REPUBLIC OF KENYA

OFFICE OF THE CONTROLLER OF BUDGET

COUNTY GOVERNMENTS BUDGET IMPLEMENTATION REVIEW REPORT

HALF YEAR
FY 2014/2015

February 2015

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PREFACE

The Office of the Controller of Budget (OCOB) is pleased to issue the second County Budget Implementation Review Report (CBIRR) for the Financial Year (FY) 2014/15. This is the seventh CBIRR to be prepared by OCOB since the establishment of county governments and has been prepared in accordance with Article 228 (6) of the Constitution.

This report presents budget performance of the forty seven county governments for the first half of FY 2014/15. It presents revenue and expenditure performance for the reporting period and is based on analysis of expenditure reports from counties and data generated from the Integrated Financial Management Information System (IFMIS). An attempt has been made to compare performance in the reporting period to a similar period of FY 2013/14. Instances where the public financial management framework has not been adhered to, has been identified and appropriate recommendations for improvement made.

The preparation of this report has mainly been made possible by the efforts of staff of both OCOB and County Treasuries. The staff from County Treasuries are responsible for execution of county budgets while the OCOB is mandated to oversee and report on budget implementation. The County Treasuries therefore, play a crucial role in effective budget implementation and should come up with a robust project implementation system aimed at improving project management capacity and ensuring all projects are adequately monitored to completion.

In the fulfilment of Article 254 (3) of the Constitution, this report will be publicized. The office expects that information contained in this report will be used as a tool to gauge county performance by the Legislature, the Executive and the Public. The OCOB is committed to promoting prudent financial management in the public sector and encourage readers of this report to take active interest in budget formulation, implementation, monitoring and evaluation phases. This way, all of us, as key stakeholders will be able to contribute to ensuring that the County Government delivers on the promises made to the citizenry.

Anodhiambo

Mrs. Agnes Odhiambo

Controller of Budget

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ACRONYMS

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

EXECUTIVE SUMMARY

This is the seventh report by the Office of the Controller of Budget (OCOB) in the quarterly County Government Budget Implementation Review Reports (CBIRR) series. It covers the period, July to December 2014 and focuses on the performance of revenue collection, exchequer releases and expenditure of the County governments for the period, and compares this with performance in the same period of FY 2013/14.

The County Governments' combined Budget Estimates for the FY 2014/15, amounted to Kshs.320.23 billion, comprising of Kshs.181.01 billion (56.5 per cent) for recurrent expenditure and Kshs.139.22 billion (43.5 per cent) for development expenditure. The budget is to be financed by transfers from the National Government, revenue from local sources, grants from development partners, and balance brought forward from FY 2013/14. Transfers from the National Government for the financial year under review amount to Kshs.242.43 billion. Revenue from local sources and the balance brought forward from FY 2013/14 were projected at Kshs.62.46 billion and Kshs.32.55 billion respectively while Kshs.733.65 million is expected from DANIDA.

In the FY 2014/15, transfers from the National Government are expected to be Kshs.242.43 billion based on the Annual County Allocation of Revenue Act (CARA), 2014 and consists of Kshs.226.66 billion as the national equitable share of revenue; Kshs.1.870 billion as conditional allocations to Level 5 hospitals, and Kshs.13.899 billion as conditional allocation for ongoing projects. In the reporting period, the Controller of Budget approved transfer of **Kshs.83.62 billion** from the Consolidated Fund to the respective County Revenue Funds.

The funds available to the County Governments' in the first half of FY 2014/15 amounted to **Kshs.136.96 billion**, of which **Kshs.83.62 billion** (61.1 per cent) was equitable share from the National Government, **Kshs.13.10 billion** (9.6 per cent) was local revenue, while **Kshs.40.24 billion** (29.4 per cent) was actual cash balance brought forward from the FY 2013/14. The County Governments generated a total of **Kshs.13.10 billion** from local sources, which translates to **21.0 per cent** of the total annual local revenue target.

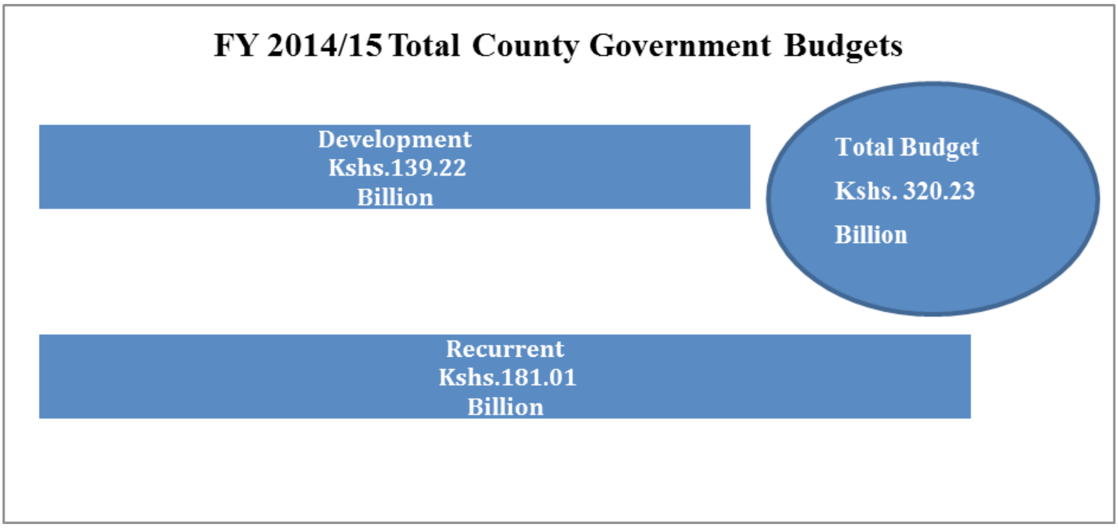
In the reporting period, total expenditure amounted to **Kshs.103.70 billion** and consisted of recurrent expenditure of Kshs.73.15 billion, translating to 70.5 per cent and development expenditure of Kshs.30.55 billion, translating to 29.5 per cent of the total expenditure. Recurrent expenditure represents an absorption rate of 40.4 per cent of the annual recurrent budget, an increase from 22.2 per cent recorded in the same period of FY 2013/14. Counties spent Kshs.1.44 billion on MCAs' sitting allowances against an annual budget allocation of Kshs.3.79 billion translating to an absorption rate of 38.0 per cent. In addition, the counties spent Kshs.3.72 billion on domestic and foreign travel, against an annual budgetary allocation of Kshs.8.52 billion, representing an absorption rate of 43.66 per cent of the annual budget.

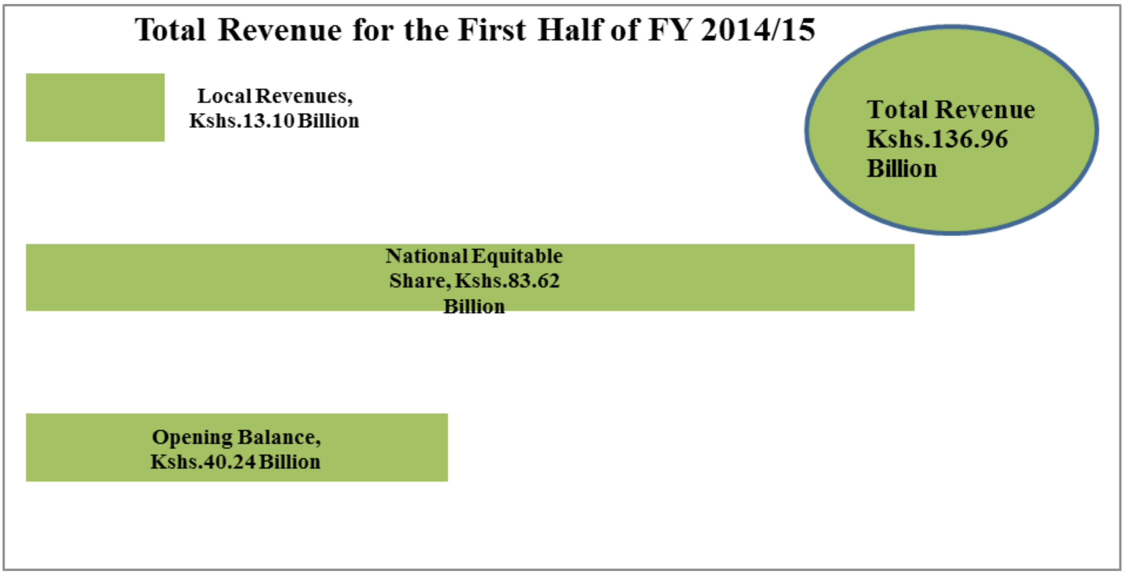
The County governments spent a total of **Kshs.30.55 billion** on development activities, representing **21.9 per cent** absorption of the annual development budget estimates. Further, the Counties spent a total of Kshs.1.72 billion on debt repayment and pending bills, representing about 1.7 per cent of the total expenditure for the period.

In the FY 2014/15, the Health sector had the highest budget allocation at 20.9 per cent of combined county budgets followed by County Administration at 15.9 per cent, and Public Works, Transport and Infrastructure at 13.1 per cent.

During the reporting period, some key issues that must be addressed in order to enhance budget implementation were identified. These included: Failure to submit quarterly reports by County Public Fund administrators, unprocedural reallocation of funds between votes and sub-votes, inadequate internal audit arrangements, non-compliance with Salaries and Remuneration Commission (SRC) circular on allowances of state and state officers, failure to adopt IFMIS by the County Assemblies, and use of local revenue at source in contravention of the Constitution and the Public Finance Management Act, 2012.

To address these issues, counties should build staff capacity to effectively manage public resources, ensure that internal audit functions are operationalised in line with international best practice, comply with SRC circulars on remuneration and benefits of state and public officers, ensure that county assemblies adopt IFMIS and that, all local revenue is deposited intact into the County Revenue Fund accounts.


FY 2014/15 Total County Government Budgets
Development Kshs.139.22 Billion
Total Budget Kshs. 320.23 Billion
Recurrent Kshs.181.01 Billion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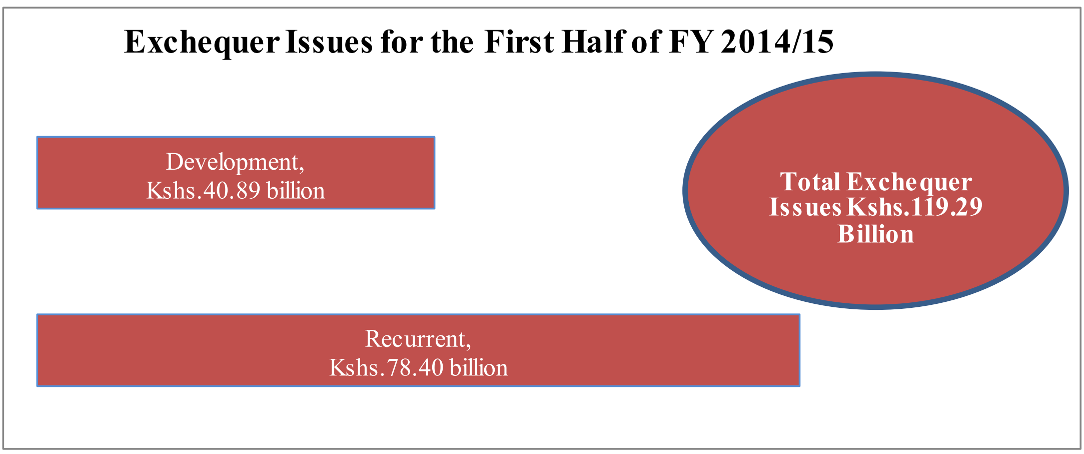
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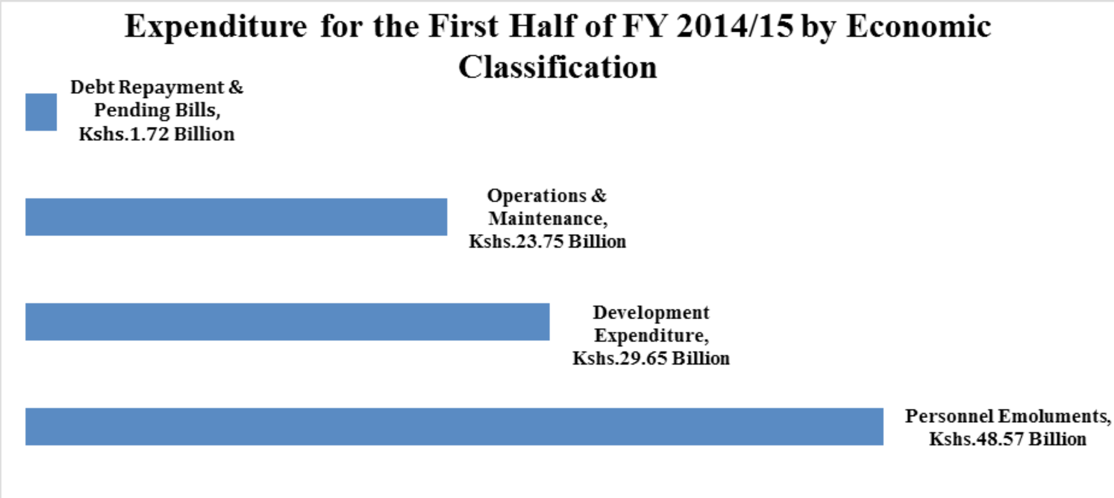
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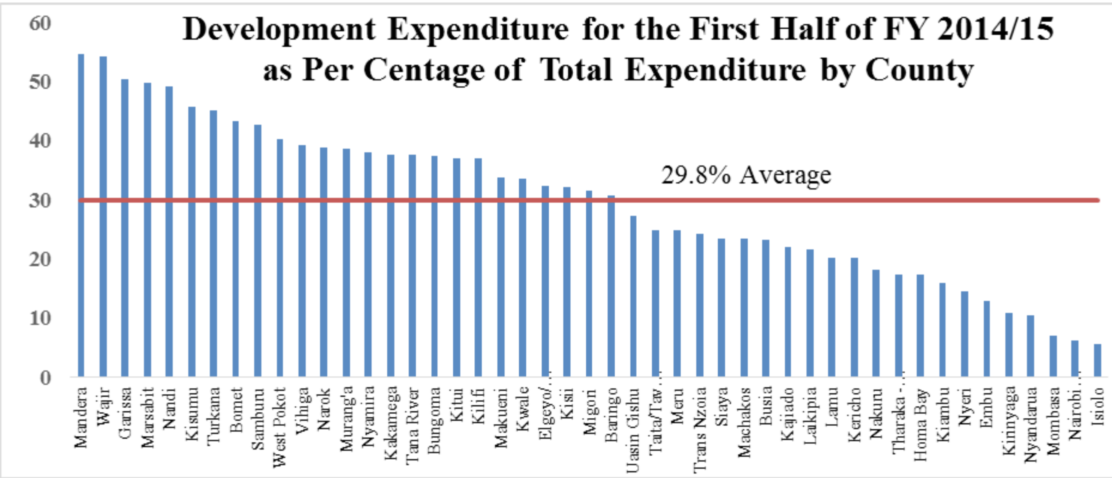
Development Expenditure for the First Half of FY 2014/15 as Per Centage of Total Expenditure by County
29.8% Average
60
50
40
30
20
10
0
Mandera
Wajir
Garissa
Marsabit
Nandi
Kisumu
Turkana
Bomet
Samburu
West Pokot
Vihiga
Narok
Murang'a
Nyamira
Kakamega
Tana River
Bungoma
Kitui
Kilifi
Makueni
Kwale
Elgeyo/...
Kisii
Migori
Baringo
Uasin Gishu
Taita/Tav...
Meru
Trans Nzoia
Siaya
Machakos
Busia
Kajiado
Laikipia
Lamu
Kericho
Nakuru
Tharaka -...
Homa Bay
Kiambu
Nyeri
Embu
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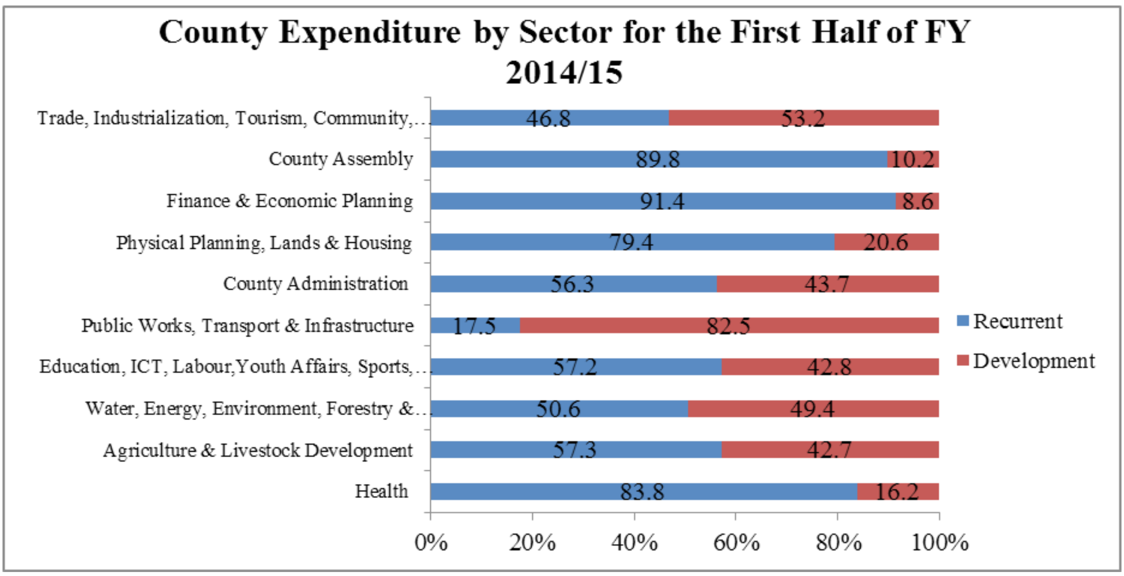
Mombasa
Nairobi...
Isiolo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County Assembly 89.8 10.2
Finance & Economic Planning 91.4 8.6
Physical Planning, Lands & Housing 79.4 20.6
County Administration 56.3 43.7
Public Works, Transport & Infrastructure 17.5 82.5
Education, ICT, Labour, Youth Affairs, Sports,... 57.2 42.8
Water, Energy, Environment, Forestry &... 50.6 49.4
Agriculture & Livestock Development 57.3 42.7
Health 83.8 16.2
Recurrent
Development
0%
20%
40%
60%
80%
100%

1.0 INTRODUCTION

Chapter 12 of the Constitution of Kenya, 2010 anchored a comprehensive public finance framework. This framework is expanded in the Public Finance Management Act (PFMA), 2012, which provides for the effective management of public finances by the National and County Governments; the oversight responsibility of Parliament and County Assemblies, and, the different responsibilities of government entities.

The Office of the Controller of Budget (OCOB) is one of the institutions established to oversee management of public finances. OCOB has prepared this half year County Budget Implementation Review Report (CBIRR) for the FY 2014/15 in fulfilment of this mandate. OCOB has noted achievements by counties in budget execution in the current financial year. The achievements include adoption of IFMIS, improvements in absorption of allocated funds, improved staff capacity through trainings and recruitment of key staff and openness in the use of public funds including increased involvement of the public in setting of budget goals.

The report covers the status of budget implementation for all the 47 counties in the reporting period. It focuses on the performance of revenue collection, exchequer releases and expenditure of the County governments for the reporting period, and compares this with similar performance in the same period of FY 2013/14.

The report begins by presenting aggregated budget performance for the 47 County Governments. Aggregate revenue is analysed by source while expenditure is disaggregated into recurrent and development expenditure. Recurrent expenditure is further analysed by economic classification, namely: Compensation to Employees, and, Operations and Maintenance (O&M). Counties are analysed on absolute budget outturn and absorption rate which is computed as the proportion of total expenditure expressed as a percentage of approved gross estimates. Total expenditure excludes commitments. The report also assesses compliance with fiscal responsibility principles as enshrined in the Constitution and PFMA, 2012. Key challenges are identified and appropriate recommendations are made to improve budget implementation.

The remaining sections of the report are organized as follows: Chapter two presents the aggregate budget performance of the 47 Counties specifically on revenue and expenditure performance. Chapter three presents county-specific performance and provides an overall summary of budget performance by each county. It analyses revenue and presents the local revenue trend to assess county performance. Expenditure performance is analysed by major economic classification and the major development projects are presented.

The key challenges that impeded effective budget implementation and specific recommendations are presented in chapter four. Chapter five provides the conclusion.

2.0 FINANCIAL ANALYSIS OF COUNTY BUDGET IMPLEMENTATION FOR THE FIRST HALF OF FY 2014/15

2.1 Revenue Analysis

The County Governments' Budget estimates for the FY 2014/15, amounted to Kshs.320.23 billion, comprising of Kshs.181.01 billion (56.5 per cent) for recurrent expenditure and Kshs.139.22 billion (43.5 per cent) allocated to development expenditure. This budget is to be financed by transfers from the National Government, revenue from local sources, grants from donors and balance brought forward from the FY 2013/14.

Transfers from the National Government amounts to Kshs.242.43 billion. Revenue from local sources and the balance brought forward from FY 2013/14 was projected at Kshs.62.46 billion and Kshs.32.55 billion respectively while Kshs.733.65 million is expected from DANIDA.

The funds available to the County governments in the first half of FY 2014/15 amounted to **Kshs.136.96 billion**, of which **Kshs.83.62 billion** (61.1 per cent) was equitable share from the National Government, **Kshs.13.10 billion** (9.6 per cent) was local revenue, while **Kshs.40.24 billion** (29.4 per cent) was actual cash balance brought forward from the FY 2013/14 (See Annex 1).

2.1.1 Transfers from the National Government

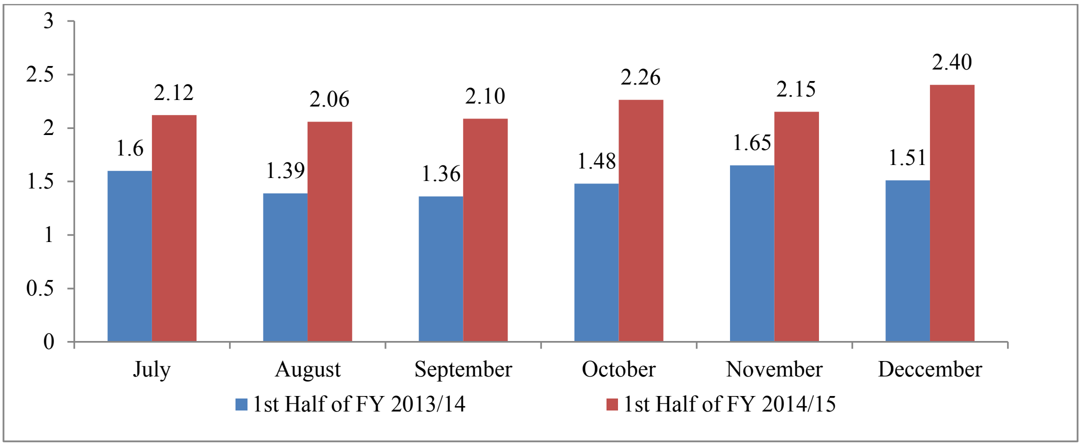
In the FY 2014/15, transfer from the National Government is expected to be Kshs.242.43 billion based on the Annual County Allocation of Revenue Act (CARA), 2014 and consists of Kshs.226.66 billion as the national equitable share of revenue; Kshs.1.870 billion as conditional allocations to Level 5 hospitals,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

In the reporting period, the Controller of Budget approved transfer of **Kshs.83.62 billion** from the Consolidated Fund to the various County Revenue Funds (CRF).

2.1.2 Locally Collected Revenue

In the reporting period, County governments generated a total of Kshs.13.10 billion from local sources, which translate to 21.0 per cent of the total annual local revenue target. The revenue realised is an improvement compared to Kshs.9.0 billion (13.2 per cent of the FY 2013/14 annual target) realised in the similar period in FY 2013/14. Figure 1 shows the monthly local revenue collection during the first half of FY 2014/15 compared to the same period in the last financial year.

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



Source: *County Treasuries*

Nairobi City County generated the highest amount of local revenue at Kshs.4.32 billion during the period, followed by Narok County and Nakuru County that raised Kshs.989.24 million and Kshs.895.57 million respectively. Counties that raised the lowest amount of local revenue during the period under review were Mandera, Lamu and Tana River at Kshs.37.91 million, Kshs.14.95 million and Kshs.8.91 million respectively.

However, the analysis of local revenue as a proportion of annual revenue targets in the reporting period indicates that **Marsabit County** attained the highest proportion of local revenue against the annual revenue target at 87.4 per cent followed by **Elgeyo/ Marakwet** and **West Pokot** Counties at 55.3 per cent and 50.1 per cent respectively. Conversely, counties that recorded the lowest proportion of the local revenue against annual targets were **Mombasa** County at 10.4 per cent, **Trans Nzoia** County at 9.3 per cent and **Tana River** County at 7.4 per cent, as shown in table 1.

Table 1: Locally Collected Revenue by Counties in the First Half of FY 2014/15

County Name	Revenue Annual target (Kshs. million)	1ST QUARTER REVENUE (Kshs. million)				2ND QUARTER REVENUE (Kshs. million)				HALF YEAR REVENUE FOR FY 2014/15 (Kshs. million)	
		July 2014	Aug. 2014	Sept. 2014	Total (Q1)	Oct. 2014	Nov. 2014	Dec. 2014	Total (Q2)	TOTAL (Q1+Q2)	% of actual revenue against annual targets
Baringo	452.00	25.91	31.14	15.81	**72.86**	17.76	13.59	13.43	**44.78**	**117.64**	26
Bomet	380.43	11.66	9.13	15.65	**36.43**	8.37	6.06	11.06	**25.49**	**61.92**	16.3
Bungoma	1,075.04	26.47	12.46	36.88	**75.81**	26.72	21.05	24.23	**72.01**	**147.82**	13.8
Busia	766.22	27.36	21.00	24.43	**72.79**	24.07	19.89	19.25	**63.21**	**136.00**	17.7
Elgeyo/ Marakwet	85.00	9.72	7.20	8.06	**24.98**	7.36	8.36	6.32	**22.05**	**47.03**	55.3
Embu	748.00	24.85	23.01	18.68	**66.53**	23.22	20.92	19.85	**63.99**	**130.52**	17.4
Garissa	500.00	10.81	8.21	7.06	**26.08**	24.95	8.22	9.34	**42.5**	**68.58**	13.7
Homa Bay	401.90	11.50	10.46	9.93	**31.89**	8.91	12.04	12.16	**33.11**	**65.00**	16.2
Isiolo	360.96	16.40	18.11	15.39	**49.90**	13.41	8.32	7.98	**29.72**	**79.62**	22.1
Kajiado	1,847.13	30.58	31.25	50.47	**112.29**	45.45	46.04	32.64	**124.12**	**236.41**	12.8
Kakamega	874.24	54.47	25.75	64.61	**144.83**	23.82	40.65	33.14	**97.61**	**242.44**	27.7
Kericho	671.28	36.41	15.22	15.70	**67.33**	20.94	31.88	15.58	**68.39**	**135.72**	20.2
Kiambu	3,374.06	123.64	135.11	113.08	**371.83**	137.74	100.11	85.02	**322.87**	**694.70**	20.6
Kilifi	1,000.00	34.78	32.99	35.06	**102.83**	34.98	35.88	48.79	**119.65**	**222.48**	22.2
Kirinyaga	729.00	13.30	10.51	25.71	**49.51**	23.6	22.76	18.43	**64.78**	**114.29**	15.7
Kisii	974.00	26.58	17.84	20.31	**64.73**	21.63	19.29	22.15	**63.06**	**127.79**	13.1
Kisumu	2,842.77	66.70	64.87	48.31	**179.88**	53.73	157.92	51.3	**262.95**	**442.83**	15.6
Kitui	650.00	25.84	25.04	21.22	**72.11**	22.64	18.37	22.98	**63.99**	**136.10**	20.9
Kwale	500.00	23.86	15.52	17.23	**56.62**	11.21	14.77	14.07	**40.05**	**96.67**	19.3
Laikipia	400.00	19.24	17.35	14.79	**51.38**	19.23	15.59	14.63	**49.44**	**100.82**	25.2
Lamu	65.44	2.75	1.27	1.26	**5.28**	1.83	2.84	5	**9.67**	**14.95**	22.8
Machakos	2,533.48	88.57	185.35	79.55	**353.46**	88.04	87.72	85.23	**261**	**614.46**	24.3
Makueni	500.90	14.04	17.58	20.18	**51.80**	12.51	12.09	10.38	**34.99**	**86.79**	17.3
Mandera	251.29	7.29	6.10	5.60	**18.99**	4.76	7.34	6.81	**18.91**	**37.90**	15.1
Marsabit	48.40	6.68	8.84	7.37	**22.89**	7.82	5.38	6.22	**19.41**	**42.30**	87.4

County Name	Revenue Annual target (Kshs. million)	1ST QUARTER REVENUE (Kshs. million)				2ND QUARTER REVENUE (Kshs. million)				HALF YEAR REVENUE FOR FY 2014/15 (Kshs. million)	
		July 2014	Aug. 2014	Sept. 2014	Total (Q1)	Oct. 2014	Nov. 2014	Dec. 2014	Total (Q2)	TOTAL (Q1+Q2)	% of actual revenue against annual targets
Meru	902.46	29.25	42.42	34.34	**106.01**	25.78	26.28	38.26	**90.32**	**196.33**	21.8
Migori	300.00	24.10	38.01	24.48	**86.59**	23.03	15.21	15.41	**53.65**	**140.24**	46.7
Mombasa	6,936.16	106.47	104.78	85.60	**296.86**	144.39	82.42	194.34	**421.15**	**718.01**	10.4
Murang'a	1,140.00	36.85	33.32	35.87	**106.04**	34.94	33.74	31.37	**100.04**	**206.08**	18.1
Nairobi City	17,762.59	598.59	578.03	605.12	**1781.75**	644.15	795.92	1,101.47	**2,541.54**	**4323.29**	24.3
Nakuru	2,708.41	172.61	141.96	147.36	**461.94**	130.07	160.96	142.61	**433.64**	**895.58**	33.1
Nandi	456.07	19.93	10.09	13.46	**43.48**	14.02	9.83	9	**32.85**	**76.33**	16.7
Narok	3,909.27	127.29	135.10	246.67	**509.06**	333.88	100.14	46.16	**480.18**	**989.24**	25.3
Nyamira	219.05	9.82	7.57	5.86	**23.24**	4.2	11.07	12.47	**27.73**	**50.97**	23.3
Nyandarua	211.0	11.63	8.58	6.67	**26.88**	11.31	7.83	6.1	**25.24**	**52.12**	24.7
Nyeri	1,343.93	32.51	27.86	29.31	**89.68**	44.65	37.41	96.4	**178.46**	**268.14**	20
Samburu	406.55	23.80	29.87	36.69	**90.37**	12.22	11.54	6.52	**30.28**	**120.65**	29.7
Siaya	301.53	13.54	9.92	12.64	**36.10**	9.1	8.46	7.09	**24.64**	**60.74**	20.1
Taita/Taveta	521.83	22.03	23.93	28.38	**74.34**	0	0	20.05	**20.05**	**94.39**	18.1
Tana River	120.00	2.03	2.05	1.25	**5.33**	2.93	0.58	0.07	**3.58**	**8.91**	7.4
Tharaka -Nithi	250.00	21.92	5.38	3.49	**30.79**	10.7	10.52	5.69	**26.92**	**57.71**	23.1
Trans Nzoia	670.00	14.67	12.50	7.52	**34.70**	7.73	10.65	8.99	**27.36**	**62.06**	9.3
Turkana	500.00	5.03	6.74	22.49	**34.26**	6.09	12.05	11.39	**29.54**	**63.80**	12.8
Uasin Gishu	1,193.42	80.56	71.65	43.78	**195.98**	95.87	53.64	31.25	**180.76**	**376.74**	31.6
Vihiga	377.74	9.86	4.38	8.91	**23.14**	7.16	8.06	6.77	**21.98**	**45.12**	11.9
Wajir	102.29	8.71	6.00	6.04	**20.76**	6.38	12.39	7.21	**25.98**	**46.74**	45.7
West Pokot	96.20	10.25	5.86	6.20	**22.31**	10.56	6.73	8.57	**25.86**	**48.17**	50.1
Total	**62,460.05**	**2,120.89**	**2,057.31**	**2,104.46**	**6,282.67**	**2,263.82**	**2,152.53**	**2,403.15**	**6,819.51**	**13,102.18**	21.0

Source: *County Treasuries*

2.2 Funds Released to the Counties

In the first half of FY 2014/15, the Office of the Controller of Budget (OCOB) approved a transfer of **Kshs.83.62 billion** from the Consolidated Fund to the various County Revenue Funds. This amount comprised of Kshs.82.54 billion as equitable transfer, Kshs.710.25 million as conditional grants to level 5 hospitals and Kshs.366.83 million as conditional grants from DANIDA to supplement financing of county health facilities.

During the same period, the OCOB approved transfer of **Kshs.119.29 billion** from the County Revenue Funds to the County Operational Accounts. This amount comprised of **Kshs.78.40 billion** for recurrent activities and **Kshs.40.89 billion** for development activities. Analysis of the funds released to counties is discussed in section 2.2.1.

2.2.1 Funds Released to the Counties from the Consolidated Fund

The Annual County Allocation of Revenue Act (CARA), 2014, provided for the equitable allocation of revenue raised nationally among the County governments for the FY 2014/15. This Act became effective on 5th September, 2014, about two months into the FY 2014/15 financial year. This late enactment of the CARA, 2014 occasioned delay in disbursement of funds to County Governments from the Consolidated Fund due to lack of a legal basis for disbursement of funds in the first two months of FY 2014/15.

By December 31, 2014, the OCOB had approved transfer of **Kshs.83.62 billion** from the Consolidated Fund to the various County Revenue Funds in accordance with Article 206(4) of the Constitution. Analysis of these transfers shows that **the highest disbursement** of Kshs.5.23 billion was to **Nairobi City County** followed by **Kiambu County** at Kshs.3.04 billion, **Kakamega County** at Kshs.3.00 billion, **Kisii County** at Kshs.2.90 billion and **Machakos County** at Kshs.2.80 billion. Conversely, counties that received **the least amounts** were **Elgeyo Marakwet** at Kshs.1.08 billion, **Tana River** at Kshs.1.01 billion, I**siolo** at Kshs.1.00 billion, and, **Lamu** at Kshs.521.71 million. (See Annex 1)

2.2.2 Funds Released to the County Operational Accounts

During the reporting period, the OCOB approved transfer of **Kshs.119.29 billion** from the CRFs to the County Operational Accounts comprising of **Kshs.78.40 billion** (**65.7** per cent) for recurrent expenditure and **Kshs.40.89 billion** (**34.3** per cent) for development expenditure. The **Nairobi City County** received the **highest amount** at Kshs.6.36 billion followed by **Turkana County** and **Mandera County** at Kshs.6.34 billion and Kshs.4.71 billion respectively. Counties that received **the least amount** included **Tharaka Nithi** at Kshs.1.10 billion; **Isiolo** at Kshs.1.08 billion and **Lamu** at Kshs.875.34 million.

Analysis of the funds released for recurrent activities indicated that **Nairobi City County**, **Kiambu County** and **Nakuru County** received the **highest amount** at Kshs.6.36 billion; Kshs.3.47 billion and Kshs.3.11 billion respectively. Conversely, **Tana River, Isiolo, and Lamu Counties** had the **least amount of funds released for recurrent expenditure** at **Kshs.793.56 million**, **Kshs.780.00 million**, **Kshs.542.18 million** respectively.

For development activities, **Turkana, Mandera,** and **Kakamega Counties** received **the highest amount of funds** at Kshs.4.36 billion, Kshs.2.57 billion and Kshs.1.88 billion respectively. Counties that received the lowest amount for development activities included Nyandarua at Kshs.277.89 million, Tharaka Nithi at Kshs.239.42 million and Mombasa at Kshs.165.00 million. The Nairobi County did not request funds for development activities although they incurred development expenditure during the reporting period. This might imply that funds requested for recurrent expenditure were diverted to finance development activities or local revenue was spent at source on the development activities.

2.3 Expenditure Analysis

The total expenditure by counties during the first half of FY 2014/15 amounted to **Kshs.103.70 billion**, representing an absorption rate of **32.4 per cent** of the total annual county budgets, an increase from the **14.9 per cent** attained in the first half of FY 2013/14. Recurrent expenditure amounted to **Kshs.73.15 billion**, representing an absorption rate of **40.4 per cent** of the annual recurrent budget while development expenditure was **Kshs.30.55 billion**, representing an absorption rate of **21.9 per cent**.

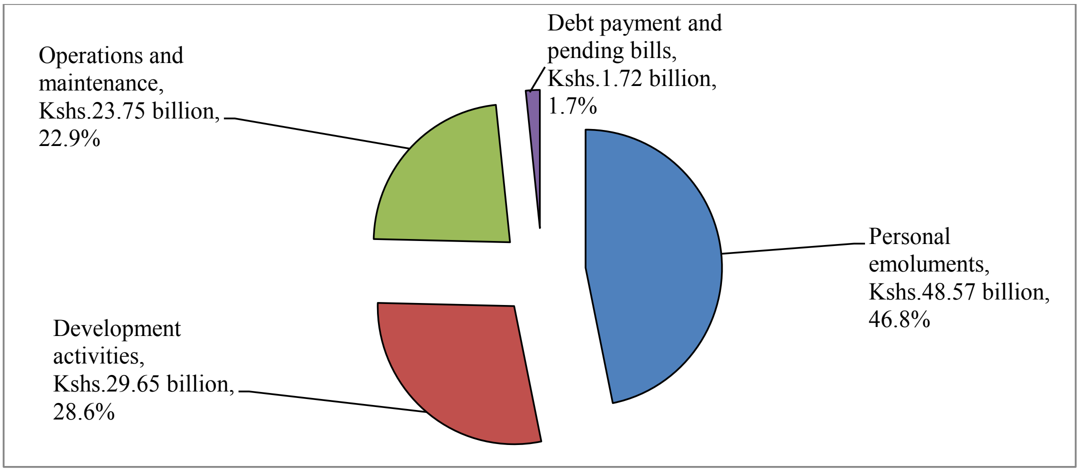
The Counties that attained the highest expenditure in absolute terms were; **Nairobi City** at Kshs.9.24 billion, **Mandera** at Kshs.4.69 billion, **Nakuru** at Kshs.3.83 billion and **Kakamega** at Kshs.3.50 billion. **Tharaka Nithi, Vihiga**, **Isiolo**, and **Lamu** Counties reported the least expenditure in absolute terms at Kshs.986.44 million, Kshs.915.99 million, Kshs.594.10 million, and Kshs.479.94 million respectively.

Analysis of expenditure as a percentage of the funds released indicates that the following counties attained the highest percentage of expenditure to total funds released; **Nairobi City at 145.3 per cent**, **Homa Bay at 138.4 per cent**, **Machakos at 106.2 per cent**, **Muranga at 106.2 per cent**, **Trans Nzoia at 101.8 per cent and Meru at 101.1 per cent**,. These counties spent more than the exchequer issues approved by OCOB due to spending of locally generated revenue at source, which contravenes the provisions of the PFM Act, 2012. Counties that had the least percentage of expenditure to funds released included: **Vihiga at 48.7 per cent; Turkana at 43.5 per cent and Kisumu at 38.6 per cent.**

On absorption rate, **Homa Bay County attained the highest absorption rate of the annual budget at 50.3 per cent followed by Tana River County at 44.9 per cent and Nandi County at 43.3 per cent.** Counties that reported the least absorption rates were Turkana, Vihiga and Kisumu at 21.2 per cent, 19.2 per cent and 9.9 per cent respectively. Absorption rate is used to measure performance and is computed as the proportion of expenditure as a percentage of approved gross estimates.

Analysis of county expenditure by economic classification shows that **Kshs.48.57 billion (46.8 per cent)** was spent on **personal emoluments, Kshs.29.65 billion (28.6 per cent)** on **development activities, Kshs.23.75 billion (22.9 per cent)** on **operations and maintenance and Kshs.1.72 billion (1.7 per cent)** on **debt payment and pending bills.** Figure 2 depicts this analysis of expenditure by economic classification.

Figure 2: Expenditure by Economic Classification



Source: *OCOB and County Treasuries*

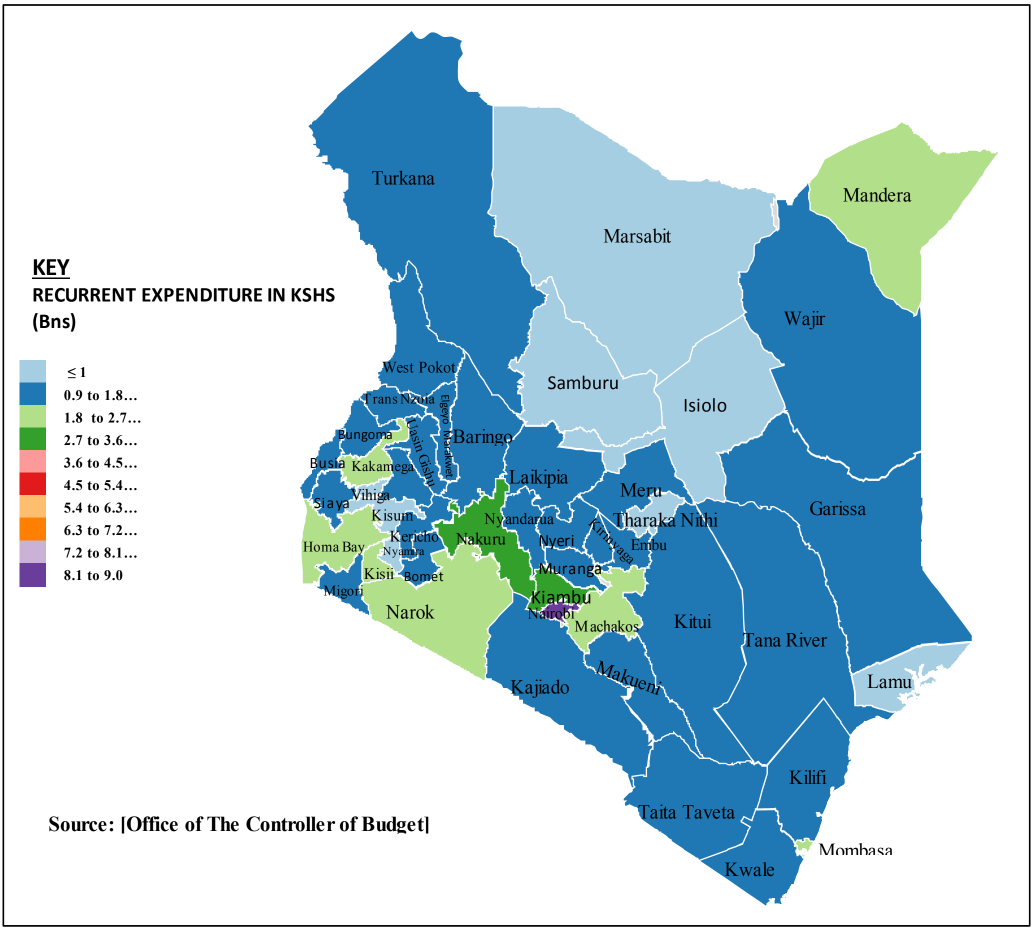
2.4 Recurrent Expenditure

In the first half of FY 2014/15, total recurrent expenditure by counties amounted to **Kshs.73.15 billion**, translating to 70.5 per cent of the total expenditure. This expenditure represents an absorption rate **40.4 per cent** of the annual recurrent budget, an increase from **22.2 per cent** recorded in the same period of FY 2013/14.

The **Nairobi City County** reported the **highest expenditure in absolute terms on recurrent activities** at Kshs.8.67 billion followed by **Nakuru** and **Kiambu Counties** at Kshs.3.13 billion and Kshs.2.79 billion respectively. **Isiolo County**, **Vihiga County** and **Lamu County** reported the lowest recurrent expenditure in absolute terms at Kshs.560.42 million, Kshs.557.22 million and Kshs.382.95 million respectively.

Homa Bay County recorded **the highest absorption rate of the annual recurrent budget** during the period under review at 61.0 per cent, followed by **Tana River** at 55.7 per cent and **Bomet County** at 54.8 per cent. The **lowest absorption rate of annual recurrent budget** was recorded in the following Counties; **Isiolo** at 27.4 per cent, **Vihiga** at 21.9 per cent and **Kisumu** at 10.9 per cent.

Figure 3: Recurrent Expenditure by County for the First Half of FY 2014/15



Source: [Office of The Controller of Budget]

2.4.1 Personnel Emoluments

In the first half of the FY 2014/15, counties spent a total of **Kshs.48.57 billion** on personnel emoluments, representing **66.4 per cent** of total recurrent expenditure and **46.8 per cent** of total expenditure. The highest expenditure on personnel emoluments was recorded in Nairobi City County at Kshs.6.90 billion followed by Nakuru County at Kshs.2.13 billion and Mombasa County at Kshs.1.97 billion. Isiolo, Kisumu and Lamu Counties incurred the least expenditure on personnel emoluments at Kshs.338.08 million, Kshs.292.20 million and Kshs.274.83 million respectively.

Analysis of personnel emoluments as a proportion of the total recurrent expenditure shows that, Laikipia County recorded the highest proportion at 81.9 per cent followed by Busia County at 81.7 per cent and Nairobi City County at 79.6 per cent. Turkana, Tana River and Mandera Counties had the lowest proportion of their total recurrent expenditure on personnel emoluments at 40.6 per cent, 39.3 per cent and 29.6 per cent respectively.

2.4.2 Operations and Maintenance

On aggregate, counties spent Kshs.23.75 billion on operations and maintenance, representing 32.5 per cent of the total recurrent expenditure. Counties that reported the highest expenditure on operations and maintenance were Mandera at Kshs.1.50 billion followed by Nairobi City at Kshs.1.38 billion, and Nakuru at Kshs.1.00 billion. Conversely, Counties that had the least expenditure on operations and maintenance were Tharaka Nithi, Vihiga and Lamu at Kshs.191.08 million, Kshs.156.97 million and Kshs.108.11 million respectively.

Analysis of expenditure on operations and maintenance as a proportion of total recurrent expenditure shows that Mandera County had the highest proportion at 70.4 per cent followed by Tana River County at 60.7 per cent and Turkana County at 59.4 per cent. Counties with the least proportion of expenditure on operations and maintenance as a percentage of total recurrent expenditure for the period under review were Laikipia at 18.1 per cent, Nairobi City at 15.9 per cent and Mombasa at 12.8 per cent.

2.4.3 Analysis of MCAs Sitting Allowances

During the period under review, Counties spent Kshs.1.44 billion on MCAs' sitting allowances against an annual allocation of Kshs.3.79 billion translating to an absorption rate of 38.0 per cent. This is an increase from the 35.9 per cent absorption rate recorded in the first half of FY 2013/14.

Nairobi City County had the highest expenditure on MCAs' sitting allowances during the period under review at Kshs.89.23 million (44.2 per cent), compared to Kshs.64.82 million (161.3 per cent) spent in the same period in FY 2013/14. This is followed by Uasin Gishu County at Kshs.84.33 million and Kakamega County at Kshs.70.31 million. Counties that reported the lowest expenditure on MCAs' sitting allowances were Tharaka Nithi at Kshs.6.10 million, Laikipia at Kshs.4.84 million and Vihiga at Kshs.2.93 million. Isiolo County did not spend on MCAs sitting allowances.

Analysis of the MCAs' sitting allowances indicates that the Turkana County Assembly spent Kshs.41.39 million on sitting allowances which exceeded the annual budget allocation of Kshs.10 million by 413.9 per cent. This implies that funds meant for other activities were diverted to pay MCA's sitting allowances. Other counties that recorded high proportions of expenditure on MCA's sitting allowances to annual budget during the period under review were Elgeyo/Marakwet at 96.8 per cent, Mombasa at 78.1 per cent and Kisii at 73.0 per cent. Conversely, those that recorded the lowest expenditure were; Kisumu at 9.5 per cent, Laikipia at 9.7 per cent and Vihiga at 2.3 per cent. Nandi County did not budget for MCAs' sitting allowances, but spent Kshs.9.5 million while Isiolo County did not report any expenditure on MCA's sitting allowances. Table 2 shows the budgetary allocation and the expenditure for MCAs' sitting allowance during the period under review.

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

County	MCA Sitting Allowances				
	Annual Budget (Kshs. million)	Expenditure (Kshs million)	Absorption (%)	No. of MCAs	Average monthly sitting allowance Per MCA (Kshs)
Baringo	40.00	**9.66**	24.1	49	32,842
Bomet	40.32	**23.25**	57.7	35	110,698
Bungoma	118.31	**59.40**	50.2	64	154,700
Busia	104.83	**23.16**	22.1	54	71,491
Elgeyo/Marakwet	19.61	**18.99**	96.8	31	102,084
Embu	28.10	**14.03**	49.9	34	68,756
Garissa	73.02	**28.85**	39.5	49	98,135
Homa Bay	150.00	**63.41**	42.3	64	165,120
Isiolo	15.63	**-**	0.0	21	-
Kajiado	30.00	**7.74**	25.8	42	30,725
Kakamega	178.14	**70.31**	39.5	87	134,700
Kericho	84.87	**26.57**	31.3	48	92,242
Kiambu	135.00	**54.84**	40.6	88	103,864
Kilifi	95.00	**35.08**	36.9	54	108,265
Kirinyaga	70.98	**25.54**	36.0	30	141,894
Kisii	88.00	**64.24**	73.0	72	148,699
Kisumu	120.06	**11.42**	9.5	50	38,068

County	MCA Sitting Allowances				
	Annual Budget (Kshs. million)	Expenditure (Kshs million)	Absorption (%)	No. of MCAs	Average monthly sitting allowance Per MCA (Kshs)
Kitui	95.37	**27.23**	28.6	57	79,627
Kwale	66.16	**25.00**	37.8	34	122,558
Laikipia	49.92	**4.84**	9.7	24	33,612
Lamu	30.77	**10.95**	35.6	21	86,880
Machakos	67.50	**31.75**	47.0	60	88,191
Makueni	51.33	**11.84**	23.1	48	41,102
Mandera	97.85	**24.23**	24.8	49	82,423
Marsabit	50.65	**11.34**	22.4	34	55,600
Meru	120.02	**40.50**	33.7	70	96,426
Migori	141.00	**68.00**	48.2	61	185,792
Mombasa	36.19	**28.28**	78.1	43	109,605
Murang'a	51.04	**36.40**	71.3	50	121,348
Nairobi City	201.68	**89.23**	44.2	128	116,186
Nakuru	135.00	**36.50**	27.0	75	81,111
Nandi	-	**9.59**		49	32,623
Narok	41.18	**22.58**	54.8	48	78,408
Nyamira	66.55	**24.80**	37.3	34	121,588
Nyandarua	79.07	**35.02**	44.3	42	138,975
Nyeri	77.84	**41.28**	53.0	47	146,389
Samburu	49.55	**14.53**	29.3	27	89,661
Siaya	78.62	**42.04**	53.5	49	142,995
Taita/Taveta	56.45	**26.17**	46.4	35	124,598
Tana River	48.99	**9.54**	19.5	27	58,859
Tharaka –Nithi	29.54	**6.10**	20.6	25	40,662
Trans Nzoia	74.13	**40.62**	54.8	38	178,168
Turkana	10.00	**41.39**	413.9	48	143,722
Uasin Gishu	159.31	**84.33**	52.9	45	312,339
Vihiga	127.36	**2.93**	2.3	40	12,225
Wajir	253.05	**35.04**	13.8	46	126,958
West Pokot	54.04	**23.21**	43.0	33	117,223
Total	**3,792.05**	**1,441.75**	**38.6**	**2,259**	**106,371**

***Source**: OCOB & County Treasuries*

Further analysis of MCA's sitting allowances indicate that the average monthly MCAs' sitting allowances in the following Counties exceeded the SRC's maximum monthly allowance of Kshs.124,800; Kakamega, Kirinyaga, Kisii, Migori, Nyandarua, Nyeri, Siaya, Taita Taveta, Trans Nzoia, Turkana, Uasin Gishu and Wajir. OCOB recommends that an audit of this expense item should be conducted to ascertain validity of the expenditure.

2.4.4 Analysis of Expenditure on Domestic and Foreign Travels

In the reporting period, Counties spent Kshs.3.72 billion on domestic and foreign travel, against an annual budgetary allocation of Kshs.8.52 billion, representing 43.7 per cent of the annual budget, an increase from the expenditure of 32.3 per cent recorded in the same period in FY 2013/14. In absolute figures, Turkana County had the highest expenditure on domestic and foreign travel at Kshs.241.87 million followed by Tana River County at Kshs.183.94 million and Nairobi County at Kshs.173.67 million. Conversely, Lamu County, Elgeyo/Marakwet County and Mombasa County had the least expenditure on this category at Kshs.19.76 million, Kshs.18.20 million and Kshs.9.06 million respectively.

Wajir County had the highest proportion of expenditure on domestic and foreign travels to the annual budgetary allocation at 87.5 per cent followed by Homa Bay County at 86.5 per cent and Bomet County at 81.4 per cent. The Counties with the lowest proportion of expenditure on domestic and foreign travels to annual budgetary allocation were; Marsabit County at 20.9 per cent, Kisumu County at 18.8 per cent and Mombasa County at 4.9 per cent. From the analysis, two counties namely: Murang'a and Nakuru exceeded their annual allocation for domestic and foreign travel by 135 per cent and 104.6 per cent respectively. This implies that funds meant for other activities were diverted to pay expenditure on domestic and foreign travel. Table 3 below shows the expenditure on domestic and foreign travels by the County Assembly and the County Executive.

Table 3: Analysis of Domestic and Foreign Travel by the County Assemblies and the County Executives

County	DOMESTIC AND FOREIGN TRAVEL								
	COUNTY ASSEMBLY			COUNTY EXECUTIVE			COMBINED EXPENDITURE		
	Budget (Kshs million)	Ex-penditure (Kshs million)	Absorp-tion (%)	Budget (Kshs million)	Ex-penditure (Kshs million)	Absorp-tion (%)	Budget (Kshs million)	Ex-penditure (Kshs million)	Absorp-tion (%)
Baringo	67.00	30.38	45.3	87.19	36.68	42.1	154	67.1	43.5
Bomet	26.20	27.20	103.8	31.40	19.71	62.8	58	46.9	81.4
Bungoma	52.72	17.58	33.3	81.33	55.68	68.5	134	73.3	54.7
Busia	137.76	36.10	26.2	87.93	28.10	32.0	226	64.2	28.4
Elgeyo/ Marakwet	25.00	22.17	88.7	13.00	10.49	80.7	65	18.2	27.8
Embu	47.00	43.47	92.5	81.50	19.06	23.4	129	62.5	48.7
Garissa	28.40	14.20	50.0	128.34	61.76	48.1	157	76.0	48.5
Homa Bay	123.00	76.81	62.4	14.20	41.85	294.7	137	118.7	86.5
Isiolo	58.12	14.96	25.7	100.86	35.01	34.7	159	50.0	31.4
Kajiado	154.10	52.54	34.1	207.84	75.05	36.1	362	127.6	35.3
Kakamega	123.34	63.90	51.8	207.47	29.84	14.4	331	93.7	28.3
Kericho	49.50	38.06	76.9	92.31	54.26	58.8	142	92.3	65.1
Kiambu	-	153.08		-	-		-	153.1	
Kilifi	106.20	47.62	44.8	130.06	30.26	23.3	236	77.9	33.0
Kirinyaga	70.00	16.63	23.8	90.66	18.16	20.0	161	34.8	21.7
Kisii	70.00	42.41	60.6	160.46	68.68	42.8	230	111.1	48.2
Kisumu	16.90	9.57	56.7	200.99	31.28	15.6	218	40.9	18.8
Kitui	129.38	38.56	29.8	141.59	38.76	27.4	271	77.3	28.5
Kwale	39.00	22.22	57.0	22.50	18.37	81.6	62	40.6	66.0
Laikipia	64.00	16.20	25.3	65.21	32.63	50.0	129	48.8	37.8
Lamu	38.20	12.04	31.5	52.39	7.72	14.7	90.59	19.8	21.8
Machakos	156.00	63.21	40.5	155.23	65.87	42.4	311	129.1	41.5
Makueni	102.12	40.43	39.6	152.10	47.61	31.3	254	88.0	34.6
Mandera	91.50	8.00	8.7	135.08	70.52	52.2	227	78.5	34.7
Marsabit	75.73	-	0.0	95.62	35.74	37.4	171	35.7	20.9
Meru	105.00	81.56	77.7	87.18	23.48	26.9	192	105.0	54.7
Migori	87.48	37.93	43.4	101.54	23.33	23.0	189	61.3	32.4
Mombasa	51.20	5.20	10.2	133.04	3.86	2.9	184	9.1	4.9
Murang'a	27.25	27.10	99.5	30.00	50.67	168.9	57	77.8	135.9
Nairobi City	215.70	86.04	39.9	184.05	87.63	47.6	400	173.7	43.4
Nakuru	119.38	30.19	25.3	21.14	116.75	552.2	141	146.9	104.6
Nandi	21.64	9.76	45.1	23.24	15.06	64.8	45	24.8	55.3
Narok	32.16	8.77	27.3	139.19	53.50	38.4	171	62.3	36.3
Nyamira	34.73	23.57	67.9	48.24	9.96	20.6	83	33.5	40.4
Nyandarua	85.00	51.17	60.2	127.18	31.08	24.4	212	82.2	38.8
Nyeri	24.50	14.88	60.7	177.15	39.26	22.2	202	54.1	26.9
Samburu	56.48	13.87	24.6	83.81	23.61	28.2	140	37.5	26.7
Siaya	91.50	17.08	18.7	114.46	31.35	27.4	206	48.4	23.5
Taita/ Taveta	70.20	52.76	75.2	138.73	37.84	27.3	209	90.6	43.4
Tana River	123.48	30.15	24.4	183.69	153.80	83.7	307	183.9	59.9
Tharaka –Nithi	54.80	12.37	22.6	70.41	29.15	41.4	125	41.5	33.2
Trans Nzoia	73.91	43.45	58.8	75.00	54.40	72.5	149	97.9	65.7
Turkana	199.45	83.14	41.7	346.00	158.72	45.9	545	241.9	44.3
Uasin Gishu	71.40	30.02	42.0	117.42	37.60	32.0	189	67.6	35.8
Vihiga	74.36	41.23	55.5	7.50	8.12	108.3	82	49.4	60.3
Wajir	31.60	31.57	99.9	105.70	88.52	83.7	137	120.1	87.5
West Pokot	20.00	13.08	65.4	143.93	59.77	41.5	164	72.8	44.4
Total	**3,522.38**	**1,652.22**	**46.91**	**4,993.85**	**2,070.55**	**41.46**	**8,516.24**	**3,722.77**	**43.71**

Source: *OCOB & County Treasuries*

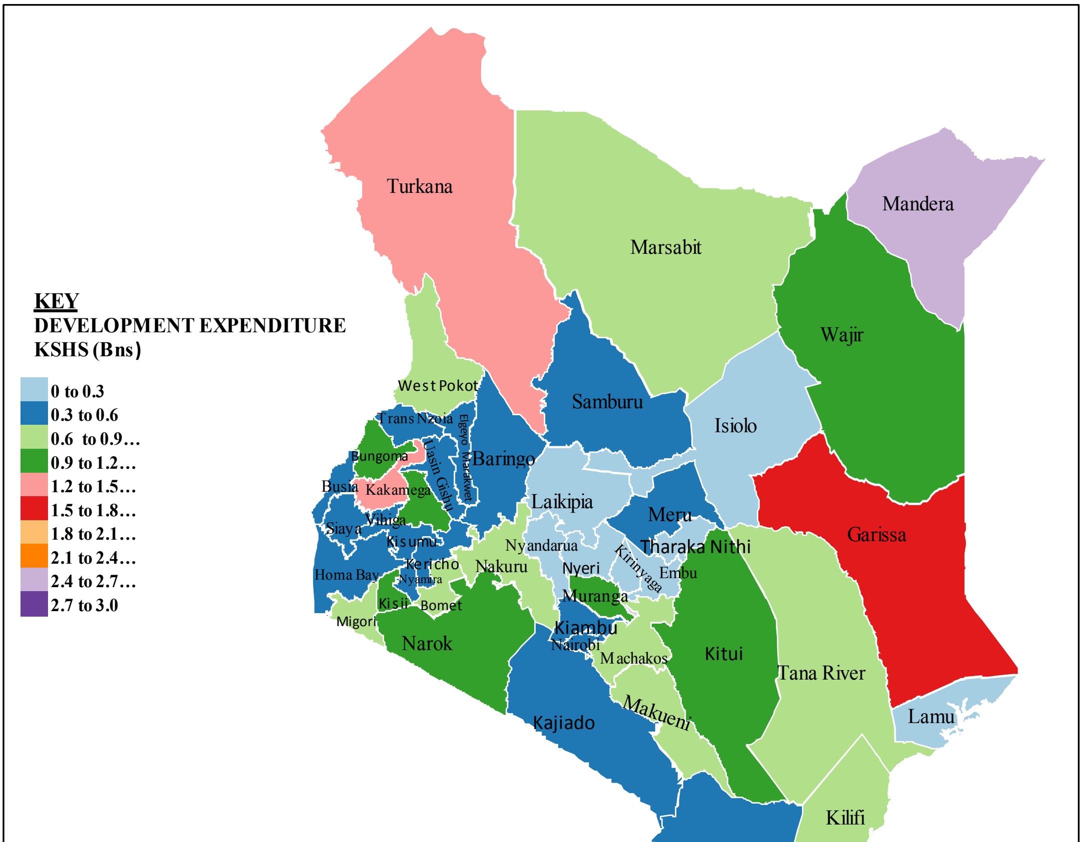
2.5 Development Expenditure

In the reporting period, county governments spent a total of Kshs.30.55 billion on development activities, representing **21.9 per cent** absorption of the annual development budget, an improvement from **11.6 per cent** of the total development expenditure reported in a similar period in FY 2013/14. Development expenditure comprised of Kshs.899.23 million on repayment of pending bills related to development activities from FY 2013/14.

Mandera County recorded the highest expenditure on development activities during the period under review at Kshs.2.57 billion followed by Garissa and Kakamega Counties at Kshs.1.52 billion and Kshs.1.32 billion respectively. Conversely, counties that recorded the lowest expenditure on development activities were; Kirinyaga at Kshs.147.59 million, Nyandarua at Kshs.112.24 million, Lamu at Kshs.96.99 million and Isiolo at Kshs.60.22 million.

Analysis of development expenditure as a proportion of annual development budget shows that Nandi, Samburu and West Pokot counties had the highest absorption rate of the annual development budget at 47.3 per cent, 42.2 per cent and 39.1 per cent respectively while Isiolo, Nairobi and Mombasa counties had the lowest absorption of the annual development budget at 7.3 per cent, 6.1 per cent and 4.6 per cent respectively. A detailed analysis of development projects undertaken by counties is provided in chapter three under each county summary report.

Figure 4: Development Expenditure by County for the First Half of FY 2014/15



Source: [Office of The Controller of Budget]

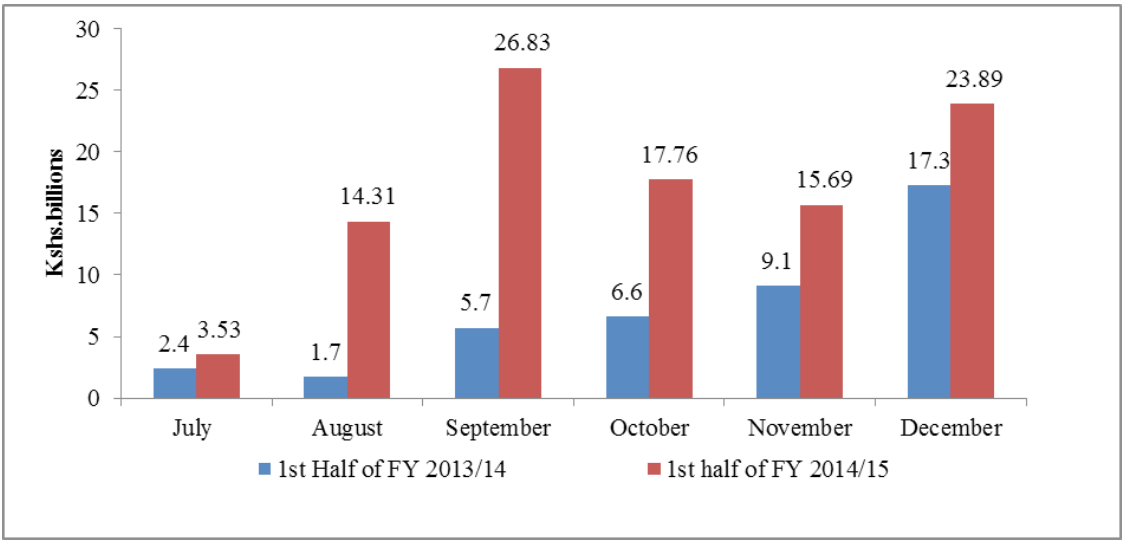
2.6 Expenditure on Debt Repayment and Pending Bills

In the first half of FY 2014/15, counties spent a total of Kshs.1.72 billion on debt repayment and pending bills, representing about 1.7 per cent of the total expenditure for the period. This expenditure was incurred in five counties, namely; Marsabit at Kshs.677.98 million, Nairobi at Kshs.395.57 million, Mombasa County at Kshs.319.28 million, Kisii at Kshs.273.99 million and Trans Nzoia at Kshs.54.05 million.

2.7 Monthly Expenditure by Counties

Analysis of aggregate monthly expenditure by the Counties during the reporting period shows a fluctuating trend, from a low of Kshs.3.53 billion in July to a high of Kshs.26.83 billion in September, 2014. However, this is notable increase from the expenditure reported in the same period in FY 2013/14. **Figure 5** below shows the monthly expenditure in the first half of F/Y 2013/14 and FY 2014/15.

Figure 5: Monthly Expenditure by Counties



Source: *OCOB and County Treasuries*

3.0 INDIVIDUAL COUNTY BUDGET PERFORMANCE

This chapter presents budget performance by individual County Government. Aggregate performance has been categorized into ten broad sectors to provide information on the key spending segments. These sectors are:

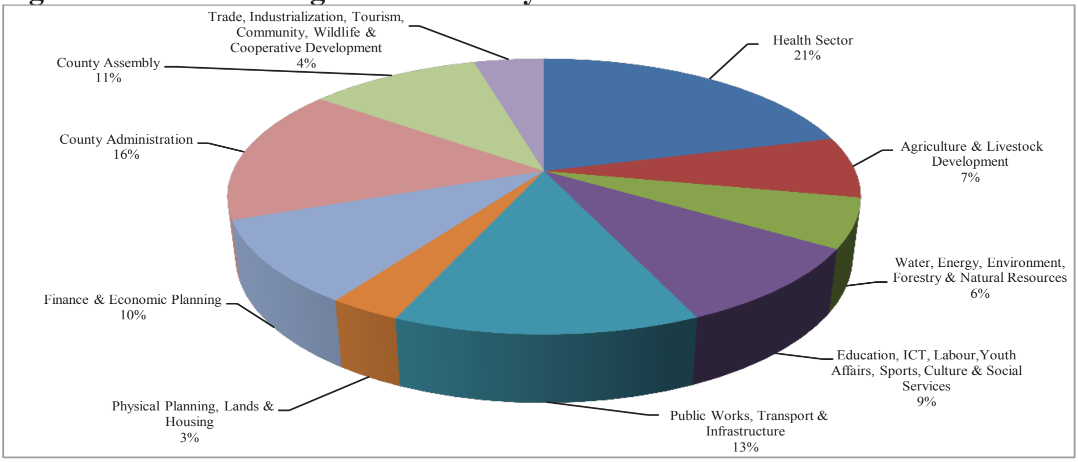
1. Health Sector;
2. Agriculture & Livestock Development;
3. Water, Energy, Environment, Forestry & Natural Resources;
4. Education, ICT, Youth Affairs, Sports, Culture & Social Services;
5. Public Works, Transport & Infrastructure;
6. Physical Planning, Lands & Housing;
7. Finance & Economic Planning;
8. County Administration [includes County Public Service Board, Public Service Management, County Secretary, Office of the Governor/Deputy Governor (County Executive Services];
9. County Assembly; and
10. Trade, Industrialization, Tourism, Community, Wildlife & Cooperative Development.

3.1 Budget Allocation by Sector

The FY 2014/15 combined Budget Estimates for the County Governments for the ten sectors amounted to Kshs.320.23 billion. The Health had the highest budget allocation at 20.9 per cent followed by the County Administration at 15.9 per cent while the Public Works, Transport and Infrastructure sector had an allocation of 13.1 per cent.

The lowest allocation was to the Physical Planning, Lands and Housing sector at 3 per cent of the aggregate county budgets. Figure 6 depicts the budget allocation by sector.

Figure 6: Sectoral Budget Allocation by the Counties in Half Year of FY 2014/15



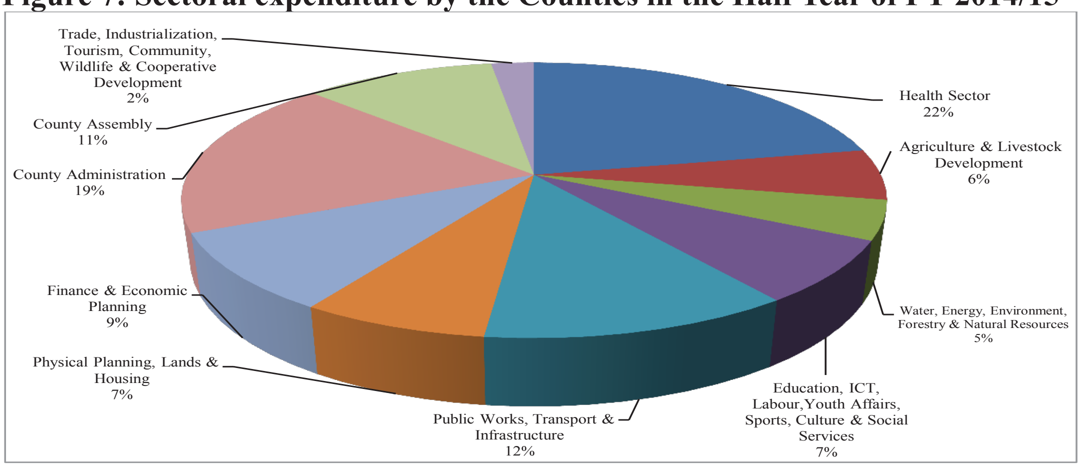
Source: *OCOB and County Treasuries*

3.2 Expenditure by Sector

In the Half Year of FY 2014/15, the County Governments spent a total of Kshs.103.70 billion to finance various development and recurrent activities for the ten sectors. The Health sector had the highest proportion of expenditure as of percentage of total expenditure by all sectors at 22.0 per cent followed by the County Administration at 18.8 per cent and County Assembly at 10.5 per cent.

The Agriculture & Livestock Development; Water, Energy, Environment, Forestry & Natural Resources and Trade, Industrialization, Tourism, Community, Wildlife & Cooperative Development sectors recorded the lowest expenditure at 6.0 per cent, 4.6 per cent and 2.3 per cent of the aggregate expenditure respectively.

Figure 7: Sectoral expenditure by the Counties in the Half Year of FY 2014/15



Source: *OCOB and County Treasuries*

3.3 Individual County Summaries

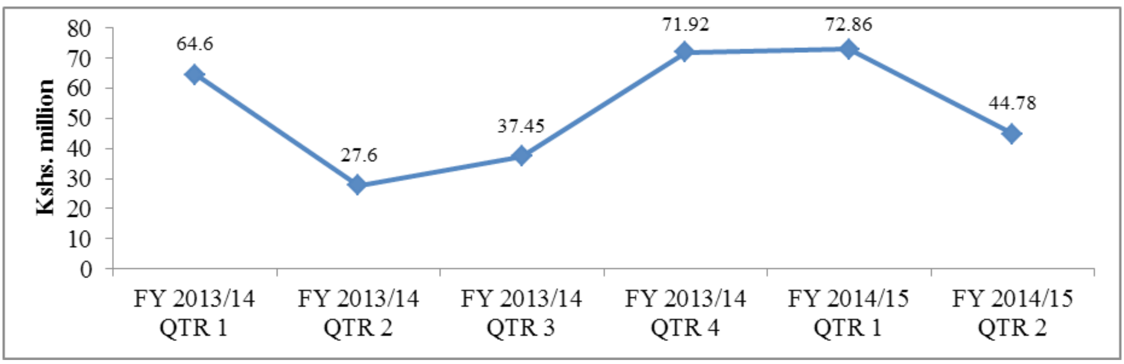
This section provides individual County budget performance for the FY 2014/15. It analyses the actual revenue and expenditure for the period July to December, 2014 against the targets. Further, challenges faced in budget implementation are identified and recommendations aimed at improving budget implementation are provided on county basis. The 47 counties are discussed in alphabetical order.

Baringo County

The Baringo County Budget Estimates for the FY 2014/15 amounted to Kshs.5.34 billion comprising of Kshs.2.95 billion (55.3 per cent) for recurrent expenditure and Kshs.2.39 billion (44.7 per cent) for development expenditure. The budget is to be financed by the national equitable share of Kshs.3.8 billion (70.6 per cent), local revenue sources of Kshs.452 million (8.5 per cent) and Kshs.784.16 million (14.7 per cent) as projected cash balance from FY 2013/14.

In the first half of FY 2014/15, the County received Kshs.1.46 billion as the national shareable revenue, raised Kshs.117.64 million from local sources and had Kshs.784.16 million as cash balance brought forward from FY 2013/14. Local revenue consisted of Kshs.72.86 million generated in the first quarter and Kshs.44.78 million in the second quarter. The total local revenue raised in the first half of FY 2014/15 of Kshs.117.64 million was 26 per cent of the annual local revenue target, an improvement from Kshs.92.15 million collected in similar period of FY 2013/14. Figure 8 shows the trend of local revenue collection by quarter.

Figure 8 : Baringo County Trend of Local Revenue Collection by Quarter



Source: *Baringo County Treasury*

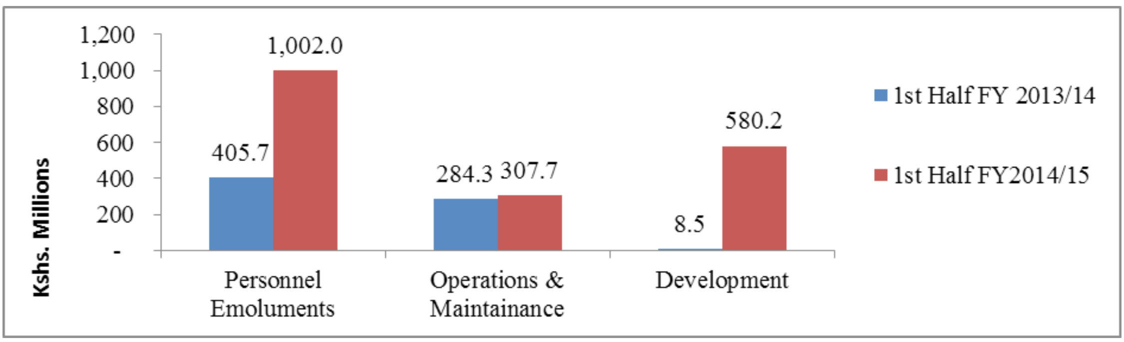
Funds released to the County during the period under review amounted to Kshs.1.99 billion, of which Kshs.1.31 billion (65.9 per cent) was for recurrent expenditure and Kshs.678.79 million (34.1 per cent) for development activities.

The total expenditure for the first half of FY 2014/15 was Kshs.1.89 billion which was 95 per cent of the total funds released an increase from Kshs.698.47 million spent in a similar period of FY 2013/14. The County spent Kshs.1.31 billion (69.3 per cent) on recurrent activities and Kshs.580.21 million (30.7 per cent) on development activities. Recurrent expenditure was 99.9 per cent of the funds released while development expenditure accounted for 85.5 per cent. This expenditure does not include outstanding commitments as of December 31, 2014 that amounted to Kshs.34.83 million for recurrent expenditure and Kshs.6.78 million for development activities.

The recurrent expenditure for the period under review represented an absorption rate of **44.4 per cent** of the annual recurrent budget, an increase from an absorption rate of **25.6 per cent** realized in a similar period of FY 2013/14. Development expenditure translated to an absorption rate of **24.3 per cent** of the annual development budget, an improvement from **0.7 per cent** recorded in a similar period in FY 2013/14.

Analysis of the recurrent expenditure of Kshs.1.31 billion shows that the County spent Kshs.1.0 billion on personnel emoluments which represents 76.5 per cent of the total recurrent expenditure and Kshs.307.66 million on operations and maintenance expenditure which is 23.5 per cent of the total recurrent expenditure for the first half of FY 2014/15. A comparison of the total expenditure between the period under review and a similar period in the last financial year is shown in Figure 9.

Figure 9: Baringo County First Half Expenditure by Economic Classification



Source: *Baringo County Treasury*

Analysis of expenditure by department shows that the County Executive Services Department attained the highest absorption rate of the annual development budget at 42.82 per cent. Expenditure by the various departments is summarised in Table 4 below.

Table 4: Baringo County FY 2014/15 Budget and Expenditure by Departments for First Half of FY 2014/2015

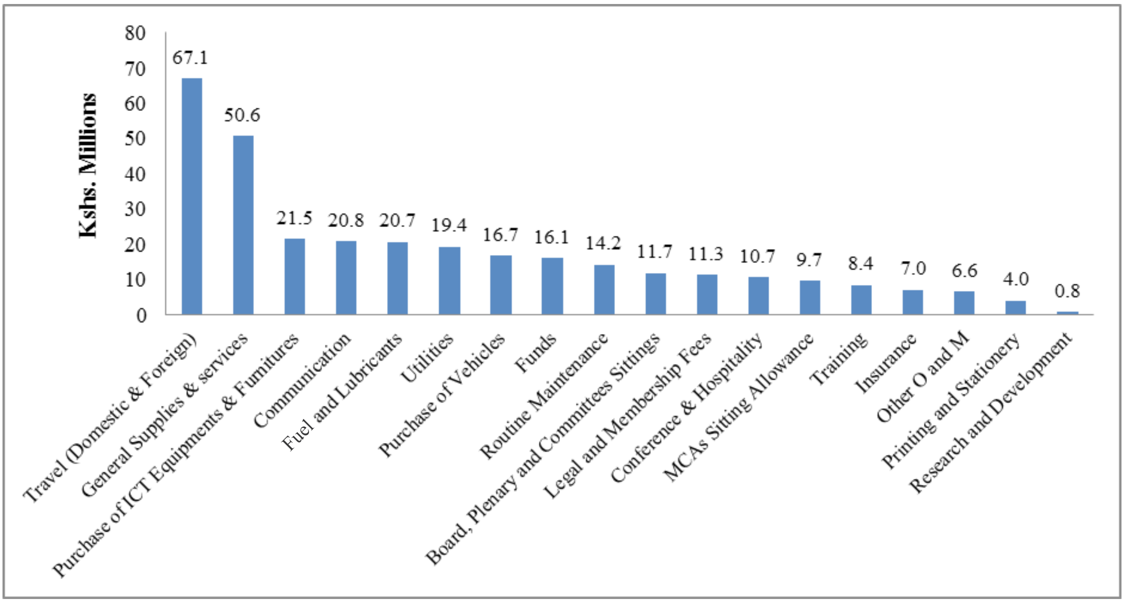
DEPARTMENT	BUDGET ALLOCATION (Kshs Million)		EXCHEQUER ISSUES (Kshs Million)		EXPENDITURE (Kshs Million)		EXPENDITURE TO EXCHEQUER %		EXPENDITURE TO ANNUAL BUDGET (Absorption Rate %)	
	REC	DEV	REC	DEV	REC	DEV	REC	DEV	REC	DEV
County Assembly	393.50	85.28	180.18	20.00	171.12	5.79	94.97	28.93	43.49	6.78
Governor/ County Executive services	309.58	73.72	143.38	26.28	126.02	31.57	87.89	120.11	40.71	42.82
County Treasury Services	227.38	216.88	74.79	2.00	45.83	-	61.28	-	20.16	-
Transport and Infrastructure	59.76	529.12	29.86	124.73	27.44	164.13	91.88	131.60	45.91	31.02
Industrialization, Commerce and Tourism	98.44	146.31	36.38	56.30	53.50	25.10	147.04	44.57	54.34	17.15
Education, Sports, Culture & Art	215.57	254.80	108.84	120.98	73.35	51.90	67.40	42.90	34.03	20.37
Health	1,144.65	241.36	517.82	53.32	581.72	62.28	112.34	116.80	50.82	25.80
Housing & Urban Development	130.29	77.57	48.59	5.00	46.12	20.91	94.92	418.19	35.40	26.96
Agriculture, Livestock, Fisheries & Marketing	185.47	248.74	87.30	78.50	98.11	62.06	112.39	79.06	52.90	24.95
Youth, Gender & Social Security Services	74.43	89.13	31.31	23.13	32.84	14.47	104.92	62.56	44.13	16.23
Water & Irrigation	81.35	380.15	40.49	159.25	44.33	128.47	109.48	80.67	54.49	33.79
Environment & Natural Resources	31.99	46.82	11.91	9.31	9.25	13.55	77.67	145.51	28.92	28.94

Source: *Baringo County Treasury*

The County spent Kshs.9.66 million on payment of sitting allowances to the 49 members of the County Assembly against a budgetary allocation of Kshs.40 million representing an absorption rate of 24.1 per cent. Each MCA was paid an average monthly sitting allowance of Kshs.32,842 compared to the SRC recommended amount of Kshs.124,800. Expenditure on domestic and foreign travel for both the County Assembly and the County executive amounted to Kshs.67.1 million in the period under review against a budget of Kshs.154 million.

The breakdown of operations and maintenance expenditure for the period under review is shown in Figure 10.

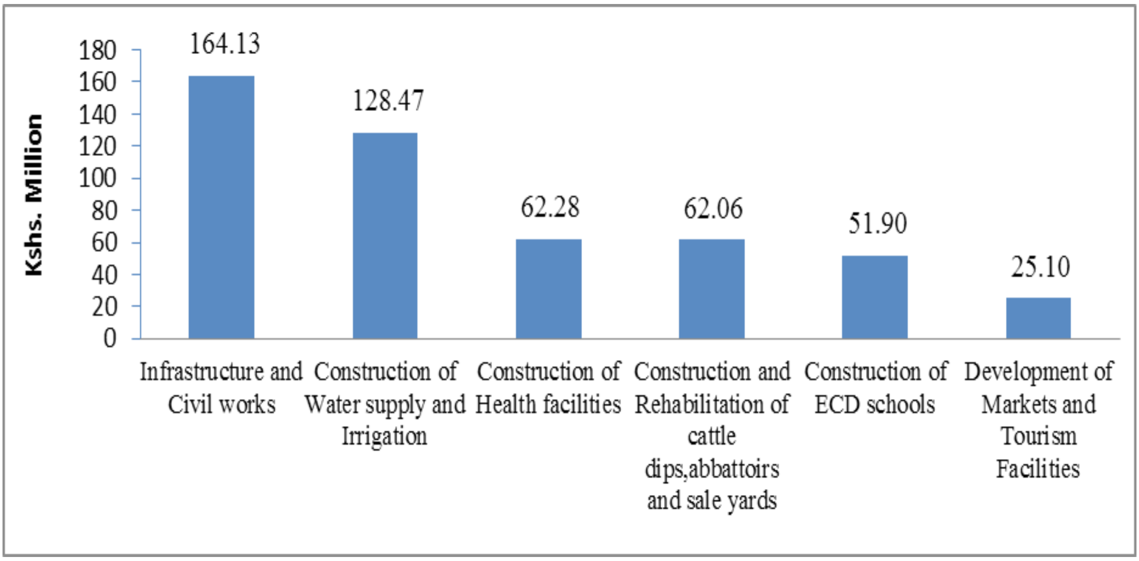
Figure 10: Baringo County FY 2014/15 Half Year Operations and Maintenance Expenditure



Source: *Baringo County Treasury*

Analysis of the development expenditure for the period under review of Kshs.580.21 million shows that the County spent Kshs.164.13 million on development and maintenance of access roads and other civil works, Kshs.128.47 million on construction and maintenance of water supply and irrigation schemes, Kshs.62.28 million on construction and refurbishment of health facilities, Kshs.62.06 on construction and rehabilitation of cattle dips and abattoirs and Kshs.51.9 million on development of ECD facilities as shown in Figure 11.

Figure 11: Baringo County FY 2014/15 Analysis of Development Expenditure (Kshs. Millions)



Source: *Baringo County Treasury*

During the period under review, the office noted some improvement in budget implementation and public financial management. The County has: (i) adopted IFMIS, (ii) continued to enhance staff capacity through training and recruitment of skilled personnel, (iii) improved in development project implementation as demonstrated by the increase in absorption of development funds from 0.7 per cent in the first half of FY 2013/14 to 24.3 per cent in FY 2014/15.

However, there were challenges that continued to hamper effective budget implementation in the reporting period. These included:

1. Lack of specific revenue laws upon which the Finance Bill can be anchored. This has exposed the county to the risk of litigations and also prevents optimal revenue collection.
2. Low revenue collection mainly from rent and rates due to lack of property valuation rolls and physical plans in the County's urban areas.
3. Approval of supplementary estimates without considering outstanding commitments hence leading to over-expenditure against some votes.
4. Failure to adhere to SRC circulars on staff remuneration resulting in payment of monthly transport allowances to staff who are also assigned official vehicles.

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

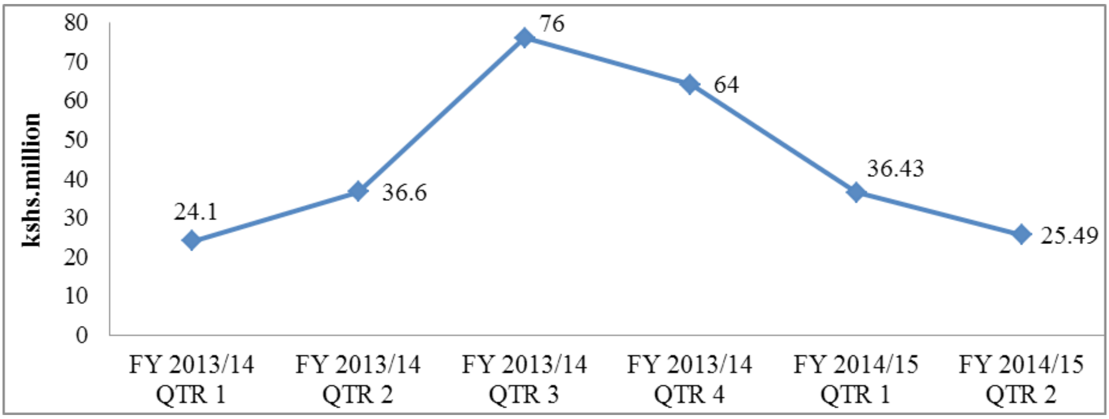
1. *Enact revenue laws to provide the framework for revenue collection.*
2. *Establish property valuation rolls in all urban settings in order to facilitate collection of property rates.*
3. *The County Treasury should ensure all expenditure and outstanding commitments are taken into consideration before effecting re-allocations.*
4. *The County should adhere to SRC circulars on staff benefits and remuneration. All monthly transport allowances paid in contravention of the SRC circulars should be recovered.*

Bomet County

The Bomet County Budget Estimates for the FY 2014/15 amounted to Kshs.4.60 billion comprising of Kshs.1.90 billion (41.3 per cent) for recurrent expenditure and Kshs.2.70 billion (58.7 per cent) for development expenditure. The budget is to be financed by the national equitable share of Kshs.4.11 billion (88.3 per cent), local revenue sources of Kshs.380.43 million (8.2 per cent), Kshs.12.60 million (0.3 per cent) from DANIDA and Kshs.151.97 million (3.3 per cent) as projected cash balance from FY 2013/14.

In the first half of FY 2014/15, the County received Kshs.1.90 billion as national shareable revenue, raised Kshs.61.92 million from local sources and had Kshs.151.97 million as cash balance from FY 2013/14. Local revenue consisted of Kshs.36.43 million generated in the first quarter and Kshs.25.49 million in the second quarter. The total local revenue raised in the first half of FY 2014/15 of Kshs.61.92 million was 16.3 per cent of the annual local revenue target, a slight improvement from Kshs.60.7 million collected in the similar period of FY 2013/14. Figure 12 shows the trend of local revenue collection by quarter.

Figure 12 : Bomet County Trend in Local Revenue Collection by Quarter



Source: *Bomet County Treasury*

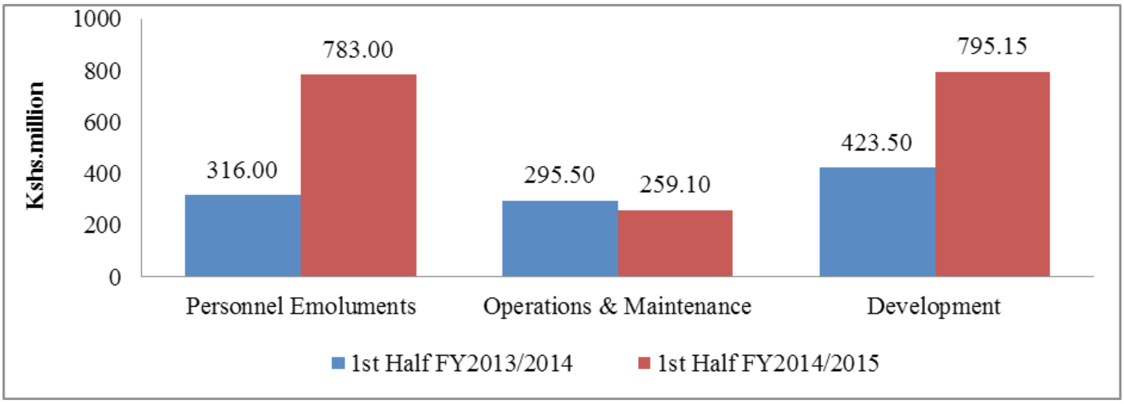
During the period under review the County received exchequer issues of Kshs.2.09 billion, of which Kshs.1.04 billion (50.0 per cent) was for recurrent expenditure and Kshs.1.04 billion (50.0 per cent) for development activities.

The total expenditure for the first half of FY 2014/15 was Kshs.1.84 billion which was 88.0 per cent of the total funds released, an improvement from the Kshs.1.03 billion spent in the similar period of FY 2013/14. The County spent Kshs.1.04 billion (56.7 per cent) on recurrent activities and Kshs.795.15 million (43.3 per cent) on development activities. The recurrent expenditure was 99.9 per cent of the funds released while development expenditure accounted for 76.2 per cent. This expenditure does not include outstanding commitments as of December 31, 2014 that amounted to Kshs.6.5 million for recurrent expenditure and Kshs.45.88 million for development activities.

The recurrent expenditure for the period under review represented an absorption rate of **54.8 per cent** of the annual recurrent budget, an increase from an absorption rate of 33.8 per cent realized in a similar period of FY 2013/14. Development expenditure translated to an absorption rate of **29.4 per cent** of the annual development budget, an improvement compared to 21.1 per cent recorded in a similar period in FY 2013/14.

Analysis of the recurrent expenditure of Kshs.1.04 billion shows that the County spent Kshs.783.02 million on personnel emoluments which represents 75.1 per cent of the total recurrent expenditure and Kshs.259.05 million on operations and maintenance expenditure which is 24.9 per cent of the total recurrent expenditure for the first half of FY 2014/15. A comparison of the total expenditure between the period under review and a similar period last financial year is shown in Figure 13.

Figure 13: Bomet County FY 2014/15 First Half Expenditure by Economic Classification



***Source:** Bomet County Treasury*

Analysis of expenditure by department shows that the department of Roads and Public Works had the highest absorption rate of the annual development budget at 57.2 per cent. Expenditure by the various departments is summarised in Table 5 below.

Table 5 : Bomet County FY 2014/15 Budget and Expenditure by Departments for the First Half of FY 2014/15

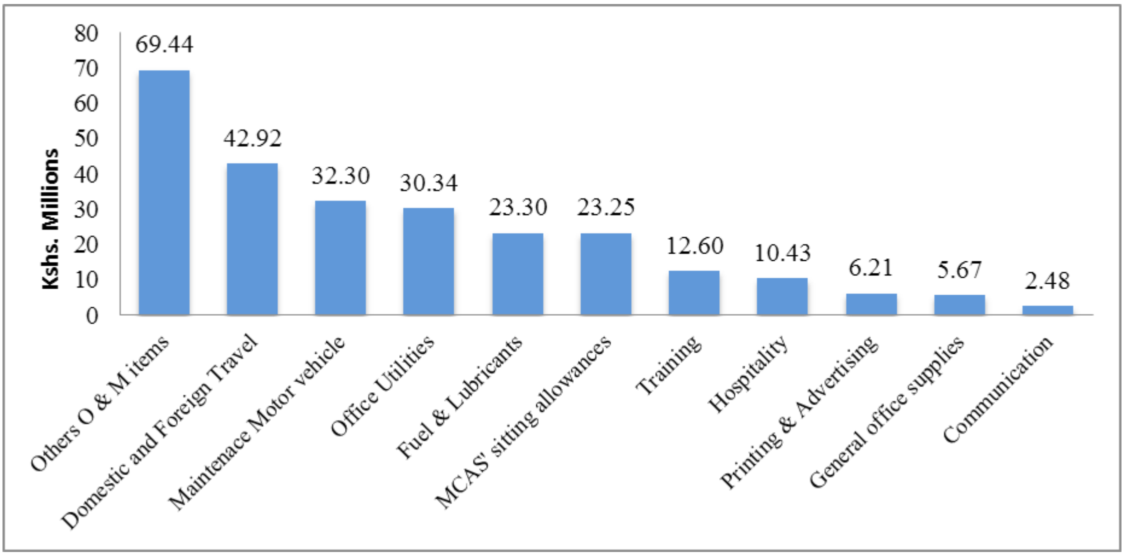
DEPARTMENT	BUDGET ALLOCATION (Kshs.Million)		EXCHEQUER ISSUES (Kshs. Million)		EXPENDITURE (Kshs.Million)		% OF EXPENDITURE TO EXCHEQUER ISSUES		EXPENDITURE TO ANNUAL BUDGET (Absorption Rate %)	
	REC	DEV	REC	DEV	REC	DEV	REC	DEV	REC	DEV
Health and Sanitation	333.3	372.2	183.3	174.6	205.0	104.6	111.9	55.7	61.5	28.1
Agri-Business, Cooperatives and Marketing	149.0	458.4	81.9	127.7	69.1	66.4	84.4	38.8	46.4	14.5
Water and Irrigation	38.4	214.7	21.1	58.7	23.7	82.6	112.3	140.9	61.9	38.5
Environment and Natural Resources	24.8	13.8	13.6	5.3	7.8	0.6	57.6	10.6	31.5	4.1
Education, Sports and Vocational Training	166.9	545.6	91.7	143.8	79.0	152.0	86.2	73.6	47.3	27.9
Road and Public Works	74.6	412.0	41.0	142.7	58.1	235.5	141.7	147.4	77.9	57.2
Lands, Housing and Physical Planning	53.6	100.0	29.4	45.3	23.5	45.7	79.9	71.1	43.8	45.7
Finance & Economic Planning	260.3	20.0	142.9	7.0	139.3	3.0	97.5	43.3	53.5	15.2
Culture, Children and Social Serices	49.8	365.2	27.4	79.9	22.5	78.7	82.1	67.8	45.1	21.5
County Executive	463.1	125.0	254.1	34.0	263.9	20.0	103.9	59.0	57.0	16.0
Trade, Enery, Tourism and Industrialization	21.2	74.0	11.6	11.6	7.9	6.0	68.1	17.9	37.3	8.2
County Assembly	265.0	0.0	145.5	0.0	142.2	0.0	97.7	0.0	53.6	0.0

***Source:** Bomet County Treasury*

The County spent Kshs.23.25 million on payment of sitting allowances to the 35 members of the County Assembly representing an absorption rate of 57.7 per cent of the annual budget. Each MCA was paid an average monthly sitting allowance of Kshs.110,698 compared to the SRC recommended amount of Kshs.124,800. Expenditure on domestic and foreign travel for both County Assembly and the County Executive amounted to Kshs.46.9 million in the period under review of FY 2014/15 compared to Kshs.42.8 million in a similar period of FY 2013/14.

A breakdown of operations and maintenance expenditure for the period under review is shown in Figure 14.

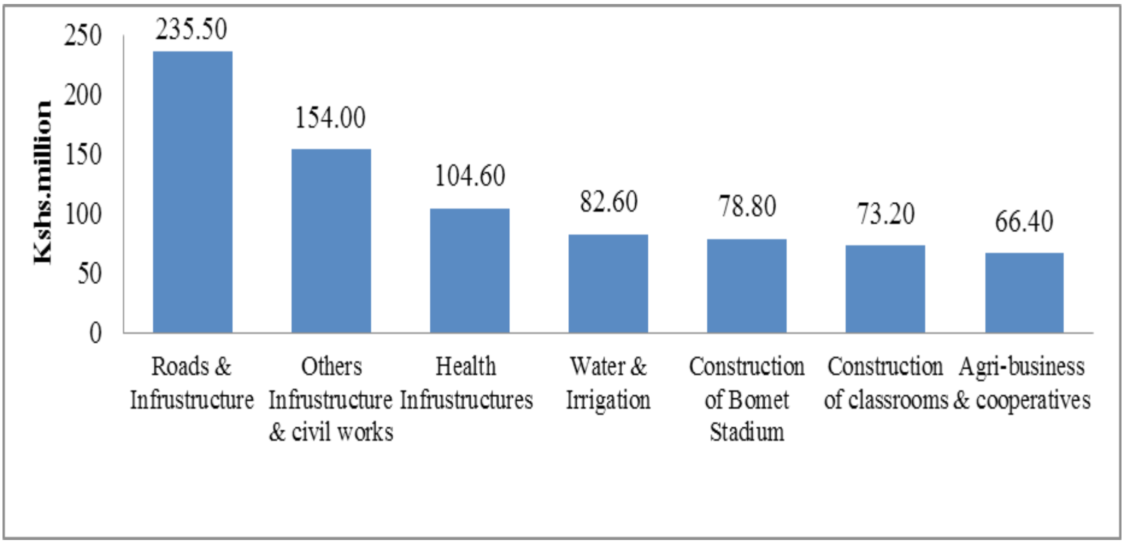
Figure 14: Bomet County FY 2014/15 Half Year Operations and Maintenance Expenditure



Source: *Bomet County Treasury*

Analysis of the development expenditure for the period under review of Kshs.795.15 million shows that the County spent Kshs.235.5 million on development and maintenance of access roads, Kshs.104.6 million on construction of health facilities, Kshs.82.6 million on water and irrigation projects, Kshs.78.8 million on construction of the Bomet sports ground, Kshs.78.2 million on support for the aged, Kshs.73.2 million on construction and refurbishment of classrooms, Kshs.66.4 million on agribusiness and cooperatives, Kshs.32.6 million on bursaries, Kshs.19.4 million for the construction of Bomet market shades and Kshs.23.8 million on other infrastructure and civil works as shown in Figure 15.

