



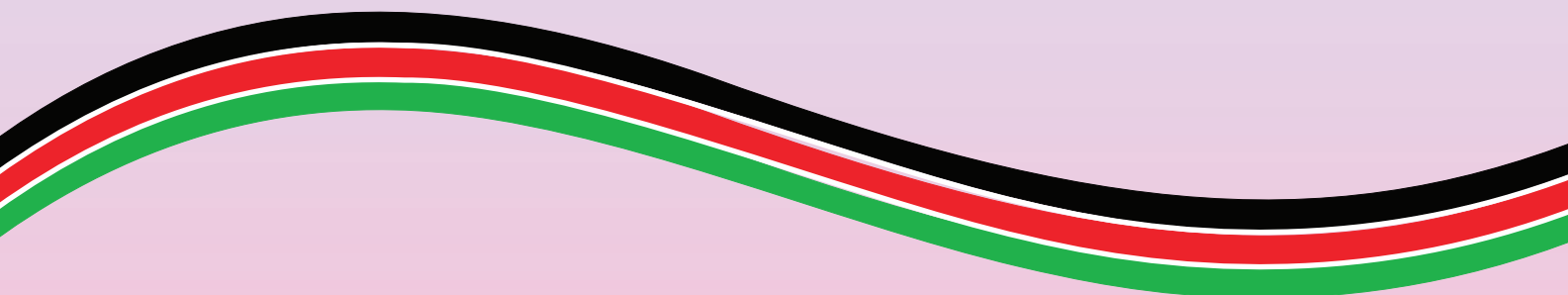
REPUBLIC OF KENYA

OFFICE OF THE CONTROLLER OF BUDGET

**COUNTY GOVERNMENTS BUDGET
IMPLEMENTATION REVIEW REPORT**

**FIRST QUARTER
FY 2017/18**

DECEMBER, 2017





THE REPUBLIC OF KENYA

OFFICE OF THE CONTROLLER OF BUDGET

**COUNTY GOVERNMENTS BUDGET IMPLEMENTATION
REVIEW REPORT**

FIRST QUARTER

FY 2017/18

DECEMBER, 2017

PREFACE

It is my pleasure to present the First Quarter County Governments Budget Implementation Review Report (CBIRR) for FY 2017/18 from the Office of the Controller of Budget (OCOB). This report has been prepared in accordance with Article 228 (6) of the Constitution of Kenya 2010, which requires the Office of the Controller of Budget to submit to each House of Parliament a report on the implementation of the budgets of the National and County Governments every four months.

This is the first report in FY 2017/18 and examines budget performance by the forty seven counties for the period July to September, 2017. The information used in preparation of this report is derived from the County Allocation of Revenue Act (CARA), 2017, the CARA, 2017 Disbursement Schedule; the FY 2017/18 Approved County Governments Budgets, expenditure returns submitted by the County Treasuries, and financial data from the Integrated Financial Management Information System (IFMIS). The analysis, findings and recommendations are based on provisions of the Constitution of Kenya, 2010 and the Public Finance Management Act, 2012. The report highlights achievements and challenges encountered in budget implementation and proposes recommendations to address the identified challenges to promote prudence in utilization of public funds.

Preparation of this report has been made possible through concerted effort of staff of both the County Treasuries and the Office of the Controller of Budget. The Office is grateful to the staff in the Budget Implementation Directorate and the County Treasuries for their contribution in preparation of this report.

I urge the readers of this report to take part in public participation and take keen interest in all phases of the budget cycle. This will promote effectiveness and efficiency in the use of public resources.



Mrs. Agnes Odhiambo, CBS

Controller of Budget

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ACRONYMS

ADP	Annual Development Plan
CA	County Assembly
CARA	County Allocation of Revenue Act
CBEF	County Budget and Economic Forum
CBK	Central Bank of Kenya
CBROP	County Budget Review and Outlook Paper
CBD	Central Business District
CEC	County Executive Committee
CFSP	County Fiscal Strategy Paper
CECM-F	County Executive Committee Member for Finance
COB	Controller of Budget
CRA	Commission on Revenue Allocation
CRF	County Revenue Fund
DANIDA	Danish International Development Agency
E-G	Electronic Governance
IB	Internet Banking
ICT	Information Communication Technology
IFMIS	Integrated Financial Management Information System
IBEC	Intergovernmental Budget and Economic Council
IPPD	Integrated Payroll Personnel Database
KRB	Kenya Roads Board
LAPFUND	Local Authorities Provident Fund
LATF	Local Authority Transfer Fund
MCA	Member of County Assembly
MTEF	Medium Term Expenditure Framework
O&M	Operations and Maintenance
OCOB	Office of the Controller of Budget

P/E	Personnel Emoluments
PFM	Public Finance Management
SMEs	Small and Medium Enterprises
SRC	Salaries and Remuneration Commission
THSUC	Transforming Health Systems for Universal Care

EXECUTIVE SUMMARY

This First Quarter FY 2017/18 County Budget Implementation Review Report (CBIRR) is prepared in fulfillment of Article 228(6) of the Constitution of Kenya, 2010 which requires the Office to report on the implementation of the budgets of both the National and County Governments. The report presents both aggregate and disaggregated analysis of revenue and expenditure performance by each of the 47 County Governments.

The aggregate Approved Budget Estimates for the County governments in the FY 2017/18 amounts to Kshs.374.68 billion and comprises of Kshs.239.9 billion (64 per cent) for recurrent expenditure and Kshs.134.78 billion (36 per cent) for development activities. The allocation for development activities conforms to Section 107(2) (b) of the Public Finance Management Act, 2012 which requires at least 30 per cent of the budget to be allocated for development expenditure.

To finance the FY 2017/18 Approved Budget, County Governments expect to receive Kshs.302 billion as equitable share of revenue raised nationally, Kshs.23.27 billion as total conditional grants from the National Government, Kshs.16.41 billion as total conditional grants from the Development Partners, and generate Kshs.55.92 billion from local sources, and Kshs.25.17 billion cash balance from FY 2016/17.

In the first quarter of FY 2017/18, County Governments received Kshs.20.43 billion as equitable share of revenue, Kshs.4.94 billion from the Road Maintenance Fuel Levy Fund, Kshs.4.82 billion as revenue generated from local sources, and Kshs.25.17 billion cash balance from FY 2016/17. The local revenue of Kshs.4.82 billion collected during the period under review was 8.6 per cent of the annual target and a decline of 32 per cent compared to Kshs.7.09 billion generated in a similar period of FY 2016/17.

The Counties that recorded the highest amount of local revenue were Nairobi City County at Kshs.1.49 billion, followed by Narok and Mombasa at Kshs.692.38 million and Kshs.307.91 million respectively. The counties that generated the lowest amount were Tharaka Nithi, Lamu and Tana River at Kshs.6.14 million, Kshs.5.45 million and Kshs.3.95 million respectively. Analysis of local revenue as a proportion of the annual revenue target indicates that Samburu, Baringo and Isiolo Counties recorded the highest proportion at 21.7 per cent, 20.5 per cent and 18.3 per cent respectively.

During the reporting period, the Controller of Budget authorized withdrawal of Kshs.37.79 billion from the County Revenue Funds (CRF) to the County Operational Accounts, and comprised of Kshs.37.26 billion (98.6 per cent) for recurrent expenditure and Kshs.530.64 million (1.4 per cent) for development expenditure. This was a decline by 50.1 per cent from Kshs.75.69 billion released in a similar period of FY 2016/17. Nairobi City County received the highest amount at Kshs.4.33 billion, followed by Kiambu and Narok at Kshs.1.7 billion and Kshs.1.34 billion respectively. Three Counties, Marsabit, Tana River and Wajir did not receive funds for operations during the period due to delays in approval of their FY 2017/18 Budgets.

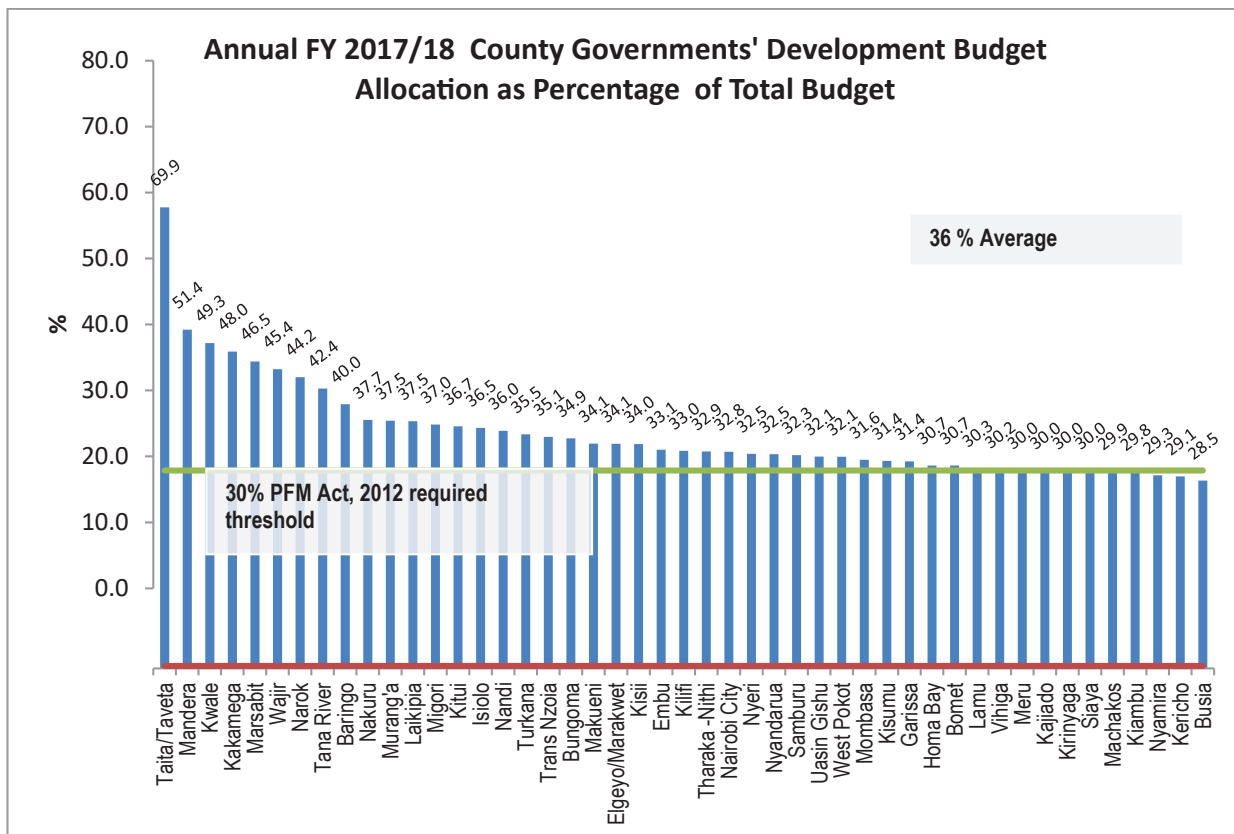
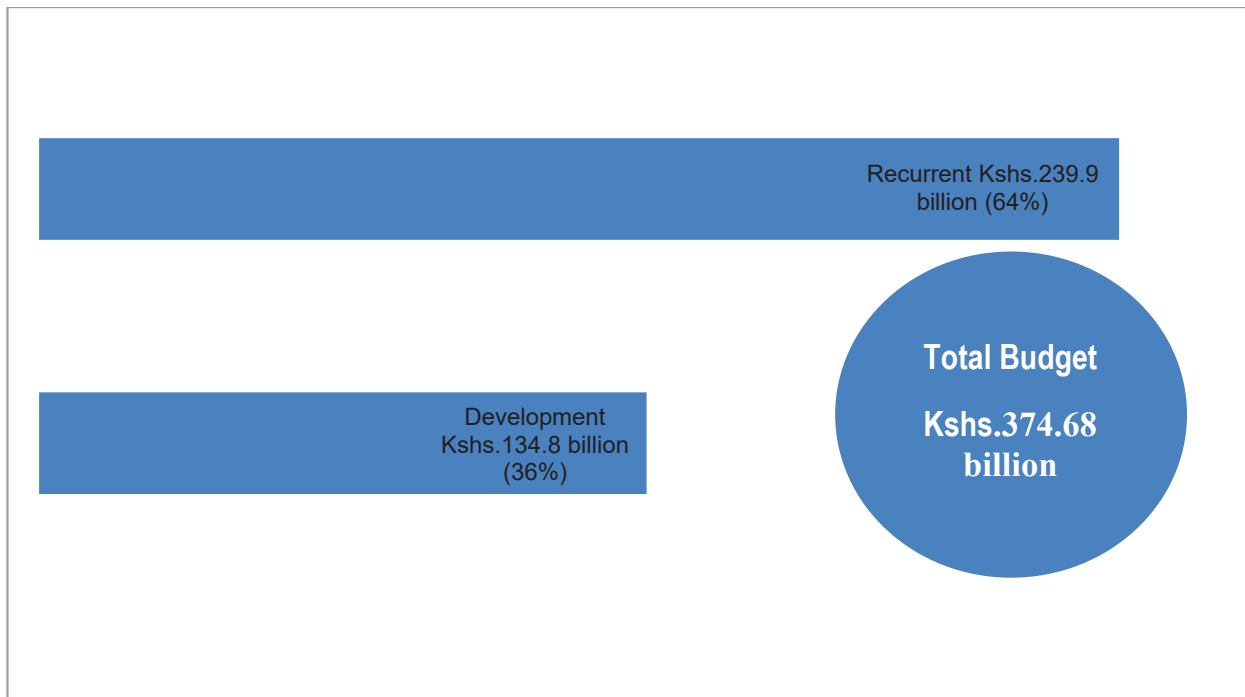
Total expenditure by the County governments was Kshs.35.43 billion representing an absorption rate of 9.5 per cent of the total annual County Governments' budgets. This was a decrease from an absorption rate of 14.5 per cent attained in a similar period of FY 2016/17 where total expenditure was Kshs.56.55 billion. The expenditure consisted of Kshs.34.27 billion for recurrent activities (96.7 per cent) and Kshs.1.15 billion (3.3 per cent) for development activities.

The Counties that attained the highest expenditure in absolute terms were; Nairobi City at Kshs.4.56 billion, Kiambu at Kshs.1.7 billion, and Narok at Kshs.1.33 billion. Review of the expenditure by economic classification showed that Kshs.27.75 billion (78.3 per cent) was incurred on personnel emoluments, Kshs.6.52 billion (18.4 per cent) on operations and maintenance, and Kshs.1.15 billion (3.3 per cent) on development activities. Three Counties, namely; Marsabit, Tana River, and Wajir did not report any expenditure during the reporting period.

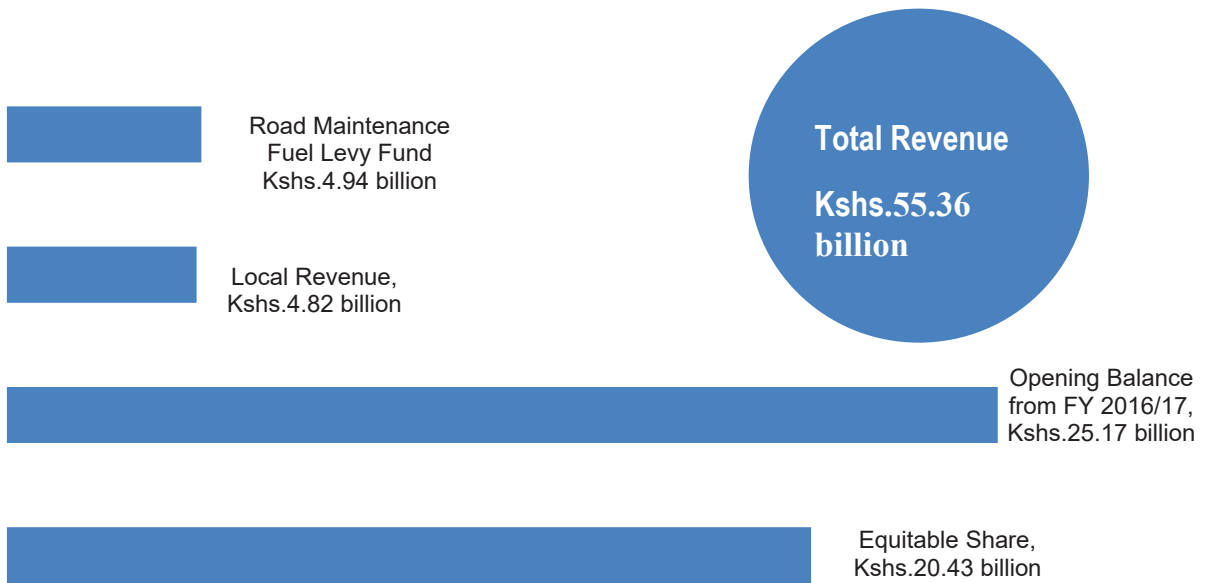
The Office identified the following challenges that continued to hamper effective budget implementation; high expenditure on personnel emoluments, under-performance in local revenue collection, delay by the National Treasury to disburse the equitable share of revenue raised nationally due to delay in approval of the County Allocation of Revenue Act (CARA), 2017 and an error in the Cash Disbursement Schedule, IFMIS connectivity challenges and frequent downtime, low expenditure on the development budget which was affected by delay in release of funds, and failure to budget for all revenue sources as contained in the County Allocation of Revenue Act (CARA), 2017.

In order to address the challenges, counties should ensure the following; contain the wage bill at sustainable levels and in compliance with Regulation 25 (1) (b) of the Public Finance Management (County Governments) Regulations, 2015, which sets the ceiling on the County Governments expenditure on wages at 35 per cent of the total revenue, develop and implement strategies to enhance local revenue collection, liaise with the National Treasury to ensure the equitable share of revenue raised nationally is disbursed in line with the CARA, 2017 Cash Disbursement Schedule, liaise with the IFMIS Directorate to address IFMIS connectivity challenges and frequent downtime, and finally, prepare Supplementary Budgets to capture all revenue as provided for in the CARA, 2017.

Approved Budget Estimates



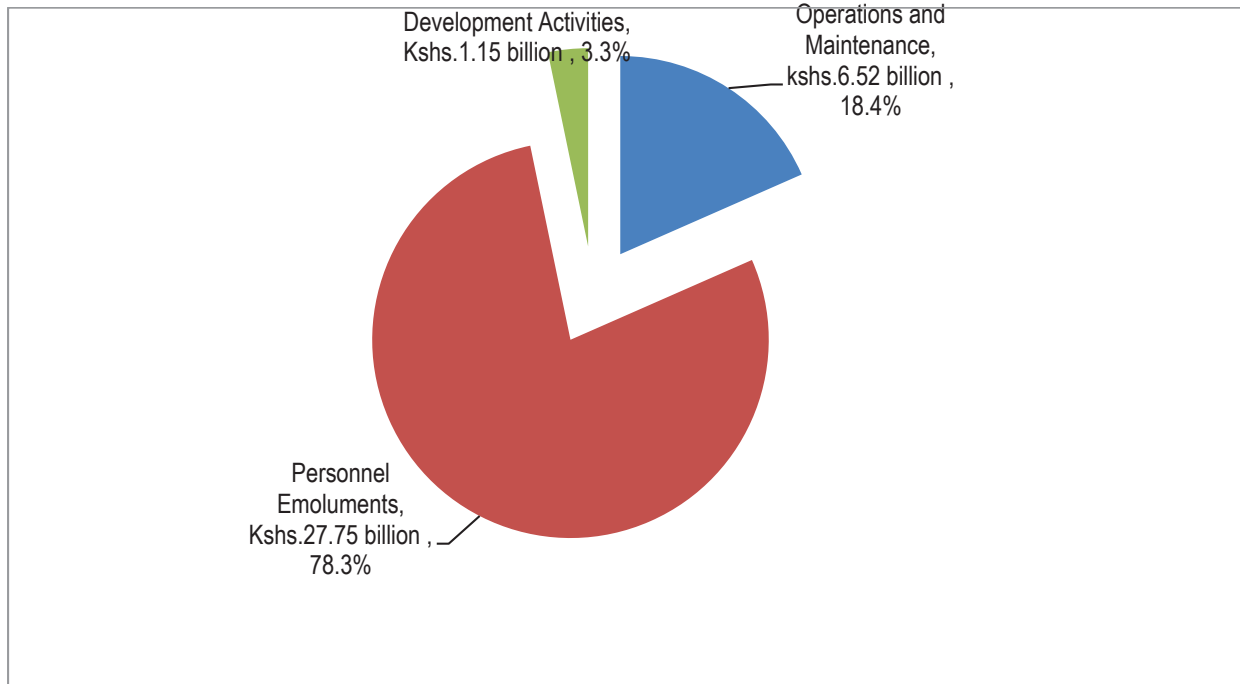
Total Revenue Available in the First Quarter of FY 2017/18



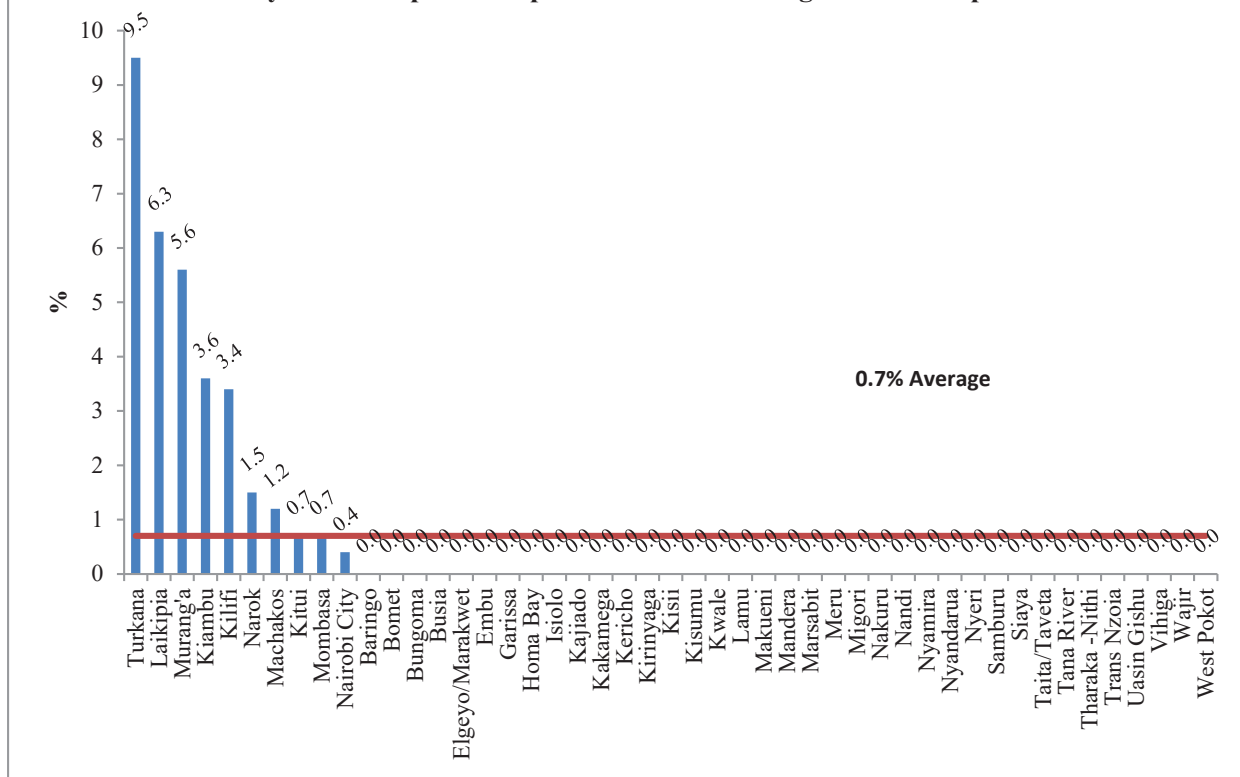
Annual Exchequer Issues in the First Quarter of FY 2017/18



First Quarter of FY 2017/18 Expenditure by Economic Classification



Summary on Development Expenditure as Percentage of Total Expenditure



1 INTRODUCTION

The Office of the Controller of Budget (OCOB) is an oversight institution established under Article 228 of the Constitution of Kenya, 2010 to oversee and report on implementation of the budgets of the National and County Governments. Article 228 (6) of the Constitution, and Section 9 of the Controller of Budget (COB) Act, 2016, require the Controller of Budget to submit to each house of Parliament a report on the implementation of the budgets of the national and county governments every four months. This report has been prepared in conformity with this requirement and covers the first quarter of FY 2017/18.

The report presents status of budget execution by the 47 County Governments and contains information on budgets, revenue, expenditure, and challenges encountered in budget execution during the reporting period. It is primarily aimed at providing information to Parliament and County Assemblies, but is also useful to other stakeholders and the public at large. The report also satisfies Section 39(8) of the Public Finance Management (PFM) Act, 2012, which requires the Controller of Budget (COB) to ensure that members of the public are provided with information on budget implementation.

The report is organized into four chapters. Chapter two provides the aggregate analysis of budget performance by the Counties during the reporting period. It presents revenue performance, exchequer issues to the County Governments and expenditure performance disaggregated into development and recurrent expenditure in line with Section 9 (3) (a) of the Controller of Budget Act, 2016. Revenue performance is analyzed by stream, namely equitable shareable revenue, conditional grants from the National Government, conditional grants from Development Partners, and County Governments' own local revenue collection. Chapter three presents performance by individual Counties. It presents information on budget financing, budget allocation, exchequer issues, and expenditure performance. The progress made in implementing recommendations made in prior reports by the OCOB is also highlighted while, key challenges that affected budget execution are identified and appropriate recommendations made.

The overall challenges that affected budget implementation by County Governments are presented in Chapter four. Appropriate recommendations are also included, with the objective of ensuring effective budget implementation in the future. Chapter five provides the conclusion.

2 FINANCIAL ANALYSIS OF COUNTY BUDGET IMPLEMENTATION IN THE FIRST QUARTER

2.1 Introduction

This chapter presents analysis of aggregated budget performance by the counties in the first three months of FY 2017/18.

2.2 Revenue Analysis

In FY 2017/18, the combined County governments' budgets approved by the County Assemblies amounts to Kshs.374.68 billion and comprised of Kshs.239.9 billion (64 per cent) allocated to recurrent expenditure and Kshs.134.78 billion (36 per cent) for development expenditure.

In order to finance the budgets, county governments expect to receive Kshs.302 billion as equitable share of revenue raised nationally, Kshs.23.27 billion as total conditional grants from the National Government, Kshs.16.41 billion as conditional grants from the Development Partners, and generate Kshs.55.92 billion from local sources, and Kshs.25.17 billion cash balance brought forward from FY 2016/17. The conditional grants from the National Government comprise of Kshs.4.5 billion for Leasing of Medical Equipment, Kshs.4.2 billion for Level 5 Hospitals, Kshs.11.07 billion from the Road Maintenance Fuel Levy Fund, Kshs.900 million for compensation of User Fee Foregone, Kshs.2 billion for Development of Youth Polytechnics, Kshs.605 million for Construction of County Headquarters in Isiolo, Lamu, Nyandarua, Tana River and Tharaka Nithi Counties.

The Conditional grants from the Development Partners comprise of Kshs.873.41 million as World Bank Loan to supplement financing of County Health facilities, Kshs.2.15 billion for Kenya Devolution Support Programme (KDSP) Grant by the World Bank, Kshs.2.75 billion as World Bank Loan for Transforming Health Systems for Universal Care Project, Kshs.1.05 billion as World Bank Loan for National Agricultural and Rural Inclusive Growth Project, Kshs.762.98 million as DANIDA Grant for Universal Healthcare in Devolved System Program, Kshs.985.8 million as EU Grant for Devolution Advice and Support, and Kshs.7.84 billion as Other Loans & Grants.

2.3 Own Revenue

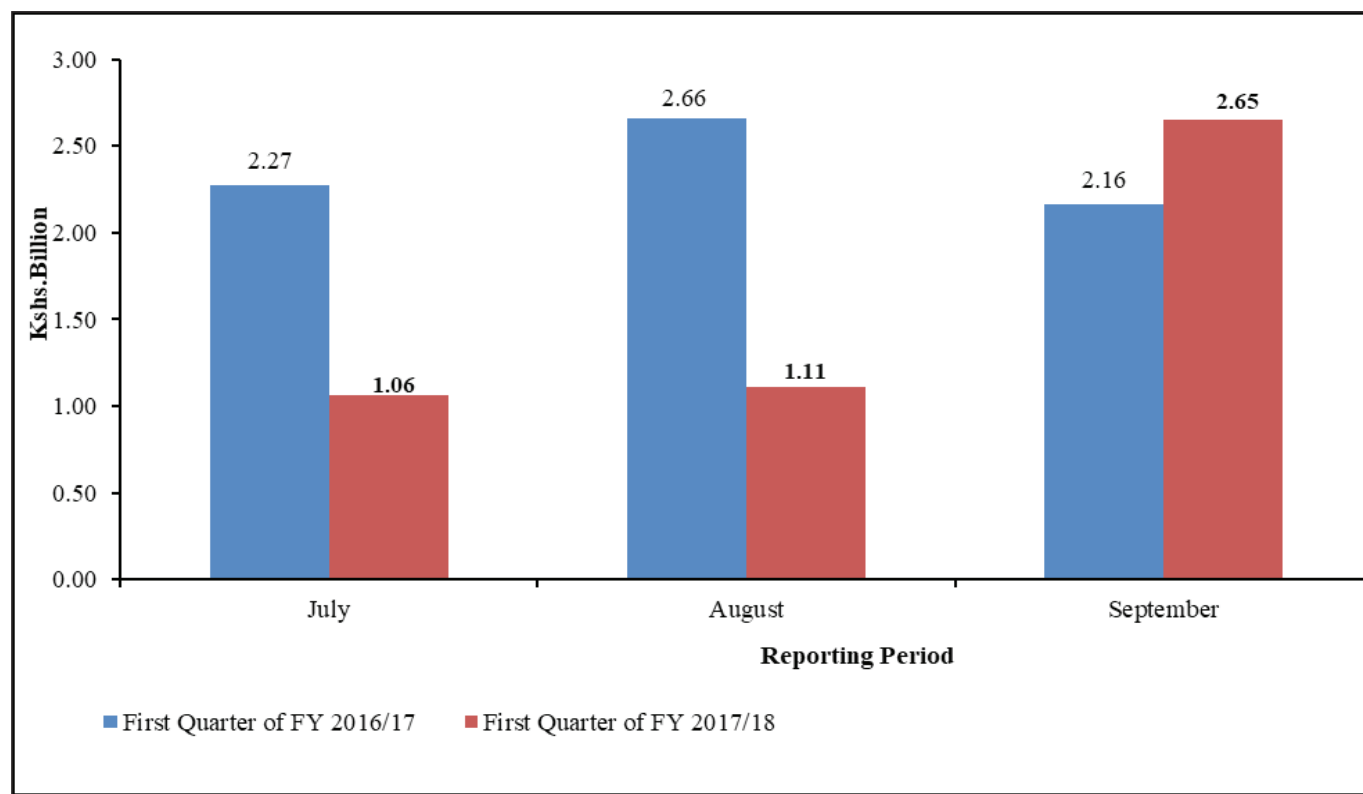
The total funds available to the County Governments in the first quarter of FY 2017/18 amounted to Kshs.55.36 billion. This amount consisted of Kshs.20.43 billion as equitable share of revenue, Kshs.4.94 billion from the Road Maintenance Fuel Levy Fund, Kshs.4.82 billion as revenue raised from local sources, and Kshs.25.17 billion cash balance from FY 2016/17.

2.4 Locally Collected Revenue

The aggregate annual local revenue target for counties in FY 2017/18 is Kshs.55.92 billion. During the reporting period, county governments generated a total of Kshs.4.82 billion, which was 8.6 per cent of the annual target. This was a decline of 32 per cent compared to Kshs.7.09 billion generated in a similar period of FY 2016/17, which was 12.3 per cent of the annual revenue target.

The monthly local revenue collection in the first quarter of FY 2016/17 and in a similar period of FY 2017/18 is shown in **Figure 2.1**.

Figure 2.1: Monthly Local Revenue Collection for the First Quarter of FY2016/17 and the First Quarter of FY 2017/18 (Kshs.Billions)



Source: County Treasuries

The monthly local revenue collection for the period July to September 2017 is shown in Table 2.1.

Table 2.1: Monthly Local Revenue Collection for the Period July-September 2017

County Title	First Quarter of FY 2017/18 Local Revenue Collection (Kshs.)				Annual Local Revenue Target for FY 2017/18 (Kshs.)	% of Local Revenue Against Annual Local Revenue Target
	July-2017	August-2017	September-2017	Total		
Baringo	36,930,678	32,724,881	22,389,324	92,044,883	450,000,000	20.5
Bomet	5,643,950	4,673,631	6,113,159	16,430,740	228,480,000	7.2
Bungoma	55,695,896	18,681,526	23,663,663	98,041,085	731,897,495	13.4
Busia	13,139,612	9,109,278	9,919,863	32,168,753	612,155,210	5.3
Elgeyo/Marakwet	6,400,000	4,480,000	6,320,000	17,200,000	160,291,113	10.7
Embu	16,496,185	15,544,130	22,745,683	54,785,998	839,779,876	6.5
Garissa	3,393,800	2,493,024	3,987,125	9,873,949	250,000,000	3.9
Homa Bay	6,483,345	3,736,693	5,741,284	15,961,322	209,457,525	7.6
Isiolo	9,853,653	10,968,441	12,562,920	33,385,014	182,861,337	18.3
Kajiado	22,922,092	14,666,899	27,884,033	65,473,024	990,794,334	6.6
Kakamega	25,335,467	17,045,243	15,986,757	58,367,467	952,571,849	6.1
Kericho	19,800,445	10,699,545	14,803,801	45,303,791	735,969,157	6.2
Kiambu	93,014,256	71,993,733	79,733,667	244,741,656	3,127,400,184	7.8
Kilifi	25,984,925	17,732,408	18,286,174	62,003,508	929,663,257	6.7

County Title	First Quarter of FY 2017/18 Local Revenue Collection (Kshs.)				Annual Local Revenue Target for FY 2017/18 (Kshs.)	% of Local Revenue Against Annual Local Revenue Target
	July-2017	August-2017	September-2017	Total		
Kirinyaga	11, 528, 394	11, 596, 112	9, 524, 183	32, 648, 689	500, 000, 000	6.5
Kisii	6, 679, 000	16, 905, 000	12, 064, 000	35, 648, 000	850, 000, 000	4.2
Kisumu	43, 452, 556	41, 877, 318	38, 129, 279	123, 459, 153	1, 395, 256, 050	8.8
Kitui	24, 210, 454	16, 329, 323	17, 146, 369	57, 686, 146	702, 040, 500	8.2
Kwale	6, 981, 089	7, 034, 110	9, 536, 740	23, 551, 939	833, 369, 046	2.8
Laikipia	12, 439, 620	72, 211, 686	21, 495, 417	106, 146, 723	700, 000, 000	15.2
Lamu	2, 323, 490	1, 719, 164	1, 407, 037	5, 449, 691	90, 000, 000	6.1
Machakos	14, 364, 811	88, 382, 977	1, 151, 460	103, 899, 248	1, 557, 789, 503	6.7
Makueni	16, 525, 752	34, 188, 382	15, 554, 112	66, 268, 246	450, 000, 000	14.7
Mandera	2, 293, 730	2, 686, 785	3, 618, 374	8, 598, 889	231, 000, 000	3.7
Marsabit	5, 470, 000	4, 760, 000	5, 190, 000	15, 420, 000	130, 000, 000	11.9
Meru	21, 258, 589	15, 357, 866	16, 583, 856	53, 200, 311	801, 775, 812	6.6
Migori	-	-	27, 744, 883	27, 744, 883	450, 000, 000	6.2
Mombasa	128, 974, 779	79, 974, 633	98, 958, 707	307, 908, 119	3, 500, 000, 000	8.8
Murang'a	18, 471, 979	16, 778, 421	17, 559, 655	52, 810, 055	1, 100, 988, 857	4.8
Nairobi City	-	-	1, 487, 988, 548	1, 487, 988, 548	20, 178, 000, 000	7.4
Nakuru	100, 490, 802	73, 453, 573	97, 528, 520	271, 472, 895	2, 500, 000, 000	10.9
Nandi	6, 490, 215	5, 125, 745	8, 490, 098	20, 106, 058	419, 783, 588	4.8
Narok	142, 301, 407	237, 038, 410	313, 035, 529	692, 375, 346	4, 014, 367, 463	17.2
Nyamira	5, 020, 792	6, 021, 007	3, 817, 817	14, 859, 616	272, 456, 992	5.5
Nyandarua	14, 944, 203	11, 991, 960	11, 267, 157	38, 203, 320	371, 000, 000	10.3
Nyeri	42, 199, 564	49, 674, 950	45, 484, 558	137, 359, 072	1, 000, 000, 000	13.7
Samburu	18, 963, 045	25, 974, 402	20, 571, 005	65, 508, 452	301, 230, 000	21.7
Siaya	7, 361, 484	5, 317, 419	6, 728, 584	19, 407, 487	270, 000, 000	7.2
Taita/Taveta	-	-	15, 762, 643	15, 762, 643	338, 465, 509	4.7
Tana River	849, 300	2, 009, 895	1, 091, 000	3, 950, 195	60, 000, 000	6.6
Tharaka -Nithi	3, 129, 014	2, 501, 500	508, 760	6, 139, 274	179, 915, 283	3.4
Trans Nzoia	6, 364, 258	4, 187, 047	5, 079, 096	15, 630, 401	600, 000, 000	2.6
Turkana	12, 709, 654	7, 190, 148	13, 571, 620	33, 471, 422	200, 000, 000	16.7
Uasin Gishu	33, 964, 007	22, 458, 399	33, 079, 299	89, 501, 705	1, 000, 000, 000	9.0
Vihiga	7, 077, 648	5,742,397	-	12,820,045	220, 000, 000	5.8
Wajir	-	-	21, 573, 075	21, 573, 075	200, 000, 000	10.8
West Pokot	4, 202, 246	3, 306, 010	5, 814, 355	13, 322, 611	105, 320, 164	12.6
Total	1, 062, 136, 186	1, 105, 085, 666	2, 657, 193, 190	4, 824, 415, 041	55, 924, 080, 104	8.6

Source: County Treasuries

During the period under review, the Nairobi City County generated the highest amount of local revenue at Kshs.1.49 billion, followed by Narok and Mombasa at Kshs.692.38 million and Kshs.307.91 million respectively. The Counties that generated the lowest amount were Tharaka Nithi, Lamu and Tana River at Kshs.6.14 million, Kshs.5.45 million and Kshs.3.95 million respectively.

Analysis of local revenue as a proportion of the annual revenue target indicates that Samburu and Baringo and Isiolo Counties recorded the highest proportion at 21.7 per cent, 20.5 per cent and 18.3

per cent respectively. Conversely, counties that recorded the lowest proportion of local revenue against annual targets were Tharaka Nithi at 3.4 per cent, Kwale at 2.8 per cent and Trans Nzoia at 2.6 per cent.

2.5 Funds Released to the Counties

2.5.1 Funds released to counties from the Consolidated Fund

In the first three months of FY 2017/18, the Controller of Budget (COB) approved transfer of Kshs.20.43 billion from the Consolidated Fund to the various County Revenue Funds (CRFs) as equitable share of revenue, in accordance with Article 206 (4) of the Constitution.

During the same period, Counties received Kshs.4.94 billion from the Road Maintenance Fuel Levy Fund as a conditional grant from the National Government. This was a direct disbursement to the County Revenue Fund Accounts.

2.5.2 Funds Released to the County Operational Accounts

The COB authorised withdrawals of Kshs.37.82 billion from the County Revenue Funds to County Operational Accounts of the County Government in the reporting period. The transfers comprised of Kshs.37.28 billion (98.6 per cent) for recurrent expenditure and Kshs.530.64 million (1.4 per cent) for development expenditure. The authorised withdrawal was a decline by 50.1 per cent from Kshs.75.69 billion released in a similar period of FY 2016/17.

From the Kshs.37.28 billion released for recurrent activities, Kshs.5.17 billion was for the County Assemblies while Kshs.32.09 billion was for the County Executives. The entire development expenditure was incurred by the County Executives.

The exchequer issues to the County Assembly and the County Executive in the first three months of FY 2017/18 are shown in Table 2.2.

Table 2.2: The Exchequer Issues to the County Assembly and the County Executive for the First Quarter of FY 2017/18

Exchequer Releases from CRF to County Operations Accounts, First Quarter of FY 2017/18 (Kshs.million)									
County	COUNTY ASSEMBLY			COUNTY EXECUTIVE			COMBINED EXCHEQUER ISSUES		
	Rec (Kshs)	Dev (Kshs)	Total	Rec (Kshs)	Dev (Kshs)	Total	Rec (Kshs)	Dev (Kshs)	Total
	A	B	C=A+B	D	E	F=D+E	G=A+D	H=B+E	I=G+H
Baringo	88.44	-	88.44	763.43	-	763.43	851.87	-	851.87
Bomet	85.65	-	85.65	691.73	-	691.73	771.38	-	771.38
Bungoma	58.28	-	58.28	789.89	-	789.89	848.16	-	848.16
Busia	100.10	-	100.10	896.50	-	896.50	996.60	-	996.60
Elgeyo/ Marakwet	67.87	-	67.87	478.74	-	478.74	546.61	-	546.61
Embu	99.06	-	99.06	680.83	-	680.83	779.89	-	779.89
Garissa	63.36	-	63.36	633.35	-	633.35	696.71	-	696.71
Homa Bay	170.00	-	170.00	727.50	-	727.50	897.50	-	897.50
Isiolo	94.00	-	94.00	393.00	-	393.00	487.00	-	487.00
Kajiado	70.72	-	70.72	737.92	-	737.92	808.64	-	808.64

Exchequer Releases from CRF to County Operations Accounts, First Quarter of FY 2017/18 (Kshs.million)									
County	COUNTY ASSEMBLY			COUNTY EXECUTIVE			COMBINED EXCHEQUER ISSUES		
	Rec (Kshs)	Dev (Kshs)	Total	Rec (Kshs)	Dev (Kshs)	Total	Rec (Kshs)	Dev (Kshs)	Total
	A	B	C=A+B	D	E	F=D+E	G=A+D	H=B+E	I=G+H
Kakamega	127.24	-	127.24	910.82	-	910.82	1,038.07	-	1,038.07
Kericho	57.91	-	57.91	598.03	-	598.03	655.94	-	655.94
Kiambu	133.00	-	133.00	1,420.95	149.64	1,570.58	1,553.95	149.64	1,703.58
Kilifi	126.22	-	126.22	721.48	56.33	777.81	847.70	56.33	904.03
Kirinyaga	101.34	-	101.34	637.15	-	637.15	738.49	-	738.49
Kisii	102.40	-	102.40	1,218.87	-	1,218.87	1,321.27	-	1,321.27
Kisumu	36.90	-	36.90	605.00	-	605.00	641.90	-	641.90
Kitui	82.32	-	82.32	602.32	-	602.32	684.64	-	684.64
Kwale	81.5	-	81.5	773.64	-	773.64	855.15	-	855.15
Laikipia	32.57	-	32.57	660.41	38.67	699.08	692.98	38.67	731.65
Lamu	62.09	-	62.09	306.04	-	306.04	368.12	-	368.12
Machakos	70	-	70	1,006.84	-	1,006.84	1,076.84	-	1,076.84
Makueni	52.05	-	52.05	815.66	-	815.66	867.7	-	867.7
Mandera	143.81	-	143.81	879.46	-	879.46	1,023.26	-	1,023.26
Marsabit	-	-	-	-	-	-	-	-	-
Meru	91	-	91	875.26	-	875.26	966.26	-	966.26
Migori	61	-	61	520	-	520	581	-	581
Mombasa	1,028.31	-	1,028.31	24	-	24	1,052.31	-	1,052.31
Murang'a	76	-	76	757	212	969	833	212	1,045
Nairobi City	250	-	250	4,078.91	-	4,078.91	4,328.91	-	4,328.91
Nakuru	758.48	-	758.48	89.63	-	89.63	848.12	-	848.12
Nandi	74.84	-	74.84	600.12	-	600.12	674.96	-	674.96
Narok	80	-	80	1,184.7	74	1,258.70	1,264.7	74	1,338.7
Nyamira	53.03	-	53.03	411.92	-	411.92	464.95	-	464.95
Nyandarua	61.44	-	61.44	450.05	-	450.05	511.49	-	511.49
Nyeri	36.93	-	36.93	442.82	-	442.82	479.75	-	479.75
Samburu	58.10	-	58.10	580.22	-	580.22	638.32	-	638.32
Siaya	41.00	-	41.00	321	-	321	362	-	362
Taita/Taveta	48.27	-	48.27	599.58	-	599.58	647.85	-	647.85
Tana River	-	-	-	-	-	-	-	-	-
Tharaka – Nithi	30	-	30	429	-	429.00	459	-	459.00
Trans Nzoia	58.33	-	58.33	392.11	-	392.11	450.44	-	450.44
Turkana	100	-	100	940	-	940	1,040	-	1,040
Uasin Gishu	27.56	-	27.56	459.04	-	459.04	486.6	-	486.6
Vihiga	88.96	-	88.96	635.52	-	635.52	724.48	-	724.48
Wajir	-	-	-	-	-	-	-	-	-
West Pokot	40	-	40	375	-	375	415	-	415
Total	5,170.1	-	5,170.1	32,115.42	530.64	32,646.06	37,285.52	530.64	37,816.16

Source: County Treasuries and OCOB

Nairobi City County received the highest amount from its CRF account to the operational accounts at Kshs.4.33 billion followed by Kiambu and Narok at Kshs.1.7 billion and Kshs.1.34 billion respectively. Three Counties, Marsabit, Tana River and Wajir did not receive any funds for operations during the period due to delays in approval of their FY 2017/18 Budgets.

2.6 Expenditure Analysis

The total expenditure by County governments was Kshs.35.43 billion representing an absorption rate of 9.5 per cent of the total annual County Governments' Budgets. This was a decrease from an absorption rate of 14.5 per cent attained in a similar period of FY 2016/17 where total expenditure was Kshs.56.55 billion.

Recurrent expenditure was Kshs.34.27 billion, representing 14.3 per cent of the annual recurrent budget, and a decline from 19.2 per cent reported in a similar period of FY 2016/17. Development expenditure amounted to Kshs.1.15 billion, representing an absorption rate of 0.9 per cent, and a decrease from 8.3 per cent attained in the first quarter of FY 2016/17 where total development expenditure was Kshs.13.96 billion. The analysis of expenditure by economic classification in the first quarter of FY 2017/18 is provided in Table 2.3.

Table 2.3: Expenditure by Economic Classification in the First Quarter of FY 2017/18

County Title	Personnel Emoluments (Kshs.)	Operations & Maintenance (Kshs.)	Development Expenditure (Kshs.)	Total Expenditure (Kshs.)
	A	B	C	D=A+B+C
Baringo	470, 891, 186	85, 521, 476	-	556, 412, 662
Bomet	559, 520, 000	199, 260, 000	-	758, 780, 000
Bungoma	849, 335, 780	50, 907, 040	-	900, 242, 820
Busia	561, 148, 259	144, 336, 200	-	705, 484, 459
Elgeyo/Marakwet	520, 970, 000	37, 710, 000	-	558, 680, 000
Embu	594, 306, 231	42, 049, 683	-	636, 355, 914
Garissa	660, 962, 757	35, 750, 000	-	696, 712, 757
Homa Bay	663, 145, 960	223, 966, 100	-	887, 112, 060
Isiolo	383, 473, 177	80, 162, 394	-	463, 635, 571
Kajiado	545, 426, 264	99, 395, 476	-	644, 821, 740
Kakamega	1, 065, 816, 135	218, 094, 063	-	1, 283, 910, 198
Kericho	438, 683, 825	51, 355, 541	-	490, 039, 366
Kiambu	1, 274, 996, 833	282, 138, 483	145, 623, 922	1, 702, 759, 238
Kilifi	274, 379, 410	314, 990, 193	131, 495, 737	720, 865, 341
Kirinyaga	568, 705, 691	140, 928, 271	-	709, 633, 962
Kisii	1, 127, 845, 708	58, 534, 514	-	1, 186, 380, 222
Kisumu	414, 068, 155	73, 036, 072	-	487, 104, 227
Kitui	540, 171, 839	34, 240, 672	23, 660, 358	598, 072, 869
Kwale	387, 431, 516	253, 461, 828	-	640, 893, 344
Laikipia	491, 705, 034	71, 704, 830	131, 778, 948	695, 188, 812
Lamu	229, 895, 725	42, 643, 808	-	272, 539, 533
Machakos	632, 910, 000	177, 940, 000	35, 490, 000	846, 340, 000
Makueni	691, 111, 965	180, 679, 944	-	871, 791, 909
Mandera	525, 126, 497	265, 418, 297	-	790, 544, 794
Marsabit	-	-	-	-

County Title	Personnel Emoluments (Kshs.)	Operations & Maintenance (Kshs.)	Development Expenditure (Kshs.)	Total Expenditure (Kshs.)
	A	B	C	D=A+B+C
Meru	733, 632, 294	55, 256, 961	-	788, 889, 255
Migori	461, 580, 000	132, 140, 000	-	593, 720, 000
Mombasa	716, 620, 634	201, 962, 778	29, 097, 969	947, 681, 381
Murang'a	634, 949, 388	153, 409, 889	179, 901, 677	968, 260, 954
Nairobi City	3, 387, 700, 204	1, 145, 946, 225	24, 521, 622	4, 558, 168, 051
Nakuru	789, 512, 711	36, 426, 083	-	825, 938, 794
Nandi	461, 450, 000	174, 860, 000	-	636, 310, 000
Narok	627, 202, 258	632, 722, 841	74, 000, 000	1, 333, 925, 099
Nyamira	570, 218, 135	55, 823, 892	-	626, 042, 027
Nyandarua	457, 112, 909	59, 752, 954	-	516, 865, 863
Nyeri	516, 417, 767	51, 584, 955	-	568, 002, 722
Samburu	645, 675, 990	124, 492, 093	-	770, 168, 083
Siaya	528, 650, 000	36, 320, 000	-	564, 970, 000
Taita/Taveta	510, 055, 454	107, 288, 734	-	617, 344, 188
Tana River	-	-	-	-
Tharaka -Nithi	412, 432, 858	23, 187, 535	-	435, 620, 393
Trans Nzoia	412, 614, 321	140, 721, 208	-	553, 335, 529
Turkana	442, 514, 476	98, 982, 940	377, 300, 000	918, 797, 416
Uasin Gishu	460, 118, 265	36, 361, 093	-	496, 479, 358
Vihiga	212, 490, 000	29, 400, 000	-	241, 890, 000
Wajir	-	-	-	-
West Pokot	299, 723, 936	59, 586, 940	-	359, 310, 876
Total	27, 752, 699, 549	6, 520, 452, 005	1, 152, 870, 233	35, 426, 021, 787

Source: OCOB and County Treasuries

The Counties that attained the highest total expenditure in absolute terms were; Nairobi City at Kshs.4.56 billion, Kiambu at Kshs.1.7 billion, and Narok at Kshs.1.33 billion. Three Counties namely; Marsabit, Tana River, and Wajir did not report any expenditure during the period.

Review of cumulative expenditure by economic classification showed that Kshs.27.75 billion (78.3 per cent) was incurred on personnel emoluments, Kshs.6.52 billion (18.4 per cent) on operations and maintenance, and Kshs.1.15 billion (3.3 per cent) on development activities.

2.7 Development Expenditure

County governments incurred Kshs.1.15 billion on development activities, representing an absorption rate of 0.9 per cent of the annual development budget, which is a decrease from 8.3 per cent, reported in a similar period of FY 2016/17 when development expenditure was Kshs.13.96 billion.

The low expenditure on development activities was due to delay in disbursement of funds by the National Treasury which was occasioned by delay in approval of the CARA, 2017 and error in the Cash disbursement Scheduled.

Analysis of county budgets and expenditure in the first quarter of FY 2017/18 is provided in Table 2.4.

Table 2.4: County Budget Allocation, Expenditure and Absorption Rate in the First Quarter of FY 2017/18

County Title	Budget Estimates (Kshs.Million)			Expenditure (Kshs.Million)			Recurrent Absorption Rate (%)	Development Absorption Rate (%)	Overall Absorption Rate
	Rec	Dev	Total	Rec	Dev	Total			
	A	B	C=A+B	D	E	F=D+E	G=D/A*100	H=E/B*100	I=F/C*100
Baringo	3,982.98	2,659.28	6,642.26	556.41	-	556.41	14.0	-	8.4
Bomet	4,083.28	1,812.64	5,895.92	758.78	-	758.78	18.6	-	12.9
Bungoma	6,530.86	3,497.29	10,028.15	900.24	-	900.24	13.8	-	9.0
Busia	4,992.35	1,986.96	6,979.31	705.48	-	705.48	14.1	-	10.1
Elgeyo/Marakwet	2,635.78	1,361.26	3,997.04	558.68	-	558.68	21.2	-	14.0
Embu	3,822.74	1,895.45	5,718.19	636.36	-	636.36	16.6	-	11.1
Garissa	5,387.05	2,464.05	7,851.10	696.71	-	696.71	12.9	-	8.9
Homa Bay	4,980.16	2,211.00	7,191.15	887.11	-	887.11	17.8	-	12.3
Isiolo	2,721.38	1,561.34	4,282.72	463.64	-	463.64	17.0	-	10.8
Kajiado	4,363.04	1,871.12	6,234.16	644.82	-	644.82	14.8	-	10.3
Kakamega	6,844.19	6,325.77	13,169.96	1,283.91	-	1,283.91	18.8	-	9.7
Kericho	4,452.18	1,828.12	6,280.30	490.04	-	490.04	11.0	-	7.8
Kiambu	9,417.66	3,996.58	13,414.24	1,557.14	145.62	1,702.76	16.5	3.6	12.7
Kilifi	7,971.82	3,923.36	11,895.17	589.37	131.50	720.87	7.4	3.4	6.1
Kirinyaga	3,339.44	1,431.19	4,770.63	709.63	-	709.63	21.3	-	14.9
Kisii	6,619.78	3,408.90	10,028.67	1,186.38	-	1,186.38	17.9	-	11.8
Kisumu	6,621.01	3,037.10	9,658.11	487.10	-	487.10	7.4	-	5.0
Kitui	6,250.40	3,623.01	9,873.41	574.41	23.66	598.07	9.2	0.7	6.1
Kwale	4,921.33	4,789.37	9,710.70	640.89	-	640.89	13.0	-	6.6
Laikipia	3,471.79	2,079.66	5,551.45	563.41	131.78	695.19	16.2	6.3	12.5
Lamu	1,879.96	819.10	2,699.05	272.54	-	272.54	14.5	-	10.1
Machakos	7,001.93	2,988.25	9,990.18	810.85	35.49	846.34	11.6	1.2	8.5
Makueni	5,203.80	2,689.84	7,893.64	871.79	-	871.79	16.8	-	11.0
Mandera	6,120.07	6,459.75	12,579.82	790.54	-	790.54	12.9	-	6.3
Marsabit	4,079.39	3,549.94	7,629.33	-	-	-	-	-	-
Meru	6,807.16	2,922.13	9,729.30	788.89	-	788.89	11.6	-	8.1
Migori	4,904.44	2,876.18	7,780.62	593.72	-	593.72	12.1	-	7.6
Mombasa	8,571.88	3,962.57	12,534.45	918.58	29.10	947.68	10.7	0.7	7.6
Murang'a	5,382.31	3,234.87	8,617.18	788.36	179.90	968.26	14.6	5.6	11.2
Nairobi City	12,060.02	5,893.66	17,953.68	4,533.65	24.52	4,558.17	37.6	0.4	25.4
Nakuru	9,765.68	5,898.68	15,664.36	825.94	-	825.94	8.5	-	5.3
Nandi	4,505.99	2,535.24	7,041.22	636.31	-	636.31	14.1	-	9.0
Narok	6,118.65	4,837.35	10,955.99	1,259.93	74.00	1,333.93	20.6	1.5	12.2
Nyamira	4,155.17	1,718.91	5,874.09	626.04	-	626.04	15.1	-	10.7
Nyandarua	3,841.60	1,846.18	5,687.77	516.87	-	516.87	13.5	-	9.1
Nyeri	4,610.36	2,222.36	6,832.72	568.00	-	568.00	12.3	-	8.3
Samburu	3,062.23	1,463.16	4,525.38	770.17	-	770.17	25.2	-	17.0
Siaya	4,618.91	1,979.53	6,598.45	564.97	-	564.97	12.2	-	8.6
Taita/Taveta	1,399.96	3,247.49	4,647.45	617.34	-	617.34	44.1	-	13.3
Tana River	3,336.71	2,458.32	5,795.03	-	-	-	-	-	-

County Title	Budget Estimates (Kshs.Million)			Expenditure (Kshs.Million)			Recurrent Absorption Rate (%)	Development Absorption Rate (%)	Overall Absorption Rate
	Rec	Dev	Total	Rec	Dev	Total			
	A	B	C=A+B	D	E	F=D+E	G=D/A*100	H=E/B*100	I=F/C*100
Tharaka -Nithi	3, 024.66	1, 481.48	4, 506.14	435.62	-	435.62	14.4	-	9.7
Trans Nzoia	4, 429.65	2, 393.48	6, 823.13	553.34	-	553.34	12.5	-	8.1
Turkana	7, 232.46	3, 975.67	11, 208.13	541.50	377.30	918.80	7.5	9.5	8.2
Uasin Gishu	5, 041.72	2, 384.17	7, 425.88	496.48	-	496.48	9.8	-	6.7
Vihiga	3, 346.29	1, 444.58	4, 790.88	241.89	-	241.89	7.2	-	5.0
Wajir	2, 525.35	2, 095.61	4, 620.97	-	-	-	-	-	-
West Pokot	3, 468.59	1, 638.87	5, 107.46	359.31	-	359.31	10.4	-	7.0
Total	239, 904.15	134, 780.81	374, 684.96	34, 273.15	1, 152.87	35, 426.02	14.3	0.9	9.5

Source: OCOB and County Treasuries

Turkana County recorded the highest expenditure on development activities in absolute terms at Kshs.377.3 million, followed by Murang'a County and Kiambu County at Kshs.179.9 million and Kshs.145.62 million respectively. Detailed analysis of development projects undertaken by counties is provided in chapter three.

2.8 Recurrent Expenditure

The Counties incurred an aggregate of Kshs.34.27 billion or 96.7 per cent of the total expenditure on recurrent activities. This expenditure represents 14.3 per cent of the annual county governments' budget for recurrent activities, and a decline from 19.2 per cent recorded in a similar period of FY 2016/17 when expenditure stood at Kshs.42.6 billion.

Analysis of expenditure in absolute terms shows that Nairobi City County attained the highest expenditure on recurrent activities at Kshs.4.53 billion, followed by Kiambu and Kakamega Counties at Kshs.1.56 billion and Kshs.1.28 billion respectively

2.9 Personnel Emoluments

During the first quarter of FY 2017/18, the County Governments incurred Kshs.27.75 billion on personnel emoluments, representing 81 per cent of the total recurrent expenditure and 78.3 per cent of total expenditure. This was a marginal decrease from Kshs.29.6 billion incurred in the first quarter of FY 2016/17 when personnel expenditure translated to 52.3 per cent of the total expenditure.

Nairobi City County reported the highest expenditure on personnel emoluments at Kshs.3.39 billion, followed by Kiambu and Kisii Counties at Kshs.1.27 billion and Kshs.1.13 billion respectively. Analysis of personnel emoluments as a percentage of total expenditure by county shows that Nakuru, Kisii, and Garissa recorded the highest percentage at 95.6 per cent, 95.1 per cent and 94.9 per cent respectively.

2.10 Operations and Maintenance Expenditure

A total of Kshs.6.52 billion was incurred on operations and maintenance during the reporting period, which translated to 18.4 per cent of the total expenditure. Counties that reported the highest

expenditure on operations and maintenance in absolute terms were Nairobi City at Kshs.1.15 billion, Narok at Kshs.632.72 million and Kilifi at Kshs.314.99 million. Analysis of expenditure on operations and maintenance as a proportion of the total expenditure by county indicated that Narok attained the highest proportion at 47.4 per cent, followed by Kilifi and Kwale Counties at 43.7per cent and 39.5 per cent respectively.

2.11 Review of MCAs Committee Sitting Allowances

During the reporting period, the County Assemblies incurred Kshs.152.39 million on MCAs committee sitting allowances against an approved budget allocation of Kshs.3.03 billion. This expenditure translates to 5.0 per cent of the approved MCAs committee sitting allowance budget, and a decline from 19.1 per cent attained in FY 2015/16 when Kshs.638.32 million was incurred.

Table 2.5 shows the County budgetary allocation and expenditure on MCAs committee sitting allowances in the first three months of FY 2017/18.

Table 2.5: Budget Allocation, Expenditure and Absorption Rate of MCAs Committee Sitting Allowance in the First Quarter of FY 2017/18

County	MCAs Committee Sitting Allowances				
	Budgetary Allocation (Kshs)	Expenditure (Kshs)	Absorption %	No. of MCAs	Average monthly sitting allowance Per MCA (Kshs)
	A	B	C=B/A*100	D	E=B/D/3
Baringo	51, 712, 325	5, 759, 050	11.1	46	41, 732
Bomet	30, 180, 000	1, 543, 490	5.1	36	14, 292
Bungoma	116, 396,800	20,585,941	17.7	61	112,491
Busia	118, 798, 028	386, 400	0.3	54	2, 385
Elgeyo/Marakwet	34, 777, 600	3, 316, 755	9.5	34	32, 517
Embu	28, 811, 995	2, 024, 300	7.0	34	19, 846
Garissa	86, 860, 800	-	-	49	-
Homa Bay	111, 036, 800	1, 371, 604	1.2	62	7, 374
Isiolo	39, 040, 000	942, 180	2.4	17	18, 474
Kajiado	64, 985, 909	-	-	42	-
Kakamega	233, 465, 733	18, 750, 996	8.0	88	71, 027
Kericho	128, 470, 876	2, 045, 399	1.6	47	14, 506
Kiambu	105, 000, 000	21, 462, 511	20.4	94	76, 108
Kilifi	86, 492, 284	3, 514, 000	4.1	56	20, 917
Kirinyaga	62, 000, 000	-	-	33	-
Kisii	108, 227, 840	-	-	70	-
Kisumu	63, 501, 400	6, 409, 200	10.1	49	43, 600
Kitui	69, 638, 400	-	0.0	54	-
Kwale	26, 234, 544	5, 133, 676	19.6	34	50, 330
Laikipia	34, 006, 178	-	-	24	-
Lamu	35, 376, 000	749, 000	2.1	19	13, 140
Machakos	82, 914, 903	530, 000	0.6	60	2, 944
Makueni	40, 000, 000	-	-	48	-
Mandera	50, 199, 306	3, 072, 900	6.1	49	20, 904

County	MCAs Committee Sitting Allowances				
	Budgetary Allocation (Kshs)	Expenditure (Kshs)	Absorption %	No. of MCAs	Average monthly sitting allowance Per MCA (Kshs)
	A	B	C=B/A*100	D	E=B/D/3
Marsabit	-	-	-	31	-
Meru	131,991,600	-	-	69	-
Migori	-	-	-	40	-
Mombasa	8,500,000	-	-	43	-
Murang'a	87,609,600	887,005	1.0	50	5,913
Nairobi City	65,823,550	17,719,800	26.9	128	46,145
Nakuru	90,000,000	7,248,220	8.1	75	32,214
Nandi	67,686,663	4,901,000	7.2	49	33,340
Narok	61,975,680	-	0.0	48	-
Nyamira	69,811,200	2,432,577	3.5	36	22,524
Nyandarua	44,913,250	998,030	2.2	40	8,317
Nyeri	74,048,000	2,466,100	3.3	45	18,267
Samburu	42,504,000	5,066,447	11.9	28	60,315
Siaya	65,504,000	474,000	0.7	44	3,591
Taita/Taveta	65,436,800	9,950,100	15.2	36	92,131
Tana River	47,122,400	-	-	23	-
Tharaka –Nithi	36,000,000	220,000	0.6	21	3,492
Trans Nzoia	69,297,600	-	-	40	-
Turkana	38,438,400	-	-	48	-
Uasin Gishu	61,560,000	681,200	1.1	46	4,936
Vihiga	12,396,000	970,000	7.8	39	8,291
Wajir	35,180,600	-	0.0	46	-
West Pokot	46,288,628	782,000	1.7	34	7,667
Total	3,030,215,692	152,393,881	5.0	2219	22,892

Source: OCOB and County Treasuries

County Assemblies that reported higher expenditure on committee sitting allowance than the SRC's recommended monthly maximum of Kshs.80,000 were: Bungoma at Kshs.112,491 and Taita Taveta at Kshs.92,131.

2.12 Review of Expenditure on Domestic and Foreign Travels

The County Governments incurred Kshs.1.02 billion on domestic and foreign travel against an approved annual budget allocation of Kshs.9.69 billion. This expenditure represented 10.6 per cent of the total budget allocation towards domestic and foreign travel, and a decrease from 22.9 per cent attained in a similar period of FY 2016/17 when Kshs.2.78 billion was incurred.

The expenditure on domestic and foreign travels by both the County Assembly and the County Executive in the first quarter of FY2017/18 is presented in Table 2.6.

Table 2.6: Expenditure on Domestic and Foreign Travels by the County Assembly and the County Executive in the First Quarter of FY 2017/18 (Kshs.million)

County	County Assembly			County Executive			Total Expenditure		
	Budget	Expendi- ture	Perfor- mance	Budget	Expendi- ture	Perfor- mance	Budget	Expendi- ture	Perfor- mance
	A	B	C=B/A*100	D	E	F=E/D*100	G=A+D	H=B+E	I=H/G*100
Baringo	14.50	-	-	13.03	0.63	4.82	27.53	0.63	2.3
Bomet	60.26	22.17	36.8	57.00	10.08	17.5	117.26	32.25	27.5
Bungoma	23.50	0.77	3.3	211.75	0.87	0.4	235.25	1.64	0.7
Busia	43.00	9.47	22.0	220.97	17.23	7.8	263.97	26.71	10.1
Elgeyo/Marakwet	44.50	7.27	16.3	29.78	2.27	7.6	74.28	9.53	12.8
Embu	82.32	17.92	21.8	133.58	2.05	1.5	215.9	19.97	9.3
Garissa	88.69	3.2	3.6	111.59	5.33	4.8	200.28	8.53	4.3
Homa Bay	84.13	19.97	23.7	84.76	33.90	40.0	168.88	53.87	31.9
Isiolo	46.65	20.30	43.5	97.77	7.13	7.3	144.42	27.44	19.0
Kajiado	46.59	8.52	18.3	53.85	22.35	41.5	100.44	30.87	30.7
Kakamega	153.00	28.60	18.7	218.37	7.77	3.6	371.37	36.37	9.8
Kericho	31.70	5.03	15.9	145.81	4.20	2.9	177.51	9.23	5.2
Kiambu	47.38	26.76	56.5	64.77	29.36	45.3	112.15	56.13	50.0
Kilifi	70.58	17.55	24.9	206.67	19.15	9.3	277.25	36.69	13.2
Kirinyaga	83.00	12.97	15.6	71.39	9.62	13.5	154.39	22.59	14.6
Kisii	84.88	12.59	14.8	333.21	34.34	10.3	418.09	46.93	11.2
Kisumu	75.85	5.35	7.1	261.02	7.42	2.8	336.87	12.77	3.8
Kitui	124.90	9.91	7.9	345.05	10.08	2.9	469.95	19.99	4.3
Kwale	74.37	23.85	32.1	87.30	8.35	9.6	161.67	32.20	19.9
Laikipia	112.50	11.20	10.0	127.71	13.92	10.9	240.21	25.12	10.5
Lamu	71.70	2.48	3.5	72.35	10.23	14.1	144.05	12.71	8.8
Machakos	158.50	23.42	14.8	142.35	11.61	8.2	300.85	35.03	11.6
Makueni	52.70	8.65	16.4	147.37	0.07	0.0	200.07	8.72	4.4
Mandera	114.91	-	-	130.54	3.3	2.5	245.45	3.30	1.3
Marsabit	-	-	-	-	-	-	-	-	-
Meru	111.52	10.39	9.3	84.06	-	-	195.58	10.39	5.3
Migori	49.53	-	-	-	-	-	49.53	-	-
Mombasa	3.18	-	-	3.68	-	-	6.86	-	-
Murang'a	111.00	12.79	11.5	108.95	24.33	22.3	219.95	37.12	16.9
Nairobi City	147.96	40.83	27.6	269.17	10.56	3.9	417.13	51.39	12.3
Nakuru	30.00	1.48	4.9	73.11	-	-	103.11	1.48	1.4
Nandi	50.05	4.60	9.2	206.3	19.64	9.5	256.35	24.24	9.5
Narok	112.7	14.53	12.9	319.51	77.77	24.3	432.22	92.31	21.4
Nyamira	92.28	16.34	17.7	203.32	19.58	9.6	295.60	35.92	12.2
Nyandarua	47.99	9.66	20.1	145.2	10.43	7.2	193.18	20.09	10.4
Nyeri	65.00	6.21	9.5	101.33	2.11	2.1	166.33	8.32	5
Samburu	62.79	5.95	9.5	-	-	-	62.79	5.95	9.5
Siaya	76.14	19.04	25.0	193.6	19.63	10.1	269.74	38.66	14.3
Taita/Taveta	104.09	24.92	23.9	210.75	27.01	12.8	314.84	51.93	16.5
Tana River	-	-	-	-	-	-	-	-	-
Tharaka –Nithi	58.50	4.04	6.9	141.32	3.28	2.3	199.82	7.32	3.7

County	County Assembly			County Executive			Total Expenditure		
	Budget	Expendi- ture	Perfor- mance	Budget	Expendi- ture	Perfor- mance	Budget	Expendi- ture	Perfor- mance
	A	B	C=B/A*100	D	E	F=E/D*100	G=A+D	H=B+E	I=H/G*100
Trans Nzoia	94.62	12.03	12.7	24	2.36	9.8	118.62	14.40	12.1
Turkana	38.52	2.33	6	120.31	9.38	7.8	158.83	11.71	7.4
Uasin Gishu	63.9	10.16	15.9	66.76	2	3	130.66	12.16	9.3
Vihiga	85	11.54	13.6	160.71	6.38	4	245.71	17.92	7.3
Wajir	48.32	-	-	171.63	-	-	219.95	-	-
West Pokot	104.49	3.42	3.3	366.84	8.99	2.4	471.33	12.41	2.6
Total	3,347.66	508.2	15.1	6,338.59	514.71	8.1	9,686.25	1,022.9	10.6

Source: OCOB and County Treasuries

In absolute terms, Narok County incurred the highest expenditure of domestic and foreign travel at Kshs.92.31 million, followed by Kiambu and Homabay at Kshs.56.13 million and Kshs.53.87 million respectively. Analysis of expenditure on domestic and foreign travel as a proportion of budgetary allocation indicated that Kiambu, Homa Bay and Kajiado Counties had the highest proportion at 50 per cent, 31.9 per cent and 30.7 per cent respectively.

3 INDIVIDUAL COUNTY BUDGET PERFORMANCE

This chapter provides individual County budget performance for the first quarter of FY 2017/17. The 47 counties are presented in alphabetical order.

3.1 Baringo County

3.1.1 Overview of the FY 2017/18 Budget

The County's FY 2017/18 Approved Budget is Kshs.6.64 billion, comprising of Kshs.3.98 billion (60 per cent) and Kshs.2.66 billion (40 per cent) allocation for recurrent and development expenditure respectively.

To finance the budget, the County expects to receive Kshs.4.83 billion (72.7 per cent) as equitable share of revenue raised nationally, Kshs.409.25 million (6.2 per cent) as total conditional grants, and generate Kshs.450 million (6.8 per cent) from local revenue sources, and Kshs.950.14 million (14.3 per cent) cash balance from FY 2016/17.

The conditional grants contained in the CARA, 2017 of Kshs.633.2 million comprise of Kshs.189.20 million (29.9 per cent) from the Road Maintenance Fuel Levy Fund, Kshs.13.19 million (2.1 per cent) as Compensation for User Fee Foregone, Kshs.12.82 million (2 per cent) from DANIDA, Kshs.94.21 million (14.9 per cent) as World Bank loan to supplement financing of County Health facilities, Kshs.40.84 million (6.4 per cent) for the World Bank Kenya Devolution Support Program, Kshs.35.24 million (5.6 per cent) for Development of Youth Polytechnics, Kshs.54.24 million (8.6 per cent) as World Bank Loan for Transforming Health System for Universal Care System, Kshs.66 million (10.4 per cent) as European Union (EU) Grant, and Kshs.31.71 million (5 per cent) from Other Loans and Grants.

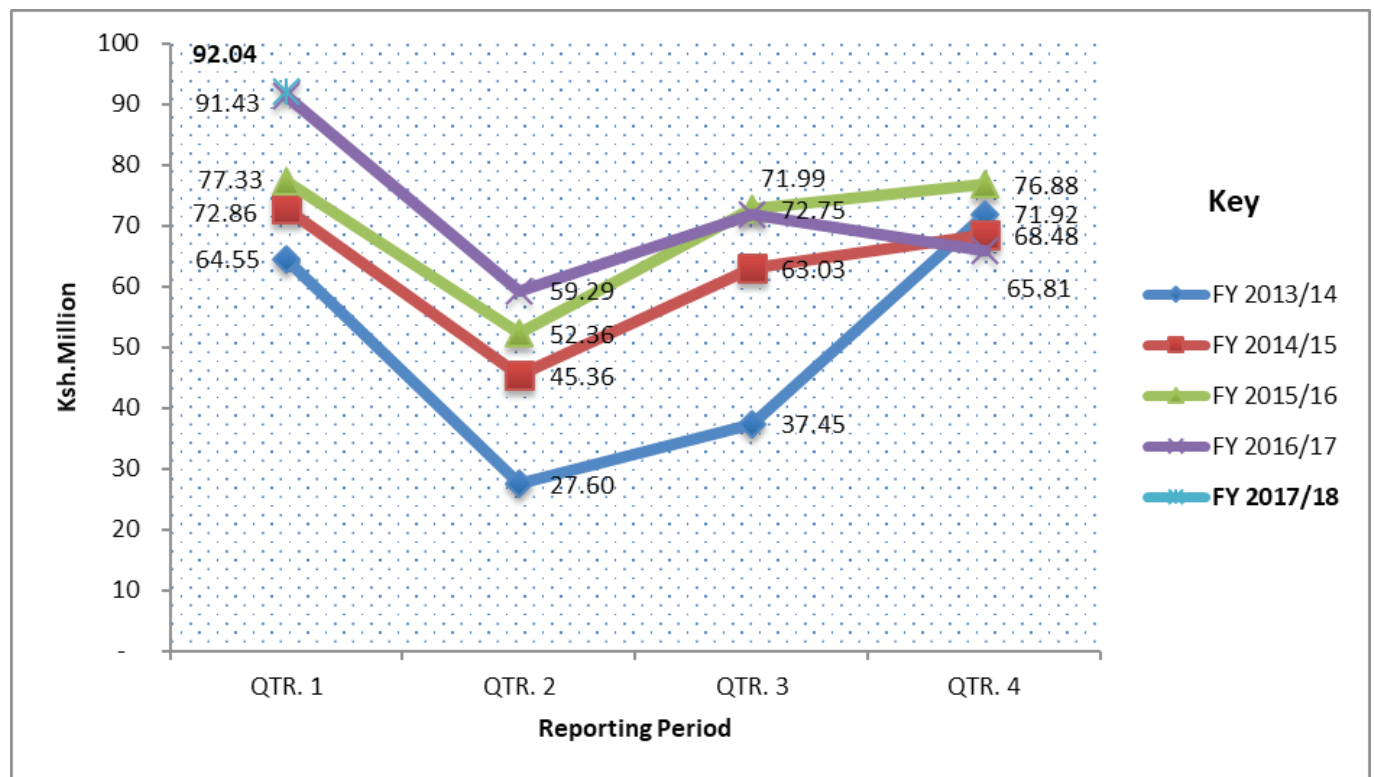
The County budgeted to receive Kshs.27.05 million for Capacity and Performance Programme, which is not contained in the CARA, 2017.

3.1.2 Revenue Analysis

During the first quarter of FY 2017/18, the County received Kshs.88.24 million as total conditional allocations, raised Kshs.92.04 million from local revenue sources, and had a cash balance of Kshs.950.14 million from FY 2016/17. The available funds amounted to Kshs.1.13 billion.

The County did not receive any equitable share of the revenue raised nationally. Figure 3.1 shows the quarterly trend in local revenue collection from the first quarter of FY 2013/14 to the first quarter of FY 2017/18.

Figure 3.1: Baringo County, Trend in Local Revenue Collection by Quarter from the First Quarter of FY 2013/14 to the First Quarter of FY 2017/18



Source: Baringo County Treasury

The total local revenue collected in the first quarter of FY 2017/18 amounted to Kshs.92.04 million, representing an increase of 0.6 per cent compared to Kshs.91.43 million generated in a similar period of FY 2016/17 and represented 20.5 per cent of the annual local revenue target.

3.1.3 Conditional Grants

Table 3.1 shows an analysis of conditional grants released in the first quarter of FY 2017/18.

Table 3.1: Baringo County, Analysis of Conditional Grants Released in the First Quarter of FY 2017/18

S/No	Grants	Annual CARA, 2017 Allocation (in Kshs)	Annual Budget Allocation (in Kshs)	Actual receipts in First Quarter of FY 2017/18 (in Kshs)	Actual Receipts as Percentage of Annual CARA, 2017 Allocation (%)
A	Grants Contained in the CARA, 2017				
1	Road Maintenance Fuel Levy Fund	189, 199, 286	130, 725, 000	88, 238, 059	46.6
2	Leasing of Medical Equipment	95, 744, 681	95, 744, 681	-	-
3	World Bank loan to supplement financing of County Health facilities	94, 210, 000	122, 617, 447	-	-
4	Kenya Devolution Support Programme (KDSP)	40, 839, 509	-	-	-
5	Compensation for User Fee Foregone	13, 191, 000	13, 191, 000	-	-
6	DANIDA Grant	12, 820, 885	-	-	-
7	Development of Youth Polytechnics	35, 239, 276	19, 920, 000	-	-
8	Other Loans & Grants	31, 707, 536	-	-	-
9	World Bank Loan for Transforming Health System for Universal Care System	54, 243, 300	-	-	-

S/No	Grants	Annual CARA, 2017 Allocation (in Kshs)	Annual Budget Allocation (in Kshs)	Actual receipts in First Quarter of FY 2017/18 (in Kshs)	Actual Receipts as Percentage of Annual CARA, 2017 Allocation (%)
10	EU Grant	66,000,000	-	-	-
Sub Total		633,195,473	382,198,128	88,238,059	13.9
B	Other Grants Not Contained in the CARA, 2017				
11	Capacity and Performance Grant	-	27,052,470	-	-
Sub Total		-	27,052,470	-	-
Grand Total		633,195,473	409,250,598	88,238,059	13.9

Source: Baringo County Treasury

Analysis of the conditional grants released during the period under review indicates that, the Road Maintenance Fuel Levy Fund received Kshs.88.24 million during the period representing 46.6 per cent of annual allocation. The County did not receive funds from any other grant category.

3.1.4 Exchequer Issues

During the reporting period, the Controller of Budget authorized withdrawal of Kshs.851.87 million from the CRF account, which was 12.8 per cent of the Approved Budget. This amount represented an increase of 12.5 per cent from Kshs.782.31 million authorized in a similar period of FY 2016/17. The entire amount was for recurrent expenditure.

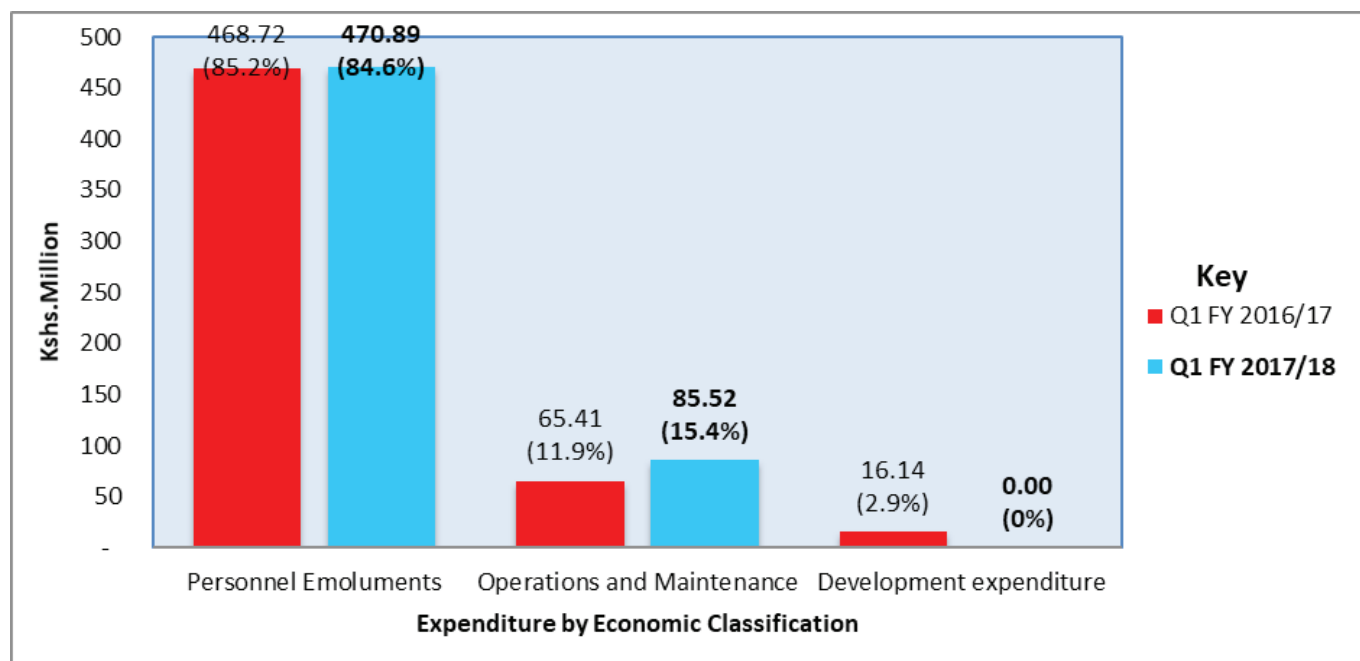
3.1.5 Overall Expenditure Review

The County incurred Kshs.556.41 million, which was 65.3 per cent of the total funds released for operations. This was an increase of 1.1 per cent from Kshs.550.27 million incurred in the first quarter of FY 2016/17.

The total expenditure of Kshs.556.41 million was incurred on recurrent activities and represented 65.3 per cent of the funds released for recurrent activities. The expenditure excluded outstanding commitments as at September 30th, 2017 that amounted to Kshs.109.32 million for development and Kshs.10.45 million for recurrent expenditure.

The recurrent expenditure represented 14 per cent of the annual recurrent budget, an increase from 13.6 per cent incurred in a similar period of FY 2016/17. Figure 3.2 presents a comparison between the total expenditure in the first quarter of FY 2016/17 and the first quarter of FY 2017/18.

Figure 3.2: Baringo County, Expenditure by Economic Classification in the First Quarter of FY 2016/17 and First Quarter of FY 2017/18



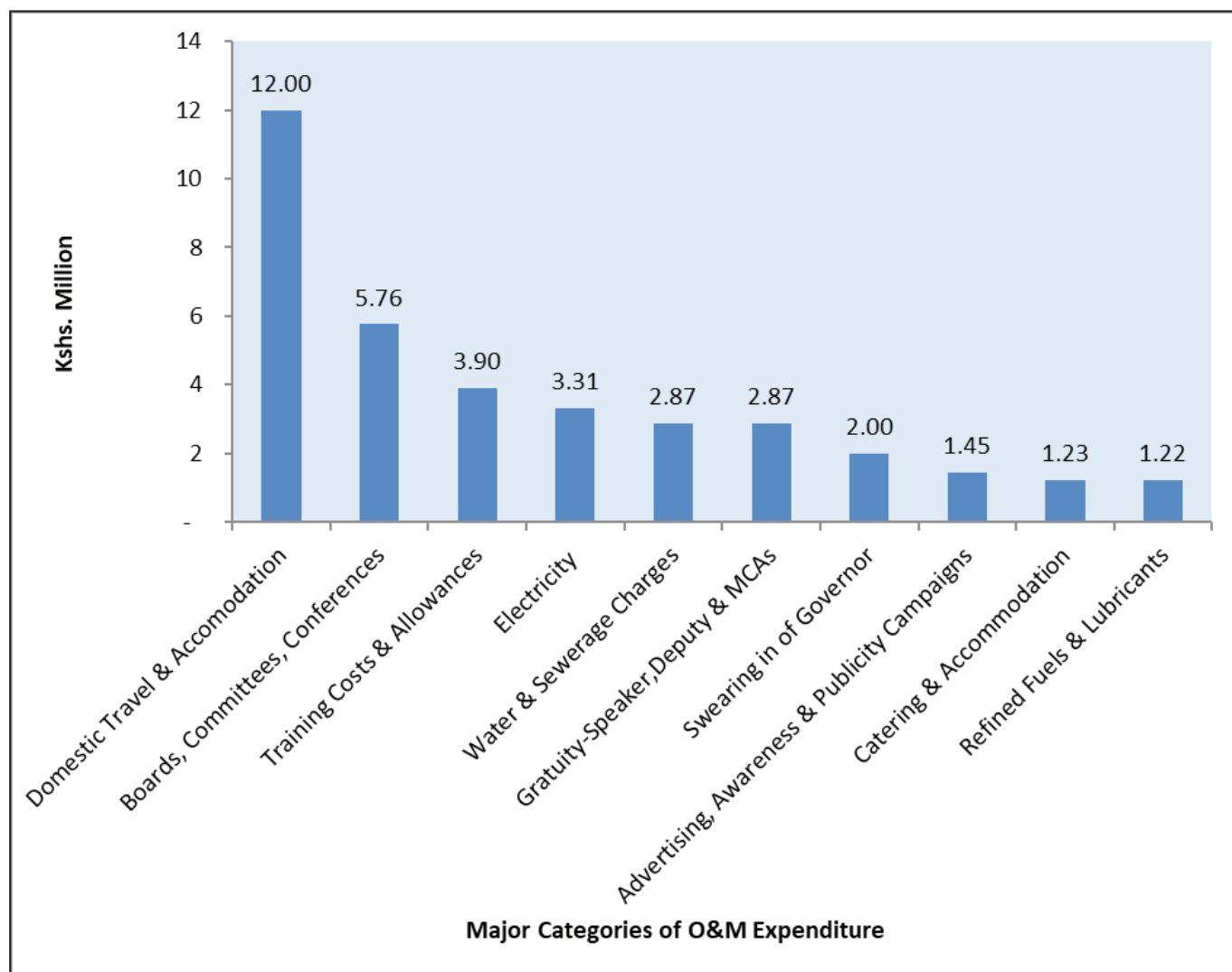
Source: Baringo County Treasury

3.1.6 Analysis of Recurrent Expenditure

The total recurrent expenditure of Kshs.556.41 million consisted of Kshs.470.89 million (84.6 per cent) incurred on personnel emoluments and Kshs.85.52 million (15.4 per cent) on operations and maintenance as shown in Figure 3.2.

Expenditure on personnel emoluments represented an increase of 0.5 per cent compared to Kshs.468.22 million incurred in the first quarter of FY 2016/17, and was 84.6 per cent of total expenditure in the first quarter of FY 2017/18. Figure 3.3 shows a summary of operations and maintenance expenditure by major categories.

Figure 3.3: Baringo County, Operations and Maintenance Expenditure by Major Categories in the First Quarter of FY 2017/18



Source: Baringo County Treasury

The County incurred Kshs.5.76 million on sitting allowances to the 46 MCAs against the annual budget allocation of Kshs.51.7 million. This was a decrease of 61.5 per cent compared to Kshs.14.98 million incurred in the first quarter of FY 2016/17. The average monthly sitting allowance was Kshs.41, 732 per MCA compared to SRC's recommended monthly ceiling of Kshs.80,000.

Expenditure on domestic and foreign travel amounted to Kshs.0.63 million and was incurred by the County Executive. It represented 2.3 per cent of total recurrent expenditure and was a decrease of 4.2 per cent compared to Kshs.23.11 million incurred in the first quarter of FY 2016/17.

3.1.7 Development Expenditure Analysis

The County did not report any expenditure on development activities during the reporting period.

3.1.8 Budget and Budget Performance Analysis by Department

Table 3.2 shows a summary of budget estimates and budget performance by department in the first quarter of FY 2017/18.

Table 3.2: Baringo County, Budget Performance by Department in the First Quarter of FY 2017/18

Department	Budget Allocation (Kshs.Million)		Exchequer Issues in the first quarter of FY 2017/18 (Kshs.Million)		Expenditure in the first quarter of FY 2017/18 (Kshs.Million)		Expenditure to Exchequer Issues (%) First Quarter FY 2017/18		Absorption rate (%) First Quarter FY 2017/18	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
County Assembly	574.05	60.75	88.44	-	75.27	-	85.1	-	13.1	-
Governor/County Executive services	366.89	128.84	123.32	-	34.56	-	28	-	9.4	-
County Treasury Services	266.75	60.23	65.37	-	32.54	-	49.8	-	12.2	-
Transport and Infrastructure	63.37	565.97	13.2	-	4.23	-	32.1	-	6.7	-
Industrialization, Commerce and Tourism	73.89	91.65	18.46	-	5.24	-	28.4	-	7.1	-
Education, Sports, Culture & Art	293.21	304.54	62.13	-	47.15	-	75.9	-	16.1	-
Health	1,852.34	351.52	368.02	-	248.82	-	67.6	-	13.4	-
Housing & Urban Development	78.28	159.71	20.89	-	3.13	-	15	-	4	-
Agriculture, Livestock, Fisheries & Marketing	232.24	190.38	52.1	-	88.99	-	170.8	-	38.3	-
Youth, Gender & Social Security Services	36.17	117.1	6.26	-	3.36	-	53.7	-	9.3	-
Water & Irrigation	113.22	570.05	26.33	-	10.43	-	39.6	-	9.2	-
Environment & Natural Resources	32.56	58.54	7.35	-	2.7	-	36.7	-	8.3	-
TOTAL	3,983	2,659	851.87	-	556.41	-	65.3	-	14	-

Source: Baringo County Treasury

Analysis of budget performance by department shows that the Department of Agriculture, Livestock, Fisheries and Marketing had the highest percentage of recurrent expenditure to recurrent budget at 38.3 per cent while the Department of Lands Housing and Urban development had the lowest at 4 per cent.

3.1.9 Observations and Recommendations

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

- Improvement in the application of IFMIS and the Internet Banking (IB) platform to process financial transactions.
- Timely preparation and approval of the County budget documents such as the Annual Development Plan (ADP), County Fiscal Strategy Paper (CFSP), Budget Estimates, and the Appropriation Bills.

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

- Late submission of financial reports by the County Treasury, which affected timely preparation of budget implementation report.
- Slow implementation of development activities during the first quarter of FY 2017/18 due to challenges with transfer of funds from the National Treasury.
- Failure to budget for all conditional grants as per CARA, 2017.

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

1. *The County Treasury should ensure timely preparation and submission of financial reports to the Office of the Controller of Budget in line with Section 166 of PFM Act, 2012.*
2. *The County Treasury should liaise with the National Treasury to ensure that funds allocated to the County are transferred in line with the CARA, 2017 Disbursement Schedule.*
3. *The County should prepare a supplementary budget to align conditional grants to the CARA, 2017.*

3.2 Bomet County

3.2.1 Overview of the FY 2017/18 Budget

The County's FY 2017/18 Approved Budget is Kshs.5.89 billion, comprising of Kshs.4.08 billion (69.3 per cent) and Kshs.1.81 billion (30.7 per cent) allocation for recurrent and development expenditure respectively.

To finance the budget, the County expects to receive Kshs5.42 billion (92 per cent) as equitable share of revenue raised nationally, Kshs.247.5 million (4 per cent) as total conditional grants and generate Kshs.228 million (4 per cent) from local revenue sources.

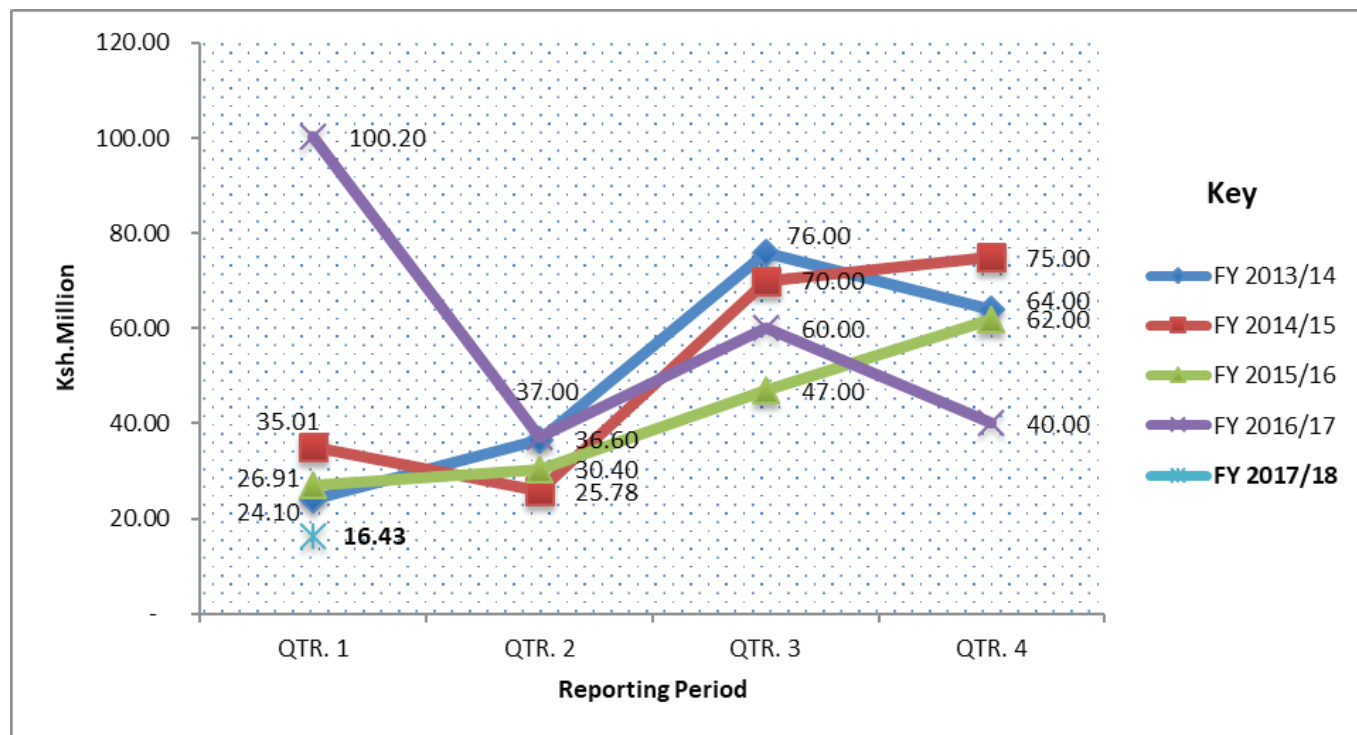
The conditional grants contained in the CARA, 2017 of Kshs.507.53 million comprise of Kshs.96 million (19 per cent) for Leasing of Medical Equipment, Kshs.42 million (8 per cent) from Kenya Devolution Support Programme (KDSP), Kshs.201 million (40 per cent) from the Road Maintenance Fuel Levy Fund, Kshs.17 million (3.3 per cent) as Compensation for User Fee Foregone, Kshs.14 million (2.7 per cent) from DANIDA, Kshs.45 million (8.9 per cent) for Development of Youth Polytechnics and Kshs.59 million (11.6 per cent) as World Bank Loan for Transforming Health System for Universal Care System.

3.2.2 Revenue Analysis

During the first quarter of FY 2017/18, the County received Kshs.641million as equitable share of the revenue raised nationally, Kshs.93.53 million as total conditional allocations, raised Kshs.16.43 million from local revenue sources, and had a cash balance of Kshs.7 million from FY 2016/17. The available funds amounted to Kshs.759 million.

Figure 3.4 shows the quarterly trend in local revenue collection from the first quarter of FY 2013/14 to the first quarter FY 2017/18.

Figure 3.4: Bomet County, Trend in Local Revenue Collection by Quarter from the First Quarter of FY 2013/14 to the First Quarter of FY 2017/18



Source: Bomet County Treasury

The total local revenue collected in the first quarter of FY 2017/18 amounted to Kshs.16.43 million, representing a decrease of 83 per cent compared to Kshs.100.2 million generated in a similar period of FY 2016/17, and represented 7.5 per cent of the annual local revenue target.

3.2.3 Conditional Grants

Table 3.3 shows an analysis of conditional grants released in the first quarter of FY 2017/18.

Table 3.3: Bomet County, Analysis of Conditional Grants Released in the First Quarter of FY 2017/18

S/No	Grants	Annual CARA, 2017 Allocation (in Kshs)	Annual Budget Allocation (in Kshs)	Actual receipts in First Quarter of FY 2017/18 (in Kshs)	Actual Receipts as Percentage of Annual Allocation (%)
A	Grants Contained CARA, 2017				
1	Road Maintenance Fuel Levy Fund	200, 550, 000	142, 540, 000	93, 530, 000	46.6
2	Leasing of Medical Equipment	95, 740, 000	-	-	-
3	Kenya Devolution Support Programme (KDSP)	41, 920, 000	-	-	-
4	Compensation for User Fee Foregone	16, 710, 000	16, 880, 000	-	-
5	DANIDA Grant	13, 590, 000	29, 600, 000	-	-
6	Development of Youth Polytechnics	45, 150, 000	-	-	-
7	Other Loans & Grants	34, 470, 000	58, 450, 000	-	-
8	World Bank Loan for Transforming Health System for Universal Care System	59, 400, 000	-	-	-
Total		507, 530, 000	247, 470, 000	93, 530, 000	18

Source: Bomet County Treasury

Analysis of the conditional grants released during the period under review indicates that, the Road Maintenance Fuel Levy Fund recorded receipts at 46.6 per cent of annual allocation. No funds were received from all the other categories.

3.2.4 Exchequer Issues

During the reporting period, the Controller of Budget authorized withdrawal of Kshs.771.38 million from the CRF account, which was 12.8 per cent of the Approved Budget. This amount represented an increase of 42.6 per cent from Kshs.558 million authorized in a similar period of FY 2016/17. The entire amount was for recurrent expenditure.

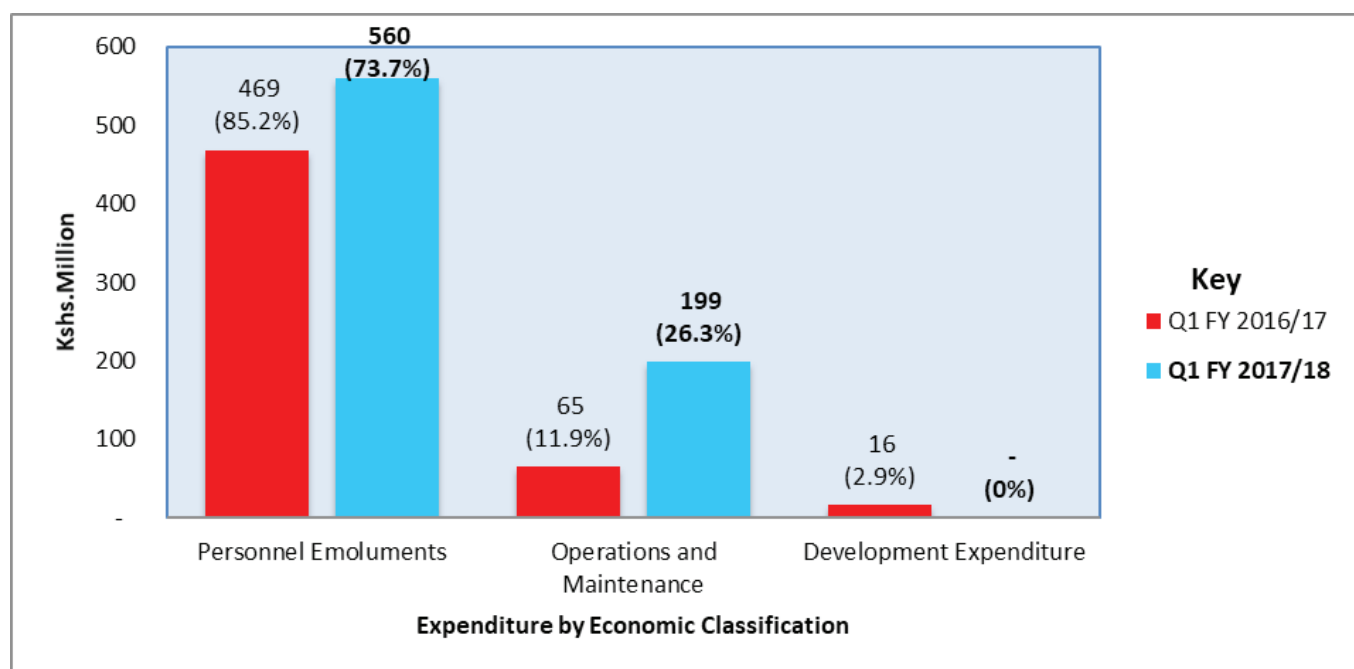
3.2.5 Overall Expenditure Review

The County incurred Kshs.758.78 million, which was 100.9 per cent of the total funds released for operations. This was a decrease of 28.4 per cent from Kshs.1.06 billion incurred in the first quarter of FY 2016/17.

The total expenditure of Kshs.758.78 million was incurred on recurrent activities and represented 100.9 per cent of the funds released for recurrent activities. The expenditure excluded outstanding commitments as at September 30th, 2017 that amounted to Kshs.99.35 million for development expenditure.

The recurrent expenditure represented 18.6 per cent of the annual recurrent budget, a marginal increase from 18.5 per cent incurred in a similar period of FY 2016/17. Figure 3.5 presents a comparison between the total expenditure in the first quarter of FY 2016/17 and the first quarter of FY 2017/18.

Figure 3.5: Bomet County, Expenditure by Economic Classification in the First Quarter of FY 2016/17 and First Quarter of FY 2017/18



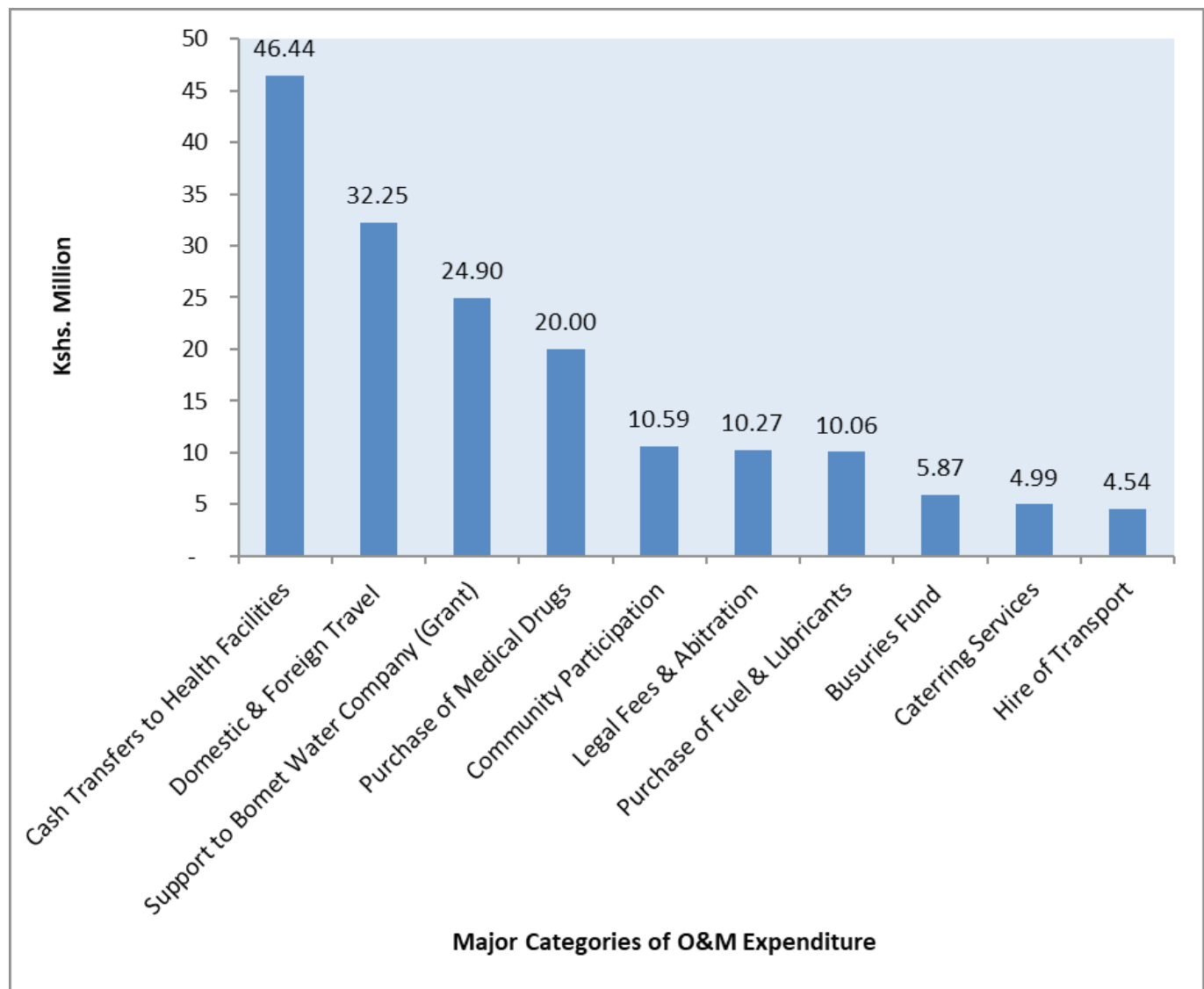
Source: Bomet County Treasury

3.2.6 Analysis of Recurrent Expenditure

The total recurrent expenditure was Kshs.758.78 million and consisted of Kshs.560 million (73.8 per cent) incurred on personnel emoluments and Kshs.199 million (26.2 per cent) on operations and maintenance as shown in Figure 3.5.

Expenditure on personnel emoluments represented an increase of 11.5 per cent compared to Kshs.469 million incurred in the first quarter of FY 2016/17, and was 73.8 per cent of total expenditure in the first quarter of FY 2017/18. Figure 3.6 shows a summary of operations and maintenance expenditure by major categories.

Figure 3.6: Bomet County, Operations and Maintenance Expenditure by Major Categories in the First Quarter of FY 2017/18



Source: Bomet County Treasury

The County incurred Kshs.1.54 million on sitting allowances to the 36 MCAs against the annual budget allocation of Kshs.30.18 million. This was a decrease of 83.6 per cent compared to Kshs.9.4 million incurred in the first quarter of FY 2016/17. The average monthly sitting allowance was Kshs.14, 292 per MCA compared to SRC's recommended monthly ceiling of Kshs.80,000.

Expenditure on domestic and foreign travel amounted to Kshs.32.25 million and consisted of Kshs.22.17 million incurred by the County Assembly and Kshs.10.08 million by the County Executive. It represented 4.24 per cent of total recurrent expenditure and was a decrease of 44.8 per cent compared to Kshs.58.42 million incurred in the first quarter of FY 2016/17.

3.2.7 Development Expenditure Analysis

The County did not report any expenditure on development activities during the reporting period.

3.2.8 Budget and Budget Performance Analysis by Department

Table 3.2 shows a summary of budget estimates and budget performance by department in the first quarter of FY 2017/18

Table 3.4: Bomet County, Budget Performance by Department in the First Quarter of FY 2017/18

Department	Budget Allocation (Kshs.Million)		Exchequer Issues in First Quarter of FY 2017/18 (Kshs.Million)		Expenditure in First Quarter of FY 2017/18 (Kshs.Million)		First Quarter of FY 2017/18 Expenditure to Exchequer Issues (%)		First Quarter of FY 2017/18 Absorption rate (%)	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
County Executives	468.41	-	96.23	-	66.31	-	85.9	-	14.2	-
Public Service Board	50.3	-	6.97	-	4.99	-	71.6	-	9.9	-
Administration	470.3	68.57	121.07	-	135.23	-	111.7	-	28.8	-
Finance	280.80	16.70	51.55	-	46.45	-	90.1	-	16.5	-
Lands, Public Health and Environment	218.30	113.89	43.83	-	44.84	-	102.3	-	20.5	-
Social Services	155.90	74.00	8.88	-	13.81	-	155.5	-	8.9	-
Medical Services	926.60	64.42	208.74	-	222.82	-	106.7	-	24	-
Economic Planning and De- velopment	67.00	-	7.28	-	3.96	-	54.4	-	5.9	-
Agri-Business, Cooperatives& Marketing	210.40	198.70	33.26	-	31.49	-	94.7	-	15	-
Water Services	78.60	340.91	20.50	-	37.40	-	182.4	-	47.6	-
Education and Vocational Trainings	263.30	215.29	49.64	-	46.64	-	94	-	17.7	-
Roads, Transport and Public Works	134.15	446.16	23.61	-	12.83	-	54.3	-	9.6	-
ICT, Training and Industry	109.46	74.00	14.17	-	6.98	-	49.3	-	6.4	-
County Assembly	649.76	200.00	85.65	-	85.03	-	99.3	-	13.1	-
TOTAL	4, 083.28	1, 812.64	771.38	-	758.78	-	100.9	-	18.6	-

Source: Bomet County Treasury

Analysis of budget performance by department shows that the Water Services Department attained the highest recurrent expenditure to recurrent budget at 47.6 per cent while the Economic Planning and Development Department had the lowest at 5.9 per cent

1.1.1 Observations and Recommendations

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

- i. Timely submission of financial reports by the County Treasury to the Controller of Budget in line with Section 166 of the PFM Act, 2012.
- ii. Establishment of a County Budget and Economic Forum as per Section 137 of the PFM Act, 2012.

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

1. The County's wage bill has remained high, having increased by 11.5 per cent from Kshs.469 million during the first quarter of FY 2016/17 to Kshs.560 million in the period under review.
2. Failure to budget for all conditional grants as per CARA, 2017.
3. Under-performance in local revenue collection which declined by 83 per cent from Kshs.100.2 million in the first quarter of FY 2016/17 to Kshs.16.43 million during the reporting period.

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

1. *The County Public Service Board should establish an optimal staffing structure in order to manage the wage bill.*
2. *The County should prepare a supplementary budget to align conditional grants to the CARA, 2017.*
3. *The County Treasury should formulate and implement strategies to enhance local revenue collection.*

3.3 Bungoma County

3.3.1 Overview of the FY 2017/18 Budget

The County's FY 2017/18 Approved Budget is Kshs.10.03 billion, comprising of Kshs.6.53 billion (65.1 per cent) and Kshs.3.5 billion (34.9 per cent) allocation for recurrent and development expenditure respectively.

To finance the budget, the County expects to receive Kshs.8.76 billion (87.3 per cent) as equitable share of revenue raised nationally, Kshs.457.48 million (4.6 per cent) as total conditional grants, and generate Kshs.731.9 million (7.3 per cent) from local revenue sources.

The conditional grants contained in the CARA, 2017 of Kshs.734.96 million comprise of Kshs.327.03 million (39.4 per cent) from the Road Maintenance Fuel Levy Fund, Kshs.32.84 million (3.9 per cent) as Compensation for User Fee Foregone, Kshs.22.16 million (2.6 per cent) from DANIDA, Kshs.54.47 million (6.5 per cent) for the World Bank Kenya Devolution Support Program, Kshs.76.28 million (9.1

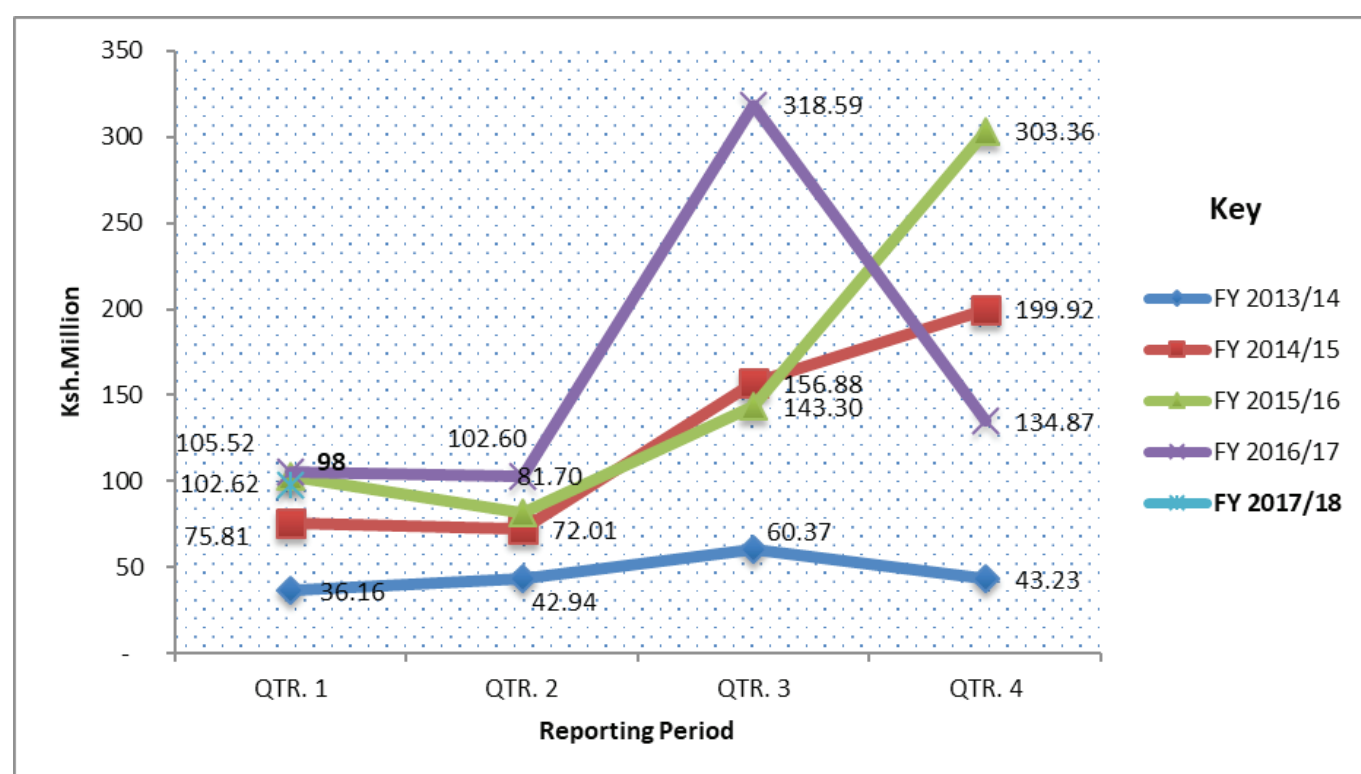
per cent) for Development of Youth Polytechnics, Kshs.110 million (13.2 per cent) as World Bank Loan for Transforming Health System for Universal Care System, Kshs.50 million (6 per cent) as World Bank Loan for National Agricultural & Rural Inclusive Project and Kshs.62 million (7.5 per cent) as Other Loans and Grants and Kshs.95.74 million (11.5 per cent) for Leasing of Medical Equipment.

3.3.2 Revenue Analysis

During the first quarter of FY 2017/18, the County received Kshs.848.16 million as equitable share of the revenue raised nationally, and raised Kshs.98.04 million from local revenue sources. The available funds amounted to Kshs.946.2 million.

Figure 3.7 shows the quarterly trend in local revenue collection from the first quarter of FY 2013/14 to the first quarter FY 2017/18.

Figure 3.7: Bungoma County, Trend in Local Revenue Collection by Quarter from the First Quarter of FY 2013/14 to the First Quarter of FY 2017/18



Source: Bungoma County Treasury

The total local revenue collected in the first quarter of FY 2017/18 amounted to Kshs.98.04 million, representing a decrease of 7 per cent compared to Kshs.105.52 million generated in a similar period of FY 2016/17, and represented 13.4 per cent of the annual local revenue target.

3.3.3 Conditional Grants

Table 3.5 shows an analysis of conditional grants released in the first quarter of FY 2017/18.

Table 3.5: Bungoma County, Analysis of Conditional Grants Released in the First Quarter of FY 2017/18

S/No	Grants	Annual CARA, 2017 Allocation (in Kshs)	Annual Budget Allocation (in Kshs)	Actual receipts in First Quarter of FY 2017/18 (in Kshs)	Actual Receipts as Percentage of Annual CARA, 2017 Allocation (%)
A	Grants Contained in the CARA, 2017				
1	Other Loans & Grants	62, 188, 798	318, 602, 394	-	-
2	Kenya Devolution Support Programme (KDSP)	54, 474, 504	-	-	-
3	Compensation for User Fee Foregone	32, 837, 307	-	-	-
4	Road Maintenance Fuel Levy Fund	327, 025, 699	127, 250, 840	-	-
5	Development of Youth Polytechnics	76, 276, 265	-	-	-
6	DANIDA Grant	22, 161, 451	11, 626, 542	-	-
7	World Bank Loan for Transforming Health System for Universal Care System	110, 000, 000	-	-	-
8	World Bank Loan for National Agricultural & Rural Inclusive Project	50, 000, 000	-	-	-
9	Leasing of Medical Equipment	95, 744, 681	-	-	-
Total		734, 964, 024	457, 479, 776	-	-

Source: Bungoma County Treasur

Analysis of the conditional grants indicates that, there were no releases during the reporting period.

3.3.4 Exchequer Issues

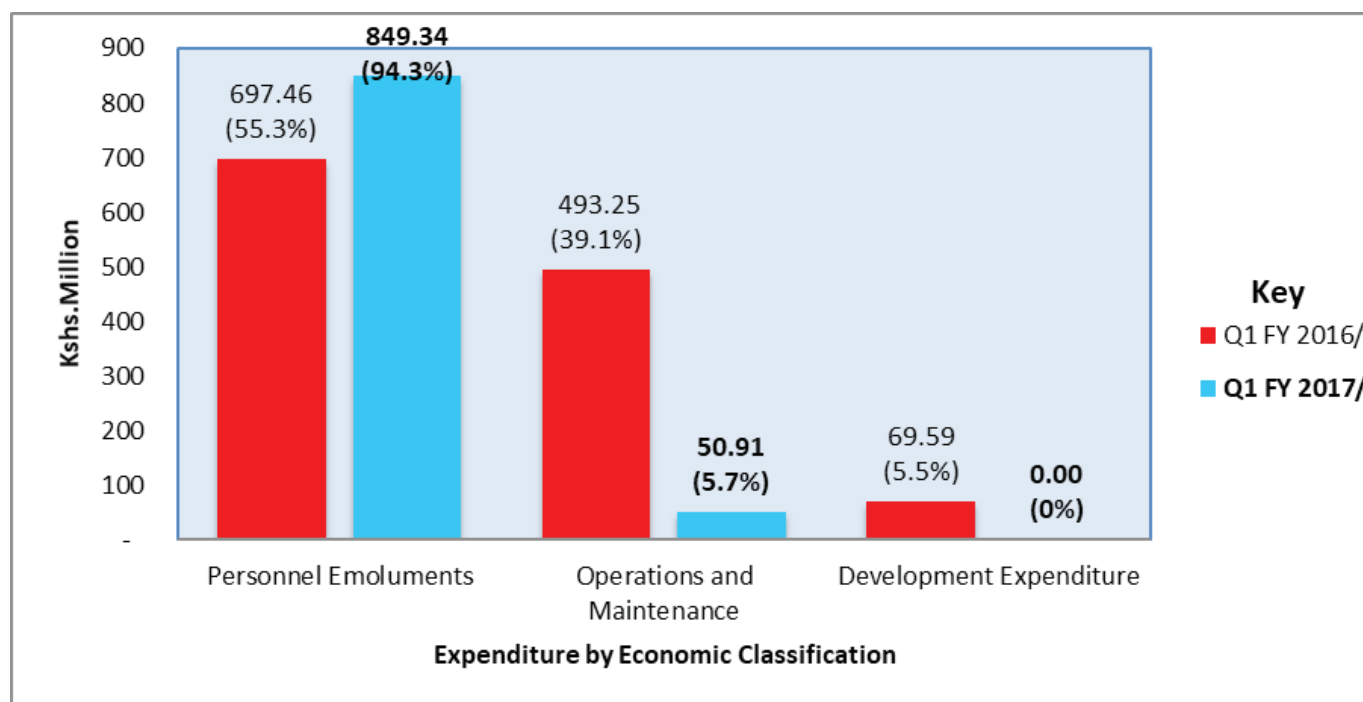
During the reporting period, the Controller of Budget authorized withdrawal of Kshs.848.16 million from the CRF account, which was 8.5 per cent of the Approved Budget. This amount represented an increase of 52.9 per cent from Kshs.1.80 billion authorized in a similar period of FY 2016/17, and was incurred on recurrent expenditure.

3.3.5 Overall Expenditure Review

The County incurred Kshs.900.24 million, which was 106.1 per cent of the total funds released for operations. This was a decrease of 28.6 per cent from Kshs.1.26 billion incurred in the first quarter of FY 2016/17.

The expenditure of Kshs.900.24 million was incurred on recurrent activities and represented 13.8 per cent of the annual recurrent budget, a decrease from 20.1 per cent incurred in a similar period of FY 2016/17. Figure 3.8 presents a comparison between the total expenditure in the first quarter of FY 2016/17 and the first quarter of FY 2017/18.

Figure 3.8: Bungoma County, Expenditure by Economic Classification in the First Quarter of FY 2016/17 and First Quarter of FY 2017/18



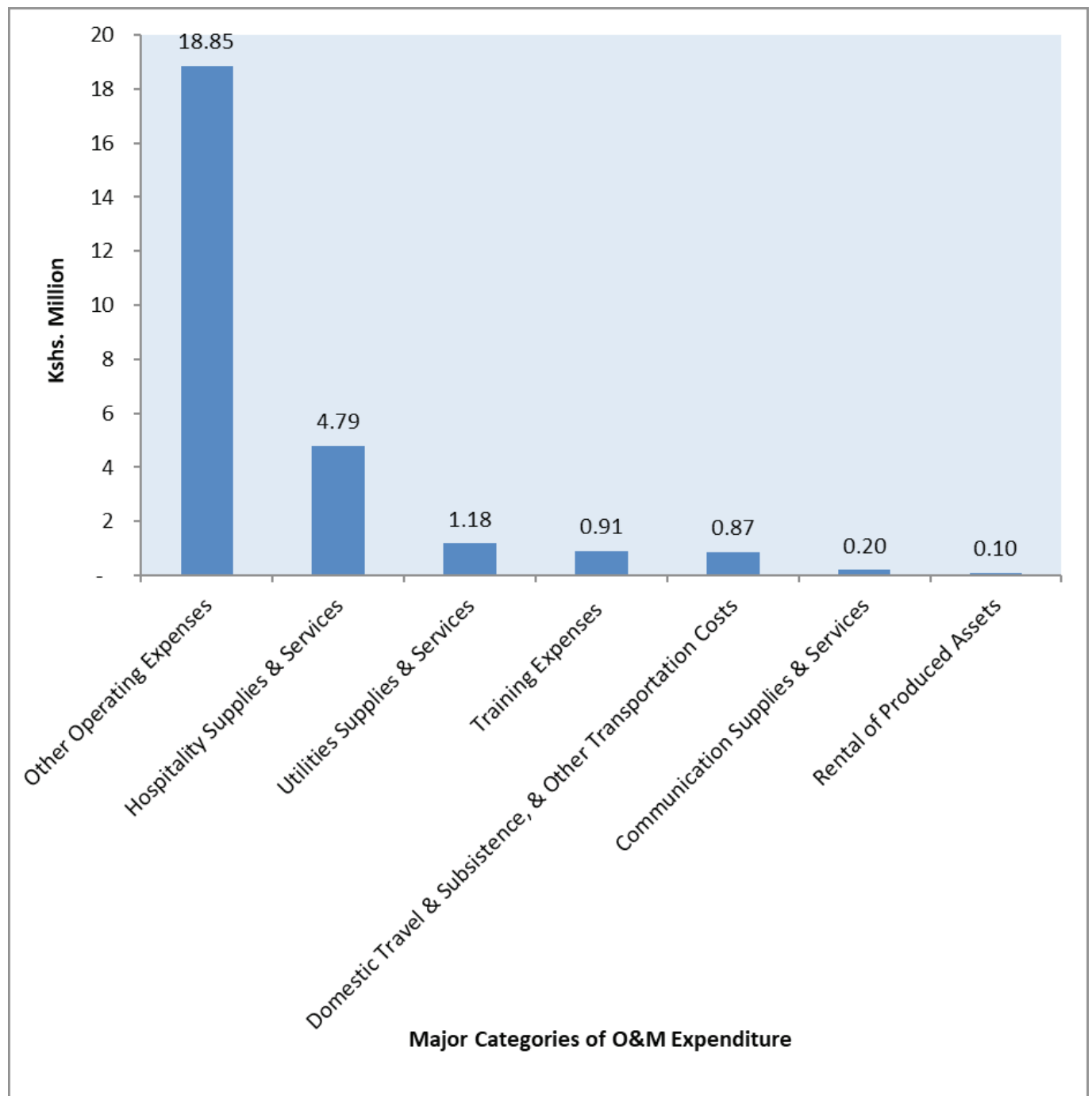
Source: Bungoma County Treasurer

1.1.2 Analysis of Recurrent Expenditure

The total recurrent expenditure of Kshs.900.24 million consisted of Kshs.849.34 million (94.3 per cent) incurred on personnel emoluments and Kshs.50.91 million (5.7 per cent) on operations and maintenance as shown in Figure 3.8.

