REPUBLIC OF KENYA

OFFICE OF THE CONTROLLER OF BUDGET

COUNTY GOVERNMENTS BUDGET IMPLEMENTATION REVIEW REPORT

FIRST QUARTER
FY 2016/17

NOVEMBER, 2016

REPUBLIC OF KENYA

OFFICE OF THE CONTROLLER OF BUDGET

COUNTY GOVERNMENTS
BUDGET IMPLEMENTATION REVIEW REPORT

FIRST QUARTER
FY 2016/17

NOVEMBER, 2016


COUNTY GOVERNMENT OF NANDI
P.O. BOX 802-30300, KAPSABET


AMBULANCE

PREFACE

I am pleased to present the first quarter County Governments Budget Implementation Review Report (CBIRR) of the 2016/17 financial year. The report covers the period from July to September 2016 and has been prepared in accordance with Article 228(6) of the Constitution of Kenya, 2010 and Section 9 of the Controller of Budget (COB) Act, 2016, which require the Controller of Budget (COB) to submit to Parliament reports on the implementation of the budgets of both the National and the County Governments every four months.

The report presents information on budget performance of the forty seven County Governments based on analysis of financial reports from County Treasuries, and reports generated from the Integrated Financial Management Information System (IFMIS).

In the first three months of the 2016/17 financial year, budget implementation by the County Governments was largely smooth. However, several Counties experienced challenges in budget implementation due to delay in approval of Budgets by the County Assemblies. They included; Nyeri, Garissa, Bomet, Baringo and Kilifi. This challenge was subsequently addressed and all Counties had Approved Budgets in place by the beginning of the second quarter of FY 2016/17 except for Nyeri, Garissa and Bomet Counties. The Office is optimistic that Counties will be able to effectively utilize the remaining nine months of the financial year in order to fully implement their budgets.

I hope that this report will contribute to constructive discussions by stakeholders including the public on matters of budget making and implementation, and assist County Governments to enhance budget execution in the future.

Mrs. Agnes Odhiambo, CBS

Controller of Budget

TABLE OF CONTENTS

LIST OF FIGURES

LIST OF TABLES

ACRONYMS

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

EXECUTIVE SUMMARY

This FY 2016/17 first quarter County Budget Implementation Review Report (CBIRR) is prepared in fulfilment of Article 228(6) of the Constitution of Kenya, 2010 and Section 9 of the Controller of Budget Act, 2016. Specifically, Section 9 of the Controller of Budget Act, 2016 requires the Controller of Budget to submit to Parliament quarterly budget implementation reports for the national and county governments within thirty days after the end of each quarter.

The report highlights progress made in budget implementation by each of the 47 County Governments. It analyses revenue and expenditure performance and compares performance against the annual targets contained in the FY 2016/17 Approved Budgets. The key challenges that faced budget implementation during the reporting period are identified and appropriate recommendations to overcome the challenges are made.

The aggregate budget estimates for the 47 County governments in FY 2016/17 amounted to Kshs.390.32 billion and comprised of Kshs.225.25 billion (57 per cent) allocation for recurrent expenditure and Kshs.168.07 billion (43 per cent) for development expenditure. The development expenditure allocation conforms to Section 107 (2(b)) of the PFM Act, 2012, which requires that at least 30 per cent of budget must be allocated for development programs.

In order to finance FY 2016/17 Budgets, County Governments expect to receive Kshs.280.30 billion from the National Government as equitable share of revenue, Kshs.18.03 billion as conditional allocations from the National Government, Kshs.3.87 billion as additional conditional allocations from loans and grants from development partners, generate Kshs.57.46 billion from local sources, and utilize projected unspent funds carried forward from FY 2015/16 of Kshs.36.96 billion.

During the first quarter of FY 2015/16, a total of Kshs.99.38 billion was available to the County Governments. This amount consisted of an aggregate of Kshs.55.35 billion from equitable share of revenue raised nationally, conditional grants to Level 5 Hospitals, and grant from DANIDA; Kshs.7.09 billion as revenue raised from local sources, and Kshs.36.96 billion as cash balance brought forward from FY 2015/16. The local revenue of Kshs.7.09 billion generated during the period under review accounted for 12.3 per cent of the annual local revenue target of Kshs.57.46 billion, an increase of 1.3 per cent from Kshs.6.93 billion collected in a similar period of FY 2015/16.

Counties that generated the highest percentages of revenue in relation the annual targets were; Bomet, Nandi and Narok Counties at 48.2, 28, and, 22.8 per cent respectively. Conversely; Marsabit, Garissa, and Kilifi Counties generated the lowest at 5.2, 6.1, and, 6.9 per cent respectively.

During the reporting period, the Controller of Budget authorized withdrawal of **Kshs.75.69 billion** from the County Revenue Funds (CRF) representing 19.4 per cent of the total County governments Budget Estimates for FY 2016/17. This amount comprised of Kshs.51.67 billion (68.3 per cent) for recurrent expenditure and Kshs.24.03 billion (31.7 per cent) for development activities. Actual expenditure was **Kshs.56.55 billion**, which was 74.7 per cent of the total funds released for operations. This expenditure comprised of Kshs.42.6 billion for recurrent activities (75.3 per cent) and Kshs.13.96 billion (24.7 per cent) for development activities.

The overall County governments' expenditure represented an absorption rate of **14.5 per cent** of the aggregate annual County governments' budget estimates. Recurrent expenditure represented an absorption rate of **19.2 per cent**, an increase from an absorption rate of **17.0 per cent** recorded in a similar period of FY 2015/16 while development expenditure translated to an absorption rate of **8.3 per cent,** which was also an increase from **6.4 per cent** recorded in a similar period of FY 2015/16 where expenditure stood at Kshs.13.96 billion.

Counties that recorded the highest aggregate absorption rates were; Tana River, Mandera and Murang'a at **29 per cent, 22.7 per cent**, and **21.1 per cent** respectively. Conversely, Uasin Gishu, Kajiado and Baringo recorded the lowest absorption rates at **5.4 per cent, 6.9 per cent** and **8.4 per cent** respectively. Analysis of the development expenditure as a proportion of the development budget estimates indicated that Tana River, Mandera and Murang'a counties had the highest absorption rates at **29.8 per cent, 21.4 per cent, 21.3 per cent** and **20.2 per cent** respectively. Elgeyo Marakwet, Baringo, Nairobi, Nyandarua, and Samburu Counties had the lowest absorption rates of their development budget estimates at **0.1 per cent, 0.6 per cent, 1.2 per cent** and **1.2 per cent** respectively. Six Counties namely Uasin Gishu, Kajiado, Embu, Isiolo, Nyeri, Garissa, and Tharaka Nithi did not request for funds to undertake development activities.

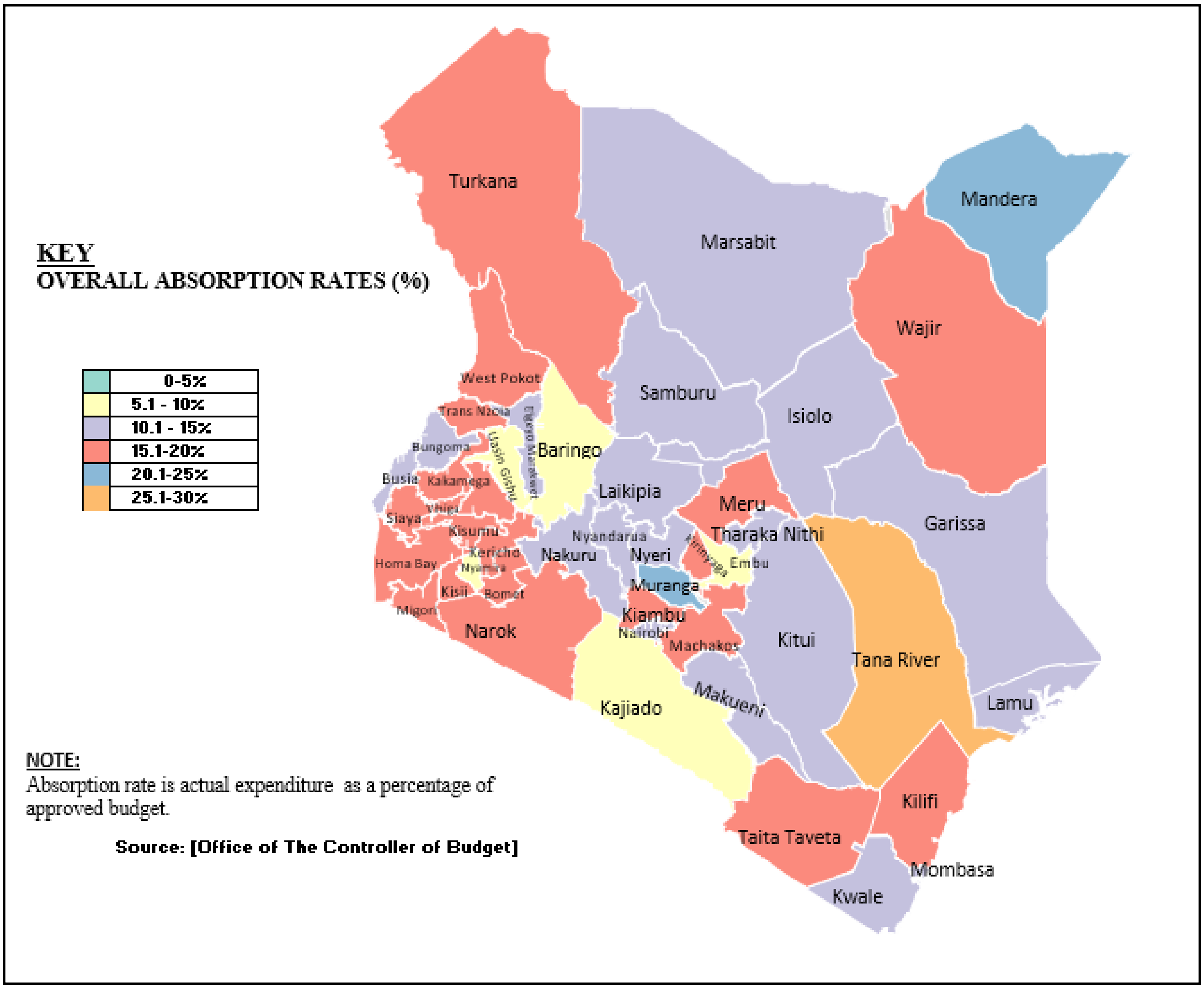
The Office has observed that most counties have made progress in addressing some of the challenges highlighted in the previous CBIRRs, such as; building capacity of technical staff, adoption of the Integrated Financial Management Information System (IFMIS), and compliance with budgetary timelines.

Despite the progress made, there still exist challenges that continue to hamper effective budget execution. These challenges include; huge expenditure on personal emoluments, irregular operationalization of established County Public Funds, late submission of financial reports, under performance in local revenue collection, low uptake of development funds, and inadequate capacity of the internal audit departments and audit committees.

In order to address the identified challenges, the Office recommends that County Governments should; (i) ensure that expenditure on personnel emoluments is contained at sustainable levels and is within the ceiling provided under Regulation 25 of the Public Finance Management (County Governments) Regulations, 2015, (ii) ensure that legislations establishing County Public Funds are instituted in line with Section 116 of the PFM Act, 2012 before operationalization of any Fund, (iii) ensure timely preparation and submission of financial reports in line with Section 166 (4) and 168(3) of the PFM Act, 2012 and Section 16 of the Controller of Budget Act, 2016, (iv) develop and implement measures to enhance local revenue collection, (v) address challenges facing absorption of development funds, and lastly, (vi) establish effective Internal Audit Departments and Internal Audit Committees in compliance with Section 155 of the PFM Act, 2012.

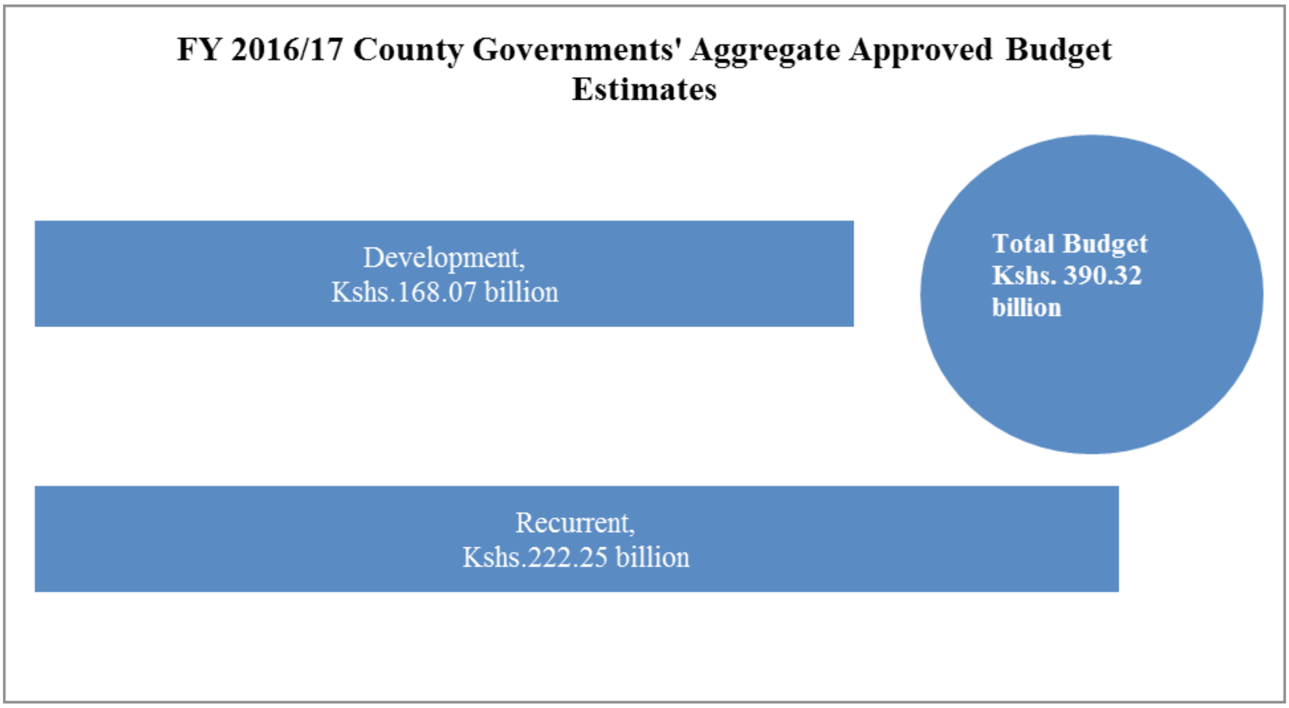
KEY HIGHLIGHTS

Overall Absorption Rate in the First Quarter of FY 2016/17

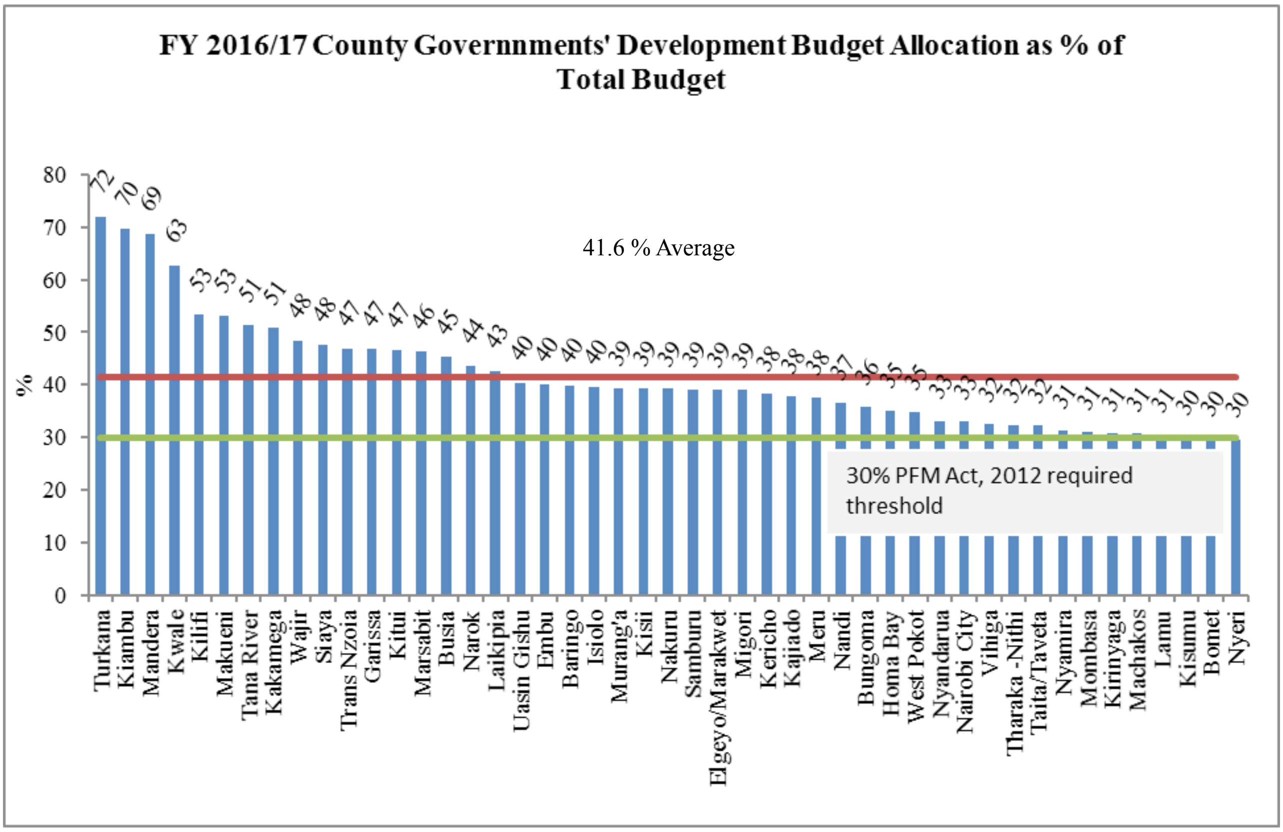


NOTE:
Absorption rate is actual expenditure as a percentage of approved budget.

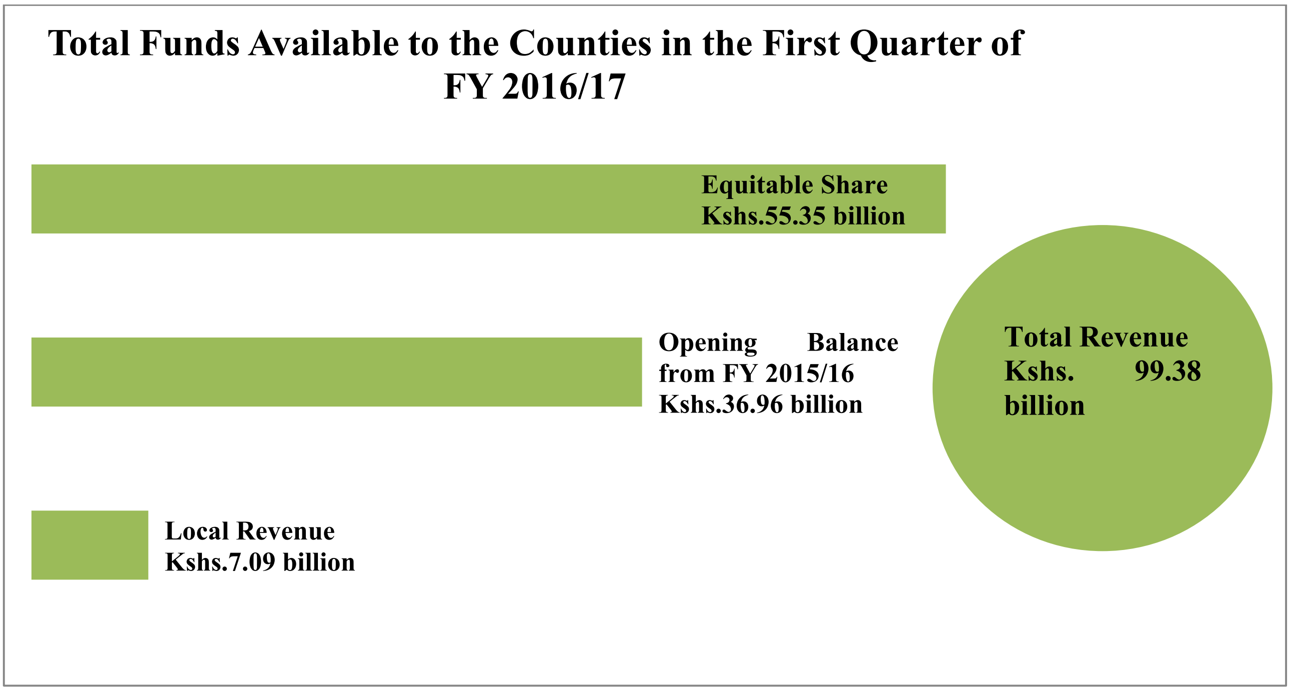
Source: [Office of The Controller of Budget]

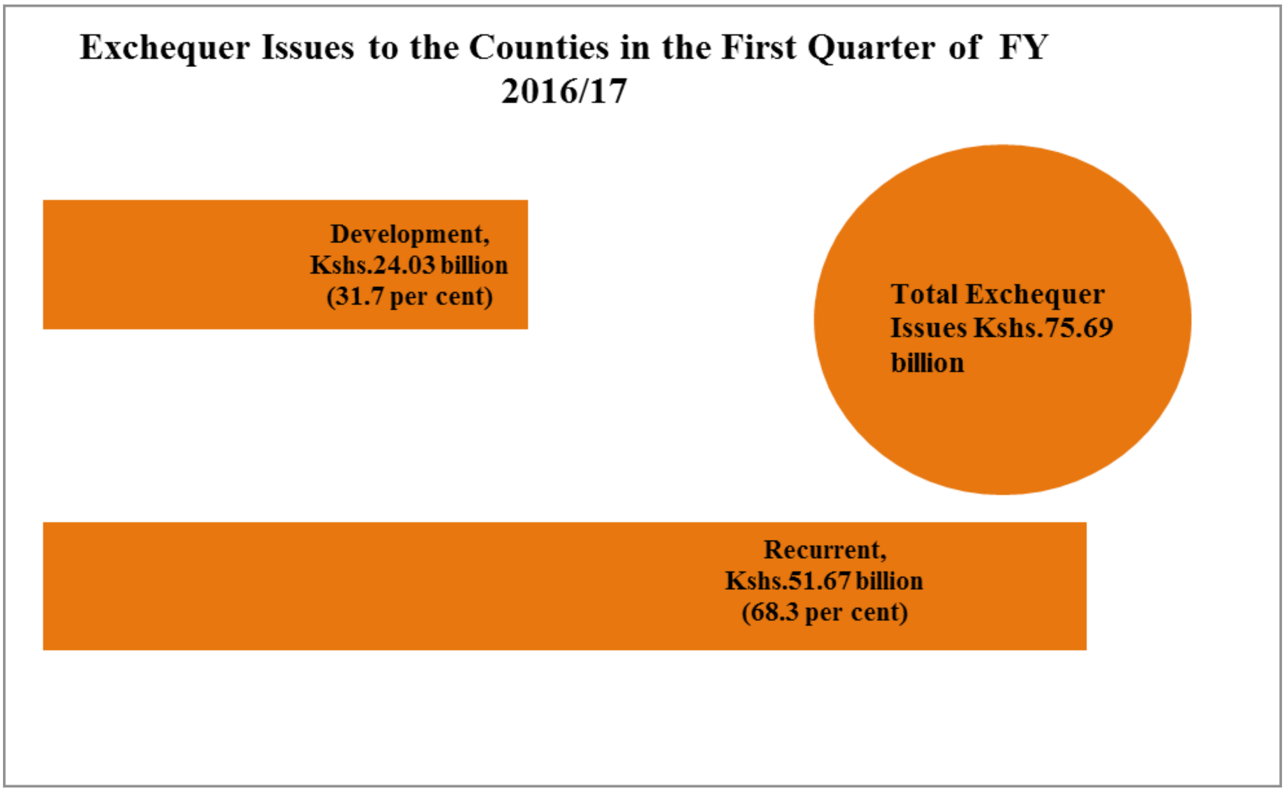


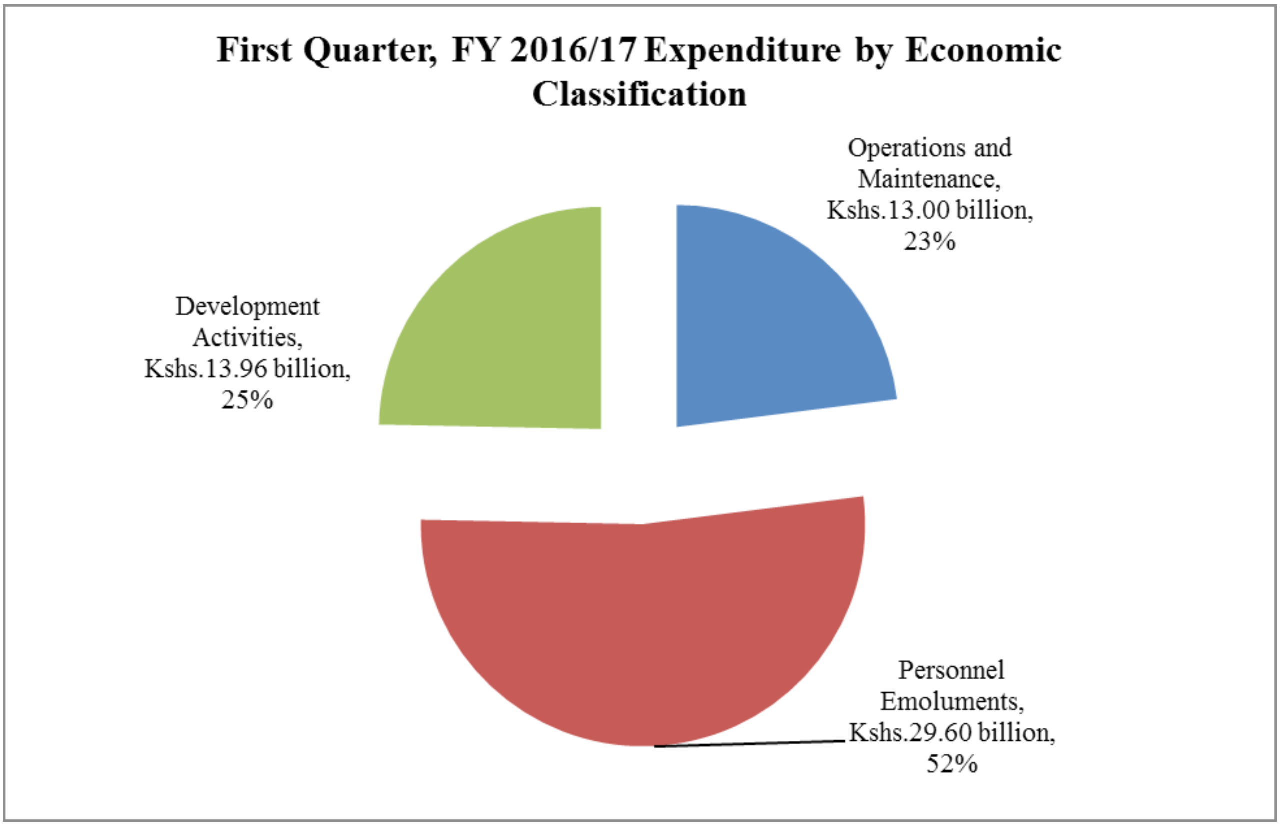
FY 2016/17 County Governments' Aggregate Approved Budget Estimates
Development,
Kshs.168.07 billion
Total Budget
Kshs. 390.32
billion
Recurrent,
Kshs.222.25 billion



FY 2016/17 County Governnments' Development Budget Allocation as % of Total Budget
41.6 % Average
30% PFM Act, 2012 required threshold
%
80
70
60
50
40
30
20
10
0
Turkana 72
Kiambu 70
Mandera 69
Kwale 63
Kilifi 53
Makueni 53
Tana River 51
Kakamega 51
Wajir 48
Siaya 48
Trans Nzoia 47
Garissa 47
Kitui 47
Marsabit 46
Busia 45
Narok 44
Laikipia 43
Uasin Gishu 40
Embu 40
Baringo 40
Isiolo 40
Murang'a 39
Kisii 39
Nakuru 39
Samburu 39
Elgeyo/Marakwet 39
Migori 39
Kericho 38
Kajiado 38
Meru 38
Nandi 37
Bungoma 36
Homa Bay 35
West Pokot 35
Nyandarua 33
Nairobi City 33
Vihiga 32
Tharaka -Nithi 32
Taita/Taveta 32
Nyamira 31
Mombasa 31
Kirinyaga 31
Machakos 31
Lamu 31
Kisumu 30
Bomet 30
Nyeri 30


Total Funds Available to the Counties in the First Quarter of FY 2016/17
Equitable Share Kshs.55.35 billion
Opening Balance from FY 2015/16 Kshs.36.96 billion
Total Revenue Kshs. 99.38 billion
Local Revenue Kshs.7.09 billion


Exchequer Issues to the Counties in the First Quarter of FY 2016/17
Development, Kshs.24.03 billion (31.7 per cent)
Total Exchequer Issues Kshs.75.69 billion
Recurrent, Kshs.51.67 billion (68.3 per cent)


First Quarter, FY 2016/17 Expenditure by Economic Classification
Operations and Maintenance, Kshs.13.00 billion, 23%
Development Activities, Kshs.13.96 billion, 25%
Personnel Emoluments, Kshs.29.60 billion, 52%

1 INTRODUCTION

The Office of the Controller of Budget (OCOB) is an oversight institution established under Article 228 of the Constitution to oversee and report on implementation of the budgets of the National and County Governments. As part of its oversight mandate, and in conformity with Article 228(4) and 228 (6) of the Constitution, and Section 9 of the Controller of Budget (COB) Act 2016, the Controller of Budget (COB) is required to submit quarterly budget implementation reports to Parliament within thirty days after the end of each quarter. This report covers the first quarter of FY 2016/16.

This report presents the status of budget execution by the 47 County Governments and contains information on the approved budgets, funds released, actual expenditure, absorption rates, and challenges encountered in budget execution during the period, July to September 2016. While this report is primarily aimed at providing information on the status of budget implementation to Parliament and the County Assemblies, it is also useful to other stakeholders and the public at large as it also satisfies the requirements of Section 39(8) of the Public Finance Management (PFM) Act, 2012. This Section requires the Controller of Budget (COB) to ensure that members of the public are provided with information on budget implementation.

This report is organised into four chapters. Chapter two provides the aggregate analysis of budget performance by the Counties during the reporting period. It presents the revenue performance, the exchequer issues to the County Governments and expenditure performance disaggregated by development and recurrent expenditure in line with Section 9 (3) (a) of the Controller of Budget Act, 2016. 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 the key challenges that affected budget execution in the reporting period are identified and appropriate recommendations made.

The cross-cutting challenges that affected budget implementation by the County Governments are presented in Chapter four. Appropriate recommendations are also included, with the objective of ensuring effective budget implementation in the future. Lastly, the conclusion is presented in chapter five of this report.

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

2.1 Introduction

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

2.2 Annual Budget Financing

In FY 2016/17, the combined County governments' budgets approved by the County Assemblies amounted to Kshs.390.32 billion. This comprised of Kshs.222.25 billion (56.9 per cent) allocated to recurrent expenditure and Kshs.168.07 billion (43.1 per cent) for development expenditure.

In order to finance the budgets, county governments expected to receive Kshs.280.30 billion as equitable share of revenue raised nationally, Kshs.21.90 billion as total conditional grants from the National Government and development partners, generate Kshs.57.46 billion from local sources, and utilize projected cash balance brought forward from FY 2015/16 of Kshs.36.96 billion. The conditional grants comprised of Kshs.4.50 billion for Leasing of Medical Equipment, Kshs.4.12 billion for Free Maternal Health Care, Kshs.4.0 billion for Level 5 Hospitals, Kshs.4.31 billion from the Road Maintenance Fuel Levy Fund, Kshs.900.0 million for compensation of User Fees Foregone, Kshs.200 million as special purpose grant to support Emergency Medical Services, Kshs.422.36 million from DANIDA, Kshs.1.30 billion as World Bank loan, and Kshs.2.15 billion as Conditional Allocation-other loans and grants. All the conditional grants were contained in the County Allocation of Revenue Act (CARA), 2016.

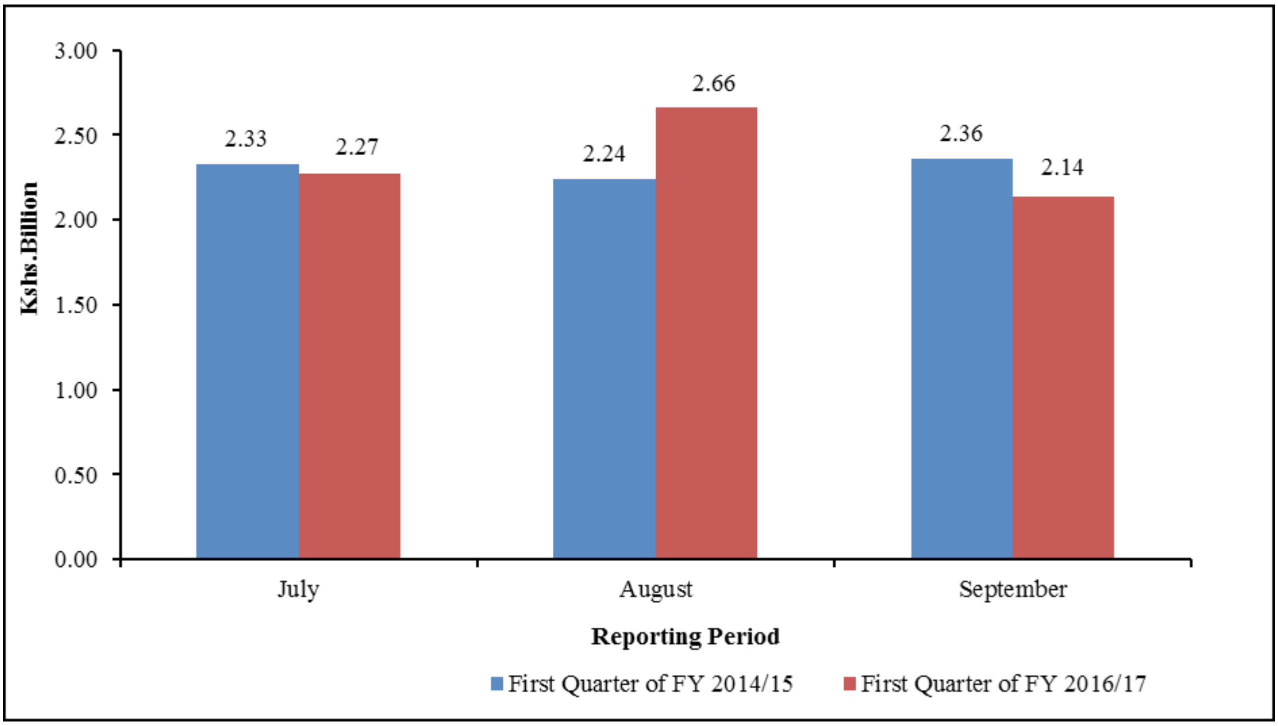
2.2.1 Budget Financing in the First Quarter, FY 2016/17

The total funds that were available to the County Governments in the first quarter of FY 2016/17 amounted to Kshs.99.38 billion. This amount consisted of Kshs.55.35 billion from the Equitable share of revenue raised nationally, conditional grants to Level 5 Hospitals, and grants from DANIDA, Kshs.7.09 billion as revenue raised from local sources, and Kshs.36.96 billion as cash balance brought forward from FY 2015/16.

2.3 Locally Collected Revenue

The aggregate annual local revenue target for counties in FY 2016/17 is Kshs.57.46 billion. During the reporting period, the County Governments generated a total of Kshs.7.09 billion, which was 12.3 per cent of the annual target. This was an improvement compared to Kshs.6.93 billion (12.2 per cent of FY 2015/16 annual revenue target) realised in a similar period of FY 2015/16. The monthly local revenue collection in the first quarter of FY 2016/17 and in a similar period of FY 2015/16 is shown in Figure 2.1.

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



Source: *County Treasuries*

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

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

County Title	First Quarter of FY 2016/17 Local Revenue Receipts (Kshs.)				Annual Local Revenue Target for FY 2016/17 (Kshs.)	First quarter revenue as a percentage of annual target (%)
	July-16	August-16	September-16	Total		
Baringo	29,041,386	41,138,386	21,246,300	91,426,072	472,000,000	19.4
Bomet	8,387,724	77,170,091	14,605,804	100,163,619	207,709,568	48.2
Bungoma	29,346,824	42,298,198	33,879,653	105,524,675	711,896,718	14.8
Busia	22,413,657	28,898,646	18,676,081	69,988,384	587,510,998	11.9
Elgeyo/Marakwet	8,521,776	9,002,225	7,381,876	24,905,877	160,021,113	15.6
Embu	32,914,476	30,848,191	34,531,644	98,294,311	803,772,092	12.2
Garissa	5,402,466	8,725,680	7,288,340	21,416,486	350,000,000	6.1
Homa Bay	12,623,958	15,282,787	12,791,065	40,697,810	233,541,540	17.4
Isiolo	9,193,068	16,586,651	12,161,278	37,940,997	250,000,000	15.2
Kajiado	37,896,975	32,417,466	29,248,437	99,562,878	1,248,371,716	8.0

County Title	First Quarter of FY 2016/17 Local Revenue Receipts (Kshs.)				Annual Local Revenue Target for FY 2016/17 (Kshs.)	First quarter revenue as a percentage of annual target (%)
	July-16	August-16	September-16	Total		
Kakamega	32,559,123	32,352,443	37,672,145	102,583,711	994,070,561	10.3
Kericho	15,287,738	11,864,079	35,228,516	62,380,333	620,350,000	10.1
Kiambu	141,785,160	195,421,276	118,347,619	455,554,055	3,767,972,188	12.1
Kilifi	28,425,682	22,431,020	81,674,148	132,530,850	1,585,881,577	8.4
Kirinyaga	19,466,585	42,936,131	15,673,226	78,075,942	460,000,000	17.0
Kisii	19,912,183	37,692,261	15,688,500	73,292,944	750,000,000	9.8
Kisumu	59,901,115	89,906,224	57,843,239	207,650,578	1,584,987,119	13.1
Kitui	31,537,036	33,665,196	26,044,355	91,246,587	668,799,000	13.6
Kwale	15,014,300	13,874,837	16,168,514	45,057,651	330,000,000	13.7
Laikipia	31,911,834	31,197,199	22,828,855	85,937,888	670,000,000	12.8
Lamu	1,344,590	2,200,526	4,592,116	8,137,232	100,000,000	8.1
Machakos	102,189,731	105,147,212	96,683,477	304,020,420	2,855,665,315	10.6
Makueni	15,086,849	14,827,689	13,830,596	43,745,134	500,000,000	8.7
Mandera	4,497,325	4,523,165	4,713,006	13,733,496	265,643,516	5.2
Marsabit	7,302,910	8,264,255	8,535,534	24,102,699	125,000,000	19.3
Meru	37,617,527	43,294,305	45,142,589	126,054,421	713,236,727	17.7
Migori	49,897,038	24,450,934	19,259,225	93,607,196	420,000,000	22.3
Mombasa	78,327,409	138,978,980	134,037,320	351,343,709	3,567,804,555	9.8
Murang'a	39,111,581	37,683,294	35,516,306	112,311,181	850,000,000	13.2
Nairobi City	723,891,237	724,654,474	589,805,105	2,038,350,816	19,565,657,059	10.4
Nakuru	91,664,896	97,648,314	86,259,185	275,572,395	2,597,264,658	10.6
Nandi	20,434,462	69,875,628	11,276,911	101,587,001	362,283,894	28.0
Narok	260,851,073	289,947,060	273,726,620	824,524,753	3,623,471,334	22.8
Nyamira	10,732,624	42,428,392	6,873,800	60,034,816	274,983,801	21.8
Nyandarua	16,106,765	18,250,466	14,739,602	49,096,833	430,000,000	11.4
Nyeri	59,065,603	53,401,462	57,366,661	169,833,726	1,095,101,000	15.5
Samburu	14,217,124	15,323,307	35,668,980	65,209,411	341,867,422	19.1
Siaya	13,781,055	13,142,034	11,884,169	38,807,258	270,000,000	14.4

County Title	First Quarter of FY 2016/17 Local Revenue Receipts (Kshs.)				Annual Local Revenue Target for FY 2016/17 (Kshs.)	First quarter revenue as a percentage of annual target (%)
	July-16	August-16	September-16	Total		
Taita/Taveta	11,562,350	15,463,590	12,617,298	39,643,238	355,587,656	11.1
Tana River	4,236,033	2,669,420	1,443,970	8,349,423	60,000,000	13.9
Tharaka -Nithi	9,229,564	10,111,376	4,922,490	24,263,430	200,000,000	12.1
Trans Nzoia	23,183,203	27,971,701	15,965,091	67,119,995	500,000,000	13.4
Turkana	15,930,644	15,234,970	10,682,701	41,848,315	180,000,000	23.2
Uasin Gishu	43,345,531	39,931,887	34,395,187	117,672,605	1,192,000,000	9.9
Vihiga	7,595,500	9,964,500	6,000,000	23,560,000	220,000,000	10.7
Wajir	8,293,830	7,389,390	5,889,855	21,573,075	212,304,296	10.2
West Pokot	6,151,667	9,485,879	8,610,358	24,247,904	122,245,626	19.8
Total	**2,267,191,187**	**2,655,973,197**	**2,169,417,747**	**7,092,582,130**	**57,457,001,049**	**12.3**

Source: *County Treasuries*

The total local revenue collection for all the 47 counties was 12.3 per cent of the annual local revenue collection target of Kshs.57.46 billion. Analysis of local revenue as a proportion of the annual revenue target indicated that Bomet County attained the highest proportion at 48.2 per cent followed by Nandi and Turkana at 28.0 per cent and 23.2 per cent respectively. Conversely, counties that recorded the lowest proportion of local revenue against annual targets were; Lamu at 8.1 per cent, Garissa at 6.1 per cent, and Mandera at 5.2 per cent.

2.4 Funds Released to the Counties

2.4.1 Funds released to counties from the Consolidated Fund

In first three months of FY 2016/17, the Controller of Budget (COB) approved transfer of Kshs.55.35 billion from the Consolidated Fund to the various County Revenue Funds (CRFs) in accordance with Article 206 (4) of the Constitution. The transferred amount included: Equitable share of revenue raised nationally, Conditional allocations from the National Government to Level 5 Hospitals, and Conditional grant from DANIDA to supplement financing of county health facilities.

2.4.2 Funds Released to the County Operational Accounts

The COB authorised withdrawals of Kshs.75.69 billion from the County Revenue Funds to County Operational Accounts of the County Governments in the reporting period. The transfers comprised of Kshs.51.67 billion (68.3 per cent) for recurrent expenditure and Kshs.24.03 billion (31.7 per cent) for development activities.

From the aggregate of Kshs.51.67 billion released for recurrent activities, Kshs.44.05 billion (85.3 per cent) was for the County Executives while Kshs.7.61 billion (14.7 per cent) was for the County Assemblies. On the other hand, out of Kshs.24.03 billion released towards development activities, the County Executive and the

County Assemblies received Kshs.22.65 billion (94.3 per cent) and Kshs.1.37 billion (5.7 per cent) respectively.

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

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

Exchequer Releases from the CRF to County Operations Accounts in the First Quarter of FY 2016/17									
	COUNTY ASSEMBLY			COUNTY EXECUTIVE			COMBINED EXCHEQUER ISSUES		
	Recurrent (Kshs)	Development (Kshs)	Total (Kshs)	Recurrent (Kshs)	Development (Kshs)	Total (Kshs)	Recurrent (Kshs)	Development (Kshs)	Total (Kshs)
Baringo	129.87	5.00	134.87	652.44	186.22	838.66	782.31	191.22	973.53
Bomet	127.00	-	127.00	864.65	316.25	1,180.90	991.65	316.25	1,307.90
Bungoma	220.12	-	220.12	1,138.97	438.36	1,577.33	1,359.09	438.36	1,797.45
Busia	157.87	18.00	175.87	980.00	629.00	1,609.00	1,137.87	647.00	1,784.87
Elgeyo/ Marakwet	108.44	-	108.44	551.08	193.05	744.13	659.52	193.05	852.58
Embu	87.85	-	87.85	595.34	-	595.34	683.19	-	683.19
Garissa	106.50	-	106.50	852.00	-	852.00	958.50	-	958.50
Homa Bay	90.00	-	90.00	837.00	150.00	987.00	927.00	150.00	1,077.00
Isiolo	120.00	-	120.00	368.73	100.00	468.73	488.73	100.00	588.73
Kajiado	72.19	-	72.19	803.43	342.32	1,145.75	875.62	342.32	1,217.94
Kakamega	224.98	-	224.98	1,259.95	1,069.76	2,329.71	1,484.93	1,069.76	2,554.69
Kericho	140.53	-	140.53	787.25	519.02	1,306.27	927.78	519.02	1,446.81
Kiambu	150.52	-	150.52	1,808.46	595.46	2,403.91	1,958.98	595.46	2,554.43
Kilifi	100.00	-	100.00	1,002.00	315.00	1,317.00	1,102.00	315.00	1,417.00
Kirinyaga	119.00	-	119.00	704.50	304.00	1,008.50	823.50	304.00	1,127.50
Kisii	183.00	33.00	216.00	1,350.56	512.44	1,863.00	1,533.56	545.44	2,079.00
Kisumu	158.81	-	158.81	1,319.40	549.81	1,869.21	1,478.21	549.81	2,028.02
Kitui	142.46	72.75	215.21	992.78	851.62	1,844.40	1,135.24	924.37	2,059.61
Kwale	143.34	140.00	283.34	840.51	712.92	1,553.43	983.85	852.92	1,836.77
Laikipia	82.00	-	82.00	639.00	319.50	958.50	721.00	319.50	1,040.50
Lamu	108.00	35.00	143.00	484.22	280.65	764.87	592.22	315.65	907.87
Machakos	137.11	35.00	172.11	1,722.03	532.73	2,254.76	1,859.14	567.73	2,426.87
Makueni	236.46	34.24	270.70	1,345.51	907.00	2,252.51	1,581.97	941.24	2,523.21
Mandera	116.69	47.87	164.56	808.10	1,599.33	2,407.43	924.80	1,647.20	2,571.99

Exchequer Releases from the CRF to County Operations Accounts in the First Quarter of FY 2016/17									
	COUNTY ASSEMBLY			COUNTY EXECUTIVE			COMBINED EXCHEQUER ISSUES		
	Recurrent (Kshs)	Development (Kshs)	Total (Kshs)	Recurrent (Kshs)	Development (Kshs)	Total (Kshs)	Recurrent (Kshs)	Development (Kshs)	Total (Kshs)
Marsabit	91.27	-	91.27	648.45	684.65	1,333.11	739.73	684.65	1,424.38
Meru	242.30	-	242.30	1,375.27	937.81	2,313.08	1,617.57	937.81	2,555.38
Migori	1,188.22	560.00	1,748.22	-	-	-	1,188.22	560.00	1,748.22
Mombasa	25.00	-	25.00	1,260.81	608.90	1,869.71	1,285.81	608.90	1,894.71
Murang'a	194.00	-	194.00	921.00	793.00	1,714.00	1,115.00	793.00	1,908.00
Nairobi City	369.23	-	369.23	3,359.00	-	3,359.00	3,728.23	-	3,728.23
Nakuru	196.12	96.23	292.35	1,746.27	1,043.16	2,789.43	1,942.39	1,139.39	3,081.78
Nandi	145.00	-	145.00	862.90	430.00	1,292.90	1,007.90	430.00	1,437.90
Narok	129.00	20.00	149.00	1,022.91	492.10	1,515.01	1,151.91	512.10	1,664.01
Nyamira	118.11	-	118.11	695.00	146.65	841.65	813.11	146.65	959.77
Nyandarua	141.78	25.00	166.78	743.19	97.00	840.19	884.97	122.00	1,006.97
Nyeri	115.00	-	115.00	1,087.09	-	1,087.09	1,202.09	-	1,202.09
Samburu	93.34	-	93.34	578.61	127.00	705.61	671.95	127.00	798.95
Siaya	159.00	12.82	171.82	881.00	387.18	1,268.18	1,040.00	400.00	1,440.00
Taita/Taveta	114.33	12.65	126.98	544.25	300.99	845.24	658.58	313.64	972.22
Tana River	137.03	29.87	166.91	552.88	690.28	1,243.15	689.91	720.15	1,410.06
Tharaka -Nithi	80.10	-	80.10	591.31	227.12	818.42	671.41	227.12	898.52
Trans Nzoia	89.05	-	89.05	600.51	531.27	1,131.78	689.56	531.27	1,220.83
Turkana	207.92	133.00	340.92	862.89	2,303.79	3,166.68	1,070.81	2,436.79	3,507.60
Uasin Gishu	118.68	5.00	123.68	852.75	356.40	1,209.14	971.42	361.40	1,332.82
Vihiga	133.47	35.00	168.47	651.21	224.00	875.21	784.69	259.00	1,043.69
Wajir	151.30	-	151.30	948.05	598.91	1,546.97	1,099.35	598.91	1,698.26
West Pokot	110.00	20.00	130.00	560.00	250.00	810.00	670.00	270.00	940.00
Total	**7,612.00**	**1,370.43**	**8,982.44**	**44,053.26**	**22,654.65**	**66,707.91**	**51,665.27**	**24,025.08**	**75,690.35**

Source: *County Treasuries and OCOB*

Nairobi City County received the highest amount of funds released from its CRF account to the operational accounts at Kshs.3,728.23 million followed by Turkana and Nakuru County at Kshs.3,507.60 million and Kshs.3,081.78 million respectively. The Counties that received the lowest releases were; Samburu at Kshs.798.95 million, Embu at Kshs.683.19 million and Isiolo at Kshs.588.73 million.

From the funds released for recurrent activities, the Nairobi City County, Kiambu County, and Nakuru County received the highest amounts at Kshs.3,728.23 million, Kshs.1,958.98 million and Kshs.1,942.39 million respectively. Conversely, Taita Taveta, Lamu, and Isiolo Counties received the lowest amounts at Kshs.658.58 million, Kshs.592.22 million, Kshs.488.73 million respectively.

Analysis of the funds released for development activities indicate that Turkana County, Mandera County, and Nakuru County received the highest amount at Kshs.2,436.79 million, Kshs.1,647.20 million and Kshs.1,139.39 million respectively. Four Counties, namely; Nairobi City, Embu, Garissa, Nyeri did not request for funds towards development expenditure during the period under review.

2.5 Expenditure Analysis

The total expenditure by County Governments in the first three months of FY 2016/17 was Kshs.56.55 billion representing an absorption rate of 14.5 per cent of the total annual County Government's budgets. This was an increase from an absorption rate of 12.3 per cent attained in a similar period of FY 2015/16 where total expenditure was Kshs.44.43 billion.

In the first quarter of FY 2016/17, recurrent expenditure was Kshs.42.60 billion, representing 19.2 per cent of the annual recurrent budget, an increase from 18.5 per cent reported in a similar period of FY 2015/16. Development expenditure amounted to Kshs.13.96 billion, representing an absorption rate of 8.3 per cent, an increase from 6.4 per cent attained in a similar period of FY 2015/16 where aggregate development expenditure was Kshs.10.31 billion. Analysis of expenditure by economic classification for the first quarter of FY 2016/17 is provided in Table 2.3.

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

County Title	Personnel Emoluments (Kshs.)	Operations & Maintenance (Kshs.)	Development Expenditure (Kshs.)	Total Expenditure (Kshs.)
	A	B	C	D=A+B+C
Baringo	468,722,122	65,411,888	16,137,711	550,271,722
Bomet	502,389,154	244,979,505	359,106,106	1,106,474,765
Bungoma	697,464,017	493,249,423	69,593,000	1,260,306,440
Busia	604,059,115	338,513,645	158,277,817	1,100,850,577
Elgeyo/Marakwet	467,856,087	55,080,755	1,008,000	523,944,842
Embu	542,283,499	82,307,930	0	624,591,429
Garissa	658,000,000	298,500,000	0	956,500,000
Homa Bay	672,912,707	267,306,393	154,019,460	1,094,238,560
Isiolo	325,368,104	53,671,599	0	379,039,703
Kajiado	316,528,586	163,696,451	0	480,225,037
Kakamega	1,287,012,589	332,816,597	510,687,635	2,130,516,821
Kericho	329,673,943	326,748,916	419,161,478	1,075,584,337
Kiambu	1,080,881,010	671,552,928	566,497,029	2,318,930,967
Kilifi	728,706,019	725,368,343	895,707,595	2,349,781,957
Kirinyaga	519,946,905	144,803,679	81,259,080	746,009,664
Kisii	1,112,675,197	215,124,565	229,561,154	1,557,360,916

County Title	Personnel Emoluments (Kshs.)	Operations & Maintenance (Kshs.)	Development Expenditure (Kshs.)	Total Expenditure (Kshs.)
	A	B	C	D=A+B+C
Kisumu	813,332,632	331,709,172	260,345,390	1,405,387,194
Kitui	521,323,403	320,289,718	614,153,595	1,455,766,716
Kwale	437,199,999	142,883,268	301,590,879	881,674,146
Laikipia	501,331,337	87,292,711	69,414,048	658,038,096
Lamu	204,792,146	62,368,515	38,983,447	306,144,108
Machakos	1,133,719,442	388,936,690	371,783,826	1,894,439,958
Makueni	607,154,209	343,149,180	284,057,118	1,234,360,507
Mandera	295,174,030	597,433,991	1,646,458,175	2,539,066,196
Marsabit	335,821,391	476,819,342	38,872,521	851,513,254
Meru	820,673,825	364,318,362	475,832,260	1,660,824,447
Migori	440,112,671	247,347,655	462,434,107	1,149,894,433
Mombasa	617,651,789	225,202,292	448,589,983	1,291,444,064
Murang’a	669,758,734	297,227,166	583,184,862	1,550,170,761
Nairobi City	3,223,110,813	582,895,555	133,375,419	3,939,381,787
Nakuru	861,597,778	551,399,450	241,346,326	1,654,343,554
Nandi	547,960,363	318,538,784	273,818,290	1,140,317,437
Narok	613,255,989	375,203,090	500,991,355	1,489,450,434
Nyamira	372,936,998	140,826,920	36,018,116	549,782,034
Nyandarua	532,544,505	175,982,345	22,178,557	730,705,406
Nyeri	560,464,525	85,752,567	0	646,217,092
Samburu	321,682,288	269,057,112	20,665,589	611,404,989
Siaya	491,980,210	300,676,560	406,858,111	1,199,514,881
Taita/Taveta	478,998,933	185,951,018	74,980,524	739,930,475
Tana River	359,084,082	271,492,690	701,412,969	1,331,989,741
Tharaka -Nithi	415,622,011	91,088,960	0	506,710,971
Trans Nzoia	486,336,037	263,197,373	361,177,945	1,110,711,355
Turkana	668,073,292	296,505,553	1,379,767,858	2,344,346,703
Uasin Gishu	356,514,462	57,265,736	0	413,780,198
Vihiga	466,798,984	165,279,766	106,864,495	738,943,245
Wajir	744,069,107	281,239,208	448,603,769	1,473,912,084
West Pokot	381,495,985	224,184,129	191,665,623	797,345,737
Total	**29,595,051,024**	**13,000,647,495**	**13,956,441,222**	**56,552,741**

Source: *OCOB and County Treasuries*

The Counties that attained the highest expenditure in absolute terms were; Nairobi City at Kshs.3.94 billion, Mandera at Kshs.2.54 billion, and Kilifi at Kshs.2.35 billion. The lowest expenditure was recorded by Uasin Gishu, Isiolo, and Lamu counties at Kshs.413.78 million, Kshs.379.04 million, and Kshs.306.14 million respectively.

Counties that recorded the highest overall absorption rates were; **Tana River at 29.0 per cent, Mandera at 22.7 per cent,** and **Murang'a at 21.1 per cent.** Conversely, **Baringo, Kajiado,** and **Uasin Gishu** Counties recorded the lowest overall absorption rates at **8.4 per cent, 6.9 per cent,** and **5.4 per cent** respectively. The overall absorption rate is computed as a percentage of total expenditure to the Approved County Budget excluding commitments.

Analysis of total expenditure as a percentage of total funds authorized for withdrawal by the COB indicated that expenditure by three counties, namely; Kilifi at 165.8 per cent, Nairobi City at 105.7 per cent, and Homa Bay at 101.6 per cent exceeded the funds authorized for withdrawal. This may suggest that these counties were utilizing locally collected revenue at source in contravention of Article 207 of the Constitution or may not have surrendered unspent balances from the previous financial year to the CRF account in contravention of Section 136 of the PFM Act, 2012.

A review of cumulative expenditure by economic classification showed that Kshs.29.62 billion (52.4 per cent) was spent on personnel emoluments, Kshs.13.0 billion (23.0 per cent) on operations and maintenance, and Kshs.13.89 billion (24.6 per cent) on development activities.

2.5.1 Development Expenditure

The County Governments spent Kshs.13.96 billion on development activities, representing an absorption rate of 8.3 per cent of the annual development budget, which is an increase from 6.4 per cent, reported in a similar period of FY 2015/16 where development expenditure was Kshs.10.31 billion.

Mandera County recorded the highest expenditure on development activities in absolute terms at Kshs.1.65 billion, followed by Turkana County and Kilifi County at Kshs.1.38 billion and Kshs.895.71 million respectively. A total of seven Counties did not report any development expenditure during the first quarter of FY 2016/17. These Counties are; Embu, Garissa, Isiolo, Kajiado, Nyeri, Tharaka Nithi, and Uasin Gishu.

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

Table 2.4: County budget allocation, expenditure and absorption rates for the first quarter of FY 2016/17

County Title	Budget Estimates (Kshs. Million)			Expenditure (Kshs. Million)			Recurrent Absorption Rate (%)	Development Absorption Rate (%)	Overall Absorption Rate
	Rec	Dev	Total	Rec	Dev	Total			
	A	B	C=A+B	D	E	F=D+E	G=D/A*100	H=E/B*100	I=F/C*100
Baringo	3,921.23	2,600.12	6,521.34	534.13	16.14	550.27	13.6	0.6	8.4
Bomet	3,962.96	1,682.04	5,644.99	747.37	359.11	1,106.47	18.9	21.3	19.6
Bungoma	5,911.56	3,289.52	9,201.08	1190.71	69.59	1,260.31	20.1	2.1	13.7
Busia	4,634.42	3,831.58	8,466.00	942.57	158.28	1,100.85	20.3	4.1	13.0
Elgeyo/ Marakwet	2,886.76	1,852.41	4,739.17	522.94	1.01	523.94	18.1	0.1	11.1
Embu	3,770.06	2,519.52	6,289.58	624.59	0.00	624.59	16.6	0.0	9.9
Garissa	3,917.72	3,443.87	7,361.59	956.50	0.00	956.50	24.4	0.0	13.0
Homa Bay	4,342.76	2,353.88	6,696.64	940.22	154.02	1,094.24	21.7	6.5	16.3

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
Isiolo	2,264.09	1,482.33	3,746.42	379.04	0.00	379.04	16.7	0.0	10.1
Kajiado	4,354.48	2,655.90	7,010.38	480.23	0.00	480.23	11.0	0.0	6.9
Kakamega	6,484.74	6,715.40	13,200.14	1619.83	510.69	2,130.52	25.0	7.6	16.1
Kericho	3,850.07	2,391.15	6,241.21	656.42	419.16	1,075.58	17.0	17.5	17.2
Kiambu	3,846.68	8,823.58	12,670.27	1752.43	566.50	2,318.93	45.6	6.4	18.3
Kilifi	6,076.82	6,954.61	13,031.43	1454.07	895.71	2,349.78	23.9	12.9	18.0
Kirinyaga	3,066.79	1,357.66	4,424.44	664.75	81.26	746.01	21.7	6.0	16.9
Kisii	6,103.97	3,952.04	10,056.01	1327.80	229.56	1,557.36	21.8	5.8	15.5
Kisumu	5,925.35	2,539.75	8,465.10	1145.04	260.35	1,405.39	19.3	10.3	16.6
Kitui	5,594.90	4,871.57	10,466.47	841.61	614.15	1,455.77	15.0	12.6	13.9
Kwale	3,031.61	5,105.16	8,136.77	580.08	301.59	881.67	19.1	5.9	10.8
Laikipia	3,409.17	2,533.97	5,943.14	588.62	69.41	658.04	17.3	2.7	11.1
Lamu	1,809.97	794.83	2,604.80	267.16	38.98	306.14	14.8	4.9	11.8
Machakos	7,539.57	3,336.43	10,876.00	1522.66	371.78	1,894.44	20.2	11.1	17.4
Makueni	4,921.71	5,601.70	10,523.40	950.30	284.06	1,234.36	19.3	5.1	11.7
Mandera	3,499.47	7,694.42	11,193.89	892.61	1646.46	2,539.07	25.5	21.4	22.7
Marsabit	3,553.39	3,056.52	6,609.91	812.64	38.87	851.51	22.9	1.3	12.9
Meru	6,017.89	3,624.94	9,642.83	1184.99	475.83	1,660.82	19.7	13.1	17.2
Migori	4,442.94	2,841.13	7,284.06	687.46	462.43	1,149.89	15.5	16.3	15.8
Mombasa	6,849.88	3,075.87	9,925.75	842.85	448.59	1,291.44	12.3	14.6	13.0
Murang'a	4,454.13	2,890.51	7,344.63	966.99	583.18	1,550.17	21.7	20.2	21.1
Nairobi City	23,161.54	11,392.99	34,554.53	3806.01	133.38	3,939.38	16.4	1.2	11.4
Nakuru	8,963.23	5,779.10	14,742.33	1413.00	241.35	1,654.34	15.8	4.2	11.2
Nandi	4,377.21	2,526.11	6,903.32	866.50	273.82	1,140.32	19.8	10.8	16.5
Narok	5,537.70	4,273.61	9,811.31	988.46	500.99	1,489.45	17.8	11.7	15.2
Nyamira	4,082.10	1,853.02	5,935.12	513.76	36.02	549.78	12.6	1.9	9.3
Nyandarua	3,693.37	1,828.60	5,521.97	708.53	22.18	730.71	19.2	1.2	13.2
Nyeri	4,419.61	1,857.94	6,277.55	646.22	0.00	646.22	14.6	0.0	10.3
Samburu	2,626.35	1,689.63	4,315.97	590.74	20.67	611.40	22.5	1.2	14.2
Siaya	3,836.82	3,492.67	7,329.49	792.66	406.86	1,199.51	20.7	11.6	16.4

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
Taita/ Taveta	3,150.09	1,502.22	4,652.31	664.95	74.98	739.93	21.1	5.0	15.9
Tana River	2,227.56	2,357.66	4,585.21	630.58	701.41	1,331.99	28.3	29.8	29.0
Tharaka -Nithi	2,542.64	1,214.78	3,757.41	506.71	0.00	506.71	19.9	0.0	13.5
Trans Nzoia	3,648.97	3,222.04	6,871.01	749.53	361.18	1,110.71	20.5	11.2	16.2
Turkana	4,207.94	10,818.38	15,026.32	964.58	1379.77	2,344.35	22.9	12.8	15.6
Uasin Gishu	4,563.37	3,085.10	7,648.47	413.78	0.00	413.78	9.1	0.0	5.4
Vihiga	3,194.67	1,535.96	4,730.63	632.08	106.86	738.94	19.8	7.0	15.6
Wajir	4,285.90	4,012.86	8,298.77	1025.31	448.60	1,473.91	23.9	11.2	17.8
West Pokot	3,288.59	1,752.72	5,041.30	605.68	191.67	797.35	18.4	10.9	15.8
Total	**222,252.72**	**168,067.76**	**390,320.47**	**42,595.70**	**13,956.44**	**56,552.14**	**19.2**	**8.3**	**14.5**

Source: *OCOB and County Treasuries*

Analysis of development expenditure as a proportion of the approved annual development budget shows that Tana River, Mandera, and Bomet Counties attained the highest absorption rate at 29.8 per cent, 21.4 per cent and 21.3 per cent respectively. A detailed analysis of development projects undertaken by counties is provided in chapter three under each County.

2.5.2 Recurrent Expenditure

During the reporting period, the Counties spent an aggregate of Kshs.42.60 billion on recurrent expenditure, translating to 75.3 per cent of the total expenditure for the period of Kshs.56.55 billion. This expenditure represents 19.2 per cent of the annual County Government's budget for recurrent activities, an increase from 17.0 per cent recorded in a similar period of FY 2015/16 where expenditure was Kshs.34.12 billion.

Analysis of expenditure in absolute terms shows that the Nairobi City County attained the highest expenditure on recurrent activities at Kshs.3. 8 billion, followed by Kiambu and Kakamega Counties at Kshs.1.75 billion and Kshs.1.62 billion respectively. Counties with the lowest expenditure on recurrent activities included Uasin Gishu at Kshs.413.73 million, Isiolo at Kshs.379.04 million, and Lamu at Kshs.267.16 million.

Kiambu County reported the highest percentage of recurrent expenditure to annual recurrent budget at 45.6 per cent, followed by Tana River County at 28.3 per cent, and Mandera County at 25.5 per cent. Mombasa County, Kajiado County, and Uasin Gishu County recorded the lowest proportion of recurrent expenditure to annual recurrent budgets at 12.3 per cent, 11.0 per cent, and 9.1 per cent respectively.

2.5.2.1 Personnel Emoluments

The County Governments spent Kshs.29.60 billion on personnel emoluments, representing 69.5 per cent of the total recurrent expenditure and 52.3 per cent of total expenditure. This expenditure was an increase from Kshs.25.17 billion spent in a similar period of FY 2015/16 where the personnel expenditure translated to 56.2 per cent of the total expenditure.

Nairobi City County reported the highest expenditure on personnel emoluments at Kshs.3.22 billion, followed by Kakamega County and Machakos County at Kshs.1.29 billion and Kshs.1.13 billion respectively. Those with the lowest expenditure on personnel emoluments included Kajiado, Mandera, and Lamu at Kshs.316.53 million, Kshs.295.17 million and Kshs.204.79 million respectively.

Analysis of personnel emoluments as a percentage of total expenditure by county shows that Elgeyo Marakwet, Embu and Uasin Gishu recorded the highest percentage at 89.3 per cent, 86.8 per cent and 86.7 per cent respectively. Turkana, Tana River, and Mandera reported the least proportions at 28.5 per cent, 27.0 per cent and 11.6 per cent respectively.

2.5.2.2 Operations and Maintenance Expenditure

A total of Kshs.13.0 billion was spent on operations and maintenance expenditure during the reporting period, which translated to 23.0 per cent of the total expenditure. Counties that reported the highest expenditure on operations and maintenance were; Kilifi at Kshs.725.37 million, Kiambu at Kshs.671.55 million and Mandera at Kshs.597.43 million. Uasin Gishu, Elgeyo Marakwet and Isiolo reported the least expenditure at Kshs.57.27 million, Kshs.55.08 million, and Kshs.53.67 million respectively.

Analysis of expenditure on operations and maintenance as a proportion of total expenditure by county indicated that Marsabit attained the highest proportion at 56.0 per cent, followed by Samburu and Bungoma Counties at 44.0 per cent and 39.1 per cent respectively. The Counties that attained the least proportion of operations and maintenance expenditure to their total expenditure during the reporting period were; Turkana, Baringo and Elgeyo Marakwet at 12.6 per cent, 11.9 per cent and 10.5 per cent respectively.

2.5.2.3 Review of MCA's Sitting Allowances

During the reporting period, County Assemblies spent Kshs.638.32 million on MCA's Sitting allowances against an approved budget allocation of Kshs.3.34 billion. This expenditure translates to 19.1 per cent of the approved MCA's sitting allowance budget, an increase from 17.4 per cent attained in a similar period of FY 2015/16 where Kshs.632.91 million was spent.

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

Table 2.5: County budget allocation, expenditure and absorption rate of MCA's Sitting Allowance in the first quarter of FY 2016/17

County	MCA Sitting Allowances				
	Budgetary Allocation (Kshs)	Expenditure (Kshs)	Absorption %	No. of MCAs & Speaker	Average monthly sitting allowance Per MCA (Kshs)
	A	B	C=B/A*100	D	E=B/D/12
Baringo	58,500,000	14,977,569	25.6	49	101,888
Bomet	45,011,000	9,402,970	20.9	35	89,552
Bungoma	32,674,908	18,209,100	55.7	64	94,839
Busia	107,827,201	22,015,700	20.4	54	135,899
Elgeyo/Marakwet	37,496,000	8,695,053	23.2	31	93,495
Embu	37,216,000	11,037,200	29.7	34	108,208
Garissa	80,906,400	17,200,000	21.3	49	117,007
Homa Bay	130,729,600	30,550,400	23.4	64	159,117
Isiolo	30,615,936	2,877,520	9.4	21	45,675
Kajiado	66,440,344	5,488,600	8.3	42	43,560
Kakamega	169,674,400	29,581,800	17.4	88	112,052
Kericho	84,589,230	13,182,000	15.6	48	91,542
Kiambu	100,000,000	23,299,087	23.3	88	88,254
Kilifi	80,712,000	14,593,701	18.1	55	88,447
Kirinyaga	62,000,000	10,462,300	16.9	30	116,248
Kisii	95,411,955	26,956,100	28.3	72	124,797
Kisumu	86,050,000	14,246,600	16.6	50	94,977
Kitui	69,638,400	10,776,520	15.5	57	63,021
Kwale	49,216,000	9,773,235	19.9	34	95,816
Laikipia	15,992,000	7,835,420	49.0	24	108,825
Lamu	38,726,400	4,922,400	12.7	21	78,133
Machakos	96,972,714	15,374,600	15.9	60	85,414
Makueni	50,000,000	17,372,300	34.7	48	120,641
Mandera	63,000,000	4,050,900	6.4	49	27,557
Marsabit	40,000,000	7,722,325	19.3	34	75,709
Meru	131,991,600	25,043,200	19.0	70	119,253
Migori	111,783,200	20,450,000	18.3	63	108,201
Mombasa	101,197,056	9,128,950	9.0	43	70,767
Murang'a	87,609,600	15,971,569	18.2	50	106,477
Nairobi City	140,599,158	24,732,500	17.6	128	64,408

County	MCA Sitting Allowances				
	Budgetary Allocation (Kshs)	Expenditure (Kshs)	Absorption %	No. of MCAs & Speaker	Average monthly sitting allowance Per MCA (Kshs)
	A	B	C=B/A*100	D	E=B/D/12
Nakuru	110,000,000	14,151,100	12.9	75	62,894
Nandi	73,382,400	17,167,800	23.4	49	116,788
Narok	71,510,400	10,186,100	14.2	48	70,737
Nyamira	68,812,800	9,015,112	13.1	34	88,383
Nyandarua	68,414,000	11,938,010	17.4	42	94,746
Nyeri	97,857,600	16,118,900	16.5	48	111,937
Samburu	48,873,600	5,358,590	11.0	27	66,155
Siaya	84,361,600	19,027,200	22.6	49	129,437
Taita/Taveta	65,436,800	9,542,000	14.6	36	88,352
Tana River	22,495,200	6,287,700	28.0	27	77,626
Tharaka –Nithi	36,660,000	4,257,500	11.6	25	56,767
Trans Nzoia	82,272,000	20,568,000	25.0	40	171,400
Turkana	32,760,000	17,375,424	53.0	48	120,663
Uasin Gishu	50,060,000	8,075,600	16.1	45	59,819
Vihiga	10,330,000	2,975,715	28.8	40	24,798
Wajir	58,531,200	8,708,700	14.9	46	63,107
West Pokot	56,907,060	11,637,600	20.5	33	117,552
Total	**3,341,245,762**	**638,320,670**	**19.1**	**2,267**	**93,857**

Source: *OCOB and County Treasuries*

Four County Assemblies reported higher monthly average expenditure on MCA's sitting allowances than the SRC's recommended monthly maximum of Kshs.124,800. These were: Trans Nzoia at Kshs.171,400, Homa Bay at Kshs.159,117, Busia at Kshs.135,899, and Siaya at Kshs.129,437.

2.5.2.4 Review of Expenditure on Domestic and Foreign Travels

The County Governments spent Kshs.2.78 billion on domestic and foreign travel against an approved annual budget allocation of Kshs.12.14 billion. This expenditure represented 22.9 per cent of the total budget allocation towards domestic and foreign travel, an increase from 20.1 per cent attained in a similar period of FY 2015/16 where a total of Kshs.1.95 billion was spent.

The expenditure on domestic and foreign travel by both the County Assemblies and the County Executives in the first quarter of FY 2016/17 is presented in Table 2.6.

Table 2.6: Expenditure on domestic and foreign travels by the County Assemblies and the County Executives in the first quarter of FY 2016/17 (Kshs. million)

County	County Assembly			County Executive			Total Expenditure		
	Budget	Expenditure	Performance	Budget	Expenditure	Performance	Budget	Expenditure	Performance
	A	B	C=B/A*100	D	E	F=E/D*100	G=A+D	H=B+E	I=H/G*100
Baringo	51.50	21.60	41.9	49.82	1.50	3.0	101.32	23.11	22.8
Bomet	83.20	25.51	30.7	109.14	32.91	30.2	192.34	58.42	30.4
Bungoma	14.00	1.00	7.1	266.76	102.80	38.5	280.76	103.80	37.0
Busia	47.02	7.85	16.7	188.17	29.34	15.6	235.20	37.20	15.8
Elgeyo/ Marakwet	57.74	15.11	26.2	29.98	7.98	26.6	87.73	23.09	26.3
Embu	89.41	37.95	42.4	41.90	6.58	15.7	131.31	44.53	33.9
Garissa	46.03	2.80	6.1	128.34	8.50	6.6	174.37	11.30	6.5
Homa Bay	62.33	38.09	61.1	102.22	33.90	33.2	164.54	71.99	43.8
Isiolo	39.88	16.50	41.4	111.08	14.74	13.3	150.96	31.24	20.7
Kajiado	92.80	33.90	36.5	149.28	23.52	15.8	242.08	57.43	23.7
Kakamega	153.00	46.29	30.3	160.95	20.59	12.8	313.95	66.87	21.3
Kericho	72.53	33.76	46.5	107.57	31.58	29.4	180.09	65.34	36.3
Kiambu	211.50	42.46	20.1	240.60	46.40	19.3	452.10	88.86	19.7
Kilifi	128.65	23.14	18.0	113.96	38.79	34.0	242.61	61.93	25.5
Kirinyaga	103.00	25.47	24.7	76.56	9.85	12.9	179.56	35.32	19.7
Kisii	96.25	4.80	5.0	304.09	43.77	14.4	400.34	48.57	12.1
Kisumu	78.46	0.76	1.0	238.17	41.24	17.3	316.63	42.00	13.3
Kitui	117.34	22.93	19.5	324.40	38.23	11.8	441.74	61.17	13.8
Kwale	35.67	12.14	34.0	133.34	31.00	23.2	169.01	43.14	25.5
Laikipia	27.25	10.71	39.3	17.77	6.74	37.9	45.02	17.45	38.8
Lamu	80.22	9.57	11.9	75.37	16.37	21.7	155.59	25.95	16.7
Machakos	165.00	57.48	34.8	374.79	56.10	15.0	539.79	113.58	21.0
Makueni	66.00	20.36	30.8	120.56	43.86	36.4	186.56	64.22	34.4
Mandera	35.56	4.26	12.0	64.53	16.13	25.0	100.09	20.39	20.4
Marsabit	105.00	9.60	9.1	148.30	65.24	44.0	253.30	74.84	29.5
Meru	118.55	24.77	20.9	109.43	23.17	21.2	227.98	47.94	21.0
Migori	91.83	30.11	32.8	379.16	46.78	12.3	471.00	76.89	16.3

County	County Assembly			County Executive			Total Expenditure		
	Budget	Expenditure	Performance	Budget	Expenditure	Performance	Budget	Expenditure	Performance
	A	B	C=B/A*100	D	E	F=E/D*100	G=A+D	H=B+E	I=H/G*100
Mombasa	47.17	-	0.0	284.39	2.01	0.7	331.56	2.01	0.6
Murang'a	108.00	33.95	31.4	82.65	47.80	57.8	190.65	81.75	42.9
Nairobi City	296.61	73.87	24.9	934.88	61.27	6.6	1,231.49	135.14	11.0
Nakuru	32.50	3.73	11.5	86.26	91.45	106.0	118.76	95.18	80.2
Nandi	65.00	19.97	30.7	204.00	77.51	38.0	269.00	97.48	36.2
Narok	21.98	3.12	14.2	164.07	38.92	23.7	186.05	42.04	22.6
Nyamira	124.41	17.52	14.1	311.95	68.35	21.9	436.35	85.86	19.7
Nyandarua	70.76	43.99	62.2	188.21	50.59	26.9	258.96	94.59	36.5
Nyeri	109.00	20.67	19.0	147.34	2.91	2.0	256.34	23.58	9.2
Samburu	59.05	19.90	33.7	102.55	20.51	20.0	161.60	40.40	25.0
Siaya	74.25	14.29	19.3	170.95	85.47	50.0	245.19	99.77	40.7
Taita/ Taveta	107.06	38.01	35.5	223.39	56.38	25.2	330.45	94.40	28.6
Tana River	69.18	17.64	25.5	66.01	46.54	70.5	135.20	64.18	47.5
Tharaka – Nithi	53.55	14.25	26.6	117.94	16.02	13.6	171.49	30.26	17.6
Trans Nzoia	48.91	13.62	27.8	75.00	57.45	76.6	123.91	71.07	57.4
Turkana	98.48	6.32	6.4	204.06	63.85	31.3	302.86	70.08	23.1
Uasin Gishu	65.40	18.81	28.8	141.51	4.69	3.3	206.92	23.50	11.4
Vihiga	130.35	42.99	33.0	150.29	35.94	23.9	280.64	78.93	28.1
Wajir	40.32	15.10	37.4	177.21	39.83	22.5	217.53	54.92	25.2
West Pokot	50.20	13.12	26.1	196.52	69.18	35.2	246.72	82.30	33.4
Total	**3,941.89**	**1,009.80**	**25.6**	**8,195.42**	**1,774.28**	**21.6**	**12,137.64**	**2,784.01**	**22.9**

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

In absolute terms, Nairobi City County had the highest expenditure of domestic and foreign travel at Kshs.135.14 million, followed by Machakos and Bungoma County at Kshs.113.58 million and Kshs.103.80 million, respectively. The Counties that had the least expenditure were; Laikipia, Garissa, and Mombasa at Kshs.17.45 million, Kshs.11.30 million and Kshs.2.01 million, respectively.

Analysis of expenditure on domestic and foreign travel as a proportion of the annual budgetary allocation by County indicated that Nakuru, Trans Nzoia, and Tana River Counties had the highest proportions at 80.2 per cent, 57.4 per cent, and 47.5 per cent respectively. Those with the lowest proportions were Nyeri, Garissa, and Mombasa at 6.5 per cent, 9.2 per cent and 0.6 per cent respectively.

3 INDIVIDUAL COUNTY BUDGET PERFORMANCE

3.1 Baringo County

3.1.1 Overview of the FY 2016/17 Budget

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

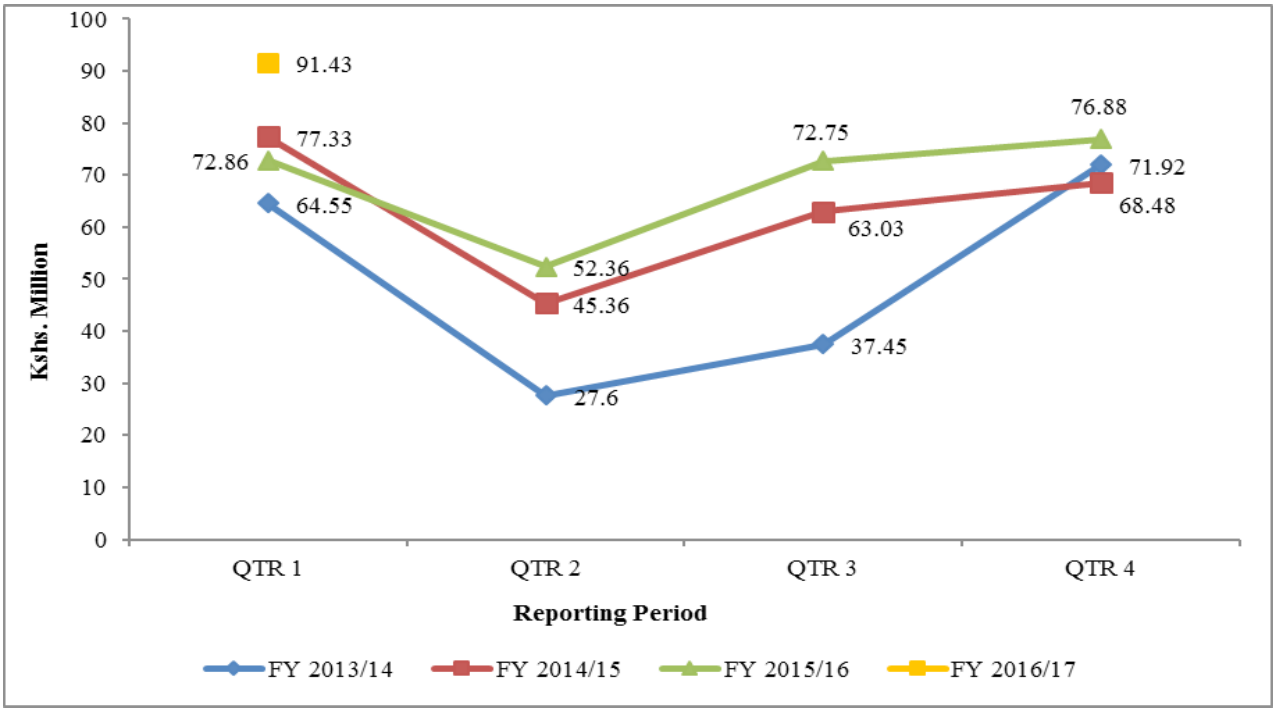
To finance the budget, the County expects to receive Kshs.4.79 billion (73.5 per cent) as equitable share of revenue raised nationally, Kshs.269.45 million (4.1 per cent) as total conditional grants, generate Kshs.472 million (7.2 per cent) from local sources, and Kshs.892.71 million (13.7 per cent) cash balance from FY 2015/16. The conditional grants comprise of Kshs.64.66 million (1 per cent) for Free Maternal Health Care, Kshs.73.62 million (1.1 per cent) from the Road Maintenance Fuel Levy Fund, Kshs.13.37 million (0.2 per cent) for User Fees Foregone, Kshs.12.99 million 0.2 per cent) as a grant from DANIDA, Kshs.77.76 million (1.2 per cent) as World Bank support to health facilities and Kshs.27.05 million (0.4 per cent) for Capacity and Performance grant from the World Bank.

3.1.2 Revenue Analysis

During the first quarter of FY 2016/17, the County received Kshs.814.54 million as equitable share of the revenue raised nationally, Kshs.30.26 million as total conditional allocation, raised Kshs.91.43 million from local sources, and Kshs.915.82 million brought forward from FY 2015/16.

Figure 3.1 shows the quarterly trend in local revenue collection from FY 2014/15 to first quarter of FY 2016/17.

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



Source: *Baringo County Treasury*

The total local revenue collected in the first quarter of FY 2016/17 amounted to Kshs.91.43 million which was an increase of 18.2 per cent compared to Kshs.77.32 million generated in a similar period of FY 2015/16. This revenue accounted for 19.4 per cent of the annual local revenue target.

Table 3.1 provides an analysis of the local revenue collected in FY 2016/17 by revenue stream.

Table 3.1: Baringo County Analysis of Revenue Collected by Stream in the First Quarter of FY 2016/17

No	Revenue Stream	Annual Targeted Revenue (Kshs.)	Actual Revenue for the First Quarter of FY 2016/17	Actual Revenue as a Percentage of Annual Target (%)
1	Game Park Fees	141,356,034	40,803,910	28.9
2	Animal Stock Sale Fees	23,890,660	3,800,010	15.9
3	Produce & Other Cess	42,598,837	7,883,025	18.5
4	Single Business Permit	56,689,244	3,400,497	6.0
5	Plot Rent/ Rates	33,315,801	1,978,640	5.9
6	Market Fees & Others	53,784,624	8,727,330	16.2
7	Public Health Licences	8,587,040	717,440	8.4
8	Veterinary	11,268,520	1,189,500	10.6
9	Koibatek ATC	8,537,040	359,860	4.2
10	Marigat AMS	9,989,820	127,400	1.3
11	Hospital Revenue	81,982,380	22,438,460	27.4
TOTAL		**472,000,000**	**91,426,072**	**19.4**

Source: *Baringo County Treasury*

Analysis of the local revenue performance by stream indicated that, Game park fees recorded the highest performance against annual target at 28.9 per cent. This was followed by Hospital revenue at 27.4 per cent, and Produce and other cess at 18.5 per cent.

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

3.1.3 Conditional Grants

Table 3.2 shows an analysis of conditional grants received in the first quarter of FY 2016/17.

Table 3.2: Baringo County Analysis of Conditional Grant Releases in the First Quarter of FY 2016/17

No.	Conditional Grant	Amount allocated as provided in CARA, 2016 (Kshs.)	First Quarter, FY 2016/17 Actual receipt of the Conditional Grant (Kshs.)	Actual receipts as a percentage of Annual Allocation (%)
1	Conditional Allocation Free Maternal Health Care	64,662,618.00	11,852,500	18.3
2	Roads Maintenance Fuel Levy Fund	73,620,416.00	18,405,104	25.0
3	Compensation for Use Fees Foregone	13,370,516.00	-	0.0
4	World Bank support to Health Facilities	77,761,278.00	-	0.0
5	DANIDA (Health Facilities)	12,985,000.00	-	0.0
6	C&P Grant	27,052,470	-	0.0
	TOTAL	**269,452,298.00**	**30,257,604.00**	**11.2**

Source: *Baringo County Treasury*

The County received two categories of conditional grants. These are; Free Maternal Health Care, which recorded a performance of 18.3 per cent of the annual target and the Road Maintenance Fuel Levy Fund which received 25 per cent.

3.1.4 Exchequer Issues

In the first quarter, the Controller of Budget authorised withdrawal of Kshs.973.53 million from the CRF account, which was 14.9 per cent of the FY 2016/17 Approved Budget. The amount represented a decrease of 19.8 per cent from Kshs.1.21 billion authorized in a similar period in FY 2015/16 and consisted of Kshs.782.31 million (80.4 per cent) for recurrent expenditure and Kshs.191.22 million (19.6 per cent) for development activities.

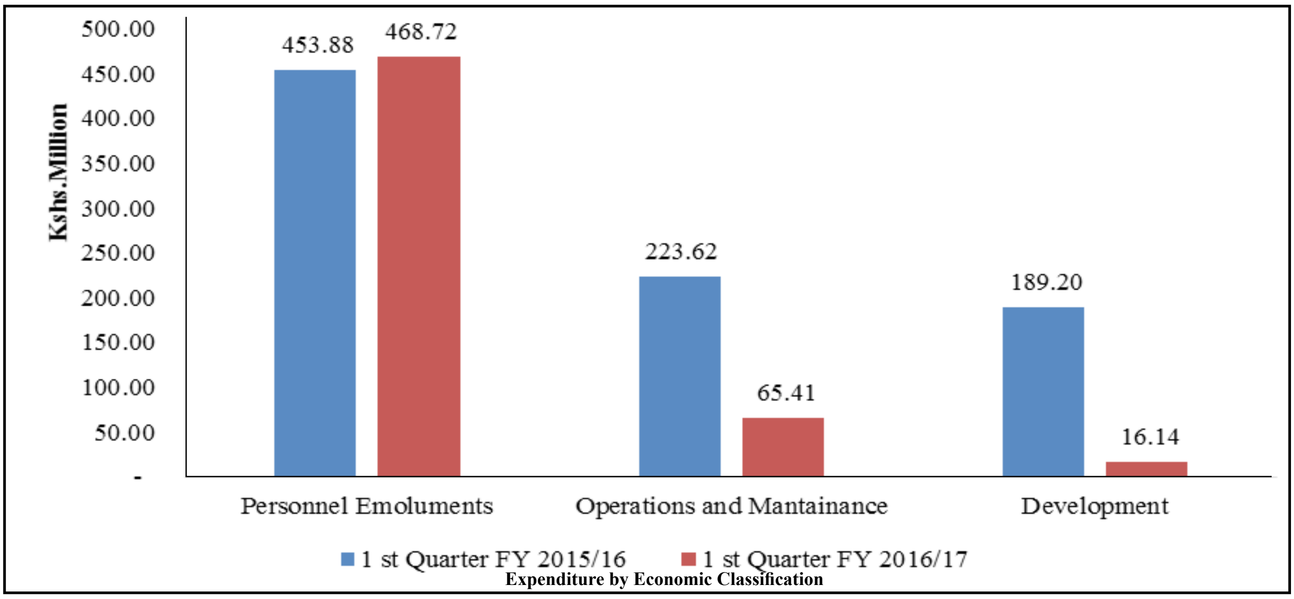
3.1.5 Overall Expenditure Review

During the period under review the County spent Kshs.550.27 million, which was 56.5 per cent of the total funds released for operations. This was a decrease of 36.5 per cent from Kshs.866.7 million spent in a similar period in FY 2015/16.

A total of Kshs.534.13 million was spent on recurrent activities, while Kshs.16.14 million was spent on development activities. The recurrent expenditure was 68.3 per cent of the funds released for recurrent activities while development expenditure accounted for 8.4 per cent of the funds released for development activities. The expenditure excluded outstanding commitments as at 30th September, 2016 that amounted to Kshs.26.65 million for development and Kshs.21.89 million for recurrent expenditure.

The recurrent expenditure represented 13.6 per cent of the annual recurrent budget, a decrease from 19.8 per cent spent in a similar period of FY 2015/16. Development expenditure recorded an absorption rate of 0.6 per cent, which was a decrease from 7.8 per cent attained in a similar period of FY 2015/16. Figure 3.2 presents a comparison between total expenditure in the first quarter of FY 2016/17 and the first quarter of FY 2015/16.

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



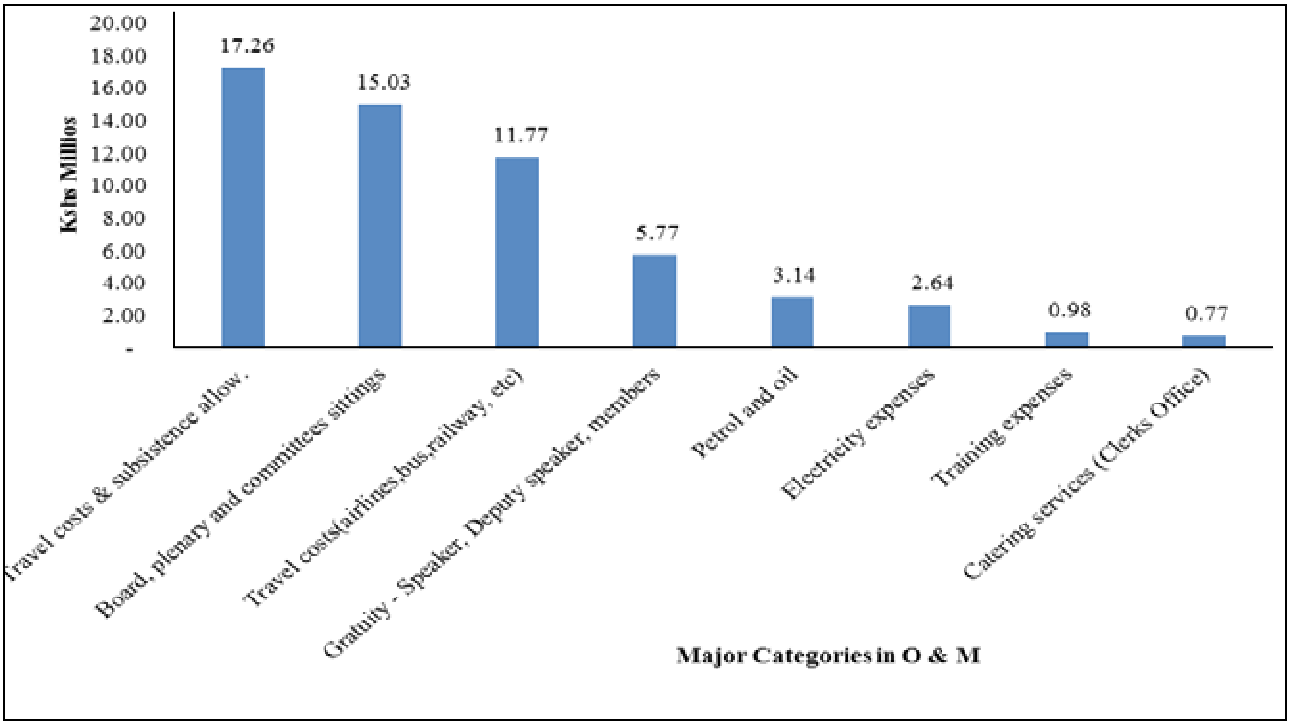
Source: *Baringo County Treasury*

3.1.6 Analysis of Recurrent Expenditure

The recurrent expenditure of Kshs.534.13 million consisted of Kshs.468.72 million (87.8 per cent) spent on personnel emoluments and Kshs.65.41 million (12.2 per cent) on operations and maintenance as shown in Figure 3.2. Expenditure on personnel emoluments represented an increase of 3.3 per cent compared to a similar period in FY 2015/16 when the County spent Kshs.452.88 million.

Figure 3.3 shows a summary of the operations and maintenance expenditure by major categories.

Figure 3.3: Baringo County, Operations and Maintenance Expenditure for First Quarter of FY 2016/17



Source: *Baringo County Treasury*

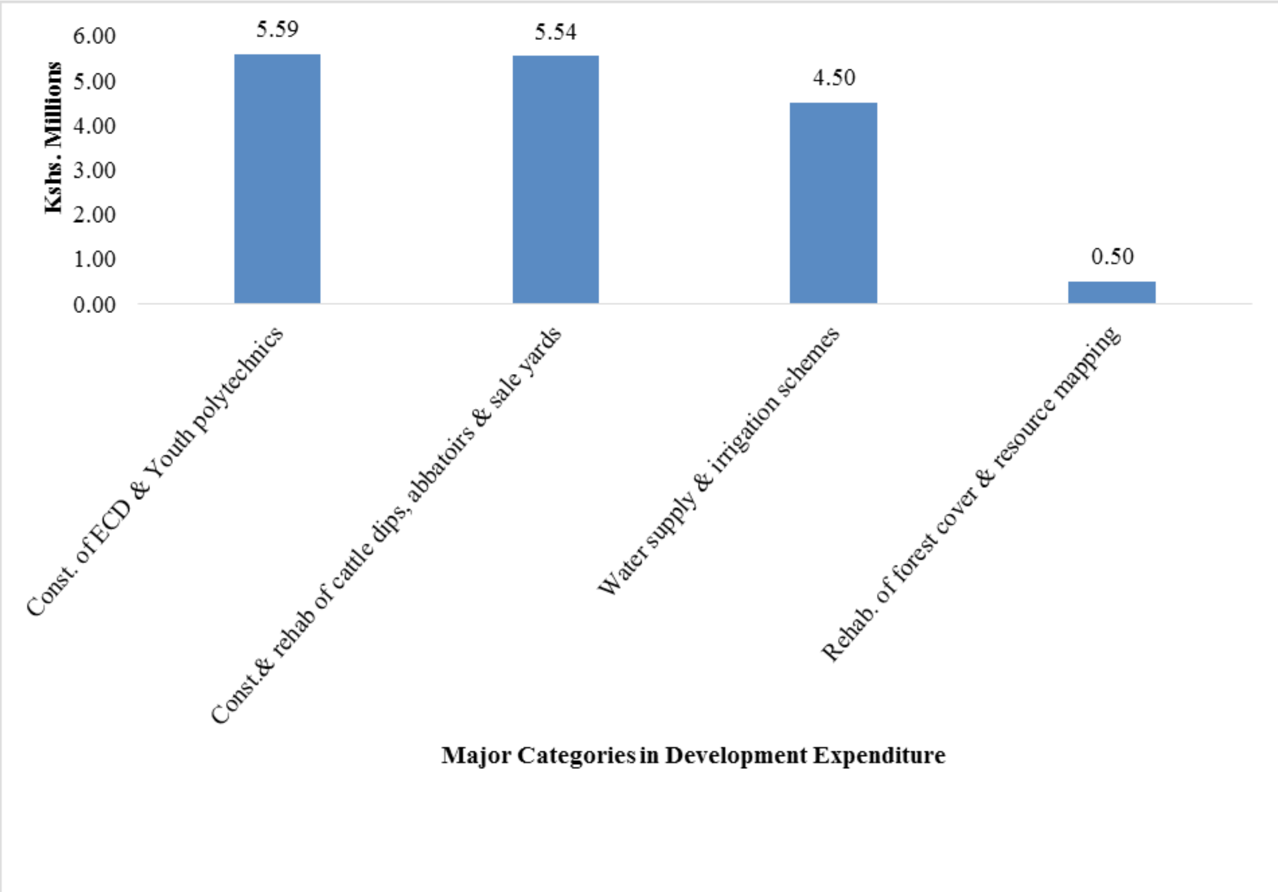
The County spent Kshs.14.98 million on sitting allowances to the 48 MCAs and the Speaker against the annual budget allocation of Kshs.58.5 million. This was an increase of over 100 per cent compared to Kshs.4.08 million spent in a similar period of FY 2015/16. The average monthly sitting allowance was Kshs.101,888 compared to SRC's recommended monthly ceiling of Kshs.124,800

Expenditure on domestic and foreign travel amounted to Kshs.23.11 million compared to Kshs.30.73 million spent in a similar period FY 2015/16, representing a decrease of 24.8 per cent.

3.1.7 Development Expenditure Analysis

The total development expenditure of Kshs.16.14 million represented 0.6 per cent of the annual development budget of Kshs.2.60 billion. Figure 3.4 provides a summary of development expenditure during the period under review.

Figure 3.4: Baringo County, Summary of Development Expenditure for the First Quarter of FY 2016/17



Source: *Baringo County Treasury*

Analysis of the development expenditure by category indicated that, the highest expenditure of Kshs.5.59 million was incurred by the Education and ICT Department on pending bills from FY 2015/16. The second highest expenditure of Kshs.5.54 million was incurred by the Agriculture and Livestock Department, and was mainly incurred on construction and rehabilitation of cattle dips. A total of Kshs.4.50 million was spent by the Department of Water and Irrigation on extension of water pipelines and rehabilitations of a water intake. The department of environment spent Kshs.0.5 million on soil conservation. The other departments did not report any development expenditure.

3.1.8 Budget and Budget Performance Analysis by Department

Table 3.3 shows a summary of first quarter FY 2016/17 budget estimates and budget performance by department.

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

Department	Budget Allocation (Kshs. Million)		First quarter FY 2016/17 Exchequer Issues (Kshs. Million)		First quarter FY 2016/17 Expenditure (Kshs. Million)		First quarter FY 2016/17 Expenditure to Exchequer Issues (%)		First quarter FY 2016/17 Absorption rate (%)	
	Rec	**Dev**	**Rec**	**Dev**	**Rec**	**Dev**	**Rec**	**Dev**	**Rec**	**Dev**
County Assembly	573.78	65.75	129.87	5.00	121.19	-	93.3	0.0	21.1	0.0
Governor/ County Executive services	393.64	153.60	72.76	-	30.30	-	41.7	0.0	7.7	0.0
County Treasury Services	258.06	26.48	32.85	19.76	30.81	-	93.8	0.0	11.9	0.0
Transport and Infrastructure	56.16	533.07	13.93	49.47	8.59	-	61.7	0.0	15.3	0.0
Industrialization, Commerce and Tourism	80.08	90.70	15.41	14.00	17.14	-	111.2	0.0	21.4	0.0
Education, Sports, Culture & Art	286.42	237.78	58.92	9.50	37.16	5.59	63.1	58.9	13.0	2.4
Health	1,818.57	466.23	361.04	24.80	223.40	-	61.9	0.0	12.3	0.0
Housing & Urban Development	65.11	114.14	15.03	13.90	5.31	-	35.4	0.0	8.2	0.0
Agriculture, Livestock, Fisheries & Marketing	227.37	251.89	50.82	27.29	31.91	5.54	62.8	20.3	14.0	2.2
Youth, Gender & Social Security Services	33.77	160.97	4.42	7.00	3.14	-	70.9	0.0	9.3	0.0
Water & Irrigation	100.12	424.96	21.18	19.00	18.41	4.50	86.9	23.7	18.4	1.1
Environment & Natural Resources	28.16	74.53	6.09	1.50	6.77	0.50	111.2	33.6	24.1	0.7
TOTAL	**3,921.23**	**2,600.12**	**782.31**	**191.22**	**534.13**	**16.14**	**68.3**	**8.4**	**13.6**	**0.6**

Source: *Baringo County Treasury*

Analysis of budget performance by Department shows that the Department of Education and ICT attained the highest absorption of its development budget at 2.4 per cent while the Country Treasury Services, the

Transport and Infrastructure, the County Assembly, the Industrialisation, Commerce and Tourism, the Housing and Urban Development, and the Youth, Gender & Social Security Services Departments did not incur any development expenditure. On the other hand, the Environment and Natural Resources department reported the highest percentage of recurrent expenditure to annual recurrent budget at 24.1 per cent while the Governor/ County Executive Services department had the lowest at 7.7 per cent.

3.1.9 Observations and Recommendations

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

i. Improvement in local revenue collection by 18.2 per cent from Kshs.77.32 million in the first quarter of FY 2015/16 to Kshs.91.42 in the reporting period.
ii. Establishment of an audit committee in line with Section 155 (5) of the PFM Act, 2012.
iii. Timely submission of quarterly reports to the Controller of Budget by the County Government entities in line with Section 166 of the PFM Act, 2012.

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

1. Delay in disbursement of the equitable share of revenue raised nationally by the National Treasury. As at the end of the reporting period, Kshs.814.54 had been disbursed against an expected disbursement of Kshs.1.19 billion based on the Disbursement Schedule approved by the Senate.
2. Failure to fully adopt the IFMIS and Internet Banking payment platforms. From analysis of bank statements and expenditure reports, the Office has noted that the County has continued to effect payments from bank accounts maintained in commercial banks.

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

1. *The County Treasury should liaise with the National Treasury to ensure that funds allocated to the County are released in a timely manner in line with CARA, 2016 Disbursement Schedule.*
2. *The County Treasury should ensure that all payments are effected through IFMIS and the Central Bank of Kenya Internet Banking Platform.*

3.2 Bomet County

3.2.10 Overview of the FY 2016/17 Budget

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

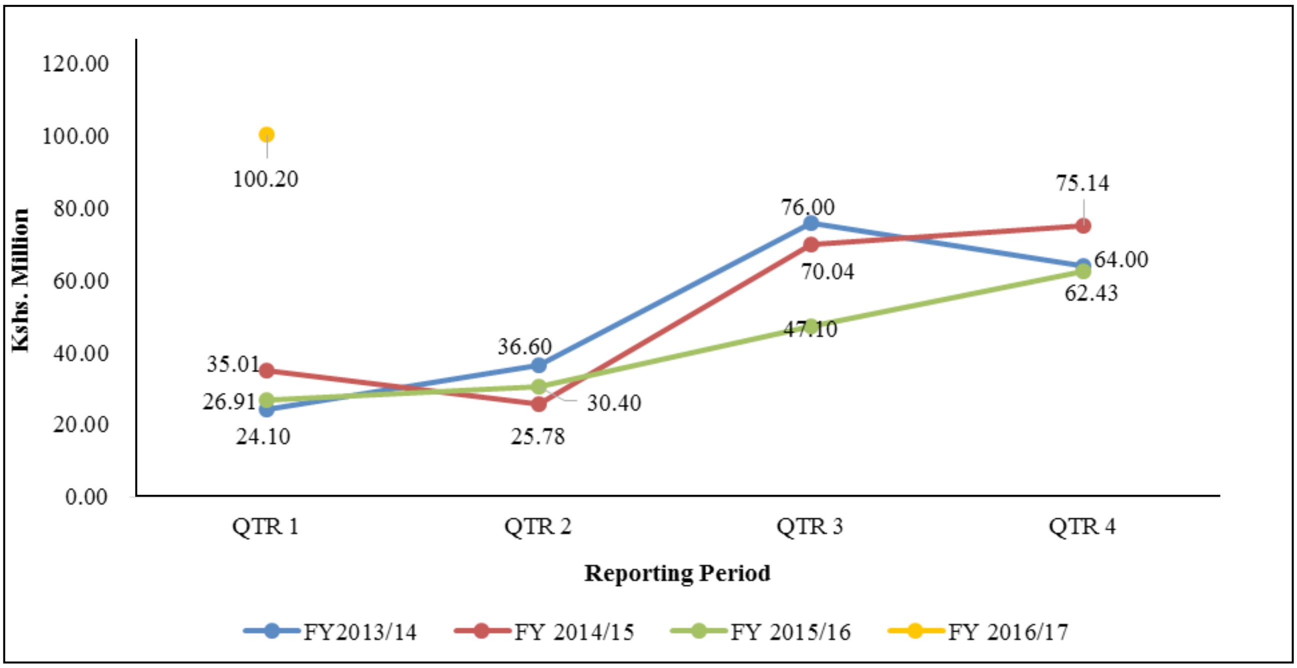
To finance the budget, the County expects to receive Kshs.5.17 billion (91 per cent) as equitable share of revenue raised nationally, Kshs.170.99 million (5 per cent) as total conditional grants, and generate Kshs.207.7 million (4 per cent) from local sources. The conditional grants comprise of Kshs.95.74 million (35.9 per cent) as conditional allocation for Leasing of Medical Equipment, Kshs.58.45 million (21.9 per cent) for Free Maternal Health Care, Kshs.78.04 million (29.3 per cent) from the Road Maintenance Fuel Levy Fund, Kshs.16.88 million (6.3 per cent) for User Fees Foregone, and Kshs.17.62 million (6.6 per cent) as a grant from DANIDA.

3.2.11 Revenue Analysis

During the first quarter of FY 2016/17, the County received Kshs.1.27 billion as equitable share of the revenue raised nationally, generated Kshs.100.16 million from local sources, and Kshs.35 million brought forward from FY 2015/16.

Figure 3.5 shows the quarterly trend in local revenue collection from the first quarter of FY 2013/14 to the first quarter of FY 2016/17.

Figure 3.5: Bomet County, Trend in Local Revenue Collection by Quarter from the First Quarter of FY 2013/14 to the First Quarter of FY 2016/17



Source: *Bomet County Treasury*

The total local revenue collected in the first quarter of FY 2016/17 amounted to Kshs.100.16 million which was an increase compared to Kshs.26.95 million generated in a similar period of FY 2015/16. This revenue accounted for 48.2 per cent of the annual local revenue target.

Table 3.4 provides an analysis of the local revenue collected in the first quarter of FY 2016/17 by revenue stream.

Table 3.4: Bomet County analysis of revenue collection by stream in the First Quarter of FY 2016/17

No	Revenue Stream	Annual Targeted Revenue (Kshs.)	1st Actual Revenue	Actual Revenue as a percentage of Annual Target (%)
1	Property Rates	10,592,483	1,107,929	10.5
2	Business Permits	30,438,620	4,197,120	13.8
3	Cess Collections	16,105,034	1,277,380	7.9
4	Markets & Slaughter	3,477,471	2,527,995	72.7
5	Rental Income	4,086,818	454,362	11.1
6	Parking Charges	11,438,883	3,123,780	27.3
7	Other revenue stream	4,683,266	5,884,058	125.6
8	Longisa County Hospital	34,000,000	13,675,220	40.2

No	Revenue Stream	Annual Targeted Revenue (Kshs.)	1st Actual Revenue	Actual Revenue as a percentage of Annual Target (%)
9	Sigor Sub-County Hospital	4,400,000	206,950	4.7
10	Cheptalal Hospital	800,622	172,588	21.6
11	Hosp/Disp/Health Centres (HSSF)	8,671,362	-	-
12	Embomos Tea Farm	12,000,000	521,528	4.3
13	Agricultural Fisheries Food Authority	67,015,009	67,015,009	100.0
	Total	**207,709,568**	**100,163,919**	**48.2**

Source: *Bomet County Treasury*

Analysis of the local revenue performance by stream indicated that, cess from agricultural and fisheries had the highest performance at 100 per cent followed by market and slaughter house fees at 72.7 per cent.

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

3.2.12 Conditional Grants

The County Treasury did not report receipts from any of the conditional grants in the first three months of FY 2016/17

3.2.13 Exchequer Issues

During the reporting period, the Controller of Budget authorised withdrawal of Kshs.1.31 billion from the CRF account, which was 21 per cent of the FY 2016/17 Approved Budget. This amount represented an increase of 21 per cent from Kshs.858.46 million authorized in a similar period of FY 2015/16 and consisted of Kshs.991.65 million (73.27 per cent) for recurrent expenditure and Kshs.316.25 million (26.80 per cent) for development activities.

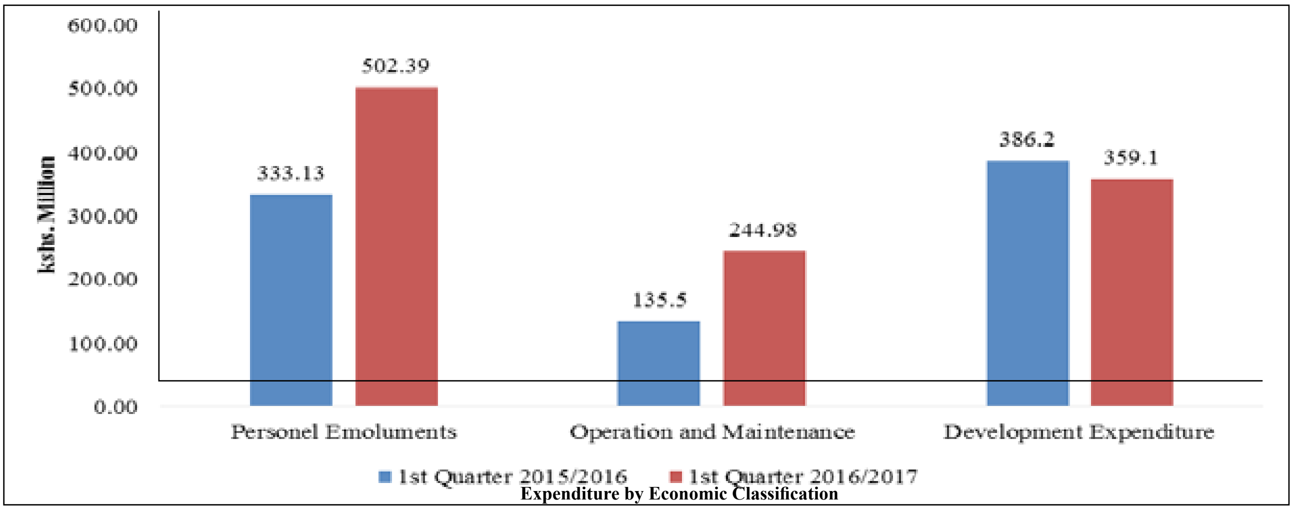
3.2.14 Overall Expenditure Review

The County spent Kshs.1.06 billion, which was 90 per cent of the total funds released for operations. This was an increase from Kshs.854.83 million spent in a similar period in FY 2015/16.

A total of Kshs.747.37 billion was spent on recurrent activities, while Kshs.359.11 million was spent on development activities. The recurrent expenditure was 75.8 per cent of the funds released for recurrent activities while development expenditure accounted for 113.5 per cent of the funds released for development activities. The expenditure excluded outstanding commitments as at 30th September, 2016 that amounted to Kshs.354.09 million for development and Kshs.54.50 million for recurrent expenditure.

The recurrent expenditure represented 18.5 per cent of the annual recurrent budget, an increase from 16.09 per cent spent in a similar period FY 2015/16. Development expenditure recorded an absorption rate of 21.7 per cent, which was an increase from 16.61 per cent attained in a similar period of FY 2015/16. Figure 3.6 presents a comparison between total expenditure in the first quarter of FY 2016/17 and the first quarter of FY 2015/16.

Figure 3.6: Bomet County, Expenditure by Economic Classification for the First Quarter of FY 2016/16 and First Quarter of FY 2016/17



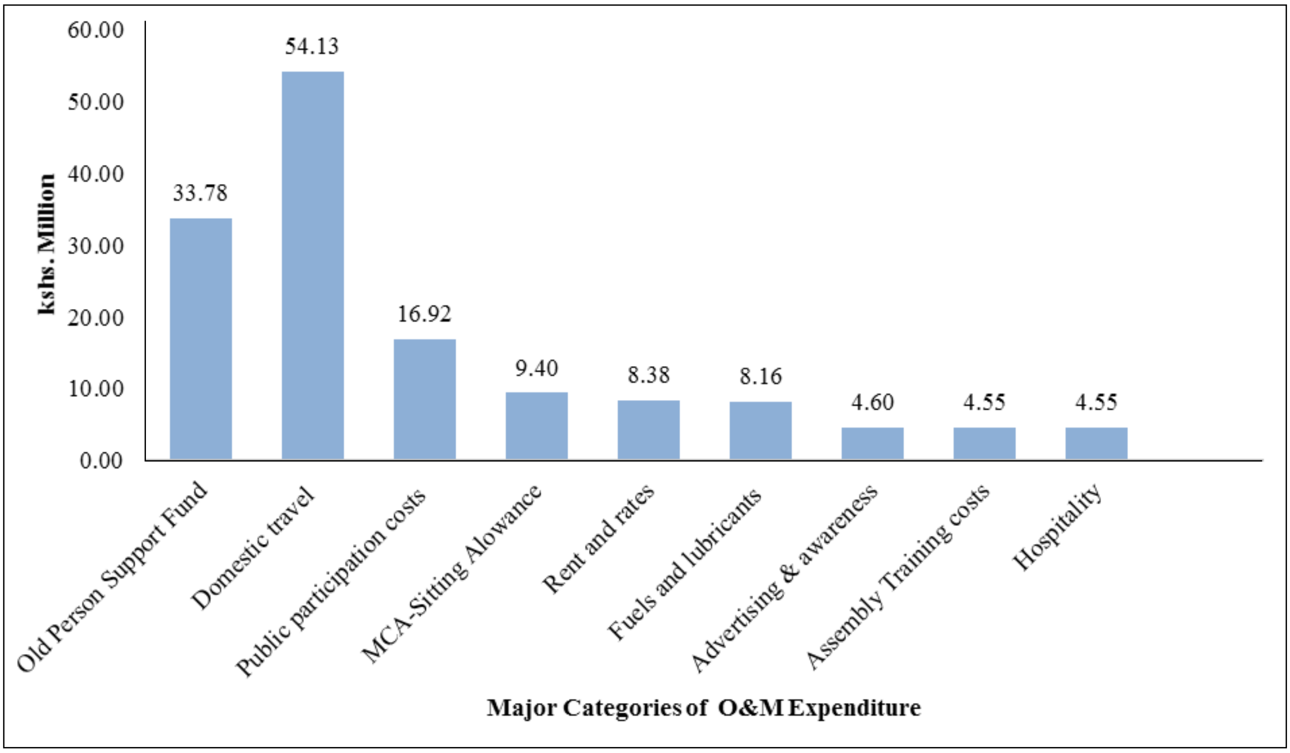
Source: *Bomet County Treasury*

3.2.15 Analysis of Recurrent Expenditure

The recurrent expenditure of Kshs.747.37 million consisted of Kshs.502.39 million (73 per cent) spent on personnel emoluments and Kshs.244.98 million (38 per cent) on operations and maintenance as shown in Figure 3.6. Expenditure on personnel emoluments represented an increase of 50.8 per cent compared to a similar period of FY 2015/16 when the County spent Kshs.333.13 billion.

Figure 3.7 shows a summary of the operations and maintenance expenditure by major categories.