Figure 15: Analysis of Development Expenditure, Bomet County



Source: *Bomet County Treasury*

In the previous CBIRRs, the office made some recommendations to address the challenges facing budget execution in the County. A number of the recommendations have since been implemented.

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

1. Failure to fully use IFMIS in processing financial transactions and G-Pay in making payments.
2. Decline in local revenue collection.
3. Lack of adequate monitoring and evaluation frameworks for development projects. For example, the County funded construction of classrooms in both primary and secondary schools. The office was unable to establish who was responsible for supervision of the construction projects.
4. Inadequate budget control resulting in over drawing of some votes. This has also resulted in some departments incurring higher expenditure compared to respective exchequer issues implying that either local revenue is used to fund this expenditure or funds are diverted from other departments.
5. Failure to provide quarterly financial statements on County Public Funds. The County established various funds in line with Section 116 of the PFM Act, 2012. However,

by the second quarter of the FY 2014/15, no financial statements had been submitted by the Fund Administrators.

6. Failure to adhere to SRC circulars on staff remuneration resulting in payment of monthly transport allowances to staff who are also assigned official vehicles.

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

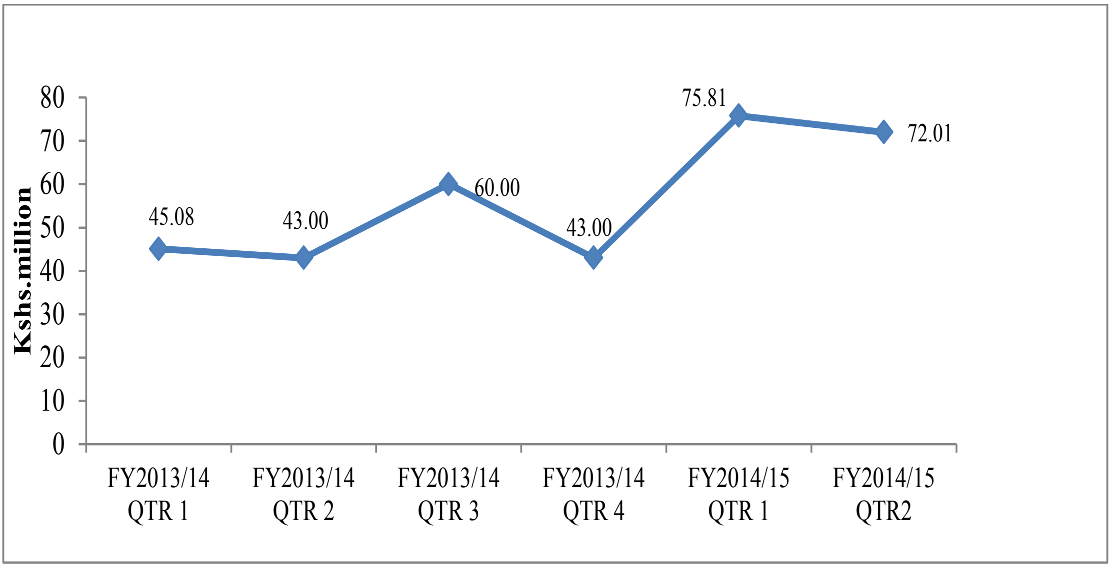
1. *The County Treasury should fully adopt IFMIS and G-Pay.*
2. *The County Treasury should enhance efforts in revenue collection.*
3. *The County should institute adequate monitoring and evaluation frameworks for development projects.*
4. *The County Treasury should appropriately monitor the budget by vote.*
5. *County Treasury should prepare financial statements for all County Funds established under Section 116 of the PFM Act, 2012 on a quarterly basis in line with Sections 167 and 168 of the PFM Act, 2012.*
6. *The County should adhere to the SRC Circular on staff remuneration and also recover the allowances paid in contravention of the SRC Circular.*

Bungoma County

The Bungoma County Budget Estimates for the FY 2014/15 amounted to Kshs.8.27 billion comprising of Kshs.4.11 billion (49.3 per cent) for recurrent expenditure and Kshs.4.17 billion (50.3 per cent) for development expenditure. The budget is to be financed by the national equitable share of Kshs.7.19 billion (87 per cent), local revenue sources of Kshs.1.08 billion (13.0 per cent) and Kshs.461.84 million as projected cash balance from FY 2013/14.

In the first half of FY2014/15, the County received Kshs.1.95 billion as the national equitable share of revenue, collected Kshs.147.82 million from local sources, had Kshs.56 million as Appropriations-in-Aid (AIA) and Kshs.1.87 billion being actual balance brought forward from FY 2013/14. Local revenue consisted of Kshs.75.81 million generated in the first quarter and Kshs.72.01 million in the second quarter. The local revenue of Kshs.147.82 million raised in the first half was 13.8 per cent of the annual local revenue target, an improvement from Kshs.88.08 million collected in similar period of FY 2013/14. Figure 16 shows a summary of local revenue by quarter.

Figure 16: Bungoma County, trend in Local Revenue Collection by Quarter



Source: *Bungoma County Treasury*

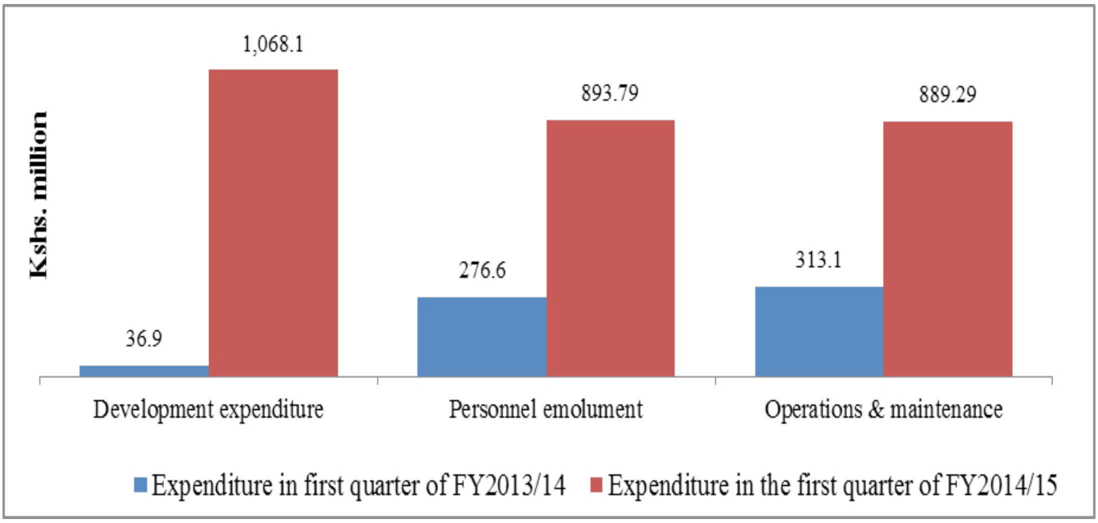
Funds released to the County during the period under review amounted to Kshs.3.45 billion, of which Kshs.1.89 billion (54.6 per cent) was for recurrent expenditure while Kshs.1.57 billion (45.4 per cent) was for development activities.

Total expenditure for the first half of FY 2014/2015 was Kshs.2.85 billion which was 82.6 per cent of the funds released. The County spent Kshs.1.78 billion (62.5 per cent) on recurrent activities and Kshs.1.07 billion (37.5 per cent) on development activities. Recurrent expenditure was 94.6 per cent of the funds released for recurrent activities while development expenditure accounted for 68.2 per cent of the funds released for development projects. This expenditure does not include outstanding commitments as of December 31, 2014 that amounted to Kshs.255.68 million for recurrent expenditure and Kshs.50.80 million for development activities.

Recurrent expenditure for the period under review represented an absorption rate of **43.3 per cent** of the annual recurrent budget, an improvement from an absorption rate of **12 per cent** realized in the same period of FY 2013/14.The development expenditure translated to an absorption rate of **25.7 per cent** of the annual development budget, an improvement from absorption rate of **1 per cent** recorded in the same period FY 2013/14.

Analysis of the recurrent expenditure shows that the County spent Kshs.893.79 million on personnel emoluments which translates to 50.1 per cent of the total recurrent expenditure and Kshs. 889.29 million on operations and maintenance expenditure which is 49.9 per cent of the total recurrent expenditure of the first half of FY 2014/15. A comparison of the total expenditure between the period under review and a similar period last financial year by economic classification is shown in Figure 17.

Figure 17 : Bungoma County Expenditure by Economic Classification



Source: *Bungoma County Treasury*

Analysis of expenditure by department shows that the department of Tourism and Wildlife had the highest absorption rate of the annual recurrent budget at 82.5 per cent while department of Agriculture, livestock and cooperative society and the department of Trade and Industrialization had the lowest absorption rate of the annual recurrent budget at 31.5 per cent each. The department of Education had the highest absorption rate of the annual development budget at 63.4 per cent while the department of Physical Planning, Lands & Housing had no development expenditure even though they requisitioned for development funds. The expenditure of various departments is summarised below in Table 6.

Table 6: Bungoma County FY 2014/15 Budget and Expenditure by Departments for the First Half of FY 2014/15

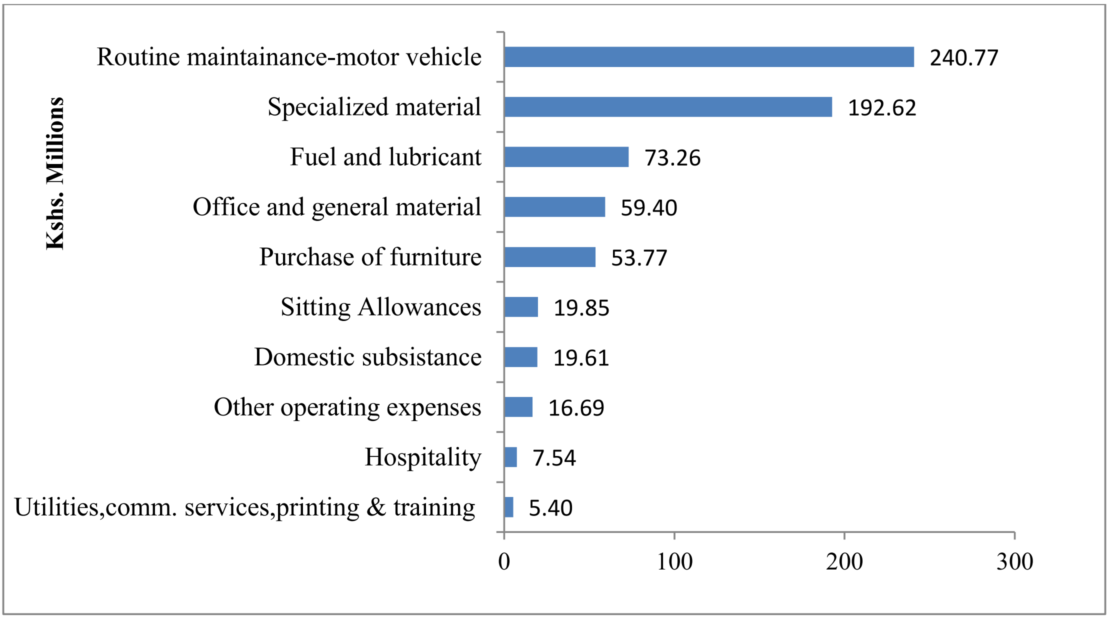
DEPARTMENT	BUDGET ALLOCATION (Kshs.Million)		EXCHEQUER ISSUES (Kshs. Million)		EXPENDITURE (Kshs.Million)		% OF EXPENDITURE TO EXCHEQUER ISSUES		EXPENDITURE TO ANNUAL BUDGET (Absorption rate %)	
	REC	DEV	REC	DEV	REC	DEV	REC	DEV	REC	DEV
Health and sanitation	1,270.75	769.80	615.38	331.22	478.37	122.83	77.7	37.1	37.6	16.0
Agriculture, livestock and cooperative society	334.92	423.02	167.46	211.49	105.49	179.66	63.0	85.0	31.5	42.5
Tourism, Wildlife	32.01	69.74	15.99	20.00	26.42	25.25	165.2	126.2	82.5	36.2
Education,	262.89	240.76	119.02	117.01	118.04	152.61	99.2	130.4	44.9	63.4
Public Works, Transport & Infrastructure	64.31	764.70	32.16	468.83	20.60	386.59	64.1	82.5	32.0	50.6
Physical Planning, Lands & Housing	242.14	268.42	101.07	130.55	77.92	-	77.1	0.0	32.2	0.0
Finance & Economic Planning	361.29	1,064.04	180.50	100.00	282.75	76.66	156.6	76.7	78.3	7.2
Public Service Board	56.04	10.50	27.44	-	19.17	-	69.9		34.2	0.0
County Administration	385.92	130.00	177.34	14.00	173.65	51.40	97.9	367.1	45.0	39.5
Governor and DG	150.73	48.00	75.16	-	60.54	2.60	80.5		40.2	5.4
County Assembly	826.80	-	315.14	-	357.79	34.31	113.5		43.3	
Trade, Industrialization,	35.18	157.95	17.59	78.97	11.08	2.61	63.0	3.3	31.5	1.7
Gender ,Youth Affairs, Sports & Culture	75.38	209.53	41.57	93.00	51.27	33.60	123.3	36.1	68.0	16.0

Source: *Bungoma County Treasury*

The County spent Kshs.59.40 million on payment of sitting allowances to the 64 members of the County Assembly against a budgetary allocation of Kshs.118.31 million, representing an absorption rate of 50.2 per cent of the annual budget. Each MCA was paid an average monthly sitting allowance of Kshs.154,700 compared to the SRC recommended amount of Kshs.124,800. Expenditure on domestic and foreign travel for both County Assembly and the County Executive amounted to Kshs.73 million in the period under review of FY 2014/15 compared to Kshs.38 million in the same period of FY 2013/14.

The breakdown of operations and maintenance expenditure for the period under review is shown in Figure 18.

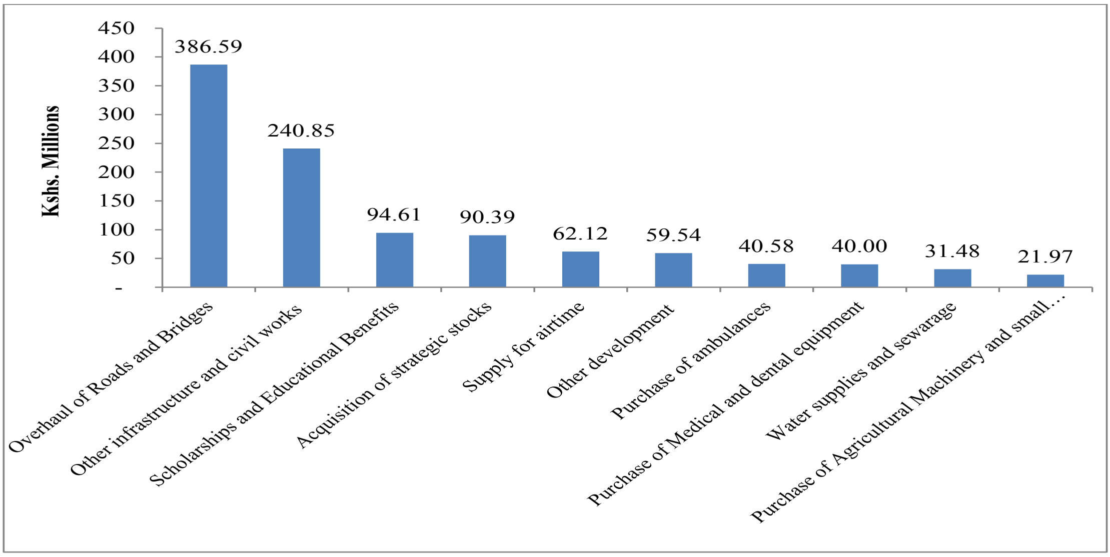
Figure 18: Operations and Maintenance Expenditure, Bungoma County



***Source:** Bungoma County Treasury*

Analysis of the development expenditure for the first half of FY 2014/15 shows that the County spent Kshs.386.59 million on roads and bridges, Kshs.240.85 million on other infrastructure and civil work, Kshs.94.61 million on scholarship and educational benefits, Kshs.90.39 million on acquisition of strategic stocks, Kshs.121.66 million on other development projects and Kshs.40.58 million on purchase of ambulances. Figure 19 shows a breakdown of development expenditure during the review period.

Figure 19: Bungoma County, First half of FY 2014/15 analysis of Development Expenditure



Source: *Bungoma County Treasury*

During the period under review, the office noted some improvement in budget implementation and public financial management. The County has adopted the IFMIS system and has employed more technical staff. However, despite this progress, there are some challenges that need to be addressed as follows:

1. The County allocated Kshs.50 million to establish an Emergency Fund, but is yet to develop regulations for the use of this Fund.
2. Low revenue collection. Although the collection of local revenue has improved from 3.2 per cent of the annual target in the first half of FY 2013/14 to 13.8 per cent in the first half of FY 2014/15, this performance is still low compared to the annual target.
3. Slow implementation of development projects and low absorption of development funds.
4. Inadequate imprest management where outstanding imprest as at December 31, 2014 was over Kshs.140 million with some imprest outstanding for more than two months.

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

1. *The County should develop regulations on the use of the Emergency Fund.*
2. *The County Treasury should institute measures to improve revenue collection.*

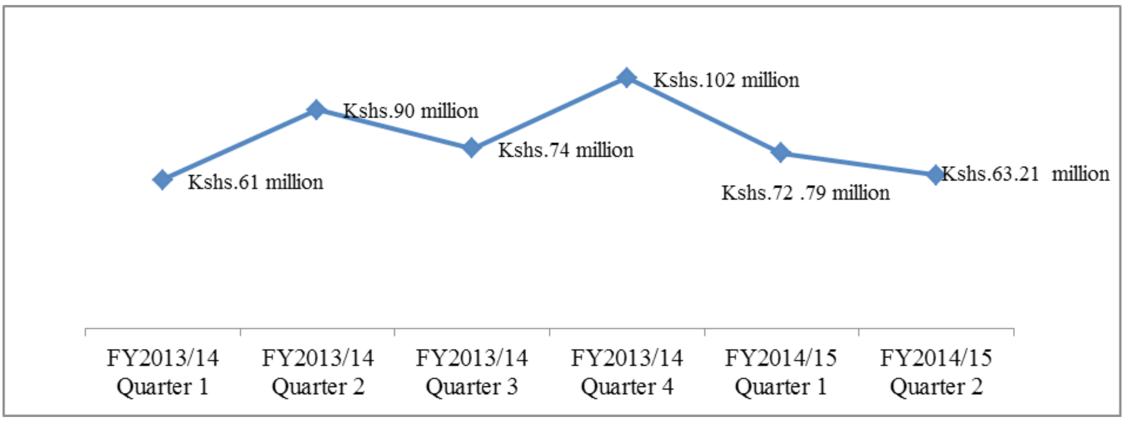
3. *The County leadership should identify and address the challenges that lead to low utilization of development funds.*
4. *The County Treasury should ensure that imprest is surrendered within the stipulated time. All delays in surrenders should be recovered from the officers.*

Busia County

The Busia County Budget Estimates for the FY 2014/15 amounted to Kshs.5.50 Billion comprising of Kshs.3.09 billion (56.2 per cent) for recurrent expenditure and Kshs.2.41 billion (43.8 per cent) for development expenditure. The budget is to be financed by the national equitable share of Kshs.4.75 billion (86.4 per cent), local revenue sources of Kshs.766 million (13.0 per cent) and Kshs.556.77 million (10.0 per cent) as projected cash balance from FY 2013/14 even though this had not been factored in the current budget but plans are underway to have the figure in the supplementary appropriation bill.

In the first of the FY 2014/15, the County received Kshs.1.78 billion as the national equitable share of revenue, raised Kshs.136 million from local sources and had Kshs.556.77 million as cash balance brought forward from FY 2013/14. Local revenue consisted of Kshs.72.79 million generated in the first quarter and Kshs.63.21 million in the second quarter of the year. The total local revenue raised in the first half of FY 2014/15 of Kshs.136 million was 17.7 per cent of the annual local revenue target, a decline from Kshs.151 million collected in the similar period of FY 2013/14. Figure 20 shows a summary of local revenue by quarter.

Figure 20: Busia County trend of Local Revenue Collection by Quarter



Source: *Busia County Treasury*

Funds released to the County during the period under review amounted to Kshs.2.01

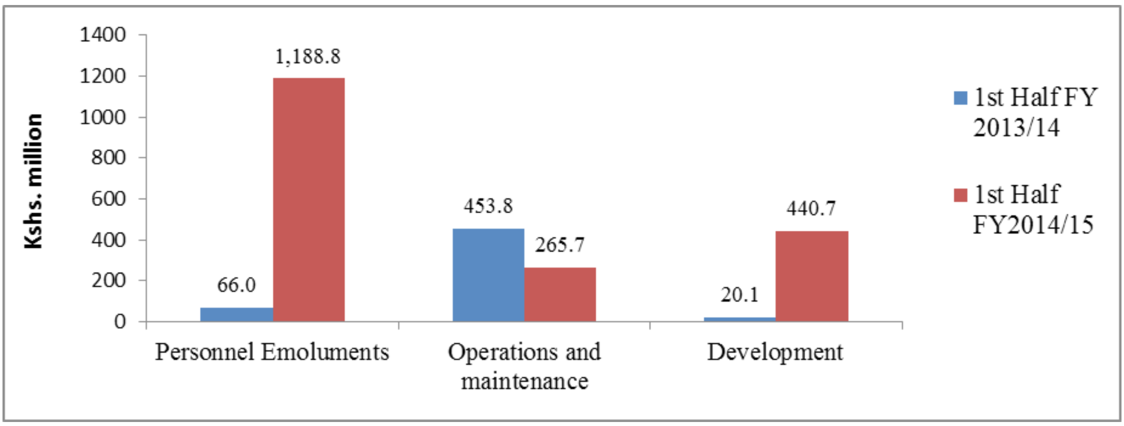
billion, of which Kshs.1.46 billion (72.69 per cent) was for recurrent expenditure while Kshs.550 million (27.31 per cent) was for development activities.

The total expenditure for the first half of FY 2014/15 was Kshs.1.89 billion which was 94 per cent of the funds released. The County spent Kshs.1.45 billion (76 per cent) on recurrent activities and Kshs.440.72 million (23.3 per cent) on development activities. Recurrent expenditure was 99.4 per cent of the funds released for recurrent activities while development expenditure accounted for 80 per cent of the funds released for development projects. This expenditure does not include commitments as of December 31, 2014 that amounted to Kshs.40.27 million for recurrent expenditure and Kshs.4.96 million for development activities.

The recurrent expenditure for the period under review represented an absorption rate of **47.1 per cent** of the annual recurrent budget, an increase from an absorption rate of **11.2 per cent** realized in the same period of FY 2013/14. Development expenditure translated to an absorption rate of **18.3 per cent** of the annual development budget, an improvement from **0 per cent** recorded in the same period in FY 2013/14.

Analysis of the recurrent expenditure shows that the County spent Kshs.1.19 billion on personnel emoluments which translates to 81.7 per cent of the total recurrent expenditure and Kshs.265.74 million on operations and maintenance expenditure which is 18.3 per cent of the total recurrent expenditure for the year. A comparison of the total expenditure between the period under review and first half of FY 2013/14 is shown in Figure 21.

Figure 21: Busia County Half Year Expenditure by Economic Classification



Source: *Busia County Treasury*

Analysis of expenditure by department shows that the department of the county secretary had the highest absorption rate of the annual recurrent budget at 82.8 per cent while office of the Governor and the Deputy Governor had the lowest absorption rate of the annual budget at 25.3 and 21.1 per cent. On development expenditure, the office of the deputy governor had the highest absorption rate at 100 per cent while department of Finance has the least absorption at 2.4 per cent. The expenditure by departments is summarised below in Table 7.

Table 7: Busia County FY 2014/15 Budget and Expenditure by Departments for the First Half of FY 2014/15

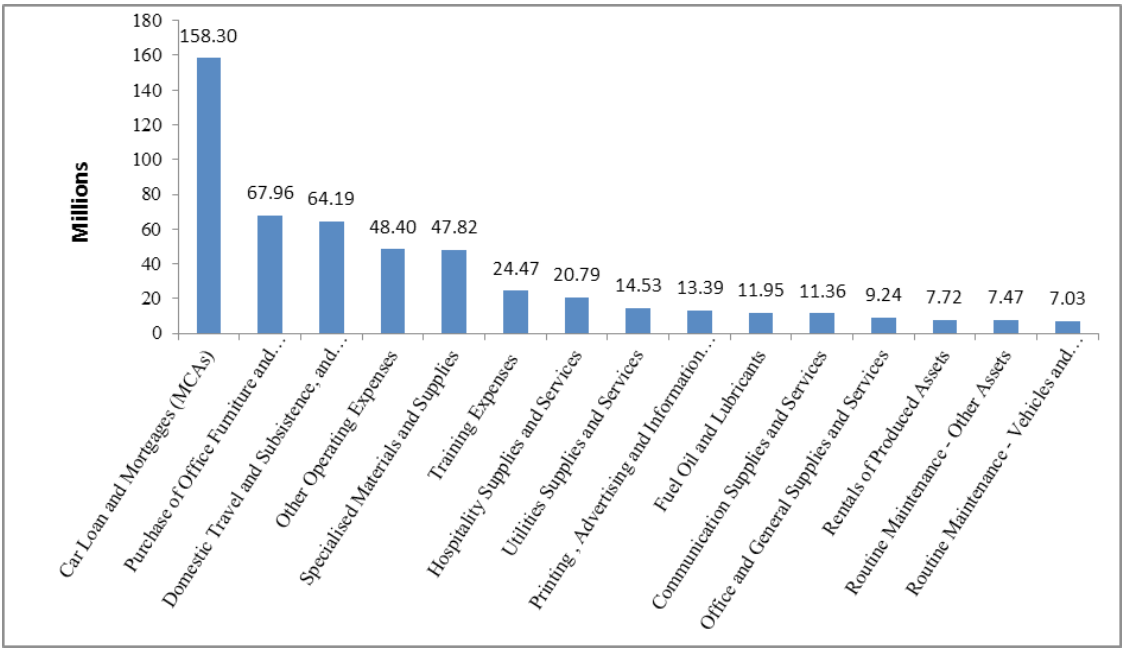
DEPARTMENT	BUDGET ALLOCATION (Kshs. Million)		EXCHEQUER ISSUES (Kshs. Million)		EXPENDITURE (Kshs. Million)		% OF EXPENDITURE TO EXCHEQUER ISSUES		ABSORPTION (%)	
	REC	DEV	REC	DEV	REC	DEV	REC	DEV	REC	DEV
Agriculture	206.90	217.10	103.20	36.00	101.70	29.30	98.5	81.4	49.2	13.5
Cooperative	293.00	128.50	14.60	23.00	16.90	6.20	115.8	27.0	5.8	4.8
Education	135.7	159.50	67.80	50.00	65.60	49.10	96.8	98.2	22.4	30.8
Finance	169.20	430.80	84.50	9.00	83.90	10.20	99.3	113.3	49.6	2.4
Public works	74.20	285.50	37.00	142.00	38.80	95.20	104.9	67.0	52.3	33.3
Community Development	59.10	86.30	29.50	22.50	28.40	2.20	96.3	9.8	48.1	2.5
Labour & ICT	364.70	106.30	183.50	11.50	171.50	4.80	93.5	41.7	47.0	4.5
Lands	39.20	277.10	19.60	60.00	18.90	33.50	96.4	55.8	48.2	12.1
Water	66.80	335.80	33.30	54.00	35.30	36.60	106.0	67.8	52.8	10.9
Health	943.00	280.80	470.20	136.20	465.50	89.30	99.0	65.6	49.4	31.8
CPSB	59.00	0.00	37.00	5.00	20.30		54.9		34.4	
Governor's Office	74.00	50.00	18.60		18.70	3.80	100.5		25.3	7.6
Deputy Governor's Office	37.30	5.00	7.80		7.90	5.00	101.3		21.2	100.0
County Secretary Office	15.70	0.00	29.40		13.00		44.2		82.8	
County Assembly	810.40	46.50	326.80		360.70	16.10	110.4		44.5	34.6

Source: *Busia County Treasury*

The county spent Kshs.23 million on payment of sitting allowances to the 54 members of the County Assembly against an annual budget of Kshs.104.8 million representing an absorption rate of 21.94 per cent. Each MCA was paid an average monthly sitting allowance of Kshs.71,491 compared to the SRC recommended amount of Kshs.124,800. Expenditure on Domestic and Foreign travel for both County Assembly and the County Executive amounted to kshs.64.19 million against an annual budget of Kshs.226 million.

The breakdown of operations and maintenance items with high expenditure for the period under review is shown in Figure 22.

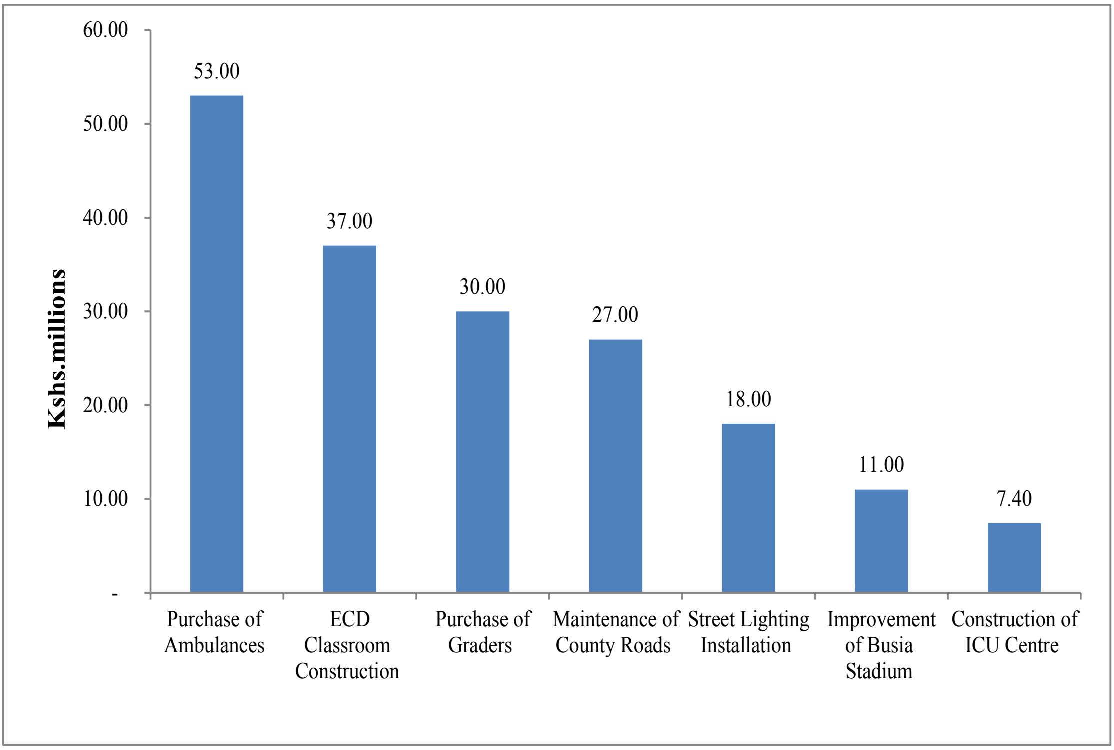
Figure 22: Busia county Half Year Operations and Maintenance Expenditure



***Source:** Busia County Treasury*

Analysis of the development expenditure for the FY 2014/15 shows that the County spent Kshs.53 Million in the purchase of seven ambulances for the seven sub-counties, Kshs.37 million for the construction of Early Childhood Development (ECD) classrooms within the county, Kshs.30 million in the payment of two graders, Kshs.27 million on Maintenance of the County roads, Kshs.18 million for the installation of street lights in Busia and Malaba towns, Kshs.11 million on construction of the pavilion and playing ground at the Busia Stadium, Kshs.7.4 million on the construction of the Intensive Care Unit (ICU) Centre at the County hospital in Busia, and Kshs.7 million for the survey, drilling, development and equipping of boreholes in the county. **Figure 23** illustrates some of the development projects with high expenditure during the period under review.

Figure 23: Busia County Analysis of Development Expenditure



Source: *Busia County Treasury*

During the period under review, the office noted some improvement in budget implementation and public financial management. However, there are some challenges that need to be addressed as follows:

1. Ongoing projects which are not included in the FY 2014/15 budget.
2. Failure to make allocations for some essential budgetary items. For example, the County improved the network system but did not make any budgetary provision for maintenance costs.

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

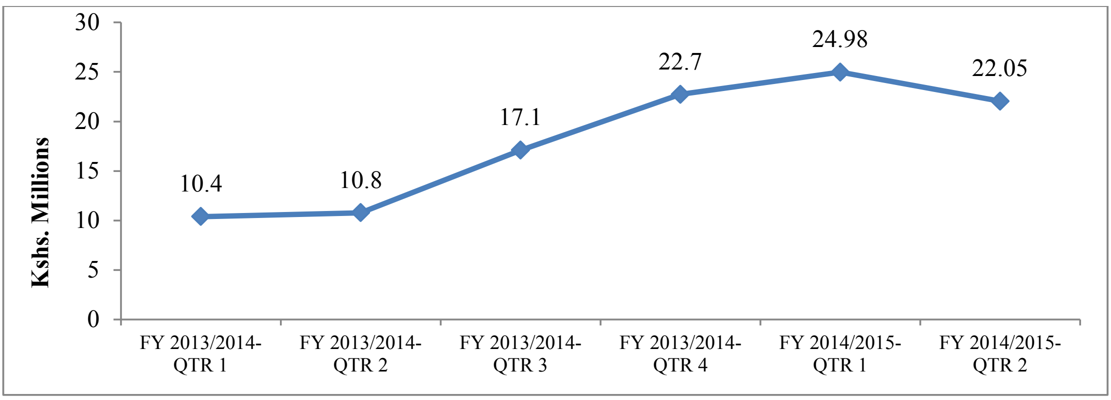
1. *The County should prioritize on-going projects in the FY 2015/16 budget circle.*
2. *Budgeting for the various departments should ensure that all essential expenditure items are funded.*

Elgeyo Marakwet County

The Elgeyo Marakwet County Budget Estimates for the FY 2014/15 amounted to Kshs.3.82 billion comprising Kshs.2.18 billion (57.1 per cent) for recurrent expenditure and Kshs.1.64 billion (42.9 per cent) for development expenditure. The budget will be financed by Kshs.2.85 billion (86.5 per cent) from the national equitable share, local revenues of Kshs.85 million (2.6 per cent), Kshs.32.4 million (0.99 per cent) from Appropriations-in-Aid (AIA) from health and veterinary services, Kshs.339.8 million (10.3 per cent) as projected cash balance from FY 2013/2014 and Kshs.18.4 million (0.6 per cent) from Danish International Development Agency (DANIDA) for health sector programme support.

In the first half of the FY 2014/15, the County received Kshs.1.65 billion (73.6 per cent) as the national equitable share of revenue, raised Kshs.47.03 million from local sources, and had Kshs.871.17 million as cash brought forward from FY 2013/14. Local revenue consisted of Kshs.24.98 million generated in the first quarter and Kshs.22.05 million in the second quarter of the year. The total local revenue of Kshs.47.03 million raised in the first half year was 56 per cent of the annual local revenue target, an improvement from Kshs.21.17 million collected in the same period of FY 2013/14. Figure 24 shows the trend of local revenue collection by quarter.

Figure 24: Elgeyo/Marakwet County trend of Local Revenue Collection by Quarter



***Source:** Elgeyo Marakwet County Treasury*

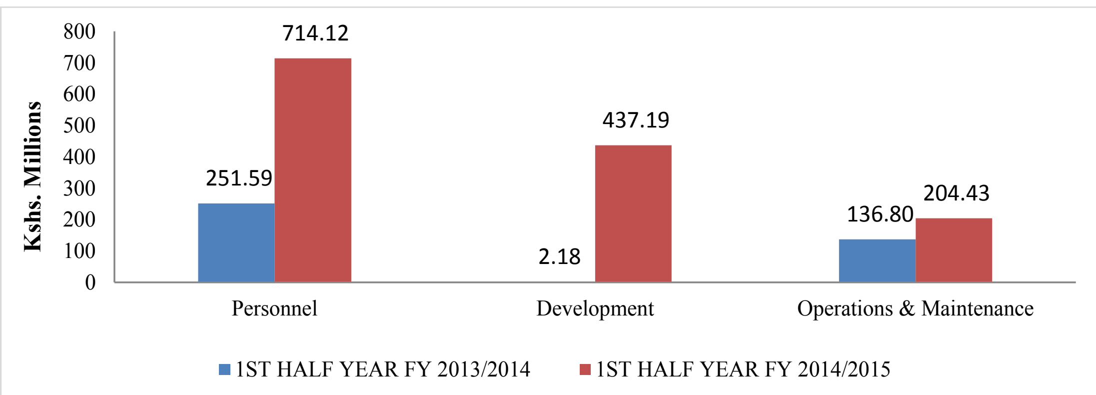
Funds released to the County during the period under review amounted to Kshs.1.65 billion, of which Kshs.1.09 billion (66.2 per cent) was for recurrent expenditure while Kshs.555.95 million (33.8 per cent) was for development activities.

The total expenditure for the first half of FY 2014/15 was Kshs.1.36 billion which was 82.4 per cent of the funds released, and an increase from Kshs.390.6 million spent in the same period of FY 2013/14. The County spent Kshs.918.55 million (67.8 per cent) on recurrent activities and Kshs.437.19 million (33.2 per cent) on development activities. Recurrent expenditure was 84.3 per cent of the funds released for recurrent activities while development expenditure accounted for 78.6 per cent of the funds released for development projects. This expenditure does not include commitments as of December 31, 2014 that amounted to Kshs.9.07 million for recurrent expenditure and Kshs.12.80 million for development activities.

Recurrent expenditure for the period under review represented an absorption rate of **42.1 per cent** of the annual recurrent budget, an improvement from an absorption rate of 21.4 **per cent** realized in the same period of FY2013/14. The development expenditure translated to an absorption rate of **26.7 per cent** of the annual development budget, an improvement from absorption rate of **0.3 per cent** recorded in the same period last financial year.

Analysis of the recurrent expenditure shows that the County spent Kshs.687.40 million on personnel emoluments which translates to 74.8 per cent of the total recurrent expenditure and Kshs.231.15 million on operations and maintenance expenditure which is 25.2 per cent of the total recurrent expenditure for the year. A comparison of the total expenditure between the period under review and a similar period last financial year by economic classification is shown in Figure 25.

Figure 25: Elgeyo/Marakwet County, First Half Expenditure by Economic Classification



Source: *Elgeyo Marakwet County Treasury*

Analysis of expenditure by department shows that the Department of Transport and Infrastructure recorded the highest absorption of development funds at 41.1 per cent while the Administration Department reported the highest absorption of recurrent funds at 113.1 per cent. Expenditure by department is summarised in Table 8.

Table 8: Elgeyo Marakwet FY 2014/15 Budget and Expenditure by Department for the First Half of FY 2014/15

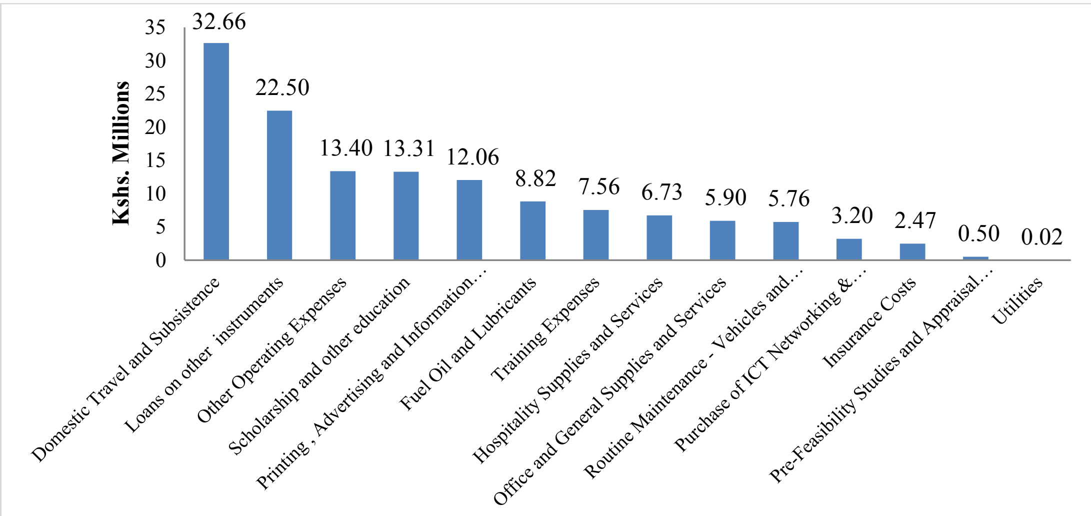
DEPARTMENT	BUDGET ALLOCATION (Kshs. Million)		EXCHEQUER ISSUES (Kshs. Million)		EXPENDITURE (Kshs. Millions)		% OF EXPENDITURE TO EXCHEQUER ISSUES		ABSORPTION (%)	
	REC	DEV	REC	DEV	REC	DEV	REC	DEV	REC	DEV
County Assembly	287.35	46	173.88	10.00	172.85	10.58	0.99	105.84	60.15	22.96
Governor/County Executive services	146.57	116	63.42	29.75	49.42	19.40	77.92	65.22	33.71	16.77
D/Governor/ County Executive services	12.73	-	6.67		3.70	-	55.54		29.10	
County Treasury Services	137.36	20	79.76	7.85	29.16	5.18	36.56	65.97	21.23	25.29
Administration	54.65	-	57.90		61.80	-	106.74		113.09	
Transport and Infrastructure	50.86	498	20.87	156.55	13.03	204.85	62.42	130.85	25.61	41.14
Industrialization, Commerce and Tourism	40.86	85	18.75	44.67	9.74	23.86	51.97	53.42	23.85	28.22
Education, and Technical Training	146.66	159	56.20	58.53	89.64	26.27	159.49	44.89	61.12	16.49
Health	902.83	212	423.33	66.71	364.18	43.22	86.03	64.78	40.34	20.37
Land, Housing & Urban Development	27.16	65	17.95	22.12	7.61	11.66	42.43	52.70	28.03	17.95
Agriculture, Livestock, Fisheries & Marketing	148.45	137	98.19	47.30	50.32	32.61	51.25	68.94	33.90	23.83
Water & Irrigation	47.30	180	21.20	55.14	18.43	53.07	86.95	96.24	38.97	29.44
County Public Service Board	45.10	-	29.40		20.77	-	70.63		46.04	
ICT & Public Service	108.21	29	11.40	14.48	20.59	1.46	180.62	10.10	19.03	5.06
Youth	25.08	91	11.32	42.86	7.30	5.02	64.47	11.72	29.10	5.50

Source: *Elgeyo Marakwet County Treasury*

The County spent Kshs.18.99 million on payment of sitting allowances to the 31 members of the County Assembly against annual budgetary allocation of Kshs.19.61 million representing an absorption rate of 96 cent of the sitting allowance annual budget. Each MCA was paid an average monthly sitting allowance of Kshs.102,084 compared to the SRC recommended amount of Kshs.124,800. A total of Kshs.32.6 million was spent on domestic travel, Kshs.12 million on printing, and advertising, and Kshs.22.5 million on loans on other instruments.

The breakdown of operations and maintenance expenditure for the period under review is shown in Figure 26 below:

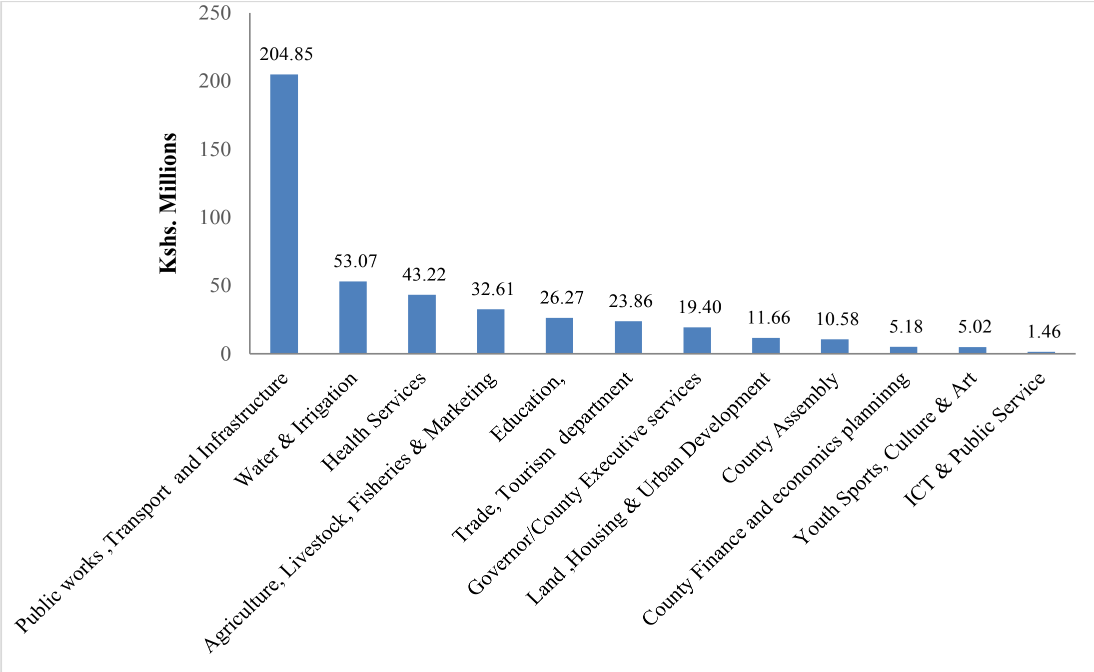
Figure 26: Elgeyo Marakwet County 2014/15 Half Year Operations and Maintenance Expenditure



***Source:** Elgeyo Marakwet County Treasury*

Analysis of the development expenditure for the first half FY 2014/15 shows that the County spent Kshs.204.8 million on development and maintenance of access roads, Kshs.53 million on maintenance and construction of water supplies and irrigation, Kshs.32.6 million for development of agriculture and livestock, Kshs.10.6 million on development of County Assembly infrastructure, Kshs.43.2 million on health infrastructure and equipment, Kshs.26.3 million on education and Kshs.23.8 million of trade and tourism promotions.

Figure 27: Analysis of Development Expenditure Elgeyo/Marakwet County-Half Year 2014/15



Source: *Elgeyo Marakwet County Treasury*

During the period under review, the office noted some improvement in budget implementation and public financial management. For instance, the county planning unit has ensured that development project implementation is now based on planning framework developed by each department.

However, there were challenges that affected budget implementation in the reporting period which need to be addressed. These were:

1. Inadequate budget control which has resulted incurring expenditure on votes which have not been funded through exchequer requisition hence affecting planned activities of other departments.
2. Inadequate classification and description of expenditure items which minimizes transparency and accountability in budget management. For example, an expenditure of Kshs.12 million was described as “other operating expenditure” while Kshs.22.5 million was described as “loans on instruments.” Additionally, the County Assembly sitting allowances are captured as honoraria.

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

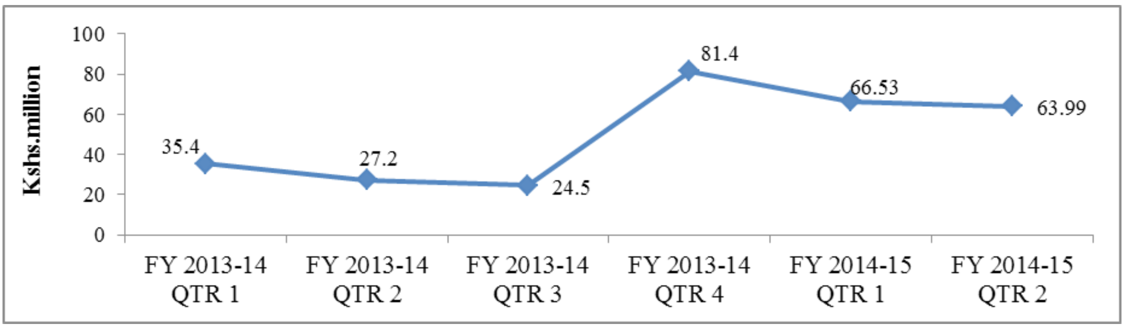
1. *The County should spend funds against the intended purpose, i.e. adhere to approved budget and exchequer requisitions approved by the OCOB.*
2. *The County Treasury should adhere to the Standard Chart of Accounts and adequately describe expenditure items for transparency and accountability in budget management.*

Embu County

The Embu County Budget Estimates for the FY 2014/15 amounted to Kshs.4.02 billion comprising of Kshs.2.81 billion (70.0 per cent) allocated for recurrent expenditure and Kshs.1.20 billion (30.0 per cent) for development expenditure. This budget is to be financed by the national equitable share of Kshs.3.27 billion (81.4 per cent), local revenue sources of Kshs.748 million (18.6 per cent) and Kshs.645.00 million as projected cash balance from FY 2013/14.

In the first half of FY 2014/15, the County received Kshs.1.33 billion as national shareable revenue, raised Kshs.130.52 million from local sources, and Kshs.645.00 million as balance brought forward from FY 2013/14. Local revenue consisted of Kshs.66.53 million generated in the first quarter and Kshs.63.99 million in the second quarter. The local revenue raised includes Kshs.49.56 million as A-I-A. The total local revenue raised in the first half of FY 2014/15 of Kshs.130.52 million was 17.5 per cent of the annual local revenue target, an improvement from Kshs.62.61 million collected in the same period of FY 2013/14. Figure 28 shows the trend of local revenue by quarter.

Figure 28: Embu County, Trend in Local Revenue Collection by quarter



Source: *Embu County Treasury*

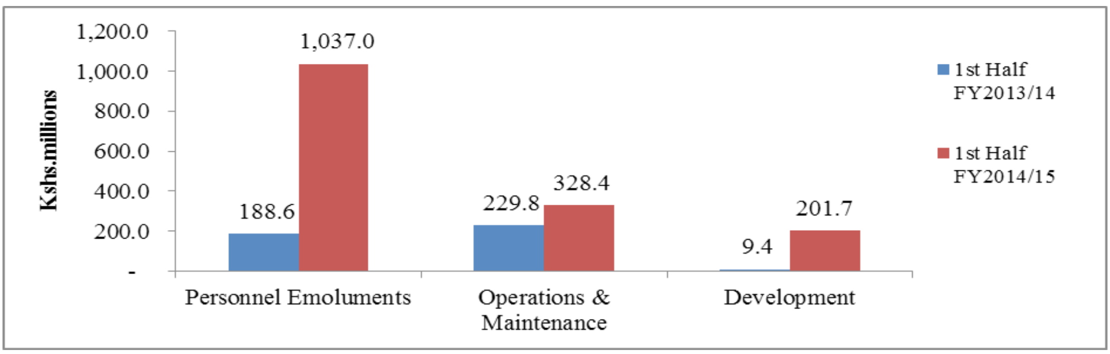
During the period under review the County received exchequer issues of Kshs.1.77 billion, of which Kshs.1.46 billion (82.5 per cent) was for recurrent expenditure and Kshs.309.29 million (17.5 per cent) for development activities.

The total expenditure for the first half of FY 2014/15 was Kshs.1.57 billion which was 88.7 per cent of the total funds released and an improvement from the Kshs.427.80 million spent in the same period of FY 2013/14. The County spent Kshs.1.37 billion (87.1 per cent) on recurrent activities and Kshs.201.68 million (12.9 per cent) on development activities. Recurrent expenditure was 93.7 per cent of the funds released for recurrent activities while development expenditure accounted for 65.2 per cent of the funds released for development activities. This expenditure does not include outstanding commitments as of December 31, 2014 that amounted to Kshs.35.21 million for recurrent expenditure and Kshs.36.27 million for development activities.

The recurrent expenditure for the period under review represented an absorption rate of **48.6 per cent** of the annual recurrent budget, an increase from an absorption rate of **24.8 per cent** realized in the same period of FY 2013/14. Development expenditure translated to an absorption rate of **16.7 per cent** of the annual development budget, an improvement from **0.4 per cent** absorption rate recorded in the same period of FY 2013/14.

Analysis of the recurrent expenditure shows that the County spent Kshs.1.04 billion on personnel emoluments which represents 75.9 per cent of the total recurrent expenditure and Kshs.328.41 million on operations and maintenance expenditure representing 24.1 per cent of the total recurrent expenditure for the first half of FY 2014/15. A comparison of the total expenditure between the period under review and the same period last financial year is shown in Figure 29.

Figure 29: Embu County, First Half Expenditure by Economic Classification



Source: *Embu County Treasury*

Analysis of expenditure by department shows that the Health department had the highest absorption rate of the annual recurrent budget at 48.1 per cent while department of Investments & Industrialization had the lowest absorption rate of the annual recurrent budget at 6.3 per cent. The department of Infrastructure had the highest absorption rate of the annual development budget at 41.4 per cent while the department of Investments & Industrialization and the County Assembly did not report any development expenditure. The expenditure of various sectors is summarised below in Table 9.

Table 9: Embu County FY 2014/15 Budget and Expenditure by Departments for the First Half of FY 2104/15

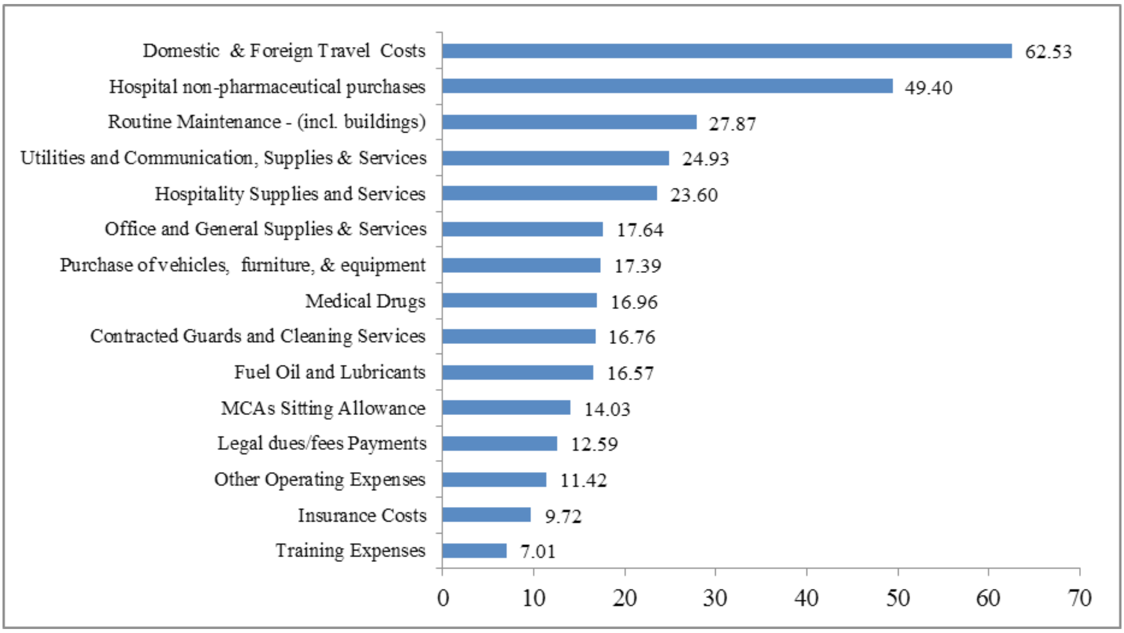
Department	Budget allocation (Kshs. Million)		Exchequer issues (Kshs. Million)		Expenditure (Kshs. Million)		% of expenditure to exchequer issues		Absorption (%)	
	REC	DEV	REC	DEV	REC	DEV	REC	DEV	REC	DEV
Health	104	170	49.64	8	49.99	-	100.71	0	48.1	0
Level Five Hospital	-	-	186	20	128.44	32.56	69.05	162.80	0	0
Agriculture	52	130	12.31	18.14	7.62	0.28	61.90	1.54	14.7	0.2
County Assembly	342.87	48	114.5	-	153.06	-	133.68	0	44.6	0
Office of the Governor	2,062.22	-	1,012.77	-	980.15	-	96.78	0	47.5	0
Finance	62.88	69.7	24.66	18.9	13.54	8.14	54.91	43.07	21.5	11.7
Infrastructure	45	270	16.5	113.5	15.43	111.77	93.52	98.48	34.3	41.4
Education	35	100	10.08	8	3.85	4.67	38.19	58.38	11.0	4.7
Youth & Sports	16	100	4.2	9.5	3.08	16.27	73.33	171.26	19.3	16.3
Gender	14	20	4.43	4.25	1.87	0.4	42.21	9.41	13.4	2.0
Trade	15	27	3.9	3.5	1.46	0.54	37.44	15.43	9.7	2.0
Investments & Industrialization	12	70	3.55	12.5	0.75	-	21.13	0	6.3	0
Lands & Water	28	200	10.64	93	3.56	27.45	33.46	29.52	12.7	13.7
County Public Service Board	22	-	3.84	-	2.59	-	67.50	0.00	11.8	0

Source: *Embu County Treasury*

The County spent Kshs.14.03 million on payment of sitting allowances to the **34** members of the County Assembly representing an absorption rate of **49.9 per cent** of the Kshs.28.1 million allocated for MCA sitting allowance for FY 2014/15. Each MCA was paid an average monthly sitting allowance of Kshs.68,756 compared to the SRC recommended amount of Kshs.124,800. Expenditure on domestic and foreign travel amounted to Kshs. 62.53 million, comprising of Kshs.43.47 million by the County Assembly and Kshs.18.37 million by County Executive, an increase from Kshs.19.06 million spent in the same period of FY 2013/14.

The breakdown of operations and maintenance expenditure for the period under review is shown in Figure 30.

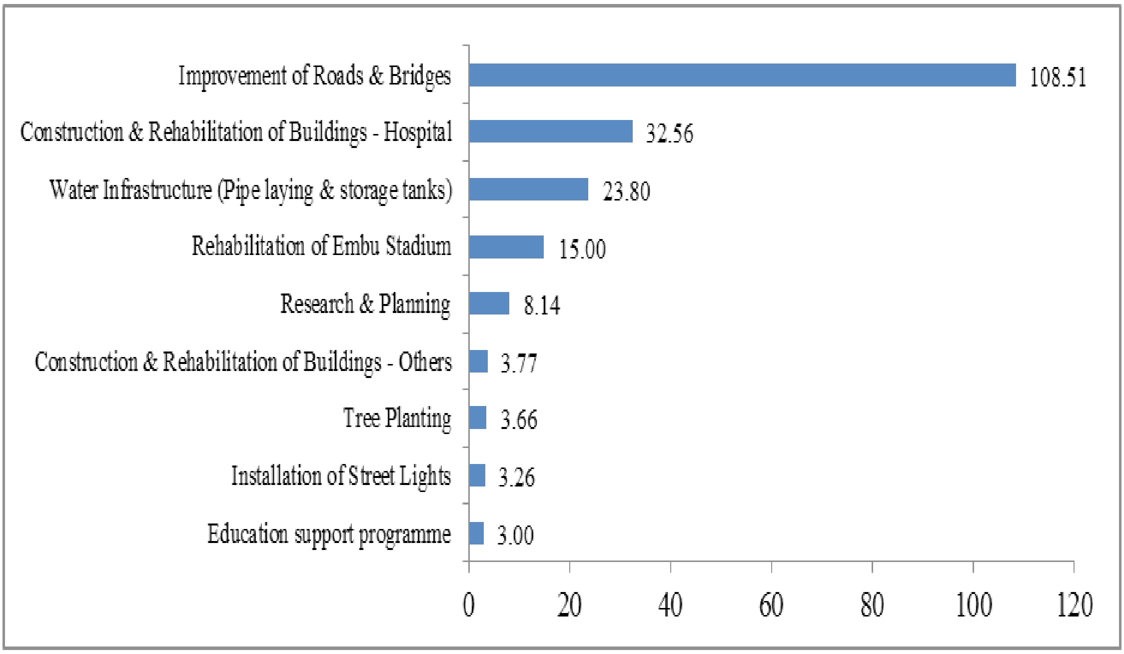
Figure 30: Embu County, Half Year Operations and Maintenance Expenditure (Kshs. Millions)



Source: *Embu County Treasury*

Analysis of the development expenditure of Kshs.201.68 million shows that the County spent Kshs.108.51 million on development and maintenance of access roads, Kshs.32.56 million on construction and refurbishment of hospital buildings, Kshs.23.80 million on maintenance and construction of water supplies and Kshs.15.00 million on rehabilitation of Embu town stadium as shown in Figure 31.

Figure 31 : Analysis of Development Expenditure, Embu County (Kshs. Millions)



Source: *Embu County Treasury*

During monitoring of budget implementation in the reporting period, the office has noted that the recommendations made in previous CBIRRs are yet to be fully implemented. Consequently, the County continues to face challenges in budget implementation as follows;

1. Low absorption of development budget.
2. Huge wage bill which takes up a large share of the resources available for other activities.
3. Underperformance in local revenue collection.
4. The County Assembly is yet to implement IFMIS.
5. Lack of Internal Audit Committee contrary to Section 155(5) of the PFMA, 2012.

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

1. *The County should enhance staff capacity in procurement, project management, and also develop and operationalize appropriate structures to improve absorption of development funds.*
2. *Addressing the high wage bill will require concerted approach by both the County*

and the National Governments. The ongoing staff capacity assessment programme together with staff audit is expected to guide in addressing this challenge.

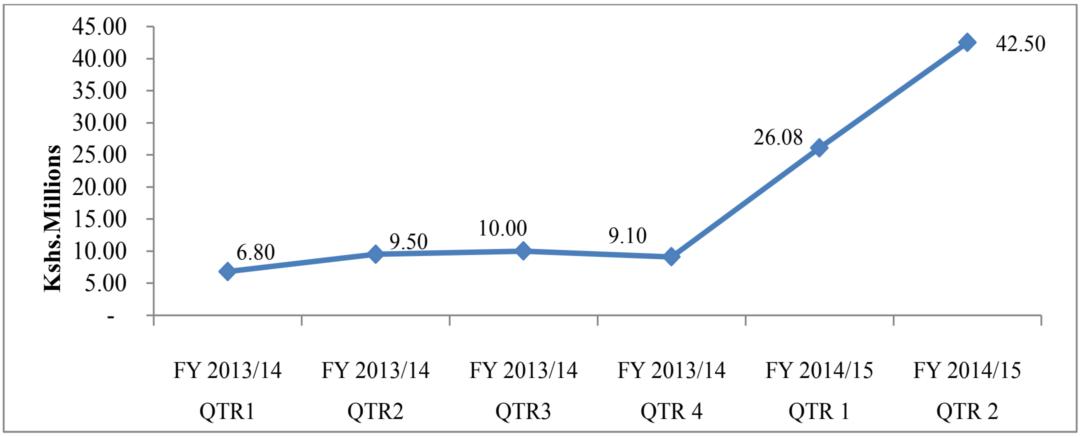
3. *The County must set realistic local revenue target and also develop concrete strategies to ensure optimal local revenue collection.*
4. *The County Assembly should fast-track the adoption of IFMIS and G-Pay system to improve efficiency and enhance control of financial transactions and enable standardized and timely reporting.*
5. *Establish an Internal Audit Committee as per section 155(5) of the PFM Act, 2012 to promote greater accountability in public financial management.*

Garissa County

The approved budget for the FY 2014/15 is Kshs.7.50 billion comprising of Kshs.3.13 billion (41.7 per cent) allocated for recurrent expenditure and Kshs.4.37 billion (58.3 per cent) for development expenditure. This budget will be financed by Kshs.4.91 billion (65.5 per cent) from the national equitable share, Kshs.500.00 million (6.7 per cent) from local revenue sources, Kshs.269.87 million (3.6 per cent) from conditional grants and Kshs.1.82 billion (24.2 per cent) being projected balance brought forward from FY 2013/14.

In the first half of FY 2014/15, the County received Kshs.1.50 billion as national shareable revenue, raised Kshs.68.58 million from local sources and had Kshs.1.82 billion as actual cash brought forward from FY 2013/14. Local revenue consisted of Kshs.26.08 million generated in the first quarter and Kshs.42.50 million in the second quarter. The total local revenue raised in the first half of FY 2014/15 of Kshs.68.58 million was **13.7 per cent** of the annual local revenue target an improvement from Kshs.16.3 million collected in the same period of FY 2013/14. Figure 32 below shows the trend of local revenue collection by quarter.

Figure 32 : Garissa County, Trend in Local Revenue Collection by quarter



Source: *Garissa County Treasury*

During the period under review the County received Exchequer issues of Kshs.3.04 billion, of which Kshs.1.52 billion (50.0 **per cent**) was for recurrent expenditure and Kshs.1.52 billion (50.0 **per cent**) was for development expenditure.

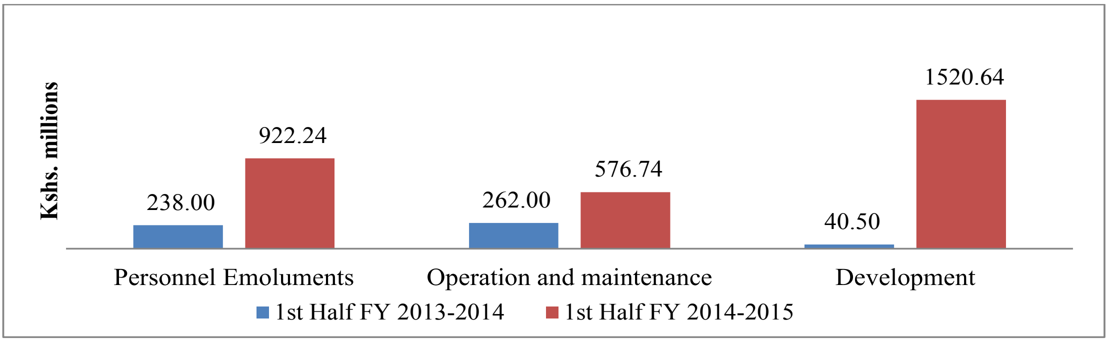
The total expenditure for the first half of FY 2014/15 was Kshs.3.02 billion which was **99.4 per cent** of the total funds released and an improvement from Kshs.540 million spent in the first half of the same period of FY 2013/14. The County spent Kshs**.1.50** billion (**49.6 per cent**) on recurrent activities and Kshs.**1.52** billion (**50.4 per cent**) on development activities, recurrent expenditure was **98.7 per cen**t of the fund released while development expenditure accounted for **100 per cent**. This expenditure does not include outstanding commitments as of December 31, 2014 that amounted to Kshs.11.23 million for recurrent expenditure and Kshs.0.41 million for development activities.

The recurrent expenditure for the period under review represented an absorption rate of **47.9 per cent to** the annual recurrent budget an increase from an absorption rate of **13.0 per cent** realized in the same period of the FY 2013/14. Development expenditure translated to an absorption rate of **34.8 per cent** of the annual development budget**;** an improvement compared to the same period in FY 2013/14 when the County spent Kshs.40.00 million on development activities.

Analyses of the recurrent expenditure of Kshs.1.50 billion shows the County spent Kshs.922.24 million on personnel emolument which represent **61.5 per cent** of the total recurrent expenditure and Kshs. 576.74 million on operations and maintenance expenditure which is **38.5 per cent** of the total recurrent expenditure for the first half of

FY 2014/15. A comparison of the total expenditure between the period under review and the same period last financial year is shown in Figure 33.

Figure 33 : Garissa County, First Half Expenditure by Economic Classification



Source: *Garissa County Treasury*

Analysis of expenditure by department shows that the Agriculture, Livestock, Fisheries department had the highest absorption rate of the annual recurrent budget at 96.5 per cent while department of Roads and Infrastructure had the lowest absorption rate of the annual recurrent budget at 10.6 per cent. The department of Finance and Economic Planning had the highest absorption rate of the annual development budget at 61.2 per cent while the department of County Affairs had the lowest absorption rate of the annual development budget at 14.1 per cent. The expenditure of various departments is summarised below in Table 10.

Table 10: Garissa County FY 2014/15 Budget and Expenditure by Departments for the First Half of FY 2014/15

DEPARTMENT	BUDGET ALLOCATION (Kshs. Millions)		EXCHEQUER ISSUES (Kshs. Millions)		EXPENDITURE (Kshs. Million)		Expenditure to Exchequer issues (%)		EXPENDITURE TO ANNUAL BUDGET (Absorption %)	
	REC	DEV	REC	DEV	REC	DEV	REC	DEV	REC	DEV
Roads And Infrastructure	63.46	1,000.0	6.74	533.51	6.74	533.51	100.0	100.0	10.6	53.4
Water And Sanitation	118.60	1,010.0	106.37	256.23	104.30	256.23	98.0	100.0	87.9	25.4
Finance And Economic Planning	534.77	110.00	254.75	67.30	253.13	67.30	99.4	100.0	47.3	61.2
Health	770.06	518.00	391.75	263.29	390.43	263.29	99.7	100.0	50.7	50.8

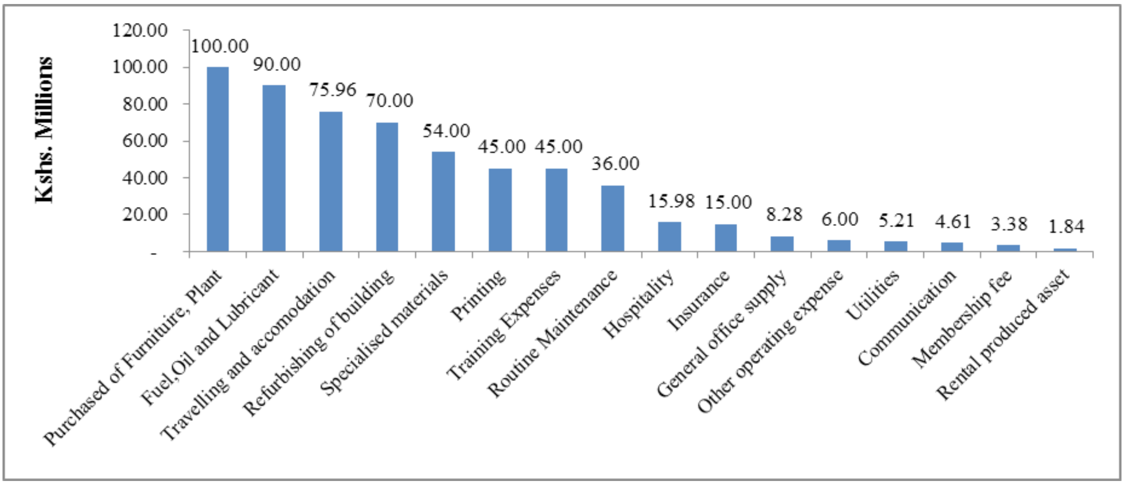
DEPARTMENT	BUDGET ALLOCATION (Kshs. Millions)		EXCHEQUER ISSUES (Kshs. Millions)		EXPENDITURE (Kshs. Million)		Expenditure to Exchequer issues (%)		EXPENDITURE TO ANNUAL BUDGET (Absorption %)	
	REC	**DEV**	**REC**	**DEV**	**REC**	**DEV**	**REC**	**DEV**	**REC**	**DEV**
Education, Youth, Sports And Polytechnics	70.05	100.00	54.43	36.00	54.13	36.00	99.4	100.0	77.3	36.0
Trade And Cooperative Development	60.00	30.00	36.65	6.66	32.60	6.66	88.9	100.0	54.3	22.2
Energy, Environment And Natural Resources	100.61	477.50	88.58	77.00	87.62	77.00	98.9	100.0	87.1	16.1
Lands, Housing And Public Works	89.14	206.00	22.09	113.05	22.09	113.05	100.0	100.0	24.8	54.9
Agriculture, Livestock, Fisheries And Irrigation	155.61	294.00	153.57	64.42	150.14	64.42	97.8	100.0	96.5	21.9
Culture,Social,Gender And Children	57.06	62.00	31.76	25.00	29.89	25.00	94.1	100.0	52.4	40.3
County Affairs	838.09	473.00	190.82	69.18	187.06	66.80	98.0	96.6	22.3	14.1
County Assembly	363.00	-	180.64	-	177.54	-	98.3		48.9	

Source: *Garissa County Treasury*

The County spent Kshs.28.85 million on payment of sitting allowances to the 48 members of the County Assembly against a budgetary allocation of Kshs.73.02 million representing an absorption rate of **49.0 per cent** of the annual budget. Each MCA was paid an average monthly sitting allowance of Kshs.98,135 compared to the SRC recommended amount of Kshs.124,800. Expenditure on domestic and foreign travel for both County Assembly and the County Executive amounted to Kshs.75.96 million in the period under review of FY 2014/15 compared to Kshs.41.2 million in the same period of FY 2013/14.

The breakdown of operations and maintenance expenditure for the period under review is shown in Figure 34.

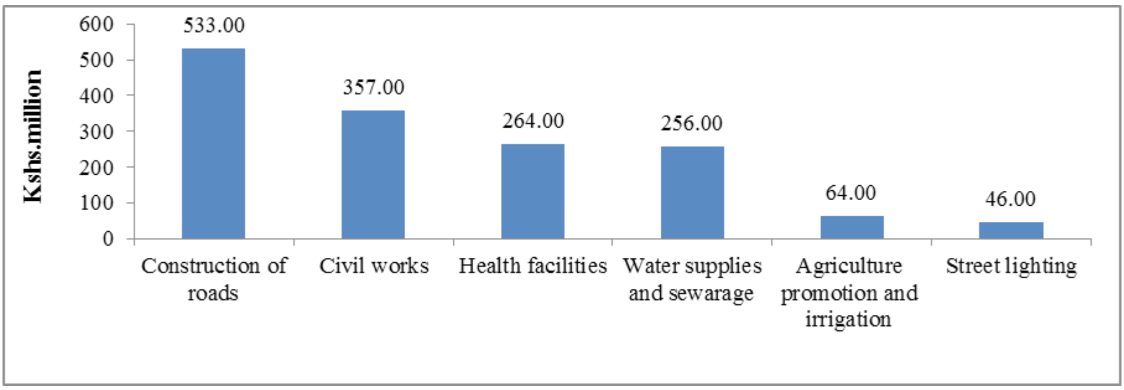
Figure 34 : Garissa County, Half Year Operations and Maintenance Expenditure



Source: *Garissa County Treasury*

Analysis of the development expenditure for the period under review of Kshs.1.52 billion shows that the County spent Kshs.533.00 million on construction of tarmac roads and maintenance of rural roads; Kshs.264.00 million for construction of health facilities; Kshs.256.00 million for construction of water pans and water supplies improvement, Kshs.64.00 million for agriculture promotion and irrigation; Kshs.18.00 million for solar street lighting system; and Ksh.357.00 for civil works as shown in Figure 35.

Figure 35 : Garissa County, Half Year Analysis of Development Expenditure



Source: *Garissa County Treasury*

During the first quarter of FY 2014/15, the office made some recommendations to address financial management challenges and to improve budget execution. These included; i) automation of revenue collection, ii) full operationalization of IFMIS, and iii) human capacity building in financial management. The County government has been able to implement most of these recommendations.

However, following issues require attention by the County government;

1. Weak internal audit mechanisms.
2. Inadequate monitoring and evaluation systems.
3. There were connectivity problems in regards to IFMIS and G-Pay systems.
4. Low revenue collection against annual target.

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

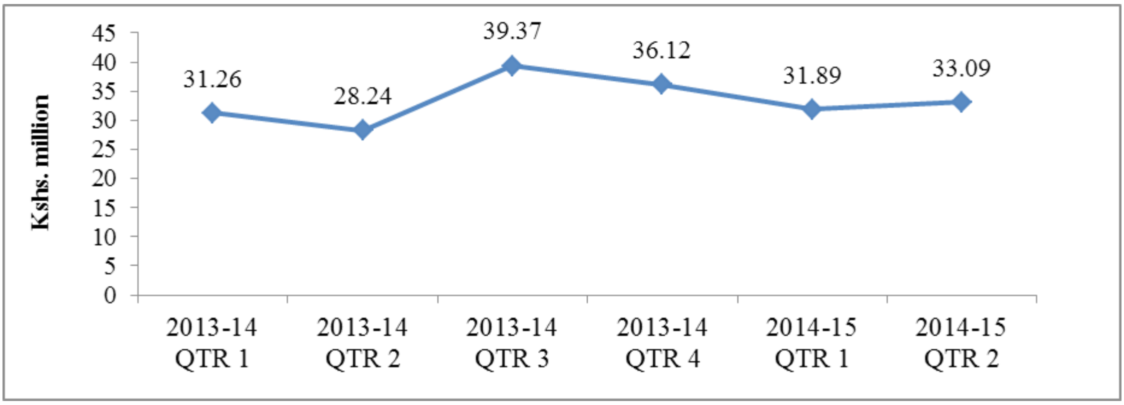
1. *Strengthen the internal audit department.*
2. *Develop appropriate project monitoring and evaluation systems.*
3. *County Treasury should liaise with National Treasury to address IFMIS and G-Pay connectivity challenges.*
4. *Measures should be put in place to improve revenue collections.*

Homa Bay County

The Homa Bay County Budget Estimates for the FY 2014/15 amounted to Kshs.5.29 billion comprising of Kshs.3.60 billion (68.1 per cent) for recurrent expenditure and Kshs.1.69 billion (31.9 per cent) for development expenditure. The budget is to be financed by the national equitable share of Kshs.4.89 billion (92.4 per cent), local revenue sources of Kshs.401.9 million (7.6 per cent) and Kshs.15.75 million (0.3 per cent) as projected balance from FY 2013/14.

In the first half of FY 2014/15, the County received Kshs.2.27 billion as national shareable revenue, raised Kshs.64.99 million from local sources, and had Kshs.19.77 million as cash balance brought forward from FY 2013/14. The County collected Kshs.31.89 million in the first quarter and Kshs.33.10 million in the second quarter. The local revenue raised in the first half of FY 2014/15 of Kshs.64.99 million was 16.2 per cent of the annual local revenue target, an improvement from Kshs.59.5 million collected in the same period of FY 2013/14. Figure 36 shows the trend of local revenue collection by quarter.

Figure 36: Homa Bay county Trend in Local Revenue Collection



Source: *Homa Bay County Treasury*

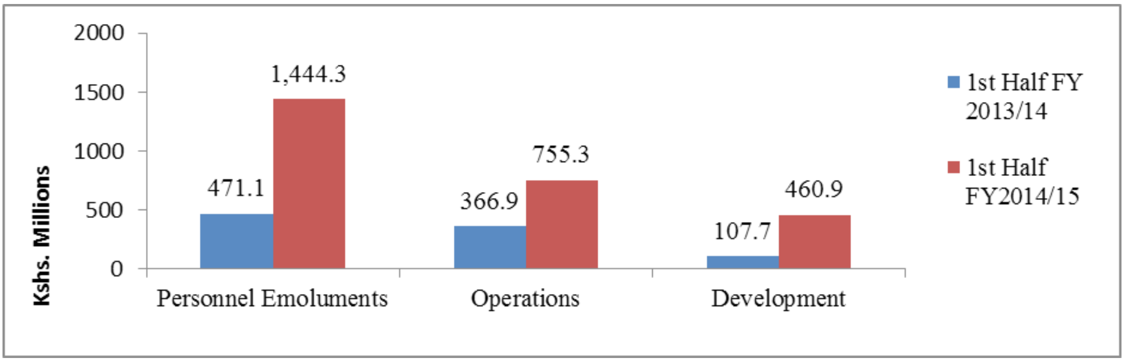
Funds released to the county during the period under review amounted to Kshs.1.92 billion, of which Kshs.1.48 billion (77.2 per cent) was for recurrent expenditure and Kshs.438 million (22.8 per cent) was for development activities.

The total expenditure for the first half of FY 2014/15 was Kshs.2.66 billion which was **138 per cent** of the total funds released and an increase from the Kshs.945 million spent in the same period of FY 2013/14. The County spent Kshs.2.20 billion (82.7 per cent) on recurrent activities and Kshs. 460.92 million (17.3 per cent) on development activities. Recurrent expenditure was 148.2 per cent of the funds released while development expenditure accounted for 105.2 per cent. This expenditure does not include outstanding commitments as of December 31, 2014 that amounted to Kshs.67.80 million for recurrent expenditure and Kshs.1.01million for development activities.

The recurrent expenditure for the period under review represented an absorption rate of **61 per cent** of the annual recurrent budget, an increase from an absorption rate of **26.3 per cent** realized in the same period of FY 2013/14. Development expenditure recorded an absorption rate of **27.3 per cent** of the annual development budget, an improvement compared to the same period of FY 2013/14 which was at **5.0** per cent.

Analysis of the recurrent expenditure of Kshs.2.20 billion shows that the County spent Kshs.1.44 billion on personnel emoluments which represents 65.5 per cent of the total recurrent expenditure and Kshs.755.28 million on operations and maintenance expenditure which is 35 per cent of the total recurrent expenditure for the first half of FY 2014/15. A comparison of the total expenditure between the period under review and the same period last financial year is shown in Figure 37.

Figure 37: Homa Bay County Expenditure by Economic Classification



***Source:** Homa Bay County Treasury*

Analysis of expenditure by department shows that department of Physical Planning, Lands & Housing had the highest absorption rate on recurrent expenditure at 129.8 per cent while Transport & infrastructure had the highest absorption rate on development expenditure at 101 per cent. The expenditure of various departments is summarised in Table 11.

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

DEPARTMENT	BUDGET ALLOCATION (Kshs.Million)		EXCHEQUER ISSUES (Kshs. Million)		EXPENDITURE (Kshs.Million)		% OF EXPENDITURE TO EXCHEQUER ISSUES		EXPENDITURE TO ANNUAL BUDGET Absorption Rate(%)	
	REC	DEV	REC	DEV	REC	DEV	REC	DEV	REC	DEV
Health	1,043.17	116.80	538.8	42.0	340.89	15.65	63.3	37.3	32.7	13.4
Agriculture,livestock & fisheries	208.27	136.27	103.6	36.7	27.85	11.72	26.9	31.9	13.4	8.6
Water and Environment.	60.17	95.27	30.08	45.6	11.62	4.93	38.6	10.8	19.3	5.2
Education and ICT	285.40	61.80	140.2	31.5	108.62	27.33	77.5	86.8	38.1	44.3
Transport & Infrastructure	28.95	34.55	26.7	189.6	34.75	34.89	130	37.6	120	101
Physical Planning, Lands & Housing	59.66	4.00	29.8	6.0	77.43	00	259.8	00	129.8	00

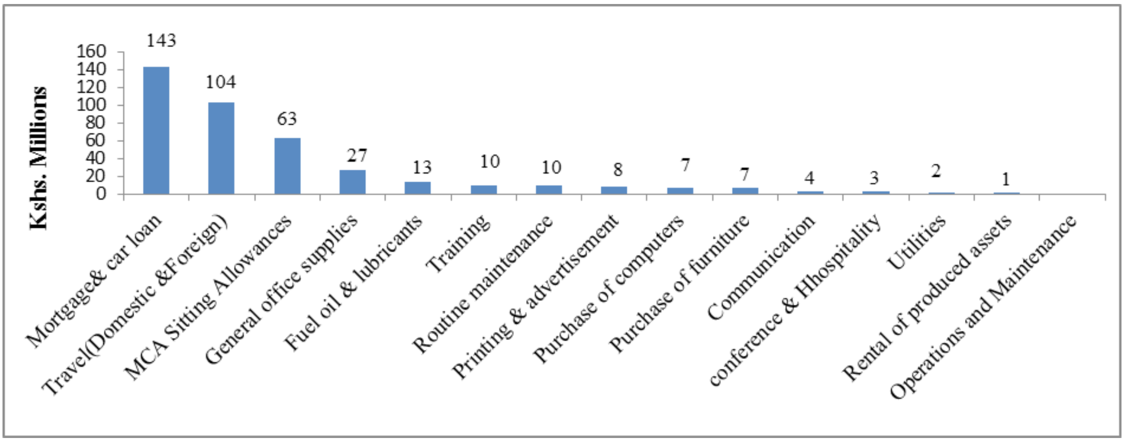
DEPARTMENT	BUDGET ALLOCATION (Kshs.Million)		EXCHEQUER ISSUES (Kshs. Million)		EXPENDITURE (Kshs.Million)		% OF EXPENDITURE TO EXCHEQUER ISSUES		EXPENDITURE TO ANNUAL BUDGET Absorption Rate(%)	
	REC	DEV	REC	DEV	REC	DEV	REC	DEV	REC	DEV
Finance & Economic Planning	271.34	476.09	136.7	76.6	58.50	86.69	42.8	113.2	21.6	18.2
County Public Service Board	69.72	0	26.0	0	9.80	00	37.7	00	14.0	00
County Executive	336.61	36.40	117.7	14.0	45.62	16.1	38.8	115	13.5	44.2
County Assembly	948.23	948.23	313.6	19.6	248.64	12.84	79.3	65.5	26.6	1.3
Trade, Industry and Investment	130.01	106.00	64.02	48.9	41.93	00	65.5	00	32.2	00
Tourism, Culture and Sports	106.50	33.00	53.2	12.0	11.79	00	22.2	00	11.1	00
Energy and Natural Resources	28.95	34.55	14.5	15.5	16.56	2.66	11.4	17.2	57.2	7.7

Source: *Homa Bay County Treasury*

The County spent Kshs.63.41 million on payment of sitting allowances to the 64 members of the County Assembly against a budgetary allocation of Kshs.150 million representing an absorption rate of 42.3 per cent. Each MCA was paid an average monthly sitting allowance of Kshs.165,120 compared to the SRC recommended amount of Kshs.124,800. Expenditure on domestic and foreign travel amounted to Kshs.76.81 million for the County Assembly and Kshs.41.85 million for County Executive in the period under review compared to Kshs.62.81 million in the same period of FY 2013/14.

The breakdown of operations and maintenance expenditure for the period under review is shown in Figure 38.

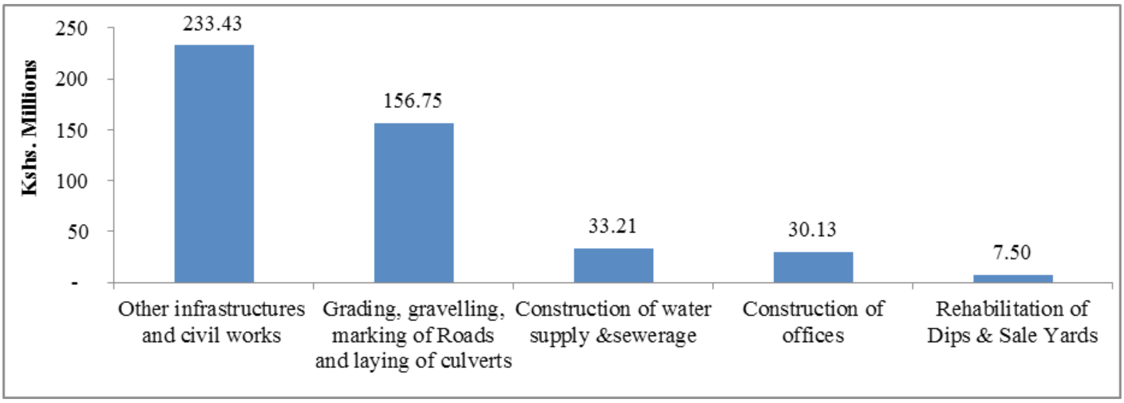
Figure 38: Homa Bay County Operations and Maintenance Expenditure



Source: *Homa Bay County Treasury*

Analysis of the development expenditure of Kshs.460 million shows that the County spent Kshs.156 million on development and maintenance of access roads, Kshs.30 million on construction and refurbishment of buildings, Kshs.33 million on maintenance and construction of water supplies and sewerage and Kshs.233 million on development of other infrastructure and civil works as shown in Figure 39.

Figure 39: Homa Bay County Analysis of Development Expenditure



Source: *Homa Bay County Treasury*

During the period under review, the office noted minimal improvement in budget implementation. The County had the following challenges which were highlighted in the previous CBIRRs; i) The County Assembly had not approved the Finance Bill, ii) lack of adequate internal controls, iii) underperformance of local revenue, iv) connectivity challenges to the IFMIS system, v) low absorption of development funds, and vi) lack of Internal Audit Committee contrary to Section 155(5) of the PFMA, 2012.

The status for these challenges remains the same except on the Finance Bill, which has now been approved by the County Assembly. The office is concerned by the slow pace at which the County in addressing budget implementation challenges. We recommend that the County should address the challenges to improve budget execution by implementing the following measures:

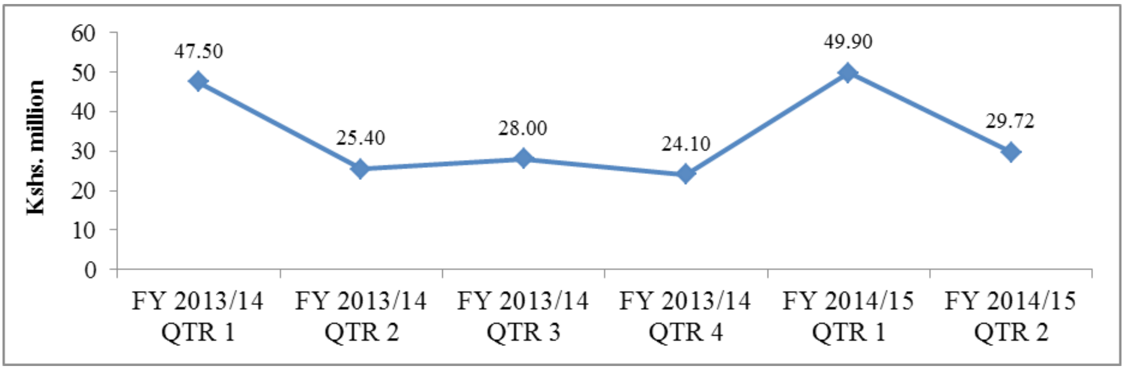
1. *Institute adequate internal controls in financial management.*
2. *Enhance efforts in local revenue collection,*
3. *Liaise with the National Treasury to address IFMIS connectivity challenges as they arise,*
4. *Build capacity of technical departments to boost implementation of development activities.*
5. *Establish an Internal Audit Committee as per section 155(5) of the PFM Act, 2012 to enhance prudent public financial management.*

Isiolo County

The FY 2014/15 budget estimate for Isiolo County is Kshs.2.77 billion comprising of Kshs.1.94 billion (70.1 per cent) allocated for recurrent expenditure and Kshs.826.10 million (29.9 per cent) for development expenditure. This budget will be financed by Kshs.2.60 billion (87.7 per cent) from the national equitable share, Kshs.360.96 million (12.2 per cent) from local revenue sources, Kshs.5.59 million (0.2 per cent) as a conditional grants from DANIDA. The County did not budget for the Kshs.319.97 million brought forward from the FY 2013/14.

In the first half of FY 2014/15, the County received Kshs.1.00 billion as the national equitable share of revenue, collected Kshs.79.62 million from local sources and Kshs.319. 97 million being balance brought forward from FY 2013/14. Local revenue consisted of Kshs.49.90 million generated in the first quarter and Kshs.29.72 million in the second quarter. The local revenue of Kshs.79.62 million raised in the first half was 22.1 per cent of the annual local revenue target, an improvement from Kshs.72.9 million raised in some period of FY 2013/14. Figure 40 shows a summary of local revenue by quarter.

Figure 40: Isiolo County, trend of Local Revenue Collection by Quarter



Source: *Isiolo County Treasury*

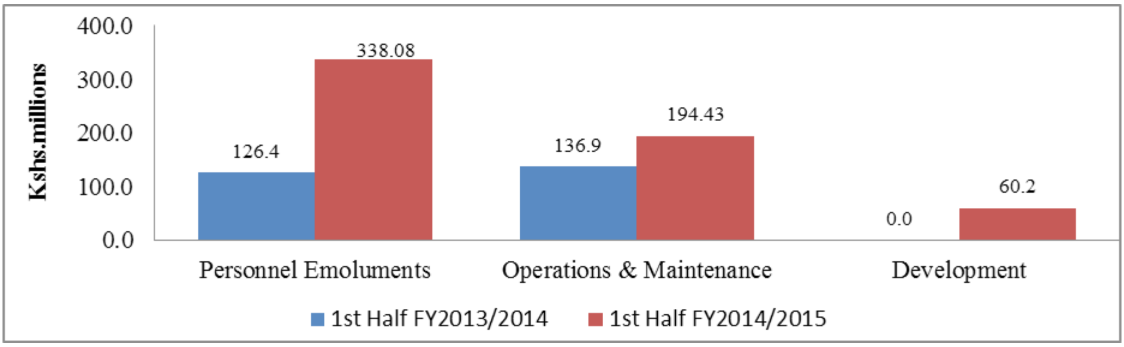
Funds released to the County during the period under review amounted to Kshs.1.08 billion, of which Kshs.780.00 million (72.2 per cent) was for recurrent expenditure while Kshs.300.00 million (27.8 per cent) was for development activities.

The total expenditure for the first half of FY 2014/15 was Kshs.594.10 million which was **54.9 per cent** of the total funds released and an improvement from the Kshs.263.00 million spent in the similar period of FY 2013/14. The County spent Kshs.532.52 million (**89.8 per cent**) on recurrent activities and Kshs.60.22 million (**10.2 per cent**) on development activities. Recurrent expenditure was **68.3 per cent** of the funds released while development expenditure accounted for **20.1 per cent** of the funds released for the development projects. This expenditure does not include outstanding commitments as of December 31, 2014 that amounted to Kshs.39.44 million for recurrent expenditure and Kshs.70.08 million for development activities.

The recurrent expenditure for the period under review represented an absorption rate of **28.9 per cent** of the annual recurrent budget, an improvement from an absorption rate of **15.0 per cent** in the first half of FY 2013/14. The development expenditure translated to an absorption rate of **7.3 per cent** of the annual development budget, which is an improvement since the County did not record any development expenditure in the first half of FY 2013/14.

Analysis of the recurrent expenditure shows that the County spent Kshs.338 million on personnel emoluments which translates to **63.5 per cent** of the total recurrent expenditure and Kshs.194 million on operations and maintenance expenditure which is **36.5 per cent** of the total recurrent expenditure for the period. A comparison of the total expenditure between the period under review and the similar period last financial year is shown in Figure 41.

Figure 41: Isiolo County, First Half Expenditure by Economic Classification



Source: *Isiolo County Treasury*

Analysis of expenditure by department shows that the Office of the Governor had the highest absorption rate of the annual recurrent budget at 37.0 per cent while Public Service Management department had the lowest absorption rate of the annual recurrent budget at 11.0 per cent. Furthermore, the Office of the Governor had the highest absorption rate of the annual development budget at 29.0 per cent. The expenditure of various departments is summarised in Table 12 .

Table 12: Isiolo County FY 2014/15 Budget and Expenditure by Department for the First Half of FY 2014/15.

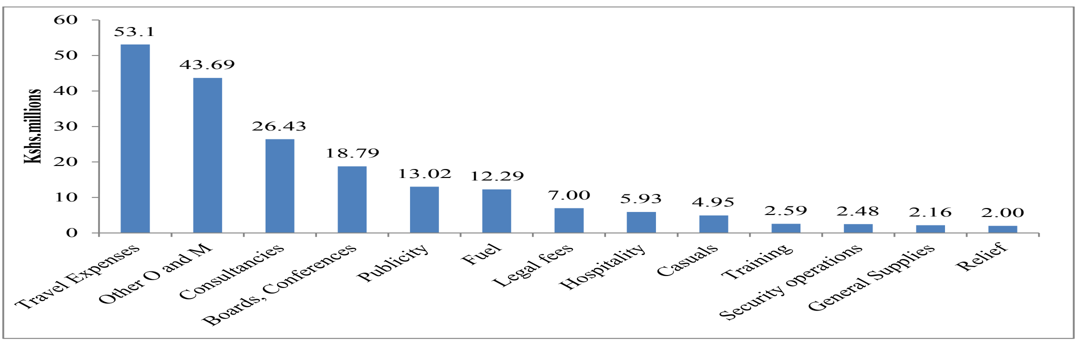
DEPARTMENT	BUDGET ALLOCATION (Kshs. Million)		EXCHEQUER ISSUES (Kshs. Million)		EXPENDITURE (Kshs. Million)		% OF EXPENDITURE TO EXCHEQUER ISSUES		EXPENDITURE TO ANNUAL BUDGET (Absorption Rate %)	
	REC	DEV	REC	DEV	REC	DEV	REC	DEV	REC	DEV
County Assembly	358.8	-	74.5	-	48.0	-	64%	0%	13%	0%
Office of the Governor	264.5	91.5	113.0	36.3	97.8	26.5	87%	73%	37%	29%
Town Administration	9.6	36.3	4.7	17.0	3.0	-	63%	0%	31%	0%
County Public Service Board	54.1	-	18.9	-	11.0	-	58%	0%	20%	0%
County treasury and Planning	391.9	-	178.3	-	125.9	12.0	71%	0%	32%	0%
Roads, Housing and Works	24.4	141.0	11.8	29.3	7.1	-	60%	0%	29%	0%
Agriculture, Lands	55.6	35.4	23.1	13.8	16.3	-	71%	0%	29%	0%

DEPARTMENT	BUDGET ALLOCATION (Kshs. Million)		EXCHEQUER ISSUES (Kshs. Million)		EXPENDITURE (Kshs. Million)		% OF EXPENDITURE TO EXCHEQUER ISSUES		EXPENDITURE TO ANNUAL BUDGET (Absorption Rate %)	
	REC	DEV	REC	DEV	REC	DEV	REC	DEV	REC	DEV
Livestock and Fisheries	61.0	65.6	25.3	28.4	21.7	1.6	86%	6%	36%	2%
Cohesion and Intergovernmental relations	13.0	41.0	4.2	14.8	2.7	2.0	63%	14%	21%	5%
Education Sports and culture	59.2	76.1	24.3	24.0	11.2	15.5	46%	65%	19%	20%
Tourism, Trade and Cooperatives	98.2	91.4	46.6	37.9	26.6	0.6	57%	2%	27%	1%
Public Service Management and ICT	39.0	20.8	13.8	10.2	4.2	-	31%	0%	11%	0%
Water, Environment and Natural resources	59.0	156.0	28.9	53.0	15.1	1.9	52%	4%	26%	1%
Health Services	452.4	71.1	212.5	35.3	142.0	-	67%	0%	31%	0%

Source: *Isiolo County Treasury*

The County did not report payment of sitting allowances to the 21 members of the County Assembly. Expenditure on domestic and foreign travel amounted to Kshs.53.10 million in the period under review compared to Kshs.23.60 million in the similar period of FY 2013/14.The breakdown of operations and maintenance expenditure for the period under review is shown in Figure 42.