Expenditure on personnel emoluments represented an increase of 21.8 per cent compared to Kshs.697.46 million incurred in the first quarter of FY 2016/17, and was 94.3 per cent of total expenditure in the first quarter of FY 2017/18. Figure 3.9 shows a summary of operations and maintenance expenditure by major categories.

Figure 3.9: Bungoma County, Operations and Maintenance Expenditure by Major Categories in the First Quarter of FY 2017/18



Source: Bungoma County Treasurer

The County incurred Kshs.20.59 million on sitting allowances to the 61 MCAs against the annual budget allocation of Kshs.116.4 million. This was an increase of 13 per cent compared to Kshs.18.21 million incurred in the first quarter of FY 2016/17. The average monthly committee sitting allowance was Kshs.112,491 per MCA compared to SRC's recommended monthly ceiling of Kshs.80,000.

Expenditure on domestic and foreign travel amounted to Kshs.1.64 million and consisted of Kshs.0.77 million incurred by the County Assembly and Kshs.0.87 million by the County Executive. It represented 0.2 per cent of total recurrent expenditure and was a decrease of 98.4 per cent compared to Kshs.103.8 million incurred in the first quarter of FY 2016/17.

3.3.6 Development Expenditure Analysis

The County did not report any expenditure on development activities.

3.3.7 Budget and Budget Performance Analysis by Department

Table 3.6 shows a summary of budget estimates and budget performance by department in the first quarter of FY 2017/18.

Table 3.6: Bungoma County, Budget Performance by Department in the First Quarter of FY 2017/18

Department	Budget Allocation (Kshs.Million)		Exchequer Issues in the first quarter of FY 2017/18 (Kshs. Million)		Expenditure in the first quarter of FY 2017/18 (Kshs.Million)		Expenditure to Exchequer Issues (%) First Quarter FY 2017/18		Absorption rate (%) First Quarter FY 2017/18	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
Agriculture, Livestock, Fisheries and Co-operative Development	434.41	375.42	63.79	-	63.77	-	100	-	14.7	-
Tourism, Forestry, Environment, Water	99.30	346.33	10.84	-	10.94	-	100.9	-	11	-
Roads and Public Works	119.76	765.13	18.54	-	18.53	-	100	-	15.5	-
Education, Sports and Youth Affairs	618.66	38.02	96.18	-	96.18	-	100	-	15.5	-
Health	2, 113.82	129.02	355.07	-	345.72	-	97.4	-	16.4	-
Trade, Energy and Industrialization	57.2	143.15	4.14	-	4.15	-	100.1	-	7.3	-
Land, Urban and Physical Planning	91.63	201.04	7.55	-	7.53	-	99.7	-	8.2	-
Gender and Culture	83.03	80.37	9.87	-	9.9	-	100.3	-	11.9	-
Finance and Planning	1, 000.3	1, 005.39	108.50	-	123.04	-	113.4	-	12.3	-
County Public Service Board	71.82	-	2.34	-	2.34	-	100	-	3.3	-
Governors & Governor's Office	429.36	7.1	62.54	-	64.44	-	103	-	15	-
Public Administration & County Secretary	504.94	87.01	47.77	-	47.75	-	100	-	9.5	-
Housing and Sanitation	33.25	66.22	2.75	-	2.75	-	100	-	8.3	-
County Assembly	873.39	253.09	58.28	-	103.21	-	177.1	-	11.8	-
TOTAL	6, 530.86	3, 497.29	848.16	-	900.24	-	106.1	-	13.8	-

Source: Bungoma County Treasurer

Analysis of budget performance by department shows that the Department of Health had the highest percentage of recurrent expenditure to recurrent budget at 16.4 per cent while the County Public Service Board had the lowest at 3.3 per cent.

1.1.3 Observations and Recommendations

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

- The County has fully adopted IFMIS in processing of financial transactions.
- Formation of Internal Audit Committee in line with section 155 of the PFM Act, 2012.

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

1. Failure by the Trade Loan Fund Administrator to submit quarterly expenditure reports on the Trade Loan Funds contrary to Section 168 of the PFM Act, 2012.
2. Under-performance in local revenue collection. The local revenue collection declined by 7 per cent from Kshs.105.52 million in a similar period of FY2016/17 to Kshs.98.04 million in the reporting period.
3. Failure to budget for all conditional grants as per CARA, 2017.

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

1. *The Fund Administrators should ensure timely submission of expenditure reports on the Established Funds in line with Section 168 of the PFM Act, 2012.*
2. *The County Treasury should formulate strategies to enhance local revenue collection.*
3. *The County should prepare a Supplementary Budget to align conditional grants to the CARA, 2017.*

3.4 Busia County

3.4.1 Overview of the FY 2017/18 Budget

The County's FY 2017/18 Approved Budget is Kshs.6.98 billion, comprising of Kshs.4.99 billion (71.5 per cent) and Kshs.1.99 billion (28.5 per cent) allocation for recurrent and development expenditure respectively.

To finance the budget, the County expects to receive Kshs.5.83 billion (83.6per cent) as equitable share of revenue raised nationally, Kshs.426 million (6.1 per cent) as total conditional grants, and generate Kshs.612.15 million (8.8 per cent) from local revenue sources, and Kshs.108 million (1.5 per cent) as Appropriation in Aid from the County Assembly Revolving Fund. The opening cash balance of Kshs.679.84 million from FY 2016/17 was not appropriated in the approved budget.

The conditional grants contained in the CARA, 2017 of Kshs.467.66 million comprise of Kshs.231.79 million (49.6 per cent) for Road Maintenance Fuel Levy Fund, Kshs.63.71 million (13.6 per cent) for Development of Youth Polytechnics, Kshs.59.55 million (12.7 per cent) as World Bank Loan for Transforming of Health Systems for Universal Care, Kshs.44.26 million (9.5 per cent) for the World Bank Kenya Devolution Support Program, Kshs.35.71 million (7.6 per cent) as Other Loans and Grants, Kshs.16.93 million (3.6 per cent) as Compensation for User Fee Foregone, and Kshs.15.71 million (3.4 per cent) from DANIDA for Universal Health Care.

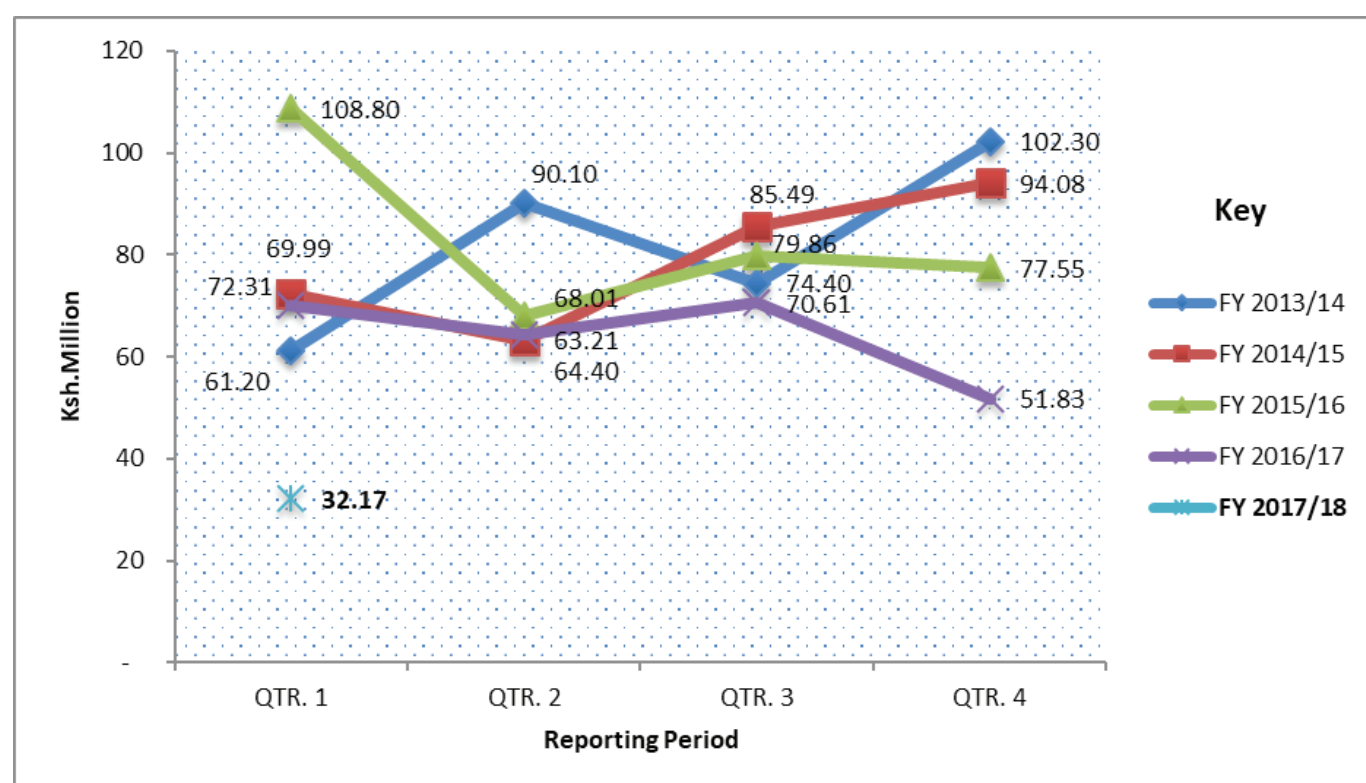
The County budgeted to receive Kshs.165.39 million for Free Maternal Healthcare, although this grant is not contained in the CARA, 2017.

3.4.2 Revenue Analysis

During the first quarter of FY 2017/18, the County received Kshs.408 million as equitable share of the revenue raised nationally, Kshs.108.1 million as total conditional allocations, raised Kshs.32.17 million from local revenue sources, and had a cash balance of Kshs.679.84 million from FY 2016/17. The available funds amounted to Kshs.1.23 billion.

Figure 3.10 shows the quarterly trend in local revenue collection from the first quarter of FY 2013/14 to the first quarter FY 2017/18.

Figure 3.10: Busia County, Trend in Local Revenue Collection by Quarter from the First Quarter of FY 2013/14 to the First Quarter of FY 2017/18



Source: Busia County Treasury

The total local revenue collected in the first quarter of FY 2017/18 amounted to Kshs.32.17 million, representing a decrease of 54 per cent compared to Kshs.69.99 million generated in a similar period of FY 2016/17, and was 5.3 per cent of the annual local revenue target.

3.4.3 Conditional Grants

Table 3.7 shows an analysis of conditional grants released in the first quarter of FY 2017/18.

Table 3.7: Busia County, Analysis of Conditional Grants Released in the First Quarter of FY 2017/18

S/No	Grants	Annual CARA, 2017 Allocation (in Kshs)	Annual Budget Allocation (in Kshs)	Actual receipts in First Quarter of FY 2017/18 (in Kshs)	Actual Receipts as Percentage of Annual CARA, 2017 Allocation
1	Roads Maintenance Fuel Levy Fund	231, 792, 232	153, 562, 500	108, 102, 399	46.6

S/No	Grants	Annual CARA, 2017 Allocation (in Kshs)	Annual Budget Allocation (in Kshs)	Actual receipts in First Quarter of FY 2017/18 (in Kshs)	Actual Receipts as Percentage of Annual CARA, 2017 Allocation
2	Development of Youth Polytechnics	63, 706, 036	-	-	-
3	Transforming of Health Systems for Universal Health Care	59, 552, 830	-	-	-
4	Kenya Devolution Support Programme (KDSP)	44, 261, 335	59, 529, 054	-	-
5	Other Loans and Grants	35, 708, 401	30, 582, 447	-	-
6	Compensation for User Fee Foregone	16, 934, 085	16, 934, 085	-	-
7	DANIDA Grant for Universal Health Care	15, 707, 150	-	-	-
8	Free Maternal Healthcare	-	165, 389, 285	-	-
	Total	467, 662, 069	425, 997, 371	108, 102, 399	23

Source: Busia County Treasury

Analysis of the conditional grants released during the period under review indicates that, the Road Maintenance Fuel Levy Fund recorded receipts of 46.6 per cent of annual target. The County did not receive funds from the other conditional grants.

1.1.4 Exchequer Issues

During the reporting period, the Controller of Budget authorized withdrawal of Kshs.996.6 million from the CRF account, which was 14.3 per cent of the Approved Budget. This amount was a decrease of 44.2 per cent from Kshs.1.78 billion authorized in a similar period of FY 2016/17. This amount was incurred on expenditure activities.

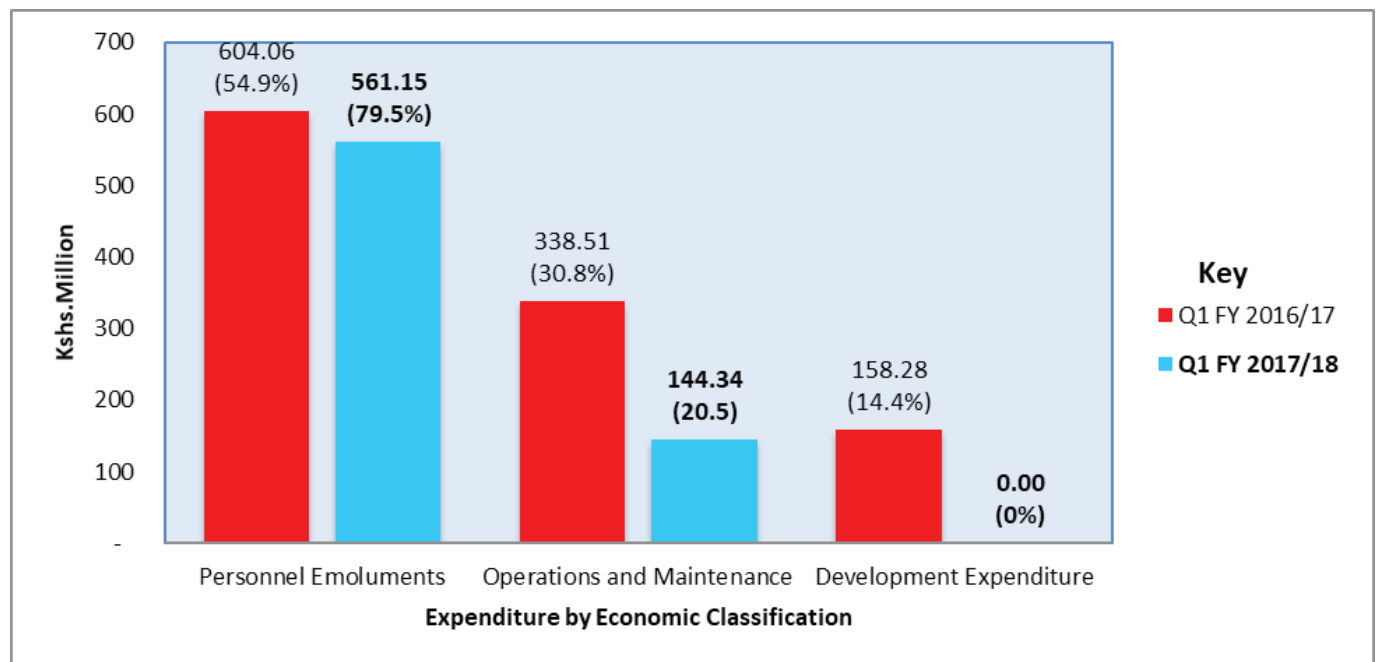
1.1.5 Overall Expenditure Review

The County incurred Kshs.705.48 million, which was 70.8 per cent of the total funds released for operations. This was a decrease of 35.9 per cent from Kshs.1.10 billion incurred in the first quarter of FY 2016/17.

The total expenditure of Kshs.705.48 million was incurred on recurrent activities and was 70.8 per cent of the funds released for recurrent activities.

The recurrent expenditure represented 14.1 per cent of the annual recurrent budget, a decrease from 20.3 per cent incurred in a similar period of FY 2016/17. Figure 3.11 presents a comparison between the total expenditure in the first quarter of FY 2016/17 and the first quarter of FY 2017/18.

Figure 3.11: Busia County, Expenditure by Economic Classification in the First Quarter of FY 2016/17 and First Quarter of FY 2017/18



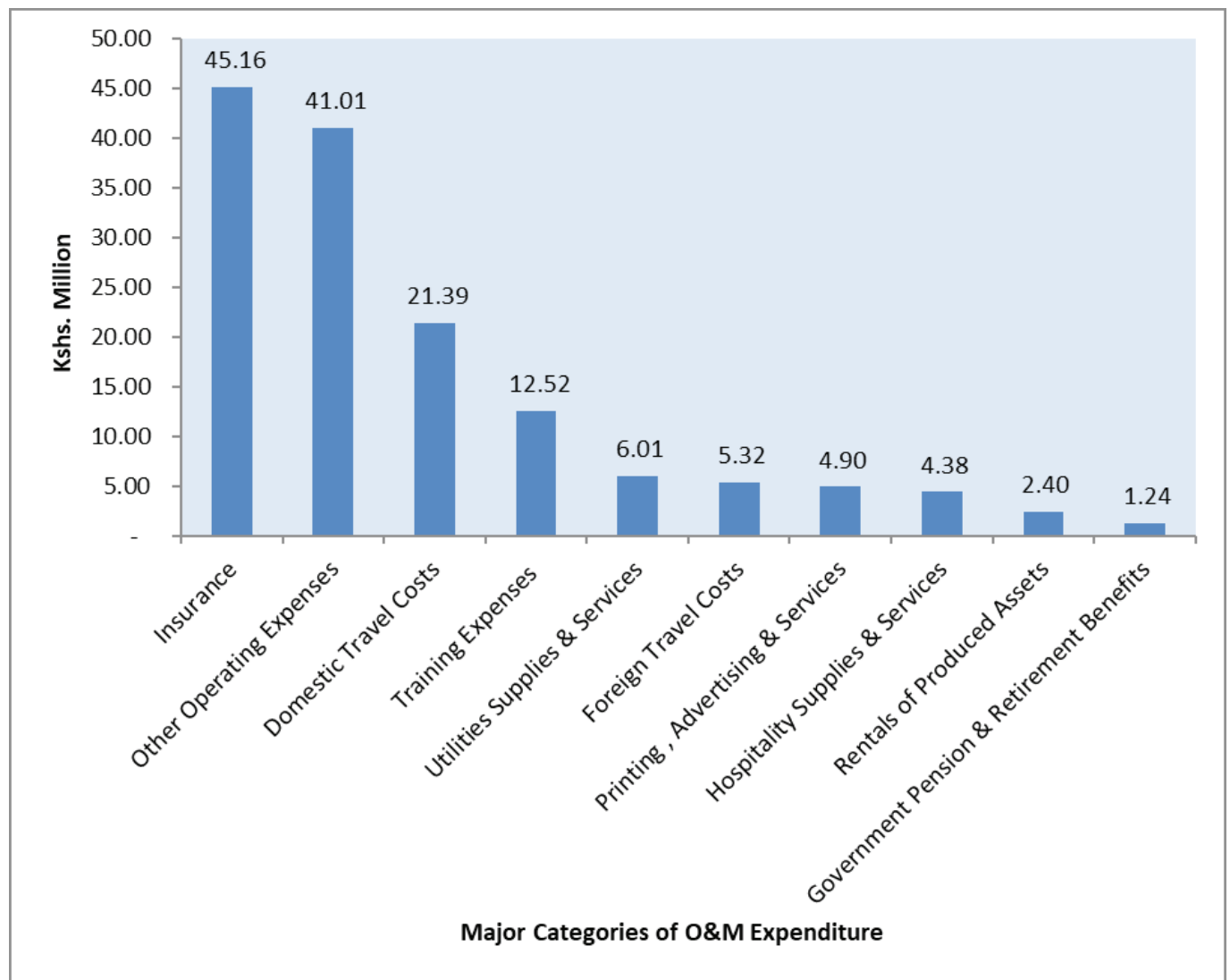
Source: Busia County Treasury

3.4.4 Analysis of Recurrent Expenditure

The total recurrent expenditure of Kshs.705.48 million consisted of Kshs.561.15 million (79.5 per cent) incurred on personnel emoluments and Kshs.144.34 million (20.5 per cent) on operations and maintenance as shown in Figure 3.11.

Expenditure on personnel emoluments represented a decrease of 7.1 per cent compared to Kshs.604.06 million incurred in the first quarter of FY 2016/17, and was 79.5 per cent of total expenditure in the first quarter of FY 2017/18. Figure 3.12 shows a summary of operations and maintenance expenditure by major categories.

Figure 3.12: Busia County, Operations and Maintenance Expenditure by Major Categories in the First Quarter of FY 2017/18



Source: Busia County Treasury

The County incurred Kshs.0.38 million on sitting allowances to the 54 MCAs against the annual budget allocation of Kshs.118.8 million. This was a decrease of 98.3 per cent compared to Kshs.22.02 million incurred in the first quarter of FY 2016/17. The average monthly sitting allowance was Kshs.2,385 per MCA compared to SRC's recommended monthly ceiling of Kshs.80,000.

Expenditure on domestic and foreign travel amounted to Kshs.26.71 million and consisted of Kshs.9.48 million incurred by the County Assembly and Kshs.17.23 million by the County Executive. It represented 3.8 per cent of total recurrent expenditure and was a decrease of 28.2 per cent compared to Kshs.37.2 million incurred in the first quarter of FY 2016/17.

3.4.5 Development Expenditure Analysis

The County did not report any expenditure on development activities during the reporting period.

3.4.6 Budget and Budget Performance Analysis by Department

Table 3.8 shows a summary of budget estimates and budget performance by department in the first quarter of FY 2017/18.

Table 3.8: Busia County, Budget Performance by Department in the First Quarter of FY 2017/18

Department	Budget Allocation (Kshs. Million)		Exchequer Issues in the first quarter of FY 2017/18 (Kshs.Million)		Expenditure in the first quarter of FY 2017/18 (Kshs.Million)		Expenditure to Exchequer Issues (%) First Quarter FY 2017/18		Absorption rate (%) First Quarter FY 2017/18	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
Agriculture and Animal Resources	246.18	168.84	51.64	-	27.19	-	52.7	-	11.0	-
Economic Planning, Trade, Co-operatives and Industrialization	74.54	73.90	14.54	-	9.11	-	62.7	-	12.2	-
Education and Vocational Training	292.94	150	44.21	-	9.10	-	20.6	-	3.1	-
Finance and ICT	951.29	64.60	233.13	-	219.23	-	94.0	-	23.0	-
Culture, Sports and Social Services	108.67	41.74	19.61	-	0.78	-	4.0	-	0.7	-
Public Works, Roads, Transport and Energy	114.09	678.03	22.75	-	0.78	-	3.4	-	0.7	-
Public Service Management	70.57	-	14.01	-	1.07	-	7.6	-	1.5	-
Land, Housing and Urban Development	112.53	163.66	18.64	-	0.02	-	0.1	-	-	-
Water, Environment and Natural Resources	103.45	169.63	20.79	-	4.41	-	21.2	-	4.3	-
Health and Sanitation	1,603.75	316.86	344.42	-	313.07	-	90.9	-	19.5	-
County Public Service Board	75.41	-	13.72	-	0.51	-	3.7	-	0.7	-
The Governorship	504.27	39.80	99.04	-	41.71	-	42.1	-	8.3	-
County Assembly	734.63	119.89	100.10	-	78.50	-	78.4	-	10.7	-
TOTAL	4,992.32	1,986.95	996.60	-	705.48	-	70.8	-	14.1	-

Source: Busia County Treasury

Analysis of budget performance by department shows that the Department of Finance and ICT attained the highest percentage of recurrent expenditure to recurrent budget at 23 per cent, followed by the Department of Health and Sanitation at 19.5 per cent.

3.4.7 Observations and Recommendations

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

- Establishment of the County Budget and Economic Forum (CBEF) in line with Section 137 of the PFM Act, 2012.
- Timely submission of quarterly financial reports to the Controller of Budget by the County Government entities in line with Section 166 of the PFM Act, 2012.

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

- Failure to establish an Internal Audit Committee to oversee financial operations in the County contrary to Section 155 of the PFM Act, 2012.
- The development expenditure allocation in FY 2017/18 of Kshs.1.99 billion, translates to 28.5 per cent of the County budget and does not meet the minimum threshold established by Section

107(2) (b) of the PFM Act, 2012 of 30 per cent of the County Budget.

3. Under-performance in local revenue collection. Local revenue collection declined by 54 per cent from Kshs.69.99 million in the first quarter of FY 2016/17 to Kshs.32.17 million in the first quarter of FY 2017/18.
4. Delay by the Fund Administrators of the County Assembly Revolving Scheme, Agriculture Development Fund and the County Bursary Scheme to submit financial returns contrary to Section 168 of the PFM Act, 2012.
5. High personal emoluments which accounted for 79.5 per cent of total expenditure during the reporting period. The increase in wage bill may affect implementation of development projects.
6. Failure to budget for all conditional grants as per CARA, 2017.

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

1. *The County should establish an Internal Audit Committee in line with Section 155 of the PFM Act, 2012.*
2. *The County Treasury should ensure that budget allocation to development expenditure is at least 30 per cent of the county budget in line with Section 107(2)(b) of the PFM Act, 2012.*
3. *The County Treasury should formulate and implement strategies to enhance local revenue collection.*
4. *All Fund Administrators should ensure timely submission of financial returns in line with Section 166 of PFM Act, 2012.*
5. *The County Public Service Board should develop an optimal staffing structure to address the escalating wage bill.*
6. *The County should prepare a supplementary budget to align conditional grants to the CARA, 2017.*

3.5 Elgeyo Marakwet County

3.5.1 Overview of the FY 2017/18 Budget

The County's FY 2017/18 Approved Budget is Kshs.4 billion, comprising of Kshs.2.64 billion (65.9 per cent) and Kshs.1.36 billion (34.1 per cent) allocation for recurrent and development expenditure respectively.

To finance the budget, the County expects to receive Kshs.3.62 billion (90.6 per cent) as equitable share of revenue raised nationally, Kshs.216.49 million (5.4 per cent) as total conditional grants, and generate Kshs.160.29 million (4 per cent) from local revenue sources

The conditional grants contained in the CARA, 2017 of Kshs.424.19 million comprise of Kshs.139.34 million (64.4 per cent) from the Road Maintenance Fuel Levy Fund, Kshs.95.74 million (44.2 per

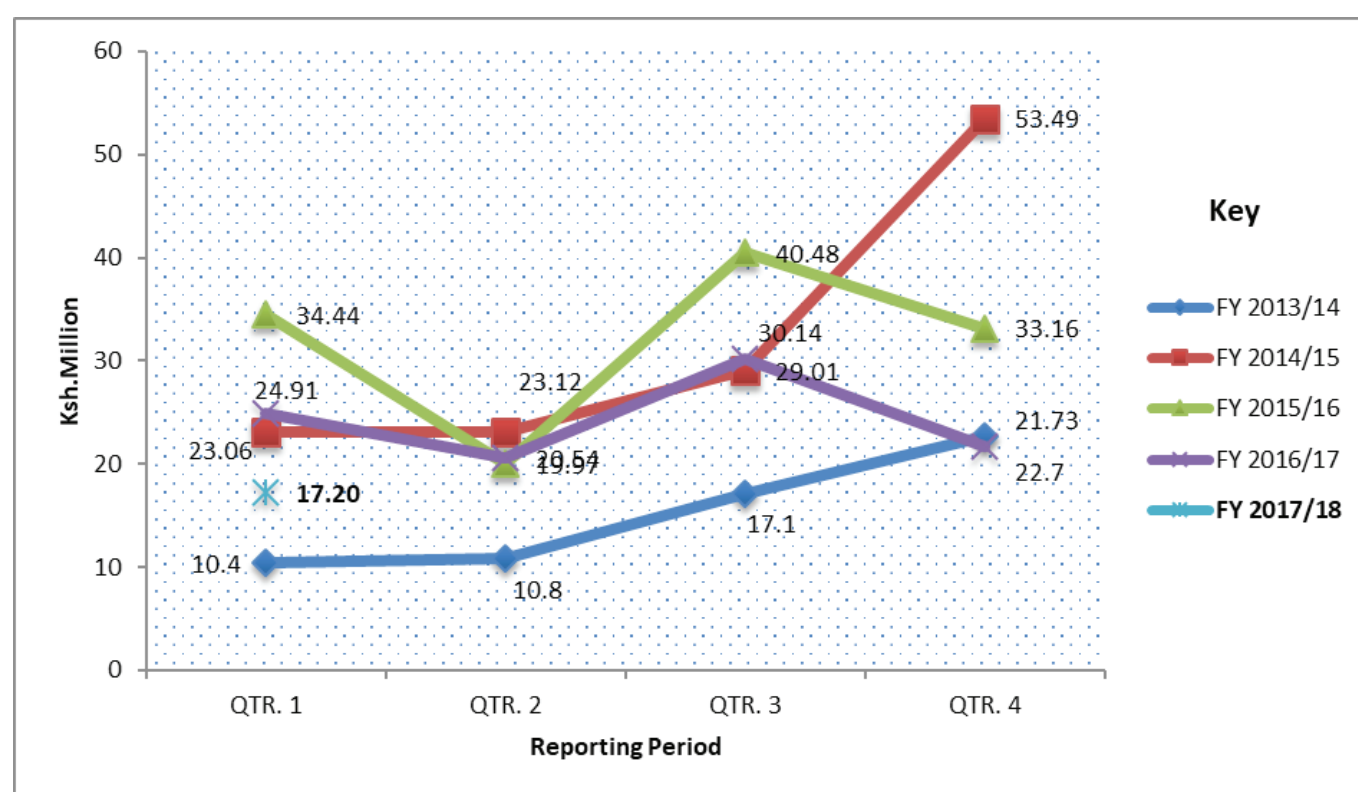
cent) for Leasing of Medical Equipment, Kshs.8.79 million (4.1 per cent) as Compensation for User Fee Foregone, Kshs.9.44 million (4.4 per cent) from DANIDA, Kshs.48 million (22.2 per cent) as World Bank loan to supplement financing of County Health facilities, Kshs.36.01 million (16.6 per cent) for the World Bank Kenya Devolution Support Program, Kshs.37.64 million (17.4 per cent) for Development of Youth Polytechnics, Kshs.30.28 million (14 per cent) as World Bank Loan for Transforming Health System for Universal Care System, and Kshs.18.96 million (8.8 per cent) from Other Loans and Grants.

3.5.2 Revenue Analysis

During the first quarter of FY 2017/18, the County received Kshs.121.92 million as total conditional allocations, raised Kshs.17.2 million from local revenue sources, and had a cash balance of Kshs.735.74 million from FY 2016/17. The available funds amounted to Kshs.874.81 million.

Figure 3.13 shows the quarterly trend in local revenue collection from the first quarter of FY 2013/14 to the first quarter FY 2017/18.

Figure 3.13: Elgeyo Marakwet County, Trend in Local Revenue Collection by Quarter from the First Quarter of FY 2013/14 to the First Quarter of FY 2017/18



Source: Elgeyo Marakwet County Treasury

The total local revenue collected in the first quarter of FY 2017/18 amounted to Kshs.17.2 million, representing a decrease of 31 per cent compared to Kshs.24.91 million generated in a similar period of FY 2016/17, and represented 10.7 per cent of the annual local revenue target.

3.5.3 Conditional Grants

Table 3.9 shows an analysis of conditional grants released in the first quarter of FY 2017/18.

Table 3.9: Elgeyo Marakwet County, Analysis of Conditional Grants Released in the First Quarter of FY 2017/18

S/No	Grants	Annual CARA, 2017 Allocation (in Kshs)	Annual Budget Allocation (in Kshs)	Actual receipts in First Quarter of FY 2017/18 (in Kshs)	Actual Receipts as Percentage of Annual CARA, 2017 Allocation (%)
A	Grants Contained in the CARA, 2017				
1	Road Maintenance Fuel Levy Fund	139, 343, 420	95, 287, 500	64, 986, 466	46.646
2	Leasing of Medical Equipment	95, 744, 681	-	-	-
3	World Bank loan to supplement financing of County Health Facilities	47, 990, 000	121, 205, 169	56, 932, 570	118.6
4	Development of Youth Polytechnics	37, 641, 245	-	-	-
5	Kenya Devolution Support Programme (KDSP)	36, 005, 074	-	-	-
6	World Bank Loan for Transforming Health System for Universal Care System	30, 279, 354	-	-	-
7	Other Loans & Grants	18, 956, 694	-	-	-
8	DANIDA Grant	9, 442, 456	-	-	-
9	User Fee Foregone	8, 788, 919	-	-	-
Total		424, 191, 843	216, 492, 669	121, 919, 036	27.7

Source: Elgeyo Marakwet County Treasury

Analysis of the conditional grants released during the period under review indicates that, the World Bank Loan to supplement financing of County health facilities recorded the highest receipts at 118.6 per cent of annual allocation. This was as a result of the previous year's balance, which was released in the period under review. The Road Maintenance Fuel Levy Fund at 46.6 per cent of the annual target.

3.5.4 Exchequer Issues

During the reporting period, the Controller of Budget authorized withdrawal of Kshs.546.61 million from the CRF account, which was 13.7 per cent of the Approved Budget. This amount was a decrease of 35.9 per cent from Kshs.852.58 million authorized in a similar period of FY 2016/17. The entire amount was for recurrent expenditure.

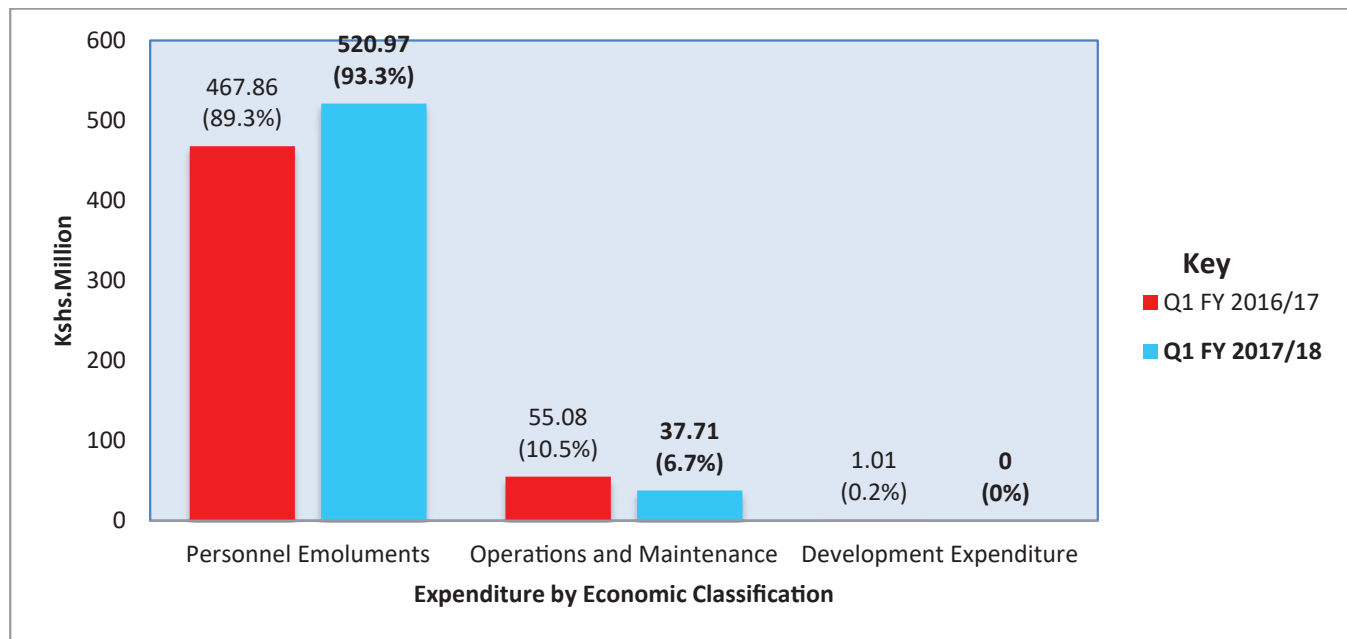
3.5.5 Overall Expenditure Review

The County incurred Kshs.558.68 million, which was 102.2 per cent of the total funds released for operations. This was an increase of 6.6 per cent from Kshs.523.94 million incurred in the first quarter of FY 2017/18.

The total expenditure of Kshs.558.68 million was incurred on recurrent activities and was 102.2 per cent of the funds released for recurrent activities. The expenditure excluded outstanding commitments as at September 30th, 2017 that amounted to Kshs.4.22 million for recurrent expenditure.

The recurrent expenditure represented 21.2 per cent of the annual recurrent budget, an increase from 18.1 per cent incurred in a similar period of FY 2016/17. Figure 3.14 presents a comparison between the total expenditure in the first quarter of FY 2016/17 and the first quarter of FY 2017/18.

Figure 3.14: Elgeyo Marakwet County, Expenditure by Economic Classification in the First Quarter of FY 2016/17 and First Quarter of FY 2017/18



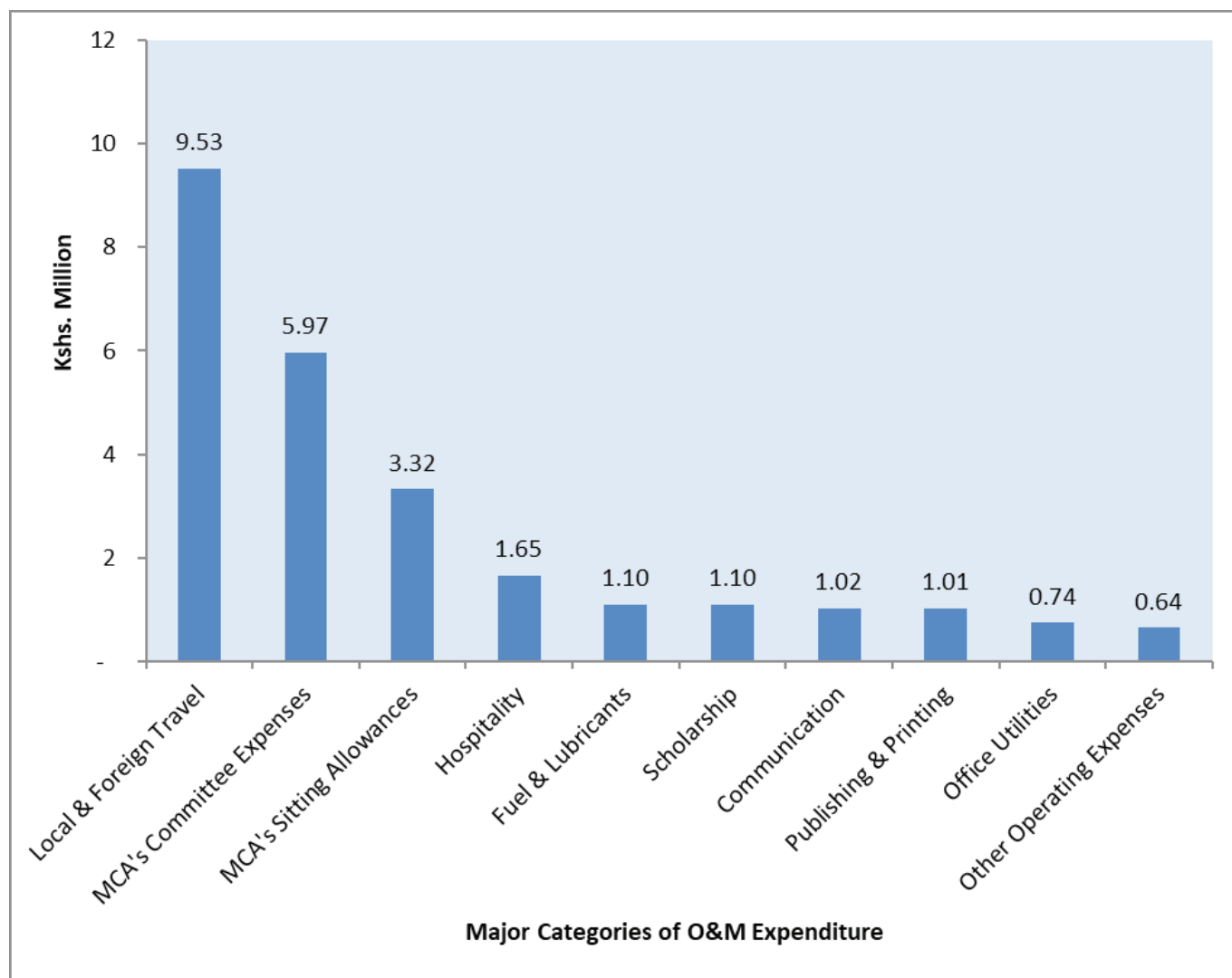
Source: Elgeyo Marakwet County Treasury

3.5.6 Analysis of Recurrent Expenditure

The total recurrent expenditure of Kshs.558.68 million consisted of Kshs.520.97 million (93.3 per cent) incurred on personnel emoluments and Kshs.37.71 million (6.7 per cent) on operations and maintenance as shown in Figure 3.14.

Expenditure on personnel emoluments represented an increase of 11.4 per cent compared to Kshs.467.86 million incurred in the first quarter of FY 2016/17, and was 93.3 per cent of total expenditure in the first quarter of FY 2017/18. Figure 3.15 shows a summary of operations and maintenance expenditure by major categories.

Figure 3.15: Elgeyo Marakwet County, Operations and Maintenance Expenditure by Major Categories in the First Quarter of FY 2017/18



Source: Elgeyo Marakwet County Treasury

The County incurred Kshs.3.32 million on sitting allowances to the 33 MCAs and the Speaker against the annual budget allocation of Kshs.34.78 million. This was a decrease of 57.4 per cent compared to Kshs.7.80 million incurred in the first quarter of FY 2016/17. The average monthly sitting allowance was Kshs.32, 517 per MCA compared to SRC's recommended monthly ceiling of Kshs.80,000.

Expenditure on domestic and foreign travel amounted to Kshs.9.53 million and consisted of Kshs.7.27 million incurred by the County Assembly and Kshs.2.27 million by the County Executive. It represented 1.7 per cent of total recurrent expenditure and was a decrease of 58.7 per cent compared to Kshs.23.09 million incurred in the first quarter of FY 2016/17.

3.5.7 Development Expenditure Analysis

The County did not report any expenditure on development activities during the reporting period.

3.5.8 Budget and Budget Performance Analysis by Department

Table 3.10 shows a summary of budget estimates and budget performance by department in the first quarter of FY 2017/18.

Table 3.10: Elgeyo Marakwet County, Budget Performance by Department in the First Quarter of FY 2017/18

Department	Budget Allocation (Kshs.Million)		Exchequer Issues in First Quarter of FY 2017/18 (Kshs. Million)		Expenditure in First Quarter of FY 2017/18 (Kshs. Million)		First Quarter of FY 2017/18 Expenditure to Exchequer Issues (%)		First Quarter of FY 2017/18 Absorption rate (%)	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
County Assembly	467	-	68	-	63	-	92.7	-	13.5	-
Office of the Governor	90	-	24	-	18	-	72.8	-	19.6	-
Finance & Economic Planning	196	-	45	-	42	-	93.2	-	21.3	-
Agriculture, Livestock and Fisheries	198	98	46	-	46	-	99.2	-	23.2	-
Education and Technical Training	198	187	40	-	42	-	106	-	21.2	-
Health Services	1, 110	389	285	-	271	-	95.3	-	24.5	-
Water, Lands, Housing and Physical Planning	71	235	17	-	16	-	92.2	-	22.5	-
Roads, Public Works and Transport	61	272	13	-	13	-	104.4	-	21.9	-
Trade, Tourism, Cooperatives and Wildlife	55	54	9	-	9	-	107.8	-	17	-
Youth Affairs, Culture, Children and Gender	30	92	7	-	5	-	76.1	-	16.9	-
ICT and Public Service	86	36	21	-	18	-	86.7	-	20.9	-
County Public Service Board	43	-	9	-	9	-	101	-	21.4	-
Administration	31	-	10	-	6	-	60.2	-	20.1	-
TOTAL	2, 636	1, 361	546.61	-	558.68	-	98.2	-	21.2	-

Source: Elgeyo Marakwet County Treasury

Analysis of budget performance by department shows that the Department of Health Services had the highest percentage of recurrent expenditure to recurrent budget at 24.5 per cent while the County Assembly had the lowest at 13.5 per cent.

3.5.9 Observations and Recommendations

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

- Improvement in financial reporting by the County Treasury.
- Timely submission of quarterly financial reports to the Controller of Budget by the County Government entities in line with Section 166 of the PFM Act, 2012.

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

- Failure by the County to appropriate the unspent balance of Kshs.733.05 million from FY2016/17.

2. Failure to budget for all conditional grants as per CARA, 2017.

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

1. *The County Treasury should appropriate unspent funds from the previous financial year through a Supplementary Budget.*
2. *The County should prepare a Supplementary Budget to align conditional grants to the CARA, 2017.*

3.6 Embu County

3.6.1 Overview of the FY 2017/18 Budget

The County's FY 2017/18 Approved Budget is Kshs.5.72 billion, comprising of Kshs.3.82 billion (66.9 per cent) and Kshs.1.90 billion (33.1 per cent) allocation for recurrent and development expenditure respectively.

To finance the budget, the County expects to receive Kshs.4.1 billion (71.8 per cent) as equitable share of revenue raised nationally, Kshs.749.03 million (13.1 per cent) as total conditional grants, and generate Kshs.839.78 million (14.7 per cent) from local revenue sources, and Kshs.22.18 million (0.4 per cent) cash balance from FY 2016/17.

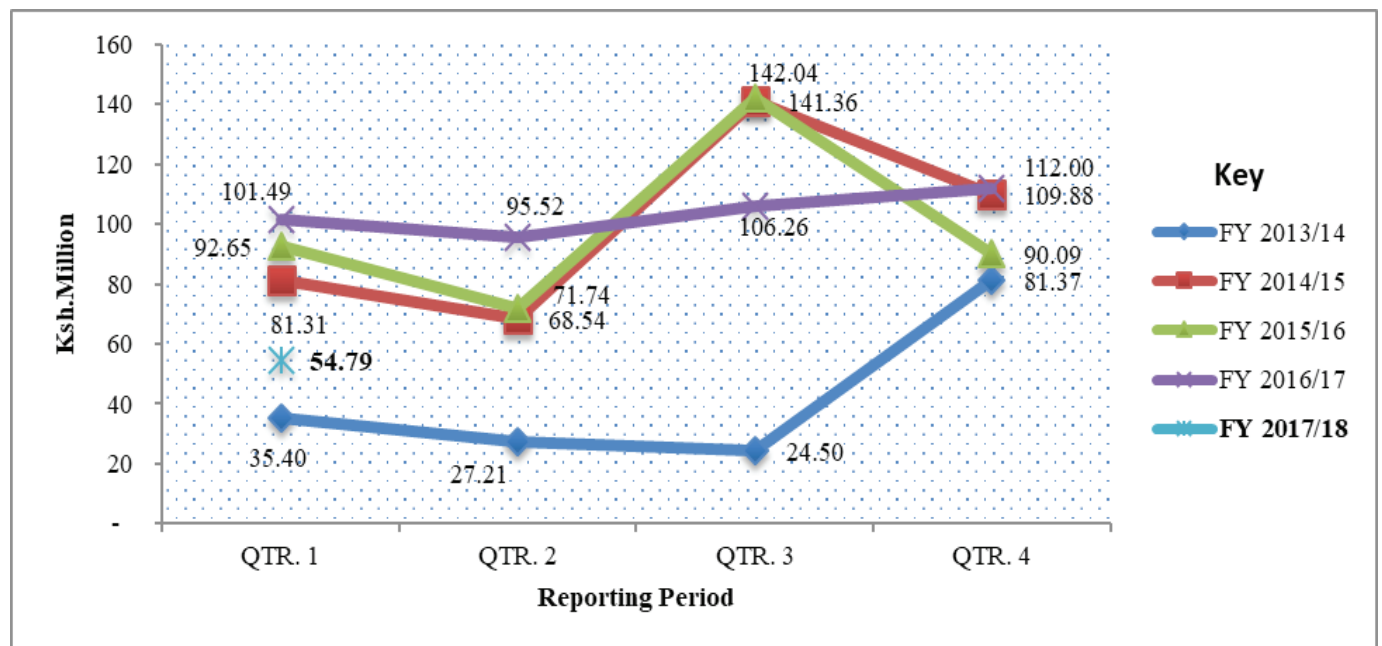
The conditional grants contained in the CARA, 2017 of Kshs.749.03 million, comprise of Kshs.163.52 million (21.8 per cent) from the Road Maintenance Fuel Levy Fund, Kshs.10.72 million (1.4 per cent) as Compensation for User Fee Foregone, Kshs.11.08 million (1.5 per cent) from DANIDA, Kshs.301.04 million (40.2 per cent) for Level 5 Hospital, Kshs.95.74 million (12.8 per cent) for Leasing of Medical Equipment, Kshs.37.91 million (5.1 per cent) for the World Bank Kenya Devolution Support Program, Kshs.40.91 million (5.5 per cent) for Development of Youth Polytechnics, Kshs.22 million (2.9 per cent) as World Bank Loan for Transforming Health System for Universal Care System, Kshs.50 million (6.7 per cent) as World Bank Loan for National Agricultural & Rural Inclusive Project, and Kshs.16.09 million (2.1 per cent) from Other Loans and Grants.

3.6.2 Revenue Analysis

During the first quarter of FY 2017/18, the County received Kshs.308.57 million as equitable share of the revenue raised nationally, Kshs.76.26 million as total conditional allocations, raised Kshs.54.78 million from local revenue sources, and had a cash balance of Kshs.475 million from FY 2016/17. The available funds amounted to Kshs.914.61 million.

Figure 3.16 shows the quarterly trend in local revenue collection from the first quarter of FY 2013/14 to the first quarter FY 2017/18.

Figure 3.16: Embu County, Trend in Local Revenue Collection by Quarter from the First Quarter of FY 2013/14 to the First Quarter of FY 2017/18



Source: Embu County Treasury

The total local revenue collected in the first quarter of FY 2017/18 amounted to Kshs.54.78 million, representing a decrease of 46 per cent compared to Kshs.101.49 million generated in a similar period of FY 2016/17, and represented 6.5 per cent of the annual local revenue target.

3.6.3 Conditional Grants

Table 3.11 shows an analysis of conditional grants released in the first quarter of FY 2017/18.

Table 3.11: Embu County, Analysis of Conditional Grants Released in the First Quarter of FY 2017/18

S/No	Grants	Annual CARA, 2017 Allocation (in Kshs)	Annual Budget Allocation (in Kshs)	Actual receipts in First Quarter of FY 2017/18 (in Kshs)	Actual Receipts as Percentage of Annual Allocation (%)
A	Grants Contained CARA, 2017				
1	Road Maintenance Fuel Levy Fund	163, 522, 813	163, 522, 813	76, 263, 161	46.6
2	Leasing of Medical Equipment	95, 744, 681	95, 744, 681	-	-
3	Kenya Devolution Support Programme (KDSP)	37, 912, 879	37, 912, 879	-	-
4	Compensation for User Fee Foregone	10, 724, 225	10, 724, 225	-	-
5	DANIDA Grant	11, 080, 946	11, 080, 946	-	-
6	Level-5 Hospitals	301, 040, 462	301, 040, 462	-	-
7	Development of Youth Polytechnics	40, 907, 922	40, 907, 922	-	-
8	Other Loans & Grants	16, 094, 521	16, 094, 521	-	-
9	World Bank Loan for Transforming Health System for Universal Care System	22, 000, 000	22, 000, 000	-	-
10	World Bank Loan for National Agricultural & Rural Inclusive Project	50, 000, 000	50, 000, 000	-	-

S/No	Grants	Annual CARA, 2017 Allocation (in Kshs)	Annual Budget Allo- cation (in Kshs)	Actual receipts in First Quarter of FY 2017/18 (in Kshs)	Actual Receipts as Percentage of Annual Allocation (%)
A	Grants Contained CARA, 2017				
Total		749, 028, 449	749, 028, 449	76, 263, 161	10

Source: Embu County Treasury

Analysis of the conditional grants released during the period under review indicates that, the Road Maintenance Fuel Levy Fund grant recorded a receipt of Kshs.76.26 million which translated to a performance of 46.6 per cent of annual allocation. The County did not receive funds from all the other conditional grants.

3.6.4 Exchequer Issues

During the reporting period, the Controller of Budget authorized withdrawal of Kshs.779.89 million from the CRF account, which was 13.6 per cent of the Approved Budget. This amount was a decrease of 29 per cent from Kshs.1.09 billion authorized in a similar period of FY 2016/17. The entire amount was for recurrent expenditure.

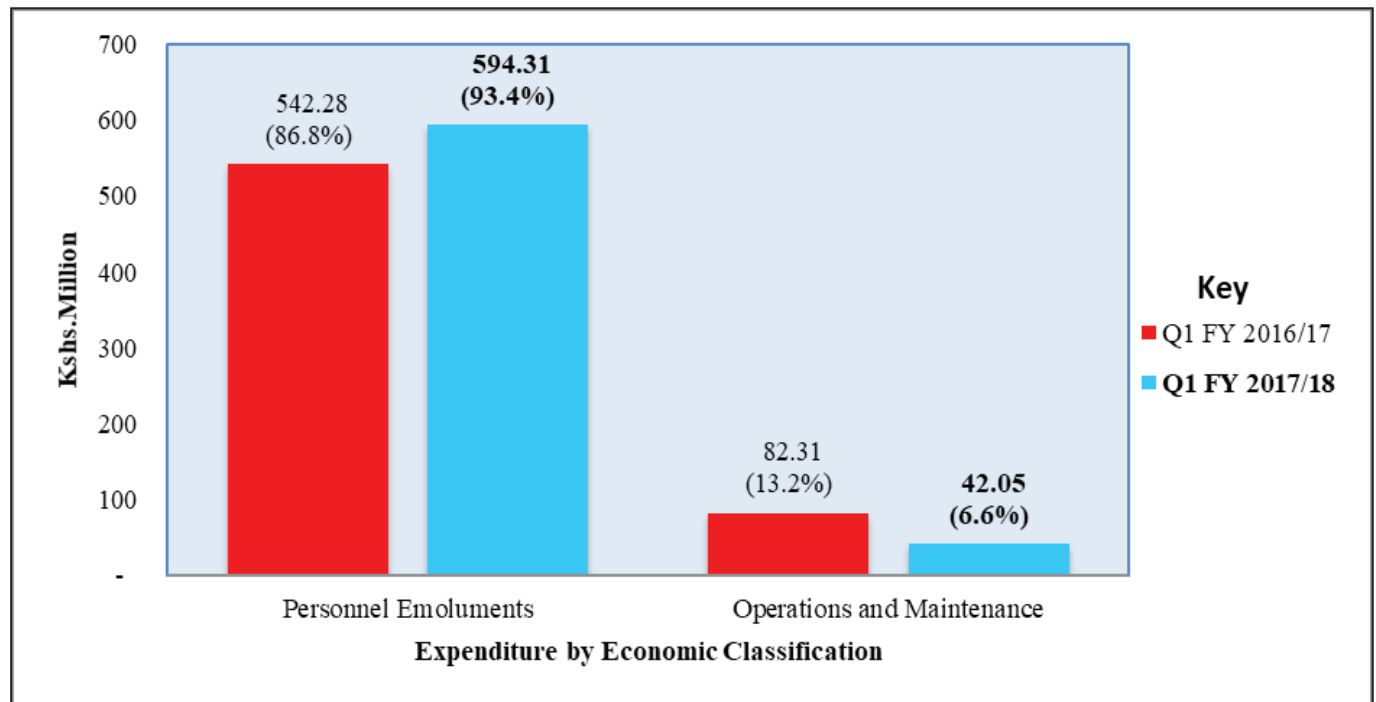
3.6.5 Overall Expenditure Review

The County incurred Kshs.636.35 million, which was 125.7 per cent of the total funds released for operations. This was an increase of 1.9 per cent from Kshs.624.59 million incurred in the first quarter of FY 2016/17.

The total expenditure of Kshs.636.36 million was incurred on recurrent activities and represented 81.6 per cent of the funds released for recurrent activities. The expenditure excluded outstanding commitments as at September 30th, 2017 that amounted to Kshs.82.90 million for recurrent expenditure.

The recurrent expenditure represented 16.6 per cent of the annual recurrent budget, and was similar to the performance reported in a similar period of FY 2016/17. Figure 3.17 presents a comparison between the total expenditure in the first quarter of FY 2016/17 and the first quarter of FY 2017/18.

Figure 3.17: Embu County, Expenditure by Economic Classification in the First Quarter of FY 2016/17 and First Quarter of FY 2017/18



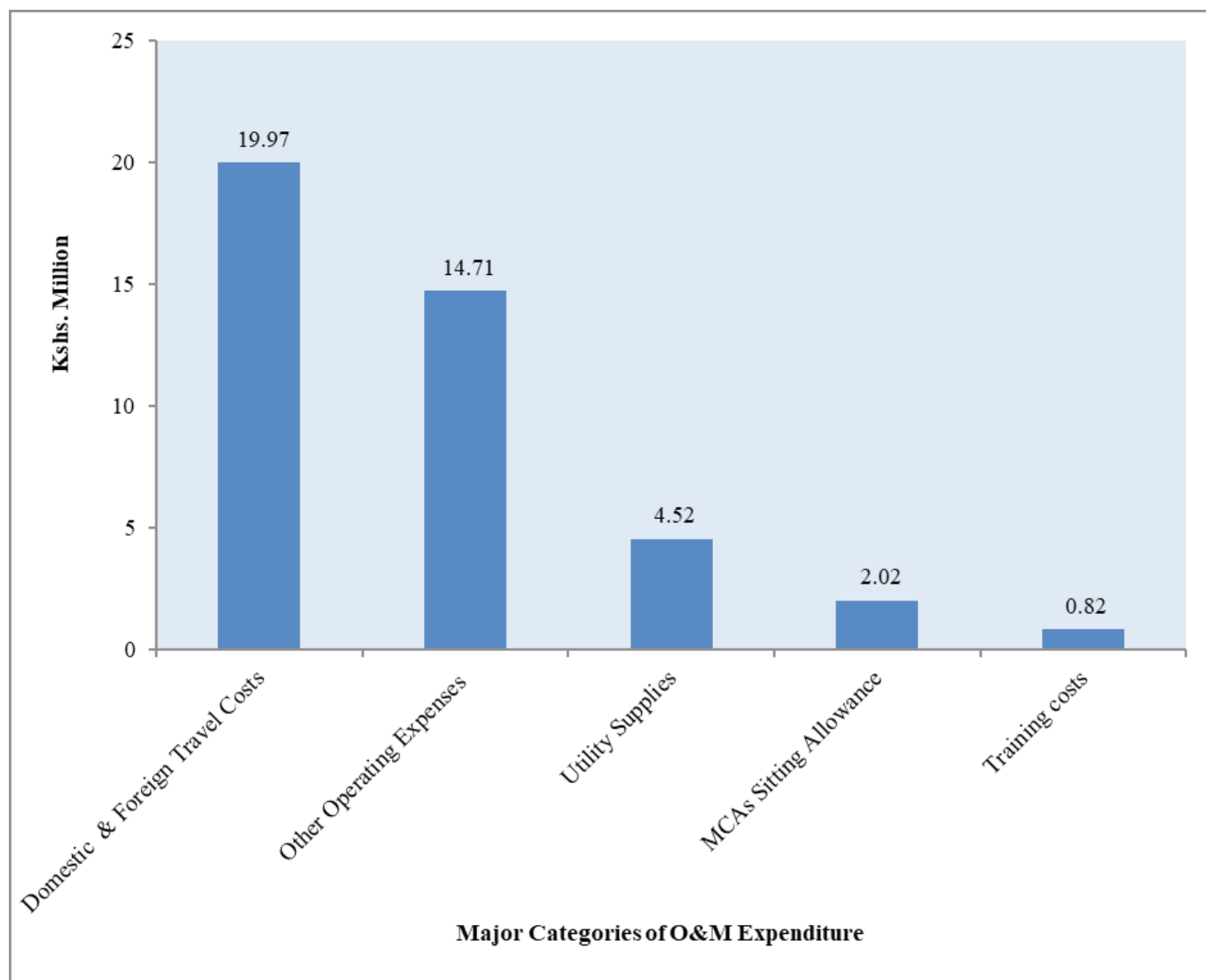
Source: Embu County Treasury

3.6.6 Analysis of Recurrent Expenditure

The total recurrent expenditure of Kshs.636.36 million consisted of Kshs.594.3 million (93.4 per cent) incurred on personnel emoluments and Kshs.42.05 million (6.6 per cent) on operations and maintenance as shown in Figure 3.17.

Expenditure on personnel emoluments represented an increase of 9.6 per cent compared to Kshs.542.28 million incurred in the first quarter of FY 2016/17. Figure 3.18 shows a summary of operations and maintenance expenditure by major categories.

Figure 3.18: Embu County, Operations and Maintenance Expenditure by Major Categories in the First Quarter of FY 2017/18



Source: Embu County Treasury

The County incurred Kshs.2.02 million on sitting allowances to the 33 MCAs and the Speaker against the annual budget allocation of Kshs.28.81 million. This was a decrease of 81.7 per cent compared to Kshs.11.04 million incurred in the first quarter of FY 2016/17. The average monthly sitting allowance was Kshs.19, 846 per MCA compared to SRC's recommended monthly ceiling of Kshs.80,000.

Expenditure on domestic and foreign travel amounted to Kshs.19.97 million and consisted of Kshs.17.92 million incurred by the County Assembly and Kshs.2.05 million by the County Executive. It represented 3.1 per cent of total recurrent expenditure and was a decrease of 55.1 per cent compared to Kshs.44.52 million incurred in the first quarter of FY 2016/17.

3.6.7 Development Expenditure

The County did not report any expenditure on development activities during the reporting period.

3.6.8 Budget and Budget Performance Analysis by Department

Table 3.12 shows a summary of budget estimates and budget performance by department in the first quarter of FY 2017/18.

Table 3.12: Embu County, Budget Performance by Department in the First Quarter of FY 2017/18

Department	Budget Allocation (Kshs.Million)		Exchequer Issues in the first quarter of FY 2017/18 (Kshs. Million)		Expenditure in the first quarter of FY 2017/18 (Kshs.Million)		Expenditure to Exchequer Issues (%) First Quarter FY 2017/18		Absorption rate (%) First Quarter FY 2017/18	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
Office of the Governor	301.11	-	61.82	-	58.14	-	94.1	-	19.3	-
Finance and Economic Planning	109.53	10	4.21	-	4.08	-	96.9	-	3.7	-
Health Services	1582.12	237.86	357.81	-	315.7	-	88.2	-	20	-
County Public Service Board	37.26	-	7.59	-	7	-	92.3	-	18.8	-
Education, Science & Technology	339.67	111.39	49.43	-	27.58	-	55.8	-	8.1	-
Youth Empowerment & Sports	17.97	80.26	1.91	-	1.39	-	72.8	-	7.7	-
Infrastructure, Public Works, Housing & Energy	59.11	805.38	11.82	-	8.42	-	71.2	-	14.2	-
Trade, Tourism & Industrialization	24.67	98.67	3.13	-	2.57	-	82.3	-	10.4	-
Gender Empowerment, Culture & Social Services	18.15	60.64	2.3	-	0.97	-	42	-	5.3	-
Lands, Water, Environment & Natural Resources	80.14	164.82	16.33	-	13.4	-	82	-	16.7	-
Agriculture, Livestock & Coop Development	251.88	113.84	60.86	-	59.51	-	97.8	-	23.6	-
Level 5 Hospital	223.19	148.6	38.23	-	9.43	-	24.7	-	4.2	-
Public Service & Administration	269.81	14	65.39	-	64.79	-	99.1	-	24	-
County Assembly	508.12	50	99.06	-	63.38	-	64.0	-	12.5	-
TOTAL	3, 822.74	1895.45	779.89	-	636.36	-	81.6	-	16.6	-

Source: Embu County Treasury

Analysis of budget performance by department shows that the Department of Public Service and Administration had the highest percentage of recurrent expenditure to recurrent budget at 24 per cent while the Department of Finance and Economic Planning had the lowest at 3.7 per cent.

3.6.9 Observations and Recommendations

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

- Establishment of the County Budget and Economic Forum (CBEF) in line with Section 137 of the PFM Act, 2012.
- Improvement in staff capacity on application of IFMIS.

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

- Delay in disbursement of the equitable share of revenue raised nationally by the National Treasury.

2. Delay by Fund Administrators to submit expenditure reports of the County Assembly Members Car Loan and Mortgage Fund, Youth Trust Fund and Bursary Fund contrary to Section 168 of the PFM Act, 2012.
3. Under-performance in local revenue collection, which declined by 46 per cent from Kshs.101.49 million in the first quarter of FY 2016/17 to Kshs.54.78 million in the first quarter of FY 2017/18.
4. IFMIS connectivity challenges, which slowed down approval of procurement requests and payment to suppliers.
5. Failure to budget for all conditional grants as per CARA, 2017.

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

1. *The County Treasury should liaise with the National Treasury to ensure that funds allocated to the County are released in line with the CARA, 2017 Disbursement Schedule.*
2. *The Funds Administrators should provide quarterly financial statements for all County Funds in line with Section 168 of the PFM Act, 2012.*
3. *The County Treasury should formulate and implement strategies to enhance local revenue collection.*
4. *The County Treasury should liaise with the IFMIS Directorate to address the frequent connectivity challenges.*
5. *The County should prepare a Supplementary Budget to align conditional grants to the CARA, 2017.*

3.7 Garissa County

3.7.1 Overview of the FY 2017/18 Budget

The County's FY 2017/18 Approved Budget is Kshs.7.85 billion, comprising of Kshs.5.39 billion (68.6 per cent) and Kshs.2.46 billion (31.4 per cent) allocation for recurrent and development expenditure respectively.

To finance the budget, the County expects to receive Kshs.6.66 billion (84.8 per cent) as equitable share of revenue raised nationally, Kshs.882 billion (11.2 per cent) as total conditional grants, and generate Kshs.250 million (3.2 per cent) from local revenue sources, and Kshs.60 million (0.8 per cent) cash balance from FY 2016/17.

The conditional grants contained in the CARA, 2017 of Kshs.874.07 million comprise of Kshs.245.91 million (27.9 per cent) from the Road Maintenance Fuel Levy Fund, Kshs.12.96 million (1.5 per cent) as Compensation for User Fee Foregone, Kshs.16.66 million (1.9 per cent) from DANIDA, Kshs.344.74 million (39.1 per cent) for Level 5 Hospital, Kshs.38.65 million (4.4 per cent) as World Bank loan to supplement financing of County Health facilities, Kshs.44.6 million (5.1 per cent) for the World Bank Kenya Devolution Support Program, Kshs.27.91 million (3.2 per cent) for Development of

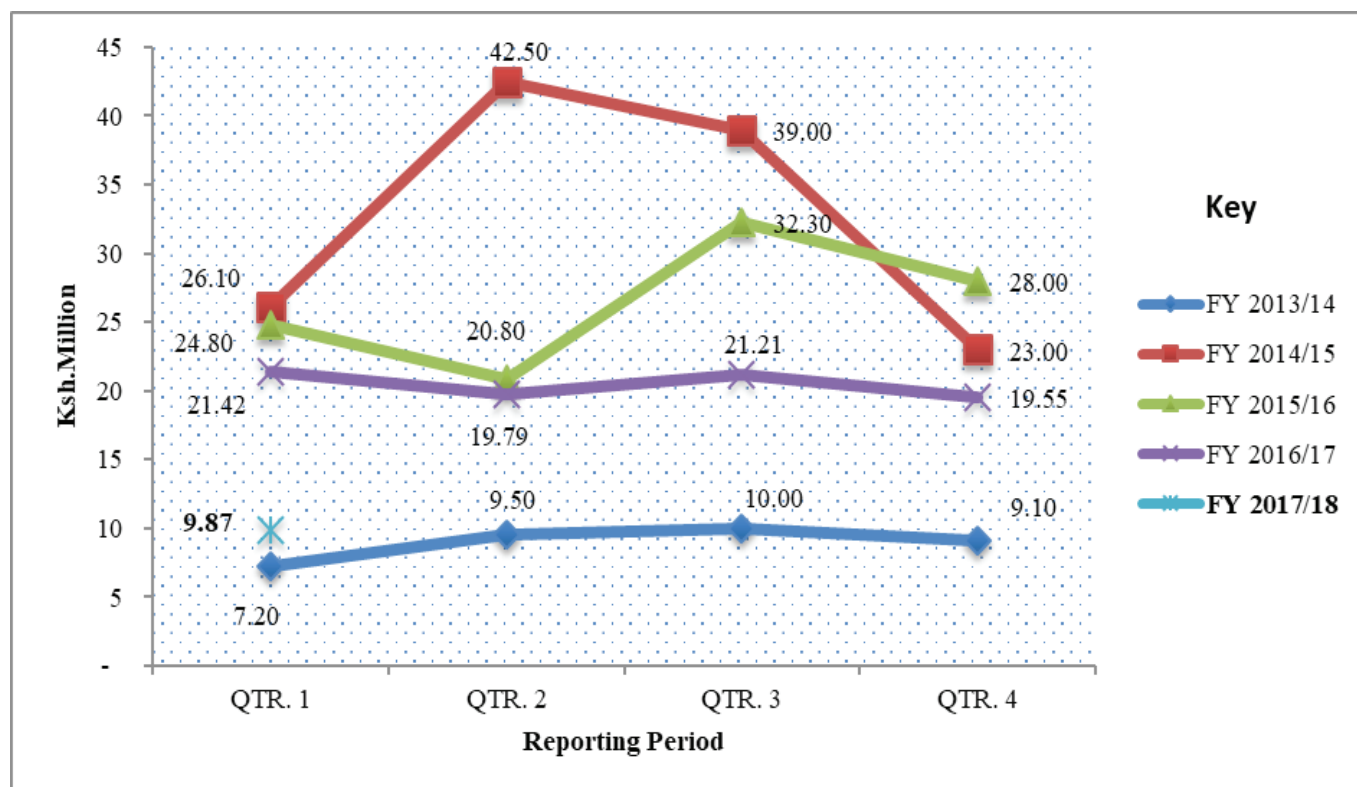
Youth Polytechnics, Kshs.91.76 million (10.4 per cent) as World Bank Loan for Transforming Health System for Universal Care System, Kshs.50.87 million (5.8 per cent) as Other Loans and Grants and Kshs.95.74 million Leasing of Medical Equipment.

3.7.2 Revenue Analysis

During the first quarter of FY 2017/18, the County received Kshs.626.84 million as equitable share of the revenue raised nationally, Kshs.114.6 million as total conditional allocations, raised Kshs.9.87 million from local revenue sources, and had a cash balance of Kshs.60 million from FY 2016/17. The available funds amounted to Kshs.810.7 million.

Figure 3.19 shows the quarterly trend in local revenue collection from the first quarter of FY 2013/14 to the first quarter FY 2017/18.

Figure 3.19: Garissa County, Trend in Local Revenue Collection by Quarter from the First Quarter of FY 2013/14 to the First Quarter of FY 2017/18



Source: Garissa County Treasury

The total local revenue collected in the first quarter of FY 2017/18 amounted to Kshs.9.87 million, representing a decrease of 53.9 per cent compared to Kshs.21.42 million generated in a similar period of FY 2016/17, and represented 3.9 per cent of the annual local revenue target.

3.7.3 Conditional Grants

Table 3.13 shows an analysis of conditional grants released in the first quarter of FY 2017/18.

Table 3.13: Garissa County, Analysis of Conditional Grants Released in the First Quarter of FY 2017/18

S/No	Grants	Annual CARA, 2017 Allocation (in Kshs)	Annual Budget Allocation (in Kshs)	Actual receipts in First Quarter of FY 2017/18 (in Kshs.)	Actual Receipts as Percentage of Annual Allocation (%)
A	Grants Contained CARA, 2017				
1	Road Maintenance Fuel Levy Fund	245, 913, 933	245, 913, 933	114, 595, 892	46.6
2	World Bank loan to supplement financing of County Health facilities	38, 645, 000	-	-	-
3	Kenya Devolution Support Programme (KDSP)	44, 599, 720	44, 599, 720	-	-
4	Compensation for User Fee Foregone	12, 964, 636	12, 964, 636	-	-
5	DANIDA Grant	16, 664, 092	26, 662, 546	-	-
6	Level-5 Hospitals	344, 739, 884	344, 739, 884	-	-
7	Development of Youth Polytechnics	27, 909, 841	27, 909, 841	-	-
8	World Bank Loan for Transforming Health System for Universal Care System	91, 760, 862	41, 709, 483	-	-
9	World Bank Loan for National Agricultural & Rural Inclusive Project	-	41, 758, 690	-	-
10	Leasing of Medical Equipment	95, 744, 681	95, 744, 681	-	-
Total		874, 072, 701	786, 258, 733	114, 595, 892	13.2

Source: Garissa County Treasury

Analysis of the conditional grants released during the period under review indicates that, Road Maintenance Fuel Levy Fund received Kshs.114.6 million which represented 46.6 per cent of the annual allocation. The other conditional grants did not record any receipt.

3.7.4 Exchequer Issues

During the reporting period, the Controller of Budget authorized withdrawal of Kshs.696.71 million from the CRF account, which was 8.9 per cent of the Approved Budget. This amount was a decrease of 27.3 per cent from Kshs.958.5 million authorized in a similar period of FY 2016/17. The entire amount was for recurrent expenditure.

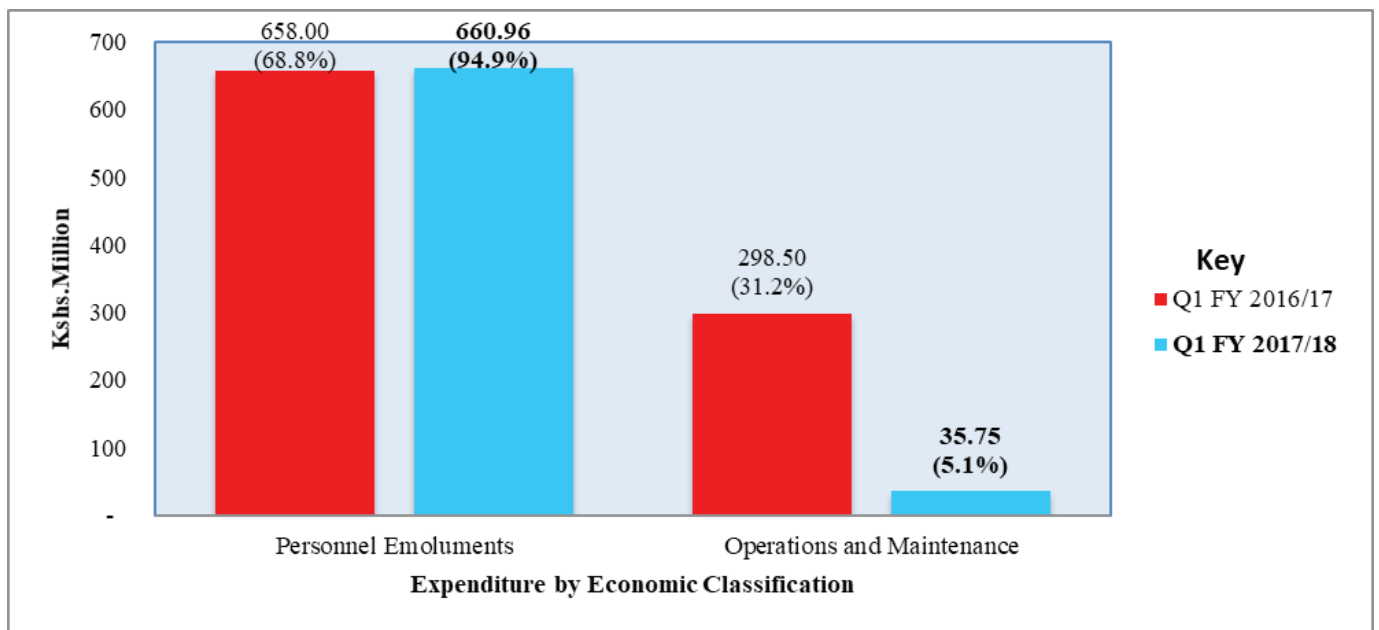
3.7.5 Overall Expenditure Review

The County incurred Kshs.696.71 million, which was 100 per cent of the total funds released for operations. This was a decrease of 27.2 per cent from Kshs.958.5 million incurred in the first quarter of FY 2016/17.

The total expenditure of Kshs.696.71 million was incurred on recurrent activities and represented 100 per cent of the funds released for recurrent activities.

The recurrent expenditure represented 12.9 per cent of the annual recurrent budget, a decrease from 24.4 per cent incurred in a similar period of FY 2016/17. Figure 3.20 presents a comparison between the total expenditure in the first quarter of FY 2016/17 and the first quarter of FY 2017/18.

Figure 3.20: Garissa County, Expenditure by Economic Classification in the First Quarter of FY 2016/17 and First Quarter of FY 2017/18



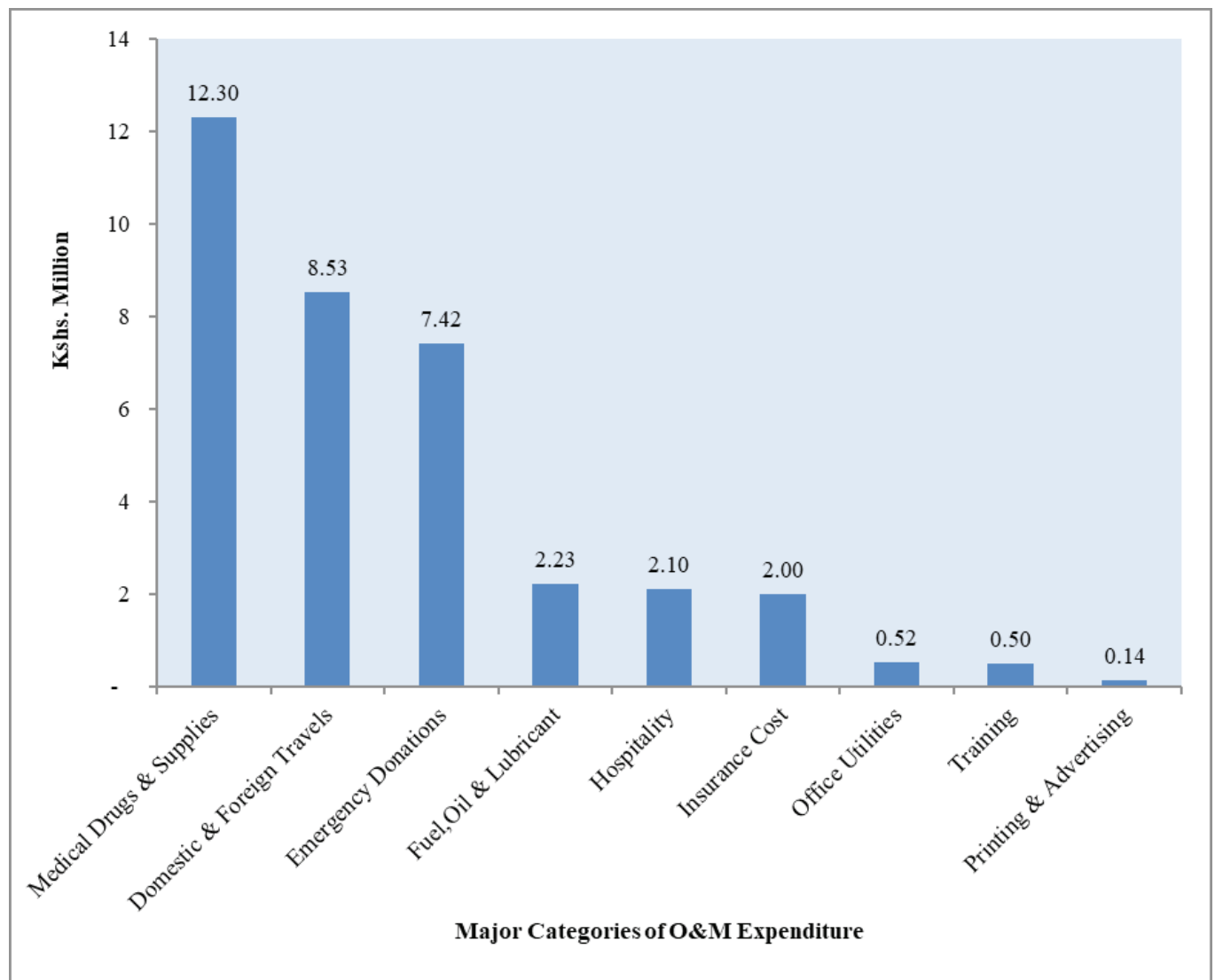
Source: Garissa County Treasury

3.7.6 Analysis of Recurrent Expenditure

The total recurrent expenditure of Kshs.696.71 million consisted of Kshs.660.96 million (94.9 per cent) incurred on personnel emoluments and Kshs.35.75 million (5.1 per cent) on operations and maintenance as shown in Figure 3.20.

Expenditure on personnel emoluments represented an increase of 0.5 per cent compared to Kshs.658 million incurred in the first quarter of FY 2016/17, and was 94.9 per cent of total expenditure in the first quarter of FY 2017/18. Figure 3.21 shows a summary of operations and maintenance expenditure by major categories.

Figure 3.21: Garissa County, Operations and Maintenance Expenditure by Major Categories in the First Quarter of FY 2017/18



Source: Garissa County Treasury

The County Assembly did not incur any expenditure on committee sitting allowances to the 49 MCAs. Expenditure on domestic and foreign travel amounted to Kshs.8.53 million and consisted of Kshs.3.2 million incurred by the County Assembly and Kshs.5.33 million by the County Executive. It represented 1.2 per cent of total recurrent expenditure and was a decrease of 24.5 per cent compared to Kshs.11.3 million incurred in the first quarter of FY 2016/17.

3.7.7 Development Expenditure Analysis

The County did not report any expenditure on development activities during the reporting period.

3.7.8 Budget and Budget Performance Analysis by Department

Table 3.14 shows a summary of budget estimates and budget performance by department in the first quarter of FY 2017/8.

Table 3.14: Garissa County, Budget Performance by Department in the First quarter of FY 2017/18

Department	Budget Allocation (Kshs.Million)		Exchequer Issues in First Quarter of FY 2017/18 (Kshs. Million)		Expenditure in First Quarter of FY 2017/18 (Kshs.Million)		First Quarter of FY 2017/18 Expenditure to Exchequer Issues (%)		First Quarter of FY 2017/18 Absorption rate (%)	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
Transport, Infrastructure and Lands	97.3	723.6	27.9	-	27.9	-	100	-	28.7	-
Water Services	173	450	28.2	-	28.2	-	100	-	16.3	-
Finance and Economic planning	1009.6	210	133.8	-	133.8	-	100	-	13.3	-
Health and Sanitation	1952.9	325	186.7	-	186.7	-	100	-	9.6	-
Education	434.7	107	66.5	-	66.5	-	100	-	15.3	-
Trade, Cooperative and Youth	82.8	33	33.7	-	33.7	-	100	-	40.7	-
Environment, Energy and Natural Resources	43.5	83	8.5	-	8.5	-	100	-	19.5	-
Livestock and Pastoral Economy	105.4	179	21.5	-	21.5	-	100	-	20.4	-
Agriculture	160.8	128	30.9	-	30.9	-	100	-	19.2	-
Culture, Social, Gender and Children	45	29.8	11	-	11	-	100	-	24.4	-
Urban Services	267.4	44	39.9	-	39.9	-	100	-	14.9	-
Executive Services	254.1	120	44.8	-	44.8	-	100	-	17.6	-
County Assembly	760.3	30	63.3	-	63.3	-	100	-	8.3	-
TOTAL	5,387	2,462	696.71	-	696.71	-	100	-	12.9	-

Source: Garissa County Treasury

Analysis of budget performance by department shows that the Trade, Cooperative and Youth Department attained the highest recurrent expenditure to recurrent budget at 40.7 per cent while the County Assembly had the lowest at 8.3 per cent. There was no development expenditure in the period under review.

3.7.9 Observations and Recommendations

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

- Timely preparation and approval of the County budget documents.
- Establishment of the County Budget and Economic Forum as per Section 137 of the PFM Act, 2012.

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

- Late submission of financial reports by the County Treasury, which affected timely preparation of budget implementation report contrary to Section 166 of the PFM Act, 2012.
- Under-performance in local revenue collection. Local revenue collection declined by 53.9 per cent from Kshs.21.42 million in the first quarter of FY 2016/17 to Kshs.9.87 million in the reporting period.

3. Failure to designate Fund Administrators for the Scholarship and Emergency Funds contrary to Section 116 of the PFM Act, 2012.
4. Failure to establish an Internal Audit Committee to oversee financial operations in the County contrary to Section 155 of the PFM Act, 2012.
5. Failure to budget for all conditional grants as per CARA, 2017.

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

- 1. The County Treasury should ensure timely preparation and submission of financial reports in line with Section 166 of PFM Act, 2012.*
- 2. The County Treasury should formulate and implement strategies to enhance local revenue collection.*
- 3. The County Treasury should designate Administrators for all established County Funds in line with Section 116 of PFM Act, 2012.*
- 4. The County should establish an Internal Audit Committee in line with Section 155 of the PFM Act, 2012.*
- 5. The County should prepare a Supplementary Budget to align conditional grants to the CARA, 2017.*

3.8 Homabay County

3.8.1 Overview of the FY 2017/18 Budget

The County's FY 2017/18 Approved Budget is Kshs.7.19 billion, comprising of Kshs.4.98 billion (69.3 per cent) and Kshs.2.21 billion (30.7 per cent) allocation for recurrent and development expenditure respectively.

To finance the budget, the County expects to receive Kshs.6.52 billion (90.7 per cent) as equitable share of revenue raised nationally, Kshs.458.51 million (6.4 per cent) as total conditional grants and generate Kshs.209.46 million (2.9 per cent) from local revenue sources.

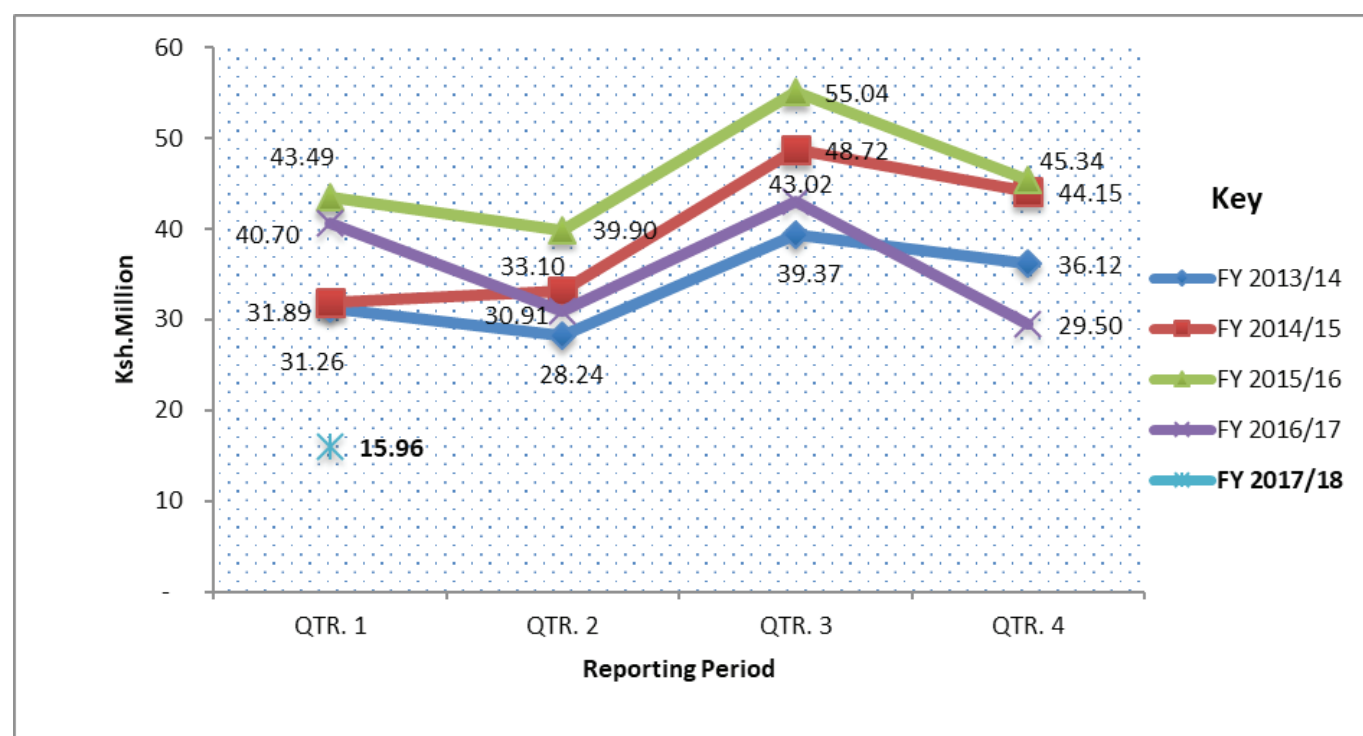
The conditional grants contained in the CARA, 2017 of Kshs.630 million comprise of Kshs.240.09 million (52.4 per cent) from the Road Maintenance Fuel Levy Fund, Kshs.22.19 million (4.8 per cent) as Compensation for User Fee Foregone, Kshs.16.27 million (3.5 per cent) from DANIDA, Kshs.143.27 million (31.2 per cent) as World Bank loan to supplement financing of County Health facilities, Kshs.46.23 million (10.1 per cent) for the World Bank Kenya Devolution Support Program, Kshs.52.96 million (11.6 per cent) for Development of Youth Polytechnics, Kshs.59 million (12.9 per cent) as World Bank Loan for Transforming Health System for Universal Care System and Kshs.50 million (10.9 per cent) as World Bank Loan for National Agricultural & Rural Inclusive Project.

3.8.2 Revenue Analysis

During the first quarter of FY 2017/18, the County received Kshs.913.24 million as equitable share of the revenue raised nationally, Kshs.111.88 million as total conditional allocations, raised Kshs.15.96 million from local revenue sources, and had a cash balance of Kshs.187.66 million from FY 2016/17. The available funds amounted to Kshs.1.21 billion.

Figure 3.22 shows the quarterly trend in local revenue collection from the first quarter of FY 2013/14 to the first quarter FY 2017/18.

Figure 3.22: Homabay County, Trend in Local Revenue Collection by Quarter from the First Quarter of FY 2013/14 to the First Quarter of FY 2017/18



Source: Homabay County Treasury

The total local revenue collected in the first quarter of FY 2017/18 amounted to Kshs.15.96 million, representing a decrease of 60.8 per cent compared to Kshs.40.7 million generated in a similar period of FY 2016/17, and represented 7.6 per cent of the annual local revenue target.

3.8.3 Conditional Grants

Table 3.15 shows an analysis of conditional grants released in the first quarter of FY 2017/18.

Table 3.15: Homabay County, Analysis of Conditional Grants Released in the First Quarter of FY 2017/18

S/No	Grants	Annual CARA, 2017 Allocation (in Kshs)	Annual Budget Allocation (in Kshs)	Actual receipts in First Quarter of FY 2017/18 (in Kshs)	Actual Receipts as Percentage of Annual Allocation (%)
A	Grants Contained CARA, 2017				
1	Road Maintenance Fuel Levy Fund	240, 088, 313	240, 088, 313	111, 881, 153	46.6

S/No	Grants	Annual CARA, 2017 Allocation (in Kshs)	Annual Budget Allocation (in Kshs)	Actual receipts in First Quarter of FY 2017/18 (in Kshs)	Actual Receipts as Percentage of Annual Allocation (%)
2	World Bank loan to supplement financing of County Health facilities	143, 273, 008	143, 273, 008	-	-
3	Kenya Devolution Support Programme (KDSP)	46, 229, 187	-	-	-
4	Compensation for User Fee Foregone	22, 185, 346	22, 185, 313	-	-
5	DANIDA Grant	16, 269, 325	-	-	-
6	Development of Youth Polytechnics	52, 958, 942	52, 958, 942	-	-
7	World Bank Loan for Transforming Health System for Universal Care System	59, 001, 485	-	-	-
8	World Bank Loan for National Agricultural & Rural Inclusive Project	50, 000, 000	-	-	-
Total		630, 005, 606	458, 505, 576	111, 881, 153	24.4

Source: Homabay County Treasury

Analysis of the conditional grants released during the period under review indicates that, only Road Maintenance Fuel Levy Fund received Kshs.111.97 million which represented 46.6 per cent of annual allocation.

3.8.4 Exchequer Issues

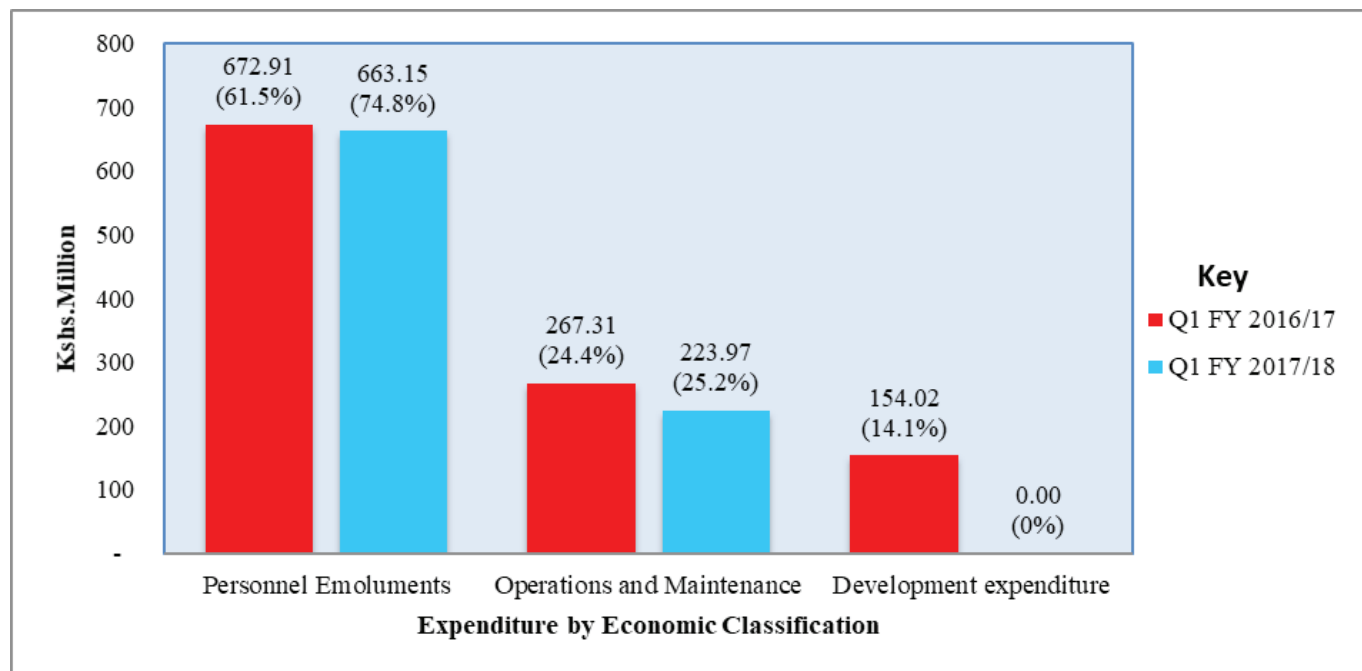
During the reporting period, the Controller of Budget authorized withdrawal of Ksh.897.5 million from the CRF account, which was 12.5 per cent of the Approved Budget. This amount was a decrease of 16.9 per cent from Kshs.1.08 billion authorized in a similar period of FY 2016/17. The entire amount was for recurrent expenditure.

3.8.5 Overall Expenditure Review

The County incurred Kshs.887.11 million, which was 98.8 per cent of the total funds released for operations. This was a decrease of 18.9 per cent from Kshs.1.09 billion incurred in the first quarter of FY 2016/17.

The total expenditure of Kshs.887.11 million was incurred on recurrent activities and represented 98.8 per cent of the funds released for recurrent activities. The recurrent expenditure represented 17.8 per cent of the annual recurrent budget, a decrease from 22.2 per cent incurred in a similar period of FY 2016/17. Figure 3.23 presents a comparison between the total expenditure in the first quarter of FY 2016/17 and the first quarter of FY 2017/18.

Figure 3.23: Homabay County, Expenditure by Economic Classification in the First Quarter of FY 2016/17 and First Quarter of FY 2017/18



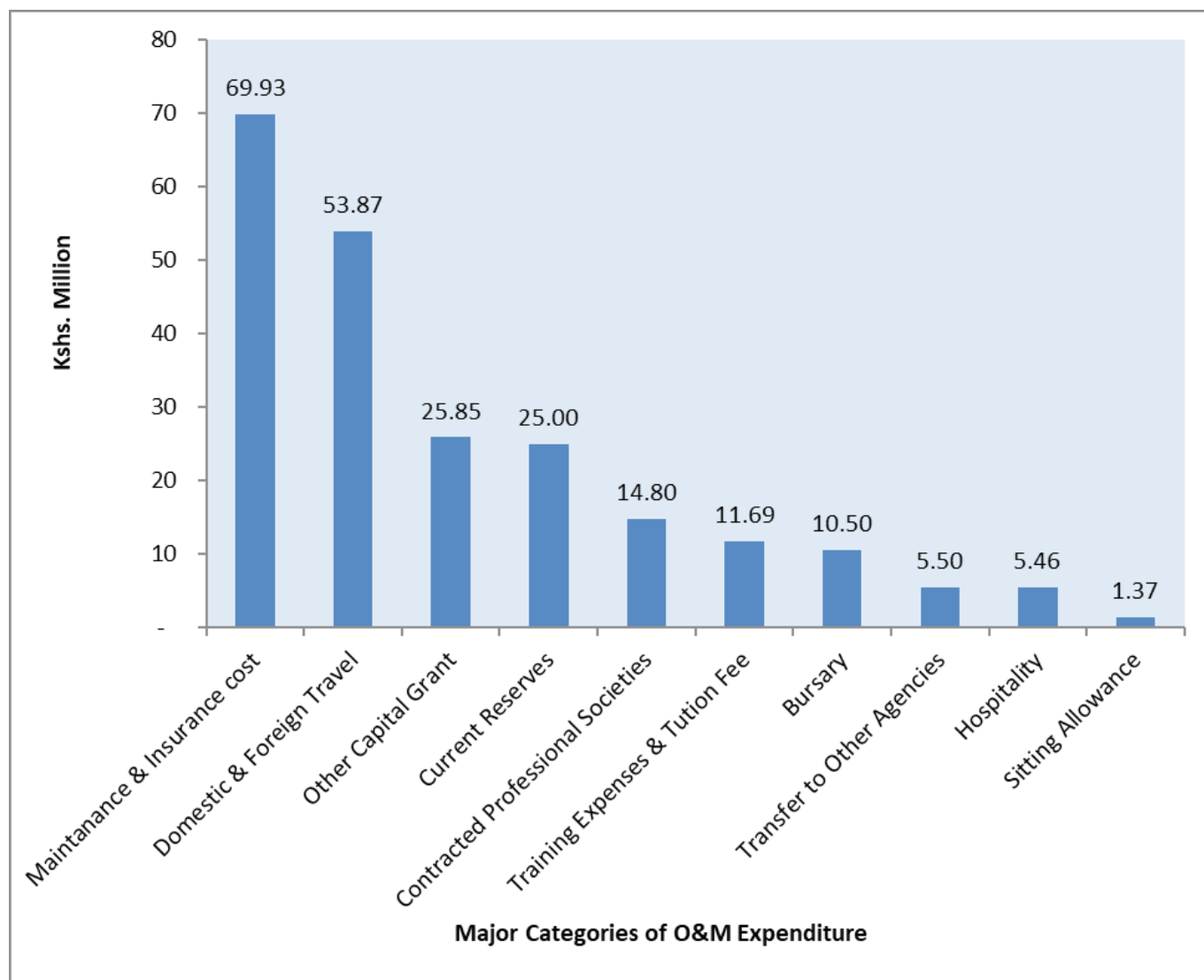
Source: Homabay County Treasury

3.8.6 Analysis of Recurrent Expenditure

The total recurrent expenditure of Kshs.887.11 million consisted of Kshs.663.15 million (74.8 per cent) incurred on personnel emoluments and Kshs.223.97 million (25.2 per cent) on operations and maintenance as shown in Figure 3.23.

Expenditure on personnel emoluments represented a decrease of 1.5 per cent compared to Kshs.672.91 million incurred in the first quarter of FY 2016/17, and was 74.8 per cent of total expenditure in the first quarter of FY 2017/18. Figure 3.24 shows a summary of operations and maintenance expenditure by major categories.

Figure 3.24: Homabay County, Operations and Maintenance Expenditure by Major Categories in the First Quarter of FY 2017/18



Source: Homabay County Treasury

The County incurred Kshs.1.37 million on sitting allowances to the 60 MCAs against the annual budget allocation of Kshs.111.04 million. This was a decrease of 95.5 per cent compared to Kshs.30.55 million incurred in the first quarter of FY 2016/17. The average monthly sitting allowance was Kshs.7,374 per MCA compared to SRC's recommended monthly ceiling of Kshs.80,000.

Expenditure on domestic and foreign travel amounted to Kshs.53.87 million and consisted of Kshs.19.97 million incurred by the County Assembly and Kshs.33.9 million by the County Executive. It represented 6.1 per cent of total recurrent expenditure and was a decrease of 25.2 per cent compared to Kshs.71.99 million incurred in the first quarter of FY 2016/17.

3.8.7 Development Expenditure Analysis

The County did not report any expenditure on development activities during the reporting period.

3.8.8 Budget and Budget Performance Analysis by Department

Table 3.16 shows a summary of budget estimates and budget performance by department in the first quarter of FY 2017/18.

Table 3.16: Homabay County, Budget Performance by Department in the First Quarter of FY 2017/18

Department	Budget Allocation (Kshs.Million)		Exchequer Issues in First Quarter of FY 2017/18 (Kshs. Million)		Expenditure in First Quarter of FY 2017/18 (Kshs.Million)		First Quarter of FY 2017/18 Expenditure to Exchequer Issues (%)		First Quarter of FY 2017/18 Absorption rate (%)	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
Agriculture, Livestock and Fisheries	191.61	202	35	-	33.33	-	95.2	-	17.4	-
Tourism, Culture and Sports	83.2	66	16	-	7.16	-	44.8	-	8.6	-
Transport and Infrastructure	73.59	614.06	26	-	10.99	-	42.3	-	14.9	-
Energy and Natural Resources	33.99	90	7.2	-	4.4	-	61.1	-	12.9	-
Education and ICT	467.2	102	107.3	-	92.75	-	86.4	-	19.9	-
Health	1, 854.74	300	332.8	-	358.47	-	107.7	-	19.3	-
Land, Housing and Physical Planning	57.27	82	15.1	-	7.27	-	48.2	-	12.7	-
Trade, Industry and Investment	182.18	116	42.9	-	23.20	-	54.1	-	12.7	-
Water and Environment	122.77	437	38.2	-	27.83	-	72.8	-	22.7	-
Finance and Economic Planning	289.01	88.94	39	-	84.73	-	217.3	-	29.3	-
Office Of The Governor	514.7	88	57.3	-	119.46	-	208.5	-	23.2	-
County Public Service Board	105.9	12	10.7	-	12.50	-	116.8	-	11.8	-
County Assembly Service Board	1, 003.97	13	170	-	105.02	-	61.8	-	10.5	-
TOTAL	4, 980.13	2, 211	897.5	-	887.11	-	98.8	-	17.8	-

Source: Homabay County Treasury

Analysis of budget performance by department shows that the Department of Finance and Economic Planning had the highest percentage of recurrent expenditure to recurrent budget at 29.3 per cent while the Department of Tourism, Culture and Sports had the lowest at 8.6 per cent.

3.8.9 Observations and Recommendations

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

- Improvement in human capacity through recruitment of key staff and continuous training.
- Development and commissioning of an automated revenue collection system which is expected to enhance local revenue collection.
- Timely preparation and approval of the County budget documents such as the Annual Development Plan (ADP) and County Fiscal Strategy Paper (CFSP) and Budget Estimates.

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

1. Delay in disbursement of the equitable share of revenue raised nationally by the National Treasury. As at the end of the reporting period, Kshs.913.24 million had been disbursed against expected disbursement of Kshs.1.37 billion.
2. Delay by Fund Administrators to submit expenditure reports of the Car Loan and Mortgage Fund, Emergency Fund, Bursary Fund, and the Aswekra Fund contrary to Section 168 of the PFM Act, 2012.
3. Under-performance in local revenue collection, which declined by 60.8 per cent from Kshs.40.70 million in the first quarter of FY 2016/17 to Kshs.15.96 million in the reporting period.
4. IFMIS connectivity challenges, which slowed down approval of procurement requests and payment to suppliers.
5. Failure to budget for all conditional grants as per CARA, 2017.

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

1. *The County Treasury should liaise with the National Treasury to ensure that funds allocated to the County are released in line with the CARA, 2017 Disbursement schedule.*
2. *All Fund Administrators should ensure timely submission of expenditure reports on the established Funds in line with Section 168 of the PFM Act, 2012.*
3. *The CECM-F should fully operationalize the local revenue automation system so as to improve its collection.*
4. *The County should liaise with IFMIS Directorate for support in the use of IFMIS and the E-procurement module.*
5. *The County should prepare a Supplementary Budget to align conditional grants to the CARA, 2017.*

3.9 Isiolo County

3.9.1 Overview of the FY 2017/18 Budget

The County's FY 2017/18 Approved Budget is Kshs.4.28 billion, comprising of Kshs.2.72 billion (63.5 per cent) and Kshs.1.56 billion (36.5 per cent) allocation for recurrent and development expenditure respectively.

To finance the budget, the County expects to receive Kshs.3.78 billion (88.1 per cent) as equitable share of revenue raised nationally, Kshs.383.95 million (7.6 per cent) as total conditional grants and generate Kshs.182.86 million (4.3 per cent) from local revenue sources. The County did not budget for cash balance of Kshs.5.64 million from FY 2016/17.

The conditional grants contained in the CARA, 2017 of Kshs.383.95 million comprise of Kshs.130.25 million (33.9 per cent) from the Road Maintenance Fuel Levy Fund, Kshs.3.47 million (0.9 per cent) as Compensation for User Fee Foregone, Kshs.121 million (31.5 per cent) for Construction

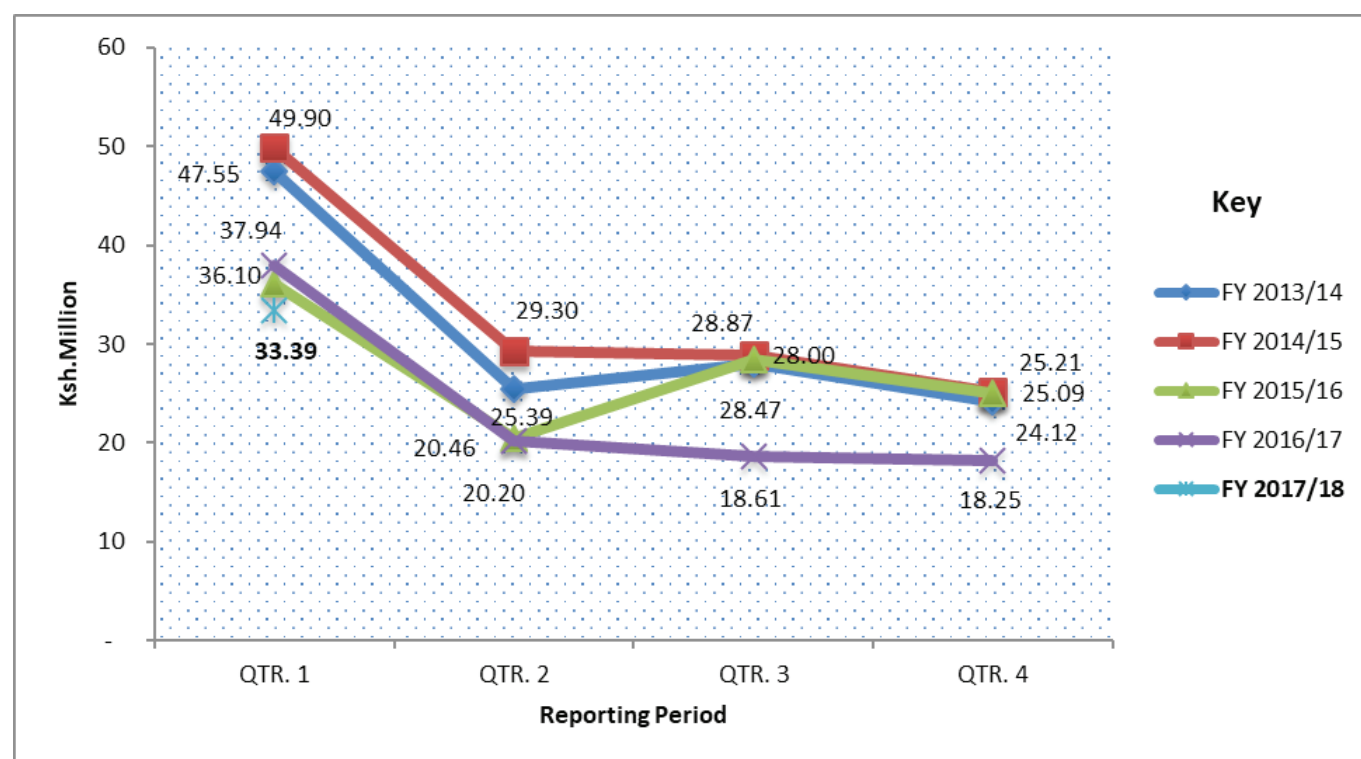
of County Headquarters, Kshs.36.11 million (9.4 per cent) for the World Bank Kenya Devolution Support Programme, Kshs.26.17 million (6.8 per cent) for Development of Youth Polytechnics, Kshs.45.53 million (11.9 per cent) World Bank loan for Transforming Health Systems for Universal Care, Kshs.12.61 million (3.3 per cent) as World Bank loan to supplement financing of County Health facilities, and Kshs.8.48 million (2.3 per cent) from Other Loans and Grants.

3.9.2 Revenue Analysis

During the first quarter of FY 2017/18, the County received Kshs.528.5 million as equitable share of the revenue raised nationally, Kshs.60.74 million as total conditional allocations, raised Kshs.33.39 million from local revenue sources, and had a cash balance of Kshs.5.64 million from FY 2016/17. The available funds amounted to Kshs.628.26 million.

Figure 3.25 shows the quarterly trend in local revenue collection from the first quarter of FY 2013/14 to the first quarter FY 2017/18.

Figure 3.25: Isiolo County, Trend in Local Revenue Collection by Quarter from the First Quarter of FY 2013/14 to the First Quarter of FY 2017/18



Source: Isiolo County Treasury

The total local revenue collected in the first quarter of FY 2017/18 amounted to Kshs.33.39 million, representing a decrease of 12 per cent compared to Kshs.37.94 million generated in a similar period of FY 2016/17, and represented 18.3 per cent of the annual local revenue target.

3.9.3 Conditional Grants

Table 3.17 shows an analysis of conditional grants released in the first quarter of FY 2017/18.

Table 3.17: Isiolo County, Analysis of Conditional Grants Released in the First Quarter of FY 2017/18

S/No	Grants	Annual CARA, 2017 Allocation (in Kshs)	Annual Budget Allocation (in Kshs)	Actual receipts in First Quarter of FY 2017/18 (in Kshs)	Actual Receipts as Percentage of Annual Allocation (%)
A	Grants Contained CARA, 2017				
1	Road Maintenance Fuel Levy Fund	130, 230, 858	130, 230, 858	60, 736, 583	46.6
2	Supplement for Construction of County Headquarters	121, 000, 000	121, 000, 000	-	-
3	Kenya Devolution Support Programme (KDSP)	36, 113, 321	36, 113, 321	-	-
4	World Bank loan to supplement financing of County Health facilities	12, 607, 500	25, 215, 000	-	-
5	Other Loans & Grants	8, 824, 953	8, 824, 953	-	-
6	Compensation for User Fee Foregone	3, 472, 461	3, 472, 461	-	-
7	Development of Youth Polytechnics	26, 166, 698	-	-	-
8	World Bank Loan for Transforming Health System for Universal Care System	45, 533, 088	-	-	-
Sub Total		383, 948, 879	324, 856, 593	60, 736, 583	15.8

Source: Isiolo County Treasury

Analysis of the conditional grants released during the period under review indicates that, the County received Kshs.60.74 million from the Road Maintenance Fuel Levy Fund, which was 46.6 per cent of the annual allocation. The County did not receive funds from the other conditional allocations.

3.9.4 Exchequer Issues

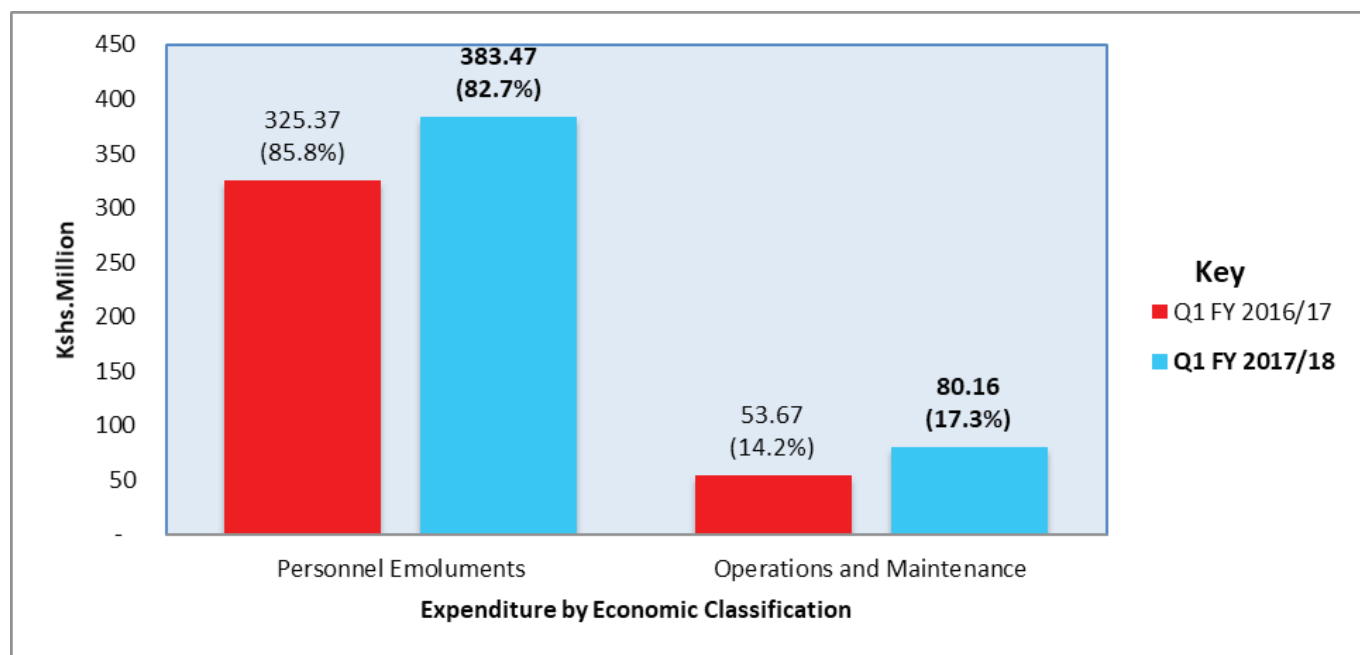
During the reporting period, the Controller of Budget authorized withdrawal of Kshs.487 million from the CRF account, which was 11.4 per cent of the Approved Budget. This amount was a decrease of 0.4 per cent from Kshs.588.73 million authorized in a similar period of FY 2016/17. This amount was entirely for recurrent expenditures.

3.9.5 Overall Expenditure Review

The County incurred Kshs.463.64 million, which was 95.2 per cent of the total funds released for operations. This was an increase of 22.3 per cent from Kshs.379.04 million incurred in the first quarter of FY 2016/17.

The recurrent expenditure was 95.2 per cent of the funds released for recurrent activities while there was no development expenditure during the period under review. The recurrent expenditure represented 17 per cent of the annual recurrent budget, a slight increase from 16.8 per cent incurred in a similar period of FY 2016/17. Figure 3.26 presents a comparison between the total expenditure in the first quarter of FY 2016/17 and the first quarter of FY 2017/18.

Figure 3.26: Isiolo County, Expenditure by Economic Classification in the First Quarter of FY 2016/17 and First Quarter of FY 2017/18



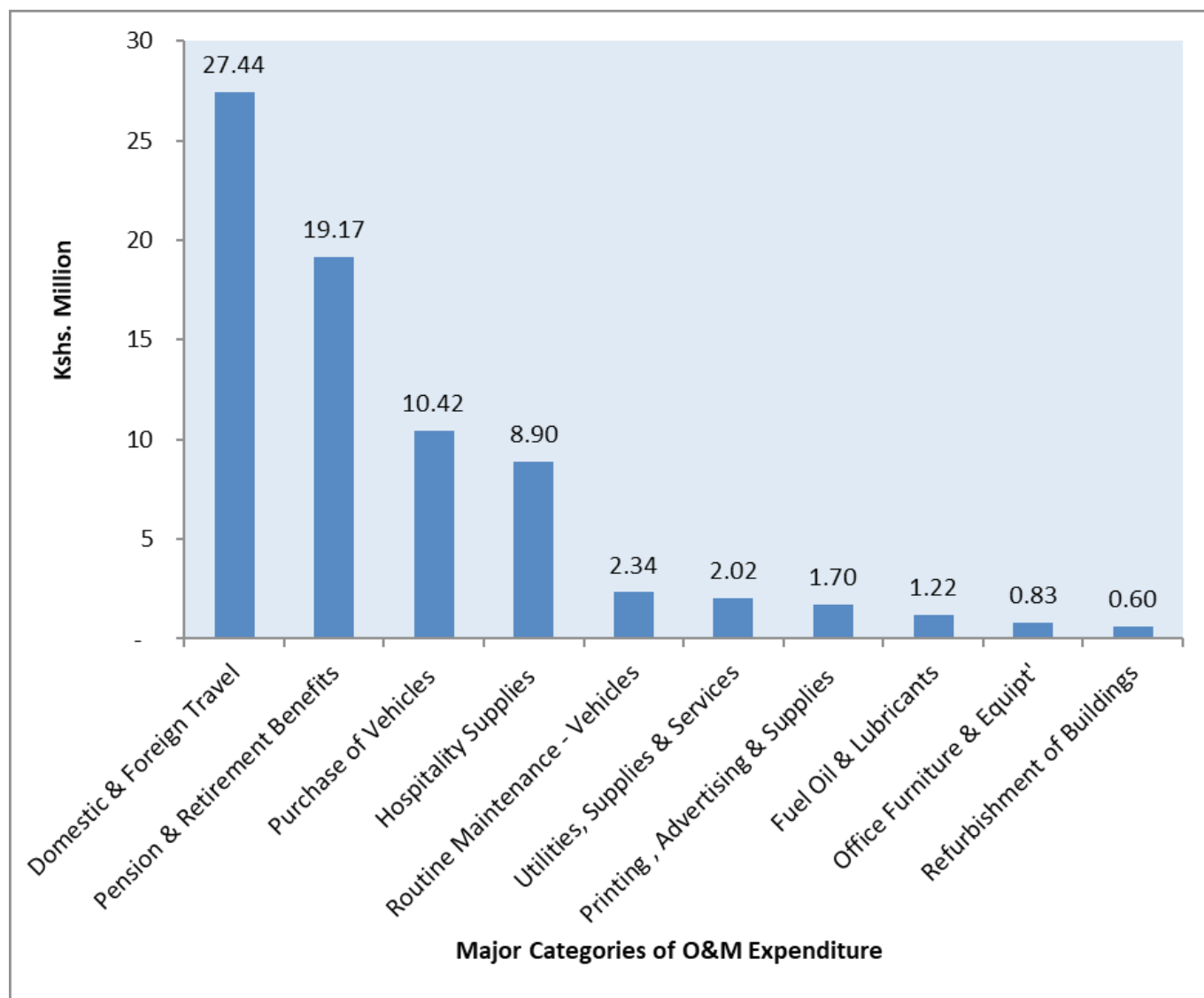
Source: Isiolo County Treasury

3.9.6 Analysis of Recurrent Expenditure

The total recurrent expenditure of Kshs.463.64 million consisted of Kshs.383.47 million (82.7 per cent) incurred on personnel emoluments and Kshs.80.16 million (17.3 per cent) on operations and maintenance as shown in Figure 3.26.

Expenditure on personnel emoluments represented an increase of 17.9 per cent compared to Kshs.325.37 million incurred in the first quarter of FY 2016/17, and was 82.7 per cent of total expenditure in the first quarter of FY 2017/18. Figure 3.27 shows a summary of operations and maintenance expenditure by major categories.

Figure 3.27: Isiolo County, Operations and Maintenance Expenditure by Major Categories in the First Quarter of FY 2017/18



Source: Isiolo County Treasury

The County incurred Kshs.942,180 on committee sitting allowances to the 17 MCAs against the annual budget allocation of Kshs.39.04 million. This was a decrease of 67.3 per cent compared to Kshs.2.88 million incurred in the first quarter of FY 2016/17. The average monthly sitting allowance was Kshs.18,474 per MCA compared to SRC's recommended monthly ceiling of Kshs.80,000.

Expenditure on domestic and foreign travel amounted to Kshs.27.44 million and consisted of Kshs.20.3 million incurred by the County Assembly and Kshs.7.13 million by the County Executive. It represented 5.9 per cent of total recurrent expenditure and was a decrease of 12.2 per cent compared to Kshs.31.24 million incurred in the first quarter of FY 2016/17.

3.9.7 Development Expenditure Analysis

The County did not report any expenditure on development activities during the reporting period.

3.9.8 Budget and Budget Performance Analysis by Department

Table 3.2 Table 3.18 shows a summary of budget estimates and budget performance by department in the first quarter of FY 2017/18.

Table 3.18: Isiolo County, Budget Performance by Department in the First Quarter of FY 2017/18

Department	Budget Allocation (Kshs.Million)		Exchequer Issues in First Quarter of FY 2017/18 (Kshs. Million)		Expenditure in First Quarter of FY 2017/18 (Kshs.Million)		First Quarter of FY 2017/18 Expenditure to Exchequer Issues (%)		First Quarter of FY 2017/18 Absorption rate (%)	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
County Assembly	423.97	252	94	-	73.9		78.6	-	17.4	-
Office of the Governor	240.2	114	48.14	-	43.65		90.7	-	18.2	-
County Public Service Board	82	-	9.5	-	9.74		102.5	-	11.9	-
Office of the County Secretary	20	-	1	-	1.67		167.1	-	8.4	-
County treasury and Planning	347.21	240	66.39	-	59.54		89.7	-	17.1	-
Lands Development	40	40	3.18	-	4.99		157.0	-	12.5	-
Roads, Housing and Works	30	155	5.59	-	4.59		82.1	-	15.3	-
Agriculture	70	50	12.59	-	12.26		97.3	-	17.5	-
Livestock and Fisheries	95	100	18.54	-	17.97		96.9	-	18.9	-
Cohesion and Intergovernmental relations	20	10	0.54	-	4.11		767.3	-	20.5	-
Education and Vocational training	165	97.34	27.9	-	27.37		98.1	-	16.6	-
Sports, Youth and Culture	15	30	2.12	-	1.44		67.8	-	9.6	-
Tourism, culture and Social services	110	60	20.2	-	21.83		108.1	-	19.8	
Public Service Management and ICT	85	20	6.83	-	3.50		51.3	-	4.1	-
Water and Irrigation	66.36	130	11.25	-	6.76		60.1	-	10.2	-
Environment and Natural Resources	40	30	4.08	-	7.09		173.8	-	17.7	-
Medical Services	450	70	82.85	-	89.18		107.6	-	19.8	-
Public Health	381.24	113	70.65	-	69.05		97.7	-	18.1	-
Trade, Industrialization	30.63	30	1.24	-	3.45		277.6	-	11.3	-
Town Administration	9.77	20	0.42	-	1.55		370.6	-	15.9	-
TOTAL	2, 721.38	1, 561.34	487	-	463.64	-	95.2	-	17	-

Source: Isiolo County Treasury

Analysis of budget performance by department shows that the Department of Cohesion and Intergovernmental Relations had the highest percentage of recurrent expenditure to recurrent budget at 20.5 per cent while the Department of Public Service Management and ICT had the lowest at 4.1 per cent.

3.9.9 Observations and Recommendations

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

- Timely preparation and approval of budget documents such as the County Fiscal Strategy Paper (CFSP) and Budget Estimates for FY 2017/18.
- Improvement in the use of IFMIS and Internet Banking systems in processing of financial

transactions.

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

1. Failure to pay suppliers in time which resulted in litigation. A total of Kshs.2.99 million was recovered directly from the County Collection Account through court orders.
2. Inadequate technical staff such as Engineers and Architects. The County relies on Kenya Rural Roads Authority (KERRA) staff for technical support, hence causing delays in the implementation of development budget
3. Delay by Fund Administrators to submit expenditure reports of the County Assembly Members Car Loan Fund, and the County Bursary Fund contrary to Section 168 of the PFM Act, 2012.
4. Late submission of financial reports by the County Treasury, which affected timely preparation of Budget Implementation Review Report by the Controller of Budget.
5. Failure to establish an Internal Audit Committee to oversee financial operations in the County contrary to Section 155 of PFM Act 2012
6. Under-performance in local revenue collection, which declined by 12 per cent from Kshs.37.94 million in the first quarter of FY 2016/17 to Kshs.33.39 million in the reporting period.
7. Failure to budget for all conditional grants as per CARA, 2017.

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

1. *The County Treasury should ensure timely payment to suppliers to avoid litigation and associated legal costs.*
2. *The County Public Service Board should recruit the required technical staff in order to enhance supervision and quality of projects undertaken by the County.*
3. *All Fund Administrators should ensure timely submission of expenditure reports in line with Section 168 of the PFM Act, 2012.*
4. *The County Treasury should ensure timely preparation and submission of financial reports in line with Section 166 of PFM Act, 2012.*
5. *The County should establish an Internal Audit Committee in line with Section 155 of the PFM Act, 2012.*
6. The County Treasury should develop and implement strategies to improve local revenue collection.
7. The County should prepare a Supplementary Budget to align conditional grants to the CARA, 2017.