Figure 3.7: Bomet County, Operations and Maintenance Expenditure for First Quarter of FY 2016/17



Source: *Bomet County Treasury*

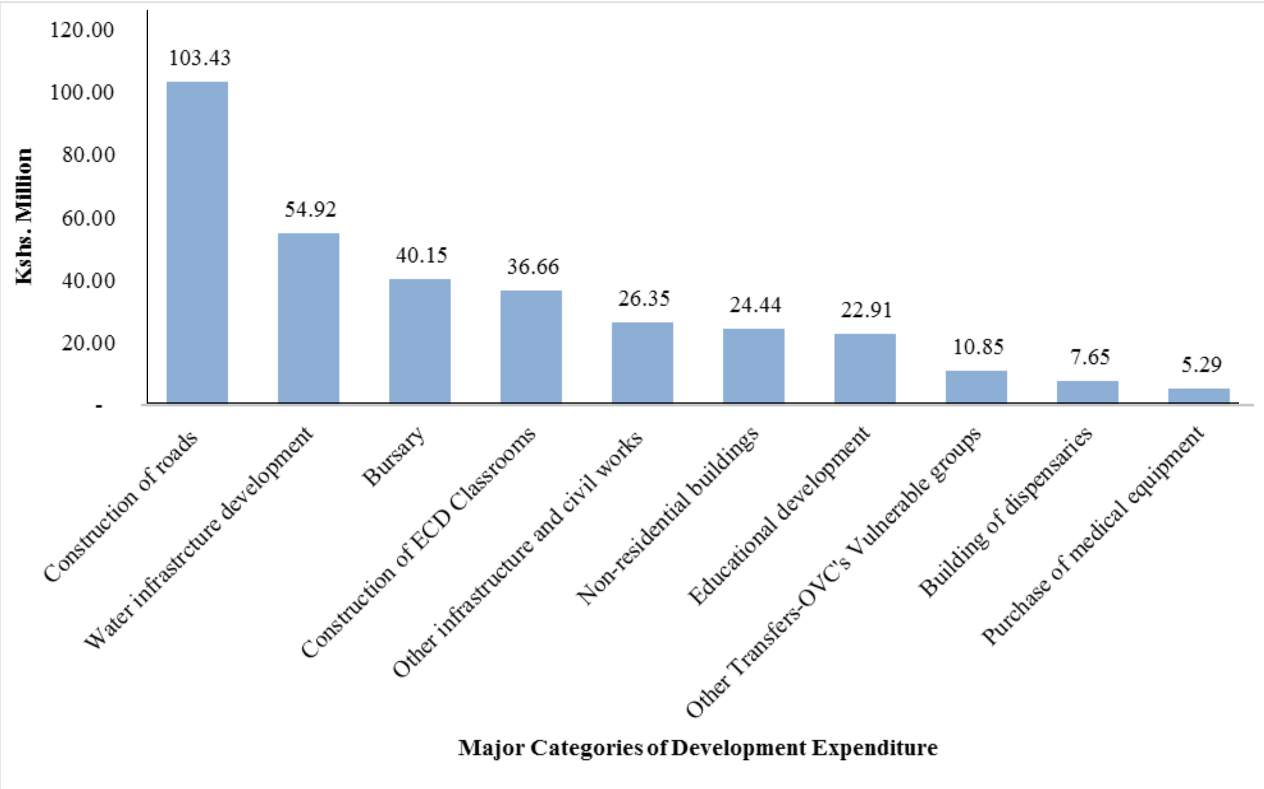
The County spent Kshs.9.40 million on sitting allowances to the 35 MCAs and the Speaker against the annual budget allocation of Kshs.45 million. This was an increase compared to Kshs.8.27 million spent in the same period of FY 2015/16. The average monthly sitting allowance was Kshs.89,524 compared to SRC's recommended monthly ceiling of Kshs.124, 800.

Expenditure on domestic and foreign travel amounted to Kshs.58.42 million compared to Kshs.38.42 million spent in a similar period of FY 2015/16, representing an increase of 33.3 per cent.

3.2.16 Development Expenditure Analysis

The total development expenditure of Kshs.359.11 billion represented 21.3 per cent of the annual development budget of Kshs.1.68 billion. Figure 3.8 provides a summary of development expenditure during the period under review.

Figure 3.8: Bomet County, Summary of Development Expenditure for the First Quarter of FY 2016/17



Source: *Bomet County Treasury*

Analysis of the development expenditure by category indicated that, the highest expenditure of Kshs.103.43 million was incurred by the Roads and Public Works department. This amount consisted of Kshs.70 million on road construction and Kshs.33 million on roadworks pending bills from FY 2015/16. The second highest expenditure of Kshs.54.92 million was incurred by the Water Services department, while the Department of Education and Vocational Training incurred a total of Kshs.40.15 million.

3.2.17 Budget and Budget Performance Analysis by Department

Table 3.5 shows a summary of first quarter FY 2016/17 budget estimates and budget performance by department.

Table 3.5: Bomet County, Budget Performance by Department in the First Quarter of FY 2016/17

Department	Budget Allocation (Kshs)		Exchequer issues (Kshs)		Expenditure (Kshs)		Expenditure to Exchequer issues (%)		Absorption (%)	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
County Executives	325.58	0	88.35		80.88	0	91.5	0	24.8	0
Public Service Board	47.52	0	11.69		7.4					
Administration	371.61	60	148.35	17.75	77.35	17.99	52.1	101.4	20.8	30
Finance	314.43	25.36	102.17	1.8	71.04	2	69.5	111.1	22.6	7.9
Land, Public and Environment	205.52	121.76	52.63	35.46	41.9	27.7	79.6	78.1	20.4	22.7
Agri-Business, Cooperatives & Marketing	152.14	207.08	48.95	32.47	38.35	22.94	78.3	70.6	25.2	11.1
Social Services	543.99	30.7	16.40	3.5	47.59	11.02	290.2	314.9	8.7	35.9
Medical Services	936.03	55.4	249.65	16.77	203.97	12.94	294.2	77.2	21.8	23.4
Economic Planning and Development	45.4	30	14.71	0	9.37	0	63.7	0	20.6	0
Water Services	92.97	284	23.31	53.96	10.08	54.91	43.2	101.8	10.8	19.3
Education and Vocational Trainings	182.03	253.36	45.87	60.1	41.54	99.72	90.6	165.9	22.8	39.4
Roads and Public Works	135.87	429.78	46.40	85.43	25.33	103.43	54.4	121.1	18.6	24.1
ICT, Training and Industry	60.08	68.2	16.15	9.02	10.74	5.8	66.5	64.3	17.9	8.5
County Assembly	519.25	116.41	127	0	81.83	0.66	95.2	0	15.8	0.6
Total	**3,932.42**	**1,682.05**	**991.65**	**316.25**	**747.37**	**359.11**	**97**	**113.5**	**19**	**21.3**

Source: *Bomet County Treasury*

Analysis of budget performance by department shows that the Department of Education and Vocational Training attained the highest absorption rate of development budget at 39.4 per cent while the Economic Planning and Development department did not incur any development expenditure. On the other hand, the Agribusiness, Co-operatives and Marketing had the highest percentage of recurrent expenditure to recurrent budget at 25.2 per cent while the Department of Social Services had the lowest at 8.7 per cent.

3.2.18 Observations and Recommendations

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

i. Timely submission of quarterly reports by the County Government entities in line with Section 166 of the PFM Act, 2012.
ii. Improvement in absorption of development funds from 16.61 per cent in the first quarter of FY 2015/16 to 22.1 per cent in the reporting period.
iii. Adoption of IFMIS in processing financial transactions.

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

1. A high wage bill, which has increased from Kshs.333.13 million in the first quarter of FY 2015/16 to Kshs.545.80 million in the period under review.

2. Non adherence to Section 136 (2) of the PFM Act, 2012 on the requirement to refund unspent funds at the end of the financial year into the County Revenue Account maintained at the Central Bank of Kenya.

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

1. *The County Public Service Board should establish an optimal staff structure in order to manage the wage bill.*
2. *The County Treasury should adherence with Section 136 (2) of the PFM Act, 2012 and deposit all unspent balances into the County Revenue Fund at the end of each financial year.*

3.3 Bungoma County

3.3.19 Overview of the FY 2016/17 Budget

The County's FY 2016/17 Approved Budget was Kshs.9.20 billion, comprising of Kshs.5.91 billion (64.2 per cent) and Kshs.3.29 billion (35.8 per cent) allocations for recurrent and development expenditure respectively.

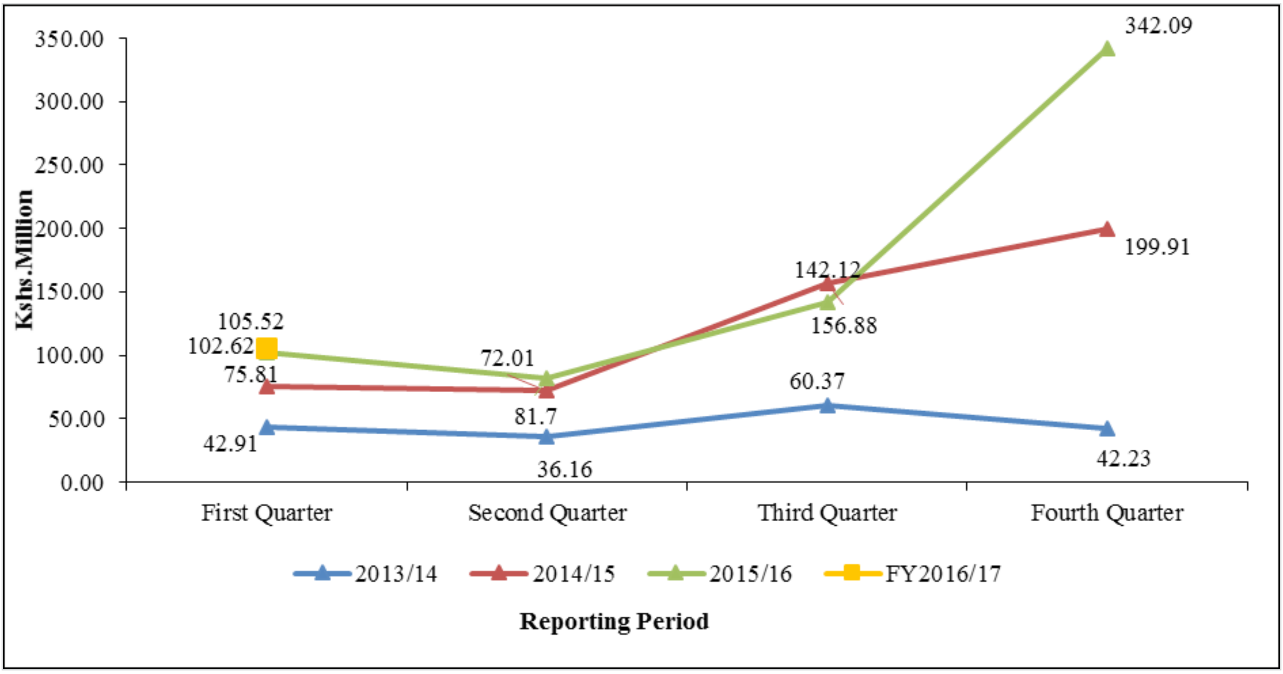
To finance the budget, the County expects to receive Kshs.8.28 billion (81 per cent) as equitable share of revenue raised nationally, Kshs.462.08 million (4.5 per cent) as total conditional grants, generate Kshs.711.90 million (7.0 per cent) from local sources, and Kshs.762.19 million (7.5 per cent) cash balance from FY 2015/16. The conditional grants comprise of Kshs.189.57 million (41 per cent) for Free Maternal Health Care, Kshs.127.25 million (27.5 per cent) from the Road Maintenance Fuel Levy Fund, Kshs.33.28 million (7.2 per cent) for User Fees Foregone, Kshs.95.74 million (20.7 per cent) for Leasing of Medical Equipment and Kshs.16.23 million (3.5 per cent) as grant from DANIDA.

3.3.20 Revenue Analysis

During the first quarter of FY 2016/17, the County received Kshs.1.41 billion as equitable share of revenue raised nationally, raised Kshs.105.52 million from local sources, and Kshs.762.19 million from FY 2015/16.

Figure 3.9 shows the quarterly trend in local revenue collection from the first quarter of FY 2013/14 to the first quarter of FY 2016/17.

Figure 3.9: Bungoma County, Trend in Local Revenue Collection by Quarter from the First Quarter of FY 2013/14 to the First Quarter of FY 2016/17



Source: *Bungoma County Treasury*

The total local revenue collected in the first quarter of FY 2016/17 amounted to Kshs.105.52 million which was an increase compared to Kshs.102.62 million generated in a similar period of FY 2015/16. This revenue accounted for 14.8 per cent of the annual local revenue target.

Table 3.6 provides an analysis of the local revenue collected in the first quarter of FY 2016/17 by revenue stream.

Table 3.6: Bungoma County, Analysis of Revenue Collected by Revenue Stream in the First Quarter of FY 2016/17

No	Revenue Stream	Annual Targeted Revenue (Kshs.)	First quarter, FY 2016/17 Actual Revenue	Actual Revenue as a percentage of Annual Target (%)
1	Enclosed bus park fee	74,324,708	10,205,910	13.7
2	Market fee	59,162,271	8,917,362	15.1
3	Crop Cess	53,490,632	11,868,016	22.2
4	Single Business permit	110,380,286	5,884,175	5.3
5	Other Revenue Sources	202,240,266	22,967,404	11.4
6	A-I-A	212,228,555	45,681,808	21.5
Total		**711,896,718**	**105,524,675**	**14.8**

Source: *Bungoma County Treasury*

Analysis of the local revenue by stream indicated that, crop cess recorded the highest performance against annual target at 22.2 per cent. This was followed by A-I-A at 21.5 per cent and market fees at 15.1 per cent.

From analysis of bank statements and expenditure returns, the Office noted, that the Departments of Health and Agriculture, Livestock, Fisheries and Co-op Development did not bank all its revenue receipts into the CRF account. This contravened Article 207 of the Constitution.

3.3.21 Conditional Grants

Table 3.7 shows an analysis of conditional grants received in FY 2016/17.

Table 3.7: Bungoma County, Analysis of Conditional Grant Releases in the First Quarter of FY 2016/17

No.	Conditional Grant	Amount allocated as provided in CARA, 2016 (Kshs.)	First Quarter, FY 2016/17 Actual receipt of the Conditional Grant (Kshs.)	Actual receipts as a percentage of Annual Allocation (%)
1	Road Maintenance Fuel Levy Fund	127,250,840	0.00	0.00
2	Free Maternal Health Care	189,574,801	0.00	0.00
3	Leasing of Medical Equipment	95,744,681	0.00	0.00
4	User Fees Forgone	33,282,912	0.00	0.00
6	DANIDA Grant	16,225,000	0.00	0.00
	Total	**462,078,234**	**0.00**	**0.00**

Source: *Bungoma County Treasury*

The County did not report any revenue from conditional grants during the reporting period.

3.3.22 Exchequer Issues

In the first quarter of FY 2016/17, the Controller of Budget authorised withdrawal of Kshs.1.80 billion from the CRF account, which was 20.0 per cent of the FY 2016/17 Approved Budget. The amount represented a decrease of 20.6 per cent from Kshs.1.88 billion authorized in a similar period of FY 2015/16 and consisted of Kshs.1.36 billion (75.6 per cent) for recurrent expenditure and Kshs.438.36 million (24.4 per cent) for development activities.

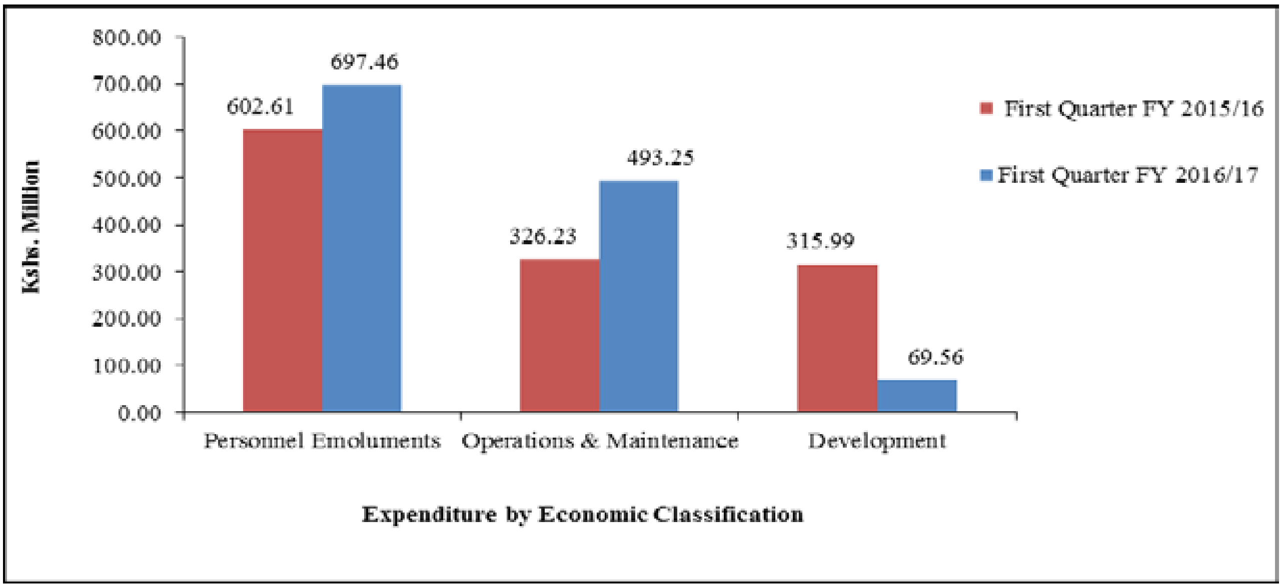
3.3.23 Overall Expenditure Review

The County spent Kshs.1.26 billion, which was 70.1 per cent of the total funds released for operations. This was an increase from Kshs.1.25 billion spent in a similar period in FY 2015/16.

A total of Kshs.1.19 billion was spent on recurrent activities, while Kshs.69.59 million was spent on development activities. The recurrent expenditure was 87.6 per cent of the funds released for recurrent activities while development expenditure accounted for 15.9 per cent of the funds released for development activities. The expenditure excluded outstanding commitments as at 30th September, 2016 that amounted to Kshs.15.34 million for development and Kshs.26.16 million for recurrent expenditure.

The recurrent expenditure represented 20.1 per cent of the annual recurrent budget, an increase from 16.2 per cent spent in a similar period of FY 2015/16. Development expenditure recorded an absorption rate of 2.1 per cent, which was a decrease from 9.3 per cent attained in a similar period of FY 2015/16. Figure 3.10 presents a comparison between total expenditure in the first quarter of FY 2016/17 and the first quarter of FY 2015/16.

Figure 3.10: Bungoma County, Expenditure by Economic Classification for the First Quarter of FY 2015/16 and the First Quarter of FY 2016/17



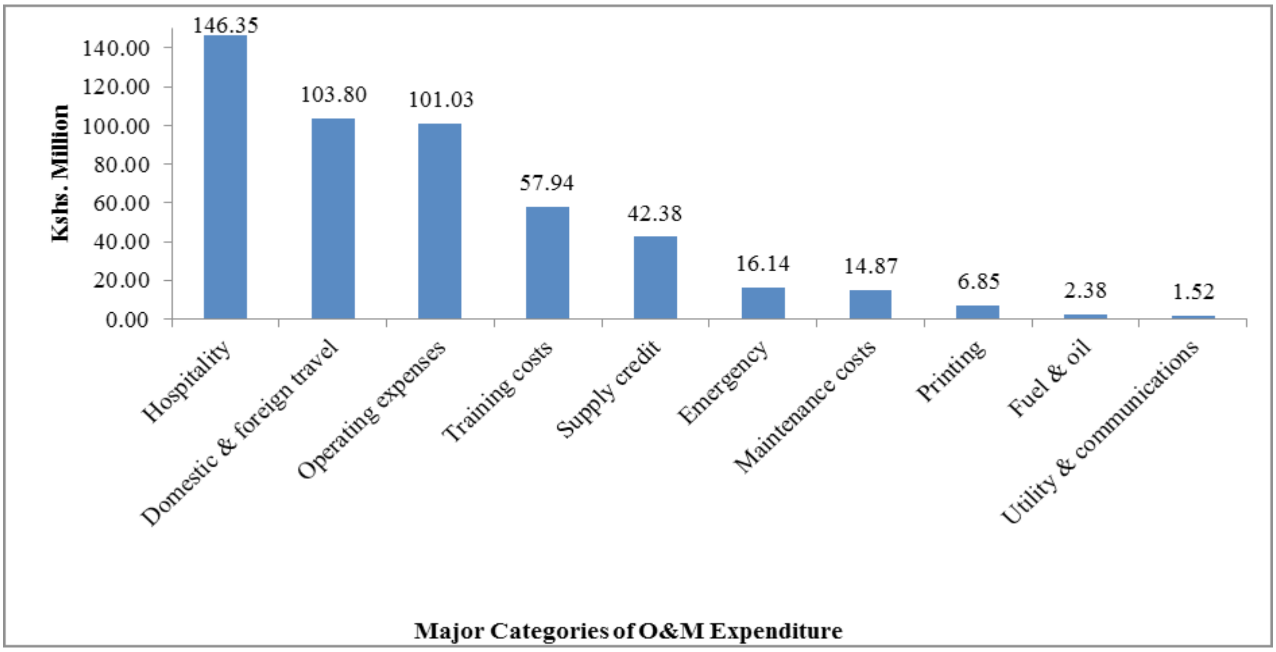
Source: *Bungoma County Treasury*

3.3.24 Analysis of Recurrent Expenditure

The total recurrent expenditure of Kshs.1.90 billion consisted of Kshs.697.46 million (59.0 per cent) spent on personnel emoluments and Kshs.493.25 million (41.0 per cent) on operations and maintenance as shown in Figure 3.10. The expenditure on personnel emoluments represented an increase of 15.7 per cent compared to Kshs.602.61 million incurred in a similar period of FY 2015/16.

Figure 3.11 shows a summary of the operations and maintenance expenditure by major categories.

Figure 3.11: Bungoma County, Operations and Maintenance Expenditure for the First Quarter of FY 2016/17



Source: *Bungoma County Treasury*

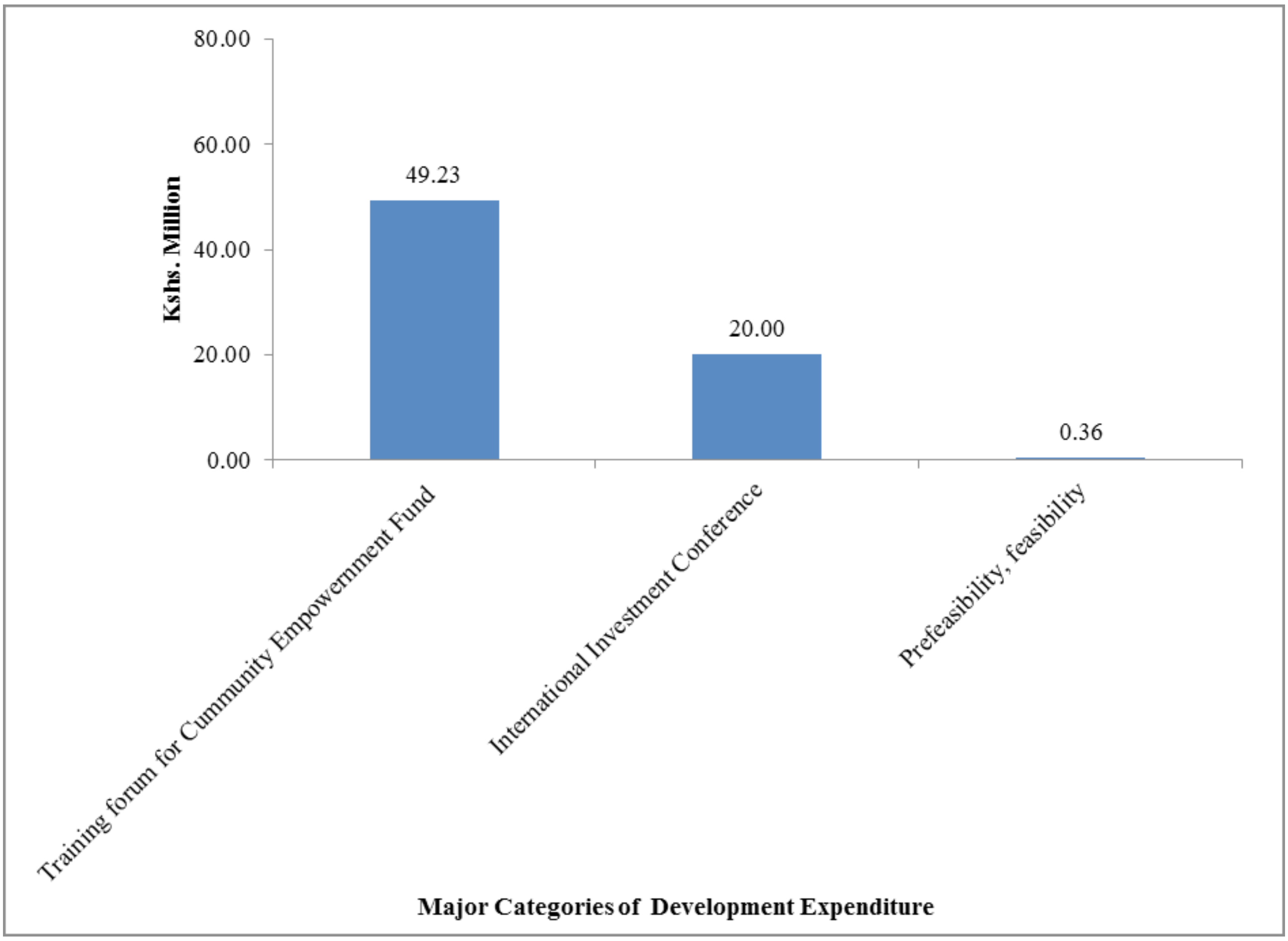
The County paid Kshs.18.21 million on sitting allowances to the 64 MCAs and the Speaker against the annual budget allocation of Kshs.32.67 million. This was a decrease compared to Kshs.23.68 million spent in a similar period of FY 2015/16. The average monthly sitting allowance was Kshs.94,839 compared to SRC's recommended monthly ceiling of Kshs.124, 800.

Expenditure on domestic and foreign travel amounted to Kshs.103.80 million compared Kshs.68.30 million spent in a similar period of FY 2015/16, representing an increase of 65.8 per cent.

3.3.25 Development Expenditure Analysis

The total development expenditure of Kshs.69.59 million represented 2.1 per cent of the annual development budget of Kshs.3.30 billion. Figure 3.12 provides a summary of development expenditure during the period under review.

Figure 3.12: Bungoma County, Summary of Development Expenditure for the First Quarter of FY 2016/17



Source: *Bungoma County Treasury*

Analysis of the development expenditure by category indicated that, the highest expenditure of Kshs.49.23 million was incurred on a training forum for the Community Empowerment Fund, followed by Kshs.20 million spent in organizing the Bungoma International Investment Conference. A total of Kshs.366,000 was incurred by the Agriculture, Livestock, and Fisheries & Cooperative Development department on pre-feasibility, feasibility on dams and irrigation projects.

3.3.26 Budget and Budget Performance Analysis by Department

Table 3.8 shows a summary of first quarter FY 2016/17 budget estimates and budget performance by department.

Table 3.8: Bungoma County, Budget Performance by Department in the First Quarter of FY 2016/17

Department	Annual Budget Allocation (Kshs. Million)		First quarter FY 2016/17 Exchequer Issues (Kshs. Million)		First quarter FY 2016/17 Expenditure (Kshs.Million)		First quarter FY 2016/17 Expenditure to Exchequer Issues (%)		First quarter FY 2016/17 Absorption rate (%)	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
Public Administration	400.57	50.68	77.12	7.27	59.84	0.0	77.6	0.0	14.9	0.0
Finance and Planning	1,047.89	898.9	286.05	20	266.11	69.23	93.0	346.2	25.4	7.7
Agriculture, Livestock, Fisheries and Co-op Development	402.97	388.1	77.62	84.02	52.14	0.37	67.2	0.4	12.9	0.1
Trade, Energy, Land and Industrialization.	133.12	300.9	41.77	61.89	45.15	0	108.1	0.0	33.9	0.0
Roads and Public Works	115.14	661.4	25.39	148.02	19.48	0	76.7	0.0	16.9	0.0
Tourism, Forestry, Envt, Water and Natural Resources	63.3	256.67	16.02	61.81	11.71	0	73.1	0.0	18.5	0.0
Education, Science, Sports and Youth Affairs	355.65	319	82.71	25.25	74.4	0	90.0	0.0	20.9	0.0
Governors' office	398.45	8.17	104.47	0	86.09	0	82.4	0.0	21.6	0.0
Health	1,990.33	209.08	386.31	21.33	320.84	0	83.1	0.0	16.1	0.0
CPSB	49.6	0	10.99	0	9.3	0	84.6	0.0	18.8	0.0
County Assembly	838.41	60	220.12	0	219.39	0	99.7	0.0	26.2	0.0
Gender and Culture	80.11	75.3	23.99	0	21.07	0	87.8	0.0	26.3	0.0
housing	36.02	61.27	6.54	8.77	5.18	0	79.2	0.0	14.4	0.0
TOTAL	**5911.56**	**3289.52**	**1359.1**	**438.36**	**1190.7**	**69.6**	**87.6**	**15.9**	**20.1**	**2.1**

Source: *Bungoma County Treasury*

Analysis of budget performance by department shows that the Department of Finance and Economic Planning attained the highest absorption of development budget at 7.7 per cent. On the other hand, the Department of Trade, Energy, Land and Industrialization reported the highest percentage of recurrent expenditure to recurrent budget at 33.9 per cent.

3.3.27 Observations and Recommendations

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

i. Enactment of regulations to operationalize established Funds such as the Community Empowerment Fund Regulations, 2015, the Emergency Fund Regulations, 2014, the Trade Development Loans Fund Regulations, 2014, and the Education Promotion Bursary Regulations, 2014.
ii. Establishment of an audit committee in compliance with Section 155 (5) of the PFM Act, 2012.
iii. Timely submission of quarterly reports to the Controller of Budget as required by Section 166 of the PFM Act, 2012.

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

1. Failure by the Fund Administrators to submit expenditure reports on the established Funds such as on the Bursary Fund, Women and Youth Fund, Disability Fund and Community Empowerment Fund as required by Section 168 of the PFM Act, 2012.
2. Slow implementation of development activities during the first quarter of FY 2016/17. The County spent Kshs.69.59 million which represented 2.1 per cent of the annual development budget of Kshs.3.30 billion against the expected absorption rate of 25 per cent.
3. Failure to deposit all locally generated revenue into the County Revenue Fund as required by Section 109 of the PFM Act, 2012. From analysis of bank statements and expenditure returns, that Office noted that the Departments of Health and Agriculture did not bank all local revenue receipts into the CRF account.
4. Inclusion of items of a recurrent nature in the development budget, which distorts budget allocations. For example, scholarships and other educational benefits, suppliers' credit, purchase of medical and dental equipment and transfers to individuals were classified as development expenditure items.

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

1. *The CECM-F should ensure timely submission of expenditure reports on the Established Funds in line with Section 168 of the PFMA, 2012.*
2. *The County should identify and address challenges affecting implementation of development projects*
3. *All revenue must be banked in the County Revenue Fund account in compliance with the Article 207 of the Constitution.*
4. *The County Treasury should appropriately classify expenditure items in line with the Government Financial Statistics (GFS) coding system.*

3.4 Busia County

3.4.28 Overview of the FY 2016/17 Budget

The County's FY 2016/17 Approved Budget was Kshs.8.47 billion, comprising of Kshs.4.63 billion (54.7 per cent) and Kshs.3.83 billion (45.3 per cent) allocations for recurrent and development expenditure respectively.

To finance the budget, the County expects to receive Kshs.5.87 billion (69.3 per cent) as equitable share of revenue raised nationally, Kshs.206.07 million (2.4 per cent) as total conditional grants, generate Kshs.587.51 million (6.9 per cent) from local sources, Kshs.137.77 million (1.7 per cent) from other sources, and Kshs.1.66 billion (19.7 per cent) cash balance from FY 2015/16. The conditional grants comprise of Kshs.92.08 million

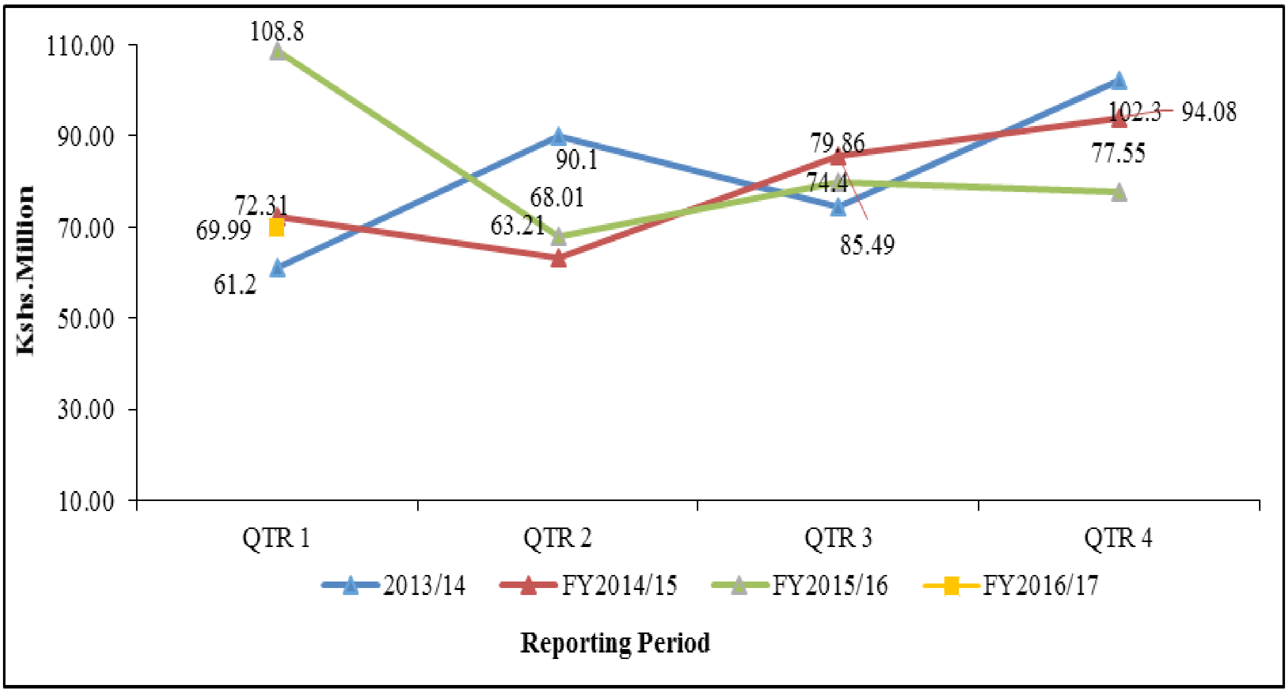
(44.7 per cent) for Free Maternal Health Care, Kshs.90.19 million (43.8 per cent) from the Road Maintenance Fuel Levy Fund, Kshs.17.30 million (8.4 per cent) for User Fees Foregone, Kshs.6.50 million (3.1 per cent) as a grant from DANIDA. The other sources comprised of Kshs.29.76 million (21.6 per cent) from World Bank for Kenya Devolution Support Programme, and Kshs.108.00 million (78.4 per cent) as Appropriations-in-Aid from the County Assembly Revolving Fund.

3.4.29 Revenue Analysis

During the first quarter of FY 2016/17, the County received Kshs.997.92 million as equitable share of the revenue raised nationally, Kshs.47.08 million as total conditional allocations, raised Kshs.69.99 million from local sources, and had actual cash balance of Kshs.843.55 million brought forward from FY 2015/16.

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

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



Source: *Busia County Treasury*

The total local revenue collected in the first quarter of FY 2016/17amounted to Kshs.69.99 million which is a decrease compared to Kshs.108.8 million generated in a similar period of FY 2015/16. This revenue accounted for 11.9 per cent of the annual local revenue target.

Table 3.9 provides an analysis of the local revenue collected in the first quarter of FY 2016/17 by revenue stream.

Table 3.9: Busia County, Analysis of Revenue Collected by Stream in the First Quarter of FY 2016/17

No.	Revenue Stream	Annual Targeted Revenue, FY 2016/17 (Kshs.)	First Quarter FY 2016/17 Actual Revenue (Kshs.)	Actual Revenue as a percentage of Annual Target (%)
1	Other Miscellaneous	2,265,000	13,024,323	575.0
2	Munana Water Supply	1,205,755	311,676	25.8
3	Trailer Parking Fees	150,150,000	28,850,000	19.2
4	Port Victoria Water Supply	2,750,025	487,653	17.7
5	Slaughter Fees	1,281,250	226,430	17.7
6	Bus Parking Fees	47,275,000	8,228,730	17.4
7	Mortuary Fees	1,280,000	207,378	16.2
8	Fish Import Permit	950,760	152,000	16.0
9	Veterinary Services	2,692,500	413,128	15.3
10	Stock Sale	5,554,000	839,310	15.1
11	Other Sources	372,106,708	17,247,756	4.6
	TOTAL	**587,510,998**	**69,988,384**	**11.9**

Source: *Busia County Treasury*

Analysis of the local revenue performance by stream indicated that other miscellaneous sources of revenue recorded the highest performance against annual target at 575 per cent. This was followed by revenue from the Munana Water Supply in Funyula, Samia Sub-County at 25.8 per cent, and trailer parking fees at 19.2 per cent. Unreconciled receipts deposited directly into the local revenue collection account were classified as Other Sources.

The Office noted that revenue collection by the Department of Health and Sanitation, the Department of Water, Environment and Natural Resources, and receipts from Liquor licenses was not deposited into the CRF account. This contravened Section 109 of the PFM Act, 2012.

3.4.30 Conditional Grants

Table 3.10 shows an analysis of conditional grants received in the first quarter of FY 2016/17.

Table 3.10: Busia County Analysis of Conditional Grant Releases in the First Quarter of FY 2016/17

No.	Conditional Grant	Amount allocated as provided in CARA, 2016 (Kshs.)	First Quarter, FY 2016/17Actual receipts from Conditional Grant (Kshs.)	Performance (%)
1	Road Maintenance Fuel Levy Fund	90,194,001	22,548,500	25.0
2	Free Maternal Health Care	92,079,522	22,985,959	25.0
3	User Fees Foregone	17,302,828	1,551,481	9.0
4	DANIDA Grant	6,495,000	-	-
	TOTAL	**206,071,351**	**47,085,940**	**22.8**

Source: *Busia County Treasury*

Analysis of the conditional grant releases in the period under review indicated that, the Road Maintenance Fuel Levy Fund and Free Maternal Health Care grants recorded the highest receipts against annual target at 25 per cent. These were followed by releases towards User Fees Foregone at 9 per cent. The County Treasury did not report any receipts from the DANIDA grant.

3.4.31 Exchequer Issues

During the reporting period, the Controller of Budget authorised withdrawal of Kshs.1.78 billion from the CRF account, which was 21.1 per cent of the FY 2016/17 Approved Budget. This amount represented an increase of 74.5 per cent from Kshs.1.02 billion authorized in a similar period of FY 2015/16 and consisted of Kshs.1.14 billion (63.8 per cent) for recurrent expenditure and Kshs.647.0 million (36.2 per cent) for development activities.

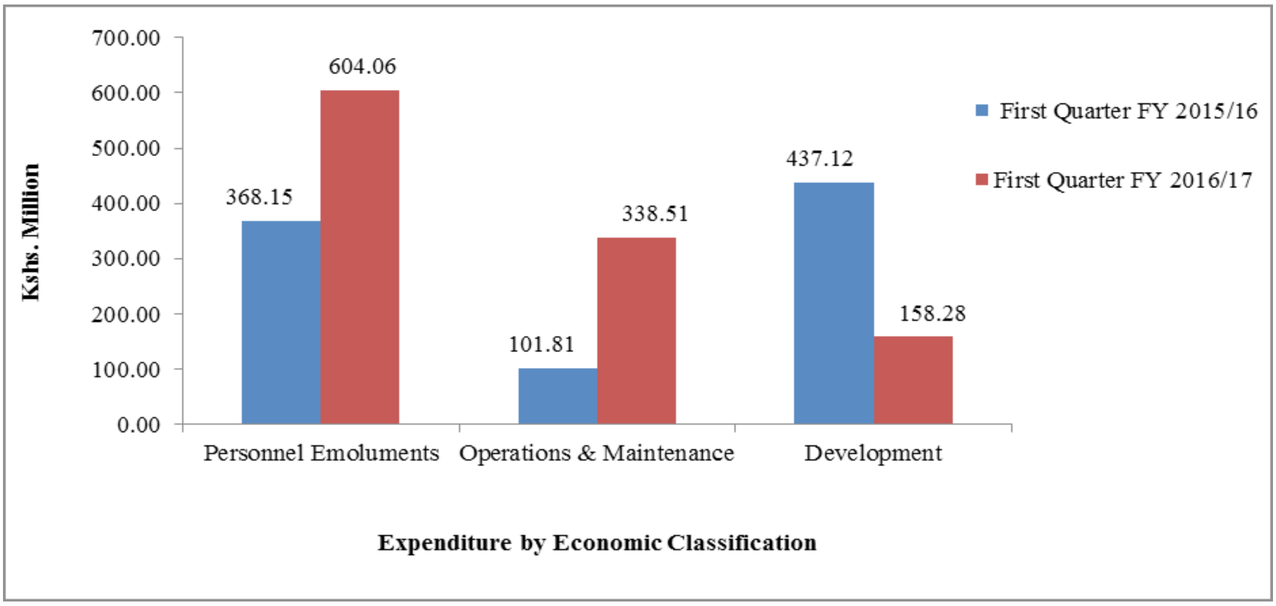
3.4.32 Overall Expenditure Review

The County spent Kshs.1.10 billion, which was 61.8 per cent of the total funds released for operations. This was an increase from Kshs.907.08 million spent in a similar period in FY 2015/16.

A total of Kshs.942.57 million was spent on recurrent activities, while Kshs.158.28 million was spent on development activities. The recurrent expenditure was 82.8 per cent of the funds released for recurrent activities while development expenditure accounted for 24.5 per cent of the funds released for development activities. The expenditure excluded outstanding commitments as at 30th September, 2016 that amounted to Kshs.453.37 million for development and Kshs.10.36 million for recurrent expenditure.

The recurrent expenditure represented 20.3 per cent of the annual recurrent budget, an increase from 14.2 per cent spent in a similar period of FY 2015/16. Development expenditure recorded an absorption rate of 4.1 per cent, which was a decrease from 14.8 per cent attained in a similar period of FY 2015/16. Figure 3.14 presents a comparison between total expenditure in the first quarter of FY 2016/17and FY 2015/16.

Figure 3.14: Busia County, Expenditure by Economic Classification for the First Quarter of FY 2015/16 and FY 2016/17



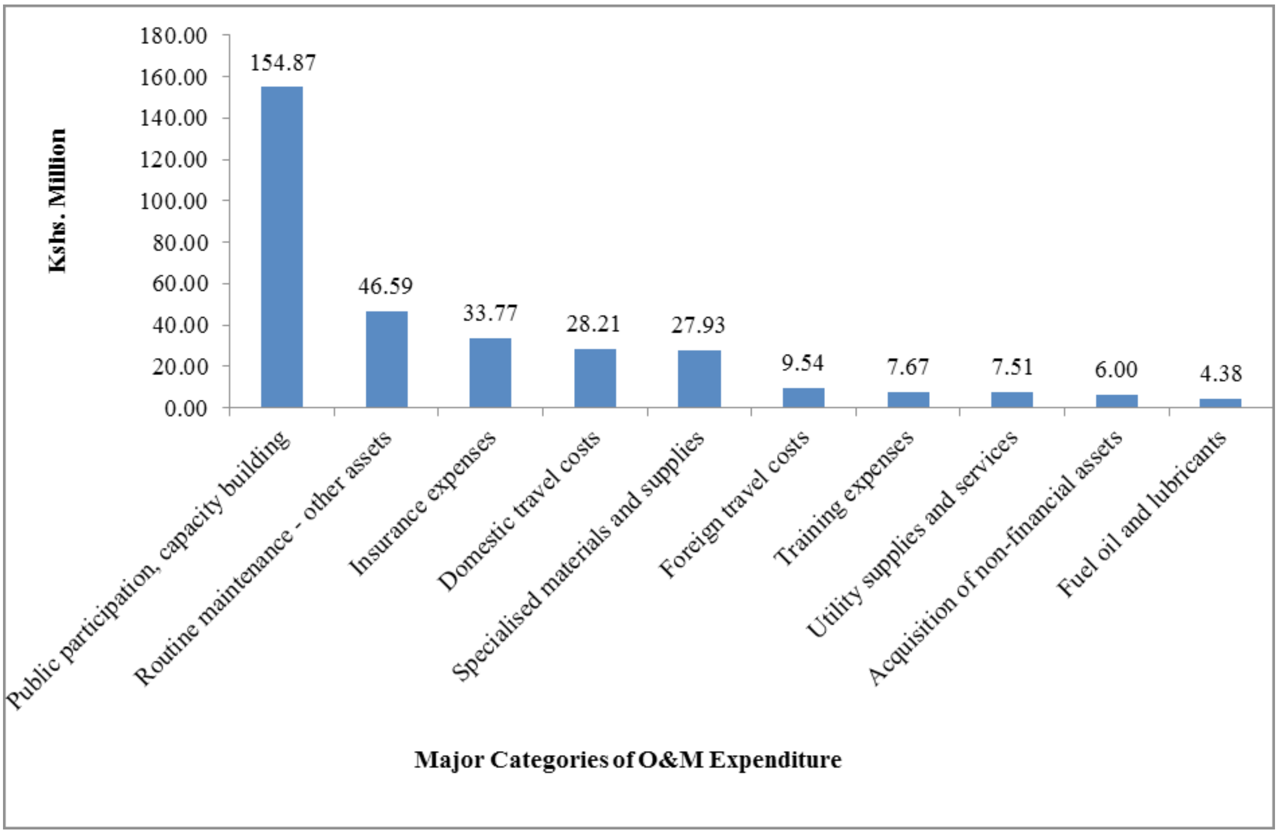
Source: *Busia County Treasury*

3.4.33 Analysis of Recurrent Expenditure

The recurrent expenditure of Kshs.942.57 million consisted of Kshs.604.06 million (64.1 per cent) spent on personnel emoluments and Kshs.338.51 million (35.9 per cent) on operations and maintenance as shown in Figure 3.14. Expenditure on personnel emoluments represented an increase of 64.1 per cent compared to similar period of FY 2015/16 when the County spent Kshs.368.15 million.

Figure 3.15 shows a summary of the operations and maintenance expenditure by major categories.

Figure 3.15: Busia County, Operations and Maintenance Expenditure for the First Quarter of FY 2016/17



Source: *Busia County Treasury*

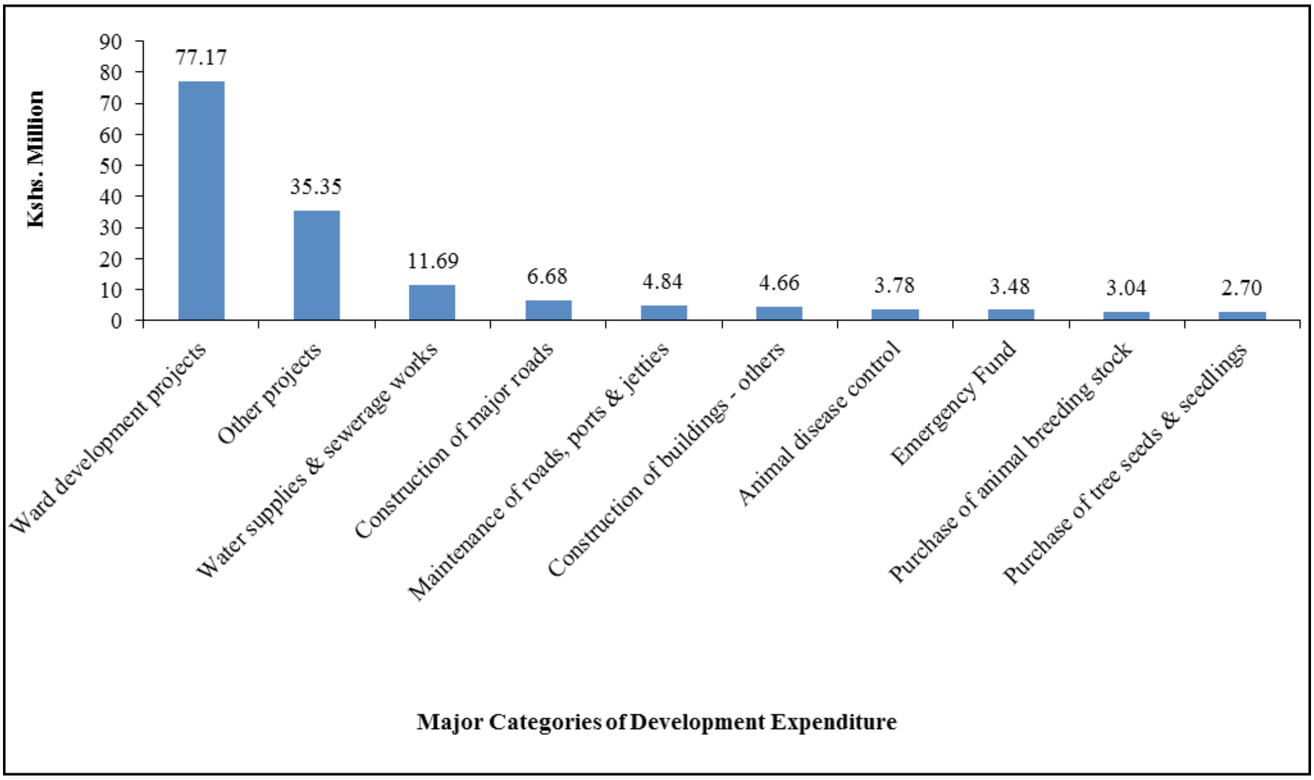
The County spent Kshs.22.02 million on sitting allowances to the 54 MCAs and the Speaker against the annual budget allocation of Kshs.107.83 million. This was an increase compared to Kshs.9.13 million spent in a similar period of FY 2015/16. The average monthly sitting allowance was Kshs.135,899 compared to SRC's recommended monthly ceiling of Kshs.124, 800.

Expenditure on domestic and foreign travel amounted to Kshs.37.20 million compared to Kshs.43.32 million spent in a similar period of FY 2015/16, representing a decrease of 16.5 per cent.

3.4.34 Development Expenditure Analysis

The total development expenditure of Kshs.158.28 million represented 4.1 per cent of the annual development budget of Kshs.3.83 billion. Figure 3.16 provides a summary of development expenditure during the period under review.

Figure 3.16: Busia County, Summary of Development Expenditure for the First Quarter of FY 2016/17



Source: *Busia County Treasury*

Analysis of the development expenditure by category indicated that, the highest expenditure of Kshs.77.17 million was incurred on ward development projects across the departments. This amount consisted of Kshs.33.86 million, which was spent on road construction by the Public Works, Roads, Transport and Energy Department, Kshs.23.83 million on street lighting by the Lands, Housing and Urban Development Department, Kshs.13.79 million on overhaul of water supplies and sewerage works by the Water, Environment and Natural Resources Department, Kshs.3.04 million on training expenses by the Community, Culture, Sports and Social Services Department, Kshs.1.5 million on payment of other creditors by the Economic Planning, Trade, Co-operative and Industrialization Department, and Kshs.1.15 million incurred on purchase of agricultural material supplies and small equipment by the Agriculture and Animal Resources Department.

The second highest expenditure of Kshs.35.35 million was incurred on other projects across the departments and consisted of Kshs.30.17 million spent on ward projects and training expenses by the Office of the Governor, Kshs.2.76 million on training of the Town Management Committees of Busia and Malaba towns by the Lands, Housing and Urban Development Department and Kshs.2.42 million on hospitality supplies by the Community, Culture, Sports and Social Services Department. The Department of Public Works, Roads, Transport and Energy incurred Kshs.6.68 million on construction of county roads.

3.4.35 Budget and Budget Performance Analysis by Department

Table 3.11 shows a summary of first quarter FY 2016/17 budget estimates and budget performance by department.

Table 3.11: Busia County, First Quarter of FY 2016/17 Budget Performance by Department

Department	Budget Allocation (Kshs. Million)		First quarter FY 2016/17 Exchequer Issues (Kshs. Million)		First quarter FY 2016/17 Expenditure (Kshs. Million)		First quarter FY 2016/17 Expenditure to Exchequer Issues (%)		First quarter FY 2016/17 Absorption rate (%)	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
Agriculture and Animal Resources	221.21	268.73	55.89	48.6	88.76	11.71	158.8	24.1	40.1	4.4
Economic Planning, Trade, Co-operative and Industrialization	68.84	188.88	17.53	25.5	10.85	1.5	61.9	5.9	15.8	0.8
Education and Vocational Training	306.1	358.23	74.58	41	117.41	0	157.4	0.0	38.4	0.0
Finance and ICT	836.92	108.35	205.23	28.4	226.66	3.48	110.4	12.3	27.1	3.2
Community, Culture, Sports & Social Services	94.28	148.59	23.97	32.4	33.6	7.62	140.2	23.5	35.6	5.1
Public Works, Roads, Transport and Energy	85.39	1135.04	21.71	219	2.9	47.07	13.4	21.5	3.4	4.1
Public Service Management	171.2	0	43.53	0	37.18	0	85.4	-	21.7	-
Lands, Housing & Urban development	121.84	375.61	30.98	34	7.63	26.59	24.6	78.2	6.3	7.1
Water, Environment & natural resources	68.67	515.01	17.46	49.8	12.02	25.48	68.8	51.2	17.5	4.9
Health and Sanitation	1308.98	407.75	334.91	100.3	204.72	4.66	61.1	4.6	15.6	1.1
County Public Service Board	60.44	0	14.71	0	6.98	0	47.5	0	11.5	0
Office of the Governor	421.9	224.54	107.28	50	78.12	30.17	72.8	0	18.5	13
Office of the Deputy Governor	30.84	0	7.63	0	0	0	0.0	0	0.0	0
Office of the County Secretary	96.07	0	24.59	0	0	0	0.0	0	0.0	0
County Assembly	741.73	100.84	157.87	18	115.74	0	73.3	0	15.6	0
TOTAL	**4,634.41**	**3,831.57**	**1,137.87**	**647.00**	**942.57**	**158.28**	**82.8**	**24.5**	**20.3**	**4.1**

Source: *Busia County Treasury*

Analysis of budget performance by department shows that the Office of the Governor attained the highest absorption of development budget at 13 per cent. On the other hand, the Agriculture and Animal Resources department had the highest percentage of recurrent expenditure to recurrent budget at 40.1 per cent.

3.4.36 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:

iii. Timely submission of monthly and quarterly revenue and expenditure returns to the OCOB.

iv. Improvement in overall expenditure from Kshs.907 million in a similar period of FY 2015/16 to Ksh.1.1 billion in the reporting period.

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

1. Delay in establishing an Internal Audit Committee to provide oversight in financial management contrary to Section 155 of the PFM Act, 2012.
2. Underperformance in local revenue collection. The local revenue collection has declined from Kshs.108.8 million in the first quarter of FY 2015/16 to Kshs.69.99 million in the reporting period.
3. Spending of revenue at source in contravention of Article 207 of the Constitution and Section 109 of the PFM Act, 2012. From analysis of bank statements and expenditure returns, the Office noted that, the local revenue generated by the Department of Health and Sanitation, the Department of Water, Environment and Natural Resources, and receipts from Liquor licenses were not deposited into the CRF account.
4. Delay in disbursement of the equitable share of revenue raised nationally by the National Treasury. As at the end of the reporting period, Kshs.997.92 million had been disbursed against expected disbursement of Kshs.1.47 billion as per the Disbursement Schedule approved by the Senate.
5. Overstatement of the opening cash balance from FY 2015/16 in the approved budget estimates by Kshs.821 million, a situation that will lead to a budget deficit if not rectified in time.

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

2. *The County should establish an Internal Audit Committee in line with Section 155 of the PFM Act, 2012.*
3. *The County Treasury should formulate and implement strategies to enhance local revenue collection such as automation of revenue collection and enhanced monitoring/supervision of revenue collection. In addition, there is need to ensure timely passage and enforcement of the Finance Bill, 2016.*
4. *The County Treasury should ensure that all locally generated revenue is deposited into the County Revenue Fund in line with Article 2017 of the Constitution and Section 109 of the PFM Act, 2012.*
5. *The County Treasury should liaise with the National Treasury to ensure that funds allocated to the County are released in a timely manner in line with CARA, 2016 Disbursement Schedule.*
6. *The County should prepare a Supplementary Budget to correct the overstatement of the opening cash balance from FY 2015/16.*

3.5 Elgeyo Marakwet County

3.5.37 Overview of the FY 2016/17 Budget

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

To finance the budget, the County expects to receive Kshs.3.53 billion (74.5 per cent) as equitable share of revenue raised nationally, Kshs.204.61 million (4.3 per cent) as total conditional grants, generate Kshs.160.02 million (3.4 per cent) from local sources, and Kshs.845.69 million (17.8 per cent) cash balance from FY 2015/16. The conditional grants comprise of Kshs.50.23 million (25.6 per cent) for Free Maternal Health Care, Kshs.54.22 million (26.5 per cent) from the Road Maintenance Fuel Levy Fund, Kshs.8.96 million (4.4 per cent) for User Fees Foregone, Kshs.10.40 million (5.1 per cent) as a grant from DANIDA, Kshs.56.95 million (27.8 per cent) as grant from World Bank HSSF and Kshs.23.88 million (11.7 per cent) as conditional grants from other loans and grants.

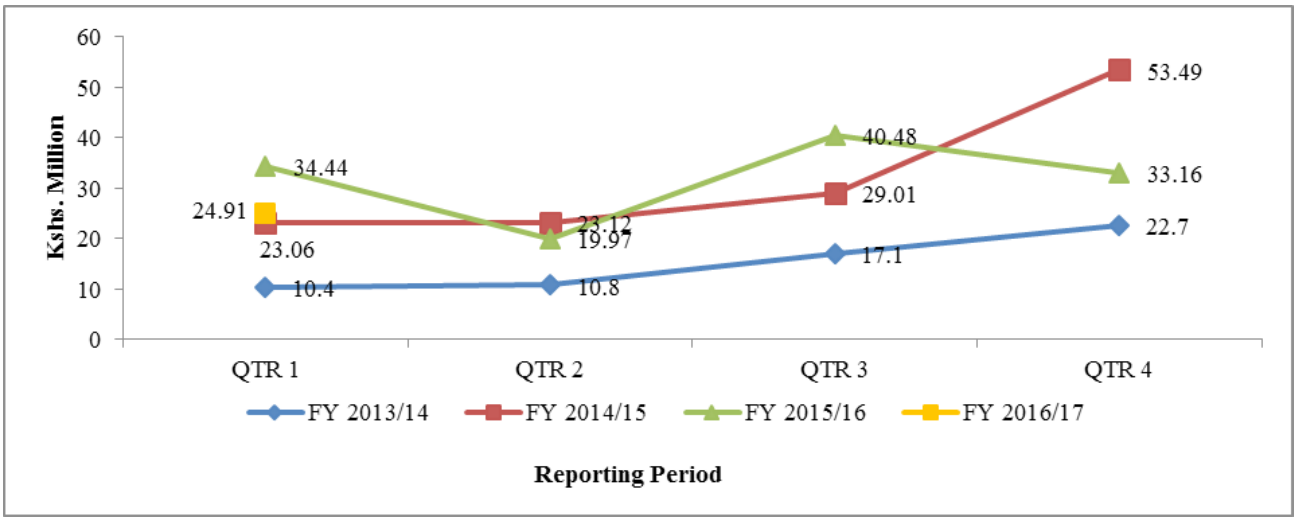
3.5.38 Revenue Analysis

During the first quarter of FY 2016/17, the County received Kshs.599.90 million as equitable share of the revenue raised nationally, Kshs.12.04 million as total conditional allocation, raised Kshs.24.91 million from local sources, and Kshs.845.69 million brought forward from FY 2015/16.

Figure 3.17 shows the quarterly trend in local revenue collection from FY 2014/15 to first quarter of FY 2015/16

.

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



Source: *Elgeyo Marakwet County Treasury*

The total local revenue collected in the first quarter of FY 2016/17 amounted to Kshs.24.91 million which was an increase compared to Kshs.23.06 million generated in a similar period of FY 2015/16. This revenue accounted for 15.6 per cent of the annual local revenue target.

Table 3.12 provides an analysis of the local revenue received in FY 2016/17 by revenue stream.

Table 3.12: Elgeyo Marakwet County Analysis of Revenue Collected by Stream in the First Quarter of FY 2016/17

No	Revenue Stream	Annual Targeted Revenue (Kshs.)	First quarter, FY 2016/17 Actual Revenue (Kshs.)	Actual Revenue as a percentage of Annual Target (%)
1	Single Business permits	20,249,604	1,074,260	5.3
2	Produce/ Cess collection	35,056,085	7,011,065	20.0
3	Health A-I-A	52,000,000	8,859,302	17.0
4	Bus park/Parking fees	5,160,150	1,207,350	23.4
5	Houses/Stalls rent	2,745,700	501,800	18.3
6	Penalties/Fines	3,111,385	103,285	3.3
7	Other Departments	23,778,679	2,982,480	12.5
8	Other Sources	13,298,150	2,046,565	15.4
TOTAL		**160,021,113**	**24,905,877**	**15.6**

Source: *Elgeyo Marakwet County Treasury*

Analysis of the local revenue performance by stream indicated that, bus park/parking fees recorded the highest performance against annual target at 23.4 per cent. This was followed by produce/cess collection at 20.0 per cent, and house/stalls rent at 18.3 per cent.

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

3.5.39 Conditional Grants

Table 3.13 shows an analysis of conditional grant receipts in the first quarter of FY 2016/17.

Table 3.13: Elgeyo Marakwet County Analysis of Conditional Grant Releases in the First Quarter of FY 2016/17

No.	Conditional Grant	Amount allocated as provided in CARA, 2016 (Kshs.)	First Quarter, FY 2016/17 Actual receipt of the Conditional Grant (Kshs.)	Actual receipts as a percentage of Annual Allocation (%)
1	Road Maintenance Fuel Levy Fund	54,220,715	0	-
2	Free Maternal Health Care	50,228,374	12,042,500	24.0
3	User Fees Foregone	8,956,070	0	-
4	DANIDA Grant	10,400,000	0	-
5	World Bank Loan	56,932,570	0	-
6	Other Loans and Grants	23,875,566	0	-
Total		**204,613,295**	**12,042,500**	**5.9**

Source: *Elgeyo Marakwet County Treasury*

Analysis of conditional grants received against the annual target indicated that only the grant for Free Maternal Health Care recorded receipt of 24.0 per cent of the annual target.

3.5.40 Exchequer Issues

In the first quarter, the Controller of Budget authorised withdrawal of Kshs.852.58 million from the CRF account, which was 18.0 per cent of the FY 2016/17 Approved Supplementary Budget. The amount represented an increase of 51.8 per cent from Kshs.561.77 million authorized in a similar period of FY 2015/16 and consisted of Kshs.659.52 million (77.4 per cent) for recurrent expenditure and Kshs.193.06 million (22.6 per cent) for development activities.

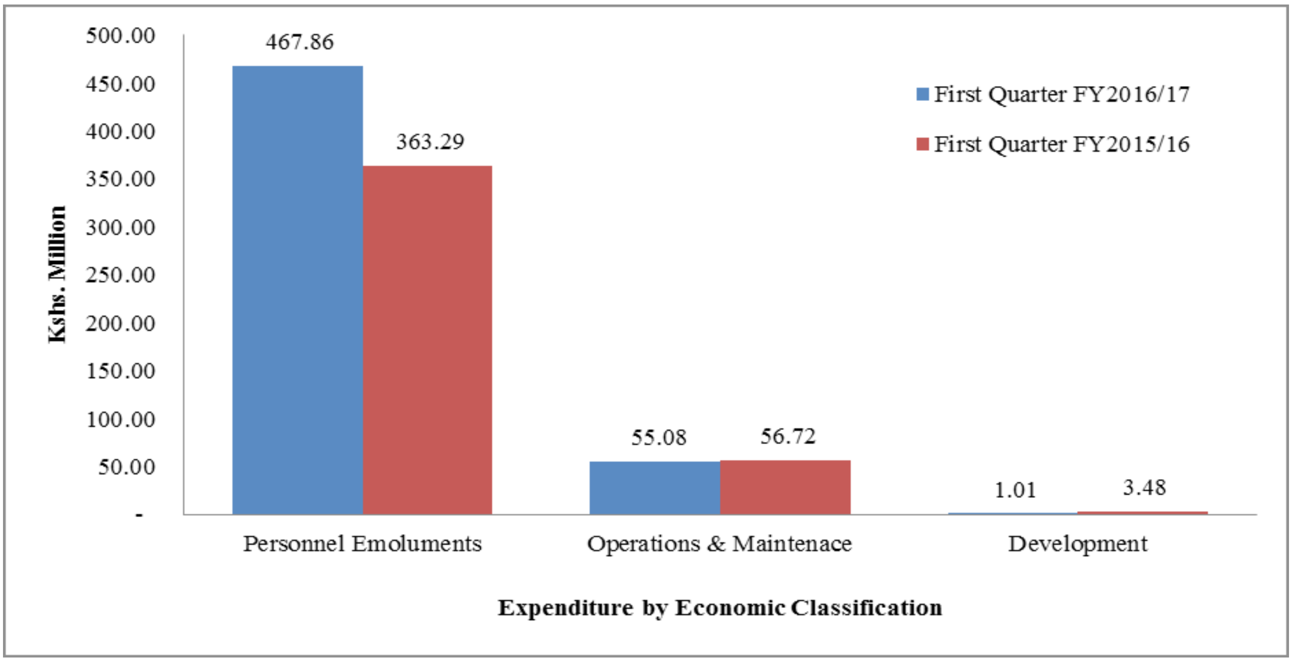
3.5.41 Overall Expenditure Review

During the period under review the County spent Kshs.523.94 million, which was 61.5 per cent of the total funds released for operations. This was an increase from Kshs.423.49 billion spent in a similar period in FY 2015/16.

A total of Kshs.522.94 million was spent on recurrent activities, while Kshs.1.01 million was spent on development activities. The recurrent expenditure was 79.3 per cent of the funds released for recurrent activities while development expenditure accounted for 0.5 per cent of the funds released for development activities. The expenditure excluded outstanding commitments as at 30th September, 2016 that amounted to Kshs.53.85 million for development and Kshs.8.98 million for recurrent expenditure.

The recurrent expenditure represented 18.1 per cent of the annual recurrent budget, an increase from 16.7 per cent spent in a similar period of FY 2015/16. Development expenditure recorded an absorption rate of 0.1 per cent, which was a decrease from 0.3 per cent attained in a similar period of FY 2015/16. Figure 3.18 presents a comparison between total expenditure in the first quarter of FY 2016/17 and the first quarter of FY 2015/16.

Figure 3.18: Elgeyo Marakwet County, Expenditure by Economic Classification for the First Quarter of FY 2016/17 and the First Quarter of FY 2015/16



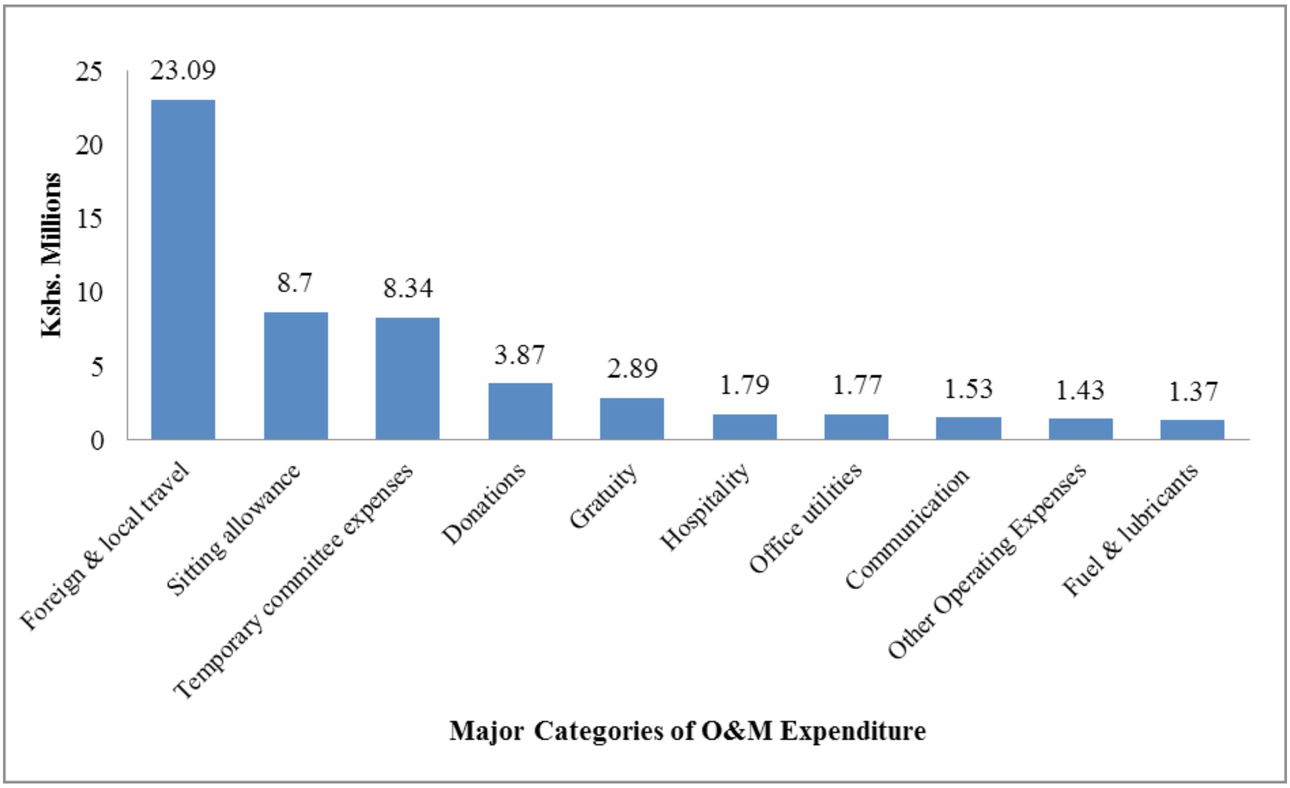
Source: *Elgeyo Marakwet County Treasury*

3.5.42 Analysis of Recurrent Expenditure

The recurrent expenditure of Kshs.522.94 million consisted of Kshs.467.86 million (89.5 per cent) spent on personnel emoluments and Kshs.55.08 million (10.5 per cent) on operations and maintenance as shown in Figure 3.18. Expenditure on personnel emoluments represented an increase of 43.9 per cent compared to a similar period in FY 2015/16 when the County spent Kshs.363.29 million.

Figure 3.19 shows a summary of the operations and maintenance expenditure by major categories.

Figure 3.19: Elgeyo Marakwet County, Operations and Maintenance Expenditure for the First Quarter of FY 2016/17



Source: *Elgeyo Marakwet County Treasury*

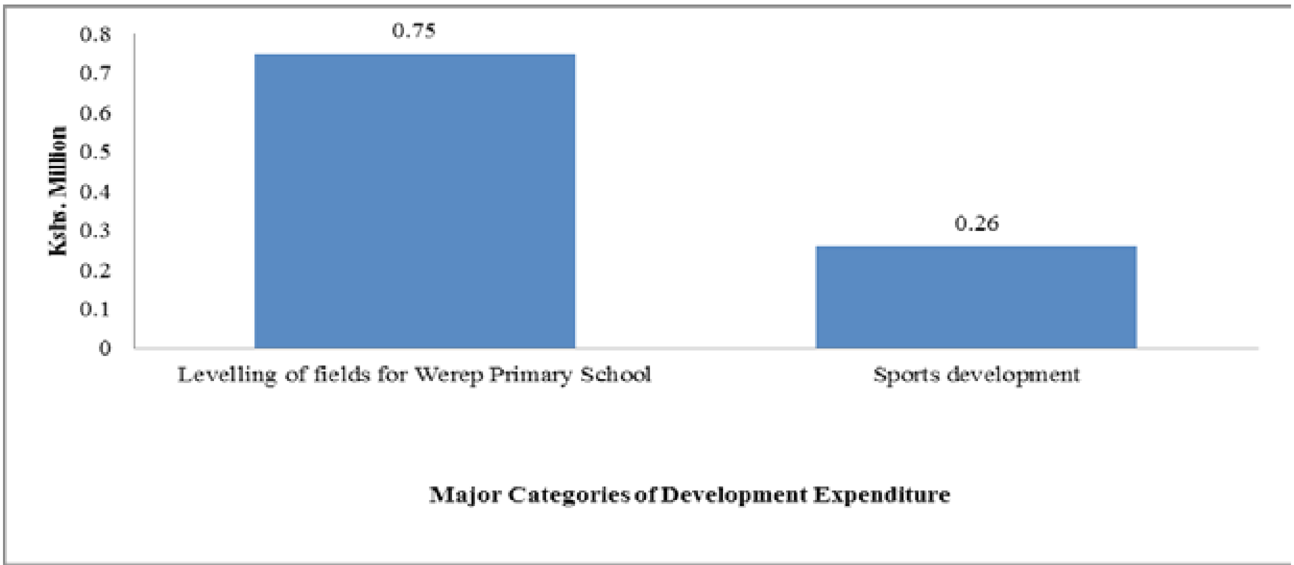
The County spent Kshs.8.70 million on sitting allowances to the 30 MCAs and the Speaker against the annual budget allocation of Kshs.37.50 million. This was a decrease compared to Kshs.10.42 million spent in a similar period of FY 2015/16. The average monthly sitting allowance was Kshs.93,495 compared to SRC's recommended monthly ceiling of Kshs.124,800.00.

Expenditure on domestic and foreign travel amounted to Kshs.23.09 million compared to Kshs.28.09 million spent in a similar period of FY 2015/16, representing a decrease of 17.8 per cent.

3.5.43 Development Expenditure Analysis

The total development expenditure of Kshs.1.01 million represented 0.1 per cent of the annual development budget of Kshs.1.85 billion. Figure 3.20 provides a summary of development expenditure during the period under review.

Figure 3.20: Elgeyo Marakwet County, Summary of Development Expenditure for the First Quarter of FY 2016/17



Source: *Elgeyo Marakwet County Treasury*

Analysis of the development expenditure by category indicated that only the Department of Youth Affairs, Culture, Children and Sports incurred development expenditure of Kshs.1.01 million. The low absorption of development funds was due to late requisition of development funds occasioned by delay in approval of Supplementary Budget, which was necessary in order to capture pending bills that were due for payment.

3.5.44 Budget and Budget Performance Analysis by Department

Table 3.14 shows a summary of first quarter FY 2016/17 budget estimates and budget performance by department.

Table 3.14: Elgeyo Marakwet County of Budget Performance by Department in the First Quarter of FY 2016/17

Department	Budget Allocation (Kshs. Million)		First quarter FY 2016/17 Exchequer Issues (Kshs. Million)		First quarter FY 2016/17 Expenditure (Kshs. Million)		First quarter FY 2016/17 Expenditure to Exchequer Issues (%)		First quarter FY 2016/17 Absorption rate (%)	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
Office of the Governor	171.54	36.37	23.53	33	19.44	0	82.6	-	11.3	-
Administration	29.89	-	7.35	-	4.9	0	66.7	-	16.4	-
County Assembly	467.09	17.5	108.44	-	88.42	0	81.5	-	18.9	-
Finance & Economic Planning	212.36	1.93	46.24	-	44.05	0	95.3	-	20.7	-
Roads, Public Works & Transport	70.08	377.61	15.98	33.9	11.65	0	72.9	-	16.6	-
Youth Affairs, Culture, Children & Sports	19.8	116.74	4.79	23.98	3.62	1.01	75.6	4.2	18.3	0.9

Department	Budget Allocation (Kshs. Million)		First quarter FY 2016/17 Exchequer Issues (Kshs. Million)		First quarter FY 2016/17 Expenditure (Kshs. Million)		First quarter FY 2016/17 Expenditure to Exchequer Issues (%)		First quarter FY 2016/17 Absorption rate (%)	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
Education and Technical Training	177.82	340.27	43.41	17.63	22.83	0	52.6	0	12.8	-
Health Services	1,281.69	235.75	274.93	11.67	241.97	0	88.0	0	18.9	-
Water, Lands, Housing and physical Planning	77.01	344.81	18.48	27.54	13.86	0	75.0	0	18.0	-
Trade, Tourism, cooperatives and Wildlife	56.11	110.35	13.55	10.93	9.14	0	67.5	0	16.3	-
Agriculture	182.6	199.96	44.44	14.81	38.68	0	87.0	0	21.2	-
ICT and Public Service	105.93	69.62	49.9	19.41	16.77	0	33.6	0	15.8	-
County Public Service Board	34.85	1.51	8.47	0.2	7.61	0	89.8	0	21.8	-
TOTAL	**2,886.76**	**1,852.41**	**659.52**	**193.06**	**522.94**	**1.01**	**79.3**	**0.5**	**18.1**	**0.1**

Source: *Elgeyo Marakwet County Treasury*

Analysis of development budget performance by department shows that except for the Department of Youth Affairs, Culture, Children & Sports that attained an absorption rate of 0.9 per cent, all other departments did not report expenditure on development activities. On the other hand, the County Public Service Board had the highest proportion of recurrent expenditure to annual recurrent budget at 21.8 per cent while the Office of the Governor had the lowest at 11.3 per cent.

3.5.45 Observations and Recommendations

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

i. Timely submission of quarterly reports to the Controller of Budget by the County Government entities in line with Section 166 of the PFM Act, 2012. The quarterly report for the reporting period was submitted on 10th October, 2016.

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

1. Failure to establish an Internal Audit Committee to provide oversight in financial management. This is contrary to Section 155(5) of the PFM Act, 2012.
2. Failure to clearly disaggregate local and foreign travel in the approved budget, thereby posing difficulty in reporting.

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 should clearly disaggregate budget allocations for local and foreign travel to enhance openness and clear reporting.*

3.6 Embu County

3.6.46 Overview of the FY 2016/17 Budget

The County's FY 2016/17 Approved Budget was Kshs.6.29 billion, comprising of Kshs.3.77 billion (59.9 per cent) and Kshs.2.52 billion (40.1 per cent) allocations for recurrent and development expenditure respectively.

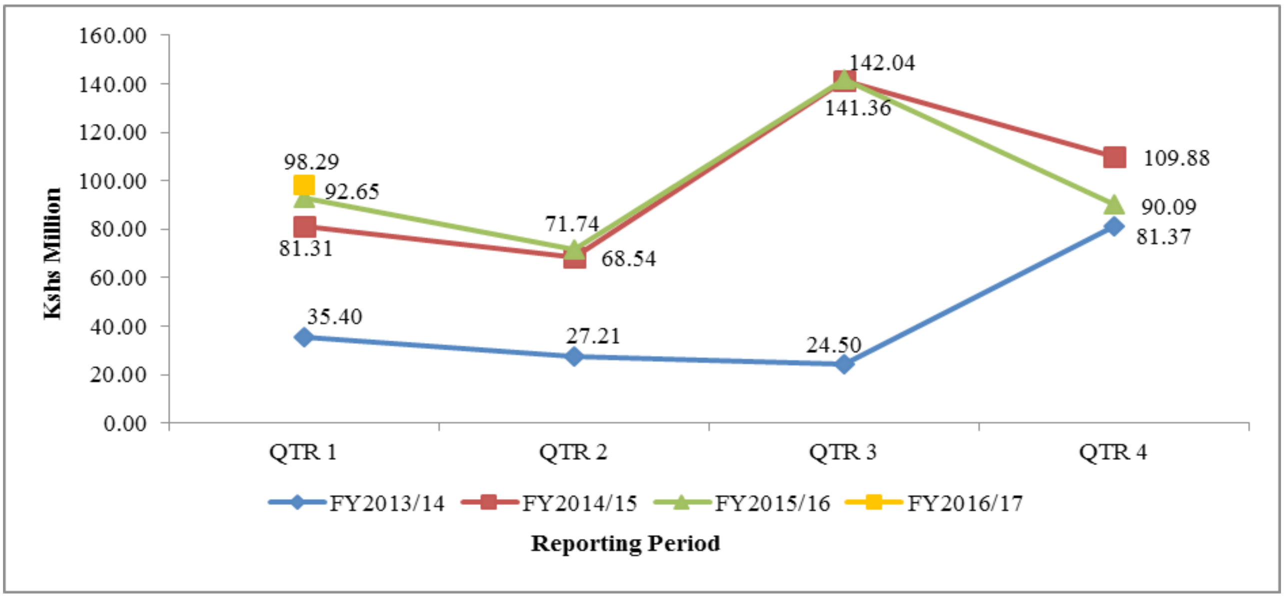
To finance the budget, the County expects to receive Kshs.4.14 billion (65.8 per cent) as equitable share of revenue raised nationally, Kshs.518.72 million (8.2 per cent) as total conditional grants, generate Kshs.803.77 million (12.8 per cent) from local sources, and Kshs.825.91 million (13.1 per cent) cash balance from FY 2015/16. The conditional grants comprise of Kshs.286.70 million (55.3 per cent) for Level 5 Hospital, Kshs.95.74 million (18.5 per cent) for Leasing of Medical Equipment, Kshs.54.99 million (10.6 per cent) for Free Maternal Healthcare, Kshs.63.63 million (12.3 per cent) from the Road Maintenance Fuel Levy Fund, Kshs.10.78 million (2.1 per cent) for User Fees Foregone and Kshs.6.87 million 1.3 per cent) from DANIDA.

3.6.47 Revenue Analysis

During the first quarter of FY 2016/17, the County received Kshs.704 million as equitable share of the revenue raised nationally, Kshs.48.74 million as total conditional allocations, raised Kshs.98.29 million from local sources, and Kshs.1.25 billion brought forward from FY 2015/16.

Figure 3.21 shows the quarterly trend in local revenue collection from the first quarter of FY 2013/14 to the first quarter of FY 2016/17.

Figure 3.21: Embu County, Trend in Local Revenue Collection by Quarter from FY 2013/14 to FY 2016/17



Source: *Embu County Treasury*

The total local revenue collected in the first quarter of FY 2016/17 amounted to Kshs.98.29 million, and was an increase compared to Kshs.92.65 million generated in a similar period of FY 2015/16. This revenue accounted for 12.2 per cent of the annual local revenue target.

Table 3.15 provides an analysis of the local revenue collected in the first quarter of FY 2016/17 by revenue stream.

Table 3.15: Embu County Analysis of Revenue Collected by Stream in the First Quarter of FY 2016/17

No	Revenue Stream	Annual Targeted Revenue (Kshs.)	First quarter, FY 2016/17 Actual Revenue	Actual Revenue as a percentage of Annual Target (%)
1	Medical Levies and Hospital fees	205,000,000	50,340,937	24.6
2	Property Rent & Rates	190,678,430	9,608,285	5.0
3	Produce Cess	82,551,041	11,458,885	13.9
4	Single Business Permits	75,312,837	5,434,894	7.2
5	Parking Fees	62,330,004	7,787,175	12.5
6	Market Fees	49,037,970	5,469,555	11.2
7	Liquor License	49,000,000	108,450	0.2
8	Other Sources	42,561,309	4,720,283	11.1
9	Buildings Approvals	33,112,579	1,515,378	4.6
10	Agriculture & Livestock fees	14,187,922	1,850,469	13.0
TOTAL		**803,772,092**	**98,294,311**	**12.2**

Source: *Embu County Treasury*

Analysis of the local revenue performance by stream indicates that, medical levies and hospital fees recorded the highest performance against annual target at 24.6 per cent. This was followed by produce cess at 13.9 per cent, and agriculture & livestock fees at 13.0 per cent.

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

3.6.48 Conditional Grants

Table 3.16 shows an analysis of conditional grants received in the first quarter of FY 2016/17.

Table 3.16: Embu County Analysis of Conditional Grant Releases in the First Quarter of FY 2016/17

No.	Conditional Grant	Amount allocated as provided in CARA, 2016 (Kshs.)	First Quarter, FY 2016/17 Actual receipt of the Conditional Grant (Kshs.)	Actual receipts as a percentage of Annual Allocation (%)
1	Road Maintenance Fuel Levy Fund	63,629,297	-	0.0
2	Free Maternal Health Care	54,985,378	-	0.0
3	User Fees Foregone	10,776,608	-	0.0
4	DANIDA Grant	6,875,000	-	0.0
5	Level 5 Hospitals	286,705,202	48,739,884	17.0
5	Leasing of medical equipment	85,744,681	-	-
Total		**518,716,166**	**48,739,884**	**9.4**

Source: *Embu County Treasury*

Analysis of the conditional grant releases for the period under review indicates that only the grant to the Level 5 Hospital received 17.0 per cent of the annual target.

3.6.49 Exchequer Issues

During the reporting period, the Controller of Budget authorised withdrawal of Kshs.683.19 million from the CRF account, which was 10.8 per cent of the FY 2016/17 Approved Budget. This amount represented a decrease of 25.9 per cent from Kshs.921.84 billion authorized in a similar period of FY 2015/16 and was entirely for recurrent activities.

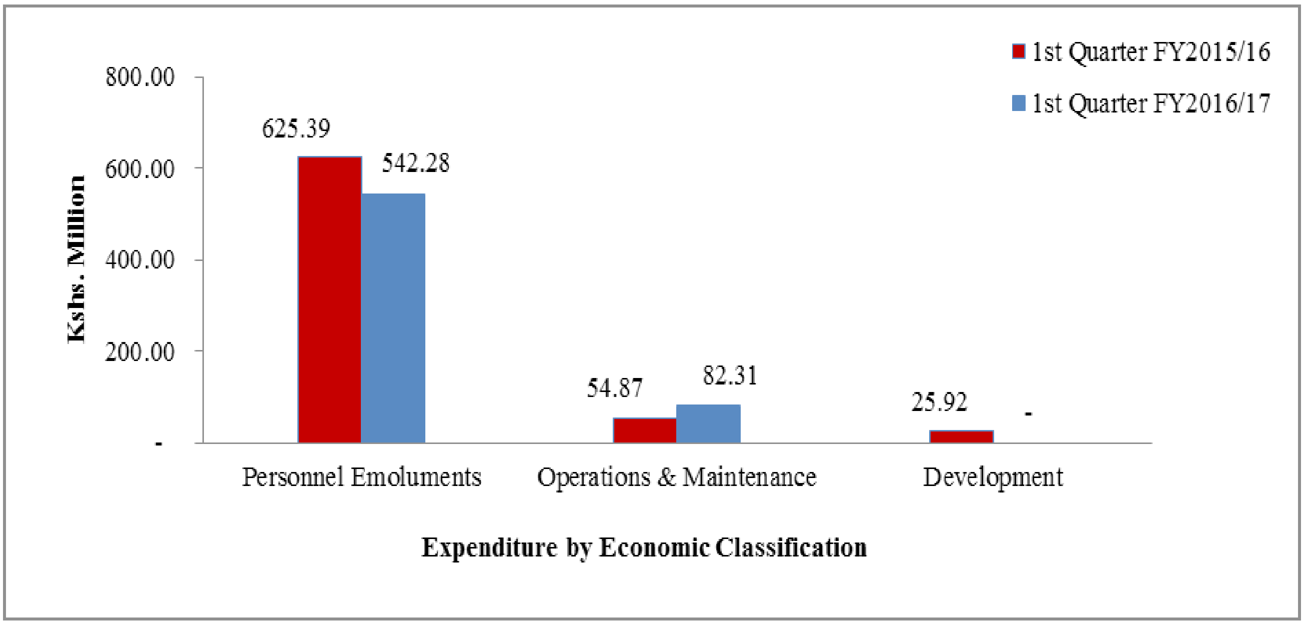
3.6.50 Overall Expenditure Review

The County spent Kshs.624.59 million, which was 91.4 per cent of the total funds released for operations. This was a decrease from Kshs.706.18 million spent in a similar period in FY 2015/16.

The entire amount of Kshs.624.59 million was spent on recurrent activities. There was no expenditure on development activities. The recurrent expenditure was 91.4 per cent of the funds released for recurrent activities. The expenditure excluded outstanding commitments as at 30th September, 2016 that amounted to Kshs.52.11 million for recurrent expenditure.

The recurrent expenditure represented 16.6 per cent of the annual recurrent budget, a decrease from 20.6 per cent spent in a similar period of FY 2015/16. The County did not report any development expenditure during the reporting period. Figure 3.22 presents a comparison between total expenditure in the first quarter of FY 2016/17 and the first quarter of FY 2015/16.

Figure 3.22: Embu County, Expenditure by Economic Classification for the First Quarter of FY 2015/16 and the First Quarter of FY 2016/17



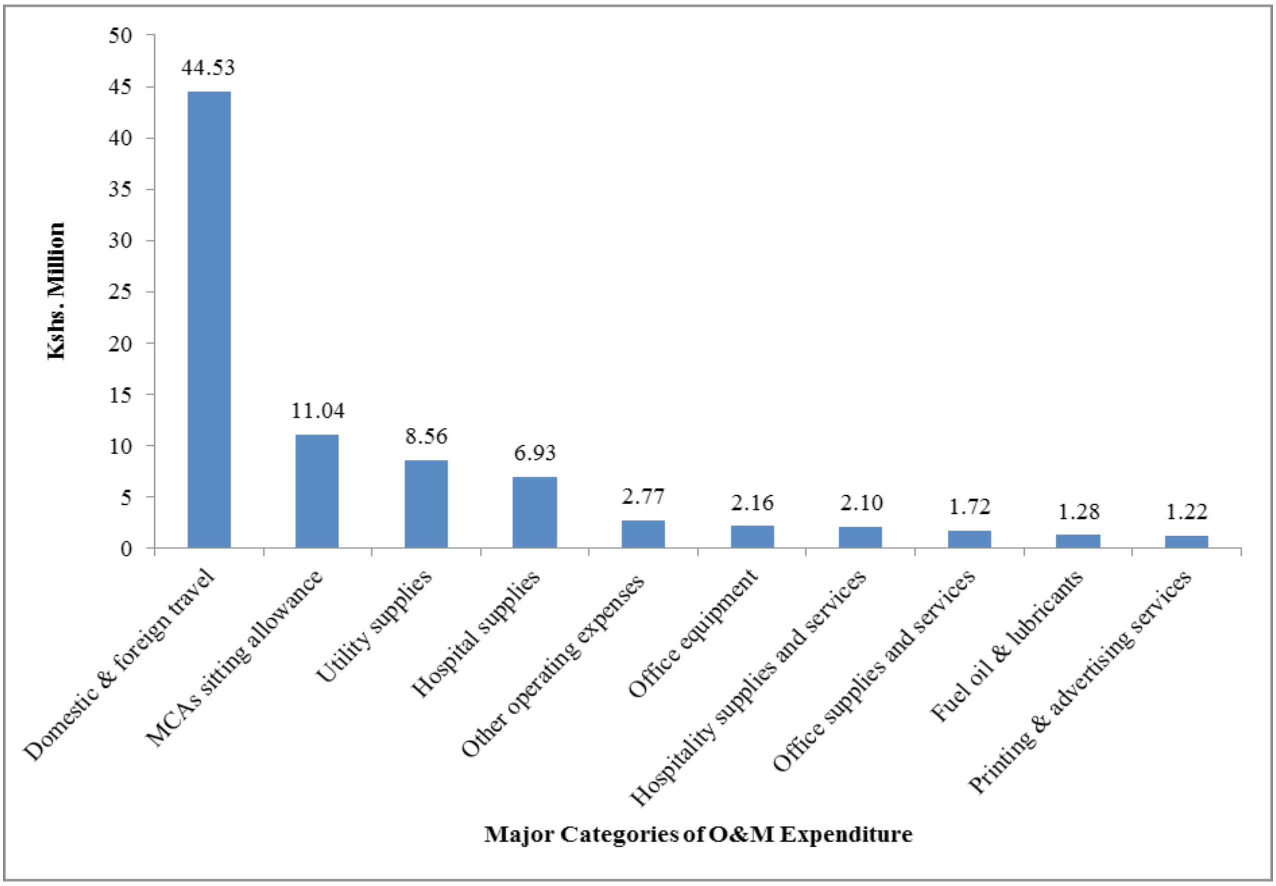
Source: *Embu County Treasury*

3.6.51 Analysis of Recurrent Expenditure

The recurrent expenditure of Kshs.624.59 million consisted of Kshs.542.28 million (86.8 per cent) spent on personnel emoluments and Kshs.82.31 million (13.2 per cent) on operations and maintenance as shown in Figure 3.22. Expenditure on personnel emoluments represented a decrease of 13.3 per cent compared to a similar period in FY 2015/16 when the County spent Kshs.625.39 billion.

Figure 3.23 shows a summary of the operations and maintenance expenditure by major categories.

Figure 3.23: Embu County, Operations and Maintenance Expenditure for First Quarter of FY 2016/17



Source: *Embu County Treasury*

The County spent Kshs.11.04 million on sitting allowances to the 33 MCAs and the Speaker against the annual budget allocation of Kshs.37.21 million. This was an increase compared to Kshs.6.30 million spent in a similar period of FY 2015/16. The average monthly sitting allowance was Kshs.108,208 compared to SRC's recommended monthly ceiling of Kshs.124,800.

Expenditure on domestic and foreign travel amounted to Kshs.44.53 million compared to Kshs.32.53 million spent in a similar period of FY 2015/16, representing an increase of 36.9 per cent.

3.6.52 Development Expenditure Analysis

The County did not report any development expenditure during the period under review. However, the County spent Kshs.25.92 million on development activities in a similar period of FY 2015/16.

3.6.53 Budget and Budget Performance Analysis by Department

Table 3.17 shows a summary of first quarter FY 2016/17 budget estimates and budget performance by department.

Table 3.17: Embu County, First Quarter of FY 2016/17 Budget Performance by Department

Department	Budget Allocation (Kshs. Million)		First quarter FY 2016/17 Exchequer Issues (Kshs. Million)		First quarter FY 2016/17 Expenditure (Kshs. Million)		First quarter FY 2016/17 Expenditure to Exchequer Issues (%)		First quarter FY 2016/17 Absorption rate (%)	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
Office of the Governor	372.44	-	69.29	-	64.71	-	93.4	-	17.4	-
Public Service & Administration	259.84	4.5	42.95	-	56.13	-	130.7	-	21.6	-
County Public service Board	38.37	-	6.39	-	5.35	-	83.8	-	13.9	-
Finance and Economic Planning	152.28	823.75	27.29	-	4.59	-	16.8	-	3.0	-
Health Services	1,576.13	210.25	283.26	-	271.31	-	95.8	-	17.2	-
Embu Level 5 Hospital	202.19	98.50	51.07	-	7.24	-	14.2	-	3.6	-
Trade, Investment & Industrialization	35.54	63.69	8.60	-	2.31	-	26.9	-	6.5	-
Education, Science & Technology	197.44	14.92	33.71	-	33.41	-	99.1	-	16.9	-
Youth Empowerment & Sports	11.99	66.30	1.99	-	1.24	-	62.1	-	10.3	-
Infrastructure & Public Works	67.03	924.50	11.16	-	8.97	-	80.3	-	13.4	-
Gender Empowerment & Culture	16.39	32.55	2.71	-	0.51	-	18.8	-	3.1	-
Lands, Water & Natural Resources	75.50	146.06	12.86	-	13.26	-	103.1	-	17.6	-
Agriculture, Livestock & Fisheries	261.26	46.42	44.07	-	48.70	-	110.5	-	18.6	-
County Assembly	503.66	88.10	87.8 5	-	106.86	-	121.6	-	21.2	-
TOTAL	**3,770.06**	**2,519.52**	**683.19**	**-**	**624.59**	**-**	**91.4**	**-**	**16.6**	**-**

Source: *Embu County Treasury*

Analysis of budget performance by department shows that no department incurred any development expenditure. On the other hand, the Department of Public Service & Administration reported the highest percentage of recurrent expenditure to recurrent budget at 21.6 per cent while the Department of Finance & Economic Planning had the lowest at 3.0 per cent.

3.6.54 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. The local revenue collection improved from Kshs.92.65 million in the first quarter of FY 2015/16 to Kshs.98.29 million in the reporting period.

ii. Improved adherence to budget timelines. The CECM-F submitted the budget estimates to the County Assembly on 29th April 2016, which was subsequently approved on 1st July 2016.

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

1. Late submission of financial reports by the County Treasury to the Controller of Budget, which affected timely preparation of budget implementation report.
2. Failure by Fund Administrators of the County Assembly Car & Mortgage Fund and the Youth Trust Fund to submit expenditure reports on the established County Funds as required by Section 168 of the PFM Act, 2012.
3. Failure to develop legislation to operationalize some established County Public Funds such as the Emergency and Women Trust Fund, which contravenes Section 116 of the PFM Act, 2012.

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

1. *The County Treasury should ensure timely preparation and submission of financial reports to the Office of the Controller of Budget in line with Section 166 of PFM Act, 2012.*
2. *The County Treasury should ensure timely submission of expenditure reports on the Established Funds in line with Section 168 of the PFM Act, 2012.*
3. *The County should ensure the legislations establishing County Public Funds are in place in line with Section 116 of the PFM Act, 2012. This should be done before operationalization of the established County Public Funds.*

3.7 Garissa County

3.7.55 Overview of the FY 2016/17 Budget

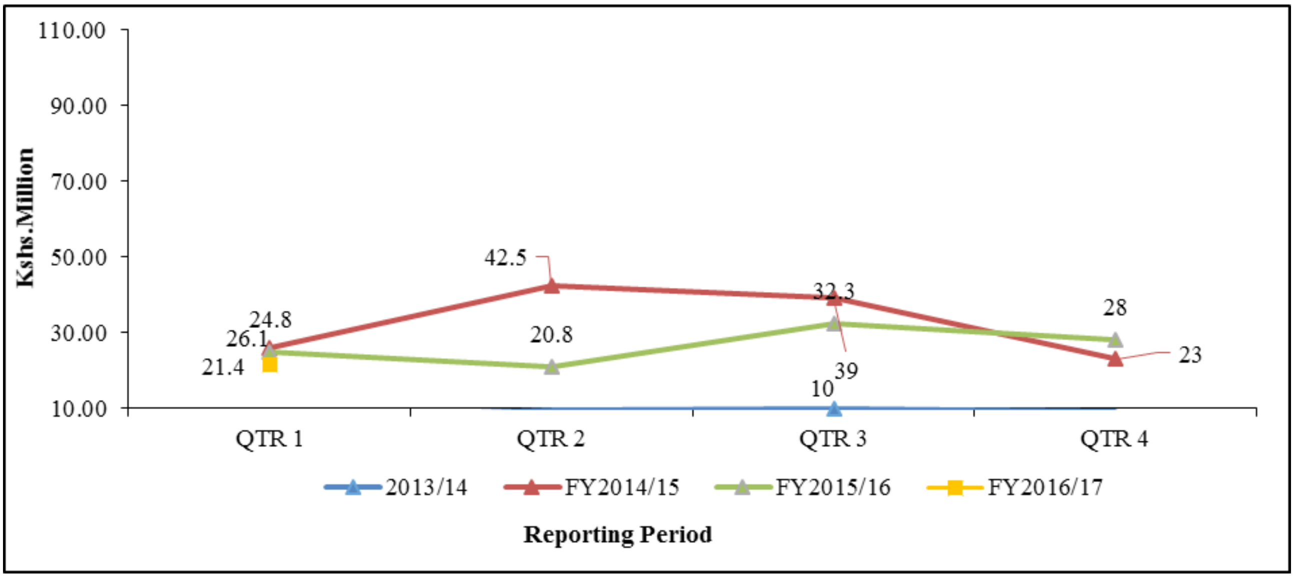
The County did not have an approved budget during the reporting period. In line with Regulation 38(1) of the PFM (County Government) Regulations 2015, the Controller of Budget authorised the County to access 50 per cent of the last approved budget (FY 2015/16 Supplementary Budget). The FY 2015/16 approved Supplementary budget for the County was Kshs.7.36 billion and comprised of Kshs.3.92billion (53.3 per cent) allocation for recurrent expenditure and Kshs.3.44 billion (46.7 per cent) to development expenditure.

3.7.56 Revenue Analysis

During the first quarter of FY 2016/17, the County received Kshs.1.11 billion as equitable share of the revenue raised nationally, Kshs.102 million as total conditional allocations, raised Kshs.21.4 million from local sources, and Kshs.306 million brought forward from FY 2015/16.

Figure 3.24 shows the quarterly trend in local revenue collection from the first quarter of FY 2013/14 to the first quarter of FY 2016/17.

Figure 3.24: Garissa County, Trend in Local Revenue Collection by Quarter from FY 2013/14 to FY 2016/17



Source: *Garissa County Treasury*

The total local revenue collected in the first quarter of FY 2016/17 amounted to Kshs.21.40 million which is a decrease compared to Kshs.24.7 million generated in a similar period of FY 2015/16. This revenue accounted for 6.1 per cent of the annual local revenue target.

Table 3.18 provides an analysis of the local revenue collected in the first quarter of FY 2016/17 by revenue stream.

Table 3.18: Garissa County Analysis of Revenue Collected by Stream in the First Quarter of FY 2016/17

No	Revenue Stream	Annual Targeted Revenue	First quarter, FY 2016/17 Actual Revenue	Actual Revenue as a percentage of Annual Target (%)
1	PGH Revenue	115,000,000	7,060,000	6.1
2	Building Materials	40,000,000	2,450,010	6.1
3	Land Rates	27,000,000	1,630,080	6.0
4	Stock Auctions fees Cattle/Donkeys	17,000,000	1,160,100	6.8
5	Miraa Cess	17,500,000	1,000,000	5.7
6	Market Fresh Produce Fees	27,000,000	913,000	3.4
7	Bridge Entry / Exit Fees	24,500,000	65,200	2.7
8	Stock Export Fees	18,600,000	52,118	2.8
9	Single Business Permits	31,000,000	50,065	1.4
10	Other revenue sources	32,400,000	7,050,124	21.8
TOTAL		**350,000,000**	**21,430,697**	**6.1**

Source: *Garissa County Treasury*

Analysis of the local revenue performance by stream indicated that, other revenue sources recorded the highest performance against annual target at 21.8 per cent. This was followed by stock auctions fees cattle/donkeys at 6.8 per cent.

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

3.7.57 Conditional Grants

The County Treasury did not report any receipts from conditional grants during the reporting period.

3.7.58 Exchequer Issues

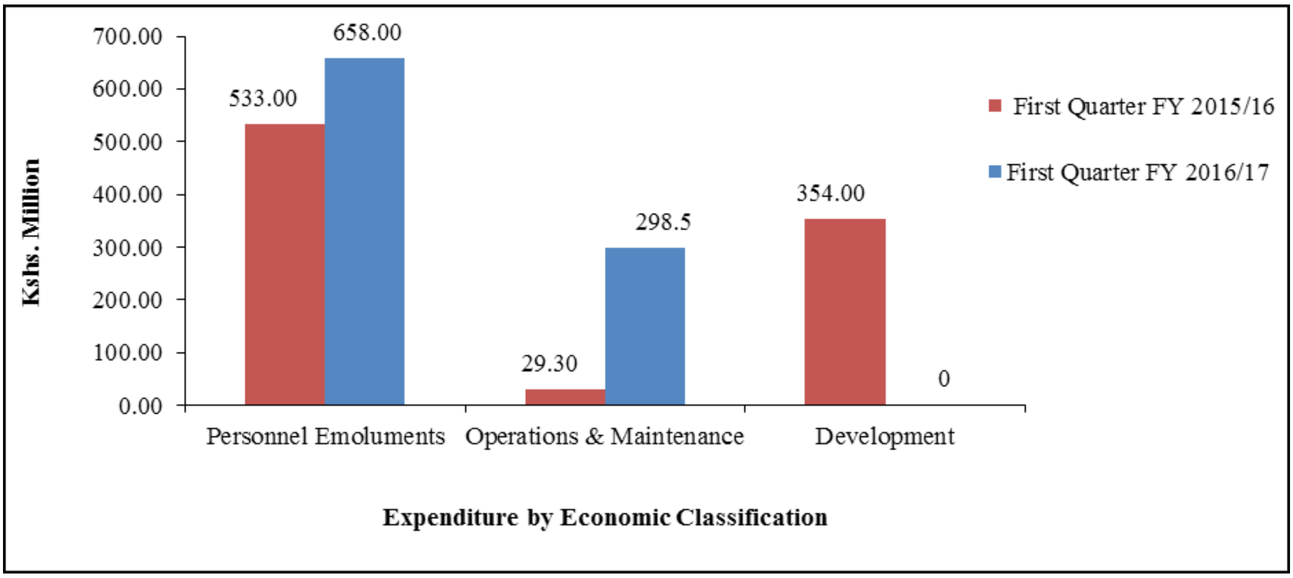
During the reporting period, the Controller of Budget authorised withdrawal of Kshs.958.50 million from the CRF account, which was 13 per cent of the FY2016/17 Draft Budget Estimates. This amount represented a decrease of 17 per cent from Kshs.975 million authorized in a similar period of FY 2015/16 and consisted of Kshs.958.50 million (100 per cent) for recurrent expenditure only.

3.7.59 Overall Expenditure Review

The County spent Kshs.956.50 million, which was 99.8 per cent of the total funds released for operations. This was an increase from Kshs.916 billion spent in a similar period in FY 2015/16. The entire expenditure in the period under review was on recurrent activities.

The recurrent expenditure represented 24.4 per cent of the annual recurrent budget, an increase from 14.4 per cent incurred in a similar period of FY 2015/16. Figure 3.25 presents a comparison between total expenditure in the first quarter of FY 2016/17 and FY 2015/16.

Figure 3.25: Garissa County, Expenditure by Economic Classification for the First Quarter of FY 2015/16 and the First Quarter of FY 2016/17



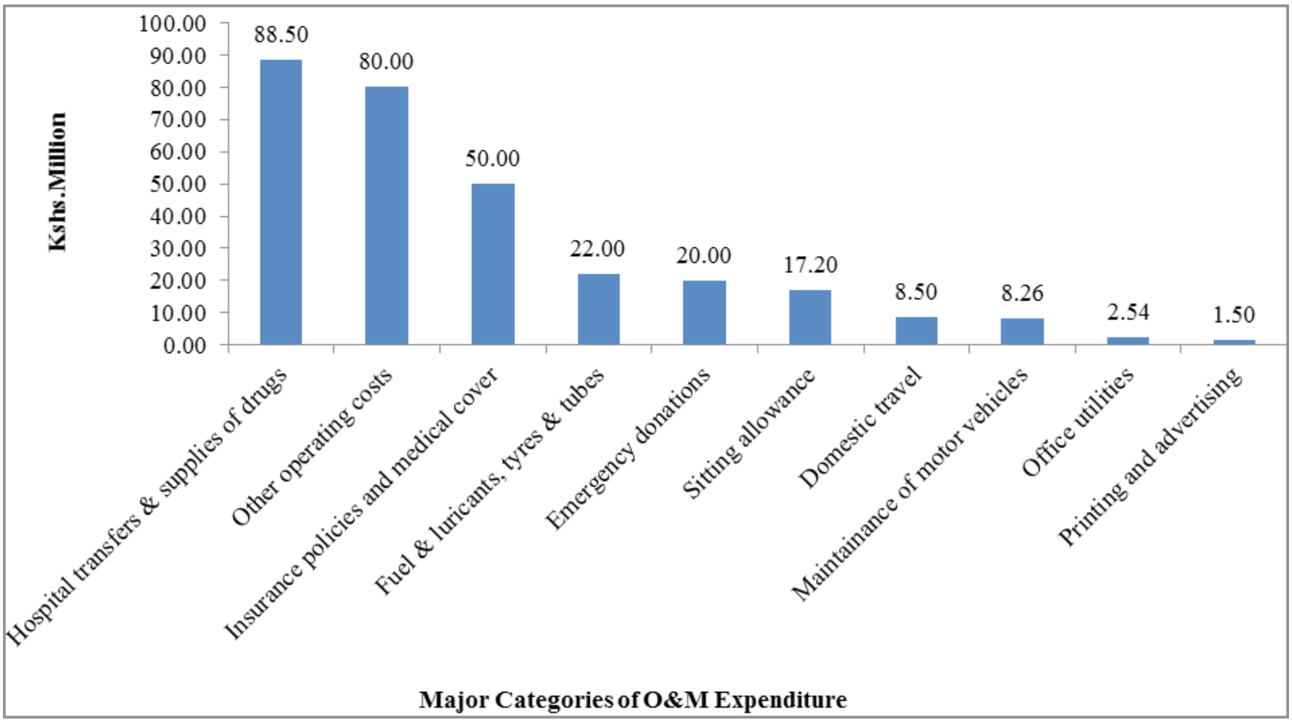
Source: *Garissa County Treasury*

3.7.60 Analysis of Recurrent Expenditure

The recurrent expenditure of Kshs.956.5 million consisted of Kshs.658 million (68.8 per cent) spent on personnel emoluments and Kshs.298 million (31.2 per cent) on operations and maintenance as shown in Figure 3.25. Expenditure on personnel emoluments represented an increase of 23.4 per cent compared to a similar period in FY 2015/16 when the County spent Kshs.533 million.

Figure 3.26 shows a summary of the operations and maintenance expenditure by major categories.

Figure 3.26: Garissa County, Operations and Maintenance Expenditure for First Quarter of FY 2016/17



Source: *Garissa County Treasury*

The County spent Kshs.17.2 million on sitting allowances to the 48 MCAs and the Speaker against the annual budget allocation of Kshs.80.9 million. This was an increase compared to Kshs.14.5 million spent in a similar period of FY 2015/16. The average monthly sitting allowance was Kshs.117,007 compared to SRC's recommended monthly ceiling of Kshs.124,800.

Expenditure on domestic and foreign travel amounted to Kshs.11.30 million compared to Kshs.11.80 million spent in a similar period of FY 2015/16, representing a decrease of 4.2 per cent.

3.7.61 Development Expenditure Analysis

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

3.7.62 Budget and Budget Performance Analysis by Department

Table 3.19 shows a summary of first quarter FY 2016/17 budget estimates and budget performance by department.

Table 3.19: Garissa County of Budget Performance by Department in the First Quarter of FY 2016/17

Department	Annual Budget Allocation (Kshs. Million)		First quarter FY 2016/17 Exchequer Issues (Kshs. Million)		First quarter FY 2016/17 Expenditure (Kshs.Million)		First quarter FY 2016/17 Expenditure to Exchequer Issues (%)		First quarter FY 2016/17 Absorption rate (%)	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
Agriculture, Irrigation Services And Fisheries	90.50	80.00	26.00	-	26.00	-	100.00	-	28.70	-
Women Affairs ,Culture ,Social Services And Libraries	30.90	37.00	12.00	-	12.00	-	100.00	-	38.80	-
Roads ,Public Works ,Lands ,Housing And Physical Planning	87.20	919.20	9.50	-	9.50	-	100.00	-	10.90	-
Education ,Public Services ,Labour Relations And Information	142.20	346.50	26.00	-	26.00	-	100.00	-	18.30	-
Environment ,Energy ,Natural Resources	26.50	113.00	-	-	-	-	-	-	-	-
Finance Revenue ,Economic Planning	1,362.00	600.90	321.00	-	319.00	-	99.40	-	23.40	-
Health And Sanitation	1,226.00	271.00	370.50	-	370.50	-	100.00	-	30.10	-
Livestock And Pastoral Economy	101.90	60.00	21.00	-	21.00	-	100.00	-	20.60	-
Youth, Sports ,Trade	75.90	85.00	17.00	-	17.00	-	100.00	-	22.40	-
Water	128.90	787.00	32.00	-	32.00	-	100.00	-	24.80	-
Executive Services	145.10	-	17.00	-	17.00	-	100.00	-	11.70	-
Assembly	684.00	-	106.50	-	106.50	-	100.00	-	15.60	-
Total	**4,101.00**	**3,300.00**	**958.50**	**-**	**956.50**	**-**	**99.80**	**-**	**24.40**	**-**

Source: *Garissa County Treasury*

Analysis of budget performance by department shows that the Department of Women Affairs, Culture, Social Services and Libraries attained the highest percentage of expenditure on recurrent activities at 38.8 per cent, while the Environment, Energy, and Natural Resources department did not incur any recurrent expenditure.

3.7.63 Observations and Recommendations

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

i. Establishment of a monitoring and evaluation unit to oversee implementation of development projects.
ii. Continued operationalization of IFMIS and adoption of Internet Banking by County entities.

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

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

2. Failure to designate administrators of established public Funds such as the Bursary Fund and the Emergency Fund rendering administration and accounting for the funds difficult.

3. Delay in approval of the FY 2016/17 Budget that negatively affected implementation of development projects during the reporting period.

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

1. *The County should establish an Internal Audit Committee and also strengthen the internal audit function in line with Section 155 of the PFM Act, 2012.*
2. *For each public Fund, the County Executive Member for Finance should designate an Administrator in line with of Section 116 of the PFM Act, 2012.*
3. *The County Executive and the County Assembly should address the issues that led to budget approval stalemate for effective budget execution.*

3.8 Homa Bay County

3.8.64 Overview of the FY 2016/17 Budget

The County's FY 2016/17 Approved Budget was Kshs.6.69 billion, comprising of Kshs.4.34 billion (64.8 per cent) and Kshs.2.35billion (35.2 per cent) allocations for recurrent and development expenditure respectively.

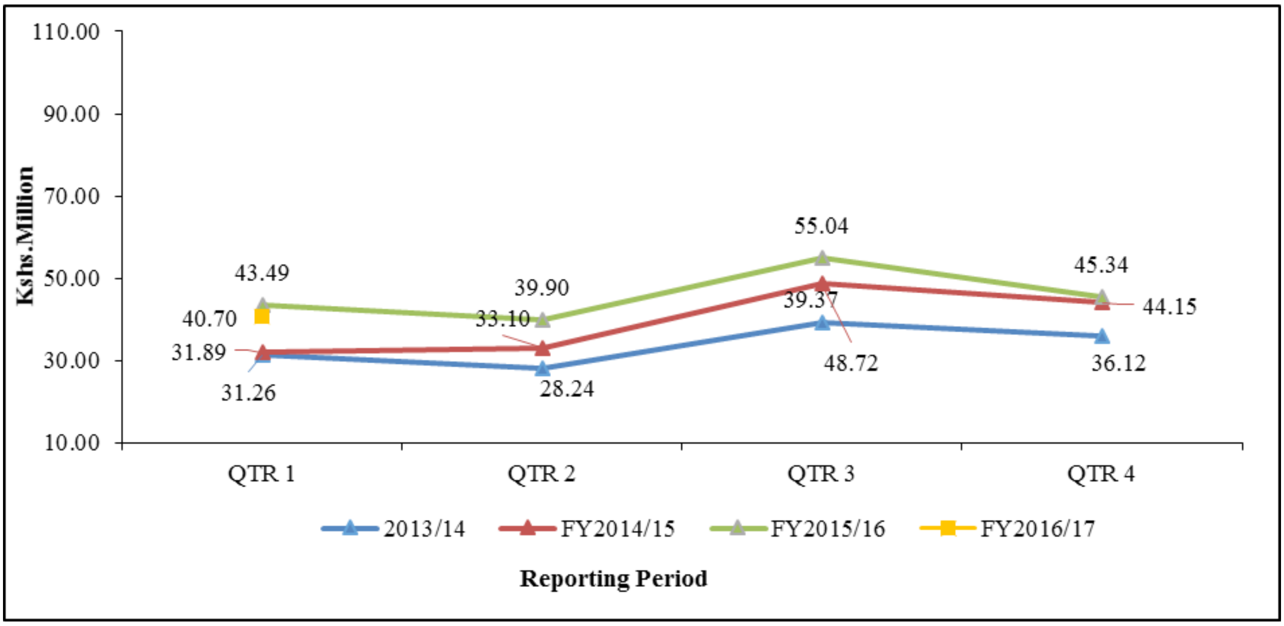
To finance the budget, the County expects to receive Kshs.6.08 billion (90.3 per cent) as equitable share of revenue raised nationally, Kshs.382.91 million (5.7 per cent) as total conditional grants, generate Kshs.233.54 million (3.5 per cent) from local sources, and Kshs.34.10 million (0.5 per cent) cash balance from FY 2015/16. The conditional grants comprise of Kshs.128.74 million (33.6 per cent) for Free Maternal Health Care, Kshs.93.42 million (24.4 per cent) from the Road Maintenance Fuel Levy Fund, Kshs.22.62 million (5.9 per cent) for User Fees Foregone, Kshs.12.09 million (3.2 per cent) from DANIDA, Kshs.95.74 million (25 per cent) for Leasing of Medical Equipment, and Kshs.30.29 million (7.9 per cent) as conditional grants from World Bank.

3.8.65 Revenue Analysis

During the first quarter of FY 2016/17, the County received Kshs.1.52 billion as equitable share of the revenue raised nationally, Kshs.23.62 million as total conditional allocations, raised Kshs.40.70 million from local sources, and Kshs.34.10 million brought forward from FY 2015/16.

Figure 3.27 shows the quarterly trend in local revenue collection from the first quarter of FY 2013/14 to the first quarter of FY 2016/17.

Figure 3.27:Homa Bay County, Trend in Local Revenue Collection by Quarter from the First Quarter of FY 2013/14 to the First Quarter of FY 2016/17



Source: Homa Bay County Treasury

The total local revenue collected in the first quarter of FY 2016/17 amounted to Kshs.40.70 million, which is a decrease compared to Kshs.43.49 million generated in a similar period of FY 2015/16. This revenue accounted for 17.4 per cent of the annual local revenue target.

Table 3.20 provides an analysis of the local revenue collected in the first quarter of FY 2016/17 by revenue stream.

Table 3.20: Homa Bay County Analysis of Revenue Collected by Stream in the First Quarter of FY 2016/17

No	Revenue Stream	Annual Targeted Revenue (Kshs.)	First Quarter Actual Revenue (Kshs.)	Actual Revenue as a percentage of Annual Target (%)
1	Health Sector	64,719,933	13,350,034	20.6
2	Market Dues	43,427,879	7,528,015	17.3
3	Other revenue sources	42,216,283	6,937,091	16.4
4	Enclosed Bus Park	23,973,372	4,721,080	19.7
5	Cess (Fish, Wheat, Maize, Sugarcane)	13,117,476	3,411,879	26.0
6	Motorbike Fees	7,532,233	1,570,640	20.9
7	Single Business Permits	31,355,998	1,121,215	3.6
8	House Management Unit	2,230,295	1,078,800	48.4
9	Land Rates	2,257,068	818,224	36.3
10	Urban Planning Fees	2,182,685	158,832	7.3
11	Sign Boards & Advert Fees	528,318	3,000	0.6
	TOTAL	**233,541,540**	**40,698,810**	**17.4**

Source: *Homa Bay County Treasury*

Analysis of the local revenue performance by stream indicated that, the house management unit recorded the highest performance against annual target at 48.4 per cent. This was followed by land rates at 36.3 per cent, and fish, wheat, maize, and sugarcane cess at 26 per cent.