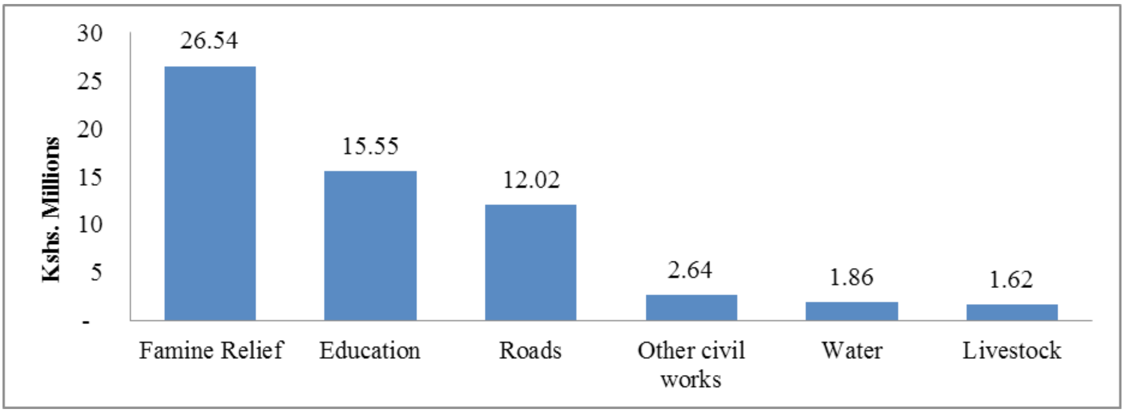
Figure 42: Operations and Maintenance Expenditure, Isiolo County



Source: *Isiolo County Treasury*

Analysis of the development expenditure of Kshs.60.2 million shows that the County spent Kshs.26.54 million on emergency relief supplies, Kshs.15.55 million on bursaries, Kshs.12.02 million on construction of roads, Kshs.2.64 million on other infrastructure and civil works as shown in Figure 43.

Figure 43: Analysis of Development Expenditure, Isiolo County



Source: *Isiolo County Treasury*

In the previous CBIRRs, the office made recommendations to address the challenges facing budget execution in the County. The following issues have been addressed:

1. **Recruitment of revenue officers:** This was done and the new staff deployed in the revenue collection departments.
2. **Automation of revenue collection:** The procurement process for a new automated revenue collection system to enhance revenue collection is at an advanced stage.

However, there were challenges that continued to hamper effective budget implementation in the reporting period as follows:

1. Low absorption of development funds.
2. Lack of Internal Audit Committee.

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

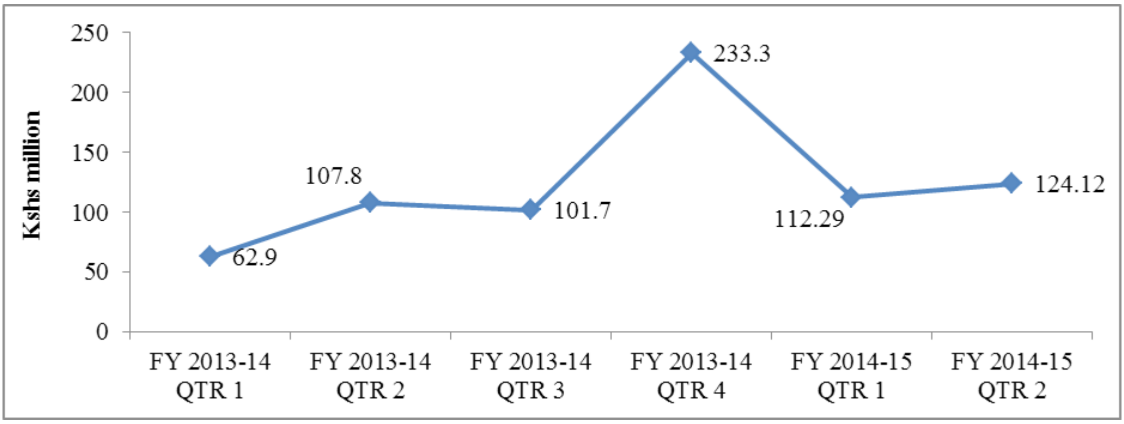
1. *The County should institute an appropriate framework to enhance implementation of development projects.*
2. *The County should establish an Internal Audit Committee as per section 155(5) of the PFM Act, 2012 to enhance prudent public financial management.*

Kajiado County

In the FY 2014/15, the County had submitted budget estimates of Kshs.5.82 billion comprising of Kshs.3.96 billion (68.0 per cent) for recurrent expenditure and Kshs.1.86 billion (32.0 per cent) for development expenditure. The budget was to be financed by Kshs.3.76 billion (57.0 per cent) from the national equitable share, and Kshs.1.85 billion (28.0 per cent) from local revenue sources The balance brought forward from FY 2013/14 of Kshs.968.90 million and Kshs.15.51 million from DANIDA had not been included in the above budget.

In the first half of financial year 2014/15, the County received Kshs.1.12 billion from the national equitable share, collected Kshs.236.42 million from local sources, and had Kshs.968.90 million as actual balance brought forward from FY 2013/14. Local revenue consisted of Kshs.112.29 million generated in the first quarter and Kshs.124.12 million in the second quarter. The total local revenue raised in the first half of FY 2014/15 of Kshs.236.42 million was 12.8 per cent of the annual local revenue target, an improvement from the Kshs.170.7 million collected in the same period of FY 2013/14. Figure 44 shows a summary of local revenue by quarter.

Figure 44 : Kajiado County Trend in Local Revenue Collection by quarter



***Source**: Kajiado County Treasury*

During the period under review, the County received exchequer issues of Kshs.2.20 billion, of which Kshs.1.66 billion (75.5 per cent) was for recurrent expenditure and Kshs.540 million (24.5 per cent) for development expenditure.

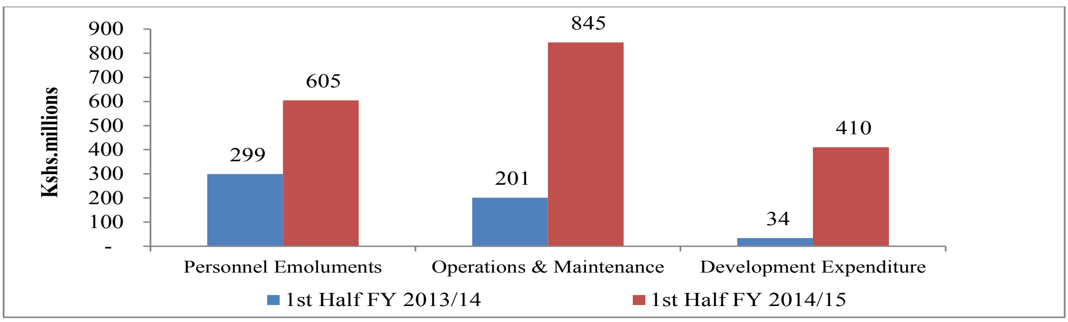
The total expenditure for the first half of FY 2014/15 was Kshs.1.86 billion which was

84.4 per cent of the total funds released an improvement from the Kshs.548.45 million spent in the same period of FY 2013/14. The County spent Kshs.1.45 billion (77.9 per cent) for recurrent activities and Kshs.410.33 million (22.1 per cent) for development projects. Recurrent expenditure was 87.1 per cent of the funds released while development expenditure accounted for 76.0 per cent of funds released for development projects. Total outstanding commitments as of December 31, 2014 stood at Kshs.96.34 million for recurrent expenditure and Kshs.0.42 million for development activities.

The recurrent expenditure for the period under review represented an absorption rate of 36.6 per cent of the annual recurrent budget, while development expenditure translated to 22 per cent of the annual development budget. The overall absorption for the period was 32 per cent, an increase from 13.7 per cent absorption rate realized in the first half of F Y2013/14.

Analysis of the recurrent expenditure shows that the County spent Kshs.604.67 million on personnel emoluments which translates to 42.1 per cent of the total recurrent expenditure and Kshs.844.75 million on operations and maintenance expenditure which is 57.9 per cent of the total recurrent expenditure for the period. A comparison of the total expenditure between the period under review and the same period last financial year is shown in Figure 45.

Figure 45: Kajiado County, First Half Expenditure by Economic Classification



***Source**: Kajiado County Treasury*

Analysis of expenditure by department shows that the department of Information & Citizen Participation had the highest absorption rate of the annual recurrent budget at 51 per cent while department Agriculture had the lowest absorption rate of the annual recurrent budget at 16 per cent. The department of Public Works had the highest absorption rate of the annual development budget at 43 per cent while the County Assembly had the lowest absorption rate of the annual development budget at 9 per cent. The County Executive and Information & Citizen Participation departments did not implement their development budgets. The expenditure of various departments is summarised below in Table 13.

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

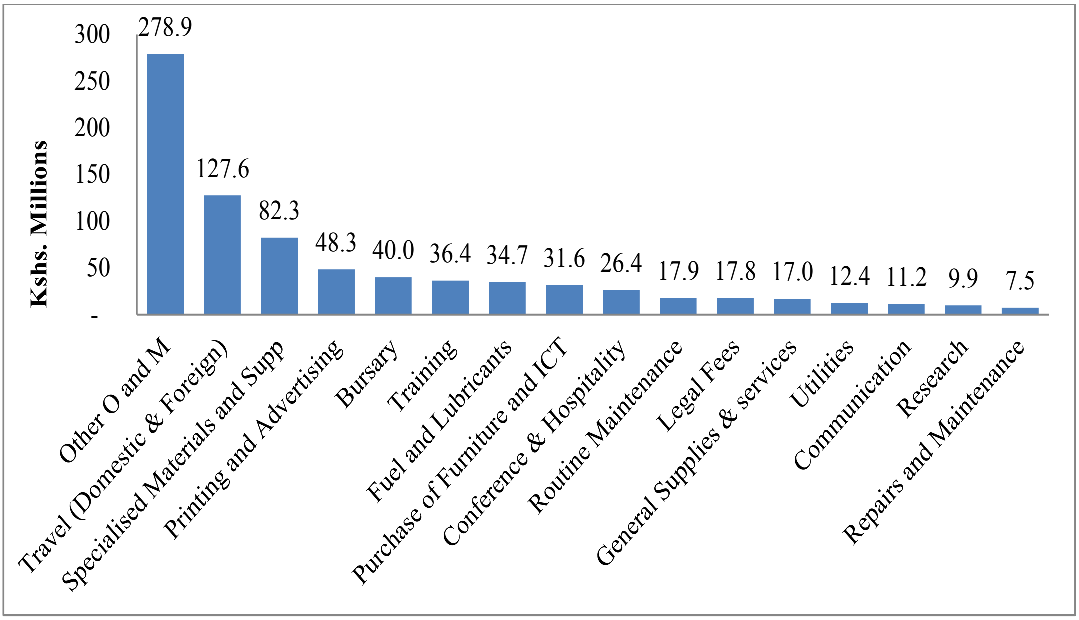
DEPARTMENT	BUDGET ALLOCATION (Kshs. Millions)		EXCHEQUER ISSUES (Kshs. Millions)		EXPENDITURE (Kshs. Millions)		Expenditure to Exchequer issues (%)		EXPENDITURE TO ANNUAL BUDGET (Absorption %)	
	REC	DEV	REC	DEV	REC	DEV	REC	DEV	**REC**	**DEV**
Health	371.01	279	183.39	65.31	149.03	95.41	81.3	146.1	40.2	34.2
Agriculture	183.65	28.3	82.8	14.15	40.03	17.02	48.3	120.3	21.8	60.1
County Assembly	615	100	207.7	34.55	150.02	18.76	72.2	54.3	24.4	18.8
County Executive (Office of the Governor and Deputy Governor)	242	130	80.04	10	81.24	0	101.5	0.0	33.6	0.0
County Public Service	1,356	0	678.12	0	466.01	0	68.7		34.4	
Finance and Economic Planning	458	100	133	25	125.38	10.51	94.3	42.0	27.4	10.5
Lands & Physical Planning	95.41	156.7	39.72	31.45	19.05	23.3	48.0	74.1	20.0	14.9
Education	182.63	315.8	79.39	104.69	110.88	156.78	139.7	149.8	60.7	49.6
Public Works & Roads	94.4	347.2	45.41	162.85	21.12	252.94	46.5	155.3	22.4	72.9
Water & Irrigation	76.54	198.2	30.2	68	16.87	96.56	55.9	142.0	22.0	48.7
Industrialization	104.68	128.5	42.35	16	23.76	36.99	56.1	231.2	22.7	28.8
Information & Citizen Participation	76.51	80	38.16	8	32.74	0	85.8	0.0	42.8	0.0
County Public Service Board	99.5	0	23.97	0	39.46	0	164.6		39.7	

***Source**: Kajiado County Treasury*

The County spent Kshs.7.74 million on payment of sitting allowances to the 41 members of the County Assembly against a budgetary allocation of Kshs.30 million, representing an absorption rate of 26 per cent. Each MCA was paid an average monthly sitting allowance of Kshs.30,725 compared to the SRC recommended amount of Kshs.124,800. Expenditure on domestic and foreign travel in the period under review amounted to Kshs.127.59 million, consisting of Kshs.52.54 million for the County Assembly and Kshs.75.05 million for the county executive, compared to Kshs.96.61 million in a similar period of FY 2013/14.

The breakdown of operations and maintenance expenditure of Kshs.855.87 million for the period under review is shown in Figure 46.

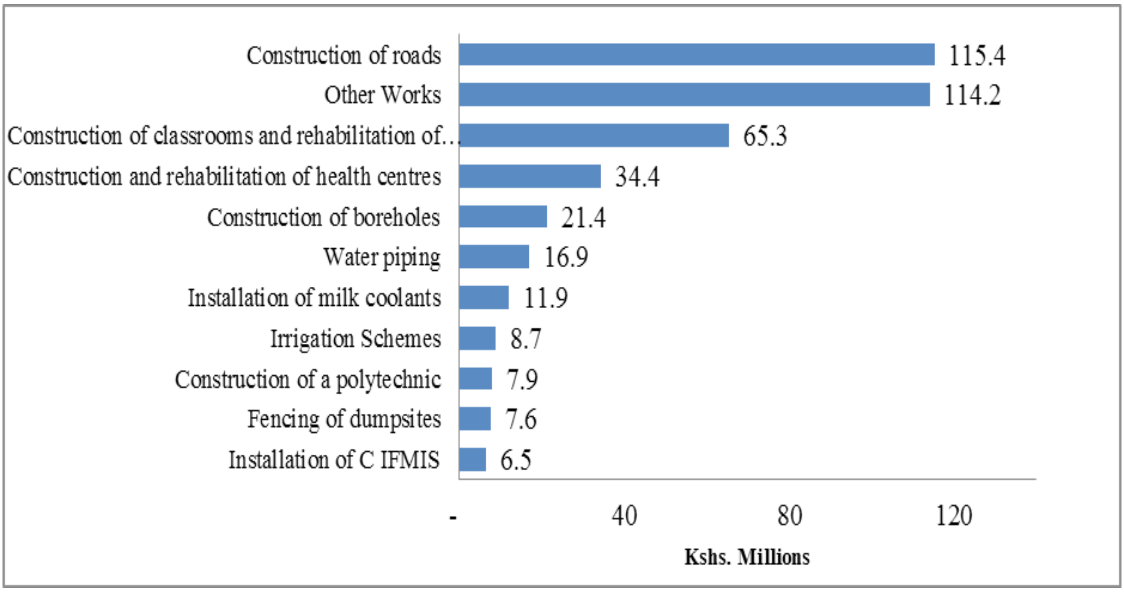
Figure 46: Kajiado County, Half Year Operations and Maintenance Expenditure



Source: *Kajiado County Treasury*

Analysis of the development expenditure of Kshs.410.34 million shows that the County spent Kshs.115.41 million on construction and maintenance of access roads, Kshs.65.30 million on construction and refurbishment of classrooms, Kshs.34.42 million on construction and rehabilitation of health centres, Kshs.21.37 million on drilling of boreholes, Kshs.11.9 million on installation of milk cooling plants, Kshs.16.94 million on water piping among other projects as summarised in Figure 47.

Figure 47: Kajiado County, Half Year Analysis of Development Expenditure



Source: *Kajiado County Treasury*

In the previous CBIRRs, OCOB made recommendations to address the challenges facing budget execution in the County; however the following issues are still pending;

1. Huge pending bills from the previous FY 2013/14 and failure to incorporate them in the budget leading to incomplete and stalled projects;
2. Connectivity challenges with the IFMIS system;
3. Failure to form various public finance management committees such as the Audit Committee.

Following are the recommendations to address these challenges/issues and improve budget execution:

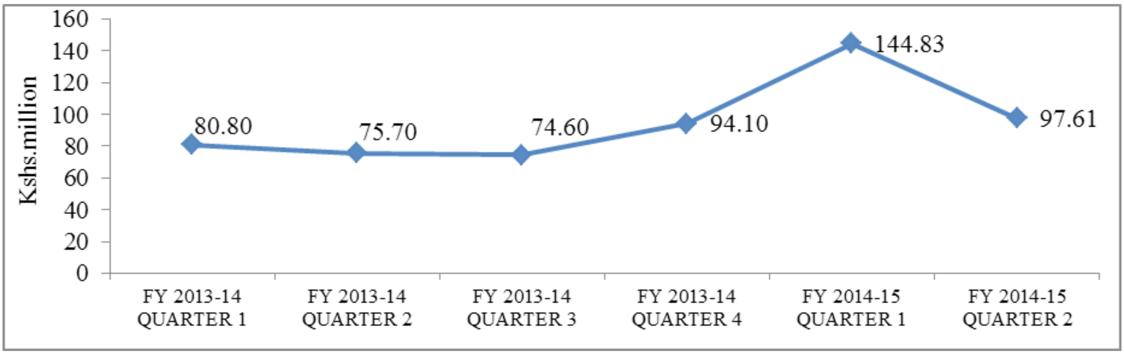
1. *The County should ensure procurement of goods and services is done in time to minimize pending bills at the closure of the Financial Year.*
2. *The County should liaise with the IFMIS Directorate to address IFMIS connectivity challenges.*
3. *The County should establish an Audit Committee to enhance accountability in public financial management.*

Kakamega County

The approved budget for the FY 2014/15 is Kshs.10.32 billion comprising of Kshs.5.69 billion (55.3 per cent) allocated for recurrent expenditure and Kshs.4.63 billion (44.7 per cent) for development expenditure. Table 14 presents budget allocation by department. This budget will be financed by Kshs.7.71 billion (74.9 per cent) from the national equitable share, Kshs.874 million (8.6 per cent) from local revenue sources and Kshs.1.68 billion (17.5 per cent) being balance brought forward from FY 2013/14.

In the first half year of FY 2014/15, the County received Kshs.3 billion as the national equitable share of revenue, collected Kshs.242.44 million from local sources, and had Kshs.1.68 billion as cash balance brought forward from FY 2013/14. Local revenue consisted of Kshs.144.83 million generated in the first quarter and Kshs.97.61 million in the second quarter. The total revenue raised in the first half of FY 2014/15 of Kshs.242.44 million was 27.7 per cent of the annual local revenue target, an improvement from Kshs.156.5 million collected in the same period of FY 2013/14. Figure 48 shows a summary of local revenue by quarter.

Figure 48: Kakamega County, trend of Local revenue Collections by Quarter



Source: *Kakamega County Treasury*

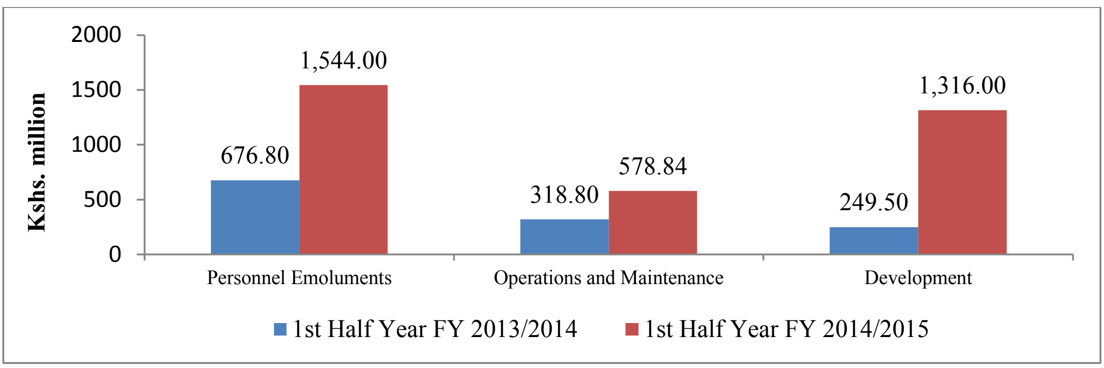
The funds released to the County for operations during the period under review amounted to Kshs.4.54 billion, of which, Kshs.2.65 billion (58.5 per cent) was for recurrent expenditure while Kshs.1.88 billion (41.5 per cent) was for development activities.

The total expenditure for the first half of FY 2014/15 was Kshs.3.5 billion which was 77 per cent of the funds released and an increase from Kshs.1.24 billion spent in the same period of FY 2013/14. The County spent Kshs.2.18 billion (62.4 per cent) on recurrent activities and Kshs.1.32 billion (37.6 per cent) on development activities. However, part of this spending categorized under development included a sum of Kshs.180 million towards MCA's car loans. The recurrent expenditure was 82.1 per cent of the funds released for recurrent activities while development expenditure accounted for 69.9 per cent of the funds released under the development vote. This expenditure does not include outstanding commitments as of December 31, 2014 that amounted to Kshs.44.56 million for recurrent expenditure and Kshs.23.68 million for development activities.

The recurrent expenditure for the period under review represented an absorption rate of **38.4 per cent** of the annual recurrent budget, an improvement from an absorption rate of **16.2 per cent** realized in the first half of FY 2013/14. The development expenditure translated to an absorption rate of **28.4 per cent** of the annual development budget, an improvement from absorption rate of **3.5 per cent** recorded in the same period last financial year.

Analysis of the recurrent expenditure shows that the County spent Kshs.1.6 billion on personnel emoluments which translates to 77.04 per cent of the total recurrent expenditure and Kshs.578.84 million on operations and maintenance expenditure which is 22.96 per cent of the total recurrent expenditure for the year. The expenditure analysis excludes the County Public Service Board as they did not submit their financial returns as required. A comparison of the total expenditure between the period under review and the same period last financial year is shown in Figure 49.

Figure 49 : Kakamega County First Half Expenditure by Economic Classification



Source: *Kakamega County Treasury*

Analysis of recurrent expenditure by department shows that the department of Public Service and Administration had the highest absorption rate of the annual recurrent budget at 88.1 per cent while the department of Transport, Infrastructure and Public works had the lowest absorption rate of the annual recurrent budget at 1.9 per cent. On development expenditure, the department of Education, Science and Technology had the highest absorption of 55.6 per cent while the Office of the Governor, County Treasury and the Department of Lands did not spend funds on their planned development activities. The expenditure of various departments is summarised below in Table 14.

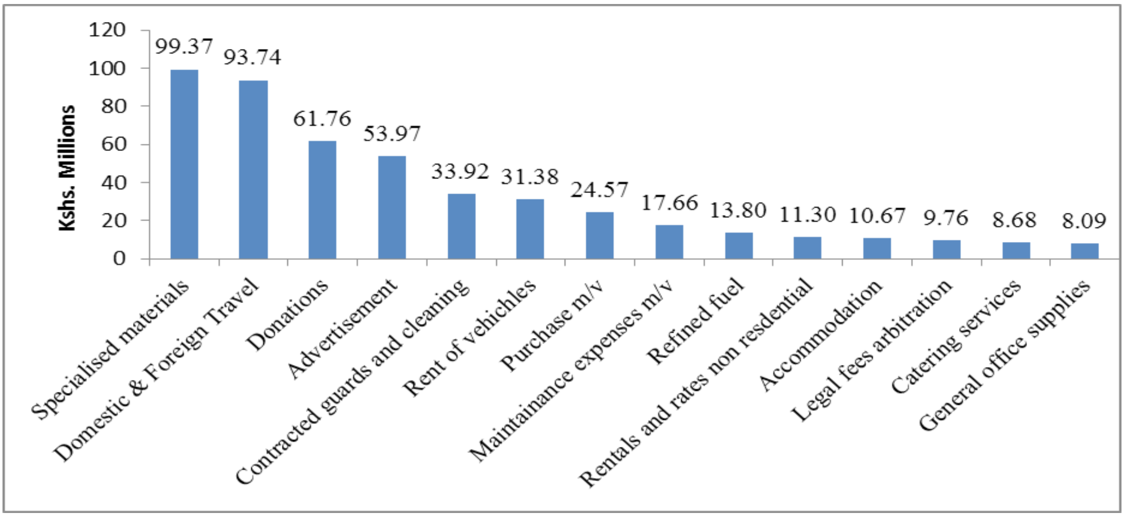
Table 14: Kakamega County FY 2014/15 Budget and Expenditure by Departments for the First Half of FY 2014/15

DEPARTMENT	BUDGET ALLOCATION (Kshs. Million)		EXCHEQUER ISSUES (Kshs. Million)		EXPENDITURE (Kshs.Million)		% OF EXPENDITURE TO EXCHEQUER ISSUES		ABSORPTION (%)	
	REC	DEV	REC	DEV	REC	DEV	REC	DEV	REC	DEV
Public services and Administration	1,861.30	185	903.8	82.5	1640.4	48.5	181.5	58.8	88.1	26.2
County Treasury & Economic Planning	180.3	300	102.6	90	46.5	0	45.3	0.0	25.8	0.0
Environment, Natural Resources, Water & Forestry	102.3	173.2	50.1	76.7	34.4	13.7	68.7	17.9	33.6	7.9
Labour, Social Services, Youth and Sports	39.8	236.3	19.4	85.6	3.2	3.5	16.5	4.1	8.0	1.5
Transport, Infrastructure and Public Works	62.7	1,077	30.1	430	1.2	394.3	4.0	91.7	1.9	36.6
Lands, Housing, Urban Areas and Planning	72.5	292	35.5	149.6	3.2	0	9.0	0.0	4.4	0.0
Health Services	1,749.10	629	826.7	310.9	137.8	97.1	16.7	31.2	7.9	15.4
Agriculture, Livestock, Fisheries and Co-operatives	310.2	730	157.7	170.3	7.5	237.2	4.8	139.3	2.4	32.5
Industrialization, Trade and Tourism	70	340	32.7	113.2	4.3	64.1	13.1	56.6	6.1	18.9
Education, Science & Technology &ICT	316.4	500	95.6	312.1	63.5	278.1	66.4	89.1	20.1	55.6
Office of the Governor	216.1	55	100.4	30	55.4	0	55.2	0.0	25.6	0.0
CPSB	55.3	0	26.9	0	0	0	0.0		0.0	
County Assembly	651	100	275.8	32.9	173.6	180	62.9	547.1	26.7	180.0

Source: *Kakamega County Treasury*

The County spent Kshs.70.31 million on payment of sitting allowances to the 87 members of the County Assembly against a budgetary allocation of Kshs.178.14 million, representing an absorption rate of 39.5 per cent. Each MCA was paid an average monthly sitting allowance of Kshs.134,700 compared to the SRC recommended amount of Kshs.124,800. Expenditure on domestic and foreign travel in the period under review amounted to Kshs.93.74 million, consisting of Kshs.63.90 million for the County Assembly and Kshs.29.84 million, compared to Kshs.76.4 million in the same period of FY 2013/14 as shown in Figure 50.

Figure 50: Kakamega County Operations and Maintenance expenditure (Kshs. Millions)



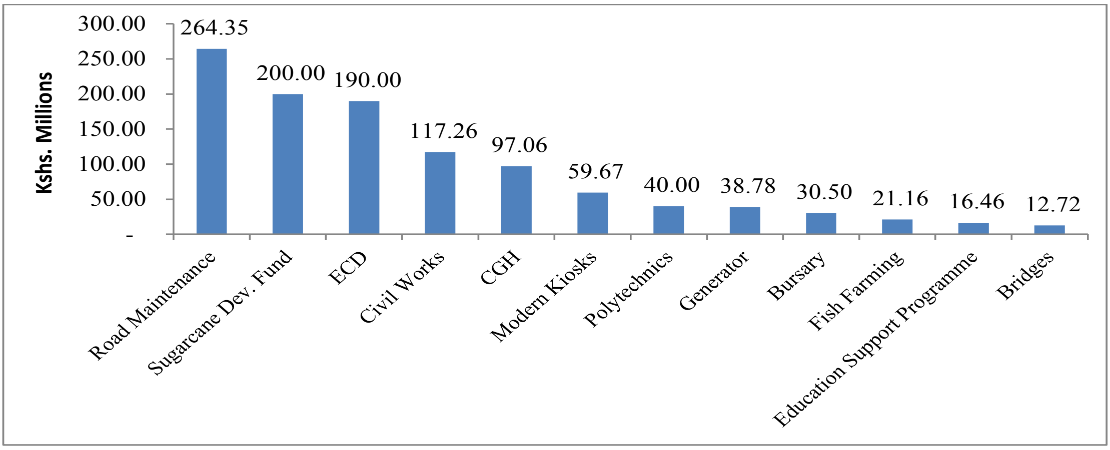
Source: *Kakamega County Treasury*

Development expenditure for first half of F Y2014/15 was Kshs.1.14 billion. This was an improvement from the same period last financial year 2013/14 when Kshs.249.5 million was spent on development.

Analysis of the development expenditure for the period under review shows that the County spent Kshs.264.35 million on construction and maintenance of rural and urban access roads, Kshs.200 million on intervention to bail out unpaid Mumias sugar farmers through the Sugar Revolving Fund, Kshs.190 million on construction of ECD classrooms in the County, Kshs.117.26 million on civil works, Kshs.97 million on Kakamega County level-5 hospital, Kshs.59.67 million on the construction of modern trading kiosks, Kshs.40 million on youth polytechnics among other development projects.

The County Assembly did not provide their detailed development expenditure despite reporting development expenditure. Figure 51 shows the high expenditure streams.

Figure 51: Kakamega County Analysis of Development Expenditure



Source: *Kakamega County Treasury*

During the period under review, the office noted some improvement in budget implementation and public financial management. The County has: (i) implemented IFMIS, and, (ii) employed chief officers as recommended by OCOB.

However, some challenges continue to hamper effective budget implementation as follows;

1. **High Wage Bill**. The County government of Kakamega inherited high number of staff with an approximate annual budget of Kshs.3.2 billion which represents 31 per cent of the annual budget estimates. This leaves the County with constrained resources to fund key activities.
2. **Lack of functional Audit Committee.** The lack of a functional County Audit Committee has hampered effective discharge of the internal audit activities across departments.

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

1. *The County should continue to liaise with the National Government for rationalization of staff under the CARPS programme being initiated by the National Government.*
2. *The County government should also put in place a functional Audit Committee in order to enhance and strengthen the oversight and advisory mechanisms within the*

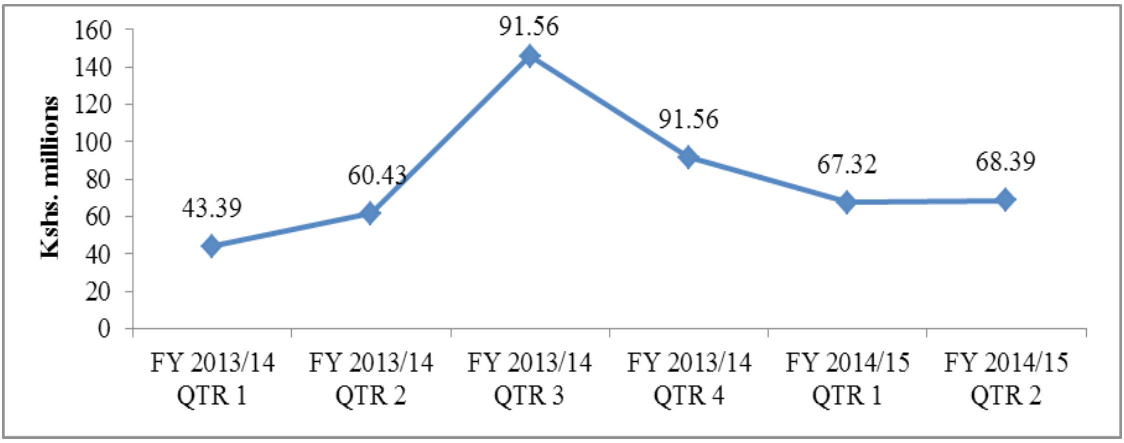
County government structure.

Kericho County

The Kericho County Budget Estimates for the FY 2014/15 amounted to Kshs.4.55 billion comprising of Kshs.3.09 billion (67.97 per cent) for recurrent expenditure and Kshs.1.46 billion (32.03 per cent) for development expenditure. The budget is to be financed by the national equitable share of Kshs.3.84 billion (84.2 per cent), local revenue sources of Kshs.671.28 million (14.7 per cent), DANIDA grants of Kshs.46.19 million (1.0 per cent) and Kshs.183.64 million as projected cash balance from FY 2013/14.

In the first half of FY 2014/15, the County received Kshs.1.48 billion as national shareable revenue, Kshs.135.72 million from local sources, and had Kshs.183.64 million as cash balance brought forward from the FY 2013/14. Local revenue consisted of Kshs.67.32 million generated in the first quarter and Kshs.68.39 million in the second quarter. The local revenue raised in the first half of FY 2014/15 of Kshs.135.72 million was 20 per cent of the annual local revenue target, an improvement from Kshs.103.82 million collected in the similar period of FY 2013/14. Figure 52 shows the trend of local revenue collection by quarter.

Figure 52 : Kericho County Trend of Local Revenue Collection by Quarter



Source*: Kericho County Treasury*

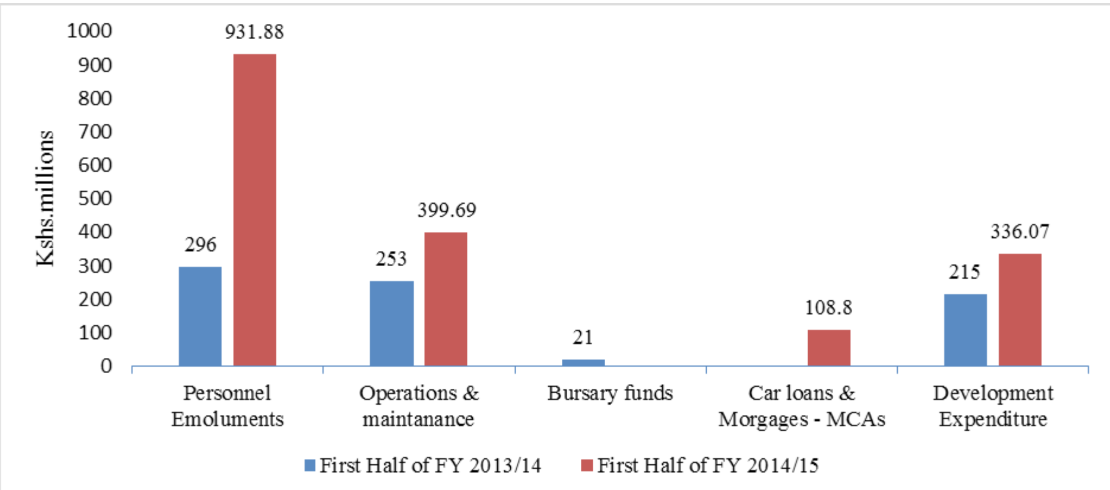
During the period under review the County received exchequer issues of Kshs.2.01 billion, of which Kshs.1.57 billion (78.3 per cent) was for recurrent expenditure and Kshs.435.41 million (21.7 per cent) was for development activities.

The total expenditure for the first half of FY 2014/15 was Kshs.1.67 billion which was 83.1 per cent of the total funds released an improvement from the Kshs.764.07 million spent in the similar period of FY 2013/14. The County spent Kshs.1.33 billion (79.8 per cent) on recurrent activities and Kshs.336.07 million (20.2 per cent) on development activities. Recurrent expenditure was 84.8 per cent of the funds released while development expenditure accounted for 77.2 per cent. This expenditure does not include outstanding commitments as of December 31, 2014 that amounted to Kshs.1.17 million for recurrent expenditure and Kshs.1.27 million for development activities.

The recurrent expenditure for the period under review represented an absorption rate of 43 per cent of the annual recurrent budget, an increase from an absorption rate of 27.0 per cent realized in the similar period of FY 2013/14. Development expenditure translated to an absorption rate of 23 per cent of the annual development budget, an improvement from 14.3 per cent recorded in the similar period in FY 2013/14.

Analysis of the recurrent expenditure of Kshs.1.33 billion shows that the County spent Kshs.931.88 million on personnel emoluments which represents 70 per cent of the total recurrent expenditure and Kshs.399.69 million on operations and maintenance expenditure which is 30 per cent of the total recurrent expenditure for the first half of FY 2014/15. A comparison of the total expenditure between the period under review and the similar period last financial year is shown in Figure 53.

Figure 53: Kericho County FY 2014/15 First Half Expenditure by Economic Classification



Source: Kericho County Treasury

Analysis of expenditure by department shows that department of Public Service and Administration had the highest absorption rate of the annual recurrent budget at 59.8 per cent while the department of Agriculture, Livestock & Fisheries had the highest absorption rate of its annual development budget at 37.2 per cent. The expenditure of various departments are summarised below in Table 15.

Table 15: Kericho County FY 2014/15 Budget and Expenditure by Departments for the First Half of FY 2014/15

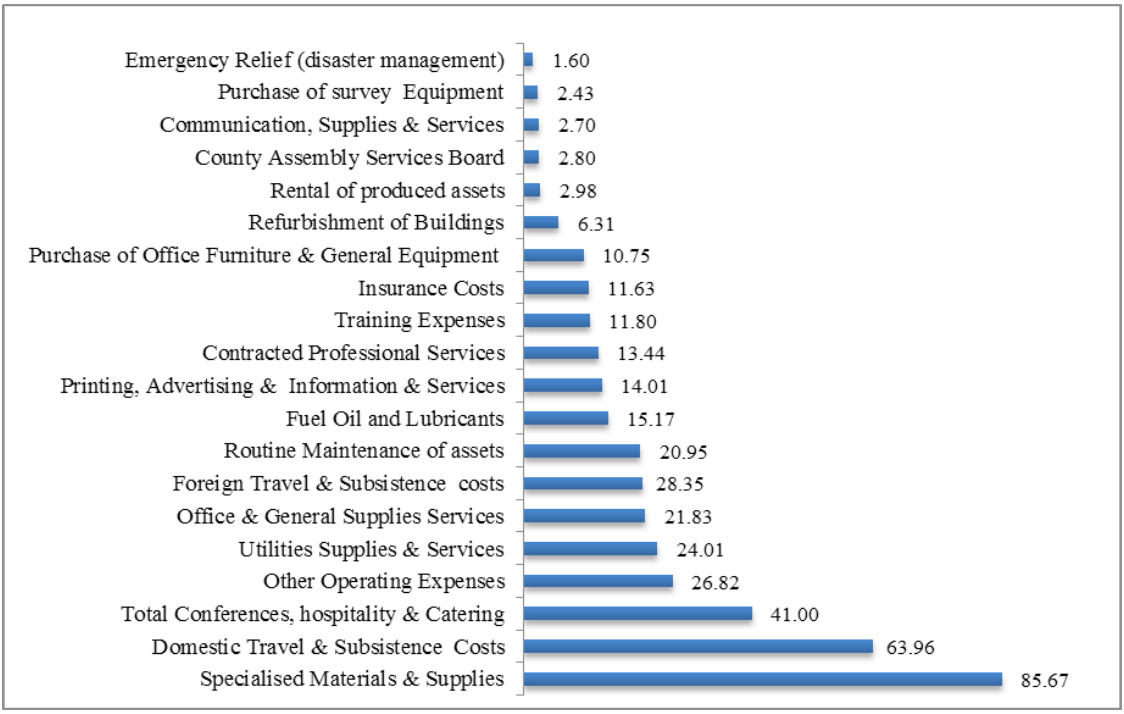
DEPARTMENT	BUDGET ALLOCATION (Kshs. million)		EXCHEQUER ISSUES (Kshs. million)		EXPENDITURE (Kshs. million)		Expenditure to Exchequer issues (%)		EXPENDITURE TO ANNUAL BUDGET (Absorption rate %)	
	REC	DEV	REC	DEV	REC	DEV	REC	DEV	REC	DEV
County Assembly Services	632.96	-	328.09	-	307.02	-	93.6		48.5	-
Public Service and Administration	244.87	-	122.43	-	146.48	-	119.6		59.8	-
Office of the Governor & Deputy Governor	104.35	-	52.17	-	34.60	-	66.3		33.2	-
County Public Service Board	53.71	-	26.85	-	12.22	-	45.5		22.8	-
Finance &Economic Planning	186.37	20.54	93.18	-	66.24	0.25	71.1		35.5	1.2
Agriculture, Livestock &Fisheries	153.30	78.00	76.65	40.22	69.96	28.98	91.3	72.1	45.6	37.2
Environment, Water, Energy & Natural Resources	56.41	159.48	28.20	61.83	20.40	22.24	72.3	36.0	36.2	13.9
Education, Youth, Culture & Social services	270.93	127.15	135.46	20.50	130.90	-	96.6	0.0	48.3	0.0
Health Services	1,215.21	173.19	607.60	40.00	599.93	6.73	98.7	16.8	49.4	3.9
Land, Housing & Physical Planning	35.54	43.62	17.77	17.77	14.91	10.64	83.9	59.9	41.9	24.4
Public Works, Roads & Transport	55.64	738.00	27.82	238.45	19.59	257.18	70.4	107.9	35.2	34.8
ICT & E-Government	18.12	20.00	9.06	5.50	6.97	3.45	77.0	62.8	38.5	17.3
Trade, Industrialization, Tourism, Wildlife & Cooperative Development	67.43	98.32	33.72	11.14	32.17	6.60	95.4	59.3	47.7	6.7

Source: *Kericho County Treasury*

The County spent Kshs.26.56 million on payment of sitting allowances to the 48 members of the County Assembly against a budgetary allocation of Kshs.84.87 million representing an absorption rate of 31.3 per cent. Each MCA was paid an average monthly sitting allowance of Kshs.92,242 compared to the SRC recommended amount of Kshs.124,800. Expenditure on domestic and foreign travel for both County Assembly and County Executive amounted to Kshs.92.31 million in the period under review compared to Kshs.52.58 million in the similar period of FY 2013/14.

The breakdown of operations and maintenance expenditure for the period under review is shown in Figure 54.

Figure 54: Kericho County FY 2014/15 Half Year Operations and Maintenance Expenditure (in Kshs. Millions)

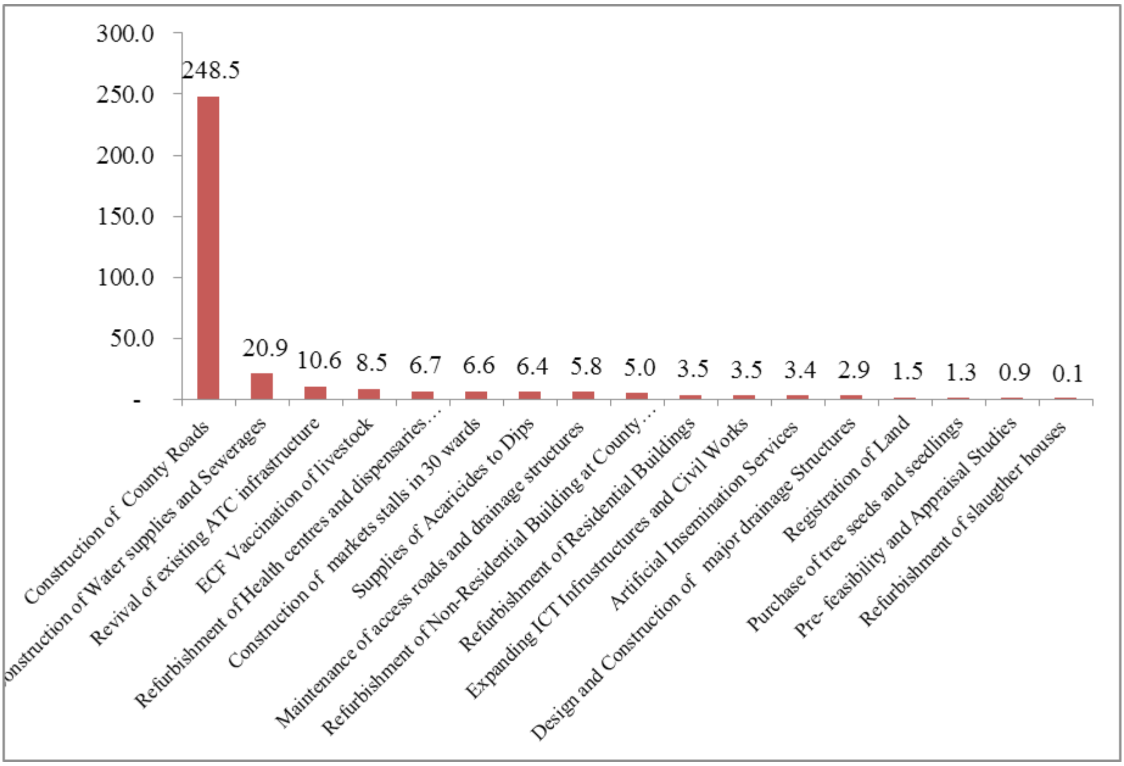


***Source:** Kericho County Treasury*

Analysis of the development expenditure of Kshs.336 million shows that the County spent Kshs.248.5 million on construction and maintenance of County access roads in 30 wards, Kshs.20.9 million on construction of water supplies and sewerage drainages in urban towns, Kshs.10.6 million in improvement of the existing ATC infrastructures, Kshs.8.5 million in ECF vaccination programme of over 2000 livestock in sub-counties, Kshs.6.7 million in refurbishment of dispensaries and health centres, and Kshs.6.6

million in construction of market stalls as shown in Figure 55.

Figure 55: Kericho County FY 2014/15 Analysis of Development Expenditure (Kshs. Millions)



Source: Kericho County Treasury

In the previous CBIRRs, the office made some recommendations to address the challenges facing budget execution in the County. A number of these recommendations have been addressed, while the following issues are still pending:

1. Inadequate capacities to use IFMIS to generate financial reports.
2. Delayed roll-out of IFMIS and IPDD systems in the County Assembly, which compromises accurate and reliable reporting and at the same time poses challenges in payroll management.
3. Limited staff capacity and /or lack or appropriate arrangements to administer the established County Public Funds.

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

1. *Liaise with the IFMIS Directorate to provide training on IFMIS usage.*

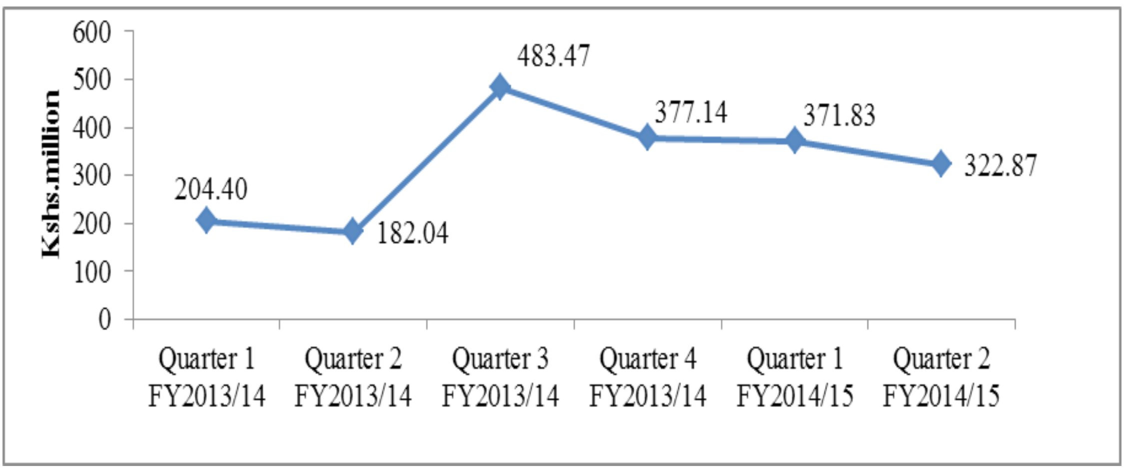
2. *Expedite roll-out of IFMIS and IPPD in the County Assembly.*
3. *The County should appoint an independent administrator to manage the County Public Funds in line with Section 116 of the PFM Act, 2012*

Kiambu County

The Kiambu County Budget Estimates for the FY 2014/15 as tabled in the County Assembly amounted to Kshs.10.76 billion comprising of Kshs.7.14 billion (70.4 per cent) for recurrent expenditure and Kshs.3.62 billion (29.6 per cent) for development expenditure.The budget is to be financed by the national equitable share of Kshs.6.51 billion (61.3 per cent), local revenue sources of Kshs.3.37 billion, (31.7 per cent) and Kshs.358.34 million (3.4 per cent) as conditional grants and loans and county Kshs.389.8 million (3.7 per cent) as projected cash balance from FY 2013/14.

In the first half of FY 2014/15, the County received Kshs.3.04 billion as national shareable revenue, raised Kshs.694.70 million from local sources, and had Kshs.389.87 million as cash balance brought forward from FY 2013/14. Local revenue consisted of Kshs.371.83 million generated in the first quarter and Kshs.322.87 million in the second quarter of the year. The local revenue raised in the first half of FY 2014/15 of Kshs.694.7 million was 20.6 per cent of the annual local revenue target, an improvement from Kshs.386.44 million collected in the same period of FY 2013/14. Figure 56 shows the trend of local revenue collection by quarter.

Figure 56 : Kiambu County, Trend of Local Revenue Collection by Quarter



Source: *Kiambu County Treasury*

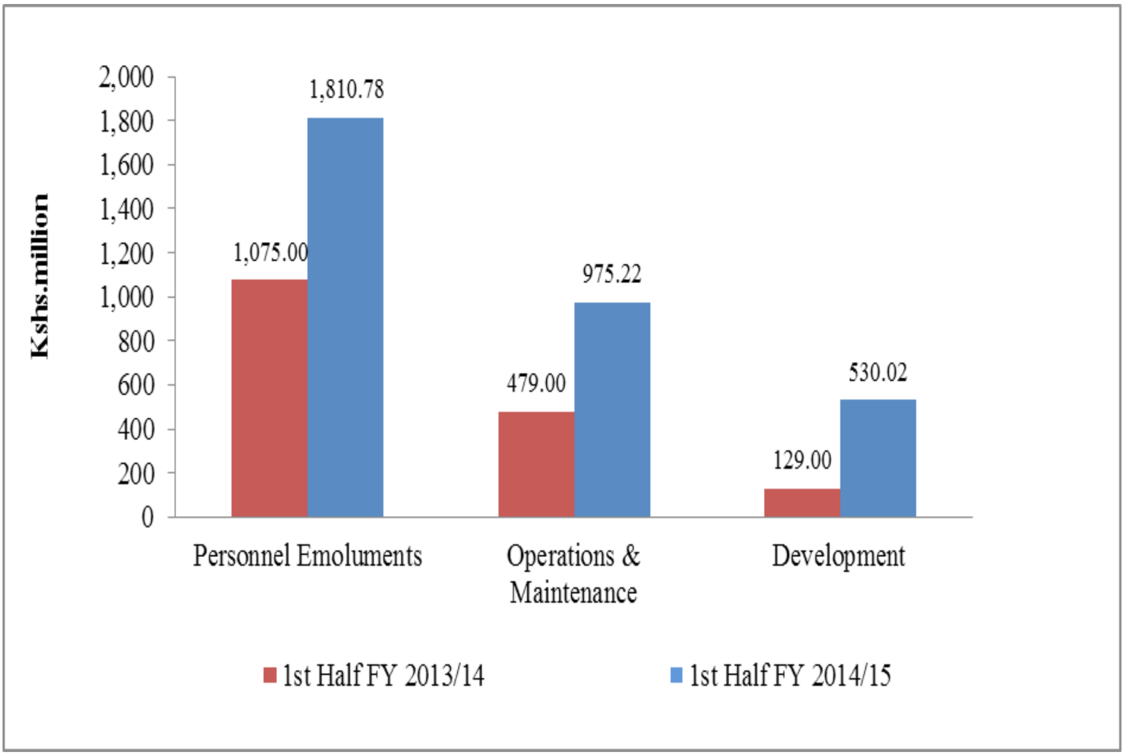
Funds released to the County during the period under review amounted to Kshs.4.07 billion, of which Kshs.3.46 billion (85.1 per cent) was for recurrent expenditure and Kshs.607 million (14.9 per cent) was for development activities.

The total expenditure for the first half of FY 2014/15 was Kshs.3.32 billion which was 81.4 per cent of the total funds released and an improvement from the Kshs.1.68 billion spent in the same period of FY 2013/14. The County spent Kshs.2.79 billion (84.0 per cent) on recurrent activities and Kshs.530.02 million (16.0 per cent) on development activities. Recurrent expenditure was 80.4 per cent of the funds released for recurrent expenditure while development expenditure accounted for 87.3 per cent of development exchequer. This expenditure does not include outstanding commitments as of December 31, 2014 that amounted to Kshs.358.16 million for recurrent expenditure and Kshs.8.65 million for development activities.

The recurrent expenditure for the period under review represented an absorption rate of **37.4 per cent** of the annual recurrent budget, an increase from an absorption rate of **22 per cent** realized in the same period of FY 2013/14. Development expenditure translated to an absorption rate of **16.9 per cent** of the annual development budget, an improvement from 3 per cent recorded in the same period in FY 2013/14

Analysis of the recurrent expenditure of Kshs.2.79 billion shows that the County spent Kshs.1.81 billion on personnel emoluments which represents 64.9 per cent of the total recurrent expenditure and Kshs.975.22 million on operations and maintenance expenditure which is 35.1 per cent of the total recurrent expenditure for the first half of FY 2014/15. A comparison of the total expenditure between the period under review and the same period last financial year is shown in Figure 57.

Figure 57 : Kiambu County Half Year Expenditure by Economic Classification



Source: *Kiambu County Treasury*

Analysis of expenditure by department shows that the Health department had the highest absorption rate of the annual recurrent budget at 51 per cent while County Public Service had the lowest absorption rate of the annual recurrent budget at 16.4 per cent. On the other hand, the department of Road, Transport and Public Works had the highest absorption rate of the annual development budget at 30.6 per cent while the department of Youth and Sports had the lowest absorption rate of the annual development budget at 1.7 per cent. The expenditure of various departments is summarised below in Figure 58.

Figure 58 : Kiambu County FY 2014/15 Budget and Expenditure by Departments for the First Half of FY 2014/15

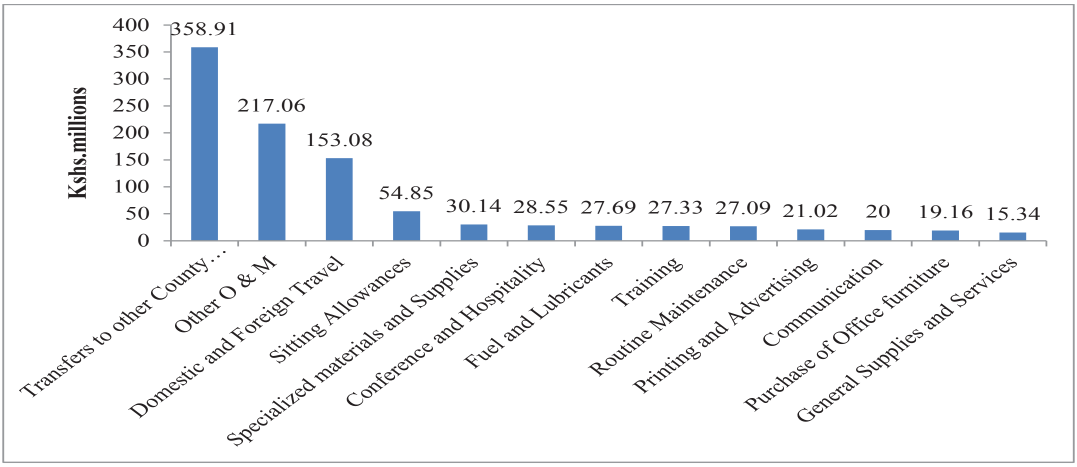
DEPART-MENT	BUDGET ALLO-CATION (Kshs. Million)		EXCHEQUER IS-SUES (Kshs.Million)		EXPENDITURE (Kshs.Million)		% OF EX-PENDITURE TO EXCHEQ-UER ISSUES		EXPENDI-TURE TO AN-NUAL BUDG-ET (Absorption rate%)	
	REC	DEV	REC	DEV	REC	DEV	REC	DEV	REC	DEV
County Assembly	1,310.00	90	459.5	1.55	469	5.7	102.1	367.7	35.8	6.3
County Executive	369	60	135.85	2	108.5	3	79.9	150	29.4	5
Finance and Economic Planning	662.75	288.76	331.4	18	197.5	9.17	59.6	50.9	29.8	3.2
Public Service and Administration	449.26	130	224.64	6	119.2	-	53.1		26.5	
Agriculture, Livestock and Fisheries	441.16	174.56	220.58	22.14	103.36	36.9	46.9	166.7	23.4	21.1
Water, Environment and Nat. Resources	166.48	260.5	83.24	44.2	68.3	29.14	82.1	65.9	41	11.2
Health Services	2,518.00	571	1,416.10	-	1,285.29	115.87	90.8		51	20.3
Education, Culture, ICT and Social Services	330.29	315	162	49.16	120.74	55.12	74.5	112.1	36.6	17.5
Youth and Sports	178.25	517	89	6	44.6	8.87	50.1	147.8	25	1.7
Lands, Physical Planning and Housing	143.26	197	71.72	5.1	32.8	4.03	45.7	79	22.9	2
Trade, Industry and cooperatives	163.63	190	79.9	115.23	67.49	7.85	84.5	6.8	41.2	4.1
Road, Transport and Public Works	351.15	832	169.46	330.01	160.36	254.34	94.6	77.1	45.7	30.6
CPSB	52.42	-	22.66	8	8.58	-	37.9	-	16.4	-

Source: *Kiambu County Treasury*

The County spent Kshs.54.85 million on payment of sitting allowances to the 88 members of the County Assembly against a budgetary allocation of Kshs.135 million, representing an absorption rate of 40.6 per cent. Each MCA was paid an average monthly sitting allowance of Kshs.103,864 compared to the SRC recommended amount of Kshs.124,800. Expenditure on domestic and foreign travel for both the County Assembly and the County Executive amounted to **Kshs.153.08 million** in the period under review compared to **Kshs.131 million** in a similar period of FY 2013/14.

The breakdown of operations and maintenance expenditure for the period under review is shown in Figure 59.

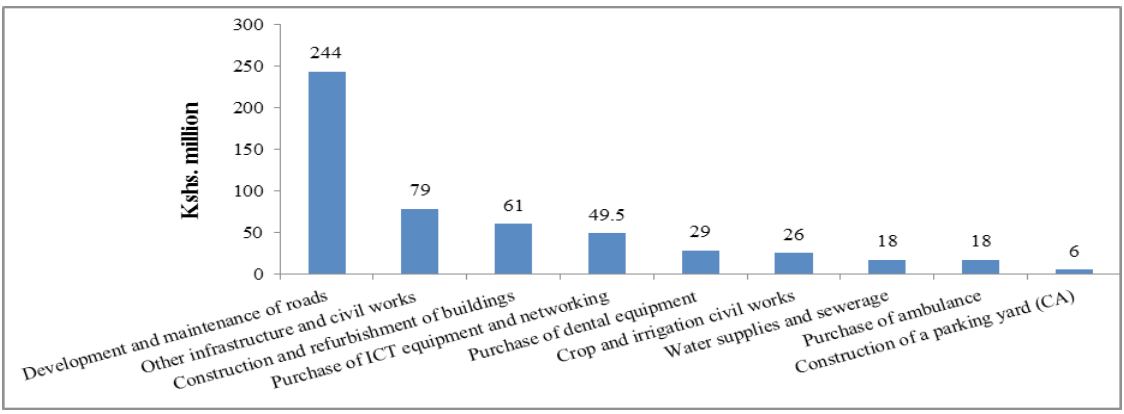
Figure 59: Kiambu County Operations and Maintenance Expenditure



Source: *Kiambu County Treasury*

Analysis of the development expenditure of Kshs.530 million shows that the County spent Kshs.244 million on construction and maintenance of roads, Kshs.61million on construction and refurbishment of buildings, Kshs.49.5 million on purchase of ICT equipment and networking, and Kshs.29 million on purchase of dental equipment among other infrastructure and civil work projects as shown Figure 60.

Figure 60 : Kiambu County, Half Year Analysis of Development Expenditure



Source: *Kiambu County Treasury*

During the period under review, the office noted some improvement in budget implementation. The County has successfully undertaken the following; (i) recruited Chief Officers for all departments, and (ii) rolled out IFMIS in the County Treasury.

However, there were challenges that continued to hamper effective budget implementation and need to be addressed as follows:

1. Low absorption of development funds by some departments arising from procurement challenges.
2. Commitments by County entities that exceeded budget allocations.
3. Failure to include FY 2013/14 pending bills in the FY 2014/15 budget.
4. Delay in submission of quarterly reports as required by Section 168 (3) of PFM Act, 2012.

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

1. *Streamline procurement procedures to improve absorption of development budget.*
2. *All County entities should limit commitments to the budget ceilings based on the Kiambu County Appropriation Act, 2014 for all in-year procurement actions.*
3. *The County should include pending bills while developing budget estimates for each ensuing year.*
4. *Fund administrators should ensure timely submission of quarterly reports to OCOB.*

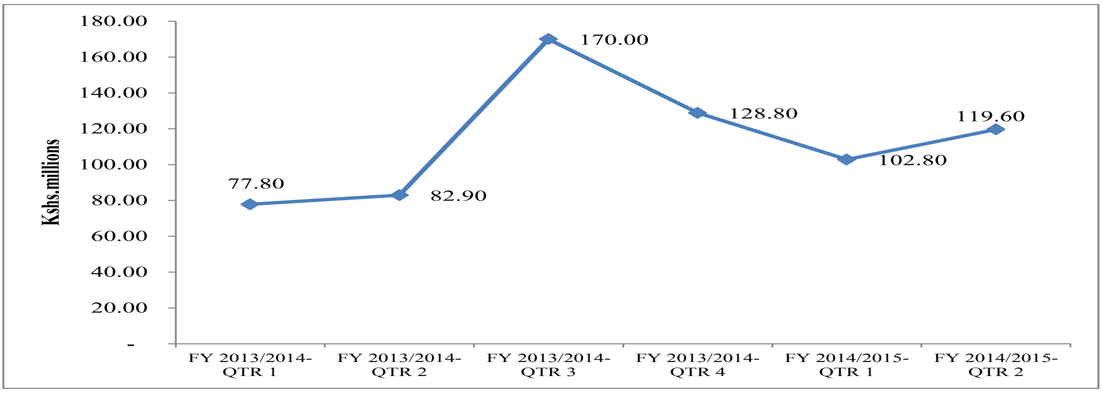
Kilifi County

The Kilifi County Budget Estimates for the FY 2014/15 amounted to Kshs.8.43 billion comprising of Kshs.4.75 billion (54.4 per cent) for recurrent expenditure and Kshs.3.69 billion (45.6 per cent) for development expenditure. The budget is to be financed by the national equitable share of Kshs.6.34 billion (75.1 per cent), local revenue sources of Kshs.1 billion (11.9 per cent) and Kshs.1.1 billion (13 per cent) as projected cash balance from FY 2013/14.

In the first half of FY 2014/15, the County received Kshs.1.89 billion as national shareable revenue, raised Kshs.222.48 million from local sources, and had Kshs.1.1

billion as actual balance brought forward from FY 2013/14. Local revenue consisted of Kshs.102.83 million generated in the first quarter and Kshs.119.65 million in the second quarter. The total local revenue raised in the first half of FY 2014/15 of Kshs.222.48 million was 22.2 per cent of the annual local revenue target, an improvement from Kshs.160.8 million collected in the same period of FY 2013/14. Figure 61 shows the trend of local revenue collection by quarter.

Figure 61 : Kilifi County, trend in Local Revenue Collection by quarter



Source: *Kilifi County Treasury*

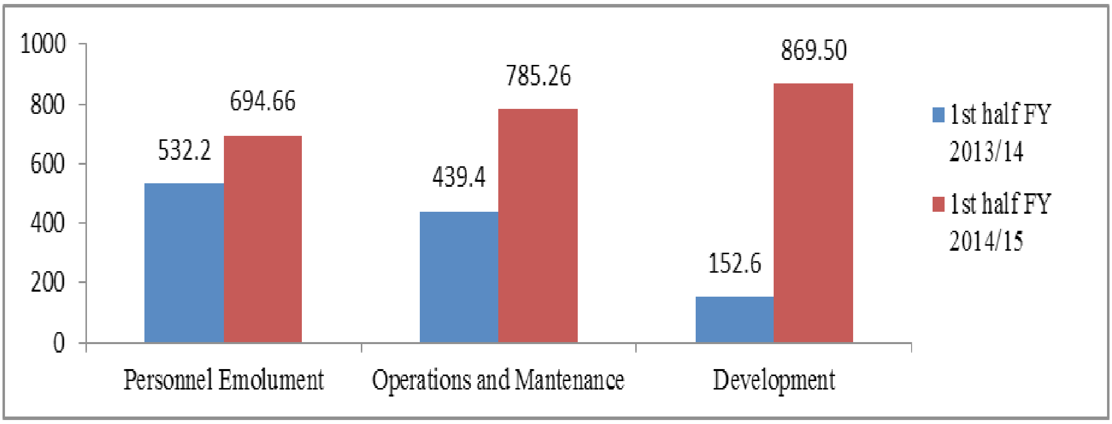
During the period under review the County received exchequer issues of Kshs.3.22 billion, of which, Kshs.2.05 billion (63.7 per cent) was for recurrent expenditure and Kshs.1.17 billion (36.3 per cent) was for development activities.

The total expenditure for the first half of FY 2014/15 was Kshs.2.35 billion which was 73 per cent of the total funds released and an improvement from the Kshs.1.1 billion spent in the same period of FY 2013/14. The County spent Kshs.1.48 billion (63 per cent) on recurrent activities and Kshs.869.5 million (37 per cent) on development activities. Recurrent expenditure was 72.2 per cent of the funds released while development expenditure accounted for 74.4 per cent. This expenditure does not include outstanding commitments as of December 31, 2014 that amounted to Kshs.72.55 million for recurrent expenditure and Kshs.12.41 million for development activities.

The recurrent expenditure for the period under review represented an absorption rate of **31.2 per cent** of the annual recurrent budget, an increase from an absorption rate of **18.1 per cent** realized in the same period of FY 2013/14. Development expenditure translated to an absorption rate of **23.6 per cent** of the annual development budget, an improvement from an absorption rate of **5.7 per cent** realized in the same period of FY 2013/14 on development activities.

Analysis of the recurrent expenditure of Kshs.1.48 billion shows that the County spent Kshs.694.66 million on personnel emoluments which represents 46.9 per cent of the total recurrent expenditure and Kshs.785.26 million on operations and maintenance expenditure which is 53.1 per cent of the total recurrent expenditure for the first half of FY 2014/15. A comparison of the total expenditure between the period under review and the same period last financial year is shown in Figure 62.

Figure 62: Kilifi County, First Half Expenditure by Economic Classification



Source: *Kilifi County Treasury*

Analysis of expenditure by department shows that the County Executive department had the highest absorption rate of the annual recurrent budget at 60.8 per cent while department of Environment and Natural Resources had the lowest absorption rate of the annual recurrent budget at 10.6 per cent. The department of Public Works and Services had the highest absorption rate of the annual development budget at 51.5 per cent while the department of Physical Planning and Development had the lowest absorption rate of the annual development budget at 10.56 per cent. The department of Finance and Economic Planning had no development expenditure even though they received exchequer issues for development activities. The expenditure of various departments is summarised below in Table 16.

Table 16: Kilifi County FY 2014/15 Budget and Expenditure by Department for the First Half of FY 2014/15

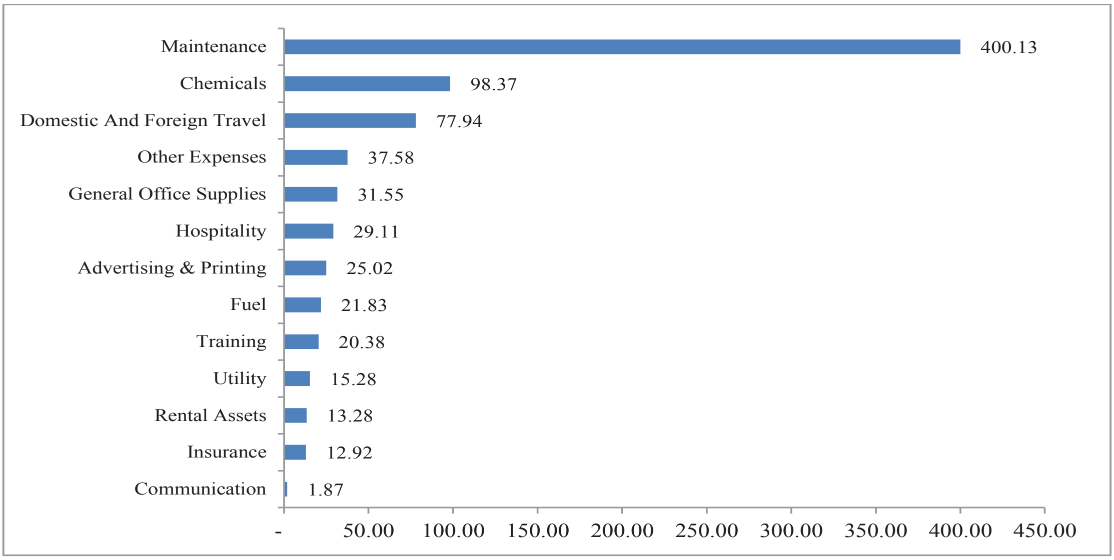
DEPARTMENT	BUDGET ALLOCATION (Kshs.Million)		EXCHEQUER ISSUES (Kshs. Million)		EXPENDITURE (Kshs.Million)		% OF EXPENDITURE TO EXCHEQUER ISSUES		EXPENDITURE TO ANNUAL BUDGET (Absorption %)	
	REC	DEV	REC	DEV	REC	DEV	REC	DEV	REC	DEV
COUNTY ASSEMBLY	738.72	171.45	211.01	162.14	211.32	79.14	100.10%	49%	28.61	46.16
COUNTY EXECUTIVE	470.35	277.61	207.85	37.61	207.93	116.60	100.05	310.06	60.78	42
FINANCE AND ECONOMIC PLANNING	425.86	525	201.41	41.01	117.22	-	58.20%	0%	27.52	-
AGRICULTURE	370.49	449.21	159.41	215.01	44.86	92.02	28.10%	43%	12.11	20.48
ENVIRONMENT AND NATURAL RESOURCES	145.75	220.69	55.75	133.17	15.47	70.20	27.70%	53%	10.61	31.81
EDUCATION & YOUTH AFFAIRS	740.36	355.20	320.18	151.05	251.14	131.86	78.40%	87%	33.92	37.12
COUNTY HEALTH SERVICES	1251.85	530.23	623.04	102.31	530.36	79.14	85.10%	77%	42.37	14.93
PHYSICAL PLANNING AND DEVELOPMENT	117.87	573.06	59.74	174.61	32.91	60.54	55.10%	35%	27.92	10.56
PUBLIC WORKS AND SERVICES	223.46	363.10	111.43	59.83	32.11	187.14	28.80%	313%	14.37	51.54
ICT & E-GOVERNMENT	63.25	72.18	31.5146	53.80	22.78	23.48	72.30%	44%	36.02	32.53
TRADE DEVELOPMENT AND REGULATION	103.42	151.35	67.16	38.83	13.80	29.39	20.50%	76%	13.34	19.42
COUNTY PUBLIC SERVICE BOARD	94.50	0	38.93	-	30.40	-	78.10%	-	32.17	-

Source: *Kilifi County Treasury*

The County spent Kshs.35.08 million on payment of sitting allowances to the 54 members of the County Assembly against a budgetary allocation of Kshs.95.00 million representing an absorption rate of 36.9 per cent. Each MCA was paid an average monthly sitting allowance of Kshs.108,265 compared to the SRC recommended amount of Kshs.124,800. Expenditure on domestic and foreign travel amounted to Kshs.77.94 million, consisting of Kshs.47.62 million for the County Assembly and Kshs.30.26 million for the County Executive compared to Kshs.77.1 million incurred in a similar period of FY 2013/14.

The breakdown of operations and maintenance expenditure for the period under review is shown in Figure 63.

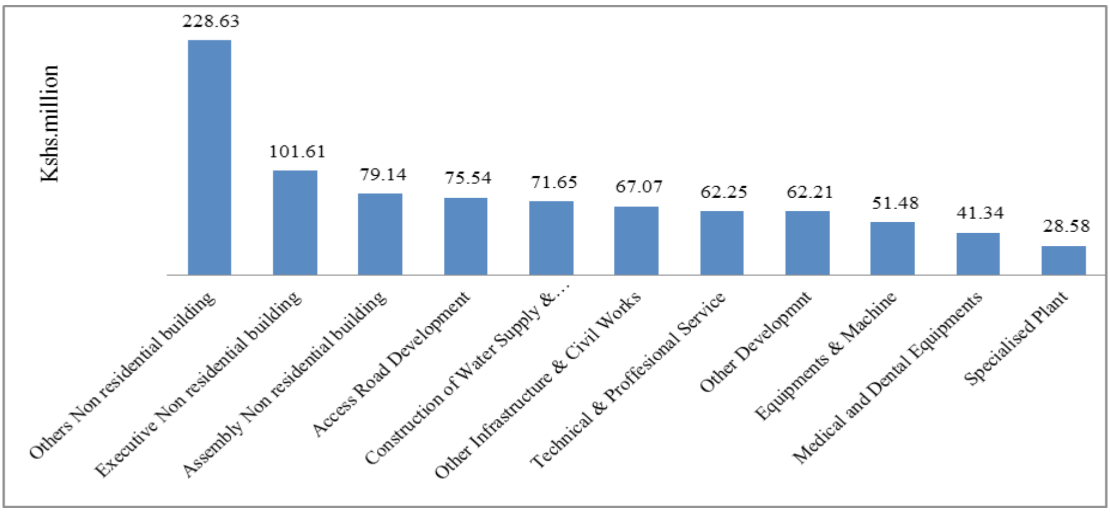
Figure 63: Kilifi County, Half Year Operations and Maintenance Expenditure



Source: *Kilifi County Treasury*

Analysis of the development expenditure for the period under review of Kshs.869.5 million shows that the County spent Kshs.28.58 million on specialised plants, Kshs.41.34 million on medical and dental equipment, and Kshs.51.48 million on other equipment and machines. Further breakdown of development expenditure is shown in Figure 64 .

Figure 64: Kilifi County, Half Year Analysis of Development Expenditure



Source: *Kilifi County Treasury*

In the previous CBIRRs, the office made recommendations to address challenges facing budget execution in the County. The following issues have already been addressed; (i) inadequate office space has been addressed through leasing of office space and expansion county buildings, (ii) inadequate skilled personnel has been addressed through recruitment of skilled personnel by the County Public Service Board, (iii) inadequate means of transport has been resolved through acquisition of more vehicles, and (iv) the County Assembly has fast tracked the approval of bills to facilitate budget implementations process.

The challenges that continue to hamper effective budget implementation and require to be addressed are:

1. Low absorption of development funds.
2. Lack of proper and clear systems/procedures for timely recording expenditure and commitment.
3. Lack of Internal Audit Committee contrary to Section 155(5) of the PFMA, 2012.
4. Failure to include FY 2013/14 pending bills in the FY 2014/15 budget.
5. Delay in submission of expenditure returns to OCOB which has led to delays in reporting on Budget Implementation.

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

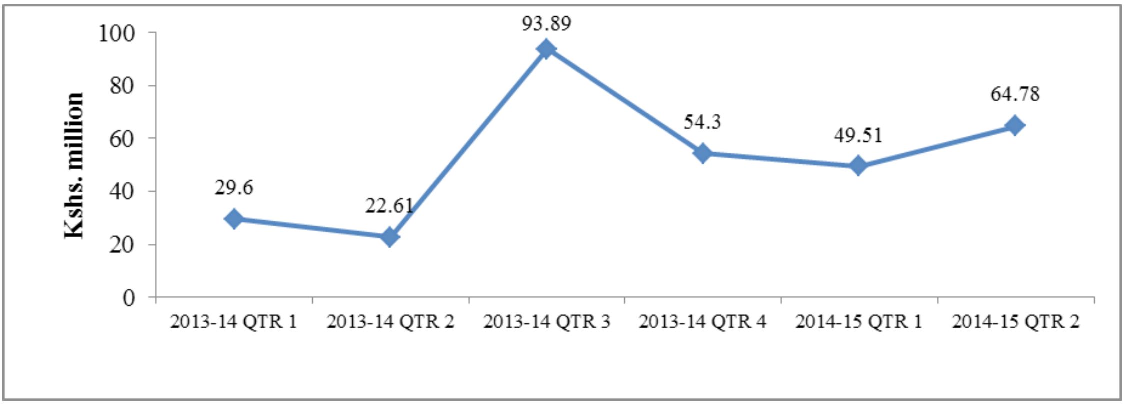
1. *Build capacity of technical departments to boost implementation of development activities.*
2. *Establish clear and proper systems/procedure for timely recording commitments and expenditure.*
3. *Establish an Internal Audit Committee as per section 155(5) of the PFM Act, 2012 to enhance transparency and accountability in public financial management.*
4. *All pending bills should be included in the ensuing financial year budget estimates*
5. *Timely submission of expenditure reports to allow for timely preparation of BIRRs by OCOB.*

Kirinyaga County

The Kirinyaga County Budget Estimates for the FY 2014/15 amounted to Kshs.4.26 billion comprising of Kshs.2.56 billion (60.1 per cent) for recurrent expenditure and Kshs.1.7 billion (39.9 per cent) for development expenditure. The budget is to be financed by the national equitable share of Kshs3.09 billion (69.8 per cent), local revenue sources of Kshs.729.00 million (16.5 per cent), DANIDA grant of Kshs10.39 million (0.2 per cent) and Kshs.596.19 million (13.5 per cent) as projected cash balance from FY 2013/14.

In the first half of FY 2014/15, the County received Kshs.1.16 billion as national shareable revenue, raised Kshs.114.43 million from local sources, and had Kshs.596.19 million as actual cash balances from FY 2013/14. Local revenue consisted of Kshs.49.51 million generated in the first quarter and Kshs.64.78 million in the second quarter. The total local revenue raised in the first half of FY 2014/15 of Kshs.114.43 million was 15.7 per cent of the annual local revenue target, an improvement from Kshs.52.18 million collected in the same period of FY 2013/14. Figure 65 shows the trend of local revenue collection by quarter.

Figure 65 : Kirinyaga County, Trend in Local Revenue Collection by quarter



Source: *Kirinyaga County Treasury*

During the period under review, the County received exchequer issues of Kshs.1.51 billion, of which Kshs.1.21 billion (80.5 per cent) was for recurrent expenditure and Kshs.293.91 million (19.5 per cent) was for development activities.

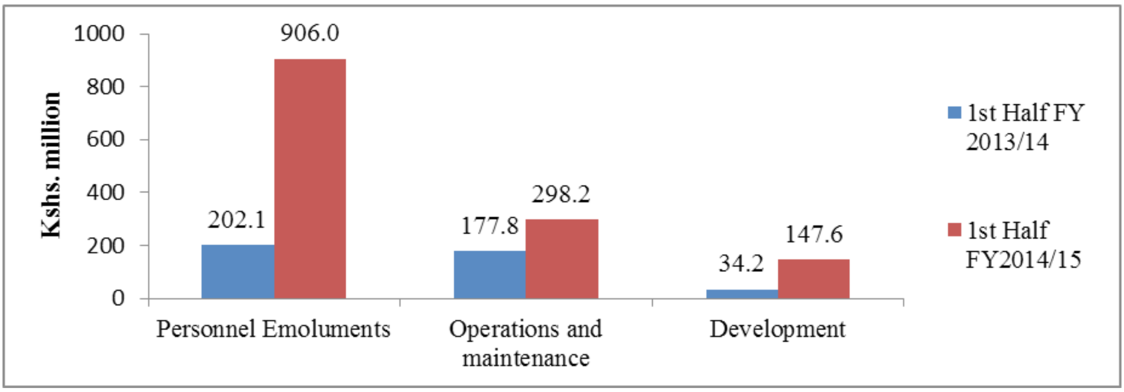
The total expenditure for the first half of FY 2014/15 was Kshs.1.35 billion which was 89.8 per cent of the total funds released and an improvement from the Kshs.414 million spent in the same period of FY 2013/14. The County spent Kshs.1.20 billion

(89.1 per cent) on recurrent activities and Kshs.147.59 million (10.9 per cent) on development activities. Recurrent expenditure was 99.4 per cent of the funds released while development expenditure accounted for 50.2 per cent. This expenditure does not include outstanding commitments as of December 31, 2014 that amounted to Kshs.8.30 million for recurrent expenditure and Kshs.0.01 million for development activities.

The recurrent expenditure for the period under review represented an absorption rate of 47.0 per cent of the annual recurrent budget, an increase from an absorption rate of 16.7 per cent realized in the same period of FY 2013/14. Development expenditure recorded an absorption rate of 8.7 per cent of the annual development budget, an improvement compared to an absorption rate of 3.5 per cent realized in the same period in FY 2013/14.

Analysis of the recurrent expenditure of Kshs.1.2 billion shows that the County spent Kshs.905.95 million on personnel emoluments which represents 75.2 per cent of the total recurrent expenditure and Kshs.298.23 million on operations and maintenance expenditure which is 24.8 per cent of the total recurrent expenditure for the first half of FY 2014/15. Comparison of the total expenditure between the period under review and the same period last financial year is shown in Figure 66.

Figure 66 : Kirinyaga County First Half Expenditure by Economic Classification



Source: *Kirinyaga County Treasury*

Analysis of expenditure by department shows that the Culture & Social Services and Trade, Industrialization, Tourism, Wildlife & Cooperative Developmen department had the highest absorption rate of the annual recurrent budget at 70 per cent while department of Education had the lowest absorption rate of the annual recurrent budget at 2 per cent. The department of Physical Planning, Lands & Housing had the highest absorption rate of the annual development budget at 36 per cent while the department of Education, County Assembly, County Executive and Finance & Economic Planning did not spent on their development budget. The expenditure of various sectors is summarised below in Table 17.

Table 17: Kirinyaga County FY 2014/15 Budget and Expenditure by Departments for the First Half of FY 2014/15

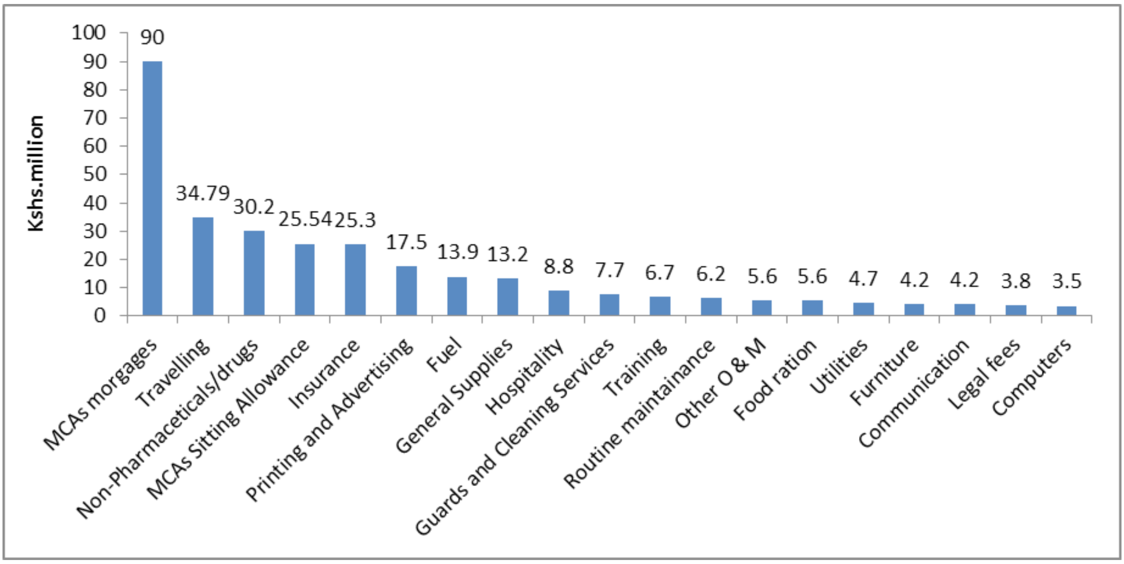
DEPARTMENT	BUDGET ALLOCATION (Kshs.Million)		EXCHEQUER ISSUES (Kshs.Million)		EXPENDITURE (Kshs.Million)		% OF EXPENDITURE TO EXCHEQUER ISSUES		**EXPENDITURE TO ANNUAL BUDGET (Absorption %)**	
	REC	DEV	REC	DEV	REC	DEV	REC	DEV	REC	DEV
County Assembly	482.92	156.01	229.84	-	222.93	-	97		46	0
County Executive	64.41	150.00	50.03	-	40.61	-	81	0	63	0
Finance & Economic Planning	1,605.59	50.00	820.23	6.25	836.73	0	102	0	52	0
Medical Services	159.58	305.04	49.77	28.50	66.77	19.496	134	68	42	6
Education,	94.17	154.00	7.59	76.99	1.86	-	24	0	2	0
Culture & social services	6.16	27.75	8.58	3.796	4.34	1.295	5%	34	70	5
Agriculture	44.88	67.97	14.04	31.91	13.89	12.61	99	40	31	19
Water, Energy, Environment, Forestry & Natural Resources	49.06	345.61	11.03	48.81	6.43	34.66	58	71	13	10
Public Works, Transport & Infrastructure	15.39	390.98	7.61	85.11	5.69	72.94	75	86	37	19
Physical Planning, Lands & Housing	16.98	18.49	3.08	9.99	1.54	6.59	50	66	9	36
Trade, Industrialization, Tourism, Wildlife & Cooperative Development	20.38	34.25	10.25	2.55	3.39	-	51	34	70	5

Source: *Kirinyaga County Treasury*

The County spent Kshs.25.54 million on payment of sitting allowances to the 30 members of the County Assembly against a budgetary allocation of Kshs.70.98 million, representing an absorption rate of 36.0 per cent. Each MCA was paid an average monthly sitting allowance of Kshs.141,894 compared to the SRC recommended amount of Kshs.124,800. The County expenditure on domestic and foreign travel amounted to Kshs.34.79 million, consisting of Kshs.16.63 million for the County Assembly and Kshs.18.16 million for the County Executive, compared to Kshs.28.1 million in the same period of FY 2013/14.

The breakdown of operations and maintenance expenditure for the period under review is shown in Figure 67.

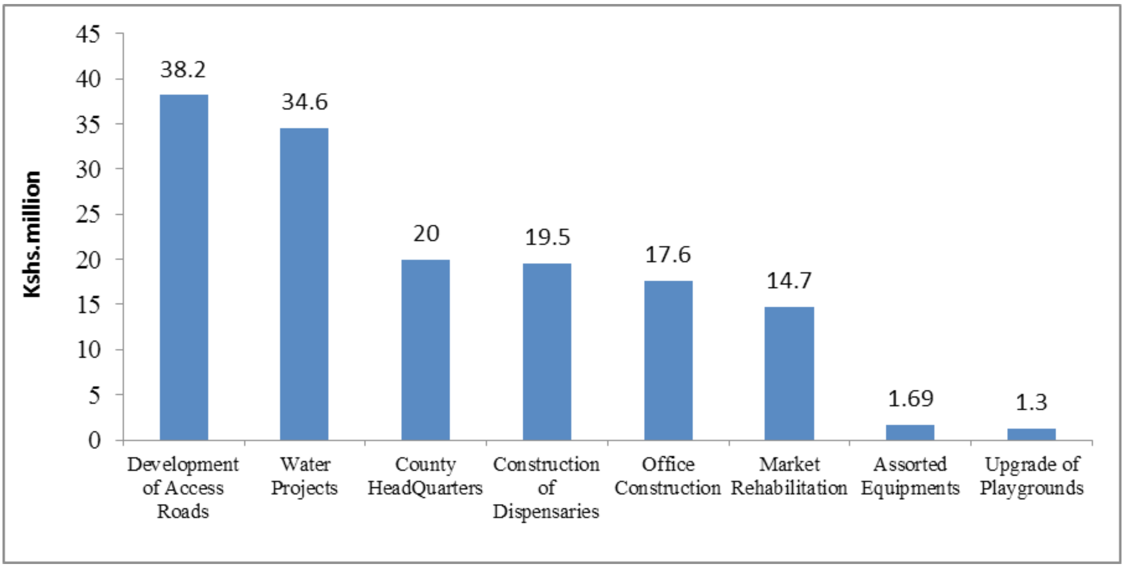
Figure 67 : Kirinyaga County, Half Year Operations and Maintenance Expenditure



Source: Kirinyaga County Treasury

Analysis of the development expenditure for the period under review of Kshs.147.59 million shows that the County spent Kshs.38.2 million on construction and maintenance of access roads including culvert installations and foot bridges, Kshs.20 million on construction of County headquarters and AP post relocation, construction of water supplies at Kshs.34.6 million and development of other infrastructure and civil works projects as shown in Figure 68 below.

Figure 68 : Kirinyaga County, Half Year Analysis of Development Expenditure



***Source:** Kirinyaga County Treasury*

In the previous CBIRRs, OCOB made some recommendations to address the challenges facing budget execution in the County. The following issues have either been addressed or are being addressed; (i) revision of the unrealistic local revenue targets, (ii) automation of revenue collection, (iii) capacity building in the procurement department to enhance absorption of development funds, and (iv) recruitment of chief officers in all dockets to enhance service delivery and accountability.

The challenges that continued to hamper effective budget implementation and require to be addressed are:

1. Adoption of IFMIS by the County Assembly despite staff training.
2. Low absorption of development funds.
3. High wage bill.
4. Lack of a procurement plan. This has led to delay in execution of development projects and other programmes.
5. Delay in the establishment of regulation to operationalize the County Alcoholic Drink and Substance Abuse Control Fund, despite the enactment of the Alcoholic Drink and Substance Abuse Control Act, 2014 which established the fund.
6. Failure to include all FY 2013/14 pending bills in the FY 2014/15 budget. This had led to delay and non-payment of contractors and suppliers.

7. Lack of laws governing revenue collections upon which the Finance bill is anchored.

8. Lack of Internal Audit Committee contrary to Section 155(5) of the PFMA, 2012.

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

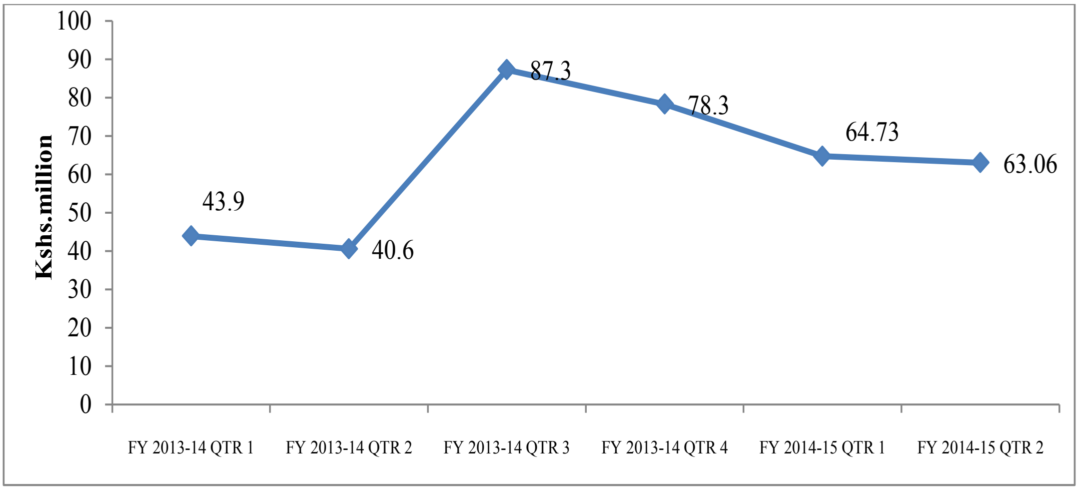
1. *Expedite adoption of IFMIS by the County Assembly.*
2. *Enhance implementation of development projects.*
3. *Liaise with the National government to address the high wage bill.*
4. *Effectively manage the procurement process by having a consolidated procurement plan (as provided in the Public Procurement and Disposal Act section 26) generated from departmental needs and based on the approved budget. This will ensure timely implementation of department programmes and projects.*
5. *Establish regulation to operationalize the County Public Funds as provided for in Section 116 of the PFM Act 2012.*
6. *The County should include pending bills when developing budget estimates for each ensuing year.*
7. *The County should fast track enactment of requisite revenue laws to enhance revenue collection.*
8. *Establish an Internal Audit Committee as per section 155(5) of the PFM Act, 2012.*

Kisii County

The Budget Estimates for the FY 2014/15 amounted to Kshs.7.79 billion comprising of Kshs.4.63 billion (59.4 per cent) for recurrent expenditure and Kshs.3.16 billion (40.6 per cent) for development expenditure. The budget is to be financed by the national equitable share of Kshs.6.19 billion (79.4 per cent), local revenue sources of Kshs.974 million (12.5 per cent), conditional grant for Kisii Level 5 Hospital at Kshs.83.36 million (1.1 per cent), DANIDA Health Sector Support Programme Kshs.20.57 million (0.3 per cent) and Kshs.526.11 million (6.8 per cent) as projected cash balance from FY 2013/14.

In the first half of FY 2014/15, the County received Kshs.2.89 billion as national shareable revenue, Kshs.10.29 million from DANIDA, raised Kshs.127.79 million from local sources and had Kshs.527.12 million as cash balances from FY 2013/14. Local revenue consisted of Kshs.64.73 million was generated in the first quarter and Kshs.63.06 million in the second quarter. The local revenue raised in the first half of FY 2014/15 of Kshs.127.79 million was 13.1 per cent of the annual local revenue target, an improvement from Kshs.84.5 million collected in the same period of FY 2013/14 Figure 69 shows the trend of local revenue collection by quarter.

Figure 69: Kisii County, Trend in Local Revenue Collection by quarter



Source: *Kisii County Treasury*

During the period under review, the County received exchequer issues of Kshs.3.00 billion, of which Kshs.2.08 billion (69.3 per cent) was for recurrent expenditure and Kshs.920.51 million (30.7 per cent) was for development activities.

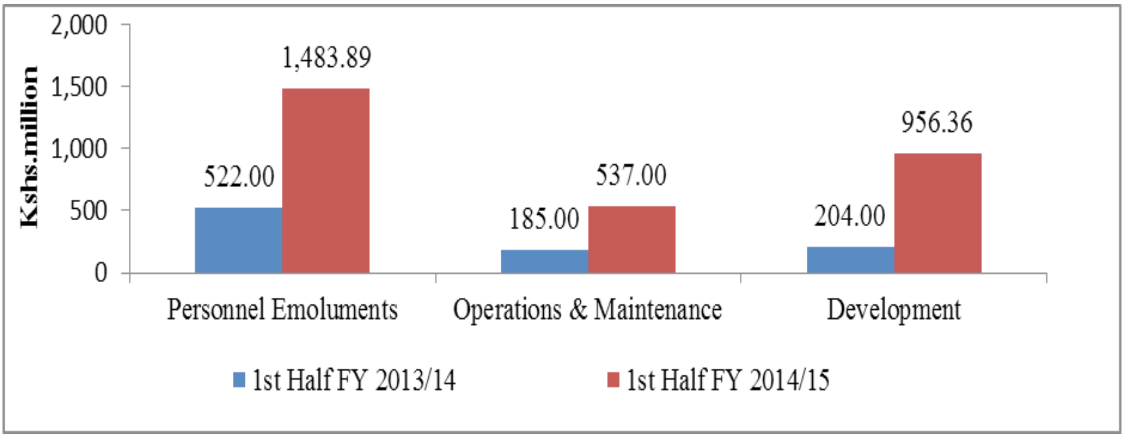
Total expenditure for the first half of FY 2014/15 was Kshs.2.98 billion which was 99.2 per cent of the total funds released and an improvement from the Kshs.911 million spent in the same period of FY 2013/14. The County spent Kshs.2.02 billion (67.9 per cent) on recurrent activities and Kshs.956.36 million (32.1 per cent) on development activities. Recurrent expenditure was 97.1 per cent of the funds released while development expenditure accounted for **103.9 per cent** of the funds released. This expenditure does not include outstanding commitments as of December 31, 2014 that amounted to Kshs.182.62 million for recurrent expenditure and Kshs.43.62 million for development activities.