3.10 Kajiado County

3.10.1 Overview of the FY 2017/18 Budget

The County's FY 2017/18 Approved Budget is Kshs.6.23 billion, comprising of Kshs.4.36 billion (70 per cent) and Kshs.1.87 billion (30 per cent) allocation for recurrent and development expenditure respectively.

To finance the budget, the County expects to receive Kshs.5.01 billion (80.4 per cent) as equitable share of revenue raised nationally, Kshs.231.92 million (3.7 per cent) as total conditional grants and generate Kshs.990.79 million (15.9 per cent) from local revenue sources.

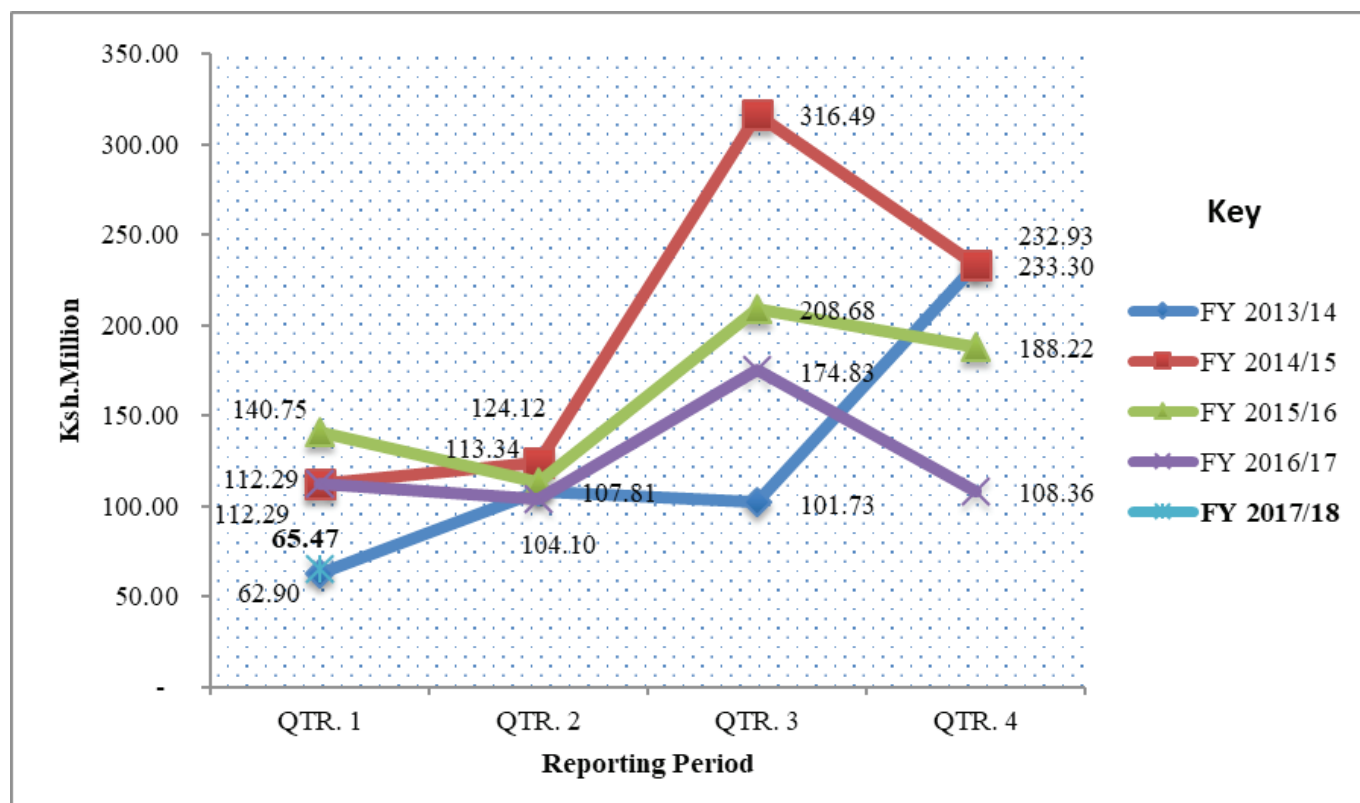
The conditional grants contained in the CARA, 2017 of Kshs.510.52 million comprise of Kshs.188.01 million (81.1 per cent) from the Road Maintenance Fuel Levy Fund, Kshs.16.96 million (7.3 per cent) as Compensation for User Fee Foregone, Kshs.25.72 million (11.1 per cent) from DANIDA, Kshs.37.65 million (16.2 per cent) as World Bank loan to supplement financing of County Health facilities, Kshs.95.74 million (41.3 per cent) Grant for Leasing of Medical Equipment, Kshs.42.83 million (18.5 per cent) for the World Bank Kenya Devolution Support Program, Kshs.26.99 million (11.6 per cent) for Development of Youth Polytechnics, Kshs.42.95 million (18.5 per cent) as World Bank Loan for Transforming Health System for Universal Care System, and Kshs.33.67 million (14.5 per cent) from Other Loans and Grants.

3.10.2 Revenue Analysis

During the first quarter of FY 2017/18, the County raised Kshs.65.47 million from local revenue sources, received Kshs.87.61 million as conditional grants and had Kshs.799.14 million as cash balance from FY 2016/17. The County did not receive any funds from the equitable share of the revenue raised nationally. The available funds amounted to Kshs.864.61 million.

Figure 3.28 shows the quarterly trend in local revenue collection from the first quarter of FY 2013/14 to the first quarter FY 2017/18.

Figure 3.28: Kajiado County, Trend in Local Revenue Collection by Quarter from the First Quarter of FY 2013/14 to the First Quarter of FY 2017/18



Source: Kajiado County Treasury

The total local revenue collected in the first quarter of FY 2017/18 amounted to Kshs.65.47 million, representing a decrease of 41.7 per cent compared to Kshs.112.29 million generated in a similar period of FY 2016/17, and represented 6.6 per cent of the annual local revenue target.

3.10.3 Conditional Grants

Table 3.19 shows an analysis of conditional grants released in the first quarter of FY 2017/18.

Table 3.19: Kajiado County, Analysis of Conditional Grants Released in the First Quarter of FY 2017/18

S/No	Grants	Annual CARA, 2017 Allocation (in Kshs)	Annual Budget Allocation (in Kshs)	Actual receipts in First Quarter of FY 2017/18 (in Kshs)	Actual Receipts as Percentage of Annual Allocation (%)
A	Grants Contained CARA, 2017				
1	Road Maintenance Fuel Levy Fund	188, 008, 411	133, 875, 000	87, 611, 920	46.6
2	Leasing of Medical Equipment	95, 744, 681	-	-	-
3	World Bank loan to supplement financing of County Health facilities	37, 645, 000	54, 758, 022	-	-
4	Kenya Devolution Support Programme (KDSP)	42, 829, 648	26, 973, 910	-	-
5	Compensation for User Fee Foregone	16, 955, 365	16, 311, 160	-	-
6	DANIDA Grant	25, 719, 948	-	-	-
7	Development of Youth Polytechnics	26, 990, 230	-	-	-
8	Other Loans & Grants	33, 670, 568	-	-	-

S/No	Grants	Annual CARA, 2017 Allocation (in Kshs)	Annual Budget Allocation (in Kshs)	Actual receipts in First Quarter of FY 2017/18 (in Kshs)	Actual Receipts as Percentage of Annual Allocation (%)
9	World Bank Loan for Transforming Health System for Universal Care System	42, 954, 113	-	-	-
Total		510, 517, 964	231, 918, 092	87, 611, 920	17.2

Source: Kajiado County Treasury

Analysis of the conditional grants released during the period shows that the County received Kshs.87.61 million from the Road Maintenance Fuel Levy Fund while the other conditional grants did not record any receipt in the period under review.

3.10.4 Exchequer Issues

During the reporting period, the Controller of Budget authorized withdrawal of Kshs.808.64 million from the CRF account, which was 6.6 per cent of the Approved Budget. This amount was a decrease of 66 per cent from Kshs.1.22 billion authorized in a similar period of FY 2016/17. The entire amount was for recurrent expenditure.

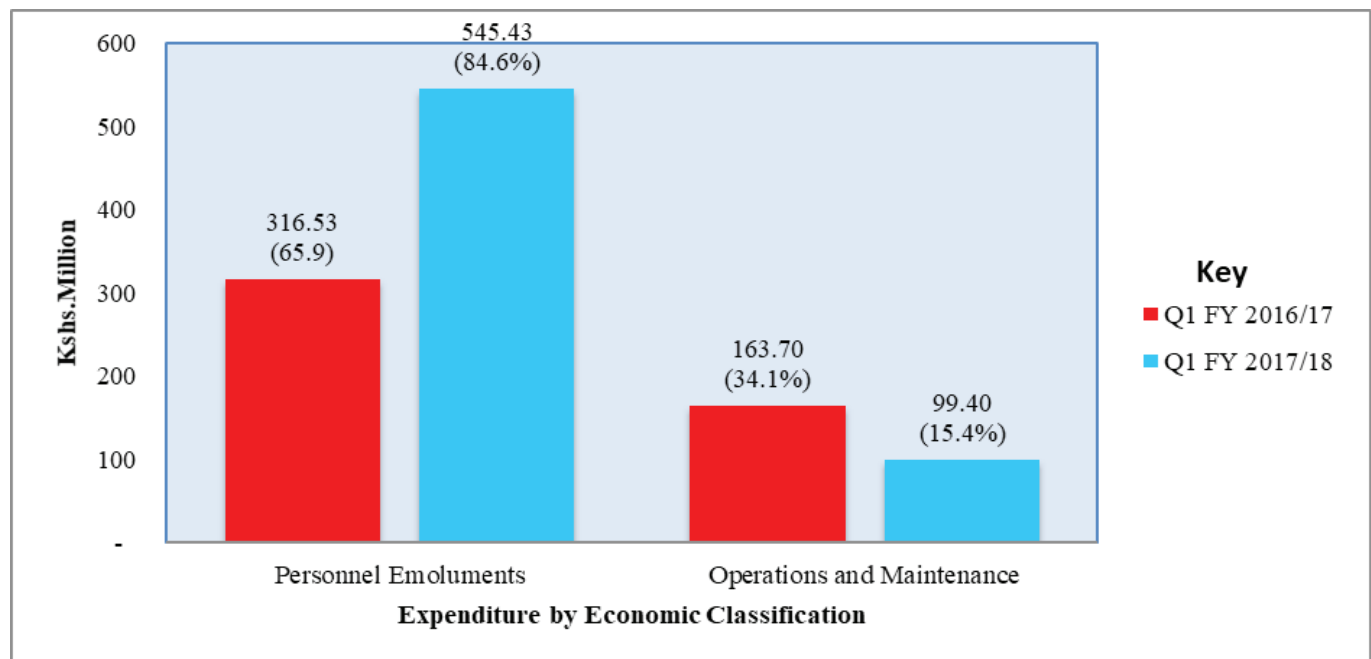
3.10.5 Overall Expenditure Review

The County incurred Kshs.644.82 million, which was 79.7 per cent of the total funds released for operations. This was an increase of 34.3 per cent from Kshs.480.23 million incurred in the first quarter of FY 2016/17.

The total expenditure of Kshs.644.82 million was incurred on recurrent activities and represented 79.7 per cent of the funds released for recurrent activities. The expenditure excluded outstanding commitments as at September 30th, 2017 that amounted to Kshs.90.24 million for recurrent expenditure.

The recurrent expenditure represented 14.8 per cent of the annual recurrent budget, a decrease from 39.4 per cent incurred in a similar period of FY 2016/17. Figure 3.29 presents a comparison between the total expenditure in the first quarter of FY 2016/17 and the first quarter of FY 2017/18.

Figure 3.29: Kajiado County, Expenditure by Economic Classification in the First Quarter of FY 2016/17 and First Quarter of FY 2017/18



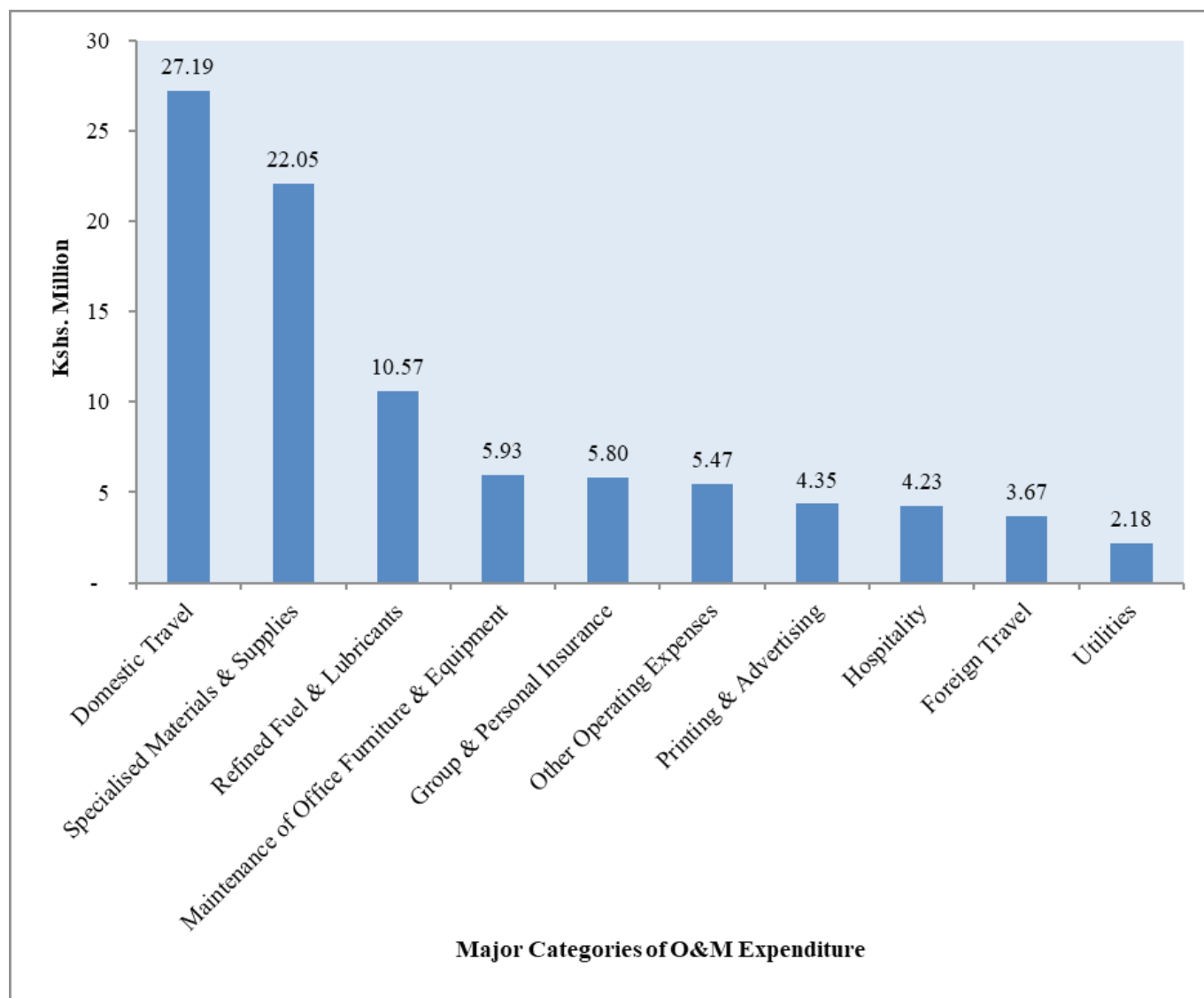
Source: Kajiado County Treasury

3.10.6 Analysis of Recurrent Expenditure

The total recurrent expenditure of Kshs.644.82 million consisted of Kshs.545.43 million (84.6 per cent) incurred on personnel emoluments and Kshs.99.4 million (15.4 per cent) on operations and maintenance as shown in Figure 3.29.

Expenditure on personnel emoluments represented an increase of 72.3 per cent compared to Kshs.316.53 million incurred in the first quarter of FY 2016/17, and was 84.6 per cent of total expenditure in the first quarter of FY 2017/18. Figure 3.30 shows a summary of operations and maintenance expenditure by major categories.

Figure 3.30: Kajiado County, Operations and Maintenance Expenditure by Major Categories in the First Quarter of FY 2017/18



Source: Kajiado County Treasury

The County Assembly did not incur any costs on committee sitting allowance to the MCAs. Expenditure on domestic and foreign travel amounted to Kshs.30.87 million and consisted of Kshs.8.52 million incurred by the County Assembly and Kshs.22.35 million by the County Executive. It represented 4.8 per cent of total recurrent expenditure and was a decrease of 46.3 per cent compared to Kshs.57.43 million incurred in the first quarter of FY 2016/17.

3.10.7 Development Expenditure Analysis

The County did not report any expenditure on development activities during the reporting period.

3.10.8 Budget and Budget Performance Analysis by Department

Table 3.20 shows a summary of budget estimates and budget performance by department in the first quarter of FY 2017/18.

Table 3.20: Kajiado County, Budget Performance by Department in the First Quarter of FY 2017/18

Department	Budget Allocation (Kshs.Million)		Exchequer Issues in First Quarter of FY 2017/18 (Kshs.Million)		Expenditure in First Quarter of FY 2017/18 (Kshs.Million)		First Quarter of FY 2017/18 Expenditure to Exchequer Issues (%)		First Quarter of FY 2017/18 Absorption rate (%)	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
Office of the Governor and the Deputy Governor	133.37	-	32.43	-	24.27	-	74.8	-	18.2	-
County Public Service Board	82.48	-	13.89	-	13.32	-	95.9	-	16.1	-
Education, Youth, Sports and Culture	325.8	248.1	48.01	-	47.37	-	98.7	-	14.5	-
Health Services	1, 739.31	325.34	384.3	-	312.61	-	81.3	-	18	-
ICT, Gender and Social Services	63.36	53.2	11.16	-	6.97	-	62.4	-	11	-
Agriculture, Livestock and Fisheries	254.89	52.6	50.37	-	50.53	-	100	-	19.8	-
Water and Irrigation	75.28	230.8	16	-	13.46	-	84.1	-	17.9	-
Public Works, Roads, Energy and Transport	112.29	385.88	23.68	-	19	-	80.3	-	16.9	-
Public Service, Administration and Citizen Participation	350.95	-	43.33	-	36.65	-	84.6	-	10.4	-
Finance and Economic Planning	370.68	376.8	67.53	-	43.82	-	64.9	-	11.8	-
Industrialization & Enterprise Development	86.57	66.42	18.03	-	10.40	-	57.7	-	12	-
Lands, Physical Planning, Environment, Wildlife and Natural Resources	164.27	31.98	29.19	-	28.98	-	99.3	-	17.6	-
County Assembly	603.79	100	70.72	-	37.45	-	53	-	6.2	-
TOTAL	4, 363.04	1, 871.12	808.64	-	644.82	-	79.7	-	14.8	-

Source: Kajiado County Treasury

Analysis of budget performance by department shows that the Agriculture, Livestock and Fisheries Department attained the highest percent of recurrent expenditure to recurrent budget at 19.8 per cent while the County Assembly attained the lowest percentage at 6.2 per cent. There was no expenditure on development budget during the period under review.

3.10.9 Observations and Recommendations

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

- Timely preparation and approval of the County budget documents such as the Annual Development Plan (ADP), County Fiscal Strategy Paper (CFSP), and Budget Estimates.
- Timely submission of quarterly financial reports to the Controller of Budget by the County Government entities in line with Section 166 of the PFM Act, 2012.

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

- Delay in disbursement of the equitable share of revenue raised nationally by the National Treasury which led to low absorption of the budget.
- Delay by Fund Administrators to submit expenditure reports of the County established Funds contrary to Section 168 of the PFM Act, 2012.
- Under-performance in local revenue collection, which declined by 41.7 per cent from Kshs.112.29 million in the first quarter of FY 2016/17 to Kshs.65.47 million in the reporting period.

4. Failure to budget for all conditional grants as per CARA, 2017.

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

1. *The County Treasury should liaise with the National Treasury to ensure that funds allocated to the County are released in line with the CARA, 2017 Disbursement Schedule.*
2. *All Fund Administrators should ensure timely submission of expenditure reports in line with Section 168 of the PFM Act, 2012.*
3. *The County Treasury should formulate and implement strategies to enhance local revenue collection.*
4. *The County should prepare a Supplementary Budget to align conditional grants to the CARA, 2017.*

3.11 Kakamega County

3.11.1 Overview of the FY 2017/18 Budget

The County's FY 2017/18 Approved Budget is Kshs.13.17 billion, comprising of Kshs.6.84 billion (52 per cent) and Kshs.6.33 billion (48 per cent) allocation for recurrent and development expenditure respectively.

To finance the budget, the County expects to receive Kshs.9.94 billion (75.4 per cent) as equitable share of revenue raised nationally, Kshs.822.55 million (6.2 per cent) as total conditional grants, and generate Kshs.952.57 million (7.2 per cent) from local revenue sources, and Kshs.1.28 billion (9.7 per cent) cash balance from FY 2016/17.

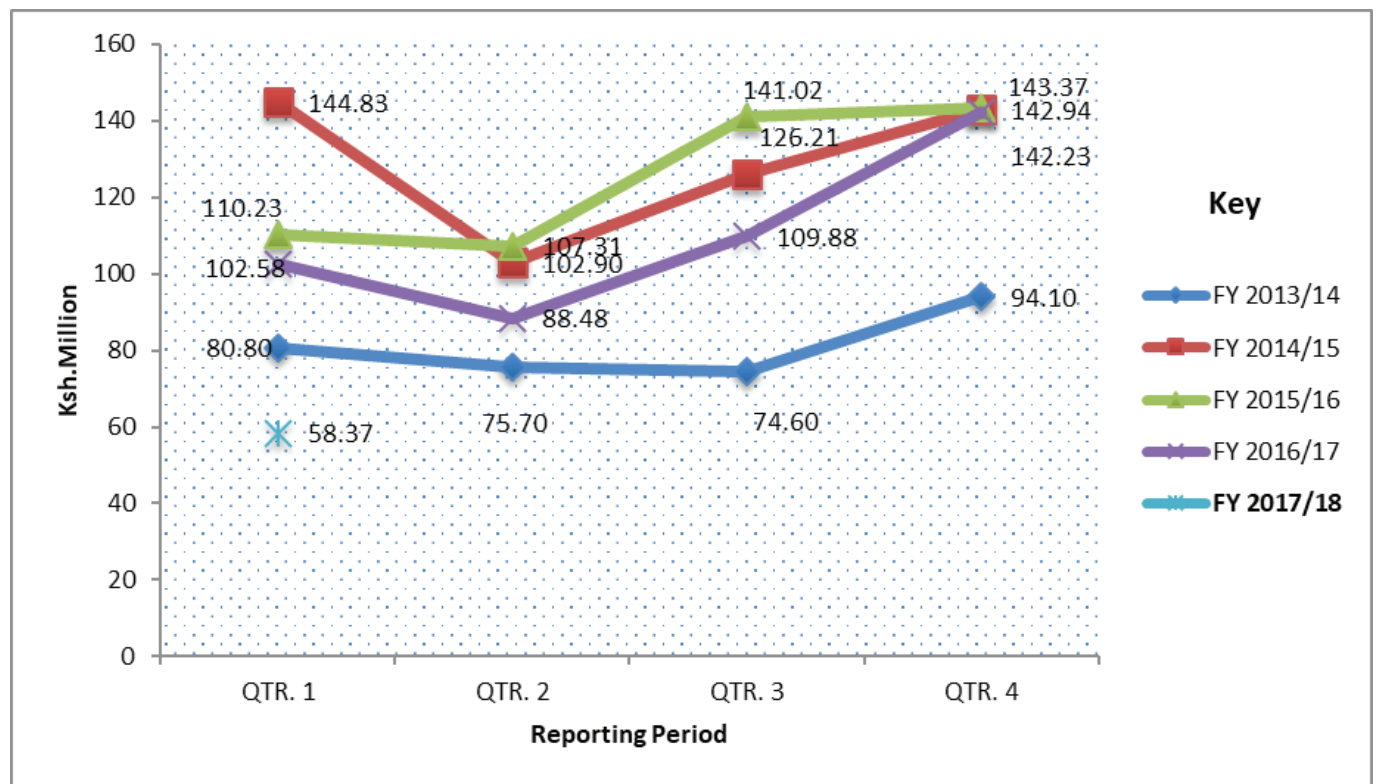
The conditional grants contained in the CARA, 2017 of Kshs.1.23 billion comprise of Kshs.95.74 million (11.6 per cent) for World Bank Loan to supplement financing of County Health facilities, Kshs.379.55 million (46.1 per cent) from the Road Maintenance Fuel Levy Fund, Kshs.37.79 million (4.6 per cent) as Compensation for User Fee Foregone, Kshs.25.72 million (3.1 per cent) from DANIDA, Kshs.427.28 million (51.9 per cent) for Level-5 Hospital, Kshs.59.31 million (7.2 per cent) from Kenya Devolution Support Programme (KDSP) level 1 grant, Kshs.110 million (13.4 per cent) as World Bank loan Transforming Health System for Universal Care System, Kshs.28.06 million (3.4 per cent) for Development of Youth Polytechnics and Kshs.64.14 million (7.8 per cent) from Other Loans and Grants.

3.11.2 Revenue Analysis

During the first quarter of FY 2017/18, the County received Kshs.383.6 million as equitable share of the revenue raised nationally, Kshs.177.01 million as total conditional allocations, raised Kshs.58.37 million from local revenue sources, and had a cash balance of Kshs.1.73 billion brought forward from FY 2016/17. The available funds amounted to Kshs.2.35 billion.

Figure 3.31 shows the quarterly trend in local revenue collection from the first quarter of FY 2013/14 to the first quarter FY 2017/18.

Figure 3.31: Kakamega County, Trend in Local Revenue Collection by Quarter from the First Quarter of FY 2013/14 to the First Quarter of FY 2017/18



Source: Kakamega County Treasury

The total local revenue collected in the first quarter of FY 2017/18 amounted to Kshs.58.37 million, representing a decrease of 43.1 per cent compared to Kshs.102.58 million generated in a similar period of FY 2016/17, and represented 6.1 per cent of the annual local revenue target.

3.11.3 Conditional Grants

Table 3.21 shows an analysis of conditional grants released in the first quarter of FY 2017/18.

Table 3.21: Kakamega County, Analysis of Conditional Grants Released in the First Quarter of FY 2017/18

S/No	Grants	Annual CARA, 2017 Allocation (in Kshs)	Annual Budget Allocation (in Kshs)	Actual receipts in First Quarter of FY 2017/18 (in Kshs.)	Actual Receipts as Percentage of Annual Allocation (%)
A	Grants Contained CARA, 2017				
1	Road Maintenance Fuel Levy Fund	379, 552, 256	266, 175, 000	177, 014, 169	46.6
2	World Bank loan to supplement financing of County Health facilities	95, 744, 681	-	-	-
3	Kenya Devolution Support Programme (KDSP)	59, 311, 725	41, 307, 447	-	-
4	Compensation for User Fee Foregone	37, 789, 290	37, 789, 290	-	-
5	DANIDA Grant	25, 719, 948	-	-	-
6	Level-5 Hospitals	427, 283, 237	427, 283, 237	-	-
7	Development of Youth Polytechnics	28, 060, 821	-	-	-
8	Other Loans & Grants	64, 145, 971	-	-	-

S/No	Grants	Annual CARA, 2017 Allocation (in Kshs)	Annual Budget Allocation (in Kshs)	Actual receipts in First Quarter of FY 2017/18 (in Kshs.)	Actual Receipts as Percentage of Annual Allocation (%)
9	World Bank Loan for Transforming Health System for Universal Care System	110, 000, 000	50, 000, 000	-	-
Total		1, 227, 607, 929	822, 554, 974	177, 014, 169	14

Source: Kakamega County Treasury

Analysis of the conditional grants released during the period under review indicates that, the Road Maintenance Fuel Levy Fund received Kshs.177.01 million representing a performance of 46.6 per cent of annual allocation. The other grants did not record any receipts during the reporting period.

3.11.4 Exchequer Issues

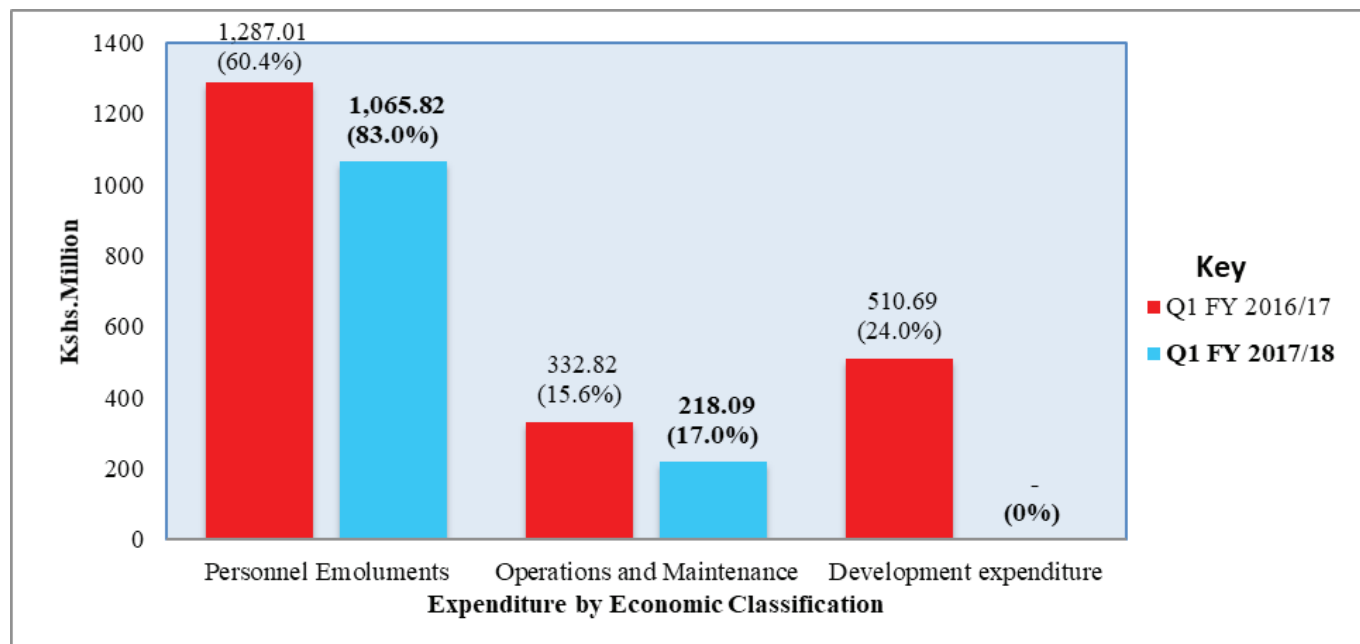
During the reporting period, the Controller of Budget authorized withdrawal of Kshs.1.04 billion from the CRF account, which was 7.9 per cent of the Approved Budget. This amount was a decrease of 59.2 per cent from Kshs.2.55 billion authorized in a similar period of FY 2016/17. The entire amount was for recurrent expenditure.

3.11.5 Overall Expenditure Review

The County incurred Kshs.1.28 billion, which was 123.7 per cent of the total funds released for operations and a decrease of 39.7 per cent from Kshs.2.13 billion incurred in the first quarter of FY 2016/17. The entire amount was incurred on recurrent activities, and excluded outstanding commitments as at September 30th, 2017 that amounted to Kshs.15.92 million for recurrent expenditure.

The recurrent expenditure represented 18.8 per cent of the annual recurrent budget, a decrease from 25 per cent incurred in a similar period of FY 2016/17. Figure 3.32 presents a comparison between the total expenditure in the first quarter of FY 2016/17 and the first quarter of FY 2017/18.

Figure 3.32: Kakamega County, Expenditure by Economic Classification in the First Quarter of FY 2016/17 and First Quarter of FY 2017/18



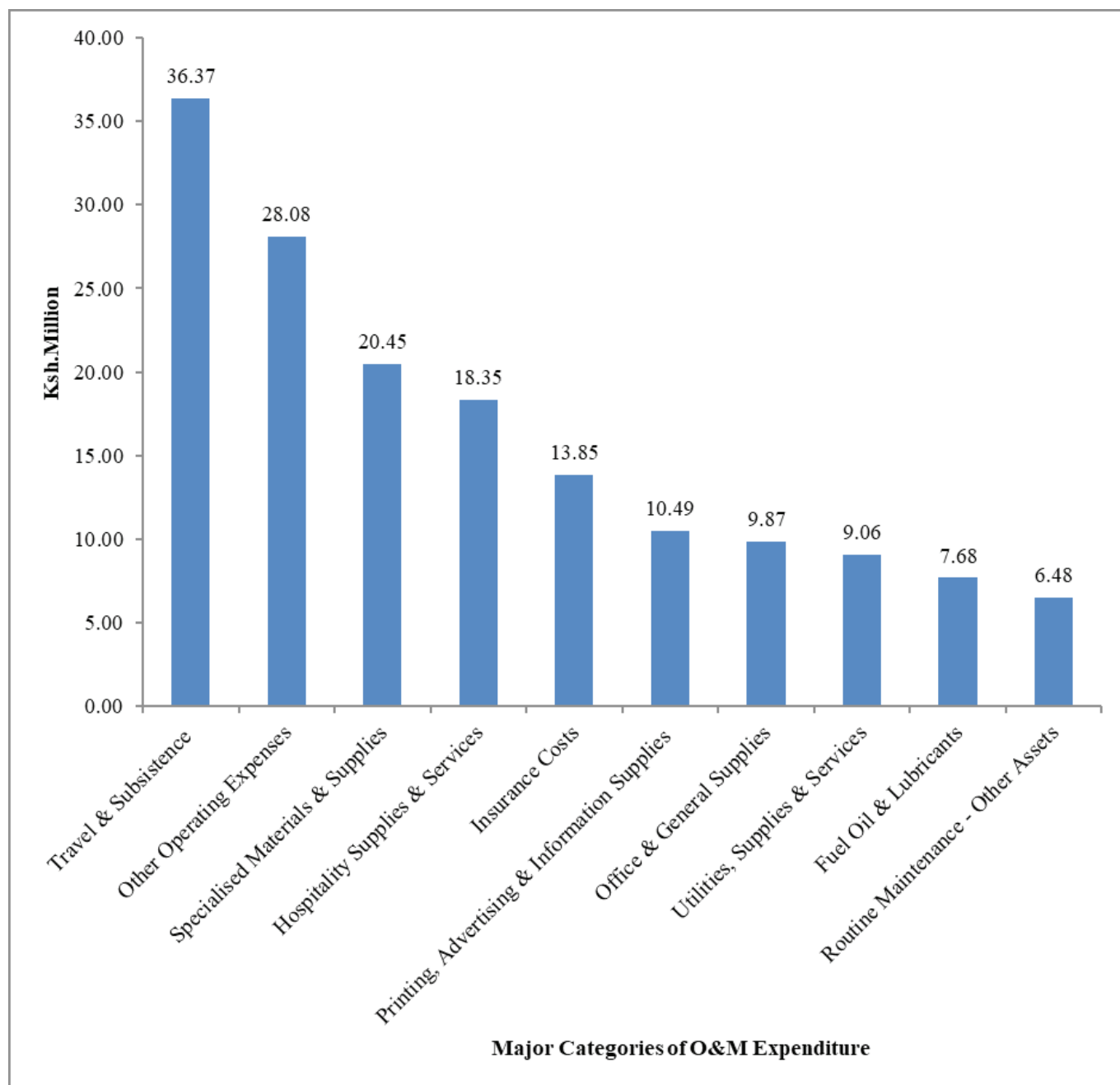
Source: Kakamega County Treasury

1.1.6 Analysis of Recurrent Expenditure

The total recurrent expenditure of Kshs.1.28 billion consisted of Kshs.1.07 billion (83 per cent) incurred on personnel emoluments and Kshs.218.09 million (17 per cent) on operations and maintenance as shown in Figure 3.32.

Expenditure on personnel emoluments represented a decrease of 17.2 per cent compared to Kshs.1.29 billion incurred in the first quarter of FY 2016/17. Figure 3.33 shows a summary of operations and maintenance expenditure by major categories.

Figure 3.33: Kakamega County, Operations and Maintenance Expenditure by Major Categories in the First Quarter of FY 2017/18



Source: Kakamega County Treasury

The County incurred Kshs.18.75 million on sitting allowances to the 88 MCAs against the annual budget allocation of Kshs.233.47 million. This was a decrease of 45.6 per cent compared to Kshs.29.58 million incurred in the first quarter of FY 2016/17. The average monthly sitting allowance was Kshs.71,027 per MCA compared to SRC's recommended monthly ceiling of Kshs.80,000.

Expenditure on domestic and foreign travel amounted to Kshs.36.37 million and consisted of Kshs.28.6 million incurred by the County Assembly and Kshs.7.77 million by the County Executive. It represented 2.8 per cent of total recurrent expenditure and was a decrease of 45.6 per cent compared to Kshs.66.87 million incurred in the first quarter of FY 2016/17.

3.11.6 Development Expenditure Analysis

The County did not report any expenditure on development activities during the reporting period.

3.11.7 Budget and Budget Performance Analysis by Department

Table 3.2 shows a summary of budget estimates and budget performance by department in the first quarter of FY 2017/18

Table 3.22: Kakamega County, Budget Performance by Department in the First Quarter of FY 2017/18

Department	Budget Allocation (Kshs.Million)		Exchequer Issues in First Quarter of FY 2017/18 (Kshs. Million)		Expenditure in First Quarter of FY 2017/18 (Kshs. Million)		First Quarter of FY 2017/18 Expenditure to Exchequer Issues (%)		First Quarter of FY 2017/18 Absorption rate (%)	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
County Assembly	883.46	200	127.24	-	123.76	-	97.3	-	14	-
Agriculture, Livestock, Fisheries & Cooperatives	88.25	518	7.35	-	0.63	-	8.6	-	0.7	-
Health Services	556.49	1, 600	79.92	-	60.33	-	75.5	-	10.8	-
Education, Science & Technology	34.42	382	2.87	-	0.43	-	15	-	1.2	-
Transport, Infrastructure, Public Works & Energy	18.92	1, 900	1.58	-	0.25	-	15.8	-	1.3	-
Lands, Housing, Urban Areas & Physical Planning	96.39	229	8.01	-	7.08	-	88.4	-	7.3	-
Social Services, Youth & Sports	36.63	302.5	3.05	-	0.69	-	22.6	-	1.9	-
Trade, Industrialization, & Tourism	39.59	326	3.3	-	0.95	-	28.8	-	2.4	-
Water, Environment, Forestry & Natural Resources	41.34	219.2	3.45	-	0.85	-	24.6	-	2.1	-
Public Service & Administration	4, 603.33	188.31	767.11	-	1, 026.5	-	133.8	-	22.3	-
Office of the Governor	242.43	308.76	20.2	-	9.97	-	49.4	-	4.1	-
County Treasury	157.58	152	10.21	-	3.53	-	34.6	-	2.2	-
County Public Service Board	45.35	-	3.78	-	-	-	-	-	-	-
TOTAL	6, 844	6, 326	1, 038	-	1283.91	-	123.7	-	18.8	-

Source: Kakamega County Treasury

Analysis of budget performance by department shows that the Public Service and Administration Department attained the highest percentage of recurrent expenditure to recurrent budget at 22.3 per cent while the County Public Service Board did not incur any recurrent expenditure.

1.1.7 Observations and Recommendations

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

- Establishment of the County Budget and Economic Forum (CBEF) in line with Section 137 of the PFM Act, 2012.
- Timely submission of quarterly financial reports to the Controller of Budget in line with Section

166 of the PFM Act, 2012.

iii. Improved internet connectivity which enhanced the use of IFMIS.

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

1. Delay in disbursement of the equitable share of revenue raised nationally by the National Treasury.
2. Under-performance in local revenue collection, which declined by 43.1 per cent to Kshs.58.37 million compared to Kshs.102.58 million generated in a similar period of FY 2016/17.
3. Failure to budget for all conditional grants as per CARA, 2017.

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

- 1. The County Treasury should liaise with the National Treasury to ensure timely disbursement of funds in line with the CARA, 2017 Disbursement Schedule.*
- 2. The County Treasury should formulate and implement strategies to enhance local revenue collection.*
- 3. The County should prepare a Supplementary Budget to align conditional grants to the CARA, 2017.*

3.12 Kericho County

3.12.1 Overview of the FY 2017/18 Budget

The County's FY 2017/18 Approved Budget is Kshs.6.28 billion, comprising of Kshs.4.45 billion (70.9 per cent) and Kshs.1.83 billion (29.1per cent) allocation for recurrent and development expenditure respectively.

To finance the budget, the County expects to receive Kshs.5.22 billion (83.2 per cent) as equitable share of revenue raised nationally, Kshs.319.73 million (5.1 per cent) as total conditional grants, and generate Kshs.735.67million (11.7 per cent) from local revenue sources. The County had a Kshs.424.32 million cash balance from FY 2016/17 which was not included in the budget.

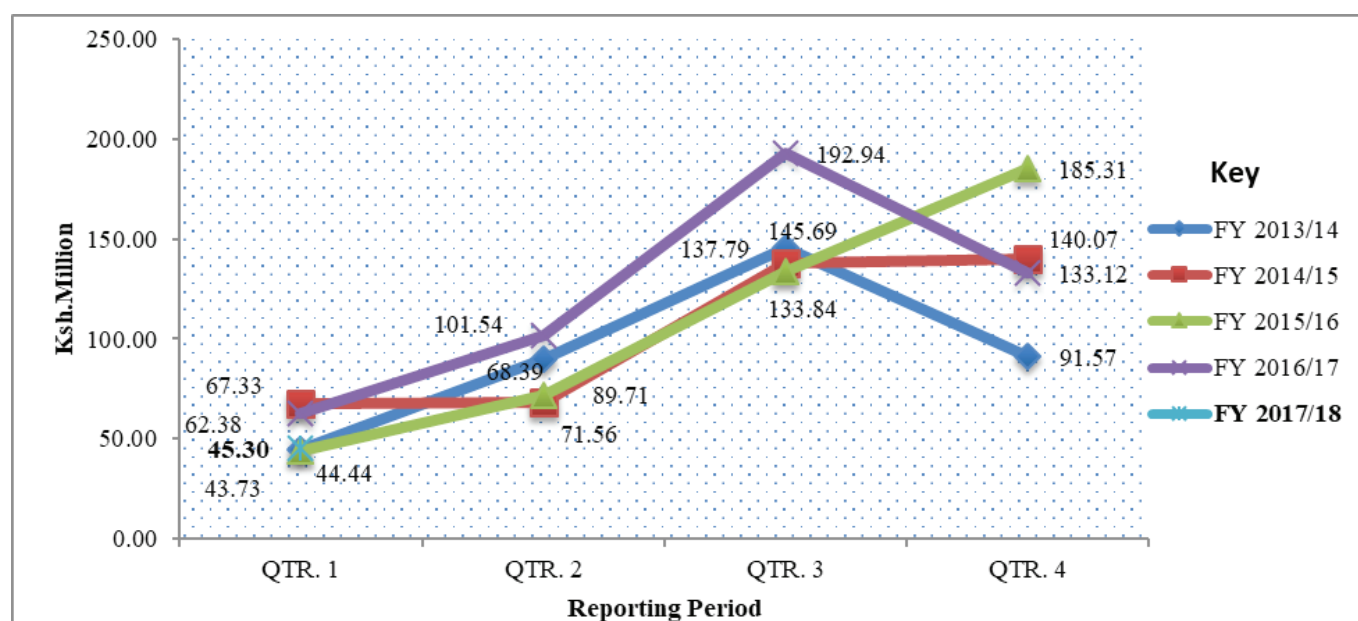
The conditional grants contained in the CARA, 2017 of Kshs.369 million comprise of Kshs.191.95 million (60 per cent) from the Road Maintenance Fuel Levy Fund, Kshs.18.05 million (5.6 per cent) as Compensation for User Fee Foregone, Kshs.41.59 million (13 per cent) for the World Bank Kenya Devolution Support Program, Kshs.35.75million (11.2 per cent) for Development of Youth Polytechnics, and Kshs.81.67 million (6 per cent) as World Bank Loan for Transforming Health System for Universal Care System. The County budgeted to receive Kshs.13.17 million (4.1 per cent) from Agricultural Development Support Fund from Agriculture and Food Authority, although this grant is not contained in the CARA, 2017.

3.12.2 Revenue Analysis

During the first quarter of FY 2017/18, the County received Kshs.365.72 million as equitable share of the revenue raised nationally, Kshs.89.52 million as total conditional allocations, raised Kshs.45.3 million from local revenue sources, and had a cash balance of Kshs.424.32 million from FY 2016/17. The available funds amounted to Kshs.924.87 million.

Figure 3.34 shows the quarterly trend in local revenue collection from the first quarter of FY 2013/14 to the first quarter FY 2017/18.

Figure 3.34: Kericho County, Trend in Local Revenue Collection by Quarter from the First Quarter of FY 2013/14 to the First Quarter of FY 2017/18



Source: Kericho County Treasury

The total local revenue collected in the first quarter of FY 2017/18 amounted to Kshs.45.3 million, representing a decrease of 27.4 per cent compared to Kshs.62.38 million generated in a similar period of FY 2016/17, and represented 6.2 per cent of the annual local revenue target.

3.12.3 Conditional Grants

Table 3.23 shows an analysis of conditional grants released in the first quarter of FY 2017/18.

Table 3.23: Kericho County, Analysis of Conditional Grants Released in the First Quarter of FY 2017/18

S/No	Grants	Annual CARA, 2017 Allocation (in Kshs)	Annual Budget Allocation (in Kshs)	Actual receipts in First Quarter of FY 2017/18 (in Kshs)	Actual Receipts as Percentage of Annual CARA, 2017 Allocation(%)
A Grants Contained in the CARA, 2017					
1	Road Maintenance Fuel Levy Fund	191, 946, 921	191, 946, 921	89, 519, 491	46.6
2	World Bank Loan for Transforming Health System for Universal Care System	81, 668, 940	19, 221, 242	-	-
3	Kenya Devolution Support Programme (KDSP)	41, 594, 940	41, 594, 940	-	-

S/No	Grants	Annual CARA, 2017 Allocation (in Kshs)	Annual Budget Allocation (in Kshs)	Actual receipts in First Quarter of FY 2017/18 (in Kshs)	Actual Receipts as Percentage of Annual CARA, 2017 Allocation(%)
4	Development of Youth Polytechnics	35,747,121	35,747,121	-	-
5	Compensation for User Fee Foregone	18,048,789	18,048,789	-	-
Sub Total		369,006,711	306,559,013	89,519,491	24.3
B	Other Grants Not Contained in the CARA, 2017				
6	Agricultural Development Fund (ADF)	-	13,171,092	-	-
GRAND TOTAL		369,006,711	319,730,105	89,519,491	24.3

Source: Kericho County Treasury

Analysis of the conditional grants released during the period under review indicates that; the Road Maintenance Fuel Levy Fund recorded the highest receipt at 46.6 per cent of annual allocation.

3.12.4 Exchequer Issues

During the reporting period, the Controller of Budget authorized withdrawal of Kshs.655.94 million from the CRF account, which was 10.4 per cent of the Approved Budget. This amount was a decrease of 54.7 per cent from Kshs.1.45 billion authorized in a similar period of FY 2016/17. The entire amount was for recurrent expenditure.

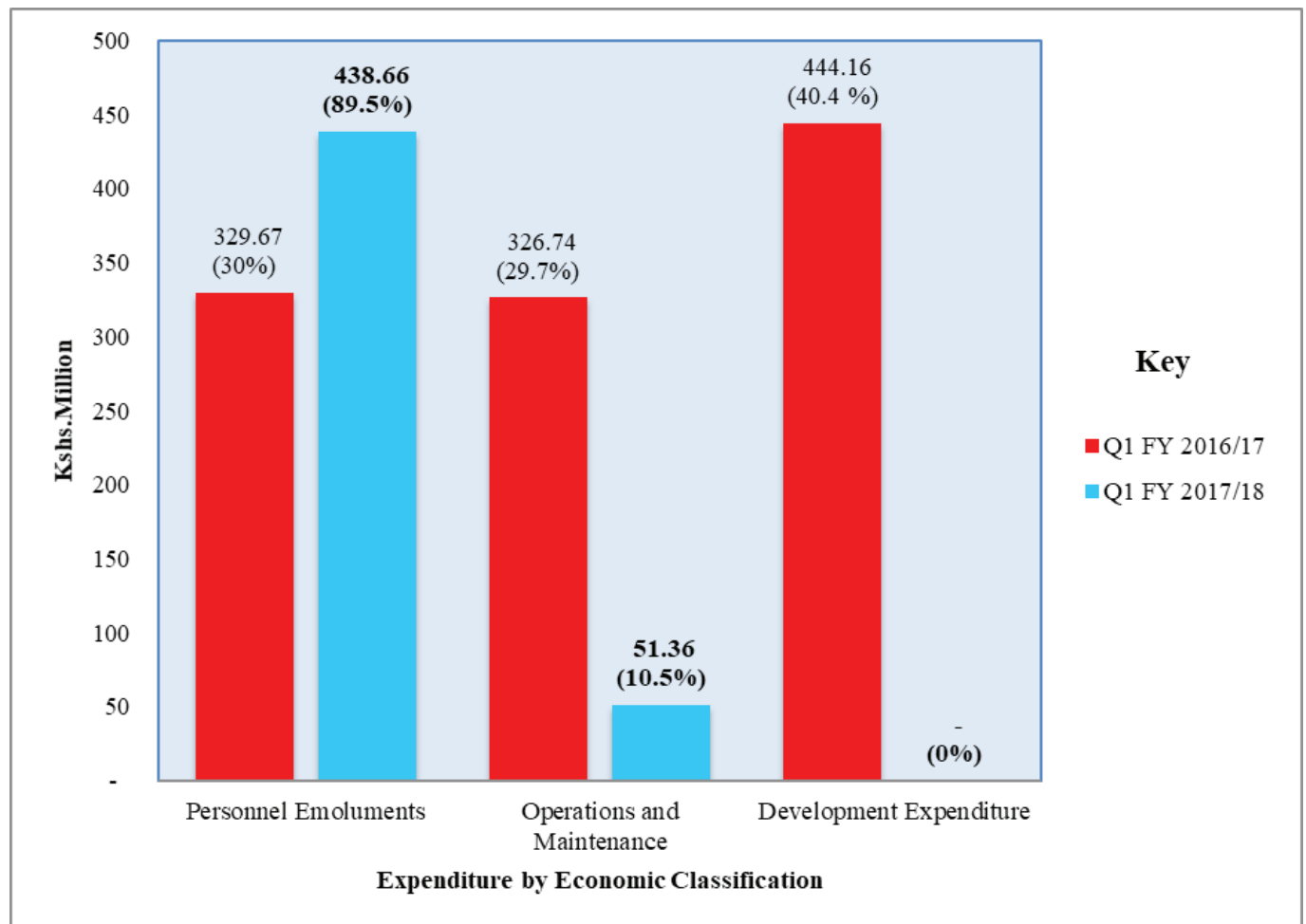
3.12.5 Overall Expenditure Review

The County incurred Kshs.490.04 million, which was 74.7 per cent of the total funds released for operations. This was a significant decrease of 55.5 per cent from Kshs.1.10 billion incurred in the first quarter of FY 2016/17.

The total expenditure of Kshs.490.04 million was incurred on recurrent activities and was 74.7 per cent of the funds released for recurrent activities. There was no expenditure on development activities during the reporting period.

The recurrent expenditure represented 11 per cent of the annual recurrent budget, a decrease from 17 per cent incurred in a similar period of FY 2016/17. Figure 3.35 presents a comparison between the total expenditure in the first quarter of FY 2016/17 and the first quarter of FY 2017/18.

Figure 3.35: Kericho County, Expenditure by Economic Classification in the First Quarter of FY 2016/17 and First Quarter of FY 2017/18



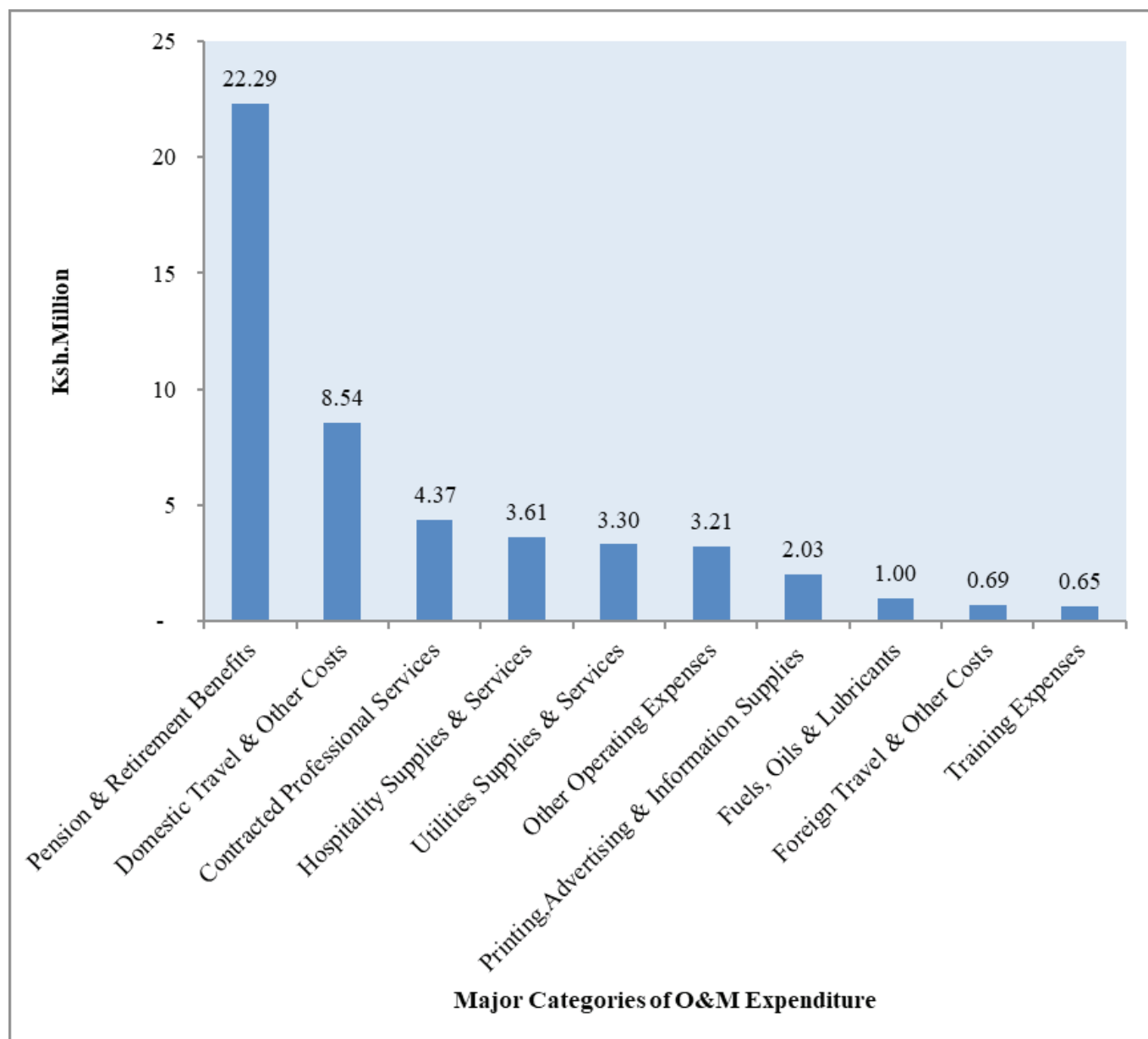
Source: Kericho County Treasury

3.12.6 Analysis of Recurrent Expenditure

The total recurrent expenditure of Kshs.490.04 million consisted of Kshs.438.66 million (89.5 per cent) incurred on personnel emoluments and Kshs.51.36 million (10.5 per cent) on operations and maintenance as shown in Figure 3.35.

Expenditure on personnel emoluments represented an increase of 33.1 per cent compared to Kshs.329.67 million incurred in the first quarter of FY 2016/17, and was 89.5 per cent of total expenditure in the first quarter of FY 2017/18. Figure 3.36 shows a summary of operations and maintenance expenditure by major categories.

Figure 3.36: Kericho County, Operations and Maintenance Expenditure by Major Categories in the First Quarter of FY 2017/18



Source: Kericho County Treasury

The County incurred Kshs.2.05 million on sitting allowances to the 47 MCAs against the annual budget allocation of Kshs.128.47 million. This was a decrease of 84.4 per cent compared to Kshs.13.18 million incurred in the first quarter of FY 2016/17. The average monthly sitting allowance was Kshs.14,506 per MCA compared to SRC's recommended monthly ceiling of Kshs.80,000.

Expenditure on domestic and foreign travel amounted to Kshs.9.23 million and consisted of Kshs.5.03 million incurred by the County Assembly and Kshs.4.2 million by the County Executive. It represented 1.9 per cent of total recurrent expenditure and was a decrease of 85.9 per cent compared to Kshs.65.34 million incurred in the first quarter of FY 2016/17.

3.12.7 Development Expenditure Analysis

The County did not report any expenditure on development activities during the reporting period.

3.12.8 Budget and Budget Performance Analysis by Department

Table 3.2 shows a summary of budget estimates and budget performance by department in the first quarter of FY 2017/18

Table 3.24: Kericho County, Budget Performance by Department in the First Quarter of FY 2017/18

Department	Budget Allocation (Kshs.Million)		Exchequer Issues in the first quarter of FY 2017/18 (Kshs.Million)		Expenditure in the first quarter of FY 2017/18		Expenditure to Exchequer Issues (%) First Quarter FY 2017/18		Absorption rate (%) First Quarter FY 2017/18	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
County Assembly Services	608.08	-	57.91	-	57.11	-	98.6	-	9.4	-
Public Service and Administration	276.54	15.92	60.07	-	39.44	-	65.7	-	14.3	-
Office of the Governor & Deputy Governor	142.07	-	41.01	-	29.17	-	71.1	-	20.5	-
County Public Service Board	64.1	-	13.3	-	7.68	-	57.7	-	12	-
Finance & Economic Planning	324.94	57.89	71.81	-	55.31	-	77	-	17	-
Agriculture, Livestock & Fisheries	212.87	176.99	34.78	-	23.14	-	66.5	-	10.9	-
Environment, Water, Energy & Natural Resources	103.2	238.19	16.43	-	10.81	-	65.8	-	10.5	-
Education, Youth, Culture & Social services	561.08	141.93	50.27	-	30.69	-	61.0	-	5.5	-
Health Services	1,930.28	243.82	277.71	-	214.23	-	77.1	-	11.1	-
Land, Housing & Physical Planning	47.19	118.41	7.35	-	4.83	-	65.7	-	10.2	-
Public Works, Roads & Transport	62.09	747.48	11.38	-	7.92	-	69.5	-	12.8	-
ICT & E-Government	45.26	34.98	3.27	-	2.09	-	64.0	-	4.6	-
Trade, Industrialization, Tourism, Wildlife & Cooperative Development	74.49	52.51	10.64	-	7.62	-	71.6	-	10.2	-
TOTAL	4,452.18	1,828.12	655.94	-	490.04	-	74.7	-	11	-

Source: Kericho County Treasury

Analysis of budget performance by department shows that the Office of the Governor and Deputy Governor had the highest percentage of recurrent expenditure to recurrent budget at 20.5 per cent while the ICT and E-Government Department had the lowest percentage at 4.6 per cent.

1.1.8 Observations and Recommendations

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

- Timely submission of quarterly financial reports to the Controller of Budget by the County Government entities in line with Section 166 of the PFM Act, 2012.
- Enhanced staff capacity and staffing through continuous training and recruitment of personnel.

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

- Delay in disbursement of the equitable share of revenue raised nationally by the National Treasury. As at the end of the reporting period, Kshs.365.72 million was disbursed against expected

quarterly disbursements of Kshs.1.09 billion.

2. Under-performance in local revenue collection, which declined by 27.4 per cent from Kshs.62.38 million in the first quarter of FY 2016/17 to Kshs.45.3 million in the reporting period, and accounted for 6.2 per cent of the annual local revenue target.
3. IFMIS connectivity challenges, which slowed down approval of procurement requests through E-procurement module and delayed payments.
4. Failure to adhere to the stipulated timelines in payment of statutory deductions and payroll taxes which led to direct recovery of Kshs.33.18 million from the County Recurrent Operational Account held at Central Bank of Kenya by the Kenya Revenue Authority (KRA).
5. Failure to budget for all conditional grants as per CARA, 2017.

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

1. *The County Treasury should liaise with the National Treasury to ensure that funds allocated to the County are released in line with the CARA, 2017 Disbursement Schedule.*
2. *The County Treasury should formulate and implement strategies to enhance local revenue collection.*
3. *The County Treasury should liaise with the IFMIS Directorate for technical support in application and usage of IFMIS and in order to address the connectivity challenge.*
4. *The County Treasury should remit statutory deductions such as VAT and PAYE in time to avoid penalties by KRA.*
5. *The County should prepare a Supplementary Budget to align conditional grants to the CARA, 2017.*

3.13 Kiambu County

3.13.1 Overview of the FY 2017/18 Budget

The County's FY 2017/18 Approved Budget is Kshs.13.41 billion, comprising of Kshs.9.42 billion (70.2 per cent) and Kshs.3.99 billion (29.8 per cent) allocation for recurrent and development expenditure respectively.

To finance the budget, the County expects to receive Kshs.9.3 billion (69 per cent) as equitable share of revenue raised nationally, Kshs.823.68 million (7 per cent) as total conditional grants and generate Kshs.3.1 billion (23 per cent) from local revenue sources. The County had Kshs.40.05 million (1 per cent) cash balance from FY 2016/17.

The conditional grants contained in the CARA, 2017 of Kshs.975.49 million comprise of Kshs.318 million (32.6 per cent) from the Road Maintenance Fuel Levy Fund, Kshs.34.67 million (3.6 per cent) as Compensation for User Fee Foregone, Kshs.21.55 million (2.2 per cent) from DANIDA, Kshs.412.72 million (42.3 per cent) for Level 5 Hospital, Kshs.56.46 million (5.8 per cent) for the

World Bank Kenya Devolution Support Program, Kshs.60.1 million (6.2 per cent) for Development of Youth Polytechnics, Kshs.22 million (2.3 per cent) as World Bank Loan for Transforming Health System for Universal Care System and Kshs.50 million (5.1 per cent) as World Bank Loan for National Agricultural & Rural Inclusive Project.

The County budgeted to receive Kshs.62.4 million for Free Maternal Healthcare, although this grant is not contained in the CARA, 2017.

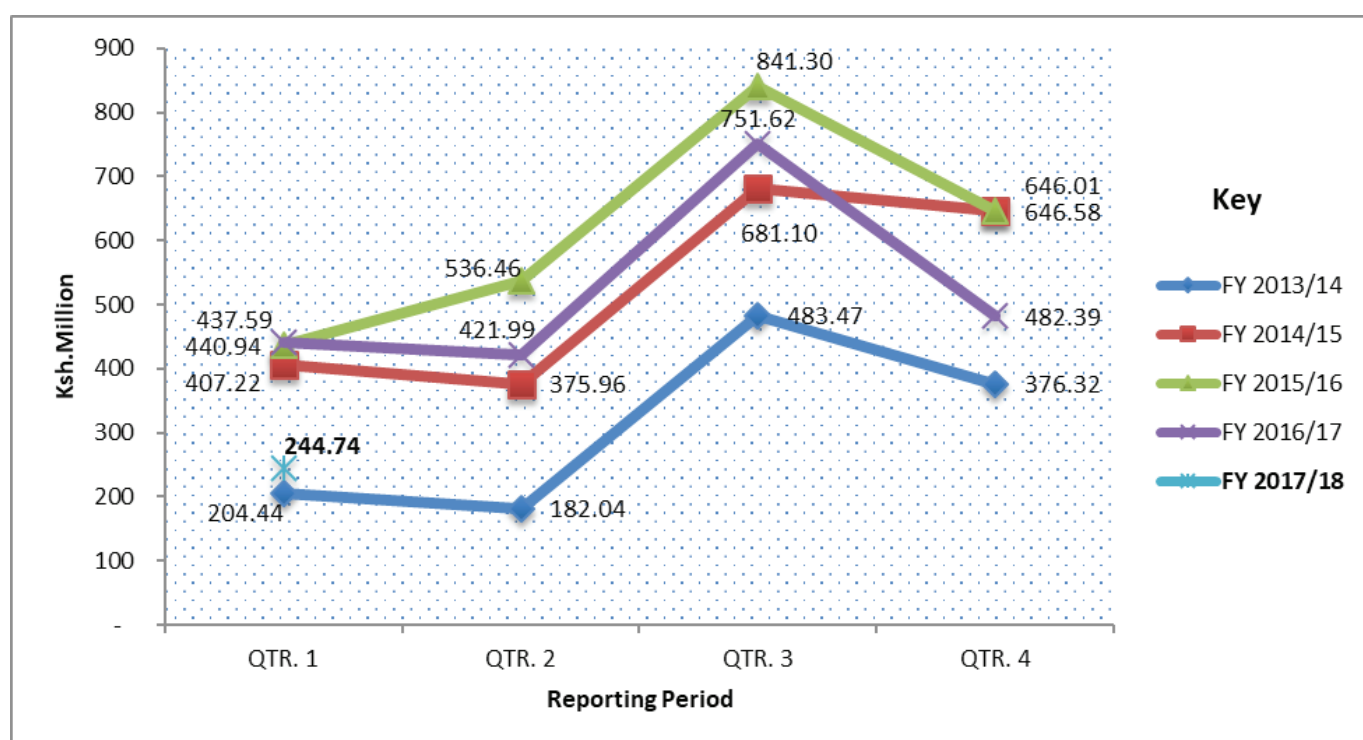
3.13.2 Revenue Analysis

During the first quarter of FY 2017/18, the County received Kshs.1.4 billion as equitable share of the revenue raised nationally, Kshs.210.38 million as total conditional allocations, raised Kshs.244.74 million from local revenue sources, and had a cash balance of Kshs.40.05 million from FY 2016/17.

The available funds amounted to Kshs.2.03 billion.

Figure 3.37 shows the quarterly trend in local revenue collection from the first quarter of FY 2013/14 to the first quarter FY 2017/18.

Figure 3.37: Kiambu County, Trend in Local Revenue Collection by Quarter from the First Quarter of FY 2013/14 to the First Quarter of FY 2017/18



Source: Kiambu County Treasury

The total local revenue collected in the first quarter of FY 2017/18 amounted to Kshs.244.74 million, representing a decrease of 44.5 per cent compared to Kshs.440.94 million generated in a similar period of FY 2016/17, and represented 7.8 per cent of the annual local revenue target.

3.13.3 Conditional Grants

Table 3.25 shows an analysis of conditional grants released in the first quarter of FY 2017/18.

Table 3.25: Kiambu County, Analysis of Conditional Grants Released in the First Quarter of FY 2017/18

S/No	Grants Contained CARA, 2017	Annual CARA, 2017 Allocation (in Kshs)	Annual Budget Allocation (in Kshs)	Actual receipts in First Quarter of FY 2017/18 (in Kshs)	Actual Receipts as Percentage of Annual Allocation (%)
1	Level-5 Hospitals	412, 716, 763	413, 930, 000	62, 083, 334	15
2	Road Maintenance Fuel Levy Fund	317, 998, 559	239, 573, 250	148, 306, 985	46.6
3	Development of Youth Polytechnics	60, 096, 220	-	-	-
4	Kenya Devolution Support Programme (KDSP)	56, 459, 859	74, 737, 414	-	-
5	World Bank Loan for National Agricultural & Rural Inclusive Project	50, 000, 000	-	-	-
6	Compensation for User Fee Foregone	34, 671, 542	40, 108, 965	-	-
7	World Bank Loan for Transforming Health System for Universal Care System	22, 000, 000	23, 320, 000	-	-
8	DANIDA Grant	21, 548, 828	-	-	-
9	Other Loans & Grants	-	32, 000, 000	-	-
Sub Total		975, 491, 771	823, 669, 629	210, 390, 319	21.6
B	Other Grants				
10	Free Maternal Healthcare (Unincurred balance from FY 2016/17)	-	62, 420, 000	-	-
Sub Total		-	62, 420, 000	-	-
Total		975, 491, 771	886, 089, 629	210, 390, 319	21.6

Source: Kiambu County Treasury

Analysis of the conditional grants released during the period under review indicates that, the Road Maintenance Fuel Levy Fund and Thika Level 5 Hospital received 46.6 per cent and 15 per cent respectively of the annual target. The County did not receive funds from the other conditional grants.

3.13.4 Exchequer Issues

During the reporting period, the Controller of Budget authorized withdrawal of Kshs.1.7 billion from the CRF account, which was 13 per cent of the Approved Budget. This amount was a decrease of 33 per cent from Kshs.2.55 billion authorized in a similar period of FY 2016/17 and consisted of Kshs.1.55 billion (91.2 per cent) for recurrent expenditure and Kshs.149.6 billion (8.8 per cent) for development activities.

3.13.5 Overall Expenditure Review

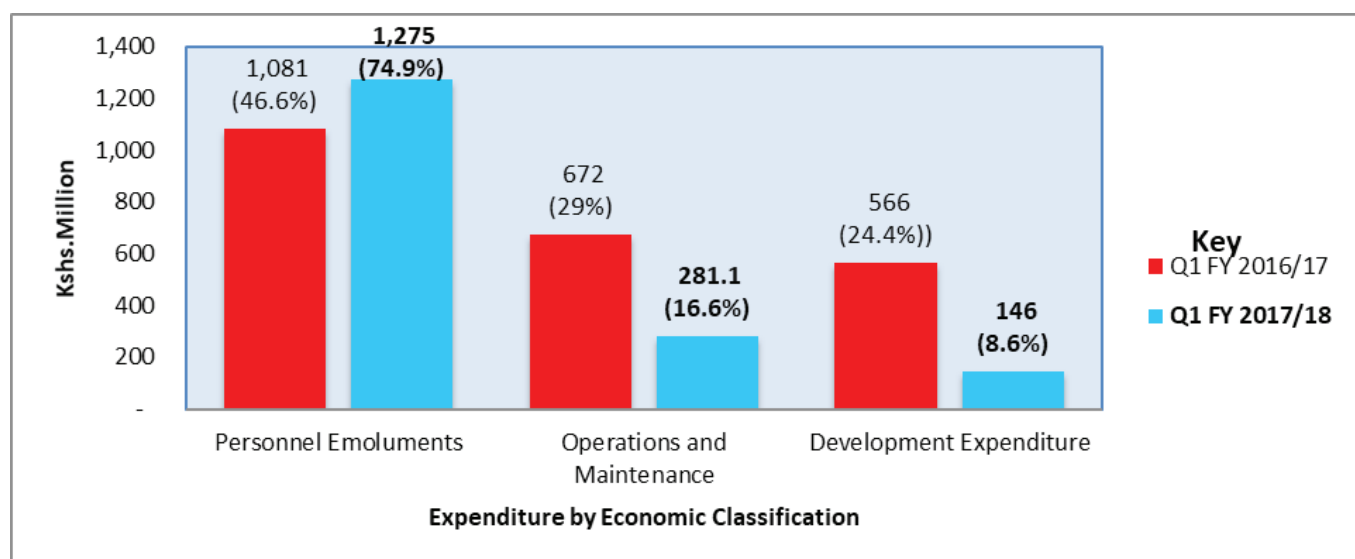
The County incurred Kshs.1.7 billion, which was 100 per cent of the total funds released for operations. This was a decrease of 26 per cent from Kshs.2.31 billion incurred in the first quarter of FY 2016/17.

A total of Kshs.1.56 billion was incurred on recurrent activities, while Kshs.145.62 billion was on development activities. The recurrent expenditure was 100 per cent of the funds released for recurrent activities while development expenditure accounted for 97 per cent of the funds released

for development activities. The expenditure excluded outstanding commitments as at September 30th, 2017 that amounted to Kshs.76 million for development and Kshs.199.88 million for recurrent expenditure.

The recurrent expenditure represented 16.5 per cent of the annual recurrent budget, a decrease from 19.9 per cent incurred in a similar period of FY 2016/17. Development expenditure recorded an absorption rate of 3.6 per cent, which was a decrease from 14.5 per cent attained in the first quarter of FY 2016/17. Figure 3.38 presents a comparison between the total expenditure in the first quarter of FY 2016/17 and the first quarter of FY 2017/18.

Figure 3.38: Kiambu County, Expenditure by Economic Classification in the First Quarter of FY 2016/17 and First Quarter of FY 2017/18



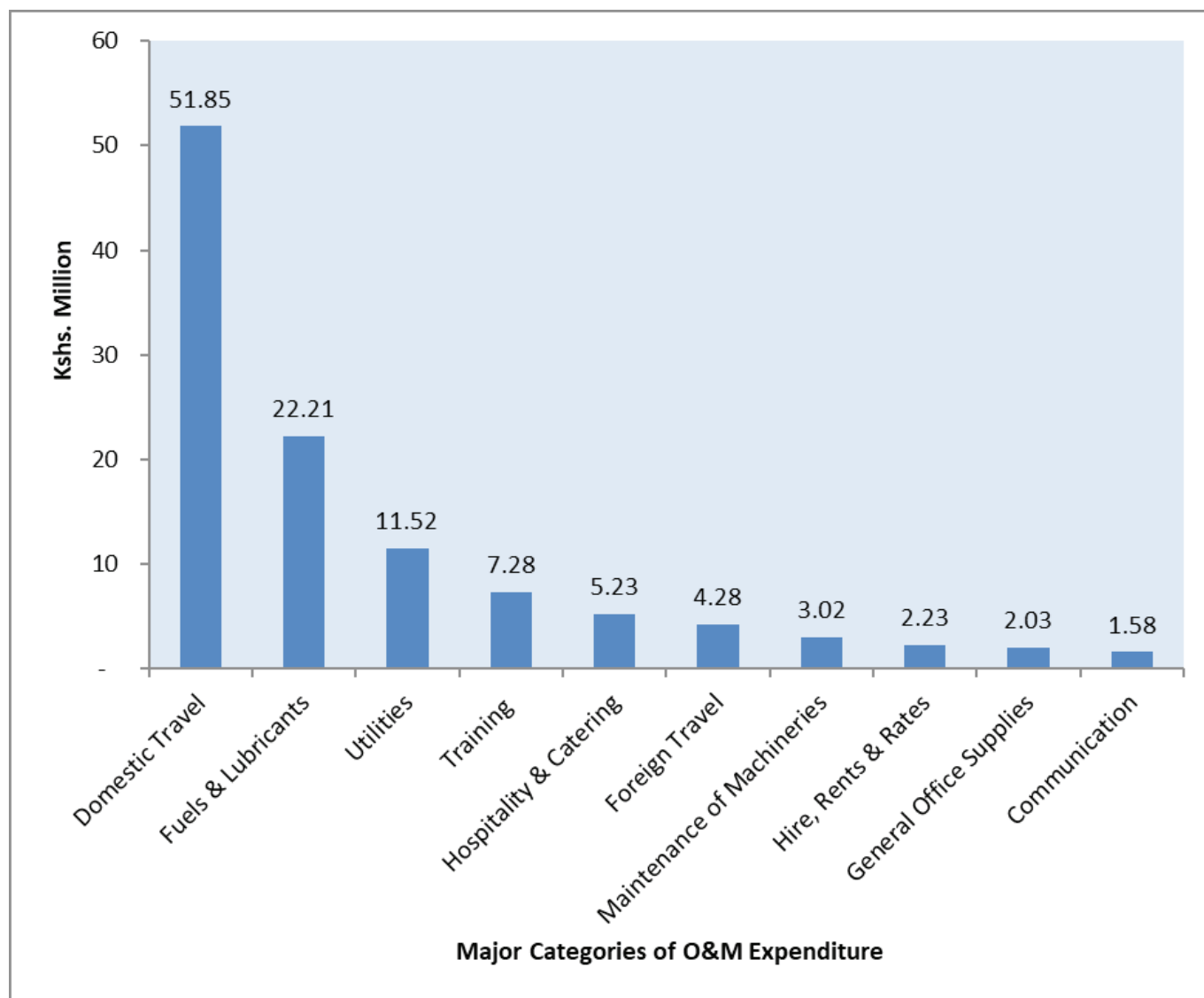
Source: Kiambu County Treasury

3.13.6 Analysis of Recurrent Expenditure

The total recurrent expenditure of Kshs.1.56 billion consisted of Kshs.1.28 billion (75 per cent) incurred on personnel emoluments and Kshs.282.1 million (16.6 per cent) on operations and maintenance as shown in Figure 3.38.

Expenditure on personnel emoluments represented an increase of 18 per cent compared to Kshs.1.08 billion incurred in the first quarter of FY 2016/17, and was 75 per cent of total expenditure in the first quarter of FY 2017/18. Figure 3.39 shows a summary of operations and maintenance expenditure by major categories.

Figure 3.39: Kiambu County, Operations and Maintenance Expenditure by Major Categories in the First Quarter of FY 2017/18



Source: Kiambu County Treasury

The County incurred Kshs.21.45 million on sitting allowances to the 93 MCAs against the annual budget allocation of Kshs.105 million. This was a decrease of 8 per cent compared to Kshs.23.29 million incurred in the first quarter of FY 2016/17. The average monthly sitting allowance was Kshs.76, 108 per MCA compared to SRC's recommended monthly ceiling of Kshs.80,000.

Expenditure on domestic and foreign travel amounted to Kshs.56.12 million and consisted of Kshs.26.76 million incurred by the County Assembly and Kshs.29.36 million by the County Executive. It represented 3.6 per cent of total recurrent expenditure and was a decrease of 36.9 per cent compared to Kshs.88.86 million incurred in the first quarter of FY 2016/17.

3.13.7 Development Expenditure Analysis

The total development expenditure of Kshs.145.6 million represented 3.6 per cent of the annual development budget of Kshs.3.99 billion.

Table 3.26 provides a summary of development projects with the highest expenditure in the first quarter of FY 2017/18.

Table 3.26: Kiambu County, List of Development Projects with the Highest Expenditure in the First Quarter of FY 2017/18

S/No.	Project name	Project location	Project budget (Kshs.)	Q1 FY2017/18 Project Expenditure (Kshs.)	Absorption rate (%)
1	Rehabilitation of Githunguri town roads	Githunguri	102, 670, 232	19, 492, 507	19
2	Rehabilitation & construction of Ruiru stadium (astra tuff)	Biashara ward	15, 946, 575	15, 946, 575	100
3	Rehabilitation & construction of Gikambura stadium (astra tuff)	Karai ward	15, 946, 575	15, 946, 575	100
4	Rehabilitation & improvement of C64-C65 road	Githunguri	145, 346, 515	14, 346, 515	9.9
5	Being first payment on proposed construction of market at Kamwangi	Chania ward	28, 157, 525	11, 587, 112	41.2
6	Being payment on proposed construction of Kamwangi market	Chania ward	28, 157, 525	9, 204, 537	32.7
7	Being payment on proposed construction of Githunguri market	Town ship ward	47, 969, 840	7, 402, 785	15.4
8	Being 3rd payment of the proposed market re-roofing & storm drain unclogging at Wangige	Kabete ward	28, 965, 750	6, 497, 033	22.4
9	Being first payment of the proposed market re-roofing and storm drain unclogging at Wangige Market	Kabete ward	28, 965, 750	4, 263, 135	14.7
10	Construction & rehabilitation of Kinoo Chief Office access road in Kinoo Ward Kikuyu Sub-County	Kikuyu ward	3, 941, 800	3, 941, 800	100.0

Source: Kiambu County Treasury

Analysis of the development expenditure by project indicates that, the highest expenditure of Kshs.19.5 million was incurred on rehabilitation of Githunguri town roads followed by Kshs.15.9 million each for construction and rehabilitation of Gikambura and Ruiru stadiums.

3.13.8 Budget and Budget Performance Analysis by Department

Table 3.27 shows a summary of budget estimates and budget performance by department in the first quarter of FY 2017/18.

Table 3.27: Kiambu County, Budget Performance by Department in the First Quarter of FY 2017/18

Department	Budget Allocation (Kshs.Million)		Exchequer Issues in First Quarter of FY 2017/18 (Kshs. Million)		Expenditure in First Quarter of FY 2017/18 (Kshs.Million)		First Quarter of FY 2017/18 Expenditure to Exchequer Issues (%)		First Quarter of FY 2017/18 Absorption rate (%)	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
Administration and Public Service	606.63	119.51	80	1	107	-	134.3	-	17.6	-
Agriculture, Livestock and Fisheries	432.65	292.51	84	-	93	9	111.4	-	21.5	3
County Assembly	1, 239.75	-	207	-	91	-	44.1	-	7.4	-
County Executive	377.52	7.55	61	-	45	1	74	-	12	12.5
County Public Service Board	68.21	-	13	-	8	-	58.4	-	11	-
Education, Culture, ICT and Social Services	914.64	314.91	62	-	151	-	243	-	16.6	-
Finance and Economic Planning	1, 159.19	48	127	-	167	-	131.9	-	14.4	-
Health Services	3, 586	941.54	796	75	753	65	94.6	86.7	21	6.9
Lands, Physical Planning and Housing	187.51	185.13	24	-	26	-	110.8	-	14	-
Roads, Transport and Public Works	348.98	1, 140.76	74	8	54	41	73.4	480.6	15.5	3.6
Trade, Tourism, Industry and Co-operative	148.77	286.12	20	31	19	14	98.5	44.9	13.0	4.9
Water, Environment and Natural Resources	266.66	342.18	50	2	36	-	71.5	-	13.4	-
Youth and Sports	81.16	318.37	14	32	6	16	42.8	50	7.6	5
TOTAL	9, 417.66	3, 997	1, 610	149.64	1, 557	145.62	96.7	97.3	16.5	3.6

Source: Kiambu County Treasury

Analysis of budget performance by department shows that the Agriculture, Livestock and Fisheries department attained the highest recurrent expenditure to recurrent budget at 21.5 per cent followed by the Health Services Department at 21 per cent.

3.13.9 Observations and Recommendations

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

- Timely preparation and approval of the County budget documents such as the Annual Development Plan (ADP), County Fiscal Strategy Paper (CFSP), and the Budget Estimates.
- Establishment of the County Budget and Economic Forum (CBEF) in line with Section 137 of the PFM Act, 2012.
- Timely submission of quarterly financial reports to the Controller of Budget by the County Government entities in line with Section 166 of the PFM Act, 2012.

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

- Delay in disbursement of the equitable share of revenue raised nationally by the National Treasury.

2. Under-performance in local revenue collection, which declined by 44.5 per cent from Kshs.440.94 million in first quarter of FY 2016/17 to Kshs.244.74 million in the reporting period.
3. IFMIS connectivity challenges, which slowed down approval of procurement requests and payment to suppliers.
4. Failure to budget for all conditional grants as per CARA, 2017.

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

- 1. National Treasury to fast-track disbursement of the equitable share of revenue in line with the CARA, 2017 Disbursement Schedule.*
- 2. The County should develop and implement strategies to enhance revenue collection.*
- 3. The County should liaise with the National Treasury to address the frequent IFMIS connectivity challenges.*
- 4. The County should prepare a Supplementary Budget to align conditional grants to the CARA, 2017.*

3.14 Kilifi County

3.14.1 Overview of the FY 2017/18 Budget

The County's FY 2017/18 Approved Budget is Kshs.11.9 billion, comprising of Kshs.7.97 billion (67 per cent) and Kshs.3.92 billion (33 per cent) allocation for recurrent and development expenditure respectively.

To finance the budget, the County expects to receive Kshs.9.96 billion (83.7 per cent) as equitable share of revenue raised nationally, Kshs.759.13 million (6.4 per cent) as total conditional grants, generate Kshs.929.66 million (7.8 per cent) from local revenue sources, and Kshs.245.14 million (2.1 per cent) cash balance from FY 2016/17.

The conditional grants contained in the CARA, 2017 of Kshs.900.16 million comprise of Kshs.317.05 million (41.8 per cent) from the Road Maintenance Fuel Levy Fund, Kshs.25.97million (3.4 per cent) as Compensation for User Fee Foregone, Kshs.21.48 million (2.8 per cent) from DANIDA, Kshs.96.84 million (12.3 per cent) as World Bank loan to supplement financing of County Health facilities, Kshs.57.11 million (6.3 per cent) for the World Bank Kenya Devolution Support Program, Kshs.67.91 million (8.9 per cent) for Development of Youth Polytechnics, Kshs.93.67million (12.3 per cent) as World Bank Loan for Transforming Health System for Universal Care System, Kshs.50 million (6.6 per cent) as World Bank Loan for National Agricultural & Rural Inclusive Project and Kshs.74.39 million (9.8 per cent) from Other Loans and Grants.

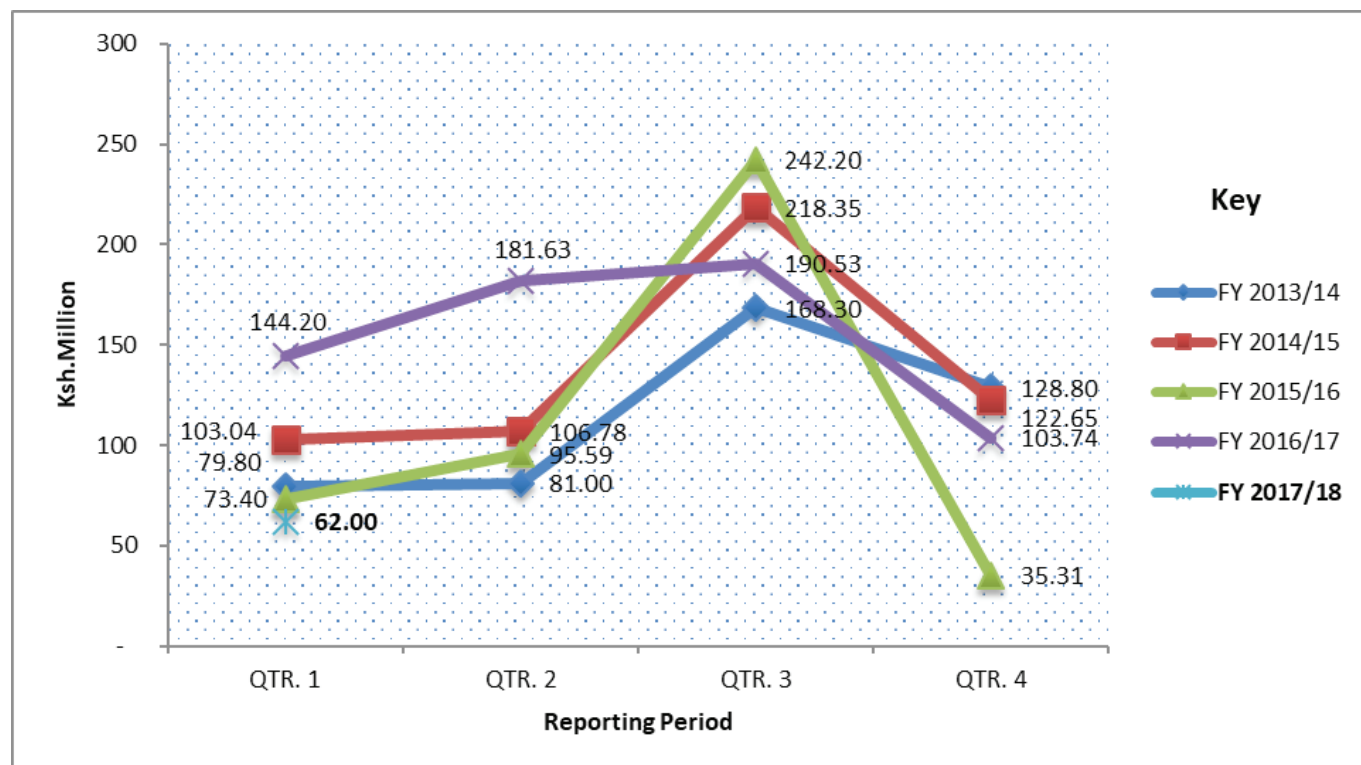
The County budgeted to receive Kshs.124.46 million for Free Maternal Healthcare, although this grant is not contained in the CARA, 2017.

3.14.2 Revenue Analysis

During the first quarter of FY 2017/18, the County received Kshs.696.56 million as equitable share of national revenue, Kshs.147.86 million as total conditional allocations, raised Kshs.62 million from local revenue sources, and had a cash balance of Kshs.77.21 million from FY 2016/17.

Figure 3.40 shows the quarterly trend in local revenue collection from the first quarter of FY 2013/14 to the first quarter FY 2017/18.

Figure 3.40: Kilifi County, Trend in Local Revenue Collection by Quarter from the First Quarter of FY 2013/14 to the First Quarter of FY 2017/18



Source: Kilifi County Treasury

The total local revenue collected in the first quarter of FY 2017/18 amounted to Kshs.62 million, representing a decrease of 57 per cent compared to Kshs.144.2 million generated in a similar period of FY 2016/17, and represented 6.7 per cent of the annual local revenue target.

3.14.3 Conditional Grants

Table 3.28 shows an analysis of conditional grants released in the first quarter of FY 2017/18.

Table 3.28: Kilifi County, Analysis of Conditional Grants Released in the First Quarter of FY 2017/18

S/No	Grants	Annual CARA, 2017 Allocation (in Kshs)	Annual Budget Allocation (in Kshs)	Actual receipts in First Quarter of FY 2017/18 (in Kshs)	Actual Receipts as Percentage of Annual Allocation (%)
A	Grants Contained CARA, 2017				
1	Road Maintenance Fuel Levy Fund	317, 047, 351	262, 237, 500	56, 334, 089	17.8
2	World Bank loan to supplement financing of County Health facilities	96, 840, 000	157, 772, 447	-	-

3	Leasing of Medical Equipment	95, 744, 681	95, 744, 681	-	-
4	World Bank Loan for Transforming Health System for Universal Care System	93, 668, 256	-	-	-
5	Other Loans & Grants	74, 392, 884	-	-	-
6	Development of Youth Polytechnics	67, 906, 049	-	-	-
7	Kenya Devolution Support Programme (KDSP)	57, 107, 014	70, 387, 014	-	-
8	World Bank Loan for National Agricultural & Rural Inclusive Project	50, 000, 000	-	-	-
9	Compensation for User Fee Foregone	25, 969, 864	25, 969, 864	-	-
10	DANIDA Grant	21, 484, 371	22, 558, 589	-	-
Sub Total		900, 160, 470	634, 670, 095	56, 334, 089	6
B	Other Grants				
11	Free Maternal Care Helathcare	-	124, 461, 343	-	-
Sub Total		-	124, 461, 343	-	-
Total		900, 160, 470	759, 131, 438	56, 334, 089	6

Source: Kilifi County Treasury

Analysis of the conditional grants released during the period under review indicates that, the Road Maintenance Fuel Levy Fund received Kshs.56.33 million which was 17.8 per cent of annual target. The County did not receive funds from other conditional grants.

3.14.4 Exchequer Issues

During the reporting period, the Controller of Budget authorized withdrawal of Kshs.904.03 million from the CRF account, which was 7.6 per cent of the Approved Budget. This amount was a decrease of 23.1 per cent from Kshs.1.102 billion authorized in a similar period of FY 2016/17, and consisted of Kshs.847.7 million (93.8 per cent) for recurrent expenditure and Kshs.56.33 million (6.2 per cent) for development activities.

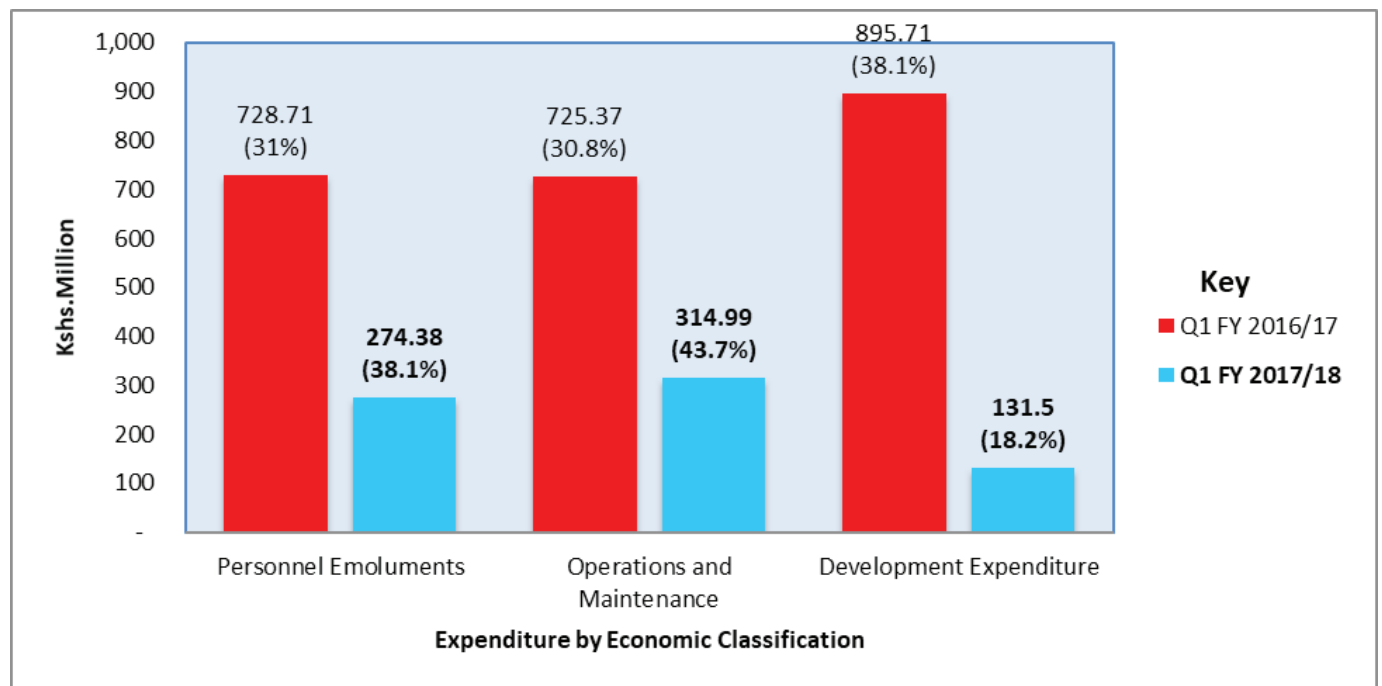
3.14.5 Overall Expenditure Review

The County incurred Kshs.720.87 million, which was 79.7 per cent of the total funds released for operations. This was a decrease of 69.3 per cent from Kshs.2.35 billion incurred in the first quarter of FY 2016/17.

A total of Kshs.589.37 million was incurred on recurrent activities, while Kshs.131.5 million was on development activities. The recurrent expenditure was 69.5 per cent of the funds released for recurrent activities while development expenditure accounted for 23.4 per cent of the funds released for development activities. The expenditure excluded outstanding commitments as at September 30th, 2017 that amounted to Kshs.379.72 million for development and Kshs.77.44 million for recurrent expenditure.

The recurrent expenditure represented 7.4 per cent of the annual recurrent budget, a decrease from 23.9 per cent incurred in a similar period of FY 2016/17. Development expenditure recorded an absorption rate of 3.4 per cent, which was a decrease from 12.9 per cent attained in the first quarter of FY 2016/17. Figure 3.41 presents a comparison between the total expenditure in the first quarter of FY 2016/17 and the first quarter of FY 2017/18.

Figure 3.41: Kilifi County, Expenditure by Economic Classification in the First Quarter of FY 2016/17 and First Quarter of FY 2017/18



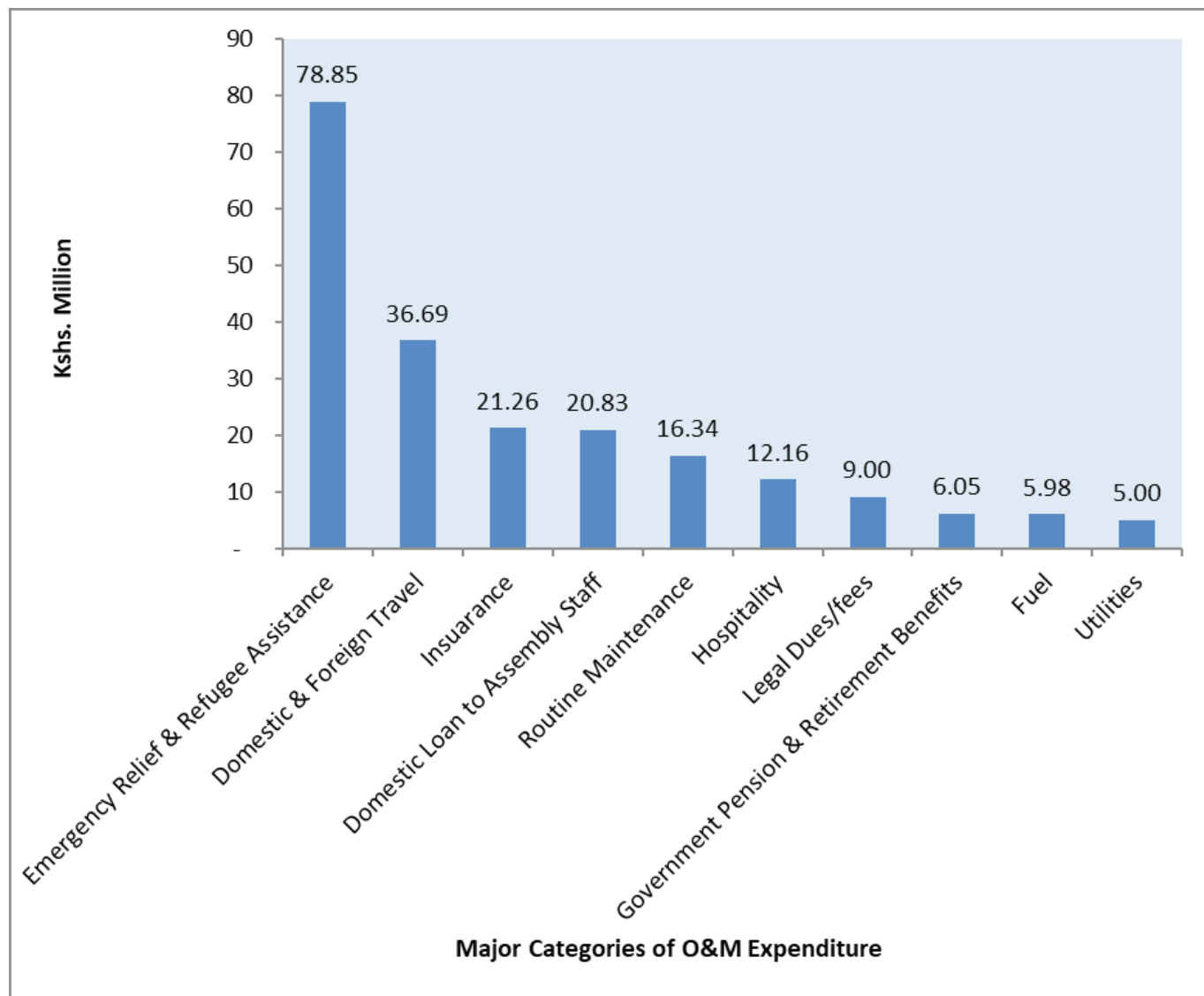
Source: Kilifi County Treasury

3.14.6 Analysis of Recurrent Expenditure

The total recurrent expenditure of Kshs.589.37 million consisted of Kshs.274.38 million (46.6 per cent) incurred on personnel emoluments and Kshs.314.99 million (53.4 per cent) on operations and maintenance as shown in Figure 3.41.

Expenditure on personnel emoluments represented a decrease of 62.3 per cent compared to Kshs.728.71 million incurred in the first quarter of FY 2016/17, and was 38.1 per cent of total expenditure in the first quarter of FY 2017/18. Figure 3.42 shows a summary of operations and maintenance expenditure by major categories.

Figure 3.42: Kilifi County, Operations and Maintenance Expenditure by Major Categories in the First Quarter of FY 2017/18



Source: Kilifi County Treasury

The County incurred Kshs.3.51 million on sitting allowances to the 56 MCAs against the annual budget allocation of Kshs.86.49 million. This was a decrease of 75.9 per cent compared to Kshs.14.59 million incurred in the first quarter of FY 2016/17. The average monthly committee sitting allowance was Kshs.20,917 per MCA compared to SRC's recommended monthly ceiling of Kshs.80,000.

Expenditure on domestic and foreign travel amounted to Kshs.36.69 million and consisted of Kshs.17.55 million incurred by the County Assembly and Kshs.19.15 million by the County Executive. It represented 6.2 per cent of total recurrent expenditure and was a decrease of 40.7 per cent compared to Kshs.61.93 million incurred in the first quarter of FY 2016/17.

3.14.7 Development Expenditure Analysis

The total development expenditure of Kshs.131.5 million represented 3.4 per cent of the annual development budget of Kshs.3.92 billion.

Table 3.29 provides a summary of development projects with the highest expenditure in the first quarter of FY 2017/18.

Table 3.29: Kilifi County, List of Development Projects with the Highest Expenditure in the First Quarter of FY 2017/18

S/No.	Project name	Project location	Project budget (Kshs.)	Q1 FY2017/18 Project Expenditure (Kshs.)	Absorption rate (%)
1	Grading, Gravelling of Bamba-Vitengeni Road	Bamba	17, 000, 000	9, 789, 820	57.6
2	Gotani-Kibaokiche-Mkapuni (Grading, gravelling and drainage works)	Mkapuni	20, 000, 000	7, 976, 519	41.8
3	Grading, Graveling and Drainage Works of Bamba to Gotani road.	Bamba	19, 000, 000	7, 945, 502	39.9
4	Grading, Gravelling and Drainage Works of kivunga madzimbani road		15, 000, 000	5, 092, 982	34
5	Grading, Gravelling and Drainage Works of Kijiwetanga-Jacaranda Junction	Malindi	15, 000, 000	4, 988, 789	33.3
6	C111-Makobeni via Ribe girls to king'ung'una junction road (grading, gravelling and drainage works)	Ribe	10, 000, 000	3, 968, 012	39.7
7	Grading, Graveling and Drainage Works Maryango Mwakwala Kabatheni Road.	Kabatheni	10, 000, 000	3, 949, 220	39.5
8	Grading, Gravelling and Drainage Works of Mwarakaya- kaloleni road.	Mwarakaya	10, 000, 000	3, 913, 828	39.1
9	Grading, Grading and Drainage Works-A7-Junction-Ngomoni road	Ngomni	20, 000, 000	3, 895, 860	19.5
10	Grading, Gravelling and Drainage Works of Ganze-Vitengeni Road	Ganze	10, 000, 000	2, 503, 048	25

Source: Kilifi County Treasury

Analysis of the development expenditure by project show that; the highest expenditure of Kshs.9.78 million was incurred on Grading, Gravelling of Bamba-Vitengeni Road, followed by Kshs.7.98 million on Grading and Graveling and Drainage Works of Gotani-Kibaokiche-Mkapuni road. These projects are under the Department of Roads, Transport and Public Works. Other departments did not submit their lists of development projects undertaken during the reporting period.

3.14.8 Budget and Budget Performance Analysis by Department

Table 3.30 shows a summary of budget estimates and budget performance by department in the first quarter of FY 2017/18

Table 3.30: Kilifi County, Budget Performance by Department in the First Quarter of FY 2017/18

Department	Budget Allocation (Kshs.Million)		Exchequer Issues in First Quarter of FY 2017/18 (Kshs. Million)		Expenditure in First Quarter of FY 2017/18 (Kshs. Million)		First Quarter of FY 2017/18 Expenditure to Exchequer Issues (%)		First Quarter of FY 2017/18 Absorption rate (%)	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
County Assembly	911.22	384.14	100	-	108.8	-	108	-	11.9	-
County Executive	468.47	-	35.08	-	36.22	-	103.3	-	7.7	-
Finance and Economic Planning	1, 385.87	35	45.37	-	47.96	-	105.7	-	3.5	-
Agriculture, Livestock and Fisheries	372.49	290	57.12	-	4.20	-	7.3	-	1.1	-
Water, Environment, Natural Resources and Solid Waste Management	184.65	744.83	24.37	-	17.62	33.37	72.3	-	9.5	4.5
Education, Sports and Youth Affairs	854.88	551.58	55.1	-	142.61	-	258.8	-	16.7	-
County Health Services	2, 325.61	463.92	378.2	-	54.13	26.05	14.3	-	2.3	5.6

Roads, Transport and Public Works	291.1	976.34	67.39	56.33	38.95	59.01	57.8	104.8	13.4	6
Land, Housing, Physical Planning & Energy	171.96	80.25	12.8	-	10.56	-	82.5	-	6.1	-
ICT, E-Government, Culture and Social Services	98.99	158.44	10.64	-	3.81	0.85	35.8	-	3.8	0.5
Trade Industrialization, Cooperatives, Tourism and Wildlife	104.13	198.28	11.01	-	8.29	12.21	75.3	-	8	6.2
County Public Service Board	90.43	-	9.76	-	3.27	-	33.5	-	3.6	-
Devolution, Public Service & Disaster	712.01	40.57	40.87	-	112.95	-	276.4	-	15.9	-
TOTAL	7,971.82	3,923.36	847.7	56.33	589.37	131.5	69.5	233.4	7.4	3.4

Source: Kilifi County Treasury

Analysis of budget performance by department shows that the Trade Industrialization, Cooperatives, Tourism and Wildlife Department attained the highest absorption rate of development budget at 6.2 per cent. On the other hand, the Department of Education, Sports and Youth Affairs had the highest percentage of recurrent expenditure to recurrent budget at 16.7 per cent while the Department of Agriculture, Livestock and Fisheries had the lowest at 1.1 per cent.

3.14.9 Observations and Recommendations

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

- i. Establishment of the County Budget and Economic Forum (CBEF) in line with Section 137 of the PFM Act, 2012.
- ii. Improvement in the use of IFMIS and Internet Banking to process financial transactions.

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

1. Delay in disbursement of the equitable share of revenue raised nationally by the National Treasury.
2. IFMIS connectivity challenges, which slowed down approval of procurement requests and payment to suppliers.
3. Delay in submission of quarterly financial reports by the County Treasury, which affected timely preparation of Budget Implementation Review Report by the Controller of Budget.
4. Failure to budget for all conditional grants as per CARA, 2017.

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

1. *The County Treasury should liaise with National Treasury to ensure disbursement of the equitable share of revenue raised nationally is released in line with the CARA, 2017 Disbursement Schedule.*
2. *The County should liaise with the IFMIS Directorate for support in use of IFMIS and to address the connectivity challenges.*

3. *The County Treasury should ensure timely submission of accurate financial reports in line with Section 166 of the PFM Act, 2012.*
4. *The County should prepare a Supplementary Budget to align conditional grants to the CARA, 2017.*

3.15 Kirinyaga County

3.15.1 Overview of the FY 2017/18 Budget

The County's FY 2017/18 Approved Budget is Kshs.4.77 billion, comprising of Kshs.3.34 billion (70 per cent) and Kshs.1.43 billion (30 per cent) allocation for recurrent and development expenditure respectively.

To finance the budget, the County expects to receive Kshs.4.07 billion (85.4 per cent) as equitable share of revenue raised nationally, Kshs.196.3 million (4.1 per cent) as total conditional grants and generate Kshs.500 million (10.5 per cent) from local revenue sources.

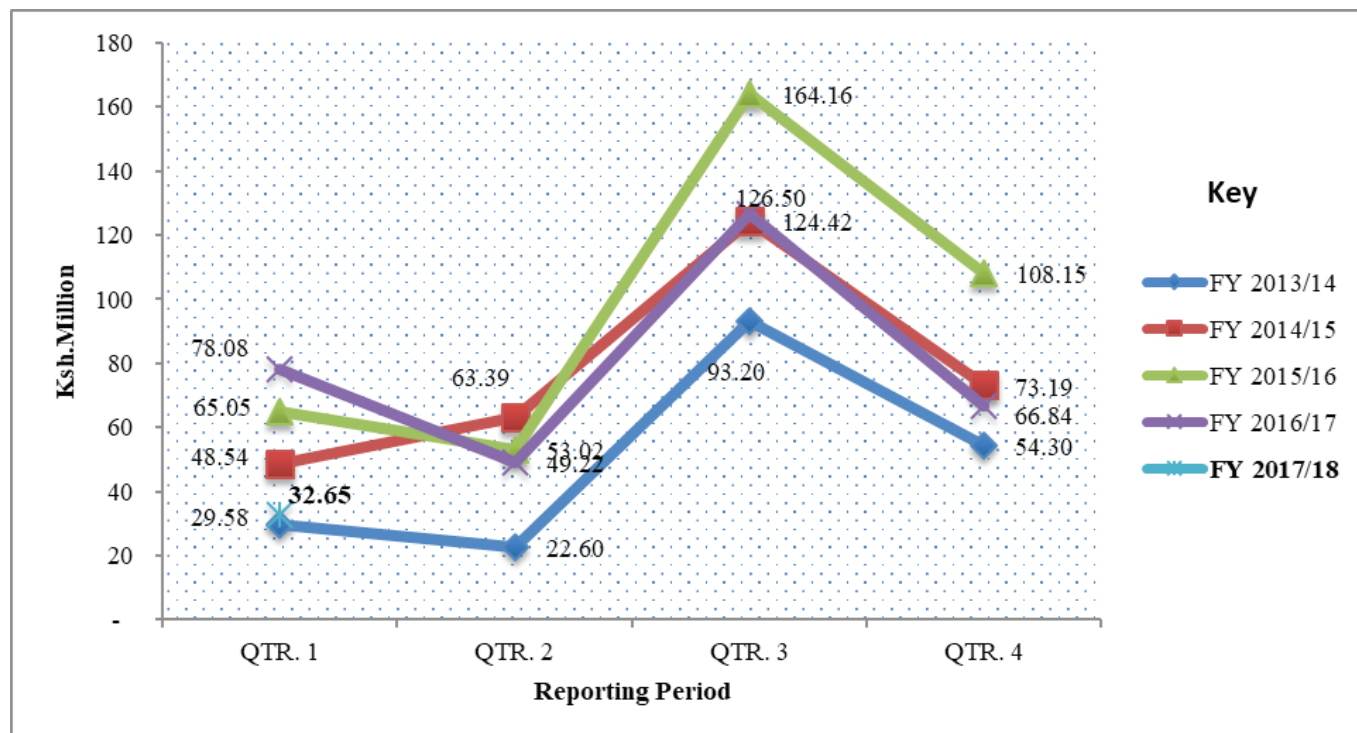
The conditional grants contained in the CARA, 2017 of Kshs.335.57 million comprise of Kshs.150.75 million (44.9 per cent) from the Road Maintenance Fuel Levy Fund, Kshs.11.28 million (3.4 per cent) as Compensation for User Fee Foregone, Kshs.10.22 million (3 per cent) from DANIDA, Kshs.38.36 million (11.4 per cent) for Level-1 Kenya Devolution Support Programme (KDSP) grant, Kshs.37.34 million (11.1 per cent) for Development of Youth Polytechnics, Kshs.22 million (6.6 per cent) as World Bank Loan for Transforming Health System for Universal Care System, Kshs.50 million (14.9 per cent) as World Bank Loan for National Agricultural & Rural Inclusive Project, and Kshs.15.62 million (4.7 per cent) from Other Loans and Grants. The County budgeted to receive Kshs.26.17 million as other Loans and Grants, and Kshs.50.72 million as Free Maternal Healthcare, although these grants are not contained in the CARA, 2017.

3.15.2 Revenue Analysis

During the first quarter of FY 2017/18, the County received Kshs.308.64 million as equitable share of the revenue raised nationally, Kshs.70.31 million as total conditional allocations, raised Kshs.32.65 million from local revenue sources, and had a cash balance of Kshs.365.24 million from FY 2016/17. The available funds amounted to Kshs.744.14 million.

Figure 3.43 shows the quarterly trend in local revenue collection from the first quarter of FY 2013/14 to the first quarter FY 2017/18.

Figure 3.43: Kirinyaga County, Trend in Local Revenue Collection by Quarter from the First Quarter of FY 2013/14 to the First Quarter of FY 2017/18



Source: Kirinyaga County Treasury

The total local revenue collected in the first quarter of FY 2017/18 amounted to Kshs.32.65 million, representing a decrease of 58.2 per cent compared to Kshs.78.08 million generated in a similar period of FY 2016/17, and represented 6.5 per cent of the annual local revenue target.

3.15.3 Conditional Grants

Table 3.31 shows an analysis of conditional grants released in the first quarter of FY 2017/18.

Table 3.31: Kirinyaga County, Analysis of Conditional Grants Released in the First Quarter of FY 2017/18

S/No	Grants	Annual CARA, 2017 Allocation (in Kshs)	Annual Budget Allocation (in Kshs)	Actual receipts in First Quarter of FY 2017/18 (in Kshs)
A	Grants Contained CARA, 2017			
1	Road Maintenance Fuel Levy Fund	150, 752, 571	107, 100, 000	70, 307, 423
2	Free Maternal Care	-	50, 716, 400	-
3	Kenya Devolution Support Programme (KDSP)	38, 364, 055	-	-
4	Compensation for User Fee Foregone	11, 282, 570	12, 308, 920	-
5	DANIDA Grant	10, 215, 585	-	-
6	Development of Youth Polytechnics	37, 339, 283		
7	Other Loans & Grants	15, 618, 572	-	-
8	World Bank Loan for Transforming Health System for Universal Care System	22, 000, 000	-	-
9	World Bank Loan for National Agricultural & Rural Inclusive Project	50, 000, 000	-	-
Sub Total		335, 572, 636	170, 125, 320	70, 307, 423
B	Other Grants			
10	Others	-	26, 171, 582	-

S/No	Grants	Annual CARA, 2017 Allocation (in Kshs)	Annual Budget Allocation (in Kshs)	Actual receipts in First Quarter of FY 2017/18 (in Kshs)
Grand Total		335, 572, 636	196, 296, 902	70, 307, 423

Source: Kirinyaga County Treasury

Analysis of the conditional grants released during the period under review indicates that, the Road Maintenance Fuel Levy Fund recorded a receipt of Kshs.70.31 million which was a performance of 46.6 per cent of annual allocation. The County did not receive funds from other conditional grants.

3.15.4 Exchequer Issues

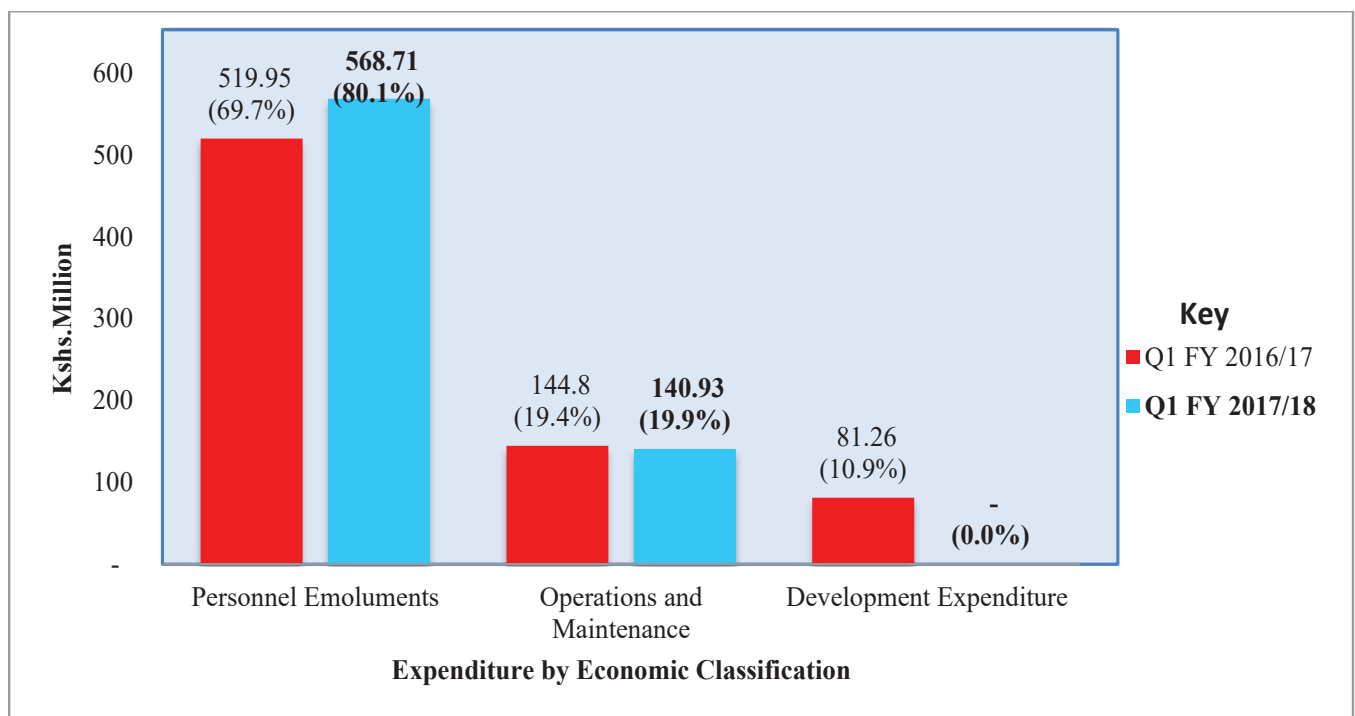
During the reporting period, the Controller of Budget authorized withdrawal of Kshs.738.49 million from the CRF account, which was 15.5 per cent of the Approved Budget. This amount was a decrease of 34.5 per cent from Kshs.1.13 billion authorized in a similar period of FY 2016/17, and was entirely for recurrent expenditure.

3.15.5 Overall Expenditure Review

The County incurred Kshs.709.63 million, which was 96.1 per cent of the total funds released for operations. This was a decrease of 4.9 per cent from Kshs.746.01 million incurred in the first quarter of FY 2016/17.

The total expenditure of Kshs.709.63 million was incurred on recurrent activities and was 96.1 per cent of the funds released for recurrent activities. The expenditure excluded outstanding commitments as at September 30th, 2017 that amounted to Kshs.6.04 million for recurrent expenditure. The recurrent expenditure represented 21.3 per cent of the annual recurrent budget, a decrease from 22.1 per cent incurred in a similar period of FY 2016/17. Figure 3.44 presents a comparison between the total expenditure in the first quarter of FY 2016/17 and the first quarter of FY 2017/18.

Figure 3.44: Kirinyaga County, Expenditure by Economic Classification in the First Quarter of FY 2016/17 and First Quarter of FY 2017/18



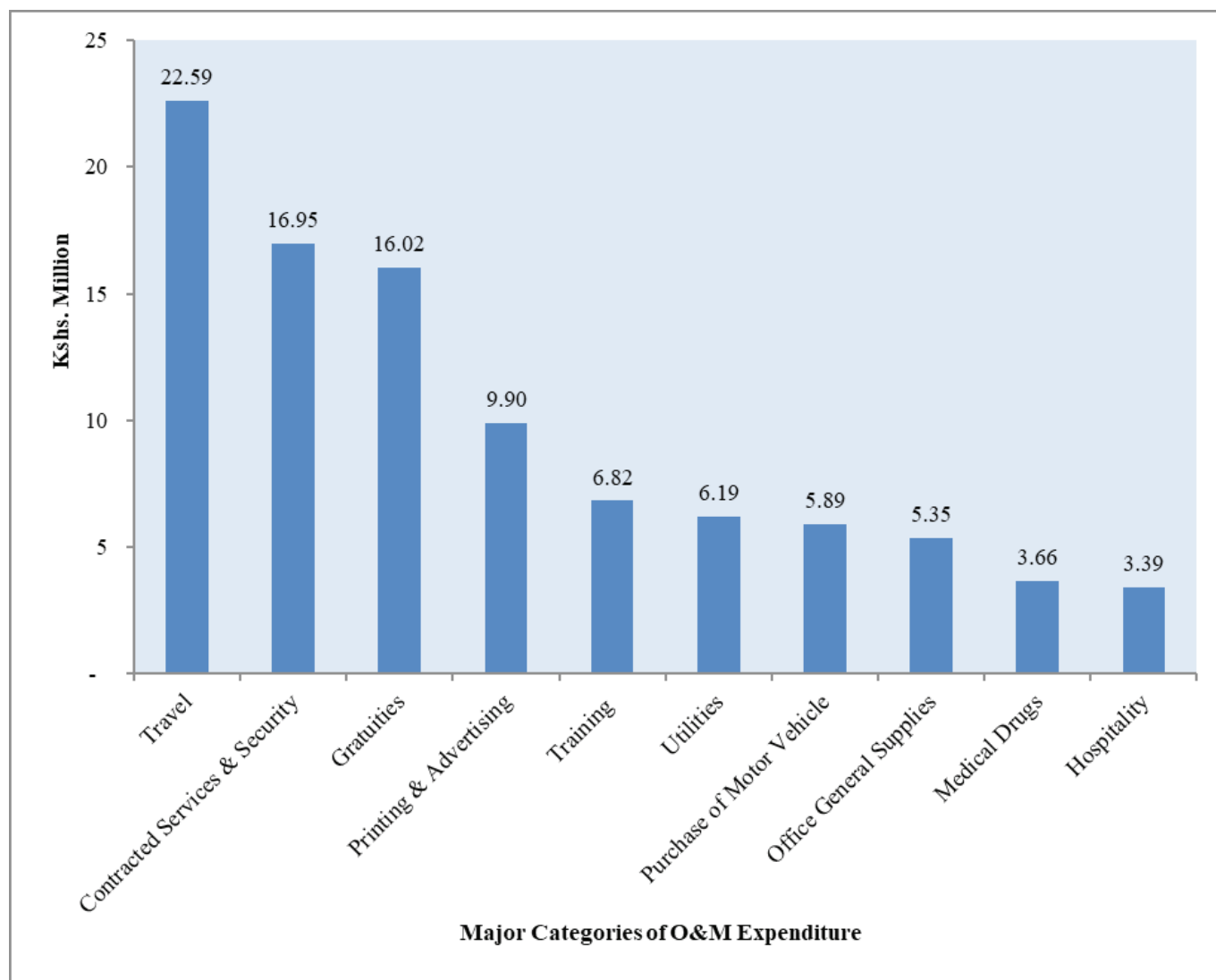
Source: Kirinyaga County Treasury

3.15.6 Analysis of Recurrent Expenditure

The total recurrent expenditure of Kshs.709.63 million consisted of Kshs.568.71 million (80.1 per cent) incurred on personnel emoluments and Kshs.140.93 million (19.9 per cent) on operations and maintenance as shown in Figure 3.44.

Expenditure on personnel emoluments represented an increase of 9.4 per cent compared to Kshs.519.95 million incurred in the first quarter of FY 2016/17, and was 80.1 per cent of total expenditure in the first quarter of FY 2017/18. Figure 3.45 shows a summary of operations and maintenance expenditure by major categories.

Figure 3.45: Kirinyaga County, Operations and Maintenance Expenditure by Major Categories in the First Quarter of FY 2017/18



Source: Kirinyaga County Treasury

The County Assembly did not incur any expenditure on MCA committee sitting allowance during the reporting period. Expenditure on domestic and foreign travel amounted to Kshs.22.59 million and consisted of Kshs.12.97 million incurred by the County Assembly and Kshs.9.62 million by the County Executive. It represented 3.2 per cent of total recurrent expenditure and was a decrease of 49.3 per cent compared to Kshs.44.52 million incurred in the first quarter of FY 2016/17.

3.15.7 Development Expenditure Analysis

The County did not report any expenditure on development activities during the reporting period.

3.15.8 Budget and Budget Performance Analysis by Department

Table 3.32 shows a summary of budget estimates and budget performance by department in the first quarter of FY 2017/18

Table 3.32: Kirinyaga County, Budget Performance by Department in the First Quarter of FY 2017/18

Department	Budget Allocation (Kshs.Million)		Exchequer Issues in the first quarter of FY 2017/18 (Kshs.Million)		Expenditure in the first quarter of FY 2017/18 (Kshs.Million)		Expenditure to Exchequer Issues (%) First Quarter FY 2017/18		Absorption rate (%) First Quarter FY 2017/18	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
County Assembly	536.12	140	101.34	-	101.34	-	100	-	18.9	-
County Executive Services	356.81	230.19	86.2	-	78.81	-	91.4	-	22.1	-
Finance and Economic Planning	494.95	24.2	74.37	-	87.88	-	118.2	-	17.8	-
Medical Services	1, 275.84	144.8	344.42	-	312.74	-	90.8	-	24.5	-
Education	195.18	83.65	24.83	-	25.2	-	101.1	-	12.9	-
Agriculture	205.64	107.30	51.13	-	50.34	-	98.5	-	24.5	-
Gender/Culture & Social Services	51.99	51.45	6.35	-	7.44	-	117.1	-	14.3	-
Trade & Co-operative Development	33.97	71.8	5.58	-	5.38	-	96.4	-	15.8	-
Environment and Natural Resources	87.45	168.9	27.138	-	23.86	-	88	-	27.3	-
Physical Planning and Housing	26.35	52.10	4.19	-	2.3	-	54.9	-	8.7	-
Transport and Infrastructure	75.12	356.80	12.96	-	14.45	-	111.5	-	19.2	-
TOTAL	3, 339.44	1, 431.19	738.49	-	709.63	-	96.1	-	21.3	-

Source: Kirinyaga County Treasury

Analysis of budget performance by department shows that the Department of Environment and Natural Resources had the highest percentage of recurrent expenditure to recurrent budget at 27.3 per cent, followed by the Department of Medical Services and Agriculture each at 24.5 per cent, while the Department of Physical Planning and Housing had the lowest at 8.7 per cent.

3.15.9 Observations and Recommendations

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

- i. Establishment of an Internal Audit Committee by the County Assembly in compliance with Section 155 (5) of the PFM Act, 2012.
- ii. Adoption of IFMIS and Internet Banking by the County Assembly.
- iii. Timely submission of quarterly financial reports to the Controller of Budget by the County Government entities in line with Section 166 of the PFM Act, 2012.