From analysis of bank statements and expenditure returns, that the Department of Health Services did not bank all its revenue receipts into the CRF account.

3.8.66 Conditional Grants

Table 3.21 shows an analysis of conditional grants received in the first quarter of FY 2016/17.

Table 3.21: Homa Bay County Analysis of Conditional Grant Releases in the First Quarter of FY 2016/17

No.	Conditional Grant	Amount allocated as provided in CARA, 2016 (Kshs.)	First Quarter, FY 2016/17 Actual receipt from the Conditional Grant (Kshs.)	Actual receipts as a percentage of Annual Allocation (%)
1	Road Maintenance Fuel Levy Fund	93,422,137	23,617,500	25
2	Free Maternal Health Care	128,736,441	-	-
3	User Fees Foregone	22,616,803	-	-
4	DANIDA Grant	12,091,970	-	-
5	Leasing of Medical Equipment	95,744,681	-	-
6	World Bank Loan	30,293,030	-	-
Total		**382,905,062**	**23,617,500**	**6.2**

Source: *Homa Bay County Treasury*

The County reported receipts from one conditional grant, namely; the Road Maintenance Fuel Levy Fund with a performance of 25 per cent of its annual target.

3.8.67 Exchequer Issues

During the reporting period, the Controller of Budget authorised withdrawal of Kshs.1.08 billion from the CRF account, which was 16.1 per cent of the FY 2016/17 Approved Budget. This amount represented an increase of 0.1 per cent from Kshs.1.00 billion authorized in a similar period of FY 2015/16 and consisted of Kshs.927.00 million (86.1 per cent) for recurrent expenditure and Kshs.150.00 million (13.9 per cent) for development activities.

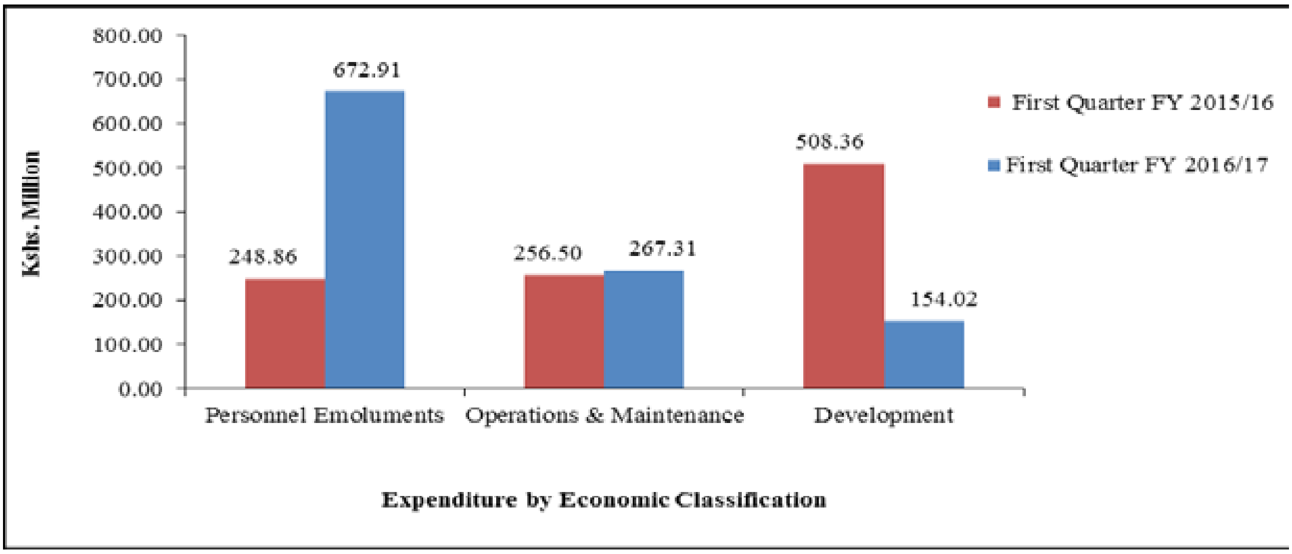
3.8.68 Overall Expenditure Review

The County spent Kshs.1.09 billion, which was 101 per cent of the total funds released for operations. This was an increase from Kshs.1.01 billion spent in a similar period in FY 2015/16.

A total of Kshs.940.22 million was spent on recurrent activities, while Kshs.154.02 million was spent on development activities. The recurrent expenditure was 101.4 per cent of the funds released for recurrent activities while development expenditure accounted for 102.7 per cent of the funds released for development activities. The expenditure excluded outstanding commitments as at 30th September, 2016 that amounted to Kshs.443.94 million for development and Kshs.22.80 million for recurrent expenditure.

The recurrent expenditure represented 22.2 per cent of the annual recurrent budget, an increase from 12.8 per cent spent in a similar period of FY 2015/16. Development expenditure recorded an absorption rate of 6.5 per cent, which was a decrease from 23 per cent attained in a similar period of FY 2015/16. Figure 3.28 presents a comparison between total expenditure in the first quarter of FY 2016/17 and the first quarter of FY 2015/16.

Figure 3.28: Homa Bay County, Expenditure by Economic Classification for the Frst Quarter of FY 2015/16 and the First Quarter of FY 2016/17



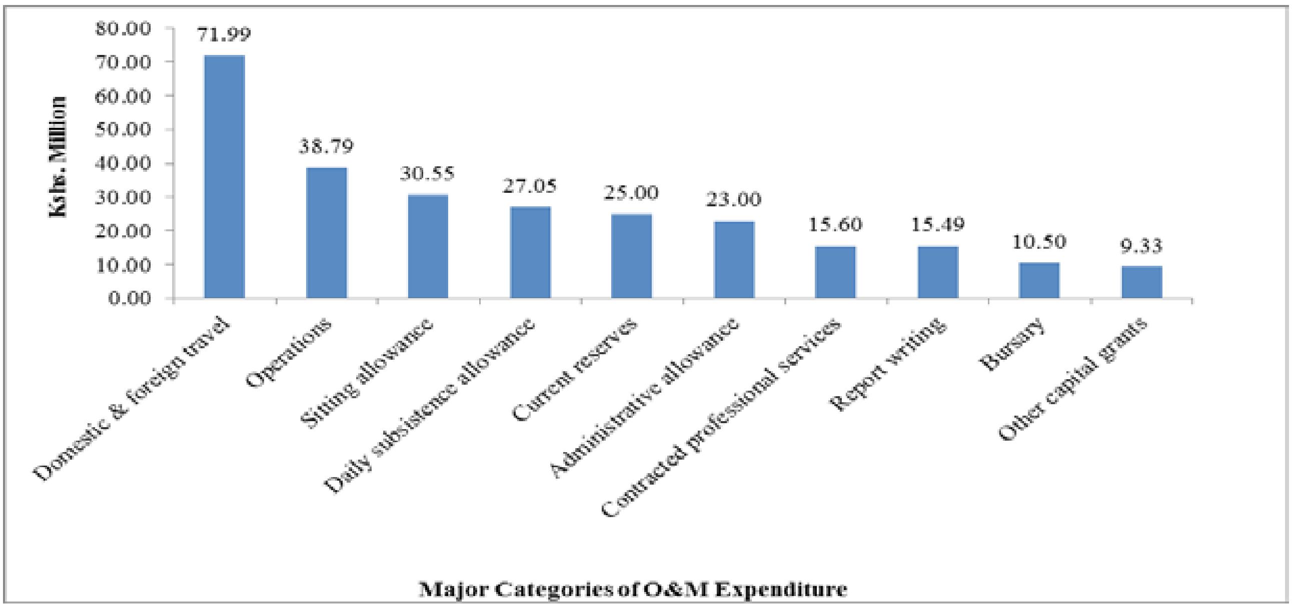
Source: *Homa Bay County Treasury*

3.8.69 Analysis of Recurrent Expenditure

The recurrent expenditure of Kshs.940.22 million consisted of Kshs.672.91 million (71.6 per cent) spent on personnel emoluments and Kshs.267.31 million (28.4 per cent) on operations and maintenance as shown in Figure 3.28. Expenditure on personnel emoluments represented an increase of 22.4 per cent compared to a similar period in FY 2015/16 when the County spent Kshs.248.86 billion.

Figure 3.29 shows a summary of the operations and maintenance expenditure by major categories.

Figure 3.29: Homa Bay County, Operations and Maintenance Expenditure for the First Quarter of FY 2016/17



Source: *Homa Bay County Treasury*

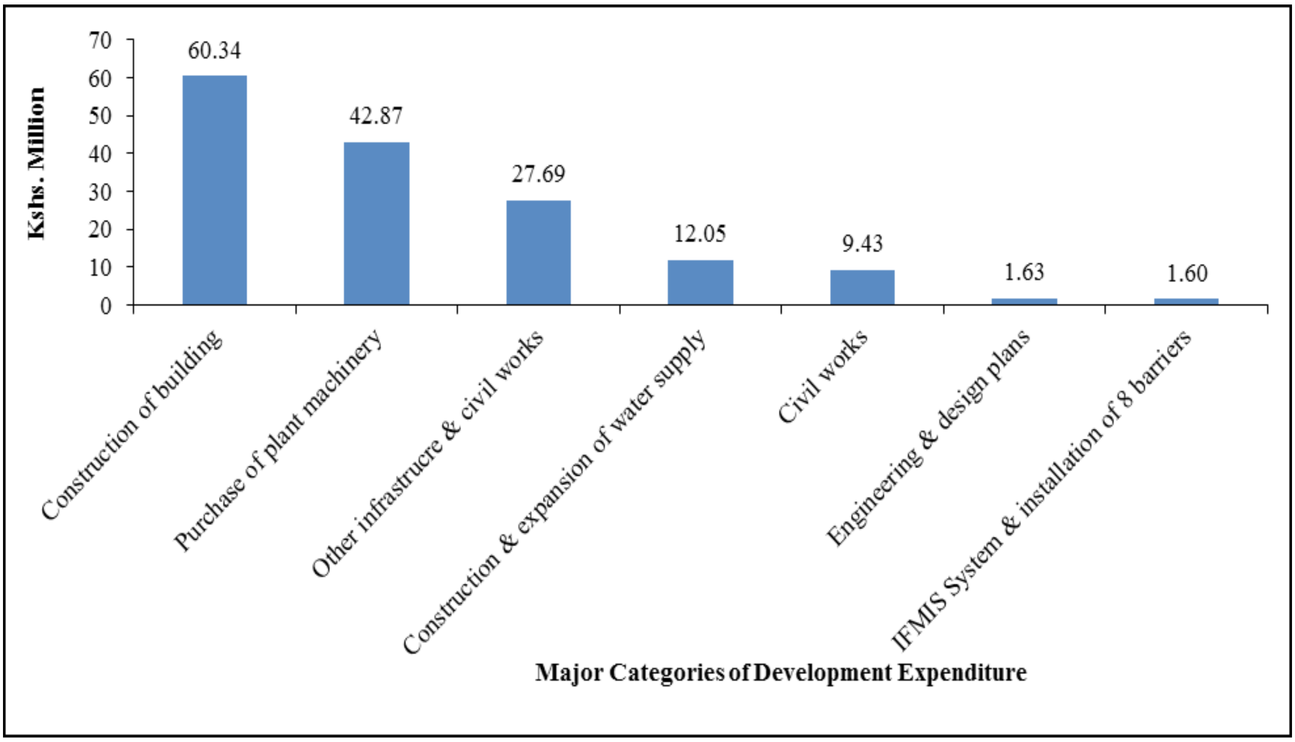
The County spent Kshs.30.55 million on sitting allowances to the 64 MCAs and the Speaker against the annual budget allocation of Kshs.130.73 million. This was an increase compared to Kshs.28.27 million spent in a similar period of FY 2015/16. The average monthly sitting allowance was Kshs.159,117 compared to SRC's recommended monthly ceiling of Kshs.124, 800.

Expenditure on domestic and foreign travel amounted to Kshs.71.99 million compared to Kshs.22.94 million spent in a similar period of FY 2015/16, representing an increase of 213.8 per cent.

3.8.70 Development Expenditure Analysis

The total development expenditure of Kshs.154.02 million represented 6.5 per cent of the annual development budget of Kshs.2.35 billion. Figure 3.30 provides a summary of development expenditure during the period under review.

Figure 3.30: Homa Bay County, Summary of Development Expenditure for the First Quarter of FY 2016/17



Source: *Homa Bay County Treasury*

Analysis of the development expenditure by category indicated that, the highest expenditure of Kshs.60.34 million was jointly incurred by the Departments of Health Services, and the Department of Education and ICT on construction and buildings. The second highest expenditure of Kshs.42.87 million was incurred by the Roads, Transport and Infrastructure Department on purchase of plant and machinery.

3.8.71 Budget and Budget Performance Analysis by Department

Table 3.22 shows a summary of first quarter FY 2016/17 budget estimates and budget performance by department.

Table 3.22:Homa Bay County, First Quarter of FY 2016/17 Budget Performance by Department

Department	Budget Allocation (Kshs. Million)		First quarter FY 2016/17 Exchequer Issues (Kshs. Million)		First quarter FY 2016/17 Expenditure(Kshs. Million)		First quarter FY 2016/17 Expenditure to Exchequer Issues (%)		First quarter FY 2016/17 Absorption rate (%)	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
Agriculture, Livestock and Fisheries	194.26	204.00	43.00	10.00	33.33	-	77.51	-	17.2	-
Tourism, Culture and Sports	83.39	60.00	13.00	10.00	7.16	4.73	55.08	47.30	8.6	7.9
Transport and Infrastructure	74.46	613.99	18.00	30.00	10.10	42.87	56.11	142.90	13.6	7.0
Energy and Natural Resources	30.98	100.01	2.00	20.00	4.40	10.27	220.00	51.35	14.2	10.3
Education and ICT	325.89	102.00	120.00	-	92.75	0.49	77.29		28.5	0.5
Health	1,474.60	265.00	373.00	20.00	336.16	57.41	90.12	287.05	22.8	21.7
Lands, Housing and Physical Planning	45.84	76.00	10.00	-	7.27	5.87	72.70		15.9	7.7
Trade, Industry and Investment	122.79	130.00	65.00	-	23.20	9.43	35.69		18.9	7.3
Water and Environment	115.30	600.00	38.00	40.00	27.83	12.05	73.24	30.13	24.1	2.0
Finance and Economic Planning	299.34	109.88	68.00	20.00	84.73	-	124.60	-	28.3	-
Office of the Governor	539.03	65.00	77.00	-	119.46	6.16	155.14		22.2	9.5
County Public Service Board	99.16	10.00	10.00	-	12.50	-	125.00		12.6	-
County Assembly Service Board	937.72	18.00	90.00	-	181.33	4.74	201.48		19.3	26.3
Total	**4,342.76**	**2,353.88**	**927.00**	**150.00**	**940.22**	**154.02**	**101.43**	**102.68**	**21.7**	**6.5**

Source: *Homa Bay County Treasury*

Analysis of budget performance by department shows that the County Assembly attained the highest absorption of development budget at 26.3 per cent while the County Public Service Board, Finance and Economic Planning and Agriculture, Livestock and Fisheries departments did not incur any development expenditure. On the other hand, the Department of Education and ICT attained the highest percentage of recurrent expenditure to annual recurrent budget at 28.5 per cent while the Department of Tourism, Culture & Sports had the lowest at 8.6 per cent.

3.8.72 Observations and Recommendations

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

i. Improvement in human capacity through recruitment of additional key staff and continuous training.

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

1. Failure by both the County Treasury and the County Assembly to deposit all the unspent balances at the closure of the FY 2015/16 into the CRF account. This contravenes Section 136 (2) of the PFM Act, 2012.
2. Continued spending of revenue at source in contravention of Section 109 (2) of the PFM Act, 2012. From analysis of bank statements and expenditure returns, the Office noted that, the Department of Health Services did not deposit all its revenue receipts into the CRF account.
3. The County Treasury continued to divert funds released for development activities to imprest accounts maintained with commercial banks to fund recurrent activities against Government practice on use of IFMIS and the internet banking payment system.
4. Both the County Assembly and the County Executive have not established an internal audit function contrary to Section 155 (5) of Public Finance Management Act, 2012.

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

1. *The County Treasury should ensure that all unspent balances at the closure of the financial year are refunded to the CRF Account in line with section 136 (2) of the PFM Act, 2016.*
2. *The County should ensure all departments adhere to Section 109 (2) of the PFM Act, 2012 and bank all revenue receipts intact into the CRF account.*
3. *The County Treasury should put in place adequate internal control mechanisms to ensure funds released for development expenditure are not diverted to the imprest account. Further, there is need to ensure all financial transactions are processed through IFMIS and Internet Banking platform as prescribed by the National Treasury.*
4. *The County Treasury should establish both the internal audit function and put in place an Audit Committee to carry out oversight functions as provided in law.*

3.9 Isiolo County

3.9.73 Overview of the FY 2016/17 Budget

The County's FY 2016/17 Approved Budget was Kshs.3.75 billion, comprising of Kshs.2.26 billion (60.4 per cent) and Kshs.1.48 billion (39.6 per cent) allocations for recurrent and development expenditure respectively.

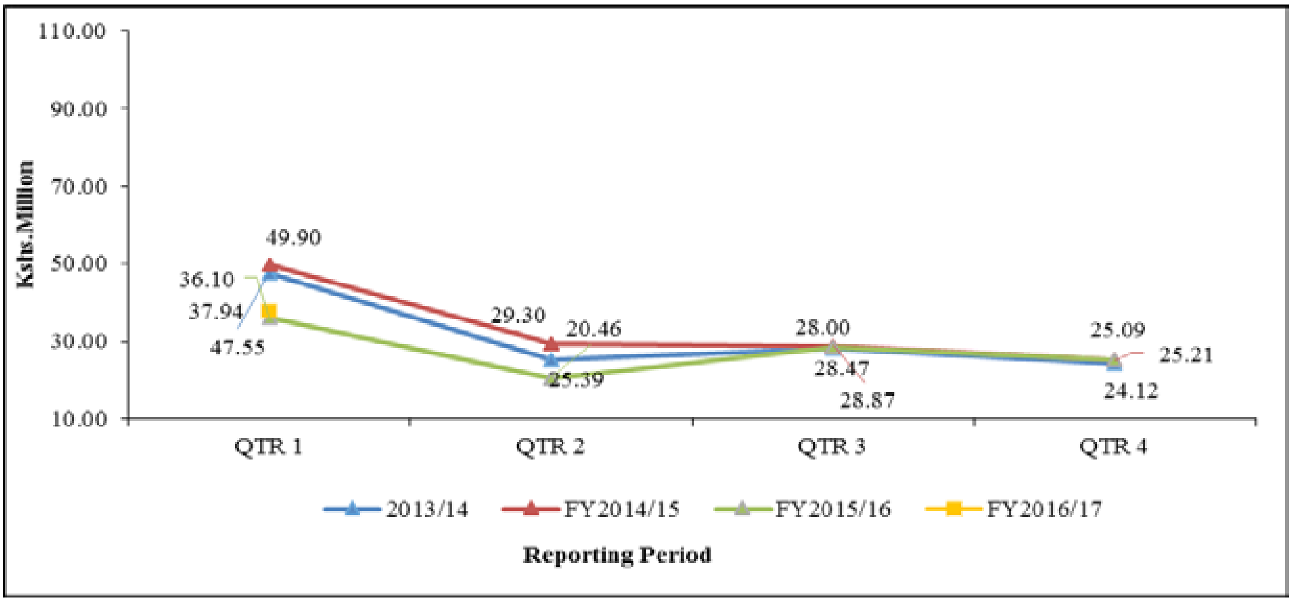
To finance the budget, the County expects to receive Kshs.3.30 billion (88.0 per cent) as equitable share of revenue raised nationally, Kshs.198.35 million (5.3 per cent) as total conditional grants, generate Kshs.250 million (6.7 per cent) from local sources, and Kshs.9.96 million from FY 2015/16. The conditional grants comprise of Kshs.95.74 million (48.30 per cent) for Leasing of Medical Equipment, Kshs.22.18 million (11.2 per cent) for Free Maternal Health Care, Kshs.50.67 million (25.50 per cent) from the Road Maintenance Fuel Levy Fund, Kshs.3.51 million (1.8 per cent) for User Fees Foregone, Kshs.3.99 million (2.0 per cent) from DANIDA and Kshs.22.25 million (11.2 per cent) as conditional grants from other loans and grants.

3.9.74 Revenue Analysis

During the first quarter of FY 2016/17, the County received Kshs.824.52 million as equitable share of the revenue raised nationally, Kshs.12.67 million as total conditional allocations, raised Kshs.37.94 million from local sources, and Kshs.9.96 million brought forward from FY 2015/16.

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

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



Source: *Isiolo County Treasury*

The total local revenue collected in the first quarter of FY 2016/17 amounted to Kshs.37.94 million which was an increase compared to Kshs.36.10 million generated in a similar period of FY 2015/16. This revenue accounted for 15.2 per cent of the annual local revenue target.

Table 3.23 provides an analysis of the local revenue collected in the first quarter of FY 2016/17 by revenue stream.

Table 3.23: Isiolo County Analysis of Revenue Collected by Stream in the First Quarter of FY 2016/17

No	Revenue Stream	Annual Targeted Revenue (Kshs.)	First quarter, FY 2016/17 Actual Revenue (Kshs.)	Actual Revenue as a percentage of Annual Target (%)
1	Game Park Entrance Fees/Royalties	170,000,000	25,542,043	15.0
2	Hospital Fees	15,000,000	3,190,005	21.3
3	Land Rent and Rates	30,200,000	2,701,286	8.9
4	Sand Cees	6,500,000	1,478,000	22.7
5	Parking Fees	6,000,000	1,029,930	17.2
6	Livestock Auction	3,500,000	805,740	23.0
7	Single Business Permits	6,500,000	561,920	8.6
8	Miraa Cess	2,000,000	457,300	22.9
9	Liquor Licence	1,800,000	22,000	1.2
10	Others	8500000	2,152,773	25.3
TOTAL		**250,000,000**	**37,940,997**	**15.2**

Source: *Isiolo County Treasury*

Analysis of the local revenue performance by stream indicated that, the livestock auction fees recorded the highest performance against annual target at 23.0 per cent. This was followed by *miraa* cess at 22.9 per cent and sand cess at 22.7 per cent.

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

3.9.75 Conditional Grants

Table 3.24 shows an analysis of conditional grants received in the first quarter of FY 2016/17.

Table 3.24: Isiolo County Analysis of Conditional Grant Releases in the First Quarter of FY 2016/17

No.	Conditional Grant	Amount allocated as provided in CARA, 2016 (Kshs.)	First Quarter, FY 2016/17 Actual receipt from the Conditional Grant (Kshs.)	Actual receipts as a percentage of Annual Allocation (%)
1	Road Maintenance Fuel Levy Fund	50,674,844	12,668718	25.0
2	Free Maternal Health Care	22,181,866	0	0
3	User Fees Foregone	3,514,477	0	0
4	DANIDA Grant	3,985,000	0	0
5	World Bank Loan	22,247,373	0	0
Total		**102,603,560.0**	**12,668,718.0**	**12.3**

Source: *Isiolo County Treasury*

The County received Kshs.12.67 million from the Road Maintenance Fuel Levy Fund which was 25.0 per cent of its budget allocation. There were no disbursements from the other conditional allocations during the reporting period.

3.9.76 Exchequer Issues

During the reporting period, the Controller of Budget authorised withdrawal of Kshs.588.73 million from the CRF account, which was 23.0 per cent of the FY 2016/17 Approved Budget. This amount represented an increase of 24.5 per cent from Kshs.473.0 million authorized in a similar period of FY 2015/16 and comprised of Kshs.488.73 million (83 per cent) for recurrent activities and Kshs.100 million (17.0 per cent) for development expenditure.

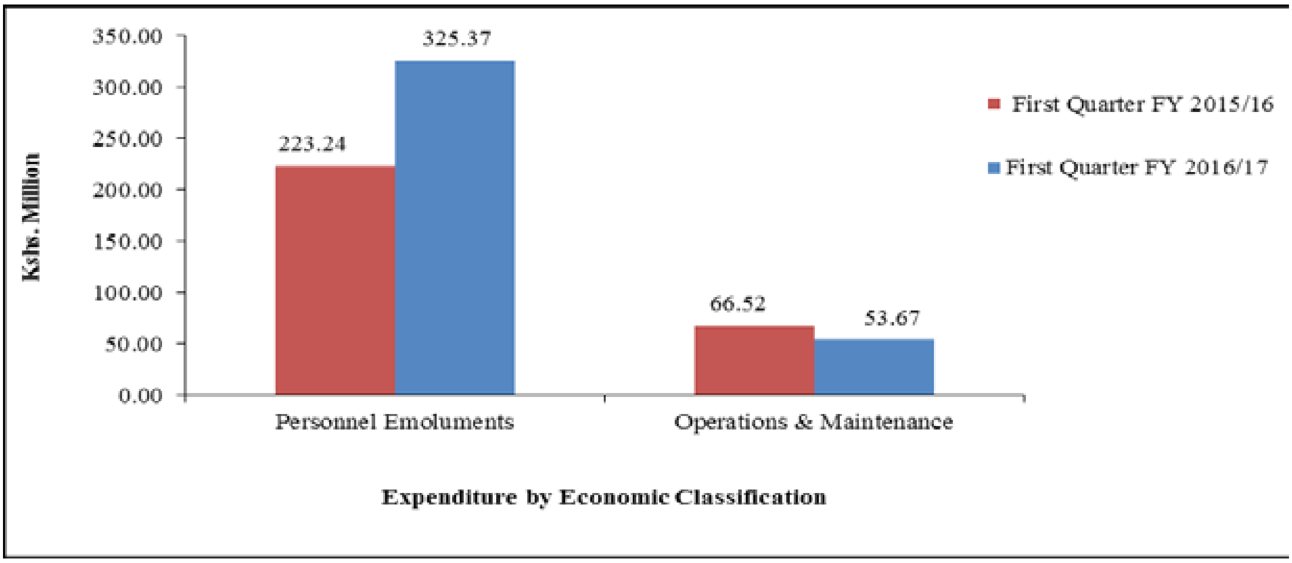
3.9.77 Overall Expenditure Review

The County spent Kshs.379.04 million, which was 64.4 per cent of the total funds released for operations. This was an increase from Kshs.289.76 million spent in a similar period in FY 2015/16.

A total of Kshs.379.04 million was spent on recurrent activities. There was no development expenditure for the period. The recurrent expenditure was 77.6 per cent of the funds released for recurrent activities. There were no outstanding commitments as at 30th September, 2016.

The recurrent expenditure represented 16.7 per cent of the annual recurrent budget, an increase from 13.7 per cent spent in a similar period of FY 2015/16. There was no development expenditure recorded during the period which is similar to the first quarter of FY 2015/16. Figure 3.32 presents a comparison between total expenditure in the first quarter of FY 2016/17 and the first quarter of FY 2015/16.

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



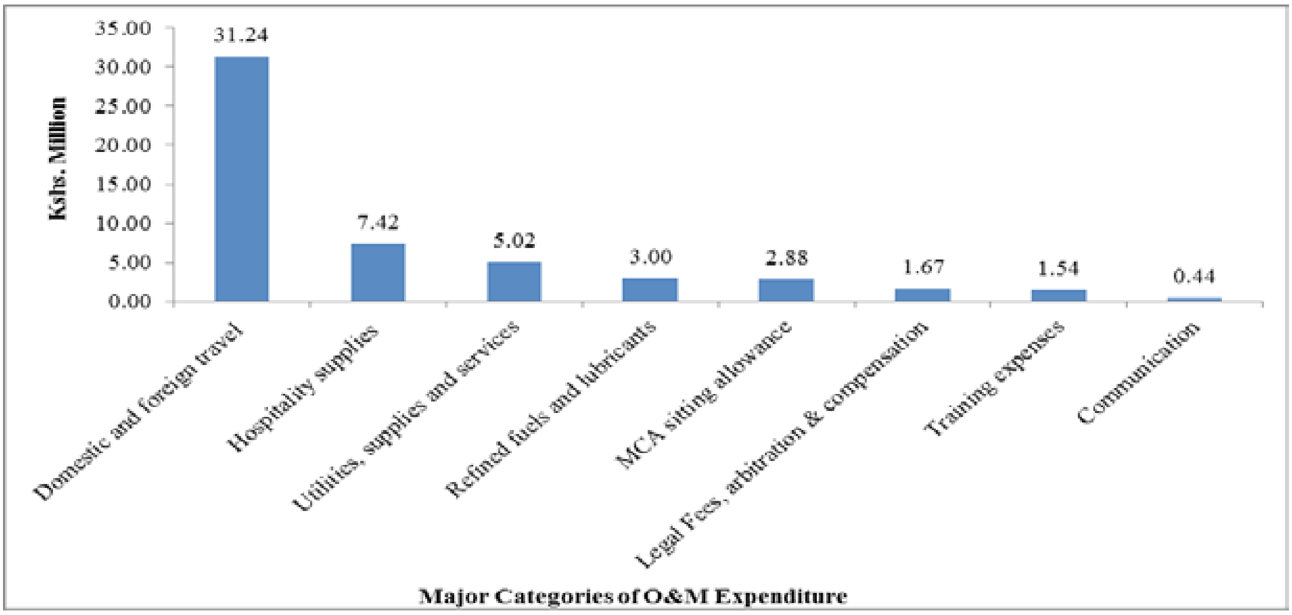
Source: *Isiolo County Treasury*

3.9.78 Analysis of Recurrent Expenditure

The total recurrent expenditure of Kshs.379.04 million consisted of Kshs.325.37 million (85.8 per cent) spent on personnel emoluments and Kshs.53.67 million (14.2 per cent) on operations and maintenance as shown in Figure 3.32. Expenditure on personnel emoluments represented a significant increase of 45.7 per cent compared to similar period of FY 2015/16 when the County spent Kshs.223.24 million.

Figure 3.33 shows a summary of the operations and maintenance expenditure by major categories.

Figure 3.33: Isiolo County, Operations and Maintenance Expenditure for the First Quarter of FY 2016/17



Source: *Isiolo County Treasury*

The County spent Kshs.2.88 million on sitting allowances to the 21 MCAs and the Speaker against the annual budget allocation of Kshs.30.62 million. This was a decrease compared to Kshs.5.59 million spent in a similar period of FY 2015/16. The average monthly sitting allowance was Kshs.45,675 compared to SRC's recommended monthly ceiling of Kshs.124,800.

Expenditure on domestic and foreign travel amounted to Kshs.31.24 million compared to Kshs.23.92 million spent in a similar period of FY 2015/16, representing an increase of 30.6 per cent.

3.9.79 Development Expenditure Analysis

The county did not incur any development expenditure in the reporting period.

3.9.80 Budget and Budget Performance Analysis by Department

Table 3.25 shows a summary of first quarter FY 2016/17 budget estimates and budget performance by department.

Table 3.25: Isiolo County, First Quarter of FY 2016/17 Budget Performance by Department

Error! Not a valid link. Error! Not a valid link.

Department	Budget Allocation (Kshs. Million)		First quarter FY 2016/17 Exchequer Issues (Kshs. Million)		First quarter FY 2016/17 Expenditure (Kshs. Million)		First quarter FY 2016/17 Expenditure to Exchequer Issues (%)		First quarter FY 2016/17 Absorption rate (%)	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
County Assembly	377.92	157.72	120.00	0.00	61.70		51.4	0	16.3	0
Office of the Governor	194.78	90.96	41.11	10.00	23.04		56.1	0	11.8	0
County Public Service Board	64.01	0.00	9.17	0.00	7.66		83.5	0	12	0
Office of the County Secretary	11.65	0.00	1.21	0.00	0.50		41.2	0	4.3	0
County treasury and Planning	325.35	245.02	60.99	0.00	49.24		80.7	0	15.1	0
Lands Development	34.71	50.50	5.05	13.00	2.63		52.2	0	7.6	0
Roads, Housing and Works	25.52	152.00	5.13	20.00	4.75		92.7	0	18.6	0
Agriculture	56.99	35.00	11.57	5.00	9.45		81.7	0	16.6	0
Livestock and Fisheries	77.99	110.00	16.63	20.00	17.05		102.6	0	21.9	0
Cohesion and Intergovernmental relations	16.85	-	1.55	-	2.49		161.3	0	14.8	0
Education and Vocational training	151.14	86.00	26.91	17.00	29.31		108.9	0	19.4	0

Department	Budget Allocation (Kshs. Million)		First quarter FY 2016/17 Exchequer Issues (Kshs. Million)		First quarter FY 2016/17 Expenditure (Kshs. Million)		First quarter FY 2016/17 Expenditure to Exchequer Issues (%)		First quarter FY 2016/17 Absorption rate (%)	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
Sports, Youth and Culture	9.95	33.00	1.17	5.00	0.60		51.2	0	6	0
Tourism, culture and Social services	49.60	50.00	8.49	10.00	5.52		65	0	11.1	0
Public Service Management and ICT	81.46	49.00	5.43	0.00	6.21		114.3	0	7.6	0
Water and Irrigation	56.80	177.50	12.24	0.00	8.60		70.3	0	15.1	0
Environment and Natural Resources	34.02	45.50	6.70	0.00	6.98		104.1	0	20.5	0
Medical Services	352.85	54.18	77.50	0.00	84.11		108.5	0	23.8	0
Public Health	307.82	101.95	70.37	0.00	54.56		77.5	0	17.7	0
Trade, Industrialization	25.36	32.00	5.95	0.00	3.18		53.5	0	12.6	0
Town Administration	9.31	12.00	1.56	0.00	1.43		91.5	0	15.4	0
TOTAL	**2,264.09**	**1,482.33**	**488.73**	**100.00**	**379.04**	**-**	**77.6**	0	**16.7**	**0**

Source: *Isiolo County Treasury*

Analysis of budget performance by department shows that the Medical Services Department had the highest percentage of recurrent expenditure to annual recurrent budget at 23.7 per cent while the Office of the County Secretary had the lowest at 4.3 per cent.

3.9.81 Observations and Recommendations

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

i. Adoption of the IFMIS and internet banking to process financial transactions by the county entities.

ii. Enactment of regulations to operationalize the County Bursary Fund.

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

1. Late submission of financial reports to the Controller of Budget by the County Treasury, which affected timely preparation of budget implementation report.
2. Failure to establish an Internal Audit Committee to provide financial management oversight, contrary to Section 155 of the PFM Act, 2012.
3. Failure to constitute the County Budget and Economic Forum (CBEF) as per Section 137 of the PFM Act, 2012 for consultation in the budget process.

4. A high wage bill that increased by 45.7 per cent from Kshs.223.24 million in the first quarter of FY

2015/16 to Kshs.325.34 million in the period under review.

5. Failure to absorb development budget. The County did not record development expenditure during the reporting period despite receiving an exchequer of Kshs.100 million for the same.

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

1. *The County Treasury should ensure timely preparation and submission of financial reports to the Office of the Controller of Budget in line with Section 166 of PFM Act, 2012.*
2. *The County should establish an Internal Audit Committee and also strengthen the internal audit function in line with Section 155 of the PFM Act, 2012.*
3. *The County should establish an effective CBEF for consultation in the budget process in line with Section 137 of the PFM Act, 2012.*
4. *The County Public Service Board should establish an optimal staff structure in order to manage the wage bill.*
5. *The County should identify and address issues that cause delays in the implementation of development projects.*

3.10 Kajiado County

3.10.82 Overview of the FY 2016/17 Budget

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

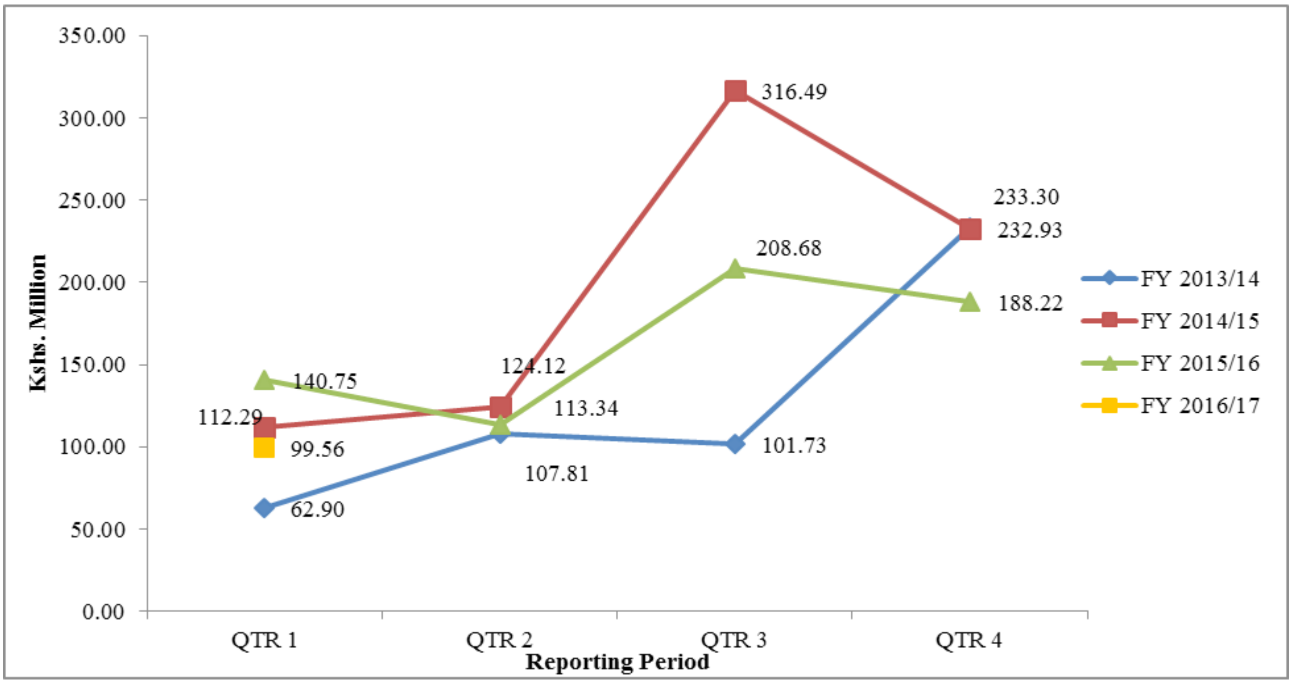
To finance the budget, the County expects to receive Kshs.4.76 billion (67.9 per cent) as equitable share of revenue raised nationally, Kshs.280.73 million (4 per cent) as total conditional grants, generate Kshs.1.25 billion (17.8 per cent) from local sources, and Kshs.720 million (10.3 per cent) cash balance from FY 2015/16. The conditional grants comprise of Kshs.54.76 million (19.5 per cent) for Free Maternal Health Care, Kshs.73.16 million (26.1 per cent) from the Road Maintenance Fuel Levy Fund, Kshs.16.31 million (5.8 per cent) for User Fees Foregone, Kshs.8.95 million (3.2 per cent) as a grant from DANIDA, Kshs.100.58 million (35.8 per cent) as World Bank Loan, and Kshs.26.97 million (9.6 per cent) grant for Kenya Devolution Support Program. The County did not budget for Kshs.40 million conditional allocations for grants and other loans provided for in the CARA, 2016 /17.

3.10.83 Revenue Analysis

During the first quarter of FY 2016/17, the County received Kshs.809.42 million as equitable share of the revenue raised nationally, Kshs.3.67 million as total conditional allocations, raised Kshs.99.56 million from local sources, and Kshs.720 million brought forward from FY 2015/16.

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

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



Source: *Kajiado County Treasury*

The total local revenue collected in the first quarter of FY 2016/17 amounted to Kshs.99.56 million which is a significant decrease compared to Kshs.139.75 million generated in a similar period of FY 2015/16. This revenue accounted for 8 per cent of the annual local revenue target.

Table 3.26 provides an analysis of the local revenue collected in the first quarter of FY 2016/17 by revenue stream.

Table 3.26: Kajiado County Analysis of Revenue Collected by Stream in the First Quarter of FY 2016/17

No.	Revenue Stream	Annual Targeted Revenue (Kshs.)	First quarter, FY 2016/17 Actual Revenue	Revenue Performance (%)
1	Building plan approval	34,166,331	17,973,239	52.6
2	Produce cess	20,900,000	4,589,290	22.0
3	Livestock cess	30,745,000	6,494,839	21.1
4	Public Health, medical levies and hospital fees	104,817,436	15,305,353	14.6
5	Advertising and promotions	35,695,000	4,092,966	11.5
6	Land rent and rates	146,209,088	14,296,903	9.8
7	Liquor licensing	52,800,000	3,242,000	6.1
8	Market fees	85,472,356	4,662,620	5.5
9	Parking fees	215,577,266	10,163,450	4.7
10	Single business permit	211,796,308	8,107,902	3.8
11	Sand and mineral cess	297,955,053	8,955,536	3.0
12	Other sources	12,237,878	1,678,780	13.7
	TOTAL	**1,248,371,716**	**99,562,878**	**8.0**

Source: *Kajiado County Treasury*

Analysis of the local revenue performance by stream indicated that, building plan approval recorded the highest performance against annual target at 52.6 per cent. This was followed by produce cess at 22 per cent, and livestock cess at 21.1 per cent.

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

3.10.84 Conditional Grants

Table 3.27 shows an analysis of conditional grants received in the first quarter of FY 2016/17.

Table 3.27: Kajiado County Analysis of Conditional Grant Releases in the First Quarter of FY 2016/17

No.	Conditional Grant	Amount allocated as provided in CARA, 2016 (Kshs.)	First Quarter, FY 2016/17 Actual receipt of the Conditional Grant (Kshs.)	Actual receipts as a percentage of Annual Allocation (%)
1	Road Maintenance Fuel Levy Fund	73,157,028	0	0
2	Free Maternal Health Care	54,758,022	0	0
3	User Fees Foregone	16,311,160	0	0
4	DANIDA Grant	8,945,000	0	0
5	Level 5 Hospitals	0	0	0
6	World Bank Loan	100,581,341	3,669,234	3.65
7	Other Loans and Grants	40,000,000	0	0.00
	Total	**293,752,551**	**3,669,234**	**1.25**

Source: *Kajiado County Treasury*

Except for Kshs.3.67 million from World Bank Loan, there were no proceeds from all the other conditional grants in the first three months of FY 2016/17.

3.10.85 Exchequer Issues

During the reporting period, the Controller of Budget authorised withdrawal of Kshs.1.22 billion from the CRF account, which was 17.4 per cent of the Approved Budget. This amount represented an increase of 32.1 per cent from Kshs.826.73 million authorized in a similar period of FY 2015/16 and consisted of Kshs.857.62 billion (71.5 per cent) for recurrent expenditure and Kshs.342.32 billion (28.5 per cent) for development activities.

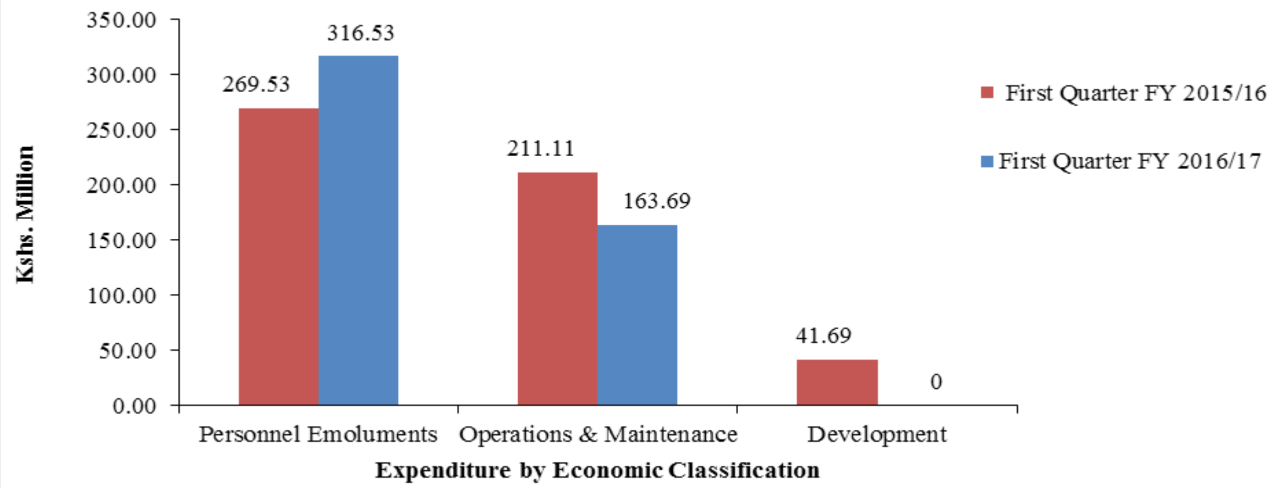
3.10.86 Overall Expenditure Review

The County spent Kshs.480.23 million, which was 39.4 per cent of the total funds released for operations. This was a decrease from Kshs.522.33 million spent in a similar period in FY 2015/16.

The entire expenditure of Kshs.480.23 million was spent on recurrent activities. There was no expenditure incurred on development activities. The recurrent expenditure was 54.8 per cent of the funds released for recurrent activities. The expenditure excluded outstanding commitments as at 30th September, 2016 that amounted to Kshs.1.1 billion for development and Kshs.292.58 million for recurrent expenditure.

The recurrent expenditure represented 11 per cent of the annual recurrent budget, a decrease from 12.2 per cent spent in a similar period of FY 2015/16. Figure 3.35 presents a comparison between the total expenditure in the first quarter of FY 2016/and FY 2015/16.

Figure 3.35: Kajiado County, Expenditure by Economic Classification for FY 2016/17 and FY 2015/16



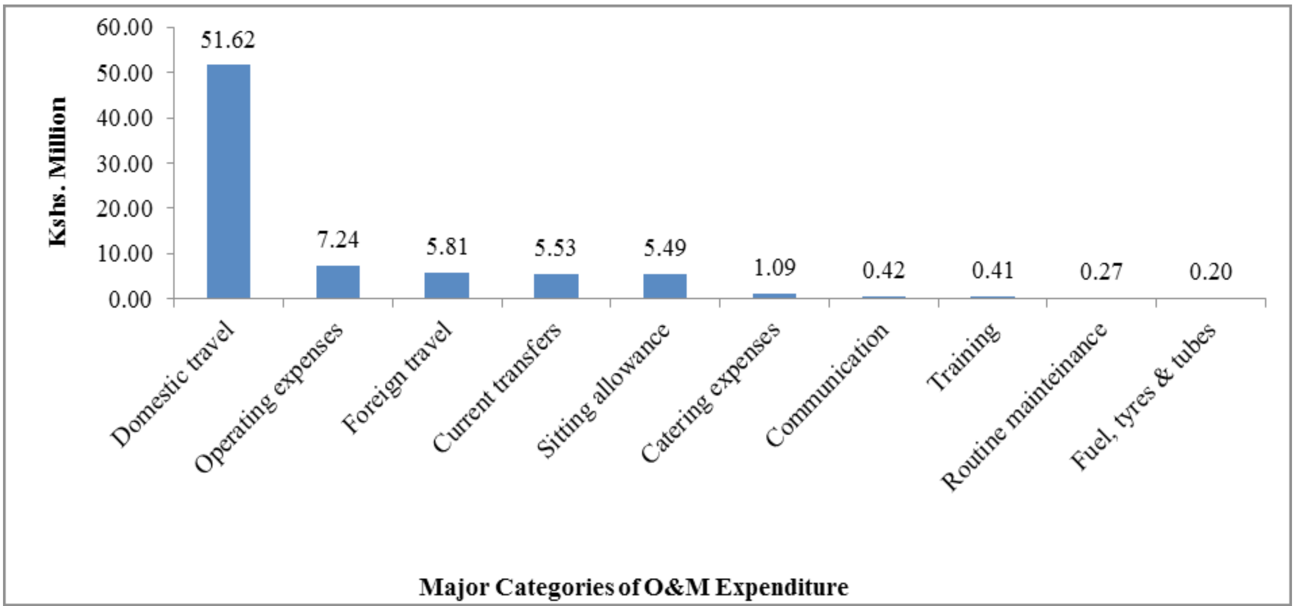
Source: *Kajiado County Treasury*

3.10.87 Analysis of Recurrent Expenditure

The total recurrent expenditure of Kshs.480.23 million consisted of Kshs.316.53 million (65.9 per cent) spent on personnel emoluments and Kshs.163.69 million (34.1 per cent) on operations and maintenance as shown in Figure 3.35. Expenditure on personnel emoluments represented an increase of 14.8 per cent compared to a similar period in FY 2015/16 when the County spent Kshs.269.53 million.

Figure 3.36 shows a summary of the operations and maintenance expenditure by major categories.

Figure 3.36:Kajiado County, Operations and Maintenance Expenditure for First Quarter of FY 2016/17



Source: *Kajiado County Treasury*

The County spent Kshs.5.49 million on sitting allowances to the 41 MCAs and the Speaker against the annual budget allocation of Kshs.66.44 million. This was a decrease compared to Kshs.11.07 million spent in a similar period of FY 2015/16. The average monthly sitting allowance was Kshs.43,560 compared to SRC's recommended monthly ceiling of Kshs.124, 800.

Expenditure on domestic and foreign travel amounted to Kshs.57.43 million compared to Kshs.48.63 million spent in a similar period of FY 2015/16, representing an increase of 18.1 per cent.

3.10.88 Development Expenditure Analysis

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

3.10.89 Budget and Budget Performance Analysis by Department

Table 3.28 shows a summary of first quarter FY 2016/17 budget estimates and budget performance by department.

Table 3.28:Kajiado County, Budget Performance by Department in the First Quarter of FY 2016/17

Department	Budget Allocation (Kshs. Million)		First quarter FY 2016/17 Exchequer Issues (Kshs. Million)		First quarter FY 2016/17 Expenditure (Kshs. Million)		First quarter FY 2016/17 Expenditure to Exchequer Issues (%)		First quarter FY 2016/17 Absorption rate (%)	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
Office of the Governor and the Deputy Governor	166.71		26.09	-	16.32	0	62.5		9.8	0
Finance and Economic Planning	442	87.84	53.3	21.25	27.37	0	51.3	-	6.2	0
Lands, Physical Planning, Environment, Wildlife and Natural Resources	177.26	124.48	32.13	1.5	15.35	0	47.8	-	8.7	0
County Public Service Board	78.04	-	14.48	-	8.1	0	55.9	-	10.4	0
Agriculture, Livestock and Fisheries	261.43	46.09	49.66	4	28.86	0	58.1	-	11	0
Industrialization and Enterprise Development	97.03	189.63	18.26	45	13.38	0	73.3	-	13.8	0
Public Works, Roads, Transport, and Housing	175.86	705.22	68.15	95.47	16.67	0	64.5	-	9.5	0
Water and Irrigation	98.62	403.85	15.8	14.31	8.69	0	55	-	8.8	0
Education, Youth, Sports, and Social Services	268.22	519.93	45.67	106.08	27.3	0	59.8	-	10.2	0

Department	Budget Allocation (Kshs. Million)		First quarter FY 2016/17 Exchequer Issues (Kshs. Million)		First quarter FY 2016/17 Expenditure (Kshs. Million)		First quarter FY 2016/17 Expenditure to Exchequer Issues (%)		First quarter FY 2016/17 Absorption rate (%)	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
ICT and Gender	81.16	101.98	12.41	12	5.16	0	41.6	-	6.4	0
Health Services	1,518.88	346.36	389.03	42.71	213.62	0	54.9	-	14.1	0
County Public Service	428.41	10	78.45	-	46.93	0	59.8	-	11	0
County Assembly	560.87	120.52	72.19	-	52.49	0	72.7	-	9.4	0
Total	**4,354.48**	**2,655.90**	**875.62**	**342.32**	**480.24**	**0**	**57.6**	**-**	**11**	**0**

Source: *Kajiado County Treasury*

Analysis of budget performance by department shows that the Department of Health Services attained the highest absorption rate of recurrent budget at 14.1 per cent while the Department of Finance and Economic Planning incurred the lowest expenditure at 6.2 per cent. There was no expenditure incurred on development activities during the first quarter of FY 2016/17.

3.10.90 Observations and Recommendations

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

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

ii. In compliance with Section 155 (5) of the PFM Act 2012, the County has established an Internal Audit Committee which is involved in providing oversight in financial management. .

Despite the 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. As at the end of the reporting period, Kshs.809.42 million had been disbursed against expected disbursement of Kshs.1.90 billion.
2. Late submission of financial reports to the Controller of Budget by the County Treasury, which affected timely preparation of budget implementation report.
3. Underperformance in local revenue collection. The local revenue collection declined from Kshs.139.75 million in the first quarter of FY 2015/16 to Kshs.99.56 million in the reporting period.

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

1. *The County Treasury should liaise with the National Treasury to ensure that funds allocated to the County are released in a timely manner in line with CARA, 2016 Disbursement Schedule.*
2. *The County Treasury should ensure timely preparation and submission of financial reports to the Office of the Controller of in line with Section 166 of PFM Act, 2012.*
3. *The County Treasury should formulate and implement strategies to enhance local revenue collection.*

3.11 Kakamega County

3.11.91 Overview of the FY 2016/17 Budget

The County's FY 2016/17 Approved Budget was Kshs.13.2 billion, comprising of Kshs.6.48 billion (49.1 per cent) and Kshs.6.72 billion (50.9 per cent) allocations for recurrent and development expenditure respectively.

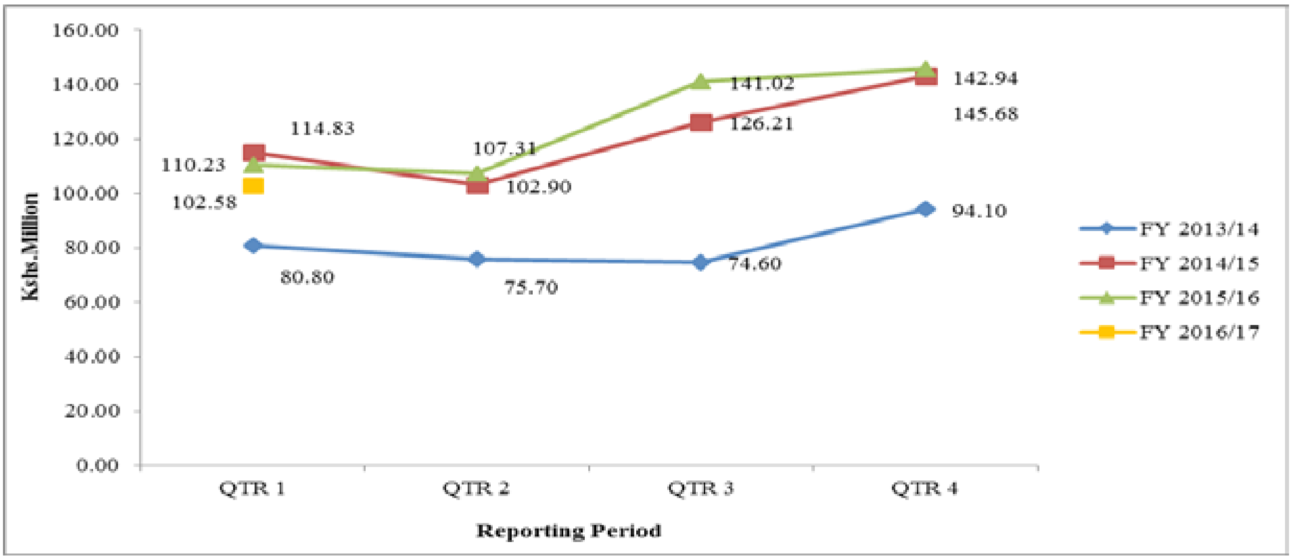
To finance the budget, the County expects to receive Kshs.9.61 billion (72.8 per cent) as equitable share of revenue raised nationally, Kshs.861.35 million (6.5 per cent) as total conditional grants, generate Kshs.994.10 million (7.5 per cent) from local sources, and Kshs.1.73 billion (13.1 per cent) cash balance from FY 2015/16. The conditional grants comprise of Kshs.406.94 million (47.2 per cent) for Level 5 Hospitals, Kshs.217.18 million (25.2 per cent) for Free Maternal Health Care, Kshs.147.69 million (17.1 per cent) from the Road Maintenance Fuel Levy Fund, Kshs.38.62 million (4.5 per cent) for User Fees Foregone, Kshs.11.75 million (1.4 per cent) as a grant from DANIDA, and Kshs.39.18 million (4.5 per cent) as conditional grants from other loans and grants.

3.11.92 Revenue Analysis

During the first quarter of FY 2016/17, the County received Kshs.1.63 billion as equitable share of the revenue raised nationally, Kshs.69.18 million as total conditional allocation, raised Kshs.102.58 million from local sources, and Kshs.937.13 million brought forward from FY 2015/16.

Figure 3.37 shows the quarterly trend in local revenue collection from FY 2014/15 to first quarter of FY 2015/16.

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



Source: *Kakamega County Treasury*

The total local revenue collected in the first quarter of FY 2016/17 amounted to Kshs.102.58 million which is a decrease compared to Kshs.110.23 million generated in a similar period of FY 2015/16. This revenue accounted for 10.3 per cent of the annual local revenue target.

Table 3.29 provides an analysis of the local revenue collected in FY 2016/17 by revenue stream.

Table 3.29: Kakamega County Analysis of Revenue Collected by Stream in the First Quarter of FY 2016/17

No	Revenue Stream	Annual Targeted Revenue (Kshs.)	First Quarter, FY 2016/17 Actual Revenue (Kshs.)	Actual Revenue as a percentage of Annual Target (%)
1	Health	365,220,093	38,655,009	10.6
2	Other ministries fee charges	46,371,464	16,769,954	36.2
3	Bus parks	52,685,100	11,991,710	22.8
4	Cess	120,000,000	10,336,213	8.6
5	Barter markets	46,572,785	8,020,396	17.2
6	Single business permits	136,522,704	5,991,377	4.4
7	House/stall rent	6,000,000	2,846,402	47.4
8	Land rates	41,341,582	2,376,885	5.7
9	Liquor fees	29,231,000	2,138,765	7.3
10	Other sources	150,125,833	3,457,000	2.3
TOTAL		**994,070,561**	**102,583,711**	**10.3**

Source: *Kakamega County Treasury*

Analysis of the local revenue performance by stream indicated that, house/stall rent recorded the highest performance against annual target at 47.4 per cent. This was followed by other ministries fee charges at 36.2 per cent, and bus park fees at 22.8 per cent.

The County did not deposit all locally generated revenue into the County Revenue Fund account maintained at Central Bank of Kenya (CBK) as required by Article 207 of the Constitution. The revenue collected under the liquor license fees was spent at source.

3.11.93 Conditional Grants

Table 3.30 shows an analysis of conditional grants received in the first quarter of FY 2016/17.

Table 3.30: Kakamega County Analysis of Conditional Grant Releases in the First Quarter of FY 2016/17

No.	Conditional Grant	Amount allocated as provided in CARA, 2016 (Kshs.)	First Quarter, FY 2016/17 Actual receipt of the Conditional Grant (Kshs.)	Actual receipts as a percentage of Annual Allocation (%)
1	Road Maintenance Fuel Levy Fund	147,689,749	0	0
2	Free Maternal Health Care	217,184,083	0	0
3	User Fees Foregone	38,617,147	0	0
4	DANIDA Grant	11,750,000	0	0
5	Level 5 Hospitals	406,936,416	69,179,191	17.0
6	World Bank Loan	39,175,578	0	0.0
	Total	**861,352,973**	**69,179,191**	**8.0**

Source: *Kakamega County Treasury*

Except for Level 5 Hospital grant, which received 17 per cent of its annual target, the County Treasury did not report any receipts from other conditional grants in the first three months of FY 2016/17.

3.11.94 Exchequer Issues

In the first quarter, the Controller of Budget authorised withdrawal of Kshs.2.55 billion from the CRF account, which was 19.4 per cent of the FY 2016/17 Approved Budget. The amount represented an increase of 0.3 per cent from Kshs.2.54 billion authorized in a similar period of FY 2015/16 and consisted of Kshs.1.48 billion (58.1 per cent) for recurrent expenditure and Kshs.1.07 billion (41.9 per cent) for development activities.

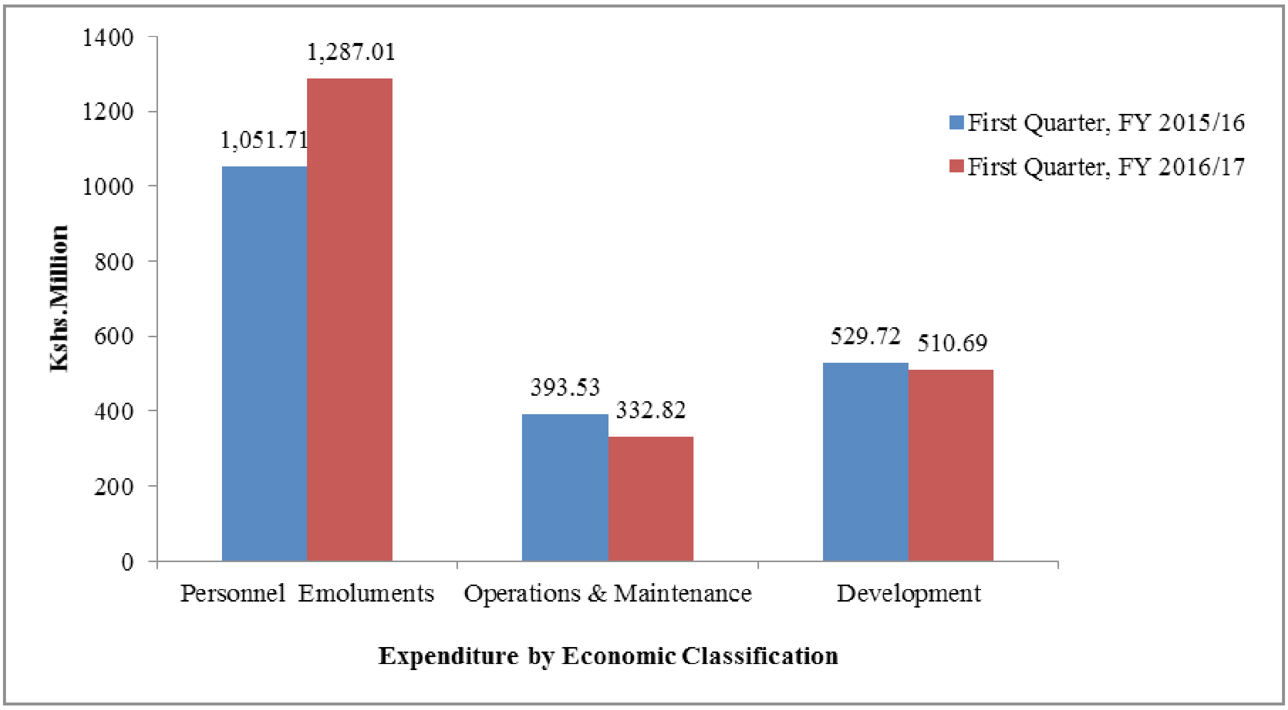
3.11.95 Overall Expenditure Review

During the period under review the County spent Kshs.2.13 billion, which was 83.5 per cent of the total funds released for operations. This was an increase from Kshs.1.98 billion spent in a similar period in FY 2015/16.

A total of Kshs.1.62 billion was spent on recurrent activities, while Kshs.510.69 million was spent on development activities. The recurrent expenditure was 109.1 per cent of the funds released for recurrent activities while development expenditure accounted for 47.7 per cent of the funds released for development activities. The expenditure excluded outstanding commitments as at 30th September, 2016 that amounted to Kshs.175.50 million for development and Kshs.62.91 million for recurrent expenditure.

The recurrent expenditure represented 25.0 per cent of the annual recurrent budget, an increase from 23 per cent spent in a similar period of FY 2015/16. Development expenditure recorded an absorption rate of 7.6 per cent, which was a decrease from 8.8 per cent attained in a similar period of FY 2015/16. Figure 3.38 presents a comparison between the total expenditure in the first quarters of FY 2016/17 and FY 2015/16.

Figure 3.38: Kakamega County, Expenditure by Economic Classification for FY 2016/17 and FY 2015/16



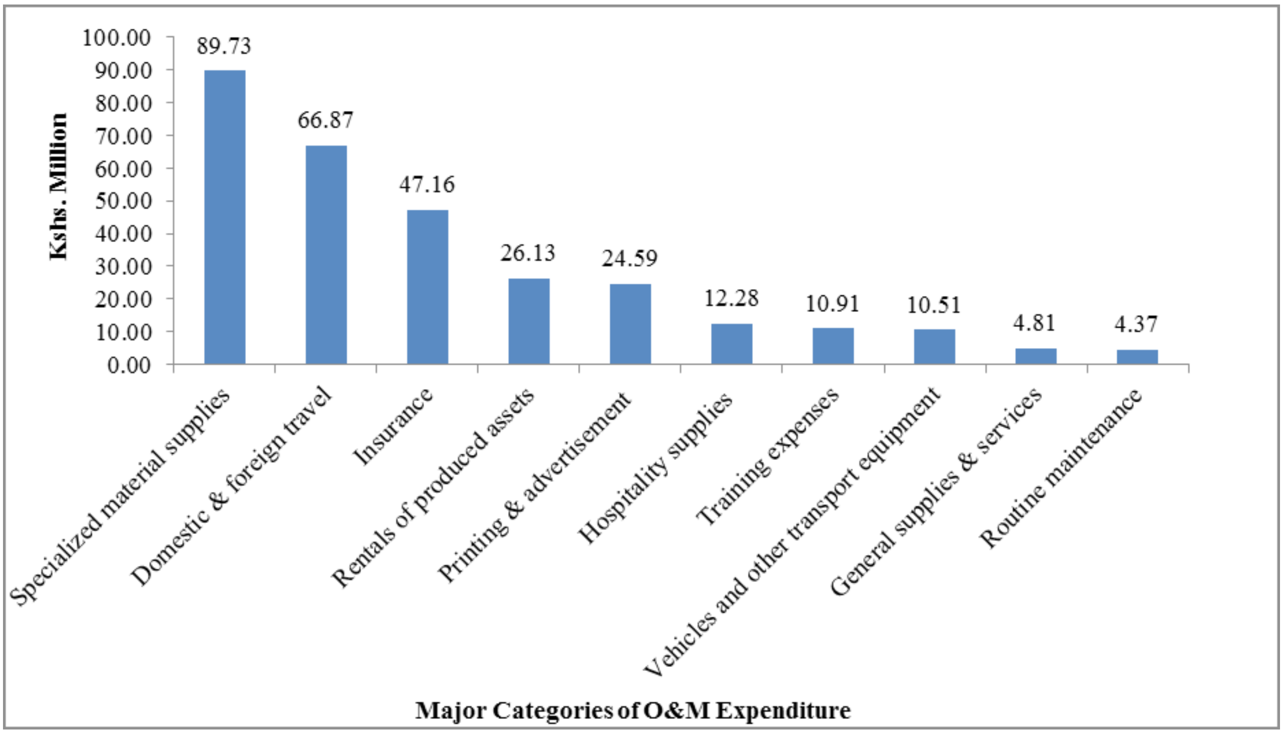
Source: *Kakamega County Treasury*

3.11.96 Analysis of Recurrent Expenditure

The total recurrent expenditure of Kshs.1.62 billion represented 25 per cent of the annual recurrent budget of Kshs.6.48 billion. The County spent of Kshs.1.29 billion (79.6 per cent) spent on personnel emoluments and Kshs.332.82 million (20.4 per cent) on operations and maintenance as shown in Figure 3.38. Expenditure on personnel emoluments represented an increase of 22.9 per cent compared to a similar period in FY 2015/16 when the County spent Kshs.1.05 billion.

Figure 3.39 shows a summary of the operations and maintenance expenditure by major categories.

Figure 3.39: Kakamega County, Operations and Maintenance Expenditure for First Quarter of FY 2016/17



Source: *Kakamega County Treasury*

The County spent Kshs.29.58 million on sitting allowances to the 88 MCAs and the Speaker against the annual budget allocation of Kshs.169.67 million. This was a decrease compared to Kshs.31.9 million spent in a similar period of FY 2015/16. The average monthly sitting allowance was Kshs.112,052 compared to SRC's recommended monthly ceiling of Kshs.124,800.

Expenditure on domestic and foreign travel amounted to Kshs.66.87 million compared to Kshs.66.06 million spent in a similar period of FY 2015/16, representing an increase of 1.2 per cent.

3.11.97 Development Expenditure Analysis

The total development expenditure of Kshs.510.69 million represented 7.6 per cent of the annual development budget of Kshs.6.72 billion. As at the time of finalizing this report, the County Treasury had not provided a detailed report to show the projects undertaken in the period under review.

3.11.98 Budget and Budget Performance Analysis by Department

Table 3.31 shows a summary of first quarter FY 2016/17 budget estimates and budget performance by department.

Table 3.31:Kakamega County, Budget Performance by Department in the First Quarter of FY 2016/17

Department	Budget Allocation (Kshs. Million)		First Quarter FY 2016/17 Exchequer Issues (Kshs. Million)		First Quarter FY 2016/17 Expenditure (Kshs. Million)		First Quarter FY 2016/17 Expenditure to Exchequer Issues (%)		First Quarter FY 2016/17 Absorption rate (%)	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
Office of the Governor	218.88	358.6	42.88	0	31.8	0	74.2	-	14.5	0.0
Public Service and Administration	4,360.60	257.35	1,031.68	45.49	1,238.76	1.49	120.1	3.3	28.4	0.6
County Treasury	133.77	136.56	12.62	5.4	14.7	0	116.5	0.0	11.0	0.0
Environment, Natural Resource, Water and Forestry	30.42	248	6.8	58.71	1.02	28.89	15.0	49.2	3.4	11.6
Labour, Social Services, Youth & Sports	43.95	374	7.56	40.43	0.02	4.82	0.3	11.9	0.01	1.3
Transport, Infrastructure & Public Works	18.1	1,923.36	4.31	520.03	2.54	297.99	58.9	57.3	14.0	15.5
Lands, Housing, Urban Areas & Physical planning	59.02	287.5	13.22	16.13	3.99	10.42	30.2	64.6	6.8	3.6
Health Services	548.86	1,210.03	107.87	69.18	100.39	82.3	93.1	119.0	18.3	6.8
Agriculture, Livestock, Fisheries & Co-operatives	79.96	547.96	18.49	25.09	1.67	22.1	9.0	88.1	2.1	4.0
Industrialization, Trade & Tourism	27.46	423	6.35	146.2	0.92	30.57	14.5	20.9	3.4	7.2
Education, Science & Technology	28.9	672.05	6.7	138.24	1.53	32.11	22.8	23.2	5.3	4.8
County Public Service Board	34.9	-	6.34	0	2.95	0	46.5	-	8.5	-
County Assembly	899.91	277	224.98	0	219.54	0	97.6	-	24.4	0.0
Total	**6,484.73**	**6,715.41**	**1,489.8**	**1,069.8**	**1,619.83**	**510.69**	**109.1**	**47.7**	**25.0**	**7.6**

Source: *Kakamega County Treasury*

Analysis of budget performance by department shows that the Department of Transport, Infrastructure & Public Works attained the highest absorption of development budget at 15.5 per cent while the Office of the Governor, County Treasury and the County Assembly did not incur any development expenditure. On the other hand, the Department of Public Service and Administration had the highest percentage of recurrent expenditure to recurrent budget at 28.4 per cent while the Department Labour, Social Services, Youth & Sports had the lowest at less than 0.01 per cent.

3.11.99 Observations and Recommendations

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

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

ii. Appointment of substantive Accounting Officers/Chief Officers for County departments.

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

1. Failure by MCAs to regularly repay the Car and Mortgage Loans advanced to them by the County Government.
2. Late submission of financial reports to the Controller of Budget by the County Treasury. The quarterly report for the reporting period for recurrent expenditure was submitted on 25th October 2016. Section 166 of the PFM Act, 2012 requires this report to be submitted by the 15th day after the end of the quarter.
3. Intermittent use IFMIS, which is the prescribed financial system for recording and reporting all financial transactions. This is against Section 12 of the PFM Act, 2012.
4. Failure to develop legislation to operationalize some established County Public Funds such as "M*kopo Mashinani*" under the Department of Trade in contravention of Section 116 of the PFM Act, 2012.
5. Classification of recurrent items as development expenditure items in the Approved Budget, such as; *bursaries, tuition and educational support*.
6. From analysis of bank statements, the Office noted that County entities transferred huge amounts of cash to commercial banks at the end of FY 2015/16 rather than refunding the unspent balance to the CRF. This contravenes Section 136 of the PFM Act, 2012.

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

1. *The Administrator of the Car Loan and Mortgage Fund should ensure all disbursed loans are repaid as per the approved regulations.*
2. *The County Treasury should ensure timely submission of expenditure reports to the Controller of Budget in line with Section 166 of the PFM Act, 2012.*
3. *The County Treasury should ensure that IFMIS is used by all County public entities in processing financial transactions.*
4. *The County Treasury should ensure that legislations establishing County public Funds are in place before operationalization of the Funds in line with Section 116 of the PFM Act, 2012.*
5. *The County Treasury should properly classify expenditure items such as; bursaries, tuition and educational support activities as recurrent expenditure items in line with the Government Financial Statistics (GFS) coding system.*

6. *County Treasury should put in place mechanisms to ensure all appropriated money withdrawn from the exchequer account but not spent at the end of each financial year is refunded to the CRF account. This is in line with Section 136 of the PFM Act, 2012.*

3.12 Kericho County

3.12.100 Overview of the FY 2016/17 Budget

The County's FY 2016/17 Approved Budget was Kshs.6.24 billion, comprising of Kshs.3.85 billion (61.7 per cent) and Kshs.2.39 billion (38.3 per cent) allocations for recurrent and development expenditure respectively.

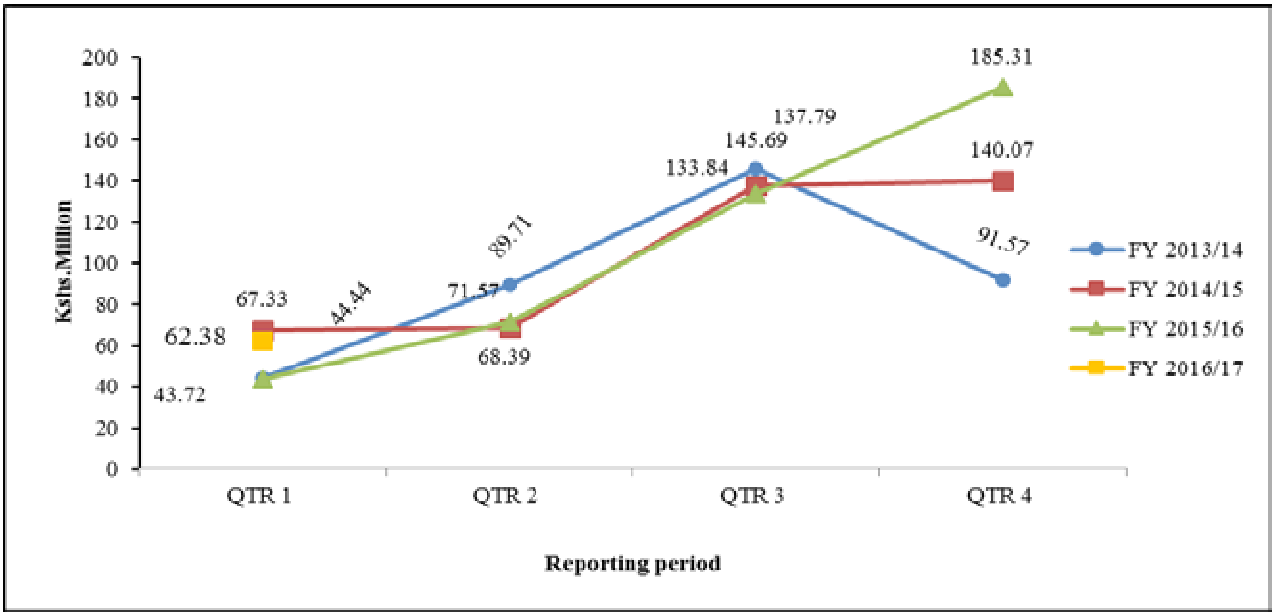
To finance the budget, the County expects to receive Kshs.4.86 billion (77.9 per cent) as equitable share of revenue raised nationally, Kshs.192.30 million (3.1 per cent) as total conditional grants, generate Kshs.620.35 million (9.9 per cent) from local sources, Kshs.27.18 million (0.4 per cent) a grant from World Bank for Kenya Devolution Support Programme, and Kshs.540.37 million (8.7 per cent) cash balance from FY 2015/16. The conditional grants comprise of Kshs.89.33 million (1.4 per cent) for Free Maternal Healthcare, Kshs.74.69 million (1.2 per cent) from the Road Maintenance Fuel Levy Fund, Kshs.18.31million (0.3 per cent) for User Fees Foregone and Kshs.9.97 million (0.2 per cent) from DANIDA as conditional grants from other loans and grants outlined in CARA, 2016.

3.12.101 Revenue Analysis

During the first quarter of FY 2016/17, the County received Kshs.816.37 million as equitable share of the revenue raised nationally, Kshs.38.66 million as total conditional allocations, raised Kshs.62.38 million from local sources, and Kshs.540.37 million brought forward from FY 2015/16.

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

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



Source: *Kericho County Treasury*

The total local revenue collected in the first quarter of FY 2016/17 amounted to Kshs.62.38 million which was an increase compared to Kshs.43.72 million generated in a similar period of FY 2015/16. This revenue accounted for 10.1 per cent of the annual local revenue target.

Table 3.32 provides an analysis of the local revenue collected in the first quarter of FY 2016/17 by revenue stream.

Table 3.32:Kericho County Analysis of Revenue Collected by Stream in the First Quarter of FY 2016/17

No	Revenue Stream	Annual Targeted Revenue (Kshs.)	First Quarter, FY 2016/17 Actual Revenue (Ksh.)	Actual Revenue as a percentage of Annual Target (%)
	A	B	C	D=C/B*100
1	Public Health & Sanitation	19,914,834	23,682,045	118.9
2	Application fee	3,886,883	1,956,107	50.3
3	Quarry cess	4,479,442	1,019,220	22.8
4	Market /Trade Fees	34,910,196	7,200,790	20.6
5	Forest produce cess	10,836,584	1,972,500	18.2
6	Bus park fees	38,455,401	6,372,060	16.6
7	House /Kiosk & Stall rents	14,894,000	2,142,250	14.4
8	Car Parking Fees	17,727,598	2,108,180	11.9
9	Land Rates/Plot rents	103,137,232	8,948,672	8.7
10	Single Business Permit	69,652,920	2,466,682	3.5
11	Other sources	302,454,910	4,511,827	1.5
	TOTAL	**620,350,000**	**62,380,333**	**10.1**

Source: *Kericho County Treasury*

Analysis of the local revenue performance by stream indicated that, the public health and sanitation fees recorded the highest performance against annual target at 118.9 per cent. This was followed by application fees at 50.3 per cent, and the quarry cess at 22.8 per cent.

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

3.12.102 Conditional Grants

Table 3.33 shows an analysis of conditional grants received in the first quarter of FY 2016/17.

Table 3.33: Kericho County Analysis of Conditional Grant Releases in the First Quarter of FY 2016/17

No.	Conditional Grant	Amount Allocated as Provided in CARA, 2016 (Kshs.)	First Quarter, FY 2016/17 Actual Receipts from the Conditional Grant (Kshs.)	Actual receipts as a Percentage of Annual Allocation (%)
1	Road Maintenance Fuel Levy Fund	74,689,564	18,671,391	25.0
2	Free Maternal Health Care	89,327,921	19,992,500	22.4
3	User Fees Foregone	18,313,556	-	-
4	DANIDA Grant	9,965,000	-	-
5	World Bank Grant -Kenya Devolution Support Programme **(not in CARA,2016)**	27,177,381	-	-
TOTAL		**219,473,422**	**38,663,891**	**17.6**

Source: *Kericho County Treasury*

The County received revenue from two conditional grant categories. These were; the Road maintenance Fuel levy Fund, which recorded 25 per cent of the annual target and the Free Maternal Health Care grant, which recorded 22.4 per cent.

3.12.103 Exchequer Issues

During the reporting period, the Controller of Budget authorised withdrawal of Kshs.1.45 billion from the CRF account, which was 23.2 per cent of the FY 2016/17 Approved Budget. This amount represented an increase of 75.84 per cent from Kshs.822.78 million authorized in a similar period of FY 2015/16 and consisted of Kshs.927.78 million (64.1 per cent) for recurrent expenditure and Kshs.519.02 million (35.9 per cent) for development activities.

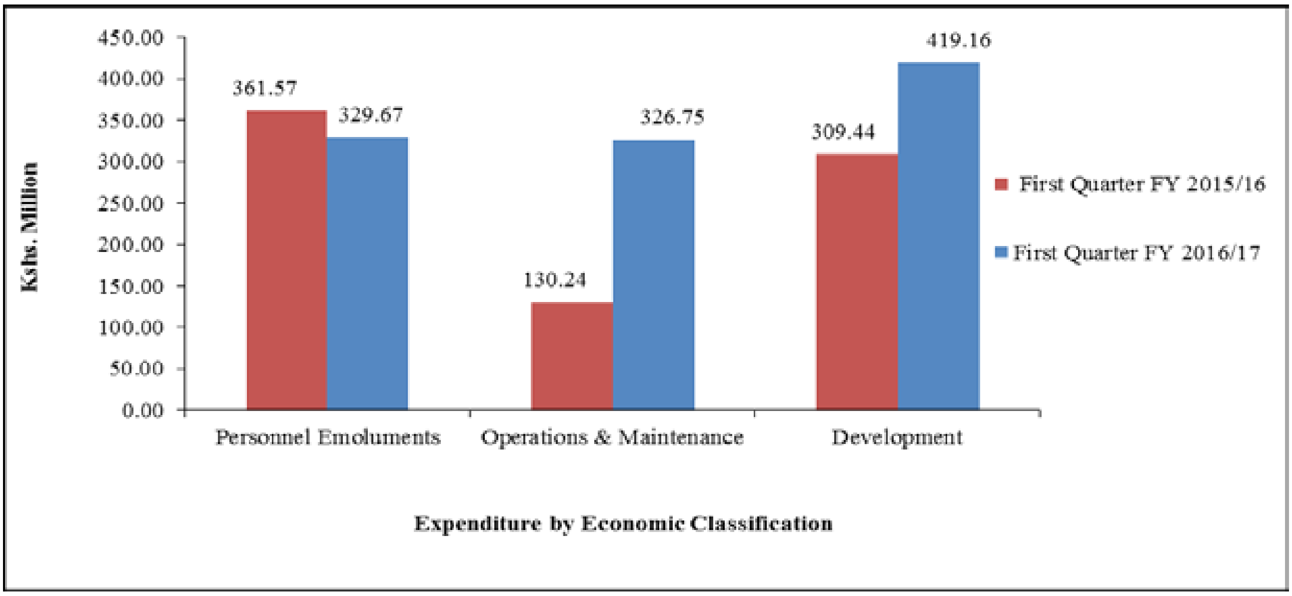
3.12.104 Overall Expenditure Review

The County spent Kshs.1.08 billion, which was 74.3 per cent of the total funds released for operations. This was an increase from Kshs.801.25 million spent in a similar period in FY 2015/16.

A total of Kshs.656.42 million was spent on recurrent activities, while Kshs.419.16 million was spent on development activities. The recurrent expenditure was 70.8 per cent of the funds released for recurrent activities while development expenditure accounted for 80.8 per cent of the funds released for development activities. The expenditure excluded outstanding commitments as at 30th September, 2016 that amounted to Kshs.50.46 million for development and Kshs.69.43 million for recurrent activities

The recurrent expenditure represented 17 per cent of the annual recurrent budget, a slight increase from 15.1 per cent spent in a similar period of FY 2015/16. Development expenditure recorded an absorption rate of 17.5 per cent, which was a marginal increase from 17.1 per cent attained in a similar period of FY 2015/16. Figure 3.41 presents a comparison between total expenditure in the first quarter of FY 2016/17 and the first quarter of FY 2015/16.

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



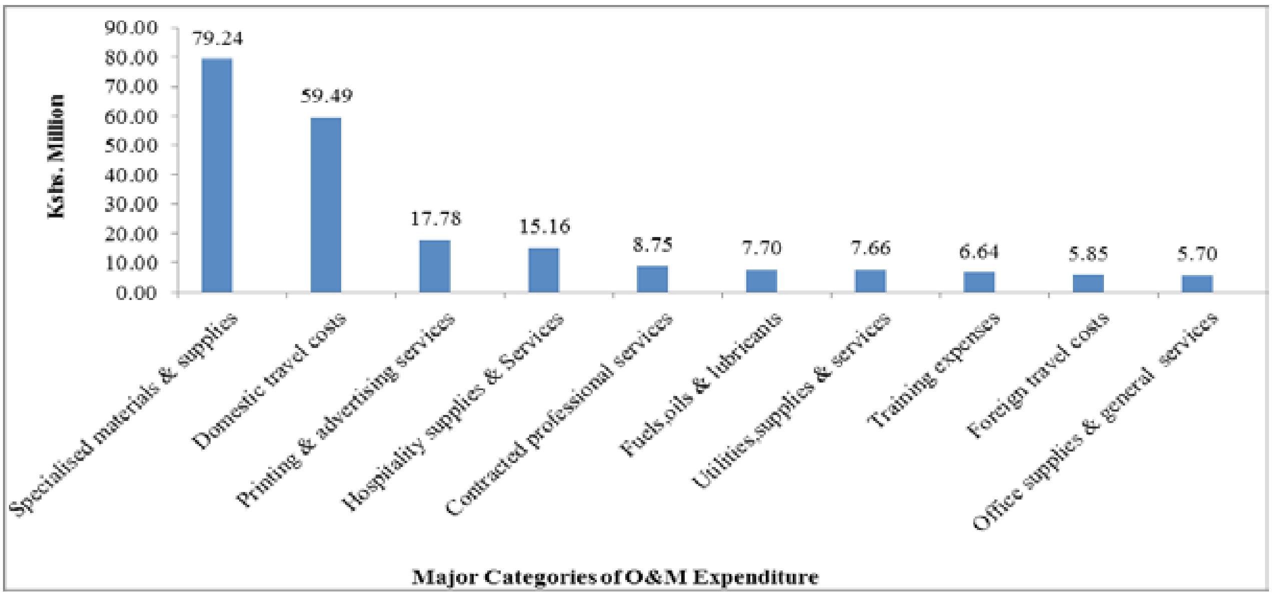
Source: *Kericho County Treasury*

3.12.105 Analysis of Recurrent Expenditure

The recurrent expenditure of Kshs.656.42 million consisted of Kshs.329.67 million (50.2 per cent) spent on personnel emoluments and Kshs.326.75 million (49.5 per cent) on operations and maintenance as shown in Figure 3.41. Expenditure on personnel emoluments represented a decrease of 8.8 per cent compared to a similar period in FY 2015/16 when the County spent Kshs.361.57 million. The decline is attributed to September salaries paid in the month of October, 2016.

Figure 3.42 shows a summary of the operations and maintenance expenditure by major categories.

Figure 3.42: Kericho County, Operations and Maintenance Expenditure for the First Quarter of FY 2016/17



Source: *Kericho County Treasury*

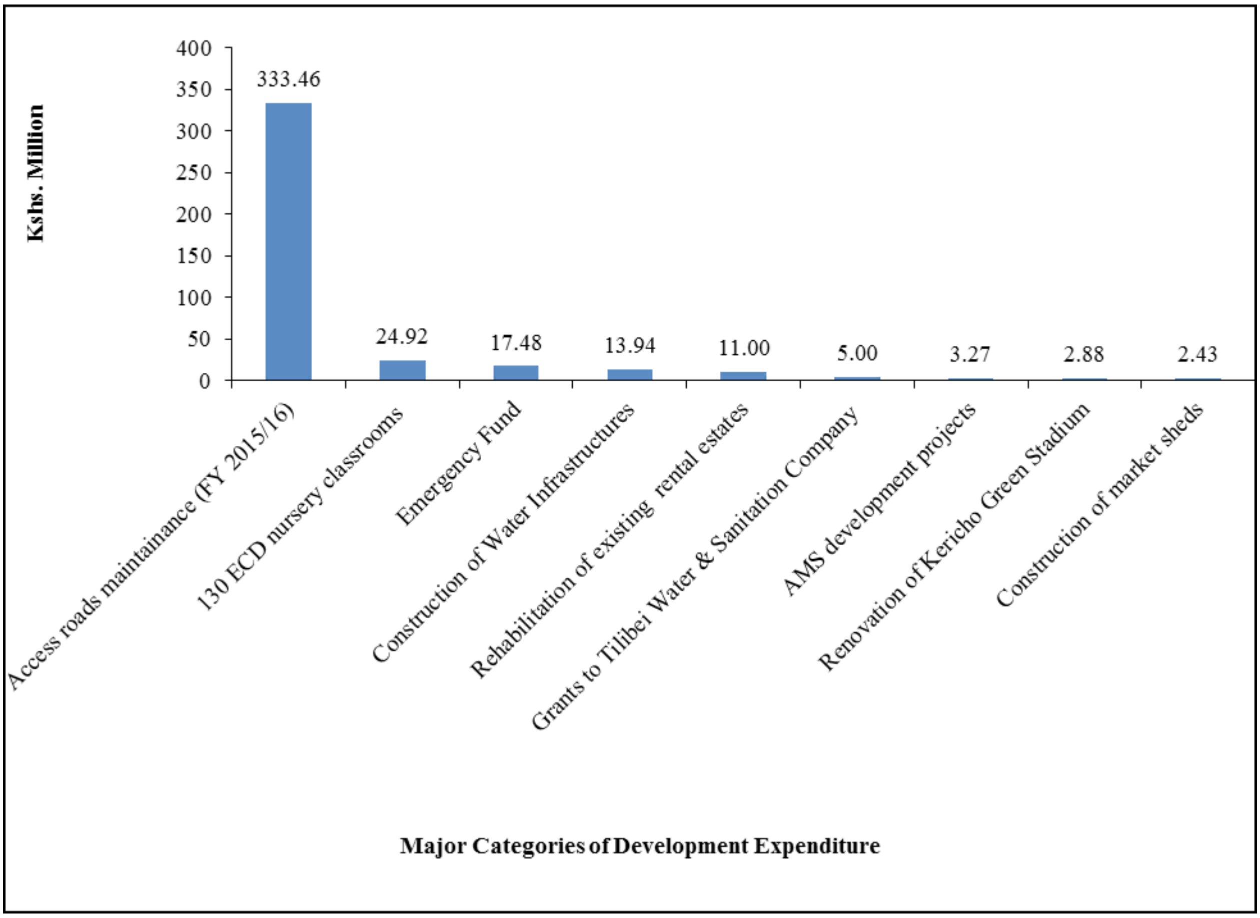
The County spent Kshs.13.18 million on sitting allowances to the 47 MCAs and the Speaker against the annual budget allocation of Kshs.84.59 million. This was 10 per cent decrease compared to Kshs.14.64 million spent in a similar period of FY 2015/16. The average monthly sitting allowance was Kshs.91,542 compared to SRC's recommended monthly ceiling of Kshs.124,800.

Expenditure on domestic and foreign travel amounted to Kshs.65.34 million compared to Kshs.37.70 million spent in a similar period of FY 2015/16, representing an increase of 73.3 per cent. The amount consisted of Kshs.31.58 million for County Executive and Kshs.33.76 million for the Assembly.

3.12.106 Development Expenditure Analysis

The total development expenditure of Kshs.419.16 million represented 17.5 per cent of the annual development budget of Kshs.2.39 billion. Figure 3.43 provides a summary of development expenditure during the period under review.

Figure 3.43: Kericho County, Summary of Development Expenditure for the First Quarter of FY 2016/17



Source: *Kericho County Treasury*

Analysis of the development expenditure by category indicated that the highest expenditure of Kshs.333.46 million incurred by the Public Works, Roads & Transport Department was utilized to settle pending bills from FY 2015/16 for construction of 319 kilometers of access roads. The second highest expenditure of Kshs.27.81 million was incurred by the Education, Youth, Culture & Social Services Department, and included Kshs.24.92 million spent on construction of 130 ECD classrooms. The Department of Environment, Water, Energy &

Natural Resources spent Kshs.13.94 million on development of water and sewerage infrastructures within the sub-counties and areas without water supply from KEWASCO.

3.12.107 Budget and Budget Performance Analysis by Department

Table 3.34 shows a summary of first quarter of FY 2016/17 budget estimates and budget performance by department

Table 3.34: Kericho County, Budget Performance by Department in the First Quarter of FY 2016/17

Department	Budget Allocation (Kshs. Million)		First quarter FY 2016/17 Exchequer Issues (Kshs. Million)		First quarter FY 2016/17 Expenditure (Kshs. Million)		First quarter FY 2016/17 Expenditure to Exchequer Issues (%)		First quarter FY 2016/17 Absorption rate (%)	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
County Assembly Services	612.30	-	140.53	-	100.09	-	71.2	-	16.3	-
Public Service and Administration	294.10	41.91	59.37	-	44.04	-	74.2	-	15.0	-
Office of the Governor & Deputy Governor	146.43	-	29.38	-	29.34	-	99.9	-	20.0	-
County Public Service Board	58.39	-	11.29	-	6.99	-	61.9	-	12.0	-
Finance &Economic Planning	356.39	180.67	33.39	25.00	43.20	17.48	129.4	69.9	12.1	9.7
Agriculture, Livestock &Fisheries	177.29	231.06	43.39	40.00	24.96	4.47	57.5	11.2	14.1	1.9
Environment, Water, Energy & Natural Resources	84.08	228.54	19.49	40.00	12.73	18.94	65.3	47.3	15.1	8.3
Education ,Youth, Culture & Social services	508.35	341.11	187.12	35.00	126.05	27.81	67.4	79.5	24.8	8.2
Health Services	1,374.97	298.41	348.15	65.00	240.88	-	69.2	-	17.5	-
Land, Housing & Physical Planning	45.18	81.92	12.43	10.00	4.77	12.48	38.3	124.8	10.6	15.2
Public Works, Roads & Transport	63.11	818.45	13.42	274.02	8.33	333.46	62.1	121.7	13.2	40.7
ICT & E-Government	41.15	77.55	12.36	10.00	4.28	2.10	34.6	21.0	10.4	2.7
Trade, Industrialization, Tourism, Wildlife & Cooperative Development	88.33	91.54	17.47	20.00	10.76	2.43	61.6	12.2	12.2	2.7
TOTAL	**3,850.07**	**2,391.15**	**927.78**	**519.02**	**656.42**	**419.16**	**70.8**	**80.8**	**17.0**	**17.5**

Source: *County Treasury*

Analysis of budget performance by department shows that the Department of Public Works, Roads and Transport attained the highest absorption of development budget at 40.7 per cent. On the other hand, the Education, Youth, Culture & Social Services Department registered the highest percentage of recurrent expenditure to annual recurrent budget at 24.8 per cent while the Department of ICT & E-Government posted the lowest at

10.4 per cent.

3.12.108 Observations and Recommendations

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

i. Improvement in local revenue performance by 43 per cent from Kshs.43.73 million achieved in a comparable period in the FY 2015/16 to Kshs.62.38 million in the period under review.

ii. Improvement of County Treasury staff capacity through recruitment of additional personnel and continuous capacity building.

iii. Adherence to prescribed timelines in the preparation, submission and approval of key planning policy documents.

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

1. Operational delays and IFMIS connectivity challenges, which slowed down approvals of procurement requests and payment to suppliers.
2. From analysis of bank statements and expenditure reports submitted to the COB, the Office has noted that the County made payments from bank accounts maintained in commercial banks by cheque. This contravenes Government Policy which requires all payments by government entities to be made online through Internet Banking platform.

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

1. *The County Treasury should liaise with the IFMIS Directorate for support in utilization of IFMIS and the E-procurement module.*
2. *The County Treasury and all the Accounting Officers in the County should ensure payments are made online through the Internet Banking platform provided by the Central Bank of Kenya.*

3.13 Kiambu County

3.13.109 Overview of the FY 2016/17 Budget

The County's FY 2016/17 Approved Budget was Kshs.12.67 billion, comprising of Kshs.8.82 billion (69.7 per cent) and Kshs.3.85 billion (30.3 per cent) allocations for recurrent and development expenditure respectively.

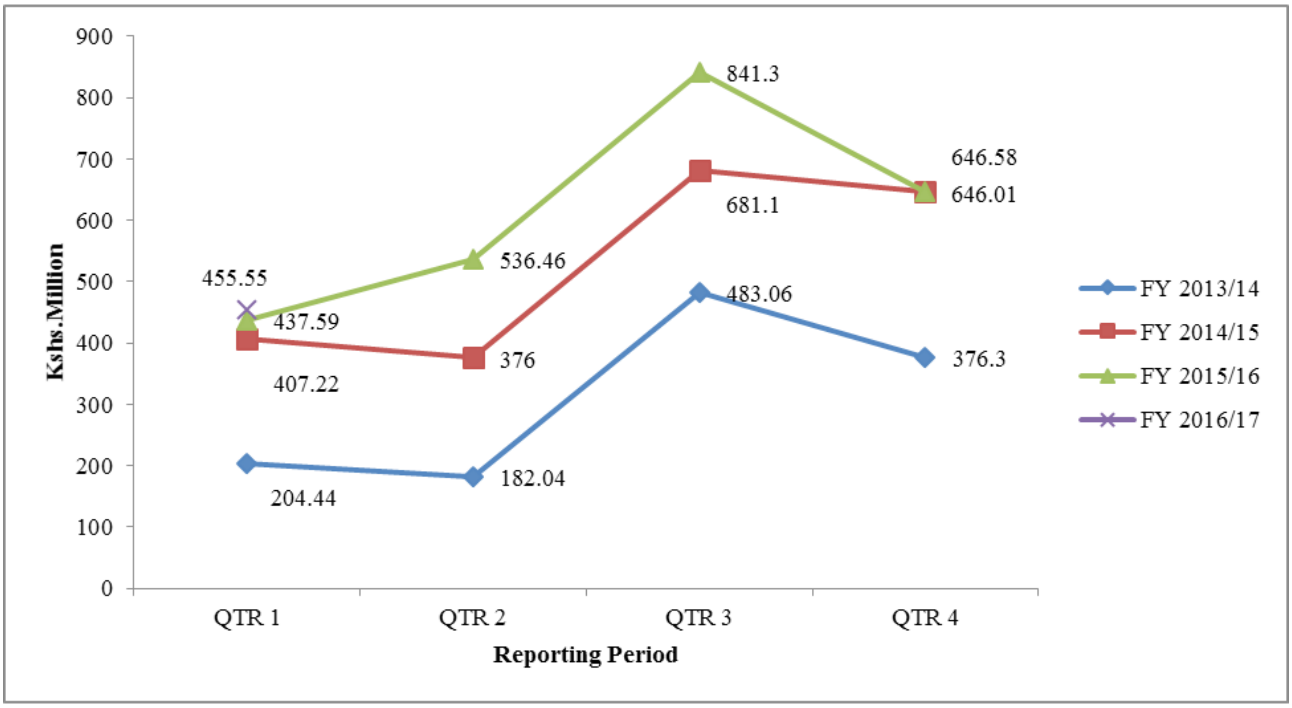
To finance the budget, the County expects to receive Kshs.8.05 billion (63.5 per cent) as equitable share of revenue raised nationally, Kshs.849.04 million (6.7 per cent) as total conditional grants, generate Kshs.3.77 billion (29.7 per cent) from local sources, and Kshs.151.37 million from FY 2015/16. The conditional grants comprise of Kshs.393.06 million (46.3 per cent) for Thika Level 5 Hospital, Kshs.221.52 million (26.1 per cent) for Free Maternal Health Care, Kshs.123.74 million (14.6 per cent) from the Road Maintenance Fuel Levy Fund, Kshs.35.77 million (4.2 per cent) for User Fees Foregone, Kshs.9.60 million (1.1 per cent) as a grant from DANIDA and Kshs.65.34 million (7.7 per cent) as conditional grants from other loans and grants.

3.13.110 Revenue Analysis

During the first quarter of FY 2016/17, the County received Kshs.2.11 billion as equitable share of the revenue raised nationally, Kshs.174.08 million as total conditional allocations, raised Kshs.455.55 million from local sources, and Kshs.151.37 million brought forward from FY 2015/16.

Figure 3.44 shows the quarterly trend in local revenue collection from the first quarter of FY 2013/14to the first quarter of FY 2016/17.

Figure 3.44: Kiambu County, Trend in Local Revenue Collection by Quarter from FY 2013/14 to FY 2016/17



Source: Kiambu County Treasury

The total local revenue collected in the first quarter of FY 2016/17 amounted to Kshs.455.55 million which was an increase of 4 per cent compared to Kshs.437.59 million generated in a similar period of FY 2015/16. This revenue accounted for 12.1 per cent of the annual local revenue target.

Table 3.35 provides an analysis of the local revenue collected in the first quarter of FY 2016/17 by revenue stream.

Table 3.35: Kiambu County Analysis of Revenue Collected by Stream in the First Quarter of FY 2016/17

No	Revenue Stream	Annual Targeted Revenue (Kshs.)	First Quarter FY 2016/17 Annual Actual Revenue (Kshs.)	Actual Revenue as a percentage of Annual Target (%)
1	Health services	550,000,000.00	77,041,124.00	14.0
2	Physical planning services	908,500,000.00	102,950,531.00	11.3
3	Business permits	300,000,000.00	22,751,734.00	7.6

No	Revenue Stream	Annual Targeted Revenue (Kshs.)	First Quarter FY 2016/17 Annual Actual Revenue (Kshs.)	Actual Revenue as a percentage of Annual Target (%)
4	Vehicle parking fees	336,000,000.00	79,504,824.00	23.7
5	Land rates	676,400,000.00	23,358,913.00	3.5
6	Cess - loyalties	162,000,000.00	60,240,278.00	37.2
7	Interest on Loans(mortgage)	120,000,000.00	-	0.0
8	Liqour licences	110,000,000.00	11,847,500.00	10.8
9	Market enhance fees	150,000,000.00	16,910,617.00	11.3
10	Water, Environment & Natural resources	111,500,000.00	9,347,796.00	8.4
11	Others	343,572,188.00	51,600,738.00	15.0
Total		**3,767,972,188.00**	**455,554,055.00**	**12.1**

Source: *Kiambu County Treasury*

Analysis of the local revenue performance by stream indicated that cess loyalties recorded the highest performance against annual target at 37.2 per cent. This was followed by vehicle parking fees at 23.7 per cent, and health services fees at 14 per cent.

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

3.13.111 Conditional Grants

Table 3.36 shows an analysis of conditional grants received in the first quarter of FY 2016/17.

Table 3.36: Kiambu County Analysis of Conditional Grant Releases in the First Quarter of FY 2016/17

No.	Conditional Grant	Amount allocated as provided in CARA, 2016 (Kshs.)	First Quarter, FY 2016/17Actual receipts from the Conditional Grant (Kshs.)	Actual receipts as a percentage of Annual Allocation (%)
1	Road Maintenance Fuel Levy Fund	123,738,238.00	ll0	-
2	Free Maternal Health Care	221,521,352.00	45,725,000.00	20.6
3	User Fees Foregone	35,773,082.00	0	-
4	DANIDA Grant	9,600,000.00	0	-
5	Level 5 Hospitals	393,063,584.00	98,265,894.00	25.00
6	World Bank Loan	35,253,497.00	0	-
7	Other Loans and Grants (UN Habitat)- *Not in CARA, 2016*	30,087,000.00	30,087,000.00	100.00
	Total	**849,036,753.00**	**174,077,894.00**	**20.50**

Source: *Kiambu County Treasury*

Analysis of performance of conditional grants shows that a total of Kshs.174.08 million was received for the

Free Maternal Health Care, the Level 5 Hospital and from UN Habitat. Donor funds from UN Habitat were rolled over from FY 2015/16.

3.13.112 Exchequer Issues

During the reporting period, the Controller of Budget authorised withdrawal of Kshs.2.55 billion from the CRF account, which was 20 per cent of the Approved Budget. This amount represented an increase of 41.7 per cent from Kshs.1.80 billion authorized in a similar period of FY 2015/16 and consisted of Kshs1.96 billion (76.7 per cent) for recurrent expenditure and Kshs.595.46 million (23.3per cent) for development activities.

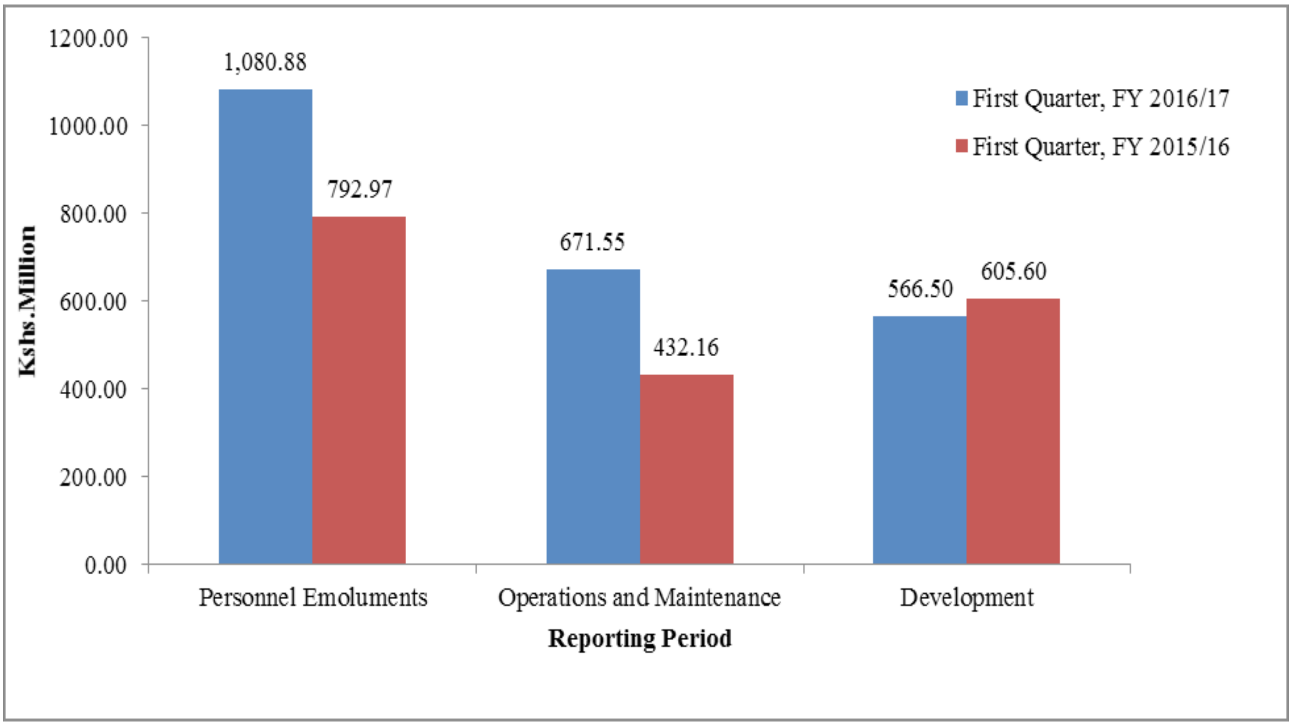
3.13.113 Overall Expenditure Review

The County spent Kshs.2.31 billion, which was 92 per cent of the total funds released for operations. This was an increase from Kshs.1.83 billion spent in a similar period in FY 2015/16.

A total of Kshs.1.75 billion was spent on recurrent activities, while Kshs.566.50 million was spent on development activities. The recurrent expenditure was 89.3 per cent of the funds released for recurrent activities while development expenditure accounted for 95.1 per cent of the funds released for development activities. The expenditure excluded outstanding commitments as at 30thSeptember, 2016 that amounted to Kshs.523.60 million for development and Kshs.259.30 million for recurrent expenditure.

The recurrent expenditure represented 19.9 per cent of the annual recurrent budget, an increase from 15 per cent spent in a similar period in FY 2015/16. Development expenditure recorded an absorption rate of 14.5 per cent, which was a decrease from 15.2 per cent attained in a similar period of FY 2015/16. Figure 3.45 presents a comparison between total expenditure in the first quarter of FY 2016/17and FY 2015/16.

Figure 3.45: Kiambu County, Expenditure by Economic Classification for the First Quarter of FY 2016/17 and the First Quarter of FY 2015/16



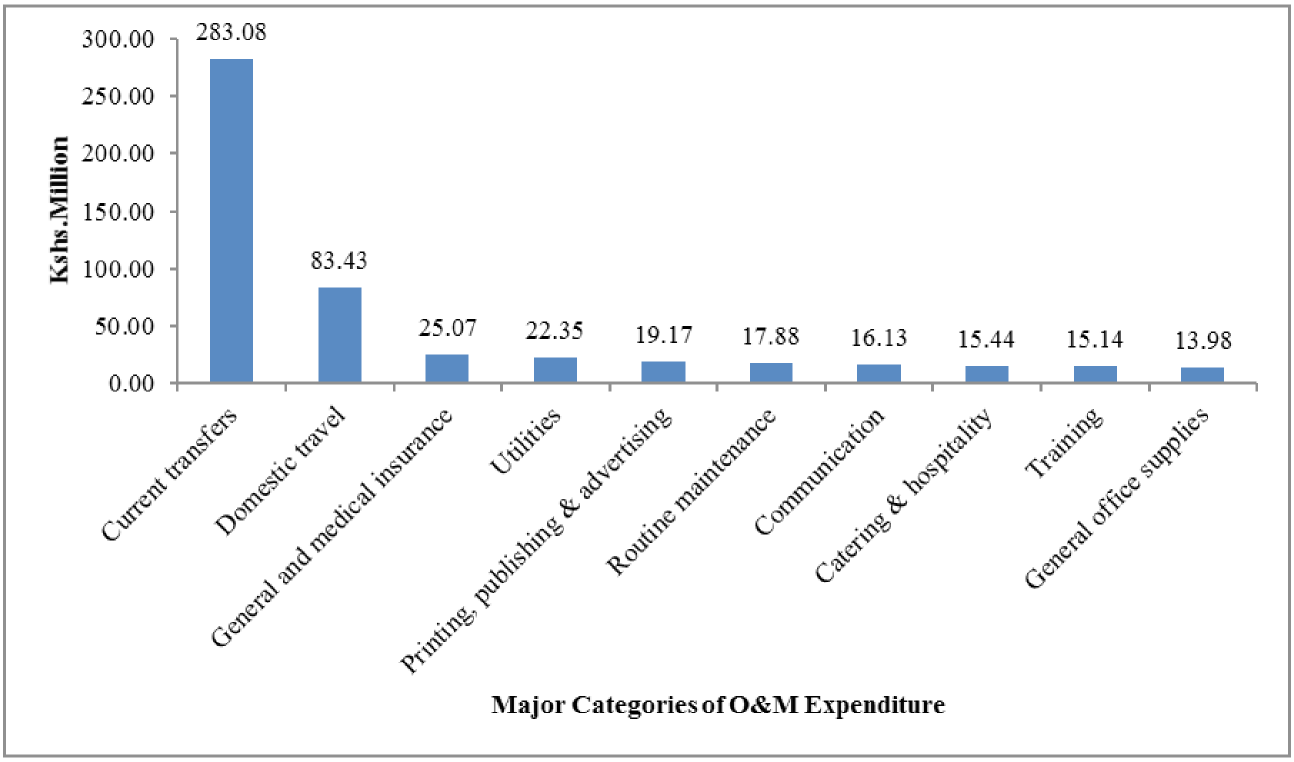
Source: Kiambu County Treasury

3.13.114 Analysis of Recurrent Expenditure

The recurrent expenditure of Kshs.1.75 billion consisted of Kshs.1.08 billion (61.6 per cent) spent on personnel emoluments and Kshs.671.55 million (38.4 per cent) on operations and maintenance as shown in Figure 3.45. Expenditure on personnel emoluments represented an increase of 36.4 per cent compared to a similar period of FY 2015/16 when the County spent Kshs.792.97 million.

Figure 3.46 shows a summary of the operations and maintenance expenditure by major categories.

Figure 3.46: Kiambu County, Operations and Maintenance Expenditure for First Quarter of FY 2016/17



Source: Kiambu County treasury

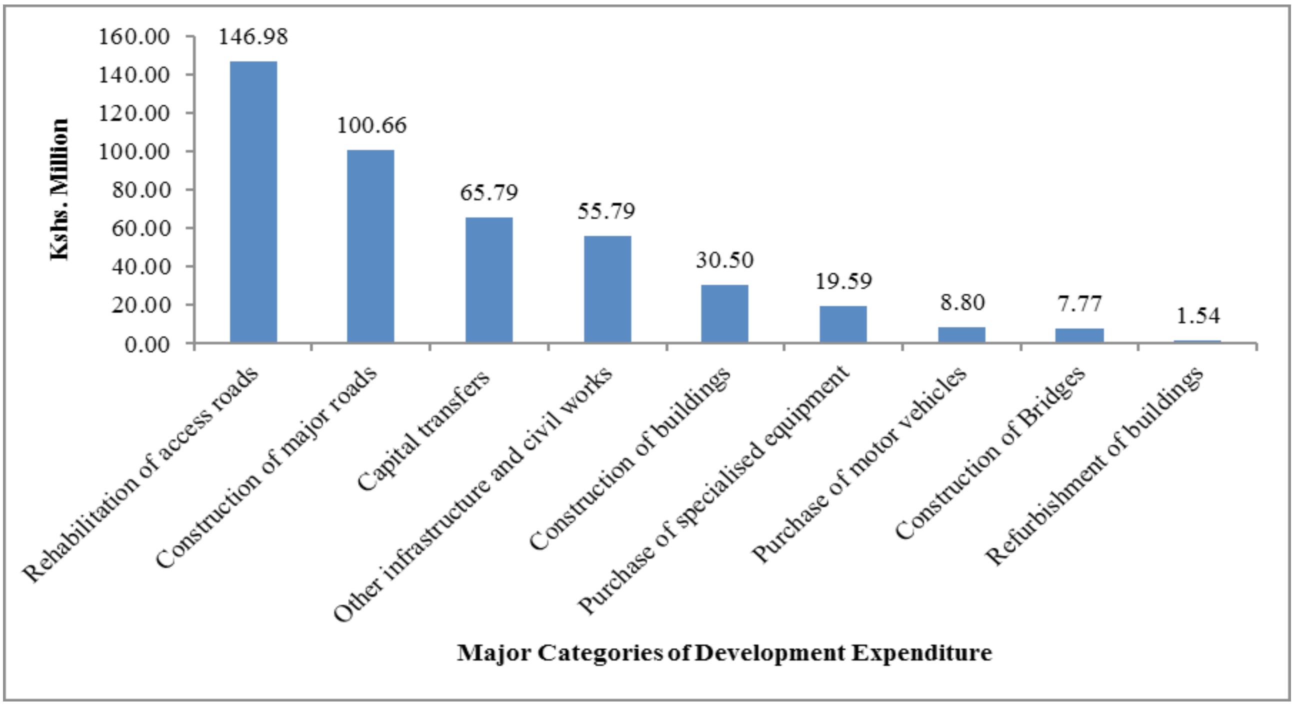
The County spent Kshs.23.30 million on sitting allowances to the 87 MCAs and the Speaker against the annual budget allocation of Kshs.100.00 million. This was a decrease compared to Kshs.24.76 million spent in a similar period of FY 2015/16. The average monthly sitting allowance was Kshs.66,190 compared to SRC's recommended monthly ceiling of Kshs.124,800.

Expenditure on domestic and foreign travel amounted toKshs.88.86 million compared to Kshs.78.14 million spent in a similar period of FY 2015/16, representing an increase of 12.8 per cent. Current transfers consisted of Kshs.263.34 million to the Thika Level 5 Hospital and Kshs.17.4 million for Education Department's emergency relief activities.

3.13.115 Development Expenditure Analysis

The total development expenditure of Kshs.566.50 million represented 14.5 per cent of the annual development budget of Kshs.3.85 billion. Figure 3.47 provides a summary of development expenditure during the period under review.

Figure 3.47: Kiambu County, Summary of Development Expenditure for the First Quarter of FY 2016/17



Source: *Kiambu County Treasury*

Analysis of the development expenditure by category indicated that the highest expenditure of Kshs.146.98 million was incurred by the Roads Department on rehabilitation of access roads, and Kshs.100.66 million on construction of major roads. The third highest expenditure of Kshs.65.79 million was incurred on capital transfers to the Health Department to support infrastructure development. Expenditure on other infrastructure and civil works amounted to Kshs.55.79 million while a further Kshs.30.5 million was incurred on construction of buildings, including rehabilitation of stadiums and markets.

3.13.116 Budget and Budget Performance Analysis by Department

Table 3.37 shows a summary of first quarter FY 2016/17 budget estimates and budget performance by department.