Recurrent expenditure for the period under review represented an absorption rate of **43.6 per cent** of the annual recurrent budget, an increase from an absorption rate of **17 per**

cent realized in the same period of FY 2013/14. Development expenditure translated to an absorption rate of **30.2 per cent** of the annual development budget, an improvement from an absorption rate of **7 per cent** realized in the same period of FY 2013/14.

Analysis of the recurrent expenditure of Kshs.2.02 billion for the first half of FY 2014/15 shows that the County spent Kshs.1.48 billion on personnel emoluments and Kshs.484.26 million on operations and maintenance and Kshs.52.74 million for debt repayment and pending bills which represents 73.4 per cent, 23.96 per cent and 2.61 per cent of the total recurrent expenditure respectively. A comparison of the total expenditure between the period under review and the same period last financial year is shown in Figure 70.

Figure 70: Kisii County, First Half Expenditure by Economic Classification



Source: *Kisii County Treasury*

Analysis of expenditure by department shows that the County Assembly had the highest absorption rate of the annual recurrent budget at 54.72 per cent while County Public Service Board had the lowest absorption rate of the annual recurrent budget at 22.38 per cent. The department of Finance and Economic Planning had the highest absorption rate of the annual development budget at 42.64 per cent while the department of Environment had the lowest absorption of the annual development budget at 5.94 per cent. The expenditure of various departments is summarized in Table 18 below.

Table 18: Kisii County FY 2014/15 Budget and Expenditure by Department for the First Half of FY 2014/15

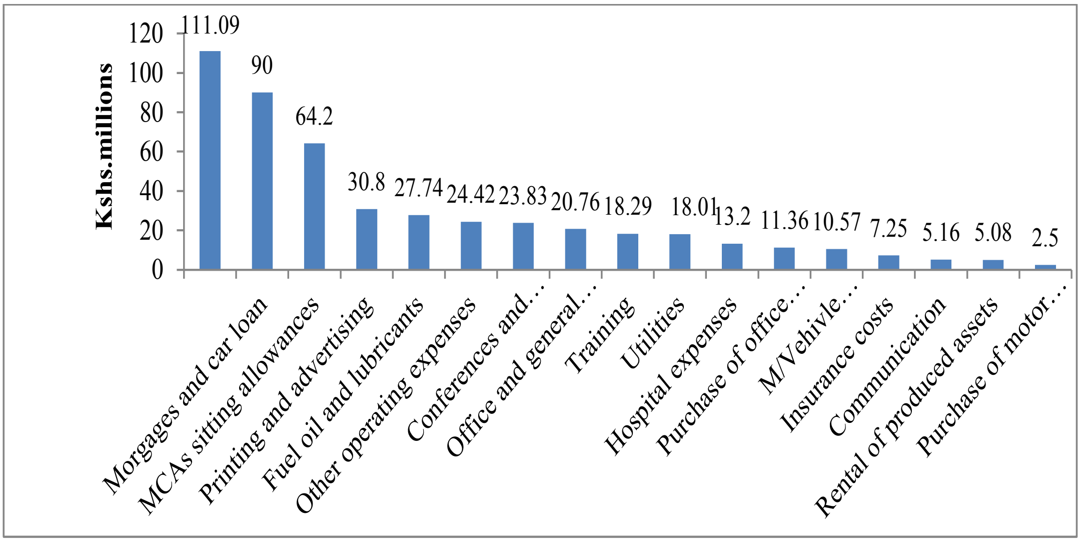
DEPARTMENT	BUDGET ALLOCATION (Kshs)		EXCHEQUER ISSUES (Kshs)		EXPENDITURE (Kshs)		Expenditure to Exchequer issues (%)		EXPENDITURE TO ANNUAL BUDGET (Absorption %)	
	REC	DEV	REC	DEV	REC	DEV	REC	DEV	REC	DEV
Health	1,517.41	503.12	559.32	121.76	719.52	140.63	128.64	115.50	47.42	27.95
Agriculture	285.83	182.74	133.54	39.50	131.21	39.50	98.25	100.00	45.90	21.62
County Assembly	538.06	-	354.73	-	294.41	-	83.00		54.72	
County Executive (Office of the Governor and Deputy Governor)	235.80	87.00	115.90	22.50	117.86	22.50	101.69	100.00	49.98	25.86
County Administration	496.35	60.00	247.91	31.00	208.37	24.81	84.05	80.04	41.98	41.35
County Public Service Board	58.25	-	29.13	-	13.04	-	44.76		22.38	
Finance and Economic Planning	832.35	530.35	342.84	226.25	286.38	226.16	83.53	99.96	34.41	42.64
Environment	108.80	176.90	51.92	10.50	34.74	10.50	66.91	100.00	31.93	5.94
Education	223.83	289.50	97.77	50.25	94.78	60.59	96.94	120.59	42.34	20.93
Land, Physical planning& urban devt	81.58	235.00	31.35	62.75	25.29	62.18	80.67	99.09	31.00	26.46
Public works and transport	113.77	695.00	47.44	283.50	44.67	279.96	94.17	98.75	39.27	40.28
Trade regulations& development	38.56	161.25	18.84	23.50	16.16	29.47	85.81	125.39	41.92	18.27
Culture and Social services	47.10	197.50	25.63	41.50	13.67	52.56	53.36	126.64	29.03	26.61
Kisii Town	52.51	45.00	25.16	7.50	20.79	7.50	82.64	100.00	39.59	16.67
TOTAL	4,630.20	3,163.36	2,081.48	920.51	2,020.90	956.36	97.09	103.89	43.65	30.23

***Source:** Kisii County Treasury*

During the first half year period of FY 2014/15, the County spent Kshs.64.24 million on payment of sitting allowances to 72 Members of the County Assembly against a budgetary allocation of Kshs.88.00 million, representing an absorption rate of **73.0 per cent**. Each MCA was paid an average monthly sitting allowance of Kshs.148,699 compared to the SRC recommended amount of Kshs.124,800. Expenditure on domestic and foreign travel amounted to Kshs.111.09 million, consisting of Kshs.42.41 million for the County Assembly and Kshs.68.68 million for the County Executive, an increase from the Kshs.87 million recorded in the same period of FY 2013/14.

The breakdown of operations and maintenance expenditure for the period under review is shown in Figure 71.

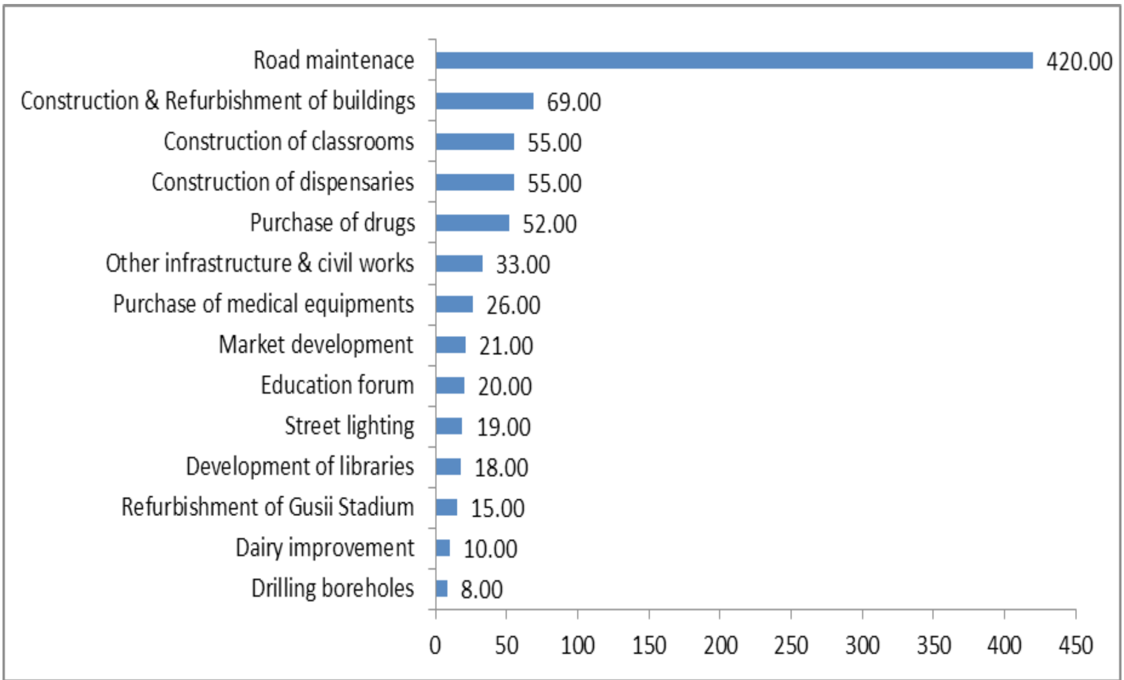
Figure 71: Kisii County, Half Year Operations and Maintenance Expenditure



Source: *Kisii County Treasury*

Analysis of the development expenditure of Kshs.956.36 million for the period under review shows that the County spent Kshs.420 million on access roads, Kshs.69 million on construction and refurbishment of buildings, Kshs.55 million on construction of classrooms, Kshs.55 million on construction of dispensaries, Kshs.52 million on purchase of drugs and Kshs.26 million on purchase of medical equipment as shown in Figure 72.

Figure 72: Kisii County, Half Year Analysis of Development Expenditure



Source: *Kisii County Treasury*

The office has noted with concern that recommendations made in previous budget implementation reports have not been fully implemented. In order to enhance budget implementation, the County should address the following issues and challenges;

1. Failure to sweep all local revenue into the County Revenue Fund Account.
2. Failure to utilize IFMIS in the processing of all financial transactions,
3. Lack of key legislations such as the Finance Act and Revenue Act to provide the framework for local revenue collection.
4. Lack of Internal Audit Committee contrary to Section 155(5) of the PFMA, 2012.
5. Low local revenue collection which stands at 13.1 per cent of the projected revenue for the year. Further, some devolved units do not report the revenue they collect.
6. High wage bill which stands at 73.4 per cent of the total recurrent budget. This is likely to drain resources for other activities.
7. The exchequer requisitions by some departments are not aligned to the departmental cash flow projections. For instance during the first half of the financial year, total requisition by Health department was Kshs.681 million while the total expenditure was Kshs.860 million.

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

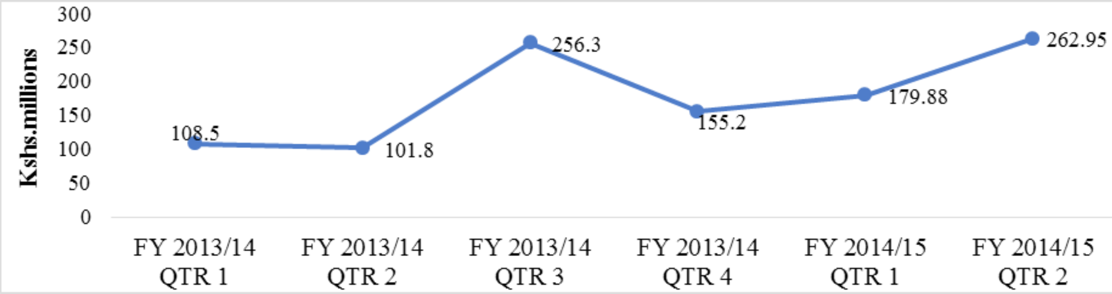
1. *All locally generated revenue should be banked intact and swept into the County Revenue Fund.*
2. *The County Treasury should process all financial transactions in IFMIS.*
3. *The County should enact all the necessary legislations that will facilitate revenue collection.*
4. *Establish an Internal Audit Committee as per section 155(5) of the PFM Act, 2012 to enhance prudent public financial management.*
5. *Map out all revenue sources and put measures in place to ensure optimal revenue collection.*
6. *Rationalize the staff and harmonize remuneration to reduce the high wage bill.*
7. *Requisitions from each department should be aligned to the departmental work plans and cash flow projections to ensure adequate funding of each department.*

Kisumu County

The Kisumu County Budget Estimates for the FY 2014/15 amounted to Kshs.11.43 billion comprising of Kshs.5.65 billion (49.4 per cent) for recurrent expenditure and Kshs.5.78 billion (50.6 per cent) for development expenditure. The budget is to be financed by the national equitable share of Kshs.5.00 billion (43.7 per cent), local revenue sources of Kshs.2.84 billion (24.8 per cent), donor loans and grants of Kshs.2.26 billion (19.8 per cent) and Kshs.1.34 billion (11.6 per cent) as projected cash balance from FY 2013/14.

In the first half of FY 2014/15, the County received Kshs.1.52 billion as national shareable revenue, raised Kshs.442.84 million from local sources and had Ksh.614.29 as actual cash balance brought forward from FY 2013/14. Local revenue consisted of Kshs.179.88 million generated in the first quarter and Kshs.262.95 million in the second quarter. The local revenue raised in the first half of FY 2014/15 of Kshs.442.84 million was 15.6 per cent of the annual local revenue target, an improvement from Kshs.210.34 million collected in a similar period of FY 2013/14. Figure 73 shows the trend of local revenue collection by quarter.

Figure 73 : Kisumu County Trend of Local Revenue Collection by Quarter



Source: *Kisumu County Treasury*

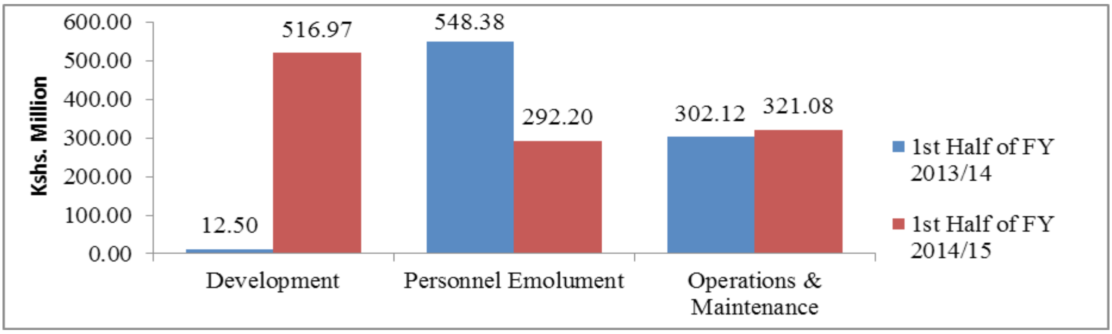
During the period under review the County received exchequer issues of Kshs.2.93 billion, of which Kshs.2.18 billion (74.4 per cent) was for recurrent expenditure and Kshs.750.73 million (25.6 per cent) was for development activities.

The total expenditure for the first half of FY 2014/15 was Kshs.1.13 billion which was 38.6 per cent of the total funds released and an improvement from Kshs.863.00 million spent in the similar period of FY 2013/14. The County spent Kshs.613.28 million (54.3 per cent) on recurrent activities and Kshs.516.97 million (45.7 per cent) on development activities. Recurrent expenditure was 28.1 per cent of the funds released while development expenditure accounted for 68.9 per cent. This expenditure does not include outstanding commitments as of December 31, 2014 that amounted to Kshs.18.59 million for recurrent expenditure and Kshs.11.19 million for development activities.

The recurrent expenditure for the period under review represented an absorption rate of **10.9 per cent** of the annual recurrent budget, a decrease from an absorption rate of **14.5 per cent** realized in the similar period of FY 2013/14. Development expenditure translated an absorption rate of **8.9 per cent** of the annual development budget, an improvement from an absorption rate of **0.6 per cent** achieved in the similar period in FY 2013/14.

Analysis of the recurrent expenditure of Kshs.613.28 million shows that the County spent Kshs.292.20 million on personnel emoluments which represents **47.6** per cent of the total recurrent expenditure and Kshs.321.08 million on operations and maintenance expenditure which is **52.4 per cent** of the total recurrent expenditure for the first half of FY 2014/15. A comparison of the total expenditure between the period under review and the similar period last financial year is shown in Figure 74.

Figure 74: Kisumu County First Half Recurrent Expenditure by Economic Classification



***Source**: Kisumu County Treasury*

Analysis of expenditure by department shows that Finance & Economic Planning had the highest absorption rate of its annual development budget at 47.2 per cent while the other departments did not spend on their development budget. Analysis of expenditure by department is summarised in Table 19.

Table 19: Kisumu County FY 2014/15 Budget and Expenditure by Department for the First Half of FY 2014/15

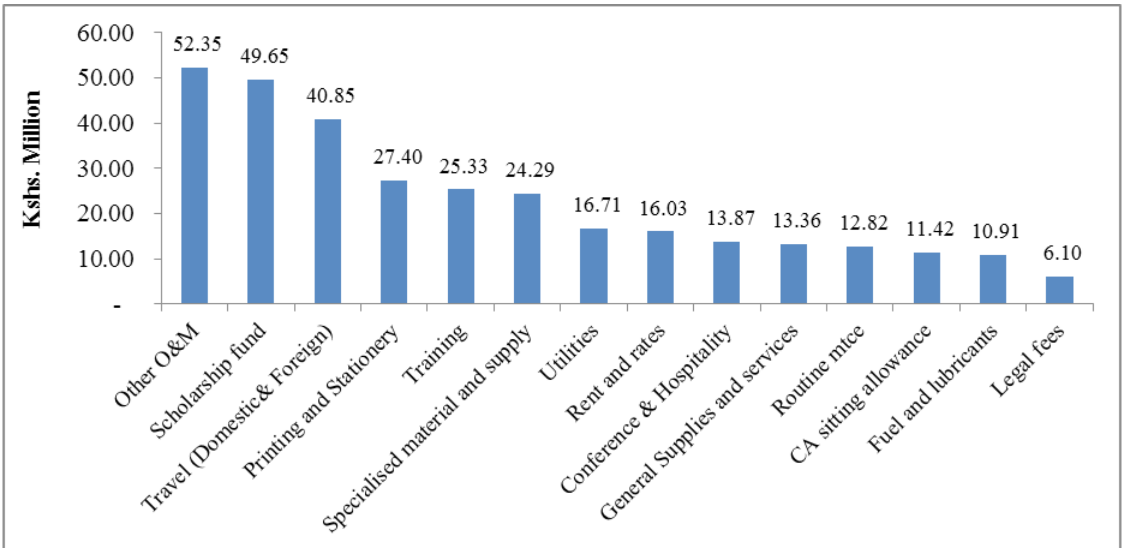
DEPARTMENT	BUDGET ALLOCATION (Kshs.Million)		EXCHEQUER ISSUES (Kshs. Million)		EXPENDITURE (Kshs.Million)		% OF EXPENDITURE TO EXCHEQUER ISSUES		**EXPENDITURE TO ANNUAL BUDGET (Absorption Rate %)**	
	REC	DEV	REC	DEV	REC	DEV	REC	DEV	REC	DEV
Health	2,090.47	213.15	785.53	0	106.21	0	13.5	0	5.1	0
Agriculture	318.89	275.07	132.20	0	54.26	0	41.0	0	17.0	0
Water, Energy, Environment, Forestry & Natural Resources	124.90	291.63	58.44	0	12.79	0	21.9	0	10.2	0
Education, Youth Affairs, Sports, Culture & Social Services	244.12	213.30	117.58	0	85.25	0	72.4	0	34.9	0
Public Works, Transport & Infrastructure	112.43	830.01	43.39	0	2.71	0	6.2	0	2.4	0
Physical Planning, Lands & Housing	30.38	68.80	9.72	0	1.68	0	17.5	0	5.6	0
Finance & Economic Planning	807.71	1,094.82	336.39	750.73	86.42	516.97	25.7	68.9	10.7	47.2
Public Service Management										
County Executive	1,107.15	2,080.97	463.31	0	145.60	0	31.4	0	13.2	0
County Assembly	699.79	500.00	185.50	0	114.36	0	60.0	0	16.3	0
Trade, Industrialization, Tourism, Wildlife & Cooperative Development	114.16	213.05	46.98	0	4.01	0	8.5	0	3.5	0

***Source:** Kisumu County Treasury*

The County spent Kshs.11.42 million on payment of sitting allowances to the 50 members of the County Assembly representing an absorption rate of 9.5 per cent of the annual budget of Kshs.120.06 million allocated for MCAs' sitting allowance. Each MCA was paid an average monthly sitting allowance of Kshs.38,068 compared to the SRC recommended amount of Kshs.124,800. Expenditure on domestic and foreign travel for both County Assembly and County Executive amounted to Kshs.40.85 million in the period under review compared to Kshs.27.69 million in a similar period of FY 2013/14.

The breakdown of operations and maintenance expenditure for the period under review is shown in Figure 75.

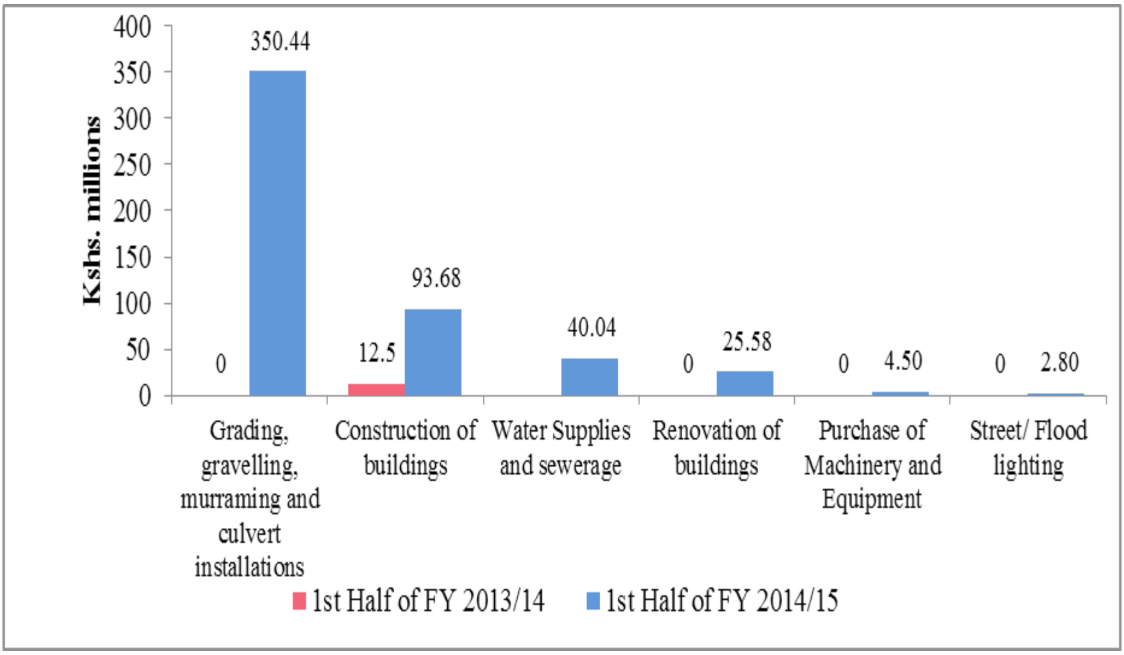
Figure 75 : Kisumu County FY 2014/15 Half Year Operations and Maintenance Expenditure (Kshs. Million)



Source: *Kisumu County Treasury*

Analysis of the development expenditure for the period under review of Kshs.517.0 million shows that the County spent Kshs.350.44 million on access roads, Kshs.93.68 million on construction of buildings, Kshs.25.58 million on renovation and refurbishment of buildings, Kshs.40.04 million on maintenance and construction of water supplies and irrigation, Kshs.4.50 million on purchase of machinery and equipment and Kshs.2.80 million on street lighting as shown in Figure 76.

Figure 76: Kisumu County FY 2014/15 Half Year Analysis of Development Expenditure (Kshs. Million)



Source: *Kisumu County Treasury*

In the previous CBIRRs, the office made recommendations to address the challenges facing budget execution in the County. The issues that have already been addressed include enactment of revenue legislation such as the County Revenue Administration Act and Rating Act, remittance of revenue collections by devolved entities into the County Revenue Fund and improvement in absorption of development funds.

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

1. Lack of County-wide property rolls to guide in imposing property rates.
2. Intermittent use of IFMIS leading to a backlog of expenditure yet to be captured into the system. The affected expenditure was mainly personnel emoluments, expenditure by the City Department and partly by the County Assembly.
3. Lack of Internal Audit Committee contrary to Section 155(5) of the PFM Act, 2012.
4. Failure to open County Assembly operation account at the Central Bank contrary to TA Circular reference no. TA/6/12 of 11th September, 2013.

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

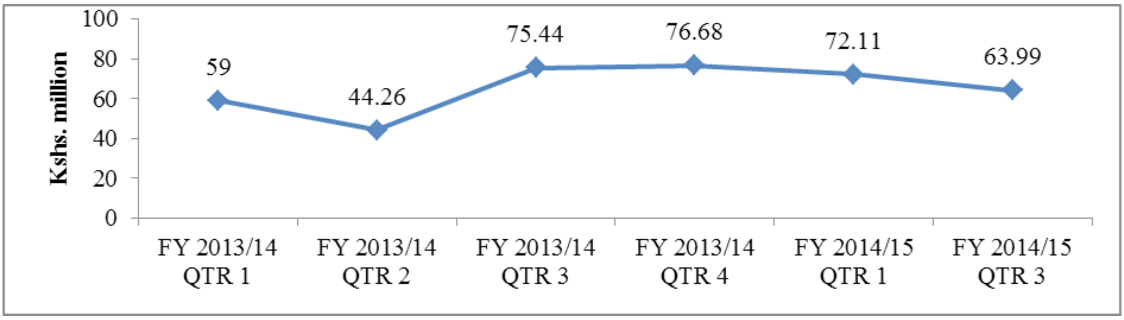
1. *The Country Treasury should develop a property roll to facilitate collection of property rates.*
2. *All financial transactions should be processed in IFMIS.*
3. *The County should establish an Internal Audit Committee as per section 155(5) of the PFM Act, 2012 to enhance prudent public financial management.*
4. *The County Treasury should facilitate the County Assembly to open the Central Bank account in line with the TA Circular No. TA/6/12 of 11th September, 2013.*

Kitui County

The Kitui County Budget as submitted to the County Assembly on 30th April 2014, by the County Executive Committee Member of Finance and Economic Planning for the FY 2014/15 amounted to Kshs.7.69 billion comprising of Kshs.4.60 billion (59.8 per cent) for recurrent expenditure and Kshs.3.09 billion (40.2 per cent) for development expenditure. The budget will be financed by the national equitable share of Kshs.6.34 billion (82.2 per cent), local revenue sources of Kshs.650.00 million (8.4 per cent), Kshs.421.00 million (5.5 per cent) as projected cash balance from FY 2013/14 and Kshs.299.72 as conditional grant (3.9 per cent).

In the first half of FY 2014/15, the County received Kshs.1.86 billion as national shareable revenue, raised Kshs.136.10 million from local sources and had Kshs.2.2 billion as actual cash balance from FY 2013/14. The national shareable revenue of Kshs.1.86 billion includes Kshs.17.31 million for DANIDA health project. Local revenue consisted of Kshs.72.11 million generated in the first quarter and Kshs.63.99 million in the second quarter. The local revenue raised in the first half of FY 2014/15 of Kshs.136.10 million, was 20.9 per cent of the annual local revenue target, an improvement from Kshs.103.12 million collected in the similar period of FY 2013/14. Figure 77 shows the trend of local revenue collection by quarter.

Figure 77: Kitui County Trend of Local Revenue Collection by Quarter



Source: *Kitui County Treasury*

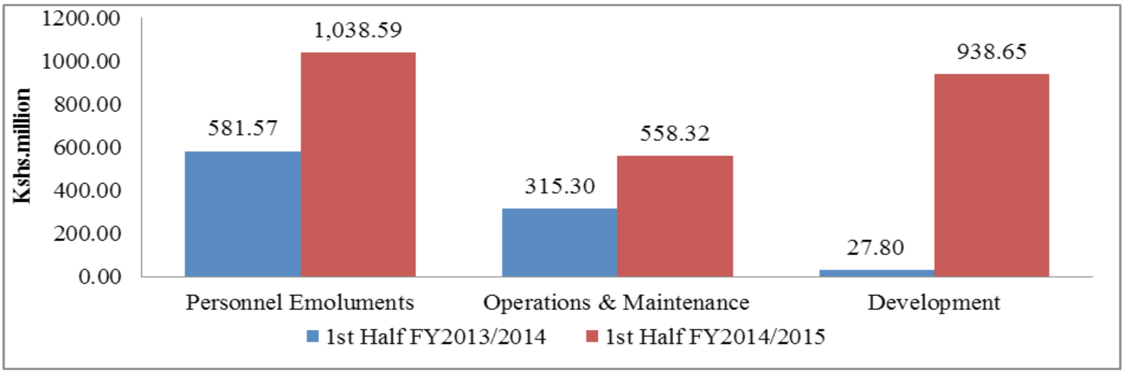
During the period under review the County received exchequer issues of Kshs.3.21 billion, of which Kshs.2.01 billion (62.6 per cent) was for recurrent expenditure and Kshs.1.20 billion (37.4 per cent) was for development activities.

The total expenditure for the first half of FY 2014/15 was Kshs.2.54 billion which was 79.0 per cent of the total funds released and an improvement from the Kshs.924.67 million spent in the similar period of FY 2013/14. The County spent Kshs.1.60 billion (63.0 per cent) on recurrent activities and Kshs.938.65 million (37.0 per cent) on development activities. Recurrent expenditure was 79.5 per cent of the funds released while development expenditure accounted for 78.1 per cent. This expenditure does not include outstanding commitments as of December 31, 2014 that amounted to Kshs.83.14 million for recurrent expenditure and Kshs.849.98 million for development activities.

The recurrent expenditure for the period under review represented an absorption rate of 34.7 per cent of the submitted recurrent budget, an increase from an absorption rate of 24.8 per cent realized in the similar period of FY 2013/14. Development expenditure translated to an absorption rate of 30.4 per cent of the submitted development budget, an improvement from an absorption rate of 1.0 per cent realized in the similar period in FY 2013/14.

Analysis of the recurrent expenditure of Kshs.1.60 billion shows that the County spent Kshs.1.04 billion on personnel emoluments which represents 65.0 per cent of the total recurrent expenditure and Kshs.558.32 million on operations and maintenance expenditure which is 35.0 per cent of the total recurrent expenditure for the first half of FY 2014/15. A comparison of the total expenditure between the period under review and the similar period last financial year is shown in Figure 78.

Figure 78: Kitui County FY 2014/15 First Half Expenditure by Economic Classification



Source: *Kitui County Treasury*

Analysis of expenditure by department shows that Health and Sanitation had the highest absorption rate of the submitted recurrent annual budget at 46.62 per cent while Basic Education, Training and Skills Development had the highest absorption rate of the submitted development annual budget at 69.87 per cent. The expenditure of various departments is summarised below in Table 20.

Table 20: Kitui County FY 2014/15 Budget and Expenditure by Departments for the First Half of FY 2014/15

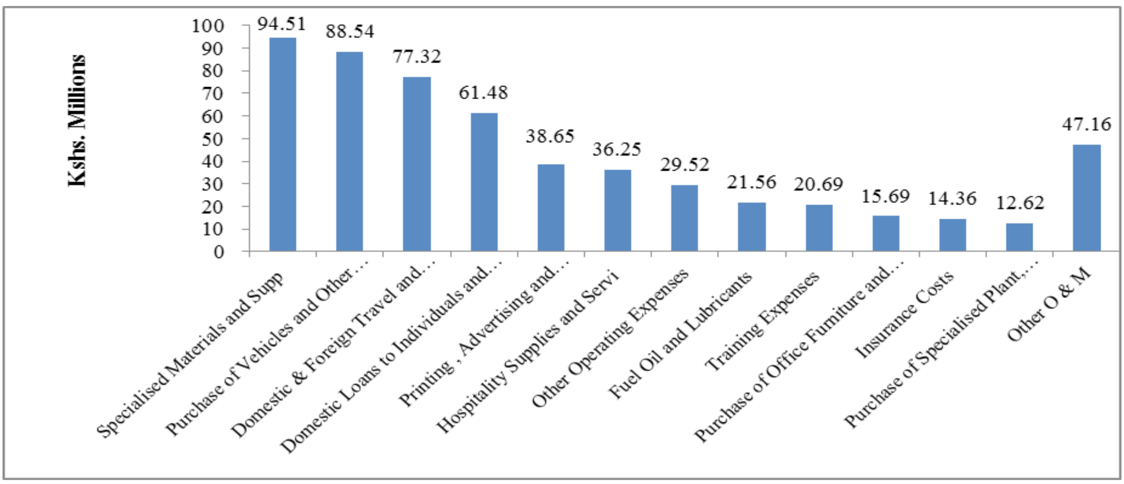
DEPARTMENT	SUBMITTED BUDGET ALLOCATION (Kshs. Millions)		EXCHEQUER ISSUES (Kshs million)		EXPENDITURE (Kshs. Millions)		Expenditure to Exchequer issues (%)		EXPENDITURE TO ANNUAL BUDGET (Absorption rate %)	
	REC	DEV	REC	DEV	REC	DEV	REC	DEV	REC	DEV
Office of the Governor	505.55	635.00	147.28	266.29	154.96	62.31	105.21	23.40	30.65	9.81
Administration and Coordination of County Affairs	456.29	152.85	201.38	12.37	79.21	16.00	39.33	129.39	17.36	10.47
Agriculture, Water and Irrigation	362.55	458.04	175.89	229.02	123.04	234.27	69.95	102.29	33.94	51.15
Basic Education, Training and Skills Development	301.24	74.38	145.57	35.19	127.95	51.97	87.89	147.69	42.47	69.87
Lands, Infrastructure and Urban Development	526.13	890.49	242.68	311.53	108.20	418.69	44.59	134.40	20.57	47.02
Health and Sanitation	1,272.27	219.22	616.25	105.29	593.12	50.68	96.25	48.14	46.62	23.12
Trade, Industry and Cooperatives	74.22	282.63	35.07	103.13	21.04	18.21	59.99	17.65	28.35	6.44

DEPARTMENT	SUBMITTED BUDGET ALLOCATION (Kshs. Millions)		EXCHEQUER ISSUES (Kshs million)		EXPENDITURE (Kshs. Millions)		Expenditure to Exchequer issues (%)		EXPENDITURE TO ANNUAL BUDGET (Absorption rate %)	
	REC	DEV	REC	DEV	REC	DEV	REC	DEV	REC	DEV
Culture, Youth, Sports and Social Services	61.00	88.50	28.56	28.00	15.35	14.38	53.77	51.35	25.17	16.25
Environment, Energy and Mineral Resources	47.49	210.18	21.09	92.31	10.92	67.06	51.81	72.65	23.00	31.91
Natural Resources and Tourism	32.63	30.00	15.65	4.75	11.62	0.93	74.25	19.66	35.60	3.11
Finance and Economic Planning	139.02	50.00	68.73	13.91	55.37	-	80.56	0.00	39.83	0.00
County Assembly Service Board	768.47	-	283.98	-	275.16	4.14	96.89		35.81	
County Public Service Board	55.00	-	27.22	-	20.97	-	77.02		38.12	

Source: *Kitui County Treasury*

The County spent Kshs.27.23 million on payment of sitting allowances to the 57 members of the County Assembly representing an absorption rate of 28.6 per cent of the submitted budget of Kshs.95.37 million. Each MCA was paid an average monthly sitting allowance of Kshs.79,627 compared to the SRC recommended amount of Kshs.124,800. Expenditure on domestic and foreign travel for both County Assembly and the County Executive amounted to Kshs.77.32 million in the period under review compared to Kshs.47.54 million in a similar period of FY 2013/14. The breakdown of operations and maintenance expenditure for the period under review is shown in Figure 79.

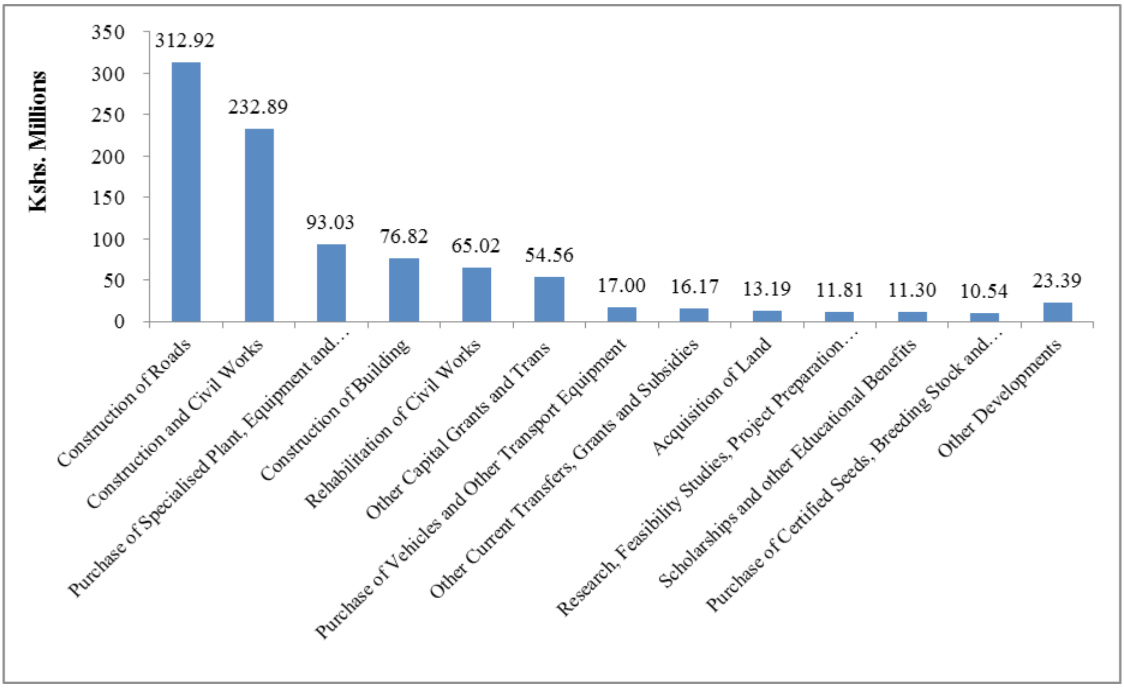
Figure 79: Kitui County, Half Year Operations and Maintenance Expenditure



Source: *Kitui County Treasury*

Analysis of the development expenditure for the period under review of Kshs.938.65 million shows that the County spent Kshs.312.92 million on roads, Kshs.232.89 million on construction and civil works, Kshs.93.03 million on purchase of specialised plant, equipment and machinery and Kshs.76.82 million on construction of buildings as shown in Figure 80. The purchase of specialised plant, equipment and machinery category includes a drilling rig of Kshs.76.02 million.

Figure 80: Kitui County, FY 2014/15 Half Year Analysis of Development Expenditure



Source: *Kitui County Treasury*

In the previous CBIRRs, the office made some recommendations to address the challenges facing budget execution in the County. The key recommendations that have been addressed include: (i) passing of a Finance Bill, and (ii) increased absorption of development expenditure.

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

1. Underperformance of locally generated revenue.
2. Some departments are spending more than their exchequer requisition.

3. Ministry of Health and Sanitation is spent revenue collected at source. Contrary to section 109 of the PFM Act, 2012.

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

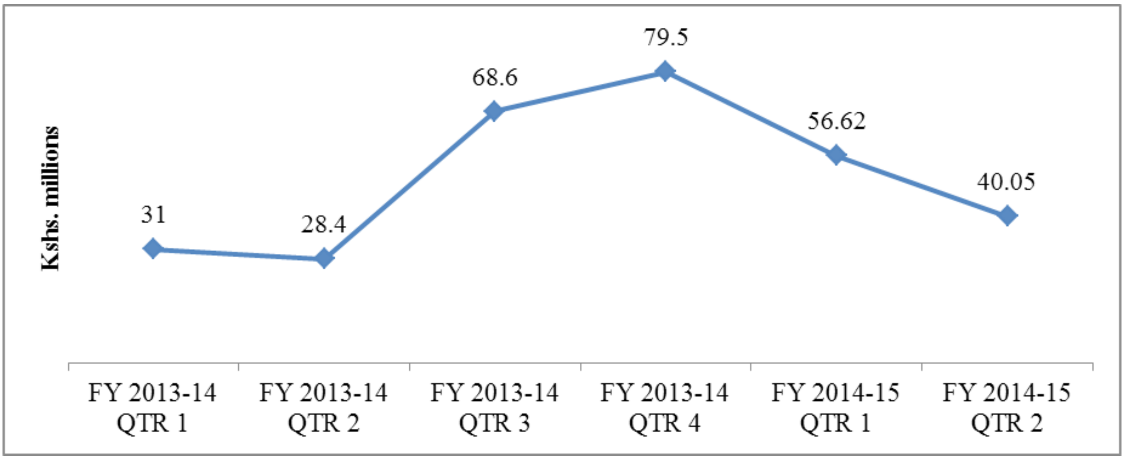
1. *Devise strategies to enhance local revenue collection.*
2. *Institute appropriate budgetary controls to ensure all departmental expenditure does not exceed the budgeted amounts.*
3. *The Ministry of Finance and Economic Planning should ensure that all revenues collected by county entities are deposited in the County Revenue Fund and any exception must be authorized by law.*

Kwale County

The County Budget Estimates for the FY 2014/15 amounted to Kshs.5.66 billion comprising of Kshs.2.74 billion (48.4 per cent) for recurrent expenditure and Kshs.2.92 billion (51.6 per cent) for development expenditure. To finance this budget, the County expects to receive Kshs.4.5 billion (79.5 per cent) as national equitable share, collect Kshs.500 million (8.8 per cent) from local revenue sources and Kshs.661.87 million (11.7 per cent) as projected cash balance from FY 2013/14.

In the first half of FY 2014/15, the County received Kshs.1.30 billion as the national equitable share of revenue, collected Kshs.96.67 million from local sources, and had Kshs.903.30 million as actual balance brought forward from FY 2013/14. Local revenue consisted of Kshs.56.62 million generated in the first quarter and Kshs.40.05 million in the second quarter. The local revenue raised in the first half of FY 2014/15 of Kshs.96.67 million was 19.3 per cent of the annual local revenue target, an improvement from Kshs.59.4 million collected in the same period of FY 2013/14. Figure 81 shows the trend of local revenue collection by quarter

Figure 81: Kwale County, trend in Local Revenue Collection by quarter



Source: *Kwale County Treasury*

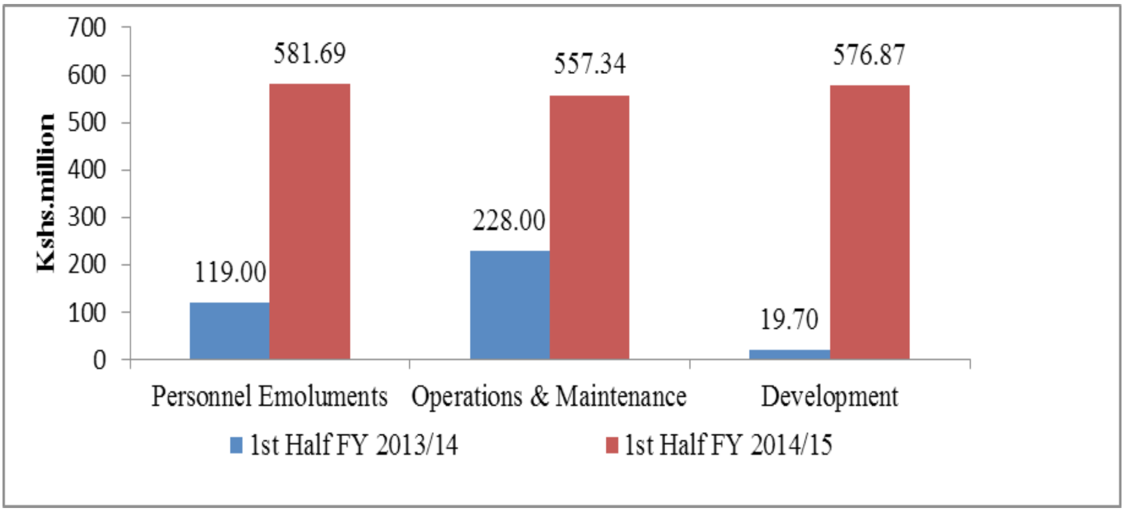
During the period under review, the County received exchequer issues of Kshs.2.23 billion of which Kshs.1.23 billion (55.4 per cent) was for recurrent expenditure and Kshs.993.75 million (44.6 per cent) was for development activities.

The total expenditure for the first half of FY 2014/15 was Kshs.1.72 billion which was 77.1 per cent of the total funds released and an improvement from the Kshs.427 million spent in the same period of FY 2013/14. The County spent Kshs.1.14 billion (66.4 per cent) on recurrent activities and Kshs.576.87 million (33.6 per cent) on development activities. Recurrent expenditure was 92.5 per cent of the funds released for recurrent expenditure while development expenditure accounted for 58.0 per cent of funds released for development expenditure. This expenditure does not include outstanding commitments as of December 31, 2014 that amounted to Kshs.43.45 million for recurrent expenditure and Kshs.3.33 million for development activities.

The recurrent expenditure for the period under review represented an absorption rate of **41.6 per cent** of the annual recurrent budget, an increase from an absorption rate of **14.2 per cent** realized in the same period of FY 2013/14. Development expenditure translated to an absorption rate of **19.7 per cent** of the annual development budget, an improvement compared to the same period in FY 2013/14 when the County spent **1.3 per cent** its of annual development budget.

Analysis of the recurrent expenditure of Kshs.1.14 billion shows that the County spent Kshs.581.69 million on personnel emoluments which represents 51.1 per cent of the total recurrent expenditure and Kshs.557.34 million on operations and maintenance expenditure which is 48.9 per cent of the total recurrent expenditure for the first half of FY 2014/15. A comparison of the total expenditure between the period under review and the same period last financial year is shown in Figure 82.

Figure 82: Kwale County, First Half Expenditure by Economic Classification



Source: *Kwale County Treasury*

Analysis of expenditure by department shows that the Finance & Economic Planning had the highest absorption rate of the annual recurrent budget at 110 per cent while department of Education, Youth Affairs, Sports, Culture & Social Services had the lowest absorption rate of the annual recurrent budget at 23.7 per cent. The department of Finance & Economic Planning had the highest absorption rate of the annual development budget at 202 per cent while the department of Physical Planning, Lands & Housing and the County Executive & CPSB had no development expenditure even though they received exchequer issues for development activities. It is worth to note that the department of Finance & Economic Planning spent in excess of its budget allocation for both the recurrent and development activities. The expenditure of various departments is summarised in Table 21.

Table 21: Kwale County FY 2014/15 Budget and Expenditure by Department for the First Half of FY 2014/15

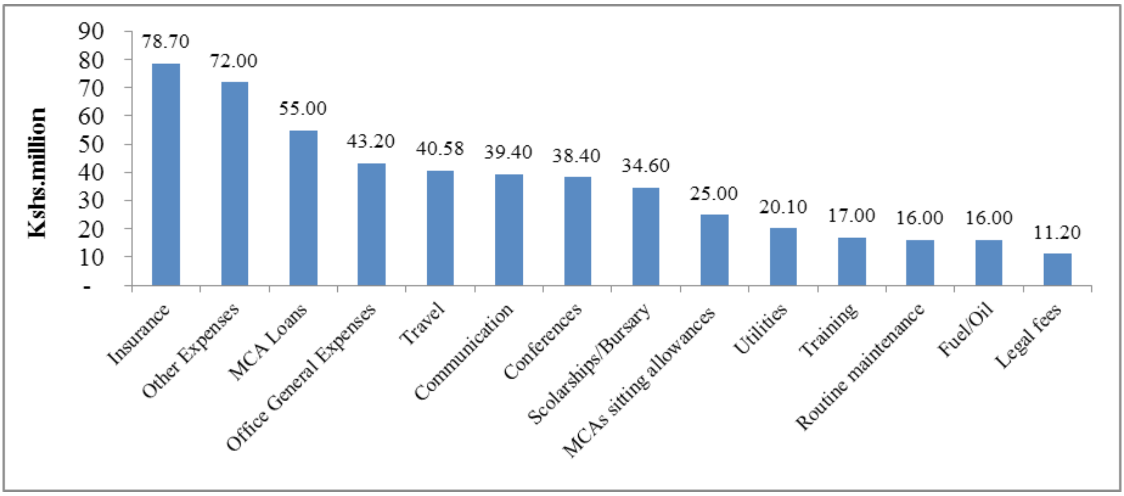
Department	BUDGET (Kshs. Million)		EXCHEQUER ISSUES (Kshs. Million)		EXPENDITURE (Kshs. Million)		% of Exp/ Exch. issues		EXPENDITURE TO ANNUAL BUDGET (Absorption %)	
	Rec	Dev.	Rec	Dev.	Rec	Dev.	Rec	Dev.	Rec	Dev.
Health	787.5	350	393.8	84.9	343.7	100	**87.3**	**117.8**	**43.6**	**28.6**
Agriculture	157.5	275	78.8	62	61.7	15.3	**78.3**	**24.7**	**39.2**	**5.6**
Water, Energy, Environment, Forestry, Natural Resources & Decentralized Units	199.2	396.4	99.6	53.8	72.3	3.7	**72.6**	**6.9**	**36.3**	**0.9**
Education, Youth Affairs, Sports, Culture & Social Services	346.6	424.6	173.3	75.5	82.1	37	**47.4**	**49.0**	**23.7**	**8.7**
Public Works, Transport & Infrastructure	110.7	194	55.3	37.5	47.3	6.2	**85.5**	**16.5**	**42.7**	**3.2**
Physical Planning, Lands & Housing	27.7	88.5	13.9	15	11.3	0	**81.3**	**0.0**	**40.8**	**0.0**
Finance & Economic Planning	152.6	596	76.3	496	168.7	309.6	**221.1**	**62.4**	**110.6**	**51.9**
County Executive & CPSB	198.9	61	99.5	30.5	74.7	0	**75.1**	**0.0**	**37.6**	**0.0**
County Assembly	675	291.8	200.5	41.8	250.5	6.8	**124.9**	**16.3**	**37.1**	**2.3**
Trade, Industrialization, Tourism, & Co-op Development	82.1	246.6	41.1	96.8	26.8	98.3	**65.2**	**101.5**	**32.6**	**39.9**

Source: *Kwale County Treasury*

The County spent Kshs.25 million on payment of sitting allowances to the 34 members of the County Assembly against a budgetary allocation of Kshs.66.16 million, representing an absorption rate of 37.8 per cent. Each MCA was paid an average monthly sitting allowance of Kshs.122,558 compared to the SRC recommended amount of Kshs.124,800. Expenditure on domestic and foreign travel in the period under review amounted to Kshs.40.58 million, consisting of Kshs.22.21 million for the County Assembly and Kshs.18.37 million for the County Executive, compared to Kshs.52.9 million in the same period of FY 2013/14.

The breakdown of operations and maintenance expenditure for the period under review is shown in Figure 83.

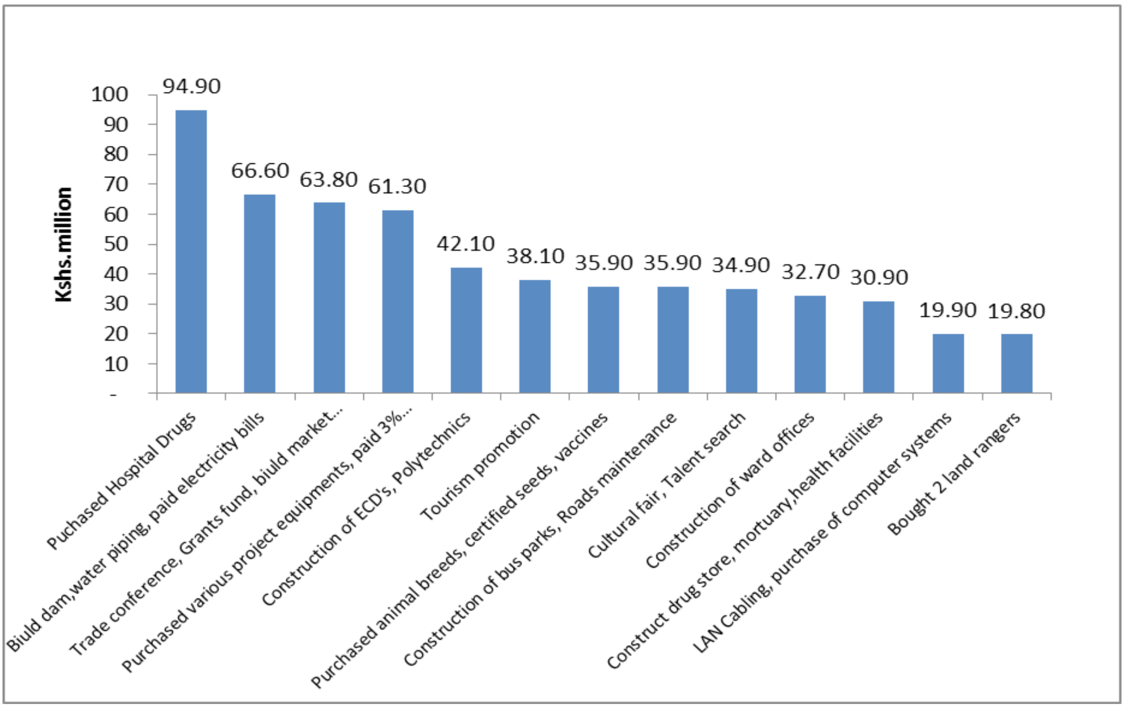
Figure 83: Kwale County, Half Year Operations and Maintenance Expenditure



Source: *Kwale County Treasury*

Total development expenditure for the period under review was Kshs.576.87 million. The highest development expenditure was Kshs.95 million on purchase of medical drugs while the lowest was Kshs.19.80 million on purchase of two Ford Ranger vehicles as shown in Figure 84.

Figure 84: Kwale County, Half Year Analysis of Development Expenditure



Source: *Kwale County Treasury*

The County had three main challenges that were raised in previous CBIRRs. These are: (i) delayed adoption of IFMIS, (ii) inadequate human capacity, and, (iii) low local revenue collection.

The County faced the following challenges that hampered effective budget implementation in the reporting period;

1. Low absorption of development funds which currently stands at 19.7 per cent of the annual development budget.
2. Commitments by some County entities that exceeded budget allocations.
3. Failure to include FY 2013/14 DANIDA grant in the FY 2014/15 budget.

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

1. *Build capacity of technical departments to improve implementation of development activities.*
2. *All County entities should limit commitments to the budget ceilings based on the Kwale County Appropriation Act, 2014 in all in-year procurement actions.*
3. *The County should include the DANIDA grant in the 2014/15 Supplementary budget estimates.*

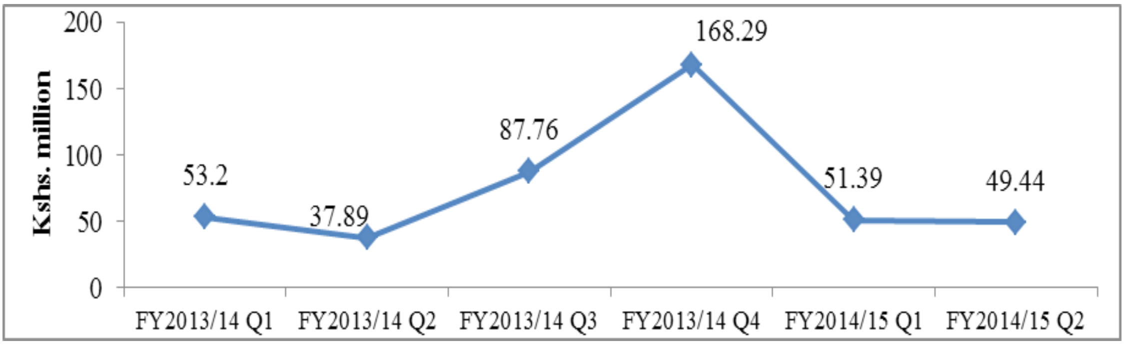
Laikipia County

The Laikipia County Budget Estimates for the FY 2014/15 amounted to Kshs.3.35 billion comprising of Kshs.2.35 billion (70 per cent) for recurrent expenditure and Kshs.1.01 billion (30 per cent) for development expenditure. The budget is to be financed by the national equitable share of Kshs.3.10 billion (90 per cent), local revenue sources of Kshs.400.00 million (12 per cent) and Kshs.303.50 million (9 per cent) as projected cash balance from FY 2013/14.

In the first half of FY 2014/15, the County received Kshs.1.13 billion as national shareable revenue, and raised Kshs.100.82 million from local sources, and had Kshs. 303.50 million unspent balance from FY 2013/14. Local revenue consisted of Kshs.51.38 million generated in the first quarter and Kshs.49.44 million in the second quarter. The local revenue raised in the first half of FY 2014/15 of Kshs.100.82 million was 25.2

per cent of the annual local revenue target, an improvement from Kshs.91.08 million collected in the same period of FY 2013/14. Figure 85 below shows the trend of local revenue collection by quarter.

Figure 85: Laikipia County, trend of Local Revenue Collection by Quarter



Source: *Laikipia County Treasury*

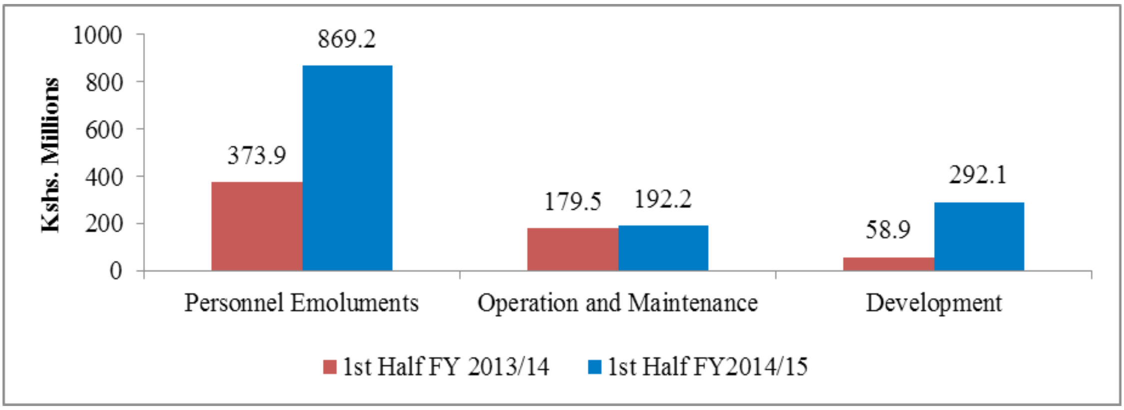
During the period under review the County received exchequer issues of Kshs.1.35 billion, of which Kshs.1.06 billion (78.4 per cent) was for recurrent expenditure and Kshs.292.11 million (21.6 per cent) was for development activities.

The total expenditure for the first half of FY 2014/15 was Kshs.1.35 billion which was 100 per cent of the total funds released and an improvement from the Kshs.616 million spent in the same period of FY 2013/14. The County spent Kshs.1.06 billion (78.4 per cent) on recurrent activities and Kshs.292.11 million (21.6 per cent) on development activities. Both recurrent expenditure and development expenditure accounted for 100 per cent respectively. This expenditure does not include outstanding commitments as of December 31, 2014 that amounted to Kshs.11.83 million for recurrent expenditure. There were no outstanding commitments for development activities.

The recurrent expenditure for the period under review represented an absorption rate of 45.3 per cent of the annual recurrent budget, an increase from an absorption rate of 13 per cent realized in the same period of FY 2013/14. Development expenditure recorded an absorption rate of 29.1 per cent of the annual development budget, an improvement compared to the same period in FY 2013/14 when the County spent 4.5 per cent of its development budget.

Analysis of the recurrent expenditure of Kshs.1.06 billion shows that the County spent Kshs.869 million on personnel emoluments which represents 81.9 per cent of the total recurrent expenditure and Kshs.192 million on operations and maintenance expenditure which is 18.1 per cent of the total recurrent expenditure for first half of FY 2014/15. A comparison of the total expenditure between the period under review and the same period last financial year is shown in the Figure 86.

Figure 86: Lakipia County First Half Expenditure by Economic Classification



Source: *Laikipia County Treasury*

Analysis of expenditure by department shows that all departments with the exception of the County Assembly had absorption rates of the annual recurrent budget at 50 per cent. The Education department had the highest absorption rate of the annual development budget at 49 per cent while the County Administration department had the lowest absorption rate of the annual development budget at 5 per cent The county assembly had the lowest of absorption rate of the annual recurrent budget at 22 per cent. The expenditure of various departments is summarised below in Table 22 .

Table 22: Laikipia County FY2014/15 Budget and Expenditure by Department for the First Half of FY 2014/15

DEPARTMENT	BUDGET ALLOCATION (Kshs. Million)		EXCHEQUER ISSUES (Kshs. Million)		EXPENDITURE (Kshs. Million		% OF EXPENDITURE TO EXCHEQUER ISSUES		EXPENDITURE TO ANNUAL BUDGET (Absorption Rate %)	
	REC	DEV	REC	DEV	REC	DEV	REC	DEV	REC	DEV
Health	42.08	127.83	21.04	60.94	21.04	60.94	100%	100%	50%	48%
Agriculture	21.54	150.62	10.77	55.59	10.77	55.59	100%	100%	50%	37%
Water, Energy, Environment, Forestry & Natural Resources	4.00	117.54	2.00	19.61	2.00	19.61	100%	100%	50%	17%

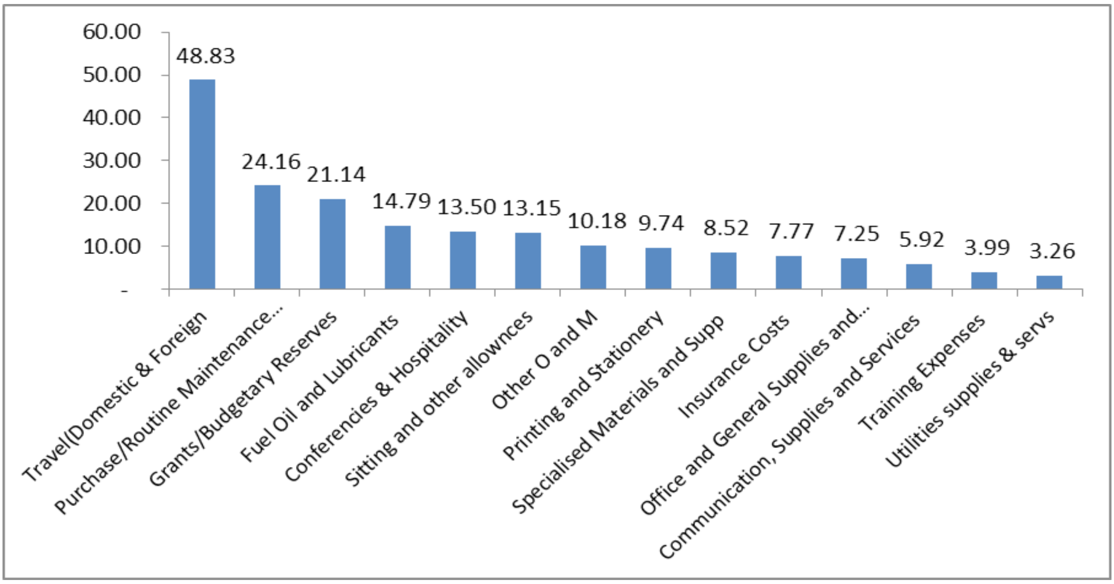
DEPARTMENT	BUDGET ALLOCATION (Kshs. Million)		EXCHEQUER ISSUES (Kshs. Million)		EXPENDITURE (Kshs. Million)		% OF EXPENDITURE TO EXCHEQUER ISSUES		**EXPENDITURE TO ANNUAL BUDGET (Absorption Rate %)**	
	REC	DEV	REC	DEV	REC	DEV	REC	DEV	REC	DEV
Education	9.81	77.03	4.91	37.37	4.91	37.37	100%	100%	50%	49%
Public Works, Transport & Infrastructure	8.44	132.75	4.22	44.25	4.22	44.25	100%	100%	50%	33%
Gender, Sports, Culture & Social Services	12.11	51.54	6.05	12.96	6.05	12.96	100%	100%	50%	25%
Finance & Economic Planning	70.69	132.43	35.34	18.56	35.34	18.56	100%	100%	50%	14%
County Administration	1753.69	102.43	876.85	4.83	876.85	4.83	100%	100%	50%	5%
County Assembly	396.48	46.00	87.15	20.00	87.15	20.00	100%	100%	22%	43%
Trade, Industrialization, Tourism, Wildlife & Cooperative Development	23.38	66.81	11.69	18.00	11.69	18.00	100%	100%	50%	27%

Source: *Laikipia County Treasury*

The County spent Kshs.4.84 million on payment of sitting allowances to the 24 members of the County Assembly representing an absorption rate of 9.7 per cent of the annual budget of Kshs.49.92 million. Each MCA was paid an average monthly sitting allowance of Kshs.33,612 compared to the SRC recommended amount of Kshs.124,800. Expenditure on domestic and foreign travel for both the County Assembly and the County Executive amounted to Kshs.48.83 million in the period under review compared to Kshs.89.22 million in a similar period in FY 2013/14.

The breakdown of operations and maintenance expenditure for the period under review is shown in Figure 87.

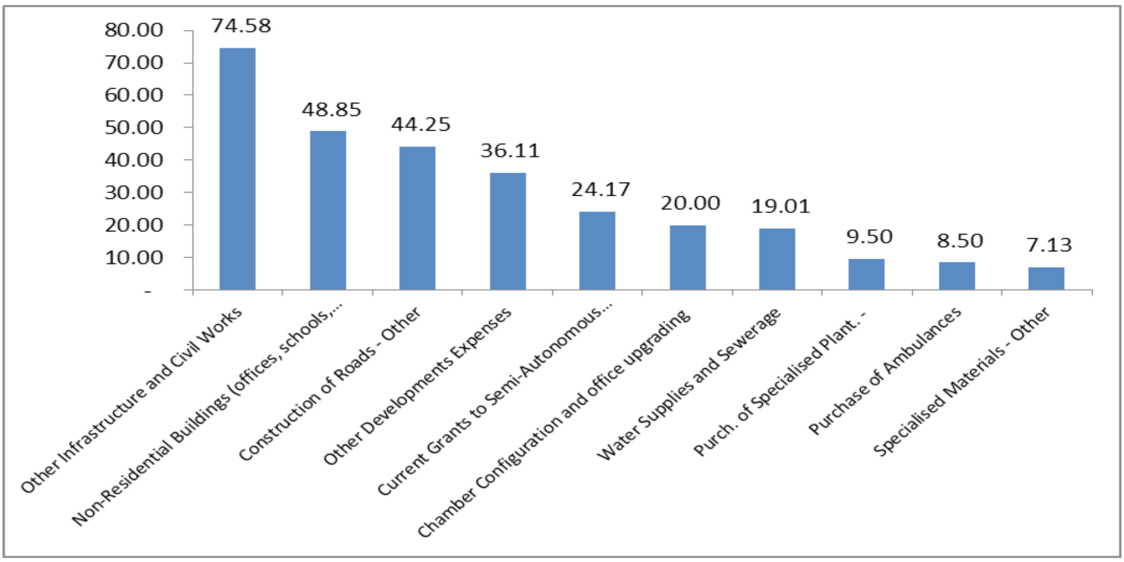
Figure 87: Laikipia County, Half Year Operations and Maintenance Expenditure



Source: *Laikipia County Treasury*

Analysis of the development expenditure of Kshs.292 million shows that the County spent Kshs.44 million on construction of Roads, Kshs.49 million on non-residential buildings (offices, schools, hospitals etc..), Kshs.24 million on Current Grants to Semi-Autonomous Government Agencies, Kshs.20 million on Chamber configuration and office upgrading and Kshs.75 million on other infrastructure and civil works as shown in Figure 88.

Figure 88: Laikipia County Analysis of Development Expenditure



Source: *Laikipia County Treasury*

During the reporting period, the County addressed the challenge of low local revenue collection through acquisition of two vehicles to facilitate the revenue staff and also opened a modern banking hall for collection of revenue. However, during monitoring of the budget in the period under review, the office noted the following issue that needs to be addressed:

1. Failure to include FY 2013/14 pending bills in the FY 2014/15 budget.

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

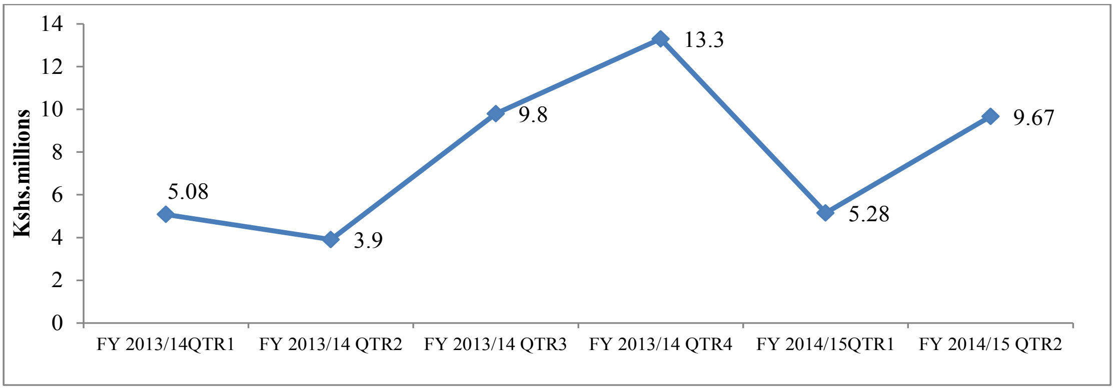
1. *All pending bills should be included in the FY 2014/15 budget through a Supplementary Budget.*

Lamu County

The budget for the FY 2014/15 is Kshs.1.96 billion comprising of Kshs.1.24 billion (63.5 per cent) allocated for recurrent expenditure and Kshs.714.75 Million (36.5 per cent) for development expenditure. This budget will be financed by Kshs.1.75 billion (89 per cent) from the national equitable share, Kshs.65.44 million (3.4 per cent) from local revenue sources and Kshs.144.34 million (7.4per cent) being projected balance brought forward from FY 2013/14.

During the half year of FY 2014/15, the County received Kshs.521.71 million from the national equitable share of revenue; collected Kshs.14.95 million from local sources, and had Kshs.691.74 million as actual balance brought forward from FY 2013/14. Local revenue consisted of Kshs.5.28 million generated in the first quarter and Kshs.9.67 million in the second quarter of the year. The revenue raised in the first half of FY 2014/15 of Kshs.14.95 million was 22.8 per cent of the annual local revenue target, an improvement from Kshs.8.98 million collected in the same period of FY 2013/14. Figure 89 shows a summary of local revenue by quarter.

Figure 89: Lamu County Trend of Local Revenue Collection by Quarter



***Source:** Lamu County Treasury*

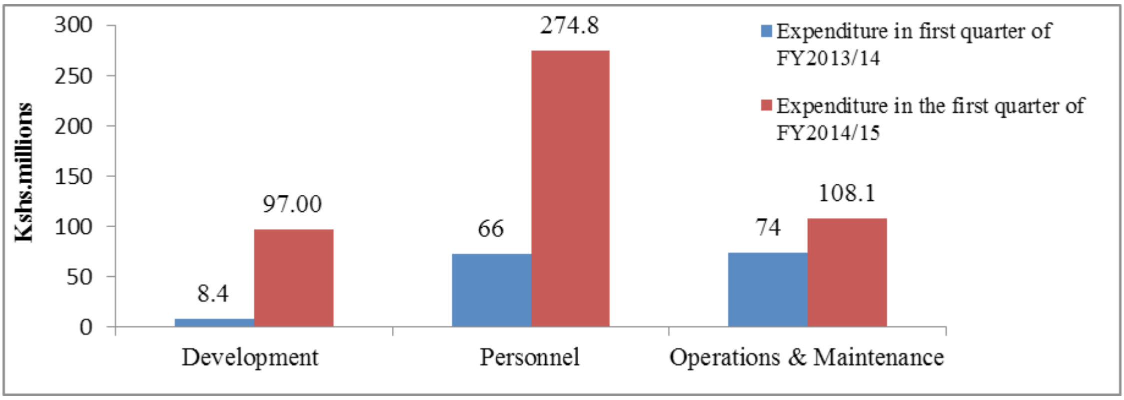
Funds released to the County during the period under review for operations amounted to Kshs.875.34 million, of which Kshs.542.18 million (61.9 per cent) was for recurrent expenditure while Kshs.333.16 million (38.1per cent) was for development activities.

In the first half year of FY 2014/15, the total expenditure was Kshs.479.94 million which was 54.8 per cent of the funds released. The expenditure for the period under review is an improvement from the Kshs.166.4 million spent in the half year of FY 2013/14.The County spent Kshs.382.95 million (79.8 per cent) on recurrent activities and Kshs.97.00 million (20.2 per cent) on development activities. Recurrent expenditure was 70.6 per cent of the funds released for recurrent activities while development expenditure accounted for 29.1 per cent of the funds released for development projects. This expenditure does not include outstanding commitments as of December 31, 2014 that amounted to Kshs.3.29 million for recurrent expenditure and Kshs.0.85 million for development activities.

The recurrent expenditure for the period under review represented an absorption rate of 30.8 per cent of the annual recurrent budget, an improvement from an absorption rate of 10.7 per cent realized in the half year of FY 2013/14. The development expenditure translated to an absorption rate of 13.6 per cent of the annual development budget, an improvement from absorption rate of 1 per cent recorded in the same period last financial year.

Analysis of the recurrent expenditure shows that the County spent Kshs.274.84 million on personnel emoluments which translates to 71.8 per cent of the total recurrent expenditure and Kshs.108.11 million on operations and maintenance expenditure which is 28.2 per cent of the total recurrent expenditure for the half year. A comparison of the total expenditure between the period under review and the same period last financial year is shown in Figure 90.

Figure 90 : Lamu County First Half Expenditure by Economic Classification



Source: *Lamu County Treasury*

Analysis of expenditure by department shows that the department of Health and Sanitation had the highest absorption rate of the annual recurrent budget at 42.9 per cent while department of Education, Gender, Youth Affairs, Sports & Social Services had the lowest absorption rate of its annual recurrent budget at 15.1 per cent. The expenditure of various departments is summarised below in Table 23.

Table 23: Lamu County FY 2014/15 Budget and Expenditure by Department for the First Half of FY 2014/15

Department	BUDGET ALLOCATION (Kshs. Million)		EXCHEQUER ISSUES (Kshs. Million)		EXPENDITURE (Kshs. Million)		% OF EXPENDITURE TO EXCHEQUER ISSUES		ABSORPTION (%)	
	REC	DEV	REC	DEV	REC	DEV	REC	DEV	REC	DEV
County Assembly	267.61	51.50	75.34	26.75	75.23	-	99.9	-	28.1	-
Office Of The Governor/Deputy	140.06	167.50	53.36	58.00	31.79	15.23	59.6	26.3	22.7	9.1
Public Service Management	101.99	0.00	48.83	-	30.46	-	62.4	-	29.9	-
Public Service Board	37.98	0.00	18.99	-	11.53	-	60.7	-	30.4	-
Finance, Economy & Strategic Planning	111.54	9.67	55.77	4.84	26.45	1.95	47.4	40.4	23.7	20.2

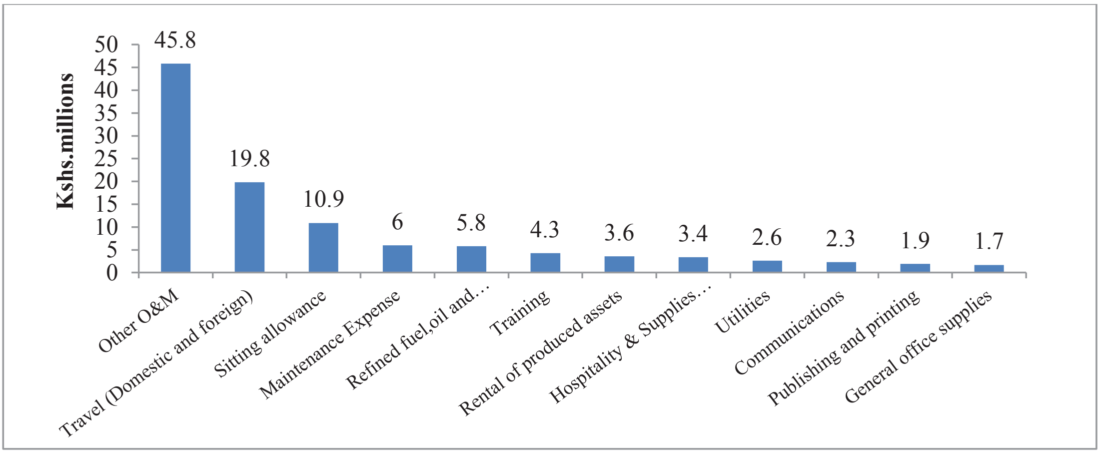
Department	BUDGET ALLOCATION (Kshs. Million)		EXCHEQUER ISSUES (Kshs. Million)		EXPENDITURE (Kshs. Million)		% OF EXPENDITURE TO EXCHEQUER ISSUES		ABSORPTION (%)	
	REC	DEV	REC	DEV	REC	DEV	REC	DEV	REC	DEV
Agriculture And Irrigation	46.23	50.92	23.12	25.46	15.59	0.10	67.4	0.4	33.7	0.2
Land, Physical Planning, Infrastructure, Urban Dev, Water And Resources	47.45	172.54	23.63	89.63	14.87	19.23	62.9	21.5	31.3	11.1
Education, Gender, Youth Affairs, Sports & Social Services	65.84	71.20	32.92	35.60	9.91	18.94	30.1	53.2	15.1	26.6
Health, Sanitation & Environment	317.69	111.17	158.84	55.59	136.15	17.20	85.7	30.9	42.9	15.5
Trade, Investment, Culture & Tourism	11.81	26.00	5.90	13.00	3.73	4.53	63.2	34.9	31.6	17.4
Information, Communication & E- Government	36.79	9.34	16.90	3.72	6.65	-	39.3	-	18.1	-
Fisheries, Livestock, Veterinary& Co-Operative Devt.	57.01	44.90	28.51	20.58	20.59	19.82	72.2	96.3	36.1	44.1

Source: *Lamu County Treasury*

The County spent Kshs.10.95 million on payment of sitting allowances to the 21 members of the County Assembly against a budgetary allocation of Kshs.30.77 million representing an absorption rate of 35.6 per cent. Each MCA was paid an average monthly sitting allowance of Kshs.86,880 compared to the SRC recommended amount of Kshs.124,000. Expenditure on domestic and foreign travel for both the County Assembly and the County executive amounted to Kshs.19.8 million in the period under review against a budget of Kshs.90.59 million.

The breakdown of operations and maintenance expenditure for the period under review is shown in Figure 91.

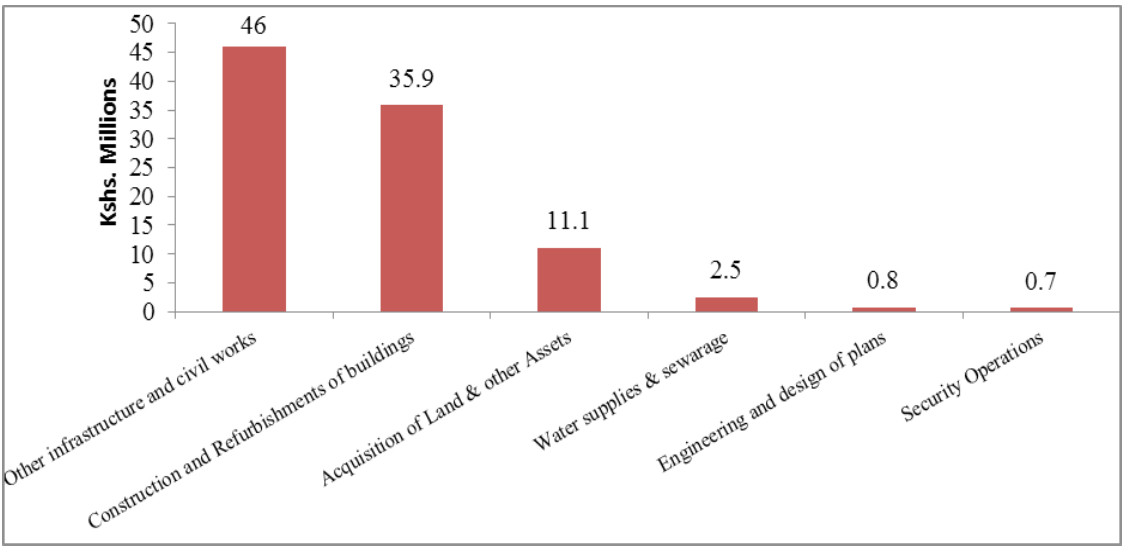
Figure 91: Lamu County, Operations and Maintenance Expenditure



Source: *Lamu County Treasury*

The development expenditure for the first half of FY 2014/15 was Kshs.97 million, an improvement from Kshs.8.4 million spent in the first half of last financial year. Analysis of development expenditure for the period under review shows that the County spent Kshs.35.9 million on construction and refurbishment of buildings, Kshs.2.5 million on water supplies and sewerage, Kshs.0.8 million on engineering and design plans, Kshs.11.1 million on Acquisition of Land and other assets, Kshs.0.7 million on security operations and Kshs.46 million on development of other infrastructures and civil works (see Figure 92).

Figure 92: Lamu County Analysis of Development Expenditure



Source: *Lamu County Treasury*

During the period under review, the office noted some improvement in budget implementation. The County has engaged the National Treasury to address the IFMIS connectivity problems. In addition, all the manually processed transactions have been uploaded into IFMIS.

The challenges that continued to hamper effective budget implementation in the reporting period were as follows:

1. Low absorption of development funds which stand at 13.6 per cent of the annual development budget.
2. Though the collection of local revenue has improved as compared to the same period in the last financial year, the collection is low when compared with target.

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

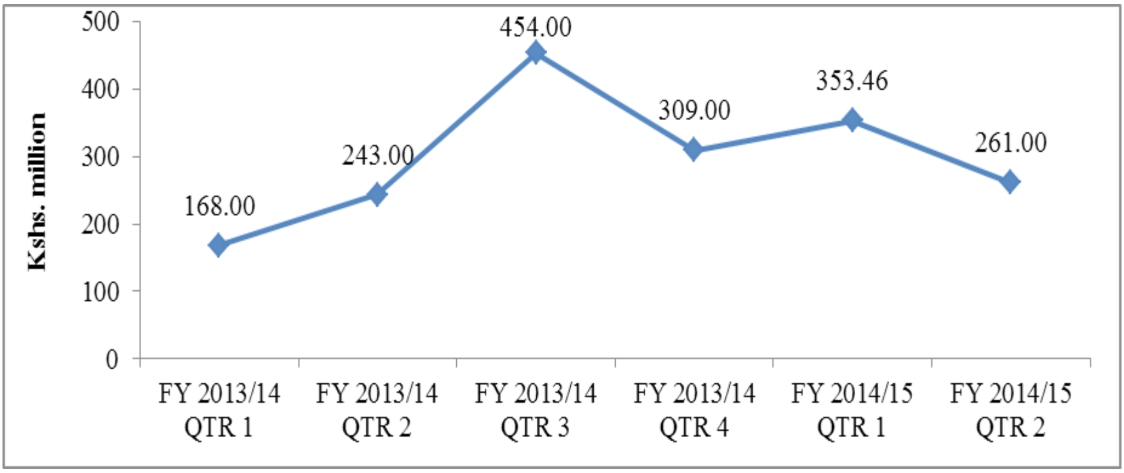
1. *The County should put in place proper monitoring and evaluation teams to follow up on project implementation. Relevant departments should also establish causes of delays in projects implementation and come up with solutions to improve on project delivery.*
2. *Urgent measures should be put in place to improve on revenue collection and seal revenue leakages.*

Machakos County

The Machakos County Budget Estimates for the FY 2014/15 amounted to Kshs.8.90 billion comprising of Kshs.4.91 billion (55.2 per cent) for recurrent expenditure and Kshs.3.99 billion (44.8 per cent) for development expenditure. The budget is to be financed by the national equitable share of Kshs.5.91 billion (66.4 per cent), Kshs.459.90 million (5.2 per cent) as conditional grant, and the balance of Kshs.2.53 billion (28.4 per cent) to be financed from local revenue sources. The County did not appropriate the Kshs.15.53 million cash balance carried forward from FY 2013/14.

In the first half of FY 2014/15, the County received Kshs.2.80 billion as the national shareable revenue, raised Kshs.614.46 million from local sources and had Ksh.15.53 million as cash balance from FY 2013/14. Local revenue consisted of Kshs.353.46 million generated in the first quarter and Kshs.261.00 million in the second quarter. The local revenue raised in the first half of FY 2014/15 of Kshs.614.46 million was 24.3 per cent of the annual local revenue target, an improvement from Kshs.411 million collected in a similar period of FY 2013/14. Figure 93 shows the trend of local revenue collection by quarter.

Figure 93 : Machakos County, Trend of Local Revenue Collection by Quarter



Source: *Machakos County Treasury*

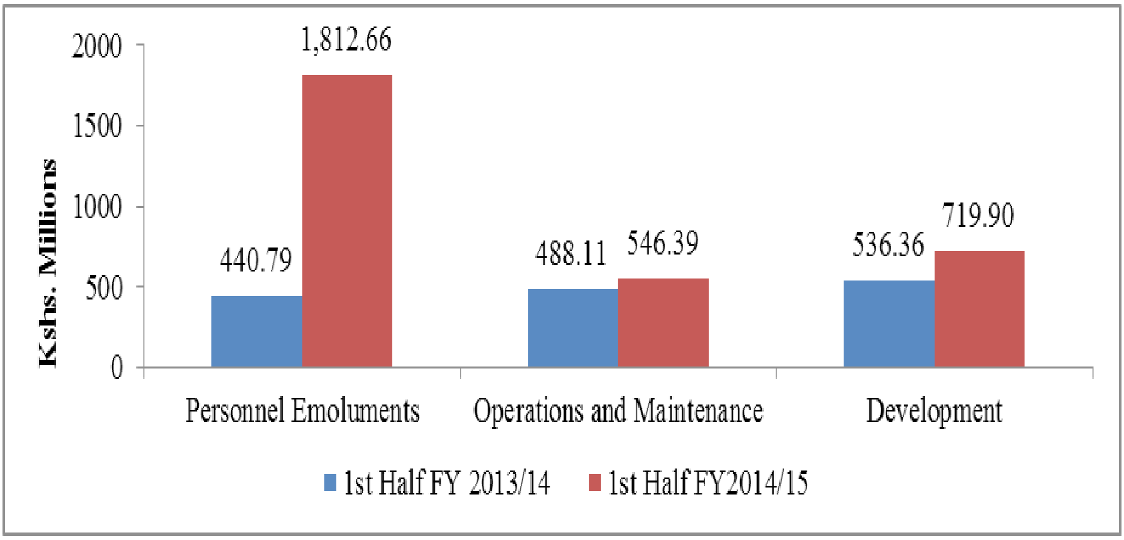
During the period under review the County received exchequer issues of Kshs.2.90 billion, of which Kshs.2.19 billion (75.6 per cent) was for recurrent expenditure and Kshs.707.57 million (24.4 per cent) was for development activities.

The total expenditure for the first half of FY 2014/15 was Kshs.3.08 billion which was 106.2 per cent of the total funds released and an improvement from the Kshs.1.5 billion spent in the similar period of the FY 2013/14. The County spent Kshs.2.36 billion (76.6 per cent) on recurrent activities and Kshs.719.90 million (23.4 per cent) on development activities. Recurrent expenditure was 107.6 per cent of the funds released while development expenditure accounted for 101.7 per cent. This expenditure does not include outstanding commitments as of December 31, 2014 that amounted to Kshs.98.45 million for recurrent expenditure and Kshs.855.23 million for development activities.

The recurrent expenditure for the period under review represented an absorption rate of 48.0 per cent of the annual recurrent budget, an increase from an absorption rate of 24 per cent realized in the similar period of FY 2013/14. Development expenditure translated to an absorption rate of 18.1 per cent of the annual development budget, an improvement compared to the similar period in FY 2013/14 when it spent 12.9 per cent of the development budget.

Analysis of the recurrent expenditure of Kshs.2.36 billion shows that the County spent Kshs.1.81 billion on personnel emoluments which represents 76.8 per cent of the total recurrent expenditure and Kshs.546.39 million on operations and maintenance which is 23.2 per cent of the total recurrent expenditure for the first half of FY 2014/15. A comparison of the total expenditure between the period under review and the similar period last financial year is shown in the Figure 94 below.

Figure 94: Machakos County FY 2014/15 First Half Expenditure by Economic Classification



Source: *Machakos County Treasury*

Analysis of expenditure by department shows that the department of Decentralised units had the highest absorption rate of the annual recurrent budget at 84 per cent while department of Education had the lowest absorption rate at 8 per cent. The department of Transport had the highest absorption rate of the annual development budget at 40 per cent while department of Agriculture did not utilize the funds released for development activities. The expenditure of various departments is summarised below in Table 24.

Table 24: Machakos County FY 2014/15 Budget and Expenditure by Department for the First Half of FY 2014/15

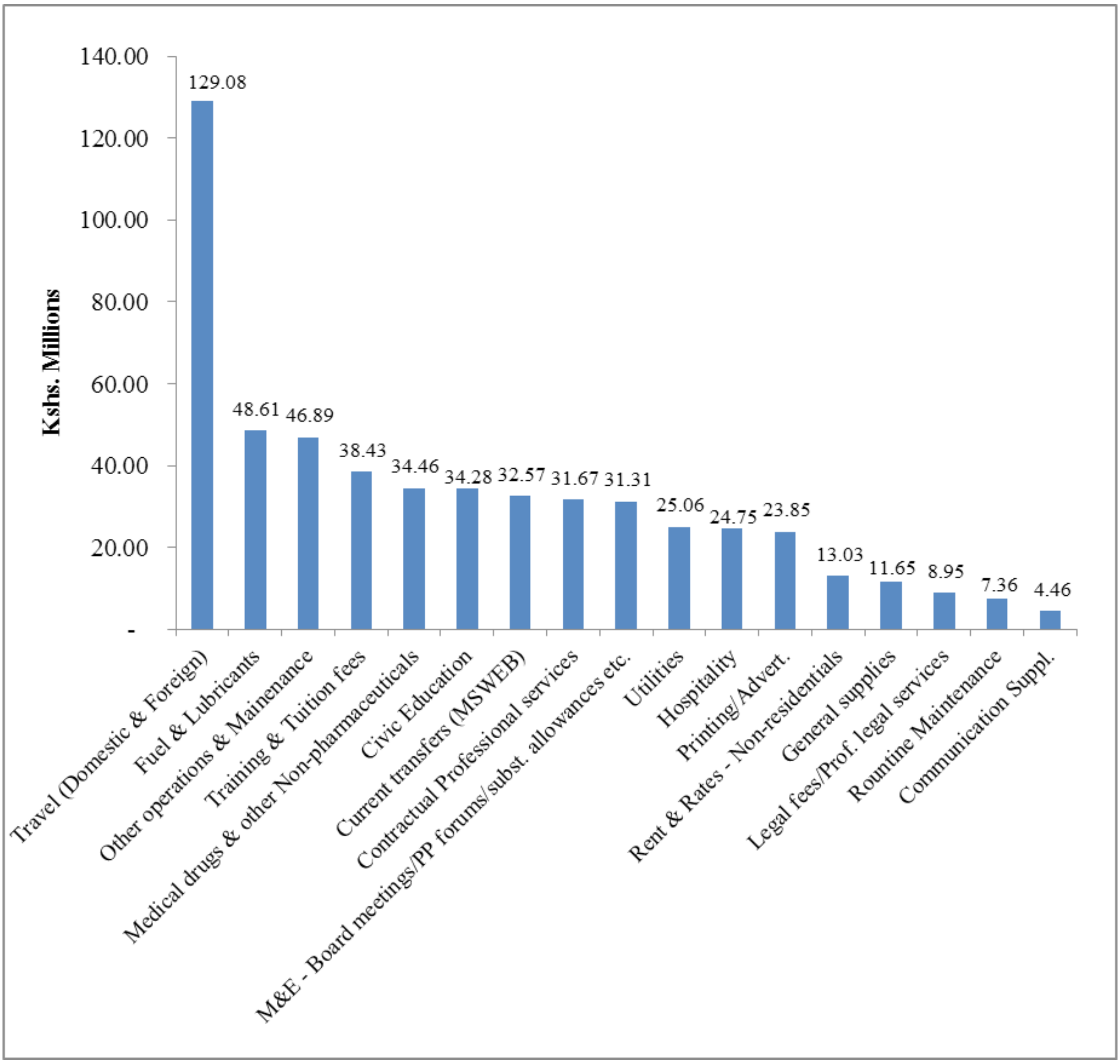
DEPARTMENT	BUDGET ALLOCATION (Kshs.Million)		EXCHEQUER ISSUES (Kshs.Million)		EXPENDITURE (Kshs.Million)		% OF EXPENDITURE TO EXCHEQUER ISSUES		EXPENDITURE TO ANNUAL BUDGET (Absorption Rate %)	
	REC	DEV	REC	DEV	REC	DEV	REC	DEV	REC	DEV
County Executive	295	70	117	8	202	13	173	163	68	19
Finance	225	60	87	0	90	.85	103	0	40	1
Public Service & ICT	222	50	111	24	44	15	40	63	20	30
Public Service Boarrd	63	20	31	0	33	0	106	0	52	-
Decentrlised Units	486	109	243	30	406	21	167	70	84	19
Education	364	210	175	24	29	14	17	58	8	7
Health	1,200	600	594	66	849	24	143	36	71	4
Lands	70	270	35	23	27	10	77	43	39	4
Tourism	79	70	39	18	39	24	100	133	49	34
Transport	343	1,351	172	435	78	544	45	125	23	40
Agriculture	389	250	195	17	162	.32	83	2	42	0
Trade	95	330	47	6	29	0	62	0	31	0
Water	242	500	121	44	64	35	53	80	26	7
County Assembly	833	96	223	11	301	18	135	164	36	19

Source: *Machakos County Treasury*

The County spent Kshs.31.75 million on payment of sitting allowances to the 60 members of the County Assembly representing an absorption rate of 47.0 per cent of the annual budget of Kshs.67.50 million allocated for MCAs' sitting allowance. Each MCA was paid an average monthly sitting allowance of Kshs.88,191 compared to the SRC recommended amount of Kshs.124,800. Expenditure on domestic and foreign travel for both County Assembly and the County Executive amounted to Kshs.129.08 million in the period under review compared to Kshs.114 million in a similar period of FY 2013/14.

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

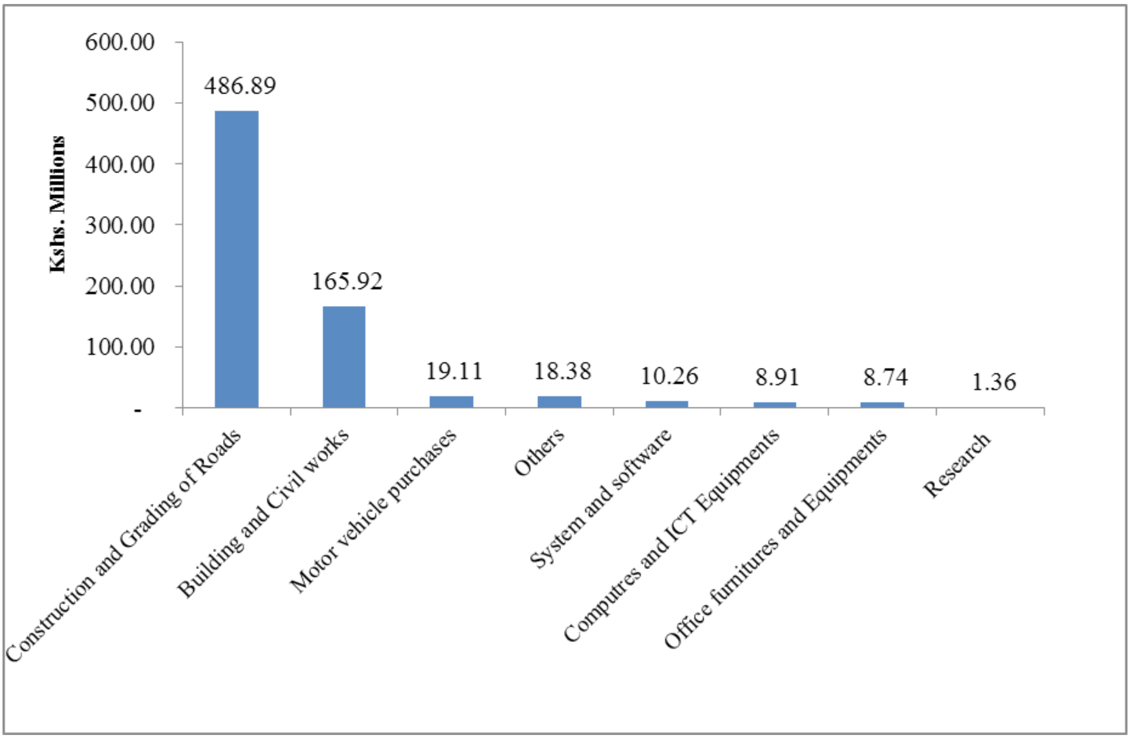
Figure 95: Machakos County, FY 2014/15 Half Year Operations and Maintenance Expenditure



Source: *Machakos County Treasury*

Analysis of the development expenditure for the period under review of Kshs.719 million shows that the County spent Kshs.486.89 million on Construction and Grading of roads, Kshs.165.92 million on Building and Civil works, Kshs.19.11 million on motor vehicle purchases and Kshs.10.26 million on systems and software services as shown in Figure 96.

Figure 96 : Machakos County, FY 2014/15 Analysis of Development Expenditure



***Source**: Machakos County Treasury*

The County has addressed most of the challenges identified in the previous CBIRRs. However, the need to ensure full adoption of IFMIS and the need to establish an Internal Audit Committee is yet to be addressed. The use of IFMIS will enhance accountability and ensure standardized reporting while the establishment of an Internal Audit Committee will strengthen internal financial operation oversight.

However, the County experienced challenges/issues that affected budget implementation during the first half of FY 2014/15. These are:

1. The underperformance of local revenue collection which as at the end of the first half FY 2014/15 stood at Kshs.614.46 million accounting for 24.3 per cent of the annual revenue target.
2. Borrowing from local banks through overdraft facilities without approval from the County Assembly.

