per cent) allocation for recurrent and development expenditure respectively.

To finance the budget, the County expects to receive Kshs.3.93 billion (75.4 per cent) as equitable share of revenue raised nationally, Kshs.705.99 million (13.6 per cent) as total conditional grants, generate Kshs.150.86 million (2.9 per cent) from own source of revenue, and Kshs.418.66 million (8.1 per cent) cash balance from FY 2017/18.

Figure 3.33: Isiolo County, Expected Sources of Budget Financing in FY 2018/19



Source: Isiolo County Treasury

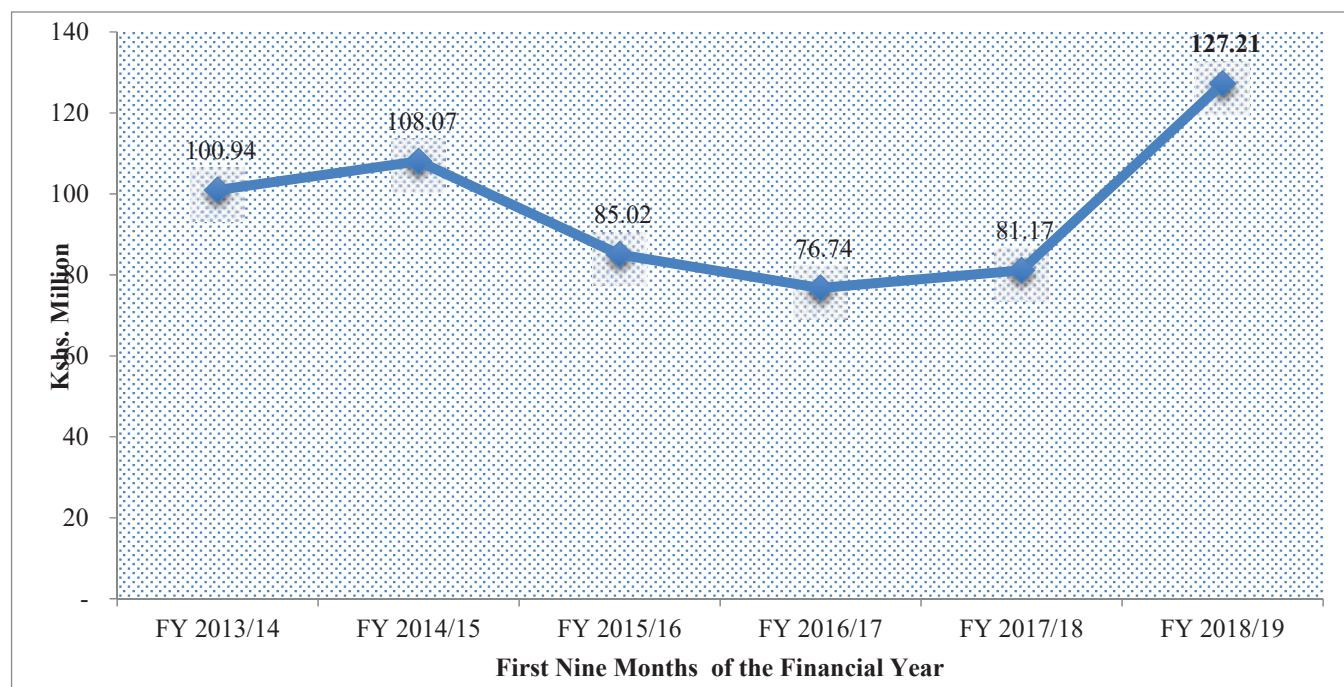
The conditional grants contained in the CARA, 2018 are shown in Table 3.23.

3.9.2 Revenue Analysis

During the first nine months of FY 2018/19, the County received Kshs.1.98 billion as equitable share of the revenue raised nationally, Kshs.307.05 million as total conditional grants, raised Kshs.127.21 million from own sources of revenue, and had a cash balance of Kshs.418.66 million from FY 2017/18. The total funds available for budget implementation amounted to Kshs.2.84 billion.

Figure 3.34 shows the trend in own-sources of revenue collection from the first nine months FY 2013/14 to the first nine months of FY 2018/19.

Figure 3.34: Isiolo County, Trend in Own Sources of Revenue Collection for the First Nine Months from FY 2013/14 to FY 2018/19



Source: Isiolo County Treasury

The County generated a total of Kshs.127.21 million from own revenue sources during the first nine months of FY 2018/19. This amount represented an increase of Kshs.46.04 million compared to that realised during a similar period of the FY 2017/18 and represented 84.3 per cent of the annual target.

3.9.3 Conditional Grants

The County received Kshs.307.05 million as conditional grants in the first nine months of the financial year 2018/19 as shown in Table 3.23.

Table 3.23: Isiolo County, Conditional Grants/Loans Received in the First Nine Months of FY 2018/19

S/ No	Grants/Loans	Annual Allocation, per CARA, 2018 (Kshs)	Annual Budget Allocation for FY 2018/19 (Kshs)	Actual Receipts in the First Nine Months of FY 2018/19 (in Kshs.)	Actual Receipts as Percentage of Annual Allocation (%)
A	Grants/Loans Contained in CARA, 2018				
1	Kenya Climate Smart Agriculture Project (KCSAP)	150,000,000	150,000,000	32,966,823	22
2	Supplement for Construction of County Headquarters	121,000,000	121,000,000	-	-
3	Road Maintenance Fuel Levy	103,341,833	103,341,833	51,670,916	50
4	Kenya Urban Support Project (KUSP)	93,968,100	93,968,100	93,968,100	100
5	Transforming Health Systems for Universal Care Project (WB)	66,229,830	66,229,830	22,745,932	34.3
6	Kenya Devolution Support Project (KDSP) "Level 1 grant"	38,668,826	38,668,826	4,853,724	12.6
7	Rehabilitation of Village Polytechnics	21,235,000	21,235,000	-	-
8	DANIDA Grant	12,656,250	12,656,250	6,328,125	50
9	Compensation for User Fee Foregone	3,472,461	3,472,461	-	-
10.	Urban Support Project- Recurrent (2017/18+2018/19)	41,200,000	41,200,000	-	-
11	Sweden Agricultural Sector Development Support Programme (ASDSP)	22,028,970	22,028,970	-	-
12	Road levy fund bal 2017/18	-	23,164,758	23,164,758	100
	Sub Total	673,801,270	696,966,028	235,698,378	33.8
B	Other Grants Not Contained n CARA, 2018				
13.	Food and Agriculture Organization of the United Nations-Livestock grant	-	9,023,720	-	-
14.	Universal Health Care Project- Pilot counties grant	-	-	71,349,047	-
	Sub Total	-	9,023,720	71,349,047	-
	Grand Total	673,801,270	705,989,748	307,047,425	43.5

Source: Isiolo County Treasury

Analysis of revenue from conditional grants indicates that, the County received the full allocation towards the Kenya Urban Support Project.

3.9.4 Exchequer Issues

To finance the budget, the Controller of Budget approved the withdrawal of Kshs 2.66 billion from the County Revenue Fund account. The withdrawals represented 51.1 per cent of the Approved Budget and translated to an increase of 48.7 per cent from Kshs.1.79 billion approved in the first nine months of FY 2017/18 and comprised of Kshs.2.26 billion (85 per cent) to fund recurrent expenditure and Kshs.397.71 million (15 per cent) for development activities.

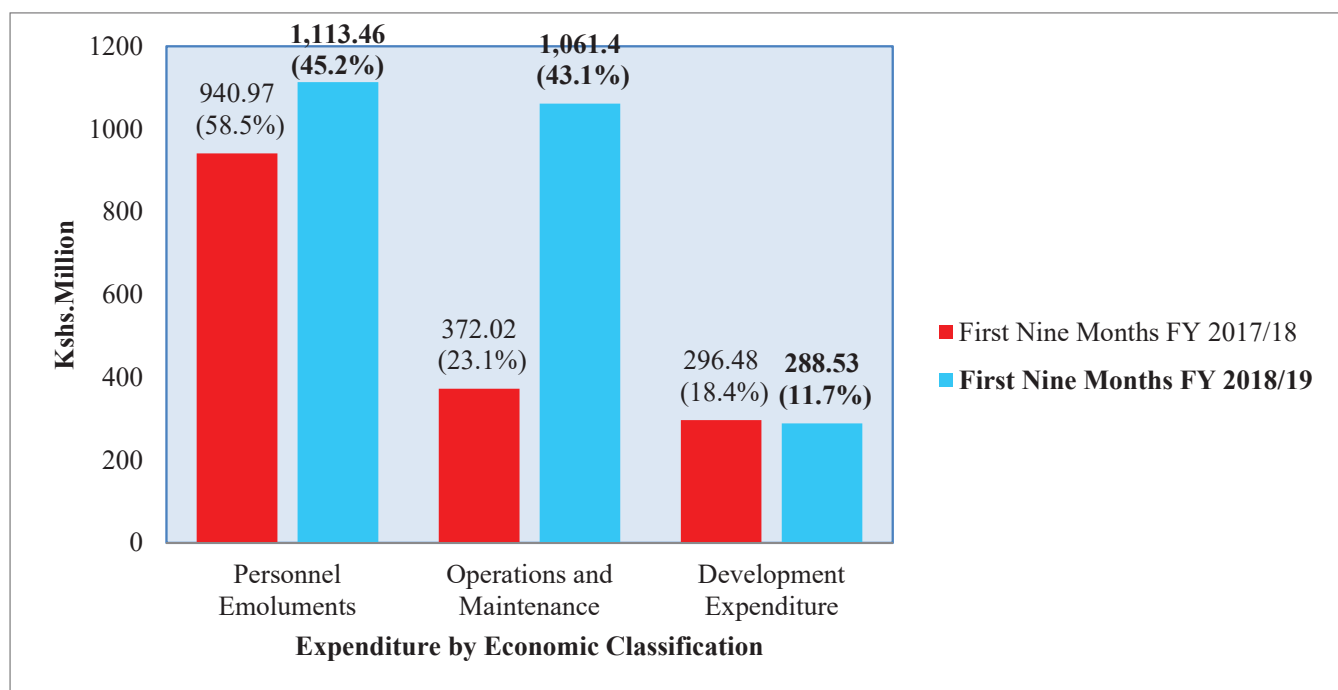
3.9.5 Overall Expenditure Review

The County spent a total of Kshs.2.46 billion on recurrent and development activities. This expenditure represented 92.7 per cent of the total funds released from the County Revenue Fund account and was an increase of 53.1 per cent from Kshs.1.61 billion spent in the first nine months of FY 2017/18. The expenditure excluded outstanding commitments as at March 31, 2019 which amounted to Kshs.389.67 million for development activities and Kshs.46.79 million for recurrent expenditure.

Expenditure on recurrent activities amounted to Kshs.2.17 billion while Kshs.288.53 million was spent on development activities. The recurrent expenditure was 96.3 per cent of the funds released for recurrent activities, while development expenditure was 72.5 per cent of funds released for development activities.

The recurrent expenditure represented 69.1 per cent of the annual recurrent budget, an increase from 47.5 per cent recorded in the first nine months of FY 2017/18. Development expenditure recorded an absorption rate of 14 per cent, which was a decrease from 18.8 per cent attained in the first nine months of FY 2017/18. Figure 3.35 presents a comparison between the total expenditure in the first nine months of FY 2018/19 and a similar period in FY 2017/18.

Figure 3.35: Isiolo County, Expenditure by Economic Classification



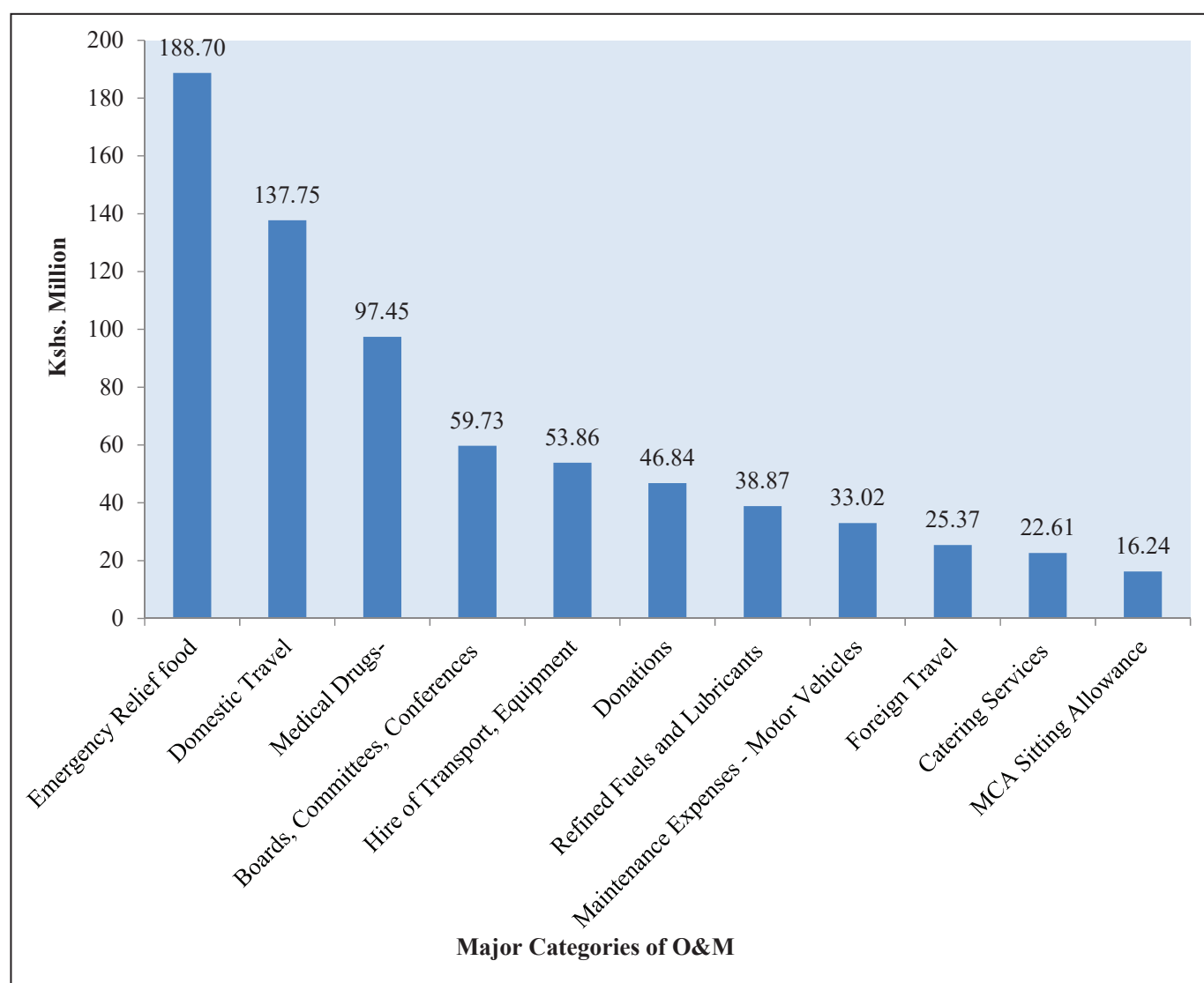
Source: Isiolo County Treasury

3.9.6 Analysis of Recurrent Expenditure

The total recurrent expenditure of Kshs.2.17 billion comprised of Kshs.1.11 billion (51.2 per cent) incurred on personnel emoluments and Kshs.1.06 billion (48.8 per cent) on operations and maintenance as shown in Figure 3.35.

Expenditure on personnel emoluments represented an increase of 18.3 per cent compared to a similar period of FY 2017/18 when the County spent Kshs.940.97 million and was 45.2 per cent of total expenditure in the first nine months of FY 2018/19. Figure 3.36 shows a summary of operations and maintenance expenditure by major categories.

Figure 3.36: Isiolo County, Operations and Maintenance Expenditure by Major Categories in the First Nine Months of FY 2018/19



Source: Isiolo County Treasury

The County spent Kshs.16.24 million on committee sitting allowances for the 17 MCAs and the speaker against the annual budget allocation of Kshs.26.53 million. This represented an increase of 261.9 per cent compared to Kshs.4.49 million spent in a similar period of FY 2017/18. The average monthly sitting allowance translated to Kshs.100,234 per MCA against the SRC's recommended monthly ceiling of Kshs.124,800.

Expenditure on domestic travel amounted to Kshs.137.75 million and comprised of Kshs.61.63 million spent by the County Assembly and Kshs.76.12 million spent by the County Executive. This represented 6.3 per cent of total recurrent expenditure and was an increase of 69.4 per cent compared to Kshs.96.28 million spent in the first nine months of FY 2017/18.

3.9.7 Development Expenditure

The total development expenditure of Kshs.288.53 million represented 14 per cent of the annual development expenditure budget of Kshs.2.05 billion. Table 3.24 provides a summary of development projects with the highest expenditure in the first nine months of the financial year.

Table 3.24: Isiolo County, List of Development Projects with the Highest Expenditure in First Nine Months of FY 2018/19

S/No.	Project Name	Project Location	Project budget (Kshs.)	Project Expenditure in First Nine Months of FY 2018/19 (Kshs.)	Absorption Rate (%)
1	Universal Healthcare Grant	Isiolo	66,229,830	28,041,547	42.3
2	Construction of ECDE Classrooms	All Wards	44,967,676	20,364,496	45.3
3	Construction of ECDE Centres	All Wards	20,765,000	17,826,469	85.8
4	Food and Agriculture Organization of the United Nations-Livestock grant	All Wards	9,023,720	9,023,720	100
5	Development of conservancies & Review Management plan	All Wards	6,671,000	6,671,000	100

Source: Isiolo County Treasury

3.9.8 Budget Performance by County Department

Table 3.25 shows a summary of the approved budget allocation and performance by department in the first nine months of FY 2018/19.

Table 3.25: Isiolo County, Budget Performance by Department

Department	Budget Allocation (Kshs. Million)		Exchequer Issues in First Nine Months of FY 2018/19 (Kshs. Million)		Expenditure in First Nine Months of FY 2018/19 (Kshs. Million)		Expenditure to Exchequer Issues (%)		Absorption Rate (%)	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
County Assembly	415.28	85.00	296	25.00	280.43	22.08	94.7	88.3	67.5	26
Office of the Governor	277.21	50.00	221.28	-	281.64	1.75	127.3	-	101.6	3.5
County Public Service Board	74.32	-	56.54	-	49.61	-	87.7	-	66.8	-
County Secretary	25.94	3.94	25.08	-	14.02	-	55.9	-	54.0	-
Administration and PSM	125.47	29.80	70.48	8.50	47.02	-	66.7	-	37.5	-
Delivery Unit	10.48	-	0.68	-	6.54	-	961.5	-	62.4	-
Office of the Deputy Governor	24.00	-	19.03	-	5.99	-	31.5	-	25.0	-
Cohesion, Intergovernmental Relations, Aid coordination, Disaster	44.54	-	43.86	-	27.82	-	63.4	-	62.5	-
Finance	220.09	300.91	208.95	-	92.14	-	44.1	-	41.9	-
Special Programmes and ICT	160.06	47.45	72.78	10.00	162.40	-	223.1	-	101.5	-
Economic Planning	42.65	-	19.09	-	23.56	-	123.4	-	55.2	-
Lands and Physical Planning	24.02	34.39	15.88	3.00	9.53	18.73	60	624.3	39.7	54.5
Roads and Infrastructure	15.60	205.23	10.43	57.16	6.24	50.51	59.8	88.4	40	24.6
Public Works and Housing	26.47	10.00	15.01	-	10.14	-	67.6	-	38.3	-
Municipal Administration	63.17	296.47	10.84	122.97	-	-	-	-	-	-
Agriculture	53.68	223.00	38.83	5.56	19.76	19.71	50.9	354.7	36.8	8.8
Livestock, Veterinary Fisheries	102.08	74.91	78.95	40.97	41.65	9.02	52.7	22.0	40.8	12.0
Education & Vocational Training	225.21	89.97	156.99	49.50	170.77	42.03	108.8	84.9	75.8	46.7
Youth and Sports	21.95	179.50	15.03	-	10.16	-	67.6	-	46.3	-

Department	Budget Allocation (Kshs. Million)		Exchequer Issues in First Nine Months of FY 2018/19 (Kshs. Million)		Expenditure in First Nine Months of FY 2018/19 (Kshs. Million)		Expenditure to Exchequer Issues (%)		Absorption Rate (%)	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
Culture and Social Services	19.42	17.10	16.51	-	11.11	-	67.3	-	57.2	-
Tourism and Wildlife Management	144.30	20.87	108.62	-	38.16	13.30	35.1	-	26.4	63.7
Trade, Industries, Cooperatives	25.37	6.75	21.79	-	11.93	-	54.7	-	47.0	-
Water and Irrigation	60.27	103.87	58.59	17.50	32.23	21.58	55.0	123.3	53.5	20.8
Environment and Natural Resources	34.43	15.68	31.88	5.00	15.08	-	47.3	-	43.8	-
Health Services	910.58	259.08	646.36	52.56	806.96	89.81	124.8	170.9	88.6	34.7
Total	3,146.60	2,053.91	2,259.52	397.71	2,174.86	288.53	96.3	72.5	69.1	14.0

Source: Isiolo County Treasury

Analysis of expenditure by department shows that the Department of Tourism and Wildlife Management and Education recorded the highest absorption rate of development budget at 63.7 per cent and 46.7 per cent respectively. The Office of the Governor had the highest percentage of recurrent expenditure to its recurrent budget at 101.6 per cent while the Office of the Deputy Governor had the lowest at 25 per cent. The Office noted that the Office of the Governor and the Department of Special Programmes and ICT spent more than the approved budget. This should be regularised before the end of the financial year.

3.9.9 Key Observations and Recommendations

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

- i. Establishment and operationalization of Audit Committee and the Internal Audit Department in line with Section 155 of PFM Act, 2012.
- i. Improvement in the collection of revenue by 56.7 per cent from Kshs.81.17 million in the nine months of FY 2017/18 to Kshs.127.21 million in the reporting period.

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

1. A high wage bill that increased by 18.3 per cent from Kshs.940.97 million in the first nine months of FY 2017/18 to Kshs.1.11 billion in the period under review, and represented 45.2 per cent of the total expenditure
2. Late submission of financial reports by the County Treasury to the Office of the Controller of Budget, which affected timely preparation of budget implementation reports contrary to Section 166 of the PFM Act, 2012.
3. Delay by Fund Administrators to submit quarterly expenditure reports on Bursary Fund and County Assembly Car Loan Fund contrary to Section 168 of the PFM Act, 2012.
4. Low absorption of development budget. In the reporting period, the County attained an absorption rate of 14 per cent compared to 18.4 per cent in a similar period in FY 2017/18.

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 ensure a sustainable wage bill.*

2. *The County Treasury should ensure timely preparation and submission of financial reports in line with Section 166 of PFM Act, 2012.*
3. *All Fund Administrators should ensure timely submission of expenditure reports in line with Section 168 of the PFM Act, 2012.*
4. *The County should formulate strategies to enhance absorption of development budget.*

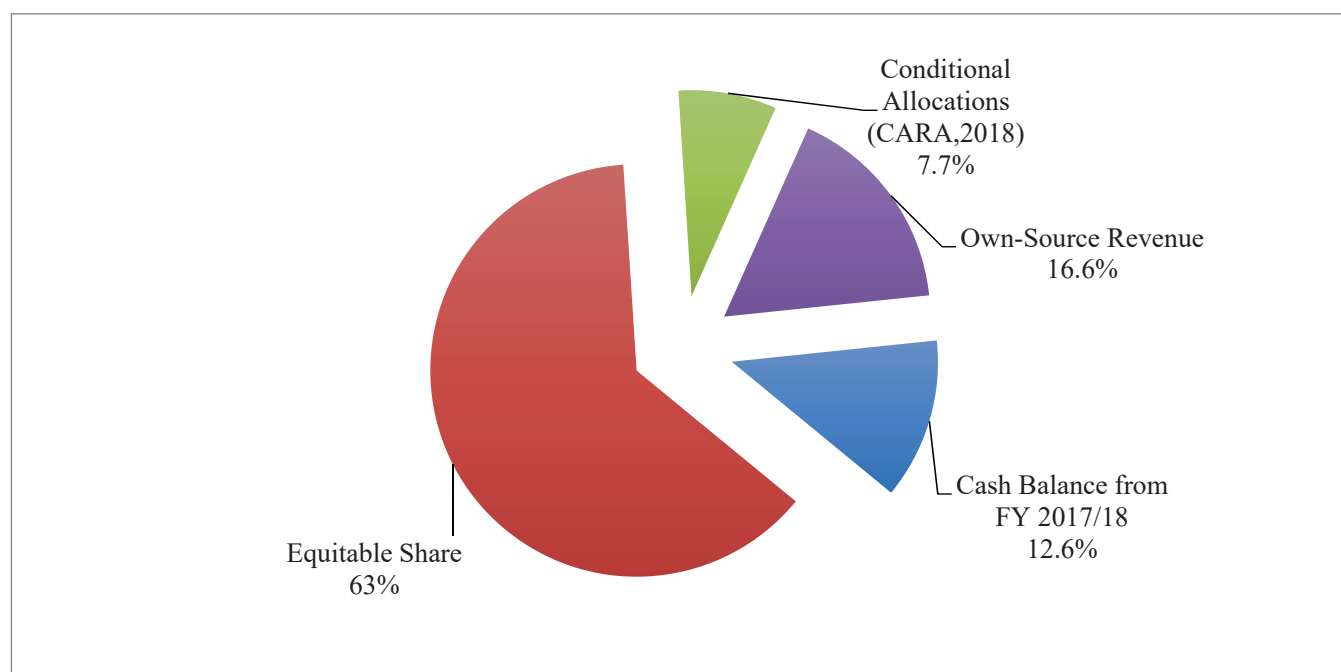
3.10 Kajiado County

3.10.1 Overview of the FY 2018/19 Budget

The County's FY 2018/19 Approved Budget was Kshs.9.51 billion, comprising of Kshs.5.44 billion (57.2 per cent) and Kshs.4.07 billion (42.8 per cent) allocation for recurrent and development expenditure respectively.

To finance the budget, the County expects to receive Kshs.5.99 billion (63 per cent) as equitable share of revenue raised nationally, Kshs.732.78 million (7.7 per cent) as total conditional grants, generate Kshs.1.58 billion (16.6 per cent) from own-sources of revenue, and Kshs.1.20 billion (12.6 per cent) cash balance from FY 2017/18.

Figure 3.37: Kajiado County Expected Sources of Budget Financing in FY 2018/19



Source: Kajiado County Treasury

The conditional grants contained in the CARA, 2018 are shown in Table 3.26.

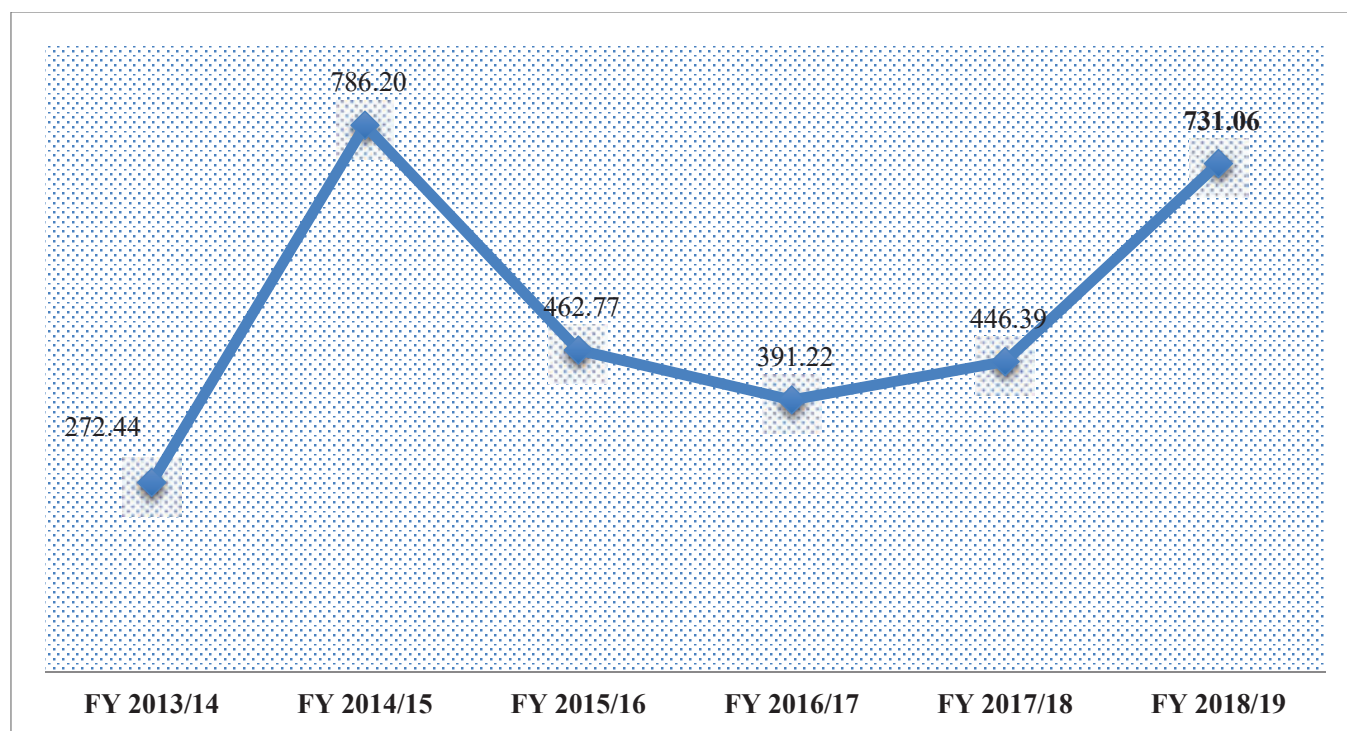
3.10.2 Revenue Analysis

During the first nine months of FY 2018/19, the County received Kshs.4.43 billion as equitable share of the revenue raised nationally, Kshs.452.51 million as total conditional grants, raised Kshs.731.06 million from own-sources of revenue, and had a cash balance of Kshs.1.20 billion from FY 2017/18. The total funds available for budget implementation amounted to Kshs.6.81 billion.

Figure 3.38 shows the trend in own-sources of revenue collection for the first nine months from FY 2013/14 to FY 2018/19.

Figure 3.38: Kajiado County, Trend in Own Sources of Revenue Collection for the First

Nine Months from FY 2013/14 to FY 2018/19



Source: Kajiado County Treasury

The County generated a total of Kshs.731.06 million from own revenue sources during the first nine months of FY 2018/19. This amount represented an increase of Kshs.301.36 million compared to that realised during a similar period of the FY 2017/18 and represented 46.2 per cent of the annual target.

3.10.3 Conditional Grants

The County received Kshs.452.51 million as conditional grants in the first nine months of the financial year 2018/19 as shown in Table 3.26.

Table 3.26: Kajiado County, Conditional Grants/Loans Received in the First Nine Months of FY 2018/19

S/No	Grants	Annual CARA, 2018 Allocation (in Kshs)	Annual Budget Allocation (in Kshs)	Actual receipts in First Nine Months of FY 2018/19 (in Kshs.)	Actual Receipts as Percentage of Annual Allocation (%)
1	Compensation for User Fee Foregone	16,995,365	16,955,365	-	-
2	Leasing of Medical Equipment	200,000,000	-	-	-
3	Road Maintenance Fuel Levy	157,906,319	157,906,319	78,953,160	50.0
4	Rehabilitation of Village Polytechnics	40,345,000	40,345,000	-	-
5	Transforming Health Systems for Universal Care Project (World Bank)	62,478,710	62,478,710	56,626,636	90.6
6	IDA (World Bank)-Kenya Climate Smart Agriculture Project (KCSAP)	117,000,000	117,000,000	34,359,919	29.4
7	IDA (World Bank) Kenya Devolution Support Project (KDSP) "Level 1 grant"	45,860,424	45,860,424	-	-
8	IDA (World Bank) -Kenya Urban Support Project (KUSP)	265,950,300	265,960,300	265,960,300	100.0

S/No	Grants	Annual CARA, 2018 Allocation (in Kshs)	Annual Budget Allocation (in Kshs)	Actual receipts in First Nine Months of FY 2018/19 (in Kshs.)	Actual Receipts as Percentage of Annual Allocation (%)
9	DANIDA - Universal Healthcare in Devolved System Programme	19,338,750	26,277,348	16,607,973	63.2
10	Sweden - Agriculture Sector Development Support Programme (ASDSP) II + Bal C/F in FY 2017/18	20,305,981	-	-	-
Grand Total		946,180,849	732,783,466	452,507,987	61.8

Source: Kajiado County Treasury

Analysis of revenue from conditional grants indicates that, the County received the full allocation for the Kenya Urban Support Project (KUSP).

3.10.4 Exchequer Issues

To finance the budget, the Controller of Budget approved the withdrawal of Kshs.4.95 billion from the County Revenue Fund Account. The withdrawals represented 52 per cent of the Approved Budget and translated to an increase of 16.5 per cent from Kshs.4.25 billion approved in the first nine months of FY 2017/18 and comprised of Kshs.3.78 billion (76.3 per cent) to fund recurrent expenditure and Kshs.1.17 billion (23.7 per cent) for development activities.

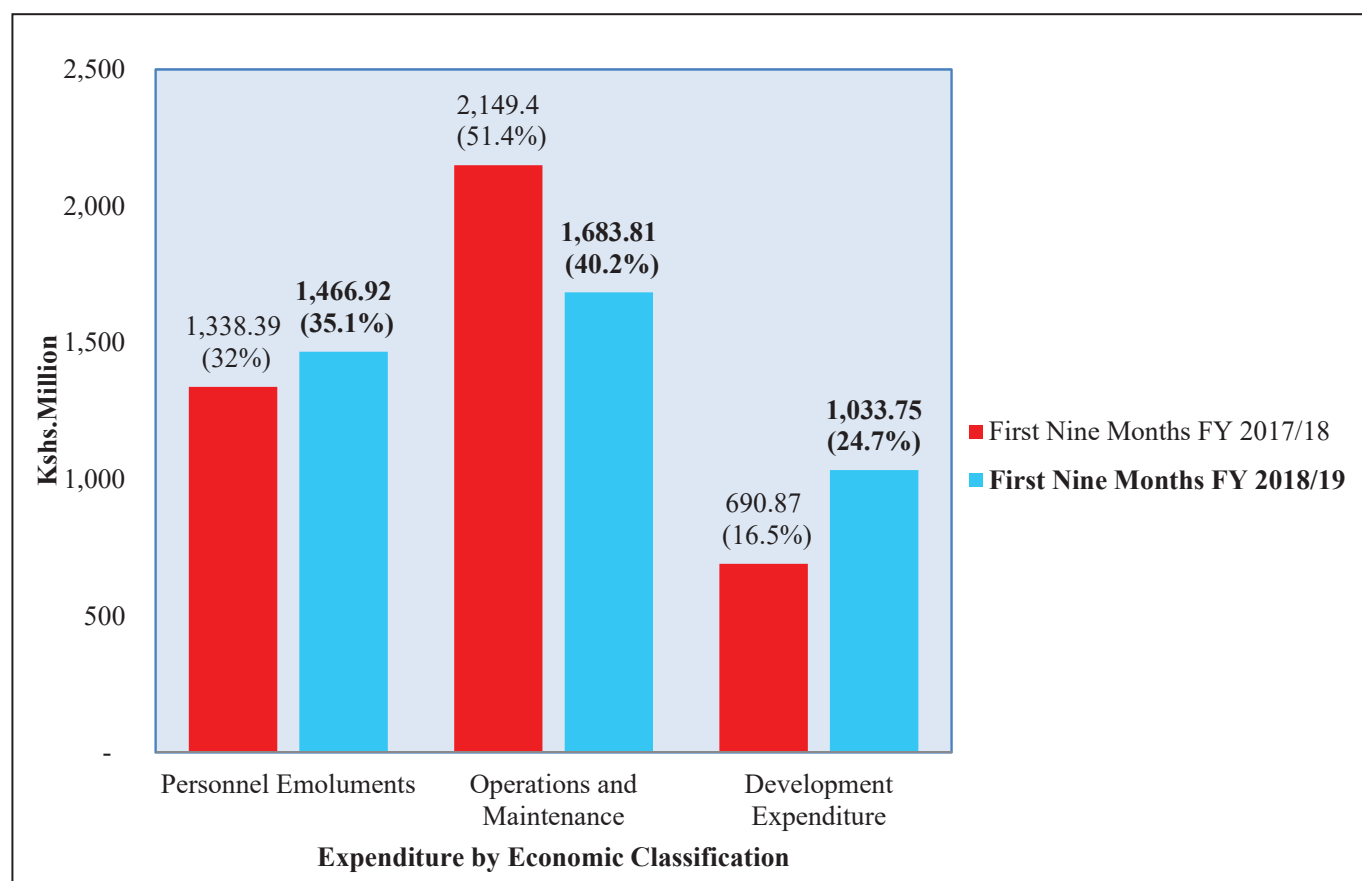
3.10.5 Overall Expenditure Review

The County spent a total of Kshs.3.92 billion on recurrent and development activities. This expenditure represented 79.2 per cent of the total funds released from the County Revenue Fund account and a 6.3 per cent decrease from Kshs.4.17 billion spent in the first nine months of FY 2017/18. The expenditure excluded outstanding commitments as at March 31, 2019 which amounted to Kshs.391.36 million for development activities and Kshs.317.27 million for recurrent expenditure.

Expenditure on recurrent activities amounted to Kshs.2.88 billion while Kshs.1.03 billion was spent on development activities. The recurrent expenditure was 76.4 per cent of the funds released for recurrent activities, while development expenditure was 88.3 per cent of funds released for development activities.

The recurrent expenditure represented 53 per cent of the annual recurrent budget, a decrease from 69.7 per cent recorded in the first nine months of FY 2017/18. Development expenditure recorded an absorption rate of 25.4 per cent, which was an increase from 21.7 per cent attained in the first nine months of FY 2017/18. Figure 3.39 presents a comparison between the total expenditure in the first nine months of FY 2018/19 and a similar period in FY 2017/18.

Figure 3.39: Kajiado County, Expenditure by Economic Classification



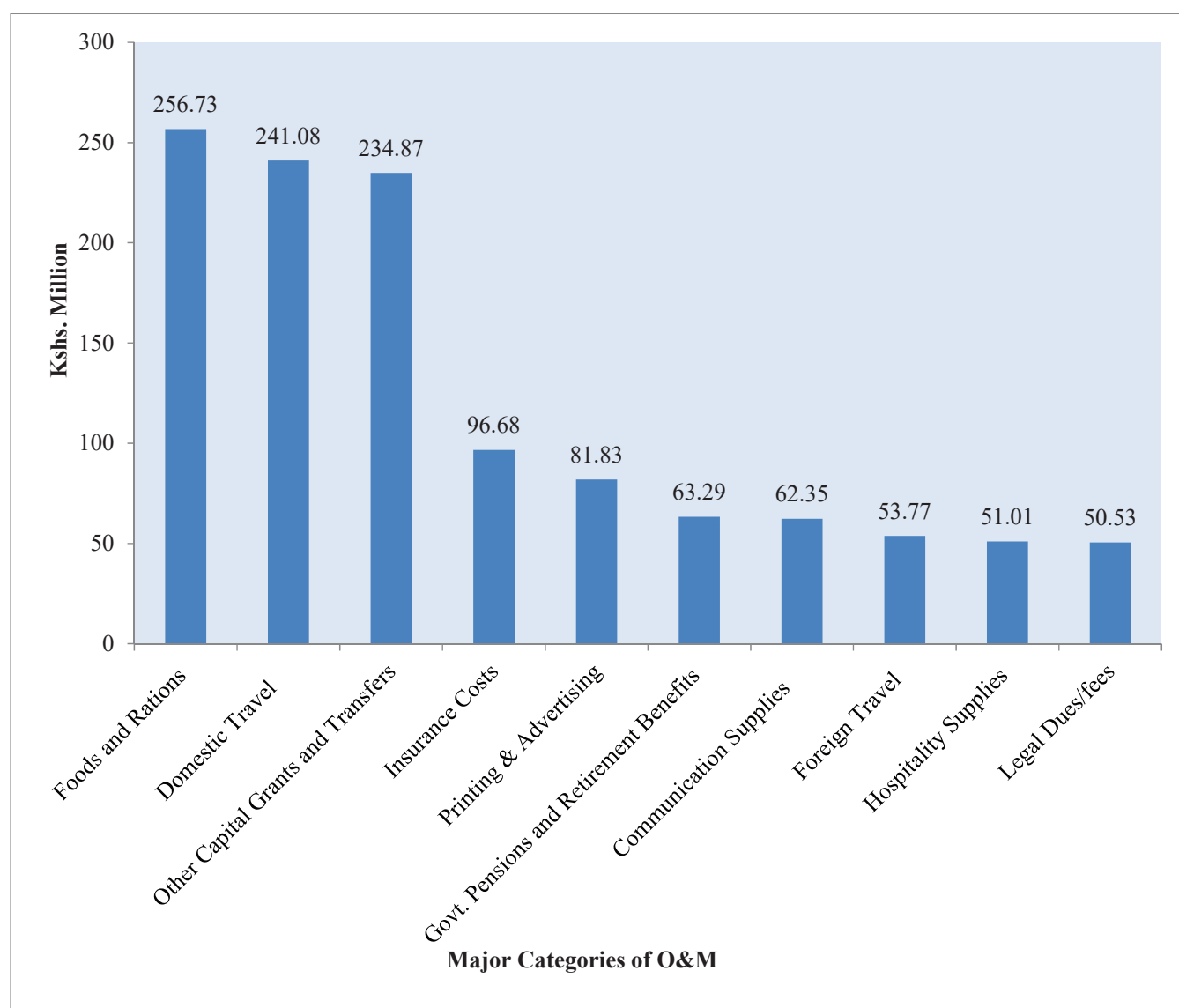
Source: Kajiado County Treasury

3.10.6 Analysis of Recurrent Expenditure

The total recurrent expenditure of Kshs.2.88 billion comprised of Kshs.1.39 billion (35.6 per cent) incurred on personnel emoluments and Kshs.1.49 billion (38 per cent) on operations and maintenance as shown in Figure 3.39.

Expenditure on personnel emoluments represented an increase of 4.3 per cent compared to a similar period of FY 2017/18 when the County spent Kshs.1.34 billion and was 35.6 per cent of total expenditure in the first nine months of FY 2018/19. The expenditure on personnel emoluments does not include salaries for the month of March, 2019. Figure 3.40 shows a summary of operations and maintenance expenditure by major categories.

Figure 3.40: Kajiado County, Operations and Maintenance Expenditure by Major Categories in the First Nine Months of FY 2018/19



Source: Kajiado County Treasury

The County spent Kshs.8.83 million on committee sitting allowances for the 42 MCAs and the speaker against the annual budget allocation of Kshs.34.50 million. This represented a decline of 27.4 per cent compared to Kshs.12.18 million spent in a similar period of FY 2017/18. The average monthly sitting allowance translated to Kshs.23, 371 per MCA against the SRC's recommended monthly ceiling of Kshs.124,800.

Expenditure on domestic and foreign travel amounted to Kshs.294.84 million and comprised of Kshs.145.13 million spent by the County Assembly and Kshs.149.71 million spent by the County Executive. This represented 5.4 per cent of total recurrent expenditure and was an increase of 131.1 per cent compared to Kshs.127.56 million spent in the first nine months of FY 2017/18.

3.10.7 Development Expenditure

The total development expenditure of Kshs.1.03 billion represented 25.4 per cent of the annual development expenditure budget of Kshs.4.07 billion. Table 3.27 provides a summary of development projects with the highest expenditure in the first nine months of the financial year.

Table 3.27: Kajiado County, List of Development Projects with the Highest Expenditure in First Nine Months of FY 2018/19

S/No.	Project Name	Project Location	Project Budget (Kshs.)	Project Expenditure in First Nine Months of FY 2018/19 (Kshs.)	Absorption Rate (%)
1	Maternity Wing & Ward at Kajiado Referral Hospital	Ildamat Ward	66,407,983	6,432,014	9.7
2	Construction of Kiserian Market	Keekonyokie Ward	61,242,373	10,037,631	16.4
3	Purchase of Hospital Equipment	Ildamata Ward	60,000,000	28,807,469	48.0
4	Supply of Motor Excavator	County Headquarters	51,000,000	24,720,000	48.5
5	Supply of Motor Grader	County Headquarters	51,000,000	26,967,000	52.9
6	Consultancy Services	County Headquarters	40,000,000	9,860,000	24.7
7	Upgrading of Ewuaso Health Centre	Ewuaso ward	30,000,000	20,868,922	69.6
8	Construction of Ngong Sports Complex	Ngong	30,000,000	16,000,096	53.3
9	Fencing of TARDA Farm	Kinyewa Poka Ward	30,000,000	25,575,081	85.3
10	Installation of Wide Area Network	County Headquarters	30,000,000	4,658,560	15.5

Source: Kajiado County Treasury

3.10.8 Budget Performance by County Department

Table 3.28 shows a summary of the approved budget allocation and performance by department in the first nine months of FY 2018/19.

Table 3.28: Kajiado County, Budget Performance by Department

Department	Budget Allocation (Kshs. Million)		Exchequer Issues in First Nine Months of FY 2018/19 (Kshs. Million)		Expenditure in First Nine Months of FY 2018/19 (Kshs. Million)		Expenditure to Exchequer Issues (%)		Absorption Rate (%)	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
Office of the Governor & Deputy Governor	303.58	-	218.12	-	153.55	-	70.4	-	50.6	-
County Public Service Board	98.85	-	64.56	-	55.59	-	86.1	-	56.2	-
Education & Vocational Training	453.56	291.85	348.13	51.71	203.94	27.32	58.6	52.8	45	9.4
Medical Services, Public Health & Sanitation	1,986.38	386.50	1,385.84	105.15	1,104.71	92.70	79.7	88.2	55.6	24
Youth, Sports, Gender & Social Services	145.98	31.50	57.23	-	67.22	-	117.5	-	46.0	-
Agriculture, Live-stock, Fisheries & Cooperative Development	340.50	266.00	275.01	29.57	159.73	3.30	58.1	11.2	46.9	1.2
Water, Irrigation, Environment & Natural Resources	198.30	371.00	156.45	35.55	96.71	10.94	61.8	30.8	48.8	2.9
Roads, Transport, Public Works, Housing & Energy	144.21	831.91	109.19	215.53	69.23	103.51	63.4	48	48	12.4
Public Service, Administration & Citizen Participation	438.87	30	297.78	-	238.64	3.36	80.1	-	54.4	11.2
County Treasury	551.74	1,259.44	299.09	377.92	236.43	736.34	79	205.7	42.9	61.7
Trade, Culture, Tourism & Wildlife	76.28	103.50	47.23	19.85	33.41	10.04	70.7	50.6	43.8	9.7
Lands & Physical Planning	79.01	397.96	48.01	294.61	35.13	9.86	73.2	3.3	44.5	2.5
County Assembly	627.13	100.00	471.15	40.44	428.74	36.40	91.0	90	68.4	36.4
Total	5,444.39	4,069.65	3,777.80	1,170.34	2,883.03	1,033.75	76.4	88.3	53.0	25.4

Source: Kajiado County Treasury & IFMIS data

Analysis of expenditure by department shows that the County Treasury recorded the highest absorption rate of development budget at 61.7 per cent while the Department of Youth, Sports, Gender & Social Services did not incur any development expenditure. The County Assembly had the highest percentage of recurrent expenditure to its recurrent budget at 68.8 per cent while the County Treasury had the lowest at 42.9 per cent.

3.10.9 Key Observations and Recommendations

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

- Improvement in the absorption of development budget which increased to 25.4 per cent compared to a similar period in FY 2017/18 when the absorption rate stood at 11.7 per cent.
- Establishment of the County Budget Economic Forum (CBEF) in line with Section 137 of the PFM Act, 2012.
- Improvement in own-source revenue collection by 63.8 per cent from Kshs.429.69 million generated in the first nine months of FY 2017/18 to Kshs.731.06 million in the reporting period.

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

1. Delay in disbursement of the equitable share of revenue by the National Treasury which affected absorption of the budget.
2. Failure to budget for all conditional grants as contained in CARA, 2018.
3. High expenditure on non-core activities, such as on domestic and foreign travel which increased by 131.1 per cent to Kshs.294.84 million compared to Kshs.127.56 million spent in the first nine months of FY 2017/18.

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

1. *The County Treasury should liaise with the National Treasury to ensure that Funds allocated to the County are released in a timely manner.*
2. *The County should prepare a Supplementary Budget to align conditional grants to the CARA, 2018.*
3. *The County Leadership should rationalise expenditure on non-core activities in order to free funds for key development programmes.*

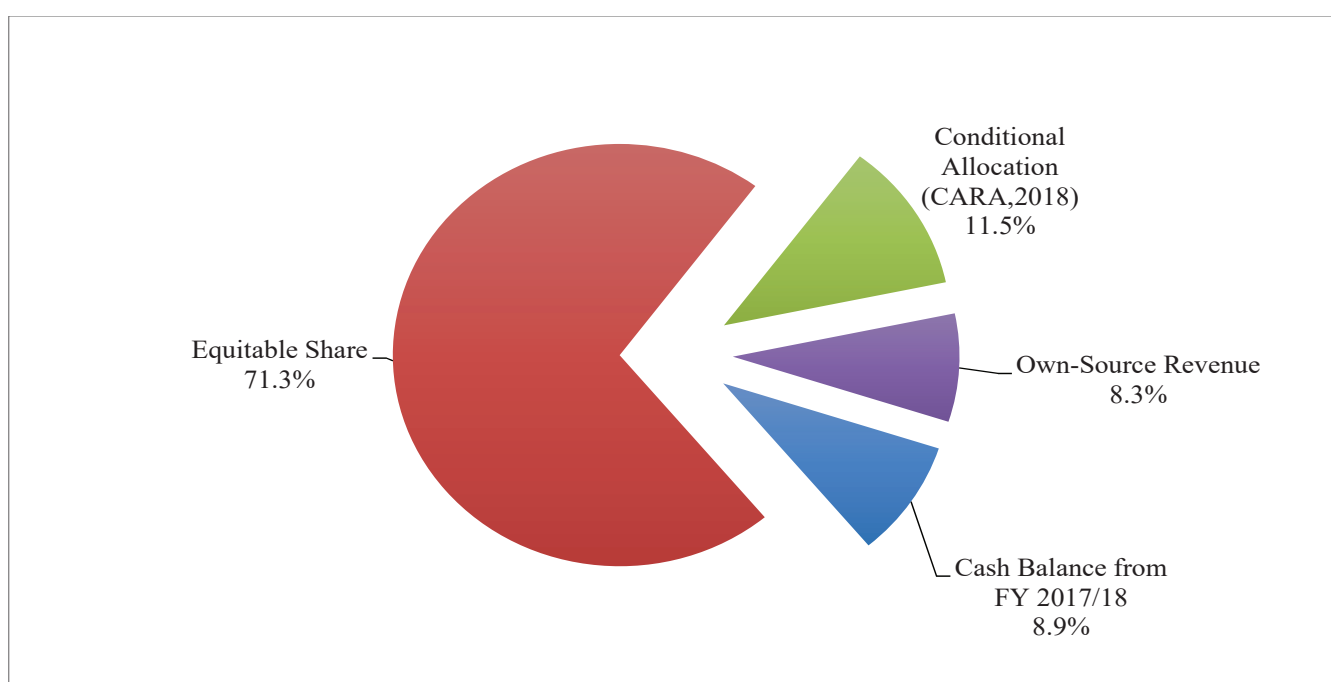
3.11 Kakamega County

3.11.1 Overview of the FY 2018/19 Budget

The County's FY 2018/19 Approved Supplementary Budget was Kshs.14.49 billion, comprising of Kshs.7.80 billion (53.8 per cent) and Kshs.6.69 billion (46.2 per cent) allocation for recurrent and development expenditure respectively.

To finance the budget, the County expects to receive Kshs.10.33 billion (71.3 per cent) as equitable share of revenue raised nationally, Kshs.1.66 billion (11.5 per cent) as total conditional grants, generate Kshs.1.20 billion (8.3 per cent) from own-sources of revenue, and Kshs.1.29 billion (8.9 per cent) cash balance from FY 2017/18.

Figure 3.41: Kakamega County Expected Sources of Budget Financing in FY 2018/19



Source: Kakamega County Treasury

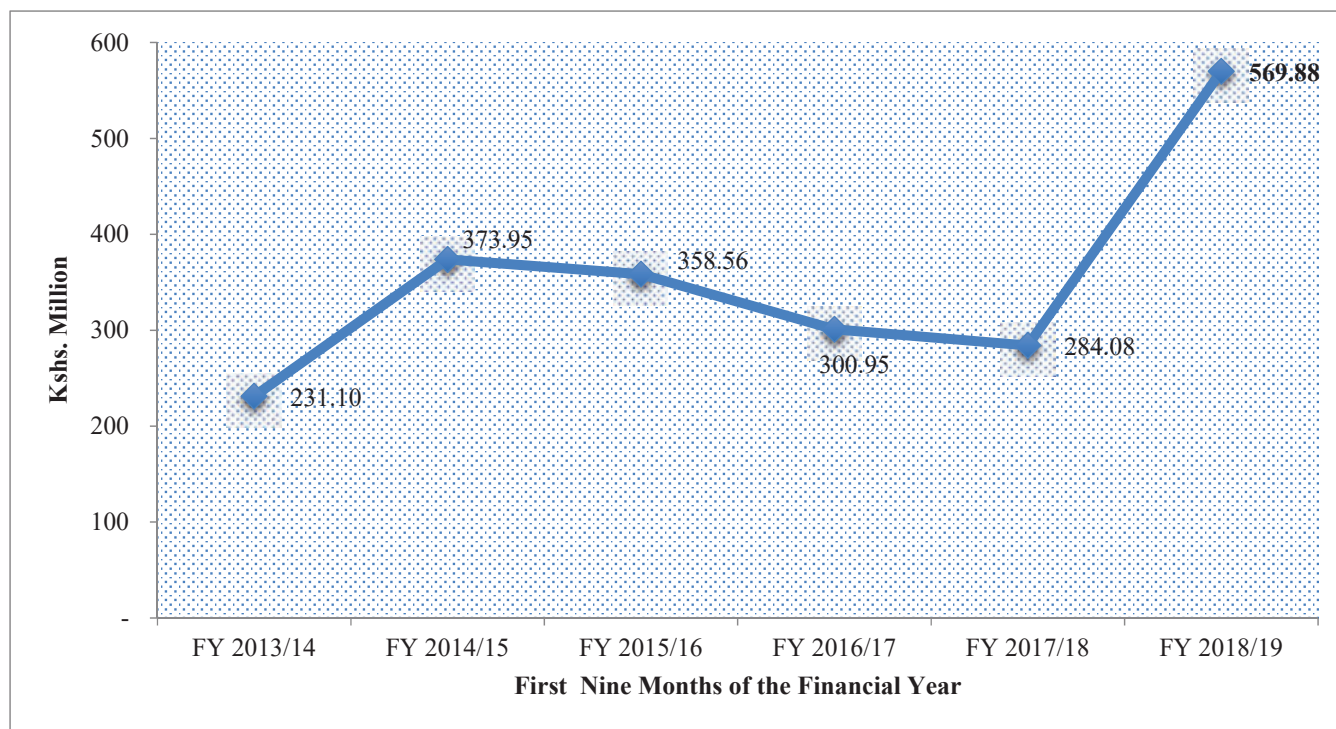
The conditional grants contained in the CARA, 2018 are shown in Table 3.29.

3.11.2 Revenue Analysis

During the first nine months of FY 2018/19, the County received Kshs.6.04 billion as equitable share of the revenue raised nationally, Kshs.849.60 million as total conditional grants, raised Kshs.569.88 million from own-sources of revenue, and had a cash balance of Kshs.1.29 billion from FY 2017/18. The total funds available for budget implementation amounted to Kshs.8.76 billion.

Figure 3.42 shows the trend in own-sources of revenue collection from the first nine months FY 2013/14 to the first nine months of FY 2018/19.

Figure 3.42: Kakamega County, Trend in Own Sources of Revenue Collection for the First Nine Months from FY 2013/14 to FY 2018/19



Source: Kakamega County Treasury

The County generated a total of Kshs.569.88 million from own revenue sources during the first nine months of FY 2018/19. This amount represented an increase of Kshs. 285.80 million compared to that realised during a similar period of the FY 2017/18 and represented 47.5 per cent of the annual target.

3.11.3 Conditional Grants

The County received Kshs.849.60 million as conditional grants in the first nine months of the financial year as shown in Table 3.29.

Table 3.29: Kakamega County, Conditional Grants/Loans Received in the First Nine Months of FY 2018/19

S/No	Grants	Annual CARA, 2018 Allocation (in Kshs)	Annual Budget Allocation (in Kshs)	Actual Receipts In First Nine Months of FY 2018/19 (in Kshs.)	Actual Receipts as Percentage of Annual Allocation (%)
A	Grants Contained in the CARA, 2018				
1	Grants to Level- 5 Hospital	-	-	209,368,789	49
2	Compensation for User Fee Foregone	-	-	-	-
3	Road Maintenance Fuel Levy Fund	-	-	135,997,851	50
4	Rehabilitation of Village Polytechnics	-	-	-	-
5	Transforming Health Systems for Universal Care Project (World Bank)	100,000,000	100,000,000	56,813,764	56.8
6	IDA (World Bank) -Kenya Climate Smart Agriculture Project (KCSAP)	117,000,000	117,000,000	41,643,182	35.6
7	IDA (World Bank) Kenya Devolution Support Programme "Level 1 grant"	63,508,830	63,508,830	-	-
8	IDA (World Bank) -Kenya Urban Support Project (KUSP)	389,118,800	389,118,800	389,118,800	100
9	DANIDA - Universal Healthcare in Devolved System Programme	33,311,250	33,311,250	16,655,625	50
10	Sweden - Agriculture Sector Development Support Programme (ASDSP) II + Bal C/F in FY 2017/18	23,774,757	33,716,311	-	-
11	EU - Water Tower Protection and Climate Change Mitigation and Adoption Programme (WaTER)	80,000,000	80,000,000	-	-
12	IDA (World Bank) credit: Kenya Urban Support Project (KUSP) - Urban Institutional Grants (UIG) + Bal C/F in FY 2017/18	41,200,000	41,200,000	-	-
Sub Total		1,654,891,865	1,664,833,419	849,598,011	51
B	Other Grants not in CARA, 2018				
13	ASDP County top up	9,941,554	-	-	-
Grand Total		1,664,833,419	1,664,833,419	849,598,011	51

Source: Kakamega County Treasury

Analysis of revenue from conditional grants indicates that the County received the full allocation from IDA (World Bank) -Kenya Urban Support Project (KUSP).

3.11.4 Exchequer Issues

To finance the budget, the Controller of Budget approved the withdrawal of Kshs.8.55 billion from the County Revenue Fund account. The withdrawals represented 59 per cent of the Approved Supplementary Budget

and translated to an increase of 28.5 per cent from Kshs.6.65 billion approved in the first nine months of FY 2017/18 and comprised of Kshs.4.90 billion (57.3 per cent) to fund recurrent expenditure and Kshs3.65 billion (42.7 per cent) for development activities.

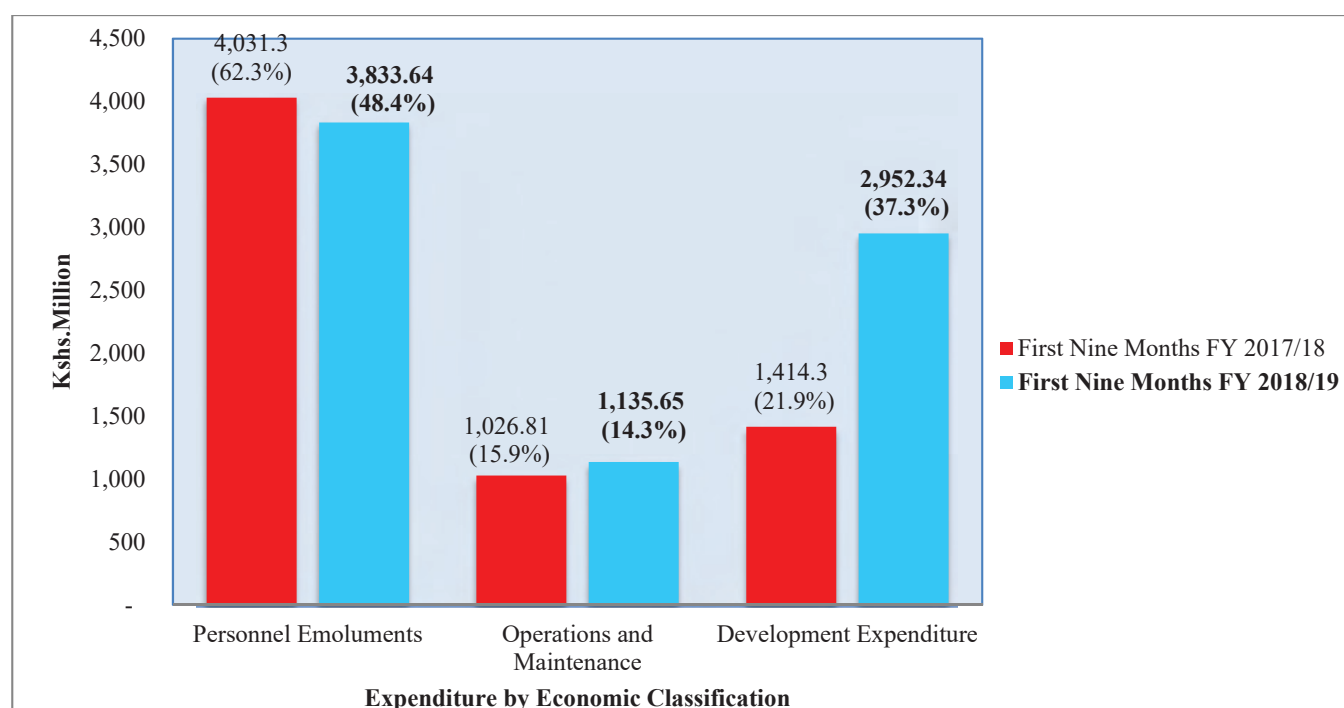
3.11.5 Overall Expenditure Review

The County spent a total of Kshs.7.92 billion on recurrent and development activities. This expenditure represented 92.7 per cent of the total funds released from the County Revenue Fund account and was an increase of 22.4 per cent from Kshs.6.47 billion spent in the first nine months of FY 2017/18. The expenditure excluded outstanding commitments as at March 31, 2019 which amounted to Kshs.256.50 million for development activities and Kshs.167.25 million for recurrent expenditure.

Expenditure on recurrent activities amounted to Kshs.4.97 billion while Kshs.2.95 billion was spent on development activities. The recurrent expenditure was 101.2 per cent of the funds released for recurrent activities, while development expenditure was 81.0 per cent of funds released for development activities.

The recurrent expenditure represented 63.4 per cent of the annual recurrent budget, a decrease from 69.5 per cent recorded in the first nine months of FY 2017/18. Development expenditure recorded an absorption rate of 44.1 per cent, which was an increase from 25.1 per cent attained in the first nine months of FY 2017/18. Figure 3.43 presents a comparison between the total expenditure in the first nine months of FY 2018/19 and a similar period in FY 2017/18.

Figure 3.43: Kakamega County, Expenditure by Economic Classification



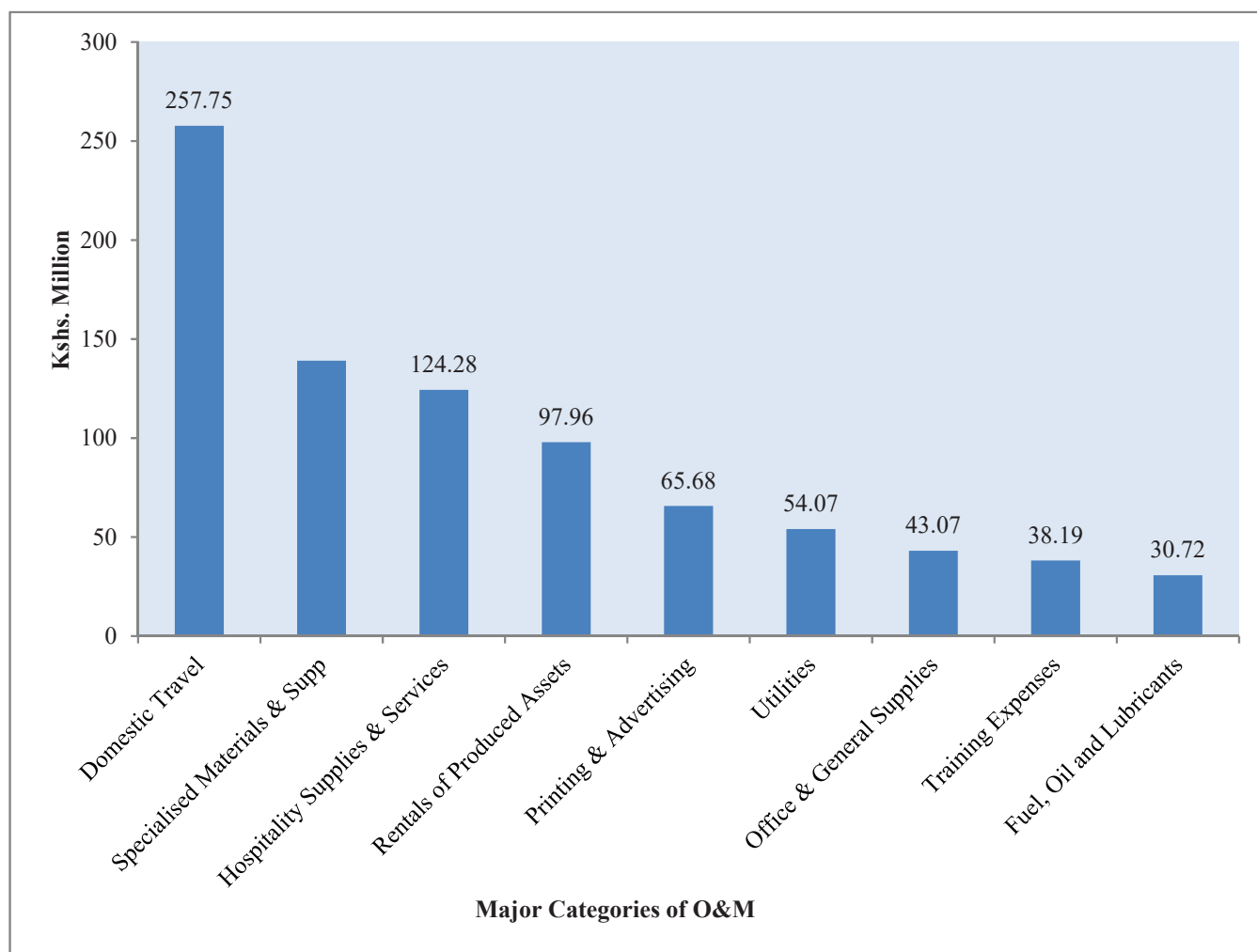
Source: Kakamega County Treasury

3.11.6 Analysis of Recurrent Expenditure

The total recurrent expenditure of Kshs.4.97 billion comprised of Kshs.3.83 billion (77.1 per cent) incurred on personnel emoluments and Kshs.1.14 billion (22.9 per cent) on operations and maintenance as shown in Figure 3.43.

Expenditure on personnel emoluments represented a decrease of 4.9 per cent compared to a similar period of FY 2017/18 when the County spent Kshs.4.03 billion and was 48.4 per cent of total expenditure in the first nine months of FY 2018/19. Figure 3.44 shows a summary of operations and maintenance expenditure by major categories.

Figure 3.44: Kakamega County, Operations and Maintenance Expenditure by Major Categories in the First Nine Months of FY 2018/19



Source: Kakamega County Treasury

The County spent Kshs. 96.90 million on committee sitting allowances for the 90 MCAs and the speaker against the annual budget allocation of Kshs.134.78 million. This represented an increase of 134 per cent compared to Kshs.41.40 million spent in a similar period of FY 2017/18. The average monthly sitting allowance translated to Kshs.119,627 per MCA against the SRC's recommended monthly ceiling of Kshs.124,800.

Expenditure on domestic travel amounted to Kshs.257.75 million and comprised of Kshs.116.30 million spent by the County Assembly and Kshs.141.45 million spent by the County Executive. This represented 5.2 per cent of total recurrent expenditure and was an increase of 70.8 per cent compared to Kshs.160.66 million spent in the first nine months of FY 2017/18.

3.11.7 Development Expenditure

The total development expenditure of Kshs.2.95 billion represented 44.1 per cent of the annual development expenditure budget of Kshs.6.69 billion. Table 3.30 provides a summary of development projects with the highest expenditure in the first nine months of the financial year.

Table 3.30: Kakamega County, List of Development Projects with the Highest Expenditure in First Nine Months of FY 2018/19

S/No.	Project Name	Project Location	Annual Project Budget (Kshs.)	Expenditure in First Nine Months (Kshs.)	Absorption Rate (%)
1	Bitumen Roads	Countywide	751,014,412	545,732,239	72.7
2	Kakamega Teaching and Referral Hospital	Kakamega Town	300,000,000	341,282,474	113.8
3	10 km per ward roads-Ward based	Countywide	365,848,904	260,813,037	71.3
4	Road Levy Fund	Countywide	379,809,498	129,069,398	34
5	Enterprise Resource Planning (ERP)	County Headquarters	132,036,000	102,582,662	77.7
6	Early Childhood Development (ECD) subsidy Programme	Countywide	117,000,000	99,724,763	85.2
7	Electrification - ward based	Countywide	100,000,000	98,981,421	99
8	Farm inputs	Countywide	200,000,000	97,704,085	48.9
9	Polytechnic Subsidy Programme	Countywide	107,000,000	83,997,154	78.5

Source: Kakamega County Treasury

3.11.8 Budget Performance by County Department

Table 3.31 shows a summary of the approved budget allocation and performance by department in the first nine months of FY 2018/19.

Table 3.31: Kakamega County, Budget Performance by Department

Department	Budget Allocation (Kshs. Million)		Exchequer Issues in First Nine Months of FY 2018/19 (Kshs. Million)		Expenditure in First Nine Months of FY 2018/19 (Kshs. Million)		Expenditure to Exchequer Issues (%)		Absorption Rate (%)	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
Public Service Board	29.82	-	23.39	-	21.78	-	93.1	-	73.0	-
Public Service and Administration	5,222.54	156.22	3,364.08	40.28	3,588.27	24.33	106.7	60.4	68.7	15.6
County Assembly	1,061.36	50.00	577.57	-	553.86	-	95.9	-	52.2	-
Health Services	519.89	1,339.00	347.70	836.19	299.26	667.20	86.1	79.8	57.6	49.8
Office of the Governor	200.58	83.00	140.54	20.29	116.10	20.29	82.6	100.0	57.9	24.4
ICT, E-government & Communication	52.75	199.04	33.67	90.34	29.62	104.99	88.0	116.2	56.2	52.7
Dept. of Labour, Social Services, Youth and Sports	49.11	225.50	30.88	64.27	25.68	74.42	83.2	115.8	52.3	33.0
Lands, Housing, Urban Areas and Physical Planning	205.47	544.47	99.03	446.50	78.46	69.50	79.2	15.6	38.2	12.8
Environment, Natural Resources, Water & Forestry	41.56	328.82	22.65	75.81	18.28	76.33	80.7	100.7	44.0	23.2
Agriculture, Livestock, Fisheries and Cooperatives	61.38	648.72	25.97	298.29	24.64	223.14	94.9	74.8	40.1	34.4

Department	Budget Allocation (Kshs. Million)		Exchequer Issues in First Nine Months of FY 2018/19 (Kshs. Million)		Expenditure in First Nine Months of FY 2018/19 (Kshs. Million)		Expenditure to Exchequer Issues (%)		Absorption Rate (%)	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
Education, Science & Technology & ICT	54.15	695.91	25.02	336.22	49.61	392.31	198.3	116.7	91.6	56.4
County Treasury and Economic Planning	230.07	205	155.88	73.06	118.65	141.45	76.1	193.6	51.6	69.0
Industrialization, Trade and Tourism	27.47	260	9.37	69.66	13.06	56.51	139.4	81.1	47.5	21.7
Transport, Infrastructure & Public Works	44.93	1,952.67	33.41	1,294.47	8.49	1,101.88	25.4	85.1	18.9	56.4
Total	7,801.08	6,688.35	4,889.16	3,645.38	4,945.76	2,952.35	101.4	81	63.7	44.1

Source: Kakamega County Treasury

Analysis of expenditure by department shows that the County Treasury and Economic Planning Department recorded the highest absorption rate of development budget at 69 per cent while the County Assembly did not incur any development expenditure. The Department of Education, Science, Technology and ICT had the highest percentage of recurrent expenditure to recurrent budget at 91.6 per cent while the Department of Transport, Infrastructure & Public Works had the lowest at 18.9 per cent.

3.11.9 Key Observations and Recommendations

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

- i. Timely submission of financial reports to the Controller of Budget by the County Executive.

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

1. Under-performance of own-source revenue collection. At the end of the period under review, the County had collected Kshs.569.88 million; representing 47.5 per cent of the annual target of Kshs.1.2 billion.
2. Late submission of financial reports by the County Assembly, which affected timely preparation of budget implementation report contrary to Section 166 of the PFM Act, 2012.
3. High expenditure on non-core activities, such as on domestic travel, which increased by 70.8 per cent to Kshs. 275.75 million from Kshs. 160.66 million spent in a similar period in FY 2017/2018.

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

1. *The County Treasury should formulate and implement strategies to enhance own-source revenue collection.*
2. *The County Treasury should ensure timely preparation and submission of financial reports in line with Section 166 of PFM Act, 2012.*
3. *The County should rationalise the expenditure on non-core items in order to free funds for key development programmes.*

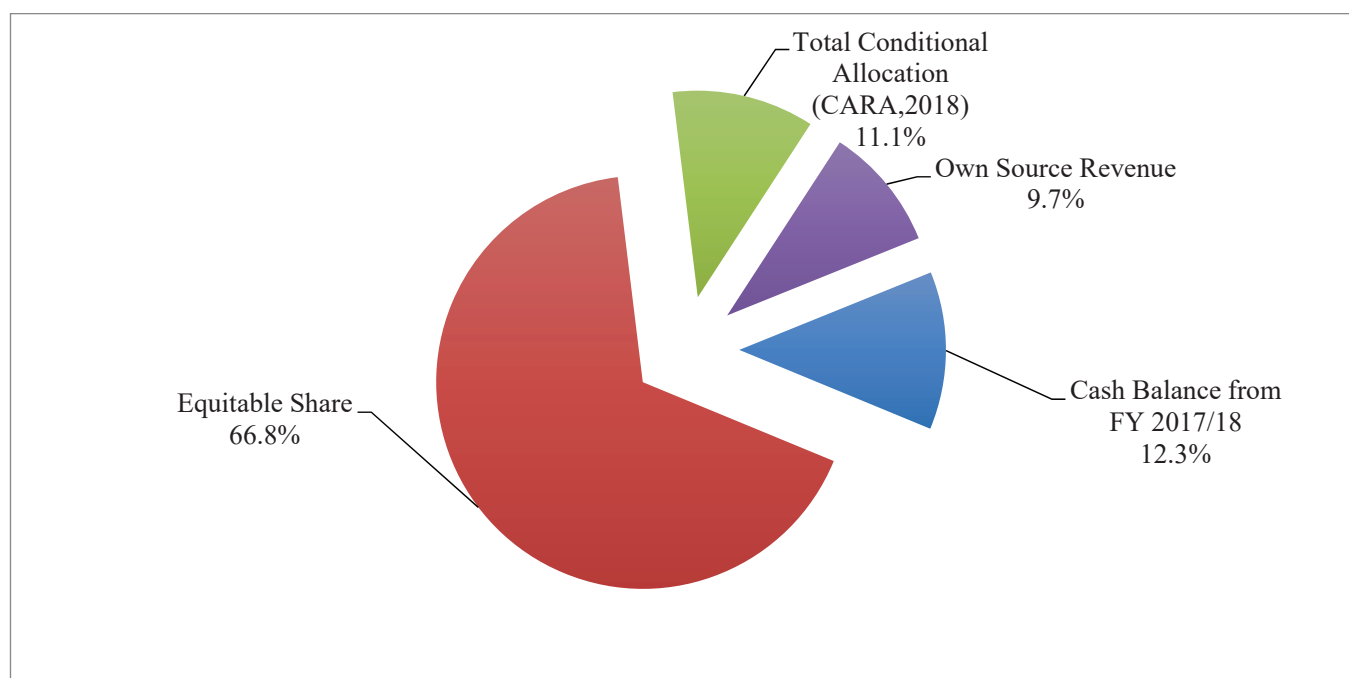
3.12 Kericho County

3.12.1 Overview of the FY 2018/19 Budget

The County's FY 2018/19 Approved Supplementary Budget was Kshs.8.55 billion, comprising of Kshs.4.80 billion (56.1 per cent) and Kshs.3.75 billion (43.9 per cent) allocation for recurrent and development expenditure respectively.

To finance the budget, the County expects to receive Kshs.5.71 billion (66.8 per cent) as equitable share of revenue raised nationally, Kshs.951.84 million (11.1 per cent) as total conditional grants, generate Kshs.829.82 million (9.7 per cent) from own-source of revenue, and Kshs.1.06 billion (12.3 per cent) cash balance from FY 2017/18.

Figure 3.45: Kericho County Expected Sources of Budget Financing in FY 2018/19



Source: Kericho County Treasury

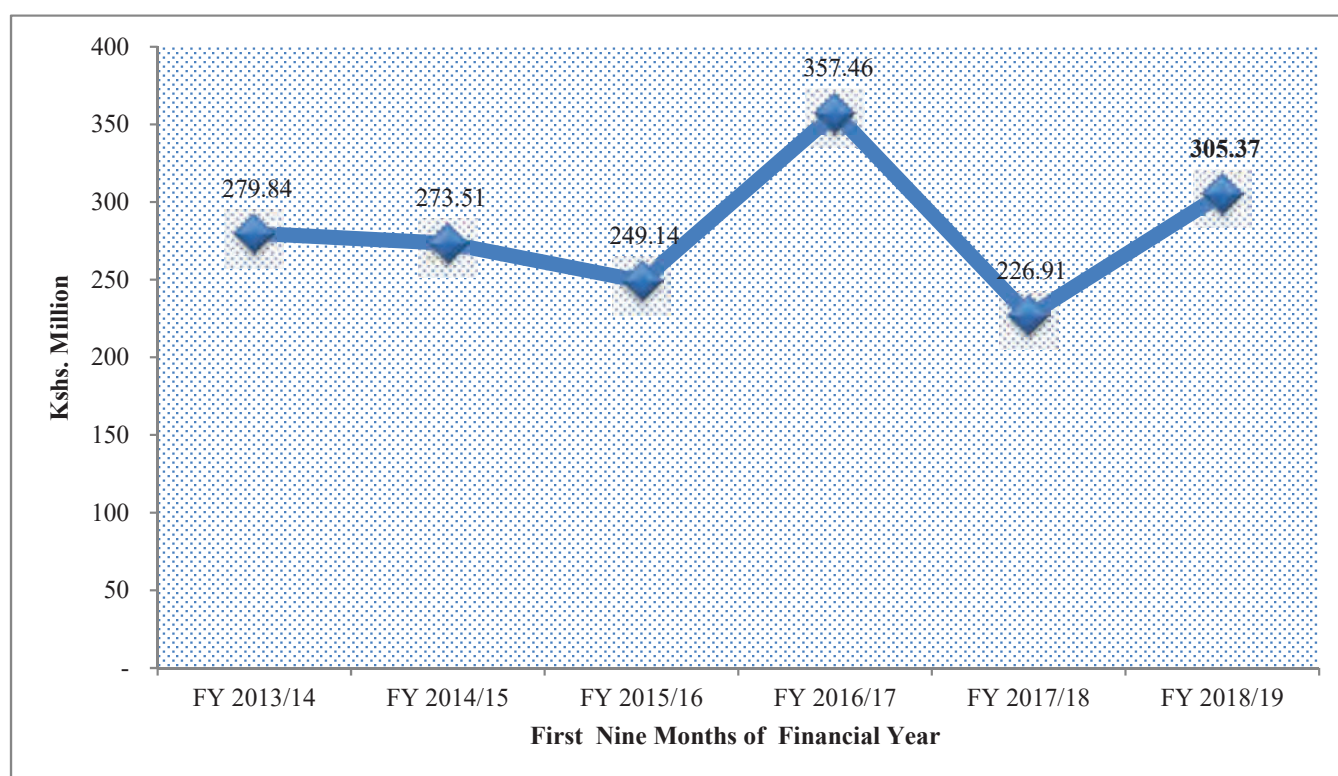
The conditional grants contained in the CARA,2018 are shown in Table 3.32.

3.12.2 Revenue Analysis

During the first nine months of FY 2018/19, the County received Kshs.3.34 billion as equitable share of the revenue raised nationally, Kshs.404.68 million as total conditional grants, raised Kshs.305.37 million from own-sources of revenue, and had a cash balance of Kshs.1.24 billion from FY 2017/18. The total funds available for budget implementation amounted to Kshs.5.29 billion.

Figure 3.46 shows the trend in own-sources of revenue collection for the first nine months from FY 2013/14 to FY 2018/19.

Figure 3.46: Kericho County, Trend in Own Sources of Revenue Collection for the First Nine Months from FY 2013/14 to FY 2018/19



Source: Kericho County Treasury

The County generated a total of Kshs.305.37 million from own revenue sources during the first nine months of FY 2018/19. This amount represented an increase of Kshs.78.46 million (34.6 per cent) from Kshs.226.91 million realised during a similar period of the FY 2017/18 and represented 36.8 per cent of the annual target.

3.12.3 Conditional Grants

The County received a total of Kshs.404.68 million as conditional grants in the first nine months of the financial year 2018/19 as shown in Table 3.32.

Table 3.32: Kericho County, Conditional Grants/Loans Received in the First Nine Months of FY 2018/19

S/ No.	Grants/Loans	Annual CARA, 2018 Allocation (Kshs)	Annual Budget Allocation (Kshs)	Actual receipts in the First Nine Months of FY 2018/19 (in Kshs)	Actual Receipts as Percentage of Annual Allocation (%)
A	Grants/Loans Contained in CARA, 2018				
1	IDA (World Bank) -Kenya Urban Support Project	256,299,000	256,299,000	256,299,000	100
2	Road Maintenance Fuel Levy Fund +Bal.C/F in FY207/18	150,465,707	287,501,906	75,232,853	50
3	IDA (World Bank)-Kenya Climate Smart Agriculture Project	117,000,000	116,443,510	42,837,552	36.6
4	World Bank-Transforming Health Systems for Universal Care Project +Bal.C/F in FY 2017/18	61,507,974	70,007,974	21,549,386	35
5	IDA (World Bank)Kenya Devolution Support Programme “Level 2 grant”	44,538,343	44,538,343	-	-
6	SIDA -Kenya Urban Institutional Support Program	41,200,000	40,000,000	-	-
10	Rehabilitation of Village Polytechnics +Bal.C/F in FY2017/18	41,005,000	76,752,121	-	-
11	Agricultural Sector development support Fund(ASDSP)	19,110,608	24,732,548	-	-
12	Compensation for User Fee Foregone	18,048,789	18,048,789	-	-
13	DANIDA - Universal Healthcare to Devolved System Programme	17,516,250	17,516,250	8,758,125	50
Sub-Total		766,691,671	951,840,441	404,676,916	52.8
B	Conditional Grants not Contained in CARA, 2018				
14	Grants to Facilities not Supported by DANIDA	-	16,452,000	-	-
Sub-Total		-	16,452,000	-	-
Grand Total		766,691,671	968,292,441	404,676,916	52.8

Source: Kericho County Treasury

Analysis of revenue from conditional grants indicates that, the County received the full allocation from The IDA (World Bank) -Kenya Urban Support Project (KUSP).

3.12.4 Exchequer Issues

To finance the budget, the Controller of Budget approved the withdrawal of Kshs.4.14 billion from the County Revenue Fund Account. The withdrawals represented 48.4 per cent of the Approved Budget and translated to an increase of 41.3 per cent from Kshs.2.93 billion approved in the first nine months of FY 2017/18 and comprised of Kshs.3.35 billion (81.1 per cent) to fund recurrent expenditure and Kshs.781.81 million (18.9 per cent) for development activities.

3.12.5 Overall Expenditure Review

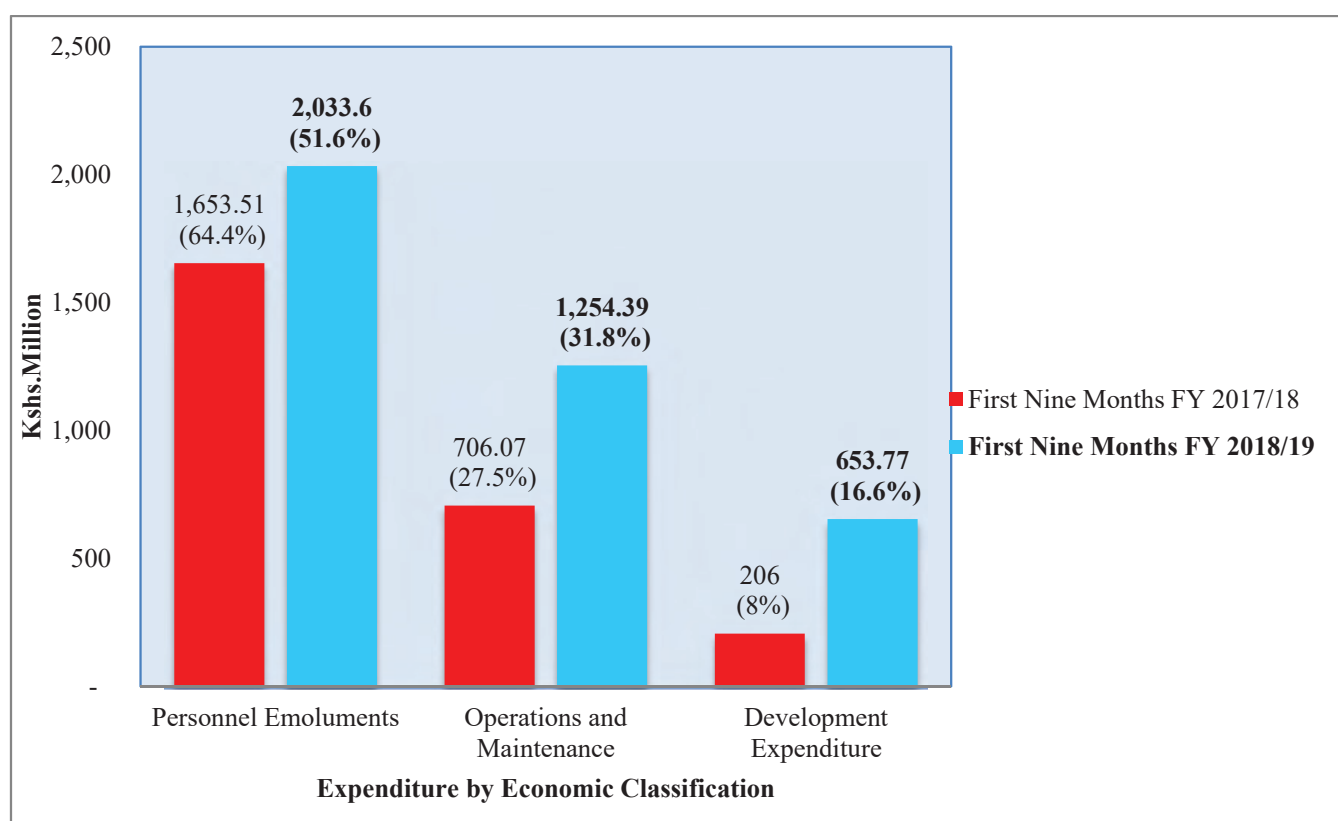
The County spent a total of Kshs.3.94 billion on recurrent and development activities. This expenditure represented 95.3 per cent of the total funds released from the County Revenue Fund Account and was an

increase of 53.6 per cent from Kshs.2.56 billion spent in the first nine months of FY 2017/18. The expenditure excluded outstanding commitments as at March 31, 2019 which amounted to Kshs.30.25 million for development activities and Kshs.160.20 million for recurrent expenditure

Expenditure on recurrent activities amounted to Kshs.3.29 billion while Kshs.653.77 million was spent on development activities. The recurrent expenditure was 98.1 per cent of the funds released for recurrent activities, while development expenditure was 83.6 per cent of funds released for development activities.

The recurrent expenditure represented 68.5 per cent of the annual recurrent budget, a marginal increase from 63.3 per cent recorded in the first nine months of FY 2017/18. Development expenditure recorded an absorption rate of 17.4 per cent, which was a sharp decline from 57.9 per cent attained in the first nine months of FY 2017/18. Figure 3.47 presents a comparison between the total expenditure in the first nine months of FY 2018/19 and a similar period in the FY 2017/18.

Figure 3.47: Kericho County, Expenditure by Economic Classification



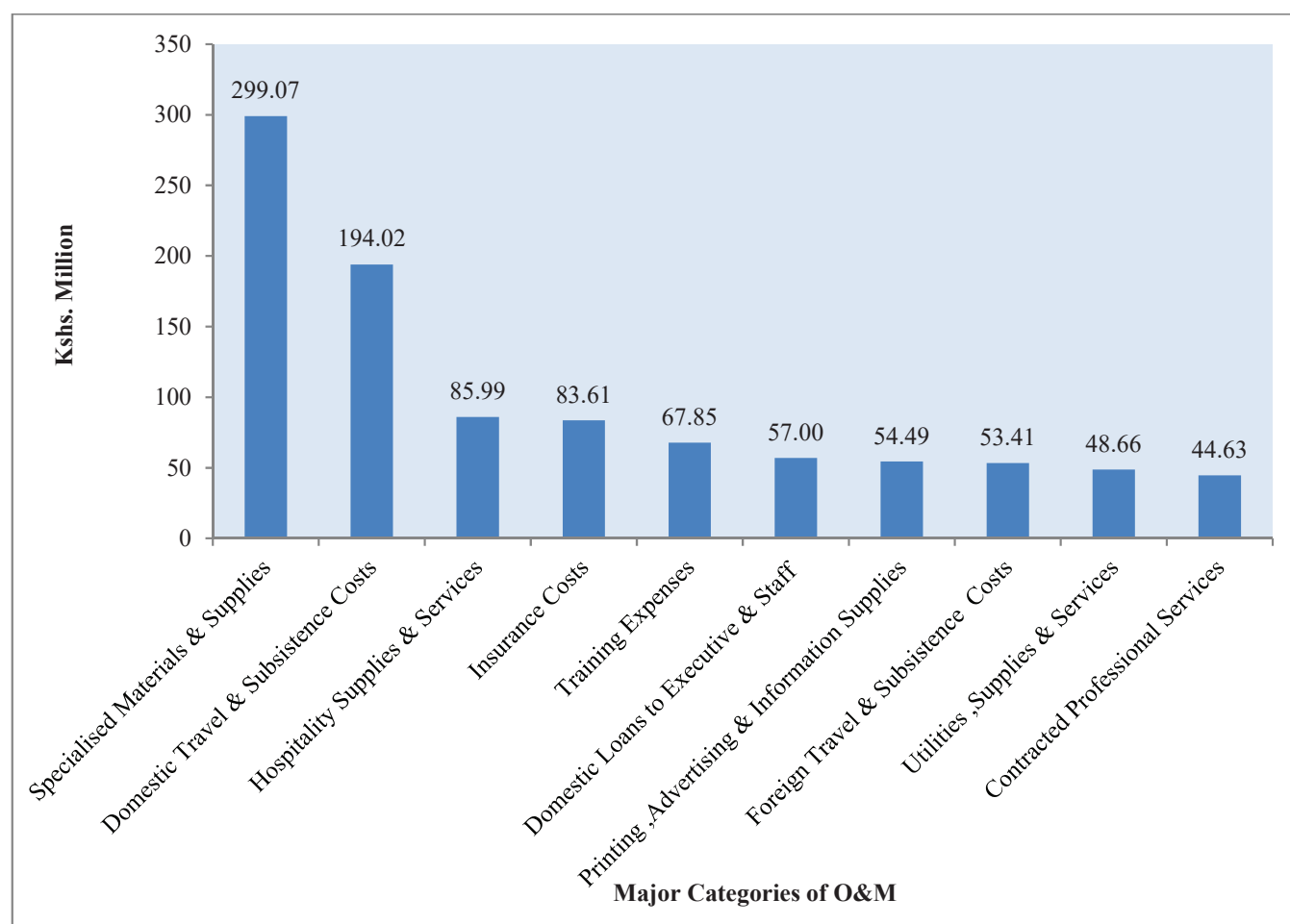
Source: Kericho County Treasury

3.12.6 Analysis of Recurrent Expenditure

The total recurrent expenditure of Kshs.3.29 billion comprised of Kshs.2.04 billion (61.8 per cent) incurred on personnel emoluments and Kshs.1.25 million (38.2 per cent) on operations and maintenance as shown in Figure 3.47.

Expenditure on personnel emoluments represented an increase of 23 per cent compared to a similar period of FY 2017/18 when the County spent Kshs.1.65 billion and was 51.9 per cent of total expenditure in the first nine months of FY 2018/19. Figure 3.48 shows a summary of operations and maintenance expenditure by major categories.

Figure 3.48: Kericho County, Operations and Maintenance Expenditure by Major Categories in the First Nine Months of FY 2018/19.



Source: Kericho County Treasury

The County spent Kshs.31.99 million on committee sitting allowances for the 47 MCAs and a speaker against an annual budget allocation of Kshs.56.54 million. This represented an increase of 269.7 per cent compared to Kshs.8.65 million spent in a similar period of FY 2017/18. The average monthly sitting allowance translated to Kshs.74,052 per MCA against the SRC's recommended monthly ceiling of Kshs.124,800.

Expenditure on domestic and foreign travel amounted to Kshs.247.43 million and comprised of Kshs.120.26 million spent by the County Assembly and Kshs.127.16 million spent by the County Executive. This represented 7.5 per cent of total recurrent expenditure and was an increase of 45.1 per cent compared to Kshs.170.55 million spent in the first nine months of FY 2017/18.

3.12.7 Development Expenditure

The total development expenditure of Kshs.653.77 million represented 17.4 per cent of the annual development expenditure budget of Kshs.3.75 billion. Table 3.33 provides a summary of development projects with the highest expenditure in the first nine months of the financial year.

Table 3.33: Kericho County, List of Development Projects with the Highest Expenditure in First Nine Months of FY 2018/19.

S/No.	Project Name	Project location	Annual Project Budget (Kshs.)	Expenditure In the First Nine Months of the FY 2018/19 (Kshs)	Absorption Rate (%)
1	Construction & Completion of FY 2017/18 County Access Roads in 29 wards-Pending Road Works	Across 29 wards	425,000,000	298,171,851	70.2
2	Routine Roads Maintenance Funded by Fuel Levy Fund	Across 29 wards	287,501,906	68,123,140	23.7
3	Construction of Water & Sewerage Infra-structures to benefit areas not covered by Kericho Water & Sanitation Company	County Wide	280,490,901	39,344,816	14.0
4	Construction and Completion of Health Centers & Dispensaries	County Wide	189,298,939	29,950,180	15.8
5	Grants to Tilibei Water and Sanitation Company (TILILWASCO)	Kapkatet Ward	25,000,000	26,602,429	106.4
6	Enhancement of Industrial Crops	Across 29 wards	34,817,629	26,255,382	75.4
7	Construction and Completion of model ECDE classrooms within the 29 wards	Across 29 wards	101,756,091	19,708,632	19.4
8	Development of County Spatial Plans	Urban Areas	32,000,000	17,146,606	53.6
9	DANIDA - Universal Healthcare to Devolved System Programme	County Wide	17,516,250	15,912,016	90.8
10	World Bank Grant (Strengthening Health Systems - Universal Coverage)	County Wide	70,007,974	13,686,300	19.5

Source: Kericho County Treasury

3.12.8 Budget Performance by County Department

Table 3.34 shows a summary of the approved budget allocation and performance by department in the first nine months of FY 2018/19.

Table 3.34: Kericho County, Budget Performance by Department

Department	Budget Allocation (Kshs. Million)		Exchequer Issues in First Nine Months of FY 2018/19 (Kshs. Million)		Expenditure in First Nine Months of FY 2018/19 (Kshs. Million)		Expenditure to Exchequer Issues (%)		Absorption Rate (%)	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
County Assembly Services	720.14	32.00	526.78	-	500.08	-	94.9	-	69.4	-
Public Service and Administration	298.42	34.73	206.58	-	230.98	2.96	111.8	-	77.4	8.5
Office of the Governor & Deputy Governor	158.23	-	116.98	-	144.87	-	123.8	-	91.6	-
County Public Service Board	57.11	-	32.96	-	33.60	-	101.9	-	58.8	-
Finance & Economic Planning	365.58	440.53	257.25	-	271.22	13.48	105.4	-	74.2	3.1
Agriculture, Livestock & Fisheries	204.23	284.40	131.28	36.00	130.99	40.39	99.8	112.2	64.1	14.2
Environment, Water, Energy & Natural Resources	144.70	358.49	99.73	64.00	92.97	65.95	93.2	103.0	64.3	18.4
Education, Youth, Culture & Social Services	392.79	215.92	166.10	18.00	174.77	19.71	105.2	109.5	44.5	9.1

Department	Budget Allocation (Kshs. Million)		Exchequer Issues in First Nine Months of FY 2018/19 (Kshs. Million)		Expenditure in First Nine Months of FY 2018/19 (Kshs. Million)		Expenditure to Exchequer Issues (%)		Absorption Rate (%)	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
Health Services	2,137.61	795.39	1,650.27	113.23	1,511.89	64.53	91.6	57.0	70.7	8.1
Land, Housing & Physical Planning	86.03	441.10	36.29	87.84	44.72	25.90	123.2	29.5	52.0	5.9
Public Works, Roads & Transport	64.36	959.73	47.08	369.50	53.39	371.10	113.4	100.4	83.0	38.7
ICT & E-Government	99.80	149.32	41.41	84.25	58.90	43.61	142.2	51.8	59.0	29.2
Trade, Industrialization, Tourism, Wildlife & Cooperative Development	70.41	40.77	40.49	9.00	39.62	6.14	97.8	68.2	56.3	15.1
TOTAL	4,799.41	3,752.36	3,353.21	781.81	3,287.99	653.77	98.1	83.6	68.5	17.4

Source: Kericho County Treasury

Analysis of expenditure by department shows that the Department of Public Works, Roads & Transport recorded the highest absorption rate of development budget at 38.7 per cent while the County Assembly, Office of the Governor and County Public Service Board did not incur any development expenditure. The office of the Governor and Deputy Governor Entity posted the highest percentage of recurrent expenditure to its recurrent budget at 91.6 per cent while the Department of Education ,Youth, Culture & Social services had the lowest at 44.5 per cent.

3.12.9 Key Observations and Recommendations

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

- Timely submission of financial reports by the County Treasury to the Office of the Controller of Budget in line with Section 166 of the PFM Act,2012 and COB Act, 2016
- Improvement in own-source revenue collection by 34.6 per cent from Kshs.226.91 million generated in the first nine months of the FY 2017/18 to Kshs.305.37 million in the reporting period.

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

- Delay in disbursement of the equitable share of revenue raised nationally by the National Treasury.
- High expenditure on personnel emoluments. In aggregate, the County spent Kshs.2.04 billion on personnel emoluments (PE) which accounted for 51.9 per cent of total expenditure for the reporting period. This was an increase of 32 per cent from Kshs.1.65 billion incurred in a similar period in the FY 2017/18.

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

- The County Treasury should liaise with the National Treasury to ensure that funds allocated to the County are released in a timely manner.*
- The County Public Service Board should establish an optimal staffing structure in order to ensure a sustainable wage bill.*

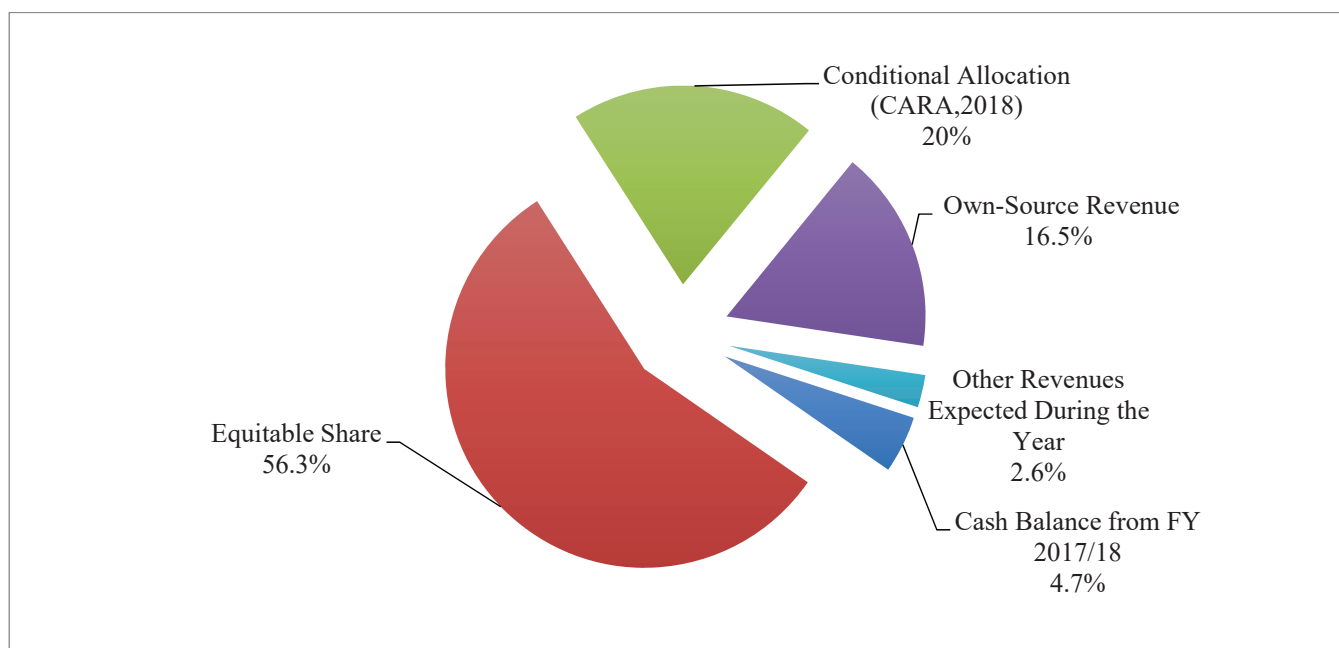
3.13 Kiambu County

3.13.1 Overview of the FY 2018/19 Budget

The County's FY 2018/19 Approved Supplementary Budget was Kshs.16.62 billion, comprising of Kshs.11.13 billion (66.9 per cent) and Kshs.5.50 billion (33.1 per cent) allocation for recurrent and development expenditure respectively.

To finance the budget, the County expects to receive Kshs.9.36 billion (56.3 per cent) as equitable share of revenue raised nationally, Kshs.3.32 billion (20 per cent) as total conditional grants, generate Kshs.2.74 billion (16.5 per cent) from own-sources of revenue, and Kshs.774.03 million (4.7 per cent) cash balance from FY 2017/18. The county also expected to receive Kshs.438 million (2.6 per cent) as other grant which is not in CARA 2018.

Figure 3.49: Kiambu County Expected Sources of Budget Financing in FY 2018/19



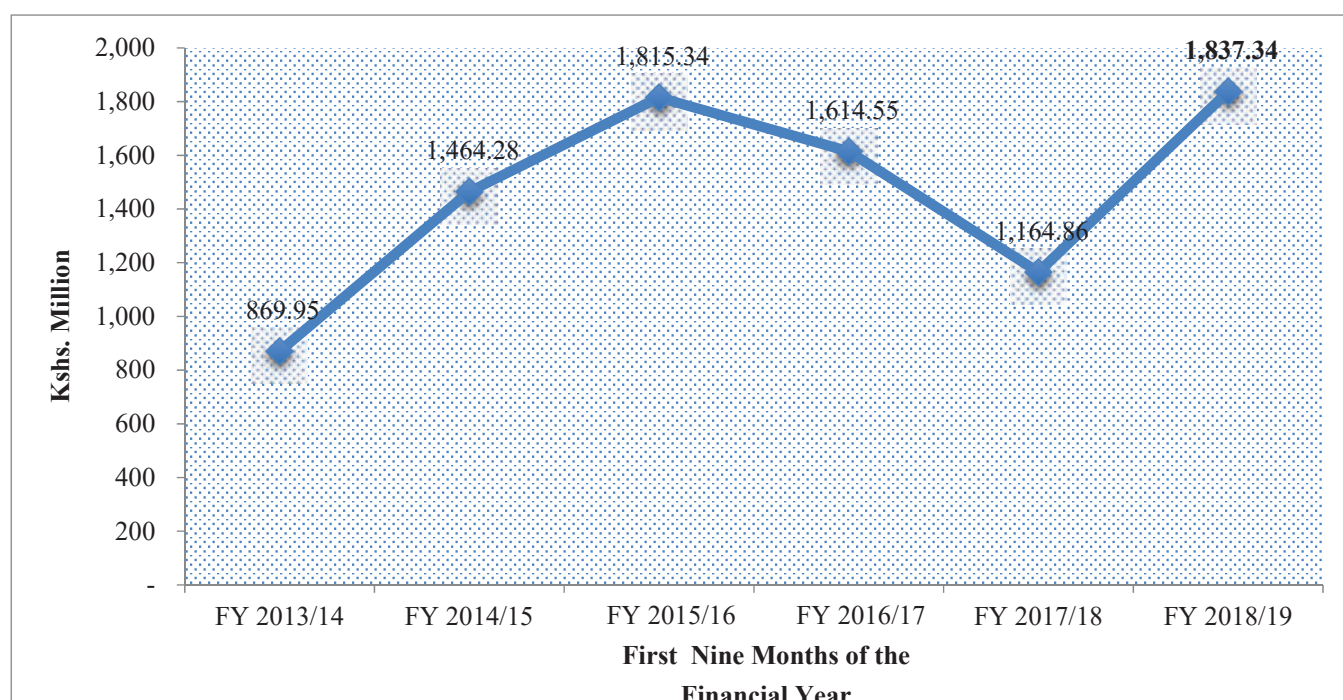
Source: Kiambu County Treasury

The conditional grants contained in the CARA, 2018 are shown in Table 3.50.

3.13.2 Revenue Analysis

During the first nine months of FY 2018/19, the County received Kshs.5.47 billion as equitable share of the revenue raised nationally, Kshs.2.32 billion as total conditional grants, raised Kshs.1.84 billion from own-sources of revenue, and had a cash balance of Kshs.774.03 million from FY 2017/18. The total funds available for budget implementation amounted to Kshs.10.41 billion. Figure 3.50 shows the trend in own-source revenue collection for the first nine months from FY 2013/14 to FY 2018/19.

Figure 3.50 : Kiambu County, Trend in Own-Source Revenue Collection for the First Nine Months from FY 2013/14 to FY 2018/19



Source: Kiambu County Treasury

The County generated a total of Kshs.1.84 billion from own revenue sources during the first nine months of FY 2018/19. This amount represented an increase of 57.7 per cent compared to Kshs.1.16 billion that realised during a similar period of the FY 2017/18 and represented 67.2 per cent of the annual target.

3.13.3 Conditional Grants

The County received Kshs.2.32 billion as conditional grants in the first nine months of the financial year 2018/19 as shown in Table 3.35.

Table 3.35: Kiambu County, Conditional Grants/Loans Received in the First Nine Months of FY 2018/19

S/No	Grants	Annual CARA, 2018 Allocation (in Kshs)	Annual Budget Allocation (in Kshs)	Actual Receipts in first Nine Months of FY 2018/19 (in Kshs.)	Actual Receipts as Percentage of Annual Allocation (%)
A	Grants Contained in the CARA, 2018				
1	Kenya Urban Support Project (KUSP)	1,885,993,000	1,885,993,000	1,885,993,000	100
2	Conditional Grants to Level - 5 Hospitals	538,716,763	538,716,765	263,971,213	49
3	Road Maintenance Fuel Levy	246,366,927	246,366,927	123,183,464	50
4	Leasing of Medical Equipment	200,000,000	200,000,000		-
5	National Agricultural and Rural Inclusive Growth Project (NARIGP)	140,435,163	140,435,163		-
6	Rehabilitation of Village Polytechnics	68,110,000	68,110,000		-
7	Kenya Devolution Support Project (KDSP) "Level 1 grant"	60,455,156	60,455,156		-

S/No	Grants	Annual CARA, 2018 Allocation (in Kshs)	Annual Budget Allocation (in Kshs)	Actual Receipts in first Nine Months of FY 2018/19 (in Kshs.)	Actual Receipts as Percentage of Annual Allocation (%)
8	Transforming Health Systems for Universal Care Project (WB)	50,000,000	50,000,000	14,156,331	28.3
9	IDA World Bank Credit; Kenya Urban Support Project (KUSP) Urban Institutional Grants (UIG)	41,200,000	41,200,000		-
10	Compensation for User Fee Foregone	34,671,542	34,671,542	-	-
11	DANIDA Grant	32,400,000	32,400,000	32,400,000	100
12	Sweden Agricultural Sector Development Support Programme(ASDSP) II	20,468,461	20,468,461		-
Sub Total		3,318,817,012	3,318,817,014	2,319,704,008	69.9
B	Other Grants				
13.	KDSP Grant - Investment Grant	-	238,000,000	-	-
14.	Market Grant- Githurai Market	-	200,000,000	-	-
Sub Total		-	438,000,000	-	-
Grand Total		3,318,817,012	3,756,817,014	2,319,704,008	61.7

Source: Kiambu County Treasury

Analysis of revenue from conditional grants indicates that, the County received full allocation for the Kenya Urban Support Project (KUSP) and from DANIDA.

3.13.4 Exchequer Issues

To finance the budget, the Controller of Budget approved the withdrawal of Kshs.10.42 billion from the County Revenue Fund account. The withdrawals represented 62.7 per cent of the Approved Supplementary Budget and translated to an increase of 33.1 per cent from Kshs.7.83 billion approved in the first nine months of FY 2017/18 and comprised of Kshs.8.17 billion (78.4 per cent) to fund recurrent expenditure and Kshs.2.25 billion (21.6 per cent) for development activities.

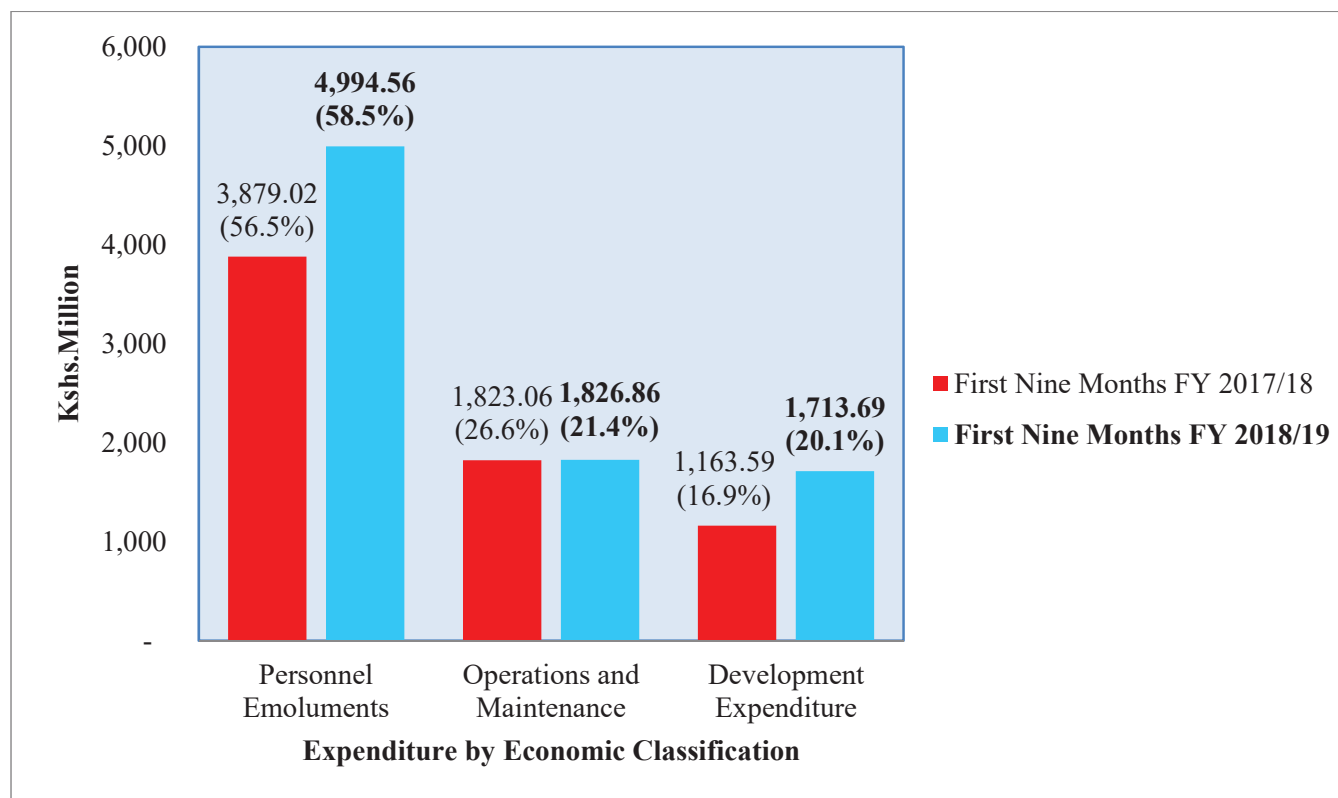
3.13.5 Overall Expenditure Review

The County spent a total of Kshs.8.54 billion on recurrent and development activities. This expenditure represented 81.9 per cent of the total funds released from the County Revenue Fund account and was an increase of 24.3 per cent from Kshs.6.87 billion spent in the first nine months of FY 2017/18. The expenditure excluded outstanding commitments as at March 31, 2019 which amounted to Kshs.477.13 million for development activities and Kshs.411.55 million for recurrent expenditure.

Expenditure on recurrent activities amounted to Kshs.6.82 billion while Kshs.1.71 billion was spent on development activities. The recurrent expenditure was 83.5 per cent of the funds released for recurrent activities, while development expenditure was 76.2 per cent of funds released for development activities.

The recurrent expenditure represented 61.3 per cent of the annual recurrent budget, an increase from 60.1 per cent recorded in the first nine months of FY 2017/18. Development expenditure recorded an absorption rate of 31.2 per cent, which was an increase from 26.4 per cent attained in the first nine months of FY 2017/18. Figure 3.51 presents a comparison between the total expenditure in the first nine months of FY 2018/19 and a similar period in FY 2017/18.

Figure 3.51: Kiambu County, Expenditure by Economic Classification



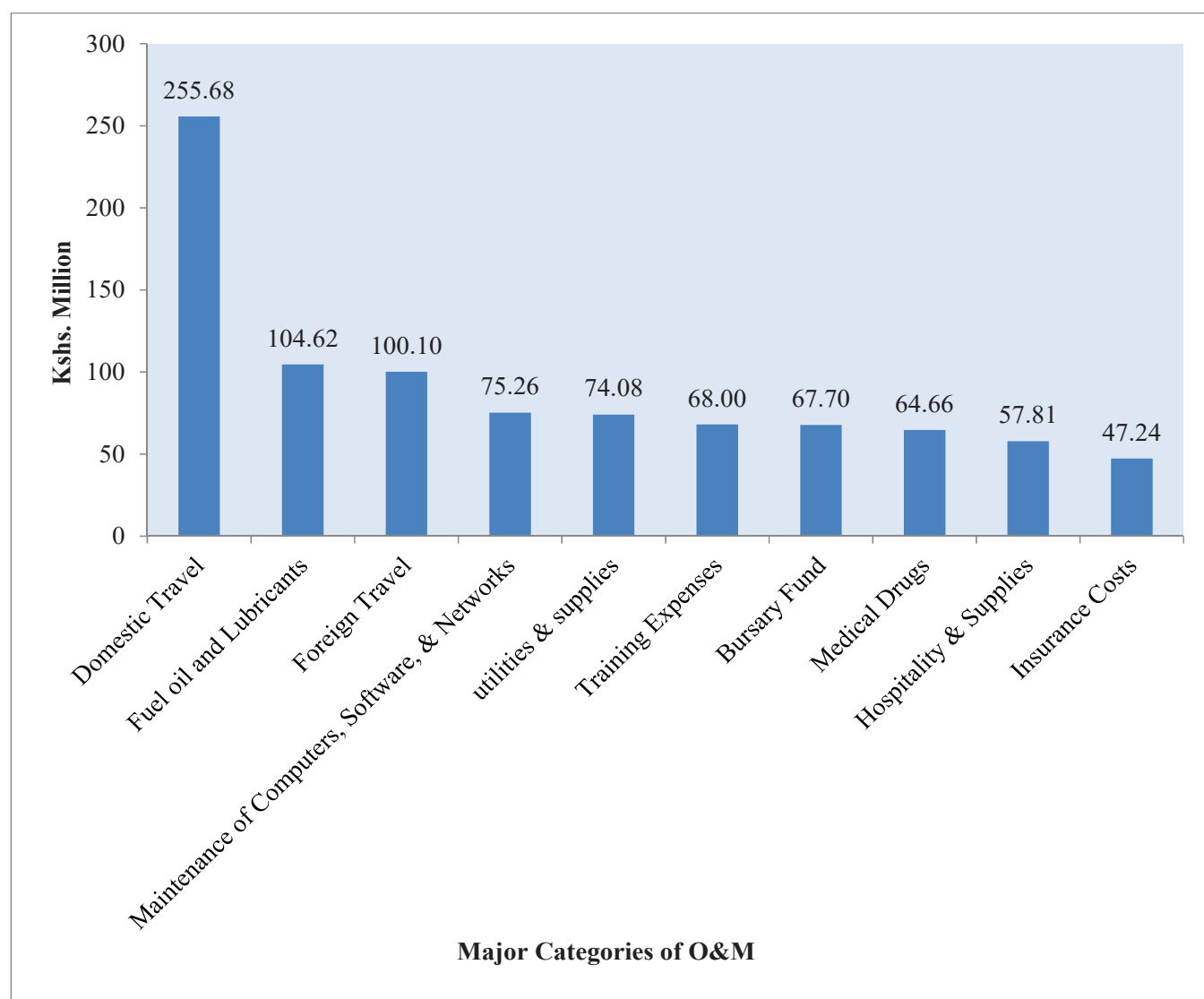
Source: Kiambu County Treasury

3.13.6 Analysis of Recurrent Expenditure

The total recurrent expenditure of Kshs.6.82 billion comprised of Kshs.4.99 billion (73.2 per cent) incurred on personnel emoluments and Kshs.1.83 billion (26.8 per cent) on operations and maintenance as shown in Figure 3.51.

Expenditure on personnel emoluments represented an increase of 28.8 per cent compared to a similar period of FY 2017/18 when the County spent Kshs.3.88 billion and was 58.5 per cent of total expenditure in the first nine months of FY 2018/19. Figure 3.52 shows a summary of operations and maintenance expenditure by major categories.

Figure 3.52: Kiambu County, Operations and Maintenance Expenditure by Major Categories in the First Nine Months of FY 2018/19



Source: Kiambu County Treasury

The County spent Kshs.66.28 million on committee sitting allowances for the 93 MCAs and the speaker against the annual budget allocation of Kshs.74 million. This represented an increase of 108.6 per cent compared to Kshs.31.77 million spent in a similar period of FY 2017/18. The average monthly sitting allowance translated to Kshs.79,190 per MCA against the SRC's recommended monthly ceiling of Kshs.124,800.

Expenditure on domestic travel amounted to Kshs.255.68 million and comprised of Kshs.131.14 million spent by the County Assembly and Kshs.124.54 million spent by the County Executive. This represented 3.7 per cent of total recurrent expenditure and was an increase of 26.6 per cent compared to Kshs.187.55 million spent in the first nine months of FY 2017/18.

3.13.7 Development Expenditure

The total development expenditure of Kshs.1.71 billion represented 31.2 per cent of the annual development expenditure budget of Kshs.5.50 billion. Table 3.36 provides a summary of development projects with the highest expenditure in the first nine months of the financial year.

Table 3.36: Kiambu County, List of Development Projects with the Highest Expenditure in First Nine Months of FY 2018/19

S/No.	Project Name	Project Location	Project Budget (Kshs.)	Project Expenditure in First Nine Months of FY 2018/19 (Kshs.)	Absorption Rate (%)
1	Githunguri-Ndumberi road	Githunguri	340,801,794	318,760,290	93.5
2	Construction of Gatitu junction and other roads	Thika	221,005,870	162,034,722	73.3
3	Rural access roads	All wards	600,000,000	120,000,000	20.0
4	A2 Junction Kimbo Matangini	Kimbo	170,552,896	93,929,411	55.1
5	Thogoto-Ndaire road	Thogoto	181,452,510	81,327,181	44.8
6	Construction of Githunguri CBD roads	Githunguri	103,997,581	78,019,224	75.0
7	Construction of elevated steel tanks	Munyaka- Juja, Kanyara, Sigona, Ruiru Level Hosipital, Lari Ward- Kabunge, Uthiru Primary, Ha Gitonga Borehole, Ngoliba Community Borehole, Kwa Mutiso, Cianda, Ngecha Community -Limuru . Mwana Mukia Water Project- Limuru, Muthurwa -Karuri	51,723,628	51,723,628	100
8	Construction of fire stations	Limuru, Githunguri, Kiambu	61,605,198	37,193,150	60.4
9	Road C64-C65	Githunguri	145,346,505	33,623,810	52.3

Source: Kiambu County Treasury

3.13.8 Budget Performance by County Department

Table 3.37 shows a summary of the Approved Supplementary Budget allocation and performance by department in the first nine months of FY 2018/19.

Table 3.37: Kiambu County, Budget Performance by Department

Department	Budget Allocation (Kshs. Million)		Exchequer Issues in First Nine Months of FY 2018/19 (Kshs. Million)		Expenditure in First Nine Months of FY 2018/19 (Kshs. Million)		Expenditure to Exchequer Issues (%)		Absorption Rate (%)	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
County Assembly	1,200.86	55.00	646.18	-	695.71	-	107.7	-	57.9	-
County Executive	397.94	8.56	332.38	-	222.56	3.08	67.0	-	55.9	36.0
County Public Service Board	74.32	-	74.28	-	26.50	-	35.7	-	35.7	-
Finance and Econ. Planning	1,126.98	284.21	1,092.50	9.46	822.35	45.66	75.3	482.8	73.0	16.1
Administration, Public Service & Communication	1,260.03	6.50	520.65	11.96	422.64	7.29	81.2	60.9	33.5	112.1
Agriculture, Crop Production and Irrigation	291.26	232.59	238.38	57.60	193.44	10.99	81.1	19.1	66.4	4.7
Water, Environment & Natural Resources	290.68	223.23	237.22	71.26	195.45	92.51	82.4	129.8	67.2	41.4
Health Services	4,200.49	833.07	3,419.11	247.65	3,057.47	443.40	89.4	179.0	72.8	53.2

Department	Budget Allocation (Kshs. Million)		Exchequer Issues in First Nine Months of FY 2018/19 (Kshs. Million)		Expenditure in First Nine Months of FY 2018/19 (Kshs. Million)		Expenditure to Exchequer Issues (%)		Absorption Rate (%)	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
Education, Youth, Sports Culture, & Social Service	1,140.90	342.40	806.40	75.44	684.02	211.16	84.8	279.9	60.0	61.7
Lands, Physical Planning & Housing	262.20	1,977.76	145.79	1,074.24	106.44	40.33	73.0	3.8	40.6	2.0
Trade, Tourism, Industry & Cooperative	149.48	269.89	119.21	23.76	67.05	61.35	56.2	258.3	44.9	22.7
Roads, Transport & Public Works	347.89	1,168.11	296.49	673.49	200.76	774.20	67.7	115.0	57.7	66.3
Livestock, Fisheries and Marketing	293.65	70.97	238.52	5.50	127.04	23.72	53.3	431.3	43.3	33.4
Total	11,036.68	5,472.29	8,167.10	2,250.36	6,821.42	1,713.69	83.5	76.2	61.8	31.3

Source: Kiambu County Treasury

Analysis of expenditure by department shows that the Department of Administration, Public Service and Communication recorded the highest absorption rate of development budget at 112.1 per cent while the County Assembly did not incur any development expenditure. The Department of Health Services had the highest percentage of recurrent expenditure to its recurrent budget at 72.8 per cent while the Department of Administration, Public Service & Communication had the lowest at 33.5 per cent.

3.13.9 Key Observations and Recommendations

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

- Improvement in the absorption of development budget from 26.4 per cent to 31.2 per cent of the annual development budget compared to a similar period in FY 2017/18
- Improvement in the collection of revenue by 57.7 per cent from Kshs.1.6 billion in the nine months of FY 2017/18 to Kshs.1.84 billion in the reporting period.

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

- High expenditure on personnel emoluments which has increased by 28.8 per cent from Kshs 3.88 billion to Kshs.4.99 billion.