Table 3.37: Kiambu County, Budget Performance by Department in the First Quarter of FY 2016/17

Department	Budget Allocation (Kshs. Million)		First quarter FY 2016/17 Exchequer Issues (Kshs. Million)		First quarter FY 2016/17 Expenditure(Kshs. Million)		First quarter FY 2016/17 Expenditure to Exchequer Issues (%)		First quarter FY 2016/17 Absorption rate (%)	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
Administration and Public Works	466.17	117.80	130.69	0.00	102.22	0.76	78.22	-	21.93	0.65
Agriculture, Livestock and Fisheries	378.80	290.60	98.84	5.04	78.09	14.67	79.01	291.07	20.62	5.05
County Assembly	906.25	8.64	150.52	0.00	192.69	-	128.02	-	21.26	-
CPSB	62.52	-	10.27	0.00	6.80	-	66.21	-	10.88	-

Department	Budget Allocation (Kshs. Million)		First quarter FY 2016/17 Exchequer Issues (Kshs. Million)		First quarter FY 2016/17 Expenditure(Kshs. Million)		First quarter FY 2016/17 Expenditure to Exchequer Issues (%)		First quarter FY 2016/17 Absorption rate (%)	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
Education, Culture ICT and Social Services	655.30	307.07	114.87	14.77	87.66	12.23	76.31	82.80	13.38	3.98
County Executive	367.10	7.20	81.33	0.00	52.00	0.28	63.94	-	14.17	3.82
Finance and Economic Planning	1,333.90	50.00	201.45	0.00	227.90	-	113.13	-	17.09	-
Health Services	3,365.20	870.06	875.34	160.07	831.39	105.83	94.98	66.11	24.7	12.16
Lands, & Physical Planning	166.77	189.14	43.36	4.19	25.18	0.86	58.07	20.41	15.10	0.45
Roads, Public Works and Transport	481.06	1,030.86	127.55	277.29	68.46	291.67	53.67	105.19	14.23	28.3
Trade, IndustryTourism and Cooperatives	259.35	280.12	46.27	34.45	16.50	42.97	35.66	124.73	6.36	15.34
Water, Environment & Nat. Resources	238.21	342.23	60.05	38.36	57.60	27.35	95.92	71.30	24.2	8.0
Youth & Sports	142.88	352.86	18.40	61.29	5.98	69.92	32.48	114.08	4.18	19.8
TOTAL	**8,823.5**	**3,846.58**	**1,958.94**	**595.60**	**1,752.47**	**566.53**	**89.46**	**95.12**	**19.9**	**14.7**

Source: *Kiambu County Treasury*

Analysis of budget performance by department shows that the Department of Roads, Public Works and Transport attained the highest absorption of development budget at 28.3 per cent followed by the Youth and Sports Department at 19.8 per cent of its annual development budget. The Health Services Department had the highest percentage of recurrent expenditure to recurrent budget at 24.7 per cent followed by the Water Environment and Natural Resources Department at 24.2 per cent.

3.13.117 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 quality of financial reports due to adoption of IFMIS and internet banking.

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

1. Late submission of financial reports by the County Treasury to the Controller of Budget, which affected timely preparation of budget implementation report.
2. Slow uptake of development funds which stood at 14.5 per cent of the annual development budget against the expected 25 per cent of the annual development budget in the first three months of the FY 2016/17.

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

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

2. *There is need to identify and address the underlying causes of low absorption of development funds in order to improve service delivery.*

3.14 Kilifi County

3.14.118 Overview of the FY 2016/17 Budget

The County's FY 2016/17 Approved Budget was Kshs.13.03 billion, comprising of Kshs.6.08 billion (46.6 per cent) and Kshs.6.95 billion (53.4 per cent) allocations for recurrent and development expenditure respectively.

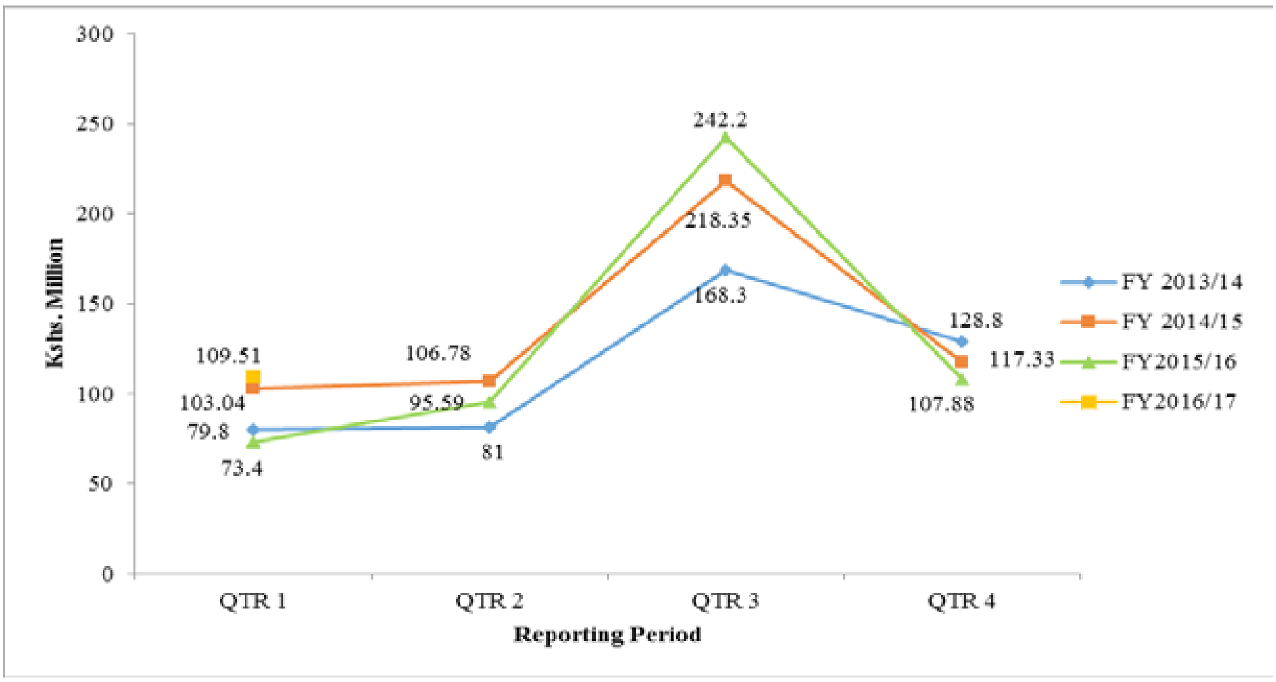
To finance the budget, the County expects to receive Kshs.8.03 billion (61.6 per cent) as equitable share of revenue raised nationally, Kshs.584.79 million (4.5 per cent) as total conditional grants, generate Kshs.1.59 billion (12.2 per cent) from local sources, and Kshs.2.83 billion (21.7 per cent) cash balance from FY 2015/16. The conditional grants comprise of Kshs.181.68 million (31.1 per cent) for Free Maternal Health Care, Kshs.123.37 million (21.1 per cent) from the Road Maintenance Fuel Levy Fund, Kshs.26.39 million (4.5 per cent) for User Fees Foregone, Kshs.7.77 million (1.3 per cent) as a grant from DANIDA, Kshs.114.66 million (19.6 per cent) as a loan from the World Bank, Kshs.95.74 million (16.4 per cent) for Leasing of Medical Equipment, and Kshs.35.19 million (6.0 per cent) as conditional grants from other loans and grants.

3.14.119 Revenue Analysis

During the first quarter of FY 2016/17, the County received Kshs.1.36 billion as equitable share of the revenue raised nationally, generated Kshs.132.53 million from local sources, and Kshs.121.27 million brought forward from FY 2015/16. The County did not receive any conditional grant allocations in the period under review.

Figure 3.48 shows the quarterly trend in local revenue collection from the first quarter of FY 2013/14 to the first quarter of FY 2016/17.

Figure 3.48: Kilifi County, Trend in Local Revenue Collection by Quarter from FY 2013/14 to FY 2016/17



Source: *Kilifi County Treasury*

The total local revenue collected in the first quarter of FY 2016/17 amounted to Kshs.132.53 million which was an increase of 80.55 per cent compared to Kshs.73.4 million generated in a similar period of FY 2015/16. This revenue accounted for 8.4 per cent of the annual local revenue target.

Table 3.38 provides an analysis of the local revenue received in the first quarter of FY 2016/17 by revenue stream.

Table 3.38 : Kilifi County Analysis of Revenue Collected by Stream in the First Quarter of FY 2016/17

No	Revenue Stream	Annual Targeted Revenue (Kshs.)	First Quarter, FY 2016/17 Actual Revenue (Kshs.)	Actual Revenue as a percentage of Annual Target (%)
1	Land Rates and other Land Revenue	384,775,645.10	45,719,955.00	11.9
2	Cess on natural resources	529,192,453.32	34,479,776.05	6.5
3	Business Permits	246,718,009.41	5,789,349.00	2.3
4	Parking Fees	87,051,980.97	6,632,899.00	7.6
5	Market Fees	64,952,582.82	4,191,120.00	6.5
6	Bill Boards and signage	47,072,893.93	1,939,900.00	4.1
7	Building Plan approval and Inspection	20,549,384.83	2,345,655.00	11.4
8	Rent/Stall rents	17,944,487.57	1,378,570.00	7.7
9	Survey fees and plot rents	6,861,938.28	584,820.00	8.5
10	Sale of Tender Documents	2,067,729.59	9,000.00	0.4
11	Plot ground rent	15,511,681.74	1,480,523.00	9.5
12	House rent	7,269,305.57	1,596,515.00	22.0
13	Refuse Collection	3,474,515.56	104,300.65	3.0
14	Food Hygiene Fees	6,232,657.61	317,640.00	5.1
15	Slaughter House and Livestock sale Yards	3,052,365.07	877,260.00	28.7
16	Other Revenue Sources	57,272,368.63	2,060,063.00	3.6
17	Facility Improvement Fund	200,000,000	23,023,505.00	11.5
TOTAL		**1,585,881,577.00**	**132,530,850.70**	**8.4**

Source: *Kilifi County Treasury*

Analysis of the local revenue performance by stream indicated that, slaughter house and livestock sale yards recorded the highest performance against annual target at 28.7 per cent. This was followed by house rent at 22 per cent, and land rates and other land revenue at 11.9 per cent.

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

3.14.120 Conditional Grants

The County Treasury did not report receipts from any conditional grant during the period under review.

3.14.121 Exchequer Issues

During the reporting period, the Controller of Budget authorised withdrawal of Kshs.1.42 billion from the CRF account, which was 10.9 per cent of the FY 2016/17 Approved Budget. This amount represented an increase of 10.1 per cent from Kshs.1.29 billion authorized in a similar period of FY 2015/16 and consisted of Kshs.1.1 billion (77.8 per cent) for recurrent expenditure and Kshs.315 million (22.2 per cent) for development activities.

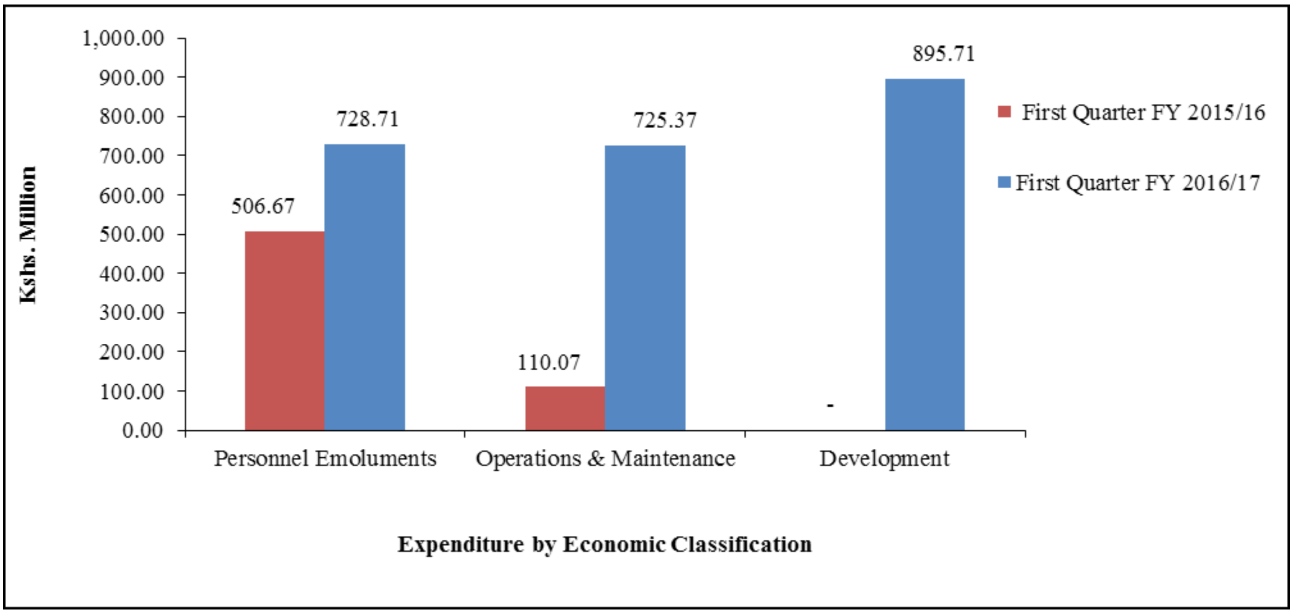
3.14.122 Overall Expenditure Review

The County spent Kshs.2.35 billion, which was 165.8 per cent of the total funds released for operations. This was an increase from Kshs.616.74 million spent in a similar period in FY 2015/16.

A total of Kshs.1.45 billion was spent on recurrent activities, while Kshs.895.71 million was spent on development activities. The recurrent expenditure was 131.9 per cent of the funds released for recurrent activities while development expenditure accounted for 284.4 per cent of the funds released for development activities. The expenditure excluded outstanding commitments as at 30th September, 2016 that amounted to Kshs.566.38 million for development and Kshs.180.85 million for recurrent expenditure.

The recurrent expenditure represented 23.9 per cent of the annual recurrent budget, an increase from 12 per cent spent in a similar period in FY 2015/16. Development expenditure recorded an absorption rate of 12.9 per cent. Figure 3.49 presents a comparison between total expenditure in the first quarter of FY 2016/17 and the first quarter of FY 2015/16.

Figure 3.49: Kilifi County, Expenditure by Economic Classification for FY 2016/17 and FY 2015/16



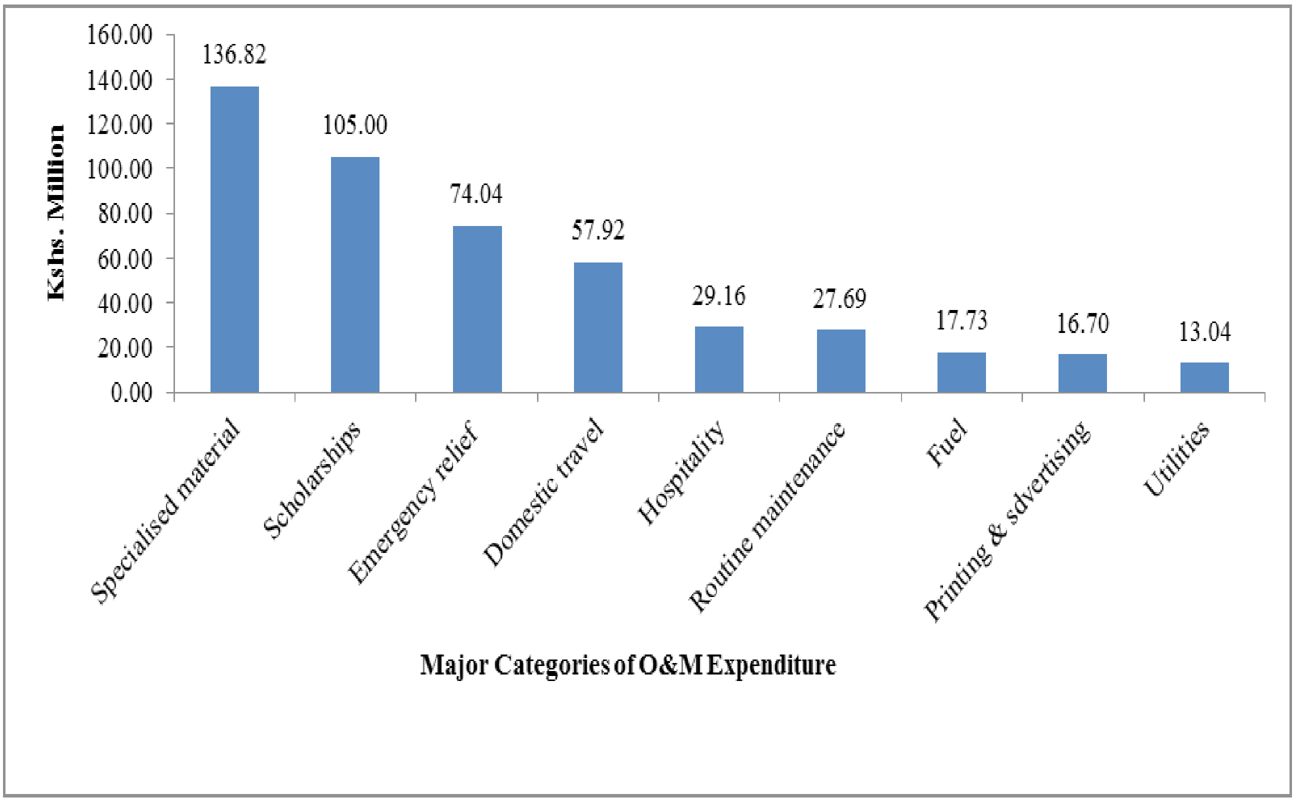
Source: *Kilifi County Treasury*

3.14.123 Analysis of Recurrent Expenditure

The recurrent expenditure of Kshs.1.45 billion consisted of Kshs.728.71 million (50.1 per cent) spent on personnel emoluments and Kshs.725.37 million (49.9 per cent) on operations and maintenance as shown in Figure 3.49. Expenditure on personnel emoluments represented an increase of 43.8 per cent compared to a similar period of FY 2015/16 when the County spent Kshs.506.67 million.

Figure 3.50 shows a summary of the operations and maintenance expenditure by major categories.

Figure 3.50: Kilifi County, Operations and Maintenance Expenditure for First Quarter of FY 2016/17



Source: *Kilifi County Treasury*

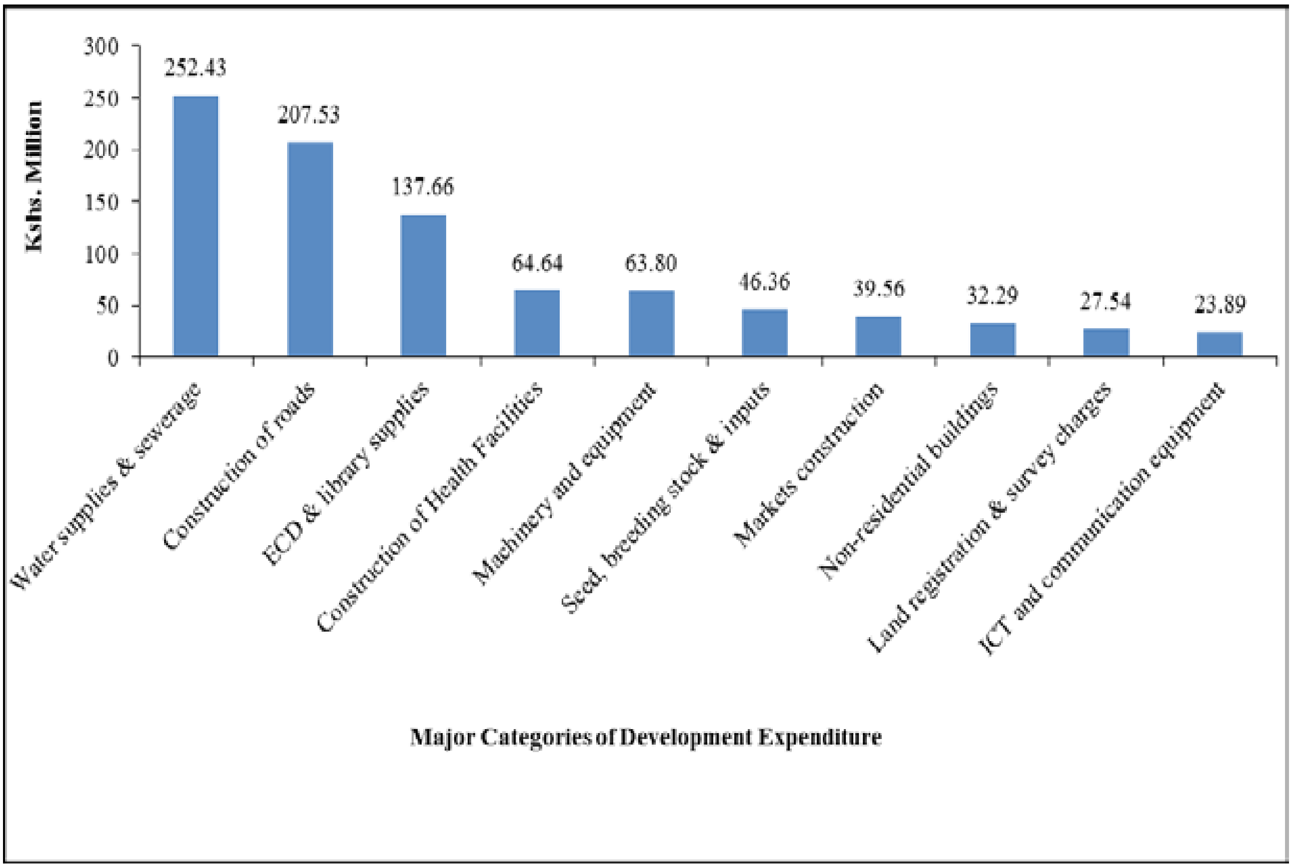
The County spent Kshs.14.59 million on sitting allowances to the 54 MCAs and the Speaker against the annual budget allocation of Kshs.80.71 million. This was a decrease compared to Kshs.17.99 million spent in a similar period of FY 2015/16. The average monthly sitting allowance was Kshs.88,447 compared to SRC's recommended monthly ceiling of Kshs.124,800.

Expenditure on domestic and foreign travel amounted to Kshs.69.93 million compared to Kshs.32.77 million spent in a similar period of FY 2015/16, representing an increase of 113.4 per cent.

3.14.124 Development Expenditure Analysis

The total development expenditure of Kshs.895.71 million represented 12.9 per cent of the annual development budget of Kshs.6.95 billion. Figure 3.51 provides a summary of development expenditure during the period under review.

Figure 3.51: Kilifi County, Summary of Development Expenditure for the First Quarter of FY 2016/17



Source: *Kilifi County Treasury*

Analysis of the development expenditure by category in the first quarter of FY 2016/17 indicated that, the highest expenditure of Kshs.252.43 million was incurred on water supplies & sewerage projects, which consisted of Kshs.15.07 million spent by the Agriculture, Livestock and Fisheries Department and Kshs.237.36 million spent by the Department of Water, Environment, Natural Resources and Solid Waste Management. The second highest expenditure of Kshs.207.53 million was incurred by the Roads, Transport & Public Works Department whereby, Kshs.24.93 million was spent on road construction and Kshs.182.6 million on access roads. The Department of Education, Sports and Youth Affairs incurred Kshs.137.66 million on construction of Early Childhood Development (ECD) Centres while the County Health Services Department spent Kshs.64.64 million on construction of health facilities.

3.14.125 Budget and Budget Performance Analysis by Department

Table 3.39 shows a summary of first quarter FY 2016/17 budget estimates and budget performance by department.

Table 3.39: Kilifi County, Budget Performance by Department in the First Quarter of FY 2016/17

Department	Budget Allocation (Kshs. Million)		First quarter FY 2016/17 Exchequer Issues (Kshs. Million)		First quarter FY 2016/17 Expenditure (Kshs. Million)		First quarter FY 2016/17 Expenditure to Exchequer Issues (%)		First quarter FY 2016/17 Absorption rate (%)	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
County Assembly	774.92	415.14	100.00	-	173.18	-	173.2		22.3	-
County Executive	342.25	-	57.51	-	87.32	-	151.8		25.5	
Finance and Economic Planning	567.91	40.06	79.93	-	112.26	-	140.4		19.8	-
Agriculture, Livestock and Fisheries	300.99	478.52	65.81	21.59	71.88	61.20	109.2	283.5	23.9	12.8
Water, Environment, Natural Resources and Solid Waste Management	174.36	1,144.19	40.11	73.42	49.78	245.70	124.1	334.6	28.6	21.5
Education, Sports and Youth Affairs	698.06	1,211.66	86.35	54.66	164.46	153.34	190.5	280.54	23.6	12.7
County Health Services	1,949.51	990.29	443.40	44.67	501.16	90.93	113.0	203.6	25.7	9.2
Roads, Transport & Public Works	209.97	1,559.06	30.60	13.91	42.83	213.11	140	1,531.7	20.4	13.7
Lands, Physical Planning, Housing and Energy	235.33	308.41	32.14	70.33	74.09	31.60	230.6	44.9	31.5	10.2
ICT, E-Government, Culture And Social Services	110.40	215.23	17.55	9.71	29.10	28.93	165.8	298	26.4	13.4
Trade Development And Regulation	80.58	438.55	14.36	19.78	11.06	39.56	77.04	200	13.7	9.0
Public Service Board	67.03	-	11.40	-	9.87	-	86.6		14.7	
Public Service Management	565.49	153.49	122.84	6.92	127.08	31.34	103.4	452.7	22.5	20.4
TOTAL	**6,076.82**	**6,954.61**	**1,102.00**	**315.00**	**1,454.07**	**895.71**	**131.9**	**284.4**	**23.9**	**12.9**

Source: *Kilifi County Treasury*

Analysis of budget performance by department shows that the Department of Water, Environment, Natural Resources and Solid Waste Management attained the highest absorption of development budget at 21.5 per cent while the County Assembly and the Finance and Economic Planning Department did not incur any development expenditure. On the other hand, the Lands, Physical Planning, Housing and Energy Department had the highest percentage of recurrent expenditure to recurrent budget at 31.5 per cent while the Department of Trade Development and Regulation had the lowest at 13.7 per cent.

3.14.126 Observations and Recommendations

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

i. Improvement in local revenue collection by 80.56 per cent from Kshs.73.4 million in the first quarter of FY 2015/16 to Kshs.132.53 million in the reporting period.
ii. Improvement in absorption of funds. The County spent Kshs.2.35 billion, which was an increase from Kshs.616.74 million spent in a similar period in FY 2015/16 representing an increase of over 100 per cent.

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

1. Late submission of financial reports by the County Treasury to the Controller of Budget, which affected timely preparation of budget implementation report.
2. Failure to establish an Internal Audit Committee to provide financial management oversight contrary to Section 155 of the PFM Act, 2012.
3. Intermittent use IFMIS, which is the prescribed financial system by the National Treasury as per Section 12 of the PFM Act, 2012.
4. The County has not constituted the County Budget and Economic Forum (CBEF) as required by Section 137 of the PFM Act, 2012 for consultation in the budget process.
5. Failure to refund unspent funds into the County Revenue Fund account maintained at the Central Bank of Kenya at the end of FY 2015/16 as required by Section 136 (2) of the PFM Act, 2012. From analysis of bank statements, the Office noted that the County continued to spend the balance of Kshs.859.6 million held in commercial banks as of 30th June, 2016.

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

1. *The County Treasury should ensure timely submission of expenditure reports to the Controller of Budget in line with Section 166 of the PFM Act, 2012.*
2. *The County should establish an Internal Audit Committee and also strengthen the internal audit function in line with Section 155 of the PFM Act, 2012.*
3. *All Accounting Officers in the County should ensure that financial transactions are processed through IFMIS and the Internet Banking platform managed by the Central Bank of Kenya.*
4. *The County should establish an effective CBEF for consultation in the budget process in line with Section 137 of the PFM Act, 2012.*
5. *The County Treasury should ensure that all unspent balances are refunded into the CRF at the end of each financial year in line with Section 136 (2) of the PFM Act, 2012.*

3.15 Kirinyaga County

3.15.127 Overview of the FY 2016/17 Budget

The County's FY 2016/17 Approved Budget was Kshs.4.42 billion, comprising of Kshs.3.07 billion (69.3 per cent) and Kshs.1.36 billion (30.7 per cent) allocations for recurrent and development expenditure respectively.

To finance the budget, the County is expected to receive Kshs.3.82 billion (86.4 per cent) as equitable share of revenue raised nationally, Kshs.146.66 million (3.3per cent) as total conditional grants, generate Kshs.460.00 million (10.4 per cent) from local sources, and Kshs.448.95 million (10.1 per cent) cash balance from FY 2015/16. The conditional grants comprise of Kshs.45.39 million (30.9 per cent) for Free Maternal Health

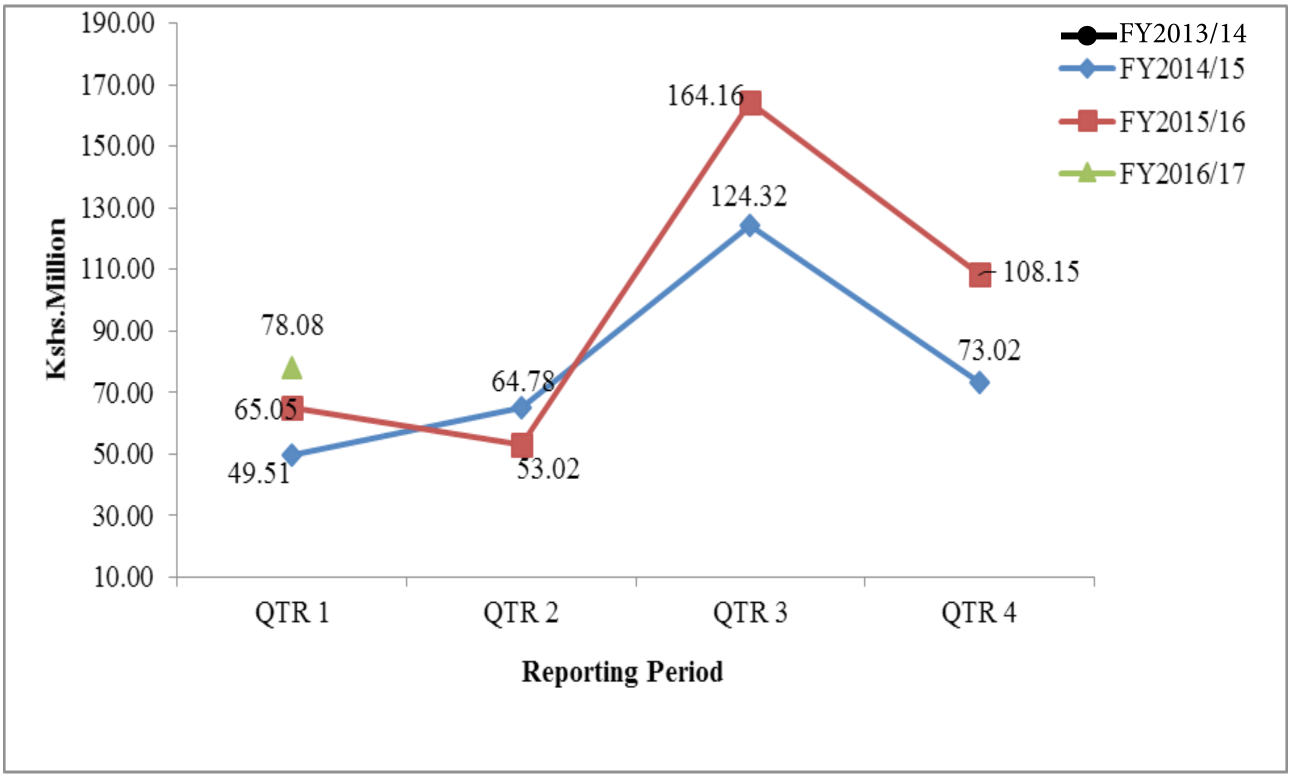
Care, Kshs.58.66 million (40.0 per cent) from the Road Maintenance Fuel Levy Fund, Kshs.11.63 million (7.9 per cent) for User Fees Foregone, Kshs.6.39 million (4.4 per cent) from DANIDA, and Kshs.24.60 million (16.8 per cent) as conditional grants from the World Bank.

3.15.128 Revenue Analysis

During the first quarter of FY 2016/17, the County received Kshs.649.02 million as equitable share of the revenue raised nationally, Kshs.22.14 million as total conditional allocation, raised Kshs.78.08 million from local sources, and Kshs.448.95 million brought forward from FY 2015/16.

Figure 3.52 shows the quarterly trend in local revenue collection from FY 2014/15 to first quarter of FY 2016/17.

Figure 3.52: Kirinyaga County, Trend in Local Revenue Collection by Quarter from the first quarter FY 2014/15 to the first quarter of FY 2016/17



Source: *Kirinyaga County Treasury*

The total local revenue collected in the first quarter of FY 2016/17 amounted to Kshs.78.08 million which was an increase of 20 per cent compared to Kshs.65.05 million generated in a similar period of FY 2015/16. This revenue accounted for 17.0 per cent of the annual local revenue target.

Table 3.40 provides an analysis of the local revenue collected in FY 2016/17 by revenue stream.

Table 3.40: Kirinyaga County Analysis of Revenue Collected by Stream in the First Quarter of FY 2016/17

No	Revenue Stream	Annual Targeted Revenue (Kshs. Millions)	First Quarter, FY 2016/17 Actual Revenue (Kshs. Millions)	Actual Revenue as a percentage of Annual Target (%)
1	Agricultural Food Authority	25,000,000.00	20,517,876.00	82.1
2	Health (Hospitals)	99,793,094.30	20,323,032.00	20.4
3	Market Entrance/Gate Fee	47,746,970.75	8,732,640.00	18.3
4	Other revenue sources	43,450,000.00	5,977,900.00	13.8
5	Parking Fee	22,750,335.00	5,366,650.00	23.6
6	Business Permits	114,842,238.40	4,978,190.00	4.3
7	Public Health	20,000,000.00	4,309,620.00	21.5
8	Land, Ground Rates &Arrears	61,097,733.15	2,812,118.00	4.6
9	Buildings Plans	4,728,548.15	1,549,266.00	32.8
10	Quarry Cess/Fee	7,540,895.00	1,502,660.00	19.9
11	Liquor License	35,000,000.00	1,353,000.00	3.9
12	Veterinary Services	3,050,185.25	652,990.00	21.4
TOTAL		**460,000,000.00**	**78,075,942.00**	**17.0**

Source: *Kirinyaga County Treasury*

Analysis of the local revenue performance by stream indicated that, receipts from Agricultural Food Authority recorded the highest performance against annual target at 82.1 per cent. This was followed by Building Plans at 32.8 per cent, and parking fee at 23.6 per cent.

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

3.15.129 Conditional Grants

Table 3.41 shows an analysis of conditional grants received in the first quarter of FY 2016/17.

Table 3.41: Kirinyaga County Analysis of Conditional Grant Releases in the First Quarter of FY 2016/17

No.	Conditional Grant	Amount allocated as provided in CARA, 2016 (Kshs.)	First Quarter, FY 2016/17 Actual receipts from the Conditional Grant (Kshs.)	Actual receipts as a percentage of Annual Allocation (%)
1	Road Maintenance Fuel Levy Fund	58,660,195	14,665,049	25.0
2	Free Maternal Health Care	45,389,754	7,477,500	16.5
3	User Fees Foregone	11,625,078	-	0.0
4	DANIDA Grant	6,385,000	-	0.0
5	World Bank Loan	24,601,287	-	0.0
Total		**146,661,314**	**22,142,549**	**15.1**

Source: *Kirinyaga County Treasury*

The County received revenue from two grant categories. These were; the Road Maintenance Fuel Levy Fund which recorded 25 per cent of the annual target and the Free Maternal Health Care grant, which recorded 16.5 per cent.

3.15.130 Exchequer Issues

In the first quarter, the Controller of Budget authorised withdrawal of Kshs.1.13 billion from the CRF account, which was 25.5 per cent of the FY 2016/17 Approved Budget. The amount represented an increase of 21.4 per cent from Kshs.929.00 million authorized in a similar period in FY 2015/16 and consisted of Kshs.823.50 million (73 per cent) for recurrent expenditure and Kshs.304.00 million (27 per cent) for development activities.

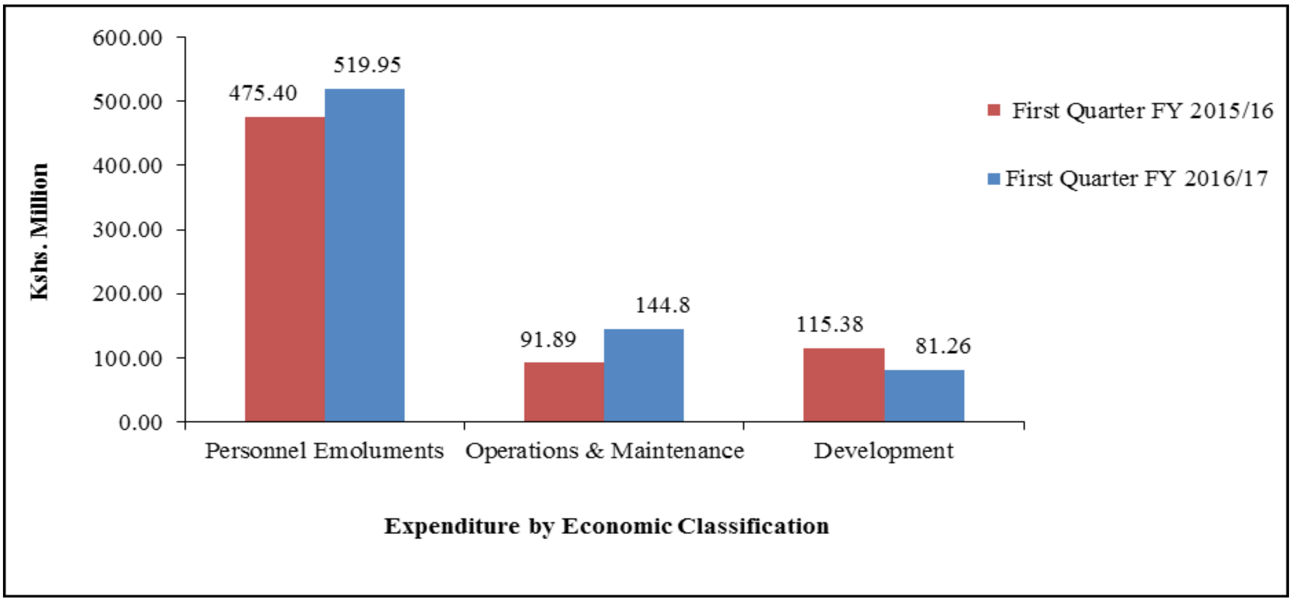
3.15.131 Overall Expenditure Review

During the period under review the County spent Kshs.746.01 million, which was 66.2 per cent of the total funds released for operations. This was an increase of 9 per cent from Kshs.682.69 million spent in a similar period in FY 2015/16.

A total of Kshs.664.75 million was spent on recurrent activities, while Kshs.81.26 million was spent on development activities. The recurrent expenditure was 80.7 per cent of the funds released for recurrent activities while development expenditure accounted for 26.7 per cent of the funds released for development activities. The expenditure excluded outstanding commitments as at 30th September, 2016 that amounted to Kshs.72.92 million for development and Kshs.22.81 million for recurrent expenditure.

The recurrent expenditure represented 21.7 per cent of the annual recurrent budget, an increase from 18.5 per cent spent in a similar period of FY 2015/16. Development expenditure recorded an absorption rate of 6 per cent, which was a marginal increase from 5.1 per cent attained in a similar period of FY 2015/16. Figure 3.53 presents a comparison between total expenditure in the first quarter of FY 2016/17 and the first quarter of FY 2015/16.

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



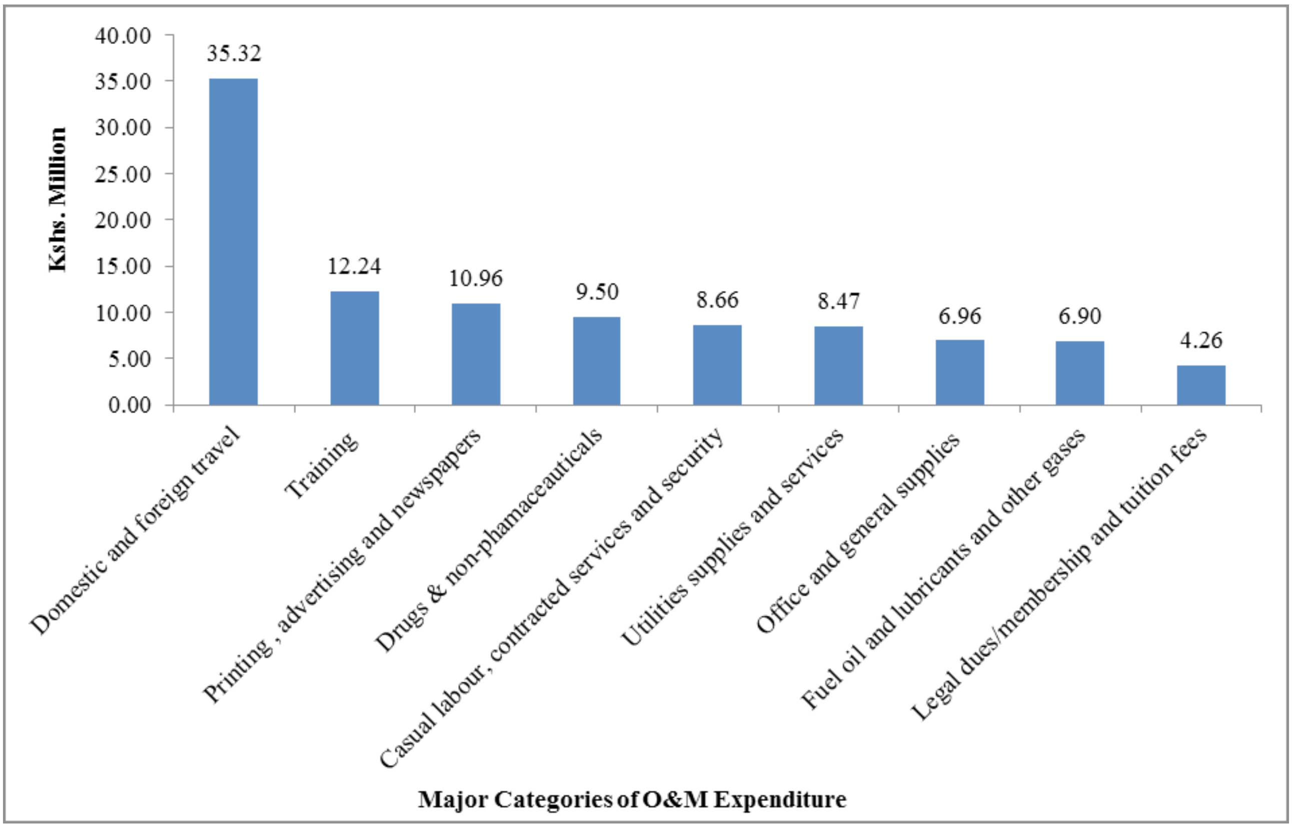
Source: *Kirinyaga County Treasury*

3.15.132 Analysis of Recurrent Expenditure

The recurrent expenditure of Kshs.664.75 million consisted of Kshs.519.95 million (78.2 per cent) spent on personnel emoluments and Kshs.144.8 million (21.8 per cent) on operations and maintenance as shown in Figure 3.53. Expenditure on personnel emoluments represented an increase of 9.4 per cent compared to a similar period in FY 2015/16 when the County spent Kshs.475.40 million.

Figure 3.54 shows a summary of the operations and maintenance expenditure by major categories.

Figure 3.54: Kirinyaga County, Operations and Maintenance Expenditure for the First Quarter of FY 2016/17



Source: *Kirinyaga County Treasury*

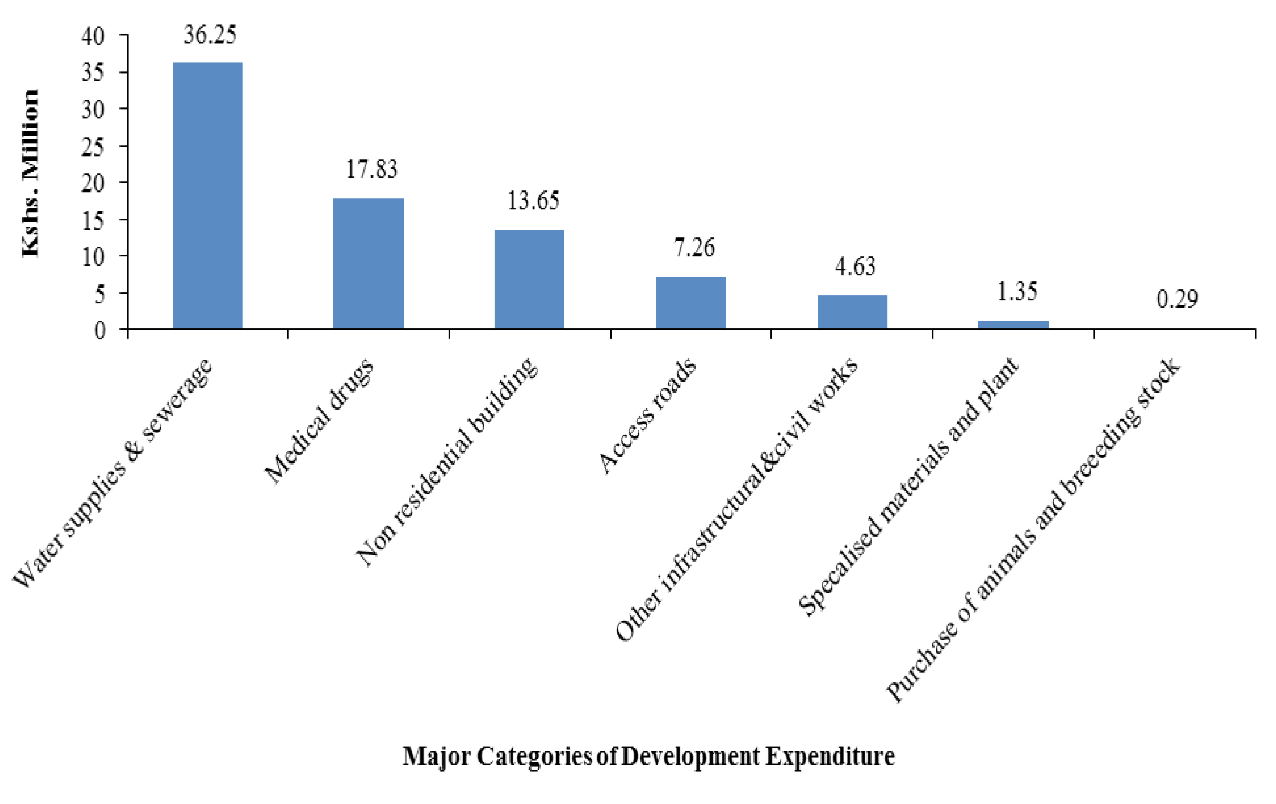
The County spent Kshs.10.46 million on sitting allowances to the 30 MCAs and the Speaker against the annual budget allocation of Kshs.62.00 million. This was an increase compared to Kshs.10.12 million spent in a similar period of FY 2015/16. The average monthly sitting allowance was Kshs.116,248 compared to SRC's recommended monthly ceiling of Kshs.124,800.

Expenditure on domestic and foreign travel amounted to Kshs.35.32 million compared to Kshs.31.76 million spent in a similar period of FY 2015/16, representing an increase of 11.2 per cent.

3.15.133 Development Expenditure Analysis

The total development expenditure of Kshs.81.26 million represented 6.0 per cent of the annual development budget of Kshs.1.36 billion. Figure 3.55 provides a summary of development expenditure during the period under review.

Figure 3.55: Kirinyaga County, Summary of Development Expenditure for the First Quarter of FY 2016/17



Source: *Kirinyaga County Treasury*

Analysis of the development expenditure by category indicated that, the highest expenditure of Kshs.36.25 million was incurred by the Environment and Natural Resources Department on water supplies and sewerage systems. The second highest expenditure of Kshs.17.83 million was incurred by the Medical Services department on medical drugs. The third highest expenditure of Kshs.13.65 million was incurred on non-residential buildings and consisted of an expenditure of Kshs.12.73 by the County Executive department on construction of the County Headquarters, and Kshs.0.92 million by the Agriculture department on non-residential buildings.

The Transport department spent Kshs.7.26 million on access roads while Kshs.4.63 million was spent on other infrastructure and civil works. The Agriculture department spent Kshs.1.35 million on specialized materials and Kshs.0.29 million on purchase of animals and breeding stocks.

3.15.134 Budget and Budget Performance Analysis by Department

Table 3.42 shows a summary of first quarter FY 2016/17 budget estimates and budget performance by department.

Table 3.42: Kirinyaga County, First Quarter of FY 2016/17 Budget Performance by Department

Department	Budget Allocation (Kshs. Million)		First quarter FY 2016/17 Exchequer Issues (Kshs. Million)		First quarter FY 2016/17 Expenditure (Kshs. Million)		First quarter FY 2016/17 Expenditure to Exchequer Issues (%)		First quarter FY 2016/17 Absorption rate (%)	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
County Assembly	480.47	52	119	2	105.35	-	88.5	0	21.9	0
County Executive Services	362.61	100	104.7	75.17	62.42	12.73	59.6	16.9	17.2	12.7
Finance and Economic planning	428.43	1.71	145.47	1.71	84.97	-	58.4	0	19.8	0
Medical Services	1,079.63	263.85	304.15	44.02	287.89	17.83	94.7	40.5	26.7	6.8
Education	235.09	43.53	33.64	3.98	27.77	-	82.5	0	11.8	0
Agriculture	208.31	58.89	48.31	5.09	43.81	8.73	90.7	171.3	21	14.8
Gender/Culture &Social Services	51.67	58.82	13.89	5.4	12.91	-	93	0	25	0
Trade & Co-operative Development	33.76	56.01	7.03	7.55	5.76	-	82	0	17.1	0
Environment and natural resources	85.2	163.89	22.5	70.99	15.33	34.72	68.1	48.9	18	21.2
Physical Planning and Housing	26.18	34.31	5.61	10.53	5.98	-	106.6	0	22.9	0
Transport and Infrastructure	75.46	524.65	19.15	77.55	12.54	7.26	65.5	9.4	16.6	1.4
TOTAL	**3,066.79**	**1,357.66**	**823.5**	**304**	**664.75**	**81.26**	**80.7**	**26.7**	**21.7**	**6**

Source: *Kirinyaga County Treasury*

Analysis of budget performance by department shows that the Environment and Natural Resources Department attained the highest absorption of development budget at 21.2 per cent, followed by the Agriculture Department at 14.8 per cent while the County Executive had an absorption rate of 12.7 per cent. On the other hand, the Medical Services Department had the highest percentage of recurrent expenditure to annual recurrent budget at 26.7 per cent followed by Department of Gender and Social Services at 25.0 per cent while the Department of Education had the lowest at 11.8 per cent.

3.15.135 Observations and Recommendations

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

i. Improved consultation and involvement of County Budget and Economic Forum (CBEF) on matters related to planning and budgeting as per Section 137 of the PFM Act, 2012.
ii. Improvement in local revenue performance. The local revenue collection improved by 20 per cent from Kshs.65.05 million in the first quarter of FY 2015/16 to Kshs.78.08 million in the reporting period.

Despite the 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. As at the end of the reporting period, Kshs.649.02 million had been disbursed against an expected disbursement of Kshs.954.45 million.
2. The County's wage bill has remained high, having increased by 9 per cent from Kshs.475.41 million in the first quarter of FY 2015/16 to Kshs.519.95 million in the period under review. The continued increase may result in an unsustainable wage bill.
3. Failure to establish an Internal Audit Committee to provide financial management oversight in the County contrary to Section 155 of the PFM Act, 2012.
4. Failure by the County Assembly to use IFMIS in processing financial transactions contrary to Section 12 of the PFM Act, 2012.

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

1. *The County Treasury should liaise with the National Treasury to ensure that funds allocated to the County are released in a timely manner in line with CARA, 2016 Disbursement Schedule.*
2. *The County should ensure an optimal staff structure for a sustainable wage bill.*
3. *The County should establish an Internal Audit Committee and also strengthen the internal audit function in line with Section 155 of the PFM Act, 2012.*
4. *The County Treasury should liaise with the National Treasury to ensure IFMIS is used by all County public entities in processing financial transactions.*

3.16 Kisii County

3.16.136 Overview of the FY 2016/17 Budget

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

To finance the budget, the County expects to receive Kshs.7.65 billion (76.1 per cent) as equitable share of revenue raised nationally, Kshs.817.59 million (8.1 per cent) as total conditional grants, generate Kshs.750.00 million (7.5 per cent) from local sources, and Kshs.690.05 million (6.9 per cent) cash balance from FY 2015/16. The conditional grants comprise of Kshs.397.69 million (41.3 per cent) for Level 5 Hospital, Kshs.168.13 million (17.5 per cent) for Free Maternal Health Care, Kshs.117.61million (12.2 per cent) from the Road Maintenance Fuel Levy Fund, Kshs.26.95 million (2.8 per cent) for User Fees Foregone, Kshs.11.48

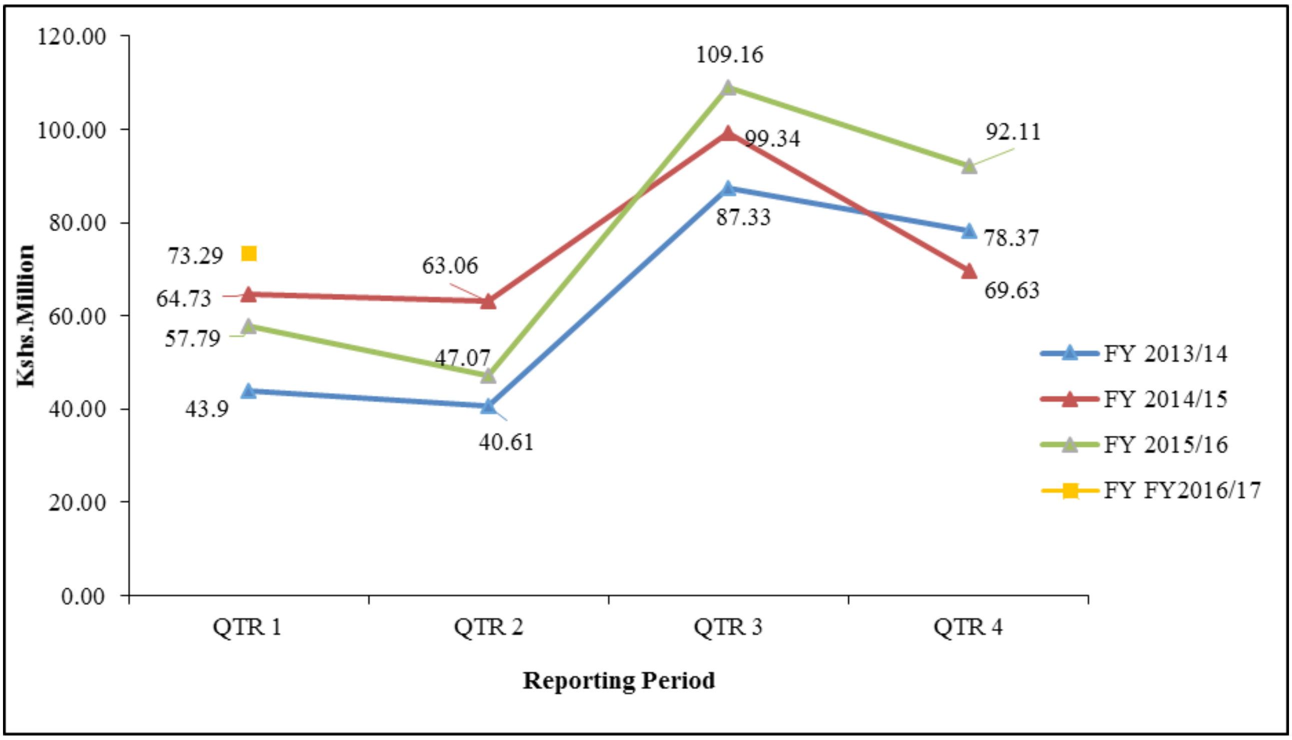
million (1.2 per cent) from DANIDA and Kshs.95.74 million (10.0 per cent) as conditional allocation for Leasing of Medical equipment. The County also expects to receive Kshs.110.00 million (11.4 per cent) as EU instruments for Devolution Advice and Support and Kshs.34.25 million (3.6 per cent) for Kenya Devolution Support Program though the two sources of funds were not included in the CARA, 2016.

3.16.137 Revenue Analysis

During the first quarter of FY 2016/17, the County received Kshs.1.37 billion as equitable share of the revenue raised nationally, Kshs.128.24 million as total conditional allocations, raised Kshs.73.29 million from local sources, and Kshs.687.91 million brought forward from FY 2015/16.

Figure 3.56 shows the quarterly trend in local revenue collection from the first quarter of FY 2013/14 to the first quarter of FY 2016/17.

Figure 3.56: Kisii County, Trend in Local Revenue Collection by Quarter from the First Quarter of FY 2013/14 to the First Quarter of FY 2016/17



Source: *Kisii County Treasury*

The total local revenue collected in the first quarter of FY 2016/17 amounted to Kshs.73.29 million which was an increase of 26.82 per cent compared to Kshs.57.79 million generated in a similar period of FY 2015/16. This revenue accounted for 9.8 per cent of the annual local revenue target.

Table 3.43 provides an analysis of the local revenue collected in the first quarter of FY 2016/17 by revenue stream.

Table 3.43: Kisii County Analysis of Revenue Collected by Stream in the First Quarter of FY 2016/17

No	Revenue Stream	Annual Targeted Revenue (Kshs.)	First Quarter, FY 2016/17 Actual Revenue (Kshs.)	Actual Revenue as a percentage of Annual Target (%)
1	Fire compliance	8,500,000	4,184,280	49.2
2	Market dues	71,000,000	17,659,480	24.9
3	Plan Approvals	27,500,000	5,430,236	19.7
4	CESS	26,000,000	5,064,848	19.5
5	Parking fees	137,150,000	19,657,281	14.3
6	Advertisement and Billboards	35,000,000	3,794,586	10.8
7	Single Business Permit	157,000,000	12,689,358	8.1
8	Rent and Rates	106,500,000	4,674,237	4.4
9	Revenue from devolved units	101,350,000	87,140	0.1
10	Miscellaneous Revenue	80,000,000	51,498	0.1
TOTAL		**750,000,000**	**73,292,944**	**9.8**

Source: *Kisii County Treasury*

Analysis of the local revenue performance by stream indicated that, Fire Compliance recorded the highest performance against annual target at 49.2 per cent. This was followed by Market Dues at 24.9 per cent, and plan approval fees at 19.7 per cent.

The County did not deposit all locally generated revenue into the County Revenue Fund account maintained at Central Bank of Kenya (CBK) as required by Article 207 of the Constitution. Specifically, the Health Services Department and the Trade Regulations and Development Department did not deposit the locally generated revenue into the CRF account.

3.16.138 Conditional Grants

Table 3.44 shows an analysis of conditional grants received in the first quarter of FY 2016/17.

Table 3.44: Kisii County Analysis of Conditional Grant Releases in the First Quarter of FY 2016/17

No.	Conditional Grant	Amount allocated as provided in CARA, 2016 (Kshs.)	First Quarter, FY 2016/17 Actual receipt from the Conditional Grant (Kshs.)	Actual receipts as a percentage of Annual Allocation (%)
1	Road Maintenance Fuel Levy Fund	117,605,419	29,401,355	25.0
2	Free Maternal Health Care	168,133,301	31,232,500	18.6
3	Level 5 Hospital	397,687,861	67,606,936	17.0
4	User Fees Foregone	26,947,170	-	-
5	DANIDA Grant	11,475,000	-	-
6	Leasing of Medical Equipment	95,744,681	-	-
7	Other Loans and Grants	144,251,811	-	-
	Total	**961,845,243**	**128,240,791**	**15.7**

Source: *Kisii County Treasury*

Analysis of the conditional grant releases for the period under review indicated that the Road Maintenance Fuel Levy recorded the highest receipt against annual target at 25 per cent, followed by releases towards Free Maternal Health Care at 18.6 per cent, and Level 5 Hospital grant at 17 per cent.

3.16.139 Exchequer Issues

During the reporting period, the Controller of Budget authorised withdrawal of Kshs.2.08 billion from the CRF account, which was 20.7 per cent of the FY 2016/17 Approved Budget. This amount represented an increase of 8.3 per cent from Kshs.1.92 billion authorized in a similar period of FY 2015/16 and consisted of Kshs.1.53 billion (73.8 per cent) for recurrent expenditure and Kshs.545.44 million (26.2 per cent) for development activities.

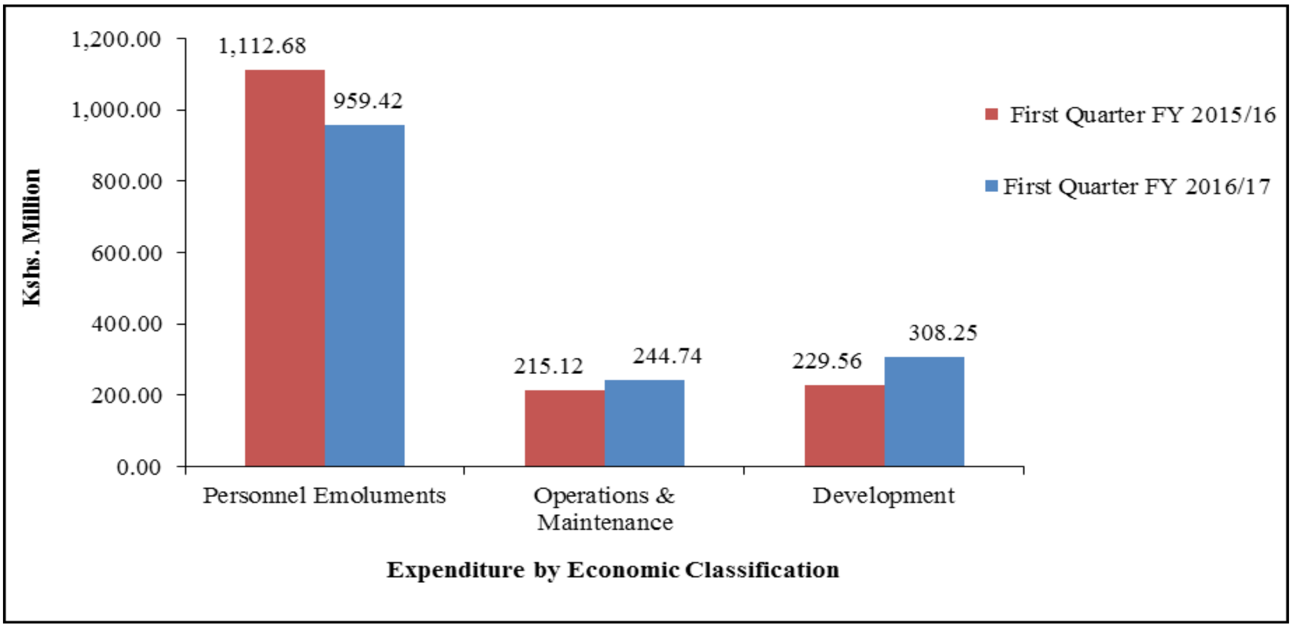
3.16.140 Overall Expenditure Review

The County spent Kshs.1.56 billion, which was 74.9 per cent of the total funds released for operations. This was an increase from Kshs.1.51 billion spent in a similar period in FY 2015/16.

A total of Kshs.1.33 billion was spent on recurrent activities, while Kshs.229.56 million was spent on development activities. The recurrent expenditure was 86.6 per cent of the funds released for recurrent activities while development expenditure accounted for 42.1 per cent of the funds released for development activities. The expenditure excluded outstanding commitments as at 30th September, 2016 that amounted to Kshs.50.57 million for development and Kshs.48.88 million for recurrent expenditure.

The recurrent expenditure represented 21.8 per cent of the annual recurrent budget, a decrease from 22.6 per cent spent in a similar period of FY 2015/16. Development expenditure recorded an absorption rate of 5.8 per cent, which was a decrease from 8.4 per cent attained in a similar period of FY 2015/16. Figure 3.57 presents a comparison between total expenditure in the first quarter of FY 2016/17 and the first quarter of FY 2015/16.

Figure 3.57: Kisii County, Expenditure by Economic Classification for the First Quarter of FY 2015/16 and to the First Quarter of FY 2016/17



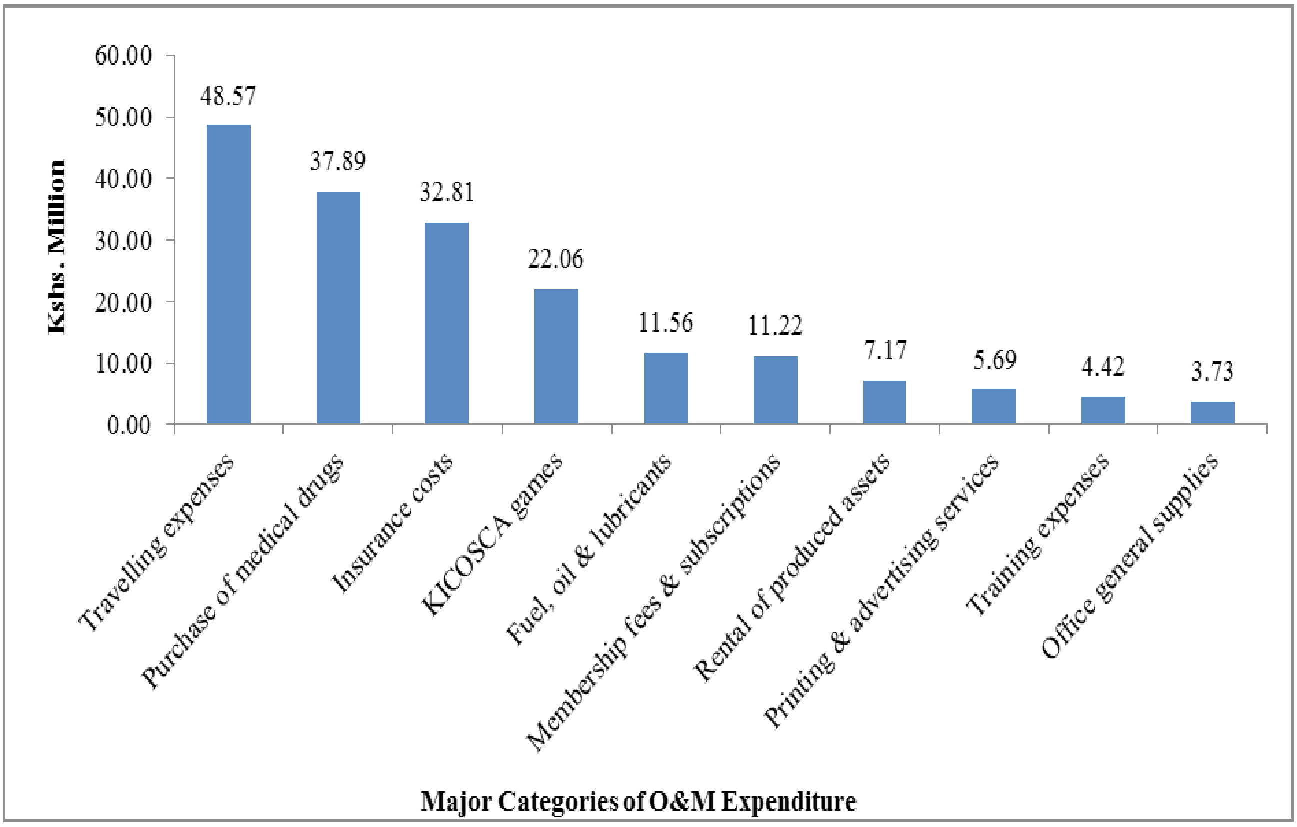
Source: *Kisii County Treasury*

3.16.141 Analysis of Recurrent Expenditure

The recurrent expenditure of Kshs.1.33 billion consisted of Kshs.1.11 billion (83.8 per cent) spent on personnel emoluments and Kshs.215.12 million (16.2 per cent) on operations and maintenance as shown in Figure 3.57. Expenditure on personnel emoluments represented an increase of 16.0 per cent compared to a similar period in FY 2015/16 when the County spent Kshs.959.42 million.

Figure 3.58 shows a summary of the operations and maintenance expenditure by major categories.

Figure 3.58: Kisii County, Operations and Maintenance Expenditure for the First Quarter of FY 2016/17



Source: *Kisii County Treasury*

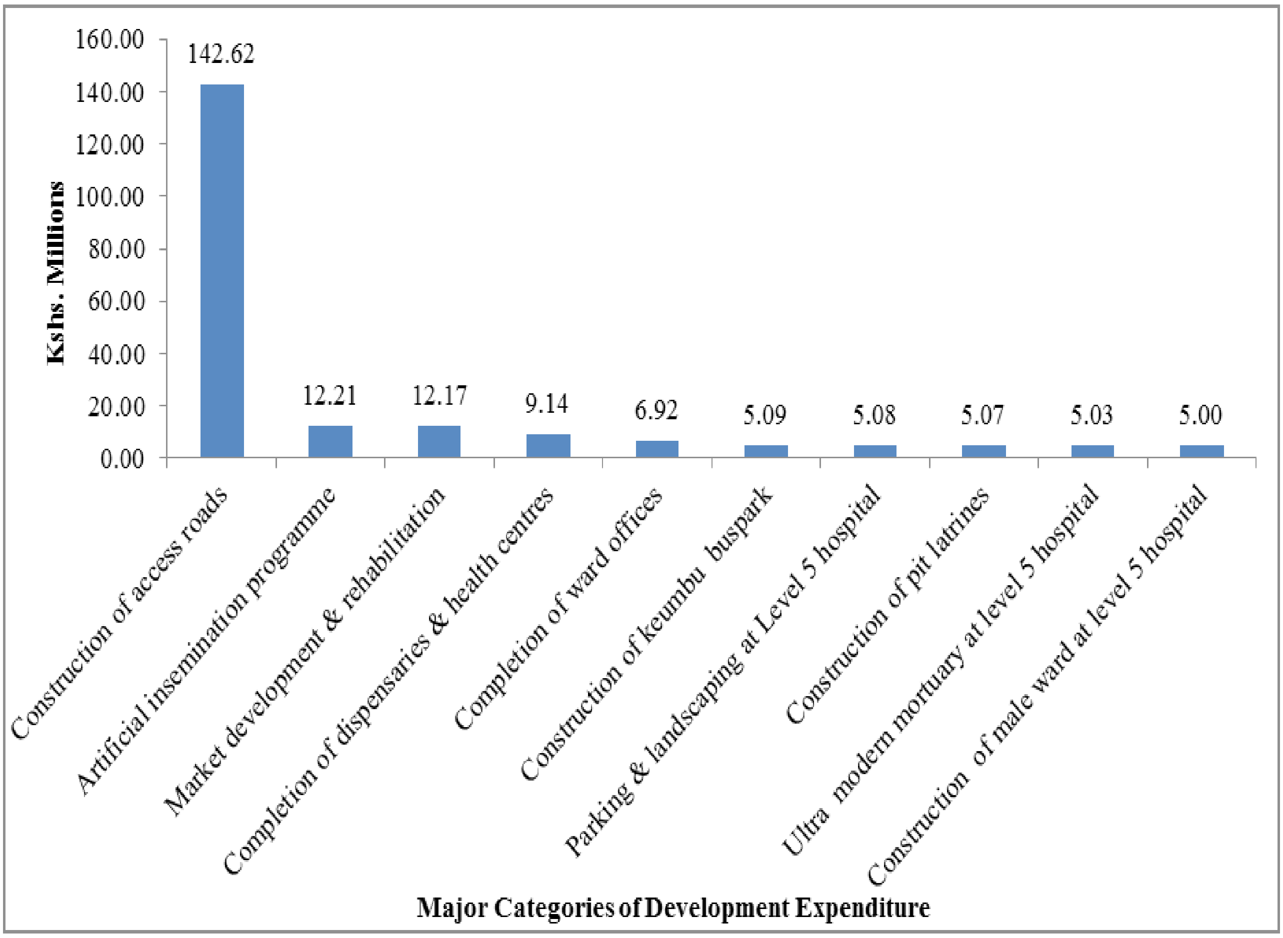
The County spent Kshs.26.96 million on sitting allowances to the 71 MCAs and the Speaker against the annual budget allocation of Kshs.95.41 million. This was a decrease compared to Kshs.29.65 million spent in a similar period of FY 2015/16. The average monthly sitting allowance was Kshs.124, 797 compared to SRC's recommended monthly ceiling of Kshs.124, 800.

Expenditure on domestic and foreign travel amounted to Kshs.48.57 million compared to Kshs.67.95 million spent in a similar period of FY 2015/16, representing a decrease of 28.5 per cent.

3.16.142 Development Expenditure Analysis

The total development expenditure of Kshs.229.56 million represented 5.8 per cent of the annual development budget of Kshs.3.95 billion. Figure 3.59 provides a summary of development expenditure during the period under review.

Figure 3.59: Kisii County, Summary of Development Expenditure for the First Quarter, of FY 2016/17



Source: *Kisii County Treasury*

Analysis of the development expenditure by category indicated that, the highest expenditure of Kshs.142.62 million was incurred by the Roads, Public Works and Transport department, of which Kshs.83.16 million was spent on payment of road works pending bills from FY 2015/16 and Kshs.59.46 million on maintenance of roads. The second highest expenditure of Kshs.12.21 million was incurred by the Agriculture, Livestock and Fisheries Department on artificial insemination. The Department of Trade Regulations and Development incurred Kshs.12.17 million on development and rehabilitation of markets.

3.16.143 Budget and Budget Performance Analysis by Department

Table 3.45 shows a summary of first quarter FY 2016/17 budget estimates and budget performance by department.

Table 3.45: Kisii County, First Quarter of FY 2016/17 Budget Performance by Department

Department	Budget Allocation (Kshs. Million)		First Quarter FY 2016/17 Exchequer Issues (Kshs. Million)		First Quarter FY 2016/17 Expenditure (Kshs. Million)		First Quarter FY 2016/17 Expenditure to Exchequer Issues (%)		First Quarter FY 2016/17 Absorption rate (%)	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
Health	2,296.07	776.60	644.31	102.88	618.38	37.19	96.0	36.1	26.9	4.8
Agriculture, Livestock and Fisheries	296.38	238.50	72.27	24.5	67.33	14.21	93.2	58.0	22.7	6.0
County Assembly	883.79	195.00	183.00	33	151.02	-	82.5	-	17.1	-
County Executive (Office of the Governor and Deputy Governor) & CPSB	385.50	20.00	94.49	-	72.18	-	76.4	-	18.7	-
County Administration	511.98	143.50	125.10	29	121.19	12.00	96.9	41.4	23.7	8.4
Finance and Economic Planning	595.62	144.49	142.11	12	97.73	6.28	68.8	52.4	16.4	4.3
Water and Environment	152.00	399.95	49.94	25	17.76	-	35.6	-	11.7	-
Education and Youth affairs	545.76	327.50	98.53	24.5	87.08	-	88.4	-	16.0	-
Land, Physical planning& urban development	85.24	169.70	28.77	22.85	21.02	-	73.1	-	24.7	-
Roads, Public Works and Transport	130.58	983.81	32.36	214.71	19.34	147.71	59.8	68.8	14.8	15.0
Trade Regulations & Development	68.92	256.00	19.51	18	8.91	12.17	45.6	67.6	12.9	4.8
Culture and Social Services	82.74	253.00	25.89	34	25.22	-	97.4	-	30.5	-
Kisii Town	69.39	44.00	17.28	5	20.64	-	119.4	-	29.7	-
TOTAL	**6,103.97**	**3,952.04**	**1,533.56**	**545.44**	**1,327.80**	**229.56**	**86.6**	**42.1**	**21.8**	**5.8**

Source: *Kisii County Treasury*

Analysis of budget performance by department shows that the Department of Roads, Public Works and Transport attained the highest absorption of its annual development budget at 15.0 per cent. On the other hand, the Department of Culture and Social Services had the highest percentage of recurrent expenditure to annual recurrent budget at 30.5 per cent while the Department of Water and Environment had the lowest at 11.7 per cent.

3.16.144 Observations and Recommendations

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

i. Improvement in local revenue collection by 26.82 per cent from Kshs.57.79 million in the first quarter of FY 2015/16 to Kshs.73.29 in the reporting period.
ii. Timely submission of quarterly reports by the County Government entities in line with Section 166 of the PFM Act, 2012. The quarterly report for the reporting period was submitted on 14th October, 2016.

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

1. Spending of revenue at source in contravention of Section 109 (2) of the PFM Act, 2012. From analysis of bank statements and expenditure returns, the COB has noted that the Department of Health Services and the Department of Trade Regulations and Development did not bank all revenue receipts into the CRF account.
2. Failure to designate administrators for established county funds which include the County Assembly Mortgage and Car Loan Fund, County Bursary Fund, and County Emergency Fund. This contravenes Section 116 of the PFM Act, 2012.
3. A high wage bill that increased by 16.0 per cent from Kshs.959.42 million in the first quarter of FY 2015/16 to Kshs.1.11 billion in the period under review.

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

1. *The County should ensure all departments adhere to Section 109 (2) of the PFM Act, 2012 and bank all revenue receipts into the CRF account.*
2. *The County Treasury should designate an Administrator for the County Assembly Mortgage and Car Loan Fund, County Bursary Fund, and County Emergency Fund to ensure effective management and reporting in compliance with Section 116 of the PFM Act, 2012.*
3. *The County Public Service Board should establish an optimal staff structure in order to manage the wage bill.*

3.17 Kisumu County

3.17.145 Overview of the FY 2016/17 Budget

The County's FY 2016/17 Approved Budget was Kshs.8.47 billion, comprising of Kshs.5.93 billion (70.0 per cent) and Kshs.2.54 billion (30.0 per cent) allocations for recurrent and development expenditure resp ectively.

To finance the budget, the County expects to receive Kshs.6.13 billion (72.4 per cent) as equitable share of revenue raised nationally, Kshs.749.96 million (8.9 per cent) as total conditional grants and generate Kshs.1.58 billion (18.7 per cent) from local sources. The conditional grants comprise of Kshs.351.45 million (46.9 per cent) for Level 5 Hospital, Kshs.118.02 million (15.7 per cent) for Free Maternal Healthcare, Kshs.94.19 million (12.6 per cent) from the Road Maintenance Fuel Levy Fund, Kshs.95.74 million (12.8 per cent) for Leasing of Medical Equipment, Kshs.21.85 million (2.9 per cent) for User Fees Foregone, Kshs.8.29 million (1.1 per cent) as a grant from DANIDA, Kshs.30.42 million (4.1 per cent) from World Bank for Kenya Devolution

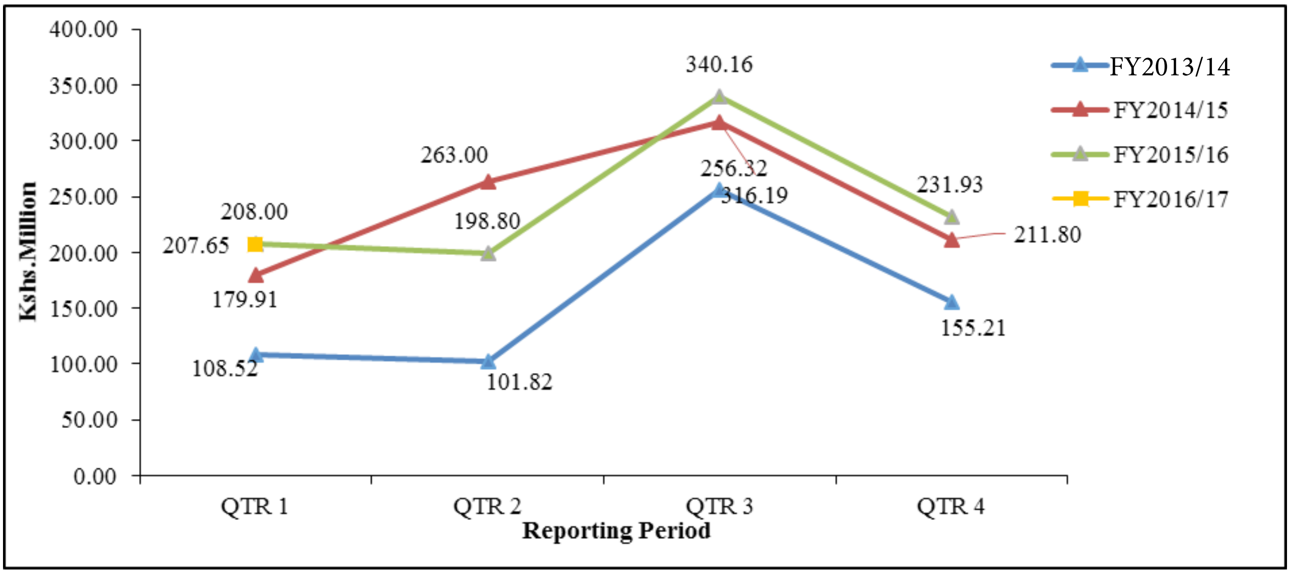
Support Programme (KSDP) grant and Kshs.30.0 million (4.0 per cent) as conditional grants from other loans and grants. The cash balance of Kshs.717.35 million from FY 2015/16 was not included in the budget, while the KSDP grant was not contained in the CARA, 2016.

3.17.146 Revenue Analysis

During the first quarter of FY 2016/17, the County received Kshs.1.04 billion as equitable share of the revenue raised nationally, Kshs.108.57 million as total conditional allocations, raised Kshs.207.65 million from local sources, and Kshs.717.35 million brought forward from FY 2015/16.

Figure 3.60 shows the quarterly trend in local revenue collection from the first quarter of FY 2013/14 to the first quarter of FY 2016/17.

Figure 3.60: Kisumu County, Trend in Local Revenue Collection by Quarter from the First Quarter from FY 2013/14 to the First Quarter FY 2016/17



Source: *Kisumu County Treasury*

The total local revenue collected in the first quarter of FY 2016/17 amounted to Kshs.207.65 million which is a marginal decrease compared to Kshs.208.00 million generated in a similar period of FY 2015/16. This revenue accounted for 13.1 per cent of the annual local revenue target.

Table 3.46 provides an analysis of the local revenue collected in the first quarter of FY 2016/17 by revenue stream.

Table 3.46: Kisumu County Analysis of Revenue Collected by Stream in the First Quarter of FY 2016/17

No	Revenue Stream	Annual Targeted Revenue (Kshs.)	First quarter, FY 2016/17 Actual Revenue	Actual Revenue as a percentage of Annual Target (%)
1	Vehicle Parking Fees	228,087,546	51,335,270	22.9
2	Public Health, Medical Levies & Fees	359,698,546	81,938,261	22.8
3	Levies from Agriculture, Livestock and Fisheries	20,000,000	4,011,384	20.1

No	Revenue Stream	Annual Targeted Revenue (Kshs.)	First quarter, FY 2016/17 Actual Revenue	Actual Revenue as a percentage of Annual Target (%)
4	Rental Income	40,000,000	7,704,850	19.3
5	Market Fees	113,000,000	20,244,300	17.9
6	Building Plans Approvals	52,000,000	6,983,820	13.4
7	Signboards and Advertisements	100,000,000	6,722,318	6.7
8	Single Business Permits	115,000,000	6,697,820	5.8
9	Liquor Licenses	30,570,293	1,226,375	4.0
10	Land Rates	256,433,380	8,532,166	3.3
11	Other revenue streams	270,197,354	12,254,014	4.5
TOTAL		**1,584,987,119**	**207,650,578**	**13.1**

Source: *Kisumu County Treasury*

Analysis of the local revenue performance by stream indicated that, Vehicles Parking Fees recorded the highest performance against annual target at 22.9 per cent. This was followed by Public Health, Medical Levies and Fees at 22.8 per cent, and Levies from Agriculture, Livestock and Fisheries at 20.1 per cent.

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

3.17.147 Conditional Grants

Table 3.47 shows an analysis of conditional grants received in the first quarter of FY 2016/17.

Table 3.47: Kisumu County Analysis of Conditional Grant Releases in the First Quarter of FY 2016/17

No.	Conditional Grant	Amount allocated as provided in CARA, 2016 (Kshs.)	First Quarter, FY 2016/17 Actual receipt of the Conditional Grant (Kshs.)	Actual receipts as a percentage of Annual Allocation (%)
1	Road Maintenance Fuel Levy Fund	94,189,837	23,547,459	25.0
2	Free Maternal Healthcare	118,015,691	25,272,500	21.4
3	Level 5 Hospitals	351,445,087	59,745,665	17.0
4	User Fees Foregone	21,854,292	-	0.0
5	DANIDA Grant	8,290,000	-	0.0
6	Leasing of Medical Equipment	95,744,681	-	0.0
7	Other Loans and Grants	30,000,000	-	0.0
Total		**718,739,588**	**108,565,624**	**15.1**

Source: *Kisumu County Treasury*

Analysis of the conditional grant releases for the period under review indicated that, the conditional grant from the Road Maintenance Fuel Levy Fund recorded highest receipt against annual target at 25.0 per cent, followed by the grant for Free Maternal Health Care at 21.4 per cent, and the grant to the Level 5 Hospital at 17.0 per cent. Other conditional grants did not record any receipt during the period under review.

3.17.148 Exchequer Issues

During the reporting period, the Controller of Budget authorised withdrawal of Kshs.2.03 billion from the CRF account, which was 24.0 per cent of the FY 2016/17 Approved Budget. This amount represented an increase of 21.6 per cent from Kshs.1.67 billion authorized in a similar period of FY 2015/16 and consisted of Kshs.1.48 billion (72.9 per cent) for recurrent expenditure and Kshs.549.81 million (27.1 per cent) for development activities.

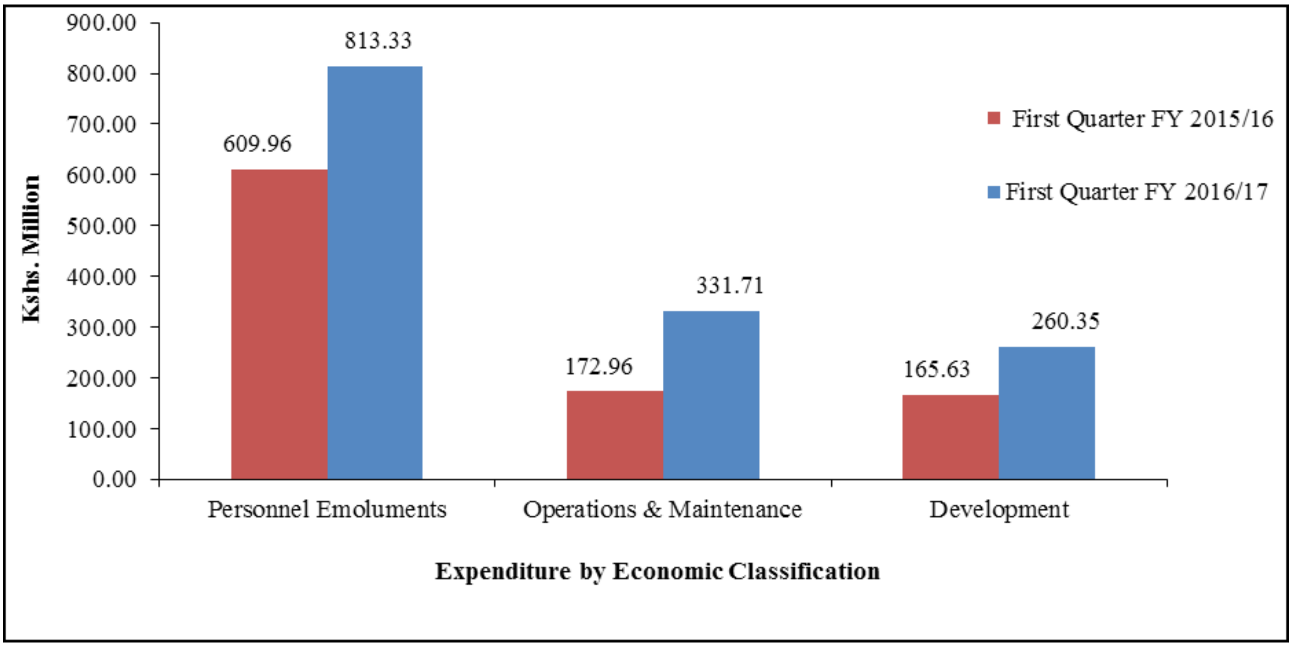
3.17.149 Overall Expenditure Review

The County spent Kshs.1.41 billion, which was 69.5 per cent of the total funds released for operations. This was an increase from Kshs.948.55 million spent in a similar period in FY 2015/16.

A total of Kshs.1.15 billion was spent on recurrent activities, while Kshs.260.35 million was spent on development activities. The recurrent expenditure was 77.7 per cent of the funds released for recurrent activities while development expenditure accounted for 47.4 per cent of the funds released for development activities. The expenditure excluded outstanding commitments as at 30th September, 2016 that amounted to Kshs.2.81 billion for development and Kshs.380.65 million for recurrent expenditure.

The recurrent expenditure represented 19.3 per cent of the annual recurrent budget, an increase from 13.7 per cent spent in a similar period of FY 2015/16. Development expenditure recorded an absorption rate of 10.3 per cent, which was an increase from 4.2 per cent attained in a similar period of FY 2015/16. Figure 3.61 presents a comparison between total expenditure in the first quarter of FY 2016/17 and the first quarter of FY 2015/16.

Figure 3.61: Kisumu County, Expenditure by Economic Classification for FY 2016/17 and FY 2015/16



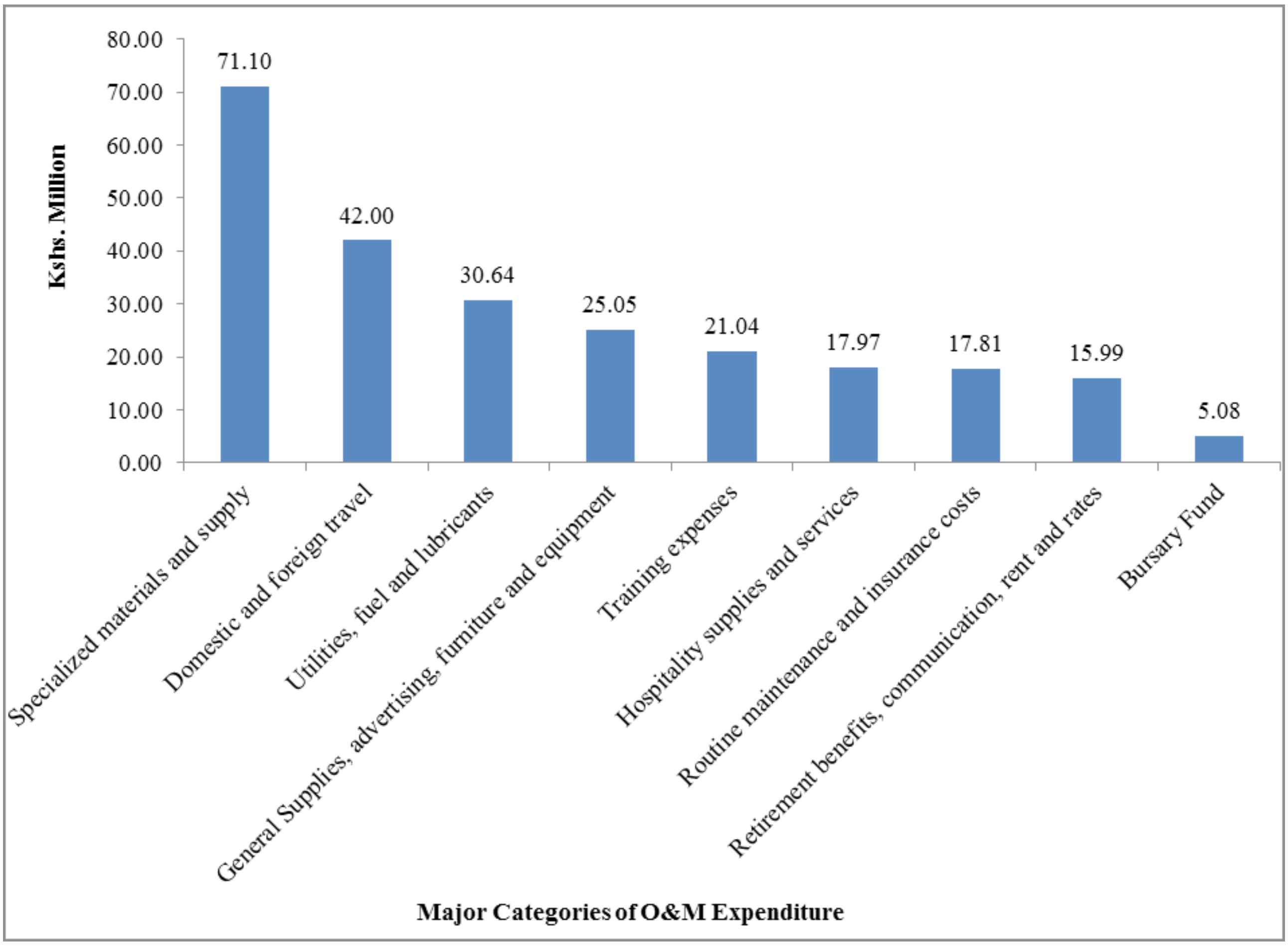
Source: *Kisumu County Treasury*

3.17.150 Analysis of Recurrent Expenditure

The total recurrent expenditure of Kshs.1.15 billion consisted of Kshs.813.33 million (71.0 per cent) spent on personnel emoluments and Kshs.331.71 million (29.0 per cent) on operations and maintenance as shown in Figure 3.61. Expenditure on personnel emoluments represented an increase of 33.3 per cent compared to a similar period in FY 2015/16 when the County spent Kshs.609.96 million.

Figure 3.62 shows a summary of the operations and maintenance expenditure by major categories.

Figure 3.62: Kisumu County, Operations and Maintenance Expenditure for First Quarter of FY 2016/17



Source: *Kisumu County Treasury*

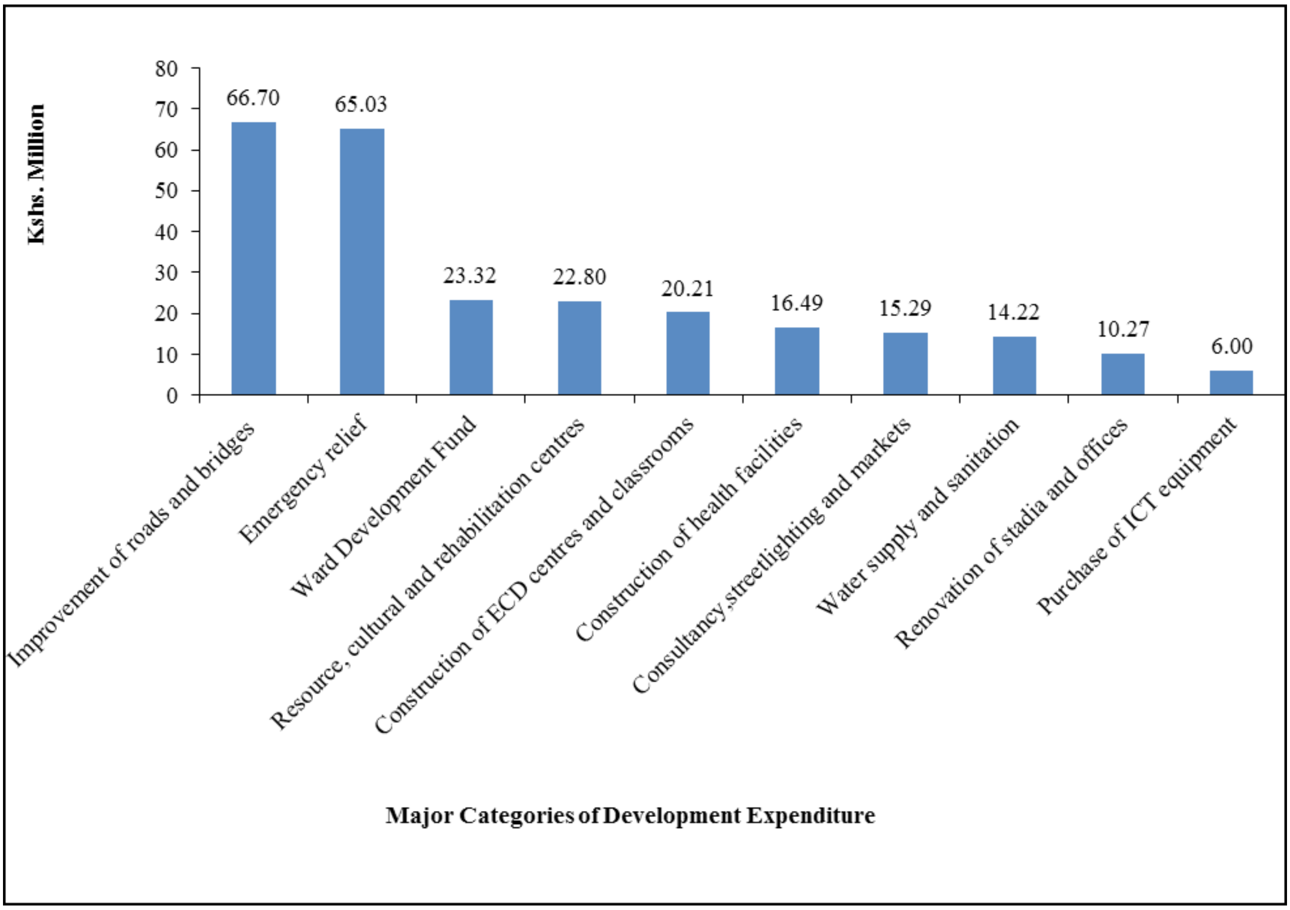
The County spent Kshs.14.25 million on sitting allowances to the 49 MCAs and the Speaker against the annual budget allocation of Kshs.86.05 million. This was a decrease compared to Kshs.18.69 million spent in a similar period of FY 2015/16. The average monthly sitting allowance was Kshs.94,977 compared to SRC's recommended monthly ceiling of Kshs.124,800.

Expenditure on domestic and foreign travel amounted to Kshs.42.00 million compared to Kshs.17.94 million spent in a similar period of FY 2015/16, representing an increase of 134.1 per cent.

3.17.151 Development Expenditure Analysis

The total development expenditure of Kshs.260.35 million represented 10.3 per cent of the annual development budget of Kshs.2.54 billion. Figure 3.63 provides a summary of development expenditure during the period under review.

Figure 3.63: Kisumu County, Summary of Development Expenditure for the First Quarter of FY 2016/17



Source: *Kisumu County Treasury*

Analysis of the development expenditure by category indicated that, the highest expenditure of Kshs.188.62 million was incurred by the Finance and Economic Planning Department and consisted of Kshs.165.30 million incurred on payment of pending bills, and Kshs.23.32 million incurred on the Ward Development Fund. The pending bills included Kshs.66.70 million for improvement of roads and bridges, Kshs.22.80 million for construction of resource, cultural and rehabilitation centres, and Kshs.20.21 million for construction of ECD centres and classrooms.

The second highest expenditure of Kshs.65.03 million was incurred by the Office of the Governor and County Administration on emergency relief services and included Kshs.36.23 million spent on desiltation of rivers. The Department of Communication and Information Technology incurred Kshs.6.00 million on purchase of computers, communication devices and other equipment while the Education, Youth, Culture and Social Development Department spent Kshs.0.69 million out of the Women Youth and People with Disability Fund.

3.17.152 Budget and Budget Performance Analysis by Department

Table 3.48 shows a summary of first quarter FY 2016/17 budget estimates and budget performance by department.

Table 3.48: Kisumu County, Budget Performance by Department in the First Quarter of FY 2016/17

Department	Budget Allocation (Kshs. Million)		First quarter FY 2016/17 Exchequer Issues (Kshs. Million)		First quarter FY 2016/17 Expenditure (Kshs. Million)		First quarter FY 2016/17 Expenditure to Exchequer Issues (%)		First quarter FY 2016/17 Absorption rate (%)	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
Office of the Governor and County Administration	417.85	127.50	109.73	49.58	434.20	65.03	200.8	131.2	103.9	51.0
Finance and Economic Planning	590.40	485.93	138.10	167.32	96.95	188.62	70.2	112.7	16.4	38.8
Health	2,245.35	222.87	547.53	49.22	423.42	0.00	77.3	0.0	18.9	0.0
Water, Environment & Natural Resources	157.38	250.00	39.47	44.74	19.84	0.00	50.2	0.0	12.6	0.0
County Assembly	654.62		158.81	0.00	92.11	0.00	58.0		14.1	
Industrialization, Enterprise Development, Energy & Mining	120.93	272.00	30.38	45.95	9.34	0.00	30.7	0.0	7.7	0.0
Education, Youth, Culture & Social Development	378.45	146.25	100.09	27.00	33.00	0.69	33.0	2.6	8.7	0.5
Roads, Transport & Public Works	119.35	300.00	31.33	94.00	8.66	0.00	27.6	0.0	7.3	0.0
Land, Housing & Physical Planning	30.04	156.40	7.34	15.00	1.91	0.00	26.0	0.0	6.4	0.0
Communication & Information Technology	65.12	127.50	15.29	5.00	4.05	6.00	26.5	120.0	6.2	4.7
County Public Service Board	47.15		11.59	0.00	1.79	0.00	15.4		3.8	
Commerce, Tourism & Heritage	76.76	178.93	21.87	23.50	2.30	0.00	10.5	0.0	3.0	0.0
Agriculture, Livestock & Fisheries	272.50	170.00	71.28	16.50	6.71	0.00	9.4	0.0	2.5	0.0
City of Kisumu	749.46	102.38	195.39	12.00	10.76	0.00	5.5	0.0	1.4	0.0
TOTAL	**5,925.35**	**2,539.75**	**1,478.21**	**549.81**	**1,145.04**	**260.34**	**77.5**	**47.4**	**19.3**	**10.3**

Source: *Kisumu County Treasury*

Analysis of budget performance by department shows that the Office of the Governor and County Administration department attained the highest absorption of development budget at 51.0 per cent, followed by the Finance and Economic Planning Department at 38.8 per cent, the Communication and Information Technology Department at 4.7 per cent, and the Education, Youth, Culture and Social Development Department at 0.5 per cent while all other departments did not incur any development expenditure. On the other hand, the Office of the Governor and County Administration Department's recurrent expenditure surpassed its recurrent budget by 3.9 per cent arising from use of below the line IFMIS codes to pay personnel emoluments in disregard to appropriation ceilings while the City of Kisumu Department had the lowest at 1.4 per cent.

3.17.153 Observations and Recommendations

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

i. Improvement in absorption of development budget. In the reporting period, the County attained an absorption rate of 10.3 per cent compared to 4.2 per cent in a similar period FY 2015/16.
ii. The County has established a County Budget and Economic Forum in line with Section 137 of the PFM Act, 2012.

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

1. Delay in disbursement of the equitable share of revenue raised nationally and conditional grants for Level 5 Hospital by the National Treasury. As at the end of the reporting period, Kshs.1.10 billion had been disbursed against an expected disbursement of Kshs.1.62 billion.
2. From analysis of bank statements and expenditure reports, the COB noted that the County made cheque payments from bank accounts maintained in commercial banks. This contravenes Government Policy which requires all payments by government entities to be made online through the Internet Banking platform.

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

1. *The County Treasury should liaise with the National Treasury to ensure that funds allocated to the County are released in a timely manner in line with the CARA, 2016 Disbursement Schedule.*
2. *All payments should be made on the prescribed Internet Banking platform managed by the Central Bank of Kenya.*

3.18 Kitui County

3.18.154 Overview of the FY 2016/17 Budget

The County's FY 2016/17 Approved Budget was Kshs.10.47 billion, comprising of Kshs.5.59 billion (53.5 per cent) and Kshs.4.87 billion (46.5 per cent) allocations for recurrent and development expenditure respectively.

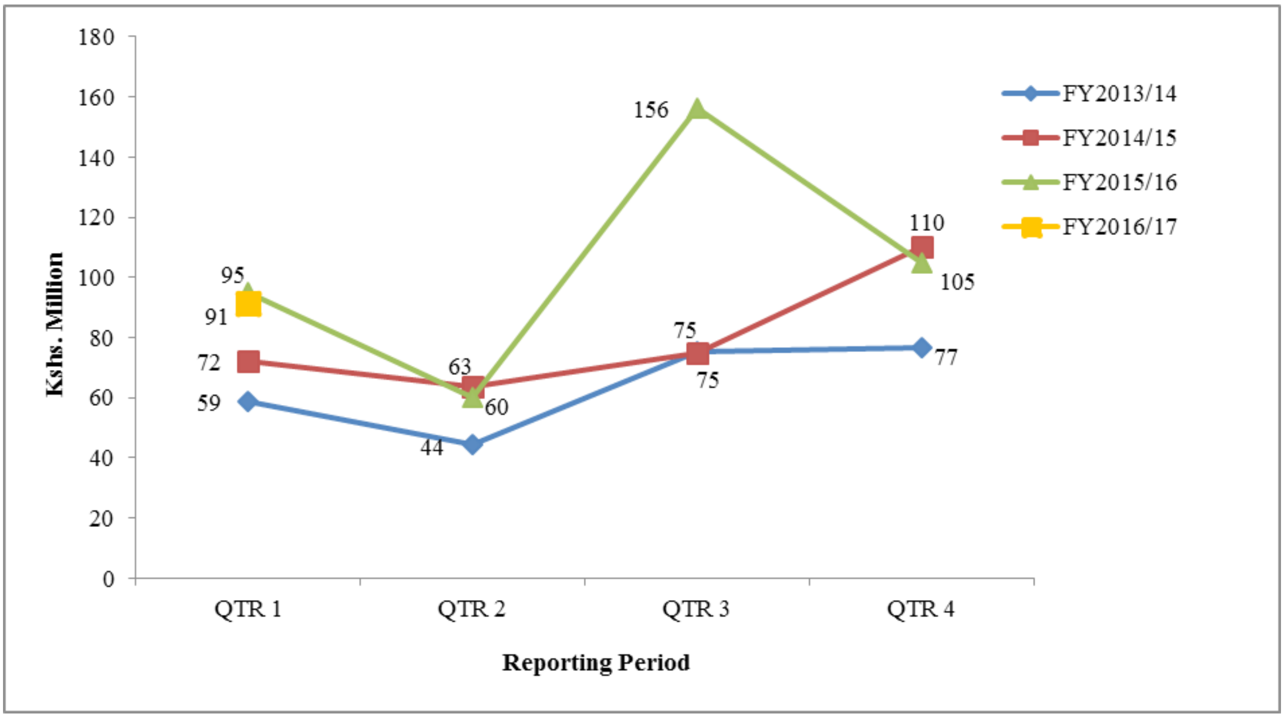
To finance the budget, the County expects to receive Kshs.7.84 billion (74.9 per cent) as equitable share of revenue raised nationally, Kshs.382.74 million (3.7 per cent) as total conditional grants, generate Kshs.668.80 million (6.4 per cent) from local sources, and Kshs.1.57 billion (15.0 per cent) cash balance from FY 2015/16. The conditional grants comprise of Kshs.54.37 million (14.2 per cent) for Free Maternal Healthcare, Kshs.120.48 million (31.5 per cent) from the Road Maintenance Fuel Levy Fund, Kshs.23.14 million (6.0 per cent) for User Fees Foregone, Kshs.131.53 million (34.4 per cent) World Bank loan, Kshs.18.50 million (4.8 per cent) as a grant from DANIDA and Kshs.34.72 million (9.1 per cent) as loans from World Bank (Kenya Devolution Support Programme).

3.18.155 Revenue Analysis

During the first quarter of FY 2016/17, the County received Kshs.1.33 billion as equitable share of the revenue raised nationally, Kshs.40.68 million as total conditional allocations, raised Kshs.91.25 million from local sources, and Kshs.1.96 billion brought forward from FY 2015/16.

Figure 3.64 shows the quarterly trend in local revenue collection from the first quarter of FY 2013/14 to the first quarter of FY 2016/17.

Figure 3.64: Kitui County, Trend in Local Revenue Collection by Quarter from FY 2013/14 to FY 2016/17



Source: *Kitui County Treasury*

The total local revenue collected in the first quarter of FY 2016/17 amounted to Kshs.91.25 million which is a decrease compared to Kshs.94.84 million generated in a similar period of FY 2015/16. This revenue accounted for 13.6 per cent of the annual local revenue target.

Table 3.49 provides an analysis of the local revenue collected in the first quarter of FY 2016/17 by revenue stream.

Table 3.49: Kitui County Analysis of Revenue Collected by Stream in the First Quarter of FY 2016/17

No	Revenue Stream	Annual Targeted Revenue (Kshs.)	First quarter, FY 2016/17 Actual Revenue	Actual Revenue as a percentage of Annual Target (%)
1	Direct (un-reconciled) Deposits	-	27,794,579	-
2	Show Entry Fee	-	2,769,380	-
3	Agricultural Machinery and Workshop Services	9,660,000	1,810,190	18.7
4	Cess	83,845,451	15,524,520	18.5

No	Revenue Stream	Annual Targeted Revenue (Kshs.)	First quarter, FY 2016/17 Actual Revenue	Actual Revenue as a percentage of Annual Target (%)
5	Single Business Permits	35,125,782	6,484,440	18.5
6	Market Fees	74,244,349	11,182,315	15.1
7	Enclosed Parking	27,629,070	2,620,555	9.5
8	Street Parking	26,267,850	2,027,060	7.7
9	Land Rates	48,099,839	3,163,055	6.6
10	Alcoholic Drinks License	104,963,830	3,975,000	3.8
11	Other Streams	258,962,830.49	13,895,493	5.4
TOTAL		**668,799,001.49**	**91,246,587**	**13.6**

Source: *Kitui County Treasury*

Analysis of the local revenue performance by stream indicated that, direct (un-reconciled) deposits recorded the highest collection of Kshs.27.79 million. Direct (un-reconciled) deposits are funds deposited in the revenue collection account but have not been accounted for into the respective revenue streams. Agricultural Machinery and Workshop services recorded the highest performance against annual target at 18.7 per cent. This was followed by Cess and Single Business Permits each at 18.5 per cent.

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

3.18.156 Conditional Grants

Table 3.50 shows an analysis of conditional grants received in the first quarter of FY 2016/17.

Table 3.50: Kitui County Analysis of Conditional Grant Releases in the First Quarter of FY 2016/17

No.	Conditional Grant	Amount allocated as provided in CARA, 2016 (Kshs.)	First Quarter, FY 2016/17 Actual receipt of the Conditional Grant (Kshs.)	Actual receipts as a percentage of Annual Allocation (%)
1	Road Maintenance Fuel Levy Fund	120,484,293	30,121,073	25.0
2	Free Maternal Health Care	54,367,434	10,560,000	19.4
3	User Fees Foregone	23,144,997	-	-
4	DANIDA Grant	18,495,000	-	-
5	World Bank Loan	131,525,244	-	-
6	Kitui Devolution Support Programme (*Not in CARA,2016)*	34,721,395	-	-
Total		**382,738,363**	**40,681,073**	**10.6**

Source: *Kitui County Treasury*

Analysis of the conditional grant releases for the period under review indicated that the conditional grant from the Road Maintenance Fuel Levy Fund recorded the highest receipt against annual target at 25.0 per cent. This was followed by releases towards the Free Maternal Health Care at 19.4 per cent.

3.18.157 Exchequer Issues

During the reporting period, the Controller of Budget authorised withdrawal of Kshs.2.06 billion from the CRF account, which was 19.7 per cent of the FY 2016/17 Approved Budget. This amount represented an increase of 11.3 per cent from Kshs1.85 billion authorized in a similar period of FY 2015/16 and consisted of Kshs.1.14 billion (55.1 per cent) for recurrent expenditure and Kshs.924.37million (44.9 per cent) for development activities.

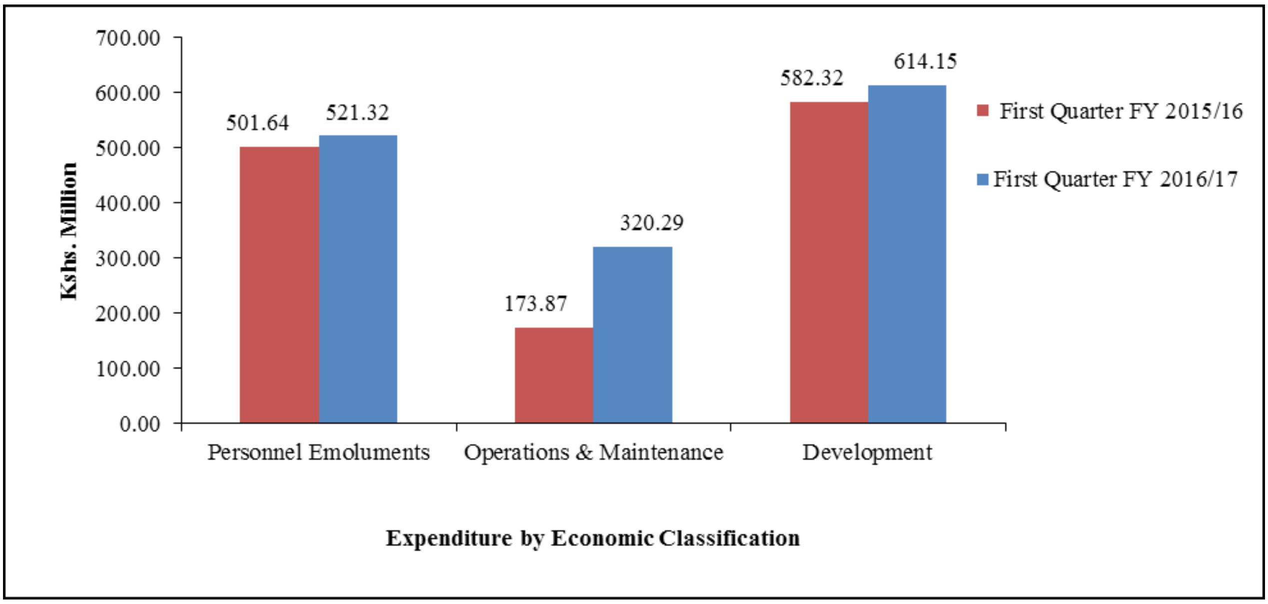
3.18.158 Overall Expenditure Review

The County spent Kshs.1.46 billion, which was 70.7 per cent of the total funds released for operations. This was an increase of 15.6 per cent from Kshs.1.26 billion spent in a similar period in FY 2015/16.

A total of Kshs.841.61 million was spent on recurrent activities, while Kshs.614.15 million was spent on development activities. The recurrent expenditure was 74.1 per cent of the funds released for recurrent activities while development expenditure accounted for 66.4 per cent of the funds released for development activities. The expenditure excluded outstanding commitments as at 30th September, 2016 that amounted to Kshs.241.12 million for development and Kshs.113.74 million for recurrent expenditure.

The recurrent expenditure represented 15.0 per cent of the annual recurrent budget, an increase from 14.4 per cent spent in a similar period in FY 2015/16. Development expenditure recorded an absorption rate of 12.6 per cent, which was an increase from 10.7 per cent attained in a similar period of FY 2015/16. Figure 3.65 presents a comparison between total expenditure in the first quarter of FY 2016/17 and the first quarter of FY 2015/16.

Figure 3.65: Kitui County, Expenditure by Economic Classification for FY 2016/17 and FY 2015/16



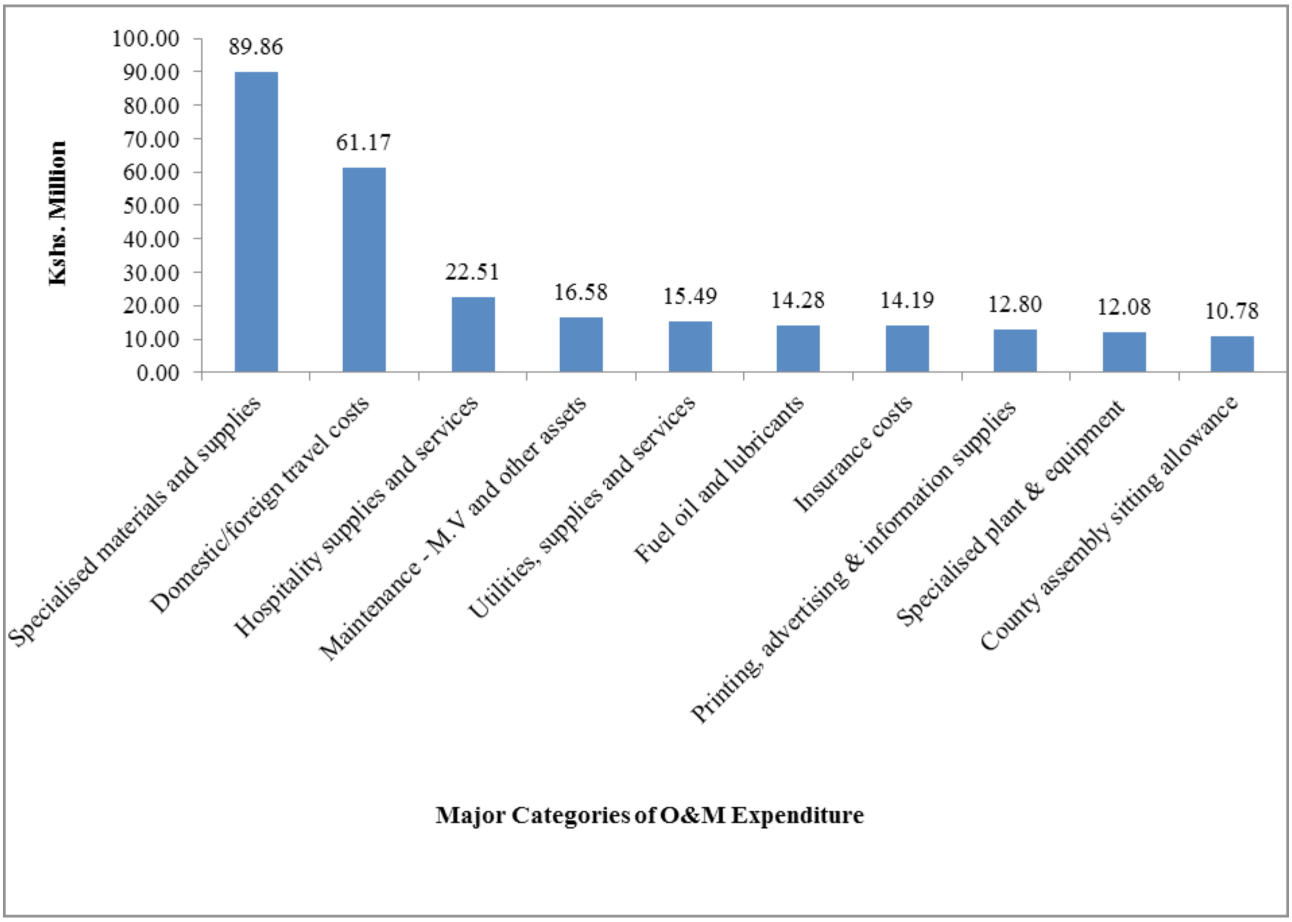
Source:*Kitui County Treasury*

3.18.159 Analysis of Recurrent Expenditure

The recurrent expenditure of Kshs.841.61 million consists of Kshs.521.32 million (61.9 per cent) spent on personnel emoluments and Kshs.320.29 million (38.1 per cent) on operations and maintenance as shown in Figure 3.65. Expenditure on personnel emoluments represented an increase of 3.9 per cent compared to a similar period in FY 2015/16 when the County spent Kshs.501.64 million.