The County should consider the following recommendation to address these challenges/ issues and improve budget execution in the FY 2014/2015:

1. *The County Treasury should develop strategies to improve local revenue.*

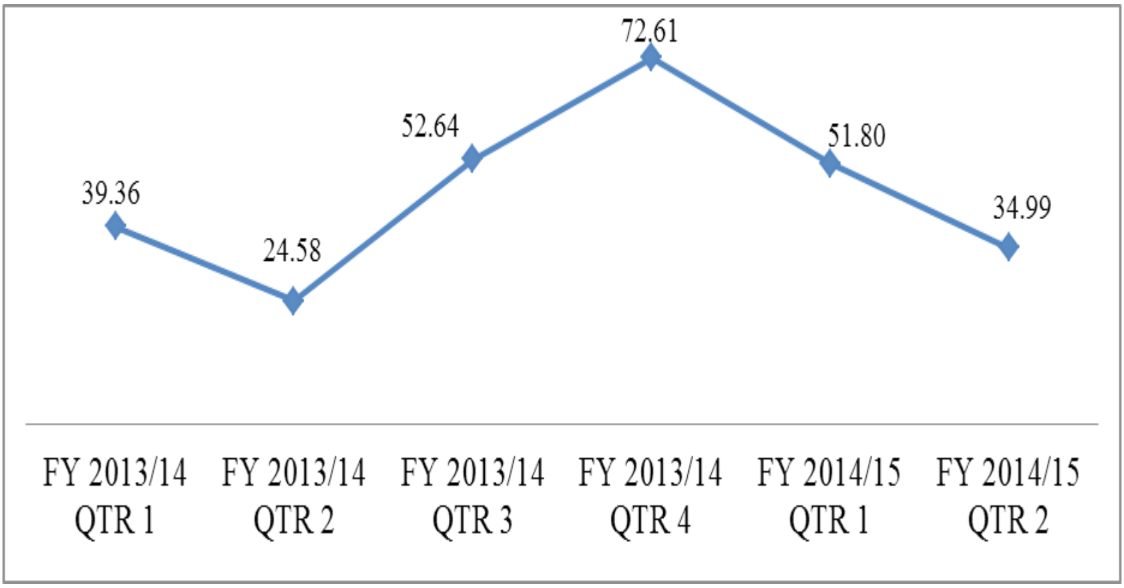
2. *The County Executive should ensure that short term borrowing through bank overdraft complies with Article 212 of the Constitution.*

Makueni County

The Makueni County Budget Estimates for the FY 2014/15 amounted to Kshs.5.60 billion comprising of 3.59 billion (64.1 per cent) for recurrent expenditure and Kshs.2.01 billion (35.9 per cent) for development expenditure. The budget is to be financed by the national equitable share of Kshs.5.19 billion, local revenue sources of Kshs.500.9 million and Kshs.1.33 billion unspent balance carried forward from FY 2013/14.

In the first half of FY 2014/15, the County received Kshs.1.52 billion as national shareable revenue, raised Kshs.86.79 million from local sources and had Kshs.1.33 billion as cash balance from FY 2013/14. Local revenue consisted of Kshs.51.80 million generated in the first quarter and Kshs.34.99 million in the second quarter. The local revenue raised in the first half of FY 2014/15 of Kshs.86.79 million was 17.3 per cent of the annual local revenue target, an improvement from Kshs.63.94 million collected in the similar period of FY 2013/14. Figure 97 shows the trend of local revenue collection by quarter.

Figure 97: Makueni County Trend of Local Revenue Collection by Quarter (Kshs. millions)



Source: *Makueni County Treasury*

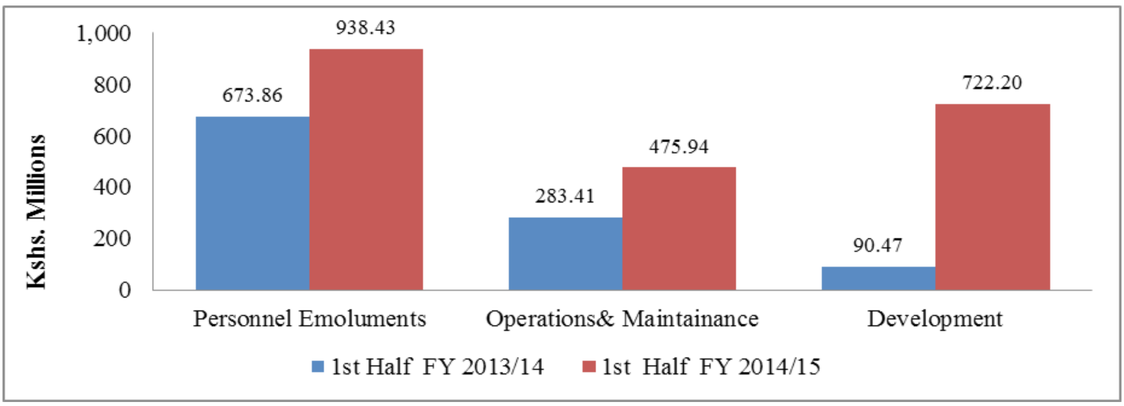
During the period under review the County received exchequer issues of Kshs.2.46 billion, of which Kshs.1.73 billion (70.3 per cent) was for recurrent expenditure and Kshs.730.60 million (29.7 per cent) was for development activities.

The total expenditure for the first half of FY 2014/15 was Kshs.2.13 billion which was 86.7 per cent of the total funds released and an improvement from the Kshs.1.05 billion spent in the similar period of FY 2013/14. The County spent Kshs.1.41 billion (66.2 per cent) on recurrent activities and Kshs.722.1 million (33.8 per cent) on development activities. Recurrent expenditure was 81.6 per cent of the funds released while development expenditure accounted for 98.8 per cent. This expenditure does not include outstanding commitments as of December 31, 2014 that amounted to Kshs.9.27 million for recurrent expenditure and Kshs.2.10 million for development activities.

The recurrent expenditure for the period under review represented an absorption rate of **39.4 per cent** of the annual recurrent budget, an increase from an absorption rate of **14.4 per cent** realized in the similar period of FY 2013/14. Development expenditure translated to an absorption rate of **35.9 per cent** of the annual development budget, an improvement from absorption of 4.6 per cent realized in the similar period in FY 2013/14.

Analysis of the recurrent expenditure of Kshs.1.41 billion shows that the County spent Kshs.938.43 million on personnel emoluments which represents 66.3 per cent of the total recurrent expenditure and Kshs.475.94 million on operations and maintenance expenditure which is 33.7 per cent of the total recurrent expenditure for the first half of FY 2014/15. A comparison of the total expenditure between the period under review and the similar period last financial year is shown in Figure 98.

Figure 98: Makueni County FY 2014/15 First Half Expenditure by Economic Classification



Source: *Makueni County Treasury*

Further analysis of expenditure by department shows that the Transport department had the highest absorption rate of the annual recurrent budget at 71.7 per cent while the Legal Services department recorded the lowest absorption rate of 23.2 per cent of the annual recurrent budget. The expenditure of various departments is summarised Table 25.

Table 25: Makueni County FY 2014/15 Budget and Expenditure by Department for the First Half of FY 2014/15

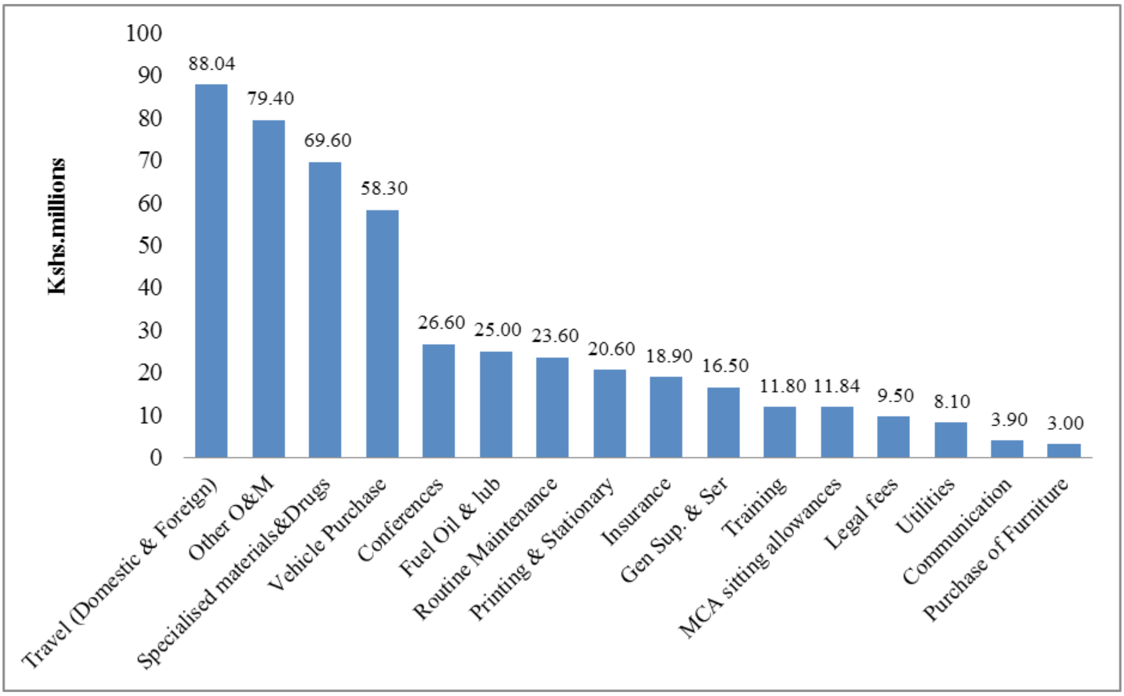
DEPARTMENT	BUDGET ALLOCATION (Kshs million)		EXCHEQUER ISSUES (Kshs million)		EXPENDITURE (Kshs million)		Expenditure to Exchequer issues (%)		EXPENDITURE TO ANNUAL BUDGET (Absorption rate %)	
	REC	DEV	REC	DEV	REC	DEV	REC	DEV	REC	DEV
Department of legal services	42.90	0.00	19.03	0.00	9.95	0.00	52.3	-	23.2	-
Department of ICT	40.44	19.30	18.59	35.93	12.05	39.13	64.8	108.9	29.8	202.7
County Public service board	43.04	0.00	21.61	0.00	16.89	0.00	78.2	-	39.2	-
Department of lands	49.64	75.35	22.69	80.87	16.86	60.43	74.3	74.7	34.0	80.2
Office of Governor	145.19	0.00	63.43	0.00	65.84	0.00	103.8	-	45.4	-
Department of trade	51.89	112.10	26.50	75.84	19.02	101.69	71.8	134.1	36.7	90.7
Department of gender	52.29	136.57	26.44	79.53	12.83	57.60	48.5	72.4	24.5	42.2
County Public service	264.11	0.00	130.73	0.00	112.08	0.00	85.7	-	42.4	-
Department of finance	267.06	251.00	140.24	22.50	110.58	25.29	78.9	112.4	41.4	10.1
Department of education	258.18	160.65	126.95	53.81	103.83	80.89	81.8	150.3	40.2	50.3
Department of transport	128.36	222.90	106.92	108.21	92.00	139.87	86.0	129.3	71.7	62.8
Department of agriculture	219.34	221.20	108.81	81.98	79.68	40.32	73.2	49.2	36.3	18.2
County assembly	471.65	202.14	153.44	18.00	161.88	22.54	105.5	125.2	34.3	11.2
Department of water	102.20	388.70	50.96	165.13	35.27	139.06	69.2	84.2	34.5	35.8
Department of health	1,443.54	222.46	711.93	8.79	562.71	15.39	79.0	175.1	39.0	6.9
Department of Devolution Public service	11.35	0.00	5.11	0.00	2.88	0.00	56.3	-	25.4	-

Source: *Makueni County Treasury*

The County spent Kshs.11.84 million on payment of sitting allowances to the 48 members of the County Assembly representing an absorption rate of 23.1 per cent of the annual budget of Kshs.51.33 million allocated for MCAs' sitting allowances. Each MCA was paid an average monthly sitting allowance of Kshs.41,102 compared to the SRC recommended amount of Kshs.124,800. Expenditure on domestic and foreign travel for both the County Assembly and County Executive amounted to Kshs.88.04 Million in the period under review compared to Kshs.104.0 million in a similar period of FY 2013/14.

The breakdown of operations and maintenance expenditure for the period under review is shown in Figure 99.

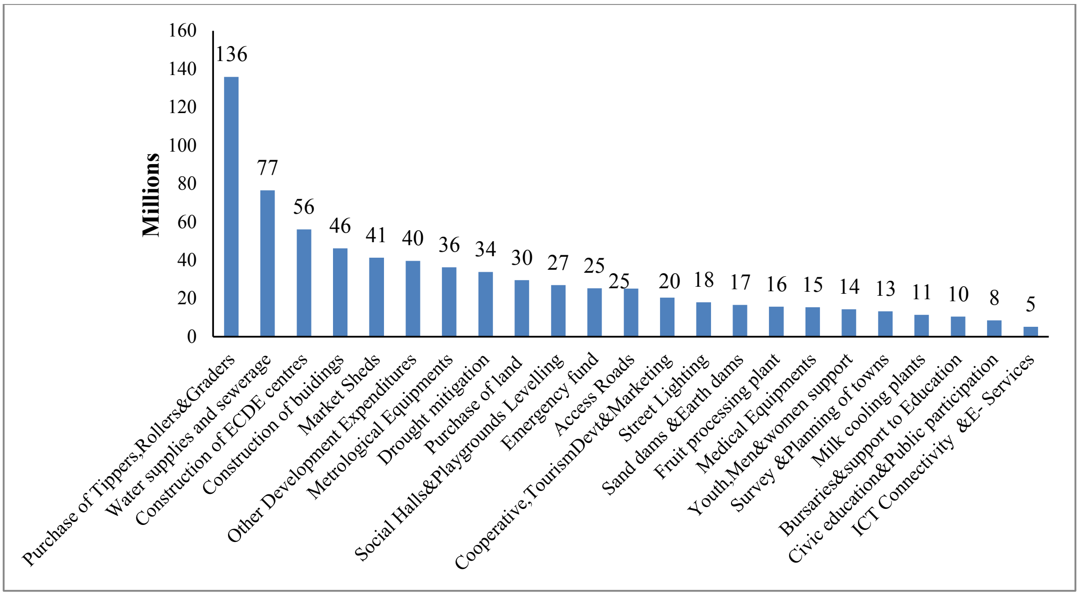
Figure 99: Makueni County FY 2014/15 Half Year Operations and Maintenance Expenditure



Source: *Makueni County Treasury*

Analysis of the development expenditure for the period under review of Kshs.722.2 million shows that the County spent Kshs.135.8 million on Purchase of tippers, rollers & graders, Kshs.76.5 million on Water supplies and sewerage, Kshs.56.1million on Construction of ECDE centres, Kshs.46.1 million on Construction of buildings, Kshs.41.2 million on market sheds, Kshs.36.3 million on Purchase of metrological equipment, Kshs.33.8 million on drought mitigation, Kshs.29.5 million on purchase of land, Kshs.26.9 million on Social halls & playgrounds levelling, Kshs.25.2 million on Emergency Fund, Kshs.25.1 million on development and maintenance of access roads, Kshs.20.4 million on cooperatives, Tourism Development & marketing, Kshs.17.9 million on street lighting, Kshs.16.6 million on sand dams & earth dams, Kshs.15.6 million on fruit processing plant, Kshs.15.3 million on Medical equipment, Kshs.14.3 million on Youth, men & women support, Kshs.13.2 million on survey & planning of towns, Kshs.11.4 million on milk cooling plants, Kshs.10.4 million on bursaries & support to education, Kshs.8.4 million on civic education and public participation, Kshs.5.2 million on ICT connectivity & E-services and Kshs.39.7 million on other development expenditure as shown in Figure 100.

Figure 100 : Makueni County FY 2014/15 Analysis of Development Expenditure



Source: *Makueni County Treasury*

During the period under review, the office noted that some recommendations made in previous CBIRRs have been addressed. These include; (i) undertaking a staff audit to inform staff rationalization, and, (ii) increased uptake of development funds.

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

1. Disputes between the County Assembly and the Executive.

2. Lack of laws governing revenue collection upon which the Finance Bill should be anchored on. This exposes the County to the risk of litigation and prevents optimal revenue collection.
3. Lack of Internal Audit Committee contrary to Section 155(5) of the PFMA, 2012.
4. Expenditure and Commitments by some County entities that exceeded exchequer issues.
5. Non adherence to SRC's circulars on remuneration and benefits of public officers specifically on payment of commuter allowances.

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

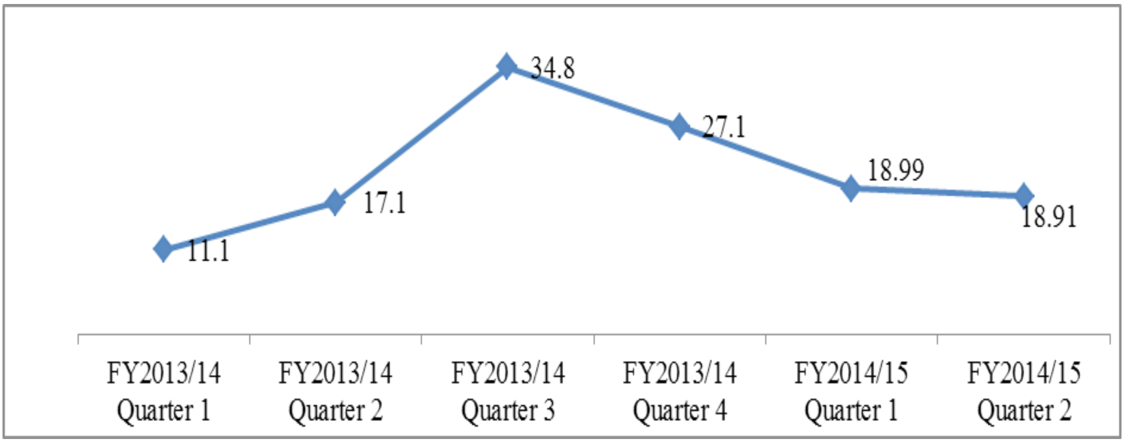
1. *The County should cultivate a good working relationship between the County Assembly and the Executive.*
2. *Fast track enactment of requisite revenue laws to enhance revenue collection.*
3. *Establish an Internal Audit Committee as per section 155(5) of the PFM Act, 2012 to enhance prudent public financial management and quality assurance.*
4. *Strengthen financial controls in line with section 104 of the PFM Act 2012 and ensure that expenditure is within the exchequer issues.*
5. *Ensure adherence to SRC circular on staff remuneration and benefits.*

Mandera County

The Mandera County Budget Estimates for the FY 2014/15 amounted to Kshs.11.57 billion comprising of Kshs.4.60 billion (39.8 per cent) for recurrent expenditure and Kshs.6.97 billion (60.2 per cent) for development expenditure. The budget is to be financed by the national equitable share of Kshs.7.81 billion (67.5 per cent), Kshs.91.80 million (2.46 per cent) as conditional allocations including DANIDA grants, local revenue sources of Kshs.251.29 million (2.17 per cent) and Kshs.3.22 billion (27.87 per cent) as projected cash balance from FY 2013/14.

In the first half of FY 2014/15, the County received Kshs.2.27 billion as national shareable revenue, raised Kshs.37.91 million from local sources and had Kshs.3.22 billion unspent balance from FY 2013/14. Local revenue consisted of Kshs.18.99 million generated in the first quarter and Kshs.18.91 million in the second quarter. The local revenue raised in the first half of FY 2014/15 was 15.1 per cent of the annual local revenue target, an improvement from Kshs.28.2 million collected in the similar period of FY 2013/14. Figure 101 shows the trend of local revenue collection by quarter.

Figure 101 : Mandera County, Trend of Local Revenue Collection by Quarter



***Source:** Mandera County Treasury*

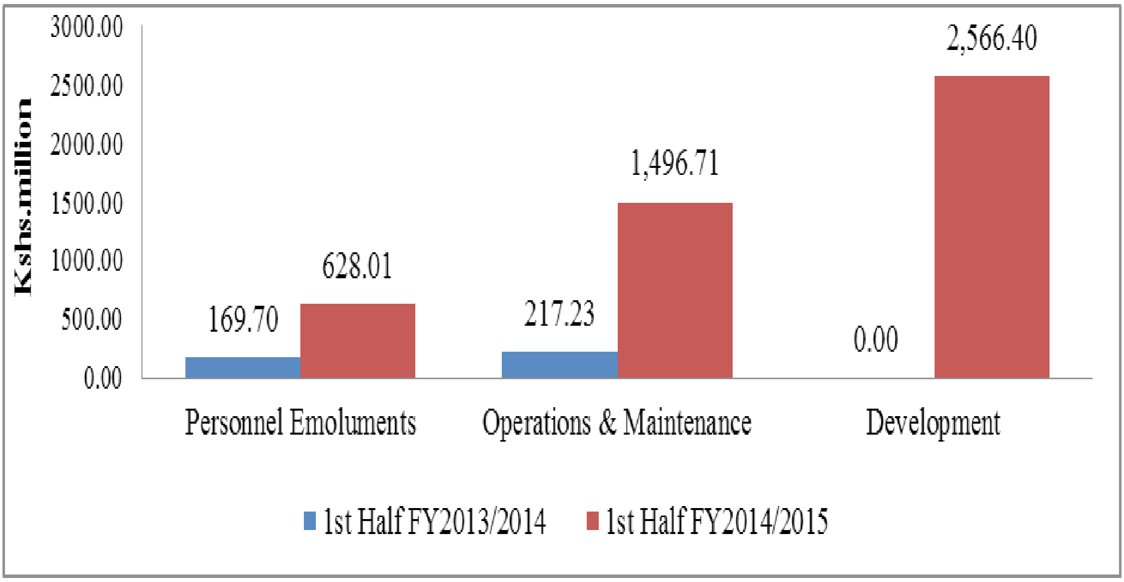
During the period under review the County received exchequer issues of Kshs.4.71 billion, of which Kshs.2.14 million (45.4 per cent) was for recurrent expenditure and Kshs.2.57 billion (54.6 per cent) was for development activities.

The total expenditure for the first half of FY 2014/15 was Kshs.4.69 billion which was 99.6 per cent of the total funds released and an improvement from the Kshs.386.94 million spent in the similar period of FY 2013/14. The County spent Kshs.2.12 billion (45.3 per cent) on recurrent activities and Kshs.2.57 billion (54.71 per cent) on development activities. Recurrent expenditure was 99.3 per cent of the funds released while development expenditure accounted for 99.9 per cent. This expenditure does not include outstanding commitments as of December 31, 2014 that amounted to Kshs.152.55 million for recurrent expenditure and Kshs.152.52 million for development activities.

The recurrent expenditure for the period under review represented an absorption rate of **46.2 per cent** of the annual recurrent budget, an increase from an absorption rate of **14.76 per cent** realized in the similar period of FY 2013/14. Development expenditure translated to an absorption rate of **36.8 per cent** of the annual development budget, an improvement compared to the similar period in FY 2013/14 when the County did not spend on development activities.

Analysis of the recurrent expenditure of Kshs.2.12 billion shows that the County spent Kshs.628.01 million on personnel emoluments which represents 29.6 per cent of the total recurrent expenditure and Kshs.1.497 billion on operations and maintenance expenditure which is 70.4 per cent of the total recurrent expenditure for the first half of FY 2014/15. A comparison of the total expenditure between the period under review and the similar period last financial year is shown in Figure 102.

Figure 102: Mandera County FY 2014/15 First Half Expenditure by Economic Classification



Source: *Mandera County Treasury*

Analysis of expenditure by department shows that department of Livestock and Veterinary Services had the highest absorption rate of its annual recurrent budget at 71.55 per cent while the County Assembly had the highest absorption rate of its the annual development budget at 49.88 per cent. The expenditure of various departments is summarised below in Table 26.

Table 26: Mandera County FY 2014/15 Budget and Expenditure by Department for the First Half of FY 2014/15

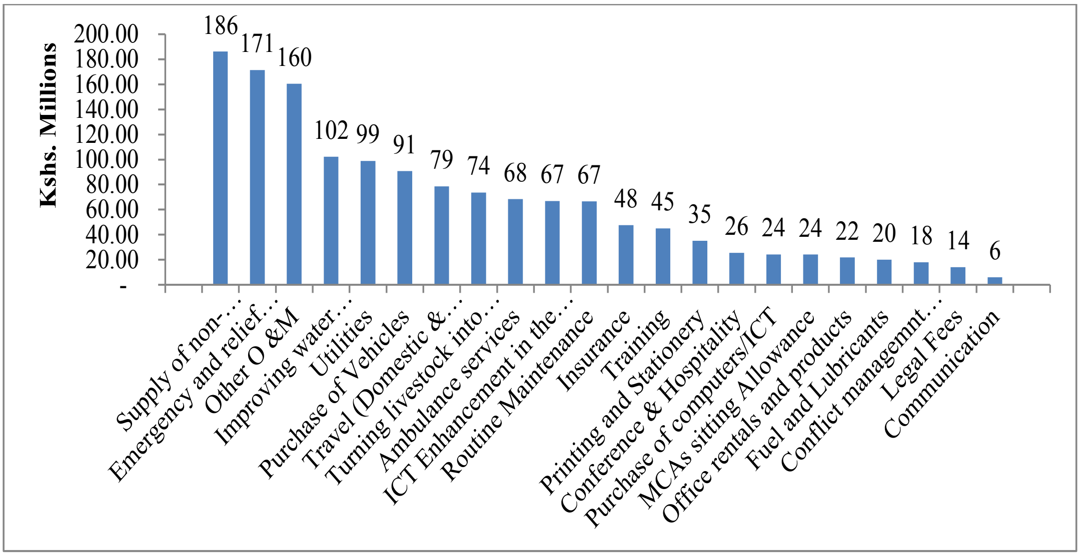
DEPARTMENT	BUDGET ALLOCATION (Kshs.Million)		EXCHEQUER ISSUES (Kshs. Million)		EXPENDITURE (Kshs.Million)		% OF EXPENDITURE TO EXCHEQUER ISSUES		EXPENDITURE TO ANNUAL BUDGET (Absorption rate %)	
	REC	DEV	REC	DEV	REC	DEV	REC	DEV	REC	DEV
Health	802.03	639.11	401.01	186.46	378.45	184.74	94.4%	99%	47.19%	28.91%
Agriculture	238.99	275.00	118.99	137.00	112.32	136.50	94.4%	100%	47.19%	49.64%
County Assembly	668.80	252.50	181.88	126.00	205.38	125.96	112.9%	100%	30.71%	49.88%
County Executive (Office of the Governor and Deputy Governor)	216.29	-	108.14		116.94		108.1%	-	54.06%	-
Finance And Economic Planning	169.04	30.00	84.52	14.00	82.09	13.91	97.1%	99%	48.56%	46.37%
Public Service ,Conflict Management Cohesion and Integration	1,086.58	204.50	543.29	60.00	568.71	58.94	104.7%	98%	52.34%	28.82%
County Public Service Board	70.06	-	25.03		24.56		98.1%	-	35.06%	-
Lands, Housing, and Physical Planning	141.31	100.00	70.65	25.00	76.19	24.56	107.8%	98%	53.92%	24.56%
Education, Youth, Women and Social Services	422.29	633.25	211.15	316.50	172.62	312.67	81.8%	99%	40.88%	49.37%
Public Works Roads And Transport,	67.27	3,190.95	33.64	1,064.15	36.43	739.88	108.3%	70%	54.15%	23.19%
Livestock And Veterinary Services	125.59	370.00	64.52	89.86	183.88	183.9	139.3%	100%	71.55%	49.70%
ICT, Trade, Industrialization and Tourism	245.13	399.00	122.57	127.51	20.00	20.0	104.0%		52.02%	5.01%
Water ,Energy, Environment and Natural Resources	348.51	872.00	174.25	435.00	423.85	122.94	70.6%	97%	35.28%	48.61%

Source: *Mandera County Treasury*

The County spent Kshs.24.23 million on payment of sitting allowances to the 49 members of the County Assembly representing an absorption rate of 24.8 per cent of the annual budget of Kshs.97.85 million. Each MCA was paid an average monthly sitting allowance of Kshs.82,423 compared to the SRC recommended amount of Kshs.124,800. Expenditure on domestic and foreign travel amounted to Kshs.78.53 million in the period under review compared to Kshs.68.6 million in a similar period of FY 2013/14.

The breakdown of operations and maintenance expenditure for the period under review is shown in Figure 103.

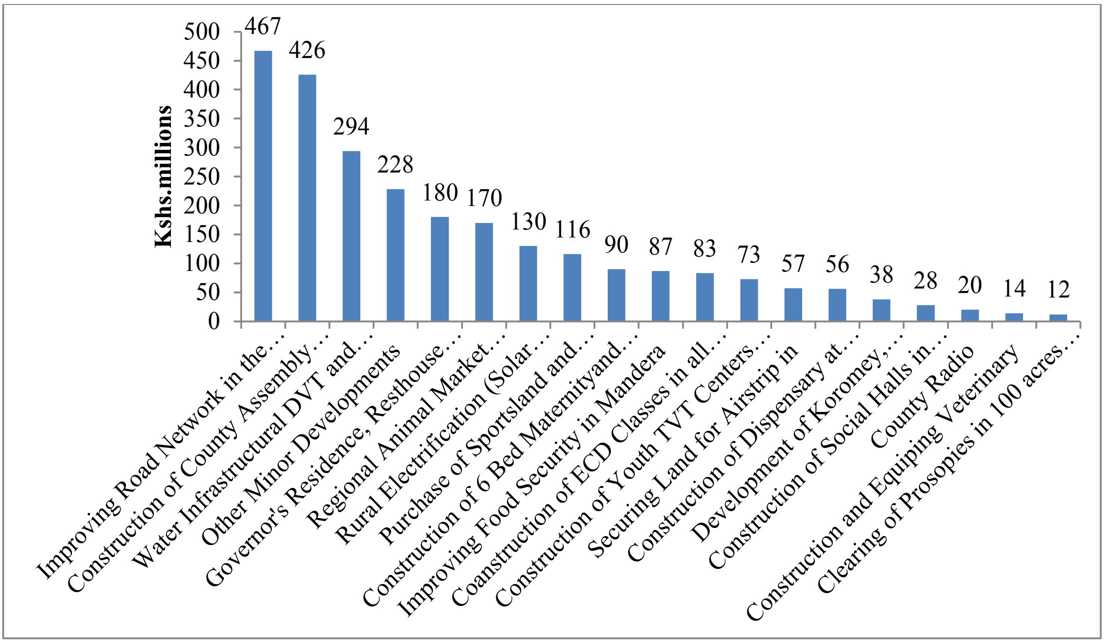
Figure 103: Mandera County FY 2014/15 Operations and Maintenance Expenditure (Kshs. Millions)



Source: *Mandera County Treasury*

Analysis of the development expenditure of Kshs.2.57 billion for the period under review shows that the County spent Kshs.467.02 million on road network, Kshs.426.41 million on the construction of County Assembly and Executive headquarters and offices, Kshs.294.52 million on maintenance and construction of water supplies, Kshs.180.57 million on construction of Governor's residence, rest house and county government houses, Kshs.174.76 million on regional animal market development and animal census, Kshs.130.00 million on rural electrification (solar installations) and Kshs.116.00 million on purchase of sports land and construction of Moi stadium as shown in Figure 104.

Figure 104 : Mandera County FY 2014/15 Analysis of Development Expenditure



Source: *Mandera County Treasury*

In the previous CBIRRs, the OCOB made some recommendations to address the challenges facing budget execution in the County. The office is concerned by the slow pace at which the recommendations are being implemented.

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

1. Low local revenue collection.
2. Lack of monitoring and evaluation unit/committees that would have assessed the quality and standard of the developmental projects.
3. Delay in processing staff salaries for the month of November and December which impacted negatively on staff morale.
4. Delay in the preparation and approval of regulations aimed at operationalizing County Funds such as the Youth, Women and Disable Fund; and the Scholarship Fund.

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

1. *Enhance efforts in local revenue collection.*
2. *Establish an appropriate project monitoring and evaluation framework.*

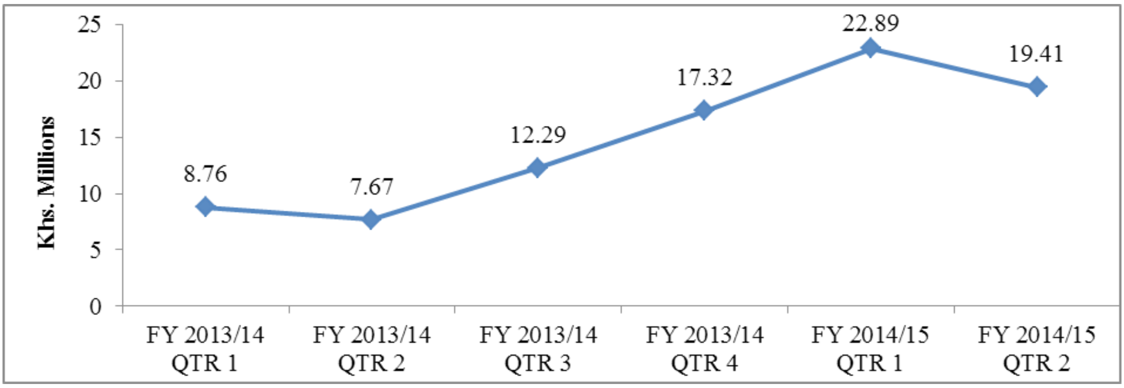
3. *The County should process staff salaries in a timely manner.*
4. *Fast track preparation and approval of regulations to operationalize county funds.*

Marsabit County

The Marsabit County Budget Estimates for the FY 2014/15 amounted to Kshs.5.48 billion comprising of Kshs.2.39 billion (43.6 per cent) for recurrent expenditure and Kshs.3.08 billion (56.4 per cent) for development expenditure. The budget is to be financed by the national equitable share of Kshs.4.42 billion (78.9 per cent), local revenue sources of Kshs.48.40 million (0.86 per cent), Kshs.13.17 million from DANIDA and Kshs.1.15 billion (19.9 per cent) being balance brought forward from FY 2013/14.

In the first half of FY 2014/15, the County received Kshs.1.32 billion as the national equitable share of revenue, raised Kshs.42.30 million from local sources and had Kshs.1.15 billion as cash balance brought forward from FY 2013/14. Local revenue consisted of Kshs.22.89 million generated in the first quarter and Kshs.19.41 million in the second quarter. The local revenue of Kshs.42.30 million raised in the first half was 87.4 per cent of the annual local revenue target, an improvement from Kshs.16.43 million. Figure 105 shows a summary of local revenue by quarter.

Figure 105: Marsabit County Trend of Local Revenue Collection by Quarter



***Source:** Marsabit County Treasury*

Funds released to the County during the period under review amounted to Kshs.2.45 billion, of which Kshs.1.04 billion (42.3 per cent) was for recurrent expenditure while Kshs.1.41 billion (57.7 per cent) was for development activities.

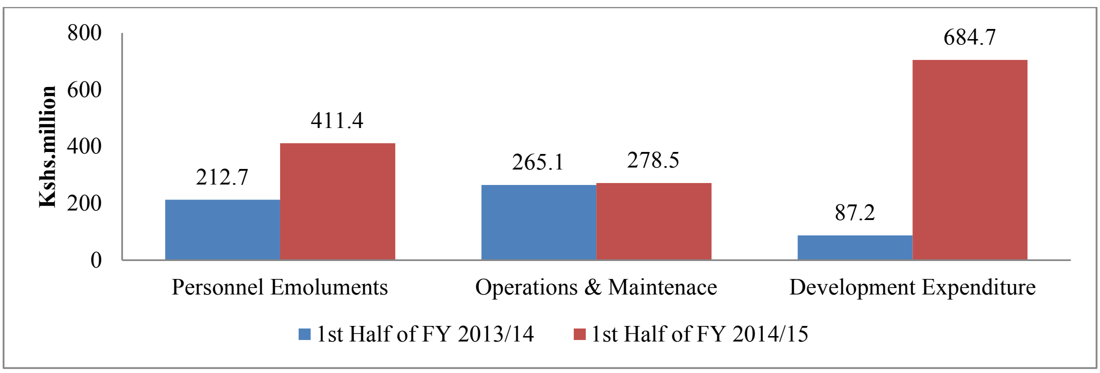
The total expenditure in the first half of FY 2014/15 was Kshs.1.39 billion which was

56.8 per cent of the funds released. The County spent Kshs.703.39 million (50.7 per cent) on recurrent activities and Kshs.684.70 million (49.3 per cent) on development activities. Recurrent expenditure was 67.9 per cent of the funds released for recurrent activities while development expenditure accounted for 48.6 per cent of the funds released for development projects. Development expenditure for the period comprised of Kshs.677.98 million for payment of pending bills and Kshs.6.72 million relating to new projects and programmes. This expenditure does not include outstanding commitments as of December 31, 2014 that amounted to Kshs.32.38 million for recurrent expenditure and Kshs.235.48 million for development activities.

The recurrent expenditure for the period under review represented an absorption rate of **29.4 per cent** of the annual recurrent budget, an increase from an absorption rate of **22.2 per cent** realized in the similar period of FY 2013/14. The development expenditure translated to an absorption rate of **22.2 per cent** of the annual development budget, an improvement from an absorption rate of **5.2 per cent** recorded in the similar period last financial year.

Analysis of the recurrent expenditure shows that the County spent Kshs.411.41 million on personnel emoluments which translates to 59.6 per cent of the total recurrent expenditure, Kshs.278.50 million on operations and maintenance (40.4 per cent of the total recurrent expenditure) and Kshs.13.50 million on car loans & mortgage representing 1.9 per cent of the total recurrent expenditure. A comparison of the total expenditure between the period under review and first half of FY 2013/14 is shown in Figure 106.

Figure 106: Marsabit County, FY 2014/15 First Half Expenditure by Economic Classification



Source: *Marsabit County Treasury*

Analysis of expenditure by department shows that Roads and Public Works had the highest absorption rate of the annual development budget while the County Public Service Board had the highest absorption of the annual recurrent budget due to Kshs.11.41 million paid in the first quarter as a pending bill for staff insurance cover. The County Treasury and Roads and Public Works departments had the lowest absorption on their respective annual recurrent budgets at 13 per cent and 14 per cent respectively. The expenditure of various departments is summarised below in Table 27.

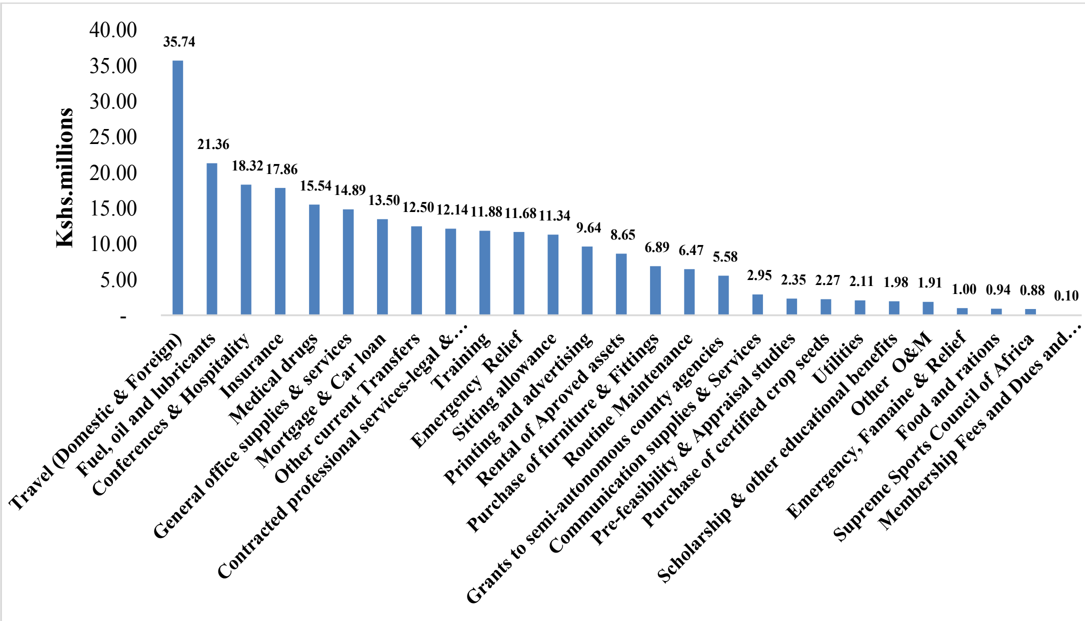
Table 27: Marsabit County FY 2014/15 Budget and Expenditure by Department for the First Half of the Year

DEPARTMENT	BUDGET ALLOCATION (Kshs. Million)		EXCHEQUER ISSUES (Kshs. Million)		EXPENDITURE (Kshs. Million)		Expenditure to Exchequer issues (%)		Absorption (%)	
	REC	DEV	REC	DEV	REC	DEV	REC	DEV	REC	DEV
County Executive	266.98	135	128.74	51.26	108.01	70.75	**83.9**	**138.0**	**40.5**	**52.4**
Administration, Coordination &ICT	199.65	78	95.06	32.3	29.32	33.97	**30.8**	**105.2**	**14.7**	**43.6**
County Treasury	345.34	1,167.21	72.47	582.09	43.97	-	**60.7**		**12.7**	
Agriculture, Livestock & Fisheries	128.76	236.21	63.95	99.83	43.17	34.58	**67.5**	**34.6**	**33.5**	**14.6**
Roads and Public works	68.37	305.48	33.76	124.88	9.83	308.09	**29.1**	**246.7**	**14.4**	**100.9**
Trade, Industry & Enterprise Development	45.27	173	46.36	82.29	18.73	44.28	**40.4**	**53.8**	**41.4**	**25.6**
Energy, Lands, Housing & Urban Development	77.47	223.8	38.38	95.23	24.85	27.99	**64.7**	**29.4**	**32.1**	**12.5**
Tourism, Culture & Social Services	48.06	102	23.23	48.68	18.79	-	**80.9**		**39.1**	
Education, Skills Development, Youth & Sports	88.68	170.8	38.47	50.13	16.18	63.08	**42.1**	**125.8**	**18.2**	**36.9**
Health	652.91	268	326.25	107.99	236.76	64.41	**72.6**	**59.6**	**36.3**	**24.0**
CPSB	57.83	7	28.84	-	27.64	-	**95.8**		**47.8**	
Water, Environment & Natural Resources	92.95	289.9	46.36	135.21	24.1	33.97	**52.0**	**25.1**	**25.9**	**11.7**
County Assembly	**320**	**79**	**118.21**	-	**102.05**	**3.59**	**86.3**		**32.4**	**4.5**

Source: *Marsabit County Treasury*

The County spent Kshs.11.34 million on payment of sitting allowances to the 34 members of the County Assembly against a budgetary allocation of Kshs.50.65 million, representing an absorption rate of 22.4 per cent. Each MCA was paid an average monthly sitting allowance of Kshs.55,600 compared to the SRC recommended amount of Kshs.124,800. Expenditure on domestic and foreign travel amounted to Kshs.35.74 million in the period under review compared to Kshs.40.3 million in a similar period in FY 2013/14.The breakdown of operations and maintenance expenditure for the period under review is shown in Figure 107.

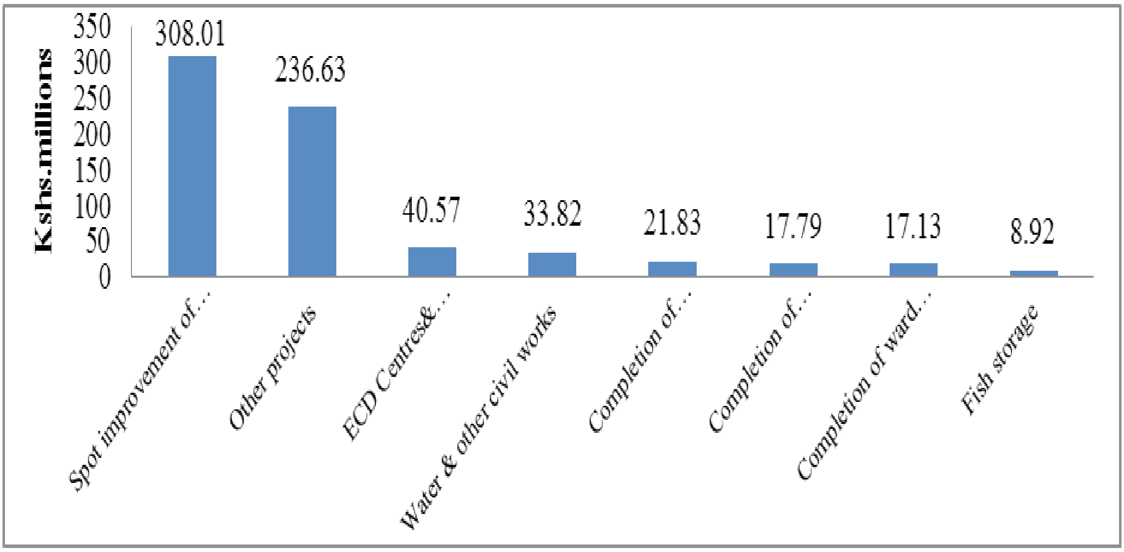
Figure 107 : Marsabit County, FY 2014/15 Half Year Operations and Maintenance expenditure (Kshs. Millions)



Source: *Marsabit County Treasury*

Analysis of the development expenditure for the 1st half of FY 2014/15 shows that the County spent Kshs.308.01 million on spot improvement of roads across the County, Kshs.40.57 million on construction of ECD classrooms and polytechnics, Kshs.33.82 million on water civil works, Kshs.21.83 million on completion of executive offices, Kshs.17.1 million on erection and completion of ward offices and Kshs.17.79 million on completion of maternity wings and wards among other projects such as purchase of motor vehicles, construction of fish storage, dormitories and laboratories. See Figure 108.

Figure 108 : Analysis of Development Expenditure, Marsabit County



Source: *Marsabit County Treasury*

In the previous CBIRRs, the OCOB made some recommendations to address the challenges facing budget execution in the County; some challenges have been addressed while others are still pending. The outstanding recommendations include; failure by the County Assembly to use IFMIS and lack of a functional audit department.

There were a number of challenges that affected budget implementation in the first half of FY 2014/15. These included:

1. Lack of an audit department and audit committee to provide advice and enhance effective review and quality assurance of financial operations of both the County Assembly and County Executive
2. Lack of a Monitoring and Evaluation and reporting framework to track progress of project implementation.
3. Payment of salaries and other expenditure items from the imprest account at KCB-Marsabit rather than from the operational account at the CBK.
4. Misreporting of some expenditure lines.
5. Failure to adhere to SRC Circular on staff remuneration resulting in senior staff being paid commuter allowance despite being assigned official transportation.

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

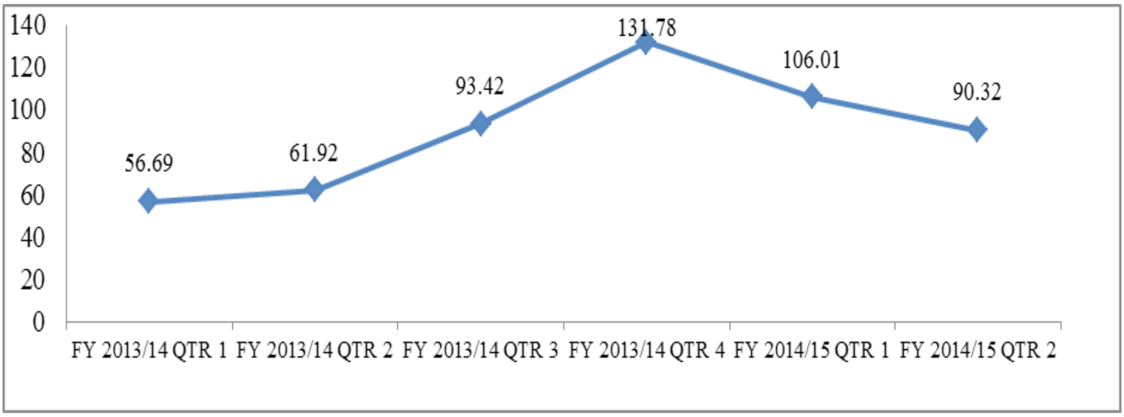
1. *Establish an internal audit department and constitute an audit committee in compliance to Section 155 of the PFM Act, 2012.*
2. *Establish a fully-fledged monitoring and evaluation department to monitor project implementation.*
3. *The County Treasury should ensure that salaries and other recurrent items are paid directly from the operational account at the CBK and not from the imprest account maintained at KCB-Marsabit.*
4. *The accounting department should ensure that officers capturing transactions in IFMIS are properly supervised.*
5. *Adhere to the SRC circular on staff remuneration.*

Meru County

The Meru County Budget Estimates for the FY 2014/15 amounted to Kshs.6.20 billion comprising of Kshs3.86 billion (62.3 per cent) for recurrent expenditure and Kshs.2.34 billion (37.7 per cent) for development expenditure. The budget is to be financed by the national equitable share of Khs.5.74. billion (73.5 per cent), local revenue sources of Kshs.902 million (11.5 per cent) and Kshs.1.17 billion (11.5 per cent) as projected cash balance from FY 2013/14.

In the first half of FY 2014/15, the County received Kshs.2.10 billion as national shareable revenue, raised Kshs.196.33 million from local sources and had Kshs.1.17 billion unspent balance from FY 2013/14. Local revenue consisted of Kshs.106.01 million generated in the first quarter and Kshs.90.32 million in the second quarter. The local revenue raised in the first half of FY 2014/15 was 11.7 per cent of the annual local revenue target, an improvement from Kshs.61.91 million collected in the similar period of FY 2013/14. Figure 109 shows the trend of local revenue collection by quarter.

Figure 109: Meru County Trend of Local Revenue Collection by Quarter (Kshs. million)



Source: *Meru County Treasury*

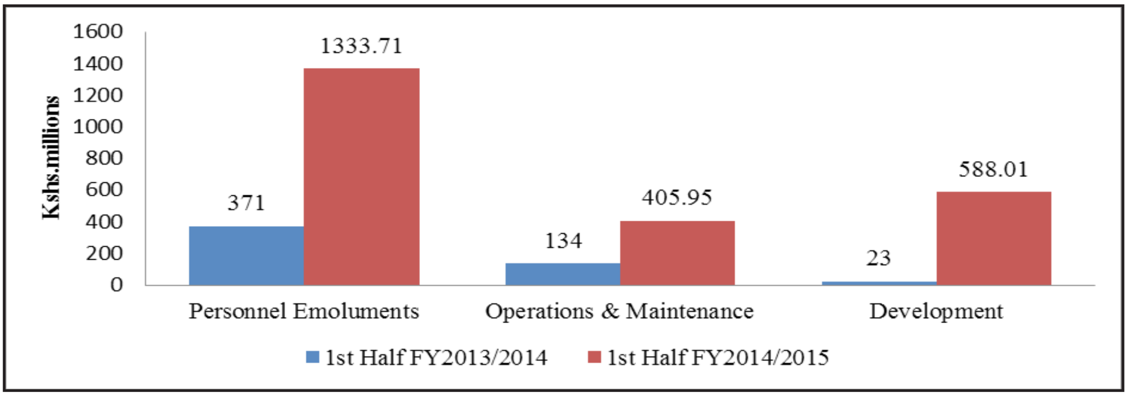
Funds released to the County during the period under review amounted to Kshs.2.30 billion, of which Kshs.1.76 billion (76.4 per cent) was for recurrent expenditure and Kshs.543 million (23.6 per cent) was for development activities.

The total expenditure for the first half of FY 2014/15 was Kshs.2.33 billion translating to 101.1 per cent of the total funds released and an increase from the Kshs.509 million spent in the similar period of FY 2013/14. The County spent Kshs.1.74 billion (74.7 per cent) on recurrent activities and Kshs.588.01 million (25.3 per cent) on development activities. Recurrent expenditure was 98.9 per cent of the funds released while development expenditure accounted for 108.3 per cent. This expenditure does not include outstanding commitments as of December 31, 2014 that amounted to Kshs.114.73 million for recurrent expenditure and Kshs.10.47 million for development activities.

The recurrent expenditure for the period under review represented an absorption rate of **45.1 per cent** of the annual recurrent budget, an increase from an absorption rate of **18 per cent** realized in the similar period of FY 2013/14. Development expenditure translated to an absorption rate of **25.1 per cent** of the annual development budget, an improvement compared to the similar period in FY 2013/14 which had absorption of 0.8 **per cent**.

Analysis of the recurrent expenditure of Kshs.1.74 billion shows that the County spent Kshs.1.33 billion on personnel emoluments which represents 76.7 per cent of the total recurrent expenditure and Kshs.405.95 million on operations and maintenance expenditure which is 23.3 per cent of the total recurrent expenditure for the first half of FY 2014/15. A comparison of the total expenditure between the period under review and the similar period of last financial year is shown in Figure 110.

Figure 110 : Meru County FY 2014/15 First Half Expenditure by Economic Classification



Source: *Meru County Treasury*

Analysis of expenditure by department shows that the Health department had the highest absorption rate of the annual recurrent budget at 58.3 per cent while the Public Works, Transport & Infrastructure department had the highest absorption rate of the annual development budget at 47.9 per cent. The expenditure of various departments is summarised below in Table 28.

Table 28: Meru County FY 2014/15 Budget and Expenditure by Department for the First Half of FY 2014/15.

COUNTY EXPENDITURE BY DEPARTMENT										
DEPARTMENT	BUDGET ALLOCATION (Kshs,million)		EXCHEQUER ISSUES (Kshs. million)		EXPENDITURE (Kshs.million)		Expenditure to Exchequer issues (%)		Absorption (%)	
	REC	DEV	REC	DEV	REC	DEV	REC	DEV	REC	DEV
THE COUNTY ASSEMBLY	777.96	72.00	218.46	-	350.21	10.91	160.3		45.0	15.2
OFFICE OF THE GOVERNOR	138.06	-	59.78	-	61.17	-	102.3		44.3	
COUNTY TREASURY	319.38	100.00	159.69	10.00	139.95	4.97	87.6	49.7	43.8	5.0

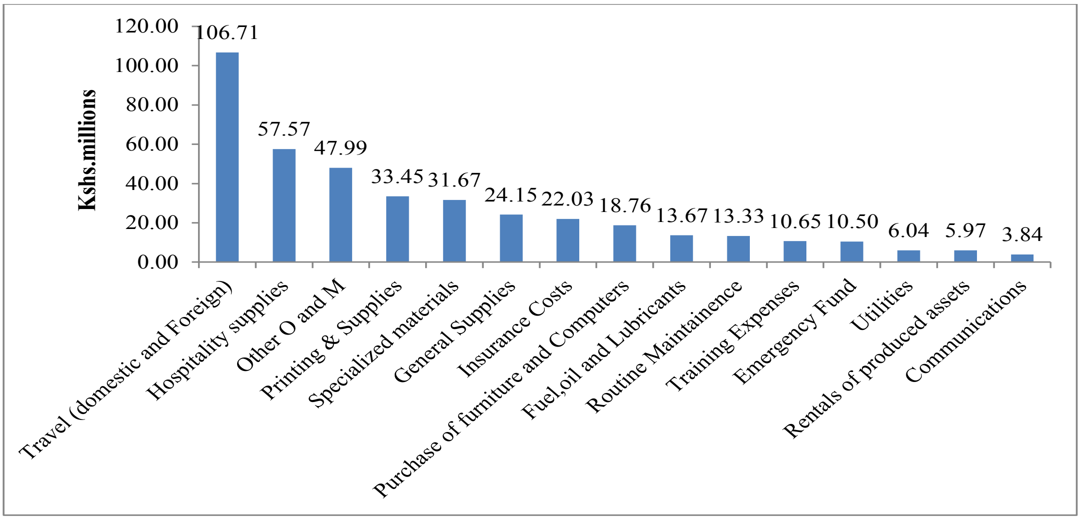
DEPARTMENT	BUDGET ALLOCATION (Kshs,million)		EXCHEQUER ISSUES (Kshs. million)		EXPENDITURE (Kshs.million)		Expenditure to Exchequer issues (%)		Absorption (%)	
	REC	DEV	REC	DEV	REC	DEV	REC	DEV	REC	DEV
AGRICULTURE, FISHERY & LIVESTOCK	287.36	161.37	143.68	30.00	129.96	35.91	90.5	119.7	45.2	22.3
WATER, ENVIRONMENT & NATURAL RESOURCES	101.99	381.84	50.99	63.00	35.84	62.13	70.3	98.6	35.1	16.3
EDUCATION	258.25	285.59	129.13	95.00	80.47	9.99	62.3	10.5	31.2	3.5
COUNTY HEALTH	1,137.04	134.50	577.73	22.00	662.71	19.66	114.7	89.4	58.3	14.6
LANDS, HOUSING, PHYSICAL & ECONOMIC PLANNING	76.49	101.53	38.25	11.50	28.00	7.83	73.2	68.1	36.6	7.7
PUBLIC SERVICE & ADMINISTRATION	488.59	18.00	244.30	-	146.73	-	60.1		30.0	0.0
TRANSPORT & INFRASTRUCTURE	135.70	793.74	67.85	231.50	52.69	380.26	77.7	164.3	38.8	47.9
CO-OPERATIVE, TOURISM & ENTERPRISE DEVELOPMENT	46.35	126.25	23.18	30.00	23.99	21.03	103.5	70.1	51.7	16.7
CULTURE, GENDER & SPORTS	63.18	140.00	31.59	50.00	20.79	35.30	65.8	70.6	32.9	25.2
COUNTY PUBLIC SERVICE BOARD	14.77	-	7.38	-	3.39	-	45.9		23.0	
TOWN ADMINISTRATION	15.53	24.52	7.77	-	3.75	-	48.3		24.1	0.0

Source: *Meru County Treasury*

The County spent Kshs.51.66 million on payment of sitting allowances to the 69 members of the County Assembly against an annual budget of Kshs.161.11 million representing an absorption rate of 48 per cent. Each MCA was paid an average monthly sitting allowance of Kshs.96,426 compared to the SRC recommended amount of Kshs.124,800. The MCAs' sitting allowance excludes allowances amounting to Kshs.6.84 million spent on the County Assembly Service Board and Speaker's Panel. Expenditure on domestic and foreign travel for both County Assembly and Executive amounted to Kshs.105.0 million in the period under review compared to Kshs.65.5 million in a similar period of FY 2013/14.

The breakdown of operations and maintenance expenditure for the period under review is shown in Figure 111.

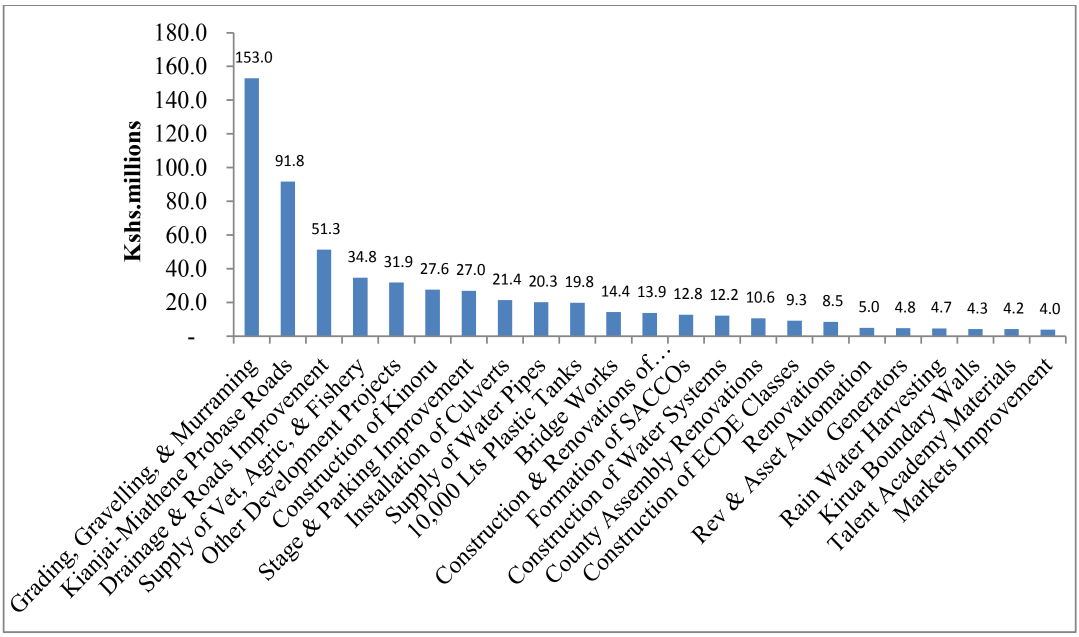
Figure 111: Meru County FY 2014/15 Half Year Operations and Maintenance Expenditure (in Kshs.)



Source: *Meru County Treasury*

Analysis of the development expenditure of Kshs.587.67 million shows that most of the expenditure was incurred in the roads sector as shown in Figure 112.

Figure 112 : Meru County, Half Year Analysis of Development Expenditure



Source: *Meru County Treasury*

During the period under review, the office noted that some of the recommendations made in previous CBIRRs had been addressed including full adoption of IFMIS in processing financial transactions.

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

1. Low local revenue collection.
2. Lapses in the controls as evidenced by expenditure exceeding exchequer issues.
3. Failure to adhere to SRC Circular on staff remuneration resulting in senior staff being paid monthly transport allowance despite being assigned official vehicles.
4. The County Assembly did not refund to the CRF balance brought forward from FY 2013/14 amounting to Kshs.99.58 million.

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

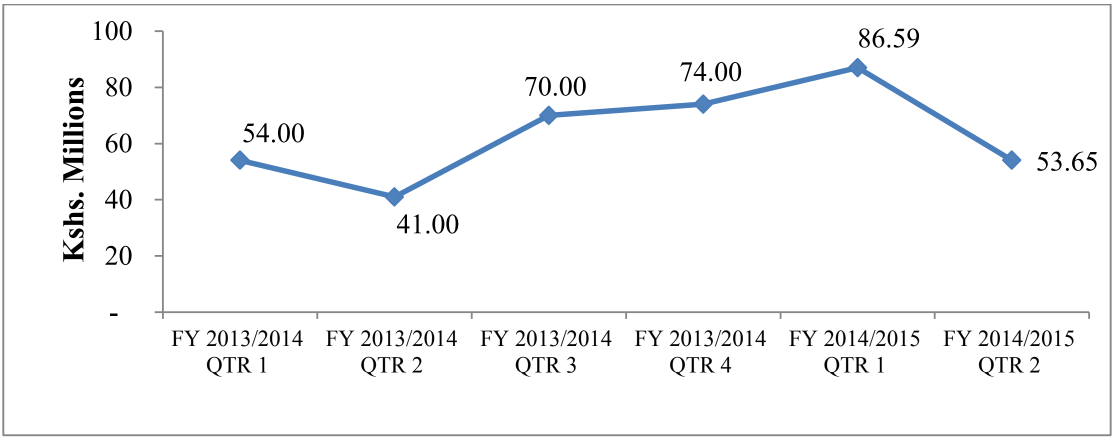
1. *Devise strategies to enhance local revenue collection.*
2. *Institute mechanism to ensure proper use of public funds and all reallocation be guided by section 155 of the PFM Act, 2012.*
3. *Adhere to the SRC Circular on staff remuneration.*
4. *There is need for the County Assembly to strictly adhere to section 136 of the PFM Act, 2012.*

Migori County

The approved budget for the FY 2014/15 is Kshs.5.27 billion comprising of Kshs.2.93 billion (55.6 per cent) allocated for recurrent expenditure and Kshs.2.34 billion (44.4 per cent) for development expenditure. This budget will be financed by Kshs.4.97 billion (94.3 per cent) from the national equitable share, Kshs.300 million (5.7 per cent) from local revenue sources.

During the first quarter of FY 2014/15, the County received Kshs.1.89 billion as the national equitable share of revenue and collected Kshs.140.24 million from local sources. Local revenue consisted of Kshs.86.59 million generated in the first quarter of FY 2014/15 and Kshs.53.65 million in the second quarter of FY 2014/15. The total revenue raised in the first half of FY 2014/15 of Kshs.140.24 was 46.7 per cent of the annual local revenue target, an improvement from Kshs.95 million collected in the same period of FY 2013/14. Figure 113 shows the trend of local revenue by quarter.

Figure 113: Migori County, trend of Local Revenue Collection by Quarter



Source: *Migori County Treasury*

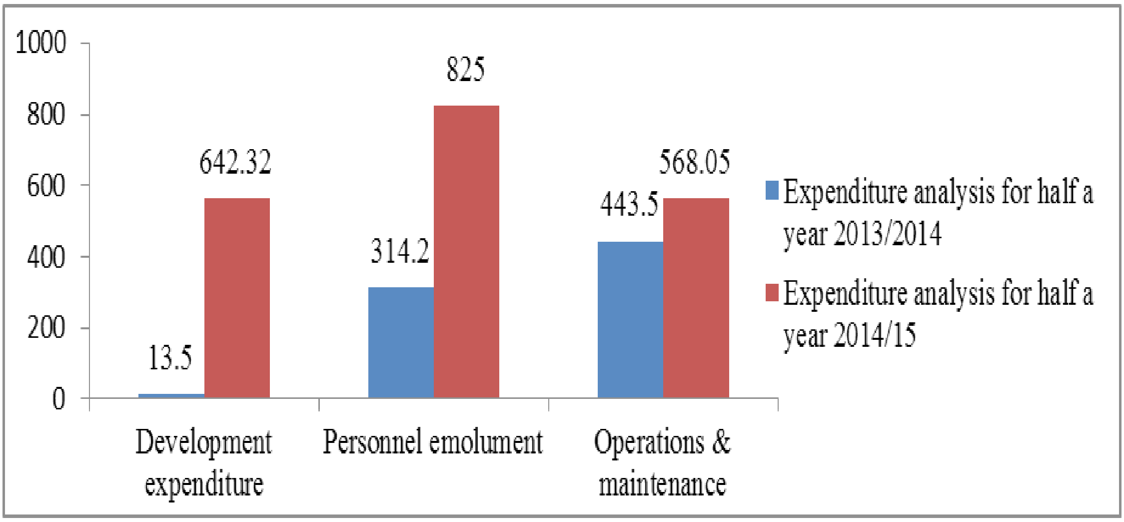
Funds released to the County during the period under review for operations amounted to Kshs.2.05 billion, of which Kshs.1.13 billion (55.2 per cent) was for recurrent expenditure while Kshs.920 million (44.8 per cent) was for development activities.

The total expenditure in the first half was Kshs.2.04 billion which was 99.2 per cent of the funds released. The expenditure for the period under review is an improvement from the Kshs.771.2 million spent in the first quarter of FY 2013/14. The County spent Kshs.1.39 billion (**68.4 per cent**) on recurrent activities and Kshs.642.32 million (**31.6 per cent**) on development activities. Recurrent expenditure was 123.1 per cent of the funds released for recurrent activities while development expenditure accounted for 69.8 per cent of the funds released for development projects. This expenditure does not include outstanding commitments as of December 31, 2014 that amounted to Kshs.12.00 million for recurrent expenditure and Kshs.24.88 million for development activities.

The recurrent expenditure for the period under review represented an absorption rate of **47.5 per cent** of the annual recurrent budget, an improvement from an absorption rate of **19.4 per cent** realized in the first half of FY 2013/14. The development expenditure translated to an absorption rate of **27.5 per cent** of the annual development budget, an improvement from absorption rate of **0.84 per cent** recorded in the same period last financial year.

Analysis of the recurrent expenditure shows that the County spent Kshs.825 million on personnel emoluments which translates to 59.2 per cent of the total recurrent expenditure and Kshs.568.05 million on operations and maintenance expenditure which is 40.8 per cent of the total recurrent expenditure for the first half of the year. County treasury provided comparative figures, for the period under review and similar period last financial year (see Figure 114).

Figure 114 : Migori County First Half Expenditure by Economic Classification



Source: *Migori County Treasury*

Analysis of expenditure by department shows that department of Public Service Management had the highest absorption rate of the annual recurrent budget at 53.6 per cent. The department of trade and industrialization had the lowest absorption rate at 1.5 per cent for recurrent expenditure. The department of Environment and Disaster Management spent Kshs.28 million against its annual recurrent budget of Kshs.4 million. Public Service Management department had the highest absorption rate for development expenditure at 78.1%. The expenditure of various departments is summarised below in Table 29 .

Table 29: Migori County FY 2014/15 Budget and Expenditure by Department for the First Half of FY 2014/15

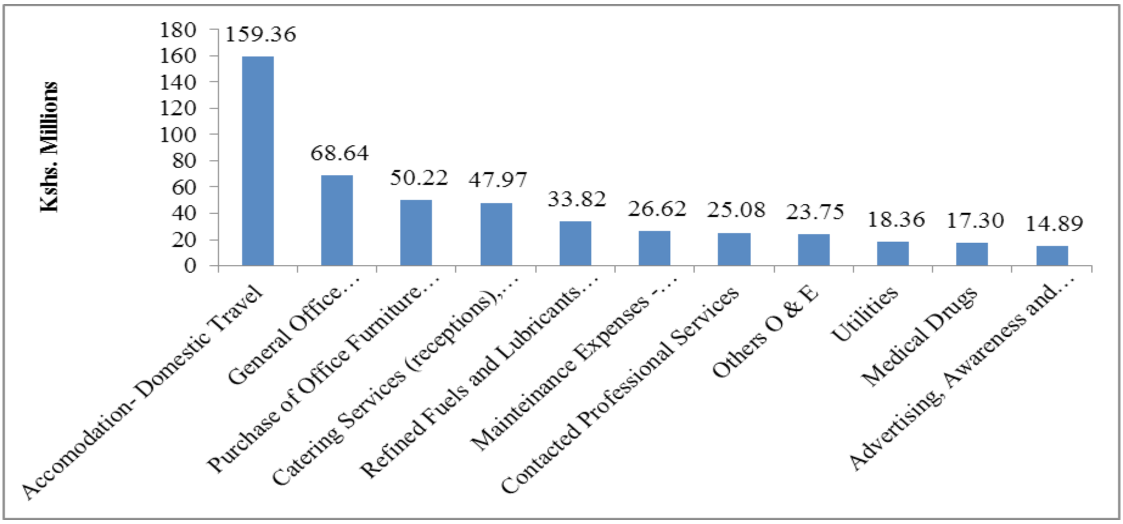
DEPARTMENT	BUDGET ALLOCATION (Kshs Million)		EXCHEQUER ISSUES (Kshs Million)		EXPENDITURE (Kshs Million)		Expenditure to Exchequer issues (%)		EXPENDITURE TO ANNUAL BUDGET (Absorption rate %)	
	REC	DEV	REC	DEV	REC	DEV	REC	DEV	REC	DEV
Agriculture, Livestock, Fisheries	192	135	57	96	15	20	26.3	20.8	7.8	14.8
Lands, Physical Planning Survey and Housing	70	134	45	0	19	0	42.2		27.1	0.0
Roads, Public Works and Transport	39	299	13	132	14	162	107.7	122.7	35.9	54.2
Trade, industrialization and tourism	480	55	19	0	7	1	36.8		1.5	1.8
Health	241	391	84	183	78	109	92.9	59.6	32.4	27.9
Education, Youth, Sports and Culture	53	126	21	54	10	64	47.6	118.5	18.9	50.8
Water and Energy	31	148	10	80	13	32	130.0	40.0	41.9	21.6
Public Service Management	1,803	215	722	163	966	168	133.8	103.1	53.6	78.1
Finance and Economic Planning	158	168	63	29	126	51	200.0	175.9	79.7	30.4
Environment and Disaster Management	12	99	4	13	28	0	700.0	0.0	233.3	0.0
County Assembly	282	570	93	168	117	34	125.8	20.2	41.5	6.0

***Source:** Migori County Treasury*

The County spent Kshs.68 million on payment of sitting allowance to the 61 members of the County Assembly against an annual budgetary allocation of Kshs.141 million representing an absorption rate of 48 per cent. Each MCA was paid an average monthly sitting allowance of Kshs.185,792 compared to the SRC recommended amount of Kshs.124,800. Expenditure on domestic and foreign travel amounted to Kshs.61.3 million in the period under review compared to the Kshs.107 million spent during a similar period of FY 2013/14.

The breakdown of operations and maintenance expenditure for the period under review is shown in Figure 115.

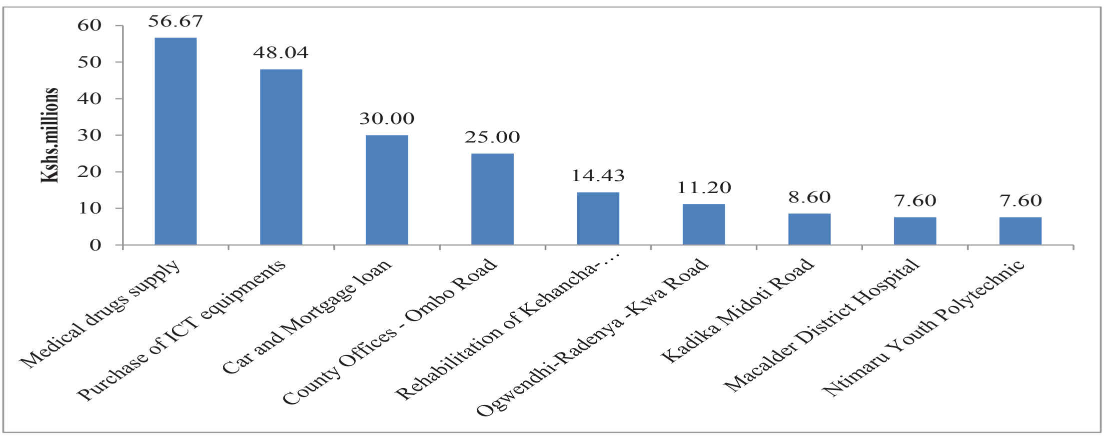
Figure 115: Migori County Half Year Operations and Maintenance Expenditure



Source: *Migori County Treasury*

The development expenditure for the first half a year of FY 2014/15 was Kshs.642.32 million. Analysis of the development expenditure for the period under review shows that the County spent Kshs.56 million on supply of medical drugs for hospital, Kshs.30 million on car and mortgage loan, Kshs.48 million on purchase of ICT equipment, Kshs.25 million on Construction of Ombo road, and Kshs.14 million on rehabilitation of Kehancha-Ntimaru Road (see Figure 116).

Figure 116 : Migori County Analysis of Development Expenditure



Source: *Migori County Treasury*

During the period under review, the OCOB noted some improvement in budget implementation. Nonetheless, there were challenges that hampered effective budget implementation in the reporting period were as follows:

1. Lack of internal audit committee to monitor financial operations and reporting system.
2. Use of manual system to process financial transactions by County Assembly.

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

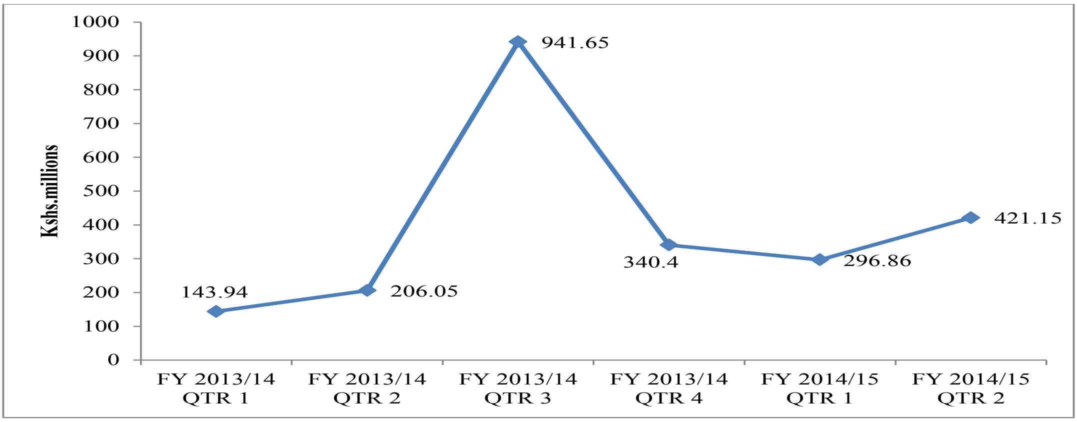
1. *The County should put in place an internal audit committee to monitor financial operations.*
2. *County Assembly should adopt IFMIS to improve on their financial management.*

Mombasa County

The Mombasa County Budget Estimates for the FY 2014/15 amounted to Kshs.12.37 billion comprising of Kshs.8.14 billion (65.8 per cent) for recurrent expenditure and Kshs.4.23 billion (34.2 per cent) for development expenditure. The budget is to be financed by the national equitable share of Kshs.4.54 billion (36.7 per cent), Provincial & Level 5 Hospitals of Kshs.209.61 million (1.7 per cent), DANIDA Grant of Kshs.688.55 million (5.6 per cent) and local revenue collection of Kshs.6.94 billion (56 per cent. The County did not budget for unspent balance amounting to Kshs.435 million from FY 2013/14.

In the first half of FY 2014/15, the County received Kshs.1.38 billion as the national equitable share of revenue and collected Kshs.718 million from local sources and had Kshs.435.49 million as actual balance brought forward from FY 2013/14. Local revenue consisted of Kshs.296.86 million generated in the first quarter and Kshs.421.15 million in the second quarter. The total local revenue raised in the first half of FY 2014/15 of Kshs.718.00 million was 10.35 per cent of the annual local revenue target. Figure 117 shows a summary of local revenue by quarter.

Figure 117: Mombasa County, Trend in Local Revenue Collection by Quarter



Source: *Mombasa County Treasury*

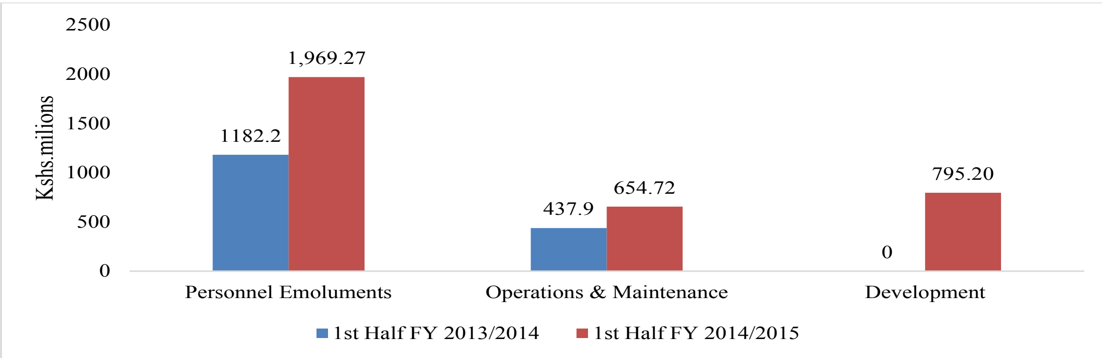
Funds released to the County during the period under review for operations amounted to Kshs.2.82 billion, of which Kshs.2.65 billion (94.1 per cent) was for recurrent expenditure while Kshs.165.00 million (5.9 per cent) was for development activities.

In the first half of FY 2014/2015, the total expenditure was Kshs.2.82 billion which was 100 per cent of the funds released. The County spent Kshs.2.62 billion (93.1 per cent) on recurrent activities and Kshs.195.11 million (6.9 per cent) on development activities. The expenditure exceeded the funds released during the period by Kshs.0.67 million due to the failure to transfer funds from the County Imprest account to the CRF at the beginning of the financial year. This expenditure does not include outstanding commitments as of December 31, 2014 that amounted to Kshs.224.54 million for recurrent expenditure and Kshs.217.76 million for development activities.

The recurrent expenditure for the period under review represented an absorption rate of **32.2 per cent** of the annual recurrent budget, an improvement from an absorption rate of **24.7 per cent** realized in the same period of FY 2013/14. The development expenditure translated to an absorption rate of **4.6 per cent** of the annual development budget, an improvement from absorption rate of **0 per cent** recorded in the same period last financial year.

Analysis of the recurrent expenditure shows that Mombasa County spent Kshs.1.97 billion on personnel emoluments which translates to 75.05 per cent of the total recurrent expenditure and Kshs.654.72 million on operations and maintenance expenditure which is 24.95 per cent of the total recurrent expenditure. This comprise of Kshs.319.28 million which was spent on debt repayment and pending bills. A comparison of the total expenditure between the period under review and first half of FY 2013/14 is shown in Figure 118.

Figure 118: Mombasa County, First Half Expenditure by Economic Classification



Source: *Mombasa County Treasury*

Analysis of expenditure by department shows that County Assembly had the highest aggregate absorption rate of the annual budget at 34.8 per cent while department of Tourism, Betting and Control had the lowest absorption rate of the annual budget at 5.54 per cent. The expenditure of various departments is summarised below in Table 30 .

Table 30: Mombasa County, Budget Allocation and Expenditure by departments as of 31/12/14

Department	Budget Allocation (Kshs millions)			Exchequer Issues (Kshs millions)		EXPENDITURE (Kshs millions)			Expenditure To Exchequer Issues (%)		EXPENDITURE TO ANNUAL BUDGET (Absorption rate %)		
	Rec	Dev	Total	Rec	Dev	Rec	Dev	Total	Dev	Rec	Rec	Dev	Overall
Tourism, Betting and Control	77.67	182	259.67	36.22	-	11.1	3.29	14.39	30.6		14.3	1.8	5.5
Transport and Infrastructure	484.17	922.55	1406.72	189.86	135	141.67	83.31	224.98	74.6	61.7	29.3	9.0	16.0
Youth, Gender and Sports	330.81	115	445.81	104.56	-	79.11	-	79.11	75.7		23.9		17.7
Finance and Economic planning	1632.5	410	2042.5	510.7	20	609.85	26.95	636.8	119.4	134.8	37.4	6.6	31.2

Department	Budget Allocation (Kshs millions)			Exchequer Issues (Kshs millions)		EXPENDITURE (Kshs millions)			Expenditure To Exchequer Issues (%)		EXPENDITURE TO ANNUAL BUDGET (Absorption rate %)		
	Rec	Dev	Total	Rec	Dev	Rec	Dev	Total	Dev	Rec	Rec	Dev	Overall
Health Services	2056.43	853.59	2910.02	860.97	-	734.29	3.76	738.04	85.3		35.7	0.4	25.4
Education & Polytechnic	465.75	231.1	696.85	132.35	-	81.31	-	81.31	61.4		17.5		11.7
Trade Energy and Industrial Development	165.83	519.26	685.09	66.43	10	46.54	64.44	110.98	70.1	644.4	28.1	12.4	16.2
Water, Environment & Natural Resources	628.68	137.3	765.98	255.39	`	247.46	-	247.46	96.9		39.4		32.3
County Planning, Lands and Housing	138.51	284.06	422.57	57.08	-	52.68	2.58	55.26	92.3		38.0	0.9	13.1
Agriculture, Livestock & Fisheries.	241.76	277.76	519.52	84.39	-	43.21	-	43.21	51.2		17.9		8.3
Public Service Board	186.24	23.7	209.94	28.14	-	13.13	-	13.13	46.7		7.1		6.3
County Executive	1109.3	239.14	1348.44	153.91	-	337.19	8.87	346.06	219.1		30.4	3.7	25.7
County Assembly	625.02	31.35	656.37	173.42	-	226.45	1.91	228.36	130.6		36.2	6.1	34.8

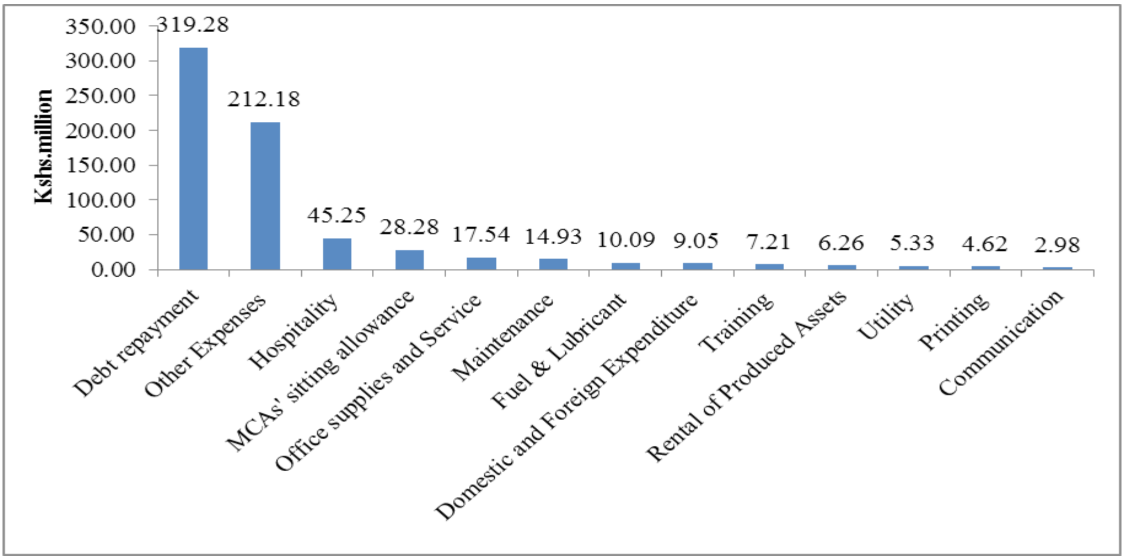
Source: *Mombasa County Treasury*

The County spent Kshs.28.28 million on payment of sitting allowances to the 43[1] Members of the County Assembly representing an absorption rate of 78.1 per cent of the annual budgeted sitting allowances of Kshs.36.19 million. Each MCA was paid an average monthly sitting allowance of Kshs.109,605 compared to the SRC recommended amount of Kshs.124,800. Expenditure on domestic and foreign travel for both County Assembly and the County Executive amounted to Kshs.9.05 million in the period under review of FY 2014/15 compared to Kshs.16 million (4 per cent) spent in the same period of FY 2013/14.

The breakdown of operations and maintenance expenditure for the period under review is shown in Figure 119 .

1 2 MCAs died bringing the number of MCAs to 43 from 45.

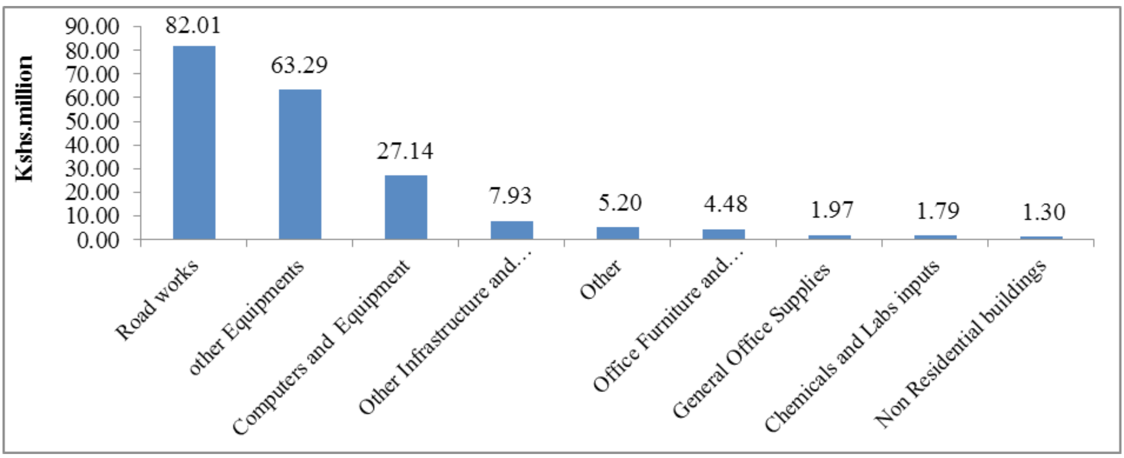
Figure 119 : Mombasa County, Operations and Maintenance Expenditure



Source: *Mombasa County Treasury*

Analysis of development expenditure for the first half of FY 2014/15 shows that the County spent Kshs.1.3 million on non-residential buildings, Kshs.7.93 million on other Infrastructure and civil works, Kshs.82.01 million on road works, Kshs.27.14 million on Purchase of Computers and Equipment, Kshs.4.48 million on purchase of office furniture and fittings, Kshs.63.3 on Purchase of other equipment, Kshs.1.97 million on General Office Supplies and Kshs.1.79 million on chemical and industrial gases as shown in Figure 120.

Figure 120 : Mombasa County, Half Year Analysis of Development Expenditure



Source: *Mombasa County Treasury*

In the previous CBIRRs, the office made a number of recommendations to address the challenges facing budget execution in the County. One of the recommendations addressed by the county is timely submission of financial reports. However the County has not addressed the huge wage bill and large outstanding debt.

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

1. Huge wage bill.
2. Large outstanding debt.
3. Low absorption rate of development funds which currently stands at 4.6 per cent of the annual development budget.
4. Poor imprest management. There is a huge outstanding imprest which has remained outstanding for over two months.
5. Use of multiple systems such as LAIFMS, IFMIS, and IPPD which are not integrated affected timely generation of reports.
6. Low local revenue collection has been attributed to delays in passage of relevant revenue bill.

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

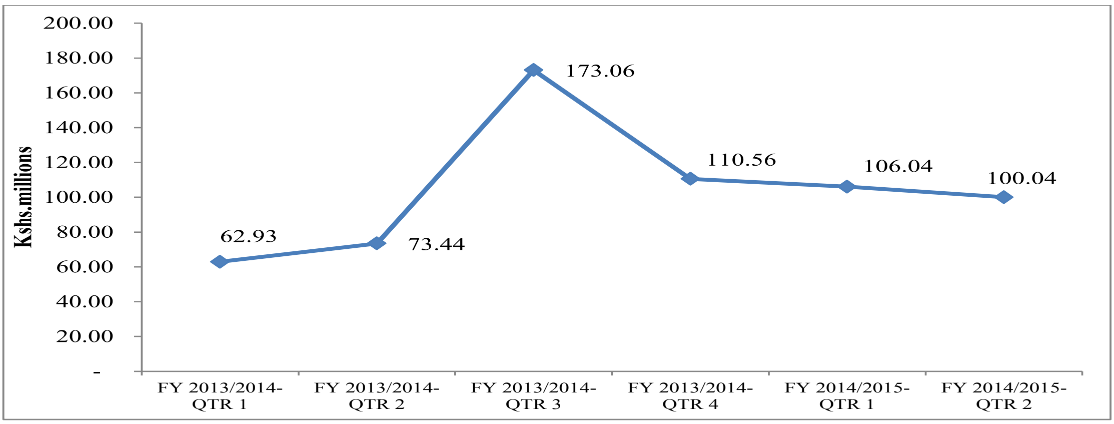
1. *Liaise with the National Government to address the huge wage bill.*
2. *Devise strategies to address the large public debt.*
3. *Expedite the procurement process to improve absorption of development funds.*
4. *The County Treasury should ensure that all imprest is surrendered within the stipulated time, failure to which the officer responsible will be surcharged.*
5. *National Treasury should institute measures to harmonize LAIFOMS, IFMIS, and IPPD systems for easy generation of reports*
6. *Adopt the automated revenue collection system and expedite the enactment of key bills to improve local revenue collection.*

Murang'a County

The Murang'a County Budget Estimates for the FY 2014/15 amounted to Kshs.6.56 billion comprising of Kshs.3.46 billion (52.7 per cent) for recurrent expenditure and Kshs.3.10 billion (47.3 per cent) for development expenditure. This budget will be financed by Kshs.4.98 billion (75.6 per cent) from the national equitable share, Kshs.1.14 billion (17.1 per cent) from local revenue sources, Kshs.8 million (7.3 per cent) from the conditional grant, Kshs.450.08 million (6.8 per cent) being balance brought forward from FY 2013/14 and Kshs.22.4 million (0.3 per cent) as DANIDA grants.

In the first half of FY 2014/15, the County received Kshs.2.16 billion as national shareable revenue, Kshs.485.73 million as funds brought forward from FY 2013/14 and raised Kshs.206.09 million from local sources. The County collected Kshs.106.04 million in the first quarter and Kshs.100.04 million in the Second quarter. The local revenue raised in the first half of FY 2014/15 of Kshs.206.09 million was 18.1 per cent of the annual local revenue target, an improvement from Kshs.136.7 million collected in the similar period of FY 2013/14. Figure 121 shows the trend of local revenue collection by quarter.

Figure 121 : Murang'a County Quarterly Trend in Local Revenue Collection



Source: *Murang'a County Treasury*

During the period under review, the County received exchequer issues of Kshs.2.44 billion, of which Kshs.1.46 billion (59.7 per cent) was for recurrent expenditure and Kshs.984.00 million (40.3 per cent) was for development activities.

The total expenditure for the first half of FY 2014/15 was Kshs.2.59 billion which was

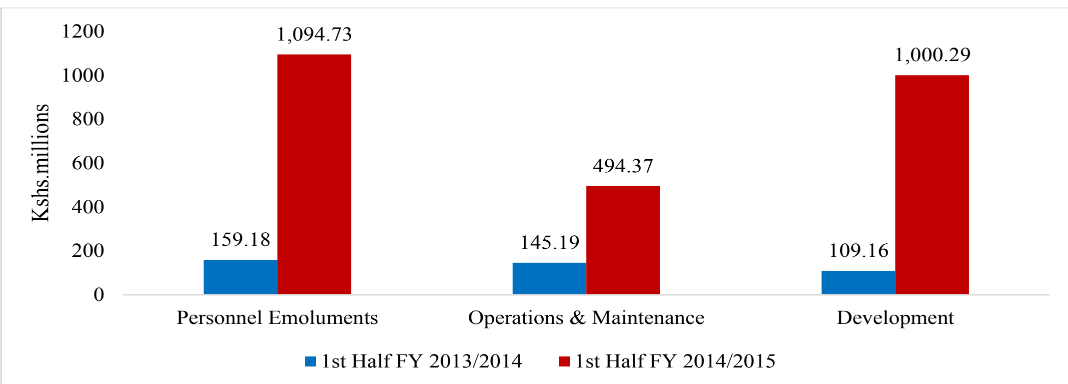
106.2 per cent of the total funds released and an improvement from the Kshs.664.6 million spent in the similar period of FY 2013/14. The County spent Kshs.1.59 billion (61.4 per cent) on recurrent activities and Kshs.1.00 billion (38.6 per cent) on development activities and revolving funds. Recurrent expenditure was 109.2 per cent of the funds released while development expenditure accounted for 101.7 per cent. This expenditure does not include outstanding commitments as of December 31, 2014 that amounted to Kshs.3.68 million for recurrent expenditure and Kshs.23.19 million for development activities.

The county secured a bank overdraft facility of Kshs 200.00 million without guarantee by the National Treasury as required by PFM Act 2012.

The recurrent expenditure for the period under review represented an absorption rate of 46.0 per cent of the annual recurrent budget, an increase from an absorption rate of 11.2 per cent realized in the similar period of FY 2013/14. Development expenditure recorded an absorption rate of 32.2 per cent of the annual development budget, an improvement compared to the similar period in FY 2013/14 when the County spent 3.8 per cent of the funds on development activities.

Analysis of the recurrent expenditure of Kshs.1.59 billion shows that the County spent Kshs.1.09 billion on personnel emoluments and sitting allowances which represents 68.9 per cent of the total recurrent expenditure and Kshs.494.37 million on operations and maintenance expenditure which is 31.1 per cent of the total recurrent expenditure for the first half of FY 2014/15. A comparison of the total expenditure between the period under review and the similar period last financial year is shown in Figure 122.

Figure 122 : Murang'a County First Half Expenditure by Economic Classification



Source: *Murang'a County Treasury*

Analysis of expenditure by department indicates that the County is yet to decentralise financial management at departmental level and controls all funds centrally at the County Treasury. On development expenditure, the analysis shows that the Health department had the highest absorption rate of the annual budget at 64.2 per cent while Lands & Physical Planning department did not spend any money in development activities. The expenditure of various departments is summarised below in Table 31 .