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

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

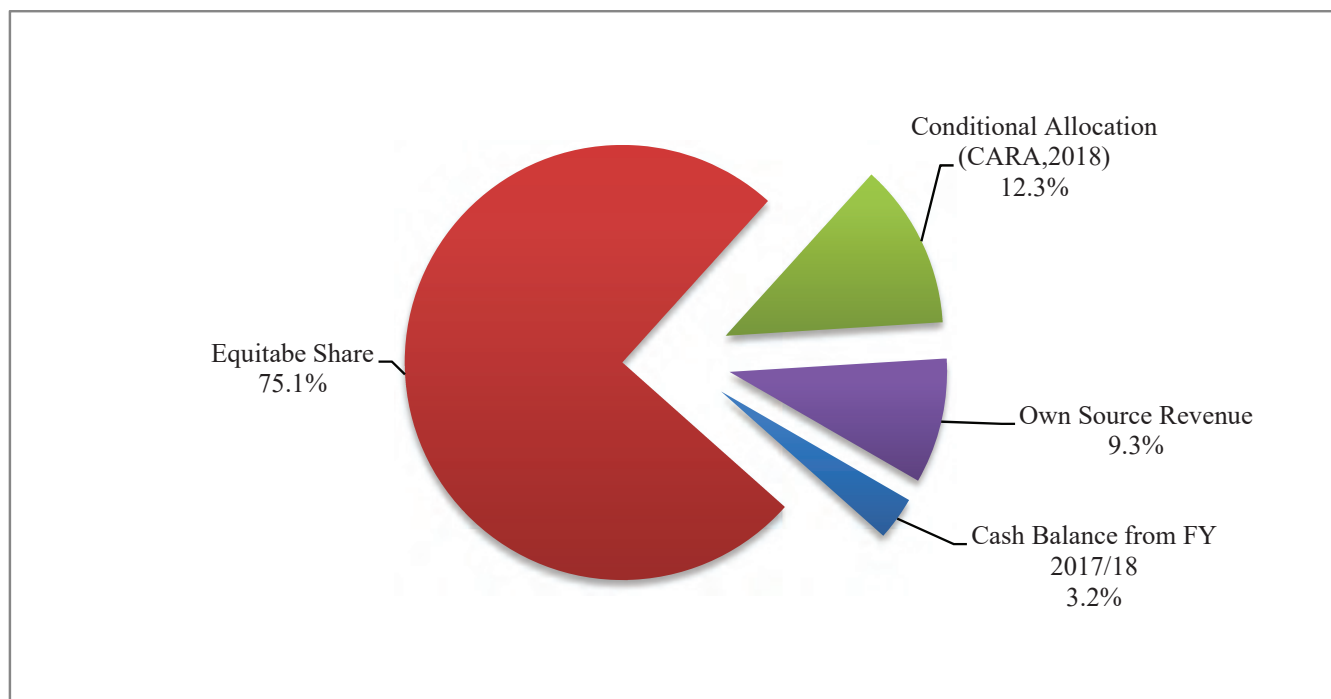
3.14 Kilifi County

3.14.1 Overview of the FY 2018/19 Budget

The County's FY 2018/19 Approved Budget was Kshs.14.42 billion, comprising of Kshs. 8.72 billion (60.5 per cent) and Kshs.5.7 billion (39.5 per cent) allocation for recurrent and development expenditure respectively.

To finance the budget, the County expects to receive Kshs.10.83 billion (75.1 per cent) as equitable share of revenue raised nationally, Kshs.1.78 billion (12.3 per cent) as total conditional grants, generate Kshs.1.35 billion (9.3 per cent) from own-sources of revenue, and Kshs.465.43 million (3.2 per cent) cash balance from FY 2017/18.

Figure 3.53: Kilifi County, Expected Sources of Budget Financing in FY 2018/19



Source: Kilifi County Treasury

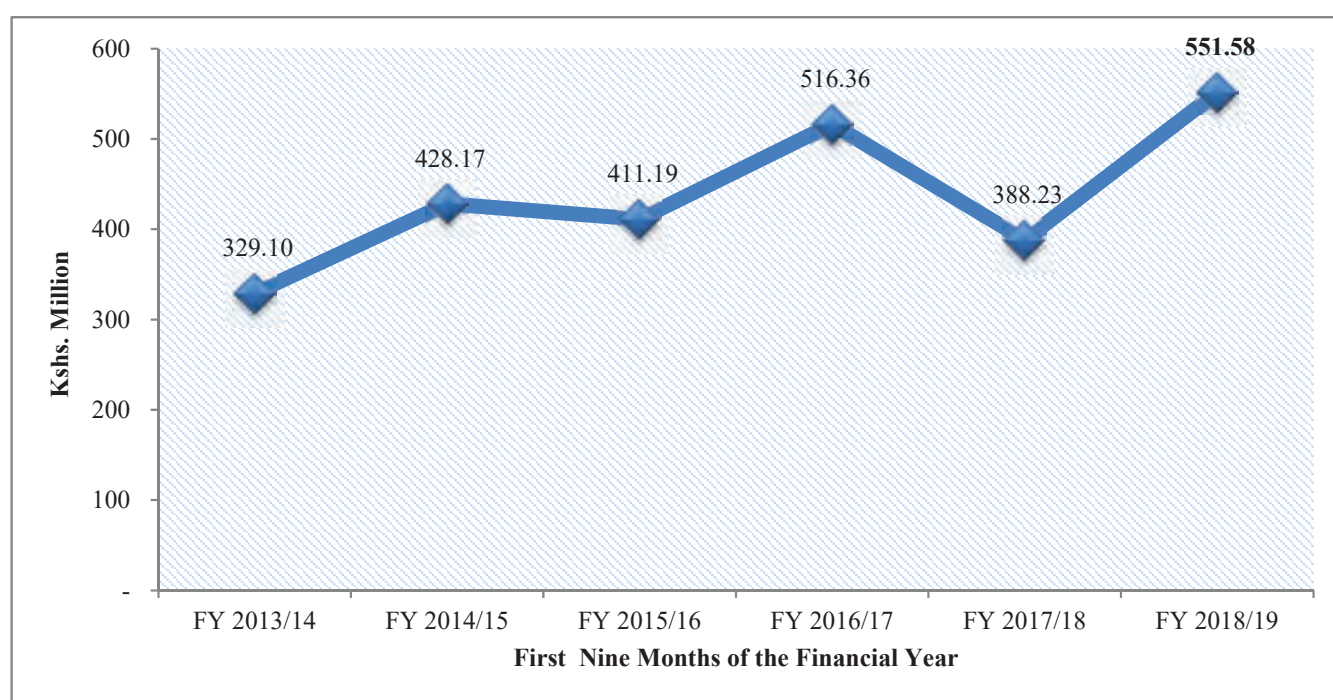
The conditional grants contained in the CARA, 2018 are shown in Table 3.38.

3.14.2 Revenue Analysis

During the first nine months of FY 2018/19, the County received Kshs.6.34 billion as equitable share of the revenue raised nationally, Kshs.699.2 million as total conditional grants, raised Kshs.551.58 million from own-sources of revenue, and had a cash balance of Kshs.180.51 million from FY 2017/18. The total funds available for budget implementation amounted to Kshs.7.77 billion.

Figure 3.54 shows the trend in own-sources of revenue collection for the first nine months from FY 2013/14 to FY 2018/19.

Figure 3.54: Kilifi County, Trend in Own-Sources of Revenue Collection for the First Nine Months from FY 2013/14 to FY 2018/19



Source: Kilifi County Treasury

The County generated a total of Kshs.551.58 million from own-sources of revenue sources during the first nine months of FY 2018/19. This amount represented an increase of Kshs. 163.35 million compared to that realised during a similar period of the FY 2017/18 and represented 41 per cent of the annual target.

3.14.3 Conditional Grants

The County received Kshs 699.20 million as conditional grants in the first nine months of the financial year as shown in Table 3.38.

Table 3.38: Kilifi County, Conditional Grants/Loans Received in the First Nine Months of FY 2018/19

S/No	Grants	Annual CARA, 2018 (Kshs)	Annual Budget Allocation for FY 2018/19 (Kshs)	Actual Receipts in First Nine Months of FY 2018/19 (in Kshs.)	Actual Receipts as Percentage of Annual Allocation (%)
A	Grants Contained in the CARA, 2018				
1	Water and Sanitation Development Project (WSDP)	400,000,000	400,000,000	-	-
2	Kenya Urban Support Programme (KUSP)	330,534,500	330,534,500	330,534,500	100.0
3	Road Maintenance Fuel Levy Fund	285,223,455	293,653,336	151,041,609	51.4
4	Leasing of Medical Equipment	200,000,000	200,000,000	-	-
5	World Bank Loan for National Agricultural & Rural Inclusive Project	140,435,163	196,045,018	55,000,000	-
6	World Bank Loan for Transforming Health Systems for Universal Care (WB) (THSUC)	100,000,000	101,527,335	33,046,561	32.5

S/No	Grants	Annual CARA, 2018 (Kshs)	Annual Budget Allocation for FY 2018/19 (Kshs)	Actual Receipts in First Nine Months of FY 2018/19 (in Kshs.)	Actual Receipts as Percentage of Annual Allocation (%)
A	Grants Contained in the CARA, 2018				
7	WB -Kenya Devolution Support Programme (KDSP)	61,148,106	83,874,401	22,726,295	27.1
8	Development of Youth Polytechnics/Rehabilitation of Village Polytechnic	53,035,000	87,896,049	34,861,049	39.7
9	DANIDA Grant	33,361,875	45,178,279	45,178,279	100
10	Compensation for User Fee Foregone	25,969,864	26,072,672	13,196,299	50.6
11	Agricultural Sector Development Support Programme(ASDSP)II	23,653,874	11,700,590	13,611,847	116.3
Grand Total		1,653,361,837	1,776,482,180	699,196,439	39.4

Source: Kilifi County Treasury

Analysis of revenue from conditional grants indicates that the County received full CARA, 2018 annual allocation from Kenya Urban Support Programme (KUSP). Agricultural Sector Development Support Programme II (ASDSP) achieved 116.3 per cent because the initial budgeted was below what was allocated in CARA, 2018.

3.14.4 Exchequer Issues

To finance the budget, the Controller of Budget approved the withdrawal of Kshs. 7.47 billion from the County Revenue Fund account. The withdrawals represented 51.8 per cent of the Approved Budget and translated to an increase of 18.7 per cent from Kshs.6.29 billion approved in the first nine months of FY 2017/18 and comprised of Kshs.5.65 billion (75.7 per cent) to fund recurrent expenditure and Kshs.1.82 million (24.3 per cent) for development activities.

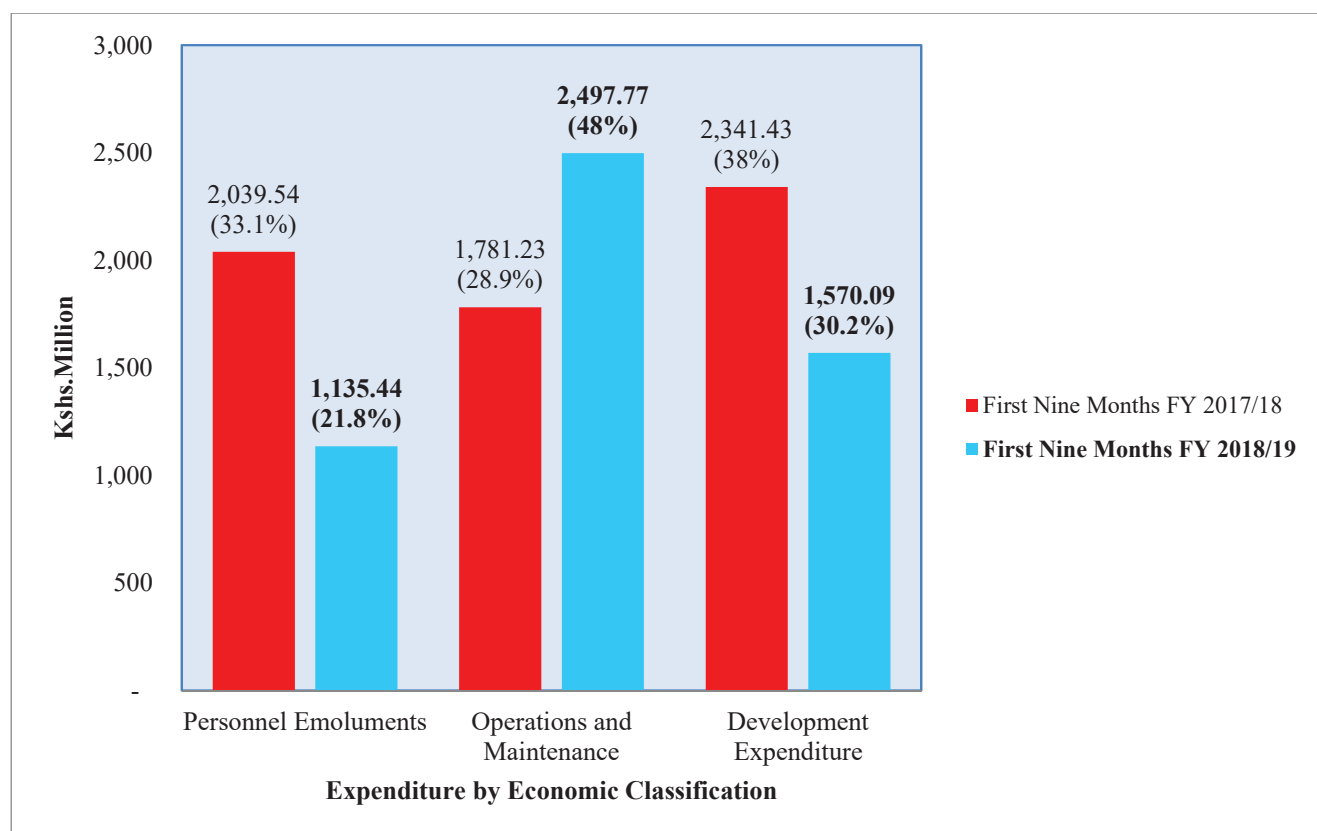
3.14.5 Overall Expenditure Review

The County spent a total of Kshs.5.20 billion on recurrent and development activities. This expenditure represented 69.6 per cent of the total funds released from the County Revenue Fund account and was a decline of 15.6 per cent from Kshs.6.23 billion spent in the first nine months of FY 2017/18. The expenditure excluded outstanding commitments as at March 31, 2019 which amounted to Kshs.904.83 million for development activities and Kshs.359.87 million for recurrent expenditure.

Expenditure on recurrent activities amounted to Kshs.3.63 billion while Kshs.1.57 billion was spent on development activities. The recurrent expenditure was 64.3 per cent of the funds released for recurrent activities, while development expenditure was 86.3 per cent of funds released for development activities.

The recurrent expenditure represented 41.7 per cent of the annual recurrent budget, a decrease from 50.1 per cent recorded in the first nine months of FY 2017/18. Development expenditure recorded an absorption rate of 27.5 per cent, which was a decrease from 55.3 per cent attained in the first nine months of FY 2017/18. Figure 3.55 presents a comparison between the total expenditure in the first nine months of FY 2018/19 and a similar period in FY 2017/18.

Figure 3.55: Kilifi County, Expenditure by Economic Classification



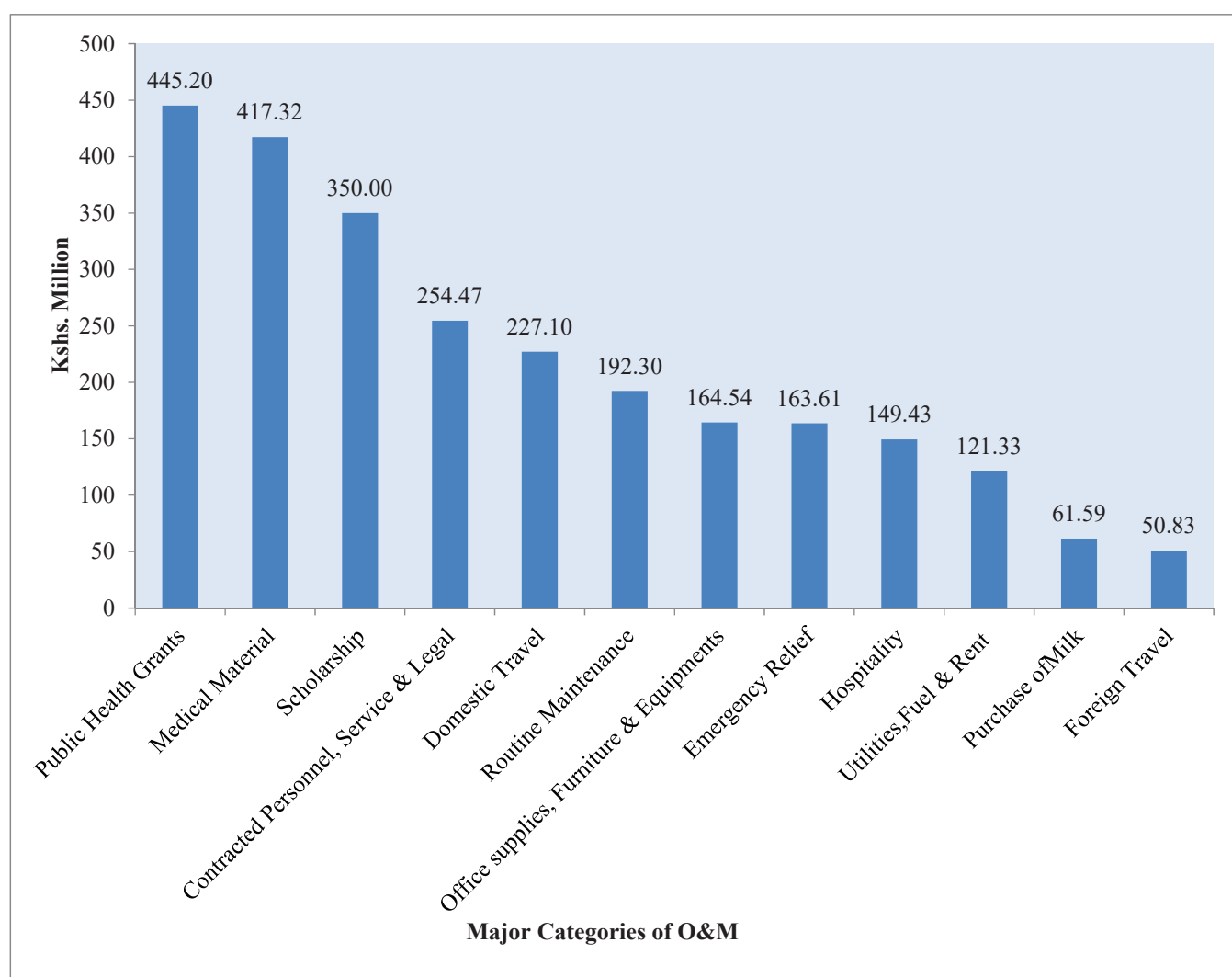
Source: IFMIS data

3.14.6 Analysis of Recurrent Expenditure

The total recurrent expenditure of Kshs.3.63 billion comprised of Kshs.1.14 billion (31.3 per cent) incurred on personnel emoluments and Kshs.2.5 billion (69.7 per cent) on operations and maintenance as shown in Figure 3.55.

Expenditure on personnel emoluments represented a decrease of 44.3 per cent compared to a similar period of FY 2017/18 when the County spent Kshs.2.04 billion and was 21.8 per cent of total expenditure in the first nine months of FY 2018/19. Figure 3.56 shows a summary of operations and maintenance expenditure by major categories.

Figure 3.56: Kilifi County, Operations and Maintenance Expenditure by Major Categories in the First Nine Months of FY 2018/19



Source: Kilifi County Treasury

The County spent Kshs.42.23 million on committee sitting allowances for the 54 MCAs and the speaker against the annual budget allocation of Kshs. 96.84 million. This represented an increase of 229.6 per cent compared to Kshs.12.81 million spent in a similar period of FY 2017/18. The average monthly sitting allowance translated to Kshs.86,893 per MCA against the SRC's recommended monthly ceiling of Kshs.124,800.

Expenditure on domestic travel amounted to Kshs.277.93 million and comprised of Kshs.140.49 million spent by the County Assembly and Kshs.137.44 million spent by the County Executive. This represented 7.6 per cent of total recurrent expenditure and was an increase of 74.9 per cent compared to Kshs.158.89 million spent in the first nine months of FY 2017/18.

3.14.7 Development Expenditure

The total development expenditure of Kshs.1.57 billion represented 27.5 per cent of the annual development expenditure budget of Kshs.5.7 billion. The County did not provide a report on status of development projects being undertaken in FY 2018/2019.

3.14.8 Budget Performance by County Department

Table 3.39 shows a summary of the approved budget allocation and performance by department in the first nine months of FY 2018/19.

Table 3.39: Kilifi County, Budget Performance by Department

Department	Annual Budget Allocation in FY 2018/19 (Kshs. Million)		Exchequer Issues in First Nine Months of FY 2018/19 (Kshs. Million)		Expenditure in First Nine Months of FY 2018/19 (Kshs. Million)		Expenditure to Exchequer Issues (%)		Absorption Rate (%)	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
County Assembly	903.51	311.17	598.66	162.13	559.60	118.60	93.5	73.2	61.9	38.1
Office of The Governor	366.40	-	202.57	-	136.32	-	67.3	-	37.2	-
County Attorney	121.51	-	114.16	-	70.17	-	61.5	-	57.8	-
Finance	585.07	18.81	257.14	-	111.21	-	43.2	-	19.0	-
Economic Planning	51.13	-	16.99	-	24.78	-	145.9	-	48.5	-
Agriculture	570.59	183.47	290.71	22.33	152.74	47.49	52.5	212.7	26.8	25.9
Livestock	28.50	131.80	4.98	28.62	11.82	41.12	237.3	143.7	41.5	31.2
Fisheries	28.80	59.23	5.67	-	11.00	1.23	194.1	-	38.2	2.1
Water and Sanitation	187.83	985.63	155.52	336.51	100.00	185.90	64.3	55.2	53.2	18.9
Environment, Natural Resources & Wildlife	86.72	69.50	45.54	46.97	67.26	42.54	147.7	90.6	77.6	61.2
Education Sports & Youth Affairs	1,058.78	848.48	829.15	147.87	530.35	118.83	64.0	80.4	50.1	14.0
Information, Communication & Technology	37	10	7.63	-	14.88	-	195.0	-	40.2	0.0
Medical Services	2,815.78	847.79	1,977.77	221.55	1,056	219.60	53.4	99.1	37.5	25.9
Public Health	267.69	-	106.77	-	111.96	-	104.9	-	41.8	-
Roads, Transport And Public Works	428.76	1,166.59	349.63	461.96	226.93	671.73	64.9	145.4	52.9	57.6
Lands and Energy	151.39	56.80	101.35	-	54.66	-	53.9		36.1	
Physical Planning ,Urban Development and Housing	52.36	498.41	23.91	330.53	10.60	-	44.3	-	20.2	0.0
Gender, Culture, Social Services and Sports	149.44	252.99	84.38	-	40.48	26.71	48.0	-	27.1	10.6
Trade and Tourism	111.34	191.90	80.33	60.09	60.22	87.35	75.0	145.4	54.1	45.5
Cooperatives Development	9.57	-	-	-	2.82	-			29.5	
County Public Service Board	66.87	-	47.79	-	36.49	-	76.4		54.6	
Devolution, Public Service and Disaster Management	640.53	67.84	352.75	-	242.93	8.98	68.9	-	37.9	13.2
Total	8,719.58	5,700.40	5,653.41	1,818.56	3,633.21	1,570.09	64.3	86.3	41.7	27.5

Source: Kilifi County Treasury and IFMIS data

Analysis of expenditure by department shows that the Department of Environment, Natural Resources and Wildlife recorded the highest absorption rate of development budget at 61.2 per cent. The Department of Environment, Natural Resources and Wildlife had the highest percentage of recurrent expenditure to recurrent budget at 77.6 per cent while the Department of Finance had the lowest at 19 per cent.

3.14.9 Key Observations and Recommendations

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

- i. Improved internet connectivity, resulting into effective use of IFMIS to process financial transactions.
- ii. Establishment of an Internal Audit Committee in line with Section 155 of the PFM Act, 2012.

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

1. Late submission of financial reports by the County Treasury to the Controller of Budget, which affected timely preparation of budget implementation report contrary to Section 166 of the PFM Act, 2012.
2. Low absorption of development budget. In the reporting period, the County attained an absorption rate of 27.5 per cent compared to 55.3 per cent in a similar period in FY 2017/18.
3. Low own-source revenue collection which was 41 per cent of the annual revenue target. This may affect financing of approved programmes.
4. High expenditure on non-core activities such as domestic travel, which increased by 74.93 per cent from Kshs.158.89 million to Kshs.277.93 million in the reporting period.

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

1. *The County Treasury should ensure timely preparation and submission of financial reports in line with Section 166 of PFM Act, 2012.*
2. *The County should put mechanisms in place that will enhance absorption of development funds.*
3. *The County Treasury should formulate and implement strategies to enhance own-source revenue collection.*
4. *The County leadership should rationalise expenditure on non-core activities in order to free funds for key development programmes.*

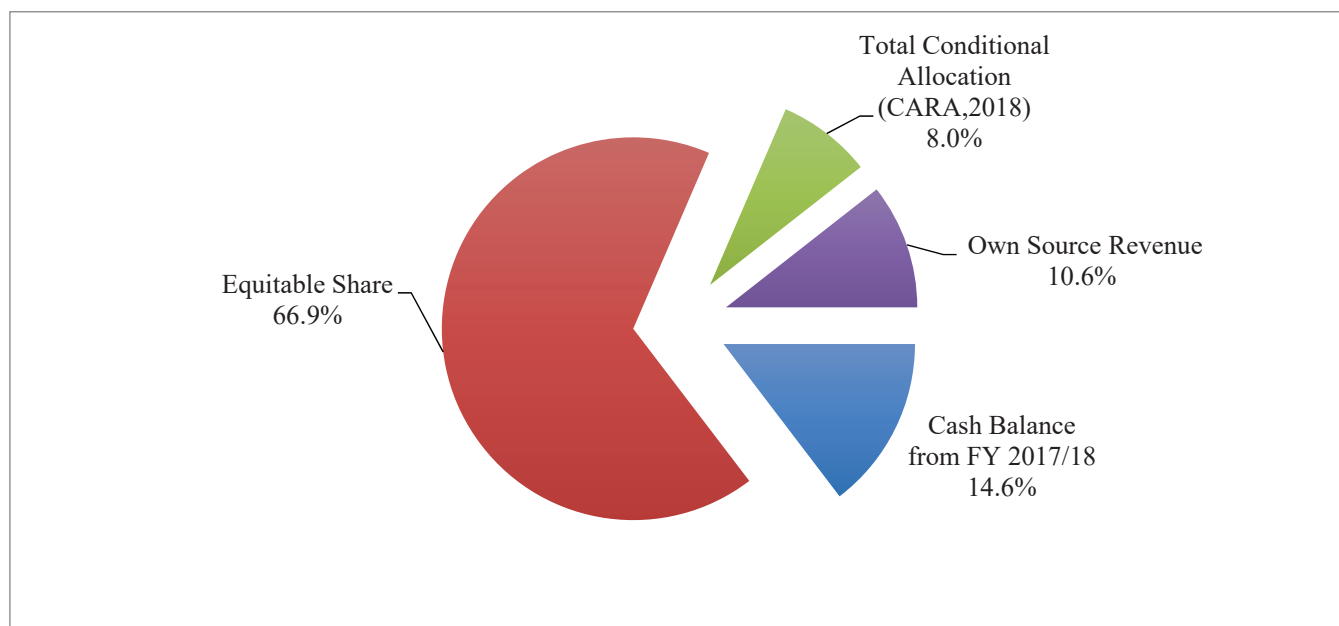
3.15 Kirinyaga County

3.15.1 Overview of the FY 2018/19 Budget

The County's FY 2018/19 Approved Budget was Kshs. 6.15 billion, comprising of Kshs.3.67 billion (59.7 per cent) and Kshs.2.48 billion (40.3 per cent) allocation for recurrent and development expenditure respectively.

To finance the budget, the County expects to receive Kshs.4.11 billion (66.9 per cent) as equitable share of revenue raised nationally, Kshs.489.39 million (8 per cent) as total conditional grants, generate Kshs. 650 million (10.6 per cent) from own-sources of revenue, and Kshs.900.12 million (14.6 per cent) cash balance from FY 2017/18.

Figure 3.57: Kirinyaga County, Expected Sources of Budget Financing in FY 2018/19



Source: Kirinyaga County Treasury

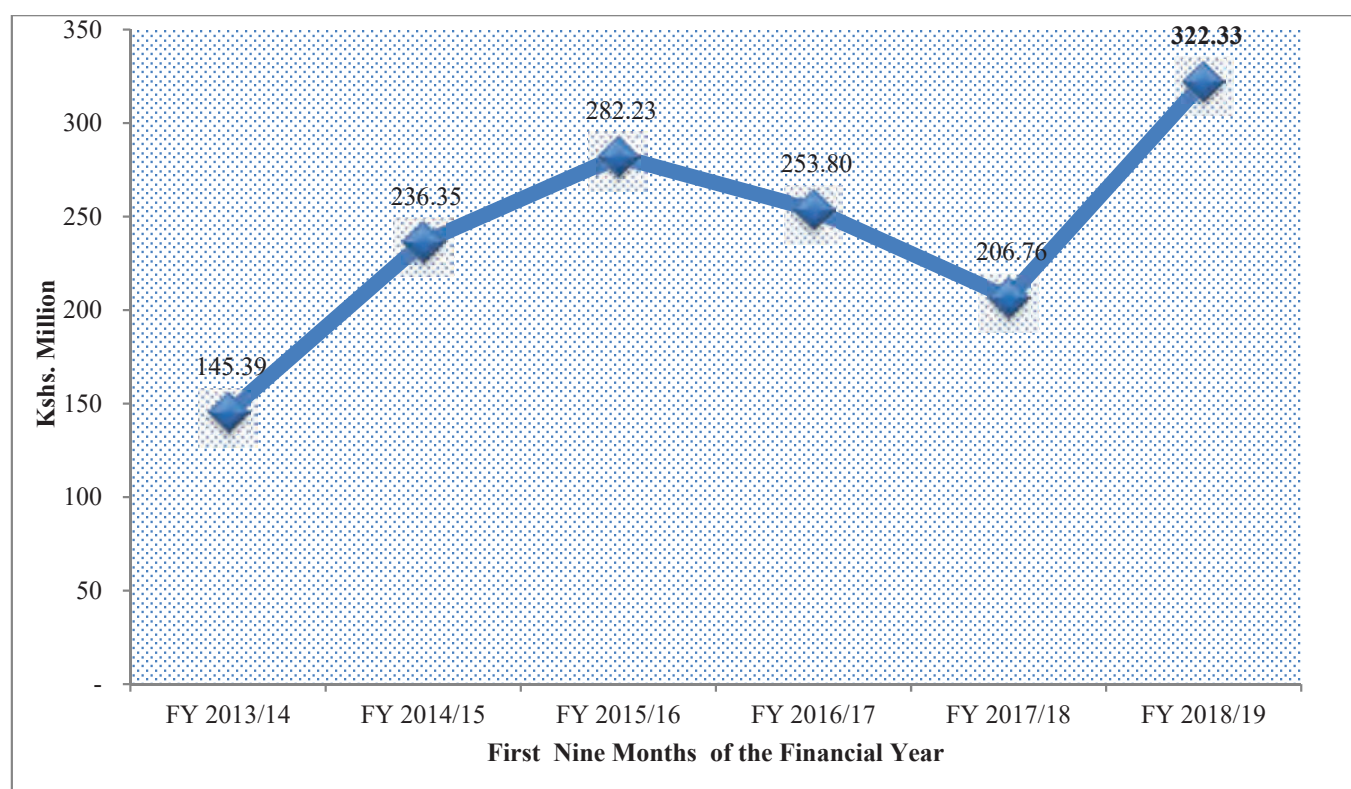
The conditional grants contained in the CARA, 2018 are shown in Table 3.40.

3.15.2 Revenue Analysis

During the first nine months of FY 2018/19, the County received Kshs.2.47 billion as equitable share of the revenue raised nationally, Kshs.164.69 million as total conditional grants, raised Kshs.322.33 million from own-sources of revenue, and had a cash balance of Kshs.900.12 million from FY 2017/18. The total funds available for budget implementation amounted to Kshs.3.85 billion.

Figure 3.58 shows the trend in own-sources of revenue collection for the first nine months from FY 2013/14 to FY 2018/19.

Figure 3.58: Kirinyaga County, Trend in Own Sources of Revenue Collection for the First Nine Months from FY 2013/14 to FY 2018/19



Source: Kirinyaga County Treasury

The County generated a total of Kshs.322.33 million from own-sources of revenue during the first nine months of FY 2018/19. This amount represented an increase of Kshs.115.58 million compared to the Kshs.206.76 million realised during a similar period of the FY 2017/18 and represented 49.6 per cent of the annual target.

3.15.3 Conditional Grants

The County received Kshs.164.69 million as conditional grants in the first nine months of the financial year as shown in Table 3.40.

Table 3.40: Kirinyaga County, Conditional Grants/Loans Received in the First Nine Months of FY 2018/19

S/No	Grants	Annual CARA, 2018 Allocation (in Kshs)	Annual Budget Allocation (in Kshs)	Actual receipts in First Nine Months of FY 2018/19 (in Kshs.)	Actual Receipts as Percentage of Annual Allocation (%)
1	Compensation for User Fee Foregone	11,282,570	11,282,570	6,006,753	53.2
2	Leasing of Medical Equipment	200,000,000	-	-	-
3	Road Maintenance Fuel Levy	108,302,240	108,302,240	54,151,120	50.0
4	Rehabilitation of Village Polytechnics	52,210,000	52,210,000	-	-
5	Transforming Health Systems for Universal Care Project (WB)	50,000,000	50,000,000	18,448,186	36.9
6	National Agricultural and Rural Inclusive Growth Project (NARIGP)	140,435,163	140,435,163	-	-

7	Kenya Devolution Support Project (KDSP) "Level 1 grant"	41,078,830	41,078,830	-	-
8	Kenya Urban Support Project (KUSP)	71,302,200	71,302,200	71,302,200	100.0
9	DANIDA Grant	14,782,500	14,782,500	14,782,500	100.0
Total		689,393,503	489,393,503.0	164,690,759.0	33.7

Source: Kirinyaga County Treasury

Analysis of revenue from conditional grants indicates that, the County received full allocation for the Kenya Urban Support Project and DANIDA Grant.

3.15.4 Exchequer Issues

To finance the budget, the Controller of Budget approved withdrawal of Kshs.3.48 billion from the County Revenue Fund Account. The withdrawals represented 56.5 per cent of the Approved Budget and translated to an increase of 35.9 per cent from Kshs.2.56 billion approved in the first nine months of FY 2017/18 and comprised of Kshs.2.84 billion (81.7 per cent) to fund recurrent expenditure and Kshs.634.41 million (18.3 per cent) for development activities.

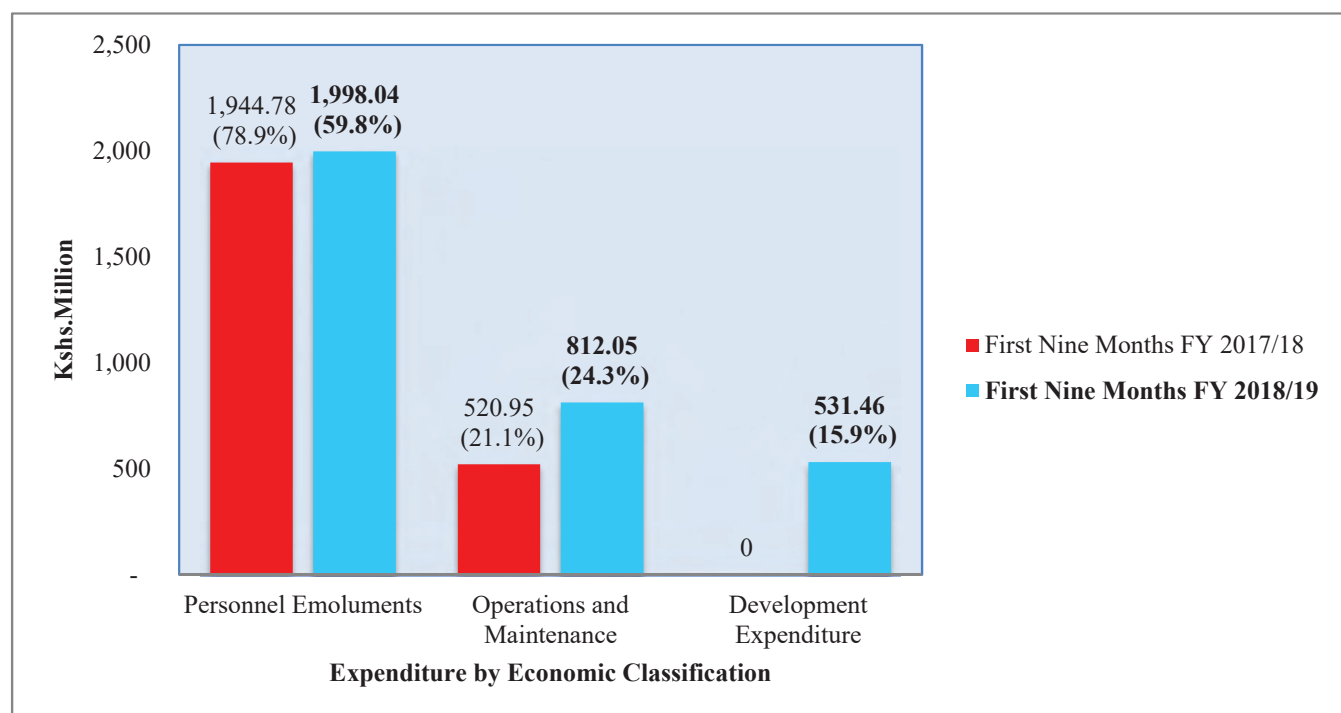
3.15.5 Overall Expenditure Review

The County spent a total of Kshs.3.34 billion on recurrent and development activities. This expenditure represented 96.1 per cent of the total funds released from the County Revenue Fund Account and was an increase of 35.5 per cent from Kshs.2.47 billion spent in the first nine months of FY 2017/18. The expenditure excluded outstanding commitments as at March 31, 2019 which amounted to Kshs.154.44 million for development activities and Kshs.108.37 million for recurrent expenditure.

Expenditure on recurrent activities amounted to Kshs.2.81 billion while Kshs.531.46 million was spent on development activities. The recurrent expenditure was 98.9 per cent of the funds released for recurrent activities, while development expenditure was 83.8 per cent of funds released for development activities.

The recurrent expenditure represented 76.5 per cent of the annual recurrent budget, an increase from 62.1 per cent recorded in the first nine months of FY 2017/18. Development expenditure recorded an absorption rate of 21.4 per cent. There was no development expenditure reported in the first nine months of FY 2017/18. Figure 3.59 presents a comparison between the total expenditure in the first nine months of FY 2018/19 and a similar period in FY 2017/18.

Figure 3.59: Kirinyaga County, Expenditure by Economic Classification



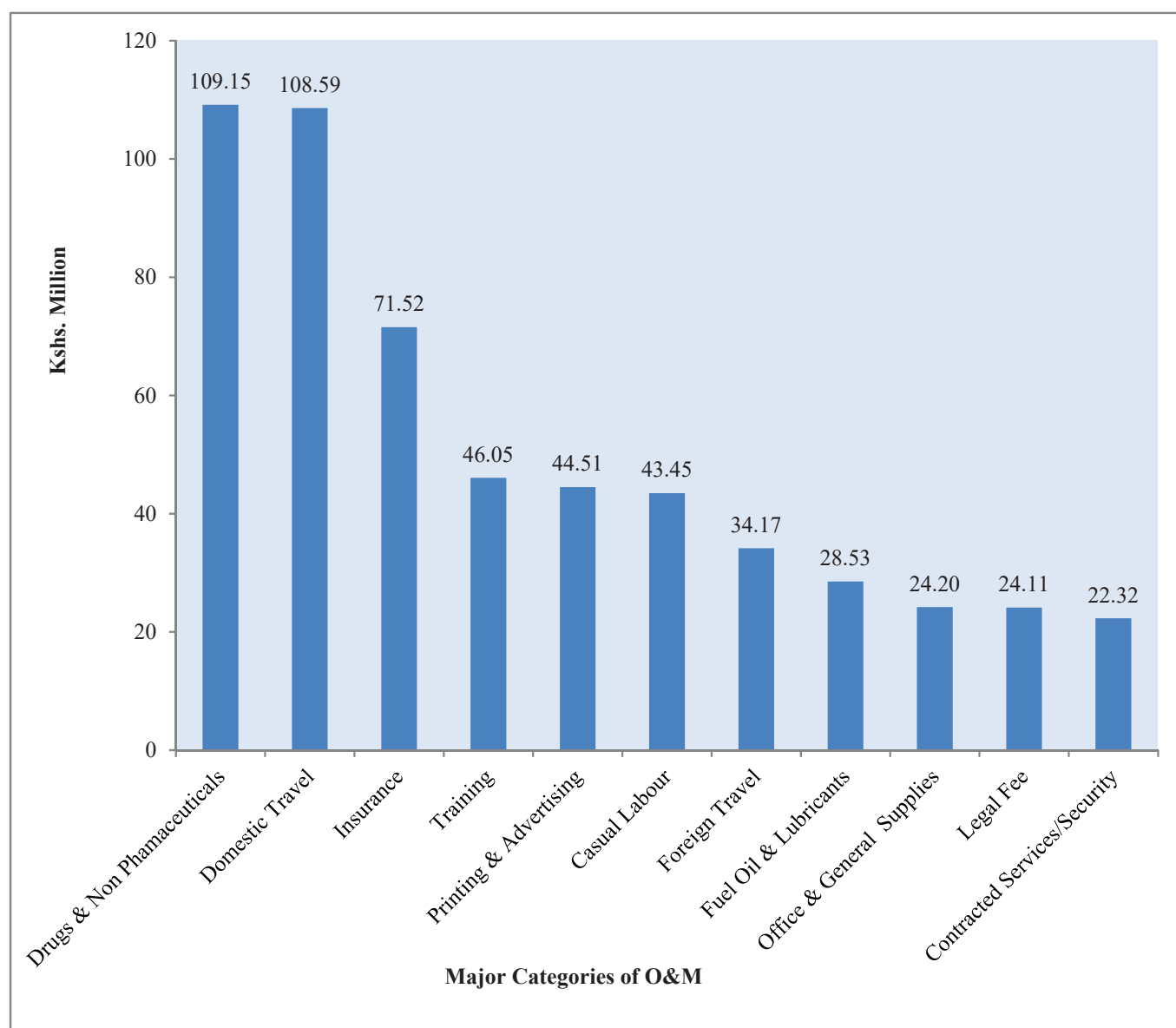
Source: Kirinyaga County Treasury

3.15.6 Analysis of Recurrent Expenditure

The total recurrent expenditure of Kshs.2.81 billion comprised of Kshs.1.99 billion (71.1 per cent) incurred on personnel emoluments and Kshs.812.05 million (28.9 per cent) on operations and maintenance as shown in Figure 3.59.

Expenditure on personnel emoluments represented an increase of 2.7 per cent compared to a similar period of FY 2017/18 when the County spent Kshs.1.94 billion and was 59.8 per cent of total expenditure in the first nine months of FY 2018/19. Figure 3.60 shows a summary of operations and maintenance expenditure by major categories.

Figure 3.60: Kirinyaga County, Operations and Maintenance Expenditure by Major Categories in the First Nine Months of FY 2018/19



Source: Kirinyaga County Treasury

The County spent Kshs.23.20 million on committee sitting allowances for the 34 MCAs and the speaker against the annual budget allocation of Kshs.80 million. This represented an increase of 113.8 per cent compared to Kshs.10.85 million spent in a similar period of FY 2017/18. The average monthly sitting allowance translated to Kshs.75,815 per MCA against the SRC's recommended monthly ceiling of Kshs.124,800.

Expenditure on domestic and foreign travel amounted to Kshs.142.76 million and comprised of Kshs.100.56 million spent by the County Assembly and Kshs.42.2 million spent by the County Executive. This represented 3.9 per cent of total recurrent expenditure and was an increase of 42.5 per cent compared to Kshs.100.2 million spent in the first nine months of FY 2017/18.

3.15.7 Development Expenditure

The total development expenditure of Kshs.531.46 million represented 21.4 per cent of the annual development expenditure budget of Kshs.2.48 billion. Table 3.41 provides a summary of development projects with the highest expenditure in the first nine months of the financial year.

Table 3.41: Kirinyaga County, List of Development Projects with the Highest Expenditure in First Nine Months of FY 2018/19

S/No.	Project Name	Project Location	Annual Project Budget (Kshs.)	Expenditure in First Nine Months (Kshs.)	Absorption Rate (%)
1	Access Roads	Countywide	239,122,723	113,502,083	47.5
2	Construction and equipping a 220 bed capacity medical complex	Kerugoya	400,000,000	57,557,118	14.4
3	Construction of Cabro in Kagio Parking Phase 1– LOT	Kagio	62,702,524	48,552,321	77.4
4	Paving, Cabro & Marking of Kutus Parking	Kutus	45,506,916	34,745,193	76.4
5	Paving and Marking of Kianyaga Matatu Parking	Kianyaga	57,038,114	32,846,350	57.6
6	County Assembly Chambers Development and refurbishments	Kerugoya	43,317,442	25,084,259	57.9
7	Purchase of Software	HQs	28,351,923	26,619,580.00	93.9
8	Purchase of Vaccine and Sera	Countywide	20,600,000	14,100,000.00	68.4
9	Fuel And Lubricants for truck/graders while grading	Countywide	16,000,000	12,263,245.00	76.6
10	Supply and Delivery Of 10,000 Litres and 1,000 Litres Heavy Duty Plastic Water Tanks	Kiaga/Gattwe	11,014,860	11,014,860	100.0

Source: Kirinyaga County Treasury

3.15.8 Budget Performance by County Department

Table 3.42 shows a summary of the approved budget allocation and performance by department in the first nine months of FY 2018/19.

Table 3.42: Kirinyaga County, Budget Performance by Department

Department	Annual Budget Allocation in FY 2018/19 (Kshs. Million)		Exchequer Issues in First Nine Months of FY 2018/19 (Kshs. Million)		Expenditure in First Nine Months of FY 2018/19 (Kshs. Million)		Expenditure to Exchequer Issues (%)		Absorption Rate (%)	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
County Assembly	601.73	158.32	460.11	27.60	460.11	25.08	100	90.9	76.5	15.8
County Executive	461.17	250.00	319.23	74.72	317.67	65.63	99.5	87.8	68.9	26.3
Finance and Economic Planning	304.	38.39	227.94	10.93	224.01	13.30	98.3	121.7	73.5	34.7
Medical Services	1,628.82	598.17	1,399.66	113.28	1,391.25	105.40	99.4	93.0	85.7	17.6
Education	241.20	37.06	74.56	-	74.56	-	100	-	30.9	-
Agriculture	173.43	191.18	148.77	58.10	148.77	58.10	100	100.0	85.8	30.4
Gender Culture and Social Services	37.54	33.71	33.44	1	25.32	1.00	75.7	100.0	67.4	3
Youth and Sports	19.51	50.50	16.57	13.69	16.57	13.69	100	100.0	85.0	27.1

Department	Annual Budget Allocation in FY 2018/19 (Kshs. Million)		Exchequer Issues in First Nine Months of FY 2018/19 (Kshs. Million)		Expenditure in First Nine Months of FY 2018/19 (Kshs. Million)		Expenditure to Exchequer Issues (%)		Absorption Rate (%)	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
Trade and Cooperative Development	43.13	165.08	22.33	11.57	20.97	11.57	93.9	100.0	48.6	7
Environment and Natural Resources	76.23	158.22	67.23	34.61	67.23	22.32	100	64.5	88.2	14.1
Physical Planning and Housing	19.69	115.91	14.75	71.30	13.51	-	91.5	-	68.6	-
Transport and Infrastructure	64.30	685.01	57.00	217.61	50.11	215.36	87.9	99.0	77.9	31.4
TOTAL	3,671.39	2,481.53	2,841.59	634.41	2,810.08	531.46	98.9	83.8	76.5	21.4

Source: Kirinyaga County Treasury

Analysis of expenditure by department shows that the Departments of Finance & Economic Planning and Transport recorded the highest absorption rate of development budget at 34.7 per cent. The Department of Environment and Natural Resources and Medical Services had the highest percentage of recurrent expenditure to recurrent budget at 88.2 per cent while the Department of Education had the lowest at 30.9 per cent.

3.15.9 Key Observations and Recommendations

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

- Although the absorption rate for the development budget was 21.4 per cent, it was an improvement compared to a similar period of FY 2017/18 when there was no development expenditure.
- Establishment of Internal Audit Committee in compliance to Section 155 (5) of the PFM Act, 2012.
- Improvement by the County Treasury in timely submission of financial reports to the Office of the Controller of Budget

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

- High wage bill of Kshs.1.99 billion, which accounted for 59.8 per cent of the total expenditure during the reporting period thus constraining funding of other programmes.
- Delay in disbursement of the equitable share of revenue raised nationally by the National Treasury,

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

- The County Public Service Board should develop an optimal staffing structure and devise strategies to contain expenditure on personnel costs within 35 per cent of County's total revenue in line with regulation 25(1) (b) of the PFM (County Government) Regulations, 2015.*
- The County Treasury should liaise with the National Treasury to ensure that funds allocated to the County are released in a timely manner.*

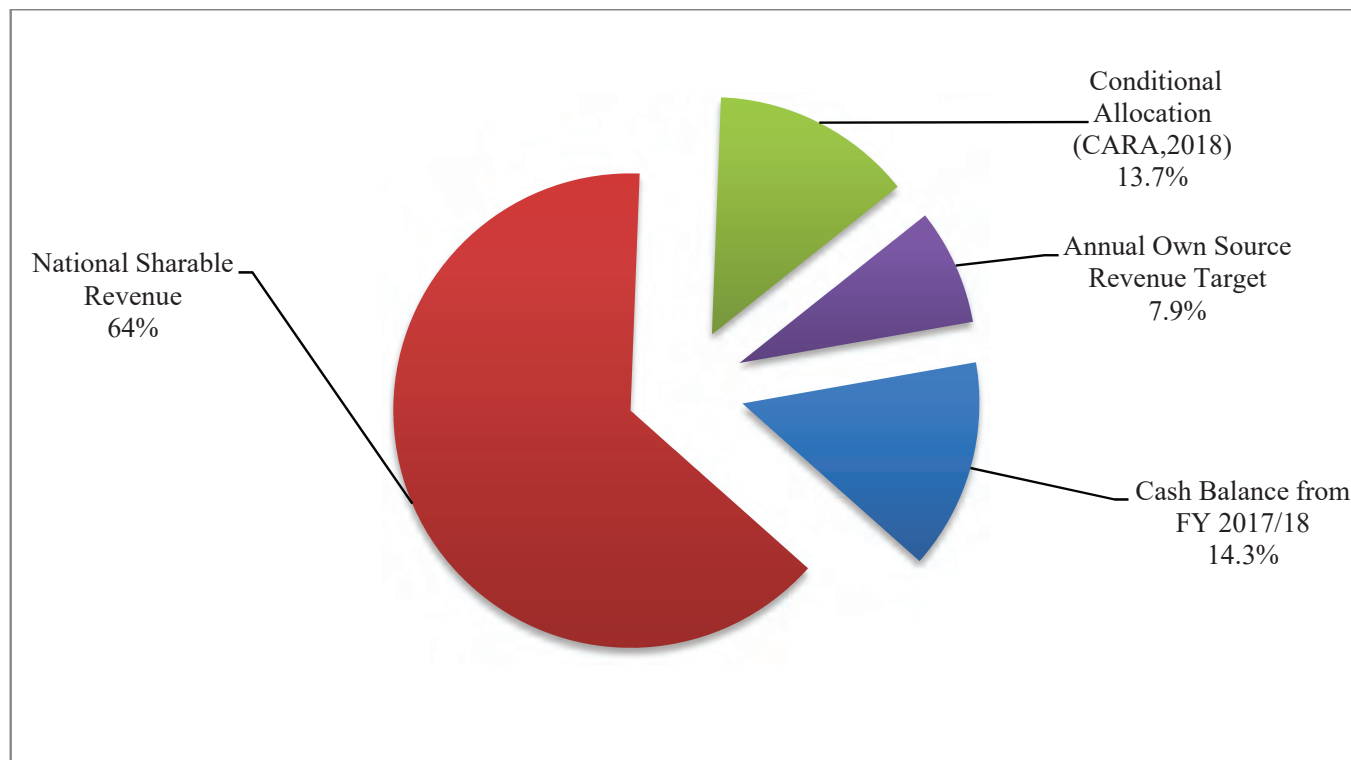
3.16 Kisii County

3.16.1 Overview of the FY 2018/19 Budget

The County's FY 2018/19 Approved Supplementary Budget was Kshs.12.01 billion, comprising of Kshs.8.01 billion (66.7 per cent) and Kshs.4 billion (33.3 per cent) allocation for recurrent and development expenditure respectively.

To finance the budget, the County expects to receive Kshs.7.69 billion (64 per cent) as equitable share of revenue raised nationally, Kshs.1.65 billion (13.7 per cent) as total conditional grants, generate Kshs.950.00 million (7.9 per cent) from own-source of revenue, and Kshs.1.72 billion (14.3 per cent) cash balance from FY 2017/18.

Figure 3.61: Kisii County, Expected Sources of Budget Financing in FY 2018/19



Source: Kisii County Treasury

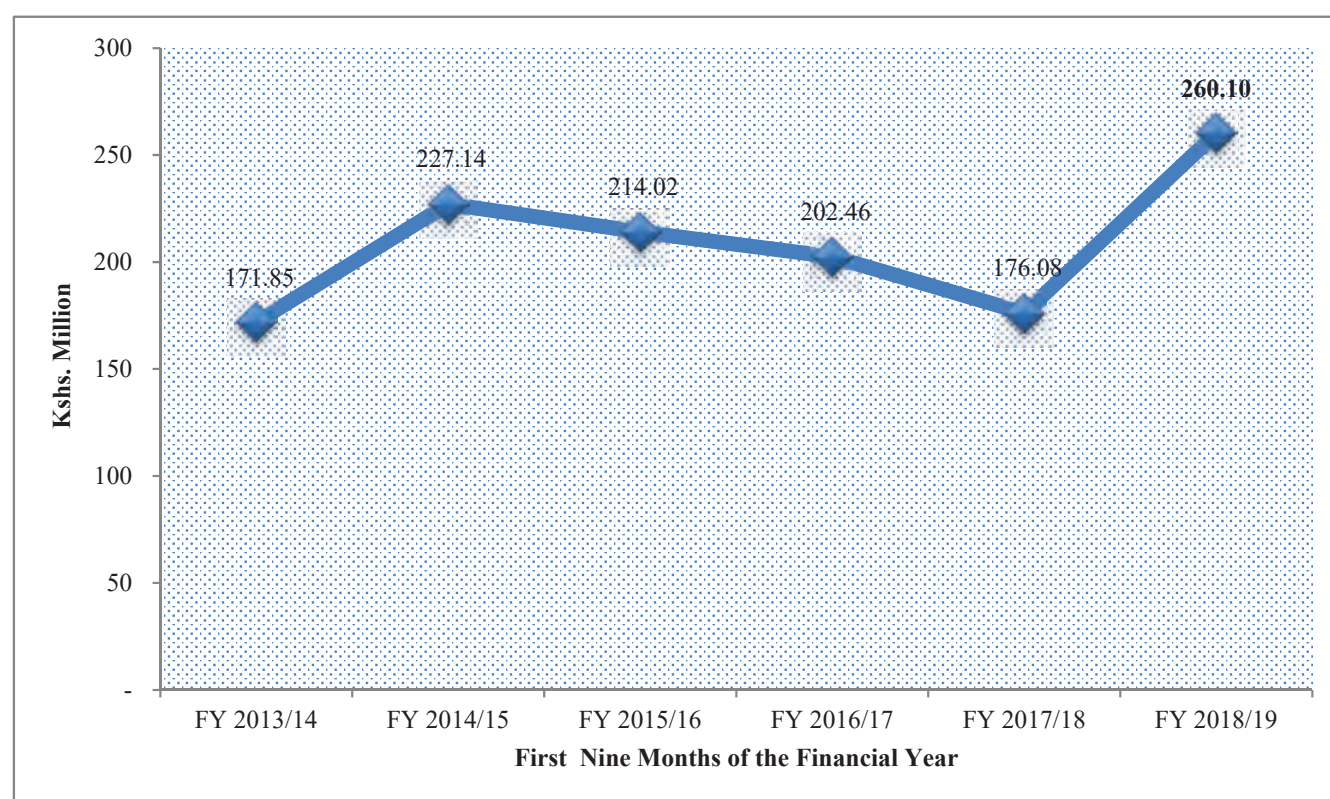
The conditional grants contained in the CARA, 2018 are shown in Table 3.43.

3.16.2 Revenue Analysis

During the first nine months of FY 2018/19, the County received Kshs.4.50 billion as equitable share of the revenue raised nationally, Kshs.584.51 million as total conditional grants, raised Kshs.260.10 million from own-sources of revenue, and had a cash balance of Kshs.1.64 billion from FY 2017/18. The total funds available for budget implementation amounted to Kshs.6.98 billion.

Figure 3.62 shows the trend in own-sources of revenue collection from the first nine months FY 2013/14 to the first nine months of FY 2018/19.

Figure 3.62: Kisii County, Trend in Own Sources of Revenue Collection for the First Nine Months from FY 2013/14 to FY 2018/19



Source: Kisii County Treasury

The County generated a total of Kshs.260.10 million from own revenue sources during the first nine months of FY 2018/19. This amount represented an increase of Kshs.84.03 million compared to that realised during a similar period of the FY 2017/18 and represented 27.4 per cent of the annual target.

3.16.3 Conditional Grants

The County received Kshs.584.51 million as conditional grants in the first nine months of the financial year as shown in Table 3.43.

Table 3.43: Kisii County, Conditional Grants/Loans Received in the First Nine Months of FY 2018/19

S/No	Grants	Annual CARA, 2018 Allocation (in Kshs)	Annual Budget Allocation (in Kshs)	Actual Re-ceipts in First Nine Months of FY 2018/19 (in Kshs.)	Actual Receipts as Percentage of Annual Allocation (%)
A	Grants Contained in the CARA, 2018				
1.	Grants to Level- 5 Hospital	417,572,254	417,572,254	204,610,404	49.0
2.	Compensation for User Fee Foregone	26,138,997	26,138,997		-
3.	Leasing of Medical Equipment	200,000,000	200,000,000		-
4.	Road Maintenance Fuel Levy	203,376,725	203,376,725	101,688,363	50.0
5.	Rehabilitation of Village Polytechnics	70,090,000	70,090,000		-
6.	Transforming Health Systems for Universal Care Project (World Bank)	74,159,514	74,159,514	33,079,308	44.6

S/No	Grants	Annual CARA, 2018 Allocation (in Kshs)	Annual Budget Allocation (in Kshs)	Actual Receipts in First Nine Months of FY 2018/19 (in Kshs.)	Actual Receipts as Percentage of Annual Allocation (%)
A	Grants Contained in the CARA, 2018				
7.	IDA (World Bank) -National Agricultural and Rural Inclusive Growth Project (NARIGP)	140,435,163	140,435,163		-
8.	IDA (World Bank) -Kenya Climate Smart Agriculture Project (KCSAP)				-
9.	IDA (World Bank) Kenya Devolution Support Programme "Level 1 grant"	53,938,093	53,938,093		-
10.	IDA (World Bank) -Kenya Urban Support Project (KUSP)	164,053,800	164,053,800	164,053,800	100
11.	DANIDA - Universal Healthcare in Devolved System Programme	24,907,500	36,171,944	24,907,500	68.9
12.	EU Grant- Instruments for Devolution Advice and Support- IDEAS)	70,000,000	70,000,000	48,161,217	68.8
13.	Kenya Devolution Support Programme "Level 2 grant"		126,446,545		-
14.	Sweden - Agriculture Sector Development Support Programme (ASDSP) II + Bal C/F in FY 2017/18	22,011,311	22,011,311	8,013,827	36.4
15.	IDA (World Bank) credit: Kenya Urban Support Project (KUSP) - Urban Institutional Grants (UIG) + Bal C/F in FY 2017/18	41,200,000	41,200,000		-
Grand Total		1,507,883,357	1,645,594,346	584,514,418.5	35.5

Source: Kisii County Treasury

Analysis of revenue from conditional grants indicates that, the County received the full allocation for IDA (World Bank) -Kenya Urban Support Project (KUSP).

3.16.4 Exchequer Issues

To finance the budget, the Controller of Budget approved the withdrawal of Kshs.6.32 billion from the County Revenue Fund Account. The withdrawals represented 52.6 per cent of the Approved Budget and translated to an increase of 13 per cent from Kshs.5.59 billion approved in the first nine months of FY 2017/18 and comprised of Kshs.4.85 billion (76.7 per cent) to fund recurrent expenditure and Kshs.1.47 billion (23.3 per cent) for development activities.

3.16.5 Overall Expenditure Review

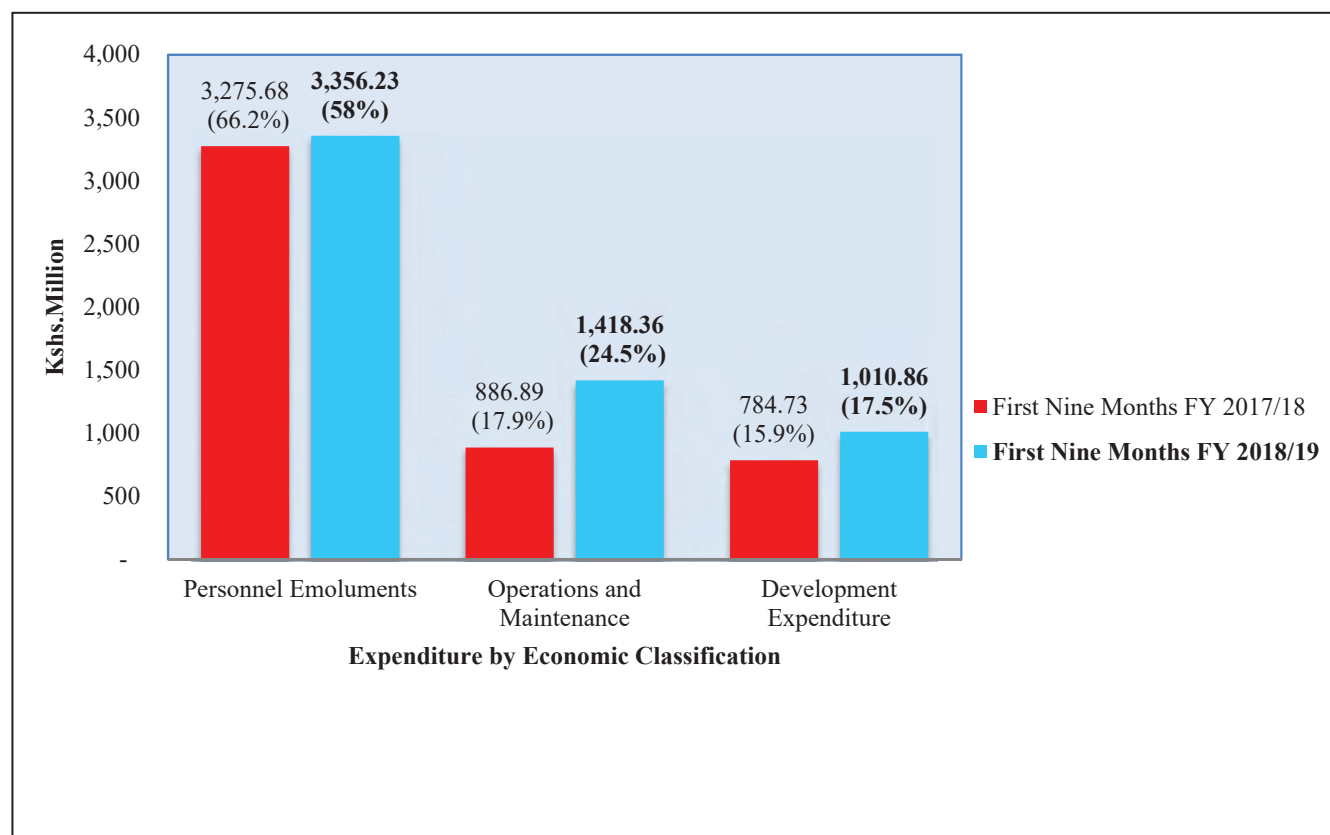
The County spent a total of Kshs.5.79 billion on recurrent and development activities. This expenditure represented 91.6 per cent of the total funds released from the County Revenue Fund Account and was an increase of 16.9 per cent from Kshs.4.95 billion spent in the first nine months of FY 2017/18. The expenditure excluded outstanding commitments as at March 31, 2019 which amounted to Kshs.230.45 million for development activities and Kshs.27.09 million for recurrent expenditure.

Expenditure on recurrent activities amounted to Kshs.4.77 billion while Kshs.1.01 billion was spent on development activities. The recurrent expenditure was 98.5 per cent of the funds released for recurrent activities, while development expenditure was 68.8 per cent of funds released for development activities.

The recurrent expenditure represented 59.6 per cent of the annual recurrent budget, an increase from 55.4 per cent recorded in the first nine months of FY 2017/18. Development expenditure recorded an absorption rate

of 25.3 per cent, which was an increase from 20.9 per cent attained in the first nine months of FY 2017/18. Figure 3.63 presents a comparison between the total expenditure in the first nine months of FY 2018/19 and a similar period in FY 2017/18.

Figure 3.63: Kisii County, Expenditure by Economic Classification



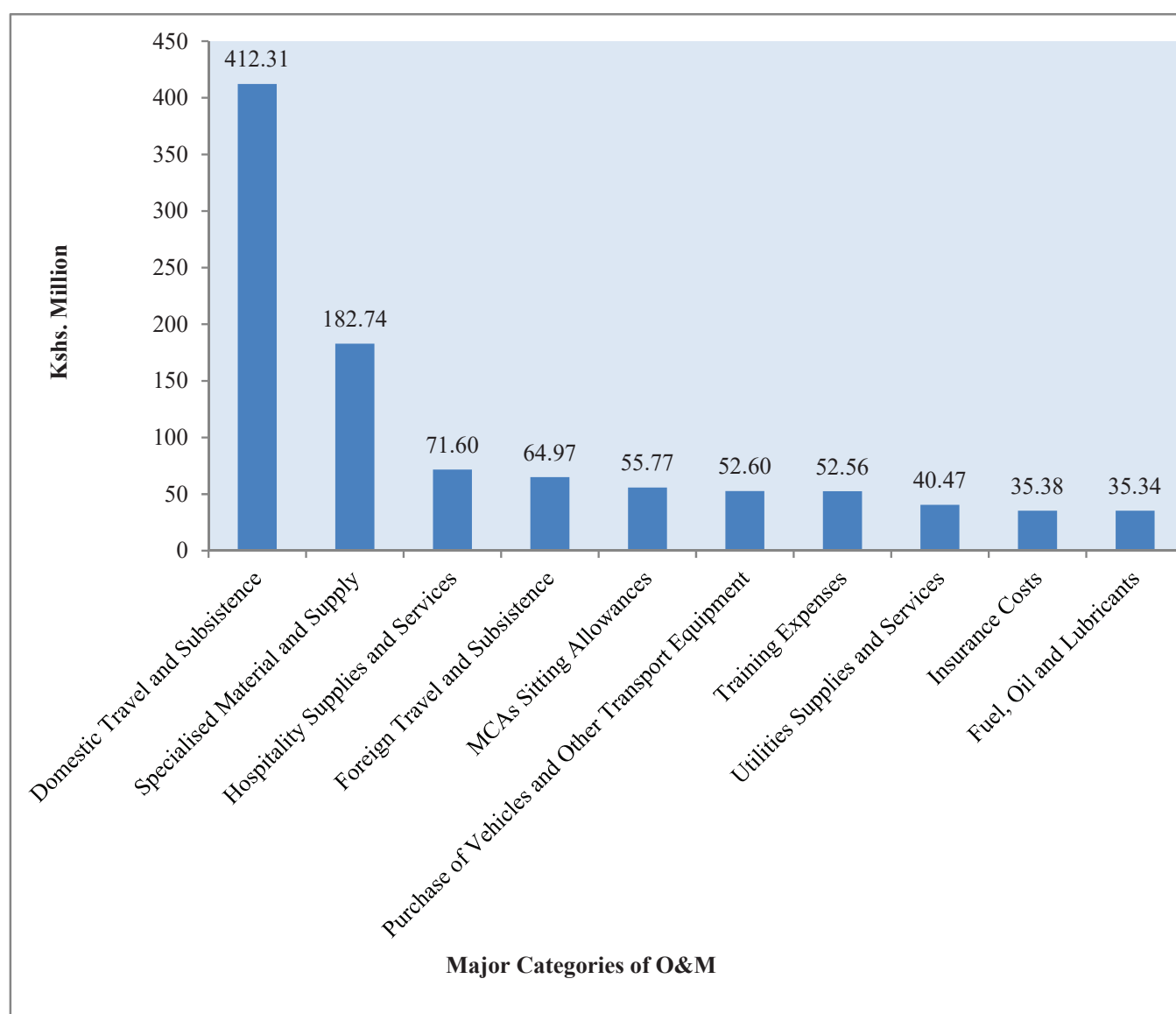
Source: Kisii County Treasury

3.16.6 Analysis of Recurrent Expenditure

The total recurrent expenditure of Kshs.4.77 billion comprised of Kshs.3.36 billion (70.3 per cent) incurred on personnel emoluments and Kshs.1.42 billion (29.7 per cent) on operations and maintenance as shown in Figure 3.63.

Expenditure on personnel emoluments which included salaries for March 2019 represented an increase of 2.5 per cent compared to a similar period of FY 2017/18 when the County spent Kshs.3.28 billion and was 58.0 per cent of total expenditure in the first nine months of FY 2018/19. Figure 3.64 shows a summary of operations and maintenance expenditure by major categories.

Figure 3.64: Kisii County, Operations and Maintenance Expenditure by Major Categories in the First Nine Months of FY 2018/19



Source: Kisii County Treasury

The County spent Kshs.55.77 million on committee sitting allowances for the 70 MCAs and the speaker against the annual budget allocation of Kshs.100.82 million. This represented an increase of 154.4 per cent compared to Kshs.21.92 million spent in a similar period of FY 2017/18. The average monthly sitting allowance translated to Kshs.88,523 per MCA against the SRC's recommended monthly ceiling of Kshs.124,800.

Expenditure on domestic travel amounted to Kshs.412.31 million and comprised of Kshs.88.19 million spent by the County Assembly and Kshs.324.12 million spent by the County Executive. This represented 8.6 per cent of total recurrent expenditure and was an increase of 66.6 per cent compared to Kshs.247.45 million spent in the first nine months of FY 2017/18.

3.16.7 Development Expenditure

The total development expenditure of Kshs.1.01 billion represented 25.3 per cent of the annual development expenditure budget of Kshs.4.00 billion. Table 3.44 provides a summary of development projects with the highest expenditure in the first nine months of the financial year.

Table 3.44: Kisii County, List of Development Projects with the Highest Expenditure in First Nine Months of FY 2018/19

S/No.	Project Name	Project Location	Annual Project Budget (Kshs.)	Expenditure in First Nine Months (Kshs.)	Absorption Rate (%)
1	Artificial Insemination Programme	Countywide (All 45 wards)	80,000,000	79,967,480	100.0
2	Delivery of Drilling Rig including Test Pumping Unit Complete with Accessories and Tools	County Headquarters	60,000,000	60,000,000	100.0
3	Completion of Gusii Stadium	Kisii Town	55,000,000	29,389,724	53.4
4	Purchase of Assorted Medical Equipment at Kisii Teaching and Referral Hospital	Kisii Town	35,630,000	23,696,644	66.5
5	Construction of Casualty / Theatre Block at Marani Level 4 Hospital	Marani	20,000,000	16,947,260	84.7
6	Construction of MCAs' Offices	County Assembly Headquarters	46,207,409	10,087,409	21.8
7	Kisii Main Stage - Getare Road	Kitutu Chache south (Getare)	62,309,610	9,885,002	15.9
8	Supply, Delivery and Installation of Laparoscope System at Kisii Teaching and Referral Hospital	Kisii Town	9,821,900	9,821,900	100.0
9	Integrated Strategic Urban Development Plan	County Headquarters	24,000,000	9,595,875	40.0
10	Development of Integrated County Management Information System (ERP) for all Departments Phase II (HR, Document, Fleet, Asset, Project, Cabinet, Customized Operations)	County Headquarters	20,000,000	8,782,560	43.9

Source: Kisii County Treasury

3.16.8 Budget Performance by County Department

Table 3.45 shows a summary of the approved budget allocation and performance by department in the first nine months of FY 2018/19.

Table 3.45: Kisii County, Budget Performance by Department

Department	Annual Budget Allocation in FY 2018/19 (Kshs. Million)		Exchequer Issues in First Nine Months of FY 2018/19 (Kshs. Million)		Expenditure in First Nine Months of FY 2018/19 (Kshs. Million)		Expenditure to Exchequer Issues (%)		Absorption Rate (%)	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
County Assembly	991.84	130.00	634.91	15.27	620.30	13.32	97.7	87.2	62.5	10.2
Office of the Governor	500.38	7.50	323.31	3.57	318.29	3.57	98.4	100.0	63.6	47.6
Finance and Economic Planning	1,227.70	161.54	728.66	20.70	719.98	17.84	98.8	86.2	58.6	11.0
Agriculture, Livestock, Fisheries and Co-operative Development	356.26	508.20	228.35	219.35	221.35	145.80	96.9	66.5	62.1	28.7
Energy, Water, Environment and Natural Resources	194.62	227.12	101.06	91.09	96.73	72.43	95.7	79.5	49.7	31.9
Education, Youth Affairs & Social Development	596.48	210.13	302.08	37.87	302.30	8.05	100.1	21.3	50.7	3.8
County Health Services	2,919.99	1,025.37	1,850.56	279.65	1,821.21	283.17	98.4	101.3	62.4	27.6
Lands, Physical Planning & Urban Development	115.91	214.30	58.89	52.09	54.78	48.92	93.0	93.9	47.3	22.8
Roads, Public Works, Transport and Housing	185.28	899.89	91.58	509.65	91.59	343.31	100.0	67.4	49.4	38.2

Department	Annual Budget Allocation in FY 2018/19 (Kshs. Million)		Exchequer Issues in First Nine Months of FY 2018/19 (Kshs. Million)		Expenditure in First Nine Months of FY 2018/19 (Kshs. Million)		Expenditure to Exchequer Issues (%)		Absorption Rate (%)	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
Trade Development , Industry & Tourism	86.16	151.86	36.16	20.96	36.81	19.76	101.8	94.3	42.7	13.0
Culture and Social Services	88.08	141.65	62.37	33.30	62.80	33.30	100.7	100.0	71.3	23.5
Kisii Town	129.65	194.46	56.53	167.10	57.03	3.04	100.9	1.8	44.0	1.6
TOTAL	8,013.42	3,997.58	4,848.77	1,468.95	4,774.59	1,010.86	98.5	68.8	59.6	25.3

Source: Kisii County Treasury

Analysis of expenditure by department shows that the Office of the Governor recorded the highest absorption rate of development budget at 47.6 per cent while the Kisii Town Administration recorded the least at 1.6 per cent. The Department of Culture and Social Services had the highest percentage of recurrent expenditure to its recurrent budget at 71.3 per cent while the Department of Trade Development, Industry and Tourism had the lowest at 42.7 per cent.

3.16.9 Key Observations and Recommendations

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

- Timely submission of financial reports by the County Treasury to Controller of Budget in line with Section 166 of the PFM Act, 2012.
- Improvement in own-source revenue collection by 47.7 per cent from Kshs.176.1 million collected in the first nine months of FY 2017/18 to Kshs.260.1 million in the reporting period.

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

- Increased spending on domestic travel by 66.6 per cent from Kshs.247.45 million in the first nine months of FY 2017/18 to Kshs.412.31 million in the reporting period.
- High wage bill of Kshs.3.36 billion which accounted for 58 per cent of the total expenditure for the first nine months of FY2018/19.
- Under performance in own-source revenue collection which stood at 27.4 of the annual target. This may hinder effective budget implementation if not addressed.

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

- The County leadership should rationalise expenditure on non-core activities so as to free funds for development programmes.*
- The County Public Service Board should develop an optimal staffing structure and devise strategies to address the escalating wage bill.*
- The County Treasury should formulate and implement strategies to enhance own-source revenue collection.*

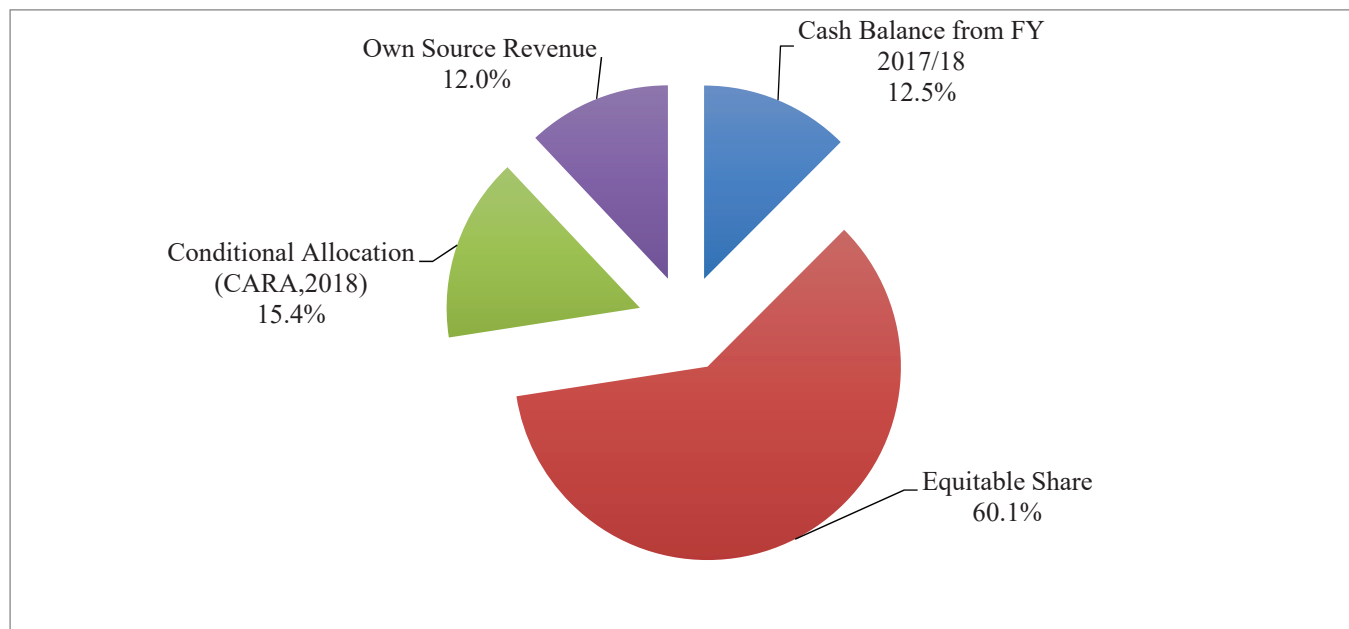
3.17 Kisumu County

3.17.1 Overview of the FY 2018/19 Budget

The County's FY 2018/19 Approved Supplementary Budget was Kshs.11.5 billion, comprising of Kshs.6.96 billion (60.5 per cent) and Kshs.4.54 billion (39.5 per cent) allocation for recurrent and development expenditure respectively.

To finance the budget, the County expects to receive Kshs.6.91 billion (60.1 per cent) as equitable share of revenue raised nationally, Kshs.1.77 billion (15.4 per cent) as total conditional grants, generate Kshs.1.38 billion (12 per cent) from own-sources of revenue, and Kshs.1.44 billion (12.5 per cent) cash balance from FY 2017/18.

Figure 3.65: Kisumu County, Expected Sources of Budget Financing in FY 2018/19



Source: Kisumu County Treasury

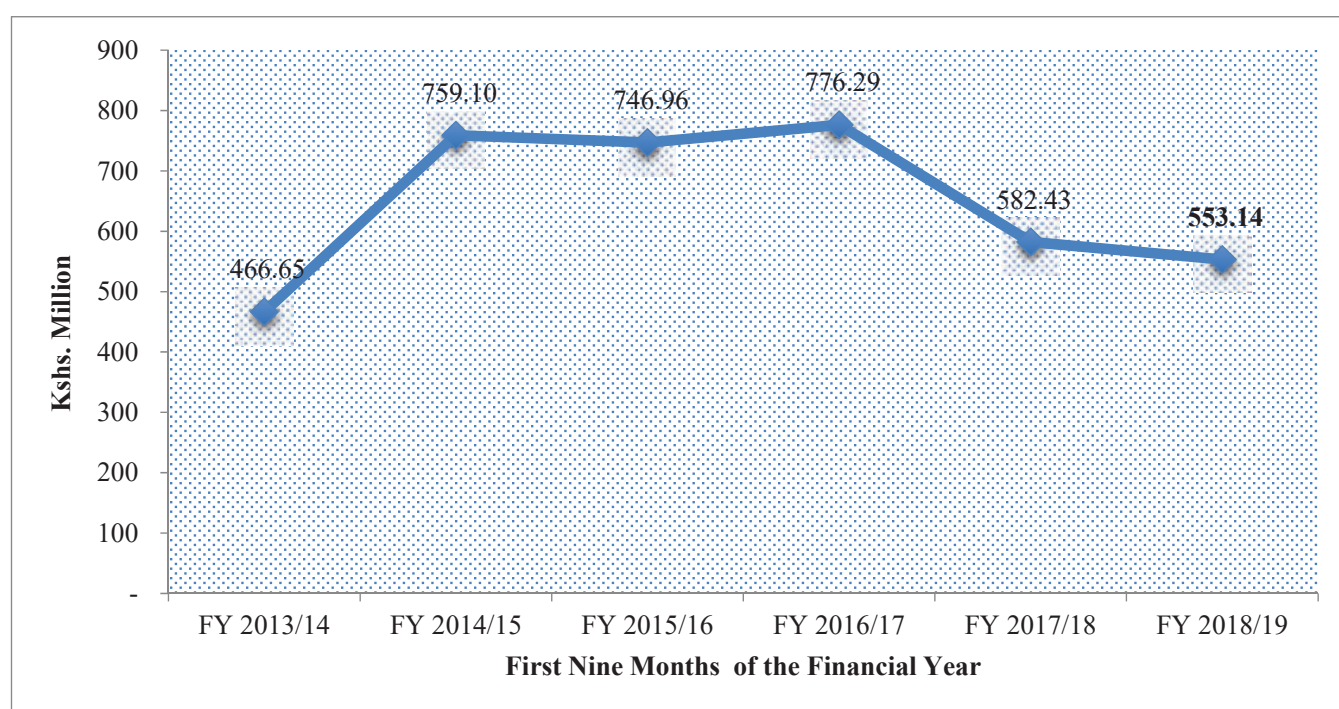
The conditional grants contained in the CARA, 2018 are shown in Table 3.46.

3.17.2 Revenue Analysis

During the first nine months of FY 2018/19, the County received Kshs.4.73 billion as equitable share of the revenue raised nationally, Kshs.1.50 billion as total conditional grants, raised Kshs.553.14 million from own-sources of revenue, and had a cash balance of Kshs.1.44 billion from FY 2017/18. The total funds available for budget implementation amounted to Kshs.8.23 billion.

Figure 3.66 shows the trend in own-sources of revenue collection from the first nine months FY 2013/14 to the first nine months of FY 2018/19.

Figure 3.66: Kisumu County, Trend in Own Sources of Revenue Collection for the First Nine Months from FY 2013/14 to FY 2018/19



Source: Kisumu County Treasury

The County generated a total of Kshs.553.14 million from own revenue sources during the first nine months of FY 2018/19. This amount represented a decrease of 5 per cent from Kshs.582.43 million realised during a similar period of the FY 2017/18 and represented 40 per cent of the annual target.

3.17.3 Conditional Grants

The County received Kshs.1.50 billion as conditional grants in the first nine months of the financial year 2018/19 as shown in Table 3.46.

Table 3.46: Kisumu County, Conditional Grants/Loans Received in the First Nine Months of FY 2018/19

S/No	Grants	Annual CARA, 2018 Allocation (in Kshs)	Annual Budget Allocation (in Kshs)	Actual receipts in first nine months of FY 2018/19 (in Kshs.)	Actual Receipts as Percentage of Annual Allocation (%)
A Grants Contained in the CARA, 2018					
1	World Bank credit for Kenya Urban Support Project (KUSP)	773,573,300	773,573,300	773,573,300	100
2	Conditional grant to Level 5 hospital	369,017,341	369,017,341	343,186,127	93
3	Leasing of Medical Equipment Grant	200,000,000	-	-	-
4	Conditional Allocation from the Road Maintenance Fuel Levy Fund	181,881,624	181,881,624	133,997,354	73.7
5	World Bank Grant for Kenya Climate Smart Agriculture Project (KCSAP)	117,000,000	117,000,000	39,654,018	33.9
6	EU Grant for Instrument for Devolution Advice & Support (IDEAS)	90,000,000	90,000,000	58,304,401	64.8

S/No	Grants	Annual CARA, 2018 Allocation (in Kshs)	Annual Budget Allocation (in Kshs)	Actual receipts in first nine months of FY 2018/19 (in Kshs.)	Actual Receipts as Percentage of Annual Allocation (%)
A	Grants Contained in the CARA, 2018				
7	EU - Water Tower and Protection Climate Change Mitigation and Adaptive Programme (WATER)	80,000,000	-	-	-
8	World Bank credit for Transforming Health Systems for Universal Care Project	67,364,355	67,364,355	22,607,754	33.6
9	World Bank credit for Kenya Devolution Support Project (KDSP) - Level 1	49,642,674	49,642,674	-	-
10	Conditional Allocation for Rehabilitation of Youth Polytechnics	41,650,000	41,650,000	20,159,586	48.4
11	IDA (World Bank) credit - Kenya Urban Support Project (KUSP) Urban Institution Grants	41,200,000	-	-	-
12	DANIDA grant - Universal Healthcare for Devolved System Program	21,971,250	21,971,250	21,971,250	100
13	Conditional Allocation to support abolishment of user fees in health centres and dispensaries	21,299,489	21,299,489	-	-
14	Universal Health Coverage	-	-	91,525,545	-
15	Sweden Agricultural Sector Development Support Program (ASDSP)	19,953,472	-	-	-
Sub Total		2,074,553,505	1,733,400,033	1,504,979,335	86.8

Source: Kisumu County Treasury

Analysis of revenue from conditional grants indicates that, the County received the full allocation for World Bank credit for Kenya Urban Support Project (KUSP) and DANIDA grant for Universal Healthcare for Devolved System Program.

3.17.4 Exchequer Issues

To finance the budget, the Controller of Budget approved the withdrawal of Kshs 6.57 billion from the County Revenue Fund Account. The withdrawals represented 57.1 per cent of the Approved Budget and translated to an increase of 61.5 per cent from Kshs.4.07 billion approved in the first nine months of FY 2017/18 and comprised of Kshs.4.84 billion (73.6 per cent) to fund recurrent expenditure and Kshs.1.74 billion (26.4 per cent) for development activities.

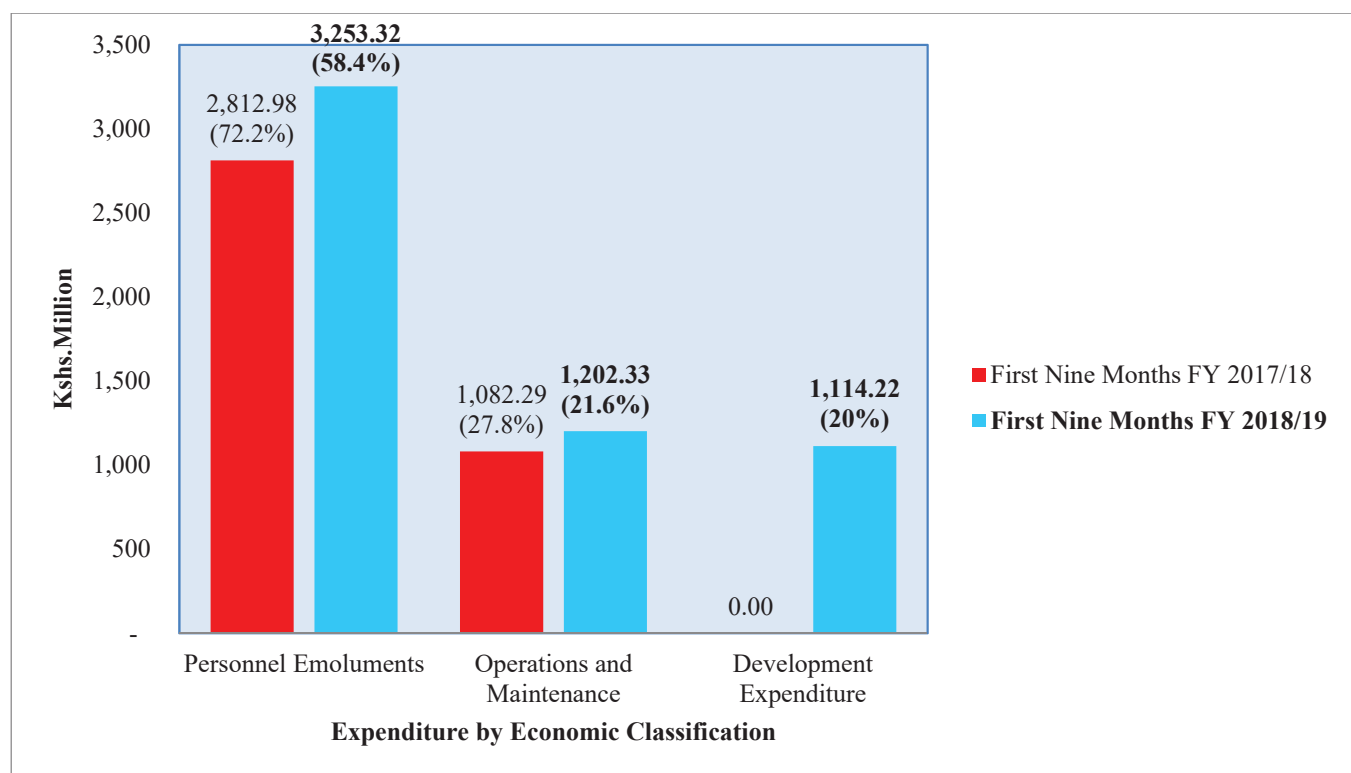
3.17.5 Overall Expenditure Review

The County spent a total of Kshs.5.57 billion on recurrent and development activities. This expenditure represented 84.8 per cent of the total funds released from the County Revenue Fund Account and was an increase of 43 per cent from Kshs.3.9 billion spent in the first nine months of FY 2017/18. The expenditure excluded outstanding commitments as at March 31, 2019 which amounted to Kshs.143.32 million for development activities and Kshs.66.57 million for recurrent expenditure.

Expenditure on recurrent activities amounted to Kshs.4.46 billion while Kshs.1.11 billion was spent on development activities. The recurrent expenditure was 84.8 per cent of the funds released for recurrent activities, while development expenditure was 64.2 per cent of funds released for development activities.

The recurrent expenditure represented 64 per cent of the annual recurrent budget, an increase from 58.8 per cent recorded in the first nine months of FY 2017/18. Development expenditure recorded an absorption rate of 24.5 per cent, which was an increase from 1 per cent attained in the first nine months of FY 2017/18. Figure 3.67 presents a comparison between the total expenditure in the first nine months of FY 2018/19 and a similar period in FY 2017/18.

Figure 3.67: Kisumu County, Expenditure by Economic Classification



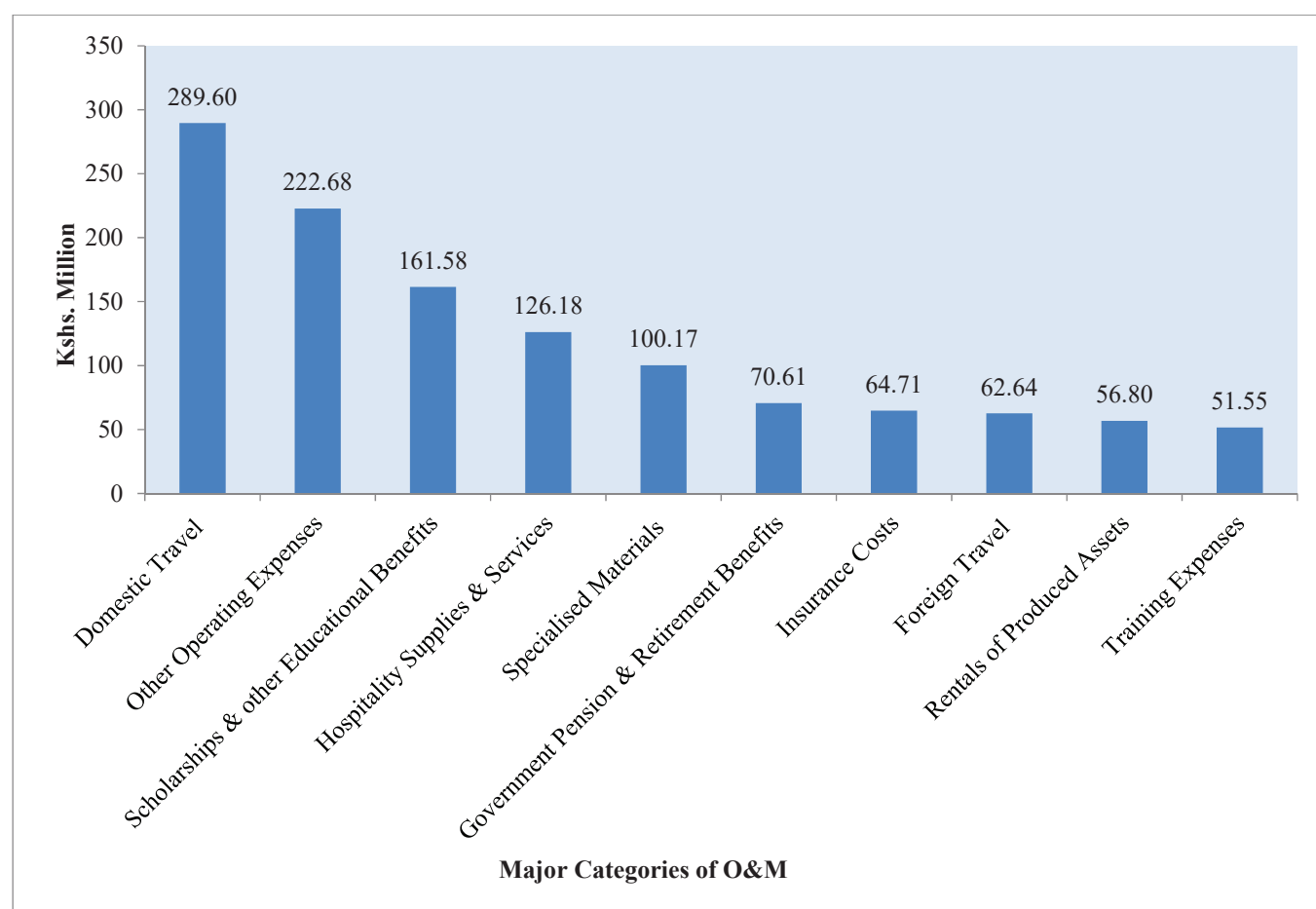
Source: Kisumu County Treasury

3.17.6 Analysis of Recurrent Expenditure

The total recurrent expenditure of Kshs.4.46 billion comprised of Kshs.3.25 billion (73 per cent) incurred on personnel emoluments and Kshs.1.2 billion (27 per cent) on operations and maintenance as shown in Figure 3.67.

Expenditure on personnel emoluments represented an increase of 15.7 per cent compared to a similar period of FY 2017/18 when the County spent Kshs.2.81 billion and was 58.4 per cent of total expenditure in the first nine months of FY 2018/19. The personal emoluments exclude salaries for March 2019. Figure 3.68 shows a summary of operations and maintenance expenditure by major categories.

Figure 3.68: Kisumu County, Operations and Maintenance Expenditure by Major Categories in the First Nine Months of FY 2018/19



Source: Kisumu County Treasury

The County spent Kshs.25.66 million on committee sitting allowances for the 49 MCAs and the Speaker against the annual budget allocation of Kshs.55.1 million. This represented an increase of 119.2 per cent compared to Kshs.11.71 million spent in a similar period of FY 2017/18. The average monthly sitting allowance translated to Kshs.58,153 per MCA against the SRC's recommended monthly ceiling of Kshs.124,800.

Expenditure on domestic travel amounted to Kshs.289.6 million and comprised of Kshs.85.59 million spent by the County Assembly and Kshs.204.01 million spent by the County Executive. This represented 6.5 per cent of total recurrent expenditure and was an increase of 109.5 per cent compared to Kshs.168.14 million spent in the first nine months of FY 2017/18.

3.17.7 Development Expenditure

The total development expenditure of Kshs.1.1 billion represented 24.5 per cent of the annual development expenditure budget of Kshs.4.54 billion. The County did not provide a report on development projects for the reporting period.

3.17.8 Budget Performance by County Department

Table 3.47 shows a summary of the approved budget allocation and performance by department in the first nine months of FY 2018/19.

Table 3.47: Kisumu County, Budget Performance by Department

Department	Budget Allocation (Kshs. Million)		Exchequer Issues in First Nine Months of FY 2018/19 (Kshs. Million)		Expenditure in First Nine Months of FY 2018/19 (Kshs. Million)		Expenditure to Exchequer Issues (%)		Absorption Rate (%)	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
Agriculture, Livestock and Fisheries	271.77	227.40	183.65	10.50	245.74	16.36	133.8	155.8	90.4	7.2
City of Kisumu	753.98	925.23	483.92	873.03	502.19	181.04	103.8	20.7	66.6	19.6
Kisumu County Public Service Board	81.26	-	57.60	-	38.66	-	67.1	-	47.6	-
Education, Gender, Youth, Human Resource Development, ICT and Social Services	404.19	294.42	295.32	8.49	283.26	40.83	95.9	480.9	70.1	13.9
Office of the Governor and County Administration	513.75	120.95	389.61	-	322.79	13.08	82.8	-	62.8	10.8
Health Services	2,827.36	401.86	1,947.68	-	1,919.71	1.90	98.6	-	67.9	0.5
Economic Planning	49.11	62.94	39.51	10.01	23.25	18.73	-	-	-	-
Tourism, Culture, Sports and Information	92.19	210.10	66.84	-	50.13	0.98	75.0	-	54.4	0.5
Roads, Transport and Public Works	190.10	539.80	134.98	90.94	95.41	3.76	70.7	4.1	50.2	0.7
Lands, Housing and Physical Planning	98.84	121.90	64.45	16.67	25.28	31.32	39.2	187.9	25.6	25.7
Business, Energy and Industry	123.08	371.52	94.45	105.46	50.16	2.00	53.1	1.9	40.8	0.5
Finance	733.54	963.68	506.61	620.10	408.24	804.22	80.6	129.7	55.7	83.5
Water, Environment and Natural Resources	136.67	248.60	102.15	-	60.98	-	59.7	-	44.6	-
County Assembly	684.80	50.76	470.00	-	429.84	-	91.5	-	62.8	-
TOTAL	6,960.65	4,539.15	4,836.76	1,735.20	4,455.65	1,114.22	92.1	64.2	64	24.5

Source: Kisumu County Treasury

Analysis of expenditure by department shows that the Department of Finance recorded the highest absorption rate of development budget at 83.5 per cent while the County Assembly, and the Department of Water, Environment and Natural Resources did not incur any development expenditure. The Department of Agriculture, Livestock & Fisheries had the highest percentage of recurrent expenditure to its recurrent budget at 90.4 per cent while the Department of Lands, Housing and Physical Planning had the lowest at 25.6 per cent.

3.17.9 Key Observations and Recommendations

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

- Improvement in absorption of development budget. In the reporting period, the County attained an absorption rate of 24.5 per cent as compared to 1 per cent in a similar period FY 2017/18.

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

- Under-performance in own-source revenue collection. The total own-source revenue generated in the first nine months of FY 2018/19 amounted to Kshs.553.14 million and was a decline by 5 per cent from Kshs.582.13 million raised in a similar period of FY 2017/18.
- Late submission of financial reports by the County Treasury, which affected timely preparation of budget implementation report. Section 166 of the PFM Act, 2012 requires the financial reports to be

submitted by the 15th day after the end of each quarter.

3. Expenditure on personnel emoluments represented an increase of 15.7 per cent compared to a similar period of FY 2017/18 when the County spent Kshs.2.81 billion and was 58.4 per cent of total expenditure in the first nine months of FY 2018/19. The personal emoluments exclude salaries for March 2019
4. Delay in disbursement of equitable share of revenue raised nationally by the National Treasury.
5. Failure by Fund Administrators to submit expenditure reports for the established County Funds contrary to Section 168 of the PFM Act, 2012.

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

1. *The County Treasury should formulate and implement strategies to enhance own-source revenue collection.*
2. *The County Treasury should ensure timely preparation and submission of financial reports in line with Section 166 of PFM Act, 2012.*
3. *The County Public Service Board should establish an optimal staffing structure in order to manage the wage bill.*
4. *The County Treasury should liaise with the National Treasury to ensure that the funds allocated to the County are released in a timely manner.*
5. *All Fund Administrators should ensure timely submission of expenditure reports in line with Section 168 of the PFM Act, 2012.*

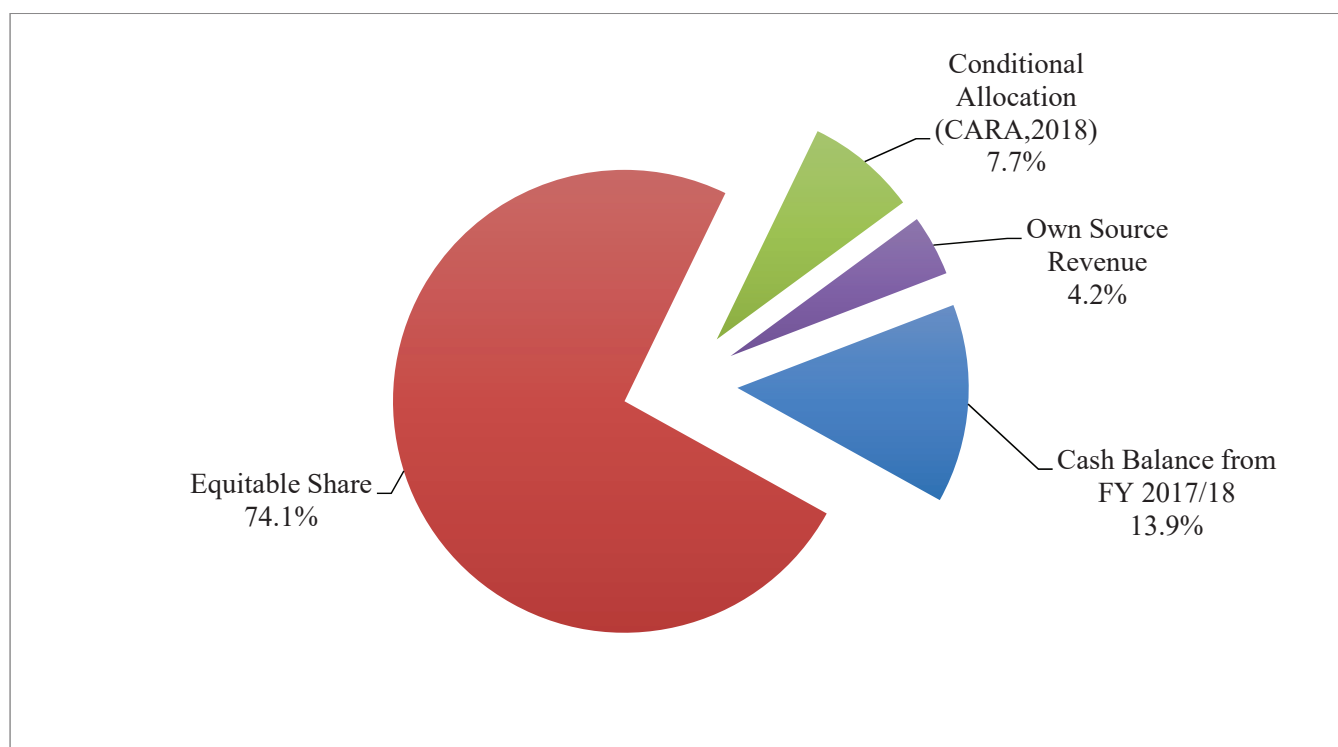
3.18 Kitui County

3.18.1 Overview of the FY 2018/19 Budget

The County's FY 2018/19 Approved Budget was Kshs.11.78 billion, comprising of Kshs.6.81 billion (57.8 per cent) and Kshs.4.97 billion (42.2 per cent) allocation for recurrent and development expenditure respectively.

To finance the budget, the County expects to receive Kshs.8.79 billion (74.1 per cent) as equitable share of revenue raised nationally, Kshs.910.08 million (7.7 per cent) as total conditional grants, generate Kshs.500 million (4.2 per cent) from own-sources of revenue, and Kshs.1.64 billion (13.9 per cent) cash balance from FY 2017/18.

Figure 3.69: Kitui County, Expected Sources of Budget Financing in FY 2018/19



Source: Kitui County Treasury

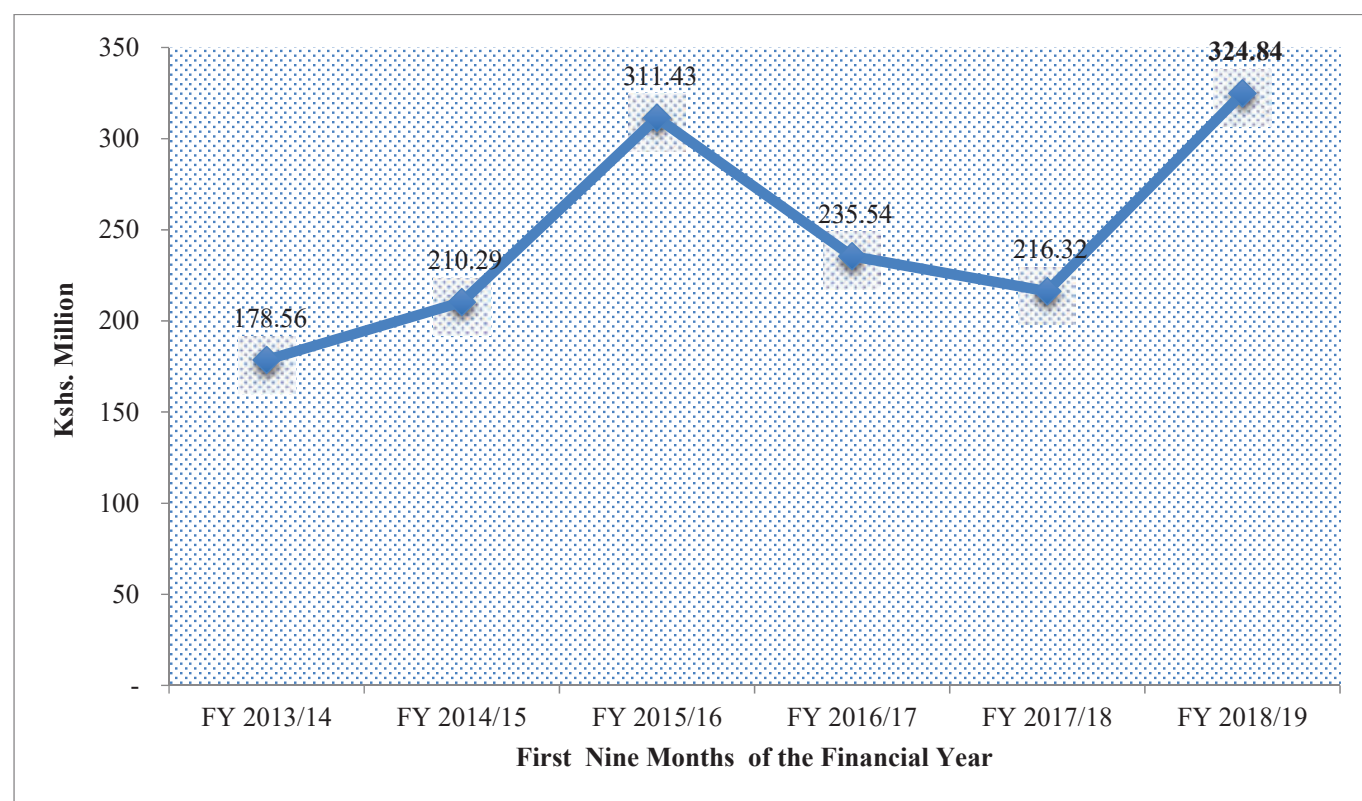
The conditional grants contained in the CARA, 2018 are shown in Table 3.48.

3.18.2 Revenue Analysis

During the first nine months of FY 2018/19, the County received Kshs.5.11 billion as equitable share of the revenue raised nationally, Kshs.434.38 million as total conditional grants, raised Kshs.324.84 million from own-source revenue, and had a cash balance of Kshs.895.63 million from FY 2017/18. The total funds available for budget implementation amounted to Kshs.6.76 billion.

Figure 3.70 shows the trend in own-source revenue collection for the first nine months from FY 2013/14 to FY 2018/19.

Figure 3.70: Kitui County, Trend in Own-Source Revenue Collection for the First Nine Months from FY 2013/14 to FY 2018/19



Source: Kitui County Treasury

The County generated a total of Kshs.324.84 million from own revenue sources during the first nine months of FY 2018/19. This amount represented an increase of Kshs.108.98 million compared to that realised during a similar period of the FY 2017/18 and represented 65.1 per cent of the annual target.

3.18.3 Conditional Grants

The County received Kshs.434.38 million as conditional grants in the first nine months of the financial year as shown in Table 3.48.

Table 3.48: Kitui County, Conditional Grants/Loans Received in the First Nine Months of FY 2018/19.

S/No	Grants	Annual CARA, 2018 Allocation (in Kshs)	Annual Budget Allocation (in Kshs)	Actual Receipts in first nine months of FY 2018/19 (in Kshs.)	Actual Receipts as Percentage of Annual Allocation (%)
A	Grants Contained in the CARA, 2018				
1	IDA (World Bank) -Kenya Urban Support Project (KUSP)	232,374,200	272,374,200	232,374,200	85.3
2	Road Maintenance Fuel Levy	229,832,234	229,832,234	114,916,117	50
3	Leasing of Medical Equipment	200,000,000	-	-	-
4	IDA (World Bank) -National Agricultural and Rural Inclusive Growth Project (NARIGP)	140,435,163	140,435,163	8,536,622	6.1

S/No	Grants	Annual CARA, 2018 Allocation (in Kshs)	Annual Budget Allocation (in Kshs)	Actual Receipts in first nine months of FY 2018/19 (in Kshs.)	Actual Receipts as Percentage of Annual Allocation (%)
A	Grants Contained in the CARA, 2018				
6	Rehabilitation of Village Polytechnics	58,465,000	58,465,000	-	-
7	IDA (World Bank) Kenya Devolution Support Programme "Level 1 grant"	57,462,594	57,462,594	-	-
8	IDA (World Bank) credit: Kenya Urban Support Project (KUSP) - Urban Institutional Grants (UIG) + Bal C/F in FY 2017/18	41,200,000	-	-	
9	DANIDA - Universal Healthcare in Devolved System Programme	29,008,125	29,008,125	29,008,125	100.0
10	Sweden - Agriculture Sector Development Support Programme (ASDSP) II + Bal C/F in FY 2017/18	24,573,008	-	-	-
11	Compensation for User Fee Foregone	22,499,906	22,499,906	-	-
Grand Total		1,135,850,230	910,077,222	434,377,806	47.7

Source: Kitui County Treasury

Analysis of revenue from conditional grants indicates that, the County received the full allocation from DANIDA - Universal Healthcare in Devolved System Programme.

3.18.4 Exchequer Issues

To finance the budget, the Controller of Budget approved the withdrawal of Kshs.6.75 billion from the County Revenue Fund account. The withdrawals represented 57.3 per cent of the Approved Budget and translated to an increase of 36.6 per cent from Kshs.4.94 billion approved in the first nine months of FY 2017/18 and comprised of Kshs.4.71 billion (69.8 per cent) to fund recurrent expenditure and Kshs.2.04 million (30.2 per cent) for development activities.

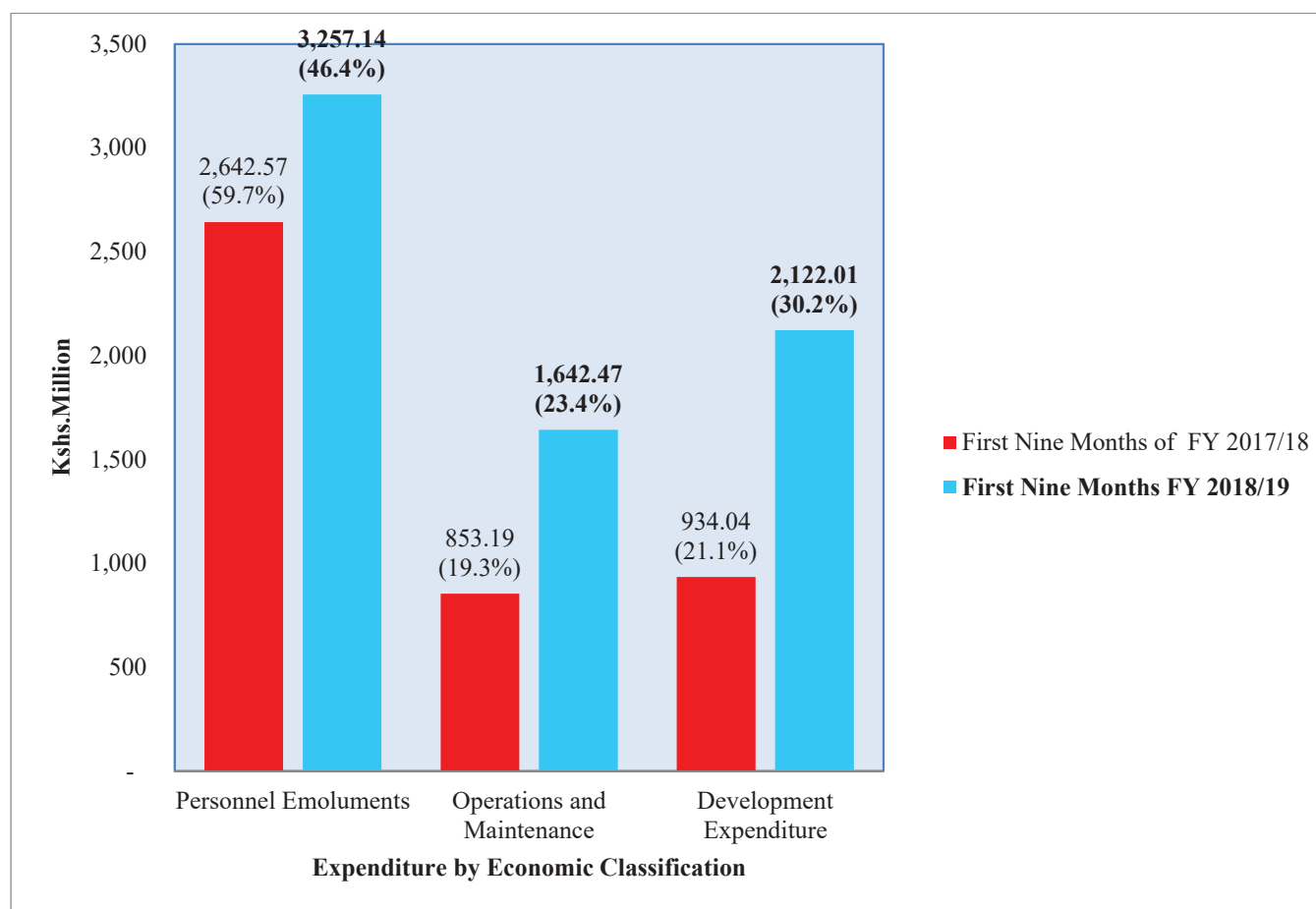
3.18.5 Overall Expenditure Review

The County spent a total of Kshs.7.02 billion on recurrent and development activities. This expenditure represented 104 per cent of the total funds released from the County Revenue Fund account and was an increase of 58.5 per cent from Kshs.4.43 billion spent in the first nine months of FY 2017/18. The expenditure excluded outstanding commitments as at March 31, 2019 which amounted to Kshs.1.34 billion for development activities and Kshs.500.71 million for recurrent expenditure.

Expenditure on recurrent activities amounted to Kshs.4.90 billion while Kshs.2.12 billion was spent on development activities. The recurrent expenditure was 103.9 per cent of the funds released for recurrent activities, while development expenditure was 103.7 per cent of funds released for development activities.

The recurrent expenditure represented 72.0 per cent of the annual recurrent budget, an increase from 57.2 per cent recorded in the first nine months of FY 2017/18. Development expenditure recorded an absorption rate of 42.7 per cent, which was an increase from 17.8 per cent attained in the first nine months of FY 2017/18. Figure 3.71 presents a comparison between the total expenditure in the first nine months of FY 2018/19 and a similar period in FY 2017/18.

Figure 3.71: Kitui County, Expenditure by Economic Classification



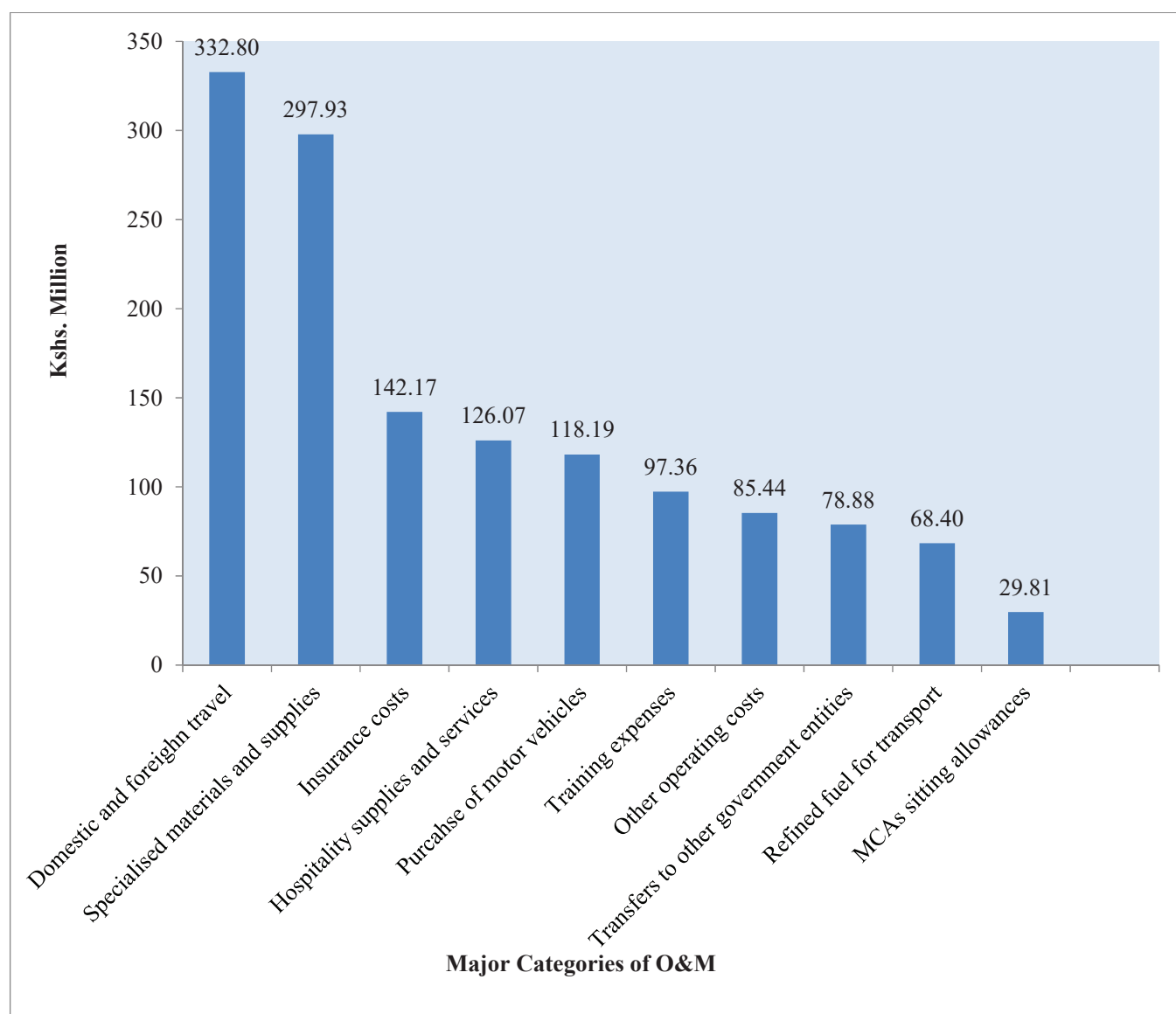
Source: Kitui County Treasury

3.18.6 Analysis of Recurrent Expenditure

The total recurrent expenditure of Kshs.4.9 billion comprised of Kshs.3.26 billion (66.5 per cent) incurred on personnel emoluments and Kshs.1.64 billion (33.5 per cent) on operations and maintenance as shown in Figure 3.71.

Expenditure on personnel emoluments represented an increase of 23.3 per cent compared to a similar period of FY 2017/18 when the County spent Kshs.2.64 billion and was 46.4 per cent of total expenditure in the first nine months of FY 2018/19. Figure 3.72 shows a summary of operations and maintenance expenditure by major categories.

Figure 3.72: Kitui County, Operations and Maintenance Expenditure by Major Categories in the First Nine Months of FY 2018/19



Source: Kitui County Treasury

The County spent Kshs.29.81 million on committee sitting allowances for the 54 MCAs and the speaker against the annual budget allocation of Kshs.65.94 million. This represented an increase of 271 per cent compared to Kshs.8.03 million spent in a similar period of FY 2017/18. The average monthly sitting allowance translated to Kshs.61,338 per MCA against the SRC's recommended monthly ceiling of Kshs.124,800.

Expenditure on travel amounted to Kshs.332.21 million and comprised of Kshs.107.02 million spent by the County Assembly and Kshs.225.19 million spent by the County Executive. This represented 6.8 per cent of total recurrent expenditure and was an increase of 35.8 per cent compared to Kshs.244.70 million spent in the first nine months of FY 2017/18.

3.18.7 Development Expenditure

The total development expenditure of Kshs.2.12 billion represented 42.7 per cent of the annual development expenditure budget of Kshs.4.97 billion. Table 3.49 provides a summary of development projects with the highest expenditure in the first nine months of the financial year.

Table 3.49: Kitui County, List of Development Projects with the Highest Expenditure in First Nine Months of FY 2018/19

S/No.	Project Name	Project Location	Annual Project Budget (Kshs.)	Expenditure in First Nine Months (Kshs.)	Absorption Rate (%)
1	Mutendendea bridge, Kyamathyaka- Kwa Mulungu-Kathivo road	Kitui West	58,683,69	6,764,073	12.0
2	Consultancy services for bankable affordable housing.	Kitui Central	18,560,000	18,560,000	100
3	Improvement of Mandongoi-Kiseuni-Kaathi-ni road	Kitui Rural	12,615,226	12,339,581	98
4	Construction of Outpatient ward at Mbitini Health Centre	Kitui Rural	10,652,488	10,652,488	100
5	Kolyani civil works	Mwingi Central	7,462,368	7,462,368	100
6	Supply of 38 Kab hive kits	Mwingi West	7,241,606	7,241,606	100
7	Improvement of C94 of Oxford-Cemetery-KMTC Road	Kitui Central	6,853,464	6,853,464	100
8	Mwathie pipeline extension	Kitui South	5,493,752	5,493,752	100
9	Construction of Yikisaaya polytechnic-Ndovoi Road	Kitui East	3,870,688	3,870,688	100
10	Supply and installation of plastic water tanks at Miwani and Ikutha hospitals	Mwingi West	3,414,800	3,414,800	100

Source: Kitui County Treasury

3.18.8 Budget Performance by County Department

Table 3.50 shows a summary of the approved budget allocation and performance by department in the first nine months of FY 2018/19.

Table 3.50: Kitui County, Budget Performance by Department

Department	Budget Allocation (Kshs. Million)		Exchequer Issues in Q3 of FY 2018/19 (Kshs. Million)		Expenditure in the First Nine Months of FY 2018/19 (Kshs. Million)		Expenditure to Exchequer Issues (%)		Absorption Rate (%)	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
Office of the Governor	583.43	825.00	387.74	280.51	483.43	323.62	124.7	115.4	82.9	39.2
Administration & Co-ordination of County Affairs	373.00	-	271.57	-	311.18	-	114.6	-	83.4	-
County Treasury	458.17	107.46	280.65	-	228.56	5.94	81.4	-	49.9	5.5
Health and Sanitation	2, 420.27	506.98	1, 716.36	268.58	1,923.60	273.69	112.1	101.9	79.5	54.0
Basic Education, ICT and Youth Development	548.37	160.47	437.28	49.25	353.12	52.80	80.8	107.2	64.4	32.9
Lands, Infrastructure, Housing and Urban Development	325.45	789.07	239.46	292.69	288.62	400.59	120.5	136.7	88.7	50.8
Tourism, Sports and Culture	148.05	124.08	109.28	21.60	90.52	32.24	82.8	149.3	61.1	26.0
Agriculture, Water and Livestock	494.84	1, 219.84	371.91	670.51	414.1	755.11	111.3	112.6	83.7	61.9
Environment and Natural Resources	141.46	115.13	109.66	35.40	84.90	37.54	77.4	106.0	60.0	32.6

Department	Budget Allocation (Kshs. Million)		Exchequer Issues in Q3 of FY 2018/19 (Kshs. Million)		Expenditure in the First Nine Months of FY 2018/19 (Kshs. Million)		Expenditure to Exchequer Issues (%)		Absorption Rate (%)	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
County Public Service Board	61.14	-	45.51	-	34.76	-	73.4	-	56.7	-
County Assembly	904.80	130.00	496.98	-	490.45	-	98.7	-	54.2	-
Kitui Town	161.81	292.88	94.19	240.80	86.34	40.73	91.7	16.9	53.4	13.9
Mwingi Town	81.99	54.50	67.40	9.66	32.33	31.15	48.0	322.5	39.4	5.2
TOTAL	6, 805.63	4, 969.60	4, 713.24	2, 037.23	4899.65	2, 122.01	103.9	103.7	71.9	42.7

Source: Kitui County Treasury

Analysis of expenditure by department shows that the Department of Agriculture, Water and Livestock had the highest percentage of development expenditure to development budget at 61.9 per cent while the County Assembly did not incur any development expenditure. The Department of Lands, Infrastructure, Housing and Urban Development had the highest percentage of recurrent expenditure to recurrent budget at 88.7 per cent while the Department of Mwingi Town Administration had the lowest at 39.4 per cent.