Figure 3.66 shows a summary of the operations and maintenance expenditure by major categories.

Figure 3.66: Kitui County, Operations and Maintenance Expenditure for First Quarter of FY 2016/17



Source: *Kitui County Treasury*

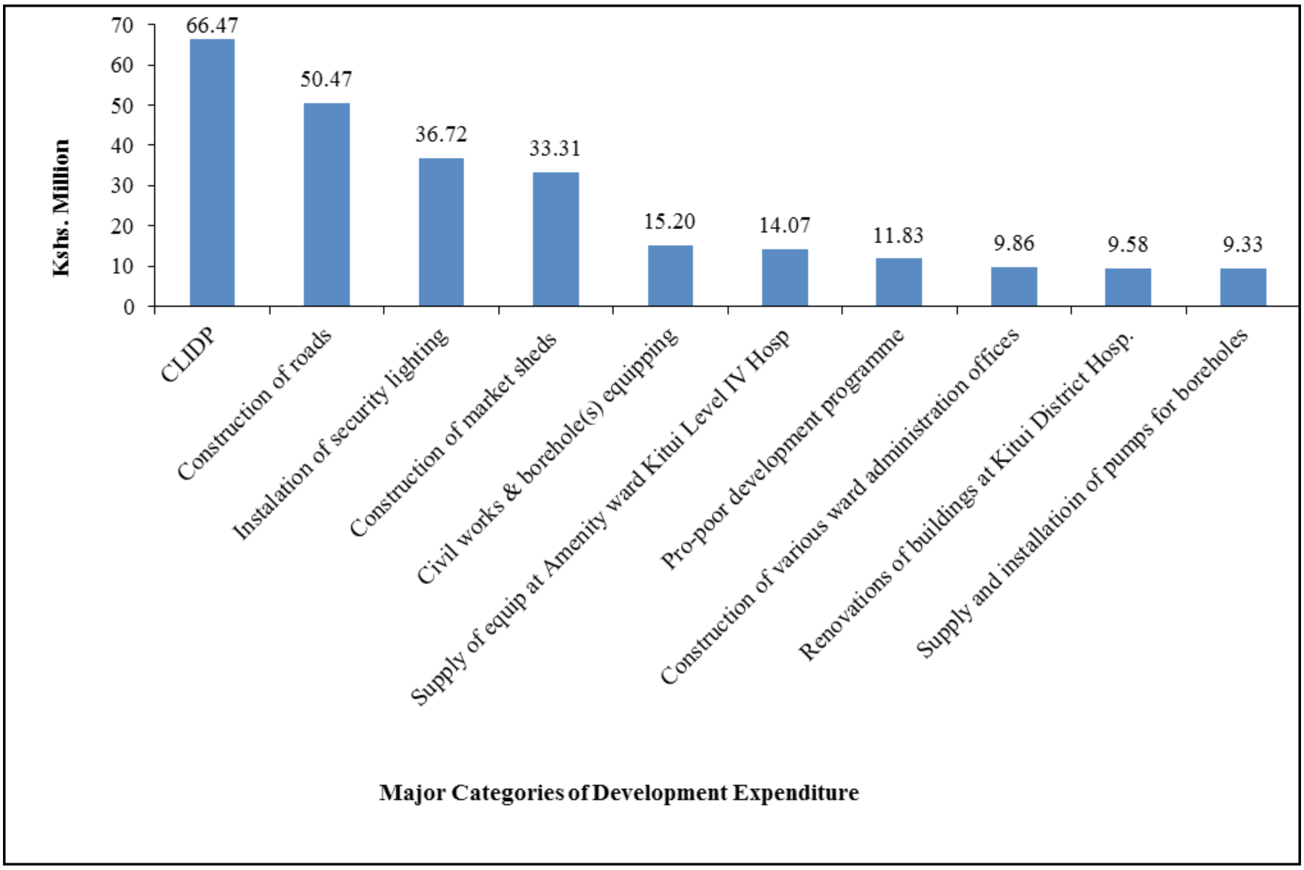
The County spent Kshs.10.78 million on sitting allowances to the 57 MCAs and the Speaker against the annual budget allocation of Kshs.69.64 million. This was a decrease compared to Kshs.11.30 million spent in a similar period of FY 2015/16. The average monthly sitting allowance was Kshs.63,021 compared to SRC's recommended monthly ceiling of Kshs.124,800.

Expenditure on domestic and foreign travel amounted to Kshs.61.17 million compared to Kshs.54.78 million spent in a similar period of FY 2015/16, representing an increase of 11.7 per cent. Expenditure on specialized materials and supplies amounted to Kshs.89.86 million. The three major components of specialised materials and supplies were; purchase of dressings & other non-pharmaceutical medical items (Kshs.58.50 million), purchase of medical drugs (Kshs.24.95 million) and purchase of beddings and linen (Kshs.4.63 million).

3.18.160 Development Expenditure Analysis

The total development expenditure of Kshs.614.15 million represented an absorption rate of 12.6 per cent of the annual development budget of Kshs.4.87 billion. Figure 3.67 provides a summary of development expenditure during the period under review.

Figure 3.67:Kitui County, Summary of Development Expenditure for the First Quarter of FY 2016/17



Source: *Kitui County Treasury*

Analysis of the development expenditure by category indicated that, the highest expenditure of Kshs.66.47 million was incurred by the Office of the Governor to run several projects under Community Level Infrastructure Development Programme (CLIDP). The second highest expenditure of Kshs.50.47 million was incurred by the Lands, Infrastructure and Urban Development Department on construction of access roads within the County. The Department of Environment, Energy and Mineral Resources incurred Kshs.36.72 million on installation of solar powered security.

3.18.161 Budget and Budget Performance Analysis by Department

Table 3.51 shows a summary of first quarter FY 2016/17 budget estimates and budget performance by department.

Table 3.51: Kitui County, Budget Performance by Department in the First Quarter of FY 2016/17

Department	Budget Allocation (Kshs. Million)		First quarter FY 2016/17 Exchequer Issues (Kshs. Million)		First quarter FY 2016/17 Expenditure(Kshs. Million)		First quarter FY 2016/17 Expenditure to Exchequer Issues (%)		First quarter FY 2016/17 Absorption rate (%)	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
Office Of The Governor	544.81	889.29	87.78	-	79.16	78.31	90.2	∞	14.5	8.8
Administration & Coordination	494.99	151.83	107.79	12.95	37.19	0.16	34.5	1.2	7.5	0.1
Agriculture, Water & Irrigation	425.88	702.19	97.06	6.97	68.66	101.00	70.7	1,449.4	16.1	14.4
Basic Education, Training, & Skills Development	380.57	405.15	92.09	98.66	86.28	8.32	93.7	8.4	22.7	2.1
Land, Infrastructure & Urban Development	270.86	639.43	53.40	269.58	46.23	146.99	86.6	54.5	17.1	23.0
Health & Sanitation	1,774.82	542.03	377.80	126.20	299.43	80.35	79.3	63.7	16.9	14.8
Trade, Industry & Cooperatives	75.50	225.61	17.20	16.73	11.51	63.94	66.9	382.1	15.2	28.3
Culture, Youth, Sports & Social Services	66.24	183.24	13.41	42.28	5.62	19.16	41.9	45.3	8.5	10.5
Environment, Energy & Minerals Investment Development	45.18	279.43	8.72	81.87	10.06	56.94	115.3	69.5	22.3	20.4
Natural Resources & Tourism	58.22	104.66	13.11	30.08	11.75	9.75	89.7	32.4	20.2	9.3
Finance & Economic Planning	516.24	102.81	78.59	-	45.66	-	58.1	-	8.8	-
County Public Service Board	64.71	-	12.67	-	10.03	-	79.2	-	15.5	-
County Assembly	729.13	185.38	142.46	72.75	115.95	20.74	81.4	28.5	15.9	11.2
Kitui Town Administration	88.22	350.02	20.42	122.14	7.10	3.75	34.8	3.1	8.1	1.1
TOTAL	**5,594.90**	**4,871.57**	**1,135.24**	**924.37**	**841.61**	**614.15**	**74.1**	**66.4**	**15.0**	**12.6**

Source: *Kitui County Treasury*

Analysis of budget performance by department shows that the Department of Trade, Industry and Cooperatives attained the highest absorption of development budget at 28.3 per cent while the Finance and Economic Planning Department did not incur any development expenditure. On the other hand, the Department of Basic Education, Training, & Skills Development had the highest percentage of recurrent expenditure to recurrent budget at 22.7 per cent while the Administration & Coordination Department had the lowest at 7.5 per cent.

3.18.162 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. The County Treasury has developed a budget calendar for FY 2017/18 MTEF Budget Process that has considered the election period in year 2017 by setting out guidelines to ensure the budget estimates are approved on or before 31st March 2017.

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

1. The development budget included some expenditure items that are recurrent in nature, such as; scholarship and other educational benefits.
2. The COB has noted, from the analysis of imprest bank statements that a substantial amount of funds (Kshs.222.48 million) was transferred to the imprest account. This is an indication that significant payments were paid through the imprest account.

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

1. *The County Treasury should properly classify expenditure items in line with the Government Financial Statistics (GFS) classification.*
2. *The County Treasury should ensure that payments are made through the internet banking platform managed by the Central Bank of Kenya.*

3.19 Kwale County

3.19.163 Overview of the FY 2016/17 Budget

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

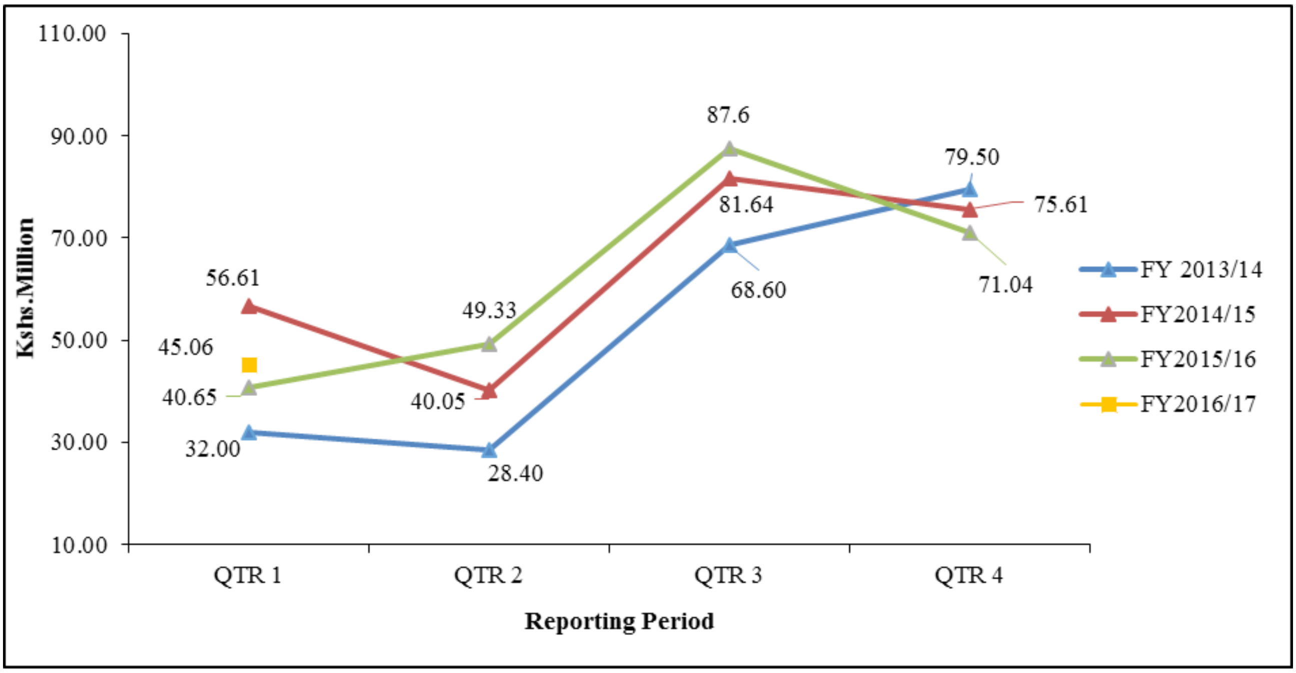
To finance the budget, the County expects to receive Kshs.5.53 billion (68.0 per cent) as equitable share of revenue raised nationally, generate Kshs.330 million (4.1 per cent) from local sources, a total of Kshs.433.4 million (5.3 per cent) as conditional grants, and Kshs.1.84 billion (22.6 per cent) cash balance from FY 2015/16. The Conditional grants comprises of Kshs.119.39 million (27.5 per cent) for Free Maternal Health Care, Kshs.84.98 million (19.6 per cent) for Roads Maintenance Fuel Levy Fund, Kshs.95.74 million (22.1 per cent) for Leasing Medical Equipment, Kshs.28.91 million (6.7 per cent) for World Bank Capacity Building and Performance, Kshs.15.40 million (3.6 per cent) for User Fees Foregone, Kshs.6.81 million (1.6 per cent) as a grant from DANIDA and Kshs.82.17 million (19.0 per cent) as conditional grants from other loans and grants.

3.19.164 Revenue Analysis

During the first quarter of FY 2016/17, the County received Kshs.940.21 million as equitable share of the revenue raised nationally, Kshs.37.47 million as total conditional allocations, raised Kshs.45.06 million from local sources, and Kshs.1.04 billion brought forward from FY 2015/16.

Figure 3.68 shows the quarterly trend in local revenue collection from the first quarter of FY 2013/14 to the first quarter of FY 2016/17.

Figure 3.68: Kwale County, Trend in Local Revenue Collection by Quarter from First Quarter FY 2013/14 to First Quarter FY 2016/17



Source: *Kwale County Treasury*

The total local revenue collected in the first quarter of FY 2016/17 amounted to Kshs.45.06 million which was an increase of 10.8 per cent compared to Kshs.40.65 million generated in a similar period of FY 2015/16. This revenue accounted for 13.7 per cent of the annual local revenue target.

Table 3.52 provides an analysis of the local revenue collected in the first quarter of FY 2016/17 by revenue stream.

Table 3.52: Kwale County Analysis of Revenue Collected by Stream in the First Quarter of FY 2016/17

No	Revenue Stream	Annual Targeted Revenue (Kshs.)	First quarter, FY 2016/17 Actual Revenue	Actual Revenue as a percentage of Annual Target (%)
1	Advertisement	11,117,345	3,644,250	32.8
2	Slaughter	1,124,439	298,830	26.6
3	Royalties	19,975,608	5,291,315	26.5
4	Land Rates	104,686,022	10,817,523	10.3
5	Cess	11,215,593	2,580,729	23.0
6	Parking Fees	17,289,396	2,398,150	13.9
7	Miscellaneous	3,046,486	383,928	12.6
8	Tourist Charges	3,097,264	764,975	24.7
9	Auction Fees	6,518,537	1,602,895	24.6
10	Market Fees	4,891,160	1,168,300	23.9
11	Transit Goods	6,793,528	1,617,120	23.8
12	House and Stalls Rent	4,817,100	981,400	20.4

No	Revenue Stream	Annual Targeted Revenue (Kshs.)	First quarter, FY 2016/17 Actual Revenue	Actual Revenue as a percentage of Annual Target (%)
13	Land Revenue	2,224,468	436,200	19.6
14	Revenue from Hospital	46,883,745	7,847,310	16.7
15	Garbage Fees	4,069,833	735,300	18.1
16	Revenue from Agriculture Livestock and fisheries	4,527,077	781,948	17.3
17	Single Business Permit	66,519,014	2,626,904	3.9
18	Revenue from Trade and Co-operative	900,000	97,000	10.8
19	Public health and Sanitation	5,254,464	523,700	10.0
20	Building Plan Approval	5,048,921	459,874	9.1
	LOCAL REVENUE	**330,000,000**	**45,057,651**	**13.7**

Source: *Kwale County Treasury*

Analysis of the local revenue performance by stream indicated that, Advertisement Licenses recorded the highest performance against annual target at 32.8 per cent. This was followed by Slaughter Fees at 26.6 per cent, and Royalties at 26.5 per cent.

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

3.19.165 Conditional Grants

Table 3.53 shows an analysis of conditional grants received in the first quarter of FY 2016/17.

Table 3.53: Kwale County Analysis of Conditional Grant Releases in the First Quarter of FY 2016/17

No.	Conditional Grant	Amount allocated as provided in CARA, 2016 (Kshs.)	First Quarter, FY 2016/17 Actual receipt of the Conditional Grant (Kshs.)	Actual receipts as a percentage of Annual Allocation (%)
1	Road Maintenance Fuel Levy Fund	84,979,062.00	21,244,765.00	25.0
2	Free Maternal Health Care	119,385,662.00	16,222,500.00	13.6
3	User Fees Foregone	15,397,611.00	0	0
4	Leasing of Medical Equipment	95,744,681.00	0	0
5	DANIDA Grant	6,810,000.00	0	0
6	World Bank (WB) Loan to Supplement Financing of Health Facilities (Capacity Building & Performance)	28,911,337.61	0	0
7	Other- (WB) Kenya Grant on Devolution Support program – Not contained in CARA, 2016	82,166,289.00	0	0
Total		**433,394,642.61**	**37,467,265**	**4.83**

Source: *Kwale County Treasury*

The grant from the Road Maintenance Fuel Levy Fund received the highest allocation of Kshs.21.24 million (25.0 per cent of the annual allocation). This was followed by the grant for Free Maternity Health Care at 13.6 per cent of its annual allocation. The County Treasury did not report receipts from the other grant categories during the reporting period.

3.19.166 Exchequer Issues

During the reporting period, the Controller of Budget authorised withdrawal of Kshs.1.84 billion from the CRF account, which was 22.6 per cent of the FY 2016/17 Approved Budget. This amount represented an increase of 52.0 per cent from Kshs.1.21billion authorized in a similar period of FY 2015/16 and consisted of Kshs.983.85 million (53.6 per cent) for recurrent expenditure and Kshs.852.92 million (46.4 per cent) for development activities.

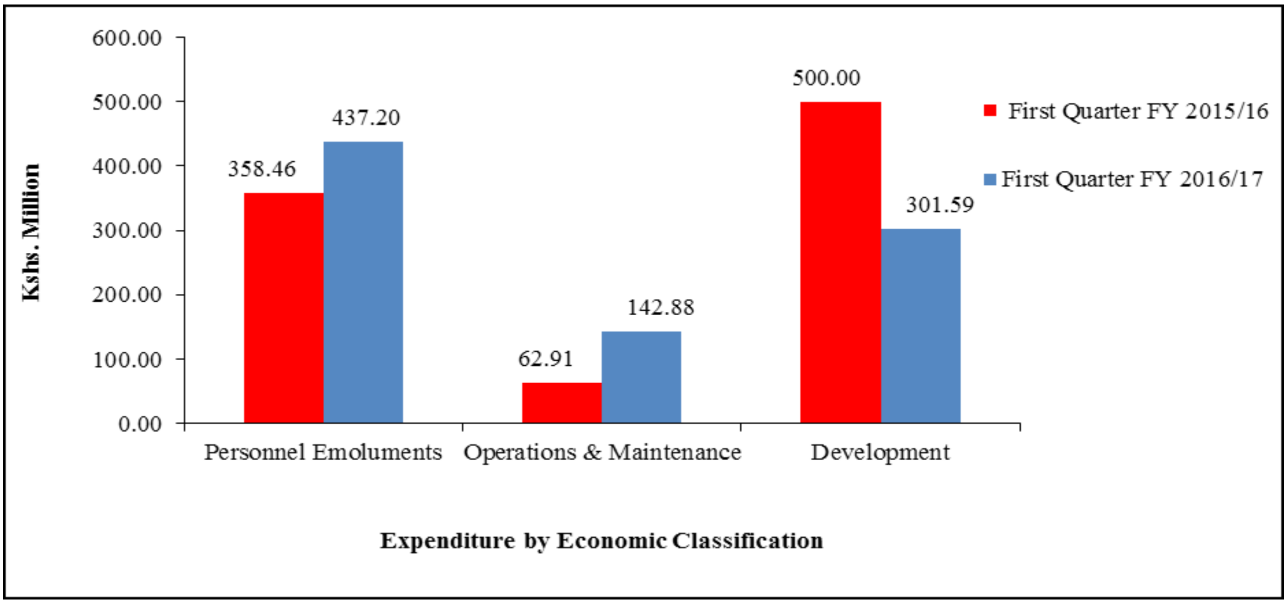
3.19.167 Overall Expenditure Review

The County spent Kshs.881.67 million, which was 48 per cent of the total funds released for operations. This was a decrease of 4.3 per cent from Kshs.921.34 million (43 per cent) spent in a similar period in FY 2015/16.

A total of Kshs.580.08 million (65.8 per cent) was spent on recurrent activities, while Kshs.301.59 million (34.2 per cent) was spent on development activities. The recurrent expenditure was 59.0 per cent of the funds released for recurrent activities while development expenditure accounted for 35.4 per cent of the funds released for development activities. The expenditure excluded outstanding commitments as at 30th September, 2016 that amounted to Kshs.1.15billion for development and Kshs.33.01 million for recurrent expenditure.

The recurrent expenditure represented 19.1 per cent of the annual recurrent budget, an increase from 15.0 per cent spent in a similar period of FY 2015/16. Development expenditure recorded an absorption rate of 5.9 per cent, which was a decrease from 10.4 per cent attained in a similar period of FY 2015/16. Figure 3.69 presents a comparison between total expenditure in the first quarter of FY 2016/17 and the first quarter of FY 2015/16.

Figure 3.69: Kwale County, Expenditure by Economic Classification for the first quarter FY 2015/16 and first quarter FY 2016/17



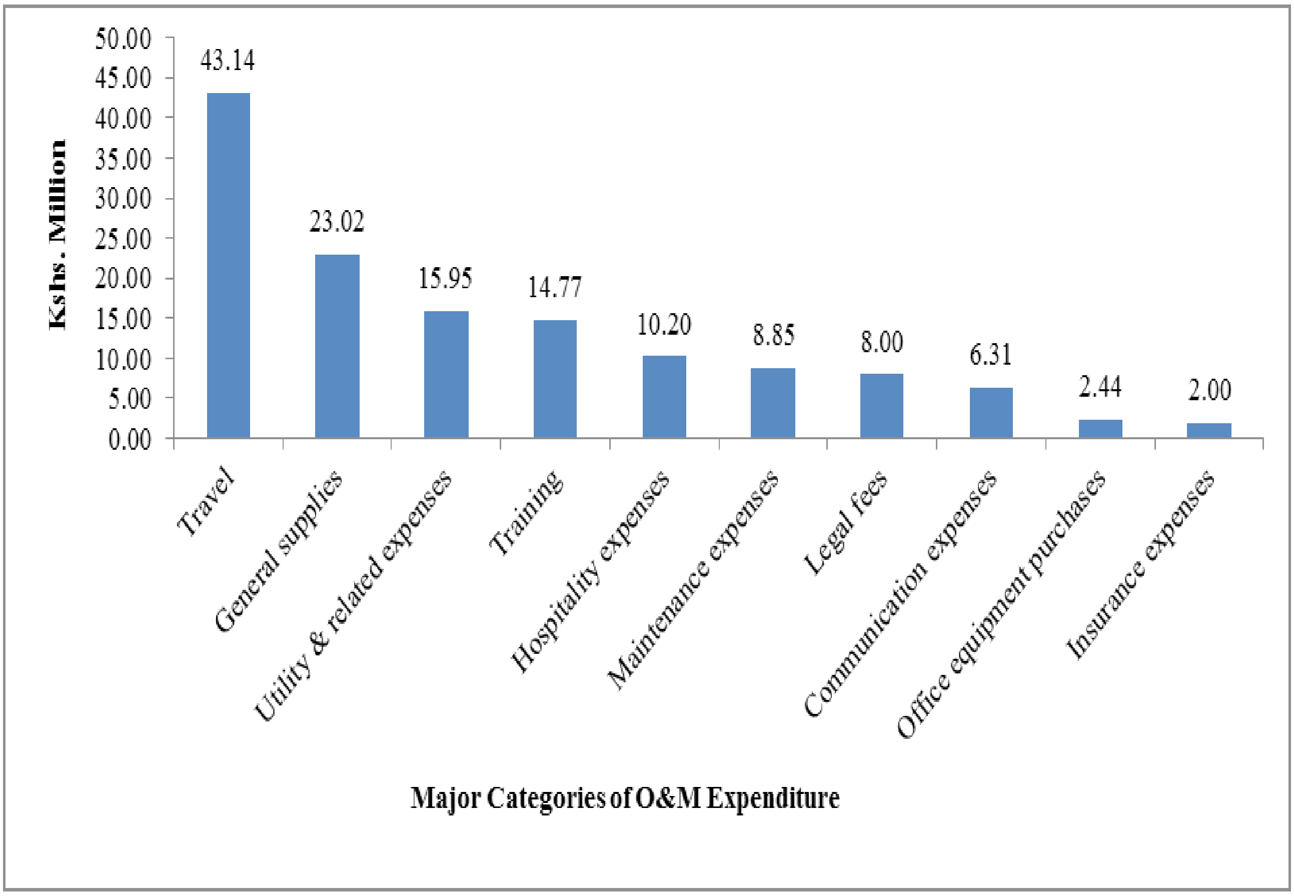
Source: *Kwale County Treasury*

3.19.168 Analysis of Recurrent Expenditure

The recurrent expenditure of Kshs.580.08 million consisted of Kshs.437.20 million (75.4 per cent) spent on personnel emoluments and Kshs.142.88 million (24.6 per cent) on operations and maintenance as shown in Figure 3.69. Expenditure on personnel emoluments represented an increase of 22.0 per cent compared to a similar period in FY 2015/16 when the County spent Kshs.358.46 million.

Figure 3.70 shows a summary of the operations and maintenance expenditure by major categories.

Figure 3.70: Kwale County, Operations and Maintenance Expenditure for First Quarter of FY 2016/17



Source: *Kwale County Treasury*

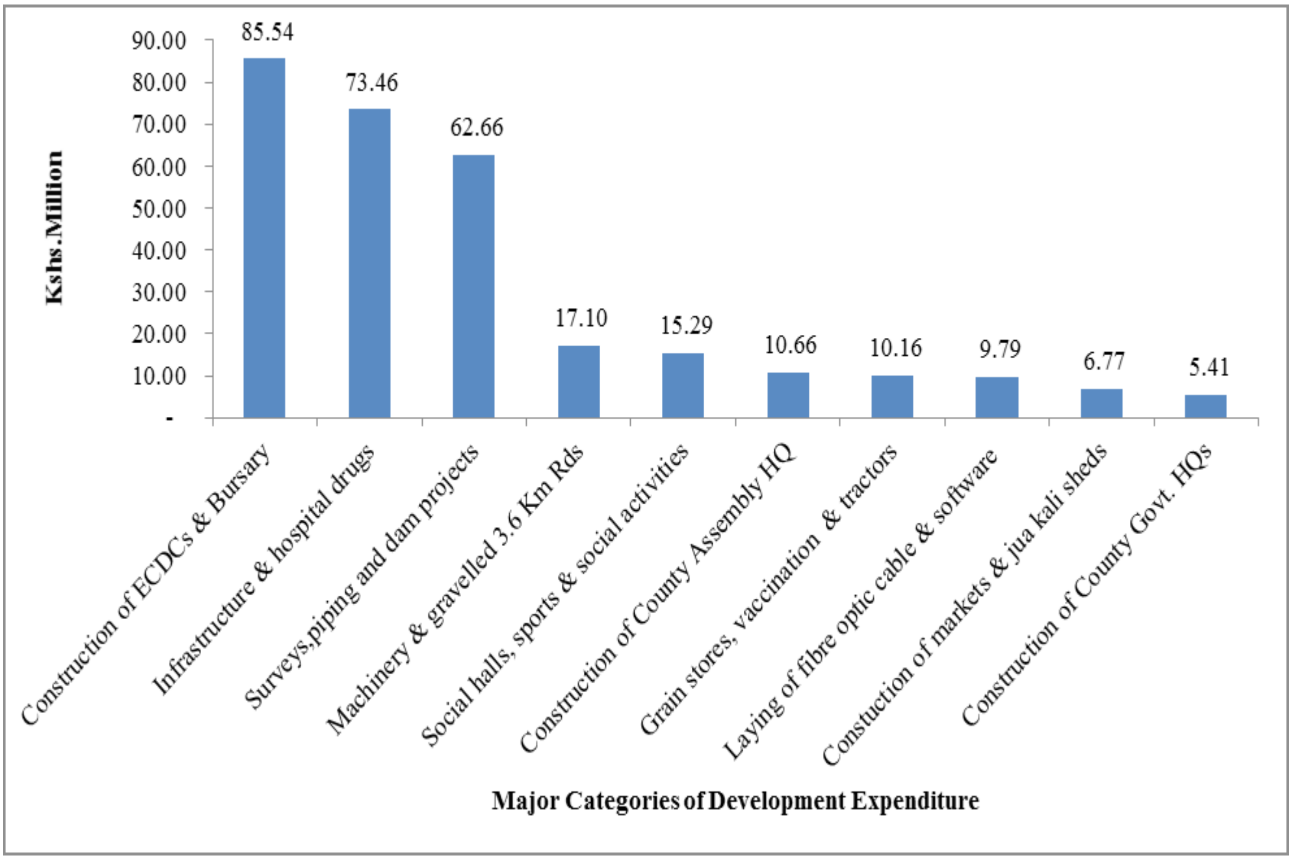
The County spent Kshs.9.77 million on sitting allowances to the 33 MCAs and the Speaker against the annual budget allocation of Kshs.49.22 million. This was a slight increase compared to Kshs.9 million spent in a similar period of FY 2015/16. The average monthly sitting allowance was Kshs.95,816 compared to SRC's recommended monthly ceiling of Kshs.124,800.

Expenditure on domestic and foreign travel amounted to Kshs.43.14 million compared to Kshs.25.38 million spent in a similar period of FY 2015/16, representing an increase of 70 per cent.

3.19.169 Development Expenditure Analysis

The total development expenditure of Kshs.301.59 million represented 5.9 per cent of the annual development budget of Kshs.5.10 billion. Figure 3.71 provides a summary of development expenditure during the period under review.

Figure 3.71: Kwale County, Summary of Development Expenditure for the First Quarter of FY 2016/17



Source: *Kwale County Treasury*

Analysis of the development expenditure by category indicated that, the highest expenditure of Kshs.85.54 million was incurred by the Education, Research & Human Resources Department and consisted of Kshs.50 million spent on education bursary, and Kshs.30.44 million on payment of ECDC construction pending bills. The second highest expenditure of Kshs.73.46 million was incurred by the Medical & Public Health Services Department and included Kshs.60.76 million spent on drugs and Kshs.12.70 million on payment of pending bills of various health infrastructure projects. The Department of Water Services incurred Kshs.62.66 million on payment of pending bills for water projects and hydrological surveys. The Department of Land and Physical Planning did not incur any development expenditure in the period under review.

3.19.170 Budget and Budget Performance Analysis by Department

Table 3.54 shows a summary of first quarter FY 2016/17 budget estimates and budget performance by department.

Table 3.54 Kwale County, Budget Performance by Department in the First Quarter of FY 2016/17

Department	Budget Allocation (Kshs. Million)		First quarter FY 2016/17 Exchequer Issues (Kshs. Million)		First quarter FY 2016/17 Expenditure (Kshs. Million)		First quarter FY 2016/17 Expenditure to Exchequer Issues (%)		First quarter FY 2016/17 Absorption rate (%)	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
Finance and Economic Planning	285.15	55.97	118.98	32.32	54.28	1.60	45.6	5.0	19.0	2.9
Agriculture, Livestock &Fisheries	168.73	189.80	62.66	55.31	36.75	10.16	58.7	18.4	21.8	5.4
Lands, Housing & Physical planning	53.92	74.56	17.15	25.71	5.65	-	33.0	0.0	10.5	0.0
Medical & Public Health Services	1,047.83	939.39	419.15	65.07	240.33	73.46	57.3	112.9	22.9	7.8
County Assembly	497.98	330.18	161.57	140.00	96.30	10.66	59.6	7.6	19.3	3.2
Industry, Trade & Investment	57.48	234.36	19.53	27.85	6.23	6.77	31.9	24.3	10.8	2.9
Community, Culture & Talent Management	70.14	330.27	22.97	50.65	9.95	15.29	43.3	30.2	14.2	4.6
Office of the Governor & CPSB	151.93	162.69	79.76	7.81	34.03	5.41	42.7	69.3	22.4	3.3
Education, Research & Human Resources	236.85	1,320.64	92.09	110.03	45.84	85.54	49.8	77.7	19.4	6.5
Water Services	51.31	794.16	16.81	62.67	7.05	62.66	41.9	100.0	13.7	7.9
Infrastructure & Public Works	122.10	465.30	39.61	56.73	15.77	17.10	39.8	30.1	12.9	3.7
Tourism and ICT	38.60	164.32	15.71	47.75	4.70	9.79	29.9	20.5	12.2	6.0
Public Service & Administration	249.59	43.51	74.81	20.00	23.20	3.16	31.0	15.8	9.3	7.3
TOTAL	**3,031.61**	**5,105.16**	**1,140.79**	**701.91**	**580.08**	**301.59**	**50.8**	**43.0**	**19.1**	**5.9**

Source: *Kwale County Treasury*

Analysis of budget performance by department shows that the Department of Water Services attained the highest absorption of development budget at 7.9 per cent while the Department of Lands and Physical Planning did not incur any development expenditure. On the other hand, the Department of Medical and Public Health Services had the highest percentage of recurrent expenditure to recurrent budget at 22.9 per cent while the Department of Public Administration had the lowest at 9.3 per cent.

3.19.171 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. The County Government complied with the timelines for preparation of the budget policy papers as required law. The ADP, CBROP, and the CFSP were submitted to the County Assembly on 27th September 2015, 16th October 2016 and 26th February 2016 respectively and were all approved on time.

ii. The County Government entities submitted quarterly reports in line with Section 166 of the PFM Act, 2012.

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

1. The County's wage bill has remained high, having increased by 22 per cent from Kshs.358.46 million in a similar period of FY 2015/16 to Kshs.437.20 million in the period under review. Continued increase in the wage bill may result in unsustainable salary costs.

2. Failure to develop legislation to operationalize some established County Public Funds such as the Youth and Women Fund, Employees Pension Fund, and Emergency Fund. This contravenes Section 116 of the PFM Act, 2012.

3. The development budget contained items that are recurrent in nature such as; education bursary, and the County Assembly Car and Mortgage Loan scheme.

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

1. *The County Public Service Board should develop an optimal staff structure in order to ensure a sustainable wage bill..*
2. *The County should ensure the legislations establishing any County Public Funds are in place in line with Section 116 of the PFM Act, 2012. This should be done before operationalization of the established County Public Funds.*
3. *The County Treasury should properly classify expenditure items in line with the Government Financial Statistics (GFS) system.*

3.20 Laikipia County

3.20.172 Overview of the FY 2016/17 Budget

The County's FY 2016/17 Approved Budget was Kshs.5.94 billion, comprising of Kshs.3.41 billion (57.4 per cent) and Kshs.2.53 billion (42.6 per cent) allocations for recurrent and development expenditure respectively.

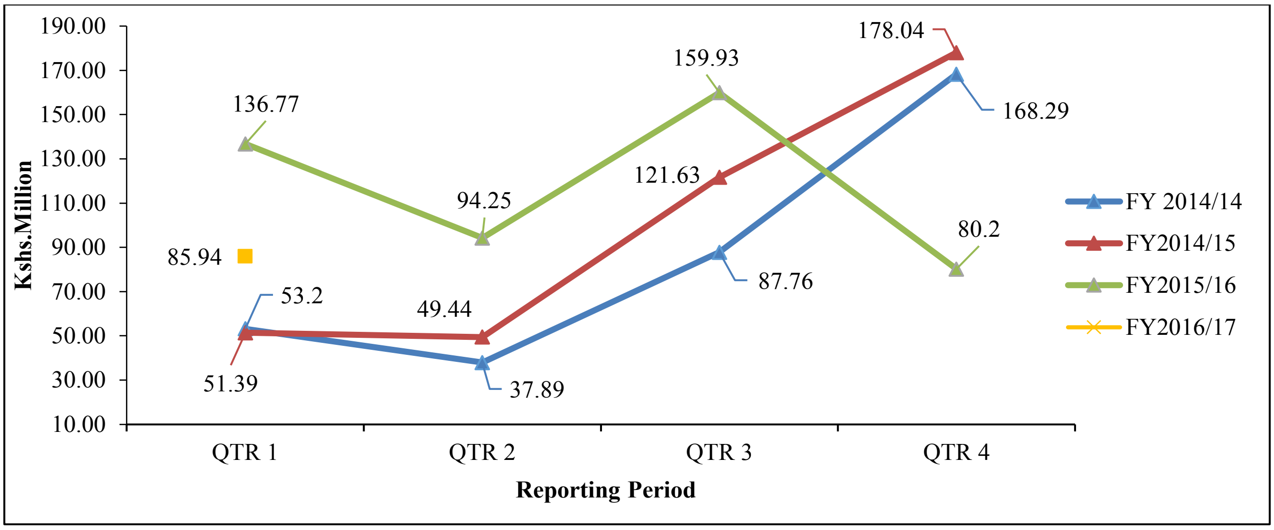
To finance the budget, the County expects to receive Kshs.3.72 billion (62.6 per cent) as equitable share of revenue raised nationally, Kshs.290 million (4.4 per cent) as total conditional grants, generate Kshs.670 million (11.3 per cent) from local sources, generate from other sources Kshs.903.76 million (15.2 per cent), and Kshs.357.23 million (6.01 per cent) cash balance from FY 2015/16. The conditional grants comprise of Kshs.61.4 million (21.2 per cent) for Free Maternal Health Care, Kshs.57.19 million (19.7 per cent) from the Road Maintenance Fuel Levy Fund, Kshs.9.87 million (3.4 per cent) for User Fees Foregone, Kshs.5.76 million (2.0 per cent) as a grant from DANIDA, Lease of Medical Equipment Kshs.95.74 million (33.0 per cent), and Kshs.60.05 million (20.7 per cent) as conditional grants from other loans and grants.

3.20.173 Revenue Analysis

During the first quarter of FY 2016/17, the County received Kshs.632.76 million as equitable share of the revenue raised nationally, Kshs.27.17 million as total conditional allocation, raised Kshs.85.94 million from local sources, and Kshs.357.23 million brought forward from FY 2015/16.

Figure 3.72 shows the quarterly trend in local revenue collection from FY 2014/15 to first quarter of FY 2015/16.

Figure 3.72: Laikipia County, Trend in Local Revenue Collection by Quarter from FY 2013/14 to FY 2015/16



Source: *Laikipia County Treasury*

The total local revenue collected in the first quarter of FY 2016/17 amounted to Kshs.85.94 million which is a 37.2 per cent decrease compared to Kshs.136.77 million generated in a similar period of 2015/16. This revenue accounted for 12.8 per cent of the annual local revenue target.

Table 3.55 provides an analysis of the local revenue collected in the first quarter of FY 2016/17 by revenue stream.

Table 3.55: Laikipia County Analysis of Revenue Collected by Stream in the First Quarter of FY 2016/17

No	Revenue Stream	Annual Targeted Revenue (Kshs.)	First quarter, FY 2016/17 Actual Revenue (Kshs.)	Actual Revenue as a percentage of Annual Target (%)
1	Public Health	215,630,466.00	34,783,823.00	16.1
2	Contribution in lieu of rates	259,059,774.00	20,090,588.00	7.8
3	Parking fees	84,659,425.00	14,722,345.00	17.4
4	Administrative services	59,340,398.00	7,703,090.00	13.0
5	Housing & Social Premises Use	20,728,526.00	4,555,463.00	21.9
6	Technical Services	20,441,206.00	2,458,384.00	12.0
7	Slaughter House	10,404,668.00	1,624,195.00	15.6
TOTAL		**670,264,463.00**	**85,937,888.00**	**12.8**

Source: *Laikipia County Treasury*

Analysis of the local revenue performance by stream indicated that, Housing and Social Premises Use recorded the highest performance against annual target at 21.9 per cent. This was followed by parking fees at 17.4 per cent, and public health at 16.1 per cent.

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

3.20.174 Conditional Grants

Table 3.56 shows an analysis of conditional grants received in the first quarter of FY 2016/17.

Table 3.56: Laikipia County Analysis of Conditional Grant Releases in the First Quarter of FY 2016/17

No.	Conditional Grant	Amount allocated as provided in CARA, 2016 (Kshs.)	First Quarter, FY 2016/17 Actual receipt of the Conditional Grant (Kshs.)	Actual receipts as a percentage of Annual Allocation (%)
1	Road Maintenance Fuel Levy Fund	57,190,153	14,297,538	25.0
2	Free Maternal Health Care	61,409,667	12,875,000	21.0
3	User Fees Foregone	9,872,539	-	-
4	DANIDA Grant	5,765,000	-	-
5	World Bank Loan	60,049,676	-	-
6	Leasing of Medical Equipment	95,744,681	-	-
Total		**290,031,716**	**27,172,538**	**9.4**

Source: *Laikipia County Treasury*

The County Treasury reported receipts from two conditional grant categories. These are from the Road Maintenance Fuel Levy Fund, with a performance of 25 per cent of annual target, and the Free Maternal Health Care grant, with a performance of 21 per cent.

3.20.175 Exchequer Issues

In the first quarter, the Controller of Budget authorised withdrawal of Kshs.1.04 billion from the CRF account, which was 17.5 per cent of the FY 2016/17 Approved Budget. The amount represented an increase of 35.6 per cent from Kshs.670 million authorized in a similar period in FY 2015/16 and consisted of Kshs.721 million (69.3 per cent) for recurrent expenditure and Kshs.319.50 million (30.7 per cent) for development activities.

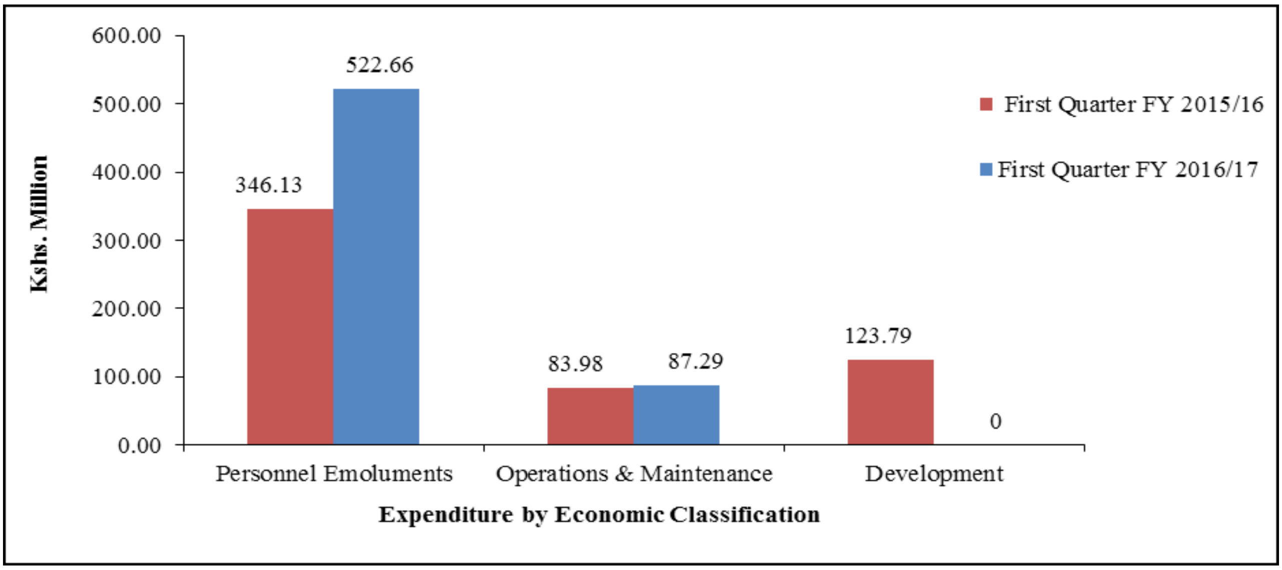
3.20.176 Overall Expenditure Review

During the period under review the County spent Kshs.658.04 million, which was 63.2 per cent of the total funds released for operations. This was an increase of 18.8 per cent from Kshs.553.90 million spent in a similar period in FY 2015/16.

A total of Kshs.588.62 million was spent on recurrent activities, while Kshs.69.41 million was spent on development activities. The recurrent expenditure was 81.6 per cent of the funds released for recurrent activities while development expenditure accounted for 21.7 per cent of the funds released for development activities. The expenditure excluded outstanding commitments as at 30th September, 2016 that amounted to Kshs.3.31 million for recurrent expenditure.

The recurrent expenditure represented 17.3 per cent of the annual recurrent budget, an increase from 15 per cent spent in a similar period of FY 2015/16. Development expenditure recorded an absorption rate of 2.7 per cent, which was a decrease from 5.5 per cent attained in a similar period of FY 2015/16. Figure 3.73 presents a comparison between total expenditure in the first quarter of FY 2016/17 and the first quarter of FY 2015/16.

Figure 3.73: Laikipia County, Expenditure by Economic Classification for FY 2016/17 and FY 2015/16



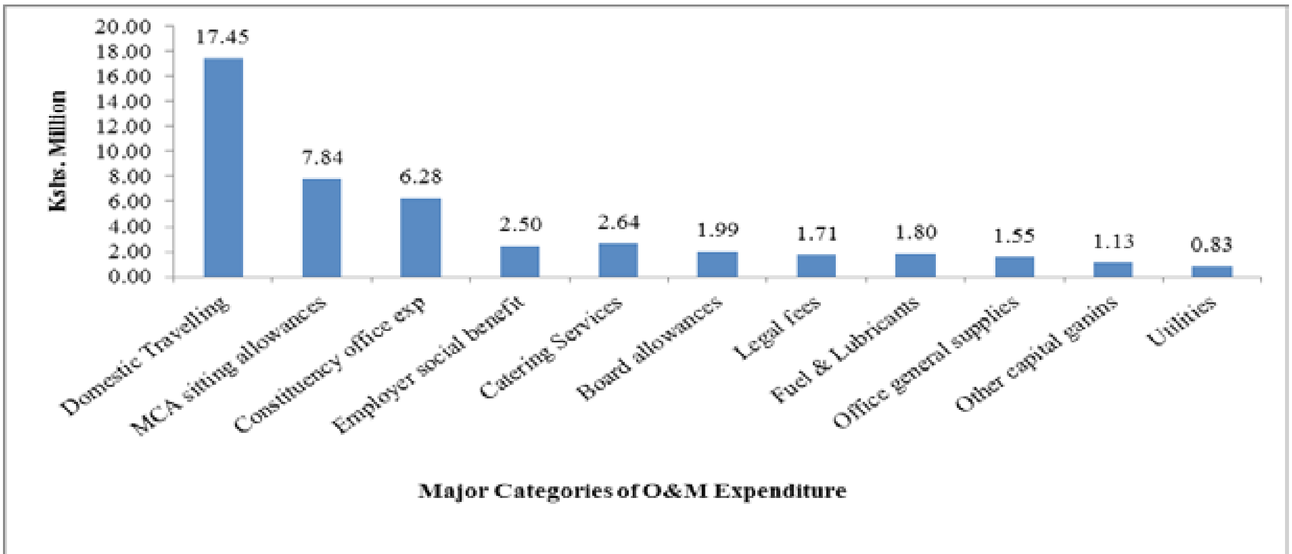
Source: *Laikipia County Treasury*

3.20.177 Analysis of Recurrent Expenditure

The total recurrent expenditure of Kshs.588.62 billion consisted of Kshs.522.66 million (85.7 per cent) spent on personnel emoluments and Kshs.87.29 million (14.3 per cent) on operations and maintenance as shown in Figure 3.73. Expenditure on personnel emoluments represented an increase of 51 per cent compared to a similar period of FY 2015/16 when the County spent Kshs.346.13 million.

Figure 3.74 shows a summary of the operations and maintenance expenditure by major categories.

Figure 3.74: Laikipia County, Operations and Maintenance Expenditure for First Quarter of FY 2016/17



Source: *Laikipia County Treasury*

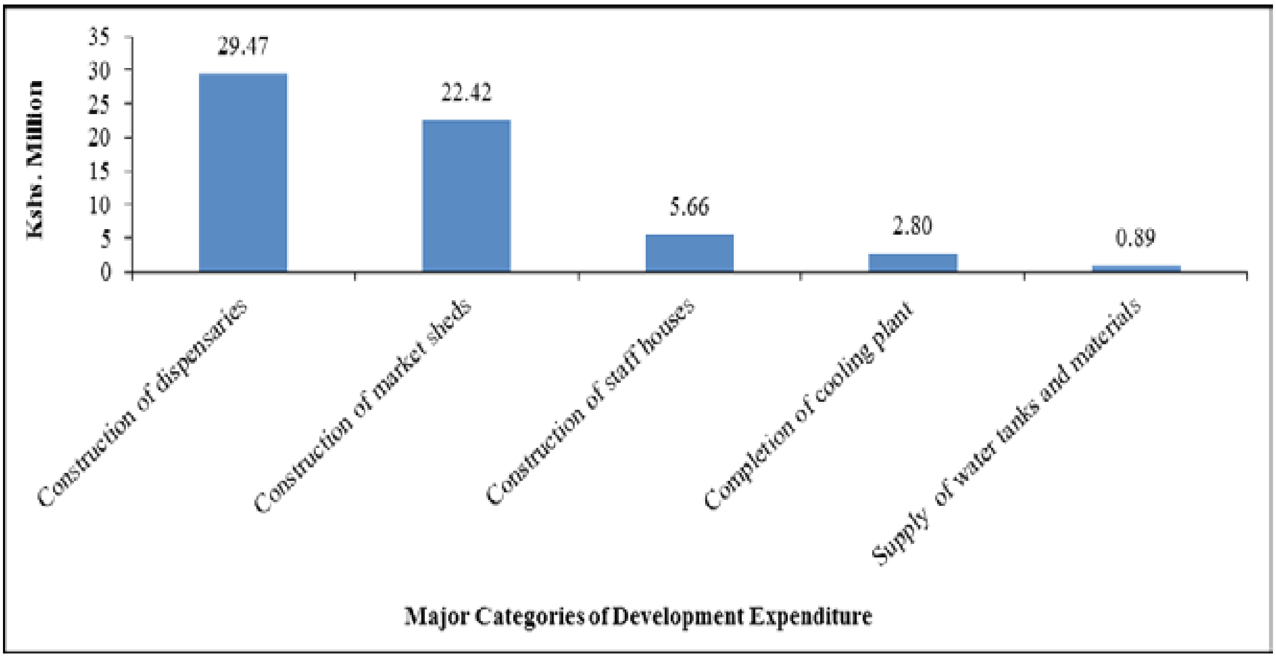
The County spent Kshs.7.84 million on sitting allowances to the 24 MCAs and the Speaker against the annual budget allocation of Kshs.15.99 million. This was an increase of 13.95 per cent compared to Kshs.6.88 million spent in a similar period of FY 2015/16. The average monthly sitting allowance was Kshs.108,825 compared to SRC's recommended monthly ceiling of Kshs.124, 800.

Expenditure on domestic and foreign travel amounted to Kshs.17.45 million compared to Kshs.17.84 million spent in a similar period of FY 2015/16, representing a decrease of 2.2 per cent.

3.20.178 Development Expenditure Analysis

The total development expenditure of Kshs.69.41 million represented 2.7 per cent of the annual development budget of Kshs.2.53 billion. Figure 3.75 provides a summary of development expenditure during the period under review.

Figure 3.75: Laikipia County, Summary of Development Expenditure for the First Quarter of FY 2016/17



Source: *Laikipia County Treasury*

Analysis of the development expenditure by category indicated that, the highest expenditure of Kshs.29.47 million was incurred on construction of dispensaries. The second highest expenditure of Kshs.22.42 million was on construction of market sheds.

3.20.179 Budget and Budget Performance Analysis by Department

Table 3.57 shows a summary of first quarter FY 2016/17 budget estimates and budget performance by department.

Table 3.57: Laikipia County, Budget Performance by Department in the First Quarter of FY 2016/17

No.	Department	Budget Allocation (Kshs)		Exchequer Issues (Kshs)		Expenditure (Kshs)		Expenditure to Exchequer issues (%)		Absorption (%)	
		Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
1	County Administration	2,406.15	129.86	546.12	-	477.08	-	87.4	-	19.8	0.0
2	Finance and Economic Planning	232.36	1,144.96	41.45	319.5	31.3	69.41	75.5	21.7	13.5	6.1
3	Health	235.98	423.45	41.32	-	1.03	-	2.5	-	0.4	0.0
4	Agriculture	16.91	107.36	1.56	-	1.04	-	66.7	-	6.2	0.0
5	Infrastructure	31.41	321.4	1.89	-	1.57	-	83.1	-	5.0	0.0
6	Education	41.84	113.8	2.49	-	2.77	-	111.2	-	6.6	0.0
7	Trade & Industrialization	23.82	88	1.93	-	1.47	-	76.2	-	6.2	0.0
8	Water	29.22	165.14	2.24	-	1.98	-	88.4	-	6.8	0.0
9	County Assembly	391.47	40	82	-	70.39	-	85.8	-	18.0	0.0
	TOTAL	**3,409.17**	**2,533.97**	**721.0**	**319.5**	**588.63**	**69.41**	**81.6**	**21.7**	**17.3**	**2.7**

Source: *Laikipia County Treasury*

Analysis of budget performance by department shows that the Department of Finance and Economic Planning attained the highest absorption of development budget at 6.1 per cent while the other departments did not incur any development expenditure. On the other hand, the County Assembly had the highest percentage of recurrent expenditure to recurrent budget at 18 per cent while the Department of Health had the lowest at 0.4 per cent.

3.20.180 Observations and Recommendations

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

i. Improved adherence to budget timelines. The CEC for Finance submitted the budget estimates to the County Assembly on 30th April 2016 and was approved on 30th June, 2016.

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

1. Late submission of financial reports by the County Treasury to the Controller of Budget, which affected timely preparation of budget implementation report.
2. A high wage bill that increased by 51 per cent from Kshs.346.13 million in the first quarter of FY 2015/16 to Kshs.522.66 million in the period under review.
3. Failure to establish an Internal Audit Committee to provide financial management oversight in the County contrary to Section 155 of the PFM Act, 2012.
4. Underperformance in local revenue collection. The local revenue collection has declined by 37.2 per cent from Kshs.136.77 million in the first quarter of FY 2015/16 to Kshs.85.90 million in the reporting period.

5. The County has not constituted the CBEF as per Section 137 of the PFM Act, 2012 for consultation in the budget process.

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

1. *The County Treasury should ensure timely preparation and submission of financial reports to the Controller of Budget in line with Section 166 of PFM Act, 2012.*
2. *The County Public Service Board should establish an optimal staff structure in order to manage the wage bill.*
3. *The County should establish an Internal Audit Committee and also strengthen the internal audit function in line with Section 155 of the PFM Act, 2012.*
4. *The County Treasury should formulate and implement strategies to enhance local revenue collection.*
5. *The County should establish an effective CBEF for consultation in the budget process and economic matters in line with Section 137 of the PFM Act, 2012.*

3.21 Lamu County

3.21.181 Overview of the FY 2016/17 Budget

The County's FY 2016/17 Approved Budget was Kshs.2.60 billion, comprising of Kshs.1.81 billion (69.0 per cent) and Kshs.794.83 million (31.0 per cent) allocations for recurrent and development expenditure respectively.

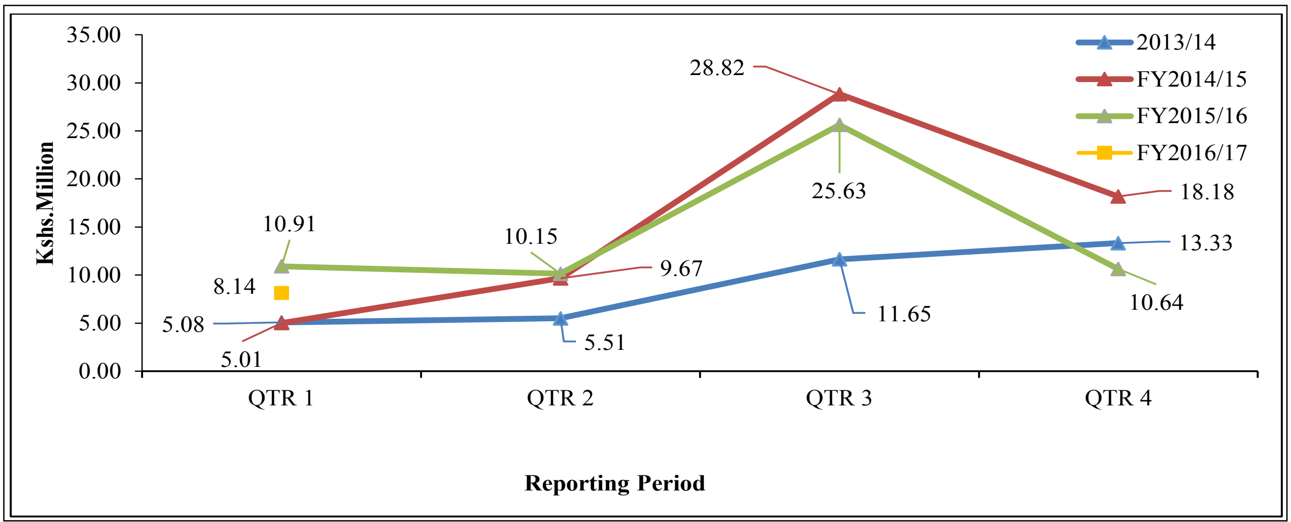
To finance the budget, the County expects to receive Kshs.2.21 billion (85.0 per cent) as equitable share of revenue raised nationally, Kshs.190.79 million (7.0 per cent) as total conditional grants, generate Kshs.100 million (4.0 per cent) from local sources, and Kshs.100 million (4.0 per cent) cash balance from FY 2015/16. The conditional grants comprise of Kshs.15.37 million (8.1 per cent) for Free Maternal Health Care, Kshs.34.02 million (17.8 per cent) from the Road Maintenance Fuel Levy Fund, Kshs.2.48 million (1.3 per cent) for User Fees Foregone, Kshs.100 million (52.4 per cent) as a special grant for emergency medical services,Kshs.18.35 million (9.6 per cent) from World Bank as a loan to supplement health facilities, and Ksh.20.57 million (10.8 per cent) as a World Bank grant for capacity building. The County did not budget for Ksh.3.82 million from DANIDA as indicated in the CARA, 2016.

3.21.182 Revenue Analysis

During the first quarter of FY 2016/17, the County received Kshs.376.38 million as equitable share of the revenue raised nationally, Kshs.8.50 million as total conditional allocations, raised Kshs.8.14 million from local sources, and Kshs.100 million brought forward from FY 2015/16.

Figure 3.76 shows the quarterly trend in local revenue collection from the first quarter of FY 2013/14 to the first quarter of FY 2016/17.

Figure 3.76: Lamu County, Trend in Local Revenue Collection by Quarter from FY 2013/14 to FY 2016/17



Source: *Lamu County Treasury*

The total local revenue collected in the first quarter of FY 2016/17 amounted to Kshs.8.14 million which is a decrease of 25.4 per cent compared to Kshs.10.91 million generated in a similar period of FY 2015/16. This revenue accounted for 8.1 per cent of the annual local revenue target.

Table 3.58 provides an analysis of the local revenue collected in the first quarter of FY 2016/17 by revenue stream.

Table 3.58: Lamu County Analysis of Revenue Collected by Stream in the First Quarter of FY 2016/17

No.	Revenue Stream	Annual Targeted Revenue (Kshs.)	Annual Actual Revenue (Kshs.)	Revenue Performance (%)
1	Building & plan approval	480,000	-	0
2	Promotion fees	400,000	-	0
3	Other revenue sources	2,802,400	1,316,547	50.0
4	Public Health, Medical Levies and Hospital fees	15,200,000	2,674,095	17.6
5	Cess collection	3,160,000	753,364	23.8
6	Fisheries	600,000	279,670	46.6
7	Local quarry	1,000,000	-	0
8	DVO- Veterinary services	1,200,000	365,945	30.5
9	Market fees	4,957,600	872,605	17.6
10	Single Business Permit	16,400,000	344,050	2.1
12	Property rates	50,000,000	635,032	1.3
13	Sign Board and Bill Boards	2,100,000	-	0
15	M.ATDC/AMS(Agriculture department)	-	711,640	0
16	Vehicle entry and parking fees	800,000	184,284	23.0
17	Tender documents	600,000	-	0
18	Stock removal & Stock Auction	240,000	-	0
20	Advertisement	60,000	-	0
	TOTAL	**100,000,000**	**8,137,232**	**8.1**

Source: *Lamu County Treasury*

Analysis of the local revenue performance by stream indicated that, Other Revenue Sources recorded the highest performance against annual target at 50 per cent. This was followed by Fisheries at 46.6 per cent, and Veterinary Services at 30.5 per cent.

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

3.21.183 Conditional Grants

Table 3.59 shows an analysis of conditional grants received in the first quarter of FY 2016/17.

Table 3.59: Lamu County Analysis of Conditional Grant Releases in the First Quarter of FY 2016/17

No.	Conditional Grant	Amount allocated as provided in CARA, 2016 (Kshs.)	First Quarter, FY 2016/17 Actual receipt of the Conditional Grant (Kshs.)	Actual receipts as a percentage of Annual Allocation (%)
1	Road Maintenance Fuel Levy Fund	34,018,227.00	8,504,557.00	25
2	Free Maternal Health Care	15,372,820.00	-	-
3	User Fees Foregone	2,481,810.00	-	-
4	World Bank grant for capacity building	20,567,352.00	-	-
5	World Bank Loan	18,348,378.00	-	-
6	Special purpose grant-Emergency Medical Services	100,000,000.00	-	-
	Total	**190,788,587.00**	**8,504,557.00**	**4.5**

Source: *Lamu County Treasury*

The only conditional grant received in the first three months of FY 2016/17 was Ksh.8.50 million from the Road Maintenance Fuel Levy Fund.

3.21.184 Exchequer Issues

During the reporting period, the Controller of Budget authorised withdrawal of Kshs.907.87 million from the CRF account, which was 34.9 per cent of the FY 2016/17 Approved Budget. This amount represented an increase of 19.9 per cent from Kshs.757.02 million authorized in a similar period of FY 2015/16 and consisted of Kshs.599.22 million (65.2 per cent) for recurrent expenditure and Kshs.315.65 million (34.8 per cent) for development activities.

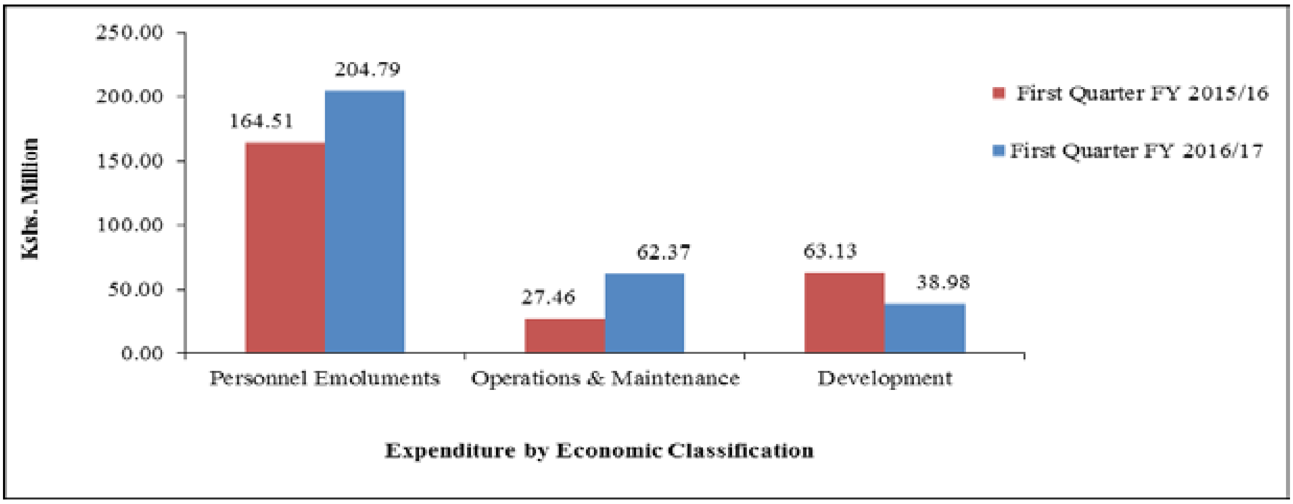
3.21.185 Overall Expenditure Review

The County spent Kshs.306.14 million, which was 33.7 per cent of the total funds released for operations. This was an increase of 20 per cent from Kshs.255.10 million spent in a similar period in FY 2015/16.

A total of Kshs.267.16 million was spent on recurrent activities, while Kshs.38.98 million was spent on development activities. The recurrent expenditure was 45.1 per cent of the funds released for recurrent activities while development expenditure accounted for 12.4 per cent of the funds released for development activities. The expenditure excluded outstanding commitments as at 30th September, 2016 that amounted to Kshs.32.52 million for development and Kshs.34.52 million for recurrent expenditure.

The recurrent expenditure represented 14.8 per cent of the annual recurrent budget, an increase from 12.1 per cent spent in a similar period of FY 2015/16. Development expenditure recorded an absorption rate of 4.9 per cent, which was a decrease from 7.2 per cent attained in a similar period of FY 2015/16. Figure 3.77 presents a comparison between total expenditure in the first quarter of FY 2016/17 and the first quarter of FY 2015/16.

Figure 3.77: Lamu County, Expenditure by Economic Classification for FY 2016/17 and FY 2015/16



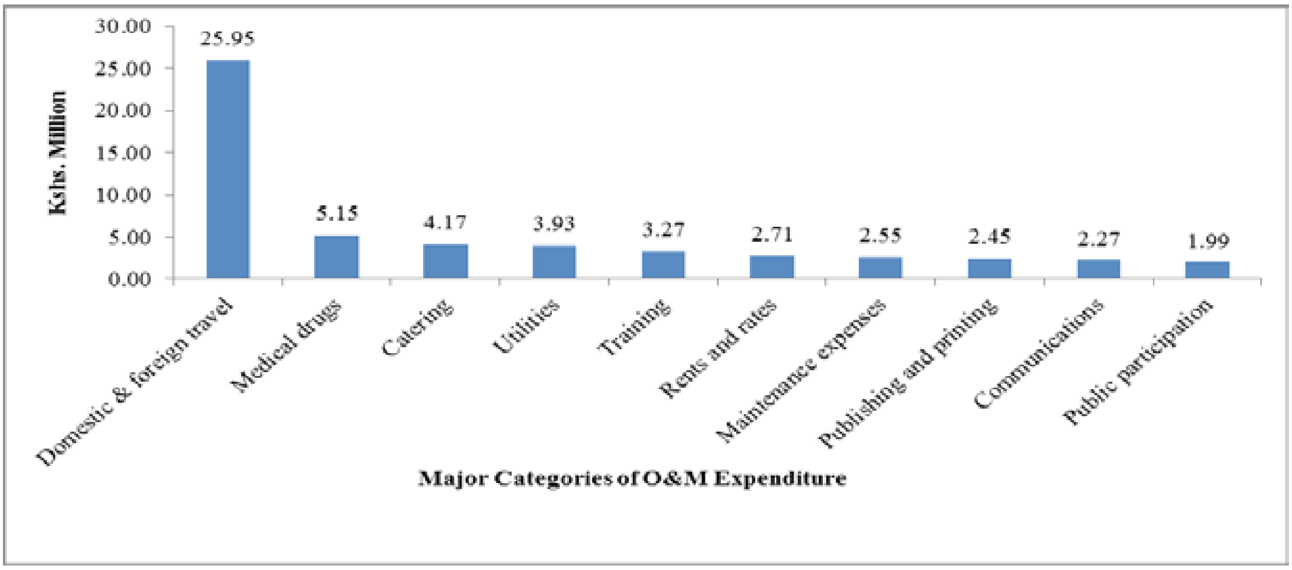
Source: *Lamu County Treasury*

3.21.186 Analysis of Recurrent Expenditure

The recurrent expenditure of Kshs.267.16 million consisted of Kshs.204.79 million (76.7 per cent) spent on personnel emoluments and Kshs.62.37 million (23.3 per cent) on operations and maintenance as shown in Figure 3.77. Expenditure on personnel emoluments represented an increase of 24.5 per cent compared to a similar period in FY 2015/16 when the County spent Kshs.164.51 million.

Figure 3.78 shows a summary of the operations and maintenance expenditure by major categories.

Figure 3.78: Lamu County, Operations and Maintenance Expenditure for First Quarter of FY 2016/17



Source: Lamu County Treasury

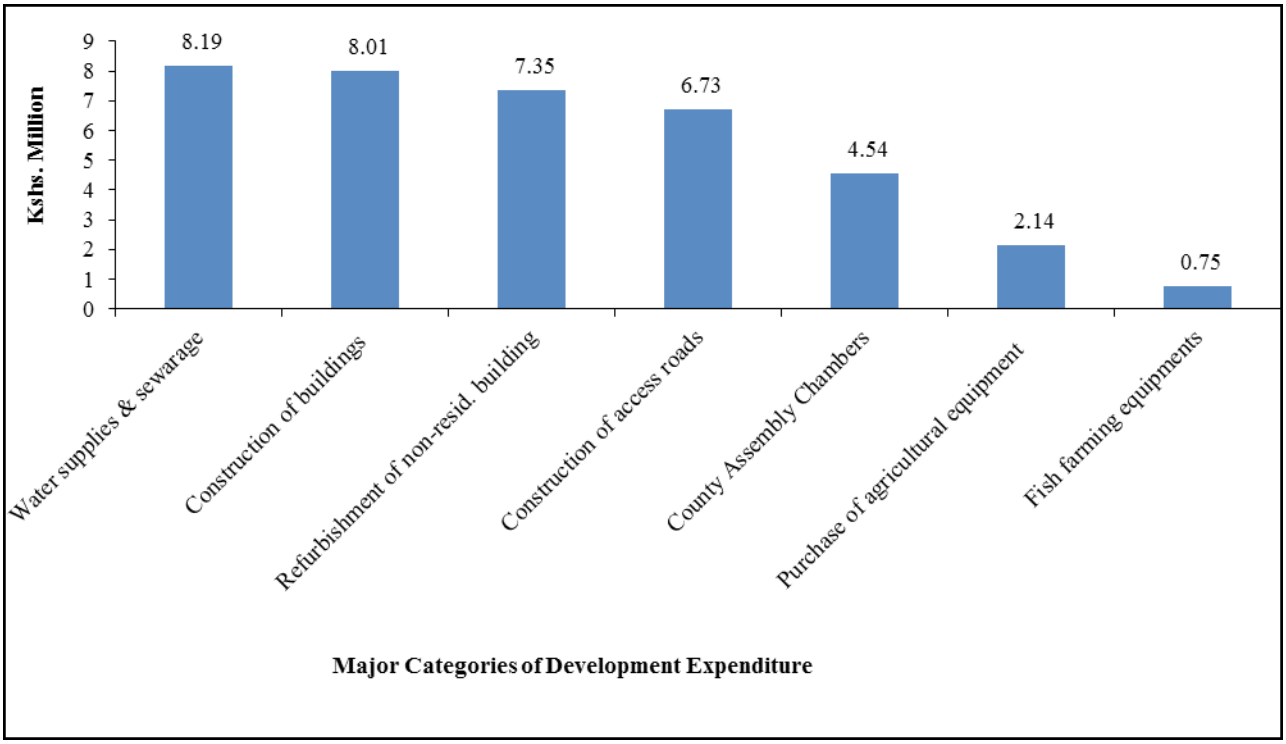
The County spent Kshs.4.92 million on sitting allowances to the 20 MCAs and the Speaker against the annual budget allocation of Kshs.38.73 million. This was an increase of over 100 per cent compared to Kshs.0.67 million spent in a similar period of FY 2015/16. The average monthly sitting allowance was Kshs.78,133 compared to SRC's recommended monthly ceiling of Kshs.124, 800.

Expenditure on domestic and foreign travel amounted to Kshs.25.95 million compared to Kshs.12.5 million spent in a similar period of FY 2015/16, representing an increase of 107.6 per cent.

3.21.187 Development Expenditure Analysis

The total development expenditure of Kshs.38.98 million represented 4.9 per cent of the annual development budget of Kshs.794.83 million. Figure 3.79 provides a summary of development expenditure during the period under review.

Figure 3.79: Lamu County, Summary of Development Expenditure for the First Quarter of FY 2016/17



Source: *Lamu County Treasury*

Analysis of the development expenditure by category indicated that, the highest expenditure of Kshs.8.19 million was incurred by the Department of Land, Physical Planning, Urban Development, Water and Natural Resources on water projects. The second highest expenditure of Kshs.8.01 million was incurred by the Health Department and mainly consisted of Kshs.5.12 million, which was spent on construction of buildings in health facilities.

3.21.188 Budget and Budget Performance Analysis by Department

Table 3.60 shows a summary of first quarter FY 2016/17 budget estimates and budget performance by department.

Table 3.60: Lamu County, Budget Performance by Department in the First Quarter of FY 2016/17

Department	Budget Allocation (Kshs. Million)		First quarter FY 2016/17 Exchequer Issues (Kshs. Million)		First quarter FY 2016/17 Expenditure (Kshs. Million)		First quarter FY 2016/17 Expenditure to Exchequer Issues (%)		First quarter FY 2016/17 Absorption rate (%)	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
County Assembly	347	70	108	35	51.94	4.54	48.1	13.0	15.0	6.5
County Executive	354.78	75	117.93	37.5	45.09	-	38.2	-	12.7	-
Finance, Strategy & Economic Planning	93.12	18	28.19	12	21.38	0.44	75.8	3.7	23.0	2.4
Agriculture & Irrigation	69.48	38	23.16	19	9.88	3.61	42.7	19.0	14.2	9.5
Land, Physical Planning, Infrastructure, Water and Natural Resources	58.15	202.8	19.38	84.39	9.42	14.92	48.6	17.7	16.2	7.4
Education, Gender, Sports, Youth & Social services	126.37	68.7	52.12	24.35	13.88	5.31	26.6	21.8	11.0	7.7
Health & Sanitation	575.06	205.5	182.44	52.75	90.5	5.12	49.6	9.7	15.7	2.5
Trade, Culture, Tourism & Investment Development	31.2	41.43	10.4	20.71	3.33	-	32.0	-	10.7	-
Information, Communication, E-Government and Public Participation	36.99	15	11.33	6	2.31	1.39	20.4	23.2	6.2	9.3
Fisheries, Livestock, Veterinary & Cooperative Development	73.87	60.4	24.62	26.95	10.86	3.65	44.1	13.5	14.7	6.0
Public Service Board	43.96	0	14.65	-	8.56	-	58.4	-	19.5	-
TOTAL	**1,809.98**	**794.83**	**592.22**	**318.65**	**267.15**	**38.98**	**45.1**	**12.2**	**14.8**	**4.9**

Source: *Lamu County Treasury*

Analysis of budget performance by department shows that the Department of Agriculture and Irrigation attained the highest absorption of development budget at 9.5 per cent while the County Executive and Trade, Culture, Tourism & Investment Development Department 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 23.0 per cent while the Department of Information, Communication, E-Government and Public Participation had the lowest at 6.2 per cent.

3.21.189 Observations and Recommendations

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

i. Improvement in human capacity through recruitment of additional key staff and continuous training.

ii. Automation of revenue collection.

iii. Establishment of an Audit Committee in line with Section 155 (5) of the PFM Act, 2012.

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

1. Late submission of financial reports by the County Treasury to the Controller of Budget, which affected timely preparation of budget implementation report.
2. A high wage bill, which increased by 24.5 per cent from Kshs.164.51 million in the first quarter of FY 2015/16 to Kshs.204.79 million in the period under review.
3. Delay in approval of key planning policy documents by the County Assembly such as the ADP, CFSP and CBROP.
4. The County did not budget for DANIDA grant in the Approved Budget for FY 2016/17. This grant is provided for in CARA, 2016.
5. The County has not constituted the CBEF as per Section 137 of the PFM Act, 2012 for consultation in the budget process.
6. The development budget of the County classified *emergency fund, county magazine, and purchase of certified seeds, learning and teaching materials, education promotion, ward tournaments, supporting teams for inter county games and county games for the Ward winners* as development expenditure items. These expenditure items are recurrent in nature.

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

1. *The County Treasury should ensure timely preparation and submission of financial reports to the Controller of Budget in line with Section 166 of PFM Act, 2012.*
2. *The County Public Service Board should establish an optimal staff structure in order to manage the wage bill.*
3. *The County Treasury should observe the budget timelines as stipulated in law in the approval of key planning documents so as to facilitate smooth implementation of the budget.*
4. *The County should budget for all revenue streams as contained in the CARA, 2016.*
5. *The County should establish an effective CBEF for consultation in the budget process in line with Section 137 of the PFM Act, 2012.*
6. *The County Treasury should classify expenditure items in line with the Government Financial Statistics (GFS) coding structure.*

3.22 Machakos County

3.22.190 Overview of the FY 2016/17 Budget

The County's FY 2016/17 Approved Budget was Kshs.10.88 billion, comprising of Kshs.7.54 billion (69.3per cent) and Kshs.3.34 billion (30.7 per cent) allocations for recurrent and development expenditure respectively.

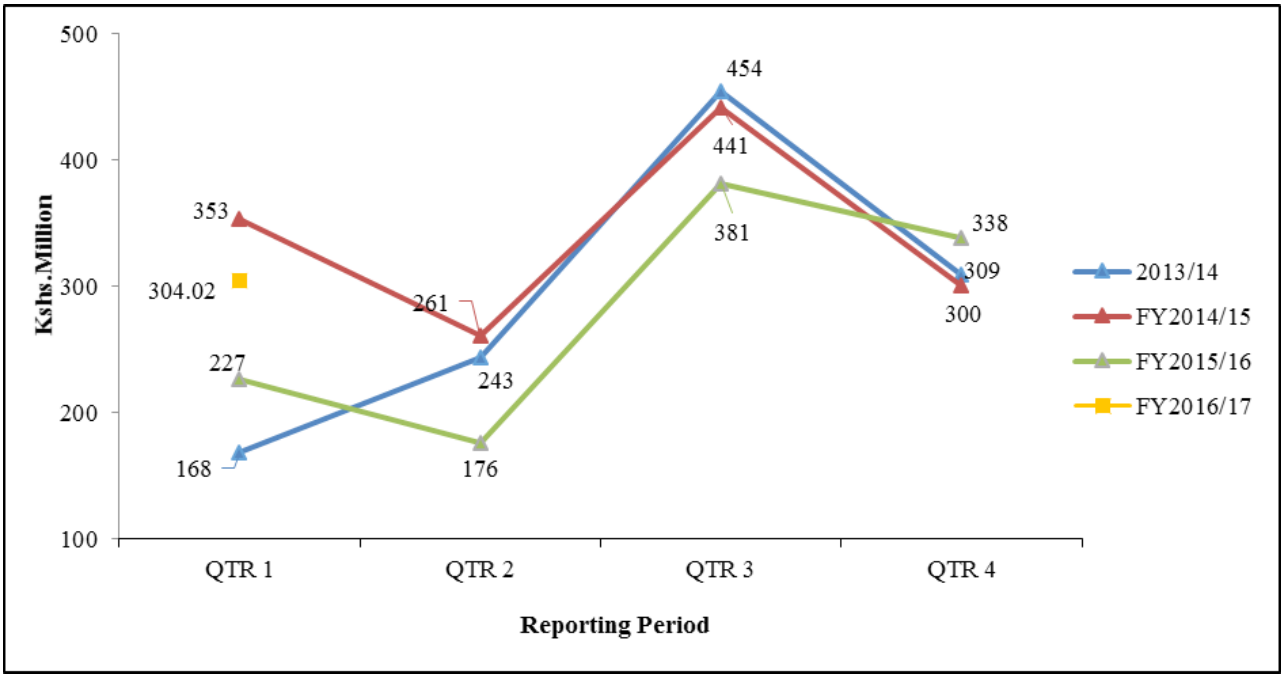
To finance the budget, the County expects to receive Kshs.7.30 billion (67.2 per cent) as equitable share of revenue raised nationally, Kshs.716.87 million (6.5 per cent) as total conditional grants, generate Kshs.2.86 billion (26.3 per cent) from local sources, and Kshs.339.70 million cash balance from FY 2015/16. The conditional grants comprise of Kshs.365.32 million (51.0 per cent) for Level 5 Hospital, Kshs.105 million (14.7 per cent) for Free Maternal Health Care, Kshs.95.74 million (13.4 per cent) for Leasing of Medical Equipment, Kshs.112 million (15.7 per cent) from the Road Maintenance Fuel Levy Fund, Kshs.24.76 million (3.5 per cent) for User Fees Foregone, and Kshs.13.35 million (1.9 per cent) from DANIDA.

3.22.191 Revenue Analysis

During the first quarter of FY 2016/17, the County received Kshs.1.83 billion as equitable share of the revenue raised nationally, Kshs.142.93 million as total conditional allocations, raised Kshs.304.02 million from local sources, and Kshs.339.70 million brought forward from FY 2015/16.

Figure 3.80 shows the quarterly trend in local revenue collection from the first quarter of FY 2013/14 to the first quarter of FY 2016/17.

Figure 3.80: Machakos County, Trend in Local Revenue Collection by Quarter from FY 2013/14 to FY 2016/17



Source: *Machakos County Treasury*

The total local revenue collected in the first quarter of FY 2016/17 amounted to Kshs.304.02 million which was an increase of 9.75 per cent compared to Kshs.227 million generated in a similar period of FY 2015/16. This revenue accounted for 10.6 per cent of the annual local revenue target.

Table 3.61 provides an analysis of the local revenue collected in the first quarter of FY 2016/17 by revenue stream.

Table 3.61: Machakos County Analysis of Revenue Collected by Stream in the First Quarter of FY 2016/17

No	Revenue Stream	Annual Targeted Revenue (Kshs.)	First quarter, FY 2016/17 Actual Revenue	Actual Revenue as a percentage of Annual Target (%)
1	Quarry	259,382,215.00	95,198,761.45	36.7
2	Building Plan Approval	594,765,750.50	66,346,260	11.2
3	Health Revenue Account	316,353,943.00	34,235,489	10.8
4	Land Rates & debt clearance cert.	438,821,018.90	23,906,055	5.4
5	Bus Park / Off street parking	140,406,767.50	20,650,299	14.7
6	Single business permit	307,351,330.00	17,768,179	5.8
7	Miscellaneous	117,868,021.00	14,273,551	12.1
8	Market Fees	83,369,224.00	12,502,411	15.0
9	Sand Harvesting	352,426,193.70	7,012,935	2.0
10	House Rent	40,399,666.40	2,908,356	7.2
11	Liquor	113,126,269.20	2,506,500	2.2
12	Cess	54,475,352.40	2,046,959	3.8
13	Refuse / Conservancy Fee	16,186,793.70	2,007,755	12.4
14	Enforcement Mgt. Unit	8,691,808.65	1,395,610	16.1
15	Tourism	8,607,135.60	669,350	7.8
16	Procurement Unit	3,433,825.50	591,950	17.2
TOTAL		**2,855,665,315.05**	**304,020,420**	**10.6**

Source: *Machakos County Treasury*

Analysis of the local revenue performance by stream indicated that, receipts from quarrying had the highest performance at 36.7 per cent, followed by receipts to the procurement unit at 17.2 per cent.

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

3.22.192 Conditional Grants

Table 3.62 shows an analysis of conditional grants received in the first quarter of FY 2016/17.

Table 3.62: Machakos County Analysis of Conditional Grant Releases in the First Quarter of FY 2016/17

No.	Conditional Grant	Amount allocated as provided in CARA, 2016 (Kshs.)	First Quarter, FY 2016/17 Actual receipt of the Conditional Grant (Kshs.)	Actual receipts as a percentage of Annual Allocation (%)
1	Level 5 Hospital	365,317,919	93,157,017	25.5
2	Road Maintenance Fuel Levy Fund	112,217,667	28,054,417	25.0
3	Free Maternal Health Care	105,476,087	21,715,000	20.6
4	User Fees Forgone	24,764,877	0	0
5	DANIDA Grant	13,350,000	0	0
6	Leasing of Medical Equipment	95,744,681	0	0
TOTAL		**716,871,231**	**142,926,434**	**19.9**

Source: *Machakos County Treasury*

Analysis of the conditional grant releases for the period under review indicated that receipts for Level 5 Hospital recorded the highest performance at 25.5 per cent. This was followed by income from the Road Maintenance Fuel Levy Fund at 25 per cent, and Free Maternal Health Care at 20.6 per cent. The County Treasury did not report receipts from other conditional grants in the period under review.

3.22.193 Exchequer Issues

During the reporting period, the Controller of Budget authorised withdrawal of Kshs.2.43 billion from the CRF account, which was 22.3 per cent of the FY 2016/17 Approved Budget. This amount represented an increase of 29.3 per cent from Kshs.1.88 billion authorized in a similar period of FY 2015/16 and consisted of Kshs.1.86 billion (76.5 per cent) for recurrent expenditure and Kshs.568 million (23.5 per cent) for development activities.

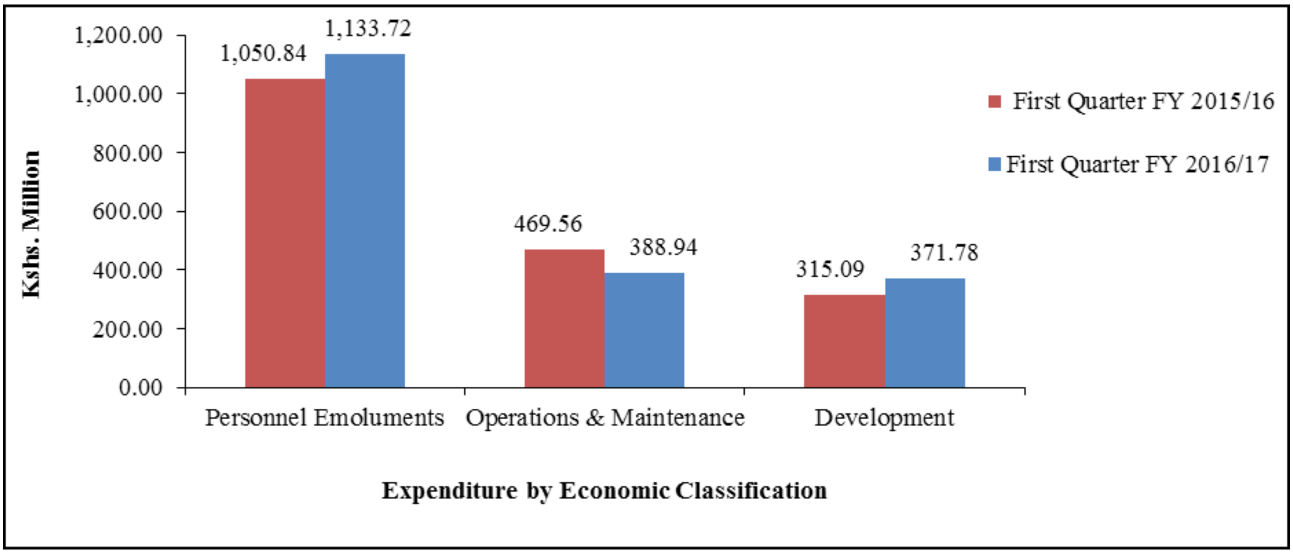
3.22.194 Overall Expenditure Review

The County spent Kshs.1.89 billion, which was 78.1 per cent of the total funds released for operations. This was an increase of 3.3 per cent from Kshs.1.83 billion spent in a similar period in FY 2015/16.

A total of Kshs.1.52 billion was spent on recurrent activities, while Kshs.371.78 million was spent on development activities. The recurrent expenditure was 81.9 per cent of the funds released for recurrent activities while development expenditure accounted for 65.5 per cent of the funds released for development activities. The expenditure excluded outstanding commitments as at 30th September, 2016, which was not provided by the County.

The recurrent expenditure represented 20 per cent of the annual recurrent budget, a decrease from 26.7 per cent spent in a similar period in FY 2015/16. Development expenditure recorded an absorption rate of 11.2 per cent, which was an increase from 6 per cent attained in a similar period of FY 2015/16. Figure 3.81 presents a comparison between total expenditure in the first quarter of FY 2016/17 and the first quarter of FY 2015/16.

Figure 3.81: Machakos County, Expenditure by Economic Classification for FY 2016/17 and FY 2015/16



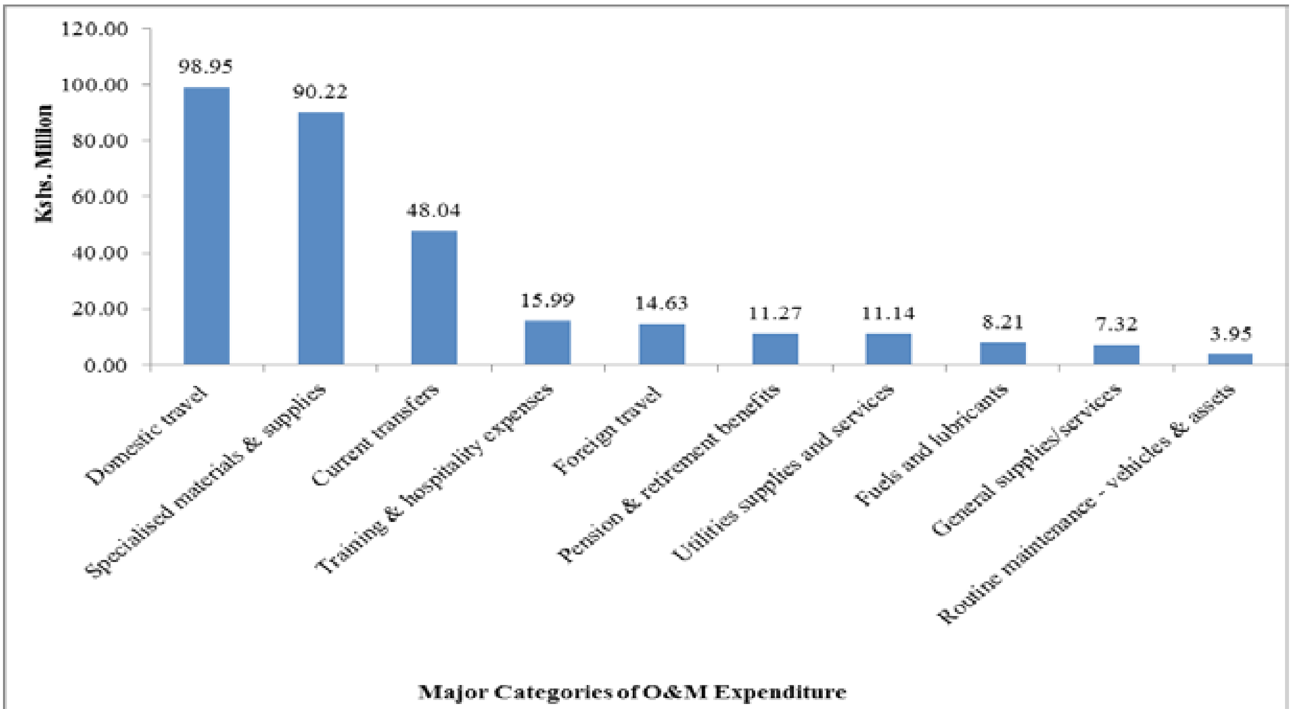
Source: *Machakos County Treasury*

3.22.195 Analysis of Recurrent Expenditure

The recurrent expenditure of Kshs.1.52 billion consisted of Kshs.1.13 billion (74.4 per cent) spent on personnel emoluments and Kshs.388.94 million (25.6 per cent) on operations and maintenance as shown in Figure 3.81. Expenditure on personnel emoluments represented an increase of 7.9 per cent compared to a similar period in FY 2015/16 when the County spent Kshs.1.05 billion.

Figure 3.82 shows a summary of the operations and maintenance expenditure by major categories.

Figure 3.82: Machakos County, Operations and Maintenance Expenditure for First Quarter of FY 2016/17



Source: *Machakos County Treasury*

The County spent Kshs.15.37 million on sitting allowances to the 59 MCAs and the Speaker against the annual budget allocation of Kshs.96.97 million. This was a decrease compared to Kshs.15.59 million spent in a similar period of FY 2015/16. The average monthly sitting allowance was Kshs.85,414 compared to SRC's recommended monthly ceiling of Kshs.124, 800.

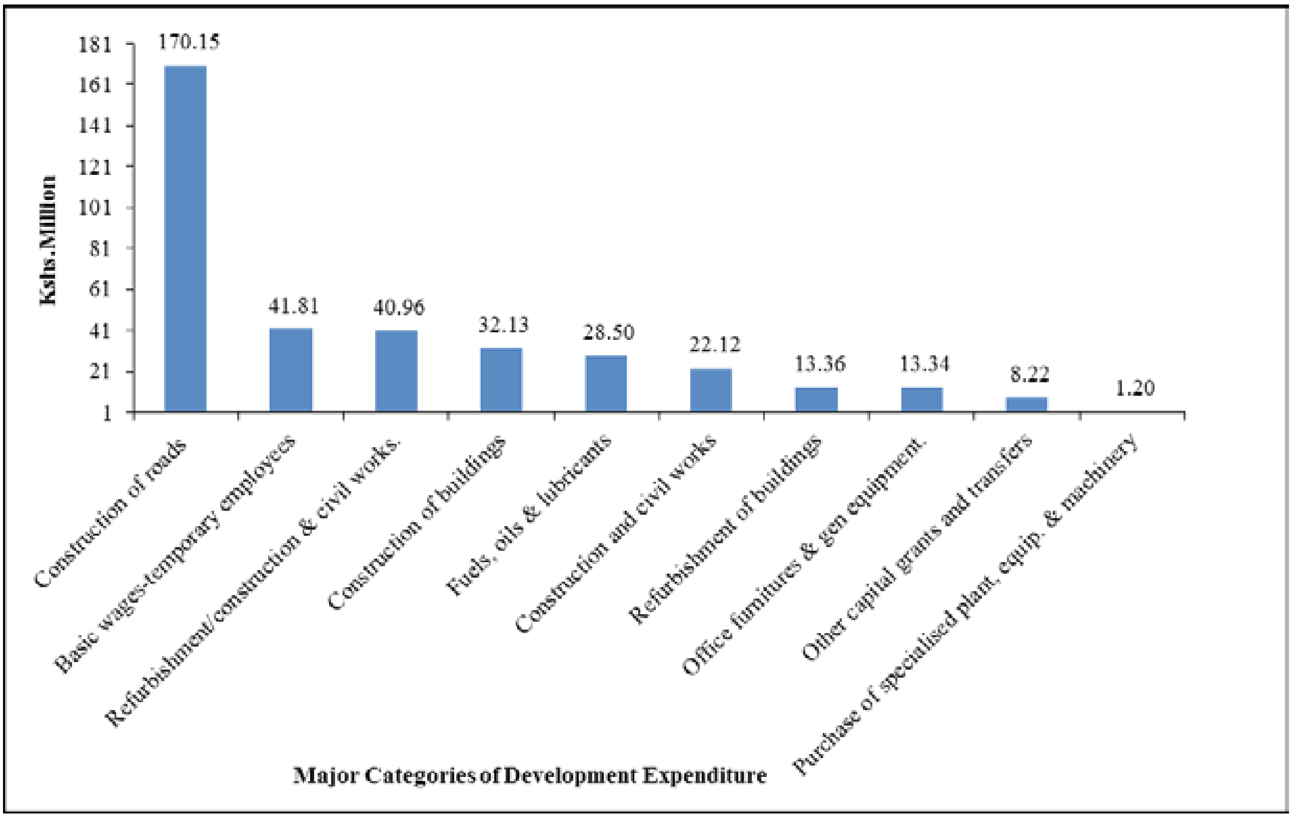
Expenditure on domestic and foreign travel amounted to Kshs.113.58 million compared to Kshs.88.38 million spent in a similar period of FY 2015/16, representing an increase of 30 per cent.

3.22.196 Development Expenditure Analysis

The total development expenditure of Kshs.371.78 million represented 11.2 per cent of the annual development budget of Kshs.3.34 billion.

Figure 3.83 provides a summary of development expenditure during the period under review.

Figure 3.83: Machakos County, Summary of Development Expenditure for the First Quarter of FY 2016/17



Source: *Machakos County Treasury*

Analysis of the development expenditure by category indicated that, the highest expenditure of Kshs.210.58 million was incurred by the Transport, Roads and Housing Department and consisted of Kshs.170.15 million spent on road construction, Kshs.32.13 million on construction of buildings, and Kshs.8.2 million on purchase of specialised plant, equipment and machinery. The second highest expenditure of Kshs.99.85 million was incurred by the Decentralised Units, Water and Irrigation Department and consisted of Kshs.40.96 million spent on water projects and Kshs.41.81 million on basic wages to temporary employees working on development projects.

3.22.197 Budget and Budget Performance Analysis by Department

Table 3.63 shows a summary of first quarter FY 2016/17 budget estimates and budget performance by department.

Table 3.63: Machakos County, Budget Performance by Department in the First Quarter of FY 2016/17

Department	Budget Allocation (Kshs. Million)		First Quarter FY 2016/17 Exchequer Issues (Kshs. Million)		First Quarter FY 2016/17 Expenditure (Kshs. Million)		First Quarter FY 2016/17 Expenditure to Exchequer Issues (%)		First quarter FY 2016/17 Absorption rate (%)	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
Office of The Governor	514.57	51.07	131.66	0	127.68	7.46	97.0	**0**	24.8	14.6
Public Services, ICT & Labour	587.11	48.33	120.65	16.52	1,043.15	0	864.6	0	177.7	0
Trade, Economic Planning & Energy	179.99	928.26	36.41	23.62	4.59	8.98	12.6	38.0	2.6	1.0
Finance and Revenue Mgt.	338.57	75.74	82.97	0	16.65	.736	20.1	0	4.9	1.0
Decentralized Units, Water & Irrigation.	1,129.49	952.39	291.60	237.23	41.57	99.85	14.3	42.1	3.7	10.5
Agriculture, Lands & Urban Development	463.11	114.53	136.35	0	5.48	9.82	4.0	0	1.2	8.6
Health Services and Emergency Services	2,680.80	214.28	727.82	41.06	109.12	32.25	15.0	0	4.1	15.1
Transport, Roads and Housing	259.40	566.22	77.795	209.51	.35	210.58	0.4	100.5	0.1	37.2
Education, Youth and Social Welfare	182.75	67.20	53.25	4.77	.539	0	1.0	0	0.3	0
Environment, Sanitation and Solid Waste Mgt.	69.87	51.54	17.22	0	2.19	0	12.7	0	3.1	0
Tourism, Culture and Co-operative Development	132.59	102.13	30.22	0	17.66	2.11	58.4	0	13.3	2.1
County Public Service Board	55.65	7.64	16.12	0	.697	0	4.3	0	1.3	0
County Assembly	945.67	157.07	137.11	35.00	152.97	0	111.6	0	16.2	0
TOTAL	**7,539.57**	**3,336.43**	**1,859.18**	**567.71**	**1,522.65**	**371.79**	**81.9**	**65.5**	**20.2**	**11.2**

Source: *Machakos County Treasury*

Analysis of budget performance by department shows that the Department of Transport, Roads and Housing attained the highest absorption of development budget at 37.2 per cent while the Departments of Education, Youth and Social Welfare, Environment, Sanitation and Solid Waste Management, and the County Assembly did not incur any development expenditure in the period under review. On the other hand, the Department of Public Services, ICT and Labour had the highest percentage of recurrent expenditure to recurrent budget at

177.7 per cent. The Department of Transport, Roads and Housing had the lowest at 0.1 per cent.

3.22.198 Observations and Recommendations

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

i. Improvement in absorption of development budget. In the reporting period, the County attained an absorption rate of 11.2 per cent compared to 6.0 per cent in a similar period in FY 2015/16.
ii. The local revenue collection improved by 34 per cent to Kshs.304.2 million in the first quarter of FY 2016/17 from Kshs.227 million generated in a similar period of FY 2016/17.
iii. The County has established a County Budget and Economic Forum (CBEF) in line with Section 137 of the PFM Act, 2012.

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

1. A high wage bill that increased by 8 per cent from Kshs.1.05 billion in the first quarter of FY 2015/16 to Kshs.1.13 billion in the period under review.
2. Failure to establish an Internal Audit Committee to provide financial management oversight in the County contrary to Section 155 of the PFM Act, 2012.
3. The development budget of the County classified research and feasibility studies, purchase of office furniture and general equipment, purchase of software, purchase of computers, printers, photocopiers and other IT equipment as development expenditure items. These expenditure items are recurrent in nature.
4. Failure by the County Assembly and County Executive Car and Mortgage Fund Administrator to submit expenditure reports on the established County Funds. This is contrary to Section 168 of the PFM Act, 2012.

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

1. *The County Public Service Board should establish an optimal staff structure in order to manage the wage bill.*
2. *The County should establish an Internal Audit Committee and also strengthen the internal audit function in line with Section 155 of the PFM Act, 2012.*
3. *The County Treasury should properly classify expenditure items in the budget in line with the Government Financial Statistics (GFS) coding structure.*
4. *The County Treasury should ensure timely submission of expenditure reports on the Established Funds in line with Section 168 of the PFM Act, 2012.*

3.23 Makueni County

3.23.199 Overview of the FY 2016/17 Budget

The County's FY 2016/17 Approved Budget was Kshs.10.52 billion, comprising of Kshs.4.92 billion (46.8 per cent) and Kshs.5.60 billion (53.2 per cent) allocations for recurrent and development expenditure respectively.

To finance the budget, the County expects to receive Kshs.6.44 billion (61.2 per cent) as equitable share of revenue raised nationally, Kshs.309.92 million (2.9 per cent) as total conditional grants, generate Kshs.500 million (4.7 per cent) from local sources, and Kshs.3.27 billion (31.2 per cent) cash balance from FY 2015/16. The conditional grants comprise of Kshs.83.69 million (27.0 per cent) for Free Maternal Health Care, Kshs.98.97 million (31.9 per cent) from the Road Maintenance Fuel Levy Fund, Kshs.19.44 million (6.3

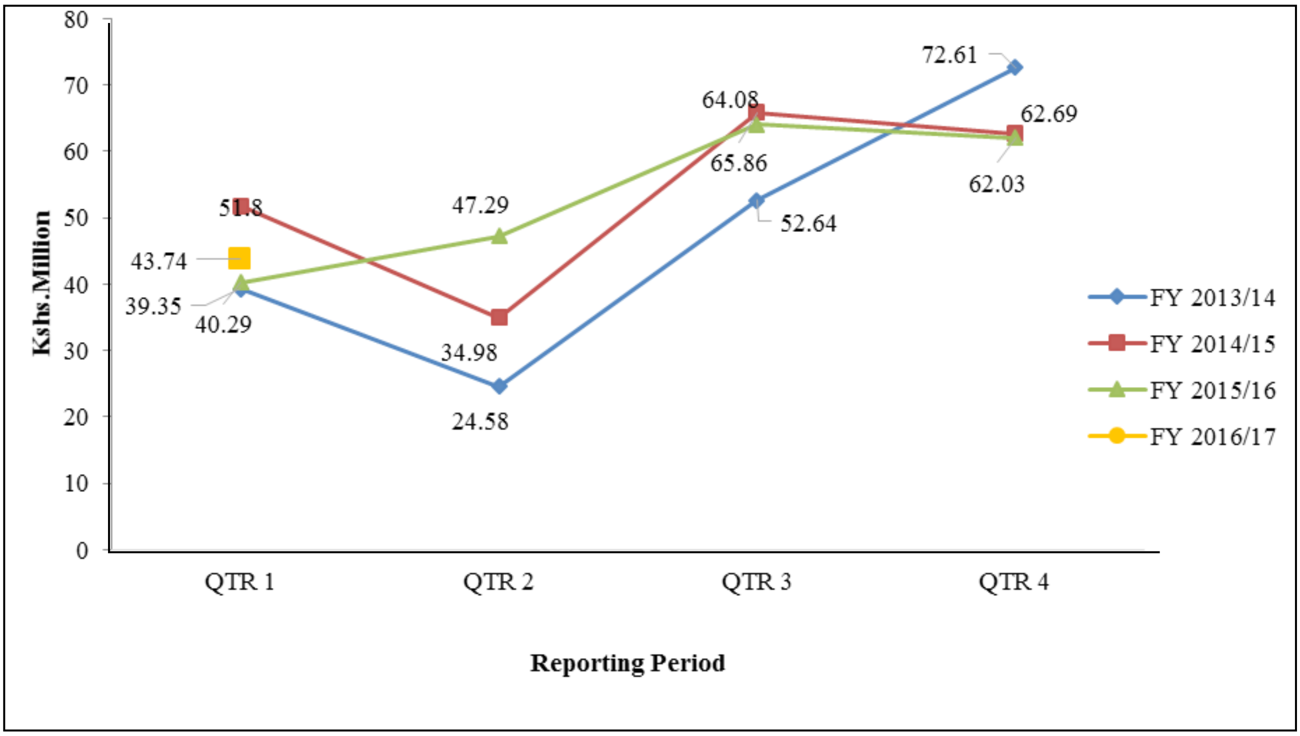
per cent) for User Fees Foregone, Kshs.95.74 million (30.9 per cent) for Leasing of Medical Equipment and Kshs.12.06 million (3.9 per cent) as a grant from DANIDA.

3.23.200 Revenue Analysis

During the first quarter of FY 2016/17, the County received Kshs.1.09 billion as equitable share of the revenue raised nationally, Kshs.40.23 million as total conditional allocations, raised Kshs.43.74 million from local sources, and Kshs.3.27 billion brought forward from FY 2015/16.

Figure 3.84 shows the quarterly trend in local revenue collection from the first quarter of FY 2013/14 to the first quarter of FY 2016/17.

Figure 3.84: Makueni County, Trend in Local Revenue Collection by Quarter from First Quarter FY 2013/14 to First Quarter FY 2016/17



Source: *Makueni County Treasury*

The total local revenue collected in the first quarter of FY 2016/17 amounted to Kshs.43.74 million which was an increase of 8.56 per cent compared to Kshs.40.29 million generated in a similar period of FY 2015/16. This revenue accounted for 8.7 per cent of the annual local revenue target.

Table 3.64 provides an analysis of the local revenue collected in the first quarter of FY 2016/17 by revenue stream.

Table 3.64: Makueni County Analysis of Revenue Collected by Stream in the First Quarter of FY 2016/17

No	Revenue Stream	Annual Targeted Revenue (Kshs.)	First Quarter FY 2016/17 Actual Revenue	Revenue Performance as a percentage of Annual Target (%)
1	BMT (Market Entrance)	41,700,000	6,535,375	15.7
2	Single Business Permits	111,200,000	9,590,150	8.6
3	Parking	41,700,000	6,392,840	15.3
4	Stock Market	12,510,000	2,366,000	18.9
5	Stock Movement	2,780,000	542,430	19.5
6	Renewal Fee	4,170,000	574,800	13.8
7	Agricultural Cess	19,460,000	6,316,030	32.5
8	Liquor License	48,650,000	1,509,095	3.1
9	Building materials	5,560,000	2,919,780	52.5
10	Advertisement & Wall Branding	6,950,000	458,000	6.6
11	Penalty	2,780,000	819,692	29.5
12	Plan Approval	6,950,000	1,459,890	21.0
13	Other Plot dues	7,940,000	1,393,202	17.5
14	Plot Rent/Rates	69,500,000	1,537,498	2.2
15	Ministry of Agriculture	13,900,000	563,452	4.1
16	Water & Environment	6,950,000	766,900	11.0
17	Public health	69,500,000	-	-
18	Sand Authority	27,800,000	-	-
	TOTAL	**500,000,000**	**43,745,133**	**8.7**

Source: *Makueni County Treasury*

Analysis of the local revenue performance by stream indicated that, income from Building Materials recorded the highest performance against annual target at 52.5 per cent. This was followed by Agriculture Cess at 32.5 per cent, and Penalty Fees at 29.5 per cent.

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

3.23.201 Conditional Grants

Table 3.65 shows an analysis of conditional grants received in the first quarter of FY 2016/17.

Table 3.65: Makueni County Analysis of Conditional Grant Releases in the First Quarter of FY 2016/17

No.	Conditional Grant	Amount allocated as provided in CARA, 2016 (Kshs.)	First Quarter, FY 2016/17 Actual receipt of the Conditional Grant(Kshs)	Actual receipts as a percentage of Annual Allocation (%)
1	Road Maintenance Fuel Levy Fund	98,971,324	24,742,831	25.0
2	Free Maternal Health Care	83,696,467	15,487,500	18.5
3	User Fees Foregone	19,449,802	0	0
4	DANIDA Grant	12,065,000	0	0
5	Leasing of medical Equipment	95,744,681	0	0
TOTAL		**309,927,274**	**40,230,331**	**13.0**

Source: *Makueni County Treasury*

The County received revenue from two conditional grant categories. These were; the Free Maternal Health Care, which recorded 18.5 per cent of the annual target, and the Road Maintenance Fuel Levy Fund, which recorded 25 per cent.

3.23.202 Exchequer Issues

During the reporting period, the Controller of Budget authorised withdrawal of Kshs.2.52 billion from the CRF account, which was 23.9 per cent of the FY 2016/17 Approved Budget. This amount represented an increase of 9.5 per cent from Kshs.2.30 billion authorized in a similar period of FY 2015/16 and consisted of Kshs.1.58 billion (62.7 per cent) for recurrent expenditure and Kshs.941.23million (37.3 per cent) for development activities.

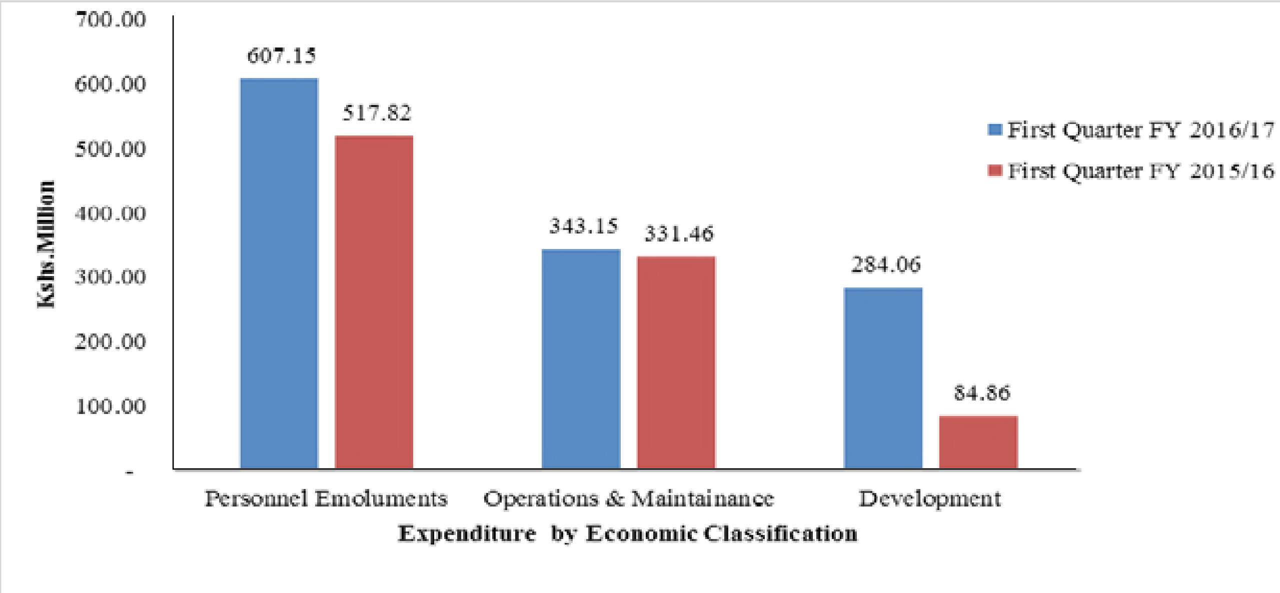
3.23.203 Overall Expenditure Review

The County spent Kshs.1.23 billion, which was 48.9 per cent of the total funds released for operations. This was an increase from Kshs.934.15 million spent in a similar period in FY 2015/16.

A total of Kshs.950.30 million was spent on recurrent activities, while Kshs.284.06 million was spent on development activities. The recurrent expenditure was 60.1 per cent of the funds released for recurrent activities while development expenditure accounted for 30.2 per cent of the funds released for development activities. The expenditure excluded outstanding commitments as at 30th September, 2016 that amounted to Kshs.107.27 million for development and Kshs.134.81 million for recurrent expenditure.

The recurrent expenditure represented 19.3 per cent of the annual recurrent budget, an increase from 19 per cent spent in a similar period FY 2015/16. Development expenditure recorded an absorption rate of 5.1 per cent, which was an increase from 1.7 per cent attained in a similar period of FY 2015/16. Figure 3.84 presents a comparison between total expenditure in the first quarter of FY 2016/17 and the first quarter of FY 2015/16.

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



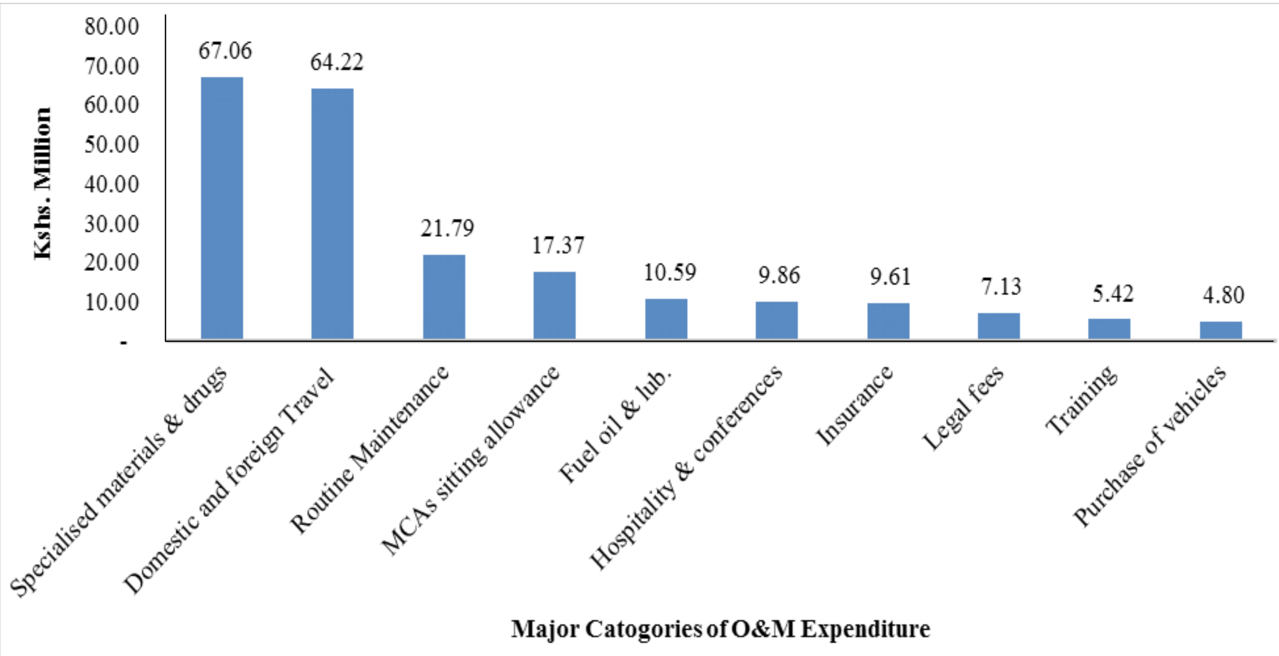
Source: *Makueni County Treasury*

3.23.204 Analysis of Recurrent Expenditure

The total recurrent expenditure of Kshs.950.30 million consisted of Kshs.607.15 million (49.2 per cent) spent on personnel emoluments and Kshs.343.14 million (27.8 per cent) on operations and maintenance as shown in Figure 3.84. Expenditure on personnel emoluments represented an increase of 17.3 per cent compared to a similar period FY 2015/16 when the County spent Kshs.517.82 million.

Figure 3.86 shows a summary of the operations and maintenance expenditure by major categories.