Table 31: Murang'a County Expenditure by Departments

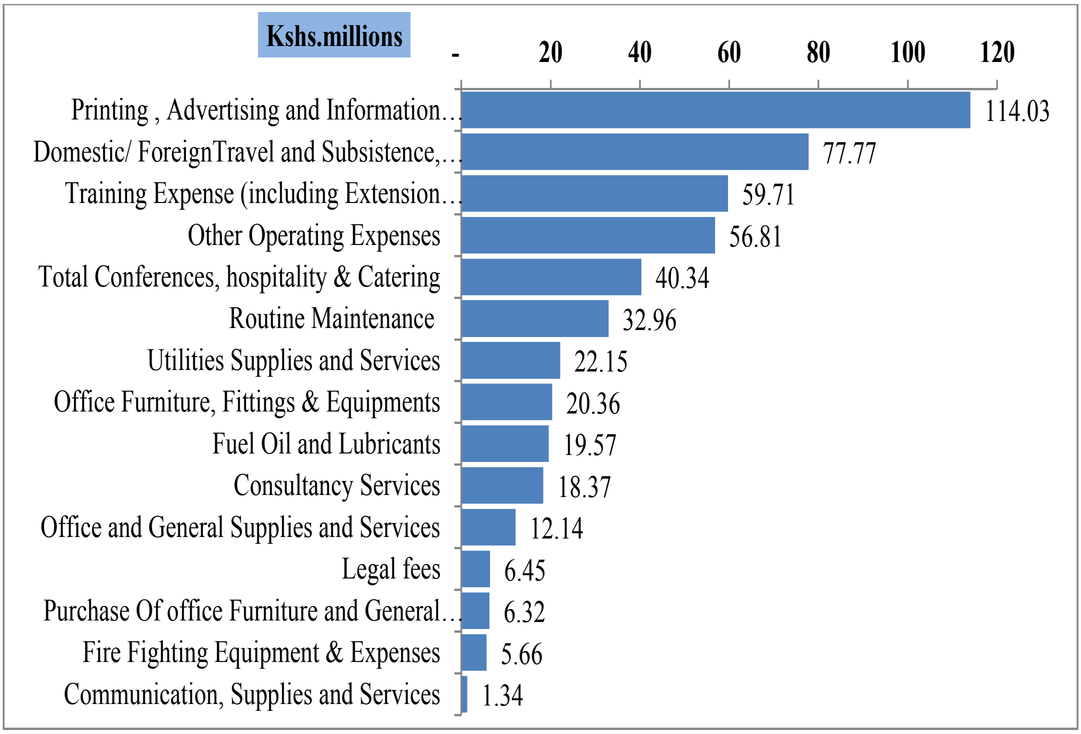
Department	BUDGET ALLOCATION (Kshs)			EXCHEQUER ISSUES (Kshs)			EXPENDITURE (Kshs)			Expenditure to Exchequer issues (%)		EXPENDITURE TO ANNUAL BUDGET (Absorption rate %)	
	Recurrent	Development	Total	Recurrent	Development	Total	Recurrent	Development	Total	Recurrent	Development	Recurrent	Development
Agriculture & Livestock & Environment	228.5	510.0	738.5	102.1	210.0	312.1	89.4	218.0	307.4	**87.6**	**103.8**	**39.1**	**42.8**
Agro Marketing & Cooperatives	177.7	303.0	480.7	78.1	121.5	199.6	19.3	40.6	60.0	**24.8**	**33.4**	**10.9**	**13.4**
County Assembly	621.9	134.1	756.0	152.2	20.0	172.2	126.8	73.8	200.6	**83.3**	**368.8**	**20.4**	**55.0**
County Coordination & Administration	179.3	0.0	179.3	89.6	0.0	89.6	526.5	4.2	530.6	**587.5**		**293.6**	**0.0**
Education, ICT & Tourism	253.9	275.0	528.9	114.2	92.5	206.7	28.4	111.5	139.9	**24.9**	**120.5**	**11.2**	**40.5**
Finance & Planning	228.5	944.8	1,173.3	110.1	95.0	205.1	317.6	16.7	334.3	**288.6**	**17.6**	**139.0**	**1.8**
Health & Sanitation	902.0	280.0	1,182.0	401.3	140.0	541.3	193.4	178.4	371.8	**48.2**	**127.4**	**21.4**	**63.7**
Land, Housing & Physical Planning	27.0	50.0	77.0	25.6	20.0	45.6	7.2	-	7.2	**27.9**	**0.0**	**26.5**	**0.0**
Public Service	314.4	0.0	314.4	150.1	0.0	150.1	67.5	-	67.5	**44.9**	**0.0**	**21.5**	**0.0**
Trade, Enterprise, Industries and Resource Mobilization	116.0	-	116.0	53.2	-	53.2	7.0	17.9	24.9	**13.1**	**> 1000**	**6.0**	**> 1000**
Transport, Water & Infrastructure	228.5	530.0	758.5	102.1	252.5	354.6	195.6	325.7	521.2	**191.6**	**129.0**	**85.6**	**61.5**
Youth, Culture, Sports & Social Services	177.7	75.0	252.7	76.6	32.5	109.1	10.4	13.6	24.0	**13.6**	**41.7**	**5.9**	**18.1**

***Source**: Murang'a County Treasury*

The County spent Kshs.36.40 million on payment of sitting allowances to the 50 members of the County Assembly representing an absorption rate of 71.3 per cent of the annual budget. Each MCA was paid an average monthly sitting allowance of Kshs.121,348 compared to the SRC recommended amount of Kshs.124,800. Expenditure on domestic and foreign travel amounted to Kshs. 77.78 Million in the period under review of FY 2014/15 compared to Kshs.51.59 million in the similar period of FY 2013/14.

The breakdown of operations and maintenance expenditure for the period under review is shown in Figure 123 .

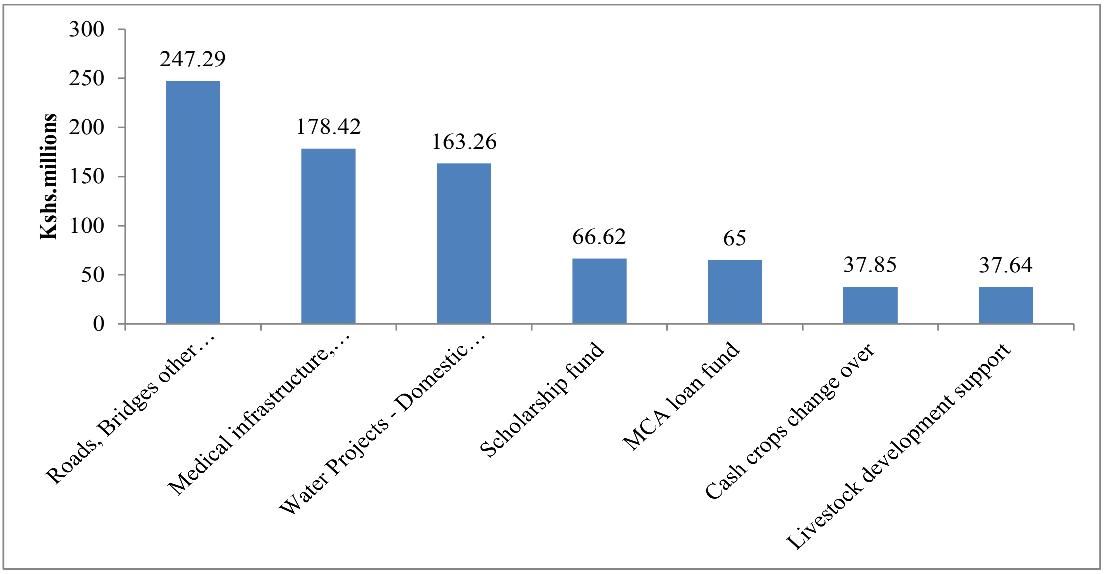
Figure 123 : Murang'a County Half Year Operations and Maintenance Expenditure



***Source:** Murang'a County Treasury*

Analysis of the development expenditure for the period under review of Kshs.1.00 billion shows that the County spent Kshs.247.29 million on construction and maintenance of roads and bridges, Kshs.178.42 million on medical facilities, equipment and services, Kshs.163.26 million on water projects- irrigation & domestic, Kshs.66.62 million on scholarships, Kshs.37.85 million on crop program and Kshs.37.64 million on livestock development program as shown in Figure 124.

Figure 124 : Murang'a County, Half Year Analysis of Development Expenditure



Source: *Murang'a County Treasury*

In the previous CBIRRs, the office made some recommendations to address the challenges facing budget execution in the County. Some of these challenges were addressed and recommendations implemented.

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

1. County is spending funds against votes not contained in the exchequer requisitions approved by the Controller of Budget. This implies a weak budget management.
2. Lack of Internal Audit Committee contrary to Section 155(5) of the PFMA, 2012.

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

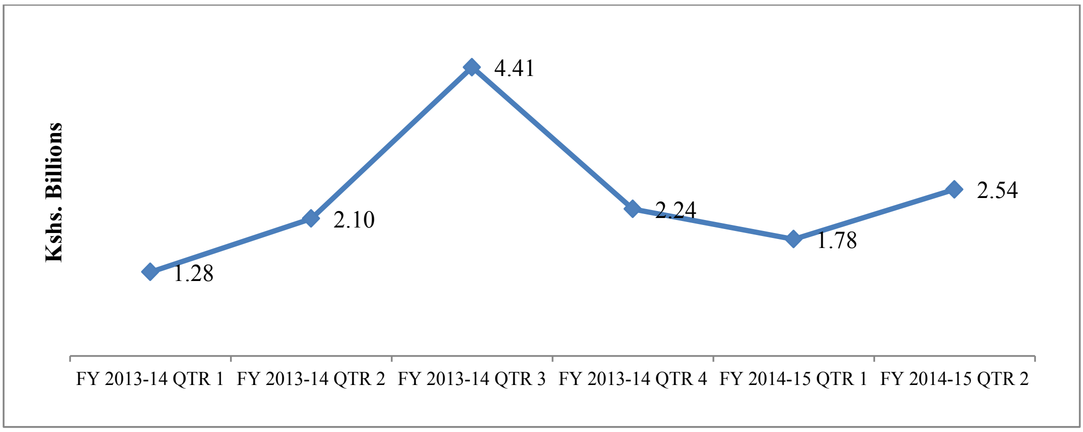
1. *All county entities should limit commitments to the budget ceilings based on the Murang'a County Appropriation Act, 2014 in all in-year procurement plans.*
2. *Establish an Internal Audit Committee as per section 155(5) of the PFM Act, 2012 to enhance prudent public financial management.*

Nairobi City County

The County Budget Estimates for the FY 2014/15 amounted to Kshs.28.76 billion comprising of Kshs.19.35 billion (67.3 per cent) for recurrent expenditure and Kshs.9.41 billion (32.7 per cent) for development expenditure. The budget is to be financed by the national equitable share of Kshs.11.0 billion (38.2 per cent), and local revenue sources of Kshs.17.76 billion (61.8 per cent).

During the first half of FY 2014/15, the County received Kshs.5.23 billion as the national equitable share, raised Kshs.4.32 billion from local sources and had Kshs.926.03 million as cash balance brought forward from FY 2013/14. The local revenue consisted of Kshs.1.78 billion generated in the first quarter and Kshs.2.54 billion in the Second quarter. The total local revenue raised during the first half of FY 2014/15 of Kshs.4.32 billion was 24.3 per cent of the annual local revenue target, an improvement from Kshs.3.38 billion collected in the same period of FY 2013/14. Figure 125 shows the trend of local revenue collection by quarter.

Figure 125: Nairobi City County, trend of Local Revenue Collection



Source: *Nairobi City Treasury*

Funds released to the County during the period under review amounted to kshs.6.36 billion which was all for recurrent expenditure.

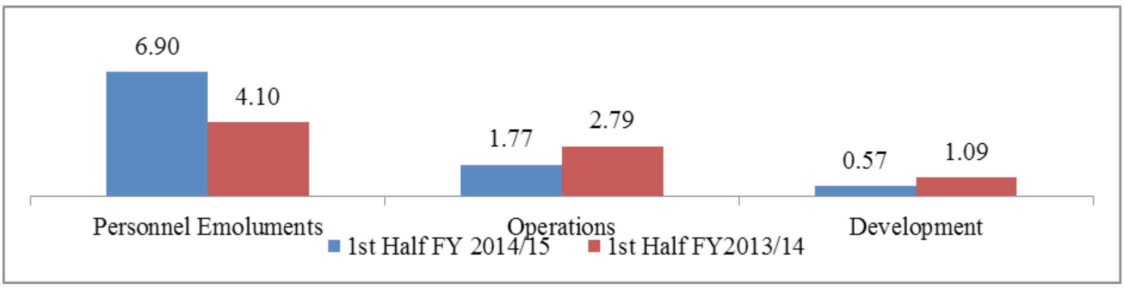
The total expenditure for the FY 2014/15 amounted to Kshs.9.24 billion which was **145.3 per cent** of the funds released. Expenditure was higher than the funds released due to spending of local revenue at source, which has been recurring since the establishment of the County government. The County spent Kshs.8.67 billion (93.8%) on recurrent activities and Kshs.572.44 million (6.2%) on development activities. The recurrent expenditure was **136.3 per cent** of the funds released for recurrent activities. This expenditure does not include outstanding commitments as of December 31, 2014 that amounted to Kshs.156.06 million for recurrent expenditure and Kshs.1.15 million for development activities.

Although the county reported development expenditure of Kshs.527.44 million during the period under review, there were no funds that had been released for development expenditure by OCOB.

The recurrent expenditure for the period under review represented an absorption rate of **44.8 per cent** of the annual recurrent budget, an increase from an absorption rate of **39.1 per cent** realized during same period of FY 2013/14. Development expenditure translated to an absorption rate of **6.4 per cent** of the annual development budget, a decline from an absorption rate of 14.3 per cent registered during the first half of FY 2013/14.

Analysis of the recurrent expenditure of Kshs.8.67 billion shows that the county spent Kshs.6.90 billion on personnel emoluments which translates to 79.6 per cent of the total recurrent expenditure and Kshs.1.77 billion on operations and maintenance expenditure which is 20.4 per cent of the total recurrent expenditure for the FY 2014/15. A comparison of the total expenditure between the period under review and the same period last financial year is shown in Figure 126.

Figure 126 : Nairobi City County, First Half Expenditure, (Kshs. Billions)



Source: *Nairobi City County Treasury*

Analysis of expenditure by department shows that department of Water, Energy, Environment, Forestry & Natural Resources had the highest absorption rate of recurrent funds at 59.7 per cent while the Finance and Economic Planning department had the highest absorption rate of development funds at 14.8 per cent. The expenditure of various departments is summarised in Table 32 .

Table 32: Nairobi County FY 2014/15 Budget and Expenditure by Department for the First Half of FY 2014/15

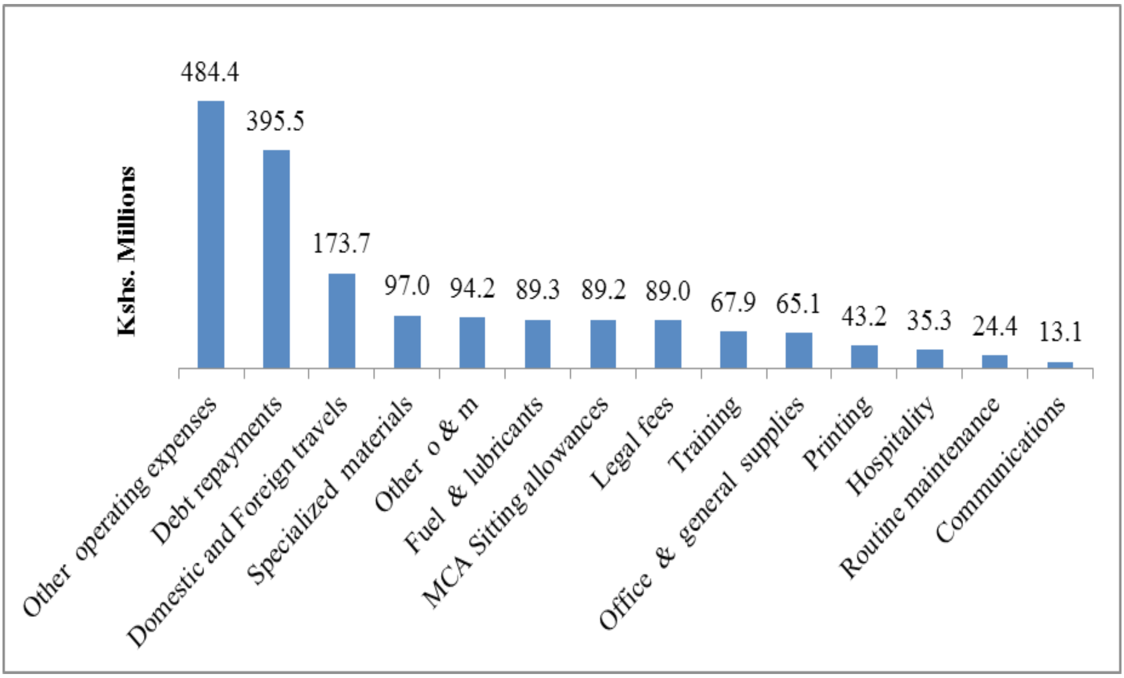
DEPARTMENT	BUDGET ALLOCATION (Kshs millions)		EXCHEQUER ISSUES (Kshs millions)		EXPENDITURE (Kshs millions)		Expenditure to Exchequer issues (%)		EXPENDITURE TO ANNUAL BUDGET (Absorption rate %)	
	REC	DEV	REC	DEV	REC	DEV	REC	DEV	REC	DEV
County Public Service Board	101.72	50	16.06		24.05	3.64	149.7		23.6	7.3
Office Of the Governor	4659.03	516	1043.77		2405.8	16.27	230.5		51.6	3.2
ICT,E-Government & Public Communications	72.27	450	17.4		32.29	35.72	185.6		44.7	7.9
Finance & Economic Planning	2153.86	127	1125.56		1049.5	18.77	93.2		48.7	14.8
Health	5229.76	910.5	1207.95		2396	54.08	198.4		45.8	5.9
Physical Planning, Lands & Housing	387.39	555	146.69		165.34	0	112.7		42.7	0
Public Works & Infrastructure	1330.29	5359	390.88		461.5	428.32	118.1		34.7	8
Education, Youth Affairs ,Sports Culture & Social Services	1558.04	443	412.79		605.61	5.97	146.7		38.9	1.3
Trade, Cooperative and Industrialisation	226.31	430	53.92		103.34	0	191.7		45.7	0
Public Service Management	961.64	42	94.28		179.49	0	190.4		18.7	0
Agriculture, Livestock & Fisheries Development	325.1	50	94.3		124	0	131.5		38.1	0
Water, Energy Environment , Forestry & Natural Resources	839.85	160.6	206.35		501.78	6.5	243.2		59.7	4
County Assembly	1504.13	320.1	580.05		624.1	3.18	107.6		41.5	1

Source: *Nairobi City County Treasury*

The County spent **Kshs.89.23 million** for payment of sitting allowances to the 128 members of the County Assembly against a budgetary allocation of Ksh.201.00 million representing an absorption rate of 44.2 per cent. Each MCA was paid an average monthly sitting allowance of Kshs.116,186 compared to the SRC recommended amount of Kshs.124,800. Expenditure on domestic and foreign travel in the period under review amounted to Kshs.173.67 million, consisting of Kshs.86.04 million for the County Assembly and Kshs.87.63 million by the County Executive, compared to Kshs.20.8 million in the same period of FY 2013/14.

The breakdown of operations and maintenance expenditure of Kshs.1.77 billion for the period under review is shown in Figure 127.

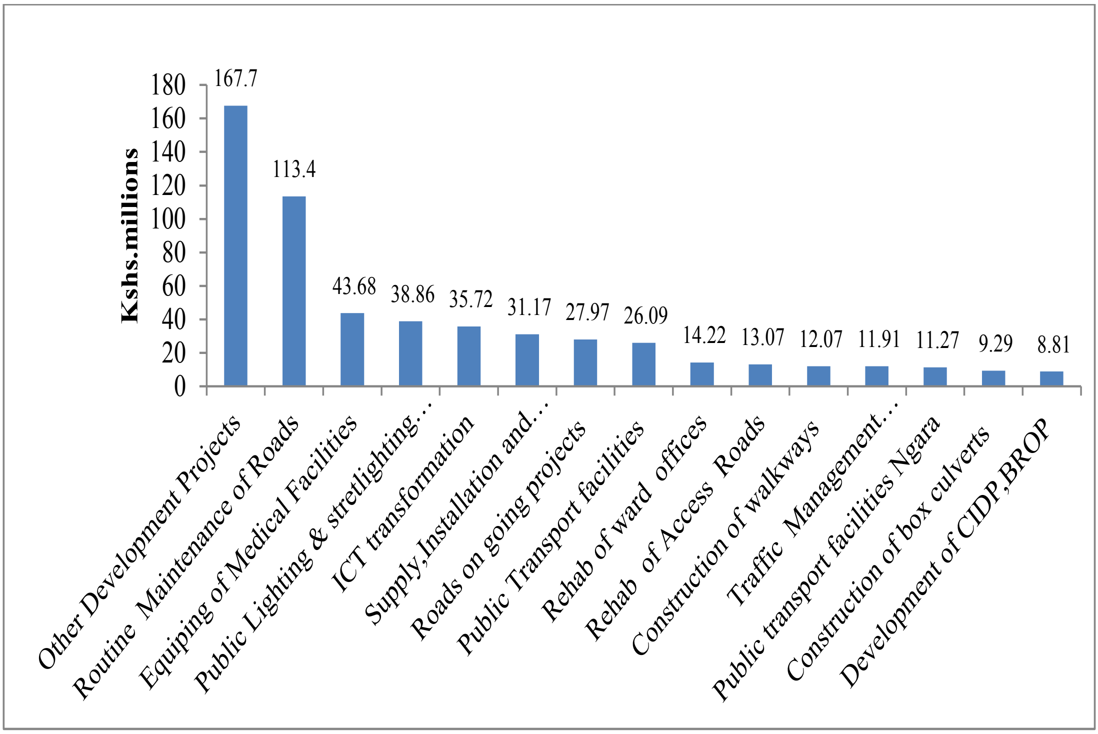
Figure 127: Analysis of Operations and Maintenance Expenditure, Nairobi County



***Source**: Nairobi City County Treasury*

Analysis of the development expenditure for the FY 2014/2015 shows that the County spent Kshs.113.4 million on roads, Kshs.43.7 million on equipping medical facilities, Kshs.38.9 million on public lighting, and Kshs.35.7 million on ICT transformation. Figure 128 shows a breakdown of development expenditure.

Figure 128: Nairobi City County, Analysis of Development Expenditure (Kshs. Millions)



Source: *Nairobi City County Treasury*

The County is yet to implement most of the recommendations contained in previous CBIRRs and continues to experience challenges that are affecting budget implementation. The challenges that hampered effective budget implementation in the reporting period were as follows:

1. Use of locally collected revenue at source. Article 207 of the Constitution and Section 109 of the PFM Act, 2012 requires that all funds raised or collected on behalf of the County be deposited into the County Revenue Fund.
2. The County is yet to approve debt management strategy to manage its liabilities. Section 123 of the PFM, requires Counties to develop a debt management strategy to manage outstanding debts.
3. The County Assembly financial transactions were not fully processed through IFMIS and G-pay.

The County should consider the following recommendations to address these challenges/

issues and improve budget execution in the FY 2014/2015:

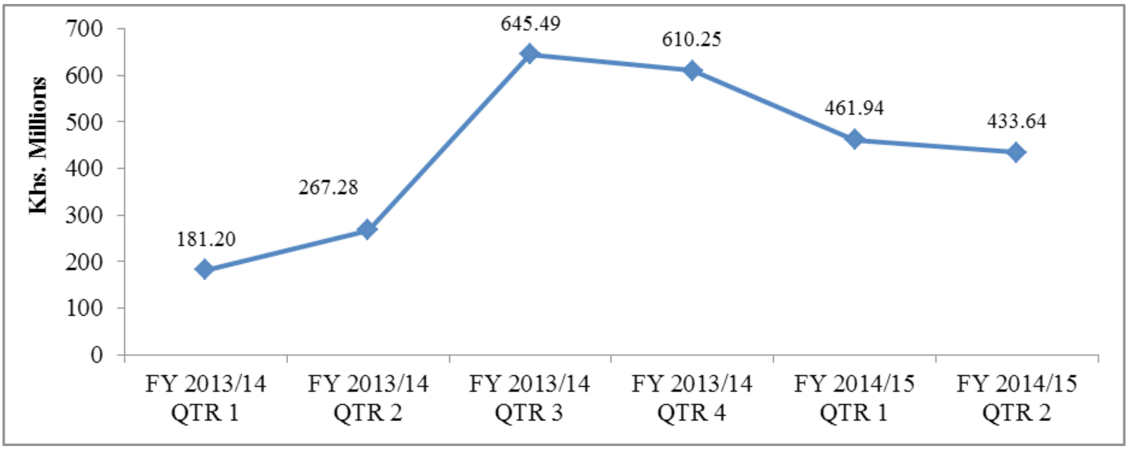
1. *The County Treasury should deposit all locally generated revenue into the CRF.*
2. *The County Treasury should ensure that all local revenue collected is swept to the County Revenue fund.*
3. *The County Assembly should approve the debt management strategy as per sections 123 of the PFM Act, 2012 to manage its liabilities.*
4. *The County Assembly should process all their financial transaction through IFMIS and Gpay as per the PFM act to ensure accurate reporting and transparency.*

Nakuru County

The Nakuru County Budget Estimates for the FY 2014/15 amounted to Kshs.10.62 billion comprising of Kshs.7.05 billion (65.8 per cent) for recurrent expenditure and Kshs.3.57 billion (34.4 per cent) for development expenditure. The budget is to be financed by Kshs.6.29 billion (59.2 per cent) from the national equitable share, Kshs.2.71 billion (25.5 per cent) from local revenue sources, Kshs.906.25 million (8.5 per cent) as projected cash balance brought forward from FY 2013/14, Kshs.91.52 million (0.9 per cent for health support (DANIDA) and Kshs.620 million (5.8 per cent) conditional grant for Level 5 hospital.

In the first half of FY 2014/15, the County received Kshs.2.78 billion as national shareable revenue and raised Kshs.895.57 million from local sources and had Kshs.1.07 billion as actual cash balance brought forward from FY 2013/14. Local revenue consisted of Kshs.461.94 million generated in the first quarter and Kshs.433.64 million in the second quarter. The local revenue raised in the first half of FY 2014/15 of Kshs.895.57 million was 33.1 per cent of the annual local revenue target, an improvement from Kshs.448.48 million collected in the similar period of FY 2013/14. Figure 129 shows the trend of local revenue collection by quarter.

Figure 129: Nakuru County, trend of Local Revenue Collection by Quarter



Source: *Nakuru County Treasury*

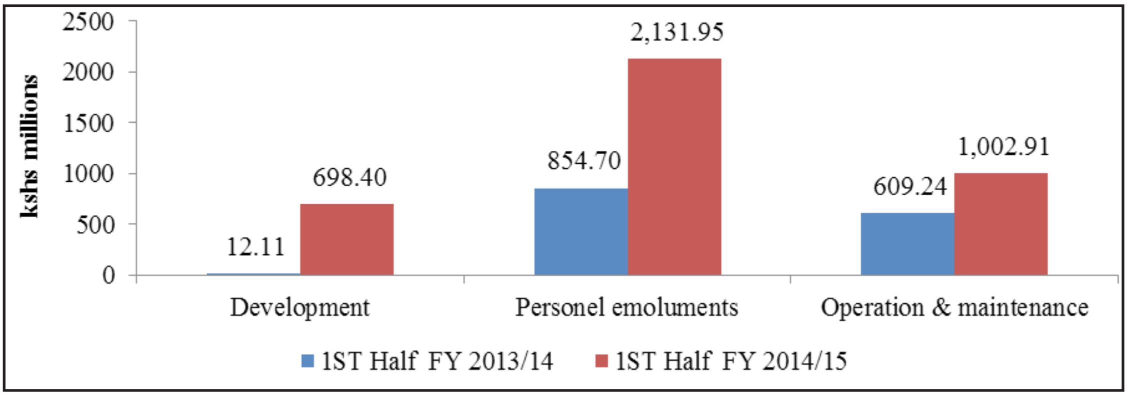
During the period under review the County received exchequer issues of Kshs.4.19 billion, of which Kshs.3.11 billion (74.1 per cent) was for recurrent expenditure and Kshs.1.08 billion (25.9 per cent) was for development activities.

The total expenditure for the first half of FY 2014/15 was Kshs.3.83 billion which was 91.4 per cent of the total funds released, an increase from the Kshs.1.47 billion spent in a similar period of FY 2013/14. The County spent Kshs.3.13 billion (81.8 per cent) on recurrent activities and Kshs.698.41 million (18.2 per cent) on development activities. Recurrent expenditure was **100.9 per cent** of the funds released while development expenditure accounted for **64.3 per cent** of the funds released for development activities. This expenditure does not include outstanding commitments as of December 31, 2014 that amounted to Kshs.1.28 million for recurrent expenditure and Kshs.3.46 million for development activities.

The recurrent expenditure for the period under review represented an absorption rate of 44.5 per cent of the annual recurrent budget, an increase from an absorption rate of 20.9 per cent realized in the similar period of FY 2013/14. Development expenditure translated to an absorption rate of 19.6 per cent of the annual development budget, an improvement from 0.4 per cent recorded in the similar period in FY 2013/14.

Analysis of the recurrent expenditure of Kshs.3.13 billion shows that the County spent Kshs.2.13 billion on personnel emoluments which represents 68.0 per cent of the total recurrent expenditure and Kshs.1.00 billion on operations and maintenance expenditure which is 32.0 per cent of the total recurrent expenditure for the first half of FY 2014/15. A comparison of the total expenditure between the period under review and the similar period last financial year is shown in Figure 130.

Figure 130: Nakuru County FY 2014/15 First Half Expenditure by Economic Classification



Source: *Nakuru County Treasury*

Analysis of expenditure by department shows that the Office of the Governor had the highest recurrent budget absorption rate at 59.1 per cent while department of ICT and E-Government had the lowest absorption rate of the annual recurrent budget at 22.7 per cent. Department of Roads, Transport and Public Works recorded the highest development budget absorption rate at 32.5 per cent while the Office of the Governor, Finance and Public Service Board did not incur any development expenditure during the period. The expenditure by various departments is summarised below in Table 33.

Table 33: Nakuru County FY 2014/15 Budget and Expenditure by Department for the First Half of 2014/15

DEPARTMENT	BUDGET ALLOCATION (Kshs)		EXCHEQUER ISSUES (Kshs)		EXPENDITURE (Kshs)		Expenditure to Exchequer issues (%)		EXPENDITURE TO ANNUAL BUDGET (Absorption rate %)	
	REC	DEV	REC	DEV	REC	DEV	REC	DEV	REC	DEV
Office of The Governor & Deputy Governor	222.46	50.00	104.95	-	131.40	-	125.2	0.0	59.1	0.0
Finance and Economic Planning	661.66	206.20	343.41	127.52	368.75	-	107.4	0.0	55.7	0.0
Ministry of Health	2,832.32	625.06	1,334.12	110.96	1,340.91	103.78	100.5	93.5	47.3	16.6

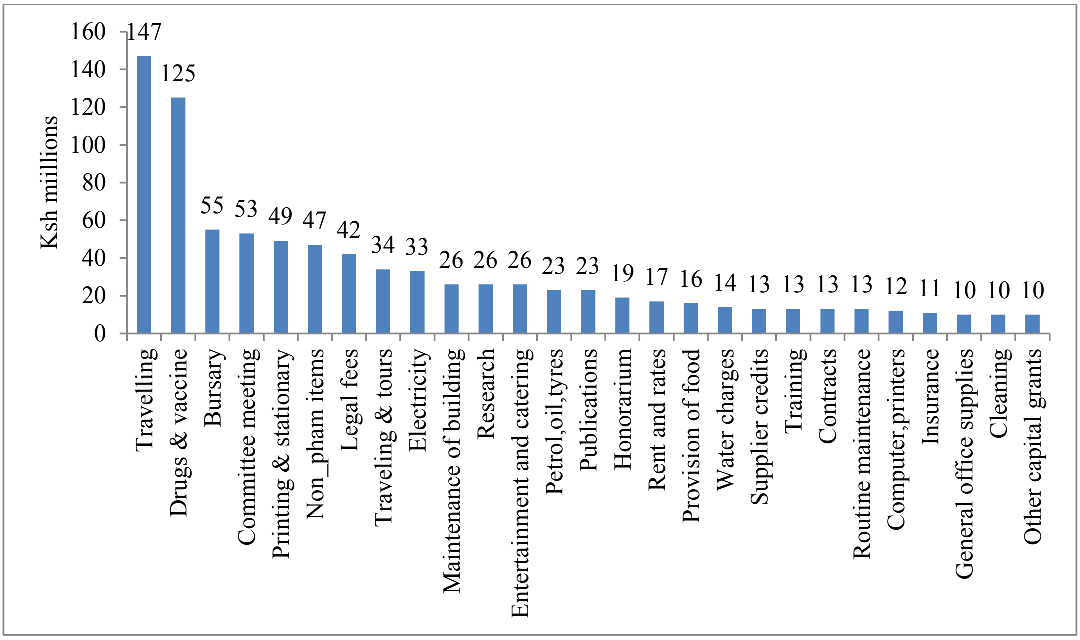
DEPARTMENT	BUDGET ALLOCATION (Kshs)		EXCHEQUER ISSUES (Kshs)		EXPENDITURE (Kshs)		Expenditure to Exchequer issues (%)		EXPENDITURE TO ANNUAL BUDGET (Absorption rate %)	
	REC	DEV	REC	DEV	REC	DEV	REC	DEV	REC	DEV
Ministry of Roads, Transport & Public Works	237.43	1,021.37	109.12	338.42	100.23	332.08	91.9	98.1	42.2	32.5
Ministry of Agriculture, Livestock & Fisheries	503.92	131.52	224.94	21.96	238.99	40.48	106.2	184.3	47.4	30.8
Ministry of ICT & e-Government	30.77	53.82	12.78	7.74	6.99	5.73	54.7	74.1	22.7	10.7
Ministry of Education, Culture, Youth Affairs, Sports And Social Services	416.32	573.90	200.10	122.26	121.08	90.14	60.5	73.7	29.1	15.7
Ministry of Land, Housing And Urban Development	80.79	160.37	38.36	27.35	35.46	8.04	92.4	29.4	43.9	5.0
Ministry of Trade, Tourism & Cooperatives	103.89	248.30	38.35	58.42	38.35	41.27	100.0	70.6	36.9	16.6
Ministry of Public Service Management	564.87	10.00	266.58	-	318.23	2.50	119.4	-	56.3	25.0
Ministry of Environment, Water & Natural Resources	254.91	294.84	130.59	77.38	116.43	63.81	89.2	82.5	45.7	21.6
County Public Service board	72.19	5.00	29.92	-	21.96	-	73.4	0.0	30.4	0.0
County Assembly	980.89	273.72	273.65	193.68	296.10	10.58	108.2	5.5	30.2	3.9

Source: *Nakuru County Treasury*

The County spent Kshs.36.50 million on payment of sitting allowances to the 75 members of the County Assembly representing an absorption rate of 27 per cent of the allocated annual budget of Kshs.135 million. Each MCA was paid an average monthly sitting allowance of Kshs.81,111 compared to the SRC recommended amount of Kshs.124,800. The MCAs sitting allowances were accounted under committee meetings by the County Assembly.

Expenditure on domestic and foreign travel amounted to Kshs.146.94 Million in the period under review compared to Kshs.114.14 million in similar period of FY 2013/14. The breakdown of operations and maintenance expenditure for the period under review is shown in Figure 131.

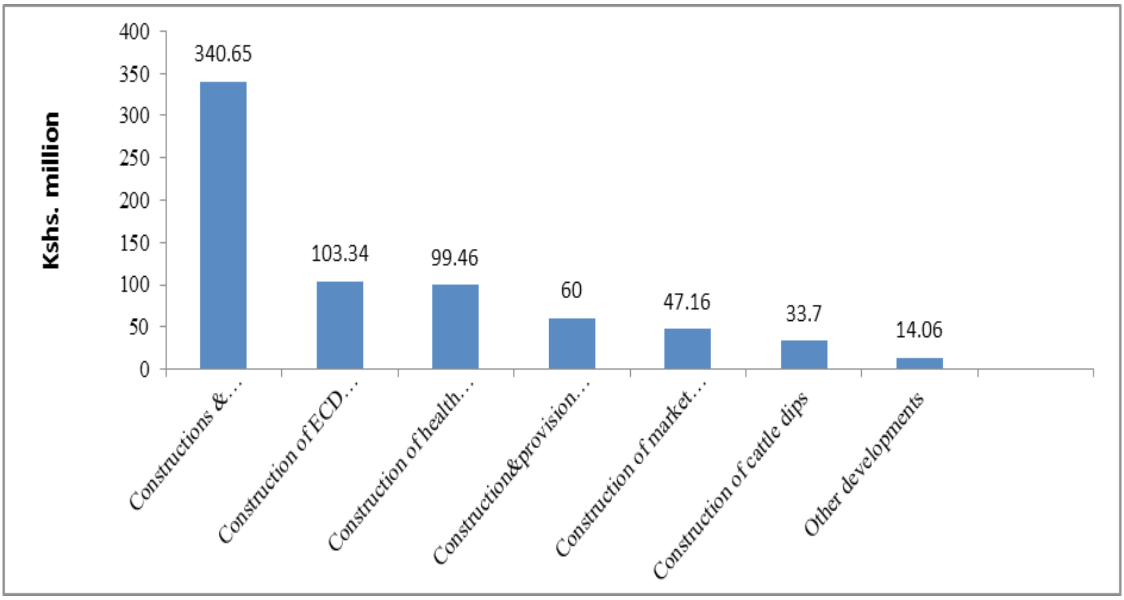
Figure 131: Nakuru County Operations and Maintenance Expenditure (Kshs. Million)



Source: *Nakuru County Treasury*

Analysis of the development expenditure for the period under review of Kshs.698.40 million shows that the County spent Kshs.340.65 million on construction and rehabilitations of roads, street lightning and maintenance of access roads and drainage works in various wards, Kshs.99.46 million on construction of health centres, dispensaries and DANIDA funded projects in various wards, Kshs.103.34 million on construction of ECD classrooms in various wards, Kshs.60 million on construction and provision of community water projects and development of other infrastructure and agricultural works as shown in Figure 132.

Figure 132 : Nakuru County, Analysis of Development Expenditure



Source: *Nakuru County Treasury*

In the previous CBIRRs, the office made a number of recommendations to address the challenges facing budget execution in the County which have been largely addressed.

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

1. Inadequate project monitoring and evaluation framework.
2. Lack of Internal Audit Committee contrary to Section 155(5) of the PFMA, 2012.
3. Personnel emoluments costs are not spread across departments but reported in lump sum.
4. Failure to adhere to SRC Circular on staff remuneration resulting in senior staff being paid monthly transport allowance despite being assigned official vehicles.

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

1. *Establish an adequate project monitoring and evaluation framework.*
2. *Build capacity of technical departments to boost implementation of development activities.*
3. *Establish an Internal Audit Committee as per section 155(5) of the PFM Act, 2012 to enhance prudent public financial management.*

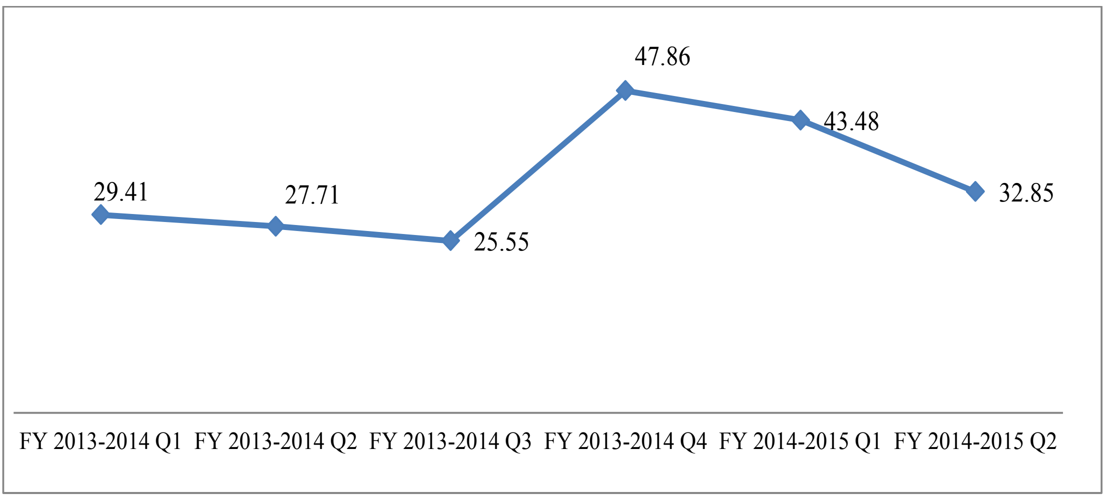
4. *Personnel emoluments should be reported by each entity.*
5. *Adhere to the SRC Circular on staff remuneration. All payments made in contravention of the SRC Circular should be recovered.*

Nandi County

The Nandi County Budget Estimates for the FY 2014/15 amounted to Kshs.5.19 billion comprising of Kshs.2.78 billion (53.6 per cent) for recurrent expenditure and Kshs.2.41 billion (46.4 per cent) for development expenditure. The budget is to be financed by the national equitable share of Kshs.4.06 billion (77.1 per cent), local revenue sources of Kshs.456.1 million (8.5 per cent) and Kshs.730 million (14.7 per cent) as projected cash balance from FY 2013/14.

In the first half of FY 2014/15, the County received Kshs.1.56 billion as national shareable revenue raised Kshs.76.32 million from local sources and had Kshs.730 million as cash balance brought forward from FY 2013/14. Local revenue consisted of Kshs.43.48 million generated in the first quarter and Kshs.32.85 million in the second quarter. The total local revenue raised in the first half of FY 2014/15 of Kshs.76.3 million was 16.7 per cent of the annual local revenue target, an improvement from Kshs.57.12 million collected in the same period of FY 2013/14. Figure 133 shows the trend of local revenue collection by quarter.

Figure 133 : Nandi County Trend in Local Revenue Collection by Quarter (Kshs. Millions)



Source: *Nandi County Treasury*

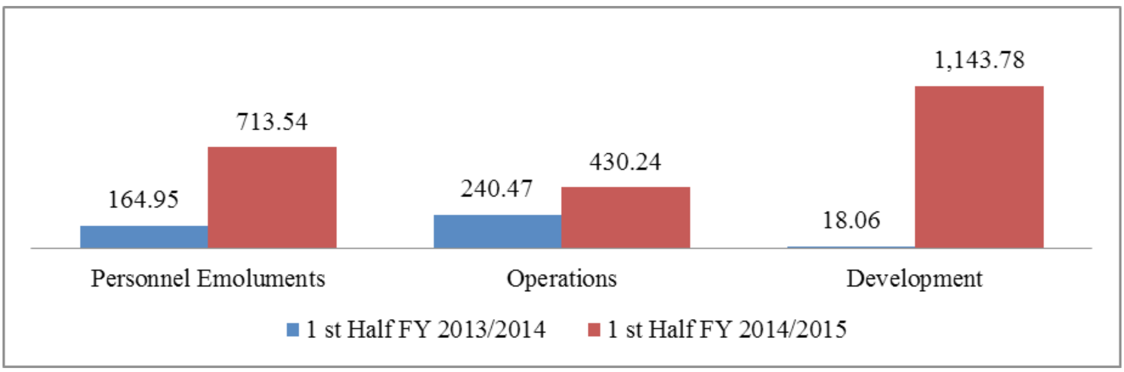
During the period under review the County received exchequer issues of Kshs.2.36 billion, of which, Kshs.1.24 billion (52.5 per cent) was for recurrent expenditure and Kshs.1.12 billion (47.5 per cent) was for development activities.

The total expenditure for the first half of FY 2014/15 was Kshs.2.25 billion or 95.3 per cent of the funds released and an increase from Kshs.422.96 million spent in the same period of FY 2013/14. The County spent Kshs.1.14 billion (50.1 per cent) on recurrent activities and Kshs.1.1 billion (49.9 per cent) on development activities. Recurrent expenditure was 92.4 per cent of the funds released while development expenditure accounted for 98.5 per cent. This expenditure does not include outstanding commitments as of December 31, 2014 that amounted to Kshs.14.03 million for recurrent expenditure and Kshs.3.57 million for development activities.

The recurrent expenditure for the period under review represented an absorption rate of **41.1 per cent** of the annual recurrent budget, an increase from an absorption rate of **22.3 per cent** realized in the same period of FY 2013/14. Development expenditure translated to an absorption rate of **47.3 per cent** of the annual development budget, an improvement compared to the same period in FY 2013/14 where 1 per cent was reported.

Analysis of the recurrent expenditure of Kshs.1.14 billion shows that the County spent Kshs.713.54 million on personnel emoluments which represents 62.4 per cent of the total recurrent expenditure and Kshs.430.24 million on operations and maintenance expenditure, which is 37.6 per cent of the total recurrent expenditure for the first half of FY 2014/15. A comparison of the total expenditure between the period under review and the same period last financial year is shown in Figure 134.

Figure 134 : Nandi County First Half Expenditure (Kshs. Millions)



Source: *Nandi County Treasury*

Analysis of expenditure by department shows that department of Water, Energy, Environment, Forestry & Natural Resources had the highest absorption rate of the annual development budget at 84.4 per cent while department of the County Assembly had the lowest absorption rate at 7.5 per cent. On the other hand, the department of health and Sanitation had the highest absorption rate at 48.1 per cent while the department of Trade, Industrialization, Tourism, and Wildlife & Cooperative Development had the lowest absorption rate at 23.7per cent. The expenditure of various departments is summarised below in Table 34.

Table 34: Nandi County FY 2014/15 Budget Allocation and Expenditure by Departments as of 31/12/2014

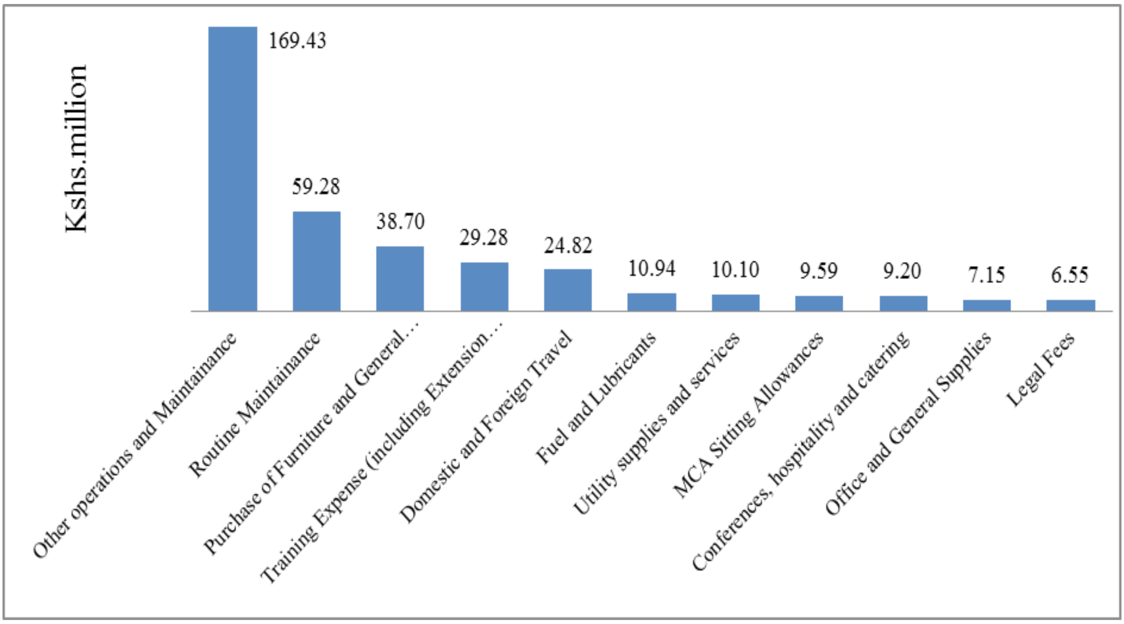
DEPARTMENT	BUDGET ALLOCATION (Kshs.Million)		EXCHEQUER ISSUES (Kshs. Million)		EXPENDITURE (Kshs. Million)		% OF EXPENDITURE TO EXCHEQUER ISSUES		EXPENDITURE TO ANNUAL BUDGET (Absorption rate %)	
	REC	DEV	REC	DEV	REC	DEV	REC	DEV	REC	DEV
County Executive	263	206	120	77	112	99	93.4	128.1	42.5	47.9
ICT & E-Government	79	114	43	45	29	19	66.9	41.6	36.2	16.4
Finance and Economic Planning and ICT	639	49	180	20	247	10	137.6	51.1	38.7	21.3
Agriculture and Livestock ,Vetinary Services and Fisheries	243	138	80	54	100	11	124.4	21.2	41.0	8.2
Education, Youth Affairs, Sports, Culture & Social Services	165	342	92	150	58	102	62.7	68.0	34.8	29.8
Health and Sanitation	694	364	368	232	334	195	90.7	83.9	48.1	53.4
Public Works, Transport & Infrastructure	159	541	90	265	58	332	64.2	125.2	36.4	61.3
Trade, Industrialization, Tourism, Wildlife & Cooperative Development	80	158	43	88	19	73	44.7	82.9	23.7	46.2
Water, Energy, Environment, Forestry & Natural Resources	50	295	26	158	15	249	58.1	157.6	30.1	84.4
Public Service Management	45	0	23	-	13	-	54.8	0.0	28.2	0.0
County Assembly	364	200	173	31	159	15	92.0	48.2	43.8	7.5

Source: *Nandi County Treasury*

The County spent Kshs.9.59 million on payment of sitting allowances to the 49 members of the County Assembly during the period under review. Each MCA was paid an average monthly sitting allowance of Kshs.32,623 compared to the SRC recommended amount of Kshs.124,800. Expenditure on domestic and foreign travel amounted to Kshs.24.82 million in the period under review of FY 2014/15 compared to Kshs.20.4 million in the same period of FY 2013/14.

The breakdown of operations and maintenance expenditure for the period under review is shown in Figure 135.

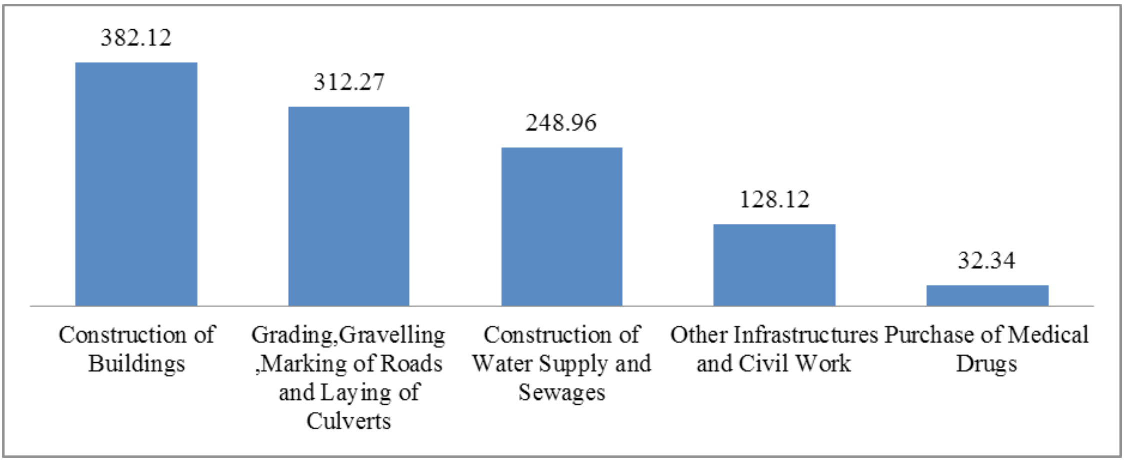
Figure 135 : Nandi County, Half Year Operations and Maintenance Expenditure



Source: *Nandi County Treasury*

Analysis of the development expenditure for the period under review of Kshs.1.1 billion shows that the County spent Kshs.382.12 million on construction of buildings, Kshs.312.27 million on grading and gravelling of roads, Kshs.248.96 million on maintenance and construction of water supplies and irrigation, Kshs.128.12 million on development of other infrastructure and civil works and Kshs.32.32 million on purchase of medical drugs as shown in Figure 136.

Figure 136: Nandi County, Half Year analysis of Development Expenditure, (Kshs. Millions)



Source: *Nandi County Treasury*

During previous CBIRRs, the office made some recommendations to address the challenges faced in budget implementation which included; low local revenue collection, inadequate office space in the County Treasury and high wage bill. The County has implemented a number of the recommendations such as establishment of Audit Committee, Training of Treasury staff on budgeting and expenditure monitoring tools and building capacity in the procurement department.

However, there were a number of challenges that hampered effective budget implementation in the reporting period. These included:

1. Failure by the County Assembly to pass the Finance Bill which may adversely affect the Revenue collection targets.
2. Lack of Property Roll Register to guide in the collection property rate which may affect the performance of this revenue stream.
3. Lack of County Budget and Economic Forum contrary to section 137 of the PFMA, 2012.

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

1. *The County Assembly should expedite approval of the Finance Bill in order to legalize the revenue collection system.*
2. *The County should prepare and update a property register in order to collect*

revenue in this stream.

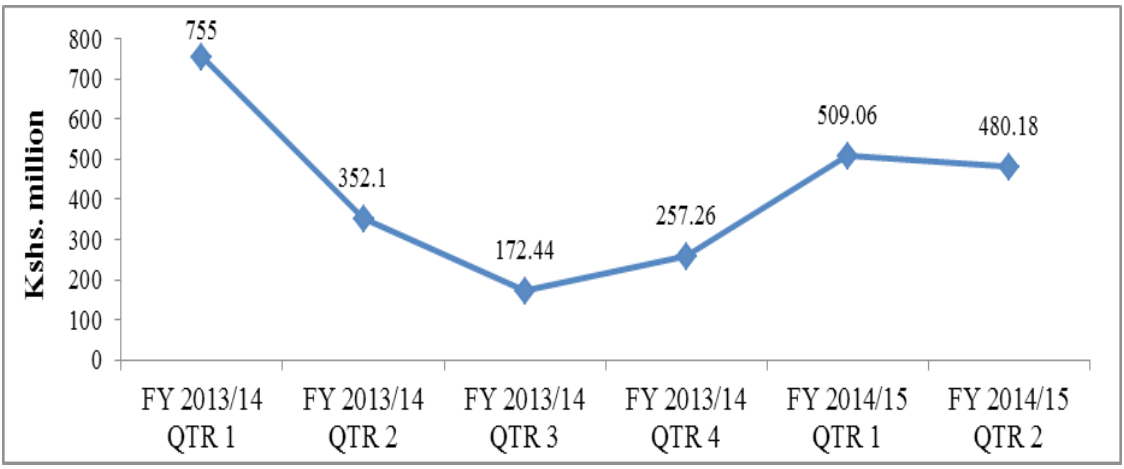
3. *Establish of Budget and Economic forum as per section 137 of the PFM Act.*

Narok County

The Narok County Budget Estimates for the FY 2014/15 amounted to Kshs.8.58 billion comprising of Kshs.4.48 billion (52.3 per cent) for recurrent expenditure and Kshs.4.10 billion (47.7 per cent) for development expenditure. The budget is to be financed by the national equitable share of Kshs.4.50 billion (52.4 per cent), local revenue sources of Kshs.3.91 billion (45.6 per cent), conditional grants of Kshs.165.39 million (2.0 per cent) and Kshs.356.10 million as projected cash balance from FY 2013/14. However, the balance brought forward was not appropriated.

In the first half of FY 2014/15, the County received Kshs.1.74 billion as national shareable revenue, raised Kshs.989.24 million from local sources and had Kshs.356.10 million unspent balance from FY 2013/14. Local revenue consisted of Kshs.509.06 million generated in the first quarter and Kshs.480.18 million in the second quarter. The local revenue raised in the first half of FY 2014/15 of Kshs.989.24 million was 25.3 per cent of the annual local revenue target, a decline from Kshs.1.11 billion collected in the similar period of FY 2013/14. Figure 137 shows the trend of local revenue collection by quarter.

Figure 137: Narok County Trend of Local Revenue Collection by Quarter



Source: *Narok County Treasury*

During the period under review the County received exchequer issues of Kshs.3.15

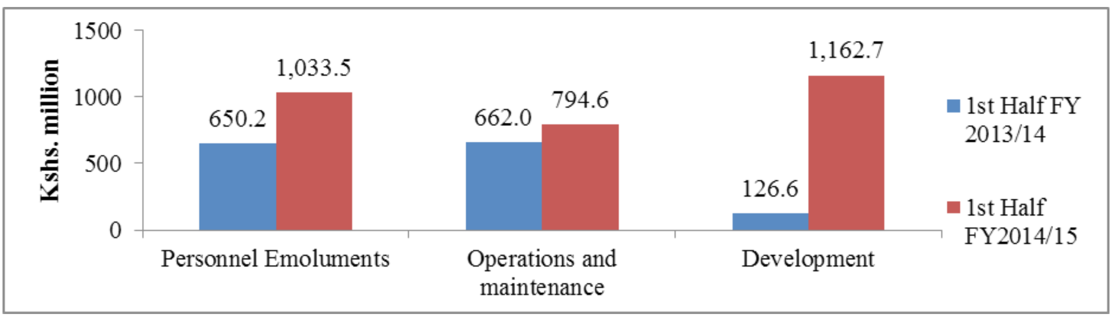
billion, of which Kshs.2.00 billion (63.4 per cent) was for recurrent expenditure and Kshs.1.15 billion (36.6 per cent) was for development activities.

The total expenditure for the first half of FY 2014/15 was Kshs.2.99 billion which was 95.0 per cent of the total funds released and an improvement from the Kshs.1.49 billion spent in the similar period of FY 2013/14. The County spent Kshs.1.83 billion (61.1 per cent) on recurrent activities and Kshs.1.16 billion (38.9 per cent) on development activities. Recurrent expenditure was **91.5 per cent** of the funds released while development expenditure accounted for **100.9 per cent**. This expenditure does not include outstanding commitments as of December 31, 2014 that amounted to Kshs.60.82 million for recurrent expenditure and Kshs.54.13 million for development activities.

The recurrent expenditure for the period under review represented an absorption rate of **40.8 per cent** of the annual recurrent budget, an increase from an absorption rate of 23.1 per cent realized in the similar period of FY 2013/14. Development expenditure translated to an absorption rate of **28.4 per cent** of the annual development budget, an improvement compared to the similar period in FY 2013/14 when the County spent Kshs.126.55 million (5.3 per cent of the annual development budget).

Analysis of the recurrent expenditure of Kshs.1.83 billion shows that the County spent Kshs.1.03 billion on personnel emoluments which represents 56.5 per cent of the total recurrent expenditure and Kshs.794.61 million on operations and maintenance expenditure which is 43.5 per cent of the total recurrent expenditure for the first half of FY 2014/15. A comparison of the total expenditure between the period under review and the similar period last financial year is shown in Figure 138.

Figure 138: Narok County FY 2014/15 First Half Expenditure by Economic Classification



Source: *Narok County Treasury*

Analysis of recurrent expenditure by department shows that office of the Governor had the highest absorption rate of the annual budget at 59.7 per cent while department of ICT and E-Government had the lowest absorption rate at 2.6 per cent. In terms of development expenditure, the department of Public Works and Transport had the highest absorption rate of the annual budget at 63.3 per cent while the departments of Agriculture, Livestock and Fisheries; Water, Energy, Environmental protection and Natural Resources; and Public Service Board reported no development expenditure. The expenditure of various departments is summarised below in Table 35.

Table 35: Narok County FY 2014/15 Budget and Expenditure by Department for the First Half of 2014/15

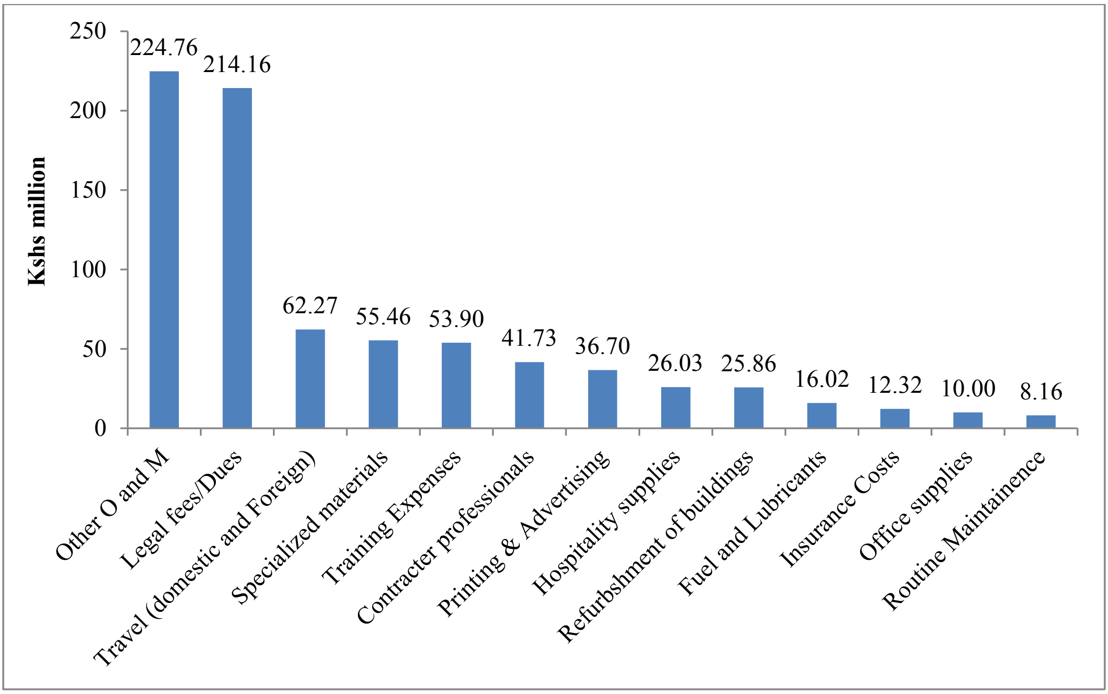
DEPARTMENT	BUDGET ALLOCATION (Kshs.Million)		EXCHEQUER ISSUES (Kshs.Million)		EXPENDITURE (Kshs.Million)		% OF EXPENDITURE TO EXCHEQUER ISSUES		EXPENDITURE TO ANNUAL BUDGET (Absorption rate %)	
	REC	DEV	REC	DEV	REC	DEV	REC	DEV	REC	DEV
Health	851.57	344.00	310.56	15.00	202.30	5.00	65.1	33.0	23.8	1.45
Agriculture	160.79	223.00	62.85	0	14.59	0	23.2	0	9.1	0
Water, Energy, Environment, Forestry & Natural Resources	27.71	488.88	10.20	7.00	0.98	0	9.6	0	3.5	0
Education, Youth Affairs, Sports, Culture & Social Services	398.68	235.00	108.65	211.10	86.08	119.90	79.2	57.0	21.6	51.0
Public Works, Transport & Infrastructure	56.81	1,175.00	16.23	720.00	11.27	743.57	69.5	103.0	19.8	63.3
Physical Planning, Lands & Housing	58.74	171.00	5.75	15.00	3.26	1.97	56.8	13.0	5.6	1.2
Finance & Economic Planning	183.90	358.00	85.42	80.00	52.61	138.12	61.6	173.0	28.6	38.6
Public Service Management	65.97	0	29.2	0	7.18	0	24.6	0	10.9	0
Office iof the Governor	2,152.5	305.00	1,143.70	0.20	1,284.40	52.94	112.3	26,469	59.7	17.4
County Assembly	356.18	344.00	190.88	100.00	117.18	100	61.4	100.0	32.9	29.1
Trade, Industrialization, Tourism, Wildlife & Cooperative Development	156.10	392.00	29.18	0.70	4.50	0.09	15.4	13.0	2.9	0.02
ICT & E-Government	12.06	59.00	4.62	3.50	0.32	1.07	6.9	31.0	2.6	1.8

Source: *Narok County Treasury*

The County spent Kshs.22.58 million on payment of sitting allowances to the 48 members of the County Assembly representing an absorption rate of 54.8 per cent of the annual budget. Each MCA was paid an average monthly sitting allowance of Kshs.78,408 compared to the SRC recommended amount of Kshs.124,800. The MCAs sitting allowances were reported under personnel costs.

Expenditure on domestic and foreign travel for both County Assembly and County Executive amounted to Kshs.62.27 million in the period under review compared to Kshs.111.86 million in a similar period of FY 2013/14. The breakdown of operations and maintenance expenditure for the period under review is shown in Figure 139.

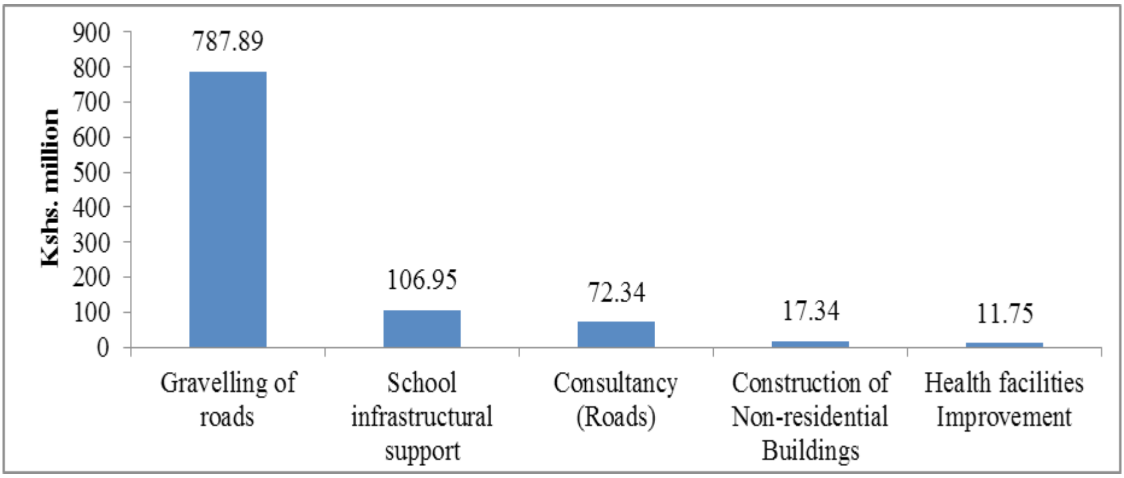
Figure 139: Narok County FY 2014/15 Half Year Operations and Maintenance Expenditure



Source: *Narok County Treasury*

Analysis of the development expenditure for the period under review of Kshs.1.16 billion shows that the County spent Kshs.787.89 million on development and maintenance of access roads, Kshs.106.95 million on school infrastructural support programme, Kshs.72.34 million on consultancy on roads, Kshs.17.34 million on construction and refurbishment of buildings, Kshs.11.75 million on improvement of health facilities among other projects as shown in Figure 140.

Figure 140: Narok County, Analysis of Development Expenditure



Source: *Narok County Treasury*

In the previous CBIRRs, the office made a number of recommendations to address the challenges facing budget execution in the County. It is noteworthy that some recommendations have been addressed.

However, there were challenges that hampered effective budget implementation in the reporting period. These included;

1. Expenditure on personnel emoluments is incurred from one vote.
2. Failure to designate receivers of revenue.
3. Failure to establish an internal audit committee.
4. Lack of a budget monitoring, evaluation and reporting framework for overseeing utilization of public resources leading to incorrect and/or incomplete reports on projects.
5. Budget commitments by county entities exceeded budget allocations, an indication of reallocation of requisitioned exchequer.
6. Underperformance of local revenue which accounts for 25.3 per cent of the annual target at first half of FY 2014/15.
7. Low absorption (0 per cent) of development funds by the key departments of Health and Sanitation, and Agriculture, Livestock and Fisheries.
8. Huge expenditure on legal costs.
9. Failure by the County to report on revenue collections by the agents contracted to

collect the Maasai Mara Park entry fees.

10. Non-adherence to SRC circular on staff remuneration resulting in senior staff being paid monthly transport allowance despite being assigned official vehicles.

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

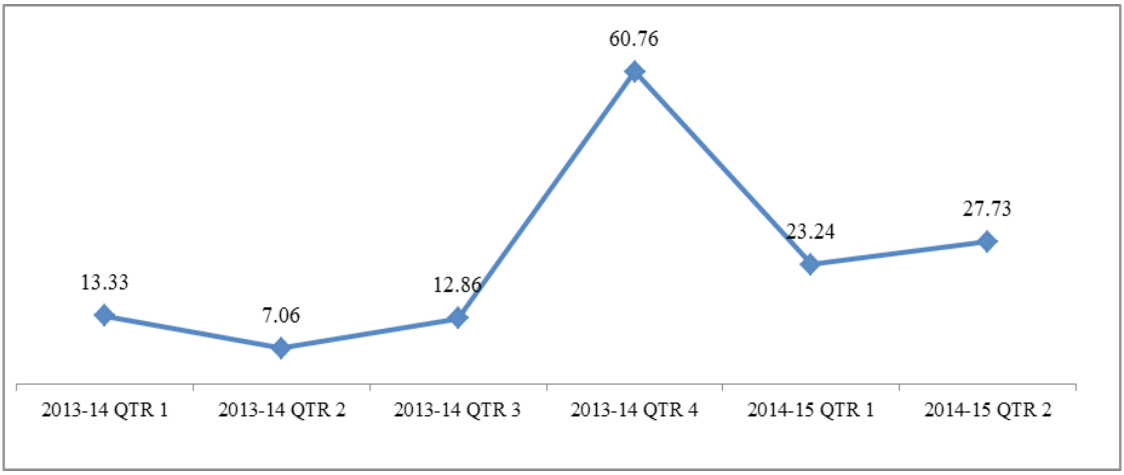
1. *Expenditure on personnel emoluments should be incurred under each deportment.*
2. *The County Treasury should designate receivers of revenue to enhance revenue collection.*
3. *The County should establish an Audit Committee.*
4. *Establish a monitoring, evaluation and reporting unit and build capacity of the unit to boost evaluation and reporting of development activities.*
5. *Develop effective work plans which are tied with procurement plans and exchequer requisitions in order avoid over expenditure on certain county entities.*
6. *Assess the underperformance on various revenue sources with an aim of boosting and enhancing the local collections and reflect realistic projections.*
7. *An effective work plan and procurement plan should be implemented alongside appropriate requisitions to ensure all sectors have access to adequate funding in a timely manner.*
8. *The County should review its legal costs and come up with prudent strategies of rationalising such costs.*
9. *The County should provide reports on collection from Maasai Mara park entry fees*
10. *Adhere to the SRC circulars on staff remuneration.*

Nyamira County

The Nyamira County Budget Estimates for the FY 2014/15 amounted to Kshs.4.67 billion comprising of Kshs2.60 billion (55.6 per cent) for recurrent expenditure and Kshs.2.08 billion (44.4 per cent) for development expenditure. The budget is to be financed by the national equitable share of Kshs.3.60 billion (77.0 per cent), local revenue sources of Kshs.219.05 million (4.68 per cent) and Kshs.823.00 million (17.6 per cent) as projected cash balance from FY 2013/14.

In the first half of FY 2014/15, the County received Kshs.1.37 billion as national shareable revenue, raised Kshs.50.98 million from local sources and had Kshs.823.29 million as cash balance brought forward from FY 2013/14. Local revenue consisted of Kshs.23.24 million generated in the first quarter and Kshs.27.73 million in the Second quarter. The local revenue raised in the first half of FY 2014/15 of Kshs.50.98 million was 23.3 per cent of the annual local revenue target, an improvement from Kshs.23.52 million collected in the same period of FY 2013/14. Figure 141 shows the trend of local revenue collection by quarter.

Figure 141: Nyamira County Trend in Local Revenue Collection (Kshs. Millions)



Source: *Nyamira County Treasury*

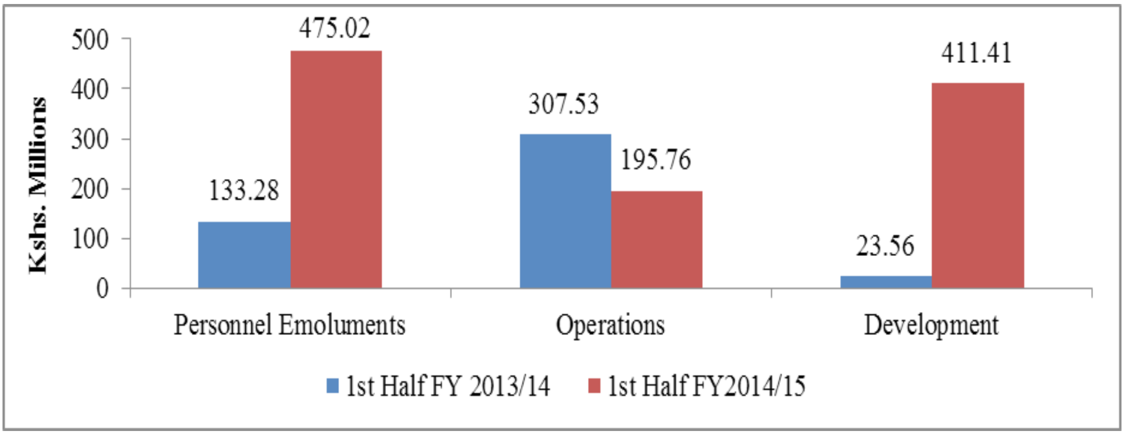
During the period under review the County received exchequer issues of Kshs.1.85 billion, of which Kshs.1.34 billion (72.3 per cent) was for recurrent expenditure and Kshs.512.67 million (27.7 per cent) was for development activities.

The total expenditure during the first half of FY 2014/15 was Kshs.1.08 billion or 58.5 per cent of the total funds released and an increase from the Kshs.464.37 million spent in the same period of FY 2013/14. The County spent Kshs.670.79 million (62.0 per cent) on recurrent activities and Kshs.411.41 million (38.0 per cent) on development activities. Recurrent expenditure was 50.2 per cent of the funds released for recurrent activities while development expenditure accounted for 80.2 per cent of the funds released for development projects. This expenditure does not include outstanding commitments as of December 31, 2014 that amounted to Kshs.53.39 million for recurrent expenditure and Kshs.36.89 million for development activities.

The recurrent expenditure for the period under review represented an absorption rate of **25.8 per cent** of the annual recurrent budget, an increase from an absorption rate of 25 per cent realized in the same period of FY 2013/14. Development expenditure translated to an absorption rate of **19.8 per cent** of the annual development budget, an improvement from **1.4 per cent** absorption rate recorded during the same period in FY 2013/14.

Analysis of the recurrent expenditure of Kshs.670.79 million shows that the County spent Kshs.475.02 million on personnel emoluments which represents 70.8 per cent of the total recurrent expenditure and Kshs.195.76 million on operations and maintenance expenditure which is 29.2 per cent of the total recurrent expenditure for the first half of FY 2014/15. A comparison of the total expenditure between the period under review and the same period last financial year is shown in Figure 142.

Figure 142: Nyamira County, First Half Expenditure by Economic Classification



Source: *Nyamira County Treasury*

Analysis of expenditure by department shows that department of Public Works, Transport & Infrastructure had the highest absorption rate of development funds at 27.1 per cent while the department of Water, Energy, Environment, Forestry and Natural Resources reported the highest absorption rate of recurrent funds at 79.7 per cent. The expenditure of various sectors is summarised below in Table 36.

Table 36: Nyamira County FY 2014/15 Budget and Expenditure by Department for the First Half of FY 2014/15

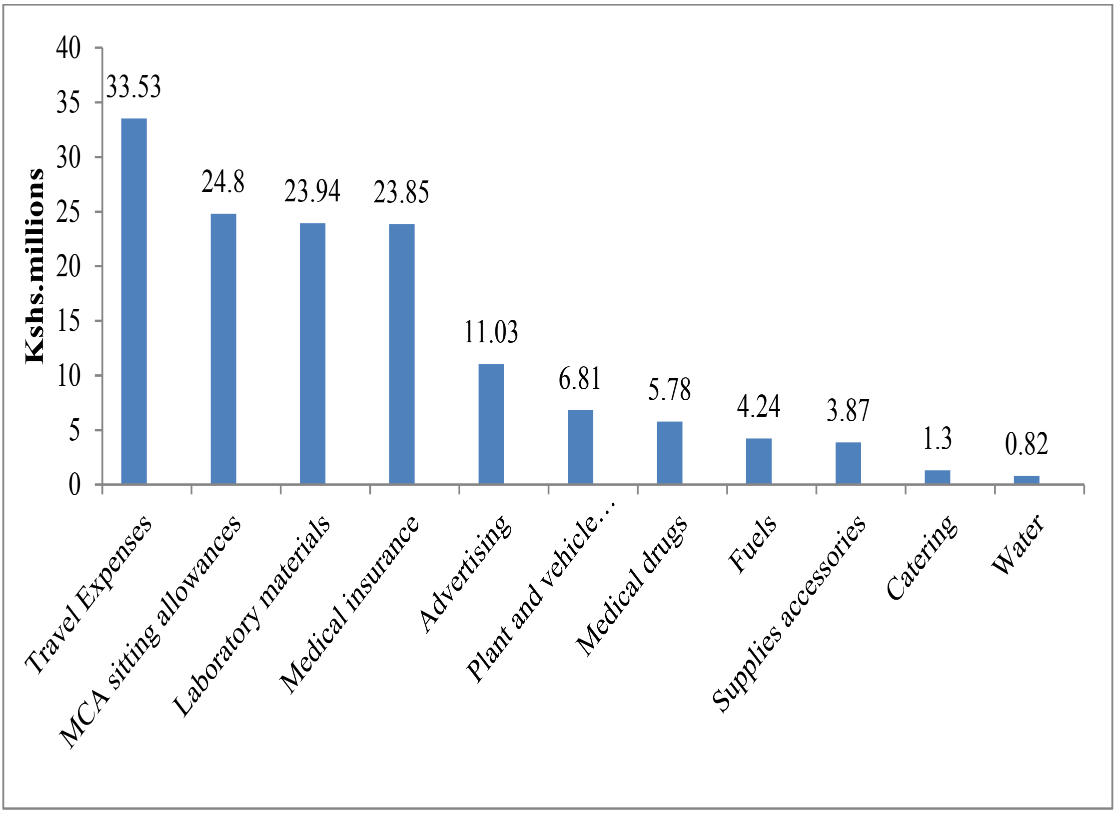
DEPARTMENT	BUDGET ALLOCATION (Kshs.Million)		EXCHEQUER ISSUES (Kshs.Million)		EXPENDITURE (Kshs. Million)		% OF EXPENDITURE TO EXCHEQUER ISSUES		EXPENDITURE TO ANNUAL BUDGET (Absorption rate %)	
	REC	DEV	REC	DEV	REC	DEV	REC	DEV	REC	DEV
Health	1037.12	393.16	552.34	109.89	311	14.6	56.3	13.3	30.0	3.7
Agriculture	141.26	94.25	101.96	42,67	38.11	8.23	37.4		27.0	8.7
Water, Energy, Environment, Forestry & Natural Resources	18.44	80.7	45.5	152.02	14.69	2.05	32.3	1.3	79.7	2.5
Education, Youth Affairs, Sports, Culture & Social Services	21.48	79.54	76.23	15.97	4.01	19.69	5.3	123.3	18.7	24.8
Public Works, Transport & Infrastructure	30.76	648.88	38.26	240.07	4.35	176.27	11.4	73.4	14.1	27.2
Physical Planning, Lands & Housing	21.28	55.25	21.38	22.27	1.97	1.04	9.2	4.7	9.3	1.9
Finance & Economic Planning	77.23	37.24	47.12		2.48	9.92	5.3		3.2	26.6
County Executive	284.7		283.12	0	173.22	13.48	61.2		60.8	
County Assembly	250.09	39.22	156.05	0	92.83	8.32	59.5		37.1	21.2
Trade, Industrialization, Tourism, Wildlife & Cooperative Development	24.56	145.82	12.28	30.1	8.23	19.98	67.0	66.4	33.5	13.7

Source: *Nyamira County Treasury*

The County spent Kshs.24.80 million on payment of sitting allowances to the 34 members of the County Assembly against a budgetary allocation of Kshs.66.55 million representing an absorption rate of 37.3 per cent of the annual budget. Each MCA was paid an average monthly sitting allowance of Kshs.121,588 compared to the SRC recommended amount of Kshs.124,800. Expenditure on domestic and foreign travel for both County Assembly and County Executive amounted to Kshs. 33.50 Million in the period under review, a reduction of Kshs.1.11 million from the Kshs.34.61 million incurred in a similar period of FY 2013/14.

The breakdown of operations and maintenance expenditure for the period under review is shown in Figure 143.

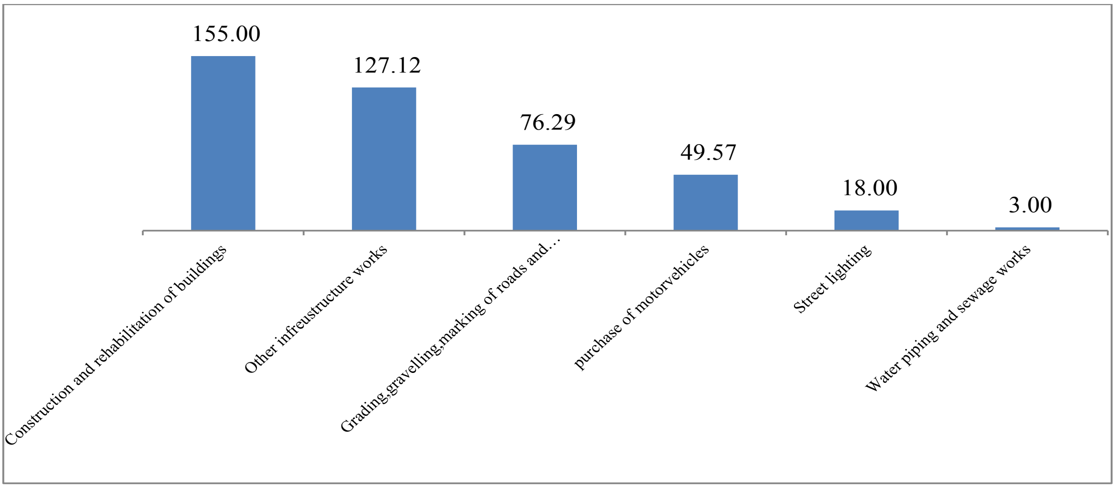
Figure 143: Nyamira County, Operations & Maintenance Expenditure (Kshs. millions)



Source: *Nyamira County Treasury*

Analysis of the development expenditure for the period under review of Kshs.411.41 million shows that the County spent Kshs.155 million on construction and refurbishment of buildings, Kshs.76.29 million development and maintenance of access roads, Kshs.49.57 million on purchase of motor vehicles, Kshs.18 million on street lighting and Kshs.3 million on water supplies and sewerage system. Other development activities amounted to Kshs.127.12 million. The breakdown of development expenditure for the period under review is shown in **Figure 144**.

Figure 144: Nyamira County, Half Year analysis of Development Expenditure (Kshs. Millions)



Source: *Nyamira County Treasury*

In the previous County Budget Implementation reports, OCOB made some recommendations to address the challenges facing budget execution in the County. These recommendations have been invariably addressed.

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

1. Low local revenue collection against annual target.
2. Lack of laws governing revenue collection from the various revenue streams, upon which the Finance Bill can be anchored. This has exposed the County to the risk of litigations and also prevents optimal revenue collection.
3. The County established various funds at the County as per Section 116 of the PFM Act, 2012 and received funding on the same. However, as per the end of the second quarter of the FY 2014/15, no report was submitted by the administrators of the said funds.

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

1. *Set up realistic revenue targets and come up with robust strategies to enhance local Revenue generation.*
2. *The County should fast track enactment of revenue laws to enhance revenue collection.*

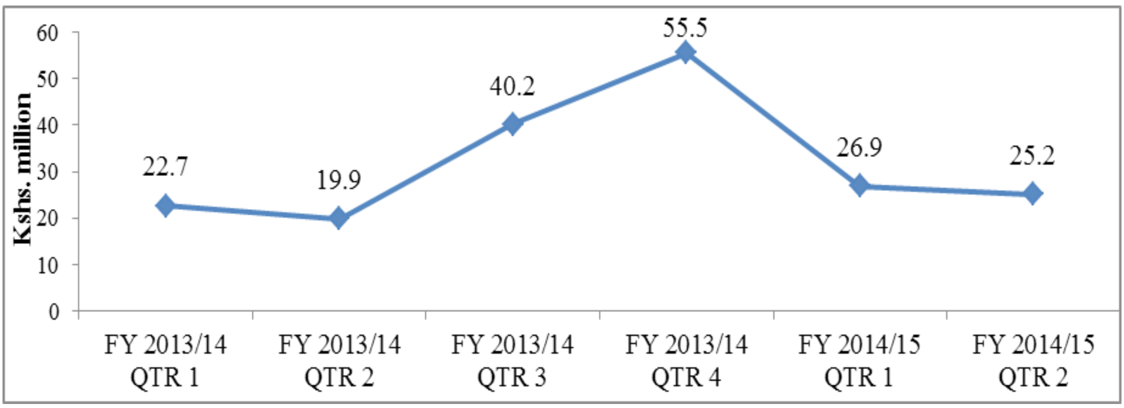
3. *All County Public Funds established by the County government under section 116 of the PFM Act, 2012 should be accounted and reported on a quarterly basis in compliance to Sections 167 and 168 of the PFM Act, 2012 should be enforced.*

Nyandarua County

The Nyandarua County Budget Estimates for the FY 2014/15 amounted to Kshs.3.70 billion comprising of Kshs.2.88 billion (77.8 per cent) for recurrent expenditure and Kshs.820.46 million (22.2 per cent) for development expenditure. This budget is financed by Kshs.3.76 billion (102 per cent) from the national equitable share, Kshs.211 million (6 per cent) as local revenue and Kshs.479 million (13 per cent) being balance brought forward from FY 2013/14. The budget did not factor in conditional grants and DANIDA grants. The budget is indeed a surplus budget.

In the first half of FY 2014/15, the County received Kshs.1.10 billion as national sharable revenue, Kshs.52.12 million from local sources and had Kshs.479 million as unspent balance from FY 2013/14. Local revenue consisted of Kshs.26.88 million generated in the first quarter and Kshs.25.24 million in the second quarter. The local revenue raised in the first half of FY 2014/15 of Kshs.52.12 million was 24.7 per cent of the annual target, an improvement from Kshs.42.6 million collected in the same period of FY 2013/14. Figure 145 shows the trend of local revenue collection by quarter.

Figure 145: Nyandarua County, Trend of Local Revenue Collection by quarter



Source: *Nyandarua County Treasury*

During the period under review the County received exchequer issues of Kshs.1.39 billion, of which Kshs.1.11 billion (80 per cent) was for recurrent expenditure and

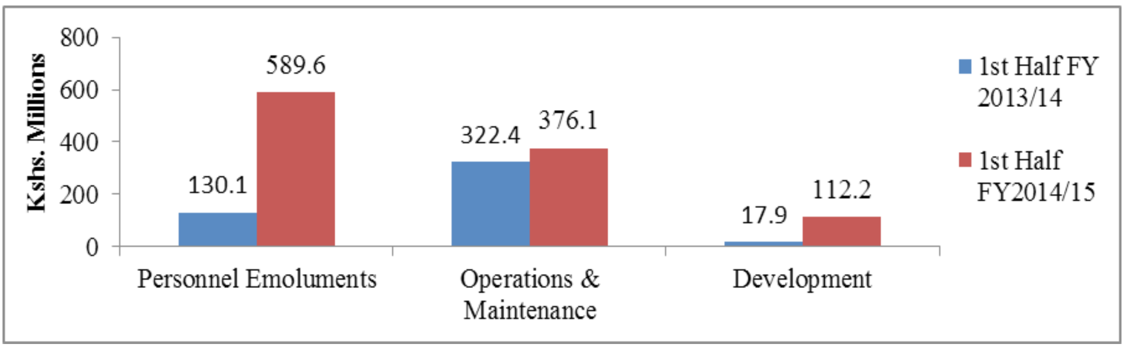
Kshs.277.89 million (20 per cent) was for development activities.

The total expenditure for the first half of FY 2014/15 was Kshs.1.08 billion which was 77.5 per cent of the total funds released and an improvement from the Kshs.470 million spent in the same period of FY 2013/14. The County spent Kshs.965.63 million (89.6 per cent) on recurrent activities and Kshs.112.24 million (10.4 per cent) on development activities. Recurrent expenditure was 86.8 per cent of the funds released while development expenditure accounted for 40.4 per cent. This expenditure does not include outstanding commitments as of December 31, 2014 that amounted to Kshs.35.68 million for recurrent expenditure and Kshs.8.93 million for development activities.

The recurrent expenditure for the period under review represented an absorption rate of **33.5 per cent** of the annual recurrent budget, an increase from an absorption rate of **20 per cent** realized in the same period of FY 2013/14. Development expenditure translated to an absorption rate of **13.7 per cent** of the annual development budget, an improvement from **2 per cent** recorded in similar period in FY 2013/14.

Analysis of the recurrent expenditure of Kshs.965.63 million shows that the County spent Kshs.589.56 million on personnel emoluments which represents **61.1 per cent** of the total recurrent expenditure and Kshs.376.07 million on operations and maintenance expenditure which is **38.9 per cent** of the total recurrent expenditure for the first half of FY 2014/15. A comparison of the total expenditure between the period under review and the same period last financial year is shown in Figure 146.

Figure 146: Nyandarua County, FY 2014/15 First Half Expenditure by Economic Classification



Source: *Nyandarua County Treasury*

Analysis of expenditure by department shows that the County Assembly had the highest absorption rate of the annual recurrent budget at 45 per cent while the department of

Health had the highest absorption rate of the annual development budget at 50 per cent. The expenditure of various sectors is summarised below in Table 37 .

Table 37: Nyandarua County FY 2014/15 Budget and Expenditure by Department for the First Half of FY 2014/15

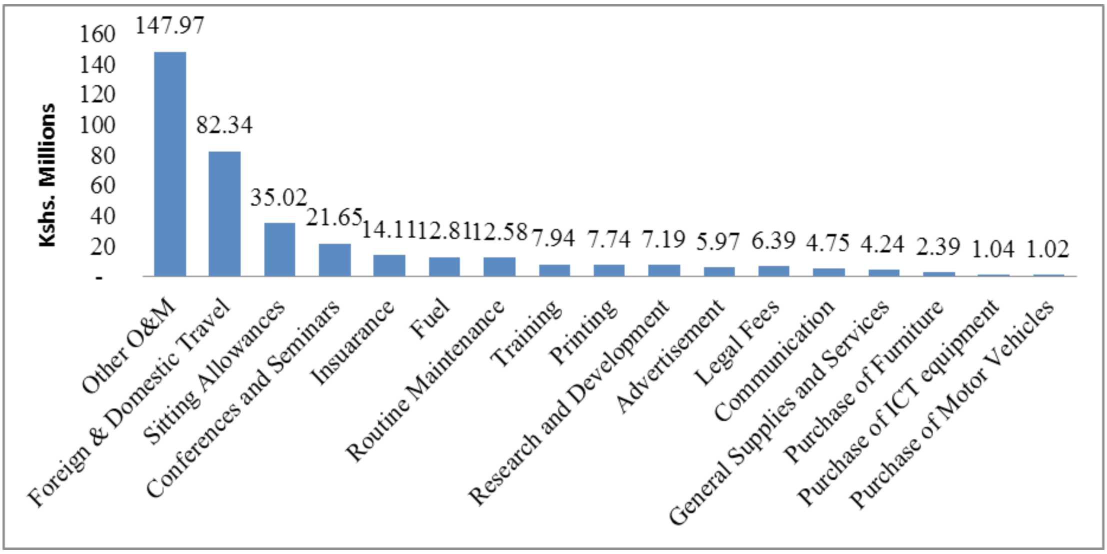
DEPARTMENT	BUDGET ALLOCATION (Kshs million)		EXCHEQUER ISSUES (Kshs million)		EXPENDITURE (Kshs million)		Expenditure to Exchequer issues) (%)		**EXPENDITURE TO ANNUAL BUDGET (Absorption Rate %)**	
	REC	DEV	REC	DEV	REC	DEV	REC	DEV	REC	DEV
Legal and Public Service	365.65	40.05	139.62	-	65.76	-	47.1		18.0	
Finance & Economic Planning	342.34	31.65	146.39	11	108.45	10.42	74.1	94.7	31.7	32.9
Agriculture Livestock & Fisheries	317.21	151.05	118.21	44.61	103.21	11.8	87.3	26.5	32.5	7.8
Lands, Housing & Physical Planning	95.96	100.5	37.05	19	19.07	3.51	51.5	18.5	19.9	3.5
Roads Transport & Public Works	88.05	230.68	38.91	95.2	16.58	52.16	42.6	54.8	18.8	22.6
ICT & E-Government	87.62	11	26.71	2.8	1.03	-	3.9		1.2	
Health Services	722.62	56.2	293.06	25.07	301.96	28.07	103.0	112.0	41.8	49.9
Education, Gender, Youth, Sports	115.59	36.45	51.15	14.12	47.06	0.3	92.0	2.1	40.7	0.8
Industrialization Coop, tourism	93.17	81.18	38.43	26.48	15.38	5.97	40.0	22.5	16.5	7.4
Water & Environment	71.51	81.7	30.25	39.6	23.18	-	76.6		32.4	
County Assembly	582.38	-	192.36	-	263.96	-	137.2		45.3	

Source: *Nyandarua County Treasury*

The County spent Kshs.35.02 million on payment of sitting allowances to the 42 members of the County Assembly against a budgetary allocation of Kshs.79.07 million representing an absorption rate of **44.3 per cent** of the annual budget. Each MCA was paid an average monthly sitting allowance of Kshs.138,975 compared to the SRC recommended amount of Kshs.124,800. Expenditure on domestic and foreign travel for both the County Assembly and Executive amounted to Kshs.82.33 million in the period under review compared to Kshs.44.36 million in a similar period of FY 2013/14.

The breakdown of operations and maintenance expenditure for the period under review is shown in Figure 147.

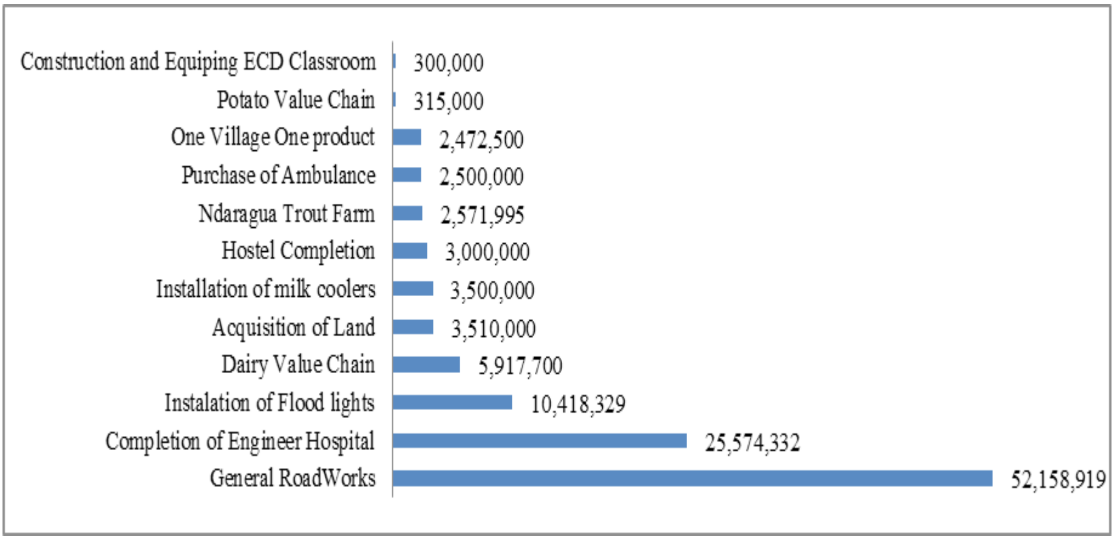
Figure 147: Nyandarua County FY 2014/15 Half Year Operations and Maintenance Expenditure (Kshs. million)



Source: *Nyandarua County Treasury*

Analysis of the development expenditure for the period under review of Kshs.112 million shows the highest expenditure was in general roadwork's Kshs.52.16 million, completion of the Engineer hospital Kshs.25.57 million and installation of floodlights at Kshs.10 million as shown in the Figure 148 below.

Figure 148: Nyandarua County, Analysis of Development Expenditure (Kshs)



Source: *Nyandarua County Treasury*

In the previous CBIRRs, the office made a number of recommendations to address the challenges facing budget execution which have been invariably addressed.

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

1. Lack of policy framework on how to execute incomplete projects that were being managed by defunct Local Authorities. This has led to abandoning of most Defunct Local Authority projects
2. Inadequate human resource capacity in budgeting, accounting and procurement resulting in inaccurate reports and/or reporting and delayed preparation of budget documents.
3. Inadequate physical infrastructure/office space to accommodate the staff leading to disruption of services delivery
4. Low absorption of development funds.
5. Lack of Internal Audit Committee contrary to Section 155(5) of the PFM Act, 2012.
6. Budget commitments by county entities exceeding budget allocations.
7. Failure to include FY 2013/14 pending bills in the FY 2014/15 budget.
8. Delay by departments to surrender their expenditure returns (especially the

department of Health) to the County Treasury to enable timely reporting to the oversight institutions.

9. Failure by the County Assembly to capture transactions in IFMIS and processing payroll outside the IPPD system.

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

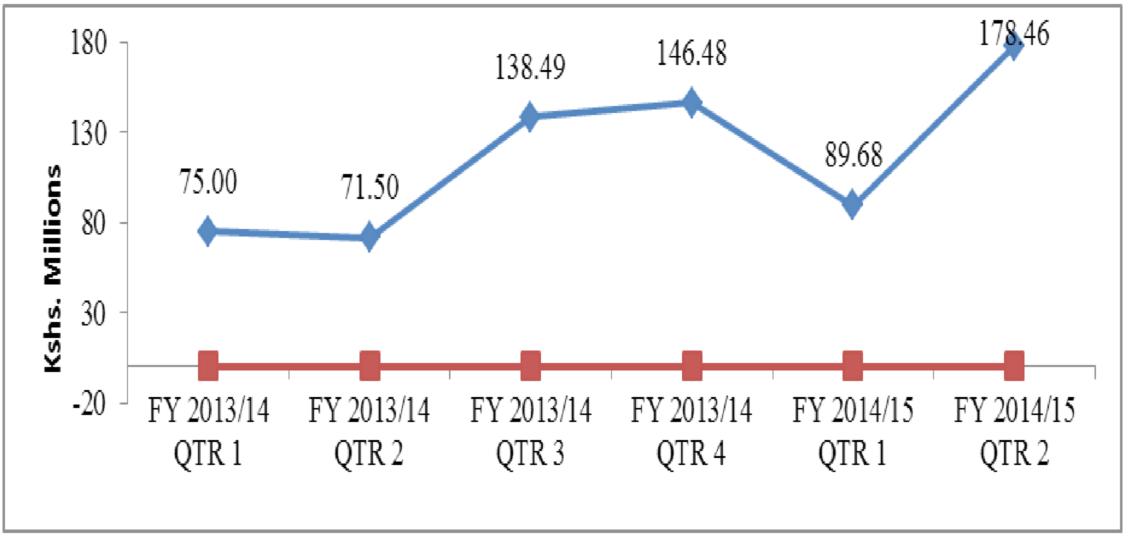
1. *Develop a policy framework on how to execute incomplete projects that were being managed by defunct Local Authorities.*
2. *Build capacity of technical departments to boost implementation of development activities.*
3. *Expedite acquisition of office space through lease or construction to accommodate County staff for effective service delivery.*
4. *Enhance implementation of development projects.*
5. *Establish an Internal Audit Committee as per section 155(5) of the PFM Act, 2012 to enhance prudent public financial management.*
6. *All county entities should limit commitments to the budget ceilings based on the Nyandarua County Appropriation Act, 2014 in all in-year procurement actions.*
7. *The County should consider/include pending bills whenever developing budget estimates for the ensuing year.*
8. *County Departments should surrender in time their expenditure returns to the County Treasury in order to avoid delays in reporting.*
9. *The County Assembly should comply with the IFMIS system of accounting and process their payroll through the IPPD.*

Nyeri County

In the 2014/15 financial year, the approved budget for Nyeri County amounts to Kshs.5.44 billion with Kshs.3.81 billion (70.0 per cent) allocated for recurrent expenditure and Kshs.1.64 billion (30.0 per cent) for development expenditure. To finance this budget, the County expects to receive Kshs.4.08 billion (75 per cent) transfers from the national government, collect Kshs.1.34 billion (24.6 per cent) from local sources, and obtain Kshs.20.55 million (0.4 per cent) grants from DANIDA. Further, the County had Kshs.150.97 million carried forward from FY 2013/14.