3.18.9 Key Observations and Recommendations

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

- Improvement in the own-source revenue collection by 50.2 per cent from Kshs.216.32 million in the first nine months of FY 2017/18 to Kshs.324.84 million in the reporting period.

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

- Delay by the County to pass the Supplementary Budget in order to align the budget estimates to CARA, 2018 and actual available cash balances from FY 2017/18. This affected smooth budget implementation.

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

- The County should prepare a Supplementary Budget to align conditional grants to the CARA, 2018.*

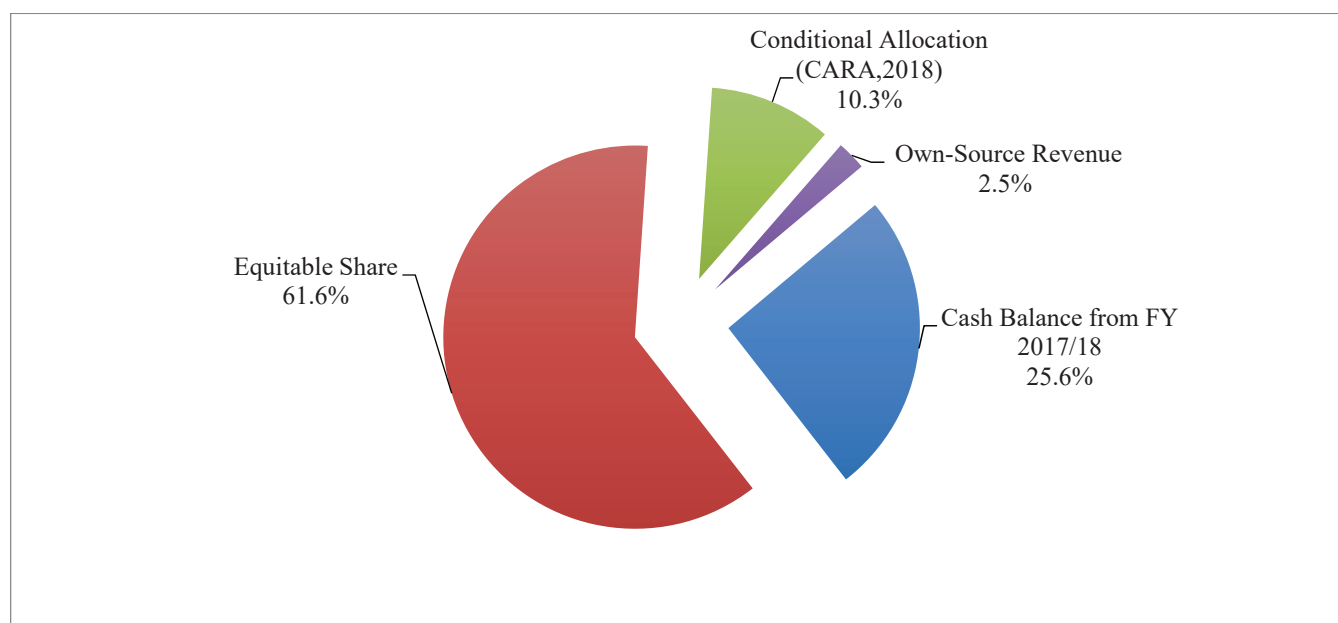
3.19 Kwale County

3.19.1 Overview of the FY 2018/19 Budget

The County's FY 2018/19 Approved Budget was Kshs.12.23 billion, comprising of Kshs.4.76 billion (38.9 per cent) and Kshs.7.47 billion (61.1 per cent) allocation for recurrent and development expenditure respectively.

To finance the budget, the County expects to receive Kshs.7.54 billion (61.6 per cent) as equitable share of revenue raised nationally, Kshs.1.26 billion (10.3 per cent) as total conditional grants, generate Kshs.303.11 million (2.5 per cent) from own-sources of revenue, and Kshs.3.13 billion (25.6 per cent) cash balance brought forward from FY 2017/18. The County also budgeted to receive Kshs.110 million as EU grant for construction of Kombani Market.

Figure 3.73: Kwale County, Expected Sources of Budget Financing in FY 2018/19



Source: Kwale County Treasury

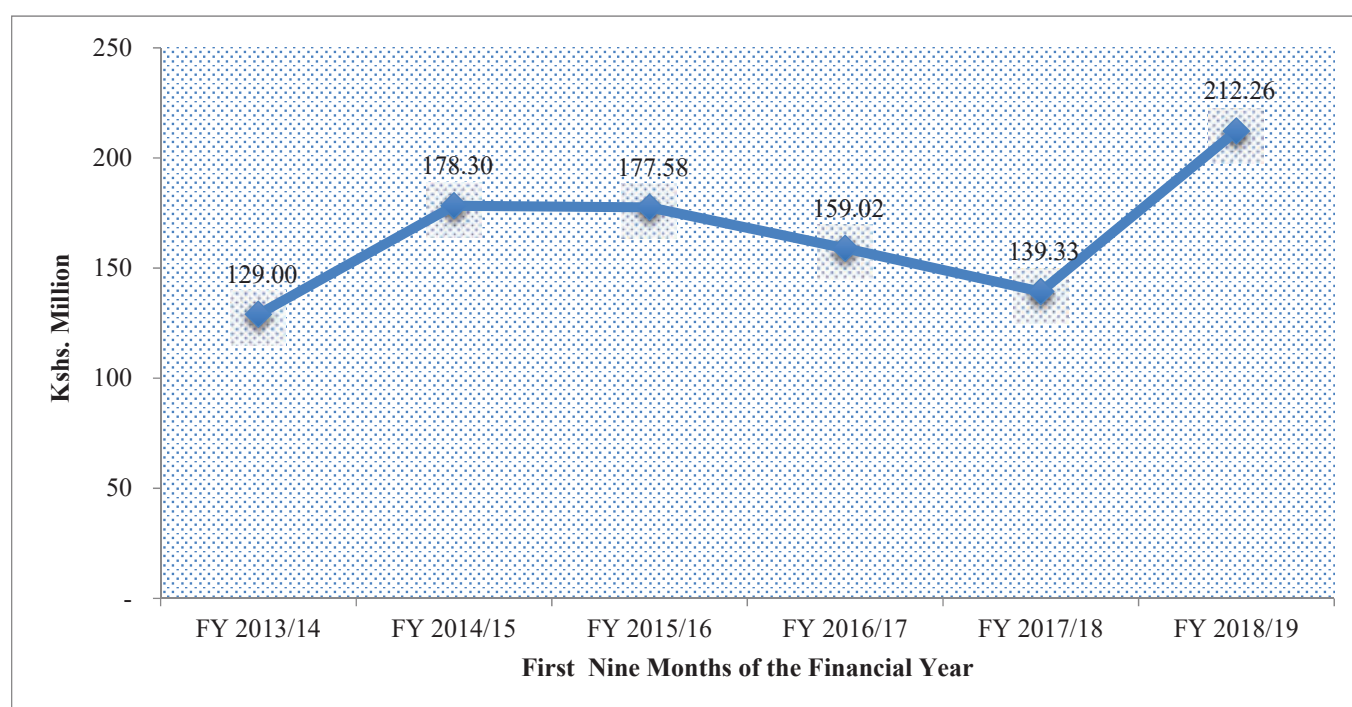
The conditional grants contained in the CARA, 2018 are shown in Table 3.51.

3.19.2 Revenue Analysis

During the first nine months of FY 2018/19, the County received Kshs.4.41 billion as equitable share of the revenue raised nationally, Kshs.262.31 million as total conditional grants, raised Kshs.212.26 million from own-sources of revenue, and had a cash balance of Kshs.2.12 billion from FY 2017/18. The total funds available for budget implementation amounted to Kshs.7.0 billion.

Figure 3.74 shows the trend in own-sources of revenue collection for the first nine months from FY 2013/14 to FY 2018/19.

Figure 3.74: Kwale County, Trend in Own Sources of Revenue Collection for the First Nine Months from FY 2013/14 to FY 2018/19



Source: Kwale County Treasury

The County generated a total of Kshs.212.26 million from own sources of revenue during the first nine months of FY 2018/19. This amount represented an increase of Kshs.72.93 million compared to that realised during a similar period of the FY 2017/18 and was 70 per cent of the annual target.

3.19.3 Conditional Grants

The County received Kshs 262.31 million as conditional grants in the first nine months of the financial year 2018/19 as shown in Table 3.51 .

Table 3.51: Kwale County, Conditional Grants/Loans Received in the First Nine Months of FY 2018/19

S/ No	Grants	Annual CARA, 2018 Allocation (in Kshs)	Annual Budget Allocation (in Kshs)	Actual receipts in first nine months of FY 2018/19 (in Kshs.)	Actual Receipts as Percentage of Annual Allocation (%)
A	Grants Contained in the CARA, 2018				
1	IDA (World Bank) - Water & Sanitation Development Project (WSDP)	400,000,000	400,000,000	-	-
2	Leasing of Medical Equipment	200,000,000	200,000,000	-	-
3	Road Maintenance Fuel Levy Fund	198,416,317	198,416,317	99,208,159	50.0
4	IDA (World Bank) -National Agricultural and Rural Inclusive Growth Project	140,435,163	140,435,163	-	-
5	World Bank-Transforming Health Systems for Universal Care Project	98,175,267	98,175,267	42,515,215	43.3
6	IDA (World Bank) Kenya Devolution Support Programme "Level 1 grant"	50,747,782	50,747,782	-	-

S/ No	Grants	Annual CARA, 2018 Allocation (in Kshs)	Annual Budget Al- location (in Kshs)	Actual receipts in first nine months of FY 2018/19 (in Kshs.)	Actual Receipts as Percentage of Annual Allo- cation (%)
7	IDA (World Bank) -Kenya Urban Support Project (KUSP)	50,000,000	50,000,000	50,000,000	100.0
8	EU- Instruments for Devolution Advice and Support- (IDEAS)	45,000,000	45,000,000	-	-
9	Rehabilitation of Village Polytechnics	41,860,000	41,860,000	-	-
10	IDA (WB) Kenya Urban Support (KUSP) - Urban Institutional Grant(UG)	41,200,000	-	-	-
11	DANIDA - Universal Healthcare to De- volved System Programme	24,300,000	24,300,000	12,150,000	50.0
12	Sweden Agricultural Sector Development Support Programme(ASDSP) Level 2 Grant	23,138,788	-	8,424,317.00	-
13	Compensation for User Fees Forgone	15,209,593	15,209,593	-	-
Grand Total		1,328,482,910.0	1,264,144,122	262,310,717.1	19.1

Source: Kwale County Treasury

Analysis of revenue from conditional grants indicates that, the County received the full allocation for the IDA (World Bank) -Kenya Urban Support Project (KUSP).

3.19.4 Exchequer Issues

To finance the budget, the Controller of Budget approved the withdrawal of Kshs.5.52 billion from the County Revenue Fund account. The withdrawals represented 45.1 per cent of the Approved Budget and translated to an increase of 18.6 per cent from Kshs.4.65 billion approved in the first nine months of FY 2017/18 and comprised of Kshs.3.95 billion (71.6 per cent) to fund recurrent expenditure and Kshs.1.57 billion (28.4 per cent) for development activities.

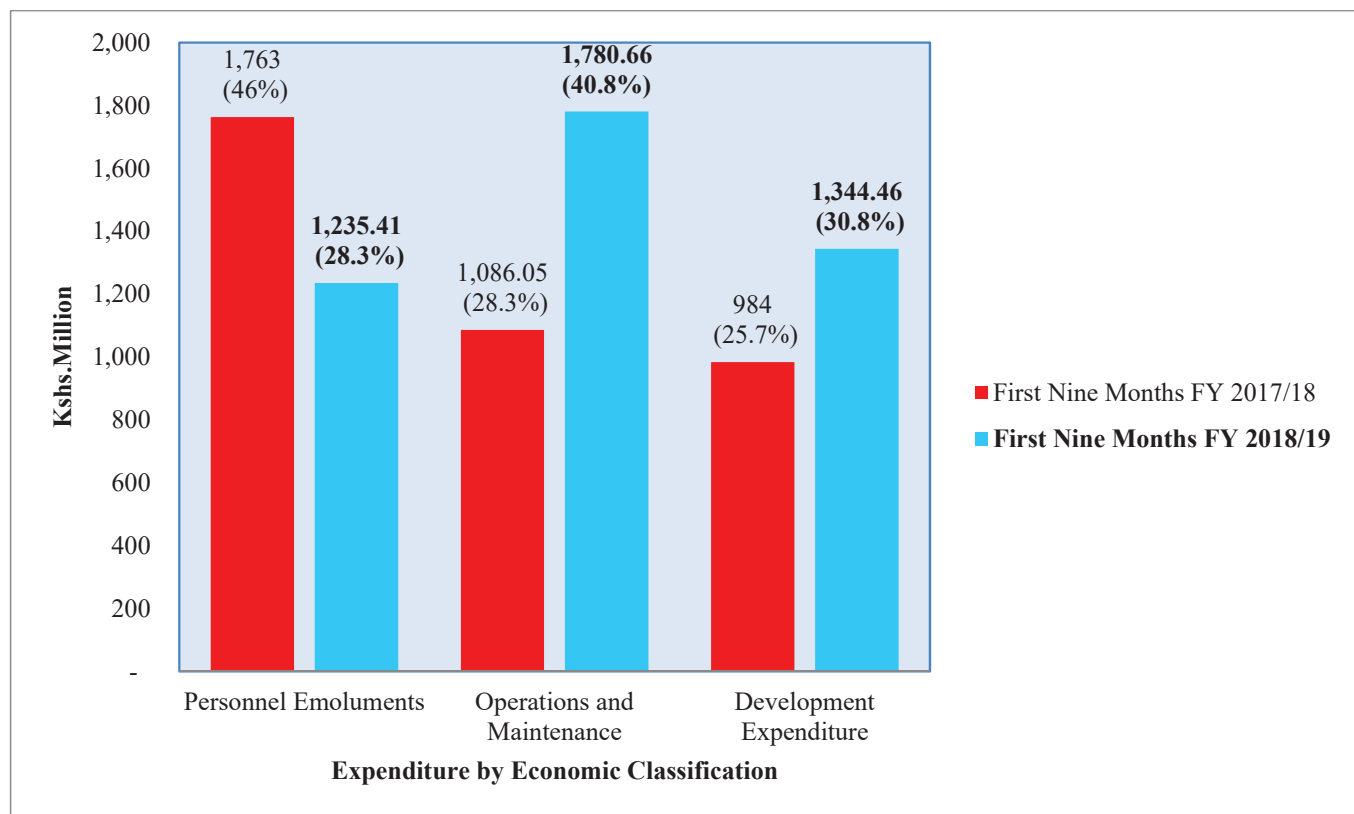
3.19.5 Overall Expenditure Review

The County spent a total of Kshs.4.36 billion on recurrent and development activities. This expenditure represented 79 per cent of the total funds released from the County Revenue Fund account and was an increase of 13.8 per cent from Kshs.3.83 billion spent in the first nine months of FY 2017/18. The expenditure excluded outstanding commitments as at March 31, 2019 which amounted to Kshs.2.75 billion for development activities and Kshs.133.22 million for recurrent expenditure.

Expenditure on recurrent activities amounted to Kshs.3.02 billion while Kshs.1.34 billion was spent on development activities. The recurrent expenditure was 76.3 per cent of the funds released for recurrent activities, while development expenditure was 85.7 per cent of funds released for development activities.

The recurrent expenditure represented 63.3 per cent of the annual recurrent budget, an increase from 17 per cent recorded in the first nine months of FY 2017/18. Development expenditure recorded an absorption rate of 18 per cent, which was a decrease from 20.5 per cent attained in the first nine months of FY 2017/18. Figure 3.75 presents a comparison between the total expenditure in the first nine months of FY 2018/19 and a similar period in FY 2017/18.

Figure 3.75: Kwale County, Expenditure by Economic Classification



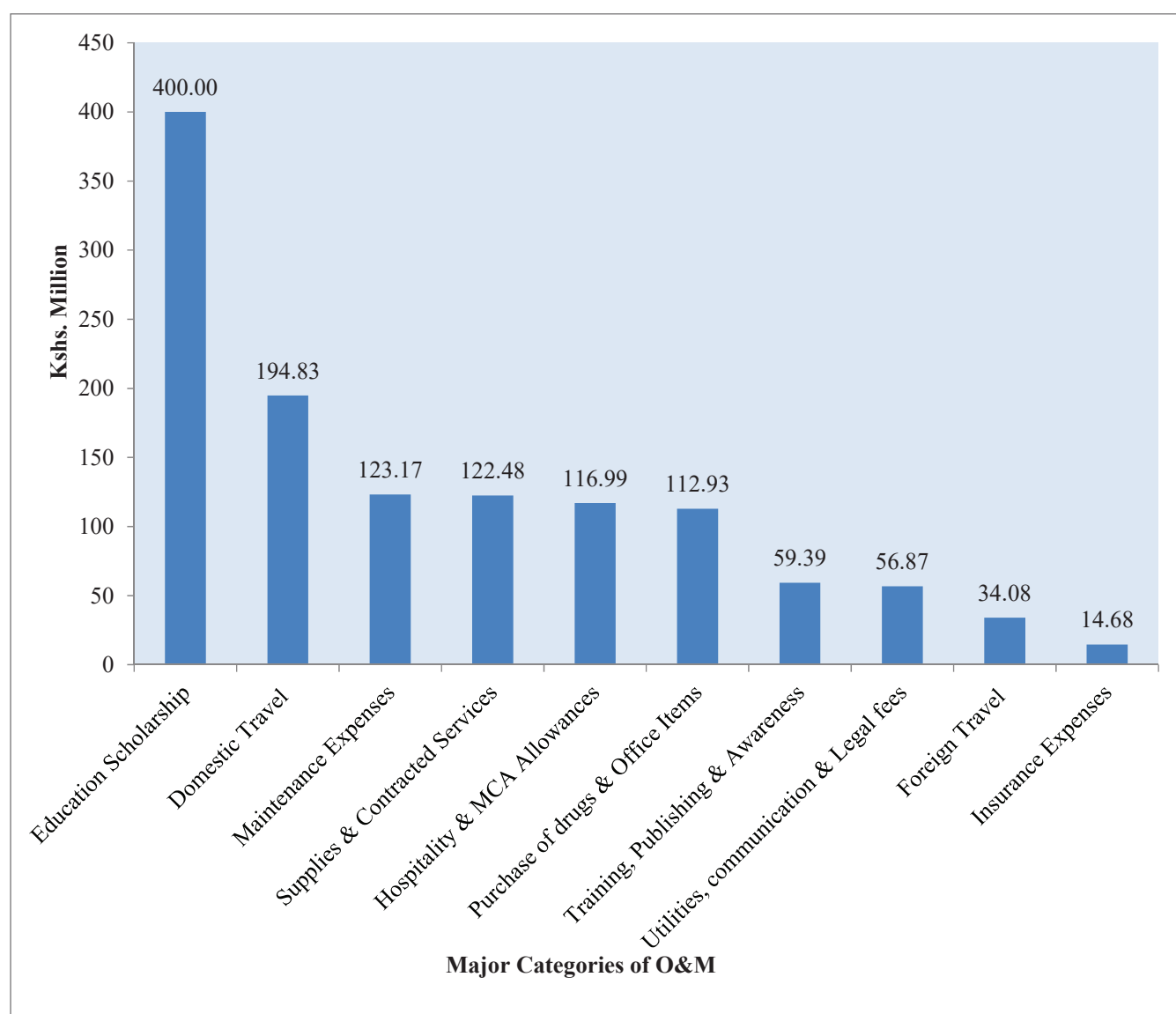
Source: Kwale County Treasury

3.19.6 Analysis of Recurrent Expenditure

The total recurrent expenditure of Kshs.3.02 billion comprised of Kshs.1.24 billion (40.9 per cent) incurred on personnel emoluments and Kshs.1.78 billion (59.1 per cent) on operations and maintenance as shown in Figure 3.75.

Expenditure on personnel emoluments represented a decrease of 29.9 per cent compared to a similar period of FY 2017/18 when the County spent Kshs.1.76 billion and was 28.3 per cent of total expenditure in the first nine months of FY 2018/19. Figure 3.76 shows a summary of operations and maintenance expenditure by major categories.

Figure 3.76: Kwale County, Operations and Maintenance Expenditure by Major Categories in the First Nine Months of FY 2018/19



Source: Kwale County Treasury

The County spent Kshs.22.80 million on committee sitting allowances for the 34 MCAs and the speaker against the annual budget allocation of Kshs.60.95 million. This represented an increase of 11.3 per cent compared to Kshs.20.48 million spent in a similar period of FY 2017/18. The average monthly sitting allowance translated to Kshs.74,521 per MCA against the SRC's recommended monthly ceiling of Kshs.124,800.

Expenditure on domestic travel amounted to Kshs.194.83 million and comprised of Kshs.97.42 million spent by the County Assembly and Kshs.94.41 million spent by the County Executive. This represented 6.5 per cent of total recurrent expenditure and was a decrease of 1 per cent compared to Kshs.196.77 million spent in the first nine months of FY 2017/18.

3.19.7 Development Expenditure

The total development expenditure of Kshs.1.34 billion represented 18 per cent of the annual development expenditure budget of Kshs.7.47 billion. Table 3.52 provides a summary of development projects with the highest expenditure in the first nine months of the financial year.

Table 3.52: Kwale County, List of Development Projects with the Highest Expenditure in First Nine Months of FY 2018/19

S/ No.	Project Name	Project Location	Project budget (Kshs.)	Project Expenditure in first nine months of FY 2018/19 (Kshs.)	Absorption Rate (%)
1	Flagship Project - Build 3 Dams at Ndavaya (220m)	Ndavaya	220,000,000	68,591,432	31.2
2	Msambeni Maternity Complex	Ramisi	69,164,083	59,306,949	85.7
3	Marere Godoni Pipeline	Marere	45,000,000	41,000,374	91.1
4	Preparation of County Spatial Plan	Kwale	70,000,000	30,182,116	43.1
5	Construct Governors Official Residence	Ngolini	149,216,375	27,766,344	18.6
6	Designed & Laid Fibre Optic Network Cable	Kwale	18,396,057	18,396,057	100
7	Teaching & Learning Materials	Kwale	15,990,350	15,990,350	100
8	Opening Trade Winds Beach Access Road	Diani	15,291,289	14,265,912	93.3
9	Renovate Mkongani - Ndavaya Road (13.2Km)	Ndavaya	10,936,000	10,000,000	91.4
10	Shirazi Sports Field	Ramisi	6,017,616	5,635,976	93.7

Source: Kwale County Treasury

3.19.8 Budget Performance by County Department

Table 3.53 shows a summary of the approved budget allocation and performance by department in the first nine months of FY 2018/19.

Table 3.53: Kwale County, Budget Performance by Department

Department	Budget Allocation (Kshs. Million)		Exchequer Issues in First Nine Months of FY 2018/19 (Kshs. Million)		Expenditure In First Nine Months of FY 2018/19 (Kshs. Million)		Expenditure to Exchequer Issues (%)		Absorption Rate (%)	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
Office Of The Governor	210.93	257.15	160.31	27.77	76.92	27.77	48	100	36.5	10.8
Public Service & Administration	275.65	75.94	242.15	18.79	158.55	18.79	65.5	100	57.5	24.7
Finance & Economic Planning	467.80	62.06	387.97	14.02	226.80	8.18	58.5	58.4	48.5	13.2
Agriculture ,Livestock And Fisheries	178.22	396.71	148.94	87.33	113.34	44.30	76.1	50.7	63.6	11.2
Education, Research and HR Development	760.69	1294.94	709.05	331.92	678.68	279.35	95.7	84.2	89.2	21.6
Health Services	1845.53	1164.74	1520.52	240.88	1178.58	222.79	77.5	92.5	63.9	19.1
Trade And Cooperative Development	71.58	241.72	55.17	34.54	28.58	33.31	51.8	96.4	39.9	13.8
Tourism	61.64	126.57	35.78	38.67	28.03	36.94	78.3	95.5	45.5	29.2
Community Development, Youth & Women Empowerment & Social Services	117.97	380.07	101.55	29.18	68.19	28.62	67.1	98.1	57.8	7.5
Infrastructure & Public Works	97.61	1194.33	81.01	366.29	73.87	238.06	91.2	65.0	75.7	19.9

Department	Budget Allocation (Kshs. Million)		Exchequer Issues in First Nine Months of FY 2018/19 (Kshs. Million)		Expenditure In First Nine Months of FY 2018/19 (Kshs. Million)		Expenditure to Exchequer Issues (%)		Absorption Rate (%)	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
Land, Environment & Natural Resources	51.65	235.31	37.24	67.84	25.35	68.12	68.1	100.4	49.1	28.9
Water & Urban Planning	65.43	1809.35	51.99	274.83	35.96	302.25	69.2	110.0	55.0	16.7
County Assembly	559.53	229.80	420.52	35.99	323.22	35.97	76.9	99.9	57.8	15.7
Total	4,764.23	7,468.68	3,952.21	1,568.05	3,016.08	1,344.46	76.3	85.7	63.3	18.0

Source: Kwale County Treasury

Analysis of expenditure by department shows that the Department of ICT and Tourism recorded the highest absorption rate of development budget at 29.2 per cent while the Department of Community Development, Youth and Women Empowerment had the lowest at 7.5 per cent in development expenditure. The Department of Education, Research and HR Development had the highest percentage of recurrent expenditure to recurrent budget at 89.2 per cent while the Office of the Governor had the lowest at 36.5 per cent.

3.19.9 Key Observations and Recommendations

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

- Automation of own-source revenue collection which resulted in an increase by 52.3 per cent to Kshs.212.26 million from Kshs.139.33 million in a similar period of FY 2017/18.
- Decrease in expenditure on personnel emoluments by 29.9 per cent from Kshs.1.76 billion to Kshs.1.24 billion in the reporting period.

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

- Slow implementation of development activities during the first nine months of FY 2018/19. The County spent Kshs.1.34 billion, which represented 18 per cent of the annual development budget of Kshs.4.96 billion against the expected absorption rate of 75 per cent.
- Failure to budget for all conditional grants as per CARA, 2018.

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

- The County should identify and address issues that cause delays in the implementation of development projects.*
- The County should prepare a Supplementary Budget to align conditional grants to the CARA, 2018.*

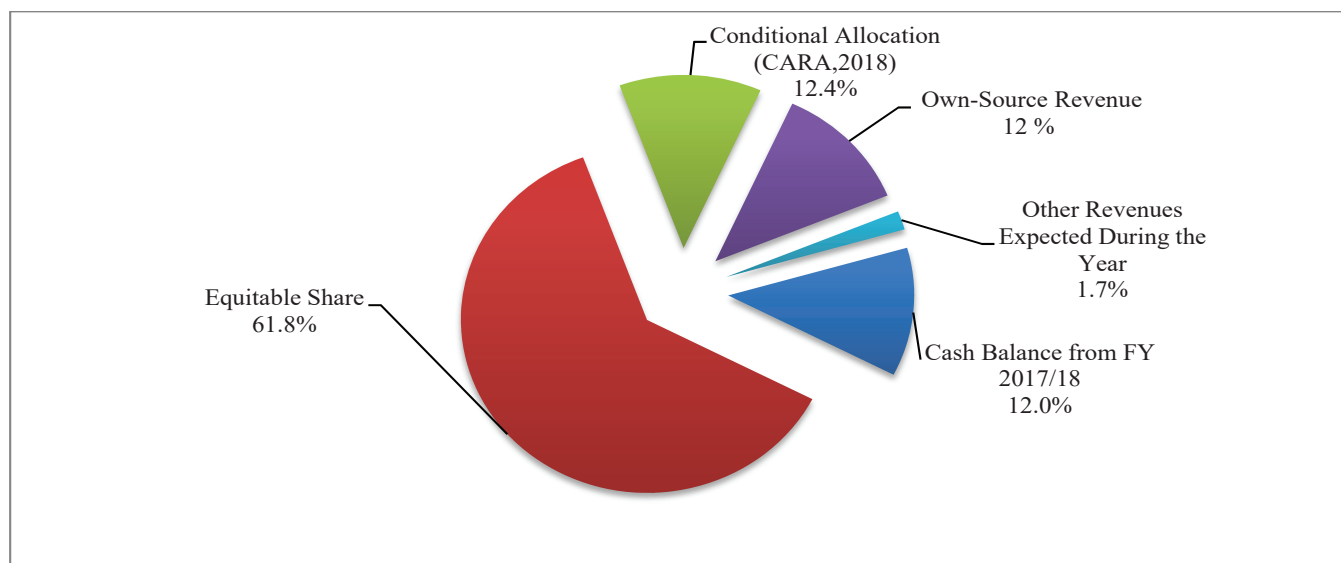
3.20 Laikipia County

3.20.1 Overview of the FY 2018/19 Budget

The County's FY 2018/19 Approved Budget was Kshs.6.65 billion, comprising of Kshs.4.05 billion (60.9 per cent) and Kshs.2.60 billion (39.1 per cent) allocation for recurrent and development expenditure respectively.

To finance the budget, the County expects to receive Kshs.4.11 billion (61.8 per cent) as equitable share of revenue raised nationally, Kshs.835.77 million (12.4 per cent) as total conditional grants, Kshs.1.16 billion (17.5 per cent) as other conditional grants, generate Kshs.800 million (12 per cent) from own-sources of revenue sources, and Kshs.800 million (12 per cent) cash balance from FY 2017/18.

Figure 3.77: Laikipia County, Expected Sources of Budget Financing in FY 2018/19



Source: Laikipia County Treasury

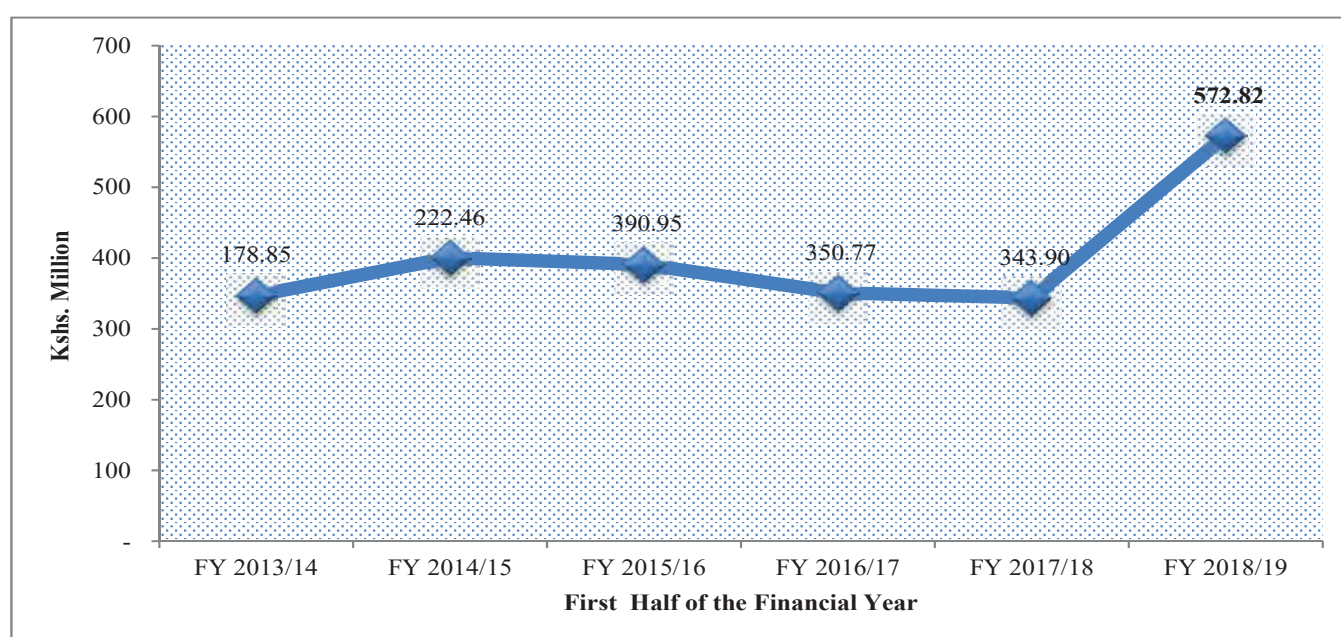
The conditional grants contained in the CARA, 2018 are shown in Table 3.54.

3.20.2 Revenue Analysis

During the first nine months of FY 2018/19, the County received Kshs.3.43 billion as equitable share of the revenue raised nationally, Kshs.303.33 million as total conditional grants, raised Kshs.572.82 million from own-sources of revenue, and had a cash balance of Kshs.545.37 million from FY 2017/18. The total funds available for budget implementation amounted to Kshs.4.31 billion.

Figure 3.78 shows the trend in own source of revenue collection for the first nine months from FY 2013/14 to FY 2018/19.

Figure 3.78: Laikipia County, Trend in Own Sources of Revenue Collection for the First Nine Months from FY 2013/14 to FY 2018/19



Source: Laikipia County Treasury

The County generated a total of Kshs.572.82 million from own revenue sources during the first nine months of FY 2018/19. This amount represented an increase of Kshs.228.92 million compared to that realised during a similar period of the FY 2017/18 and represented 71.5 per cent of the annual target.

3.20.3 Conditional Grants

The County received Kshs.313.08 million as conditional grants in the first nine months of the financial year 2018/19 as shown in Table 3.54.

Table 3.54: Laikipia County, Conditional Grants/Loans Received in the First Nine Months of FY 2018/19

S/No	Grants/Loans	Annual Allocation, per CARA, 2018 (Kshs)	Annual Budget Allocation for FY 2018/19 (Kshs)	Actual receipts in the First Nine Months of FY 2018/19 (in Kshs.)	Actual Receipts as Percentage of Annual Allocation (%)
A	Grants/Loans contained in CARA, 2018				
1.	Compensation for User Fee Foregone	15,209,593	9,968,208		
2.	Leasing of Medical Equipment	200,000,000	200,000,000		
3.	Road Maintenance Fuel Levy	198,416,317	109,128,974	80,707,544	74
4.	Rehabilitation of Village Polytechnics	41,860,000	28,525,000		
5.	Transforming Health Systems for Universal Care Project (WB)	67,077,728	67,077,728	38,046,685	56.7
6.	National Agricultural and Rural Inclusive Growth Project (NARIGP)	-	18,000,000		
7.	Kenya Climate Smart Agriculture Project (KCSAP)	117,000,000	117,000,000	39,402,608	33.7
8.	Kenya Devolution Support Project (KDSP) "Level 1 grant"	41,121,027	37,000,000		
9.	Kenya Urban Support Project (KUSP)	50,000,000	90,000,000	50,000,000	55.6
10.	DANIDA Grant (Universal Healthcare in Devolved System Program)	15,086,250	15,086,250	15,086,250	100
11.	EU Grant	90,000,000	90,000,000	73,027,291	81.1
12.	Kenya Devolution Support Project (KDSP) "Level 2 grant"		41,121,027	7,062,611	17.2
	Sub Total	835,770,915	822,907,187	303,332,989	36.9
13.	KDSP Grant - Investment Grant	-	111,140,605	-	-
14.	UNICEF	-	5,177,150	9,744,380	188.2
	Sub Total	-	116,317,755	9,744,380	8.4
	Grand Total		835,770,915	939,224,942	33.3

Source: Laikipia County Treasury

Analysis of revenue from conditional grants indicates that, the County received the full allocation from DANIDA Grant (Universal Healthcare in Devolved System Program).

3.20.4 Exchequer Issues

To finance the budget, the Controller of Budget approved the withdrawal of Kshs 4.13 billion from the County Revenue Fund account. The withdrawals represented 63.3 per cent of the Approved Budget and translated to an increase of 34.5 per cent from Kshs.3.07 billion approved in the first nine months of FY 2017/18 and comprised of Kshs.3.13 billion (75.8 per cent) to fund recurrent expenditure and Kshs.1.01 billion (24.2 per cent) for development activities.

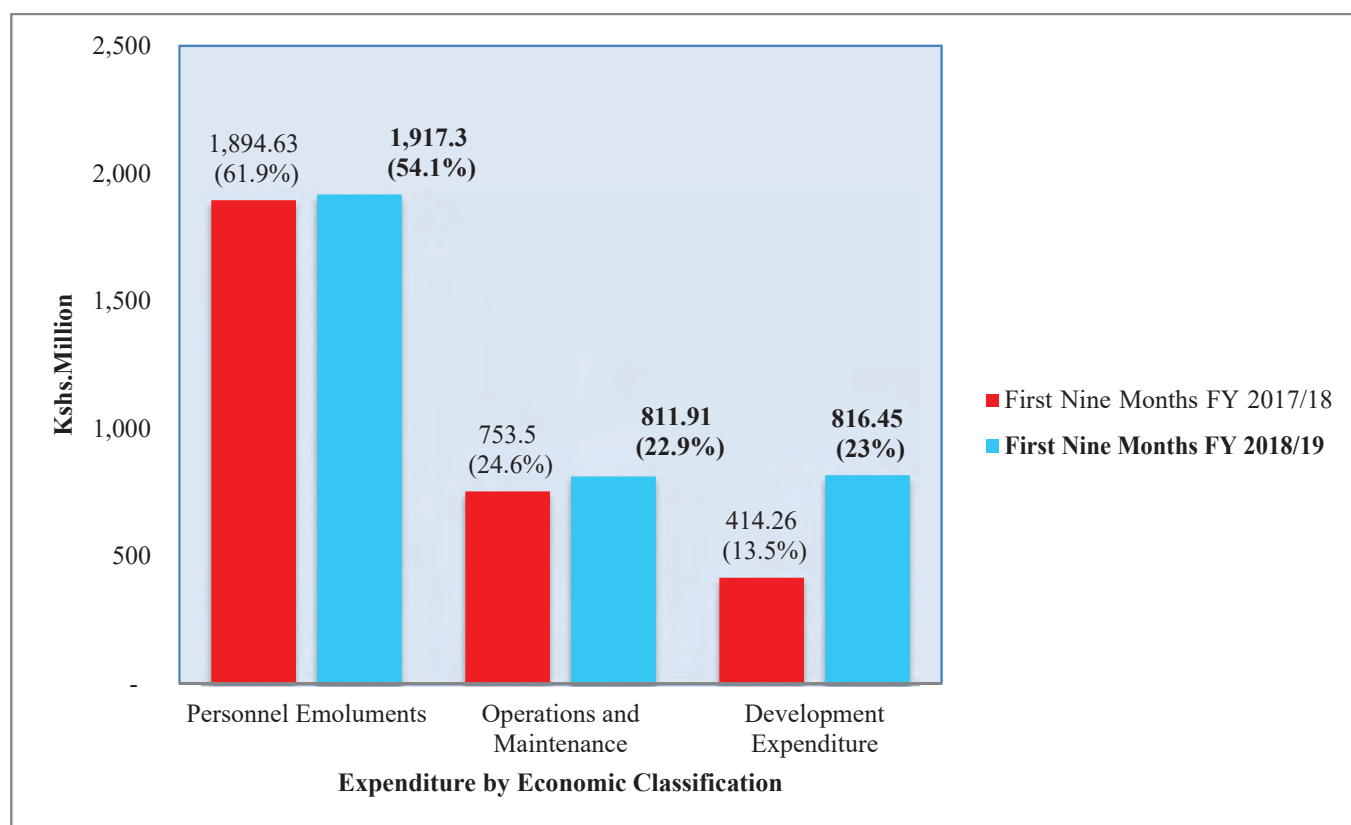
3.20.5 Overall Expenditure Review

The County spent a total of Kshs.3.55 billion on recurrent and development activities. This expenditure represented 85.7 per cent of the total funds released from the County Revenue Fund account and was an increase of 15.8 per cent from Kshs.3.06 billion spent in the first nine months of FY 2017/18.

Expenditure on recurrent activities amounted to Kshs.2.73 billion while Kshs.816.45 million was spent on development activities. The recurrent expenditure was 87.3 per cent of the funds released for recurrent activities, while development expenditure was 80.8 per cent of funds released for development activities.

The recurrent expenditure represented 67.3 per cent of the annual recurrent budget, a decrease from 69.4 per cent recorded in the first nine months of FY 2017/18. Development expenditure recorded an absorption rate of 31.4 per cent, which was a decrease from 21.9 per cent attained in the first nine months of FY 2017/18. Figure 3.79 presents a comparison between the total expenditure in the first nine months of FY 2018/19 and a similar period in FY 2017/18.

Figure 3.79: Laikipia County, Expenditure by Economic Classification



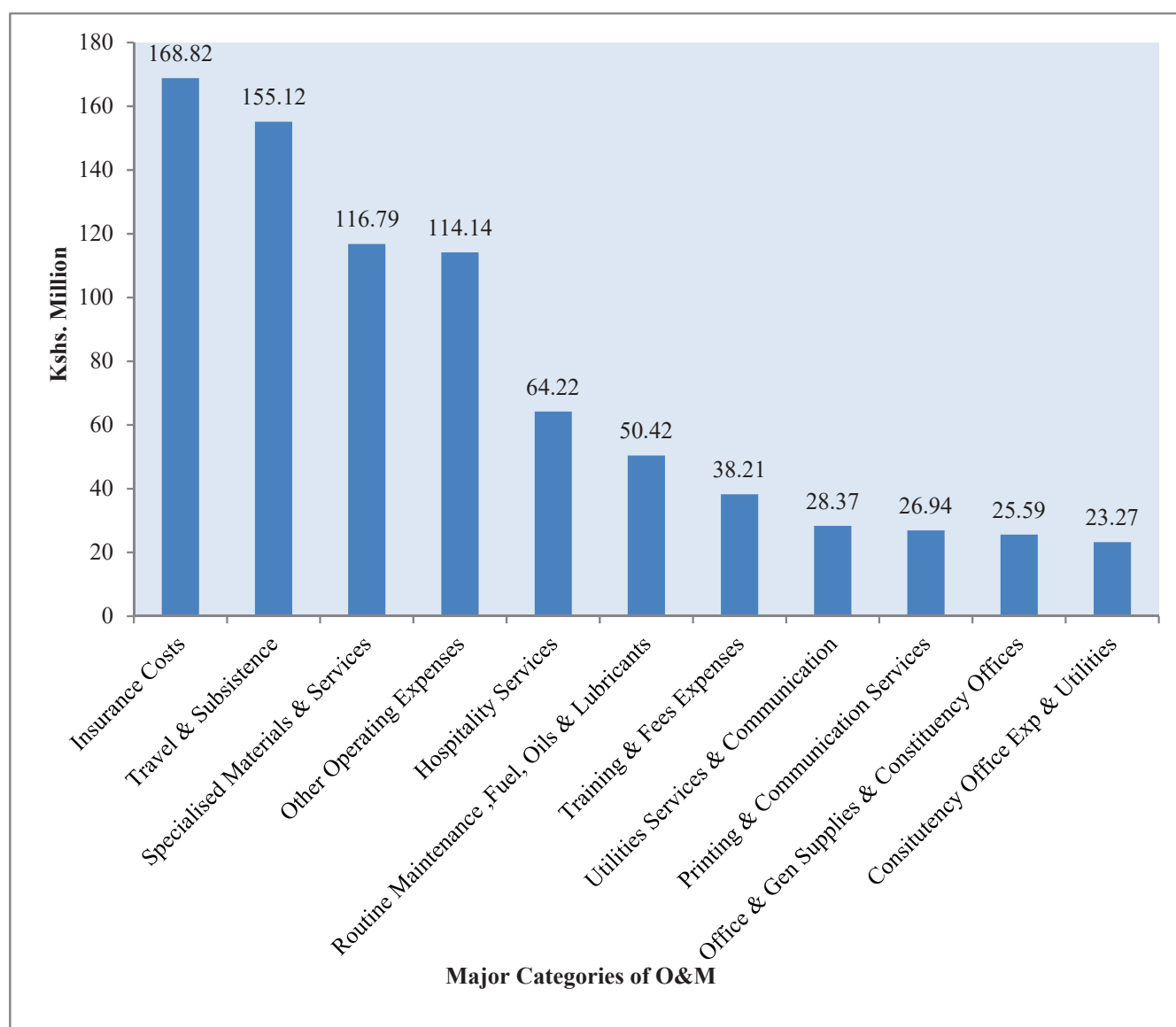
Source: Laikipia County Treasury

3.20.6 Analysis of Recurrent Expenditure

The total recurrent expenditure of Kshs.2.73 billion comprised of Kshs.1.92 billion (70.3 per cent) incurred on personnel emoluments and Kshs.811.91 million (29.7 per cent) on operations and maintenance as shown in Figure 3.79.

Expenditure on personnel emoluments represented an increase of 1.6 per cent compared to a similar period of FY 2017/18 when the County spent Kshs.1.89 billion and was 54.1 per cent of total expenditure in the first nine months of FY 2018/19. Figure 3.80 shows a summary of operations and maintenance expenditure by major categories.

Figure 3.80: Laikipia County, Operations and Maintenance Expenditure by Major Categories in the First Nine Months of FY 2018/19



Source: Laikipia County Treasury

The County spent Kshs.12.66 million on committee sitting allowances for the 25 MCAs and the speaker against the annual budget allocation of Kshs.15 million. This represented an increase of 128.2 per cent compared to Kshs.5.55 million spent in a similar period of FY 2017/18. The average monthly sitting allowance translated to Kshs.56, 258 per MCA against the SRC's recommended monthly ceiling of Kshs.124,800.

Expenditure on domestic travel amounted to Kshs.146.56 million and comprised of Kshs.45.06 million spent by the County Assembly and Kshs.101.49 million spent by the County Executive. This represented 5.4 per cent of total recurrent expenditure and was an increase of 29.5 per cent compared to Kshs.103.32 million spent in the first nine months of FY 2017/18.

3.20.7 Development Expenditure

The total development expenditure of Kshs.816.45 million represented 31.4 per cent of the annual development expenditure budget of Kshs.2.48 billion. Table 3.55 provides a summary of development projects with the highest expenditure in the first nine months of the financial year.

Table 3.55: Laikipia County, List of Development Projects with the Highest Expenditure in First Nine Months of FY 2018/19

S/No.	Project Name	Project Location	Project Expenditure in first nine months of FY 2018/19 (Kshs.)
1.	Payment of County Operation Management System	Across the County	31,900,000
2.	Refurbishment of Buildings-Health	Across the County	23,931,860
3.	Mapping Care System-Comps	Across the County	17,850,000
4.	Purchase of Household Furniture	Across the County	7,556,663
5.	Construction of County Offices	Rumuruti	5,517,085
6.	Purchase of Water Tanks For Farmers Group	Agriculture	5,381,466
7.	Proposed Rehabilitation of Nturukuma Water Project	Nturukuma	3,580,541
8.	Proposed Construction of Surgical Theatre	Ndindika Hospital	3,575,998

Source: Laikipia County Treasury

3.20.8 Budget Performance by County Department

Table 3.56 shows a summary of the approved budget allocation and performance by department in the first nine months of FY 2018/19

Table 3.56: Laikipia County, Budget Performance by Department

Department	Annual Budget Allocation in FY 2018/19 (Kshs. Million)		Exchequer Issues in First Nine Months of FY 2018/19 (Kshs. Million)		Expenditure in First Nine Months of FY 2018/19 (Kshs. Million)		Expenditure to Exchequer Issues (%)		Absorption Rate (%)	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
County Administration	2,735.64	68.90	2,262.87	-	2,044.93	-	90.4	-	74.8	-
Finance and Planning	310.62	815.36	214.50	520.39	223.15	566.18	104.0	108.8	71.8	69.47
Health	315.76	555.47	255.13	115.26	129.43	140.82	50.7	122.2	41.0	25.4
Agriculture	41.90	309.50	13.02	140.06	13.63	16.06	104.7	11.5	32.5	5.2
Infrastructure	65.80	304.13	20.91	159.25	21.98	30.99	105.1	19.5	33.4	10.2
Education	78.50	83.53	16.94	28.53	17.21	10.65	101.6	37.3	21.9	12.8
Trade & Industrialization	16.50	135.00	11.28	19.89	13.83	17.45	122.6	87.7	83.8	12.9
Water	22.20	206.50	16.91	25.22	17.76	32.60	105.1	129.2	80.0	15.8
County Assembly	466.00	5.00	314.90	1.71	247.28	1.71	78.5	100	71.8	34.2
TOTAL	4,052.92	2,483.38	3,126.46	1,010.31	2,729.21	816.45	87.3	80.8	69.5	32.9

Source: Laikipia County Treasury

Analysis of expenditure by department shows that the Department of Finance recorded the highest absorption rate of development budget at 69.4 per cent while the Office of the County Administration did not incur any development expenditure. The Department of Trade & industrialization had the highest percentage of recurrent expenditure to recurrent budget at 83.8 per cent while the Department of Education had the lowest at 21.9 per cent.

3.20.9 Key Observations and Recommendations

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

- Improvement in the use of IFMIS and the Internet Banking Platform for making payments.

- ii. Improvement in the performance of own-source revenue collection by Kshs.228.92 million compared to a similar period in FY 2017/18.

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

1. Late submission of financial reports by the County Treasury to the Controller of Budget, which affected timely preparation of budget implementation report contrary to section 166 of the PFM Act, 2012.
2. Delays by Fund Administrators of the County Executive Car & Mortgage Fund, Co-operative Fund and Enterprise Fund to submit financial reports on the established County Funds contrary to Section 168 of the PFM Act, 2012.
3. High expenditure on the wages which accounted for 54.1 per cent of the total expenditure in the first nine months of FY 2018/19.
4. High expenditure on non-core activities such as domestic travel costs which increased by 29.5 per cent to Kshs.146.56 million compared to Kshs.103.32 million in a similar period in FY 2017/18.
5. Failure to align the conditional grants in the County Budget to CARA, 2018.

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 on Revenue Allocation and the National Treasury in line with Section 166 of PFM Act, 2012.*
2. *All Fund Administrators should submit quarterly financial statements for 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.*
4. *The County Treasury should rationalise expenditure on non-core activities in order to free funds for development programmes.*
5. *The County should pass a Supplementary Budget to align all conditional grants to CARA, 2018.*

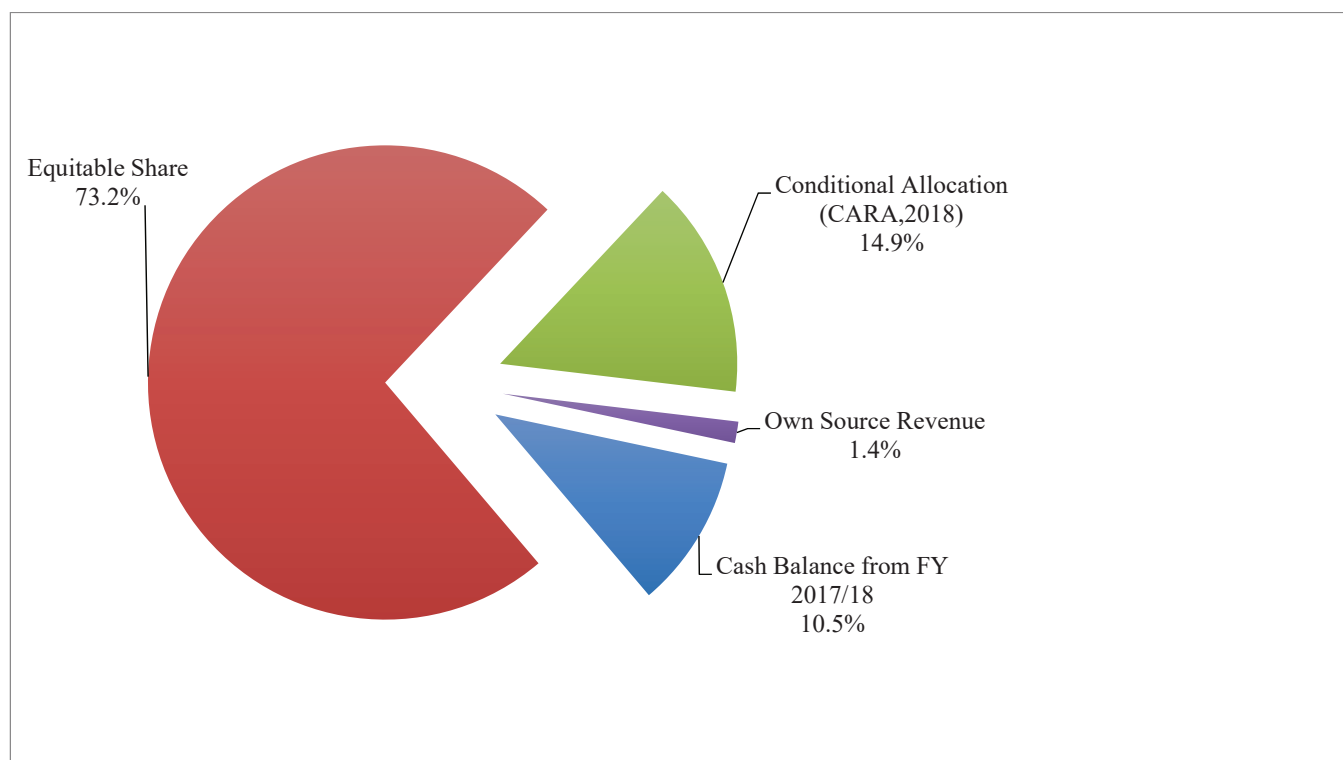
3.21 Lamu County

3.21.1 Overview of the FY 2018/19 Budget

The County's FY 2018/19 Approved Supplementary Budget was Kshs.4.85 billion, comprising of Kshs.2.56 billion (52.8 per cent) and Kshs.2.29 billion (47.2 per cent) allocation for recurrent and development expenditure respectively.

To finance the budget, the County expects to receive Kshs.3.55 billion (73.2 per cent) as equitable share of revenue raised nationally, Kshs.721.49 million (14.9 per cent) as total conditional grants, generate Kshs.70 million (1.4 per cent) from own-sources of revenue, and Kshs.507.05 million (10.5 per cent) cash balance from FY 2017/18.

Figure 3.81: Lamu County, Expected Sources of Budget Financing in FY 2018/19



Source: Lamu County Treasury

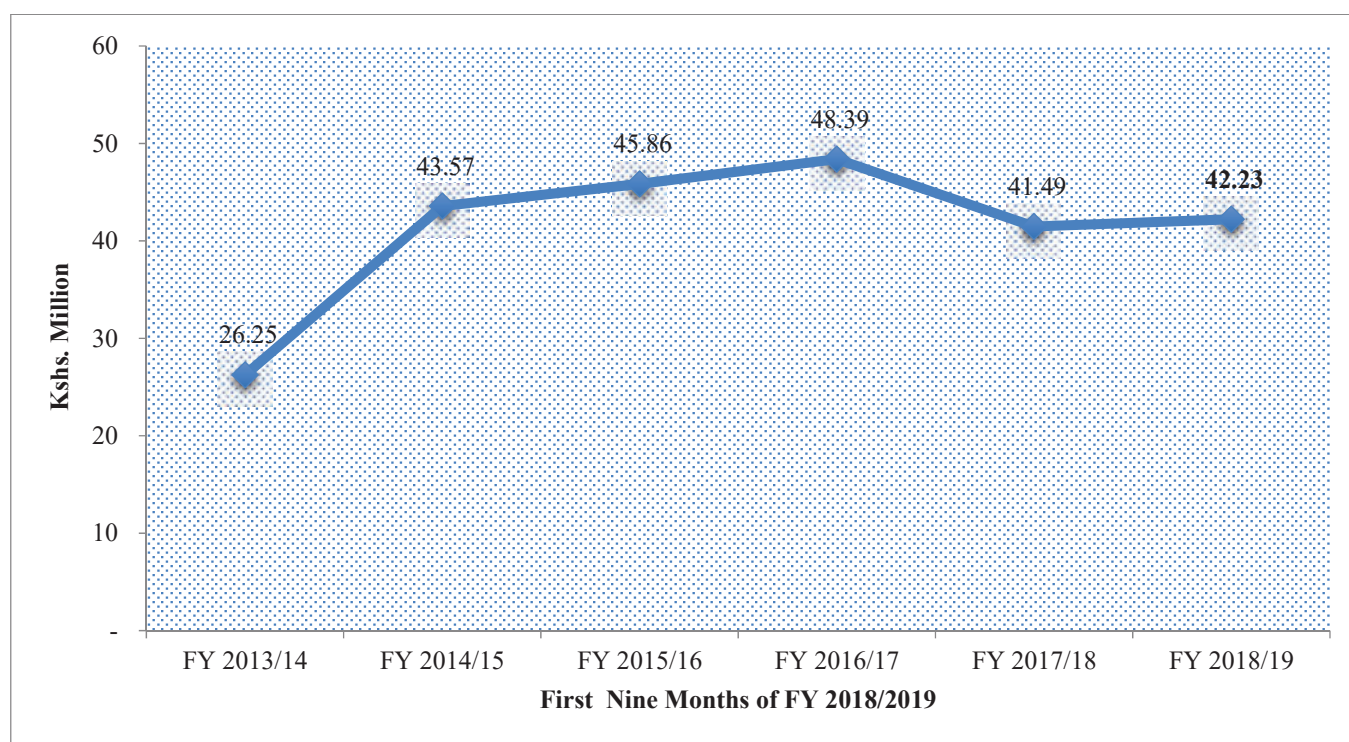
The conditional grants contained in the CARA, 2018 are shown in Table 3.57.

3.21.2 Revenue Analysis

During the first nine months of FY 2018/19, the County received Kshs.2.2 billion as equitable share of the revenue raised nationally, Kshs.198.16 million as total conditional grants, raised Kshs.42.23 million from own-sources of revenue, and had a cash balance of Kshs.507.05 million from FY 2017/18. The total funds available for budget implementation amounted to Kshs.2.95 billion.

Figure 3.82 shows the trend in own-sources of revenue collection from the first nine months FY 2013/14 to the first nine months of FY 2018/19.

Figure 3.82: Lamu County, Trend in Own-Source Revenue Collection for the First Nine Months from FY 2013/14 to FY 2018/19



Source: Lamu County Treasury

The County generated a total of Kshs.42.23 million from own revenue sources during the first nine months of FY 2018/19. This amount represented a decrease of Kshs.739,351 compared to that realised during a similar period of the FY 2017/18 and represented 60.3 per cent of the annual target.

3.21.3 Conditional Grants

The County received Kshs.198.16 million as conditional grants in the first nine months of the financial year 2018/19 as shown in Table 3.57.

Table 3.57: Lamu County, Conditional Grants/Loans Received in the First Nine Months of FY 2018/19

S/No	Grants/Loans	Annual Allocation, per CARA, 2018 (Kshs)	Annual Budget Allocation for FY 2018/19 (Kshs)	Actual receipts in the First Nine Months of FY 2018/19 (in Kshs.)	Actual Receipts as Percentage of Annual Allocation (%)
1.	DANIDA - Universal Healthcare in Devolved System Programme	8,302,500	8,302,500	8,302,500	100.0
2.	Supplement for Construction of County Headquarter	121,000,000	242,000,000	-	-
3.	Leasing of medical equipment	200,000,000	-	-	-
4.	Compensation for User Fee Foregone	2,451,034	2,451,034	-	-
5.	Road Maintenance Fuel Levy	93,421,016	93,421,016	46,710,506	50.0
6.	Rehabilitation of Village Polytechnics	31,210,000	31,210,000	23,563,550	75.5
7.	Transforming Health Systems for Universal Care Project (World Bank)	50,000,000	50,000,000	15,774,690	31.5

S/No	Grants/Loans	Annual Allocation, per CARA, 2018 (Kshs)	Annual Budget Allocation for FY 2018/19 (Kshs)	Actual receipts in the First Nine Months of FY 2018/19 (in Kshs.)	Actual Receipts as Percentage of Annual Allocation (%)
8.	IDA (World Bank) -Kenya Climate Smart Agriculture Project (KCSAP)	150,000,000	150,000,000	53,806,243	35.9
9.	IDA (World Bank) -Kenya Urban Support Project (KUSP)	50,000,000	50,000,000	50,000,000	100.0
10.	IDA (World Bank) Kenya Devolution Support Programme "Level 1 grant"	33,793,559	33,793,559	-	-
11.	Sweden - Agriculture Sector Development Support Programme (ASDSP) II + Bal C/F in FY 2017/18	16,158,635	16,158,635	-	-
12.	IDA (World Bank) credit: Kenya Urban Support Project (KUSP) - Urban Institutional Grants (UIG) + Bal C/F in FY 2017/18	41,200,000	41,200,000	-	-
13.	Contribution to Cultural Development	-	2,950,000	-	-
Total		797,536,744.0	721,486,744.0	198,157,489.0	24.8

Source: Lamu County Treasury

Analysis of revenue from conditional grants in the period under review indicates that the County received the full allocation from IDA (World Bank) -Kenya Urban Support Project (KUSP) and DANIDA - Universal Healthcare in Devolved System Programme.

3.21.4 Exchequer Issues

To finance the budget, the Controller of Budget approved the withdrawal of Kshs.1.93 billion from the County Revenue Fund account. The withdrawals represented 39.9 per cent of the Approved Supplementary Budget and translated to an increase of 8.3 per cent from Kshs.1.78 billion approved in the first nine months of FY 2017/18 and comprised of Kshs.1.57 billion (81.3 per cent) to fund recurrent expenditure and Kshs.361.42 million (18.7 per cent) for development activities.

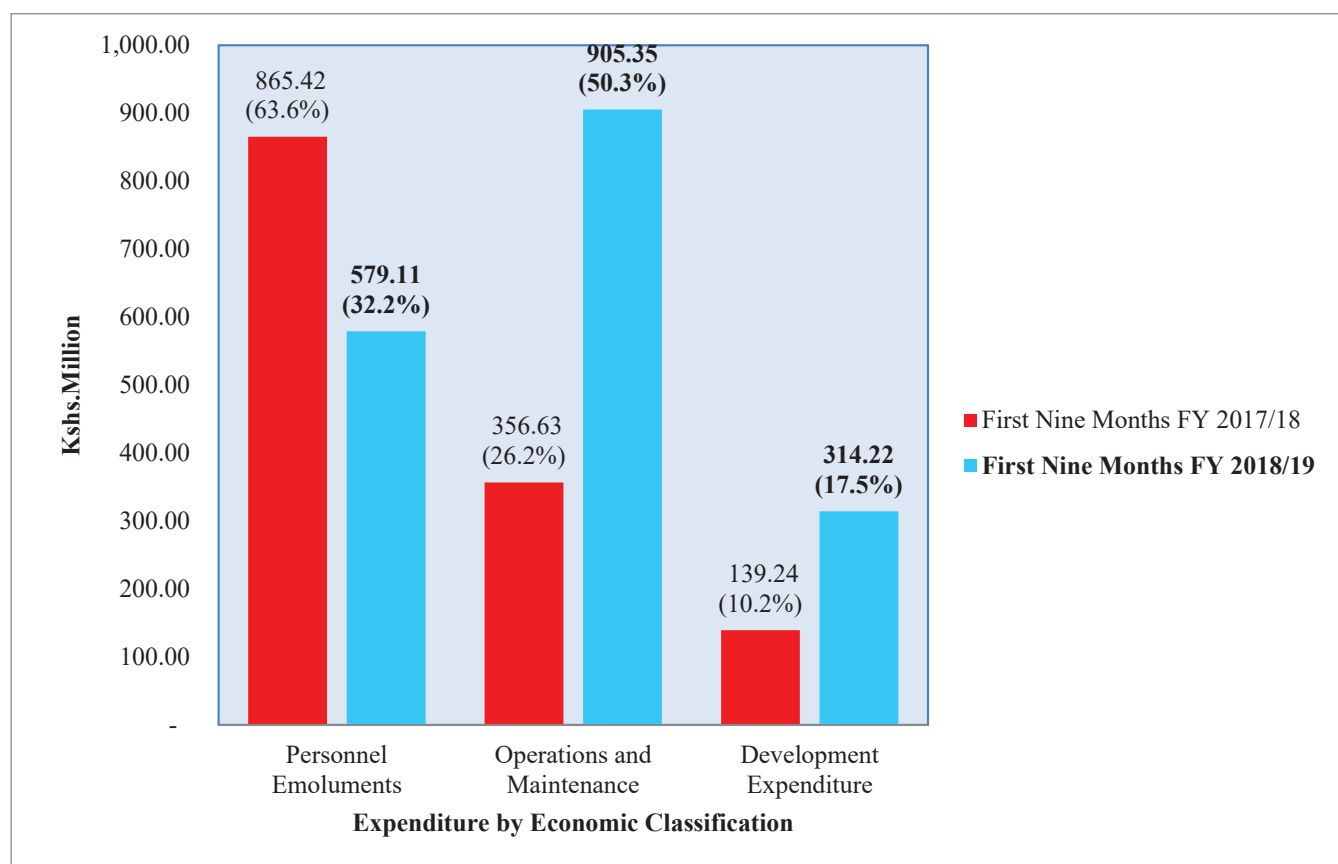
3.21.5 Overall Expenditure Review

The County spent a total of Kshs.1.8 billion on recurrent and development activities. This expenditure represented 93.1 per cent of the total funds released from the County Revenue Fund account and was an increase of 32.1 per cent from Kshs.1.36 billion spent in the first nine months of FY 2017/18. The expenditure excluded outstanding commitments as at March 31, 2019 which amounted to Kshs.156.76 million for development activities and Kshs.70.91 million for recurrent expenditure.

Expenditure on recurrent activities amounted to Kshs.1.48 billion while Kshs.314.21 million was spent on development activities. The recurrent expenditure was 94.5 per cent of the funds released for recurrent activities, while development expenditure was 86.9 per cent of funds released for development activities.

The recurrent expenditure represented 58 per cent of the annual recurrent budget, a decrease from 60.8 per cent recorded in the first nine months of FY 2017/18. Development expenditure recorded an absorption rate of 13.7 per cent, which was an increase from 13.8 per cent attained in the first nine months of FY 2017/18. Figure 3.83 presents a comparison between the total expenditure in the first nine months of FY 2018/19 and a similar period in FY 2017/18.

Figure 3.83: Lamu County, Expenditure by Economic Classification



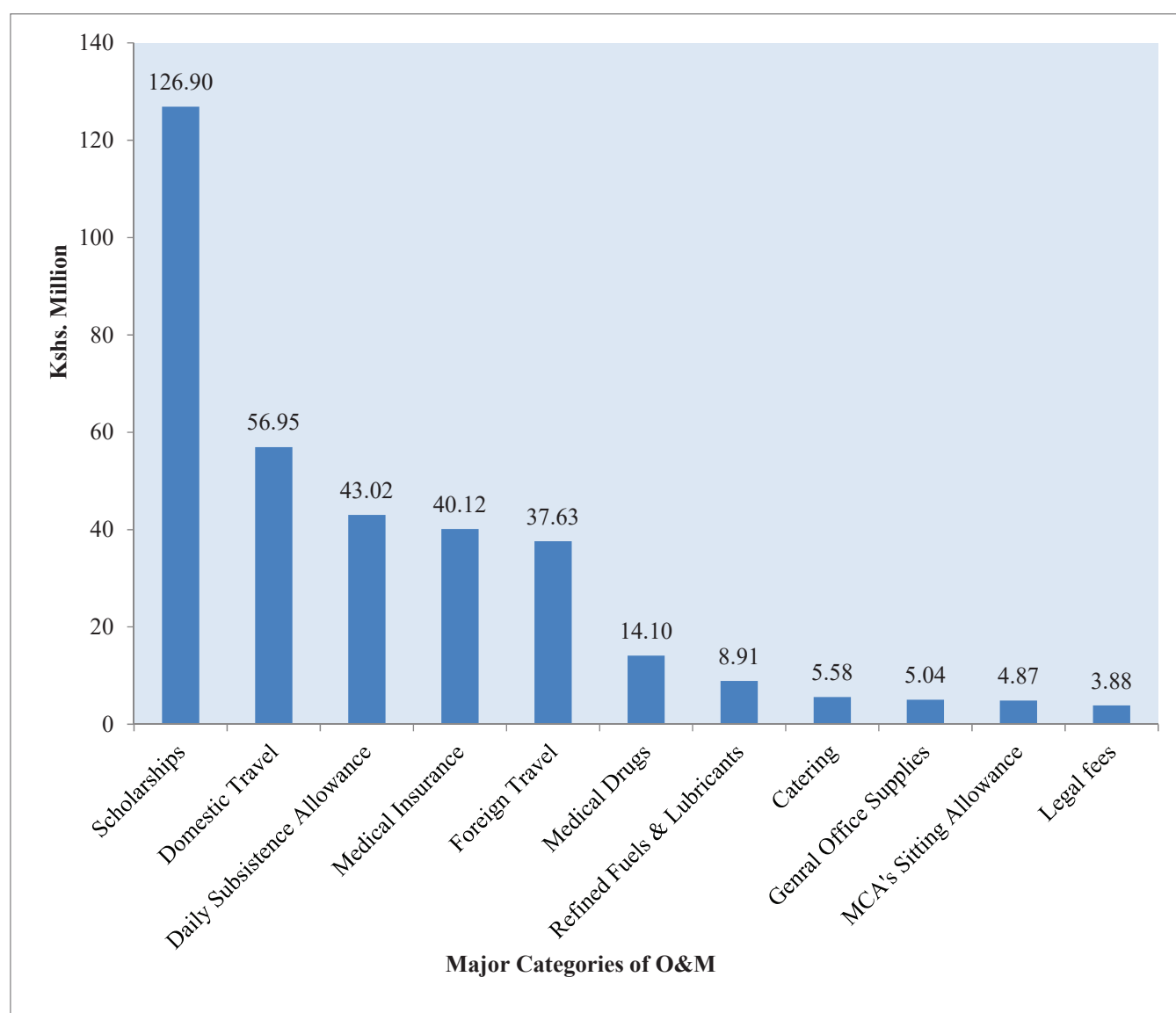
Source: Lamu County Treasury

3.21.6 Analysis of Recurrent Expenditure

The total recurrent expenditure of Kshs.1.48 billion comprised of Kshs.579.11 million (39 per cent) incurred on personnel emoluments and Kshs.905.35 million (61 per cent) on operations and maintenance as shown in Figure 3.83.

Expenditure on personnel emoluments represented a decrease of 33.1 per cent compared to a similar period of FY 2017/18 when the County spent Kshs.865.42 million and was 32.2 per cent of total expenditure in the first nine months of FY 2018/19. Figure 3.84 shows a summary of operations and maintenance expenditure by major categories.

Figure 3.84: Lamu County, Operations and Maintenance Expenditure by Major Categories in the First Nine Months of FY 2018/19



Source: Lamu County Treasury

The County spent Kshs.4.87 million on committee sitting allowances for the 19 MCAs and the speaker against the annual budget allocation of Kshs.11.50 million. This represented a decline/increase of 98 per cent compared to Kshs.2.46 million spent in a similar period of FY 2017/18. The average monthly sitting allowance translated to Kshs.28,484 per MCA against the SRC's recommended monthly ceiling of Kshs.124,800.

Expenditure on domestic and foreign travel amounted to Kshs.94.58 million and comprised of Kshs.56.95 million spent by the County Assembly and Kshs.37.62 million spent by the County Executive. This represented 3.8 per cent of total recurrent expenditure and was an increase of 19.5 per cent compared to Kshs.79.15 million spent in the first nine months of FY 2017/18.

3.21.7 Development Expenditure

The total development expenditure of Kshs.314.21 million represented 13.7 per cent of the annual development expenditure budget of Kshs.2.29 billion. Table 3.58 provides a summary of development projects with the highest expenditure in the first nine months of the financial year.

Table 3.58: Lamu County, List of Development Projects with the Highest Expenditure in the FY 2018/19

S/No.	Project Name	Project Location	Project Budget (Kshs.)	Project Expenditure in First Nine Months of FY 2018/19 (Kshs.)	Absorption Rate (%)
1	Project on Street Lighting	Lamu County	162,000,000	54,000,000	33.3
2	Survey Kiangwe Settlement Scheme	Kiangwi Village	19,979,840	11,985,888	60.0
3	Construction Of Laundry and Kitchen at Faza Sub County Hospital	Faza Hopita;	11,675,282	10,580,512	90.6
4	Road Maintenance Mpeketoni - Dambwe Road	Dambwe Village	3,882,253	3,879,336	99.9
5	Road Maintenance Mpeketoni - Bahari Road	Bahari Ward	3,519,556	3,516,204	99.9
6	Road Maintenance at Maisha Masha	Maisha Masha Village	3,505,363	3,503,669	100.0
7	Construction of Sheds at Mpeketoni Air Market	Mpeketoni	3,498,826	3,498,826	100.0
8	Road Maintenance Sinambio Road	Sinambio Village	3,383,140	3,381,203	99.9
9	Road Maintenance at Majembeni Road	Majembeni Village	3,156,371	3,154,417	99.9
10	Road Maintenance Maleli Road	Maleli Village	2,985,550	2,982,986	99.9

3.21.8 Budget Performance by County Department

Table 3.59 shows a summary of the approved budget allocation and performance by department in the first nine months of FY 2018/19.

Table 3.59: Lamu County, Budget Performance by Department

Department	Annual Budget Allocation in FY 2018/19 (Kshs. Million)		Exchequer Issues in First Nine Months of FY 2018/19 (Kshs. Million)		Expenditure in First Nine Months of FY 2018/19 (Kshs. Million)		Expenditure to Exchequer Issues (%)		Absorption Rate (%)	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
County Assembly	404.00	250.00	268.02	116.53	237.73	116.53	88.7	100.0	58.8	46.6
Governor/County Executive services	483.53	404.13	216.62	-	224.95	11.92	103.8	-	46.5	2.9
Finance, Economy and Strategy Planning	195.42	4.10	101.28	-	91.87	-	90.7	-	47.0	0.0
Agriculture & Planning	130.41	339.27	64.74	65.28	39.31	-	60.7	0.0	30.1	0.0
Lands, Physical Planning, Infrastructure, Water and Resources	78.54	680.20	52.69	162.70	48.07	126.33	91.2	77.6	61.2	18.6
Education, Gender, Youth Affairs, Sports and Social Services	232.27	171.73	196.36	9.72	194.04	22.65	98.8	233.0	83.5	13.2
Medical Services, Sanitation and Environment	896.74	339.77	574.36	3.70	568.69	26.13	99.0	707.1	63.4	7.7

Department	Annual Budget Allocation in FY 2018/19 (Kshs. Million)		Exchequer Issues in First Nine Months of FY 2018/19 (Kshs. Million)		Expenditure in First Nine Months of FY 2018/19 (Kshs. Million)		Expenditure to Exchequer Issues (%)		Absorption Rate (%)	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
Trade, Tourism and Investment Development	24.54	35.50	15.61	3.50	12.47	6.78	79.8	193.9	50.8	19.1
Fisheries, Livestock, Veterinary & Cooperative Development	68.54	60.90	49.02	-	37.95	3.87	77.4	-	55.4	6.4
Public Service Board	45.56	-	32.44	-	29.39	-	90.6	-	64.5	-
Total	2,559.54	2,285.60	1,571.14	361.42	1,484.46	314.22	94.5	86.9	58.0	13.7

Source: Lamu County Treasury

Analysis of expenditure by department shows that the County Assembly recorded the highest absorption rate of development budget at 46.6 per cent while the Department of Finance, Economy and Strategy Planning and the Department of Agriculture & Planning did not incur any development expenditure. The Department of Education, Gender, Youth Affairs, Sports and Social Services had the highest percentage of recurrent expenditure to recurrent budget at 83.5 per cent while the Agriculture & Planning had the lowest at 30.1 per cent.

3.21.9 Key Observations and Recommendations

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

- Establishment of the County Budget and Economic Forum (CBEF) in line with Section 137 of the Public Finance Management Act, 2012.
- Establishment of the Internal Audit Committee in line with Section 155 of the PFM Act, 2012.
- Improvement in the use of the Integrated Financial Management Information System (IFMIS) and the Internet Banking platform for processing the county's financial transactions.

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

- Internet connectivity challenges continue to face the County, thereby leading to delays in processing of financial transaction in IFMIS.
- Delays in the submission of financial reports to the Office of the Controller and has caused delays in preparation and submission of the County Budget Implementation Review report contrary to Section 166 of the Public Financial Management Act, 2012.
- Low development expenditure, which was 13.7 per cent of the development budget absorption for development funds relative to the annual budget at 75 per cent for the FY 2018/2019.

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

- The County Treasury should liaise with the IFMIS Directorate to address the connectivity challenges.*
- The County Treasury should prepare and submit financial returns in line with Section 166 of the PFM Act, 2012.*
- The County should identify and address the causes of low development expenditures.*

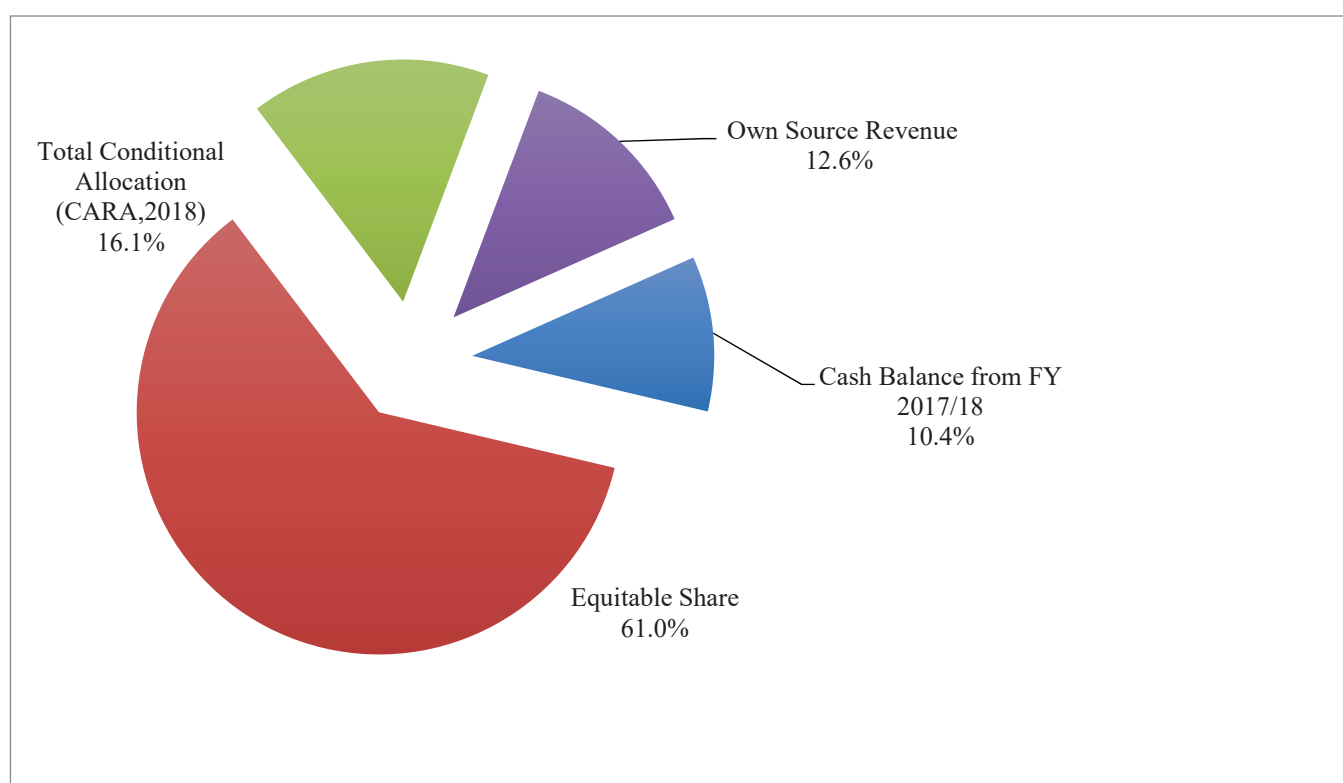
3.22 Machakos County

3.22.1 Overview of the FY 2018/19 Budget

The County's FY 2018/19 Approved Budget was Kshs.12.23 billion, comprising of Kshs.7.63 billion (62.4 per cent) and Kshs.4.60 billion (37.6 per cent) allocation for recurrent and development expenditure respectively.

To finance the budget, the County expects to receive Kshs.8.32 billion (68.0 per cent) as equitable share of revenue raised nationally, Kshs.2.19 billion (17.9 per cent) as total conditional grants, generate Kshs.1.72 billion (14.1 per cent) from own-source revenue, and Kshs.1.41 billion (cash balance brought forward from FY 2017/18 which the County did not budget.

Figure 3.85: Machakos County Expected Sources of Budget Financing in FY 2018/19



Source: Machakos County Treasury

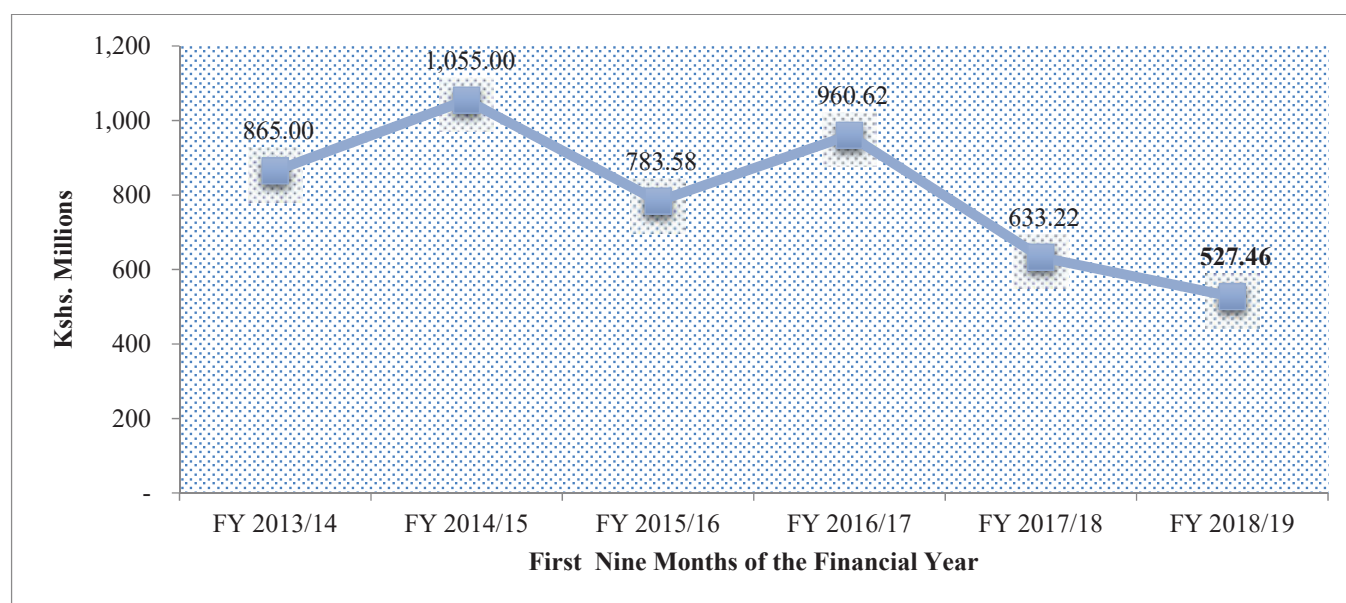
The conditional grants contained in the CARA, 2018 are shown in Table 3.60.

3.22.2 Revenue Analysis

During the first nine months of FY 2018/19, the County received Kshs.4.89 billion as equitable share of revenue raised nationally, Kshs.1.16 billion as total conditional grants, raised Kshs.527.44 million from own-source revenue, and had a cash balance of Kshs.1.41 billion from FY 2017/18. The total available funds amounted to Kshs.8.29 billion.

Figure 3.86 shows the trend in own-source revenue collection for the first nine months from FY 2013/14 to FY 2018/19.

Figure 3.86: Machakos County, Trend in Own-source revenue Collection for the First Nine Months from FY 2013/14 to FY 2018/19



Source: Machakos County Treasury

The County generated a total of Kshs.527.44 million as own-sources of revenue during the first nine months of FY 2018/19. The own-sources of revenue collected during the period represented a decrease from Kshs.633.21 million realised during the same period of the FY 2017/18 and represented 30.7 per cent of the annual target.

3.22.3 Conditional Grants

The County received Kshs.1.16 billion as conditional grants in the first nine months of the financial year as shown in Table 3.60.

Table 3.60: Machakos County, Conditional Grants/Loans Received in the First Nine Months of FY 2018/19

S/No	Grants	Annual CARA, 2018 Allocation (in Kshs)	Annual Budget Allocation (in Kshs)	Actual Receipts in First Nine Months of FY 2018/19 (in Kshs.)	Actual Receipts as Percentage of Annual Allocation (%)
A	Grants Contained in the CARA, 2018				
1.	IDA (World Bank) -Kenya Urban Support Project	1,018,320,500	1,018,320,500	1,018,320,500	100
2.	Conditional Grants to Level- 5 Hospitals	383,583,815	383,583,815	168,776,879	44
3.	Road Maintenance Fuel Levy Fund	219,084,683	219,084,683	109,542,342	50
4.	Leasing of Medical Equipment	200,000,000	200,000,000	-	-
5.	IDA (World Bank) -Kenya Climate Smart Agriculture Project	117,000,000	117,000,000	41,070,411	35.1
6.	World Bank-Transforming Health Systems for Universal Care Project	95,401,875	95,401,875	31,284,358.90	32.8
7.	IDA (World Bank) -National Agricultural and Rural Inclusive Growth Project	54,295,000	54,295,000	-	-

S/No	Grants	Annual CARA, 2018 Allocation (in Kshs)	Annual Budget Allocation (in Kshs)	Actual Receipts in First Nine Months of FY 2018/19 (in Kshs.)	Actual Receipts as Percentage of Annual Allocation (%)
8.	Rehabilitation of Village Polytechnics	53,423,784	53,423,784	-	-
9.	IDA (World Bank) Kenya Devolution Support Programme "Level 1 grant"	24,129,039	24,129,039	-	-
10.	DANIDA - Universal Healthcare to Devolved System Programme	24,806,250	24,806,250	12,403,125	50.0
11.	IDA (World Bank) -Kenya Urban Support Project - Urban grants	41,200,000	41,200,000	-	-
12.	Sweden- ASDSP	21,107,671	21,107,671	-	-
Sub Total		2,252,352,617	2,252,352,617	1,381,397,615.90	61.3
B	Other Grants				
13	Universal Health Coverage (UHC) Grants	-	-	84,033,068	-
Sub Total		-	-	84,033,068	-
Grand Total		2,252,352,617.0	2,252,352,617.0	1,465,430,684	65.1

Source: Machakos County Treasury

Analysis of revenue from conditional grants in the period under review indicates that, the County received the full allocation from Kenya Urban Support Project.

3.22.4 Exchequer Issues

To finance the budget, the Controller of Budget approved the withdrawal of Kshs.7.51 billion from the County Revenue Fund Account. The withdrawals represented 61.4 per cent of the Approved Budget and translated to an increase of 58.1 per cent from Kshs.4.75 billion approved in the first nine months of FY 2017/18 and comprised of Kshs.5.54 billion (45.3 per cent) to fund recurrent expenditure and Kshs.1.97 billion (16.1 per cent) for development activities.

3.22.5 Overall Expenditure Review

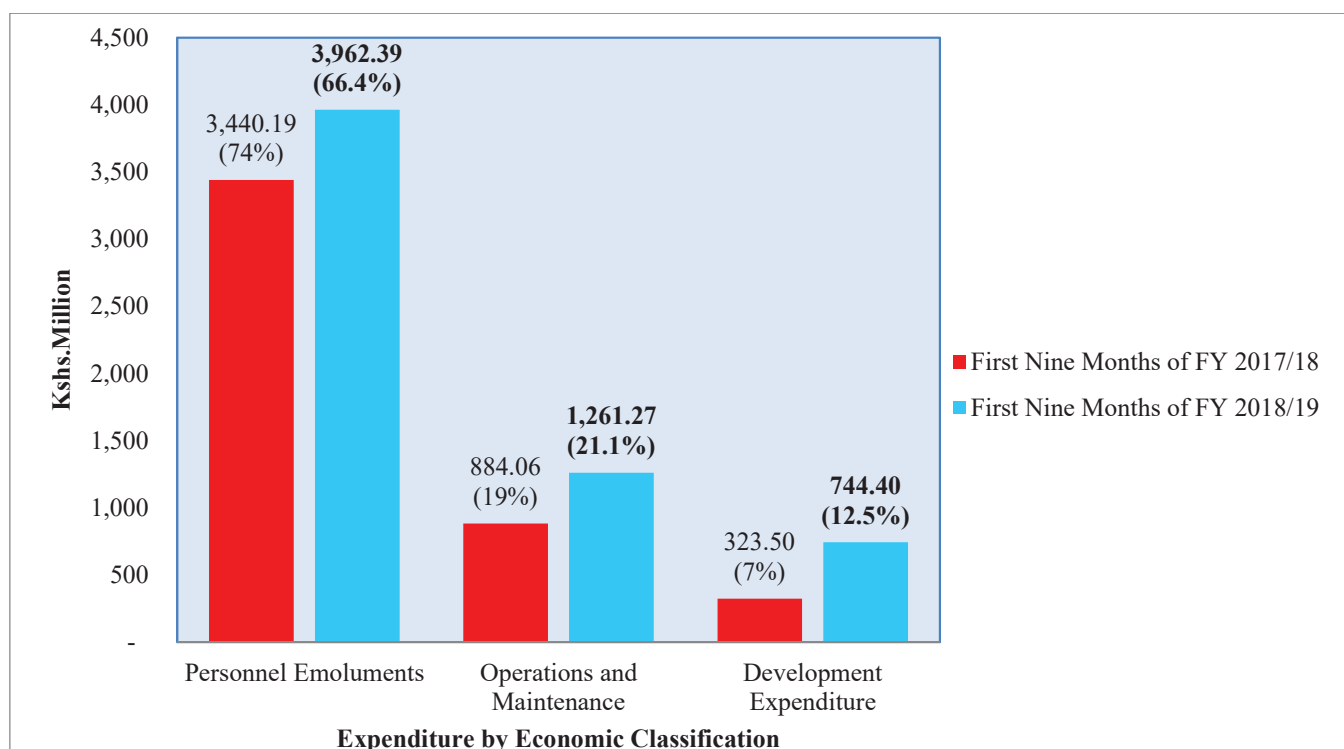
The County spent a total of Kshs.5.97 billion on recurrent and development activities. The total expenditure represented 79.4 per cent of the total funds released from the County Revenue Fund Account and was an increase of 28.4 per cent from Kshs.4.65 billion spent in the first nine months of FY 2017/18. The expenditure excluded outstanding commitments as at March 31, 2019 which amounted to Kshs.798.01 million for development activities and Kshs.156.19 million for recurrent expenditure.

Expenditure on recurrent activities amounted to Kshs.5.22 billion while Kshs.744.34 million was spent on development activities. The recurrent expenditure was 94.2 per cent of the funds released for recurrent activities, while development expenditure was 37.8 per cent of funds released for development activities.

The recurrent expenditure represented 68.5 per cent of the annual recurrent budget, an increase from 61.8 per cent recorded in the first nine months of FY 2017/18. Development expenditure recorded an absorption rate of 16.2 per cent, which was an increase from 10.8 per cent attained in the first nine months of FY 2017/18.

Figure 3.87 presents a comparison between the total expenditure in the first nine months of FY 2018/19 and the first nine months of the FY 2017/18.

Figure 3.87: Machakos County, Expenditure by Economic Classification



Source: Machakos County Treasury

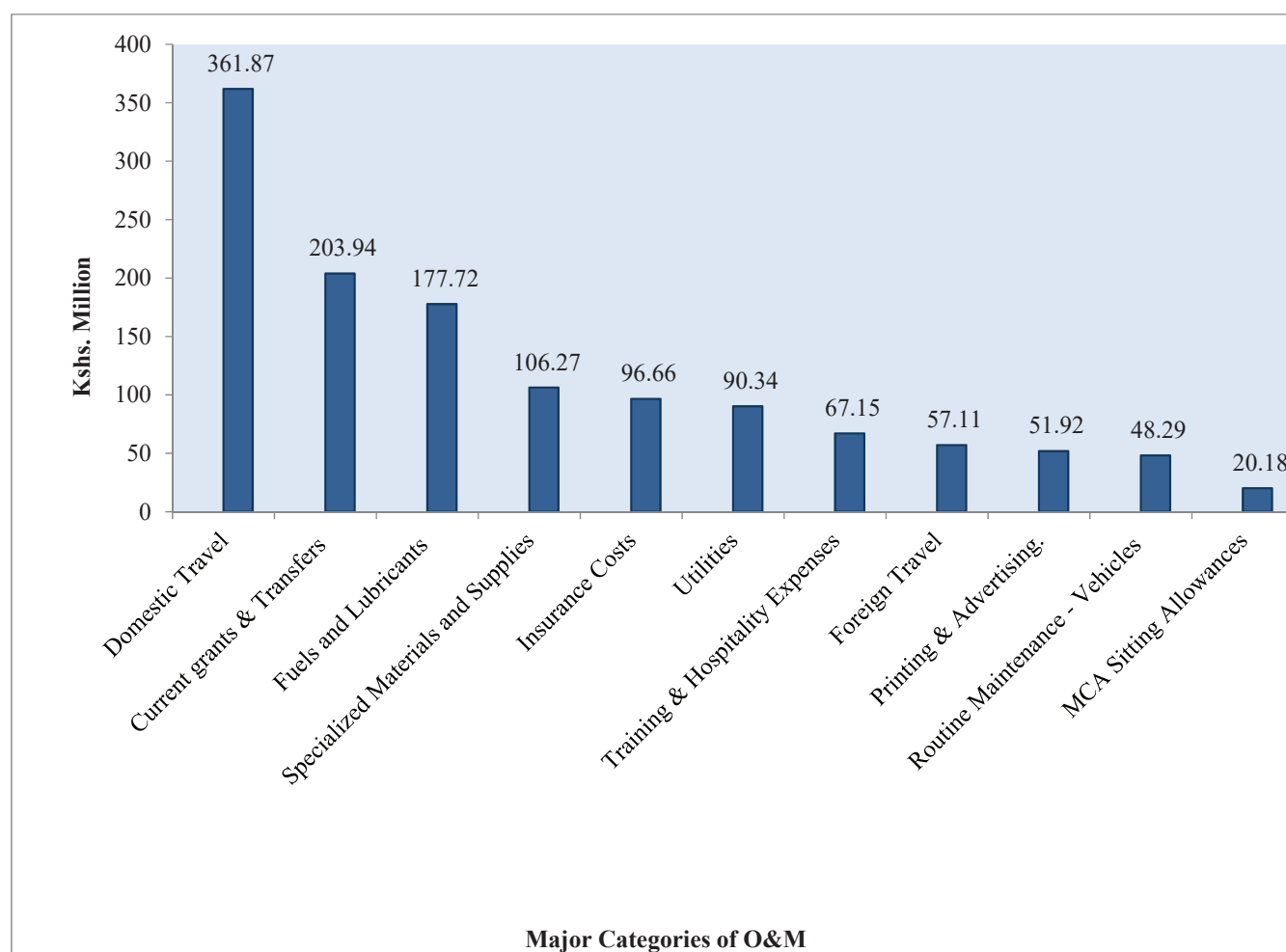
3.22.6 Analysis of Recurrent Expenditure

The total recurrent expenditure of Kshs.5.22 billion comprised of Kshs.3.96 billion (74 per cent) incurred on personnel emoluments and Kshs.1.26 billion (21.1 per cent) on operations and maintenance as shown in Figure 3.87.

Expenditure on personnel emoluments represented an increase of 15.2 per cent compared to a similar period of FY 2017/18 when the County spent Kshs.3.44 billion, and was 66.4 per cent of total expenditure in the first nine of FY 2018/19.

Figure 3.38 shows a summary of operations and maintenance expenditure by major categories.

Figure 3.88: Machakos County, Operations and Maintenance Expenditure by Major Categories in the First Nine Months of FY 2018/19



Source: Machakos County Treasury

The County spent Kshs.20.18 million to cater for the committee sitting allowances for the 60 MCAs and the speaker against the annual budget allocation of Kshs.80.21 million. This represented an increase of 210.9 per cent compared to Kshs.6.49 million spent in a similar period of FY 2017/18. The average monthly sitting allowance translated to Kshs.37,378 per MCA against the SRC's recommended monthly ceiling of Kshs.124,800.

Expenditure on domestic travel amounted to Kshs.361.87 million and comprised of Kshs.141.15 million spent by the County Assembly and Kshs.220.72 million spent by the County Executive. This represented 6.9 per cent of total recurrent expenditure and was an increase of 101.6 per cent compared to Kshs.207.84 million spent in the first nine months of FY 2017/18.

3.22.7 Development Expenditure

The total development expenditure of Kshs.744.40 million represented 16.2 per cent of the annual development budget of Kshs.4.60 billion. Table 3.61 provides a summary of development projects with the highest expenditure in the first nine months of the financial year.

Table 3.61: Machakos County, List of Development Projects with the Highest Expenditure in the FY 2018/19

S/No.	Project Name	Project Location	Project Budget (Kshs.)	Project Expenditure in First Nine Months of FY 2018/19 (Kshs.)	Absorption Rate (%)
1	Construction of Nthngululu Dam	Yatta	150,000,000	46,406,868.30	31
2	Construction of a 12 storey building at the Machakos New City.	Machakos	394,999,999	41,407,638	10
3	Construction of Government building at The Machakos New City	Machakos	399,640,361	34,165,960	9
4	Construction of Mumbuni Dam	Kibauni	78,000,000	19,915,410.90	26
5	Construction of Machakos County Office	Machakos	287,110,237	14,971,734	5
6	Routine Maintenance of Kithini – Vota road	Machakos	21,339,957	12,494,431	59
7	Routine Maintenance of Kenol-Mutwani-Lukenya road	Yatta	11,225,331	11,211,046	100
8	Construction of Machakos Conference facility at Machakos People's Park	Machakos	74,170,816	10,830,451	15
9	Routine Maintenance at Kathiani – Kangundo road	Kangundo	16,211,916	9,994,316	62
10	Installation of drainage facilities at Kituluni-Kitambaasye road	Matungulu	9,806,000	9,732,800	99

Source: Machakos County Treasury.

3.22.8 Budget Performance by County Department

Table 3.62 shows a summary of budget estimates and budget performance by department in the first nine months of FY 2018/19.

Table 3.62: Machakos County, Budget Performance by Department

Department	Budget Allocation (Kshs. Million)		Exchequer Issues in first nine months of FY 2018/19 (Kshs. Million)		Expenditure in first nine months of FY 2018/19 (Kshs. Million)		Expenditure to Exchequer Issues (%)		Absorption Rate (%)	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
Office of the Governor	605.72	6.83	293.03	-	282.57	8.70	96.4	-	47	127
Public Service, Labour and ICT	433.74	12.70	306.66	-	3,731.06	1.08	1216.7	-	860.2	9
Trade, Investment, Economic Planning, Industrialization and Energy	135.11	91.58	102.55	-	53.40	-	52.1	-	40	-
Finance and Revenue Management	393.94	11.80	269.37	-	86.88	0.58	32.3	-	22	5
Decentralized Units, County Administration, Environment & Solid Waste mgt.	374.83	31.00	353.52	-	42.78	14.14	12.1	-	11	46
Agriculture, NR, Livestock, Water & Irrigation Development	502.63	665.61	420.17	253.05	59.55	155.52	14.2	61.5	12	23
Health and Emergency Services	3,545.37	748.44	2,747.80	237.95	225.28	98.87	8.2	41.6	6	13

Department	Budget Allocation (Kshs. Million)		Exchequer Issues in first nine months of FY 2018/19 (Kshs. Million)		Expenditure in first nine months of FY 2018/19 (Kshs. Million)		Expenditure to Exchequer Issues (%)		Absorption Rate (%)	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
Transport, Roads, Public Works and Housing	187.10	1,436.30	165.82	436.66	64.78	421.20	39.1	96.5	35	29
Education, Youth and Social Welfare	295.22	289.30	89.26	16.49	47.28	2.64	53.0	16.0	16	1
Lands, Energy & Urban development	97.20	1,054.32	75.43	1,018.32	25.96	30.70	34.4	3.0	27	3
Tourism, Sports and Culture	81.27	14.92	67.17	-	15.38	4.54	22.9	-	19	30
County Public Service Board	41.40	2.01	34.20	-	2.16	-	6.3	-	5.2	-
County Assembly	936.78	236.00	619.97	6.42	586.57	6.42	94.6	100	63	3
Total	7,630.31	4,600.81	5,544.95	1,968.89	5,223.65	744.39	94.2	37.8	68.5	16.2

Source: Machakos County Treasury

Analysis of expenditure by department shows that the Office of the Governor recorded the highest absorption rate of development budget at 127 per cent while the Department of Trade, Investment, Economic Planning, Industrialization and Energy did not incur any development expenditure. The Department of Public Service, Labour and ICT had the highest percentage of recurrent expenditure to recurrent budget at 860.2 per cent while the County Public Service Board had the lowest at 5.2 per cent. The recurrent expenditure by the Department of Public Works, ICT and Labour exceeded the approved recurrent estimates as all wages bills are irregularly charged to the department.

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 included:

- Establishment of the Internal Audit Committee in line with Section 155 of the PFM Act, 2012.
- Timely submission of financial reports to the Controller of Budget by the County Treasury in line with Section 166 of the PFM Act, 2012.

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

- A high wage bill that increased by 15.2 per cent from Kshs.3.44 billion in the first nine months of FY 2017/18 to Kshs.3.96 billion in the first nine months of FY 2018/19. The wage bill accounted for 66.4 per cent of total expenditure in the reporting period.
- Delays by Fund Administrators of both the County Assembly and the County Executive Car Loan & Mortgage Funds to submit expenditure reports contrary to Section 168 of the PFM Act, 2012..

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

- The County Public Service Board should establish an optimal staffing structure in order to ensure a sustainable wage bill.*
- The CECM-F should ensure the Fund Administrators prepare and submits expenditure reports on the in line with Section 168 of the PFM Act, 2012.*

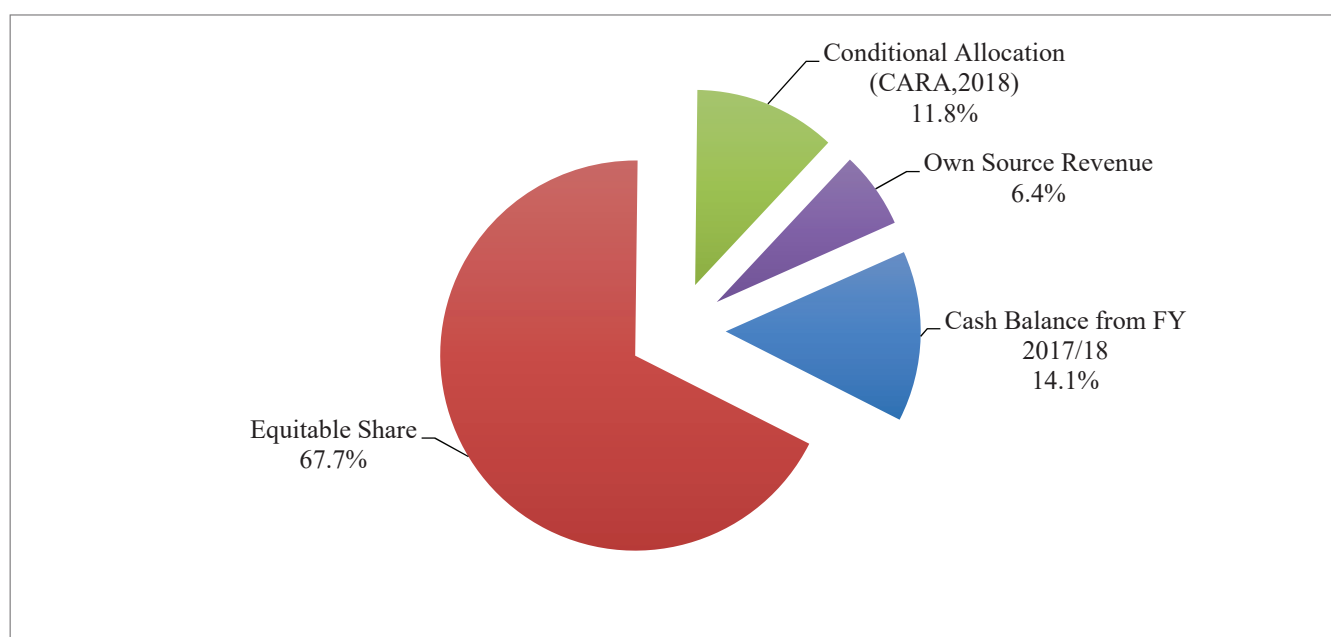
3.23 Makueni County

3.23.1 Overview of the FY 2018/19 Budget

The County's FY 2018/19 Approved Supplementary Budget was Kshs.10.53 billion, comprising of Kshs.5.90 billion (56 per cent) and Kshs.4.63 billion (44 per cent) allocation for recurrent and development expenditure respectively.

To finance the budget, the County expects to receive Kshs.7.13 billion (67.7 per cent) as equitable share of revenue raised nationally, Kshs.1.24 billion (11.8 per cent) as total conditional grants, generate Kshs.670.5 million (6.4 per cent) from own-sources of revenue, and Kshs.1.49 billion (14.1 per cent) cash balance from FY 2017/18.

Figure 3.89: Makueni County, Expected Sources of Budget Financing in FY 2018/19



Source: Makueni County Treasury

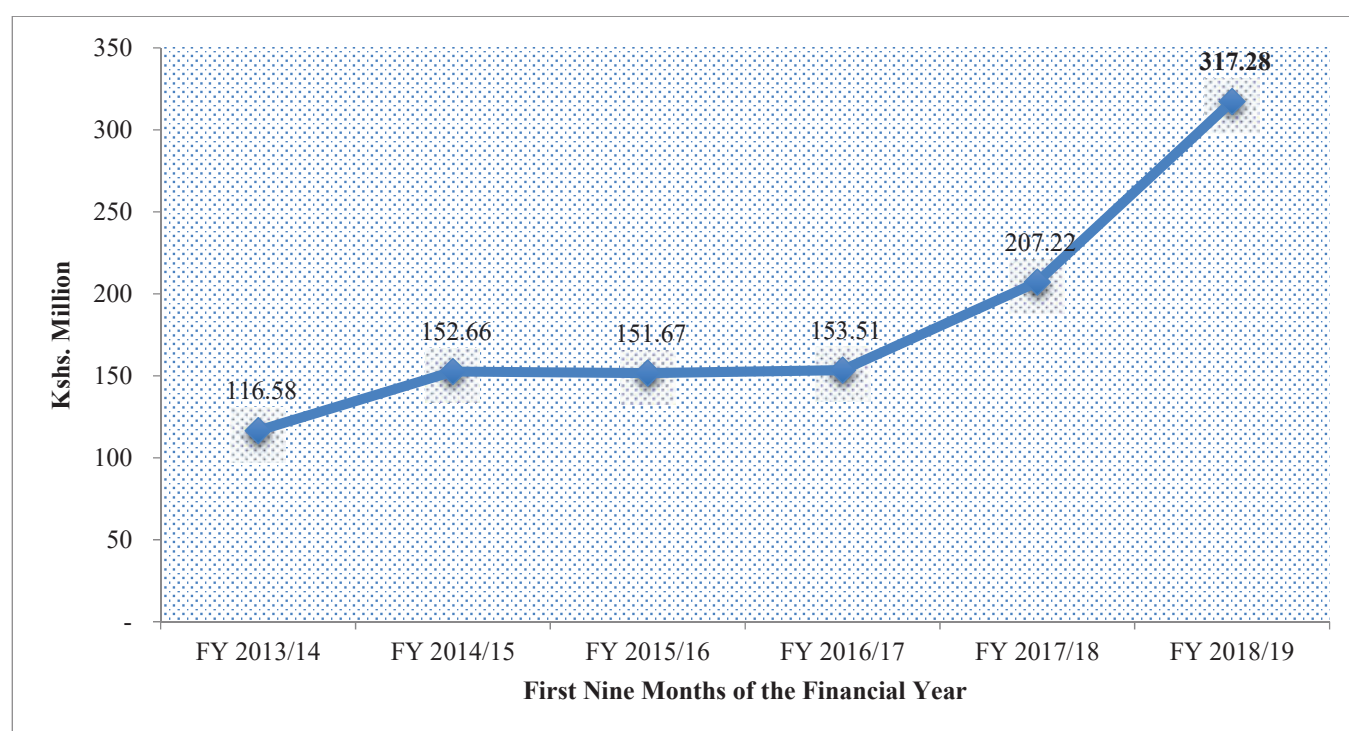
The conditional grants contained in the CARA, 2018 are shown in Table 3.63.

3.23.2 Revenue Analysis

During the first nine months of FY 2018/19, the County received Kshs.4.16 billion as equitable share of the revenue raised nationally, Kshs.512.02 million as total conditional grants, raised Kshs.317.28 million from own source of revenue, and had a cash balance of Kshs.1.09 billion from FY 2017/18. The total funds available for budget implementation amounted to Kshs.6.08 billion.

Figure 3.90 shows the trend in own-sources of revenue collection for the first nine months from FY 2013/14 to the first nine months of FY 2018/19.

Figure 3.90: Makueni County, Trend in Own Sources of Revenue Collection for the First Nine Months from FY 2013/14 to FY 2018/19



Source: Makueni County Treasury

The County generated a total of Kshs.317.28 million from own-sources of revenue during the first nine months of FY 2018/19. This amount represented an increase of Kshs.110.06 million compared to that realised during a similar period of the FY 2017/18 and represented 47.3 per cent of the annual target.

3.23.3 Conditional Grants

The County received Kshs.512.02 million as conditional grants in the first nine months of the financial year 2018/19 as shown in Table 3.63.

Table 3.63: Makueni County, Conditional Grants/Loans Received in the First Nine Months of FY 2018/19

S/ No	Grants	Annual CARA, 2018 Allocation (in Kshs)	Annual Budget Allocation (in Kshs)	Actual receipts in First Nine Months of FY 2018/19 (in Kshs.)	Actual Receipts as Percentage of Annual Allo- cation (%)
A	Grants Contained in the CARA, 2018				
1	IDA (World Bank) -Kenya Urban Support Project (KUSP)	136,261,600	136,261,600	136,261,600	100
2	DANIDA - Universal Healthcare in Devolved System Programme	22,882,500	22,882,500	22,882,500	100
3	Road Maintenance Fuel Levy	187,668,766	187,668,766	93,834,383	50
4	Sweden - Agriculture Sector Development Support Programme (ASDSP) II + Bal C/F in FY 2017/18	22,730,225	21,551,135	8,275,568	38.4
5	Transforming Health Systems for Universal Care Project (World Bank)	100,000,000	100,000,000	33,369,798	33.4

S/ No	Grants	Annual CARA, 2018 Allocation (in Kshs)	Annual Budget Allocation (in Kshs)	Actual receipts in First Nine Months of FY 2018/19 (in Kshs.)	Actual Receipts as Percentage of Annual Allo- cation (%)
6	Leasing of Medical Equipment	200,000,000	200,000,000	-	-
7	IDA (World Bank) -National Agricultural and Rural Inclusive Growth Project (NARIGP)	140,435,163	140,435,163	-	-
8	IDA (World Bank) Kenya Devolution Support Programme “Level 1 grant”	50,750,604	50,750,604	-	-
9	EU Grant- Instruments for Devolution Advice and Support-(IDEAS)	45,000,000	45,000,000	-	-
10	IDA (World Bank) credit: Kenya Urban Support Project (KUSP) - Urban Institutional Grants (UIG) + Bal C/F in FY 2017/18	41,200,000	40,000,000	-	-
11	Rehabilitation of Village Polytechnics	31,570,000	31,570,000	-	-
12	Compensation for User Fee Foregone	19,435,760	19,435,760	-	-
Sub Total		997,934,618	995,555,528	294,623,849	29.6
B	Other Grants				
13	KDSP Grant - Investment Grant	-	168,575,682	168,575,682	100
14	EU Grant for Instrument for Devolution Advice and support	-	66,000,000	48,818,153	74
15	DANIDA Grant (Universal Healthcare in Devolved System Program) - FY 2017/18 Funds	-	9,479,639	-	-
Sub Total		-	244,055,321	217,393,835	89.1
Grand Total		997,934,618	1,239,610,849	512,017,684	41.3

Source: Makueni County Treasury

Analysis of revenue from conditional grants indicates that, the County received full allocation from IDA (World Bank) -Kenya Urban Support Project, and DANIDA - Universal Healthcare in Devolved System Programme, and KDSP Grant - Investment Grant. The County also received Kshs.168.58 million as Kenya Devolution Support Programme (KDSP) Grant - Investment Grant and Kshs.48.82 million from EU as grant for Instrument for Devolution Advice and support which were not contained in CARA, 2018.

3.23.4 Exchequer Issues

To finance the budget, the Controller of Budget approved the withdrawal of Kshs.5.56 billion from the County Revenue Fund Account. The withdrawals represented 52.8 per cent of the Approved Budget and translated to an increase of 23.5 per cent from Kshs.4.5 billion approved in the first nine months of FY 2017/18 and comprised of Kshs.4.14 billion (74.4 per cent) to fund recurrent expenditure and Kshs.1.42 billion (25.6 per cent) for development activities.

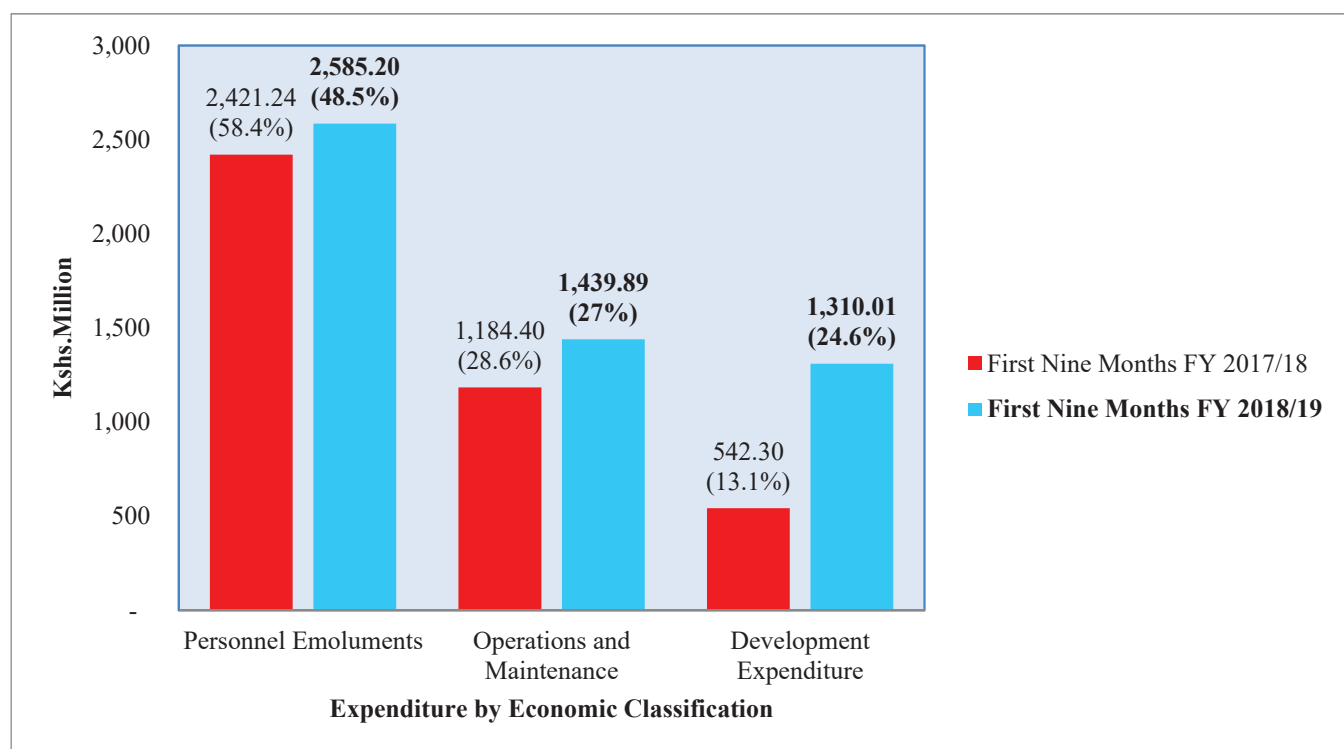
3.23.5 Overall Expenditure Review

The County spent a total of Kshs.5.34 billion on recurrent and development activities. This expenditure represented 96 per cent of the total funds released from the County Revenue Fund Account and was an increase of 28.6 per cent from Kshs.4.15 billion spent in the first nine months of FY 2017/18. The expenditure excluded outstanding commitments as at March 31, 2019 which amounted to Kshs.208.51 million for development activities and Kshs.150.09 million for recurrent expenditure as per IFMIS vote book report.

Expenditure on recurrent activities amounted to Kshs.4.03 billion while Kshs.1.31 billion was spent on development activities. The recurrent expenditure was 97.3 per cent of the funds released for recurrent activities, while development expenditure was 92.2 per cent of funds released for development activities.

The recurrent expenditure represented 68.3 per cent of the annual recurrent budget, an increase from 59.4 per cent recorded in the first nine months of FY 2017/18. Development expenditure recorded an absorption rate of 28.3 per cent, which was an increase from 15.1 per cent attained in the first nine months of FY 2017/18. Figure 3.91 presents a comparison between the total expenditure in the first nine months of FY 2018/19 and a similar period in FY 2017/18.

Figure 3.91: Makueni County, Expenditure by Economic Classification



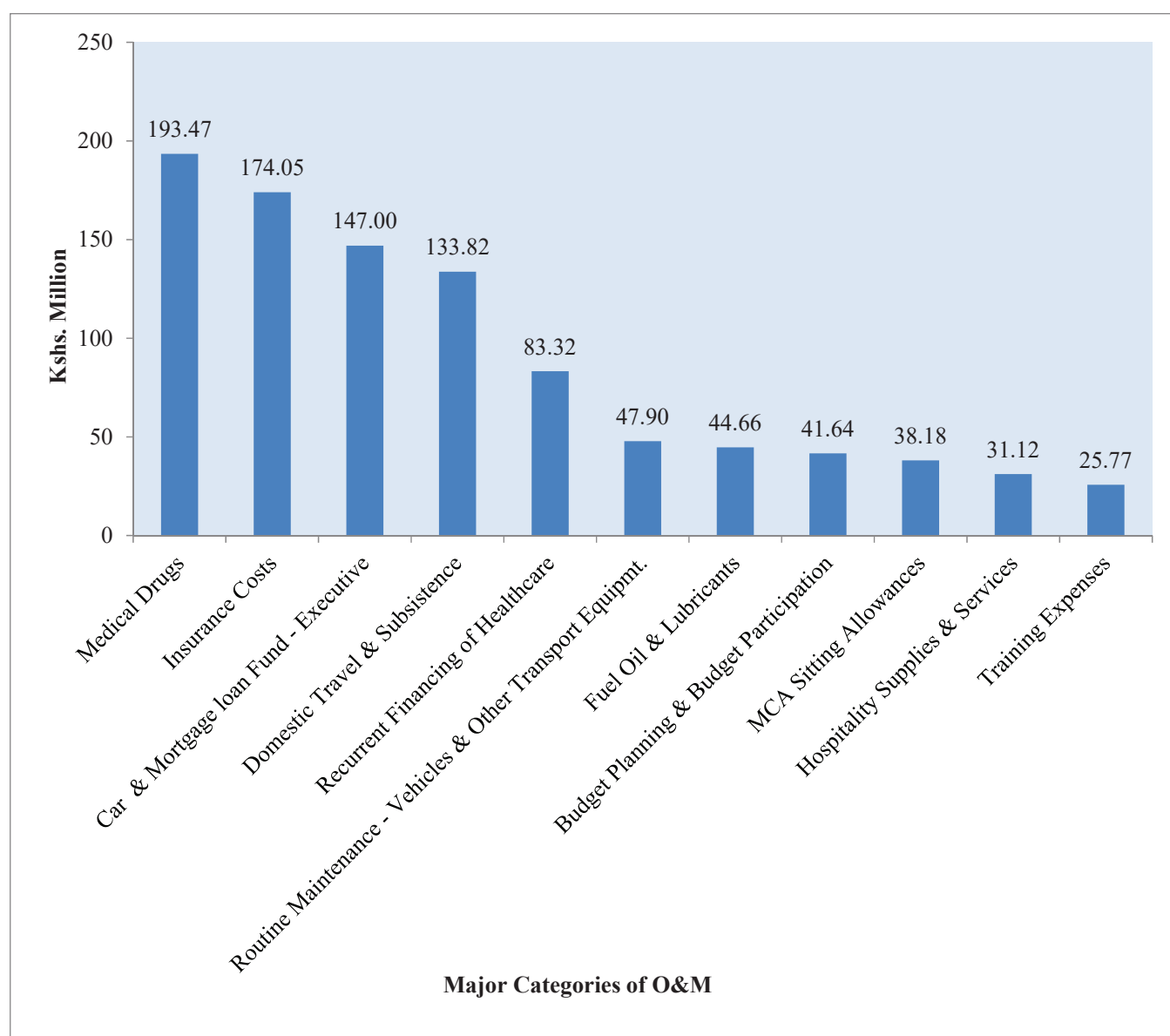
Source: Makueni County Treasury

3.23.6 Analysis of Recurrent Expenditure

The total recurrent expenditure of Kshs.4.03 billion comprised of Kshs.2.59 billion (64.2 per cent) incurred on personnel emoluments and Kshs.1.44 billion (35.8 per cent) on operations and maintenance as shown in Figure 3.91.

Expenditure on personnel emoluments represented an increase of 6.8 per cent compared to a similar period of FY 2017/18 when the County spent Kshs.2.42 billion and was 48.5 per cent of total expenditure in the first nine months of FY 2018/19. Figure 3.92 shows a summary of operations and maintenance expenditure by major categories.

Figure 3.92: Makueni County, Operations and Maintenance Expenditure by Major Categories in the First Nine Months of FY 2018/19



Source: Makueni County Treasury

The County spent Kshs.38.18 million on committee sitting allowances for the 49 MCAs and the speaker against the annual budget allocation of Kshs.67.99 million. This represented an increase of 313.8 per cent compared to Kshs.9.23 million spent in a similar period of FY 2017/18. The average monthly sitting allowance translated to Kshs.86,573 per MCA against the SRC's recommended monthly ceiling of Kshs.124,800.

Expenditure on domestic travel amounted to Kshs.133.82 million and comprised of Kshs.61.26 million spent by the County Assembly and Kshs.75.56 million spent by the County Executive. This represented 3.3 per cent of total recurrent expenditure and was an increase of 31.2 per cent compared to Kshs.102.03 million spent in the first nine months of FY 2017/18.

3.23.7 Development Expenditure

The total development expenditure of Kshs.1.31 billion represented 28.3 per cent of the annual development expenditure budget of Kshs.4.63 billion. Table 3.64 provides a summary of development projects with the highest expenditure in the first nine months of the financial year.

Table 3.64: Makueni County, List of Development Projects with the Highest Expenditure in First Nine Months of FY 2018/19

S/ No.	Project Name	Project location	Project budget (Kshs.)	Project Expenditure in First Nine Months of FY 2018/19 (Kshs.)	Absorption rate (%)
1	Universal health care programme	County-wide	150,000,000	131,826,354	87.9
2	IDA (World Bank) credit: Kenya Devolution Support Project (KDSP) “ Investment grant”	County-wide	168,575,682	93,889,400	55.7
3	EU Grant for instrument for Devolution Advice and support	Kalamba	111,000,000	93,546,230	84.3
4	Construction of Thwake bridge substructures	Kalawa	75,000,000	73,772,724	98.4
5	Roads upgrade programme - ward - fuel levy funding	Countywide	39,082,714	61,502,145	157.4
6	Makueni Fruit Processing Plant - Operational-ization (Reconstituting Line & other operations)	Kalamba	81,521,713	41,687,364	51.1
7	Transforming Health Systems for Universal Care Project (WB)	County-wide	100,000,000	38,846,056	38.8
8	DANIDA UHC Health programme support	County-wide	32,362,139	22,992,341	71.0
9	IDA (World Bank) credit (National Agricultural and Rural Inclusive Growth Project (NARIGP)	County-wide	158,929,463	19,833,390	12.5

Source: Makueni County Treasury

3.23.8 Budget Performance by County Department

Table 3.65 shows a summary of the approved budget allocation and performance by department in the first nine months of FY 2018/19.