Figure 3.86: Makueni County, Operations and Maintenance Expenditure for the First Quarter of FY 2016/17



Source: *Makueni County Treasury*

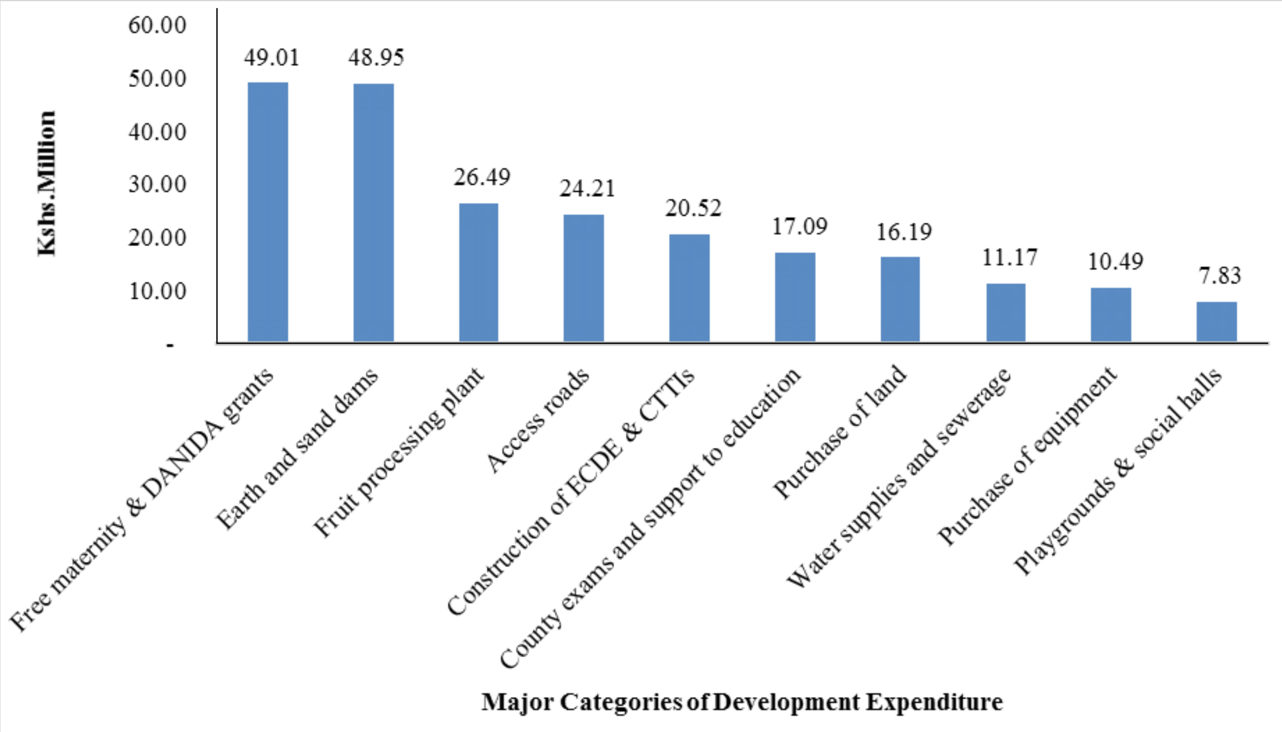
The County spent Kshs.17.37 million on sitting allowances to the 47 MCAs and the Speaker against the annual budget allocation of Kshs.50 million. This was an increase compared to Kshs.15.35 million spent in a similar period of FY 2015/16. The average monthly sitting allowance was Kshs.120,640 compared to SRC's recommended monthly ceiling of Kshs.124,800.

Expenditure on domestic and foreign travel amounted to Kshs.64.22 million compared to Kshs.40.72 million spent in a similar period FY 2015/16, representing an increase of 57.7 per cent. This comprised of Kshs.43.85 million incurred by the County Executive and Kshs.20.35 million by the County Assembly. The most significant expenditure categories was Kshs.67.06 million on Specialised Materials and Medical Drugs compared to Kshs.65.62 million spent in a similar period FY 2015/16.

3.23.205 Development Expenditure Analysis

The total development expenditure of Kshs.284.05 million represented 5.1 per cent of the annual development budget of Kshs.5.60 billion. Figure 3.87 provides a summary of development expenditure during the period under review.

Figure 3.87: Makueni County, Summary of Development Expenditure for the First Quarter of FY 2016/17



Source: *Makueni County Treasury*

Analysis of the development expenditure by category indicated that, the highest expenditure of Kshs.49.01 million was incurred by the Health Department on free maternity health care and DANIDA support program. The second highest expenditure of Kshs.48.95 million was incurred by the Water, Irrigation and Environment Department on sand and earth dams. The Department of Agriculture, Livestock & Fisheries Development incurred Kshs.26.49 million on a fruit processing plant while the Department of Transport and Infrastructure incurred Kshs.24.21 million on ward based upgrading of access roads and cabro paving.

3.23.206 Budget and Budget Performance Analysis by Department

Table 3.66 shows a summary of first quarter FY 2016/17 budget estimates and budget performance by department.

Table 3.66: Makueni County, First Quarter of FY 2016/17 Budget Performance by Department

DEPARTMENT	Budget Allocation (Kshs. Million)		First Quarter FY 2016/17 Exchequer Issues (Kshs. million)		First Quarter FY 2016/17 Expenditure		First Quarter FY 2016/17 Expenditure to Exchequer issues (%)		First quarter FY 2016/17 Absorption rate (%)	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
County Attorney's Office	43.75	-	20.54	-	3.63	-	0.177	0	0.08	0
County Public Service Board	75.64	-	25.61	-	13.53	-	0.528	0	0.18	0
Department of lands, Physical Planning & Mining	40.44	164.5	15.16	32.27	8.51	23.38	0.561	0.72	0.21	0.14
Office of Governor	232.8	-	97.38	-	45.25	-	0.465	0	0.19	0
Department of Trade, Tourism & Cooperatives	52.4	318.53	14.18	54.88	11.17	10.9	0.788	0.2	0.21	0.03
Department of Youth, Gender, Sports & Social services	59.29	451.88	15.09	54.47	9.35	21.73	0.619	0.4	0.16	0.05
County Secretary	345.5	-	38.82	-	21.74	-	0.56	0	0.06	0
Department of finance & Socio Economic Planning	549.5	92.08	141.3	7	75.84	0.86	0.537	0.12	0.14	0.01
Department of Education & ICT	229.6	535.86	64.03	86.67	49.18	44.58	0.768	0.51	0.21	0.08
Department of Transport & Infrastructure	147.1	804.17	52.32	135	23.72	27.76	0.453	0.21	0.16	0.03
Department of Agriculture, Livestock & Fisheries development	256.5	695.23	73.56	130.29	55.3	30.54	0.752	0.23	0.22	0.04
Department of water, Irrigation & Environment	164.6	1207.3	42.22	257.94	30.02	63.94	0.711	0.25	0.18	0.05
Department of health	1793	1122.2	638.51	137.87	406.8	55.17	0.637	0.4	0.23	0.05
Department of Devolution & Public Service	236.3	141.66	87.06	10.61	57.18	1	0.657	0.09	0.24	0.01
Sand Authority	51.7	8.3	19.74	-	7.55	-	0.383	0	0.15	0
County Assembly	644.1	59.94	236.46	34.24	131.53	4.2	0.556	0.12	0.2	0.07
TOTAL	**4922**	**5601.7**	**1581.97**	**941.24**	**950.3**	**284.06**	**0.601**	**0.3**	**0.19**	**0.05**

Source: *Makueni County Treasury*

Analysis of budget performance by department shows that the Department of Lands, Planning and Mining attained the highest absorption of development budget at 14.2 per cent. On the other hand, the Department of Devolution and Public Service had the highest percentage of recurrent expenditure to recurrent budget at 24.2 per cent while the County Secretary Office had the lowest at 6.3 per cent.

3.23.207 Observations and Recommendations

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

i. Improvement in local revenue collection by 8.6 per cent from Kshs.40.29 million in the first quarter of FY 2015/16 to Kshs.43.74 million in the first quarter of FY 2016/17.
ii. Establishment of the County Budget and Economic Forum in line with Section 137 of the PFM Act, 2012.

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

1. Failure to establish an Internal Audit Committee to provide financial management oversight in the County contrary to Section 155 of the PFM Act, 2012.
2. A high wage bill that increased by 17.3 per cent from Kshs.517.82 million in the first quarter of FY 2015/16 to Kshs.607.15 million in the period under review.
3. Delay in disbursement of the equitable share of revenue raised nationally by the National Treasury. As at the end of the reporting period, Kshs.1.09 billion had been disbursed against an expected disbursement of Kshs.1.61billion.

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

1. *The County should establish an Internal Audit Committee and also strengthen the internal audit function in line with Section 155 of the PFM Act, 2012*
2. *The County Public Service Board should establish an optimal staff structure in order to manage the wage bill.*
3. *The County Treasury should liaise with the National Treasury to ensure that funds allocated to the County are released in a timely manner in line with CARA, 2016 Disbursement Schedule.*

3.24 Mandera County

3.24.208 Overview of the FY 2016/17 Budget

The County's FY 2016/17 Approved Budget was Kshs.11.19 billion, comprising of Kshs.3.50 billion (31.7 per cent) and Kshs.7.69 billion (68.3 per cent) allocations for recurrent and development expenditure respectively.

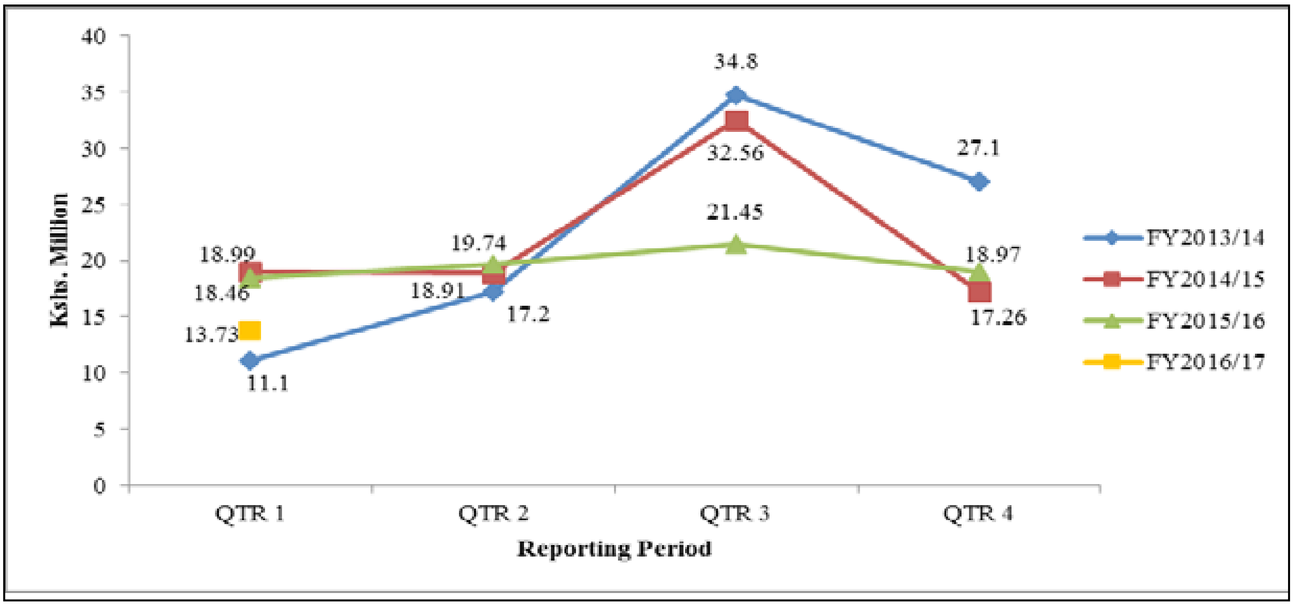
To finance the budget, the County expects to receive Kshs.9.66 billion (80.4 per cent) as equitable share of revenue raised nationally, Kshs.308.43 million (2.5 per cent) as total conditional grants, generate Kshs.265.64 million (2.2 per cent) from local sources, and Kshs.1,783.41 million (14.8 per cent) cash balance from FY 2015/16. The conditional grants comprise of Kshs.55.34 million (17.9 per cent) for Free Maternal Health Care, Kshs.148.48 million (48.1 per cent) from the Road Maintenance Fuel Levy Fund, Kshs.15.52 million (5.0 per cent) for User Fees Foregone, Kshs.7.31 million (2.4 per cent) from DANIDA, and Kshs.81.78 million (26 per cent) as conditional grants from other loans and grants.

3.24.209 Revenue Analysis

During the first quarter of FY 2016/17, the County received Kshs.1.64 billion as equitable share of the revenue raised nationally, Kshs.45.23 million as total conditional allocations, raised Kshs.13.73 million from local sources, and Kshs.1, 783.41 million brought forward from FY 2015/16.

Figure 3.88 shows the quarterly trend in local revenue collection from the first quarter of FY 2013/14 to the first quarter of FY 2016/17.

Figure 3.88: Mandera County, Trend in Local Revenue Collection by Quarter from the First Quarter FY 2013/14 to the First Quarter of FY 2016/17



Source: *Mandera County Treasury*

The total local revenue collected in the first quarter of FY 2016/17 amounted to Kshs.13.73 million which is a decrease of 25.6 per cent compared to Kshs.18.46 million generated in a similar period of FY 2015/16. This revenue accounted for 5.2 per cent of the annual local revenue target.

Table 3.67 provides an analysis of the local revenue collected in the first quarter of FY 2016/17 by revenue stream.

Table 3.67: Mandera County Analysis of Revenue Collected by Stream in the First Quarter of FY 2016/17

No.	Revenue Stream	Annual Targeted Revenue (Kshs.)	First Quarter, FY 2016/17 Actual Revenue (Kshs)	Actual Revenue as a percentage of Annual Target (%)
1	Land rents	40,810,115	3,040,050	7.4
2	Plot Transfers/Sub-Divisions/Application Fees	17,078,000	70,000	0.4
3	Miraa Movements	24,201,845	2,187,600	9.0
4	single Business Permit	19,484,115	698,540	3.6
5	Markets stalls	8,597,478	403,380	4.7
6	stores	7,189,334	-	-
7	Buspark/Taxis	2,618,868	231,310	8.8
8	Income from Quarries	7,353,241	97,300	1.3

No.	Revenue Stream	Annual Targeted Revenue (Kshs.)	First Quarter, FY 2016/17 Actual Revenue (Kshs)	Actual Revenue as a percentage of Annual Target (%)
9	Building plan	1,524,038	55,000	3.6
10	Barriers	4,172,068	3,688,058	88.4
11	Local Flights Tickets-Mandera Airstrip	10,000,000	-	-
12	Livestock Markets	14,151,098	-	-
13	Livestock Movement	7,463,527	963,598	12.9
14	Slaughter fees and Charges	9,173,030	408,445	4.5
15	Produce Cess	3,313,710	-	-
16	Agriculture Mechanization/Hire of Equipment	9,900,000	117,200	1.2
17	Income from Sale of Tenders documents	5,383,367	-	-
18	Rental income	263,879	-	-
19	Others	14,586,878	-	-
20	Public Health	16,514,867	28,700	0.2
21	Hospital collection	6,969,600	1,744,315	25.0
22	Income from Water Management	24,944,467	-	-
23	Hire of Public Works Equipment	9,950,000	-	-
	Total	**265,643,523**	**13,733,496**	**5.2**

Source: *Mandera County Treasury*

Analysis of the local revenue performance by stream indicated that barrier fees recorded the highest performance against the annual target at 88.4 per cent. This was followed by hospital collections at 25.0 per cent and livestock movement at 12.9 per cent.

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

3.24.210 Conditional Grants

Table 3.68 shows an analysis of conditional grants received in the first quarter of FY 2016/17.

Table 3.68: Mandera County Analysis of Conditional Grant Releases in the First Quarter of FY 2016/17

No.	Conditional Grant	Amount allocated as provided in CARA, 2016 (Kshs.)	First Quarter, FY 2016/17 Actual receipts from the Conditional Grant (Kshs.)	Actual receipts as a percentage of Annual Allocation (%)
1	DANIDA Health Funds	7,310,000	0	0
2	Road Maintenance Fuel Levy Fund (State Department of Infrastructure)	148,476,828	37,119,207	25.0
3	Free Maternal Health Care (Ministry of Health)	55,335,158	8,112,500	14.7
4	User Fees foregone (Ministry of Health)	15,521,730	0	0.0
5	World Bank Health Funds (Ministry of Health)	42,477,798	0	0.0
6	Kenya Devolution Support Program	39,304,000	0	0.0
Total		**308,425,514**	**45,231,707**	**14.7**

Source: *Mandera County Treasury*

Analysis of the conditional grants released in the first quarter of FY2016/17 shows that the County received Kshs.37.12 million and Kshs.8.11 million from Road Maintenance Fuel Levy Fund and for Free Maternal Health Care respectively. The County Treasury did not report any receipts from other conditional grants.

3.24.211 Exchequer Issues

During the reporting period, the Controller of Budget (COB) authorized the withdrawal of Kshs.2.57 billion from the CRF account, which was 23.0 per cent of the FY 2016/17 Approved Budget. This amount represented an increase of 5.5 per cent from Kshs.2.12 billion authorized in a similar period of FY 2015/16 and consisted of Kshs.924.80 million (36.0 per cent) for recurrent expenditure and Kshs.1.65 million (64.0 per cent) for development activities.

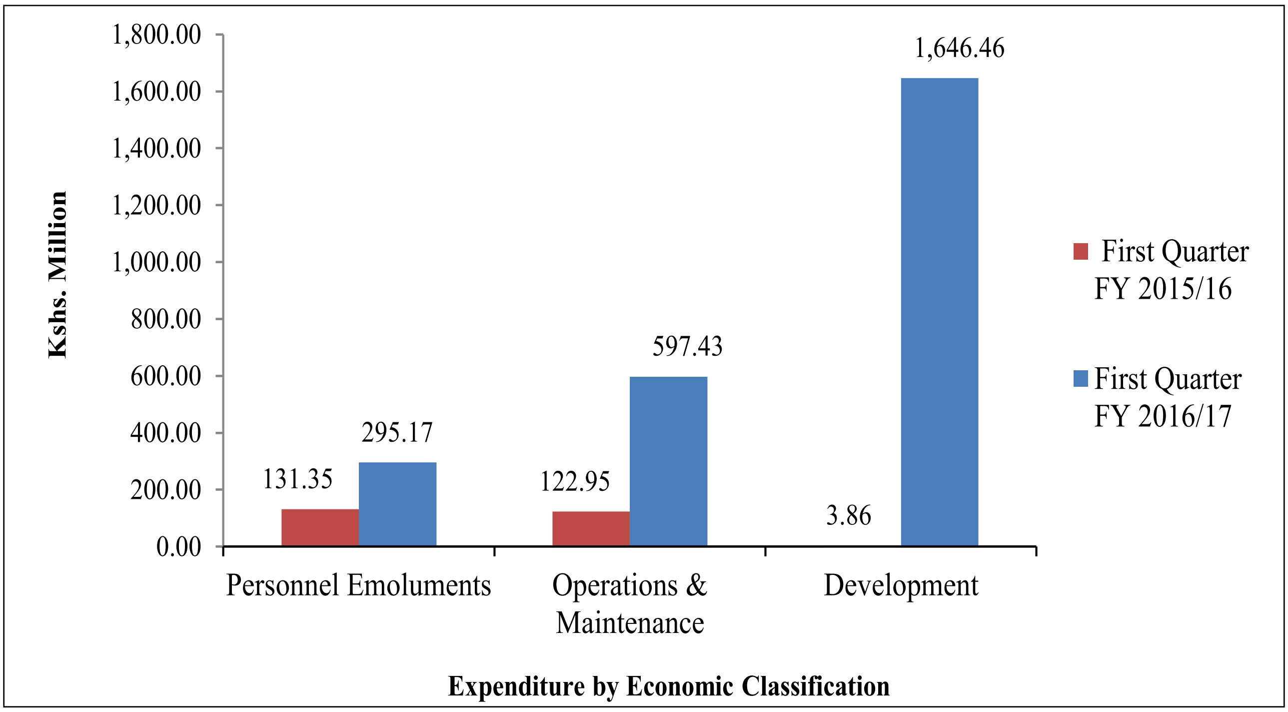
3.24.212 Overall Expenditure Review

The County spent Kshs.2.54 billion, which was 98.7 per cent of the total funds released for operations. This was an increase of over 100 per cent from Kshs.258.16 million spent in a similar period in FY 2015/16.

A total of Kshs.892.6 million was spent on recurrent activities, while Kshs.1.65 billion was spent on development activities. The recurrent expenditure was 96.5 per cent of the funds released for recurrent activities while development expenditure accounted for 99.96 per cent of the funds released for development activities.

The recurrent expenditure represented 25.5 per cent of the annual recurrent budget, an increase from 5.6 per cent spent in the first quarter of FY 2015/16. Development expenditure recorded an absorption rate of 21.4 per cent, which was an increase from 0.1 per cent attained in a similar period of FY 2015/16. Figure 3.89 presents a comparison between total expenditure in the first quarter of FY 2016/17 and the first quarter of FY 2015/16.

Figure 3.89: Mandera County, Expenditure by Economic Classification for the First Quarter of FY 2015/16 and the First Quarter of FY 2016/17



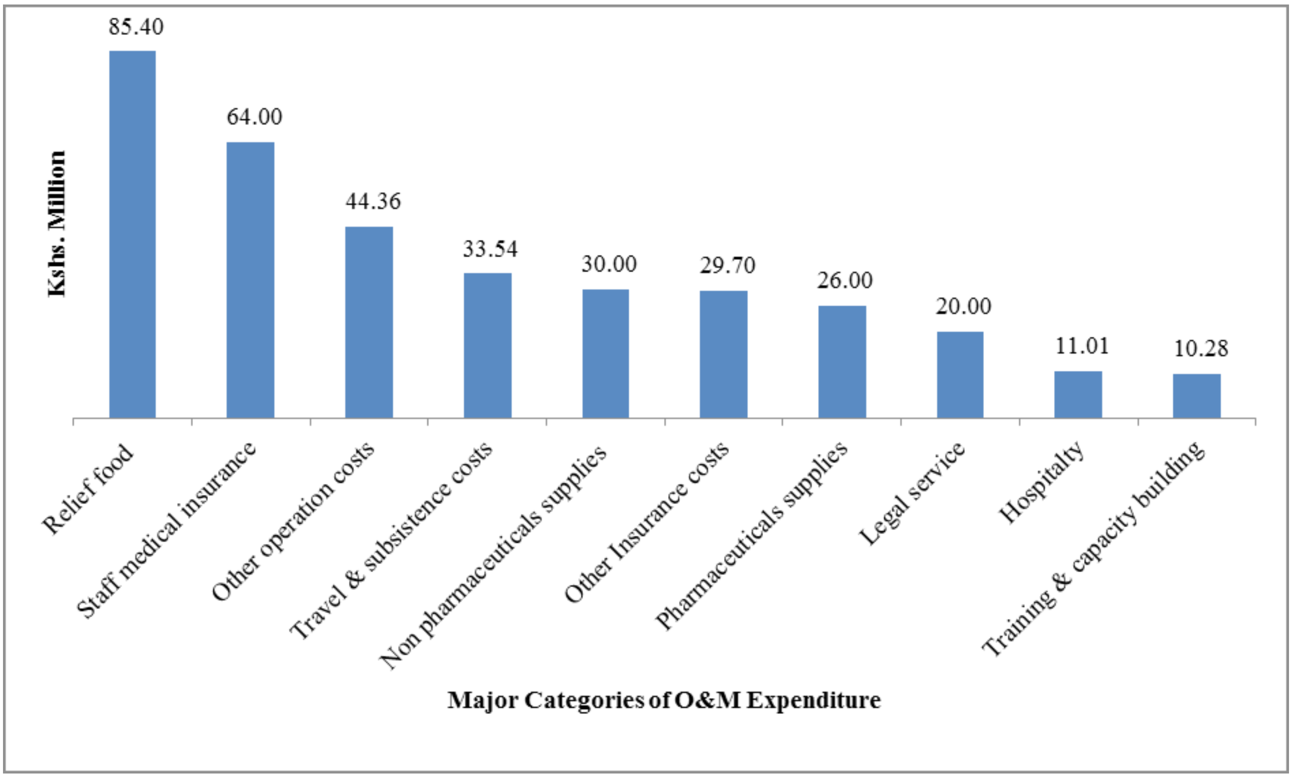
Source: *Mandera County Treasury*

3.24.213 Analysis of Recurrent Expenditure

The recurrent expenditure of Kshs.892.61 million consisted of Kshs.295.17 million (33.1 per cent) spent on personnel emoluments and Kshs.597.43 million (66.9 per cent) on operations and maintenance as shown inFigure 3.88. Expenditure on personnel emoluments represented an increase of 124.7 per cent compared to a similar period in FY 2015/16 when the County spent Kshs.131.35 million.

Figure 3.90 shows a summary of the operations and maintenance expenditure by major categories.

Figure 3.90: Mandera County, Operations and Maintenance Expenditure for the First Quarter of FY 2016/17



Source: *Mandera County Treasury*

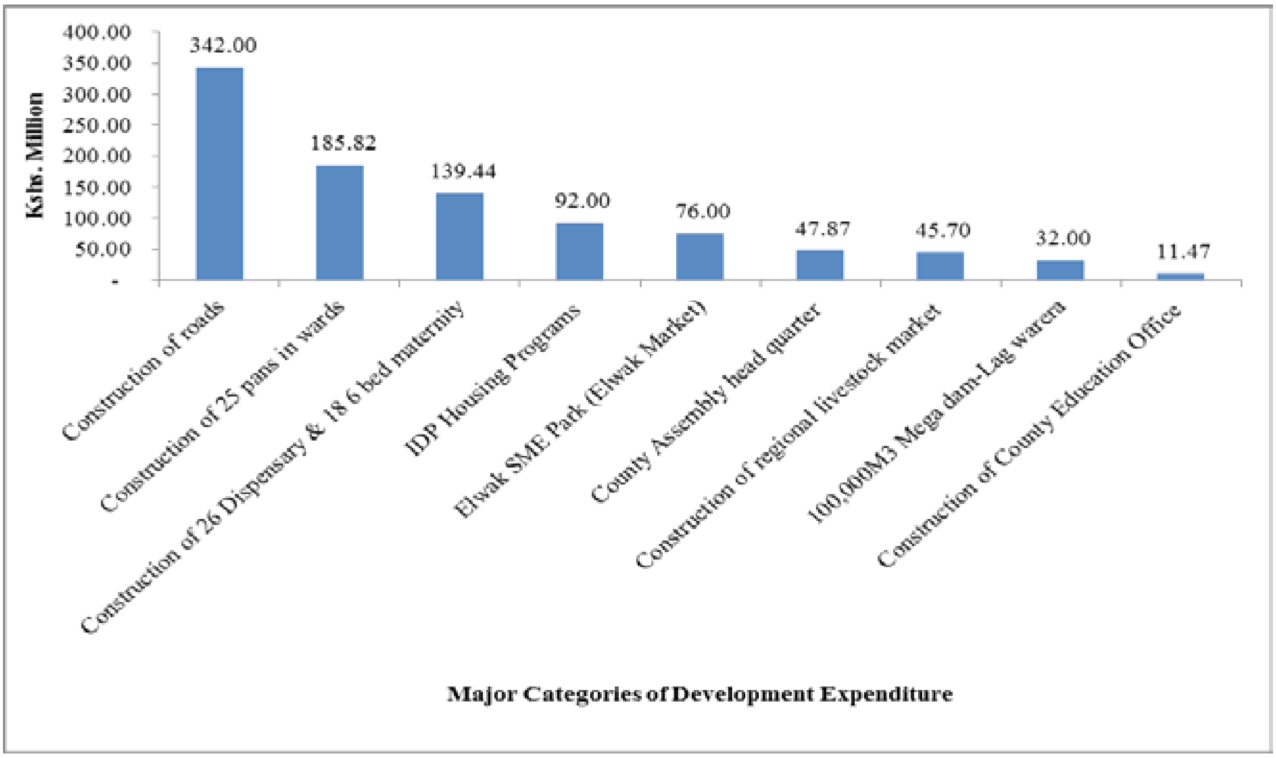
The County spent Kshs.4.05 million on sitting allowances to the 49 MCAs and the Speaker against the annual budget allocation of Kshs.63 million. This was a decrease compared to Kshs.9.77 million spent in a similar period of FY 2015/16. The average monthly sitting allowance was Kshs.27, 557 compared to SRC's recommended monthly ceiling of Kshs.124, 800.

Expenditure on domestic and foreign travel amounted to Kshs.20.39 million compared to Kshs.30.99 million spent in a similar period FY 2015/16, representing a decrease of 52.0 per cent.

3.24.214 Development Expenditure Analysis

The total development expenditure of Kshs.1.65 billion represented 21.4 per cent of the annual development budget of Kshs.7.69 billion. Figure 3.91 provides a summary of development expenditure during the period under review.

Figure 3.91: Mandera County, Summary of Development Expenditure for the First Quarter of FY 2016/17



Source: *Mandera County Treasury*

Analysis of the development expenditure by category indicated that, the highest expenditure of Kshs.634.20 million was incurred by the Public Works, Roads & Transport Department. This expenditure consisted of Kshs.342.00 million spent on new road construction and Kshs.176.04 million on additional works on existing roads. The second highest expenditure of Kshs.311.91 million was incurred by the Water, Energy Environment and Natural Resources Department. It mainly consisted of Kshs.185.82 million spent on construction of water pans in various wards. The Department of Finance and Economic Planning and ICT spent a total of Kshs.235.50 million, comprising of Kshs.140.00 million on pending bills and Kshs.92.00 million on the IDP Housing program.

3.24.215 Budget and Budget Performance Analysis by Department

Table 3.69 shows a summary of first quarter FY 2016/17 budget estimates and budget performance by the department.

Table 3.69: Mandera County of Budget Performance by Department in the First Quarter of FY 2016/17

Department	Budget Allocation (Kshs. Million)		Exchequer Issues (Kshs. Million)		Expenditure (Kshs. Million)		Expenditure to Exch. Issues (%)		Absorption Rate (%)	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
Agriculture Livestock and Fisheries	122.02	446.32	24.14	64.24	24.14	64.24	100.0	100.0	19.8	14.4
Education, Culture & Sports	261.36	304.95	45.29	48.48	45.29	26.91	100.0	55.5	17.3	8.8

Department	Budget Allocation (Kshs. Million)		Exchequer Issues (Kshs. Million)		Expenditure (Kshs. Million)		Expenditure to Exch. Issues (%)		Absorption Rate (%)	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
Gender, Youth & Social Service	21.38	59.07	4.77	-	4.77	-	100.0	-	22.3	-
Finance & Economic Planning and ICT	289.66	594.57	158.65	223.50	158.36	235.50	99.8	105.4	54.7	39.6
Health Services	879.23	830.27	203.64	260.69	203.64	216.50	100.0	83.0	23.2	26.1
Trade, Investments Industrializations and Cooperative Development	35.78	479.18	6.56	76.00	6.56	98.48	100.0	129.6	18.3	20.6
County Assembly	700.17	155.92	116.69	47.87	84.79	47.87	72.7	100.0	12.1	30.7
Lands, Housing and Physical Planning	56.01	139.80	11.25	10.85	11.25	10.85	100.0	100.0	20.1	7.8
Office of the Governor and Deputy Governor	246.39	-	57.78	-	57.78	-	100.0	-	23.5	-
County Public Service Board	54.05	-	10.79	-	10.79	-	100.0	-	20.0	-
Public Service, Management and Devolved Unit	527.98	204.39	179.74	-	179.74	-	100.0	-	34.0	-
Public Works Roads and Transport	74.87	2,461.70	22.41	630.96	22.41	634.20	100.0	100.5	29.9	25.8
Water, Energy Environment and Natural Resources	230.57	2,018.24	83.08	284.61	83.08	311.91	100.0	109.6	36.0	15.5
Total	**3,499.47**	**7,694.42**	**924.80**	**1,647.20**	**892.61**	**1,646.46**	**96.5**	**100.0**	**25.5**	**21.4**

Source: *Mandera County Treasury*

Analysis of budget performance by department shows that the Department of Finance & Economic Planning attained the highest absorption of development budget at 39.6 per cent while the Department of Gender, Youth and Social Service and the Department of Public Service, Management and Devolved Unit did not incur any development expenditure. On the other hand, the Department of Finance & Economic Planning and ICT had the highest percentage of recurrent expenditure to recurrent budget at 54.7 per cent while the County Assembly had the lowest at 12.1 per cent.

3.24.216 Observations and Recommendations

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

i. Improvement in absorption of development funds. Development expenditure recorded an absorption rate of 21.4 per cent, which was an increase from 0.1 per cent attained in a similar period of FY 2015/16.

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

1. Late submission of financial reports by the County Treasury to the Controller of Budget, which affected timely preparation of budget implementation report.
2. Delay in approval of key planning policy documents by the County Assembly. The Annual Development Plan (ADP) for FY 2016/17 was approved past the provided legal timeline.
3. Underperformance in local revenue collection. The local revenue collection has declined by 34 per cent from Kshs.18.46 million in the first quarter of FY 2015/16 to Kshs.13.73 million in the reporting period.

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

1. *The County Treasury should ensure timely preparation and submission of financial reports to the Office of the Controller of Budget in line with Section 166 of PFM Act, 2012.*
2. *The County should ensure key planning documents are approved in time so as to facilitate smooth implementation of the budget.*
3. *The County Treasury should formulate and implement effective strategies to enhance local revenue collection.*

3.25 Marsabit County

3.25.217 Overview of the FY 2016/17 Budget

The County's FY 2016/17 Approved Budget was Kshs.6.61 billion, comprising of Kshs.3.55 billion (53.7 per cent) and Kshs.3.06 billion (46.3 per cent) allocations for recurrent and development expenditure respectively.

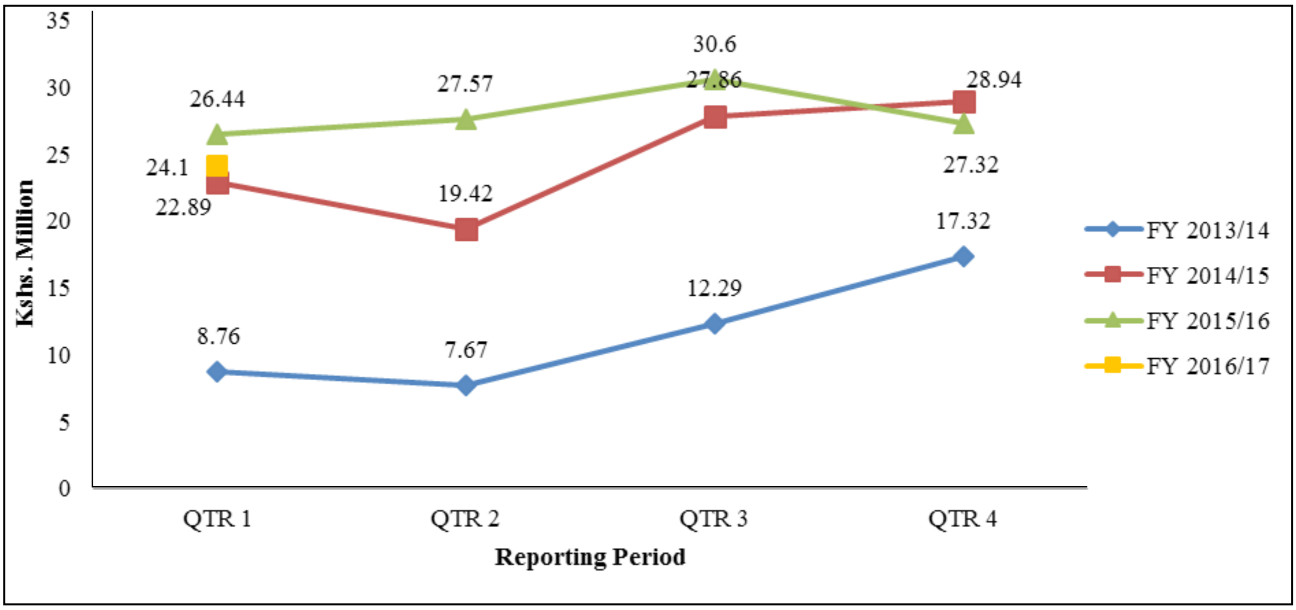
To finance the budget, the County expects to receive Kshs.5.59 billion (84.7 per cent) as equitable share of revenue raised nationally, Kshs.189.39 million (2.8 per cent) as total conditional grants, and generate Kshs.125 million (1.9 per cent) from local sources and Kshs.696.02 million as projected balance brought forward from FY 2015/2016 (10.6 per cent). The conditional grants comprise of Kshs.25.09 million (13.2 per cent) for Free Maternal Healthcare, Kshs.86.04 million (45.4 per cent) from the Road Maintenance Fuel Levy Fund, Kshs.6.87 million (3.6 per cent) for User Fees Foregone, Kshs.7.67 million (4.1 per cent) as a grant from DANIDA, Kshs.34.63 million (18.3 per cent) as conditional loans from the World Bank, and Kshs.29.08 million (15.4 per cent) for Kenya Devolution Support Programme.

3.25.218 Revenue Analysis

During the first quarter of FY 2016/17, the County received Kshs.951.91 million as equitable share of the revenue raised nationally, Kshs.25.81 million as total conditional allocations, raised Kshs.24.1 million from local sources, and Kshs.939.37 million brought forward from FY 2015/16.

Figure 3.92 shows the quarterly trend in local revenue collection from the first quarter of FY 2013/14 to the first quarter of FY 2016/17.

Figure 3.92: Marsabit County, Trend in Local Revenue Collection by Quarter from FY 2013/14 to FY 2016/17



Source: *Marsabit County Treasury*

The total local revenue collected in the first quarter of FY 2016/17 amounted to Kshs.24.10 million which is a decrease of 8.85 per cent compared to Kshs.26.44 million generated in a similar period of FY 2015/16. This revenue accounted for 19.3 per cent of the annual local revenue target.

Table 3.70 provides an analysis of the local revenue received in the first quarter of FY 2016/17 by revenue stream.

Table 3.70: Marsabit County Analysis of Revenue Collected by Stream in the First Quarter of FY 2016/17

No	Revenue Stream	First quarter, FY 2016/17 Actual Revenue (Kshs.)	Actual Revenue by stream as a percentage of total collection in the First Quarter, FY 2016/17 (%)
1	Hospital Charges	5,475,066	22.7
2	Produce Cess	4,154,338	17.2
3	Livestock Charges	4,104,028	17.0
4	Single Business Permit	2,905,724	12.1
5	Land Transaction charges	1,715,136	7.1
6	Royalties	1,626,060	6.7
7	Other revenue streams	4,122,347	17.1
TOTAL		**24,102,699**	**100.0**

Source: *Marsabit County Treasury*

Analysis of local revenue performance by stream indicated that, Hospital charges made the highest contribution of revenue collected at 22.7 per cent. This was followed by Produce Cess at 17.2 per cent, and Livestock Charges at 17 per cent. The County did not disaggregate the annual revenue target by revenue stream in the quarterly returns.

3.25.219 Conditional Grants

Table 3.71 shows an analysis of conditional grants received in the first quarter of FY 2016/17.

Table 3.71: Marsabit County Analysis of Conditional Grant Releases in the First Quarter of FY 2016/17

No.	Conditional Grant	Amount allocated as provided in CARA, 2016 (Kshs.)	First Quarter, FY 2016/17 Actual receipt of the Conditional Grant (Kshs.)	Actual receipts as a percentage of Annual Allocation (%)
1	Road Maintenance Fuel Levy Fund	86,036,213	21,509,053	24.9
2	Free Maternal Health Care	25,096,698	4,297,500	17.1
3	User Fees Foregone	6,872,636	-	-
4	DANIDA Grant	7,675,000	-	-
5	World Bank Loan	34,627,134	-	-
6	Other Loans and Grants	29,083,180	-	-
Total		**189,390,861**	**25,806,553**	**13.6**

Source: *Marsabit County Treasury*

The County received grants from only two grant categories. These were; the Road Maintenance Fuel Levy Fund which recorded 24.9 per cent of annual target and the Free Maternal Health Care grant which recorded 17.1 per cent.

3.25.220 Exchequer Issues

During the reporting period, the Controller of Budget authorised withdrawal of Kshs.1.42 billion from the CRF account, which was 21.5 per cent of the Approved Budget. This amount represented an increase of 72.1 per cent from Kshs.827.55 million authorized in a similar period of FY 2015/16 and consisted of Kshs.739.73 million (51.9 per cent) for recurrent expenditure and Kshs.684.65 million (48.1 per cent) for development activities.

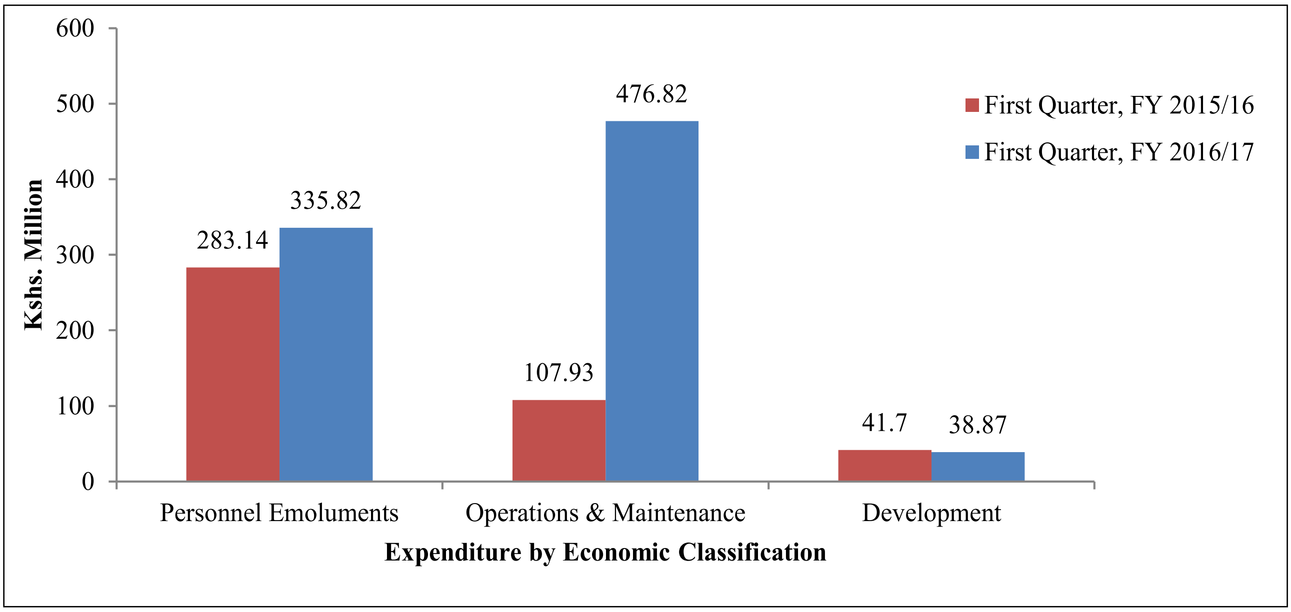
3.25.221 Overall Expenditure Review

The County spent Kshs.851.5 million, which was 59.9 per cent of the total funds released for operations. This was an increase of 96.7 per cent from Kshs.432.86 million spent in a similar period in FY 2015/16.

A total of Kshs.812.64 million was spent on recurrent activities, while Kshs.38.87 million was spent on development activities. The recurrent expenditure was 109.8 per cent of the funds released for recurrent activities while development expenditure accounted for 5.6 per cent of the funds released for development activities. The expenditure excluded outstanding commitments as at 30th September, 2016 which amounted to Kshs.539.32 million for development and Kshs.209.73 million for recurrent expenditure.

The recurrent expenditure represented 22.9 per cent of the annual recurrent budget, an increase from 12.9 per cent spent in a similar period of FY 2015/16. Development expenditure recorded an absorption rate of 1.3 per cent, which was a decrease from 10 per cent attained in a similar period of FY 2015/16. Figure 3.93 presents a comparison between total expenditure in the first quarter of FY 2016/17 and the first quarter of FY 2015/16.

Figure 3.93: Marsabit County, Expenditure by Economic Classification for FY 2016/17 and FY 2015/16



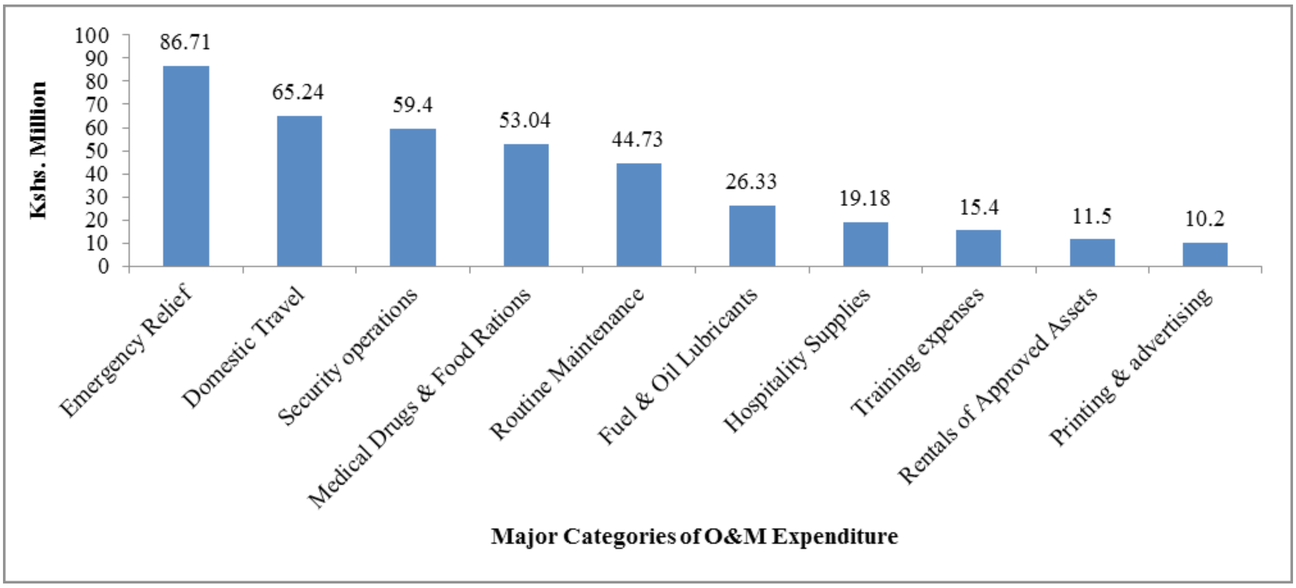
Source: *Marsabit County Treasury*

3.25.222 Analysis of Recurrent Expenditure

The recurrent expenditure of Kshs.812.64 million consisted of Kshs.335.82 million (41.3 per cent) spent on personnel emoluments and Kshs.476.82 million (58.7 per cent) on operations and maintenance as shown in Figure 3.92. Expenditure on personnel emoluments represented an increase of 18.6 per cent compared to a similar period in FY 2015/16 when the County spent Kshs.283.14 million.

Figure 3.94 shows a summary of the operations and maintenance expenditure by major categories.

Figure 3.94: Marsabit County, Operations and Maintenance Expenditure for First Quarter of FY 2016/17



Source: *Marsabit County Treasury*

The County spent Kshs.7.72 million on sitting allowances to the 33 MCAs and the Speaker against the annual budget allocation of Kshs.40 million. This was a decrease from Kshs.8 million spent in a similar period of FY

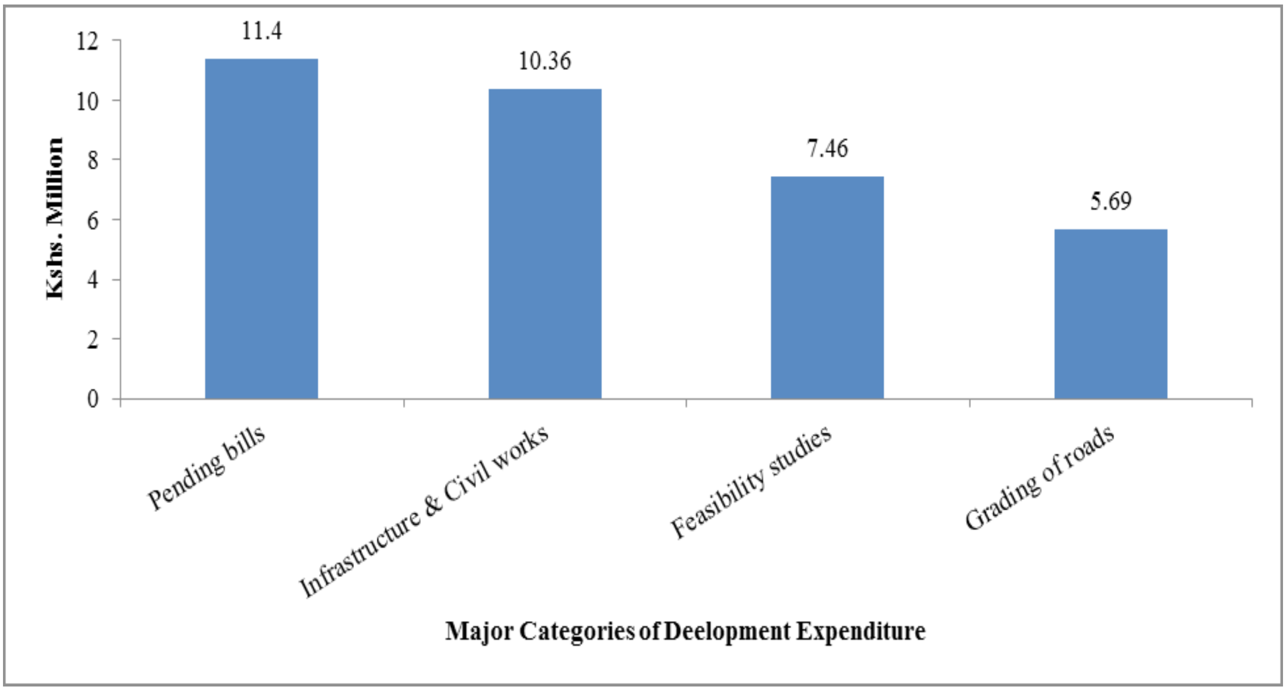
2015/16. The average monthly sitting allowance was Kshs.75,709 compared to SRC's recommended monthly ceiling of Kshs.124,800**.**

Expenditure on domestic and foreign travel amounted to Kshs.74.84 million compared to Kshs.30.45 million spent in a similar period of FY 2015/16, representing an increase of 145.8 per cent.

3.25.223 Development Expenditure Analysis

The total development expenditure of Kshs.38.87 million represented 1.3 per cent of the annual development budget of Kshs.3.06 billion. Figure 3.94 provides a summary of development expenditure during the period under review.

Figure 3.9: Marsabit County, Summary of Development Expenditure for the First Quarter of FY 2016/17



Source: *Marsabit County Treasury*

Analysis of the development expenditure by category indicated that, out of Kshs.684.65 million disbursed to County for financing development projects during the reporting period, the County Government spent Kshs.38.87 million. The highest expenditure of Kshs.11.4 million was incurred on settling pending bills from FY 2015/16. The Department of Public Works spent Kshs.5.69 million on grading and gravelling of roads and Kshs.7.46 million on feasibility studies.

3.25.224 Budget and Budget Performance Analysis by Department

Table 3.72 shows a summary of first quarter FY 2016/17 budget estimates and budget performance by department.

Table 3.72: Marsabit County, Budget Performance by Department in the First Quarter of FY 2016/17

Details	Budget Allocation (Kshs. Million)		1st Quarter FY 2016/17 Exchequer Issues (Kshs. Million)		1st Quarter FY 2016/17 Expenditure (Kshs. Million)		1st Quarter FY 2016/17 Expenditure to Exchequer Issues (%)		1st Quarter FY 2016/17 Absorption Rates (%)	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
County assembly	505.00	30.00	91.27	-	74.79	0	81.9	0.0	14.8	0.0
Office of the Governor & CPSB	474.04	162.95	91.69	19.10	158.99	0	173.4	0.0	33.5	0.0
Finance & Economic planning	455.69	189.06	95.64	25.42	119.40	7.93	124.8	31.2	26.2	4.2
Agriculture, Livestock, Veterinary & Fisheries	164.04	150.79	31.66	83.46	29.22	0	92.3	0.0	17.8	0.00
Water, Environment & Natural Resources	152.40	735.34	34.43	114.75	41.57	7.27	120.8	6.3	27.3	0.9
Education, Youth Affairs & Sports	133.20	331.80	28.07	94.08	25.04	3.30	89.2	3.5	18.8	1
County Health Services	906.20	480.91	214.39	80.27	214.60	0	100.1	0.0	23.7	0.00
Lands, Physical Planning and Urban Development	116.56	262.37	22.97	73.83	22.45	8.96	97.8	12.1	19.3	3.4
County Transport, Public Works and Roads	191.85	355.80	34.59	98.84	55.80	5.42	161.3	5.5	29.1	1.5
Trade, Tourism, Cooperatives and Enterprise Development	83.64	174.65	15.44	40.10	15.12	5.69	97.9	14.2	18.1	3.3
Culture, Social Services and Gender	47.14	137.72	9.24	25.87	14.61	0	158.2	0.0	30.9	0.0
Administration, Coordination & ICT	323.62	45.12	70.34	28.94	41.02	0.3	58.3	1.04	12.7	0.7
TOTAL	**3,553.39**	**3,056.52**	**739.73**	**684.65**	**812.63**	**38.87**	**109.7**	**5.7**	**22.9**	**1.3**

Source: *Marsabit County Treasury*

Analysis of budget performance by department shows that the Department of Finance and Economic Planning had the highest development expenditure at 4.2 per cent. On the other hand, the Office of the Governor and CPSB had the highest percentage of recurrent expenditure to recurrent budget at 33.5 per cent while the Department of Administration, Coordination & ICT had the lowest at 12.7 per cent.

3.25.225 Observations and Recommendations

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

i. Adoption of IFMIS in processing financial transactions.

ii. Establishment of an internal audit function in line with Section 155 of the PFM Act, 2012. The County has also initiated the process of establishing an Internal Audit Committee.

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

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

2. Low absorption of development funds in the first quarter of FY 2016/17. The County spent Kshs.38.87 million out of a total exchequer release of Kshs.684.65 million. The development expenditure represented 2.1 per cent of the annual development budget of Kshs.3.30 billion.

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

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

2. *The County should identify and address issues causing delays in the implementation of development projects.*

3.26 Meru County

3.26.226 Overview of the FY 2016/17 Budget

The County's FY 2016/17 Approved Budget was Kshs.9.64 billion, comprising of Kshs.6.02 billion (62.4 per cent) and Kshs.3.62 billion (37.6 per cent) allocations for recurrent and development expenditure respectively.

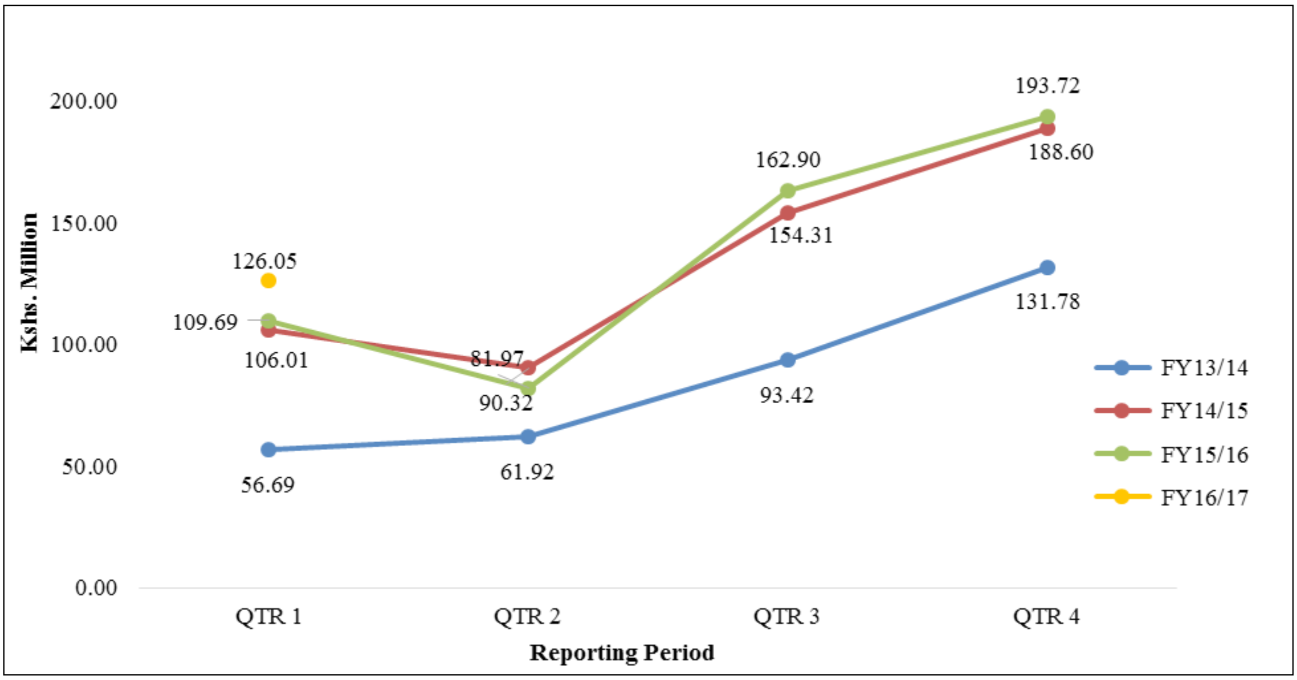
To finance the budget, the County expects to receive Kshs.7.0 billion (72.5 per cent) as equitable share of revenue raised nationally, Kshs.620.82 million (6.4 per cent) as total conditional grants, generate Kshs.713.24 million (7.4 per cent) from local sources, and Kshs.1.32 billion (13.7 per cent) cash balance from FY 2015/16. The conditional grants comprise of Kshs.114.7 million (18.5 per cent) for Free Maternal Health Care, Kshs.107.66 million (17.3 per cent) from the Road Maintenance Fuel Levy Fund, Kshs.32.1 million (5.2 per cent) for User Fees Foregone, Kshs.356.07 million (57.4 per cent) as a grant for Level 5 Hospital and Kshs.10.3 million (1.7 per cent) as a grant from DANIDA.

3.26.227 Revenue Analysis

During the first quarter of FY 2016/17, the County received Kshs.1.19 billion as equitable share of the revenue raised nationally, Kshs.109.93 million as total conditional allocations, raised Kshs.126.05 million from local sources, and Kshs.1.32 billion brought forward from FY 2015/16. The local revenue collection includes Kshs.44.94 million from Health FIF.

Figure 3.96 shows the quarterly trend in local revenue collection from the first quarter of FY 2013/14 to the first quarter of FY 2016/17.

Figure 3.96: Meru County, Trend in Local Revenue Collection by Quarter from the First Quarter of FY 2013/14 to the First Quarter of FY 2016/17



Source: *Meru County Treasury*

The total local revenue collected in the first quarter of FY 2016/17 amounted to Kshs.126.05 million which was an increase of 14.9 per cent compared to Kshs.109.69 million generated in a similar period of FY 2015/16. This revenue accounted for 17.7 per cent of the annual local revenue target.

Table 3.73 provides an analysis of the local revenue collected in the first quarter of FY 2016/17 by revenue stream.

Table 3.73: Meru County Analysis of Revenue Collected by Stream in the First Quarter of FY 2016/17

No	Revenue Stream	Annual Targeted Revenue (Kshs.)	First quarter, FY 2016/17 Actual Revenue	Actual Revenue as a percentage of Annual Target (%)
1	Health FIF	125,000,000	44,942,503	36.0
2	Parking Fees	76,898,444	16,869,511	21.9
3	Single Business Permit	173,478,167	13,189,673	7.6
4	Market Fee	68,043,844	11,466,844	16.9
5	Cess	76,342,521	10,966,859	14.4
6	Building Plans	19,032,572	5,271,021	27.7
7	Land Rates	78,954,229	4,683,234	5.9
8	Outdoor adverts & signboard	11,982,926	4,411,900	36.8
9	Kanguru ATC- demo farm	13,564,174	3,391,044	25.0
10	House/Stall Rent	15,548,857	2,223,664	14.3
11	Other sources	54,390,994	8,638,170	15.9
	Total	**713,236,727**	**126,054,421**	**17.7**

Source: *Meru County Treasury*

Analysis of the local revenue performance by stream indicated that, Outdoor adverts & Signboard recorded the highest performance against annual target at 36.8 per cent. This was followed by Health FIF at 36.0 per cent, and Building Plans at 27.7 per cent.

The County did not deposit all locally generated revenue into the County Revenue Fund account maintained at Central Bank of Kenya (CBK) as required by Article 207 of the Constitution. The revenue generated by the Meru Alcoholic Drinks Control Board and Hospital FIF was not deposited to the CRF.

3.26.228 Conditional Grants

Table 3.74 shows an analysis of conditional grants received in the first quarter of FY 2016/17.

Table 3.74: Meru County Analysis of Conditional Grant Releases in the First Quarter of FY 2016/17

No.	Conditional Grant	Amount allocated as provided in CARA, 2016 (Kshs.)	First Quarter, FY 2016/17 Actual receipts from the Conditional Grant (Kshs.)	Actual receipts as a percentage of Annual Allocation (%)
1	Level 5 Hospital	356,069,364	60,531,792	17.0
2	Free Maternal Health Care	114,704,443	22,485,000	19.6
3	Road Maintenance Fuel Levy Fund	107,657,595	26,914,399	25.0
4	User Fees Foregone	32,096,227		0.0
5	DANIDA Grant	10,295,000		0.0
Total		**620,822,629**	**109,931,191**	**17.7**

Source: *Meru County Treasury*

The County received revenue from three conditional grant categories. These were; the Road Maintenance Fuel Levy Fund which recorded 25 per cent, the Free Maternal Health Care at 19.6 per cent and Level 5 Hospitals at 17 per cent of the annual targets.

3.26.229 Exchequer Issues

During the reporting period, the Controller of Budget authorised withdrawal of Kshs.2.56 billion from the CRF account, which was 26.5 per cent of the FY 2016/17 Approved Budget. This amount represented an increase of 115.5 per cent from Kshs.1.19 billion authorized in a similar period of FY 2015/16 and consisted of Kshs.1.62 billion (63.3 per cent) for recurrent expenditure and Kshs.937.81 million (36.7per cent) for development activities.

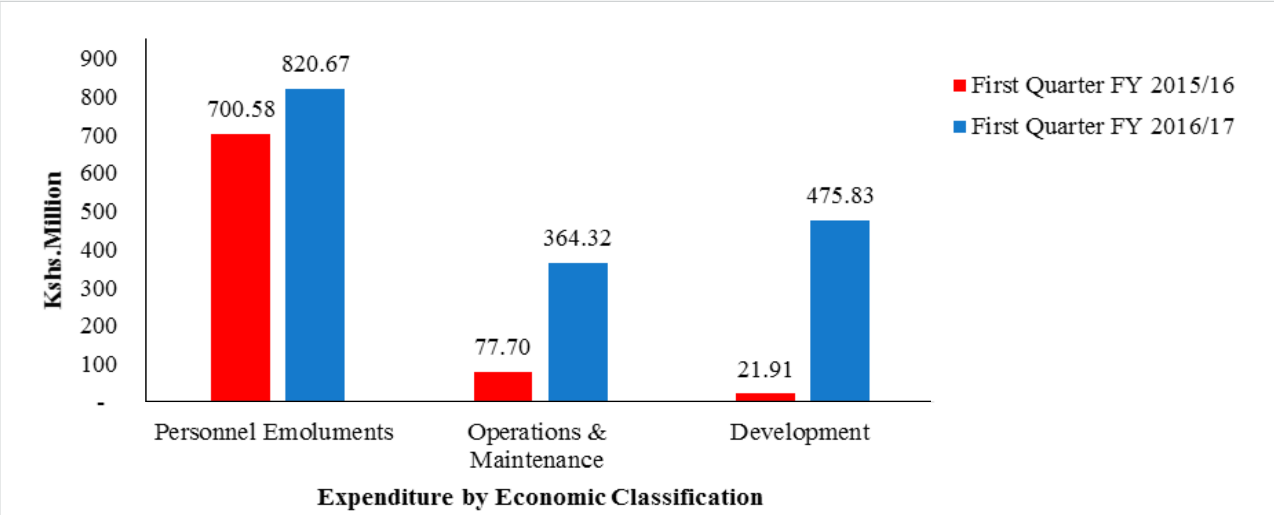
3.26.230 Overall Expenditure Review

The County spent Kshs.1.66 million, which was 65 per cent of the total funds released for operations. This was an increase of over 100 per cent from Kshs.800.18 million spent in a similar period in FY 2015/16.

A total of Kshs.1.18 billion was spent on recurrent activities, while Kshs.475.82 million was spent on development activities. The recurrent expenditure was 73.3 per cent of the funds released for recurrent activities while development expenditure accounted for 50.7 per cent of the funds released for development activities. The expenditure excluded outstanding commitments as at 30th September, 2016 which amounted to Kshs.15.53 million for development and Kshs.143.27 million for recurrent expenditure.

The recurrent expenditure represented 19.7 per cent of the annual recurrent budget, an increase from 15.8 per cent spent in a similar period of FY 2015/16. Development expenditure recorded an absorption rate of 13.1 per cent, which was an increase from 0.6 per cent attained in a similar period of FY 2015/16. Figure 3.97 presents a comparison between total expenditure in the first quarter of FY 2016/17 and the first quarter of FY 2015/16.

Figure 3.97: Meru County, Expenditure by Economic Classification for First Quarter FY 2016/17 and First Quarter FY 2015/16



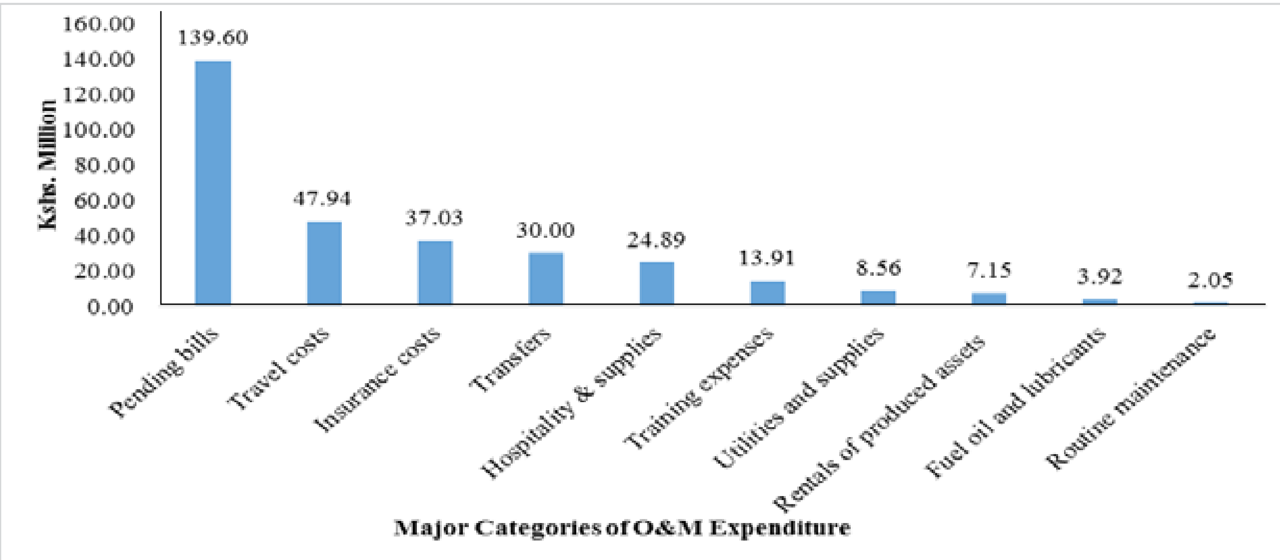
Source: *Meru County Treasury*

3.26.231 Analysis of Recurrent Expenditure

The recurrent expenditure of Kshs.1.18 billion consisted of Kshs.820.67 million (69.3 per cent) spent on personnel emoluments and Kshs.364.31 million (30.7 per cent) on operations and maintenance as shown in Figure 3.96. Expenditure on personnel emoluments represented an increase of 17.1 per cent compared to a similar period in FY 2015/16 when the County spent Kshs.700.57 million.

Figure 3.98 shows a summary of the operations and maintenance expenditure by major categories.

Figure 3.98: Meru County, Operations and Maintenance Expenditure for the First Quarter of FY 2016/17



Source: *Meru County Treasury*

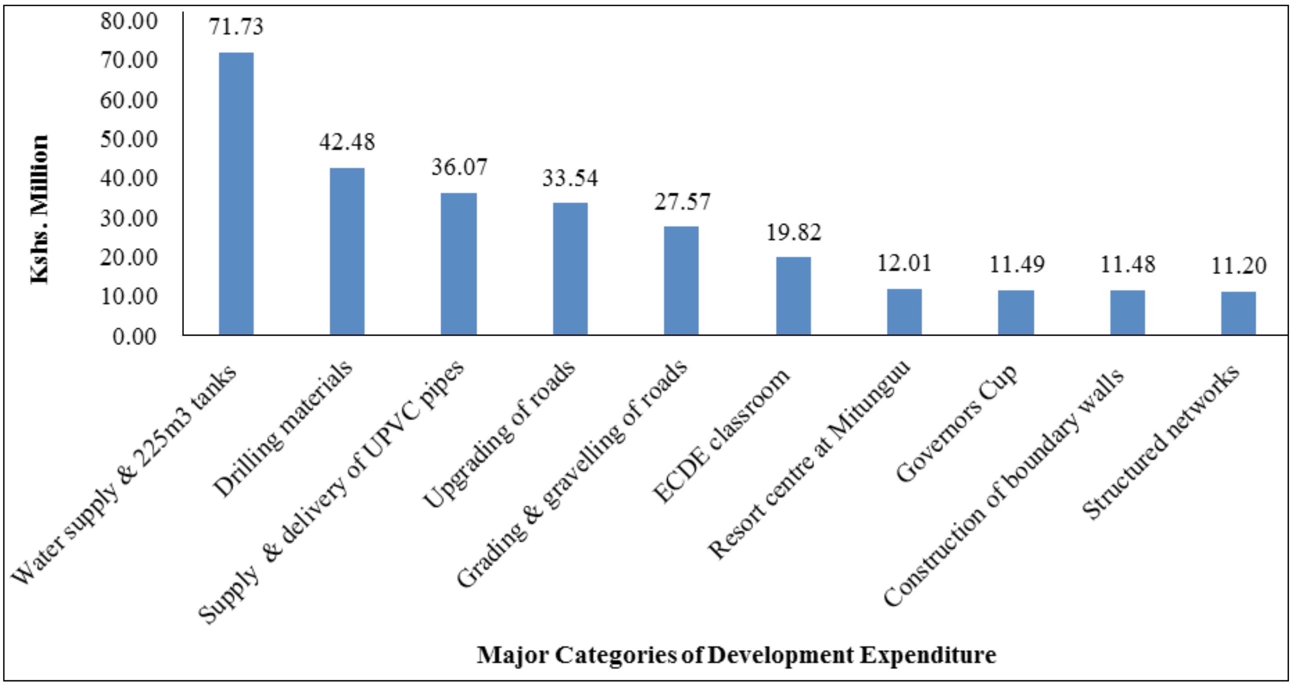
The County spent Kshs.25.04 million on sitting allowances to the 70 MCAs and the Speaker against the annual budget allocation of Kshs.131.99 million. This was a decrease of 10.76 per cent compared to Kshs.28.06 million spent in a similar period of FY 2015/16. The average monthly sitting allowance was Kshs.119,253 compared to SRC's recommended monthly ceiling of Kshs.124,800.

Expenditure on domestic and foreign travel amounted to Kshs.47.94 million compared to Kshs.39.66 million spent in a similar period of FY 2015/16, representing an increase of 20.9 per cent.

3.26.232 Development Expenditure Analysis

The total development expenditure of Kshs.475.82 million represented an absorption rate of 13.1 per cent of the annual development budget of Kshs.3.62 billion. Figure 3.99 provides a summary of development expenditure during the period under review.

Figure 3.99: Meru County, Summary of Development Expenditure for the First Quarter of FY 2016/17



Source: *Meru County Treasury*

Analysis of the development expenditure by category indicated that, the highest expenditure of Kshs.139.54 million was incurred by the Water, Environment and Natural Resources Department. This expenditure consisted of Kshs.71.73 million spent on construction of water supply and tanks, Kshs.42.48 million on supply and delivery of drilling materials and Kshs.36.07 million on supply and delivery of UPVC pipes. The Department of Transport and Infrastructure incurred Kshs.6.79 million on drainage works, bridge and culvert installation, Kshs.27.57 million on grading and gravelling of roads, and Kshs.33.54 million on upgrading of roads.

3.26.233 Budget and Budget Performance Analysis by Department

Table 3.75 shows a summary of first quarter FY 2016/17 budget estimates and budget performance by department.

Table 3.75: Meru County, First Quarter of FY 2016/17 Budget and Budget Performance Analysis by Department

Department	Budget Allocation (Kshs. Million)		First Quarter FY 2016/17 Exchequer Issues (Kshs. Million)		First Quarter FY 2016/17 Expenditure (Kshs.Million)		First Quarter FY 2016/17 Expenditure to Exchequer issues (%)		First quarter FY 2016/17 Absorption rate (%)	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
County Assembly	914.69	6.52	242.30	-	132.85	-	54.8	-	14.5	0.0
Office of the Governor	300.23	-	96.57	-	62.54	-	64.8	-	20.8	-
County Treasury	888.02	196.96	198.81	-	198.35	50.00	99.8	-	22.3	25.4
Agriculture, Fishery and Livestock	332.80	271.11	89.82	76.89	97.02	25.70	108.0	33.4	29.2	9.5
Water, Environment and Natural Resources	94.07	578.09	28.72	175.79	26.50	139.54	92.3	79.4	28.2	24.1
Education	516.58	227.74	117.43	80.17	48.22	17.28	41.1	21.6	9.3	7.6
Health	1,855.95	368.02	555.50	125.15	461.76	73.18	83.1	58.5	24.9	19.9
Lands, Housing, Physical and Economic Planning	104.31	247.10	27.22	107.71	28.52	31.57	104.8	29.3	27.3	12.8
Public Service and Administration	681.44	140.87	173.62	24.26	84.33	3.38	48.6	13.9	12.4	2.4
Transport and Infrastructure	103.76	794.58	26.33	207.70	26.52	67.90	100.7	32.7	25.6	8.5
Co-operative, Tourism and Enterprise Development	94.71	388.46	23.77	92.92	7.70	25.02	32.4	26.9	8.1	6.4
Culture, Gender and Sports	60.51	402.95	16.38	47.23	7.05	42.26	43.1	89.5	11.7	10.5
County Public Service Board	25.28	-	6.65	-	1.16	-	17.4	-	4.6	!
Town Administration	45.54	2.55	14.45	-	2.48	-	17.1	-	5.4	0.0
Total	**6,017.89**	**3,624.94**	**1,617.57**	**937.81**	**1,184.99**	**475.83**	**73.3**	**50.7**	**19.7**	**13.1**

Source: *Meru County Treasury*

Analysis of budget performance by department shows that the County Treasury attained the highest absorption of development budget at 25.4 per cent while the County Assembly and the Town Administration Department did not incur any development expenditure. On the other hand, the Department of Agriculture, Fishery and

Livestock had the highest percentage of recurrent expenditure to recurrent budget at 29.2 per cent while the Department of County Public Service Board had the lowest at 4.6 per cent.

3.26.234 Observations and Recommendations

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

i. Improved adherence to budget timelines. The ADP and the CFSP was submitted to the County Assembly and approved on time.
ii. Establishment of the County Budget and Economic Forum (CBEF) in line with Section 137 of the PFM Act, 2012.

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

1. Late submission of financial reports by the County Treasury to the Controller of Budget, which affected timely preparation of budget implementation report.
2. A high wage bill that increased by 17.1 per cent from Kshs.700.58 million in the first quarter of FY 2015/16 to Kshs.820.67 million in the period under review.
3. Failure to establish an Internal Audit Committee to provide financial management oversight contrary to Section 155 of the PFM Act, 2012.
4. The County did not budget for all the conditional grants contained in the CARA, 2016. The conditional grants that were not included in the budget were; the Free Maternal Health Care (Kshs.114,704,443), and User Fees Foregone (Kshs.32,096,227).
5. Failure to develop legislation to operationalize some established County Public Funds such as the Disaster Management Fund. This contravenes Section 116 of the PFM Act, 2012.

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

1. *The County Treasury should ensure timely preparation and submission of financial reports to the Office of the Controller of Budget in line with Section 166 of PFM Act, 2012.*
2. *The County Public Service Board should establish an optimal staff structure in order to manage the wage bill.*
3. *The County should establish an Internal Audit Committee and also strengthen the internal audit function in line with Section 155 of the PFM Act, 2012.*
4. *The County should budget for all revenue as contained in the CARA, 2016.*
5. *The County should ensure the legislations establishing County Public Funds are in place in line with Section 116 of the PFM Act, 2012. This should be done before operationalization of the established County Public Funds.*

3.27 Migori County

3.27.235 Overview of the FY 2016/17 Budget

The County's FY 2016/17 Approved Budget was Kshs.7.28 billion, comprising of Kshs.4.44 billion (61 per cent) and Kshs.2.84 billion (39 per cent) allocations for recurrent and development expenditure respectively.

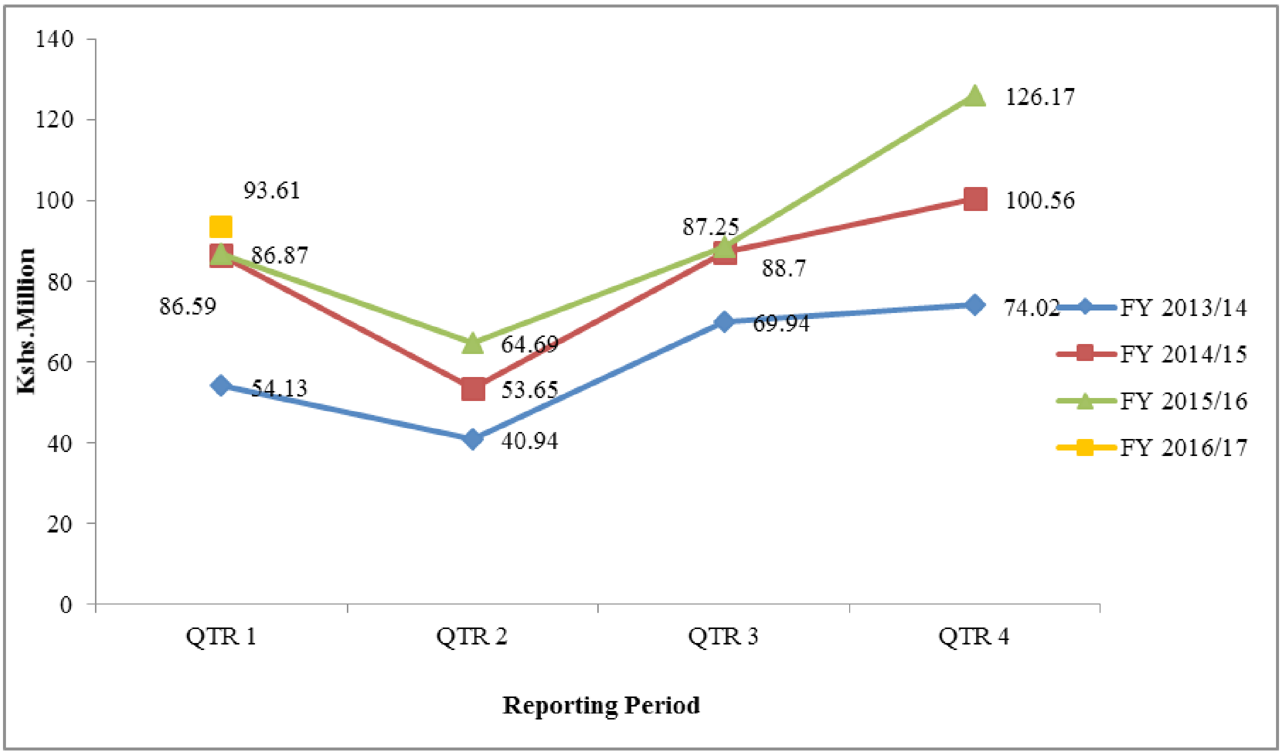
To finance the budget, the County expects to receive Kshs.6.30 billion (86.5 per cent) as equitable share of revenue raised nationally, Kshs.566.02 million (7.8 per cent) as total conditional grants, and to generate Kshs.420 million (5.8 per cent) from local sources. The conditional grants comprise of Kshs.172.35 million (30.4 per cent) for Free Maternal Health Care, Kshs.96.77 million (17.1 per cent) from the Road Maintenance Fuel Levy Fund, Kshs.21.88 million (3.9 per cent) for User Fees Foregone, Kshs.10.22 million (1.8 per cent) as a grant from DANIDA, Kshs.95.74 million (16.9 per cent) for Leasing of Medical Equipment and Kshs.169.06 million (29.8 per cent) as conditional grants from other loans and grants.

3.27.236 Revenue Analysis

During the first quarter of FY 2016/17, the County received Kshs.1.57 billion as equitable share of the revenue raised nationally, Kshs.28.24 million as total conditional allocations, raised Kshs.93.61 million from local sources, and Kshs.446.32 million brought forward from FY 2015/16.

Figure 3.100 shows the quarterly trend in local revenue collection from the first quarter of FY 2013/14 to the first quarter of FY 2016/17.

Figure 3.100: Migori County, Trend in Local Revenue Collection by Quarter from the First Quarter of FY 2013/14 to the First Quarter of FY 2016/17



Source: *Migori County Treasury*

The total local revenue collected in the first quarter of FY 2016/17 amounted to Kshs.93.61million which was an increase of 7.75 per cent compared to Kshs.86.87 million generated in a similar period of FY 2015/16. This revenue accounted for 22.3 per cent of the annual local revenue target.

Table 3.76 provides an analysis of the local revenue collected in the first quarter of FY 2016/17 by revenue stream.

Table 3.76: Migori County Analysis of Revenue Collected by Stream in the First Quarter of FY 2016/17

No	Revenue Stream	Annual Targeted Revenue (Kshs.)	First quarter, FY 2016/17 Actual Revenue	Actual Revenue as a percentage of Annual Target (%)
1	Sugarcane Cess	45,000,000	17,456,882	38.8
2	Land Rent & Rate	25,000,000	17,237,100	68.9
3	Bus-Parking Fee	60,000,000	13,839,990	23.1
4	Market Due	50,000,000	9,925,990	19.9
5	Ministry of Health	45,000,000	8,417,626	18.7
6	Single Business Permit	55,000,000	4,636,800	8.4
7	Motorcycle Parking Fee	25,000,000	3,716,750	14.9
8	Cattle Auction /Cess	20,000,000	2,952,330	14.8
9	Maize/Potatoes Cess	15,000,000	2,613,420	17.4
10	Sand/Stone Cess	8,000,000	2,265,379	28.3
11	Other Sources	72,000,000	10,544,929	14.6
	Total	**420,000,000**	**93,607,197**	**22.3**

Source:*Migori County Treasury*

Analysis of the local revenue performance by stream indicated that, Land Rent and Rates recorded the highest performance against annual target at 68.9 per cent. This was followed by Sugarcane Cess at 38.8 per cent, and Sand/Stone Cess at 28.3 per cent.

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

3.27.237 Conditional Grants

Table 3.77 shows an analysis of conditional grants received in the first quarter of FY 2016/17.

Table 3.77: Migori County Analysis of Conditional Grant Releases in the First Quarter of FY 2016/17

No.	Conditional Grant	Amount allocated as provided in CARA, 2016 (Kshs.)	First Quarter, FY 2016/17 Actual receipts from the Conditional Grant (Kshs.)	Actual receipts as a percentage of Annual Allocation (%)
1	Road Maintenance Fuel Levy Fund	96,769,311	-	-
2	Free Maternal Health Care	172,348,147	28,237,500	16.4
3	User Fees Foregone	21,882,372	-	-
4	DANIDA Grant	10,220,000	-	-
5	World Bank Loan	169,061,327	-	-
6	Other Loans and Grants	95,744,681	-	-
Total		**566,025,838**	**28,237,500**	**5.0**

Source: *Migori County Treasury*

The County received revenue from one conditional grant category, namely; the Free Maternal Health Care which recorded 16.4 per cent of the annual target.

3.27.238 Exchequer Issues

During the reporting period, the Controller of Budget authorised withdrawal of Kshs.1.75 billion from the CRF account, which was 24.0 per cent of the FY 2016/17 Approved Budget. This amount represented an increase of 7.2 per cent from Kshs.1.12 billion authorized in a similar period of FY 2015/16 and consisted of Kshs.1.19 billion (68.0 per cent) for recurrent expenditure and Kshs.560 million (32.0 per cent) for development activities.

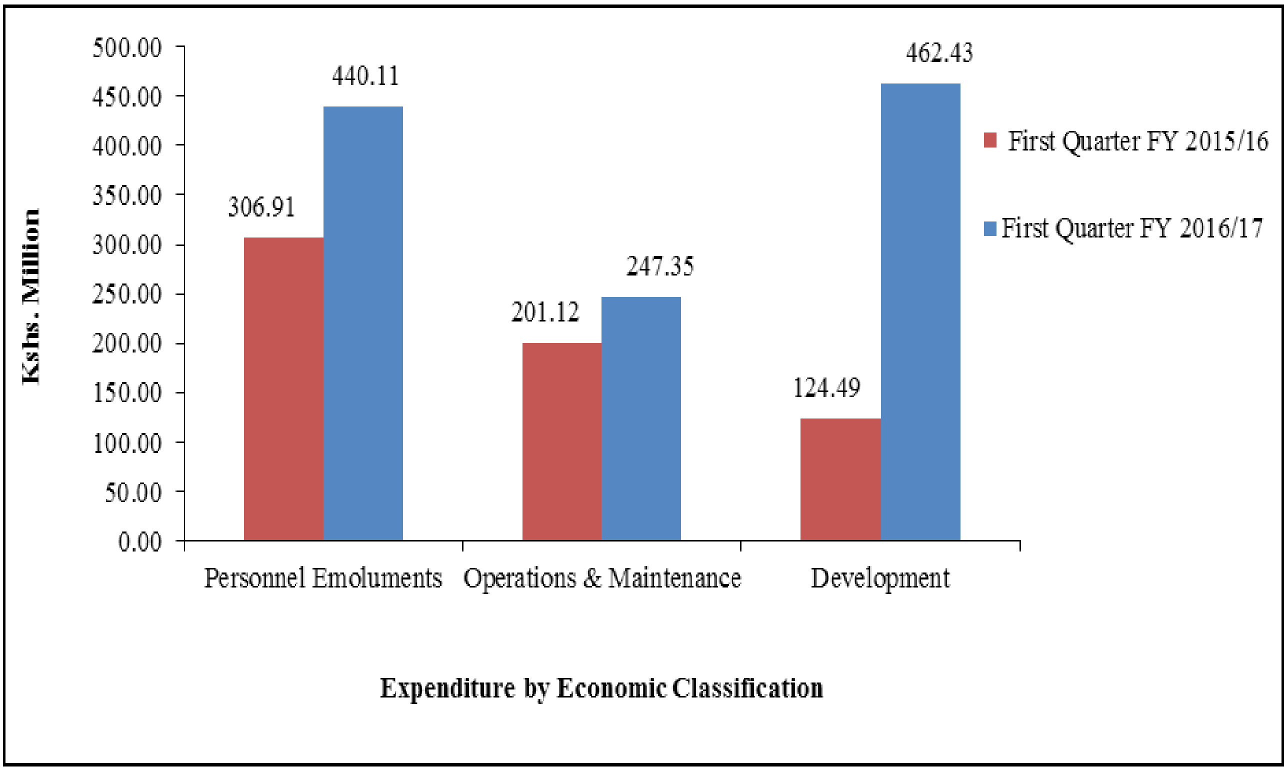
3.27.239 Overall Expenditure Review

The County spent Kshs.1.15 billion, which was 65.8 per cent of the total funds released for operations. This was an increase of 82 per cent from Kshs.632.52 million spent in a similar period in FY 2015/16.

A total of Kshs.687.46 million was spent on recurrent activities, while Kshs.462.43 million was spent on development activities. The recurrent expenditure was 57.9 per cent of the funds released for recurrent activities while development expenditure accounted for 82.6 per cent of the funds released for development activities.

The recurrent expenditure represented 15.5 per cent of the annual recurrent budget, an increase from 14.2 per cent spent in a similar period of FY 2015/16. Development expenditure recorded an absorption rate of 16.3 per cent, which was an increase from 4.3 per cent attained in a similar period of FY 2015/16. Figure 3.101 presents a comparison between total expenditure in the first quarter of FY 2016/17 and the first quarter of FY 2015/16.

Figure 3.101: Migori County, Expenditure by Economic Classification for the First Quarter of FY 2015/16 and the First Quarter of FY 2016/17



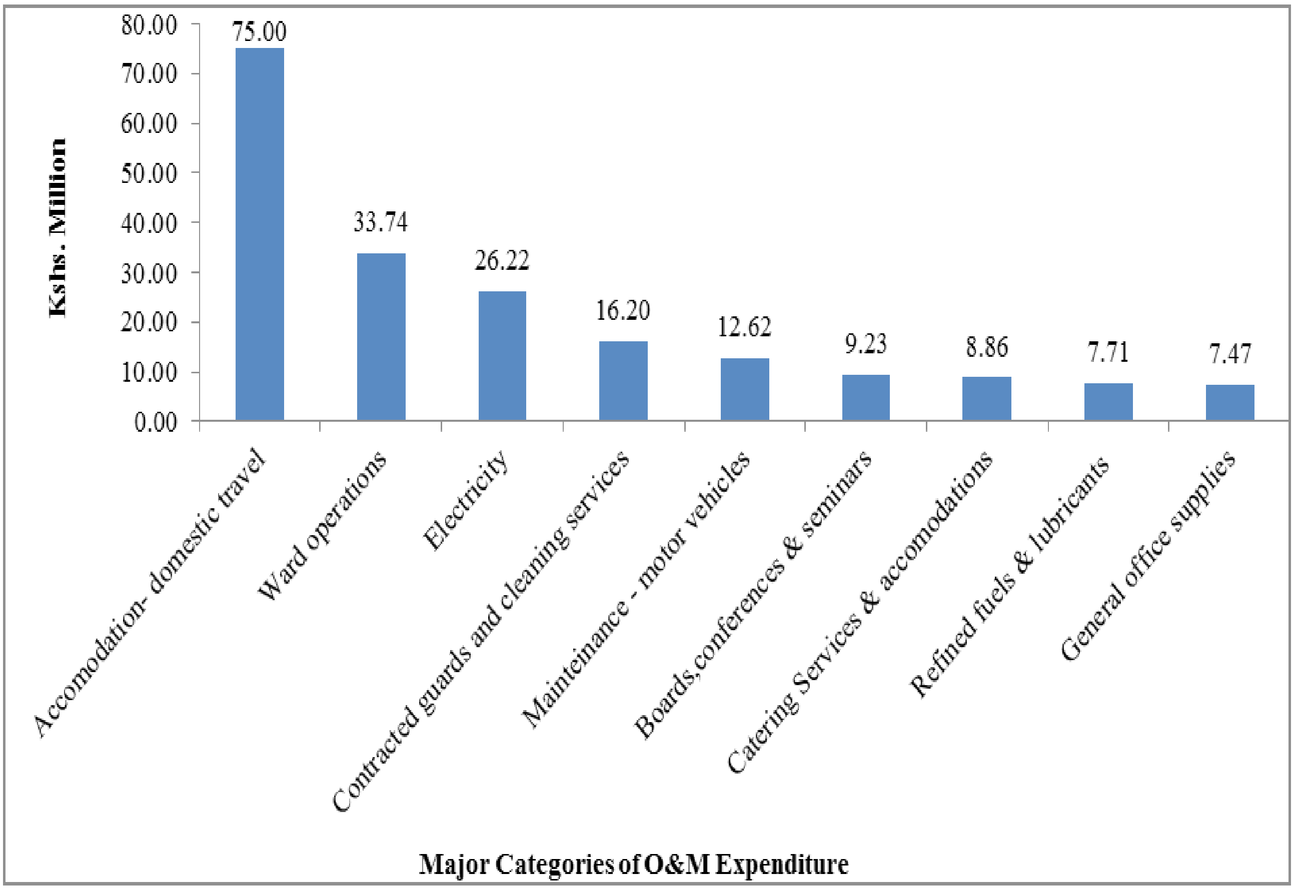
Source: *Migori County Treasury*

3.27.240 Analysis of Recurrent Expenditure

The recurrent expenditure of Kshs.687.46 million consisted of Kshs.440.11 million (83.5 per cent) spent on personnel emoluments and Kshs.247.35 million (16.5 per cent) on operations and maintenance as shown in Figure 3.100. Expenditure on personnel emoluments represented an increase of 43.4 per cent compared to a similar period in FY 2015/16 when the County spent Kshs.306.91 million.

Figure 3.102 shows a summary of the operations and maintenance expenditure by major categories.

Figure 3.102: Migori County, Operations and Maintenance Expenditure for the First Quarter of FY 2016/17



Source: *Migori County*

The County spent Kshs.20.45 million on sitting allowances to the 63 MCAs and the Speaker against the annual budget allocation of Kshs.111.78 million. This was a decrease compared to Kshs.32.55 million spent in a similar period of FY 2015/16. The average monthly sitting allowance was Kshs.108, 201 compared to SRC's recommended monthly ceiling of Kshs.124, 800.

Expenditure on domestic and foreign travel amounted to Kshs.76.89 million compared to Kshs.50.12 million spent in a similar period of FY 2015/16, representing an increase of 53.4 per cent.

3.27.241 Development Expenditure Analysis

The total development expenditure of Kshs.462.43 million represented 16.3 per cent of the annual development budget of Kshs.2.84 billion. Figure 3.103 provides a summary of development expenditure during the period under review.

Figure 3.103: Migori County, Summary of Development Expenditure for the First Quarter of FY 2016/17

Source: *Migori County*

Analysis of the development expenditure by category indicated that, the highest expenditure of Kshs.184.24 million was incurred by the Public Works, Roads, Transport and Energy Department. This expenditure included Kshs.36.81 million spent on construction of the Kiringi Bridge. The second highest expenditure of Kshs.174.28 million was incurred by the Finance and Economic Planning Department and included Kshs.16.69 million spent on consultancy on mapping of county assets. The Department of Health, Water & Sanitation incurred Kshs.19.48 million for delivery & testing of complete drilling rig.

3.27.242 Budget and Budget Performance Analysis by Department

Table 3.78 shows a summary of first quarter FY 2016/17 budget estimates and budget performance by department.

Table 3.78: Migori County, First Quarter of FY 2016/17 Budget Performance by Department

Department	Budget Allocation (Kshs. Million)		First quarter FY 2016/17 Exchequer Issues (Kshs. Million)		First quarter FY 2016/17 Expenditure (Kshs. Million)		First quarter FY 2016/17 Expenditure to Exchequer Issues (%)		First quarter FY 2016/17 Absorption rate (%)	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
Agriculture, Lands, Veterinary, Livestock and Fisheries	289.4	300.85	105.79	96.02	56.13	40.59	53.1	42.3	19.4	13.5
Trade, Tourism & Industrialization	81.87	26.44	23.41	5.48	13.06	8.59	55.8	156.8	16.0	32.5
Health, Water & Sanitation	1,433.50	390.3	373	22.67	185.66	11.06	49.8	48.8	13.0	2.8
Education, Youth Development & Vocational Training	196.59	221.5	46.62	10.23	36.4	7.05	78.1	68.9	18.5	3.2
Public Works, Roads, Transport and Energy	70.51	933.02	19.04	351.08	14.09	184.24	74.0	52.5	20.0	19.7
Land and Housing	66.01	47.9	17.72	31.48	9.95	3.97	56.2	12.6	15.1	8.3
Environment and Natural Resources	48.76	78.88	15.03	2.26	22.7	0.25	151.0	11.1	46.6	0.3
Finance and Economic Planning	740.99	376.24	213.2	-	90.26	174.28	42.3	-	12.2	46.3
Public Service Management	570.94	327	144.99	32.44	64.16	12.51	44.3	38.6	11.2	3.8
County Assembly	702.19	45	170	8.34	167.84	14.88	98.7	178.4	23.9	33.1
Governor, Deputy Governor's Office, County Secretary and Executive Staff	242.17	94	59.42	-	27.21	5.03	45.8	-	11.2	5.4
TOTAL	**4442.93**	**2841.13**	**1188.22**	**560**	**687.46**	**462.45**	**57.9**	**82.6**	**15.5**	**16.3**

Source: *Migori County Treasury*

Analysis of budget performance by department shows that the Finance and Economic Planning Department attained the highest absorption of development budget at 46.3 per cent while the Environment and Natural Resources Department incurred the lowest absorption rate of its development budget at 0.3 per cent. On the other hand, the Environment and Natural Resources Department had the highest percentage of recurrent expenditure to recurrent budget at 46.6 per cent while the Department of Public Service Management, and the Governor, Deputy Governor, County Secretary and Executive Staff Office had the lowest at 11.2 per cent.

3.27.243 Observations and Recommendations

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

i. Improvement in absorption of development budget. In the reporting period, the County attained an absorption rate of 16.3 per cent compared to 4.3 per cent in a similar period FY 2015/16.

ii. The local revenue collection improved by 7.75 per cent from Kshs.86.87 million in the first quarter of FY 2015/16 to Kshs.93.61 million in the reporting period.

iii. In compliance with Section 155 (5) of the PFM Act, 2012, the County has established an Internal Audit Committee which is involved in providing oversight in financial management. .

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

1. Late submission of financial reports by the County Treasury to the Controller of Budget, which affected timely preparation of budget implementation report.
2. A high wage bill that increased by 43.4 per cent from Kshs.306.91 million in the first quarter of FY 2015/16 to Kshs.440.11 million in the period under review.

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

1. *The County Treasury should ensure timely preparation and submission of financial reports to the Office of the Controller of Budget in line with Section 166 of PFM Act, 2012.*
2. *The County Public Service Board should establish an optimal staff structure in order to manage the wage bill.*

3.28 Mombasa County

3.28.244 Overview of the FY 2016/17 Budget

The County's FY 2016/17 Approved Budget was Kshs.9.93 billion, comprising of Kshs.6.85 billion (69.0 per cent) and Kshs.3.08 billion (31.0 per cent) allocations for recurrent and development expenditure respectively.

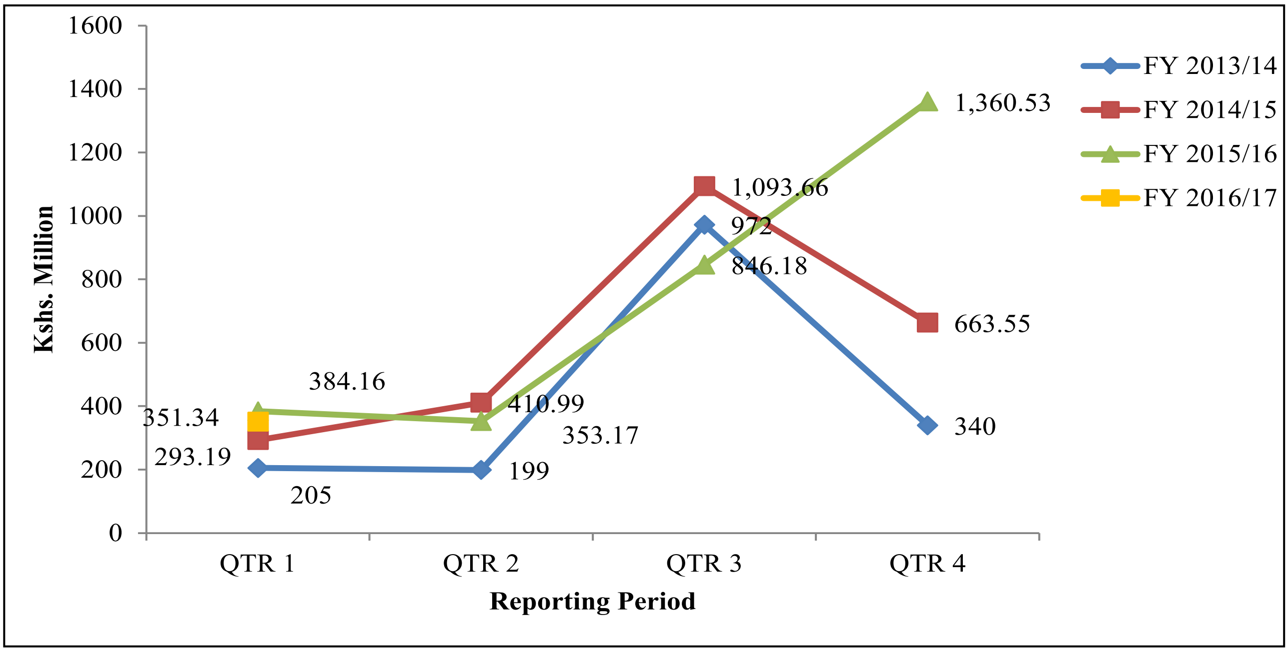
To finance the budget, the County expects to receive Kshs.5.61 billion (56.6 per cent) as equitable share of revenue raised nationally, Kshs.749.36 million (7.5 per cent) as total conditional grants, and generate Kshs.3.57 billion (35.9 per cent) from local sources. The conditional grants comprise of Kshs.125.72 million (17.0 per cent) for Free Maternal Health Care, Kshs.86.18 million (11.6 per cent) from the Road Maintenance Fuel Levy Fund, Kshs.23.51 million (3.0 per cent) for User Fees Foregone, Kshs.3.15 million (0.4 per cent) as a grant from DANIDA and Kshs.510.79 million (68.0 per cent) as conditional grants from other loans and grants.

3.28.245 Revenue Analysis

During the first quarter of FY 2016/17, the County received Kshs.1.40 billion as equitable share of the revenue raised nationally, Kshs.115.88 million as total conditional allocations, raised Kshs.351.34 million from local sources, and Kshs.28.04 million brought forward from FY 2015/16.

Figure 3.104 shows the quarterly trend in local revenue collection from the first quarter of FY 2013/14 to the first quarter of FY 2016/17.

Figure 3.104: Mombasa County, Trend in Local Revenue Collection by Quarter from the First Quarter of FY 2013/14 to the First Quarter of FY 2016/17



Source: *Mombasa County Treasury*

The total local revenue collected in the first quarter of FY 2016/17 amounted to Kshs.351.34 million which is a decrease of 8.54 per cent compared to Kshs.384.16 million generated in a similar period of FY 2015/16. This revenue accounted for 9.8 per cent of the annual local revenue target.

Table 3.79 provides an analysis of the local revenue collected in the first quarter of FY 2016/17 by revenue stream.

Table 3.79: Mombasa County Analysis of Revenue Collected by Stream in the First Quarter of FY 2016/17

No	Revenue Stream	Annual Targeted Revenue (Kshs.)	First quarter, FY 2016/17 Actual Revenue	Actual Revenue as a percentage of Annual Target (%)
1	Street parking fees	12,765,140	65,761,800	515.2
2	Consent to sub lease	107,228	234,000	218.2
3	Cost sharing services	5,260	10,143	192.8
4	Incidental charges	17,871	28,000	156.7
5	Towing fees	71,693	58,500	81.6
6	Provisional assessment fees	1,501,198	619,000	41.2
7	Building approval fees	25,039,504	9,587,983	38.3
8	Valuation and survey fees	3,000,000	1,040,000	34.6
9	Road cutting application fees	5,637,653	1,347,350	23.9
10	Ground rent	894,793	206,375	23.1
11	Other revenue streams	3,518,764,215	272,450,558	7.7
TOTAL		**3,567,804,555**	**351,343,709**	**9.8**

Source: *Mombasa County Treasury*

Analysis of the local revenue performance by stream indicated that, Street Parking fees recorded the highest performance against annual target at 515.2 per cent. This was followed by Consent to Sublease fees at 218.2 per cent, and Cost Sharing Services fees at 192.8 per cent.

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

3.28.246 Conditional Grants

Table 3.80 shows an analysis of conditional grants received in the first quarter of FY 2016/17.

Table 3.80: Mombasa County Analysis of Conditional Grant Releases in the First Quarter of FY 2016/17

No.	Conditional Grant	Amount allocated as provided in CARA, 2016 (Kshs.)	First Quarter, FY 2016/17 Actual receipts from the Conditional Grants (Kshs.)	Actual receipts as a percentage of Annual Allocation (%)
1	Road Maintenance Fuel Levy Fund	86,176,009	0	-
2	Free Maternal Healthcare	125,722,505	21,544,002	17.1
3	User Fees Foregone	23,514,312	1,849,711	7.9
4	DANIDA Grant	3,150,000	0	-
5	Level 5 Hospitals	369,942,197	92,485,550	25.0
6	World Bank Loan	29,106,112	0	-
7	Other Loans and Grants	111,744,681	0	-
Total		**749,355,816**	**115,879,263**	**15.5**

Source: *Mombasa County Treasury*

Analysis of revenue from conditional grants indicated that, the Level Five Hospitals grant recorded the highest receipts against annual target at 25.0 per cent. This was followed by Free Maternal Health Care at 17.1 per cent and User Fees Foregone at 7.9 per cent.

3.28.247 Exchequer Issues

During the reporting period, the Controller of Budget authorised withdrawal of Kshs.1.89 billion from the CRF account, which was 19.1 per cent of the FY 2016/17 Approved Budget. This amount represented an increase of 21.9 per cent from Kshs.1.55 billion authorized in a similar period of FY 2015/16 and consisted of Kshs.1.28 billion (67.9 per cent) for recurrent expenditure and Kshs.608.9 million (32.1 per cent) for development activities.

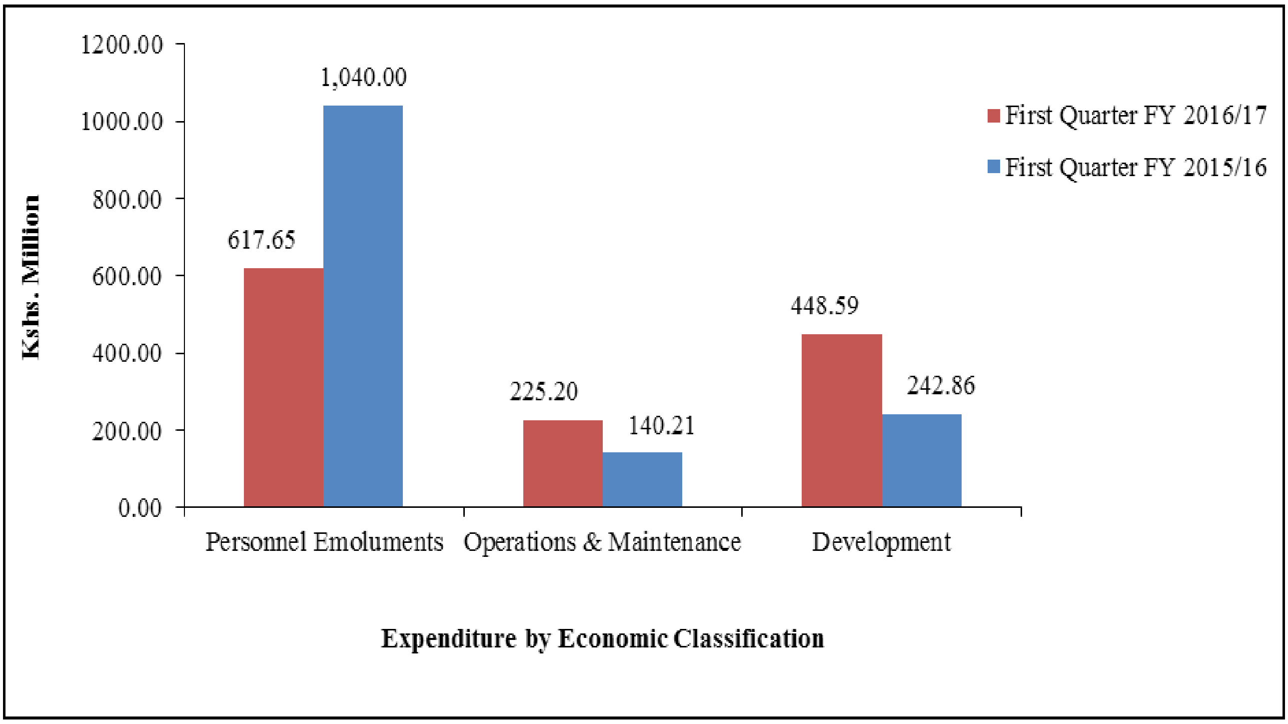
3.28.248 Overall Expenditure Review

The County spent Kshs.1.29 billion, which was 68.2 per cent of the total funds released for operations. This was a decrease of 9.15 per cent from Kshs.1.42 billion spent in a similar period in FY 2015/16.

A total of Kshs.842.85 million was spent on recurrent activities, while Kshs.448.59 million was spent on development activities. The recurrent expenditure was 65.6 per cent of the funds released for recurrent activities while development expenditure accounted for 73.7 per cent of the funds released for development activities. The expenditure excluded outstanding commitments as at 30th September, 2016 that amounted to Kshs.168.77 million for development and Kshs.240.53 million for recurrent expenditure.

The recurrent expenditure represented 12.3 per cent of the annual recurrent budget, a decrease from 17.5 per cent reported in a similar period of FY 2015/16. Development expenditure recorded an absorption rate of 14.6 per cent, which was an increase from 5.8 per cent attained in a similar period of FY 2015/16. Figure 3.104 presents a comparison between total expenditure in the first quarter of FY 2016/17 and the first quarter of FY 2015/16.

Figure 3.10: Mombasa County, Expenditure by Economic Classification for the first quarter of FY 2016/17 and the first quarter of FY 2015/16



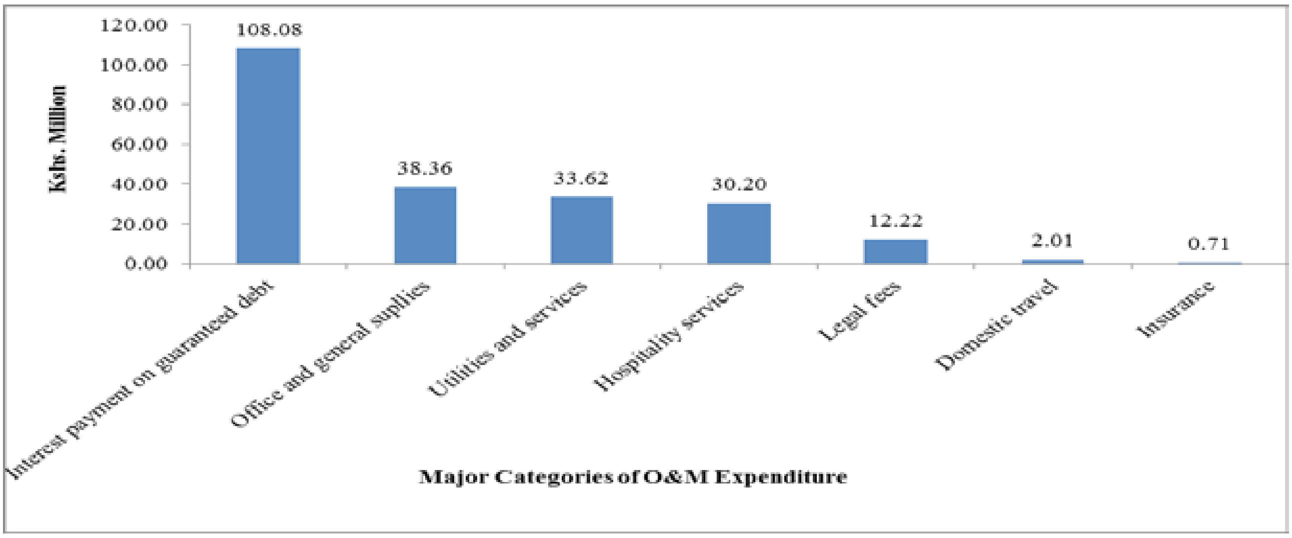
Source: *Mombasa County Treasury*

3.28.249 Analysis of Recurrent Expenditure

The recurrent expenditure of Kshs.842.85 million consisted of Kshs.617.6 million (73.3 per cent) spent on personnel emoluments and Kshs.225.2 million (26.7 per cent) on operations and maintenance as shown in Figure 3.104. Expenditure on personnel emoluments represented a decrease of 40.6 per cent compared to a similar period in FY 2015/16 when the County spent Kshs.1.04 billion.

Figure 3.106 shows a summary of the operations and maintenance expenditure by major categories.

Figure 3.106: Mombasa County, Operations and Maintenance Expenditure for the First Quarter of FY 2016/17



Source: *Mombasa County Treasury*

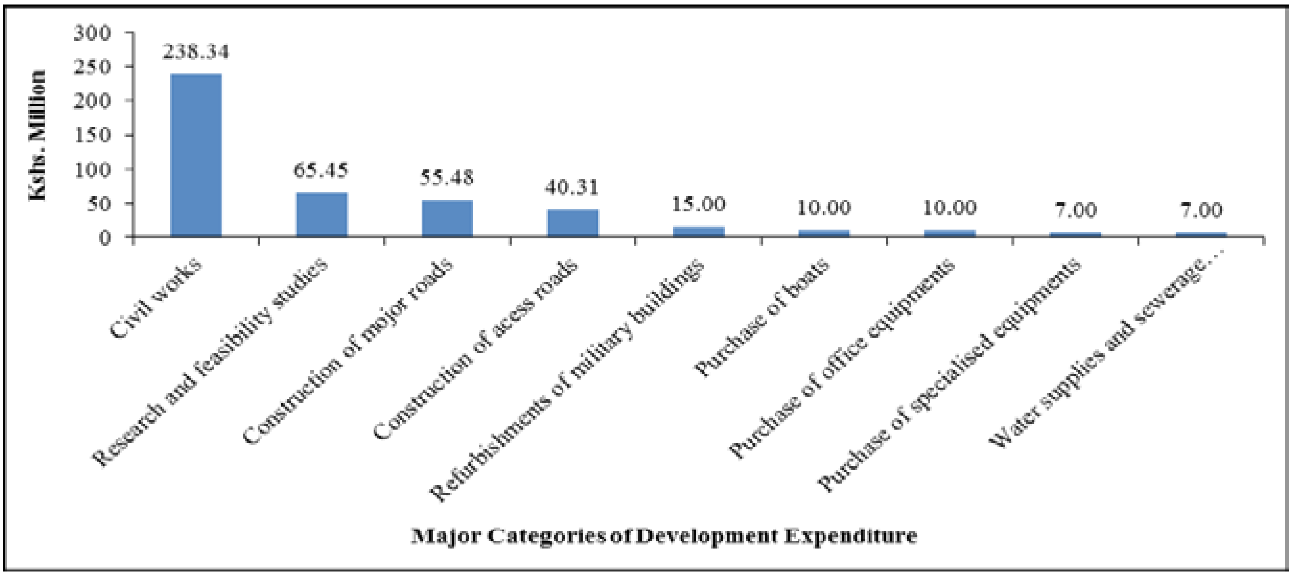
The County spent Kshs.9.13 million on sitting allowances to the 43 MCAs and the Speaker against the annual budget allocation of Kshs.101.2 million. This was a decrease of 53.98 per cent compared to Kshs.19.84 million spent in a similar period of FY 2015/16. The average monthly sitting allowance was Kshs.70,767 compared to SRC's recommended monthly ceiling of Kshs.124, 800.

Expenditure on domestic and foreign travel amounted to Kshs.2.01 million compared to Kshs.38.34 million spent in a similar period of FY 2015/16.

3.28.250 Development Expenditure Analysis

The total development expenditure of Kshs.448.59 million represented 14.6 per cent of the annual development budget of Kshs.3.08 billion. Figure 3.107 provides a summary of development expenditure during the period under review.

Figure 3.107: Mombasa County, Summary of Development Expenditure for the First Quarter, of FY 2016/17



Source: *Mombasa County Treasury*

Analysis of the development expenditure by category indicated that, the highest expenditure of Kshs.264.67 million was incurred by the Finance and Economic Planning Department and consisted of Kshs.238.34 million spent on payment of creditors for civil works and Kshs.15.00 million on construction of buildings. The second highest expenditure of Kshs.65.45 million was incurred by the various county departments on feasibility studies. The Department of Transport and Infrastructure incurred Kshs.55.48 million on construction of major roads and Kshs.40.31 million on construction of access roads.

3.28.251 Budget and Budget Performance Analysis by Department

Table 3.81 shows a summary of first quarter FY 2016/17 budget estimates and budget performance by department.