During the first half of FY 2014/15, the County received Kshs.1.89 billion from the national government, raised Kshs.268.14 million from local sources and had Kshs.150.97 million as cash balance brought forward from the 2013/14 financial year. The local revenue raised in the period under review of Kshs.268.14 million was 20.0 per cent of the annual local revenue target, representing an improvement of 82.1 per cent from Kshs.146.5 million collected in the similar period of financial year 2013/14. Local revenue collected in the first quarter was Kshs.89.68 million and Kshs.178.46 million in the second quarter of the 2014/15 financial year. Figure 149 below shows the trend of local revenue collection by quarter.

Figure 149 : Nyeri County Trend of Local Revenue Collection by Quarter



Source: *Nyeri County Treasury*

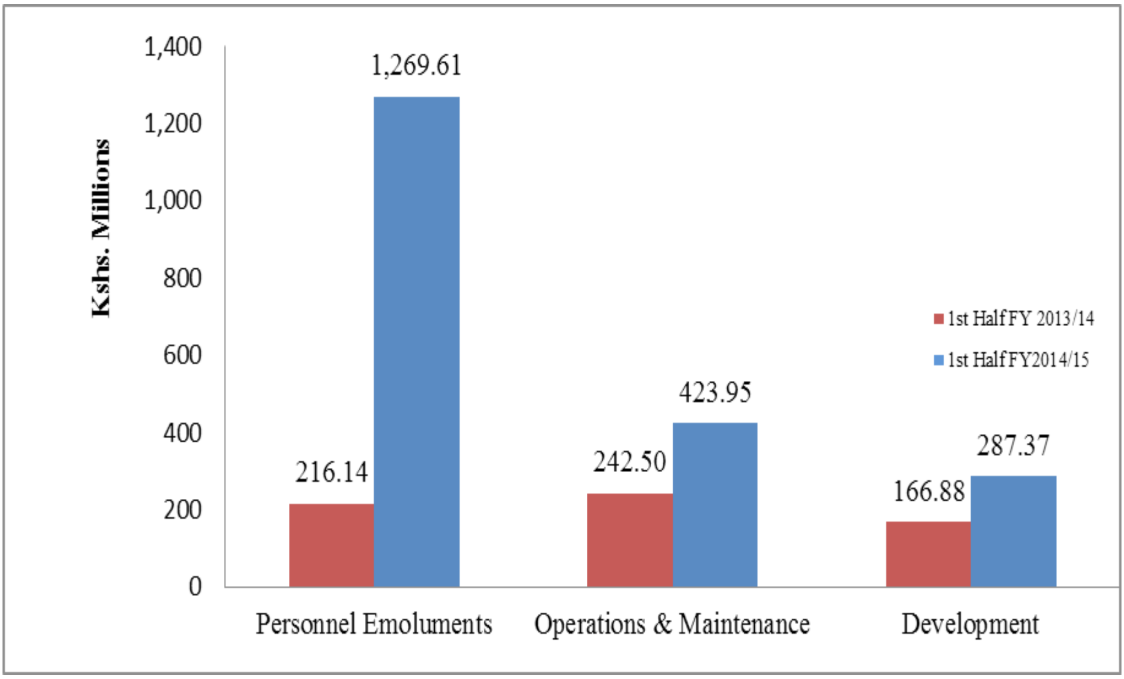
During the period under review, the County received exchequer issues amounting to Kshs.2.13 billion which is 39 per cent of the approved estimates, an improvement from 27 per cent in the similar period of financial year 2013/14. Kshs.1.75 billion (82.5 per cent) was released for recurrent expenditure and Kshs.372.27 million (17.5 per cent) was for development activities.

The County spent a total of Kshs.1.98 billion during the first half of FY 2014/15 which was 93.2 per cent of the total funds released and an improvement from the Kshs.625.52 million spent in the similar period of FY 2013/14. Kshs.1.69 billion (85.5 per cent) was spent on recurrent activities and Kshs.287.36 million (14.5 per cent) on development activities. Recurrent expenditure was 96.6 per cent of the funds released while development expenditure accounted for 77.2 per cent. This expenditure does not include outstanding commitments as of December 31, 2014 that amounted to Kshs.101.35 million for recurrent expenditure and Kshs.-2.10 million for development activities.

The recurrent expenditure for the period under review represented an absorption rate of 44.5 per cent of the annual recurrent budget, an increase from an absorption rate of 17.4 per cent realized in the similar period of FY 2013/14. Development expenditure translated to an absorption rate of 17.6 per cent of the annual development budget, an improvement from an absorption rate of 8.7 per cent realized in the similar period of FY 2013/14.

Breakdown of the recurrent expenditure of Kshs.1.69 billion shows that the County spent Kshs.1.27 billion (75.0 per cent) on personnel emoluments and Kshs.423.95 million (25.0 per cent) on operations and maintenance expenditure. Expenditure on personnel emoluments has increased significantly in the period under review compared to the similar period of financial year 2013/14 on account of transferred payroll to the County for staff performing devolved functions. A comparison of the total expenditure between the period under review and the similar period last financial year is shown in Figure 150.

Figure 150 : Nyeri County FY 2014/15 First Half Expenditure by Economic Classification



Source: *Nyeri County Treasury*

Analysis of expenditure by department shows that County Secretary department had the highest absorption rate of the annual recurrent budget at 84.7 per cent. Finance and Health departments recorded the second and third highest absorption rates of 60 per cent and 47.8 per cent respectively of their annual recurrent budget. On the other hand the Office of the Governor had the highest absorption rate of its annual development budget at 42.4 per cent, followed by Public Works department with an absorption rate of 32.9 per cent of its development budget. The expenditure of various sectors is summarised in Table 38.

Table 38: Nyeri County FY 2014/15 Budget and Expenditure by Department for the First Half of FY 2013/14

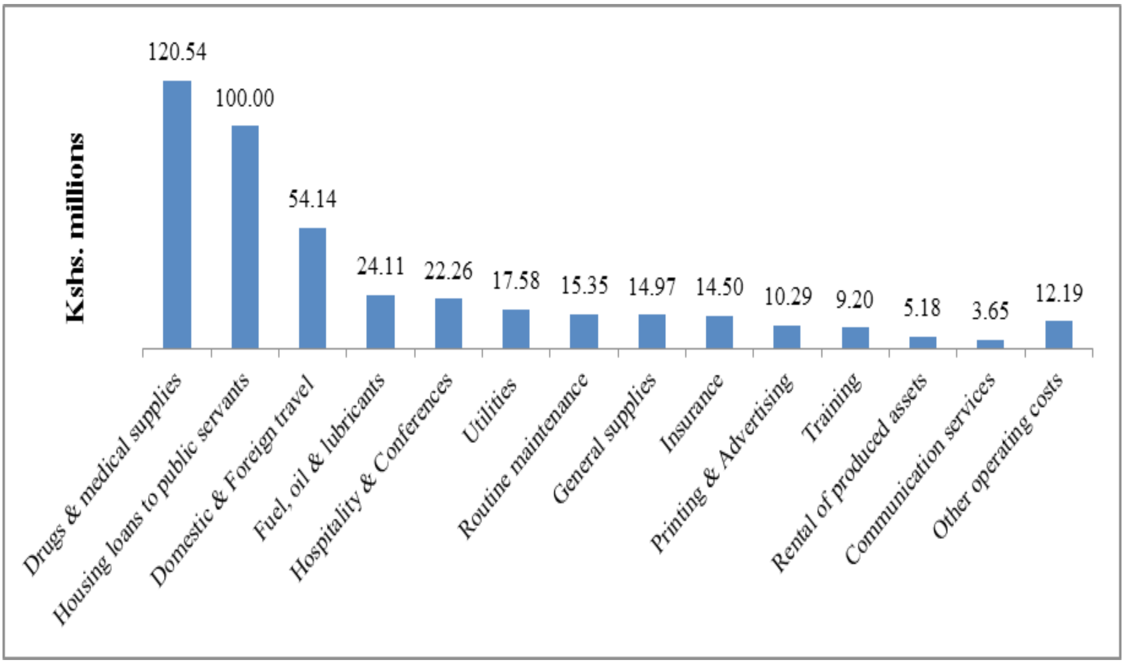
DEPARTMENT	BUDGET ALLOCATION (Kshs.Million)		EXCHEQUER ISSUES (Kshs. Million)		EXPENDITURE (Kshs.Million)		% OF EXPENDITURE TO EXCHEQUER ISSUES		EXPENDITURE TO ANNUAL BUDGET (Absorption Rate %)	
	REC	DEV	REC	DEV	REC	DEV	REC	DEV	REC	DEV
Office of the Governor	100.23	37.30	39.72	0.00	32.18	15.80	81.0%		32.1%	42.4%
County Secretary	64.74	76.31	47.53	0.00	54.82	0.08	115.3%		84.7%	0.1%
Finance and Economic Planning	486.73	90.19	167.17	0.00	292.04	0	174.7%	0%	60%	0%
Education, Sport, Youth & ICT	78.78	67.71	44.48	8.00	7.27	0.88	16.4%	11%	9.2%	1.3%
Health Services	1,771.34	352.64	813.44	65.77	847.55	43.74	104.2%	67%	47.8%	12.4%
Gender, Culture & Social Development	49.46	26.60	30.89	5.50	4.69	0.00	15.2%	0%	9.5%	0%
Public Works, Roads and Transport	146.21	636.53	73.93	202.00	32.58	209.60	44.1%	104%	22.3%	32.9%
County Assembly	356.18	30.00	177.77	30.00	166.11	0.00	93.4%	0%	46.6%	0%
Lands, Housing & Physical planning	46.49	24.3	28.30	2.00	10.46	0.00	37%	0%	22.5%	0%
Public administration, Information and Communication	157.55	34.88	60.67	0.00	63.83	1.63	105.2%		40.5%	4.7%
Trade, industralisation and tourism	45.33	39.15	14.43	6.00	7.68	0.00	53.3%	0%	17%	0%
County Public Service Board	34.35	0	13.15	0.00	8.54	0.00	64.9%	0%	24.9%	0%
Agriculture	314.58	109.62	166.30	22.00	125.68	13.98	75.6%	64%	40%	12.8%
Water, sanitation & natural resources	157.06	110.12	75.22	31.00	40.05	1.63	53.2%	5%	25.5%	1.5%

Source: *Nyeri County Treasury*

The County spent Kshs.41.28 million on payment of sitting allowances to the 47 Members of the County Assembly against a budgetary allocation of Kshs.77.84 million representing an absorption rate of 53 per cent of the annual budget, an increase from the Kshs.27.57 million spent in the similar period of FY 2013/14. Each MCA was paid an average monthly sitting allowance of Kshs.146,386 compared to the SRC recommended amount of Kshs.124,800. A total of Kshs.54.14 million was spent on domestic and foreign travel for both the County Assembly and County Executive in the period under review compared to Kshs.83.6 million in a similar period of FY 2013/14, representing a decrease by 35.2 per cent.

The breakdown of operations and maintenance expenditure for the period under review is shown in Figure 151.

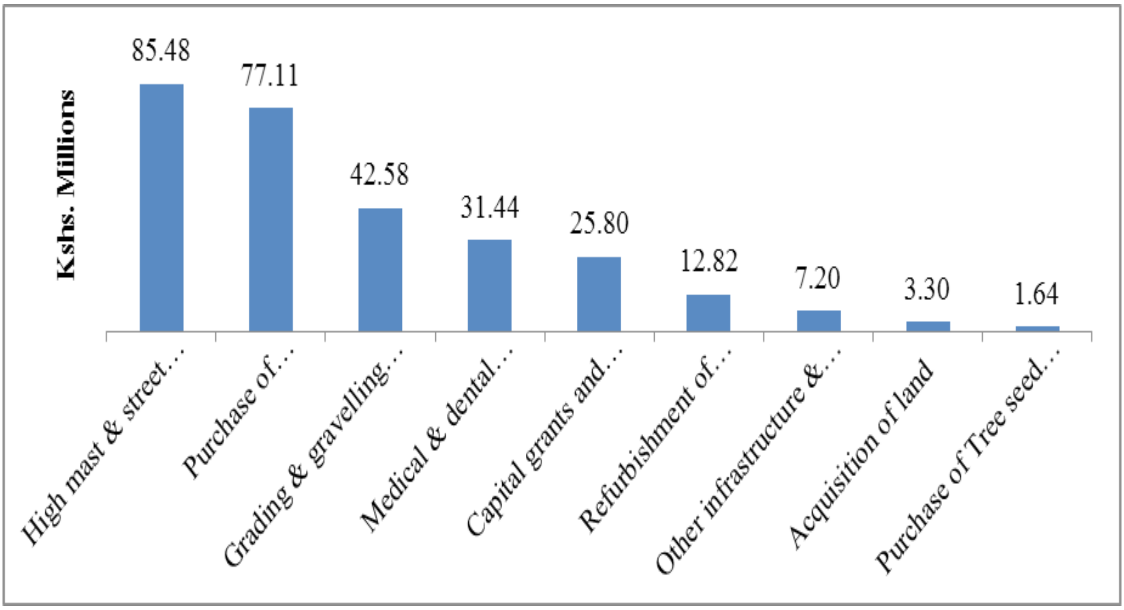
Figure 151 : Nyeri County FY 2014/15 Half Year Operations and Maintenance Expenditure (in Kshs.)



Source: *Nyeri County Treasury*

The development expenditure for the period under review of Kshs.287.36 million was comprised of Kshs.85.48 million spent on construction of high mast and street lighting, Kshs.77.1 million on purchase of specialised plant, Kshs.42.58 million on development and maintenance of access roads, Kshs.31.44 million on purchase of medical equipment, Kshs.25.8 million on capital grants to other agencies, Kshs.12.82 million on refurbishment of buildings and Kshs.7.1 million on development of other infrastructure and civil works as shown in Figure 152.

Figure 152: Nyeri County, Analysis of Development Expenditure



Source: *Nyeri County Treasury*

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

However, the following challenges hampered effective budget implementation in the reporting period;

1. The County lacks an effective audit department and an audit committee
2. Lack of regulations to administer the County Emergency Fund
3. Diversion of funds released for development programmes to other activities (for instance housing loans to MCA's and County Executive Committee Members). Further, funds released for one department were diverted to other departments signalling weak controls on management of public funds.
4. Absence of designated administrators for established public funds rendering

administration and accounting for the funds difficult.

5. Manual processing of financial transaction has resulted in a backlog of expenditure, particularly personnel expending, to be uploaded into IFMIS.
6. The e-procurement module has not been fully operationalized.

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

1. *The County should establish an Audit Committee.*
2. *The County should develop regulations to operationalize the County Emergency Fund.*
3. *The County Treasury should institute strong control measures to ensure that funds released are utilised for the intended purposes. All reallocations should be guided by Section 154 of the PFM Act, 2012*
4. *The County Executive Member for finance should designate an administrator for each Public Fund in line with Section 116 of the PFM Act, 2012.*
5. *All financial transactions should be processed using IFMIS to ensure accurate reports are produced on a timely basis.*
6. *The e-procurement module of the IFMIS should be fully operationalized to enhance transparency in the procurement process*

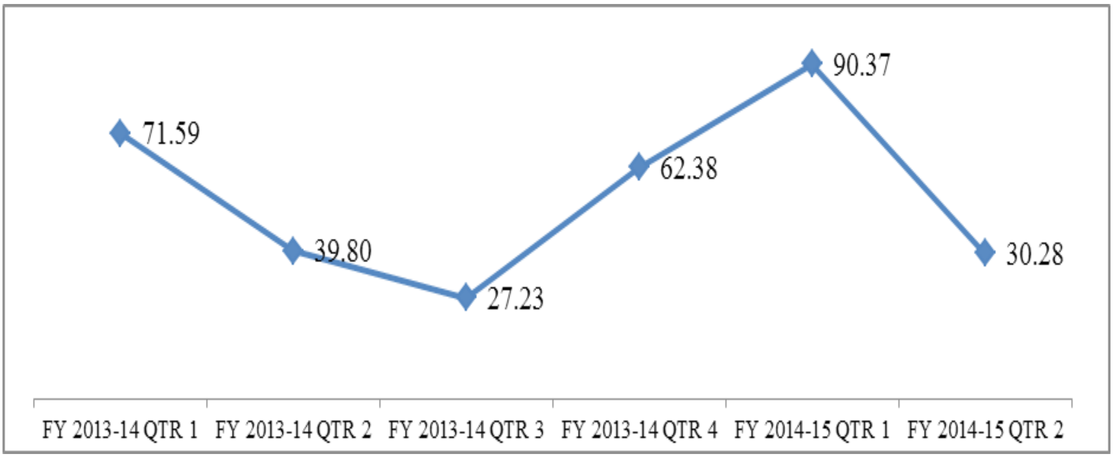
Samburu County

The Samburu County Budget Estimates for the FY 2014/15 amounted to Kshs.3.44 billion comprising of Kshs.2.07 billion (60 per cent) for recurrent expenditure and Kshs.1.37 billion (40 per cent) for development expenditure. The budget is to be financed by the national equitable share of Kshs.3.02 billion (74.7 per cent), local revenue sources of Kshs.406.55 million (10 per cent), Kshs.8.61 million (0.2 per cent) from DANIDA and Kshs.608.63 million (15 per cent) being balance brought forward from FY 2013/14.

In the first half of FY 2014/15, the County received Kshs.1.17 billion as the national equitable share of revenue, collected Kshs.120.64 million from local sources and had Kshs.608.63 million being balance brought forward from FY 2013/14. Local revenue consisted of Kshs.90.37 million generated in the first quarter and Kshs.30.28 million in the second quarter. The total local revenue raised in the first half of FY 2014/15 was 29.7

per cent of the annual local revenue target, an improvement from Kshs.111.39 million collected in the same period of FY 2013/14. Figure 153 shows the trend of local revenue by quarter.

Figure 153: Samburu County, trend in local revenue Collection (Kshs. Millions)



Source: *Samburu County Treasury*

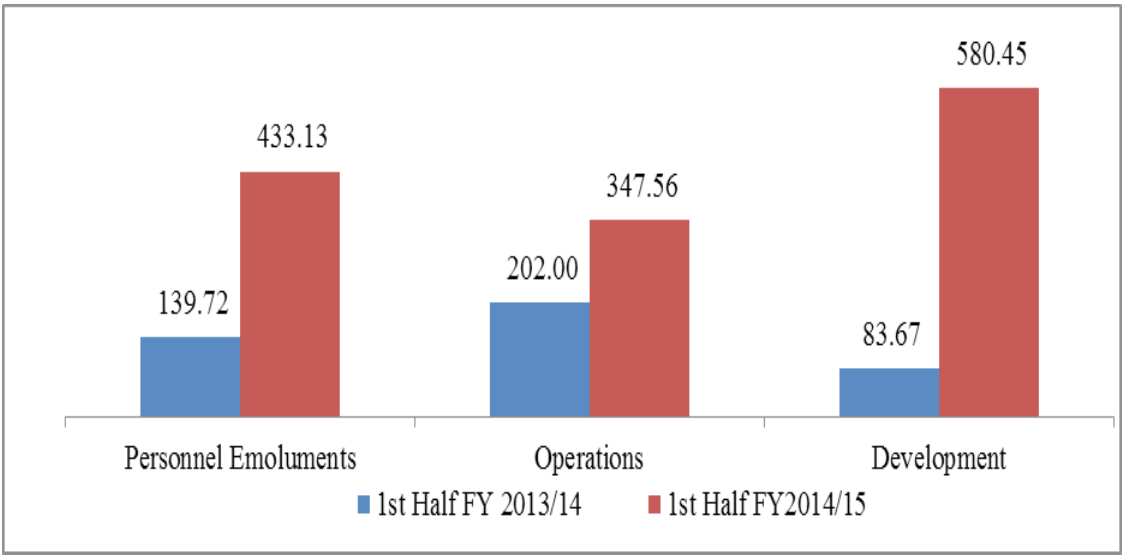
Funds released to the County during the period under review amounted to Kshs.1.44 billion, of which Kshs.904.77 million (62.8 per cent) was for recurrent expenditure while Kshs.536.37 million (37.2 per cent) was for development activities.

In the first half of FY 2014/2015, the total expenditure was Kshs.1.36 billion or 94.4 per cent of the total funds released and an increase from Kshs.425.39 million in the same period of FY 2013/14. The County spent Kshs.780.68 million (57.4 per cent) on recurrent activities and Kshs.580.45 million (42.6 per cent) on development activities. Recurrent expenditure was 86.3 per cent of the funds released for recurrent activities while development expenditure accounted for **108.2 per cent** of the funds released for development projects. This expenditure does not include outstanding commitments as of December 31, 2014 that amounted to Kshs.240.25 million for recurrent expenditure and Kshs.24.87 million for development activities.

The recurrent expenditure for the period under review represented an absorption rate of **37.8 per cent** of the annual recurrent budget, an improvement from an absorption rate of **17.6 per cent** realized in the same period of FY 2013/14. The development expenditure translated to an absorption rate of **42.2 per cent** of the annual development budget, an improvement from absorption rate of **8.7 per cent** recorded in the same period last financial year.

Analysis of the recurrent expenditure of Kshs.780.68 million shows that the County spent Kshs.433.13 million on personnel emoluments which translates to 55.5 per cent of the total recurrent expenditure and Kshs.347.56 million on operations and maintenance accounting for 44.5 per cent of the total recurrent expenditure for the period. A comparison of the total expenditure between the period under review and first half of FY 2013/14 is shown in Figure 154.

Figure 154: Samburu County, Half Year analysis of Total Expenditure, (Kshs. million)



Source: *Samburu County Treasury*

Analysis of expenditure by department shows that Public works, roads & water reported the highest absorption of both recurrent and development funds at 44.5 per cent and 51.8 per cent respectively. Expenditure by departments is summarised below in Table 39 .

Table 39 : Samburu County, FY 2014/15 Budget and Expenditure by Department for the First Half of FY 2014/15

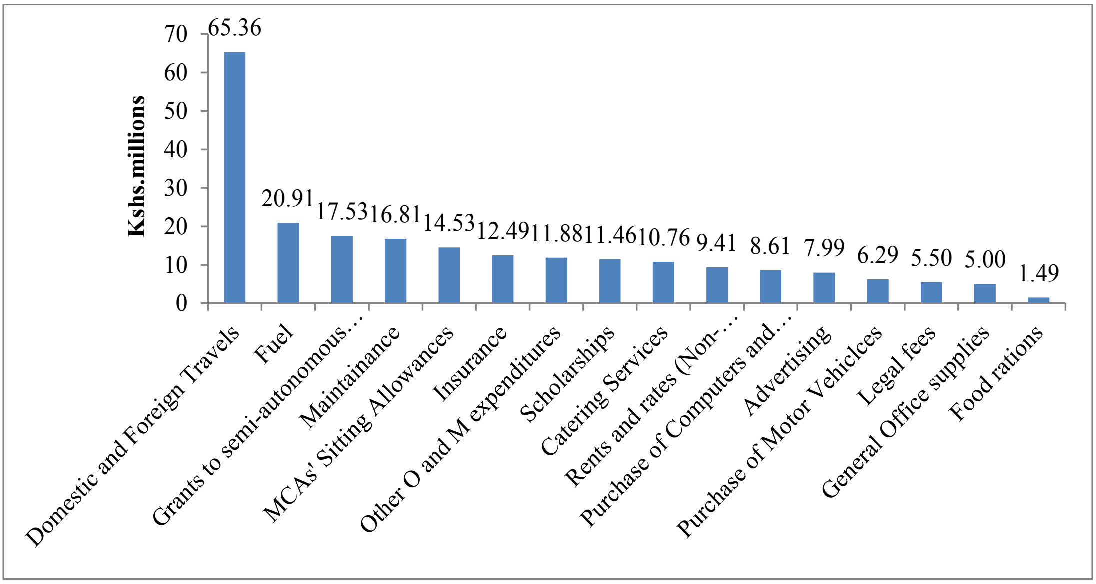
Department	Budget allocation (Kshs. Million)		Exchequer issues(Kshs. Million)		Expenditure (Kshs. Million)		Expenditure to exchequer issues (%)		Expenditure to Annual Budget (Absorption Rate %)	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
Public Works, County Roads and Water	103.08	471.17	60.26	162.5	45.87	244.02	76.1	150.1	44.50%	51.80%
Finance & Economic Planning	183.18	50	82.88	20	77.48	25	93.5	125	42.30%	50.00%
Trade, Tourism and Cooperative Development	102.48	126.5	51.24	61.72	37.67	45.87	73.5	74.3	36.80%	36.30%
Education ,youth affairs & Sports	252.8	118.5	126.4	55.5	87.56	56.01	69.3	101	34.60%	47.30%
Gender, Culture and Social Services	53.15	44	26.57	21	20.32	9.58	76.5	45.6	38.20%	21.80%
Physical Planning Housing & Urban Development	40.77	84	20.39	41.9	10.91	36.29	53.5	86.6	26.80%	43.20%
Health Services	429.44	150.64	219.02	70.5	170.68	62.77	77.9	89	39.70%	41.70%
Environment & Natural Resources	28.18	39.66	14.09	19	10.39	6.77	73.7	35.6	36.90%	17.10%
Agriculture, Livestock & Fisheries	128.67	160	64.33	71.25	46.99	53.15	73	74.6	36.50%	33.20%
County Executive (Office of the Governor & CPSB	335.86	30	129.32	12	136.8	13.35	105.8	111.2	40.70%	44.50%
County Assembly	407.54	100	110.28	1	136	27.64	123.3	276.4	33.40%	27.60%

***Source:** Samburu County Treasury*

The County spent Kshs.14.52 million on payment of sitting allowances to the 26 members of the County Assembly against a budgetary allocation of Khs.49.54 million representing an absorption rate of 29.3 per cent. Each MCA was paid an average monthly sitting allowance of Kshs.89,661 compared to the SRC recommended amount of Kshs.124,800. Expenditure on domestic and foreign travel for both County Assembly and the Executive amounted to Kshs.65.36 million in the period under review compared to Kshs.53.62 million in a similar period of FY 2013/14.

The breakdown of operations and maintenance expenditure for the period under review is shown in **Figure 155**.

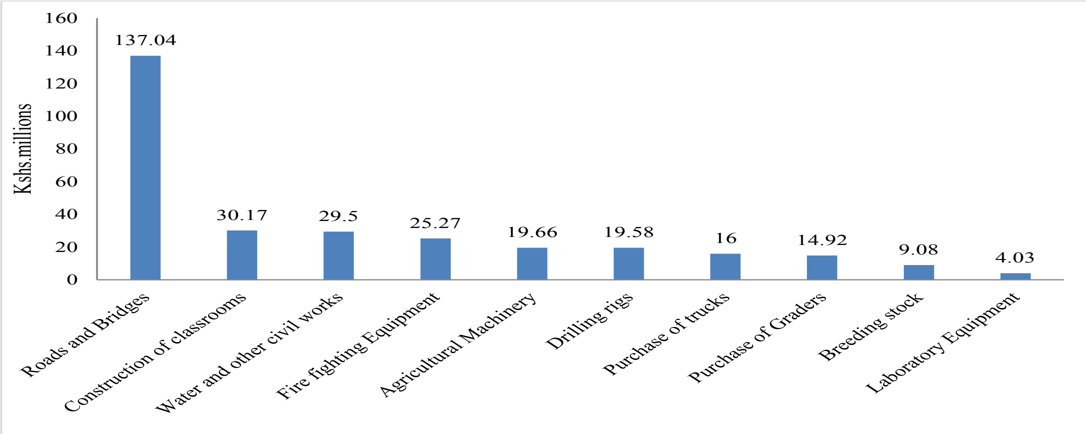
Figure 155: Samburu County, Half Year Operations and Maintenance Expenditure.



Source: *Samburu County Treasury*

Analysis of the development expenditure for the FY 2014/15 shows that the County spent Kshs.137.04 million on graveling of roads and construction of bridges across the County, Kshs.30.16 million on construction of classrooms, Kshs.25.27 million on purchase of firefighting equipment, Kshs.19.58 million on purchase of drilling rigs and Kshs.14.91million on purchase of graders among other development projects.

Figure 156: Samburu County, Half Year analysis of Development Expenditure



***Source**: Samburu County Treasury*

In the previous CBIRRs, the office made recommendations to address the challenges facing budget execution in the County. Most of the issues have been addressed. The challenges that hampered effective budget implementation in the reporting period were as follows:

1. The County Assembly exceeded its vote-on-account by a total of Kshs.38 million during the period under review. The county treasury had re-allocated funds meant for other vote heads to fund assembly's recurrent operations
2. Lack of an audit committee to provide advice and enhance effective review and quality assurance of financial operations of both the county assembly and county executive
3. Lack of a Monitoring and Evaluation and reporting framework to enable effective monitoring and evaluation of projects

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

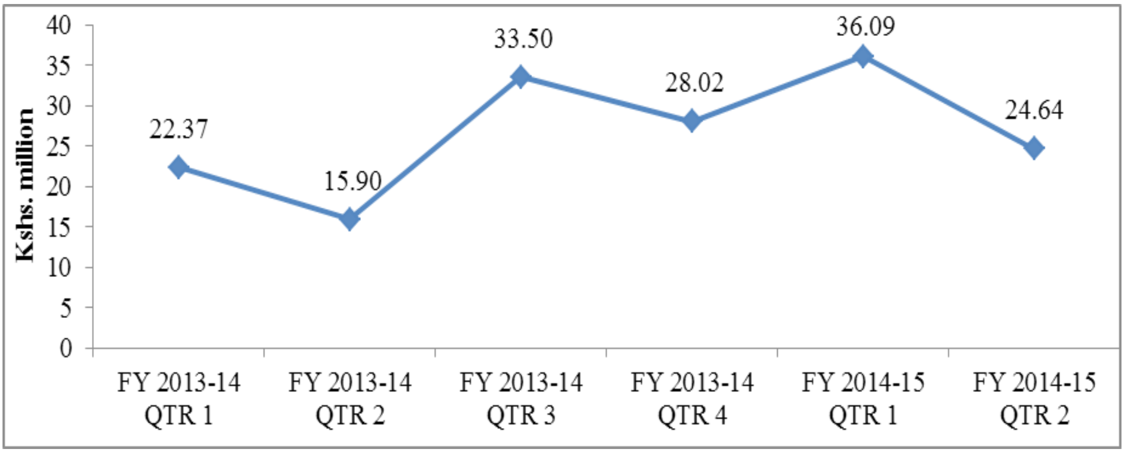
1. *The County Treasury should desist from irregular allocation of funds. Any re-allocation of funds should be in line with Section 154 of the PFM Act, 2012.*
2. *The County should establish an audit committee.*
3. *The County should consider establishing a fully-fledged monitoring and evaluation department.*

Siaya County

The Siaya County Budget Estimates for the FY 2014/15 amounted to Kshs.5.88 billion comprising of Kshs.3.43 billion (58.3 per cent) for recurrent expenditure and Kshs.2.45 billion (41.7 per cent) for development expenditure. The budget is to be financed by the national equitable share of Kshs.4.35 billion (73.8 per cent), local revenue sources of Kshs.301.53 million (5.1 per cent), DANIDA grants of Kshs.25.21 million (0.4 per cent) and Kshs.1.22 billion (20.7 per cent) as projected cash balance from FY 2013/14.

In the first half of FY 2014/15, the County received Kshs.1.28 billion as national shareable revenue, raised Kshs.60.74 million from local sources and had Kshs.1.22 billion as cash balance brought forward from FY 2013/14. Local revenue consisted of Kshs.36.09 million generated in the first quarter and Kshs.24.64 million in the Second quarter. The local revenue raised in the first half of FY 2014/15 of Kshs.60.74 million was 20.1 per cent of the annual local revenue target, an improvement from Kshs.38.27 million collected in the same period of FY 2013/14. Figure 157 shows the trend of local revenue collection by quarter.

Figure 157: Siaya County, trend in Local Revenue Collection



Source: *Siaya County Treasury*

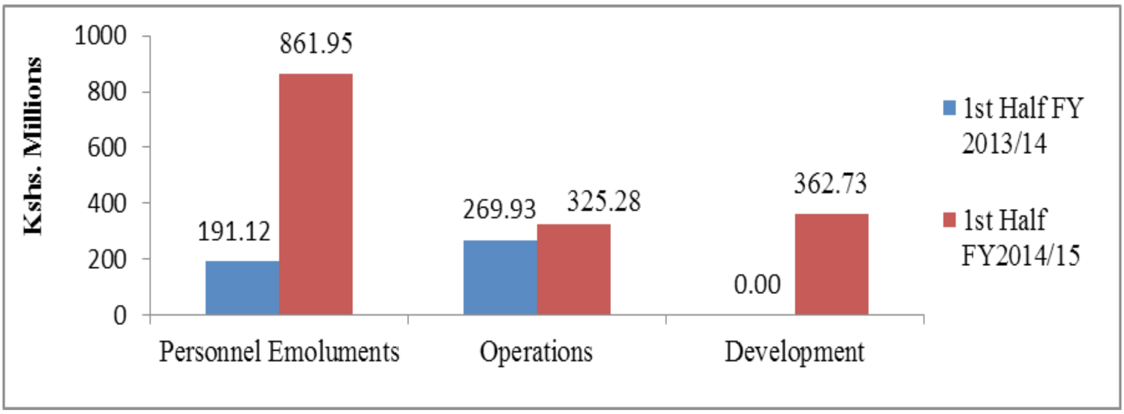
Funds released to the County during the period under review amounted to Kshs.2.38 billion, of which Kshs.1.27 billion (53.6 per cent) was for recurrent expenditure and Kshs.1.11 billion (46.4 per cent) was for development activities.

The total expenditure for the first half of FY 2014/15 was Kshs.1.55 billion or 65.1 per cent of the total funds released and an increase from the Kshs.473.69 million spent in the same period of FY 2013/14. The County spent Kshs.1.19 billion (76.6 per cent) on recurrent activities and Kshs.362.73 million (23.4 per cent) on development activities. Recurrent expenditure was 93.2 per cent of the funds released for recurrent activities while development expenditure accounted for 32.8 per cent of the funds released for development activities. This expenditure does not include outstanding commitments as of December 31, 2014 that amounted to Kshs.40.06 million for recurrent expenditure and Kshs.10.30 million for development activities.

The recurrent expenditure for the period under review represented an absorption rate of **34.6 per cent** of the annual recurrent budget, an increase from an absorption rate of **16.1 per cent** realized in the same period of FY 2013/14. Development expenditure translated to an absorption rate of **14.8 per cent** of the annual development budget, an improvement compared to the same period in FY 2013/14 when the County did not spend any funds on development activities.

Analysis of the recurrent expenditure of Kshs.1.19 billion shows that the County spent Kshs.861.95 million on personnel emoluments which represents 72.6 per cent of the total recurrent expenditure and Kshs.325.28 million on operations and maintenance expenditure which is 27.4 per cent of the total recurrent expenditure for the first half of FY 2014/15. A comparison of the total expenditure between the period under review and the same period last financial year is shown in Figure 158.

Figure 158: Siaya County First Half Expenditure



Source: *Siaya County Treasury*

Analysis of expenditure by department shows that the Roads, Transport and Public Works department had the highest absorption rate of the annual development budget at 23.4 per cent while Water, Environment and Natural Resources department had the lowest absorption rate of the annual development budget at 3.2 per cent. The expenditure of various departments is summarised below in Table 40 .

Table 40: Siaya County, FY 2014/15 Budget and Expenditure by Department for the First Half of FY 2014/15

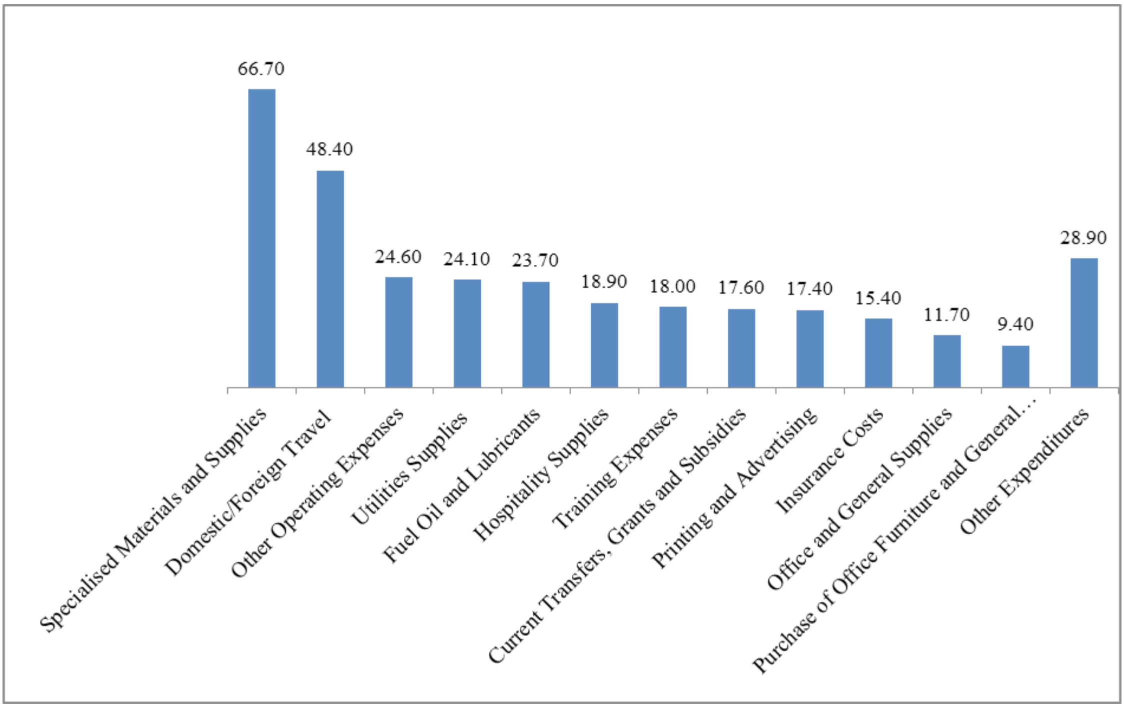
DEPARTMENT	BUDGET ALLOCATION (Kshs Million)		EXCHEQUER ISSUES (Kshs Million)		EXPENDITURE (Kshs Million)		EXPENDITURE TO EXCHEQUER %		EXPENDITURE TO ANNUAL BUDGET (Absorption Rate %)	
	REC	DEV	REC	DEV	REC	DEV	REC	DEV	REC	DEV
County Executive (Office of the Governor and Deputy Governor)	290.47	239.72	152.90	58.56	211.44	28.00	138.3	47.8	72.8	11.7
County Assembly	773.85	94.00	299.55	47.00	288.32	21.53	96.3	45.8	37.3	22.9
County Health Services	1,242.65	342.47	522.20	165.23	378.65	76.08	72.5	46.0	30.5	22.2
Roads, Transport and Public Works	19.68	494.65	3.72	206.45	1.47	115.89	39.6	56.1	7.5	23.4
Agriculture, Livestock and Fisheries	218.76	210.34	90.44	105.25	79.60	14.66	88.0	13.9	36.4	7.0
Trade Development and Regulations	43.10	148.96	16.31	70.55	8.18	32.40	50.1	45.9	19.0	21.7
Education, Youth Affairs, Culture, Sports and Social Services	103.53	512.58	54.48	255.29	57.99	62.18	106.4	24.4	56.0	12.1
Finance, Economic Planning and Vision 2030	584.09	25.00	75.23	4.50	114.45	-	152.1	-	19.6	-
Tourism and ICT	21.41	11.50	7.27	5.75	3.76	-	51.7	-	17.5	-
Water, Environment and Natural Resources	94.59	320.88	41.70	160.44	35.53	10.20	85.2	6.4	37.6	3.2
Physical Planning and Development, Lands and Housing	40.49	51.97	10.45	25.98	7.84	-	75.0	-	19.4	-

Source: *Siaya County Treasury*

The County spent Kshs.42.04 million on payment of sitting allowances to the 49 members of the County Assembly against a budgetary allocation of Kshs.78.62 million representing an absorption rate of 53.5 per cent. Each MCA was paid an average monthly sitting allowance of Kshs.142,995 compared to the SRC recommended amount of Kshs.124,800. Expenditure on domestic and foreign travel for both the Assembly and the executive amounted to Kshs.48.4 million in the period under review compared to Kshs.49.6 million in a similar period of FY 2013/14.

The breakdown of operations and maintenance expenditure for the period under review is shown in Figure 159.

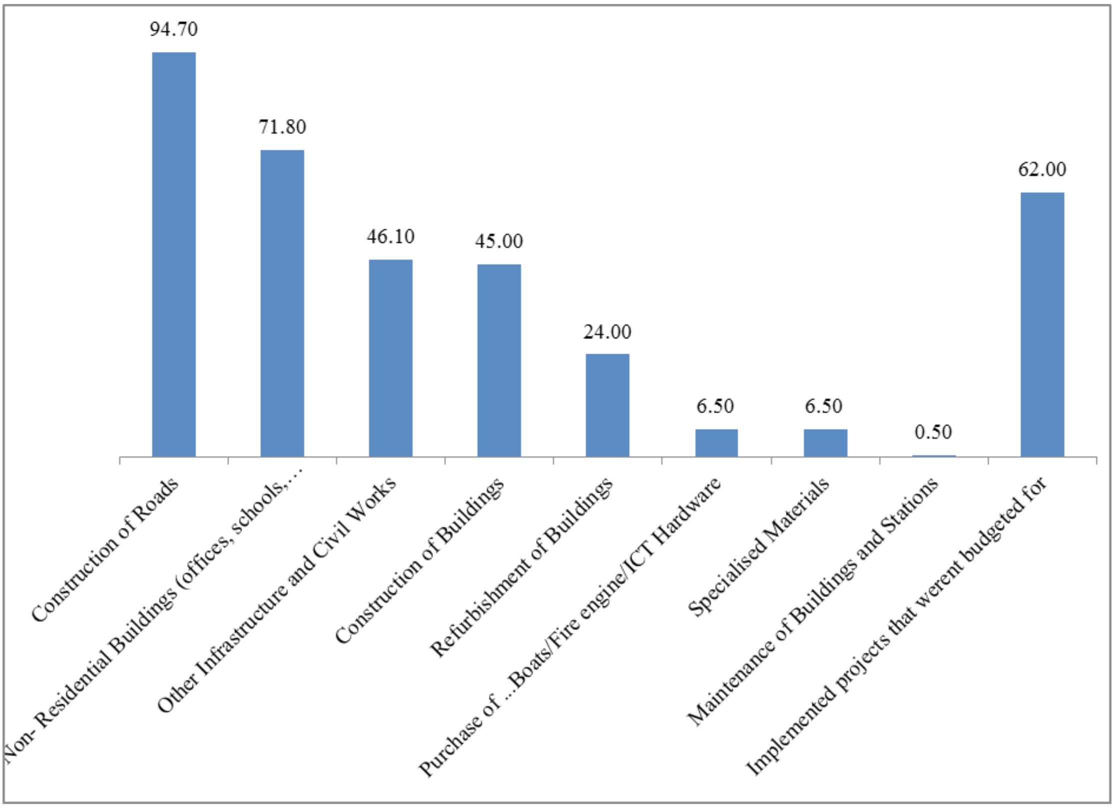
Figure 159: Siaya County, Half year Operations and Maintenance Expenditure (Kshs. Millions)



Source: *Siaya County Treasury*

Analysis of **Kshs.362.73 million** development expenditure shows that the County spent Kshs.94.7 million on construction, development and maintenance of access roads, Kshs.71.8 million on construction of non-residential buildings. This includes schools, offices, hospitals etc, Kshs.46.1 million was spent other infrastructure and civil works. However, the county also spent another **Kshs.62 million** on projects that were not in the budget, contrary to the provisions of the PFM Act 2012. Figure 160 below shows the spread of expenditure on development by the county.

Figure 160: Siaya County, Half Year analysis of Development Expenditure, (Kshs. Millions)



Source: *Siaya County Treasury*

In the previous CBIRRs, the office made some recommendations to address the challenges facing budget execution in the County. Only one issue has been addressed and therefore, there is need for the County government to give importance to recommendations made by the OCOB.

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

1. Unrealistic projection of local revenue collection.
2. Implementation of projects not contained in the budget.
3. Lack of discipline in execution of the recurrent budget whereby expenditure is charged against any vote with funds.

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

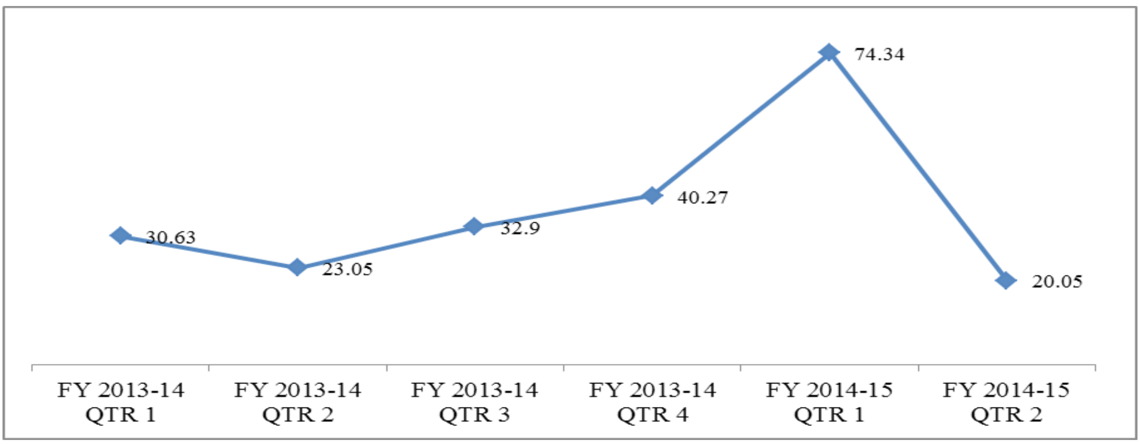
1. *The County should consider review of the annual revenue target.*
2. *The County should only implement projects contained in the approved budget.*
3. *All expenditure should be charged against appropriate line items.*

Taita Taveta County

The County Budget Estimates for the FY 2014/15 amounted to Kshs.4.15 billion comprising of Kshs.2.65 billion (63.9 per cent) for recurrent expenditure and Kshs.1.50 billion (36.1 per cent) for development expenditure. The budget is to be financed by the national equitable share of Kshs.3.10 billion (74.9 per cent), local revenue sources of Kshs.521.83 million (12.6 per cent), grant from DANIDA of Kshs.12.43 million (0.3 per cent) and Kshs.508 million (12.3 per cent) as projected cash balance from FY 2013/14.

In the first half of FY 2014/15, the County received Kshs.1.33 billion as the national equitable share of revenue, collected Kshs.94.39 million from local sources, and Kshs.508.41 million being balance brought forward from FY 2013/14. Local revenue consisted of Kshs.74.34 million generated in the first quarter and Kshs.20.05 million in the Second quarter. The total local revenue raised in the first half of FY 2014/15 was 18.1 per cent of the annual local revenue target, an improvement from Kshs.53.68 million collected in the same period of FY 2013/14. Figure 161 shows a summary of local revenue by quarter.

Figure 161: Taita Taveta County, trend in local revenue Collection (Kshs. Millions)



Source: *Taita Taveta County Treasury*

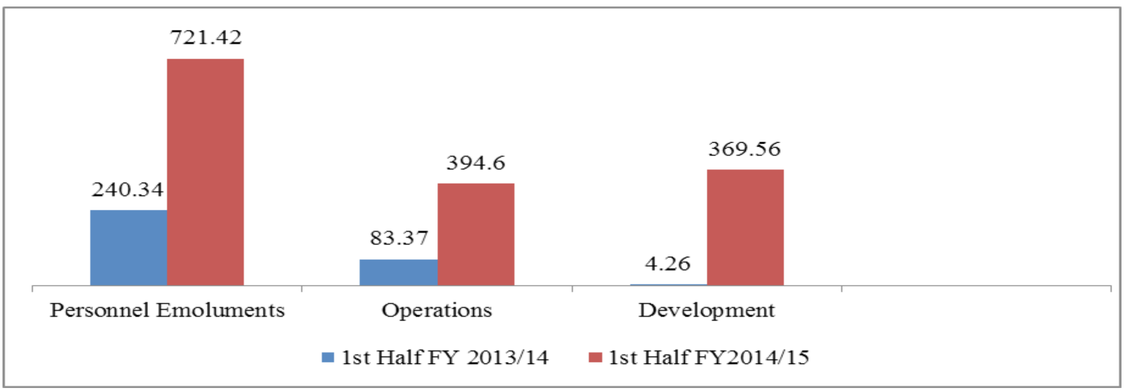
Funds released to the county during the period under review amounted to Kshs.1.61 billion, of which Kshs.1.08 billion (67.0 per cent) was for recurrent expenditure while Kshs.532.2 million (33.0 per cent) was for development activities.

In the first half of FY 2014/2015, the total expenditure was Kshs.1.49 billion or 92.2 per cent of the funds released. The County spent Kshs.1.11 billion (75.1 per cent) on recurrent activities and Kshs.369.56 million (24.9 per cent) on development activities. Recurrent expenditure was **103.4 per cent** of the funds released for recurrent activities while development expenditure accounted for 69.4 per cent of the funds released for development projects. This expenditure does not include outstanding commitments as of December 31, 2014 that amounted to Kshs.26.78 million for recurrent expenditure and Kshs.0.54 million for development activities.

The recurrent expenditure for the period under review represented an absorption rate of **42.1 per cent** of the annual recurrent budget, an increase from an absorption rate of **16.7 per cent** realized in the same period of FY 2013/14.The development expenditure translated to an absorption rate of **24.7 per cent** of the annual development budget, an improvement from absorption rate of **0.5 per cent** recorded in the same period last financial year.

Analysis of the recurrent expenditure shows that the County spent Kshs.721.42 million on personnel emoluments which translates to 64.6 per cent of the total recurrent expenditure and Kshs.394.6 million on operations and maintenance expenditure which is 35.4 per cent of the total recurrent expenditure for the first half of FY 2014/15. A comparison of the total expenditure between the period under review and first half of FY 2013/14 is shown in Figure 162.

Figure 162: Taita Taveta County, Half Year analysis of Total Expenditure, (Kshs. million)



Source: *Taita Taveta County Treasury*

Analysis of expenditure by department shows that department of Agriculture and Livestock reported the highest absorption rate of the annual recurrent budget at **71.2 per cent** while County Treasury reported the highest absorption rate of the development funds at 56.1 per cent. The expenditure of various departments is summarized below in Table 41 .

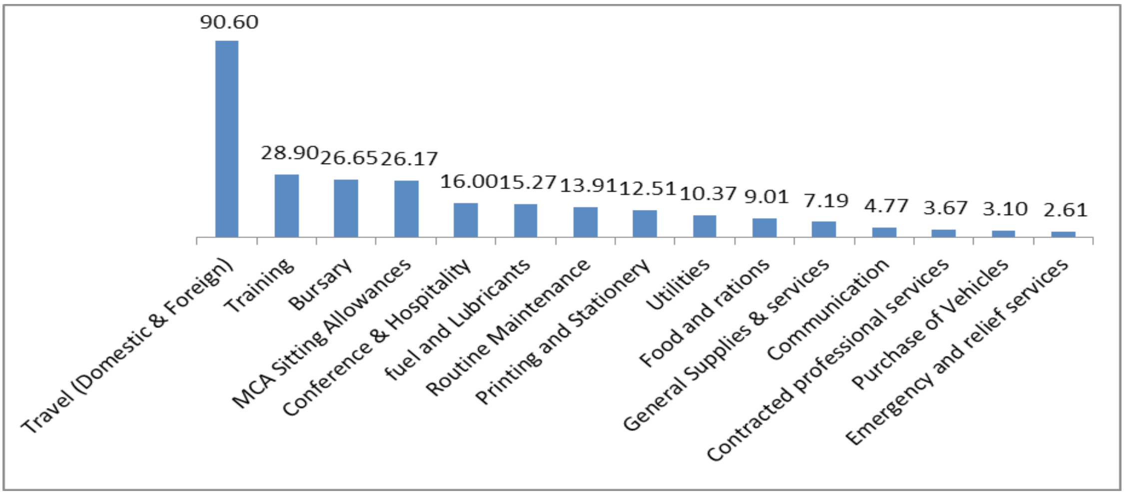
Table 41: Taita Taveta County, FY 2014/15 Budget and Expenditure by Department for the First Half of FY 2014/15

Department	ANNUAL BUDGET (Kshs Million)		EXCHEQUER ISSUES (Kshs Million)		EXPENDITURE (Kshs Million)		EXPENDITURE TO EXCHEQUER (%)		EXPENDITURE TO ANNUAL BUDGET (Absorption rate %)	
	REC	DEV	REC	DEV	REC	DEV	REC	DEV	REC	DEV
COUNTY ASSEMBLY	524.28	75.72	145.88	22.56	245.65	29.56	168.4	131.0	46.9	39.0
ADMINISTRATION & DEVOLUTION	334.54	61.71	184.00	35.41	147.81	22.85	80.3	64.5	44.2	37.0
GOVERNOR'S OFFICE	88.47	39.01	48.66	19.43	40.05	5.66	82.3	29.1	45.3	14.5
COUNTY TREASURY	124.34	71.09	66.09	25.67	51.83	39.89	78.4	155.4	41.7	56.1
AGRICULTURE & LIVESTOCK	149.61	100.03	86.69	50.01	106.48	18.49	122.8	37.0	71.2	18.5
WATER SERVICES	26.09	204.53	14.35	102.23	11.57	74.63	80.7	73.0	44.4	36.5
PUBLIC WORKS, ROADS, ICT	69.06	293.03	37.98	145.86	26.07	44.73	68.6	30.7	37.7	15.3
TRADE, TOURISM AND INDUSTRY	83.54	153.79	45.95	75.09	27.95	39.55	60.8	52.7	33.5	25.7
COUNTY PUBLIC SERVICE BOARD	47.38	-	26.06	-	22.14	-	85.0	-	46.7	-
LANDS & PHYSICAL PLANNING	6.13	15.83	3.37	7.61	1.38	-	41.1	-	22.6	-
Health	746.06	231.15	410.34	115.57	357.97	68.91	87.2	59.6	48.0	29.8
Education and Youth	235.69	119.78	129.63	59.80	100.04	26.88	77.2	44.9	42.4	22.4

Source: *Taita Taveta County Treasury*

The County spent Kshs.26.17 million on payment of sitting allowances to the 35 members of the County Assembly against a budgetary allocation of Kshs.56.45 million representing an absorption rate of 46.4 per cent of the annual budget. Each MCA was paid an average monthly sitting allowance of Kshs.124,598 compared to the SRC recommended amount of Kshs.124,800. Expenditure on domestic and foreign travel amounted to Kshs.**90.6** million in the period under review compared to Kshs.50.8 million in a similar period of FY 2013/14. The breakdown of operations and maintenance expenditure for the period under review is shown in Figure 163.

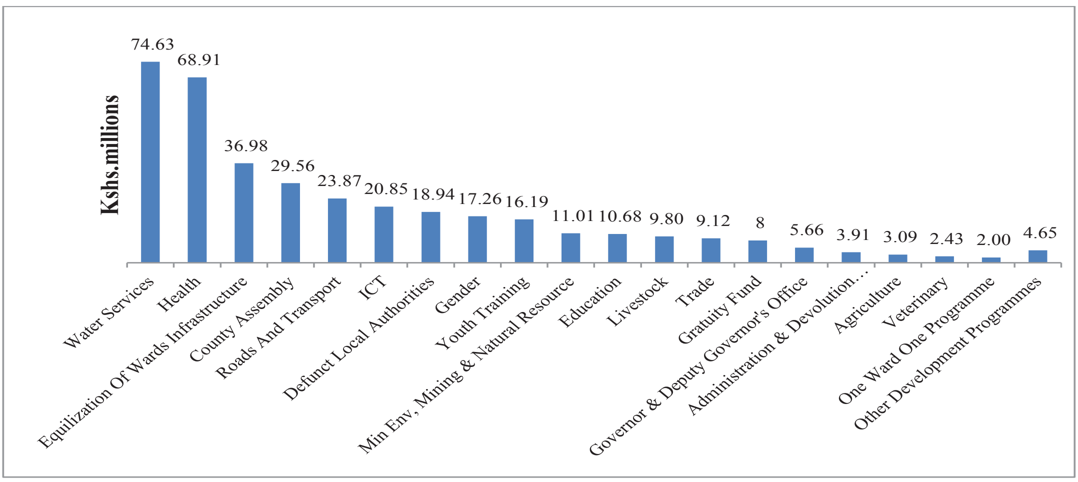
Figure 163: Taita Taveta County, Half Year Operations and Maintenance expenditure (Kshs. Millions)



Source: *Taita Taveta County Treasury*

Analysis of the development expenditure for the FY 2014/15 shows that the County spent Kshs.369.56 million on various development projects within the county. The highest performing department included water services and supplies at Kshs.74.63 million and health sector purchase of medical equipment at Kshs.68.91 million. Other projects included; construction of non-residential buildings at Kshs.21 million, equalization of ward infrastructure at Kshs.36.98 million and county assembly fencing at Kshs.29.56million.

Figure 164: Taita Taveta County, Half Year Analysis of Development Expenditure,



Source: *Taita Taveta County Treasury*

During the period under review, the office noted some improvement in budget implementation and public financial management. The County has already built the capacity of staff in the procurement unit which has improved absorption of development funds and has enacted laws and regulations for various funds where expenditure had been incurred before without the requisite legislations.

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

1. The County spent Kshs.2.6 million under the emergency fund and Kshs.15 million of gratuity fund but no regulations have been put in place by County Assembly for the use of the same.
2. Slow implementation of development projects resulting in low absorption of development funds.
3. Claim of mileage by county executive contrary to SRC Circular.

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

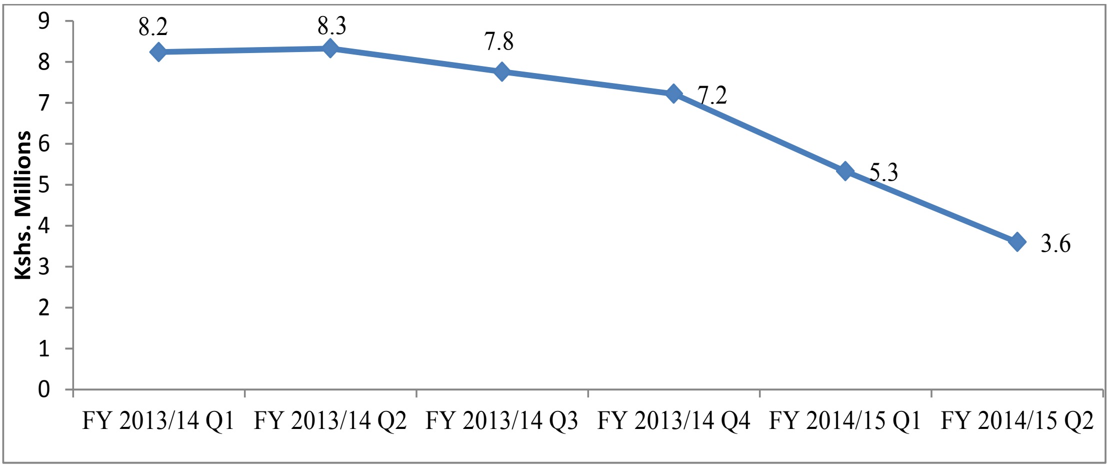
1. *The County executive should prepare the necessary regulatory framework on the use of emergency and gratuity funds and submit them to the county assembly for enactment.*
2. *The County leadership should identify and address challenges that lead to low utilization of development funds. The County should also put in place proper monitoring and evaluation mechanisms to track project implementation.*
3. *County executive should desist from drawing mileage allowance against recommendations of SRC and county assembly.*

Tana River County

The Tana River County Budget Estimates for the FY 2014/15 amounted to Kshs.3.58 billion comprising of Kshs.1.80 billion (50.4 per cent) for recurrent expenditure and Kshs.1.78 billion (49.6 per cent) for development expenditure. The budget is to be financed by the national equitable share of Kshs.3.36 billion (68.7 per cent), local revenues of Kshs.120 million (2.5 per cent) and Kshs.1.4 billion (28.7 per cent) as projected cash balance from FY 2013/14.

In the first half of FY 2014/15, the County received Kshs.1.01 billion as national sharable revenue, raised Kshs.8.87 million from local revenue sources and had Kshs.1.4 billion (28.7 per cent) as actual cash balance from FY 2013/14. The local revenue consisted of Kshs.5.33 million generated in the first quarter and Kshs.3.58 million in the second quarter of the year. The local revenue raised in the first half of FY 2014/15 was 7.4 per cent of the annual local revenue target, a decline from Kshs.16.6 million collected in the same period of FY 2013/14. Figure 164 shows the trend of local revenue collection by quarter.

Figure 165: Tana River County, Trend of Local Revenue Collection by Quarter



Source: *Tana River County Treasury*

Funds released to the county during the period under review amounted to Kshs.1.68 billion, of which Kshs.887 million (52.8 per cent) was for development expenditure and Kshs.793.56 million (47.2 per cent) was for recurrent activities.

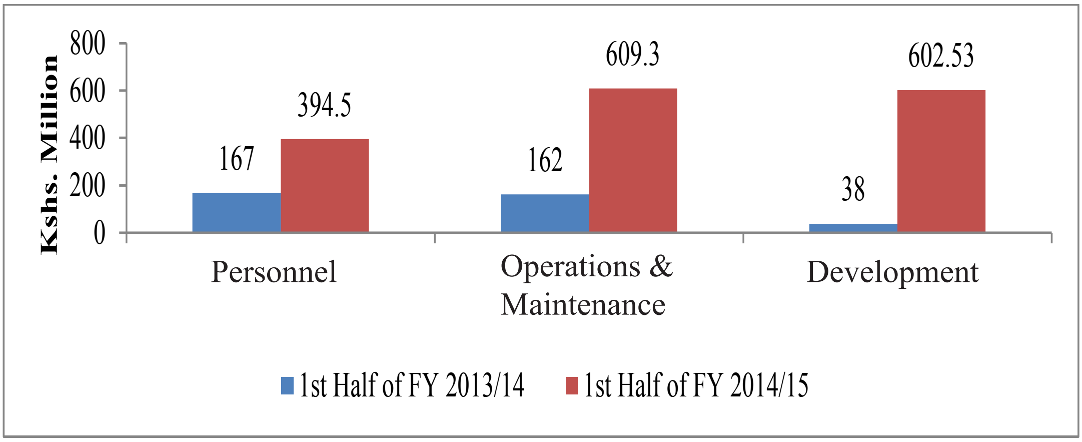
The total expenditure for the first half of FY 2014/15 was Kshs.1.61 billion which was 95.6 per cent of the total funds released and an increase from the Kshs.397 million spent in the same period of FY 2013/14. The County spent Kshs.1.00 billion (62.5 per cent) on recurrent activities and Kshs.602.53 (37.5 per cent) on development activities. Recurrent expenditure was 126.5 per cent of the funds released while development expenditure accounted for 67.9 per cent. This expenditure does not include outstanding commitments as of December 31, 2014 that amounted to Kshs.20.52 million for recurrent expenditure and Kshs.0.75 million for development activities.

Recurrent expenditure for the period under review represented an absorption rate of 55.7

per cent of the annual recurrent budget, an increase from an absorption rate of 18 per cent realized in the same period of FY 2013/14. Development expenditure translated to an absorption rate of 33.9 per cent of the annual development budget, an improvement compared to the same period in FY 2013/14 when the County spent Kshs.38.4 million on development activities.

Analysis of the recurrent expenditure of Kshs.1.00 billion shows that the County spent Kshs.394.53 million on personnel emoluments which represents 39.3 per cent of the total recurrent expenditure and Kshs.609.32 million on operations and maintenance expenditure which is 60.7 per cent of the total recurrent expenditure for the first half of FY 2014/15. A comparison of the total expenditure between the period under review and the same period last financial year by economic classification is shown in Figure 166 .

Figure 166: Tana River County First Half Expenditure by Economic Classification



Source: *Tana River County Treasury*

Analysis of expenditure by department shows that the health department had the highest absorption rate of the annual development budget at 81 per cent while the Finance & Economic Planning department had the highest absorption rate of the annual recurrent budget at 81 per cent. The expenditure of various departments is summarised below in Table 42.

Table 42 : Tana River County, FY 2014/15 Budget and Expenditure by Department for the First Half of FY 2014/15

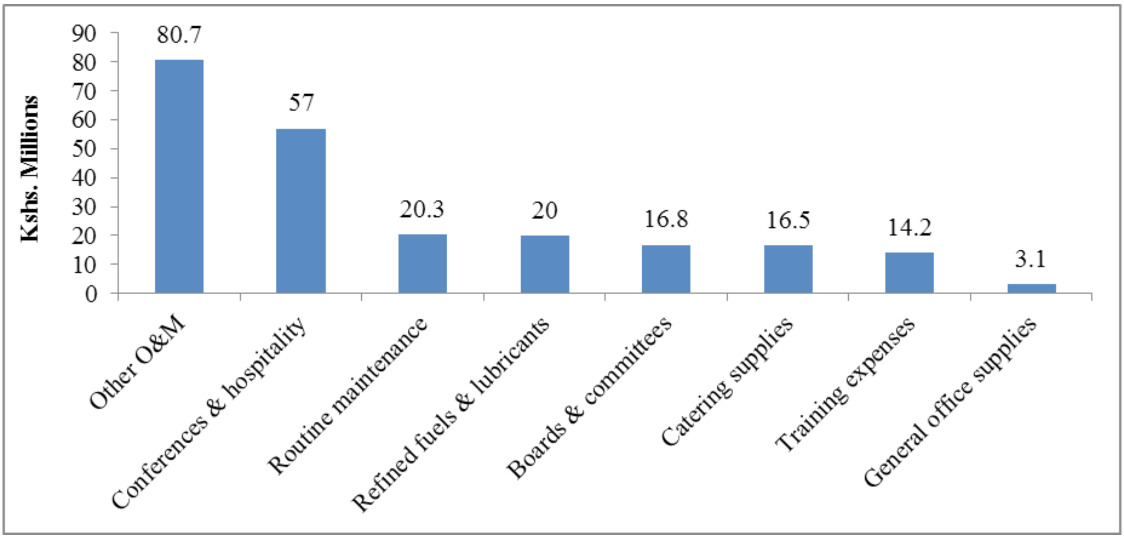
DEPARTMENT	BUDGET ALLOCATION (Kshs.Million)		EXCHEQUER ISSUES (Kshs.Million)		EXPENDITURE (Kshs.Million)		% OF EXPENDITURE TO EXCHEQUER ISSUES		EXPENDITURE TO ANNUAL BUDGET (Absorption rate %)	
	REC	DEV	REC	DEV	REC	DEV	REC	DEV	REC	DEV
Health	308	94.5	154	94.5	18.5	76.4	12.01	81	6	81
Agriculture	187.6	87.2	93.8	43.6	5.8	0.1	3.1	0	3	0
Education, Youth Affairs, Sports, Culture & Social Services	24.1	164.6	12.1	82.3	2.8	0	23	0	11.6	0
Public Works, Transport & Infrastructure	34.6	852	17.3	426	3.5	420.6	20.2	49.3	10.1	49.3
Finance & Economic Planning	243.8	57.6	121.8	26.2	198.6	1.9	81.5	3.0	81	3.3
Public Service Management	35.7	0	17.8	0	2.2	0	12.4	-	12.4	-
County Executive	380.8	83.3	190.4	41.6	129.1	0	67.8	0	67.8	0
County Assembly	489.2	61.7	136	30.8	140.8	20.8	103.4	67.6	67.8	67.6
Trade, Industrialization, Tourism, Wildlife & Cooperative Development	20.5	39.5	15.1	39.5	3.7	0	24.5	0	24.5	0

Source: *Tana River County Treasury*

The County spent Kshs.9.54 million on payment of sitting allowances to the 26 members of the County Assembly against an annual budgetary allocation of Kshs.48.99 million representing an absorption rate of 19.5 per cent. Each MCA was paid an average monthly sitting allowance of Kshs.58,859 compared to the SRC recommended amount of Kshs.124,800. Expenditure on domestic and foreign travel amounted to Kshs.183.94 million consisting of Kshs.153.80 million for the County Executive and Kshs.30.15 million for the County Assembly.

The breakdown of operations and maintenance expenditure for the period under review is shown in Figure 167.

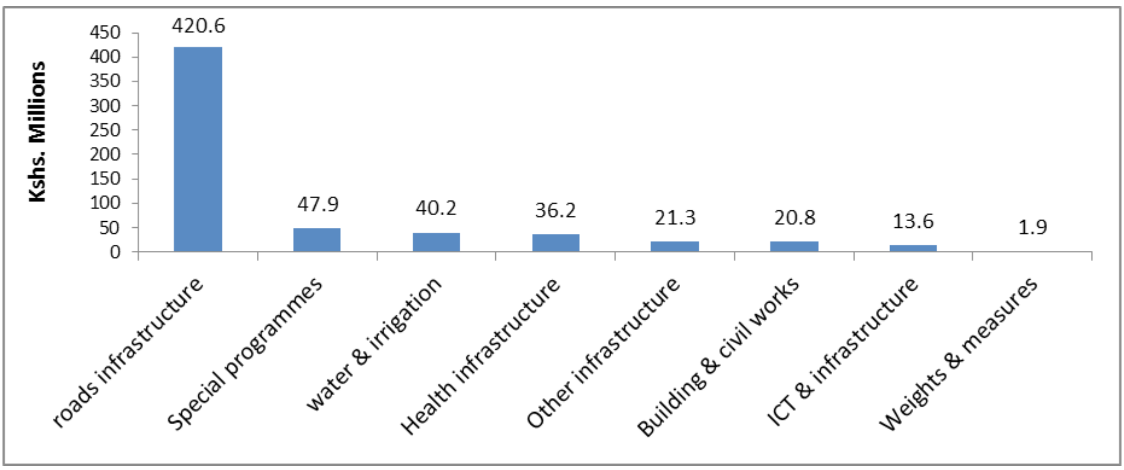
Figure 167: Tana River County, Half Year Operations and Maintenance Expenditure (Kshs. Millions)



Source: *Tana River County Treasury*

Analysis of the development expenditure for the period under review shows that the County spent Kshs.420.6 million on access roads, Kshs.47.9 million on special programmes, Kshs.36.2 million on maintenance of health infrastructure, Kshs.40.2 million on water and irrigation infrastructure, Kshs.20.8 million on buildings and civil works, Kshs.13.6 million on ICT infrastructure and Kshs.1.9 million on weights and measures while Kshs.20.3 million was spent on other infrastructure projects as shown in Figure 168 below.

Figure 168: Tana River County, Half Year analysis of Development Expenditure



Source: *Tana River County Treasury*

During the period under review, the office noted some improvement in budget implementation and public financial management. The county has acquired prefabricated buildings to cater for additional office space and has introduced a RRP (Rapid Response Initiative) to improve service delivery.

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

1. The County Government has not been regularly reconciling its financial data in compliance with the IFMIS requirements
2. The Audit Committee has not been operationalized.

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

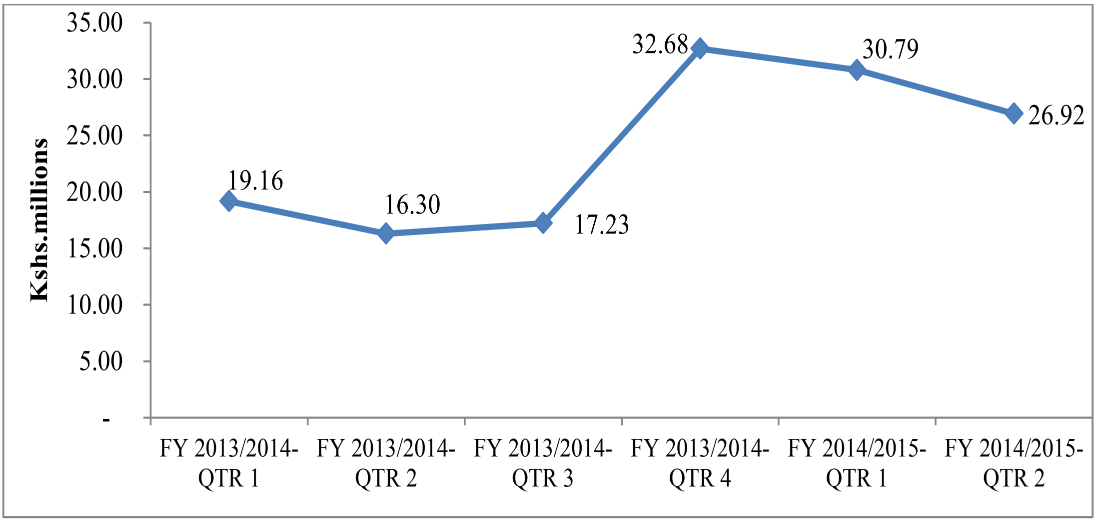
1. *Build capacity of technical departments, including financial management in order to boost implementation of development activities and at the same time conforming to financial reporting requirements.*
2. *Establish an Internal Audit Committee as per section 155(5) of the PFM Act, 2012 to enhance prudent public financial management.*

Tharaka Nithi County

The County budget estimates for the FY 2014/15 is Kshs.3.72 billion comprising of Kshs.1.83 billion **(49.2 per cent)** for recurrent expenditure and Kshs.1.89 billion (**50.8 per cent**) for development expenditure. The budget is financed by national equitable share of Kshs.2.74 billion (**69.5 per cent**), local revenue source of Kshs.250 million (**6.3 per cent**), donor/ grant fund of Kshs698.82 million (**17.7 per cent**) and Kshs.251.68 Million **(6.5 per cent**) as projected cash balance from FY 2013/2014.

In the first half of FY 2014/2015, the County received Kshs.1.26 billion as national shareable revenue, raised Kshs.57.71 million from local sources and had Kshs.251.68 million as balance brought forward from FY 2013/2014. Local revenue consisted of Kshs.30.79 million generated in the first quarter and Kshs.26.92 million in the second quarter. The local revenue raised during the period under review was **23.1 per cent** of the annual local revenue target and was an improvement from Kshs.35.46 million collected in the same period of FY 2013/2014. Figure 169 shows the trend of local revenue collected by quarters

Figure 169: Tharaka Nithi County, trend in Local Revenue Collection (Kshs. millions)



Source: *Tharaka Nithi County Treasury*

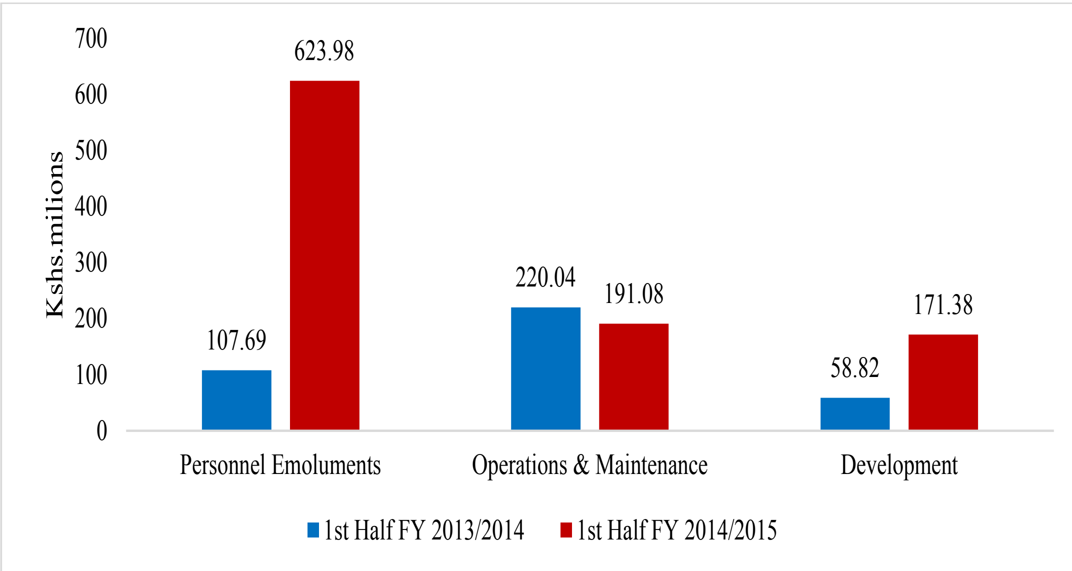
Funds released to the County during the period under review amounted to Kshs.1.1 billion, of which Kshs.864.02 million (**78.3 per cent**) was for recurrent expenditure and Kshs.239.42 million (**21.7 per cent**) was for development expenditure.

The total expenditure for the first half of FY 2014/2015 was Kshs.986.45 million or 89.4 per cent of the total funds released, an increase from Kshs.386.5 million spent in the same period of FY 2013/2014. The County spent Kshs.815.07 million (**82.6 per cent**) on recurrent activities and Kshs.**171.38** million (**17.4 per cent**) on development activities. Recurrent expenditure was **94.3 per cen**t of the fund released while development expenditure accounted for **71.6 per cent** of the funds released for development activities. This expenditure does not include outstanding commitments as of December 31, 2014 that amounted to Kshs.48.98 million for recurrent expenditure and Kshs.0.62 million for development activities.

The recurrent expenditure for the period under review represented an absorption rate of **44.5 per cent** of the annual recurrent budget an increase from an absorption rate of **21.2 per cent** realized in the same period of the FY 2013/2014. Development expenditure translated to an absorption rate of **9.1 per cent** of the annual development budget, an improvement compared to the same period in FY 2013/2014 when the County had an absorption rate of **6.1 per cent** of the annual development budget.

Analysis of the recurrent expenditure shows the County spent Kshs.623.98 million on personnel emolument which represent **76.6 per cent** of the total recurrent expenditure and Kshs191.08 million on operations and maintenance expenditure which is **23.4 per cent** of the total recurrent expenditure for the first half of FY 2014/2015. A comparison of the total expenditure between the period under review and the same period last financial year is shown in Figure 170.

Figure 170: Tharaka Nithi County First Half Expenditure (Kshs. Millions)



Source: *Tharaka Nithi County Treasury*

Analysis of expenditure by department shows that the department of Labour and Urban Development reported the highest absorption rate of the annual recurrent budget at 72.2 per while department of Finance and Economic Planning reported the highest absorption of development funds at 36 per cent. The expenditure of various departments is summarised below in Table 43.

Table 43: Tharaka Nithi County, FY 2014/15 Budget and Expenditure by Department for the First Half of FY 2014/15

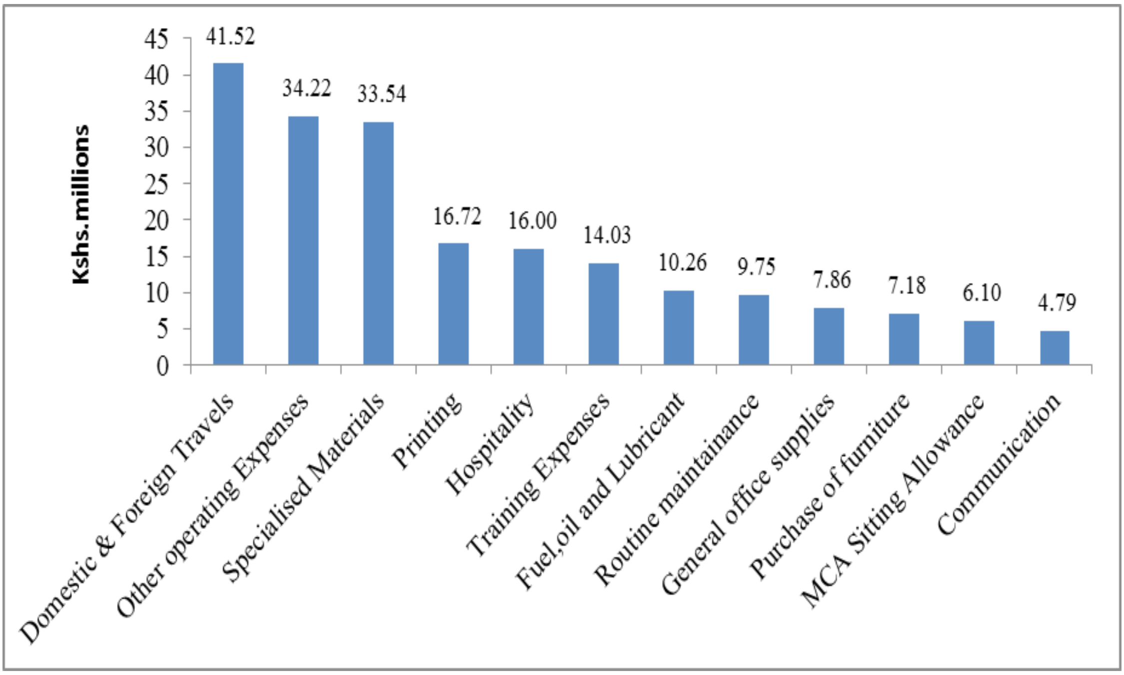
DEPARTMENT	BUDGET ALLOCATION (Kshs. Million)		EXCHEQUER ISSUES (Kshs.Million)		EXPENDITURE (Kshs.Million)		% OF EXPENDITURE TO EXCHEQUER ISSUES		ABSORPTION (%)	
	REC	DEV	REC	DEV	REC	DEV	REC	DEV	REC	DEV
Health Service	723.00	196.00	361.50	15.00	357.16	0	98.8%	0	49%	0%
Agriculture, livestock and Fisheries Development	188.12	182.84	93.95	48.60	56.60	49.67	60.2%	102.2%	30%	27%
Tourism, Environment & Natural Resources	39.3	140.35	19.55	21.40	20.25	0	104%	0	52%	0
Labour and Urban Development	91.38	124.2	45.69	9.8	65.93	0	144.3%	0	72.2%	0
Education, Youth , Gender & Social Services	60.37	240.65	30.08	55.00	6.32	0	21%	0	10%	0
Road, Transport, Public Works & Legal affairs	40.75	476.15	19.41	77.62	12.51	81.66	64%	105%	31%	17%
Finance & Economic Planning	140.87	110.95	70.44	8.00	73.75	40.04	105%	501%	52%	36%
Physical Planning, Lands, Housing, Energy & ICT	43.24	195.24	21.48	4.0	8.03	0	37%	0	19%	0
County Executive	174.71	0	87.25	0	97.66	0	112%	0	56%	0
County Assembly	290.03	130.0	90.10	0	104.15	0	115.6%	0	35.9%	0
Trade, Industry & Cooperative Development	39.15	91.2	19.57	0	12.72	0	65%	0	32%	0

Source: *Tharaka Nithi County Treasury*

The County spent Kshs.6.10 million on payment of sitting allowances to the 25 members of the County Assembly against a budgetary allocation of Kshs.29.54 million representing an absorption rate of **20.6 per cent.** Each MCA was paid an average monthly sitting allowance of Kshs.40,662 compared to the SRC recommended amount of Kshs.124,800. Expenditure on domestic and foreign travel amounted to Kshs.41.52 million in the period under review compared to Kshs.41.29 million in a similar period of FY 2013/14.

The breakdown of operations and maintenance expenditure for the period under review is shown in Figure 171.

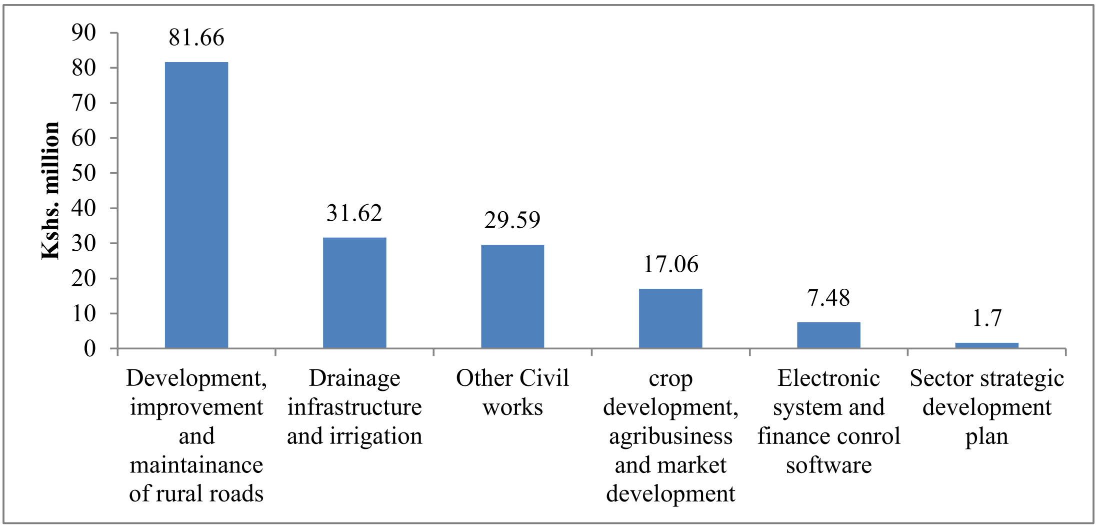
Figure 171: Tharaka Nithi County, Operations and Maintenance Expenditure



Source: *Tharaka Nithi County Treasury*

Analysis of the development expenditure for the period under review of Kshs.171.38 million shows that the County spent Kshs.81.66 million on improvement and maintenance of rural roads, Kshs.17.06 million for crop development, agribusiness and market development,Kshs.29.59 million for other civil work, Kshs.31.62 million for promotion and drainage infrastructure and irrigation within the county, Kshs.7.48 million for electronic system and finance control software and Kshs.1.7 million was spent on sector strategic development plans as shown in Figure 172.

Figure 172: Analysis of Development Expenditure, Tharaka Nithi County



Source: *Tharaka Nithi County Treasury*

The county has implemented some of the recommendations made by OCOB in the previous reports. However, some of the issues such as delay in financial reporting by County Treasury due to inadequate staff capacity and failure to regularly reconcile CRF account against revenue collections are still pending.

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

1. Underperformance of local revenue collection. The county only managed to collect Kshs.57.71 million (23.1 per cent) of the annual local target which might affect funding of the budget.
2. Low absorption of the development funds due to delays in procurement procedures
3. There is delay in posting of expenditure by County Assembly since they are not using IFMIS system.

In order to improve budget execution, the county should consider the following recommendation.

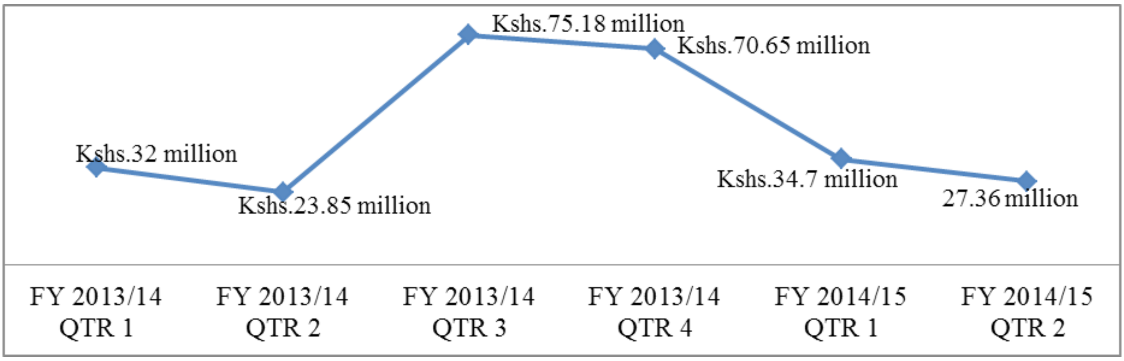
1. *The County should automate the revenue collection centre to seal any leakages. The county is also required to enact County Revenue and finance bill.*
2. *The County should enhance capacity building for the procurement staff.*
3. *The County Assembly should adopt IFMIS system.*

Trans Nzoia County

The Trans Nzoia County Budget Estimates for the FY 2014/15 amounted to Kshs.5.02 billion comprising of Kshs.2.7 billion (53.7 per cent) allocated for recurrent expenditure and Kshs.2.32 billion (46.3 per cent) for development expenditure. The budget is to be financed by the national equitable share of Kshs.4.34 billion (79.7 per cent), local revenue sources of Kshs.670 million (12.3 per cent) and Kshs.429.49 million (8 per cent) as projected cash balance from FY 2013/14.

In the first half of FY 2014/15, the County received Kshs.2.05 billion as the national equitable share of revenue, collected Kshs.62.06 million from local sources, and had Kshs.429.49 million as balance brought forward from FY 2013/14. Local revenue consisted of Kshs.34.7 million generated in the first quarter and Kshs.27.36 million in the second quarter. The local revenue raised in the first half was 9.3 per cent of the annual local revenue target. Figure 173 shows a summary of local revenue by quarter.

Figure 173: Trans Nzoia County Trend of Local Revenue Collection by Quarter



Source: *Trans Nzoia County Treasury*

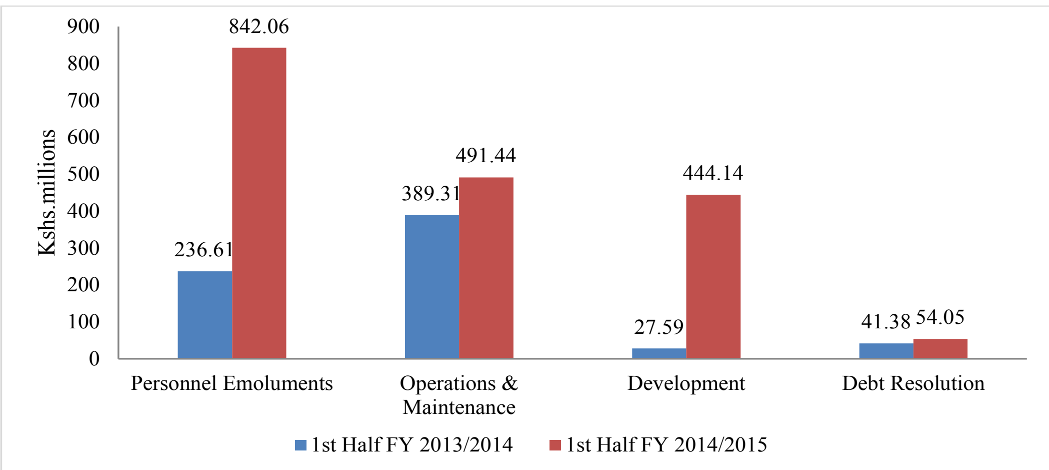
During the period under review the County received exchequer issue of Kshs.1.8 billion, of which Kshs.1.11 billion (61.5 per cent) was for recurrent expenditure while Kshs.692.64 million (38.5 per cent) was for development activities.

In the first half of FY 2014/15, the total expenditure was Kshs.1.83 billion which was 101.8 per cent of the funds released. The expenditure by the County during the period under review was higher than the funds released because it took an overdraft with a commercial bank to finance its operations. This shows lack of proper planning on management of cash flows by the County Treasury. The County spent Kshs.1.39 billion (75.8 per cent) on recurrent activities and Kshs.444.14 million (24.2 per cent) on development activities. Recurrent expenditure was 125.5 per cent of the funds released for recurrent activities while development expenditure accounted for 64.1 per cent of the funds released for development projects. This expenditure does not include outstanding commitments as of December 31, 2014 that amounted to Kshs.11.75 million for recurrent expenditure and Kshs.6.06 million for development activities.

The recurrent expenditure for the period under review represented an absorption rate of **51.5 per cent** of the annual recurrent budget, an increase from an absorption rate of **21.8 per cent** realized in a similar period of FY 2013/14.The development expenditure translated to an absorption rate of **19.1 per cent** of the annual development budget, an improvement from absorption rate of **2 per cent** recorded in the similar period last financial year.

Analysis of the recurrent expenditure shows that the County spent Kshs.842.06 million on personnel emoluments which translates to 60.7 per cent of the total recurrent expenditure, Kshs.491.44 million on operations and maintenance expenditure which is 35.4 per cent of the total recurrent expenditure for the period under review and Kshs.54.05 million on debt resolution expenditure or 3.9 per cent of the total recurrent expenditure. A comparison of the total expenditure between the period under review and first half of FY 2013/14 is shown in Figure 174.

Figure 174: Trans Nzoia County, FY 2014/15 Expenditure by Economic Classification



Source: *Trans Nzoia County Treasury*

Analysis of expenditure by department shows that the department of Health had the highest absorption rate of development annual budget at 52.3 per cent while department of Gender, Youth, sports, Culture and Trade had the lowest absorption rate at 4.7 per cent. The expenditure of various departments is summarised below in Table 44.

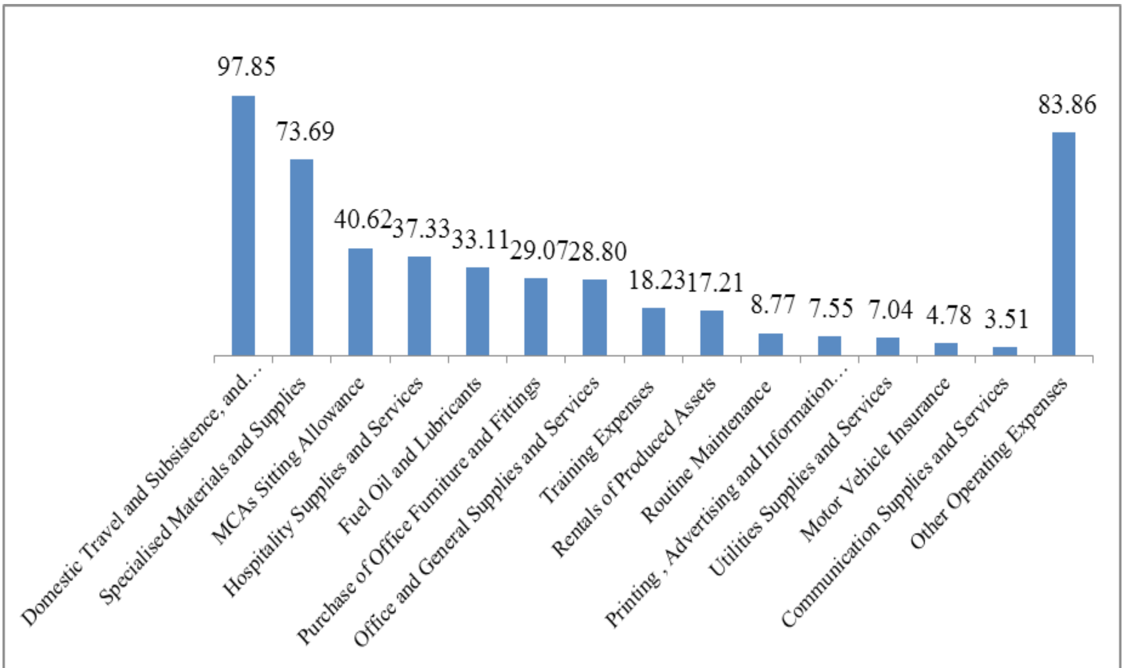
Table 44 : Trans Nzoia County, FY 2014/15 Budget and Expenditure by Department for the First Half of FY 2014/15

DEPARTMENT	BUDGET ALLOCATION		EXCHEQUER ISSUES (Kshs. Million)		EXPENDITURE (Kshs. million)		% of EXPENDITURE TO EXCHEQUER ISSUES		EXPENDITURE TO ANNUAL BUDGET (Absorption rate %)	
	REC	DEV	REC	DEV	REC	DEV	REC	DEV	REC	DEV
Health	873.19	216	294.15	100	494.66	113	168.2	113	56.6	52.3
Agriculture, livestock and fisheries	232.62	188.38	175.85	51.26	106.7	18.05	60.7	35.2	45.9	9.6
Water, Energy, Environment, Forestry & Natural Resources	66.91	322.29	30.49	128.93	28.74	72.57	94.3	56.3	43	22.5
Education	63.73	236	29.41	30	16.41	49.01	55.8	163.4	25.7	20.8
Public Works, Transport & Infrastructure	156.53	458.66	78.27	154.15	73.45	84.98	93.8	55.1	46.9	18.5
Physical Planning, Lands & Housing	21.71	142.73	10.08	49.76	12.68	13.5	125.8	27.1	58.4	9.5
Finance, Economic Planning, commerce & industry	366.31	201.71	160.64	67.85	171.83	10.84	107	16	46.9	5.4
Governance and Public Service Management	319.63	297.61	156.26	76.44	202.82	74.16	129.8	97	63.5	24.9
County Assembly	552.51	90	149.34	-	266.36	-	178.4	0	48.2	0
Gender, youth, sports, culture & Tourism	42.81	171.47	21.41	34.26	13.91	8.03	65	23.4	4.7	4.7

Source: *Trans Nzoia County Treasury*

The County spent Kshs.40.62 million on payment of sitting allowances to the 38 members of the County Assembly against a budgetary allocation of Kshs.74.13 million representing an absorption rate of 54.8 per cent. Expenditure on domestic and foreign travel amounted to Kshs.97.85 million in the period under review of FY 2014/15 compared to Kshs.68.43 million in the similar period of FY 2013/14. The breakdown of operations and maintenance expenditure for the period under review is shown in Figure 175.