Table 3.65: Makueni County, Budget Performance by Department

Department	Budget Allocation (Kshs. Million)		Exchequer Issues in first nine months of FY 2018/19 (Kshs. Million)		Expenditure in first nine months of FY 2018/19 (Kshs. Million)		Expenditure to Exchequer Issues (Kshs. Million)		Absorption rate (%)	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
County Assembly	746.36	101.09	550.58	11.18	405.81	12.84	73.7	114.8	54.4	12.7
Office of Governor	163.88	-	100.27	-	100.93	-	100.7	-	61.6	-
Office of the Deputy Governor	8.45	-	4.26	-	5.82	-	136.6	-	68.9	-
County Attorney's Office	26.09	-	10.36	-	10.80	-	104.2	-	41.4	-
County Public Service Board	61.24	10.00	46.70	-	41.27	-	88.4	-	67.4	0.0
Office of the County Secretary	381.73	-	246.06	-	247.66	-	100.6	-	64.9	-
Devolution, Administration, Participatory Development & Public Service	249.78	19.76	171.94	-	175.80	0.70	102.2	-	70.4	3.5
Finance & Socio-Economic Planning	576.15	371.32	371.83	26.12	451.29	30.29	121.4	116.0	78.3	8.2
Agriculture, Irrigation, Livestock & Fisheries Development	240.03	816.34	171.80	290.05	183.72	364.15	106.9	125.6	76.5	44.6
Water, Environment and Climate Change	164.38	1,055.94	115.08	283.42	102.00	226.99	88.6	80.1	62.1	21.5

Department	Budget Allocation (Kshs. Million)		Exchequer Issues in first nine months of FY 2018/19 (Kshs. Million)		Expenditure in first nine months of FY 2018/19 (Kshs. Million)		Expenditure to Exchequer Issues (Kshs. Million)		Absorption rate (%)	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
Education, Youth, Sports and ICT	349.61	310.18	209.49	54.67	216.64	97.97	103.4	179.2	62.0	31.6
Health Services	2,583.85	748.46	1,893.15	235.71	1,848.34	218.10	97.6	92.5	71.5	29.1
Lands, Urban Planning and Mining	60.14	250.07	42.52	187.47	34.43	32.82	81.0	17.5	57.2	13.1
Transport & Infrastructure	174.85	798.70	130.13	284.95	130.12	281.50	100	98.8	74.4	35.2
Trade, Tourism & Cooperatives	50.56	92.68	36.54	29.61	31.17	23.29	85.3	78.6	61.6	25.1
Gender and Social Services	58.40	55.66	37.59	18.21	39.29	21.36	104.5	117.3	67.3	38.4
Total	5,895.51	4,630.21	4,138.31	1,421.38	4,025.09	1,310.01	97.3	92.2	68.3	28.3

Source: Makueni County Treasury

Analysis of expenditure by department shows that the Department of Agriculture, Irrigation, Livestock and Fisheries had the highest percentage of development expenditure to development budget at 44.6 per cent while the County Public Service Board did not incur any development expenditure. The Department of Finance and Socio-Economic Planning had the highest percentage of recurrent expenditure to recurrent budget at 78.3 per cent while the County Attorney's Office had the lowest at 41.4 per cent.

3.23.9 Key Observations and Recommendations

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

- i. Improvement in the collection of revenue by 53.1 per cent from Kshs.207.22 million in the nine months of FY 2017/18 to Kshs.317.28 million in the reporting period.

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

1. Delay in disbursement of the equitable share of revenue raised by the National Treasury
2. Delay by Fund Administrators of Bursary, Emergency Fund, Car Loan and Mortgage (County Executive) to submit quarterly expenditure reports on established County Funds contrary to Section 168 of the PFM Act, 2012.
3. High expenditure on the wages which accounted for 47.3 per cent of the total expenditure in the first nine months of FY 2018/19.
4. Increase in expenditure on domestic travel by 31.2 per cent to Kshs.133.82 million compared to Kshs.102.03 million spent in the first nine months of FY 2017/18.

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

1. *The County Treasury should liaise with the National Treasury to ensure that funds allocated to the County are released in a timely manner in line with the CARA, 2018.*
2. *Fund Administrators should provide quarterly financial statements on 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.*
4. *The County should rationalise expenditure on non-core expenditure in order to free funds for development programmes.*

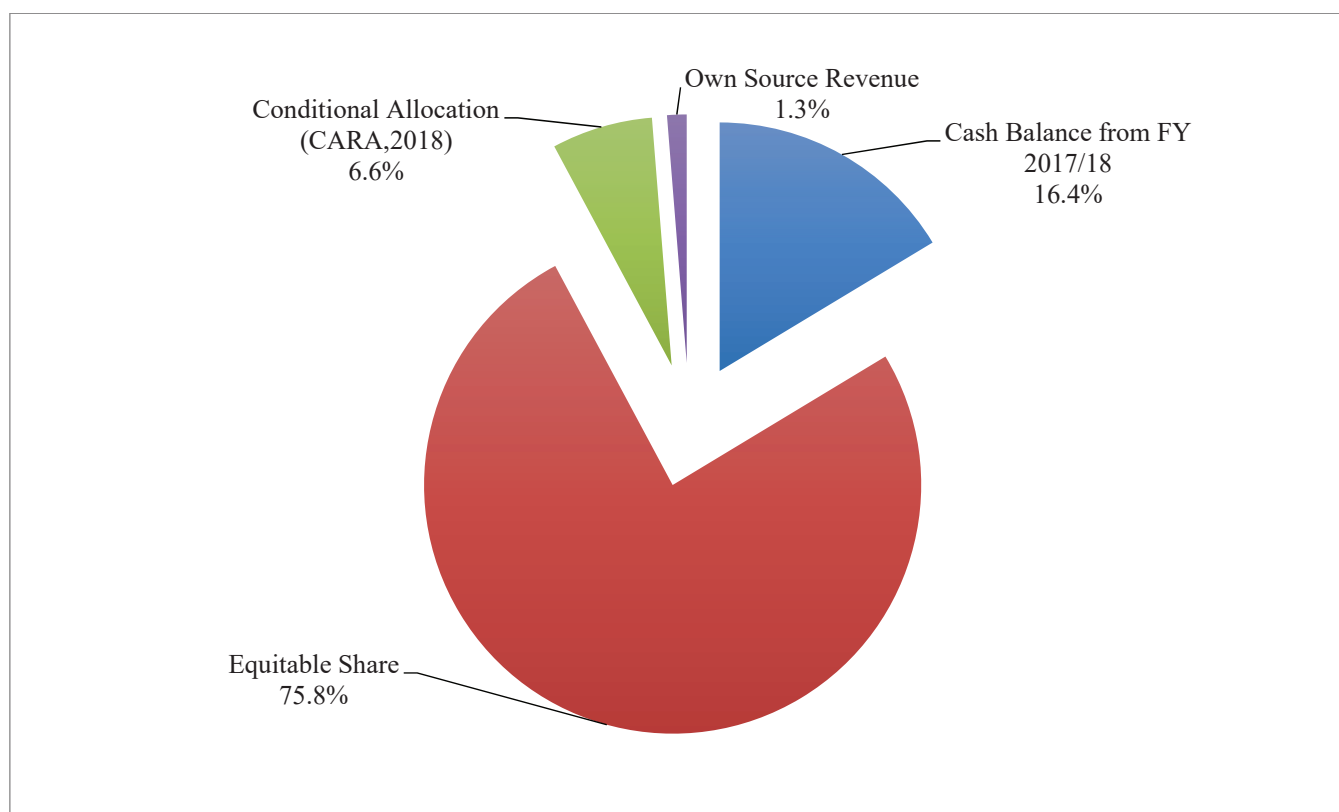
3.24 Mandera County

3.24.1 Overview of the FY 2018/19 Budget

The County's FY 2018/19 Approved Budget was Kshs.13.71 billion, comprising of Kshs.6.63 billion (48.4 per cent) and Kshs.7.08 billion (51.6 per cent) allocation for recurrent and development expenditure respectively.

To finance the budget, the County expects to receive Kshs.10.14 billion (74 per cent) as equitable share of revenue raised nationally, Kshs.877.90 million (6.4 per cent) as total conditional grants, generate Kshs.169.59 million (1.2 per cent) from own-source of revenue, and Kshs.2.19 billion (16 per cent) cash balance from FY 2017/18.

Figure 3.93: Mandera County, Expected Sources of Budget Financing in FY 2018/19



Source: Mandera County Treasury

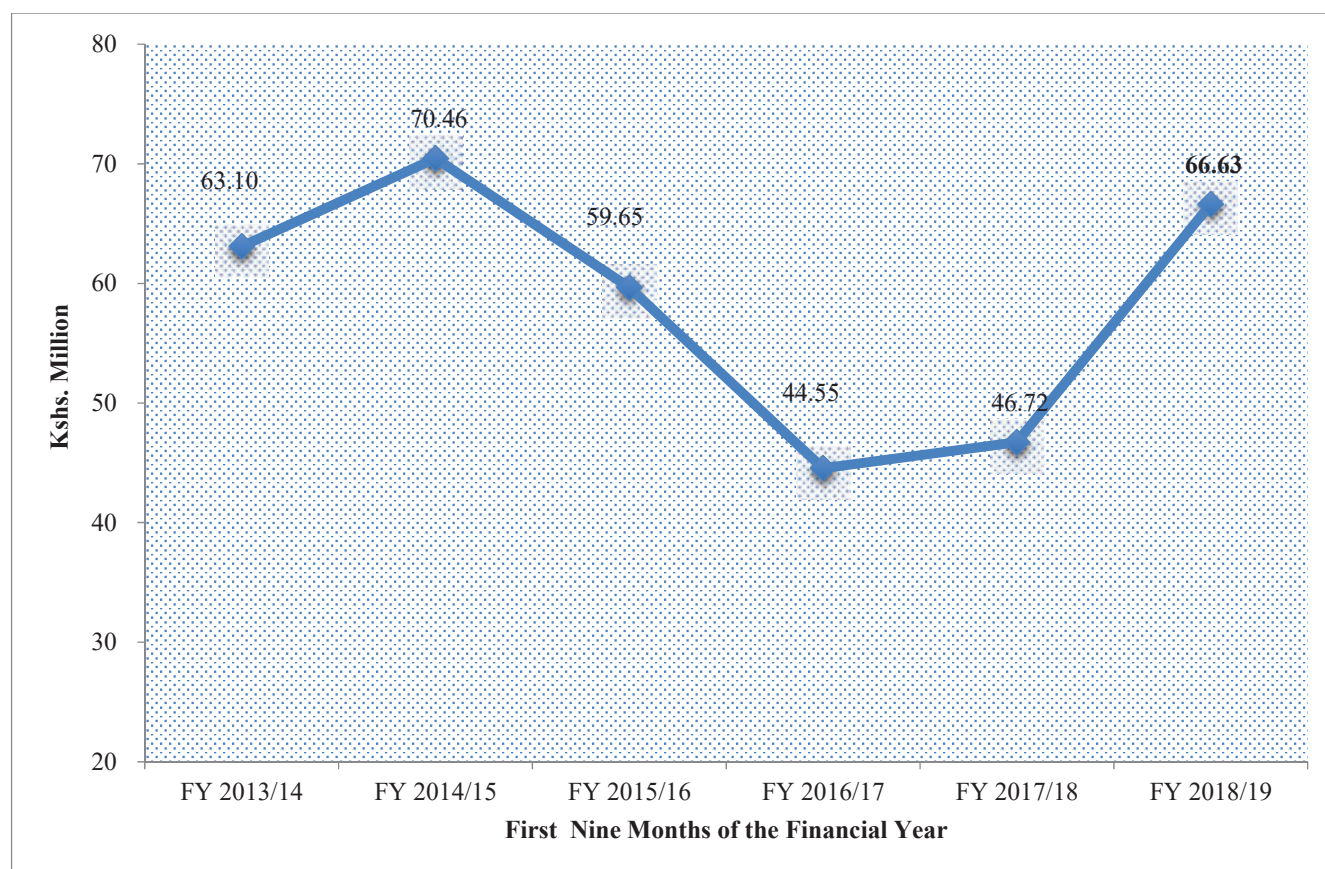
The conditional grants contained in the CARA, 2018 are shown in Table 3.66.

3.24.2 Revenue Analysis

During the first nine months of FY 2018/19, the County received Kshs.7.49 billion as equitable share of the revenue raised nationally, Kshs. 362.21 million as total conditional grants, raised Kshs.66.63 million from own-source revenue, and had a cash balance of Kshs.2.42 billion from FY 2017/18. The total funds available for budget implementation amounted to Kshs.10.34 billion.

Figure 3.94 shows the trend in own-source revenue collection for the first nine months from FY 2013/14 to FY 2018/19.

Figure 3.94: Mandera County, Trend in Own-Source Revenue Collection for the First Nine Months from FY 2013/14 to FY 2018/19.



Source: Mandera County Treasury

The County generated a total of Kshs.66.63 million from own revenue sources during the first nine months of FY 2018/19. This amount represented an increase of Kshs. 19.91 million compared to that realised during a similar period of the FY 2017/18 and represented 39.3 per cent of the annual target.

3.24.3 Conditional Grants

The County received Kshs 362.21 million as conditional grants in the first nine months of the financial year 2018/19 as shown in Table 3.66.

Table 3.66: Mandera County, Conditional Grants/Loans Received in the First Nine Months of FY 2018/19

S/No	Grants	Annual CARA, 2018 Allocation (in Kshs)	Annual Budget Allocation (in Kshs)	Actual receipts in first nine months of FY 2018/19 (in Kshs.)	Actual Receipts as Percentage of Annual Allocation (%)
A	Grants Contained in the CARA, 2018				
1.	Compensation for User Fee Foregone	25,474,920	25,474,920	-	-
2.	Leasing of Medical Equipment	200,000,000		-	-
3.	Road Maintenance Fuel Levy	267,035,293	267,035,293	-	-
4.	Rehabilitation of Village Polytechnics	31,240,000	31,240,000	6,457,854	20.7
5.	Transforming Health Systems for Universal Care Project (World Bank)	100,000,000	100,000,000	82,258,755	82.3
6.	IDA (World Bank) -National Agricultural and Rural Inclusive Growth Project (NARIGP)	-	37,000,000	-	-
7.	IDA (World Bank) -Kenya Climate Smart Agriculture Project (KCSAP)	150,000,000	150,000,000	54,858,856	36.6
8.	IDA (World Bank) Kenya Devolution Support Programme “Level 1 grant”	58,673,488	58,673,488	-	-
9.	IDA (World Bank) -Kenya Urban Support Project (KUSP)	175,819,500	175,819,500	175,819,500	100
10.	DANIDA - Universal Healthcare in Devolved System Programme	32,653,125	32,653,125	32,653,125	100
11.	Kenya Devolution Support Programme “Level 2 grant”	41,200,000	-	-	-
12.	Sweden - Agriculture Sector Development Support Programme (ASDSP) II + Bal C/F in FY 2017/18	27,908,979	37,000,000	10,161,036	27.5
Grand Total		1,110,005,305	914,896,326	362,209,126	39.6

Source: Mandera County Treasury

Analysis of revenue from conditional grants indicates that, the County received full allocation from IDA (World Bank) -Kenya Urban Support Project (KUSP) and DANIDA - Universal Healthcare in Devolved System Programme.

3.24.4 Exchequer Issues

To finance the budget, the Controller of Budget approved the withdrawal of Kshs.7.77 billion from the County Revenue Fund Account. The withdrawals represented 56.7 per cent of the Approved Budget and translated to an increase of 54.9 per cent from Kshs.5.01 billion approved in the first nine months of FY 2017/18 and comprised of Kshs.4.91 billion (63.2 per cent) to fund recurrent expenditure and Kshs.2.86 billion (36.8 per cent) for development activities.

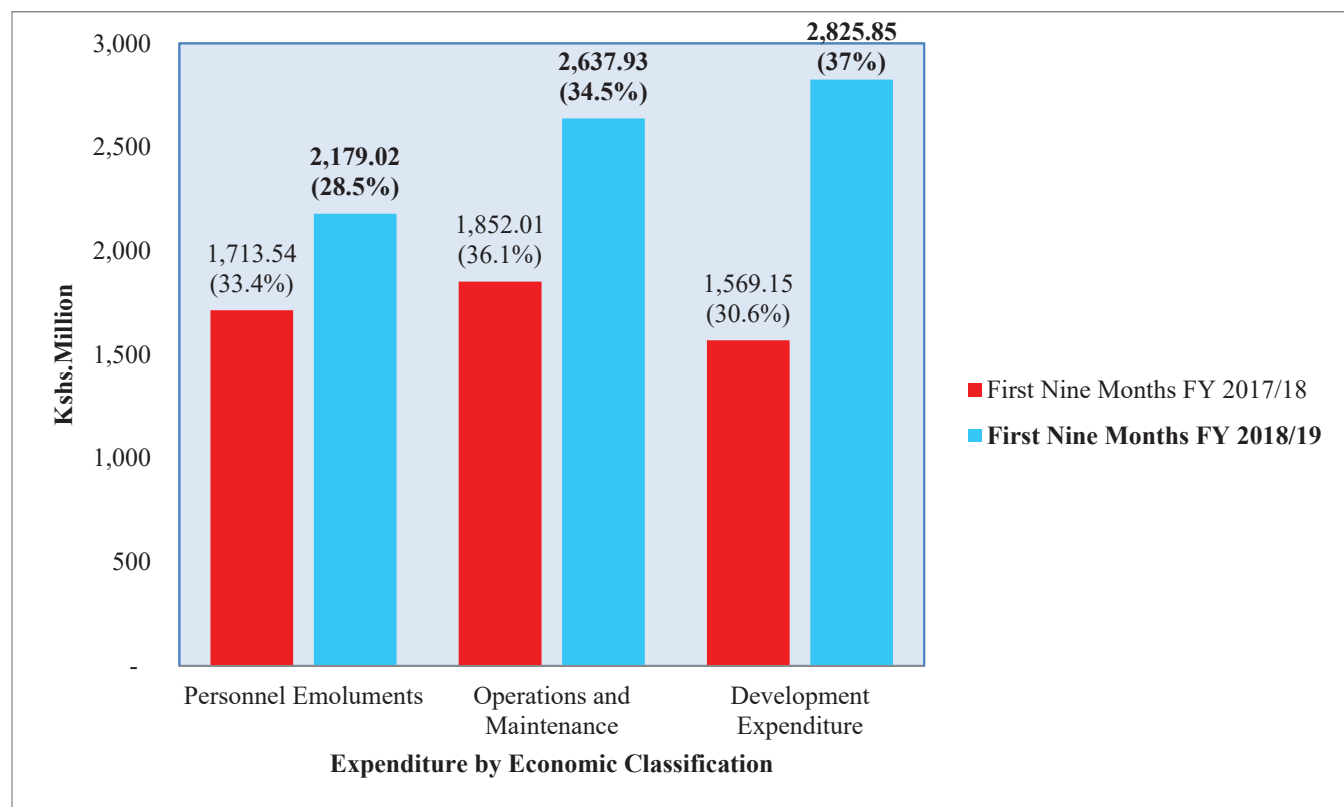
3.24.5 Overall Expenditure Review

The County spent a total of Kshs.7.64 billion on recurrent and development activities. This expenditure represented 98.4 per cent of the total funds released from the County Revenue Fund Account and was an increase of 48.8 per cent from Kshs.5.13 billion spent in the first nine months of FY 2017/18.

Expenditure on recurrent activities amounted to Kshs.4.82 billion while Kshs.2.83 billion was spent on development activities. The recurrent expenditure was 98.2 per cent of the funds released for recurrent activities, while development expenditure was 98.8 per cent of funds released for development activities.

The recurrent expenditure represented 72.6 per cent of the annual recurrent budget, an increase from 58.3 per cent recorded in the first nine months of FY 2017/18. Development expenditure recorded an absorption rate of 39.9 per cent, which was an increase from 25.5 per cent attained in the first nine months of FY 2017/18. Figure 3.95 presents a comparison between the total expenditure in the first nine months of FY 2018/19 and a similar period in FY 2017/18.

Figure 3.95: Mandera County, Expenditure by Economic Classification



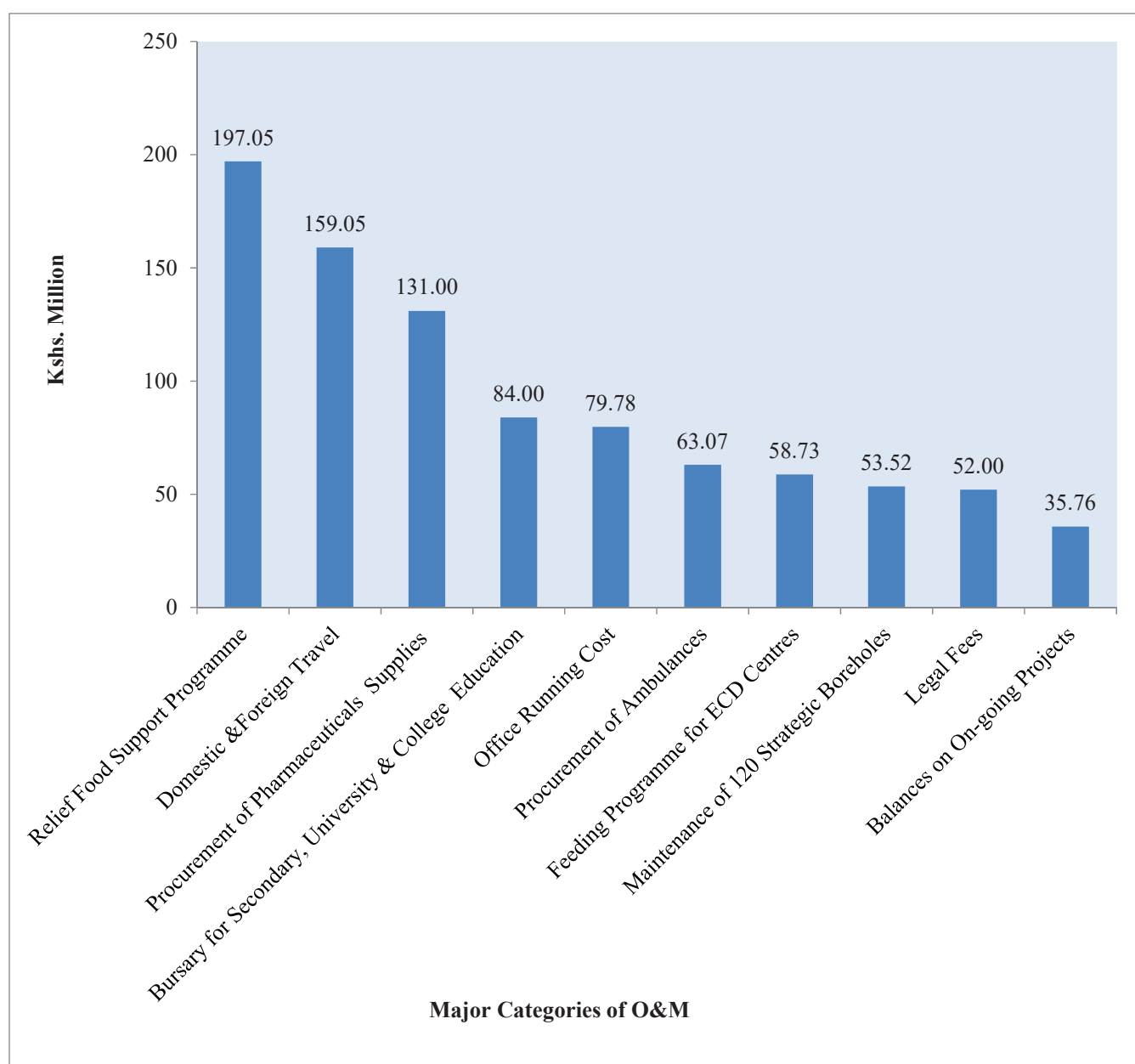
Source: Mandera County Treasury

3.24.6 Analysis of Recurrent Expenditure

The total recurrent expenditure of Kshs.4.82 billion comprised of Kshs.2.18 billion (45.2 per cent) incurred on personnel emoluments and Kshs.2.64 billion (54.8 per cent) on operations and maintenance as shown in Figure 3.95.

Expenditure on personnel emoluments represented an increase of 27.2 per cent compared to a similar period of FY 2017/18 when the County spent Kshs.1.71 billion and was 28.5 per cent of total expenditure in the first nine months of FY 2018/19. Figure 3.96 shows a summary of operations and maintenance expenditure by major categories.

Figure 3.96: Mandera County, Operations and Maintenance Expenditure by Major Categories in the First Nine Months of FY 2018/19



Source: Mandera County Treasury

The County spent Kshs.28.22 million on committee sitting allowances for the 49 MCAs and the speaker against the annual budget allocation of Kshs.41.76 million. This represented an increase of 419.5 per cent compared to Kshs.5.43 million spent in a similar period of FY 2017/18. The average monthly sitting allowance translated to Kshs.63,986 per MCA against the SRC's recommended monthly ceiling of Kshs.124,800.

Expenditure on domestic travel amounted to Kshs.116.87 million and comprised of Kshs.48.98 million spent by the County Assembly and Kshs.67.89 million spent by the County Executive. This represented 2.4 per cent of total recurrent expenditure and was a decrease of 1.3 per cent compared to Kshs.118.44 million spent in the first nine months of FY 2017/18.

3.24.7 Development Expenditure

The total development expenditure of Kshs.2.83 billion represented 39.9 per cent of the annual development expenditure budget of Kshs.7.08 billion. Table 3.67 provides a summary of development projects with the highest expenditure in the first nine months of the financial year.

Table 3.67: Mandera County, List of Development Projects with the Highest Expenditure in First Nine Months of FY 2018/19

S/No.	Project Name	Project Location	Annual Project Budget (Kshs.)	Expenditure in First Nine Months (Kshs.)	Absorption Rate (%)
1.	Tarmac Roads Lot I	Mandera East	283,001,075	200,000,000	70.7
2.	Tarmac Roads Lot II	Mandera East	277,920,447	200,000,000	72
3.	IDP Housing Programs - Liability	Mandera North	119,000,000	119,000,000	100
4.	Completion of Rest House	Mandera East	140,000,000	112,537,801	80.4
5.	Completion of County Head-quarter	Mandera East	150,000,000	100,252,662	66.8
6.	Kenya Climate Smart Agriculture Project (NEDI) - Conditional Grant	Mandera East	150,000,000	54,858,856	36.6
7.	Falama water project - On going (Liability)	Mandera South	47,200,000	47,200,000	100
8.	Office Block to house the gaps in the offices for the ministries	Mandera East	43,000,000	43,000,000	100
9.	Construction of 7 new dispensaries	Bachile, Hullo, Iresteno, Harwale, Arda Garbicha, Har dimtu & Tawfiq	35,000,000	35,000,000	100
10.	Roads Maintenance	Gither-Sake, Rhamu - Malka Mari, Kutayu - Elwak, Dame-Khalaf, Awara-Morothile, Elwak-Elgolicha & Guba-Choroqo	267,035,293	34,195,143	12.8

Source: Mandera County Treasury

3.24.8 Budget Performance by County Department

Table 3.68 shows a summary of the approved budget allocation and performance by department in the first nine months of FY 2018/19.

Table 3.68: Mandera County, Budget Performance by Department

Department	Annual Budget Allocation in FY 2018/19 (Kshs. Million)		Exchequer Issues in First Nine Months of FY 2018/19 (Kshs. Million)		Expenditure in First Nine Months of FY 2018/19 (Kshs. Million)		Expenditure to Exchequer Issues (%)		Absorption Rate (%)	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
Agriculture Livestock and Fisheries	205.06	649.99	150.91	119.74	150.91	119.74	100	100	73.6	18.4
Education, Culture and Sports	604.83	498.82	466.43	127.36	462.79	123.54	99.2	97.0	76.5	24.8
Gender, Youth and Social Service	97.31	129.05	35.17	36.50	35.17	36.50	100	100	36.1	28.3
Finance and Economic Planning and ICT	569.89	159.92	428.07	131.80	428.07	128.40	100	97.4	75.1	80.3
Health Services	1,716.69	810.94	1,425.43	398.86	1,425.43	385.08	100	96.5	83.0	47.5

Department	Annual Budget Allocation in FY 2018/19 (Kshs. Million)		Exchequer Issues in First Nine Months of FY 2018/19 (Kshs. Million)		Expenditure in First Nine Months of FY 2018/19 (Kshs. Million)		Expenditure to Exchequer Issues (%)		Absorption Rate (%)	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
Trade, Investments Industrialization and Cooperative Development	47.07	285.23	26.62	128.31	26.62	124.20	100	96.8	56.6	43.5
County Assembly	810.63	211.26	523.97	51.09	452.27	48.39	86.3	94.7	55.8	22.9
Lands, Housing and Physical Planning	63.20	156.70	33.68	35.20	33.68	35.20	100	100	53.3	22.5
Office of the Governor and Deputy Governor	667.60	-	404.36	-	404.36	-	100	-	60.6	-
County Public Service Board	70.06	-	45.18	-	45.18	-	100	-	64.5	-
Public Service, Management and Devolved Unit	1,267.13	453.00	948.61	240.48	934.25	240.48	98.5	100	73.7	53.1
Public Works Roads and Transport	102.81	2,030.51	69.08	862.25	69.08	859.91	100	99.7	67.2	42.3
Water, Environment and Natural Resources	410.74	1,691.49	349.13	729.01	349.13	724.41	100	99.4	85.0	42.8
TOTAL	6,633.04	7,076.92	4,906.65	2,860.60	4,816.95	2,825.85	98.2	98.8	72.6	39.9

Source: Mandera County Treasury

Analysis of expenditure by department shows that the Ministry of Finance and Economic Planning and ICT recorded the highest absorption rate of development budget at 80.3 per cent while the Ministry of Agriculture Livestock and Fisheries reported the lowest at 18.4 per cent. The Ministry of Water, Environment and Natural Resources had the highest percentage of recurrent expenditure to its recurrent budget at 85 per cent while the Ministry of Gender, Youth and Social Service had the lowest at 36.1 per cent.

3.24.9 Key Observations and Recommendations

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

- Timely submission of quarterly financial reports by the County Government entities to the Controller of Budget in line with Section 166 of the PFM Act, 2012.
- Improvement of own-source revenue collection by 42.6 per cent from Kshs.46.72 million in the first nine months of FY 2017/18 to Kshs.66.63 million in the reporting period.

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

- Failure to budget for all conditional grants as per CARA, 2018.
- A high wage bill that increased by 27.2 per cent from Kshs.1.71 billion in the first nine months of FY 2017/18 to Kshs.2.18 billion in the reporting period.

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

- The County should prepare a supplementary budget to align conditional grants to the CARA, 2018.*
- The County Public Service Board should put in place measures to ensure the wage bill does not increase above the legal limit in the medium term.*

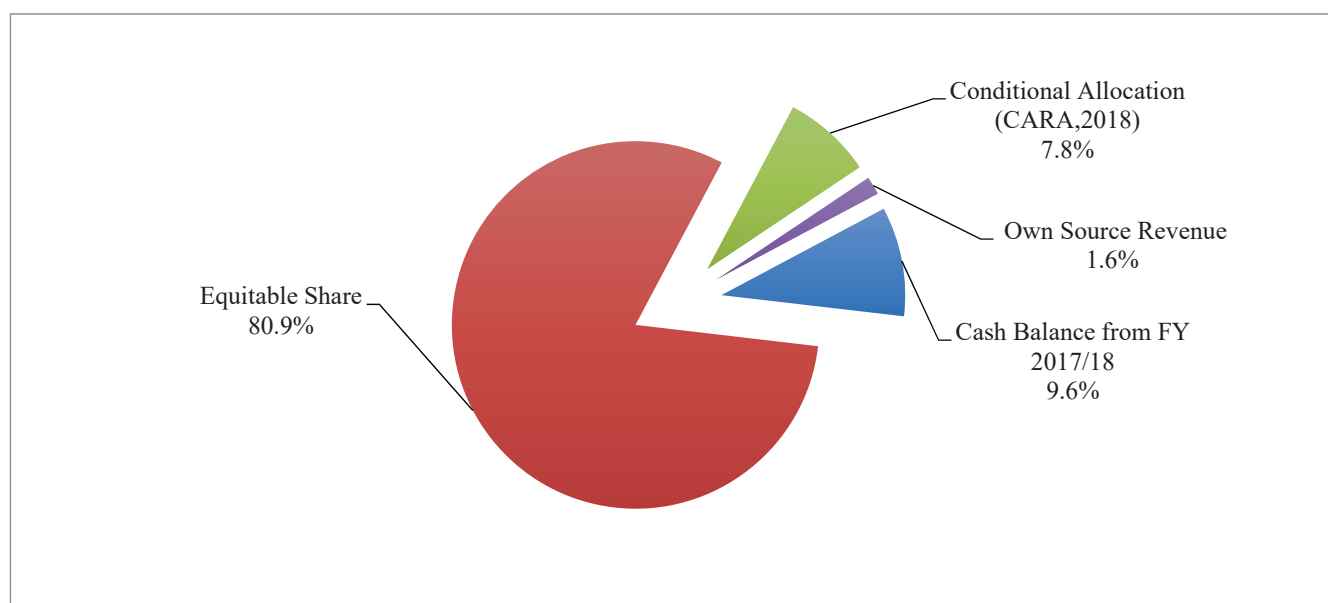
3.25 Marsabit County

3.25.1 Overview of the FY 2018/19 Budget

The County's FY 2018/19 Approved Supplementary Budget was Kshs.8.65 billion, comprising of Kshs.4.13 billion (47.7 per cent) and Kshs.4.52 billion (52.3 per cent) allocation for recurrent and development expenditure respectively.

To finance the budget, the County expects to receive Kshs.7 billion (80.9 per cent) as equitable share of revenue raised nationally, Kshs.678.33 million (7.8 per cent) as total conditional grants, generate Kshs.140 million (1.6 per cent) from own-sources of revenue, and Kshs.832.97 million (9.6 per cent) cash balance from FY 2017/18.

Figure 3.97: Marsabit County Expected Sources of Budget Financing in FY 2018/19



Source: Marsabit County Treasury

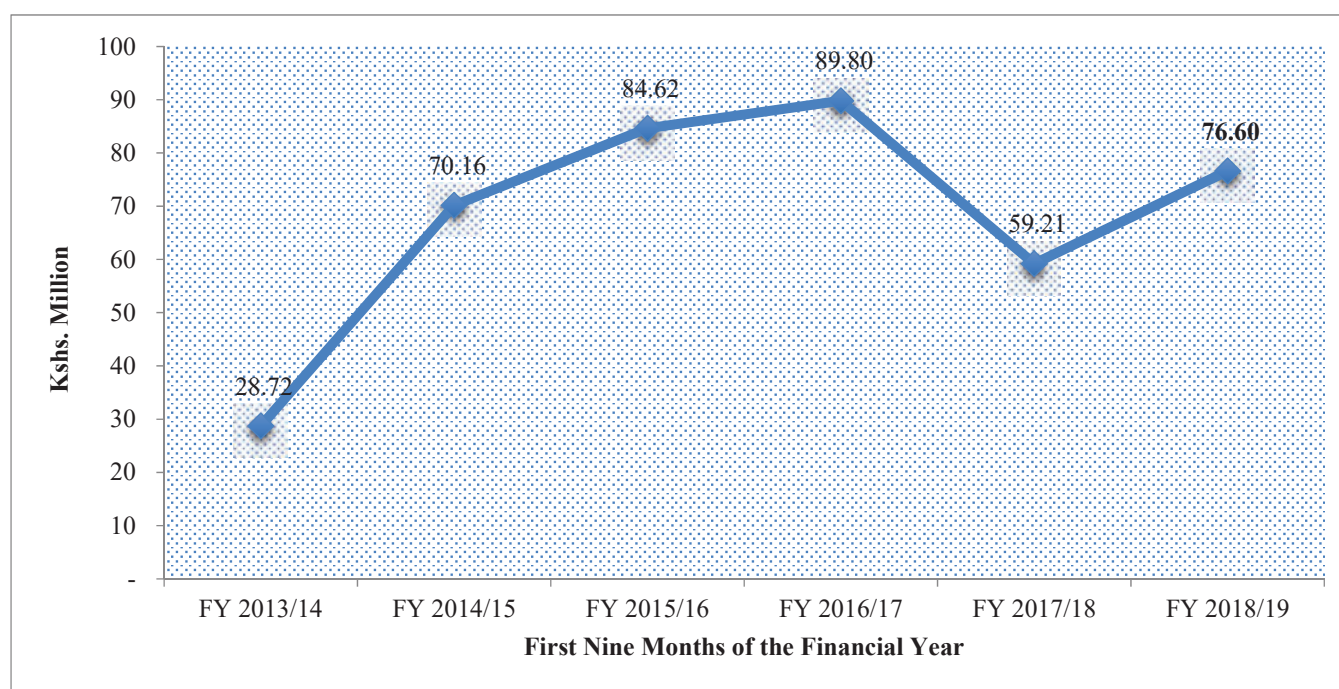
The conditional grants contained in the CARA, 2018 are shown in Table 3.69.

3.25.2 Revenue Analysis

During the first nine months of FY 2018/19, the County received Kshs.4.10 billion as equitable share of the revenue raised nationally, Kshs.310.96 million as total conditional grants, raised Kshs.76.60 million from own-sources of revenue, and had a cash balance of Kshs.832.97 million from FY 2017/18. The total funds available for budget implementation amounted to Kshs.5.32 billion.

Figure 3.98 shows the trend in own-sources of revenue collection from the first nine months FY 2013/14 to the first nine months of FY 2018/19.

Figure 3.98: Marsabit County, Trend in Own Sources of Revenue Collection for the First Nine Months from FY 2013/14 to FY 2018/19



Source: Marsabit County Treasury

The County generated a total of Kshs.76.60 million from own-sources of revenue in the first nine months of FY 2018/19. This amount represented an increase of Kshs.17.39 million compared to that realised during a similar period of the FY 2017/18 and represented 54.7 per cent of the annual target.

3.25.3 Conditional Grants

The County received Kshs.310.96 million as conditional grants in the first nine months of the financial year as shown in Table 3.69.

Table 3.69: Marsabit County, Conditional Grants/Loans Received in the First Nine Months of FY 2018/19

S/No	Grants	Annual CARA, 2018 Allocation (in Kshs)	Annual Budget Allocation (in Kshs)	Actual receipts in First Nine Months of FY 2018/19 (in Kshs.)	Actual Receipts as Percentage of Annual Allocation (%)
1	Compensation for User Fee Foregone	6,643,714	6,643,714	-	-
2	Leasing of Medical Equipment	200,000,000	-	-	-
3	Road Maintenance Fuel Levy	184,361,828	184,361,828	39,329,315	21.3
4	Rehabilitation of Village Polytechnics	26,275,000	26,275,000	-	-
5	Transforming Health Systems for Universal Care Project (World Bank)	100,000,000	100,000,000	68,677,038	68.7
6	IDA (World Bank) -Kenya Climate Smart Agriculture Project (KCSAP)	150,000,000	150,000,000	50,891,757	33.9
7	IDA (World Bank) Kenya Devolution Support Programme "Level 1 grant"	48,985,872	48,985,872		-
8	IDA (World Bank) -Kenya Urban Support Project (KUSP)	50,000,000	50,000,000	50,000,000	100

S/No	Grants	Annual CARA, 2018 Allocation (in Kshs)	Annual Budget Allocation (in Kshs)	Actual receipts in First Nine Months of FY 2018/19 (in Kshs.)	Actual Receipts as Percentage of Annual Allocation (%)
9	DANIDA - Universal Healthcare in Devolved System Programme	22,072,500	22,072,500	22,072,500	100
10	EU Grant- Instruments for Devolution Advice and Support- IDEAS)	80,000,000	90,000,000	70,007,619	77.8
11	Sweden - Agriculture Sector Development Support Programme (ASDSP) II + Bal C/F in FY 2017/18	27,420,231	-	9,983,094	-
12	Urban Support Project- Recurrent (2017/18+2018/19)	41,200,000	-	-	-
Grand Total		936,959,145	678,338,914	310,961,323	45.8

Source: Marsabit County Treasury

Analysis of revenue from conditional grants indicates that, the County received full allocation from World Bank for Kenya Urban Support Project and from DANIDA for Universal Healthcare in Devolved System Programme.

3.25.4 Exchequer Issues

To finance the budget, the Controller of Budget approved the withdrawal of Kshs.4.81 billion from the County Revenue Fund Account. The withdrawals represented 55.6 per cent of the Approved Budget and translated to an increase of 24.6 per cent from Kshs.3.86 billion approved in the first nine months of FY 2017/18 and comprised of Kshs.2.89 billion (60.2 per cent) to fund recurrent expenditure and Kshs.1.91 billion (39.8 per cent) for development activities.

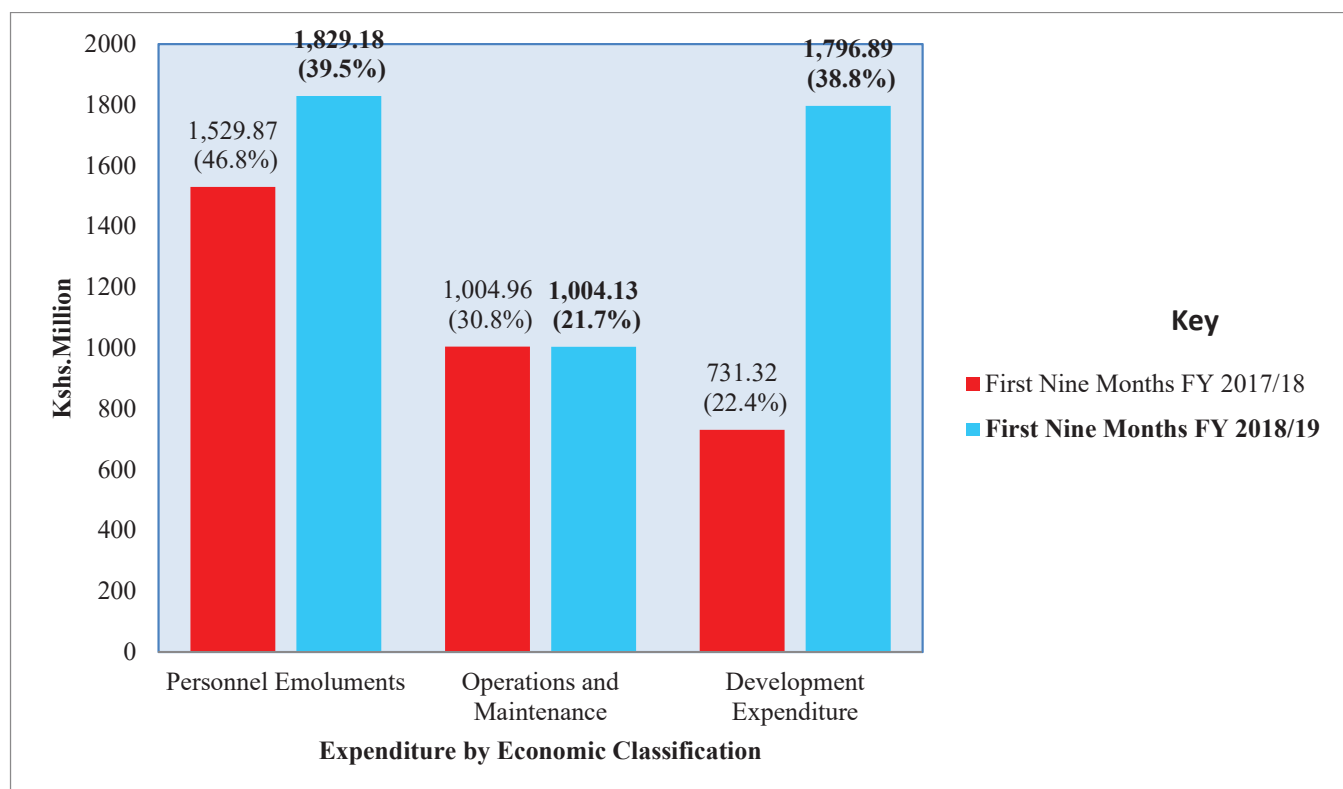
3.25.5 Overall Expenditure Review

The County spent a total of Kshs.4.63 billion on recurrent and development activities. This expenditure represented 96.3 per cent of the total funds released from the County Revenue Fund Account and was an increase of 41.8 per cent from Kshs.3.27 billion spent in the first nine months of FY 2017/18.

Expenditure on recurrent activities amounted to Kshs.2.83 billion while Kshs.1.79 billion was spent on development activities. The recurrent expenditure was 97.9 per cent of the funds released for recurrent activities, while development expenditure was 93.9 per cent of funds released for development activities.

The recurrent expenditure represented 68.7 per cent of the annual recurrent budget, an increase from 62.1 per cent recorded in the first nine months of FY 2017/18. Development expenditure recorded an absorption rate of 39.7 per cent, which was an increase from 20.6 per cent attained in the first nine months of FY 2017/18. Figure 3.99 presents a comparison between the total expenditure in the first nine months of FY 2018/19 and a similar period in FY 2017/18.

Figure 3.99: Marsabit County, Expenditure by Economic Classification



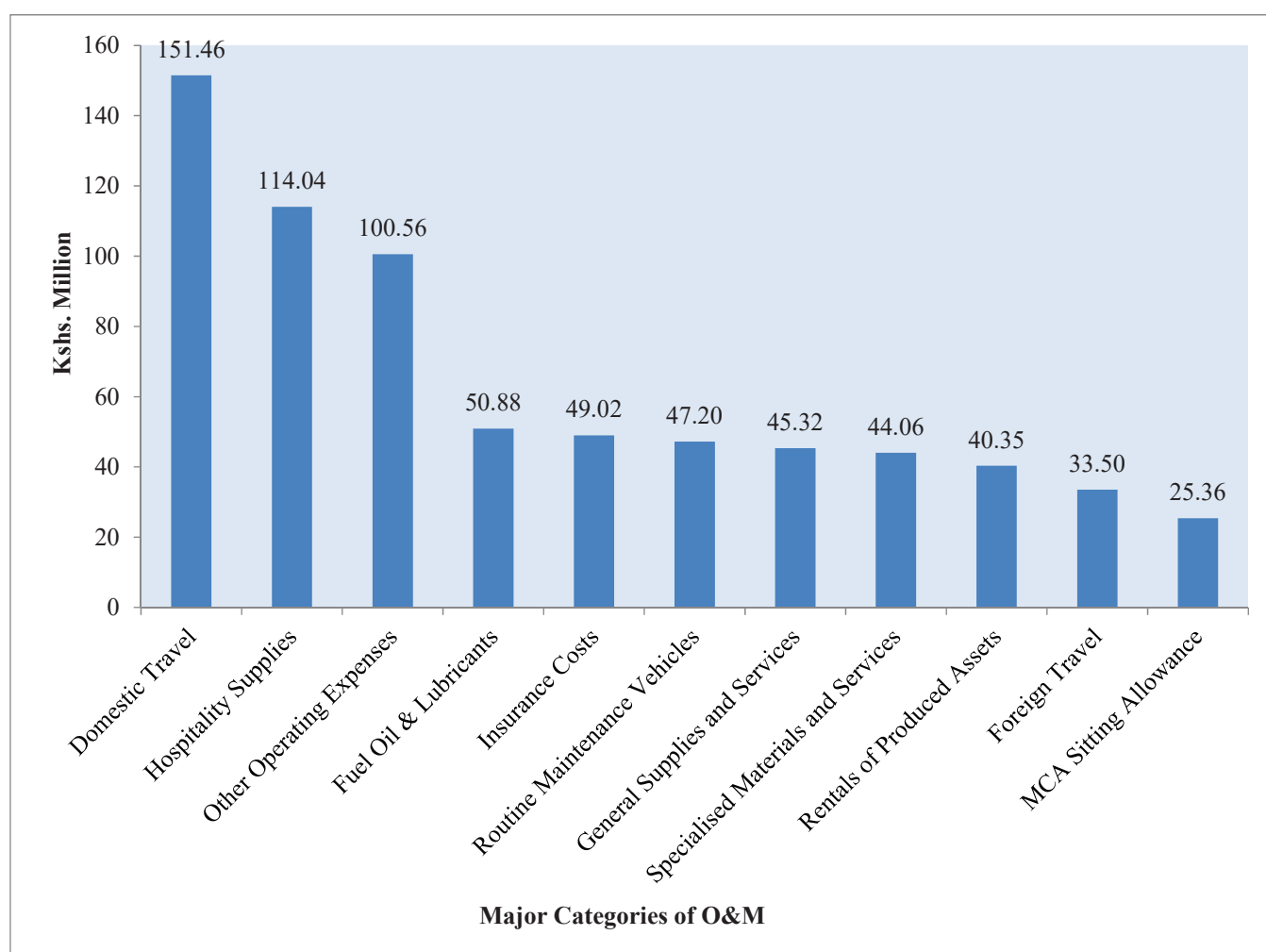
Source: Marsabit County Treasury

3.25.6 Analysis of Recurrent Expenditure

The total recurrent expenditure of Kshs.2.83 billion comprised of Kshs.1.83 billion (64.6 per cent) incurred on personnel emoluments and Kshs.1 billion (35.4 per cent) on operations and maintenance as shown in Figure 3.99.

Expenditure on personnel emoluments represented an increase of 19.6 per cent compared to a similar period of FY 2017/18 when the County spent Kshs.1.53 billion and was 39.5 per cent of total expenditure in the first nine months of FY 2018/19. Figure 3.100 shows a summary of operations and maintenance expenditure by major categories.

Figure 3.100: Marsabit County, Operations and Maintenance Expenditure by Major Categories in the First Nine Months of FY 2018/19



Source: Marsabit County Treasury

The County spent Kshs.25.36 million on committee sitting allowances for the 30 MCAs and the speaker against the annual budget allocation of Kshs.35.49 million. This represented an increase of 213.9 per cent compared to Kshs.8.08 million spent in a similar period of FY 2017/18. The average monthly sitting allowance translated to Kshs.90,886 per MCA against the SRC's recommended monthly ceiling of Kshs.124,800.

Expenditure on domestic and foreign travel amounted to Kshs.184.95 million and comprised of Kshs.76.27 million spent by the County Assembly and Kshs.108.68 million spent by the County Executive. This represented 6.5 per cent of total recurrent expenditure and was an increase of 31.6 per cent compared to Kshs.140.57 million spent in the first nine months of FY 2017/18.

3.25.7 Development Expenditure

The total development expenditure of Kshs.1.79 billion represented 39.7 per cent of the annual development expenditure budget of Kshs.4.53 billion. Table 3.70 provides a summary of development projects with the highest expenditure in the first nine months of the financial year.

Table 3.70: Marsabit County, List of Development Projects with the Highest Expenditure in First Nine Months of FY 2018/19

S/No.	Project Name	Project Location	Project Budget (Kshs.)	Project Expenditure in First Nine Months of FY 2018/19 (Kshs.)	Absorption Rate (%)
1	Upgrade of Marsabit town roads to Bitumen Standard	Marsabit Town	347,755,684	50,716,211	14.6
2	County Assembly Chamber	Headquarters	344,205,660	41,641,374	12.1
3	Construction of Marsabit Modern Market	Marsabit Town	65,000,000	34,961,054	53.8
4	Purchase of Certified Seeds	All Wards	8,000,000	7,909,200	98.9
5	Spot improvement Laisamis Roads	Laisamis	20,060,000	4,012,000	20

Source: Marsabit County Treasury

3.25.8 Budget Performance by County Department

Table 3.71 shows a summary of the approved budget allocation and performance by department in the first nine months of FY 2018/19.

Table 3.71: Marsabit County, Budget Performance by Department

Department	Budget Allocation (Kshs. Million)		Exchequer Issues in first nine months of FY 2018/19 (Kshs. Million)		Expenditure in first nine months of FY 2018/19 (Kshs. Million)		Expenditure to Exchequer Issues (%)		Absorption Rate (%)	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
County Assembly	647.59	154.09	331.60	38.24	328.57	41.64	99.1	108.9	50.7	27.0
County Executive Services	531.44	476.76	399.05	313.54	396.53	433.08	99.4	138.1	74.6	90.8
Finance Management Services	378.99	10.00	279.41	-	289.37	7.05	103.6	-	76.4	70.5
Agriculture	186.00	436.93	150.64	202.21	122.56	125.48	81.4	62.1	65.9	28.7
County Public Service Board	90.00	2.31	75.45	-	75.28	2.31	99.8	-	83.6	100.0
Education Youth Affairs	259.00	444.74	201.34	123.91	200.00	157.71	99.3	127.3	77.2	35.5
County Health Services	1,192.24	943.78	836.55	540.08	912.79	311.50	109.1	57.7	76.6	33.0
Administration and ICT	339.20	15.30	235.41	-	200.25	7.85	85.1	-	59.0	51.3
Physical Planning and Development	140.00	299.15	95.54	95.80	77.71	88.44	81.3	92.3	55.5	29.6
Roads, Public Works	77.00	557.25	63.51	167.86	59.26	163.20	93.3	97.2	77.0	29.3
Water Services	130.04	895.73	104.50	345.21	81.64	332.02	78.1	96.2	62.8	37.1
Trade and Industry	83.50	139.09	62.48	34.64	52.29	60.88	83.7	175.8	62.6	43.8
Tourism, Culture and Social Services	72.00	151.37	57.81	52.47	37.06	65.71	64.1	125.2	51.5	43.4
TOTAL	4,127.0	4,526.51	2,893.31	1,913.97	2,833.31	1,796.89	97.9	93.9	68.7	39.7

Source: Marsabit County Treasury

Analysis of expenditure by department shows that the County Public Service Board recorded the highest absorption rate of development budget at 100 per cent while the Department of Agriculture recorded the lowest at 28.7 per cent. The County Public Service Board had the highest percentage of recurrent expenditure to recurrent budget at 83.6 per cent while the County Assembly had the lowest at 50.7 per cent.

3.25.9 Key Observations and Recommendations

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

- i. Increase in the own-source revenue collection by 29.4 per cent compared to a similar period of FY2017/18.
- ii. Establishment and operationalization of an Internal Audit Committee to oversee financial operations in the County.

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

1. High wage bill that increased by 19.6 per cent from Kshs.1.53 billion in the first nine months of FY 2017/18 to Kshs.1.83 billion in the reporting period, representing 39.5 per cent of total expenditure.
2. IFMIS connectivity challenges, which slowed down approval of procurement requests and payment to suppliers.

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

1. *The County Public Service Board should establish an optimal staffing structure in order to ensure a sustainable wage bill.*
2. *The County Treasury should liaise with the IFMIS Directorate to address the connectivity challenges.*

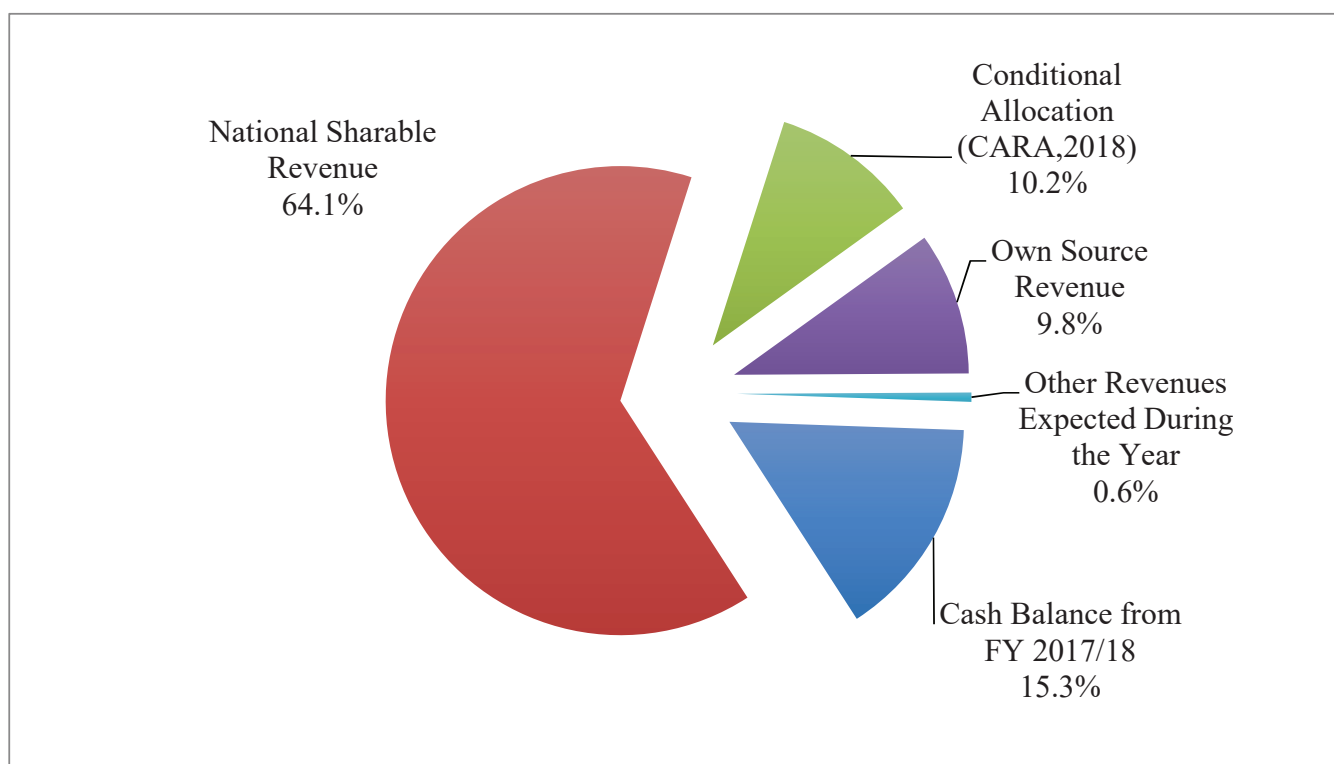
3.26 Meru County

3.26.1 Overview of the FY 2018/19 Budget

The County's FY 2018/19 Approved Supplementary Budget was Kshs.12.50 billion, comprising of Kshs.7.81 billion (62.5 per cent) and Kshs.4.69 billion (37.5 per cent) allocation for recurrent and development expenditure respectively.

To finance the budget, the County expects to receive Kshs.8.01 billion (64.1 per cent) as equitable share of revenue raised nationally, Kshs.1.27 billion (10.2 per cent) as total conditional grants, generate Kshs.1.23 billion (9.8 per cent) from own sources, Kshs.1.91 billion (15.3 per cent) cash balance from FY 2017/18, and Kshs.81.19 million as revenue from other sources expected during the year.

Figure 3.101: Meru County, Sources of Budget Financing in FY 2018/19



Source: Meru County Treasury

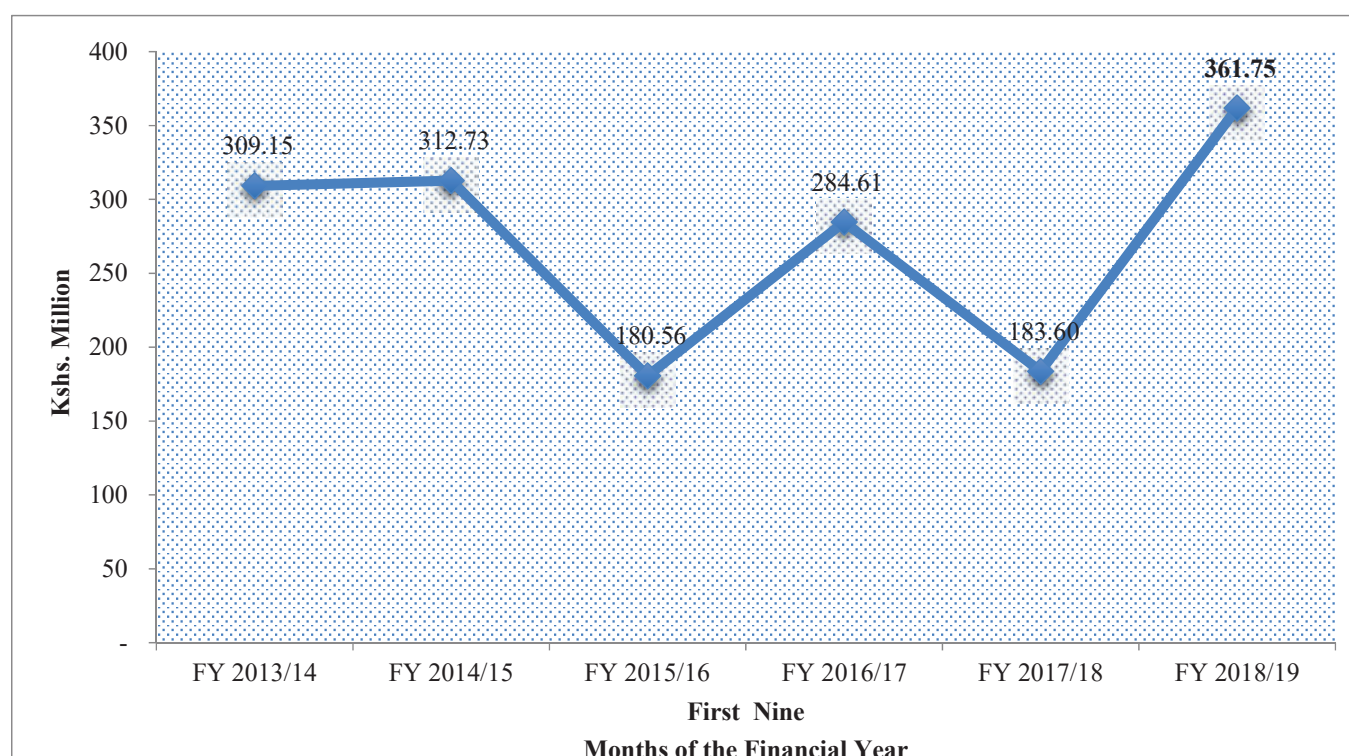
The conditional grants contained in the CARA, 2018 are shown in Table 3.72.

3.26.2 Revenue Analysis

During the first nine months of FY 2018/19, the County received Kshs.4.70 billion as equitable share of the revenue raised nationally, Kshs.318.26 million as total conditional grants, raised Kshs.361.75 million from own-sources of revenue, and had a cash balance of Kshs.1.22 billion from FY 2017/18. The total funds available for budget implementation amounted to Kshs.6.60 billion.

Figure 3.102 shows the trend in own-sources of revenue collection from the first nine months FY 2013/14 to the first nine months of FY 2018/19.

Figure 3.102: Meru County, Trend in Own Sources of Revenue Collection for the First Nine Months from FY 2013/14 to FY 2018/19



Source: Meru County

The County generated a total of Kshs.361.75 million from own revenue sources during the first nine month of the FY 2018/19. This amount represented an increase of Kshs.178.15 million compared to that realised during a similar period of FY 2017/18 and represented 29.4 per cent of the annual target.

3.26.3 Conditional Grants

The County received Kshs.318.26 million as conditional grants in the first nine months of the financial year as shown in Table 3.72.

Table 3.72: Meru County, Conditional Grants/Loans Received in the First Nine Months of FY 2018/19

S/No	Grants	Annual CARA, 2018 Allocation (in Kshs)	Annual Budget Allocation (in Kshs)	Actual receipts in first nine months of FY 2018/19 (in Kshs.)	Actual Receipts as Percentage of Annual Allocation (%)
A	Grants Contained in the CARA, 2018				
1.	Grants to Level- 5 Hospital	373,872,832	373,872,832	164,504,046	44
2.	Compensation for User Fee Foregone	31,648,428	31,648,428		-
3.	Leasing of Medical Equipment	200,000,000	200,000,000		-
4.	Road Maintenance Fuel Levy	210,817,337	210,817,337		-
5.	Rehabilitation of Village Polytechnics	66,025,000	66,025,000		-
6.	Transforming Health Systems for Universal Care Project (World Bank)	50,000,000	50,000,000	16,415,681.90	33

S/No	Grants	Annual CARA, 2018 Allocation (in Kshs)	Annual Budget Allocation (in Kshs)	Actual receipts in first nine months of FY 2018/19 (in Kshs.)	Actual Receipts as Percentage of Annual Allocation (%)
A	Grants Contained in the CARA, 2018				
7.	IDA (World Bank) -National Agricultural and Rural Inclusive Growth Project (NARIGP)	140,435,163	140,435,163	-	--
8.	IDA (World Bank) Kenya Devolution Support Programme "Level 1 grant"	53,939,835	53,939,835	-	--
9.	IDA (World Bank) -Kenya Urban Support Project (KUSP)	116,890,200	116,890,200	116,890,200	100
10.	DANIDA - Universal Healthcare in Devolved System Programme	25,818,750	25,818,750	12,909,375	50
11.	Sweden - Agriculture Sector Development Support Programme (ASD-SP) II + Bal C/F in FY 2017/18	20,703,287	20,075,209	7,537,604	37.5
12.	IDA (World Bank) credit: Kenya Urban Support Project (KUSP) - Urban Institutional Grants (UIG) + Bal C/F in FY 2017/18	41,200,000	-	-	-
Sub Total		1,331,350,832	1,289,522,754	318,256,907	24.7
B	Other Grants				
13.	National Agricultural and Rural Inclusive Growth Project (NARIGP) B/F 2017-18		55,609,855	-	-
14.	ASDSP Project B/F 2017-18		5,500,000		-
Sub Total		-	61,109,855	-	-
Grand Total		1,331,350,832.0	1,350,632,609.0	318,256,906.9	23.6%

Source: Meru County Treasury

Analysis of revenue from conditional grants indicates that, the County received full allocation from IDA (World Bank) for Kenya Urban Support Project (KUSP).

3.26.4 Exchequer Issues

To finance the budget, the Controller of Budget approved withdrawal of Kshs.5.79 billion from the County Revenue Fund Account. The withdrawals represented 46.3 per cent of the Approved Budget and translated to an increase of 24.9 per cent from Kshs.4.64 billion approved in the first nine months of FY 2017/18 and comprised of Kshs.5.17 billion (89.3 per cent) to fund recurrent expenditure and Kshs.618.16 million (10.7 per cent) for development activities.

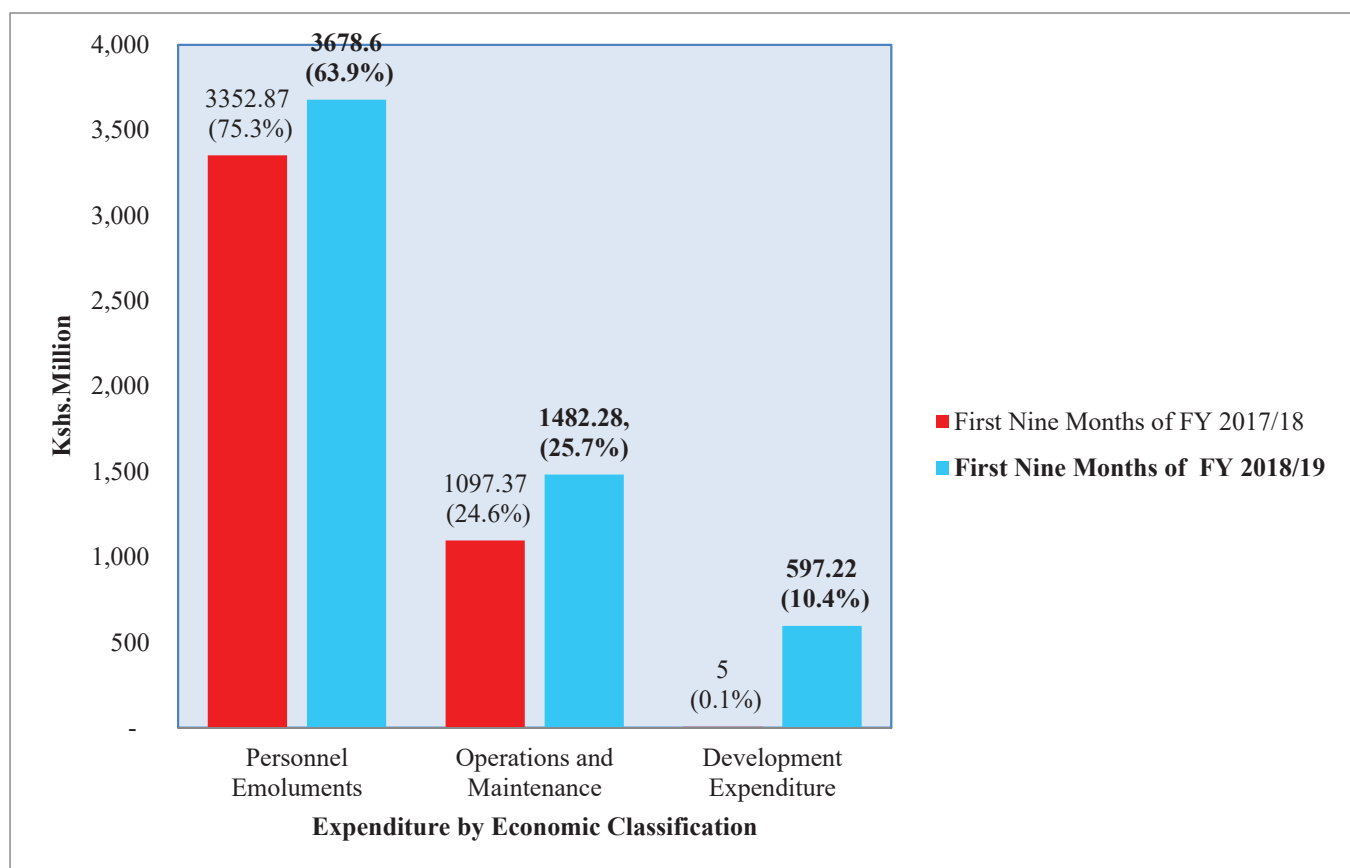
3.26.5 Overall Expenditure Review

The County spent a total of Kshs.5.76 billion on recurrent and development activities. This expenditure represented 99.5 per cent of the total funds released from the County Revenue Fund Account and was an increase of 29.2 per cent from Kshs.4.46 billion spent in the first nine months of FY 2017/18. The expenditure excluded outstanding commitments as at March 31, 2019 which amounted to Kshs.438.90 million for development activities and Kshs.666.61 million for recurrent expenditure.

Expenditure on recurrent activities amounted to Kshs.5.16 billion while Kshs.597.22 million was spent on development activities. The recurrent expenditure was 99.8 per cent of the funds released for recurrent activities, while development expenditure was 96.6 per cent of funds released for development activities.

The recurrent expenditure represented 66.1 per cent of the annual recurrent budget, an increase from 60.6 per cent recorded in the first nine months of FY 2017/18. Development expenditure recorded an absorption rate of 12.7 per cent, which was an increase from 0.2 per cent attained in the first nine months of FY 2017/18. Figure 3.103 presents a comparison between the total expenditure in the first nine months of FY 2018/19 and a similar period in FY 2017/18.

Figure 3.103: Meru County, Expenditure by Economic Classification



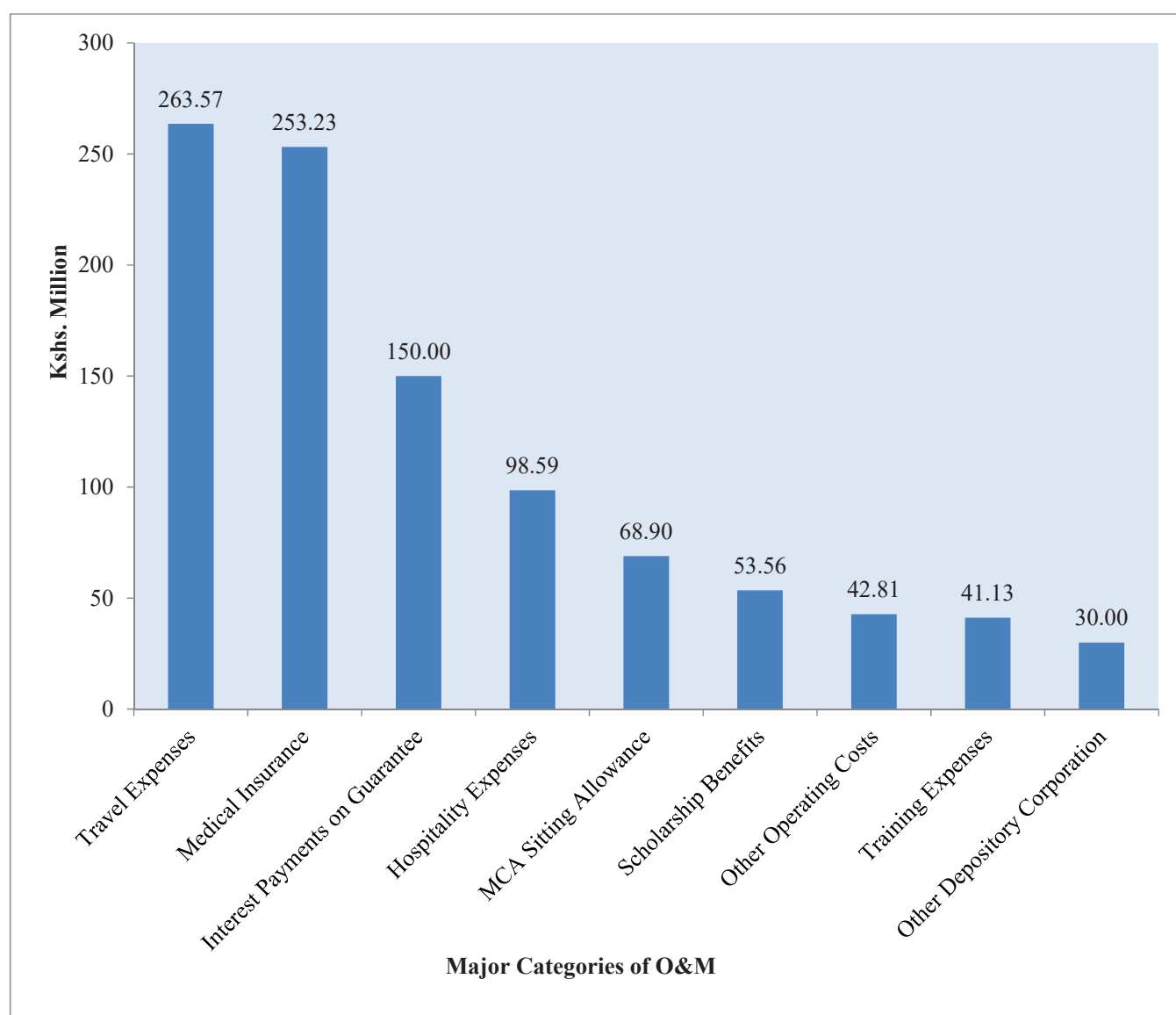
Source: Meru County Treasury

3.26.6 Analysis of Recurrent Expenditure

The total recurrent expenditure of Kshs.5.16 billion comprised of Kshs.3.68 billion (71.3 per cent) incurred on personnel emoluments and Kshs.1.48 billion (28.7 per cent) on operations and maintenance as shown in Figure 3.103.

Expenditure on personnel emoluments represented an increase of 9.7 per cent compared to a similar period of FY 2017/18 when the County spent Kshs.3.35 billion and was 63.9 per cent of total expenditure in the first nine months of FY 2018/19. Figure 3.104 shows a summary of operations and maintenance expenditure by major categories.

Figure 3.104: Meru County, Operations and Maintenance Expenditure by Major Categories in the First Nine Months of FY 2018/19



Source: Meru County Treasury

The County spent Kshs.68.90 million on committee sitting allowances for the 69 MCAs and the speaker against the annual budget allocation of Kshs.101.94 million. This represented an increase of 274.2 per cent compared to Kshs.18.41 million spent in a similar period of FY 2017/18. The average monthly sitting allowance translated to Kshs.110,949 per MCA against the SRC's recommended monthly ceiling of Kshs.124,800.

Expenditure on domestic and foreign travel amounted to Kshs.263.57 million and comprised of Kshs.210.81 million spent by the County Assembly and Kshs.52.76 million spent by the County Executive. This represented 5.1 per cent of total recurrent expenditure and was an increase of 246.4 per cent compared to Kshs.76.09 million spent in the first nine months of FY 2017/18.

3.26.7 Development Expenditure

The total development expenditure of Kshs.597.23 million represented 12.7 per cent of the annual development expenditure budget of Kshs.4.69 billion. Table 3.73 provides a summary of development projects with the highest expenditure in the first nine months of the financial year.

Table 3.73: Meru County, List of Development Projects with the Highest Expenditure in First Nine Months of FY 2018/19

S/No.	Project Name	Project Location	Annual Project Budget (Kshs.)	Expenditure in First Nine Months (Kshs.)	Absorption Rate (%)
1	Construction of County block and Offices	Headquarter	120,000,000	60,000,000	50
2	Construction of Ward block at Meru Teaching and Referral Hospital	Municipality	50,000,000	22,550,883	45.1
3	Routine Maintenance of the Mwiciume-Ngon-go-Kinoro road	Abogeta East	30,159,497	21,204,360	70.3
4	Avocado seedlings	County wide	20,562,147	20,562,147	100
5	Macadamia seedlings	Countywide	20,666,456	19,814,453	95.9
6	Tuition fee for Meru Youth Services	Municipality	19,500,000	19,500,000	100
7	Construction of electrical works at Meru Teaching and Referral Hospital	Municipality	19,049,296	19,049,296	100
8	Upgrading of the Gitimbine loop road	Abogeta East	16,311,815	16,306,694	100
9	CCTV System Installation at Meru Teaching and Referral Hospital	Municipality	18,416,837	11,829,973	64.2
10	Capital transfer to NARIGP	Headquarters	40,435,163	11,365,588	28.1

Source: Meru County Treasury

3.26.8 Budget Performance by County Department

Table 3.74 shows a summary of the approved budget allocation and performance by department in the first nine months of FY 2018/19.

Table 3.74: Meru County, Budget Performance by Department

Department	Annual Budget Allocation in FY 2018/19 (Kshs. Million)		Exchequer Issues in First Nine Months of FY 2018/19 (Kshs. Million)		Expenditure in First Nine Months of FY 2018/19 (Kshs. Million)		Expenditure to Exchequer Issues (%)		Absorption Rate (%)	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
County Assembly	937.22	82.00	675.92	4.51	675.92	4.51	100.0	100	72.1	5.5
Office of the Governor	334.87	10.50	257.11	0.00	175.55	0.00	68.3	0.0	52.4	-
Finance , Economic Planning and ICT	951.26	245.91	574.00	60.00	595.50	60.00	103.2	100	62.6	24.4
Agriculture, Livestock and Fisheries	356.98	469.21	236.31	65.73	260.92	66.73	110.4	101.5	73.1	14.2
Water and Irrigation	115.29	861.35	82.34	57.70	69.16	38.79	84.0	67.2	60.0	4.5
Education, , Gender Culture & Social Development	940.03	245.00	518.28	50.76	521.38	50.81	100.6	100.1	55.5	20.7
Health Services	2,986.93	643.50	2,024.87	92.23	2,172.00	90.91	107.3	98.6	72.7	14.1
Land, Physical Planning, Urban Development and Public Works	109.83	341.70	90.22	96.89	56.52	8.52	62.6	8.8	51.5	2.5
Public Services Administration and Legal Affairs	686.13	0.00	503.07	0.00	465.95	0.00	92.6	0.0	67.9	-
Road, Transport and Energy	101.13	1,349.65	51.59	81.34	42.43	168.25	82.2	206.8	42.0	12.5

Department	Annual Budget Allocation in FY 2018/19 (Kshs. Million)		Exchequer Issues in First Nine Months of FY 2018/19 (Kshs. Million)		Expenditure in First Nine Months of FY 2018/19 (Kshs. Million)		Expenditure to Exchequer Issues (%)		Absorption Rate (%)	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
Trade, Investment, Industrialization, Tourism and Cooperative Development	86.60	210.78	55.73	42.66	60.48	42.38	108.5	99.4	69.8	20.1
Youth Affairs and Sport	145.30	156.91	62.20	51.22	43.33	51.22	69.7	100	29.8	32.6
Public Services Board	21.67	0.00	15.17	0.00	10.47	0.00	69.0	0.00	48.3	-
Environment, Wildlife and Natural Resources	34.32	75.52	23.75	15.11	11.27	15.08	47.4	98.8	32.8	20.0
TOTAL	7,807.57	4,692.02	5,170.56	618.16	5,160.88	597.22	99.8	96.6	66.1	12.7

Source: Meru County Treasury

Analysis of expenditure by department shows that the Department of Youth Affairs and Sport recorded the highest absorption rate of development budget at 32.6 per cent while the Office of the Governor did not incur any development expenditure. The Department of Health Services had the highest percentage of recurrent expenditure to recurrent budget at 72.7 per cent while the Department of Youth Affairs and Sport had the lowest at 29.8 per cent.

3.26.9 Key Observations and Recommendations

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

- Improvement in the collection of revenue by 97 per cent from Kshs.183.6 million in the nine months of FY 2017/18 to Kshs.361.75 million in the reporting period.
- Timely submission of quarterly reports by the County Government entities to the Controller of Budget in line with Section 166 of the PFM Act, 2012.

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

- High wage bill that has increased by 9.7 per cent from Kshs.3.35 billion in the first nine month of FY 2017/18 to Kshs.3.68 billion during the period under review.
- Delay in disbursement of equitable share of revenue raised by the National Treasury.
- Low absorption of development funds, which stood at 12.7 per cent of the annual development budget.

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

- The County Public Service Board should establish an optimal staffing structure in order to ensure a sustainable wage bill.*
- The County should liaise with the National Treasury to ensure that funds are disbursed in timely manner.*
- The County should identify and address issues that cause delays in the implementation of development projects.*

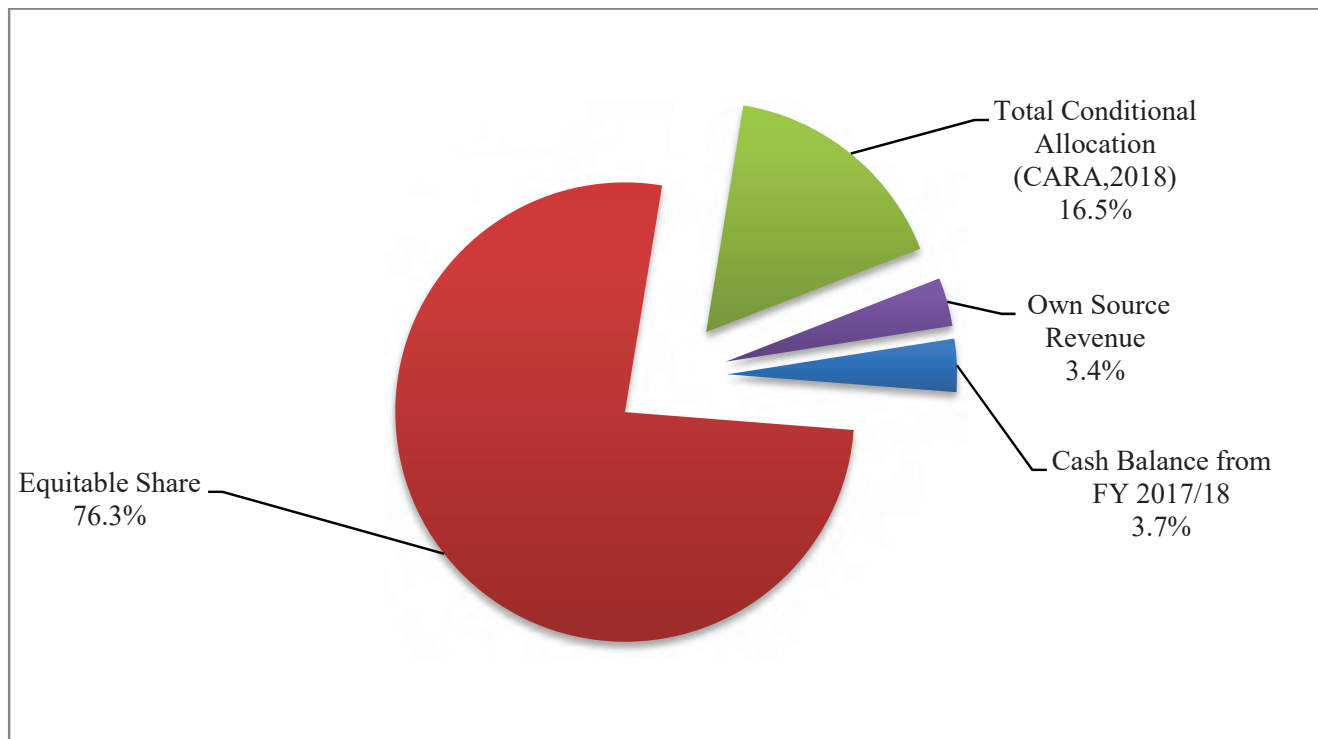
3.27 Migori County

3.27.1 Overview of the FY 2018/19 Budget

The County's FY 2018/19 Approved Supplementary Budget was Kshs.8.80 billion, comprising of Kshs.5.14 billion (58.4 per cent) and Kshs.3.66 billion (41.6 per cent) allocation for recurrent and development expenditure respectively.

To finance the budget, the County expects to receive Kshs.6.72 billion (76.3 per cent) as equitable share of revenue raised nationally, Kshs.1.45 billion (16.5 per cent) as total conditional grants, generate Kshs.300 million (3.4 per cent) from own-source of revenue, and Kshs.328.89 million (3.7 per cent) as cash balance from FY 2017/18.

Figure 3.105: Migori County, Expected Sources of Budget Financing in FY 2018/19



Source: Migori County Treasury

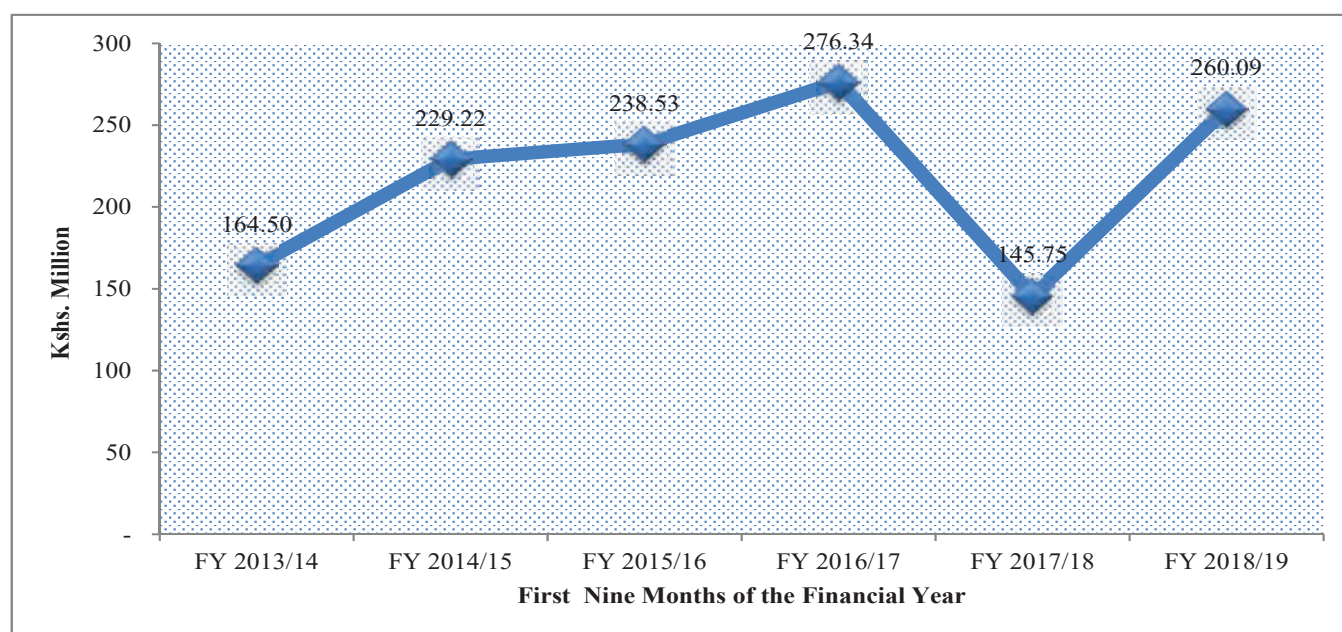
The conditional grants contained in the CARA, 2018 are shown in Table 3.75.

3.27.2 Revenue Analysis

During the first nine months of FY 2018/19, the County received Kshs.3.93 billion as equitable share of the revenue raised nationally, Kshs.762.66 million as total conditional grants, raised Kshs.260.09 million from own-sources of revenue, and had a cash balance of Kshs.599.33 million from FY 2017/18. The total funds available for budget implementation amounted to Kshs.5.55 billion.

Figure 3.106 shows the trend in own-sources of revenue collection from the first nine months FY 2013/14 to the first nine months of FY 2018/19.

Figure 3.106: Migori County, Trend in Own Sources of Revenue Collection for the First Nine Months from FY 2013/14 to FY 2018/19



Source: Migori County Treasury

The County generated a total of Kshs.260.09 million from own revenue sources during the first nine months of FY 2018/19. This amount represented an increase of Kshs 114.34 million compared to that realised during a similar period of the FY 2017/18 and represented 86.7 per cent of the annual target.

3.27.3 Conditional Grants

The County received Kshs 762.66 million as conditional grants in the first nine months of the financial year as shown in Table 3.75.

Table 3.75: Migori County, Conditional Grants/Loans Received in the First Nine Months of FY 2018/19

S/No	Grants/Loans	Annual Allocation, per CARA, 2018 (Kshs)	Annual Budget Allocation for FY 2018/19 (Kshs)	Actual receipts in the First Nine Months of FY 2018/19 (in Kshs.)	Actual Expenditure in the First Nine Months of FY 2018/19 (in Kshs.)	Actual Receipts as Percentage of Annual Allocation (%)
A	Grants/Loans contained in CARA, 2018					
1.	Road Maintenance Fuel Levy	176,921,216	216,921,216	132,696,292	108,172,304	61.2
2.	Transforming Health Systems for Universal Care Project (World Bank)	100,000,000	100,000,000	42,405,837	10,530,387	42.4
3.	IDA (World Bank) -Kenya Urban Support Project (KUSP)	518,367,800	518,367,800	518,367,800	-	100
4.	DANIDA - Universal Healthcare in Devolved System Programme	21,667,500	21,667,500	10,833,750	-	50
5.	EU Grant- Instruments for Devolution Advice and Support- IDEAS)	90,000,000	90,000,000	50,704,556	2,713,595	56.3
6.	Sweden - Agriculture Sector Development Support Programme (ASDSP) II + Bal C/F in FY 2017/18	21,019,514	21,019,514	7,652,736	3,446,788	36.4
Grand Total		1,412,626,670	1,452,626,670	762,660,971	124,863,074	52.5

Source: Migori County Treasury

Analysis of revenue from conditional grants indicates that, the County received full allocation from funds from IDA (World Bank) as credit for Kenya Urban Support Programme.

3.27.4 Exchequer Issues

To finance the budget, the Controller of Budget approved the withdrawal of Kshs 4.70 billion from the County Revenue Fund Account. The withdrawals represented 53.4 per cent of the Approved Supplementary Budget and translated to an increase of 26.4 per cent from Kshs.3.71 billion approved in the first nine months of FY 2017/18 and comprised of Kshs.2.99 billion (63.7 per cent) to fund recurrent expenditure and Kshs.1.71 billion (36.3 per cent) for development activities.

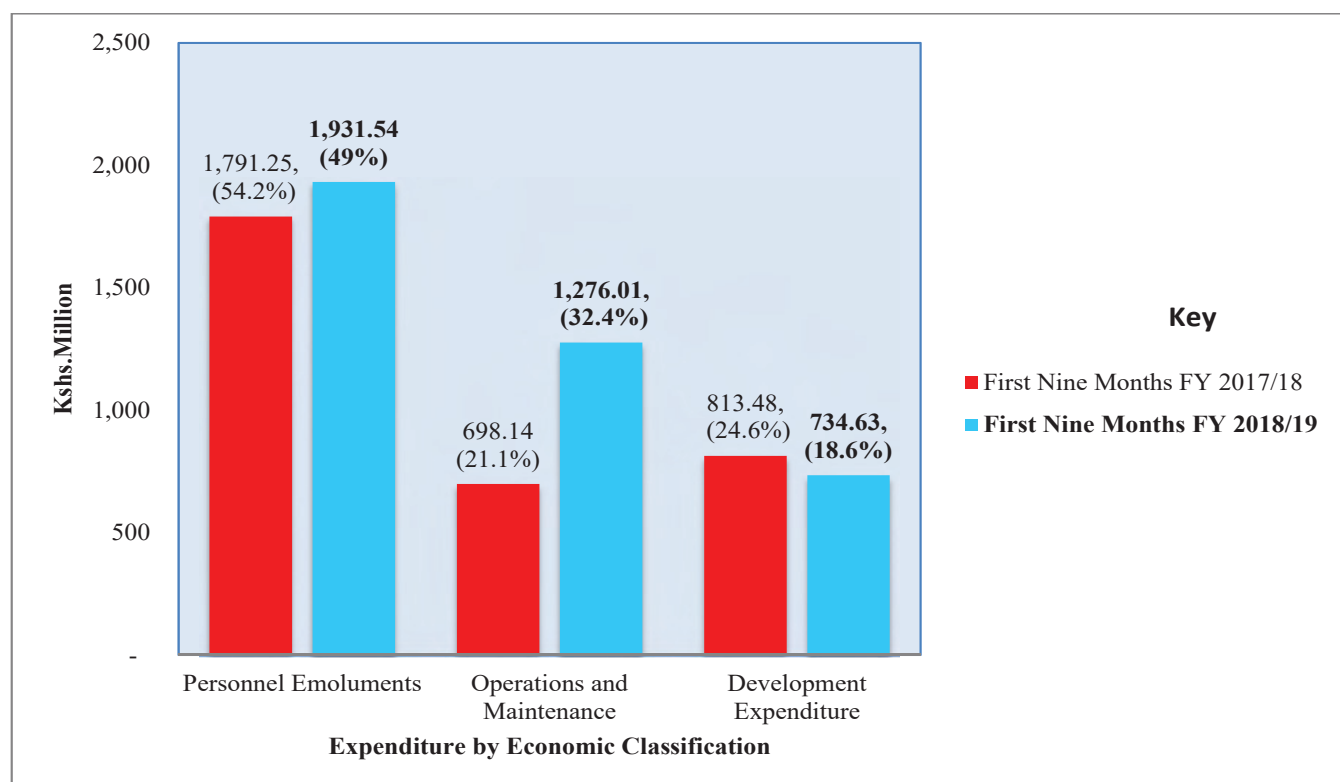
3.27.5 Overall Expenditure Review

The County spent a total of Kshs.3.94 billion on recurrent and development activities. This expenditure represented 84 per cent of the total funds released from the County Revenue Fund Account and was an increase of 19.4 per cent from Kshs.3.30 billion spent in the first nine months of FY 2017/18. The expenditure excluded outstanding commitments as at March 31, 2019 which amounted to Kshs.623.19 million for development activities and Kshs.110.39 million for recurrent expenditure.

Expenditure on recurrent activities amounted to Kshs.3.21 billion while Kshs.734.63 million was spent on development activities. The recurrent expenditure was 107.3 per cent of the funds released for recurrent activities, while development expenditure was 43 per cent of funds released for development activities.

The recurrent expenditure represented 62.4 per cent of the annual recurrent budget, an increase from 45.5 per cent recorded in the first nine months of FY 2017/18. Development expenditure recorded an absorption rate of 20.1 per cent, which was a decrease from 30.2 per cent attained in the first nine months of FY 2017/18. Figure 3.107 presents a comparison between the total expenditure in the first nine months of FY 2018/19 and a similar period in FY 2017/18.

Figure 3.107: Migori County, Expenditure by Economic Classification



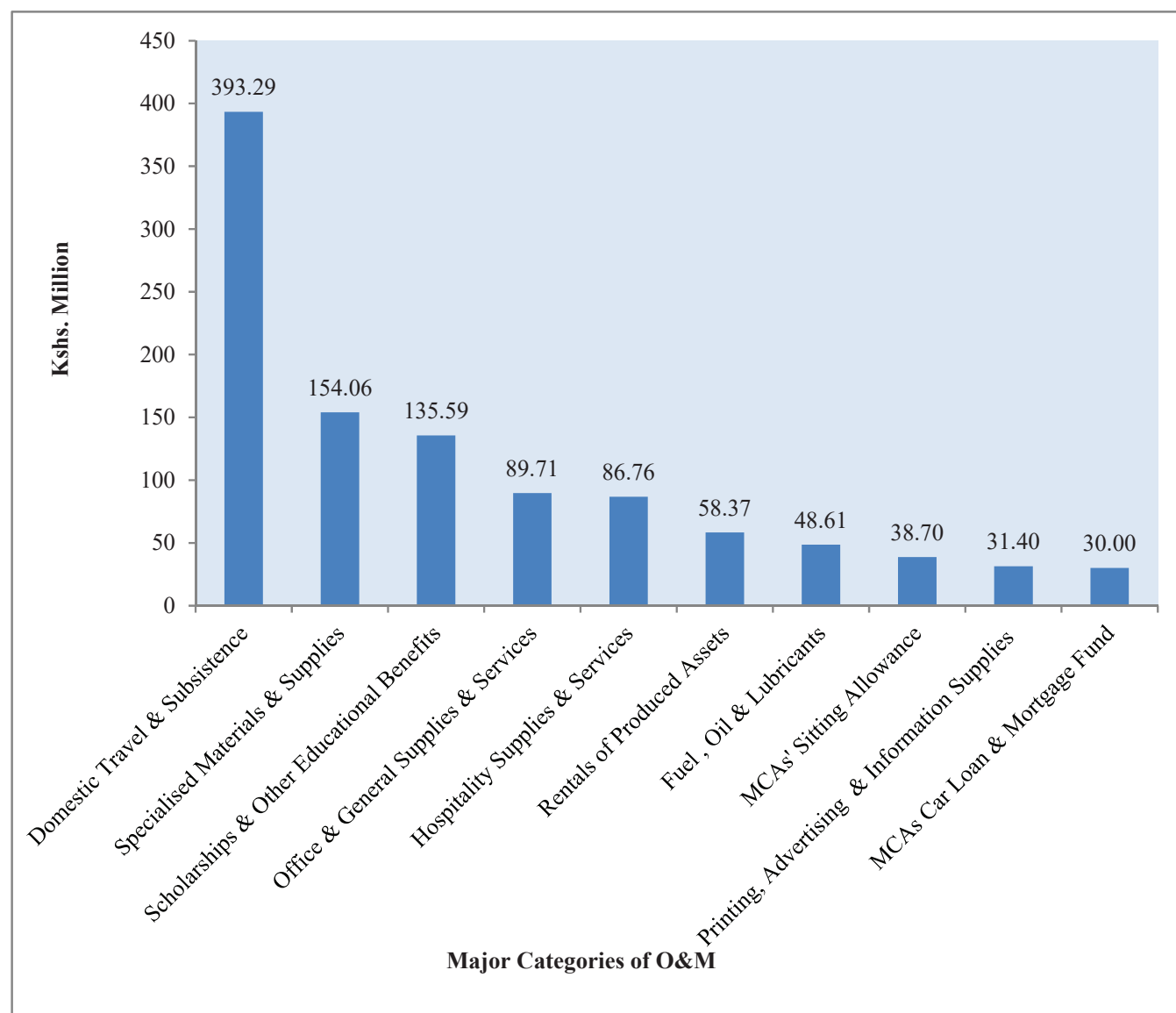
Source: Migori County Treasury

3.27.6 Analysis of Recurrent Expenditure

The total recurrent expenditure of Kshs.3.21 billion comprised of Kshs.1.93 billion (60.2 per cent) incurred on personnel emoluments and Kshs.1.28 billion (39.8 per cent) on operations and maintenance as shown in Figure 3.107.

Expenditure on personnel emoluments which excluded salaries for March 2019 represented an increase of 7.8 per cent compared to a similar period of FY 2017/18 when the County spent Kshs.1.79 billion and was 49.0 per cent of total expenditure in the first nine months of FY 2018/19. Figure 3.108 shows a summary of operations and maintenance expenditure by major categories.

Figure 3.108: Migori County, Operations and Maintenance Expenditure by Major Categories in the First Nine Months of FY 2018/19



Source: Migori County Treasury

The County spent Kshs.38.70 million on committee sitting allowances for the 57 MCAs although there was no budget allocation. This represented a decrease of 181.9 per cent compared to Kshs.13.73 million spent in a similar period of FY 2017/18. The average monthly sitting allowance translated to Kshs.75,448 per MCA against the SRC's recommended monthly ceiling of Kshs.124,800.

Expenditure on domestic travel amounted to Kshs.393.29 million and comprised of Kshs.53.02 million spent by the County Assembly and Kshs.340.27 million spent by the County Executive. This represented 12.3 per cent of total recurrent expenditure and was an increase of 44.2 per cent compared to Kshs.272.65 million spent in the first nine months of FY 2017/18.

3.27.7 Development Expenditure

The total development expenditure of Kshs.734.63 million represented 20.1 per cent of the annual development expenditure budget of Kshs.3.67 billion. Table 3.76 provides a summary of development projects with the highest expenditure in the first nine months of the financial year.

Table 3.76: Migori County, List of Development Projects with the Highest Expenditure in First Nine Months of FY 2018/19

S / No.	Project Name	Project Location	Annual Project Budget (Kshs.)	Expenditure in First Nine Months (Kshs.)	Absorption Rate (%)
1	Upgrade to Bitumen Standard of Uriri - Oria Road	Central and North Kanyamkago Wards	105,562,867	80,000,000	75.8
2	Supply and Installation of Floodlights	Countywide	59,000,000	58,443,500	99.1
3	Supply of Tissue Culture Banana Seedlings	Countywide	19,360,000	19,360,000	100.0
4	Integrated Plan for Migori Town	County Headquarters	44,972,838	17,561,164	39.0
5	Construction of Amenity ward at Migori County Referral Hospital	Suna Central Ward	22,745,784	16,990,456	74.7
6	Rehabilitation of Migori Water Supply (Ombo Borehole)	Suna Central Ward	14,636,400	14,636,400	100.0
7	Installation of Solar Street lighting in Various Centres in Migori County	Countywide	14,600,000	14,600,000	100.0
8	Access Road to Nyakona River	Got Kachola Ward	12,523,893	12,523,893	100.0
9	Maintenance of Oyani A1 - Gogo Road	East Kanyamkago Ward	12,143,460	12,143,460	100.0
10	Construction of Kwa Ward Administrator's Office	Rabuor (Suna East Sub-County)	13,000,000	11,140,000	85.7

Source: Migori County Treasury

3.27.8 Budget Performance by County Department

Table 3.77 shows a summary of the approved budget allocation and performance by department in the first nine months of FY 2018/19.

Table 3.77: Migori County, Budget Performance by Department

Department	Annual Budget Allocation in FY 2018/19 (Kshs. Million)		Exchequer Issues in First Nine Months of FY 2018/19 (Kshs. Million)		Expenditure in First Nine Months of FY 2018/19 (Kshs. Million)		Expenditure to Exchequer Issues (%)		Absorption Rate (%)	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
Agriculture, Livestock Development, Veterinary and Fisheries	207.24	385.75	204.69	76.35	149.51	38.37	73.0	50.3	72.1	9.9
Trade, Industrialization, Cooperative Development and Tourism	71.56	69.63	44.57	19.26	45.92	1.26	103.0	6.5	64.2	1.8
Health	1,648.38	449.50	987.13	145.85	1,188.69	41.94	120.4	28.8	72.1	9.3

Department	Annual Budget Allocation in FY 2018/19 (Kshs. Million)		Exchequer Issues in First Nine Months of FY 2018/19 (Kshs. Million)		Expenditure in First Nine Months of FY 2018/19 (Kshs. Million)		Expenditure to Exchequer Issues (%)		Absorption Rate (%)	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
Education, Youth, Sports AND Social Services	332.82	131.69	211.50	35.04	273.22	18.61	129.2	53.1	82.1	14.1
Public Works, Roads and Transport	59.34	1,247.66	42.44	630.15	48.86	263.05	115.1	41.7	82.3	21.1
Lands, Housing and Physical Planning	105.49	612.49	69.25	600.72	47.72	81.52	68.9	13.6	45.2	13.3
Environment, Disaster Management and Forestry	204.19	5.00	57.53	13.64	51.23	15.51	89.1	113.7	25.1	310.3
Finance and Economic Planning	594.40	8.00	329.94	1.93	425.60	8.76	129.	453.1	71.6	109.5
Public Service Management	549.40	135.03	371.05	76.32	268.83	59.94	72.4	78.5	48.9	44.4
County Executive	451.93	188.70	169.79	0.53	212.92	3.40	125.4	635.9	47.1	1.8
County Assembly	828.13	100.00	446.00	-	461.57	-	103.5		55.7	-
Water and Energy	88.81	326.11	54.91	106.96	33.48	202.26	61	189.1	37.7	62.0
TOTAL	5,141.68	3,659.55	2,988.81	1,706.76	3,207.54	734.63	107.3	43.0	62.4	20.1

Source: Migori County Treasury

Analysis of expenditure by department shows that the Department of Environment, Disaster Management and Forestry recorded the highest absorption rate of development budget at 310.3 per cent occasioned by over 50 per cent reduction of the department's development budget in the supplementary estimates, while the County Assembly did not incur any development expenditure. The Department of Public Works, Roads and Transport had the highest percentage of recurrent expenditure to recurrent budget at 82.3 per cent while the Department of Environment, Disaster Management and Forestry had the lowest at 25.1 per cent.

3.27.9 Key Observations and Recommendations

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

- Improvement in revenue collections from own sources by 78.4 per cent from Kshs.145.75 million collected in the first nine months of FY 2017/18 to Kshs.260.09 million collected in the period under review.

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

- Late submission of financial reports by the County Treasury to the Office of Controller of Budget, which affected timely preparation of the budget implementation report.
- Increased spending on domestic travel by 44.2 per cent from Kshs.272.65 million in the first nine months of FY 2017/18 to Kshs.393.29 million in the reporting period.

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

- The County should ensure timely submission of revenue and expenditure reports to the Controller of Budget in line with Section 166 of the PFM Act, 2012.*
- The County should rationalise expenditure on non- core items to ensure adequate resources are available for development projects.*

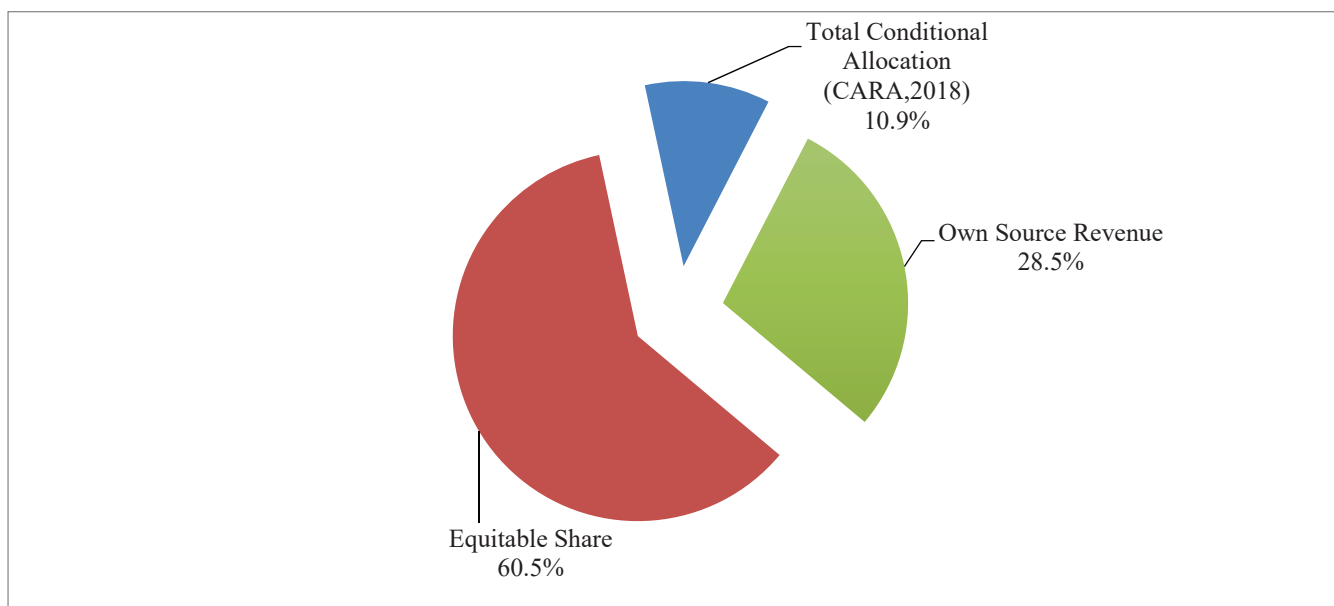
3.28 Mombasa County

3.28.1 Overview of the FY 2018/19 Budget

The County's FY 2018/19 Approved Budget was Kshs.13.59 billion, comprising of Kshs.9.46 billion (69.6 per cent) and Kshs.4.14 billion (30.4 per cent) allocation for recurrent and development expenditure respectively.

To finance the budget, the County expects to receive Kshs.8.23 billion (60.6 per cent) as equitable share of revenue raised nationally, Kshs.1.49 billion (10.9 per cent) as total conditional grants, generate Kshs.3.88 billion (28.5 per cent) from own-sources of revenue.

Figure 3.109: Mombasa County, Expected Sources of Budget Financing in FY 2018/19



Source: Mombasa County Treasury

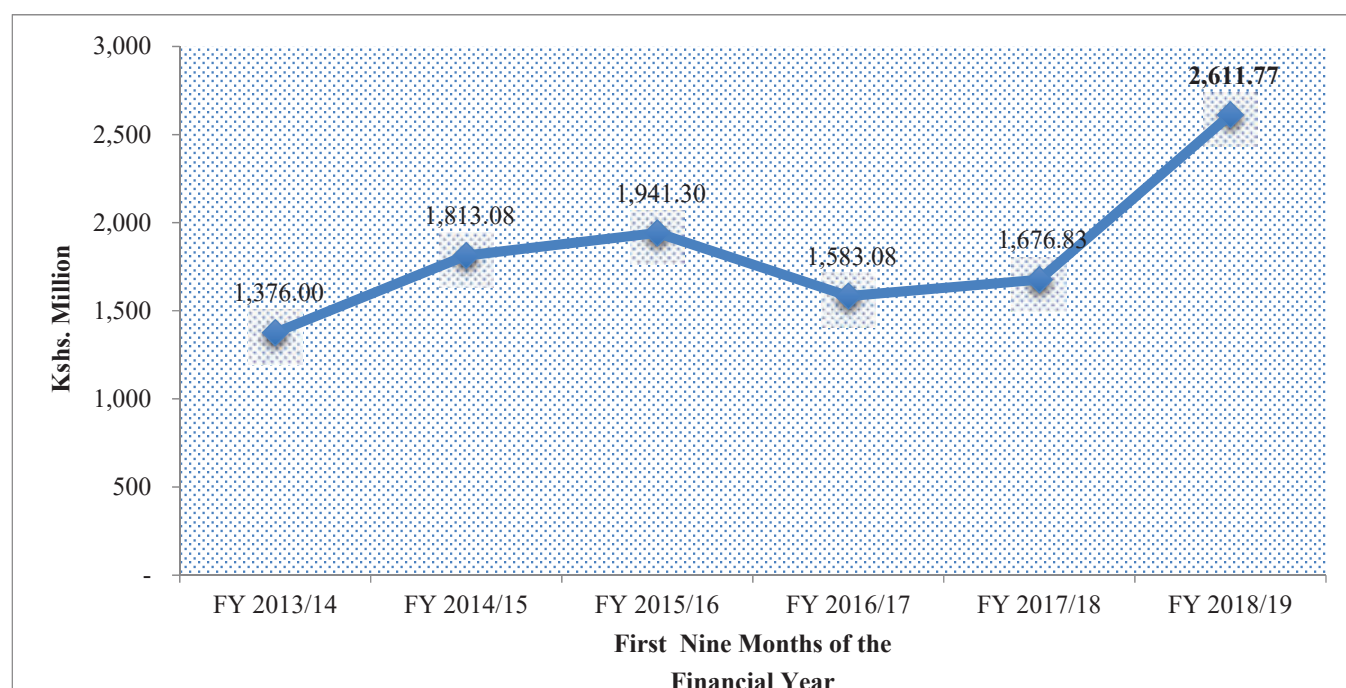
The conditional grants contained in the CARA, 2018 are shown in Table 3.78.

3.28.2 Revenue Analysis

During the first nine months of FY 2018/19, the County received Kshs.5.04 billion as equitable share of the revenue raised nationally, Kshs.384.59 million as total conditional grants, raised Kshs.2.61 billion from own-sources of revenue. The total funds available for budget implementation amounted to Kshs.8.04 billion.

Figure 3.110 shows the trend in own-source revenue collection from the first nine months FY 2013/14 to the first nine months of FY 2018/19.

Figure 3.110: Mombasa County, Trend in Own-Source Revenue Collection for the First Nine Months from FY 2013/14 to FY 2018/19



Source: Mombasa County Treasury

The County generated a total of Kshs.2.61 billion from own revenue sources during the first nine months of FY 2018/19. This amount represented an increase of Kshs.930 million compared to that realised during a similar period of the FY 2017/18 and represented 67.3 per cent of the annual target.

3.28.3 Conditional Grants

The County received Kshs.384.59 million as conditional grants in the first nine months of the financial year as shown in Table 3.78.

Table 3.78: Mombasa County, Conditional Grants/Loans Received in the First Nine Months of FY 2018/19

S/No	Grants/Loans	Annual Allocation, per CARA, 2018 (Kshs)	Annual Budget Allocation for FY 2018/19 (Kshs)	Actual receipts in the First Nine Months of FY 2018/19 (in Kshs.)	Actual Receipts as Percentage of Annual Allocation (%)
A	Grants/Loans contained in CARA, 2018				
1.	Grants to Mombasa Level 5 Hospital	388,439,306	600,000,000	190,334,860	49.0
2.	Supplement for Construction of County Headquarters	-	388,439,306	-	-
3.	Compensation for User Fee Foregone	23,385,934	216,604,479	11,823,500	50.6
4.	Leasing of Medical Equipment	200,000,000	-	-	-
5.	Road Maintenance Fuel Levy	216,604,479	50,000,000	147,695,459	68.2
6.	Rehabilitation of Village Polytechnics	39,895,000	35,591,582	-	-
7.	Transforming Health Systems for Universal Care Project (World Bank)	50,000,000	39,895,000	769,901	1.5
8.	IDA (World Bank) -National Agricultural and Rural Inclusive Growth Project (NARIGP)	-	30,697,405	-	-

S/No	Grants/Loans	Annual Allocation, per CARA, 2018 (Kshs)	Annual Budget Allocation for FY 2018/19 (Kshs)	Actual receipts in the First Nine Months of FY 2018/19 (in Kshs.)	Actual Receipts as Percentage of Annual Allocation (%)
9.	IDA (World Bank) -Kenya Climate Smart Agriculture Project (KCSAP)	-	-	6,937,481	-
10.	IDA (World Bank) Kenya Devolution Support Programme “Level 1 grant”	53,333,725	23,385,934	-	-
11.	IDA (World Bank) -Kenya Urban Support Project (KUSP)	-	103,142,787	-	-
12.	DANIDA - Universal Healthcare in Devolved System Programme	27,337,500	-	27,038,089	98.9
13.	IDA (World Bank) - Water & Sanitation Development Project (WSDP)	600,000,000	-	-	-
Total		1,598,995,944	1,487,756,493	384,599,290	24.1

Source: Mombasa County Treasury

Analysis of revenue from conditional grants indicates that, the County received the highest percentage of funds to annual allocation from the DANIDA - Universal Healthcare in Devolved System Programme at 98.9 per cent, followed by the Road Maintenance Fuel Levy at 68.3 per cent.

3.28.4 Exchequer Issues

To finance the budget, the Controller of Budget approved the withdrawal of Kshs.7.70 billion from the County Revenue Fund account. The withdrawals represented 56.7 per cent of the Approved Budget and translated to an increase of 35.6 per cent from Kshs.5.68 billion approved in the first nine months of FY 2017/18 and comprised of Kshs.5.81 billion (75.5 per cent) to fund recurrent expenditure and Kshs.1.89 billion (24.5 per cent) for development activities.

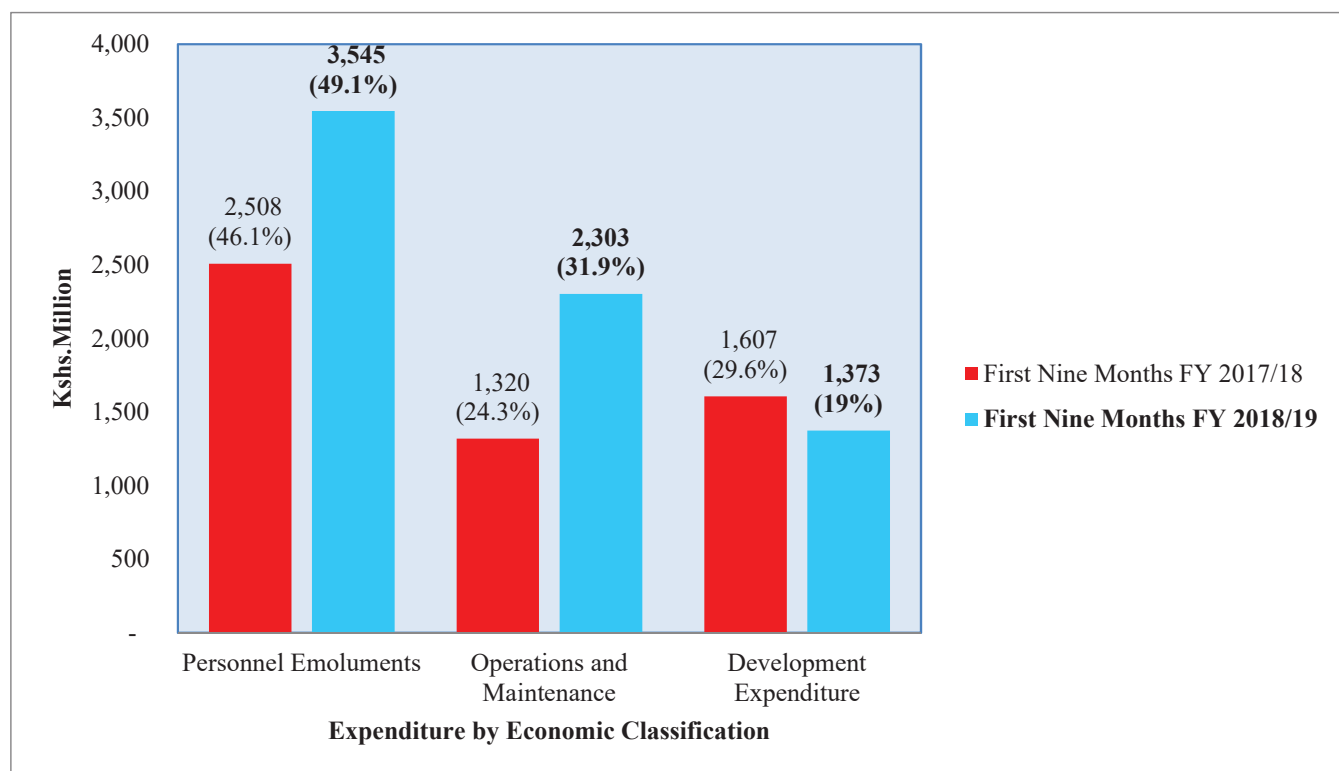
3.28.5 Overall Expenditure Review

The County spent a total of Kshs.7.22 billion on recurrent and development activities. This expenditure represented 93.8 per cent of the total funds released from the County Revenue Fund account and was an increase of 32.9 per cent from Kshs.5.44 billion spent in the first nine months of FY 2017/18. The expenditure excluded outstanding commitments as at March 31, 2019 which amounted to Kshs.604.68 million for development activities and Kshs.690.41 million for recurrent expenditure.

Expenditure on recurrent activities amounted to Kshs.5.85 billion while Kshs.1.37 billion was spent on development activities. The recurrent expenditure was 100.7 per cent of the funds released for recurrent activities, while development expenditure was 72.5 per cent of funds released for development activities.

The recurrent expenditure represented 61.9 per cent of the annual recurrent budget, an increase from 44.7 per cent recorded in the first nine months of FY 2017/18. Development expenditure recorded an absorption rate of 33.2 per cent, which was a decrease from 40.6 per cent attained in the first nine months of FY 2017/18. Figure 3.111 presents a comparison between the total expenditure in the first nine months of FY 2018/19 and a similar period in FY 2017/18.

Figure 3.111: Mombasa County, Expenditure by Economic Classification



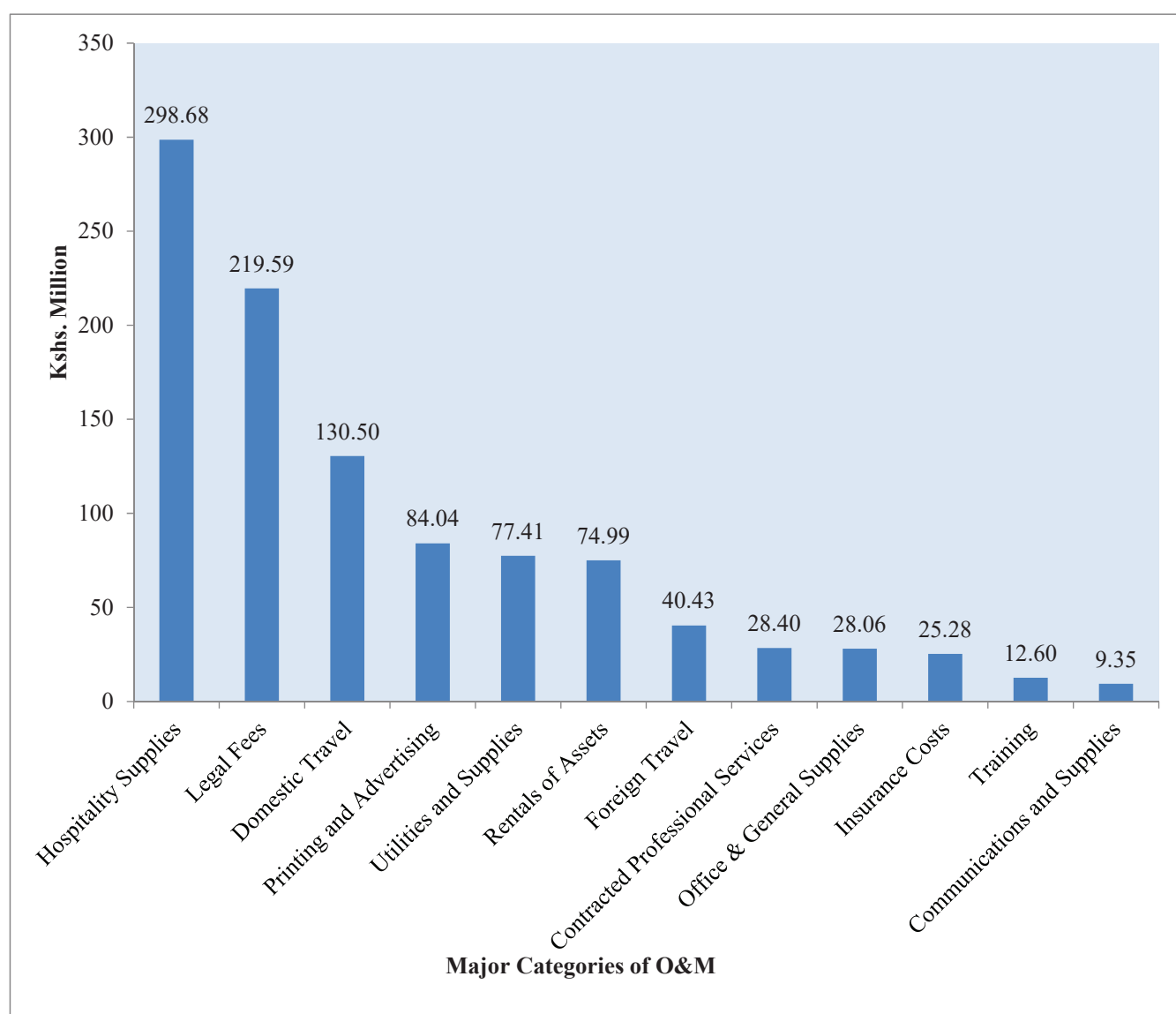
Source: Mombasa County Treasury

3.28.6 Analysis of Recurrent Expenditure

The total recurrent expenditure of Kshs.5.85 billion comprised of Kshs.3.55 billion (72.1 per cent) incurred on personnel emoluments and Kshs.2.30 million (27.9 per cent) on operations and maintenance as shown in Figure 3.111.

Expenditure on personnel emoluments represented an increase of 41.4 per cent compared to a similar period of FY 2017/18 when the County spent Kshs.2.51 billion and was 49.1 per cent of total expenditure in the first nine months of FY 2018/19. Figure 3.112 shows a summary of operations and maintenance expenditure by major categories.

Figure 3.112: Mombasa County, Operations and Maintenance Expenditure by Major Categories in the First Nine Months of FY 2018/19



Source: Mombasa County Treasury

The County spent Kshs.28.13 million on committee sitting allowances for the 43 MCAs and the speaker against the annual budget allocation of Kshs.43.71 million. This represented an increase of 108.2 per cent compared to Kshs.13.51 million spent in a similar period of FY 2017/18. The average monthly sitting allowance translated to Kshs.72,679 per MCA against the SRC's recommended monthly ceiling of Kshs.124,800.

Expenditure on domestic travel amounted to Kshs.130.01 million and comprised of Kshs.7.81 million spent by the County Assembly and Kshs.122.20 million spent by the County Executive. This represented 2.2 per cent of total recurrent expenditure and was an increase of 45.5 per cent compared to Kshs.89.32 million spent in the first nine months of FY 2017/18.

3.28.7 Development Expenditure

The total development expenditure of Kshs.1.37 million represented 33.2 per cent of the annual development expenditure budget of Kshs.4.14 billion. Table 3.79 provides a summary of development projects with the highest expenditure in the first nine months of the financial year.