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

1. Delay in disbursement of the equitable share of revenue raised nationally by the National Treasury. As at end of the first quarter of FY2017/18, Kshs.308.64 million had been disbursed against an expected disbursement of Kshs.1.01 billion based on the CARA, 2017 Disbursement Schedule.
2. High wage bill which accounted for 80.1 per cent of the total recurrent expenditure during the reporting period, thus constraining funding of other programmes.

3. IFMIS connectivity challenges, which slowed down approval of procurement requests and payment to suppliers.
4. Under-performance in local revenue collection. The Local revenue collection declined by 58.2 per cent from Kshs.78.08 million in the first quarter of FY 2016/17 to Kshs.32.65 million in the reporting period.
5. Failure by the County Executive to establish an Internal Audit Committee in compliance to Section 155 (5) of the PFM Act, 2012.
6. Failure to budget for all conditional grants as per CARA, 2017.

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

1. *The County Treasury should liaise with the National Treasury to ensure that funds allocated to the County are released in line with the CARA, 2017 Disbursement Schedule.*
2. *The County Public Service Board should develop an optimal staffing structure to address the escalating wage bill.*
3. *The County Treasury should liaise with the IFMIS Directorate for support in the use of IFMIS and to address the connectivity challenges.*
4. *The County Treasury should develop and implement strategies to enhance local revenue collection.*
5. *The County Executive should establish an Internal Audit Committee in compliance with Section 155 (5) of the PFM Act, 2012.*
6. *The County should prepare a Supplementary Budget to align conditional grants to the CARA, 2017.*

3.16 Kisii County

3.16.1 Overview of the FY 2017/18 Budget

The County's FY 2017/18 Approved Budget is Kshs.10.03 billion, comprising of Kshs.6.62 billion (66 per cent) and Kshs.3.41 billion (34 per cent) allocation for recurrent and development expenditure respectively.

To finance the budget, the County expects to receive Kshs.7.45 billion (74.3 per cent) as equitable share of revenue raised nationally, Kshs.977.19 million (9.7 per cent) as total conditional grants, and generate Kshs.850 million (8.5 per cent) from local revenue sources, and Kshs.752.99 million (7.5 per cent) cash balance from FY 2016/17.

The conditional grants contained in the CARA, 2017 of Kshs.1.14 billion comprise of Kshs.302.23 million (30.9 per cent) from the Road Maintenance Fuel Levy Fund, Kshs.26.14 million (2.7 per cent) as Compensation for User Fee Foregone, Kshs.20.48 million (2.1 per cent) from DANIDA, Kshs.417.57 million (42.7 per cent) for Level 5 Hospital, Kshs.50.37 million (5.2 per cent) for the

World Bank Kenya Devolution Support Program, Kshs.29.82 million (3.1 per cent) for Development of Youth Polytechnics, Kshs.50.98 million (5.2 per cent) as World Bank Loan for Transforming Health System for Universal Care System, Kshs.50 million (5.1 per cent) as World Bank Loan for National Agricultural & Rural Inclusive Project, Kshs.66 million (6.8 per cent) as European Union (EU) Grant, Kshs.95.74 million (9.8 per cent) as grant for Leasing of Medical Equipment and Kshs.34.44 million (3.5 per cent) from Other Loans and Grants.

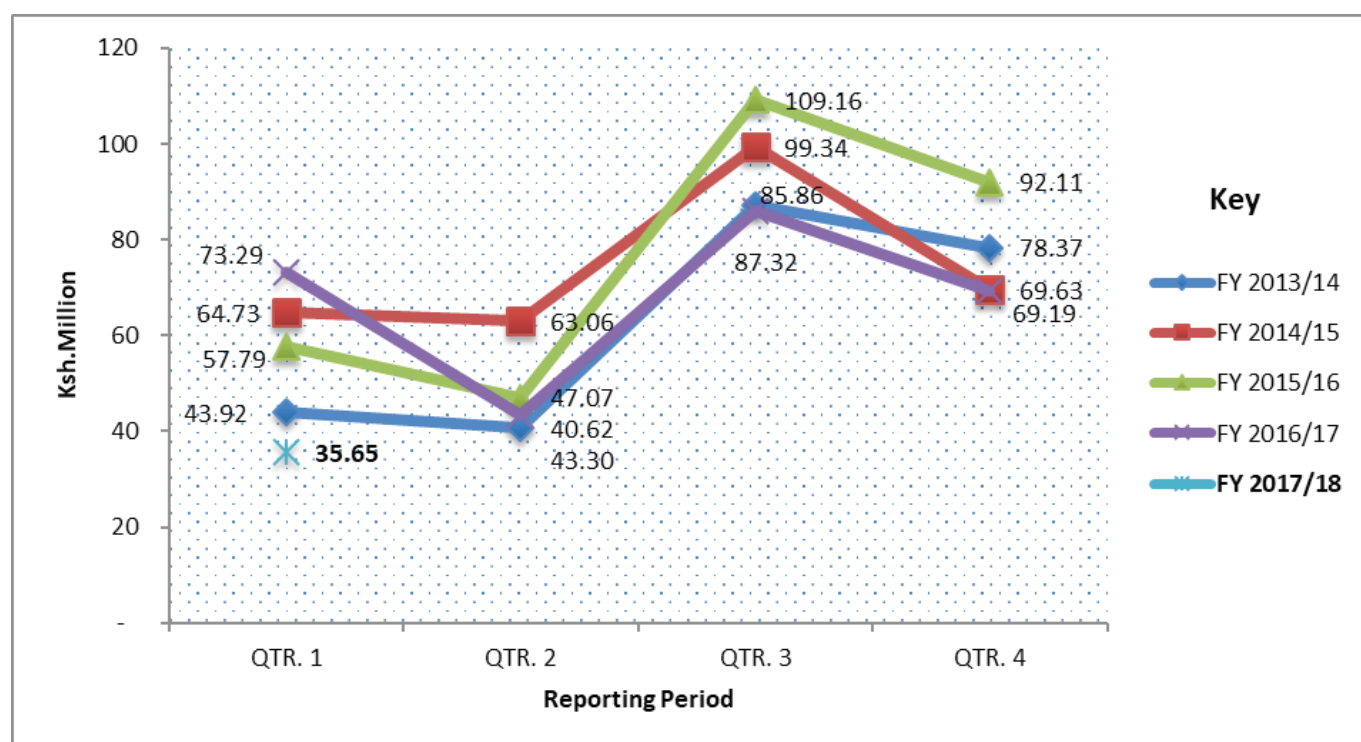
The County budgeted for Kshs.141.01 million for Free Maternal Healthcare, although this grant is not contained in the CARA, 2017.

3.16.2 Revenue Analysis

During the first quarter of FY 2017/18, the County received Kshs.140.95 million as total conditional allocations, raised Kshs.35.65 million from local revenue sources, and had a cash balance of Kshs.1.53 billion brought forward from FY 2016/17. The available funds amounted to Kshs.1.71 billion.

Figure 3.46 shows the quarterly trend in local revenue collection from the first quarter of FY 2013/14 to the first quarter FY 2017/18.

Figure 3.46: Kisii County, Trend in Local Revenue Collection by Quarter from the First Quarter of FY 2013/14 to the First Quarter of FY 2017/18



Source: Kisii County Treasury

The total local revenue collected in the first quarter of FY 2017/18 amounted to Kshs.35.65 million, representing a decrease of 51.4 per cent compared to Kshs.73.29 million generated in a similar period of FY 2016/17, and represented 4.2 per cent of the annual local revenue target.

3.16.3 Conditional Grants

Table 3.33 shows an analysis of conditional grants released in the first quarter of FY 2017/18.

Table 3.33: Kisii County, Analysis of Conditional Grants Released in the First Quarter of FY 2017/18

S/No	Grants	Annual CARA, 2017 Allocation (in Kshs)	Annual Budget Allocation (in Kshs)	Actual receipts in First Quarter of FY 2017/18 (in Kshs)	Actual Receipts as Percentage of Annual Allocation (%)
A	Grants Contained CARA, 2017				
1	Road Maintenance Fuel Levy Fund	302, 237, 646	196, 087, 500	140, 956, 469	46.6
2	Leasing of Medical Equipment	95, 744, 681	95, 744, 681	-	-
3	Kenya Development Support Programme (KDSP)	50, 373, 489	-	-	-
4	Compensation for User Fee Foregone	26, 138, 997	26, 138, 997	-	-
5	DANIDA Grant	20, 480, 807	34, 632, 447	-	-
6	Level-5 Hospitals	417, 572, 254	417, 572, 254	-	-
7	Development of Youth Polytechnics	29, 817, 690	-	-	-
8	Other Loans & Grants	34, 439, 292	-	-	-
9	World Bank Loan for Transforming Health System for Universal Care System	50, 984, 665	-	-	-
10	World Bank Loan for National Agricultural & Rural Inclusive Project	50, 000, 000	-	-	-
11	EU Grant	66, 000, 000	66, 000, 000	-	-
Sub Total		1, 143, 789, 521	836, 175, 879	140, 956, 469	12
B	Other Grants				
12	Conditional allocation for Free Maternal Health Care		141, 013, 965	-	-
Sub Total		-	141, 013, 965	-	-
Total		1, 143, 789, 521	977, 189, 844	140, 956, 469	12

Source: Kisii County Treasury

Analysis of the conditional grants released during the period under review indicates that, the Road Maintenance Fuel Levy Fund recorded a receipt of Kshs.140.96 million which was 46.6 per cent of annual allocation. The County did not receive funds from the other grants.

3.16.4 Exchequer Issues

During the reporting period, the Controller of Budget authorized withdrawal of Kshs.1.32 billion from the CRF account, which was 13.2 per cent of the Approved Budget. This amount was a decrease of 36.4 per cent from Kshs.2.08 billion authorized in a similar period of FY 2016/17. The entire amount was for recurrent expenditure.

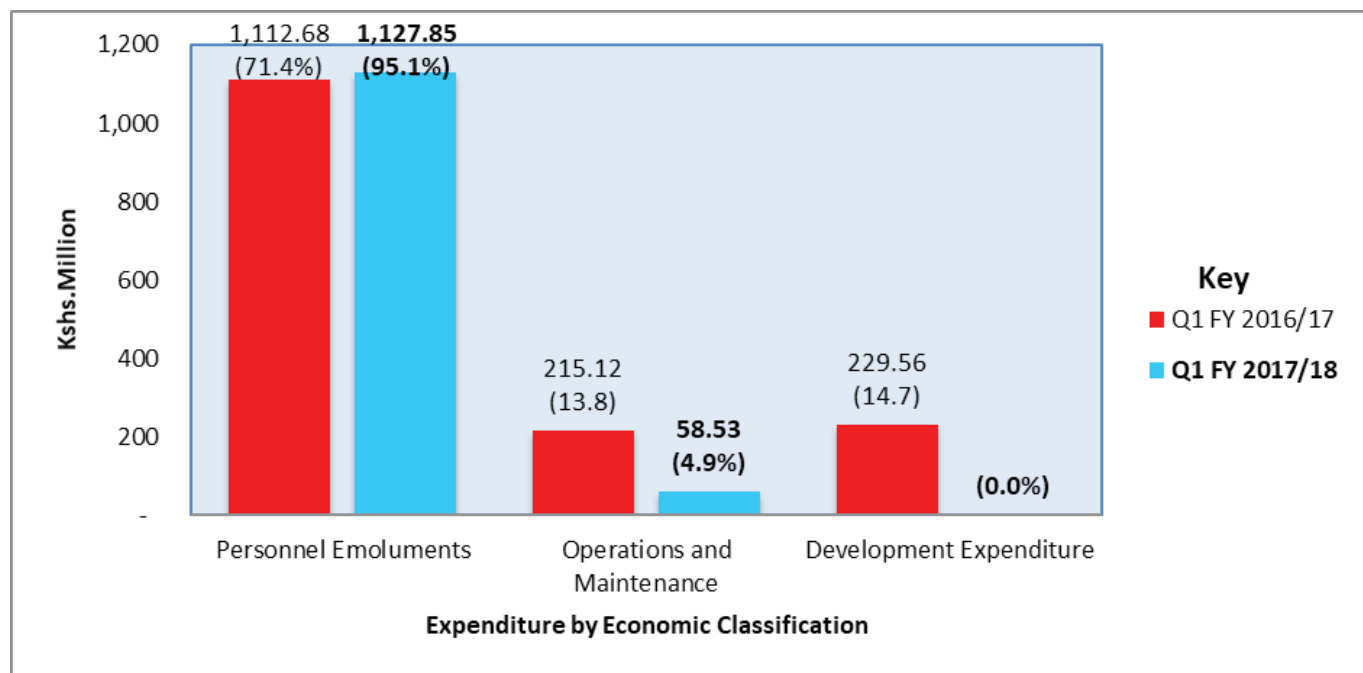
3.16.5 Overall Expenditure Review

The County incurred Kshs.1.19 billion, which was 89.8 per cent of the total funds released for operations. This was a decrease of 23.7 per cent from Kshs.1.56 billion incurred in the first quarter of FY 2016/17.

The total expenditure of Kshs.1.19 billion was incurred on recurrent activities and represented 89.8 per cent of the funds released for recurrent activities. The expenditure excluded outstanding commitments as at September 30th, 2017 that amounted to Kshs.39.32 million for recurrent expenditure.

The recurrent expenditure represented 17.9 per cent of the annual recurrent budget, a decrease from 21.8 per cent incurred in a similar period of FY 2016/17. Figure 3.47 presents a comparison between the total expenditure in the first quarter of FY 2016/17 and the first quarter of FY 2017/18.

Figure 3.47: Kisii County, Expenditure by Economic Classification in the First Quarter of FY 2016/17 and First Quarter of FY 2017/18



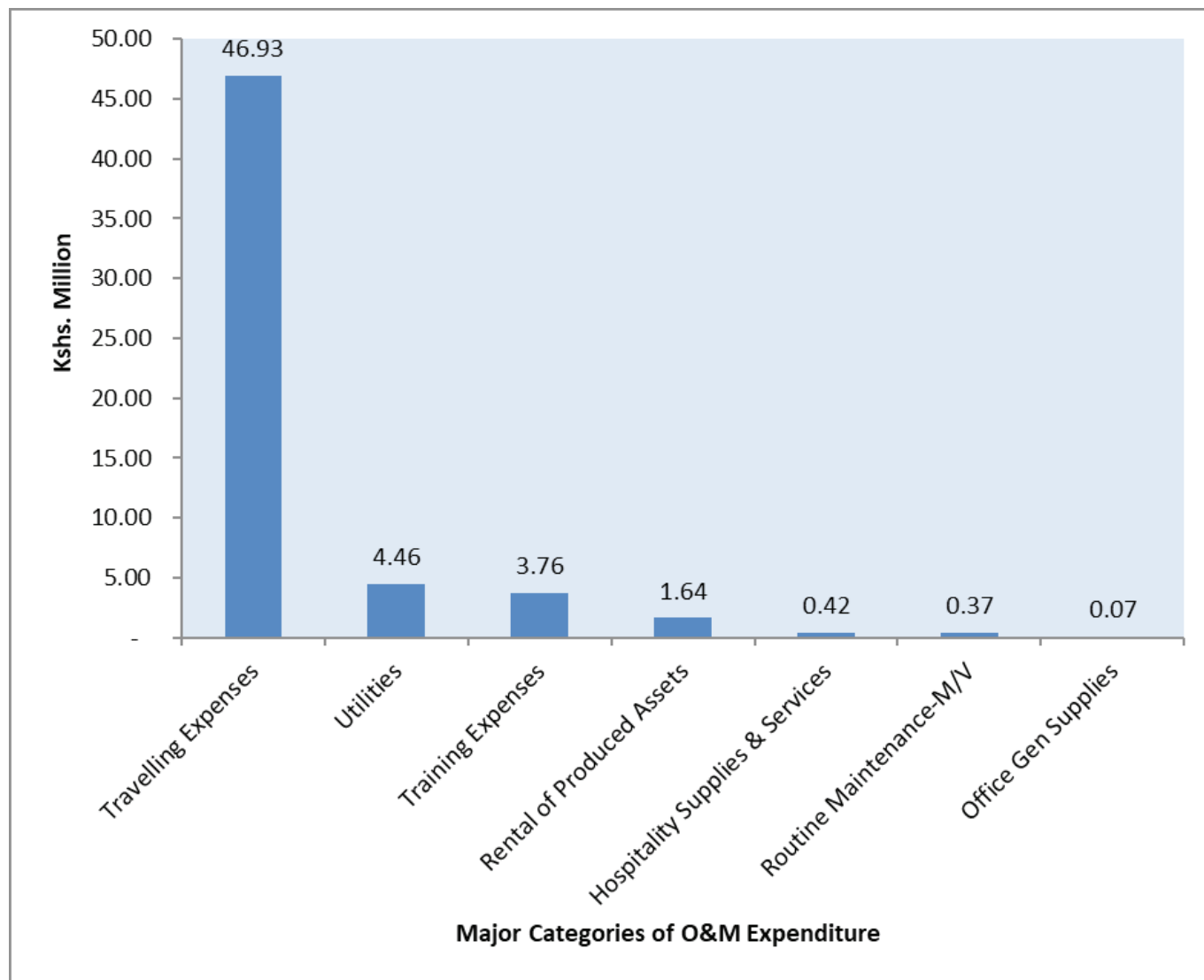
Source: Kisii County Treasury

3.16.6 Analysis of Recurrent Expenditure

The total recurrent expenditure of Kshs.1.19 billion consisted of Kshs1.13 billion (95.1 per cent) incurred on personnel emoluments and Kshs.58.53 million (4.9 per cent) on operations and maintenance as shown in Figure 3.47.

Expenditure on personnel emoluments represented an increase of 1.35 per cent compared to Kshs.1.11 billion incurred in the first quarter of FY 2016/17, and was 95.1 per cent of total expenditure in the first quarter of FY 2017/18. Figure 3.48 shows a summary of operations and maintenance expenditure by major categories.

Figure 3.48: Kisii County, Operations and Maintenance Expenditure by Major Categories in the First Quarter of FY 2017/18



Source: Kisii County Treasury

The County Assembly did not incur any expenditure on committee sitting allowances for the 69 MCAs. Expenditure on domestic and foreign travel amounted to Kshs.46.93 million and consisted of Kshs.12.59 million incurred by the County Assembly and Kshs.34.34 million by the County Executive. It represented 4 per cent of total recurrent expenditure and was a decrease of 3.4 per cent compared to Kshs.48.56 million incurred in the first quarter of FY 2016/17.

3.16.7 Budget and Budget Performance Analysis by Department

Table 3.34 shows a summary of budget estimates and budget performance by department in the first quarter of FY 2017/18.

Table 3.34: Kisii County, Budget Performance by Department in the First Quarter of FY 2017/18

Department	Budget Allocation (Kshs.Million)		Exchequer Issues in First Quarter of FY 2017/18 (Kshs. Million)		Expenditure in First Quarter of FY 2017/18 (Kshs. Million)		First Quarter of FY 2017/18 Expenditure to Exchequer Issues (%)		First Quarter of FY 2017/18 Absorption rate (%)	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
County Assembly	1, 137.57	110.78	102.40	-	70.03	-	68.4	-	6.2	-
County Executive	444.19	20	94.34	-	67.16	-	71.2	-	15.1	-
Finance and Economic Planning	736.98	142.20	145.49	-	92.05	-	63.3	-	12.5	-
Agriculture	283.81	243.90	58.67	-	53.61	-	91.4	-	18.9	-
Water Development, Environment & Natural Resources	144.47	304.10	21.12	-	40.82	-	193.3	-	28.3	-
Education, Youth Affairs and Social Development	541.81	232.70	88.63	-	86.79	-	97.9	-	16	-
County Health Services	2, 399.80	717.23	634.63	-	591.48	-	93.2	-	24.6	-
Land, Physical Planning and Urban Development	87.86	281	15.17	-	13.48	-	88.9	-	15.3	-
Roads, Public Works and Transport	133.88	933.09	21.30	-	20.63	-	96.8	-	15.4	-
Trade Development and Regulations	83.54	152.50	12.27	-	15.12	-	123.2	-	18.1	-
Culture and Social Services	77.75	139.40	10.07	-	15.77	-	156.7	-	20.3	-
Kisii Town Urban Area	75.82	18	13.22	-	22.81	-	172.6	-	30.1	-
Administration and Stakeholder Management	472.28	114	103.96	-	96.62	-	92.9	-	20.5	-
TOTAL	6, 619.76	3, 408.90	1, 321.27		1, 186.38	-	89.8	-	17.9	-

Source: Kisii County Treasury

Analysis of budget performance by department shows that the Kisii Town Urban Area Department had the highest percentage of recurrent expenditure to recurrent budget at 30.1 per cent while the County Assembly had the lowest at 6.2 per cent.

3.16.8 Observations and Recommendations

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

- Establishment of the County Budget and Economic Forum (CBEF) in line with Section 137 of the PFM Act, 2012.
- Establishment of an Internal Audit Committee in line with Section 155 (5) of the PFM Act, 2012.
- Compliance with the requirement to use IFMIS and Internet Banking by the County Assembly.

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

- Delay in disbursement of the equitable share of revenue raised nationally by the National Treasury. As at the end of the reporting period, the County had not received the equitable share of revenue.

2. Under-performance in local revenue collection, which declined by 51.4 per cent from Kshs.73.29 million in the first quarter of FY 2016/17 to Kshs.35.65 million in the reporting period.
3. Failure by the County to budget for all the conditional grants as contained in the CARA, 2017.

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

1. *The County Treasury should liaise with the National Treasury to ensure that funds allocated to the County are released in line with the CARA, 2017 Disbursement Schedule.*
2. *The County Treasury should formulate and implement strategies to enhance local revenue collection.*
3. *The County Treasury should prepare a Supplementary Budget and capture all the Conditional Grants in the CARA, 2017.*

3.17 Kisumu County

3.17.1 Overview of the FY 2017/18 Budget

The County's FY 2017/18 Approved Budget is Kshs.9.66 billion, comprising of Kshs.6.62 billion (68.6 per cent) and Kshs.3.04 billion (31.4 per cent) allocation for recurrent and development expenditure respectively.

To finance the budget, the County expects to receive Kshs.6.55 billion (67.9 per cent) as equitable share of revenue raised nationally, Kshs.961.61 million (10 per cent) as total conditional grants, and generate Kshs.1.4 billion (14.4 per cent) from local revenue sources, and Kshs.747.84 million (7.7 per cent) cash balance from FY 2016/17.

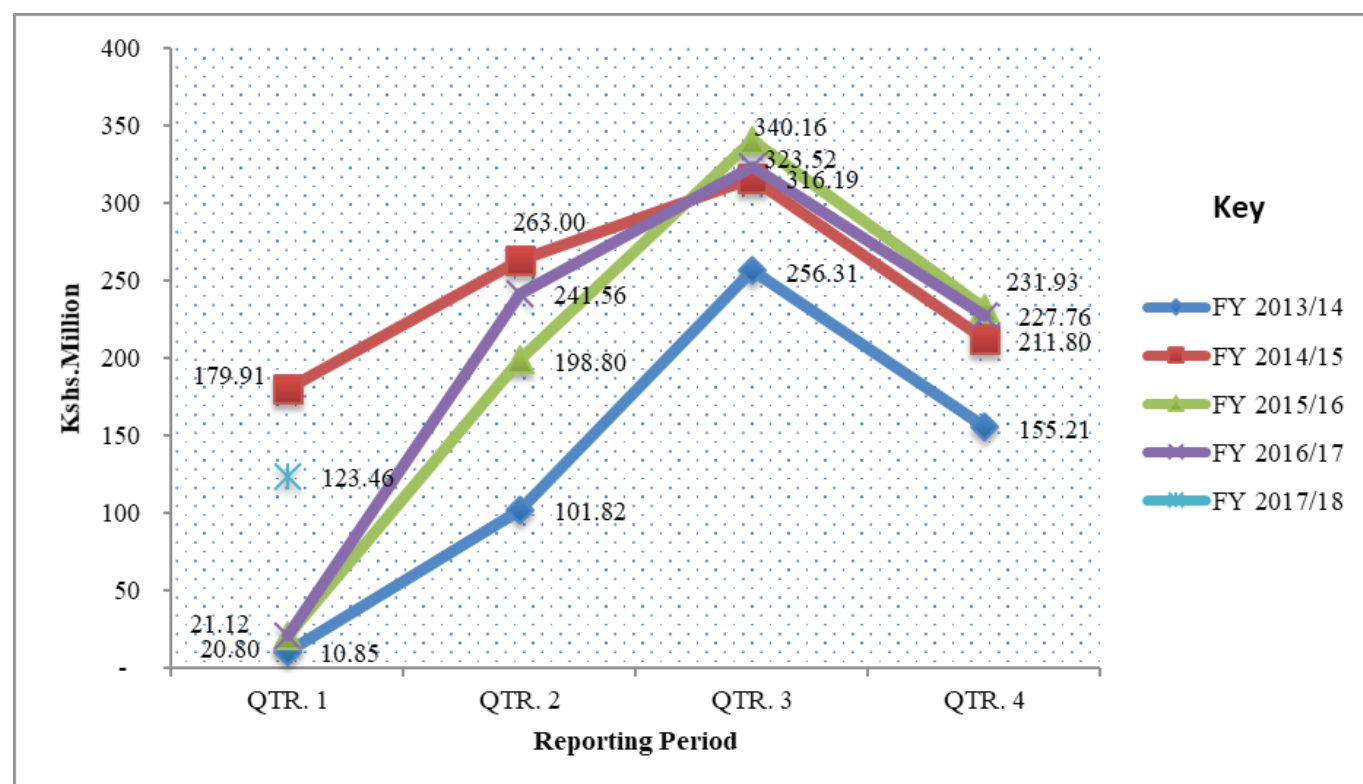
The conditional grants contained in the CARA, 2017 of Kshs.961.75 million comprise of Kshs.369.02 million (38.4 per cent) for Level 5 Hospital, Kshs.242.06 million (25.2 per cent) from the Road Maintenance Fuel Levy Fund, Kshs.95.74 million (10 per cent) for Leasing of Medical Equipment, Kshs.66 million (6.9 per cent) as European Union (EU) Grant, Kshs.46.36 million (4.8 per cent) from the World Bank for Kenya Devolution Support Program, Kshs.46.31 million (4.8 per cent) as World Bank Loan for Transforming Health System for Universal Care System, Kshs.30.07 million (3.1 per cent) as Other Loans and Grants, Kshs.28.47 million (3 per cent) for Development of Youth Polytechnics, Kshs.21.30 million (2.2 per cent) as Compensation for User Fee Foregone and Kshs.16.4 million (1.7 per cent) from DANIDA.

3.17.2 Revenue Analysis

During the first quarter of FY 2017/18, the County received Kshs.112.89 million as total conditional allocations, raised Kshs.123.46 million from local revenue sources, and had a cash balance of Kshs.550.89 million from FY 2016/17. The County did not receive the equitable share of revenue raised nationally in the period under review. The available funds amounted to Kshs.787.24 million.

Figure 3.49 shows the quarterly trend in local revenue collection from the first quarter of FY 2013/14 to the first quarter FY 2017/18.

Figure 3.49: Kisumu County, Trend in Local Revenue Collection by Quarter from the First Quarter of FY 2013/14 to the First Quarter of FY 2017/18



Source: Kisumu County Treasury

The total local revenue collected in the first quarter of FY 2017/18 amounted to Kshs.123.46 million, representing a decrease of 41.5 per cent compared to Kshs.211.21 million generated in a similar period of FY 2016/17, and represented 8.8 per cent of the annual local revenue target.

3.17.3 Conditional Grants

Table 3.35 shows an analysis of conditional grants released in the first quarter of FY 2017/18.

Table 3.35: Kisumu County, Analysis of Conditional Grants Released in the First Quarter of FY 2017/18

S/No	Grants	Annual CARA, 2017 Allocation (in Kshs)	Annual Budget Allocation (in Kshs)	Actual receipts in First Quarter of FY 2017/18 (in Kshs.)	Actual Receipts as Percentage of Annual Allocation (%)
A	Grants Contained CARA, 2017				
1	Road Maintenance Fuel Levy Fund	242, 061, 249	242, 061, 249	112, 891, 625	46.6
2	Leasing of Medical Equipment	95, 744, 681	95, 744, 681	-	-
3	Kenya Devolution Support Program (KDSP)	46, 361, 941	46, 361, 941	-	-
4	Compensation for User Fee Foregone	21, 299, 489	21, 165, 550	-	-
5	DANIDA Grant	16, 403, 019	16, 403, 019	-	-
6	Conditional Grants to Level-5 Hospitals	369, 017, 341	369, 017, 341	-	-
7	Conditional Grant for Development of Youth Polytechnics	28, 472, 587	28, 472, 587	-	-
8	Other Loans & Grants	30, 073, 021	30, 073, 021	-	-

S/No	Grants	Annual CARA, 2017 Allocation (in Kshs)	Annual Budget Allocation (in Kshs)	Actual receipts in First Quarter of FY 2017/18 (in Kshs.)	Actual Receipts as Percentage of Annual Allocation (%)
9	World Bank Loan for Transforming Health System for Universal Care System	46,312,993	46,312,993	-	-
10	European Union (EU) Grant	66,000,000	66,000,000	-	-
Total		961,746,321	961,612,382	112,891,625	11.7

Source: Kisumu County Treasury

Analysis of the conditional grants released during the period under review indicates that, only the Road Maintenance Fuel Levy Fund received Kshs.112.89 million which was 46.6 per cent of annual target. The County did not receive funds from the rest of the conditional grants.

3.17.4 Exchequer Issues

During the reporting period, the Controller of Budget authorized withdrawal of Kshs.641.9 million from the CRF account, which was 6.6 per cent of the Approved Budget. This amount was a decrease of 56.6 per cent from Kshs.1.49 billion authorized in a similar period of FY 2016/17. The entire amount was for recurrent expenditure.

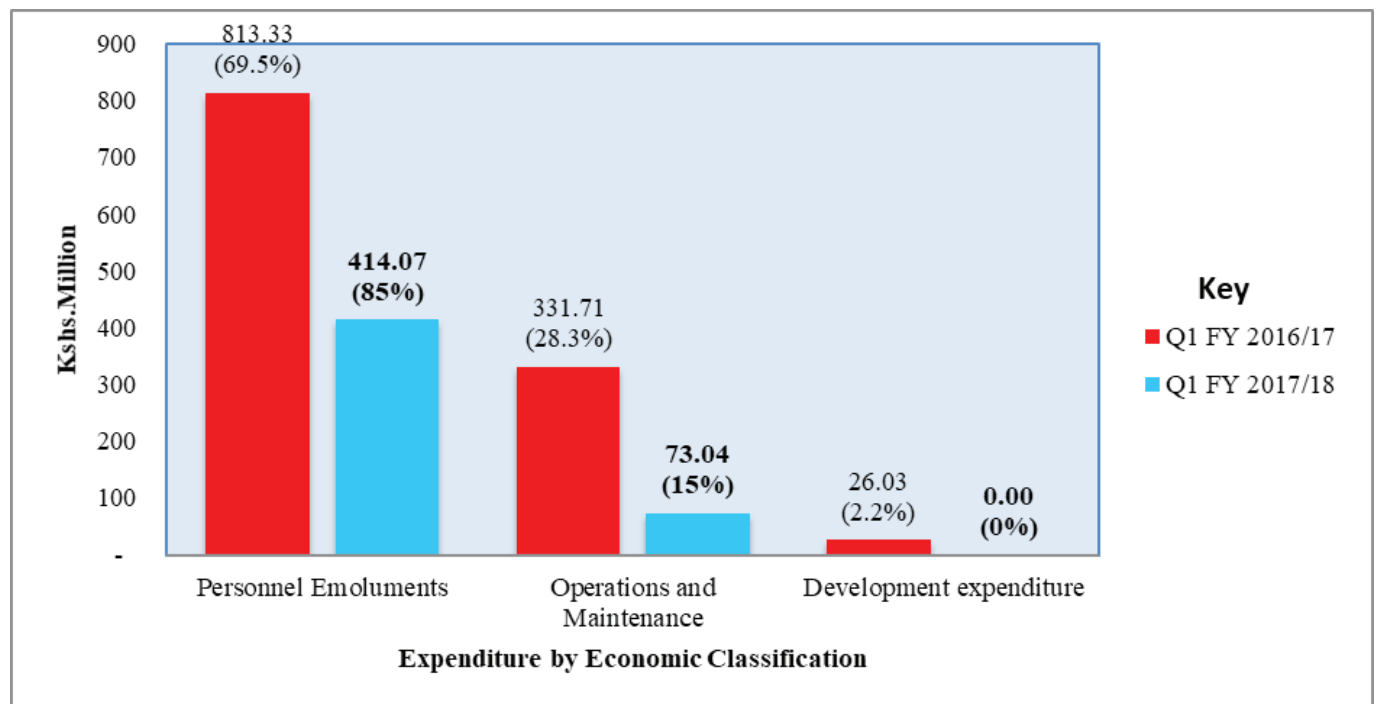
3.17.5 Overall Expenditure Review

The County incurred Kshs.487.1 million, which was 75.9 per cent of the total funds released for operations. This was a decrease of 58.4 per cent from Kshs.1.41 billion incurred in the first quarter of FY 2016/17.

The total expenditure of Kshs.487.1 million was incurred on recurrent activities and represented 75.9 per cent of the funds released for recurrent activities. The expenditure excluded outstanding commitments as at September 30th, 2017 that amounted to Kshs.1.69 billion for development and Kshs.664.95 million for recurrent expenditure.

The recurrent expenditure represented 7.3 per cent of the annual recurrent budget, a decrease from 19.3 per cent incurred in a similar period of FY 2016/17. Figure 3.50 presents a comparison between the total expenditure in the first quarter of FY 2016/17 and the first quarter of FY 2017/18.

Figure 3.50: Kisumu County, Expenditure by Economic Classification in the First Quarter of FY 2016/17 and First Quarter of FY 2017/18



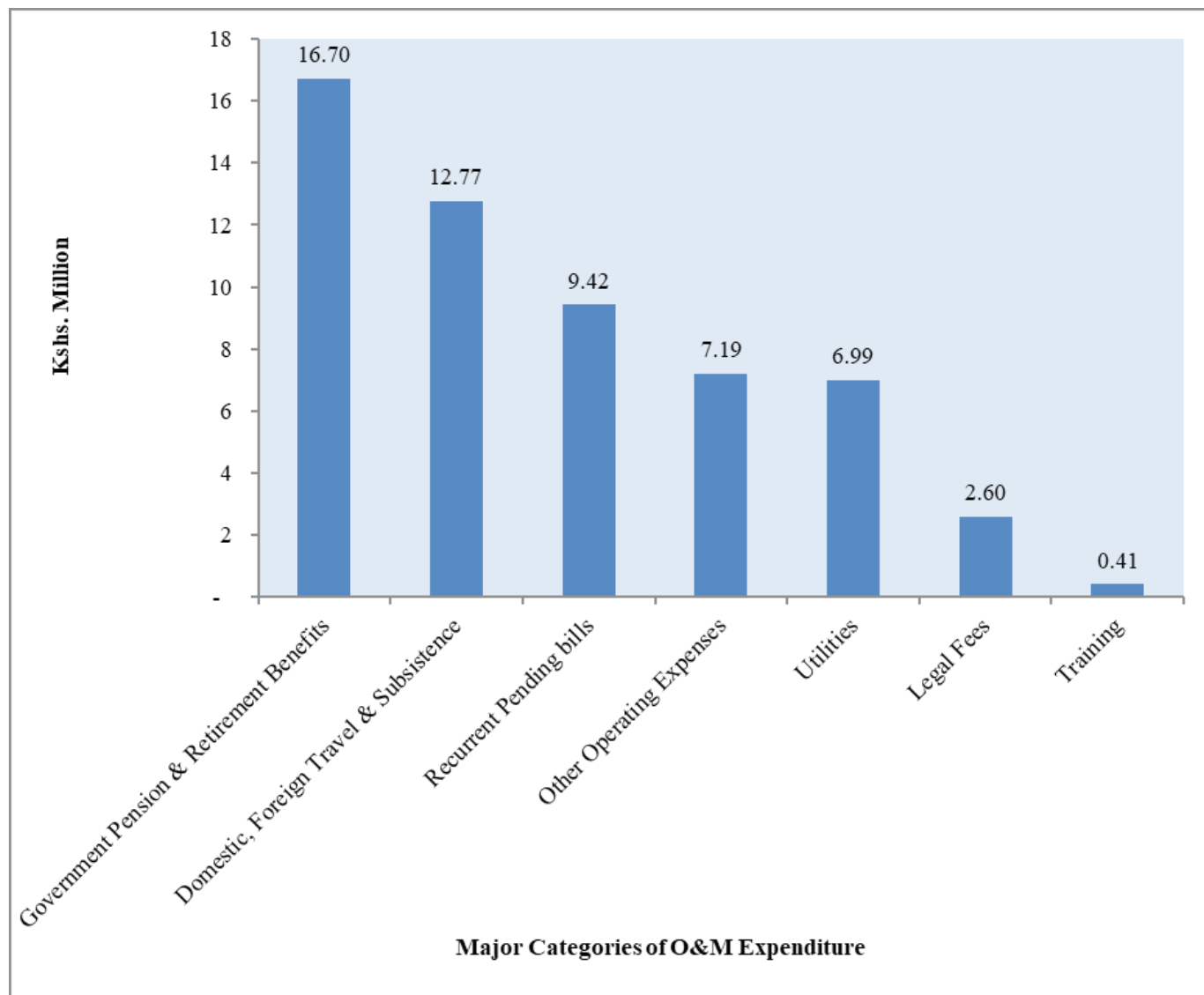
Source: Kisumu County Treasury

3.17.6 Analysis of Recurrent Expenditure

The total recurrent expenditure of Kshs.487.1 million consisted of Kshs.414.07 million (85 per cent) incurred on personnel emoluments and Kshs.73.04 million (15 per cent) on operations and maintenance as shown in Figure 3.50.

Expenditure on personnel emoluments represented a decrease of 49.1 per cent compared to Kshs.813.33 million incurred in the first quarter of FY 2016/17, and was 85 per cent of total expenditure in the first quarter of FY 2017/18. Figure 3.51 shows a summary of operations and maintenance expenditure by major categories.

Figure 3.51: Kisumu County, Operations and Maintenance Expenditure by Major Categories in the First Quarter of FY 2017/18



Source: Kisumu County Treasury

The County incurred Kshs.6.41 million on sitting allowances to the 48 MCAs against the annual budget allocation of Kshs.63.5 million. This was a decrease of 10.1 per cent compared to Kshs.14.25 million incurred in the first quarter of FY 2016/17. The average monthly committee sitting allowance was Kshs.43,600 per MCA compared to SRC's recommended monthly ceiling of Kshs.80,000.

Expenditure on domestic and foreign travel amounted to Kshs.12.77 million and consisted of Kshs.5.35 million incurred by the County Assembly and Kshs.7.42 million by the County Executive. It represented 2.6 per cent of total recurrent expenditure and was a decrease of 69.6 per cent compared to Kshs.42 million incurred in the first quarter of FY 2016/17.

3.17.7 Development Expenditure Analysis

The County did not report any expenditure on development activities during the reporting period.

3.17.8 Budget and Budget Performance Analysis by Department

Table 3.36 shows a summary of budget estimates and budget performance by department in the first quarter of FY 2017/18.

Table 3.36: Kisumu County, Budget Performance by Department in the First Quarter of FY 2017/18

Department	Budget Allocation (Kshs.Million)		Exchequer Issues in First Quarter of FY 2017/18 (Kshs. Million)		Expenditure in First Quarter of FY 2017/18 (Kshs.Million)		First Quarter of FY 2017/18 Expenditure to Exchequer Issues (%)		First Quarter of FY 2017/18 Absorption rate (%)	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
Office of the Governor and County Administration	449.71	113.04	33.16	-	15.64	-	47.2	-	3.5	-
Finance and Planning	918.64	1, 161.46	69.49	-	20.49	-	29.5	-	2.2	-
Agriculture, Livestock and Fisheries	265.77	178.74	33.51	-	32.01	-	95.5	-	12	-
Education, Youth, Culture and Social Services	385.14	145.66	18.63	-	9.46	-	50.8	-	2.5	-
Tourism, Trade and Heritage	52.35	160.93	3.99	-	0.35	-	8.8	-	0.7	-
Lands, Housing and Physical Planning	29.86	159.34	2.52	-	5.6	-	222.4	-	18.8	-
Roads, Transport and Public Works	221.87	189.79	10	-	6.03	-	60.3	-	2.7	-
Health Services	2, 449.61	164.13	291.57	-	230.55	-	79.1	-	9.4	-
Water, Environment and Natural Resources	177.7	164.16	12.11	-	12.45	-	102.9	-	7	-
Industrialization, Enterprise Development, Energy and Mining	151.29	330.22	13.8	-	16.49	-	119.5	-	10.9	-
Communication, Information and Technology	84.52	145.67	4.28	-	6.35	-	148.4	-	7.5	-
County Assembly	656.62	-	36.90	-	37.05	-	100.4	-	5.6	-
City of Kisumu	672.19	119.96	104.89	-	83.31	-	79.4	-	12.4	-
County Public Service Board	105.74	4	7.05	-	11.33	-	160.7	-	10.7	-
Total	6, 621.01	3, 037.1	641.9	-	487.11	-	75.9	-	7.3	-

Source: Kisumu County Treasury

Analysis of budget performance by department shows the Department of Lands, Housing and Physical Planning had the highest percentage of recurrent expenditure to recurrent budget at 18.8 per cent while the Tourism, Trade and Heritage Department had the lowest at 0.7 per cent.

3.17.9 Observations and Recommendations

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

- Establishment of the County Budget and Economic Forum (CBEF) in line with Section 137 of the PFM Act, 2012.
- Timely submission of quarterly financial reports to the Controller of Budget by the County Government entities in line with Section 166 of the PFM Act, 2012.

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

1. Failure by the National Treasury to disburse the equitable share of revenue raised nationally during the first quarter of FY 2017/18.
2. Under-performance in local revenue collection, which declined by 41.5 per cent from Kshs.211.21 million in the first quarter of FY 2016/17 to Kshs.123.46 million in the reporting period.
3. Failure to budget for all conditional grants as per CARA, 2017.

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

1. *The County Treasury should liaise with the National Treasury to ensure that funds allocated to the County are disbursed in line with the CARA, 2017 Disbursement Schedule.*
2. *The County should formulate and implement strategies to enhance local revenue collection.*
3. *The County should prepare a Supplementary Budget to align conditional grants to the CARA, 2017.*

3.18 Kitui County

3.18.1 Overview of the FY 2017/18 Budget

The County's FY 2017/18 Approved Budget is Kshs.9.87 billion, comprising of Kshs.6.25 billion (63.3 per cent) and Kshs.3.62 billion (36.7 per cent) allocation for recurrent and development expenditure respectively.

To finance the budget, the County expects to receive Kshs.8.37 billion (84.8 per cent) as equitable share of revenue raised nationally, Kshs.576.94 million (5.8 per cent) as total conditional grants, and generate Kshs.702.04 million (7.1 per cent) from local revenue sources, and Kshs.226 million (2.3 per cent) cash balance from FY 2016/17.

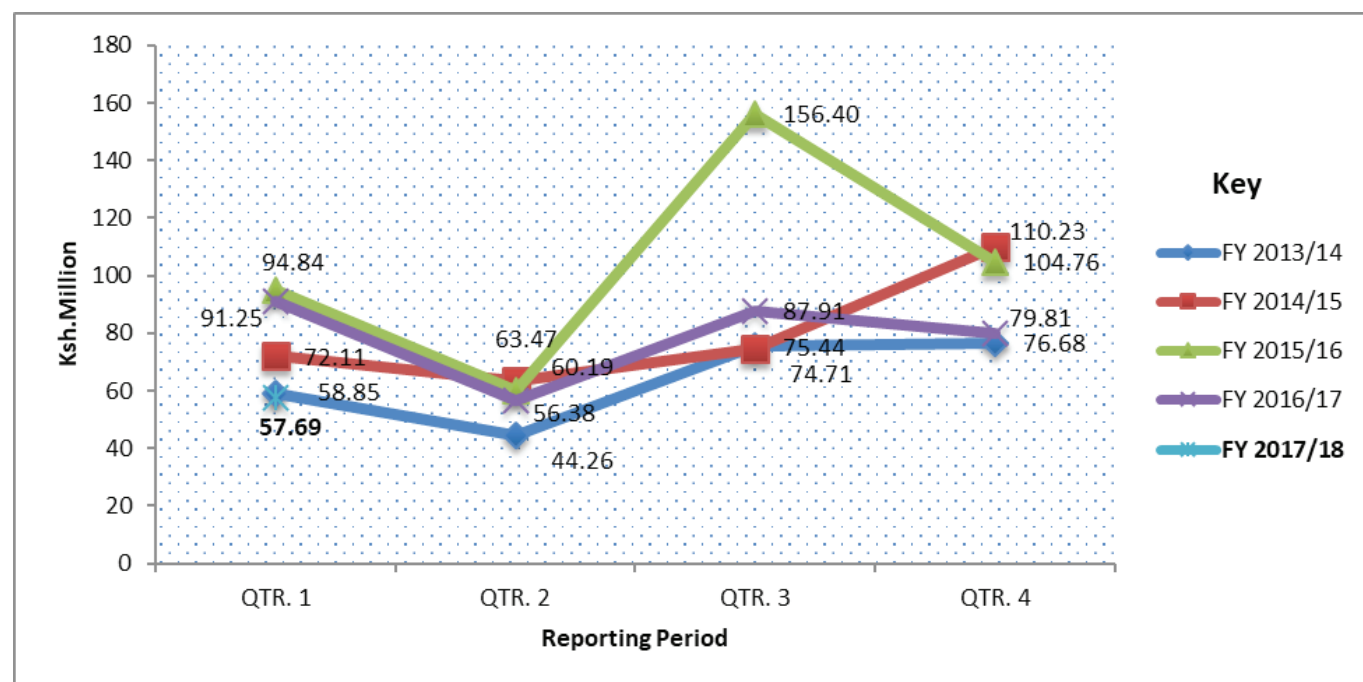
The conditional grants contained in the CARA, 2017 of Kshs.840.3 million comprise of Kshs.95.74 million (11.4 per cent) for Leasing of Medical Equipment, Kshs.309.64 million (36.8 per cent) from the Road Maintenance Fuel Levy Fund, Kshs.22.5 million (2.7 per cent) as Compensation for User Fee Foregone, Kshs.20.98 million (2.5 per cent) from DANIDA, Kshs.58.21 million (6.9 per cent) as World Bank loan to supplement financing of County Health facilities, Kshs.53.67 million (6.4 per cent) for the World Bank Kenya Devolution Support Program, Kshs.67.58 million (8 per cent) for Development of Youth Polytechnics, Kshs.103.43 million (12.3 per cent) as World Bank Loan for Transforming Health System for Universal Care System, Kshs.50 million (6 per cent) as World Bank Loan for National Agricultural & Rural Inclusive Project, and Kshs.58.55 million (7 per cent) from Other Loans and Grants.

3.18.2 Revenue Analysis

During the first quarter of FY 2017/18, the County did not receive its equitable share of revenue raised nationally. The County received Kshs.144.41 million as total conditional allocations, raised Kshs.57.69 million from local revenue sources, and had a cash balance of Kshs.1.32 billion brought forward from FY 2016/17. The available funds amounted to Kshs.1.52 billion.

Figure 3.52 shows the quarterly trend in local revenue collection from the first quarter of FY 2013/14 to the first quarter FY 2017/18.

Figure 3.52: Kitui County, Trend in Local Revenue Collection by Quarter from the First Quarter of FY 2013/14 to the First Quarter of FY 2017/18



Source: Kitui County Treasury

The total local revenue collected in the first quarter of FY 2017/18 amounted to Kshs.57.69 million, representing a decrease of 36.8 per cent compared to Kshs.91.25 million generated in a similar period of FY 2016/17, and represented 8.2 per cent of the annual local revenue target.

3.18.3 Conditional Grants

Table 3.37 shows an analysis of conditional grants released in the first quarter of FY 2017/18.

Table 3.37: Kitui County, Analysis of Conditional Grants Released in the First Quarter of FY 2017/18

S/No	Grants	Annual CARA, 2017 Allocation (in Kshs)	Annual Budget Allocation in Kshs.	Actual receipts in First Quarter of FY 2017/18 in Kshs.	Actual Receipts as Percentage of Annual CARA, 2017 Allocation (%)
A	Grants Contained CARA, 2017				
1	Road Maintenance Fuel Levy Fund	309, 636, 150	220, 500, 000	144, 406, 956	46.6
2	World Bank Loan for Transforming Health System for Universal Care System	103, 430, 429	-	-	-
3	Leasing of Medical Equipment	95, 744, 681	-	-	-
4	Development of Youth Polytechnics	67, 576, 636	-	-	-
5	Other Loans & Grants	58, 554, 018	-	-	-
6	World Bank loan to supplement financing of County Health facilities	58, 210, 000	-	-	-
7	World Bank Kenya Devolution Support Program	53, 665, 066	269, 220, 781	-	-

S/No	Grants	Annual CARA, 2017 Allocation (in Kshs)	Annual Budget Allocation in Kshs.	Actual receipts in First Quarter of FY 2017/18 in Kshs.	Actual Receipts as Percentage of Annual CARA, 2017 Allocation (%)
8	World Bank Loan for National Agricultural & Rural Inclusive Project	50,000,000	-	-	-
9	Compensation for User Fee Foregone	22,499,906	87,216,611	-	-
10	DANIDA Grant	20,982,159	-	-	-
Total		840,299,045	576,937,392	144,406,956	17.2

Source: Kitui County Treasury

Analysis of the conditional grants released during the period under review indicates that, the County received Kshs.144.41 million from the Road Maintenance Fuel Levy Fund. This amount represented 46.6 per cent of the annual target.

3.18.4 Exchequer Issues

During the reporting period, the Controller of Budget authorized withdrawal of Kshs.684.64 million from the CRF account, which was 6.9 per cent of the Approved Budget. This amount was a decrease of 66.8 per cent from Kshs.2.06 billion authorized in a similar period of FY 2016/17. The entire amount was for recurrent expenditure.

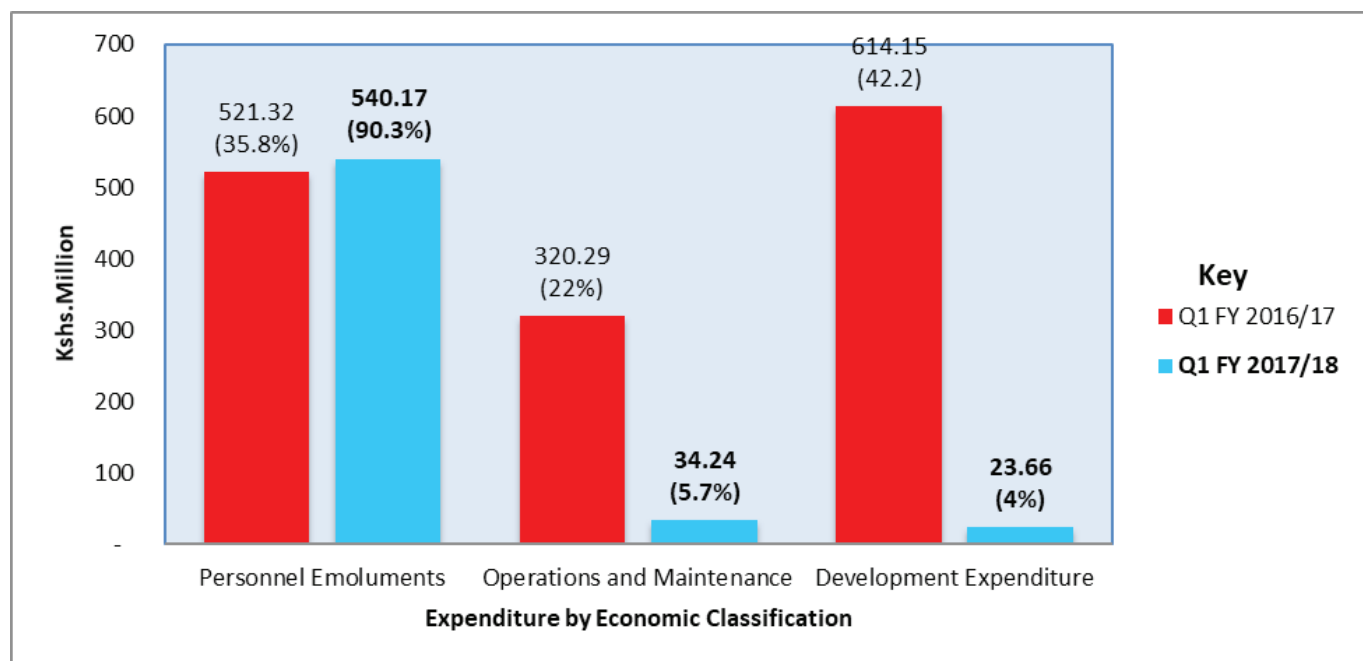
3.18.5 Overall Expenditure Review

The County incurred Kshs.598.07 million, which was 87.4 per cent of the total funds released for operations. This was a decrease of 58.9 per cent from Kshs.1.46 billion incurred in the first quarter of FY 2016/17.

A total of Kshs.574.41 million was incurred on recurrent activities, while Kshs.23.66 million was on development expenditure. The recurrent expenditure was 83.9 per cent of the funds released for recurrent activities while the development expenditure was incurred despite there being no exchequer approval for development activities. The expenditure excluded outstanding commitments as at September 30th, 2017 that amounted to Kshs.3.35 million for development and Kshs.17.97 million for recurrent expenditure.

The recurrent expenditure represented 9.2 per cent of the annual recurrent budget, a decrease from 15 per cent incurred in a similar period of FY 2016/17. Development expenditure recorded an absorption rate of 0.7 per cent, which was a decrease from 12.6 per cent attained in the first quarter of FY 2016/17. Figure 3.53 presents a comparison between the total expenditure in the first quarter of FY 2016/17 and the first quarter of FY 2017/18.

Figure 3.53: Kitui County, Expenditure by Economic Classification in the First Quarter of FY 2016/17 and First Quarter of FY 2017/18



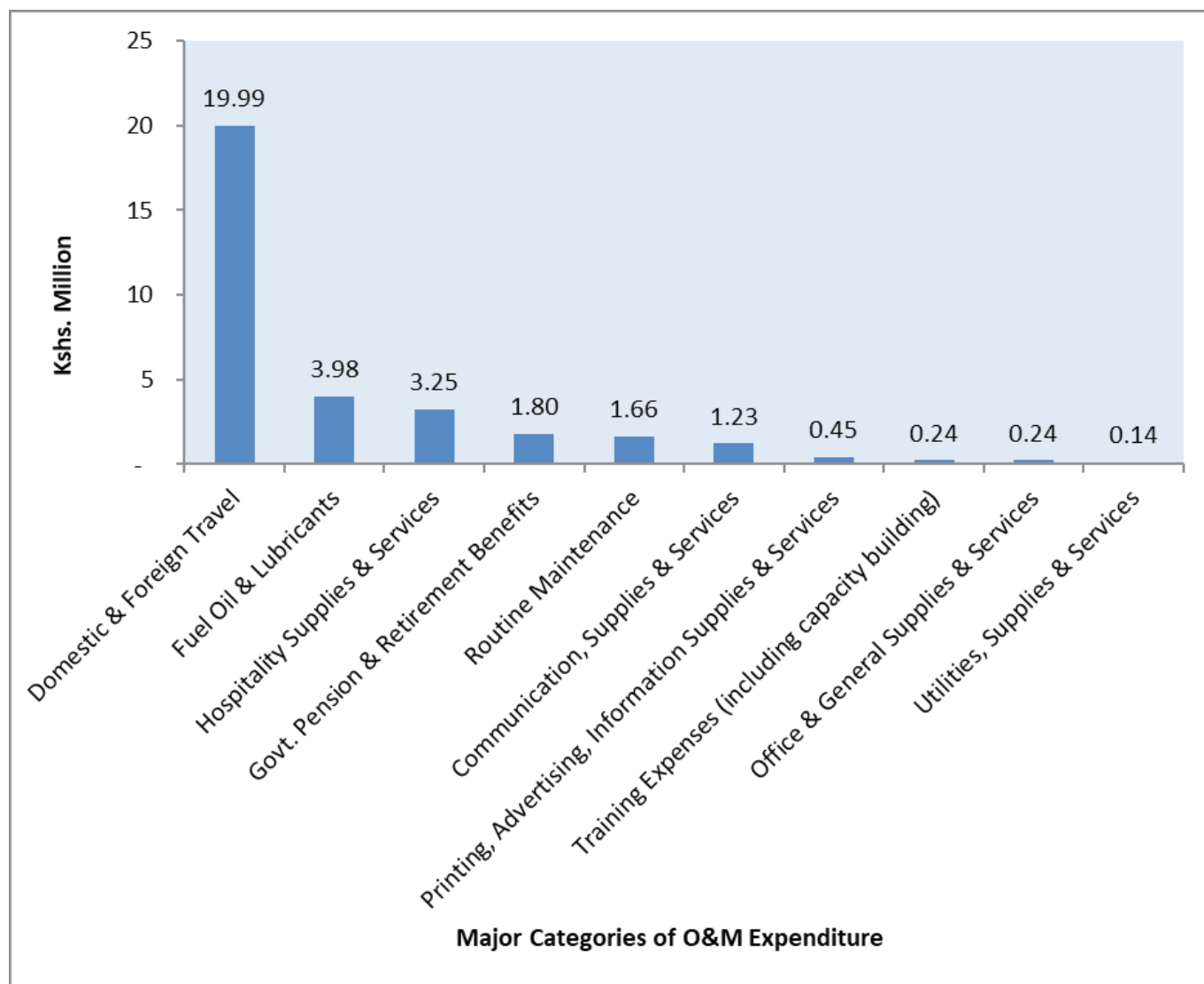
Source: Kitui County Treasury

3.18.6 Analysis of Recurrent Expenditure

The total recurrent expenditure of Kshs.574.41 million consisted of Kshs.540.17 million (94 per cent) incurred on personnel emoluments and Kshs.34.24 million (6 per cent) on operations and maintenance as shown in Figure 3.53.

Expenditure on personnel emoluments represented an increase of 3.6 per cent compared to Kshs.521.32 million incurred in the first quarter of FY 2016/17, and was 90.3 per cent of total expenditure in the first quarter of FY 2017/18. Figure 3.54 shows a summary of operations and maintenance expenditure by major categories.

Figure 3.54: Kitui County, Operations and Maintenance Expenditure by Major Categories in the First Quarter of FY 2017/18



Source: Kitui County Treasury

During the period under review, the County Assembly did not incur any expenditure on committee sitting allowances to the 54 MCAs. Expenditure on domestic and foreign travel amounted to Kshs.19.99 million and consisted of Kshs.9.91 million incurred by the County Assembly and Kshs.10.08 million by the County Executive. It represented 3.5 per cent of total recurrent expenditure and was a decrease of 67.3 per cent compared to Kshs.61.17 million incurred in the first quarter of FY 2016/17.

3.18.7 Development Expenditure Analysis

The total development expenditure of Kshs.23.66 million represented 0.7 per cent of the annual development budget of Kshs.3.62 billion. The major development expenditure was a capital transfer to the Pro-Poor Programme of Kshs.20 million.

3.18.8 Budget and Budget Performance Analysis by Department

Table 3.38 shows a summary of budget estimates and budget performance by department in the first quarter of FY 2017/18.

Table 3.38: Kitui County, Budget Performance by Department in the First Quarter of FY 2017/18

Department	Budget Allocation (Kshs.Million)		Exchequer Issues in First Quarter of FY 2017/18 (Kshs. Million)		Expenditure in First Quarter of FY 2017/18 (Kshs. Million)		First Quarter of FY 2017/18 Expenditure to Exchequer Issues (%)		First Quarter of FY 2017/18 Absorption rate (%)	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
Office of the Governor	585.93	580	44.12	-	5.55	20	12.6	-	0.9	3.4
Administration & Coordination of County Affairs	506.52	64.66	55.71	-	77.15	-	138.5	-	15.2	-
Agriculture, Water & Irrigation	459.68	699.23	63.8	-	32.1	4.15	50.3	-	7	0.6
Basic Education, Training & Skills Development	512.78	144.6	59.61	-	44.2	-	74.1	-	8.6	-
Land, Infrastructure & Urban Development	290.79	749.65	35.47	-	0.92	-	2.6	-	0.3	-
Health & Sanitation	1,870.77	505.41	240.83	-	309.71	-	128.6	-	16.6	-
Trade, Industry, IT & Cooperatives	80.49	141.21	9.34	-	0.37	-	3.9	-	0.5	-
Culture, Youth, Sports & Social Services	76.36	156.92	7.57	-	0.09	-	1.2	-	0.1	-
Environment, Energy & Minerals Investment Development	48.61	167.47	5.86	-	0.55	-	9.4	-	1.1	-
Tourism & Natural Resources	62.26	103.19	8.32	-	0.6	-	7.2	-	1	-
Finance & Economic Planning	661.93	72.57	45.92	-	38.39	(0.49)	83.6	-	5.8	-0.7
County Public Service Board	69.72	17.86	7.08	-	1.6	-	22.6	-	2.3	-
County Assembly	866.62	30	82.32	-	58.06	-	70.5	-	6.7	-
Kitui Town Administration	94.17	138.95	11.64	-	3.93	-	33.7	-	4.2	-
Mwingi Town Administration	63.78	51.27	7.06	-	1.2	-	17	-	1.9	-
TOTAL	6,250.40	3,623.01	684.64	-	574.41	23.66	83.9	-	9.2	0.7

Source: Kitui County Treasury

Analysis of budget performance by department shows that the Office of the Governor attained the highest absorption rate of development budget at 3.4 per cent followed by the Agriculture, Water and Irrigation Department at 0.6 per cent. The other departments did not incur any development expenditure. On the other hand, the Health and Sanitation Department had the highest percentage of recurrent expenditure to recurrent budget at 16.6 per cent while the Department of Culture, Youth, Sports and Social Services had the lowest at 0.1 per cent.

3.18.9 Observations and Recommendations

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

- Reduction of domestic and foreign travel expenditure from Kshs.61.17 million in the first quarter of FY 2016/17 to Kshs.19.99 million in the reporting period.
- Timely submission of quarterly financial reports to the Controller of Budget by the County Government entities in line with Section 166 of the PFM Act, 2012.

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

- Delay in disbursement of the equitable share of revenue raised nationally by the National Treasury during the first quarter of FY 2017/18.

2. Under-performance in local revenue collection, which declined by 36.8 per cent from Kshs.91.25 million in the first quarter of FY 2016/17 to Kshs.57.69 million in the reporting period.
3. Failure to budget for all conditional grants as per CARA, 2017.

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

1. *The County Treasury should liaise with the National Treasury to ensure that funds allocated to the County are released in line with the CARA, 2017 Disbursement Schedule.*
2. *The County Treasury should formulate and implement strategies to enhance local revenue collection.*
3. *The County should prepare a Supplementary Budget to align conditional grants to the CARA, 2017.*

3.19 Kwale County

3.19.1 Overview of the FY 2017/18 Budget

The County's FY 2017/18 Approved Budget is Kshs.9.71 billion, comprising of Kshs.4.92 billion (50.7 per cent) and Kshs.4.79 billion (49.3 per cent) allocation for recurrent and development expenditure respectively.

To finance the budget, the County expects to receive Kshs.7.04 billion (72.5 per cent) as equitable share of revenue raised nationally, Kshs.428.35 million (4.4 per cent) as total conditional allocations, and generate Kshs.833.37 million (8.6 per cent) from local revenue sources, and Kshs.1.84 billion (18.9 per cent) cash balance from FY 2016/17.

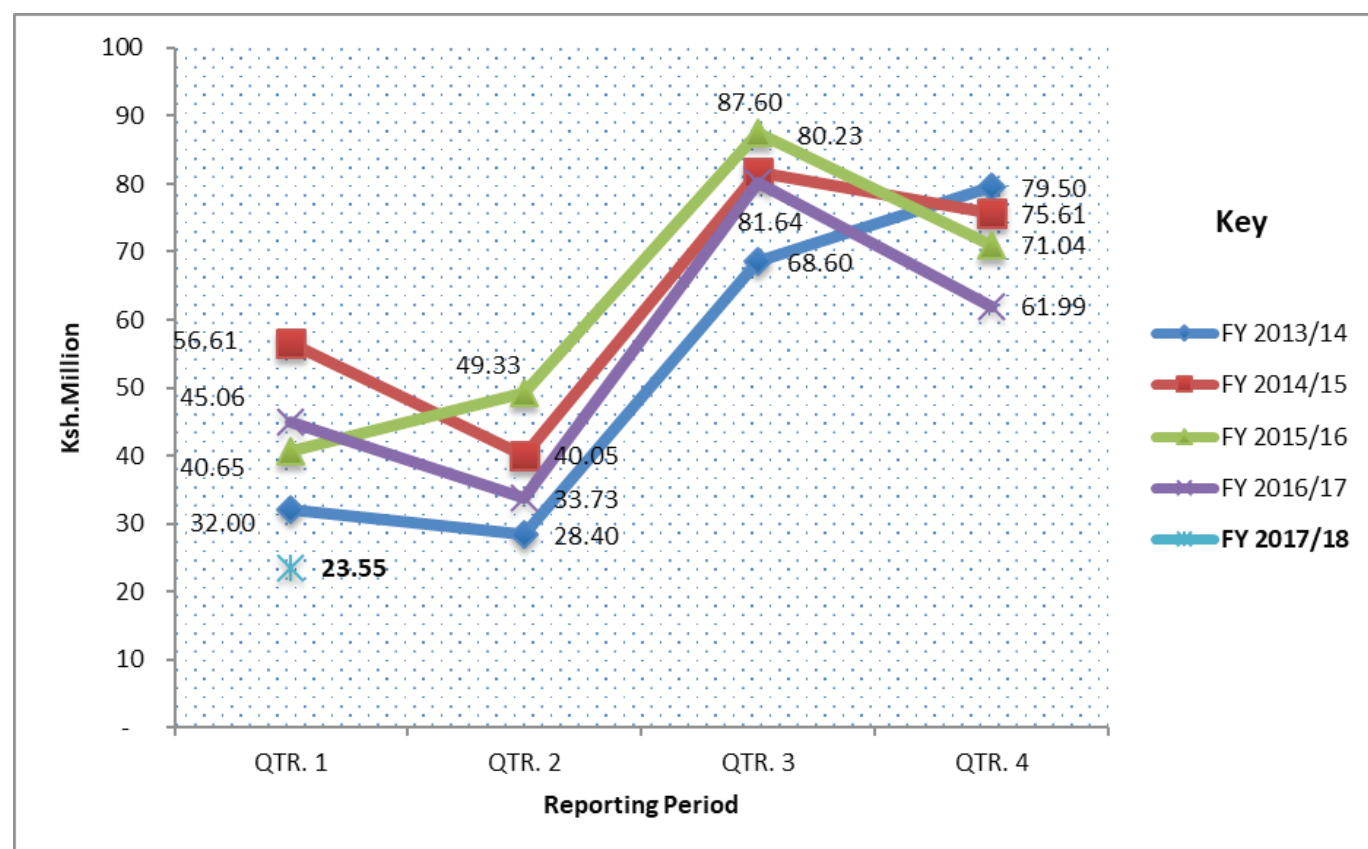
The conditional grants contained in the CARA, 2017 of Kshs.300.11 million comprise of Kshs.43.76 million (6.3 per cent) for Youth Polytechnics, Kshs.218.39 million (31.4 per cent) from the Road Maintenance Fuel Levy Fund, Kshs.15.21 million (2.2 per cent) as Compensation for User Fee Foregone, Kshs.95.74 million (13.8 per cent) for Leasing of Medical Equipment, Kshs.37.08 million (5.3 per cent), as World Bank (WB) Loan to supplement financing of Health Facilities, transforming Health Systems Kshs.67.49 million (9.7 per cent) and Kshs.50 million (7.2 per cent) as World Bank (WB) Loan to supplement financing of Health Facilities, transforming Health Systems and for National Agricultural and Rural inclusive growth projects respectively; Kshs.47.39 million (6.8 per cent) as Kenya Devolution Support Programme (KDSP) level loan, Kshs.66 million (9.5 per cent) as EU grant for Instrument for devolution advice and support, Kshs.14.80 million (2.1 per cent) as DANIDA Grant for Universal Health Care and Kshs.38.82 million (5.6 per cent) as other Conditional Loans and Grants for the devolved systems programs.

3.19.2 Revenue Analysis

During the first quarter of FY 2017/18, the County received Kshs.558.37 million as total conditional grants generated Kshs.23.55 million from local revenue sources, and had a cash balance of Kshs.1.07 billion from FY 2016/17. The available funds amounted to Kshs.1.65 billion.

Figure 3.55 shows the quarterly trend in local revenue collection from the first quarter of FY 2013/14 to the first quarter FY 2017/18.

Figure 3.55: Kwale County, Trend in Local Revenue Collection by Quarter from the first Quarter of FY 2013/14 to the First Quarter of FY 2017/18



Source: Kwale County Treasury

The total local revenue collected in the first quarter of FY 2017/18 amounted to Kshs.23.55 million, representing a decrease of 47.7 per cent compared to Kshs.45.06 million generated in a similar period of FY 2016/17, and represented 2.8 per cent of the annual local revenue target.

3.19.3 Conditional Grants

Table 3.39 shows an analysis of conditional grants released in the first quarter of FY 2017/18.

Table 3.39: Kwale County, Analysis of Conditional Grants Released in the First Quarter of FY 2017/18

S/No	Grants	Annual CARA, 2017 Allocation in Kshs)	Annual Budget Allocation in Kshs)	Actual receipts in First Quarter of FY 2017/18 in Kshs.	Actual Receipts as Percentage of Annual Allocation (%)
Grants Contained CARA, 2017					
1	Road Maintenance Fuel Levy Fund	84, 979, 062	84, 979, 062	190, 575, 000	224
2	Leasing of Medical Equipment	95, 744, 681	95, 744, 681	95, 744, 681	-
3	World Bank loan to supplement financing of County Health facilities	-	82, 166, 289	71, 182, 447	-
4	Compensation for User Fee Foregone	-	15, 397, 611	15, 209, 593	-
5	Conditional Allocation - Other Loans & Grants	119, 385, 662	119, 385, 662	47, 394, 016	40

6	World Bank Loan for Transforming Health System for universal Care System	-	30, 679, 771	138, 263, 309	-
Total		300, 109, 405	428, 353, 076	558, 369, 046	186

Source: Kwale County Treasury

Analysis of the conditional grants released during the period under review indicates that only the Roads Maintenance Levy Fund received Kshs.101.85 million which was 46.6 per cent of annual Allocation.

3.19.4 Exchequer Issues

During the reporting period, the Controller of Budget authorized withdrawal of Kshs.855.15 million from the CRF account, which was 8.8 per cent of the Approved Budget. This amount was a decrease of 53.5 per cent from Kshs.1.84 billion authorized in a similar period of FY 2016/17. The entire amount was for recurrent expenditure.

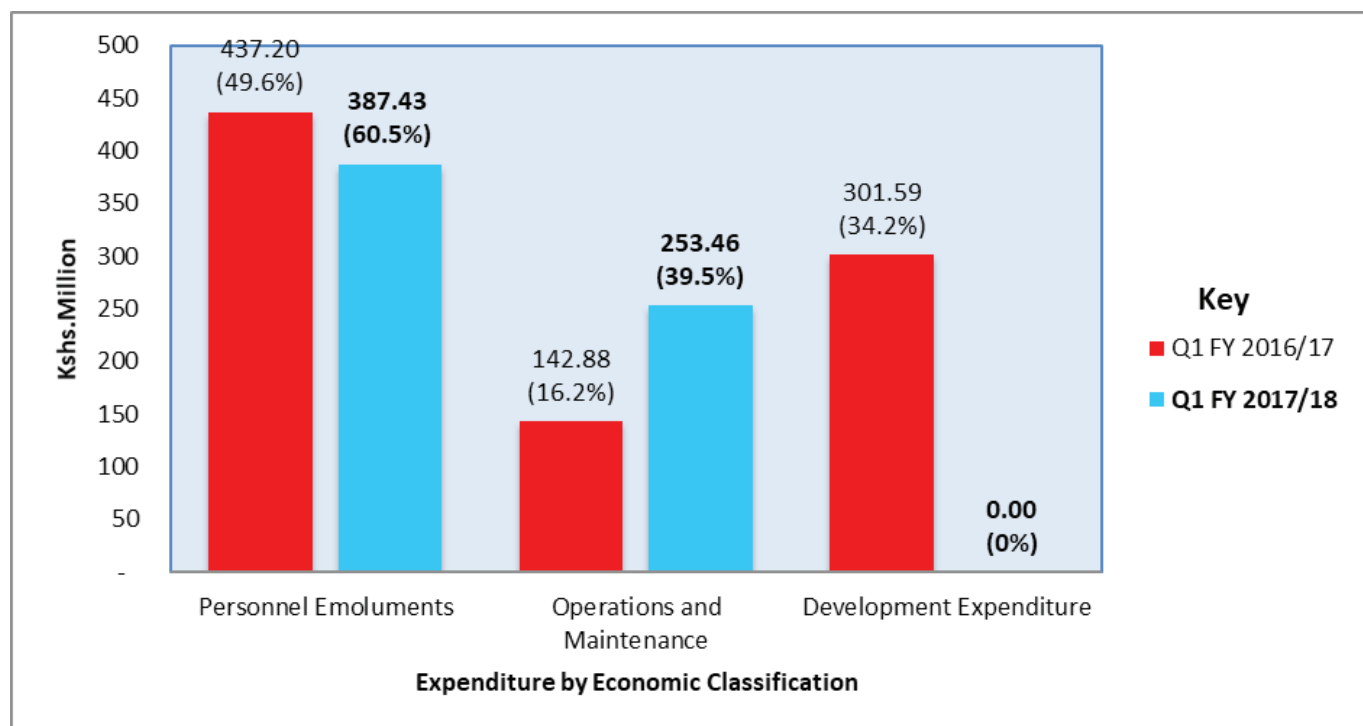
3.19.5 Overall Expenditure Review

The County incurred Kshs.640.89 million, which was 74.9 per cent of the total funds released for operations. This was a decrease of 27.3 per cent from Kshs.881.67 million incurred in the first quarter of FY 2016/17.

The total expenditure of Kshs.640.89 million was incurred on recurrent activities and represented 74.9 per cent of the funds released for recurrent activities. The expenditure excluded outstanding commitments as at September 30th, 2017 that amounted to Kshs.69.57 million for development expenditure and Kshs.17.47 million for recurrent expenditure.

The recurrent expenditure represented 13 per cent of the annual recurrent budget, a decrease from 19.1 per cent incurred in a similar period of FY 2016/17. Figure 3.56 presents a comparison between the total expenditure in the first quarter of FY 2016/17 and the first quarter of FY 2017/18.

Figure 3.56: Kwale County, Expenditure by Economic Classification in the First Quarter of FY 2016/17 and First Quarter of FY 2017/18



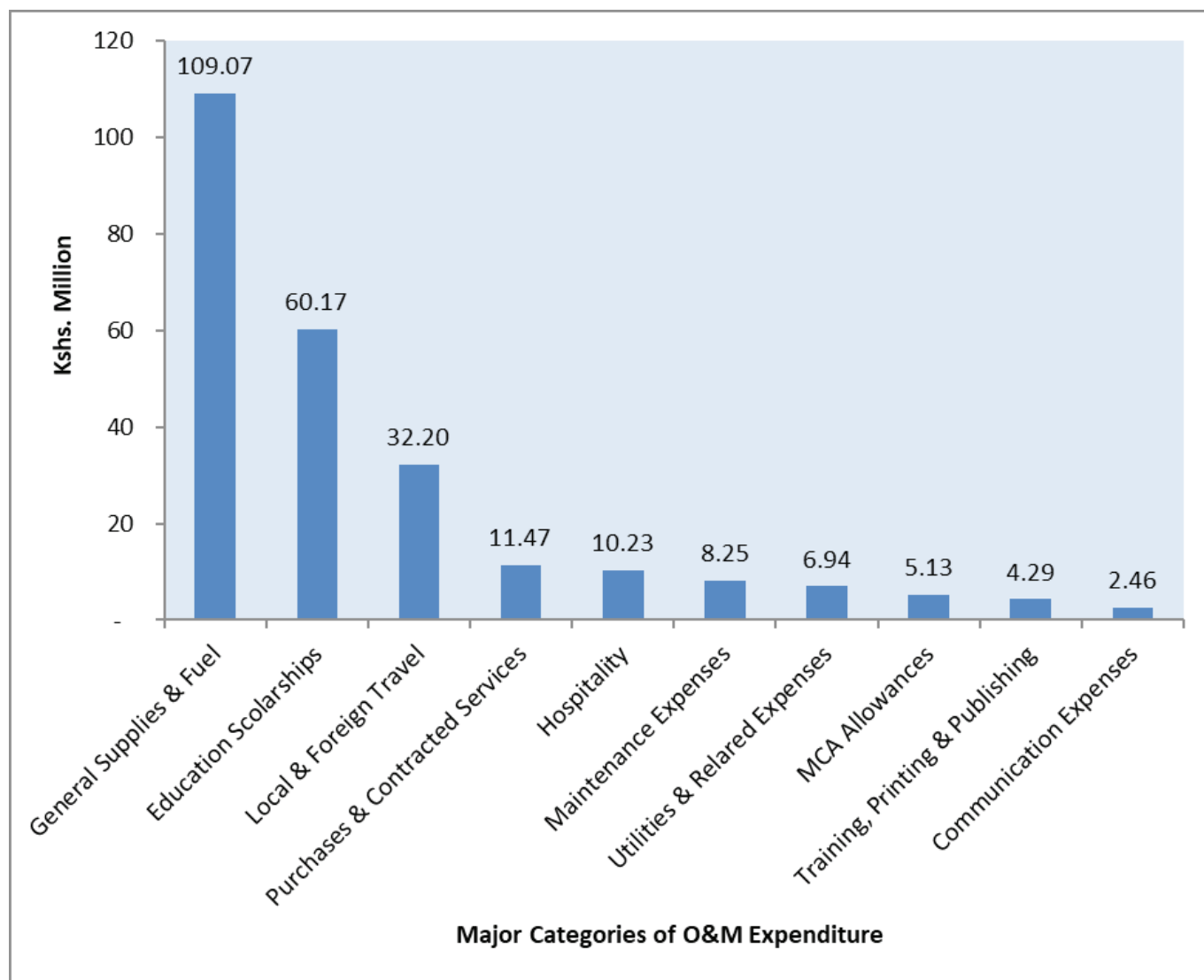
Source: Kwale County Treasury

3.19.6 Analysis of Recurrent Expenditure

The total recurrent expenditure of Kshs.640.89 million consisted of Kshs.387.43 million (60.5 per cent) incurred on personnel emoluments and Kshs.253.46 million (39.5 per cent) on operations and maintenance as shown in Figure 3.56.

Expenditure on personnel emoluments represented a decrease of 11.4 per cent compared to Kshs.437.20 million incurred in the first quarter of FY 2016/17, and was 60.5 per cent of total expenditure in the first quarter of FY 2017/18. Figure 3.57 shows a summary of operations and maintenance expenditure by major categories.

Figure 3.57: Kwale County, Operations and Maintenance Expenditure by Major Categories in the First Quarter of FY 2017/18



Source: Kwale County Treasury

The County incurred Kshs.5.13 million on sitting allowances to the 34 MCAs against the annual budget allocation of Kshs.26.23 million. This was a decrease of 47.5 per cent compared to Kshs.9.77 million incurred in the first quarter of FY 2016/17. The average monthly committee sitting allowance was Kshs.50,330 per MCA compared to SRC's recommended monthly ceiling of Kshs.80,000.

Expenditure on domestic and foreign travel amounted to Kshs.32.2 million and consisted of Kshs.23.85 million incurred by the County Assembly and Kshs.8.35 million by the County Executive. It represented 5 per cent of total recurrent expenditure and was a decrease of 37.3 per cent compared to Kshs.51.33 million incurred in the first quarter of FY 2016/17.

3.19.7 Development Expenditure Analysis

The County did not report any expenditure on development activities during the reporting period.

3.19.8 Budget and Budget Performance Analysis by Department

Table 3.40 shows a summary of budget estimates and budget performance by department in the first quarter of FY 2017/18

Table 3.40: Kwale County, Budget Performance by Department in the First Quarter of FY 2017/18

Department	Budget Allocation (Kshs. Million)		Exchequer Issues in First Quarter of FY 2017/18 (Kshs. Million)		Expenditure in First Quarter of FY 2017/18 (Kshs. Million)		First Quarter of FY 2017/18 Expenditure to Exchequer Issues (%)		First Quarter of FY 2017/18 Absorption rate (%)	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
County Executive Services	183	81	31	-	36	-	116.4	-	19.4	-
Public Service and Administration	344	73	108	-	112	-	103.8	-	32.7	-
Finance and Economic Planning	421	96	201	-	55	-	27.5	-	13.2	-
Agriculture, Livestock and Fisheries	178	175	30	-	33	-	112.4	-	18.7	-
Education, Research and HR Development	755	993	56	-	106	-	189.9	-	14.1	-
Medical and Health Services	1, 811	916	244	-	169	-	69.3	-	9.3	-
Trade and Cooperative Development	62	210	10	-	8	-	73.4	-	12.2	-
Community Development, Culture & Talent Management	187	205	31	-	10	-	32.7	-	5.5	-
Infrastructure and Public Works	187	653	30	-	29	-	95.7	-	15.3	-
Tourism, Investment and ICT	65	133	11	-	5	-	48.4	-	8	-
Land, Physical Planning and Natural Resources	55	96	9	-	6	-	61.3	-	10.2	-
Water Services	75	996	12	-	8	-	66.8	-	11.1	-
County Assembly	598	162	82	-	63	-	77.7	-	10.6	-
Total	4, 921	4, 789	855	-	641	-	74.9	-	13	-
TOTAL	9, 843	9, 579	1, 710	-	1, 282	-	74.9	-	13	-

Source: Kwale County Treasurer

Analysis of budget performance by department shows that the Department of Public Service and Administration had the highest percentage of recurrent expenditure to recurrent budget at 32.7 per cent while the Department of Community Development, Culture and Talent Management had the lowest at 5.5 per cent.

3.19.9 Observations and Recommendations

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

- Operationalization of Internal Audit Committee in compliance with Section 155 (5) of the PFM Act, 2012.
- Timely submission of quarterly reports to the Controller of Budget in line with Section 166 of the PFM Act, 2012.
- Improvement in the application of IFMIS in processing financial transactions.

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

1. Failure by the National Treasury to disburse the equitable share to the County. This affected smooth budget execution.
2. Frequent IFMIS downtime was experienced during the reporting period.
3. Failure by the County to budget for all the conditional grants as contained in the CARA, 2017.

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

1. *The National Treasury should ensure that funds allocated to the County are released in line with the CARA, 2017 Disbursement Schedule.*
2. *The County Treasury to liaise with IFMIS Directorate for intervention measures to address the frequent system downtime.*
3. *The County should prepare a Supplementary Budget to align conditional grants to the CARA, 2017.*

3.20 Laikipia County

3.20.1 Overview of the FY 2017/18 Budget

The County's FY 2017/18 Approved Budget is Kshs.5.55 billion, comprising of Kshs.3.47 billion (62.5 per cent) and Kshs.2.08 billion (37.5 per cent) allocation for recurrent and development expenditure respectively.

To finance the budget, the County expects to receive Kshs.3.97 billion (72.3 per cent) as equitable share of revenue raised nationally, Kshs.823.47 million (15 per cent) as total conditional grants, and generate Kshs.700 million (12.7 per cent) from local revenue sources, and Kshs.0.21 million cash (0.4 per cent) balance from FY 2016/17.

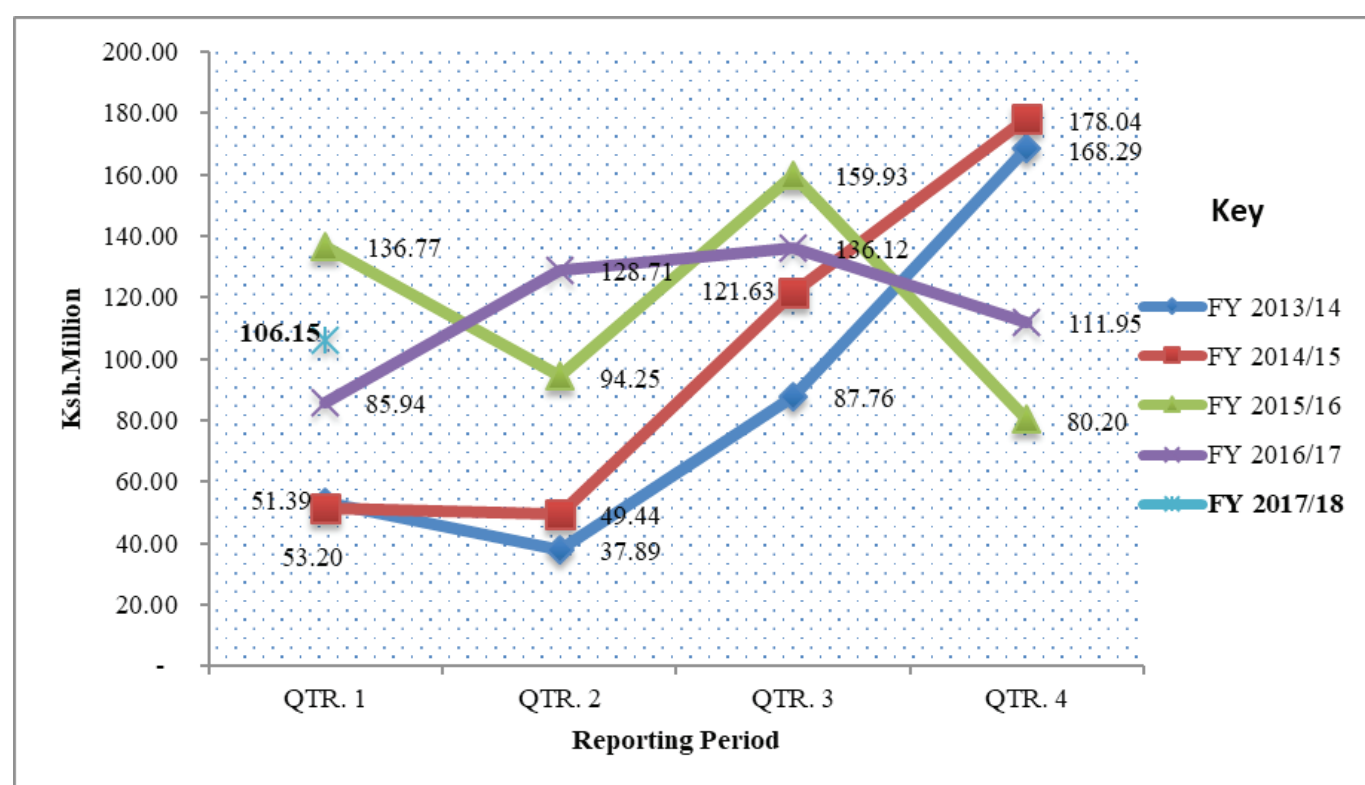
The conditional grants contained in the CARA, 2017 of Kshs.448.59 million comprise of Kshs.146.97 million (32.8 per cent) from the Road Maintenance Fuel Levy Fund, Kshs.9.97 million (2.2 per cent) as Compensation for User Fee Foregone, Kshs.9.96 million (2.2 per cent) from DANIDA, Kshs.25.26 million (5.6 per cent) as World Bank loan to supplement financing of County Health facilities, Kshs.38.4 million (8.6 per cent) for the World Bank Kenya Devolution Support Program, Kshs.33.36 million (7.4 per cent) for Development of Youth Polytechnics, Kshs.46.12 million (10.3 per cent) as World Bank Loan for Transforming Health System for Universal Care System, Kshs.26.44 million (5.9 per cent) as Other Loans and Grants, and Kshs.66 million (14.7 per cent) as European Union (EU) Grant. The conditional grants from other sources and not contained in the CARA, 2017 comprise of Kshs.104.44 million for Free Maternal Healthcare and Kshs.200 million as Facility Improvement Fund.

3.20.2 Revenue Analysis

During the first quarter of FY 2017/18, the County received Kshs.629.97 million as equitable share of the revenue raised nationally, Kshs.68.55 million as total conditional allocations, raised Kshs.106.15 million from local revenue sources, and had a cash balance of Kshs.210, 630 brought forward from FY 2016/17. The available funds amounted to Kshs.804.88 million.

Figure 3.58 shows the quarterly trend in local revenue collection from the first quarter of FY 2013/14 to the first quarter FY 2017/18.

Figure 3.58: Laikipia County, Trend in Local Revenue Collection by Quarter from the First Quarter of FY 2013/14 to the First Quarter of FY 2017/18



Source: Laikipia County Treasury

The total local revenue collected in the first quarter of FY 2017/18 amounted to Kshs.106.15 million, representing an increase of 23.5 per cent compared to Kshs.85.94 million generated in a similar period of FY 2016/17, and represented 15.2 per cent of the annual local revenue target.

3.20.3 Conditional Grants

Table 3.41 shows an analysis of conditional grants released in the first quarter of FY 2017/18.

Table 3.41: Laikipia County, Analysis of Conditional Grants Released in the First Quarter of FY 2017/18

S/No	Grants	Annual CARA, 2017 Allocation (in Kshs)	Annual Budget Allocation (in Kshs)	Actual receipts in First Quarter of FY 2017/18 (Kshs)	Actual Receipts as Percentage of Annual CARA, 2017 Allocation (%)
A	Grants Contained in the CARA, 2017				
1	Road Maintenance Fuel Levy Fund	146, 974, 666	155, 132, 500	68, 545, 498	46.6
2	World Bank Loan for Transforming Health System for Universal Care System	46, 115, 937	20, 000, 000	-	-
3	Kenya Devolution Support Project (KDSP)	38, 403, 464	48, 722, 640	-	-
4	Development of Youth Polytechnics	33, 358, 875	-	-	-
5	Other Loans & Grants	26, 439, 559	175, 868, 372	-	-
6	World Bank loan to supplement financing of County Health facilities	25, 255, 000	20, 000, 000	-	-
7	Compensation for User Fee Foregone	9, 968, 208	9, 305, 967	-	-
8	DANIDA Grant	9, 959, 579	-	-	-
9	World Bank Loan for Transforming Health System for Universal Care System	46, 115, 937	20, 000, 000	-	-
10	EU Grant	66, 000, 000	70, 000, 000	-	-
Sub Total		448, 591, 225	519, 029, 479	68, 545, 498	15.3
B	Other Grants Not Contained in the CARA, 2017				
11	Facility Improvement Fund, including health sector support	-	200, 000, 000	-	-
12	Free Maternal Healthcare	-	104, 441, 400	-	-
Sub Total		-	304, 441, 400	-	-
Grand Total		448, 591, 225	823, 470, 879	68, 545, 498	15.3

Source: Laikipia County Treasury

Analysis of the conditional grants released during the period under review indicates that, the Road Maintenance Fuel Levy Fund recorded the receipt of Ksh.68.55 million which represented 46.6 per cent of annual allocation. The County did not receive funds from the other conditional grants.

3.20.4 Exchequer Issues

During the reporting period, the Controller of Budget authorized withdrawal of Kshs.731.65 million from the CRF account, which was 13.2 per cent of the Approved Budget. This amount was a decrease of 29.7 per cent from Kshs.1.04 billion authorized in a similar period of FY 2016/17 and consisted of Kshs.692.98 million (94.7 per cent) for recurrent expenditure and Kshs.38.67 million (5.3 per cent) for development activities.

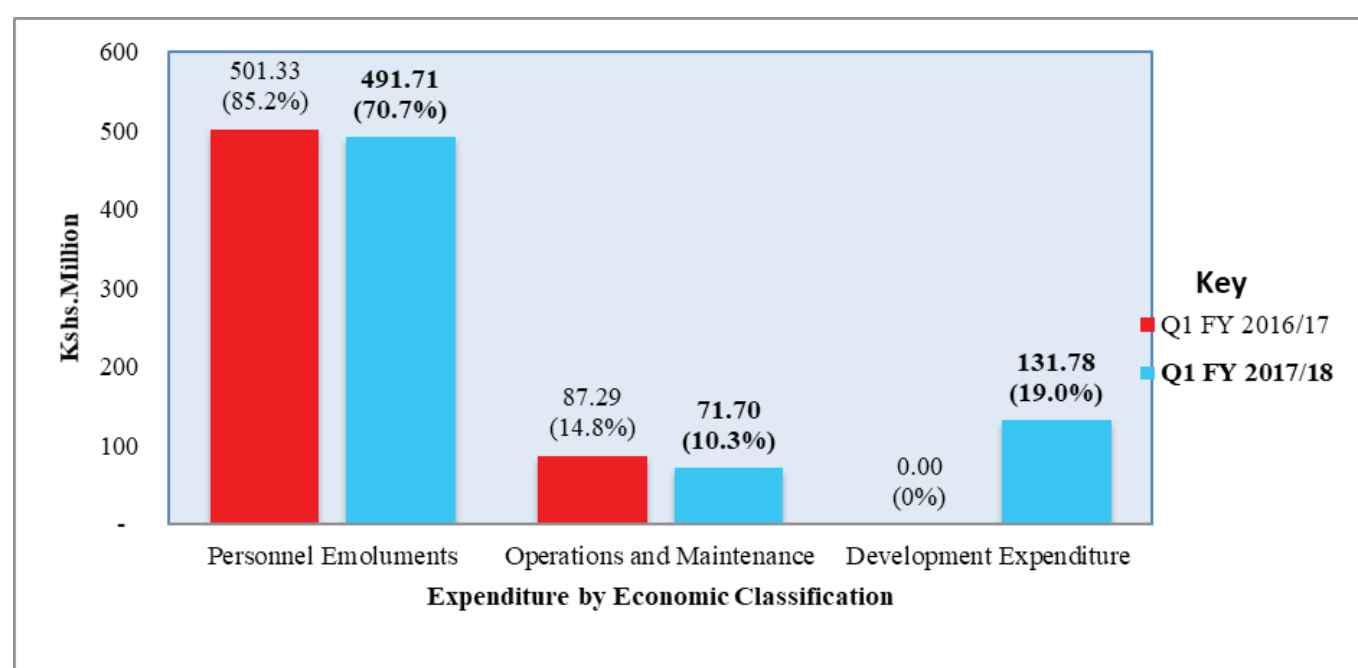
3.20.5 Overall Expenditure Review

The County incurred Kshs.695.19 million, which was 95 per cent of the total funds released for operations. This was an increase of 18.1 per cent from Kshs.658.04 million incurred in the first quarter of FY 2016/17.

A total of Kshs.563.41 million was incurred on recurrent activities, while Kshs.131.78 million was on development activities. The recurrent expenditure was 81.3 per cent of the funds released for recurrent activities while development expenditure accounted for 340.8 per cent of the funds released for development activities. The expenditure excluded outstanding commitments as at September 30th, 2017 that amounted to Kshs.875.5 million for development and Kshs.148.91 million for recurrent expenditure.

The recurrent expenditure represented 16.2 per cent of the annual recurrent budget, an increase from 17.26 per cent incurred in a similar period of FY 2016/17. Development expenditure recorded an absorption rate of 6.3 per cent, which was an increase from 0.22 per cent attained in the first quarter of FY 2016/17. Figure 3.59 presents a comparison between the total expenditure in the first quarter of FY 2016/17 and the first quarter of FY 2017/18.

Figure 3.59: Laikipia County, Expenditure by Economic Classification in the First Quarter of FY 2016/17 and First Quarter of FY 2017/18



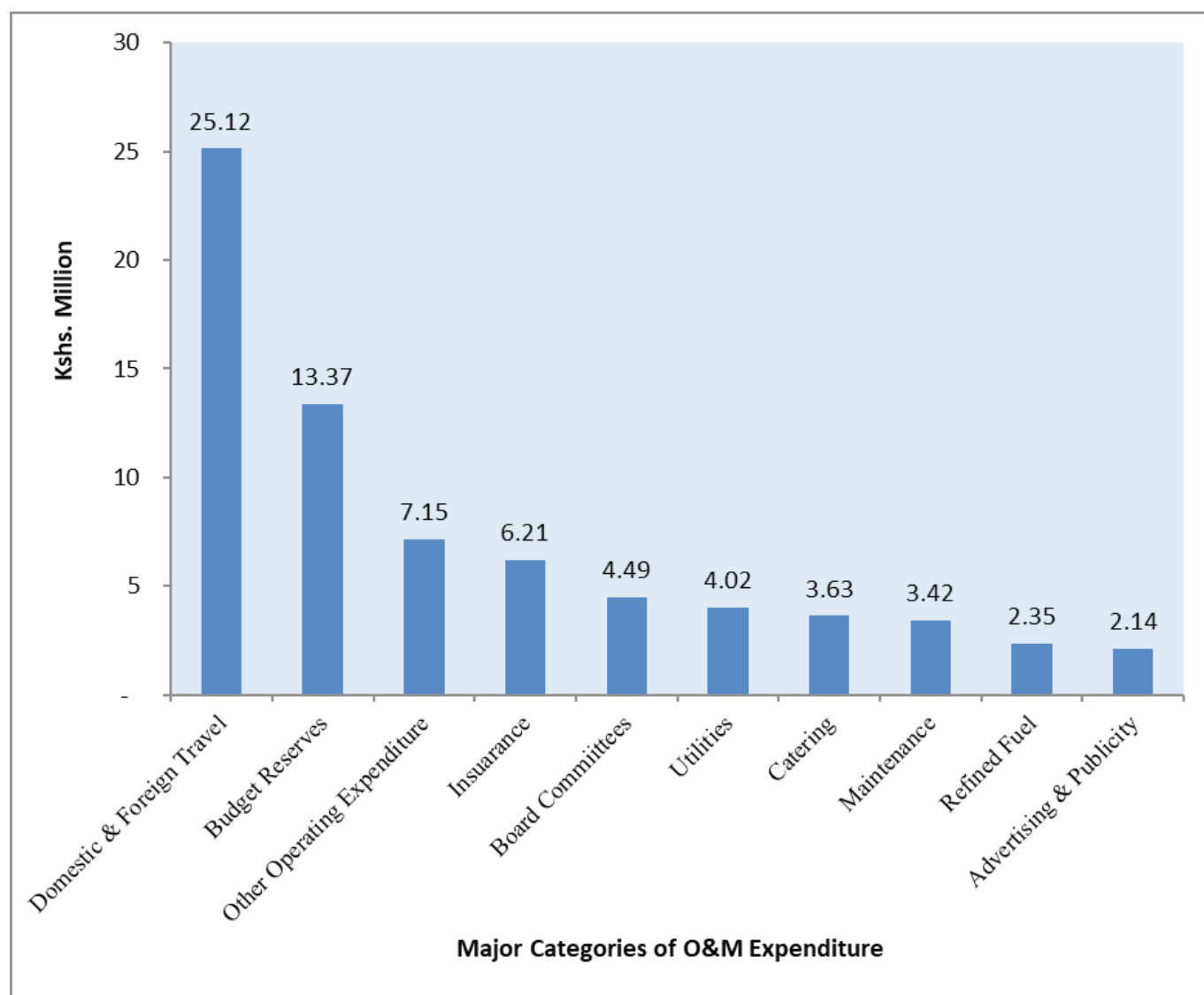
Source: Laikipia County Treasury

3.20.6 Analysis of Recurrent Expenditure

The total recurrent expenditure of Kshs.563.41 million consisted of Kshs.491.71 million (87.3 per cent) incurred on personnel emoluments and Kshs.71.7 million (12.7 per cent) on operations and maintenance as shown in Figure 3.59.

Expenditure on personnel emoluments represented a decrease of 1.9 per cent compared to Kshs.501.33 million incurred in the first quarter of FY 2016/17, and was 70.7 per cent of total expenditure in the first quarter of FY 2017/18. Figure 3.60 shows a summary of operations and maintenance expenditure by major categories.

Figure 3.60: Laikipia County, Operations and Maintenance Expenditure by Major Categories in the First Quarter of FY 2017/18



Source: Laikipia County Treasury

The County Assembly did not spend on MCA's committee sitting allowances during the reporting period. Expenditure on domestic and foreign travel amounted to Kshs.25.12 million and consisted of Kshs.11.2 million incurred by the County Assembly and Kshs.13.92 million by the County Executive. It represented 4.5 per cent of total recurrent expenditure and was an increase of 44 per cent compared to Kshs.17.45 million incurred in the first quarter of FY 2016/17.

3.20.7 Development Expenditure Analysis

The development expenditure of Kshs.131.78 million represented 6.3 per cent of the annual development budget of Kshs.2.08 billion. This amount was spent on capital transfers to county health facilities, and included; Nanyuki Hospital (Kshs.18.33 million), Nyahururu Hospital (Kshs.17.35 million), and Rumuruti Hospital (2.63 million).

3.20.8 Budget and Budget Performance Analysis by Department

Table 3.42 shows a summary of budget estimates and budget performance by department in the first quarter of FY 2017/18

Table 3.42: Laikipia County, Budget Performance by Department in the First Quarter of FY 2017/18

Department	Budget Allocation (Kshs.Million)		Exchequer Issues in First Quarter of FY 2017/18 (Kshs. Million)		Expenditure in First Quarter of FY 2017/18 (Kshs.Million)		First Quarter of FY 2017/18 Expenditure to Exchequer Issues (%)		First Quarter of FY 2017/18 Absorption rate (%)	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
County Administration	2, 584.77	66.18	634.86	-	475.47	-	74.9	-	18.4	-
Finance and Planning	200.21	497.03	8.24	-	24.05	90.27	291.9	-	12	18.2
Health	81.58	625.13	4.27	38.67	4.47	38.78	104.5	-	5.5	6.2
Agriculture	25	166.42	1.8	-	3.42	0.45	189.8	-	13.7	0.3
Infrastructure	31.05	392.76	1.8	-	2.25	-	125.4	-	7.3	-
Education	47.53	107.13	3.89	-	3.89	0.9	100	-	8.2	0.8
Trade & Industrialization	24.05	96	1.53	-	2.77	-	181.2	-	11.5	-
Water	34.03	119	4.01	-	3.96	1.37	98.7	-	11.6	1.2
County Assembly	443.59	10	32.57	-	43.13	-	132.4	-	9.7	-
TOTAL	3, 472	2, 080	692.98	38.67	692.98	132	81.3	340.8	16.2	6.3

Source: Laikipia County Treasury

Analysis of budget performance by department shows that the Finance and Planning Department attained the highest absorption rate of development budget at 18.2 per cent while the County Administration, Infrastructure, County assembly and Trade and Industrialization Departments did not incur any development expenditure. On the other hand, the Department of County Administration had the highest percentage of recurrent expenditure to recurrent budget at 18.4 per cent while the Department of Health had the lowest at 5.5 per cent.

3.20.9 Observations and Recommendations

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

- Timely submission of quarterly financial reports to the Controller of Budget by the County Government entities in line with Section 166 of the PFM Act, 2012.
- Improvement in local revenue collection by 23.5 per cent from Kshs.85.94 million in the first quarter of FY 2016/17 to Kshs.106.15 million in the reporting period.

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

- Delay by Fund Administrators to submit expenditure reports of the County Assembly Members Car Loan and Mortgage Fund, and the Biashara Mashinani Fund contrary to Section 168 of the PFM Act, 2012.
- IFMIS connectivity challenges, which slowed down approval of procurement requests and payment to suppliers.

3. Failure to establish an Internal Audit Committee to oversee financial operations in the County contrary to Section 155 of the PFM Act, 2012.
4. Failure to budget for all conditional grants as per CARA, 2017.

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

1. *All Fund Administrators should submit quarterly financial returns in line with Section 168 of the PFM Act, 2012.*
2. *The County Treasury should liaise with the IFMIS Directorate to resolve the connectivity challenges experienced in the reporting period.*
3. *The County should establish an Internal Audit Committee in line with Section 155 of the PFM Act, 2012.*
4. *The County should prepare a Supplementary Budget to align conditional grants to the CARA, 2017.*

3.21 Lamu County

3.21.1 Overview of the FY 2017/18 Budget

The County's FY 2017/18 Approved Budget is Kshs.2.7 billion, comprising of Kshs.1.88 billion (69.7 per cent) and Kshs.819.10 million (30.3 per cent) allocation for recurrent and development expenditure respectively.

To finance the budget, the County expects to receive Kshs.2.45 billion (90.9 per cent) as equitable share of revenue raised nationally, Kshs.137.32 million (5.1 per cent) as total conditional grants, and generate Kshs.90 million (3.3 per cent) from local revenue sources, and Kshs.10 million (0.4 per cent) cash balance from FY 2016/17.

The conditional grants contained in the CARA, 2017 of Kshs.432.51 million comprise of, Kshs.87.42 million (63.7 per cent) from the Road Maintenance Fuel Levy Fund, Kshs.2.45 million (1.8 per cent) as Compensation for User Fee Foregone, Kshs.5.92 million (4.3 per cent) from DANIDA, Kshs.121 million (88.1 per cent) for Construction of County Headquarters, Kshs.11.79 million (8.6 per cent) as World Bank loan to supplement financing of County Health Facilities, Kshs.31.78 million (23.1 per cent) for Development of Youth Polytechnics, Kshs.28.59 million (20.5 per cent) as World Bank Loan for Transforming Health System for Universal Care System, and Kshs.16.25 million (11.8 per cent) from Other Loans and Grants.

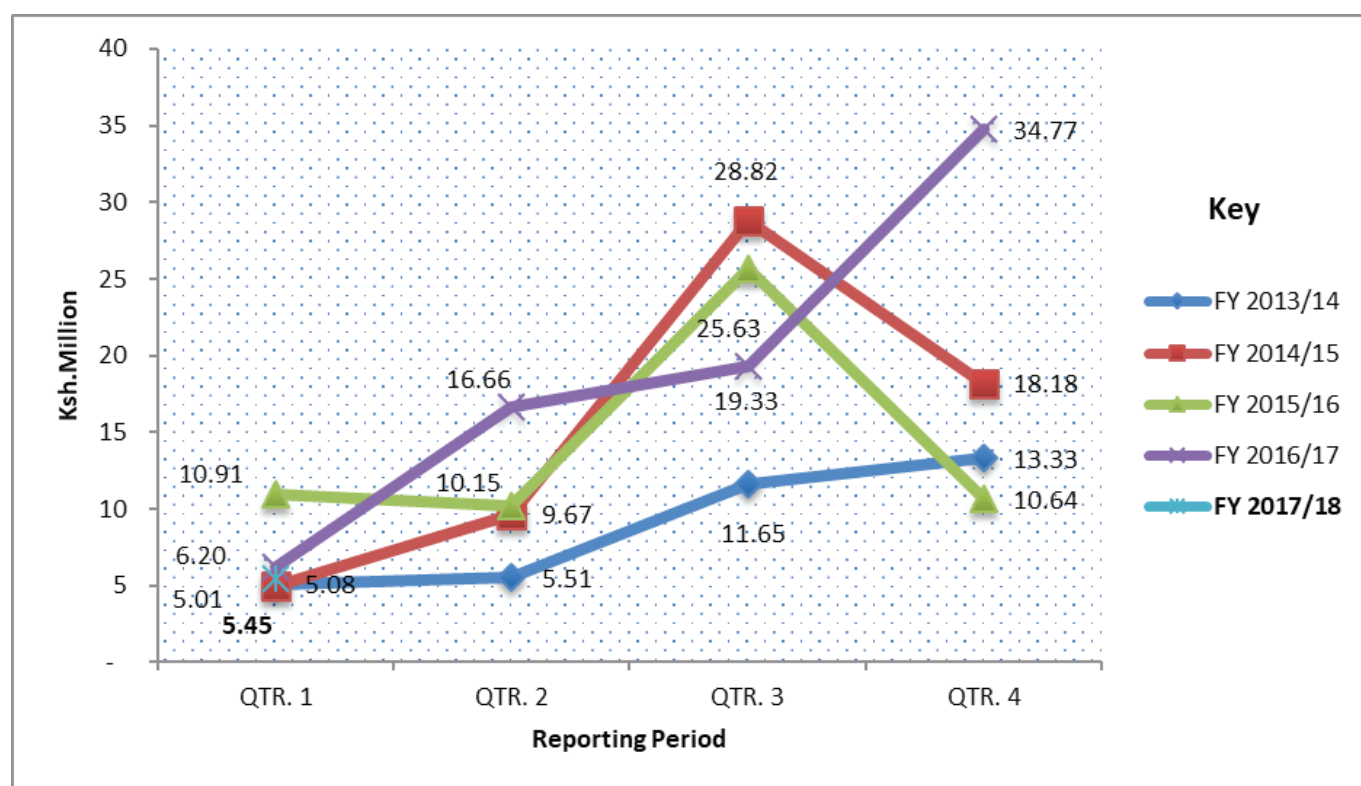
The County budgeted to receive Ksh.13.4 million as World Bank loan for the National Agricultural and Rural Inclusive Projects, which, was not contained in the CARA, 2017.

3.21.2 Revenue Analysis

During the first quarter of FY 2017/18, the County received Kshs.346.7 million as equitable share of the revenue raised nationally, Kshs.40.77 million as total conditional allocations, raised Kshs.5.45 million from local revenue sources, and had a cash balance of Kshs.10 million from FY 2016/17. The available funds amounted to Kshs.402.92 million.

Figure 3.61 shows the quarterly trend in local revenue collection from the first quarter of FY 2013/14 to the first quarter FY 2017/18.

Figure 3.61: Lamu County, Trend in Local Revenue Collection by Quarter from the First Quarter of FY 2013/14 to the First Quarter of FY 2017/18



Source: Lamu County Treasury

The total local revenue collected in the first quarter of FY 2017/18 amounted to Kshs.5.45 million, representing a decrease of 12.1 per cent compared to Kshs.6.2 million generated in a similar period of FY 2016/17, and represented 6.1per cent of the annual local revenue target.

3.21.3 Conditional Grants

Table 3.43 shows an analysis of conditional grants released in the first quarter of FY 2017/18.

Table 3.43: Lamu County, Analysis of Conditional Grants Released in the First Quarter of FY 2017/18

S/No	Grants	Annual CARA, 2017 Allocation (in Kshs)	Annual Budget Allocation(in Kshs)	Actual re-ceipts in First Quarter of FY 2017/18 (in Kshs.)	Actual Receipts as Percentage of Annual Allo-cation (%)
A	Grants Contained CARA, 2017				
1	Road Maintenance Fuel Levy Fund	87, 424, 448	87, 575, 000	40, 772, 689	46.6

S/No	Grants	Annual CARA, 2017 Allocation (in Kshs)	Annual Budget Allocation(in Kshs)	Actual receipts in First Quarter of FY 2017/18 (in Kshs.)	Actual Receipts as Percentage of Annual Allocation (%)
2	Leasing of Medical Equipment	95,744,681	-	-	-
3	World Bank loan to supplement financing of County Health facilities	11,785,000	33,892,447	-	-
4	Kenya Devolution Support Programme (KDSP)	31,560,246	-	-	-
5	Compensation for User Fee Foregone	2,451,034	2,451,034	-	-
6	DANIDA Grant	5,924,224	-	-	-
7	Supplement for Construction of County Headquarters	121,000,000	-	-	-
8	Development of Youth Polytechnics	31,780,441	-	-	-
9	Other Loans & Grants	16,251,730	-	-	-
10	World Bank Loan for Transforming Health System for universal Care System	28,585,496	-	-	-
11	World Bank Loan for National Agricultural & Rural Inclusive Project	-	13,400,000	-	-
Total		432,507,300	137,318,481	40,772,689	9

Source: Lamu County Treasury

Analysis of the conditional grants indicates that the County only received funds from the Road Maintenance Fuel Levy Fund amounting to Ksh.40.77 million which was 46.6 per cent of annual allocation.

3.21.4 Exchequer Issues

During the reporting period, the Controller of Budget authorized withdrawal of Kshs.368.12 million from the CRF account, which was 13.6 per cent of the Approved Budget. This amount was a decrease of 59.5 per cent from Kshs.907.87 million authorized in a similar period of FY 2016/17. The entire amount was for recurrent expenditure.

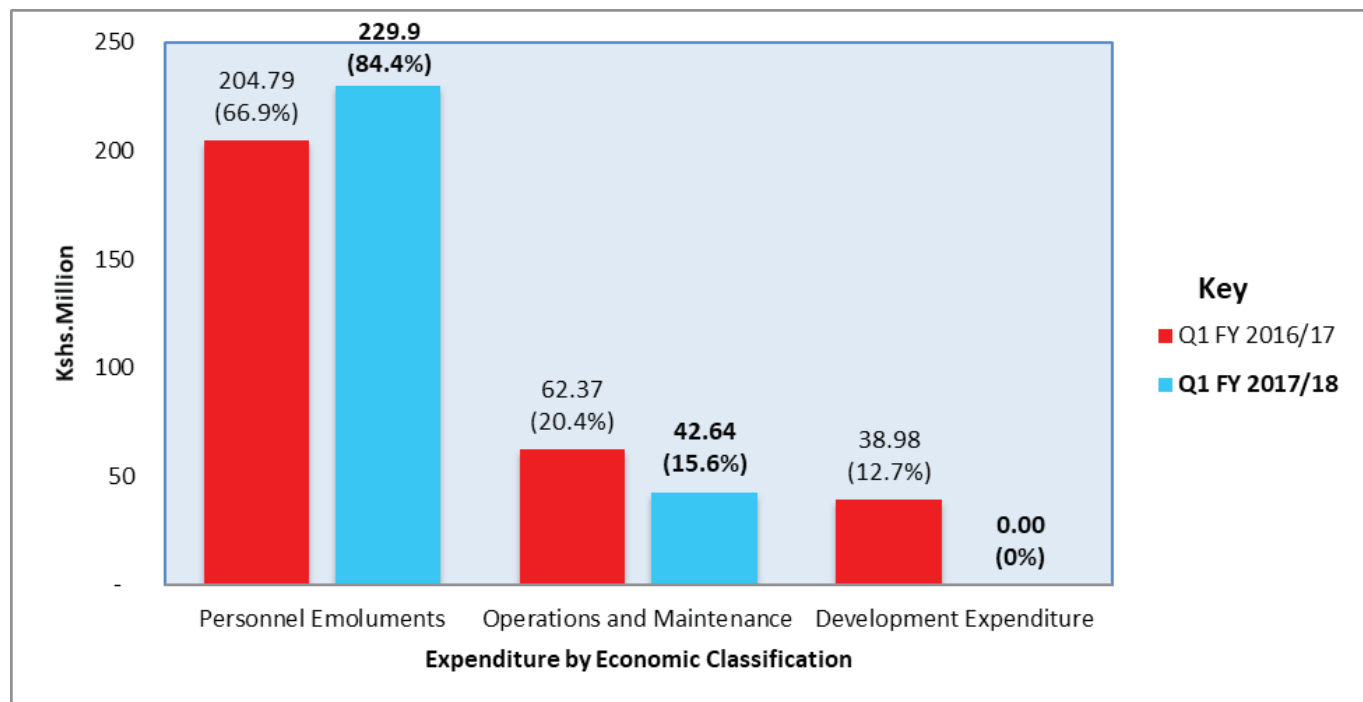
3.21.5 Overall Expenditure Review

The County incurred Kshs.272.54 million, which was 71.9 per cent of the total funds released for operations. This was a decrease of 11 per cent from Kshs.306.14 million incurred in the first quarter of FY 2016/17.

The total expenditure of Kshs.272.54 million was incurred on recurrent activities and represented 71.9 per cent of the funds released for recurrent activities. The expenditure excluded outstanding commitments as at September 30th, 2017 that amounted to Kshs.4.93 million for recurrent expenditure.

The recurrent expenditure represented 14.5 per cent of the annual recurrent budget, a slight decrease from 14.8 per cent incurred in a similar period of FY 2016/17. Figure 3.62 presents a comparison between the total expenditure in the first quarter of FY 2016/17 and the first quarter of FY 2017/18.

Figure 3.62: Lamu County, Expenditure by Economic Classification in the First Quarter of FY 2016/17 and First Quarter of FY 2017/18



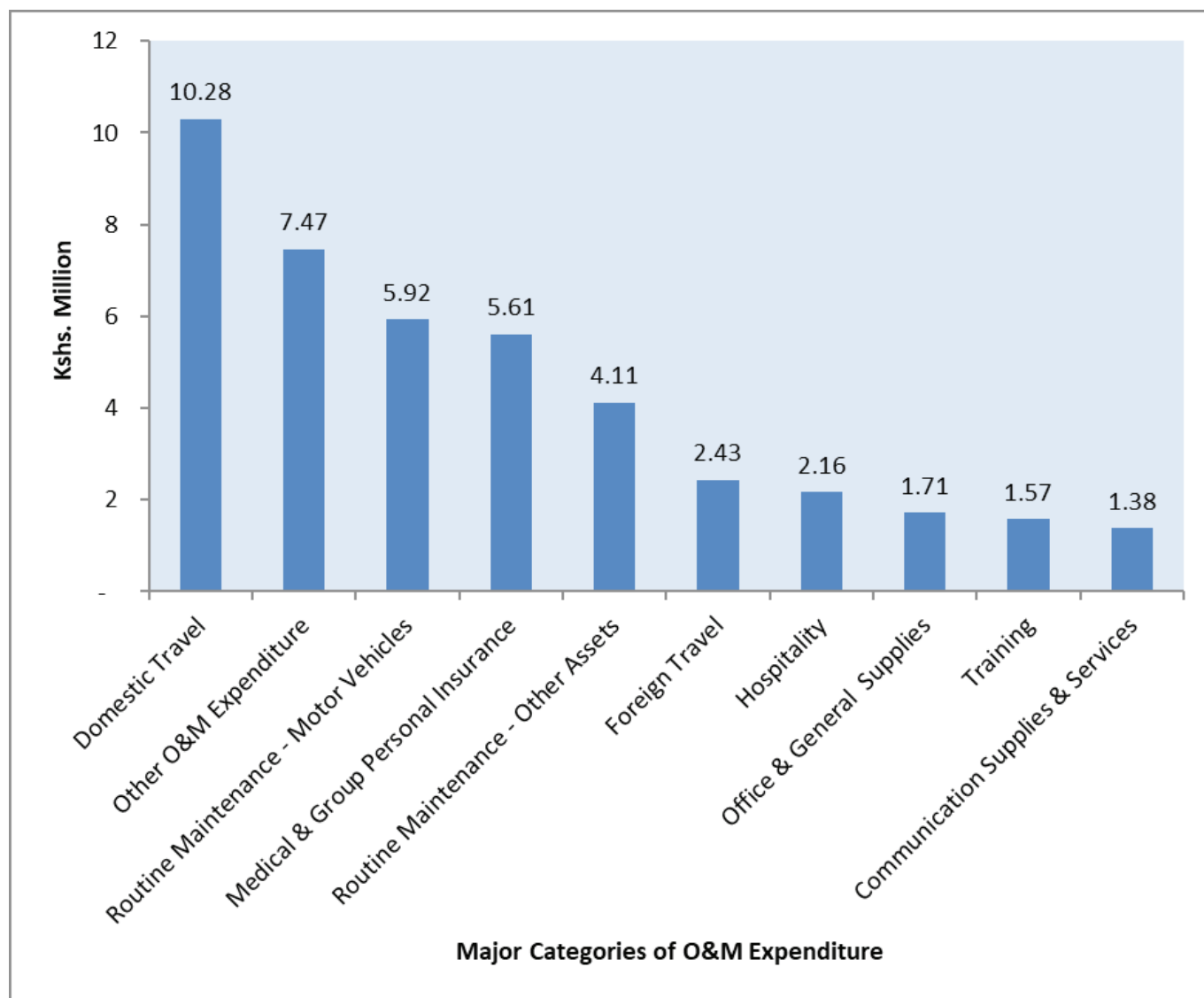
Source: Lamu County Treasury

3.21.6 Analysis of Recurrent Expenditure

The total recurrent expenditure of Kshs.272.54 million consisted of Kshs.229.9 million (84.4 per cent) incurred on personnel emoluments and Kshs.42.64 million (15.6 per cent) on operations and maintenance as shown in Figure 3.62.

Expenditure on personnel emoluments represented an increase of 12.3 per cent compared to Kshs.204.79 million incurred in the first quarter of FY 2016/17, and was 84.4 per cent of total expenditure in the first quarter of FY 2017/18. Figure 3.63 shows a summary of operations and maintenance expenditure by major categories.

Figure 3.63: Lamu County, Operations and Maintenance Expenditure by Major Categories in the First Quarter of FY 2017/18



Source: Lamu County Treasury

The County incurred Kshs.0.75 million on sitting allowances to the 19 MCAs and the Speaker against the annual budget allocation of Kshs.35.38 million. This was a decrease of 84.8 per cent compared to Kshs.4.92 million incurred in the first quarter of FY 2016/17. The average monthly committee sitting allowance was Kshs.13,140 per MCA compared to SRC's recommended monthly ceiling of Kshs.80,000.

Expenditure on domestic and foreign travel amounted to Kshs.12.71 million and consisted of Kshs.2.48 million incurred by the County Assembly and Kshs.10.23 million by the County Executive. It represented 4.7 per cent of total recurrent expenditure and was a decrease of 22.4 per cent compared to Kshs.16.37 million incurred in the first quarter of FY 2016/17.

3.21.7 Development Expenditure Analysis

The County did not report any expenditure on development activities during the reporting period.

3.21.8 Budget and Budgeted Performance Analysis by Department

Table 3.44 shows a summary of budget estimates and budget performance by department in the first quarter of FY 2017/18

Table 3.44: Lamu County, Budget Performance by Department in the First Quarter of FY 2017/18

Department	Budget Allocation (Kshs.Million)		Exchequer Issues in First Quarter of FY 2017/18 (Kshs. Million)		Expenditure in First Quarter of FY 2017/18 (Kshs.Million)		First Quarter of FY 2017/18 Expenditure to Exchequer Issues (%)		First Quarter of FY 2017/18 Absorption rate (%)	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
County Assembly	350	150	62.09	-	30.18	-	48.6	-	8.6	-
County Executive and Public Service Management	339.2	80	67.2	-	48.11	-	71.6	-	14.2	-
Finance and Economic Planning	93.67	13.5	24.19	-	17.86	-	73.8	-	19.1	-
Agriculture and Irrigation	72.13	70.9	16.99	-	9.7	-	57.1	-	13.5	-
Land, Physical Planning, Infrastructure Water and Urban Development	73.09	218.84	16.81	-	9.83	-	58.5	-	13.4	-
Education, Gender, Youth Affairs, Sports and Social Services	129.43	80	27.86	-	13.77	-	49.4	-	10.6	-
Health, Environment and Sanitation	631.92	99.16	112.24	-	117.94	-	105.1	-	18.7	-
Trade, Investment, Tourism and Natural Resources	28.28	32	5.47	-	1.75	-	32	-	6.2	-
Information, Communication and Public Participation	36.24	18	7.41	-	2.92	-	39.5	-	8.1	-
Fisheries, Livestock, Veterinary Services and Co-operatives	73.99	56.7	15.94	-	11.47	-	71.9	-	15.5	-
County Public Service Board	52	-	11.94	-	9.02	-	75.6	-	17.3	-
TOTAL	1,880	819.1	368.12	-	272.54	-	71.9	-	14.5	-

Source: Lamu County Treasury

Analysis of budget performance by department shows that the Finance and Economic Planning Department had the highest percentage of recurrent expenditure to recurrent budget at 19.1 per cent while the Department of Trade, Investment, Tourism and Natural Resources had the lowest at 6.2 per cent.

3.21.9 Observations and Recommendations

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

- Establishment of an Internal Audit Committee in line with Section 155 of the PFM Act, 2012.
- Improvement in the use of IFMIS and Internet Banking platform in processing financial transactions.

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

- Delay in disbursement of the equitable share of revenue raised nationally by the National Treasury.
- Under-performance in local revenue collection, which declined by 12.1 per cent from Kshs.6.2

million in the first quarter of FY 2016/17 to Kshs.5.45 million in the reporting period.

3. IFMIS connectivity challenges, which slowed down approval of procurement requests and payment to suppliers.
4. Failure to constitute the County Budget and Economic Forum (CBEF) as required by Section 137 of the PFM Act, 2012 for consultation in the budget process.
5. A high wage bill that increased by 12.3 per cent from Kshs.204.79 million in the first quarter of FY 2016/17 to Kshs.229.9 million during the period under review, representing 84.4 per cent of total expenditure.
6. Late submission of financial reports by the County Treasury, which affected timely preparation of Budget Implementation Review Report by the Controller of Budget, contrary to Section 166 of the PFM Act, 2012.
7. Failure to budget for all conditional grants as per CARA, 2017.

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

1. *The County Treasury should liaise with the National Treasury to ensure that funds allocated to the County are released in line with the CARA, 2017 Disbursement Schedule.*
2. *The County Treasury should formulate and implement strategies to enhance local revenue collection.*
3. *The County Treasury should liaise with the IFMIS Directorate for support in order to address the connectivity challenges.*
4. *The County should establish an effective CBEF in line with Section 137 of the PFM Act, 2012.*
5. *The County Public Service Board should establish and implement an optimal staffing structure in order to ensure a sustainable wage bill.*
6. *The County Treasury should ensure timely preparation and submission of financial reports to the Office of the Controller of Budget in line with Section 166 of PFM Act, 2012.*
7. *The County should prepare a Supplementary Budget to align conditional grants to the CARA, 2017.*

3.22 Machakos County

3.22.1 Overview of the FY 2017/18 Budget

The County's FY 2017/18 Approved Budget is Kshs.9.99 billion, comprising of Kshs.7 billion (70 per cent) and Kshs.2.99 billion (30 per cent) allocation for recurrent and development expenditure respectively.

To finance the budget, the County expects to receive Kshs.7.4 billion (74.1 per cent) as equitable share of revenue raised nationally, Kshs.1.03 billion (10.3 per cent) as total conditional grants, and generate Kshs.1.56 billion (15.6 per cent) from local revenue sources, and Kshs.51.74 million cash balance from FY 2016/17.