Table 3.81: Mombasa County, Budget Performance by Department in the First Quarter of FY 2016/17

Department	Budget Allocation (Kshs. Million)		First quarter FY 2016/17 Exchequer Issues (Kshs. Million)		First quarter FY 2016/17 Expenditure (Kshs. Million)		First quarter FY 2016/17 Expenditure to Exchequer Issues (%)		First quarter FY 2016/17 Absorption rate (%)	
	Rec	**Dev**	**Rec**	**Dev**	**Rec**	**Dev**	**Rec**	**Dev**	**Rec**	**Dev**
County Executive	338.23	191.19	26.81	4.79	34.39	-	128.3	-	10.2	0.0
County Assembly	618.54	40.61	25.00	-	37.98	-	151.9	-	6.1	0.0
Public Service Board	107.4	19.19	5.62	-	2.67	-	47.5	-	2.5	0.0
Finance and Economic Planning	1,069.95	475.0	323.91	13.67	268.25	264.67	82.8	1936.1	25.1	55.7
Tourism and Betting Control	118.51	33.44	17.70	-	7.34	-	41.5	-	6.2	0.0
Education	830.74	393.60	158.91	73.41	87.00	-	54.7	-	10.5	0.0
Health	2,339.64	350.07	516.87	75.22	307.21	-	59.4	-	13.1	0.0
Environment, Energy and natural Resources	46.86	60.0	5.96	0.61	3.61	-	60.6	-	7.7	0.0
Youth, Gender and Sports	163.41	352.45	27.01	9.96	5.39	-	20.0	-	3.3	0.0
Trade and Cooperatives Development	329.6	120.34	42.48	-	12.86	-	30.3	-	3.9	0.0
Lands, Housing and Public Works	217.76	173.66	32.20	18.56	15.44	46.45	48.0	250.3	7.1	26.7
Transport and Infrastructure	490.91	827.71	71.48	412.42	46.23	137.47	64.7	33.3	9.4	16.6
Agriculture	178.31	38.55	31.80	0.23	14.46		45.5	-	8.1	0.0
TOTAL	**6,849.86**	**3,075.8**	**1,285.80**	**608.87**	**842.83**	**448.59**	**65.5**	**73.7**	**12.3**	**14.6**

Source: *Mombasa County Treasury*

Analysis of budget performance by department shows that the Department of Finance and Economic Planning attained the highest absorption of development budget at 55.7 per cent, followed by the Department of Lands, Housing and Public Works at an absorption rate of 26.7 per cent. The Finance and Economic Planning Department had the highest percentage of recurrent expenditure to recurrent budget at 25.1 per cent while the

Public Service Board had the lowest at 2.5 per cent.

3.28.252 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. The County has established a County Budget and Economic Forum (CBEF) in line with Section 137 of the PFM Act, 2012.
ii. In compliance with Section 155 (5) of the PFM Act, 2012, the County has established an Audit Committee which is involved in providing oversight in financial management. .
iii. Timely submission of quarterly reports by the County Government entities in line with Section 166 of the PFM Act, 2012. The quarterly report for the reporting period was submitted on 10th October, 2016.

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

1. Underperformance in local revenue collection. The local revenue collection has declined by 8.54 per cent from Kshs.384.17 million in the first quarter of FY 2015/16 to Kshs.351.34 million in the reporting period.
2. The Finance and Economic Planning incurred higher development expenditure than the exchequer issues by over 100 per cent. This implies that the County Treasury diverted exchequer issues from other departments.

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

1. *The County Treasury should formulate strategies to enhance local revenue collection.*
2. *The CECM-F should institute appropriate controls to ensure exchequer is utilised as per the departmental workplans.*

3.29 Murang'a County

3.29.253 Overview of the FY 2016/17 Budget

The County's FY 2016/17 Approved Budget was Kshs.7.34 billion, comprising of Kshs.4.45 billion (60.6 per cent) and Kshs.2.89 billion (39.4 per cent) allocations for recurrent and development expenditure respectively.

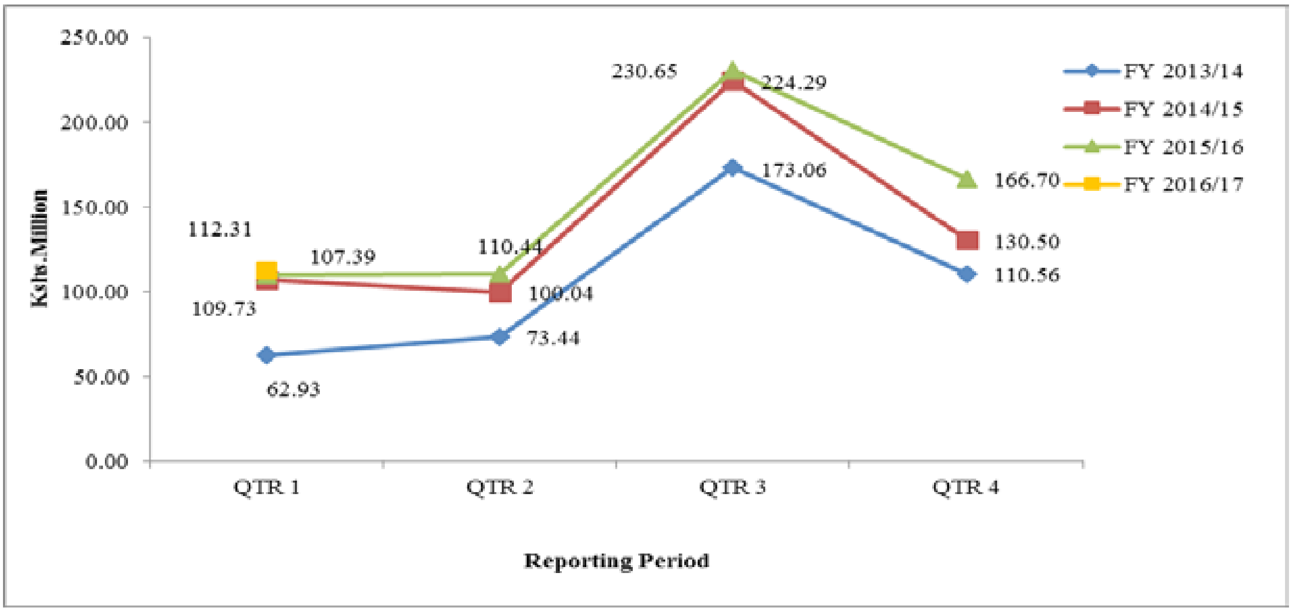
To finance the budget, the County expects to receive Kshs.5.78 billion (78.6 per cent) as equitable share of revenue raised nationally, Kshs.296.52 million (4.0 per cent) as total conditional grants, generate Kshs.850.00 million (11.6 per cent) from local sources, and Kshs.428.48 million (5.8 per cent) cash balance from FY 2015/16. The conditional grants comprise of Kshs.95.74 million (32.3 per cent) as Leasing of Medical Equipment, Kshs.88.80 million (29.9 per cent) from the Road Maintenance Fuel Levy Fund Kshs.78.83 million (26.6 per cent) for Free Maternal Health Care, Kshs.20.75 million (7.0 per cent) for User Fees Foregone and Kshs.12.41 million (4.2 per cent) as a grant from DANIDA.

3.29.254 Revenue Analysis

During the first quarter of FY 2016/17, the County received Kshs.1.44 billion as equitable share of the revenue raised nationally, Kshs.37.41 million as total conditional allocations, raised Kshs.112.31 million from local sources, and had actual cash balance of Kshs.433.96 million brought forward from FY 2015/16.

Figure 3.108 shows the quarterly trend in local revenue collection from the first quarter of FY 2013/14 to the first quarter of FY 2016/17.

Figure 3.108: Murang'a County, Trend in Local Revenue Collection by Quarter the First Quarter of from FY 2013/14 to First Quarter of FY 2016/17



Source: *Murang'a County Treasury*

The total local revenue collected in the first quarter of FY 2016/17 amounted to Kshs.112.31 million which was an increase of 4.58 per cent compared to Kshs.107.39 million generated in a similar period of FY 2015/16. This revenue accounted for 13.2 per cent of the annual local revenue target.

Table 3.82 provides an analysis of the local revenue collected in the first quarter of FY 2016/17 by 10 leading revenue streams.

Table 3.82: Murang'a County Analysis of Revenue Collected by Stream in the First Quarter of FY 2016/17

No	Revenue Stream	Annual Targeted Revenue (Kshs.)	First quarter, FY 2016/17 Actual Revenue (Kshs.)	Actual Revenue as a percentage of Annual Target (%)
1	Mortuary fees	2,500,000	798,110	31.9
2	Advertisement	9,498,920	2,954,220	31.1
3	Water	600,000	140,652	23.4
4	Plan approval	30,000,000	6,302,201	21.0
5	Hospitals /h.c	117,373,140	23,288,600	19.8
6	Barter market fee	59,900,000	11,775,525	19.7
7	Building materials& other cess	101,180,994	19,469,748	19.2
8	Impounding fees	5,500,024	1,055,610	19.2
9	Parking fee	29,000,900	5,132,540	17.7
10	House rent/stall/hall	9,212,842	1,590,091	17.3
11	Other sources of revenue	485,233,180	39,765,754	8.2
Total		**850,000,000**	**112,273,051**	**13.2**

Source: *Murang'a County Treasury*

Analysis of the local revenue performance by stream indicated that, Mortuary fees recorded the highest performance against annual target at 31.9 per cent. This was followed by Advertisement charges at 31.1 per cent, and Water fees at 23.4 per cent.

The County did not deposit proceeds from sale of manure to farmers into the County Revenue Fund account maintained at the Central Bank of Kenya (CBK) as required by Article 207 of the Constitution.

3.29.255 Conditional Grants

Table 3.83 shows an analysis of conditional grants received in the first quarter of FY 2016/17.

Table 3.83: Murang'a County Analysis of Conditional Grant Releases in the First Quarter of FY 2016/17

No.	Conditional Grant	Amount allocated as provided in CARA, 2016 (Kshs.)	First Quarter, FY 2016/17 Actual receipt of the Conditional Grant (Kshs.)	Actual receipts as a percentage of Annual Allocation (%)
1	Road Maintenance Fuel Levy Fund	88,797,208	22,199,302	25.0
2	Free Maternal Health Care	78,828,699	15,207,500	19.3
3	User Fees Foregone	20,749,146	-	0.0
4	DANIDA Grant	12,405,000	-	0.0
5	CA-Leasing of medical Equipment	95,744,681	-	0.0
Total		**296,524,734**	**37,406,802**	**12.6**

Source: *Murang'a County Treasury*

The County received Kshs.22.20 million from the Road Maintenance Fuel Levy Fund which is equivalent to 25 per cent of the annual allocation. Further, Kshs.15.21 million (19.3 per cent) was received from the Ministry of Health (National Government) for Free Maternal Health Care.

3.29.256 Exchequer Issues

During the reporting period, the Controller of Budget authorised withdrawal of Kshs.1.91 billion from the CRF account, which was 26.0 per cent of the FY 2016/17 Approved Budget. This amount represented an increase of 11.8 per cent from Kshs.945.44 million authorized in a similar period of FY 2015/16 and consisted of Kshs.1.12 billion (58.4 per cent) for recurrent expenditure and Kshs.793 million (41.6 per cent) for development activities.

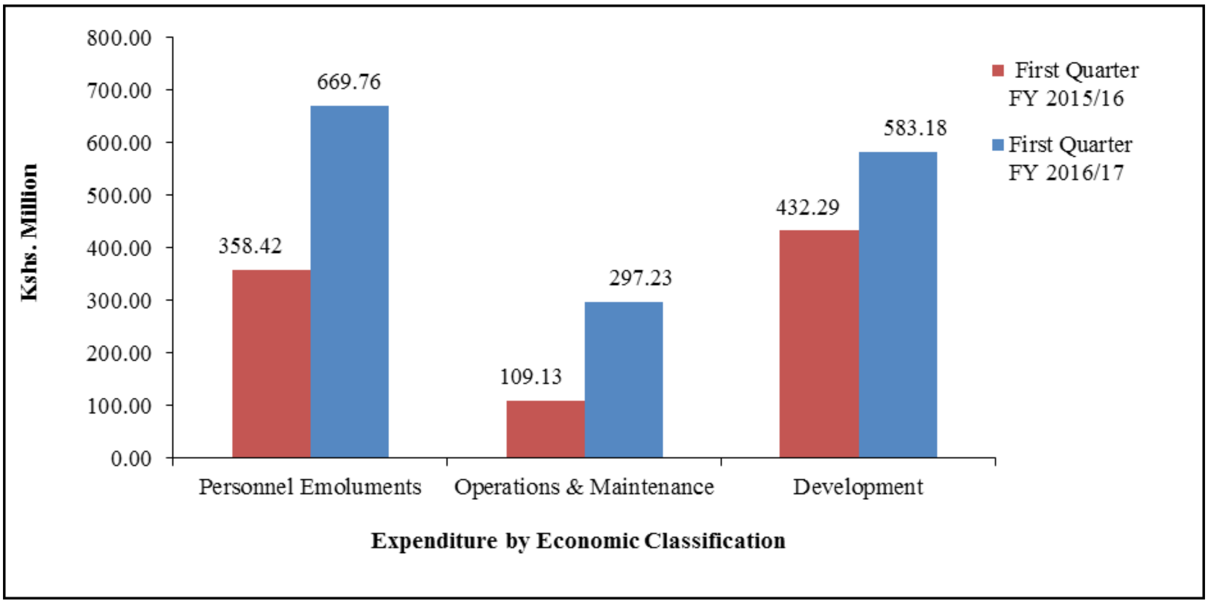
3.29.257 Overall Expenditure Review

The County spent Kshs.1.55 billion, which was 81.2 per cent of the total funds released for operations. This was an increase of 72.25 per cent from Kshs.899.84 million spent in a similar period in FY 2015/16.

A total of Kshs.966.99 million was spent on recurrent activities, while Kshs.583.18 million was spent on development activities. The recurrent expenditure was 86.7 per cent of the funds released for recurrent activities while development expenditure accounted for 73.5 per cent of the funds released for development activities.

The recurrent expenditure represented 21.7 per cent of the annual recurrent budget, an increase from 13.9 per cent spent in a similar period of FY 2015/16. Development expenditure recorded an absorption rate of 20.2 per cent, which was an increase from 13.1 per cent attained in a similar period of FY 2015/16. Figure 3.109 presents a comparison between total expenditure in the first quarter of FY 2016/17 and the first quarter of FY 2015/16.

Figure 3.109: Murang'a County, Expenditure by Economic Classification for the First Quarter FY 2015/16 and First Quarter FY 2016/17



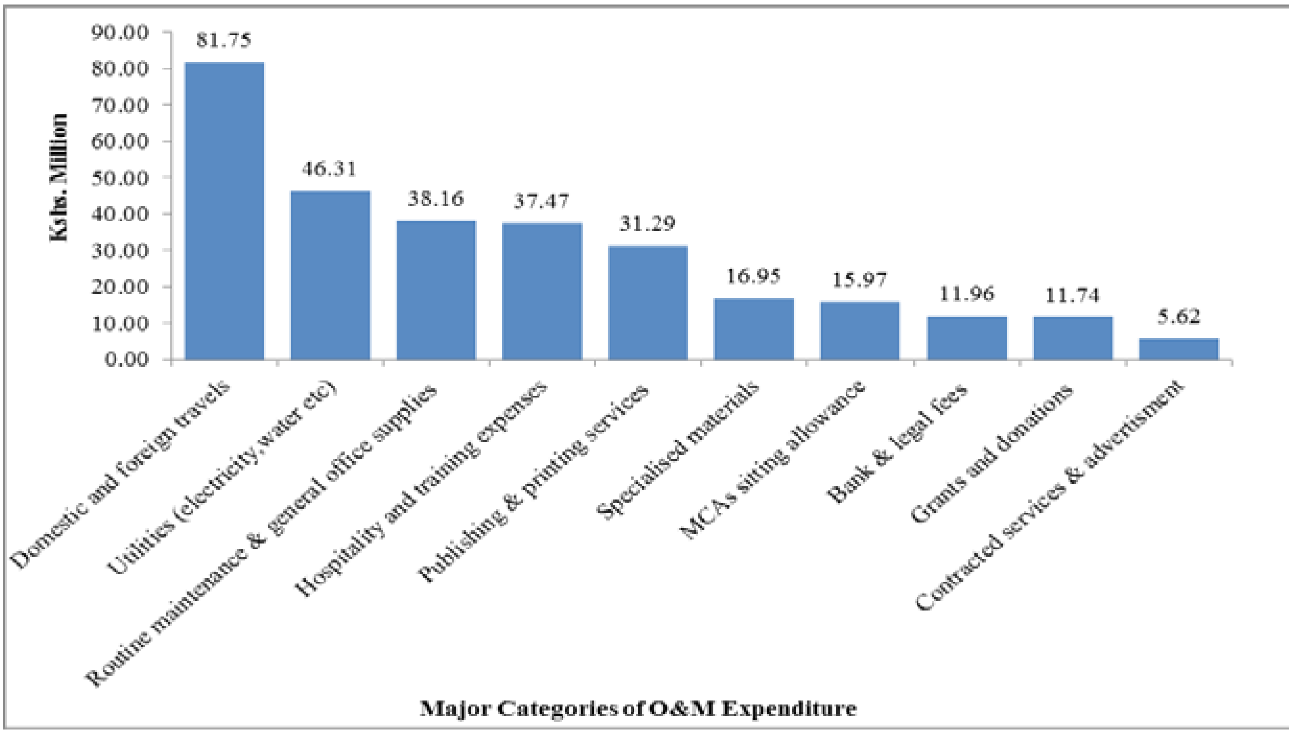
Source: *Murang'a County Treasury*

3.29.258 Analysis of Recurrent Expenditure

The recurrent expenditure of Kshs.966.99 million consisted of Kshs.669.76 million (69.3 per cent) spent on personnel emoluments and Kshs.297.23 million (30.7 per cent) on operations and maintenance as shown in Figure 3.108. Expenditure on personnel emoluments represented an increase of 86.9 per cent compared to a similar period in FY 2015/16 when the County spent Kshs.358.42 million.

Figure 3.110 shows a summary of the operations and maintenance expenditure by major categories.

Figure 3.110: Murangá County, Operations and Maintenance Expenditure for the First Quarter of FY 2016/17



Source: *Murang'a County Treasury*

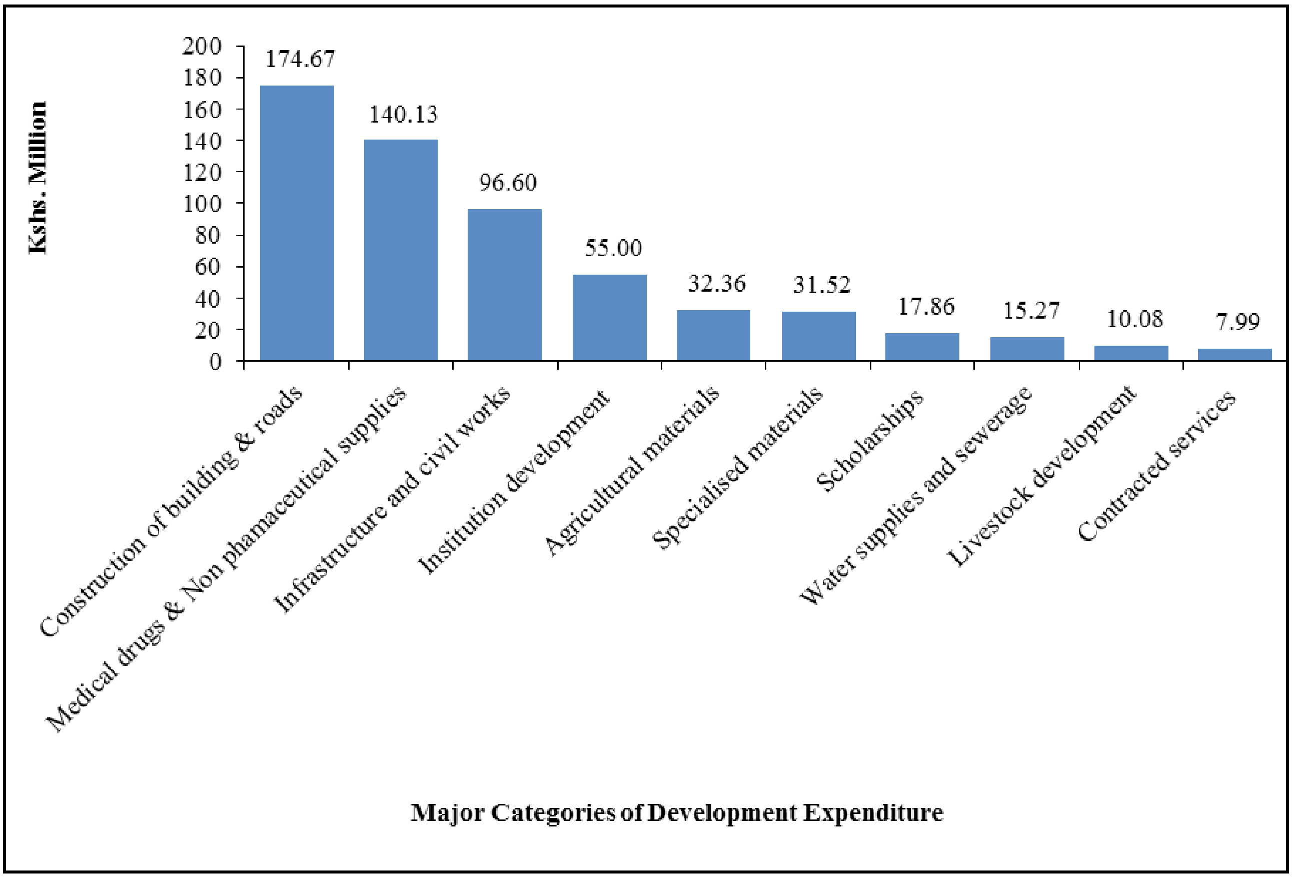
The County spent Kshs.15.97 million on sitting allowances to the 50 MCAs and the Speaker against the annual budget allocation of Kshs.87.61 million. This was an increase of 36.85 per cent compared to Kshs.11.67 million spent in a similar period of FY 2015/16. The average monthly sitting allowance was Kshs.106, 477 compared to SRC's recommended monthly ceiling of Kshs.124, 800.

Expenditure on domestic and foreign travel amounted to Kshs.81.75 million compared to Kshs.21.18 million spent in a similar period of FY 2015/16, representing an increase of 286.0 per cent.

3.29.259 Development Expenditure Analysis

The total development expenditure of Kshs.583.18 million represented 20.2 per cent of the annual development budget of Kshs.2.89 billion. Figure 3.111 provides a summary of development expenditure during the period under review as per the county budget.

Figure 3.111: Murangá County, Summary of Development Expenditure for the First Quarter of FY 2016/17



Source: *Murangá County Treasury*

Analysis of the development expenditure by category indicated that, the highest expenditure of Kshs.261.38 million was incurred by the Transport, Water and Infrastructure Department. This amount consisted of Kshs.174.67 million that was spent on construction of buildings and access roads while Kshs.15.27 million was spent on payment for water supply equipment. The second highest expenditure of Kshs.147.75 million was incurred by the Health and Sanitation Department and consisted of Kshs.95.42 million spent on Medical Drugs, Kshs.44.71 million on other Non-pharmaceutical Supplies, and Kshs.5.64 million on other Infrastructure and Civil Works. The Department of Youth, Culture and Social Services and Cooperatives incurred Kshs.67.94

million out of which, Kshs.29.00 million was spent on Cooperative Societies, Kshs.15.21 million on other Infrastructure and Civil Works, and Kshs.14.91 million on the Micro Finance Youth Programme.

3.29.260 Budget and Budget Performance Analysis by Department

Table 3.84 shows a summary of first quarter FY 2016/17 budget estimates and budget performance by department.

Table 3.84: Murang'a County, Budget Performance by Department in the First Quarter of FY 2016/17

Department	Budget Allocation (Kshs. Million)		First quarter FY 2016/17 Exchequer Issues (Kshs. Million)		First quarter FY 2016/17 Expenditure (Kshs. Million)		First quarter FY 2016/17 Expenditure to Exchequer Issues (%)		First quarter FY 2016/17 Absorption rate (%)	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
Office of the Governor and Deputy Governor	231.67	11.50	64.20	0.00	57.87	1.48	90.1	>100	25.0	12.9
County Assembly	672.42	70.00	194.00	-	132.09	-	68.1	0.0	19.6	0.0
Finance, Economic Planning and IT	298.01	38.00	72.80	-	71.59	6.01	98.3	> 100	24.0	15.8
Agriculture, Livestock and Fisheries	179.80	198.50	44.70	20.00	58.51	44.93	130.9	224.7	32.5	22.6
Energy, Transport and Infrastructure	38.72	1,602.02	15.55	656.45	14.59	261.38	93.8	39.8	37.7	16.3
Commerce, Trade ,Industry and Investment	32.31	15.83	12.65	-	3.29	8.72	26.0	>100	10.2	55.1
Health and Sanitation	1,554.53	474.00	267.45	96.55	501.69	147.75	187.6	153.0	32.3	31.2
Lands, Housing and Physical Planning	30.00	34.00	10.60	-	0.06	-	0.5	0.0	0.2	0.0
Public Service and Administration	917.94	1.57	309.15	-	0.26	-	0.1	0.0	0.0	0.0
Education and Technical Training	268.98	309.41	65.19	10.00	111.72	44.97	171.4	449.7	41.5	14.5
Youth, Culture, Gender, Social Services & Cooperatives	185.87	104.81	47.57	10.00	15.13	67.94	31.8	679.4	8.1	64.8
Environment and Natural Resources	13.73	30.87	1.10	-	0.17	-	15.3	0.0	1.2	0.0
County Public Service Board	30.15	-	10.04	-	0.04	-	0.4	0.0	0.1	0.0
Grand Total	**4,454.13**	**2,890.51**	**1,115.00**	**793.00**	**966.99**	**583.18**	**86.7**	**73.5**	**21.7**	**20.2**

Source: *Murang'a County Treasury*

Analysis of budget performance by department shows that the Department of Youth, Culture, Gender, Social Services & Cooperatives attained the highest absorption of development budget at 64.8 per cent while Environment and Natural Resources, Lands, Housing and Physical Planning, Public Service and Administration and County Assembly did not incur any development expenditure. On the other hand, the Education and Technical Training Department had the highest percentage of recurrent expenditure to recurrent budget at 41.5 per cent while the Department of Public Service and Administration did not have any recurrent expenditure.

3.29.261 Observations and Recommendations

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

i. Improvement in absorption of development budget. In the reporting period, the County attained an absorption rate of 20.2 per cent compared to 13.5 per cent in a similar period FY 2015/16.

ii. The local revenue collection improved by 4.58 per cent from Kshs.112.31 million in the first quarter of FY 2015/16 to Kshs.107.39 million in the reporting period.

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

1. A high wage bill that increased by 86.9 per cent from Kshs.358.42 million in the first quarter of FY 2015/16 to Kshs.669.76 million in the period under review.

2. Persistent spending of revenue at source in contravention of Section 109 of the PFM Act, 2012.

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

1. *The County Public Service Board should establish an optimal staff structure in order to manage the wage bill including the wages payable to casual workers.*

2. *The County Treasury should ensure that all local revenues collected is deposited into the County Revenue Fund account as required in Section 109 (2) of the PFM Act, 2012*

3.30 Nairobi County

3.30.262 Overview of the FY 2016/17 Budget

The County's FY 2016/17 Approved Budget was Kshs.34.55 billion, comprising of Kshs.23.16 billion (67.0 per cent) and Kshs.11.39 billion (33.0 per cent) allocations for recurrent and development expenditure respectively.

To finance the budget, the County expects to receive Kshs.14.28 billion (41.3 per cent) as equitable share of revenue raised nationally, Kshs.714 million (2.1 per cent) as total conditional grants, and generate Kshs.19.57 billion (56.6 per cent) from local sources. The conditional grants comprise of Kshs.303 million (42.4 per cent) for Free Maternal Health Care, Kshs.214 million (30.0 per cent) for Road Maintenance Fuel Levy Fund, Kshs.73 million (10.2 per cent) for User Fees Foregone, Kshs.96 million (13.4 per cent) for Leasing of Medical Equipment and Kshs.28 million (3.9 per cent) as a grant from DANIDA.

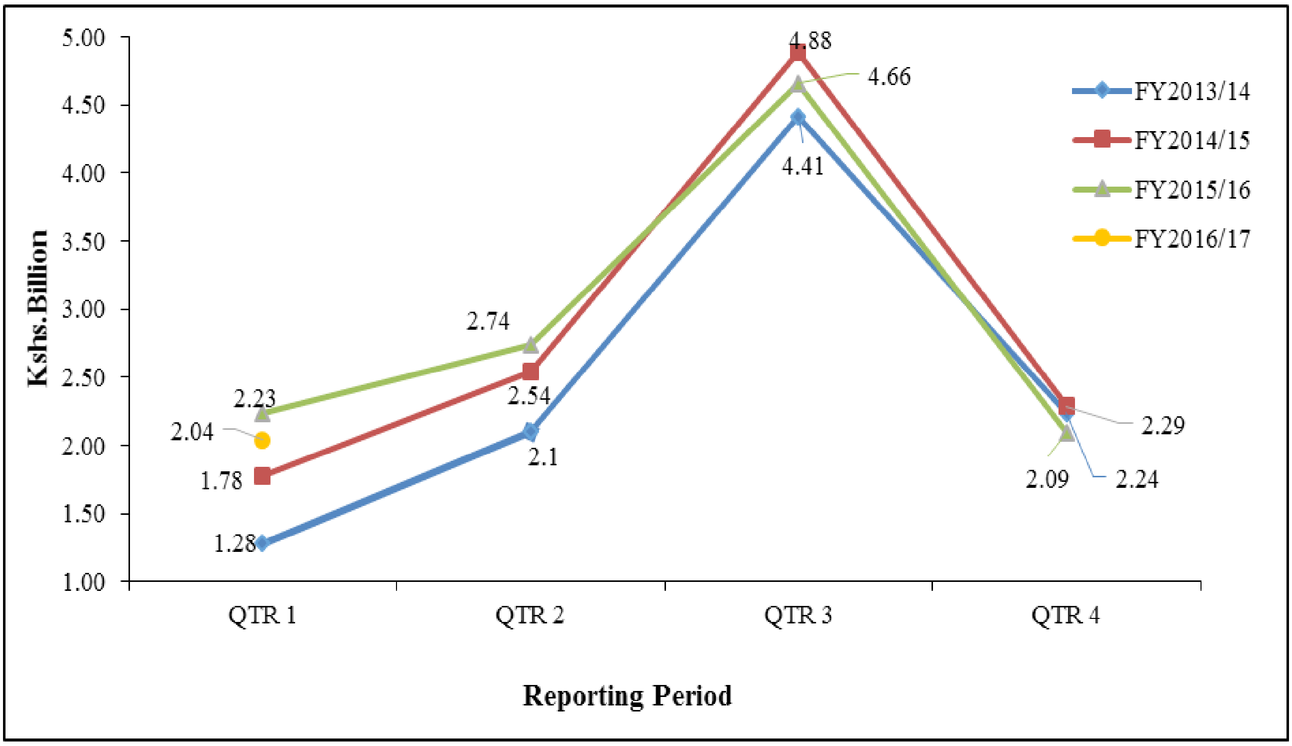
The Office noted that the approved revenue estimates for both unconditional and conditional allocations from the National Government and the development partners differed from those provided in CARA, 2016. The County over-estimated the equitable share of revenue raised nationally by Kshs.253.49 million, Free Maternal Health Care by Kshs.103.10 million, DANIDA grant by Kshs.14.10 million, while Compensation for User Fees Foregone and Road Maintenance Fuel Levy Fund were underestimated by Kshs.6.88 million and Kshs.1.47 million respectively.

3.30.263 Revenue Analysis

During the first quarter of FY 2016/17, the County received Kshs.3.51 billion as equitable share of the revenue raised nationally, Kshs.36.62 million as total conditional allocations, and raised Kshs.2.04 billion from local sources.

Figure 3.112 shows the quarterly trend in local revenue collection from the first quarter of FY 2013/14 to the first quarter of FY 2016/17.

Figure 3.112: Nairobi County, Trend in Local Revenue Collection by Quarter from the First Quarter of FY 2013/14 to the First Quarter of FY 2016/17



Source: *Nairobi City County Treasury*

The total local revenue collected in the first quarter of FY 2016/17 amounted to Kshs.2.04 billion which was a decline by 8.52 per cent compared to Kshs.2.23 billion generated in a similar period of FY 2015/16. The revenue generated accounted for 10.4 per cent of the annual local revenue target.

Table 3.85 provides an analysis of the local revenue collected in the first quarter of FY 2016/17 by revenue stream.

Table 3.85: Nairobi City County Analysis of Revenue Collected by Stream in the First Quarter of FY 2016/17

No	Revenue Stream	Annual Targeted Revenue (Kshs.)	Annual Actual Revenue (Kshs)	Actual Revenue as a percentage of Annual Target (%)
1	Eastlands collection	300,000,000	74,389,158	24.8
2	Decentralization-wards	240,000,000	57,748,250	24.1
3	Rents	300,000,000	71,831,947	23.9
4	Wakulima market and other markets	288,000,000	62,353,810	21.7
5	Building permits	1,700,000,000	324,161,204	19.1
6	Other revenue streams	1,879,000,000	293,664,078	15.6
7	Regulations of building /change /amalg/sub	260,000,000	35,600,912	13.7
8	Parking fees	3,540,000,000	435,285,425	12.3
9	Liquor licenses	378,657,059	37,021,000	9.8
10	Construction site board	200,000,000	19,419,400	9.7
11	Rates	5,500,000,000	446,425,224	8.1
12	Billboards & adverts	1,200,000,000	92,168,553	7.7
13	Fire inspection certificate	180,000,000	12,738,405	7.1
14	Single business permits	3,600,000,000	75,543,450	2.1
	Total	**19,565,657,059**	**2,038,350,816**	**10.4**

Source: *Nairobi County Treasury*

Analysis of the local revenue performance by stream indicated that Eastland's collections recorded the highest performance against the annual target at 24.8 per cent followed by Decentralization-wards at 24.1 per cent, and Rent at 23.9 per cent.

3.30.264 Conditional Grants

Table 3.86 shows an analysis of conditional grants received in the first quarter of FY 2016/17.

Table 3.86: Nairobi City County Analysis of Conditional Grant Releases in the First Quarter of FY 2016/17

No.	Conditional Grant	Amount allocated as provided in CARA, 2016 (Kshs.)	First Quarter, FY 2016/17 Actual receipts from the Conditional Grant (Kshs.)	Actual receipts as a percentage of Annual Allocation (%)
1	Free Maternal Health Care	199,899,133	36,622,500	18.3
2	Road Maintenance Fuel Levy Fund	215,471,089	-	0.0
3	Compensation for User fees forgone	79,879,082	-	0.0
4	DANIDA grant	13,900,000	-	0.0
5	Leasing of Medical Equipment	95,744,681	-	0.0
Total		**604,893,985**	**36,622,500**	**6.1**

Source: *Nairobi County Treasury*

The County received revenue from only one conditional grant, namely, Free Maternal Health Care at 18.3 per cent of its annual targets.

3.30.265 Exchequer Issues

During the reporting period, the Controller of Budget authorised withdrawal of Kshs.3.73 billion from the CRF account, which was 10.8 per cent of the FY 2016/17 Approved Budget. This amount represented an increase of 65.8 per cent from Kshs.2.25 billion authorized in a similar period of FY 2015/16 and consisted of Kshs.3.73 billion (100 per cent) for recurrent expenditure. The County did not request any funds for development activities.

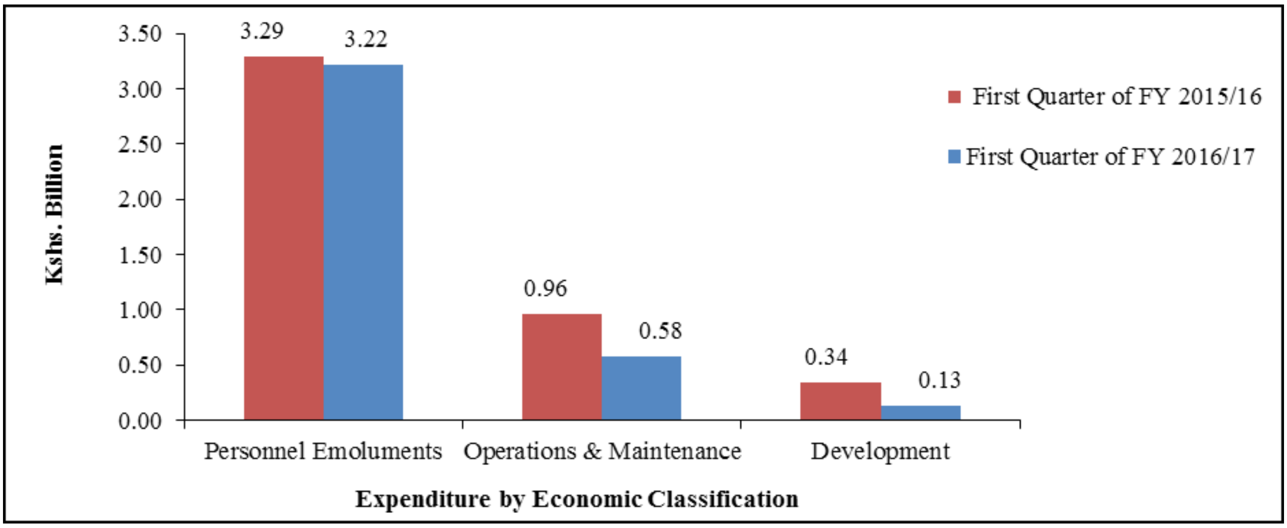
3.30.266 Overall Expenditure Review

The County spent Kshs.3.94 billion, which was 79.3 per cent of the total funds released for operations. This represented a decline of 20.9 per cent from Kshs.4.98 billion spent in a similar period in FY 2015/16.

A total of Kshs.3.81 billion was spent on recurrent activities, while Kshs.133.38 million was spent on development activities despite the fact that the County did not request funds for development activities. The recurrent expenditure was 102.1 per cent of the funds released for recurrent activities.

The recurrent expenditure represented 16.4 per cent of the annual recurrent budget, a decrease from 21.7 per cent spent in a similar period of FY 2015/16. Development expenditure recorded an absorption rate of 1.2 per cent, which was a decline from 6.2 per cent attained in a similar period of FY 2015/16. Figure 3.113 presents a comparison between total expenditure in the first quarter of FY 2016/17 and the first quarter of FY 2015/16.

Figure 3.113: Nairobi City County, Expenditure by Economic Classification for the First Quarter of FY 2016/17 and the First Quarter of FY 2015/16



Source: *Nairobi City County Treasury*

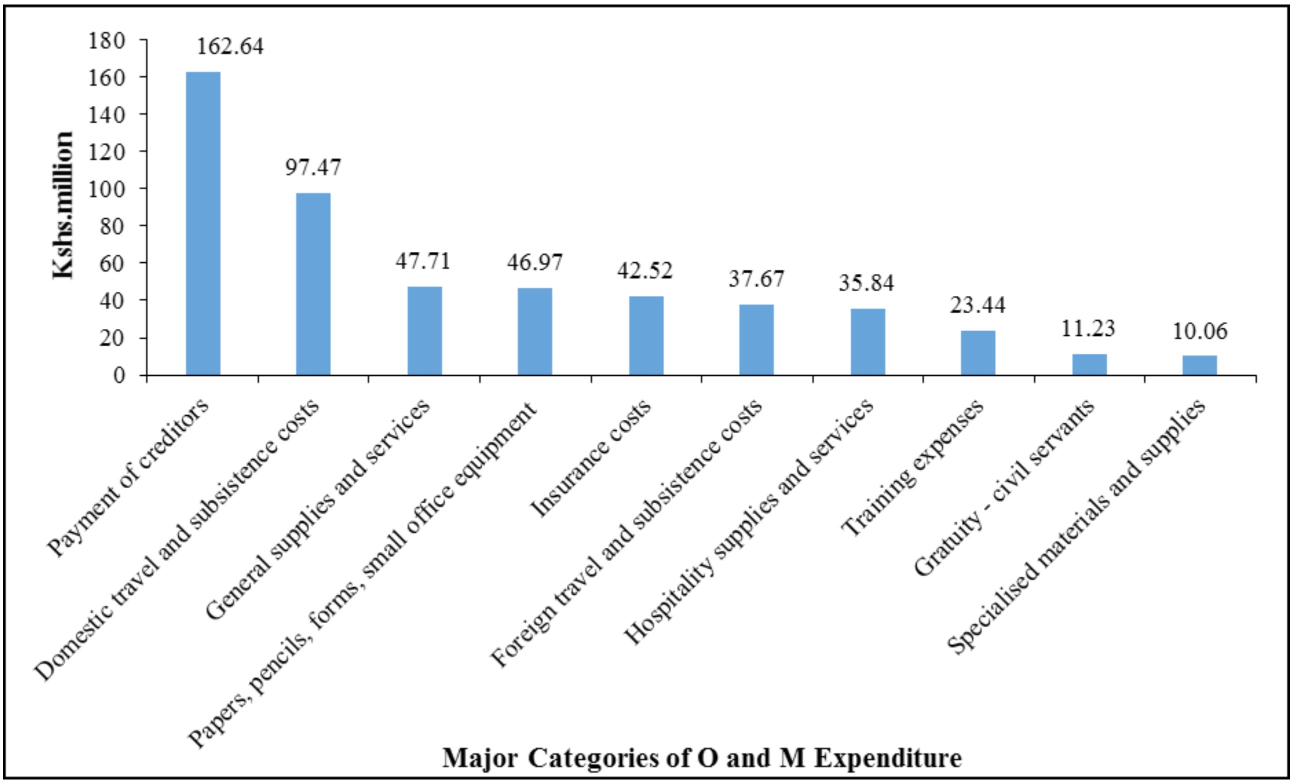
3.30.267 Analysis of Recurrent Expenditure

The recurrent expenditure of Kshs.3.81 billion consisted of Kshs.3.22 billion (63.2 per cent) spent on personnel emoluments and Kshs.582.90 million (36.8 per cent) on operations and maintenance as shown in Figure

3.112. Expenditure on personnel emoluments represented a decrease of 2.1 per cent compared to a similar period in FY 2015/16 when the County spent Kshs.3.29 billion.

Figure 3.114 shows a summary of the operations and maintenance expenditure by major categories.

Figure 3.114: Nairobi City County, Operations and Maintenance Expenditure for the First Quarter of FY 2016/17



Source: *Nairobi City County Treasury*

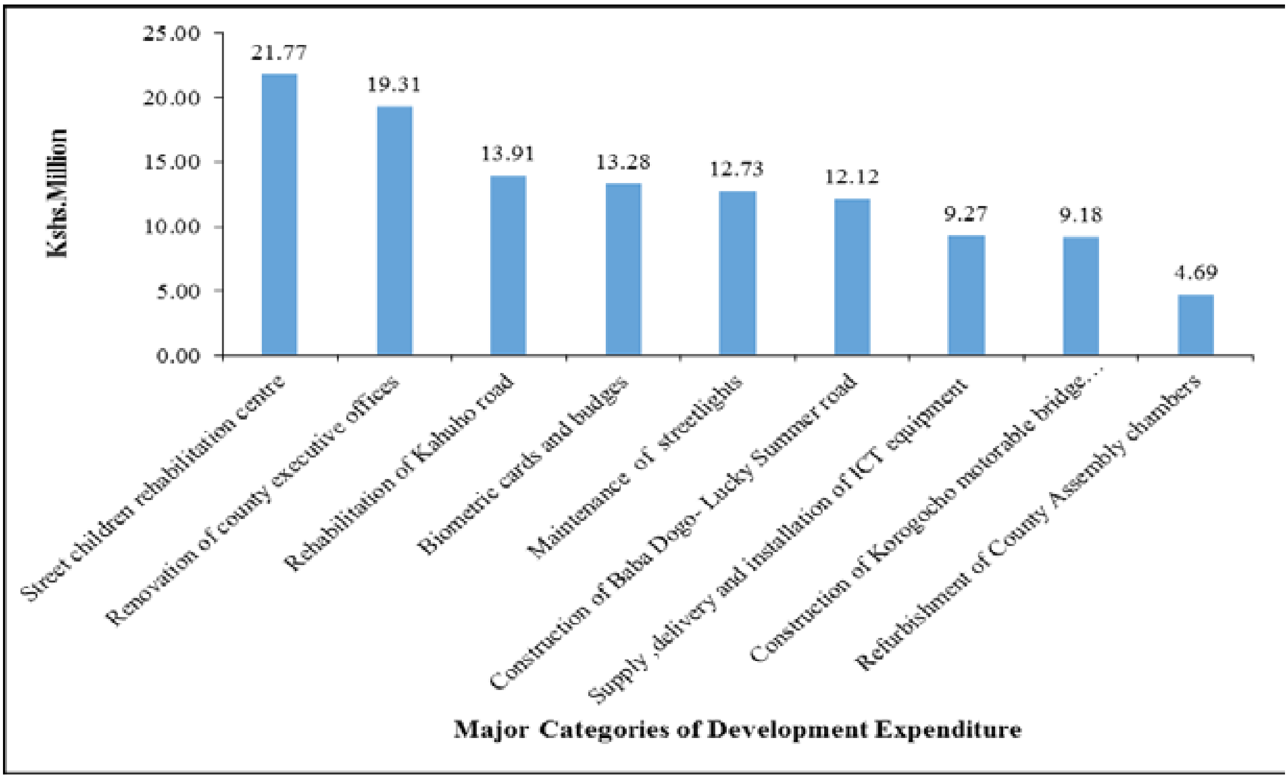
The County spent Kshs.24.73 million on sitting allowances to the 128 MCAs and the Speaker against the annual budget allocation of Kshs.140.60 million. This was a decrease of 25.7 per cent compared to Kshs.33.29 million spent in a similar period of FY 2015/16. The average monthly sitting allowance was Kshs.64,408 compared to SRC's recommended monthly ceiling of Kshs.124,800.

Expenditure on domestic and foreign travel amounted to Kshs.135.14 million compared to Kshs.160.67 million spent in a similar period of FY 2015/16, representing a decline of 15.9 per cent. The amount consisted of Kshs.61.27 million for County executive and Kshs.73.87 million for the County Assembly.

3.30.268 Development Expenditure Analysis

The total development expenditure of Kshs.133.38 million represented 1.2 per cent of the annual development budget of Kshs.11.39 billion. Figure 3.115 provides a summary of development expenditure during the period under review.

Figure 3.115: Nairobi City County, Summary of Development Expenditure for the First Quarter of FY 2016/17



Source: *Nairobi City County Treasury*

Analysis of the development expenditure by category indicated that, the highest expenditure of Kshs.21.77 million was incurred by the Education, Youth Affairs, Sports, Culture and Social Services Department on construction and completion of Street Children Rehabilitation Centre. The second highest expenditure of Kshs.19.31 million was incurred on rehabilitation and renovation of the County Executive Offices. The Department of Public Works, Transport and Infrastructure incurred Kshs.13.91 million on rehabilitation of Kahuho Road.

3.30.269 Budget and Budget Performance Analysis by Department

Table 3.87 shows a summary of first quarter FY 2016/17 budget estimates and budget performance by department.

Table 3.87: Nairobi City County, First Quarter of FY 2016/17 Budget Performance by Department

Department	Budget Allocation (Kshs. Million)		First quarter FY 2016/17 Exchequer Issues (Kshs. Million)		First quarter FY 2016/17 Expenditure (Kshs. Million)		First quarter FY 2016/17 Expenditure to Exchequer Issues (%)		First quarter FY 2016/17 Absorption rate (%)	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
County Public Service Board	87.00	28.00	7.88	0.0	10.10	0.00	128.1	0.0	11.6	0.0
Office of Governor & Deputy Governor	5,568.83	559.00	1,073.17	0.0	1,127.48	12.08	105.1	∞	20.2	2.2
ICT, E-Government & Public Communications	305.00	150.00	11.91	0.0	15.03	0.00	126.1	0.0	4.9	0.0

Department	Budget Allocation (Kshs. Million)		First quarter FY 2016/17 Exchequer Issues (Kshs. Million)		First quarter FY 2016/17 Expenditure (Kshs. Million)		First quarter FY 2016/17 Expenditure to Exchequer Issues (%)		First quarter FY 2016/17 Absorption rate (%)	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
Finance & Economic Planning	2,821.00	100.00	335.81	0.0	520.35	0.00	155.0	0.0	18.4	0.0
Health	5,480.00	1,070.00	986.75	0.0	952.25	0.00	96.5	0.0	17.4	0.0
Urban Planning & Lands	318.00	435.00	50.04	0.0	56.05	0.00	112.0	0.0	17.6	0.0
Public Works, Transport & Infrastructure	1,404.00	6,528.00	244.93	-	215.72	58.35	88.1	∞	15.4	0.9
Education, Youth Affairs, Sports, Culture & Social Services	1,510.10	380.00	223.39	0.0	253.16	35.47	113.3	∞	16.8	9.3
Trade, Commerce, Tourism & Cooperatives	631.00	570.00	58.63	0.0	67.12	0.00	114.5	0.0	10.6	0.0
Public Service Management	1,345.00	115.00	74.25	0.0	117.46	20.51	158.2	∞	8.7	17.8
Agriculture, Livestock development, Fisheries and Forestry	384.00	150.00	66.69	0.0	73.23	2.29	109.8	∞	19.1	1.5
Environment, Water, Energy & Natural Resources	1,577.00	970.00	200.34	0.0	132.11	0.00	65.9	0.0	8.4	0.0
Urban Renewal and Housing	210.00	188.00	25.20	0.0	25.10	0.00	99.6	0.0	12.0	0.0
County Assembly	1,520.60	149.99	369.23	0.0	240.85	4.69	65.2	∞	15.8	3.1
TOTAL	**23,161.54**	**11,392.99**	**3,728.23**	**0.0**	**3,806.01**	**133.38**	**102.1**	∞	**16.4**	**1.2**

Source: *Nairobi City County Treasury*

Analysis of budget performance by department shows that the Department of Public Service Management attained the highest absorption of development budget at 17.8 per cent, followed by the Department of Education, Youth Affairs, Sports, Culture and Social Services, the County Assembly, Office of Governor and Deputy Governor, Agriculture, Livestock development, Fisheries and Forestry at 9.3 per cent, 3.1 per cent, 2.2 per cent, 1.5 per cent and 1.2 per cent respectively. On the other hand, the Office of the Governor and Deputy Governor had the highest percentage of recurrent expenditure to recurrent budget at 20.2 per cent while the ICT, E-Government and Public Communications Department had the lowest at 4.9 per cent.

3.30.270 Observations and Recommendations

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

i. Adoption of IFMIS in processing financial transactions.

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

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

1. Underperformance in local revenue collection. The local revenue collection declined by 8.52 per cent from Kshs.2.23 billion in the first quarter of FY 2015/16 to Kshs.2.04 billion in the reporting period.
2. Persistent spending of revenue at source in contravention of Section 109 of the PFM Act, 2012.
3. Discrepancies between the approved estimates of conditional and unconditional allocations and the actual allocations as provided for in the County Allocation of Revenue Act, (CARA), 2016. This may result in budget deficit.

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

1. *The County Treasury should formulate and implement strategies to enhance local revenue collection.*
2. *The County Treasury should ensure that all local revenue collected is deposited into the County Revenue Fund account in line with Section 109 (2) of the PFM Act, 2012.*
3. *The County should budget for all allocations contained in the CARA, 2016.*

3.31 Nakuru County

3.31.271 Overview of the FY 2016/17 Budget

The County's FY 2016/17 Approved Budget was Kshs.14.74 billion, comprising of Kshs.8.96 billion (60.8 per cent) and Kshs.5.78 billion (39.2 per cent) allocations for recurrent and development expenditure respectively.

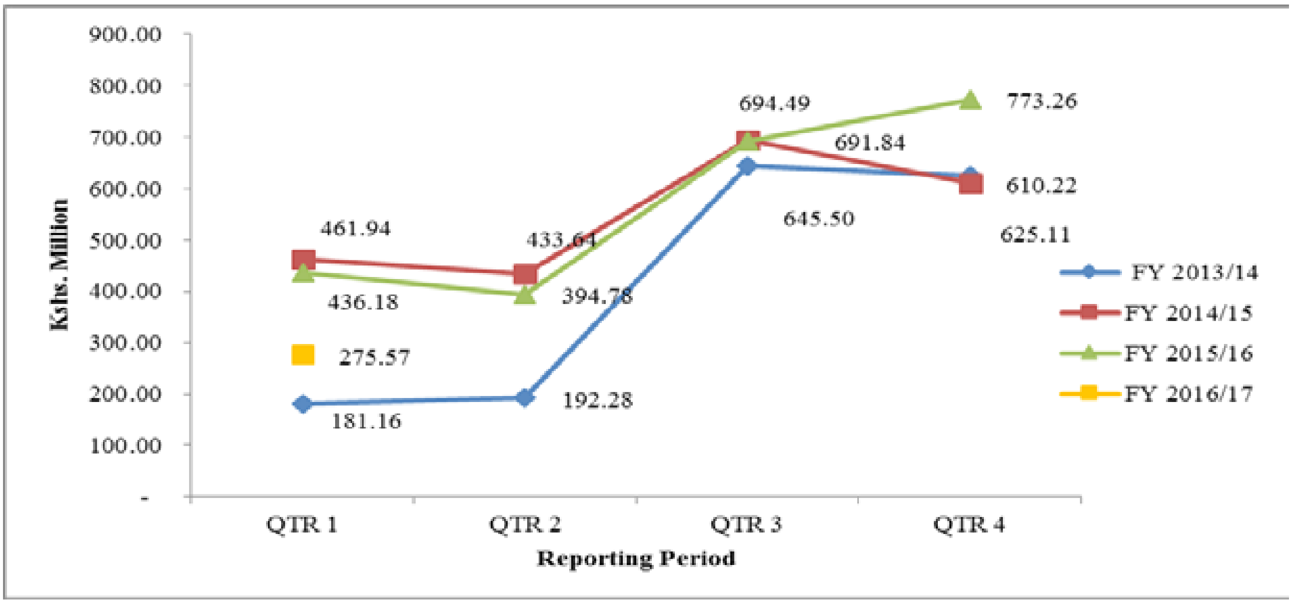
To finance the budget, the County expects to receive Kshs.8.75 billion (59.4 per cent) as equitable share of revenue raised nationally, Kshs.866.13 million (5.9 per cent) as total conditional grants, generate Kshs.2.60 billion (17.6 per cent) from local sources, receive Kshs.605 million (4.1 per cent) as Facility Improvement Fund, and Kshs.1.92 billion (13 per cent) cash balance from FY 2015/16. The conditional grants comprise of Kshs.215.28 million (24.9 per cent) for Free Maternal Health Care, Kshs.134.56 million (15.5 per cent) from the Road Maintenance Fuel Levy Fund, Kshs.39.21 million (4.5 per cent) for User Fees Foregone, Kshs.25.26 million (2.9 per cent) as a grant from DANIDA, Kshs.95.74 million (11.1 per cent) as conditional allocation for Leasing of Medical Equipment and Kshs.356.06 (41.1 per cent) conditional grant for Level 5 Hospital.

3.31.272 Revenue Analysis

During the first quarter of FY 2016/17, the County received Kshs.1.55 billion as equitable share of the revenue raised nationally, Kshs.110.72 million as total conditional allocations, raised Kshs.275.57 million from local sources, and Kshs.1.92 billion brought forward from FY 2015/16.

Figure 3.116 shows the quarterly trend in local revenue collection from the first quarter of FY 2013/14 to the first quarter of FY 2016/17.

Figure 3.116: Nakuru County, Trend in Local Revenue Collection by Quarter from First Quarter FY 2013/14 to First Quarter FY 2016/17



Source: *Nakuru County Treasury*

The total local revenue collected in the first quarter of FY 2016/17 amounted to Kshs.275.57 million which is a decrease of 36.82 per cent compared to Kshs.436.18 million generated in a similar period of FY 2015/16. This revenue accounted for 10.6 per cent of the annual local revenue target.

Table 3.88 provides an analysis of the local revenue collected in the first quarter of FY 2016/17 by revenue stream.

Table 3.88: Nakuru County Analysis of Revenue Collected by Stream in the First Quarter of FY 2016/17

No	Revenue Stream	Annual Targeted Revenue (Kshs.)	First Quarter, FY 2016/17 Actual Revenue (Kshs.)	Actual Revenue as a percentage of Annual Target (%)
1	Property tax (plot rent and land rates)	682,000,000	22,910,804	3.4
2	Single Business Permit	462,000,000	25,284,396	5.5
3	Market Fees	115,500,000	14,020,574	12.1
4	Building Approval	88,358,435	2,616,538	3.0
5	Cess	138,501,000	6,277,209	4.5
6	Royalties	113,401,200	51,259,999	45.2
7	Stock/ Slaughter fees	22,000,000	2,787,673	12.7
8	House Rent	55,000,000	8,276,300	15.0
9	Advertising	316,800,000	19,098,340	6.0
10	Parking fees	291,500,000	65,359,860	22.4
11	Liquor Licensing	93,500,000	9,936,050	10.6
12	Health fees and charges	131,254,023	19,706,456	15.0
13	Other revenue sources	87,450,000	28,038,196	32.1
TOTAL		**2,597,264,658**	**275,572,395**	**10.6**

Source: *Nakuru County Treasury*

Analysis of the local revenue performance by stream indicated that, Royalties recorded the highest performance against annual target at 45.2 per cent. This was followed by Parking fees at 22.4 per cent.

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

3.31.273 Conditional Grants

Table 3.89 below shows an analysis of conditional grants received in the first quarter of FY 2016/17.

Table 3.89: Nakuru County Analysis of Conditional Grant Releases in the First Quarter of FY 2016/17

No.	Conditional Grant	Amount allocated as provided in CARA, 2016 (Kshs.)	First Quarter, FY 2016/17 Actual receipts from the Conditional Grant (Kshs.)	Actual receipts as a percentage of Annual Allocation (%)
1	Donor Grants (DANIDA)	25,260,000	-	0.0
3	Compensate Foregone User Fees	39,216,180	-	0.0
4	Leasing of Medical Equipment	95,744,681	-	0.0
5	Free Maternal Health	215,283,613	50,187,500	23.3
6	Road Maintenance Fuel Levy Fund (RMFLF)	134,560,844	-	0.0
7	Level- 5 Hospital	356,069,364	60,531,792	17.0
TOTAL		**866,134,682**	**110,719,292**	**12.8**

Source: *Nakuru County Treasury*

Analysis of the performance of conditional grants in the period under review indicated that only Level 5 Hospital and Free Maternal Health Care recorded receipt of funds at 17 per cent and 23.3 per cent respectively.

3.31.274 Exchequer Issues

During the reporting period, the Controller of Budget authorised withdrawal of Kshs.3.08 billion from the CRF account, which was 21 per cent of the FY 2016/17 Approved Budget. This amount represented an increase of 27.3 per cent from Kshs.2.42 billion authorized in a similar period of FY 2015/16 and consisted of Kshs.1.94 billion (63 per cent) for recurrent expenditure and Kshs.1.13 billion (37 per cent) for development activities.

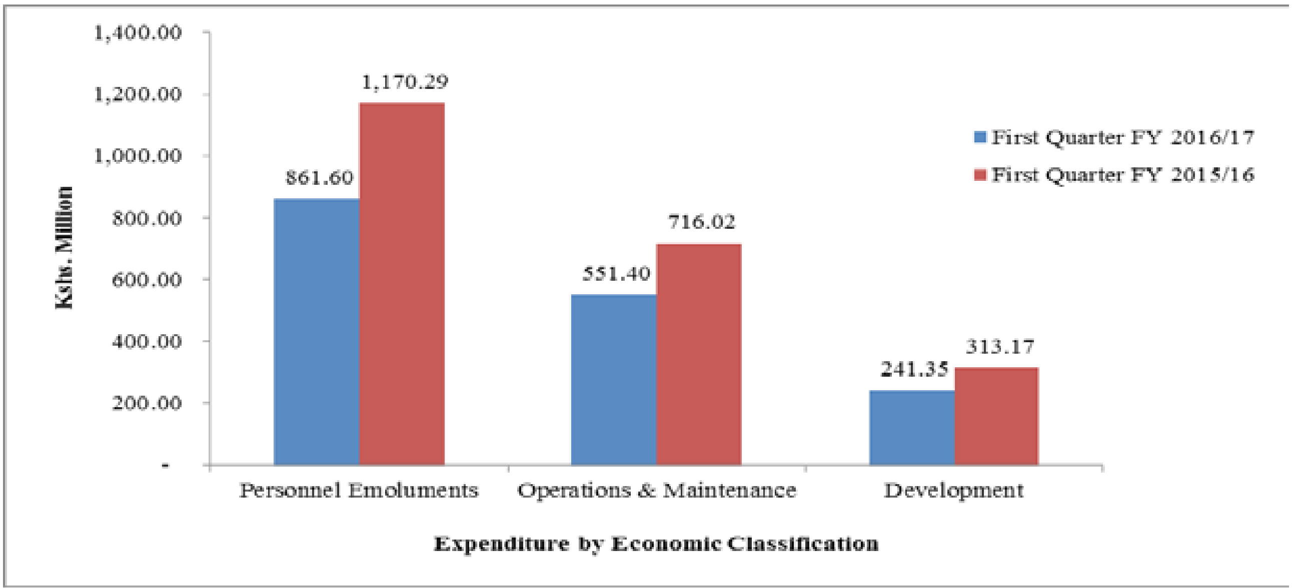
3.31.275 Overall Expenditure Review

The County spent Kshs.1.65 billion, which was 53.7 per cent of the total funds released for operations. This was a decrease of 25 per cent from Kshs.2.20 billion spent in a similar period in FY 2015/16.

A total of Kshs.1.41 billion was spent on recurrent activities, while Kshs.241.35 million was spent on development activities. The recurrent expenditure was 72.7 per cent of the funds released for recurrent activities while development expenditure accounted for 21.2 per cent of the funds released for development activities.

The recurrent expenditure represented 15.8 per cent of the annual recurrent budget, a decrease from 23 per cent spent in a similar period of FY 2015/16. Development expenditure recorded an absorption rate of 4.2 per cent, which was a decrease from 5.8 per cent attained in a similar period of FY 2015/16. Figure 3.117 presents a comparison between total expenditure in the first quarter of FY 2016/17 and the first quarter of FY 2015/16.

Figure 3.117: Nakuru County, Expenditure by Economic Classification for First Quarter of FY 2016/17 and FY 2015/16



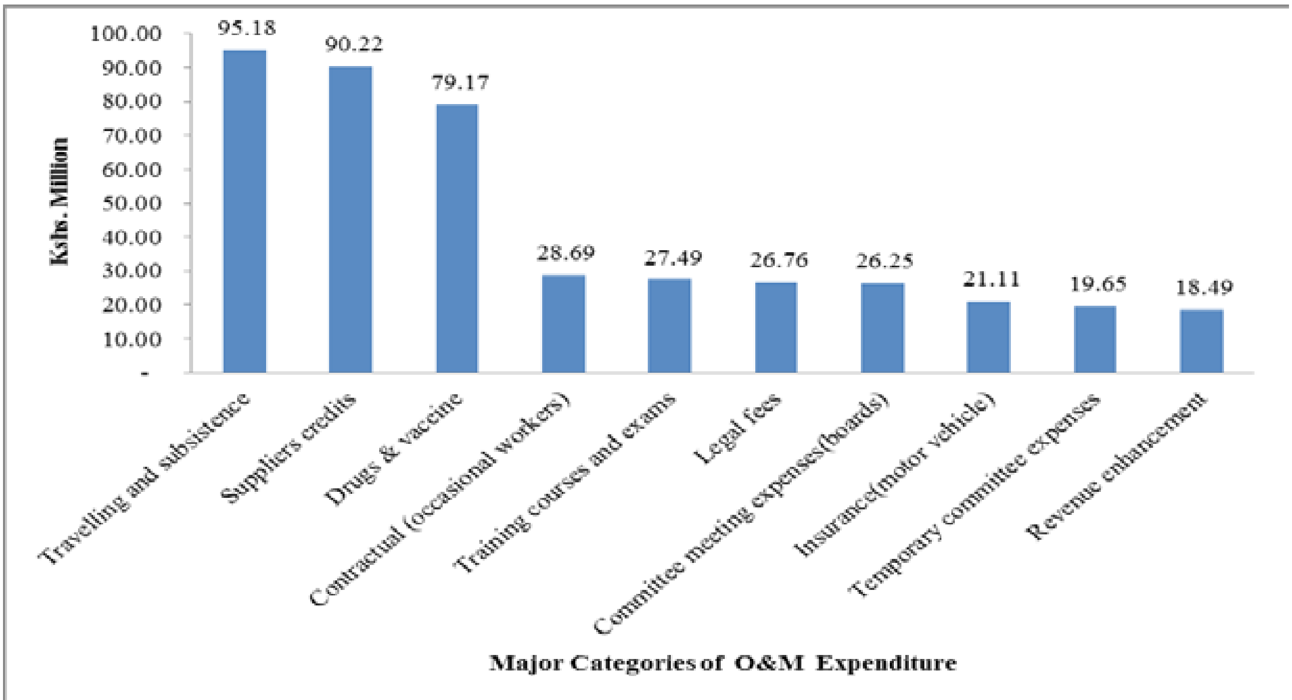
Source: *Nakuru County Treasury*

3.31.276 Analysis of Recurrent Expenditure

The recurrent expenditure of Kshs.1.41 billion consisted of Kshs.861.6 million (61 per cent) spent on personnel emoluments and Kshs.551.40 million (39 per cent) on operations and maintenance as shown in Figure 3.116. Expenditure on personnel emoluments represented a decrease of 26.4 per cent compared to a similar period in FY 2015/16 when the County spent Kshs.1.17 billion.

Figure 3.118 shows a summary of the operations and maintenance expenditure by major categories.

Figure 3.118: Nakuru County, Operations and Maintenance Expenditure for First Quarter of FY 2016/17



Source: *Nakuru County Treasury*

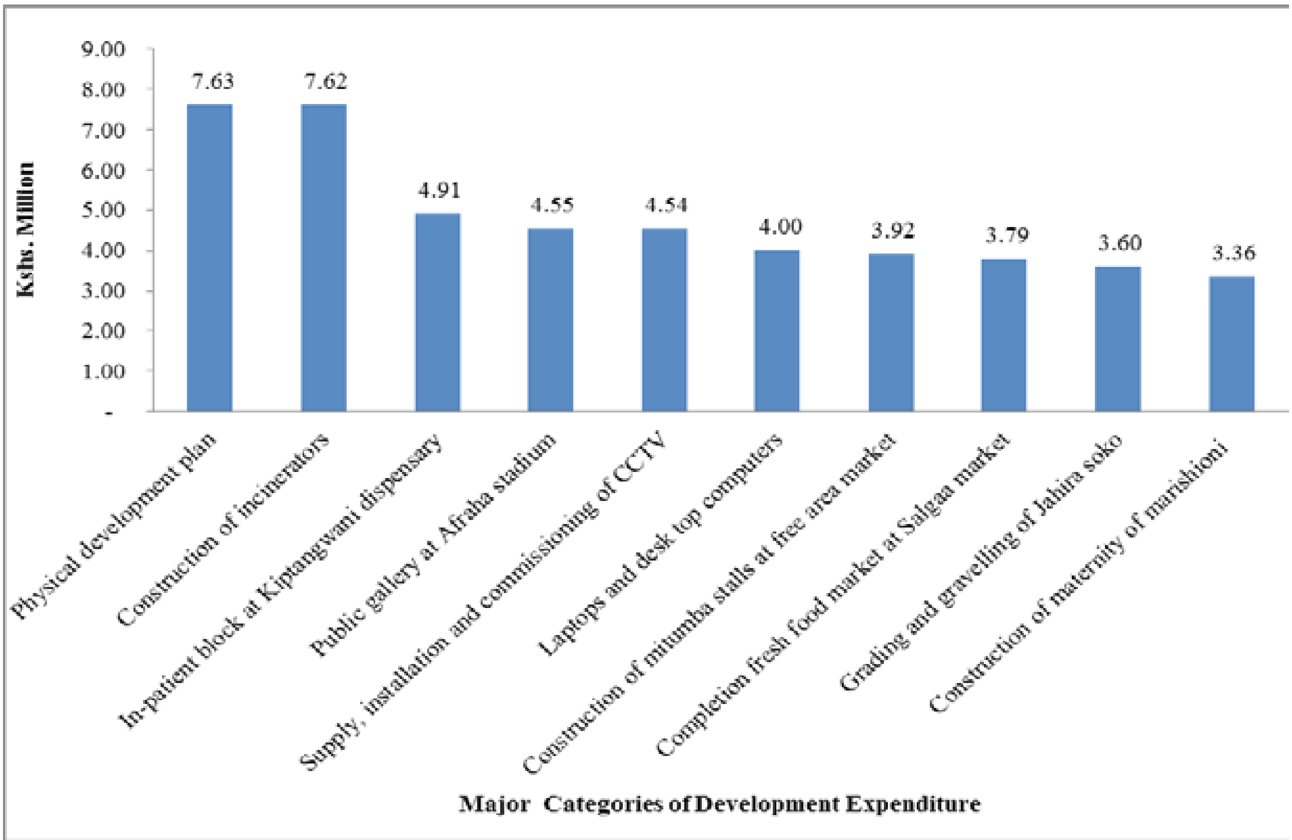
The County spent Kshs.14.15 million on sitting allowances to the 75 MCAs and the Speaker against the annual budget allocation of Kshs.110 million. This was a decrease compared to Kshs.17.17 million spent in a similar period of FY 2015/16. The average monthly sitting allowance was Kshs.62,894 compared to SRC's recommended monthly ceiling of Kshs.124,800.

Expenditure on domestic and foreign travel amounted to Kshs.95.18 million compared to Kshs.63.45 million spent in a similar period of FY 2015/16, representing an increase of 50 per cent.

3.31.277 Development Expenditure Analysis

The total development expenditure of Kshs.241.35 million represented 4.2 per cent of the annual development budget of Kshs.5.78 billion. Figure 3.119 provides a summary of development expenditure during the period under review.

Figure 3.119: Nakuru County, Summary of Development Expenditure for the First Quarter of FY 2016/17



Source: *Nakuru County Treasury*

Analysis of the development expenditure by category indicated that, the highest expenditure of Kshs.7.63 million was incurred by the Land, Housing and Urban Development Department on development of a physical plan. The Health Services Department spent Kshs.4.91 million on construction of an in-patient block at Kiptangwani dispensary.

3.31.278 Budget and Budget Performance Analysis by Department

Table 3.90 below shows a summary of first quarter FY 2016/17 budget estimates and budget performance by department.

Table 3.90: Nakuru County, Budget Performance by Department for the First Quarter FY 2016/17

Department	Budget Allocation (Kshs. Million)		First Quarter FY 2016/17 Exchequer Issues (Kshs. Million)		First Quarter FY 2016/17 Expenditure (Kshs. Million)		First quarter FY 2016/17 Expenditure to Exchequer Issues (%)		First quarter FY 2016/17 Absorption rate (%)	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
Office of the Governor and Deputy Governor	202.13	58.37	65.36	-	89.84	-	137.5	-	44.4	0.0
Finance and Economic Planning	977.78	402.15	204.30	18.28	142.84	0.66	69.9	3.6	14.6	0.2
County Public Service Board	57.12	3.60	8.86	-	8.06	-	91.0	-	14.1	0.0
Public Service Management	753.11	46.43	178.99	20.26	141.24	5.59	78.9	27.6	18.8	12.0
Health Services	4,019.38	919.32	871.86	159.88	640.01	40.27	73.4	25.2	15.9	4.4
Trade, Industrialization and tourism	130.80	262.22	31.40	73.74	13.46	22.28	42.9	30.2	10.3	8.5
Roads, Public Works and Transport	306.15	1,777.99	57.88	368.09	44.86	80.27	77.5	21.8	14.7	4.5
Information, Communication and E- Government	57.51	40.88	11.98	24.14	6.44	16.41	53.8	68.0	11.2	40.1
Agriculture, Livestock Development and Fisheries	542.17	271.95	108.11	47.03	71.34	-	66.0	0.0	13.2	0.0
Land, Housing and Urban Development	113.37	239.78	29.15	114.42	19.42	7.63	66.6	6.7	17.1	3.2
Education, Culture Youth Affairs and Social Services	562.22	848.20	89.98	97.13	67.18	47.92	74.7	49.3	11.9	5.6
Environment ,Energy, Natural Resources and Water	375.02	688.35	88.36	120.18	63.45	20.31	71.8	16.9	16.9	3.0
County Assembly	865.47	219.84	196.12	96.23	104.85	-	53.5	0.0	12.1	0.0
TOTAL	**8,962.23**	**5,779.08**	**1,942.35**	**1,139.38**	**1,412.99**	**241.34**	**72.7**	**21.2**	**15.8**	**4.2**

Source: *Nakuru County Treasury*

Analysis of budget performance by department shows that the Department of Information, Communication and E- Government attained the highest absorption of development budget at 40.1 per cent while the Office of the Governor and the Deputy Governor, the Department of Agriculture, Livestock Development and Fisheries, the County Public Service Board, and the County Assembly did not incur any development expenditure. On the other hand, the Office of the Governor and Deputy Governor had the highest percentage of recurrent expenditure to recurrent budget at 44.4 per cent while the Department of Information, Communication and E- Government had the lowest at 11.2 per cent.

3.31.279 Observations and Recommendations

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

i. Establishment of the County Budget and Economic Forum in line with Section 137 of the PFM Act, 2012.
ii. In compliance with Section 155 (5) of the PFM Act, 2012 the County has established an Internal Audit Committee which is involved in providing oversight in financial management.
iii. Timely submission of quarterly reports by the County Government entities in line with Section 166 of the PFM Act, 2012. The quarterly report for the reporting period was submitted on 10th October 2016.

Despite the 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. As at the end of the reporting period, Kshs.1.55 billion had been disbursed against an expected disbursement of Kshs.2.38 billion based on the CARA Disbursement Schedule.
2. Failure by Fund Administrators to submit expenditure reports on the Bursary Fund, the Country Assembly Car and Mortgage Fund and the Facility Improvement Fund contrary to Section 168 of the PFM Act, 2012.
3. Underperformance in local revenue collection. The local revenue collection declined by 36.82 per cent from Kshs.436.18 million in the first quarter of FY 2015/16 to Kshs.275.57 million in the reporting period.
4. Failure to fully adopt IFMIS, which is the prescribed financial system for recording and reporting all financial transactions. This is against Section 12 of the PFM Act, 2012. From analysis of bank statements and expenditure reports, the Office has noted that, the County Assembly has continued to make payments by cheque from bank accounts held in commercial banks.
5. Failure to develop legislation to operationalize established County Public Funds such as the Agriculture Development Fund, the Persons with Disabilities Fund, the Solid Waste Management Fund and the Gender Mainstreaming Fund contrary to Section 116 of the PFM Act, 2012.
6. Non-adherence to Section 136 (2) of the PFM Act, 2012 on the requirement to deposit all unspent funds at the end of each financial year into the County Revenue Fund account maintained at the Central Bank of Kenya. From analysis of bank statements, the Office has noted that, the Health Department continued to hold a total of Kshs.71 million after the cut-off date of 30th June, 2016.

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

1. *The County Treasury should liaise with the National Treasury to ensure that funds allocated to the County are released in a timely manner in line with CARA, 2016 Disbursement Schedule.*
2. *The CECM-F should ensure all the appointed Fund Administrators submit quarterly financial statements 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. *All Accounting Officers should ensure all payments are made through IFMIS and the Internet Banking platform managed by the Central Bank of Kenya.*
5. *The County should ensure that legislation establishing any County Public Fund is in place in line with Section 116 of the PFM Act, 2012 before operationalization.*
6. *The County Treasury should adhere to the expenditure cut-off dates and also put in place mechanisms to*

comply with Section 136 (2) of the PFM Act, 2012.

3.32 Nandi County

3.32.280 Overview of the FY 2016/17 Budget

The County's FY 2016/17 Approved Budget was Kshs.6.91 billion, comprising of Kshs.4.38 billion (63.4 per cent) and Kshs.2.53 billion (36.6 per cent) allocations for recurrent and development expenditure respectively.

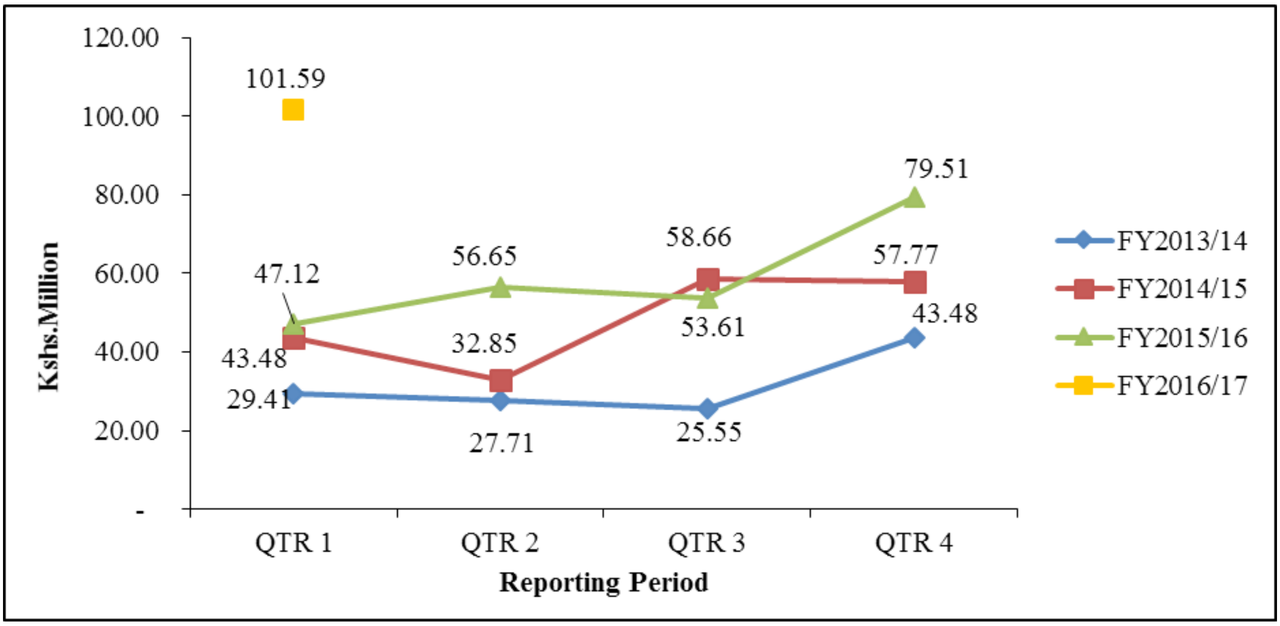
To finance the budget, the County expects to receive Kshs.5.13 billion (80.4 per cent) as equitable share of revenue raised nationally, Kshs.174.24 million (2.7 per cent) as total conditional grants, generate Kshs.101.59 million (1.6 per cent) from local sources, Kshs.59.70 million (0.1 per cent) from Kenya Water Trust Fund and had Kshs.973.00 million (15.3 per cent) cash balance from FY 2015/16. The conditional grants comprise of Kshs.68.20 million (39.1 per cent) for Free Maternal Health Care, Kshs.78.84 million (45.2 per cent) from the Road Maintenance Fuel Levy Fund, Kshs.18.06 million (10.4 per cent) for User Fees Foregone, and Kshs.19.23 million (5.3 per cent) as a grant from DANIDA.

3.32.281 Revenue Analysis

During the first quarter of FY 2016/17, the County received Kshs.872.24 million as equitable share of the revenue raised nationally, Kshs.31.36 million as total conditional allocations, raised Kshs.101.59 million from local sources, and Kshs.973 million brought forward from FY 2015/16.

Figure 3.120shows the quarterly trend in local revenue collection from the first quarter of FY 2013/14 to the first quarter of FY 2016/17.

Figure 3.120: Nandi County, Trend in Local Revenue Collection by Quarter from FY 2013/14 to FY 2016/17



Source: *Nandi County Treasury*

The total local revenue collected in the first quarter of FY 2016/17 amounted to Kshs.101.59 million which was an increase of over 100 per cent compared to Kshs.47.12 million generated in a similar period of FY 2015/16.

The revenue generated accounted for 28.0 per cent of the annual local revenue target.

Table 3.91 provides an analysis of the local revenue collected in the first quarter of FY 2016/17 by revenue stream.

Table 3.91: Nandi County Analysis of Revenue Collected by Stream in the First Quarter of FY 2016/17

No.	Revenue Stream	Annual Targeted Revenue (Kshs.)	First quarter, FY 2016/17 Actual Revenue (Kshs.)	Actual Revenue as a percentage of Annual Target (%)
1	Cess collections	34,490,000	63,295,525	183.5
2	Parking Fees	47,324,835	10,290,854	21.7
3	Health and Sanitation fees	114,556,500	5,615,559	4.9
4	Business Permits	47,025,000	5,328,076	11.3
5	Kiborgok Tea Proceeds	21,105,000	2,503,409	11.9
6	Land Rates	49,845,544	2,181,172	4.4
7	House and Stalls Rent	4,090,800	1,203,609	29.4
8	Agriculture fees	6,930,000	953,449	13.8
9	Cattle Dips/Veterinary	8,901,165	637,260	7.2
10	Other revenue streams	28,105,050	9,578,088	34.1
TOTAL		**362,373,894**	**101,587,001**	**28.0**

Source: *Nandi County Treasury*

Analysis of the local revenue performance by stream indicated that Cess recorded the highest performance against the annual target at 183.5 per cent followed by Parking fees at 21.7 per cent.

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

3.32.282 Conditional Grants

Table 3.92 shows an analysis of conditional grants received in the first quarter of FY 2016/17.

Table 3.92: Nandi County Analysis of Conditional Grant Releases in the First Quarter of FY 2016/17

No.	Conditional Grant	Amount allocated as provided in CARA, 2016 (Kshs.)	First Quarter, FY 2016/17 Actual receipts from the Conditional Grant (Kshs.)	Actual receipts as a percentage of Annual Allocation (%)
1	Road Maintenance Fuel Levy Fund	78,835,014	19,708,754	25.0
2	Free Maternal Health Care	68,195,394	11,652,500	17.1
3	User Fees Foregone	18,055,819	-	0.0
4	DANIDA Grant	19,225,500	-	0.0
Total		**184,311,727**	**31,361,254**	**17.0**

Source: *Nandi County Treasury*

Analysis of conditional grant for the period under review indicated that the County received revenue from two grant categories. These were; the Road Maintenance Fuel Levy Fund and the Free Maternal Health Care conditional grant at 25.0 per cent and 17.1 per cent of their annual targets respectively.

3.32.283 Exchequer Issues

During the reporting period, the Controller of Budget authorised withdrawal of Kshs.1.44 billion from the CRF account, which was 20.8 per cent of the FY 2016/17 Approved Budget. This amount represented an increase of 74.5 per cent from Kshs.825.39 million authorized in a similar period of FY 2015/16 and consisted of Kshs.1.01 billion (70.1 per cent) for recurrent expenditure and Kshs.430 million (29.9 per cent) for development activities.

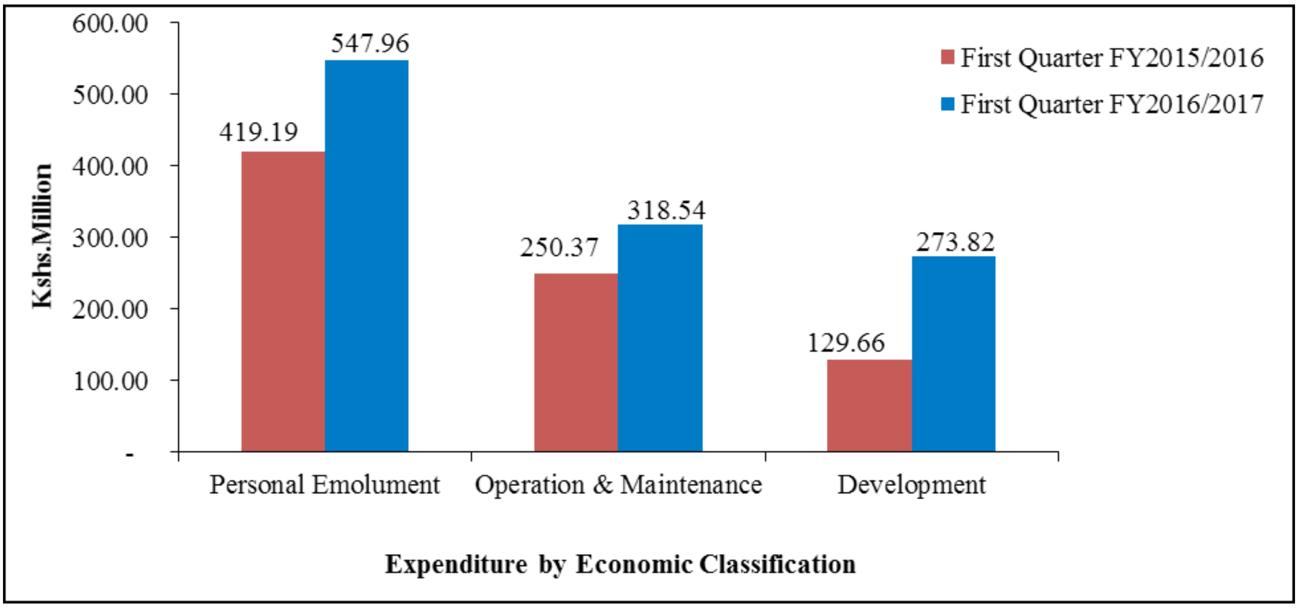
3.32.284 Overall Expenditure Review

The County spent Kshs.1.14 billion, which was 79.3 per cent of the total funds released for operations. This represented an increase of 42.7 per cent from Kshs.799.22 million spent in a similar period in FY 2015/16.

A total of Kshs.866.50 million was spent on recurrent activities, while Kshs.273.82 million was spent on development activities. The recurrent expenditure was 86.0 per cent of the funds released for recurrent activities while development expenditure accounted for 63.7 per cent of the funds released for development activities. The expenditure excluded outstanding commitments as at 30th September, 2016 that amounted to Kshs.357.52 million for development and Kshs.135.72 million for recurrent expenditure.

The recurrent expenditure represented 19.8 per cent of the annual recurrent budget, a decrease from 24.2 per cent spent in a similar period FY 2015/16. Development expenditure recorded an absorption rate of 10.8 per cent, which was an increase from 4.9 per cent attained in a similar period of FY 2015/16. Figure 3.121 presents a comparison between total expenditure in the first quarter of FY 2016/17 and the first quarter of FY 2015/16.

Figure 3.121: Nandi County, Expenditure by Economic Classification for the First Quarter of FY 2016/17 and the First Quarter of FY 2015/16



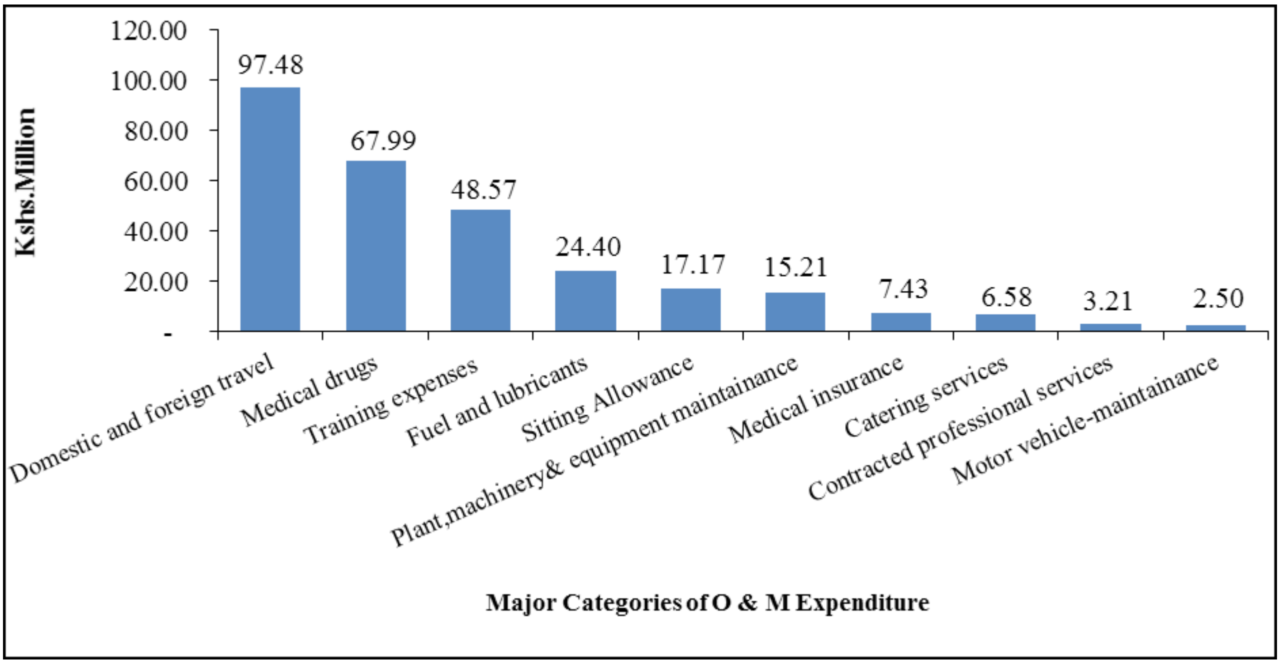
Source: *Nandi County Treasury*

3.32.285 Analysis of Recurrent Expenditure

The recurrent expenditure of Kshs.866.50 million consisted of Kshs.547.96 million (63.2 per cent) spent on personnel emoluments and Kshs.318.54 million (36.8 per cent) on operations and maintenance as shown in Figure 3.120. Expenditure on personnel emoluments represented an increase of 30.7 per cent compared to a similar period of FY 2015/16 when the County spent Kshs.419.19 million.

Figure 3.122 shows a summary of the operations and maintenance expenditure by major categories.

Figure 3.122: Nandi County, Operations and Maintenance Expenditure for the First Quarter of FY 2016/17



Source: *Nandi County Treasury*

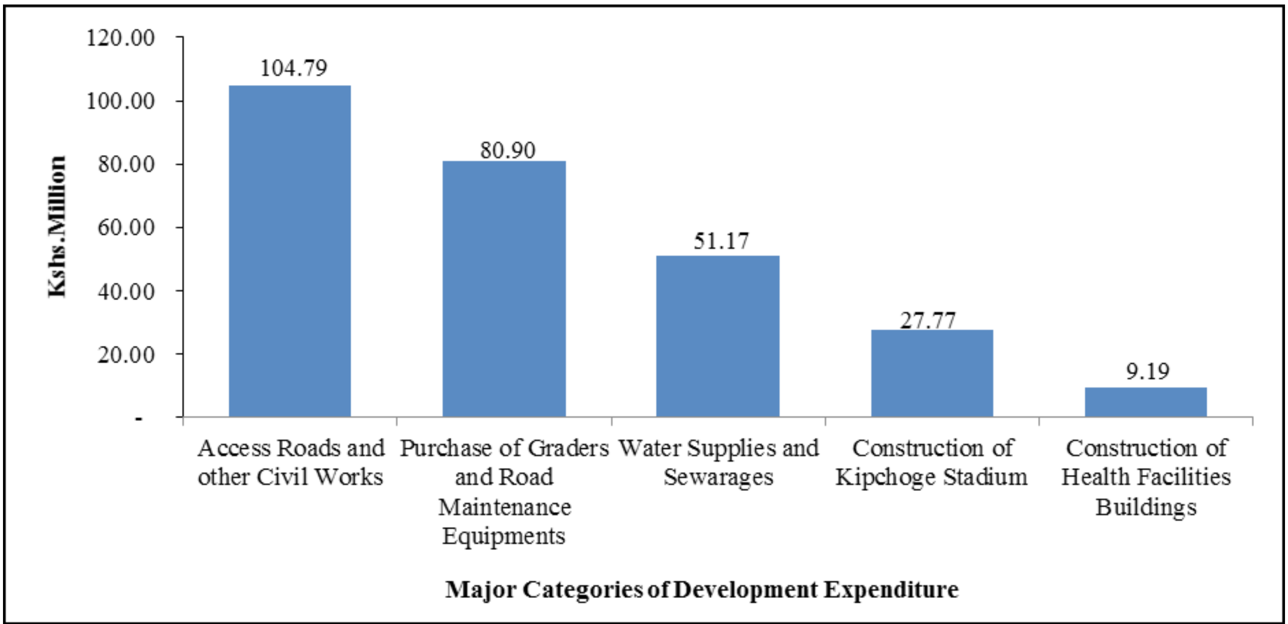
The County spent Kshs.17.17 million on sitting allowances to the 49 MCAs and the Speaker against the annual budget allocation of Kshs.73.38 million. This was a decrease of 3.4 per cent compared to Kshs.17.78 million spent in a similar period of FY 2015/16. The average monthly sitting allowance was Kshs.116,788 compared to SRC's recommended monthly ceiling of Kshs.124,800.

Expenditure on domestic and foreign travel amounted to Kshs.97.48 million compared to Kshs.65.80 million spent in a similar period of FY 2015/16, representing an increase of 32.5 per cent. The amount consisted of Kshs.77.51 million for County Executive and Kshs.19.97 million for the County Assembly.

3.32.286 Development Expenditure Analysis

The total development expenditure of Kshs.273.82 million represented 10.8 per cent of the annual development budget of Kshs.129.66 million. Figure 3.123 provides a summary of development expenditure during the period under review.

Figure 3.123: Nandi County, Summary of Development Expenditure for the First Quarter of FY 2016/17



Source: *Nandi County Treasury*

Analysis of the development expenditure by category indicated that, the highest expenditure of Kshs.185.69 million was incurred by the Public Works, Roads and Transport Department and consisted of Kshs.104.79 million spent on road construction and Kshs.80.90 million on payments of pending bills relating to purchase of graders and road maintenance equipment. The second highest expenditure of Kshs.51.17 million was incurred by the Water, Environment, Energy & Natural Resources department on construction and maintenance of water supplies and sewerage systems. The Department of Gender, Culture & Social Development incurred Kshs.27.77 million on construction of the Kipchoge Stadium while the Health Services Department incurred Kshs.9.19 million on construction of Health facilities.

3.32.287 Budget and Budget Performance Analysis by Department

Table 3.93 shows a summary of first quarter FY 2016/17 budget estimates and budget performance by department.

Table 3.93: Nandi County, First Quarter of FY 2016/17 Budget Performance by Department

Department	Budget Allocation (Kshs. Million)		First quarter FY 2016/17 Exchequer Issues (Kshs. Million)		First quarter FY 2016/17 Expenditure (Kshs. Million)		First quarter FY 2016/17 Expenditure to Exchequer Issues (%)		First quarter FY 2016/17 Absorption rate (%)	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
Office of the Governor & Deputy Governor	445.62	132.34	104.31	0.00	122.98	0.00	117.9	0.0	27.6	0.0
Finance & Economic Planning	732.68	149.1	273.24	20.00	146.49	0.00	53.6	0.0	20.0	0.0

Department	Budget Allocation (Kshs. Million)		First quarter FY 2016/17 Exchequer Issues (Kshs. Million)		First quarter FY 2016/17 Expenditure (Kshs. Million)		First quarter FY 2016/17 Expenditure to Exchequer Issues (%)		First quarter FY 2016/17 Absorption rate (%)	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
Education, Youth, Culture & Social services	411.7	153.05	48.05	60.00	46.6	0.00	97.0	0.0	11.3	0.0
Health Services	1,318.69	173.26	185.47	40.00	305.1	9.19	164.5	23.0	23.1	5.3
Gender, Culture & Social Development	37.95	132.6	13.18	30.00	4.97	27.77	37.7	92.6	13.1	20.9
Public Works, Roads and Transport	242.53	771.21	68.16	230.00	21.33	185.69	31.3	80.7	8.8	24.1
County Assembly Services	600.29	118.9	145	0.00	119.72	0.00	82.6	0.0	19.9	0.0
Public Service & Administration	220.46	166.05	81.03	15.00	8.24	0.00	10.2	0.0	3.7	0.0
Trade, Industrialization, Tourism, Wildlife & Cooperative Development	75.07	68.86	19.73	0.00	17.41	0.00	88.2	0.0	23.2	0.0
County Public Service Board	36.5	-	7.27	0.00	5.28	0.00	72.6	0.0	14.5	0.0
Agriculture, Livestock & Fisheries Development	197.94	144.34	44.22	0.00	59.11	0.00	133.7	0.0	29.9	0.0
Water, Environment, Energy & Natural Resources	59.95	516.41	18.25	35.00	9.276	51.17	50.8	146.2	15.5	9.9
TOTAL	**4,379.36**	**2,526.11**	**1007.9**	**430.00**	**866.50**	**273.82**	**86.0**	**63.7**	**19.8**	**10.8**

Source: *Nandi County Treasury*

Analysis of budget performance by department shows that the Department of Public Works, Roads and Transport attained the highest absorption of development budget at 24.1 per cent. Six departments did not incur any development expenditure. On the other hand, the Office of the Governor and Deputy Governor had the highest percentage of recurrent expenditure to recurrent budget at 27.6 per cent while the Department of Public Service and Administration had the lowest at 3.7 per cent.

3.32.288 Observations and Recommendations

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

i. Improvement in human capacity through recruitment of additional key staff and continuous training.
ii. Automation of revenue collection which led to improved revenue performance. The local revenue collection improved by over 100 per cent from Kshs.47.12 million generated in the first quarter of FY

2015/16 to Kshs.101.59 million in the first quarter of FY 2016/17.

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

1. The County's wage bill has remained high, having increased by 30.72 per cent from Kshs.419.19 million in the first quarter of FY 2015/16 to Kshs.547.96 million in the period under review. The increase in wage bill may affect implementation of development activities.
2. Failure to develop legislation to operationalize some established County Public Funds such as the County Emergency Fund, contrary to Section 116 of the PFM Act, 2012.
3. The County budget for Kshs.19.23 million as revenue expected under the DANIDA grant instead of Kshs.9.16 million contained in CARA, 2016.

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

1. *The County Public Service Board should develop an optimal staff structure in order to ensure a sustainable wage bill.*
2. *The County should ensure the legislation establishing any County Public Funds is in place in line with Section 116 of the PFM Act, 2012 before operationalization.*
3. *The County should appropriately budget for all revenue streams contained in the CARA, 2016.*

3.33 Narok County

3.33.289 Overview of the FY 2016/17 Budget

The County's FY 2016/17 Approved Budget was Kshs.9.81billion, comprising of Kshs.5.54 billion (56.5 per cent) and Kshs.4.27 billion (43.6 per cent) allocations for recurrent and development expenditure respectively.

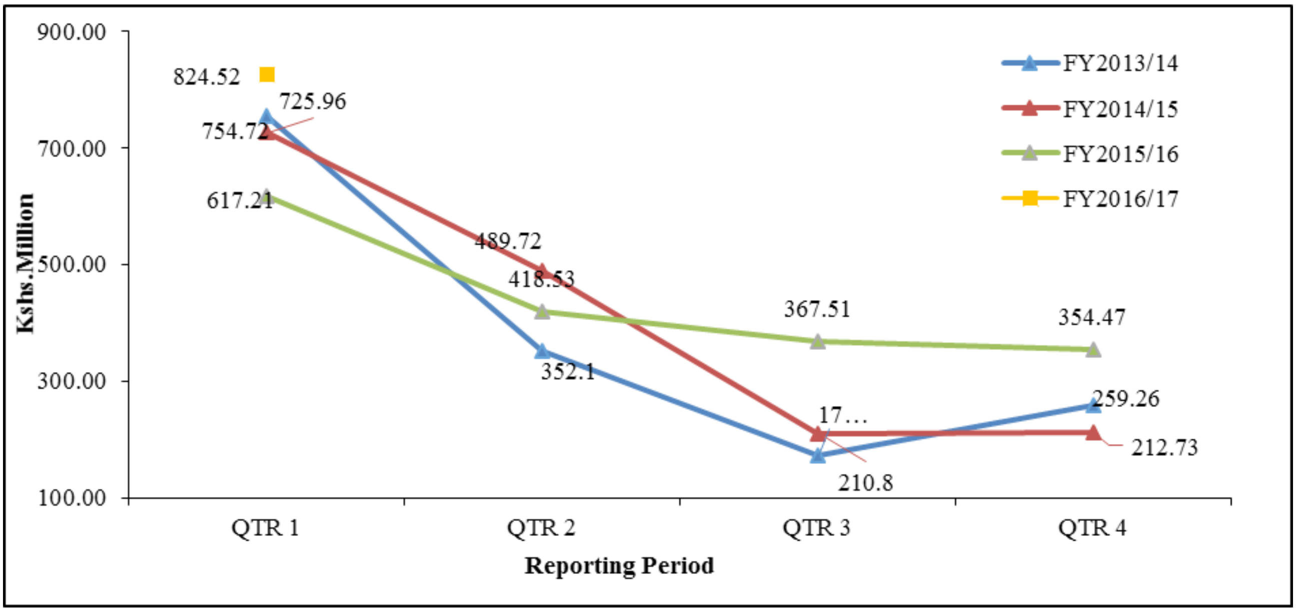
To finance the budget, the County expects to receive Kshs.5.71 billion (59.2 per cent) as equitable share of revenue raised nationally, Kshs.363.82 million (3.9 per cent) as total conditional grants, generate Kshs.3.62 million (36.9 per cent) from local sources. The conditional grants comprise of Kshs.56.33 million (0.6 per cent) for Free Maternal Healthcare, Kshs.87.67 million (0.9 per cent) from the Road Maintenance Fuel Levy Fund, Kshs.19.83 million (0.2 per cent) for User Fees Foregone, Kshs.90.15 million (0.9 per cent) from DANIDA and Kshs.95.74 million (1.0 per cent) from conditional allocation for Leasing of Medical Equipment and Kshs.29.35 million (0.3 per cent) for Kenya Devolution Support Programme.

3.33.290 Revenue Analysis

During the first quarter of FY 2016/17, the County received Kshs.1.43 billion as equitable share of the revenue raised nationally, Kshs.36.08 million as total conditional allocations, raised Kshs.824.52 million from local source.

Figure 3.124 shows the quarterly trend in local revenue collection from the first quarter of FY 2013/14 to the first quarter of FY 2016/17.

Figure 3.124: Narok County, Trend in Local Revenue Collection by Quarter from the First Quarter of FY 2013/14 to the First Quarter of FY 2016/17



Source: *Narok County Treasury*

The total local revenue collected in the first quarter of FY 2016/17 amounted to Kshs.824.52 million which was an increase of 97 per cent compared to Kshs.418.53 million generated in a similar period of FY 2015/16. This revenue accounted for 22.8 per cent of the annual local revenue target.

Table 3.94 provides an analysis of the local revenue collected in the first quarter of FY 2016/17 by revenue stream.

Table 3.94: Narok County Analysis of Revenue Collected by Stream in the First Quarter of FY 2016/17

No	Revenue Stream	Annual Targeted Revenue (Kshs. Million)	First quarter, FY 2016/17 Actual Revenue (Kshs. Million)	Actual Revenue as a percentage of Annual Target (%)
1	Mara Game Reserve	2,261.34	737.71	32.6
2	Miscellaneous Income	195.60	49.72	25.4
3	Cess Revenue	144.80	10.74	7.4
4	Plot Rents	262.85	13.59	5.2
5	Produce cess	320.00	10.82	3.4
6	Single Business Permit	41.98	0.44	1.1
7	Markets and Slaughter	149.40	1.32	0.9
8	Vehicle Parking	80.00	0.18	0.2
9	House Rents	128.00	-	0
10	Conservancy and solid waste	39.50	-	0
TOTAL		**3,623.47**	**824.52**	**22.8**

Source: Narok *County Treasury*

Analysis of the local revenue performance by stream indicated that, the Mara Game Reserve recorded the highest performance against annual target at 32.6 per cent. This was followed by Miscellaneous Income at 25.4 per cent, and Cess Revenue at 7.4 per cent.

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

3.33.291 Conditional Grants

Table 3.95 shows an analysis of conditional grants received in the first quarter of FY 2016/17.

Table 3.95: Narok County Analysis of Conditional Grant Releases in the First Quarter of FY 2016/17

No.	Conditional Grant	Amount allocated as provided in CARA, 2016 (Kshs. Millions)	First Quarter, FY 2016/17 Actual receipts from the Conditional Grant (Kshs. Millions)	Actual receipts as a percentage of Annual Allocation (%)
1	Road Maintenance Fuel Levy Fund	87.67	21.92	25.0
4	DANIDA Grant	90.15	14.17	15.7
2	Free Maternal Health Care	56.33	-	-
3	User Fees Foregone	19.83	-	-
5	Devolution Support (Not contained in CARA,2016)	29.35	-	-
6	Leasing of Medical Equipment	95.74	-	-
Total		**379.07**	**36.09**	**9.5**

Source: *Narok County Treasury*

The County received revenue from two grant categories. These were; the Road Maintenance Fuel Levy Fund, which recorded 25 per cent of the annual target and the DANIDA grant, which recorded 15.7 per cent.

3.33.292 Exchequer Issues

During the reporting period, the Controller of Budget authorised withdrawal of Kshs.1.66 billion from the CRF account, which was 17.0 per cent of the FY 2016/17 Approved Budget. This amount represented an increase of 27.69 per cent or Kshs.364.41 million from Kshs.1.30 billion authorized in a similar period of FY 2015/16 and consisted of Kshs.1.15 billion (69.4 per cent) for recurrent expenditure and Kshs.512.10 million (30.8 per cent) for development activities.

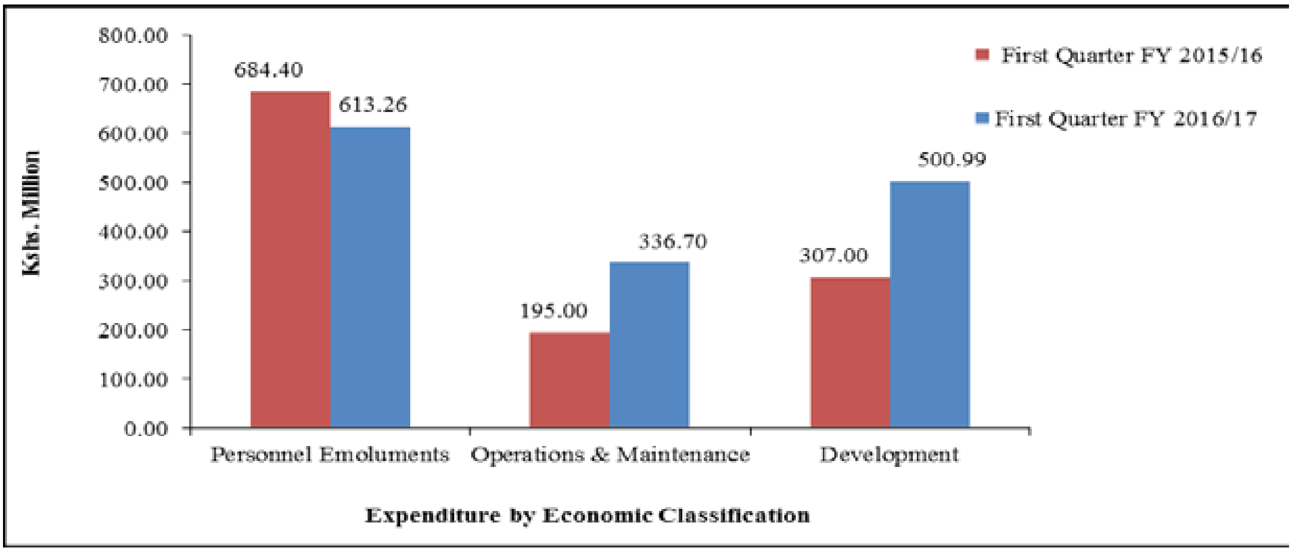
3.33.293 Overall Expenditure Review

The County spent Kshs1.49 billion, which was 90 per cent of the total funds released for operations. This was an increase of 18.25 per cent from Kshs.1.26 billion spent in a similar period in FY 2015/16.

A total of Kshs.988.46 million was spent on recurrent activities, while Kshs.500.99 million was spent on development activities. The recurrent expenditure was 85.8 per cent of the funds released for recurrent activities while development expenditure accounted for 97.8 per cent of the funds released for development activities.

The recurrent expenditure represented 17.8 per cent of the annual recurrent budget, a decrease from 18.7 per cent spent in a similar period of FY 2015/16. Development expenditure recorded an absorption rate of 11.7 per cent, which was an increase from 7.8 per cent attained in a similar period of FY 2015/16. Figure 3.125 presents a comparison between total expenditure in the first quarter of FY 2016/17 and the first quarter of FY 2015/16.

Figure 3.125: Narok County, Expenditure by Economic Classification for the First Quarter of FY 2016/17 and the First Quarter FY 2015/16



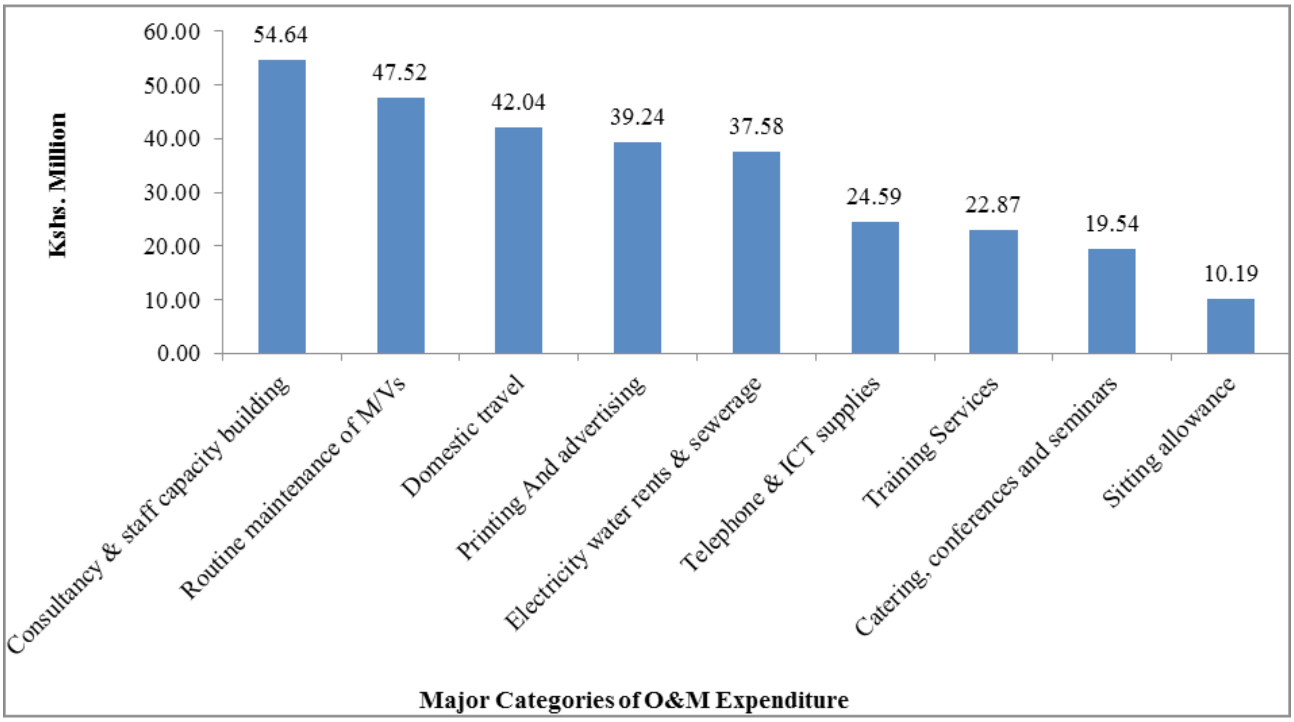
Source: *Narok County Treasury*

3.33.294 Analysis of Recurrent Expenditure

The recurrent expenditure of Kshs.988.46 million consisted of Kshs.613.26 million (62.0 per cent) spent on personnel emoluments and Kshs.336.70 million (38.0 per cent) on operations and maintenance as shown in Figure 3.124. Expenditure on personnel emoluments represented a decrease of 10.4 per cent compared to a similar period in FY 2015/16 when the County spent Kshs.684.4 million.

Figure 3.126 shows a summary of the operations and maintenance expenditure by major categories.

Figure 3.126: Narok County, Operations and Maintenance Expenditure for the First Quarter of FY 2016/17



Source: *Narok County Treasury*

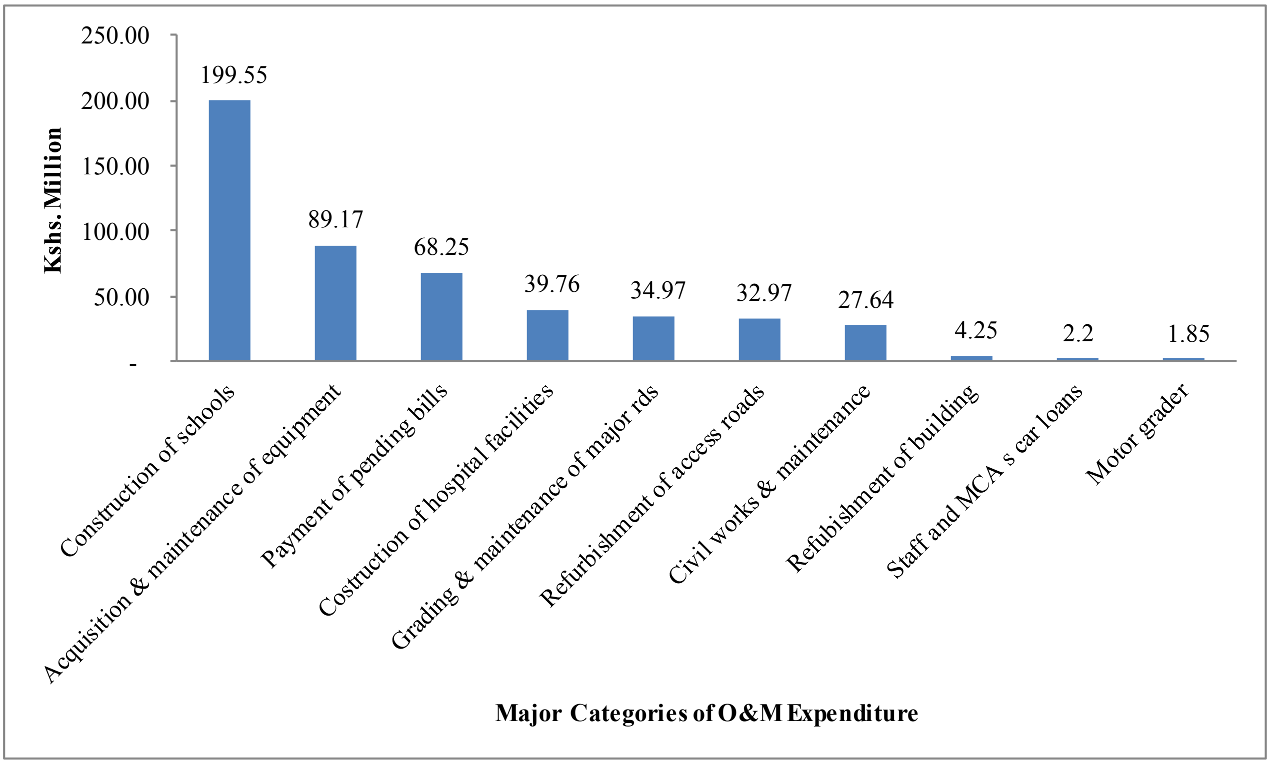
The County spent Kshs.10.19 million on sitting allowances to the 48 MCAs and the Speaker against the annual budget allocation of Kshs.71.51 million. This was a decrease compared to Kshs.11.50 million spent in a similar period of FY 2015/16. The average monthly sitting allowance was Kshs.70,737 compared to SRC's recommended monthly ceiling of Kshs.124,800.

Expenditure on domestic and foreign travel amounted to Kshs.42.04 million compared to Kshs.4.65 million spent in a similar period of FY 2015/16 representing an increase of 804.1 per cent. Consultancy costs of Kshs.54.64 million included outsourced services and legal costs, while t Kshs.47.52 million was spent on motor vehicle maintenance.

3.33.295 Development Expenditure Analysis

The total development expenditure of Kshs.500.99 million represented 11.7 per cent of the annual development budget of Kshs.4.27 billion. Figure 3.127 below provides a summary of development expenditure during the period under review.

Figure 3.127: Narok County, Summary of Development Expenditure for the First Quarter, of FY 2016/17



Source: *Narok County Treasury*

Analysis of the development expenditure by category indicated that, the highest expenditure of Kshs.199.55 million was incurred by the Education, Sports & Social Services Department on construction of classrooms. This was followed by the Roads, Transport and Public Works Department which spent Kshs.89.17 million on civil works and equipment maintenance. A total of Kshs.68.25 million was spent pending bills related to road works. Other development costs included Kshs.39.76 million spent on construction of health facilities and Kshs.4.25 million on refurbishment of buildings.

3.33.296 Budget and Budget Performance Analysis by Department

Table 3.96 shows a summary of first quarter FY 2016/17 budget estimates and budget performance by department.

Table 3.96: Narok County, First Quarter of FY 2016/17 Budget Performance by Department

Department	Budget Allocation (Kshs. Million)		First quarter FY 2016/17 Exchequer Issues (Kshs. Million)		First quarter FY 2016/17 Expenditure (Kshs. Million)		First quarter FY 2016/17 Expenditure to Exchequer Issues (%)		First quarter FY 2016/17 Absorption rate (%)	
	Rec	**Dev**	**Rec**	**Dev**	**Rec**	**Dev**	**Rec**	**Dev**	**Rec**	**Dev**
County Assembly	620.00	287.00	129.00	20.00	94.01	16.75	72.9	83.8	15.2	5.8
Governor's Office	331.00	0	48.67	0	36.38	-	74.7	-	11.0	-
Finance & ICT	542.21	427.06	101.21	0	95.83	-	94.7	-	17.7	-
Transport and Public Works	108.05	1,247.70	14.80	243.00	10.93	241.38	73.8	99.0	10.1	19.4
Education, Sports & Social Services	695.87	804.94	-	209.10	135.10	208.10	96.9	99.5	19.4	25.9
Environment & Water	60.48	283.71	11.45	-	7.35	-	64.2		12.2	-
Public Service Board	78.57	-	15.62	-	13.82	-	88.5	-	17.6	-
Agriculture & Livestock	242.27	429.70	50.88	-	49.88	-	98.0	-	20.6	-
Health & Sanitation	1,513.44	353.00	371.36	40.00	367.36	34.77	98.9	86.9	24.3	9.9
Lands & Physical Plan	96.31	200.50	19.94	-	10.68	-	53.6	-	11.1	-
Tourism, Trade, coop	248.93	210.00	55.27	-	54.27	-	98.2	-	21.8	-
Adm & PSM	1,000.57	30.00	194.10	-	112.85	-	58.1	-	11.3	-
TOTAL	**5,537.7**	**4,273.61**	**1,151.91**	**512.10**	**988.46**	**501.00**	**85.8**	**97.8**	**17.8**	**11.7**

Source: ***Narok*** *County Treasury*

Analysis of budget performance by department shows that the Department of Education Sports and Social Services attained the highest absorption of development budget at 25.9 per cent. On the other hand, the Health and Sanitation Department had the highest percentage of recurrent expenditure to annual recurrent budget at 24.3 per cent while the Department of Roads, Transport and Public Works had the lowest at 10.1 per cent.