Table 3.79: Mombasa County, List of Development Projects with the Highest Expenditure in First Nine Months of FY 2018/19

S/No.	Project Name	Project Location	Annual Project Budget (Kshs.)	Expenditure in First Nine Months (Kshs.)	Absorption Rate (%)
1	Routine maintenance of Mikindani Estate Road	Jomvu	41,156,696	32,616,392	79.2
2	Renovation and extension of Governors office	Mvita	89,785,290	31,420,625	35.0
3	Construction of Kitaruni, Maweni Road to Cabro Standards	Nyali	62,949,563	22,446,322	35.7
4	Improvement of Simu ya Upepo Road	Mvita	50,506,655	15,791,063	31.3
5	Routine maintenance of Mji Mpya, Zamani, Kambi Road	Nyali	24,880,004	15,018,970	60.4
6	Maintenance of Naikuru, Kakamega Muslim Road	Mvita	17,630,896	7,698,338	43.7
7	Maintenance of Migadini Estate Road	Changamwe	14,863,596	7,212,478	48.5
8	Maintenance of Meru, White Feather, Gusii, Access to CMC	Mvita	15,689,379	6,924,306	44.1
9	Improvement of Karama, Kwa Mhindi, Makongeni Access Road	Nyali	14,032,224	6,481,109	46.2
10	Improvement to gravel standards of Kiembeni, Upper Hill Estate	Kisauni	13,023,640	6,423,600	49.3

Source: Mombasa County Treasury

3.28.8 Budget Performance by County Department

Table 3.80 shows a summary of the approved budget allocation and performance by department in the first nine months of FY 2018/19.

Table 3.80: Mombasa County, Budget Performance by Department

Department	Annual Budget Allocation in FY 2018/19 (Kshs. Million)		Exchequer Issues in First Nine Months of FY 2018/19 (Kshs. Million)		Expenditure in First Nine Months of FY 2018/19 (Kshs. Million)		Expenditure to Exchequer Issues (%)		Absorption Rate (%)	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
County Executive	410.57	22.38	295.14	1.37	220.00	2.98	74.5	217.5	53.6	13.3
County Assembly	787.11	-	291.86	-	111.71	-	11.5	-	14.2	-
Public Service Board	111.29	6.48	72.41	-	38.98	-	53.8	-	35.0	-
Finance and Economic Planning	1,773.81	589.39	805.32	309.84	1,313.06	308.59	163.0	99.6	74.0	52.4
Tourism and Betting Control	570.29	232.55	325.17	41.81	352.33	118.50	108.4	283.4	61.8	51.0
Education and Information Technology	527.46	129.78	359.13	2.59	271.27	6.99	75.5	269.9	51.4	5.4
Health	2,648.47	203.81	2,064.25	-	2,179.36	1.02	105.6	-	82.3	0.5
Water and Natural Resources	67.49	600	62.45	22.64	25.29	-	40.5	-	37.5	-
Gender, Youth and Sports	235.41	461.91	90.88	120.33	44.47	3.19	48.9	2.7	52.1	0.7
Trade and Cooperative Development	415.21	103.65	299.06	18.13	238.25	19.89	79.7	109.7	57.4	19.2
Lands, Housing and Physical Planning	196.23	201.20	128.15	37.15	92.18	76.07	71.9	204.8	47.0	37.8
Transport and Infrastructure Development	475.29	1,293.08	274.92	1,256.31	278.46	710.83	101.3	56.6	58.6	55.0

Department	Annual Budget Allocation in FY 2018/19 (Kshs. Million)		Exchequer Issues in First Nine Months of FY 2018/19 (Kshs. Million)		Expenditure in First Nine Months of FY 2018/19 (Kshs. Million)		Expenditure to Exchequer Issues (%)		Absorption Rate (%)	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
Agriculture, Fisheries and Livestock	281.85	222.69	140.70	81.63	115.91	80.37	82.4	98.5	41.1	36.1
Devolution	956.32	69.06	598.47	2.70	567.15	44.85	94.8	1,661.1	59.3	64.9
TOTAL	9,456.80	4,135.98	5,807.91	1,894.50	5,848.42	1,373.28	100.7	72.5	61.8	33.2

Source: Mombasa County Treasury

Analysis of expenditure by department shows that the Department of Devolution, recorded the highest absorption rate of development budget at 64.9 percent. The County Public Service Board, and the Department of Water and Natural Resources did not incur any development expenditure. The Department of Health had the highest percentage of recurrent expenditure to its recurrent budget at 82.3 per cent while the County Assembly had the lowest expenditure at 14.2 per cent.

3.28.9 Key Observations and Recommendations

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

- i. Improved performance in own-source revenue by Kshs.630 million or 55.8 per cent, which translates into 67.3 per cent of the annual budget.
- i. Improvement in the collection of revenue by 55.8 per cent from Kshs.1.67 billion in the nine months of FY 2017/18 to Kshs.2.61 billion in the reporting period.
- ii. Timely submission of financial reports to the Office of the Controller of Budget in line with Section 166 of the PFM Act, 2012.

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

1. High wage bill which accounted for 49.1 per cent of the total expenditure in the reporting period, and thus constrained funding of other programmes. Personnel costs increased by 41.4 per cent from Kshs.2.51 billion in a similar period of FY 2017/18 to Kshs.3.55 billion in the reporting period.
2. Delay by the National Treasury to release the equitable share of revenue to the County which affected effective implementation of the budget during the reporting period.
3. Failure to budget for all the conditional grants as per CARA, 2018.
4. High expenditure on non-core activities, such as on domestic travel which increased by 45.5 per cent to Kshs.130.01 million compared to Kshs.89.32 million spent in the first nine months of FY 2017/18.

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 ensure a sustainable wage bill.*
2. *The County Treasury should liaise with the National Treasury to ensure that funds allocated to the County are released in a timely manner.*
3. *The County should prepare a Supplementary Budget to align conditional grants to the CARA, 2018..*
4. *The County leadership should rationalise expenditure on non-core activities in order to free funds for key development programmes.*

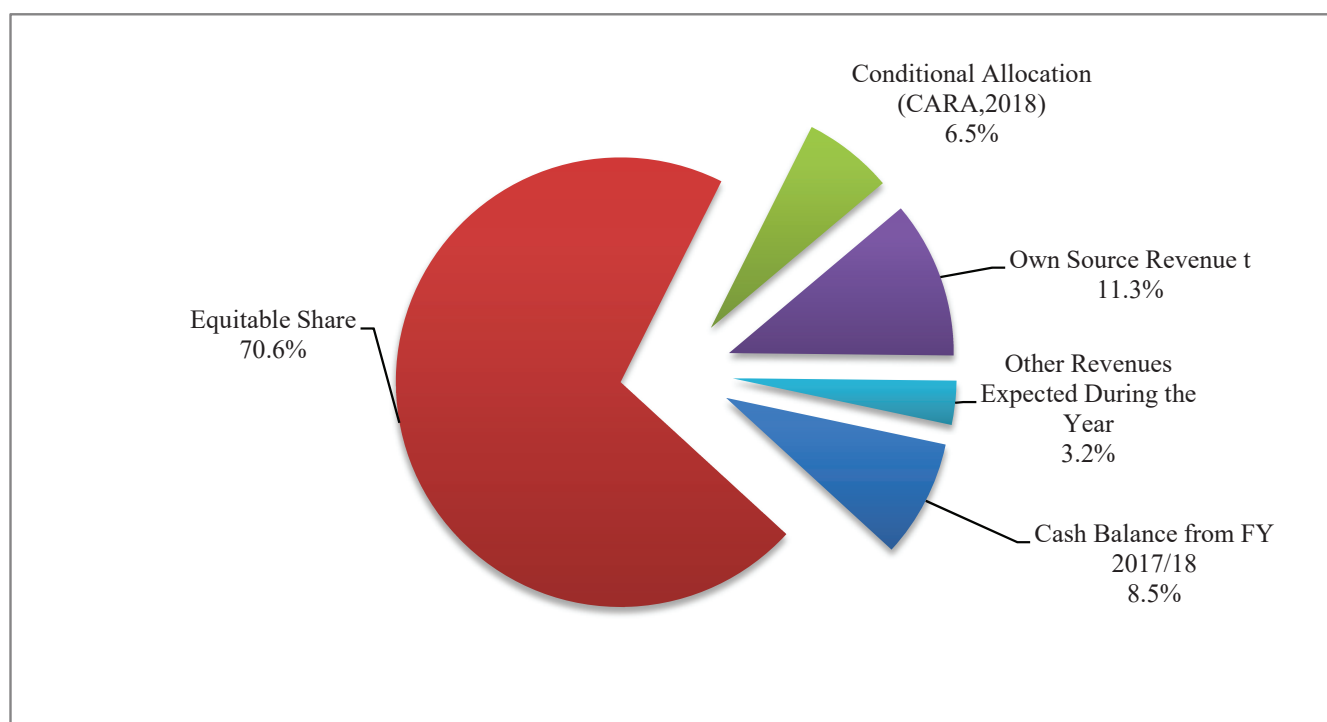
3.29 Murang'a County

3.29.1 Overview of the FY 2018/19 Budget

The County's FY 2018/19 Approved Budget was Kshs.8.85 billion, comprising of Kshs.5.26 billion (59.5 per cent) and Kshs.3.59 billion (40.5 per cent) allocation for recurrent and development expenditure respectively.

To finance the budget, the County expects to receive Kshs.6.25 billion (70.6 per cent) as equitable share of revenue raised nationally, Kshs.572.24 million (6.5 per cent) as total conditional grants, generate Kshs.1.00 billion (11.3 per cent) from own-sources of revenue, and Kshs.750 million (8.5 per cent) cash balance from FY 2017/18.

Figure 3.113: Murang'a County, Expected Sources of Budget Financing in FY 2018/19



Source: Murang'a County Treasury

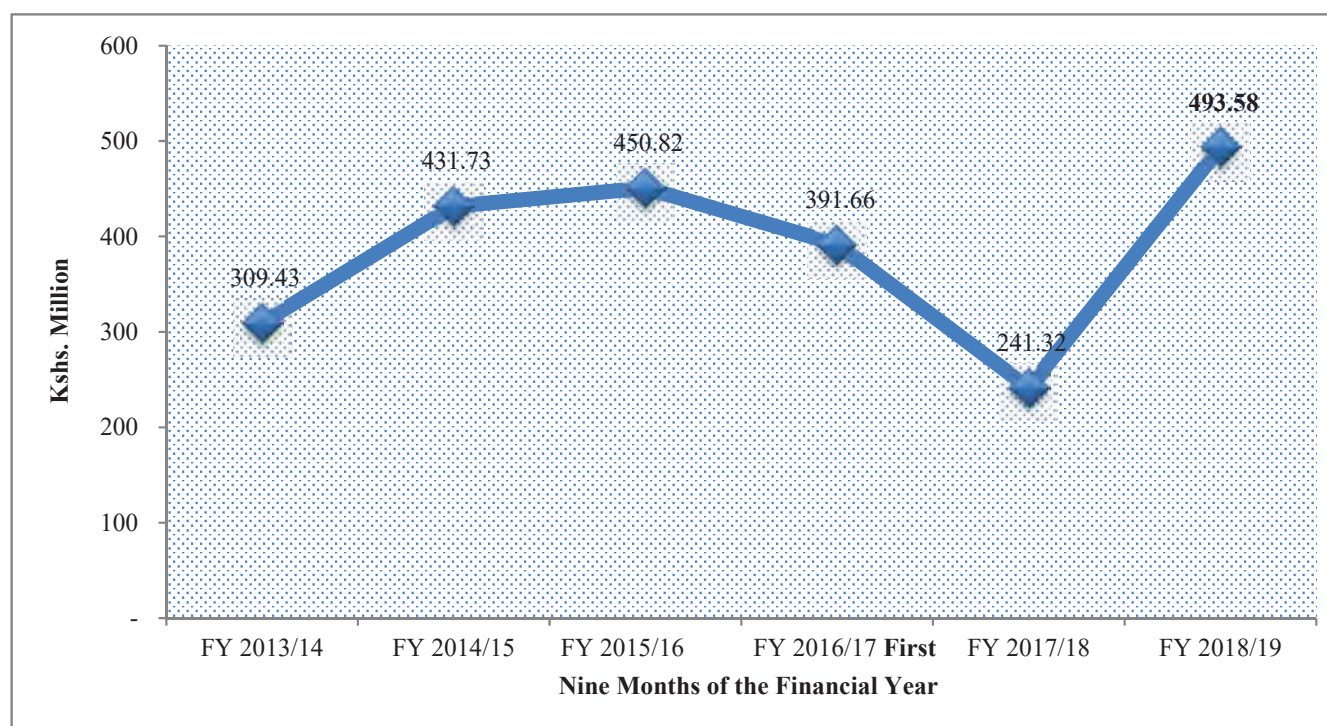
The conditional grants contained in the CARA, 2018 are shown in Table 3.81.

3.29.2 Revenue Analysis

During the first nine months of FY 2018/19, the County received Kshs.4.22 billion as equitable share of the revenue raised nationally, Kshs.185.33 million as total conditional grants, raised Kshs.493.58 million from own-sources of revenue, and had a cash balance of Kshs.1.03 billion from FY 2017/18. The total funds available for budget implementation amounted to Kshs.5.92 billion.

Figure 3.114 shows the trend in own-sources of revenue collection from the first nine months FY 2013/14 to the first nine months of FY 2018/19.

Figure 3.114: Murang'a County, Trend in Own Sources of Revenue Collection for the First Nine Months from FY 2013/14 to FY 2018/19



Source: Murang'a County Treasury

The County generated a total of Kshs.493.58 million from own-sources of revenue during the first nine months of FY 2018/19. This amount represented an increase of Kshs.252.26 million compared to that realised during a similar period of the FY 2017/18 and represented 49.4 per cent of the annual target.

3.29.3 Conditional Grants

The County received Kshs.185.33 million as conditional grants in the first nine months of the financial year as shown in Table 3.81.

Table 3.81: Murang'a County, Conditional Grants/Loans Received in the First Nine Months of FY 2018/19

S/ No.	Grants/Loans	Annual CARA, 2018 Allocation (Kshs)	Annual Budget Allocation (Kshs)	Actual Receipts in First Nine Months of FY 2018/19 (Kshs)	Actual Receipts as Percentage of Annual Allocation (%)
A	Grants/Loans contained in CARA, 2018				
1	Compensation for User Fee Foregone	20,138,691	20,138,691	-	-
2	Leasing of Medical Equipment	200,000,000	-	-	-
3	Road Maintenance Fuel Levy Fund	164,520,196	164,520,196	82,260,098	50
4	Rehabilitation of Village Polytechnics	65,710,000	65,710,000	-	-
5	World Bank-Transforming Health Systems for Universal Care Project	50,000,000	50,000,000	19,872,650	39.7
6	IDA (World Bank) -National Agricultural and Rural Inclusive Growth Project	140,435,163	140,435,163	-	-
7	IDA (World Bank) Kenya Devolution Support Programme "Level 1 grant"	48,244,593	48,244,593	-	-

S/ No.	Grants/Loans	Annual CARA, 2018 Allocation (Kshs)	Annual Bud- get Allocation (Kshs)	Actual Receipts in First Nine Months of FY 2018/19 (Kshs)	Actual Receipts as Percentage of Annual Allocation (%)
A	Grants/Loans contained in CARA, 2018				
8	IDA (World Bank) -Kenya Urban Support Project	62,437,600	62,437,600	62,437,600	100
9	DANIDA - Universal Healthcare to Devolved System Programme	20,756,250	20,756,250	20,756,250	100
10	Agricultural Sector Development Support Programme (ASDSP)	19,046,832	-	-	-
11	IDA (World Bank) as credit for Kenya Urban Support Project-Urban institution grant plus balance carried forward in FY 2017/8	41,200,000	-	-	-
Total		832,489,325	572,242,493	185,326,598	32.4

Source: Murang'a County Treasury

Analysis of revenue from conditional grants indicates that, the County received full allocation from the World Bank for Kenya Urban Support Project and DANIDA for Universal Healthcare to Devolved System Programme.

3.29.4 Exchequer Issues

To finance the budget, the Controller of Budget approved the withdrawal of Kshs.5.63 billion from the County Revenue Fund Account. The withdrawals represented 63.6 per cent of the Approved Budget and translated to an increase of 28.8 per cent from Kshs.4.37 billion approved in the first nine months of FY 2017/18 and comprised of Kshs.3.67 billion (64.9 per cent) to fund recurrent expenditure and Kshs.1.97 billion (35.1 per cent) for development activities.

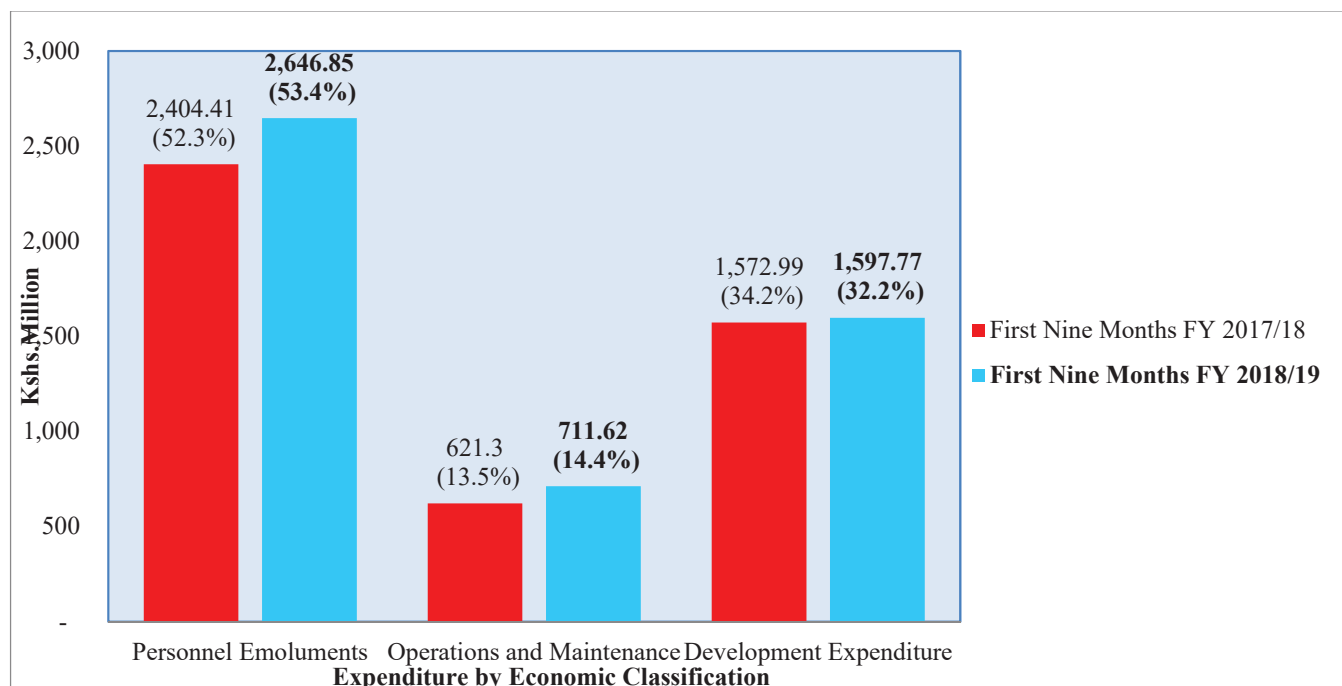
3.29.5 Overall Expenditure Review

The County spent a total of Kshs.4.96 billion on recurrent and development activities. This expenditure represented 88 per cent of the total funds released from the County Revenue Fund Account and was an increase of 7.8 per cent from Kshs.4.59 billion spent in the first nine months of FY 2017/18. The expenditure excluded outstanding commitments as at March 31, 2019 which amounted to Kshs.282.40 million for development activities and Kshs.26.63 million for recurrent expenditure.

Expenditure on recurrent activities amounted to Kshs.3.36 billion while Kshs.1.59 billion was spent on development activities. The recurrent expenditure was 91.9 per cent of the funds released for recurrent activities, while development expenditure was 80.8 per cent of funds released for development activities.

The recurrent expenditure represented 63.8 per cent of the annual recurrent budget, an increase from 57.3 per cent recorded in the first nine months of FY 2017/18. Development expenditure recorded an absorption rate of 44.5 per cent, which was a decrease from 52.1 per cent attained in the first nine months of FY 2017/18. Figure 3.115 presents a comparison between the total expenditure in the first nine months of FY 2018/19 and a similar period in FY 2017/18.

Figure 3.115: Murang'a County, Expenditure by Economic Classification



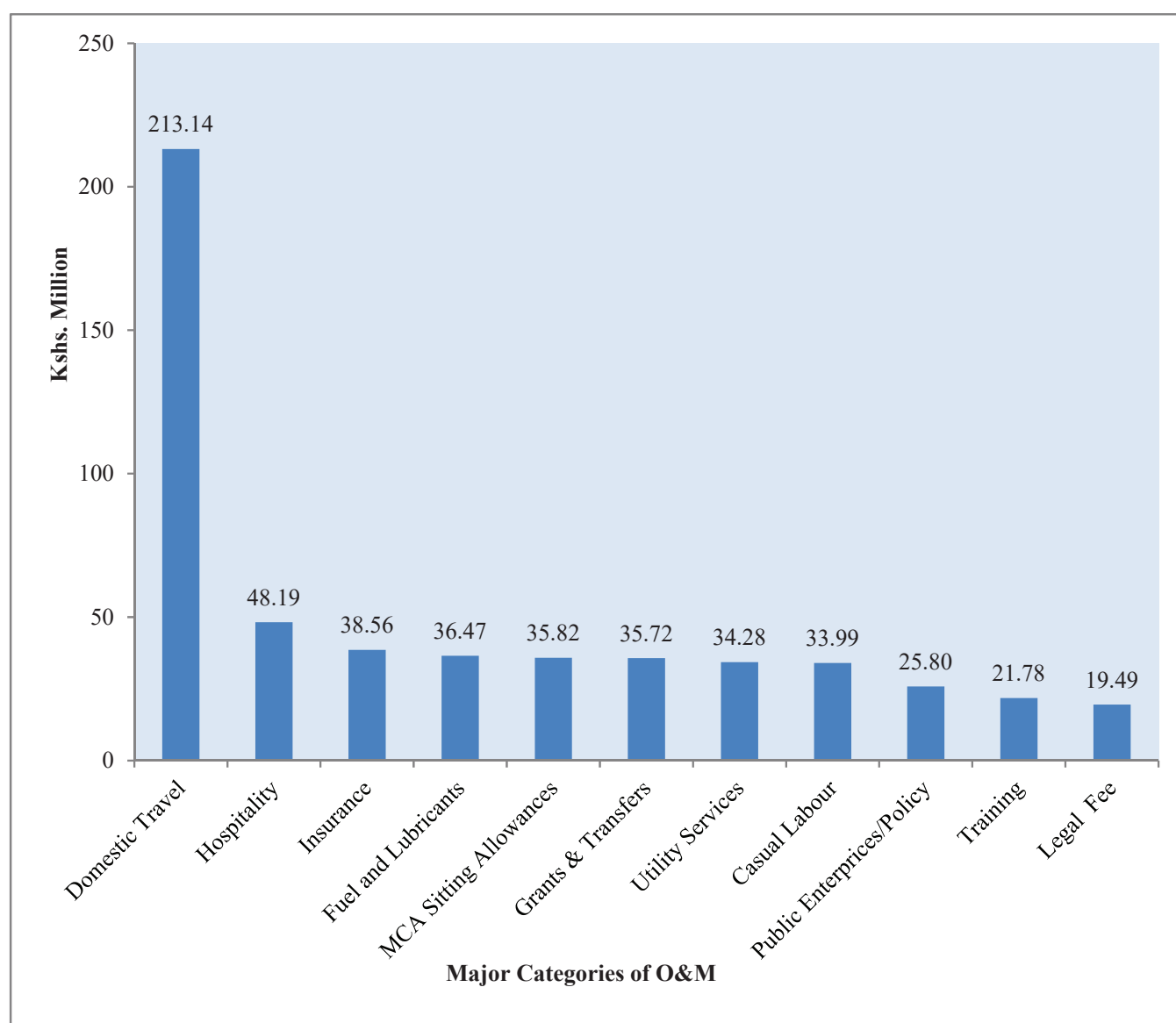
Source: Murang'a County Treasury

3.29.6 Analysis of Recurrent Expenditure

The total recurrent expenditure of Kshs.3.36 billion comprised of Kshs.2.65 billion (78.8 per cent) incurred on personnel emoluments and Kshs.711.62 million (21.2 per cent) on operations and maintenance as shown in Figure 3.115.

Expenditure on personnel emoluments represented an increase of 10.1 per cent compared to a similar period of FY 2017/18 when the County spent Kshs.2.40 billion and was 53.4 per cent of total expenditure in the first nine months of FY 2018/19. Figure 3.116 shows a summary of operations and maintenance expenditure by major categories.

Figure 3.116: Murang'a County, Operations and Maintenance Expenditure by Major Categories in the First Nine Months of FY 2018/19



Source: Murang'a County Treasury

The County spent Kshs.35.82 million on committee sitting allowances for the 50 MCAs and the speaker against the annual budget allocation of Kshs.66.96 million. This represented an increase of 280.2 per cent compared to Kshs.9.42 million spent in a similar period of FY 2017/18. The average monthly sitting allowance translated to Kshs.79,590 per MCA against the SRC's recommended monthly ceiling of Kshs.124,800.

Expenditure on travel amounted to Kshs.219.23 million and comprised of Kshs.125.24 million spent by the County Assembly and Kshs.94 million spent by the County Executive. This represented 6.5 per cent of total recurrent expenditure and was an increase of 75.2 per cent compared to Kshs.125.13 million spent in the first nine months of FY 2017/18.

3.29.7 Development Expenditure

The total development expenditure of Kshs.1.60 billion represented 44.5 per cent of the annual development expenditure budget of Kshs.3.59 billion. Table 3.82 provides a summary of development projects with the highest expenditure in the first nine months of the financial year.

Table 3.82: Murang'a County, List of Development Projects with the Highest Expenditure in First Nine Months of FY 2018/19

S/No.	Project Name	Project Location	Project Budget (Kshs.)	Project Expenditure in First Nine Months of FY 2018/19 (Kshs.)	Absorption Rate (%)
1	Infrastructural & Civil Works	Countywide	992,480,628	393,889,143	39.7
2	Drugs and Non- Pharmaceuticals	Countywide	658,800,000	385,487,724	58.5
3	Maintenance of Roads	Countywide	455,523,069	377,624,916	82.9
4	Purchase of Certified Seeds	Countywide	212,500,000	125,826,000	59.2
5	Agricultural Materials and Supplies	Countywide	113,000,000	47,421,470	42.0
6	Specialized Material	Countywide	67,030,000	29,376,707	43.8
7	Horticultural Crop Development	Countywide	9,000,000	25,351,166	281.7
8	Breeding Stock	Countywide	145,000,000	23,241,906	16.0
9	Non-Residential Buildings	Countywide	20,000,000	16,579,755	82.9
10	Co-operative Societies	Countywide	30,000,000	16,449,841	54.8
11	Youth Programme	Countywide	30,000,000	13,250,388	44.2

Source: Murang'a County Treasury

3.29.8 Budget Performance by County Department

Table 3.83 shows a summary of the approved budget allocation and performance by department in the first nine months of FY 2018/19.

Table 3.83: Murang'a County, Budget Performance by Department

Department	Budget Allocation (Kshs. Million)		Exchequer Issues in First Nine Months of FY 2018/19 (Kshs. Million)		Expenditure in First Nine Months of FY 2018/19 (Kshs. Million)		Expenditure to Exchequer Issues (%)		Absorption Rate (%)	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
County Assembly	786.38	50	405.00	22	405.00	16.58	100.0	75.4	51.5	33.2
Governorship, County Coordination and Administration	357.98	-	241.24	-	186.35	-	77.2	-	52.1	-
Finance, Information Technology	215.29	49.16	128.98	2	120.41	2.00	93.4	100.0	55.9	4.1
Agriculture, Livestock and Fisheries	206.09	665.30	116.50	292.63	116.50	224.79	100.0	76.8	56.5	33.8
Energy, Transport and Infrastructure	98.24	1,124.06	72.90	508.62	42.79	508.62	58.7	100.0	43.6	45.2
Commerce, Trade, Industry and Tourism	24.05	189.91	8.00	95.79	8.00	95.79	100	100.0	33.3	50.4
Health and Sanitation	2,134.28	930.58	1,612.18	762.84	1,612.18	580.23	100	76.1	75.5	62.4
Lands, Housing and Physical Planning	60.26	112.94	12.80	62.44	8.38	2.89	65.5	4.6	13.9	2.6
Public Service Administration	934.09	-	689.99	-	654.01		94.8	-	70	-
Education and Technical Training	292.75	343.78	270.50	201.09	143.57	137.83	53.1	68.5	49	40.1

Department	Budget Allocation (Kshs. Million)		Exchequer Issues in First Nine Months of FY 2018/19 (Kshs. Million)		Expenditure in First Nine Months of FY 2018/19 (Kshs. Mil- lion)		Expenditure to Exchequer Issues (%)		Absorption Rate (%)	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
Youth, Culture, Gender, Social Services & Co- operatives	102.34	110.35	70.47	27.02	39.45	27.02	56.0	100	38.6	24.5
Environment & Nat. Resources	17.50	12.50	14.11	2.00	8.01	2.00	57.1	100.0	46.1	16.0
Public Service Board	32.95	-	13.75	-	13.75	16.58	100	-	41.7	-
Total	5,262.19	3,588.58	3,656.43	1,976.44	3,358.47	1,597.76	91.9	80.8	63.8	44.5

Source: Murang'a County Treasury

Analysis of expenditure by department shows that the Department of Health and Sanitation recorded the highest absorption rate of development budget at 62.4 per cent and also had the highest percentage of recurrent expenditure to recurrent budget at 75.5 per cent.

3.29.9 Key Observations and Recommendations

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

- Improvement in the collection of revenue by 104.5 per cent from Kshs.241.30 million in the nine months of FY 2017/18 to Kshs.493.58 million in the reporting period.

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

- A high wage bill which increased by 10.1 per cent and accounted for 53.4 per cent of the total expenditure during the reporting period.
- Delay in disbursement of the equitable share of revenue raised nationally by the National Treasury.
- Late submission of financial reports by the County Treasury which affected timely preparation of budget implementation review report.
- High expenditure on travel which increased by 75.2 per cent to Kshs.219.23 million compared to Kshs.125.13 million spent in the first nine months of FY 2017/18.

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

- The County Public Service Board should establish an optimal staffing structure in order to manage the wage bill.*
- The County Treasury should liaise with the National Treasury to ensure that funds allocated to the County are released in a timely manner.*
- The County Treasury should ensure timely preparation and submission of financial reports in line with Section 166 of PFM Act, 2012.*
- The County leadership should rationalise expenditure on non-core activities in order to free funds for key development activities.*

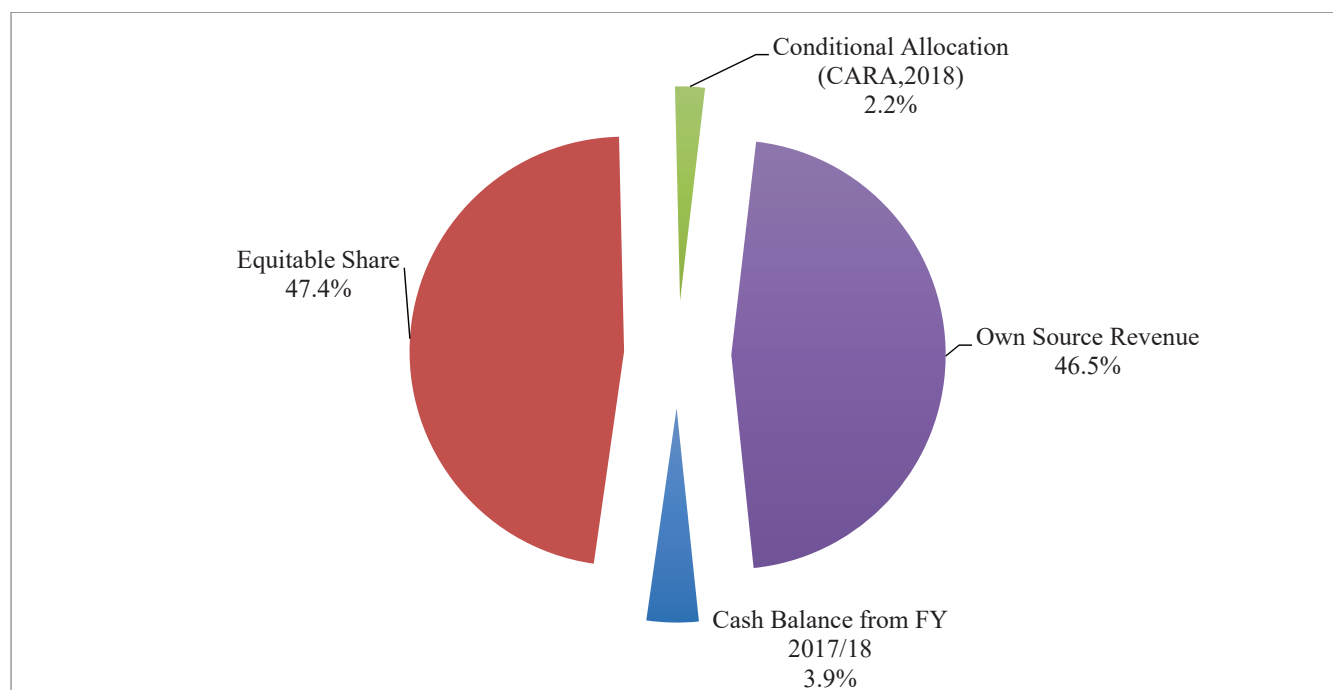
3.30 Nairobi County

3.30.1 Overview of the FY 2018/19 Budget

The County's FY 2018/19 Approved Supplementary Budget was Kshs.33.34 billion, comprising of Kshs.22.41 billion (67.2 per cent) and Kshs.10.93 billion (32.8 per cent) allocation for recurrent and development expenditure respectively.

To finance the budget, the County expects to receive Kshs.15.79 billion (47.4 per cent) as equitable share of revenue raised nationally, Kshs.744.99 million (2.2 per cent) as total conditional grants, and generate Kshs.15.50 billion (46.5 per cent) from own-sources of revenue, and Kshs 1.31 billion (3.9 per cent) cash balance brought forward from FY 2018/2019.

Figure 3.117: Nairobi City County, Treasury Expected Sources of Budget Financing in FY 2018/19



Source: Nairobi City County Treasury

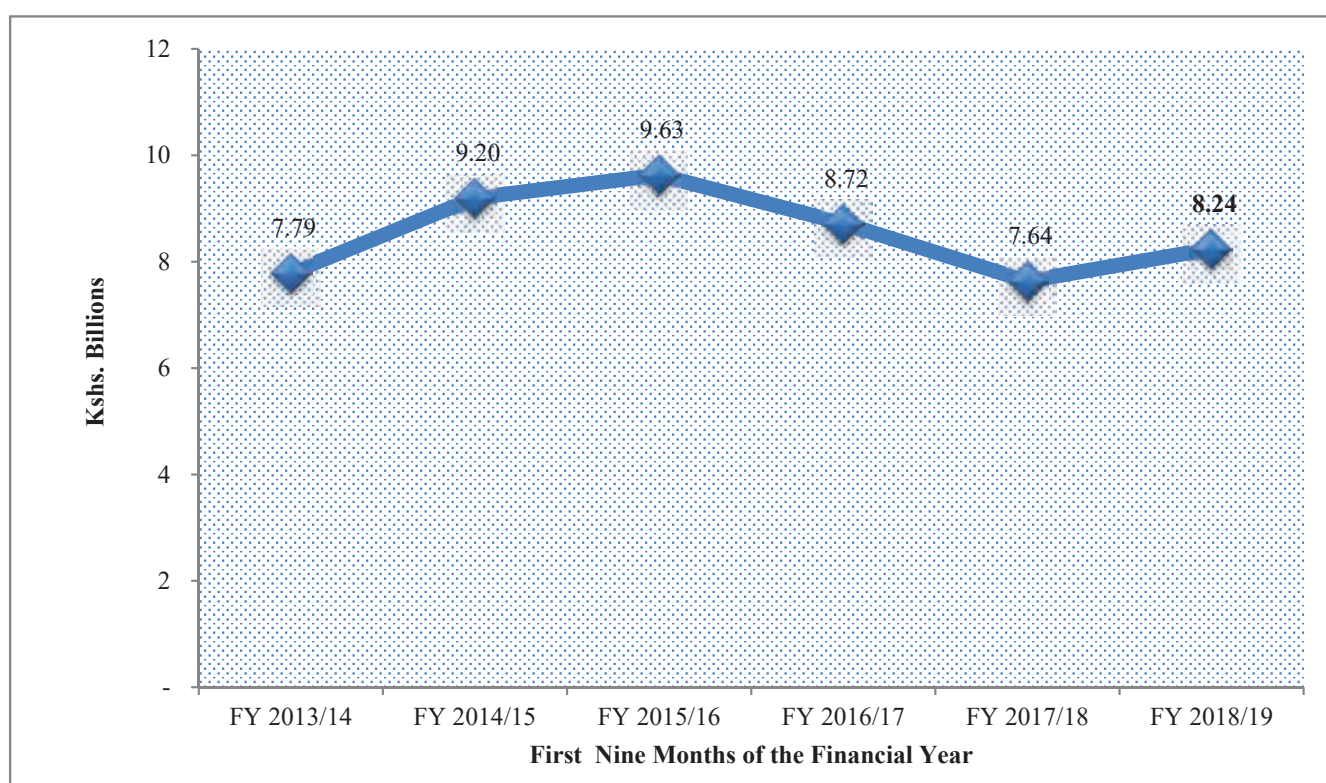
The conditional grants contained in the CARA, 2018 are shown in Table 3.84.

3.30.2 Revenue Analysis

During the first nine months of FY 2018/19, the County received Kshs.9.24 billion as equitable share of the revenue raised nationally, Kshs.56.88 million as total conditional grants, and raised Kshs.8.24 billion from own sources of revenue. The total funds available for budget implementation amounted to Kshs.17.54 billion.

Figure 3.118 shows the trend in own-sources of revenue collection from the first nine months of FY 2013/14 to FY 2018/19.

Figure 3.118: Nairobi City County, Trend in Own-Source Revenue Collection for the First Nine Months from FY 2013/14 to FY 2018/19



Source: Nairobi City County Treasury

The County generated a total of Kshs.8.24 billion from own-source revenues during the first nine months of FY 2018/19. This amount represented an increase of Kshs.604.72 million compared to that realised during a similar period of the FY 2017/18 and represented 53.2 per cent of the annual target.

3.30.3 Conditional Grants

The County received Kshs 56.88 million as conditional grants in the first nine months of the financial year 2018/19 as shown in Table 3.84.

Table 3.84: Nairobi City County Treasury, Conditional Grants/Loans Received in the First Nine Months of FY 2018/19

S/No	Grants	Annual CARA, 2018 Allocation (in Kshs)	Annual Budget Allocation (in Kshs)	Actual receipts in First Nine Months of FY 2018/19 (in Kshs.)	Actual Receipts as Percentage of Annual Allocation (%)
1	Compensation for User Fee Foregone	79,423,251	79,423,251	-	-
2	Leasing of Medical Equipment	200,000,000	-	-	-
3	Road Maintenance Fuel Levy	415,847,530	415,847,530	-	-
4	Rehabilitation of Village Polytechnics	34,570,000	34,570,000	-	-
5	Transforming Health Systems for Universal Care Project (World Bank)	54,429,184	54,429,184	31,057,717	57.1
6	IDA (World Bank) Kenya Devolution Support Programme "Level 1 grant"	83,424,144	83,424,144	-	-
7	DANIDA - Universal Healthcare in Devolved System Programme	51,637,500	51,637,500	25,818,750	50.0
8	Sweden - Agriculture Sector Development Support Programme (ASDSP)	25,659,140	25,659,140	-	-
Total		944,990,749	744,990,749	56,876,467	6.0

Source: Nairobi City County Treasury

Analysis of revenue from conditional grants indicates that, the County received funds from World Bank for Transforming Health Systems for Universal Care Project and DANIDA for Universal Healthcare in Devolved System. The receipts accounted for 57.1 per cent and 50 per cent of the annual allocation respectively.

3.30.4 Exchequer Issues

To finance the budget, the Controller of Budget approved the withdrawal of Kshs. 14.86 billion from the County Revenue Fund account. The withdrawals represented 44.6 per cent of the Approved Supplementary Budget and translated to a decrease of 0.7 per cent from Kshs.14.97 billion approved in the first nine months of FY 2017/18 and comprised of Kshs.13.44 billion (90.5 per cent) to fund recurrent expenditure and Kshs.1.42 billion (9.5 per cent) for development activities.

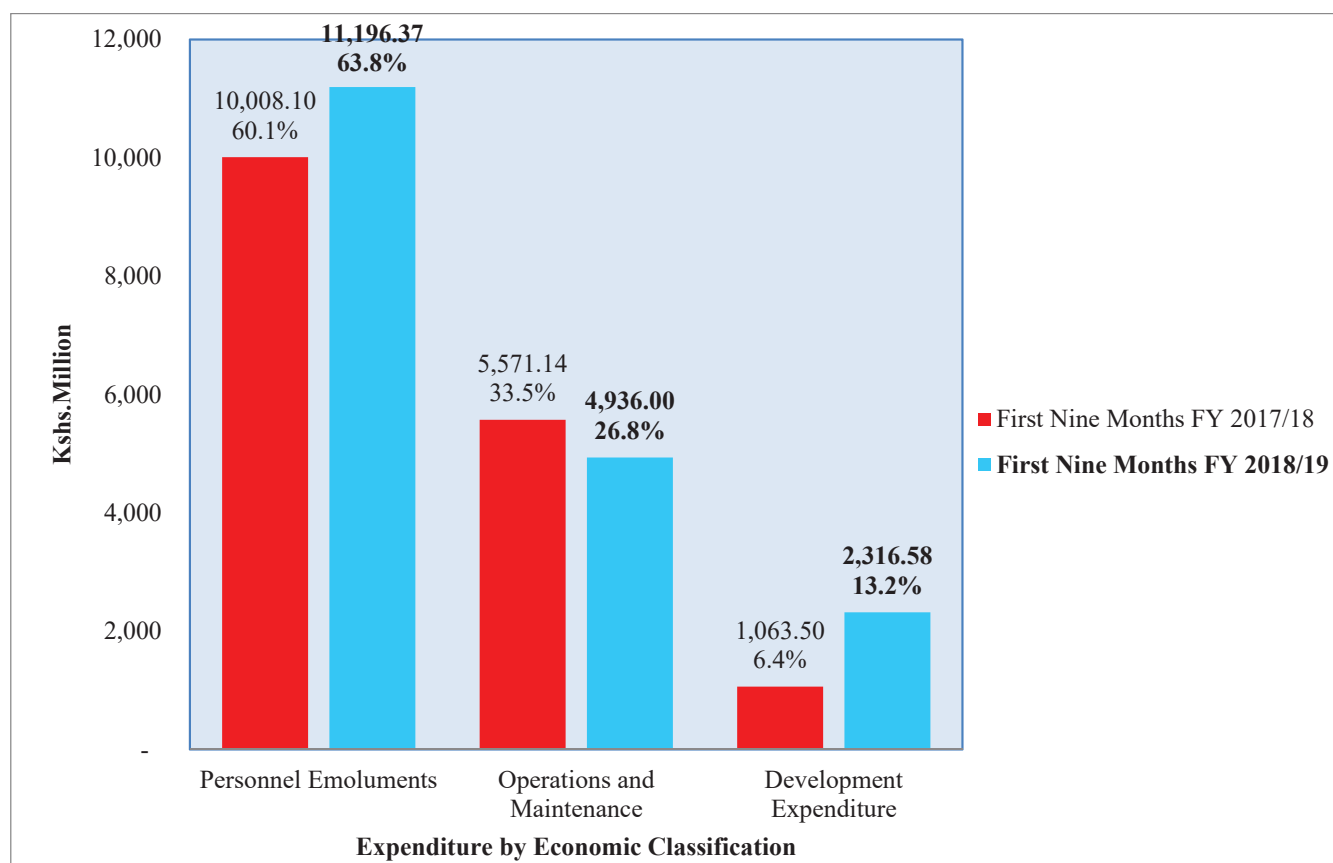
3.30.5 Overall Expenditure Review

The County spent a total of Kshs.18.45 billion on recurrent and development activities. This expenditure represented 124.1 per cent of the total funds released from the County Revenue Fund account and was an increase of 10.9 per cent from Kshs.16.64 billion spent in the first nine months of FY 2017/18. The expenditure included outstanding commitments as at March 31, 2019 which amounted to Kshs.718 million for development activities and Kshs.2.68 billion for recurrent expenditure.

Expenditure on recurrent activities amounted to Kshs.16.13 billion while Kshs.2.32 million was spent on development activities. The recurrent expenditure was 120 per cent of the funds released for recurrent activities, while development expenditure was 163.4 per cent of funds released for development activities. The expenditure is above funds released as it includes outstanding commitments.

The recurrent expenditure represented 72 per cent of the annual recurrent budget, an increase from 64.6 per cent recorded in the first nine months of FY 2017/18. Development expenditure recorded an absorption rate of 21.2 per cent, which was an increase from 9 per cent attained in the first nine months of FY 2017/18. Figure 3.119 presents a comparison between the total expenditure in the first nine months of FY 2018/19 and a similar period in FY 2017/18.

Figure 3.119: Nairobi City County, Treasury, Expenditure by Economic Classification



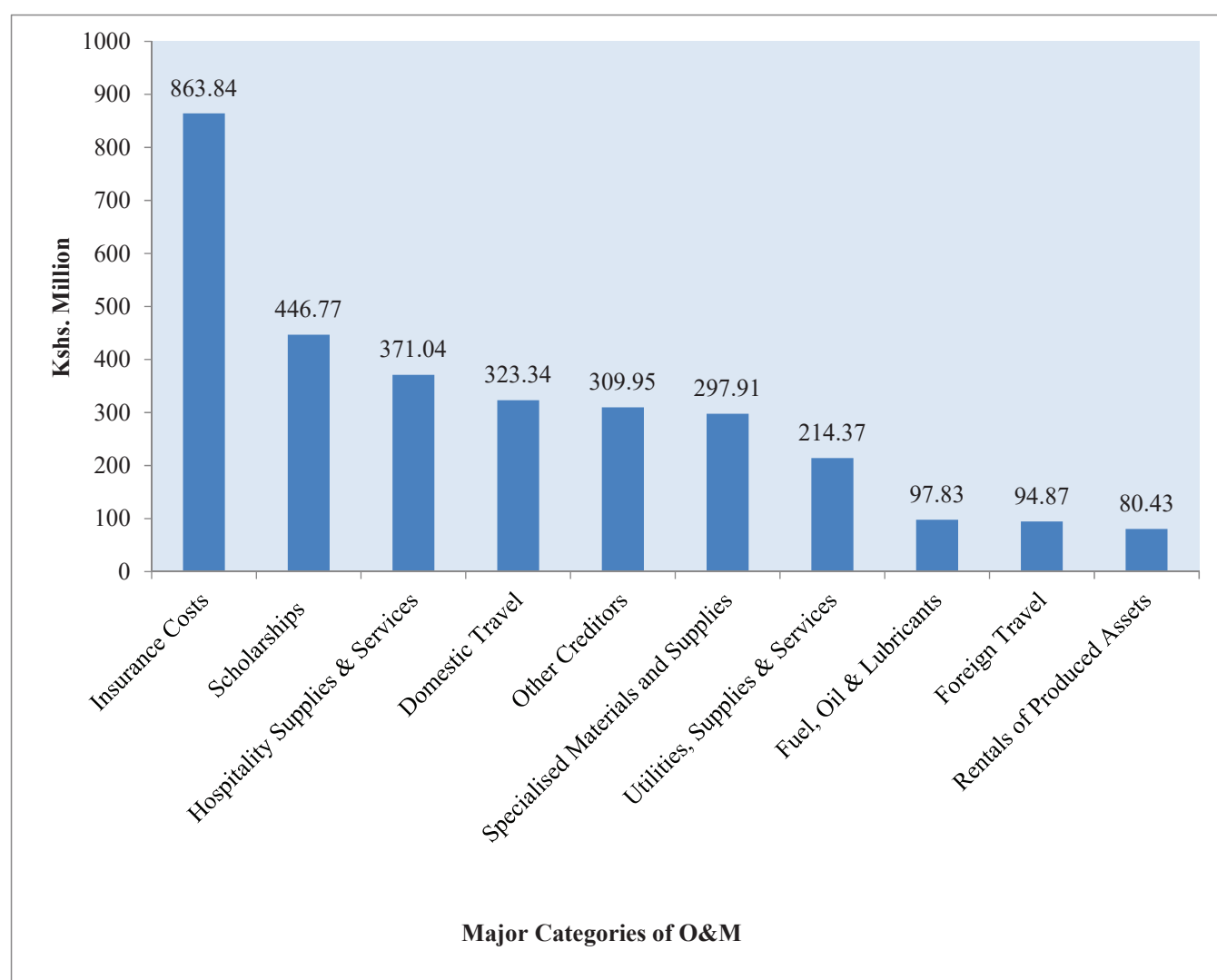
Source: Nairobi City County Treasury

3.30.6 Analysis of Recurrent Expenditure

The total recurrent expenditure of Kshs.16.13 billion comprised of Kshs.11.20 billion (69.4 per cent) incurred on personnel emoluments and Kshs.4.94 billion (30.6 per cent) on operations and maintenance as shown in Figure 3.119.

Expenditure on personnel emoluments represented an increase of 11.9 per cent compared to a similar period of FY 2017/18 when the County spent Kshs.10.01 billion and was 65.5 per cent of total expenditure in the first nine months of FY 2018/19. Figure 3.120 shows a summary of operations and maintenance expenditure by major categories.

Figure 3.120: Nairobi City County, Treasury, Operations and Maintenance Expenditure by Major Categories in the First Nine Months of FY 2018/19



Source: Nairobi City County Treasury

The County spent Kshs.75.97 million on committee sitting allowances for the 128 MCAs and the speaker against the annual budget allocation of Kshs.108.10 million. This represented an increase of 70.3 per cent compared to Kshs.48.31 million spent in a similar period of FY 2017/18. The average monthly sitting allowance translated to Kshs. 65,944 per MCA against the SRC's recommended monthly ceiling of Kshs.124,800.

Expenditure on domestic travel amounted to Kshs.323.34 million and comprised of Kshs.48.40 million spent by the County Assembly and Kshs.274.94 million spent by the County Executive. This represented 2 per cent of total recurrent expenditure and was a decrease of 7 per cent compared to Kshs.347.63 million spent in the first nine months of FY 2017/18.

3.30.7 Development Expenditure

The total development expenditure of Kshs.2.32 billion represented 21.2 per cent of the annual development expenditure budget of Kshs.10.93 billion. Table 3.85 provides a summary of development projects with the highest expenditure in the first nine months of the financial year.

Table 3.85: Nairobi City County, Treasury, List of Development Projects with the Highest Expenditure in First Nine Months of FY 2018/19

S/No.	Project Name	Project Location	Project Budget (Kshs.)	Project Expenditure in First Nine Months of FY 2018/19 (Kshs.)	Absorption Rate (%)
1	Nairobi Regeneration Projects	Nairobi	500,000,000	300,000,000	60.0
2	Road Maintenance	Countywide	359,050,943	119,270,739	33.2
3	Reconstruction of Jadongo Road/Jadongo Lane	Ngara	137,874,555	105,511,681	76.5
4	Construction of Matopeni Estate Roads	Matopeni	119,118,428	103,348,063	86.8
5	Construction of Selected Roads in Utawala Estate	Utawala	166,929,945	70,307,662	42.1
6	Rehabilitation of Access Road to Uhuru Estate Primary School, Access to Jamaa Hospital, Buruburu Crescent & Access to Courts	Buruburu	69,704,881	69,704,881	100.0
7	Construction of New Donholm Road	Upper Savana	94,332,128	60,058,565	63.7
8	Electrical Maintenance	Electrical	375,117,838	58,928,897	15.7
9	Construction of Baba Dogo -Lucky Summer Road	Baba Dogo	57,281,976	39,972,991	69.8
10	Rehabilitation of Academy Road	Karen	75,455,738	39,741,876	52.7

Source: Nairobi City County Treasury

3.30.8 Budget Performance by County Department

Table 3.86 shows a summary of the approved budget allocation and performance by department in the first nine months of FY 2018/19.

Table 3.86: Nairobi City County, Treasury, Budget Performance by Department

Department	Budget Allocation (Kshs. Million)		Exchequer Issues in Q1 of FY 2018/19 (Kshs. Million)		Expenditure in Q1 of FY 2018/19 (Kshs. Million)		Expenditure to Exchequer Issues (%)		Absorption Rate (%)	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
County Public Service Board	53.69	5.00	27.24	-	30.53	-	112.1	-	56.9	0.0
Office of Governor & Deputy Governor	4,836.43	90.00	3,195.22	2.94	3,722.07	4.66	116.5	158.4	77.0	5.2
ICT, E-Govt & Public Communications	271.72	188	122.38	-	140.29	9.65	114.6	-	51.6	5.1
Finance & Economic Planning	2,258.39	154.00	1,223.86	-	1,703.50	-	139.2	-	75.4	0.0
Health	6,389.22	601.36	3,725.81	9.82	4,157.94	19.63	111.6	199.9	65.1	3.3
Urban Planning and Lands	379.48	132.50	253.42	5.80	301.84	12.12	119.1	209.0	79.5	9.1
Public Works Transport & Infrastructure	1,238.54	5,405.00	713.25	1,344.50	872.66	1,827.17	122.4	135.9	70.5	33.8
Education, Youth Affairs, Sports, Culture & Social Services	1,597.03	473.00	726.17	44.99	1,250.43	69.54	172.2	154.5	78.3	14.7
Trade, Commerce, Tourism & Cooperatives	479.32	318.00	271.45	9.98	342.04	49.47	126.0	495.6	71.4	15.6
Public Service Management	1,094.25	50.00	667.31	-	816.51	-	122.4	-	74.6	0.0

Department	Budget Allocation (Kshs. Million)		Exchequer Issues in Q1 of FY 2018/19 (Kshs. Million)		Expenditure in Q1 of FY 2018/19 (Kshs. Million)		Expenditure to Exchequer Issues (%)		Absorption Rate (%)	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
Agriculture, Live-stock Development, Fisheries & Forestry	420.01	131.00	162.77	-	211.47	-	129.9	-	50.3	0.0
Environment, Water, Energy & Natural Resources	1,645.65	1,112.50	1,404.44	-	1,507.43	16.75	107.3	-	91.6	1.5
Urban Renewal and Housing	132.81	306.60	62.92	-	85.24	7.60	135.5	-	64.2	2.5
Ward Development Fund	22.34	1,212.50	-	-	15.29	291.16	-	-	68.4	24.0
Liquor Licensing Board	204.84	83.00	-	-	161.16	7.46	-	-	78.7	9.0
Emergency Fund	-	80.00	-	-	-	-	-	-	-	0.0
County Assembly	1,386.67	592.00	886.89	-	813.97	1.37	91.8	-	58.7	0.2
TOTAL	22,410.40	10,934.45	13,443.13	1,418.03	16,132.38	2,316.58	120.0	163.4	72.0	21.2

Source: Nairobi City County Treasury

Analysis of expenditure by shows that the Department of Public Works Transport & Infrastructure recorded the highest absorption rate of development budget at 33.8 per cent while the Department of Environment, Water, Energy & Natural Resources had the highest percentage of recurrent expenditure to recurrent budget at 91.6 per cent.

3.30.9 Key Observations and Recommendations

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

- i. Improvement in own-source revenue collection by 7.9 per cent from Kshs.7.64 billion collected in a similar period of FY 2017/18 to Kshs.8.24 billion in the reporting period.
- ii. Improvement in the use of IFMIS and internet banking platform to process financial transactions.

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

1. Delay by the County Executive to submit the quarterly financial report to OCOB for the County Bursary and Scholarship Fund contrary to the requirements of Section 168 of the PFM Act, 2012.
2. Increase in wage bill paid by the County Government. The wage bill increased by 11.9 per cent from Kshs.10.01 billion in the first nine months of FY 2017/18 to Kshs.11.20 billion in the reporting period
3. Low absorption of the development funds which was 21.2 per cent of the annual budget in the reporting period.

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

1. *The County should provide timely and comprehensive financial reports as per the requirement of Section 168 of the PFM Act, 2012.*
2. *The County Public Service Board should rationalise the staffing structure to ensure the wage bill is sustainable.*
3. *The County should identify and address issues that cause delays in the implementation of development projects.*

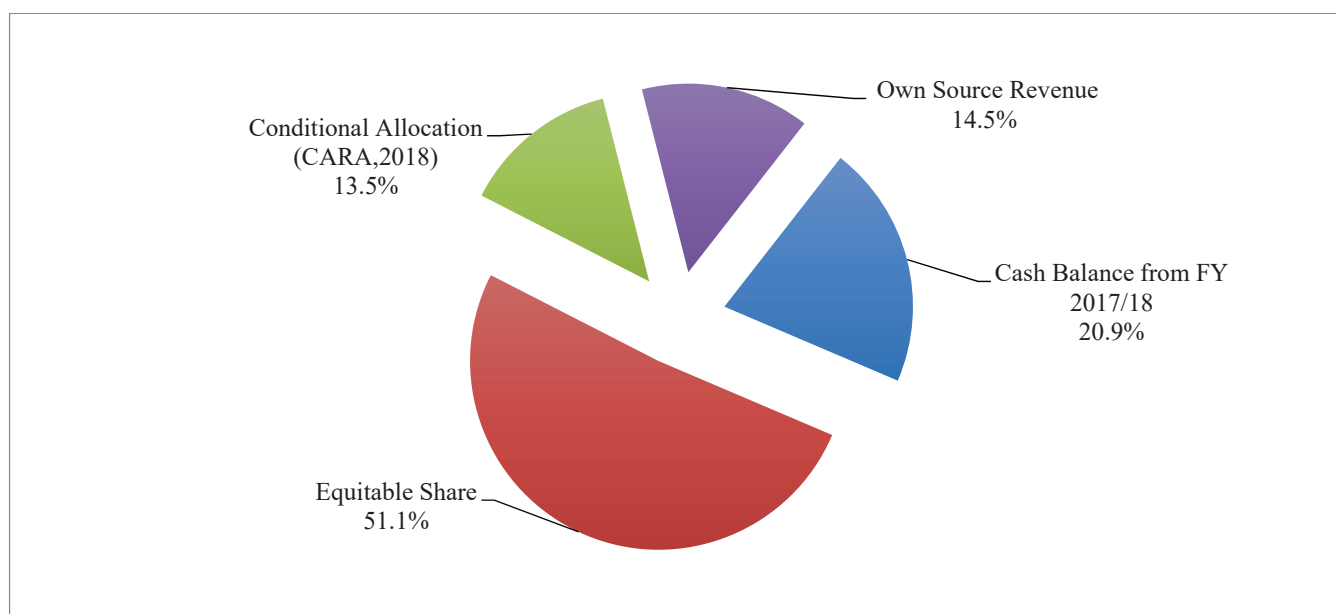
3.31 Nakuru County

3.31.1 Overview of the FY 2018/19 Budget

The County's FY 2018/19 Approved Supplementary Budget was Kshs.18.48 billion, comprising of Kshs.10.47 billion (56.6 per cent) and Kshs.8.01 billion (43.4 per cent) allocation for recurrent and development expenditure respectively.

To finance the budget, the County expects to receive Kshs.9.45 billion (51.1 per cent) as equitable share of revenue raised nationally, Kshs.2.50 billion (13.5 per cent) as total conditional grants, generate Kshs.2.69 billion (14.5 per cent) from own-sources of revenue, and Kshs.3.86 billion (20.9 per cent) cash balance from FY 2017/18.

Figure 3.121: Nakuru County, Expected Sources of Budget Financing in FY 2018/19



Source: Nakuru County Treasury

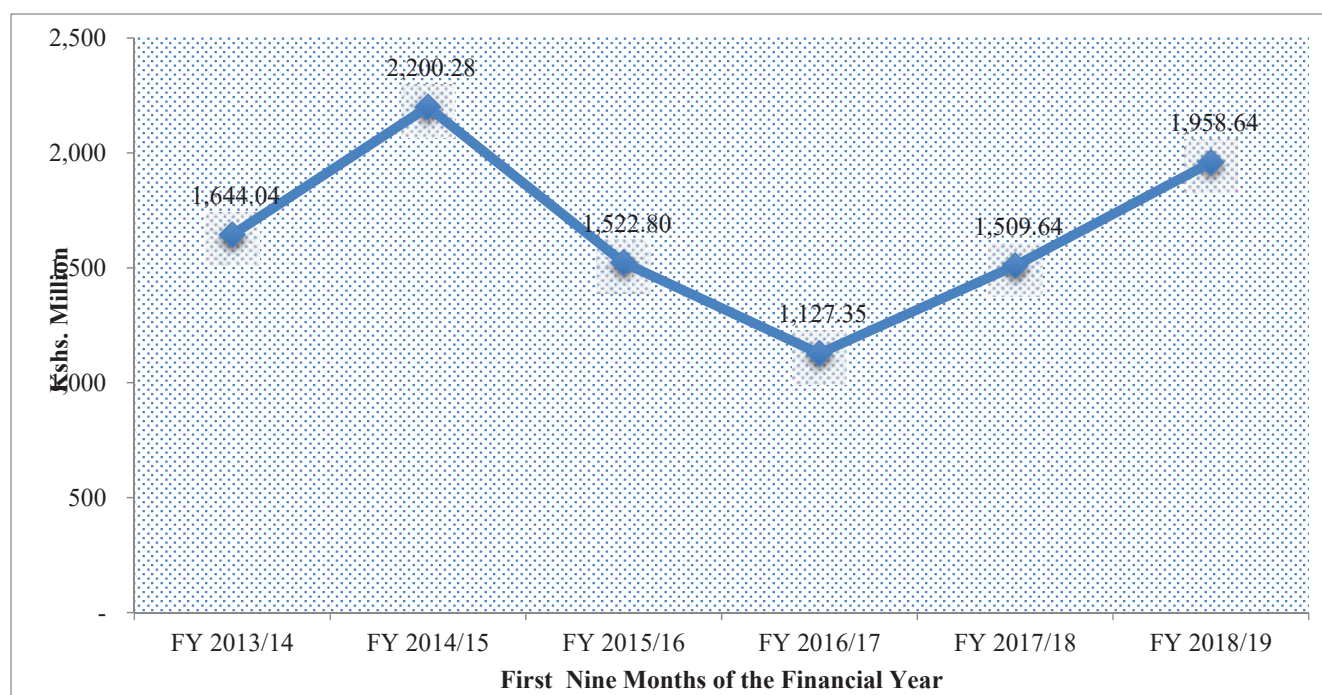
The conditional grants contained in the CARA, 2018 are shown in Table 3.87.

3.31.2 Revenue Analysis

During the first nine months of FY 2018/19, the County received Kshs.5.55 billion as equitable share of the revenue raised nationally, Kshs.1.34 billion as total conditional grants, raised Kshs.1.96 billion from own-sources of revenues, and had a cash balance of Kshs.3.86 billion from FY 2017/18. The total funds available for budget implementation amounted to Kshs.12.71 billion.

Figure 3.122 shows the trend in own-sources of revenue collection from the first nine months FY 2013/14 to the first nine months of FY 2018/19.

Figure 3.122: Nakuru County, Trend in Own Sources of Revenue Collection for the First Nine Months from FY 2013/14 to FY 2018/19



Source: Nakuru County Treasury

The County generated a total of 1.96 billion from own revenue sources during the first nine months of FY 2018/19. This amount represented an increase of Kshs.0.45 billion compared to that realised during a similar period of the FY 2017/18 and represented 72.9 per cent of the annual target.

3.31.3 Conditional Grants

The County received Kshs.1.34 billion as conditional grants in the first nine months of the financial year 2018/19 as shown in Table 3.87.

Table 3.87: Nakuru County, Conditional Grants/Loans Received in the First Nine Months of FY 2018/19

S/No	Grants	Annual CARA, 2018 Allocation (in Kshs)	Annual Budget Allocation (in Kshs)	Actual Receipts in First Nine Months of FY 2018/19 (in Kshs.)	Actual Receipts as Percentage of Annual Allocation (%)
A	Grants Contained in the CARA, 2018				
1	Kenya Urban Support Project (KUSP)	1,084,843,300	1,084,843,300	1,084,843,300	100
2	Conditional Grants to Level - 5 Hospitals	373,872,832	373,872,832	183,197,688	49
3	Road Maintenance Fuel Levy	248,847,131	248,847,131	-	-
4	Leasing of Medical Equipment	200,000,000	200,000,000	-	-
5	National Agricultural and Rural Inclusive Growth Project (NARIGP)	140,435,163.00	140,435,163	-	-
6	Health Grant from National Government	99,999,999.45	99,999,999.45	-	-
7	Transforming Health Systems for Universal Care Project (WB)	95,036,352	95,036,352	14,306,378	14.3
8	Kenya Devolution Sector Support Program	60,282,958	60,282,958	-	-
9	Kenya Urban Support Program	41,200,000	41,200,000	-	-
10	Rehabilitation of Village Polytechnics	47,800,000	47,800,000	-	-

S/No	Grants	Annual CARA, 2018 Allocation (in Kshs)	Annual Budget Allocation (in Kshs)	Actual Receipts in First Nine Months of FY 2018/19 (in Kshs.)	Actual Receipts as Percentage of Annual Allocation (%)
A	Grants Contained in the CARA, 2018				
11	User Fees Foregone	38,723,265	38,723,265	-	-
12	DANIDA Grant	31,083,750	43,972,213	57,438,910	130.6
13	Agricultural Sector Development Support Program	21,983,635	21,983,635	-	-
Grand Total		2,484,108,385	2,496,996,848	1,339,786,275	53.6

Source: Nakuru County Treasury

Analysis of revenue from conditional grants indicates that, the County received funds from Danida, the Kenya Urban Support Project and for Transforming Health Systems for Health Care Project. The receipts accounted for 130.6 per cent, 100 per cent and 14.3 per cent of the annual allocation respectively. The DANIDA grant included Kshs.13.47 million balances from previous financial year.

3.31.4 Exchequer Issues

To finance the budget, the Controller of Budget approved the withdrawal of Kshs.8.56 billion from the County Revenue Fund account. The withdrawals represented 45.5 per cent of the Approved Supplementary Budget and translated to an increase of 31.6 per cent from Kshs.6.38 billion approved in the first nine months of FY 2017/18 and comprised of Kshs.5.98 billion (71.7 per cent) to fund recurrent expenditure and Kshs.2.58 billion (28.3 per cent) for development activities.

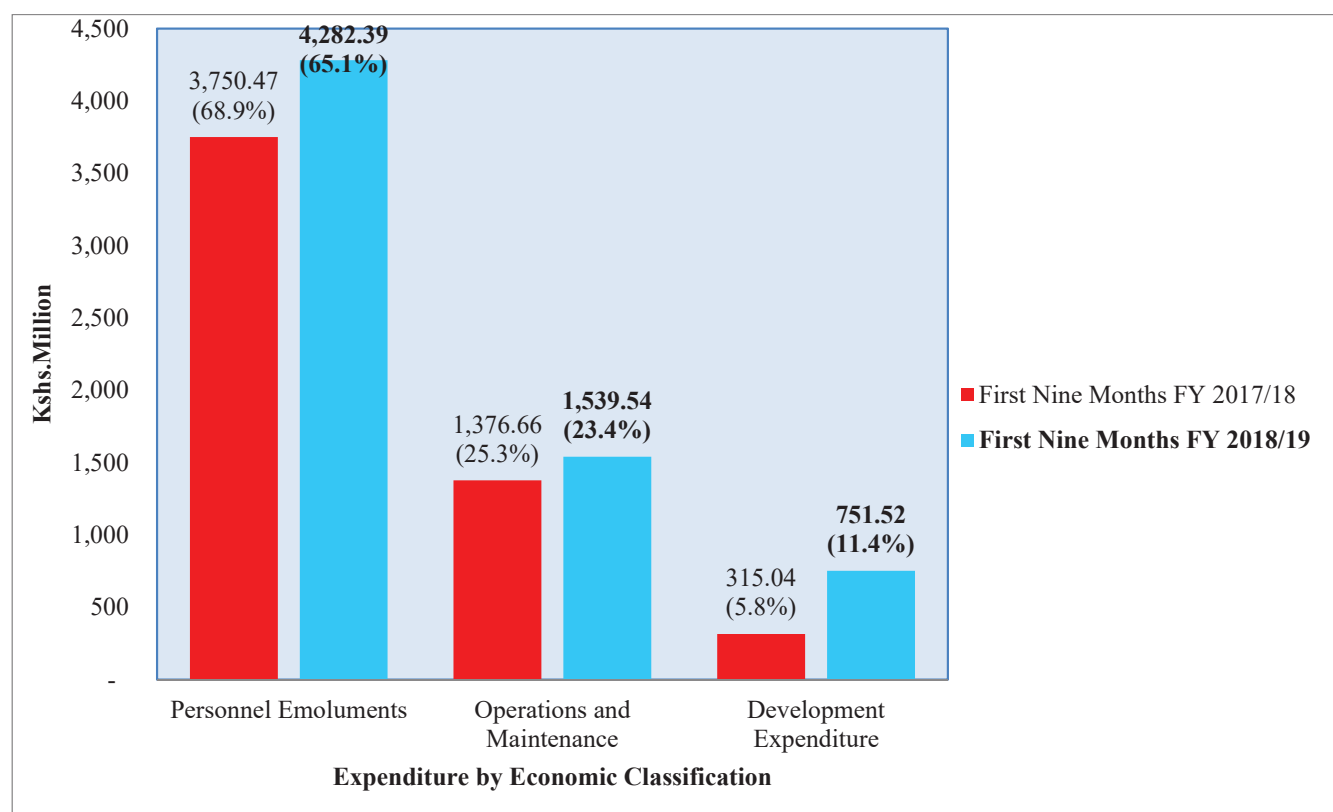
3.31.5 Overall Expenditure Review

The County spent a total of Kshs.6.57 billion on recurrent and development activities. This expenditure represented 78.2 per cent of the total funds released from the County Revenue Fund account and was an increase of 20.8 per cent from Kshs.5.44 billion spent in the first nine months of FY 2017/18. The expenditure excluded outstanding commitments as at March 31, 2019 which amounted to Kshs.246.16 million for development activities and Kshs.93.32 million for recurrent expenditure.

Expenditure on recurrent activities amounted to Kshs.5.82 billion while Kshs.751.52 million was spent on development activities. The recurrent expenditure was 97.3 per cent of the funds released for recurrent activities, while development expenditure was 29.2 per cent of funds released for development activities.

The recurrent expenditure represented 96.6 per cent of the annual recurrent budget, an increase from 52.5 per cent recorded in the first nine months of FY 2017/18. Development expenditure recorded an absorption rate of 9.4 per cent, which was an increase from 5.1 per cent attained in the first nine months of FY 2017/18. Figure 3.123 presents a comparison between the total expenditure in the first nine months of FY 2018/19 and a similar period in FY 2017/18.

Figure 3.123: Nakuru County, Expenditure by Economic Classification



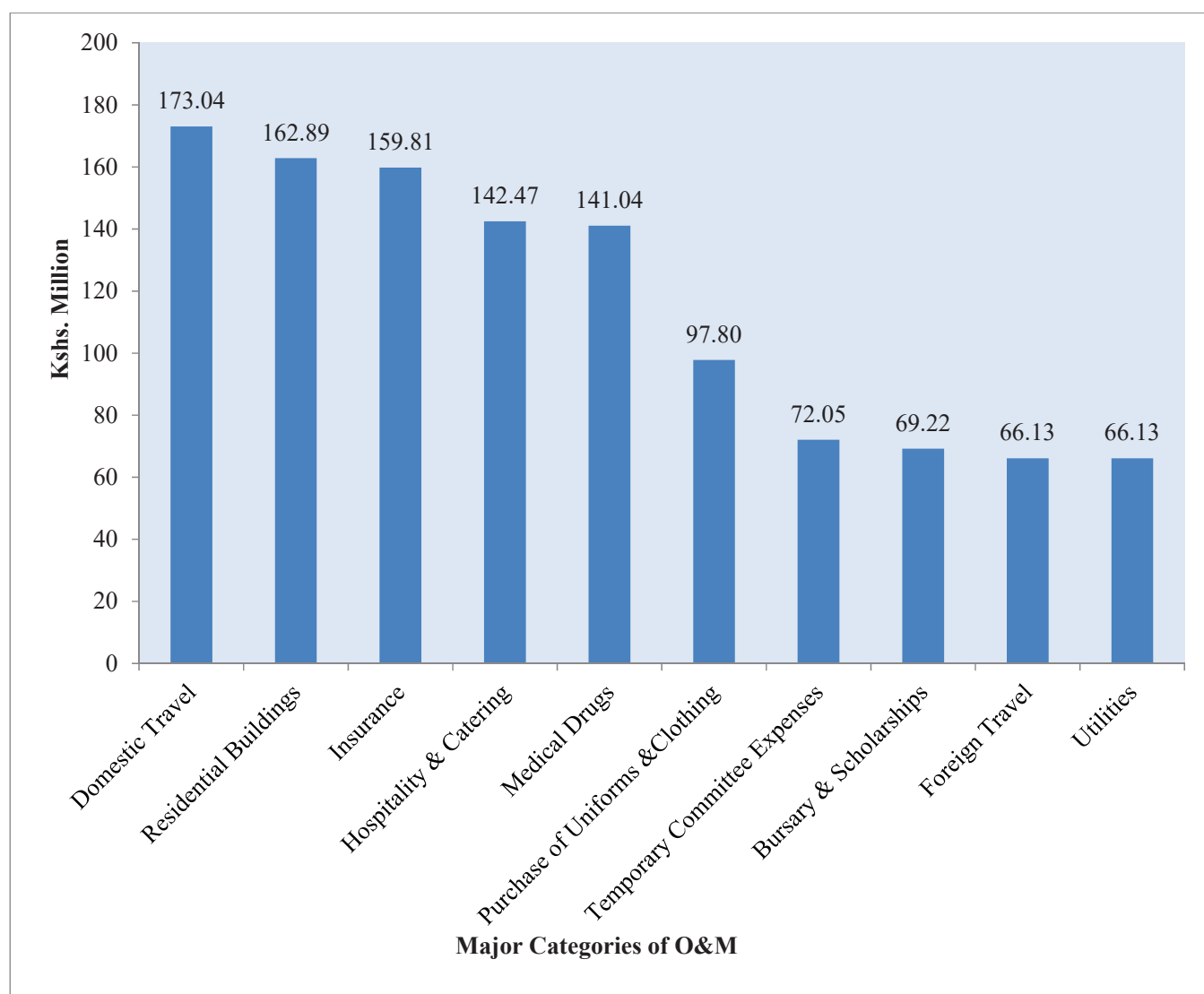
Source: Nakuru County Treasury

3.31.6 Analysis of Recurrent Expenditure

The total recurrent expenditure of Kshs.5.82 billion comprised of Kshs.4.28 billion (74.1 per cent) incurred on personnel emoluments and Kshs.1.54 billion (25.9 per cent) on operations and maintenance as shown in Figure 3.123.

Expenditure on personnel emoluments represented an increase of 14.2 per cent compared to a similar period of FY 2017/18 when the County spent Kshs.3.75 billion and was 65.1 per cent of total expenditure in the first nine months of FY 2018/19. Figure 3.124 shows a summary of operations and maintenance expenditure by major categories.

Figure 3.124: Nakuru County, Operations and Maintenance Expenditure by Major Categories in the First Nine Months of FY 2018/19



Source: Nakuru County Treasury

The County spent Kshs.66.24 million on committee sitting allowances for the 79 MCAs and the speaker against the annual budget allocation of Kshs.111 million. This represented an increase of 366 per cent compared to Kshs.14.2 million spent in a similar period of FY 2017/18. The average monthly sitting allowance translated to Kshs.93,165 per MCA against the SRC's recommended monthly ceiling of Kshs.124,800.

Expenditure on domestic and foreign travel amounted to Kshs.239.17 million and comprised of Kshs.128.33 million spent by the County Assembly and Kshs.110.83 million spent by the County Executive. This represented 3 per cent of total recurrent expenditure and was an increase of 52 per cent compared to Kshs.157.2 million spent in the first nine months of FY 2017/18.

3.31.7 Development Expenditure

The total development expenditure of Kshs.751.52 million represented 9.4 per cent of the annual development expenditure budget of Kshs.8.01 billion. Table 3.88 provides a summary of development projects with the highest expenditure in the first nine months of the financial year.

Table 3.88: Nakuru County, List of Development Projects with the Highest Expenditure in First Nine Months of FY 2018/19

S/No.	Project Name	Project Location	Project Budget (Kshs.)	Project Expenditure in First Nine Months of FY 2018/19 (Kshs.)	Absorption Rate (%)
1	Rehabilitation of Rural Road(Provision for purchase of Tippers 8 No)	HQ	64,000,000	64,000,000	100
2	Provision for purchase of medical equipment (Conditional Fund for Level 5 Hospital (Nakuru PGH))	HQ	70,000,000	60,000,000	85.7
3	Development of Revenue Management System	HQ	40,000,000	34,616,109.35	87
4	Purchase of Medical Equipment s& dental Equipment for various new health centers(HQ)	HQ	15,593,213	15,593,213.10	100
5	Routine Maintenance and Spot Improvement :Tarmacking and Extension of Menengai Climb Road to Capital Hill Hotel (0.5km)in Nakuru East Sub County	HQ	10,504,000	10,504,000	100
6	Supply and Installation of 34 No., 9m, 60W LED Solar lights in Nakuru County	HQ	9,860,000	9,860,000	100
7	Proposed Routine Maintenance and Periodic Improvement of Bus Park Tarmacking in Gilgil Sub County	HQ	9,454,080	9,454,080	100
8	Routine Maintenance and Spot Improvement of Gwa Kihanga-Magomano-Kwa Haji Road - IDP Road in Subukia Sub County	HQ	8,492,708	8,492,708	100
9	Construction of Bridge and Road Connecting Korao (Tinet) and Kiptagich Ward in Kuresoi South Sub County	HQ	8,487,400	8,487,400.00	
10	Design and construction of administration block, polytechnic, and equipping of class-rooms at Rhonda resource centre	Nakuru West	7,000,000	6,982,588	99.8

Source: Nakuru County Treasury

3.31.8 Budget Performance by County Department

Table 3.89 shows a summary of the approved budget allocation and performance by department in the first nine months of FY 2018/19.

Table 3.89: Nakuru County, Budget Performance by Department

	Budget Allocation (Kshs. Million)		Exchequer Issues in First Nine Months of FY 2018/19 (Kshs. Million)		Expenditure in First Nine Months of FY 2018/19 (Kshs. Million)		Expenditure to Exchequer Issues (%)		Absorption Rate (%)	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
County Assembly	999.54	287.46	666.49	90.29	667.58	98.42	100.2	109.0	66.8	34.2
Finance and Economic Planning	984	266.45	571.83	43.43	469.97	119.51	82.2	275.2	47.7	44.9
Public Service Training and Devolution	750	30.00	567.99	-	534.97	10.31	94.2	-	71.4	34.4
Agriculture, Livestock and Fisheries	552	460.59	359.67	127.01	364.48	60.47	101.3	47.6	66.1	13.1
Lands, Physical Planning and Housing	197	1,340.05	86.19	1,089.34	53.01	31.25	61.5	2.9	26.9	2.3

	Budget Allocation (Kshs. Million)		Exchequer Issues in First Nine Months of FY 2018/19 (Kshs. Million)		Expenditure in First Nine Months of FY 2018/19 (Kshs. Million)		Expenditure to Exchequer Issues (%)		Absorption Rate (%)	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
Office of The Governor and Deputy Governor	255	71.61	134.81	35.00	103.15	17.45	76.5	49.9	40.5	24.4
Education, ICT and E-Government	323	839.53	148.72	69.44	116.43	36.95	78.3	53.2	36.0	4.4
Trade, Industry Marketing and Tourism	172	354.95	88.67	4.56	35.79	35.81	40.4	785.6	20.8	10.1
Youth, Culture, Sports and Social Services	340	127.13	123.42	7.50	99.38	63.23	80.5	843.2	29.2	49.7
Infrastructure, Roads, Public Works and Transport	387	2,127.35	179.79	721.95	309.13	124.77	171.9	17.3	79.8	5.9
Environment, Water, Energy and Natural Resources	308	915.14	180.59	40.12	180.29	40.76	99.8	101.6	58.5	4.5
Health Services	5,152	1,186.91	2,876.47	345.40	2,857.92	111.10	99.4	32.2	55.5	9.4
CPSB	46	4.41	28.79	3.50	29.81	1.48	103.5	42.3	64.3	33.6
Total	10,467.35	8,011.58	5,986.14	2,577.54	5,821.93	751.52	97.3	29.2	55.6	9.4

Source: Nakuru County Treasury

Analysis of expenditure by department shows that the Department of Youth, Culture Sports and Social services recorded the highest absorption rate of development budget at 49.7 per cent while the Department of Lands, Physical Planning and Housing incurred the lowest at 2.3 per cent.

3.31.9 Key Observations and Recommendations

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

- Improvement in the collection of revenue by 29.7 per cent from Kshs.1.51 billion in the nine months of FY 2017/18 to Kshs.1.96 billion in the reporting period.

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

- Failure to establish an Internal Audit Committee contrary to Section 155 of PFM Act 2012.
- Delay in submission of financial reports by the County Treasury to the Office of the Controller of Budget in the prescribed format contrary to Section 166 of the PFM Act, 2012.
- High wage bill that has increased by 14.2 per cent from Kshs.3.75 billion in the first nine months of FY 2017/18 to Kshs.4.28 billion in the period under review.
- Slow implementation of development activities during the first nine months of FY 2018/19. The County spent Kshs.751.52 million, which represented 9.4 per cent of the annual development budget of Kshs.8.01 billion against the expected absorption rate of 75 per cent.

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

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

2. The County Treasury should ensure timely submission of financial reports to the Office of the Controller of Budget in the prescribed format in line with Section 166 of the PFM Act, 2012.
3. The County administration should put in place measures to address the high wage bill.
4. The County should identify and address the causes of low absorption of the development budget.

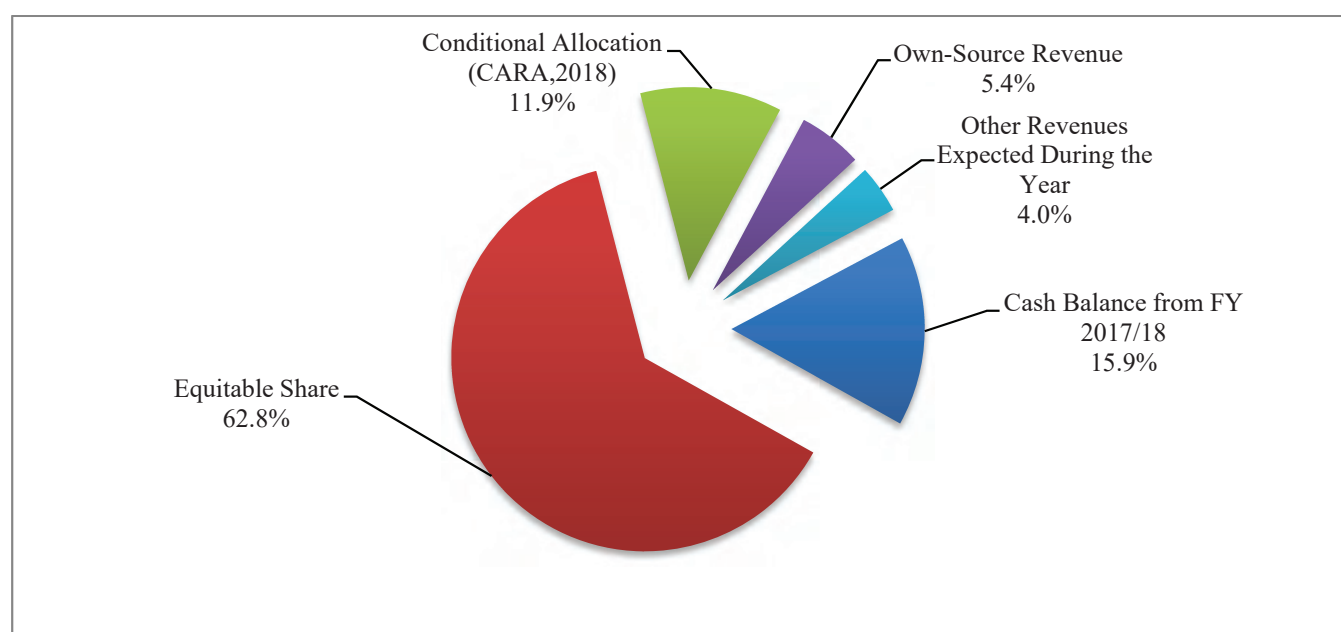
3.32 Nandi County

3.32.1 Overview of the FY 2018/19 Budget

The County's FY 2018/19 Approved Budget was Kshs.8.37 billion, comprising of Kshs.5.18 billion (61.9 per cent) and Kshs.3.19 billion (38.1 per cent) allocation for recurrent and development expenditure respectively.

To finance the budget, the County expects to receive Kshs.5.37 billion (62.8 per cent) as equitable share of revenue raised nationally, Kshs.1.01 billion (11.9 per cent) as total conditional grants, generate Kshs.459.29 million (5.4 per cent) from own-sources of revenue, Kshs.344 million (4 per cent) as other revenue expected and Kshs.1.36 billion (11.9 per cent) cash balance from FY 2017/18.

Figure 3.125: Nandi County, Expected Sources of Budget Financing in FY 2018/19



Source: Nandi County Treasury

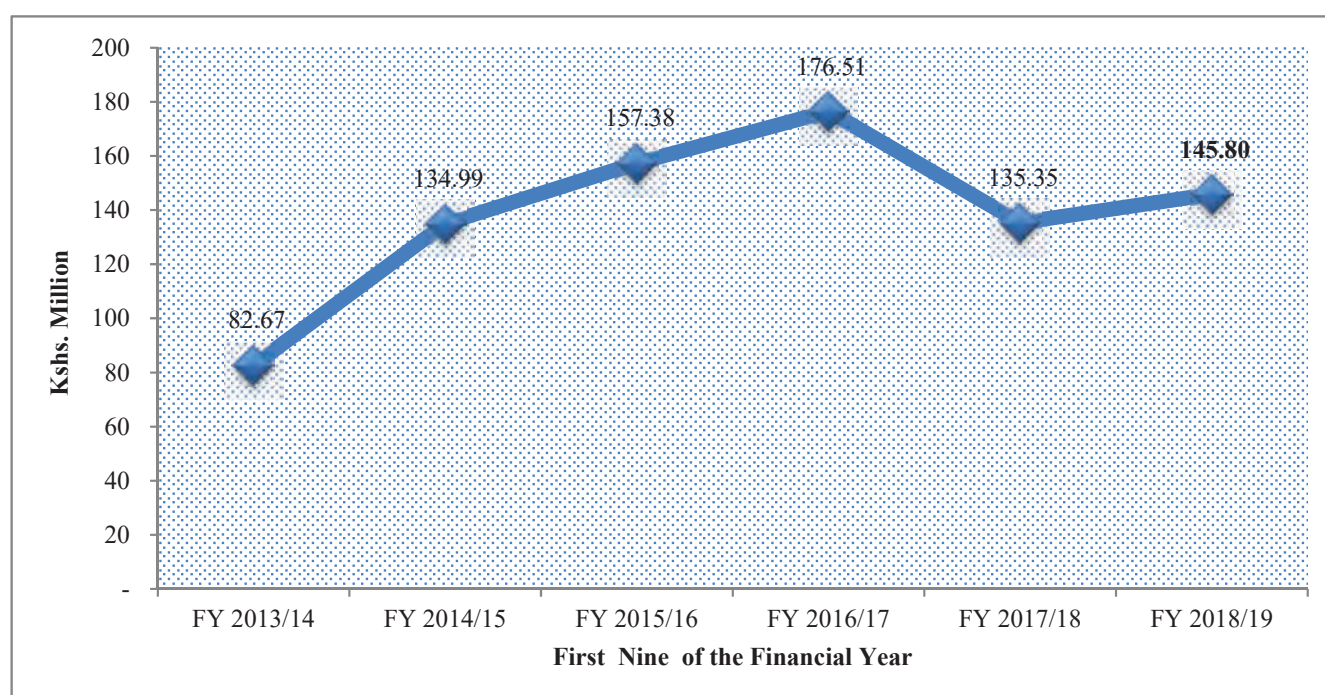
The conditional grants contained in the CARA, 2018 are shown in Table 3.90.

3.32.2 Revenue Analysis

During the first nine months of FY 2018/19, the County received Kshs.3.14 billion as equitable share of the revenue raised nationally, Kshs.305.97 million as total conditional grants, raised Kshs.145.8 million from own-sources of revenue, Kshs.299 million as other revenue received and had a cash balance of Kshs.1.36 billion from FY 2017/18. The total funds available for budget implementation amounted to Kshs.5.11 billion.

Figure 3.126 shows the trend in own-sources of revenue collection from the first nine months FY 2013/14 to the first nine months of FY 2018/19.

Figure 3.126: Nandi County, Trend in Own Sources of Revenue Collection for the First Nine Months from FY 2013/14 to FY 2018/19



Source: Nandi County Treasury

The County generated a total of Kshs.145.8 million from own revenue sources during the first nine months of FY 2018/19. This amount represented an increase of 7.7 per cent compared to Kshs.135.35 million that was realised during a similar period of the FY 2017/18 and represented 31.7 per cent of the annual target.

3.32.3 Conditional Grants

The County received Kshs.305.97 million as conditional grants in the first nine months of the financial year 2018/19 as shown in Table 3.90.

Table 3.90: Nandi County, Conditional Grants/Loans Received in the First Nine Months of FY 2018/19

S/No	Grants	Annual CARA, 2018 Allocation (in Kshs)	Annual Budget Allocation (in Kshs)	Actual Receipts in First Nine Months of FY 2018/19 (in Kshs.)	Actual Receipts as Percentage of Annual Allocation (%)
A	Grants Contained in the CARA, 2018				
1	Compensation for User Fee Foregone	18,086,363	18,086,363	-	-
2	Leasing of Medical Equipment	200,000,000	200,000,000	-	-
3	Road Maintenance Fuel Levy	141,371,626	141,371,626	70,685,813	50
4	Rehabilitation of Village Polytechnics	37,255,000	37,255,000	-	-
5	Transforming Health Systems for Universal Care Project (World Bank)	97,229,498	97,229,498	42,496,971	43.7
6	IDA (World Bank) -National Agricultural and Rural Inclusive Growth Project (NARIGP)	140,435,163	140,435,163	-	-
7	IDA (World Bank) Kenya Devolution Support Programme "Level 1 grant"	44,551,044	44,551,044	-	-

S/No	Grants	Annual CARA, 2018 Allocation (in Kshs)	Annual Budget Allocation (in Kshs)	Actual Receipts in First Nine Months of FY 2018/19 (in Kshs.)	Actual Receipts as Percentage of Annual Allocation (%)
8	IDA (World Bank) -Kenya Urban Support Project (KUSP)	177,231,700	177,231,700	177,231,700	100
9	DANIDA - Universal Healthcare in Devolved System Programme	17,111,250	17,111,250	8,555,625	50
10	Sweden - Agriculture Sector Development Support Programme (ASDSP) II + Bal C/F in FY 2017/18	19,236,534	19,236,534	7,003,592	36.4
11	EU - Water Tower Protection and Climate Change Mitigation and Adoption Programme (WaTER)	80,000,000	80,000,000	-	-
Sub Total		972,508,178	972,508,178	305,973,701	31.5
B	Other Grants				
12	Food and Agriculture Organization	-	40,000,000	-	-
13	Ford Foundation	-	5,000,000	-	-
14	CHFS -County Health Facility Supplies	-	299,000,000	299,000,000	100
Sub Total		-	344,000,000	299,000,000	86.9
Grand Total		972,508,178	1,316,508,178	604,973,701	46.0

Source: Nandi County Treasury

Analysis of revenue from conditional grants indicates that, the County received full allocation from World Bank for Kenya Urban Support Project and grant for County Health Facility Supplies (CHFS) which is not contained in CARA, 2018.

3.32.4 Exchequer Issues

To finance the budget, the Controller of Budget approved the withdrawal of Kshs.4.90 billion from the County Revenue Fund Account. The withdrawals represented 58.5 per cent of the Approved Budget and translated to an increase of 53.2 per cent from Kshs.3.20 billion approved in the first nine months of FY 2017/18 and comprised of Kshs.3.66 billion (74.8 per cent) to fund recurrent expenditure and Kshs.1.24 billion (25.2 per cent) for development activities.

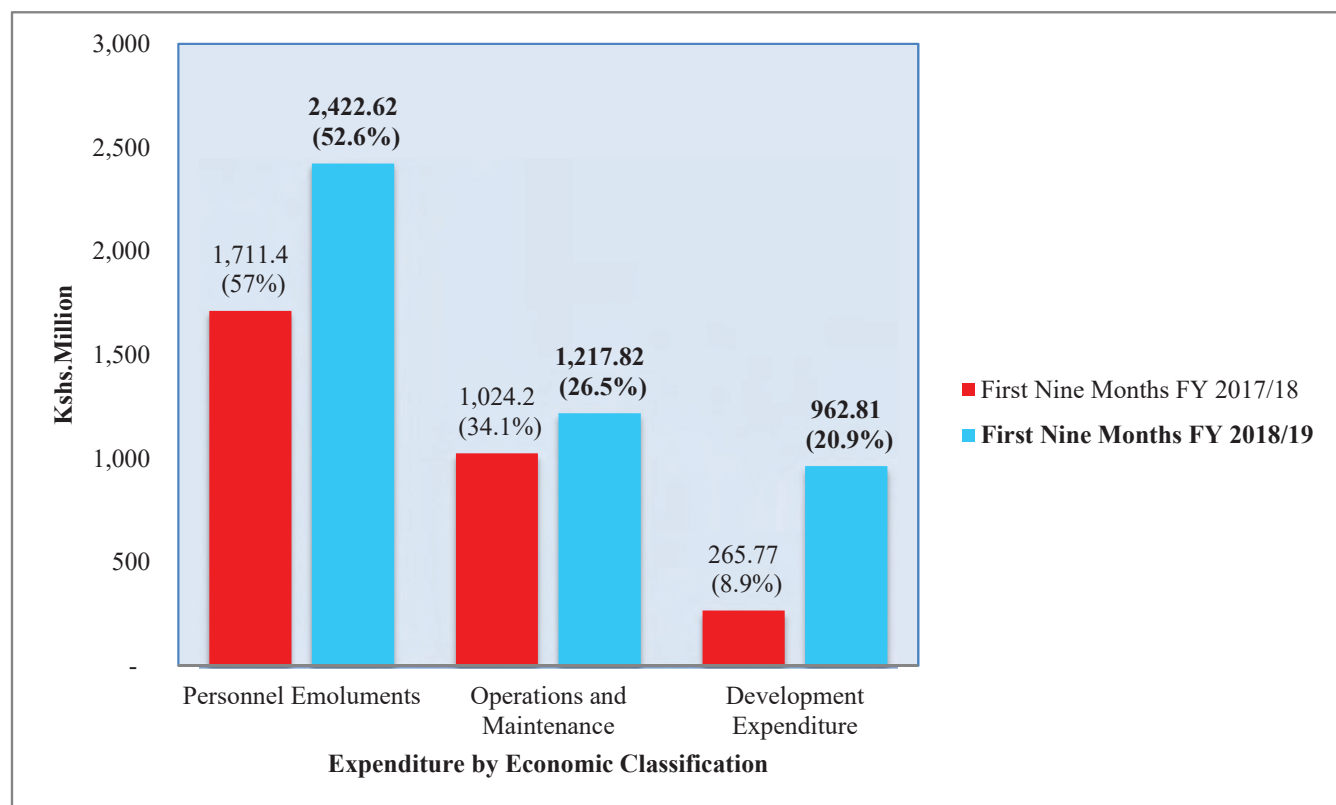
3.32.5 Overall Expenditure Review

The County spent a total of Kshs.4.60 billion on recurrent and development activities. This expenditure represented 94 per cent of the total funds released from the County Revenue Fund Account and was an increase of 53.4 per cent from Kshs.3.12 billion spent in the first nine months of FY 2017/18. The expenditure excluded outstanding commitments as at March 31, 2019 which amounted to Kshs.295.73 million for development activities and Kshs.58.04 million for recurrent expenditure.

Expenditure on recurrent activities amounted to Kshs.3.64 billion while Kshs.962.81 million was spent on development activities. The recurrent expenditure was 99.5 per cent of the funds released for recurrent activities, while development expenditure was 77.9 per cent of funds released for development activities.

The recurrent expenditure represented 70.3 per cent of the annual recurrent budget, an increase from 59.6 per cent recorded in the first nine months of FY 2017/18. Development expenditure recorded an absorption rate of 30.2 per cent, which was an increase from 12.3 per cent attained in the first nine months of FY 2017/18. Figure 3.127 presents a comparison between the total expenditure in the first nine months of FY 2018/19 and a similar period in FY 2017/18.

Figure 3.127: Nandi County, Expenditure by Economic Classification



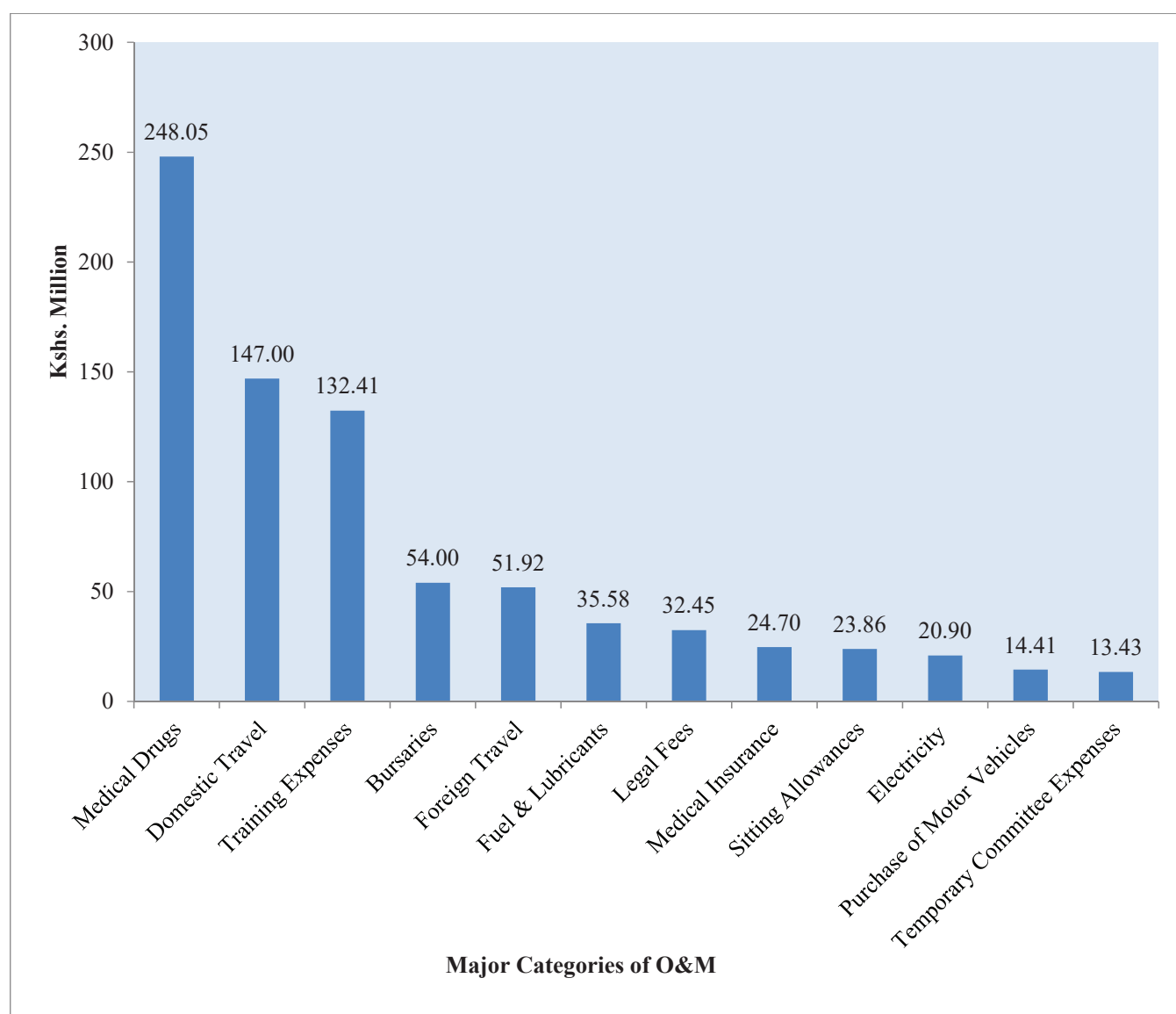
Source: Nandi County Treasury

3.32.6 Analysis of Recurrent Expenditure

The total recurrent expenditure of Kshs.3.64 billion comprised of Kshs.2.42 billion (66.5 per cent) incurred on personnel emoluments and Kshs.1.22 billion (33.5 per cent) on operations and maintenance as shown in Figure 3.127.

Expenditure on personnel emoluments represented an increase of 41.6 per cent compared to a similar period of FY 2017/18 when the County spent Kshs.1.71 billion and was 52.6 per cent of total expenditure in the first nine months of FY 2018/19. Figure 3.128 shows a summary of operations and maintenance expenditure by major categories.

Figure 3.128: Nandi County, Operations and Maintenance Expenditure by Major Categories in the First Nine Months of FY 2018/19.



Source: Nandi County Treasury

The County spent Kshs.23.86 million on committee sitting allowances for the 40 MCAs and the speaker against the annual budget allocation of Kshs.38.10 million. This represented an increase of 67.5 per cent compared to Kshs.14.22 million spent in a similar period of FY 2017/18. The average monthly sitting allowance translated to Kshs.66,277 per MCA against the SRC's recommended monthly ceiling of Kshs.124,800.

Expenditure on domestic & foreign travel amounted to Kshs.198.92 million and comprised of Kshs.60.78 million spent by the County Assembly and Kshs.138.14 million spent by the County Executive. This represented 4.0 per cent of total recurrent expenditure and was an increase of 12.5 per cent compared to Kshs.176.80 million spent in the first nine months of FY 2017/18.

3.32.7 Development Expenditure

The total development expenditure of Kshs.962.81 million represented 30.2 per cent of the annual development expenditure budget of Kshs.3.19 billion. Figure 3.91 provides a summary of development projects with the highest expenditure in the first nine months of the financial year.

Table 3.91: Nandi County, List of Development Projects with the Highest Expenditure in First Nine Months of FY 2018/19

S/ No.	Project Name	Project Location	Project Budget (Kshs.)	Project Expenditure in First Nine Months of FY 2018/19 (Kshs.)	Absorption Rate (%)
1	Access Roads	County Wide	313,771,626	252,043,678	80.3
2	Water Supplies and Sewerages	County Wide	357,050,000	118,782,569	33.3
3	Other Infrastructure and Civil Works-Livestock Products Value Addition and Marketing	County Wide	366,830,163	91,533,673	25
4	Construction of ECDE	County Wide	288,900,000	87,791,498	30.4
5	Construction of Buildings	County Wide	251,000,000	29,673,162	11.8
6	Construction of Nandi County Modern athletics Training Camp	Kapsabet	101,000,000	24,592,532	24.3
7	Purchase of Medical and Dental Equipment	Kapsabet County Referral Hospital	50,000,000	22,157,660	44.3
8	Equipping of Nandi Textile unit	Kapsabet	50,000,000	20,500,000	41
9	Other Infrastructure and Civil Works-Urban Planning, Investment and Research	Kapsabet	177,231,160	14,998,500	8.5
10	Construction of Roads -Bridges and Foot bridges	County Wide	20,000,000	13,917,897	69.6

Source: Nandi County Treasury

3.32.8 Budget Performance by County Department

Table 3.92 shows a summary of the approved budget allocation and performance by department in the first nine months of FY 2018/19.

Table 3.92: Nandi County, Budget Performance by Department

Department	Budget Allocation (Kshs. Million)		Exchequer Issues in First Nine Months of FY 2018/19 (Kshs. Million)		Expenditure in First Nine Months of FY 2018/19 (Kshs. Million)		Expenditure to Exchequer Issues (%)		Absorption Rate (%)	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
Office of the Governor	371.83	30.00	260.33	7.82	256.63	10.95	98.6	140.1	69.0	36.5
Finance and Economic Planning	954.79	30.00	550.99	12.17	640.84	14.76	116.3	121.4	67.1	49.2
Administration, Public Service and e-Government	322.92	243.98	267.58	112.20	181.19	44.86	67.7	40.0	56.1	18.4
Health and Sanitation	1756.55	651.00	1,239.52	49.58	1,521.00	72.20	122.7	145.6	86.6	11.1
Agriculture and Co-operative Development	310.43	558.33	262.07	153.03	200.97	125.85	76.7	82.2	64.7	22.5
Tourism ,Culture and Social Services	50.64	49.00	32.41	3.19	21.19	3.47	65.4	108.9	41.8	7.1
Youth, Sports and Arts	57.88	112.50	43.51	47.72	15.23	40.14	35.0	84.1	26.3	35.7
Education, Research and Vocational Trainings	313.46	288.90	249.91	121.81	250.34	87.79	100.2	72.1	79.9	30.4
Lands, Housing, Environment and Natural Resources	132.18	402.05	79.77	116.95	48.88	123.41	61.3	105.5	37.0	30.7

Department	Budget Allocation (Kshs. Million)		Exchequer Issues in First Nine Months of FY 2018/19 (Kshs. Million)		Expenditure in First Nine Months of FY 2018/19 (Kshs. Million)		Expenditure to Exchequer Issues (%)		Absorption Rate (%)	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
Infrastructure ,Roads, Transport and Public Works	191.07	611.95	144.29	559.74	82.59	380.25	57.2	67.9	43.2	62.1
Trade, Industry and Investment	56.50	104.30	39.04	30.62	30.85	39.36	79.0	128.5	54.6	37.7
Public Service and Labour	29.79	-	21.87	-	17.92	-	81.9	-	60.2	0.0
County Assembly	631.18	135.25	468.76	20.74	372.80	19.76	79.5	95.3	59.1	14.6
Total	5,179.21	3,217.26	3,660.05	1,235.56	3,640.44	962.81	99.5	77.9	70.3	29.9

Source: Nandi County Treasury

Analysis of expenditure by department shows that the Department of Infrastructure, Roads, Transport and Public Works recorded the highest absorption rate of development budget at 62.1 per cent while the Department of Tourism, Culture and Social Services had the lowest development expenditure at 7.1 per cent. The Department of Health and Sanitation had the highest percentage of recurrent expenditure to recurrent budget at 86.6 per cent while the Department of Lands, Housing, Environment and Natural Resources had the lowest at 37 per cent.

3.32.9 Key Observations and Recommendations

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

- Establishment of the County Budget and Economic Forum (CBEF) in line with Section 137 of the PFM Act, 2012.
- Improvement in the use of IFMIS and the Internet Banking platform to process financial transactions.

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

- Failure to establish an Internal Audit Committee to oversee financial operations in the County contrary to the provisions of Section 155 of the PFM Act, 2012.
- High wage bill that increased by 41.6 per cent compared to a similar period of FY 2017/18. This may affect implementation of key programmes and projects.
- Although own-source revenue improved by 7.7 per cent as compared to the same period in FY 2017/18, the revenue represented 31.7 per cent of the annual target compared to expected performance of 75 per cent in the first nine months.

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

- The County should establish an Internal Audit Committee in line with Section 155 of the PFM Act, 2012.*
- The County Public Service Board should devise strategies to contain expenditure on personnel costs within 35 per cent of the County's total revenue in line with Regulation 25(1)(b) of the PFM (County Governments) Regulations, 2015.*
- The County Treasury should address the low performance of the own-sources of revenue in order to ensure all planned activities are funded in the financial year.*

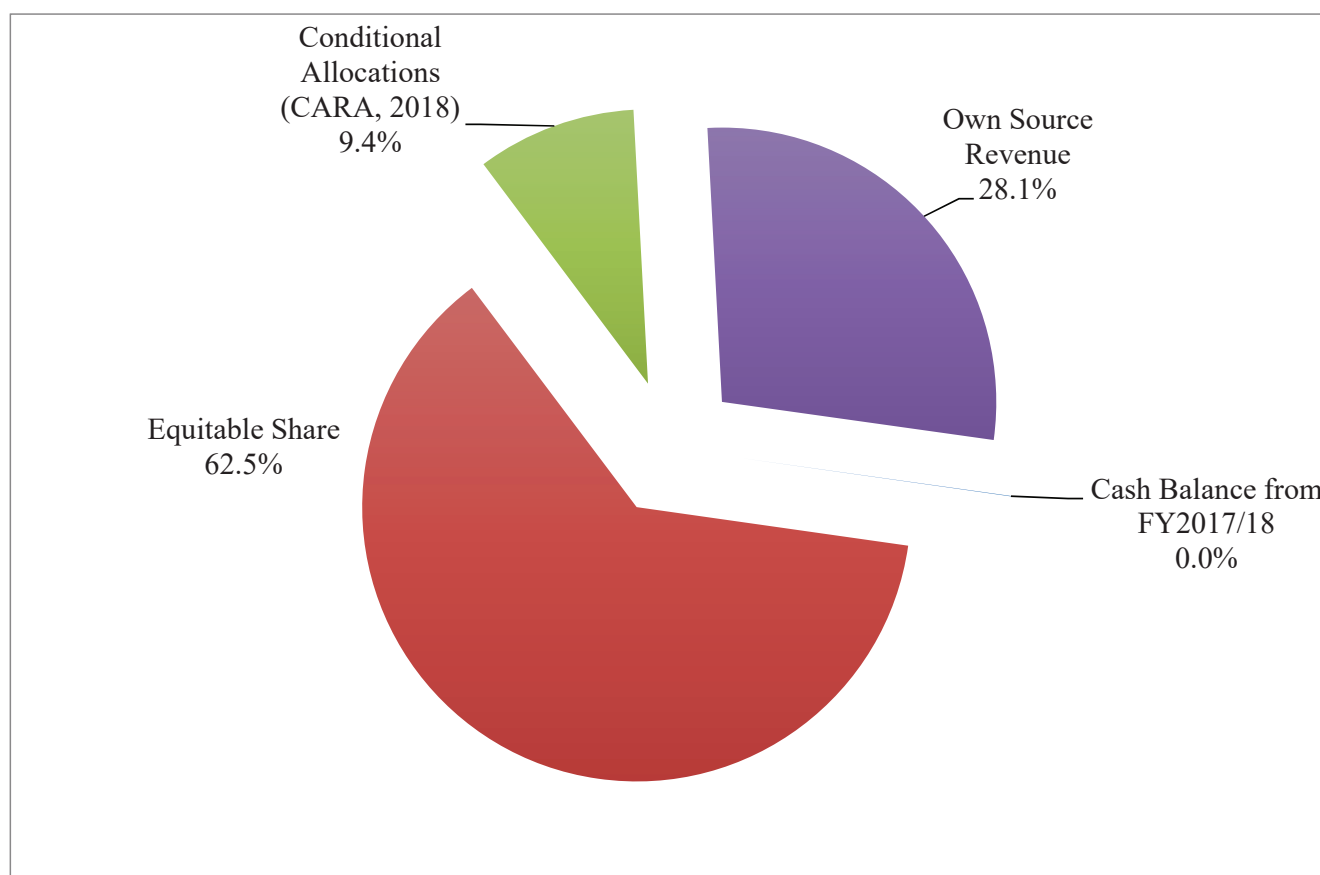
3.33 Narok County

3.33.1 Overview of the FY 2018/19 Budget

The County's FY 2018/19 Approved Supplementary Budget was Kshs.10.19 billion, comprising of Kshs. 7.04 billion (69.1 per cent) and Kshs.3.15 billion (30.9 per cent) allocation for recurrent and development expenditure respectively.

To finance the budget, the County expects to receive Kshs. 6.37 billion (62.5 per cent) as equitable share of revenue raised nationally, Kshs.958.02 million (9.4 per cent) as total conditional grants, generate Kshs.2.86 billion (28.1 per cent) from own sources of revenue and a cash balance of Kshs.2.67 million (0.03 per cent) from FY 2017/2018.

Figure 3.129: Narok County Expected Sources of Budget Financing in FY 2018/19



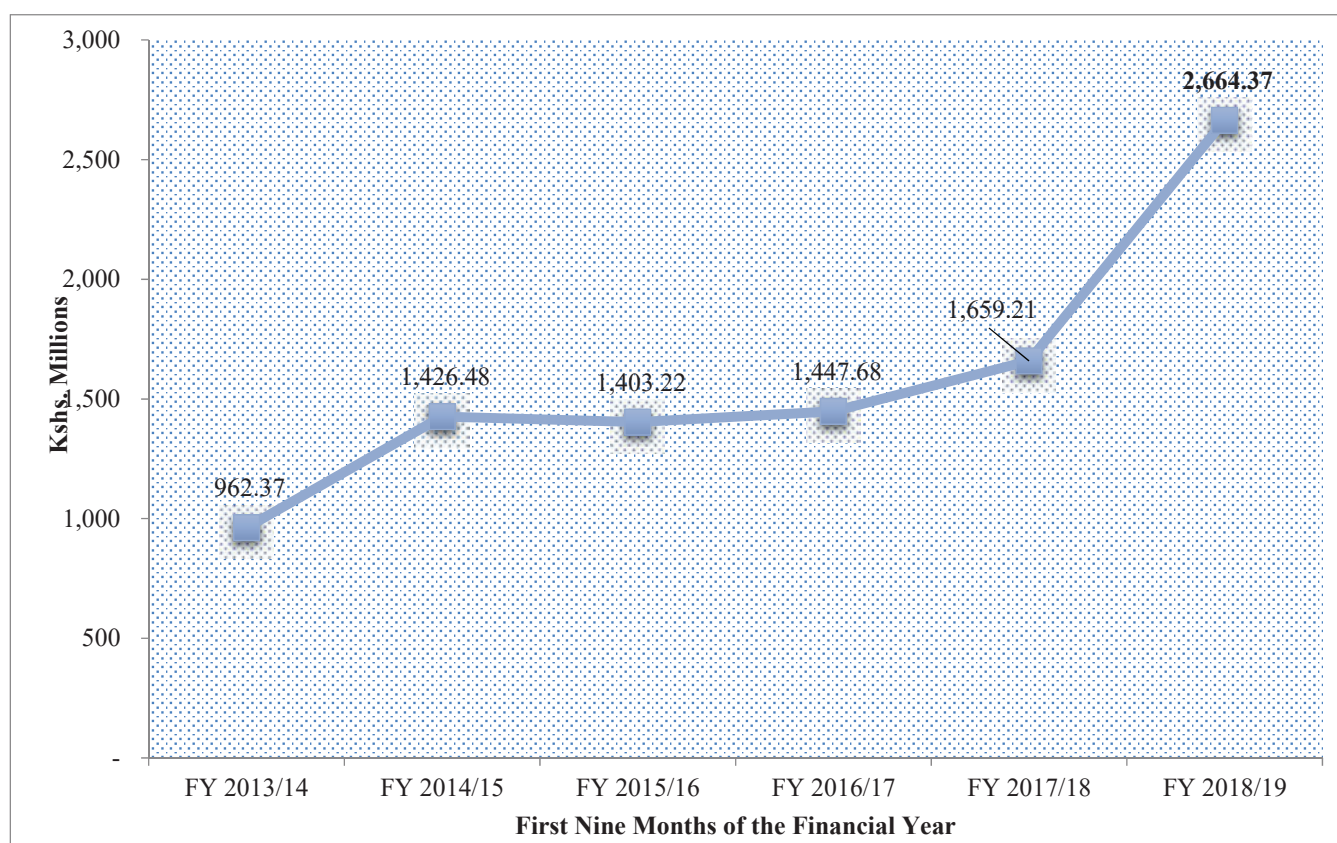
Source: Narok County Treasury

The conditional grants contained in the CARA, 2018 are shown in Table 3.93.

3.33.2 Revenue Analysis

During the first nine months of FY 2018/19, the County received Kshs.3.73 billion as equitable share of revenue raised nationally, Kshs.150.66 million as total conditional grants and raised Kshs.2.66 billion from own-sources of revenue. The total funds available for the period amounted to Kshs.6.34 billion.

Figure 3.130: Narok County, Trend in Own Sources of Revenue Collection for the First Nine Months of FY 2018/19 to FY 2013/14



Source: Narok County Treasury

The County generated a total of Kshs.2.65 billion as own-source revenue during the first nine months of FY 2018/19. This amount was an increase of 60.6 per cent when compared to Kshs 1.66 billion realised during the same period of FY 2017/18 and represented 86 per cent of the annual target.

3.33.3 Conditional Grants

The County received Kshs.150.66 million as conditional grants in the first nine months as shown in Table 3.93.

Table 3.93: Narok County, Conditional Grants/Loans Received in the First Nine Months of FY 2018/19

S/ No.	Grants/Loans	Annual CARA, 2018 Allocation (Kshs)	Annual Budget Allocation (Kshs)	Actual Receipts in First Nine Months of FY 2018/19 (Kshs)	Actual Receipts as Percentage of Annual Allocation (%)
A	Grants/Loans Contained in CARA, 2018				
1.	Development of Village Polytechnics	30,820,000	30,820,000		24.8
2.	Road Maintenance Levy Fund	167,827,135	167,827,135	-	-
3.	Health Centre and Dispensaries user fees	20,595,297	20,595,297.00	-	-
4.	Leasing of Medical Equipment	200,000,000	200,000,000	-	-
5.	IDA(World Bank Credit Kenya Devolution Support Program (KDSP)	130,963,563	130,963,563	-	-

S/ No.	Grants/Loans	Annual CARA, 2018 Allocation (Kshs)	Annual Bud- get Allocation (Kshs)	Actual Receipts in First Nine Months of FY 2018/19 (Kshs)	Actual Receipts as Percentage of Annual Allocation (%)
A	Grants/Loans Contained in CARA, 2018				
6.	Kenya Urban Support Programme	116,105,300	116,105,300	74,905,300	65
7.	World Bank Credit Transforming Health Services for Universal Care (THS)	100,000,000	100,000,000	57,174,238	57
8.	World Bank Credit National Agricultural and Rural Inclusive Growth Project	140,435,163	140,435,163	-	-
9.	DANIDA Grant – Universal Healthcare in Devolved System Programme	30,267,011	30,267,011	10,935,000	50
10.	Agricultural Sector Development Support Program (ASDSP)	21,002,709	21,002,709.00	7,646,618	36
Grand Total		958,016,178	958,016,178	150,661,156	15.7

Source: Narok County Treasury

Analysis of the revenue from conditional grants indicates that, the County received the highest disbursement of fund as a percentage of annual allocation from the World Bank towards the Kenya Urban Support Programme at 65 per cent.

3.33.4 Exchequer Issues

To finance the budget, the Controller of Budget approved withdrawal of Kshs.6.82 billion from the County Revenue Fund account. The withdrawals represented 66.9 per cent of the Approved Supplementary Budget and translate to an increase of 29.41 per cent from Kshs.5.27 billion approved in the first nine months of FY 2017/18 and comprised of Kshs.5.02 billion (73.6 per cent) to fund recurrent expenditure and Kshs.1.80 billion (26.4 per cent) for development activities.

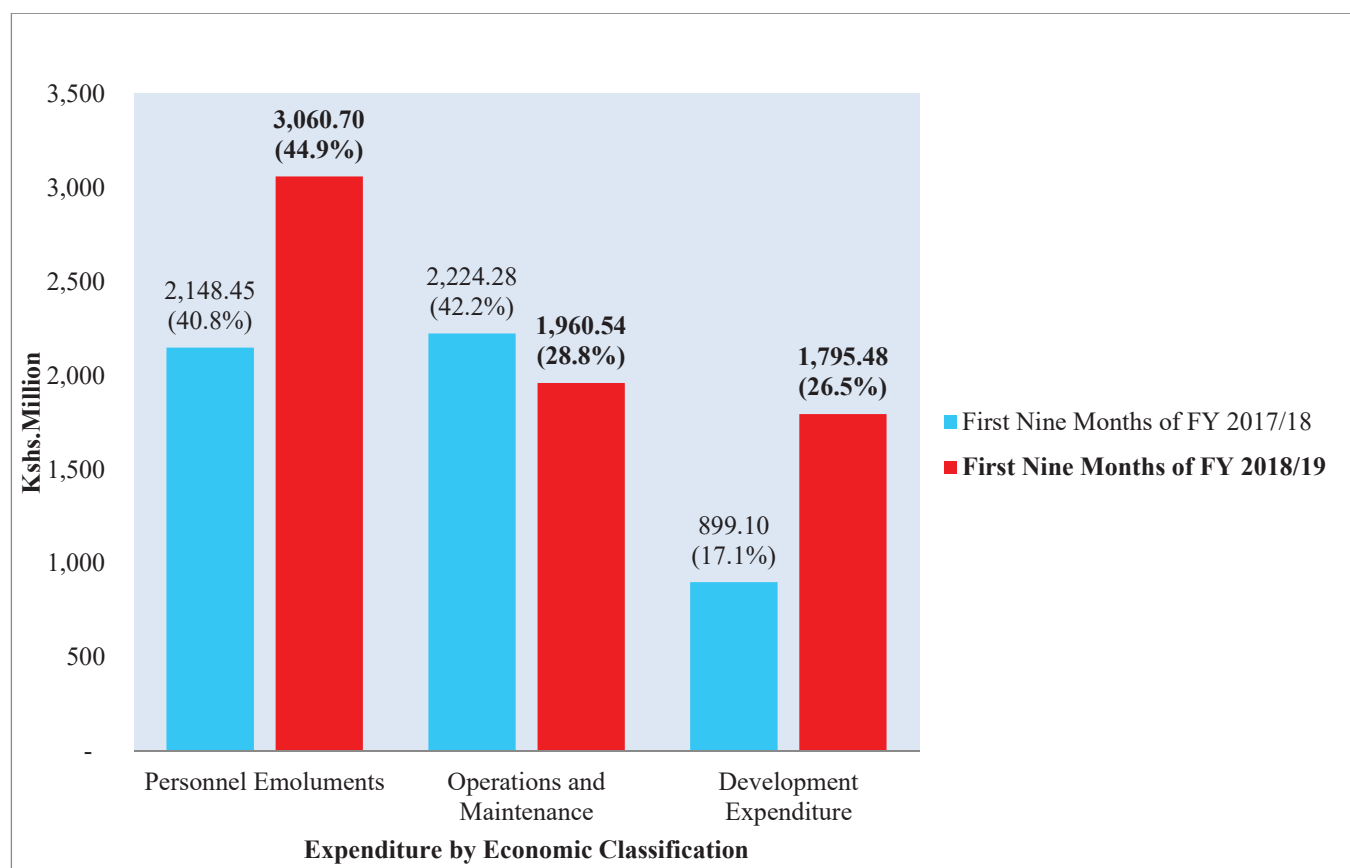
3.33.5 Overall Expenditure Review

The County spent a total of Kshs.6.82 billion on both recurrent and development activities. This expenditure represented 99.9 per cent of the total funds released from the County Revenue Fund account and was an increase of 29.3 per cent from Kshs.5.27 billion spent in the first nine months quarter of FY 2017/18. The expenditure excluded outstanding commitments as at 31st March, 2019, which amounted to Kshs.1.10 billion for development activities.

Expenditure on recurrent activities amounted to Kshs.5.02 billion while that on development activities was Kshs.1.8 billion. The recurrent expenditure was 100 per cent of the funds released for recurrent activities, while development expenditure was 99.7 per cent of funds released for development activities.

The recurrent expenditure represented 71.3 per cent of the annual recurrent budget an increase from 67 per cent recorded in the first nine months of FY 2017/18. Development expenditure recorded an absorption rate of 56.9 per cent, which was an increase from 27.4 per cent attained in the third quarter of FY 2017/18. Figure 3.131 presents a comparison between the total expenditure in the first nine months of FY 2018/19 and the first nine months of the FY 2017/18.

Figure 3.131: Narok County, Expenditure by Economic Classification



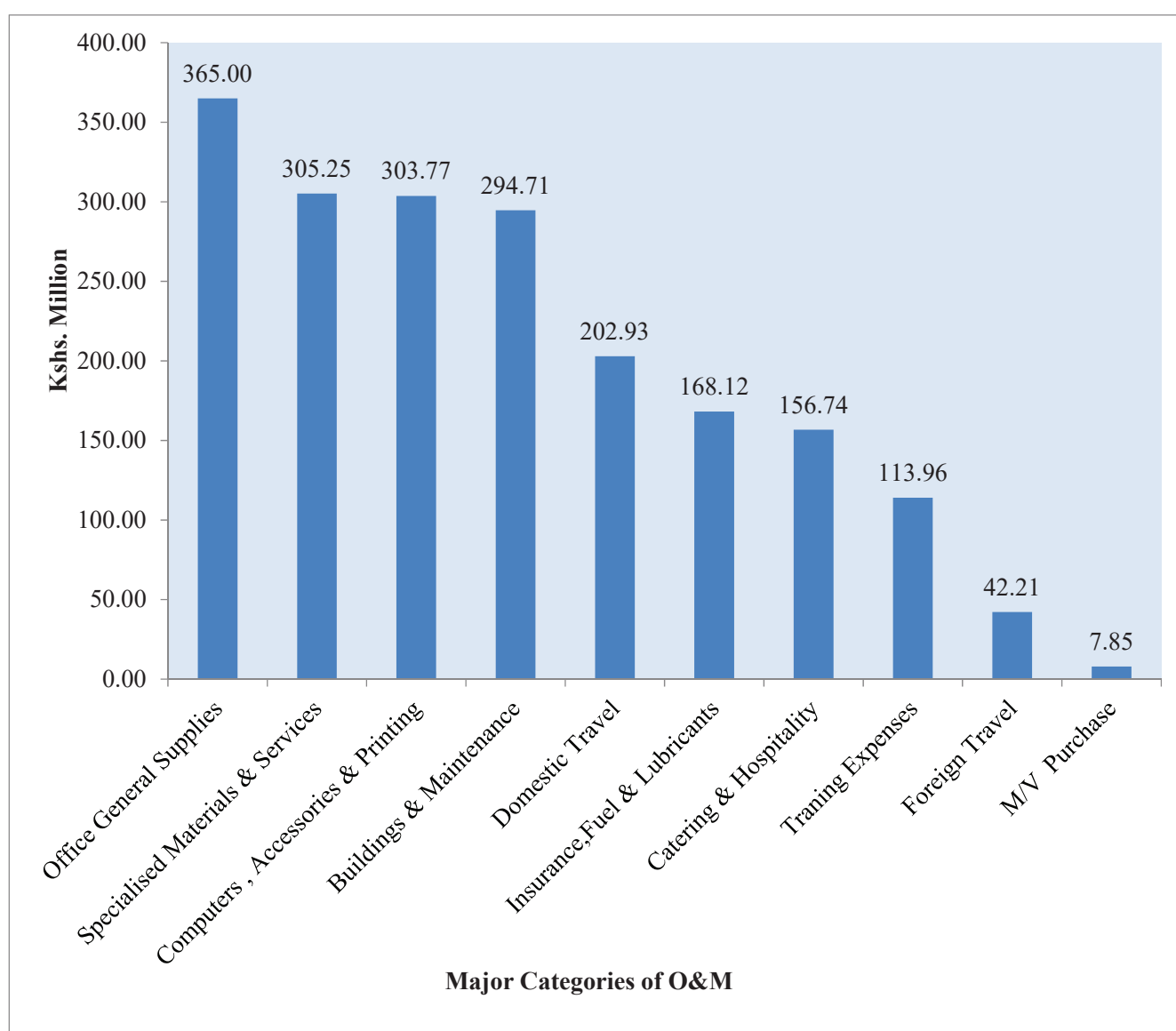
Source: Narok County Treasury

3.33.6 Analysis of Recurrent Expenditure

The total recurrent expenditure of Kshs.5.02 billion comprised of Kshs.3.06 billion (61 per cent) incurred on personnel emoluments and Kshs.1.96 billion (39 per cent) on operations and maintenance as shown in Figure 3.131.