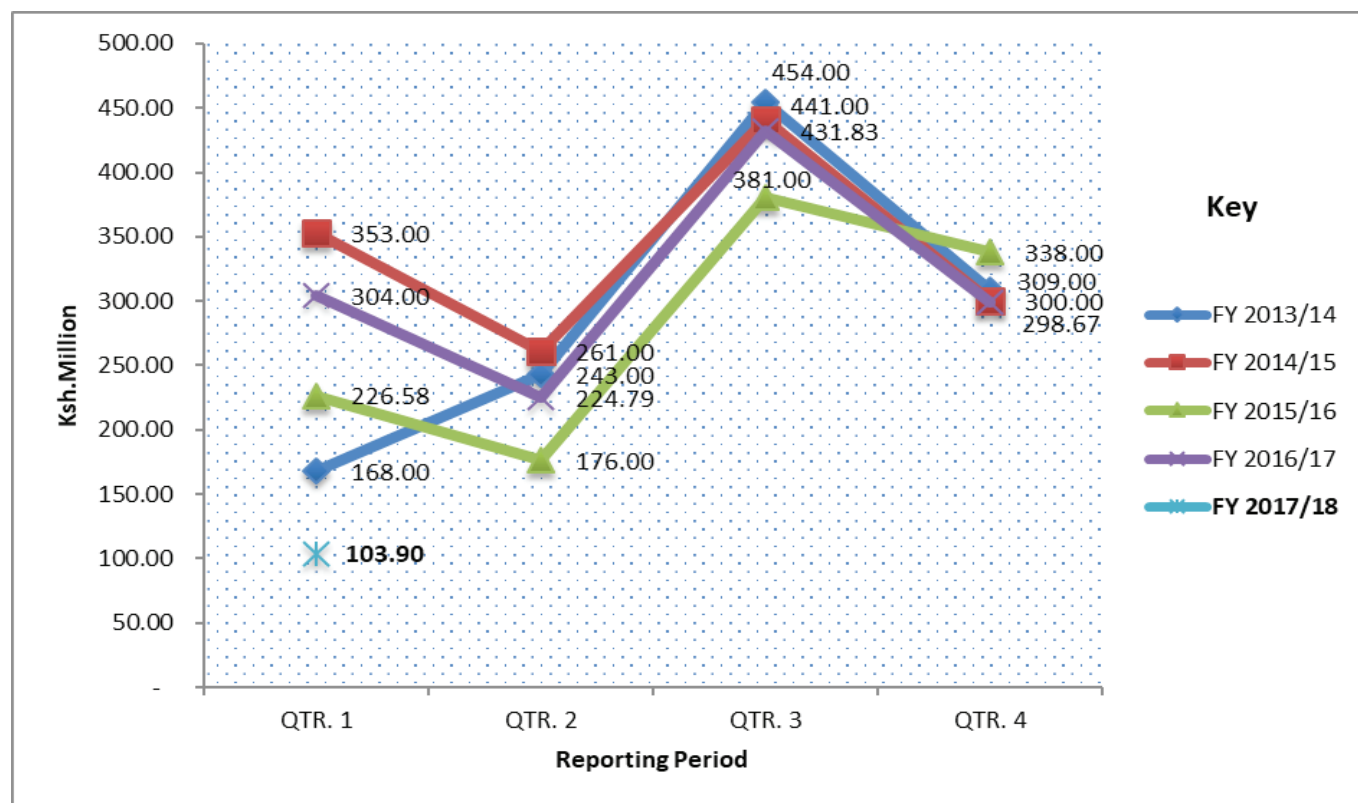
The conditional grants contained in the CARA, 2017 of Kshs.1.03 billion comprise of, Kshs.288.4 million (27.9 per cent) from the Road Maintenance Fuel Levy Fund, Kshs.24.13 million (2.3 per cent) as Compensation for User Fee Foregone, Kshs.19.54 million (1.9 per cent) from DANIDA, Kshs.383.6 million (37.1 per cent) for Level 5 Hospital, Kshs.95.7 million (9.3 per cent) for Leasing of Medical Equipment, Kshs.49.9 million (4.8 per cent) for the World Bank Kenya Devolution Support Program, Kshs.65.96 million (6.3 per cent) for Development of Youth Polytechnics, Kshs.65.6 million (6.4 per cent) as World Bank Loan for Transforming Health System for universal Care System, and Kshs.40.56 million (3.9 per cent) from Other Loans and Grants.

3.22.2 Revenue Analysis

During the first quarter of FY 2017/18, the County received Kshs.1.09 billion as equitable share of the revenue raised nationally, Kshs.134.5 million as total conditional allocations, raised Kshs.103.9 million from local revenue sources, and had a cash balance of Kshs.51.74 million from FY 2016/17. The available funds amounted to Kshs.1.38 billion.

Figure 3.64 shows the quarterly trend in local revenue collection from the first quarter of FY 2013/14 to the first quarter FY 2017/18.

Figure 3.64: Machakos County, Trend in Local Revenue Collection by Quarter from the first Quarter of FY 2013/14 to the First Quarter of FY 2017/18



Source: Machakos County Treasury

The total local revenue collected in the first quarter of FY 2017/18 amounted to Kshs.103.9 million, representing a decrease of 65.7 per cent compared to Kshs.304 million generated in a similar period of FY 2016/17, and represented 6.7 per cent of the annual local revenue target.

3.22.3 Conditional Grants

Table 3.45 shows an analysis of conditional grants released in the first quarter of FY 2017/18.

Table 3.45: Machakos County Analysis of Conditional Grants Released in First Quarter of FY 2017/18

S/No	Grants	Annual CARA, 2017 Allocation (in Kshs)	Annual Budget Allocation (in Kshs)	Actual receipts in First Quarter of FY 2017/18 (in Kshs)	Actual Receipts as Percentage of Annual Allocation (%)
	Grants Contained CARA, 2017				
1	Road Maintenance Fuel Levy Fund	288,391,503	-	134,498,956	47
2	Leasing of Medical Equipment	95,744,681	-	-	-
3	Kenya Devolution Support Programme (KDSP)	49,893,169	-	-	-
4	Compensation for User Fee Foregone	24,129,039	-	-	-
5	DANIDA Grant	19,542,539	-	-	-
6	Level-5 Hospitals	383,583,815	-	-	-
7	Development of Youth Polytechnics	65,957,023	-	-	-
8	Other Loans & Grants	40,561,482	-	-	-
9	World Bank Loan for Transforming Health System for universal Care System	65,588,789	-	-	-
Total		1,033,392,040	-	134,498,956	13

Source: Machakos County Treasury

Analysis of the conditional grants released during the period under review indicates that, the Road Maintenance Fuel Levy Fund recorded a receipt of Kshs.134.5 million which was 46.6 per cent of annual allocation. The other grants did not receive funding during the reporting period.

3.22.4 Exchequer Issues

During the reporting period, the Controller of Budget authorized withdrawal of Kshs.1.08 billion from the CRF account, which was 10.8 per cent of the Approved Budget. This amount was a decrease of 55.6 per cent from Kshs.1.92 billion authorized in a similar period of FY 2016/17.

3.22.5 Overall Expenditure Review

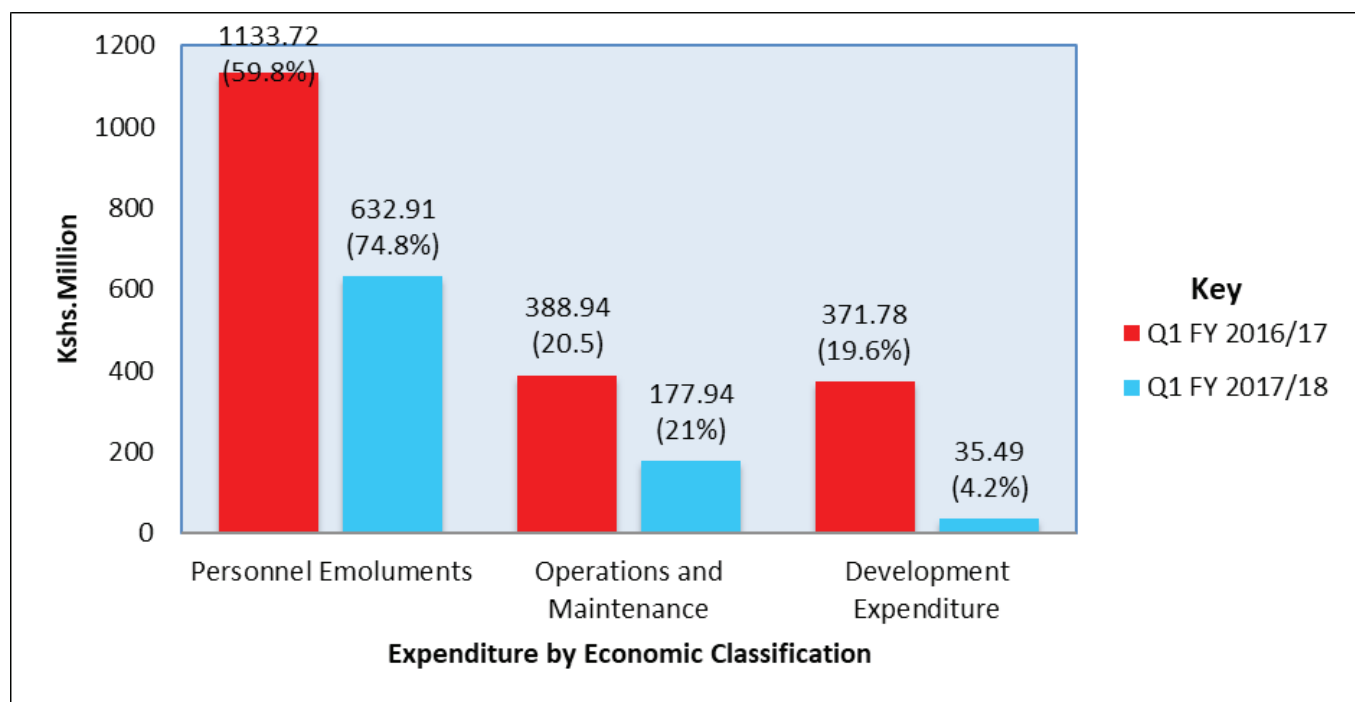
The County incurred Kshs.846.34 million, which was 78 per cent of the total funds released for operations. This was a decrease of 55.3 per cent from Kshs.1.89 billion incurred in the first quarter of FY 2016/17.

A total of Kshs.810.85 million was incurred on recurrent activities, while Kshs.35.49 million was on development activities. The recurrent expenditure was 75.3 per cent of the funds released for recurrent.

The recurrent expenditure represented 11.6 per cent of the annual recurrent budget, a decrease from 20.2 per cent incurred in a similar period of FY 2016/17. Development expenditure recorded an absorption rate of 1.2 per cent, which was a decrease from 11.1 per cent attained in the first quarter of FY 2016/17.

Figure 3.65 presents a comparison between the total expenditure in the first quarter of FY 2016/17 and first quarter of FY 2017/18.

Figure 3.65: Machakos County, Expenditure by Economic Classification in the First Quarter of FY 2016/17 and First Quarter of FY 2017/18



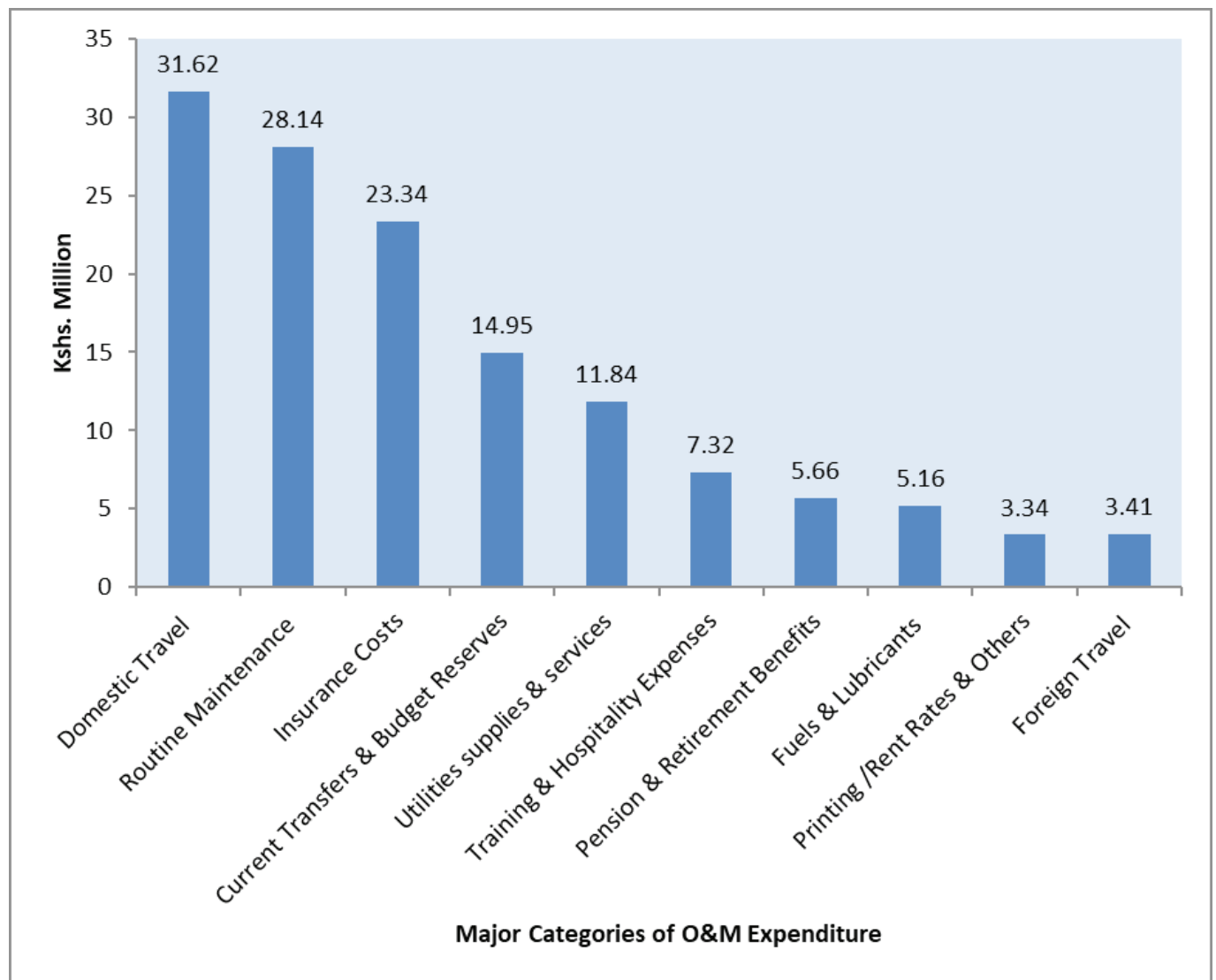
Source: Machakos County Treasury

3.22.6 Analysis of Recurrent Expenditure

The total recurrent expenditure of Kshs.810.85 million consisted of Kshs.632.91 million (74.8 per cent) incurred on personnel emoluments and Kshs.177.94 million (21 per cent) on operations and maintenance as shown in Figure 3.65.

Expenditure on personnel emoluments represented a decrease of 44.2 per cent compared to Kshs.1.13 billion incurred in the first quarter of FY 2016/17, and was 74.8 per cent of total expenditure in the first quarter of FY 2017/18. Figure 3.66 shows a summary of operations and maintenance expenditure by major categories.

Figure 3.66: Machakos County, Operations and Maintenance Expenditure by Major Categories in the First Quarter of FY 2017/18



Source: IFMIS Reports

The County incurred Kshs.0.5 million on sitting allowances to the 60 MCAs and the Speaker against the annual budget allocation of Kshs.82.91 million. This was a decrease of 96.6 per cent compared to Kshs.15.37 million incurred in the first quarter of FY 2016/17. The average monthly sitting allowance was Kshs.2, 944 per MCA compared to SRC's recommended monthly ceiling of Kshs.80,000.

Expenditure on domestic and foreign travel amounted to Kshs.35.03 million and consisted of Kshs.23.42 million incurred by the County Assembly and Kshs.11.61 million by the County Executive. It represented 4.1 per cent of total recurrent expenditure, and was a decrease of 70.3 per cent compared to Kshs.113.58 million incurred in the first quarter of FY 2016/17.

3.22.7 Development Expenditure Analysis

The total development expenditure of Kshs.35.49 million represented 1.2 per cent of the annual development budget of Kshs.2.98 billion.

The development expenditure consisted of Kshs.32 million on capital transfers to the Health Sector and Kshs.2.06 million on wages to casual laborers engaged to undertake road and other infrastructure maintenance works.

3.22.8 Budget and Budget Performance Analysis by Department.

Table 3.2 shows a summary of budget estimates and budget performance by department in the first quarter of FY 2017/18

Table 3.46: Machakos County, Budget Performance by Department in the First Quarter of FY 2017/18

Department	Budget Allocation (Kshs.Million)		Exchequer Issues in First Quarter of FY 2017/18 (Kshs. Million)		Expenditure in First Quarter of FY 2017/18 (Kshs.Million)		First Quarter of FY 2017/18 Expenditure to Exchequer Issues (%)		First Quarter of FY 2017/18 Absorption rate (%)	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
Office of the Governor	585.93	22.50	53.02	-	74.13	-	139.8	22.50	12.7	-
Public Service, Labour and ICT	507.24	20.70	30.93	-	575.35	-	1860.2	20.70	113.4	-
Trade, Investment, Economic Planning, Industrialization and Energy	112.88	729.22	13.01	-	1.26	-	9.7	729.22	1.1	-
Finance and Revenue Management	352.14	22.50	47.94	-	6.74	-	14.1	22.50	1.9	-
Decentralized Units, County Administration, Environment & Solid Waste mgt.	482.27	39.71	66.05	-	4.00	-	6.1	39.71	0.8	-
Agriculture, Livestock, Water & Irrigation Development	454.39	227.19	76.22	-	0.09	-	0.1	227.19	-	-
Health and Emergency Services	2,920.12	609.60	647.26	-	12.17	32.00	1.9	609.60	0.4	5.2
Transport, Roads, Public Works and Housing	218.26	819.41	29.72	-	-	2.06	-	819.41	-	0.3
Education, Youth and Social Welfare	185.69	18.97	14.22	-	4.00	-	28.1	18.97	2.2	-
Lands, Energy & Urban development	90.99	206.06	12.73	-	-	-	-	206.06	-	-
Tourism, Sports and Culture	76.33	25.39	9.93	-	-	-	-	25.39	-	-
County Public Service Board	41.01	6.01	5.80	-	0.02	-	0.4	6.01	0.1	-
County Assembly	974.67	241.00	70.00	-	109.66	1.43	156.7	241.00	11.3	0.6
TOTAL	7,002	2,988	1,077	-	864.34	35.49	73.1	-	11.2	1.2
<i>Source: IFMIS Reports</i>										

Analysis of budget performance by department shows that the Health and Emergency Services Department attained the highest absorption rate of development budget at 5.2 per cent while the Department of Public Service, ICT and Labour had the highest percentage of recurrent expenditure to recurrent budget at 113.4 per cent.

3.22.9 Observations and Recommendations

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

- Establishment of the County Budget and Economic Forum (CBEF) in line with Section 137 of the PFM Act, 2012.
- Improvement in the use of IFMIS and Internet Banking to process financial transactions.

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

1. Failure to establish an Internal Audit Committee contrary to Section 155 of the PFM Act, 2012.
2. Delay by the Fund Administrators of both the County Assembly and the County Executive Car and Mortgage Funds to submit expenditure reports contrary to Section 168 of the PFM Act, 2012.
3. Under-performance of local revenue collection, which declined by 65.7 per cent from Kshs.304 million in the first quarter of FY 2017/18 to Kshs.103.9 million in the first quarter of FY 2017/18.
4. Delay by the County Treasury to submit quarterly financial reports in line with Section 166 of the PFM Act, 2012.
5. Failure to budget for all conditional grants as per CARA, 2017.

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

1. *The County should establish an Internal Audit Committee in line with Section 155 of the PFM Act, 2012.*
2. *The CECM-F should ensure the Fund Administrators prepare and submits expenditure reports in line with Section 168 of the PFM Act, 2012.*
3. *The County Treasury should formulate and implement strategies to enhance local revenue collection.*
4. *The County Treasury should ensure timely submission of quarterly financial reports to the Controller of Budget in line with Section 166 of the PFM Act, 2012.*
5. *The County should prepare a Supplementary Budget to align revenue estimates with the CARA, 2017.*

3.23 Makueni County

3.23.1 Overview of the FY 2017/18 Budget

The County's FY 2017/18 Approved Budget is Kshs.7.89 billion, comprising of Kshs.5.2 billion (65.9 per cent) and Kshs.2.69 billion (34.1 per cent) allocation for recurrent and development expenditure respectively.

To finance the budget, the County expects to receive Kshs.6.83 billion (87.4 per cent) as equitable share of revenue raised nationally, Kshs.538.33 million (6.9 per cent) as total conditional grants and generate Kshs.450 million (5.8 per cent) from local revenue sources.^[P.F.] The conditional grants contained in the CARA, 2017 of Kshs.728.06 million comprise of Kshs.254.35 million (47.2 per cent) from the Road Maintenance Fuel Levy Fund, Kshs.19.44 million (3.6 per cent) as Compensation for User Fee Foregone, Kshs.17.24 million (3.2 per cent) from DANIDA, Kshs.47.4 million (8.8 per cent) for the World Bank Kenya Devolution Support Program, Kshs.64.13 million (11.9 per cent) for Development of Youth Polytechnics, Kshs.71.7 million (13.3 per cent) as World Bank Loan for

Transforming Health System for Universal Care System, Kshs.50 million (9.3 per cent) as World Bank Loan for National Agricultural & Rural Inclusive Project, Kshs.66 million (12.3 per cent) as European Union (EU) Grant, and Kshs.42.07 million (7.8 per cent) from Other Loans and Grants.

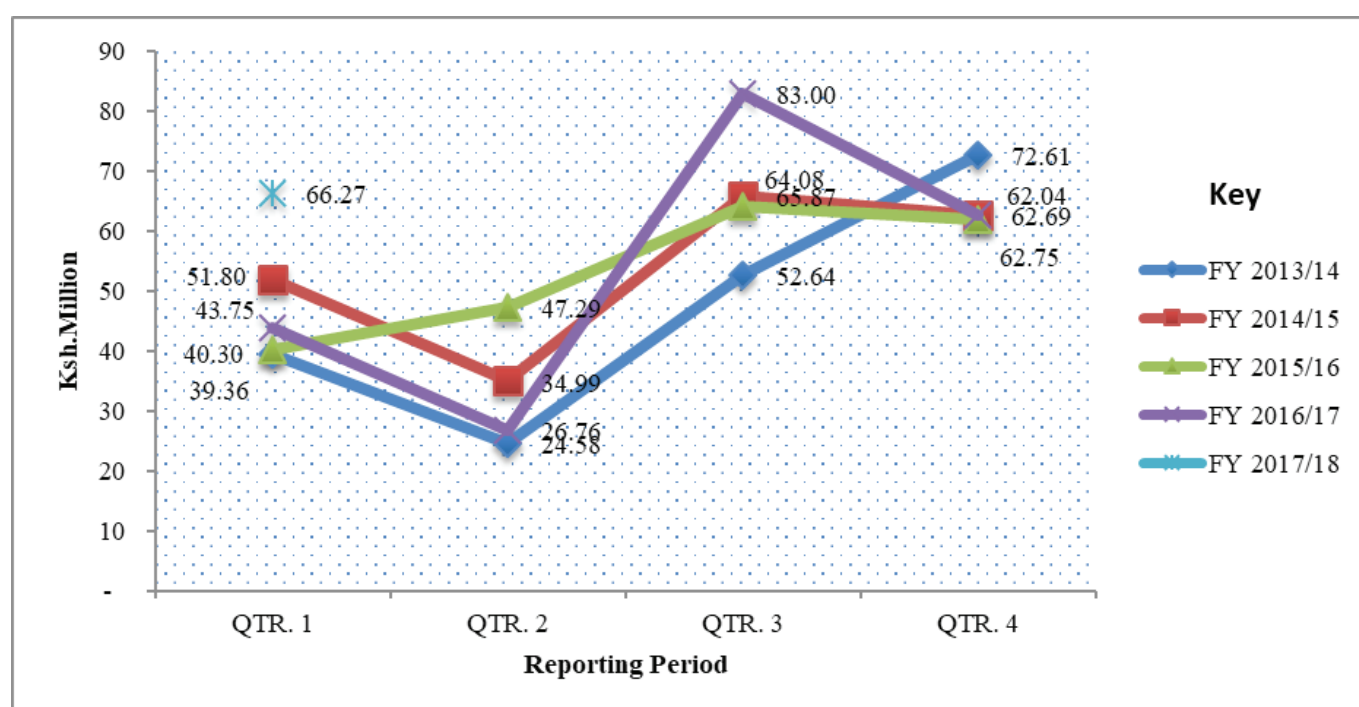
Some conditional grants from are not contained in the CARA, 2017. These comprise of Kshs.110 million from European Union support to Agriculture and Kshs.14.15 million Agricultural Sector Development Programme Funds.

3.23.2 Revenue Analysis

During the first quarter of FY 2017/18, the County received Kshs.118.62 million as total conditional allocations, raised Kshs.66.27 million from local revenue sources, and had a cash balance of Kshs.1.23 billion brought forward from FY 2016/17. The available funds amounted to Kshs.1.42 billion.

Figure 3.67 shows the quarterly trend in local revenue collection from the first quarter of FY 2013/14 to the first quarter FY 2017/18.

Figure 3.67: Makueni County, Trend in Local Revenue Collection by Quarter from the First Quarter of FY 2013/14 to the First Quarter of FY 2017/18



Source: Makueni County Treasury

The total local revenue collected in the first quarter of FY 2017/18 amounted to Kshs.66.27 million, representing an increase of 51.5 per cent compared to Kshs.43.74 million generated in a similar period of FY 2016/17, and represented 14.7 per cent of the annual local revenue target.

3.23.3 Conditional Grants

Table 3.47 shows an analysis of conditional grants released in the first quarter of FY 2017/18.

Table 3.47: Makueni County, Analysis of Conditional Grants Released in the First Quarter of FY 2017/18

S/No	Grants	Annual CARA, 2017 Allocation (in Kshs)	Annual Budget Allocation (in Kshs)	Actual receipts in First Quarter of FY 2017/18 (in Kshs)	Actual Receipts as Percentage of Annual Allocation (%)
A	Grants Contained CARA, 2017				
1	Road Maintenance Fuel Levy Fund	254,349,334	179,550,000	118,622,496	46.6
2	Leasing of Medical Equipment	95,744,681	95,744,681	-	-
3	Kenya Devolution Support Programme (KDSP)	47,396,651	-	-	-
4	Compensation for User Fee Foregone	19,435,760	19,435,760	-	-
5	DANIDA Grant	17,235,708	18,097,493	-	-
6	Development of Youth Polytechnics	64,131,527	-	-	-
7	Other Loans & Grants	42,068,488	33,057,447	-	-
8	World Bank Loan for Transforming Health System for Universal Care System	71,695,469	-	-	-
9	World Bank Loan for National Agricultural & Rural Inclusive Project	50,000,000	-	-	-
10	EU Grant	66,000,000	68,298,825	-	-
	Sub Total	728,057,618	414,184,206	118,622,496	16.3
B	Other Grants				
11	EU Funds - Agriculture	-	110,000,000	-	-
12	Agricultural Sector Development Programme (ASDP) Funds	-	14,150,515	-	-
	Sub Total -	-	124,150,515	-	-
	Total	728,057,618	538,334,721	118,622,496	16.3

Source: Makueni County Treasury

Analysis of the conditional grants released during the period under review indicates that, the Road Maintenance Fuel Levy Fund recorded a receipt of Kshs.118.62 million which represented 47 per cent of annual allocation. The County did not receive funds from all the other conditional grants.

3.23.4 Exchequer Issues

During the reporting period, the Controller of Budget authorized withdrawal of Kshs.867.7 million from the CRF account, which was 11 per cent of the Approved Budget. This amount was a decrease of 45.2 per cent from Kshs.2.52 billion authorized in a similar period of FY 2016/17.

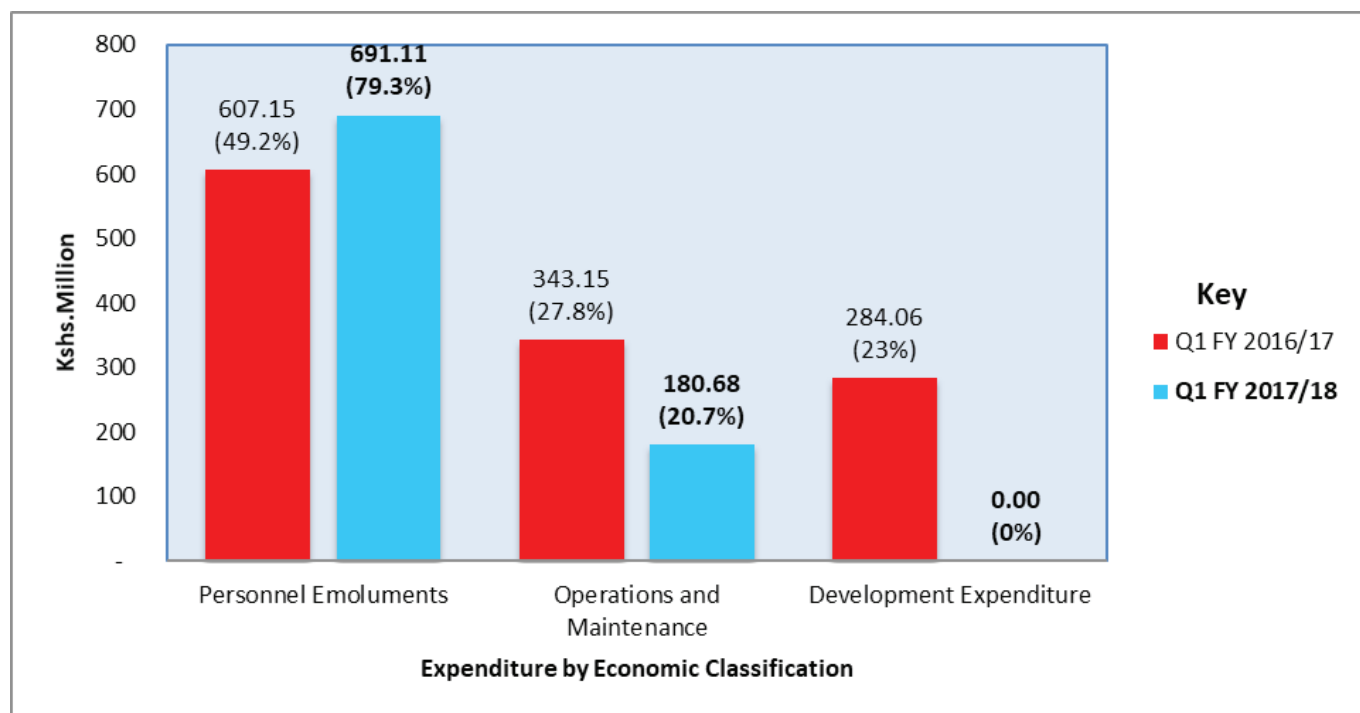
3.23.5 Overall Expenditure Review

The County incurred Kshs.871.79 million, which was 100.5 per cent of the total funds released for operations. This was a decrease of 29.4 per cent from Kshs.1.23 billion incurred in the first quarter of FY 2016/17.

The total expenditure of Kshs.871.79 million was incurred on recurrent activities and was 100.5 per cent of the funds released for recurrent activities. This expenditure excluded outstanding commitments as at September 30th, 2017 that amounted to Kshs.11.88 million for development and Kshs.28.69 million for recurrent expenditure.

The recurrent expenditure represented 16.8 per cent of the annual recurrent budget, a decrease from 19.3 per cent incurred in a similar period of FY 2016/17. Figure 3.68 presents a comparison between the total expenditure in the first quarter of FY 2016/17 and the first quarter of FY 2017/18.

Figure 3.68: Makueni County, Expenditure by Economic Classification in the First Quarter of FY 2016/17 and First Quarter of FY 2017/18



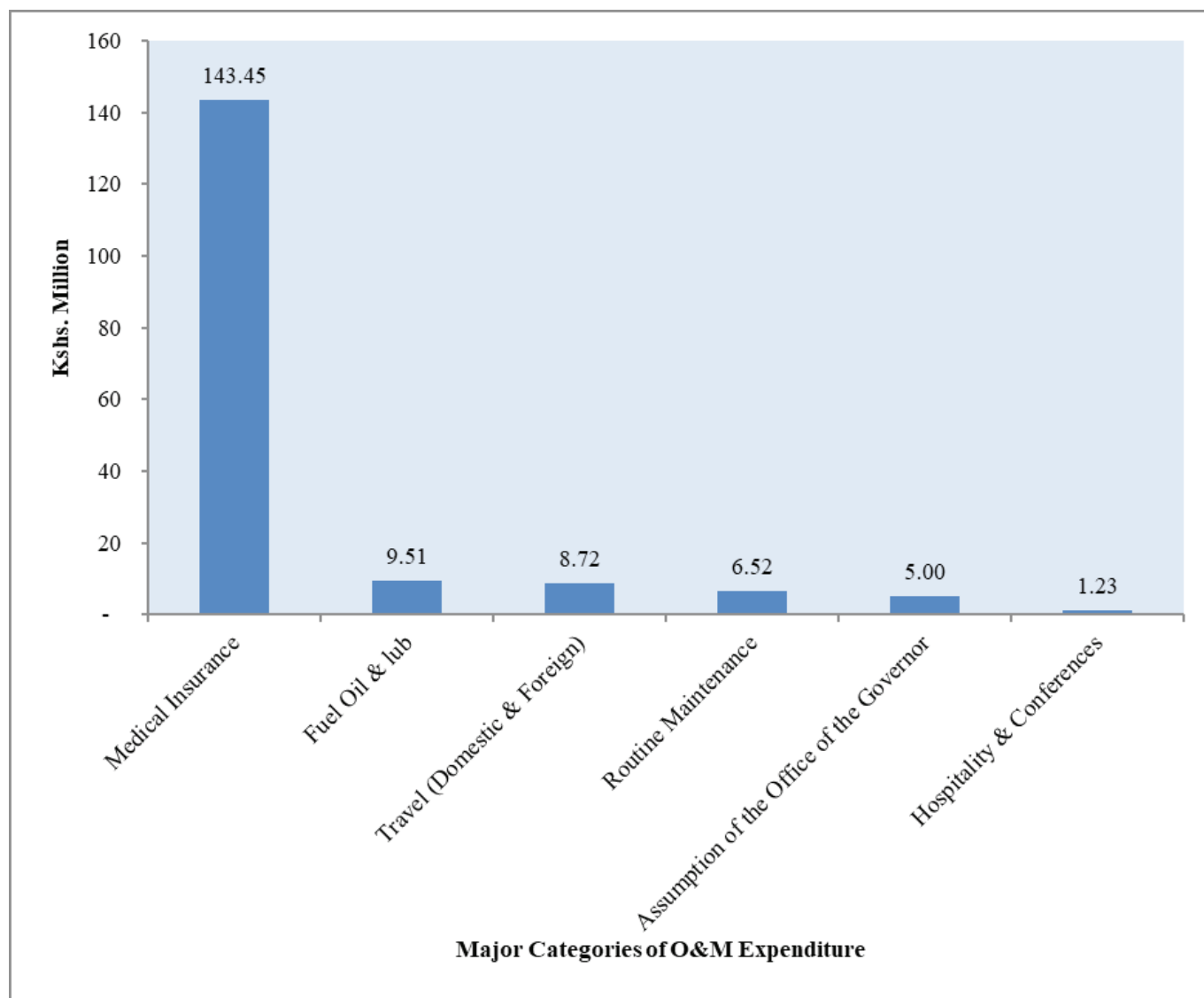
Source: Makueni County Treasury

3.23.6 Analysis of Recurrent Expenditure

The total recurrent expenditure of Kshs.871.79 million consisted of Kshs.691.11 million (79.3 per cent) incurred on personnel emoluments and Kshs.180.67 million (20.7 per cent) on operations and maintenance as shown in Figure 3.68.

Expenditure on personnel emoluments represented an increase of 13.8 per cent compared to Kshs.607.15 million incurred in the first quarter of FY 2016/17, and was 79.3 per cent of total expenditure in the first quarter of FY 2017/18. Figure 3.69 shows a summary of operations and maintenance expenditure by major categories.

Figure 3.69: Makueni County, Operations and Maintenance Expenditure by Major Categories in the First Quarter of FY 2017/18



Source: Makueni County Treasury

The County Assembly did not report any expenditure on committee sitting allowances to the 48 MCAs. Expenditure on domestic and foreign travel amounted to Kshs.8.72 million and consisted of Kshs.8.65 million incurred by the County Assembly and Kshs.70,000 by the County Executive. It represented 1 per cent of total recurrent expenditure and was a decrease of 57.2 per cent compared to Kshs.20.36 million incurred in the first quarter of FY 2016/17.

3.23.7 Development Expenditure Analysis

The County did not report any expenditure on development activities during the reporting period.

3.23.8 Budget and Budget Performance Analysis by Department

Table 3.48 shows a summary of budget estimates and budget performance by department in the first quarter of FY 2017/18

Table 3.48: Makueni County, Budget Performance by Department in the First Quarter of FY 2017/18

Department	Budget Allocation (Kshs.Million)		Exchequer Issues in First Quarter of FY 2017/18 (Kshs.Million)		Expenditure in First Quarter of FY 2017/18 (Kshs.Million)		First Quarter of FY 2017/18 Expenditure to Exchequer Issues (%)		First Quarter of FY 2017/18 Absorption rate (%)	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
County Attorney's Office	41.38	-	2.16	-	1.96	-	91	-	4.7	-
County Public Service Board	70.23	-	8.98	-	8.94	-	99.6	-	12.7	-
Lands, Physical Planning & Mining	38.78	112	6.08	-	6.45	-	106	-	16.6	-
Office of Governor	223.37	-	15.79	-	18.46	-	116.9	-	8.3	-
Trade, Tourism & Cooperatives	73.53	67.37	10.37	-	10.25	-	98.8	-	13.9	-
Youth, Gender, Sports & Social Services	66.64	181.2	10.49	-	10.62	-	101.2	-	15.9	-
County Secretary	391.09	-	183.04	-	182.90	-	99.9	-	46.8	-
Finance & Socio Economic Planning	567.01	-	50.15	-	51.79	-	103.3	-	9.1	-
Education & ICT	364.73	82.32	52.53	-	52.70	-	100.3	-	14.4	-
Transport & Infrastructure	107.95	298.1	15.68	-	18.13	-	115.6	-	16.8	-
Agriculture, Livestock & Fisheries Development	247.79	315.24	52.59	-	53.42	-	101.6	-	21.6	-
Water, Irrigation & Environment	138.2	1, 023.98	17.86	-	19.53	-	109.3	-	14.1	-
Health	2, 000.94	537.63	354.58	-	356.05	-	100.4	-	17.8	-
Devolution & Public Service	249.06	30	35.35	-	34.93	-	98.8	-	14	-
County Assembly	623.1	42	52.05	-	45.67	-	87.7	-	7.3	-
TOTAL	5, 203.80	2, 689.84	867.7	-	871.79	-	100.5	-	16.8	-

Source: Makueni County Treasury

Analysis of budget performance by department shows that the Office of the County Secretary had the highest percentage of recurrent expenditure to recurrent budget at 46.8 per cent while the Department of County Attorneys had the lowest at 4.7 per cent.

3.23.9 Observations and Recommendations

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

- Establishment of the County Budget and Economic Forum (CBEF) in line with Section 137 of the PFM Act, 2012.
- Timely submission of quarterly financial reports to the Controller of Budget by the County Government entities in line with Section 166 of the PFM Act, 2012.
- Improvement in local revenue collection by 51.5 per cent from Ksh.43.75 million in the first quarter of FY 2016/17 to Ksh.66.27 million in the reporting period.

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

- Delay in disbursement of the equitable share of revenue raised nationally by the National Treasury.

2. IFMIS connectivity challenges, which slowed down approval of procurement requests and payment to suppliers.
3. High wage bill that increased by 13.8 per cent from Kshs.607.15 million in the first quarter of FY 2016/17 to Kshs.691.11 million in the period under review.
4. Failure to budget for all conditional grants as per CARA, 2017.

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

1. *The County Treasury should liaise with the National Treasury to ensure that funds allocated to the County are released in line with the CARA, 2017 Disbursement Schedule.*
2. *The County Treasury should liaise with the IFMIS Directorate for intervention to address connectivity challenges.*
3. *The County Public Service Board should establish and implement an optimal staffing structure in order to manage the high wage bill.*
4. *The County should develop a Supplementary Budget to align conditional grants to the CARA, 2017.*

3.24 Mandera County

3.24.1 Overview of the FY 2017/18 Budget

The County's FY 2017/18 Approved Budget is Kshs.12.58 billion, comprising of Kshs.6.12 billion (48.6 per cent) and Kshs.6.46 billion (51.4 per cent) allocation for recurrent and development expenditure respectively.

To finance the budget, the County expects to receive Kshs.10.36 billion (82.4 per cent) as equitable share of revenue raised nationally, Kshs.602.2 million (4.8 per cent) as total conditional grants, and generate Kshs.231 million (1.8 per cent) from local revenue sources, and had Kshs.1.22 billion (9.7 per cent) cash balance from FY 2016/17.

The conditional grants contained in the CARA, 2017 of Kshs.815.81 million comprise of Kshs.381.57 million (63.4 per cent) from the Road Maintenance Fuel Levy Fund, Kshs.25.47 million (4.2 per cent) as Compensation for User Fee Foregone, Kshs.25.86 million (4.3 per cent) from DANIDA, Kshs.28.31 million (4.78 per cent) as World Bank loan to supplement financing of County Health facilities, Kshs.54.8 million (9.1 per cent) for the World Bank Kenya Devolution Support Program, Kshs.29.83 million (5 per cent) for Development of Youth Polytechnics, Kshs.110 million (18 per cent) as World Bank Loan for Transforming Health System for Universal Care System, Kshs.95.74 million (10.7 per cent) for Leasing of Medical Equipment, and Kshs.64.22 million (7.9 per cent) from Other Loans and Grants.

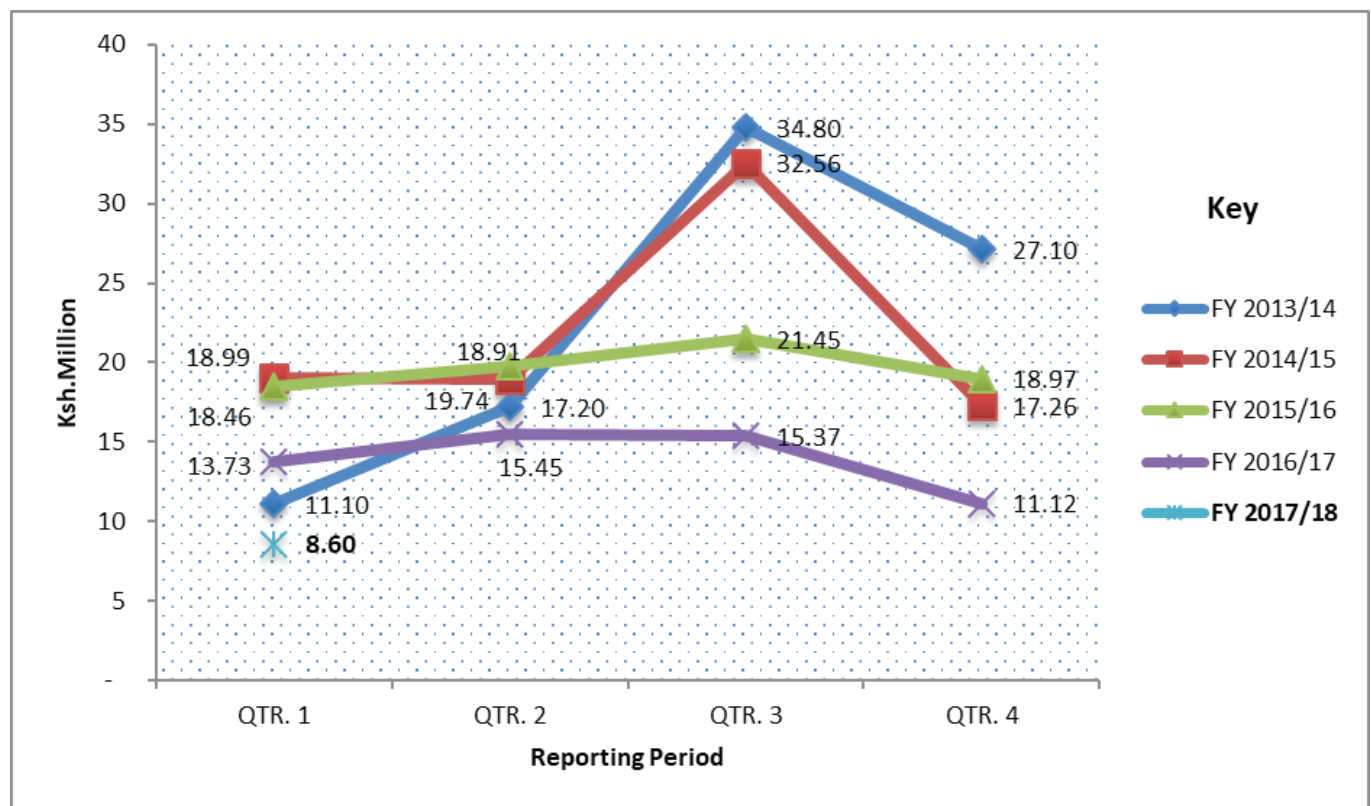
The County budgeted to receive Kshs.51.73 million for Free Maternal Healthcare and Kshs.92.48 million from the World Bank for Health Sector, although the grant is not contained in the CARA, 2017.

3.24.2 Revenue Analysis

During the first quarter of FY 2017/18, the County received Kshs.178 million as total conditional allocations, raised Kshs.8.6 million from local revenue sources, and had a cash balance of Kshs.1.65 billion from FY 2016/17. The County did not receive any disbursement from the National Equitable Share of Revenue during the reporting period. The available funds amounted to Kshs.1.83 billion.

Figure 3.70 shows the quarterly trend in local revenue collection from the first quarter of FY 2013/14 to the first quarter FY 2017/18.

Figure 3.70: Mandera County, Trend in Local Revenue Collection by Quarter from the First Quarter of FY 2013/14 to the First Quarter of FY 2017/18



Source: Mandera County Treasury

The total local revenue collected in the first quarter of FY 2017/18 amounted to Kshs.8.6 million, representing a decrease of 37.4 per cent compared to Kshs.13.73 million generated in a similar period of FY 2016/17, and represented 3.7 per cent of the annual local revenue target.

3.24.3 Conditional Grants

Table 3.49 shows an analysis of conditional grants released in the first quarter of FY 2017/18.

Table 3.49: Mandera County, Analysis of Conditional Grants Released in the First Quarter of FY 2017/18

S/No	Grants	Annual CARA, 2017 Allocation in Kshs)	Annual Budget Allocation in Kshs)	Actual receipts in First Quarter of FY 2017/18 in Kshs.	Actual Receipts as Percentage of Annual Allocation (%)
A	Grants Contained CARA, 2017				
1	Road Maintenance Fuel Levy Fund	381, 574, 994	271, 489, 957	177, 957, 526	46.6
2	World Bank Loan for Transforming Health System for universal Care System	110, 000, 000	92, 477, 798	-	-
3	Leasing of Medical Equipment	95, 744, 681	-	-	-
4	Other Loans & Grants	64, 221, 359	-	-	-
5	Kenya Devolution Support Programme (KDSP)	54, 795, 936	39, 304, 000	-	-
6	Development of Youth Polytechniques	29, 831, 415	-	-	-
7	World Bank loan to supplement financing of County Health facilities	28, 305, 000	-	-	-
8	DANIDA Grant	25, 857, 016	29, 240, 000	-	-
9	Compensation for User Fee Foregone	25, 474, 920	25, 474, 920	-	-
Sub Total		815, 805, 321	457, 986, 675	177, 957, 526	22
B	Other Grants				
10	Free Maternal Health Care	-	51, 729, 085	-	-
11	World Bank Health Funds (Health)	-	92, 477, 798	-	-
Sub Total		-	144, 206, 883	-	-
Total		815, 805, 321.0	602, 193, 558.5	177, 957, 526.0	22

Source: Mandera County Treasury

Analysis of the conditional grants released during the period under review indicates that, the County received Kshs.178 million from Road Maintenance Fuel Levy Fund translating tot 46.6 per cent of the annual allocation. The County did not receive funds from the other conditional grants.

3.24.4 Exchequer Issues

During the reporting period, the Controller of Budget authorized withdrawal of Kshs.1.02 billion from the CRF account, which was 8.1 per cent of the Approved Budget. This amount was a decrease of 60.2 per cent from Kshs.2.57 billion authorized in a similar period of FY 2016/17.

3.24.5 Overall Expenditure Review

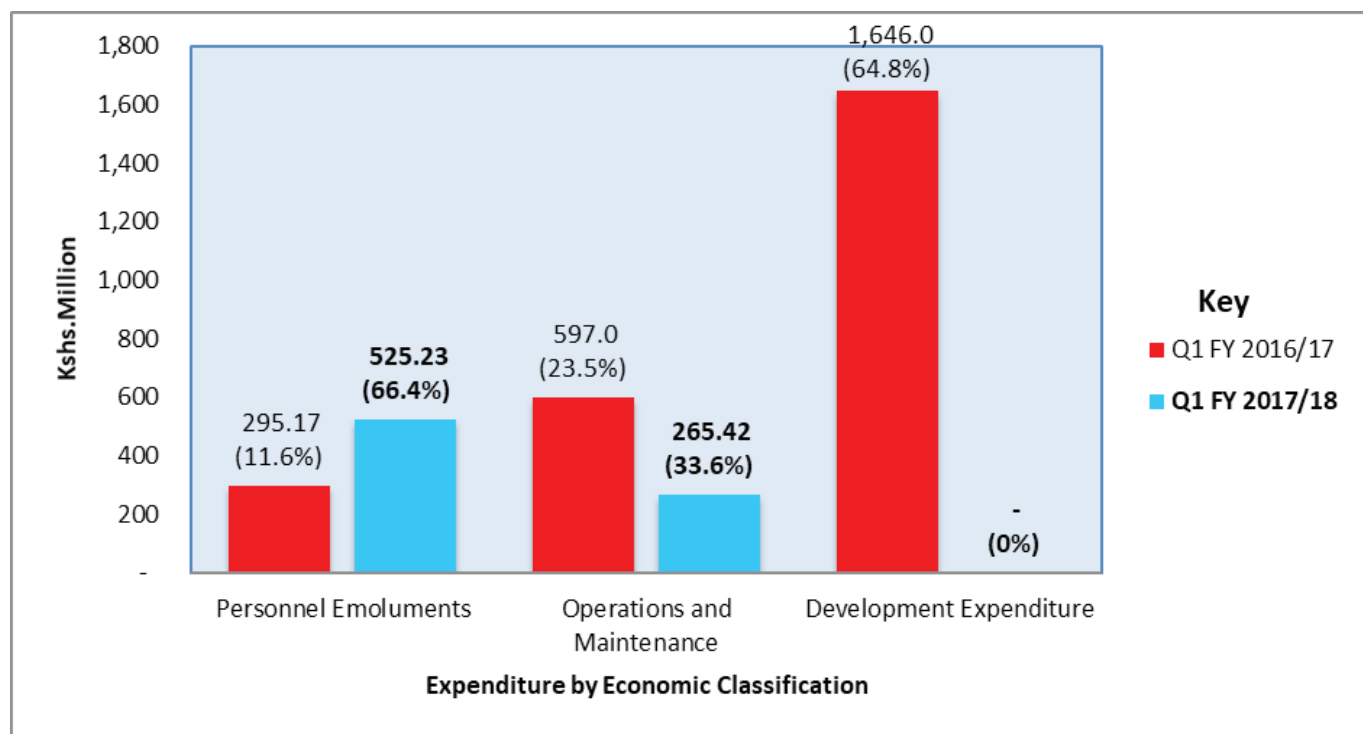
The County incurred Kshs.790.54 million, which was 77.3 per cent of the total funds released for operations. This was a decrease of 68.9 per cent from Kshs.2.54 billion incurred in the first quarter of FY 2016/17.

The total expenditure of Kshs.790.54 million was incurred on recurrent activities, translating to 77.3 per cent of the funds released for recurrent activities. The County did not report incur development

expenditure during the period under review. The expenditure excluded outstanding commitments as at September 30th, 2017 that amounted to Kshs.752.3 million for development and Kshs.637.2 million for recurrent expenditure.

The recurrent expenditure represented 12.9 per cent of the annual recurrent budget, a decrease from 25.5 per cent incurred in a similar period of FY 2016/17. Figure 3.71 presents a comparison between the total expenditure in the first quarter of FY 2016/17 and the first quarter of FY 2017/18.

Figure 3.71: Mandera County, Expenditure by Economic Classification in the First Quarter of FY 2016/17 and First Quarter of FY 2017/18



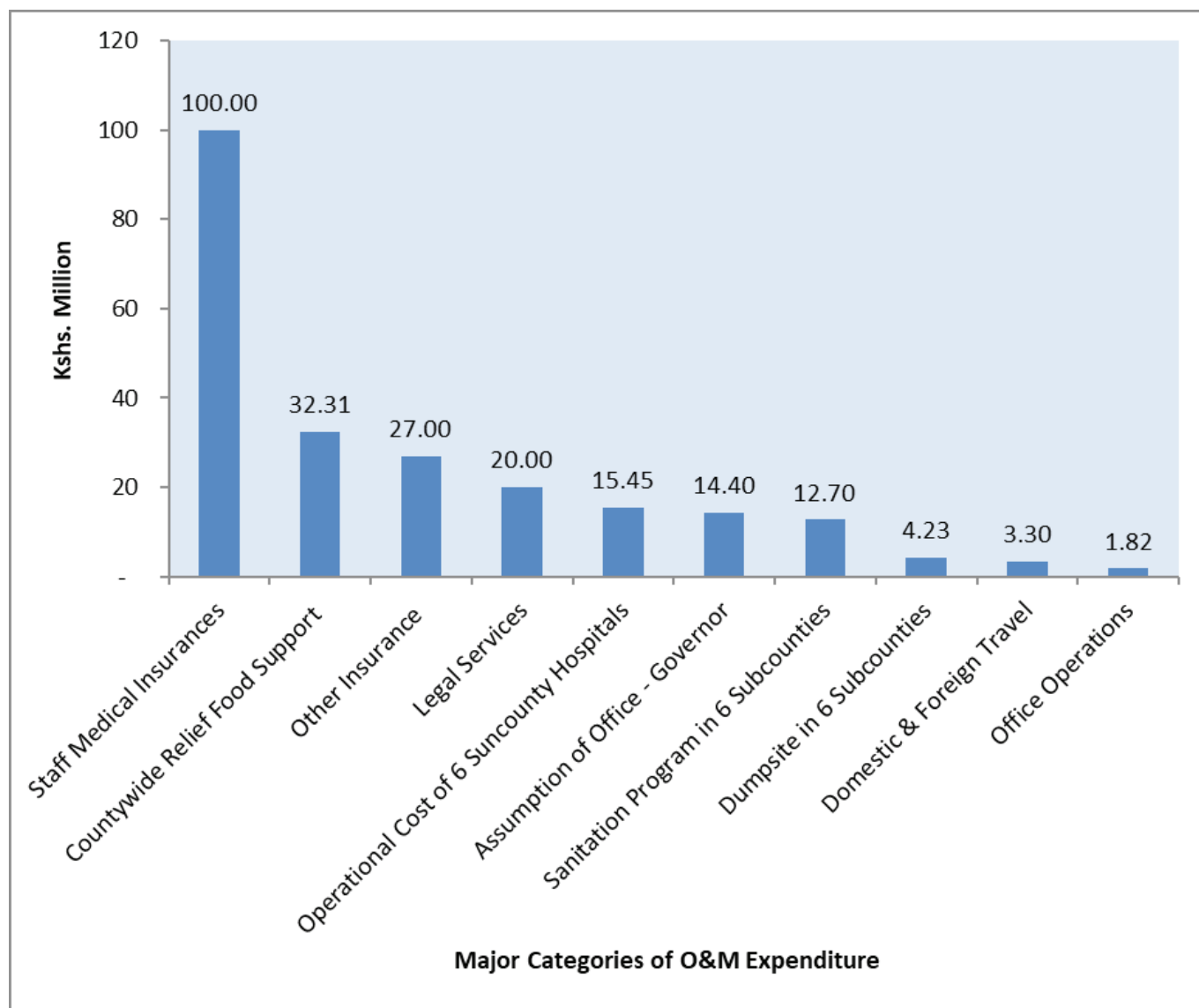
Source: Mandera County Treasury

3.24.6 Analysis of Recurrent Expenditure

The total recurrent expenditure of Kshs.790.54 million consisted of Kshs.525.23 million (66.4 per cent) incurred on personnel emoluments and Kshs.265.42 million (33.6 per cent) on operations and maintenance as shown in Figure 3.71.

Expenditure on personnel emoluments represented an increase of 77.9 per cent compared to Kshs.295.17 million incurred in the first quarter of FY 2016/17, and was 66.4 per cent of total expenditure in the first quarter of FY 2017/18. Figure 3.72 shows a summary of operations and maintenance expenditure by major categories.

Figure 3.72: Mandera County, Operations and Maintenance Expenditure by Major Categories in the First Quarter of FY 2017/18



Source: Mandera County Treasury

The County incurred Kshs.3.07 million on sitting allowances to the 49 MCAs and the Speaker against the annual budget allocation of Kshs.50.2 million. This was a decrease of 24.7 per cent compared to Kshs.4.05 million incurred in the first quarter of FY 2016/17. The average monthly committee sitting allowance was Kshs.20,904 per MCA compared to SRC's recommended monthly ceiling of Kshs.80,000.

Expenditure on domestic and foreign travel amounted to Kshs.3.3 million, and was incurred by the County Executive. It represented 0.4 per cent of total recurrent expenditure and was a decrease of 83.8 per cent compared to Kshs.20.39 million incurred in the first quarter of FY 2016/17

3.24.7 Development Expenditure Analysis

The County did not report any expenditure on development activities during the reporting period.

3.24.8 Budget and Budget Performance Analysis by Department

Table 3.50 shows a summary of budget estimates and budget performance by department in the first quarter of FY 2017/18

Table 3.50: Mandera County, Budget Performance by Department in the First Quarter of FY 2017/18

Department	Budget Allocation (Kshs.Million)		Exchequer Issues in First Quarter of FY 2017/18 (Kshs. Million)		Expenditure in First Quarter of FY 2017/18 (Kshs.Million)		First Quarter of FY 2017/18 Expenditure to Exchequer Issues (%)		First Quarter of FY 2017/18 Absorption rate (%)	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
County Assembly	853.30	96.67	143.81	-	61.17		42.5	-	7.2	-
Agriculture, Livestock and Fisheries	214.83	709.18	36.52	-	26.04		71.3	-	12.1	-
Education, Culture and Sports	538.92	287.8	62.29	-	56.13		90.1	-	10.4	-
Gender, Youth and Social Services	98.59	58.2	6.46	-	2.88		44.6	-	2.9	-
Finance & Economic Planning and ICT	730.15	355.92	104.63	-	88.63		84.7	-	12.1	-
Health Services	1, 416.58	644.13	265.21	-	240.34		90.6	-	17	-
Trade, Investments, Industrialization, and Cooperative Development	47.05	351.43	8.42	-	5.39		64	-	11.5	-
Lands, Housing Developments and Physical Planning	78.70	304.73	14.96	-	8.23		55	-	10.5	-
Office of the Governor and Deputy Governor	388.12	-	75.96	-	54.09		71.2	-	13.9	-
County Public Service Board	57.16	-	11.71	-	8.26		70.5	-	14.4	-
Public Service Management and Devolved Units	1, 061.96	255.50	238.49	-	210.32		88.2	-	19.8	-
Public Works Roads and Transport	116.93	2, 124.32	16.07	-	12.72		79.2	-	10.9	-
Water, Energy, Environment, Natural Resources Tourism and Wildlife	517.78	1, 271.85	38.72	-	16.34		42.2	-	3.2	-
TOTAL	6, 120	6, 460	1, 023	-	791	-	77.3	-	12.9	-

Source: Mandera County Treasury

Analysis of budget performance by department shows that the Public Service Management and Devolved Units departments attained the highest recurrent expenditure to recurrent budget at 19.8 per cent while the department of Gender, Youth and Social Services reported the lowest absorption rate at 2.9 per cent of its annual recurrent budget.

3.24.9 Observations and Recommendations

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

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

- ii. Improvement in staff capacity, especially on the use of IFMIS.

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

1. Failure by the National Treasury to disburse the equitable share of revenue raised nationally During the reporting period, affected implementation of development programmes.
2. Under-performance in local revenue collection, which declined by 37.4 per cent from Kshs.13.73 million in the first quarter of FY 2016/17 to Kshs.8.6 million in the reporting period.
3. Failure to budget for all conditional grants as per CARA, 2017.

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

1. *The National Treasury should expedite the release of equitable share of revenue raised nationally to enable the County implement its programmes.*
2. *The CECM-F should develop and implement measures to improve local revenue collection.*
3. *The County should prepare a Supplementary Budget to align conditional grants to the CARA, 2017.*

3.25 Marsabit County

3.25.1 Overview of the FY 2017/18 Budget

The County's FY 2017/18 Approved Budget is Kshs.7.63 billion, comprising of Kshs.4.08 billion (53.5 per cent) and Kshs.3.55 billion (46.5 per cent) allocation for recurrent and development expenditure respectively.

To finance the budget, the County expects to receive Kshs.6.58 billion (86.3 per cent) as equitable share of revenue raised nationally, Kshs.363.83 million (4.8 per cent) as total conditional grants, and generate Kshs.130 million (1.7 per cent) from local revenue sources, and Kshs.551.9 million (7.2 per cent) cash balance from FY 2016/17.

The conditional grants contained in the CARA, 2017 of Kshs.573.09 million comprise of Kshs.221.11 million (62.3 per cent) from the Road Maintenance Fuel Levy Fund, Kshs.6.64 million (1.8 per cent) as Compensation for User Fee Foregone, Kshs.14.96 million (4.1 per cent) from DANIDA, Kshs.36.8 million (10.4 per cent) as World Bank loan to supplement financing of County Health facilities, Kshs.45.75 million (12.6 per cent) for the World Bank Kenya Devolution Support Program, Kshs.29.59 million (8.3 per cent) for Development of Youth Polytechnics.

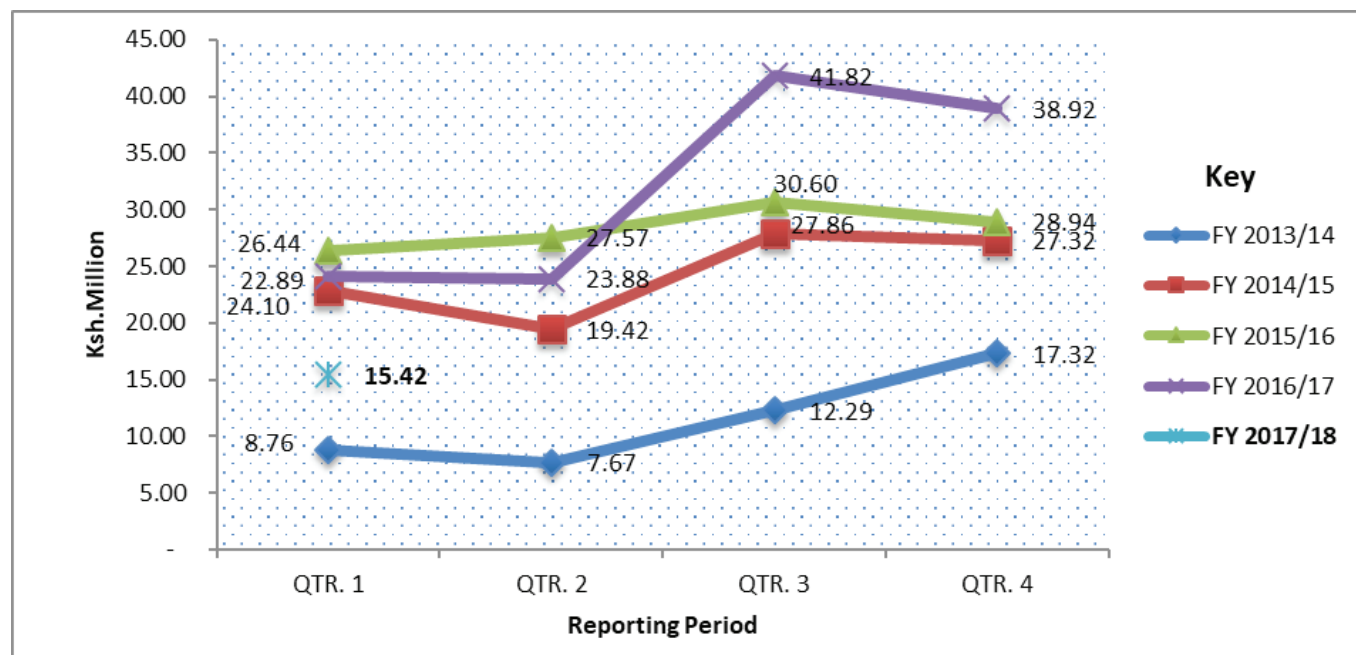
The DANIDA allocation captured in the Approved Budget was Kshs.23.93 million against CARA, 2017 allocation of Kshs.14.96 million. The conditional grants contained in the CARA, 2017 that were not included in the budget comprise of Kshs.101.89 million as World Bank loan for Transforming Health Systems for Universal Care and Kshs.54.54 million as Other Loans and Grants.

3.25.2 Revenue Analysis

During the first quarter of FY 2017/18, the County received Kshs.137.75 million as total conditional allocations, raised Kshs.15.42 million from local revenue sources, and had a cash balance of Kshs.551.9 million from FY 2016/17. The available funds amounted to Kshs.842.81 million.

Figure 3.73 shows the quarterly trend in local revenue collection from the first quarter of FY 2013/14 to the first quarter FY 2017/18.

Figure 3.73: Marsabit County, Trend in Local Revenue Collection by Quarter from the First Quarter of FY 2013/14 to the First Quarter of FY 2017/18



Source: Marsabit County Treasury

The total local revenue collected in the first quarter of FY 2017/18 amounted to Kshs.15.42 million, representing a decrease of 36 per cent compared to Kshs.24.1 million generated in a similar period of FY 2016/17, and represented 11.9 per cent of the annual local revenue target.

3.25.3 Conditional Grants

Table 3.51 shows an analysis of conditional grants released in the first quarter of FY 2017/18.

Table 3.51: Marsabit County, Analysis of Conditional Grants Released in the First Quarter of FY 2017/18

S/No	Grants	Annual CARA, 2017 Allocation (in Kshs)	Annual Budget Allocation (in Kshs)	Actual receipts in First Quarter of FY 2017/18 (in Kshs)	Actual Receipts as Percentage of Annual CARA, 2017 Allocation (%)
A	Grants Contained in the CARA, 2017				
1	Road Maintenance Fuel Levy Fund	221, 107, 010	221, 107, 010	103, 119, 065	46.6
2	World Bank loan to supplement financing of County Health facilities	36, 800, 000	36, 800, 000	34, 627, 134	94.1
3	Kenya Devolution Support Programme (KDSP)	45, 748, 545	45, 748, 545	-	-
4	Compensation for User Fee Foregone	6, 643, 714	6, 643, 714	-	-
5	DANIDA Grant	14, 958, 997	23, 934, 392	-	-
6	Development of Youth Polytechnics	29, 598, 081	29, 598, 081	-	-
7	Other Loans & Grants	54, 542, 188	-	-	-
8	World Bank Loan for Transforming Health System for Universal Care System	101, 892, 430	-	-	-
9	EU Grant	61, 800, 000	-	-	-
Total		573, 090, 965	363, 831, 742	137, 746, 199	24

Source: Marsabit County Treasury

Analysis of the conditional grants released during the period under review indicates that the County received funds from two conditional allocations, namely; Fuel Levy Fund of Kshs.103.12 million and World Bank Loan to supplement financing of County Health Facilities amounting to Kshs.34.63 million. The latter related to unpaid allocation for FY 2016/17 which was deposited into the CRF during the reporting period.

3.25.4 Exchequer Issues

During the reporting period, the County did not request for withdrawal of funds from the Controller of Budget. This was due to delay in the approval of the FY 2017/18 Budget.

3.25.5 Overall Expenditure Review

The County Treasury did not report any expenditure during the first quarter of FY 2017/18.

3.25.6 Observations and Recommendations

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

- Improvement in the use of IFMIS in processing financial transactions.
- Improvement in human capacity through recruitment of additional key staff and continuous training.

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

- Delay in approval of the FY 2017/18 Budget which negatively affected budget implementation

during the period under review.

2. Delay in disbursement of the equitable share of revenue raised nationally by the National Treasury. As at the end of the reporting period, the County had not received any disbursements from the National Treasury.
3. Under-performance in local revenue collection. The total local revenue collected in the first quarter of FY 2017/18 amounted to Kshs.15.42 million, representing a decrease of 36 per cent from Kshs.24.1 million generated in a similar period of FY 2016/17.
4. Late submission of financial reports by the County Treasury which affected preparation of the County Budget Implementation Review Report by the Controller of Budget.
5. Failure to budget for all conditional grants as per CARA, 2017.

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

1. *The County Treasury should observe the budget timelines as prescribed by the PFM Act, 2012 so as to facilitate smooth budget implementation.*
2. *The County Treasury should liaise with the National Treasury to ensure that funds allocated to the County are released in line with the CARA, 2017 Disbursement Schedule.*
3. *The County Treasury should develop and implement a mechanism to mobilize local revenue collection.*
4. *The County Treasury should ensure timely preparation and submission of financial reports to the Office of the Controller of Budget in line with Section 166 of PFM Act, 2012.*
5. *The County should properly budget for all revenue streams as contained in the CARA, 2017.*

3.26 Meru County

3.26.1 Overview of the FY 2017/18 Budget

The County's FY 2017/18 Approved Budget is Kshs.9.73 billion, comprising of Kshs.6.81 billion (70 per cent) and Kshs.2.92 billion (30 per cent) allocation for recurrent and development expenditure respectively.

To finance the budget, the County expects to receive Kshs.8.31 billion (85.4 per cent) as equitable share of revenue raised nationally, Kshs.620.84 million (6.4 per cent) as total conditional grants, and generate Kshs.801.78 million (8.2 per cent) from local revenue sources, and Kshs.999.74 million (10.3 per cent) as cash balance from FY 2016/17.

The conditional grants contained in the CARA, 2017 of Kshs.4.93 billion comprise of Kshs.276.67 million (5.6 per cent) from the Road Maintenance Fuel Levy Fund, Kshs.31.65 million (0.6 per cent) as Compensation for User Fee Foregone, Kshs.18.75 million (0.4 per cent) from DANIDA, Kshs.373.87 million (7.6 per cent) for Level 5 Hospital, Kshs.50.38 million (1 per cent) for the World Bank Kenya

Devolution Support Program, Kshs.58.67 million (1.2 per cent) for Development of Youth Polytechnics, Kshs.29.52 million (0.6 per cent) as World Bank Loan for Transforming Health System for Universal Care System, Kshs.50 million (1 per cent) as World Bank Loan for National Agricultural & Rural Inclusive Project and, Kshs.3.95 billion (80 per cent) from Other Loans and Grants.

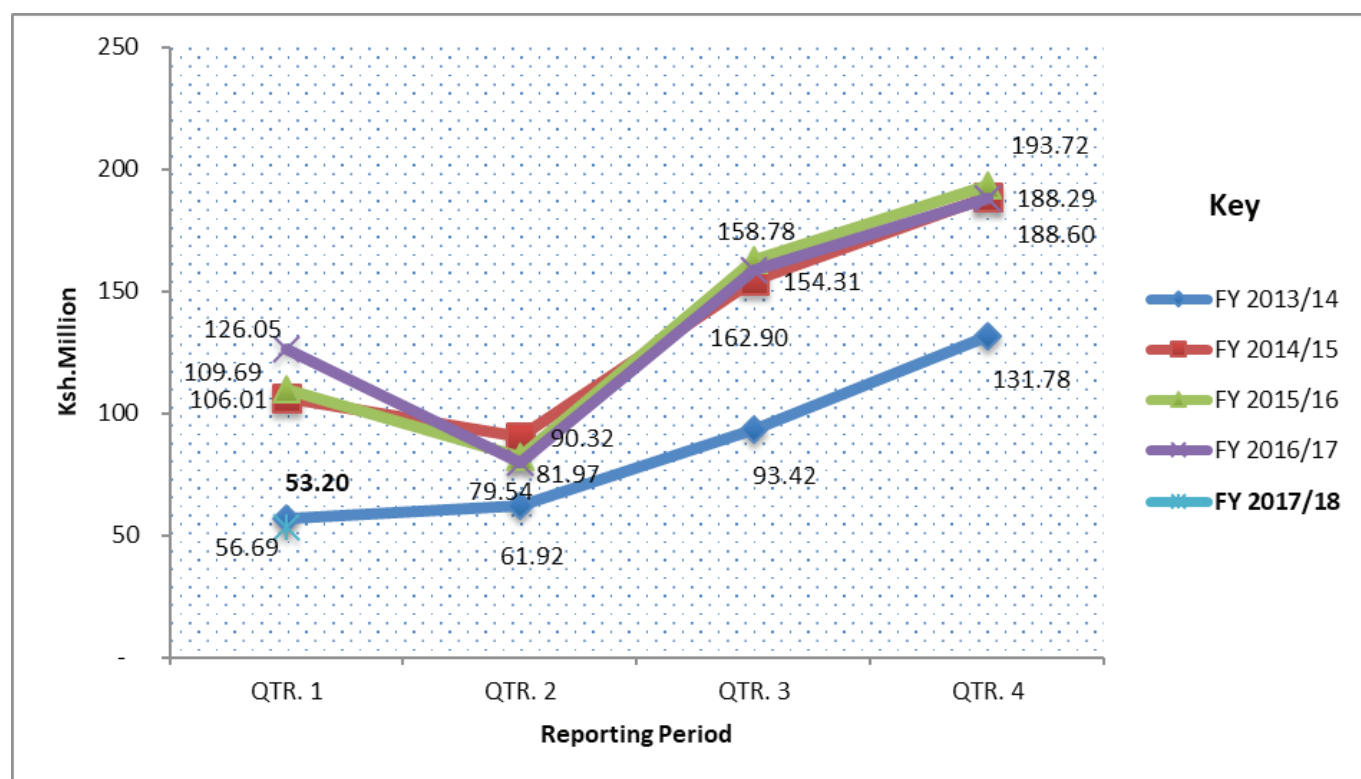
The County expects to receive a conditional grant of Kshs.114.7 million as Free Maternal Healthcare, which is not contained in the CARA, 2017.

3.26.2 Revenue Analysis

During the first quarter of FY 2017/18, the County received Kshs.818.9 million as equitable share of the revenue raised nationally, Kshs.129.03 million as total conditional allocations, raised Kshs.53.2 million from local revenue sources, and had a cash balance of Kshs.988.83 million from FY 2016/17. The available funds amounted to Kshs.1.99 billion.

Figure 3.74 shows the quarterly trend in local revenue collection from the first quarter of FY 2013/14 to the first quarter FY 2017/18.

Figure 3.74: Meru County, Trend in Local Revenue Collection by Quarter from the First Quarter of FY 2013/14 to the First Quarter of FY 2017/18



Source: Meru County Treasury

The total local revenue collected in the first quarter of FY 2017/18 amounted to Kshs.53.2 million, representing a decrease of 57.8 per cent compared to Kshs.126.05 million generated in a similar period of FY 2016/17, and represented 6.6 per cent of the annual local revenue target.

3.26.3 Conditional Grants

Table 3.52 shows an analysis of conditional grants released in the first quarter of FY 2017/18.

Table 3.52: Meru County, Analysis of Conditional Grants Released in the First Quarter of FY 2017/18

S/No	Grants	Annual CARA, 2017 Allocation (in Kshs)	Annual Budget Allocation (in Kshs)	Actual receipts in First Quarter of FY 2017/18 in Kshs.	Actual Receipts as Percentage of Annual Allocation (%)
A	Grants Contained CARA, 2017				
1	Other Loans & Grants	3, 943, 731, 665	-	-	-
2	Level-5 Hospitals	373, 872, 832	356, 069, 364	-	-
3	Road Maintenance Fuel Levy Fund	276, 672, 439	107, 657, 595	129, 033, 463	46.6
4	Leasing of Medical Equipment	95, 744, 681	-	-	-
5	Development of Youth Polytechnics	58, 668, 764	-	-	-
6	Kenya Devolution Support Programme (KDSP)	50, 375, 116	-	-	-
7	World Bank Loan for National Agricultural & Rural Inclusive Project	50, 000, 000	-	-	-
8	Compensation for User Fee Foregone	31, 648, 428	32, 096, 227	-	-
9	World Bank Loan for Transforming Health System for Universal Care System	29, 524, 087	-	-	-
10	DANIDA Grant	18, 748, 409	10, 311, 625	-	-
Sub Total		4, 928, 986, 421	506, 134, 811	129, 033, 463	3
B	Other Grants				
11	Free Maternal Healthcare	-	114, 704, 443	-	-
Sub Total		-	114, 704, 443	-	-
Total		4, 928, 986, 421	620, 839, 254	129, 033, 463	3

Source: Meru County Treasury

Analysis of the conditional grants released during the period under review indicates that, only the Road Maintenance Fuel Levy Fund received Kshs.129.03 million, with a performance of 46.6 per cent of annual allocation.

3.26.4 Exchequer Issues

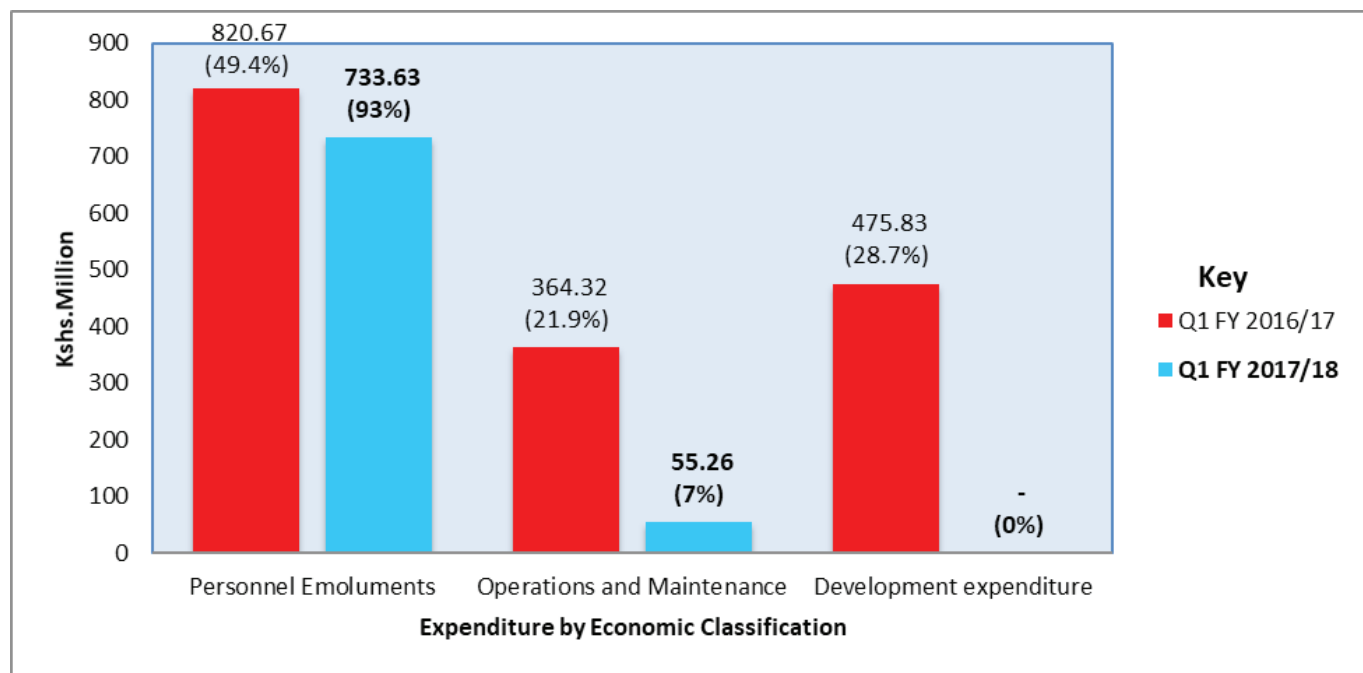
During the reporting period, the Controller of Budget authorized withdrawal of Kshs.966.26 million from the CRF account, which was 9.9 per cent of the Approved Budget. This amount was a decrease of 164.4 per cent from Kshs.2.56 billion authorized in a similar period of FY 2016/17. The entire amount was for recurrent expenditure.

3.26.5 Overall Expenditure Review

The County incurred Kshs.788.89 million, which was 81.6 per cent of the total funds released for operations. This was a decrease of 52.5 per cent from Kshs.1.66 billion incurred in the first quarter of FY 2016/17. The expenditure excluded outstanding commitments as at September 30th, 2017 that amounted to Kshs.20.59 million for recurrent expenditure.

The recurrent expenditure represented 11.6 per cent of the annual recurrent budget, a decrease from 19.7 per cent incurred in a similar period of FY 2016/17. Figure 3.75 presents a comparison between the total expenditure in the first quarter of FY 2016/17 and the first quarter of FY 2017/18.

Figure 3.75: Meru County, Expenditure by Economic Classification in the First Quarter of FY 2016/17 and First Quarter of FY 2017/18



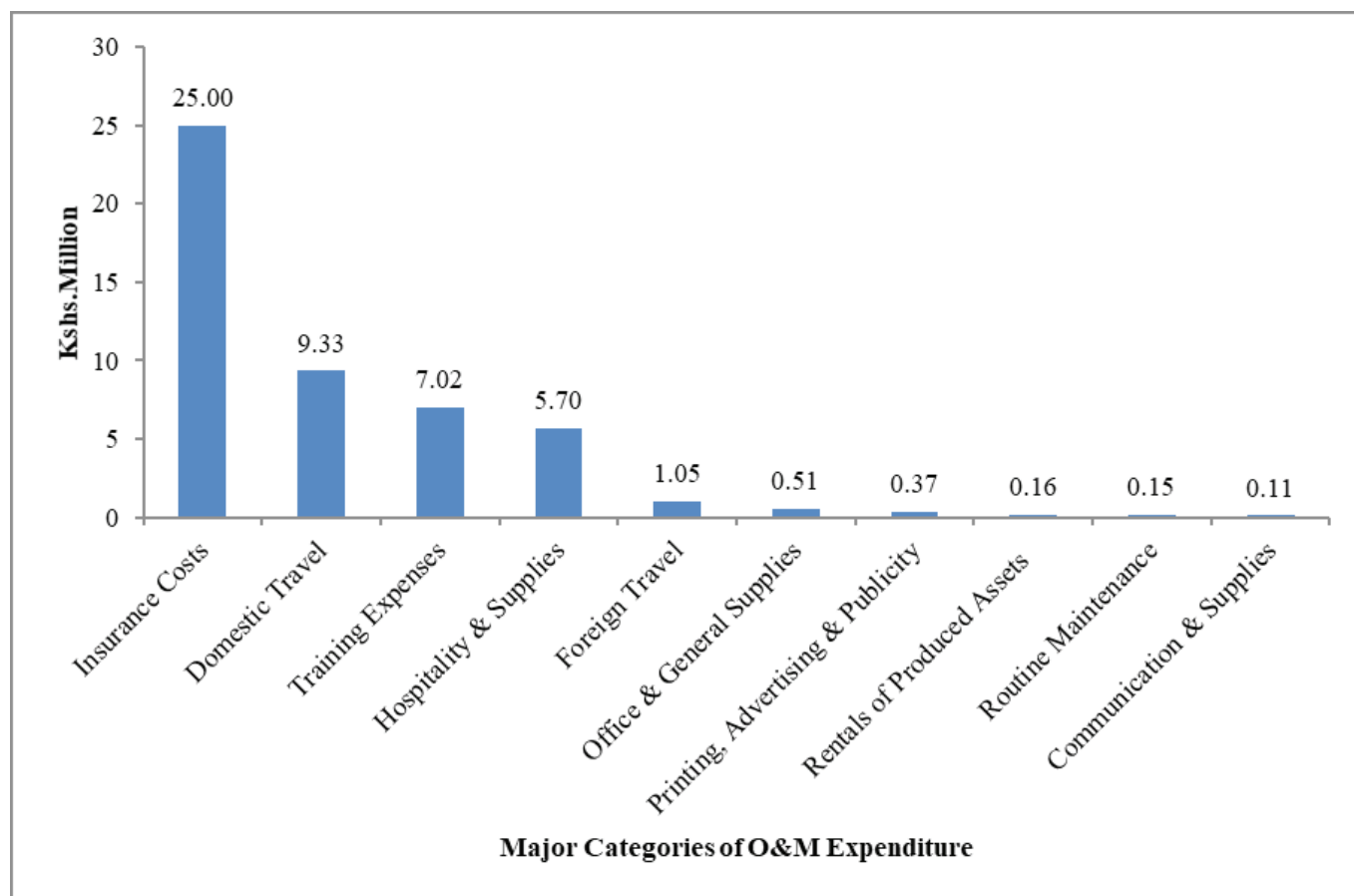
Source: Meru County Treasury

3.26.6 Analysis of Recurrent Expenditure

The total recurrent expenditure of Kshs.788.89 million consisted of Kshs.733.63 million (93 per cent) incurred on personnel emoluments and Kshs.55.26 million (7 per cent) on operations and maintenance as shown in Figure 3.75.

Expenditure on personnel emoluments represented a decrease of 10.6 per cent compared to Kshs.820.67 million incurred in the first quarter of FY 2016/17, and was 93 per cent of total expenditure in the first quarter of FY 2017/18. Figure 3.76 shows a summary of operations and maintenance expenditure by major categories.

Figure 3.76: Meru County, Operations and Maintenance Expenditure by Major Categories in the First Quarter of FY 2017/18



Source: Meru County Treasury

The County did not report any expenditure on committee sitting allowances for MCAs during the reporting period against the annual budget allocation of Kshs.131.99 million. Expenditure on domestic and foreign travel amounted to Kshs.10.39 million, and was entirely incurred by the County Assembly. It represented 1.3 per cent of total recurrent expenditure and was a decrease of 78.3 per cent compared to Kshs.47.94 million incurred in the first quarter of FY 2016/17.

3.26.7 Development Expenditure Analysis

The County did not report any expenditure on development activities during the reporting period.

3.26.8 Budget and Budget Performance Analysis by Department

Table 3.53 shows a summary of budget estimates and budget performance by department in the first quarter of FY 2017/18.

Table 3.53: Meru County, Budget Performance by Department in the First Quarter of FY 2017/18

Department	Budget Allocation (Kshs.Million)		Exchequer Issues in the first quarter of FY 2017/18 (Kshs.Million)		Expenditure in the first quarter of FY 2017/18		Expenditure to Exchequer Issues (%) First Quarter FY 2017/18		Absorption rate (%) First Quarter FY 2017/18	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
County Assembly	1, 205.03	-	91	-	151.24	-	166.2	-	12.6	-
Office of the Governor	222.96	-	17.84	-	10.57	-	59.2	-	4.7	-
County Treasury	867.42	489.71	68.58	-	51.78	-	75.5	-	6	-
Agriculture, Fisheries and Livestock	310.75	326.58	59.77	-	51.15	-	85.6	-	16.5	-
Water, Environment and Natural Resources	116.03	309.75	22.51	-	12.53	-	55.7	-	10.8	-
Education	429.56	194	81.59	-	47.46	-	58.2	-	11	-
Health	2, 759.39	415.13	513.01	-	394.1	-	76.8	-	14.3	-
Lands, Housing, Physical and Economic Planning	80.72	169.16	10.1	-	3.72	-	36.8	-	4.6	-
Public Service and Administration	574.06	180	70.28	-	50.07	-	71.2	-	8.7	-
Transport and Infrastructure	73.54	387.07	12.52	-	4.42	-	35.3	-	6	-
Co-operative, Tourism and Enterprise Development	68.16	253.95	12.08	-	7.48	-	61.9	-	11	-
Culture, Gender and Sports	42.68	196.78	7.01	-	4.15	-	59.2	-	9.7	-
County Public Service Board	33.04	-	-	-	0.22	-	-	-	0.7	-
Town Administration	23.82	-	-	-	-	-	-	-	-	-
Total	6, 807.16	2, 922.13	966.26	-	788.89	-	81.6	-	11.6	-

Source: Meru County Treasury

Analysis of budget performance by department shows that the Department of Agriculture, Fisheries and Livestock had the highest percentage of recurrent expenditure to recurrent budget at 16.5 per cent while the Department of Town Administration had no expenditure.

3.26.9 Observations and Recommendations

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

- Timely submission of quarterly financial reports to the Controller of Budget by the County Government entities in line with Section 166 of the PFM Act, 2012.
- Compliance with the requirement to use IFMIS and Internet Banking for processing financial transactions.

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

- Slow implementation of the development budget due to delays in disbursement of funds by National Treasury.
- Under-performance in local revenue collection, which declined by 57.8 per cent from Kshs.126.05 million in the first quarter of FY 2016/17 to Kshs.53.2 million in the reporting period.

3. Failure to budget for all conditional grants as per CARA, 2017.

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

1. *The County should liaise with the National Treasury to ensure that funds allocated to the County are released in line with the CARA, 2017 Disbursement Schedule.*
2. *The County Treasury should formulate and implement strategies to enhance local revenue collection.*
3. *The County should develop a Supplementary Budget to align conditional grants to the CARA, 2017.*

3.27 Migori County

3.27.1 Overview of the FY 2017/18 Budget

The County's FY 2017/18 Approved Budget is Kshs.7.78 billion, comprising of Kshs.4.9 billion (63 per cent) and Kshs.2.88 billion (37 per cent) allocation for recurrent and development expenditure respectively.

To finance the budget, the County expects to receive Kshs.6.72 billion (86.4 per cent) as equitable share of revenue raised nationally, Kshs.609 million (7.8 per cent) as total conditional grants, generate Kshs.450 million (5.8 per cent) from local revenue sources.

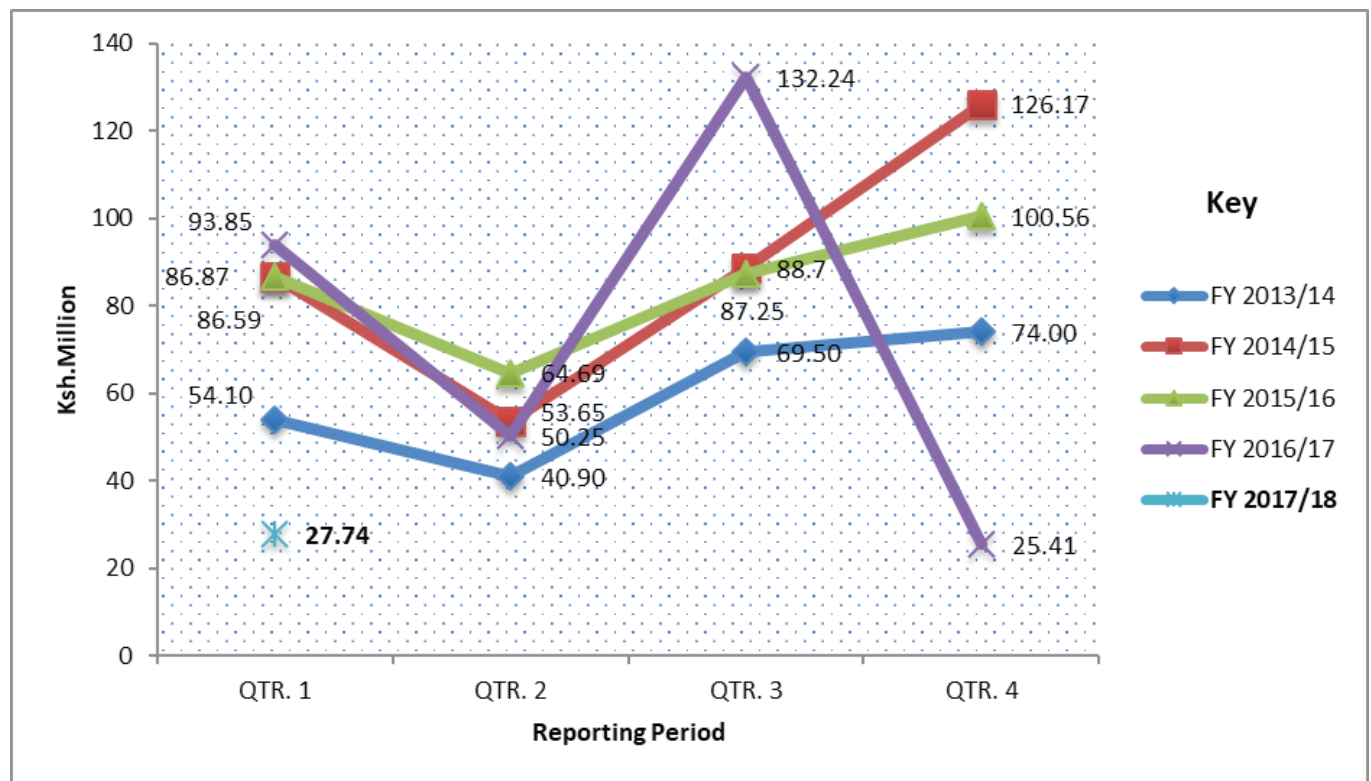
The conditional grants contained in the CARA, 2017 of Kshs.562.15 million comprise of Kshs.248.69 million (44.2 per cent) from the Road Maintenance Fuel Levy Fund, Kshs.21.66 million (3.9 per cent) as Compensation for User Fee Foregone, Kshs.16.85 million (3 per cent) from DANIDA, Kshs.40.63 million (7.2 per cent) as World Bank loan to supplement financing of County Health facilities, Kshs.46.33 million (8.2 per cent) for the World Bank Kenya Devolution Support Program, Kshs.71.99 million (12.8 per cent) as World Bank Loan for Transforming Health System for Universal Care System, Kshs.50 million (8.9 per cent) as World Bank Loan for National Agricultural & Rural Inclusive Project, Kshs.66 million (11.7 per cent) as European Union (EU) Grant.

3.27.2 Revenue Analysis

During the first quarter of FY 2017/18, the County received Kshs.452.4 million as equitable share of the revenue raised nationally, Kshs.254.2 million as total conditional allocations and raised Kshs.27.74 million from local revenue sources.

Figure 3.77 shows the quarterly trend in local revenue collection from the first quarter of FY 2013/14 to the first quarter FY 2017/18.

Figure 3.77: Migori County, Trend in Local Revenue Collection by Quarter from the First Quarter of FY 2013/14 to the First Quarter of FY 2017/18



Source: Migori County Treasury

The total local revenue collected in the first quarter of FY 2017/18 amounted to Kshs.27.74 million, representing a decrease of 70.4 per cent compared to Kshs.93.85 million generated in a similar period of FY 2016/17, and represented 6.2 per cent of the annual local revenue target.

3.27.3 Conditional Grants

Table 3.54 shows an analysis of conditional grants released in the first quarter of FY 2017/18.

Table 3.54: Migori County, Analysis of Conditional Grants Released in the First Quarter of FY 2017/18

S/No	Grants	Annual CARA, 2017 Allocation (in Kshs)	Annual Budget Allocation (in Kshs)	Actual receipts in First Quarter of FY 2017/18 (in Kshs)	Actual Receipts as Percentage of Annual Allocation (%)
A	Grants Contained CARA, 2017				
1	Road Maintenance Fuel Levy Fund	248, 690, 316	177, 187, 500	115, 983, 264	46.6
2	World Bank loan to supplement financing of County Health facilities	40, 625, 000	-	-	-
3	Kenya Devolution Support Programme (KDSP)	46, 330, 994	150, 000, 000	-	-
4	Compensation for User Fee Foregone	21, 655, 884	21, 379, 200	-	-
5	DANIDA Grant	16, 852, 230	-	-	-
6	Allocation for Leasing of Medical Equipment	-	95, 744, 681	-	-
7	World Bank Loan for Transforming Health System for Universal Care System	71, 990, 710	-	-	-
8	World Bank Loan for National Agricultural & Rural Inclusive Project	50, 000, 000	-	-	-
9	EU Grant	66, 000, 000	-	-	-

Sub Total		562, 145, 134	444, 311, 381	115, 983, 264	21
B	Other Grants				
10	Free Maternal Care	-	165, 043, 200	-	-
Sub Total		-	165, 043, 200	138, 220, 725	84
Total		562, 145, 134	609, 354, 581	254, 203, 989	45

Source: Migori County Treasury

Analysis of the conditional grants released during the period under review indicates that, Road Maintenance Fuel Levy Fund recorded the highest receipts at 47 per cent. The County did not receive funds from the other conditional grants.

3.27.4 Exchequer Issues

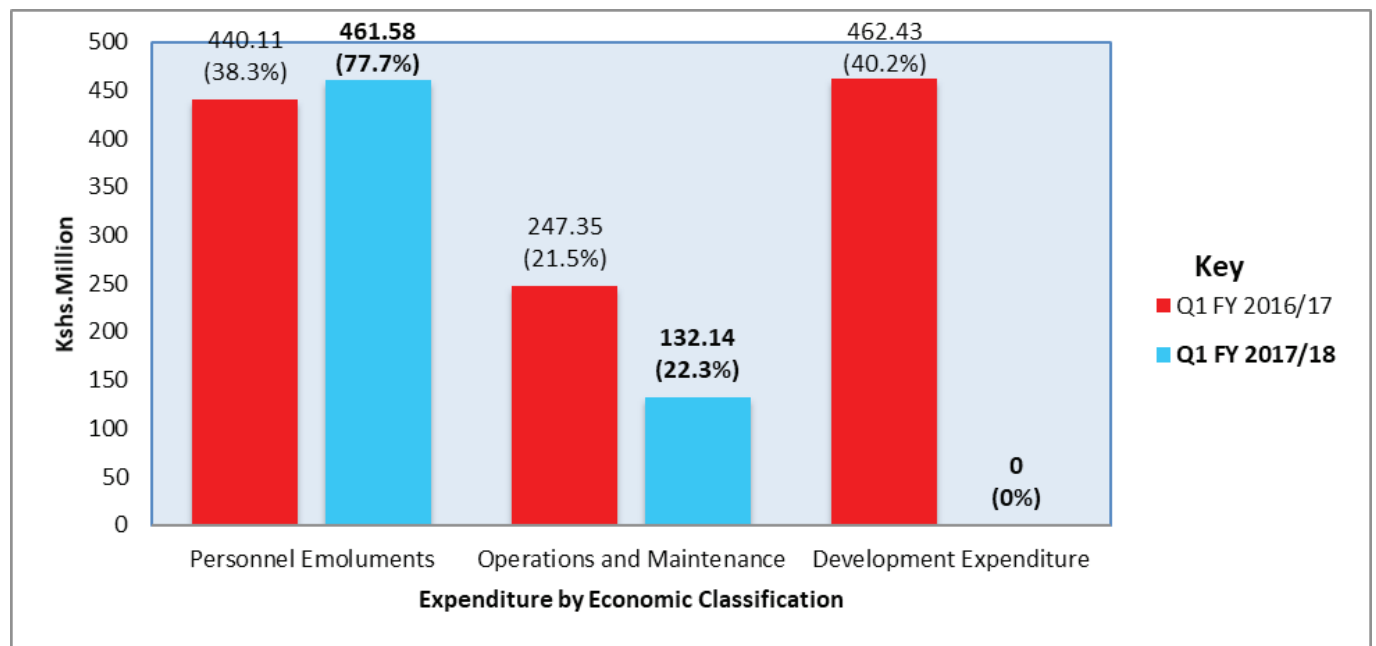
During the reporting period, the Controller of Budget authorized withdrawal of Kshs.581 million from the CRF account, which was 7.5 per cent of the Approved Budget. This amount was a decrease of 66.8 per cent from Kshs.1.75 million authorized in a similar period of FY 2016/17 was entirely for recurrent expenditure.

3.27.5 Overall Expenditure Review

The County incurred Kshs.594 million, which was 102.2 per cent of the total funds released for operations. This was a decrease of 48.3 per cent from Kshs.1.15billion incurred in the first quarter of FY 2016/17.

The total expenditure of Kshs.594 million was incurred on recurrent activities and was 102.2 per cent of the funds released for recurrent activities. The recurrent expenditure represented 12.1 per cent of the annual recurrent budget, a decrease from 15.7 per cent incurred in a similar period of FY 2016/17. Figure 3.78 presents a comparison between the total expenditure in the first quarter of FY 2016/17 and the first quarter of FY 2017/18.

Figure 3.78: Migori County, Expenditure by Economic Classification in the First Quarter of FY 2016/17 and First Quarter of FY 2017/18



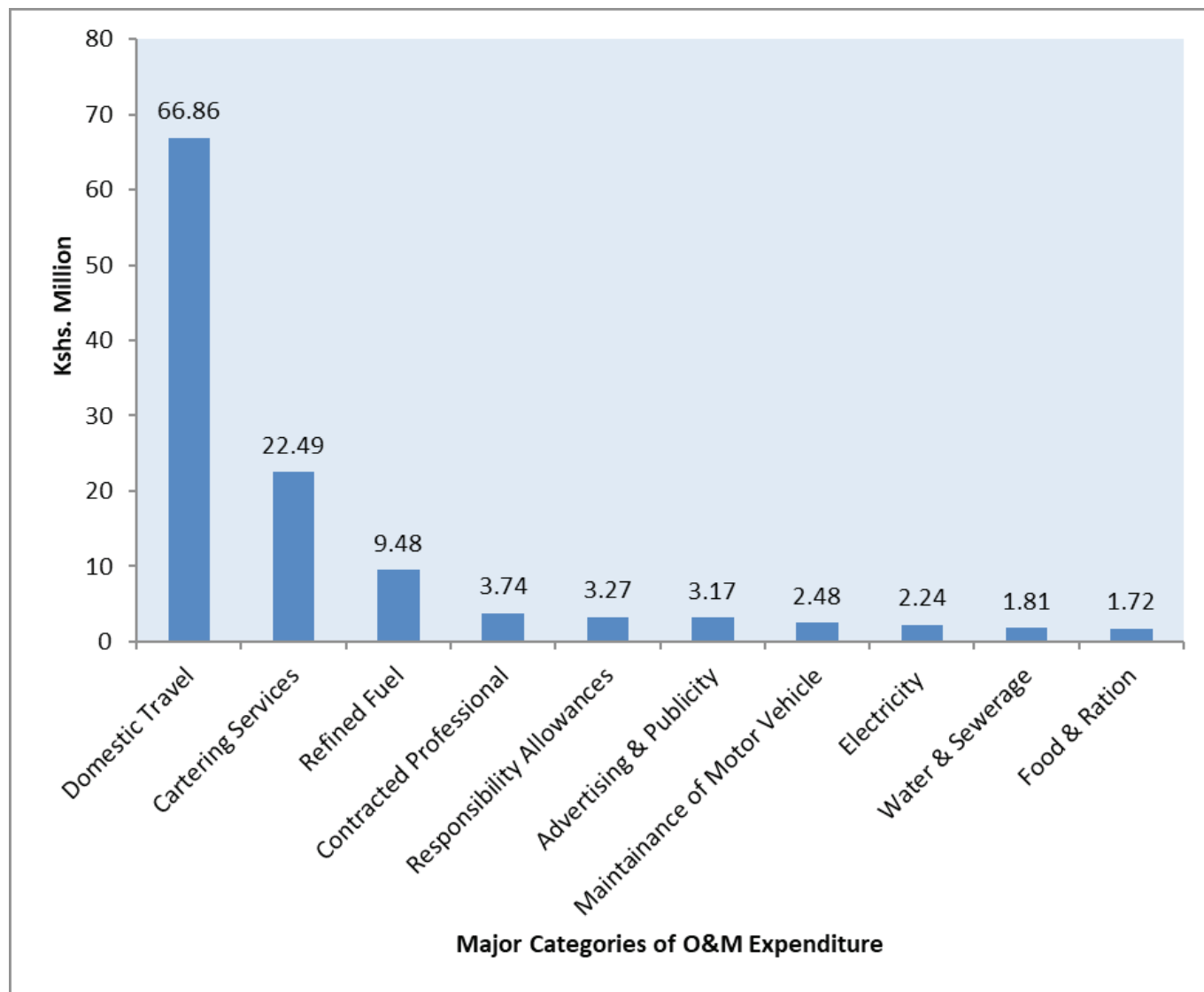
Source: Migori County Treasury

3.27.6 Analysis of Recurrent Expenditure

The total recurrent expenditure of Kshs.594 million consisted of Kshs.461.58 million (77.7 per cent) incurred on personnel emoluments and Kshs.132 million (22.2 per cent) on operations and maintenance as shown in Figure 3.78.

Expenditure on personnel emoluments represented an increase of 4.9 per cent compared to Kshs.440.11 million incurred in the first quarter of FY 2016/17, and was 77.7 per cent of total expenditure in the first quarter of FY 2017/18. Figure 3.79 shows a summary of operations and maintenance expenditure by major categories.

Figure 3.79: Migori County, Operations and Maintenance Expenditure by Major Categories in the First Quarter of FY 2017/18



Source: Migori County Treasury

The County did not incur on committee sitting allowances to the 40 MCAs and the Speaker during the reporting period.

3.27.7 Development Expenditure Analysis

The County did not report any expenditure on development activities during the reporting period.

3.27.8 Budget and Budget Performance Analysis by Department

Table 3.55 shows a summary of budget estimates and budget performance by department in the first quarter of FY 2017/18

Table 3.55: Migori County, Budget Performance by Department in the First Quarter of FY 2017/18

Department	Budget Allocation (Kshs.Million)		Exchequer Issues in First Quarter of FY 2017/18 (Kshs. Million)		Expenditure in First Quarter of FY 2017/18 (Kshs.Million)		First Quarter of FY 2017/18 Expenditure to Exchequer Issues (%)		First Quarter of FY 2017/18 Absorption rate (%)	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
Office of the Governor	395.41	166.27	34.3	-	23.33	-	68	-	5.9	-
Finance and Economic Planning	550.27	18.5	78.71	-	93.40	-	118.7	-	17	-
Roads, Public Works and Transport	71.18	1, 084.37	14	-	12.57	-	89.8	-	17.7	-
Health and Sanitation	1, 652.11	208.43	186.72	-	216.09	-	115.7	-	13.1	-
Education, Communication and ICT	247.34	286.62	45.45	-	41.9	-	92.2	-	16.9	-
Agriculture and Irrigation	249.72	482.34	44.1	-	41.9	-	95	-	16.8	-
Trade, Industry and Cooperatives	103.71	97.9	16.13	-	13.32	-	82.6	-	12.8	-
Land, Physical Planning and Urban Development	83.37	104.37	12.78	-	8.35	-	65.3	-	10	-
Water Development, Environment & Natural Resources	59.49	65.7	11.6	-	12.71	-	109.6	-	21.4	-
County Public Service Management	755.06	361.78	76.15	-	69.97	-	91.9	-	9.3	-
County Assembly	736.79	-	61	-	60.16	-	98.6	-	8.2	-
TOTAL	4, 904.45	2, 876.28	580.94	-	594	-	102.2		12.1	-

Source: Migori County Treasury

Analysis of budget performance by department shows that the Department of Water Development, Environment & Natural Resources had the highest percentage of recurrent expenditure to recurrent budget at 21.4 per cent while the Office of the Governor had the lowest at 5.9 per cent. The County did not incur any development expenditure.

3.27.9 Observations and Recommendations

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

- Establishment of the County Budget and Economic Forum (CBEF) in line with Section 137 of the PFM Act, 2012.
- Improved staff capacity, especially on the use of IFMIS, E-procurement and Internet Banking modules.

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

- Under-performance in local revenue collection, which declined by 70.4 per cent to Kshs.27.74 million in the first quarter of FY 2017/18 from Kshs.93.85 million in the first quarter of FY 2016/17.
- Late submission of financial reports by the County Treasury, which affected timely preparation of budget implementation report contrary to section 166 of the PFM Act, 2012.
- Failure to budget for all conditional grants as per CARA, 2017.

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

- 1. The County Treasury should develop and implement strategies to improve revenue collection.*
- 2. The County Treasury should ensure timely preparation and submission of financial reports to the Office of the Controller of budget in line with Section 166 of PFM Act 2012.*
- 3. The County should develop a Supplementary Budget to align conditional grants to the CARA, 2017.*

3.28 Mombasa County

3.28.1 Overview of the FY 2017/18 Budget

The County's FY 2017/18 Approved Budget is Kshs.12.53 billion, comprising of Kshs.8.57 billion (68.4 per cent) and Kshs.3.96 billion (31.6 per cent) allocation for recurrent and development expenditure respectively.

To finance the budget, the County expects to receive Kshs.8.15 billion (65.1 per cent) as equitable share of revenue raised nationally, Kshs.834.38 million (6.7 per cent) as total conditional grants and generate Kshs3.5 billion (27.9 per cent) from local revenue sources.

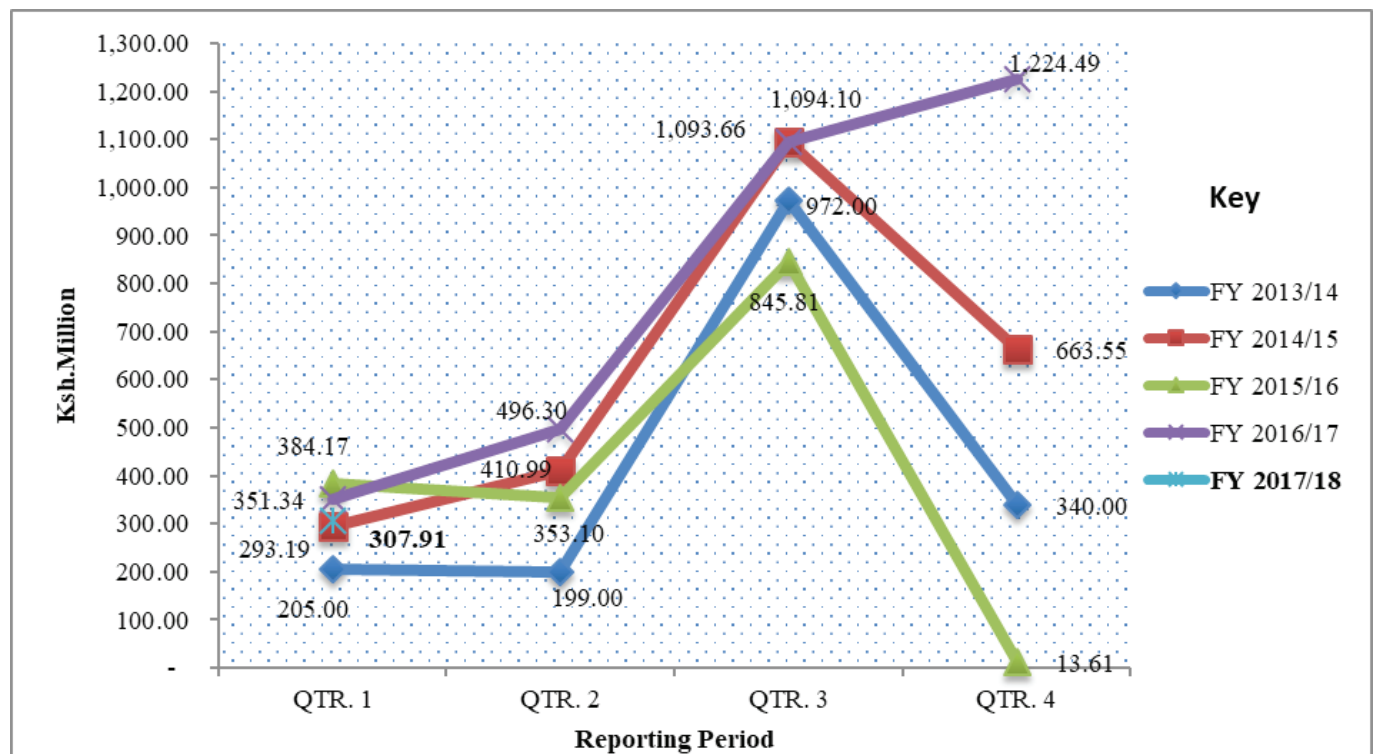
The conditional grants contained in the CARA, 2017 of Kshs.880.45 million comprise of Kshs.221.47 million (25.2 per cent) from the Road Maintenance Fuel Levy Fund, Kshs.23.39 million (2.7 per cent) as Compensation for User Fee Foregone, Kshs.15 million (1.7 per cent) from DANIDA, Kshs.388.44 million (44.1 per cent) for Level 5 Hospital, Kshs.49.81 million (5.7 per cent) for the World Bank Kenya Devolution Support Program, Kshs.30.59 million (3.5 per cent) for Development of Youth Polytechnics and Kshs.23.62 million (2.7 per cent) as World Bank Loan for Transforming Health System for Universal Care System.

3.28.2 Revenue Analysis

During the first quarter of FY 2017/18, the County received Kshs.967.97 million as equitable share of the revenue raised nationally, Kshs.103.28 million as total conditional allocations, raised Kshs.307.91 million from local revenue sources.

Figure 3.80 shows the quarterly trend in local revenue collection from the first quarter of FY 2013/14 to the first quarter FY 2017/18.

Figure 3.80: Mombasa County, Trend in Local Revenue Collection by Quarter from the First Quarter of FY 2013/14 to the First Quarter of FY 2017/18



Source: Mombasa County Treasury

The total local revenue collected in the first quarter of FY 2017/18 amounted to Kshs.307.91 million, representing a decrease of 12.3 per cent compared to Kshs.351.34 million generated in a similar period of FY 2016/17, and represented 8.8 per cent of the annual local revenue target.

3.28.3 Conditional Grants

Table 3.56 shows an analysis of conditional grants released in the first quarter of FY 2017/18.

Table 3.56: Mombasa County, Analysis of Conditional Grants Released in the First Quarter of FY 2017/18

S/No	Grants	Annual CARA, 2017 Allocation (in Kshs)	Annual Budget Allocation (in Kshs)	Actual receipts in First Quarter of FY 2017/18 (in Kshs)	Actual Receipts as Percentage of Annual Allocation (%)
A	Grants Contained CARA, 2017				
1	Road Maintenance Fuel Levy Fund	221, 466, 275	152, 206, 548	103, 286, 618	46.6
2	Leasing of Medical Equipment	95, 744, 681	95, 744, 681	-	-
3	World Bank loan to supplement financing of County Health facilities	-	125, 722, 505	-	-
4	Kenya Devolution Support Program (KDSP)	49, 809, 062	-	-	-
5	Compensation for User Fee Foregone	23, 385, 934	23, 514, 312	-	-
6	DANIDA Grant	15, 007, 422	11, 404, 082	-	-
7	Level-5 Hospitals	388, 439, 306	369, 942, 197	-	-
8	Development of Youth Polytechnics	30, 586, 320	-	-	-
9	Other Loans & Grants	32, 390, 114	55, 842, 144	-	-
10	World Bank Loan for Transforming Health System for Universal Care System	23, 619, 270	-	-	-

S/No	Grants	Annual CARA, 2017 Allocation (in Kshs)	Annual Budget Allocation (in Kshs)	Actual receipts in First Quarter of FY 2017/18 (in Kshs)	Actual Receipts as Percentage of Annual Allocation (%)
Total		880, 448, 384	834, 376, 469	103, 286, 618	12

Source: Mombasa County Treasury

Analysis of the conditional grants released during the period under review indicates that, the conditional grant for Road Maintenance Fuel Levy Fund recorded a receipt of Kshs.103.29 million which was a performance of 46.6 per cent of annual allocation.

3.28.4 Exchequer Issues

During the reporting period, the Controller of Budget authorized withdrawal of Kshs.1.05 billion from the CRF account, which was 8.2 per cent of the Approved Budget. This amount was a decrease of 45.6 per cent from Kshs.1.89 billion authorized in a similar period of FY 2016/17. The entire amount was for recurrent expenditure.

3.28.5 Overall Expenditure Review

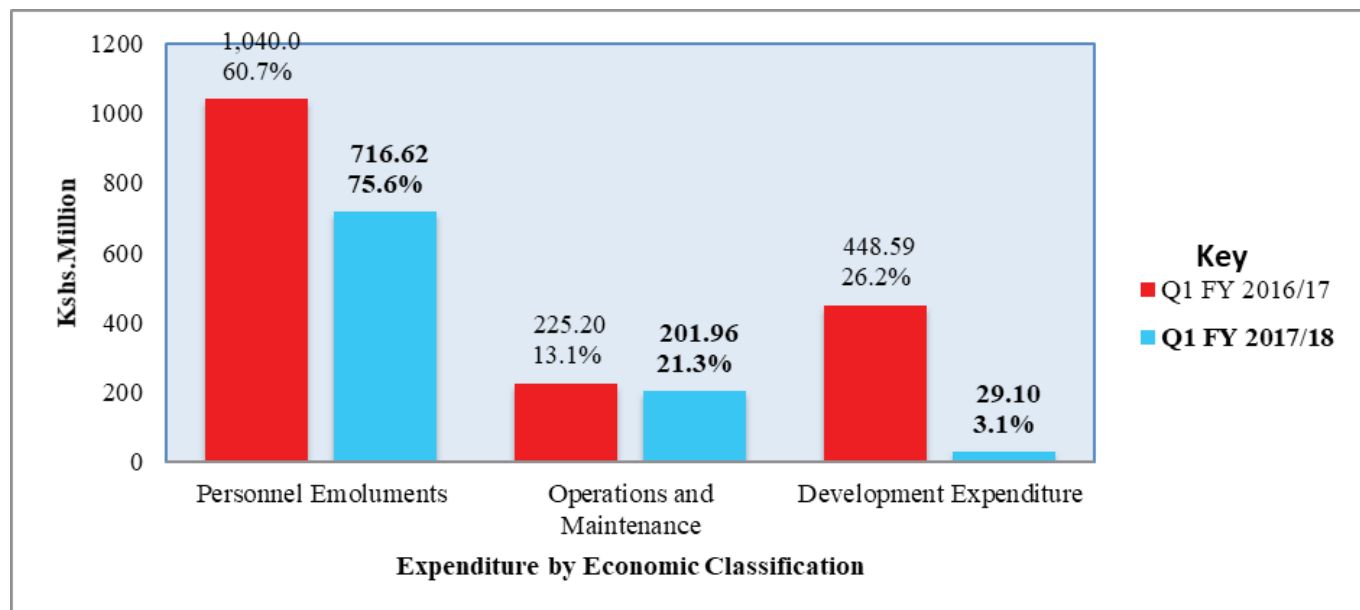
The County incurred Kshs.947.68 million, which was 92.2 per cent of the total funds released for operations. This was a decrease of 44.7 per cent from Kshs.1.29 billion incurred in the first quarter of FY 2016/17.

A total of Kshs.918.58 million was incurred on recurrent activities, while Kshs.29.1 million was incurred on development activities. The recurrent expenditure was 89.3 per cent of the funds released for recurrent activities. The expenditure excluded outstanding commitments as at September 30th, 2017 that amounted to Kshs.29.52 million for development and Kshs.399.98 million for recurrent expenditure.

The recurrent expenditure represented 10.7 per cent of the annual recurrent budget, a decrease from 12.3 per cent incurred in a similar period of FY 2016/17. Development expenditure recorded an absorption rate of 0.7 per cent, which was a decrease from 14.6 per cent attained in the first quarter of FY 2016/17.

Figure 3.81 presents a comparison between the total expenditure in the first quarter of FY 2016/17 and the first quarter of FY 2017/18.

Figure 3.81: Mombasa County, Expenditure by Economic Classification in the First Quarter of FY 2016/17 and First Quarter of FY 2017/18



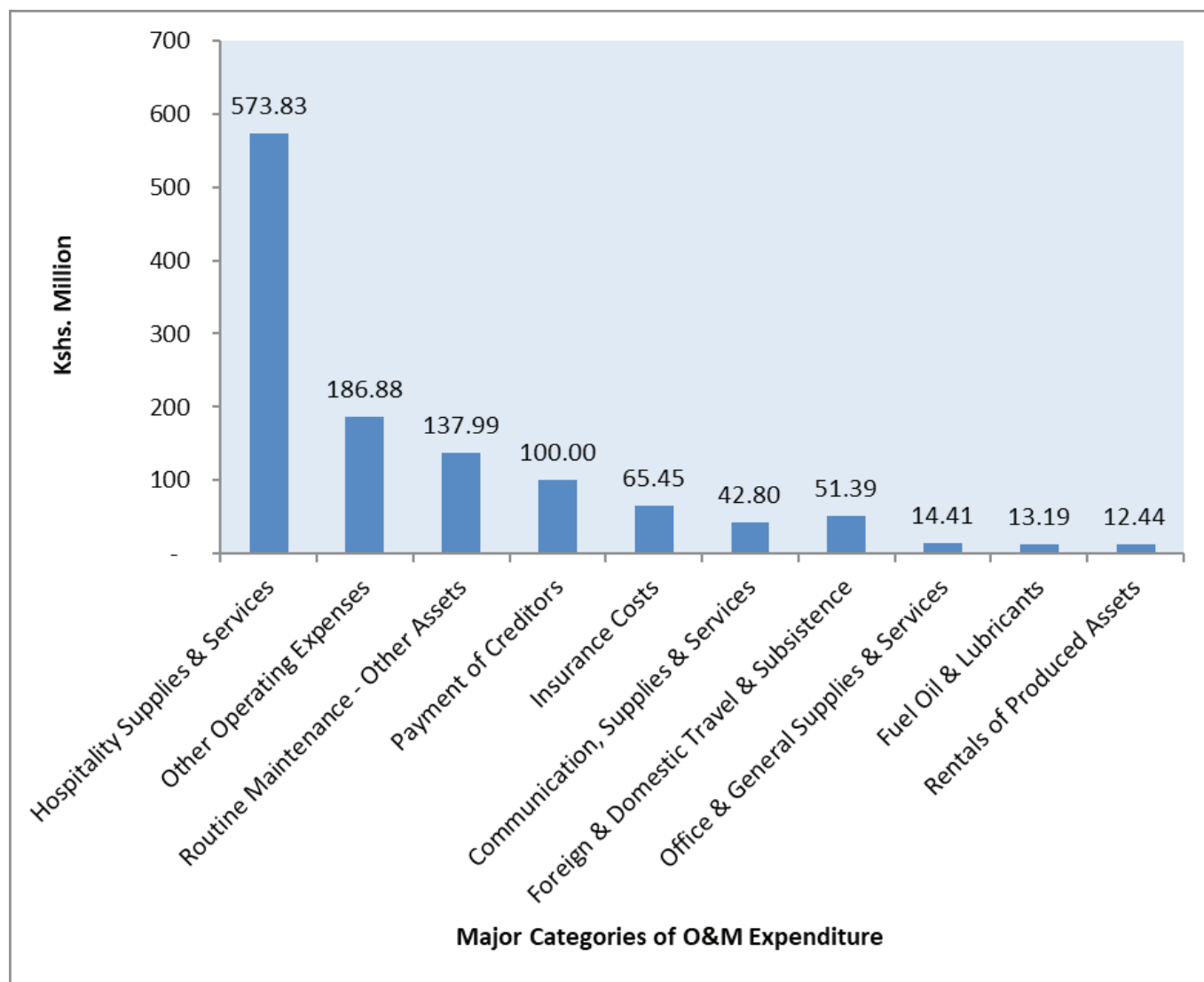
Source: Mombasa County Treasury

3.28.6 Analysis of Recurrent Expenditure

The total recurrent expenditure of Kshs.918.58 million consisted of Kshs.716.62 million (75.6 per cent) incurred on personnel emoluments and Kshs.201.96 million (21.3 per cent) on operations and maintenance as shown in Figure 3.81.

Expenditure on personnel emoluments represented a decrease of 31.1 per cent compared to Kshs.1.04 billion incurred in the first quarter of FY 2016/17. This expenditure was 75.6 per cent of total expenditure in the first quarter of FY 2017/18 and 78 per cent of total recurrent expenditure. Figure 3.82 shows a summary of operations and maintenance expenditure by major categories.

Figure 3.82: Mombasa County, Operations and Maintenance Expenditure by Major Categories in the First Quarter of FY 2017/18



Source: Mombasa County Treasury

The County Assembly did not report any expenditure on committee sitting allowances for the on 43 MCAs. Expenditure on domestic and foreign travel amounted to Kshs.6.86 million and consisted of Kshs.3.18 million incurred by the County Assembly and Kshs.3.68 million by the County Executive. It represented 0.7 per cent of total recurrent expenditure and was an increase of over 100 per cent compared to Kshs.2.01 million incurred in the first quarter of FY 2016/17.

3.28.7 Development Expenditure Analysis

The County incurred development expenditure of Kshs.29.1 million, which was mainly on withholding tax payments, and represented 0.7 per cent of the annual development budget of Kshs.3.96 billion.

3.28.8 Budget and Budget Performance Analysis by Department

Table 3.57 shows a summary of budget estimates and budget performance by department in the first quarter of FY 2017/18.