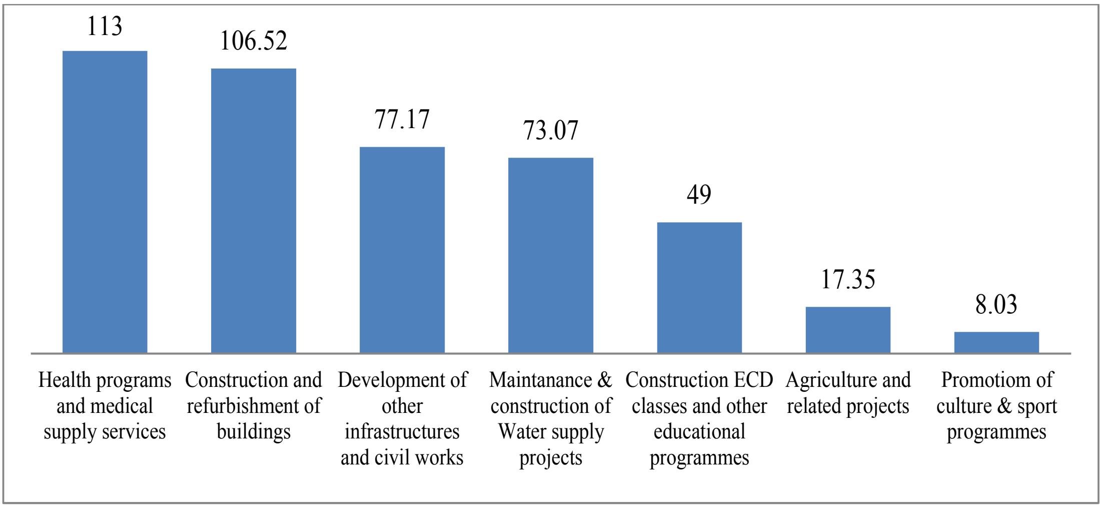
Figure 175: Trans Nzoia County FY 2014/15 Half Year Operations and Maintenance Expenditure (Kshs. Millions)



Source: *Trans Nzoia County Treasury*

Analysis of the development expenditure for the FY 2014/15 shows that the County spent Kshs.113 million on health programmes and medical supplies,Kshs.106.52 million on construction and refurbishment of buildings,Kshs.77.17 million on development of infrastructure and other civil works, Kshs.73.07 million on maintenance and construction of water supply and water related projects, Kshs.49 million on construction of ECD classrooms and other educational programmes, Kshs.17.35 million on agriculture and related projects and Kshs.8.03 million on promotion of culture and sports programmes. (See Figure 176).

Figure 176: Trans Nzoia County Analysis of Development Expenditure (Kshs. Millions)



Source: *Trans Nzoia County Treasury*

In the previous CBIRRs, the office made a number of recommendations to address the challenges facing budget execution in the County. A number of these recommendations have been addressed.

However, the challenges that continued to hamper effective budget implementation in the reporting period were as follows:

1. Underperformance in revenue collection.
2. Delay in submission of financial reports.
3. Intermittent use of the IFMIS system.
4. Irregular diversion of funds between development and recurrent allocations.
5. Lack of an Audit Committee contrary to Section 155(5) of the PFM Act,2012
6. Low absorption of development funds.
7. Weak financial controls and planning which led to entities spending more funds than requisitioned and approved by the COB during the period under review.
8. Borrowing without seeking the necessary Constitutional requirements.

The County should consider the following recommendations in order to improve budget execution.

1. *Enhance efforts in local revenue collection.*

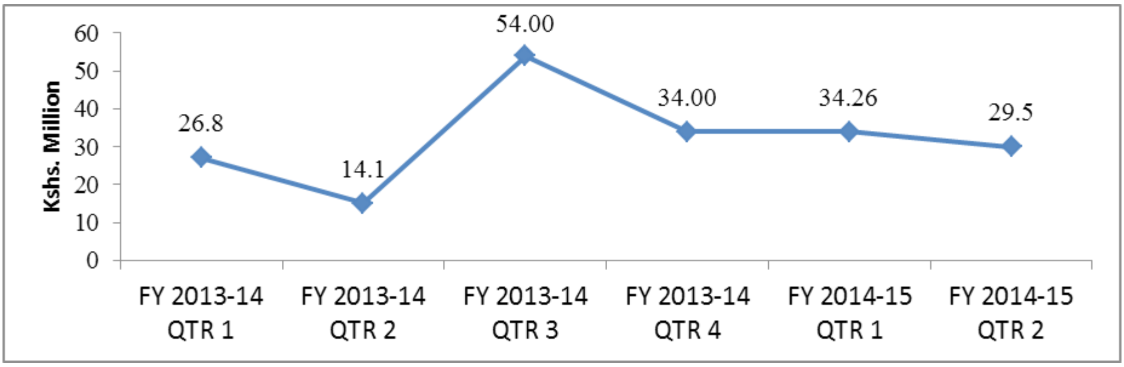
2. *The County Treasury should ensure that financial reports and submitted in a timely manner.*
3. *The County Treasury should consistently use IFMIS in all financial transactions.*
4. *Establish an Internal Audit Committee as per section 155(5) of the PFM Act, 2012 to enhance prudent public Financial Management.*
5. *Institute appropriate measures to improve absorption of development funds.*
6. *The County Treasury should ensure regular reconciliation of exchequer issues against actual expenditure to avoid over expenditure.*
7. *Ensure all borrowings are guaranteed by the National Treasury and should comply with Article 212 of the Constitution.*

Turkana County

The Turkana County Budget Estimates for the FY 2014/15 amounted to 12.99 billion comprising of Kshs.4.05 billion (31.1 per cent) for recurrent expenditure and Kshs.8.95 billion (68.9 per cent) for development expenditure. The budget is to be financed by the national equitable share of Kshs.8.92 billion (67.0 per cent), local revenue sources of Kshs.500 million (3.8 per cent), donor projects, including DANIDA grant of Kshs.55.88 million (0.4 per cent) and Kshs.3.84 billion (28.8 per cent) as projected cash balance from FY 2013/14.

In the first half of FY 2014/15, the County received Kshs.2.66 billion as equitable share, raised Kshs.63.79 million from local sources and had Kshs.3.57 billion as cash balance brought forward from FY 2013/14. The local revenue of Kshs.63.79 million raised in the first half of FY 2014/15 was 12.8 per cent of the annual local revenue target, an improvement from Kshs.40.9 million collected in the same period of FY 2013/14. Figure 177 shows a summary of local revenue by quarter.

Figure 177: Turkana County Trend in Local Revenue Collection by Quarter



***Source:** Turkana County Treasury*

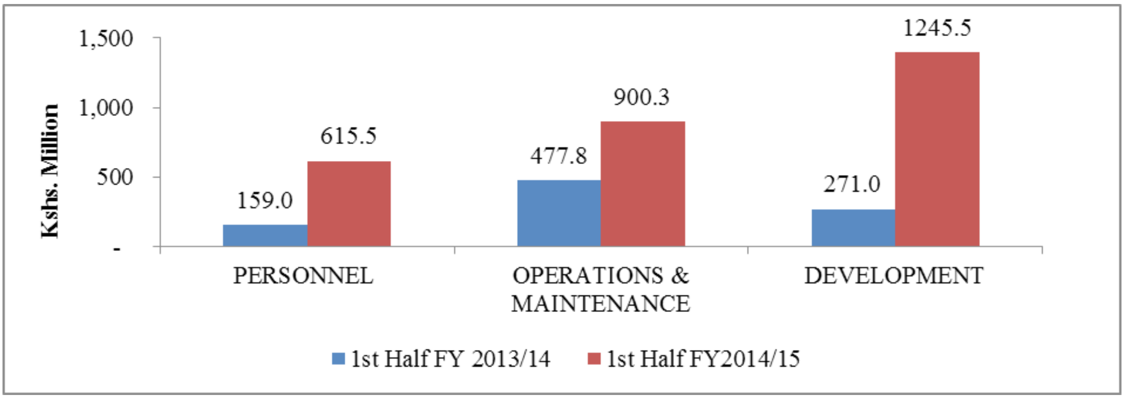
Funds released to the county during the period under review amounted to Kshs.6.34 billion, of which Kshs.1.99 billion (31.3 per cent) was for recurrent expenditure and Kshs.4.36 billion (68.7 per cent) was for development activities.

The total expenditure for the period under review was Kshs.2.76 billion which was 43.5 per cent of the funds released and an increase from the Kshs.1.2 billion spent in the same period in FY 2013/14. The County spent Kshs.1.52 billion (54.9 per cent) on recurrent activities and Kshs.1.25 billion (45.1 per cent) on development activities. Recurrent expenditure was 76.3 per cent of the funds released for recurrent activities while development expenditure accounted for 28.6 per cent of the funds released for development activities. This expenditure does not include outstanding commitments as of December 31, 2014 that amounted to Kshs.0.93 million for recurrent expenditure. There were no outstanding commitments for development activities.

The recurrent expenditure for the period under review represented an absorption rate of 37.5 per cent of the annual recurrent budget, an increase from an absorption rate of 16 per cent realized in the same period in FY 2013/14. The development expenditure translated to an absorption rate of 13.9 per cent of the annual development budget, an improvement from absorption rate of **7** per cent recorded in the same period last financial year.

Analysis of the recurrent expenditure shows that the county spent Kshs. 615.47 million on personnel emoluments which translates to 40.6 per cent of the total recurrent expenditure and Kshs.900.27 million on operations and maintenance expenditure which is 59.4 per cent of the total recurrent expenditure for the year. A comparison of the total expenditure between the period under review and the same period last financial year is shown in Figure 178.

Figure 178: Turkana County First Half Expenditure



Source: *Turkana County Treasury*

Analysis of expenditure by department shows that the County Assembly had the highest absorption of development funds at 64 per cent while the Department of Physical Planning, Lands & Housing while the Department of Public Service Management and Disaster Management had the highest absorption of recurrent funds at 105.6 per cent. The expenditure of various departments is summarised below in Table 45 .

Table 45 : Turkana County, FY 2014/15 Budget and Expenditure by Department for the First Half of FY 2014/15

DEPART-MENT	BUDGET ALLOCATION (Kshs. Million)		EXCHEQUER ISSUES (Kshs. Million)		EXPENDITURE (Kshs. Million)		EXPENDITURE TO EXCHEQUER ISSUES (%)		EXPENDITURE TO ANNUAL BUDGET (ABSORPTION %)	
	REC	DEV	REC	DEV	REC	DEV	REC	DEV	REC	DEV
Health	916	1210	458	605	76	124	16.59	20.50	8.3%	10.2%
Water Irrigation and Agriculture	160	969	137	484	19.5	133	14.23	27.48	12.2%	13.7%
Energy Environment and Natural Resources	110	361	55	181	17	15	30.91	8.29	15.5%	4.2%
Education, Youth Affairs, Sports, Culture & Social Services	204	1284	180	642	12	146	6.67	22.74	5.9%	11.4%

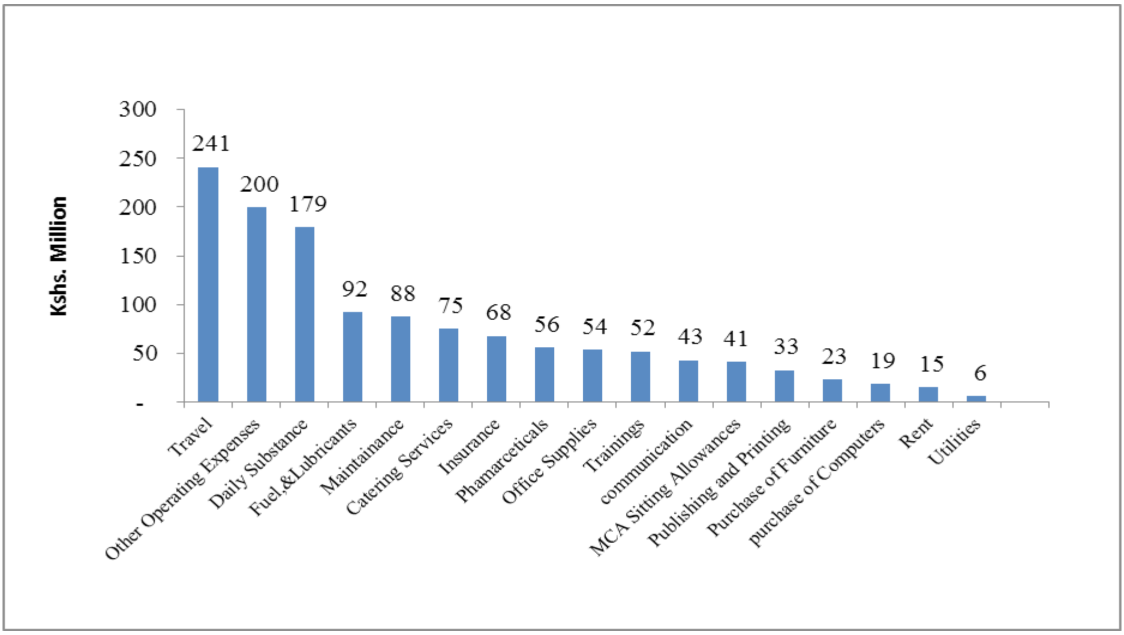
DEPART-MENT	BUDGET ALLOCATION (Kshs. Million)		EXCHEQUER ISSUES (Kshs. Million)		EXPENDITURE (Kshs. Million)		EXPENDITURE TO EXCHEQUER ISSUES (%)		EXPENDITURE TO ANNUAL BUDGET (ABSORPTION %)	
	REC	DEV	REC	DEV	REC	DEV	REC	DEV	REC	DEV
Public Works, Transport & Infrastructure	97	1063	46	533	24	170	52.17	31.89	24.7%	16.0%
Physical Planning, Lands & Housing	100	453	67	226	24	16	35.82	7.08	24.0%	3.5%
Finance & Economic Planning	405	946	203	473	74	182	36.45	38.48	18.3%	19.2%
Public Service Management and disaster mgmt.	501	876	250	438	529	203	211.60	46.35	105.6%	23.2%
County Executive	420	459	158	229	73	129	46.20	28	17.4%	28.1%
County Assembly	967	235	300		396	150	132.00	56.33	41.0%	63.8%
Trade, Industrialization, Tourism, Wildlife & Cooperative Development	82	447	45	224	24	24	53.33	10.71	29.3%	5.4%
Pastoral and Fisheries	87	644	88	322	17	103	19.32	31.99	19.5%	16.0%

Source: *Turkana County Treasury*

The County spent Kshs.41.39 million on payment of sitting allowances to the 47 members of the County Assembly representing an absorption rate of 413.9 per cent of the annual budget. Each MCA was paid an average monthly sitting allowance of Kshs.143,722 compared to the SRC recommended amount of Kshs.124,800. Expenditure on domestic and foreign travel amounted to Kshs.241.87 million, of which Kshs.158.72 million was spent by the County Executive and Kshs.83.14 million by the County Assembly in the period under review compared to Kshs.27.21 million in a similar period in FY 2013/14

The breakdown of operations and maintenance expenditure for the period under review is shown in Figure 179.

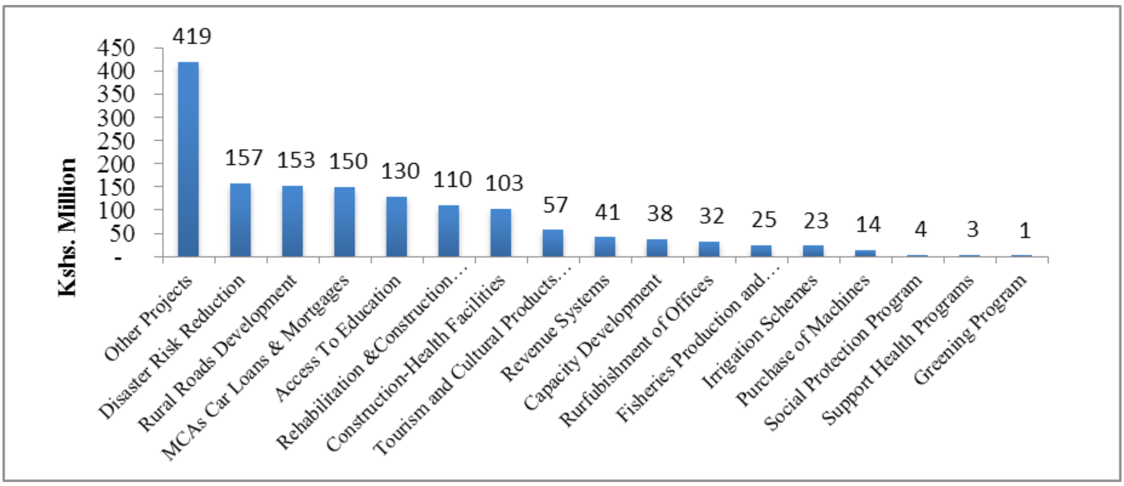
Figure 179: Turkana County, FY 2014/15 Half Year Operations and Maintenance Expenditure



Source: *Turkana County Treasury*

Analysis of the development expenditure shows that the County spent Kshs.419 million on other projects, Kshs.157 million on disaster risk reduction, Kshs.153 million on development and maintenance of access roads, Kshs.150 million on MCAs car loans and mortgages, Kshs.130 million on access to education among other development activities as shown in Figure 180.

Figure 180: Turkana County FY 2014/15 Analysis of Development Expenditure



Source: *Turkana County Treasury*

During the period under review, there was some improvement in budget implementation and public financial management. The county has: (i) Employed the necessary staff through the county public service board to facilitate budget implementation, (ii) put procurement plans in place to facilitate budget implementation in FY 2014/15 (iii) recorded improvement in local revenue collections compared to same period last financial year.

However, there were challenges that continued to hamper effective budget implementation in the reporting period as follows:

1. Setting unrealistic local revenue target to finance the FY 2014/15 budget. The county had estimated to collect Kshs.500 million from local sources but has managed to collect Kshs.34 million in the six months.
2. Delays in submitting expenditures to OCOB which has affected timely preparation of the CBIRR.
3. Low absorption of development funds which currently stands at 13.9 per cent of the annual development budget.

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

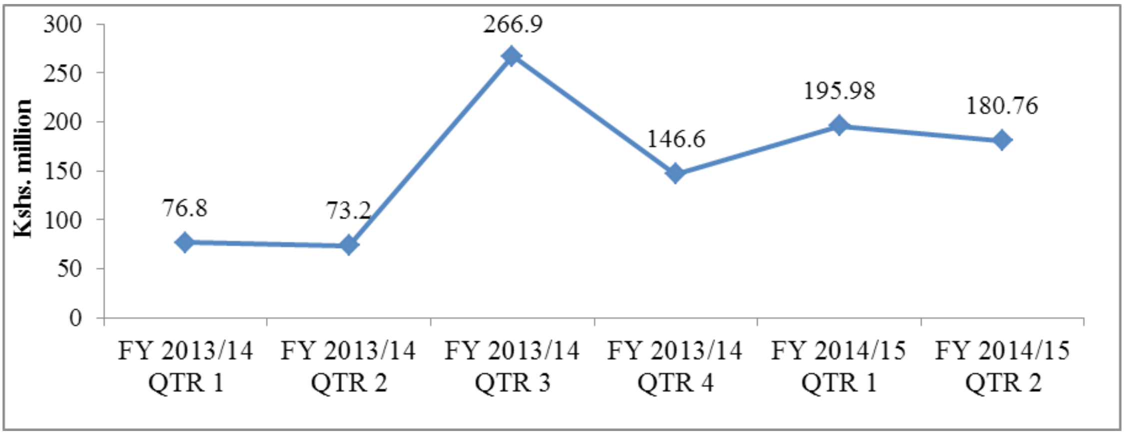
1. *Set realistic local revenue target and strengthen the revenue collection framework to meet set targets and finance all the planned activities.*
2. *Submit expenditure reports in time to allow adequate time for preparation of CBIRR.*
3. *Strengthen the existing structures to improve implementation of development activities.*

Uasin Gishu County

The approved Uasin Gishu county budget for the FY 2014/15 is Kshs.7.12 billion comprising of Kshs.3.70 billion (52 per cent) allocated for recurrent expenditure and Kshs.3.42 billion (48 per cent) for development expenditure. This budget will be financed by Kshs.4.42 billion (62.1 per cent) from the national equitable share, Kshs.1.19 billion (16.8 per cent) from local revenue sources, Kshs.14.95 million (0.2 per cent) from conditional DANIDA grants and Kshs.1.49 billion (21.0 per cent) being balance brought forward from FY 2013/14.

During the half year quarter of FY 2014/15, the County received Kshs.1.32 billion as the national equitable share of revenue, raised Kshs.376.74 million from local sources and had Kshs.1.49 billion as balance brought forward from FY 2013/14. Local revenue consisted of Kshs.195.98 million generated in the first quarter and Kshs.180.76 million in the second quarter. The local revenue raised in the first half of FY 2014/15 of Kshs.376.74 million was 16.4 per cent of the annual local revenue target, an improvement from Kshs.150.00 million (8.9 per cent of the annual local revenue target for FY 2013/14) collected in the similar period of FY 2013/14. Figure 181 shows the trend of local revenue collection by quarter.

Figure 181: Uasin Gishu County, Trend of Local revenue Collection by Quarter



Source: *Uasin Gishu County Treasury*

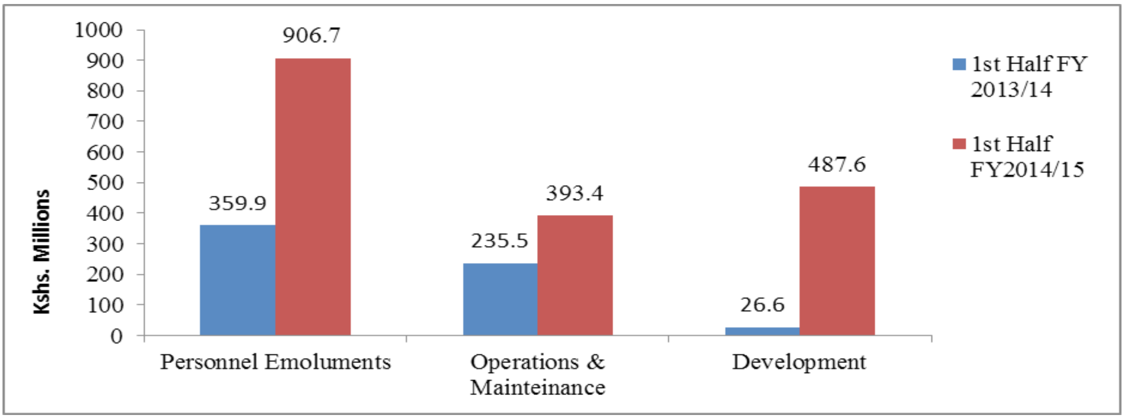
During the period under review the County received exchequer issues of Kshs.2.63 billion, of which Kshs.1.68 billion (63.8 per cent) was for recurrent expenditure and Kshs.950.41 million (36.2 per cent) was for development activities.

The total expenditure for the first half of FY 2014/15 was Kshs.1.79 billion which was 68.0 per cent of the total funds released and an improvement from the Kshs.622 million spent in the similar period of FY 2013/14. The County spent Kshs.1.30 billion (72.7 per cent) on recurrent activities and Kshs.487.56 million (27.3 per cent) on development activities. Recurrent expenditure was 77.5 per cent of the funds released while development expenditure accounted for 51.3 per cent. This expenditure does not include outstanding commitments as of December 31, 2014 that amounted to Kshs.199.14 million for recurrent expenditure and Kshs.0.10 million for development activities.

The recurrent expenditure for the period under review represented an absorption rate of **35.1 per cent** of the annual recurrent budget, an increase from an absorption rate of **8 per cent** realized in the similar period of FY 2013/14. Development expenditure translated to an absorption rate of **14.3 per cent** of the annual development budget, an improvement from absorption rate of 2.01 per cent recorded in the similar period last financial year.

Analysis of the recurrent expenditure of Kshs.1.30 billion shows that the County spent Kshs.906.70 million on personnel emoluments which represents **69.7 per cent** of the total recurrent expenditure and Kshs.393.37 million on operations and maintenance expenditure which is 30.3 per cent of the total recurrent expenditure for the first half of FY 2014/15. A comparison of the total expenditure between the period under review and the similar period last financial year is shown in Figure 182.

Figure 182: Uasin Gishu County, FY 2014/15 First Half Expenditure by Economic Classification



Source: *Uasin Gishu County Treasury*

Analysis of expenditure by department shows that ICT and E-Government department had the highest absorption rate of its annual development budget at 36.3 per cent while the following departments; Governor's Office, Finance and Economic Planning, Public Service Management, Water, Environment, Energy and Natural Resources, Trade, Cooperatives, Tourism and Wildlife and County Assembly did not spend any funds on development activities. The expenditure of various sectors is summarised below in Table 46.

Table 46: Uasin Gishu County FY 2014/15 Budget and Expenditure by Department for the First Half of FY 2014/15

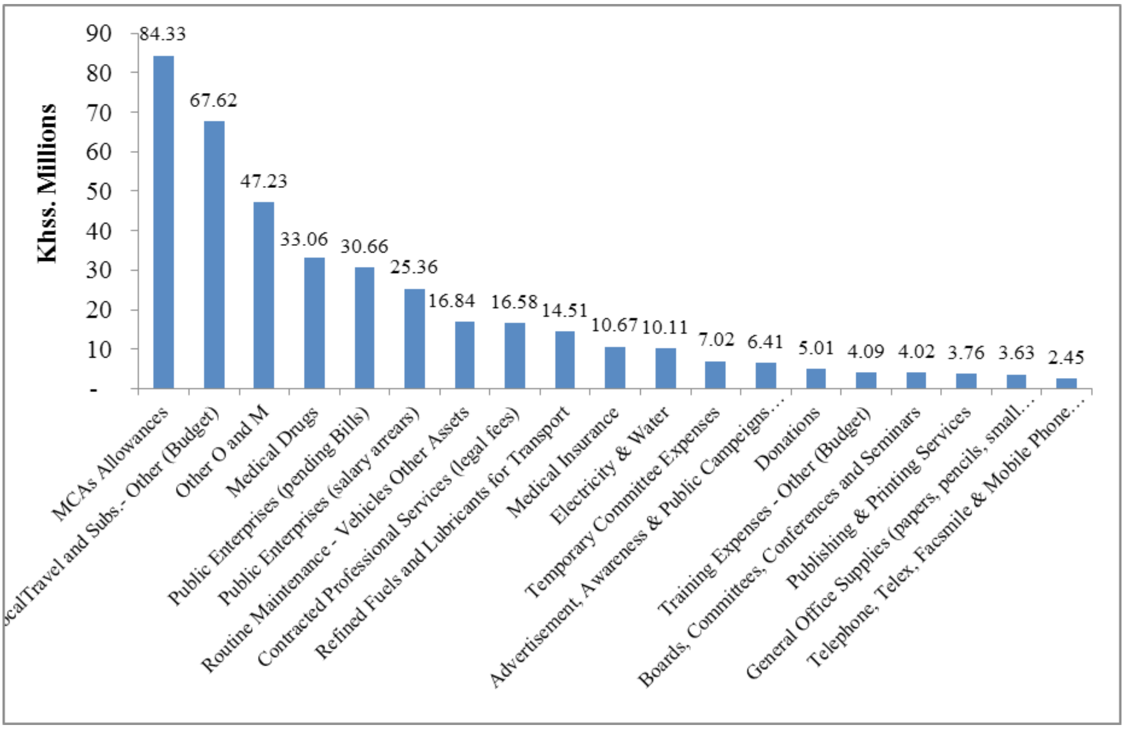
DEPARTMENT	BUDGET ALLOCATION (Kshs million)		EXCHEQUER ISSUES (Kshs million)		EXPENDITURE (Kshs million)		Expenditure to Exchequer issues		EXPENDITURE TO ANNUAL BUDGET (Absorption Rate %)	
	REC	DEV	REC	DEV	REC	DEV	REC	DEV	REC	DEV
Governor's Office	102.19	10	54.1		23.58		43.60%		23.10%	0.00%
Finance and Economic Planning	447.08	153.32	146.84	5	160.04		109.00%	0%	35.80%	0.00%
Public service Management	402.79	59.96	172.75	5	190.35		110.20%	0%	47.30%	0.00%
ICT and E-Government	33.98	140.56	15.95	51.95	3054.83	51	19.10%	98%	9.00%	36.30%
Roads, Transport and Infrastructure	270.11	1,538.45	162.74	569.97	129.57	201.36	79.60%	35%	48.00%	13.10%
Lands, Housing and physical planning	145.31	107.37	74.05	14.78	3.12	14.52	4.20%	98%	2.10%	13.50%
Water, Environment, Energy and Natural Resources	204.14	214.81	95.62	101.55	13.76	-	14.40%	0%	6.70%	0.00%
Health Services	795.83	316.88	400.92	92.3	328.82	88.33	82.00%	96%	41.30%	27.90%
Agriculture, Livestock and Fisheries	349.39	216.77	182.32	70.69	157.19	45.07	86.20%	64%	45.00%	20.80%
Trade, Cooperatives, Tourism and Wildlife	82.2	151.29	39.53	-	9.53		24.10%		11.60%	0.00%
Education, Social Cultural, Youth and Sports	25.04	434.11	139.94	26.66	89.8	87.27	64.20%	327%	34.70%	20.10%
County Public Service Board	34.87	3.73	19.65		3.48		17.70%		10.00%	0.00%
County Assembly	577.2	68.,50	166.3	12.5	187.76	-	112.90%	0%	32.50%	0.00%

Source: *Uasin Gishu County Treasury*

The County spent Kshs.84.33 million on payment of sitting allowances to the 45 members of the County Assembly representing an absorption rate of 52.9 per cent of the annual budget of Kshs.159.31 million allocated for MCAs' sitting allowance. Each MCA was paid an average monthly sitting allowance of Kshs.312,339 compared to the SRC recommended amount of Kshs.124,800. Expenditure on domestic and foreign travel for both the Assembly and the Executive amounted to Kshs.67.62 million in the period under review of FY 2014/15 compared to a budget of KShs.189 million.

The breakdown of operations and maintenance expenditure for the period under review is shown in Figure 183.

Figure 183: Uasin Gishu County FY 2014/15 Half Year Operations and Maintenance expenditure (Kshs. Millions)

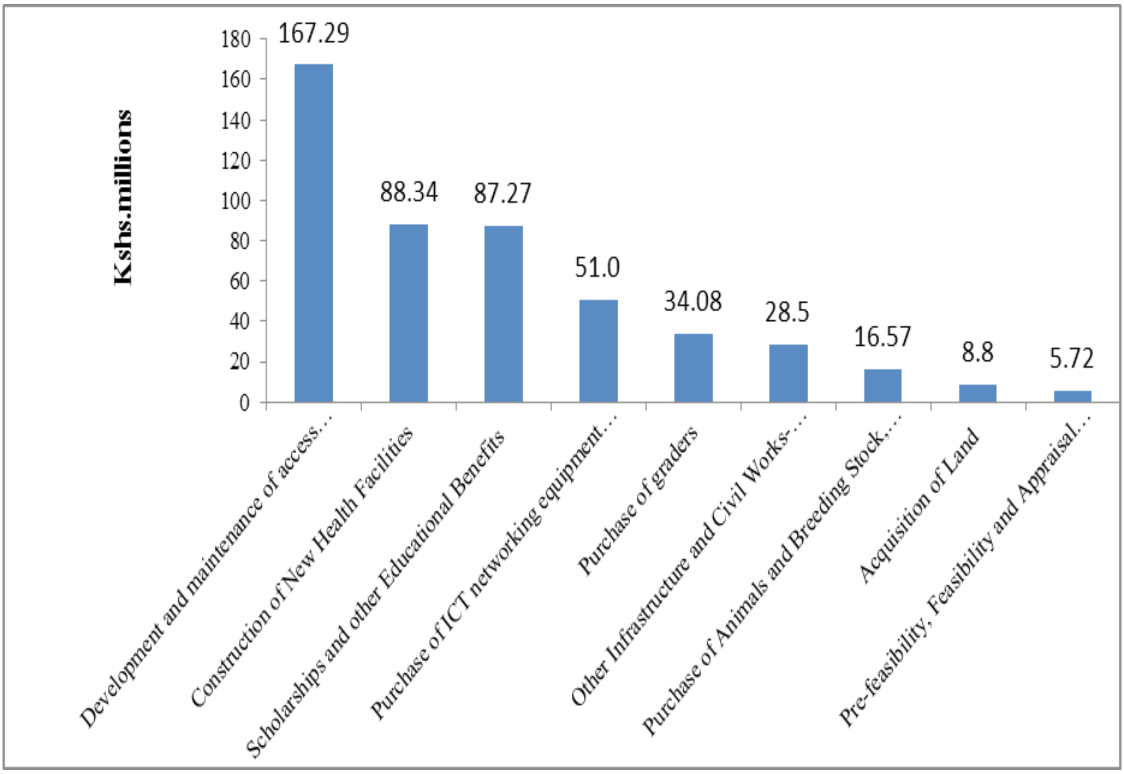


Source: *Uasin Gishu County Treasury*

Analysis of the development expenditure for the period under review shows that the County spent Kshs.167.29 million on development and maintenance of access roads, Kshs.34.08 million on the purchase of graders; Kshs.51.0 million on purchase of ICT networking equipment and on the purchase of software; Kshs.16.57 million on the Purchase of Animals and Breeding Stock, certified seeds for livestock feeds; Kshs.28.50 million on Other Infrastructure and Civil Works- Cattle dip renovation; Kshs.88.34

million on Construction of New Health Facilities; Kshs.5.72 million on Pre-feasibility, Feasibility and Appraisal Studies; Kshs.8.80 million Acquisition of Land and Kshs.87.27 million on Scholarships and other Educational Benefits - Secondary Education as shown in Figure 184.

Figure 184: Uasin Gishu County, half year analysis of Development Expenditure



Source: *Uasin Gishu County Treasury*

In the previous CBIRRs, the office made some recommendations to address the challenges facing budget execution in the County. A number of these recommendations have been implemented.

However, there were challenges that continued to hamper effective budget implementation in the reporting period as follows:

1. Low absorption of development funds.
2. Issuance of imprest to staff with outstanding/unaccounted imprest.
3. Weak internal audit function.
4. Lack of adequate office space which has hampered effective service delivery.
5. Implementation of the Bursary Fund without the necessary regulations/guidelines

required to operationalize the fund. This is contrary to Section 116 of the PFM Act, 2012.

6. Delays in submitting key policy documents guiding the budgetary process such as the Annual Development Plan, Budget Review and Outlook Paper and Revenue Bills may affect effective budget preparation and thereafter its execution.
7. Underperformance of local revenue collections. Local revenue raised amounts to Kshs.195 million which is only 11 per cent of the annual local revenue target.
8. Borrowing funds from private financial institutions without following the due process and seeking the approval of the necessary institutions as provided for in Article 212 of the Constitution.
9. Delays in submitting expenditure returns to OCOB coupled with frequent withdrawal of already submitted returns for new updated returns, raising concerns on the credibility of the expenditure reports submitted.

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

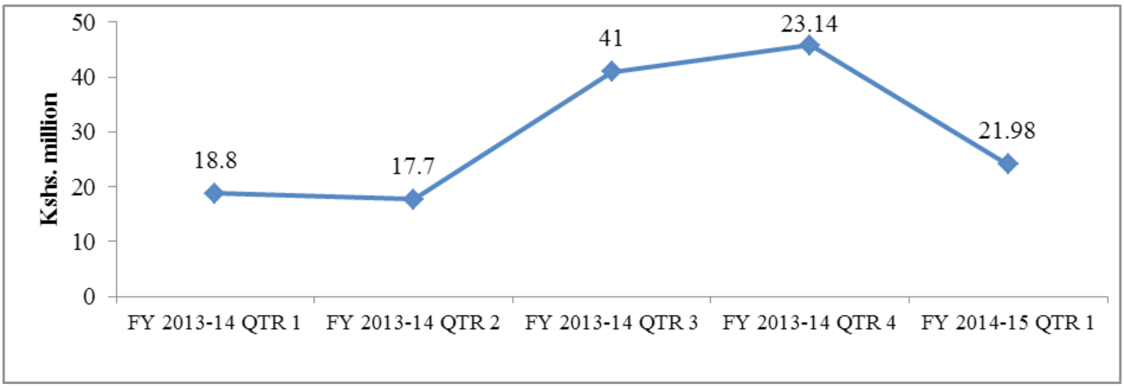
1. *The County should develop strategies to enhance implementation of development projects.*
2. *All long outstanding imprest should be recovered from the payroll.*
3. *The County Treasury should strengthen the internal audit function.*
4. *Ensure there is adequate working space for staff to perform their duties effectively.*
5. *Ensure the necessary regulations/guidelines are enacted to operationalize the Bursary Fund as required by Section 116 of the PFM Act, 2012.*
6. *Ensure strict adherence to the budget timeliness as provided for in the law.*
7. *Put sound measures including automation of local revenue collection to boost local revenue performance.*
8. *Seek approval from National Treasury before borrowing.*
9. *Build capacity of staff in public finance operations and management.*

Vihiga County

The Vihiga County Budget Estimates for the FY 2014/15 were revised upwards in November 2014 to Kshs.4.76 billion comprising of Kshs.2.54 billion (53.4 per cent) for recurrent expenditure and Kshs.2.22 billion (46.6 per cent) for development expenditure. The budget is to be financed by the national equitable share of Kshs.3.38 billion (70.9 per cent), Kshs.377.74 million (7.9 per cent) from local revenue sources, Kshs.573.44 million (12.0 per cent) as projected cash balance from FY 2013/14, Kshs.23.70 million (0.5 per cent) from donors (DANIDA) and Kshs.410.46 million (8.6 per cent) as additional conditional grants from the national government.

In the first half of FY 2014/15, the county received Kshs.1.56 billion as national shareable revenue and raised Kshs.45.12 million from local sources. The county collected Kshs.23.14 million in the first quarter and Kshs.21.98 million in the second quarter. The local revenue of Kshs.45.12 million raised in the first half of FY 2014/15 was 12 per cent of the annual local revenue target, an improvement from Kshs.36.5 million collected in the same period of FY 2013/14. Figure 185 shows the trend of local revenue collection by quarter.

Figure 185: Vihiga County Trend of Local Revenue Collection by Quarter



Source: *Vihiga County Treasury*

Funds released to the county during period under review amounted to Kshs.1.88 billion, of which Kshs.1.24 billion (65.8 per cent) was for recurrent expenditure and Kshs.643.86 million (34.2 per cent) was for development activities.

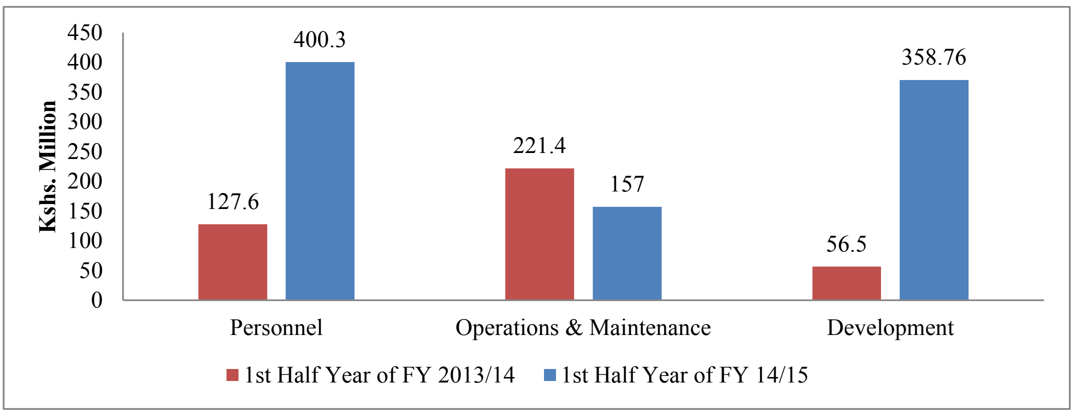
The total expenditure for the first half of FY 2014/15 was Kshs.915.99 million which was 48.7 per cent of the total funds released and an increase from the Kshs.405.4

million spent in the same period of FY 2013/14. The County spent Kshs.557.22 million (60.8 per cent) on recurrent activities and Kshs.358.76 million (39.2 per cent) on development activities. Recurrent expenditure was 45.0 per cent of the funds released while development expenditure accounted for 55.7 per cent. This expenditure does not include outstanding commitments as of December 31, 2014 that amounted to Kshs.65.16 million for recurrent expenditure and Kshs.72.23 million for development activities.

Recurrent expenditure for the period under review represented an absorption rate of 21.9 per cent of the annual recurrent budget, an increase from an absorption rate of 6.6 per cent realized in the same period of FY 2013/14. Development expenditure translated to an absorption rate of 16.2 per cent of the annual development budget, an improvement compared to the same period in FY 2013/14 when the County spent Ksh.56.5 million which was 5.7 per cent of funds on development activities.

Analysis of the recurrent expenditure of Kshs.557.22 million shows that the county spent Kshs.400.26 million on personnel emoluments which represents 71.8 per cent of the total recurrent expenditure and Kshs.156.97 million on operations and maintenance expenditure which is 28.2 per cent of the total recurrent expenditure for the first half of FY 2014/15. A comparison of the total expenditure between the period under review and the same period last financial year is shown in Figure 186 below.

Figure 186: Vihiga County First Half Expenditure by Economic Classification



Source: *Vihiga County Treasury*

Analysis of expenditure by department shows that the Department of Agriculture had the highest absorption of development funds at 41.6 per cent while County Assembly had the highest absorption of recurrent funds at 41.3 per cent. The expenditure of various departments is summarised below in Table 47.

Table 47 : Vihiga County, FY 2014/15 Budget and Expenditure by Department for the First Half of FY 2014/15

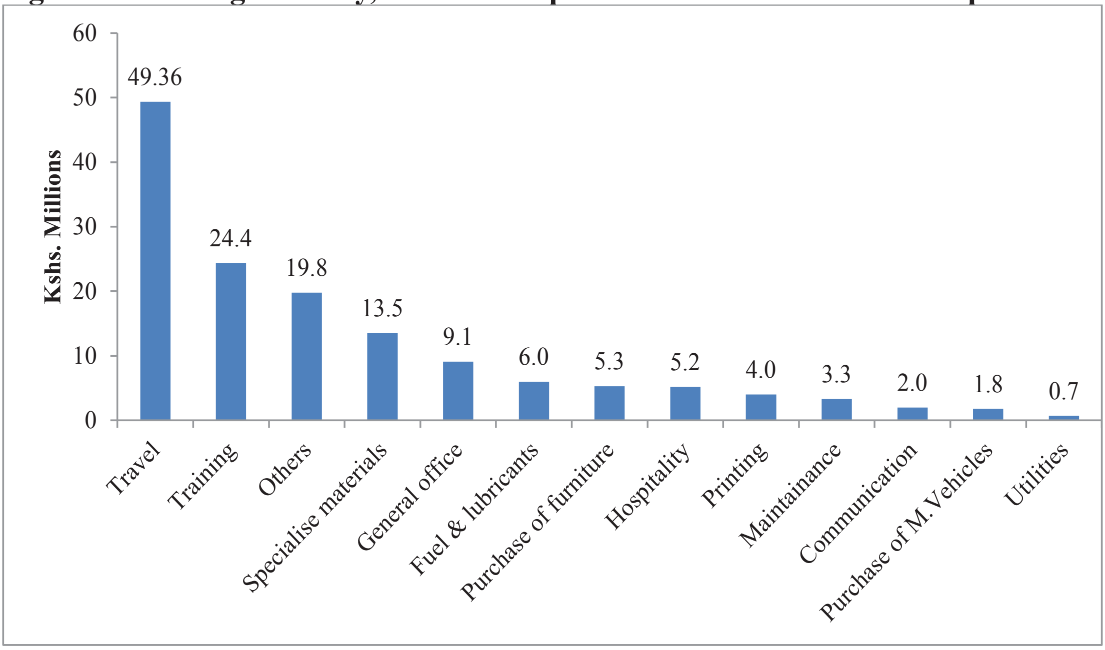
DEPARTMENT	BUDGET ALLOCATION (Kshs. Million)		EXCHEQUER ISSUES (Kshs. Million)		EXPENDITURE (Kshs.Million)		% OF EXPENDITURE TO EXCHEQUER ISSUES		ABSORPTION (%)	
	REC	DEV	REC	DEV	REC	DEV	REC	DEV	REC	DEV
Agriculture	141.24	86.19	92.78	44.5	33.3	35.8	35.8	81	23.6	41.6
Lands Housing	25.43	138.0	19.78	22.9	4.7	1.6	23.8	5	18.5	1.2
Transport, infrastructure	113.14	682.1	66.97	220.39	8.3	175.5	12.4	80	7.4	25.7
Trade, Industry, tourism	32.85	131.6	26.0	61.05	7.3	5	28	82	22.1	3.8
Health services	755.81	136.0	334.19	61.25	163	24.6	48.8	40	21.6	18.1
Education, science	96.59	256.2	62.13	89.25	12	35.1	19.2	39	12.4	13.7
County Executive	255.52	212.89	155.44	3.00	91.7	24.5	58.9	816	35.8	11.5
County Assembly	295.56	223.00	143.30	62.50	121.9	27.7	85.1	44	41.3	12.4
County Treasury	207.38	147.84	56.0	28.5	11.5	11.5	0	0	5.5	7.7
County Public S.B	83.03	0	48.48	0	11.5	0	23.7	0	13.9	0
Public Service & Admin	424.64	3.5	180.8	0	78.3	0	43.3	0	18.4	0
Gender, Youth & Sports	74.3	51.5	32.37	22.71	6.7	3	20.8	11	9.0	5.8
Environment, water	36.72	152.41	20.83	70.75	7.2	26	34.7	37	19.6	17.1

Source: *Vihiga County Treasury*

The County spent Kshs.2.93 million on payment of sitting allowances to the 40 members of the County Assembly representing an absorption rate of 2.3 per cent of the annual budget. Each MCA was paid an average monthly sitting allowance of Kshs.12,225 compared to the SRC recommended amount of Kshs.124,800. Expenditure on domestic and foreign travel amounted to Kshs.49.36 million, consisting of Kshs.8.12 million for the County Executive and Kshs.41.23 million for the County Assembly in the reporting period compared to Kshs.54.2 million in a similar period of FY 2013/14.

The breakdown of operations and maintenance expenditure for the period under review is shown in Figure 187.

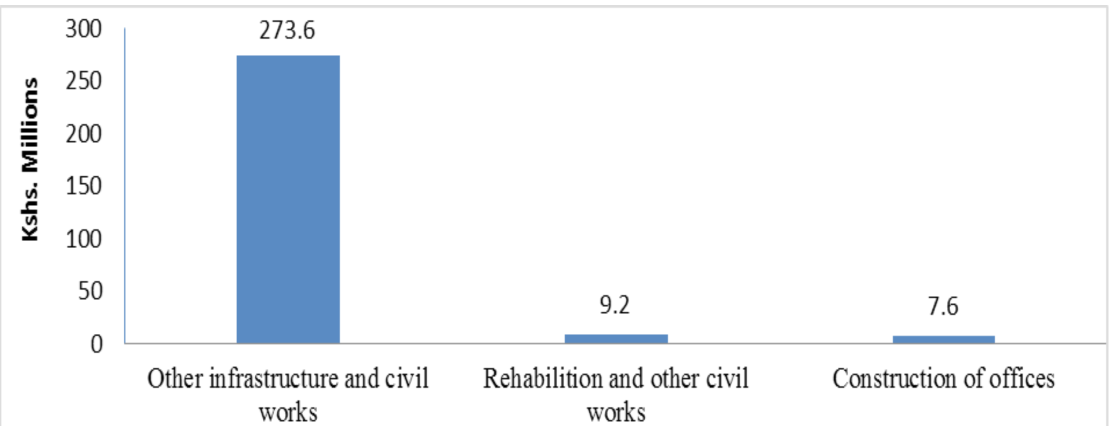
Figure 187: Vihiga County, Half Year Operations and Maintenance Expenditure



Source: *Vihiga County Treasury*

Analysis of the development expenditure for the period under review of Kshs.358.8 million shows that the County spent Kshs.9.2 million on rehabilitation and other civil works, Kshs.76 million on construction and refurbishment of buildings and Kshs.273.6 million on development of other infrastructure and civil works as shown in Figure 188.

Figure 188: Vihiga County, Half Year analysis of Development Expenditure



Source: *Vihiga County Treasury*

In the previous CBIRRs, the office made some recommendations to address the challenges facing budget execution in the County which have been invariably addressed.

However, there were challenges that continued to hamper effective budget implementation in the reporting period as follows:

1. Low local revenue collection.
2. Failure to install IFMIS at the County Assembly.
3. Lack of Internal Audit Committee contrary to Section 155(5) of the PFMA, 2012.
4. Failure by county entities to adhere to budget ceilings in their procurement plans
5. Failure to include FY 2013/14 pending bills in the FY 2014/15 budget.

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

1. *Devise strategies to enhance local revenue collection.*
2. *The County Assembly should adopt IFMIS.*
3. *Establish an Internal Audit Committee as per section 155(5) of the PFM Act, 2012 to enhance prudent public financial management.*
4. *All county entities should limit commitments to the budget ceilings based on the Vihiga County Appropriation Act, 2014 in all in-year procurement actions.*
5. *The County should consider/include pending bills whenever developing budget estimates for the ensuing year.*

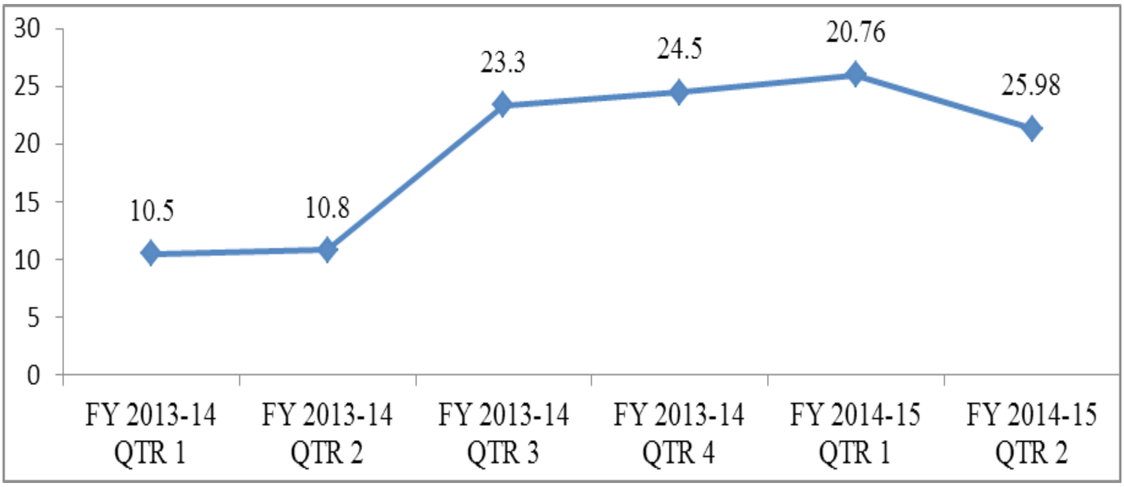
Wajir County

The County Budget Estimates for the FY 2014/2015 amounted to Kshs.7.26 billion comprising of Kshs.2.89 billion (39.9 per cent) for recurrent expenditure and Kshs.4.37 billion (60.1 per cent) for development expenditure. This budget will be financed by Kshs.6.18 billion (85.1%) from the national equitable share, Kshs.102.29 million (1.4%) from local revenue sources, Kshs.975.18 million (13.3%) from balance brought forward from FY 2013/2014 and Kshs.17.7 million (0.2%) as grant from DANIDA.

In the first half of FY 2014/2015, the County received Kshs.1.84 billion as national shareable revenue, Kshs.8.85 million from DANIDA and raised Kshs.46.74 million from local sources and had Kshs.975.18 million as cash brought forward from FY

2013/2014. Local revenue consisted of Kshs.20.76 million generated in the first quarter and Kshs.25.98 million in the second quarter of the year. The local revenue raised in the first half of FY 2014/2015 was 45.7 per cent of the annual local revenue target, an improvement from Kshs.21.27 million collected in the same period of FY 2013/2014. Figure 189 shows the trend of local revenue collected by quarter.

Figure 189: Wajir County, Trend of Local Revenue Collection by Quarter (Kshs. Millions)



Source: *Wajir County Treasury*

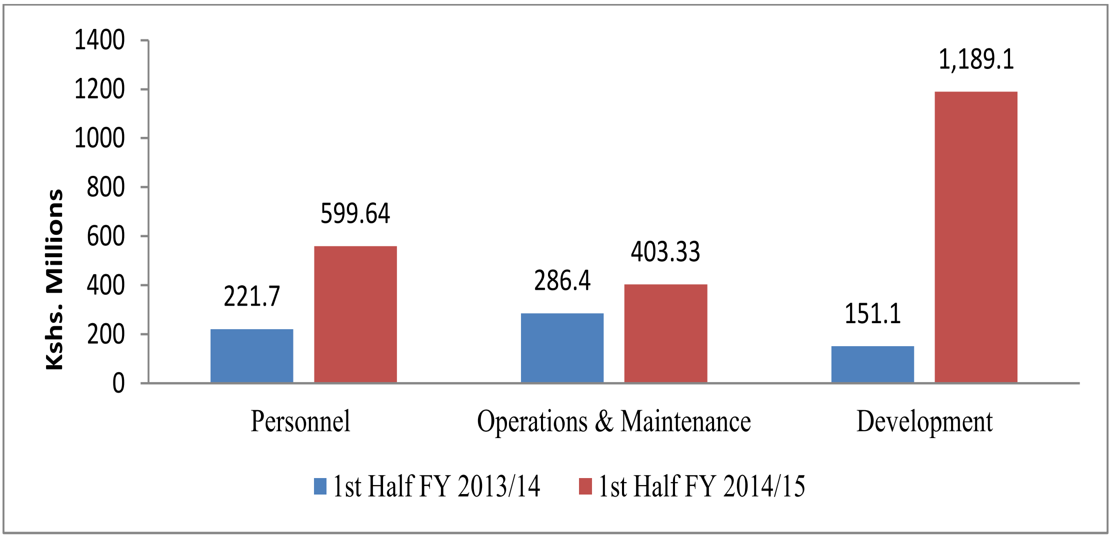
Funds released to the county during the period under review amounted to Kshs.2.84 billion, of which Kshs.1.60 billion (**56.4 per cent**) was for recurrent expenditure and Kshs.1.24 billion (**43.6 per cent**) was for development expenditure.

The total expenditure for the first half of FY 2014/2015 was Kshs.2.19 billion which was **77.2 per cent** of the total funds released an increase from the Kshs.731.7 million spent in the same period of FY 2013/14. The county spent Kshs.1.00 billion (**45.8 per cent**) on recurrent activities and Kshs.**1.19** billion (**54.2 per cent**) on development activities. Recurrent expenditure was **62.5 per cen**t of the funds released for recurrent activities while development expenditure accounted for **95.8 per cent.** This expenditure does not include outstanding commitments as of December 31, 2014 that amounted to Kshs.15.63 million for recurrent expenditure and Kshs.12.46 million for development activities.

Recurrent expenditure for the period under review represented an absorption rate of **34.6 per cent** of the annual recurrent budget an increase from an absorption rate of **15 per cent** realized in the same period of the FY 2013/2014. Development expenditure recorded an absorption rate of **27.2 per cent** of the annual development budget; an improvement from 5.6 per cent recorded in the same period in FY 2013/2014.

Analysis of the recurrent expenditure shows the County spent Kshs. 599.64 million on personnel emoluments which represent **59.8 per cent** of the total recurrent expenditure and Kshs. 403.33 million on operations and maintenance expenditure which is **40.2 per cent** of the total recurrent expenditure for the first half of FY 2014/2015. A comparison of the expenditure for the period under review with same period in FY 2013/2014 is shown in Figure 190 below.

Figure 190: Wajir County FY 2014/15 First Half Expenditure by Economic Classification



Source: *Wajir County Treasury*

Analysis of expenditure by department shows that Department of Water Services had the highest absorption rate of development funds at 42.1 per cent while the County Assembly had the highest absorption of recurrent funds at 60.9 per cent. Expenditure by the departments is summarised below in Table 48.

Table 48 : Wajir County, FY 2014/15 Budget and Expenditure by Department for the First Half of FY 2014/15

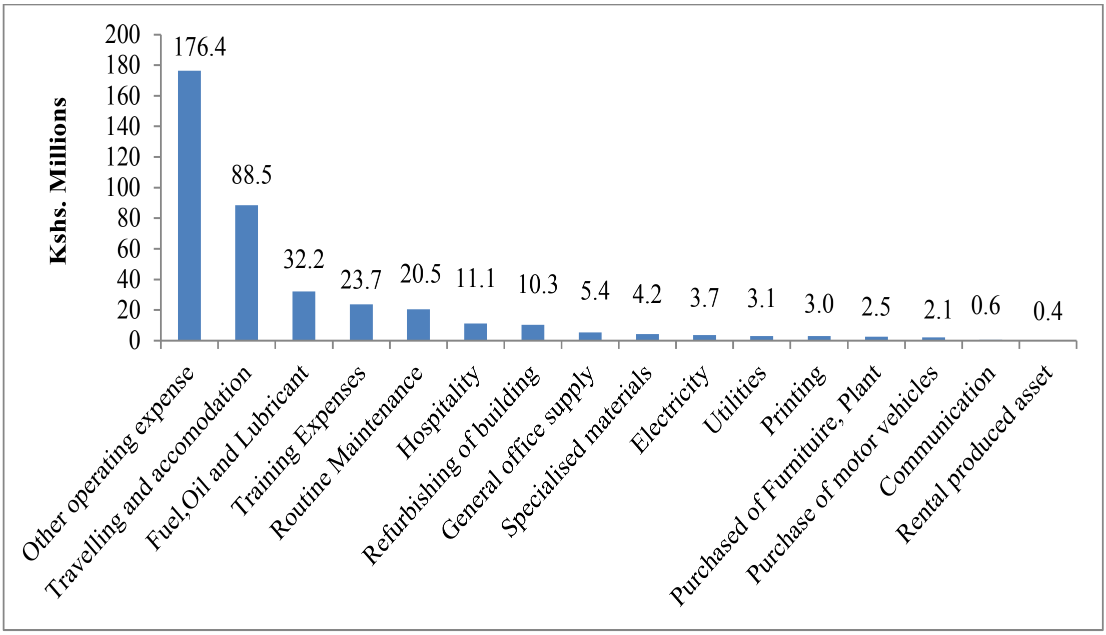
DEPARTMENT	BUDGET ALLOCATION (Kshs.Million)		EXCHEQUER ISSUES (Kshs.Million)		EXPENDITURE (Kshs.Million)		% OF EXPENDITURE TO EXCHEQUER ISSUES		ABSORPTION (%)	
	REC	DEV	REC	DEV	REC	DEV	REC	DEV	REC	DEV
Health Services	730.74	783.35	410.04	222.76.	154.08	221.64	37.57	99.50	21.08	28.29
Agriculture, livestock and Fisheries Development	121.76	446.71	59.01	139.41	46.32	136.79	78.50	98.12	38.03	30.6
Energy, Environment & Natural Resources	38.45	57.50	23.23	10.00	12.90	7.17	55.53	0	33.55	0
Education, Youth , Gender & Social Services	173.85	119.97	73.56	14.50	40.12	12.9	54.54	88.9	23.08	10.7
Road, Transport, Public Works & Legal affairs	59.4	1505.73	27.52	313.85	22.19	309.62	80.63	98.75	37.36	20.5
Physical Planning, Lands, Housing, Energy & ICT	157.13	431.11	80.33	145.27	40.29	123.40	50.16	50.12	25.64	25.6
Finance & Economic Planning	452.18	0.00	278.47	0.00	154.40	0.00	55.44	0.00	34.15	0.00
County Executive	294.57	0.00	175.60	0.00	136.21	0.00	77.56	0	46.24	0
County Assembly & Ward Units	341.03	0.00	191.10	0.00	207.82	0.00	108.75	0	60.93	0
Trade, Industry & Cooperative Development	52.97	158.20	35.92	30.00	14.57	15.63	40.56	27.50	52.10	29.5
Water Services	133.35	859.43	76.9	365.25	51.52	361.91	66.99	38.64	38.64	42.1
Labour and decentralised unit	205.14	0.00	90.36	0.00	89.73	0.00	98.82	0.00	43.74	0.00

Source: *Wajir County Treasury*

The county spent Kshs.35.04 million on payment of sitting allowances to the 46 members of the County Assembly representing an absorption rate of 13.8 per cent of the annual budget of amount allocated for salaries. Each MCA was paid an average monthly sitting allowance of Kshs.126,958 compared to the SRC recommended amount of Kshs.124,800. Expenditure on domestic and foreign travel for county assembly amounted to Kshs.120.10 million consisting of Kshs.88.52 million for the County Executive and Kshs.31.57 million for the County Assembly in the reporting period, compared to Kshs.37.4 million spent during the a similar period in FY 2013/14.

The breakdown of operations and maintenance expenditure for the period under review is shown in Figure 191.

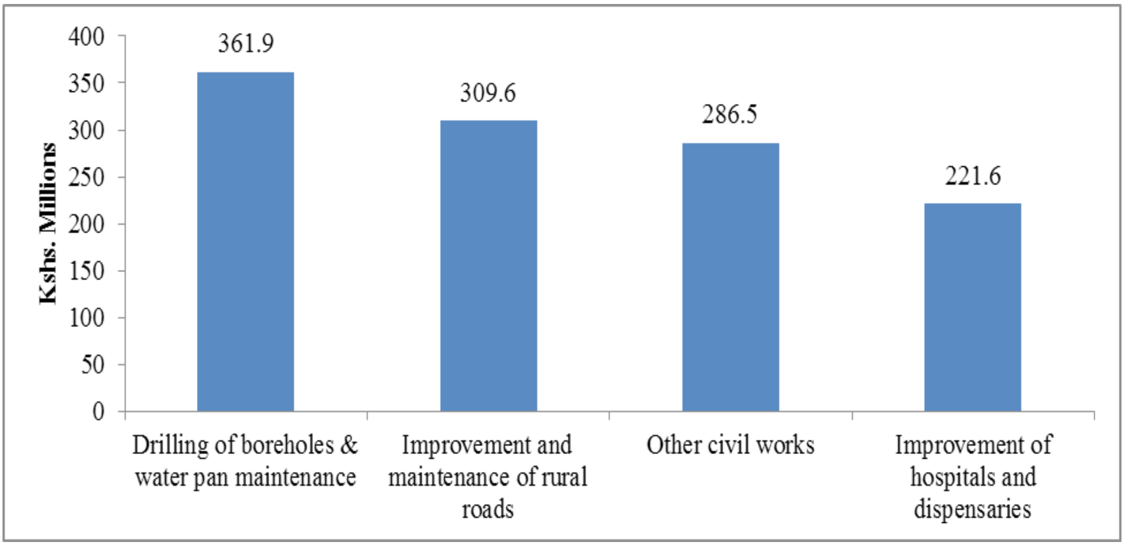
Figure 191: Wajir County, Half year Operations and Maintenance Expenditure



Source: *Wajir County Treasury*

Analysis of the development expenditure for the period under review shows that the County spent Kshs.309.6 million on development, improvement and maintenance of rural roads and road tarmac, Kshs.361.9 million for drilling and maintenance of water pans and boreholes and Kshs.221.6 million for improvement of hospitals and dispensaries and other medical services, Kshs.286.5 million on other civil works as shown in Figure 192.

Figure 192: Wajir County, Half year of FY 2014/15 Analysis of Development Expenditure (Kshs. Millions)



Source: *Wajir County Treasury*

During the period under review, the office noted some improvement in budget implementation and public financial management. However, there were challenges that continued to hamper effective budget implementation in the reporting period as follows:

1. Failure to regularly reconcile the County Revenue Fund (CRF) account.
2. Non adherence to annual procurement plan.
3. Delay in approval of County Budget Review Outlook Paper by County Assembly.
4. Intermittent use of IFMIS system resulting in backlog of expenditure data to be posted into IFMIS system.
5. The County Assembly does not operate its own bank account.

In order to improve budget execution, the county should consider the following recommendation.

1. *Ensure that the County revenue fund is regularly reconciled*
2. *Decentralize the procurement procedures as well as building the capacity of the procurement staff. In addition, the county should adhere to approved procurement plans.*
3. *The County Assembly should deliberate on CBROP for adoption.*
4. *Ensure full adoption of IFMIS system in all financial transactions.*

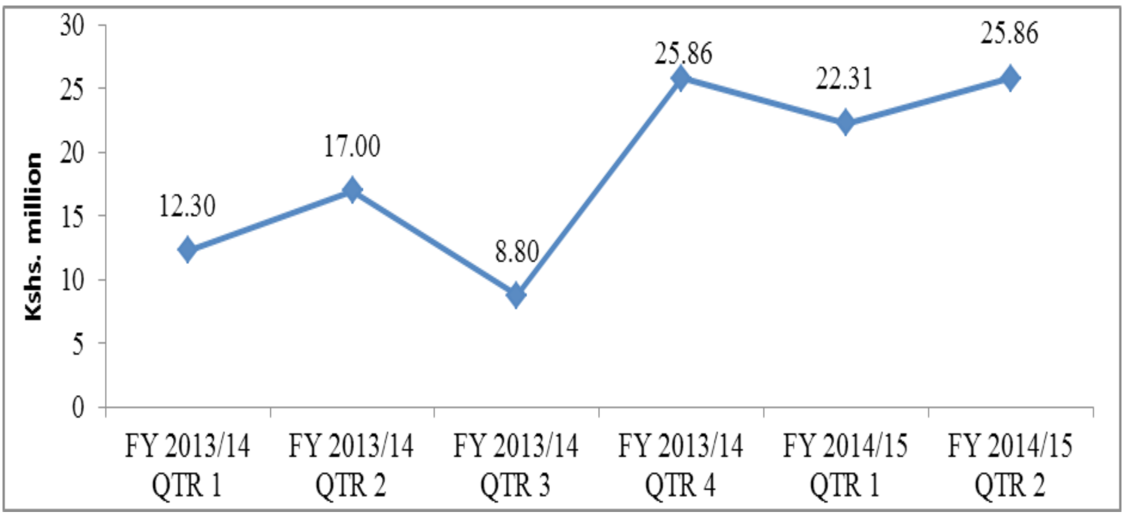
5. *Ensure that the County Assembly operates its own account and adopts IFMIS system.*

West Pokot County

The West Pokot County Budget Estimates for the FY 2014/15 amounted to Kshs.4.24 billion comprising of Kshs.2.39 billion (56.5 per cent) for recurrent expenditure and Kshs.1.85 billion (43.5 per cent) for development expenditure. The budget is to be financed by the national equitable share of Kshs.3.67 billion (86.6 per cent), Kshs.10.00 million (0.2 per cent) from DANIDA grant to Health, local revenue sources of Kshs.96.20 million (2.3 per cent) and Kshs.460.16 million (10.7 per cent) as projected cash balance from FY 2013/14.

In the first half of FY 2014/15, the County received Kshs.1.81 billion as national shareable revenue, raised Kshs.48.18 million from local sources and had Kshs.103.68 million balances from FY 2013/14. Local revenue consisted of Kshs.22.31 million generated in the first quarter and Kshs.25.86 million in the second quarter. The local revenue raised in the first half of FY 2014/15 was Kshs.48.18 million, which was 50.1 per cent of the annual local revenue target, an improvement from Kshs.29.3 million collected in the similar period of FY 2013/14. Figure 193 shows the trend of local revenue collection by quarter.

Figure 193: West Pokot County, trend of Local Revenue Collection by Quarter



Source: *West Pokot County Treasury*

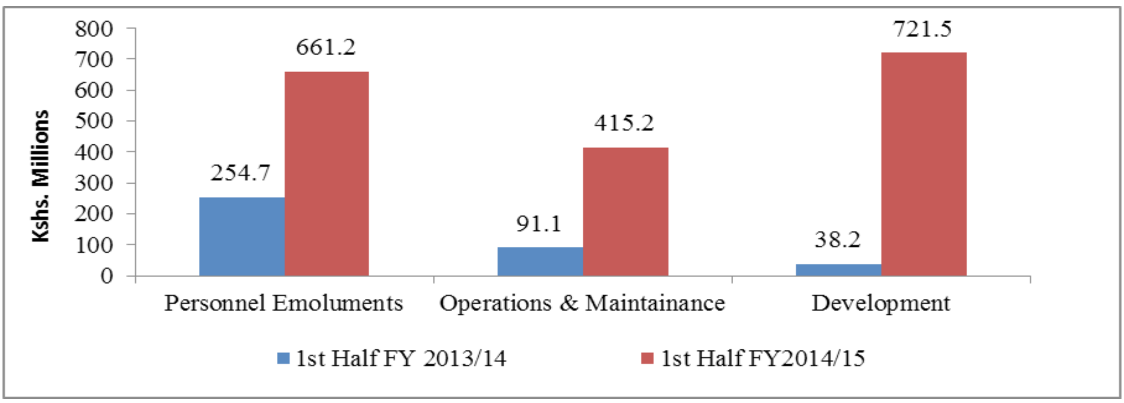
During the period under review, the County received exchequer issues of Kshs.1.88 billion, of which Kshs.1.11 billion (59.0 per cent) was for recurrent expenditure and Kshs.769.60 million (41.0 per cent) was for development activities.

The total expenditure for the first half of FY 2014/15 was Kshs.1.80 billion which was 95.9 per cent of the total funds released and an increase from the Kshs.383.90 million spent in the similar period of FY 2013/14. The County spent Kshs.1.08 billion (59.9 per cent) on recurrent activities and Kshs.721.51 million (40.1 per cent) on development activities. Recurrent expenditure was 97.3 per cent of the funds released while development expenditure accounted for 93.8 per cent. This expenditure does not include outstanding commitments as of December 31, 2014 that amounted to Kshs.35.57 million for recurrent expenditure and Kshs.0.31 million for development activities.

The recurrent expenditure for the period under review represented an absorption rate of 45.0 per cent of the annual recurrent budget, an increase from an absorption rate of 17.4 per cent realized in the similar period of FY 2013/14. Development expenditure translated to an absorption rate of 39.1 per cent of the annual development budget, an improvement from 2.3 per cent recorded in similar period in FY 2013/14.

Analysis of the recurrent expenditure of Kshs.1.08 billion shows that the County spent Kshs.661.18 million on personnel emoluments which represents 61.4 per cent of the total recurrent expenditure and Kshs.415.17 million on operations and maintenance which is 38.6 per cent of the total recurrent expenditure for the first half of FY 2014/15. A comparison of the total expenditure between the period under review and the similar period last financial year is shown in Figure 194 below.

Figure 194: West Pokot County, FY 2014/15 First Half Expenditure by Economic Classification



Source: *West Pokot County Treasury*

Analysis of expenditure by department shows that the County Assembly had the highest absorption rate of its annual development budget at 60.8 per cent while the Department of Education, Communication and ICT had the lowest absorption rate of its annual development budget at 12.6 per cent. The expenditure of various sectors is summarised below in Table 49.

Table 49: West Pokot County, FY 2014/15 Budget and Expenditure by Department for the First Half of FY 2014/15.

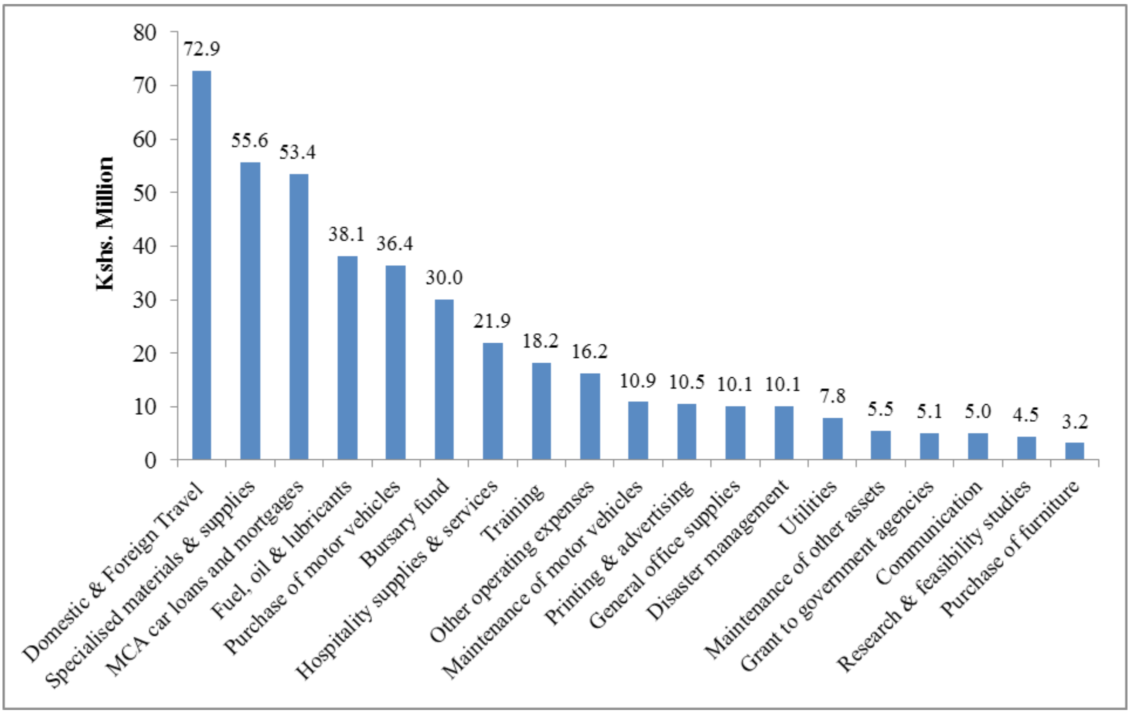
DEPARTMENT	BUDGET ALLOCATION (Kshs million)		EXCHEQUER ISSUES (Kshs million)		EXPENDITURE (Kshs million)		Expenditure to Exchequer issues (%)		EXPENDITURE TO ANNUAL BUDGET (Absorption Rate %)	
	REC.	DEV	REC.	DEV.	REC.	DEV	REC.	DEV	REC	DEV
Office of the Governor	1,133.86	157.65	573.28	65.00	652.70	62.79	113.9	96.6	57.6	39.8
Finance and Economic Planning	90.06	70.50	13.73	49.00	28.43	31.00	207.1	63.3	31.6	44.0
Roads, Public Works and Transport	50.72	352.95	33.46	98.00	16.16	164.05	48.3	167.4	31.9	46.5
Health and Sanitation	404.84	290.03	137.34	108.45	77.10	114.15	56.1	105.3	19.0	39.4
Education, Communication and ICT	169.42	112.72	100.71	45.00	38.71	14.17	38.4	31.5	22.8	12.6
Agriculture and Irrigation	40.08	158.26	18.92	63.00	7.26	53.57	38.4	85.0	18.1	33.9
Livestock, Fisheries and Veterinary Services	32.36	102.63	17.46	44.00	11.62	39.27	66.6	89.2	35.9	38.3
Trade, Industry and Cooperatives	29.08	117.41	15.49	34.00	7.40	40.68	47.8	119.6	25.4	34.6
Land, Physical Planning and Urban Development	39.57	125.02	25.55	64.50	17.18	61.34	67.2	95.1	43.4	49.1
Water development, Environment & Natural Resources	38.91	173.91	22.93	84.45	13.65	52.28	59.5	61.9	35.1	30.1
Tourism, Culture, Sports, Youth and Gender Development	37.11	97.25	26.09	32.40	7.09	34.92	27.2	107.8	19.1	35.9
County Assembly	327.10	87.65	179.56	23.00	199.06	53.29	110.9	231.7	60.9	60.8

Source: *West Pokot County Treasury and OCOB*

The County spent Kshs.23.21 million on payment of sitting allowances to the 33 members of the County Assembly representing an absorption rate of 43.0 per cent of the allocated annual budget of Kshs.53.04 million. Each MCA was paid an average monthly sitting allowance of Kshs.117,223 compared to the SRC recommended amount of Kshs.124,800. Expenditure on domestic and foreign travel for both County Assembly and the Executive amounted to Kshs.72.85 million in the reporting period compared to Kshs.18.5 million in a similar period of FY 2013/14.

The breakdown of operations and maintenance expenditure for the period under review is shown in Figure 195.

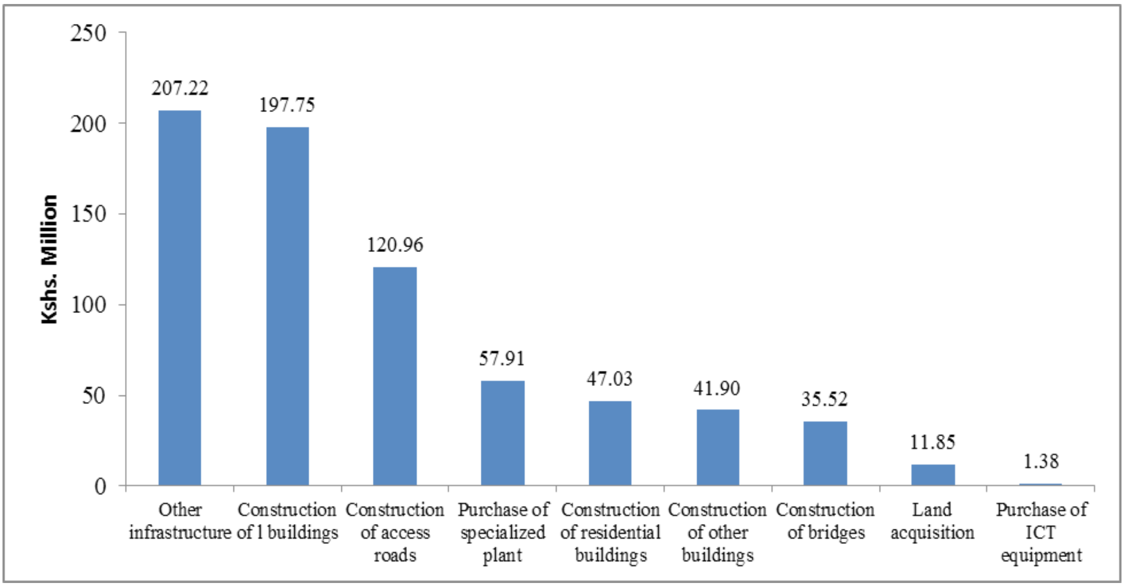
Figure 195: West Pokot County FY 2014/15 Half Year Operations and Maintenance Expenditure



Source: *West Pokot County Treasury*

Analysis of the development expenditure for the period under review shows that the County spent Kshs.207.22 million on development of other infrastructure and civil works, Kshs.197.75 million on construction of non-residential buildings (schools, health facilities, offices and ECD centres), Kshs.120.96 million on development and maintenance of access roads, Kshs.57.92 million on purchase of specialised equipment,Kshs.47.03 million on construction of buildings, Kshs.41.9 million on construction of other buildings, Kshs.35.52 million on development and maintenance of bridges, Kshs.11.85 million on land acquisition and Kshs.1.38 million on purchase of ICT equipment among others as shown in Figure 196.

Figure 196: West Pokot FY 2014/15 Analysis of Development Expenditure (Kshs. Millions)



Source: *West Pokot County Treasury*

In the previous CBIRRs, the office made a number of recommendations to address the challenges facing budget execution in the County. The County has addressed issues such as timely enactment of the revenue bill to facilitate smooth revenue collection, and, inclusion of pending bills in the Supplementary Budget.

However, there were challenges that continued to hamper effective budget implementation in the reporting period as follows;

1. The County is yet to operationalize the IFMIS e-procurement module.
2. Increasing wage bill. The County's personal and emoluments for the first half of FY 2014/2015 is at 61.4 per cent of the total recurrent expenditure.

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

1. *The County should liaise with National Treasury to ensure that the e-procurement module is operationalized.*
2. *The County should liaise with the National government to devise strategies of staff rationalization to contain the increasing wage bill.*

4.0 KEY CHALLENGES AND RECOMMENDATIONS

4.1 Quarterly Reporting by Administrators of County Public Funds

Section 168 of the PFM Act, 2012 requires administrators of county public funds to submit quarterly reports. Specifically, Section 168(3) requires that quarterly reports be submitted not later than 15 days after the end of each quarter to the County Treasury and a copy to the Controller of Budget. Despite this requirement, most Counties are yet to submit quarterly reports by administrators of county public funds.

All administrators of County public funds should submit quarterly reports as required by Section 168 (3) of the PFMA Act, 2012.

4.2 Expenditure of exchequer releases on different votes

OCOB approves withdrawal of funds against specific votes. Review of expenditure reports from Counties indicated instances where exchequer releases were spent on different votes from those used to seek approval. This has resulted in instances where departments have reported higher expenditure than total funds released. There are instances where this has been occasioned by lack of designated accounting officers for the departments and/or inadequate training of the officers on their responsibilities as accounting officers.

Counties should designate accounting officers for all departments and build their capacity to enhance effective management of public resources.

4.3 Lack of Internal Audit Arrangements

During monitoring of Budget implementation, the office noted that some Counties are yet to establish an internal audit function as provided for in Section 155 of the PFM Act, 2012. This challenge has been reported in previous CBIRRs.

Internal Audit provides independent and objective assurance designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by instituting a systematic and disciplined approach to evaluate, and improve the effectiveness of risk management, control, and governance processes.

All county governments should establish an internal audit function in compliance with Section 155 of the PFM Act, 2012.

4.4 Non-Compliance to SRC Circulars on Remuneration and Benefits of Public Officers

Article 230 of the Constitution established the Salaries and Remuneration Commission to set and regularly review remuneration and benefits of state officers, and advise the National and County Governments on remuneration and benefits of all public officers. Pursuant to its mandate, SRC conducted compliance checks in the County governments and noted that some of them have not complied with the Commission's circulars on remuneration and benefits for public officers.

OCOB has also conducted a review on the administration of commuter allowances. The findings show that some officers are paid monthly commuter allowances despite having been assigned official vehicles. This is in contravention to the SRC circulars.

All Counties must adhere to SRC circulars on staff remuneration and benefits and should recover all payments made in contravention of the circulars.

4.5 Failure to adopt IFMIS by some County Assemblies

In the FY 2013/14, the National Treasury rolled out IFMIS to the Counties. OCOB has observed that while the County Treasuries have adopted IFMIS, financial operations in some County Assemblies have remained manual. This observation has been reported in previous CBIRRs.

Failure to adopt IFMIS by County Assemblies is contrary to Section 12 (1) (e) of the PFM Act, 2012 and limits transparency in financial management and standard financial reporting as contemplated by Article 226 of the Constitution.

The County Assemblies that have not complied should liaise with their respective County Treasuries to fast track the adoption of IFMIS.

4.6 Use of Local Revenue at Source

During the reporting period, six Counties (Nairobi City, Homa Bay, Machakos, Murang'a, Meru and Trans Nzoia) reported higher expenditure than the amounts approved by the COB. The office established that these Counties did not deposit all locally generated revenue into the CRF as required by Article 207 of the Constitution, but instead, spent the funds at source.

All Counties should ensure that all locally generated revenue is deposited intact into the CRF.

5.0 CONCLUSION

Absorption of both recurrent and development expenditure in the first half of FY 2014/15 has generally improved in all counties compared to the same period in FY 2013/14. This is attributable to better staffing and increased staff capacity through training. In addition, sustained follow up on the status of implementation of recommendations contained in prior CBIRRs has also driven budget implementation. The oversight by County Assemblies and the vigilance by both citizens and the media have continued to play a key role in enhancing budget implementation.

Expenditure during the reporting period rose by 253.3 per cent from **Kshs.41.0 billion** in the first half of FY 2013/14 to **Kshs.103.70 billion** in the first half of FY 2014/15. There was notable improvement in development expenditure as counties embarked on implementation of development projects. Development expenditure was **Kshs.30.55 billion** compared to **Kshs.4.8 billion** in the same period of FY 2013/14. The major development projects undertaken during the period included construction of roads, water supply and sewerage, construction of offices, construction of ECD class rooms, dispensaries and street lighting, which has increased economic activity at the counties.

Counties were nonetheless, constrained by a number of factors. Failure to institute an effective internal audit function, diversion of exchequer approvals and use of local revenue at source among in five counties affected effective implementation of the public financial management framework. In order to resource counties, a number of counties have also embarked on borrowing without approval from the County Assemblies. This is fuelled by continued underperformance in local revenue collection, which has featured prominently in previous CBIRRs.

It is our hope that by highlighting these challenges; Parliament, the County Assemblies, oversight institutions, the citizens and the media will remain vigilant to enhance effective budget implementation. On their part, county governments should take appropriate corrective action.

ANNEXURES

Annex 1: Funds available to the Counties in the period July to December, 2014

County Name	Funds Released from the Consolidated Fund to the County Revenue Funds (Kshs)	Local revenue Collections 1st Quarter (Kshs)	Local revenue Collections 2nd Quarter (Kshs)	Balance B/F from FY 2013/2014	Total Revenue for the Half Year of FY 2014/15 (Kshs)
Baringo	1,464,986,931	72,859,999	44,782,678	784,166,119	2,366,795,727
Bomet	1,902,903,761	36,431,865	25,492,000	151,967,026	2,116,794,652
Bungoma	1,948,507,622	75,811,736	72,008,680	1,867,779,262	3,964,107,300
Busia	1,785,222,886	72,793,677	63,205,454	556,772,387	2,477,994,404
Elgeyo/Marakwet	1,079,282,205	24,980,613	22,045,239	871,166,688	1,997,474,745
Embu	1,332,227,849	66,534,947	63,987,293	645,000,000	2,107,750,089
Garissa	1,500,214,196	26,077,833	42,501,612	1,817,006,388	3,385,800,029
Homa Bay	2,272,906,214	31,889,274	33,106,437	19,771,927	2,357,673,852
Isiolo	1,003,091,345	49,903,138	29,718,731	319,973,583	1,402,686,797
Kajiado	1,124,154,825	112,293,534	124,123,000	968,900,908	2,329,472,267
Kakamega	3,000,572,955	144,832,562	97,607,249	1,675,926,000	4,918,938,766
Kericho	1,478,261,723	67,326,982	68,394,702	183,647,407	1,797,630,814
Kiambu	3,044,145,121	371,831,803	322,867,486	389,866,834	4,128,711,243
Kilifi	1,889,337,410	102,830,781	119,647,466	1,099,393,861	3,211,209,518
Kirinyaga	1,162,762,957	49,515,000	64,781,751	596,187,075	1,873,246,783
Kisii	2,895,811,467	64,732,629	63,062,372	527,123,474	3,550,729,942
Kisumu	1,515,474,769	179,883,814	262,952,641	1,023,878,929	2,982,190,153
Kitui	1,856,049,579	72,108,100	63,993,795	2,219,646,318	4,211,797,792
Kwale	1,302,657,864	56,618,666	40,050,433	903,298,338	2,302,625,301
Laikipia	1,133,311,579	51,378,961	49,444,045	303,485,465	1,537,620,050
Lamu	521,707,832	5,279,767	9,669,663	691,740,370.00	1,228,397,632
Machakos	2,801,007,271	353,464,417	260,995,380	15,533,013	3,431,000,082
Makueni	1,521,448,112	51,802,993	34,986,402	1,328,122,172	2,936,359,679
Mandera	2,272,228,422	18,993,910	18,914,914	3,218,124,479	5,528,261,725

County Name	Funds Released from the Consolidated Fund to the County Revenue Funds (Kshs)	Local revenue Collections 1st Quarter (Kshs)	Local revenue Collections 2nd Quarter (Kshs)	Balance B/F from FY 2013/2014	Total Revenue for the Half Year of FY 2014/15 (Kshs)
Marsabit	1,319,644,738	22,888,544	19,413,072	1,145,212,182	2,507,158,536
Meru	2,103,523,862	106,009,947	90,321,710	1,171,589,800	3,471,445,319
Migori	1,888,202,272	86,593,618	53,650,911		2,028,446,801
Mombasa	1,376,895,309	296,855,126	421,148,804	435,485,928	2,530,385,167
Murang'a	2,160,867,638	106,042,993	100,044,430	485,730,120	2,852,685,181
Nairobi City	5,228,948,035	1,781,747,512	2,541,536,355		9,552,231,902
Nakuru	2,783,259,033	461,938,285	433,636,562	1,071,739,088	4,750,572,968
Nandi	1,563,765,000	43,479,188	32,845,803	730,000,000	2,370,089,991
Narok	1,737,907,517	509,059,690	480,178,918	356,096,966	3,083,243,091
Nyamira	1,370,180,814	23,244,966	27,731,136	823,285,658	2,244,442,574
Nyandarua	1,098,145,991	26,876,169	25,242,244	479,953,921	1,630,218,325
Nyeri	1,887,086,460	89,680,222	178,464,316	150,971,689	2,306,202,687
Samburu	1,166,376,200	90,365,678	30,278,803	608,634,780	1,895,655,461
Siaya	1,276,398,831	36,095,500	24,641,813	1,219,626,285	2,556,762,429
Taita/Taveta	1,334,444,726	74,342,799	20,048,847	508,409,336	1,937,245,708
Tana River	1,011,633,486	5,331,796	3,581,045	1,400,000,000	2,420,546,327
Tharaka -Nithi	1,264,161,844	30,794,708	26,915,276	251,678,405	1,573,550,233
Trans Nzoia	2,051,420,453	34,696,804	27,362,543	429,486,763	2,542,966,563
Turkana	2,656,511,921	34,258,055	29,535,938	3,572,836,445	6,293,142,359
Uasin Gishu	1,321,072,238	195,978,825	180,764,254	1,491,915,909	3,189,731,226
Vihiga	1,559,818,224	23,143,667	21,984,068	295,736,303	1,900,682,262
Wajir	1,838,972,571	20,757,750	25,982,499	975,182,550	2,860,895,370
West Pokot	1,808,771,473	22,314,108	25,861,390	460,163,923	2,317,110,894
Total	**83,616,283,531**	**6,282,672,951**	**6,819,510,160**	**40,242,214,074**	**136,960,680,717**

Source: OCOB and County Treasuries

Annex 2: Half Year FY 2014/15 Budget Allocations, Funds released, Expenditure and absorption rates.

COUNTY	GROSS ESTIMATES (Kshs.Millions)			EXCHEQUER ISSUES (Kshs.Millions)			EXPENDITURE (Kshs.Millions)			% of Expenditure to Gross Estimates		% of Expenditure to Exchequer Issues	
	REC	DEV	TOTAL	REC	DEV	TOTAL	REC	DEV	TOTAL	REC	DEV	REC	DEV
Baringo	2,952.42	2,389.87	5,342.29	1,310.85	678.79	1,989.64	1,309.63	580.21	1,889.84	44.4	24.3	99.9	85.5
Bomet	1,900.06	2,700.94	4,601.00	1,043.52	1,043.84	2,087.36	1,042.08	795.16	1,837.23	54.8	29.4	99.9	76.2
Bungoma	4,113.36	4,156.46	8,269.82	1,885.78	1,565.07	3,450.85	1,783.08	1,068.13	2,851.21	43.3	25.7	94.6	68.2
Busia	3,087.41	2,409.08	5,496.49	1,464.00	550.00	2,014.00	1,454.56	440.72	1,895.28	47.1	18.3	99.4	80.1
Elgeyo/ Marakwet	2,181.20	1,638.53	3,819.73	1,090.00	555.95	1,645.94	918.55	437.19	1,355.74	42.1	26.7	84.3	78.6
Embu	2,810.97	1,204.70	4,015.67	1,457.57	309.29	1,766.86	1,365.42	201.68	1,567.10	48.6	16.7	93.7	65.2
Garissa	3,128.65	4,372.31	7,500.95	1,518.16	1,520.64	3,038.81	1,498.99	1,520.64	3,019.63	47.9	34.8	98.7	100.0
Homa Bay	3,603.40	1,689.60	5,293.00	1,483.76	438.00	1,921.76	2,199.56	460.92	2,660.47	61.0	27.3	148.2	105.2
Isiolo	1,940.79	826.10	2,766.88	780.00	300.00	1,080.00	532.52	60.22	592.74	27.4	7.3	68.3	20.1
Kajiado	3,955.10	1,863.70	5,818.80	1,664.26	540.00	2,204.26	1,449.41	410.34	1,859.75	36.6	22.0	87.1	76.0
Kakamega	5,686.89	4,634.40	10,321.29	2,657.43	1,883.82	4,541.25	2,181.95	1,316.37	3,498.33	38.4	28.4	82.1	69.9
Kericho	3,094.82	1,458.31	4,553.13	1,570.69	435.41	2,006.11	1,331.58	336.07	1,667.65	43.0	23.0	84.8	77.2
Kiambu	7,136.75	3,625.82	10,762.57	3,466.09	607.41	4,073.50	2,786.00	530.02	3,316.02	39.0	14.6	80.4	87.3
Kilifi	4,745.85	3,689.08	8,434.93	2,048.48	1,169.37	3,217.85	1,479.93	869.50	2,349.42	31.2	23.6	72.2	74.4
Kirinyaga	2,559.50	1,700.11	4,259.61	1,212.04	293.91	1,505.95	1,204.18	147.59	1,351.77	47.0	8.7	99.4	50.2
Kisii	4,630.20	3,163.36	7,793.56	2,081.48	920.51	3,001.98	2,020.90	956.36	2,977.26	43.6	30.2	97.1	103.9
Kisumu	5,650.01	5,780.81	11,430.82	2,179.05	750.73	2,929.78	613.28	516.97	1,130.25	10.9	8.9	28.1	68.9
Kitui	4,601.85	3,091.28	7,693.14	2,009.36	1,201.79	3,211.14	1,596.91	938.65	2,535.56	34.7	30.4	79.5	78.1
Kwale	2,738.74	2,923.13	5,661.87	1,232.01	993.75	2,225.76	1,139.04	576.87	1,715.91	41.6	19.7	92.5	58.0
Laikipia	2,345.00	1,005.00	3,350.00	1,061.41	292.11	1,353.52	1,061.41	292.11	1,353.52	45.3	29.1	100.0	100.0
Lamu	1,242.01	714.75	1,956.76	542.18	333.16	875.34	382.95	97.00	479.94	30.8	13.6	70.6	29.1
Machakos	4,911.15	3,988.03	8,899.18	2,192.69	707.57	2,900.26	2,359.05	719.90	3,078.95	48.0	18.1	107.6	101.7
Makueni	3,591.18	2,012.37	5,603.55	1,733.37	730.60	2,463.98	1,414.38	722.20	2,136.58	39.4	35.9	81.6	98.8
Mandera	4,600.93	6,966.32	11,567.25	2,139.67	2,568.12	4,707.79	2,124.73	2,566.40	4,691.13	46.2	36.8	99.3	99.9

COUNTY	GROSS ESTIMATES (Kshs.Millions)			EXCHEQUER ISSUES (Kshs.Millions)			EXPENDITURE (Kshs.Millions)			% of Expenditure to Gross Estimates		% of Expenditure to Exchequer Issues	
	REC	DEV	TOTAL	REC	DEV	TOTAL	REC	DEV	TOTAL	REC	DEV	REC	DEV
Marsabit	2,392.25	3,088.82	5,481.07	1,035.55	1,409.90	2,445.45	703.41	684.70	1,388.11	29.4	22.2	67.9	48.6
Meru	3,860.67	2,339.33	6,200.00	1,759.76	543.00	2,302.76	1,739.66	588.01	2,327.66	45.1	25.1	98.9	108.3
Migori	2,930.13	2,339.44	5,269.56	1,132.03	920.00	2,052.03	1,393.05	642.32	2,035.37	47.5	27.5	123.1	69.8
Mombasa	8,142.68	4,226.80	12,369.48	2,653.42	165.00	2,818.42	2,623.98	195.11	2,819.09	32.2	4.6	98.9	118.2
Murang'a	3,455.59	3,101.89	6,557.47	1,455.12	984.00	2,439.12	1,589.09	1,000.29	2,589.38	46.0	32.2	109.2	101.7
Nairobi City	19,349.39	9,413.20	28,762.59	6,361.18	-	6,361.18	8,672.30	572.45	9,244.74	44.8	6.1	136.3	
Nakuru	7,050.41	3,566.11	10,616.52	3,106.89	1,085.76	4,192.65	3,134.87	698.41	3,833.28	44.5	19.6	100.9	64.3
Nandi	2,782.15	2,408.16	5,190.31	1,237.84	1,120.57	2,358.40	1,143.78	1,103.81	2,247.59	41.1	45.8	92.4	98.5
Narok	4,480.96	4,094.88	8,575.85	1,997.27	1,152.50	3,149.77	1,828.14	1,162.66	2,990.80	40.8	28.4	91.5	100.9
Nyamira	2,600.12	2,078.14	4,678.27	1,336.67	512.67	1,849.33	670.79	411.41	1,082.20	25.8	19.8	50.2	80.2
Nyandarua	2,882.06	820.46	3,702.52	1,112.14	277.89	1,390.03	965.63	112.24	1,077.87	33.5	13.7	86.8	40.4
Nyeri	3,809.12	1,635.39	5,444.50	1,753.06	372.28	2,125.34	1,693.55	287.37	1,980.92	44.5	17.6	96.6	77.2
Samburu	2,065.15	1,374.47	3,439.61	904.77	536.37	1,441.14	780.69	580.45	1,361.13	37.8	42.2	86.3	108.2
Siaya	3,432.62	2,452.07	5,884.69	1,274.25	1,105.00	2,379.25	1,187.23	362.73	1,549.96	34.6	14.8	93.2	32.8
Taita/Taveta	2,651.18	1,496.21	4,147.39	1,079.38	532.20	1,611.58	1,116.02	369.56	1,485.58	42.1	24.7	103.4	69.4
Tana River	1,803.30	1,775.17	3,578.47	793.56	887.00	1,680.56	1,003.85	602.53	1,606.38	55.7	33.9	126.5	67.9
Tharaka -Nithi	1,830.89	1,887.58	3,718.47	864.02	239.42	1,103.43	815.07	171.38	986.44	44.5	9.1	94.3	71.6
Trans Nzoia	2,695.96	2,324.86	5,020.82	1,105.88	692.64	1,798.52	1,387.55	444.14	1,831.69	51.5	19.1	125.5	64.1
Turkana	4,046.45	8,948.36	12,994.81	1,987.07	4,356.68	6,343.75	1,515.74	1,245.51	2,761.24	37.5	13.9	76.3	28.6
Uasin Gishu	3,704.12	3,415.75	7,119.86	1,678.20	950.41	2,628.61	1,300.07	487.56	1,787.63	35.1	14.3	77.5	51.3
Vihiga	2,542.21	2,221.23	4,763.44	1,238.58	643.86	1,882.44	557.22	358.76	915.99	21.9	16.2	45.0	55.7
Wajir	2,896.39	4,365.48	7,261.87	1,604.59	1,241.03	2,845.61	1,002.97	1,189.10	2,192.07	34.6	27.2	62.5	95.8
West Pokot	2,393.11	1,845.98	4,239.09	1,105.71	769.60	1,875.31	1,076.35	721.51	1,797.86	45.0	39.1	97.3	93.8
TOTAL	181,005.13	139,223.82	320,228.95	78,400.76	40,887.60	119,288.35	73,151.06	30,553.20	103,704.27	40.4	21.9	93.3	74.7

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

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