Expenditure on personnel emoluments represented an increase of 42.5 per cent compared to the first nine months of FY 2017/18 when the County spent Kshs.2.15 billion, and was 44.9 per cent of total expenditure for the period. Figure 3.132 shows a summary of operations and maintenance expenditure by major categories.

Figure 3.132: Narok County, Operations and Maintenance Expenditure by Major Categories in the First Nine Months of FY 2018/19



Source: Narok County Treasury

The County spent Kshs.20.87 million on MCA committee sitting allowances for the 48 MCAs and the speaker against the annual budget allocation of Kshs.63.82 million. The average monthly sitting allowance translated to Kshs.48,309 per MCA against the SRC's recommended monthly ceiling of Kshs.124,800.

Expenditure on travel amounted to Kshs.243.26 million and comprised of Kshs.115.15 million spent by the County Assembly and Kshs.128.11 million spent by the County Executive. This represented 4.8 per cent of total recurrent expenditure and was an increase 70 per cent compared to Kshs.119.29 million spent in the third quarter of FY 2017/18.

3.33.7 Development Expenditure

The total development expenditure of Kshs.1.80 billion represented 56.9 per cent of the annual development budget of Kshs.3.15 billion. Table 3.94 provides a summary of development projects with the highest expenditure in the first nine of FY 2018/2019.

Table 3.94: Narok County, List of Development Projects with the Highest Expenditure in the First Nine Months FY of 2018/19

S/No.	Project Name	Project Location	Project Budget (Kshs.)	Project Expenditure in First Nine Months of FY 2018/19 (Kshs.)	Absorption Rate (%)
1.	Roads Infrastructure	Narok South, North, East, Kilgoris	976,147,135	656,842,951	67.3
2.	Civil Works & Infrastructure	Narok South, North, East, Kilgoris	459,312,435	329,753,804	71.8
3.	Acquisition of Roads & Civil Works Machines	County Head Quarters	228,000,000	240,037,239	105.3
4.	Buildings & Infrastructure	Narok South, North, East, Kilgoris	352,799,000	244,591,668	69.3
5.	Rehabilitation of Mara & Markets yards	Narok South, North, East, Kilgoris	130,000,000	117,167,908	90.1
6.	Specialised Supplies & Services	Health facilities & Head quarters	313,547,716	36,287,931	11.6

Source: Narok County Treasury

3.33.8 Budget Performance by County Department

Table 3.95 shows a summary of budget estimates and budget performance by department in the third quarter of FY 2018/19.

Table 3.95: Narok County, Budget Performance by Department

Department	Budget Allocation (Kshs. Million)		Exchequer Issues in First Nine Months of FY 2018/19 (Kshs. Million)		Expenditure in First Nine Months of FY 2018/19 (Kshs. Million)		Expenditure to Exchequer Issues (%)		Absorption Rate (%)	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
County Assembly	709.07	120	510	15	510	9.95	100	66.3	71.9	8.3
Office of the Governor	306.11	-	250.27	-	249.94	-	99.9	-	81.7	-
Finance and Economic Planning	553.27	299.56	512.22	5.00	512.12	80.08	100	1,601.6	92.6	26.7
Roads, Transport and Public Works	233.47	922.15	175.52	644.06	175.43	641.06	100	99.5	75.1	69.5
Education, Youth, Sports, Culture & Social Services	917.51	394.93	589.42	356.44	589.40	356.38	100	100	64.2	90.2
Environment Protection, Energy, Water and Natural Resources	89.35	315.04	75.90	164	75.89	163.65	100	99.8	84.9	51.9
County Public Service Board	71.45	-	65.95	-	65.86	-	99.9	-	92.2	-
Agriculture, Livestock and Fisheries	350.71	516.37	279.61	289	279.40	220.26	99.9	76.2	79.7	42.7
Health and Sanitation	2,310.53	206.76	1,606.30	202	1,606.30	198.90	100	98.5	69.5	96.2

Department	Budget Allocation (Kshs. Million)		Exchequer Issues in First Nine Months of FY 2018/19 (Kshs. Million)		Expenditure in First Nine Months of FY 2018/19 (Kshs. Million)		Expenditure to Exchequer Issues (%)		Absorption Rate (%)	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
Lands, Housing, Physical Planning and Urban Development	183.98	166.91	69.92	65	69.92	64.95	100	99.9	38	38.9
Tourism, Wildlife, Trade, Industry and Cooperative Devt.	103.36	131.86	54.88	33	54.88	32.53	100	98.6	53.1	24.7
County Administration and Public Service Management	1,125.36	35.55	761.33	28	761.25	27.72	100	99.0	67.6	78.0
Trade and Industrialization	87.32	44.26	70.99	-	70.85	-	99.8	-	81.1	-
Total	7,041.48	3,153.37	5,022.31	1,801.50	5,021.23	1,795	100	99.7	71.3	56.9

Source: Narok County Treasury

Analysis of expenditure by department shows that, the Department of Health and Sanitation recorded the highest absorption rate of development budget at 96.2 per cent while the Department of Trade and Industrialisation did not spend on development.

The Department of Finance and Economic Planning reported the highest absorption rate of recurrent budget at 92.6 per cent while the Department of Lands Housing and Physical Planning recorded the lowest absorption rate at 38 per cent.

3.33.9 Key Observations and Recommendations

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

- Improvement in own-sources of revenue collection, which increased by 60.6 per cent from Kshs.1.66 billion in a similar period of FY 2017/18 to Kshs.2.66 billion in the reporting period.

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

- High expenditure on personnel emoluments which was 44.9 per cent of total expenditure in the reporting period.
- High expenditure on non-core activities such as on travelling, which increased by 103.9 per cent to Kshs.243.26 million from Kshs.119.29 million in a similar period in FY 2017/18.

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

- The County Public Service Board should rationalise expenditure on the wage bill in order to ensure it is sustainable and within the limits set in Law.*
- The County should streamline expenditure on non-core activities in order to free funds for development activities.*

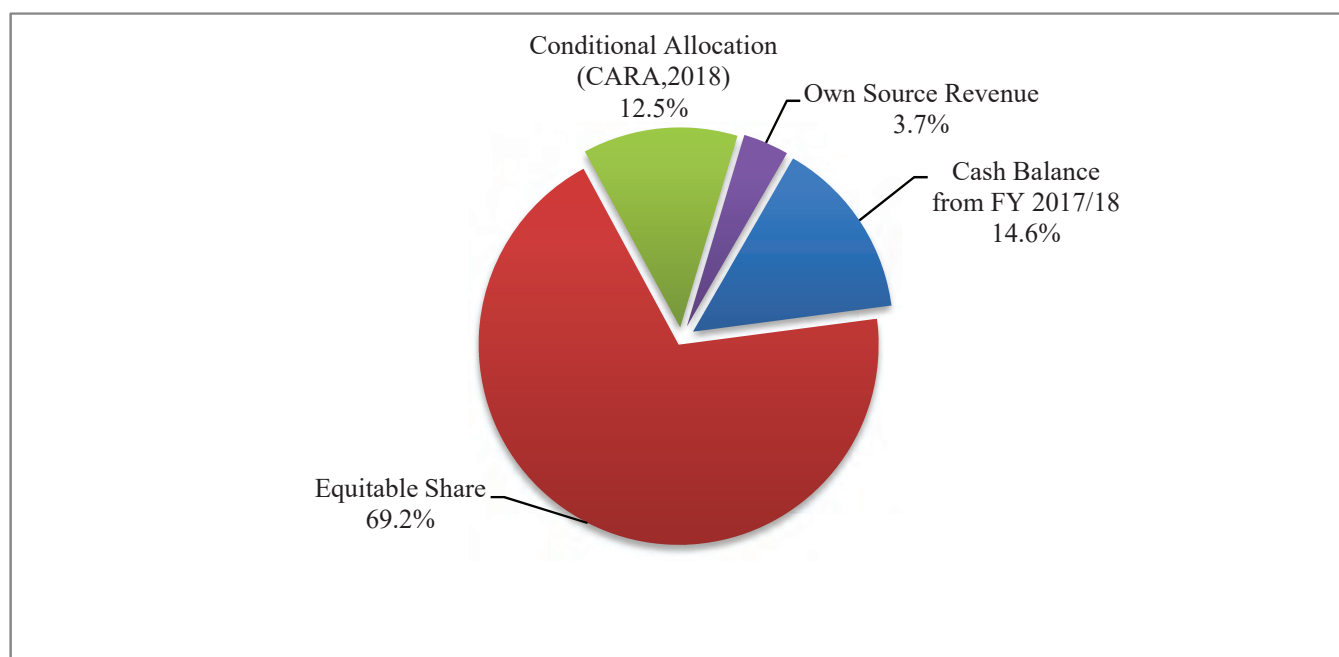
3.34 Nyamira County

3.34.1 Overview of the FY 2018/19 Budget

The County's FY 2018/19 Supplementary Budget was Kshs.6.90 billion, comprising of Kshs.4.69 billion (68 per cent) and Kshs.2.21 billion (32.0 per cent) allocation for recurrent and development expenditure respectively.

To finance the budget, the County expects to receive Kshs.4.77 billion (69.2 per cent) as equitable share of revenue raised nationally, Kshs.863.72 million (12.6 per cent) as total conditional grants, generate Kshs.255.57 million (3.7 per cent) from own-sources of revenue, and Kshs.1.01 billion (14.6 per cent) cash balance from FY 2017/18. (Conditional grants is composed of the Kshs.554.77 million expected to be received in the current financial year and Kshs.308.95 million brought forward from FY 2017/18).

Figure 3.133: Nyamira County, Expected Sources of Budget Financing in FY 2018/19



Source: Nyamira County Treasury

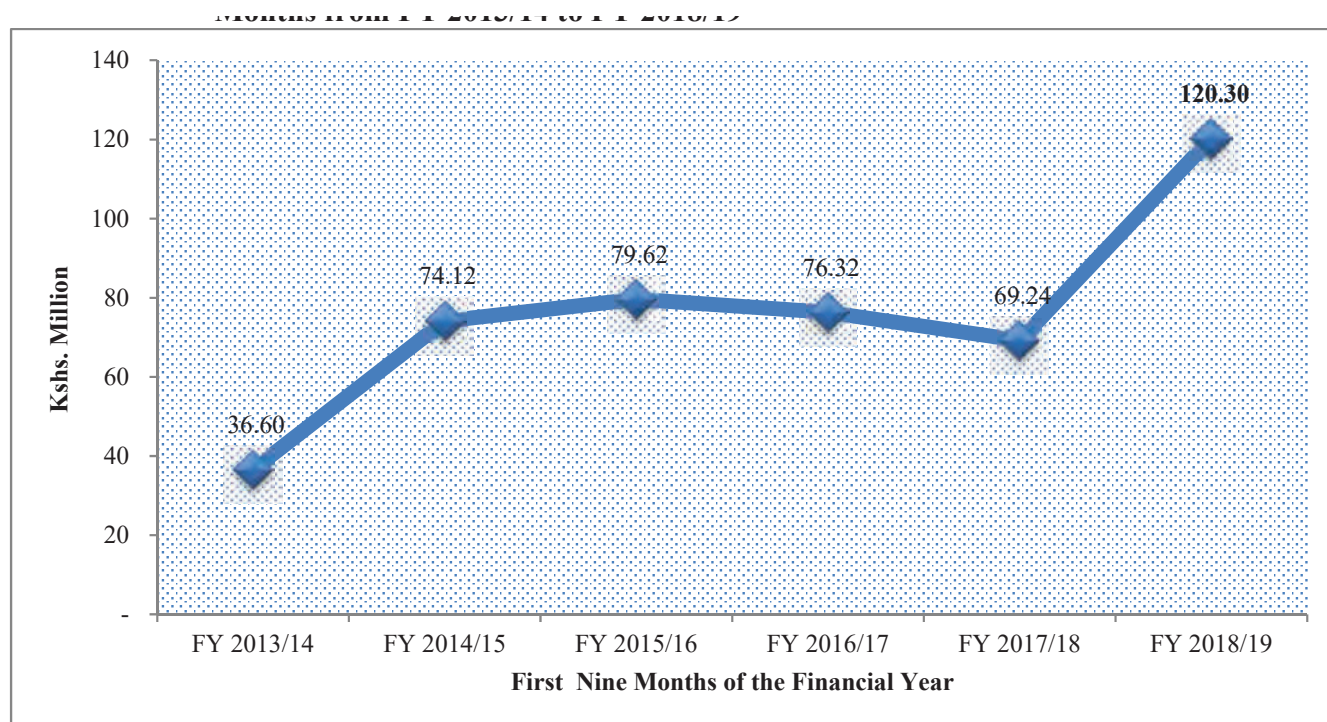
The conditional grants contained in the CARA, 2018 are shown in Table 3.96.

3.34.2 Revenue Analysis

During the first nine months of FY 2018/19, the County received Kshs.2.79 billion as equitable share of the revenue raised nationally, Kshs.219.51 million as total conditional grants, raised Kshs.120.30 million from own-sources of revenue, and had a cash balance of Kshs.1.31 billion from FY 2017/18 composed of Kshs.1.01 billion from normal operations and Kshs.308.95 million from conditional grants. The total funds available for budget implementation amounted to Kshs.4.45 billion.

Figure 3.134 shows the trend in own-sources of revenue collection for the first nine months from FY 2013/14 to FY 2018/19.

Figure 3.134: Nyamira County, Trend in Own Sources of Revenue Collection for the First Nine Months from FY 2013/14 to FY 2018/19



Source: Nyamira County Treasury

The County generated a total of Kshs.120.30 million from own-sources of revenue during the first nine months of FY 2018/19. This amount represented an increase of Kshs.51.07 million compared to that realised during a similar period of the FY 2017/18 and represented 47.1 per cent of the annual target.

3.34.3 Conditional Grants

The County received Kshs.219.51 million and had Kshs.308.95 million brought forward from FY 2017/18 as conditional grants in the first nine months of the financial year 2018/19 as shown in Table 3.96 .

Table 3.96: Nyamira County, Conditional Grants/Loans Received in the First Nine Months of FY 2018/19

S/No	Grants/Loans	Annual Allocation, per CARA, 2018 (Kshs)	Annual Budget Allocation for FY 2018/19 (Kshs)	Actual receipts in the First Nine Months of FY 2018/19 (in Kshs.)	Actual Receipts as Percentage of Annual Allocation (%)
A	Grants/Loans Contained in CARA, 2018				
1.	IDA (World Bank) -Kenya Urban Support Project (KUSP)	114,705,300	114,705,300	114,705,300	100
2.	Road Maintenance Fuel Levy Fund	125,663,667	280,428,779	62,831,834	22.4
3.	Transforming Health Systems for Universal Care Project (World Bank)	50,000,000	52,333,098	19,263,344	36.8
4.	DANIDA - Universal Healthcare in Devolved System Programme	15,491,250	15,491,250	15,491,250	100
5.	Compensation for User Fee Foregone	13,175,221	13,175,221	-	-
6.	IDA (World Bank) -National Agricultural and Rural Inclusive Growth Project (NARIGP)	140,435,163	193,582,663	-	-
7.	Rehabilitation of Village Polytechnics	52,915,000	136,619,140	-	-

S/No	Grants/Loans	Annual Allocation, per CARA, 2018 (Kshs)	Annual Budget Allocation for FY 2018/19 (Kshs)	Actual receipts in the First Nine Months of FY 2018/19 (in Kshs.)	Actual Receipts as Percentage of Annual Allocation (%)
8.	IDA (World Bank) Kenya Devolution Support Programme "Level 1 grant"	42,383,765	57,383,765	-	-
9.	Sweden - Agriculture Sector Development Support Programme (ASDSP) II + Bal C/F in FY 2017/18	19,827,574	-	7,218,777	-
10.	Leasing of Medical Equipment	200,000,000	-	-	-
11.	IDA (World Bank) credit: Kenya Urban Support Project (KUSP) - Urban Institutional Grants (UIG) + Bal C/F in FY 2017/18	41,200,000	-	-	-
Grand Total		815,796,940	863,719,216	219,510,505	25.4

Source: Nyamira County Treasury

Analysis of revenue from conditional grants indicates that, the County received funds full allocation from IDA (World Bank) for Kenya Urban Support Project (KUSP) and DANIDA for Universal Healthcare in Devolved System Programme.

3.34.4 Exchequer Issues

To finance the budget, the Controller of Budget approved the withdrawal of Kshs3.76 billion from the County Revenue Fund Account. The withdrawals represented 54.5 per cent of the Approved Budget and translated to an increase of 26.9 per cent from Kshs.2.96 billion approved in the first nine months of FY 2017/18 and comprised of Kshs.3.22 billion (85.7 per cent) to fund recurrent expenditure and Kshs.535.88 million (14.3 per cent) for development activities.

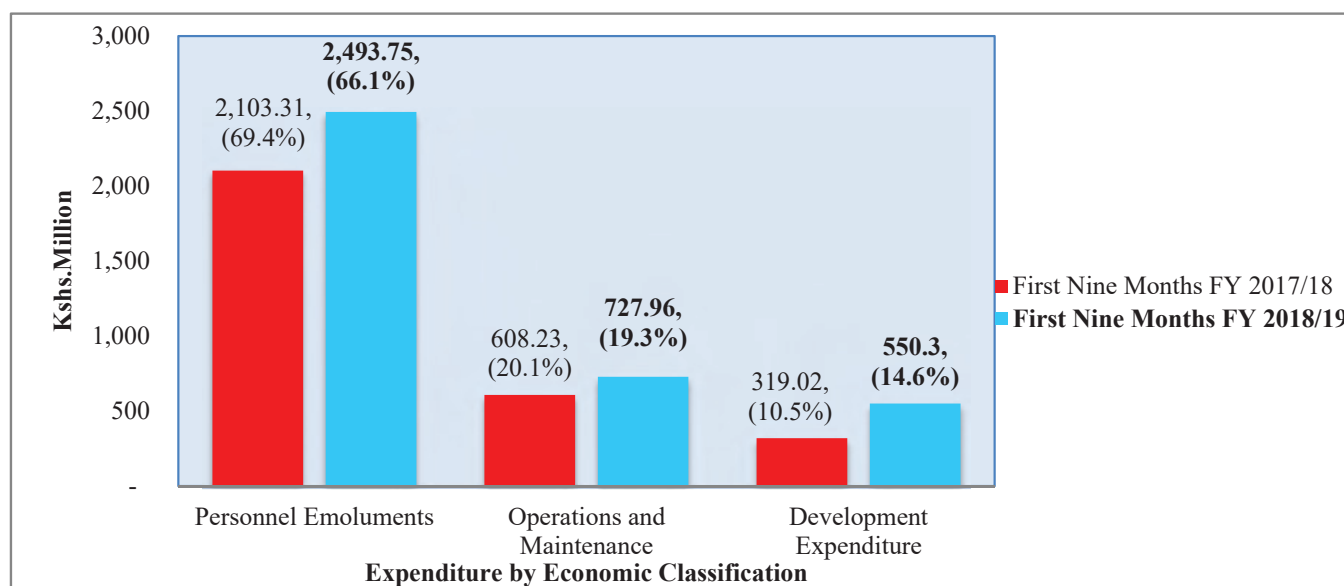
3.34.5 Overall Expenditure Review

The County spent a total of Kshs.3.77 billion on recurrent and development activities. This expenditure represented 100.4 per cent of the total funds released from the County Revenue Fund Account and was an increase of 24.5 per cent from Kshs.3.03 billion spent in the first nine months of FY 2017/18. The expenditure excluded outstanding commitments as at March 31, 2019 which amounted to Kshs.817.02 million for development activities and Kshs.193.89 million for recurrent expenditure.

Expenditure on recurrent activities amounted to Kshs.3.22 billion while Kshs.550.30 million was spent on development activities. The recurrent expenditure was 100.0 per cent of the funds released for recurrent activities, while development expenditure was 102.7 per cent of funds released for development activities. The development expenditure exceeded the amount released for development activities because, at the end of the last financial year, the County did not refund money held in special purpose accounts to the County Revenue Fund. This amount was utilised in the current financial year and has been included in the Supplementary Budget.

The recurrent expenditure represented 68.7 per cent of the annual recurrent budget, an increase from 65.3 per cent recorded in the first nine months of FY 2017/18. Development expenditure recorded an absorption rate of 24.9 per cent, which was an increase from 18.6 per cent attained in the first nine months of FY 2017/18. Figure 3.135 presents a comparison between the total expenditure in the first nine months of FY 2018/19 and a similar period in FY 2017/18.

Figure 3.135: Nyamira County, Expenditure by Economic Classification



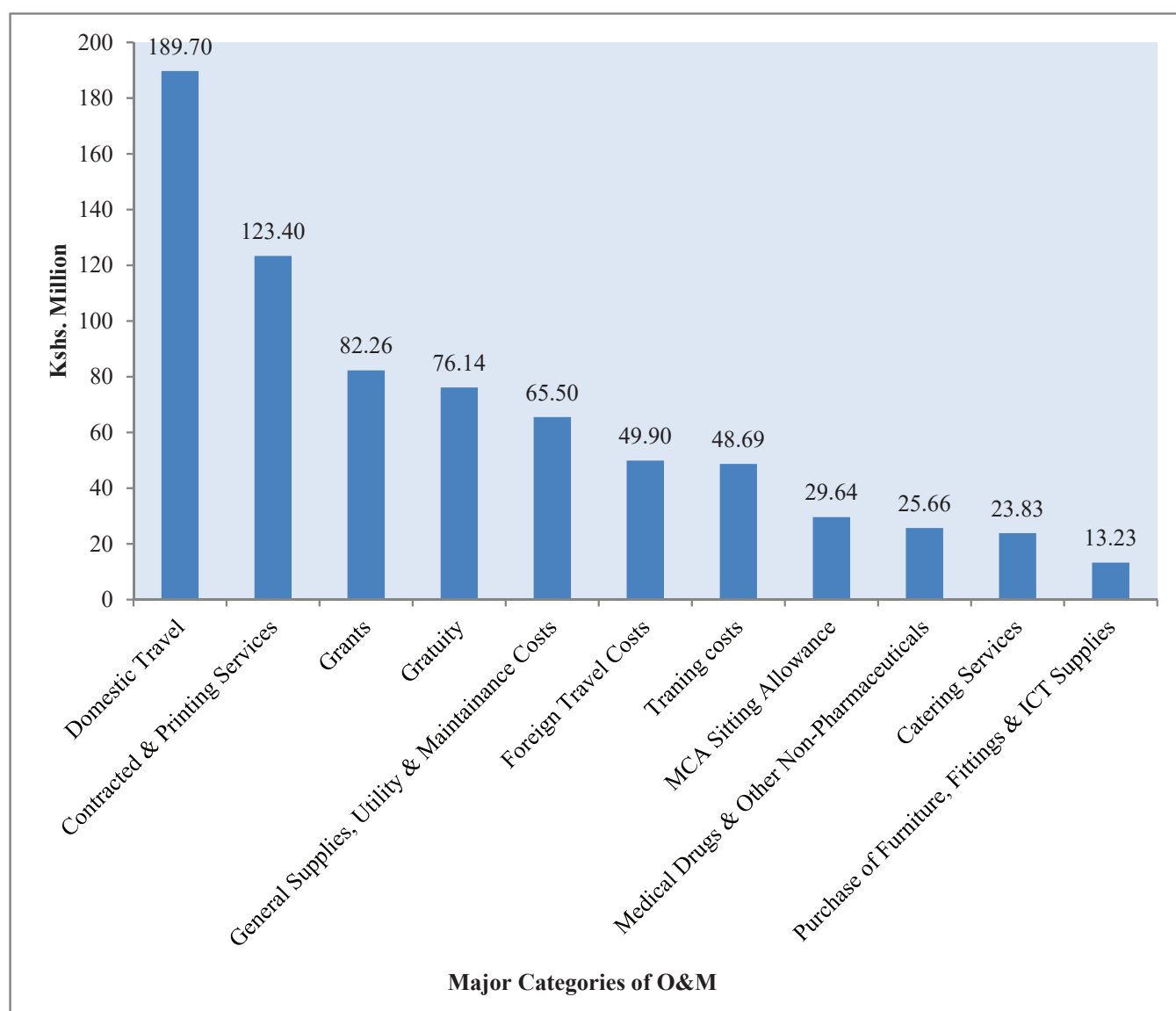
Source: Nyamira County Treasury

3.34.6 Analysis of Recurrent Expenditure

The total recurrent expenditure of Kshs.3.22 billion comprised of Kshs.2.49 billion (77.4 per cent) incurred on personnel emoluments and Kshs.727.96 million (22.6 per cent) on operations and maintenance as shown in Figure 3.135.

Expenditure on personnel emoluments represented an increase of 18.6 per cent compared to a similar period of FY 2017/18 when the County spent Kshs.2.10 billion and was 66.1 per cent of total expenditure in the first nine months of FY 2018/19. Figure 3.136 shows a summary of operations and maintenance expenditure by major categories.

Figure 3.136: Nyamira County, Operations and Maintenance Expenditure by Major Categories in the First Nine Months of FY 2018/19



Source: Nyamira County Treasury

The County spent Kshs.29.64 million on committee sitting allowances for the 37 MCAs and the speaker against the annual budget allocation of Kshs.66.64 million. This represented an increase of 121.2 per cent compared to Kshs.13.34 million spent in a similar period of FY 2017/18. The average monthly sitting allowance translated to Kshs.89,008 per MCA against the SRC's recommended monthly ceiling of Kshs.124,800.

Expenditure on domestic travel amounted to Kshs.189.70 million and comprised of Kshs.90.44 million spent by the County Assembly and Kshs.99.25 million spent by the County Executive. This represented 5.9 per cent of total recurrent expenditure and was a decrease of 7.5 per cent compared to Kshs.205.10 million spent in the first nine months of FY 2017/18.

3.34.7 Development Expenditure

The total development expenditure of Kshs.550.30 million represented 24.9 per cent of the annual development expenditure budget of Kshs.2.21 billion. Table 3.97 provides a summary of development projects with the highest expenditure in the first nine months of the financial year.

Table 3.97: Nyamira County, List of Development Projects with the Highest Expenditure in First Nine Months of FY 2018/19

S/No.	Project Name	Project Location	Annual Project Budget (Kshs.)	Expenditure in First Nine Months (Kshs.)	Absorption Rate (%)
1	Construction of Amenity Block with the Doctor's Plaza at Nyamira Referral (Female and Male Wards)	Nyamira Town	126,000,000	6,259,890	5
2	Hire of Equipment & Mechanical Services from the Mechanical Transport Fund for road construction across the County	County Wide	73,955,911	73,955,911	100
3	Youth Polytechnic Education Support Programme In Collaboration With The Ministry Of Education (National Government)	County Wide	52,915,950	25,410,000	48
4	Construction of Car Parking Lots between Public Works Offices and Co-operative Bank in Nyamira Township	Nyamira Town	29,267,022	8,287,821	28
5	Delivery, Installation, Testing & Commissioning of Medical Oxygen Generating Plant at Nyamira County Referral Hospital	Nyamira Town	26,000,000	26,000,000	100
6	Road works within the County with County Machinery and Mechanical Transport Fund (MTF)	County Wide	13,266,472	8,877,900	67
7	Civil Works for the Construction and Completion of Nyambaria I Water Supply	Magombo Ward	13,215,000	11,252,805	85
8	Construction of Car Parking Lots Between Nyamira County Referral Hospital and Huduma Centre- Nyamira Town	Nyamira Town	13,000,000	7,800,000	60
9	Delivery, Installation, Testing and Commissioning of Laboratory, Medical and Dental Equipment at the Nyamira Referral Hospital	Nyamira Town	6,816,800	6,816,800	100
10	Manufacture of Concrete Pipe Culverts for Installation and Civil Works within the County	County Wide	6,200,000	6,149,905	99
11	Improvement of roads network in Tea growing areas around Kebirigo Tea Factory.	Kebirigo	5,810,727	5,810,727	100

Source: Nyamira County Treasury

3.34.8 Budget Performance by County Department

Table 3.98 shows a summary of the approved budget allocation and performance by department in the first nine months of FY 2018/19.

Table 3.98: Nyamira County, Budget Performance by Department

Department	Annual Budget Allocation in FY 2018/19 (Kshs. Million)		Exchequer Issues in First Nine Months of FY 2018/19 (Kshs. Million)		Expenditure in First Nine Months of FY 2018/19 (Kshs. Million)		Expenditure to Exchequer Issues (%)		Absorption Rate (%)	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
County Assembly	587.43	200	443.99	13.18	413.09	13.18	93.0	100	70.3	6.6
County Executive	448.26	-	311.30	-	264.82	-	85.1	-	59.1	-
Finance and Economic Planning.	389.24	60.85	273.35	-	258.73	1.57	94.7	-	66.5	2.6
Agriculture, Livestock and Fisheries	188.95	216.56	137.04	22.16	167.29	33.29	122.1	150.2	88.5	15.4

Department	Annual Budget Allocation in FY 2018/19 (Kshs. Million)		Exchequer Issues in First Nine Months of FY 2018/19 (Kshs. Million)		Expenditure in First Nine Months of FY 2018/19 (Kshs. Million)		Expenditure to Exchequer Issues (%)		Absorption Rate (%)	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
Environment, Water, Natural Resources, Mining & Energy	135.05	223.52	85.97	45.90	85.98	49.13	100.0	107.0	63.7	22.0
Education & Youth Empowerment	506.27	296.83	272.70	20.01	293.79	61.55	107.7	307.6	58.0	20.7
Health Services	1,718.47	267.50	1,195.10	49.94	1,234.38	86.97	103.3	174.1	71.8	32.5
Land, Housing and Physical Planning	86.57	197.61	62.89	137.83	63.93	23.65	101.7	17.2	73.9	12.0
Roads , Transport, & Public Works	124.17	596.47	89.25	230.72	80.46	259.45	90.1	112.5	64.8	43.5
Trade, Tourism, Industrialisation & Cooperatives Development	59.78	87	42.49	11.39	38.99	13.54	91.8	118.9	65.2	15.6
Sports, Gender, Culture and Social services	76.68	57.85	43.49	4.75	38.44	7.97	88.4	167.8	50.1	13.8
County Public Service Board	59.23	-	43.98	-	41.46	-	94.3	-	70	-
Public Service Management	310.55	3.20	219.51	-	240.36	-	109.5	-	77.4	-
Total	4,690.66	2,207.38	3,221.05	535.88	3,221.71	550.30	100.0	102.7	68.7	24.9

Source: Nyamira County Treasury

Analysis of expenditure by department shows that the Department of Roads, Transport & Public Works recorded the highest absorption rate of development budget at 43.5 per cent while the Department of Public Service Management did not incur any development expenditure. The Department of Agriculture, Livestock & Fisheries had the highest percentage of recurrent expenditure to recurrent budget at 88.5 per cent while the Department of Sports, Gender, Culture and Social Services had the lowest at 50.1 per cent.

3.3.4.9 Key Observations and Recommendations

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

- Improvement in the performance of own-sources of revenue by 73.8 per cent when compared to Kshs.69.24 million realised during the same period of FY 2017/18 and represented 47.1 per cent of the annual target.
- Timely submission of budgetary returns to the Office of the Controller of Budget by the County Treasury in line with Section 166 of the PFM Act, 2012.

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

- Delay in disbursement of the equitable share of revenue raised nationally by the National Treasury to the County.
- The County's wage bill remained high at 66.1 per cent of total expenditure during the reporting period, and increased by 18.6 per cent, from Kshs.2.10 billion spent in first nine months of FY 2017/18 to Kshs.2.49 billion in the reporting period.
- Failure to budget for all conditional grants as provided for in the CARA, 2018.
- Low absorption of development budget which was 24.9 per cent against the expected absorption rate of 75 per cent in the first nine months of the FY 2018/19.

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

1. *The County should liaise with the National Treasury to ensure that funds allocated to the County are released in a timely manner.*
2. *The County Public Service Board should establish an optimal staffing structure.*
3. *The County should prepare a Supplementary Budget to align conditional grants to the CARA, 2018*
4. *The County should prioritise implementation of development projects.*

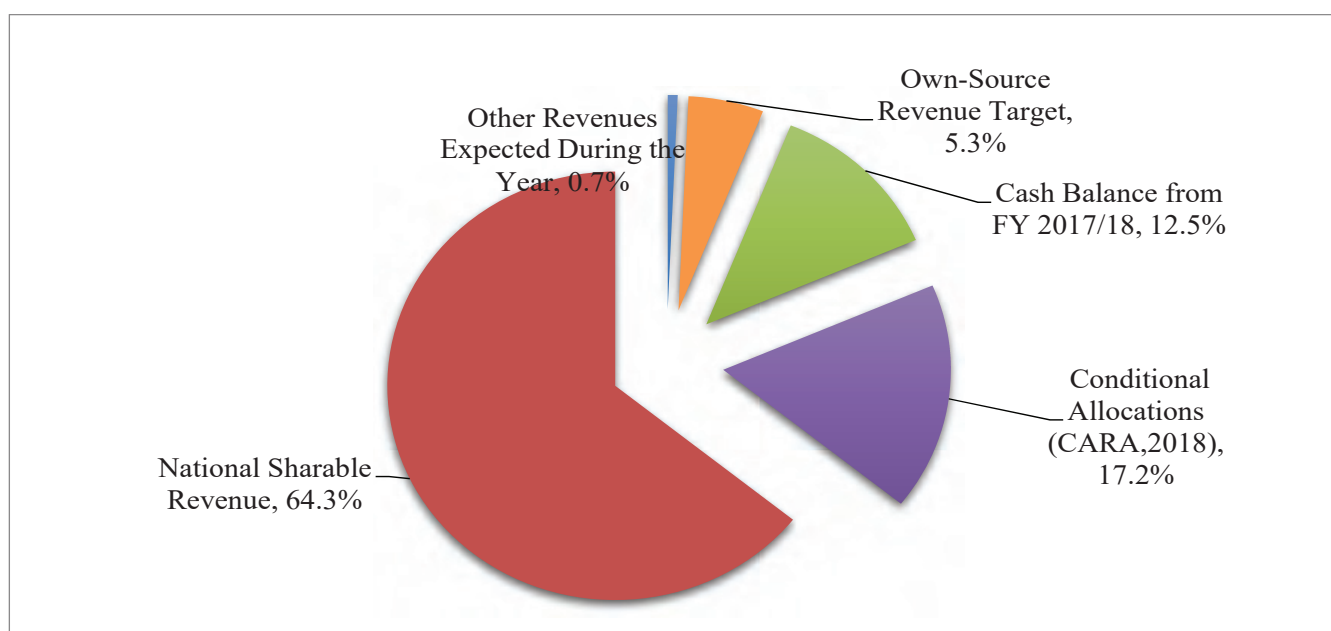
3.35 Nyandarua County

3.35.1 Overview of the FY 2018/19 Budget

The County's FY 2018/19 Approved Supplementary Budget is Kshs.7.67 billion, comprising of Kshs.4.48 billion (58.4 per cent) and Kshs.3.19 billion (41.6 per cent) allocation for recurrent and development expenditure respectively.

To finance the budget, the County expects to receive Kshs.4.93 billion (64.3 per cent) as equitable share of revenue raised nationally, Kshs.1.32 billion (17.2 per cent) as total conditional grants, generate Kshs.410 million (5.3 per cent) from own-sources of revenue, Kshs.51.27 million (0.7 per cent) as other expected revenue and Kshs.959.84 million (12.5 per cent) cash balance from FY 2017/18.

Figure 3.137: Nyandarua County, Expected Sources of Budget Financing in FY 2018/19



Source: Nyandarua County Treasury

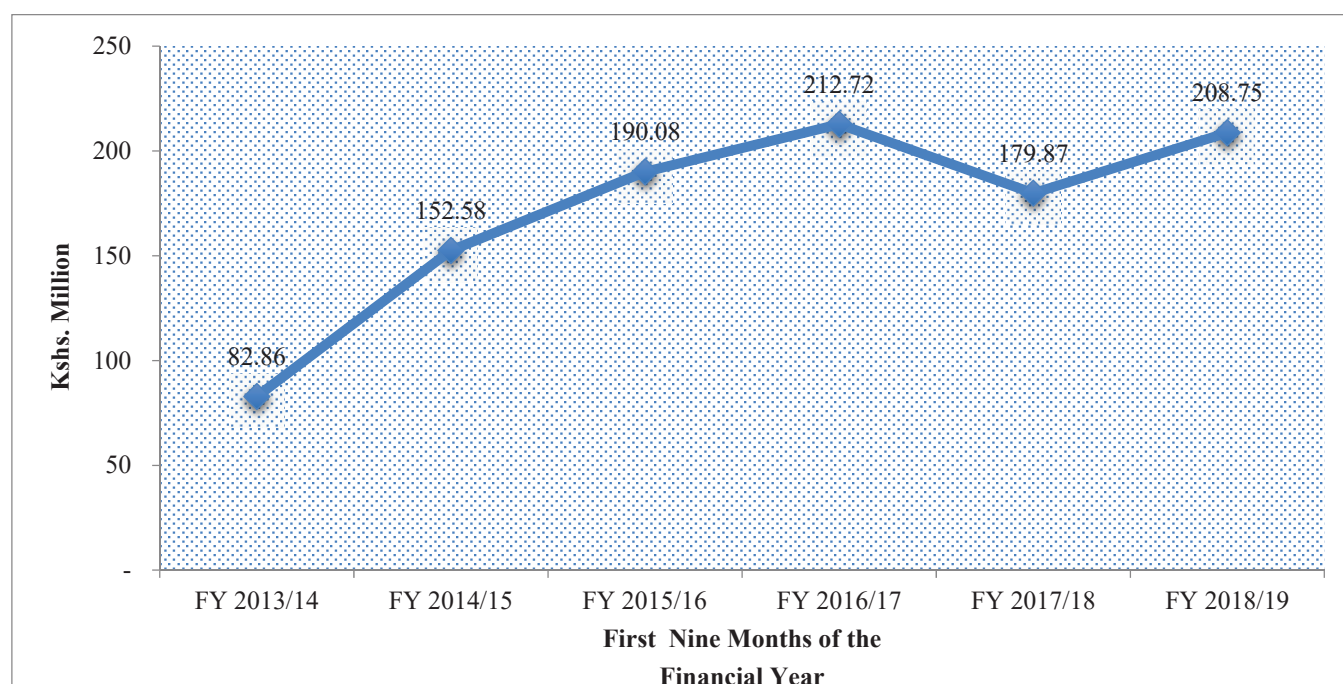
The conditional grants contained in the CARA, 2018 are shown in Table 3.99.

3.35.2 Revenue Analysis

During the first nine months of FY 2018/19, the County received Kshs.2.89 billion as equitable share of the revenue raised nationally, Kshs.657.89 million as total conditional grants, raised Kshs.208.75 million from own-sources of revenue, and had a cash balance of Kshs.959.84 million from FY 2017/18. The total funds available for budget implementation amounted to Kshs.4.71 billion.

Figure 3.138 shows the trend in own-sources of revenue collection for the first nine months from FY 2013/14 to FY 2018/19.

Figure 3.138: Nyandarua County, Trend in Own Sources of Revenue Collection for the First Nine Months from FY 2013/14 to FY 2018/19



Source: Nyandarua County Treasury

The County generated a total of Kshs.208.75 million from own revenue sources during the first nine months of FY 2018/19. This amount represented an increase of 16.1 per cent from Kshs.179.87 million realised during a similar period of the FY 2017/18 and represented 50.9 per cent of the annual target.

3.35.3 Conditional Grants

The County received Kshs.657.89 million as conditional grants in the first nine months of the financial year 2018/19 as shown in Table 3.99.

Table 3.99: Nyandarua County, Conditional Grants/Loans Received in the First Nine Months of FY 2018/19

S/No	Grants	Annual CARA, 2018 Allocation (in Kshs)	Annual Budget Allocation (in Kshs)	Actual Receipts in First Nine Months of FY 2018/19 (in Kshs.)	Actual Receipts as Percentage of Annual Allocation (%)
1.	Road Maintenance Fuel Levy	129,797,341	129,797,341	64,898,671	50
2.	Transforming Health Systems for Universal Care Project (World Bank)	50,000,000	50,000,000	17,501,836	35
3.	IDA (World Bank) -Kenya Climate Smart Agriculture Project (KCSAP)	117,000,000	117,000,000	37,877,017	32.4
4.	IDA (World Bank) -Kenya Urban Support Project (KUSP)	135,543,400	135,543,400	135,543,400	100
5.	DANIDA - Universal Healthcare in Devolved System Programme	15,997,500	15,997,500	7,998,750	50
6.	EU Grant- Instruments for Devolution Advice and Support- IDEAS)	45,000,000	78,766,766	78,775,576	100
7.	Kenya Devolution Support Programme “Level 2 grant” Bal C/F in FY 2017/18	-	282,647,811	282,647,811	100
8.	Road Maintenance Fuel Levy Bal C/F in FY 2017/18	-	32,641,949	32,641,949	100

S/No	Grants	Annual CARA, 2018 Allocation (in Kshs)	Annual Budget Allocation (in Kshs)	Actual Receipts in First Nine Months of FY 2018/19 (in Kshs.)	Actual Receipts as Percentage of Annual Allocation (%)
Total		493,338,241	842,394,767	657,885,010	78.1

Source: Nyandarua County Treasury

Analysis of revenue from conditional grants indicates that, the County received full allocation from the EU-Instruments for Devolution Advice and Support- (IDEAS) and IDA (World Bank) -Kenya Urban Support Project (KUSP).

3.35.4 Exchequer Issues

To finance the budget, the Controller of Budget approved the withdrawal of Kshs.3.25 billion from the County Revenue Fund Account. The withdrawals represented 42.4 per cent of the Approved Budget and translated to an increase of 37.2 per cent from Kshs.2.37 billion approved in the first nine months of FY 2017/18 and comprised of Kshs.2.75 billion (84.6 per cent) to fund recurrent expenditure and Kshs.501.54 million (15.4 per cent) for development activities.

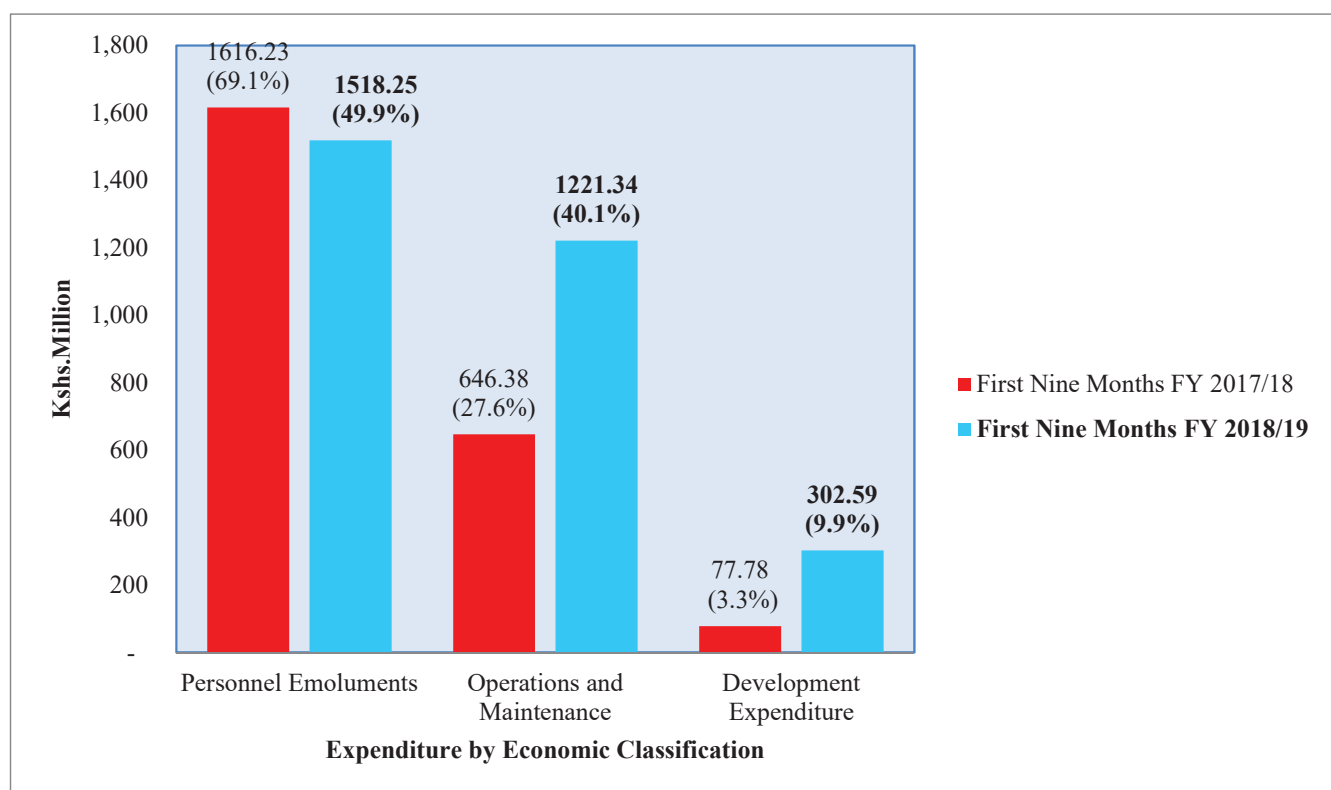
3.35.5 Overall Expenditure Review

The County spent a total of Kshs.3.04 billion on recurrent and development activities. This expenditure represented 93.7 per cent of the total funds released from the County Revenue Fund Account and was an increase of 30 per cent from Kshs.2.34 billion spent in the first nine months of FY 2017/18. The expenditure excluded outstanding commitments as at March 31, 2019 which amounted to Kshs.1.10 billion for development activities and Kshs.298.24 million for recurrent expenditure.

Expenditure on recurrent activities amounted to Kshs.2.74 billion while Kshs.302.59 million was spent on development activities. The recurrent expenditure was 99.7 per cent of the funds released for recurrent activities, while development expenditure was 60.3 per cent of funds released for development activities.

The recurrent expenditure represented 61.2 per cent of the annual recurrent budget, an increase from 55.7 per cent recorded in the first nine months of FY 2017/18. Development expenditure recorded an absorption rate of 9.5 per cent, which was an increase from 3.8 per cent attained in the first nine months of FY 2017/18. Figure 3.139 presents a comparison between the total expenditure in the first nine months of FY 2018/19 and a similar period in FY 2017/18.

Figure 3.139: Nyandarua County, Expenditure by Economic Classification



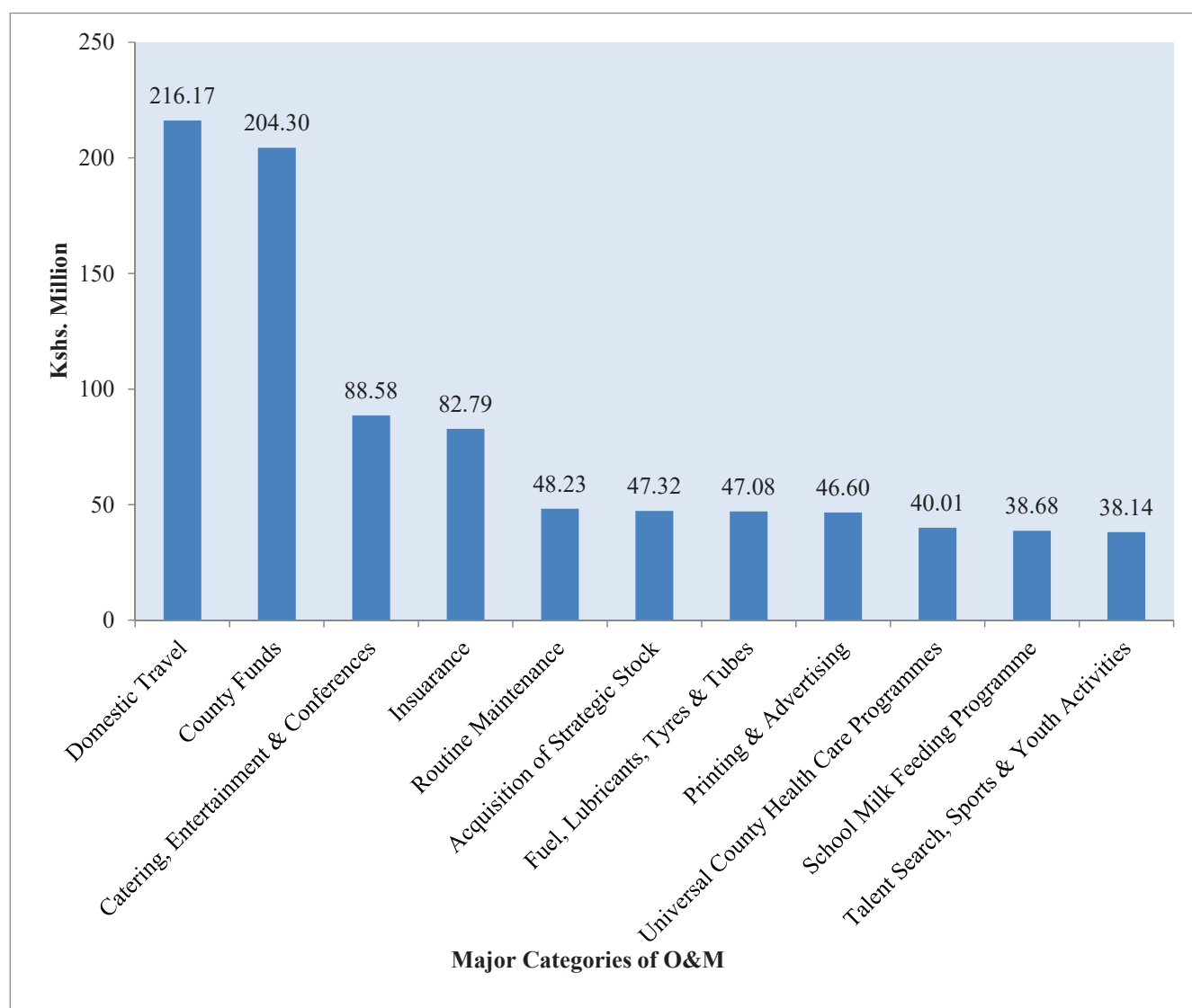
Source: Nyandarua County Treasury

3.35.6 Analysis of Recurrent Expenditure

The total recurrent expenditure of Kshs.2.74 billion comprised of Kshs.1.52 billion (55.4 per cent) incurred on personnel emoluments and Kshs.1.22 billion (44.6 per cent) on operations and maintenance as shown in Figure 3.139.

Expenditure on personnel emoluments represented a decrease of 6.1 per cent compared to a similar period of FY 2017/18 when the County spent Kshs.1.62 billion and was 49.9 per cent of total expenditure in the first nine months of FY 2018/19. Figure 3.140 shows a summary of operations and maintenance expenditure by major categories.

Figure 3.140: Nyandarua County, Operations and Maintenance Expenditure by Major Categories in the First Nine Months of FY 2018/19



Source: Nyandarua County Treasury

The County spent Kshs.23.49 million on committee sitting allowances for the 40 MCAs and the speaker against the annual budget allocation of Kshs.57.22 million. This represented an increase of 119.4 per cent compared to Kshs.10.7 million spent in a similar period of FY 2017/18. The average monthly sitting allowance translated to Kshs.65,251 per MCA against the SRC's recommended monthly ceiling of Kshs.124,800.

Expenditure on domestic and foreign travel amounted to Kshs.234.58 million and comprised of Kshs.92.48 million spent by the County Assembly and Kshs.142.1 million spent by the County Executive. This represented 9.6 per cent of total recurrent expenditure and was an increase of 200 per cent compared to Kshs.108.03 million spent in the first nine months of FY 2017/18.

3.35.7 Development Expenditure

The total development expenditure of Kshs.302.59 million represented 9.5 per cent of the annual development expenditure budget of Kshs.3.19 billion. Table 3.100 provides a summary of development projects with the highest expenditure in the first nine months of the financial year.

Table 3.100: Nyandarua County, List of Development Projects with the Highest Expenditure in First Nine Months of FY 2018/19

S/No.	Project Name	Project Location	Project Budget (Kshs.)	Project Expenditure in First Nine Months of FY 2018/19 (Kshs.)	Absorption Rate (%)
1	Construction of Office Block	Ol-Kalou	186,100,000	31,010,735	16.7
2	Completion of Speakers Residence	Rurii	10,000,000	10,000,000	100.0
3	Olkalou Drainage Systems and Parking Lot	Ol-Kalou	6,654,340	6,654,340	100.0
4	Rironi-Wanjohi Road	Wanjohi	6,547,110	6,547,110	100.0
5	Silibwet Nursery-Mungetho (Boiman-Huhoini) Road	Gathanji	6,188,079	6,188,078	100.0
6	Construction of Lands Office	Ol-Kalou	20,000,000	5,714,862	28.6
7	Construction of Kanguu Dispensary Gatimu	Gatimu	10,000,000	4,869,148	48.7
8	Improvement of a temporary wooden bridge (Number 3 Bridge)	Geta	5,000,000	4,000,000	80.0
9	Fr.Joseph Baldo Pry-Kitiri Road	North Kinangop	3,997,604	3,997,604	100.0
10	Ndunyu Njeru-Kahuruko (Muhutii) Road	North Kinangop	3,994,559	3,994,559	100.0
11	Olkalou-Quarry-Mumbi Road	Ol-Kalou	3,994,518	3,994,518	100.0

Source: Nyandarua County Treasury

3.35.8 Budget Performance by County Department

Table 3.3 shows a summary of the approved budget allocation and performance by department in the first nine months of FY 2018/19.

Table 3.101: Nyandarua County, Budget Performance by Department

Department	Budget Allocation (Kshs. Million)		Exchequer Issues in First Nine Months of FY 2018/19 (Kshs. Million)		Expenditure in First Nine Months of FY 2018/19 (Kshs. Million)		Expenditure to Exchequer Issues (%)		Absorption Rate (%)	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
Transport, Energy & Public Works	74.89	1,130.25	54.47	205.36	46.88	233.85	86.1	113.9	62.6	20.7
Agriculture Livestock & Fisheries	126.45	282.37	40.70	93.16	48.44	3.70	119.0	4.0	38.3	1.3
County Assembly	643.47	196.10	466.63	41.83	466.63	41.01	100.0	98.0	72.5	20.9
County Attorney	14.87	1.76	4.48	-	13.92	-	311.0	-	93.6	-
County Public Service Board	11.49	-	8.69	-	7.96	-	91.6	-	69.3	-
Education, Gender, Youth, Culture and Social Services	95.20	186.76	41.96	2.13	66.75	2.13	159.1	100	70.1	1.1
Finance & Economic Development	532.14	10.00	355.81	-	385.70	-	108.4	-	72.5	-
Governor's Office & Service Delivery	172.48	9.09	105.80	-	116.10	-	109.7	-	67.3	-
Health Services	597.17	188.04	185.83	4.87	113.02	4.87	60.8	100.0	18.9	2.6

Department	Budget Allocation (Kshs. Million)		Exchequer Issues in First Nine Months of FY 2018/19 (Kshs. Million)		Expenditure in First Nine Months of FY 2018/19 (Kshs. Million)		Expenditure to Exchequer Issues (%)		Absorption Rate (%)	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
Industrialization Cooperatives, Trade & Enterprise Development	42.78	453.63	17.84	7.34	19.02	0.68	106.6	9.2	44.5	0.1
Lands, Housing & Physical Planning	68.34	315.54	18.19	141.26	18.92	15.27	104.0	10.8	27.7	4.8
Public Administration & ICT	54.37	2.50	25.33	1.00	26.24	-	103.6	-	48.3	-
The County Secretary	1,937.63	-	1,354.64	-	1,325.55	-	97.9	-	68.4	-
Water, Environment, Tourism & Natural resources	63.91	344.65	34.29	3.50	49.54	-	144.5	-	77.5	-
Youth, Sports and Arts	43.58	70.08	32.07	1.10	34.92	1.10	108.9	99.9	80.1	1.6
TOTAL	4,478.77	3,190.76	2,746.73	501.54	2,739.60	302.59	99.7	60.3	61.2	9.5

Source: Nyandarua County Treasury

Analysis of expenditure by department shows that the County Assembly recorded the highest absorption rate of development budget at 20.9 per cent while the County Attorney, Finance and Economic Development, Governor's Office, Public Administration and ICT, Water Tourism and Natural Resources departments did not incur any development expenditure. The Office of the County Attorney had the highest percentage of recurrent expenditure to its recurrent budget at 93.6 per cent while the Health Services had the lowest at 18.9 per cent.

3.35.9 Key Observations and Recommendations

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

- Improvement in own-source revenue collection by 13.8 per cent compared to the same period in FY 2017/18.

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

- Delay in disbursement of the equitable share of revenue raised nationally by the National Treasury
- Low absorption of development funds. The County recorded an absorption rate of 9.5 per cent against the expected threshold of 75 per cent in the period under review.
- High expenditure on non-core expenditure such as domestic and foreign travel which increased by 200 per cent from Kshs.92.48 million compared to Kshs.108.03 million spent in the first nine months of FY 2017/18.

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

- The County Treasury should liaise with the National Treasury to ensure that funds allocated to the County are disbursed in a timely.*
- The County should come up with measures to improve the absorption of development funds.*
- The County leadership should rationalise expenditure on non-core activities so as to free funds for key county programmes.*

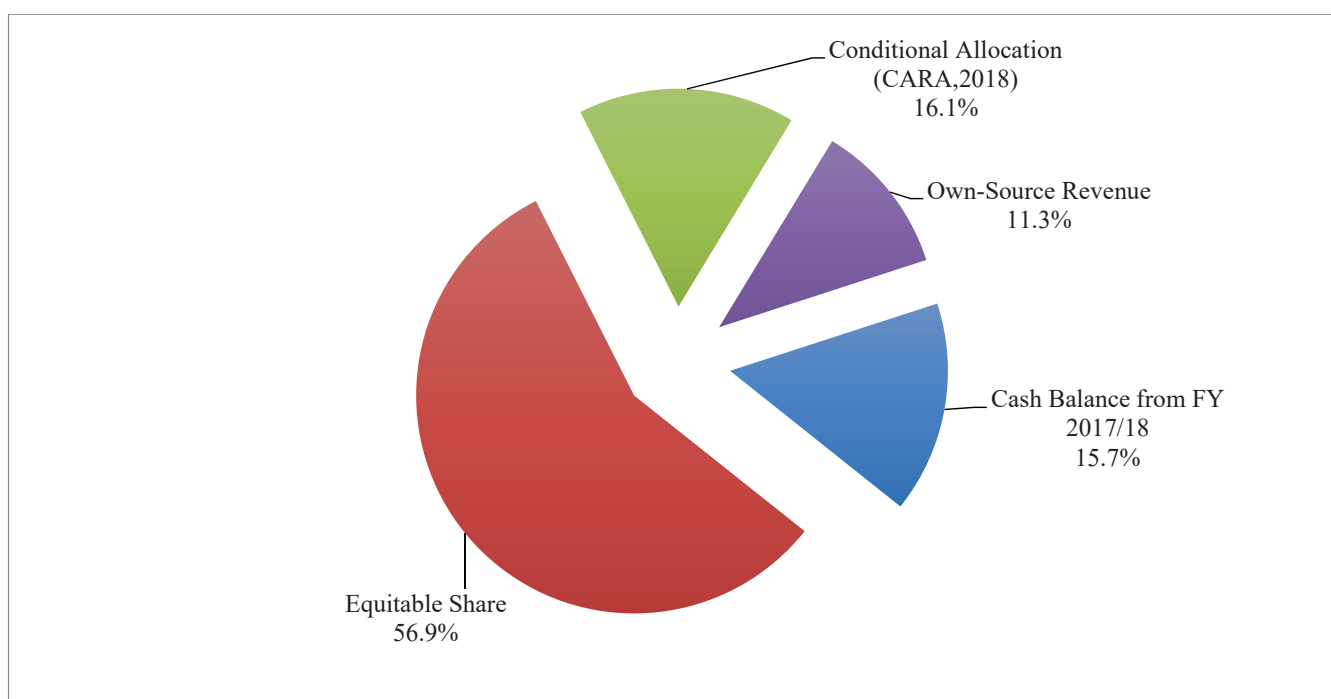
3.36 Nyeri County

3.36.1 Overview of the FY 2018/19 Budget

The County's FY 2018/19 Approved Budget was Kshs.8.84 billion, comprising of Kshs.5.98 billion (67.6 per cent) and Kshs.2.86 billion (32.4 per cent) allocation for recurrent and development expenditure respectively.

To finance the budget, the County expects to receive Kshs.5.02 billion (56.9 per cent) as equitable share of revenue raised nationally, Kshs.1.42 billion (16.1 per cent) as total conditional grants, generate Kshs.1.0 billion (11.3 per cent) from own-sources of revenue, and Kshs.1.39 billion (15.7 per cent) cash balance from FY 2017/18.

Figure 3.141: Nyeri County, Expected Sources of Budget Financing in FY 2018/19



Source: Nyeri County Treasury

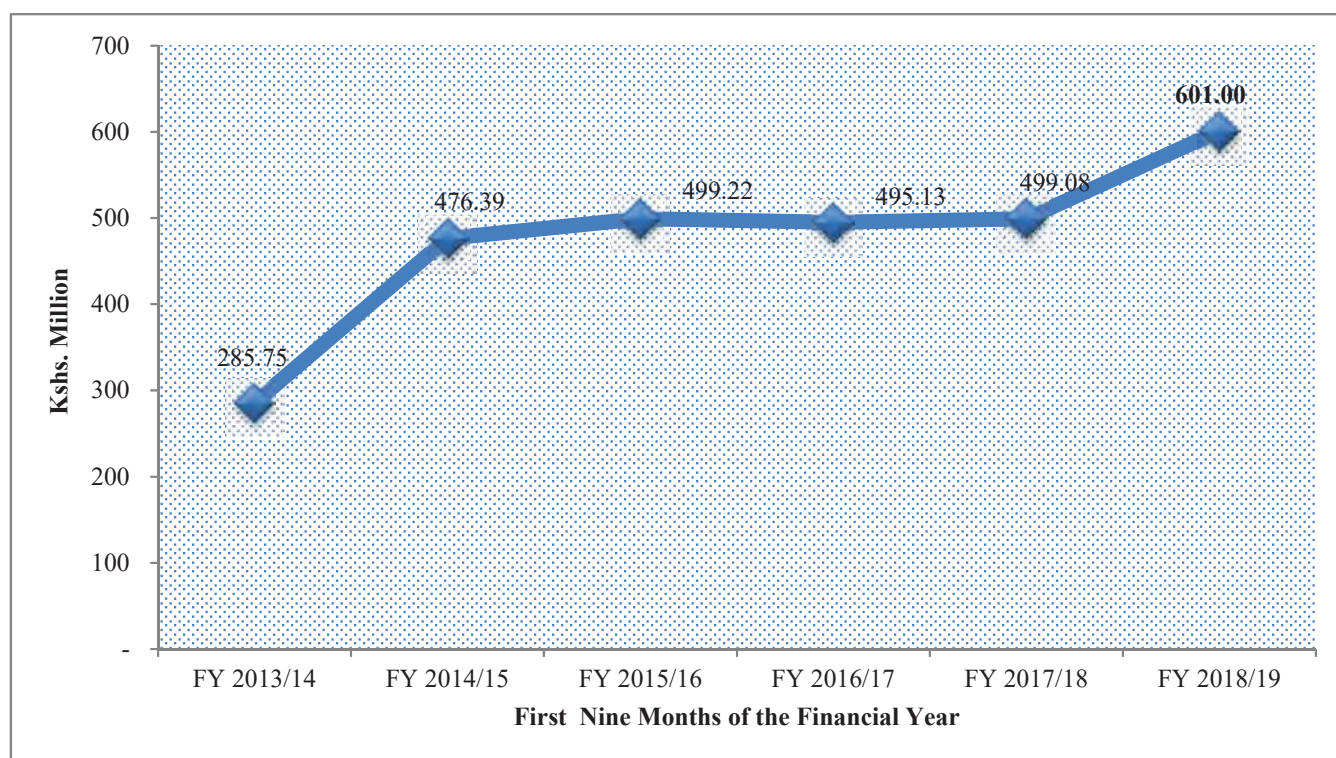
The conditional grants contained in the CARA, 2018 are shown in Table 3.102.

3.36.2 Revenue Analysis

During the first nine months of FY 2018/19, the County received Kshs.2.94 billion as equitable share of the revenue raised nationally, Kshs.704.97 million as total conditional grants, raised Kshs.600.99 million from own-sources of revenue, and had a cash balance of Kshs.1.39 billion from FY 2017/18. The total funds available for budget implementation amounted to Kshs.5.63 billion.

Figure 3.142 shows the trend in own-sources of revenue collection from the first nine months FY 2013/14 to the first nine months of FY 2018/19.

Figure 3.142: Nyeri County, Trend in Own Sources of Revenue Collection for the First Nine Months from FY 2013/14 to FY 2018/19



Source: Nyeri County Treasury

The County generated a total of Kshs.600.99 million from own revenue sources during the first nine months of FY 2018/19. This amount represented an increase of Kshs 101.92 million compared to that realised during a similar period of the FY 2017/18 and represented 60.1 per cent of the annual target.

3.36.3 Conditional Grants

The County received Kshs.704.97 million as conditional grants in the first nine months of the financial year as shown in Table 3.102.

Table 3.102: Nyeri County, Conditional Grants/Loans Received in the First Nine Months of FY 2018/19

S/No	Grants/Loans	Annual Allocation, per CARA, 2018 (Kshs)	Annual Budget Allocation for FY 2018/19 (Kshs)	Actual receipts in the First Nine Months of FY 2018/19 (in Kshs.)	Actual Receipts as Percentage of Annual Allocation (%)
1.	Grants to Level- 5 Hospital	407,861,272	407,861,272	199,852,023	49.0
2.	Compensation for User Fee Foregone	13,701,379	13,701,379	6,343,929	46.3
3.	Leasing of Medical Equipment	200,000,000	-	-	-
4.	Road Maintenance Fuel Levy Fund	132,277,544	132,277,544	99,858,022	75.5
5.	Rehabilitation of Village Polytechnics	28,795,000	28,795,000	-	-
6.	Transforming Health Systems for Universal Care Project (World Bank)	50,000,000	50,000,000	24,746,588	49.5
7.	IDA (World Bank) -Kenya Climate Smart Agriculture Project (KCSAP)	117,000,000	117,000,000	40,980,203	35

S/No	Grants/Loans	Annual Allocation, per CARA, 2018 (Kshs)	Annual Budget Allocation for FY 2018/19 (Kshs)	Actual receipts in the First Nine Months of FY 2018/19 (in Kshs.)	Actual Receipts as Percentage of Annual Allocation (%)
8.	IDA (World Bank) Kenya Devolution Support Programme "Level 1 grant"	43,740,998	43,740,998	-	-
9.	IDA (World Bank) -Kenya Urban Support Project (KUSP)	277,839,100	277,839,100	236,639,100	85.2
10.	DANIDA - Universal Healthcare in Devolved System Programme	16,605,000	16,605,000	16,605,000	100.0
11.	Sweden - Agriculture Sector Development Support Programme (ASDSP) II + Bal C/F in FY 2017/18	17,424,659	17,424,659	-	-
12.	Universal Health Care (UHC) -World Bank	319,788,780	319,788,780	79,947,195	25
	Total	1,625,033,732	1,425,033,732	704,972,059	49.5

Source: Nyeri County Treasury

Analysis of the revenue from conditional grants indicates that, the County received full allocation from the DANIDA for Universal Healthcare in Devolved System Programme.

3.36.4 Exchequer Issues

To finance the budget, the Controller of Budget approved the withdrawal of Kshs.4.87 billion from the County Revenue Fund Account. The withdrawals represented 55.2 per cent of the Approved Budget and translated to an increase of 35.6 per cent from Kshs.3.59 billion approved in the first nine months of FY 2017/18 and comprised of Kshs.3.97 billion (81.5 per cent) to fund recurrent expenditure and Kshs.900.39 million (18.5 per cent) for development activities.

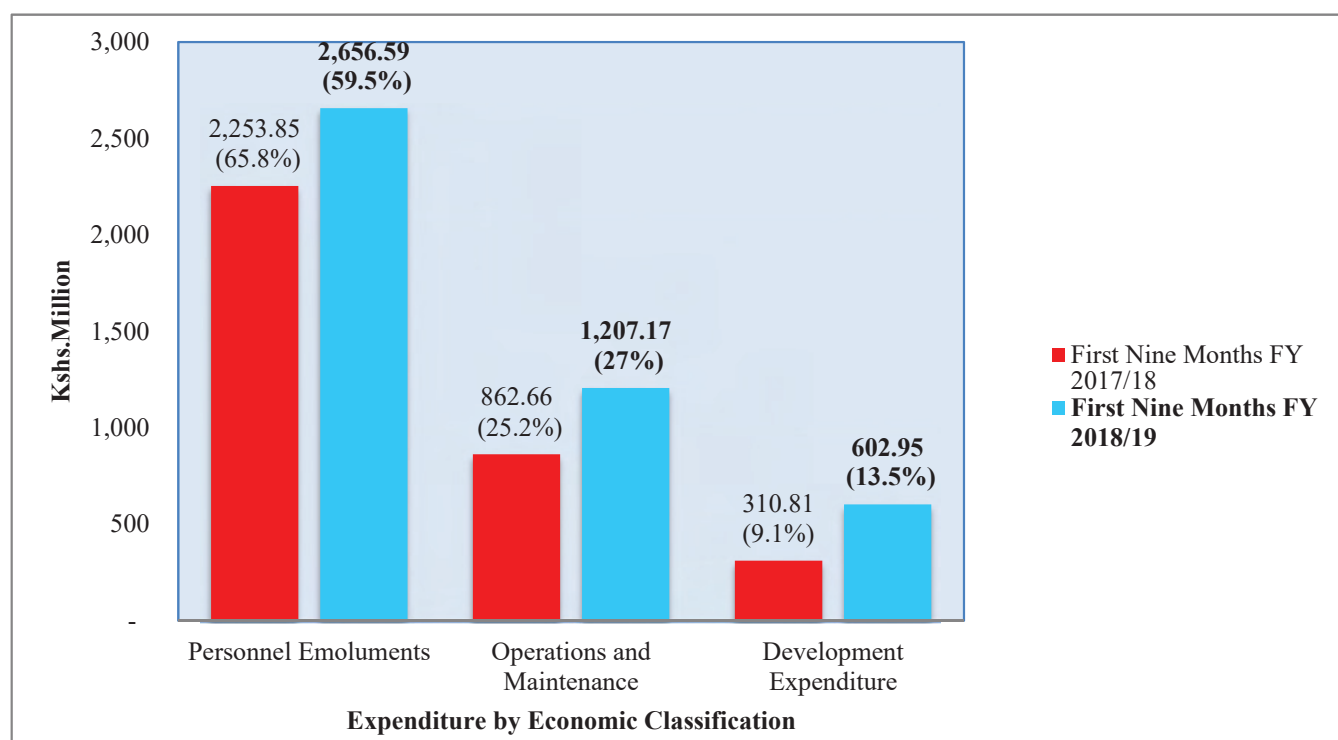
3.36.5 Overall Expenditure Review

The County spent a total of Kshs.4.47 billion on recurrent and development activities. This expenditure represented 91.6 per cent of the total funds released from the County Revenue Fund Account and was an increase of 30.3 per cent from Kshs.3.43 billion spent in the first nine months of FY 2017/18. The expenditure excluded outstanding commitments as at March 31, 2019 which amounted to Kshs.1.65 billion for development activities and Kshs.255.51 million for recurrent expenditure.

Expenditure on recurrent activities amounted to Kshs.3.86 billion while Kshs.602.95 million was spent on development activities. The recurrent expenditure was 97.2 per cent of the funds released for recurrent activities, while development expenditure was 67 per cent of funds released for development activities.

The recurrent expenditure represented 64.6 per cent of the annual recurrent budget, an increase from 56.6 per cent recorded in the first nine months of FY 2017/18. Development expenditure recorded an absorption rate of 21.1 per cent, which was an increase from 12.7 per cent attained in the first nine months of FY 2017/18. Figure 3.143 presents a comparison between the total expenditure in the first nine months of FY 2018/19 and a similar period in FY 2017/18.

Figure 3.143: Nyeri County, Expenditure by Economic Classification



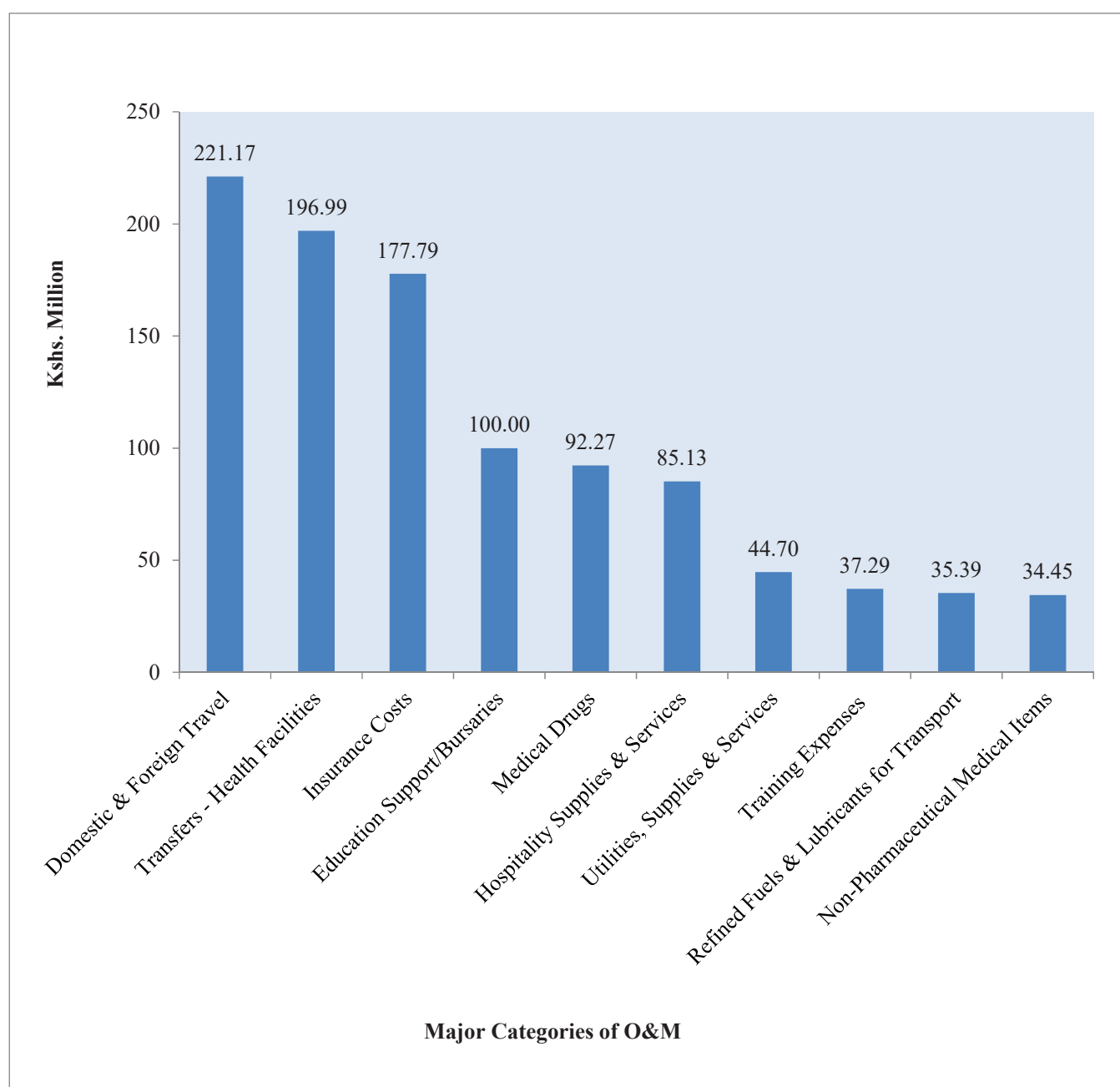
Source: Nyeri County Treasury

3.36.6 Analysis of Recurrent Expenditure

The total recurrent expenditure of Kshs.3.86 billion comprised of Kshs.2.65 billion (68.8 per cent) incurred on personnel emoluments and Kshs.1.21 million (31.2 per cent) on operations and maintenance as shown in Figure 3.143.

Expenditure on personnel emoluments represented an increase of 17.9 per cent compared to a similar period of FY 2017/18 when the County spent Kshs.2.25 billion and was 65.8 per cent of total expenditure in the first nine months of FY 2018/19. Figure 3.144 shows a summary of operations and maintenance expenditure by major categories.

Figure 3.144: Nyeri County, Operations and Maintenance Expenditure by Major Categories in the First Nine Months of FY 2018/19



Source: Nyeri County Treasury

The County spent Kshs.29.60 million on committee sitting allowances to the 45 MCAs and the speaker against the annual budget allocation of Kshs.79.16 million. This represented an increase of 276.4 per cent compared to Kshs.7.87 million spent in a similar period of FY 2017/18. The average monthly sitting allowance translated to Kshs.73,088 per MCA against the SRC's recommended monthly ceiling of Kshs.124,800.

Expenditure on domestic travel amounted to Kshs.179.40 million and comprised of Kshs.124.04 million spent by the County Assembly and Kshs.55.36 million spent by the County Executive. This represented 4.6 per cent of total recurrent expenditure and was an increase of 42.3 per cent compared to Kshs.126.05 million spent in the first nine months of FY 2017/18.

3.36.7 Development Expenditure

The total development expenditure of Kshs.602.95 million represented 21.1 per cent of the annual development expenditure budget of Kshs.2.86 billion. Table 3.103 provides a summary of development projects with the highest expenditure in the first nine months of the financial year.

Table 3.103: Nyeri County, List of Development Projects with the Highest Expenditure in First Nine Months of FY 2018/19

S / No.	Project Name	Project Location	Annual Project Budget (Kshs.)	Expenditure in First Nine Months (Kshs.)	Absorption Rate (%)
1	Roads Improvement (Excluding KRB)	All 30 Wards	571,224,577	143,070,563	25
2	Roads Improvement (KRB) Fuel Levy Fund	County-wide	288,125,859	77,156,174	27
3	Improvement of ECDEs	All Wards	75,464,129	44,045,517	58
4	Preparation - Spatial Plan	County-wide	69,832,949	41,912,174	60
5	Refurbishment - Referral Hospital	Nyeri Town (Rware Ward)	99,832,656	37,626,779	38
6	Markets Improvement	Rware, Dedan Kimathi, Wamagana, Mukurwe-ini West, Kirimukuyu, Mugunda, Iriani (Mathira), Kabaru	98,372,969	23,084,218	23
7	Construction-Youth Polytechnic Workshops	Iriani-Othaya, Ruguruu, Naromoru, Gatarakwa, Dedan Kimathi, Iriani-Mathira	22,209,162	19,516,869	88
8	Greening program (Purchase of fruit tree seedlings)	All wards	37,151,290	19,174,890	52
9	Eleven Brick & Mortar Water Storage Tanks	Iriani, Ruguru, Kirimukuyu, Rugi, Kabaru, Karima, Thegu, Aguthi, Ga-kawa	27,903,913	17,389,560	62
10	Two Water Intakes	Dedan Kimathi & Aguthi/Gaaki	24,725,100	9,513,157	38

Source: Nyeri County Treasury

3.36.8 Budget Performance by County Department

Table 3.104 shows a summary of the approved budget allocation and performance by department in the first nine months of FY 2018/19.

Table 3.104: Nyeri County, Budget Performance by Department

Department	Annual Budget Allocation in FY 2018/19 (Kshs. Million)		Exchequer Issues in First Nine Months of FY 2018/19 (Kshs. Million)		Expenditure in First Nine Months of FY 2018/19 (Kshs. Million)		Expenditure to Exchequer Issues (%)		Absorption Rate (%)	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
Office of the Governor & Deputy Governor	159.78	40.00	120.81	-	77.85	-	64.4	-	48.7	-
Office of the County Secretary	234.58	15.19	180.02	-	139.74	-	77.6	-	59.6	-
Finance and Economic Planning	560.99	311.19	299.38	189.50	283.88	202.69	94.8	107	50.6	65.1
Lands, Physical Planning, Housing and Urbanization	52.61	358.75	35.30	245.48	26.47	12.08	75.0	4.9	50.3	3.4
Health, Public Health and sanitation	2,809.43	244.55	1,863.58	41.40	2,061.98	5.08	110.6	12.3	73.4	2.1
Gender and Social Services	123.24	20.38	52.77	-	27.87	-	52.8	-	22.6	-

Department	Annual Budget Allocation in FY 2018/19 (Kshs. Million)		Exchequer Issues in First Nine Months of FY 2018/19 (Kshs. Million)		Expenditure in First Nine Months of FY 2018/19 (Kshs. Million)		Expenditure to Exchequer Issues (%)		Absorption Rate (%)	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
County Public Service, Administration & Youth Affairs	182.57	5.00	122.06	0.07	120.98	-	99.1	-	66.3	-
Agriculture, Livestock and Fisheries	372.34	216.09	245.65	45.50	197.75	19.99	80.5	43.9	53.1	9.3
Trade, Culture, Tourism & Cooperative Development	62.99	119.37	38.42	17.31	19.56	23.08	50.9	133.3	31.1	19.3
Education, Science and Technology	413.26	163.30	322.80	44.33	276.58	69.18	85.7	156.1	66.9	42.4
Water, Environment & Natural resources	139.55	320.31	86.81	35.38	85.16	35.40	98.1	100.1	61	11.1
County Public Service Board	41.22	-	30.12	-	24.18	-	80.3	-	58.7	-
Transport, Public Works & Infrastructure	164.94	1,040.46	121.56	279.70	72.32	233.73	59.5	83.6	43.8	22.5
County Assembly	659.45	5.00	454.89	1.72	449.44	1.72	98.8	100	68.2	34.4
TOTAL	5,976.95	2,859.59	3,974.17	900.39	3,863.76	602.95	97.2	67.0	64.6	21.1

Source: Nyeri County Treasury

Analysis of expenditure by department shows that the Department of Finance & Economic Planning recorded the highest absorption rate of development budget at 65.1 per cent. The Department of Health Services had the highest percentage of recurrent expenditure to recurrent budget at 73.4 per cent while the Department of Gender and Social Services had the lowest at 22.6 per cent.

3.36.9 Key Observations and Recommendations

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

- Improvement in own-source revenue collection, which was Kshs.600.99 million and represented 60.1 per cent of FY 2018/19 annual target of Kshs.1.0 billion.
- In compliance to Section 155 (5) of the PFM Act, 2012 the County has established an Internal Audit Committee, which is involved in the review of governance mechanisms for transparency and accountability with regards to budget and financial matters.
- Compliance with requirements of Section 116 of the PFM Act, 2012 by ensuring that legislations establishing County Public Funds are in place before their operationalization.

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

- Failure by the National Treasury to disburse the equitable share of revenue raised nationally during the first nine months of FY 2018/19.
- Slow implementation of the development budget. The County absorbed 21.1 per cent of development budget during the reporting period.
- A high wage bill that increased by 17.9 per cent from Kshs.2.25 billion in the first nine months of FY 2017/18 to Kshs.2.66 billion during the period under review. The wage bill represented 59.5 per cent of the total expenditure in the first nine months of FY 2018/19.
- High expenditure on non-core activities such as on domestic travel, which increased by 42.3 per cent to Kshs.179.40 million compared to Kshs.126.05 million spent in the first nine months of FY 2017/18.

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

1. *The County Treasury should liaise with the National Treasury to ensure that allocated funds are released in a timely manner.*
2. *The County should fast-track the implementation of development programmes in the remaining period of the financial year.*
3. *The County Public Service Board should establish an optimal staffing structure in order to ensure sustainable wage bill.*
4. *The County leadership should rationalise expenditure on non-core activities in order to free funds for key development programmes.*

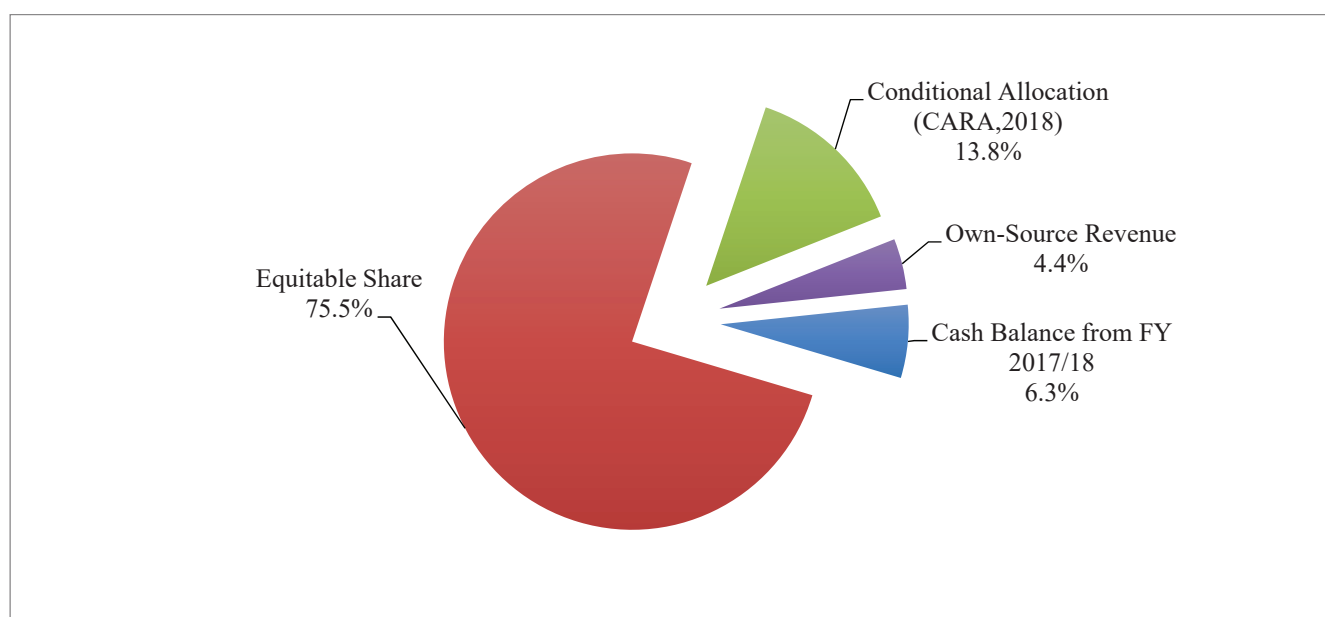
3.37 Samburu County

3.37.1 Overview of the FY 2018/19 Budget

The County's FY 2018/19 Approved Budget was Kshs.5.86 billion, comprising of Kshs.3.86 billion (65.8 per cent) and Kshs.2 billion (34.2 per cent) allocation for recurrent and development expenditure respectively.

To finance the budget, the County expects to receive Kshs.4.43 billion (75.5 per cent) as equitable share of revenue raised nationally, Kshs.811.22 million (13.8 per cent) as total conditional grants, generate Kshs.255.03 million (4.4 per cent) from own-sources of revenue, and Kshs.367.47 million (6.3 per cent) cash balance from FY 2017/18.

Figure 3.145: Samburu County, Expected Sources of Budget Financing in FY 2018/19



Source: Samburu County Treasury

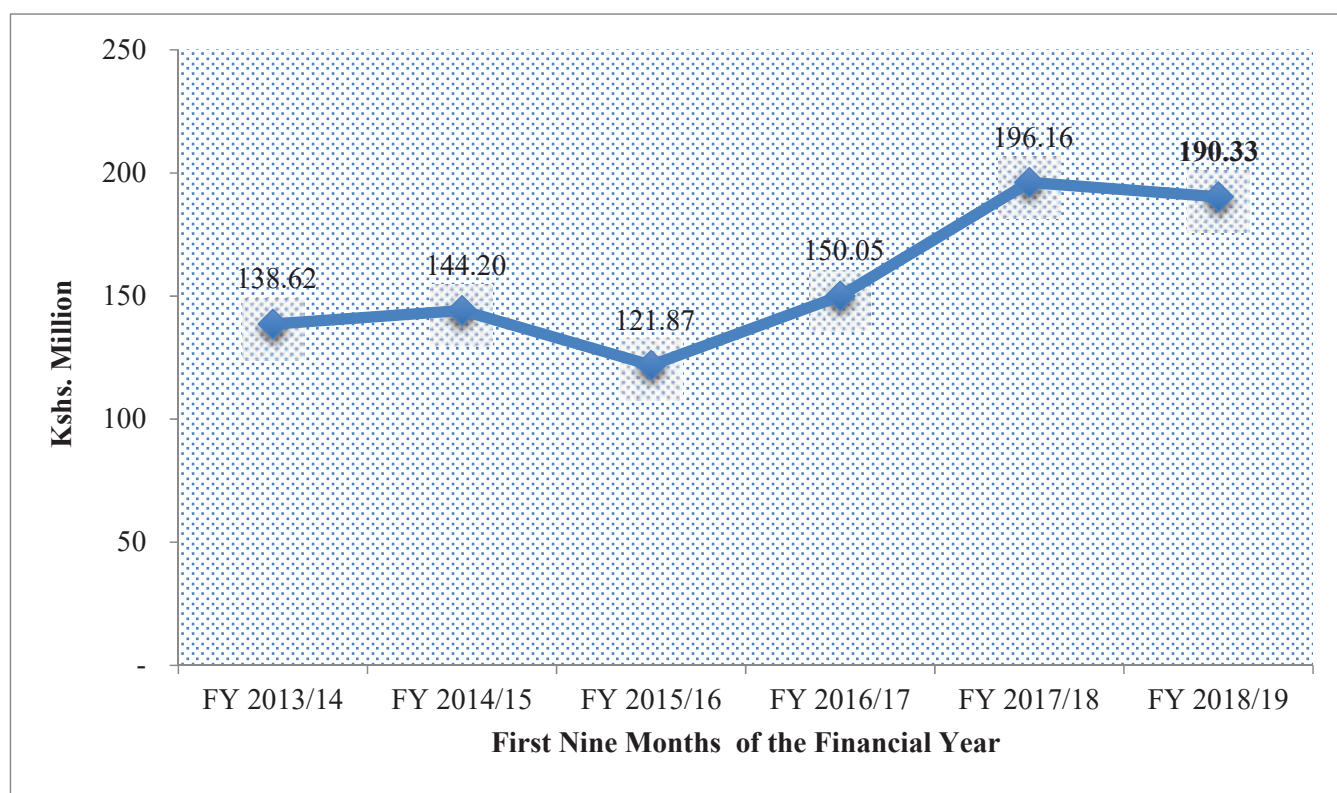
The conditional grants contained in the CARA, 2018 are shown in Table 3.105.

3.37.2 Revenue Analysis

During the first nine months of FY 2018/19, the County received Kshs.2.69 billion as equitable share of the revenue raised nationally, Kshs.295.21 million as total conditional grants, raised Kshs.190.35 million from own-sources of revenue, and had a cash balance of Kshs.367.47 million from FY 2017/18. The total funds available for budget implementation amounted to Kshs.3.46 billion.

Figure 3.146 shows the nine months trend in own-sources of revenue collection from the first nine months FY 2013/14 to the first nine months of FY 2018/19.

Figure 3.146: Samburu County, Trend in Own sources of Revenue Collection for the First Nine Months from FY 2013/14 to FY 2018/19



Source: Samburu County Treasury

The County generated a total of Kshs.190.33 million from own revenue sources during the first nine months of FY 2018/19. This amount represented a decrease of Kshs.5.81 million compared to that realised during a similar period of the FY 2017/18 and represented 74.6 per cent of the annual target.

3.37.3 Conditional Grants

The County received Kshs.295.21 million as conditional grants in the first nine months of the financial year 2018/19 as shown in Table 3.105.

Table 3.105: Samburu County, Conditional Grants/Loans Received in the First Nine Months of FY 2018/19

S/No	Grants	Annual CARA, 2018 Allocation (in Kshs)	Annual Budget Allocation (in Kshs)	Actual receipts in First Nine Months of FY 2018/19 (in Kshs.)	Actual Receipts as Percentage of Annual Allocation (%)
1	Agriculture Sector Development Support Programme (ASDSP)	18,839,203	18,839,203	-	-
2	Compensation for User Fee Foregone	5,235,578	5,235,578	-	-
3	Leasing of Medical Equipment	200,000,000	200,000,000	-	-
4	Sweden- Agricultural Sector Development Support Programme (ASDSP) II	22,652,198	-	-	-
5	Road Maintenance Fuel Levy	116,569,586	116,569,586	131,650,014	112.9
6	Rehabilitation of Village Polytechnics	20,905,000	20,905,000	-	-
7	Transforming Health Systems for Universal Care Project (WB)	97,143,610	97,143,610	38,590,020	39.7
8	National Agricultural and Rural Inclusive Growth Project (NARIGP)	140,435,163	140,435,163	62,213,284	44.3
9	Kenya Devolution Support Project (KDSP) "Level 1 grant"	39,330,852	39,330,852	-	-
10	Kenya Urban Support Project (KUSP)	50,000,000	50,000,000	50,000,000	100
11	DANIDA Grant	12,757,500	12,757,500	12,757,500	100
12	EU Grant	70,000,000	70,000,000	-	-
13	IDA (World Bank) Kenya Urban Support Project - Urban Institutional Grants	41,200,000	40,000,000	-	-
Total		835,068,690	811,216,492	295,210,818	36.4

Source: Samburu County Treasury

Analysis of revenue from conditional grants indicates that the County received the full allocation from Kenya Urban Support Project (KUSP) and from DANIDA. The amount received from the Road Maintenance Fuel Levy Fund includes unremitted balances from the previous financial year.

3.37.4 Exchequer Issues

To finance the budget, the Controller of Budget approved the withdrawal of Kshs.2.83 billion from the County Revenue Fund account. The withdrawals represented 48.3 per cent of the Approved Budget and translated to an increase of 16.8 per cent from Kshs.2.42 billion approved in the first nine months of FY 2017/18 and comprised of Kshs.2.12 billion (81.2 per cent) to fund recurrent expenditure and Kshs.531.65 million (18.8 per cent) for development activities.

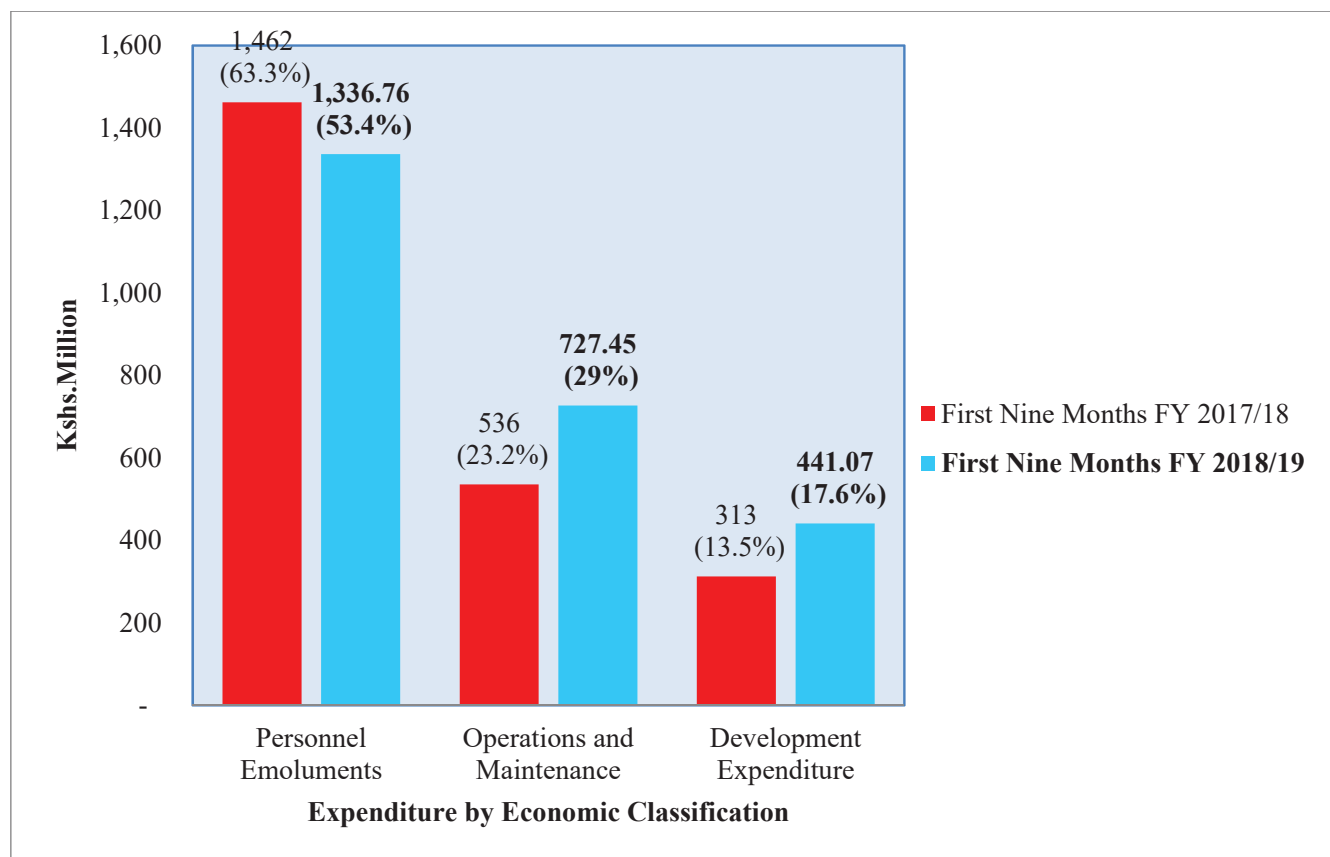
3.37.5 Overall Expenditure Review

The County spent a total of Kshs.2.51 billion on recurrent and development activities. This expenditure represented 88.5 per cent of the total funds released from the County Revenue Fund account and was an increase of 8.4 per cent from Kshs.2.31 billion spent in the first nine months of FY 2017/18. The expenditure excluded outstanding commitments as at March 31, 2019 which amounted to Kshs.220.91 million for development activities and Kshs.78.32 million for recurrent expenditure.

Expenditure on recurrent activities amounted to Kshs.2.06 billion while Kshs.441.07 million was spent on development activities. The recurrent expenditure was 97.3 per cent of the funds released for recurrent activities, while development expenditure was 83 per cent of funds released for development activities.

The recurrent expenditure represented 53.5 per cent of the annual recurrent budget, a decrease from 65.2 per cent recorded in the first nine months of FY 2017/18. Development expenditure recorded an absorption rate of 22 per cent, which was an increase from 21.4 per cent attained in the first nine months of FY 2017/18. Figure 3.147 presents a comparison between the total expenditure in the first nine months of FY 2018/19 and a similar period in FY 2017/18.

Figure 3.147: Samburu County, Expenditure by Economic Classification



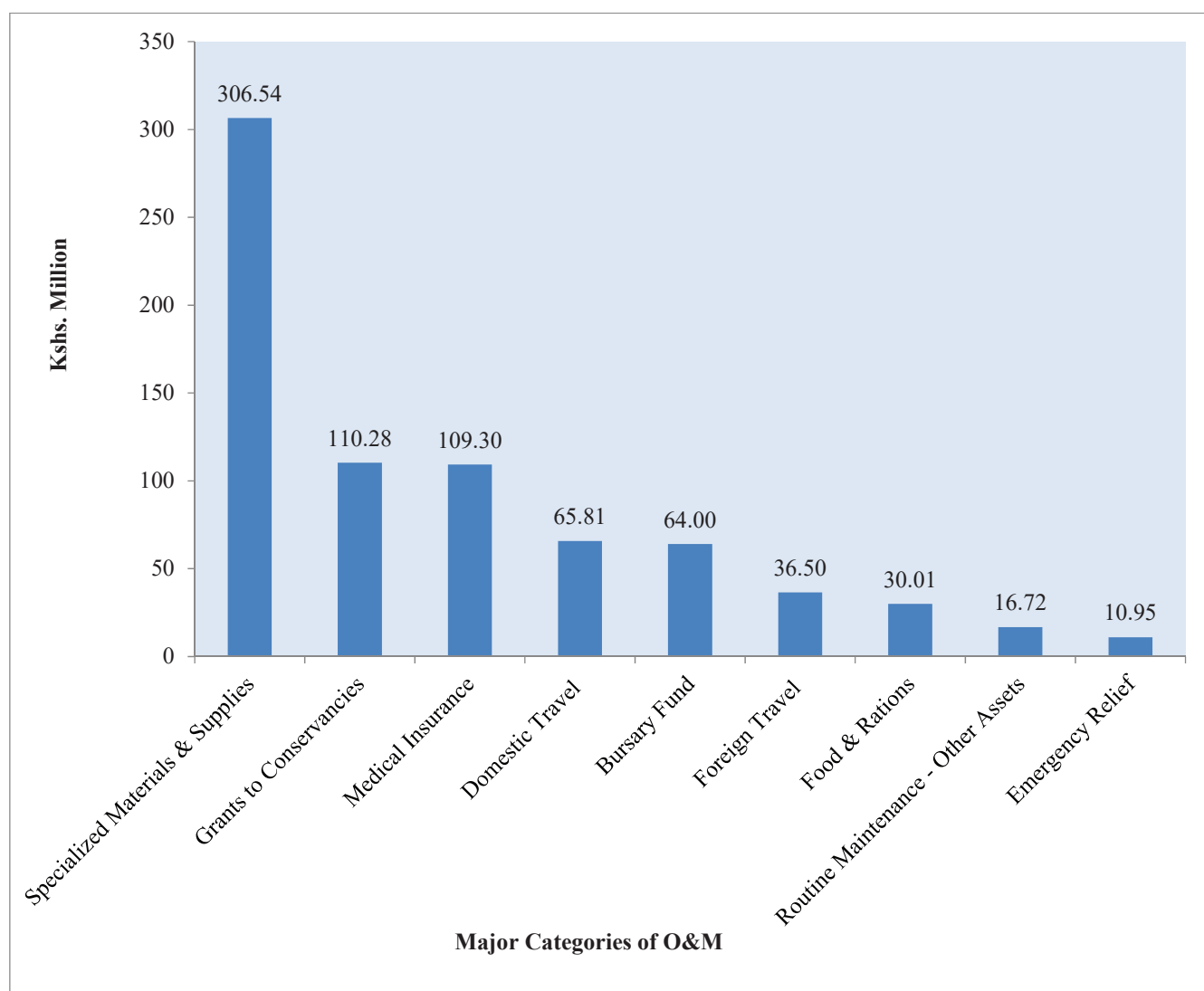
Source: Samburu County Treasury

3.37.6 Analysis of Recurrent Expenditure

The total recurrent expenditure of Kshs.2.06 billion comprised of Kshs.1.34 billion (65 per cent) incurred on personnel emoluments and Kshs.727.45 million (35 per cent) on operations and maintenance as shown in Figure 3.147.

Expenditure on personnel emoluments represented a decrease of 8.6 per cent compared to a similar period of FY 2017/18 when the County spent Kshs.1.46 billion and was 53.4 per cent of total expenditure in the first nine months of FY 2018/19. Figure 3.148 shows a summary of operations and maintenance expenditure by major categories.

Figure 3.148: Samburu County, Operations and Maintenance Expenditure by Major Categories in the First Nine Months of FY 2018/19



Source: Samburu County Treasury

The County spent Kshs.18.59 million on committee sitting allowances for the 28 MCAs and the speaker against the annual budget allocation of Kshs.25.47 million. This represented a decline of 32.9 per cent compared to Kshs.20.9 million spent in a similar period of FY 2017/18. The average monthly sitting allowance translated to Kshs.73,754 per MCA against the SRC's recommended monthly ceiling of Kshs.124,800.

Expenditure on domestic travel amounted to Kshs.65.81 million and comprised of Kshs.17.12 million spent by the County Assembly and Kshs.48.69 million spent by the County Executive. This represented 3.2 per cent of total recurrent expenditure and was an increase of 59.5 per cent compared to Kshs.39.22 million spent in the first nine months of FY 2017/18.

3.37.7 Development Expenditure

The total development expenditure of Kshs.441.07 million represented 22 per cent of the annual development expenditure budget of Kshs.2.06 billion. Table 3.106 provides a summary of development projects with the highest expenditure in the first nine months of the financial year.

Table 3.106: Samburu County, List of Development Projects with the Highest Expenditure in First Nine Months of FY 2018/19

S/No.	Project Name	Project Location	Project Budget (Kshs.)	Project Expenditure in First Nine Months of FY 2018/19 (Kshs.)
1	Access Roads	County wide	25,800,000	21,534,500
2	Bridges	County wide	10,368,925	8,165,625
3	Capital Grants to Semi-Autonomous Government Agencies	County wide	47,730,000	42,563,855
4	Construction of County Headquarters	Maralal	48,500,000	93,280,999
5	Current Grants to Semi-Autonomous Government Agencies	Maralal	10,000,000	10,000,000
6	Equipping of Community Boreholes	County wide	21,000,000	20,631,171
7	Major Roads	County wide	11,000,000	7,890,429
8	Non-Residential Buildings (offices, schools, hospitals, etc.)	Not Specified	33,500,000	26,264,602
9	Infrastructure and Civil Works	County wide	102,400,000	78,453,129
10	Purchase of Medical and Dental Equipment	Maralal	15,000,000	12,191,873

Source: Samburu County Treasury

3.37.8 Budget Performance by County Department

Table 3.107 shows a summary of the approved budget allocation and performance by department in the first nine months of FY 2018/19.

Table 3.107: Samburu County, Budget Performance by Department

Department	Budget Allocation (Kshs. Million)		Exchequer Issues in First Nine Months of FY 2018/19 (Kshs. Million)		Expenditure in First Nine Months of FY 2018/19 (Kshs. Million)		Expenditure to Exchequer Issues (%)		Absorption Rate (%)	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
County Assembly	474.01	75.00	236.80	-	232.51	11.34	98.2	-	49.1	15.1
County Executive	420.25	29.29	237.39	21.90	235.21	20.59	99.1	94.0	56.0	70.3
Finance & Economic planning	638.60	44.16	354.77	50.16	352.11	-	99.3	-	55.1	-
Agriculture, Livestock, Veterinary & Fisheries	327.73	278.83	183.78	29.46	171.46	23.16	93.3	78.6	52.3	8.3
Environment & Natural Resources	171.49	302.16	95.07	66.66	91.72	65.25	96.5	97.9	53.5	21.6
Education, Youth Affairs & Social Development	364.05	175.10	199.64	28.30	193.36	27.43	96.9	96.9	53.1	15.7
County Health Services	887.51	342.11	493.36	49.13	472.36	48.58	95.7	98.9	53.2	14.2
Lands, Physical Planning and Urban Development	128.48	126.66	72.03	49.36	71.55	47.79	99.3	96.8	55.7	37.7
County Transport, Public Works and Water Services	116.73	431.74	67.87	63.79	63.82	56.75	94.0	89.0	54.7	13.1
Trade, Tourism, Cooperatives and Enterprise Development	190.94	171.55	105.74	126.37	104.64	113.55	99.0	89.9	54.8	66.2
Culture, Social Services and Gender	136.43	39.69	76.08	46.56	75.48	26.63	99.2	57.2	55.3	67.1

Department	Budget Allocation (Kshs. Million)		Exchequer Issues in First Nine Months of FY 2018/19 (Kshs. Million)		Expenditure in First Nine Months of FY 2018/19 (Kshs. Million)		Expenditure to Exchequer Issues (%)		Absorption Rate (%)	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
TOTAL	3,856.21	2,004.91	2,122.53	531.69	2,064.22	441.07	97.3	83.0	53.5	22

Source: Samburu County Treasury

Analysis of expenditure by department shows that the County Executive recorded the highest absorption rate of development budget at 70.3 per cent while the department of Finance & Economic Planning did not incur any development expenditure. The Department of Education, Youth Affairs & Social Development had the highest percentage of recurrent expenditure to recurrent budget at 83.3 per cent while the Department of Lands, Physical Planning and Urban Development had the lowest at 25.3 per cent.

3.37.9 Key Observations and Recommendations

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

- i. Timely submission of financial reports to the Office of the Controller of Budget.

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

1. High wage bill that was 65 per cent of total recurrent expenditure during the period under review. This may hamper execution of development activities.
2. Delay in disbursement of equitable share of revenue raised by the National Treasury.
3. Low absorption of the development budget which was 22 per cent as compared to the expectation of 75 per cent for the first nine months of FY 2018/19.

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

1. *The County Public Services Board should establish an optimal staffing structure in order to ensure a sustainable wage bill.*
2. *The County should liaise with the National Treasury to ensure that funds allocated to the County are released in timely manner.*
3. *The County should review and address the causes of the low expenditure on the development budget.*

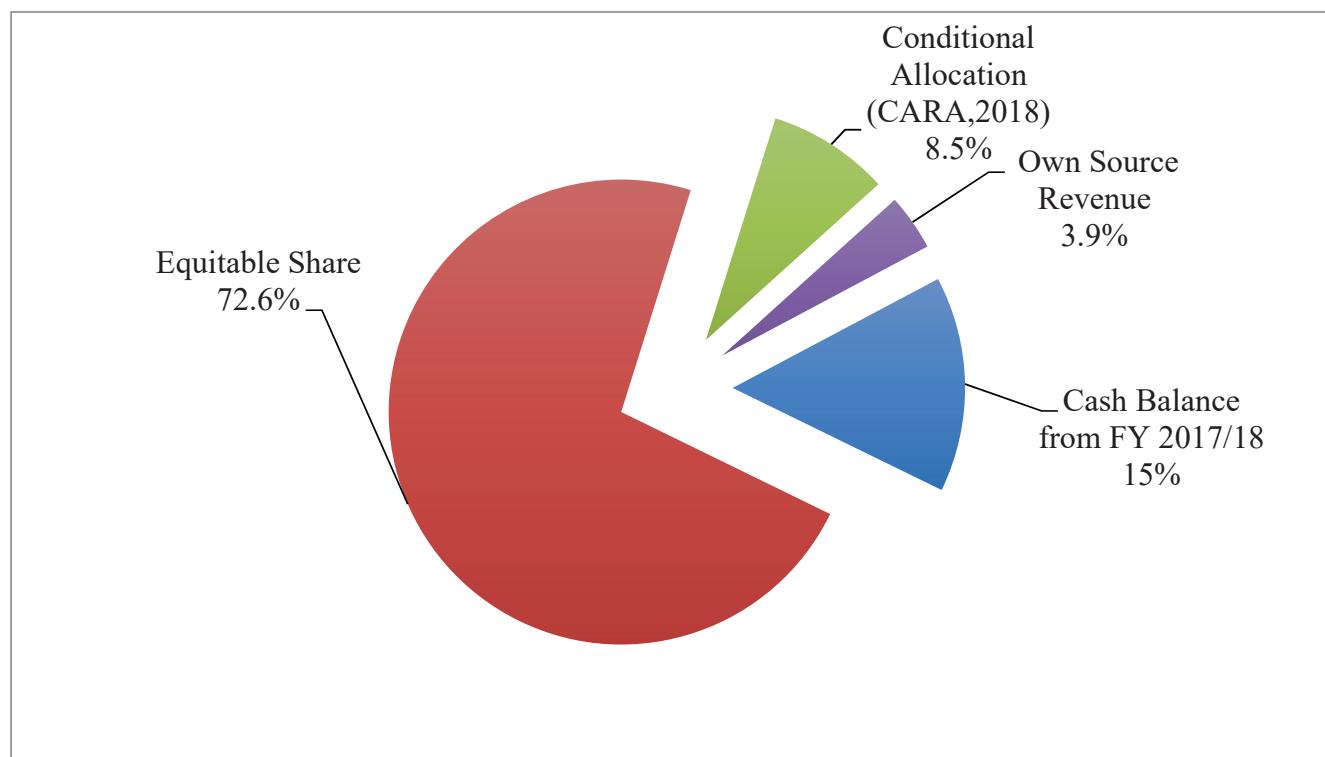
3.38 Siaya County

3.38.1 Overview of the FY 2018/19 Budget

The County's FY 2018/19 Approved Supplementary Budget was Kshs.8.3 billion, comprising of Kshs.4.56 billion (54.9 per cent) and Kshs.3.75 billion (45.1 per cent) allocation for recurrent and development expenditure respectively.

To finance the budget, the County expects to receive Kshs.6.03 billion (72.6 per cent) as equitable share of revenue raised nationally, Kshs.703.79 million (8.5 per cent) as total conditional grants, generate Kshs.325 million (3.9 per cent) from own-source of revenue, and Kshs.1.25 billion (15 per cent) cash balance from FY 2017/18.

Figure 3.149: Siaya County, Expected Sources of Budget Financing in FY 2018/19



Source: Siaya County Treasury

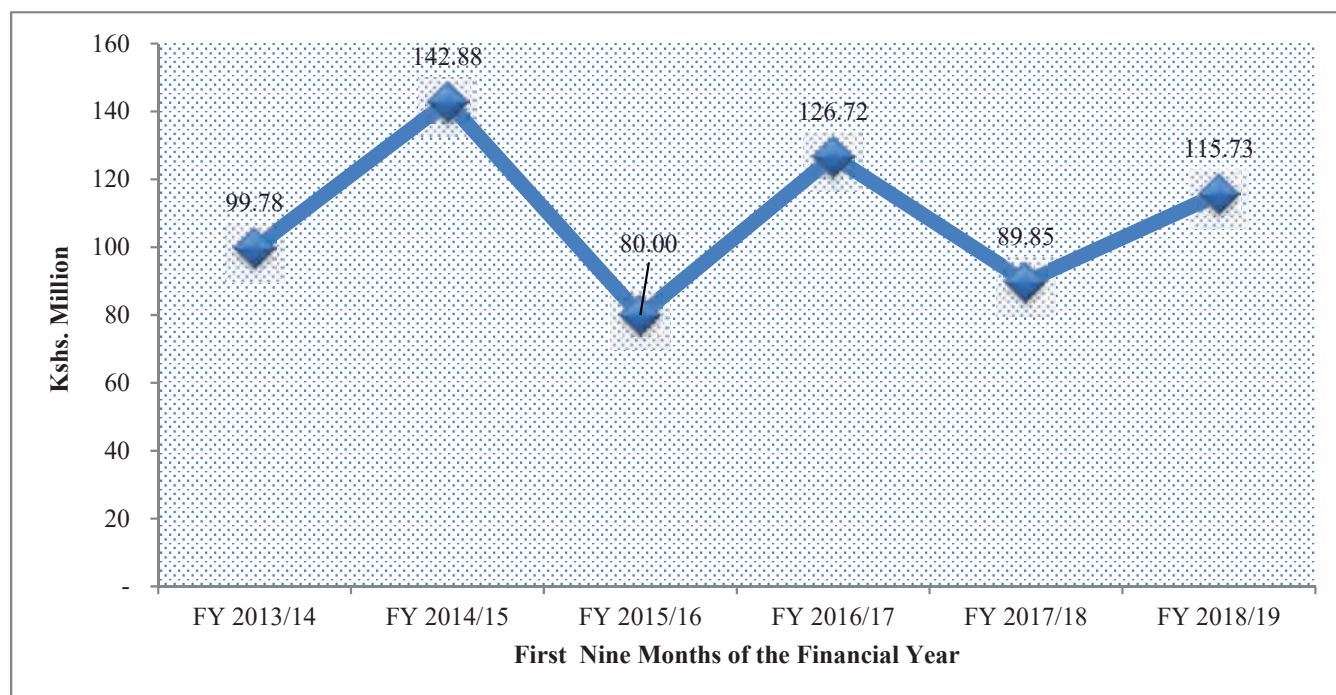
The conditional grants contained in the CARA, 2018 are shown in Table 3.108.

3.38.2 Revenue Analysis

During the first nine months of FY 2018/19, the County received Kshs.3.53 billion as equitable share of the revenue raised nationally, Kshs.212.46 million as total conditional grants, raised Kshs.115.73 million from own-sources of revenue, and had a cash balance of Kshs.1.26 billion from FY 2017/18. The total funds available for budget implementation amounted to Kshs.5.1 billion.

Figure 3.150 shows the trend in own-sources of revenue collection for the first nine months from FY 2013/14 to FY 2018/19.

Figure 3.150: Siaya County, Trend in Own Sources of Revenue Collection for the First Nine Months from FY 2013/14 to FY 2018/19



Source: Siaya County Treasury

The County generated a total of Kshs.115.73 million from own revenue sources during the first nine months of FY 2018/19. This amount represented an increase of Kshs 28.8 million compared to that realised during a similar period of the FY 2017/18 and represented 35.6 per cent of the annual target.

3.38.3 Conditional Grants

The County received Kshs.212.46 million as conditional grants in the first nine months of the financial year 2018/19 as shown in Table 3.108 .

Table 3.108: Siaya County, Conditional Grants/Loans Received in the First Nine Months of FY 2018/19

S/No	Grants	Annual CARA, 2018 Allocation (in Kshs)	Annual Budget Allocation (in Kshs)	Actual Receipts in First Nine Months of FY 2018/19 (in Kshs.)	Actual Receipts as Percentage of Annual Allocation (%)
A	Grants Contained in the CARA, 2018				
1	Leasing of Medical Equipment Grant	200,000,000	200,000,000	-	-
2	Conditional Allocation from the Road Maintenance Fuel Levy Fund	158,733,053	158,733,053	79,366,526	50
3	World Bank Grant for Kenya Climate Smart Agriculture Project (KCSAP)	117,000,000	117,000,000	38,278,224	32.7
4	EU - Water Tower Protection and Climate Change Mitigation and Adoption Programme (WaTER)	80,000,000	-	-	-
5	World Bank credit for Transforming Health Systems for Universal Care Project	56,758,154	56,758,154	28,518,093	-
6	World Bank credit for Kenya Urban Support Project (KUSP)	50,000,000	50,000,000	50,000,000	100

S/No	Grants	Annual CARA, 2018 Allocation (in Kshs)	Annual Budget Allocation (in Kshs)	Actual Receipts in First Nine Months of FY 2018/19 (in Kshs.)	Actual Receipts as Percentage of Annual Allocation (%)
A	Grants Contained in the CARA, 2018				
7	World Bank credit for Kenya Devolution Support Project (KDSP) - Level 1	46,076,429	46,076,429	-	-
8	IDA (World Bank) credit - Kenya Urban Support Project (KUSP) Urban Institution Grants	41,200,000	-	-	-
9	Conditional Allocation for Rehabilitation of Youth Polytechnics	38,500,000	38,500,000	-	-
10	Sweden - Agriculture Sector Development Support Programme (ASDSP) II + Bal C/F in FY 2017/18	19,311,593	-	7,030,920	-
11	DANIDA grant - Universal Healthcare for Devolved System Program	18,528,750	18,528,750	9,264,375	50
12	Conditional Allocation to support abolishment of user fees in health centres and dispensaries	18,194,808	18,194,808	-	-
Grand Total		844,302,787	703,791,194.0	212,458,138.1	30.2

Source: Siaya County Treasury

Analysis of revenue from conditional grants indicates that, the County received funds from World Bank Credit for Kenya Urban Support Project (KUSP), World Bank credit for Transforming Health Systems for Universal Care Project, the Road Maintenance Fuel Levy Fund and DANIDA grant - Universal Healthcare for Devolved System Program. The receipts accounted for 100 per cent, 50.2 per cent, 50 per cent and 50 per cent of the annual allocation respectively.

3.38.4 Exchequer Issues

To finance the budget, the Controller of Budget approved the withdrawal of Kshs.3.9 billion from the County Revenue Fund Account. The withdrawals represented 47 per cent of the Approved Budget and translated to an increase of 54.5 per cent from Kshs.2.53 billion approved in the first nine months of FY 2017/18 and comprised of Kshs.3.42 billion (87.8 per cent) to fund recurrent expenditure and Kshs.477.45 million (12.2 per cent) for development activities.

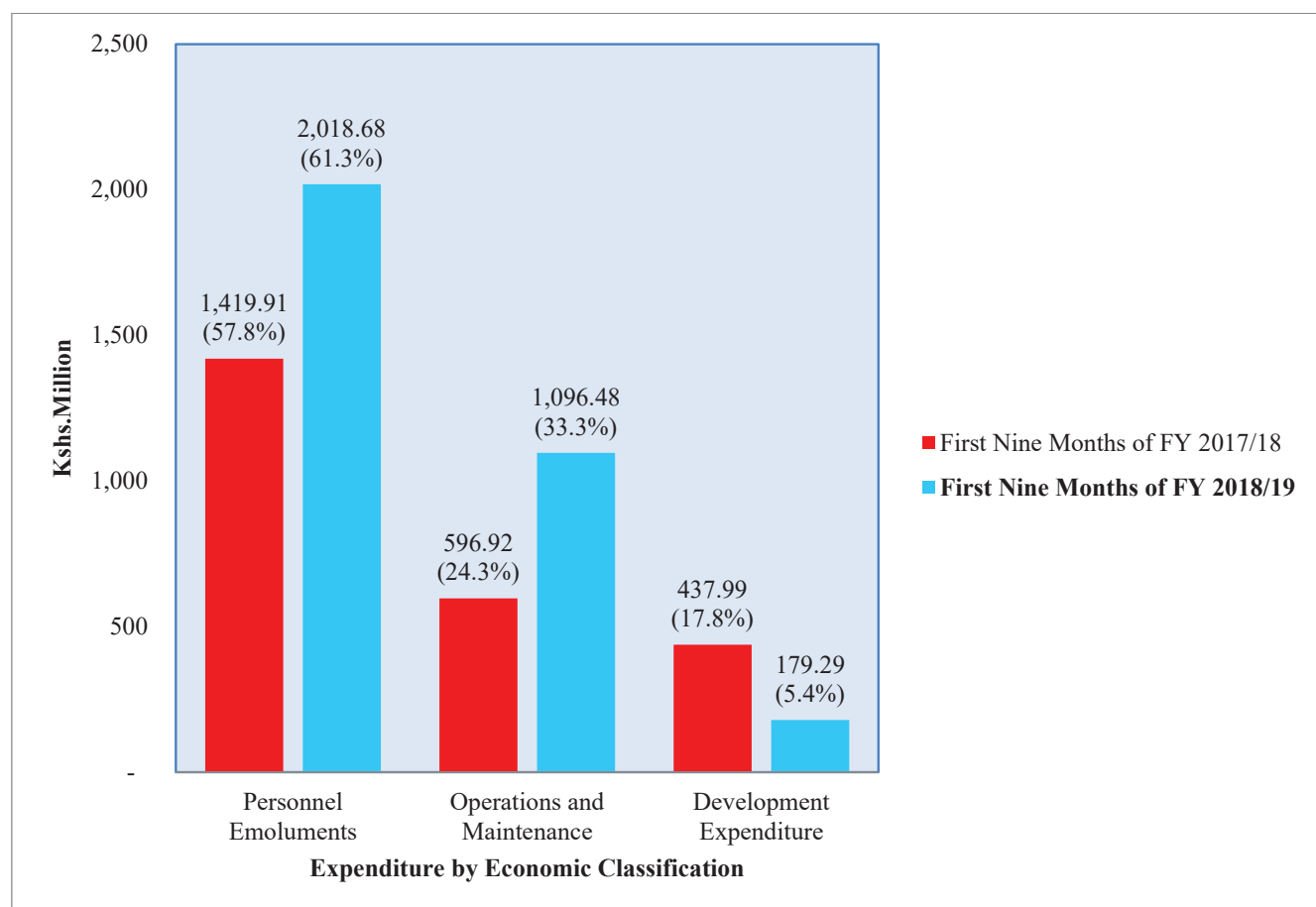
3.38.5 Overall Expenditure Review

The County spent a total of Kshs.3.29 billion on recurrent and development activities. This expenditure represented 84.4 per cent of the total funds released from the County Revenue Fund Account and was an increase of 34.2 per cent from Kshs.2.45 billion spent in the first nine months of FY 2017/18.

Expenditure on recurrent activities amounted to Kshs.3.12 billion while Kshs.179.29 million was spent on development activities. The recurrent expenditure was 91 per cent of the funds released for recurrent activities, while development expenditure was 37.6 per cent of funds released for development activities.