Table 3.57: Mombasa County, Budget Performance by Department in the First Quarter of FY 2017/18

Department	Budget Allocation (Kshs.Million)		Exchequer Issues in First Quarter of FY 2017/18 (Kshs. Million)		Expenditure in First Quarter of FY 2017/18 (Kshs. Million)		First Quarter of FY 2017/18 Expenditure to Exchequer Issues (%)		First Quarter of FY 2017/18 Absorption rate (%)	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
Office of the Governor	375.11	81.65	31.16	-	17.99	-	57.7	-	4.8	-
County Assembly	611.94	44.27	24	-	23.47	-	97.8	-	3.8	-
Public Service Board	136.12	20.92	14.7	-	7.77	-	52.9	-	5.7	-
Finance and Economic Planning	957.22	502.65	124.78	-	238.71	29.09	191.3	-	24.9	5.8
Environment and Natural Resources	457.99	56.45	94.34	-	18.28	-	19.4	-	4	-
Education and ICT	800.81	370.41	78.61	-	93.66	-	119.2	-	11.7	-
Health	2,520.44	531.58	333.57	-	317.5	-	95.2	-	12.6	-
Water	138.42	352.65	13.72	-	4.96	-	36.1	-	3.6	-
Gender Youth and Sports	366.82	284.17	19.36	-	12.09	-	62.4	-	3.3	-
Trade and Cooperative Developments	445.32	131.17	43.82	-	35.68	-	81.4	-	8	-
Lands and Physical Planning	220.18	438.29	30.39	-	17.41	-	57.3	-	7.9	-
Transport Public Works	500.81	691.21	86.21	-	57.31	-	66.5	-	11.4	-
Agriculture	207.31	252.02	44.32	-	16.6	-	37.5	-	8	-
Devolution	833.35	205.09	89.31	-	80.61	-	90.3	-	9.7	-
TOTAL	8,572	3,963	1,028	-	918.58	29.09	89.3	-	10.7	0.7

Source: Mombasa County Treasury

Analysis of budget performance by department shows that the Finance and Economic Planning Department attained an absorption rate of development budget at 5.8 per cent while all other departments did not incur any development expenditure. On the other hand, the Department of Finance and Economic Planning had the highest percentage of recurrent expenditure to recurrent budget at 24.9 per cent, while the Department of Gender, Youth and Sports had the lowest at 3.3 per cent.

3.28.9 Observations and Recommendations

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

- Establishment of the County Budget and Economic Forum (CBEF) in line with Section 137 of the PFM Act, 2012.
- Timely submission of quarterly financial reports to the Controller of Budget by the County Government entities in line with Section 166 of the PFM Act, 2012.

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

- Delay in disbursement of the equitable share of revenue raised nationally by the National Treas-

sure. This led to low expenditure on development activities during the reporting period.

2. Delay by Fund Administrators to submit expenditure reports of the Car Loan and Mortgage Fund, and the Biashara Mashinani Fund contrary to Section 168 of the PFM Act, 2012.
3. IFMIS connectivity challenges, which slowed down approval of procurement requests and payment to suppliers.
4. Failure to budget for all conditional grants as per CARA, 2017.

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

1. *The County Treasury should liaise with National Treasury to ensure timely release of funds in line with the CARA 2017 Disbursement Schedule.*
2. *Fund Administrators should submit reports on the various funds in line with Section 168 of the PFM Act, 2012.*
3. *The CECM-F should liaise with the IFMIS Department for support to address the connectivity challenges.*
4. *The County should develop a Supplementary Budget to align conditional grants to the CARA, 2017.*

3.29 Murang'a County

3.29.1 Overview of the FY 2017/18 Budget

The County's FY 2017/18 Approved Budget is Kshs.8.62 billion, comprising of Kshs.5.38 billion (62.5 per cent) and Kshs.3.23 billion (37.5 per cent) allocation for recurrent and development expenditure respectively.

To finance the budget, the County expects to receive Kshs.6.19 billion (71.9 per cent) as equitable share of revenue raised nationally, Kshs.991.58 million (11.5 per cent) as total conditional grants, and generate Kshs.1.1 billion (12.8 per cent) from local revenue sources, and Kshs.328.46 million (3.8 per cent) cash balance from FY 2016/17.

The conditional grants contained in the CARA, 2017 of Kshs.603.2 million comprise of Kshs.95.74 million (9.7 per cent) for Leasing of Medical Equipment, Kshs.228.2 million (23 per cent) from the Road Maintenance Fuel Levy Fund, Kshs.20.14 million (2 per cent) as Compensation for User Fee Foregone, Kshs.15.46 million (1.6 per cent) from DANIDA, Kshs.45.06 million (4.5 per cent) for the World Bank Kenya Devolution Support Program, Kshs.84.09 million (8.5 per cent) for Development of Youth Polytechnics, Kshs.22 million (2.2 per cent) as World Bank Loan for Transforming Health System for Universal Care System, Kshs.50 million (5 per cent) as World Bank Loan for National Agricultural & Rural Inclusive Project, and Kshs.42.51 million (4.3 per cent) from Other Loans and Grants.

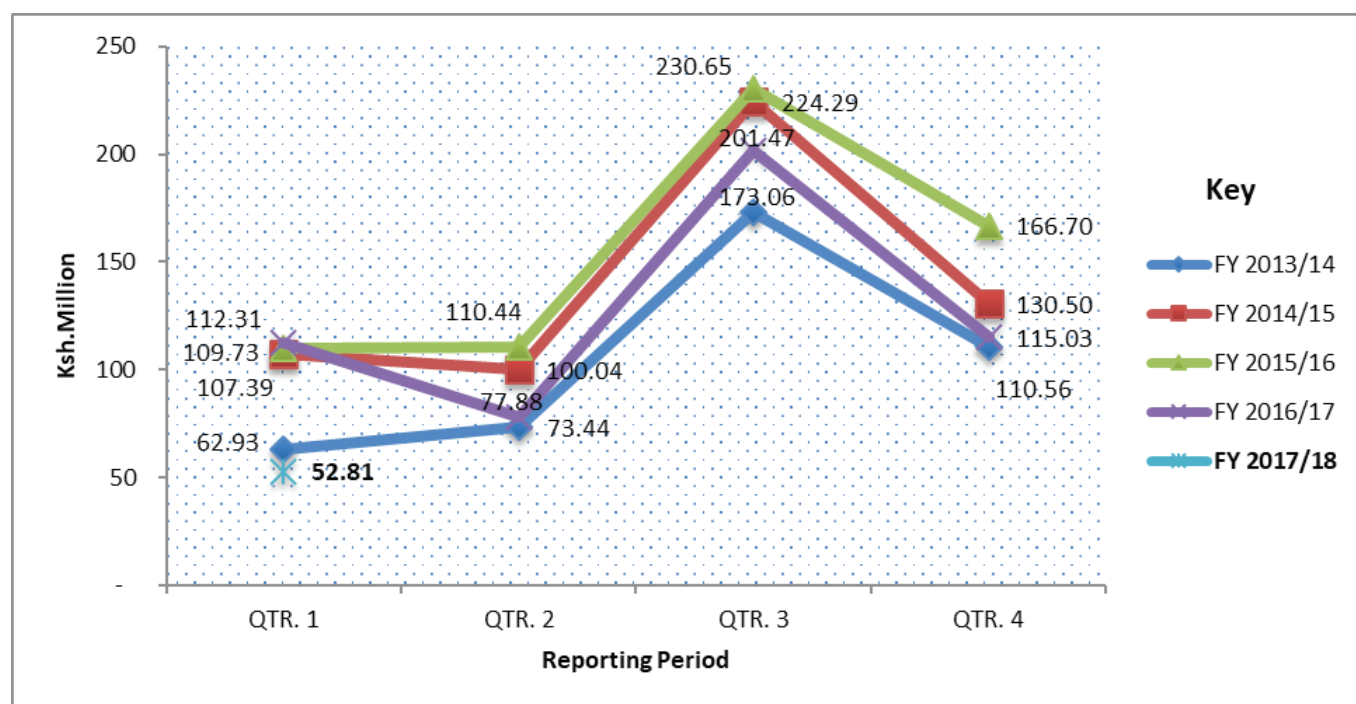
The County budget for some conditional grants which are not contained in the CARA, 2017 as follows; Kshs.380 million from Medics Allowance Grant, Kshs.64.79 million for the Free Maternal Health Care, Kshs.50 million for Grant Urban Development and Kshs.13.15 million as Agricultural Sector Development Support.

3.29.2 Revenue Analysis

During the first quarter of FY 2017/18, the County received Kshs.843.37 million as equitable share of the revenue raised nationally, raised Kshs.52.81 million from local revenue sources, and had a cash balance of Kshs.395.79 million from FY 2016/17. The available funds amounted to Kshs.1.29 billion.

Figure 3.83 shows the quarterly trend in local revenue collection from the first quarter of FY 2013/14 to the first quarter FY 2017/18.

Figure 3.83: Murang'a County, Trend in Local Revenue Collection by Quarter from the First Quarter of FY 2013/14 to the First Quarter of FY 2017/18



Source: Murang'a County Treasury

The total local revenue collected in the first quarter of FY 2017/18 amounted to Kshs.52.81 million, representing a decrease of 53 per cent compared to Kshs.112.31 million generated in a similar period of FY 2016/17, and represented 4.8 per cent of the annual local revenue target.

3.29.3 Conditional Grants

Table 3.58 shows an analysis of conditional grants released in the first quarter of FY 2017/18.

Table 3.58: Murang'a County, Analysis of Conditional Grants Released in the First Quarter of FY 2017/18

S/No	Grants	Annual CARA, 2017 Allocation (in Kshs)	Annual Budget Allocation (in Kshs)	Actual receipts in First Quarter of FY 2017/18 (in Kshs.)	Actual Receipts as Percentage of Annual Allocation (%)
A	Grants Contained CARA, 2017				
1	Compensation for User Fee Foregone	20, 138, 691	20, 138, 691	16, 616, 907	83
2	Road Maintenance Fuel Levy Fund	228, 202, 572	228, 202, 572	106, 428, 267	47
3	Leasing of Medical Equipment	95, 744, 681	95, 744, 681	-	-
4	Kenya Devolution Support Programme (KDSP)	45, 056, 255	59, 070, 646	-	-
5	DANIDA Grant	15, 463, 900	25, 000, 000	-	-
6	Development of Youth Polytechnics	84, 088, 455	-	-	-
7	Conditional Allocation - Other Loans & Grants	42, 505, 145	55, 482, 447	-	-
8	World Bank Loan for Transforming Health System for universal Care System	22, 000, 000	-	-	-
9	World Bank Loan for National Agricultural & Rural Inclusive Project	50, 000, 000	-	-	-
Sub Total		603, 199, 699	483, 639, 037	123, 045, 174	-
B	Other Grants				
10	Medics Allowance Grant -	-	380, 000, 000	-	-
11	Free Maternal Health Care	-	64, 789, 738	-	-
12	Grant Urban Development	-	50, 000, 000	-	-
13	Agricultural Sector Development Support	-	13, 153, 855	-	-
Sub Total		-	507, 943, 593	-	-
Grand Total		603, 199, 699.	991, 582, 630.	123, 045, 174.	20

Source: Murang'a County Treasury

Analysis of the conditional grants released during the period under review indicates that, Compensation for User Fees Foregone had the highest receipt against annual allocation at 83 per cent, followed by the Road Maintenance Fuel Levy Fund at 47 per cent. The County did not receive funds from any other conditional grant source.

3.29.4 Exchequer Issues

During the reporting period, the Controller of Budget authorized withdrawal of Kshs.1.05 billion from the CRF account, which was 12.1 per cent of the Approved Budget. This amount was a decrease of 45.2 per cent from Kshs.1.91 billion authorized in a similar period of FY 2016/17 and consisted of Kshs.833 million (79.7 per cent) for recurrent expenditure and Kshs.212 million (20.3 per cent) for development activities.

3.29.5 Overall Expenditure Review

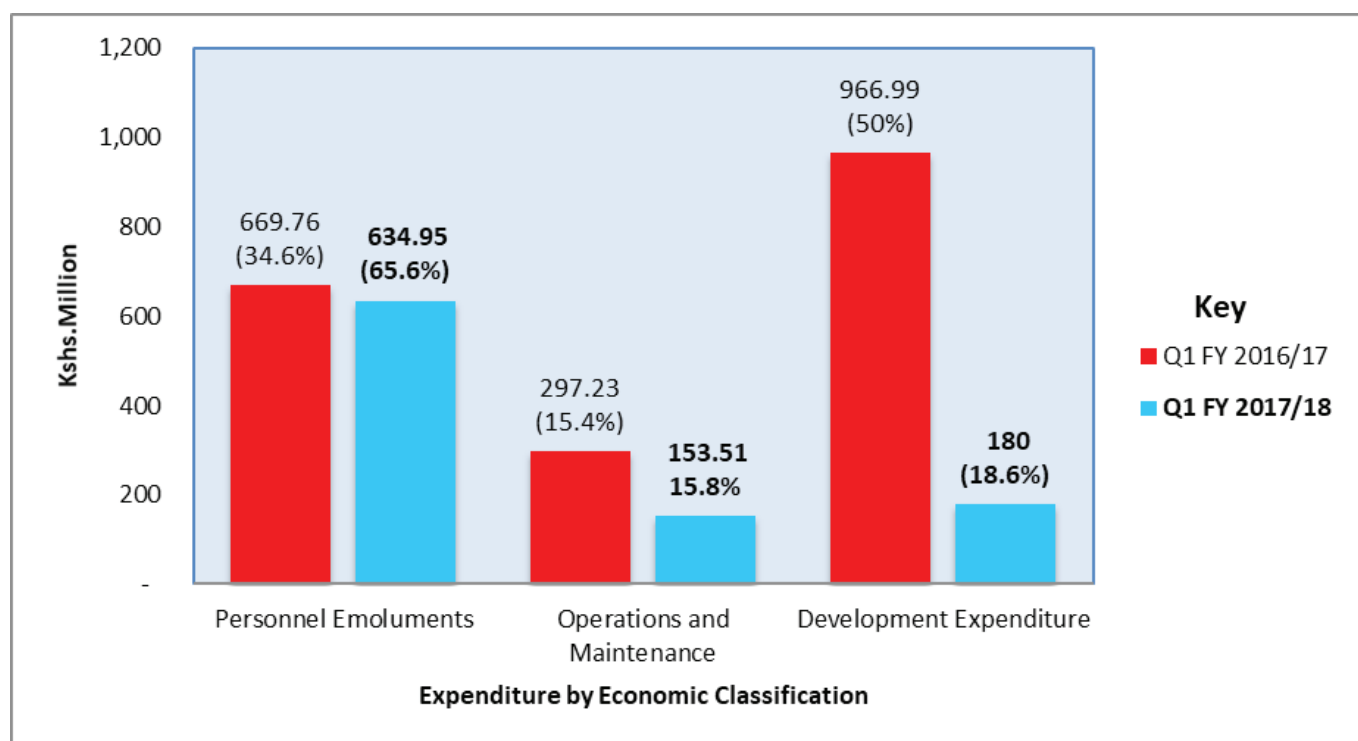
The County incurred Kshs.968.26 million, which was 92.7 per cent of the total funds released for operations. This was a decrease of 49.9 per cent from Kshs.1.93 billion incurred in the first quarter of FY 2016/17.

A total of Kshs.788.36 million was incurred on recurrent activities, while Kshs.179.9 million was incurred on development activities. The recurrent expenditure was 94.6 per cent of the funds released for recurrent activities while development expenditure accounted for 84.9 per cent of the

funds released for development activities. The expenditure excluded outstanding commitments as at 30th September, 2017 that amounted to Kshs.1.15 billion for development and Kshs.58.93 million for recurrent expenditure.

The recurrent expenditure represented 14.6 per cent of the annual recurrent budget, a decrease from 21.7 per cent incurred in a similar period of FY 2016/17. Development expenditure recorded an absorption rate of 5.6 per cent, which was a decrease from 20.2 per cent attained in the first quarter of FY 2016/17. Figure 3.84 presents a comparison between the total expenditure in the first quarter of FY 2016/17 and the first quarter of FY 2017/18.

Figure 3.84: Murang'a County, Expenditure by Economic Classification in the First Quarter of FY 2016/17 and First Quarter of FY 2017/18



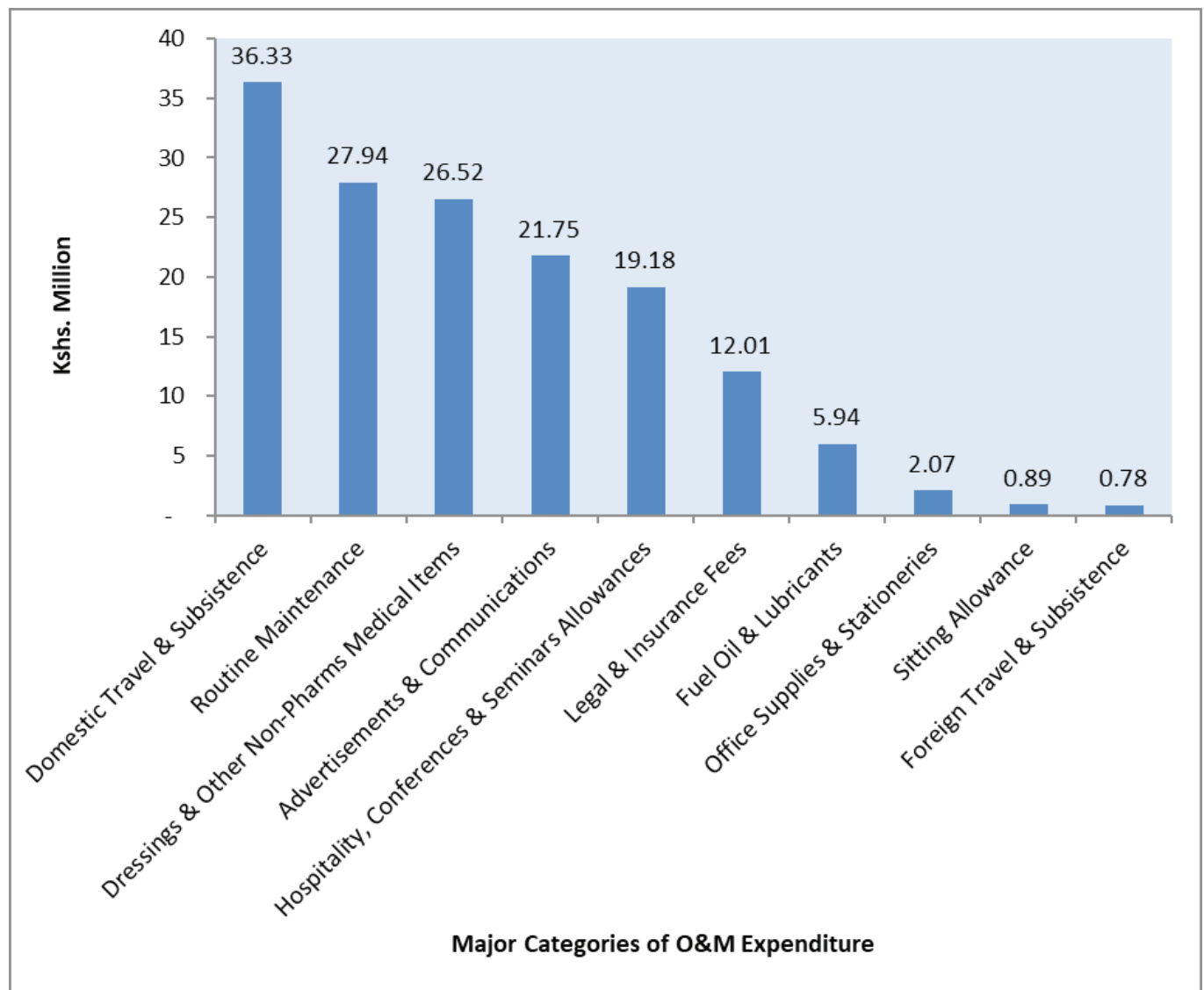
Source: Murang'a County Treasury

3.29.6 Analysis of Recurrent Expenditure

The total recurrent expenditure of Kshs.788.36 million consisted of Kshs.634.95 million (65.6 per cent) incurred on personnel emoluments and Kshs.153.41 million (15 per cent) on operations and maintenance as shown in Figure 3.84.

Expenditure on personnel emoluments represented a decrease of 5.2 per cent compared to Kshs.669.76 million incurred in the first quarter of FY 2016/17, and was 65.6 per cent of total expenditure in the first quarter of FY 2017/18. Figure 3.85 shows a summary of operations and maintenance expenditure by major categories.

Figure 3.85: Murang'a County, Operations and Maintenance Expenditure by Major Categories in the First Quarter of FY 2017/18



Source: Murang'a County Treasury

The County incurred Kshs.887,005 on committee sitting allowances to the 50 MCAs and the Speaker against the annual budget allocation of Kshs.87.61 million. This was a decrease of 94.4 per cent compared to Kshs.15.97 million incurred in the first quarter of FY 2016/17. The average monthly committee sitting allowance was Kshs.5,913 per MCA compared to SRC's recommended monthly ceiling of Kshs.80,000.

Expenditure on domestic and foreign travel amounted to Kshs.37.11 million and consisted of Kshs.12.78 million incurred by the County Assembly and Kshs.24.33 million by the County Executive. It represented 4.7 per cent of total recurrent expenditure and was a decrease of 54.6 per cent compared to Kshs.81.75 million incurred in the first quarter of FY 2016/17.

3.29.7 Development Expenditure Analysis

The total development expenditure of Kshs.179.9 million represented 5.6 per cent of the annual development budget of Kshs.3.24 billion.

Table 3.59 show Murang'a County, Development Projects with the Highest Expenditure in the First Quarter of FY 2017/18.

Table 3.59: Murang'a County, Development Projects with the Highest Expenditure in the First Quarter of FY 2017/18

S/No.	Project name	Project location	Q1 FY2017/18 Project Expenditure (Kshs.)
1	Supply Of Pharms, Non-Pharms	Murang'a County Referral Hospital	21, 298, 000
2	Laboratory Supplies	Kangema Sub-County Hospital	7, 088, 800
3	Supply of Maize Seeds	Murang'a Countywide	15, 000, 000
4	Fertilizer Supply, Launch and Distribution	Murang'a Countywide	9, 233, 855
5	School Milk Program Activities	Murang'a Countywide	9, 410, 400
6	ECDE Feeding Programme	Murang'a Countywide	6, 931, 200
7	Supply of Paving Block	Kangema Town	5, 907, 787
8	Construction of Open Market -Mukuyu	Mukuyu Market	3, 524, 901
9	Gravelling Works of Access Roads In Ichagaki Ward	Mugumoini-Gichugu-Ngoru Access Road, Pioneer Loop-Nichola Farm Access Roads	3, 189, 081
10	Construction of Service Duty County Creameries Site	Murang'a Creameries Site	3, 108, 885

Source: Murang'a County Treasury

Analysis of the development expenditure by project indicates that, the highest expenditure of Kshs.21.29 million was incurred on supply of pharmaceuticals, non-pharmaceuticals and laboratory supplies to Murang'a County Referral Hospital, followed by Kshs.7.09 million on supply of pharmaceuticals, non-pharmaceuticals and laboratory supplies at Kangema Sub-county hospital, and Kshs.15 million on supply of maize seeds to farmers.

3.29.8 Budget and Budget Performance Analysis by Department

Table 3.60 shows a summary of budget estimates and budget performance by department in the first quarter of FY 2017/18

Table 3.60: Murang'a County, Budget Performance by Department in the First Quarter of FY 2017/18

Department	Budget Allocation (Kshs. Million)		Exchequer Issues in First Quarter of FY 2017/18 (Kshs.Million)		Expenditure in First Quarter of FY 2017/18 (Kshs.Million)		First Quarter of FY 2017/18 Expenditure to Exchequer Issues (%)		First Quarter of FY 2017/18 Absorption rate (%)	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
County Assembly	863	73	76	-	59	9	77.6	> 100	6.8	11.9
Governorship, County Coordination & Admin	272	-	55	-	34	-	60.7	> 100	12.4	-
Finance, ICT and Economic Planning	208	10	19	-	28	-	152.8	> 100	13.7	-
Agriculture, Livestock & Fisheries	278	312	53	25	9	25	17.4	99.8	3.3	7.9
Energy, Transport and Infrastructure	106	1, 159	21	82	1	78	2.7	95.3	0.5	6.7
Commerce, Trade, Industry and Tourism	24	82	1	-	-	-	30.5	> 100	0.9	-
Education and Technical Training	312	412	73	45	35	27	47.6	60.7	11.2	6.7
Health & Sanitation	2, 296	867	388	60	616	39	158.8	64.2	26.8	4.5

Department	Budget Allocation (Kshs. Million)		Exchequer Issues in First Quarter of FY 2017/18 (Kshs. Million)		Expenditure in First Quarter of FY 2017/18 (Kshs. Million)		First Quarter of FY 2017/18 Expenditure to Exchequer Issues (%)		First Quarter of FY 2017/18 Absorption rate (%)	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
Lands, Housing and Physical Planning	31	67	1	-	-	-	93.9	-	1.5	-
Public Service Administration	804	-	128	-	1	-	0.7	-	0.1	-
Youth, Culture, Gender, Social Services & Co-op	149	251	14	-	5	2	36.8	> 100	3.4	1
Environment & Natural Resources	16	2	1	-	-	-	-	-	-	-
County Public Service Board	24	-	5	-	1	-	11.9	-	2.3	-
TOTAL	5,382	3,235	833	212	788.36	179.9	94.6	84.9	14.6	5.6

Source: Murang'a County Treasury

Analysis of budget performance by department shows that the County Assembly attained the highest absorption rate of development budget at 11.9 per cent. On the other hand, the Department of Health and Sanitation had the highest percentage of recurrent expenditure to recurrent budget at 26.8 per cent while the Department of Environment & Natural Resources did not incur any expenditure.

3.29.9 Observations and Recommendations

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

- Reduction in the expenditure on domestic and foreign travels by 54.6 per cent from Kshs.81.75 million in the first quarter of FY 2016/17 to Kshs.37.11 million in the reporting period.
- Reduction in personnel emoluments expenditure by 5.2 per cent compared to the first quarter of FY 2016/17 when the County incurred Kshs.669.76 million.

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

- Delay in disbursement of the equitable share of revenue raised nationally by the National Treasury.
- Delay in submission of quarterly financial reports to the Controller of Budget by the County Government entities contrary to Section 166 of the PFM Act, 2012.
- Under-performance in local revenue collection, which declined by 53 per cent from Kshs.112.31 million in the first quarter of FY 2016/17 to Kshs.52.81 million in the reporting period.
- Failure to establish an Internal Audit Committee to oversee financial operations in the County contrary to Section 155 of the PFM Act, 2012.
- The County did not budget for all the conditional grants as contained in the CARA, 2017. The conditional grants not budgeted for are: Development of Youth Polytechnics, World Bank Loan

for Transforming Health System for Universal Care System, World Bank Loan for National Agricultural & Rural Inclusive Project.

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

- 1. The County Treasury should liaise with the National Treasury to ensure that funds allocated to the County are released in line with the CARA, 2017 Disbursement Schedule.*
- 2. The County Treasury should ensure timely preparation and submission of financial reports to the Office of the Controller of Budget in line with Section 166 of PFM Act, 2012.*
- 3. The County should devise and implement strategies of improving local revenue collection.*
- 4. The County should establish an Internal Audit Committee in line with Section 155 of the PFM Act, 2012.*
- 5. The County should correctly budget for all revenue streams as contained in the CARA, 2017.*

3.30 Nairobi County

3.30.1 Overview of the FY 2017/18 Budget

The County did not have an approved budget in the reporting period. During this period, the County was able to access 50 per cent of the FY 2017/18 Budget submitted to the County Assembly in line with Section 134 of the Public Finance Management Act, 2012 and Regulation 36(1) of the PFM (County Government) Regulations, 2015. The budget submitted to the County Assembly was for Kshs.35.91 billion and comprised of Kshs.24.12 billion (67.2 per cent) and Kshs.11.79 billion (32.8 per cent) for recurrent and development expenditure respectively.

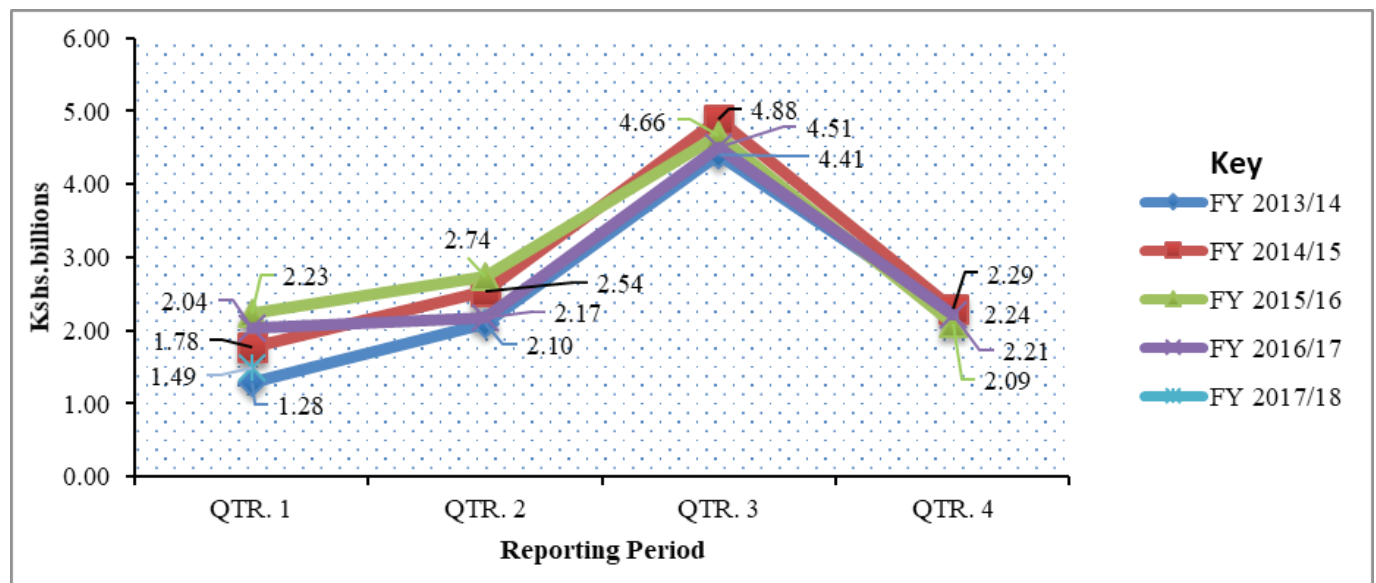
Conditional grants allocated to the County and contained in the CARA, 2017 amount to Kshs.3.05 billion and comprises of Kshs.553.75 million (18.2 per cent) from the Road Maintenance Fuel Levy Fund, Kshs.79.42 million (2.6 per cent) as Compensation for User Fee Foregone, Kshs.37.52 million (1.2 per cent) from DANIDA, Kshs.95.74 million (3.1 per cent) for Leasing of Medical Equipment, Kshs.77.91 million (2.6 per cent) for the World Bank Kenya Devolution Support Program, Kshs.37.42 million (1.2 per cent) as World Bank Loan for Transforming Health System for Universal Care System, Kshs.30.66 million (1.0 per cent) for Development of Youth Polytechnics, and Kshs.2.14 billion (70.1 per cent) as conditional allocation from Other Loans and Grants.

3.30.2 Revenue Analysis

During the first quarter of FY 2017/18, the County received Kshs.3.79 billion as equitable share of the revenue raised nationally, Kshs.258.25 million as total conditional allocations, and raised Kshs.1.49 billion from local revenue sources. The available funds amounted to Kshs.5.54 billion.

Figure 3.86 shows the quarterly trend in local revenue collection from the first quarter of FY 2013/14 to first quarter of FY 2017/18.

Figure 3.86: Nairobi City County, Trend in Local Revenue Collection by Quarter from FY 2013/14 to FY 2016/17



Source: Nairobi City County Treasury

The total local revenue in the first quarter of FY 2017/18 amounted to Kshs.1.49 billion, representing a decrease of 27 per cent compared to Kshs.2.04 billion generated in a similar period of FY 2016/17.

3.30.3 Conditional Grants

Table 3.61 shows an analysis of conditional grants released in the first quarter of FY 2017/18.

Table 3.61: Analysis of Conditional Grants Released in the First Quarter of FY 2017/18

S/No	Grants	Annual CARA, 2017 Allocation (in Kshs)	Actual receipts in First Quarter of FY 2017/18 (in Kshs)	Actual Receipts as Percentage of Annual Allocation (%)
A	Grants Contained CARA, 2017			
1	Road Maintenance Fuel Levy Fund	553, 745, 527	258, 253, 779	46.6
2	Leasing of Medical Equipment	95, 744, 681	-	-
3	Kenya Devolution Support Programme (KDSP)	77, 910, 897	-	-
4	Compensation for User Fee Foregone	79, 423, 251	-	-
5	DANIDA Grant	37, 523, 967	-	-
6	Development of Youth Polytechnics	30, 654, 947	-	-
7	Other Loans & Grants	2, 137, 647, 302	-	-
8	World Bank Loan for Transforming Health System for Universal Care System	37, 420, 064	-	-
Total		3, 050, 070, 636	258, 253, 779	8

Source: Nairobi City County Treasury

Analysis of the conditional grants released during the period under review indicates that Road Maintenance Fuel Levy Fund recorded a receipt of Kshs.258.25 million, which was 46.6 per cent of annual allocation. The County did not receive the other conditional grants during the reporting period.

3.30.4 Exchequer Issues

During the reporting period, the Controller of Budget authorized withdrawal of Kshs.4.33 billion from the CRF account, which was 24.1 per cent of per cent of the Approved Vote on Account. This amount represented an increase of 16.1 per cent from Kshs.3.73 billion authorized in a similar period of FY 2016/17 this amount was for recurrent expenditure.

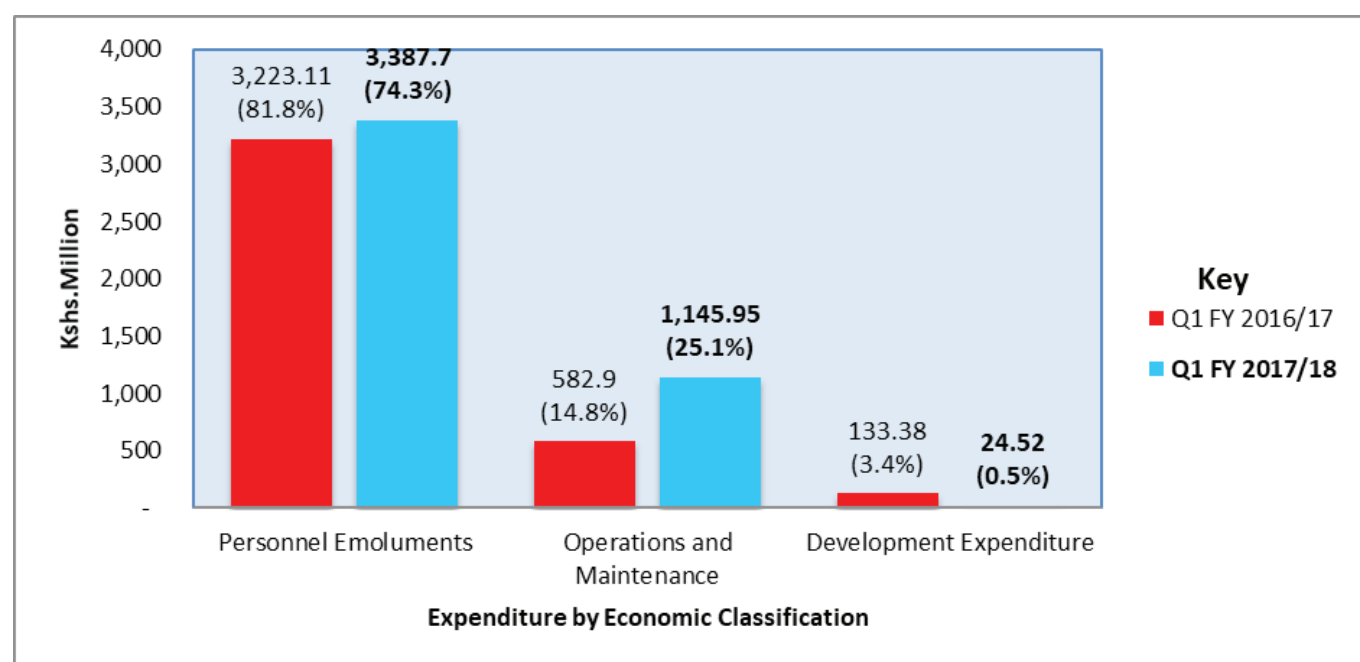
3.30.5 Overall Expenditure Review

The County incurred Kshs.4.56 billion, which was 105.3 per cent of the total funds released for operations. This was an increase of 15.7 per cent from Kshs.3.94 billion incurred in the first quarter of FY 2016/17.

A total of Kshs.4.53 billion was incurred on recurrent activities, while Kshs.24.52 million was incurred on development activities. The recurrent expenditure was 104.7 per cent of the funds released for recurrent activities.

The recurrent expenditure represented 37.6 per cent of the recurrent Vote on Account while development expenditure recorded an absorption rate of 0.4 per cent of the development Vote on Account Figure 3.87 presents a comparison between the total expenditure in the first quarter of FY 2016/17 and first quarter of FY 2017/18

Figure 3.87: Nairobi City County, Expenditure by Economic Classification in the First Quarter of FY 2016/17 and First Quarter of FY 2017/18



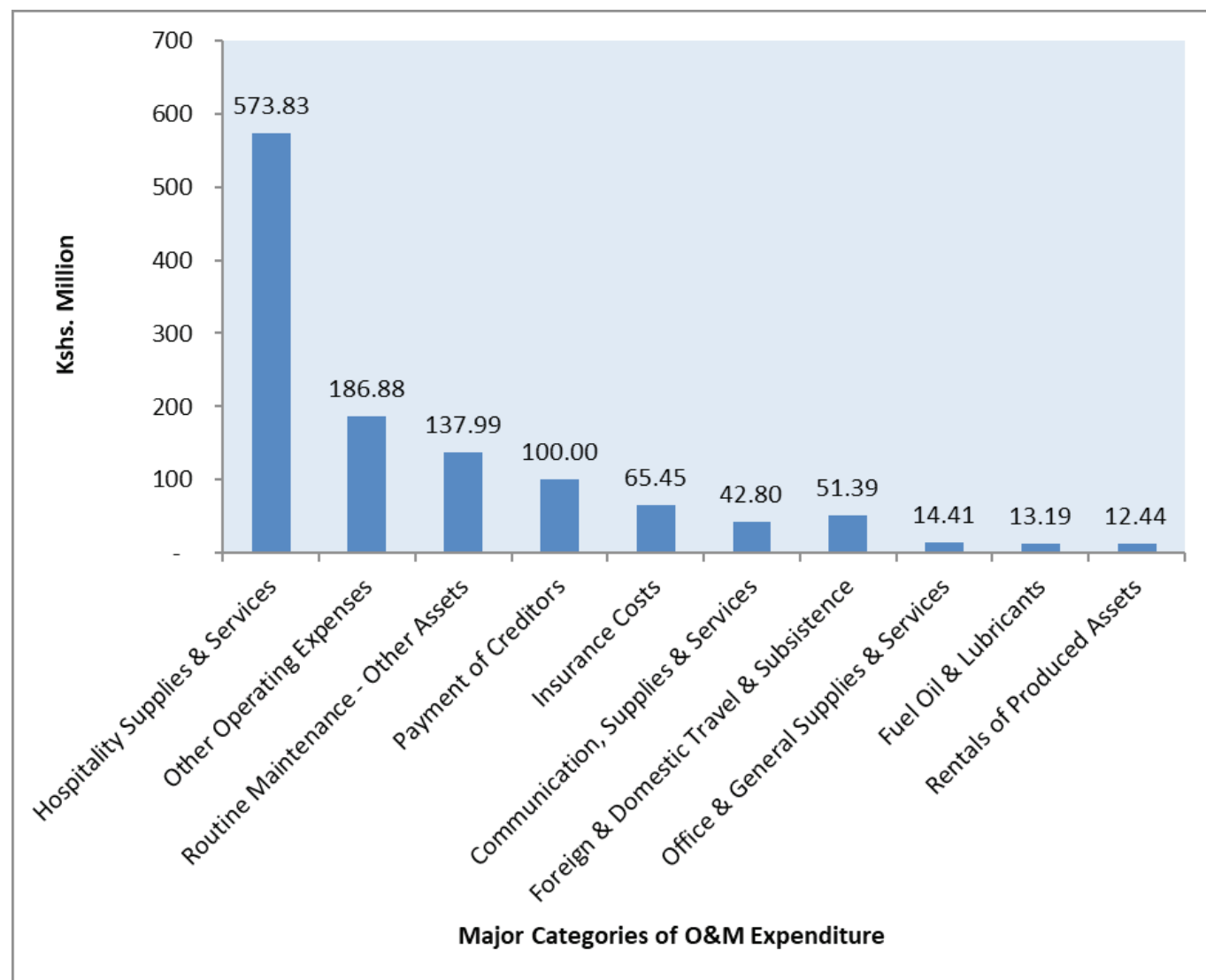
Source: Nairobi City County Treasury

3.30.6 Analysis of Recurrent Expenditure

The total recurrent expenditure of Kshs.4.53 billion consisted of Kshs.3.39 billion (74.7 per cent) incurred on personnel emoluments and Kshs.1.15 billion (25.3 per cent) on operations and maintenance as shown in Figure 3.87.

Expenditure on personnel emoluments represented an increase of 5.1 per cent compared to Kshs.3.22 billion incurred in the first quarter of FY 2016/17, and was 74.3 per cent of total expenditure in the first quarter of FY 2017/18. Figure 3.88 shows a summary of the operations and maintenance expenditure by major categories.

Figure 3.88: Nairobi City County, Operations and Maintenance Expenditure by Major Categories in the First Quarter of FY 2017/18



Source: Nairobi City County Treasury

The County Assembly incurred Kshs.17.72 million on sitting allowances to the 128 against the approved vote on account for the budget item of Kshs.65.82 million. This was a decrease of 7 per cent compared to Kshs.24.73 million incurred in a similar period of FY 2015/16. The average monthly sitting allowance was Kshs.46, 145 per MCA compared to SRC's recommended monthly ceiling of Kshs.80,000.

Expenditure on domestic and foreign travel amounted to Kshs.51.39 million and consisted of Kshs.40.83 million incurred by the County Assembly and Kshs.10.56 million by County Executive. It represented 1.1 cent of total recurrent expenditure and was decrease of 62 per cent compared to Kshs.135.14 million incurred in the first quarter of FY 2016/17.

3.30.7 Development Expenditure Analysis

The total development expenditure of Kshs.24.52 million represented 0.4 per cent of the Approved Vote on Account of Kshs.5.89 billion for development expenditure. This amount was incurred by the County Assembly on refurbishment of the County Assembly Chambers and on firefighting equipment.

3.30.8 Budget and Budget Performance Analysis by Department

Table 3.62 shows a summary of budget estimates and budget performance by department in the first quarter of FY 2017/18.

Table 3.62: Nairobi City County, Budget Performance by Department in the First Quarter of FY 2017/18

Department	Budget Allocation (Kshs.Million)		Exchequer Issues in the first quarter of FY 2017/18 (Kshs. Million)		Expenditure in the first quarter of FY 2017/18 (Kshs.Million)		Expenditure to Exchequer Issues (%) First Quarter FY 2017/18		Absorption rate (%) First Quarter FY 2017/18	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
County Public Service Board	35.3	14.7	7.43	-	7.71	-	103.8	-	21.8	-
Office of Governor & Deputy Governor	2, 652.3	186.7	937.33	-	1, 110.87	-	118.5	-	41.9	-
ICT, E-Government & Public Communications	142.44	86.5	34.1	-	44.45	-	130.4	-	31.2	-
Finance & Economic Planning	1, 505	85	271.46	-	632.86	-	233.1	-	42.1	-
Health	3, 193.55	627	1, 547.07	-	1, 173.81	-	75.9	-	36.8	-
Urban Planning & Lands	189.51	222	63.5	-	89.69	-	141.2	-	47.3	-
Public Works, Transport & Infrastructure	584.5	2, 470.39	179.24	-	171.35	-	95.6	-	29.3	-
Education, Youth Affairs, Sports, Culture & Social Services	699	172.5	195.38	-	229.98	-	117.7	-	32.9	-
Trade, Commerce, Tourism & Cooperatives	309	280	74.97	-	72.63	-	96.9	-	23.5	-
Public Service Management	1, 125.5	58.5	468.88	-	374.81	-	79.9	-	33.3	-
Agriculture, Livestock Development, Fisheries and Forestry	187.5	77	62.88	-	56.69	-	90.2	-	30.2	-
Environment, Water, Energy & Natural Resources	692.72	450	222.18	-	307	-	138.2	-	44.3	-
Urban Renewal and Housing	70	90	14.5	-	15.51	-	107	-	22.2	-
County Assembly	646.71	160.38	250	-	246.29	24.52	98.5	-	38.1	15.3
Ward Development Fund	27	868	-	-	-	-	-	-	-	-
Emergency Fund	-	45	-	-	-	-	-	-	-	-
TOTAL	12, 060.02	5, 893.66	4, 328.91	-	4, 533.65	24.52	104.7		37.6	0.4

Source: Nairobi City County Treasury

Analysis of budget performance by department shows that the County Assembly attained the highest absorption rate of its Approved Vote on Account at 15.3 per cent while the other departments did

not incur any development expenditure. On the other hand, the Department of Urban Planning and Lands had the highest percentage of recurrent expenditure to its Approved recurrent Vote on Account at 47.3 per cent.

3.30.9 Observations and Recommendations

The County has made progress in addressing some of the challenges previously identified as affecting budget implementation, which include;

- i. Improvement in staff capacity through training and recruitment of technical staff.
- ii. Improvement in the use of IFMIS and Internet Banking to process financial transaction.

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

1. Under-performance in local revenue collection, which declined by 27 per cent from Kshs.2.04 billion collected in the first quarter of FY 2016/17 to Kshs.1.49 billion in the first quarter of FY 2017/18.
2. High personnel emoluments which accounted for 74.3 per cent of the total expenditure.
3. Failure by the County to approve the Appropriation Bill 2017 by 30th June, 2017 contrary to Section 129 (7) of the PFM Act, 2012.
4. IFMIS connectivity challenges, which slowed down approval of procurement requests and settlement of payments to suppliers.
5. Failure to budget for all conditional grants as per CARA, 2017.

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

- 1. The County Treasury should formulate and implement strategies to enhance local revenue collection.*
- 2. The County Public Service Board should develop an optimal staffing structure address the wage bill.*
- 3. The County Treasury and the County Assembly should work together to ensure budget documents are prepared and approved within the timelines provided in law.*
- 4. The County Treasury should liaise with the IFMIS Directorate for intervention measures and adequate support to address the connectivity challenge.*
- 5. The County should prepare a Supplementary Budget to align conditional grants to the CARA, 2017.*

3.31 Nakuru County

3.31.1 Overview of the FY 2017/18 Budget

The County's FY 2017/18 Approved Budget is Kshs.15.66 billion, comprising of Kshs.9.77 billion (62.3 per cent) and Kshs.5.9 billion (37.7 per cent) allocation for recurrent and development expenditure respectively.

To finance the budget, the County expects to receive Kshs.9.27 billion (59.2 per cent) as equitable share of revenue raised nationally, Kshs.958.51 million (6.1 per cent) as total conditional grants, and generate Kshs.2.5 billion (16 per cent) from local revenue sources, Kshs.26.5 million (0.2 per cent) from Symbiosis Program, Kshs.611.05 million (3.9 per cent) from Facility Improvement Fund, and Kshs.2.3 billion (14.7 per cent) cash balance from FY 2016/17.

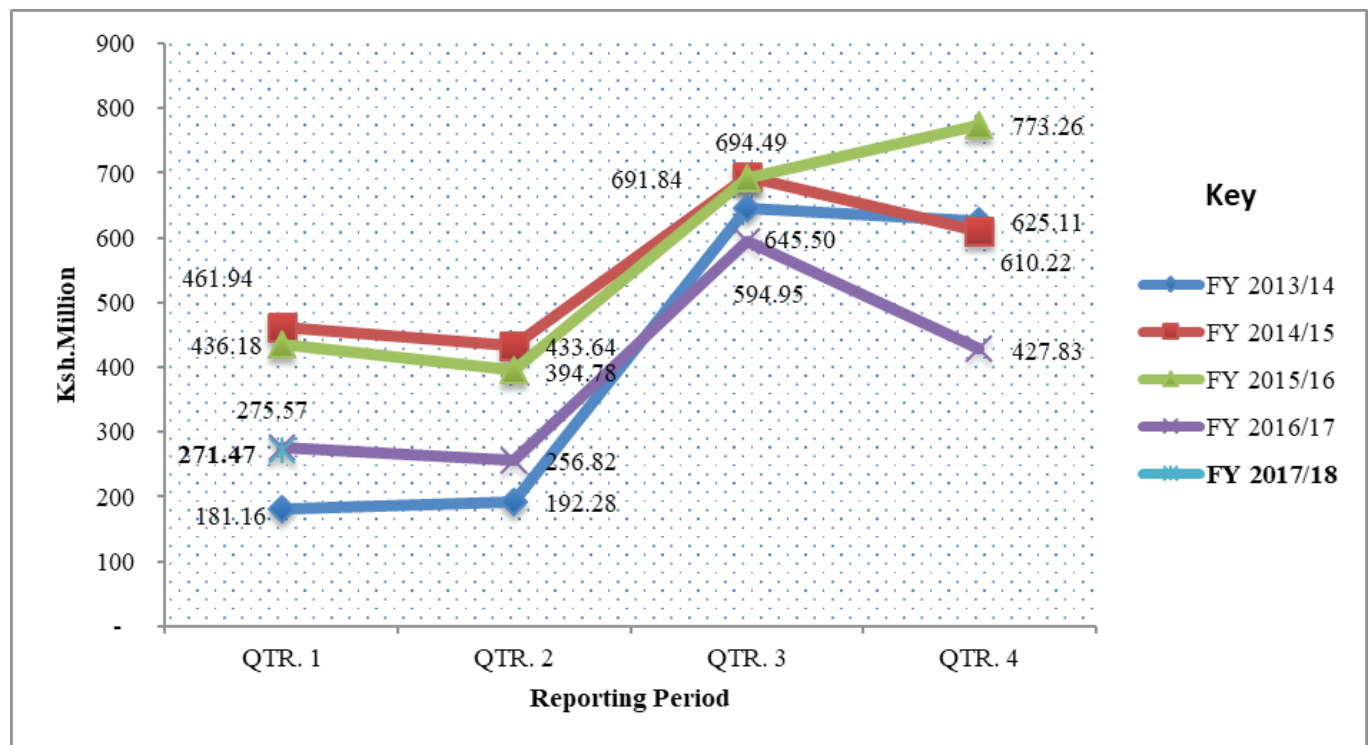
The conditional grants contained in the CARA, 2017 of Kshs.958.51 million comprise of Kshs.373.87 million (39 per cent) for Level-5 Hospitals, Kshs.345.81 million (36.1 per cent) from the Road Maintenance Fuel Levy Fund, Kshs.95.74 million (10 per cent) for Leasing of Medical Equipment, Kshs.56.3 million (5.9 per cent) from Kenya Devolution Support Program, Kshs.38.72 million (4 per cent) for Compensation for User Fee Foregone, Kshs.35.43 million (3.7 per cent) for Development of Youth Polytechnics, and Kshs.12.63 million (1.3 per cent) from DANIDA.

3.31.2 Revenue Analysis

During the first quarter of FY 2017/18, the County received Kshs.161.28 million as total conditional allocations, raised Kshs.271.47 million from local revenue sources, and had a cash balance of Kshs.2.12 billion brought forward from FY 2016/17. The available funds amounted to Kshs.2.55 billion.

Figure 3.89 shows the quarterly trend in local revenue collection from the first quarter of FY 2013/14 to the first quarter FY 2017/18.

Figure 3.89: Nakuru County, Trend in Local Revenue Collection by Quarter from the First Quarter of FY 2013/14 to the First Quarter of FY 2017/18



Source: Nakuru County Treasury

The total local revenue collected in the first quarter of FY 2017/18 amounted to Kshs.271.47 million, representing a decrease of 1.5 per cent compared to Kshs.275.57 million generated in a similar period of FY 2016/17, and represented 10.9 per cent of the annual local revenue target.

3.31.3 Conditional Grants

Table 3.63 shows an analysis of conditional grants released in the first quarter of FY 2017/18.

Table 3.63: Nakuru County, Analysis of Conditional Grants Released in the First Quarter of FY 2017/18

S/No	Grants	Annual CARA, 2017 Allocation (in Kshs)	Annual Budget Allocation (in Kshs)	Actual receipts in First Quarter of FY 2017/18 (in Kshs.)	Actual Receipts as Percentage of Annual Allocation (%)
A	Grants Contained CARA, 2017				
1	Road Maintenance Fuel Levy Fund	345, 811, 895	345, 811, 895	161, 278, 465	46.6
2	Leasing of Medical Equipment	95, 744, 681	95, 744, 681	-	-
3	Kenya Devolution Support Programme (KDSP)	56, 299, 041	56, 299, 041	-	-
4	Compensation for User Fee Foregone	38, 723, 265	38, 723, 265	-	-
5	DANIDA Grant	12, 630, 000	12, 630, 000	-	-
6	Level-5 Hospitals	373, 872, 832	373, 872, 832	-	-
7	Development of Youth Polytechnics	35, 431, 434	35, 431, 434	-	-
Total		958, 513, 148	958, 513, 148	161, 278, 465	17

Source: Nakuru County Treasury

Analysis of the conditional grants released during the period under review indicates that, Road Maintenance Fuel Levy Fund recorded a receipt of Kshs.161.28 million representing 46.6 per cent of annual allocation. The other conditional grants did not record any receipt during the reporting period.

3.31.4 Exchequer Issues

During the reporting period, the Controller of Budget authorized withdrawal of Kshs.848.12 million from the CRF account, which was 5.4 per cent of the Approved Budget. This amount was a decrease of 72.5 per cent from Kshs.3.08 billion authorized in a similar period of FY 2016/17. The entire amount was for recurrent expenditure.

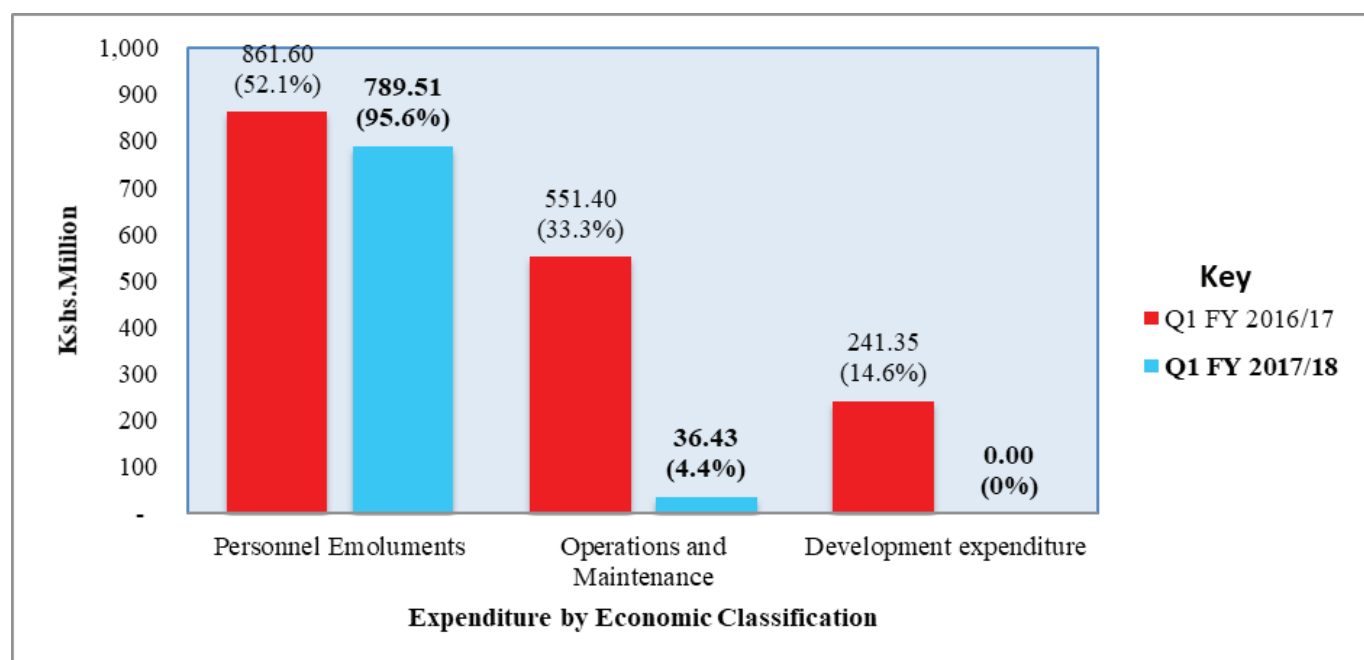
3.31.5 Overall Expenditure Review

The County incurred Kshs.825.94 million, which was 97.4 per cent of the total funds released for operations. This was a decrease of 50.1 per cent from Kshs.1.65 billion incurred in the first quarter of FY 2016/17.

The total expenditure of Kshs.825.94 million was incurred on recurrent activities and represented 97.4 per cent of the funds released for recurrent activities. The expenditure excluded outstanding commitments as at September 30th, 2017 that amounted to Kshs.2.3 billion for development and Kshs.492.01 million for recurrent expenditure.

The recurrent expenditure represented 8.5 per cent of the annual recurrent budget, a decrease from 16 per cent incurred in a similar period of FY 2016/17. Figure 3.90 presents a comparison between the total expenditure in the first quarter of FY 2016/17 and the first quarter of FY 2017/18.

Figure 3.90: Nakuru County, Expenditure by Economic Classification in the First Quarter of FY 2016/17 and First Quarter of FY 2017/18



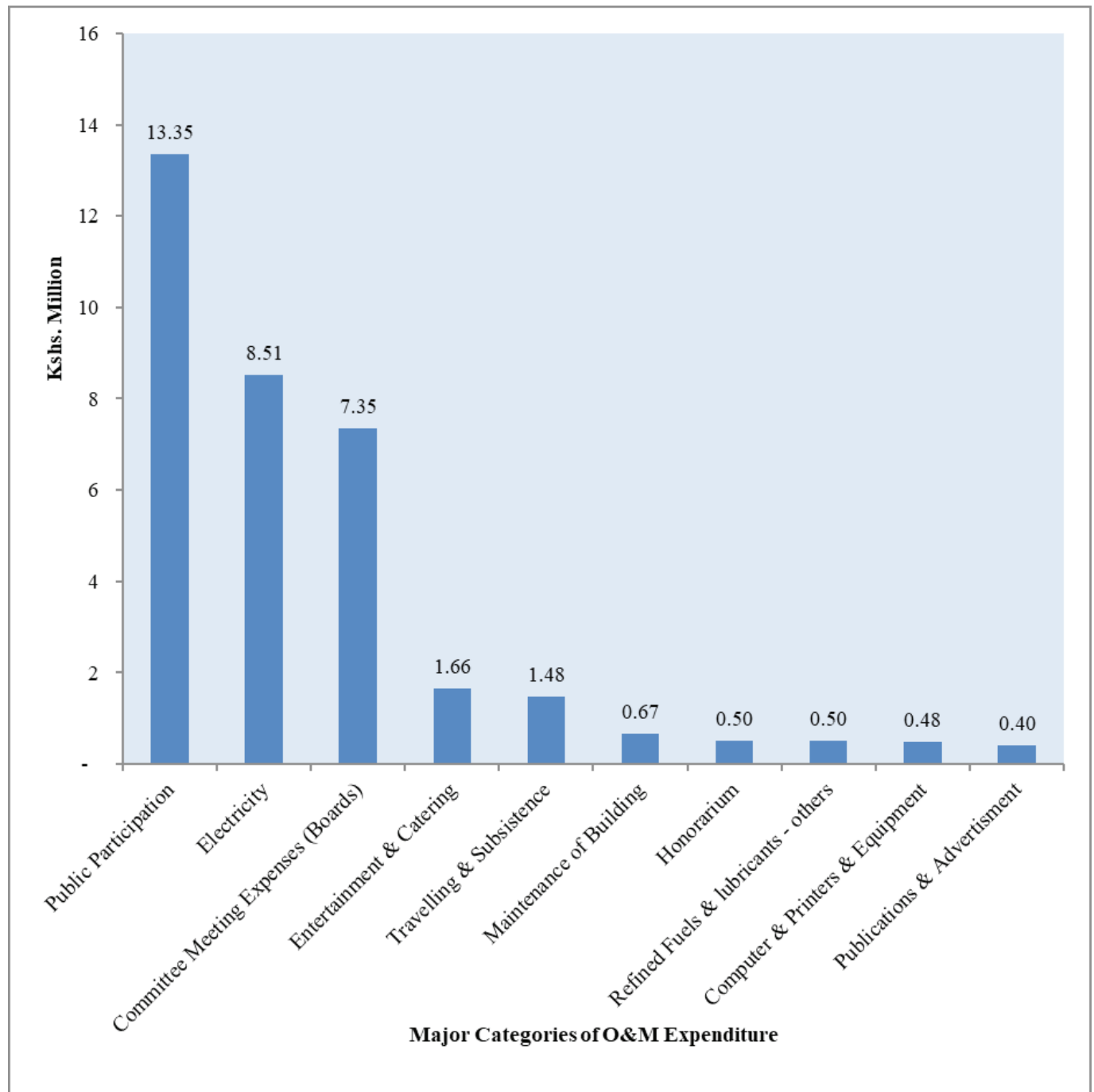
Source: Nakuru County Treasury

3.31.6 Analysis of Recurrent Expenditure

The total recurrent expenditure of Kshs.825.94 million consisted of Kshs.789.51 million (95.6 per cent) incurred on personnel emoluments and Kshs.36.43 million (4.4 per cent) on operations and maintenance as shown in Figure 3.90.

Expenditure on personnel emoluments represented a decrease of 8.4 per cent compared to Kshs.861.59 million incurred in the first quarter of FY 2016/17, and was 95.6 per cent of total expenditure in the first quarter of FY 2017/18. Figure 3.91 shows a summary of operations and maintenance expenditure by major categories.

Figure 3.91: Nakuru County, Operations and Maintenance Expenditure by Major Categories in the First Quarter of FY 2017/18



Source: Nakuru County Treasury

The County incurred Kshs.7.25 million on sitting allowances to the 75 MCAs against the annual budget allocation of Kshs.90 million. This was a decrease of 95 per cent compared to Kshs.14.15 million incurred in the first quarter of FY 2016/17. The average monthly sitting allowance was Kshs.32, 214 per MCA compared to SRC's recommended monthly ceiling of Kshs.80,000.

Expenditure on domestic and foreign travel amounted to Kshs.1.48 million which was incurred entirely by the County Assembly. It represented 0.2 per cent of total recurrent expenditure and was a decrease of 98.4 per cent compared to Kshs.95.18 million incurred in the first quarter of FY 2016/17.

3.31.7 Development Expenditure Analysis

The County did not report any expenditure on development activities during the reporting period.

3.31.8 Budget and Budget Performance Analysis by Department

Table 3.64 shows a summary of budget estimates and budget performance by department in the first quarter of FY 2017/18.

Table 3.64: Nakuru County, Budget Performance by Department in the First Quarter of FY 2017/18

Department	Budget Allocation (Kshs.Million)		Exchequer Issues in First Quarter of FY 2017/18 (Kshs. Million)		Expenditure in First Quarter of FY 2017/18 (Kshs.Million)		First Quarter of FY 2017/18 Expenditure to Exchequer Issues (%)		First Quarter of FY 2017/18 Absorption rate (%)	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
Office of the Governor and Deputy Governor	170.55	60.81	11.33	-	10.5	-	92.6	-	6.2	-
County Treasury	959.52	175.52	78.79	-	69.46	-	88.2	-	7.2	-
County Public Service Board	47.29	-	3.89	-	35.40	-	909.8	-	74.9	-
Public Service Management	716.6	23.91	78.36	-	76.28	-	97.3	-	10.6	-
Health	4, 868.81	1, 092.52	414.52	-	413.27	-	99.7	-	8.5	-
Trade, Industrialization and Tourism	121.62	187.83	5.19	-	6.61	-	127.4	-	5.4	-
Roads Public Works and Transport	277.39	1, 915.9	33.24	-	28.86	-	86.8	-	10.4	-
ICT and E-Government	50.26	10.63	5.13	-	4.63	-	90.2	-	9.2	-
Agriculture, Livestock and Fisheries	490.76	143.19	57.2	-	51.12	-	89.4	-	10.4	-
Lands, Physical Planning and Housing	140.38	314.82	16.1	-	14.23	-	88.4	-	10.1	-
Education, Sports, Youth and Social Services.	505.95	879.11	23.95	-	23.2	-	96.9	-	4.6	-
Environment, Water and Natural Resources	356.71	770.37	30.78	-	29.75	-	96.7	-	8.3	-
County Assembly	1, 059.83	324.06	89.63	-	62.63	-	69.9	-	5.9	-
TOTAL	9, 766	5, 899	848.12	-	825.94	-	97.4	-	8.5	-

Source: Nakuru County Treasury

Analysis of budget performance by department shows that the County Public Service Board had the highest percentage of recurrent expenditure to recurrent budget at 74.9 per cent while the Education, Sports, Youth and Social Services Department had the lowest at 4.6 per cent.

3.31.9 Observations and Recommendations

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

- i. Establishment of the County Budget and Economic Forum (CBEF) in line with Section 137 of the PFM Act, 2012.
- ii. Timely submission of quarterly financial reports to the Controller of Budget by the County Government entities in line with Section 166 of the PFM Act, 2012.

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

1. Delay in disbursement of the equitable share of revenue raised nationally by the National Treasury. The County did not receive the equitable share during the period.
2. Under-performance in local revenue collection, which declined by 1.5 per cent from Kshs.275.57 million in the first quarter of FY 2016/17 to Kshs.271.47 million in the reporting period.
3. Failure to budget for all conditional grants as per CARA, 2017.

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

1. *The County Treasury should liaise with the National Treasury to ensure that funds allocated to the County are released in line with the CARA, 2017 Disbursement Schedule.*
2. *The County should formulate and implement strategies to enhance local revenue collection.*
3. *The County should prepare a Supplementary Budget to align conditional grants to the CARA, 2017.*

3.32 Nandi County

3.32.1 Overview of the FY 2017/18 Budget

The County's FY 2017/18 Approved Budget is Kshs.7.05 billion, comprising of Kshs.4.51 billion (64 per cent) and Kshs.2.54 billion (36 per cent) allocation for recurrent and development expenditure respectively.

To finance the budget, the County expects to receive Kshs.5.39 billion (76.5 per cent) as equitable share of revenue raised nationally, Kshs.434.26 million (6.2 per cent) as total conditional grants, and generate Kshs.419.78 million (6 per cent) from local revenue sources, and Kshs.625 million (8.9 per cent) cash balance from FY 2016/17.

The conditional grants contained in the CARA, 2017 of Kshs.555.83 million comprise of Kshs.202.6 million (44 per cent) from the Road Maintenance Fuel Levy Fund, Kshs.18.09 million (3.9 per cent) as Compensation for User Fee Foregone, Kshs.13.73 million (3 per cent) from DANIDA, , Kshs.41.61 million (9 per cent) for the World Bank Kenya Devolution Support Program, Kshs.29.29 million (6.4 per cent) for Development of Youth Polytechnics, Kshs.66.85 million (14.5 per cent) as World Bank Loan for Transforming Health System for Universal Care System, Kshs.50 million (10.9 per cent) as World Bank Loan for National Agricultural & Rural Inclusive Project and Kshs.37.94 million (8.2 per cent) from Other Loans and Grants.

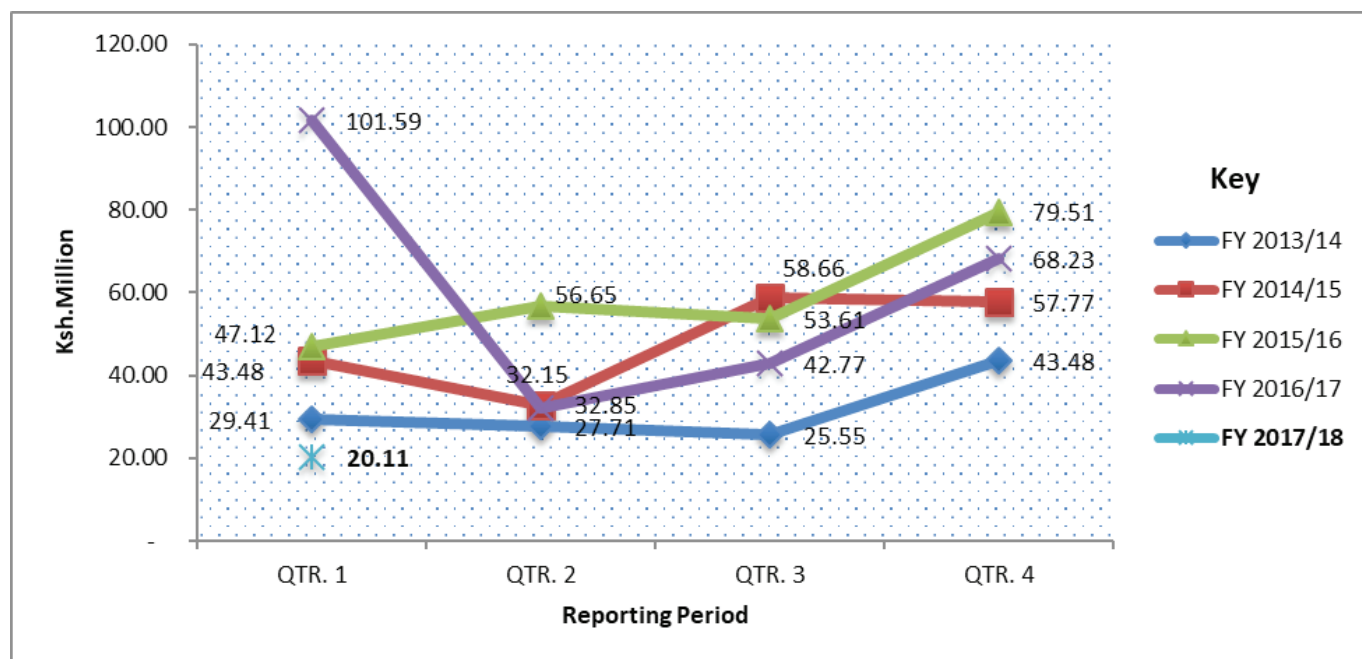
The County budgeted to receive Kshs.62.68 million from Water Services Trust Fund although this grant is not contained in the CARA, 2017.

3.32.2 Revenue Analysis

During the first quarter of FY 2017/18, the County received Kshs.94.45 million as total conditional allocations, raised Kshs.20.11 million from local revenue sources, and had a cash balance of Kshs.625 million from FY 2016/17. The available funds amounted to Kshs.739.6 million.

Figure 3.92 shows the quarterly trend in local revenue collection from the first quarter of FY 2013/14 to the first quarter FY 2017/18.

Figure 3.92: Nandi County, Trend in Local Revenue Collection by Quarter from the First Quarter of FY 2013/14 to the First Quarter of FY 2017/18



Source: Nandi County Treasury

The total local revenue collected in the first quarter of FY 2017/18 amounted to Kshs.20.11 million, representing a decrease of 80.2 per cent compared to Kshs.101.59 million generated in a similar period of FY 2016/17, and represented 4.8 per cent of the annual local revenue target.

3.32.3 Conditional Grants

Table 3.65 shows an analysis of conditional grants released in the first quarter of FY 2017/18.

Table 3.65: Nandi County, Analysis of Conditional Grants Released in First Quarter of FY 2017/18

S/No	Grants	Annual CARA, 2017 Allocation (in Kshs)	Annual Budget Allocation (in Kshs)	Actual receipts in First Quarter of FY 2017/18 (in Kshs)	Actual Receipts as Percentage of Annual Allocation (%)
A	Grants Contained CARA, 2017				
1	Road Maintenance Fuel Levy Fund	202, 600, 435	202, 600, 435	94, 488, 037	46.6
2	Leasing of Medical Equipment	95, 744, 681	100, 531, 915	-	-
3	Kenya Devolution Support Programme (KDSP)	41, 606, 801	29, 299, 870	-	-
4	Compensation for User Fee Foregone	18, 086, 363	18, 958, 610	-	-
5	DANIDA Grant	13, 728, 991	20, 186, 775	-	-
6	Development of Youth Polytechnics	29, 282, 394	-	-	-
7	Other Loans & Grants	37, 935, 168	-	-	-
8	World Bank Loan for Transforming Health System for Universal Care System	66, 845, 279	-	-	-
9	World Bank Loan for National Agricultural & Rural Inclusive Project	50, 000, 000	-	-	-
Sub Total		555, 830, 112	371, 577, 605	94, 488, 037	17
B	Other Grants				
10	Water Services Trust Fund	-	62, 683, 985	-	-
Sub Total		-	62, 683, 985	-	-
Grand Total		555, 830, 112	434, 261, 590	94, 488, 037	17

Source: Nandi County Treasury

Analysis of the conditional grants released during the period under review indicates that, the Road Maintenance Fuel Levy Fund the highest receipt at 46.6 per cent of annual allocation. The County did not receive funds from the other conditional grants.

3.32.4 Exchequer Issues

During the reporting period, the Controller of Budget authorized withdrawal of Kshs.674.96 million from the CRF account, which was 9.6 per cent of the Approved Budget. This amount was a decrease of 33 per cent from Kshs.1.44 billion authorized in a similar period of FY 2016/17. The entire amount was for recurrent expenditure.

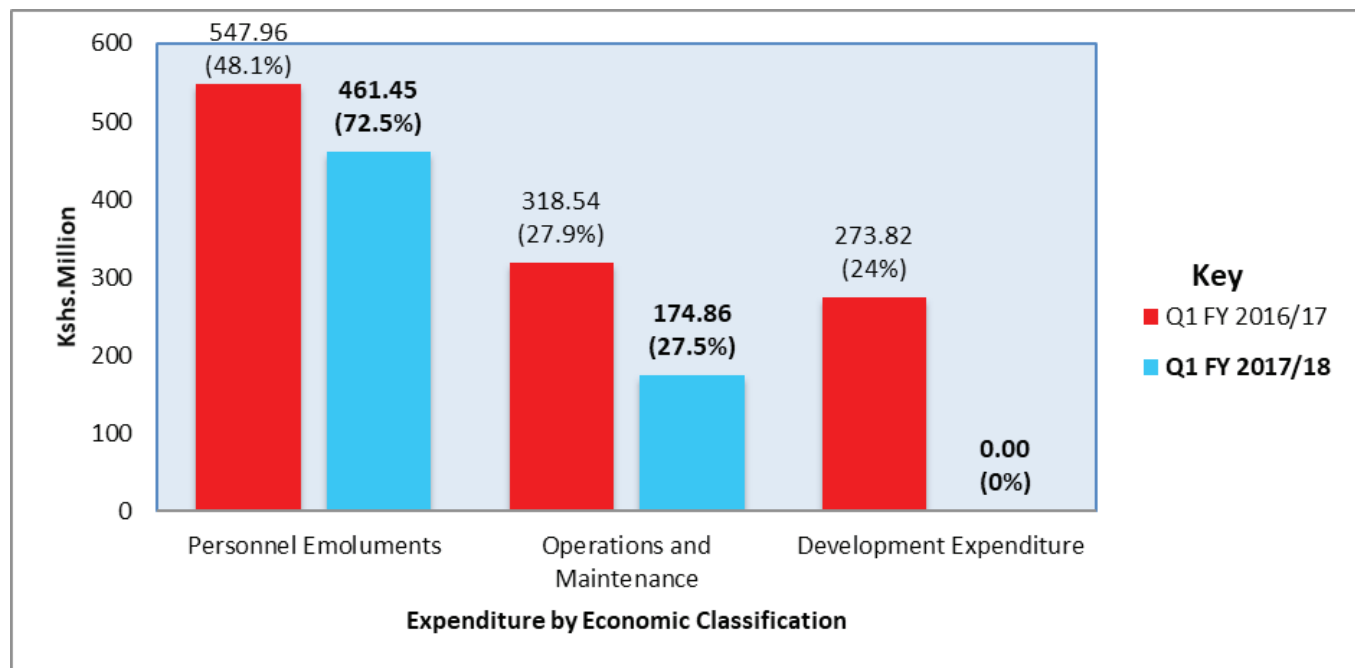
3.32.5 Overall Expenditure Review

The County incurred Kshs.636.31 million, which was 94.3 per cent of the total funds released for operations. This was a decrease of 44.2 per cent from Kshs.1.14 billion incurred in the first quarter of FY 2016/17.

The total expenditure of Kshs.636.31 million was incurred on recurrent activities and represented 94.3 per cent of the funds released for recurrent activities. The expenditure excluded outstanding commitments as at September 30th, 2017 that amounted to Kshs.523.26 million for development and Kshs.247.66 million for recurrent expenditure.

The recurrent expenditure represented 14.1 per cent of the annual recurrent budget, a decrease from 19.8 per cent incurred in a similar period of FY 2016/17. Figure 3.93 presents a comparison between the total expenditure in the first quarter of FY 2016/17 and the first quarter of FY 2017/18.

Figure 3.93: Nandi County, Expenditure by Economic Classification in the First Quarter of FY 2016/17 and First Quarter of FY 2017/18



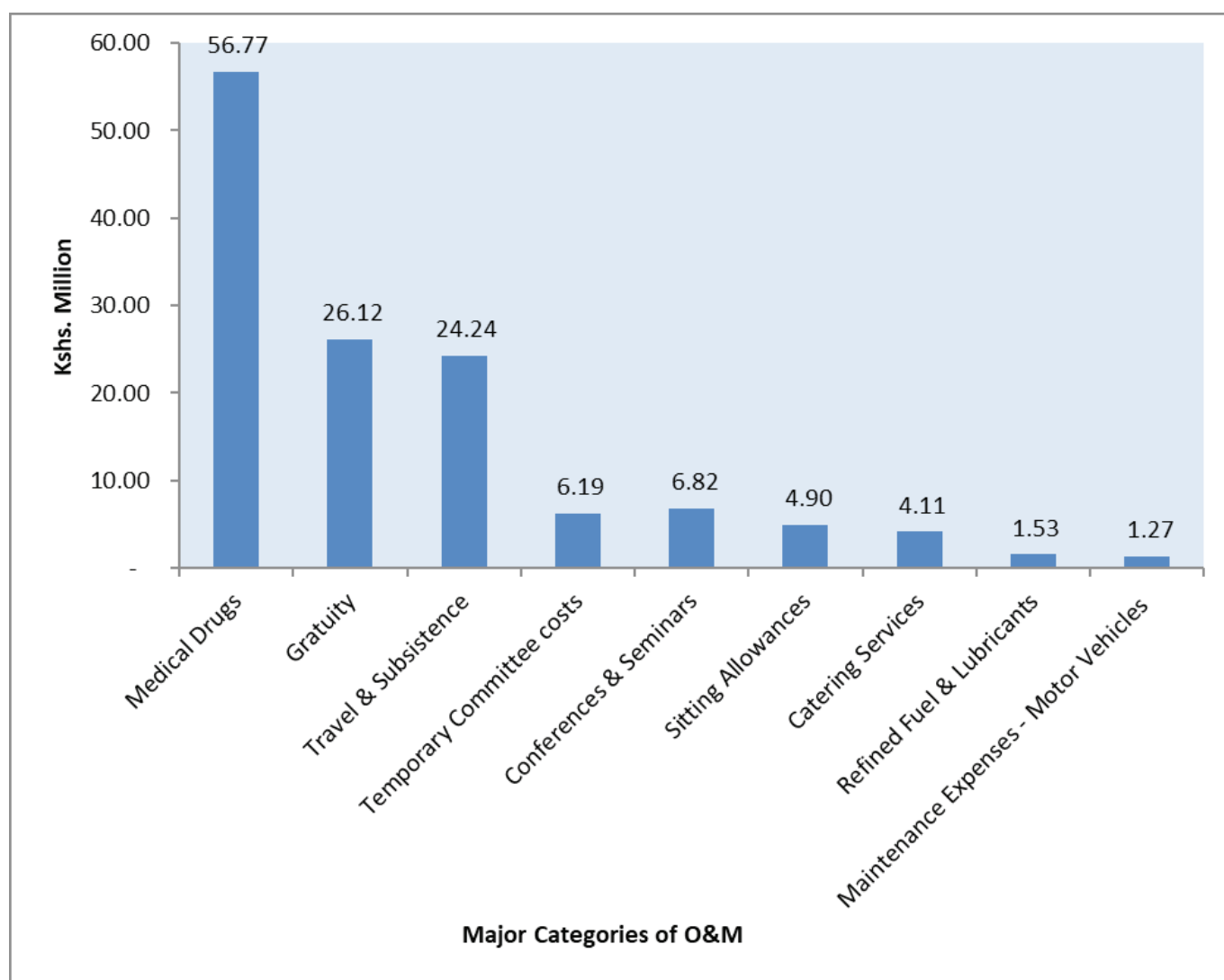
Source: Nandi County Treasury

3.32.6 Analysis of Recurrent Expenditure

The total recurrent expenditure of Kshs.636.31 million consisted of Kshs.461.45 million (72.5 per cent) incurred on personnel emoluments and Kshs.174.86 million (27.5 per cent) on operations and maintenance as shown in Figure 3.93.

Expenditure on personnel emoluments represented a decrease of 15.8 per cent compared to Kshs.547.96 million incurred in the first quarter of FY 2016/17, and was 9 per cent of total expenditure in the first quarter of FY 2017/18. Figure 3.94 shows a summary of operations and maintenance expenditure by major categories.

Figure 3.94: Nandi County, Operations and Maintenance Expenditure by Major Categories in the First Quarter of FY 2017/18



Source: Nandi County Treasury

The County incurred Kshs.4.90 million on sitting allowances to the 49 MCAs and the Speaker against the annual budget allocation of Kshs.67.69 million. This was a decrease of 71.5 per cent compared to Kshs.17.17 million incurred in the first quarter of FY 2016/17. The average monthly committee sitting allowance was Kshs.33,340 per MCA compared to SRC's recommended monthly ceiling of Kshs.80,000.

Expenditure on domestic and foreign travel amounted to Kshs.24.24 million and consisted of Kshs.4.6 million incurred by the County Assembly and Kshs.19.64 million by the County Executive. It represented 3.8 per cent of total recurrent expenditure and was a decrease of 75.1 per cent compared to Kshs.97.48 million incurred in the first quarter of FY 2016/17.

3.32.7 Development Expenditure Analysis

The County did not report any expenditure on development activities during the reporting period.

3.32.8 Budget and Budget Performance Analysis by Department

Table 3.66 shows a summary of budget estimates and budget performance by department in the first quarter of FY 2017/18

Table 3.66: Nandi County, Budget Performance by Department in the First Quarter of FY 2017/18

Department	Budget Allocation (Kshs. Million)		Exchequer Issues in First Quarter of FY 2017/18 (Kshs.Million)		Expenditure in First Quarter of FY 2017/18 (Kshs.Million)		First Quarter of FY 2017/18 Expenditure to Exchequer Issues (%)		First Quarter of FY 2017/18 Absorption rate (%)	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
Office of the Governor & Deputy Governor	414.03	90.5	61.56	-	55.37	-	89.9	-	13.4	-
Finance and Economic Planning	761.63	106.56	114.34	-	99.59	-	87.1	-	13.1	-
Health and Sanitation	1,320.05	192.8	243.85	-	288.28	-	118.2	-	21.8	-
Roads Transport and Public Works	257.58	575	21.01	-	20.89	-	99.4	-	8.1	-
Agriculture, Livestock and Fisheries	201.87	166.63	73.02	-	39.98	-	54.8	-	19.8	-
Education Research and Vocational Training	358.94	192.8	45.5	-	38.74	-	85.1	-	10.8	-
Lands, Environment and Natural Resources	179.65	437.15	6.04	-	8.51	-	140.8	-	4.7	-
Trade and Industrial Development	38.92	20	5.9	-	6.37	-	108.0	-	16.4	-
Public Service and Labour	35.04	-	4.6	-	4.04	-	87.8	-	11.5	-
Tourism, Culture and Co-operative Development	55.45	76.35	3.01	-	2.25	-	74.8	-	4.1	-
Devolved Units and Special Programmes	87.87	244	18.28	-	13.17	-	72.1	-	15	-
Youth, Gender and Social Services	38.71	136.8	3.01	-	5.5	-	182.7	-	14.2	-
County Assembly	756.28	289.53	74.84	-	53.63	-	71.6	-	7.1	-
TOTAL	4,506	2,528	674.31	-	636.31	-	94.3	-	14.1	-

Source: Nandi County Treasury

Analysis of budget performance by department shows that the Health and Sanitation Department attained the highest recurrent expenditure to recurrent budget at 21.8 per cent while the Department of Tourism, Culture and Co-operative Development had the lowest at 4.1 per cent. The County did not incur any development expenditure.

3.32.9 Observations and Recommendations

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

- Adoption of IFMIS in processing of financial transactions.
- Improvement in human capacity through continuous training.
- Timely submission of quarterly financial reports to the Controller of Budget by the County Government entities in line with Section 166 of the PFM Act, 2012.

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

1. Delay in disbursement of the equitable share of revenue raised nationally by the National Treasury. As at the end of the reporting period, the County had not received the equitable share of revenue.
2. Under-performance in local revenue collection. The Local revenue collection declined by 80.2 per cent from Kshs.101.59 million in the first quarter of FY 2016/17 to Kshs.20.11 million in the reporting period.
3. Failure to reconcile IFMIS payroll data to the IPPD data. While IFMIS reports indicate total expenditure on personnel emoluments as Kshs.461.45 million data from the IPPD indicated that Kshs.393.58 million was paid as the total payroll costs for the same period.
4. Failure to establish an Internal Audit Committee to oversee financial operations in the County contrary to Section 155 of the PFM Act, 2012.
5. The County did not budget for all the conditional grants as contained in the CARA, 2017. The conditional grants not budgeted for are: - Development of Youth Polytechnics, World Bank Loan for Transforming Health System for Universal Care System, and World Bank Loan for National Agricultural & Rural Inclusive Project.

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

1. *The County Treasury should liaise with the National Treasury to ensure that funds allocated to the County are released in line with the CARA, 2017 Disbursement Schedule.*
2. *The County Treasury should formulate and implement strategies to enhance local revenue collection.*
3. *The County should reconcile the IFMIS & IPPD data on a monthly basis to enhance accuracy in reporting.*
4. *The County should establish an Internal Audit Committee in line with Section 155 of the PFM Act, 2012.*
5. *The County should prepare a Supplementary Budget to align conditional grants to the CARA, 2017.*

3.33 Narok County

3.33.1 Overview of the FY 2017/18 Budget

The County's FY 2017/18 Approved Budget is Kshs.10.96 billion, comprising of Kshs.6.12 billion (55.8 per cent) and Kshs.4.84 billion (44.2 per cent) allocation for recurrent and development expenditure respectively.

To finance the budget, the County expects to receive Kshs.6.52 billion (59.5 per cent) as equitable share of revenue raised nationally, Kshs.476.79 million (4.4 per cent) as total conditional grants, and generate Kshs.4.01 billion (36.6 per cent) from local revenue sources, and Kshs.348.72 million (03 per cent) cash balance from FY 2016/17.

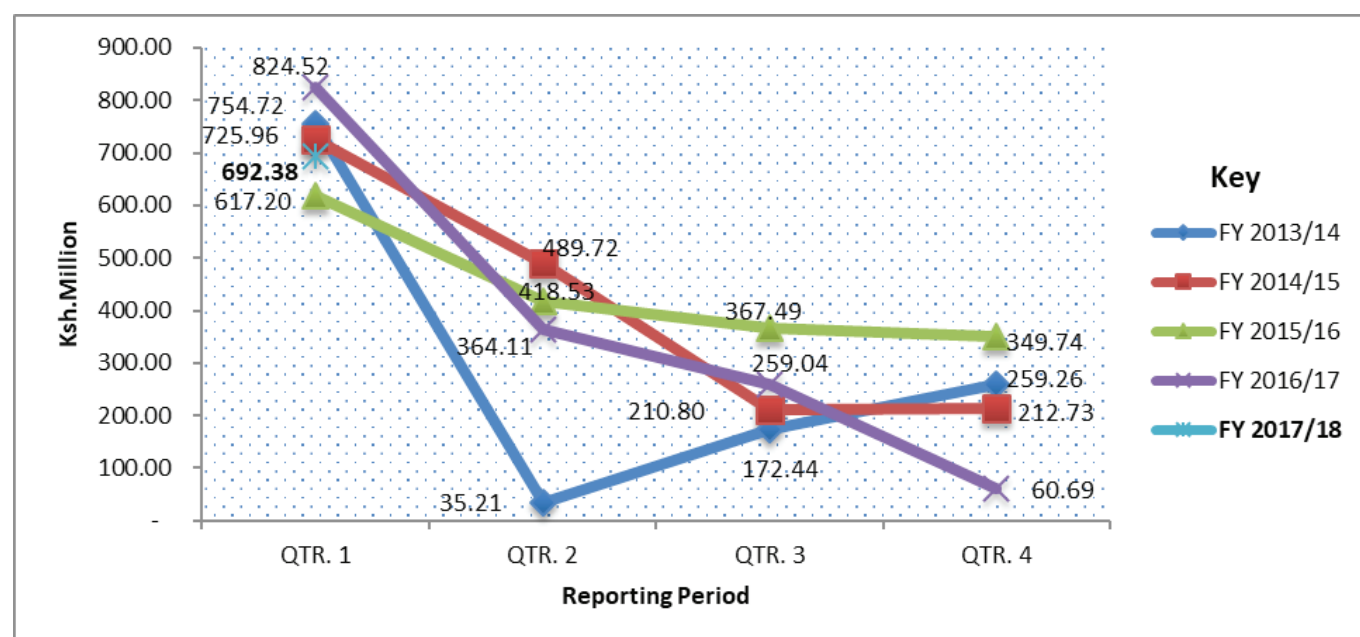
The conditional grants contained in the CARA, 2017 of Kshs.667.92 million comprise of Kshs.225.3 million (33.7 per cent) from the Road Maintenance Fuel Levy Fund, Kshs.20.6 million (3.1 per cent) as Compensation for User Fee Foregone, Kshs.15.27 million (2.3 per cent) from DANIDA, Kshs.417.78 million (6.3 per cent) as World Bank loan to supplement financing of County Health facilities, Kshs.45.8 million (6.9 per cent) for the World Bank Kenya Devolution Support Program, Kshs.31.46 million (4.7 per cent) for Development of Youth Polytechnics, Kshs.83.62 million (12.5 per cent) as World Bank Loan for Transforming Health System for Universal Care System and Kshs.50 million (7.5 per cent) as World Bank Loan for National Agricultural & Rural Inclusive Project.

3.33.2 Revenue Analysis

During the first quarter of FY 2017/18, the County received Kshs.913.25 million as equitable share of the revenue raised nationally, Kshs.186.28 million as total conditional allocations, raised Kshs.692.38 million from local revenue sources, and had a cash balance of Kshs.123.4 million from FY 2016/17. The available funds amounted to Kshs.1.92 billion.

Figure 3.95 shows the quarterly trend in local revenue collection from the first quarter of FY 2013/14 to the first quarter FY 2017/18.

Figure 3.95: Narok County, Trend in Local Revenue Collection by Quarter from the First Quarter of FY 2013/14 to the First Quarter of FY 2017/18



Source: Narok County Treasury

The total local revenue collected in the first quarter of FY 2017/18 amounted to Kshs.692.38 million, representing a decrease of 16 per cent compared to Kshs.824.52 million generated in a similar period of FY 2016/17, and represented 17.3 per cent of the annual local revenue target.

3.33.3 Conditional Grants

Table 3.67 shows an analysis of conditional grants released in the first quarter of FY 2017/18.

Table 3.67: Narok County Analysis of Conditional Grants Released in the First Quarter of FY 2017/18

S/No	Grants	Annual CARA, 2017 Allocation (in Kshs)	Annual Budget Allocation (in Kshs)	Actual receipts in First Quarter of FY 2017/18 (in Kshs)	Actual Receipts as Percentage of Annual Allocation (%)
A	Grants Contained CARA, 2017				
1	Road Maintenance Fuel Levy Fund	225, 301, 202	171, 675, 000	105, 075, 136	46.6
2	Leasing of Medical Equipment	95, 744, 681	95, 744, 681	-	-
3	World Bank Loan for Transforming Health System for Universal Care System	83, 620, 453	-	-	-
4	Other Loans & Grants	58, 353, 558	58, 353, 558	-	-
5	World Bank Loan for National Agricultural & Rural Inclusive Project	50, 000, 000	-	-	-
6	Kenya Devolution Support Programme (KDSP)	45, 796, 323	32, 307, 447		
7	World Bank loan to supplement financing of County Health facilities	41, 780, 000	-	-	-
8	Development of Youth Polytechnics	31, 464, 754	-	-	-
9	Compensation for User Fee Foregone	20, 595, 297	20, 595, 297	-	-
10	DANIDA Grant	15, 267, 292	41, 780, 000	81, 201, 403	531.8
Sub Total		667, 923, 560	420, 455, 983	186, 276, 539	27.9
B	Other Grants				
11	Free Maternal Healthcare	-	56, 330, 000	-	-
Sub Total		-	56, 330, 000	-	-
Total		667, 923, 560	476, 785, 983	186, 276, 539	27.9

Source: Narok County Treasury

Analysis of the conditional grants released during the period under review indicates that the County received funds from the DANIDA Grant and the Road Maintenance Fuel Levy Fund at 194 per cent and 61 per cent of the annual allocation respectively.

3.33.4 Exchequer Issues

During the reporting period, the Controller of Budget authorized withdrawal of Kshs.1.34 billion from the CRF account, which was 12.2 per cent of the Approved Budget. This amount was a decrease of 19.5 per cent from Kshs.1.66 billion authorized in a similar period of FY 2016/17 and consisted of Kshs.1.24 billion (94.5 per cent) for recurrent expenditure and Kshs.74 million (5.5 per cent) for development activities.

3.33.5 Overall Expenditure Review

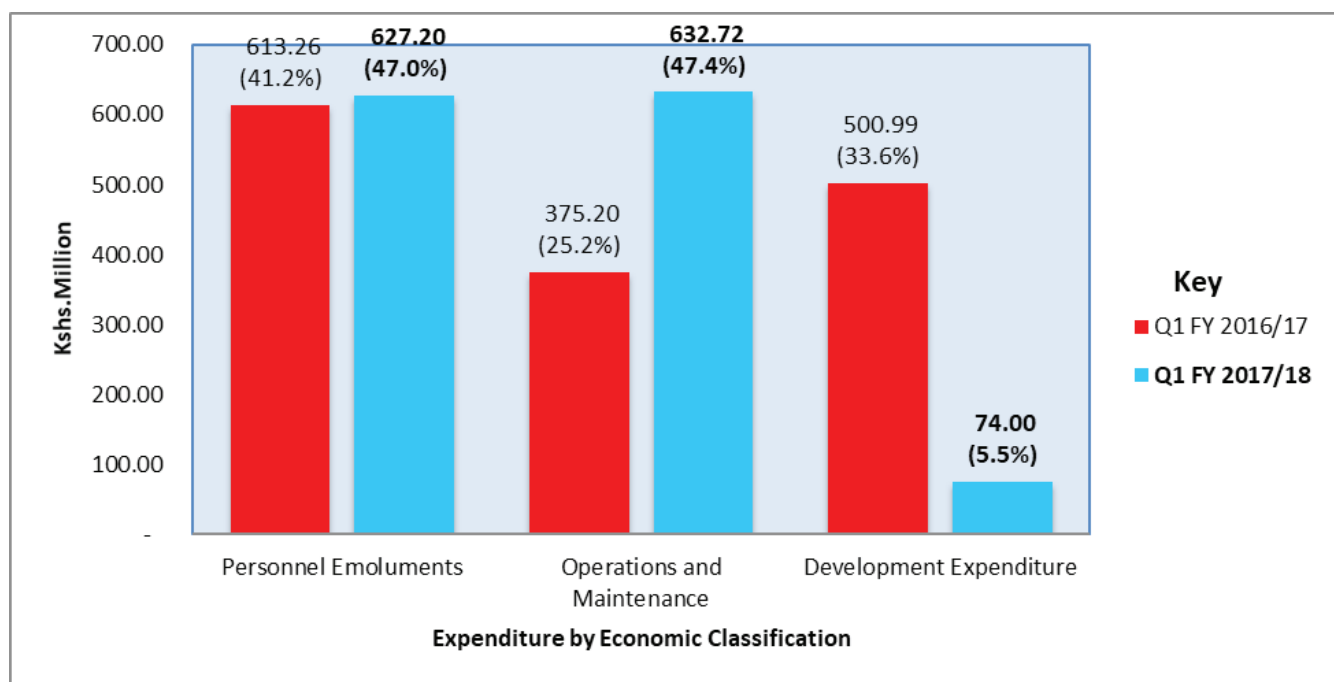
The County incurred Kshs.1.33 billion, which was 99.6 per cent of the total funds released for operations. This was a decrease of 10.4 per cent from Kshs.1.66 billion incurred in the first quarter of FY 2016/17.

A total of Kshs.1.26 billion was incurred on recurrent activities, while Kshs.74 million was incurred on development activities. The recurrent expenditure was 99.6 per cent of the funds released for

recurrent activities while development expenditure accounted for 14.4 per cent of the funds released for development activities. The expenditure excluded outstanding commitments as at 30th September, 2017 that amounted to Kshs.1.04 billion for development and Kshs.420 million for recurrent expenditure.

The recurrent expenditure represented 20.6 per cent of the annual recurrent budget, an increase from 17.8 per cent incurred in a similar period of FY 2016/17. Development expenditure recorded an absorption rate of 1.5 per cent, which was a decrease from 11.7 per cent attained in the first quarter of FY 2016/17. Figure 3.96 presents a comparison between the total expenditure in the first quarter of FY 2016/17 and the first quarter of FY 2017/18.

Figure 3.96: Narok County, Expenditure by Economic Classification in the First Quarter of FY 2016/17 and First Quarter of FY 2017/18



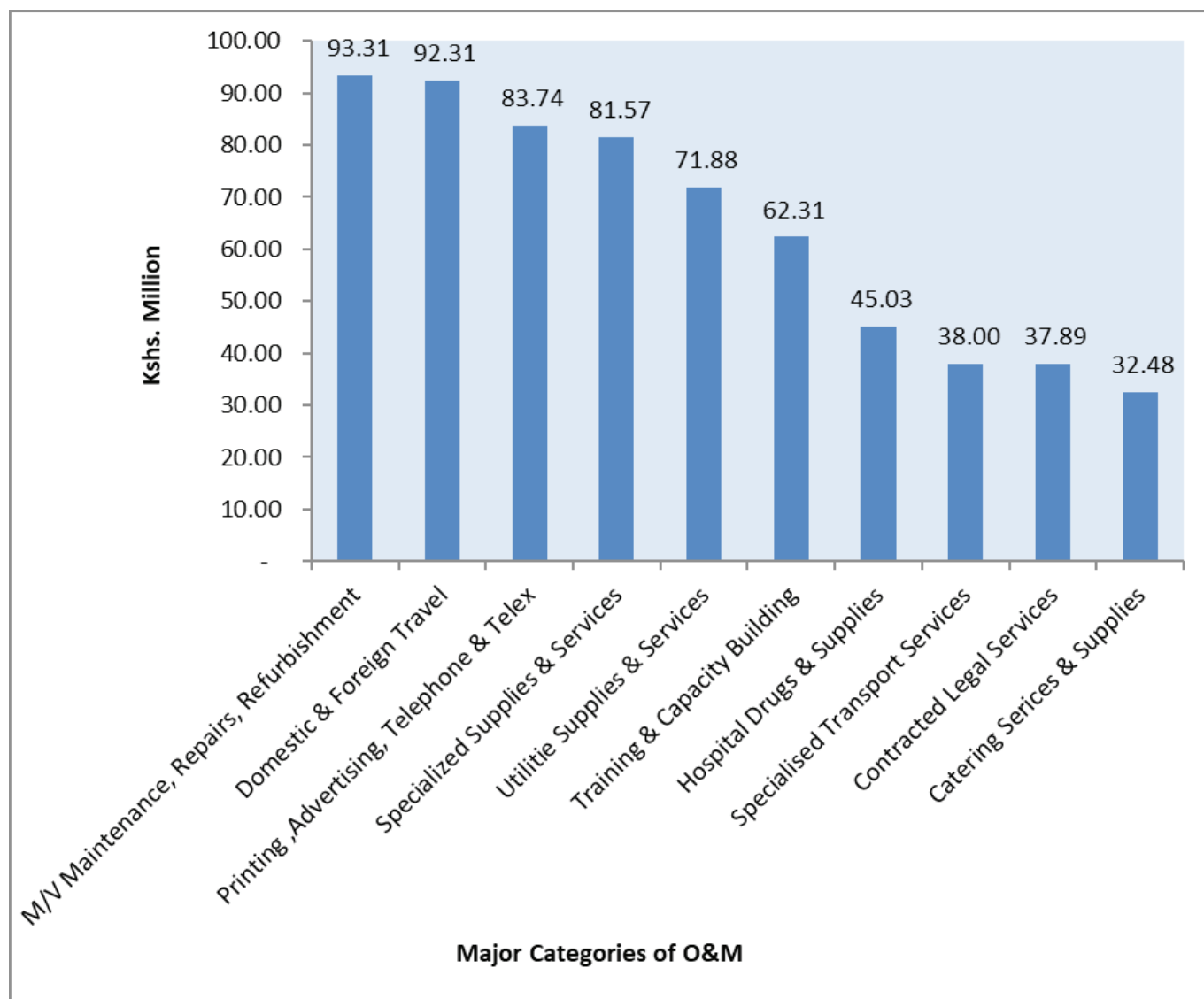
Source: Narok County Treasury

3.33.6 Analysis of Recurrent Expenditure

The total recurrent expenditure of Kshs.1.26 billion consisted of Kshs.627.2 million (49.8 per cent) incurred on personnel emoluments and Kshs.632.7 million (50.2 per cent) on operations and maintenance as shown in Figure 3.96.

Expenditure on personnel emoluments represented an increase of 2.3 per cent compared to Kshs.613.23 million incurred in the first quarter of FY 2016/17. This expenditure was 47 per cent of total expenditure in the first quarter of FY 2017/18 and 49.8 per cent of total recurrent expenditure. Figure 3.97 shows a summary of operations and maintenance expenditure by major categories.

Figure 3.97: Narok County, Operations and Maintenance Expenditure by Major Categories in the First Quarter of FY 2017/18



Source: Narok County Treasury

The County did not report expenditure on committee sitting allowances of MCAs and the Speaker whose annual budget allocation was Kshs.62 million. Expenditure on domestic and foreign travel amounted to Kshs.92.31 million and consisted of Kshs.14.5 million incurred by the County Assembly and Kshs.77.8 million by the County Executive. It represented 7.3 per cent of total recurrent expenditure and was an increase of 119.6 per cent compared to Kshs.42.04 million incurred in the first quarter of FY 2016/17.

3.33.7 Development Expenditure Analysis

The total development expenditure of Kshs.74 million represented 1.5 per cent of the annual development budget of Kshs.4.8 billion.

Table 3.68 provides a summary of the development projects implemented in the first quarter of FY 2017/18.

Table 3.68: Narok County, Development Projects Implemented in the First Quarter of FY 2017/18

S/No.	Project name	Project location	Project budget (Kshs.)	Q1 FY2017/18 Project Expenditure (Kshs.)	Absorption rate (%)
1	Schools infrastructure	Transmara West, Narok South, Narok West	86, 400, 000	43, 000, 000	49.8
2	Rehabilitation of roads infrastructure	Sub-County	70, 070, 000	10, 000, 000	14.3
3	Debt repayment (Road Machines & Equipment)	HQ	29, 426, 100	16, 000, 000	54.4
4	Referral Hospital Laundry	HQ	41, 800, 000	5, 000, 000	12
	Total		227, 696, 100	74, 000, 000	32

Source: Narok County Treasury

Analysis of the development expenditure by project indicates that, the highest expenditure of Kshs.43 million was incurred on construction of Schools infrastructure, followed by Kshs.16 million on repayment of outstanding civil works' debts, and Kshs.10 million on construction and rehabilitation of Narok Township roads.

3.33.8 Budget and Budget Performance Analysis by Department

Table 3.69 shows a summary of budget estimates and budget performance by department in the first quarter of FY 2017/18.

Table 3.69: Narok County, Budget Performance by Department for the First Quarter of FY 2017/18

Department	Budget Allocation (Kshs.Million)		Exchequer Issues in First Quarter of FY 2017/18 (Kshs. Million)		Expenditure in First Quarter of FY 2017/18 (Kshs.Million)		First Quarter of FY 2017/18 Expenditure to Exchequer Issues (%)		First Quarter of FY 2017/18 Absorption rate (%)	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
Office of the Governor	341.02	-	73.4	-	72.95	-	99.4	-	21.4	-
Finance and Economic Planning	713.85	569.24	166.98	-	165.86	-	99.3	-	23.2	-
Roads, Public Works and Transport	210.87	1, 467.26	45.2	40	44.86	40	99.3	100	21.3	2.7
Education, Youth, Sports, Culture and Social Services	849.20	796.81	106.53	34	106.21	34	99.7	100	12.5	4.3
Environment protection, Energy, Water and Natural Resources	92.13	158.89	21.02	-	20.85	-	99.2	-	22.6	-
Public Service Board	92.82	-	22.9	-	22.57	-	98.5	-	24.3	-
Agriculture, Livestock, Fisheries and Veterinary Services	364.42	381.3	109.68	-	109.32	-	99.7	-	30	-
Health and Sanitation	1, 490.97	663.3	353.63	-	353.4	-	99.9	-	23.7	-
Land, Physical Planning and Urban Development	94.74	162.47	22.16	-	22.05	-	99.5	-	23.3	-
Tourism, wildlife Trade, Industry and Cooperative Development	195.48	170.67	45.03	-	44.98	-	99.9	-	23	-
County Administration and Public Service Management	1, 071.45	15.73	218.17	-	217.2	-	99.6	-	20.3	-
County Assembly	601.71	451.68	80	-	79.67	-	99.6	-	13.2	-
Total	6, 119	4, 837	1, 265	74	1, 260	74	99.6	100.0	20.6	1.5

Source: Narok County Treasury

Analysis of budget performance by department shows that the Agriculture, Livestock, Fisheries and Veterinary Services Department achieved the highest percentage of recurrent expenditure to recurrent budget at 30 per cent followed by the Public Service Board at 24.3 per cent.

3.33.9 Observations and Recommendations

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

- i. Adoption of IFMIS and Internet Banking in processing of financial transactions.
- ii. Designation of Fund Administrators to the Maasai Mara Community Support Fund and the Bursary Fund in line with Section 116 of the PFM Act, 2012.

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

1. Delay in disbursement of the equitable share of revenue raised nationally by the National Treasury.
2. IFMIS connectivity challenges, which slowed down approval of procurement requests and payment to suppliers.
3. Delay by the Masaai Mara Community Support Fund and the Bursary Fund Administrators to submit quarterly financial returns to the Controller of Budget in line with Section 168 of the PFM Act, 2012.
4. Failure to establish an Internal Audit Committee to oversee financial operations in the County contrary to Section 155 of the PFM Act, 2012.
5. Failure to budget for all conditional grants as per CARA, 2017.

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

1. *The County should liaise with the National Treasury to ensure that funds allocated to the County are released in line with the CARA, 2017 Disbursement Schedule.*
2. *The County should liaise with the IFMIS Directorate for technical support to address the connectivity challenges.*
3. *All Fund Administrators should ensure timely submission of quarterly financial statement in line with Section 168 of the PFM Act, 2012.*
4. *The County should establish an Internal Audit Committee in line with Section 155 of the PFM Act, 2012.*
5. *The County should develop a Supplementary Budget to align conditional grants to the CARA, 2017.*

3.34 Nyamira County

3.34.1 Overview of the FY 2017/18 Budget

The County's FY 2017/18 Approved Budget is Kshs.5.87 billion, comprising of Kshs.4.16 billion (70.7 per cent) and Kshs.1.72 billion (29.3 per cent) allocation for recurrent and development expenditure respectively.

To finance the budget, the County expects to receive Kshs.4.62 billion (78.7 per cent) as equitable share of revenue raised nationally, Kshs.546.8 million (9.3 per cent) as total conditional grants, and generate Kshs.272.46 million (4.6 per cent) from local revenue sources, and Kshs.434.23 million (7.4 per cent) cash balance from FY 2016/17.

The conditional grants contained in the CARA, 2017 of Kshs.325.47 million comprise of Kshs.177.02 million (32.4 per cent) from the Road Maintenance Fuel Levy Fund, Kshs.12 million (20.1 per cent) from DANIDA, Kshs.83.7 million (15.3 per cent) for Development of Youth Polytechnics, Kshs.39.58 million (7.2 per cent) Grant from World Bank, and Kshs.13.18 million (2.4 per cent) compensation for User Fees Forgone.

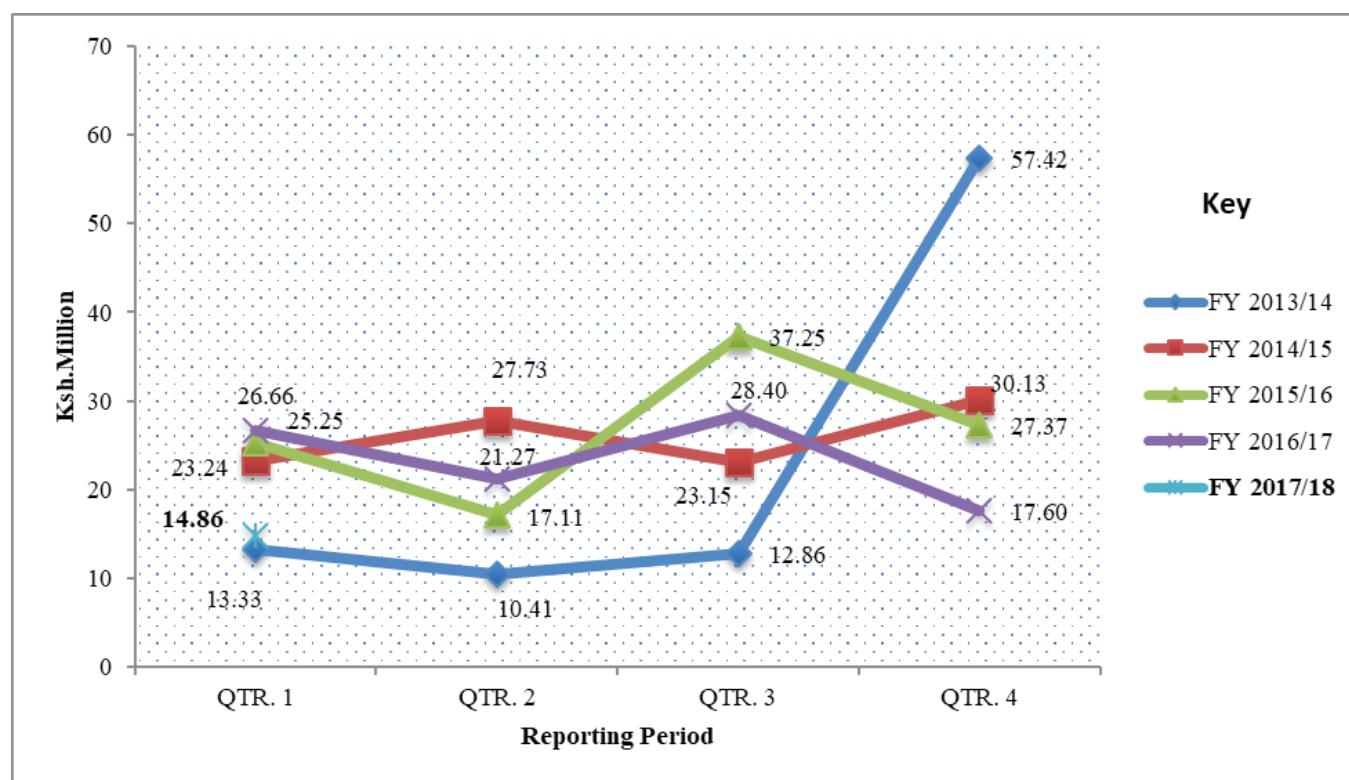
The County budgeted to receive Kshs.123.44 million as compensation to MCAs for 8 months, although this is not contained in the CARA, 2017.

3.34.2 Revenue Analysis

During the first quarter of FY 2017/18, the County received Kshs.82.55 million as total conditional allocations, raised Kshs.14.86 million from local revenue sources, and had a cash balance of Kshs.834.3 million from FY 2016/17. The County did not receive any equitable share of the revenue raised nationally. The available funds amounted to Kshs.931.72 million.

Figure 3.98 shows the quarterly trend in local revenue collection from the first quarter of FY 2013/14 to the first quarter FY 2017/18.

Figure 3.98: Nyamira County, Trend in Local Revenue Collection by Quarter from the First Quarter of FY 2013/14 to the First Quarter of FY 2017/18



Source: Nyamira County Treasury

The total local revenue collected in the first quarter of FY 2017/18 amounted to Kshs.14.86 million, representing a decrease of 44.3 per cent compared to Kshs.26.66 million generated in a similar period of FY 2016/17, and represented 5.5 per cent of the annual local revenue target.

3.34.3 Conditional Grants

Table 3.70 shows an analysis of conditional grants released in the first quarter of FY 2017/18.

Table 3.70: Nyamira County, Analysis of Conditional Grants Released in the First Quarter of FY 2017/18

S/No	Grants	Annual CARA, 2017 Allocation (in Kshs)	Annual Budget Allocation (in Kshs)	Actual receipts in First Quarter of FY 2017/18 (in Kshs.)	Actual Receipts as Percentage of Annual Allocation (%)
A	Grants Contained CARA, 2017				
1	Road Maintenance Fuel Levy Fund	177, 012, 086	177, 012, 086	82, 554, 238	46.6
2	Kenya Devolution Support Programme (KDSP)	39, 582, 751	39, 582, 751	-	-
3	Compensation for User Fee Foregone	13, 175, 221	13, 175, 221	-	-
4	DANIDA Grant	11, 995, 032	109, 978, 454	-	-
5	Development of Youth Polytechnics	83, 704, 140	83, 704, 140	-	-
Sub Total		325, 469, 230	423, 452, 652	82, 554, 238	25
B	Other Grants				
6	Exchequer: Compensation to MCAs for 8 Months	-	123, 344, 352	-	-
Sub Total		-	123, 344, 352	-	-
Total		325, 469, 230	546, 797, 004	82, 554, 238	25

Source: Nyamira County Treasury

Analysis of the conditional grants released during the period under review indicates that, the Road Maintenance Fuel Levy Fund recorded a receipt of Kshs.82.55 million which was a performance of 46.6 per cent of annual allocation. The County did not receive funds from other conditional allocations.

3.34.4 Exchequer Issues

During the reporting period, the Controller of Budget authorized withdrawal of Kshs.464.95 million from the CRF account, which was 7.9 per cent of the Approved Budget. This amount was a decrease of 51.6 per cent from Kshs.959.77 million authorized in a similar period of FY 2016/17. The entire amount was for recurrent expenditure.

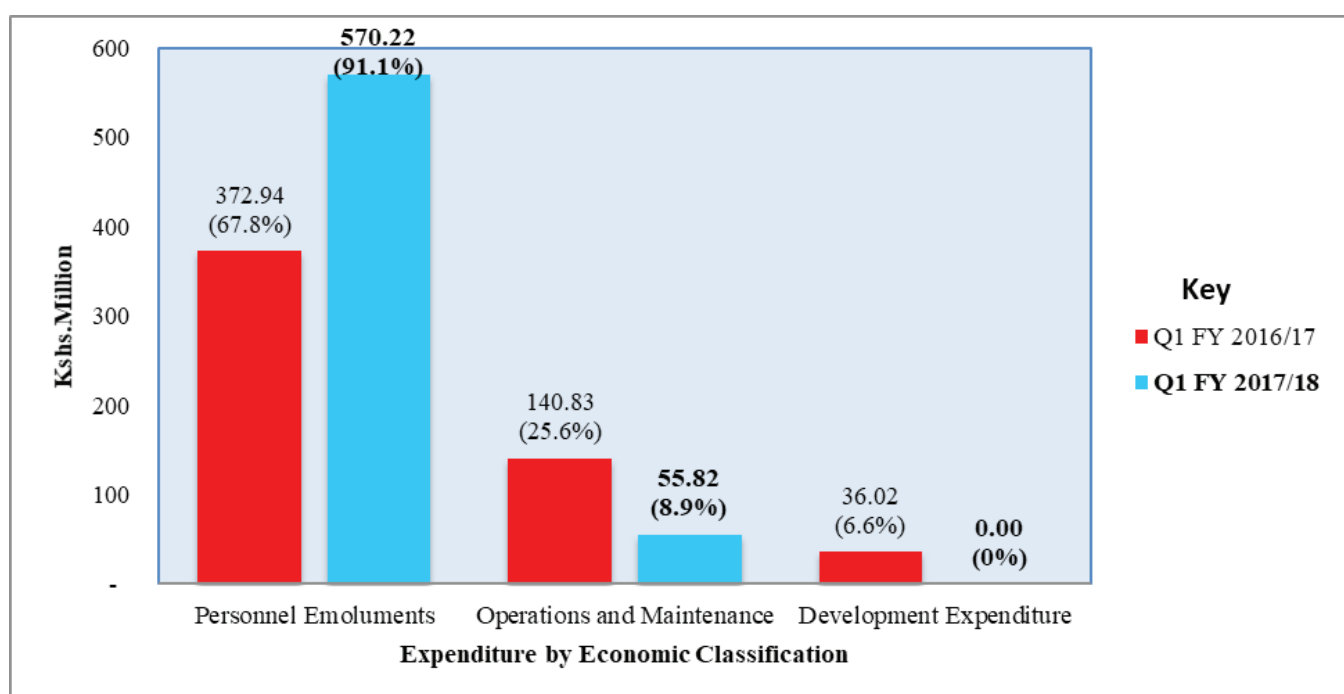
3.34.5 Overall Expenditure Review

The County incurred Kshs.626.04 million, which was 134.6 per cent of the total funds released for operations. This was an increase of 13.9 per cent from Kshs.549.78 million incurred in the first quarter of FY 2016/17.

The total expenditure of Kshs.626.04 million was incurred on recurrent activities and represented 134.6 per cent of the funds released for recurrent activities. The expenditure excluded outstanding commitments as at September, 30th 2017 that amounted to Kshs.102.49 million for development and Kshs.27.14 million for recurrent expenditure.

The recurrent expenditure represented 15.1 per cent of the annual recurrent budget, an increase from 12.6 per cent incurred in a similar period of FY 2016/17. Figure 3.99 presents a comparison between the total expenditure in the first quarter of FY 2016/17 and the first quarter of FY 2017/18.

Figure 3.99: Nyamira County, Expenditure by Economic Classification in the First Quarter of FY 2016/17 and First Quarter of FY 2017/18



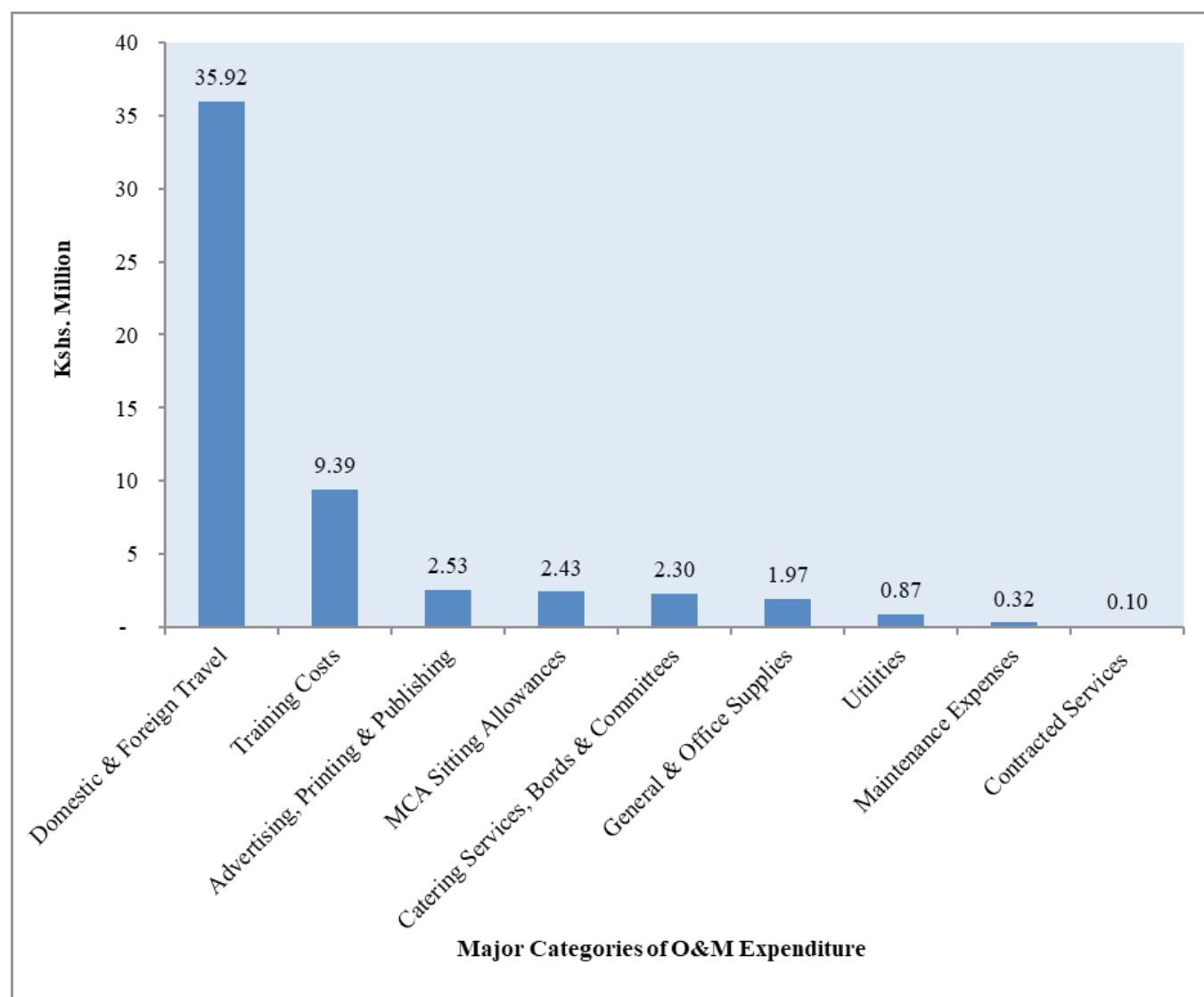
Source: Nyamira County Treasury

3.34.6 Analysis of Recurrent Expenditure

The total recurrent expenditure of Kshs.626.04 million consisted of Kshs.570.22 million (91.1 per cent) incurred on personnel emoluments and Kshs.55.82 million (8.9 per cent) on operations and maintenance as shown in Figure 3.99.

Expenditure on personnel emoluments represented an increase of 52.9 per cent compared to Kshs.372.94 million incurred in the first quarter of FY 2016/17, and was 91.1 per cent of total expenditure in the first quarter of FY 2017/18. Figure 3.100 shows a summary of operations and maintenance expenditure by major categories.

Figure 3.100: Nyamira County, Operations and Maintenance Expenditure by Major Categories in the First Quarter of FY 2017/18



Source: Nyamira County Treasury

The County incurred Kshs.2.43 million on sitting allowances to the 36 MCAs against the annual budget allocation of Kshs.69.81 million. This was a decrease of 73.02 per cent compared to Kshs.9.02 million incurred in the first quarter of FY 2016/17. The average monthly sitting allowance was Kshs.22,524 per MCA compared to SRC's recommended monthly ceiling of Kshs.80,000.

Expenditure on domestic and foreign travel amounted to Kshs.35.92 million and consisted of Kshs.16.34 million incurred by the County Assembly and Kshs.19.58 million by the County Executive. It represented 5.7 per cent of total recurrent expenditure and was a decrease of 51.8 per cent compared to Kshs.74.51 million incurred in the first quarter of FY 2016/17.

3.34.7 Development Expenditure Analysis

The County did not report any expenditure on development activities during the reporting period.

3.34.8 Budget and Budget Performance Analysis by Department

Table 3.71 shows a summary of budget estimates and budget performance by department in the first quarter of FY 2017/18

Table 3.71: Nyamira County, Budget Performance by Department in the First Quarter of FY 2017/18

Department	Budget Allocation (Kshs.Million)		Exchequer Issues in First Quarter of FY 2017/18 (Kshs. Million)		Expenditure in First Quarter of FY 2017/18 (Kshs.Million)		First Quarter of FY 2017/18 Expenditure to Exchequer Issues (%)		First Quarter of FY 2017/18 Absorption rate (%)	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
County Assembly	688.43	256	53.03	-	53.02	-	100	-	7.7	-
Office of the Governor	440.86	-	42.84	-	50.23	-	117.3	-	11.4	-
Finance and Economic Planning	341.78	13.21	29.02	-	42.78	-	147.4	-	12.5	-
Agriculture and Livestock, Fisheries	167.1	119.27	26.83	-	37.45	-	139.6	-	22.4	-
Environment, Water, Energy, Mineral & Natural Resources	142.83	182.78	20.97	-	20.76	-	99.0	-	14.5	-
Education, Communication and ICT	428.54	214.82	47.76	-	60.79	-	127.3	-	14.2	-
Health and Sanitation	1,346.13	367.9	159.25	-	261.75	-	164.4	-	19.4	-
Land, Housing & Urban Development	70.13	88.14	8.31	-	7.53	-	90.6	-	10.7	-
Transport, Infrastructure and Public Works	131.98	347.67	20.42	-	19.98	-	97.9	-	15.1	-
Trade, Tourism, Industrialization and Cooperative Development	56.27	27.98	6.02	-	6.12	-	101.7	-	10.9	-
Gender, Culture, Sports, Youth & Social Services	55.72	96.13	6.54	-	6.94	-	106	-	12.5	-
County Public Service Board	71.57	-	10.11	-	8.48	-	83.9	-	11.9	-
Public Administration & Coordination of Devolved Unit	213.84	5	33.85	-	50.22	-	148.4	-	23.5	-
TOTAL	4,155	1,719	464.95	-	626.04	-	134.6	-	15.1	-

Source: Nyamira County Treasury

Analysis of budget performance by department shows that the Department of Public Administration & Coordination of Devolved Unit had the highest percentage of recurrent expenditure to recurrent budget at 23.5 per cent while the County Assembly had the lowest at 7.7 per cent.