The recurrent expenditure represented 68.4 per cent of the annual recurrent budget, an increase from 46.9 per cent recorded in the first nine months of FY 2017/18. Development expenditure recorded an absorption rate of 4.8 per cent, while there was no expenditure in the first nine months of FY 2017/18. Figure 3.151 presents a comparison between the total expenditure in the first nine months of FY 2018/19 and a similar period in FY 2017/18.

Figure 3.151: Siaya County, Expenditure by Economic Classification



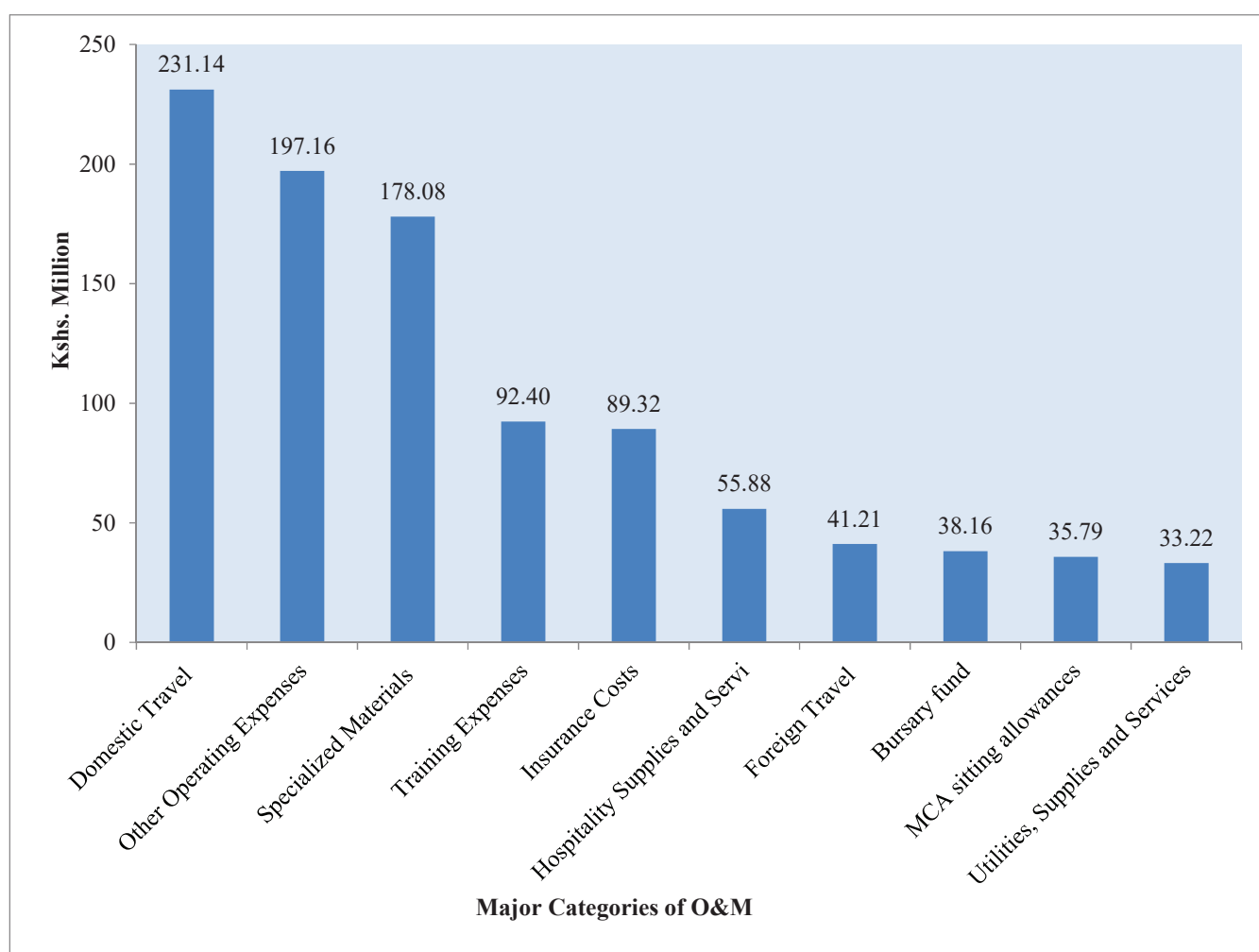
Source: Siaya County Treasury

3.38.6 Analysis of Recurrent Expenditure

The total recurrent expenditure of Kshs.3.12 billion comprised of Kshs.2.02 billion (64.8 per cent) incurred on personnel emoluments and Kshs.1.1 billion (35.2 per cent) on operations and maintenance as shown in Figure 3.151.

Expenditure on personnel emoluments represented an increase of 42.2 per cent compared to a similar period of FY 2017/18 when the County spent Kshs.1.42 billion and was 61.3 per cent of total expenditure in the first nine months of FY 2018/19. Figure 3.152 shows a summary of operations and maintenance expenditure by major categories.

Figure 3.152: Siaya County, Operations and Maintenance Expenditure by Major Categories in the First Nine Months of FY 2018/19



Source: Siaya County Treasury

The County spent Kshs.35.79 million on committee sitting allowances for the 43 MCAs and the speaker against the annual budget allocation of Kshs.47.93 million. This represented an increase of 272.4 per cent compared to Kshs.9.6 million spent in a similar period of FY 2017/18. The average monthly sitting allowance translated to Kshs.92,480 per MCA against the SRC's recommended monthly ceiling of Kshs.124,800.

Expenditure on domestic travel amounted to Kshs.231.14 million and comprised of Kshs.98.74 million spent by the County Assembly and Kshs.132.4 million spent by the County Executive. This represented 7.4 per cent of total recurrent expenditure and was an increase of 105.3 per cent compared to Kshs.132.68 million spent in the first nine months of FY 2017/18.

3.38.7 Development Expenditure

The total development expenditure of Kshs.179.29 million represented 4.8 per cent of the annual development expenditure budget of Kshs.3.75 billion. Table 3.109 provides a summary of development projects with the highest expenditure in the first nine months of the financial year.

Table 3.109: Siaya County, List of Development Projects with the Highest Expenditure in First Nine Months of FY 2018/19

S/No.	Project Name	Project location	Project budget (Kshs.)	Project Expenditure in first nine months of FY 2018/19 (Kshs.)	Absorption Rate (%)
1.	Construction of Siaya County Stadium	Siaya Town	180,000,000	54,466,177	30.3
2.	Maintainance of River Yala and Lake Kanyaboli dykes	South East Alego	20,000,000	17,925,666	89.6
3.	Desilting of onalo oboke water pan , Desilting of upper side of nyasita water pan, desilting of odongo and gundro water pans, desilting of nyamulu and aora oyier water pans, desilting of alambo water pans, desilting of nyamboye and tao ochik water pans and desilting of fijro water pan	West Alego	7,929,979	7,299,850	92.1
4.	Empowerment of youth	Wide County	7,500,000	6,296,000	83.9
5.	Hansard and Information Technology System Infrastructure and Equipment Development	County Assembly Head quarters	19,100,000	5,462,888	28.6
6.	Agriculture sector development support programme; kenya climate smart agriculture project and kenya cereals enhancement-climate resilience agriculture livelihood window	Wide County	8,000,000	5,328,231	66.6
7.	Openning, Grading, Gravelling and Culverting of Gogo Primary-Musembe-Fuluga Road (5.3KM)	North Gem	4,736,446	4,117,434	86.9
8.	Opening, Grading And Gravelling Of Lolwe-Nyabeda-Kamon Road 3 Km	North Gem	3,500,000	3,468,880	99.1
9.	Kagonya -Ndori Road	North Ugenya	3,149,734	3,149,734	100.
10.	Construction of walkway pavement, landscaping of assembly block compound, and construction of sentry box	County Assembly Head quarters	3,783,664	2,841,918	75.1
Total			257,699,823	110,356,777	42.8

Source: Siaya County Treasury

3.38.8 Budget Performance by County Department

Table 3.110 shows a summary of the approved budget allocation and performance by department in the first nine months of FY 2018/19.

Table 3.110: Siaya County, Budget Performance by Department

Department	Budget Allocation (Kshs. Million)		Exchequer Issues in first nine months of FY 2018/19 (Kshs. Million)		Expenditure in first nine months of FY 2018/19 (Kshs. Million)		Expenditure to Exchequer Issues (%)		Absorption Rate (%)	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
County Executive	571.08	39.77	449.15	-	503.51	-	112.1	0.0	88.2	-
Finance, Planning and Vision 2030	600.30	13.94	428.22	6.48	554.34	6.48	129.5	100.0	92.3	46.47
Agriculture, Livestock & Fisheries	262.75	266.30	206.45	52.76	213.04	14.48	103.2	27.4	81.1	5.44
Water, Environment & Natural Resources	84.42	330.96	66.27	31.17	77.20	7.30	116.5	23.4	91.4	2.21
Education, Youth Affairs, Sports & Social Services	297.46	448.81	179.76	48.56	184.83	18.57	102.8	38.3	62.1	4.14
Health Services	1,699.16	578.33	1,249.10	62.14	924.71	6.40	74.0	10.3	54.4	1.11

Department	Budget Allocation (Kshs. Million)		Exchequer Issues in first nine months of FY 2018/19 (Kshs. Million)		Expenditure in first nine months of FY 2018/19 (Kshs. Million)		Expenditure to Exchequer Issues (%)		Absorption Rate (%)	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
Lands, Housing, Physical Planning & Survey	71.45	117.32	52.47	52.08	24.98	2.08				1.77
Trade, Industry and Co-operative Development	98.80	176.43	80.47	1.73	37.76	1.30	46.9	75.3	38.2	0.74
Tourism and ICT	122.61	221.02	100.92	56.75	56.78	57.73	56.3	101.7	46.3	26.12
Roads, Transport & Public Works	99.13	1,051.51	80.63	155.89	52.24	55.04	64.8	35.3	52.7	5.23
County Assembly	648.66	502.87	531.20	9.90	485.78	9.90	91.4	100.0	74.9	1.97
TOTAL	4,555.82	3,747.26	3,424.64	477.45	3,115.17	179.29	91.0	37.6	68.4	4.78

Source: Siaya County Treasury

Analysis of expenditure by department shows that the Department of Finance, Planning and Vision 2030 recorded the highest absorption rate of development budget at 46.5 per cent while the County Executive did not incur any development expenditure. The Department of the Finance, Planning and Vision 2030 had the highest percentage of recurrent expenditure to recurrent budget at 92.3 per cent while the Department of Lands, Housing, Physical Planning & Survey had the lowest at 35 per cent.

3.38.9 Key Observations and Recommendations

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

- Timely submission of financial reports by the County Treasury to the Controller of Budget in line with Section 166 of the PFM Act, 2012.

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

- Delay in disbursement of the equitable share of revenue raised nationally by the National Treasury.
- Slow implementation of development activities during the first nine months of FY 2018/19. The County spent Kshs.179.29 million, which represented 4.8 per cent of the annual development budget of Kshs.3.75 billion against the expected absorption rate of 75 per cent.
- A high wage bill that increased by 42.2 per cent from Kshs.1.42 billion in the first nine months of FY 2017/18 to Kshs.2.02 billion in the period under review. Personnel emolument costs were 61.3 per cent of total expenditure in the first nine months of FY 2018/19.
- Under-performance in own-source revenue collection. The total own-source revenue generated in the first nine months of FY 2018/19 amounted to Kshs.115.73 million which represented 35.6 per cent of the annual target of Kshs.325 million.
- IFMIS connectivity challenges, which delayed approval of procurement requests and payment to suppliers.
- Failure by the County Executive to establish an Internal Audit Committee to oversee financial operations in the County contrary to Section 155 of the PFM Act, 2012.
- Failure to constitute the County Budget and Economic Forum (CBEF) as per the requirement of Section 137 of the PFM Act, 2012 for consultation in the budget process.

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

- The County Treasury should liaise with the National Treasury to ensure that funds allocated to the County are released in a timely manner.*
- The County should identify and address issues that cause delays in the implementation of development projects.*

3. *The County Public Service Board should establish an optimal staffing structure in order to manage the wage bill.*
4. *The County Treasury should formulate and implement strategies to enhance own-source revenue collection.*
5. *The County should liaise with the IFMIS Directorate to address IFMIS connectivity challenges*
6. *The County should establish an Internal Audit Committee in line with Section 155 of the PFM Act, 2012.*
7. *The County should constitute a County Budget and Economic Forum (CBEF) in line with Section 137 of the PFM Act, 2012.*

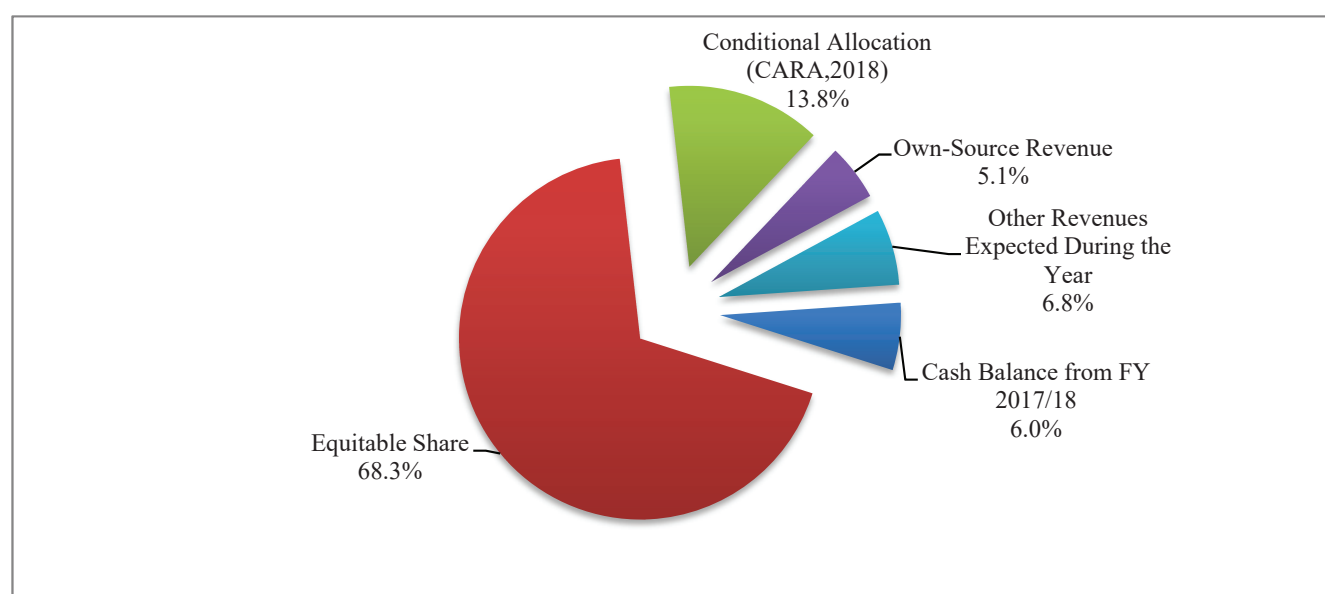
3.39 Taita Taveta County

3.39.1 Overview of the FY 2018/19 Budget

The County's FY 2018/19 Approved Supplementary Budget was Kshs.5.99 billion, comprising of Kshs.3.96 billion (66.1 per cent) and Kshs.2.03 billion (33.9 per cent) allocation for recurrent and development expenditure respectively.

To finance the budget, the County expects to receive Kshs.4.05 billion (68.3 per cent) as equitable share of revenue raised nationally, Kshs.1.28 billion (13.8 per cent) as total conditional grants, generate Kshs.300 million (5.1 per cent) from own sources of revenue, and Kshs.356.66 million (6 per cent) cash balance from FY 2017/18.

Figure 3.153: Taita Taveta County, Expected Sources of Budget Financing in FY 2018/19



Source: Taita Taveta County Treasury

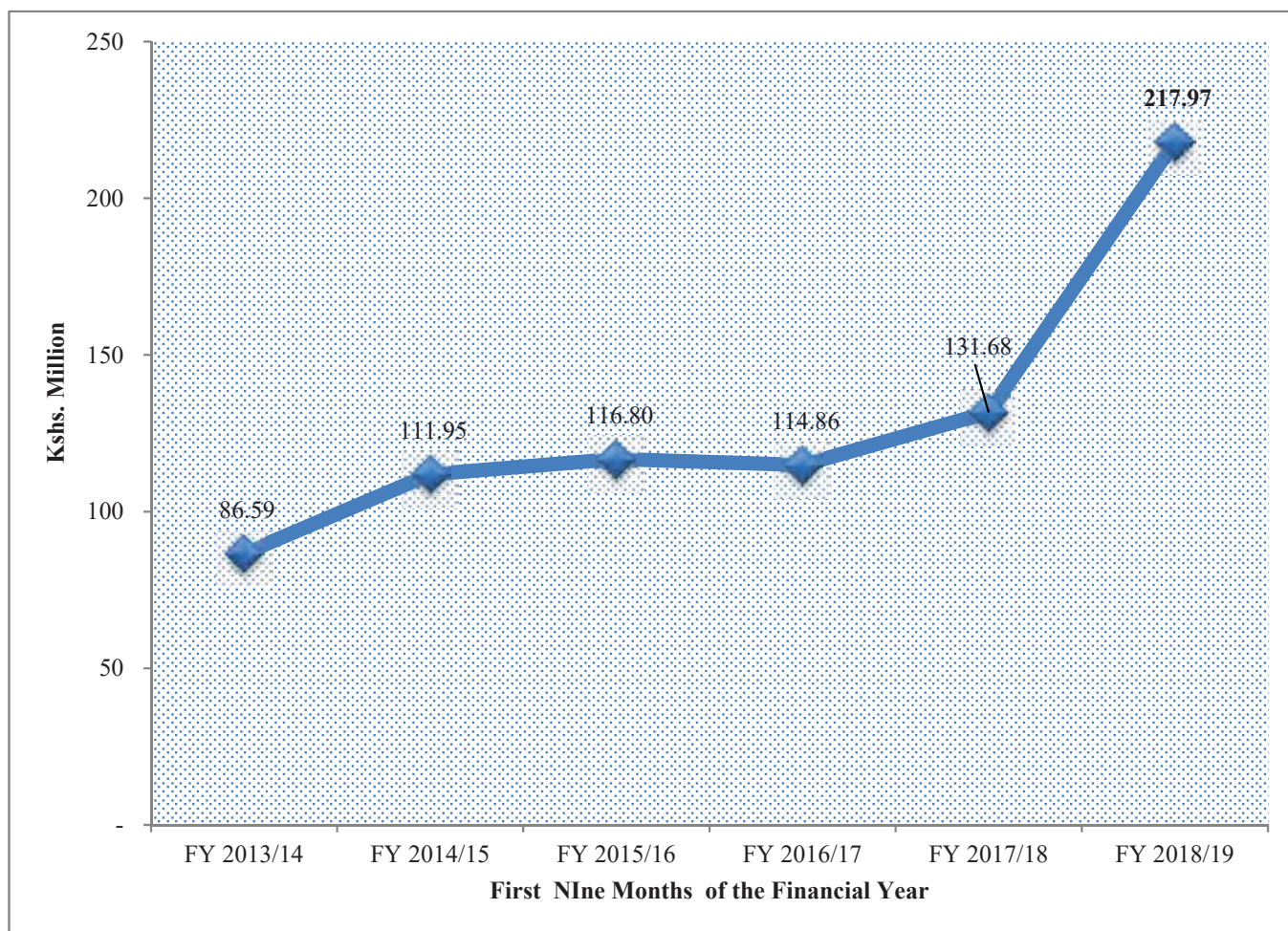
The conditional grants contained in the CARA, 2018 are shown in Table 3.119.

3.39.2 Revenue Analysis

During the first nine months of FY 2018/19, the County received Kshs.2.37 billion as equitable share of the revenue raised nationally, Kshs.263.47 million as total conditional grants, raised Kshs.217.97 million from own-sources of revenue, and had a cash balance of Kshs.356.66 million from FY 2017/18. The total funds available for budget implementation amounted to Kshs.3.21 billion.

Figure 3.154 shows the trend in own-sources of revenue collection from the first nine months FY 2013/14 to the first nine months of FY 2018/19.

Figure 3.154: Taita Taveta County, Trend in Own Sources of Revenue Collection for the First Nine Months from FY 2013/14 to FY 2018/19



Source: Taita Taveta County Treasury

The County generated a total of Kshs.217.97 million from own revenue sources during the first nine months of FY 2018/19. This amount represented an increase of Kshs.86.28 million compared to that realised during a similar period of the FY 2017/18 and represented 72.7 per cent of the annual target.

3.39.3 Conditional Grants

The County received Kshs.263.47 million as conditional grants in the first nine months of the financial year as shown in Table 3.111.

Table 3.111: Taita Taveta County, Conditional Grants/Loans Received in the First Nine Months of FY 2018/19

S/No	Grants	Annual CARA, 2018 Allocation (in Kshs)	Annual Budget Allocation (in Kshs)	Actual receipts in First Nine Months of FY 2018/19 (in Kshs.)	Actual Receipts as Percent-age of Annual Allocation (%)
A	Grants Contained in the CARA, 2018				
1.	IDA (World Bank) - Water & Sanitation Development Project (WSDP)	400,000,000	400,000,000	-	-
2.	IDA(World Bank)Kenya Climate Smart Agriculture Project (KSSAP)	117,000,000	117,000,000	40,805,066	34.9
3.	EU Grant- Instruments for Devolu-tion Advice and Support- IDEAS)	90,000,000	90,000,000	51,979,709	57.8
4.	IDA (World Bank) -Kenya Urban Support Project (KUSP)	50,000,000	50,000,000	50,000,000	100
5.	Transforming Health Systems for Universal Care Project (WB)	50,000,000	50,000,000	23,209,034	46.4
6.	IDA (World Bank) credit: Kenya Urban Support Project (KUSP) - Urban Institutional Grants (UIG) + Bal C/F in FY 2017/18	41,200,000	41,200,000	-	-
7.	IDA(World Bank) credit; Kenya Devolution Support Project (KDSP) "Level 1 grant"	39,327,939	39,327,939	-	-
8.	Sweden - Agriculture Sector Devel-opment Support Programme (ASD-SP) II + Bal C/F in FY 2017/18	19,996,264	19,996,264	7,280,193	36.4
9.	DANIDA Grant (Universal Health-care in Devolved System Pro-gramme)	13,061,250	13,061,250	6,530,625	50
10.	Allocation from Road Maintenance And Fuel Levy Fund	106,648,770	106,648,770	53,324,385	50
	Sub Total	927,234,223	927,234,223	233,129,012	28.4
B	Other Grants				
11.	Grants from other development partners	-	136,772,544	-	-
12.	Water Sector Trust Fund Programme (EU)	-	76,000,000		70.2
13.	Allocation for rehabilitation of Youth Polytechnics (FY 2017/18 BF)	-	49,747,167	-	-
14.	Allocation for rehabilitation of Youth Polytechnics(FY 2018/19	-	49,675,000	-	-
15.	Allocation from Road Maintenance And Fuel Levy Fund FY 2017/18 BF	-	25,082,187	25,082,187	100.0
16.	Compensation For User fees Fore-gone	-	5,296,305	-	-
17.	DANIDA Grant (Universal Health-care in Devolved System Pro-gramme) (FY 2017/18 BF)	-	5,255,484	5,255,484	100.0
18.	IDA(World Bank) credit; Kenya Devolution Support Project (KDSP) "Level 1 grant" FY 2017-18 Bal BF	-	5,125,249	-	-
	Sub Total	-	352,953,936	30,337,671	
	Grand Total	927,234,223	1,280,188,159	263,466,683.3	20.6

Source: Taita Taveta County Treasury

Analysis of revenue from conditional grants indicates that, the County received the full allocation for the IDA (World Bank) towards Kenya Urban Support Project (KUSP).

3.39.4 Exchequer Issues

To finance the budget, the Controller of Budget approved the withdrawal of Kshs.3.16 billion from the County Revenue Fund account. The withdrawals represented 52.8 per cent of the Approved Supplementary Budget and translated to an increase of 29.4 per cent from Kshs.2.44 billion approved in the first nine months of FY 2017/18 and comprised of Kshs.2.51 billion (79.4 per cent) to fund recurrent expenditure and Kshs.650.80 million (20.6 per cent) for development activities.

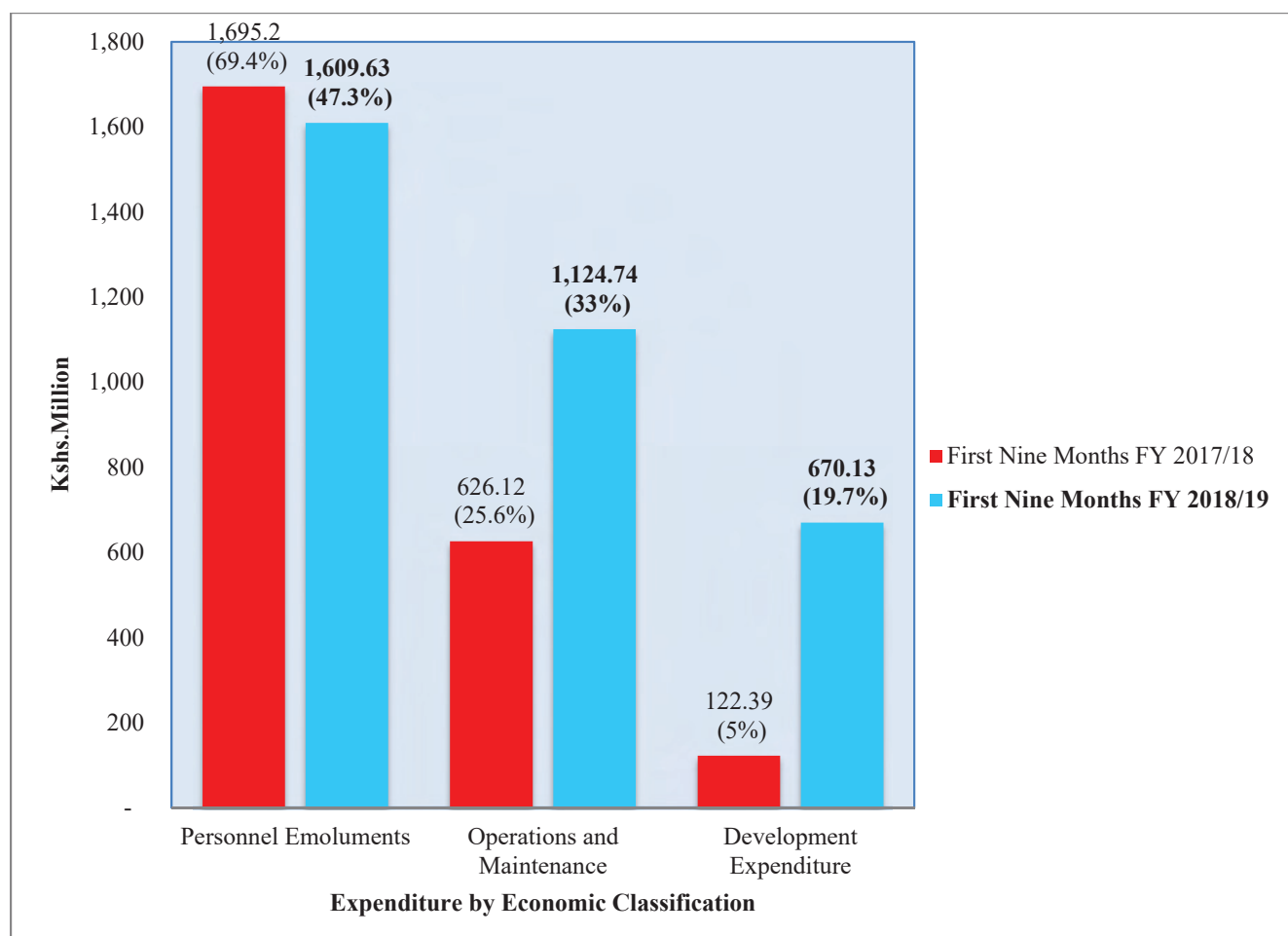
3.39.5 Overall Expenditure Review

The County spent a total of Kshs.3.40 billion on recurrent and development activities. This expenditure represented 107.7 per cent of the total funds released from the County Revenue Fund account and was an increase of 39.3 per cent from Kshs.2.44 billion spent in the first nine months of FY 2017/18. The expenditure excluded outstanding commitments as at March 31, 2019 which amounted to Kshs.85.00 million for development activities and Kshs.43 million for recurrent expenditure.

Expenditure on recurrent activities amounted to Kshs.2.73 billion while Kshs.670.13 million was spent on development activities. The recurrent expenditure was 108.9 per cent of the funds released for recurrent activities, while development expenditure was 103.0 per cent of funds released for development activities.

The recurrent expenditure represented 69.1 per cent of the annual recurrent budget, a decrease from 69.8 per cent recorded in the first nine months of FY 2017/18. Development expenditure recorded an absorption rate of 33 per cent, which was an increase from 8.8 per cent attained in the first nine months of FY 2017/18. Figure 3.155 presents a comparison between the total expenditure in the first nine months of FY 2018/19 and a similar period in FY 2017/18.

Figure 3.155: Taita Taveta County, Expenditure by Economic Classification



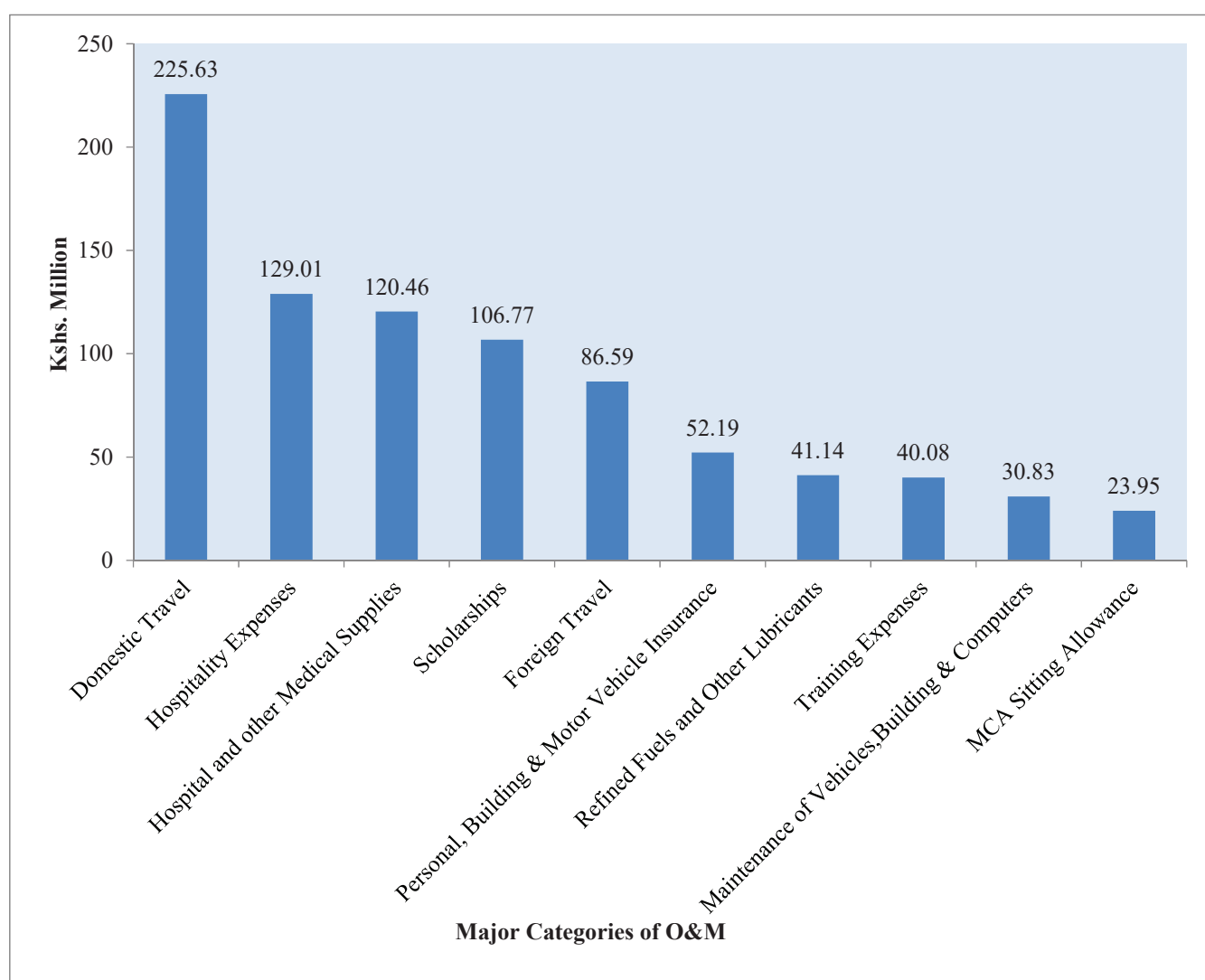
Source: Taita Taveta County Treasury

3.39.6 Analysis of Recurrent Expenditure

The total recurrent expenditure of Kshs.2.73 billion comprised of Kshs.1.61 billion (58.9 per cent) incurred on personnel emoluments and Kshs.1.12 billion (41.1 per cent) on operations and maintenance as shown in Figure 3.155 .

Expenditure on personnel emoluments represented a decrease of 5 per cent compared to a similar period of FY 2017/18 when the County spent Kshs.1.69 billion and was 47.3 per cent of total expenditure in the first nine months of FY 2018/19. The personnel emoluments of Kshs.1.61 billion did not include salaries for March 2019. Figure 3.156 shows a summary of operations and maintenance expenditure by major categories.

Figure 3.156: Taita Taveta County, Operations and Maintenance Expenditure by Major Categories in the First Nine Months of FY 2018/19



Source: Taita Taveta County Treasury

The County spent Kshs.23.95 million on committee sitting allowances for the 34 MCAs and the speaker against the annual budget allocation of Kshs.23.95 million. This represented an increase of 11.9 per cent compared to Kshs.21.4 million spent in a similar period of FY 2017/18. The average monthly sitting allowance translated to Kshs.78,261 per MCA against the SRC's recommended monthly ceiling of Kshs.124,800.

Expenditure on domestic and foreign travel amounted to Kshs.312.22 million and comprised of Kshs.125.4 million spent by the County Assembly and Kshs.186.82 million spent by the County Executive. This represented 8.3 per cent of total recurrent expenditure and was an increase of 7.3 per cent compared to Kshs.290.90 million spent in the first nine months of FY 2017/18.

3.39.7 Development Expenditure

The total development expenditure of Kshs.670.13 million represented 33 per cent of the annual development expenditure budget of Kshs.2.03 billion. Table 3.112 provides a summary of development projects with the highest expenditure in the first nine months of the financial year.

Table 3.112: Taita Taveta County, List of Development Projects with the Highest Expenditure in First Nine Months of FY 2018/19

S/ No.	Project Name	Project Location	Project Budget (Kshs.)	Project Expenditure in First Nine Months of FY 2018/19 (Kshs.)	Absorption Rate (%)
1	Water Projects and Boreholes	County Wide	158,500,000	27,400,863	17.3
2	Construction & Maintenance of access roads	County Wide	131,730,957	35,937,250	27.3
3	Refurbishment of County Assembly Headquarters	Headquarters	105,000,000	30,309,437	28.9
4	Construction of ECD Classrooms	County Wide	100,801,968	33,750,597	33.5
5	VTC Capitation & support programme	County Wide	99,422,167	56,925,887	57.3
6	Completion & renovation of various Medical centres, Equipping and Stocking of Medical centres	County Wide	96,375,000	42,146,239	43.7
7	Completion and Maintenance of access roads	County Wide	85,725,000	35,937,250	41.9
8	Refurbishment of Hospital buildings , Hostels and Offices	County Wide	54,184,999	41,323,839	76.3
9	Purchase of Artificial Insemination Semen kit, Vaccines & certified crop seeds	Headquarter	50,759,706	16,783,422	33.1
10	Purchase of ICT Networking & communication Equipment	Headquarters	23,700,000	1,564,300	6.6

Source: Taita Taveta County Treasury

3.39.8 Budget Performance by County Department

Table 3.113 shows a summary of the approved budget allocation and performance by department in the first nine months of FY 2018/19.

Table 3.113: Taita Taveta County, Budget Performance by Department

Department	Budget Allocation (Kshs. Million)		Exchequer Issues in first nine months of FY 2018/19 (Kshs. Million)		Expenditure in First Nine Months of FY 2018/19 (Kshs. Million)		Expenditure to Exchequer Issues (%)		Absorption Rate (%)	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
County Assembly	636.24	65.00	376.88	-	468.18	41.04	124.2	-	73.6	63.1
Administration and Devolution	2,233.51	23.30	1,519.60	1.93	1,431.53	3.14	94.2	162.7	64.1	13.5
The Governor's and Deputy Governor's Office	158.88	18.90	86.18	8.06	142.07	5.28	164.9	65.5	89.4	27.9
Finance and Planning	298.96	4.25	116.65	1.01	269.08	1.92	230.7	189.8	90.0	45.1
Agriculture, Live-stock and Fisheries	43.79	300.81	31.19	128.38	22.68	76.30	72.7	59.4	51.8	25.4
Water and Irrigation	17.38	678.36	12.54	109.23	12.25	92.35	97.7	84.5	70.5	13.6
Education and Libraries	187.88	214.47	112.62	42.81	131.88	89.45	117.1	208.9	70.2	41.7
Health	227.76	148.49	179.33	79.20	179.45	73.73	100.1	93.1	78.8	49.7
Trade , Tourism & Co-operative Development	29.28	41.14	25.24	17.90	16.68	31.10	66.1	173.7	57.0	75.6

Department	Budget Allocation (Kshs. Million)		Exchequer Issues in first nine months of FY 2018/19 (Kshs. Million)		Expenditure in First Nine Months of FY 2018/19 (Kshs. Million)		Expenditure to Exchequer Issues (%)		Absorption Rate (%)	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
County Public Service Board	16.50	-	11.16	-	13.85	-	124.1	-	83.9	-
Infrastructure and Public Works	26.06	283.43	16.06	131.89	14.49	180.65	90.2	137.0	55.6	63.7
Lands , Environment & Natural Resources	56.44	77.15	8.90	61.65	16.81	4.84	188.9	7.9	29.8	6.3
Mining	6.85	6.70	4.39	2.57	-	-	-	-	-	-
Youth, Gender, Sports, Culture and Social Services	16.23	169.70	9.53	66.17	15.41	70.33	161.7	106.3	95.0	41.4
Total	3,955.76	2,031.69	2,510.27	650.80	2,734.36	670.13	108.9	103.0	69.1	33

Source: Taita Taveta County Treasury

Analysis of expenditure by department shows that the Department of Infrastructure and Public works recorded the highest absorption rate of development budget at 63.7 per cent while the Mining Department did not incur any development expenditure. The Department of Youth, Gender, Sports had the highest percentage of recurrent expenditure to recurrent budget at 95 per cent while the Department of Lands, Environment and Natural Resources had the lowest at 29.8 per cent.

3.39.9 Key Observations and Recommendations

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

- Improvement in the collection of own-source revenue, which increased by 65.5 per cent compared to a similar period of FY 2017/18.
- Improvement in absorption of development budget, which stood at 33 per cent compared to 8.8 per cent in the similar period FY 2017/18.

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

- Late submission of financial reports by the County Treasury, which affected timely preparation of budget implementation report contrary to Section 166 of the PFM Act ,2012
- Delay by the National Treasury to disburse the equitable share of revenue to the County.
- High expenditure on wages, which accounted for 47.3 per cent of total expenditure in the reporting period.

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

- The County Treasury should ensure observance of financial reporting timelines in line with Section 166 of the PFM Act 2012.*
- The National Treasury should ensure that funds allocated to the County are release in a timely manner.*
- The County Public Service Board should establish an optimal staffing structure in order to ensure a sustainable wage bill.*

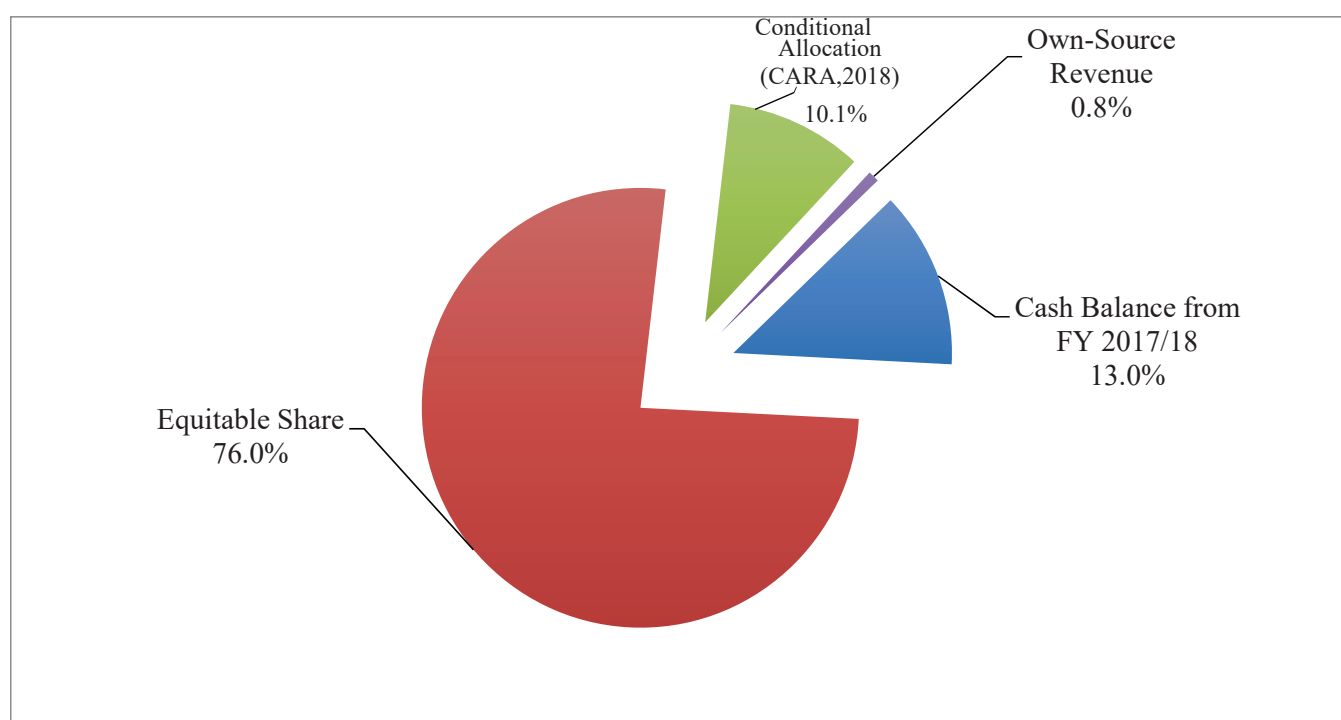
3.40 Tana River County

3.40.1 Overview of the FY 2018/19 Budget

The County's FY 2018/19 Approved Budget was Kshs.7.31 billion, comprising of Kshs.4.57 billion (62.6 per cent) and Kshs.2.74 billion (37.4 per cent) allocation for recurrent and development expenditure respectively.

To finance the budget, the County expects to receive Kshs.5.56 billion (76 per cent) as equitable share of revenue raised nationally, Kshs.739.43 million (10.1 per cent) as total conditional grants, generate Kshs.60 million (0.8 per cent) from own-sources of revenue, and Kshs.952.98 million (13 per cent) cash balance from FY 2017/18.

Figure 3.157: Tana River County, Expected Sources of Budget Financing in FY 2018/19



Source: Tana River County Treasury

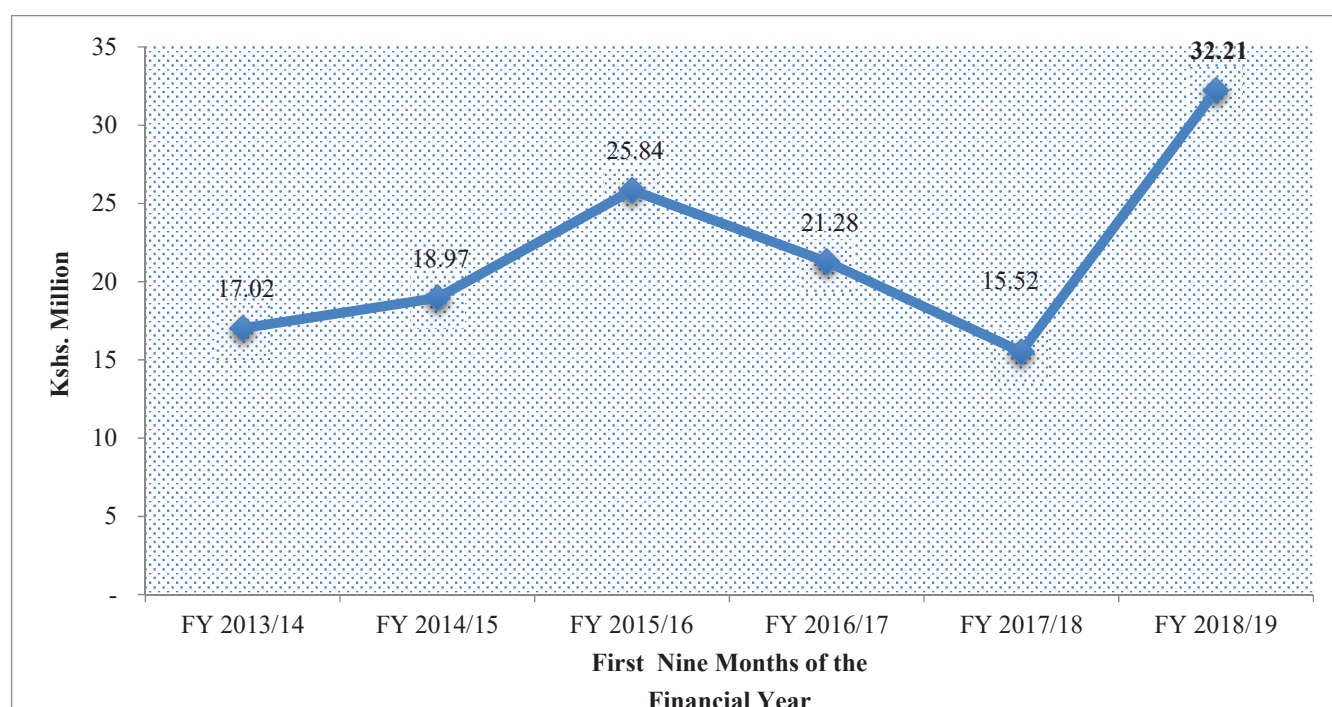
The conditional grants contained in the CARA, 2018 are shown in Table 3.114.

3.40.2 Revenue Analysis

During the first nine months of FY 2018/19, the County received Kshs.3.4 billion as equitable share of the revenue raised nationally, Kshs.296.98 million as total conditional grants, raised Kshs.33.21 million from own-source revenue, and had a cash balance of Kshs.952.98 million from FY 2017/18. The total funds available for budget implementation amounted to Kshs.4.68 billion.

Figure 3.158 shows the trend in own-source revenue collection for the first nine months from FY 2013/14 to FY 2018/19.

Figure 3.158: Tana River County, Trend in Own-Source Revenue Collection for the First Nine Months from FY 2013/14 to FY 2018/19



Source: Tana River County Treasury

The County generated a total of Kshs.32.21 million from own revenue sources during the first nine months of FY 2018/19. This amount represented an increase of Kshs.16.69 million compared to that realised during a similar period of the FY 2017/18 and represented 53.7 per cent of the annual target.

3.40.3 Conditional Grants

The County received Kshs.296.98 million as conditional grants in the first nine months of the financial year 2018/19 as shown in Table 3.114.

Table 3.114: Tana River County, Conditional Grants/Loans Received in the First Nine Months of FY 2018/19

S/No	Grants/Loans	Annual Allocation, per CARA, 2018 (Kshs)	Annual Budget Allocation for FY 2018/19 (Kshs)	Actual receipts in the First Nine Months of FY 2018/19 (in Kshs.)	Actual Receipts as Percentage of Annual Allocation (%)
1.	Supplement for Construction of County Headquarters	121,000,000	121,000,000	-	-
2.	Compensation for User Fee Foregone	5,682,537	5,682,537	-	-
3.	Leasing of Medical Equipment	200,000,000	-	-	-
4.	Road Maintenance Fuel Levy	146,332,034	146,332,034	73,166,017	50.0
5.	Rehabilitation of Village Polytechnics	24,490,000	24,490,000	-	-
6.	Transforming Health Systems for Universal Care Project (World Bank)	100,000,000	100,000,000	44,470,357	44.5
7.	IDA (World Bank) -Kenya Climate Smart Agriculture Project (KCSAP)	150,000,000	150,000,000	31,585,475	21.1

S/No	Grants/Loans	Annual Allocation, per CARA, 2018 (Kshs)	Annual Budget Allocation for FY 2018/19 (Kshs)	Actual receipts in the First Nine Months of FY 2018/19 (in Kshs.)	Actual Receipts as Percentage of Annual Allocation (%)
8.	IDA (World Bank) Kenya Devolution Support Programme “Level 1 grant”	44,003,842	44,003,842	-	-
9.	IDA (World Bank) -Kenya Urban Support Project (KUSP)	50,000,000	50,000,000	50,000,000	100.0
10.	DANIDA - Universal Healthcare in Devolved System Programme	17,921,250	17,921,250	17,921,250	100.0
11.	EU Grant- Instruments for Devolution Advice and Support- IDEAS)	80,000,000	80,000,000	79,838,365	99.8
12.	Sweden - Agriculture Sector Development Support Programme (ASDSP) II + Bal C/F in FY 2017/18	24,526,177	-	-	-
13.	IDA (World Bank) credit: Kenya Urban Support Project (KUSP) - Urban Institutional Grants (UIG) + Bal C/F in FY 2017/18	41,200,000	-	-	-
Total		1,005,155,840	739,429,663	296,981,464	29.5

Source: Tana River County Treasury

Analysis of revenue from conditional grants in the period under review indicates that the County received full allocation from IDA (World Bank) -Kenya Urban Support Project (KUSP) and DANIDA - Universal Healthcare in Devolved System Programme.

3.40.4 Exchequer Issues

To finance the budget, the Controller of Budget approved the withdrawal of Kshs.3.66 billion from the County Revenue Fund account. The withdrawals represented 50.1 per cent of the Approved Budget and translates to an increase of 80 per cent from Kshs.2.03 billion approved in the first nine months of FY 2017/18 and comprised of Kshs.2.64 billion (72 per cent) to fund recurrent expenditure and Kshs.1.03 billion (28 per cent) for development activities.

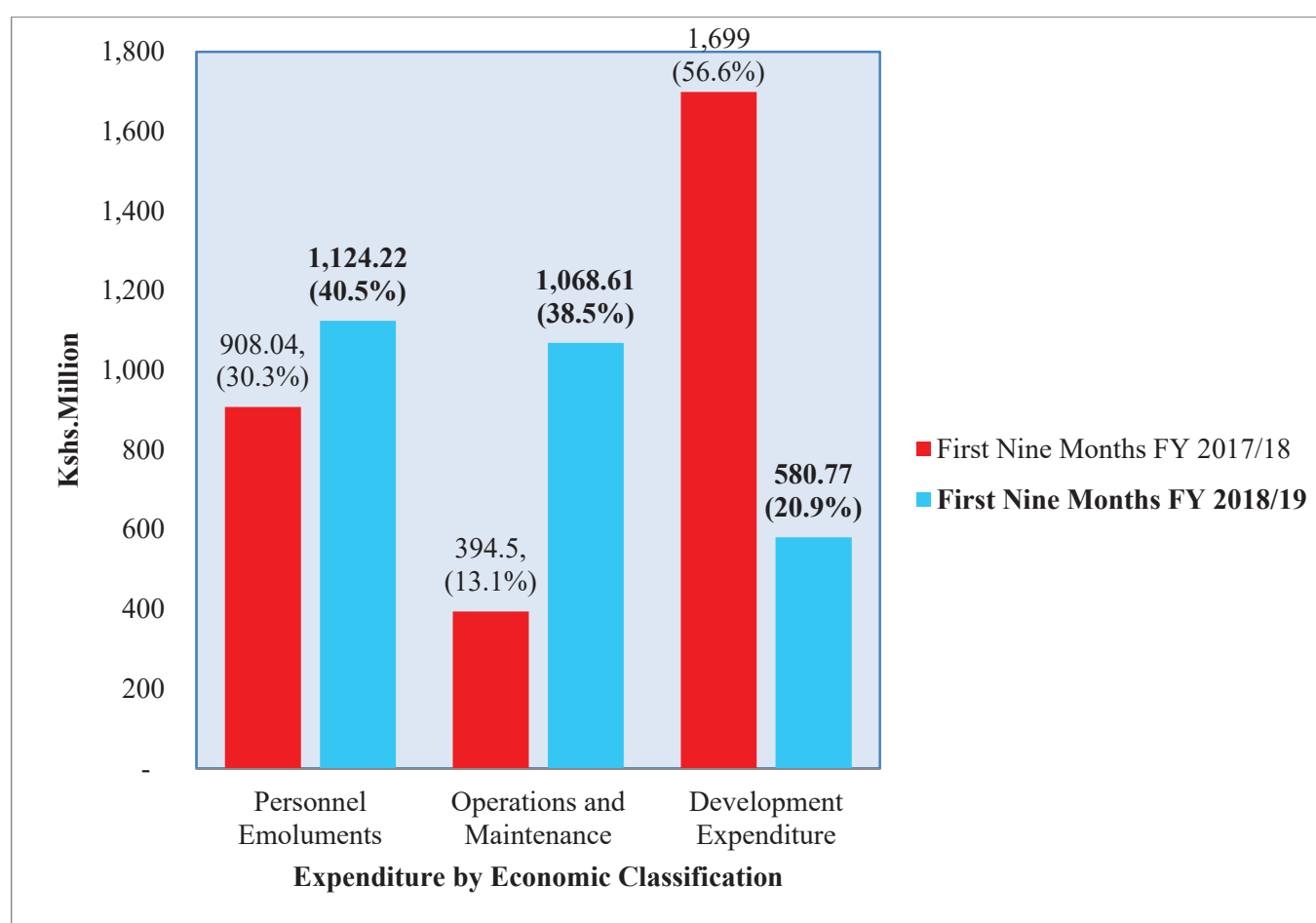
3.40.5 Overall Expenditure Review

The County spent a total of Kshs.2.77 billion on recurrent and development activities. This expenditure represented 75.7 per cent of the total funds released from the County Revenue Fund account and was a decline of 7.6 per cent from Kshs.2.03 billion in the first nine months of FY 2017/18. The expenditure excluded outstanding commitments as at March 31, 2019 which amounted to Kshs.1.98 billion for development activities and Kshs.175.05 million for recurrent expenditure.

Expenditure on recurrent activities amounted to Kshs.2.19 billion while Kshs.580.77 million was spent on development activities. The recurrent expenditure was 83.2 per cent of the funds released for recurrent activities, while development expenditure was 56.6 per cent of funds released for development activities.

The recurrent expenditure represented 47.9 per cent of the annual recurrent budget, a decrease from 54.6 per cent recorded in the first nine months of FY 2017/18. Development expenditure recorded an absorption rate of 21.2 per cent, which was an increase from 11.5 per cent attained in the first nine months of FY 2017/18. Figure 3.159 presents a comparison between the total expenditure in the first nine months of FY 2018/19 and a similar period in FY 2017/18.

Figure 3.159: Tana River County, Expenditure by Economic Classification



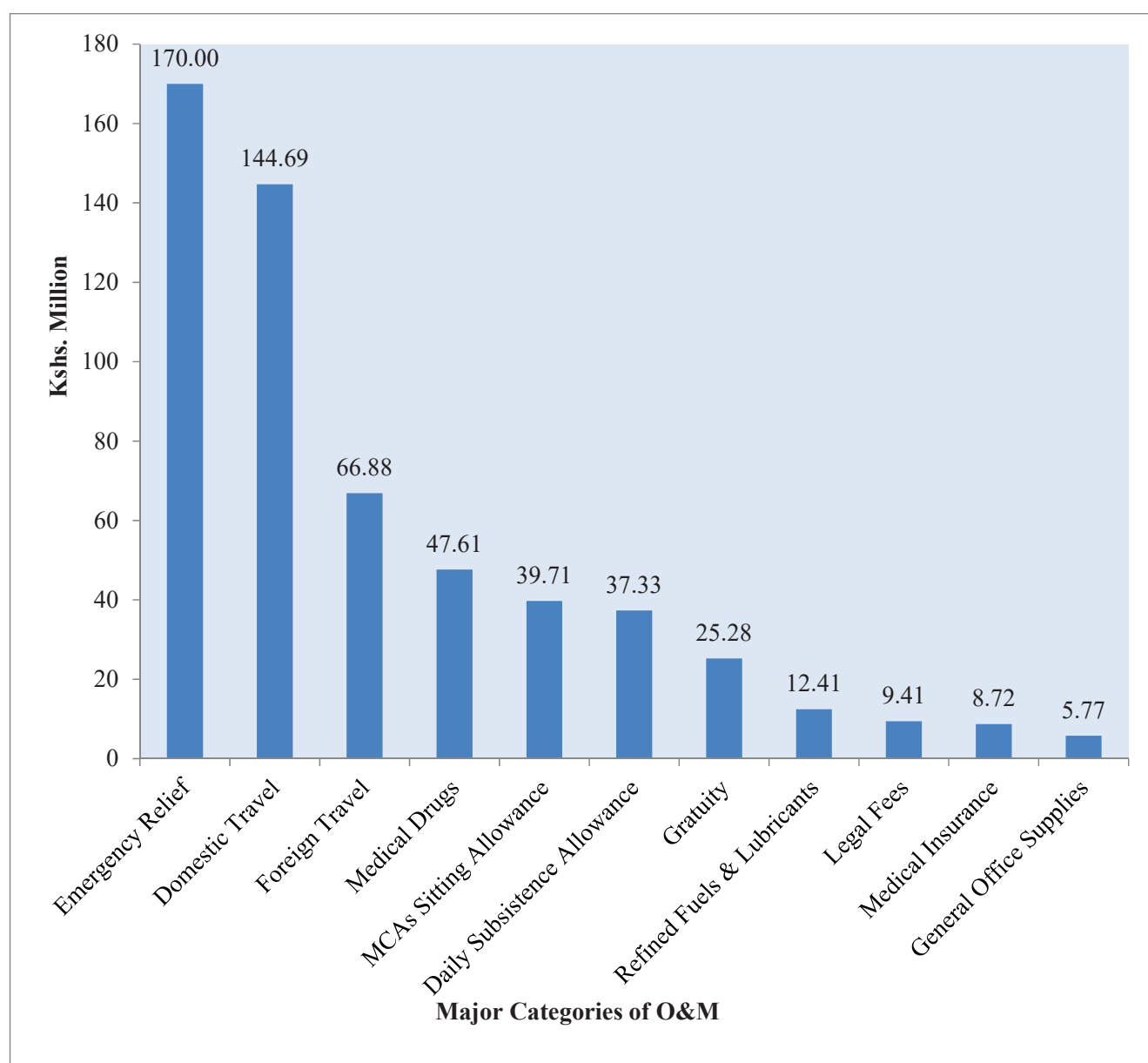
Source: Tana River County Treasury

3.40.6 Analysis of Recurrent Expenditure

The total recurrent expenditure of Kshs.2.19 billion comprised of Kshs.1.12 billion (51.3 per cent) incurred on personnel emoluments and Kshs.1.07 billion (48.7 per cent) on operations and maintenance as shown in Figure 3.159.

Expenditure on personnel emoluments represented an increase of 23.8 per cent compared to a similar period of FY 2017/18 when the County spent Kshs.908.04 million and was 40.5 per cent of total expenditure in the first nine months of FY 2018/19. Figure 3.160 shows a summary of operations and maintenance expenditure by major categories.

Figure 3.160: Tana River County, Operations and Maintenance Expenditure by Major Categories in the First Nine Months of FY 2018/19



Source: Tana River County Treasury & IFMIS Data

The County spent Kshs. 39.71 million on committee sitting allowances for the 24 MCAs and the speaker against the annual budget allocation of Kshs.39.95 million this represented an increase of 605.3 per cent compared to Kshs.5.63 million spent in a similar period of FY 2017/18. The average monthly sitting allowance translated to Kshs.183,833 per MCA against the SRC's recommended monthly ceiling of Kshs.124,800.

Expenditure on domestic and foreign travel amounted to Kshs.211.57 million and comprised of Kshs.80.10 million spent by the County Assembly and Kshs.131.46 million spent by the County Executive. This represented 6.6 per cent of total recurrent expenditure and was an increase of 1.1 per cent compared to Kshs.209.16 million spent in the first nine months of FY 2017/18.

3.40.7 Development Expenditure

The total development expenditure of Kshs.580.77 million represented 21.2 per cent of the annual development expenditure budget of Kshs.2.74 billion. The County did not provide the status of development projects implemented in the period under review.

3.40.8 Budget Performance by County Department

Table 3.115 shows a summary of the approved budget allocation and performance by department in the first nine months of FY 2018/19.

Table 3.115: Tana River County, Budget Performance by Department

Department	Annual Budget Allocation in FY 2018/19 (Kshs. Million)		Exchequer Issues in First Nine Months of FY 2018/19 (Kshs. Million)		Expenditure in First Nine Months of FY 2018/19 (Kshs. Million)		Expenditure to Exchequer Issues (%)		Absorption Rate (%)	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
County Assembly	509.82	200.00	362.27	56.00	361.81	3.84	99.9	6.9	71.0	1.9
Office of the Governor	507.36	-	348.59	-	163.06	-	46.8	-	32.1	-
Finance & Economic Planning	415.68	150.00	241.61	92.56	329.77	80.46	136.5	86.9	79.3	53.6
Trade, Tourism, Wildlife & Co-operative Development & Weights and Measures	228.84	160.00	113.54	25.81	48.59	-	42.8	-	21.2	-
Agriculture & Rural Development, Lands and Physical Planning, Livestock, Veterinary and Fisheries	410.96	404.74	218.55	121.84	115.50	25.05	52.8	20.6	28.1	6.2
Culture, Gender, Youth, Sports and Social Services	83.80	92.50	49.36	4.75	22.84	1.20	46.3	25.2	27.3	1.3
Medical Services, Public Health and Sanitation	1181.31	200.80	789.69	87.13	144.46	103.31	18.3	118.6	12.2	51.5
Education, Vocational Training	408.71	219.99	293.20	14.49	128.17	12.82	43.7	88.5	31.4	5.8
Cohesion & Special Programmes	260.63	10.00	108.08	-	241.64	0.00	223.6	-	92.7	-
Roads, Transport, Public Works, Housing & Urbanization	113.55	969.72	54.53	527.82	328.68	354.10	602.8	67.1	289.5	36.5
Water, Irrigation, Environment and Natural Resources	109.26	262.40	57.68	94.22	143.43	0.00	248.7	-	131.3	-
Public Service Administration & Citizen Participation	343.64	66.50	-	1.51	164.88	-	-	-	48.0	-
Total	4573.56	2736.65	2637.09	1026.11	2192.84	580.77	83.2	56.6	47.9	21.2

Source: Tana River County Treasury & IFMIS data

Analysis of expenditure by department shows that the Department of Finance & Economic Planning recorded the highest absorption rate of development budget at 53.6 per cent while the Department of Roads, Transport, Public Works, Housing & Urbanization recorder a higher expenditure on recurrent budget at 689.4 per cent. Expenditure above the approved budget is irregular an should be corrected before the end of a financial year.

3.40.9 Key Observations and Recommendations

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

- i. Improvement in the use of Integrated Financial Management Information Systems (IFMIS) to process financial transactions.
- ii. Establishment of the County Budget and Economic Forum (CBEF) in line with Section 137 of the Public Financial Management PFMA Act, 2012.
- iii. Improvement in own source of revenue collection by 107.6 per cent to Kshs.33.21 million from Kshs.15.52 million in a similar period in FY 2017/18.

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

1. Failure by the County to constitute the Internal Audit Committee in line with Section 155 of the PFM Act, 2012
2. Failure by the County to provide a report on execution of development projects during the financial year. This is despite reporting development expenditure of Kshs.580.77 million during the reporting period.
3. Low expenditure on the development budget, which was 21.2 per cent compared to the expected rate of 75 per cent for the reporting period.

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

1. *The County should ensure that, the Internal Audit Committee is constituted in compliance with the written law.*
2. *The County should provide complete financial reports in line with Section 166 of the PFM Act, 2012.*
3. *The County should identify and address the causes of low expenditure on the development budget in order to ensure effective budget execution.*

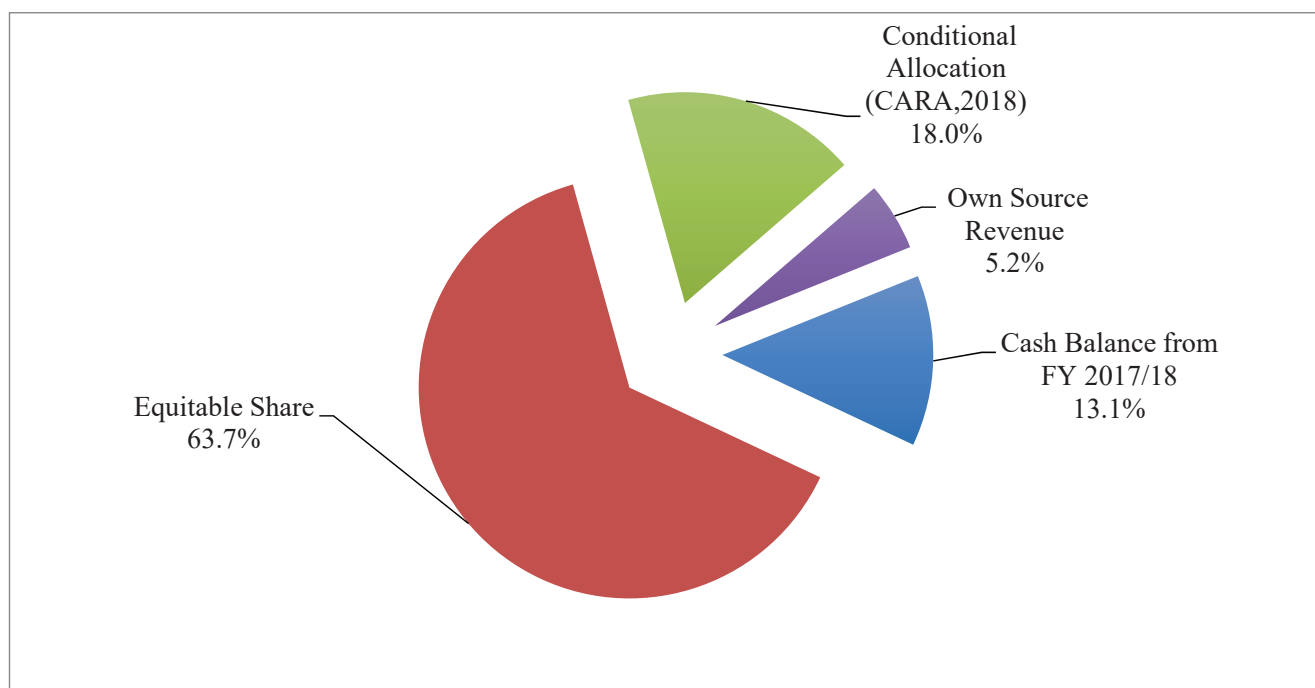
3.41 Tharaka Nithi County

3.41.1 Overview of the FY 2018/19 Budget

The County's FY 2018/19 Supplementary Budget was Kshs.5.72 billion, comprising of Kshs.3.43 billion (60 per cent) and Kshs.2.29 billion (40 per cent) allocation for recurrent and development expenditure respectively.

To finance the budget, the County expects to receive Kshs.3.64 billion (63.7 per cent) as equitable share of revenue raised nationally, Kshs.1.02 billion (18 per cent) as total conditional grants, generate Kshs.300 million (5.2 per cent) from own sources, and Kshs.749.93 million (13.1 per cent) cash balance from FY 2017/18.

Figure 3.161: Tharaka Nithi County, Expected Sources of Budget Financing in FY 2018/19



Source: Tharaka Nithi County Treasury

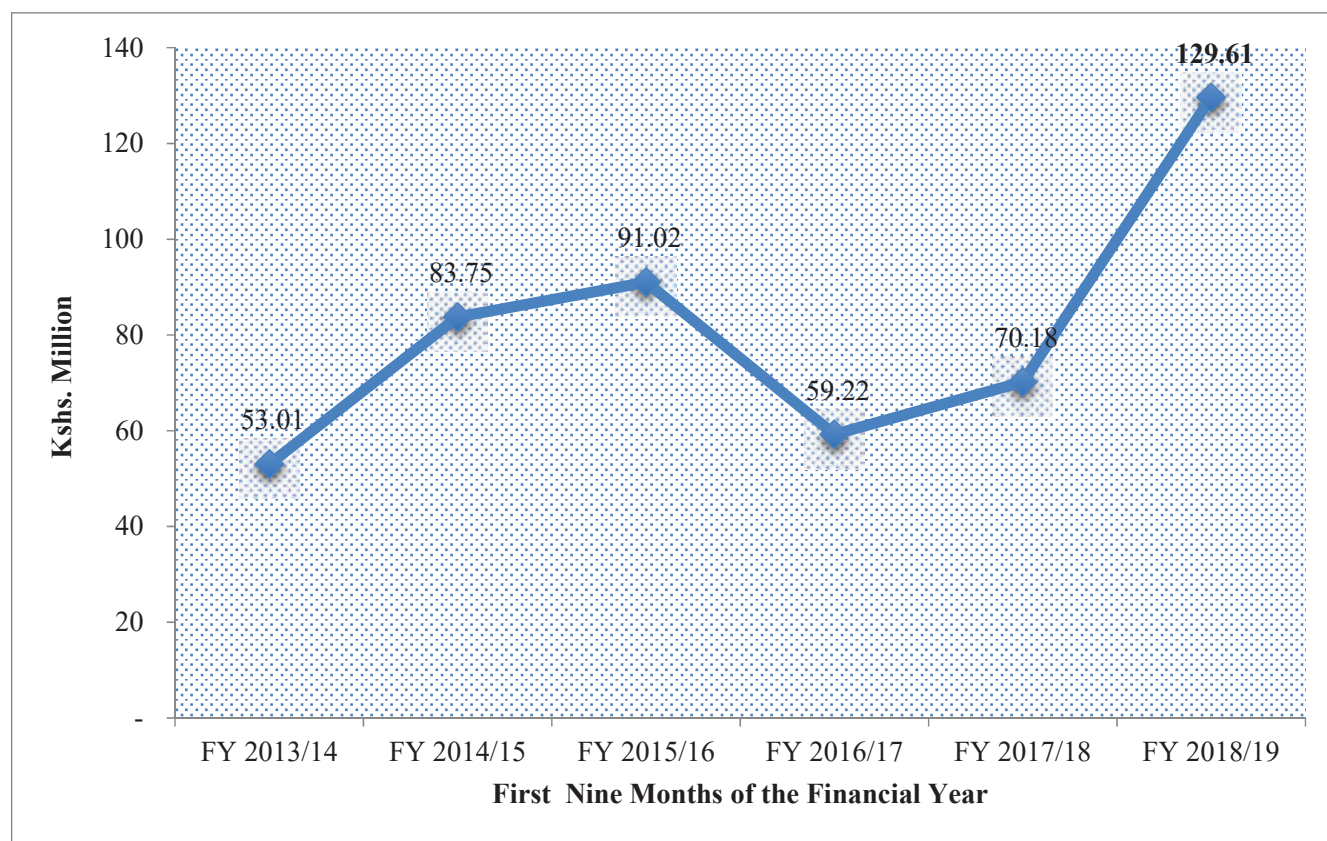
The conditional grants contained in the CARA, 2018 are shown in Table 3.116.

3.41.2 Revenue Analysis

During the first nine months of FY 2018/19, the County received Kshs.2.13 billion as equitable share of the revenue raised nationally, Kshs.169.97 million as total conditional grants, raised Kshs.129.61 million from own-sources of revenue, and had a cash balance of Kshs.749.93 million from FY 2017/18. The total funds available for budget implementation amounted to Kshs.3.18 billion.

Figure 3.162 shows the trend in own-sources of revenue collection for the first nine months from FY 2013/14 to FY 2018/19.

Figure 3.162: Tharaka Nithi County, Trend in Own sources of Revenue Collection for the First Nine Months from FY 2013/14 to FY 2018/19



Source: Tharaka Nithi County Treasury

The County generated a total of Kshs.129.61 million from own revenue sources during the first nine months of FY 2018/19. This amount represented an increase of Kshs 59.44 million compared to that realised during a similar period of the FY 2017/18 and represented 43.2 per cent of the annual target.

3.41.3 Conditional Grants

The County received Kshs.169.97 million as conditional grants in the first nine months of the financial year as shown in Table 3.116.

Table 3.116: Tharaka Nithi County, Conditional Grants/Loans Received in the First Nine Months of FY 2018/19

S/No	Grants	Annual CARA, 2018 Allocation (in Kshs)	Annual Budget Allocation (in Kshs)	Actual Receipts in first nine months of FY 2018/19 (in Kshs.)	Actual Receipts as Percentage of Annual Allocation (%)
1.	Supplement for Construction of County Headquarters	121,000,000	-	-	-
2.	Compensation for User Fee Foregone	8,218,119	8,218,119	-	-
3.	Leasing of Medical Equipment	200,000,000	-	-	-
4.	Road Maintenance Fuel Levy	95,901,220	128,101,220	47,950,610	50.0

S/No	Grants	Annual CARA, 2018 Allocation (in Kshs)	Annual Budget Allocation (in Kshs)	Actual Receipts in first nine months of FY 2018/19 (in Kshs.)	Actual Receipts as Percentage of Annual Allocation (%)
5.	Rehabilitation of Village Polytechnics	40,090,000	78,211,638	-	-
6.	Transforming Health Systems for Universal Care Project (World Bank)	50,000,000	50,000,000	13,609,347	27.2
7.	IDA (World Bank) -National Agricultural and Rural Inclusive Growth Project (NA-RIGP)	117,000,000	-	-	-
8.	IDA (World Bank) -Kenya Climate Smart Agriculture Project (KCSAP)	117,000,000	117,000,000	39,557,498	33.8
9.	IDA (World Bank) Kenya Devolution Support Programme "Level 1 grant"	38,536,081	77,072,162	-	-
10.	IDA (World Bank) -Kenya Urban Support Project (KUSP)	50,000,000	92,000,000	50,000,000	54.3
11.	DANIDA - Universal Healthcare in Devolved System Programme	12,352,500	12,352,500	12,352,500	100
12.	Sweden - Agriculture Sector Development Support Programme (ASDSP) II + Bal C/F in FY 2017/18	12,352,500	12,352,500	6,509,045	52.7
13.	Other Conditional Grants	-	453,361,325	-	-
Grand Total		862,450,420.0	1,028,669,464.0	169,979,000	16.5

Source: Tharaka Nithi County Treasury

Analysis of revenue from conditional grants indicates that, the County received full allocation from DANIDA for Universal Healthcare in Devolved System Programme.

3.41.4 Exchequer Issues

To finance the budget, the Controller of Budget approved the withdrawal of Kshs.2.99 billion from the County Revenue Fund Account. The withdrawals represented 52.3 per cent of the Approved Budget and translated to an increase of 26.8 per cent from Kshs.2.36 billion approved in the first nine months of FY 2017/18 and comprised of Kshs.2.31 billion (77.2 per cent) to fund recurrent expenditure and Kshs.682.11 million (22.8 per cent) for development activities.

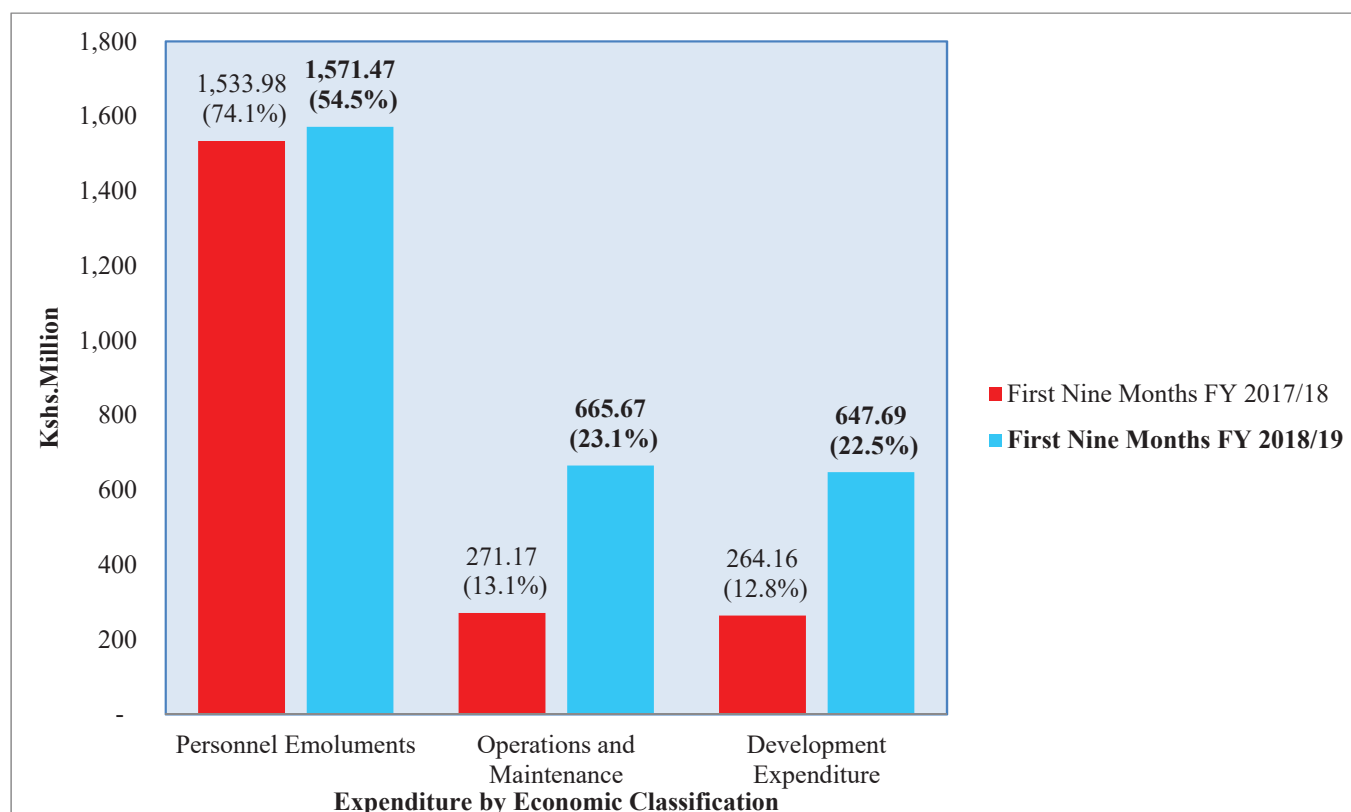
3.41.5 Overall Expenditure Review

The County spent a total of Kshs.2.88 billion on recurrent and development activities. This expenditure represented 96.4 per cent of the total funds released from the County Revenue Fund Account and was an increase of 28.4 per cent from Kshs.2.06 billion spent in the first nine months of FY 2017/18. The expenditure excluded outstanding commitments as at March 31, 2019 which amounted to Kshs.531.1 million for development activities and Kshs.268.9 million for recurrent expenditure.

Expenditure on recurrent activities amounted to Kshs.2.23 billion while Kshs.647.69 million was spent on development activities. The recurrent expenditure was 96.8 per cent of the funds released for recurrent activities, while development expenditure was 95 per cent of funds released for development activities.

The recurrent expenditure represented 65.2 per cent of the annual recurrent budget, an increase from 59.7 per cent recorded in the first nine months of FY 2017/18. Development expenditure recorded an absorption rate of 28.3 per cent, which was an increase from 16.5 per cent attained in the first nine months of FY 2017/18. Figure 3.163 presents a comparison between the total expenditure in the first nine months of FY 2018/19 and a similar period in FY 2017/18.

Figure 3.163: Tharaka Nithi County, Expenditure by Economic Classification



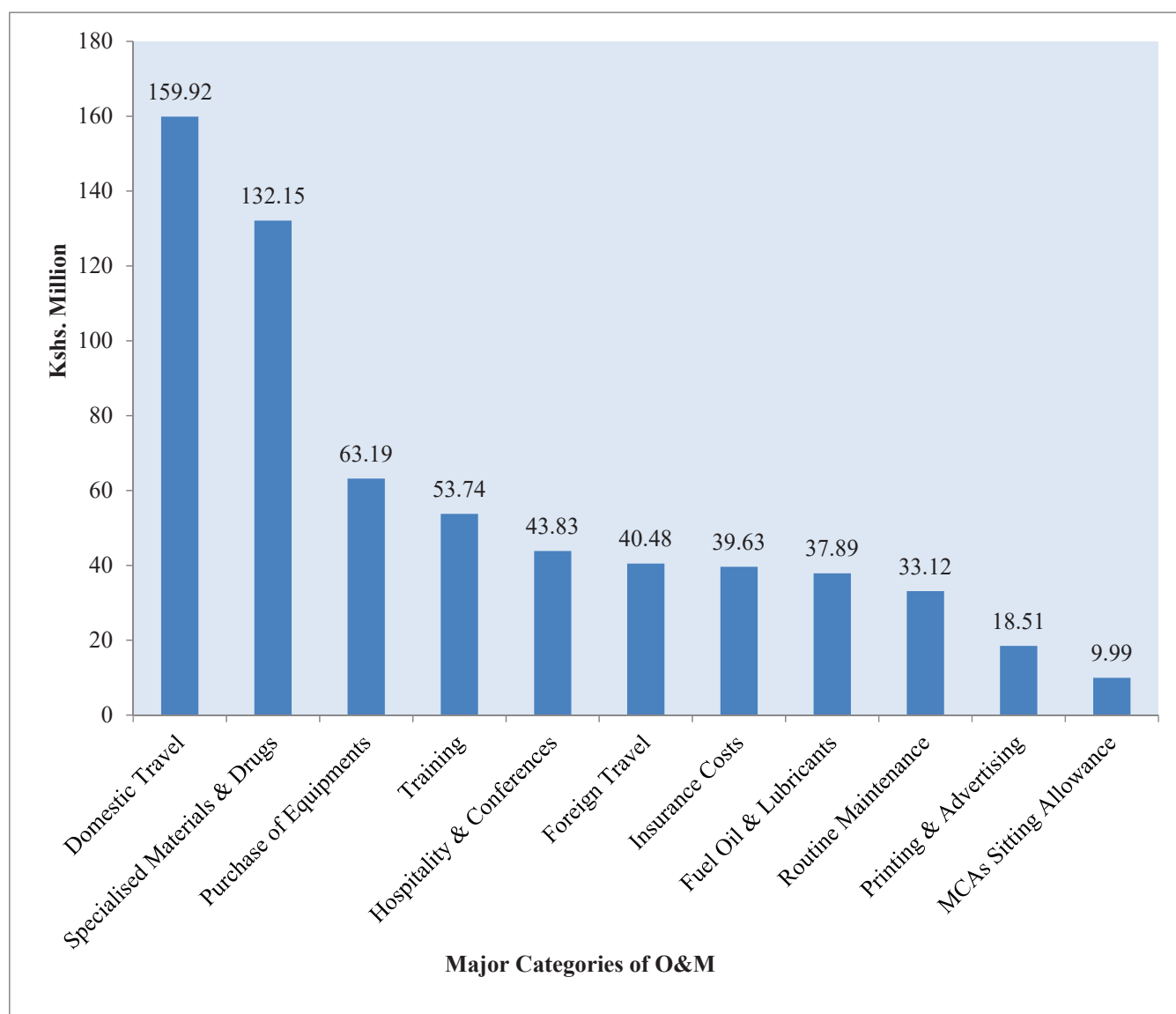
Source: Tharaka Nithi County Treasury

3.41.6 Analysis of Recurrent Expenditure

The total recurrent expenditure of Kshs.2.23 billion comprised of Kshs.1.57 billion (70.2 per cent) incurred on personnel emoluments and Kshs.665.67 million (29.8 per cent) on operations and maintenance as shown in Figure 3.163.

Expenditure on personnel emoluments represented an increase of 2.4 per cent compared to a similar period of FY 2017/18 when the County spent Kshs.1.53 billion and was 54.5 per cent of total expenditure in the first nine months of FY 2018/19. Figure 3.164 shows a summary of operations and maintenance expenditure by major categories.

Figure 3.164: Tharaka Nithi County, Operations and Maintenance Expenditure by Major Categories in the First Nine Months of FY 2018/19



Source: Tharaka Nithi County Treasury

The County spent Kshs.9.99 million on committee sitting allowances for the 21 MCAs and the speaker against the annual budget allocation of Kshs.28.37 million. This represented an increase of 173.3 per cent compared to Kshs.3.65 million spent in a similar period of FY 2017/18. The average monthly sitting allowance translated to Kshs.52,859 per MCA against the SRC's recommended monthly ceiling of Kshs.124,800.

Expenditure on domestic and foreign travel amounted to Kshs.200.4 million and comprised of Kshs.67.3 million spent by the County Assembly and Kshs.132.57 million spent by the County Executive. This represented 9 per cent of total recurrent expenditure and was an increase of 229.6 per cent compared to Kshs.60.8 million spent in the first nine months of FY 2017/18.

1.1.1 Development Expenditure

The total development expenditure of Kshs.647.69 million represented 28.3 per cent of the annual development expenditure budget of Kshs.2.29 billion. Table 3.117 provides a summary of development projects with the highest expenditure in the first nine months of the financial year.

Table 3.117: Tharaka Nithi County, List of Development Projects with the Highest Expenditure in First Nine Months of FY 2018/19

	Project Name	Project Location	Project Budget (Kshs.)	Project Expenditure in First Nine Months of FY 2018/19 (Kshs.)	Absorption Rate (%)
1.	Construction of Garbage Incinerator	Karingani ward	40,000,000	34,998,500	87.5
2.	Road Equipment	Countywide	105,000,000	105,148,084	100.1
3.	Construction of Mukothima Grain Store	Mukothima	23,000,000	16,949,190	73.7
4.	Construction of ATI (Completion)	Igambang'ombe Ward	28,000,000	20,816,767	74.3
5.	Construction of ECDE classes	County wide	22,500,000	9,982,039	44.4
6.	Rehabilitation of Village Polytechnics	County wide	10,090,000	4,869,989	48.3
7.	Development of Kathwana Municipality	Kathwana	50,000,000	50,000,000	100
8.	Kenya climate smart agriculture project	County wide	120,000,000	39,557,498	33
9.	Small Towns Improvement	All Wards	15,000,000	12,846,532	85.6

Source: Tharaka Nithi County Treasury

3.41.7 Budget Performance by County Department

Table 3.118 shows a summary of the approved budget allocation and performance by department in the first nine months of FY 2018/19.

Table 3.118: Tharaka Nithi County, Budget Performance by Department

Department	Budget Allocation (Kshs. Million)		Exchequer Issues in First Nine Months of FY 2018/19 (Kshs. Million)		Expenditure In First Nine Months of FY 2018/19 (Kshs. Million)		Expenditure to Exchequer Issues (%)		Absorption Rate (%)	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
County Assembly	352.00	17.00	218.66	-	219.93	-	100.6	-	62.5	-
County Executive	154.43	-	103	-	95.09	-	92.3	-	61.6	-
Finance and Economic Planning	291.27	276.12	130.28	95.83	143.74	48.82	110.3	50.9	49.3	17.7
Agriculture	107.43	227	80.40	89.58	102.04	86.58	126.9	96.7	95.0	38.1
Environment and Natural Resource	1.02	35	-	35	0.72	35	-	100	70.1	100
Education, Cultural and Vocational Training	230.03	107.59	131.61	8.95	104.49	14.85	79.4	166.0	45.4	13.8
Medical Services	1,476.03	313.70	1,132.06	124.23	1,068.06	103.87	94.3	83.6	72.4	33.1
Physical Planning and Land	129.22	225.50	52.03	70.30	50.06	117.53	96.2	167.2	38.7	52.1
Roads, Transport, Housing, Public Works	49.69	809.80	24.94	245.95	29.85	231.08	119.7	94.0	60.1	28.5
Administration and Public Services	261.06	-	185.45	-	184.57	-	99.5	-	70.7	-
Trade, Industry and Cooperatives	94.65	-	68.82	-	79.05	-	114.9	-	83.5	-
Water Services and Irrigation	51.24	162	24.61	0.77	25.81	-	104.9	-	50.4	-

Department	Budget Allocation (Kshs. Million)		Exchequer Issues in First Nine Months of FY 2018/19 (Kshs. Million)		Expenditure In First Nine Months of FY 2018/19 (Kshs. Million)		Expenditure to Exchequer Issues (%)		Absorption Rate (%)	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
County Public Services Board	12.46	-	9.99	-	9.79	-	98.0	-	78.6	-
Livestock, Veterinary And Fisheries Development	71.90	55	53.59	9.97	41.09	9.97	76.7	100.0	57.1	18.1
Public Health and Sanitation	61.49	-	43.89	-	37.74	-	86.0	-	61.4	-
Energy and ICT	38.36	24.00	15.75	-	20.80	-	132.0	-	54.2	-
Youth ,Culture, Sport and Tourism	48.02	38	35.02	1.53	24.30	-	69.4	-	50.6	-
Total	3,430.29	2,290.71	2,310.10	682.12	2,237.14	647.69	96.8	95.0	65.2	28.3

Source: Tharaka Nithi County Treasury

Analysis of expenditure by department shows that the Department of Environment and Natural Resource attained the highest absorption rate of development budget at 100 per cent. The Department of Agriculture had the highest percentage of recurrent expenditure to recurrent budget at 95 per cent while the Department of Lands and Physical Planning had the least absorption rate at 38.7 per cent.

3.41.8 Key Observations and Recommendations

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

- Improvement in own-source revenue collection by 84.7 per cent from Ksh.70.18 million in a similar period in FY 2017/18 to Ksh.129.61 million in the reporting period.
- Establishment of the County Budget and Economic Forum (CBEF) in line with Section 137 of the PFM Act, 2012.
- Establishment of an Internal Audit Committee in line with Section 155 (5) of the PFM Act, 2012.

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

- Delay by the National Treasury to disburse the equitable share of revenue raised nationally to the County.
- High wage bill that accounted for 70.2 per cent of the total recurrent expenditure and 54.5per cent of the total expenditure during the period under review.
- High expenditure on travel costs, which increased by 229.6 per cent to Kshs.159.92 million compared to Kshs.60.8 million in a similar period in FY 2017/18.
- Failure to align the conditional grants in the County budget to CARA, 2018.

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

- The County Treasury should liaise with the National Treasury to ensure that funds allocated to the County are released in a timely manner.*
- The County Public Service Board should establish an optimal staffing structure in order to ensure a sustainable wage bill.*
- The County should rationalise expenditure on non-core expenditure such as travel in order to free funds for key development programmes.*
- The County should to align all conditional grants to CARA,2018 through a Supplementay Budget.*

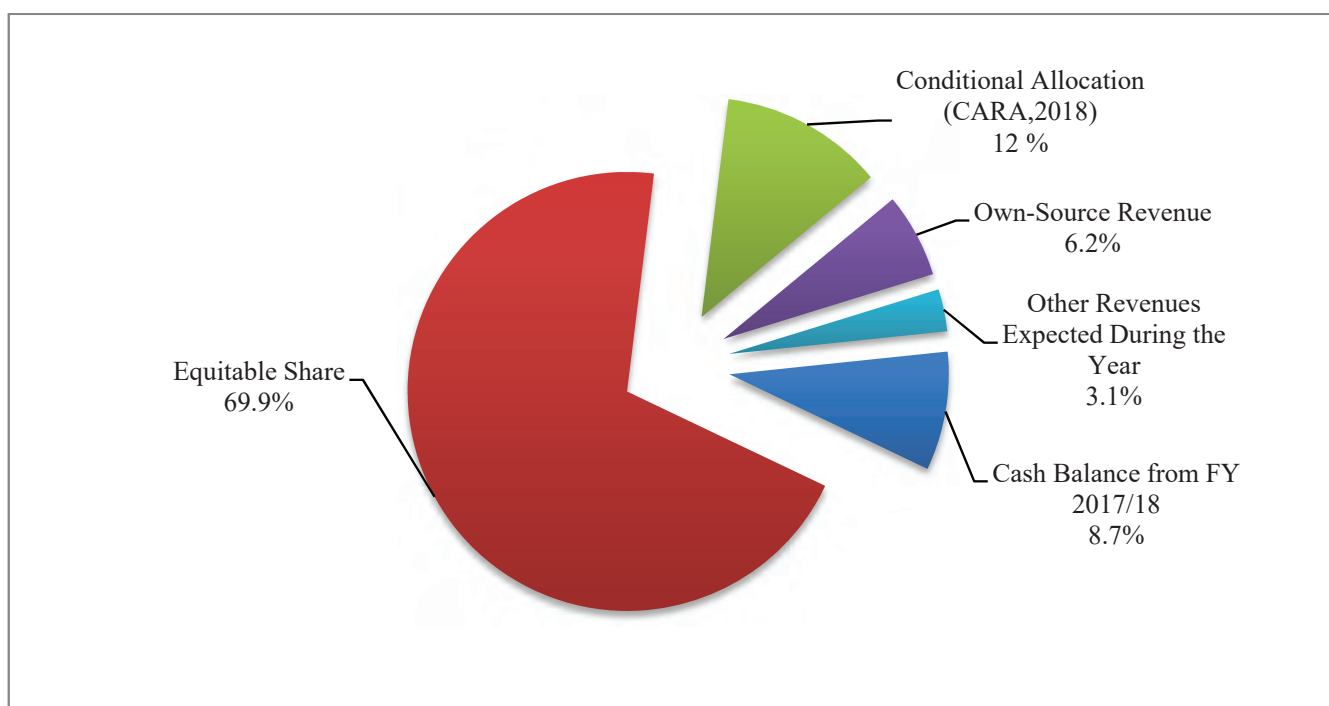
3.42 Trans Nzoia County

3.42.1 Overview of the FY 2018/19 Budget

The County's FY 2018/19 Supplementary Budget was Kshs.8.04 billion, comprising of Kshs.4.87 billion (60.5 per cent) and Kshs.3.18 billion (39.5 per cent) allocation for recurrent and development expenditure respectively.

To finance the budget, the County expects to receive Kshs.5.62 billion (69.9 per cent) as equitable share of revenue raised nationally, Kshs.968.73 million (12 per cent) as total conditional grants, generate Kshs.500 million (6.2 per cent) from own-sources of revenue, Kshs.250 million (3.1 per cent) as other grants and Kshs.703.23 million (8.7 per cent) cash balance from FY 2017/18.

Figure 3.165: Trans Nzoia County, Expected Sources of Budget Financing in FY 2018/19



Source: Trans Nzoia County Treasury

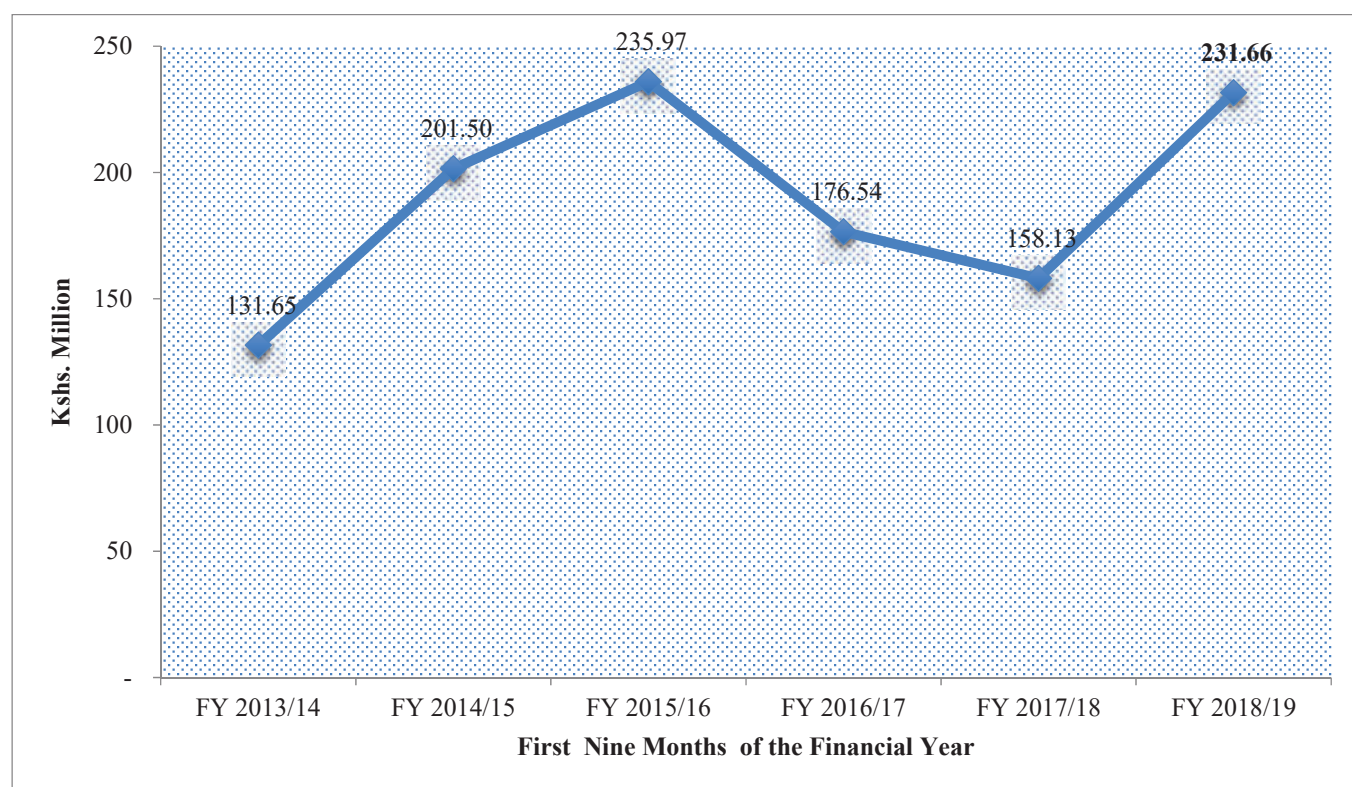
The conditional grants contained in the CARA, 2018 are shown in Table 3.119.

3.42.2 Revenue Analysis

During the first nine months of FY 2018/19, the County received Kshs.3.74 billion as equitable share of the revenue raised nationally, Kshs.343.95 million as total conditional grants, raised Kshs.231.66 million from own-sources of revenue, and had a cash balance of Kshs.703.23 million from FY 2017/18. The total funds available for budget implementation amounted to Kshs.5.02 billion.

Figure 3.166 shows the trend in own-sources of revenue collection for the first nine months from FY 2013/14 to FY 2018/19.

Figure 3.166: Trans Nzoia County, Trend in Own Sources of Revenue Collection for the First Nine Months from FY 2013/14 to FY 2018/19



Source: Trans Nzoia County Treasury

The County generated a total of Kshs.231.66 million from own revenue sources during the first nine months of FY 2018/19. This amount represented an increase of Kshs.73.53 million compared to that realised during a similar period of the FY 2017/18 and represented 46.3 per cent of the annual target.

3.42.3 Conditional Grants

The County received Kshs.343.95 million as conditional grants in the first nine months of the financial year 2018/19 as shown in Table 3.119.

Table 3.119: Trans Nzoia County, Conditional Grants/Loans Received in the First Nine Months of FY 2018/19

S/No	Grant/Loans	Annual Allocation per CARA, 2018 (Kshs)	Annual Budget Allocation for FY 2018/19 (Kshs)	Actual Receipts in First Nine Months of FY 2018/19 (Kshs)	Actual Receipts as Percentage of Annual Allocation (%)
1.	IDA (World Bank) -Kenya Urban Support Project	340,306,900	340,306,900	299,106,900	87.9
2.	DANIDA - Universal Health-care to Devolved System Programme	18,933,750	18,933,750	9,466,875	50.0
3.	World Bank-Transforming Health Systems for Universal Care Project	100,000,000	100,000,000	35,376,759	35.4
4.	Compensation for User Fee Foregone	21,304,915	21,304,915	-	-

S/No	Grant/Loans	Annual Allocation per CARA, 2018 (Kshs)	Annual Budget Allocation for FY 2018/19 (Kshs)	Actual Receipts in First Nine Months of FY 2018/19 (Kshs)	Actual Receipts as Percentage of Annual Allocation (%)
5.	Leasing of Medical Equipment	200,000,000	-	-	-
6.	Road Maintenance Fuel Levy Fund	147,985,503	147,985,503	-	-
7.	Rehabilitation of Village Polytechnics	53,710,000	53,710,000	-	-
8.	IDA (World Bank) -National Agricultural and Rural Inclusive Growth Project	140,435,163	140,435,163	-	-
9.	IDA (World Bank) Kenya Devolution Support Programme "Level 1 grant"	46,456,661	46,456,661	-	-
10.	Sweden - Agriculture Sector Development Support Programme (ASDSP) II + Bal C/F in FY 2017/18	19,595,837	19,595,837	-	-
11.	EU - Water Tower Protection and Climate Change Mitigation and Adoption Programme (WATER)	80,000,000	80,000,000	-	-
Total		1,168,728,729	968,728,729	343,950,534	35.5

Source: Trans Nzoia County Treasury

Analysis of revenue from conditional grants indicates that the County received the highest allocation from IDA (World Bank) Kenya Urban Support Project at 87.9 per cent.

3.42.4 Exchequer Issues

To finance the budget, the Controller of Budget approved the withdrawal of Kshs.4.29 billion from the County Revenue Fund account. The withdrawals represented 53.3 per cent of the Approved Budget and translated to an increase of 19.4 per cent from Kshs.3.58 billion approved in the first nine months of FY 2017/18 and comprised of Kshs.3.13 billion (72.9 per cent) to fund recurrent expenditure and Kshs.1.16 billion (27.1 per cent) for development activities.

3.42.5 Overall Expenditure Review

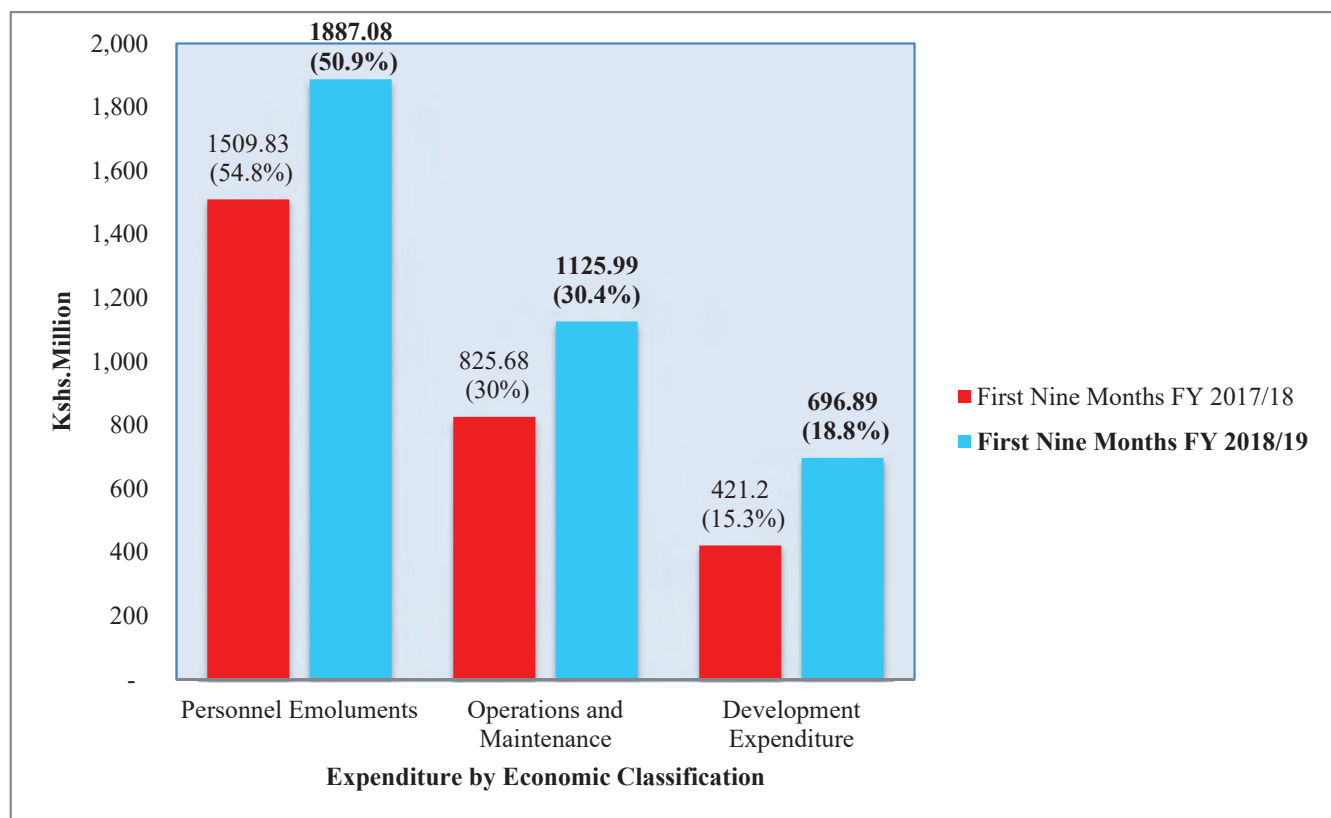
The County spent a total of Kshs.3.71 billion on recurrent and development activities. This expenditure represented 86.6 per cent of the total funds released from the County Revenue Fund account and was an increase of 34.6 per cent from Kshs.2.76 billion spent in the first nine months of FY 2017/18. The expenditure excluded outstanding commitments as at March 31, 2019 which amounted to Kshs.867.37 million for development activities and Kshs.475.64 million for recurrent expenditure.

Expenditure on recurrent activities amounted to Kshs.3.01 billion while Kshs.696.89 million was spent on development activities. The recurrent expenditure was 96.4 per cent of the funds released for recurrent activities, while development expenditure was 60 per cent of funds released for development activities.

The recurrent expenditure represented 61.9 per cent of the annual recurrent budget, an increase from 52.7 per cent recorded in the first nine months of FY 2017/18. Development expenditure recorded an absorption rate

of 21.9 per cent, which was an increase from 17.6 per cent attained in the first nine months of FY 2017/18. Figure 3.167 presents a comparison between the total expenditure in the first nine months of FY 2018/19 and a similar period in FY 2017/18.

Figure 3.167: Trans Nzoia County, Expenditure by Economic Classification



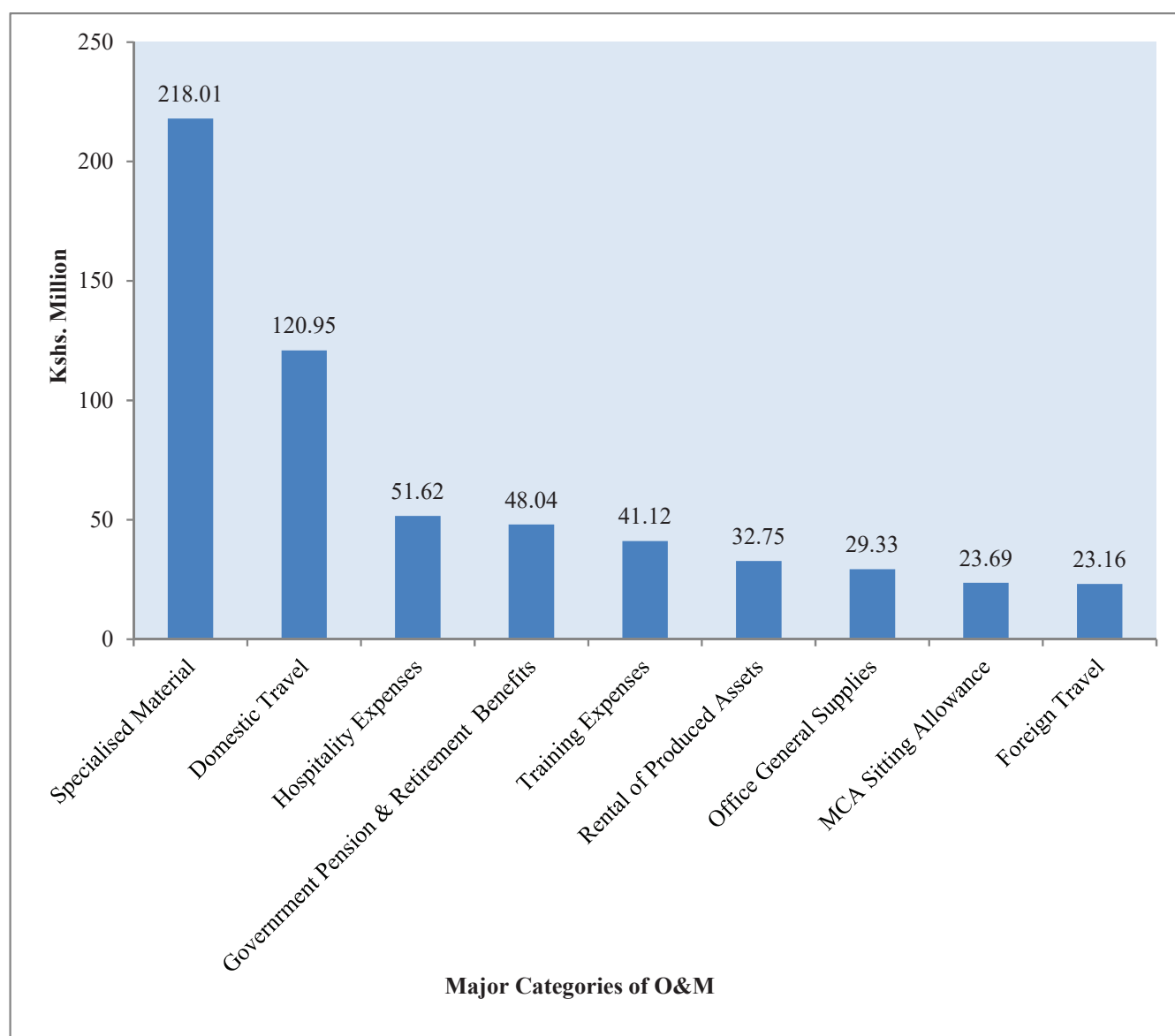
Source: Trans Nzoia County Treasury

3.42.6 Analysis of Recurrent Expenditure

The total recurrent expenditure of Kshs.3.01 billion comprised of Kshs.1.89 billion (62.6 per cent) incurred on personnel emoluments and Kshs.1.12 billion (37.4 per cent) on operations and maintenance as shown in Figure 3.167.

Expenditure on personnel emoluments represented an increase of 25 per cent compared to a similar period of FY 2017/18 when the County spent Kshs.1.51 billion and was 50.9 per cent of total expenditure in the first nine months of FY 2018/19. Figure 3.168 shows a summary of operations and maintenance expenditure by major categories.

Figure 3.168: Trans Nzoia County, Operations and Maintenance Expenditure by Major Categories in the First Nine Months of FY 2018/19



Source: Trans Nzoia County Treasury

The County spent Kshs.23.69 million on committee sitting allowances for the 40 MCAs and the Speaker against the annual budget allocation of Kshs.53.30 million. This represented an increase of 225.1 per cent compared to Kshs.7.29 million spent in a similar period of FY 2017/18. The average monthly sitting allowance translated to Kshs.65,814 per MCA against the SRC's recommended monthly ceiling of Kshs.124,800.

Expenditure on domestic and foreign travel amounted to Kshs.144.11 million and comprised of Kshs.106.43 million spent by the County Assembly and Kshs.37.68 million spent by the County Executive. This represented 4 per cent of total recurrent expenditure and was an increase of 17.9 per cent compared to Kshs.102.59 million spent in the first nine months of FY 2017/18.

3.42.7 Development Expenditure

The total development expenditure of Kshs.696.89 million represented 21.9 per cent of the annual development expenditure budget of Kshs.3.18 billion. Table 3.120 provides a summary of development projects with the highest expenditure in the first nine months of the financial year.

Table 3.120: Trans Nzoia County, List of Development Projects with the Highest Expenditure in First Nine Months of FY 2018/19

S/No.	Project Name	Project Location	Annual Project Budget (Kshs.)	Expenditure in First Nine Months (Kshs.)	Absorption Rate (%)
1	Purchase of a Prime Mover	County Headquarters	20,000,000	18,093,103	90.5
2	Construction of Fresh Produce Market	Motosiet	5,000,000	4,297,119	85.9
3	Supply of Acaricides	County Wide	13,000,000	8,885,950	68.4
4	Refurbishment of Kenyatta Stadium	Bidii	10,000,000	5,575,890	55.8
5	Construction of Rehabilitation Centre	Kwanza	6,300,000	2,425,000	38.5
6	Construction of County Referral Hospital	Matisi	435,000,000	160,339,366	36.9
7	Pipeline Extension	County wide	121,200,000	33,737,930	27.8
8	Road Construction and Maintenance	County wide	392,118,668	102,055,387	26.0
9	Installation of High Floodlights	County wide	42,085,804	7,791,330	18.5
10	Construction of ECDE Classes	County wide	155,252,171	4,172,600	2.7

Source: Trans Nzoia County Treasury

3.42.8 Budget Performance by County Department

Table 3.121 shows a summary of the approved budget allocation and performance by department in the first nine months of FY 2018/19.

Table 3.121: Trans Nzoia County, Budget Performance by Department

Department	Annual Budget Allocation in FY 2018/19 (Kshs. Million)		Exchequer Issues in First Nine Months of FY 2018/19 (Kshs. Million)		Expenditure in First Nine Months of FY 2018/19 (Kshs. Million)		Expenditure to Exchequer Issues (%)		Absorption Rate (%)	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
Agriculture	297.64	328.15	200.76	50.67	209.21	21.21	104.2	41.9	70.3	6.5
Livestock	16.27	90.30	7.21	7.19	6.92	18.29	96.0	254.4	42.5	20.3
Trade, Commerce and Industry	38.44	53.26	29.47	8.78	11.93	10.86	40.5	123.7	31.0	20.4
Water, Environment and Natural Resources	85.84	377.02	46.16	135.46	45.60	116.84	98.8	86.3	53.1	31.0
Public Works, Roads and Infrastructure	279.42	514.40	189.90	218.46	148.00	255.52	77.9	117.0	53.0	49.7
Health and Corporate Services	1,675.59	638.94	1,150.15	241.97	1,292.32	181.94	112.4	75.2	77.1	28.5
Lands, Housing and Urban Development	66.14	426.91	36.80	304.71	21.31	-	57.9	-	32.2	-
Gender, Youth, Sports, Culture, Social Services & Tourism	72.42	74.56	46.80	0.42	42.10	18.12	90.0	4,314.3	58.1	24.3
Governance	104.76	17.60	53.06	-	43.21	8.74	81.4	-	41.2	49.7
Public Service Management	493.63	24.40	288.49	3.45	160.70	-	55.7	-	32.6	-

Department	Annual Budget Allocation in FY 2018/19 (Kshs. Million)		Exchequer Issues in First Nine Months of FY 2018/19 (Kshs. Million)		Expenditure in First Nine Months of FY 2018/19 (Kshs. Million)		Expenditure to Exchequer Issues (%)		Absorption Rate (%)	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
County Public Service Board	32.26	27.35	19.47	-	14.92	3.58	76.6	-	46.2	13.1
Education and ICT	344.42	285.00	232.34	57.83	290.96	28.48	125.2	49.2	84.5	10.0
Finance	711.08	146.56	395.80	131.94	284.38	26.06	71.8	19.8	40.0	17.8
Economic Planning	35.15	30.97	19.30	-	2.21	7.25	11.5	-	6.3	23.4
County Assembly	614.08	140.00	409.39	-	439.30	-	107.3	-	71.5	-
TOTAL	4,867.14	3,175.42	3,125.10	1,160.88	3,013.07	696.89	96.4	60	61.9	21.9

Source: Trans Nzoia County Treasury

Analysis of expenditure by department shows that the Department of Public Works, Roads & Infrastructure and the Department of Governance recorded the highest absorption rate of development budget at 49.7 per cent respectively while the County Assembly, Lands and Public Service Management did not incur any development expenditure. The Department of Education and ICT had the highest percentage of recurrent expenditure to its recurrent budget at 84.5 per cent while the Economic Planning had the lowest at 6.3 per cent.

3.42.9 Key Observations and Recommendations

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

- Improvement in own-sources of revenue collection by 46.5 per cent from Kshs.158.13 million to Kshs.231.66 million in a similar period of FY 2017/18.

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

- High wage bill, which accounted for 50.9 per cent of the total expenditure during the reporting period thus constraining funding of other programs.
- Slow implementation of development activities during the first nine months of FY 2018/19. The County spent Kshs.696.89 million, which represented 21.9 per cent of the annual development budget of Kshs.3.18 billion against the expected absorption rate of 75 per cent.
- Late submission of financial reports by the County Treasury to the OCOB, which affected timely preparation of budget implementation reports, contrary to Section 166 of the PFM Act, 2012.

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

- The County Public Service Board should establish an optimal staffing structure in order to ensure a sustainable wage bill.*
- The County should identify and address issues that cause delays in implementation of development projects.*
- The County Treasury should ensure timely preparation and submission of financial reports to the Controller of Budget in line with Section 166 of PFM Act, 2012.*

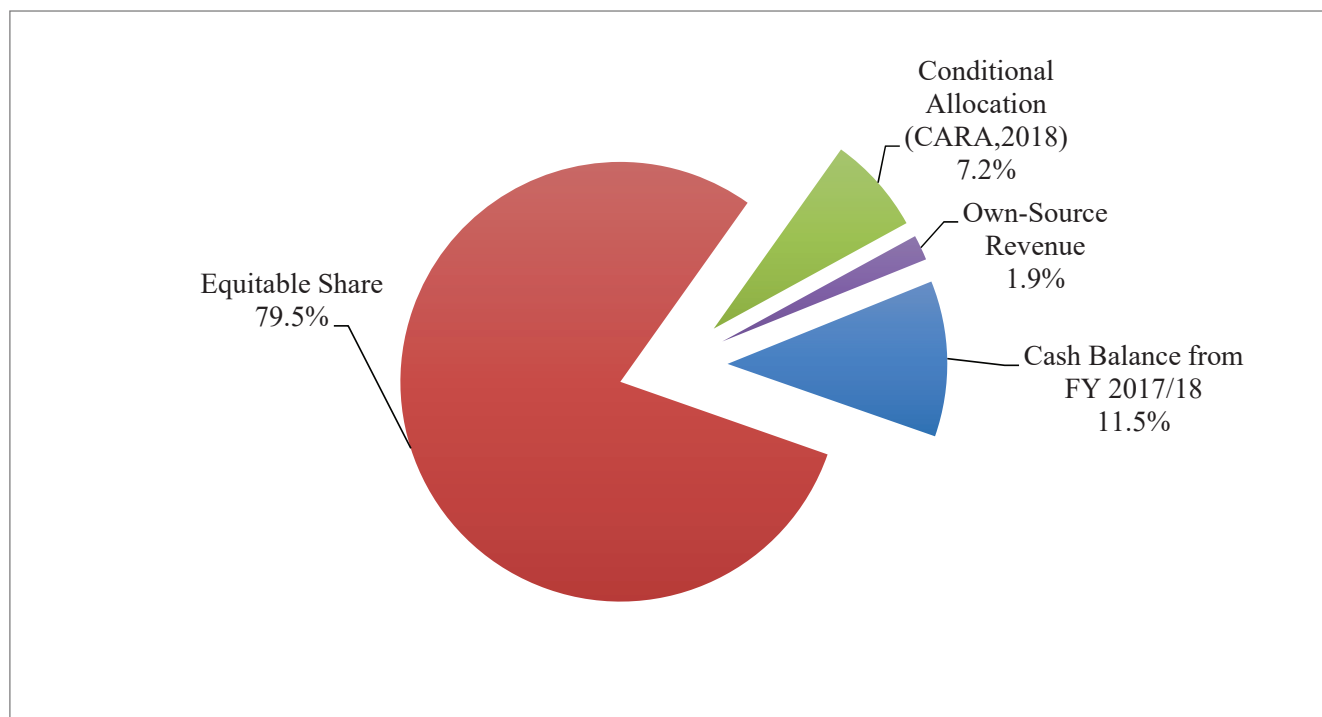
3.43 Turkana County

3.43.1 Overview of the FY 2018/19 Budget

The County's FY 2018/19 Approved Budget was Kshs.13.54 billion, comprising of Kshs.8.22 billion (60.7 per cent) and Kshs.5.32 billion (39.3 per cent) allocation for recurrent and development expenditure respectively.

To finance the budget, the County expects to receive Kshs.10.71 billion (79.2 per cent) as equitable share of revenue raised nationally, Kshs.969.16 million (7.2 per cent) as total conditional grants, generate Kshs.250 million (1.8 per cent) from own source of revenue, and Kshs.1.55 billion (11.4 per cent) cash balance from FY 2017/18.

Figure 3.169: Turkana County, Expected Sources of Budget Financing in FY 2018/19



Source: Turkana County Treasury

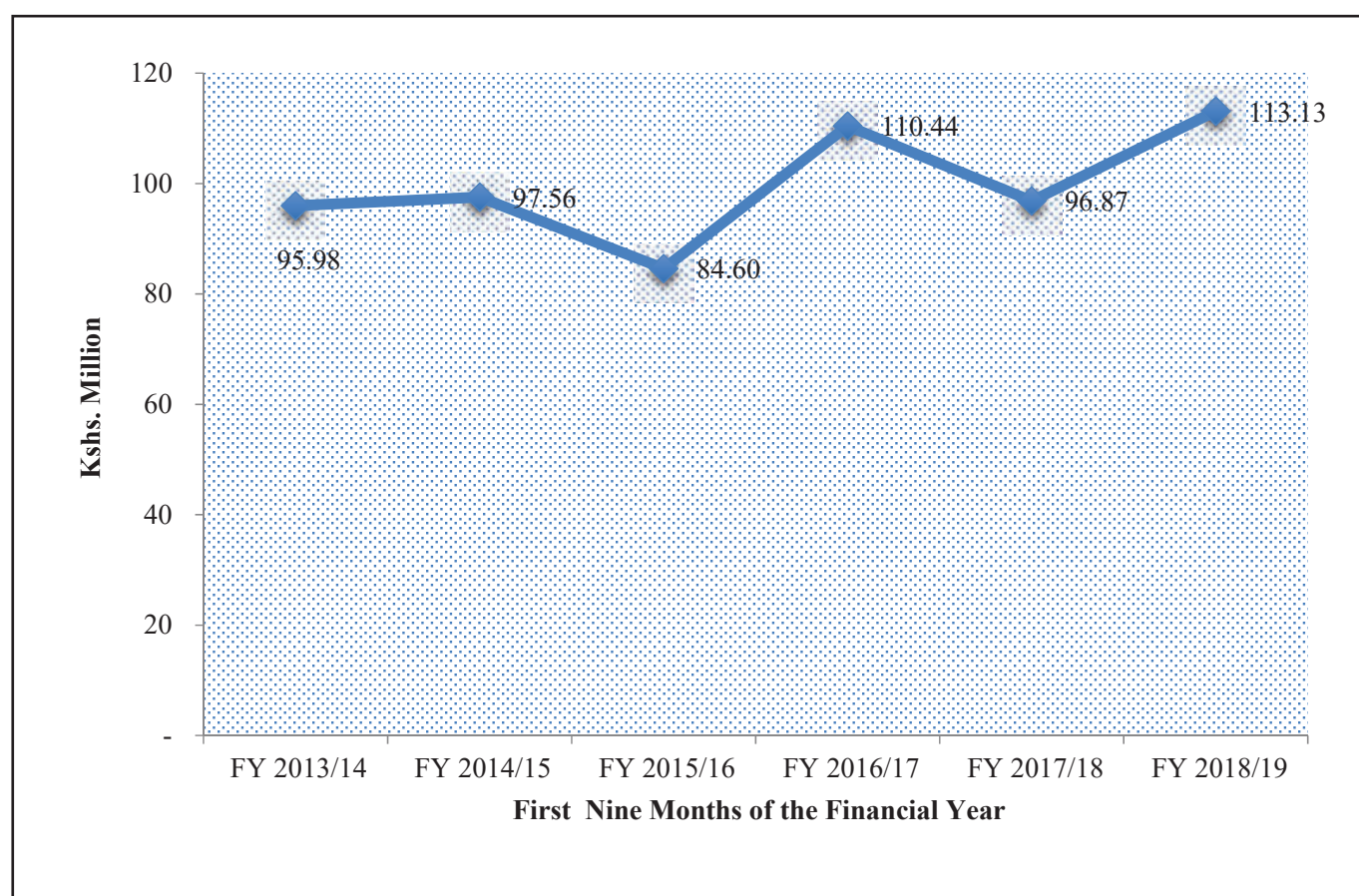
The conditional grants contained in the CARA, 2018 are shown in Table 3.122.

3.43.2 Revenue Analysis

During the first nine months of FY 2018/19, the County received Kshs. 6.46 billion as equitable share of revenue raised nationally, Kshs.158.63 million as total conditional grants, raised Kshs.113.13 million from own-source revenue, and had a cash balance of Kshs.1.55 billion from FY 2017/18. The total available funds amounted to Kshs.8.28 billion.

Figure 3.170 shows the first nine month trend in own-source revenue collection for the first nine month of from FY 2013/14 to FY 2018/19.

Figure 3.170: Turkana County, Trend in Own-source revenue Collection for the First Nine Months of FY 2013/14 to FY 2018/19



Source: Turkana County Treasury

The County generated a total of Kshs.113.13 million as own-sources of revenue during the first nine months of FY 2018/19. This amount represented an increase of Kshs.16.25 million compared to that realised during the same period of the FY 2017/18 and was 45.3 per cent of the annual target.