3.34.9 Observations and Recommendations

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

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

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

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

1. Delay in submission of financial reports by the County Treasury to the Controller of Budget contrary to Section 166 of the PFM Act, 2012.
2. Delay in disbursement of the equitable share of revenue raised nationally by the National Treasury to the County.
3. Delay by Fund Administrators to submit expenditure reports of the County Executive Car Loan and Mortgage Fund, County Assembly Members Car Loan and Mortgage Fund, and the Bursary Fund contrary to Section 168 of the PFM Act, 2012.
4. Under-performance in local revenue collection, which declined by 44.3 per cent from Kshs.26.66 million in the first quarter of FY 2016/17 to Kshs.14.86 million in the reporting period.
5. The County's wage bill has remained high, having increased by 52.9 per cent from Kshs.372.94 million in the first quarter of FY 2016/17 to Kshs.570.22 million in the reporting period.
6. Failure to budget for all conditional grants as per CARA, 2017.

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

1. *The County Treasury should ensure timely preparation and submission of financial reports in line with Section 166 of PFM Act, 2012.*
2. *The County should liaise with the National Treasury to ensure that funds allocated to the County are released in line with the CARA, 2017 Disbursement Schedule.*
3. *All Fund Administrators should ensure timely submission of expenditure reports on the established County Funds in line with Section 168 of the PFM Act, 2012.*
4. *The County should develop and implement a mechanism to mobilize local revenue collection.*
5. *The County should develop and implement an optimal staffing structure in order to ensure a sustainable wage bill.*
6. *The County should develop a Supplementary Budget to align conditional grants the CARA, 2017.*

3.35 Nyandarua County

3.35.1 Overview of the FY 2017/18 Budget

The County's FY 2017/18 Approved Budget is Kshs.5.69 billion, comprising of Kshs.3.84 billion (67.5 per cent) and Kshs.1.85 billion (32.5 per cent) allocation for recurrent and development expenditure respectively.

To finance the budget, the County expects to receive Kshs.4.96 billion (87.2 per cent) as equitable share of revenue raised nationally, Kshs.357.08 million (6.3 per cent) as total conditional grants and generate Kshs.371 million (6.5 per cent) from local revenue sources.

The conditional grants contained in the CARA, 2017 of Kshs.626.08 million comprise of Kshs.95.74 million (15.3 per cent) for Leasing of Medical Equipment, Kshs.183.51 million (29.3 per cent) from the Road Maintenance Fuel Levy Fund, Kshs.12.73 million (2 per cent) as Compensation for User Fee Foregone, Kshs.12.43 million (2 per cent) from DANIDA, Kshs.121 million (19.3 per cent) for Construction of County Headquarters, Kshs.40.22 million (6.4 per cent) for the World Bank Kenya Devolution Support Program, Kshs.46.59 million (7.4 per cent) for Development of Youth Polytechnics, Kshs.22 million (3.5 per cent) as World Bank Loan for Transforming Health System for Universal Care System, Kshs.66 million (10.5 per cent) as European Union (EU) Grant, and Kshs.25.83 million (4.1 per cent) from Other Loans and Grants.

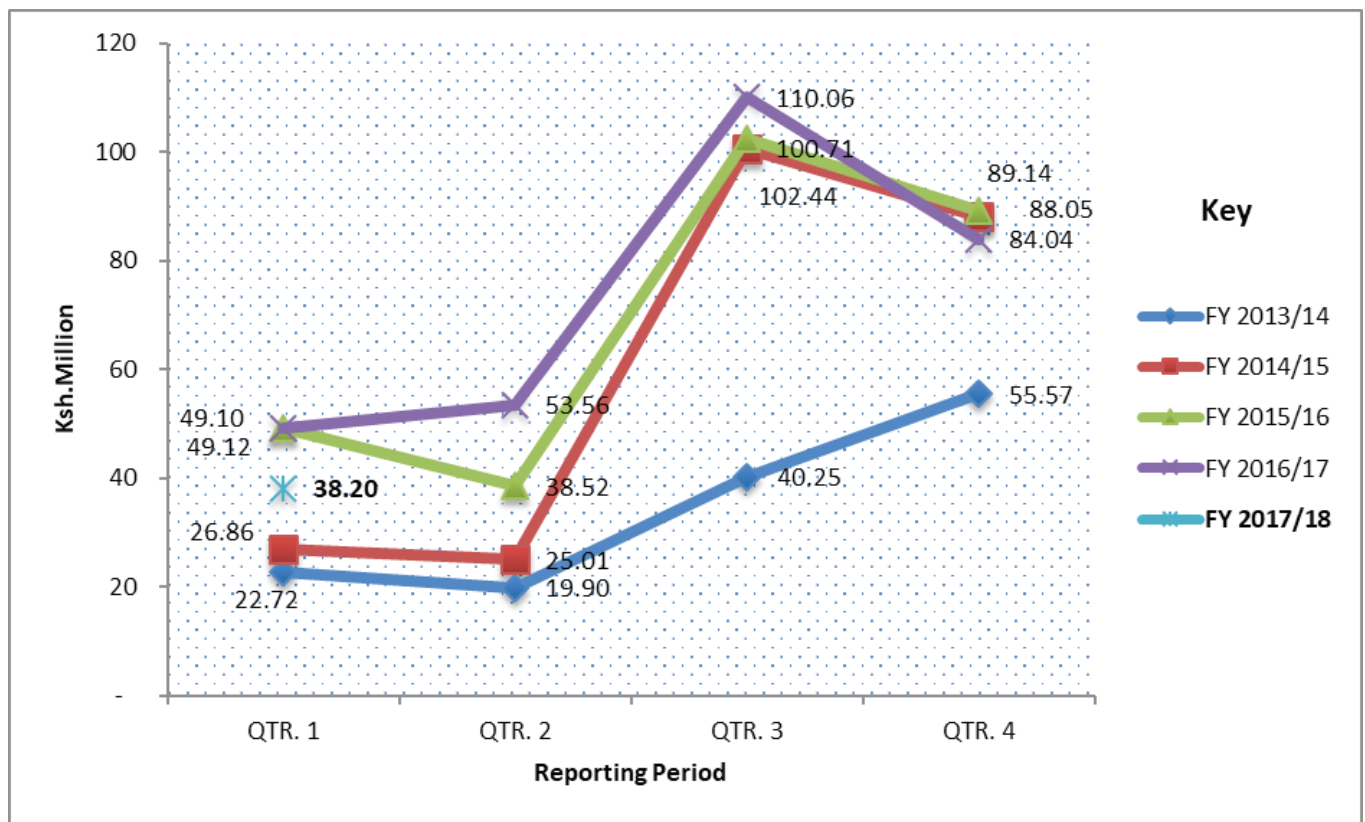
The County budgeted to receive Kshs.50.72 million for Free Maternal Healthcare, although this grant is not contained in the CARA, 2017.

3.35.2 Revenue Analysis

During the first quarter of FY 2017/18, the County received Kshs.334.01 million as equitable share of the revenue raised nationally, Kshs.85.58 million as total conditional allocations, raised Kshs.38.2 million from local revenue sources, and had a cash balance of Kshs.325.7 million from FY 2016/17. The available funds amounted to Kshs.745.3 million.

Figure 3.101 shows the quarterly trend in local revenue collection from the first quarter of FY 2013/14 to the first quarter FY 2017/18.

Figure 3.101: Nyandarua County, Trend in Local Revenue Collection by Quarter from the First Quarter of FY 2013/14 to the First Quarter of FY 2017/18



Source: Nyandarua County Treasury

The total local revenue collected in the first quarter of FY 2017/18 amounted to Kshs.38.2 million, representing a decrease of 22.2 per cent compared to Kshs.49.1 million generated in a similar period of FY 2016/17, and represented 10.3 per cent of the annual local revenue target.

3.35.3 Conditional Grants

Table 3.72 shows an analysis of conditional grants released in the first quarter of FY 2017/18.

Table 3.72: Nyandarua County, Analysis of Conditional Grants Released in the First Quarter of FY 2017/18

S/No	Grants	Annual CARA, 2017 Allocation (in Kshs)	Annual Budget Allocation (in Kshs)	Actual receipts in First Quarter of FY 2017/18 (in Kshs)	Actual Receipts as Percentage of Annual CARA, 2017 Allocation (%)
A	Grants Contained CARA, 2017				
1	Road Maintenance Fuel Levy Fund	183, 511, 039	130, 725, 000	85, 585, 196	46.6
2	Supplement for Construction of County Headquarters	121, 000, 000	-	-	-
3	Leasing of Medical Equipment	95, 744, 681	95, 744, 681	-	-
4	EU Grant	66, 000, 000	66, 000, 000	-	-
5	Development of Youth Polytechnics	46, 590, 293	-	-	-
6	Kenya Devolution Support Programme (KDSP)	40, 222, 996	-	-	-
7	Other Loans & Grants	25, 839, 485	-	-	-
8	World Bank Loan for Transforming Health System for Universal Care System	22, 000, 000	-	-	-
9	Compensation for User Fee Foregone	12, 735, 922	13, 898, 986	-	-

S/No	Grants	Annual CARA, 2017 Allocation (in Kshs)	Annual Budget Allocation (in Kshs)	Actual receipts in First Quarter of FY 2017/18 (in Kshs)	Actual Receipts as Percentage of Annual CARA, 2017 Allocation (%)
10	DANIDA Grant	12, 435, 427	-	-	-
Sub Total		626, 079, 843	306, 368, 667	85, 585, 196	13.7
B	Other Grants				
11	Free Maternal Healthcare	-	50, 716, 400	-	-
Total		626, 079, 843	357, 085, 067	85, 585, 196	13.7

Source: Nyandarua County Treasury

Analysis of the conditional grants released during the period under review indicates that, the Road Maintenance Fuel Levy Fund recorded the highest receipt at 46.6 per cent of annual allocation. The County did not receive funds from all the other Conditional Grants.

3.35.4 Exchequer Issues

During the reporting period, the Controller of Budget authorized withdrawal of Kshs.511.49 million from the CRF account, which was 9 per cent of the Approved Budget. This amount represented an increase of 49.2 per cent from Kshs.16 billion authorized in a similar period of FY 2016/17. The entire amount was for recurrent expenditure.

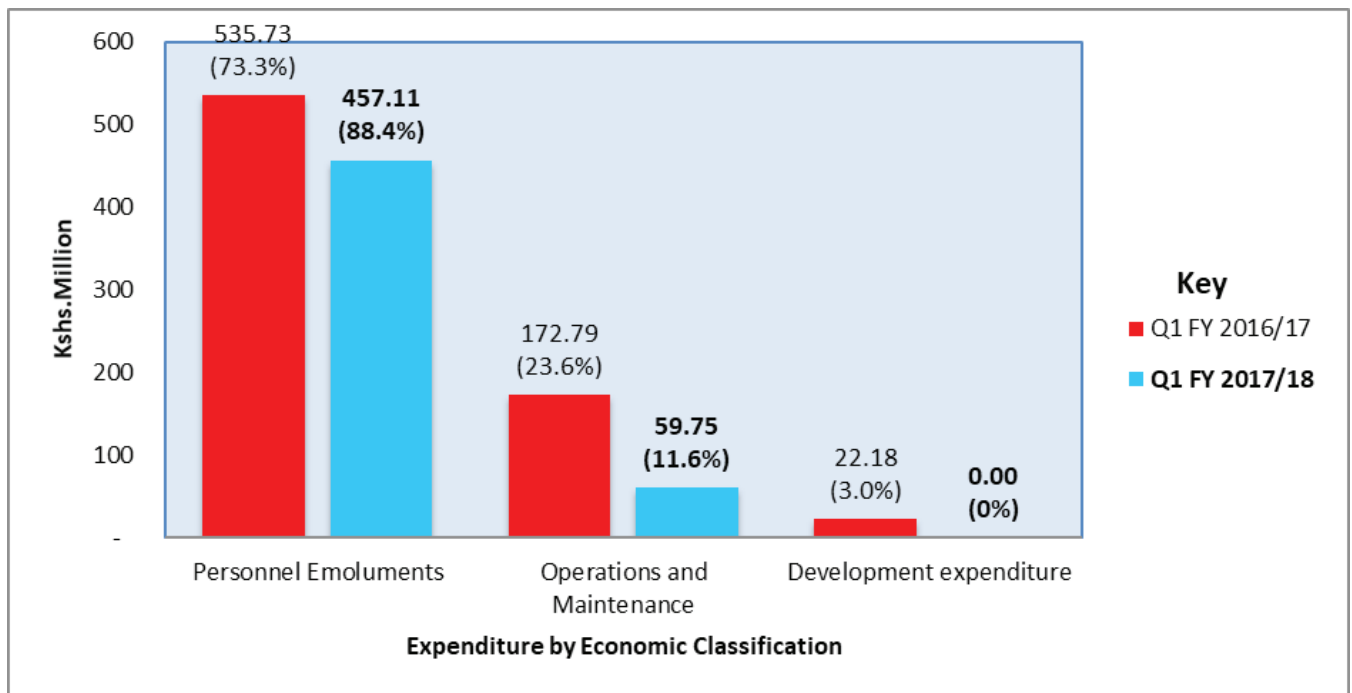
3.35.5 Overall Expenditure Review

The County incurred Kshs.516.86 million, which was 101.1 per cent of the total funds released for operations. This was a decrease of 29.3 per cent from Kshs.730.7 million incurred in the first quarter of FY 2016/17.

The total expenditure of Kshs.516.86 million was incurred on recurrent activities and was 101.1 per cent of the funds released for recurrent activities. The expenditure excluded outstanding commitments as at September 30th, 2017 that amounted to Kshs.452.83 million for development and Kshs.166.4 million for recurrent expenditure.

The recurrent expenditure represented 13.5 per cent of the annual recurrent budget, a decrease from 19.2 per cent incurred in a similar period of FY 2016/17. Figure 3.102 presents a comparison between the total expenditure in the first quarter of FY 2016/17 and the first quarter of FY 2017/18.

Figure 3.102: Nyandarua County, Expenditure by Economic Classification in the First Quarter of FY 2016/17 and First Quarter of FY 2017/18



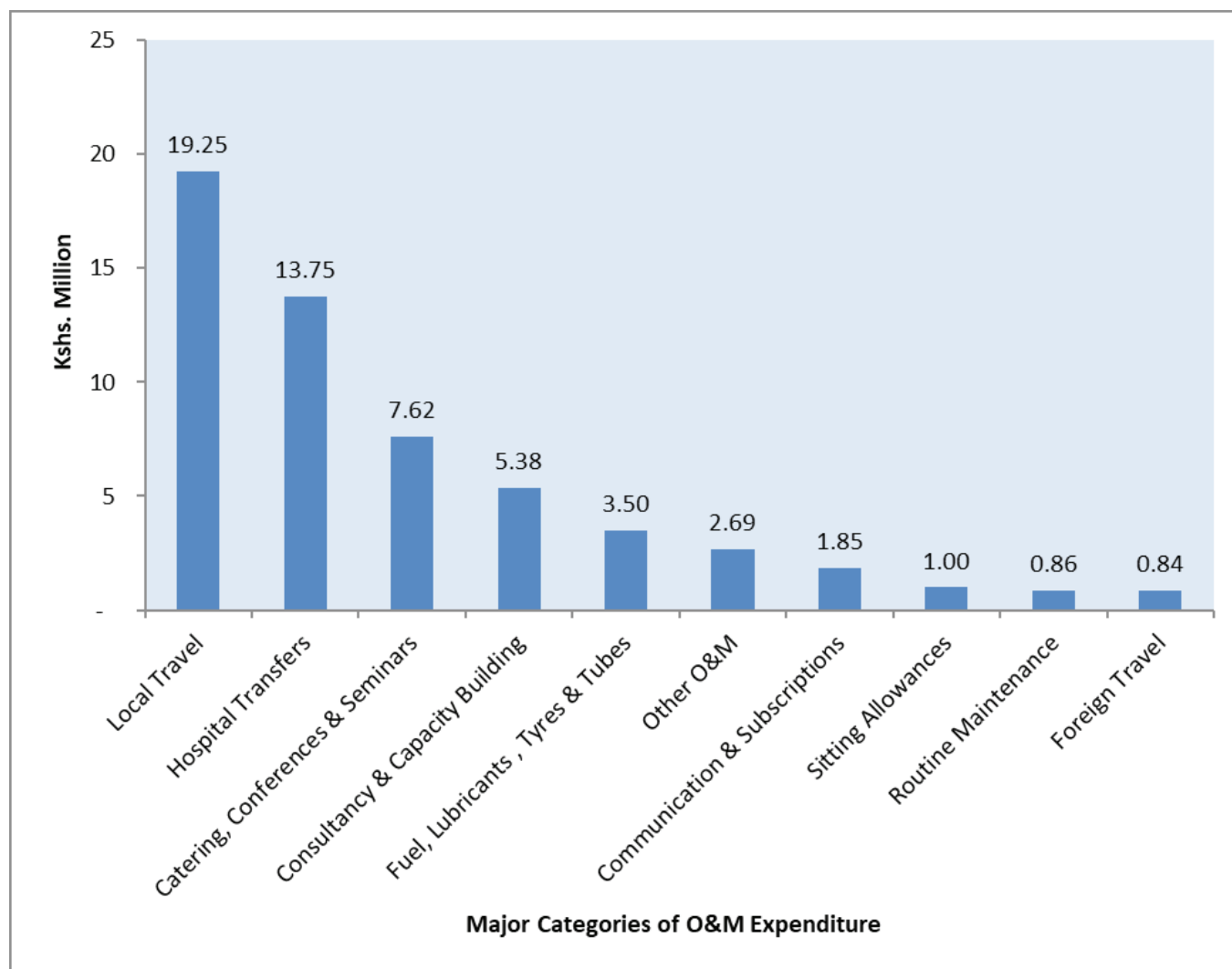
Source: Nyandarua County Treasury

3.35.6 Analysis of Recurrent Expenditure

The total recurrent expenditure of Kshs.516.86 million consisted of Kshs.457.11 million (88.4 per cent) incurred on personnel emoluments and Kshs.59.75 million (11.6 per cent) on operations and maintenance as shown in Figure 3.102.

Expenditure on personnel emoluments represented a decrease of 14.7 per cent compared to Kshs.535.73 million incurred in the first quarter of FY 2016/17, and was 88.4 per cent of total expenditure in the first quarter of FY 2017/18. Figure 3.103 shows a summary of operations and maintenance expenditure by major categories.

Figure 3.103: Nyandarua County, Operations and Maintenance Expenditure by Major Categories in the First Quarter of FY 2017/18



Source: Nyandarua County Treasury

The County incurred Kshs.998,030 on committee sitting allowances to the 40 MCAs against the annual budget allocation of Kshs.44.91 million. This was a decrease of 91.6 per cent compared to Kshs.11.94 million incurred in the first quarter of FY 2016/17. The average monthly sitting allowance was Kshs.8,317 per MCA compared to SRC's recommended monthly ceiling of Kshs.80,000.

Expenditure on domestic and foreign travel amounted to Kshs.20.09 million and consisted of Kshs.9.66 million incurred by the County Assembly and Kshs.10.43 million by the County Executive. It represented 3.9 per cent of total recurrent expenditure and was a decrease of 75 per cent compared to Kshs.94.58 million incurred in the first quarter of FY 2016/17.

3.35.7 Development Expenditure Analysis

The County did not report any expenditure on development activities during the reporting period.

3.35.8 Budget and Budget Performance Analysis by Department

Table 3.73 shows a summary of budget estimates and budget performance by department in the first quarter of FY 2017/18.

Table 3.73: Nyandarua County, Budget Performance by Department in the First Quarter of FY 2017/18

Department	Budget Allocation (Kshs.Million)		Exchequer Issues in First Quarter of FY 2017/18 (Kshs.Million)		Expenditure in First Quarter of FY 2017/18 (Kshs.Million)		First Quarter of FY 2017/18 Expenditure to Exchequer Issues (%)		First Quarter of FY 2017/18 Absorption rate (%)	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
Agriculture, Livestock, Fisheries & Irrigation	304.17	134.5	53.16	-	53.45	-	100.6	-	17.6	-
County Assembly	592.44	214.86	61.44	-	61.22	-	99.6	-	10.3	-
County Attorney, E-Government & Intergovernmental Relations	88.50	8.50	1.69	-	9.09	-	537.8	-	10.3	-
County Public Service Board	39.17	-	6.44	-	7.51	-	116.6	-	19.2	-
County Secretary	161.69	-	28.67	-	30.03	-	104.8	-	18.6	-
Education, Youth, Children Affairs, Culture & Social Services	207.49	123.65	35.29	-	34.58	-	98	-	16.7	-
Finance and Economic Planning	744.61	20.09	67.35	-	66.50	-	98.7	-	8.9	-
Governor's Office	125.36	-	22.11	-	16.75	-	75.8	-	13.4	-
Health Services	1, 185.68	134.19	188.68	-	192.12	-	101.8	-	16.2	-
Industrialization, Cooperatives, Trade, Enterprise, Weights & Measures	57.95	46.35	6.09	-	6.79	-	111.4	-	11.7	-
Lands Housing and Physical Planning	74.52	265.43	6.93	-	7.40	-	106.9	-	9.9	-
Roads Public Works and Transport	134.99	515.75	15.36	-	12.59	-	82	-	9.3	-
Tourism Wildlife and Sports	56.18	89.85	4.57	-	5.62	-	122.9	-	10	-
Water, Environment & Natural Resources	68.84	293	13.71	-	13.21	-	96.3	-	19.2	-
TOTAL	3, 841.60	1, 846.18	511.49	-	516.87	-	101.1	-	13.5	-

Source: Nyandarua County Treasury

Analysis of budget performance by department shows that the County Public Service Board and the Water Environment and Natural Resources Departments attained the highest expenditure to recurrent budget both at 19.2 per cent while the Finance and Economic Planning Department had the lowest at 8.9 per cent. There was no development expenditure across departments

3.35.9 Observations and Recommendations

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

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

- ii. Improvement in the use of IFMIS and Internet Banking in processing of financial transactions.

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

1. Delay in disbursement of the equitable share of revenue raised nationally by the National Treasury.
2. Under-performance in local revenue collection, which declined by 22.2 per cent from Kshs.49.1 million in the first quarter of FY 2016/17 to Kshs.38.2 million in the reporting period.
3. Failure to budget for all conditional grants as per CARA, 2017.

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

- 1. The National Treasury should ensure funds allocated to the County are released in line with the CARA, 2017 Disbursement Schedule.*
- 2. The County should review its strategies on revenue collection to ensure it meets the set target.*
- 3. The County should realign the budget to agree as per the amounts allocated in the CARA, 2017*

3.36 Nyeri County

3.36.1 Overview of the FY 2017/18 Budget

The County's FY 2017/18 Approved Budget is Kshs.6.83 billion, comprising of Kshs.4.61 billion (67.5 per cent) and Kshs.2.22 billion (32.5 per cent) allocation for recurrent and development expenditure respectively.

To finance the budget, the County expects to receive Kshs.4.96 billion (72.7 per cent) as equitable share of revenue raised nationally, Kshs.620.56 million (9.1 per cent) as total conditional grants, and generate Kshs.1 billion (14.6 per cent) from local revenue sources, and Kshs.246.5 million (3.6 per cent) cash balance from FY 2016/17.

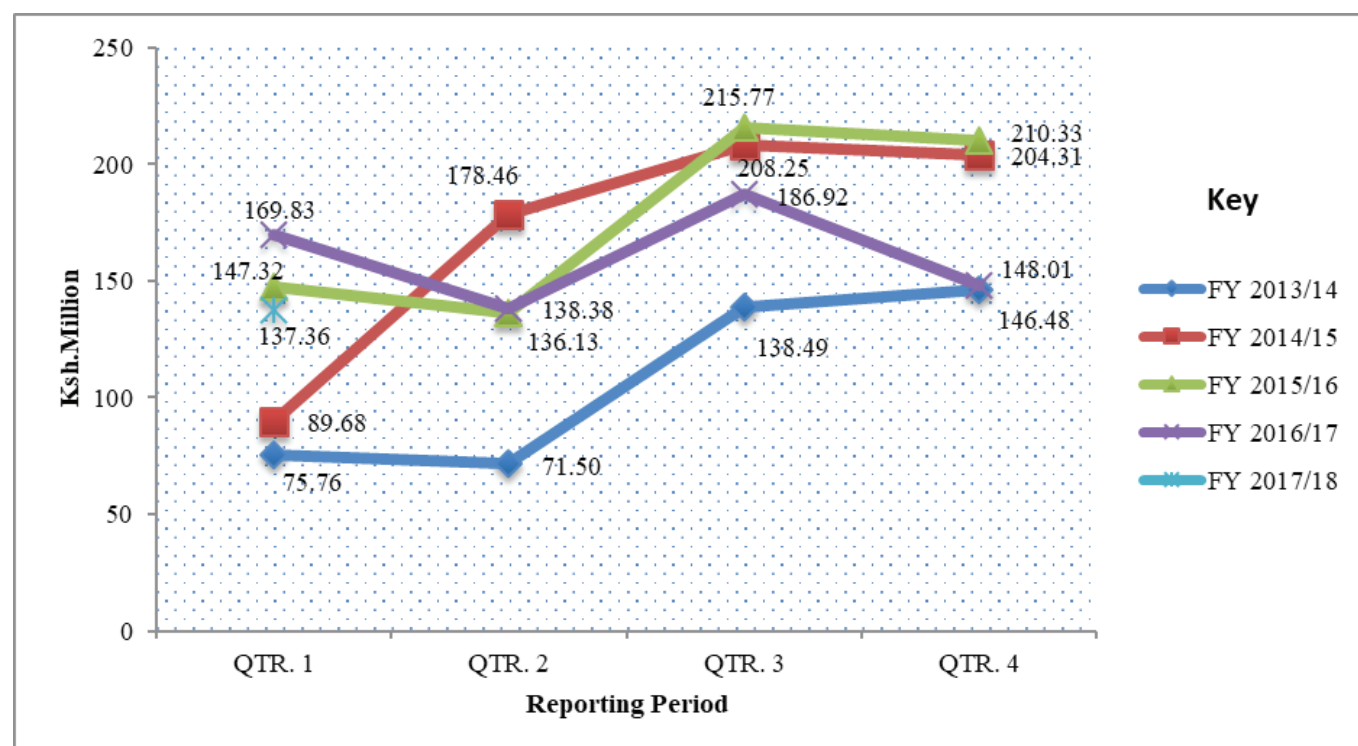
The conditional grants contained in the CARA, 2017 of Kshs.729.04 million comprise of Kshs.189.57 million (26 per cent) from the Road Maintenance Fuel Levy Fund, Kshs.13.7 million (1.9 per cent) as Compensation for User Fee Foregone, Kshs.12.85 million (1.8 per cent) from DANIDA, Kshs.407.86 million (55.9 per cent) for Level 5 Hospital, Kshs.40.85 million (5.6 per cent) for the World Bank Kenya Devolution Support Program, Kshs.42.21 million (5.8 per cent) for Development of Youth Polytechnics, and Kshs.22 million (3 per cent) as World Bank Loan for Transforming Health System for Universal Care System.

3.36.2 Revenue Analysis

During the first quarter of FY 2017/18, the County did not receive its equitable share of revenue raised nationally. The County received Kshs.88.41 million as total conditional allocations, raised Kshs.137.36 million from local revenue sources, and had a cash balance of Kshs.1.28 billion brought forward from FY 2016/17. The available funds amounted to Kshs.1.51 billion.

Figure 3.104 shows the quarterly trend in local revenue collection from the first quarter of FY 2013/14 to the first quarter FY 2017/18.

Figure 3.104: Nyeri County, Trend in Local Revenue Collection by Quarter from the First Quarter of FY 2013/14 to the First Quarter of FY 2017/18



Source: Nyeri County Treasury

The total local revenue collected in the first quarter of FY 2017/18 amounted to Kshs.137.36 million, representing a decrease of 19.1 per cent compared to Kshs.169.83 million generated in a similar period of FY 2016/17, and represented 13.7 per cent of the annual local revenue target.

3.36.3 Conditional Grants

Table 3.74 shows an analysis of conditional grants released in the first quarter of FY 2017/18.

Table 3.74: Nyeri County, Analysis of Conditional Grants Released in the First Quarter of FY 2017/18

S/No	Grants	Annual CARA, 2017 Allocation (in Kshs)	Annual Budget Allocation (in Kshs)	Actual receipts in First Quarter of FY 2017/18 (in Kshs)	Actual Receipts as Percentage of Annual Allocation (%)
A	Grants Contained CARA, 2017				
1	Road Maintenance Fuel Levy Fund	189, 567, 564	130, 725, 000	88, 409, 815	46.6
2	Kenya Devolution Support Programme (KDSP)	40, 850, 289	-	-	-
3	Compensation for User Fee Foregone	13, 701, 379	13, 701, 375	-	-
4	DANIDA Grant	12, 845, 841	28, 407, 447	-	-
5	Level-5 Hospitals	407, 861, 272	407, 861, 272	-	-
6	Development of Youth Polytechnics	42, 211, 848	-	-	-
7	World Bank Loan for Transforming Health System for Universal Care System	22, 000, 000	-	-	-
Sub Total		729, 038, 193	580, 695, 094	88, 409, 815	12
B	Other Grants				
8	Free Maternal Healthcare	-	39, 866, 658	-	-

S/No	Grants	Annual CARA, 2017 Allocation (in Kshs)	Annual Budget Allocation (in Kshs)	Actual receipts in First Quarter of FY 2017/18 (in Kshs)	Actual Receipts as Percentage of Annual Allocation (%)
Sub Total		-	39, 866, 658	-	-
Total		729, 038, 193	620, 561, 752	88, 409, 815	12

Source: Nyeri County Treasury

Analysis of the conditional grants released during the period under review indicates that the County received Kshs.88.41 million from the Road Maintenance Fuel Levy Fund, representing 46.6 per cent of the annual allocation in the CARA, 2017. There were no receipts for the other conditional grants during the period under review.

3.36.4 Exchequer Issues

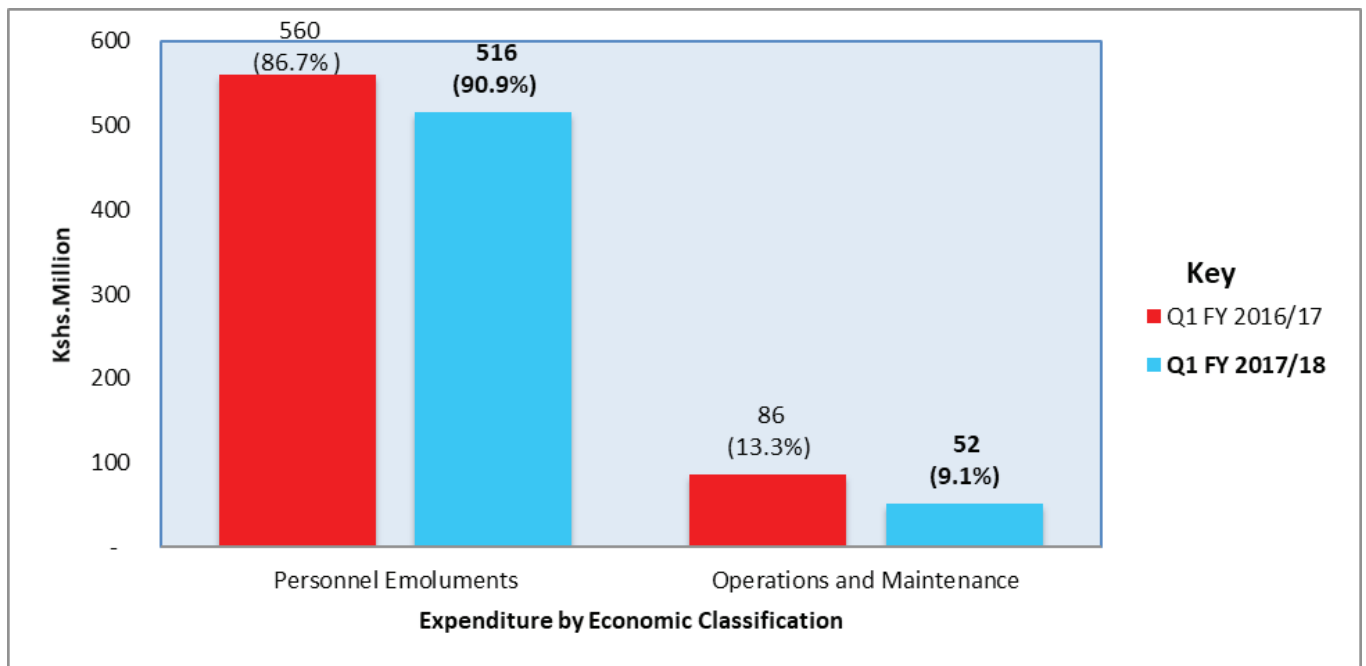
During the reporting period, the Controller of Budget authorized withdrawal of Kshs.479.75 million from the CRF account, which was 7 per cent of the Approved Budget. This amount was a decrease of 60.1 per cent from Kshs.1.2 billion authorized in a similar period of FY 2016/17. The exchequer issues in the reporting period were for recurrent expenditure only.

3.36.5 Overall Expenditure Review

The County incurred Kshs.568 million, which was 118.4 per cent of the total funds released for operations. This was a decrease of 12.1 per cent from the Kshs.646.22 million incurred in the first quarter of FY 2016/17. The expenditure was entirely for recurrent activities and excluded outstanding commitments as at September 30th, 2017 that amounted to Kshs.9.4 million.

The recurrent expenditure represented 12.3 per cent of the annual recurrent budget, a decrease from 14.6 per cent incurred in a similar period of FY 2016/17. Figure 3.105 presents a comparison between the total expenditure in the first quarter of FY 2016/17 and the first quarter of FY 2017/18.

Figure 3.105: Nyeri County, Expenditure by Economic Classification in the First Quarter of FY 2016/17 and First Quarter of FY 2017/18



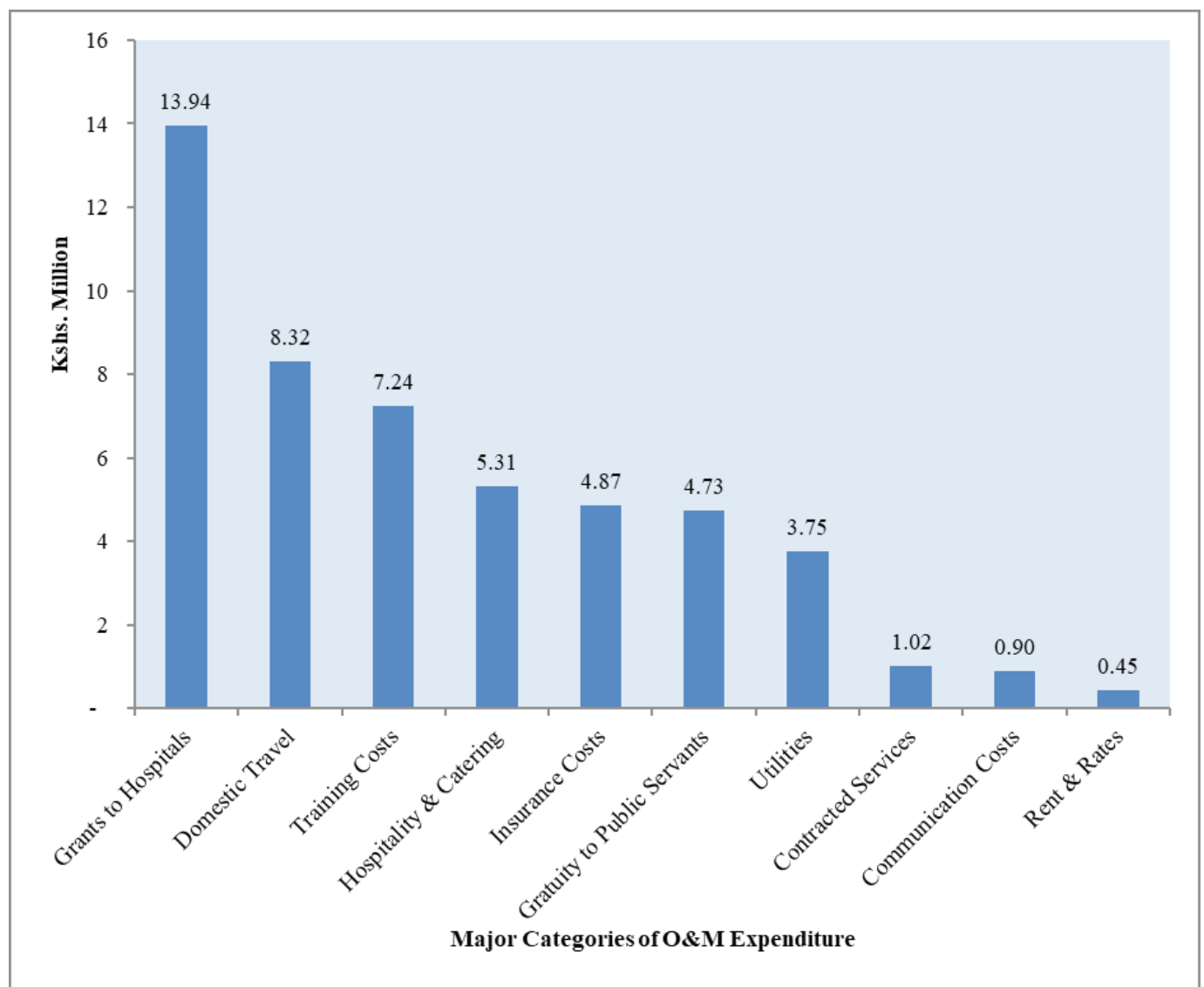
Source: Nyeri County Treasury

3.36.6 Analysis of Recurrent Expenditure

The total recurrent expenditure of Kshs.568 million consisted of Kshs.516.42 million (90.9 per cent) incurred on personnel emoluments and Kshs.51.58 million (9.1 per cent) on operations and maintenance as shown in Figure 3.105.

Expenditure on personnel emoluments represented a decrease of 7.9 per cent compared to Kshs.560.46 million incurred in the first quarter of FY 2016/17, and was 90.9 per cent of total expenditure in the first quarter of FY 2017/18. Figure 3.106 shows a summary of operations and maintenance expenditure by major categories.

Figure 3.106: Nyeri County, Operations and Maintenance Expenditure by Major Categories in the First Quarter of FY 2017/18



Source: Nyeri County Treasury

The County incurred Kshs.2.47 million on sitting allowances to the 44 MCAs against the annual budget allocation of Kshs.74.05 million. This was a decrease of 84.7 per cent compared to Kshs.16.12 million incurred in the first quarter of FY 2016/17. The average monthly sitting allowance was Kshs.18,267 per MCA compared to SRC's recommended monthly ceiling of Kshs.80,000.

Expenditure on domestic and foreign travel amounted to Kshs.8.32 million and consisted of Kshs.6.21 million incurred by the County Assembly and Kshs.2.11 million by the County Executive. It represented 1.5 per cent of total recurrent expenditure and was a decrease of 64.7 per cent compared to Kshs.23.58 million incurred in the first quarter of FY 2016/17.

3.36.7 Development Expenditure Analysis

The County did not report any expenditure on development activities during the reporting period.

3.36.8 Budget and Budget Performance Analysis by Department

Table 3.75 shows a summary of budget estimates and budget performance by department in the first quarter of FY 2017/18.

Table 3.75: Nyeri County, Budget Performance by Department in the First Quarter of FY 2017/18

Department	Budget Allocation (Kshs.Million)		Exchequer Issues in First Quarter of FY 2017/18 (Kshs. Million)		Expenditure in First Quarter of FY 2017/18 (Kshs.Million)		First Quarter of FY 2017/18 Expenditure to Exchequer Issues (%)		First Quarter of FY 2017/18 Absorption rate (%)	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
Office of the Governor	103.32	52.52	9.98	-	9.95	-	99.6	-	9.6	-
Office of the County Secretary	210.33	-	3.76	-	1.15	-	30.6	-	0.5	-
Finance and Economic Planning	298.25	269.99	17.29	-	35.29	-	204.1	-	11.8	-
Lands, Housing and Physical Planning	52.59	101.75	5.09	-	5.85	-	114.9	-	11.1	-
Health and Sanitation	1,912.54	410.92	254.67	-	304.47	-	119.6	-	15.9	-
Special Programmes	111.61	119.75	8.02	-	1.64	-	20.4	-	1.5	-
Public Administration, Information and Communication	399.03	40.75	55.39	-	59	-	106.5	-	14.8	-
Agriculture, Livestock and Fisheries	299.80	109.80	42.92	-	62.15	-	144.8	-	20.7	-
Tourism & Culture	13.98	27.84	1.73	-	1.81	-	104.5	-	12.9	-
Education, ICT, Trade & Industrialization	272.20	197.77	13.45	-	14.48	-	107.6	-	5.3	-
Water, Irrigation & Natural resources	126.19	186.28	18.06	-	17.24	-	95.5	-	13.7	-
County Assembly	615.65	166.75	36.93	-	46.63	-	126.3	-	7.6	-
County Public Service Board	34.82	6.75	3.95	-	3.42	-	86.5	-	9.8	-
Roads and Infrastructure Development	102.10	447.75	4.97	-	4.74	-	95.4	-	4.6	-
Energy	57.96	83.73	3.53	-	0.17	-	4.9	-	0.3	-
TOTAL	4,610	2,222	480	-	568	-	118.4	-	12.3	-

Source: Nyeri County Treasury

Analysis of budget performance by department shows that the Department of Agriculture, Livestock and Fisheries attained the percentage of recurrent expenditure to recurrent budget 20.7 per cent, followed by the Department of Health and Sanitation at 15.9 per cent.

3.36.9 Observations and Recommendations

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

- Timely submission of quarterly financial reports to the Controller of Budget by the County Government entities in line with Section 166 of the PFM Act, 2012.
- Compliance with requirements of Section 116 of the PFM Act, 2012 by ensuring that legislation establishing County Public Funds are in place before operationalization of the Funds.

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

1. Under-performance in local revenue collection, which declined by 19.1 per cent from Kshs.169.83 million in the first quarter of FY 2016/17 to Kshs.137.36 million in the reporting period.
2. Failure by the National Treasury to disburse the equitable share of revenue raised nationally during the first quarter of FY 2017/18. The County did not report any expenditure on development activities during the reporting period due to failure by the National Treasury to disburse funds.
3. Failure to budget for all conditional grants as per CARA, 2017.

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

1. *The County Treasury should formulate and implement strategies to enhance the local revenue collection.*
2. *The County Treasury should liaise with the National Treasury to ensure that allocated funds are released in line with the approved Disbursement Schedule.*
3. *The County should develop a Supplementary Budget to align conditional grants to the CARA, 2017.*

3.37 Samburu County

3.37.1 Overview of the FY 2017/18 Budget

The County's FY 2017/18 Approved Budget is Kshs.4.53 billion, comprising of Kshs.3.06 billion (67.7 per cent) and Kshs.1.46 billion (32.3 per cent) allocation for recurrent and development expenditure respectively.

To finance the budget, the County expects to receive Kshs.4.09 billion (90.4 per cent) as equitable share of revenue raised nationally, Kshs.169.64 million (3.7 per cent) as total conditional grants, and generate Kshs.301.23 million (6.7 per cent) from local revenue sources, and Kshs.182.47 million (4 per cent) cash balance from FY 2016/17.

The conditional grants contained in the CARA, 2017 of Kshs.414.86 million comprise of Kshs.151.37 million (89.2 per cent) from the Road Maintenance Fuel Levy Fund, Kshs.5.24 million (3.1 per cent) as Compensation for User Fee Foregone, Kshs.10.26 million (6 per cent) from DANIDA, Kshs.53.13 million (31.3 per cent) as World Bank loan to supplement financing of County Health facilities, Kshs.36.73 million (21.7 per cent) for the World Bank Kenya Devolution Support Program, Kshs.25.36 million (14.9 per cent) for Development of Youth Polytechnics, Kshs.66.79 million (39.4 per cent) as World Bank Loan for Transforming Health System for Universal Care System and Kshs.66 million (38.9 per cent) as European Union (EU) Grant.

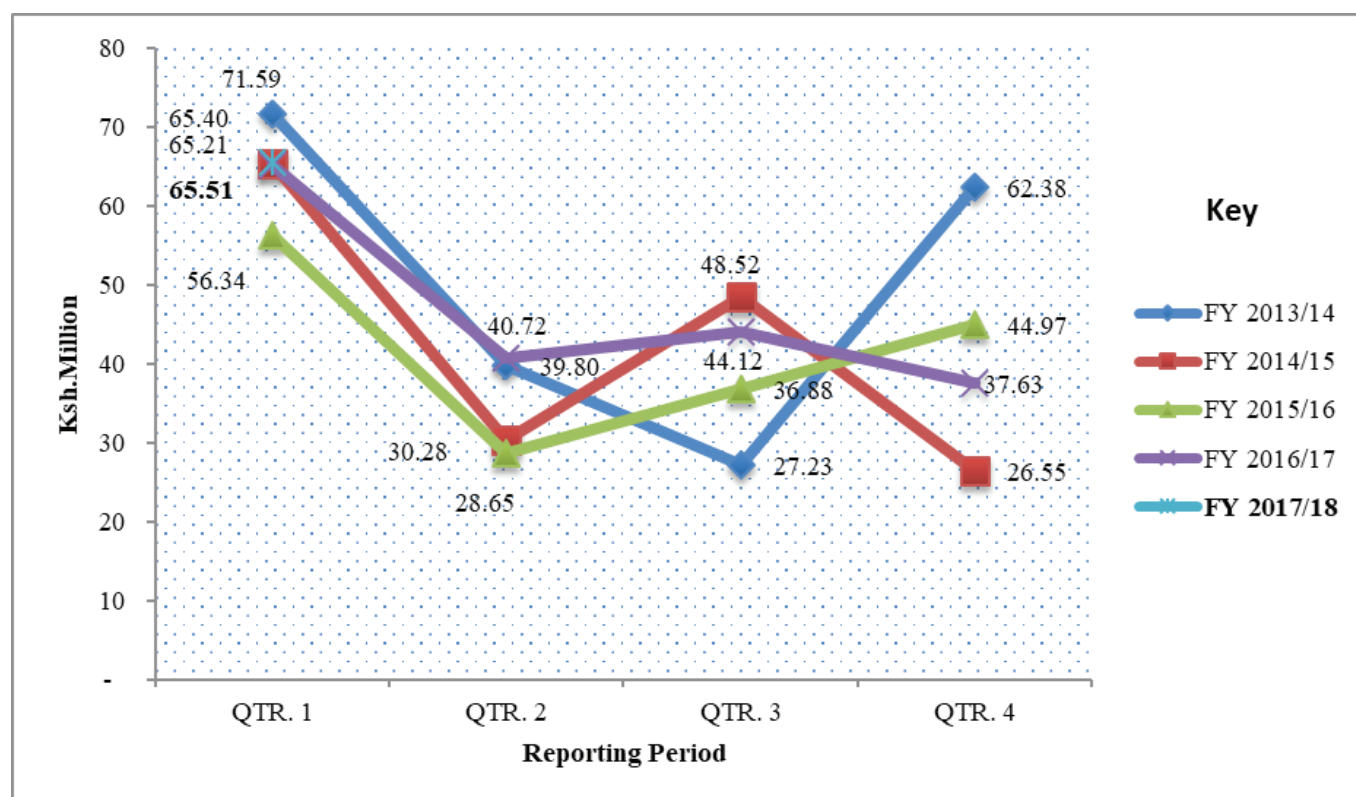
The County budgeted to receive Kshs.14.18 million as Free Maternal Healthcare, although this grant is not contained in the CARA, 2017.

3.37.2 Revenue Analysis

During the first quarter of FY 2017/18, the County received Kshs.603.32 million as equitable share of the revenue raised nationally, Kshs.71.14 million as total conditional allocations, raised Kshs.65.51 million from local revenue sources, and had a cash balance of Kshs.183.9 million from FY 2016/17. The available funds amounted to Kshs.923.87 million.

Figure 3.107 shows the quarterly trend in local revenue collection from the first quarter of FY 2013/14 to the first quarter FY 2017/18.

Figure 3.107: Samburu County, Trend in Local Revenue Collection by Quarter from the First Quarter of FY 2013/14 to the First Quarter of FY 2017/18



Source: Samburu County Treasury

The total local revenue collected in the first quarter of FY 2017/18 amounted to Kshs.65.51 million, representing an increase of 0.5 per cent compared to Kshs.65.21 million generated in a similar period of FY 2016/17 and represented 21.7 per cent of the annual local revenue target.

3.37.3 Conditional Grants

Table 3.76 shows an analysis of conditional grants released in the first quarter of FY 2017/18.

Table 3.76: Samburu County, Analysis of Conditional Grants Released in the First Quarter of FY 2017/18

S/No	Grants	Annual CARA, 2017 Allocation (in Kshs)	Annual Budget Allocation (in Kshs)	Actual receipts in First Quarter of FY 2017/18 (in Kshs)	Actual Receipts as Percentage of Annual Allocation (%)
A	Grants Contained CARA, 2017				
1	Road Maintenance Fuel Levy Fund	151, 365, 222	107, 887, 500	71, 141, 654	46.6
2	World Bank loan to supplement financing of County Health facilities	53, 125, 000	-	-	-
3	Kenya Devolution Support Programme (KDSP)	36, 731, 000	24, 638, 639	-	-
4	Compensation for User Fee Foregone	5, 235, 578	5, 220, 197	-	-
5	DANIDA Grant	10, 256, 191	-	-	-
6	Development of Youth Polytechnics	25, 356, 891	-	-	-
Sub Total		414, 856, 113	155, 453, 471	71, 141, 654	17
B	Other Grants				
7	Free Maternal Healthcare	-	14, 183, 400	-	-
Sub Total		-	14, 183, 400	-	-
Total		414, 856, 113	169, 636, 871	71, 141, 654.3	17

Source: Samburu County Treasury

Analysis of the conditional grants released during the period under review indicates that, the Road Maintenance Fuel Levy Fund grant recorded a receipt of Kshs.71.14 million which represented 46.6 per cent of annual allocation. The County did not receive funds from all the other conditional grants.

3.37.4 Exchequer Issues

During the reporting period, the Controller of Budget authorized withdrawal of Kshs.638.32 million from the CRF account, which was 14.1 per cent of the Approved Budget. This amount was a decrease of 20.1 per cent from Kshs.798.95 million authorized in a similar period of FY 2016/17. The entire amount was for recurrent expenditure.

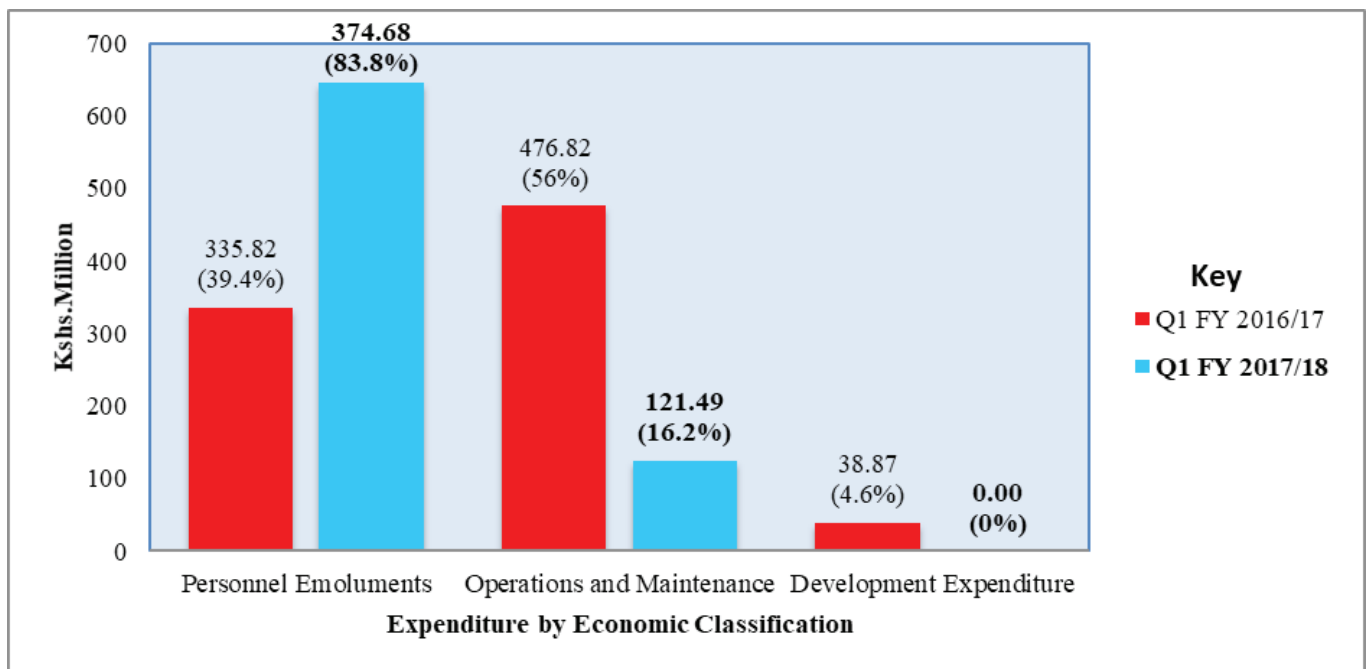
3.37.5 Overall Expenditure Review

The County incurred Kshs.770.17 million, which was over 100 per cent of the total funds released for operations. This was a decrease of 9.6 per cent from Kshs.812.64 million incurred in the first quarter of FY 2016/17.

The total expenditure of Kshs.770.17 million was incurred on recurrent activities and was 100 per cent of the funds released for recurrent activities. The expenditure excluded outstanding commitments as at September 30th, 2017 that amounted to Kshs.76.62 million for recurrent expenditure.

The recurrent expenditure represented 16.2 per cent of the annual recurrent budget, an increase from 22.5 per cent incurred in a similar period of FY 2016/17. Figure 3.108 presents a comparison between the total expenditure in the first quarter of FY 2016/17 and the first quarter of FY 2017/18.

Figure 3.108: Samburu County, Expenditure by Economic Classification in the First Quarter of FY 2016/17 and First Quarter of FY 2017/18



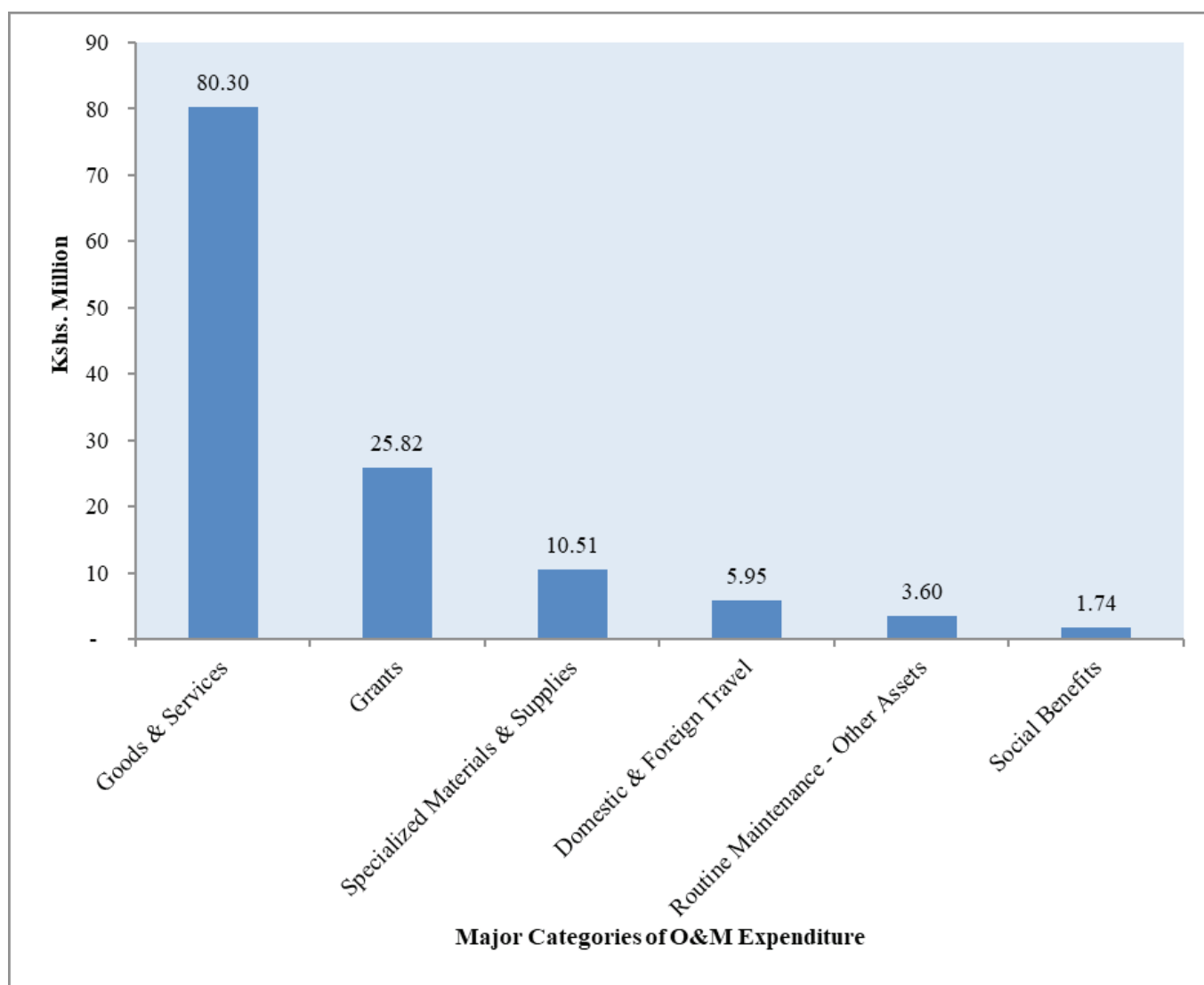
Source: Samburu County Treasury

3.37.6 Analysis of Recurrent Expenditure

The total recurrent expenditure of Kshs.770.17 million consisted of Kshs.645.68 million (83.8 per cent) incurred on personnel emoluments and Kshs.124.49 million (16.2 per cent) on operations and maintenance as shown in Figure 3.108.

Expenditure on personnel emoluments represented an increase of 11.6 per cent compared to Kshs.335.82 million incurred in the first quarter of FY 2016/17. Figure 3.109 shows a summary of operations and maintenance expenditure by major categories.

Figure 3.109: Samburu County, Operations and Maintenance Expenditure by Major Categories in the First Quarter of FY 2017/18



Source: Samburu County Treasury

The County Assembly incurred Kshs.5.07 million on sitting allowances to the 28 MCAs against the annual budget allocation of Kshs.42.5 million. This was a decrease of 5.4 per cent compared to Kshs.5.36 million incurred in the first quarter of FY 2016/17. The average monthly sitting allowance was Kshs.60, 315 per MCA compared to SRC's recommended monthly ceiling of Kshs.80,000.

Expenditure on domestic and foreign travel amounted to Kshs.5.95 million, incurred entirely by the County Assembly. It represented 9.5 per cent of total recurrent expenditure and was a decrease of 90.9 per cent compared to Kshs.65.24 million incurred in the first quarter of FY 2016/17.

3.37.7 Development Expenditure Analysis

The County did not report any expenditure on development activities during the reporting period.

3.37.8 Budget and Budget Performance Analysis by Department

Table 3.77 shows a summary of budget estimates and budget performance by department in the first quarter of FY 2017/18

Table 3.77: Samburu County, Budget Performance by Department in the First Quarter of FY 2017/18

Department	Budget Allocation (Kshs.Million)		Exchequer Issues in First Quarter of FY 2017/18 (Kshs. Million)		Expenditure in First Quarter of FY 2017/18 (Kshs.Million)		First Quarter of FY 2017/18 Expenditure to Exchequer Issues (%)		First Quarter of FY 2017/18 Absorption rate (%)	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
County Assembly	439.04	90	58.10	-	49.01	-	84.4	-	11.2	-
County Executive (Office of the Governor)	401.80	28.56	93.17	-	56.06	-	60.2	-	14	-
Finance & Economic Planning	421.41	14.03	90.12	-	144.32	-	160.1	-	34.2	-
Agriculture, Livestock & Fisheries	166.15	144.74	35.40	-	25.37	-	160.1	-	86.9	-
Environment & Natural Resources	50.74	41.10	10.73	-	3.30	-	71.7	-	50	-
Education, Youth Affairs & Sports	363.48	151.86	79.52	-	50.88	-	30.8	-	0.9	-
Health Services	668.63	148.19	149.09	-	94.19	-	64	-	7.6	-
Physical Planning Housing & Urban Development	87.32	91.62	19.91	-	8.91	-	63.2	-	107.9	-
Public Works, County Roads and Water	217.95	569.06	47.92	-	31.96	-	44.8	-	4.1	-
Trade, Tourism and Cooperative Development	176.45	155.89	39.59	-	27.17	-	66.7	-	18.1	-
Gender, Culture and Social Services	69.25	28.11	14.76	-	4.22	-	68.6	-	39.2	-
TOTAL	3, 062	1, 463	638.32	-	770.17	-	77.6	-	16.2	-

Source: Samburu County Treasury

Analysis of budget performance by department shows that the Physical Planning Housing & Urban Development Department had the highest percentage of recurrent expenditure to recurrent budget at 107.9 per cent while the Department of Education, Youth Affairs & Sports had the lowest at 0.9 per cent.

3.37.9 Observations and Recommendations

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

- i. Establishment of the County Budget and Economic Forum (CBEF) in line with Section 137 of the PFM Act, 2012.
- ii. Adoption of IFMIS in processing financial transactions and reporting.

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

1. Late submission of financial reports by the County Treasury which affected timely preparation of the budget implementation review report.
2. Delay by Fund Administrators to submit expenditure reports on established County Funds contrary to Section 168 of the PFM Act, 2012.

3. Failure to budget for all conditional grants as per CARA, 2017.

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

1. *The County Treasury should ensure timely preparation and submission of financial reports in line with Section 166 of the PFM Act, 2012.*
2. *All Fund Administrators should ensure timely submission of expenditure reports on established County Funds in line with Section 168 of the PFM Act, 2012.*
3. *The County should prepare a Supplementary Budget to align conditional grants to the CARA, 2017.*

3.38 Siaya County

3.38.1 Overview of the FY 2017/18 Budget

The County's FY 2017/18 Approved Budget is Kshs.6.6 billion, comprising of Kshs.4.62 billion (70 per cent) and Kshs.1.98 billion (30 per cent) allocation for recurrent and development expenditure respectively.

To finance the budget, the County expects to receive Kshs.5.78 billion (87.6 per cent) as equitable share of revenue raised nationally, Kshs.591.73.57 million (9 per cent) as total conditional grants, and generate Kshs.270 million (4.1 per cent) from local revenue sources.

The conditional grants contained in the CARA, 2017 of Kshs.527.57 million comprise of Kshs.212.83 million (40.3 per cent) from the Road Maintenance Fuel Levy Fund, Kshs.95.74 million (18.1 per cent) for Leasing of Medical Equipment, Kshs.43.03 million (8.2 per cent) for the World Bank Kenya Devolution Support Program, Kshs.18.19 million (3.4 per cent) as Compensation for User Fee Foregone, Kshs.39.02 million (7.4 per cent) as World Bank Loan for Transforming Health System for Universal Care System, Kshs.14.42 million (2.7 per cent) from DANIDA, Kshs.40.65 million (7.7 per cent) for the Development of Youth Polytechnics and Kshs.63.67 million (12.1 per cent) from Other Loans and Grants.

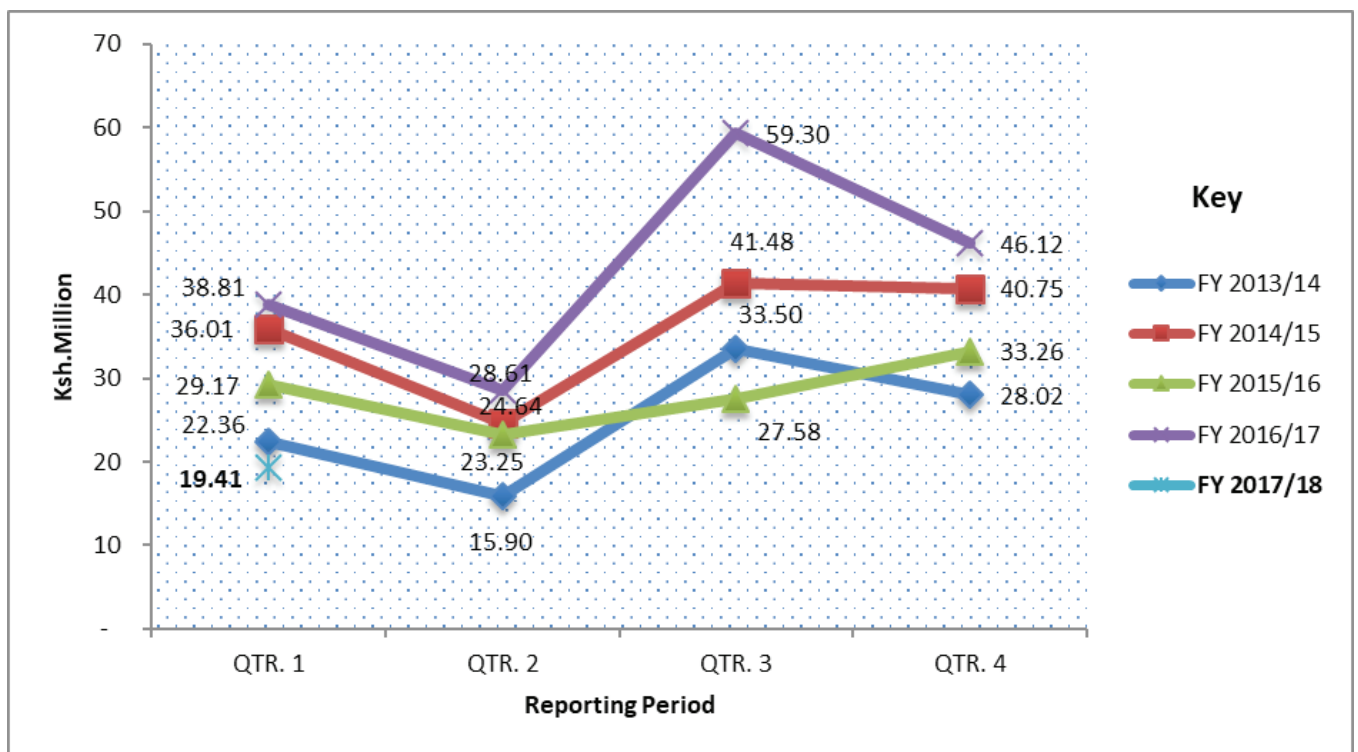
The conditional grants from other sources and not contained in the CARA, 2017 comprise of Kshs.128.08 million for the Free Maternal HealthCare, and Kshs. 13.4 Million for Agriculture Sector Development Programme.

3.38.2 Revenue Analysis

During the first quarter of FY 2017/18, the County did not receive any money as equitable share of the revenue raised nationally; it however received Kshs.99.26 million as total conditional allocations, raised Kshs.19.41 million from local revenue sources, and had a cash balance of Kshs.491.40 million from FY 2016/17. The available funds amounted to Kshs.610.07 million.

Figure 3.110 shows the quarterly trend in local revenue collection from the first quarter of FY 2013/14 to the first quarter FY 2017/18.

Figure 3.110: Siaya County, Trend in Local Revenue Collection by Quarter from the First Quarter of FY 2013/14 to the First Quarter of FY 2017/18



Source: Siaya County Treasury

The total local revenue collected in the first quarter of FY 2017/18 amounted to Kshs.19.41 million, representing a decrease of 50 per cent compared to Kshs.38.81 million generated in a similar period of FY 2016/17, and represented 7.2 per cent of the annual local revenue target.

3.38.3 Conditional Grants

Table 3.78 shows an analysis of conditional grants released in the first quarter of FY 2017/18.

Table 3.78: Siaya County, Analysis of Conditional Grants Released in the First Quarter of FY 2017/18

S/No	Grants	Annual CARA, 2017 Allocation (in Kshs)	Annual Budget Allocation (in Kshs)	Actual receipts in First Quarter of FY 2017/18 (in Kshs)	Actual Receipts as Percentage of Annual CARA, 2017 Allocation (%)
A	Grants Contained in the CARA, 2017				
1	Road Maintenance Fuel Levy Fund	212, 834, 314	151, 200, 000	99, 260, 876	47
2	Free Maternal HealthCare	-	128, 080, 400	-	-
3	Leasing of Medical Equipment	95, 744, 681	95, 744, 681	-	-
4	Kenya Devolution Support Programme (KDSP)	43, 031, 378	57, 110, 204	-	-
5	Other Loans & Grants	63, 669, 291	52, 513, 031	-	-
6	Compensation for User Fee Foregone	18, 194, 808	19, 634, 077	-	-
7	World Bank Loan for Transforming Health System for Universal Care System	39, 021, 230	17, 736, 922	-	-
8	DANIDA Grant	14, 422, 487	15, 864, 736	-	-
9	Agricultural Sector development Support Program	-	13, 400, 000	-	-
10	Development of Youth Polytechnics	40, 647, 137	-	-	-
Grand Total		527, 565, 326	551, 284, 051	99, 260, 876	19

Source: Siaya County Treasury

Analysis of the conditional grants released during the period under review indicates that only the Road Maintenance Fuel Levy Fund recorded a receipt of 47 per cent of annual allocation. The County did not receive funds from the other conditional Grants.

3.38.4 Exchequer Issues

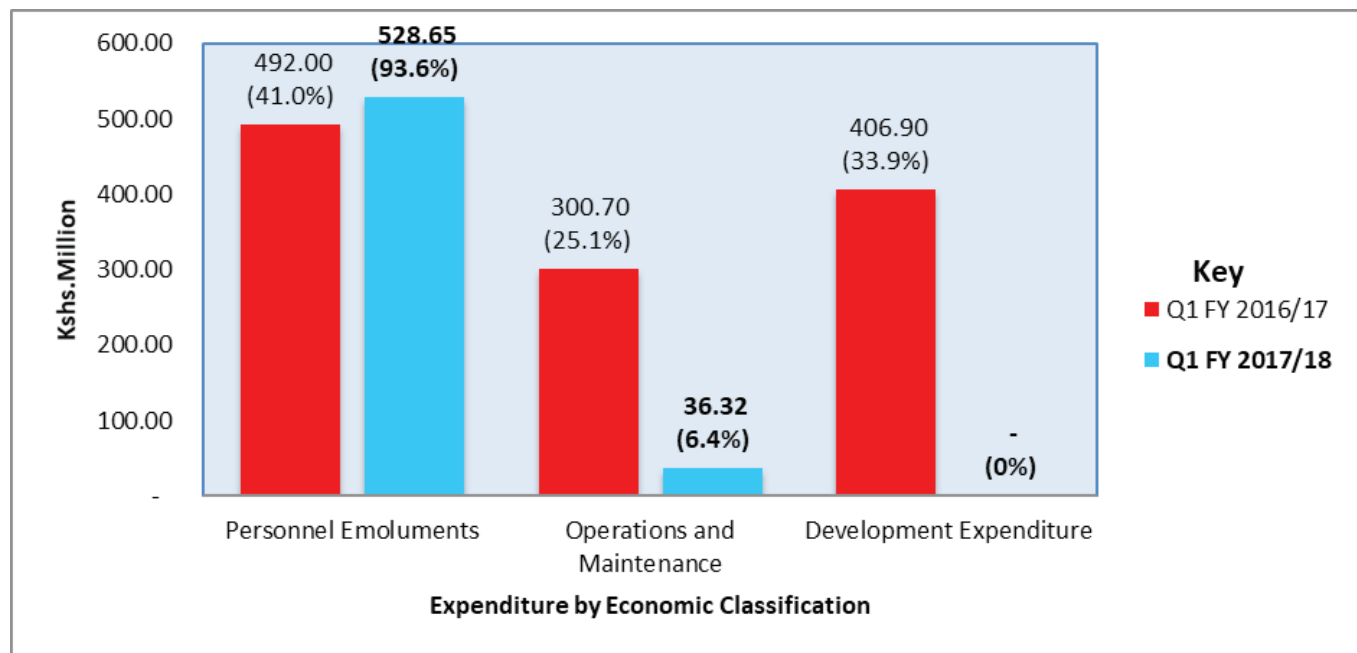
During the reporting period, the Controller of Budget authorized withdrawal of Kshs.362 million from the CRF account, which was 5.5 per cent of the Approved Budget. This amount was a decrease of 74.9 per cent from Kshs.1.44 billion authorized in a similar period of FY 2016/17 and consisted of Kshs.362 million (100 per cent) for recurrent expenditure.

3.38.5 Overall Expenditure Review

The County incurred Kshs.564.97 million, which was 156.1 per cent of the total funds released for operations. This was a decrease of 52.9 per cent from Kshs.897.83 million incurred in the first quarter of FY 2016/17. The expenditure excluded outstanding commitments as at September 30th, 2017 that amounted to Kshs.35.50 million for recurrent expenditure.

The recurrent expenditure represented 12.2 per cent of the annual recurrent budget, a marginal decrease from 12.8 per cent incurred in a similar period of FY 2016/17. Figure 3.111 presents a comparison between the total expenditure in the first quarter of FY 2016/17 and the first quarter of FY 2017/18.

Figure 3.111: Siaya County, Expenditure by Economic Classification in the First Quarter of FY 2016/17 and First Quarter of FY 2017/18



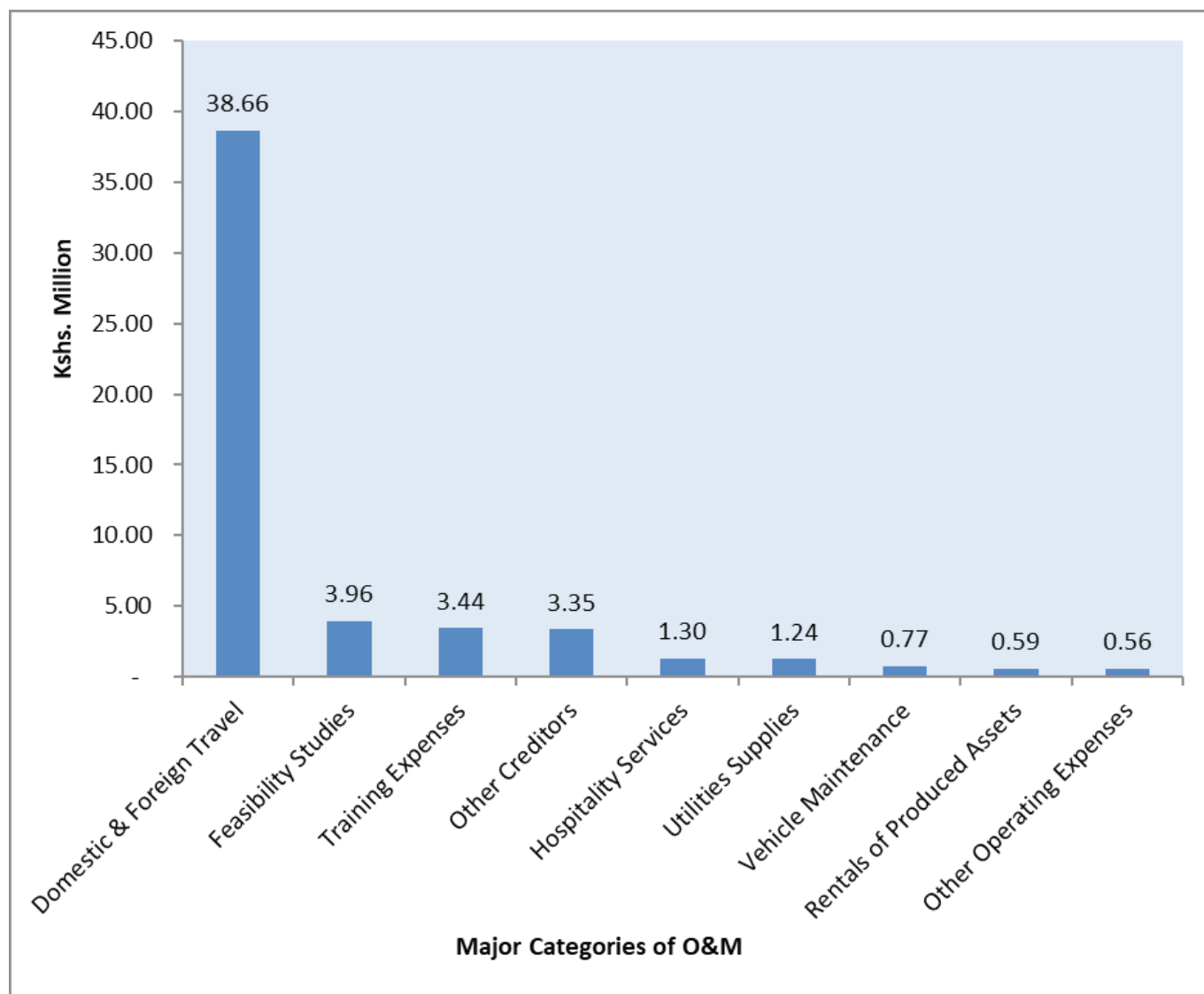
Source: Siaya County Treasury

3.38.6 Analysis of Recurrent Expenditure

The total recurrent expenditure of Kshs.564.97 million consisted of Kshs.528.65 million (93.6 per cent) incurred on personnel emoluments and Kshs.36.32 million (6.4 per cent) on operations and maintenance as shown in Figure 3.111.

Expenditure on personnel emoluments represented an increase of 7.4 per cent compared to Kshs.492 million incurred in the first quarter of FY 2016/17. This expenditure was 93.6 per cent of total expenditure in the first quarter of FY 2017/18 and 93.6 per cent of total recurrent expenditure. Figure 3.112 shows a summary of operations and maintenance expenditure by major categories.

Figure 3.112: Siaya County, Operations and Maintenance Expenditure by Major Categories in the First Quarter of FY 2017/18



Source: Siaya County Treasury

The County incurred Kshs.0.47 million on sitting allowances to the 44 MCAs and the Speaker against the annual budget allocation of Kshs.65.5 million. This was a decrease of 97.5 per cent compared to Kshs.19.03 million incurred in the first quarter of FY 2016/17. The average monthly committee sitting allowance was Kshs.3,591 per MCA compared to SRC's recommended monthly ceiling of Kshs.80,000. It should be noted that sitting allowances quoted in this paragraph were not generated by the MCAs but the sittings of the County Assembly Service Board. The MCAs did not sit in the quarter

Expenditure on domestic and foreign travel amounted to Kshs.38.66 million and consisted of Kshs.19.04 million incurred by the County Assembly and Kshs.19.63 million by the County Executive. It represented 6.8 per cent of total recurrent expenditure and was a decrease of 61.2 per cent compared to Kshs99.76 million incurred in the first quarter of FY 2016/17.

3.38.7 Development Expenditure Analysis

The County did not report any expenditure on development activities during the reporting period.

3.38.8 Budget and Budget Performance Analysis by Department

Table 3.79 shows a summary of budget estimates and budget performance by department in the first quarter of FY 2017/18

Table 3.79: Siaya County, Budget Performance by Department in the First Quarter of FY 2017/18

Department	Budget Allocation (Kshs.Million)		Exchequer Issues in First Quarter of FY 2017/18 (Kshs. Million)		Expenditure in First Quarter of FY 2017/18 (Kshs. Million)		First Quarter of FY 2017/18 Expenditure to Exchequer Issues (%)		First Quarter of FY 2017/18 Absorption rate (%)	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
County Assembly	692.66	175.96	41	-	42.04	-	102.5	-	6.1	-
County Executive	552.1	-	55.99	-	76.79	-	137.1	-	13.9	-
Finance, Economic Planning and Vision 2030	699.33	35	39.4	-	118.34	-	300.4	-	16.9	-
Agriculture, Livestock and Fisheries	282.45	115.17	18.1	-	41.84	-	231.2	-	14.8	-
Water, Environment and Natural Resources	104.61	185.7	0.38	-	1	-	263.2	-	1	-
Education, Youth, Sports, Culture and Social Services	333.26	249.34	13.5	-	36.14	-	267.7	-	10.8	-
County Health Services	1, 687.39	382.61	181.79	-	248.65	-	136.8	-	14.7	-
Physical Planning, Survey and Housing	60.13	38.84	3.01	-	0.03	-	1.0	-	-	-
Roads and Transport	95.81	671.96	3.32	-	0.14	-	4.2	-	0.1	-
Trade and Cooperative Services	51.82	58.96	2.93	-	-	-	-	-	-	-
Tourism and ICT	59.34	66	2.59	-	-	-	-	-	-	-
TOTAL	4, 618.90	1, 979.54	362.01	-	564.97	-	156.1	-	12.2	-

Source: Siaya County Treasury

Analysis of budget performance by department shows that Agriculture, Livestock and Fisheries Department attained the highest recurrent expenditure to recurrent budget at 16.9 per cent while two departments, Trade and Cooperative services and Tourism and ICT did not incur any recurrent expenditure.

3.38.9 Observations and Recommendations

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

- Improved adoption of IFMIS in processing of financial transaction. The County has trained its staff on use of IFMIS.
- Improved monitoring of development project implementation that provides timely status of project implementation.

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

1. Delay in disbursement of the equitable share of revenue raised nationally by the National Treasury. During the quarter, the County did not receive any disbursement of the equitable share of the national revenue.
2. Under-performance in local revenue collection, which declined by 50 per cent from Kshs.38.81 million in the first quarter of FY 2016/17 to Kshs.19.41 million in the first quarter of FY 2017/18.
3. IFMIS connectivity challenges, which slowed down approval of procurement requests and payment to suppliers.
4. Failure to establish an Internal Audit Committee contrary to Section 155 (5) of the PFM Act, 2012.
5. Failure to appropriate unspent balance from FY 2016/17 which amounted to Kshs.491.40 million.
6. Failure to budget for all conditional grants as per CARA, 2017.

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

1. *The County Treasury should liaise with the National Treasury to ensure that funds allocated to the County are released in line with the CARA, 2017 Disbursement Schedule.*
2. *The County Treasury should undertake a review aimed at finding why there is a 50 per cent drop in local revenue despite digitization of revenue collection.*
3. *The County should liaise with the IFMIS Directorate to address the IFMIS connectivity issues.*
4. *County should establish an Internal Audit Committee in line with Section 155 of the PFM Act, 2012.*
5. *The County Treasury should prepare a Supplementary Budget and appropriate the unspent balance from FY 2016/17.*
6. *The County should develop a Supplementary Budget to align conditional grants to the CARA, 2017.*

3.39 Taita Taveta County

3.39.1 Overview of the FY 2017/18 Budget

The County's FY 2017/18 Approved Budget is Kshs.4.65 billion, comprising of Kshs.3.25 billion (69.9 per cent) and Kshs.1.4 billion (30.1 per cent) allocation for recurrent and development expenditure respectively.

To finance the budget, the County expects to receive Kshs.3.89 billion (83.7 per cent) as equitable share of revenue raised nationally, Kshs.297.21 million (6.4 per cent) as total conditional grants, and generate Kshs.338.47 million (7.3 per cent) from local revenue sources, and Kshs.123 million (2.6 per cent) cash balance from FY 2016/17.

The conditional grants contained in the CARA, 2017 of Kshs.488.7 million comprise of Kshs.141.01 million (47.4 per cent) from the Road Maintenance Fuel Levy Fund, Kshs.5.3 million (1.8 per cent) as Compensation for User Fee Foregone, Kshs.9.56 million (3.2 per cent) from DANIDA, Kshs.95.74 million (32.2 per cent) for Level 5 Hospital Kshs.31.8 million (10.7 per cent) as World Bank loan to supplement financing of County Health facilities, Kshs.36.73 million (12.4 per cent) for the World Bank Kenya Devolution Support Program, Kshs.49.75 million (16.7 per cent) for Development of Youth Polytechnics and Kshs.32.7 million (11.7 per cent) as World Bank Loan for Transforming Health System for Universal Care System.

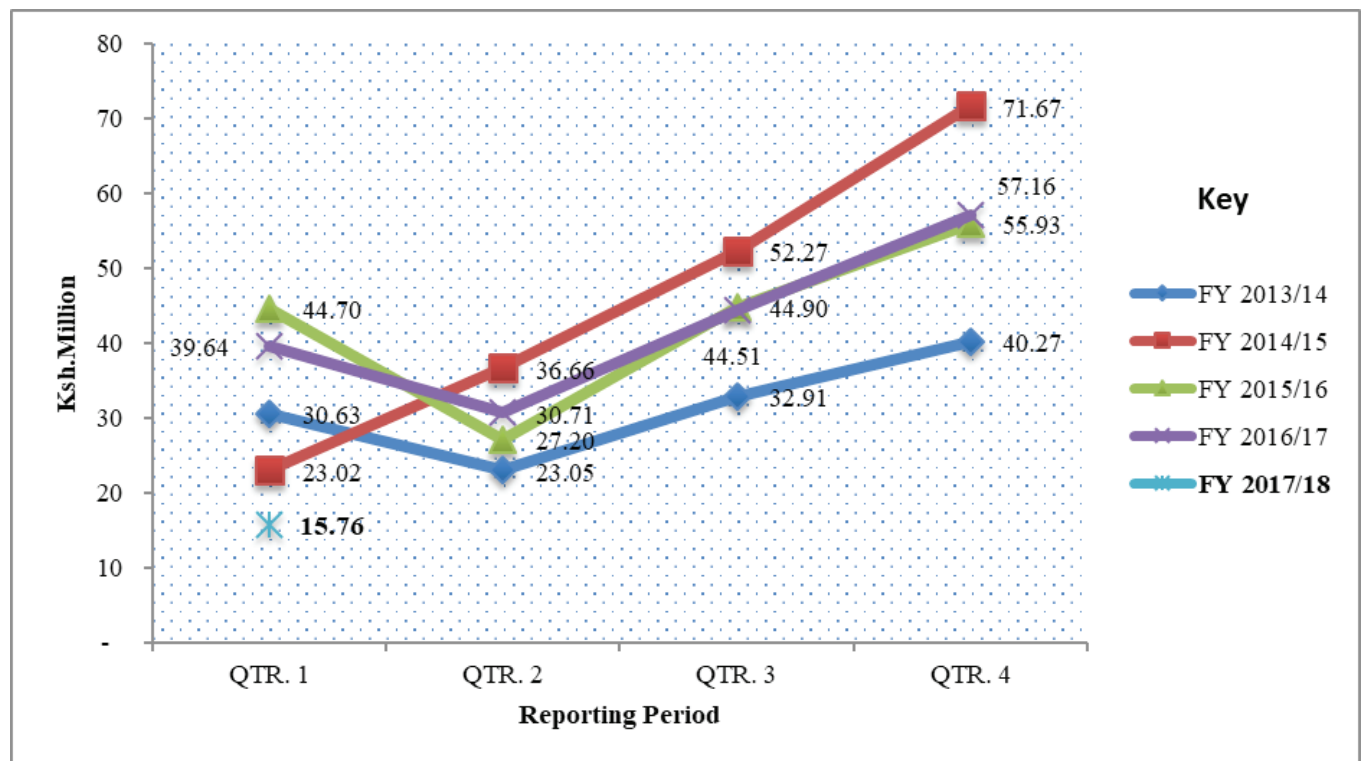
The County budgeted to receive Kshs.29.56 million for Free Maternal Healthcare, although this grant is not contained in the CARA, 2017.

3.39.2 Revenue Analysis

During the first quarter of FY 2017/18, the County received Kshs.642.86 million as equitable share of the revenue raised nationally, Kshs.101.8 million as total conditional allocations, raised Kshs.15.76 million from local revenue sources, and had a cash balance of Kshs.123 million from FY 2016/17. The available funds amounted to Kshs.888.41 million.

Figure 3.113 shows the quarterly trend in local revenue collection from the first quarter of FY 2013/14 to the first quarter FY 2017/18.

Figure 3.113: Taita Taveta County, Trend in Local Revenue Collection by Quarter from the First Quarter of FY 2013/14 to the First Quarter of FY 2017/18



Source: Taita Taveta County Treasury

The total local revenue collected in the first quarter of FY 2017/18 amounted to Kshs.15.76 million, representing a decrease of 60.2 per cent compared to Kshs.39.64 million generated in a similar period of FY 2016/17, and represented 5 per cent of the annual local revenue target.

3.39.3 Conditional Grants

Table 3.80 shows an analysis of conditional grants released in the first quarter of FY 2017/18.

Table 3.80: Taita Taveta County, Analysis of Conditional Grants Released in the First Quarter of FY 2017/18

S/No.	Grants	Annual CARA, 2017 Allocation (in Kshs)	Annual Budget Allocation (in Kshs)	Actual receipts in First Quarter of FY 2017/18 (in Kshs)	Actual Receipts as Percentage of Annual CARA, 2017 Allocation
A.	Grants Contained in the CARA, 2017				
1	Road Maintenance Fuel Levy	141, 010, 523	102, 375, 000	65, 763, 963	46.6
2	Leasing of Medical Equipment	95, 744, 681	-	-	-
3	European Union Grant for Devolution programme and support advice	66, 000, 000	112, 000, 000	-	-
4	Conditional Allocation for Development of Youth Polytechnics	49, 747, 167	-	-	-
5	Kenya Development Support Programme (KDSP)	36, 728, 875	47, 962, 202	-	-
6	World Bank Loan for transforming health systems for Universal care project	32, 699, 643	-	-	-
7	World Bank loan to supplement financing of County health facilities	31, 797, 500	-	36, 034, 216	113.3
8	Other Loans & Grants	20, 118, 958	-	-	-
9	Grant from DANIDA	9, 555, 425	-	-	-

S/No.	Grants	Annual CARA, 2017 Allocation (in Kshs)	Annual Budget Allocation (in Kshs)	Actual receipts in First Quarter of FY 2017/18 (in Kshs)	Actual Receipts as Percentage of Annual CARA, 2017 Allocation
10	Compensation for User Fees Forgone	5, 296, 305	5, 296, 305	-	-
Sub Total		488, 699, 077	267, 633, 507	101, 798, 179	20.8
B.	Other Grants Not Contained in the CARA, 2017				
11	Free Maternal Healthcare	-	29, 579, 040	-	-
Sub Total			29, 579, 040		
	Grand Total	488, 699, 077	297, 212, 547	101, 798, 179	20.8

Source: Taita Taveta County Treasury

Analysis of the conditional grants released during the period under review indicates that, the World Bank loan to supplement financing of County health facilities recorded the highest receipt at 113.3 per cent of annual allocation followed by the Road Maintenance Fuel Levy at 46.6 per cent. The County did not receive funds from the other Grants in the budget.

3.39.4 Exchequer Issues

During the reporting period, the Controller of Budget authorized withdrawal of Kshs.647.85 million from the CRF account, which was 13.9 per cent of the Approved Budget. This amount was a decrease of 33.4 per cent from Kshs.972.21 million authorized in a similar period of FY 2016/17.

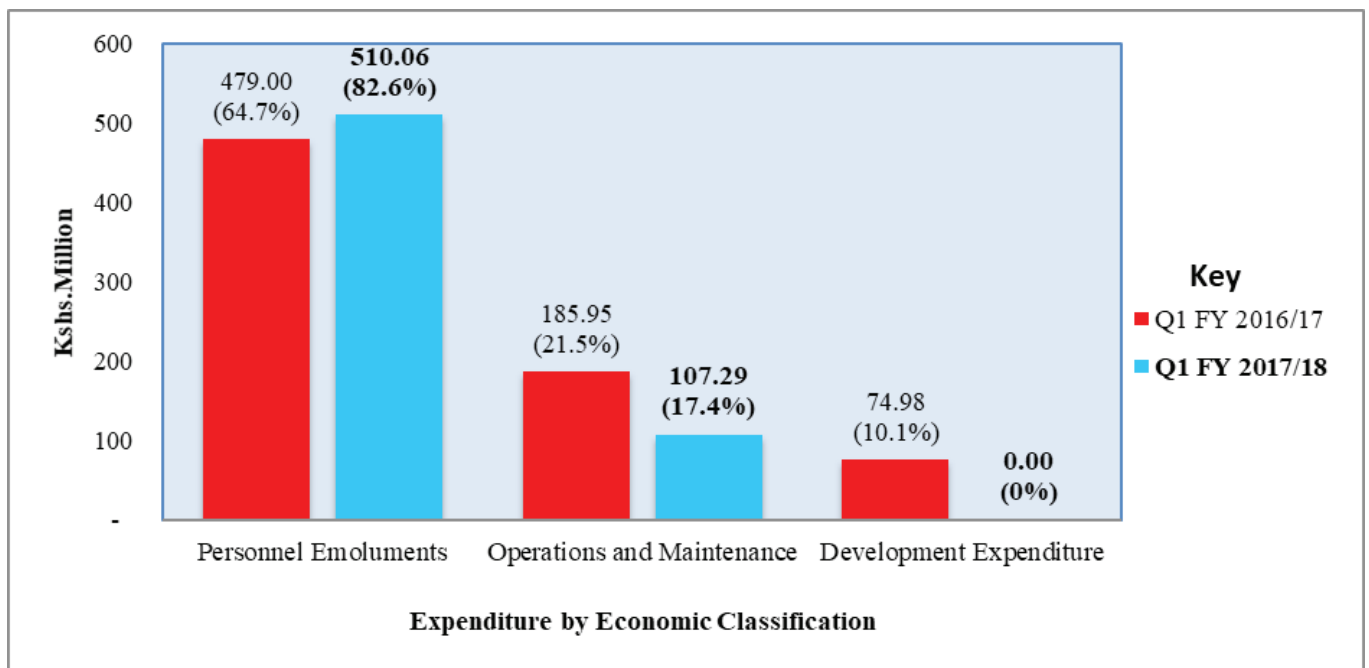
3.39.5 Overall Expenditure Review

The County incurred Kshs.617.34 million, which was 95.3 per cent of the total funds released for operations. This was a decrease of 16.5 per cent from Kshs.739 million incurred in the first quarter of FY 2016/17.

The total expenditure of Kshs.617.34 million was incurred on recurrent activities and represented 95.29 per cent of the funds released for recurrent activities. The expenditure excluded outstanding commitments as at September 30th, 2017 that amounted to Kshs.56.41 million for recurrent expenditure.

The recurrent expenditure represented 19 per cent of the annual recurrent budget, a decrease from 21.1 per cent incurred in a similar period of FY 2016/17. Figure 3.114 presents a comparison between the total expenditure in the first quarter of FY 2016/17 and the first quarter of FY 2017/18.

Figure 3.114: Taita Taveta County, Expenditure by Economic Classification in the First Quarter of FY 2016/17 and First Quarter of FY 2017/18



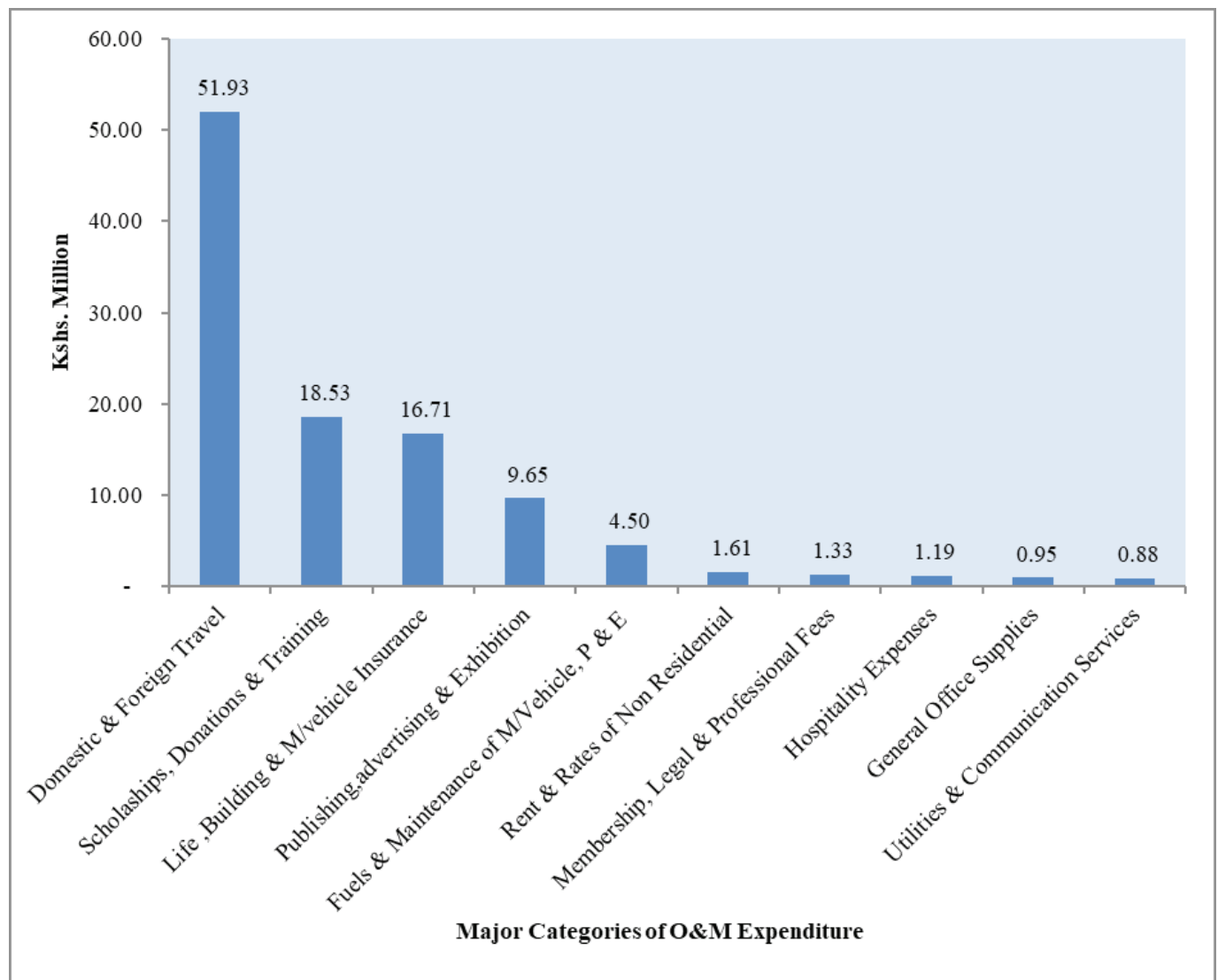
Source: Taita Taveta County Treasury

3.39.6 Analysis of Recurrent Expenditure

The total recurrent expenditure of Kshs.617.34 million consisted of Kshs.510.06 million (82.6 per cent) incurred on personnel emoluments and Kshs.107.29 million (17.4 per cent) on operations and maintenance as shown in Figure 3.114.

Expenditure on personnel emoluments represented an increase of 6.5 per cent compared to Kshs.479 million incurred in the first quarter of FY 2016/17. Figure 3.115 shows a summary of operations and maintenance expenditure by major categories.

Figure 3.115: Taiata Taveta County, Operations and Maintenance Expenditure by Major Categories in the First Quarter of FY 2017/18



Source: Taita Taveta County Treasury

The County incurred Kshs.9.95 million on sitting allowances to the 35 MCAs against the annual budget allocation of Kshs.65.44 million. This was an increase from Kshs.9.54 million incurred in the first quarter of FY 2016/17. The average monthly sitting allowance was Kshs.92, 131 per MCA compared to SRC's recommended monthly ceiling of Kshs.80,000.

Expenditure on domestic and foreign travel amounted to Kshs.51.93 million and consisted of Kshs.27.01 million incurred by the County Assembly and Kshs.27.01 million by the County Executive. It represented 8 per cent of total recurrent expenditure and was a decrease of 44 per cent compared to Kshs.94 million incurred in the first quarter of FY 2016/17.

3.39.7 Development Expenditure Analysis

The County did not report any expenditure on development activities during the reporting period.

3.39.8 Budget and Budget Performance Analysis by Department

Table 3.81 shows a summary of budget estimates and budget performance by department in the first quarter of FY 2017/18.

Table 3.81: Taita Taveta County, Budget Performance by Department in the First Quarter of FY 2017/18

Department	Budget Allocation (Kshs.Million)		Exchequer Issues in the first quarter of FY 2017/18 (Kshs.Million)		Expenditure in the first quarter of FY 2017/18 (Kshs.Million)		Expenditure to Exchequer Issues (%) First Quarter FY 2017/18		Absorption rate (%) First Quarter FY 2017/18	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
County Assembly	523.72	13.22	48.27	-	98.47	-	204	-	18.8	-
Administration and Devolution	1,697.73	14	549.4	-	443.58	-	80.74	-	26.13	-
The Governor's And Deputy Governor's Office	100.88	-	4.67	-	24.72	-	528.81	-	24.5	-
Finance and Planning	333.52	25	13.23	-	28.2	-	213.08	-	8.45	-
Agriculture, Livestock and Fisheries	23.62	151.97	1.09	-	2.39	-	218.59	-	10.13	-
Industrialization, Energy, Research and ICT	18.5	24.51	0.86	-	0.23	-	27.41	-	1.27	-
Water and Irrigation	15.93	334.77	0.74	-	0.86	-	116.79	-	5.41	-
Education and Libraries	151.79	161.39	7.03	-	10.9	-	154.9	-	7.18	-
Health	270.51	166.62	17.39	-	3.69	-	21.2	-	1.36	-
Trade and Community Affairs	34.04	178.24	1.58	-	0.83	-	52.58	-	2.44	-
County Public Service Board	15.42	-	0.71	-	2.96	-	414.59	-	19.21	-
Infrastructure and Public Works	18.79	286.52	0.87	-	-	-	-	-	-	-
Lands and Mining	29.75	20.5	1.38	-	0.32	-	23.52	-	1.09	-
Tourism and Natural Resources	13.29	23.22	0.62	-	0.18	-	29.9	-	1.39	-
TOTAL	3,247.49	1,399.96	647.85	-	617.34	-	95.3	-	19	-

Source: Taita Taveta County Treasury

Analysis of budget performance by department shows that the Administration and Devolution Department attained the highest recurrent expenditure to recurrent budget at 26.1 per cent while the Department of Infrastructure and Public Works did not incur any expenditure. The County did not incur any expenditure on development activities.

3.39.9 Observations and Recommendations

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

- Timely submission of quarterly financial reports to the Controller of Budget by the County Government entities in line with Section 166 of the PFM Act, 2012.
- Improvement in human capacity through recruitment of additional key staff in the Procurement and Revenue Departments.

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

1. Delay in disbursement of the equitable share of revenue raised nationally by the National Treasury. As at the end of the reporting period, Kshs.642.86 million had been disbursed against an expected disbursement of Kshs.896 million in the first quarter of FY 2017/18.
2. Failure to refund unspent funds at the end of the financial year into the County Revenue Account maintained at the Central Bank of Kenya contrary to Section 136(2) of the PFM Act, 2012.
3. Under-performance of local revenue collection, which declined by 60.2 per cent from Kshs.39.64 million in the first quarter of FY 2016/17 to Kshs.15.76 million in the first quarter of FY 2017/18.
4. Failure to budget for all conditional grants as per CARA, 2017.

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

1. *The County Treasury should liaise with the National Treasury to ensure that funds allocated to the County are released in line with the CARA, 2017 Disbursement Schedule.*
2. *The County Treasury should deposit all unspent balances at the end of the financial year into the County Revenue Fund Account in line with Section 136(2) of the PFM Act, 2012.*
3. *The County should formulate and implement strategies to enhance local revenue collection.*
4. *The County should develop a Supplementary Budget to align conditional grants to the CARA, 2017.*

3.40 Tana River County

3.40.1 Overview of the FY 2017/18 Budget

The County's FY 2017/18 Approved Budget is Kshs.5.8 billion, comprising of Kshs.3.34 billion (58 per cent) and Kshs.2.46 billion (42 per cent) allocation for recurrent and development expenditure respectively.

To finance the budget, the County expects to receive Kshs.5.35 billion (92.2 per cent) as equitable share of revenue raised nationally, Kshs.472.36 million (8.2 per cent) as total conditional grants, and generate Kshs.60 million (1 per cent) from local revenue sources, and Kshs.20.38 million (0.4 per cent) cash balance from FY 2016/17.

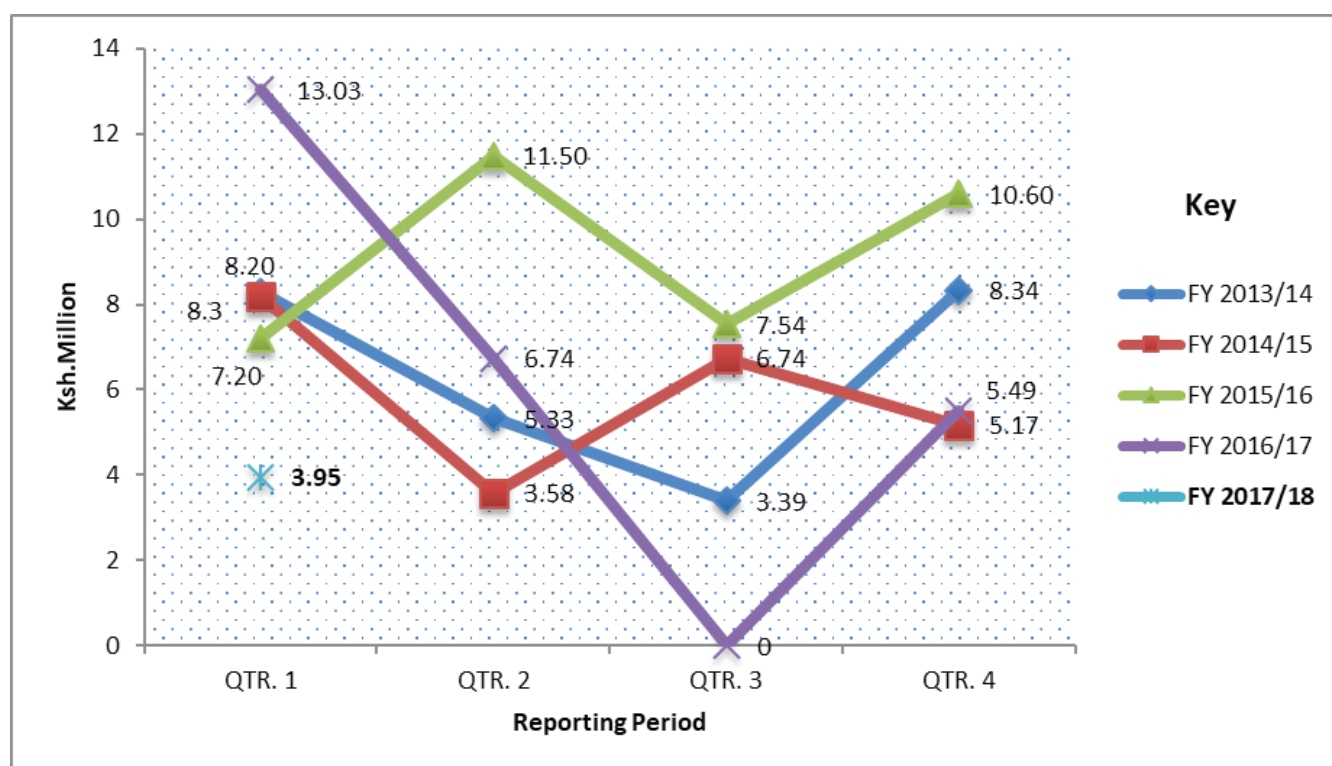
The conditional grants contained in the CARA, 2017 of Kshs.538.36 million comprise of Kshs.169.77 million (31.5 per cent) for Road Maintenance Fuel Levy, Kshs.121 million (22.5 per cent) as Supplement for Construction of County Headquarters, Kshs.71.22 million (13.2 per cent) as World Bank loan for Transforming Health System Universal Care System, Kshs.66 million (12.3 per cent) from the EU, Kshs.41.1 million (7.6 per cent) for the Kenya Devolution Support Programme, Kshs.27.36 million (5.1 per cent) for Development of Youth Polytechnics, Kshs.24.73 million (4.6 per cent) as World Bank Loan to Supplement Financing of County Health Facilities, Kshs.11.5 million (2.1 per cent) for DANIDA grant, Kshs.5.69 million (1.1 per cent) as conditional grant for Compensation for User Fee Foregone.

3.40.2 Revenue Analysis

During the first quarter, the County received Kshs.79.11 million as total conditional grants, generated Kshs.3.95 million from local revenue collection, and had Kshs.20.38 million cash balance from FY 2016/17.

Figure 3.116 shows the quarterly trend in local revenue collection from the first quarter of FY 2013/14 to the first quarter FY 2017/18.

Figure 3.116: Tana River County, Trend in Local Revenue Collection by Quarter from the First Quarter of FY 2013/14 to the First Quarter of FY 2017/18



Source: Tana River County Treasury

The total local revenue collected in the first quarter of FY 2017/18 amounted to Kshs.3.95 million, representing a decrease of 69.7 per cent compared to Kshs.13.03 million generated in a similar period of FY 2016/17, and represented 6.6 per cent of the annual local revenue target.

3.40.3 Conditional Grants

Table 3.82 shows an analysis of conditional grants released in the first quarter of FY 2017/18.

Table 3.82: Tana River County, Analysis of Conditional Grants Released in the First Quarter of FY 2017/18

S/No	Grants	Annual CARA, 2017 Allocation (in Kshs)	Annual Budget Allocation (in Kshs)	Actual receipts in First Quarter of FY 2017/18 (in Kshs)	Actual Receipts as Percentage of Annual CARA, 2017 Allocation (%)
A	Grants Contained in the CARA, 2017				
1	Road Maintenance Fuel Levy Fund	169, 770, 271	169, 770, 389	79, 112, 946	46.6
2	Supplement for Construction of County HQ	121, 000, 000	121, 000, 000	-	-
3	World Bank Loan for Transforming Health System for Universal Care System	71, 224, 457	-	-	-
4	EU Grant	66, 000, 000	-	-	-
5	Kenya Devolution Support Programme (KDSP)	41, 095, 762	41, 095, 762	-	-
6	Development of Youth Polytechnics	27, 360, 819	27, 360, 819	-	-
7	World Bank loan to Supplement Financing of County Health Facilities	24, 725, 000	24, 725, 000	-	-
8	DANIDA Grant	11, 504, 299	-	-	-
9	Compensation for User Fee Foregone	5, 682, 537	5, 682, 537	-	-
Grand Total		538, 363, 145	389, 634, 507	79, 112, 946	14.7

Source: Tana River County Treasury

Analysis of the conditional grants released during the period under review indicates that, the Road Maintenance Fuel Levy Fund received Kshs.79.11 million, while all other grants did not report any receipts.

3.40.4 Exchequer Issues

During the reporting period, the County did not receive any exchequer approval from the Controller of Budget.

3.40.5 Overall Expenditure Review

The County Treasury did not report any expenditure during the first quarter of FY 2017/18.

3.40.6 Observations and Recommendations

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

- Improvement in the use of the Internet Banking payment system and the adoption of IFMIS to process financial transactions.
- Timely submission of quarterly financial reports to the Controller of Budget by the County Government entities in line with Section 166 of the PFM Act, 2012.

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

- Failure by the County Assembly to either pass a Vote on Account or approve the FY 2017/18

Budget in time. The FY 2017/18 Budget was approved on 19th September, 2017. Therefore, the County had no adequate time to implement the budget in the first quarter of FY 2017/18.

2. Failure to budget for all conditional grants as per CARA, 2017.

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

- 1. The County Executive and the Assembly should ensure timely preparation and approval of budgets to avoid delays in budget execution.*
- 2. The County should develop a Supplementary Budget to align conditional grants to the CARA, 2017.*

3.41 Tharaka Nithi County

3.41.1 Overview of the FY 2017/18 Budget

The County's FY 2017/18 Approved Budget is Kshs.4.51 billion, comprising of Kshs.3.02 billion (67 per cent) and Kshs.1.48 billion (33 per cent) allocation for recurrent and development expenditure respectively.

To finance the budget, the County expects to receive Kshs.3.68 billion (81.8 per cent) as equitable share of revenue raised nationally, Kshs.347.06 million (7.7 per cent) as total conditional grants, and generate Kshs.179.92 million (4 per cent) from local revenue sources, and Kshs.240 million (5.3 per cent) cash balance from FY 2016/17.

The conditional grants contained in the CARA, 2017 of Kshs.497.57 million comprise of Kshs.133.68 million (38.5 per cent) from the Road Maintenance Fuel Levy Fund, Kshs.8.22 million (2.4 per cent) as Compensation for User Fee Foregone, Kshs.9.06 million (2.6 per cent) from DANIDA, Kshs.121 million (34.9 per cent) for Construction of County Headquarters, Kshs.18.77 million (5.4 per cent) as World Bank loan to supplement financing of County Health facilities, Kshs.35.99 million (10.4 per cent) for the World Bank Kenya Devolution Support Program, Kshs.38.12 million (11 per cent) for Development of Youth Polytechnics, Kshs.22 million (6.3 per cent) as World Bank Loan for Transforming Health System for Universal Care System, Kshs.14.98 million (4.3 per cent) as conditional allocation loan grants and Kshs.14.98 million (4.3 per cent) from Other Loans and Grants.

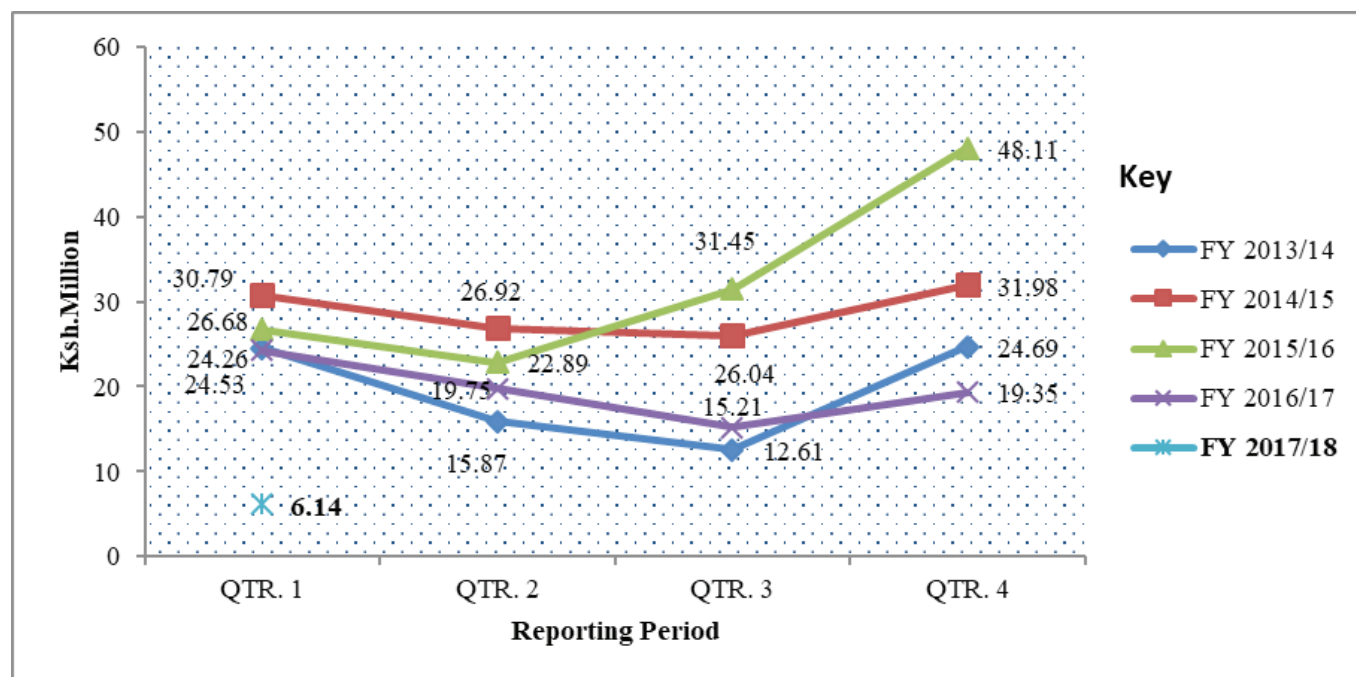
The County budgeted to receive Agricultural Sector Development Support Programme grant (Kshs.12.84 million) and World Bank Health Fund (Kshs.33.20 million) as additional conditional grants which were not contained in the CARA, 2017.

3.41.2 Revenue Analysis

During the first quarter of FY 2017/18, the County received Kshs.257.91 million as equitable share of the revenue raised nationally, Kshs.107 million as total conditional allocations, raised Kshs.6.14 million from local revenue sources, and had a cash balance of Kshs.287.54 million from FY 2016/17. The available funds amounted to Kshs.765.59 million.

Figure 3.117 shows the quarterly trend in local revenue collection from the first quarter of FY 2013/14 to the first quarter FY 2017/18.

Figure 3.117: Tharaka Nithi County, Trend in Local Revenue Collection by Quarter from the First Quarter of FY 2013/14 to the First Quarter of FY 2017/18



Source: Tharaka Nithi County Treasury

The total local revenue collected in the first quarter of FY 2017/18 amounted to Kshs.6.14 million, representing a decrease of 74.7 per cent compared to Kshs.24.26 million generated in a similar period of FY 2016/17, and represented 3.4 per cent of the annual local revenue target.

3.41.3 Conditional Grants

Table 3.83 shows an analysis of conditional grants released in the first quarter of FY 2017/18.

Table 3.83: Tharaka Nithi County, Analysis of Conditional Grants Released in the First Quarter of FY 2017/18

S/No	Grants	Annual CARA, 2017 Allocation (in Kshs)	Annual Budget Allocation (in Kshs)	Actual receipts in First Quarter of FY 2017/18 (in Kshs)	Actual Receipts as Percentage of Annual Allocation (%)
A	Grants Contained CARA, 2017				
1	Road Maintenance Fuel Levy Fund	133, 683, 063	133, 682, 063	62, 346, 143	46.6
2	Leasing of Medical Equipment	95, 744, 681	-	-	-
3	World Bank loan to supplement financing of County Health facilities	18, 767, 500	-	44, 654, 343	237.9
4	Kenya Devolution Support Program (KDSP)	35, 989, 349	-	-	-
5	Compensation for User Fee Foregone	8, 218, 119	8, 218, 119	-	-
6	DANIDA Grant	9, 058, 820	-	-	-
7	Supplement for Construction of County Headquarters	121, 000, 000	121, 000, 000	-	-
8	Development of Youth Polytechnics	38, 121, 678	38, 121, 678	-	-
Sub Total		497, 565, 561	301, 021, 860	107, 000, 486	22

B	Other Grants				
9	Agricultural Sector Development Support Programme (ASD-SP) Grants	-	12, 837, 611	-	-
10	World Bank Health Fund	-	33, 203, 560	-	-
Sub Total		-	46, 041, 171	-	-
Total		497, 565, 561	347, 063, 031	107, 000, 486	22

Source: Tharaka Nithi County Treasury

Analysis of the conditional grants released during the period under review indicates that, the World Bank Loan to supplement financing of County Health Facilities and the Road Maintenance Fuel Levy Fund recorded the highest receipt at 237.9 per cent and 47 per cent of annual allocation respectively.

3.41.4 Exchequer Issues

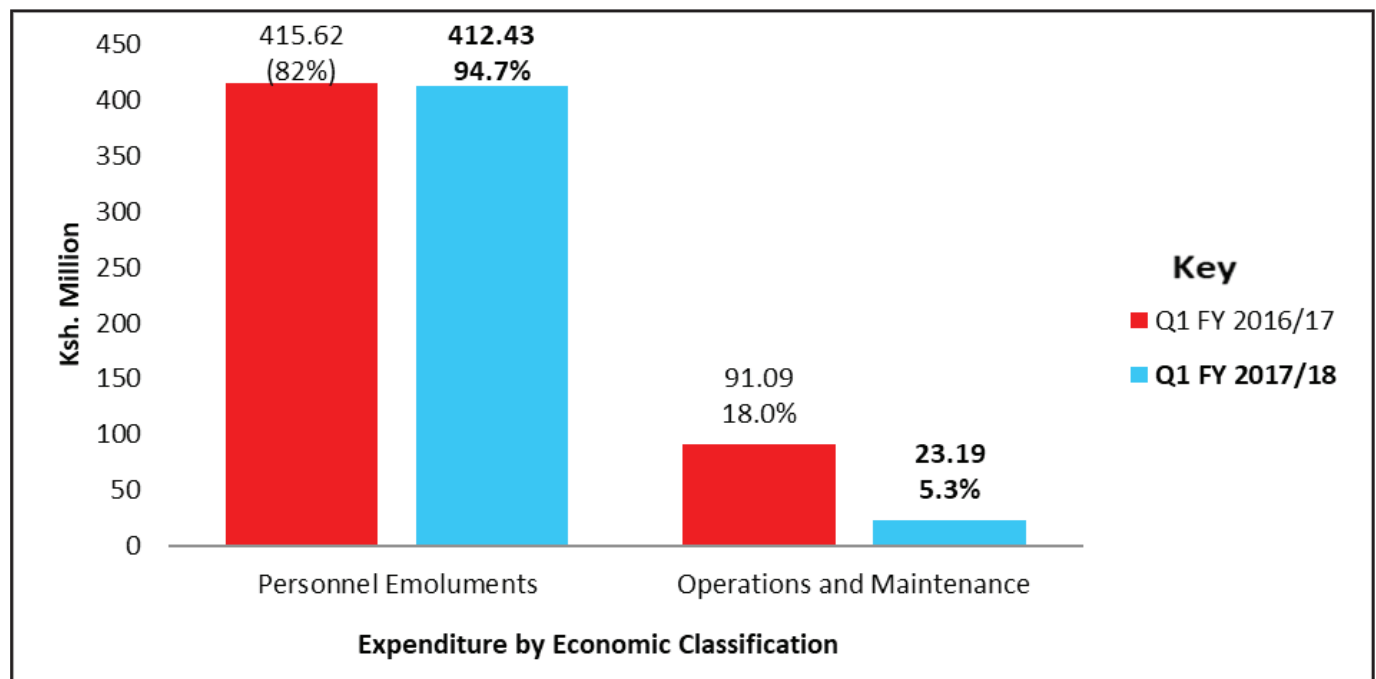
During the reporting period, the Controller of Budget authorized withdrawal of Kshs.459 million from the CRF account, which was 10.2 per cent of the Approved Budget. This amount was a decrease of 42.4 per cent from Kshs.797.27 million authorized in a similar period of FY 2016/17. The entire amount was for recurrent expenditure.

3.41.5 Overall Expenditure Review

The County incurred Kshs.435.62 million, which was 94.9 per cent of the total funds released for operations. This was a decrease of 14.1 per cent from Kshs.507 million incurred in the first quarter of FY 2016/17. The expenditure excluded outstanding commitments as at September 30th, 2017 that amounted to Kshs.2.32 million for recurrent expenditure.

The recurrent expenditure represented 14.6 per cent of the annual recurrent budget, a decrease from 16.2 per cent incurred in a similar period of FY 2016/17. Figure 3.118 presents a comparison between the total expenditure in the first quarter of FY 2016/17 and the first quarter of FY 2017/18.

Figure 3.118: Tharaka Nithi County, Expenditure by Economic Classification in the First Quarter of FY 2016/17 and First Quarter of FY 2017/18



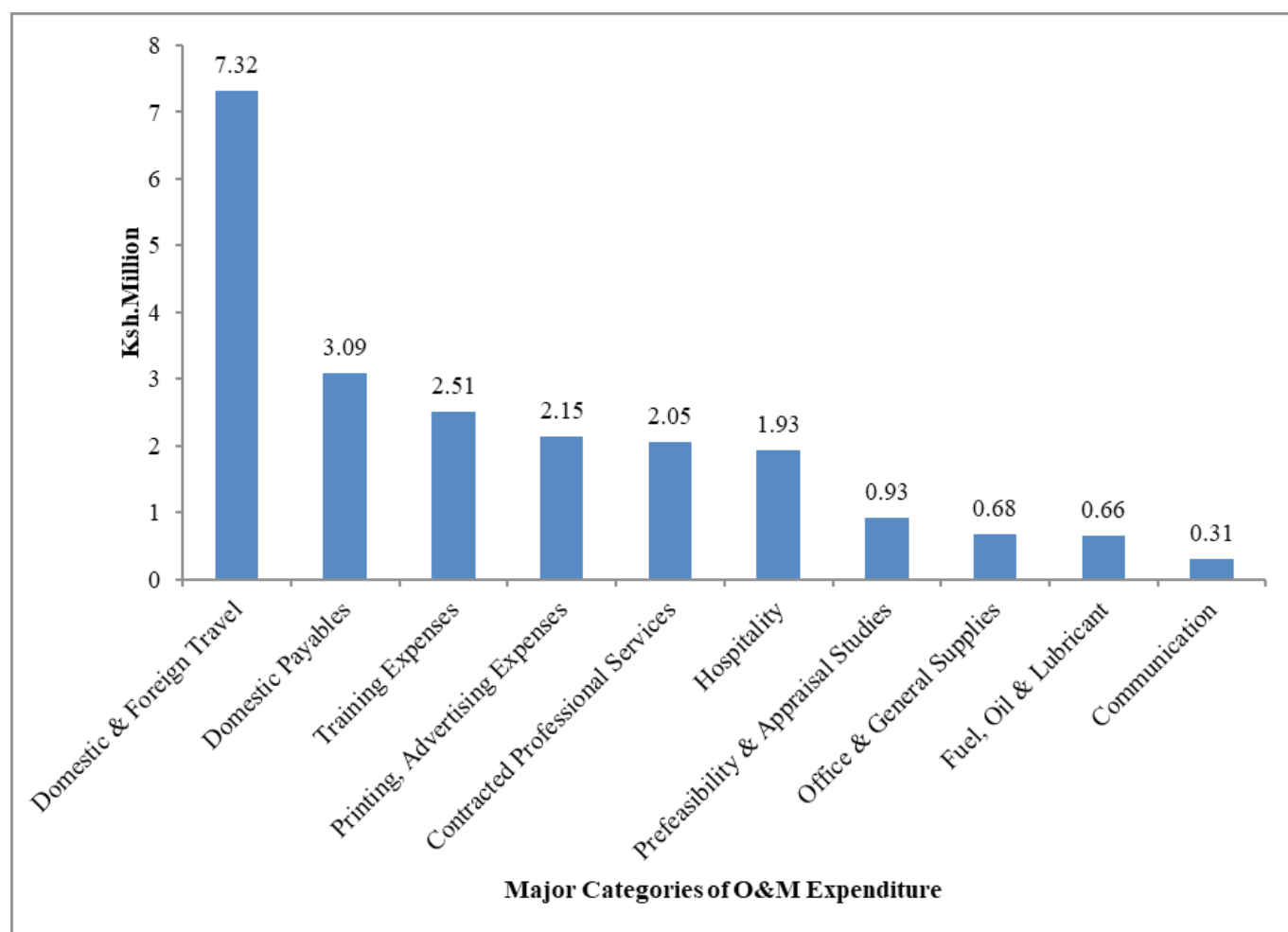
Source: Tharaka Nithi County Treasury

3.41.6 Analysis of Recurrent Expenditure

The total recurrent expenditure of Kshs.435.62 million consisted of Kshs.412.43 million (94.7 per cent) incurred on personnel emoluments and Kshs.23.19 million (5.3 per cent) on operations and maintenance as shown in Figure 3.118.