3.43.3 Conditional Grants

The County received Kshs.158.63 million as conditional grants in the first nine months of the financial year as shown in Table 3.122.

Table 3.122: Turkana County, Conditional Grants/Loans Received in the First Nine Months of FY 2018/19

S/No	Grants	Annual CARA, 2018 Allocation (in Kshs)	Annual Budget Allocation (in Kshs)	Actual Receipts in First Nine Months of FY 2018/19 (Kshs.)	Actual Receipts as Percentage of Annual Allocation (%)
1.	Compensation for User Fee Foregone	25,634,941	25,634,941	-	-
2.	Leasing of Medical Equipment	200,000,000	200,000,000	-	-
3.	Road Maintenance Fuel Levy	283,569,986	283,569,986	-	-
4.	Rehabilitation of Village Polytechnics	25,285,000	25,285,000	-	-
5.	Transforming Health Systems for Universal Care Project (WB)	100,000,000	100,000,000	30,403,435	30.0
6.	National Agricultural and Rural Inclusive Growth Project (NARIGP)	140,435,163	140,435,163	-	-
7.	Kenya Devolution Support Project (KDSP) "Level 1 grant"	65,446,016	65,446,016	-	-
8.	Kenya Urban Support Project (KUSP)	95,023,200	95,023,200	95,023,200	100
9.	DANIDA Grant	33,766,875	33,766,875	33,199,813	100
Total		969,161,181	969,161,181	158,626,448	16.4

Source: Turkana County Treasury

Analysis of revenue from conditional grants in the period under review indicates that, the County received the full allocation for the Kenya Urban Support Project (KUSP) and DANIDA grant for Universal Healthcare for Devolved System Programme.

3.43.4 Exchequer Issues

To finance the budget, the Controller of Budget approved the withdrawal of Kshs.6.11 billion from the County Revenue Fund account. The withdrawals represented 45.1 per cent of the Approved Budget and translates to an increase of 6.1 per cent from Kshs.5.73 billion approved in the first nine months of FY 2017/18 and comprised of Kshs.5.39 billion (88.2 per cent) to fund recurrent expenditure and Kshs.720.4 million (11.8 per cent) for development activities.

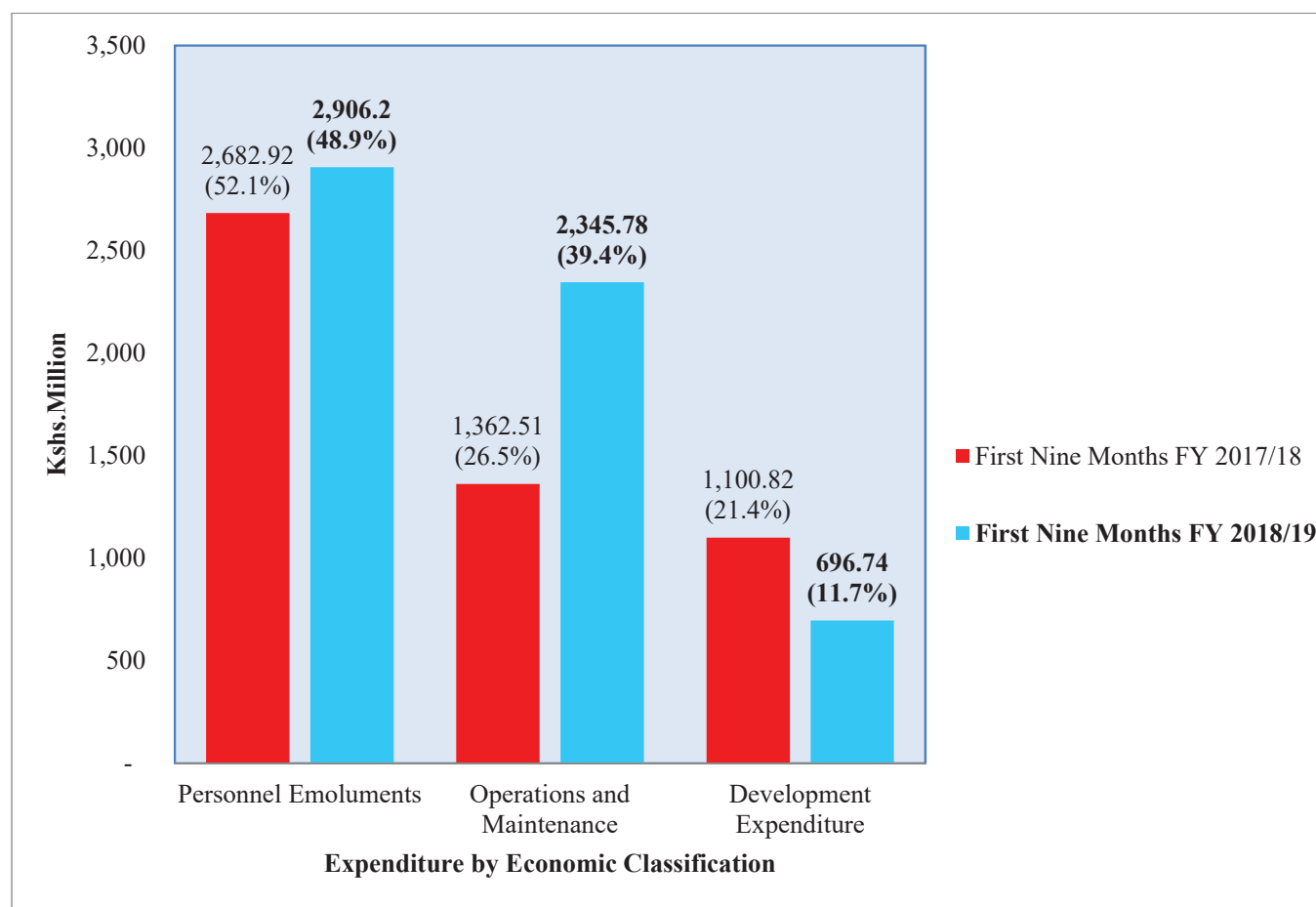
3.43.5 Overall Expenditure Review

The County spent a total of Kshs.5.95 billion on recurrent and development activities. The total expenditure represented 97.4 per cent of the total funds released from the County Revenue Fund account and was an increase of 15.6 per cent from Kshs. 5.15 billion spent in the first nine months of FY 2017/18. The expenditure excluded outstanding commitments as at March 31st 2019 which amounted to Kshs.208 million for development activities and Kshs.200.5 million for recurrent expenditure.

Expenditure on recurrent activities amounted to Kshs.5.25 billion while Kshs.696.74 million was spent on development activities. The recurrent expenditure was 97.4 per cent of the funds released for recurrent activities, while development expenditure was 96.7 per cent of funds released for development activities.

The recurrent expenditure represented 63.9 per cent of the annual recurrent budget, an increase from 52.1 per cent recorded in the first nine months of FY 2017/18. Development expenditure recorded an absorption rate of 13.1 per cent, which was a decrease from 25.1 per cent attained in the first nine months of FY 2017/18. Figure 3.171 presents a comparison between the total expenditure in the first nine months of FY 2018/19 and the first nine months of the FY 2017/18.

Figure 3.171: Turkana County, Expenditure by Economic Classification



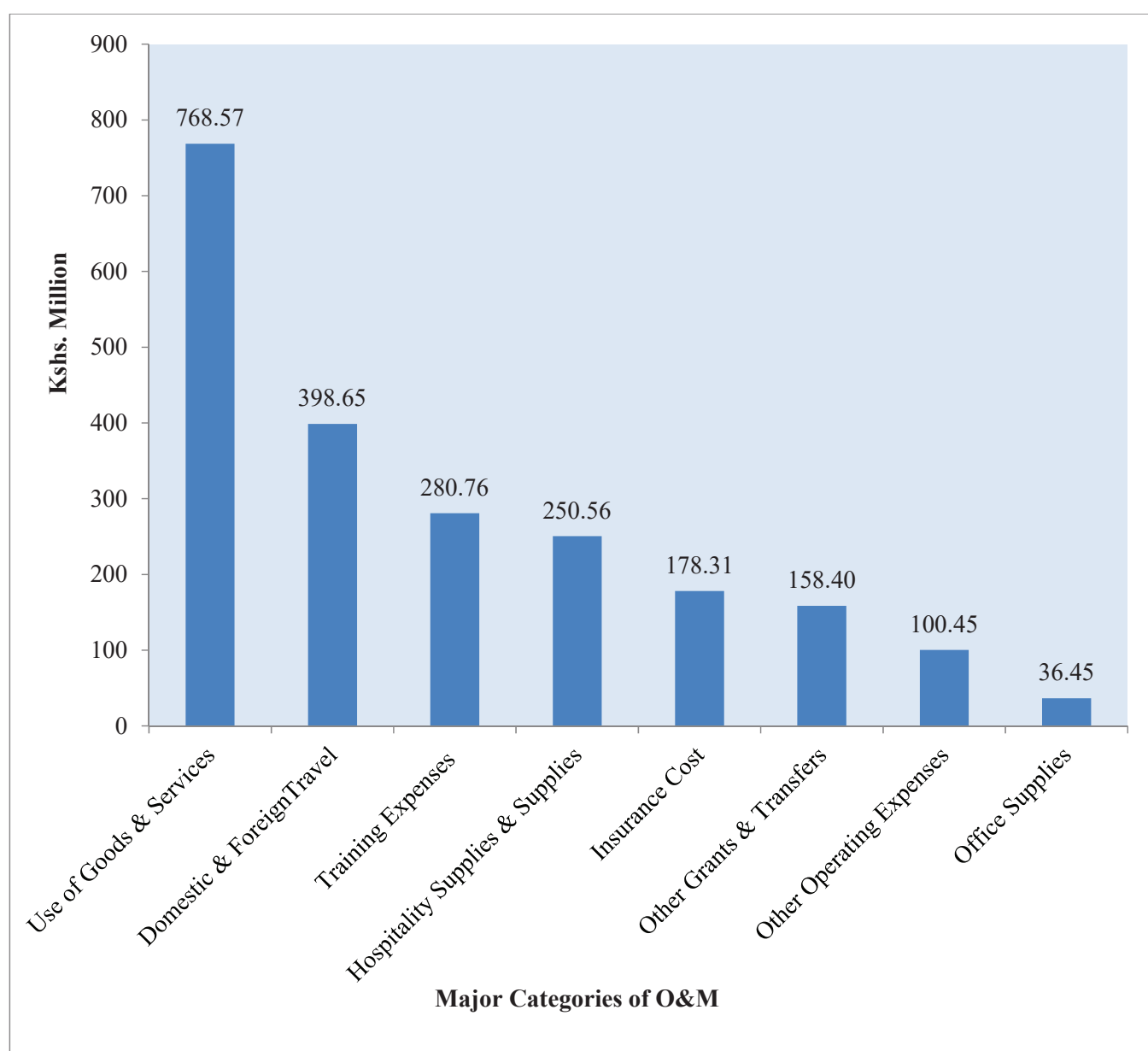
Source: Turkana County Treasury

3.43.6 Analysis of Recurrent Expenditure

The total recurrent expenditure of Kshs.5.26 billion comprised of Kshs.2.91 billion (55.4 per cent) incurred on personnel emoluments and Kshs.2.35 billion (44.6 per cent) on operations and maintenance as shown in Figure 3.171.

Expenditure on personnel emoluments represented an increase of 8.3 per cent compared to the first nine months of FY 2017/18 when the County spent Kshs.2.68 billion, and was 48.9 per cent of total expenditure in the first nine months of FY 2018/19. Figure 3.172 shows a summary of operations and maintenance expenditure by major categories.

Figure 3.172: Turkana County, Operations and Maintenance Expenditure by Major Categories in the First Nine Months of FY 2018/19



Source: Turkana County Treasury

The County spent Kshs.13.7 million to cater for the committee sitting allowances for the 48 MCAs and the speaker against the annual budget allocation of Kshs.81.76 million. This represented a decline of 62 per cent compared to Kshs.35.97 million spent in a similar period of FY 2017/18. The average monthly sitting allowance translated to Kshs.31,642 per MCA against the SRC's recommended monthly ceiling of Kshs.124,800.

Expenditure on domestic and foreign travel amounted to Kshs.398.65 million and comprised of Kshs.134.18 million spent by the County Assembly and Kshs.264.47 million spent by the County Executive. This represented 7.6 per cent of total recurrent expenditure and was an increase of 2.7 per cent compared to Kshs.58.8 million spent in the first nine months of FY 2017/18.

3.43.7 Development Expenditure

The total development expenditure of Kshs.696.74 million represented 13.1 per cent of the annual development budget of Kshs.5.32 billion. Table 3.123 provides a summary of development projects with the highest expenditure in the first nine months of the financial year.

Table 3.123: Turkana County, List of Development Projects with the Highest Expenditure in the FY 2018/19

S/No.	Project name	Project Location	Project Budget	First Nine Months Expenditure (Kshs.)
1	Construction of county headquarters	Township	695,854,432	465,517,656
2	Construction of Turkana Biashara Centre	Township	132,390,490	35,745,432
3	Katilu resource centre	Katilu	29,483,521	29,483,521
4	Lokirama Revenue Resource Centre	Lokirama	95,894,400	83,190,308
5	Proposed renovation of tourism information centre at the African Court in Lodwar town	Lodwar Town	12,991,536	12,991,536
6	Kakuma resource centre	Kakuma	30,145,316	30,145,316
7	Citizen Resource Centre-Kaeris	Kaeris	34,319,912	31,234,173
8	Lowarengak Resource Centre	Lowarengak	34,319,912	18,500,000
9	Installation of air conditioners and other mechanical at county headquarters building	Lodwar	82,588,770	82,588,770
10	Kerio Social Hall-Resource Centre	Kerio	18,209,410	17,547,592.20

Source: Turkana County Treasury

3.43.8 Budget Performance by County Department

Table 3.124 shows a summary of budget estimates and budget performance by department in the first nine months of FY 2018/19.

Table 3.124: Turkana County, Budget Performance by Department

Department	Budget Allocation (Kshs. Million)		Exchequer Issues in First Nine Months of FY 2018/19 (Kshs. Million)		Expenditure in First Nine Months of FY 2018/19 (Kshs. Million)		Expenditure to Exchequer Issues (%)		Absorption Rate (%)	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
Governance (Office of the Gvn and Liaison)	320.2	243.14	121.70	25.00	159.4	-	131.0	-	49.8	-
Office of the Deputy Governor	21.14	-	21.14	-	9.7	-	45.9	-	45.9	-
County Attorney	80.27	10	43.27	-	58.4	-	135.0	-	72.8	-
Finance and Planning	490.48	463.01	214.54	158.83	240.3	131.7	112.0	82.9	49	28.4
Water Services, Environment and Mineral Resources	53.67	600.77	-	75.24	71	81.1	-	107.8	132.3	13.5
Health & Sanitation Services	888.29	623.79	651.32	121.23	419	102.6	64.3	84.6	47.2	16.4
Trade, Gender and Youth Affairs	104.43	492.25	106.63	11.42	62	61.9	58.1	542.1	-	12.6
Education, Sports and Social Protection	664.63	715.56	15.77	149.20	271.9	164	1,724.2	109.9	40.9	22.9
Public Services, Decentralized Administration & Disaster Management	4,240.96	180.35	3,067.38	22.15	2,967.00	-	96.7	-	70	-
Infrastructure Transport & Public Works	42.93	515.82	36.56	42.73	31.1	22.9	85.1	53.6	72.4	4.4

Department	Budget Allocation (Kshs. Million)		Exchequer Issues in First Nine Months of FY 2018/19 (Kshs. Million)		Expenditure in First Nine Months of FY 2018/19 (Kshs. Million)		Expenditure to Exchequer Issues (%)		Absorption Rate (%)	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
Agriculture, Pastoral Economy & Fisheries	168.22	617.74	296.56	-	120.9	9.2	40.8	-	71.9	1.5
Tourism, Culture and Natural Resources	115.9	166.23	30.37	-	57.4	9.2	189.0	-	49.5	5.5
Lands, Energy, Housing & Urban Areas Mgt.	65.97	236.21	27.87	-	45.5	-	163.3	-	69	-
County Public Service Board	121.93	-	-	-	41.3	-	-	-	33.9	
County Assembly	839.3	452.28	757.00	114.60	697	114.1	92.1	99.6	83	25.2
Total	8,218.32	5,317.15	5,390.11	720.40	5,251.90	696.7	97.4	96.7	63.9	13.1

Source: Turkana County Treasury

Analysis of expenditure by department shows that the Department of Finance and Planning recorded the highest absorption rate of development budget at 28.4 per cent. The Department of Water Services, Environment and Mineral Resources had the highest percentage of recurrent expenditure to recurrent budget at 132.3 per cent while the Department of Trade, Gender and Youth Affairs did not incur any recurrent expenditure.

3.43.9 Key Observations and Recommendations

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

- Improvement in own-source revenue collection by 16.8 per cent to Kshs.113.13 million from Kshs.96.87 million in a similar period of FY 2017/18.

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

- Slow implementation of development activities during the first nine months of FY 2018/19. The County spent Kshs.696.74 million, which represented 13.1 per cent of the annual development budget of Kshs.5.32 billion against the expected absorption rate of 75 per cent.
- The County's wage bill has remained high, having increased by 8.3 per cent and was 48.9 per cent of overall expenditure in the period under review.
- During the reporting period, it was observed that the County did not process all payments through IFMIS and the Internet Banking platform contrary to Government Policy.

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

- The County should prioritise implementation of the development budget.*
- The County Public Service Board should establish an optimal staffing structure in order to ensure a sustainable wage bill.*
- The County should ensure all payments are processed through IFMIS and the Internet Banking platform.*

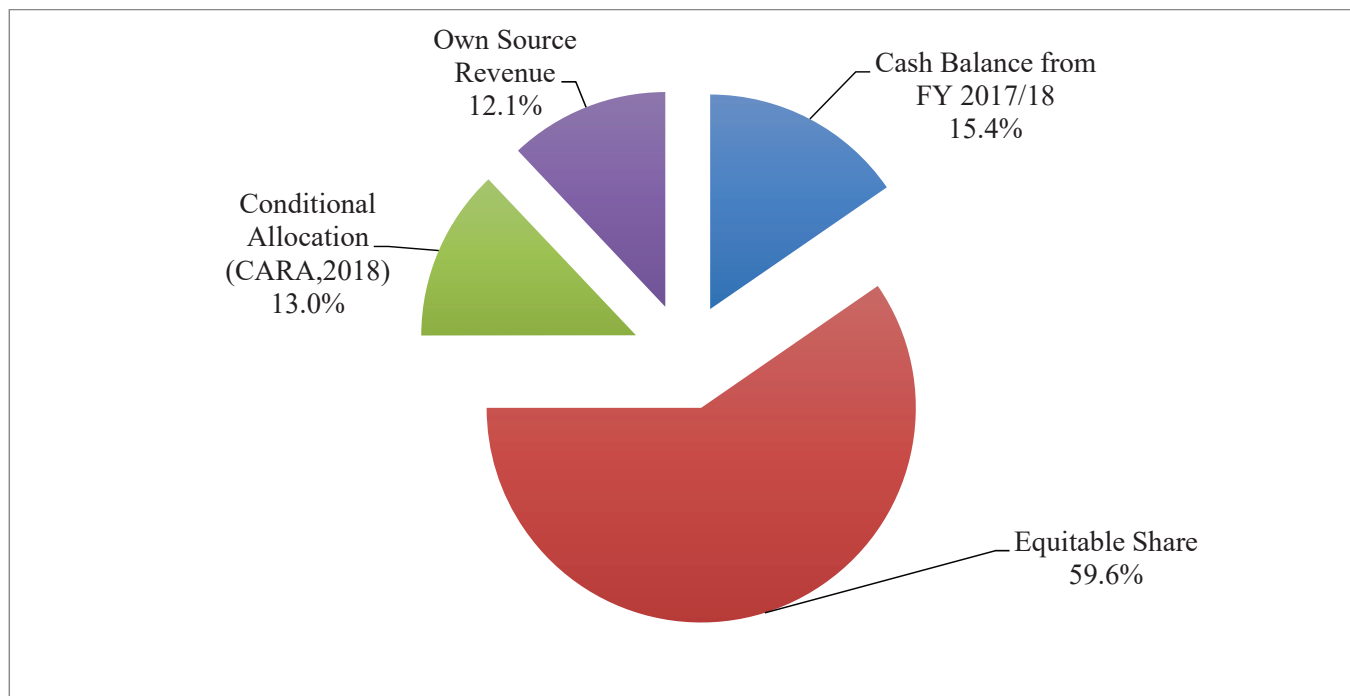
3.44 Uasin Gishu County

3.44.1 Overview of the FY 2018/19 Budget

The County's FY 2018/19 Approved Supplementary Budget was Kshs.9.96 billion, comprising of Kshs.5.47 billion (54.9 per cent) and Kshs.4.49 billion (45.1 per cent) allocation for recurrent and development expenditure respectively.

To finance the budget, the County expects to receive Kshs.5.93 billion (59.6 per cent) as equitable share of revenue raised nationally, Kshs.1.29 billion (13 per cent) as total conditional grants, generate Kshs.1.20 billion (12 per cent) from own-sources of revenue, and Kshs.1.53 billion (15.4 per cent) cash balance from FY 2017/18.

Figure 3.173: Uasin Gishu County, Expected Sources of Budget Financing in FY 2018/19



Source: Uasin Gishu County Treasury

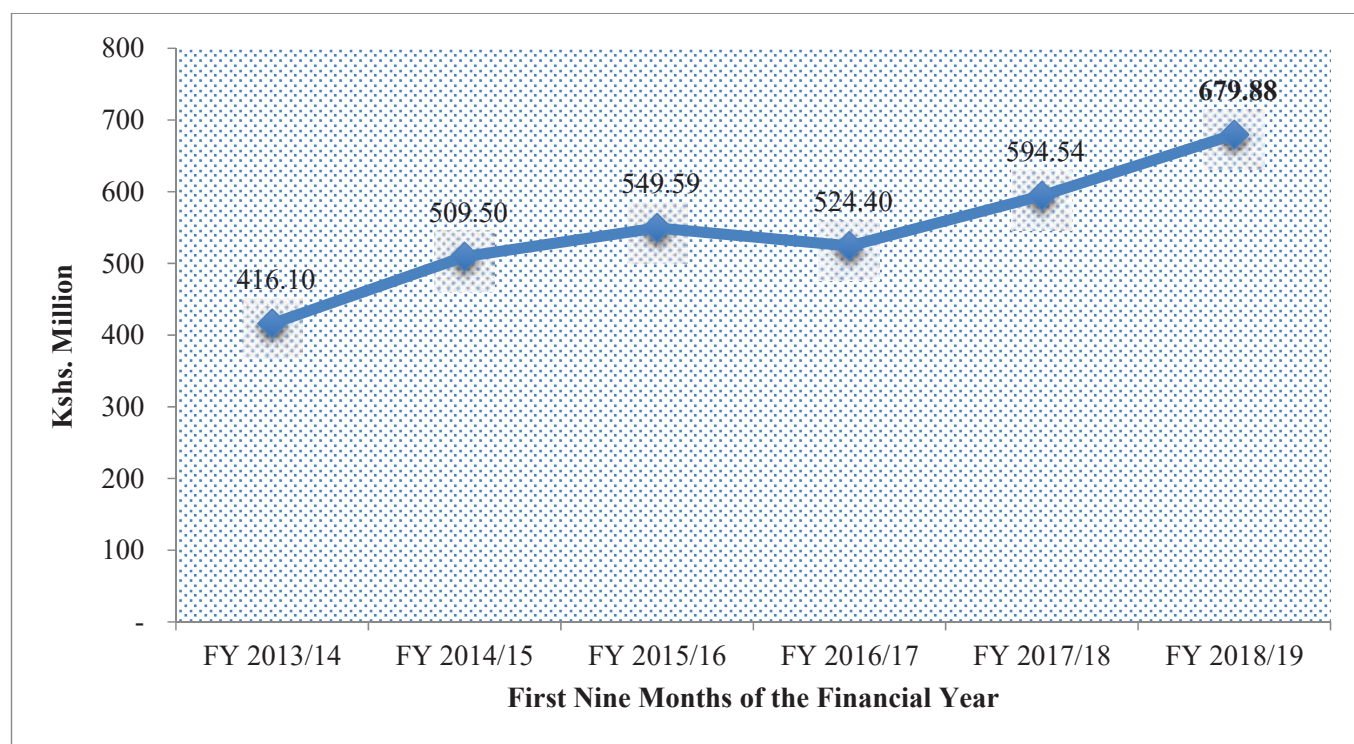
The conditional grants contained in the CARA, 2018 are shown in Table 3.125.

3.44.2 Revenue Analysis

During the first nine months of FY 2018/19, the County received Kshs.2.91 billion as equitable share of the revenue raised nationally, Kshs.1.01 billion as total conditional grants, raised Kshs.679.88 million from own sources of revenue, and had a cash balance of Kshs.1.53 billion from FY 2017/18. The total funds available for budget implementation amounted to Kshs.6.13 billion.

Figure 3.174 shows the trend in own-sources of revenue collection from the first nine months FY 2013/14 to the first nine months of FY 2018/19.

Figure 3.174: Uasin Gishu County, Trend in Own Sources of Revenue Collection for the First Nine Months from FY 2013/14 to FY 2018/19



Source: Uasin Gishu County Treasury

The County generated a total of Kshs.679.88 million from own-sources of revenue during the first nine months of FY 2018/19. This amount represented an increase of Kshs.86.33 million compared to Kshs.594.54 million realised during a similar period of the FY 2017/18 and represented 56.7 per cent of the annual target.

3.44.3 Conditional Grants

The County received Kshs.1.01 billion as conditional grants in the first nine months of the financial year 2018/19 as shown in Table 3.125 .

Table 3.125: Uasin Gishu County, Conditional Grants/Loans Received in the First Nine Months of FY 2018/19

S/No	Grants/Loans	Annual Allocation, per CARA, 2018 (Kshs)	Annual Budget Allocation for FY 2018/19 (Kshs)	Actual receipts in the First Nine Months of FY 2018/19 (in Kshs.)	Actual receipts as percentage of Annual Allocation
1.	IDA (World Bank) Kenya Urban Support Project	630,147,800	630,147,800	630,147,800	100.0
2.	Road Maintenance Fuel Levy	156,252,849	156,252,849	221,169,425	141.5
3.	IDA (World Bank) Kenya Climate Smart Agriculture Project	117,000,000	117,000,000	40,941,086	35.0
4.	Transforming Health Systems for Universal Care project (World Bank)	81,893,450	81,893,450	34,053,539	41.6
5.	EU –Water Tower Protection and Climate Change Mitigation and Adoption Programme (WATER)	80,000,000	80,000,000	-	-

S/No	Grants/Loans	Annual Allocation, per CARA, 2018 (Kshs)	Annual Budget Allocation for FY 2018/19 (Kshs)	Actual receipts in the First Nine Months of FY 2018/19 (in Kshs.)	Actual receipts as percentage of Annual Allocation
6.	IDA (World Bank) Kenya Devolution Support Project *Level 1 grant*	46,739,163	46,739,163	-	-
7.	EU Grant –Instruments for Devolution Advice and Support (IDEAS)	45,000,000	45,000,000	45,000,000	100
8.	World Bank -Kenya Urban Support Project (KUSPS) –Urban Institutional grants	41,200,000	41,200,000	-	-
9.	Rehabilitation of Youth Polytechnics	33,250,000	33,250,000	8,868,153	26.7
10.	Compensation of User Fees Foregone	20,813,065	20,813,065	-	-
11.	DANIDA grant for the Universal Healthcare in Devolved System Programme	19,136,250	19,136,250	27,379,194	143.1
12.	Sweden Agriculture Sector Development Support Programme (ASDSP) II + Bal C/F in FY2017/18	18,994,969	18,994,969	-	-
Total		1,290,427,546	1,290,427,546	1,007,559,198	73.9

Source: Uasin Gishu County Treasury

Analysis of revenue from conditional grants indicates that, the County received the full allocation from EU Grant –Instruments for Devolution Advice and Support (IDEAS). The Road Maintenance Fuel Levy and DANIDA grant for the Universal Healthcare in Devolved System Programme includes roll over funds from FY 2017/18 of Kshs.64.92 million and Kshs.8.24 million respectively which was not received in the previous year.

3.44.4 Exchequer Issues

To finance the budget, the Controller of Budget approved the withdrawal of Kshs.5.57 billion from the County Revenue Fund account. The withdrawals represented 55.9 per cent of the Approved Budget and translated to an increase of 55.2 per cent from Kshs.3.59 billion approved in the first nine months of FY 2017/18 and comprised of Kshs.3.63 billion (65.2 per cent) to fund recurrent expenditure and Kshs.1.94 billion (34.8 per cent) for development activities.

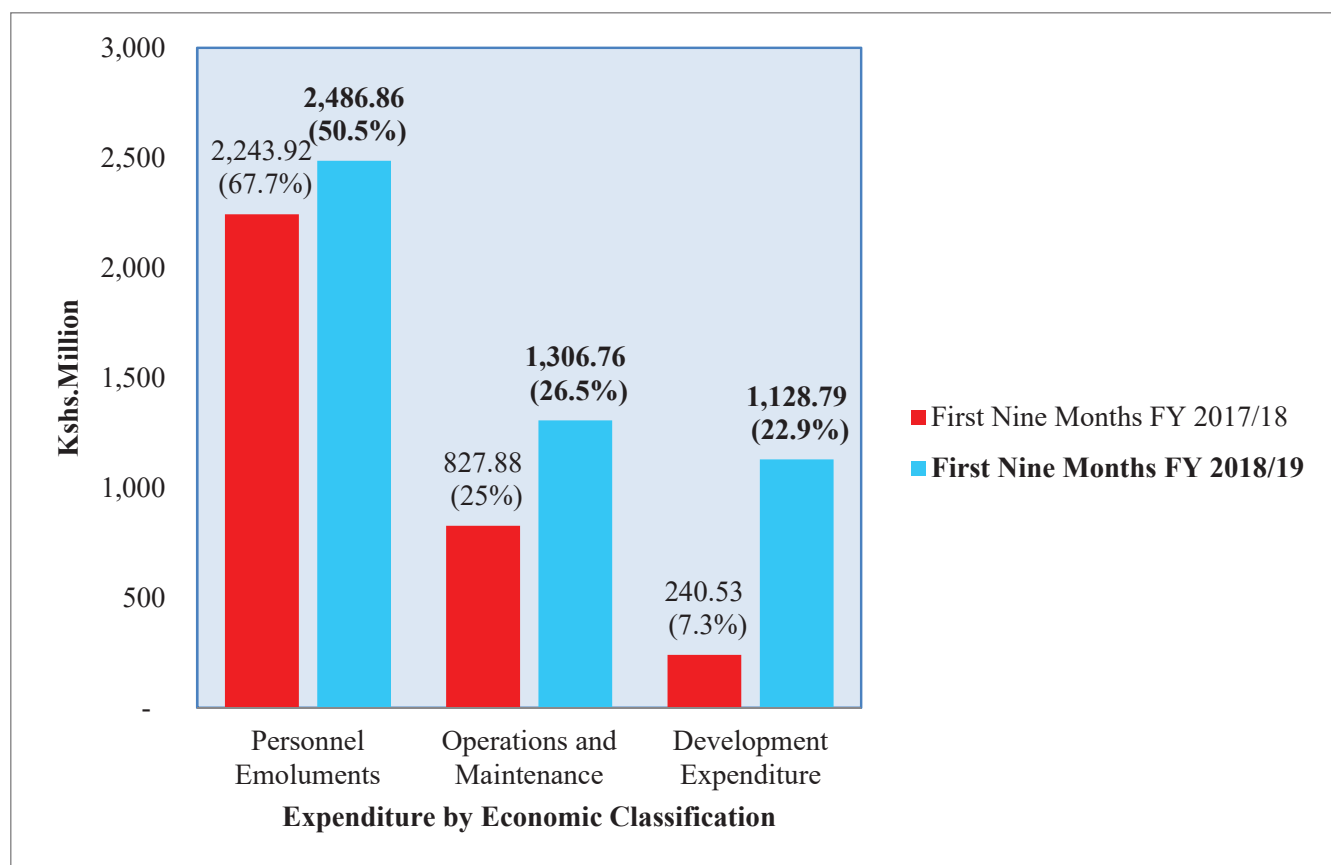
3.44.5 Overall Expenditure Review

The County spent a total of Kshs.4.92 billion on recurrent and development activities. This expenditure represented 88.4 per cent of the total funds released from the County Revenue Fund account and was an increase of 48.6 per cent from Kshs.3.31 billion spent in the first nine months of FY 2017/18. The expenditure excluded outstanding commitments as at March 31, 2019 which amounted to Kshs.1.78 billion for development activities and Kshs.226.72 million for recurrent expenditure.

Expenditure on recurrent activities amounted to Kshs.3.79 billion while Kshs.1.13 billion was spent on development activities. The recurrent expenditure was 104.4 per cent of the funds released for recurrent activities, while development expenditure was 58.2 per cent of funds released for development activities.

The recurrent expenditure represented 69.4 per cent of the annual recurrent budget, an increase from 67.7 per cent recorded in the first nine months of FY 2017/18. Development expenditure recorded an absorption rate of 25.1 per cent, which was an increase from 7.9 per cent attained in the first nine months of FY 2017/18. Figure 3.175 presents a comparison between the total expenditure in the first nine months of FY 2018/19 and a similar period in FY 2017/18.

Figure 3.175: Uasin Gishu County, Expenditure by Economic Classification



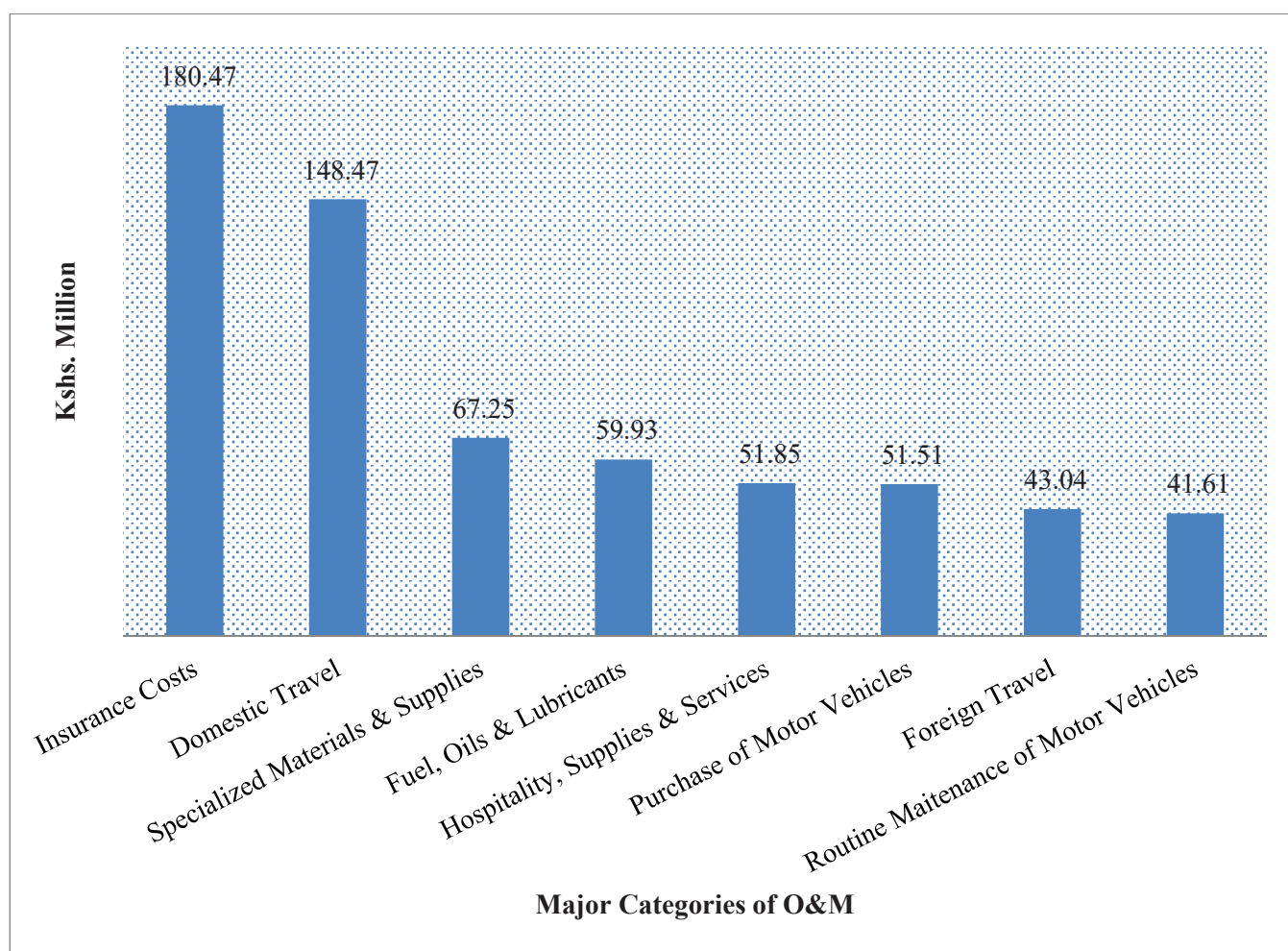
Source: Uasin Gishu County Treasury

3.44.6 Analysis of Recurrent Expenditure

The total recurrent expenditure of Kshs.3.79 billion comprised of Kshs.2.49 billion (50.5 per cent) incurred on personnel emoluments and Kshs.1.30 billion (26.5 per cent) on operations and maintenance as shown in Figure 3.175.

Expenditure on personnel emoluments represented an increase of 11.2 per cent compared to a similar period of FY 2017/18 when the County spent Kshs.2.24 billion and was 50.5 per cent of total expenditure in the first nine months of FY 2018/19. Figure 3.176 shows a summary of operations and maintenance expenditure by major categories.

Figure 3.176: Uasin Gishu County, Operations and Maintenance Expenditure by Major Categories in the First Nine Months of FY 2018/19



Source: Uasin Gishu County Treasury

The County spent Kshs.31.32 million on committee sitting allowances for the 48 MCAs and the speaker against the annual budget allocation of Kshs.40.51 million. This represented an increase of 265.4 per cent compared to Kshs.8.57 million spent in a similar period of FY 2017/18. The average monthly sitting allowance translated to Kshs.72,494 per MCA against the SRC's recommended monthly ceiling of Kshs.124,800.

Expenditure on domestic and foreign travel amounted to Kshs.191.51 million and comprised of Kshs.94.60 million spent by the County Assembly and Kshs.96.91 million spent by the County Executive. This represented 5.1 per cent of total recurrent expenditure and was an increase of 28.9 per cent compared to Kshs.148.52 million spent in the first nine months of FY 2017/18.

3.44.7 Development Expenditure

The total development expenditure of Kshs.1.13 billion represented 25.1 per cent of the annual development expenditure budget of Kshs.4.49 billion. Table 3.126 provides a summary of development projects with the highest expenditure in the first nine months of the financial year.

Table 3.126: Uasin Gishu County, List of Development Projects with the Highest Expenditure in First Nine Months of FY 2018/19

S/No.	Project Name	Project Location	Annual Project Budget (Kshs.)	Expenditure in First Nine Months (Kshs.)	Absorption Rate (%)
1	Supply and Delivery of assorted water Equipment and Machinery (4 No. Long Arm Excavators, 3 No. Crawler Excavators, 6 No. Large Tippers, 3 No. Dozers, 2 No. Fuel Tankers, 2 No. Wheel Loaders and 2 No. Backhoe Loaders.	County Headquarters	459,847,523	450,988,000	98.1
2	Supply, Delivery, Installation, Testing and Commissioning of 32 No. Boreholes Equipment	County Wide	123,500,000	113,792,816	92.1
3	Supply and Delivery of Mouldboard Plough, Tipper and Double cab	AMS Station -Chebororwa	62,703,802	32,286,000	51.5
4	Supply of ECDE Teachers and Learning materials	County Wide	21,029,360	21,000,000	99.9
5	Renovation and Extension of Eldoret CBD Wholesale Market	Eldoret CBD	25,000,000	18,569,132	74.3
6	Construction of Nyengilel VTC	Nyengilel Ward	65,000,000	17,303,005	26.6
7	AEZ local Physical Development Plan	Aibabkoi	17,758,918	15,229,662	85.76
8	Phase 2 Construction of Kimumu –Bahati Ultra-Modern Wholesale Market	Kimumu	77,000,000	14,481,000	18.8
9	Supply of FMD Deseal Vaccine	Countywide	15,666,125	12,572,750	80.3
10	Artificial Insemination Services (AI)	County Wide	14,827,808	12,389,320	83.6

Source: Uasin Gishu County Treasury

3.44.8 Budget Performance by County Department

Table 3.127 shows a summary of the approved budget allocation and performance by department in the first nine months of FY 2018/19.

Table 3.127: Uasin Gishu County, Budget Performance by Department

Department	Annual Budget Allocation in FY 2018/19 (Kshs. Million)		Exchequer Issues in First Nine Months of FY 2018/19 (Kshs. Million)		Expenditure in First Nine Months of FY 2018/19 (Kshs. Million)		Expenditure to Exchequer Issues (%)		Absorption Rate (%)	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
Office of the Governor	115.94	-	95.15	-	90.32	-	94.9.7	-	77.9	-
Finance	407.64	-	202.66	-	274.16	-	135.3	-	67.3	-
Public Service Management	579.57	20.27	476.93	-	432.20	-	90.3	-	74.6	-
ICT & E-Government	36.96	47.14	26.05	9.96	32.32	9.96	124.1	100.0	87.4	21.4
Roads, Transport, Energy and Public Works	438.31	643.93	310.76	277.78	290.43	233.04	93.5	83.9	66.3	36.2
Land and Housing	59.51	519.97	42.66	35.13	36.86	35.33	86.4	100.6	61.9	6.8
Water, Environment, Natural resources, Tourism and Wildlife	138.09	888.49	87.41	626.08	80.50	537.60	92.1	85.9	58.3	60.5
Health Services	1,966.37	258.53	1,372.03	28.81	1,349.52	30.10	98.4	104.5	68.6	11.6

Department	Annual Budget Allocation in FY 2018/19 (Kshs. Million)		Exchequer Issues in First Nine Months of FY 2018/19 (Kshs. Million)		Expenditure in First Nine Months of FY 2018/19 (Kshs. Million)		Expenditure to Exchequer Issues (%)		Absorption Rate (%)	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
Agriculture	247.40	349.29	169.79	95.51	210.29	60.93	123.8	63.8	85.0	17.4
Trade, Investment and Industrialization	38.70	222.64	10.83	110.39	11.63	43.20	107.3	39.1	30.1	19.4
Education, culture and Social Services	382.12	110.21	220.62	25.97	328.99	25.97	149.1	100.0	86.1	23.6
County Public Service Board	32.85	-	21.66	-	21.19	-	97.8	-	64.5	-
County Assembly	671.97	100.80	503.77	-	456.86	-	90.7	-	68.0	0.0
Budget and Economic Planning	82.69	-	28.07	-	23.91	-	85.2	-	28.9	-
Devolution and Public Administration	38.37	192.85	21.67	-	21.81	22.72	102.8	-	56.8	11.8
Youth, Affairs, Gender and Sports Development	89.58	178.52	22.61	13.76	77.20	28.14	341.5	204.4	86.2	15.8
Department of Cooperatives and Enterprise Development	72.12	10.67	7.70	3.46	40.12	7.97	520.9	230.6	55.6	74.7
Department of Physical Planning and Urban Development	57.39	750.05	5.24	666.22	11.05	36.07	211.0	5.4	19.3	4.8
Department of Livestock Development and Fisheries	13.93	195.19	6.63	45.05	4.26	57.75	64.3	128.3	30.6	29.6
TOTAL	5,469.52	4,488.54	3,631.77	1,938.10	3,793.62	1,128.79	104.5	58.2	69.4	25.1

Source: Uasin Gishu County Treasury

Analysis of expenditure by department shows that the Department of Cooperatives and Enterprise Development recorded the highest absorption rate of development budget at 74.7 per cent while the Department of Physical Planning and Urban Development recorded the lowest absorption at 4.8 per cent. The Department of ICT and E-Government had the highest percentage of recurrent expenditure to its recurrent budget at 87.4 per cent while the Department of Physical Planning and Urban Development had the lowest at 19.3 per cent.

3.44.9 Key Observations and Recommendations

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

- Improvement in the use of E-procurement, IFMIS and Internet Banking platform.
- Improvement in performance of own-sources of revenue by 14.2 per cent compared to a similar period in FY 2017/18.

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

- A high wage bill that increased by 11.2 per cent from Kshs.2.24 billion in the first nine months of FY2017/18 to Kshs.2.49 billion during the period under review. The wage bill accounted for 50.5 per cent of total expenditure.
- High expenditure on non-core activities such as travelling which increased by 28.9 per cent to Kshs.191.51 million compared to Kshs.148.52 million in a similar period in FY 2017/18.
- Low absorption of the development budget which was 25.1 per cent compared to the expected rate of

75 per cent for the reporting period.

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 and devise strategies to address the escalating wage bill.*
2. *The County should rationalise expenditure on non-core activities in order to free funds for development programmes.*
3. *The County should identify and address the causes of low expenditure on the development budget in order to ensure effective budget execution.*

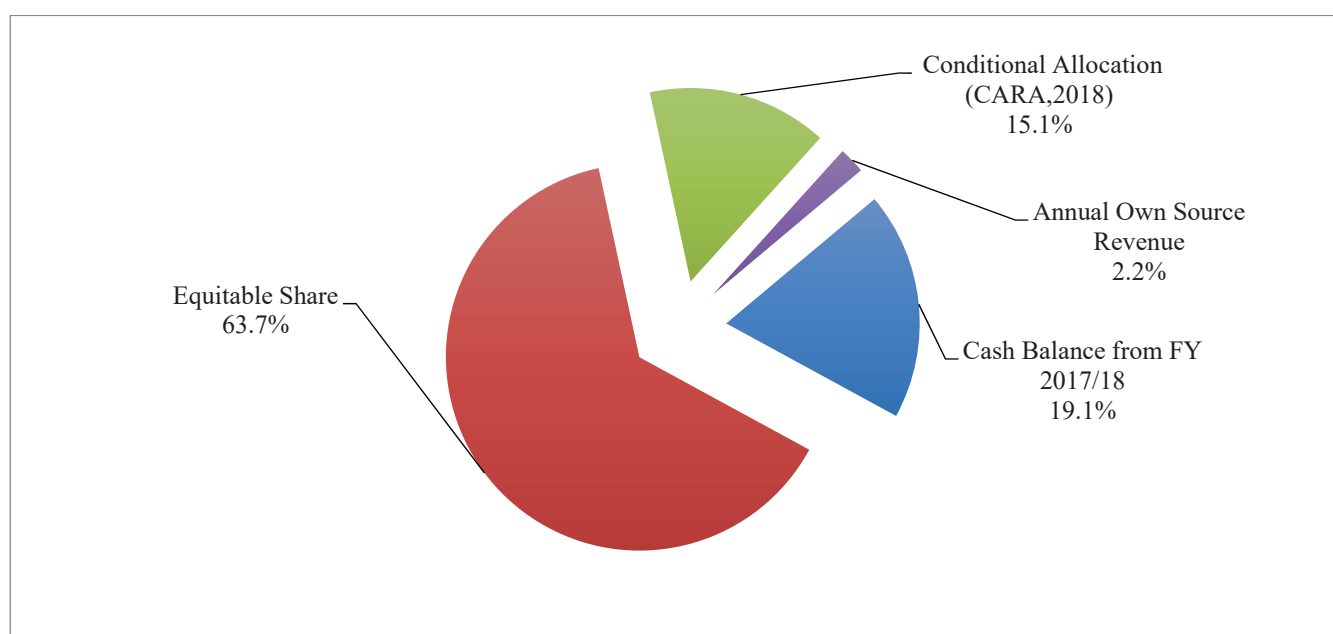
3.45 Vihiga County

3.45.1 Overview of the FY 2018/19 Budget

The County's FY 2018/19 Approved Budget was Kshs.7.0 billion, comprising of Kshs.4.48 billion (63.9 per cent) and Kshs.2.52 billion (36.1 per cent) allocation for recurrent and development expenditure respectively.

To finance the budget, the County expects to receive Kshs.4.46 billion (63.7 per cent) as equitable share of revenue raised nationally, Kshs.1.06 billion (15.1 per cent) as total conditional grants, generate Kshs.153.67 million (2.2 per cent) from own sources of revenue, and Kshs.1.33 billion (19.1 per cent) cash balance from FY 2017/18.

Figure 3.177: Vihiga County, Expected Sources of Budget Financing in FY 2018/19



Source: Vihiga County Treasury

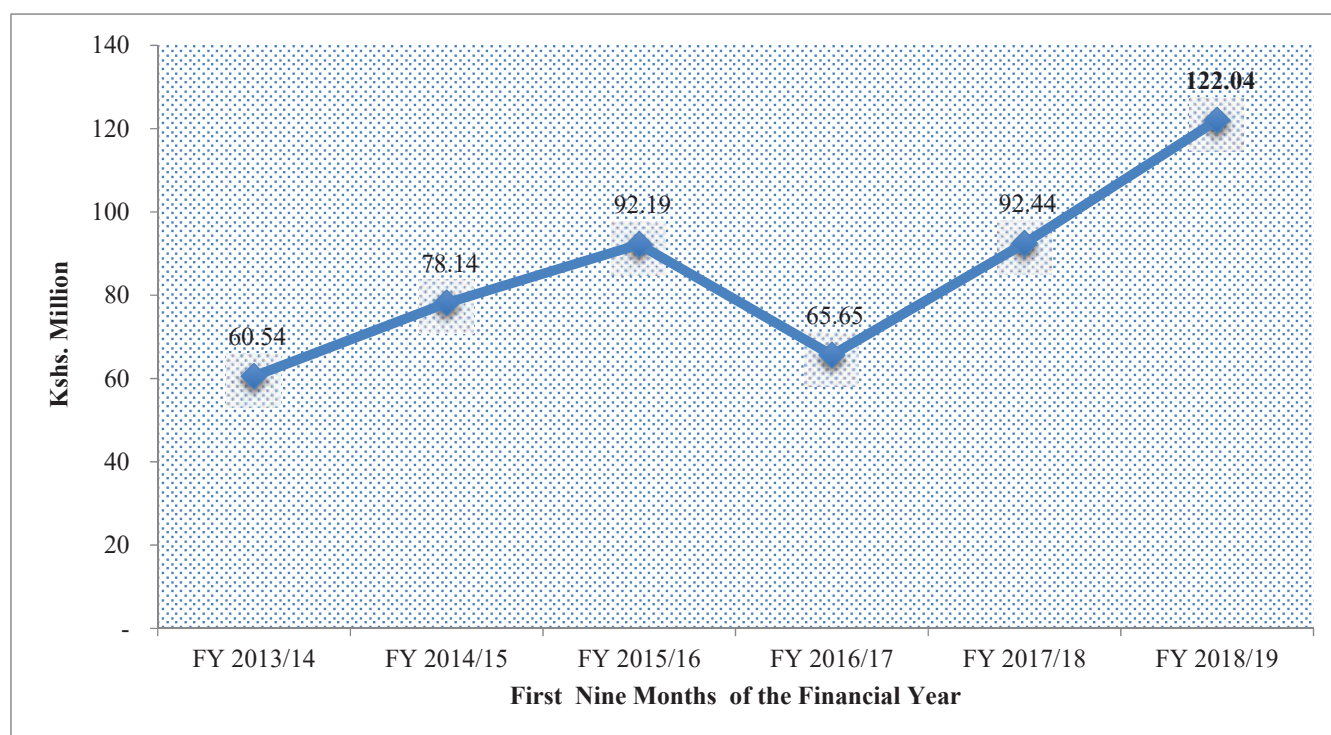
The conditional grants contained in the CARA, 2018 are shown in Table 3.128.

3.45.2 Revenue Analysis

During the first nine months of FY 2018/19, the County received Kshs.3.37 billion as equitable share of the revenue raised nationally, Kshs.304.99 million as total conditional grants, raised Kshs.122.04 million from own-sources of revenue, and had a cash balance of Kshs.1.33 billion from FY 2017/18. The total funds available for budget implementation amounted to Kshs.5.13 billion.

Figure 3.178 shows the trend in own-sources of revenue collection from the first nine months FY 2013/14 to the first nine months of FY 2018/19.

Figure 3.178: Vihiga County, Trend in Own Sources of Revenue Collection for the First Nine Months from 2013/14 to FY 2018/19



Source: Vihiga County Treasury

The County generated a total of Kshs.122.04 million from own revenue sources during the first nine months of FY 2018/19. This amount represented an increase of Kshs.29.60 million compared to that realised during a similar period of the FY 2017/18 and represented 79.4 per cent of the annual target.

3.45.3 Conditional Grants

The County received Kshs.304.99 million as conditional grants in the first nine months of the financial year 2018/19 as shown in Table 3.128.

Table 3.128: Vihiga County, Conditional Grants/Loans Received in the First Nine Months of FY 2018/19

S/No	Grants	Annual CARA, 2018 Allocation (in Kshs)	Annual Budget Allocation (in Kshs)	Actual receipts in First Nine Months of FY 2018/19 (in Kshs.)	Actual Receipts as Percentage of Annual Allocation (%)
A	Grants Contained in the CARA, 2018				
1.	Compensation for User Fee Foregone	12,657,201	19,158,582	-	-
2.	Leasing of Medical Equipment	200,000,000	-	-	-
3.	Road Maintenance Fuel Levy	117,396,321	212,686,815	29,340,225	13.8
4.	Rehabilitation of Village Polytechnics	55,000,000	70,891,386	-	-
5.	Transforming Health Systems for Universal Care Project (World Bank)	73,956,778	73,172,815	18,091,517	24.7
6.	IDA (World Bank) -National Agricultural and Rural Inclusive Growth Project (NARIGP)	140,435,163	193,368,318	-	-
7.	IDA (World Bank) Kenya Devolution Support Programme "Level 1 grant"	41,604,112	75,302,439	-	-
8.	IDA (World Bank) -Kenya Urban Support Project (KUSP)	250,950,700	250,950,700	250,950,700	100
9.	DANIDA - Universal Healthcare in Devolved System Programme	14,782,500	20,930,173	6,612,131	31.6
10.	IDA (World Bank) - Water & Sanitation Development Project (WSDP)	80,000,000	80,000,000	-	-
11.	Sweden - Agriculture Sector Development Support Programme (ASDSP) II + Bal C/F in FY 2017/18	18,161,321	18,161,320	-	-
12.	IDA (World Bank) credit: Kenya Urban Support Project (KUSP) - Urban Institutional Grants (UIG) + Bal C/F in FY 2017/18	42,000,000	41,200,000	-	-
Total		1,046,944,096.0	1,055,822,548.0	304,994,573.0	28.9

Source: Vihiga County Treasury

Analysis of revenue from conditional grants indicates that, the County received the full allocation from funds from IDA (World Bank) -Kenya Urban Support Project (KUSP).

3.45.4 Exchequer Issues

To finance the budget, the Controller of Budget approved the withdrawal of Kshs 3.46 billion from the County Revenue Fund Account. The withdrawals represented 49.4 per cent of the Approved Budget and translated to an increase of 35.8 per cent from Kshs.2.56 billion approved in the first nine months of FY 2017/18 and comprised of Kshs.3.15 billion (83.7 per cent) to fund recurrent expenditure and Kshs.661.17 million (16.3 per cent) for development activities.

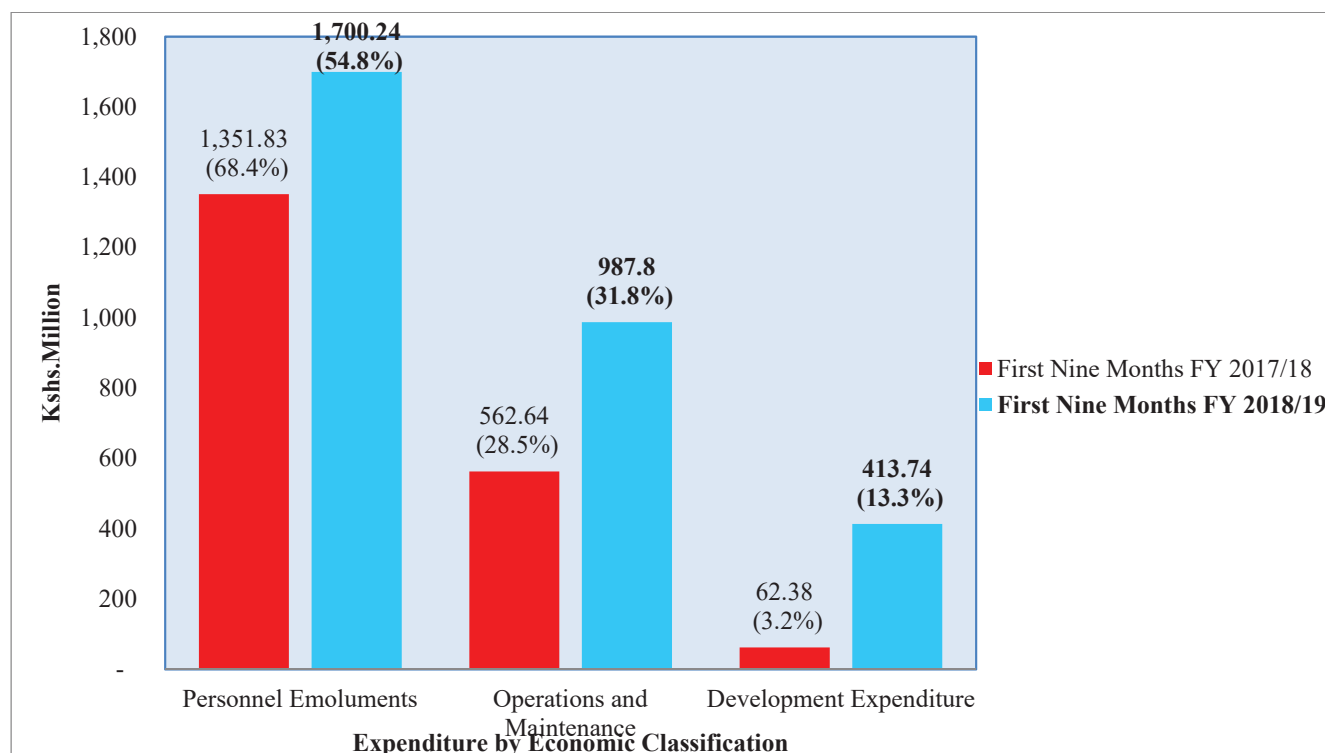
3.45.5 Overall Expenditure Review

The County spent a total of Kshs.3.10 billion on recurrent and development activities. This expenditure represented 89.5 per cent of the total funds released from the County Revenue Fund Account and was an increase of 56.1 per cent from Kshs.1.98 billion spent in the first nine months of FY 2017/18.

Expenditure on recurrent activities amounted to Kshs.2.69 billion while Kshs.413.74 million was spent on development activities. The recurrent expenditure was 85.2 per cent of the funds released for recurrent activities, while development expenditure was 62.6 per cent of funds released for development activities.

The recurrent expenditure represented 60.0 per cent of the annual recurrent budget, an increase from 49.3 per cent recorded in the first nine months of FY 2017/18. Development expenditure recorded an absorption rate of 16.4 per cent, which was an increase from 3.7 per cent attained in the first nine months of FY 2017/18. Figure 3.179 presents a comparison between the total expenditure in the first nine months of FY 2018/19 and a similar period in FY 2017/18.

Figure 3.179: Vihiga County, Expenditure by Economic Classification



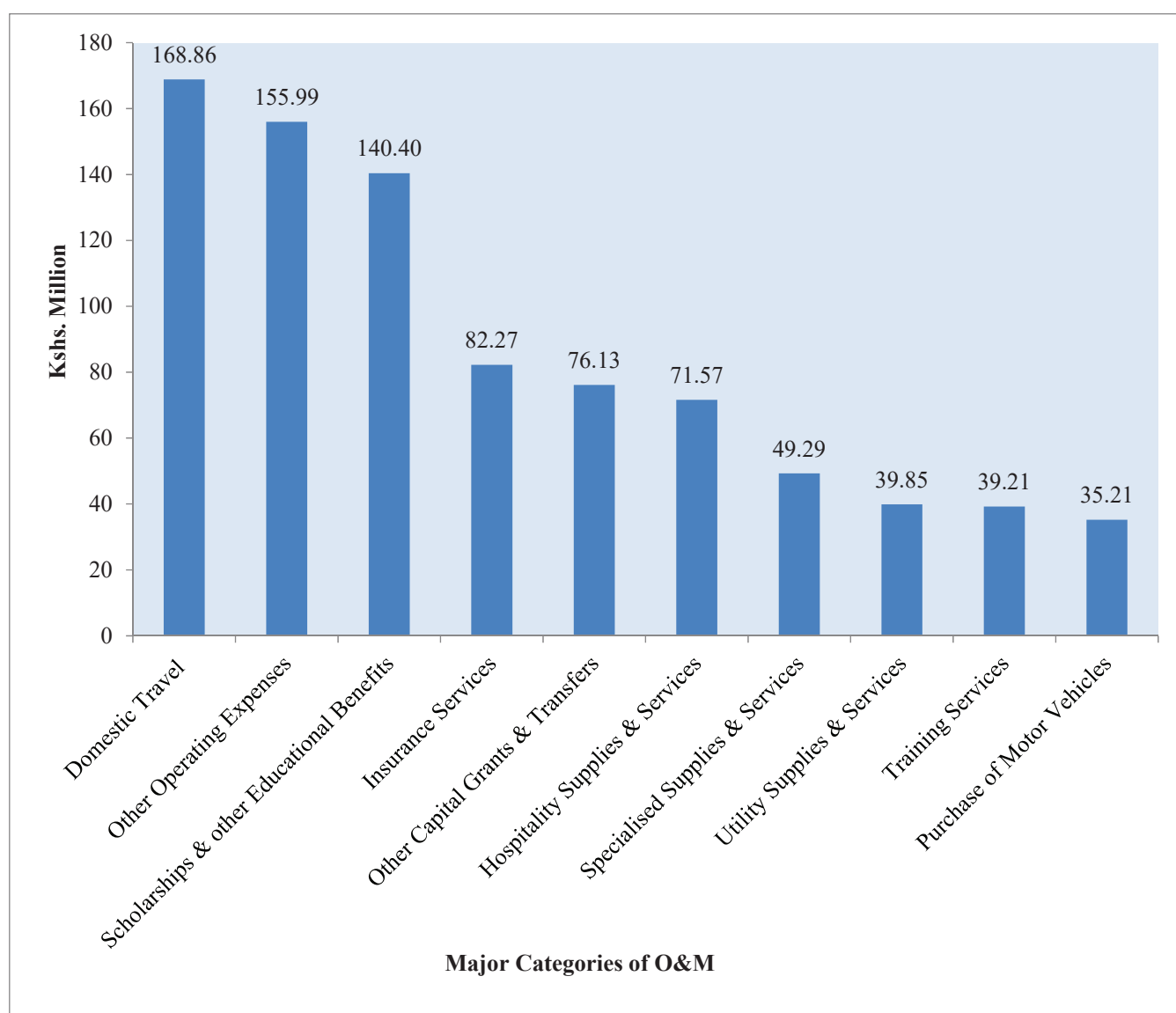
Source: Vihiga County Treasury

3.45.6 Analysis of Recurrent Expenditure

The total recurrent expenditure of Kshs.2.69 billion comprised of Kshs1.70 billion (63.2 per cent) incurred on personnel emoluments and Kshs.987.80 million (36.8 per cent) on operations and maintenance as shown in Figure 3.179.

Expenditure on personnel emoluments represents an increase of 25.8 per cent compared to a similar period of FY 2017/18 when the County spent Kshs.1.35 billion and was 54.8 per cent of total expenditure in the first nine months of FY 2018/19. Figure 3.180 shows a summary of operations and maintenance expenditure by major categories.

Figure 3.180: Vihiga County, Operations and Maintenance Expenditure by Major Categories in the First Nine Months of FY 2018/19



Source: Vihiga County Treasury

The County spent Kshs.38.14 million on committee sitting allowances for the 39 MCAs and the speaker against the annual budget allocation of Kshs.44.68 million. This represented an increase of 46 per cent compared to Kshs.26.12 million spent in a similar period of FY 2017/18. The average monthly sitting allowance translated to Kshs.108,657 per MCA against the SRC's recommended monthly ceiling of Kshs.124,800.

Expenditure on domestic and foreign travel amounted to Kshs.192.51 million and comprised of Kshs.88.49 million spent by the County Assembly and Kshs.104.02 million spent by the County Executive. This represented 6.3 per cent of total recurrent expenditure and was an increase of 61.4 per cent compared to Kshs.119.26 million spent in the first nine months of FY 2017/18.

3.45.7 Development Expenditure

The total development expenditure of Kshs.413.75 million represented 16.4 per cent of the annual development expenditure budget of Kshs.2.53 billion. Table 3.129 provides a summary of development projects with the highest expenditure in the first nine months of the financial year.

Table 3.129: Vihiga County, List of Development Projects with the Highest Expenditure in First Nine Months of FY 2018/19

S/No.	Project Name	Project Location	Project Budget (Kshs.)	Project Expenditure in First Nine Months of FY 2018/19 (Kshs.)	Absorption Rate (%)
1	Construction of Roads	Across all Five Sub-counties	360,165,615	90,325,306	25.1
2	Purchase of fire fighting Machine	Vihiga County Head-quarters	60,000,000	57,598,230	96.0
3	Construction of 160 bed Capacity Hospital Plaza	Vihiga County Referral Hospital	65,000,000	56,577,981	87.0
4	Construction of Buildings	Across all Five Sub-counties	157,299,400	56,453,113	35.9
5	Purchase of Fertiliser and Seeds and Breeding Stock	Across all Five sub-counties	66,631,250	48,228,500	72.4
6	Purchase of Specialized Plant, Equipment and Machinery	Vihiga County Head-quarters	29,576,442	29,576,442	100
7	construction of Water Springs and spring protection	Across all Five Sub-counties	120,900,000	26,982,480	22.3
8	Purchase of Rapid Response Vehicle	Vihiga County Head-quarters	14,000,000	15,721,375	112.3
9	Construction and Civil Works	Across all Five Sub-counties	169,288,100	11,288,546	6.7
10	Installation of CT Scan at VDH	Vihiga County Referral Hospital	9,000,000	8,299,019	92.2

Source: Vihiga County Treasury

3.45.8 Budget Performance by County Department

Table 3.130 shows a summary of the approved budget allocation and performance by department in the first nine months of FY 2018/19.

Table 3.130: Vihiga County, Budget Performance by Department

Department	Budget Allocation (Kshs. Million)		Exchequer Issues in First Nine Months of FY 2018/19 (Kshs. Million)		Expenditure in First Nine Months of FY 2018/19 (Kshs. Million)		Expenditure to Exchequer Issues (%)		Absorption Rate (%)	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
Office of The Governor	427.58	15.00	318.15	-	193.79	-	60.9	-	45.3	-
Finance & Economic Planning	517.44	130.00	254.35	30.00	189.50	-	74.5	-	36.6	-
Agriculture, Live-stock, Fisheries & Cooperatives	165.35	380.16	126.10	69.69	87.03	48.23	69.0	69.2	52.6	12.7
Health Services	1,268.49	289.76	925.31	98.41	853.67	97.83	92.3	99.4	67.3	33.8

Department	Budget Allocation (Kshs. Million)		Exchequer Issues in First Nine Months of FY 2018/19 (Kshs. Million)		Expenditure in First Nine Months of FY 2018/19 (Kshs. Million)		Expenditure to Exchequer Issues (%)		Absorption Rate (%)	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
Education, Science, Technical and Vocational Training	433.34	282.19	363.34	28.10	328.47	33.18	90.4	118.1	75.8	11.8
Gender, Culture, Youth, Sports and Social Services	151.18	87.00	112.69	-	91.95	-	81.6	-	60.8	-
Trade, Industry, Tourism and Entrepreneurship.	111.41	53.90	48.02	1.72	28.61	1.72	59.6	100.0	25.7	3.2
County Public Service Board	50.92	-	38.17	-	22.12	-	58.0	-	43.4	-
Environment, Water, Energy & Natural Resources.	80.25	162.11	55.56	38.92	60.64	39.45	109.1	101.4	75.6	24.3
Transport, Infrastructure & Communication	177.66	657.53	131.46	135.12	80.91	188.42	61.5	139.4	45.5	28.7
Physical Planning, Land and Housing	112.41	347.95	48.55	254.78	26.08	2.60	53.7	1	23.2	0.7
County Assembly	607.25	94.04	454.44	2.32	434.72	2.32	95.7	100	71.6	2.5
Administration and Coordination of County Affairs	374.79	24.86	278.13	2.11	290.55	-	104.5	-	77.5	-
Total	4,478.07	2,524.50	3,154.27	661.17	2,688.04	413.75	85.2	62.6	60.0	16.4

Source: Vihiga County Treasury

Analysis of expenditure by department shows that the Department of Health Services recorded the highest absorption rate of development budget at 33.8 per cent. The Department of Administration and Coordination of County Affairs had the highest percentage of recurrent expenditure to recurrent budget at 77.5 per cent while the Department Physical Planning, Land and Housing had the lowest at 23.2 per cent.

3.45.9 Key Observations and Recommendations

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

- Decentralising IFMIS mandate functionalities to departments and ensuring IFMIS connectivity to all departments through point to point, VPN, and Modem networks.
- Establishing of the Audit Committee in line with Section 155 of the PFM Act, 2012.
- Increase in own-sources of revenue collection by 50.1 per cent as compared to the same period of FY2017/18.
- Establishment and induction of the County Budget and Economic Forum in line with Section 137 of PFM Act, 2012.

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

- High wage bill which accounted for 54.8 per cent of total expenditure. This has a negative impact on funding of other activities.

2. Slow implementation of development activities during the first nine months of FY 2018/19. The County spent Kshs.413.75 million, which represented 16.4 per cent of the annual development budget of Kshs.2.53 billion against the expected absorption rate of 75 per cent.
3. Failure to align the conditional grants in the County budget to CARA, 2018.

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

1. *The County Public Service Board should establish and adopt an optimal staffing structure in order to ensure a sustainable wage bill.*
2. *The County should address the causes of low expenditure on development budget in order to enhance implementation.*
3. *The County should pass a supplementary budget to align all conditional grants to CARA,2018.*

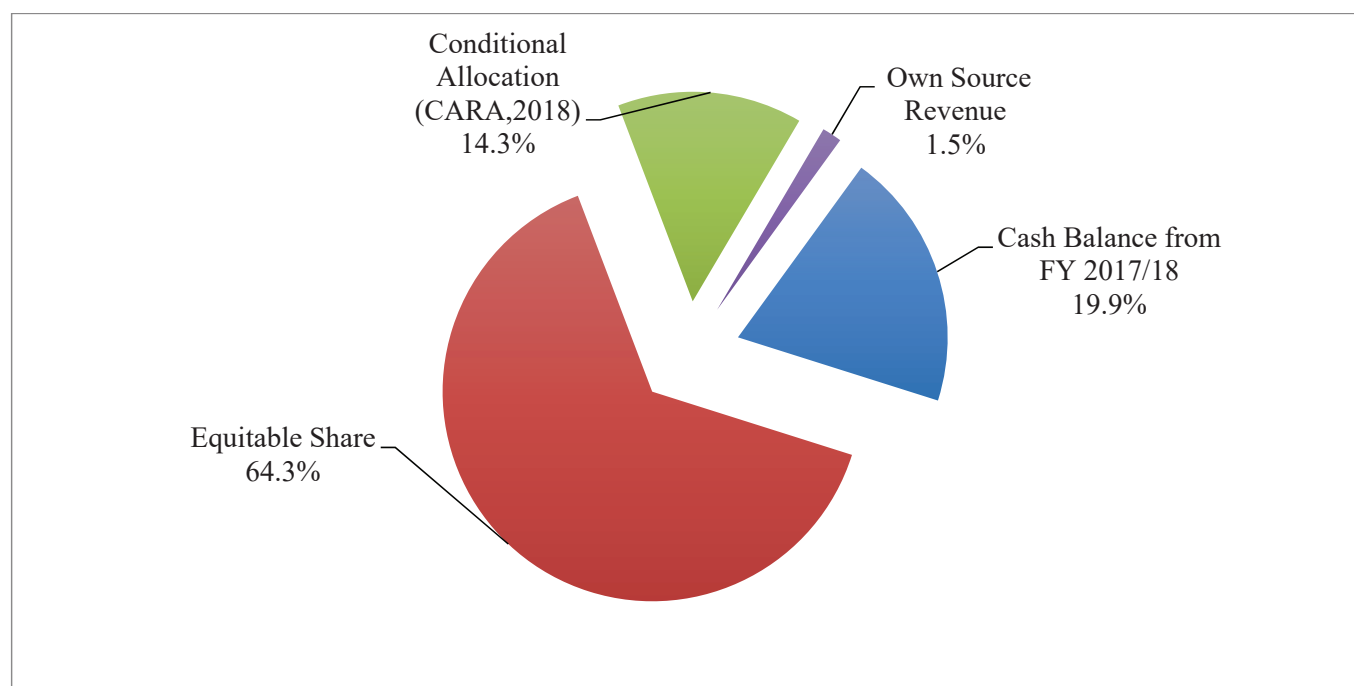
3.46 Wajir County

3.46.1 Overview of the FY 2018/19 Budget

The County's FY 2018/19 Approved Budget was Kshs.13.17 billion, comprising of Kshs.6.34 billion (48.1 per cent) and Kshs.6.83 billion (51.9 per cent) allocation for recurrent and development expenditure respectively.

To finance the budget, the County expects to receive Kshs.8.48 billion (64.3 per cent) as equitable share of revenue raised nationally, Kshs.1.88 billion (14.3 per cent) as total conditional grants, generate Kshs.200 million (1.5 per cent) from own sources of revenue, and Kshs.2.62 billion (19.9 per cent) cash balance brought forward from FY 2017/18.

Figure 3.181: Wajir County Expected Sources of Budget Financing in FY 2018/19



Source: Wajir County Treasury

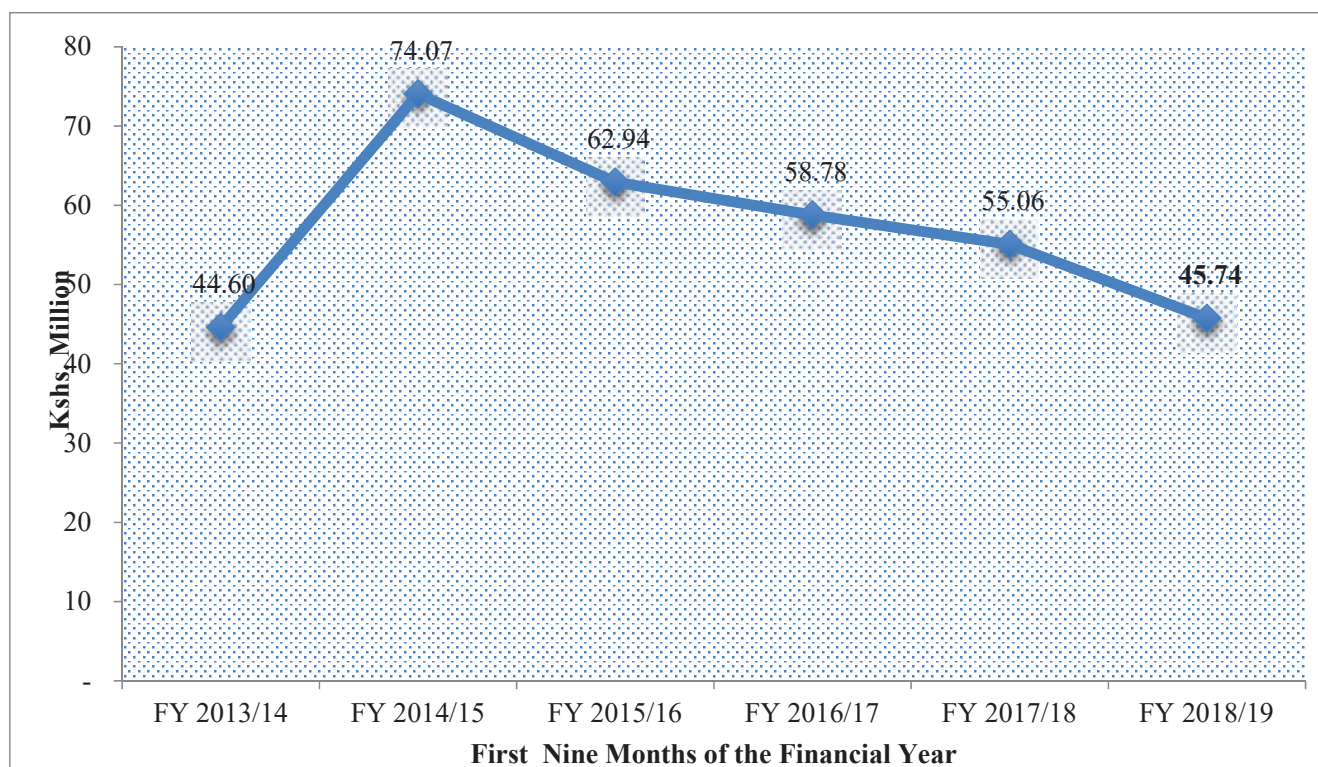
The conditional grants contained in the CARA, 2018 are shown in Table 3.131.

3.46.2 Revenue Analysis

During the first nine months of FY 2018/19, the County received Kshs.5.23 billion as equitable share of the revenue raised nationally, Kshs.227.1 million as total conditional grants, raised Kshs.45.7 million from own-sources of revenue, and had a cash balance of Kshs.1526. million from FY 2017/18. The total funds available for budget implementation amounted to Kshs.7.03 billion.

Figure 3.182 shows the trend in own-sources of revenue collection from the first nine months FY 2013/14 to the first nine months of FY 2018/19.

Figure 3.182: Wajir County, Trend in Own Sources of Revenue Collection for the First Nine Months from FY 2013/14 to FY 2018/19



Source: Wajir County Treasury

The County generated a total of Kshs.45.74 million from own revenue sources in the first nine months of FY 2018/19. This amount represented a decrease of 16.9 per cent compared to Kshs.55.1 million realised during a similar period of the FY 2017/18 and represented 22.9 per cent of the annual target.

3.46.3 Conditional Grants

The County received Kshs.392.79 million as conditional grants in the first nine months of the financial year as shown in Table 3.131 .

Table 3.131: Wajir County, Conditional Grants/Loans Received in the First Nine Months of FY 2018/19

S/No	Grants	Annual CARA, 2018 Allocation (in Kshs)	Annual Budget Allocation (in Kshs)	Actual receipts in First Nine Months of FY 2018/19 (in Kshs.)	Actual Receipts as Percentage of Annual Allocation (%)
A	Grants Contained in the CARA, 2018				
1	Compensation for User Fee Foregone	15,784,997	15,784,997	-	-
2	Road Maintenance Fuel Levy	223,218,356	223,218,356	111,609,178	50.0
3	Rehabilitation of Village Polytechnics	21,295,000	21,295,000	-	-
4	Transforming Health Systems for Universal Care Project (World Bank)	100,000,000	100,000,000	49,542,502	49.5
5	IDA (World Bank) -Kenya Climate Smart Agriculture Project (KCSAP)	150,000,000	150,000,000	52,348,393	34.9
6	IDA (World Bank) Kenya Devolution Support Programme "Level 1 grant"	53,401,112	53,401,112	-	-
7	IDA – Kenya Urban Support Programme (KUSP)	165,643,500	205,643,500	165,643,500	100
8	DANIDA - Universal Healthcare in Devolved System Programme	27,286,875	38,772,225	13,643,438	35.2
9	EU Grant- Instruments for Devolution Advice and Support- IDEAS)	45,000,000	45,000,000	-	-
10	IDA (World Bank) - Water & Sanitation Development Project (WSDP)	1,000,000,000	1,000,000,000	-	-
11	Leasing of Medical Equipment	200,000,000	-	-	-
12	Agricultural Sector Development Support Programme 11	28,906,597	25,000,000	-	-
Total		1,878,115,190.0	1,878,115,190.0	392,787,011	20.9

Source: Wajir County Treasury

Analysis of revenue from conditional grants indicates that, the County received full allocation from the IDA – Kenya Urban Support Programme (KUSP).

3.46.4 Exchequer Issues

To finance the budget, the Controller of Budget approved the withdrawal of Kshs.4.4 billion from the County Revenue Fund Account. The withdrawals represented 33 per cent of the Approved Budget and translated to an increase of 27 per cent from Kshs.3.43 billion approved in the first nine months of FY 2017/18 and comprised of Kshs.3.2 billion (73 per cent) to fund recurrent expenditure and Kshs.1.24 million (27 per cent) for development activities.

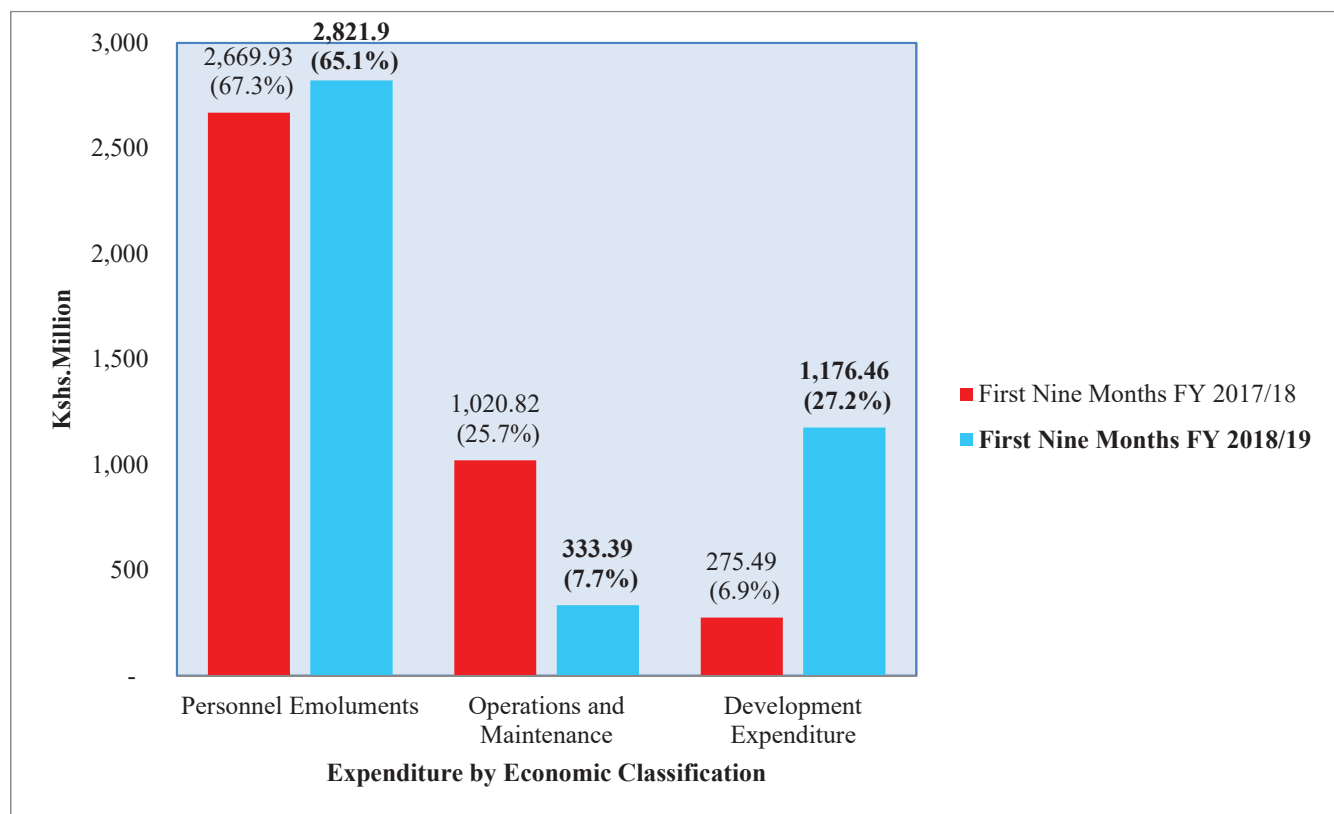
3.46.5 Overall Expenditure Review

The County spent a total of Kshs.4.33 billion on recurrent and development activities. This expenditure represented 99.5 per cent of the total funds released from the County Revenue Fund Account and was an increase of 9.2 per cent from Kshs.3.97 billion spent in the first nine months of FY 2017/18. The expenditure excluded outstanding commitments as at March 31, 2019 which amounted to Kshs.123.02 million for development activities and Kshs.41.9 million for recurrent expenditure.

Expenditure on recurrent activities amounted to Kshs.3.16 billion 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 was 100 per cent of funds released for development activities.

The recurrent expenditure represented 49.7 per cent of the annual recurrent budget, a decrease from 64.9 per cent recorded in the first nine months of FY 2017/18. Development expenditure recorded an absorption rate of 17.2 per cent, which was an increase from 7.5 per cent attained in the first nine months of FY 2017/18. Figure 3.183 presents a comparison between the total expenditure in the first nine months of FY 2018/19 and a similar period in FY 2017/18.

Figure 3.183: Wajir County, Expenditure by Economic Classification



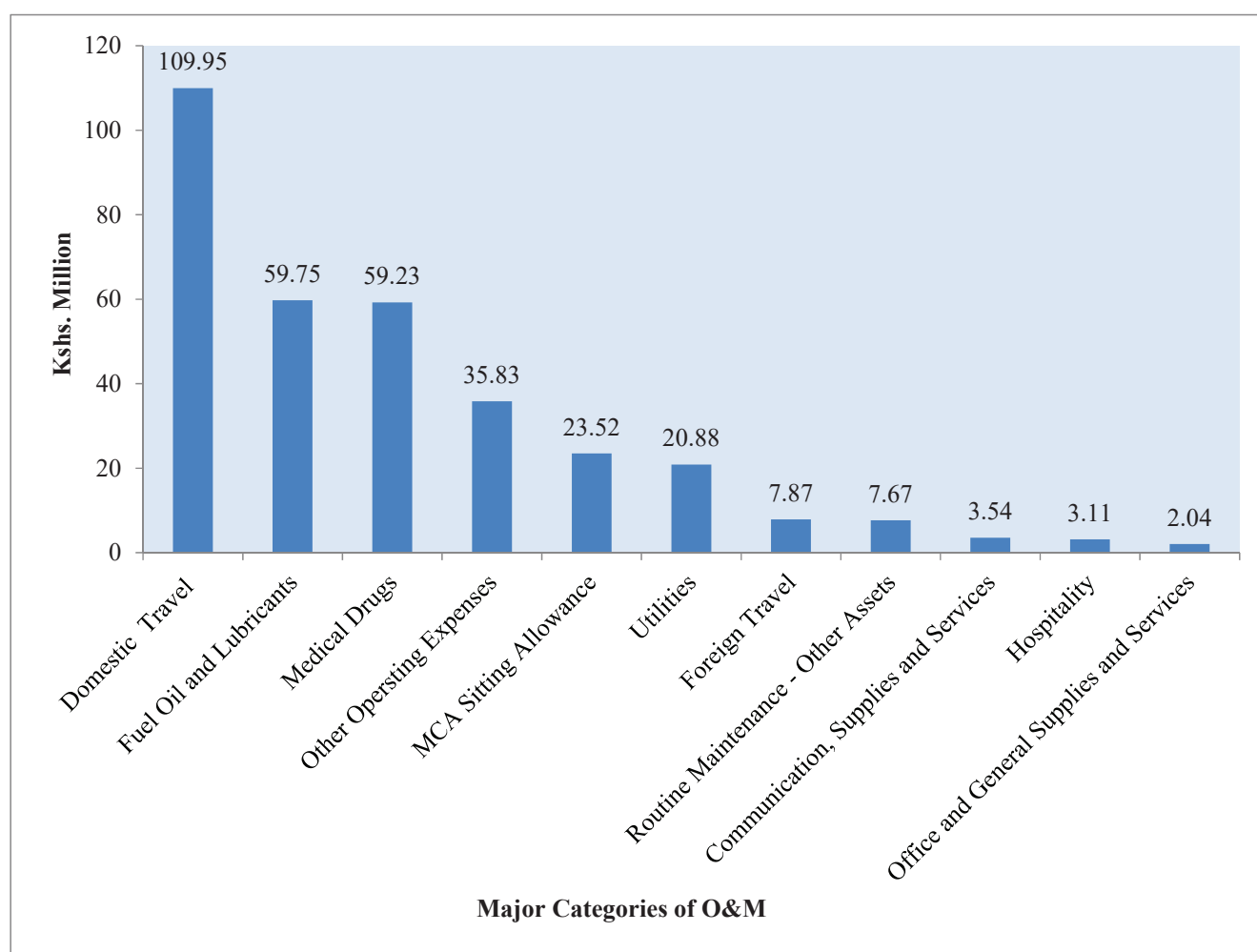
Source: Wajir County Treasury

3.46.6 Analysis of Recurrent Expenditure

The total recurrent expenditure of Kshs.3.16 billion comprised of Kshs.2.82 billion (89.4 per cent) incurred on personnel emoluments and Kshs.333.39 million (10.6 per cent) on operations and maintenance as shown in Figure 3.183.

Expenditure on personnel emoluments represented an increase of 5.7 per cent compared to a similar period of FY 2017/18 when the County spent Kshs.2.67 billion and was 65.1 per cent of total expenditure in the first nine months of FY 2018/19. Figure 3.184 shows a summary of operations and maintenance expenditure by major categories.

Figure 3.184: Wajir County, Operations and Maintenance Expenditure by Major Categories in the First Nine Months of FY 2018/19



Source: Wajir County Treasury

The County spent Kshs.23.52 million on committee sitting allowances for the 46 MCAs and the speaker against the annual budget allocation of Kshs.23.75 million. This represented an increase of 59.7 per cent compared to Kshs.14.73 million spent in a similar period of FY 2017/18. The average monthly sitting allowance translated to Kshs.56,823 per MCA against the SRC's recommended monthly ceiling of Kshs.124,800.

Expenditure on domestic travel amounted to Kshs.109.95 million and comprised of Kshs.43.39 million spent by the County Assembly and Kshs.66.56 million spent by the County Executive. This represented 3.5 per cent of total recurrent expenditure and was a decrease of 35.2 per cent compared to Kshs 181.76 million spent in the first nine months of FY 2017/18.

3.46.7 Development Expenditure

The total development expenditure of Kshs.1.17 billion represented 17.2 per cent of the annual development expenditure budget of Kshs.6.83 billion. Table 3.132 provides a summary of development projects with the highest expenditure in the first nine months of the financial year.

Table 3.132: Wajir County, List of Development Projects with the Highest Expenditure in First Nine Months of FY 2018/19

S/No.	Project Name	Project budget (Kshs.)	Project Expenditure in first Nine Months of FY 2018/19 (Kshs.)	Absorption Rate (%)
1	Grading ,Bush Clearing and Gravelling of Roads	1,433,087,445	463,948,895	32.4
2	Overhaul of Water Supplies and Sewerage-Desilting	829,636,431	491,964,151	59.3
3	Construction and Refurbishment	778,000,000	69,892,164	9
4	Medical drug supplies to Sub-Counties	100,000,000	70,000,000	70

Source: Wajir County Treasury

3.46.8 Budget Performance by County Department

Table 3.133 shows a summary of the approved budget allocation and performance by department in the first nine months of FY 2018/19.

Table 3.133: Wajir County, Budget Performance by Department

Department	Budget Allocation (Kshs. Million)		Exchequer Issues in First Nine Months of FY 2018/19 (Kshs. Million)		Expenditure in First Nine Months of FY 2018/19 (Kshs. Million)		Expenditure to Exchequer Issues (%)		Absorption Rate (%)	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
Office of the Governor	484.40	-	326.10	-	326.00	-	100	-	67.3	-
Finance and Economic Planning	750.50	528.00	203.00	-	183	-	90.1	-	24.4	-
Agriculture and Live-stock	230.30	701.50	127.30	69.90	127.30	69.90	100	100	55.3	10.0
Public Health and Medical Service	1,641.30	572.90	965.60	70.00	965.60	70.00	100	100	58.8	12.2
Roads and Transport	145	1,433	55.50	463.95	55.50	463.95	100	100	38.2	32.4
Water	151	830	72.90	491.96	72.90	491.96	100	100	48.3	59.3
Environment and Energy	73	426	29.30	-	29.30	-	100		40.1	-
Public Service ,Special Program and Town Adm.	1,078	219	458.90	-	458.90	-	100	-	42.6	-
Education , Youth and Gender	643	415	258.60	28.30	258.60	28.30	100	100	40.2	6.8
ICT and Trade	206	182	76.20	-	76.20	-	100	-	37.0	-
Public Works , Land and Housing	88	338	26.70	-	26.70	-	100	-	30.4	-
WAJWASCO	62	1,187	9.90	-	9.90	-	100	-	15.9	-
County Public Service Board	70	-	41.00		41.00		100	-	58.2	-
County Assembly	720	-	524.30	-	524.30	-	100	-	72.8	-
Total	6,343	6,833	3,175.32	1,124.11	3,155.20	1,124.11	99.4	100	49.7	16.5

Source: Wajir County Treasury

Analysis of expenditure by department shows that the Department of Water recorded the highest absorption rate of development budget at 59.3 per cent followed by the Department of Roads and Transport at 32.4 per cent. The County Assembly had the highest percentage of recurrent expenditure to recurrent budget at 72.8 per cent.

3.46.9 Key Observations and Recommendations

The following challenges hampered effective budget implementation;

1. Late submission of financial reports by the County Treasury to the Office of the Controller of Budget, which affected timely preparation of the Budget Implementation Review Report contrary to 166 of the PFM Act, 2012.
2. Under-performance in own-source revenue collection, which declined by 16.9 per cent from Kshs.55.06 million in a similar period of FY 2017/18 to Kshs.45.74 million in the reporting period.
3. Low absorption of the development budget, which was 17.2 per cent compared to expected absorption rate of 75 per cent for the first nine months of FY 2018/19.

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 formulate and implement strategies to enhance own-source revenue collection.*
3. *The County should address the causes of low absorption of the development budget.*

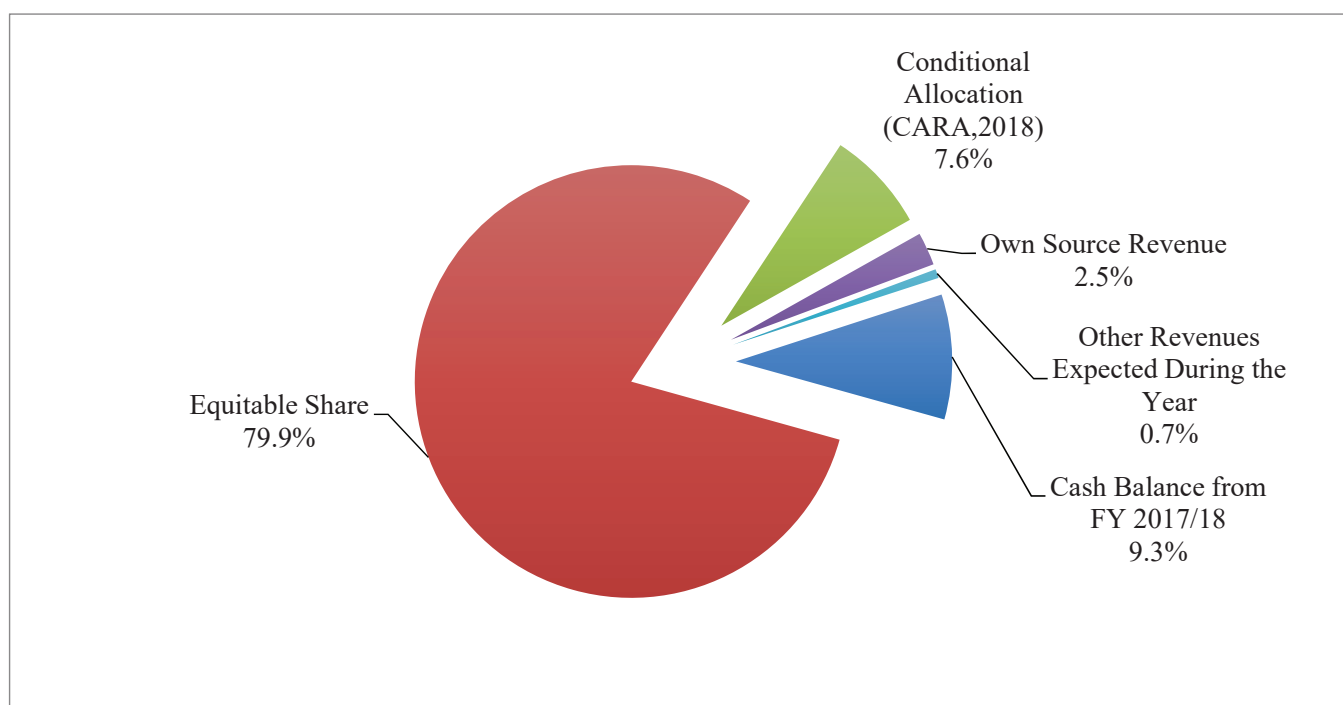
3.47 West Pokot County

3.47.1 Overview of the FY 2018/19 Budget

The County's FY 2018/19 Approved (Supplementary) Budget was Kshs.6.30 billion, comprising of Kshs.4.08 billion (64.8 per cent) and Kshs.2.2 billion (35.2 per cent) allocation for recurrent and development expenditure respectively.

To finance the budget, the County expects to receive Kshs.4.79 billion (76.0 per cent) as equitable share of revenue raised nationally, Kshs.467.72 million (7.4 per cent) as total conditional grants, generate Kshs.152.37 million (2.4 per cent) from own sources, and Kshs.574.97 million (9.1 per cent) cash balance from FY 2017/18.

Figure 3.185: West Pokot County, Expected Sources of Budget Financing in FY 2018/19



Source: West Pokot County Treasury

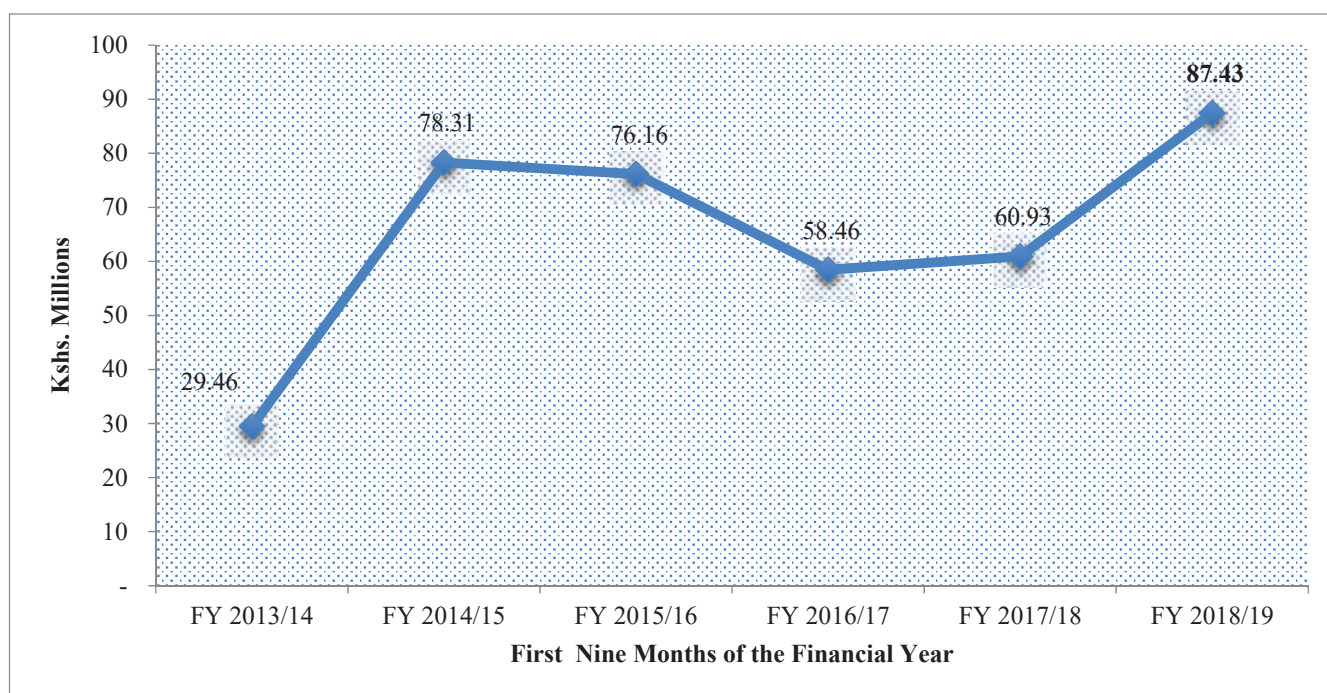
The conditional grants contained in the CARA, 2018 are shown in Table 3.134.

3.47.2 Revenue Analysis

During the first nine months of FY 2018/19, the County received Kshs.2.88 billion as equitable share of the revenue raised nationally, Kshs.169.34 million as total conditional grants, raised Kshs.87.43 million from own-source revenue, and had a cash balance of Kshs.574.97 million from FY 2017/18. The total funds available for budget implementation amounted to Kshs.3.63 billion.

Figure 3.186 shows the trend in own-source revenue collection for the first nine months from FY 2013/14 to FY 2018/19.

Figure 3.186: West Pokot County, Trend in Own-Source Revenue Collection for the First Nine Months from FY 2013/14 to FY 2018/19



Source: West Pokot County Treasury

The County generated a total of Kshs.87.43 million from own revenue sources during the first nine months of FY 2018/19. This amount represented an increase of 43.5 per cent compared to Kshs 60.92 million realised during a similar period of the FY 2017/18 and represented 57.4 per cent of the annual target.

3.47.3 Conditional Grants

The County received Kshs 169.34 million as conditional grants in the first nine months of the financial year 2018/19 as shown in Table 3.134.

Table 3.134: West Pokot County, Conditional Grants/Loans Received in the First Nine Months of FY 2018/19

S/No	Grants	Annual CARA, 2018 Allocation (in Kshs)	Annual Budget Allocation (in Kshs)	Actual Receipts In First Nine Months of FY 2018/19 (in Kshs.)	Actual Receipts as Percentage of Annual Allocation (%)
A	Grants Contained in the CARA, 2018				
1.	Compensation for User Fee Foregone	12,128,484.00	12,128,484.00	-	-
2.	Leasing of Medical Equipment	200,000,000.00	-	-	-
3.	IDA (World Bank) credit: Kenya Urban Support Project (KUSP) – Urban Institutional Grants (UIG) + Bal c/f in FY 2017/18	41,200,000.00	-	-	
4.	Road Maintenance Fuel Levy	129,797,341.00	129,797,341	-	-
5.	Rehabilitation of Village Polytechnics	28,885,000.00	28,885,000.00	-	-
6.	Transforming Health Systems for Universal Care Project (WB)	100,000,000.00	100,000,000.00	27,043,075.50	27
7.	National Agricultural and Rural Inclusive Growth Project (NARIGP)	-	-	-	-
8.	Kenya Climate Smart Agriculture Project (KCSAP)	117,000,000.00	117,000,000.00	39,517,239.00	33.8
9.	Kenya Devolution Support Project (KDSP) “Level 1 grant”	42,917,546.00	42,917,546.00	13,487,350.75	31.4
10.	Kenya Urban Support Project (KUSP)	73,392,300.00	73,392,300.00	73,392,300.00	100
11.	DANIDA Grant	15,896,250.00	15,896,250.00	15,896,250.00	100
12.	EU Grant	70,000,000.00	77,504,904.00	-	-
13.	Sweden-Agricultural Sector Development Support Programme(ASDSP) II + Bal c/s FY 2017/18	22,091,862.00	-	-	-
14.	EU-Water Tower Protection and Climate Change Mitigation and Adaptation Programme (water)	80,000,000.00	-	-	-
Sub Total		933,308,783.00	467,724,484.00	169,336,215.25	36.2
B	Other Conditional Grants Not Contained in CARA, 2018				
15.	IDA(World Bank) credit: Kenya Urban Support Project (KUSP) - Urban Institutional Grants (UIG) + Bal c/f in FY 2017/18	41,200,000.00	40,000,000.00	-	-
16.	UNICEF grant for repair of boreholes	-	1,554,500.00	-	-
Sub Total		41,200,000.00	41,554,500.00	-	-
Grand Total		974,508,783.00	509,278,984.00	169,336,215.25	33.3%

Source: West Pokot County Treasury

Analysis of revenue from conditional grants indicates that, the County received the full allocation for Kenya Urban Support Project (KUSP) and DANIDA Grant for Universal Healthcare for Devolved System Program.

3.47.4 Exchequer Issues

To finance the budget, the Controller of Budget approved the withdrawal of Kshs 3.82 billion from the County Revenue Fund account. The withdrawals represented 60.7 per cent of the Approved Budget and translated to an increase of 56.5 per cent from Kshs.2.44 billion approved in the first nine months of FY 2017/18 and comprised of Kshs.2.99 billion (78.2 per cent) to fund recurrent expenditure and Kshs.834.92 million (21.8 per cent) for development activities.

3.47.5 Overall Expenditure Review

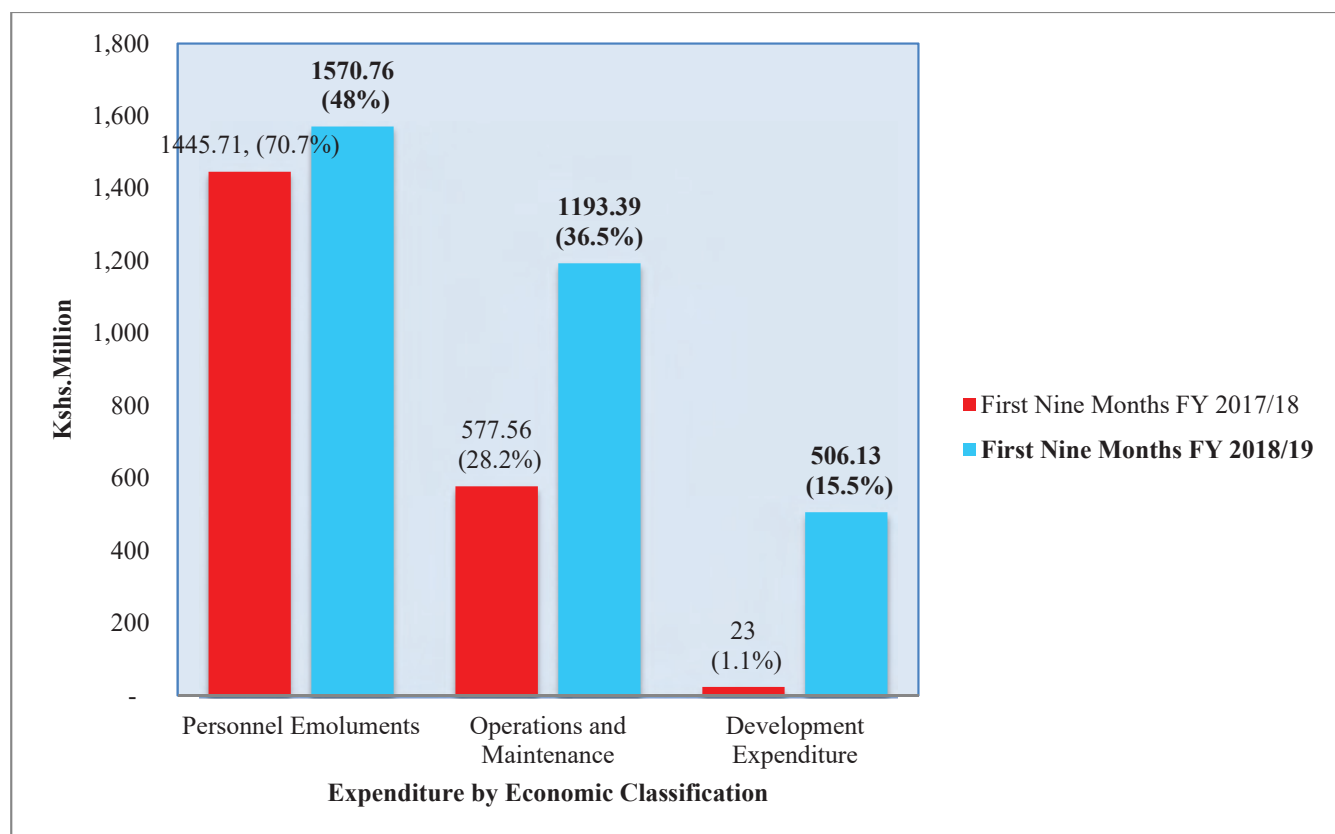
The County spent a total of Kshs.3.27 billion on recurrent and development activities. This expenditure represented 85.5 per cent of the total funds released from the County Revenue Fund account and was an increase of 59.8 per cent from Kshs.2.05 billion spent in the first nine months of FY 2017/18. The expenditure excluded outstanding commitments as at March 31, 2019 which amounted to Kshs.705.16 million for development activities and Kshs.344.82 million for recurrent expenditure.

Expenditure on recurrent activities amounted to Kshs.2.76 billion while Kshs.506.13 million was spent on development activities. The recurrent expenditure was 92.5 per cent of the funds released for recurrent activities while development expenditure was 60.6 per cent of funds released for development activities.

The recurrent expenditure 67.7 per cent of the annual recurrent budget, an increase from 52.6 per cent recorded in the first nine months of FY 2017/18. Development expenditure recorded an absorption rate of 22.8 per cent, which was an increase from 2100.6 per cent attained in the first nine months of FY 2017/18.

Figure 3.187 presents a comparison between the total expenditure in the first nine months of FY 2018/19 and a similar period in FY 2017/18.

Figure 3.187: West Pokot County, Expenditure by Economic Classification



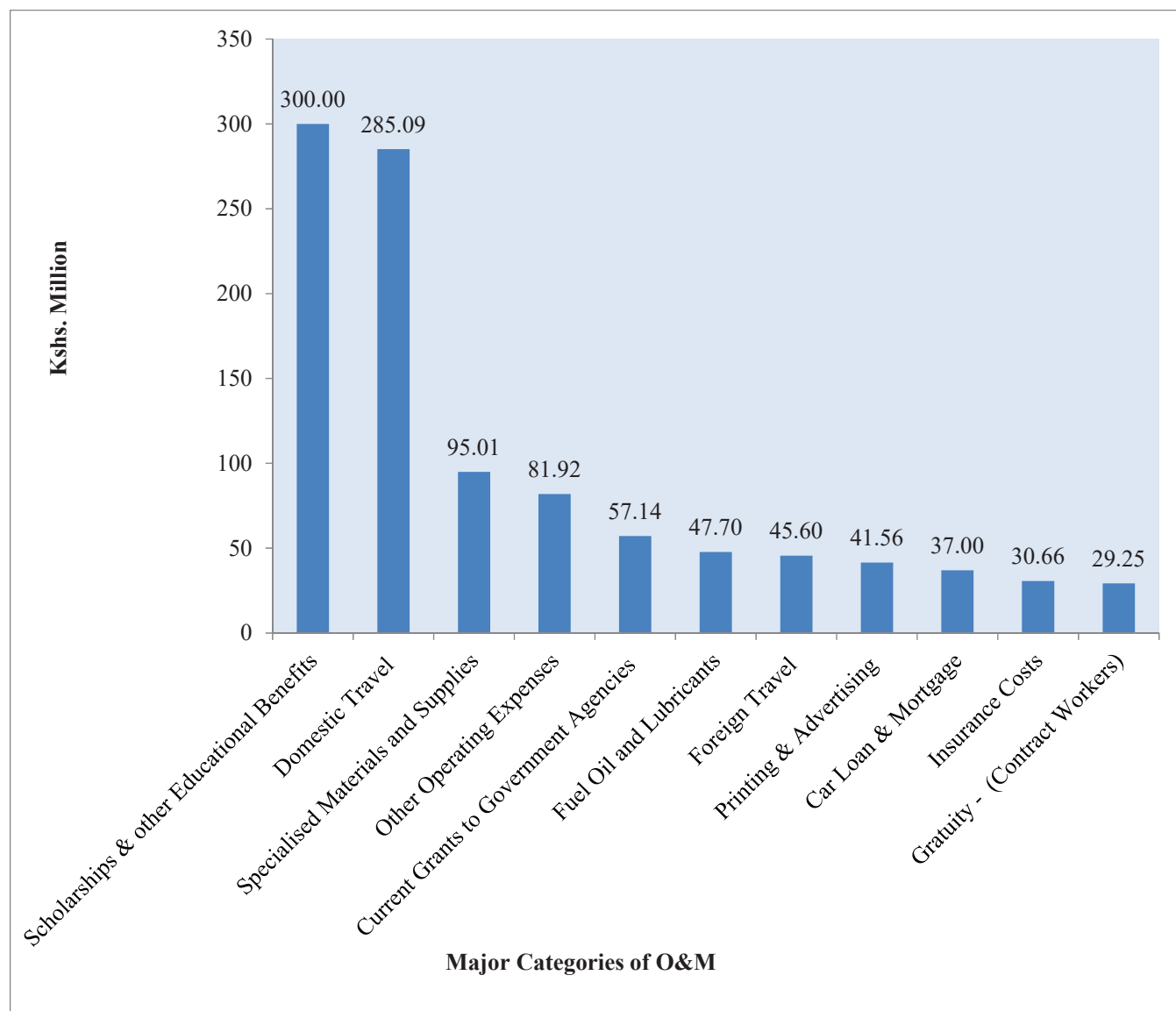
Source: West Pokot County Treasury

3.47.6 Analysis of Recurrent Expenditure

The total recurrent expenditure of Kshs.2.76 billion comprised of Kshs.1.57 billion (56.8 per cent) incurred on personnel emoluments and Kshs.1.19 billion (43.2 per cent) on operations and maintenance as shown in Figure 3.187.

Expenditure on personnel emoluments represented an increase of 8.6 per cent compared to a similar period of FY 2017/18 when the County spent Kshs.1.44 billion. Figure 3.188 shows a summary of operations and maintenance expenditure by major categories.

Figure 3.188: West Pokot County, Operations and Maintenance Expenditure by Major Categories in the First Nine Months of FY 2018/19



Source: West Pokot County Treasury

The County spent Kshs.18.04 million on committee sitting allowances for the 34 MCAs and the speaker against the annual budget allocation of Kshs.21.16 million. This represented an increase of 237.9 per cent compared to Kshs.5.34 million spent in a similar period of FY 2017/18. The average monthly sitting allowance translated to Kshs.58,946 per MCA against the SRC's recommended monthly ceiling of Kshs.124,800.

Expenditure on domestic travel amounted to Kshs.285.09 million and comprised of Kshs.102 million spent by the County Assembly and Kshs.183.09 million spent by the County Executive. This represented 10.3 per cent of total recurrent expenditure and was an increase of 23 per cent compared to Kshs.231.73 million spent in the first nine months of FY 2017/18.

3.47.7 Development Expenditure

The total development expenditure of Kshs.506.13 million represented 22.8 per cent of the annual development expenditure budget of Kshs.2.21 billion. Table 3.135 provides a summary of development projects with the highest expenditure in the first nine months of the financial year.

Table 3.135: West Pokot County, List of Development Projects with the Highest Expenditure in First Nine Months of FY 2018/19

S/ No.	Project Name	Project Location	Project Budget (Kshs.)	Project Expenditure In First Nine Months Of FY 2018/19 (Kshs.)	Absorption Rate (%)
1	Transforming Health Systems for Universal Care Project (WB)	County Wide	150,378,964	78,234,921	52
2	Transfers to Semi Autonomous Government Agencies Donor (EU IDEAS grants)	Kapenguria	77,503,804	77,503,804	100
3	Construction of the County Assembly	Kapenguria	80,000,000	47,416,820	59.3
4	Purchase of Certified Seeds	County Wide	15,000,000	11,000,000	73.3
5	Partitioning of Liason Office in Nairobi	Nairobi	17,700,000	10,782,070	60.9
6	Construction of Cottages at Mtelo	Kapenguria	20,000,000	10,272,773	51.4
7	Supply and Delivery of Sahiwal Bulls	County Wide	15,000,000	6,000,000	40
8	Wakor-Kwoko Tedwo Road	Kapenguria	Not Budgeted	5,029,226	-
9	Chewoyet Water Supply Kamuino Road	Sigor	5,643,806	5,025,554	89
10	Supply and delivery of Sisal Seeds	County Wide	15,000,000	4,998,900	33.3
Total			396,226,574	256,264,068	65

Source: West Pokot County Treasury

3.47.8 Budget Performance by County Department

Table 3.3 shows a summary of the approved budget allocation and performance by department in the first nine months of FY 2018/19.

Table 3.136: West Pokot County, Budget Performance by Department

Department	Budget Allocation (Kshs. Million)		Exchequer Issues in First Nine Months of FY 2018/19 (Kshs. Million)		Expenditure in First Nine Months of FY 2018/19 (Kshs. Million)		Expenditure to Exchequer Issues (%)		Absorption Rate (%)	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
County Executive	439.03	40.62	270.08	25.50	347.72	10.78	128.7	42.3	79.2	26.5
Finance and Economic Planning	277.11	-	157.66	-	168.89	-	107.1	-	60.9	-
Public Works , Transport and Infrastructure	79.14	401.64	52.59	210.44	31.96	119.52	60.8	56.8	40.4	29.8
Health, Sanitation and Emergencies	1,256.36	480.16	1,050.80	141.30	819.79	141.82	78.0	100.4	65.3	29.5
Education and Technical training	590.68	186.70	543.77	17.89	475.45	16.36	87.4	91.4	80.5	8.8
Agriculture and Irrigation	114.41	175.73	63.02	39.52	92.89	30.97	147.4	78.4	81.2	17.6
Pastoral Economy	107.93	199.71	71.52	82	60.38	86.89	84.4	106	55.9	43.5
Trade, Industrialization, Investment and Cooperative Development	58.24	70.22	31.58	2.49	31.99	3	101.3	120.6	54.9	4.3
Land, Housing ,Physical Planning and Urban Development	78.40	133.14	60.38	73.39	49.94	1.75	82.7	2.4	63.7	1.3
Water development, Environment and Natural Resources	87.81	171.37	52.79	36.55	52.10	24.69	98.7	67.5	59.3	14.4
Youths, Sports, Tourism, Gender and Social services	72.72	127.85	52.61	13.90	45.76	13.43	87.0	96.6	62.9	10.5
Public Service ,ICT and Decentralized Units	231.62	22.10	86.56	-	109.75	-	126.8	-	47.4	-
Special Programmes and Directorates	119.08	65.00	118.95	30.00	67.92	9.51	57.1	31.7	57.0	14.6
County Assembly	569.46	143.00	376.00	41.97	409.62	47.42	-	113.0	71.9	33.2
Total	4,081.98	2,217.24	2,612.31	714.94	2,764.15	506.13	105.8	70.8	67.7	22.8

Source: West Pokot County Treasury

Analysis of expenditure by department shows that the Department of Pastoral Economy recorded the highest absorption rate in development budget at 43.5 per cent while the Department of Public Service, ICT and Decentralized Units did not incur any development expenditure. The Department of Agriculture and Irrigation had the highest percentage of recurrent expenditure to its recurrent budget at 81.2 per cent while the Department of Public Works, Transport and Infrastructure had the lowest at 40.4 per cent.

3.47.9 Key Observations and Recommendations

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

- i. Improvement in the absorption of development budget from 1.3 per cent in the first nine months of FY 2017/18 to 22.8 per cent in the reporting period.

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

1. Late submission of financial reports by the County Treasury, which affected timely preparation of budget implementation report.
2. The County's wage bill has remained high, having increased by 8.2 per cent from Kshs.1.44 billion in first nine months of FY 2017/18 to Kshs.1.57 million during the period under review. Increase in wage bill may affect implementation of development projects.
3. Payment of activities that have not been budgeted for like the construction of Wakor-Kwoko Tedwo Road contrary to Section 154 and Regulation 42 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 to the Office of the Controller of Budget in line with Section 166 of PFM Act, 2012.*
2. *The County Public Service Board should establish and adopt an optimal staffing structure in order to ensure a sustainable wage bill.*
3. *Only items that had been budgeted for should be expensed in compliance with Section 154 and Regulation 42 of PFMA 2012.*

4 KEY CHALLENGES AND RECOMMENDATIONS

This chapter highlights cross-cutting issues that affected budget implementation in the first nine months of FY 2018/19. The chapter also contains appropriate recommendations aimed at addressing the challenges in order to enhance smooth budget execution in the future. The challenges included:

4.1 High Expenditure on Personnel Emoluments

The County Governments spent Kshs.120.54 billion on Personnel Emoluments (PE), which accounted for 52.3 per cent of the total expenditure for the period. This expenditure was an increase of 11.6 per cent from Kshs.108.04 billion incurred in a similar period of FY 2017/18 where the personnel expenditure translated to 58.8 per cent of the total expenditure. The Office noted with concern the increase in wage bill, which is unsustainable and will crowd out spending on key development activities

Regulation 25 (1) (b) of the Public Finance Management (County Governments) Regulations, 2015 sets a limit of the County Government's expenditure on wages and benefits at 35 per cent of the County's total revenue.

We recommend that County Governments should ensure that expenditure on Personnel Emoluments is contained at sustainable levels in compliance with Regulation 25 (1) (b) of the Public Finance Management (County Governments) Regulations, 2015.

4.2 Under-performance of Own Sources of Revenue Collection

During the reporting period, the County Governments generated a total of Kshs.28.92 billion, which was 55.4 per cent of the annual target of Kshs.52.18 billion. While this was an increase of 30.1 per cent compared to Kshs.22.23 billion (42.3 per cent of FY 2017/18 annual revenue target) realised in a similar period of FY 2017/18, it is below the expected prorated target of 75 per cent in the first nine months of the year. Under-performance in own-source revenue collection implies that, some planned activities may not be implemented in the financial year due to lack of funds.

Section 107 of the PFM Act, 2012 outlines fiscal responsibility principles, which among others require County Governments to prepare balanced budgets in the sense that expenditure estimates shall not exceed total revenue. Therefore, under-performance in own revenue performance may imply that County Government Budgets had hidden deficits.

The Office recommends that Counties should develop and implement strategies to mobilize own sources of revenue collection.

4.3 Delay in Disbursement of Equitable Share by the National Treasury

During the reporting period, the National Treasury disbursed a total of Kshs.200.89 billion to the Counties as equitable share of revenue raised nationally and grants to Level 5 Hospitals. The disbursement accounted for 63.1 per cent of the annual equitable share of revenue of Kshs.314 billion and Kshs.4.33 billion for Level 5 Hospitals. Delays in disbursement of the equitable share of revenue to County Governments affects budget implementation.

We recommend that the National Treasury should disburse funds to the Counties on a timely basis to ensure smooth budget implementation.

4.4 Delays in Submission of Financial Reports to the Controller of Budget

The Controller of Budget noted that, some Counties did not submit quarterly financial and non-financial reports in time, while some of the submitted reports were incomplete and therefore did not comply with the reporting templates/formats issued by the Office. This occasioned delay in preparation of the Budget Implementation Review Report (BIRR).

County Treasuries are required to prepare and submit quarterly financial reports in line with Section 166 (4) and 168 (3) of the PFM Act, 2012. The quarterly financial reports should be prepared in compliance with the templates/formats issued by the Controller of Budget.

County Treasuries should ensure timely preparation and submission of financial reports in line with Section 166 (4) and 168 (3) of the PFM Act, 2012 and Section 16 of the Controller of Budget Act, 2016.

4.5 High Expenditure on Travel Costs

County Governments spent a total of Kshs.14.88 billion on domestic and foreign travel during the reporting period, which accounted for 6.5 per cent of the total expenditure for the period. Expenditure on travel increased by 112.3 per cent from Kshs.7.01 billion incurred in a similar period of FY 2017/18. The high expenditure on travel, may lead to reduced expenditure on key development programmes.

Article 201 of the Constitution requires that, public money shall be used in a prudent and responsible way. Therefore, the Office recommends that expenditure on non-core activities, such as travelling, should be rationalised in order to free funds for implementation of key development programmes.

5 CONCLUSION

This report sought to provide information on the status of budget implementation by County Governments during the first nine months of FY 2018/19. It is prepared in fulfilment of Article 228(6) of the Constitution of Kenya, 2010 and Section 9 of the Controller of Budget Act, 2016.

The aggregate budget estimates of the 47 County governments amounted to Kshs.476.12 billion and comprised of Kshs.285.3 billion (59.9 per cent) allocation for recurrent expenditure and Kshs.190.86 billion (40.1 per cent) for development expenditure. The development expenditure allocation conforms to Section 107 (2(b)) of the PFM Act, 2012, which requires that at least 30 per cent of budget shall be allocated to development expenditure.

During the first nine months of FY 2018/19, County Governments spent Kshs.230.47 billion which translated to absorption of 48.4 per cent. This was an improvement from the absorption rate of 44.4 per cent in a similar period FY 2017/18. A total of Kshs.183.92 billion was spent on recurrent expenditure and Kshs.46.55 billion on development activities. Development expenditure translated to an absorption rate of 24.4 per cent while recurrent expenditure was 64.5 per cent of the annual budget for recurrent expenditure. The Office noted substantial improvement in the performance of own sources of revenue collections, which increased by 30.1 per cent to Kshs.28.92 billion from Kshs.22.23 billion in a similar period of FY 2017/18.

The report has also identified the key challenges which hampered effective budget execution during the reporting period. They included; high expenditure on Personnel Emoluments, delays in the disbursement of equitable share by the National Treasury, late submission of quarterly financial reports to the Controller of Budget, and high expenditure on travel costs. The report has provided appropriate recommendations on how to address the identified challenges in order to enhance smooth execution of the budget.

The OCOB is dedicated on ensuring there is prudent and effective use of public funds. Accordingly, the Office encourages all County Governments, and especially the responsible accounting officers to implement the recommendations contained in this report.

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