Expenditure on personnel emoluments represented a decrease of 8 per cent compared to Kshs.415.62 million incurred in the first quarter of FY 2016/17, and was 82 per cent of total expenditure in the first quarter of FY 2017/18. Figure 3.119 shows a summary of operations and maintenance expenditure by major categories.

Figure 3.119: Tharaka Nithi County, Operations and Maintenance Expenditure by Major Categories in the First Quarter of FY 2017/18



Source: Tharaka Nithi County Treasury

The County incurred Kshs.220,000 on committee sitting allowances to the 21 MCAs against the annual budget allocation of Kshs.36 million. This was a decrease of 94.8 per cent compared to Kshs.4.26 million incurred in the first quarter of FY 2016/17. The average monthly sitting allowance was Kshs.3,492 per MCA compared to SRC's recommended monthly ceiling of Kshs.80,000.

Expenditure on domestic and foreign travel amounted to Kshs.7.32 million and consisted of Kshs.4.04 million incurred by the County Assembly and Kshs.3.28 million by the County Executive. It represented 1.7 per cent of total recurrent expenditure and was a decrease of 48.6 per cent compared to Kshs.14.25 million incurred in the first quarter of FY 2016/17.

3.41.7 Development Expenditure Analysis

The County did not report any expenditure on development activities during the reporting period.

3.41.8 Budget and Budget Performance Analysis by Department

Table 3.84 shows a summary of budget estimates and budget performance by department in the first quarter of FY 2017/18

Table 3.84: Tharaka Nithi County, Budget Performance by Department in the First Quarter of FY 2017/18

Department	Budget Allocation (Kshs.Million)		Exchequer Issues in the first quarter of FY 2017/18 (Kshs. Million)		Expenditure in the first quarter of FY 2017/18 (Kshs.Million)		Expenditure to Exchequer Issues (%) First Quarter FY 2017/18		Absorption rate (%) First Quarter FY 2017/18	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
County Assembly	466.39	100	30	-	29.57	-	98.6	-	6.3	-
County Executive	156.60	-	24.99	-	9.08	-	36.4	-	5.8	-
Finance and Economic Planning	420.18	195.6	57.5	-	23.59	-	41	-	5.6	-
Agriculture, Livestock and Fisheries Development	269.17	117.28	49.39	-	46.89	-	94.9	-	17.4	-
Tourism, Environment and Natural Resources	55.39	28.5	13.5	-	7.86	-	58.2	-	14.2	-
Education, Youth, Gender, Cultural and Social Services	200.9	90	30.6	-	35.6	-	116.3	-	17.7	-
Health Services	1, 045.98	116.75	180.72	-	261.15	-	144.5	-	25	-
Physical Planning, Land, Energy and ICT	50.84	29	10.1	-	2.15	-	21.3	-	4.2	-
Road, Transport, Housing and Public Works	76.10	428.4	15.5	-	2.87	-	18.5	-	3.8	-
Public Services and Urban Development	168.38	119.45	28.61	-	13.11	-	45.8	-	7.8	-
Trade, Industry and Cooperative Development	49.96	53	7.6	-	2.23	-	29.4	-	4.5	-
Water Services and Irrigation	29.32	203.5	2.5	-	0	-	-	-	-	-
County Public Service Management	35.44	-	8	-	1.51	-	18.9	-	4.3	-
TOTAL	3, 024.7	1,481.5	459	-	435.62	-	94.9	-	14.6	-

Source: Tharaka Nithi County Treasury

Analysis of budget performance by department shows that the Department of Health Services had the highest percentage of recurrent expenditure to recurrent budget at 25 per cent while the Department of Water Services and Irrigation did not incur any recurrent expenditure.

3.41.9 Observations and Recommendations

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

- Timely submission of quarterly financial reports to the Controller of Budget by the County Government entities in line with Section 166 of the PFM Act, 2012.
- Establishment of the County Budget and Economic Forum (CBEF) in line with Section 137 of the PFM Act, 2012.

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

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

2. Delay by Fund Administrators to submit expenditure reports of the County Public Finance Management Bursary, Educational Development and Infrastructure Fund, Car Loan and Mortgage Fund, County Assembly Members Car Loan and Mortgage Fund and the Biashara Mashinani Funds contrary to Section 168 of the PFM Act, 2012.
3. Under-performance of local revenue collection which declined by 74.7 per cent from Kshs.24.26 million in the first quarter of FY 2016/17 to Kshs.6.14 million in the reporting period.
4. Operational delays and IFMIS connectivity challenges, which slowed down approval of procurement requests and payment to suppliers.
5. Failure to budget for all conditional grants as per CARA, 2017.

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

- 1. The County should establish an Internal Audit Committee and also strengthen the internal audit function in line with Section 155 of the PFM Act, 2012.*
- 2. All Fund Administrators should ensure timely submission of expenditure reports in line with Section 168 of the PFM Act, 2012.*
- 3. The County Treasury should formulate and implement strategies to enhance local revenue collection.*
- 4. The County should liaise with the IFMIS Directorate to address the IFMIS connectivity issues.*
- 5. The County should develop a Supplementary Budget to align conditional grants to the CARA, 2017.*

3.42 Trans-Nzoia County

3.42.1 Overview of the FY 2017/18 Budget

The County's FY 2017/18 Approved Budget is Kshs.6.82 billion, comprising of Kshs.4.43 billion (64.9 per cent) and Kshs.2.39 billion (35.1 per cent) allocation for recurrent and development expenditure respectively.

To finance the budget, the County expects to receive Kshs.5.65 billion (82.8 per cent) as equitable share of revenue raised nationally, Kshs.575.73 million (8.4 per cent) as total conditional grants, and generate Kshs.600 million (8.8 per cent) from local revenue sources, and Kshs.36.89 million (0.5 per cent) cash balance from FY 2016/17.

The conditional grants contained in the CARA, 2017 of Kshs.507.84 million comprise of Kshs.217.28 million (37.7 per cent) from the Road Maintenance Fuel Levy Fund, Kshs.21.3 million (3.7 per cent) as Compensation for User Fee Foregone, Kshs.14.72 million (2.6 per cent) from DANIDA, Kshs.43.39 million (7.5 per cent) for the World Bank Kenya Devolution Support Program, Kshs.39.11 million (6.8 per cent) for Development of Youth Polytechnics, Kshs.78.32 million (13.6 per cent) as World Bank

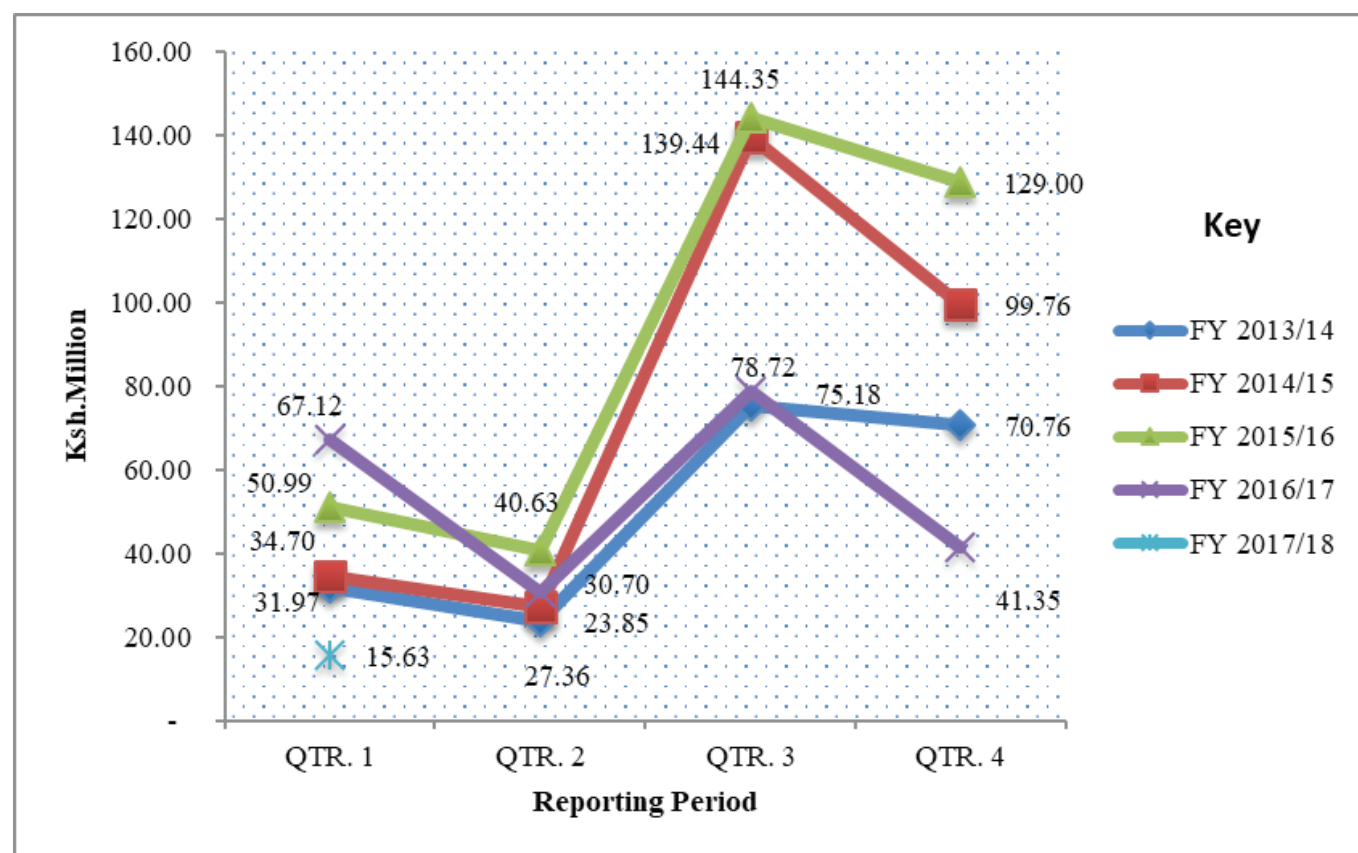
Loan for Transforming Health System for Universal Care System, Kshs.50 million (8.7 per cent) as World Bank Loan for National Agricultural & Rural Inclusive Project, and Kshs.43.7 million (7.6 per cent) from Other Loans and Grants.

3.42.2 Revenue Analysis

During the first quarter of FY 2017/18, the County received Kshs.395.32 million as equitable share of the revenue raised nationally, Kshs.101.33 million as total conditional allocations, raised Kshs.15.63 million from local revenue sources, and had Kshs.36.89 million cash balance from FY 2016/17. The available funds amounted to Kshs.549.18 million.

Figure 3.120 shows the quarterly trend in local revenue collection from the first quarter of FY 2013/14 to the first quarter FY 2017/18.

Figure 3.120: Trans-Nzoia County, Trend in Local Revenue Collection by Quarter from the First Quarter of FY 2013/14 to the First Quarter of FY 2017/18



Source: Trans-Nzoia County Treasury

The total local revenue collected in the first quarter of FY 2017/18 amounted to Kshs.15.63 million, representing a significant decrease of 76.7 per cent compared to Kshs.67.12 million generated in a similar period of FY 2016/17, and represented 2.6 per cent of the annual local revenue target.

3.42.3 Conditional Grants

Table 3.85 shows an analysis of conditional grants released in the first quarter of FY 2017/18.

Table 3.85: Trans-Nzoia County, Analysis of Conditional Grants Released in the First Quarter of FY 2017/18

S/No	Grants	Annual CARA, 2017 Allocation (in Kshs)	Annual Budget Allocation (in Kshs)	Actual receipts in First Quarter of FY 2017/18 (in Kshs.)	Actual Receipts as Percentage of Annual CARA, 2017 Allocation (%)
A	Grants Contained in the CARA, 2017				
1	Road Maintenance Fuel Levy Fund	217, 278, 809	217, 278, 809	101, 333, 683	46.6
2	World Bank Loan for Transforming Health System for Universal Care System	78, 322, 596		-	-
3	World Bank Loan for National Agricultural & Rural Inclusive Project	50, 000, 000	-		
4	Other Loans & Grants	43, 699, 195	186, 745, 455	-	-
5	Kenya Development Support Programme (KDSP)	43, 386, 482	43, 386, 482	-	-
6	Development of Youth Polytechnics	39, 109, 877	39, 109, 877	-	-
7	Compensation for User Fee Foregone	21, 304, 915	21, 304, 915	-	-
8	DANIDA Grant	14, 723, 664	-	-	-
Sub Total		507, 825, 538	507, 825, 538	101, 333, 683	20
B	Other Grants Not Contained in the CARA, 2017				
9	Free Maternal Healthcare	-	67, 908, 400	-	-
Sub Total		-	67, 908, 400	-	-
Grand Total		507, 825, 538	575, 733, 938	101, 333, 683	20

Source: Trans-Nzoia County Treasury

Analysis of the conditional grants released during the period under review indicates that, the County received Kshs.101.33 million from Road Maintenance Fuel Levy Fund as the only conditional grant as contained in the CARA, 2017. This receipt accounted for 20 per cent of the total conditional grants received during the period under review.

3.42.4 Exchequer Issues

During the reporting period, the Controller of Budget authorized withdrawal of Kshs.450.44 million from the CRF account, which was 6.6 per cent of the Approved Budget. This amount represented a significant decrease of 63.1 per cent from Kshs.1, 220.83 million authorized in a similar period of FY 2016/17. The entire amount was for recurrent expenditure.

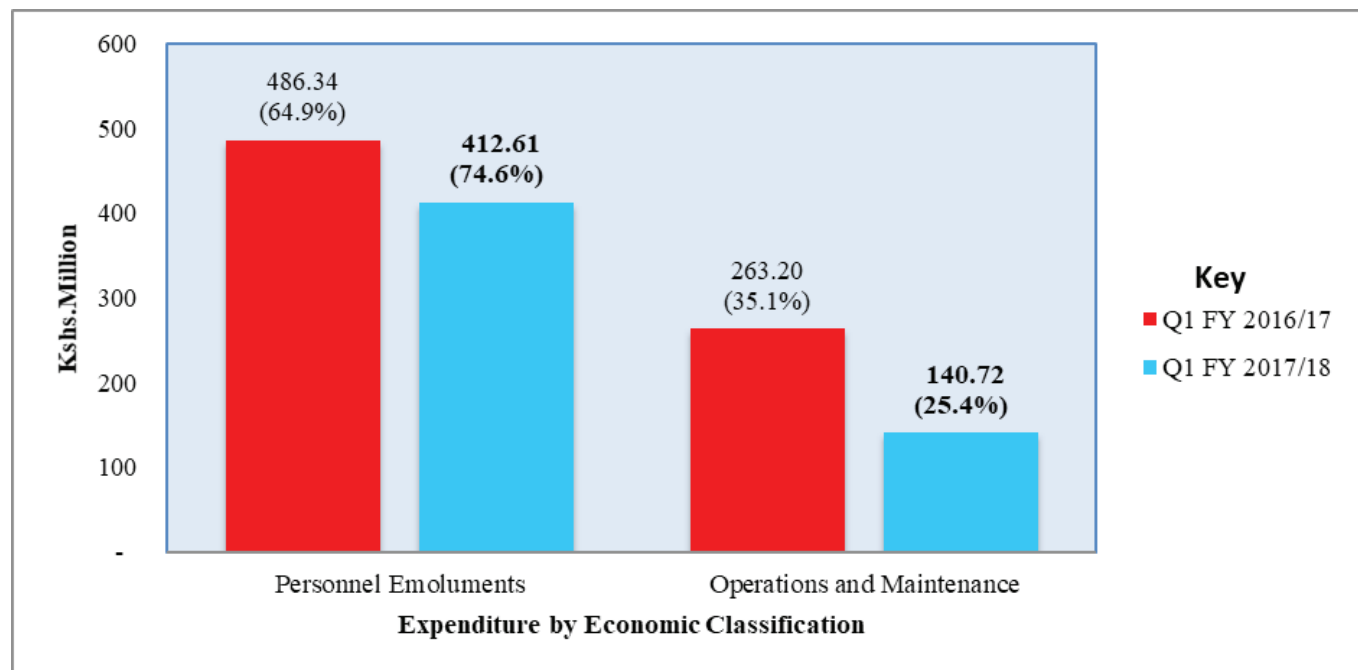
3.42.5 Overall Expenditure Review

The County incurred Kshs.553.34 million, which was 122.8 per cent of the total funds released for operations and was a decrease of 26.2 per cent from Kshs.1, 110.71 million incurred in the first quarter of FY 2016/17.

The total expenditure of Kshs.553.34 million was incurred on recurrent activities and represented 122.8 per cent of the funds released for recurrent activities. The expenditure excluded outstanding commitments as at September 30th, 2017 that amounted to Kshs.3.17 million for recurrent expenditure.

The recurrent expenditure represented 12.5 per cent of the annual recurrent budget, a decrease from 20.5 per cent incurred in a similar period of FY 2016/17. Figure 3.121 presents a comparison between the total expenditure in the first quarter of FY 2016/17 and the first quarter of FY 2017/18.

Figure 3.121: Trans-Nzoia County, Expenditure by Economic Classification in the First Quarter of FY 2016/17 and First Quarter of FY 2017/18



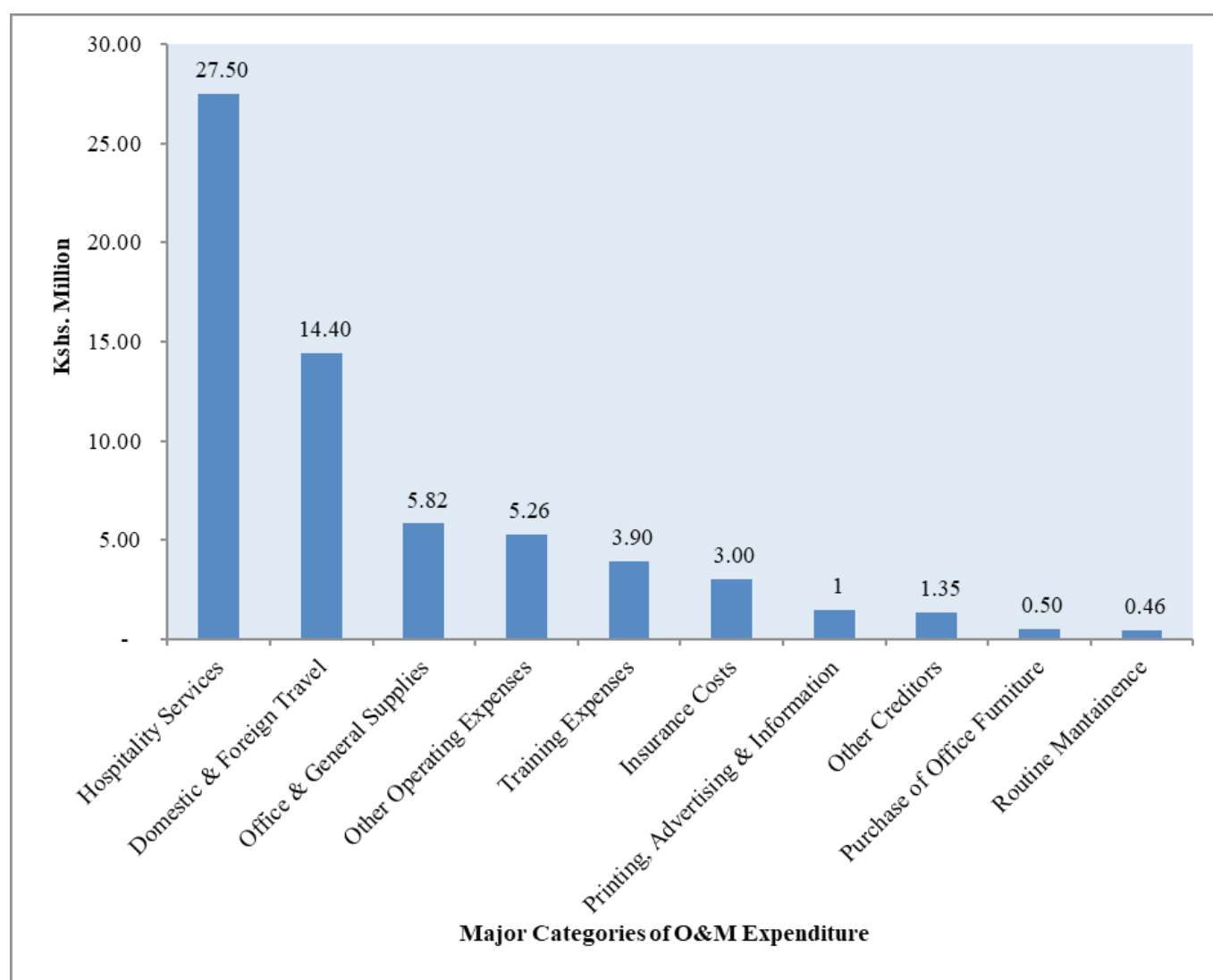
Source: Trans-Nzoia County Treasury

3.42.6 Analysis of Recurrent Expenditure

The total recurrent expenditure of Kshs.553.34 million consisted of Kshs.412.61 million (74.6 per cent) incurred on personnel emoluments and Kshs.140.72 million (25.4 per cent) on operations and maintenance as shown in Figure 3.121.

Expenditure on personnel emoluments represented a decrease of 15.2 per cent compared to Kshs.486.34 million incurred in the first quarter of FY 2016/17, and was 74.6 per cent of total expenditure in the first quarter of FY 2017/18. Figure 3.122 shows a summary of operations and maintenance expenditure by major categories.

Figure 3.122: Trans-Nzoia County, Operations and Maintenance Expenditure by Major Categories in the First Quarter of FY 2017/18



Source: Trans-Nzoia County Treasury

The County Assembly did not incur any expenditure on committee sitting allowances to the 46 MCAs. Expenditure on domestic and foreign travel amounted to Kshs.14.4 million and consisted of Kshs.12.03 million incurred by the County Assembly and Kshs.2.36 million by the County Executive. It represented 2.6 per cent of total recurrent expenditure and was a significant decrease of 79.7 per cent compared to Kshs.71.07 million incurred in the first quarter of FY 2016/17.

3.42.7 Development Expenditure Analysis

The County did not report any expenditure on development activities during the reporting period.

3.42.8 Budget and Budget Performance Analysis by Department.

Table 3.2 shows a summary of budget estimates and budget performance by department in the first quarter of FY 2017/18.

Table 3.86: Trans-Nzoia County, Budget Performance by Department in the First Quarter of FY 2017/18

Department	Budget Allocation (Kshs.Million)		Exchequer Issues in the first quarter of FY 2017/18 (Kshs.Million)		Expenditure in the first quarter of FY 2017/18 (Kshs.Million)		Expenditure to Exchequer Issues (%) First Quarter FY 2017/18		Absorption rate (%) First Quarter FY 2017/18	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
Agriculture, Livestock, Veterinary & Fisheries	275.69	202.12	30.89	-	40.71	-	131.8	-	14.8	-
Economic Planning, Commerce & Industry	51.7	109.5	4.74	-	6.36	-	134.2	-	12.3	-
Water, Environment & Natural Resources	72.57	289.88	7.42	-	11.95	-	161.1	-	16.5	-
Public Works, Transport & Infrastructure	288.16	614.48	14.31	-	16.86	-	117.8	-	5.9	-
Health Services	1, 667.33	537	218.35	-	274.63	-	125.8	-	16.5	-
Lands, Housing & Physical Planning	82.95	86.5	4.23	-	5.76	-	136.2	-	6.9	-
Gender, Youth, Sports, Culture & Tourism	99.34	103	3.19	-	6.77	-	212.2	-	6.8	-
Education, ECDE & Vocational Training	357.29	244.01	39.89	-	50.43	-	126.4	-	14.1	-
Governance & Public Service Management	383.56	68	46.59	-	52.06	-	111.7	-	13.6	-
County Public Service Board	35	20	0.93	-	-	-	-	-	-	-
Finance	585.61	70	21.56	-	33.36	-	154.7	-	5.7	-
County Assembly	530.45	48.99	58.33	-	54.45	-	93.3	-	10.3	-
TOTAL	4, 429.65	2, 393.48	450.44	-	553.34	-	122.8	-	12.5	-

Source: Trans-Nzoia County Treasury

Analysis of budget performance by department shows that the Department of Health, and the Department of Water, Environment and Natural Resources had the highest percentage of recurrent expenditure to recurrent budget at 16.5 per cent each, followed by the Department of Agriculture, Livestock Veterinary and Fisheries at 14.8 per cent.

3.42.9 Observations and Recommendations

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

- Streamlining the management of the County established Funds through the establishment of Regulations and/or Acts, and appointment of Fund Administrators.
- Improvement in the use of IFMIS by the County Departments.

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

- Late submission of financial reports by the County Treasury, which affected timely preparation

of budget implementation report.

2. Delay in disbursement of the equitable share of revenue raised nationally by the National Treasury. As at the end of the reporting period, Kshs.395.32 million had been disbursed against expected disbursement of Kshs.1.38 billion.
3. Under-performance in local revenue collection. The Local revenue collection declined by 76.7 per cent from Kshs.67.12 million in the first quarter of FY 2016/17 to Kshs.15.63 million in the reporting period.
4. Failure to budget for all conditional grants as per CARA, 2017.

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

1. *The County Treasury should ensure timely preparation and submission of financial reports to the Controller of Budget in line with Section 166 of PFM Act, 2012.*
2. *The County Treasury should liaise with the National Treasury to ensure that funds allocated to the County are released in line with the CARA, 2017 Disbursement Schedule.*
3. *The County Treasury should formulate and implement strategies to enhance local revenue collection.*
4. *The County should develop a Supplementary Budget to align conditional grants to the CARA, 2017.*

3.43 Turkana County

3.43.1 Overview of the FY 2017/18 Budget

The County's FY 2017/18 Approved Budget is Kshs.11.21 billion, comprising of Kshs.7.23 billion (64.5 per cent) and Kshs.3.98 billion (35.5 per cent) allocation for recurrent and development expenditure respectively.

To finance the budget, the County expects to receive Kshs.10.07 billion (89.4 per cent) as equitable share of revenue raised nationally, Kshs.936.43 million (8.4 per cent) as total conditional grants, and generate Kshs.200 million (1.8 per cent) from local revenue sources.

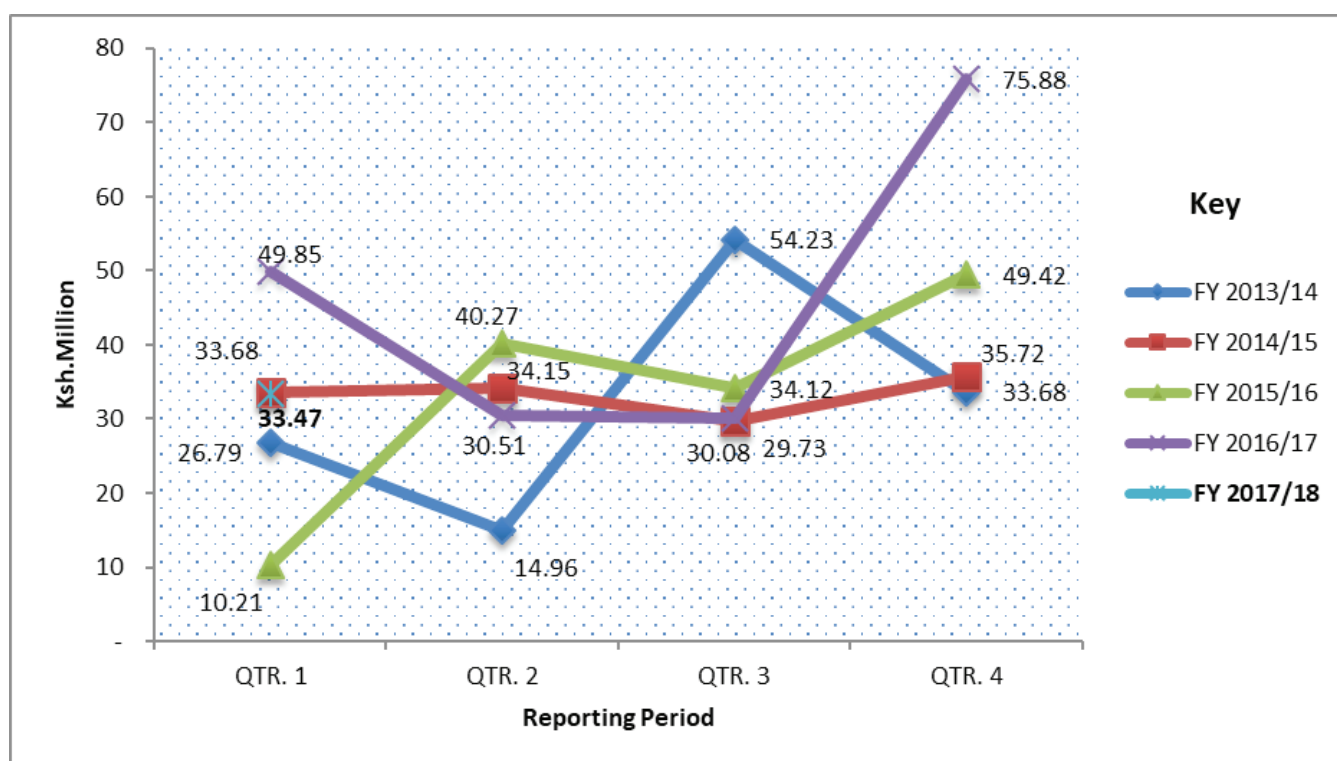
The conditional grants contained in the CARA, 2017 of Kshs.936.43 million comprise of Kshs.446.48 million (47.7 per cent) from the Road Maintenance Fuel Levy Fund, Kshs.25.63 million (2.7 per cent) as Compensation for User Fee Foregone, Kshs.30.26 million (3.2 per cent) from DANIDA, Kshs.24.2 million (2.6 per cent) as World Bank loan to supplement financing of County Health facilities, Kshs.61.12 million (6.5 per cent) for the World Bank Kenya Devolution Support Program, Kshs.26.36 million (2.8 per cent) for Development of Youth Polytechnics, Kshs.110 million (11.7 per cent) as World Bank Loan for Transforming Health System for Universal Care System, Kshs.50 million (5.3 per cent) as World Bank Loan for National Agricultural & Rural Inclusive Project, Kshs.95.74 million (10.2 per cent) for Leasing of Medical Equipment Union Grant, and Kshs.66.64 million (7.1 per cent) from Other Loans and Grants.

3.43.2 Revenue Analysis

During the first quarter of FY 2017/18, the County did not receive equitable share of the revenue raised nationally, however, it received, Kshs.275.49 million as total conditional allocations, raised Kshs.33.47 million from local revenue sources, and had a cash balance of Kshs.904.56 million from FY 2016/17. The available funds amounted to Kshs.1.21 billion.

Figure 3.123 shows the quarterly trend in local revenue collection from the first quarter of FY 2013/14 to the first quarter FY 2017/18.

Figure 3.123: Turkana County, Trend in Local Revenue Collection by Quarter from the First Quarter of FY 2013/14 to the First Quarter of FY 2017/18



Source: Turkana County Treasury

The total local revenue collected in the first quarter of FY 2017/18 amounted to Kshs.33.47 million, representing a decrease of 32.9 per cent compared to Kshs.49.85 million generated in a similar period of FY 2016/17, and represented 16.7 per cent of the annual local revenue target.

3.43.3 Conditional Grants

Table 3.87 shows an analysis of conditional grants released in the first quarter of FY 2017/18.

Table 3.87: Turkana County, Analysis of Conditional Grants Released in the First Quarter of FY 2017/18

S/No	Grants	Annual CARA, 2017 Allocation (in Kshs)	Annual Budget Allocation (in Kshs)	Actual receipts in First Quarter of FY 2017/18 (in Kshs)	Actual Receipts as Percentage of Annual Allocation (%)
A	Grants Contained CARA, 2017				
1	Road Maintenance Fuel Levy Fund	446, 479, 380	446, 479, 380	208, 227, 392	46.6
2	Leasing of Medical Equipment	95, 744, 681	95, 744, 681	-	-
3	World Bank loan to supplement financing of County Health facilities	24, 195, 000	24, 195, 000	-	-
4	Kenya Devolution Support Programme (KDSP)	61, 120, 888	61, 120, 888	-	-
5	Compensation for User Fee Foregone	25, 634, 941	25, 634, 941	-	-
6	DANIDA Grant	30, 255, 192	-	-	-
7	Development of Youth Polytechnics	26, 358, 855	26, 358, 855	-	-
8	Other Loans & Grants	66, 640, 356	256, 895, 548	-	-
9	World Bank Loan for Transforming Health System for Universal Care System	110, 000, 000	-	67, 258, 982	61.1
10	World Bank Loan for National Agricultural & Rural Inclusive Project	50, 000, 000	-	-	-
Total		936, 429, 293	936, 429, 293	275, 486, 374	29.4

Source: Turkana County Treasury

Analysis of the conditional grants released during the period under review indicates that the County received two conditional grants, namely; the World Bank Loan for Transforming Health System for Universal Care System and the Road Maintenance Fuel Levy Fund with a performance of 61.1 per cent and 46.6 per cent of annual allocation respectively

3.43.4 Exchequer Issues

During the reporting period, the Controller of Budget authorized withdrawal of Kshs.1.04 billion from the CRF account, which was 9.3 per cent of the Approved Budget. This amount was a decrease of 70.4 per cent from Kshs.3.51 billion authorized in a similar period of FY 2016/17. The entire amount was for recurrent expenditure.

3.43.5 Overall Expenditure Review

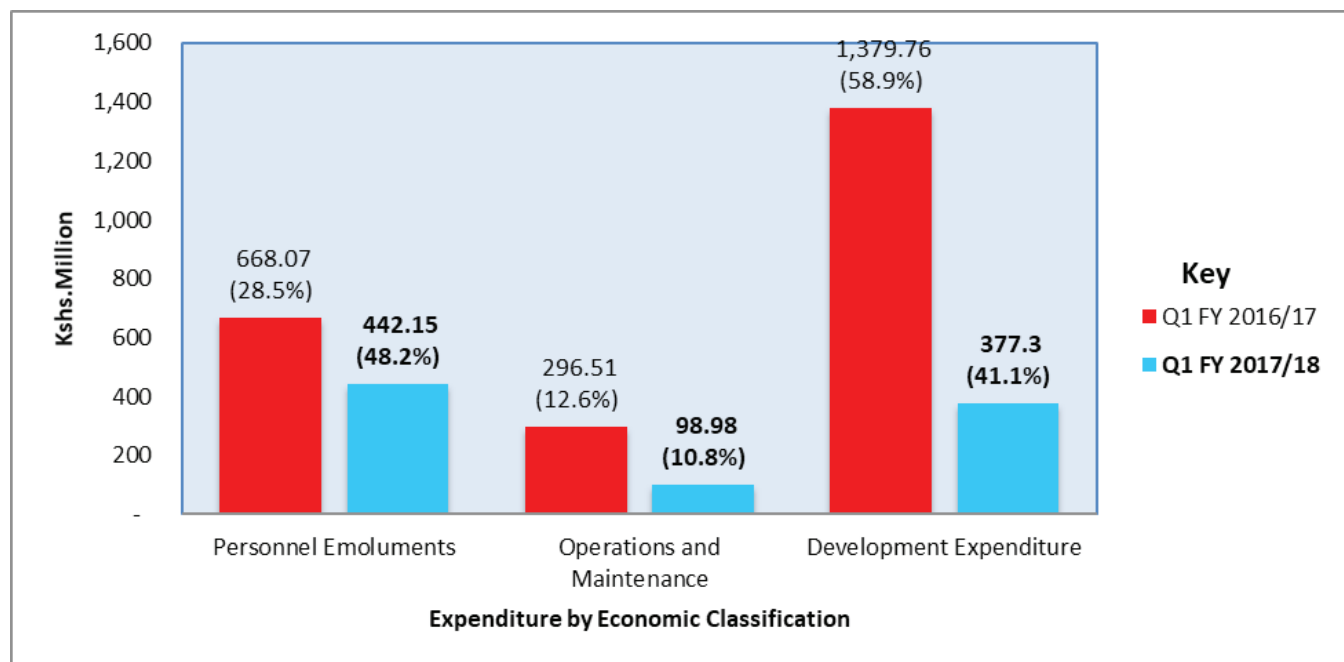
The County incurred Kshs.918.8 million, which was 88.3 per cent of the total funds released for operations. This was a decrease of 60.8 per cent from Kshs.2.34 billion incurred in the first quarter of FY 2016/17.

A total of Kshs.541.5 million was incurred on recurrent activities, while Kshs.377.3 million was on development activities. The recurrent expenditure was 52.1 per cent of the funds released for recurrent activities.

The recurrent expenditure represented 7.5 per cent of the annual recurrent budget, a decrease from 22.9 per cent incurred in a similar period of FY 2016/17. Development expenditure recorded an

absorption rate of 9.5 per cent, which was a decrease from 12.8 per cent attained in the first quarter of FY 2016/17. Figure 3.124 presents a comparison between the total expenditure in the first quarter of FY 2016/17 and the first quarter of FY 2017/18.

Figure 3.124: Turkana County, Expenditure by Economic Classification in the First Quarter of FY 2016/17 and First Quarter of FY 2017/18



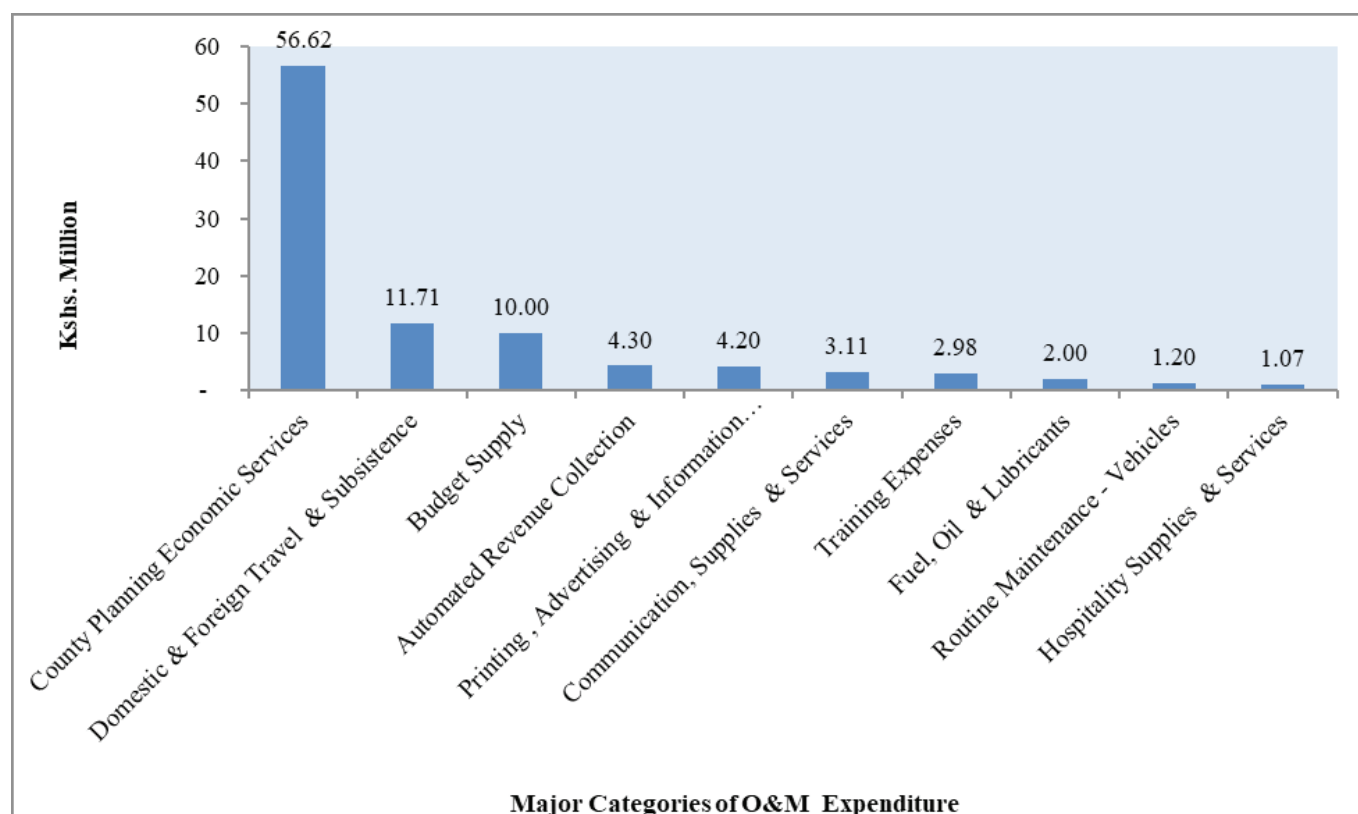
Source: Turkana County Treasury

3.43.6 Analysis of Recurrent Expenditure

The total recurrent expenditure of Kshs.541.5 million consisted of Kshs.442.51 million (81.7 per cent) incurred on personnel emoluments and Kshs.98.98 million (18.3 per cent) on operations and maintenance as shown in Figure 3.124.

Expenditure on personnel emoluments represented a decrease of 33.8 per cent compared to Kshs.668.07 million incurred in the first quarter of FY 2016/17. The personnel emoluments were 48.2 per cent of total expenditure in the first quarter of FY 2017/18 and 81.7 per cent of total recurrent expenditure. Figure 3.125 shows a summary of operations and maintenance expenditure by major categories.

Figure 3.125: Turkana County, Operations and Maintenance Expenditure by Major Categories in the First Quarter of FY 2017/18.



Source: Turkana County Treasury

The County Assembly did not incur any expenditure on MCAs committee sitting allowances during the reporting period. Expenditure on domestic and foreign travel amounted to Kshs.11.71 million and consisted of Kshs.2.33 million incurred by the County Assembly and Kshs.9.38 million by the County Executive. It represented 2.2 per cent of total recurrent expenditure and was a decrease of 83.3 per cent compared to Kshs.70.08 million incurred in the first quarter of FY 2016/17.

3.43.7 Development Expenditure Analysis

The total development expenditure of Kshs.377.3 million represented 9.5 per cent of the annual development budget of Kshs.3.98 billion.

Table 3.88 provides a summary of development projects with the highest expenditure in the first quarter of FY 2017/18.

Table 3.88: Turkana County, List of Development Projects with the Highest Expenditure in the First Quarter of FY 2017/18

S/No	Project Name	WARD(Location of the Project)	Estimated Budget (Kshs.)	Expenditure	Absorption Rate (%)
1	Construction of Mega Dams (>100, 000m3)	Kotome and Letea	250, 200, 000	89, 000, 000	35.6
2	County Headquarters Offices	Lodwar Town	195, 000, 000	56, 700, 000	29.1
3	Construction of a bridges (Kangalita)	Kangalita	150, 000, 000	45, 900, 000	30.6

4	Rehabilitation and Expansion of Existing Irrigation Schemes (Nangitony, Morulem, Lokubae, Nakamane, Kapelibok, Nakinomet, Elelea, Lomidat, Mala (Kangalita)).	Nangitony, Morulem, Lokubae, Nakamane, Kapelibok, Nakinomet, Elelea, Lomidat, Mala (Kangalita).	130, 000, 000	58, 000, 000	44.6
5	Construction of Model Drip Irrigation Systems for High Value Crops for Youth and Women (Lokipoto, Naotin, Kakong, Nakalei, Lobei and Showground in Lodwar)	Lokipoto, Naotin, Kakong, Nakalei, Lobei and Showground in Lodwar	83, 000, 000	26, 700, 000	32.2
6	Ongoing works at Lokirama Revenue Centre	Lokirama	49, 000, 000	23, 000, 000	46.9
7	Maintenance of rural roads	Entire County	45, 000, 000	22, 800, 000	50.7
8	Farmer inputs subsidy (Seeds, seedlings, cuttings, vines and Agrochemicals, tools and equipment)	Entire County	25, 000, 000	19, 000, 000	76
9	Completion of Ward Offices (Katilu, Lobei/Kotaruk, Kakuma, Nakalale, Kainuk, Kanamkemer)	Katilu, Lobei/Kotaruk, Kakuma, Nakalale, Kainuk, Kanamkemer)	35, 000, 000	17, 800, 000	50.9
10	Monitoring and Evaluation	Entire County	25, 000, 000	11, 900, 000	47.6

Source: Turkana County Treasury

Analysis of the development expenditure by project indicates that, the highest expenditure of Kshs.89 million was incurred on Construction of Mega Dams (>100, 000m³) in Kotome and Letea by the Department of Water services, Irrigation & Agriculture, followed by Kshs.56.7 million on construction of County Head Quarters at Lodwar Town and Kshs.45.9 million on construction of a bridge at Kangalita.

3.43.8 Budget and Budget Performance Analysis by Department

Table 3.89 shows a summary of budget estimates and budget performance by department in the first quarter of FY 2017/18

Table 3.89: Turkana County, Budget Performance by Department in the First Quarter of FY 2017/18

Department	Budget Allocation (Kshs.Million)		Exchequer Issues in First Quarter of FY 2017/18 (Kshs.Million)		Expenditure in First Quarter of FY 2017/18 (Kshs. Million)		First Quarter of FY 2017/18 Expenditure to Exchequer Issues (%)		First Quarter of FY 2017/18 Absorption rate (%)	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
Governance (Office of the Governor and Liaison)	319.5	80.28	24.08	-	7.08	-	29.4	-	2.2	-
Office of the Deputy Governor	21.14	-	2.71	-	0.7	-	25.8	-	3.3	-
Finance and Planning	316.57	391.54	24.89	-	73.33	98.1	294.6	-	23.2	25.1
Water services, Irrigation & Agriculture	88.09	932.65	12.41	-	-	192.7	-	-	-	20.7
Health & Sanitation Services	732.7	368.43	140.62	-	-	-	-	-	-	-
Tourism, Trade & Industrialization	102.81	245.7	4.73	-	-	-	-	-	-	-
Education and Social Services	535.52	382.08	320.19	-	-	-	-	-	-	-
Public Services, Decentralized Admin. & Disaster Management	3, 821.61	55	353.99	-	382.48	17.8	108.1	-	10	32.4
Transport, Roads & Public Works	41.16	843.6	6.2	-	2.3	68.7	37.1	-	5.6	8.1
Pastoral Economy & Fisheries	142.45	199.76	20.83	-	-	-	-	-	-	-
Energy, Environment & Natural Resources	30.28	194	4.49	-	-	-	-	-	-	-
Lands, Physical Planning, Housing & Urban Areas Mgt.	82.53	132.63	8.94	-	-	-	-	-	-	-
County Public Service Board	96.66	-	15.92	-	-	-	-	-	-	-
County Assembly	901.44	150	100	-	75.6	-	75.6	-	8.4	-
TOTAL	7, 232	3, 976	1, 040	-	549.5	377.3	52.1	-	7.5	9.5

Analysis of budget performance by department shows that the Public Services, Decentralized Administration and Disaster Management Department attained the highest absorption rate of development budget at 32.4 per cent, followed by the Finance and Planning Department at 25.1 per cent. On the other hand, the Department of Finance and Economic Planning had the highest percentage of recurrent expenditure to recurrent budget at 23.2 per cent, followed by the Public Services, Decentralized Administration and Disaster Management Department at 10 per cent.

3.43.9 Observations and Recommendations

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

- i. Establishment of the County Budget and Economic Forum (CBEF) in line with Section 137 of the PFM Act, 2012.
- ii. Timely submission of financial reports by the County Treasury in line with Section 166 of the PFM Act, 2012.

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

1. Delay by the National Treasury to disburse the equitable share of revenue raised nationally. As at the end of the reporting period, the County had not received any equitable revenue.
2. Failure to establish an Internal Audit Committee to oversee financial operations in the County contrary to Section 155 of the PFM Act, 2012.
3. Delay by Fund Administrators to submit expenditure reports on the established County Funds. The pending expenditure returns included; Bursary Fund, Emergency Fund, Car & Mortgage Fund and Youth and Women Development Programme (Grants). This is contrary to Section 168 of the PFM Act, 2012.
4. Under-performance in local revenue collection which declined by 32.9 per cent from Kshs.49.85 million in the first quarter of FY 2016/17 to Kshs.33.47 million in the reporting period.
5. IFMIS connectivity challenges, which slowed down approval of procurement requests and payment to suppliers.
6. The County did not budget for Kshs.904.56 million unspent cash balance from FY 2016/17.
7. Failure to budget for all conditional grants as per CARA, 2017.

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

1. *The County Treasury should liaise with the National Treasury to ensure that funds allocated to the County are released in line with the CARA, 2017 Disbursement Schedule.*
2. *The County should establish an Internal Audit Committee and also strengthen the internal*

audit function in line with Section 155 of the PFM Act, 2012.

- 3. The Fund Administrators of the Bursary Fund, Emergency Fund, Car & Mortgage Fund and Youth and Women Development Programme (Grants) should ensure timely submission of expenditure reports in line with Section 168 of the PFM Act, 2012.*
- 4. The County Treasury should formulate and implement strategies to enhance local revenue collection.*
- 5. The County Treasury should liaise with IFMIS Directorate to address the connectivity challenges.*
- 6. The County Treasury should develop a Supplementary Budget and appropriate the unspent cash balance from the previous financial year.*
- 7. The County should prepare a Supplementary Budget to align conditional grants to the CARA, 2017.*

3.44 Uasin Gishu County

3.44.1 Overview of the FY 2017/18 Budget

The County's FY 2017/18 Approved Budget is Kshs.7.43 billion, comprising of Kshs.5.04 billion (67.9 per cent) and Kshs.2.38 billion (32.1 per cent) allocation for recurrent and development expenditure respectively.

To finance the budget, the County expects to receive Kshs.5.71 billion (76.9 per cent) as equitable share of revenue raised nationally, Kshs.326.62 million (4.4 per cent) as total conditional grants, and generate Kshs.1 billion (13.5 per cent) from local revenue sources, and Kshs.828.64 million (11.2 per cent) cash balance from FY 2016/17.

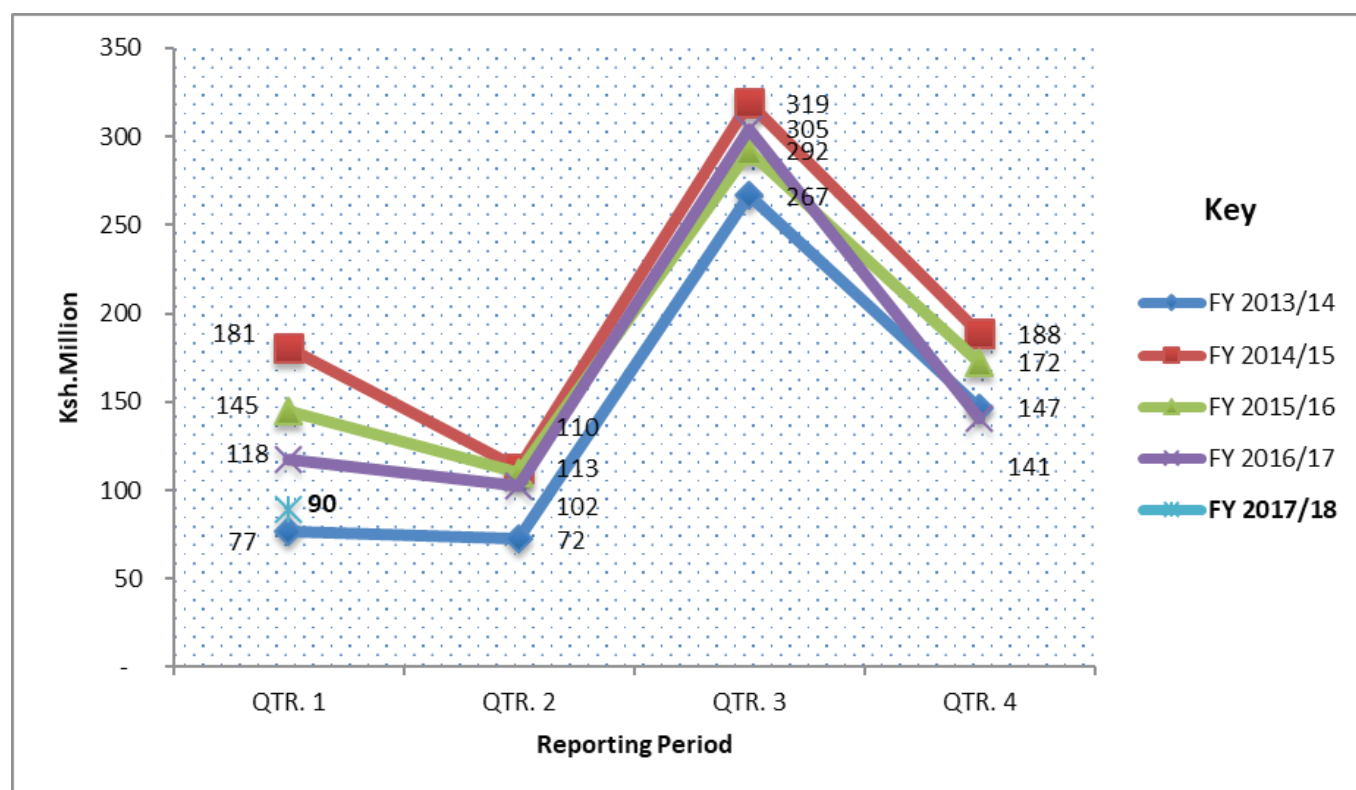
The conditional grants contained in the CARA, 2017 of Kshs.492.23 million comprise of Kshs.221.17 million (67.7 per cent) from the Road Maintenance Fuel Levy Fund, Kshs.20.81 million (6.4 per cent) as Compensation for User Fee Foregone, Kshs.14.99 million (4.6 per cent) from DANIDA, Kshs.43.65 million (13.4 per cent) for the World Bank Kenya Devolution Support Program, Kshs.35.47 million (10.9 per cent) for Development of Youth Polytechnics, Kshs.56.3 million (17.2 per cent) as World Bank Loan for Transforming Health System for Universal Care System, Kshs.66 million (20.2 per cent) as European Union (EU) Grant and Kshs.33.83 million (10.4 per cent) from Other Loans and Grants.

3.44.2 Revenue Analysis

During the first quarter of FY 2017/18, the County received Kshs.399.55 million as equitable share of the revenue raised nationally, raised Kshs.89.5 million from local revenue sources, and had a cash balance of Kshs.828.64 million from FY 2016/17. The available funds amounted to Kshs.1.38 billion.

Figure 3.126 shows the quarterly trend in local revenue collection from the first quarter of FY 2013/14 to the first quarter FY 2017/18.

Figure 3.126: Uasin Gishu County, Trend in Local Revenue Collection by Quarter from the First Quarter of FY 2013/14 to the First Quarter of FY 2017/18



Source: Uasin Gishu County Treasury

The total local revenue collected in the first quarter of FY 2017/18 amounted to Kshs.89.5 million, representing a significant decrease of 23.9 per cent compared to Kshs.117.67 million generated in a similar period of FY 2016/17, and represented 9 per cent of the annual local revenue target.

3.44.3 Conditional Grants

Table 3.90 shows an analysis of conditional grants released in the first quarter of FY 2017/18.

Table 3.90: Uasin Gishu County, Analysis of Conditional Grants Released in the First Quarter of FY 2017/18

S/No	Grants	Annual CARA, 2017 Allocation (in Kshs)	Annual Budget Allocation (in Kshs)	Actual receipts in First Quarter of FY 2017/18 in Kshs.	Actual Receipts as Percentage of Annual CARA, 2017 Allocation (%)
A	Grants Contained in the CARA, 2017				
1	Road Maintenance Fuel Levy Fund	221, 167, 426	157, 500, 000	-	-
2	EU Grant	66, 000, 000	-	-	-
3	World Bank Loan for Transforming Health System for Universal Care System	56, 301, 747	-	-	-
4	Kenya Devolution Support Programme (KDSP)	43, 650, 314	-	-	-
5	Development of Youth Polytechnics	35, 472, 610	-	-	-
6	Other Loans & Grants	33, 834, 647	30, 945, 743	-	-
7	Compensation for User Fee Foregone	20, 813, 065	20, 843, 281	-	-
8	DANIDA Grant	14, 987, 172	-	-	-
Sub Total		492, 226, 981	209, 289, 024	-	-

S/No	Grants	Annual CARA, 2017 Allocation (in Kshs)	Annual Budget Allocation (in Kshs)	Actual receipts in First Quarter of FY 2017/18 in Kshs.	Actual Receipts as Percentage of Annual CARA, 2017 Allocation (%)
B	Other Grants Not Contained in the CARA, 2017				
9	Free Maternal Healthcare	-	117, 335, 400	-	-
Sub Total		-	117, 335, 400	-	-
Grand Total		492, 226, 981	326, 624, 424	-	-

Source: Uasin Gishu County Treasury

Analysis of the conditional grants released during the period under review indicates that, the County did not receive funds from any of the conditional grants.

3.44.4 Exchequer Issues

During the reporting period, the Controller of Budget authorized withdrawal of Kshs.486.6 million from the CRF account, which was 6.6 per cent of the Approved Budget. This amount represented a significant decrease of 63.5 per cent from Kshs.1.33 billion authorized in a similar period of FY 2016/17. The entire amount was for recurrent expenditure.

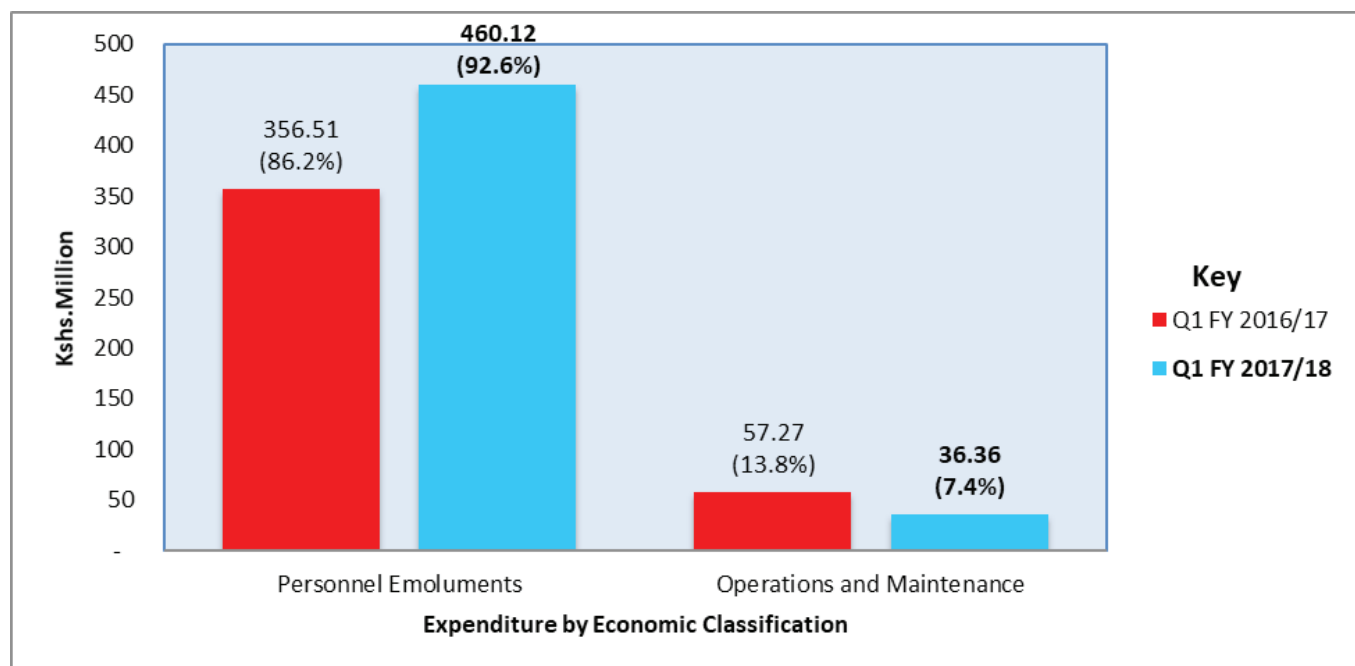
3.44.5 Overall Expenditure Review

The County incurred Kshs.496.48 million, which was 102 per cent of the total funds released for operations. This was an increase of 20 per cent from Kshs.413.78 million incurred in the first quarter of FY 2016/17.

The total expenditure of Kshs.496.48 million was incurred on recurrent activities and represented 102 per cent of the funds released for recurrent activities. The expenditure excluded outstanding commitments as at September 30th, 2017 that amounted to Kshs.78.12 million for recurrent expenditure.

The recurrent expenditure represented 9.8 per cent of the annual recurrent budget, a decrease from 9.1 per cent incurred in a similar period of FY 2016/17. Figure 3.127 presents a comparison between the total expenditure in the first quarter of FY 2016/17 and the first quarter of FY 2017/18.

Figure 3.127: Uasin Gishu County, Expenditure by Economic Classification in the First Quarter of FY 2016/17 and First Quarter of FY 2017/18



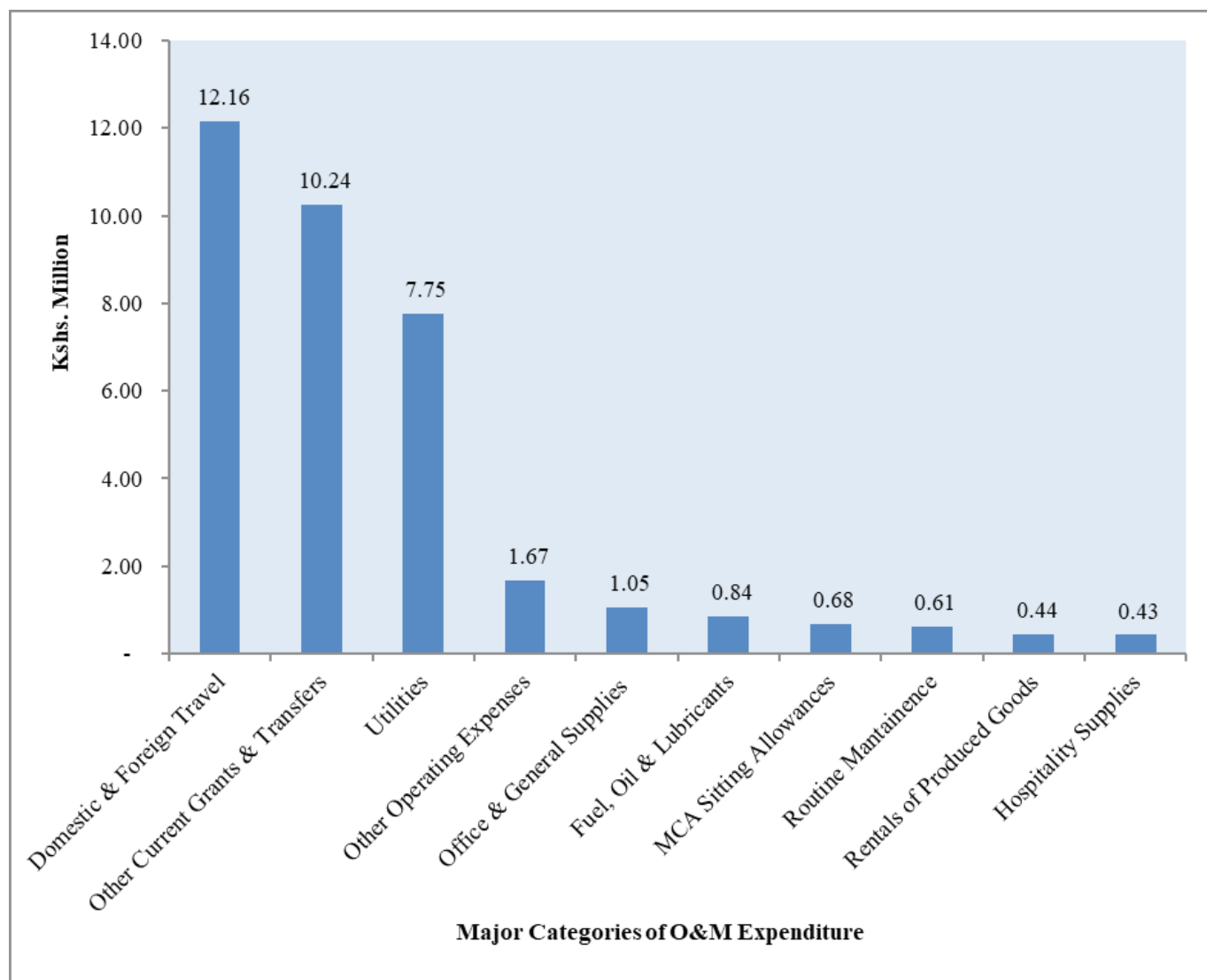
Source: Uasin Gishu County Treasurer

3.44.6 Analysis of Recurrent Expenditure

The total recurrent expenditure of Kshs.496.48 million consisted of Kshs.460.12 million (92.6 per cent) incurred on personnel emoluments and Kshs.36.36 million (7.4 per cent) on operations and maintenance as shown in Figure 3.127.

Expenditure on personnel emoluments represented an increase of 29.1 per cent compared to Kshs.356.51 million incurred in the first quarter of FY 2016/17, and was 92.6 per cent of total expenditure in the first quarter of FY 2017/18. Figure 3.128 shows a summary of operations and maintenance expenditure by major categories.

Figure 3.128: Uasin Gishu County, Operations and Maintenance Expenditure by Major Categories in the First Quarter of FY 2017/18



Source: Uasin Gishu County Treasur

The County Assembly incurred Kshs.0.68 million on sitting allowances to the 47 MCAs against the annual budget allocation of Kshs.61.56 million. This was a significant decrease of 91.6 per cent compared to Kshs.8.08 million incurred in the first quarter of FY 2016/17. The average monthly sitting allowance was Kshs.4, 936 per MCA compared to SRC's recommended monthly ceiling of Kshs.80,000.

Expenditure on domestic and foreign travel amounted to Kshs.12.16 million and consisted of Kshs.10.16 million incurred by the County Assembly and Kshs.2 million by the County Executive. It represented 2.4 per cent of total recurrent expenditure and was a significant decrease of 48.3 per cent compared to Kshs.23.5 million incurred in the first quarter of FY 2016/17.

3.44.7 Development Expenditure Analysis

The County did not report any expenditure on development activities during the reporting period.

3.44.8 Budget and Budget Performance Analysis by Department.

Table 3.2 shows a summary of budget estimates and budget performance by department in the first quarter of FY 2017/18

Table 3.91: Uasin Gishu County, Budget Performance by Department in the First Quarter of FY 2017/18

Department	Budget Allocation (Kshs.Million)		Exchequer Issues in the first quarter of FY 2017/18 (Kshs. Million)		Expenditure in the first quarter of FY 2017/18 (Kshs.Million)		Expenditure to Exchequer Issues (%) First Quarter FY 2017/18		Absorption rate (%) First Quarter FY 2017/18	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
Office of the Governor	143.54	-	8.74	-	6.73	-	77	-	4.7	-
Finance	450.08	-	23.23	-	20.95	-	90.2	-	4.7	-
Budget and Economic Planning	103.5	-	5.49	-	0.8	-	14.6	-	0.8	-
Agriculture, Livestock and Fisheries	258.36	410.97	35.26	-	29.20	-	82.8	-	11.3	-
Health Services	1, 569.07	205.48	224.02	-	265.53	-	118.5	-	16.9	-
Environment, Natural Resources and Wildlife	132.94	300.08	-	-	17.18	-	-	-	12.9	-
Trade, Tourism, Industry and Cooperative Development	116.5	183.85	12.36	-	4.58	-	37.1	-	3.9	-
Roads, Public Works, Infrastructure and Transport	440.94	474.24	37.09	-	34.31	-	92.5	-	7.8	-
Education, Culture and Social Services	390.01	118.96	40.55	-	24.54	-	60.5	-	6.3	-
Lands, Housing and Physical Planning	105.40	173.04	8.4	-	7.48	-	89	-	7.1	-
Public Service Management	312.38	32.44	27.37	-	32.69	-	119.4	-	10.5	-
Information Communication and e-Government	54.28	38.93	4.09	-	3.66	-	89.5	-	6.7	-
County Public Service Board	67.43	-	3.51	-	2.76	-	78.6	-	4.1	-
Public Administration and Coordination	182.63	139.22	23.5	-	1.14	-	4.9	-	0.6	-
Youth and Sports Development	142.69	206.93	5.43	-	2.83	-	52.1	-	2	-
County Assembly	572.0	100	27.56	-	42.09	-	152.7	-	7.4	-
TOTAL	5, 041.72	2, 384.17	486.60	--	496.48	-	102.2	-	9.8	-

Source: Uasin Gishu County Treasury

Analysis of budget performance by department shows that the Department of Health Services had the highest percentage of recurrent expenditure to recurrent budget at 16.9 per cent, followed by the Department of Environment, Natural resources and Wildlife had 12.9 per cent while the Department of Public Administration and Coordination had the lowest at 0.6 per cent.

3.44.9 Observations and Recommendations

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

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

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

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

1. Delay in disbursement of the equitable share of revenue raised nationally by the National Treasury.
2. The County did not spend on development projects during the reporting period.
3. Under-performance in local revenue collection. The Local revenue collection declined by 23.9 per cent from Kshs.117.67 million in the first quarter of FY 2016/17 to Kshs.89.5 million in the reporting period.
4. Failure to budget for all conditional grants as per CARA, 2017.

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

- 1. The County Treasury should liaise with the National Treasury to ensure that funds allocated to the County are released in line with the CARA, 2017 Disbursement Schedule.*
- 2. The County should identify and address issues that cause delay in implementation of development projects.*
- 3. The County Treasury should formulate and implement strategies to enhance local revenue collection.*
- 4. The County should develop a Supplementary Budget to align conditional grants to the CARA, 2017.*

3.45 Vihiga County

3.45.1 Overview of the FY 2017/18 Budget

The County's FY 2017/18 Approved Budget is Kshs.4.79 billion, comprising of Kshs.3.35 billion (69.9 per cent) and Kshs.1.44 billion (30.1 per cent) allocation for recurrent and development expenditure respectively.

To finance the budget, the County expects to receive Kshs.4.39 billion (91.6 per cent) as equitable share of revenue raised nationally, Kshs.184.71 million (3.9 per cent) as total conditional grants and generate Kshs.220 million (4.6 per cent) from local revenue sources.

The conditional grants contained in the CARA, 2017 of Kshs.425.13 million comprise of Kshs.164.95 million (39.8 per cent) from the Road Maintenance Fuel Levy Fund, Kshs.12.66 million (3.1 per cent) as Compensation for User Fee Foregone, Kshs.11.18 million (2.7 per cent) from DANIDA, Kshs.38.85 million (9.4 per cent) for the World Bank Kenya Devolution Support Program, Kshs.50.89 million (12.3 per cent) for Development of Youth Polytechnics, Kshs.50.85 million (12.3 per cent) as World

Bank Loan for Transforming Health System for Universal Care System, Kshs.50 million (12.1 per cent) as World Bank Loan for National Agricultural & Rural Inclusive Project and Kshs.45.76 million (11.1per cent) from Other Loans and Grants.

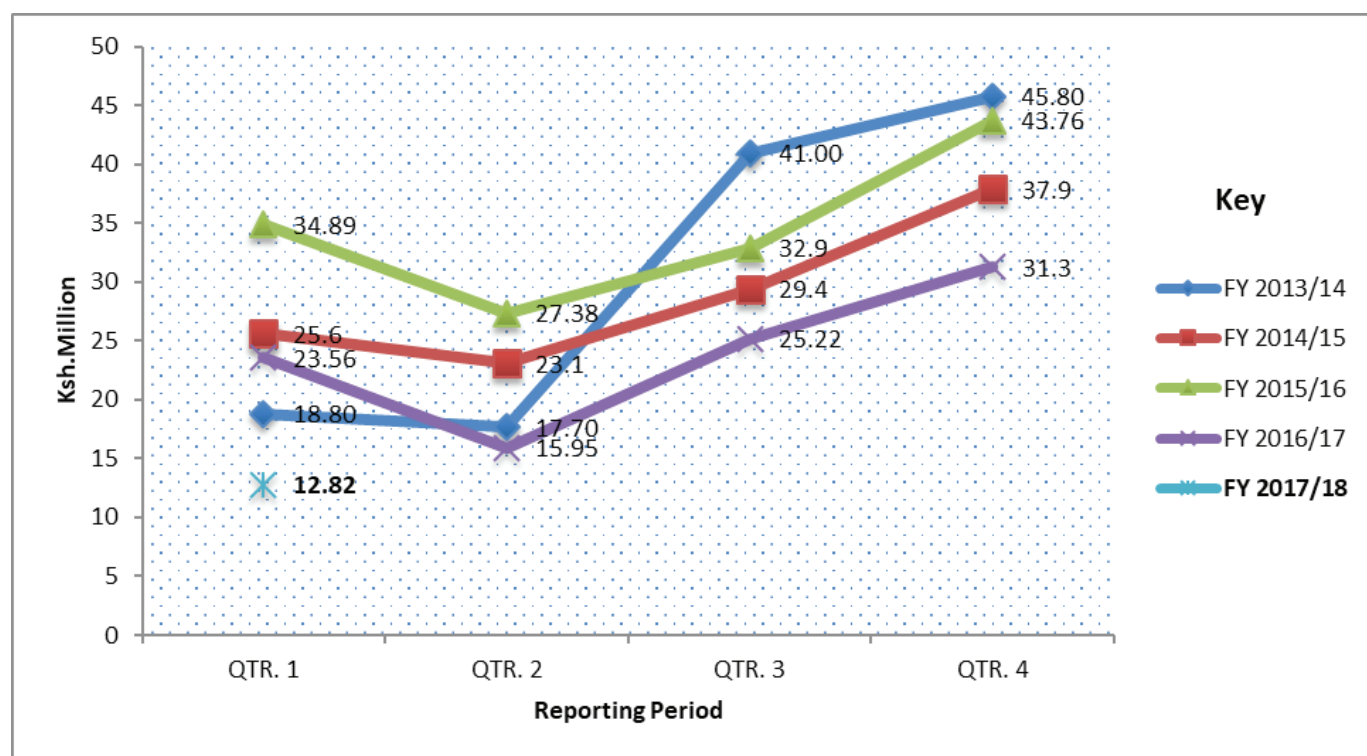
The County budgeted to receive Kshs.69.79 million for Free Maternal Healthcare, although this grant is not contained in the CARA, 2017.

3.45.2 Revenue Analysis

During the first quarter of FY 2017/18, the County received Kshs.308.64 Million as equitable share of the revenue raised nationally, Kshs.76.93 million as total conditional allocations, raised Kshs.12.82 million from local revenue sources, and had a cash balance of Kshs.496.94 million from FY 2016/17. The available funds amounted to Kshs.882.51million.

Figure 3.129 shows the quarterly trend in local revenue collection from the first quarter of FY 2013/14 to the first quarter FY 2017/18.

Figure 3.129: Vihiga County, Trend in Local Revenue Collection by Quarter from the First Quarter of FY 2013/14 to the First Quarter of FY 2017/18



Source: Vihiga County Treasury

The total local revenue collected in the first quarter of FY 2017/18 amounted to Kshs.12.82 million, representing a decrease of 45.6 per cent compared to Kshs.23.56 million generated in a similar period of FY 2016/17, and represented 5.8 per cent of the annual local revenue target.

3.45.3 Conditional Grants

Table 3.92 shows an analysis of conditional grants released in the first quarter of FY 2017/18.

Table 3.92: Vihiga County, Analysis of Conditional Grants Released in the First Quarter of FY 2017/18

S/No	Grants	Annual CARA, 2017 Allocation in Kshs)	Annual Budget Allocation in Kshs)	Actual receipts in First Quarter of FY 2017/18 in Kshs.	Actual Receipts as Percentage of Annual Allocation (%)
A	Grants Contained CARA, 2017				
1	Road Maintenance Fuel Levy Fund	164, 948, 954	67, 393, 443	76, 928, 280	46.6
2	Kenya Devolution Support Programme (KDSP)	38, 854, 627	26, 782, 785	-	-
3	Compensation for User Fee Foregone	12, 657, 201	13, 652, 898	-	-
4	DANIDA Grant	11, 177, 587	7, 085, 000	-	-
5	Conditional Grants to Development of Youth Polytechniques	50, 886, 386	-	-	-
6	Conditional Allocation - Other Loans & Grants	45, 759, 166	69, 793, 305	-	-
7	World Bank Loan for Transforming Health System for universal Care System	50, 845, 284	-	-	-
8	World Bank Loan for National Agricultural & Rural Inclusive Project	50, 000, 000	-	-	-
Sub Total		425, 129, 205	184, 707, 431	76, 928, 280	18
B	Other Grants				
9	Free Maternal Healthcare	-	69793305.00	-	-
Sub Total		-	69, 793, 305	-	-
Total		425, 129, 205	254, 500, 736	76, 928, 280	18

Source: Vihiga County Treasury

Analysis of the conditional grants released during the period under review indicates that, the Road Maintenance Fuel Levy Fund recorded the highest receipt at 46.6 per cent,. The County did not receive funds from the other conditional grants.

3.45.4 Exchequer Issues

During the reporting period, the Controller of Budget authorized withdrawal of Kshs.724.48 million from the CRF account, which was 15.1 per cent of the Approved Budget. This amount was a decrease of 30.5 per cent from Kshs.1.04 billion authorized in a similar period of FY 2016/17. The entire amount was for recurrent expenditure.

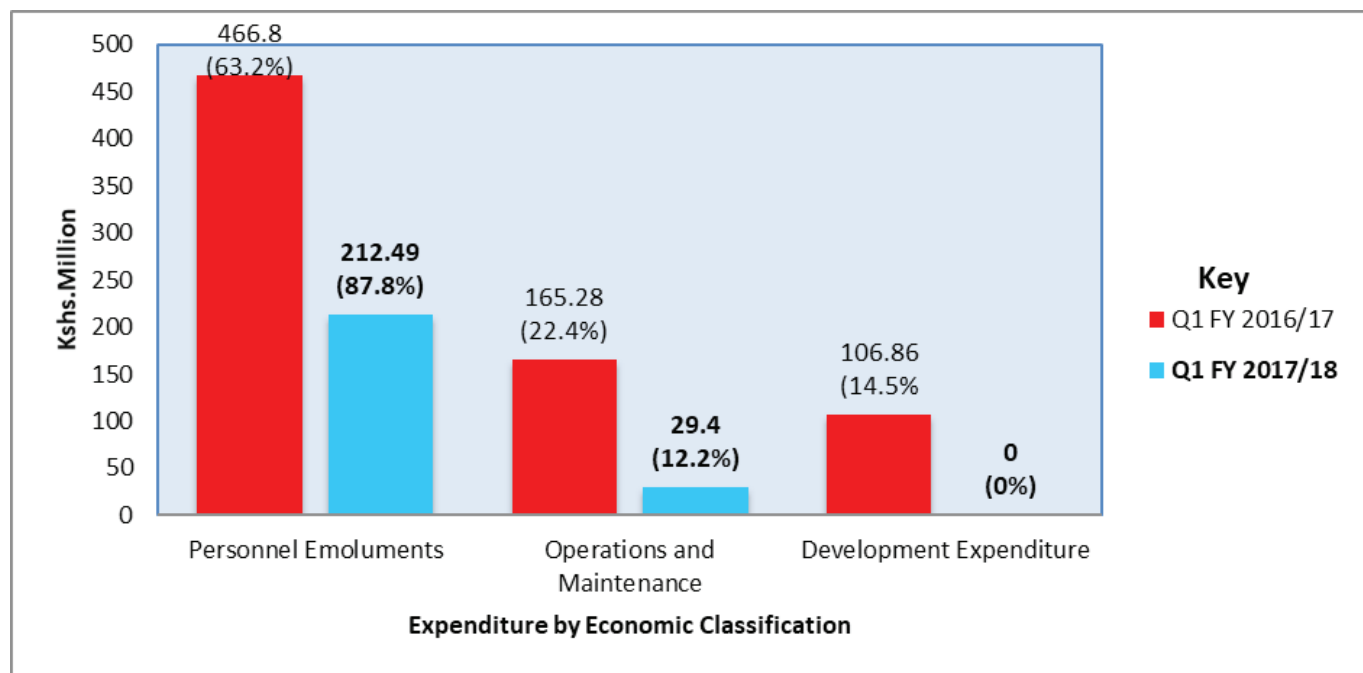
3.45.5 Overall Expenditure Review

The County incurred Kshs.241.89 million, which was 33.9 per cent of the total funds released for operations. This was a decrease of 66.8 per cent from Kshs.738.84 million incurred in the first quarter of FY 2016/17.

The total expenditure of Kshs.241.89 million was incurred on recurrent activities and was 33.9 per cent of the funds released for recurrent activities. This expenditure excluded outstanding commitments as at September 30th, 2017 that amounted to Kshs.2.8 million for recurrent expenditure.

The recurrent expenditure represented 7.3 per cent of the annual recurrent budget, a decrease from 19.8 per cent incurred in a similar period of FY 2016/17. Figure 3.130 presents a comparison between the total expenditure in the first quarter of FY 2016/17 and the first quarter of FY 2017/18.

Figure 3.130: Vihiga County, Expenditure by Economic Classification in the First Quarter of FY 2016/17 and First Quarter of FY 2017/18



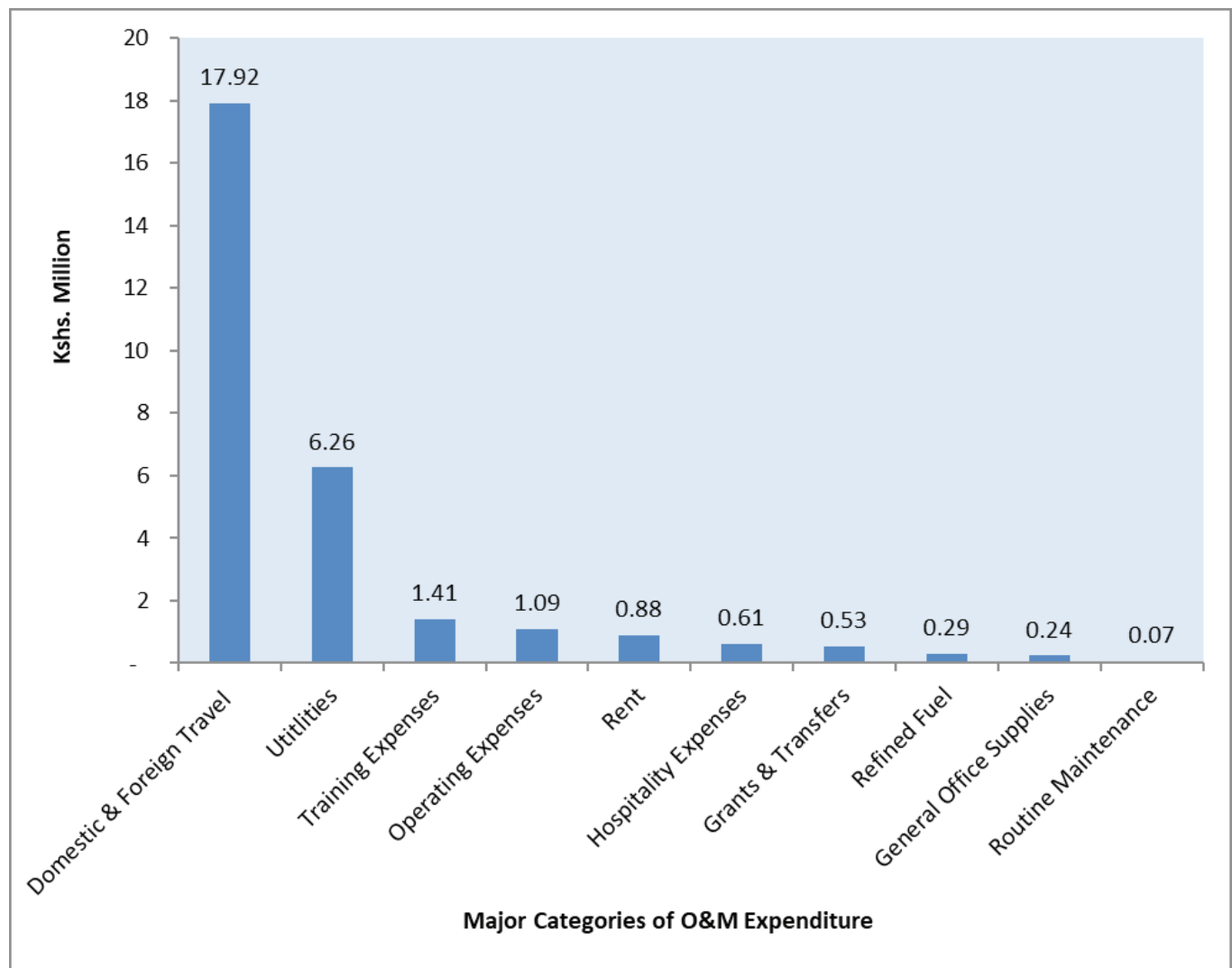
Source: Vihiga County Treasury

3.45.6 Analysis of Recurrent Expenditure

The total recurrent expenditure of Kshs.241.89 million consisted of Kshs.212.49 million (86.6 per cent) incurred on personnel emoluments and Kshs.33 million (13.4 per cent) on operations and maintenance as shown in Figure 3.130.

Expenditure on personnel emoluments represented a decrease of 54.5 per cent compared to Kshs.466.8 million incurred in the first quarter of FY 2016/17, and was 86.6 per cent of total expenditure in the first quarter of FY 2017/18. Figure 3.131 shows a summary of operations and maintenance expenditure by major categories.

Figure 3.131: Vihiga County, Operations and Maintenance Expenditure by Major Categories in the First Quarter of FY 2017/18



Source: Vihiga County Treasury

The County incurred Kshs.0.97 million on sitting allowances to the 38 MCAs and the Speaker against the annual budget allocation of Kshs.12.4 million. This was a decrease of 67.4 per cent compared to Kshs.2.98 million incurred in the first quarter of FY 2016/17. The average monthly committee sitting allowance was Kshs.8,290 per MCA compared to SRC's recommended monthly ceiling of Kshs.80,000.

Expenditure on domestic and foreign travel amounted to Kshs.17.92 million and consisted of Kshs.11.54 million incurred by the County Assembly and Kshs.6.38 million by the County Executive. It represented 7.3 per cent of total recurrent expenditure and was a decrease of 77.3 per cent compared to Kshs.78.93 million incurred in the first quarter of FY 2016/17.

3.45.7 Development Expenditure Analysis

The County did not report any expenditure on development activities during the reporting period.

3.45.8 Budget and Budget Performance Analysis by Department

Table 3.93 shows a summary of budget estimates and budget performance by department in the first quarter of FY 2017/18

Table 3.93: Vihiga County, Budget Performance by Department in the First Quarter of FY 2017/18

Department	Budget Allocation (Kshs. Million)		Exchequer Issues in the first quarter of FY 2017/18(Kshs. Million)		Expenditure in the first quarter of FY 2017/18 (Kshs.Million)		Expenditure to Exchequer Issues (%) First Quarter FY 2017/18		Absorption rate (%) First Quarter FY 2017/18	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
County Executive	289.97	41	73.09	-	14.71	-	20.1	-	5.1	-
County Treasury	259.12	175.49	65.78	-	7.75	-	11.8	-	3	-
Agriculture, livestock & Co-operative	121.83	66.7	30.2	-	9.75	-	32.3	-	8	-
Health	1, 086.27	256.37	259.23	-	114.18	-	44	-	10.5	-
Education, Science & Technology	315.11	201.62	33.82	-	7.73	-	22.9	-	2.5	-
Gender, Culture, Youth & Youth	71.31	140	18.24	-	3.96	-	21.7	-	5.6	-
Trade, Industry & Tourism	42.21	44.78	10.77	-	1.67	-	15.5	-	4	-
Public service board	49.13	-	12.76	-	1.91	-	15	-	3.9	-
Environment, Water & Forestry	68.31	79.47	17.58	-	7.3	-	41.5	-	10.7	-
Transport & Infrastructure	104.63	346.14	27.42	-	1.99	-	7.3	-	1.9	-
Land, Housing & Physical Planning.	34.65	42	9.1	-	1.64	-	18	-	4.7	-
County Assembly	602.77	10	88.96	-	46.64	-	52.4	-	7.7	-
Public Service & Administration	300.98	41	77.53	-	26.27	-	33.9	-	8.7	-
TOTAL	3, 346.29	1, 444.58	724.48	-	241.89	-	33.9	-	7.33	-

Source: Vihiga County Treasury

Analysis of budget performance by department shows that the Department of Environment, Water and Forestry had the highest percentage of recurrent expenditure to recurrent budget at 10.7 per cent while the Department of Transport and infrastructure had the lowest at 1.9 per cent.

3.45.9 Observations and Recommendations

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

- Establishment of the County Budget and Economic Forum (CBEF) in line with Section 137 of the PFM Act, 2012.
- Timely submission of quarterly financial reports to the Controller of Budget by the County Government entities in line with Section 166 of the PFM Act, 2012.
- Establishment of Internal Audit Committee in line with section 155 of the PFM Act, 2012.

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

- Delay in disbursement of the equitable share of revenue raised nationally by the National Treasury.

2. Failure by the County Treasury to process all their financial transactions through IFMIS.
3. Under-performance in local revenue collection, which declined by 45.6 per cent from Kshs.23.56 million in the first quarter of FY 2017/18 to Kshs.12.82 million in the reporting period.
4. Failure to budget for all conditional grants as per CARA, 2017.

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

- 1. The County Treasury should liaise with the National Treasury for timely disbursement of their equitable share in line with the CARA, 2017 Disbursement Schedule.*
- 2. The County Treasury should ensure all financial transactions are processed through IFMIS.*
- 3. The County should devise and implement strategies to enhance local revenue collection.*
- 4. The County should realign the budget to agree as per the amounts allocated in the CARA, 2017*

3.46 Wajir County

3.46.1 Overview of the FY 2017/18 Budget

The County failed to pass the FY 2017/18 Annual Budget and a Vote on Account in the first quarter of FY 2016/17.

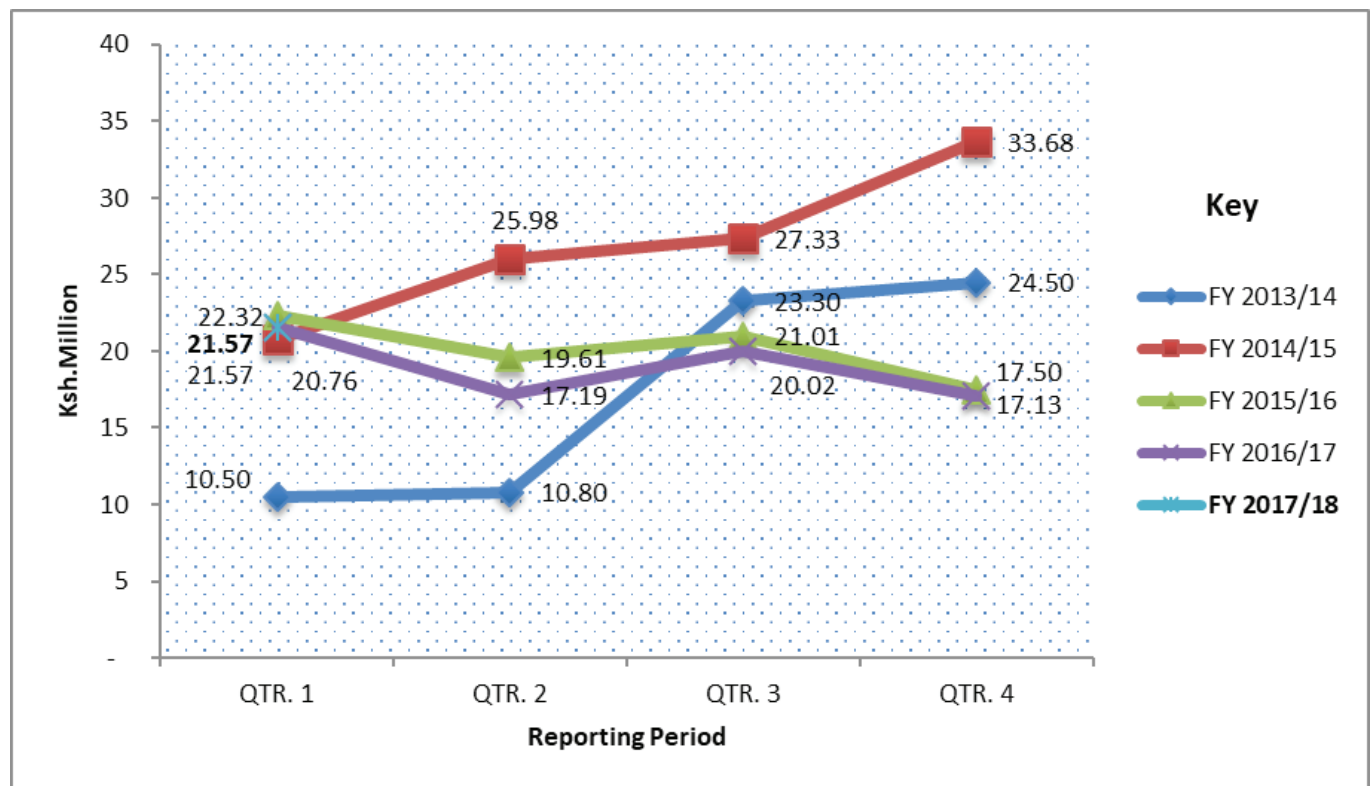
Conditional grants allocated to the County in FY 2017/18 amounted to Kshs.485.54 million and comprises of Kshs.308.16 million (58.1 per cent) from the Road Maintenance Fuel Levy Fund, Kshs.15.78 million (84.9 per cent) as Compensation for User Fee Foregone, Kshs.33.41 million (62.9 per cent) from DANIDA, Kshs.45.04 million (84.9 per cent) as World Bank loan to Supplement financing of County Health facilities, Kshs.49.87 million (9.40 per cent) for the World Bank Kenya Devolution Support Program and Kshs.28.31 million (5.3 per cent) for Development of Youth Polytechnics.

3.46.2 Revenue Analysis

During the first quarter of FY 2017/18, the County received Kshs.143.6 million as total conditional allocations, raised Kshs.21.57 million from local revenue sources, and had a cash balance of Kshs.372.46 million from FY 2016/17. There was no receipt of the equitable share of revenue raised nationally. The available funds amounted to Kshs.537.76 million.

Figure 3.132 shows the quarterly trend in local revenue collection from the first quarter of FY 2013/14 to the first quarter FY 2017/18.

Figure 3.132: Wajir County, Trend in Local Revenue Collection by Quarter from the First Quarter of FY 2013/14 to the First Quarter of FY 2017/18



Source: Wajir County Treasury

The total local revenue collected in the first quarter of FY 2017/18 amounted to Kshs.21.57 million, representing a decrease of 3.4 per cent compared to Kshs.22.32 million generated in a similar period of FY 2016/17.

3.46.3 Conditional Grants

Table 3.94 shows an analysis of conditional grants released in the first quarter of FY 2017/18.

Table 3.94: Wajir County, Analysis of Conditional Grants Released in the First Quarter of FY 2017/18

S/No	Grants	Annual CARA, 2017 Allocation (in Kshs)	Actual receipts in First Quarter of FY 2017/18 (in Kshs.)	Actual Receipts as Percentage of Annual CARA, 2017 Allocation (%)
A	Grants Contained in the CARA, 2017			
1	Road Maintenance Fuel Levy Fund	308, 164, 819	143, 600, 000	46.6
2	World Bank loan to supplement financing of County Health facilities	50, 000, 000	-	-
3	Kenya Devolution Support Programme (KDSP)	49, 871, 995	-	-
4	Compensation for User Fee Foregone	15, 784, 997	-	-
5	DANIDA Grant	33, 411, 929	-	-
6	Development of Youth Polytechnics	28, 307, 881	-	-
7	Other Loans & Grants	56, 211, 458	-	-
8	World Bank Loan for Transforming Health System for Universal Care System	45, 040, 000	-	-
9	EU Grant	66, 800, 000	-	-
Grand Total		485, 541, 621	143, 600, 000	29.6

Source: Wajir County Treasury

Analysis of the conditional grants released during the period under review indicates that the County received Kshs.143.6 million from the Road Maintenance Fuel Levy Fund.

3.46.4 Exchequer Issues

During the reporting period, the County did not receive any exchequer release.

3.46.5 Overall Expenditure Review

The County Treasury did not report any expenditure during the first quarter of FY 2017/18.

3.46.6 Observations and Recommendations

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

- i. Improvement in the submission of quarterly financial reports to the Controller of Budget by the County Treasury in line with Section 166 of the PFM Act, 2012.
- ii. Improved staff capacity, especially in the use of IFMIS and Internet Banking.

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

1. Delay in approval of the FY 2017/18 Budget which affected budget implementation during the period under review. This resulted in the County reporting nil expenditure in the first quarter of FY 2017/18.
2. Non- receipt of the equitable share of revenue raised nationally by the National Treasury during the reporting period.

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

1. *The County Treasury should observe the budget timelines as prescribed by the PFM Act, 2012 so as to facilitate smooth implementation of the budget.*
2. *The County Treasury should liaise with the National Treasury to ensure that funds allocated to the County are released in a timely manner.*

3.47 West Pokot County

3.47.1 Overview of the FY 2017/18 Budget

The County's FY 2017/18 Approved Budget is Kshs.5.11 billion, comprising of Kshs.3.47 billion (67.9 per cent) and Kshs.1.64 billion (32.1 per cent) allocation for recurrent and development expenditure respectively.

To finance the budget, the County expects to receive Kshs.4.73 billion (92.5 per cent) as equitable share of revenue raised nationally, Kshs.275.79 million (5.4 per cent) as total conditional grants, and generate Kshs.105.32 million (2.1 per cent) from local revenue sources.

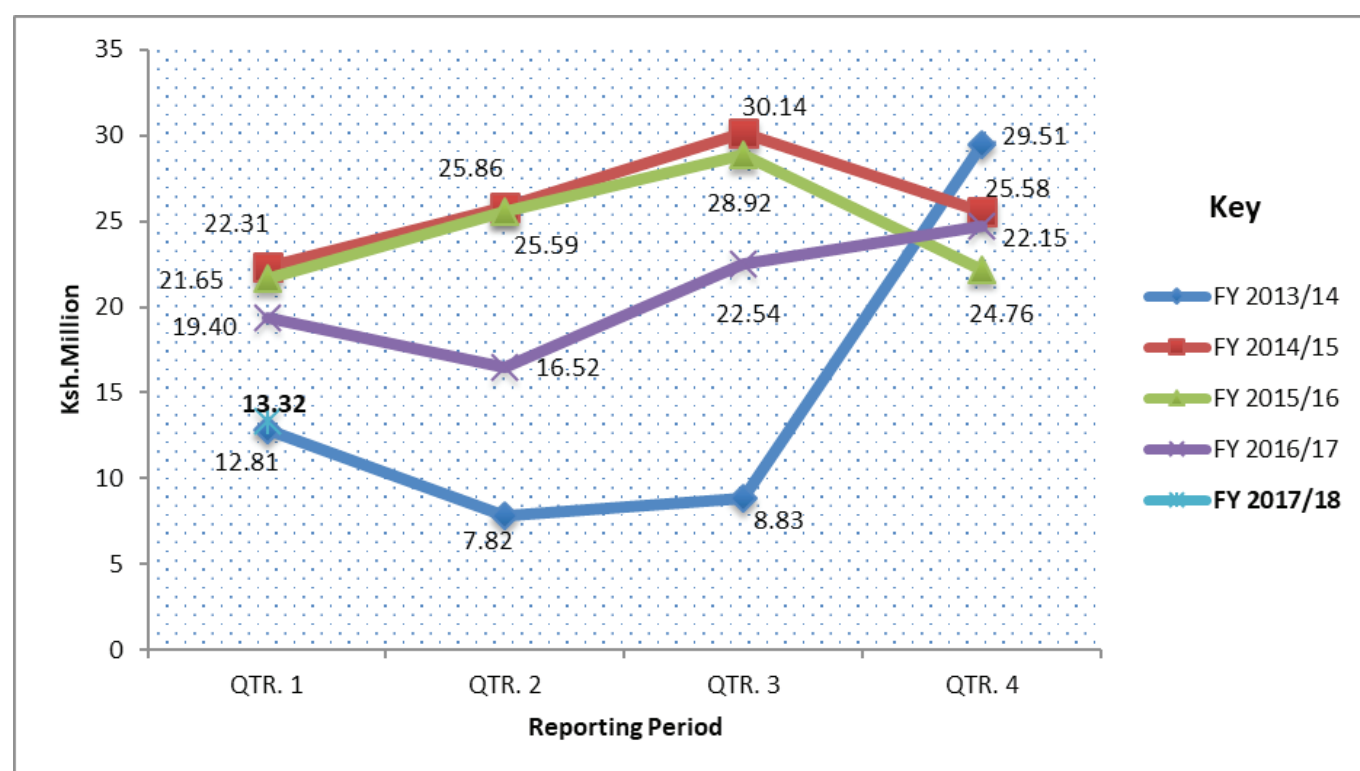
The conditional grants contained in the CARA, 2017 of Kshs.638.61 million comprise of Kshs.183.79 million (28.8 per cent) from the Road Maintenance Fuel Levy Fund, Kshs.12.13 million (1.9 per cent) as Compensation for User Fee Foregone, Kshs.12.45 million (2 per cent) from DANIDA, Kshs.67.99 million (10.6 per cent) as World Bank loan to supplement financing of County Health facilities, Kshs.40.08 million (6.3 per cent) for the World Bank Kenya Devolution Support Program, Kshs.32.55 million (5.1 per cent) for Development of Youth Polytechnics, Kshs.83.2 million (13 per cent) as World Bank Loan for Transforming Health System for Universal Care System and Kshs.66 million (10.3 per cent) as European Union (EU) Grant. The County budgeted to receive Kshs.43.44 million for Free Maternal Healthcare which was not contained in the CARA, 2017.

3.47.2 Revenue Analysis

During the first quarter of FY 2017/18, the County received Kshs.331.9 million as equitable share of the revenue raised nationally, Kshs.141.77 million as total conditional allocations, raised Kshs.13.32 million from local revenue sources, and had a cash balance of Kshs.229.69 million from FY 2016/17. The available funds amounted to Kshs.716.67 million.

Figure 3.133 shows the quarterly trend in local revenue collection from the first quarter of FY 2013/14 to the first quarter FY 2017/18.

Figure 3.133: West Pokot County, Trend in Local Revenue Collection by Quarter from the First Quarter of FY 2013/14 to the First Quarter of FY 2017/18



Source: West Pokot County Treasury

The total local revenue collected in the first quarter of FY 2017/18 amounted to Kshs.13.32 million, representing a decrease of 31.3 per cent compared to Kshs.19.4 million generated in a similar period of FY 2016/17, and represented 12.6 per cent of the annual local revenue target.

3.47.3 Conditional Grants

Table 3.95 shows an analysis of conditional grants released in the first quarter of FY 2017/18.

Table 3.95: West Pokot County, Analysis of Conditional Grants Released in the First Quarter of FY 2017/18

S/No	Grants	Annual CARA, 2017 Allocation (in Kshs)	FY 2017/18 Annual Budget Allocation (in Kshs)	Actual receipts in First Quarter of FY 2017/18 (in Kshs)	Actual Receipts as Percentage of Annual CARA, 2017 Allocation (%)
A	Grants Contained CARA, 2017				
1	Road Maintenance Fuel Levy Fund	183, 793, 164	124, 425, 000	85, 716, 772	46.6
2	Leasing of Medical Equipment	95, 744, 681	-	-	-
3	World Bank loan to supplement financing of County Health facilities	67, 985, 000	55, 711, 192	56, 049, 761	82.4
4	Kenya Devolution Support Program (KDSP)	40, 081, 255	40, 081, 255	-	-
5	Compensation for User Fee Foregone	12, 128, 484	12, 128, 484	-	-
6	DANIDA Grant	12, 454, 545	-	-	-
7	Development of Youth Polytechnics	32, 549, 071	-	-	-
8	Other Loans & Grants	44, 669, 544	-	-	-
9	World Bank Loan for Transforming Health System for Universal Care System	83, 202, 997	-	-	-
10	European Union (EU) Grant	66, 000, 000	-	-	-
Sub Total		638, 608, 741	232, 345, 931	141, 766, 533	22.2
B	Other Grants				
11	Free Maternal Healthcare	-	43, 444, 215	-	-
Total		638, 608, 741.0	275, 790, 146.0	141, 766, 533.0	22.2

Source: West Pokot County Treasury

Analysis of the conditional grants released during the period under review indicates that the County received two conditional grants, namely; the World Bank loan to supplement financing of County Health facilities, and the Road Maintenance Fuel Levy Fund at 82.4 per cent and 46.6 per cent of annual allocation respectively.

3.47.4 Exchequer Issues

During the reporting period, the Controller of Budget authorized withdrawal of Kshs.415 million from the CRF account, which was 8.1 per cent of the Approved Budget. This amount was a decrease of 55.9 per cent from Kshs.940 million authorized in a similar period of FY 2016/17. The entire amount was for recurrent expenditure.

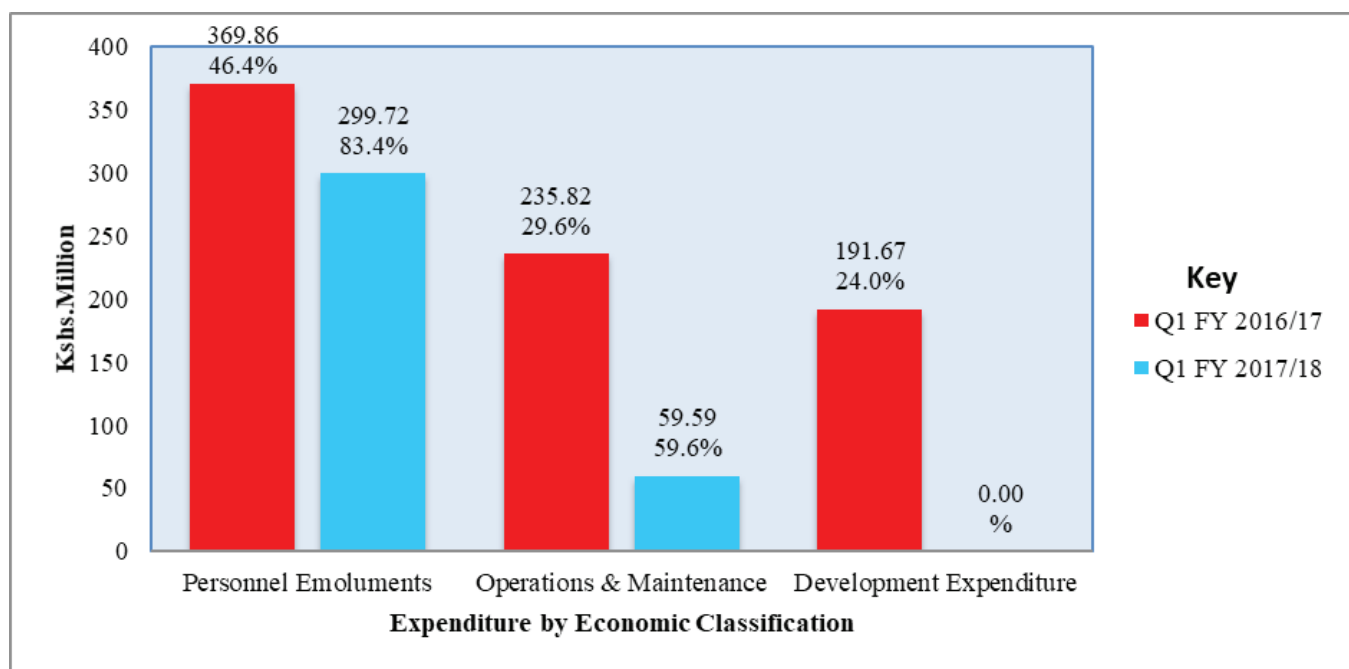
3.47.5 Overall Expenditure Review

The County incurred Kshs.359.31 million, which was 86.6 per cent of the total funds released for operations. This was a decrease of 54.9 per cent from Kshs.797.35 million incurred in the first quarter of FY 2016/17.

The total expenditure of Kshs.359.31 million was incurred on recurrent activities and was 86.6 per cent of the funds released for recurrent activities. The expenditure excluded outstanding commitments as at September 30th, 2017 that amounted to Kshs.2.48 million for recurrent expenditure.

The recurrent expenditure represented 10.4 per cent of the annual recurrent budget, a decrease from 8.4 per cent incurred in a similar period of FY 2016/17. Figure 3.134 presents a comparison between the total expenditure in the first quarter of FY 2016/17 and the first quarter of FY 2017/18.

Figure 3.134: West Pokot County, Expenditure by Economic Classification in the First Quarter of FY 2016/17 and First Quarter of FY 2017/18



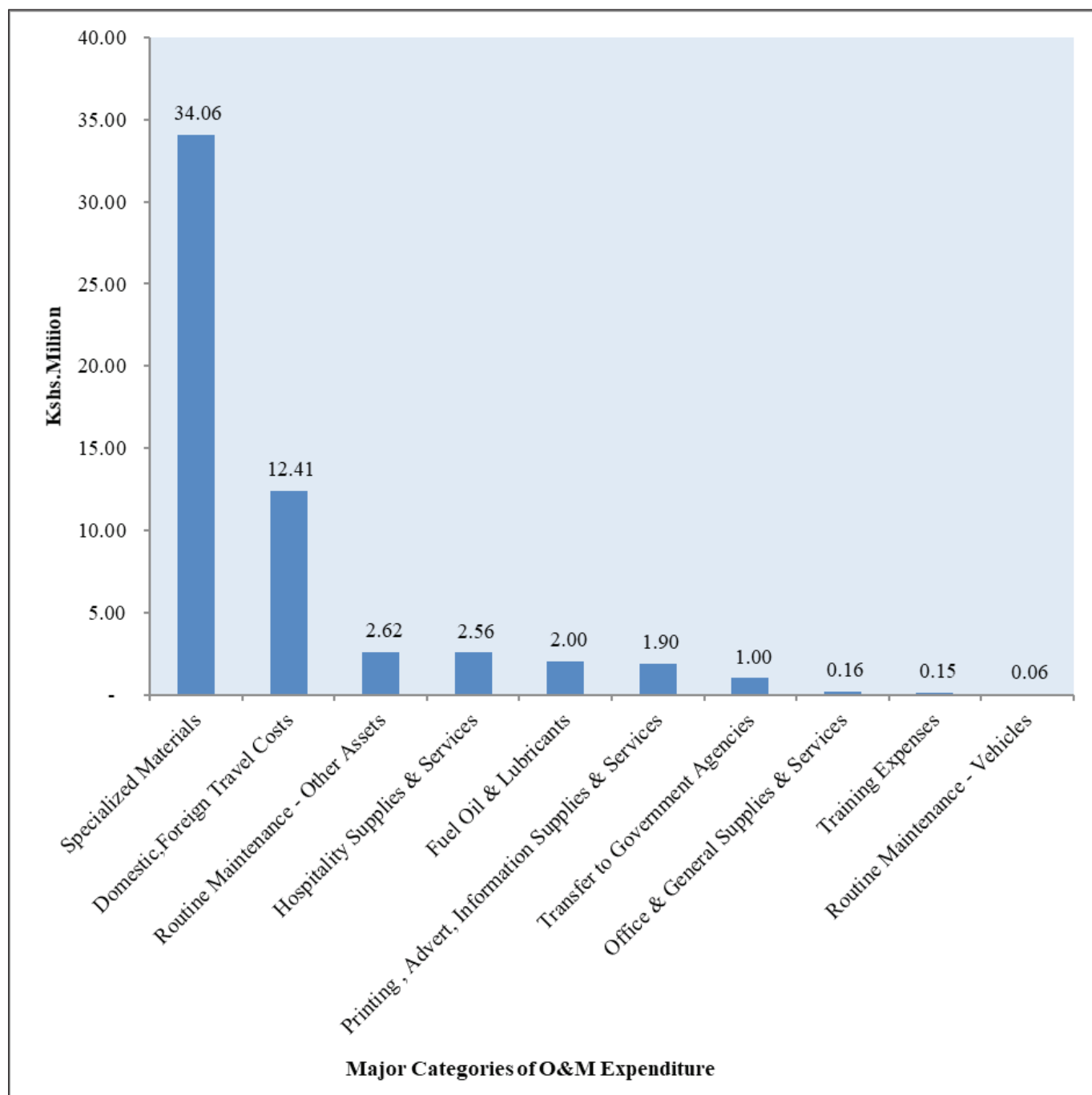
Source: West Pokot County Treasury

3.47.6 Analysis of Recurrent Expenditure

The total recurrent expenditure of Kshs.359.31 million consisted of Kshs.299.72 million (83.4 per cent) incurred on personnel emoluments and Kshs.59.59 million (16.6 per cent) on operations and maintenance as shown in Figure 3.134.

Expenditure on personnel emoluments represented a decrease of 19 per cent compared to Kshs.369.86 million incurred in the first quarter of FY 2016/17, and was 83.4 per cent of total expenditure in the first quarter of FY 2017/18. Figure 3.135 shows a summary of operations and maintenance expenditure by major categories.

Figure 3.135: West Pokot County, Operations and Maintenance Expenditure by Major Categories in the First Quarter of FY 2017/18



Source: West Pokot County Treasury

The County incurred Kshs.0.78 million on sitting allowances to the 33 MCAs against the annual budget allocation of Kshs.46.29 million. This was a decrease of 93.3 per cent compared to Kshs.11.64 million incurred in the first quarter of FY 2016/17. The average monthly sitting allowance was Kshs.7,667 per MCA compared to SRC's recommended monthly ceiling of Kshs.80,000.

Expenditure on domestic and foreign travel amounted to Kshs.12.41 million and consisted of Kshs.3.42 million incurred by the County Assembly and Kshs.9 million by the County Executive. It represented 3.5 per cent of total recurrent expenditure and was a decrease of 84.9 per cent compared to Kshs.82.3 million incurred in the first quarter of FY 2016/17.

3.47.7 Development Expenditure Analysis

The County did not report any expenditure on development activities during the reporting period.

3.47.8 Budget and Budget Performance Analysis by Department

Table 3.96 shows a summary of budget estimates and budget performance by department in the first quarter of FY 2017/18

Table 3.96: West Pokot County, Budget Performance by Department in the First Quarter of FY 2017/18

Department	Budget Allocation (Kshs.Million)		Exchequer Issues in First Quarter of FY 2017/18 (Kshs. Million)		Expenditure in First Quarter of FY 2017/18 (Kshs.Million)		First Quarter of FY 2017/18 Expenditure to Exchequer Issues (%)		First Quarter of FY 2017/18 Absorption rate (%)	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
Office of the Governor	364.71	96.82	35.86	-	43.45	-	121.2	-	11.9	-
Finance & Economic Planning	220.28	61.61	23.2	-	19.86	-	85.6	-	9	-
Roads, Public Works & Transport	100.93	344.19	13.33	-	4.13	-	31	-	4.1	-
Health & Sanitation	1, 194.13	340.67	206.71	-	187.87	-	90.9	-	15.7	-
Education, Communication & ICT	389.7	211.18	27.52	-	27.18	-	98.8	-	7	-
Agriculture & Irrigation	96.26	99.6	13.47	-	11.5	-	85.3	-	11.9	-
Livestock, Fisheries & Veterinary Services	101.67	59.74	14.19	-	9.28	-	65.4	-	9.1	-
Trade, Industry & Cooperatives	61.05	38.85	4.91	-	1.35	-	27.5	-	2.2	-
L&, Physical Planning & Urban Development	89.72	33.63	10.22	-	8.77	-	85.8	-	9.8	-
Water development, Environment & Natural Resources	79.22	138.6	8.65	-	3.96	-	45.8	-	5	-
Tourism, Culture, Sports, Youth & Gender Development	59.16	96.58	4.63	-	0.83	-	18	-	1.4	-
County Public Service Management	127.71	25.9	9.4	-	3.85	-	41	-	3	-
Intergovernmental & Special Initiatives	100.53	4.5	2.9	-	0.08	-	2.6	-	0.1	-
County Assembly	483.52	87	40	-	37.2	-	93	-	7.7	-
TOTAL	3, 468.59	1, 638.87	415	-	351.31	-	86.6	-	10.4	-

Source: West Pokot County Treasury

Analysis of budget performance by department shows that the Department of Health and Sanitation had the highest percentage of recurrent expenditure to recurrent budget at 15.7 per cent while the Department of Intergovernmental and Special Initiatives had the lowest at 0.1 per cent.

3.47.9 Observations and Recommendations

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

- Timely preparation and approval of Budget documents such as the Annual Development Plan, County Fiscal Strategy Paper and Budget Estimates in line with the PFM Act, 2012.
- Submission of financial reports to the Controller of Budget on time in line with Section 166 of the PFM Act, 2012.

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

1. Delay in disbursement of the equitable share of revenue raised nationally by the National Treasury.
2. Delay by Fund Administrators to submit expenditure reports of the County Public Finance Management Bursary, Educational Development and Infrastructure Fund, Car Loan and Mortgage Fund, County Assembly Members Car Loan and Mortgage Fund and the Biashara Mashinani Funds contrary to Section 168 of the PFM Act, 2012.
3. Under-performance in local revenue collection which declined by 31.3 per cent from Kshs.19.4 million in a similar period of FY 2016/17 to Kshs.13.32 million in the reporting period.
4. Failure by the County to budget for all the conditional grants as contained in the CARA, 2017. The conditional grants not budgeted for are: World Bank Loan for Transforming Health System for Universal Care System (Kshs.83.20 million), DANIDA Grant (Kshs.12.45 million), EU Grant for Instrument for Devolution Advice and Support (Kshs.66 million), and Conditional Allocation for Development of Youth Polytechnics (Kshs.32.55 million). In addition, Equitable Share of Revenue Raised Nationally, Road Maintenance Fuel Levy Grant and the World Bank Loan to Supplement financing County Health Facilities were under budgeted by Kshs.15.05 million, Kshs.59.37 million, and Kshs.12.27 million respectively.
5. Operational delays and IFMIS connectivity challenges, which slowed down approval of procurement requests and payment to suppliers.

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

1. *The County Treasury should liaise with the National Treasury to ensure that funds allocated to the County are released in line with the CARA, 2017 Disbursement Schedule.*
2. *All Fund Administrators should ensure timely submission of expenditure reports in line with Section 168 of the PFM Act, 2012.*
3. *The County Treasury should formulate and implement strategies to enhance local revenue collection.*
4. *The County should develop a Supplementary Budget to align conditional grants to CARA, 2017.*
5. *The County Treasury should liaise with IFMIS Directorate for support in addressing the connectivity challenge.*

4 KEY CHALLENGES AND RECOMMENDATIONS

This section highlights cross-cutting issues that affected budget implementation in the first quarter of FY 2017/18. It also makes appropriate recommendations aimed at addressing the challenges in order to enhance budget execution by the County Governments

4.1 High Expenditure on Personnel Emoluments

The County Governments incurred an aggregate of Kshs.27.75 billion on personnel emoluments (PE) in the first quarter of FY 2017/18, which accounted for 78.3 per cent of the total expenditure for the period and 50 per cent of the total funds available to the Counties. Although this expenditure is a decrease of 6.3 per cent from Kshs.29.6 billion incurred in the same period of FY 2016/17, it remains high, when compared with the set ceiling on the County Governments' expenditure on wages at 35 per cent of the total revenue, and will therefore limit implementation of other county programmes if not addressed.

The Office recommends that, County Governments should contain the wage bill at sustainable levels and in compliance with Regulation 25 (1) (b) of the Public Finance Management (County Governments) Regulations, 2015.

4.2 Under-Performance in Local Revenue Collection

Article 209 (3) of the Constitution of Kenya 2010 empowers County Governments to impose property rates, entertainment taxes and any other tax authorized by an Act of Parliament.

During the reporting period, the Counties collected Kshs.4.82 billion, representing 8.6 per cent of the annual target of Kshs.55.92 billion, a decrease of 47.1 per cent from Kshs.7.09 billion realized in a similar period of FY 2016/17. The local revenue collection was below the expected performance of 25 per cent of the annual target, and implies that some planned activities may not be implemented due to insufficient funding.

Counties should therefore, develop and implement strategies aimed at enhancing local revenue collection.

4.3 Delay by the National Treasury to Disburse the Equitable Share of Revenue Raised Nationally

Section 4 (2) of the County Allocation of Revenue Act (CARA), 2016 provides that allocations to County Governments shall be transferred to the respective County Revenue Funds, in accordance with a Cash Disbursement Schedule approved by the Senate.

During the reporting period, the Disbursement Schedule approved by the Senate was in variance with the CARA, 2017 and therefore, the National Treasury was unable to disburse the equitable

share of revenue. Following this anomaly, the National Treasury advanced Kshs.20.43 billion to the County Governments to enable continued provision of essential services, compared to Kshs.55.35 billion disbursed as equitable share in the first three months of FY 2016/17.

In future, the responsible institutions should ensure that the CARA, 2017 Cash Disbursement Schedule is accurate by in order to facilitate disbursement of funds to the Counties for effective budget implementation.

4.4 IFMIS Connectivity Challenges

The National Treasury prescribed IFMIS for processing of financial transactions in line with Section 12 (1) (e) of the PFM Act, 2012. The use of IFMIS enhances fiscal transparency, accountability and improves efficiency in public financial management.

The Office observed that, most Counties experienced IFMIS connectivity challenges, which affected approval of procurement requests and payments. Frequent IFMIS interruption was also indicated as the reason for delayed financial reporting by the County Treasuries.

The Office recommends that the County Treasuries should liaise with the IFMIS Directorate for support in order to ensure smooth financial operations.

4.5 Low Expenditure on the Development Budget

During the reporting period, the County Governments incurred an expenditure of Kshs.1.15 billion representing an absorption rate of 0.9 per cent of the County Governments' cumulative annual development budget of Kshs.134.78 billion. This performance was a decline from an absorption rate of 8.3 per cent, reported in a similar period of FY 2016/17 when development expenditure was Kshs.13.96 billion. This low level of development expenditure was attributed to delay in release of funds by National Treasury.

The low absorption of development funds denies Kenyans the benefits to be derived from development projects such as access to quality services in the Health, Agriculture, Roads, and the Education sectors. The Office therefore recommends that Counties should prioritize implementation of development projects in order to improve the standard of living for its citizens.

4.6 Failure to budget for all revenue sources as per CARA, 2017

County Governments failed to budget for all the conditional grants as contained in the CARA, 2017. The grants included; the Road Maintenance Fuel Levy Fund, Compensation for User Fee Foregone, supplement for Construction of County Headquarters, DANIDA Grant for Universal Healthcare in Devolved System Program, Grant to the Level 5 Hospitals, Kenya Devolution Support Program by the World Bank, Allocation for the Development of Youth Polytechnics, World Bank Loan for Transforming Health System for Universal Care System, World Bank Loan for National Agricultural & Rural Inclusive Growth Project, World Bank Loan to supplement financing of County Health facilities, and, European Union Grant for Instrument for Devolution Advice and Support.

Failure to budget for these conditional grants was mainly due to delay in the enactment of the CARA, 2017.

The Office therefore recommends that counties should prepare Supplementary Budgets to capture all revenue as provided for in the CARA, 2017.

5 CONCLUSION

This report sought to provide an overview of budget implementation by the County Governments during the first three months of FY 2017/18 and was prepared in fulfilment of Article 228 (6) of the Constitution of Kenya, 2010 and Section 9 of the Controller of Budget Act, 2016. The report has highlighted the challenges that affected budget implementation during the reporting period and provided appropriate recommendations.

During the first quarter of FY 2017/18, the Counties accessed Kshs.37.82 billion from the County Revenue Funds (CRF) which was 68.26 per cent of the funds available to Counties in the reporting period of Kshs.55.36 billion. Local revenue collection amounted to Kshs.4.82 billion, which was 8.6 per cent of the annual target of Kshs.55.92 billion.

The report indicates that total expenditure by County governments in the first quarter of FY 2017/18 was Kshs.35.43 billion representing an absorption rate of 9.5 per cent of the total annual County Governments' Budgets. On aggregate, Counties incurred Kshs.34.27 billion on recurrent expenditure translating to 14.3 per cent of the approved recurrent budget of Kshs.239.9 billion. On the other hand, development expenditure amounted to Kshs.1.15 billion which translated to 0.9 per cent of the approved development budget of Kshs.134.78 billion.

The Office identified the following challenges that continued to hamper effective budget implementation; high expenditure on personnel emoluments, under-performance of local revenue collection, IFMIS connectivity challenge and frequent downtime, low expenditure on the development budget, and failure to budget for all revenue sources as contained in the County Allocation of Revenue Act (CARA), 2017, and delay by the National Treasury to disburse the equitable share of revenue raised nationally. Appropriate recommendations have been made to address the identified challenges and the Office encourages the relevant oversight institutions and Officers in the County Government to implement these recommendations.

The Office will continue to provide regular reports to all stakeholders with regard to budget implementation with the aim of informing and positively influencing budget execution by the County Governments.

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