3.33.297 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. Increase in local revenue collected during the period under review. The total local revenue collected in the first quarter of FY 2016/17 amounted to Kshs.824.52 million which was an increase of 97 per cent compared to Kshs.418.53 million generated in a similar period of FY 2015/16.
ii. Improved Office infrastructure as a result of the construction of new Offices and refurbishment of existing ones.

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

1. Late submission of financial reports to the Office of the Controller of Budget by the County Treasury contrary to Section 166 and 168 of the PFM Act, 2012.

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

1. The County Treasury should ensure timely preparation and submission of financial reports to the Office of the Controller of Budget in line with Section 166 and 168 of PFM Act, 2012.

3.34 Nyamira County

3.34.298 Overview of the FY 2016/17 Budget

The County's FY 2016/17 Approved Budget was Kshs.5.94 billion, comprising of Kshs.4.08 billion (68.8 per cent) and Kshs.1.85 billion (31.2 per cent) allocations for recurrent and development expenditure respectively.

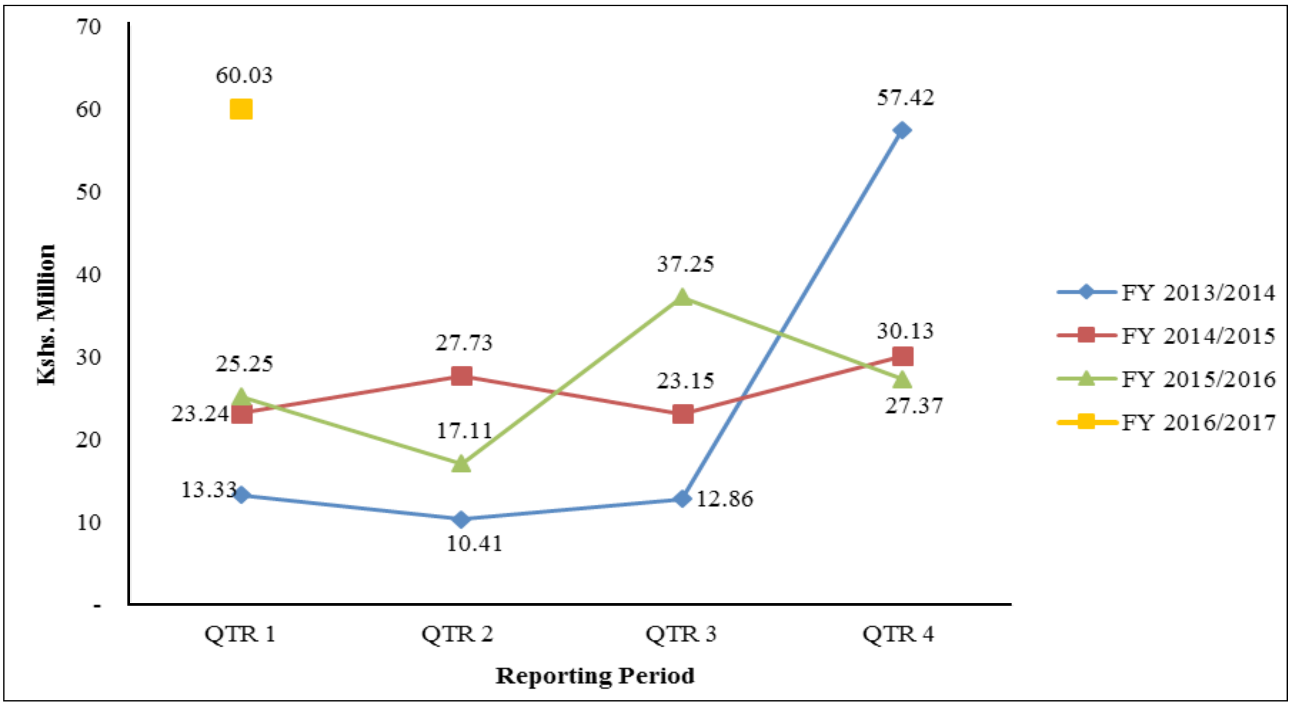
To finance the budget, the County expects to receive Kshs.4.48 billion (75.5 per cent) as equitable share of revenue raised nationally, Kshs.296.61 million (5.0 per cent) as total conditional grants, generate Kshs.274.98 million (4.6 per cent) from local sources, and Kshs.880.72 million (14.9 per cent) cash balance from FY 2015/16. The conditional grants comprise of Kshs.82.17 million (27.7 per cent) for Free Maternal Health Care, Kshs.68.88 million (23.2 per cent) from the Road Maintenance Fuel Levy Fund, Kshs.11.58 million (3.9 per cent) for User Fees Foregone, Kshs.11.96 million (4.0 per cent) as a grant from DANIDA, and Kshs.95.74 million (32.3 per cent) for Leasing of Medical Equipment, and Kshs.26.28 million (8.9 per cent) from the World Bank for devolution support programme.

3.34.299 Revenue Analysis

During the first quarter of FY 2016/17, the County received Kshs.762.08 million as equitable share of the revenue raised nationally, Kshs.30.61 million as total conditional allocations, raised Kshs.60.03 million from local sources, and Kshs.633.78 million brought forward from FY 2015/16.

Figure 3.128 shows the quarterly trend in local revenue collection from the first quarter of FY 2013/14 to the first quarter of FY 2016/17.

Figure 3.128: Nyamira County, Trend in Local Revenue Collection by Quarter from the First Quarter of FY 2013/14 to the First Quarter of FY 2016/17



Source: *Nyamira County Treasury*

The total local revenue collected in the first quarter of FY 2016/17 amounted to Kshs.60.03 million which was an increase of over 100 per cent compared to Kshs.25.35 million generated in a similar period of FY 2015/16. This revenue accounted for 21.8 per cent of the annual local revenue target.

Table 3.97 provides an analysis of the local revenue collected in the first quarter of FY 2016/17 by revenue stream.

Table 3.97: Nyamira County Analysis of Revenue Collected by Stream in the First Quarter of FY 2016/17

No	Revenue Stream	Annual Targeted Revenue (Kshs.)	First quarter, FY 2016/17 Actual Revenue	Actual Revenue as a percentage of Annual Target (%)
1	Agricultural Cess	15,835,373	37,640,180	237.7
2	Weights and Measures	357,196	150,480	42.1
3	Market Stall Rent	1,066,253	376,020	35.3
4	Advertisement Charges	900,547	294,560	32.7
5	Private Parking Charges	1,509,294	464,840	30.8
6	Survey Fees	151,596	43,000	28.4
7	Cattle Fees	1,600,642	398,188	24.9
8	Public Health Fees	14,594,987	3,175,874	21.8
9	Physical Planning Charges	1,313,546	269,810	20.5
10	Single Business Permit Application Fees	1,786,048	264,880	14.8
11	Matatu Parking Charges	24,019,388	2,707,510	11.3
12	Impounding Charges	205,236	22,600	11.0
13	Medical Services	81,000,000	8,867,879	10.9

No	Revenue Stream	Annual Targeted Revenue (Kshs.)	First quarter, FY 2016/17 Actual Revenue	Actual Revenue as a percentage of Annual Target (%)
14	Isolated Plot Rent	772,477	79,830	10.3
15	Plot Rent	1,430,252	108,240	7.6
16	Market Dues	36,250,220	2,203,180	6.1
17	Single Business Permit	39,328,272	2,371,900	6.0
18	Building Plan Application Fees	1,980,748	101,000	5.1
19	Matatu Stickers	2,595,000	132,000	5.1
20	Slaughter Fees	433,874	16,180	3.7
21	Cattle Movement Permit	1,315,051	35,060	2.7
22	Veterinary Charges	7,875,646	205,025	2.6
23	Land Rates	3,268,786	44,680	1.4
24	Water, Sanitation & Irrigation	2,305,000	21,200	0.9
25	Matatu Reg.	1,100,000	6,700	0.6
26	Motor Bike Stickers	5,470,279	33,000	0.6
27	School Registration Fees	1,076,492	1,000	0.1
28	Liquor Licence	3,000,000	0.0	0.0
29	Other Local Revenue Streams	22,441,598	0.0	0.0
TOTAL		**274,983,801**	**60,034,816**	**21.8**

Source: *Nyamira County Treasury*

Analysis of the local revenue performance by stream indicated that, Agricultural Cess recorded the highest performance against annual target at 237.7 per cent. This was followed by income from Weights and Measures at 42.1 per cent and Market Stall rent at 35.3 per cent.

The County did not deposit all local revenue banked at Co-operative Bank, which had accumulated to Kshs.7.34 million as of September 2016 into the County Revenue Fund (CRF) account maintained at Central Bank of Kenya (CBK) contrary to Article 207 of the Constitution

Table 3.98 shows an analysis of conditional grants received in the first quarter of FY 2016/17.

Table 3.98: Nyamira County Analysis of Conditional Grant Releases in the First Quarter of FY 2016/17

No.	Conditional Grant	Amount allocated as provided in CARA, 2016 (Kshs.)	First Quarter, FY 2016/17 Actual receipts from the Conditional Grant (Kshs.)	Actual receipts as a percentage of Annual Allocation (%)
1	Road Maintenance Fuel Levy Fund	68,878,185	17,219,546	25.0
2	Free Maternal Health Care	82,174,925	13,387,500	16.3
3	Leasing of Medical Equipment	95,744,681	0	0.0
4	Grants from Kenya Devolution Support programme-World Bank	26,275,445	0	0.0
5	DANIDA	11,960,000	0	0.0
6	Compensation of User Fees Foregone	11,578,458	0	0.0
Total		**296,611,694**	**30,607,046**	**10.3**

Source: *Nyamira County Treasury*

The County received revenue from two grants. These were; the Road Maintenance Fuel Levy Fund, which recorded 25 per cent of the annual target, and the Free Maternal Health Care grant which recorded 16.3 per cent.

3.34.300 Exchequer Issues

During the reporting period, the Controller of Budget authorised withdrawal of Kshs.959.77 million from the CRF account, which was 16.2 per cent of the FY 2016/17 Approved Budget. This amount represented a decrease of 9.6 per cent from Kshs.1.06 billion authorized in a similar period of FY 2015/16 and consisted of Kshs.813.11 million (84.7 per cent) for recurrent expenditure and Kshs.146.65 million (15.3 per cent) for development activities.

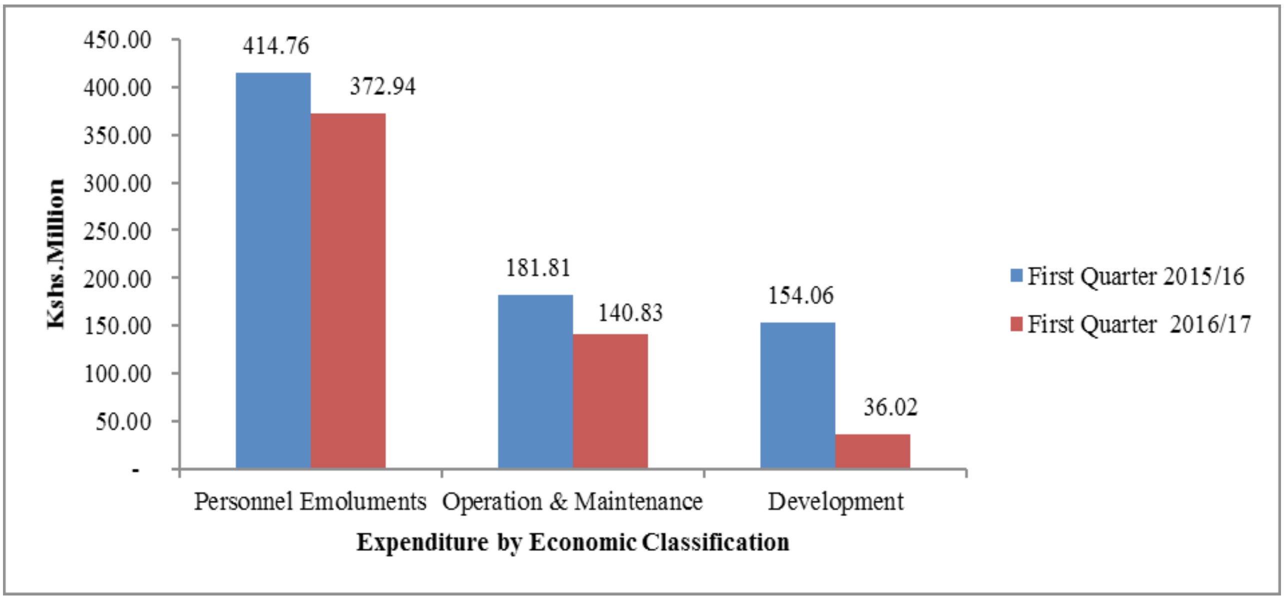
3.34.301 Overall Expenditure Review

The County spent Kshs.549.78 million, which was 57.3 per cent of the total funds released for operations. This was a decrease of 26.76 per cent from Kshs.750.64 million spent in a similar period in FY 2015/16.

A total of Kshs.513.76 million was spent on recurrent activities, while Kshs.36.02 million was spent on development activities. The recurrent expenditure was 63.2 per cent of the funds released for recurrent activities while development expenditure accounted for 24.6 per cent of the funds released for development activities. The expenditure excluded outstanding commitments as at 30th September, 2016 that amounted to Kshs.126.17 million for development and Kshs.232.75 million for recurrent expenditure.

The recurrent expenditure represented 12.6 per cent of the annual recurrent budget, a decrease from 20.5 per cent spent in a similar period of FY 2015/16. Development expenditure recorded an absorption rate of 1.9 per cent, which was a decrease from 5.8 per cent attained in a similar period of FY 2015/16. Figure 3.129 presents a comparison between total expenditure in the first quarter of FY 2016/17 and the first quarter of FY 2015/16.

Figure 3.129: Nyamira County, Expenditure by Economic Classification for the First Quarter of FY 2015/16 and the First uarter of FY 2016/17



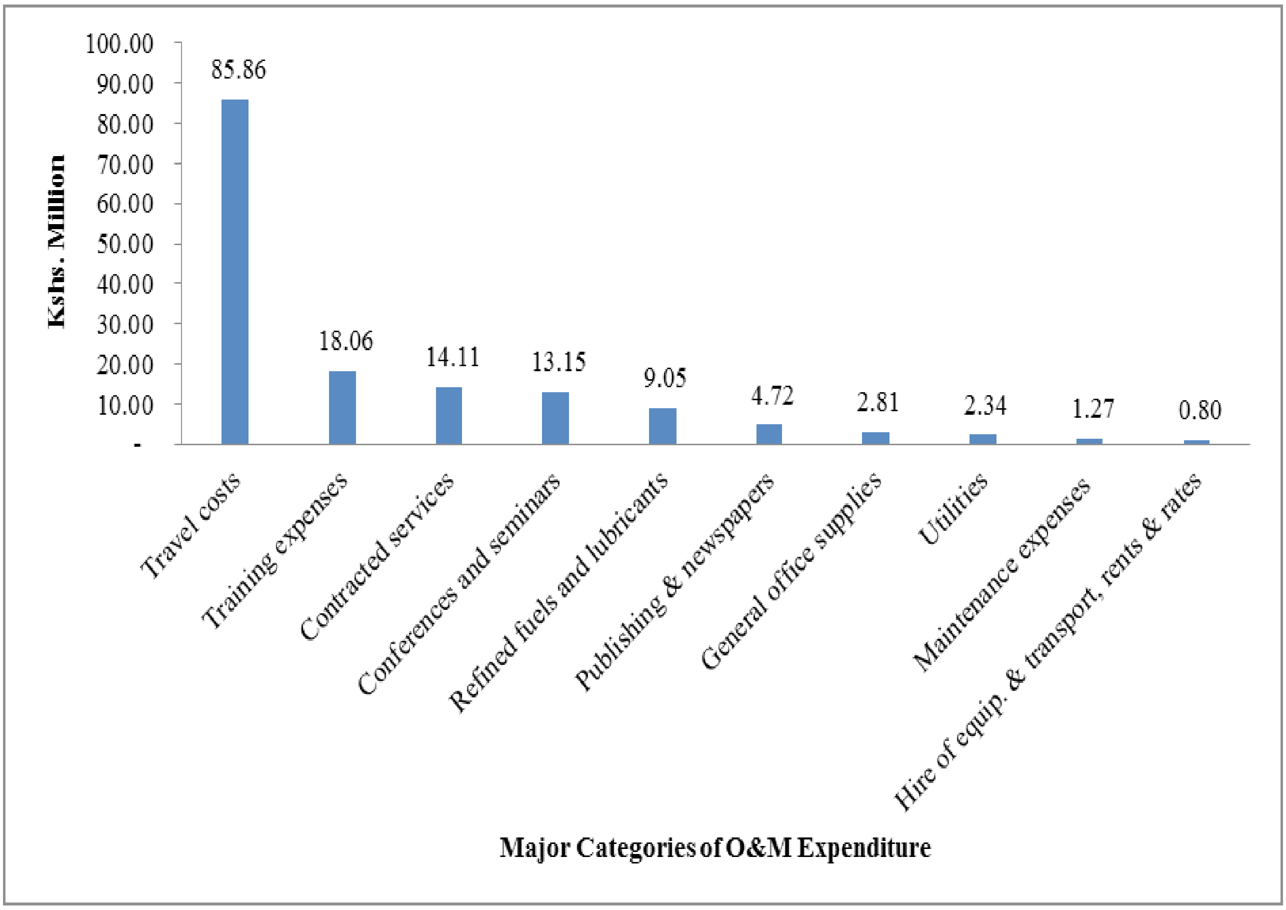
Source: *Nyamira County Treasury*

3.34.302 Analysis of Recurrent Expenditure

The recurrent expenditure of Kshs.513.76 million consisted of Kshs.372.94 million (72.6 per cent) spent on personnel emoluments and Kshs.140.83 million (27.4 per cent) on operations and maintenance as shown in Figure 3.128. Expenditure on personnel emoluments represented a decrease of 10.1 per cent compared to a similar period of FY 2015/16 when the County spent Kshs.414.76 million.

Figure 3.130 shows a summary of the operations and maintenance expenditure by major categories.

Figure 3.130: Nyamira County, Operations and Maintenance Expenditure for the First Quarter of FY 2016/17



Source: *Nyamira County Treasury*

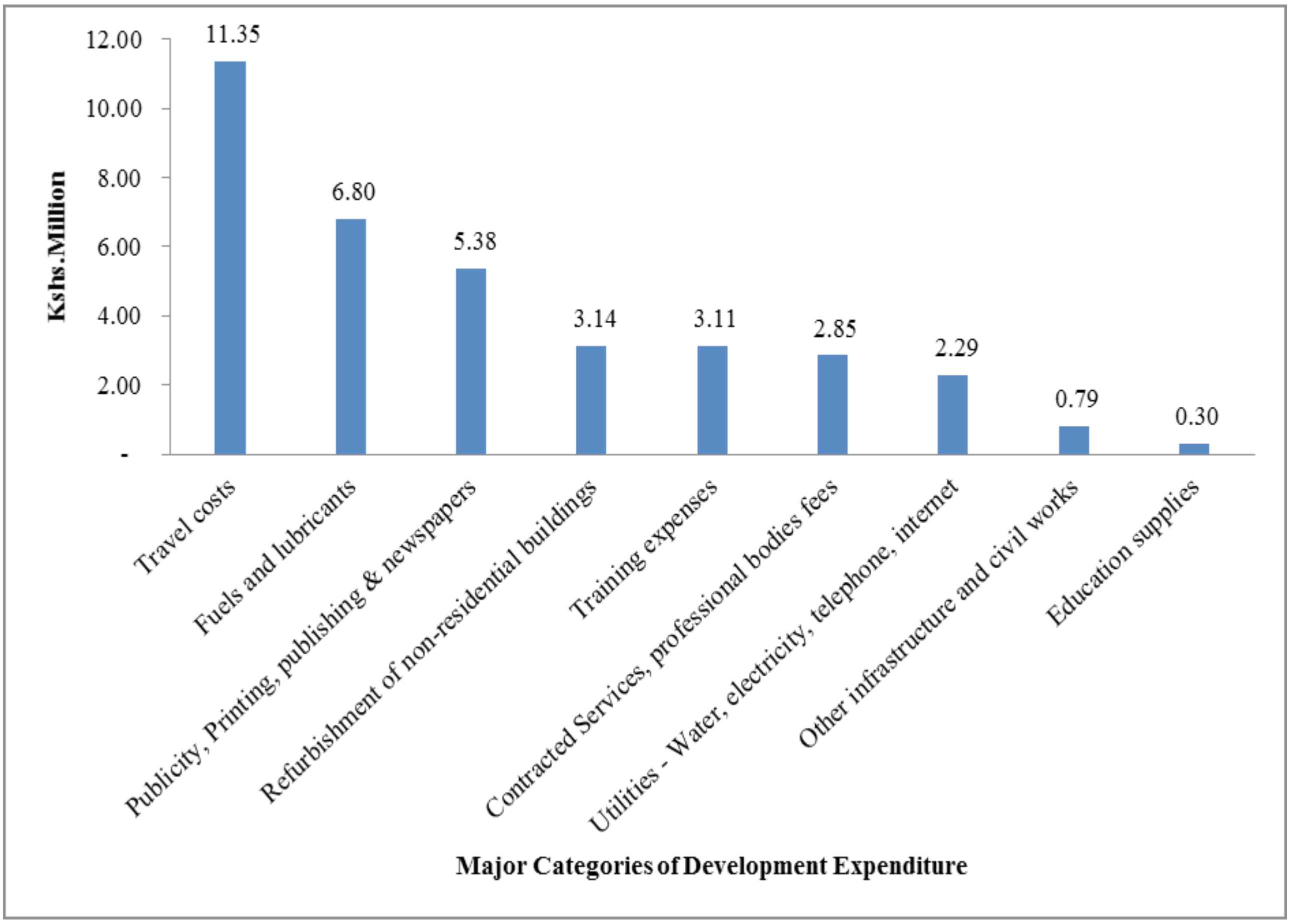
The County spent Kshs.9.02 million on sitting allowances to the 33 MCAs and the Speaker against the annual budget allocation of Kshs.68.81 million. This was an increase compared to a similar period of FY 2015/16 where no expenditure on sitting allowances was reported. The average monthly sitting allowance was Kshs.88,383 compared to SRC's recommended monthly ceiling of Kshs.124,800.

Expenditure on domestic and foreign travel amounted to Kshs.85.86 million compared to Kshs.49.94 million spent in a similar period of FY 2015/16, representing an increase of 71.9 per cent.

3.34.303 Development Expenditure Analysis

The total development expenditure of Kshs.36.02 million represented 1.9 per cent of the annual development budget of Kshs.1.85 billion. Figure 3.131 provides a summary of development expenditure during the period under review.

Figure 3.131: Nyamira County, Summary of Development Expenditure for the First Quarter of FY 2016/17



Source: *Nyamira County Treasury*

Analysis of the development expenditure by category indicated that, the highest expenditure of Kshs.11.35 million was on programme-associated travel costs. This expenditure was incurred by five departments as follows: Department of Agriculture, Livestock and Fisheries, Kshs.4.88 million on farmers training; Department of Roads, Transport & Public Works, Kshs.2.00 million on road works, Department of Education & ICT, Kshs.1.58 million on training of ECD teachers; Department of Lands, Housing & Urban Development, Kshs.1.54 million on construction of motor cycle shades, and the Department of Health Services, Kshs.1.38 million on training the public on disease outbreak. The Office observed that some travel costs were erroneously classified as development expenditure and should be re-classified as recurrent expenditure. The second highest expenditure of Kshs.6.80 million was incurred by the Roads, Transport & Public Works Department on road works.

3.34.304 Budget and Budget Performance Analysis by Department

Table 3.99 shows a summary of first quarter FY 2016/17 budget estimates and budget performance by department.

Table 3.99: Nyamira County, First Quarter of FY 2016/17 Budget Performance by Department

Department	Budget Allocation (Kshs. Million)		First quarter FY 2016/17 Exchequer Issues (Kshs. Million)		First quarter FY 2016/17 Expenditure (Kshs. Million)		First quarter FY 2016/17 Expenditure to Exchequer Issues (%)		First quarter FY 2016/17 Absorption rate (%)	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
County Assembly	488.71	55.00	118.11	0.0	92.25	-	78.1	-	18.9	0.0
County Executive Office	405.07	0.0	68.80	0.0	38.14	-	55.4	-	9.4	-
Finance & Economic Planning	413.33	34.87	70.00	0.0	71.54	2.85	102.2	-	17.3	8.2
Agriculture, Livestock & Fisheries	184.52	167.62	42.25	0.0	23.51	10.12	55.6	-	12.7	6.0
Environment, Water, Natural Resources, Mining & Energy	138.59	190.83	29.91	27.00	12.02	2.23	40.2	8.2	8.7	1.2
Education & ICT	391.42	143.59	62.91	10.00	40.68	7.54	64.7	75.4	10.4	5.3
Health Services	1,347.34	497.15	280.44	40.00	150.39	1.51	53.6	3.8	11.2	0.3
Lands, Housing & Urban Development	49.65	86.10	10.02	5.00	6.49	2.80	64.8	56.0	13.1	3.3
Roads, Transport & Public Works	150.34	375.53	33.72	64.65	19.00	8.96	56.3	13.9	12.6	2.4
Trade, Tourism, & Cooperatives Development	64.13	72.33	12.96	0.0	8.51	0.0	65.7	-	13.3	0.0
Youth, Sports, Gender & Social Services	163.58	153.99	27.53	0.0	12.49	0.0	45.4	-	7.6	0.0
County Public Service Board	70.81	0.0	12.66	0.0	9.83	0.0	77.6	-	13.9	-
Public Administration & Coordination of Decentralised Units	214.59	76.00	43.79	0.0	28.92	0.0	66.1	-	13.5	0.0
TOTAL	**4,082.10**	**1,853.02**	**813.11**	**146.65**	**513.76**	**36.02**	**63.2**	**24.6**	**12.6**	**1.9**

Source: *Nyamira County Treasury*

Analysis of budget performance by department shows that the Department of Finance & Economic Planning attained the highest absorption of development budget at 8.2 per cent. Four Departments did not report any expenditure on development activities. On the other hand, the County Assembly had the highest percentage of recurrent expenditure to recurrent budget at 18.9 per cent while the Department of Youth, Sports, Gender & Social Services had the lowest at 7.6 per cent.

3.34.305 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. The County has established an Internal Audit Committee in line with Section 155 of the PFM Act, 2012.

ii. Both the County Assembly and the County Executive have adopted IFMIS in processing of financial transactions.

iii. Improved performance in local revenue collection from Kshs.25.35 million in the first quarter of FY 2015/16 to Kshs.60.30 in the period under review representing an increase of over 100 per cent.

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

1. Late submission of financial reports to the Office of the Controller of Budget by the County Treasury.
2. Failure to develop legislation to operationalize some established County Public Funds such as the Revolving Fund under the Department of Trade and Cooperatives. This contravenes Section 116 of the PFM Act, 2012.

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

1. *The County Treasury should ensure timely preparation and submission of financial reports to the Office of the Controller of Budget in line with Section 166 and 168 of PFM Act, 2012.*
2. *The County should ensure that Regulations establishing any County Public Fund are in place in line with Section 116 of the PFM Act, 2012 before operationalization of the Fund.*

3.35 Nyandarua County

3.35.306 Overview of the FY 2016/17 Budget

The County's FY 2016/17 Approved Budget was Kshs.5.52 billion, comprising of Kshs.3.69 billion (66.9 per cent) and Kshs.1.82 billion (33.1 per cent) allocations for recurrent and development expenditure respectively.

To finance the budget, the County expects to receive Kshs.4.73 billion (85.7 per cent) as equitable share of revenue raised nationally, Kshs.360.65 million (6.5 per cent) as total conditional grants, generate Kshs.430 million (7.8 per cent) from local sources, and Kshs.296.38 million (5.4 per cent) cash balance from FY 2015/16. The conditional grants comprise of Kshs.71.41 million (50.8 per cent) from the Road Maintenance Fuel Levy Fund, Kshs.46.51 million (33.1 per cent) for Free Maternal Health Care, Kshs.13.12 million (9.3 per cent) for User Fees Foregone, and Kshs.9.43 million (6.7 per cent) as a grant from DANIDA.

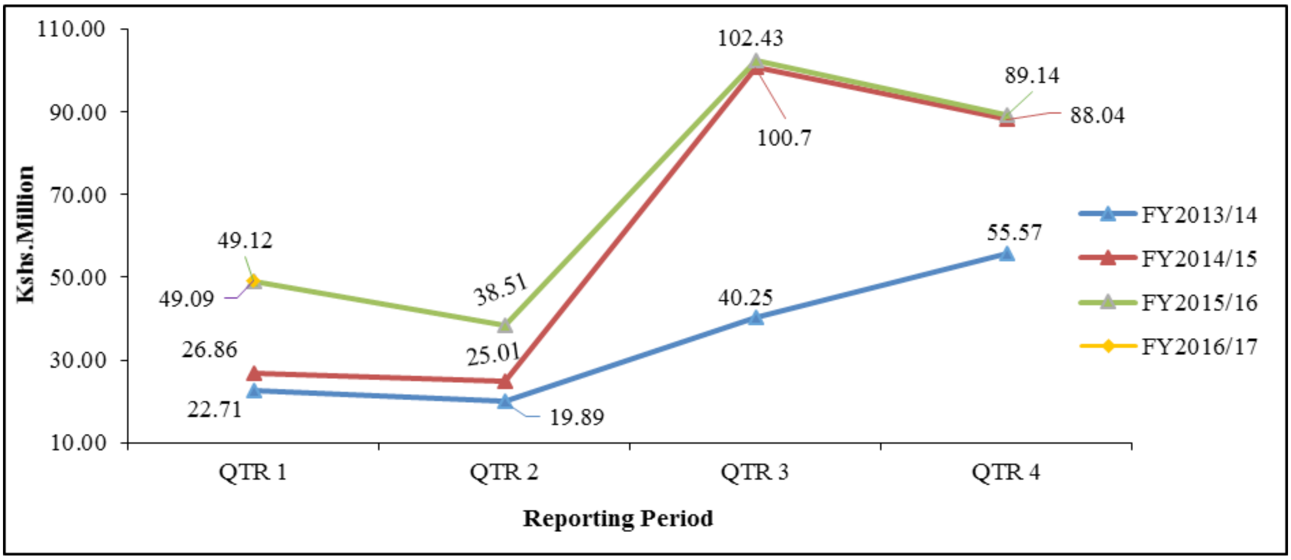
However, approved revenue estimates for both unconditional allocation and conditional allocations from the National Government and development partners differ from those contained in CARA, 2016. The County overestimated the equitable share of revenue raised nationally by Kshs.208.36 million; Free Maternal Health Care by Kshs.4.2 million; User Fees Foregone by Kshs.776,747, and DANIDA grant by Kshs.9.43 million. Also, the County factored into the budget a grant of Kshs.110 million from the European Union which was not contained in CARA, 2016.

3.35.307 Revenue Analysis

During the first quarter of FY 2016/17, the County received Kshs.790.05 million as equitable share of the revenue raised nationally, Kshs.7.74 million as total conditional allocations, raised Kshs.49.09 million from local sources, and Kshs.296.37 million brought forward from FY 2015/16.

Figure 3.132 shows the quarterly trend in local revenue collection from the first quarter of FY 2013/14 to the first quarter of FY 2016/17.

Figure 3.132: Nyandarua County, Trend in Local Revenue Collection by Quarter from the First Quarter of FY 2013/14 to the First Quarter of FY 2016/17



Source: *Nyandarua County Treasury*

The total local revenue collected in the first quarter of FY 2016/17 amounted to Kshs.49.09 million which is a marginal decrease compared to Kshs.49.12 million generated in a similar period of FY 2015/16. This revenue accounted for 11.4 per cent of the annual local revenue target.

Table 3.100 provides an analysis of the local revenue collected in the first quarter of FY 2016/17 by revenue stream.

Table 3.100: Nyandarua County Analysis of Revenue Collected by Stream in the First Quarter of FY 2016/17

No	Revenue Stream	Annual Targeted Revenue (Kshs.)	First quarter, FY 2016/17 Actual Revenue	Actual Revenue as a percentage of Annual Target (%)
1	Engineer Hospital	7,651,955	3,451,405	45.1
2	Motor Cycle Fees (Parking)	6,071,634	1,699,579	28.0
3	Open Air Market Fees	12,333,758	2,975,677	24.1
4	Bus And Matatu Fees	16,059,604	3,614,275	22.5
5	J.M. Hospital	38,417,845	7,793,227	20.3
6	Produce Cess Royalties	54,857,088	9,210,080	16.8
7	Plot Rates	17,932,611	2,232,440	12.4
8	Other Sources	96,294,032	10,517,090	10.9
9	Single Business Permits	92,629,473	5,791,070	6.3
10	Liquor License	87,752,000	1,811,990	2.1
TOTAL		**430,000,000**	**49,096,833**	**11.4**

Source: *Nyandarua County Treasury*

Analysis of the local revenue performance by stream indicated that Engineer Hospital FIF recorded the highest performance against annual target at 45.1 per cent followed by Motor Cycle Fees (parking) at 28 per cent, and Open Air Market Feess at 24.1 per cent.

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

3.35.308 Conditional Grants

Table 3.101 shows an analysis of conditional grants received in the first quarter of FY 2016/17.

Table 3.101: Nyandarua County Analysis of Conditional Grant Releases in the First Quarter of FY 2016/17

No.	Conditional Grant	Amount allocated as provided in CARA, 2016 (Kshs.)	First Quarter, FY 2016/17 Actual receipts from the Conditional Grant (Kshs.)	Actual receipts as a percentage of Annual Allocation (%)
1	Road Maintenance Fuel Levy Fund	71,407,030	-	0.0
2	Free Maternal Health Care	46,514,879	7,740,000	16.6
3	User Fees Foregone	13,122,239	-	0.0
4	DANIDA Grant	9,430,000	-	0.0
Total		**140,474,148**	**7,740,000**	**5.5**

Source: *Nyandarua County Treasury*

During the reporting period, the County received revenue from only one category of conditional grants. This was the Free Maternal Health Care, which disbursed Kshs.7.74 million, accounting for 16.6 per cent of its annual target.

3.35.309 Exchequer Issues

During the reporting period, the Controller of Budget (COB) authorized withdrawal of Kshs.1.01 billion from the CRF account, which was 18.2 per cent of the FY 2016/17 Approved Budget. This amount represented an increase of 1.0 per cent from Kshs.886.2 million authorized in a similar period of FY 2015/16 and consisted of Kshs.884.96 million (87.9 per cent) for recurrent expenditure and Kshs.122 million (12.1 per cent) for development activities.

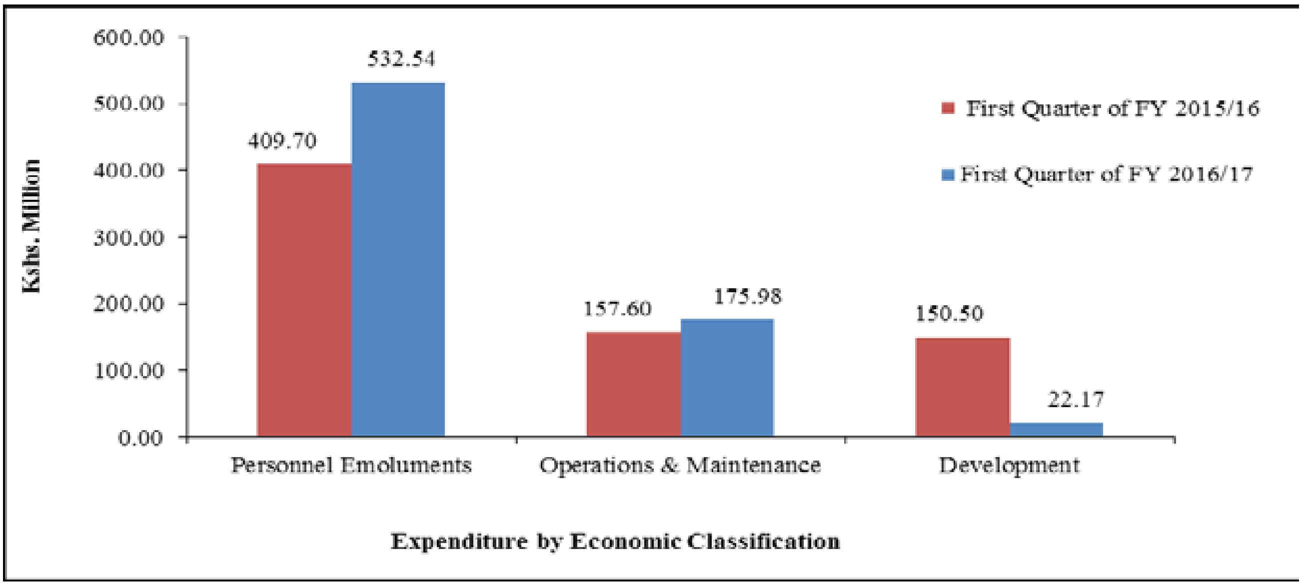
3.35.310 Overall Expenditure Review

The County spent Kshs.730.7 million, which was 72.6 per cent of the total funds released for operations. This represented an increase of 1.8 per cent from Kshs.717.75 billion spent in a similar period in FY 2015/16.

A total of Kshs.708.52 billion was spent on recurrent activities, while Kshs.22.17 million was spent on development activities. The recurrent expenditure was 80.1 per cent of the funds released for recurrent activities while development expenditure accounted for 18.2 per cent of the funds released for development activities. The expenditure excluded outstanding commitments as at 30th September, 2016 that amounted to Kshs.49.66 million for recurrent expenditure. There were no outstanding commitments for development expenditure in the period under review.

The recurrent expenditure represented 19.2 per cent of the annual recurrent budget, a decrease from 20.2 per cent spent in a similar period FY 2015/16. Development expenditure recorded an absorption rate of 1.2 per cent, which was a decrease from 10.2 per cent attained in a similar period of FY 2015/16. Figure 3.133 presents a comparison between total expenditure in the first quarter of FY 2016/17 and the first quarter of FY 2015/16.

Figure 3.133: Nyandarua County, Expenditure by Economic Classification for the First Quarter of FY 2015/16 and the First Quarter of FY 2016/17



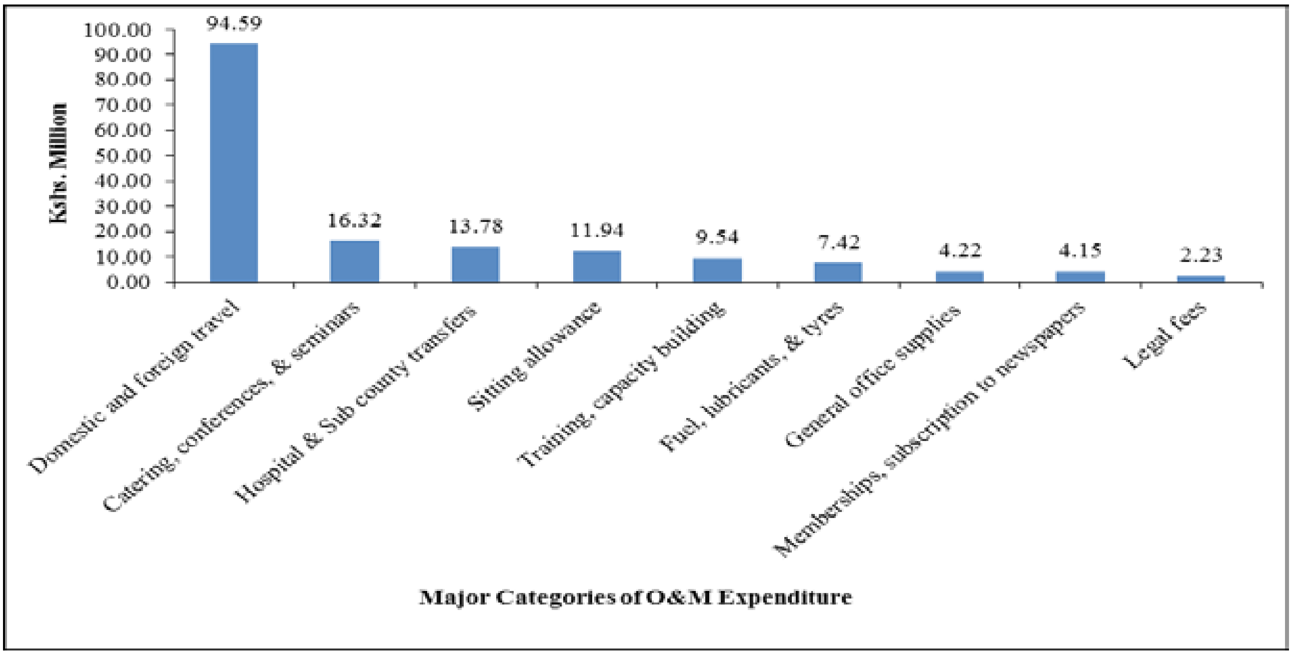
Source: *Nyandarua County Treasury*

3.35.311 Analysis of Recurrent Expenditure

The recurrent expenditure of Kshs.708.52 million consists of Kshs.532.54 million (75.2 per cent) spent on personnel emoluments and Kshs.175.98 million (24.8 per cent) on operations and maintenance as shown in Figure 3.132. Expenditure on personnel emoluments represented an increase of 23.1 per cent compared to a similar period in FY 2015/16 when the County spent Kshs.409.70 million.

Figure 3.134 shows a summary of the operations and maintenance expenditure by major categories.

Figure 3.1334: Nyandarua County, Operations and Maintenance Expenditure for the First Quarter of FY 2016/17



Source: *Nyandarua County Treasury*

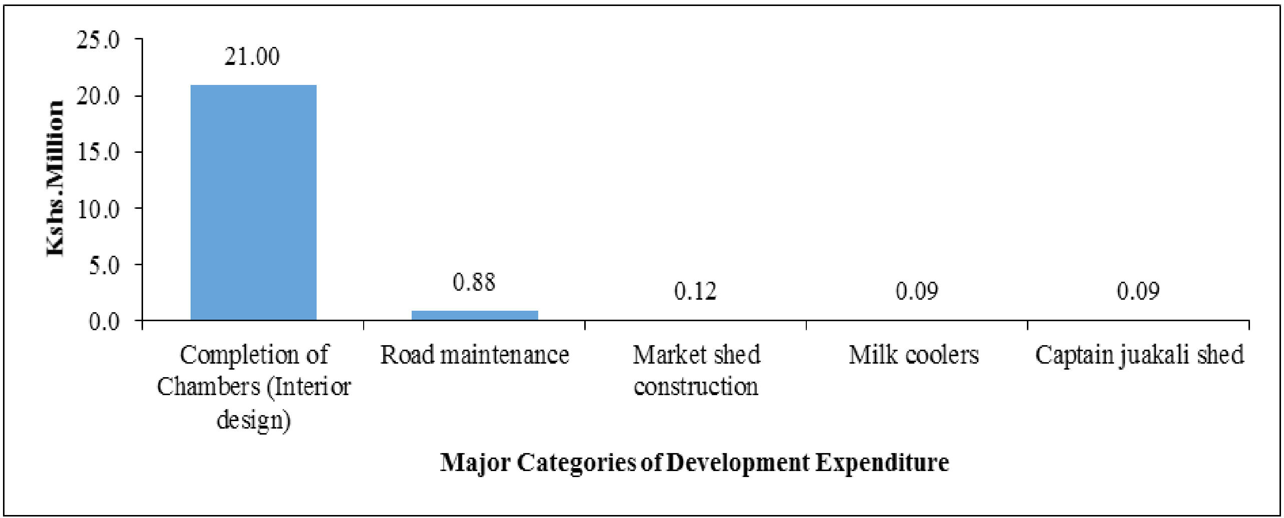
The County spent Kshs.11.94 million on sitting allowances to the 42 MCAs against the annual budget allocation of Kshs.68.41 million. This was a decrease of 0.08 per cent compared to Kshs.11.95 million spent in a similar period of FY 2015/16. The average monthly sitting allowance was Kshs.94,746 compared to SRC's recommended monthly ceiling of Kshs124,800.

Expenditure on domestic and foreign travel amounted to Kshs.94.59 million, representing an increase of 68.9 per cent compared to Kshs.29.42 million spent in a similar period of FY 2015/16.

3.35.312 Development Expenditure Analysis

The total development expenditure of Kshs.22.17 million represented 1.2 per cent of the annual development budget of Kshs.1.82 billion. Figure 3.135 provides a summary of development expenditure during the period under review.

Figure 3.135: Nyandarua County, Summary of Development Expenditure for the First Quarter of FY 2016/17



Source: *Nyandarua County Treasury*

Analysis of the development expenditure by category indicated that, the highest expenditure of Kshs.22.17 million was incurred by the County Assembly and mainly consisted of Kshs.21.0 million spent on completion of the County Chambers (interior design). The second highest expenditure of Kshs.878,700 was incurred on road maintenance. The County also spent Kshs.120,000 on market sheds; Kshs.90,000 on infrastructure for milk coolers, and another Kshs.90,000 on construction of *jua kali* sheds at Captain.

3.35.313 Budget and Budget Performance Analysis by Department

Table 3.102 shows a summary of first quarter FY 2016/17 budget estimates and budget performance by department.

Table 3.102:Nyandarua County, First Quarter of FY 2016/17 Budget Performance by Department

Department	Budget Allocation (Kshs. Million)		First quarter FY 2016/17 Exchequer Issues (Kshs. Million)		First quarter FY 2016/17 Expenditure (Kshs. Million)		First quarter FY 2016/17 Expenditure to Exchequer Issues (%)		First quarter FY 2016/17 Absorption rate (%)	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
Agriculture, Livestock, Fisheries & Irrigation	270.36	200.30	65.47	14.10	92.43	-	141.2	0.0	34.2	0.0
County Assembly	616.31	150.00	141.78	25.00	122.93	21.00	86.7	84.0	19.9	14.0
County Attorney, E-Government & Intergovernmental Relations	91.01	13.00	28.37	-	6.33	-	22.3	0.0	7.0	0.0
Education, Youth, Children Affairs, Culture & Social Services	202.09	95.65	54.69	7.00	61.34	-	112.2	0.0	30.4	0.0
Finance and Economic Planning	660.42	21.52	178.67	-	103.40	-	57.9	0.0	15.7	0.0
Gubernatorial Office	324.65	4.00	67.86	-	87.66	-	129.2	0.0	27.0	0.0
Health Services	1,156.33	132.46	256.31	9.27	213.63	-	83.3	0.0	18.5	0.0
Industrialization, Cooperatives, Trade, Enterprise, Weights & Measures	58.69	23.60	13.51	1.70	2.01	0.30	14.9	17.6	3.4	1.3
Lands Housing and Physical Planning	48.62	115.05	11.11	-	1.76	-	15.8	0.0	3.6	0.0
Roads Public Works and Transport	143.81	759.77	34.22	43.20	10.34	0.88	30.2	2.0	7.2	0.1
Tourism Wildlife and Sports	55.03	81.85	16.12	5.73	2.62	-	16.3	0.0	4.8	0.0
Water, Environment & Natural Resources	66.07	231.40	16.87	16.00	4.07	-	24.1	0.0	6.2	0.0
TOTAL	**3693.39**	**1828.60**	**884.98**	**122.00**	**708.52**	**22.17**	**80.1**	**18.2**	**19.2**	**1.2**

Source: *Nyandarua County Treasury*

Analysis of budget performance by department shows that the County Assembly attained the highest absorption of development budget at 14 per cent while the Industrialization, Cooperatives, Trade, Enterprise, Weights and Measures Department and the Department of Roads Public Works and Transport attained absorption rates of 1.3 per cent and 0.1 per cent, respectively. On the other hand, the Agriculture, Livestock, Fisheries & Irrigation Department had the highest percentage of recurrent expenditure to recurrent budget at 34.2 per cent while the Department of Industrialization, Cooperatives, Trade, Enterprise, Weights and Measures had the lowest percentage at 3.4 per cent.

3.35.314 Observations and Recommendations

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

i. Improvement in human capacity in the use of IFMIS to processing financial transactions.

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

1. Discrepancies between the conditional and unconditional allocation contained in the approved estimates and the allocations in the County Allocation of Revenue Act, (CARA) 2016.
2. A high wage bill, which accounted for 75.2 per cent of the recurrent expenditure thus constraining funding to other programmes.
3. Low absorption of development funds which stood at 1.2 per cent of the annual development budget, a decrease from 10.2 per cent attained in a similar period of FY 2015/16.

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

1. *The County should budget for allocations as contained in the CARA, 2016.*
2. *The County Public Service Board should establish an optimal staff structure in order to ensure a sustainable wage bill.*
3. *The County should formulate strategies to enhance absorption of development funds.*

3.36 Nyeri County

3.36.315 Overview of the FY 2016/17 Budget

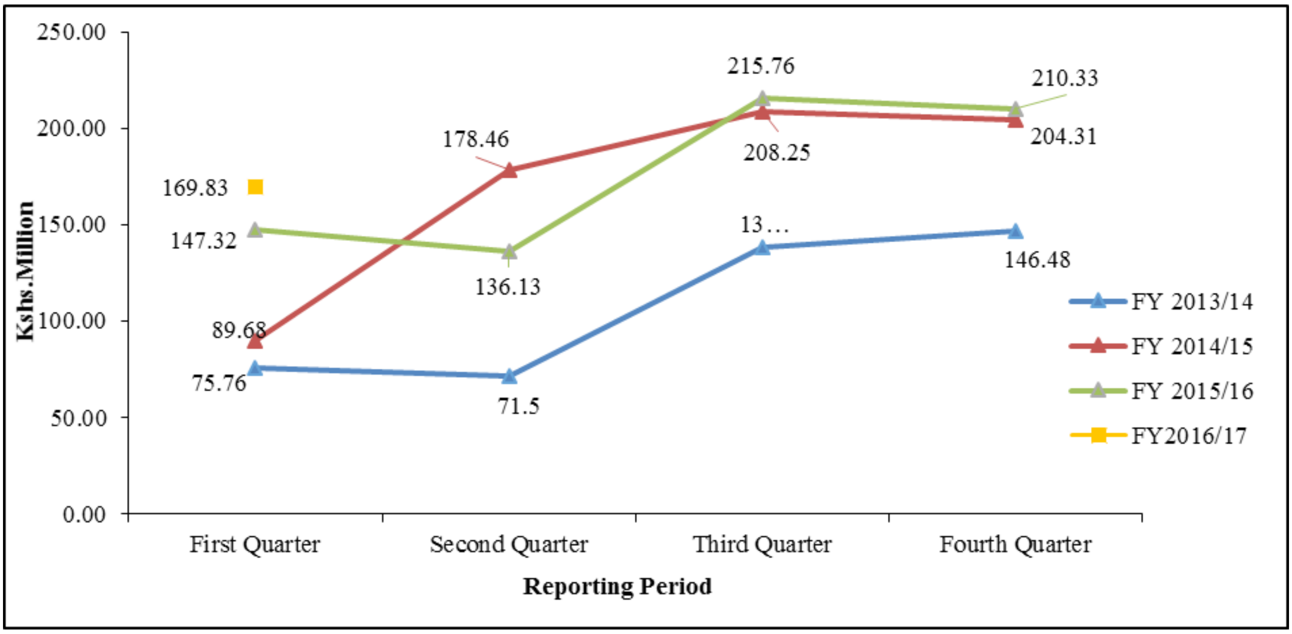
The County did not have an approved budget during the reporting period. In line with Regulation 38(1) of the PFM (County Government) Regulations 2015, the Controller of Budget authorised the County to access 50 per cent of the last approved budget (FY 2015/16 Supplementary Budget). The FY 2015/16 Approved Supplementary Budget for the County was Kshs.6.28 billion, comprising of Kshs.4.42 billion (70.4 per cent) and Kshs.1.86 billion (29.6 per cent) allocated for recurrent and development expenditure respectively.

3.36.316 Revenue Analysis

During the first quarter of FY 2016/17, the County received Kshs.816.13 million as equitable share of the revenue raised nationally, Kshs.95.12 million as total conditional allocations, raised Kshs.169.83 million from local sources and had a cash balance of Kshs.693 million brought forward from FY 2015/16.

Figure 3.136 shows the quarterly trend in local revenue collection from the first quarter of FY 2013/14 to the first quarter of FY 2016/17.

Figure 3.136: Nyeri County, Trend in Local Revenue Collection by Quarter from the First Qarter of FY 2013/14 to the First Quarter of FY 2016/17



Source: *Nyeri County Treasury*

The total local revenue collected in the first quarter of FY 2016/17 amounted to Kshs.169.83 million which was an increase of 15.28 per cent compared to Kshs.147.32 million generated in a similar period of FY 2015/16. This revenue accounted for 15.5 per cent of the FY 2015/16 annual local revenue target.

Table 3.103 provides an analysis of the local revenue collected in the first quarter of FY 2016/17 by revenue stream.

Table 3.103: Nyeri County Analysis of Revenue Collected by Stream in the First Quarter of FY 2016/17

No	Revenue Stream	Annual Targeted Revenue (Kshs.)	First Quarter, FY 2016/17 Actual Revenue	Actual Revenue as a percentage of Annual Target (%)
1	Document search fee	264,040	90,500	34.3
2	Liquor license	47,889,046	15,084,800	31.5
3	Nursery schools fee	498,800	139,310	27.9
4	Wambugu Agricultural Training Centre	8,834,136	2,391,768	27.1
5	Right-]of way / Way leave fee	1,680,000	443,760	26.4
6	Produce cess	37,269,376	9,793,252	26.3
7	Sales of council minutes / Bylaws	396,960	98,000	24.7
8	Hospital services	308,859,938	65,826,400	21.3
9	Ground rent	3,086,009	655,867	21.3
10	Other revenue streams	686,322,695	75,310,069	11
	TOTAL	**1,095,101,000**	**169,833,726**	**15.5**

Source: *Nyeri County Treasury*

Analysis of the local revenue performance by stream indicated that Document Search fee recorded the highest performance against annual target at 34.3 per cent. This was followed by Liquor Licence at 31.5 per cent, and Nursery Schools fees at 27.9 per cent.

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

3.36.317 Conditional Grants

Table 3.104 shows an analysis of conditional grants received in the first quarter of FY 2016/17.

Table 3.104: Nyeri County Analysis of Conditional Grant Releases in the First Quarter of FY 2016/17

No.	Conditional Grant	Amount allocated as provided in CARA, 2016 (Kshs.)	First Quarter, FY 2016/17 Actual receipts from the Conditional Grant (Kshs.)	Actual receipts as a percentage of Annual Allocation (%)
1	Road Maintenance Fuel Levy Fund	73,763,719	18,440,930	25
2	Level 5 Hospitals	388,439,306	66,034,682	17
3	Free Maternal Health Care	69,215,585	10,640,000	15.4
4	User Fees Foregone	14,347,664	0	0
5	DANIDA Grant	11,465,000	0	0
Total		**557,231,274**	**95,115,612**	**17.1**

Source: *Nyeri County Treasury*

Analysis of the conditional grant releases for the period under review indicated that the Road Maintenance Fuel Levy Fund recorded the highest receipt against annual target at 25 per cent followed by Level 5 Hospital and Free Maternal Health Care with a performance of 17 per cent and 15.4 per cent respectively. On the other hand, there were no disbursements for User Fees Foregone and DANIDA grant.

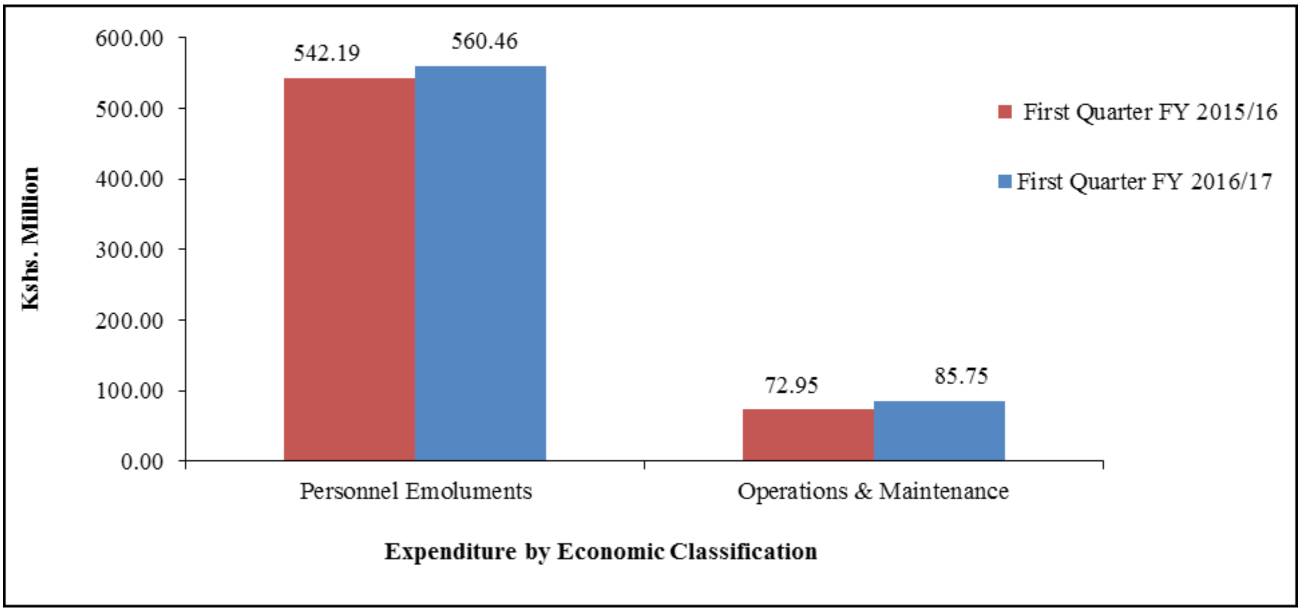
3.36.318 Exchequer Issues

During the reporting period, the Controller of Budget authorised withdrawal of Kshs.1.20 billion from the CRF account, which was 19.1 per cent of the FY 2015/16 Approved Supplementary Budget. This amount represented an increase of 54.7 per cent from Kshs.545 million authorized in a similar period of FY 2015/16. The exchequer issues in the reporting period were for recurrent expenditure only.

3.36.319 Overall Expenditure Review

The County spent Kshs.646.22 million which was 53.8 per cent of the total funds released for operations. This expenditure was an increase of 5 per cent from Kshs.615.14 million spent in a similar period of FY 2015/16. The expenditure was entirely for recurrent activities and excluded outstanding commitments as at 30th September, 2016 that amounted to Kshs.41.35 million. The recurrent expenditure represented 14.6 per cent of FY 2015/16 Approved Supplementary Budget, an increase from 14.3 per cent spent in a similar period of FY 2015/16. Figure 3.137 presents a comparison between total expenditure in the first quarter of FY 2016/17 and the first quarter of FY 2015/16.

Figure 3.137: Nyeri County, Expenditure by Economic Classification for the First Quarter of FY 2015/16 and FY 2016/17



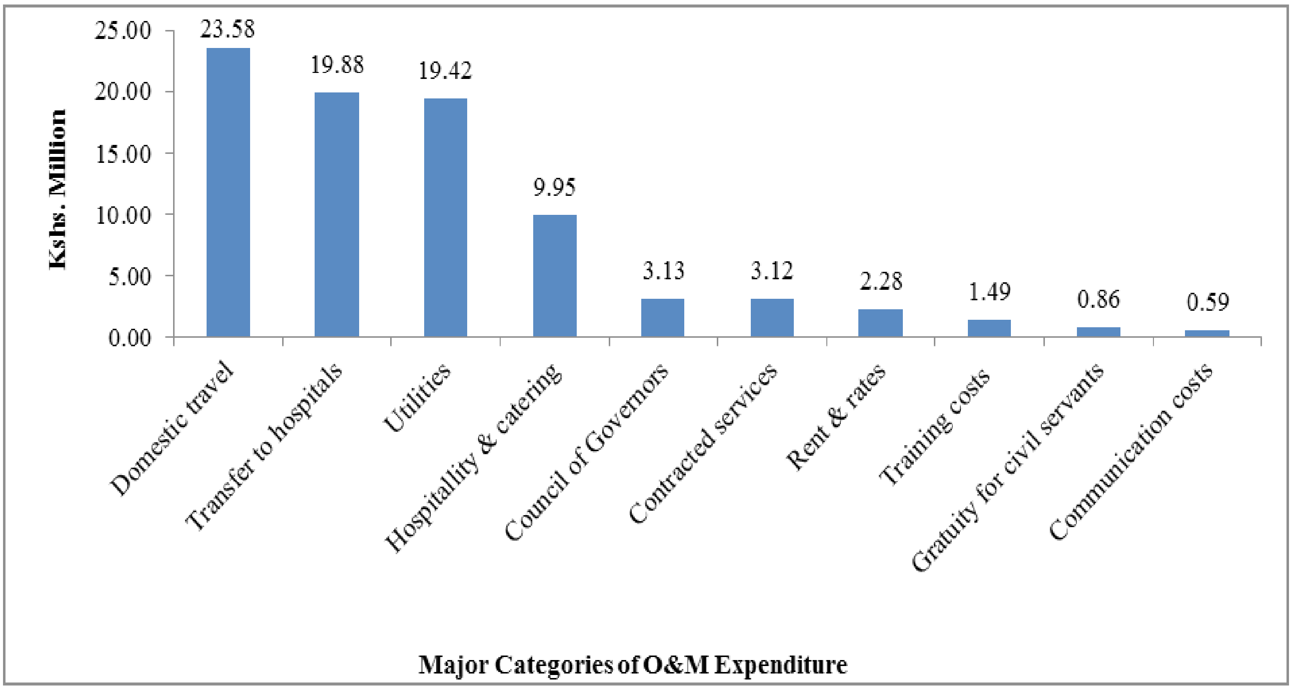
Source: *Nyeri County Treasury*

3.36.320 Analysis of Recurrent Expenditure

The recurrent expenditure of Kshs.646.22 billion consisted of Kshs.560.46 million (86.7 per cent) spent on personnel emoluments and Kshs.85.75 million (13.3 per cent) on operations and maintenance as shown in Figure 3.136. Expenditure on personnel emoluments represented an increase of 3.4 per cent compared to a similar period in FY 2015/16 when the County spent Kshs.542.19 million.

Figure 3.138 shows a summary of the operations and maintenance expenditure by major categories.

Figure 3.138: Nyeri County, Operations and Maintenance Expenditure for the First Quarter of FY 2016/17



Source: *Nyeri County Treasury*

The County spent Kshs.16.12 million on sitting allowances to the 47 MCAs and the Speaker against the FY 2015/16 Approved Supplementary Budget allocation of Kshs.97.86 million. This was a decrease of 18.13 per cent compared to Kshs.19.69 million spent in a similar period of FY 2015/16. The average monthly sitting allowance was Kshs.111,937 compared to SRC's recommended monthly ceiling of Kshs.124,800.

Expenditure on domestic travel amounted to Kshs.23.58 million compared to Kshs.32.19 million spent in a similar period of FY 2015/16, representing a decrease of 26.8 per cent.

3.36.321 Budget and Budget Performance Analysis by Department

Table 3.105 shows a summary of first quarter FY 2016/17 budget estimates and budget performance by department.

Table 3.105: Nyeri County, First Quarter of FY 2016/17 Budget Performance by Department

Department	Budget Allocation (Kshs. Million)		First Quarter FY 2016/17 Exchequer Issues (Kshs. Million)		First Quarter FY 2016/17 Expenditure (Kshs. Million)		First Quarter FY 2016/17 Expenditure to Exchequer Issues (%)		First quarter FY 2016/17 Absorption rate (%)	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
Office of the Governor	106.87	0	21.66	0	13.90	0	64.3	-	13.0	-
Office of the County Secretary	145.08	5	11	0	4.1	0	37.1	-	2.8	-
Finance and Economic Planning	345.05	182.38	66.07	0	54.17	0	82	-	15.7	-
Education and ICT	69.82	134.67	21.74	0	6.68	0	30.7	-	9.6	-
Health Services	1914.3	273.16	606.53	0	347.81	0	57.3	-	18.2	-
Special programmes	76.17	32.37	13.38	0	1.26	0	9.4	-	1.6	-
Lands and Infrastructure Development	114.05	633.42	32.67	0	5.36	0	16.4	-	4.7	-
Public Administration, Information and Communication	420.58	30	123	0	58.18	0	47.3	-	13.8	-
Trade, Industrialization and Tourism	81.28	152.19	18.65	0	2.17	0	11.7	-	2.7	-
Agriculture	306.5	94.05	90.18	0	50.22	0	55.7	-	16.4	-
Water, Sanitation and Natural resources	134.14	145.66	39.48	0	16.25	0	41.2	-	12.1	-
Energy	100.85	85.04	33.41	0	11.16	0	33.4	-	11.1	-
County Public Service Board	37.32	0	9.37	0	4.84	0	51.7	-	13.0	-
County Assembly	567.58	90	115	0	70.14	0	61	-	12.4	-
Total	**4,419.61**	**1,857.94**	**1,202.09**	**0**	**646.22**	**0**	**53.8**	**-**	**14.6**	**-**

Source: *Nyeri County Treasury*

Analysis of expenditure by department shows that the Health Services Department attained the highest percentage of recurrent budget at 18.2 per cent followed by the Department of Agriculture at 16.4 per cent. On the other hand, the Department of Special Programmes had the lowest percentage at 1.6 per cent. The County did not report any development expenditure during the period under review.

3.36.322 Observations and Recommendations

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

i. Improvement in local revenue collection. The local revenue collected improved from Kshs.147.32 million in the first quarter of FY 2015/16 to Kshs.169.83 in the reporting period representing 15.28 per cent increase.

ii. The County has complied with requirements of Section 116 of the PFM Act by ensuring that legislations establishing County Public Funds are in place before operationalization of County Funds.

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

1. Delay in approval of the FY 2016/17 budget that delayed implementation of development projects. There was no development expenditure in the reporting period.
2. Failure to establish an Internal Audit Committee to provide financial management oversight contrary to Section 155 of the PFM Act, 2012.
3. The County has not constituted the CBEF for consultation in the budget process and economic matters as required by Section 137 of the PFM Act, 2012.
4. Delay in disbursement of the equitable share of revenue raised nationally by the National Treasury. As at the end of the reporting period, Kshs.882.16 million had been disbursed against an expected disbursement of Kshs.1.29 billion.

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

1. *The County should fast track approval of the budget so as to facilitate smooth implementation of planned activities.*
2. *The County should establish an Internal Audit Committee as required by Section 155 of the PFM Act, 2012.*
3. *The County should establish the CBEF for consultation in budget process and economic matters.*
4. *The County Treasury should liaise with the National Treasury to ensure that funds allocated to the County are released in a timely manner in line with CARA, 2016 Disbursement Schedule.*

3.37 Samburu County

3.37.323 Overview of the FY 2016/17 Budget

The County's FY 2016/17 Approved Budget was Kshs.4.32 billion, comprising of Kshs.2.63 billion (61 per cent) and Kshs.1.69 billion (39 per cent) allocations for recurrent and development expenditure respectively.

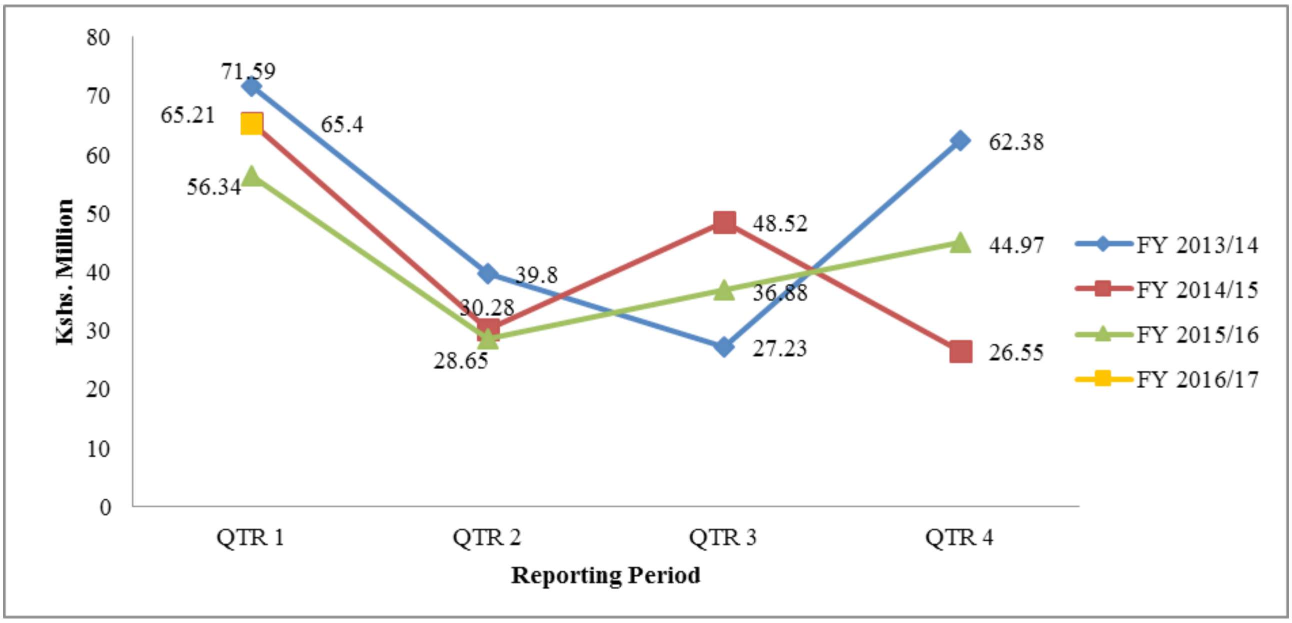
To finance the budget, the County expects to receive Kshs.3.83 billion (88.8 per cent) as equitable share of revenue raised nationally, Kshs.141.15 million (3.3 per cent) as total conditional grants, and generate Kshs.341.87 million (7.9 per cent) from local sources. The conditional grants comprise of Kshs.16.95 million (12 per cent) for Free Maternal Healthcare, Kshs.58.90 million (41.7 per cent) from the Road Maintenance Fuel Levy Fund, Kshs.5.32 million (3.8 per cent) for User Fees Foregone, Kshs.5.49 million (3.9 per cent) as a grant from DANIDA, Kshs.29.85 million (21.1 per cent) as World Bank loan, and Kshs.24.64 million (17.1 per cent) for the Kenya Devolution Support Programme.

3.37.324 Revenue Analysis

During the first quarter of FY 2016/17, the County received Kshs.958.24 million as equitable share of the revenue raised nationally, Kshs.17.74 million as total conditional allocations, raised Kshs.65.21 million from local sources, and Kshs.224.33 million brought forward from FY 2015/16.

Figure 3.139 shows the quarterly trend in local revenue collection from the first quarter of FY 2013/14 to the first quarter of FY 2016/17.

Figure 3.139: Samburu County, Trend in Local Revenue Collection by Quarter from First Quarter FY 2013/14 to First Quarter FY 2016/17



Source: *Samburu County Treasury*

The total local revenue collected in the first quarter of FY 2016/17 amounted to Kshs.65.21 million which was an increase of 15.74 per cent compared to Kshs.56.34 million generated in a similar period of FY 2015/16. This revenue accounted for 19.1 per cent of the annual local revenue target.

Table 3.106 provides an analysis of the local revenue collected in the first quarter of FY 2016/17 by revenue stream.

Table 3.106: Samburu County Analysis of Revenue Collected by Stream in the First Quarter of FY 2016/17

No	Revenue Stream	Annual Targeted Revenue (Kshs.)	First quarter, FY 2016/17 Actual Revenue	Actual Revenue as a percentage of Annual Target (%)
1	Samburu National Reserve	200,000,000	48,808,126	24.4
2	Health Department User Fees	12,000,000	2,109,890	17.6
3	Land Rates	26,775,000	1,950,174	7.3
4	Cess Receipts	33,899,250	1,869,515	5.5
5	Slaughter Fees	5,496,750	1189550	21.6
6	Other Revenue Sources	63,696,422	9,282,156	14.6
TOTAL		**341,867,422**	**65,209,411**	**19.1**

Source: *Samburu County Treasury*

Analysis of the local revenue performance by stream indicated that, Samburu National Reserve recorded the highest performance against annual target at 24.4 per cent. This was followed by Slaughter Fees at 21.6 per cent, and Health Department User Fees at 17.6 per cent.

3.37.325 Conditional Grants

Table 3.107 shows an analysis of conditional grants received in the first quarter of FY 2016/17.

Table 3.107: Samburu County Analysis of Conditional Grant Releases in the First Quarter of FY 2016/17

No.	Conditional Grant	Amount allocated as provided in CARA, 2016 (Kshs.)	First Quarter, FY 2016/17 Actual receipts from the Conditional Grant (Kshs.)	Actual receipts as a percentage of Annual Allocation (%)
1	Road Maintenance Fuel Levy Fund	58,898,587	14,724,647	25
2	Free Maternal Healthcare	16,946,829	3,020,000	17.8
3	User Fees Foregone	5,321,855	0	-
4	DANIDA Grant	5,495,000	0	-
6	World Bank Loan	29,848,554	0	-
7	Other Loans and Grants	24,638,639	0	-
Total		**141,149,464**	**17,744,647**	**12.5**

Source: *Samburu County Treasury*

The County received revenue from two grants, these were; the Road Maintenance levy which recorded 25 per cent of annual target and the Free Maternal Healthcare grant which recorded 17.8 per cent.

3.37.326 Exchequer Issues

During the reporting period, the Controller of Budget authorised withdrawal of Kshs.798.95 million from the CRF account, which was 18.5 per cent of the FY 2016/17 Approved Budget. This amount represented an increase of 19 per cent from Kshs.671.27 million authorized in a similar period of FY 2015/16 and consisted of Kshs.671.95 million (84.1 per cent) for recurrent expenditure and Kshs.127 million (15.9 per cent) for development activities.

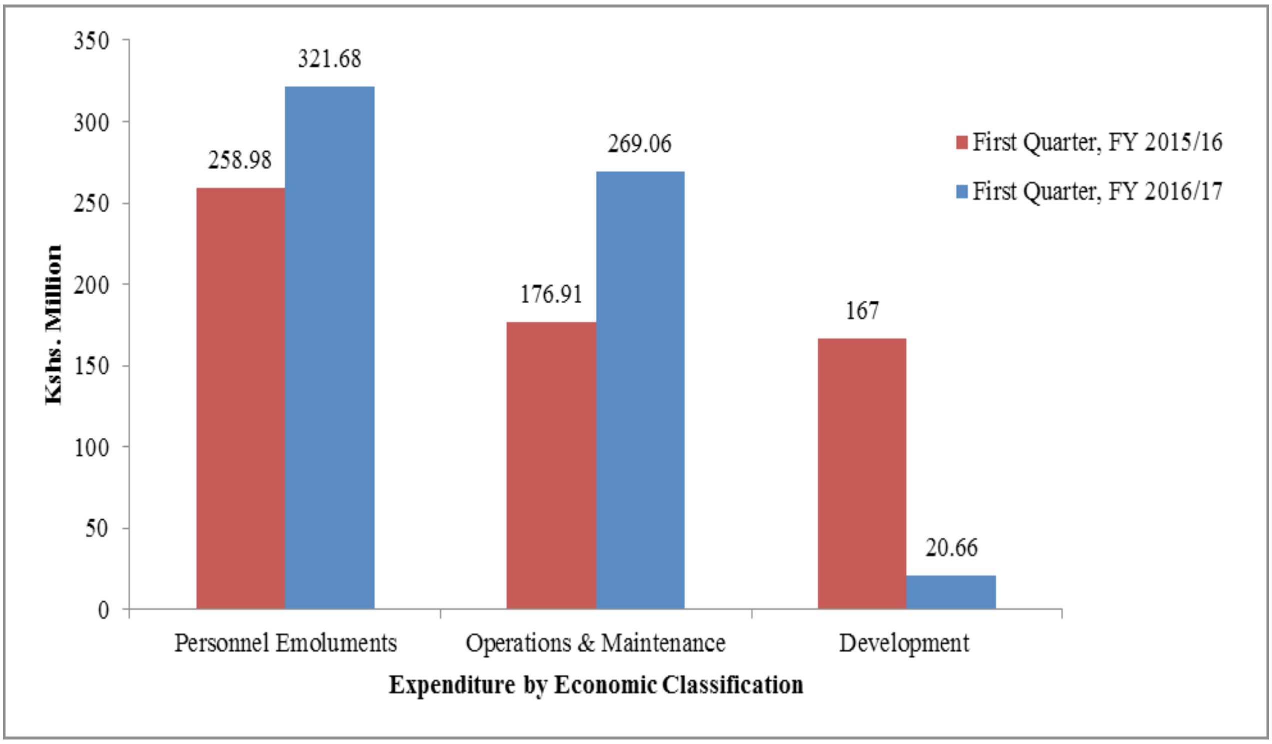
3.37.327 Overall Expenditure Review

The County spent Kshs.611.40 million, which was 76.5 per cent of the total funds released for operations. This was a marginal increase from Kshs.602.89 million spent in a similar period in FY 2015/16.

A total of Kshs.590.74 million was spent on recurrent activities, while Kshs.20.67 million was spent on development activities. The recurrent expenditure was 87.9 per cent of the funds released for recurrent activities while development expenditure accounted for 16.3 per cent of the funds released for development activities. The expenditure excluded outstanding commitments as at 30th September, 2016 that amounted to Kshs.75.66 million for development and Kshs.95.42 million for recurrent expenditure.

The recurrent expenditure represented 22.5 per cent of the annual recurrent budget, an increase from 16.9 per cent spent in a similar period of FY 2015/16. Development expenditure recorded an absorption rate of 1.2 per cent, which was a decrease from 11.2 per cent attained in a similar period of FY 2015/16. Figure 3.140 presents a comparison between total expenditure in the first quarter of FY 2016/17 and the first quarter of FY 2015/16.

Figure 3.140: Samburu County, Expenditure by Economic Classification for First Quarter FY 2015/16 and First Quarter FY 2016/17



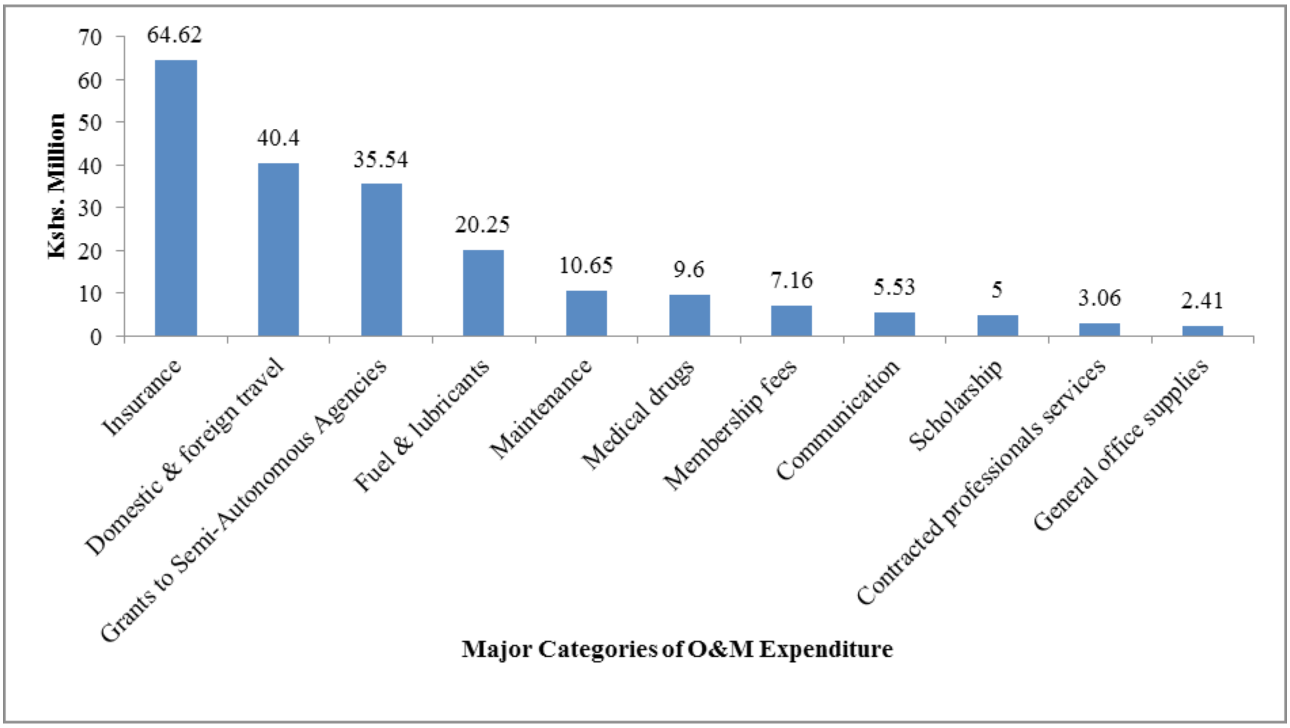
Source: *Samburu County Treasury*

3.37.328 Analysis of Recurrent Expenditure

The recurrent expenditure of Kshs.590.74 million consisted of Kshs.321.68 million (54.5 per cent) spent on personnel emoluments and Kshs.269.06 million (45.5 per cent) on operations and maintenance as shown in Figure 3.139. Expenditure on personnel emoluments represented an increase of 24.2 per cent compared to a similar period of FY 2015/16 when the County spent Kshs.258.98 million.

Figure 3.141 shows a summary of the operations and maintenance expenditure by major categories.

Figure 3.141: Samburu County, Operations and Maintenance Expenditure for First Quarter of FY 2016/17



Source: *Samburu County Treasury*

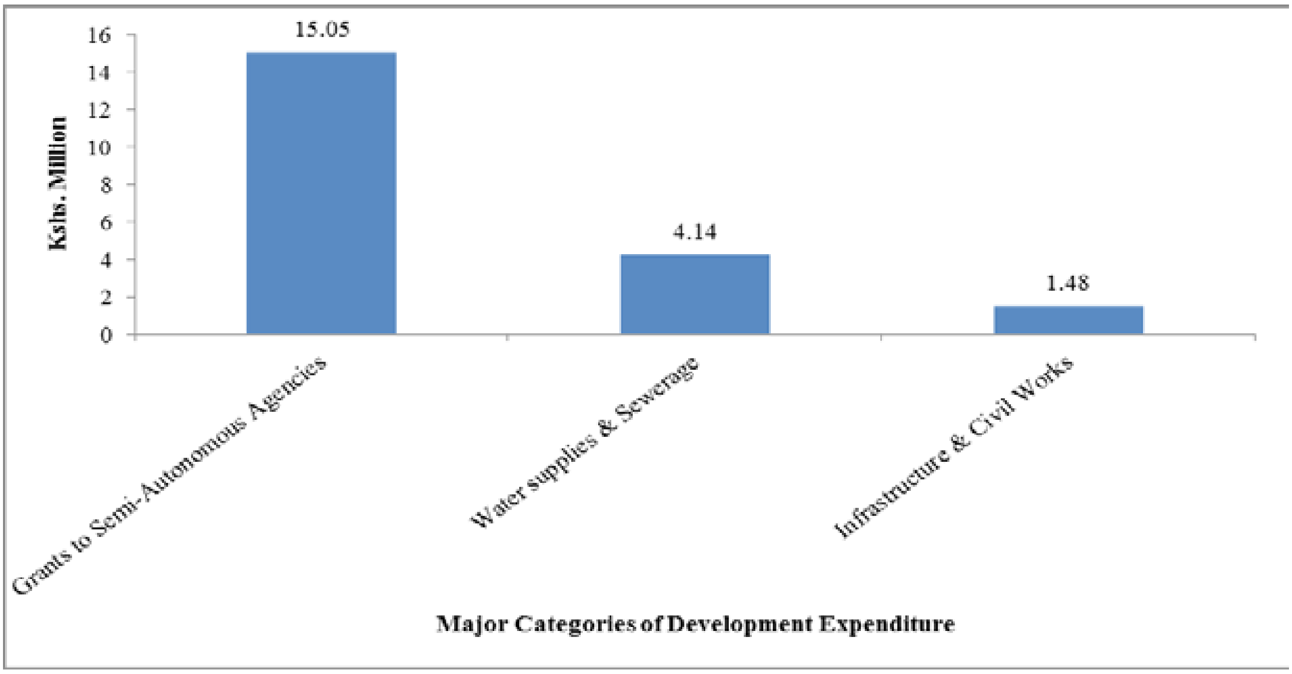
The County spent Kshs.5.36 million on sitting allowances to the 26 MCAs and the Speaker against the annual budget allocation of Kshs.48.87 million. This was a slight decrease from Kshs.5.55 million spent in a similar period of FY 2015/16. The average monthly sitting allowance was Kshs.66,155 compared to SRC's recommended monthly ceiling of Kshs.124,800.

Expenditure on domestic and foreign travel amounted to Kshs.40.4 million compared to Kshs.30.05 million spent in a similar period of FY 2015/16, representing an increase of 34.4 per cent.

3.37.329 Development Expenditure Analysis

The total development expenditure of Kshs.20.66 million represented 1.2 per cent of the annual development budget of Kshs.1.69 billion. Figure 3.142 provides a summary of development expenditure during the period under review.

Figure 3.142: Samburu County, Summary of Development Expenditure for the First Quarter of FY 2016/17



Source: *Samburu County Treasury*

Analysis of the development expenditure by category indicated that out of the Kshs.127 million released to the County to finance development projects, the County Government spent only Kshs.20.67 million. The highest expenditure of Kshs.15.05 million was incurred by the Maralal Water and Sewerage Company; a Semi-Autonomous County Government Agency. The Department of Transport, Public Works and Water Services spent Kshs.4.14 million on water supplies and sewerage while the Lands, Physical Planning and Urban Development Department spent Kshs.1.48 million on infrastructure and civil works.

3.37.330 Budget and Budget Performance Analysis by Department

Table 3.108 shows a summary of first quarter FY 2016/17 budget estimates and budget performance by department.

Table 3.108: Samburu County, First Quarter of FY 2016/17 Budget Performance by Department

Details	Budget Allocation (Kshs. Million)		1st Quarter FY 2016/17 Exchequer Issues (Kshs. Million)		1st Quarter FY 2016/17 Expenditure (Kshs. Million)		1st Quarter FY 2016/17 Expenditure to Exchequer Issues (%)		1st Quarter FY 2016/17 Absorption Rates (%)	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
County assembly	407.81	120.00	93.34	0.00	88.450	0.00	94.8	0.00	21.7	0.0
County Executive & CPSB	320.27	5.00	83.53	0.00	75.200	0.00	90.0	0.00	23.5	0.0
Finance & Economic planning	398.65	10.00	103.97	0.00	128.900	0.00	123.9	0.00	32.3	0.0
Agriculture, Livestock, Veterinary & Fisheries	125.93	125.00	32.84	0.00	24.030	0.00	73.2	0.00	19.1	0.0
Environment & Natural Resources	47.85	51.50	12.48	0.00	6.210	0.00	49.8	0.00	13.0	0.0
Education, Youth Affairs & Social Development	358.46	166.70	93.49	20.00	75.630	0.00	80.9	0.00	21.1	0.0

Details	Budget Allocation (Kshs. Million)		1st Quarter FY 2016/17 Exchequer Issues (Kshs. Million)		1st Quarter FY 2016/17 Expenditure (Kshs. Million)		1st Quarter FY 2016/17 Expenditure to Exchequer Issues (%)		1st Quarter FY 2016/17 Absorption Rates (%)	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
County Health Services	537.81	162.33	140.26	18.00	86.35	0.00	61.6	0.00	16.1	0.0
Lands, Physical Planning and Urban Development	80.12	105.00	20.90	0.00	15.03	1.48	71.9	0.00	18.8	1.4
Transport, Public Works and Water Services	168.90	747.50	44.05	75.00	52.71	4.26	119.7	5.7	31.2	0.6
Trade, Tourism, Cooperatives and Enterprise Development	114.05	165.00	29.74	14.00	26.54	15.05	89.3	107.5	23.3	9.1
Culture, Social Services and Gender	66.50	31.60	17.34	0.00	11.68	0.00	67.3	0.00	17.6	0.0
TOTAL	**2,626.35**	**1,689.63**	**671.95**	**127.00**	**590.73**	**20.79**	**87.9**	**16.4**	**22.5**	**1.2**

Source: *Samburu County Treasury*

Analysis of budget performance by department shows that only three departments, namely: Lands, Physical Planning and Urban Development; Trade, Tourism & Cooperatives, and the Transport, Public Works and Water Services Department incurred expenditure on development activities. The Department of Trade, Tourism & Cooperatives attained the highest absorption of development budget at 9.1 per cent. On the other hand, the Department of Finance & Economic Planning had the highest percentage of recurrent expenditure to annual recurrent budget at 32.3 per cent while the Department of Environment & Natural Resources had the lowest at 13 per cent.

3.37.331 Observations and Recommendations

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

i. Establishment of a monitoring and evaluation committee to monitor and report on implementation of development projects.

ii. The County has continued to engage the CBEF on budgeting and planning as required by Section 137 of the PFM Act, 2012.

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

1. Late submission of financial reports to the Office of the Controller of Budget by the County Treasury, which affected timely preparation of budget execution reports.
2. Failure to establish an Internal Audit Committee to provide financial management oversight in the County. This is contrary to Section 155 of the PFM Act, 2012.

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

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

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

3.38 Siaya County

3.38.332 Overview of the FY 2016/17 Budget

The County's FY 2016/17 Approved Budget was Kshs.7.33 billion, comprising of Kshs.3.84 billion (52.3 per cent) and Kshs.3.49 billion (47.7 per cent) allocations for recurrent and development expenditure respectively.

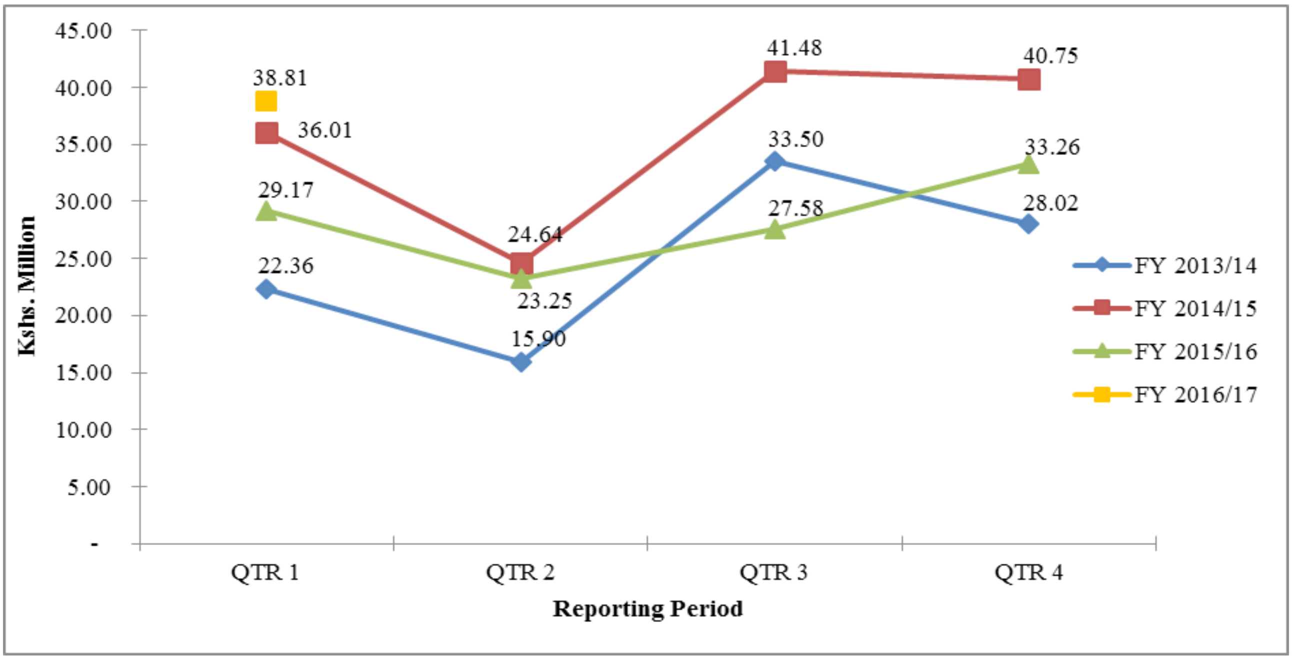
To finance the budget, the County expects to receive Kshs.5.39 billion (73.5 per cent) as equitable share of revenue raised nationally, Kshs.352.50 million (4.8 per cent) as total conditional grants, generate Kshs.270 million (3.7 per cent) from local sources, and Kshs.1.32 billion (18.0 per cent) cash balance from FY 2015/16. The conditional grants comprise of Kshs.112.56 million (31.9 per cent) for Free Maternal Health Care, Kshs.82.82 million (23.5 per cent) from the Road Maintenance Fuel Levy Fund, Kshs.19.06 million (5.4 per cent) for User Fees Foregone, Kshs.13.77 million (3.9 per cent) as a grant from DANIDA, Kshs.28.56 million (8.1 per cent) as conditional grants from other loans and grants, and Kshs.95.74 million (27.2 per cent) for Leasing of Medical Equipment.

3.38.333 Revenue Analysis

During the first quarter of FY 2016/17, the County received Kshs.916.30 million as equitable share of the revenue raised nationally, Kshs.36.79 million as total conditional allocations, raised Kshs.38.81 million from local sources, and had an cash balance of Kshs.1.00 billion brought forward from FY 2015/16.

Figure 3.143 shows the quarterly trend in local revenue collection from the first quarter of FY 2013/14 to the first quarter of FY 2016/17.

Figure 3.143: Siaya County, Trend in Local Revenue Collection by Quarter from the First Quarter of FY 2013/14 to the First Quarter of FY 2016/17



Source: Siaya *County Treasury*

The total local revenue collected in the first quarter of FY 2016/17 amounted to Kshs.38.81 million which was an increase of 33 per cent compared to Kshs.29.17 million generated in a similar period of FY 2015/16. This revenue accounted for 14.4 per cent of the annual local revenue target.

Table 3.109 provides an analysis of the local revenue collected in the first quarter of FY 2016/17 by revenue stream.

Table 3.109: Siaya County Analysis of Revenue Collected by Stream in the First Quarter of FY 2016/17

No	Revenue Stream	Annual Targeted Revenue (Kshs.)	First quarter, FY 2016/17 Actual Revenue	Actual Revenue as a percentage of Annual Target (%)
1	Plan Approval: Lands; Hospital, Works	3,375,000	822,323.00	24.4
2	Hospital Revenue	61,425,000	13,386,720.00	21.8
3	Bus Park Fees	16,200,000	3,491,570.00	21.6
4	Kiosk/Stall Rent/Ground	7,073,730	1,230,331.00	17.4
5	Fish Cess	8,775,000	1,513,540.00	17.2
6	Trade - Weights And Measures	749,250	121,180.00	16.2
7	Slaughter Fee	1,210,275	171,300.00	14.2
8	Single Business Permit	40,500,000	5,286,173.00	13.1
9	Plot Rents	7,965,000	1,020,180.00	12.8
10	Market Fees	54,000,000	6,830,895.00	12.6
11	Others Income	68,726,745	4,933,046.00	7.2
Total		**270,000,000**	**38,807,258**	**14.4**

Source: Siaya *County Treasury*

Analysis of the local revenue performance by stream indicated that, fees from Plan Approvals recorded the highest performance against annual target at 24.4 per cent. This was followed by Hospital Revenue at 21.8 per cent, and Bus Park Fees at 21.6 per cent.

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

3.38.334 Conditional Grants

Table 3.110 shows an analysis of conditional grants received in the first quarter of FY 2016/17.

Table 3.110: Siaya County Analysis of Conditional Grant Releases in the First Quarter of FY 2016/17

No.	Conditional Grant	Amount allocated as provided in CARA, 2016 (Kshs.)	First Quarter, FY 2016/17 Actual receipts from the Conditional Grant (Kshs.)	Actual receipts as a percentage of Annual Allocation (%)
1	Road Maintenance Fuel Levy Fund	82,817,177	20,704,294	25.0
2	Free Maternal Health Care	112,559,127	16,082,500	14.3
3	User Fees Foregone	19,057,307	-	0.0
4	DANIDA Grant	13,765,000	-	0.0
5	Other Loans and Grants	28,555,102	-	0.0
6	Leasing of Medical Equipment	95,744,681	-	0.0
Total		**352,498,394**	**36,786,794**	**10.4**

Source: Siaya *County Treasury*

The County received revenue from two conditional grants. These were; the Road Maintenance Fuel Levy Fund, which recorded 25 per cent of the annual target and the Free Maternal Healthcare grant, which recorded 14.3 per cent.

3.38.335 Exchequer Issues

During the reporting period, the Controller of Budget authorised withdrawal of Kshs.1.44 billion from the CRF account, which was 19.6 per cent of the FY 2016/17 Approved Budget. This amount represented an increase of 67.4 per cent from Kshs.860 million authorized in a similar period of FY 2015/16 and consisted of Kshs.1.04 billion (72.2 per cent) for recurrent expenditure and Kshs.400 million (27.8 per cent) for development activities.

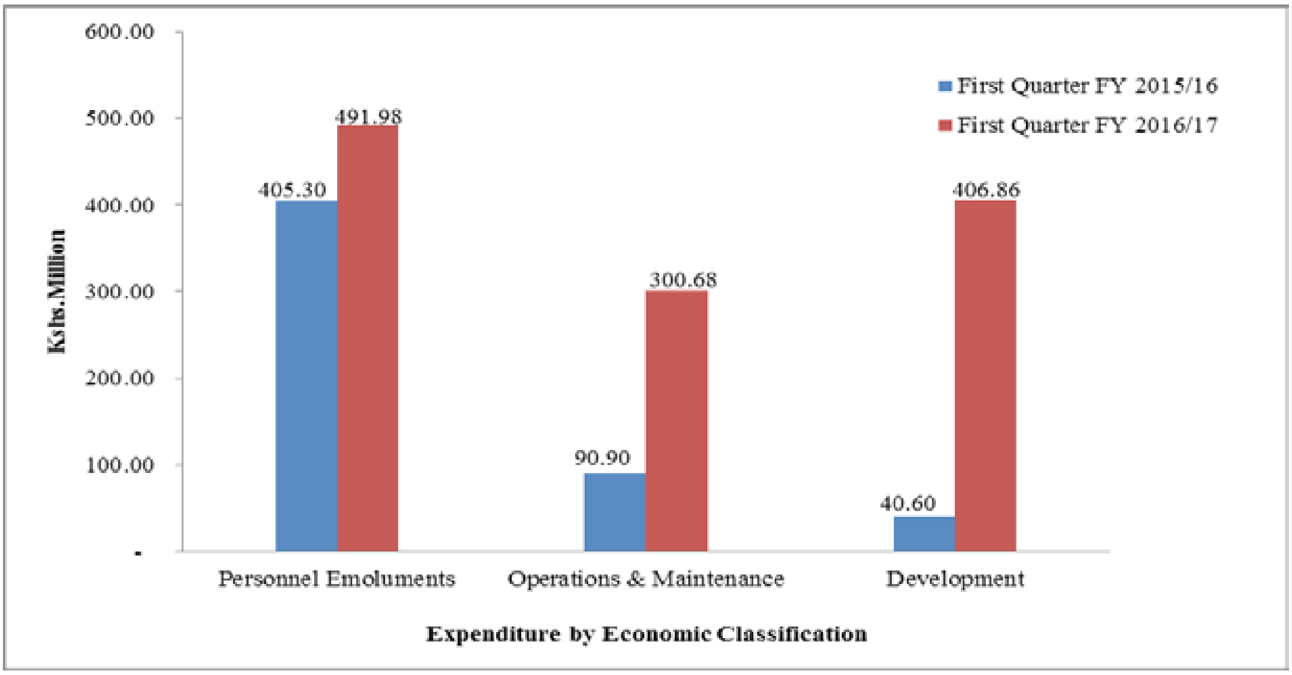
3.38.336 Overall Expenditure Review

The County spent Kshs.1.2 billion, which was 83.3 per cent of the total funds released for operations. This was an increase of over 100 per cent from Kshs.536.9 million spent in a similar period in FY 2015/16.

A total of Kshs.792.66 million was spent on recurrent activities, while Kshs.406.86 million was spent on development activities. The recurrent expenditure was 76.2 per cent of the funds released for recurrent activities while development expenditure accounted for 101.7 per cent of the funds released for development activities. The expenditure excluded outstanding commitments as at 30th September, 2016 that amounted to Kshs.267.92 million for development and Kshs.103.49 million for recurrent expenditure.

The recurrent expenditure represented 20.7 per cent of the annual recurrent budget, an increase from 13.2 per cent spent in a similar period of FY 2015/16. Development expenditure recorded an absorption rate of 11.6 per cent, which was an increase from 1.6 per cent attained in a similar period of FY 2015/16. Figure 3.144 presents a comparison between total expenditure in the first quarter of FY 2016/17 and the first quarter of FY 2015/16.

Figure 3.144: Siaya County, Expenditure by Economic Classification for the First Quarter of FY 2015/16 and the First Quarter of FY 2016/17



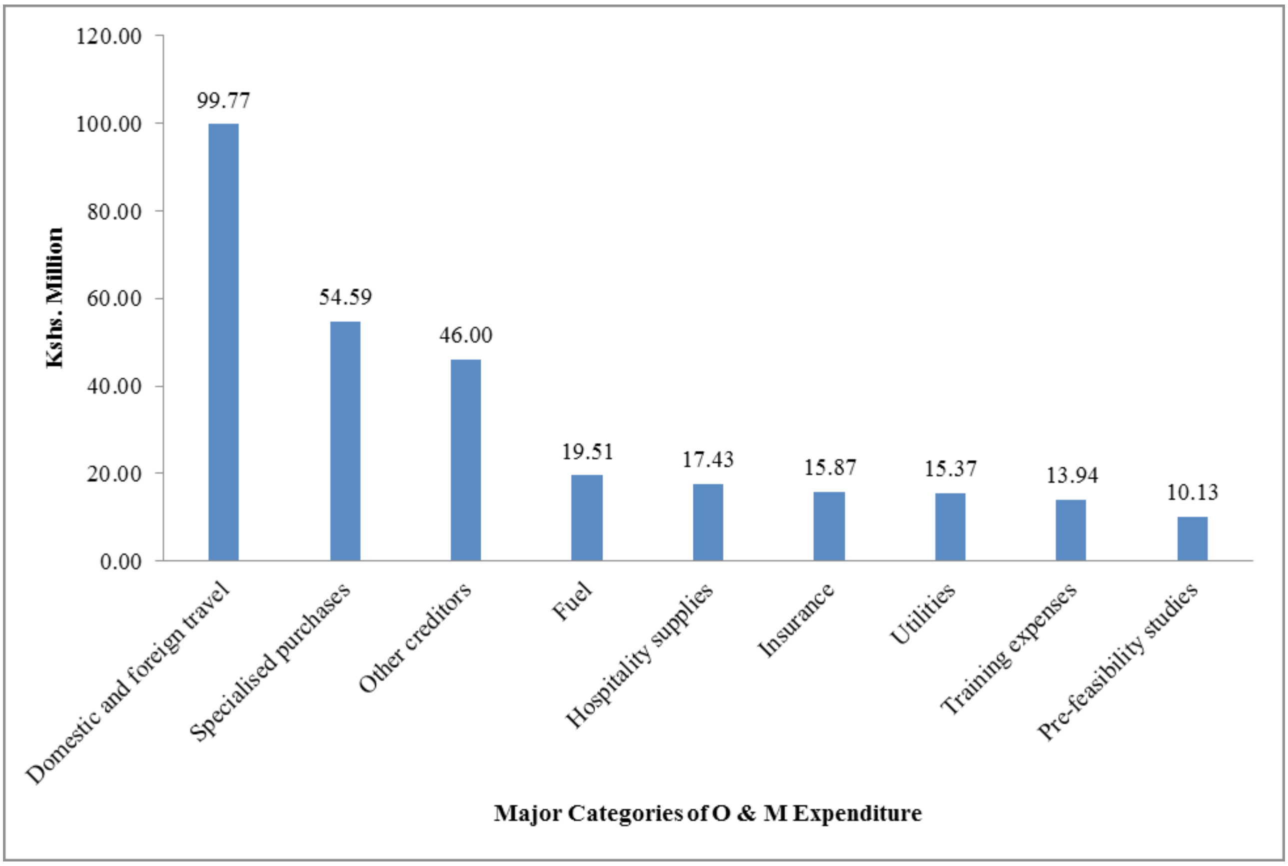
Source: Siaya *County Treasury*

3.38.337 Analysis of Recurrent Expenditure

The recurrent expenditure of Kshs.792.7 million consisted of Kshs.491.98 million (62.1 per cent) spent on personnel emoluments and Kshs.300.68 million (37.9 per cent) on operations and maintenance as shown in Figure 3.143. Expenditure on personnel emoluments represented an increase of 21.4 per cent compared to a similar period of FY 2015/16 when the County spent Kshs.405.3 million.

Figure 3.145 shows a summary of the operations and maintenance expenditure by major categories.

Figure 3.145: Siaya County, Operations and Maintenance Expenditure for First Quarter of FY 2016/17



Source: *Siaya County Treasury*

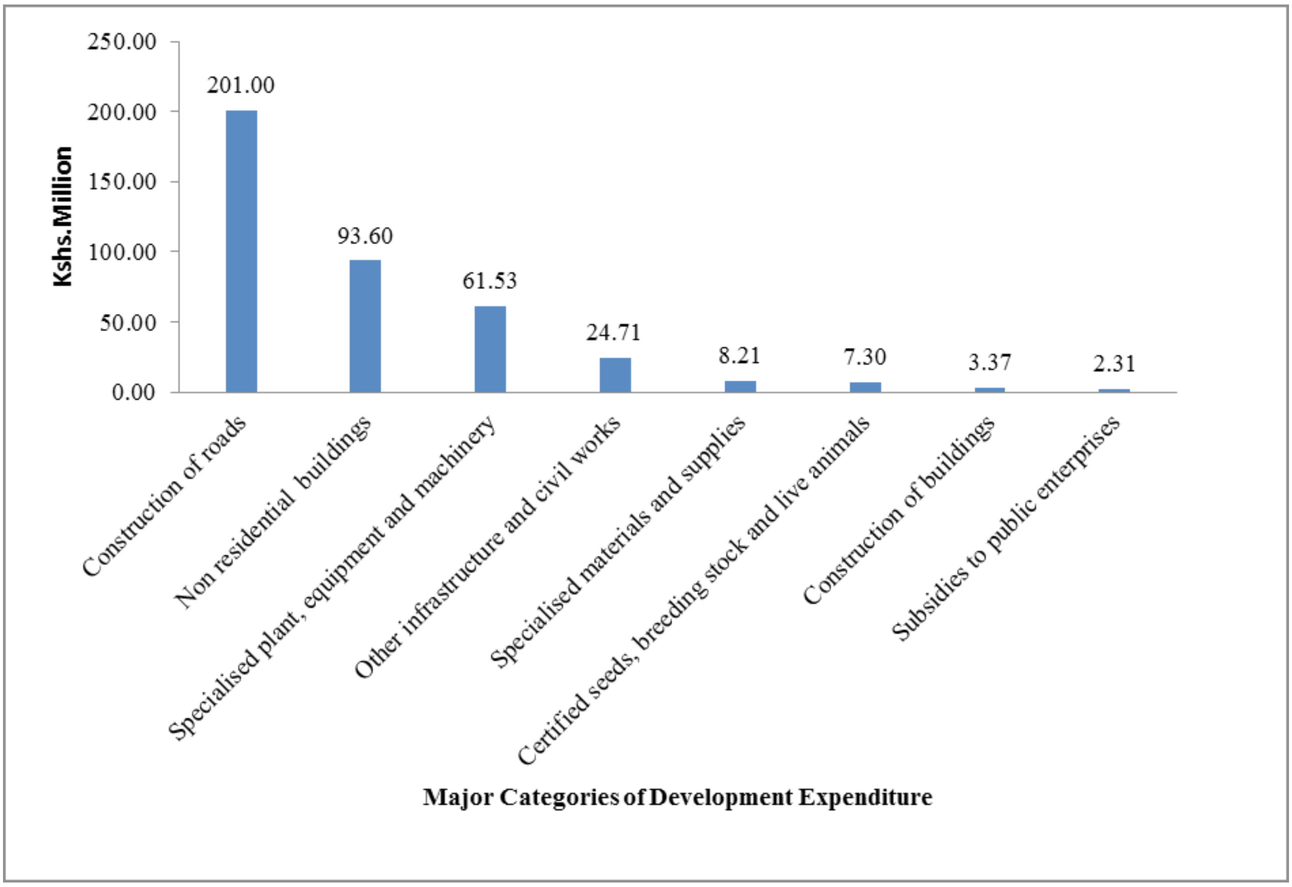
The County spent Kshs.19.03 million on sitting allowances to the 49 MCAs and the Speaker against the annual budget allocation of Kshs.84.4 million. This was an increase of 10 per cent compared to Kshs.17.3 million spent in a similar period of FY 2015/16. The average monthly sitting allowance was Kshs.129,437.

Expenditure on domestic and foreign travel amounted to Kshs.99.77 million compared to Kshs.28.0 million spent in a similar period of FY 2015/16, representing an increase of 256.3 per cent.

3.38.338 Development Expenditure Analysis

The total development expenditure of Kshs.406.86 million represented 11.6 per cent of the annual development budget of Kshs.3.49 billion. Figure 3.146 provides a summary of development expenditure during the period under review.

Figure 3.146: Siaya County, Summary of Development Expenditure for the First Quarter of FY 2016/17



Source: *Siaya County Treasury*

Analysis of the development expenditure by category indicated that, the highest expenditure of Kshs.201.0 million was incurred by the Roads and Transport Department and related to projects rolled over from FY 2015/16. The second highest expenditure category was for construction of non-residential buildings (ECD tuition blocks, dispensaries, and office buildings) at Kshs.93.6 million.

3.38.339 Budget and Budget Performance Analysis by Department

Table 3.111 shows a summary of first quarter FY 2016/17 budget estimates and budget performance by department.

Table 3.111: Siaya County, First Quarter of FY 2016/17 Budget Performance by Department

Department	Budget Allocation (Kshs)		Exchequer Issues (Kshs)		Expenditure (Kshs)		Expenditure to Exchequer issues (%)		Absorption (%)	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
County Assembly	599.91	91.43	159.00	12.82	118.37	0.00	74.4	0.0	19.7	0.0
County Executive	406.01	48.01	108.13	0.00	113.89	0.62	105.3	-	28.1	1.3
Finance, Economic Planning and Vision 2030	589.24	32.93	165.19	15.00	146.58	0.00	88.7	0.0	24.9	0.0

Department	Budget Allocation (Kshs)		Exchequer Issues (Kshs)		Expenditure (Kshs)		Expenditure to Exchequer issues (%)		Absorption (%)	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
Agriculture, Livestock and Fisheries	239.33	268.95	68.13	36.64	42.02	9.00	61.7	24.6	17.6	3.3
Water, Environment and Natural Resources	96.64	329.85	29.41	66.95	16.55	18.35	56.3	27.4	17.1	5.6
Education, Youth, Sports, Culture and Social Services	284.30	629.05	55.25	74.58	19.12	71.64	34.6	96.1	6.7	11.4
County Health Services	1,314.75	687.94	361.44	94.22	309.40	36.66	85.6	38.9	23.5	5.3
Physical Planning, Survey and Housing	54.50	39.30	16.53	0.00	3.45	0.00	20.9	-	6.3	0.0
Roads and Transport	93.02	1,130.93	26.19	51.68	9.46	256.00	36.1	495.3	10.2	22.6
Trade and Cooperative Services	46.59	188.27	14.22	35.60	4.46	6.40	31.4	18.0	9.6	3.4
Tourism and ICT	112.53	46.03	36.50	12.50	9.35	8.18	25.6	65.4	8.3	17.8
TOTAL	**3,836.82**	**3,492.67**	**1,040.00**	**400.00**	**792.65**	**406.85**	**76.2**	**101.7**	**20.7**	**11.6**

Source: *Siaya County Treasury*

Analysis of budget performance by department shows that the Department of Roads and Transport attained the highest absorption of development budget at 22.6 per cent while the County Assembly, the Finance, Economic Planning and Vision 2030, and the Physical Planning, Survey and Housing Departments did not incur any development expenditure. On the other hand, the County Executive had the highest percentage of recurrent expenditure to recurrent budget at 28.1 per cent while the Department of Physical Planning, Survey and Housing had the lowest at 6.3 per cent.

3.38.340 Observations and Recommendations

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

i. Improvement in absorption of development budget. In the reporting period, the County attained an absorption rate of 11.6 per cent compared to 1.6 per cent in a similar period FY 2015/16.
ii. The local revenue collection improved from Kshs.29.17 million in the first quarter of FY 2015/16 to Kshs.38.81 million in the reporting period representing an increase of 33 per cent.

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

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

2. Failure to constitute the County Budget and Economic Forum as required by Section 137 of the PFM Act, 2012.
3. Failure to establish an Internal Audit Committee to provide financial management oversight contrary to Section 155 (5) of the PFM Act, 2012 and Regulation 167 of the PFM (County Governments) Regulations, 2015.

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

1. *The County Treasury should ensure timely preparation and submission of financial reports to the Office of the Controller of Budget in line with Section 166 of PFM Act, 2012.*
2. *The County should establish a County Budget and Economic Forum for consultation in the budget process and economic matters as required by Section 137 of the PFM Act, 2012.*
3. *The County Treasury should establish an Internal Audit Committee in line with Section 155 of the PFM Act, 2012.*

3.39 Taita Taveta County

3.39.341 Overview of the FY 2016/17 Budget

The County's FY 2016/17 Approved Budget was Kshs.4.65 billion, comprising of Kshs.3.15 billion (68 per cent) and Kshs.1.50 billion (32 per cent) allocations for recurrent and development expenditure respectively.

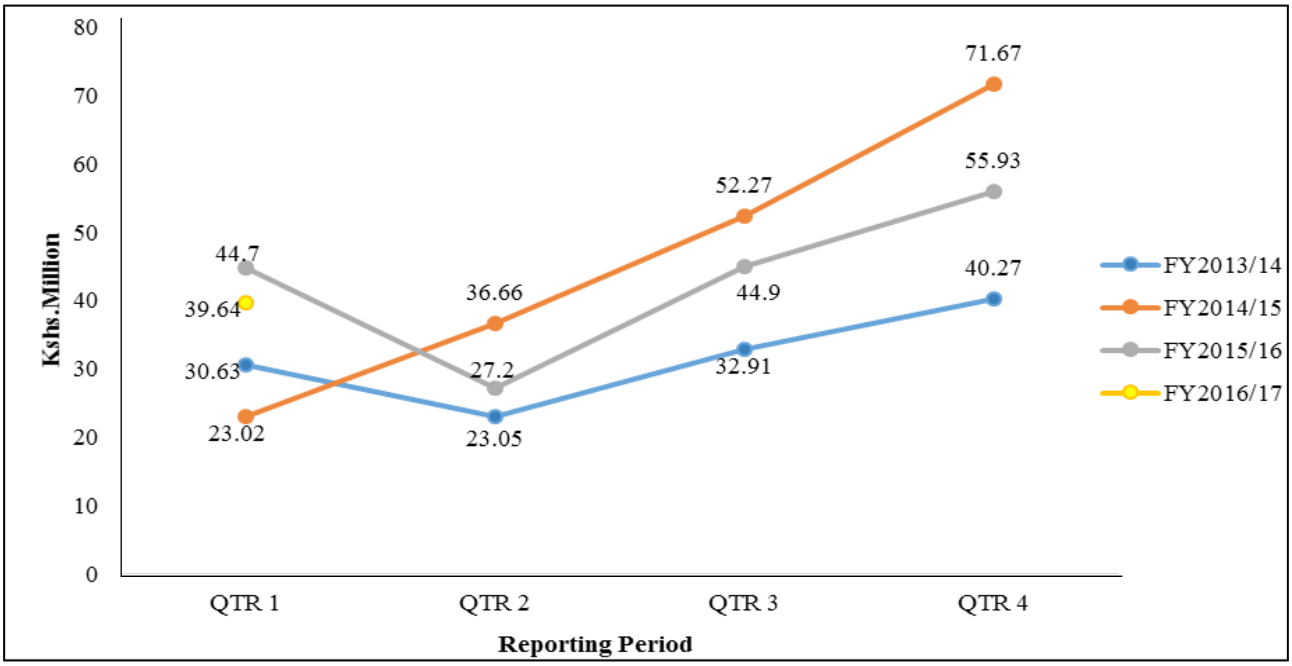
To finance the budget, the County expects to receive Kshs.3.57 billion (76.8 per cent) as equitable share of revenue raised nationally,Kshs.484.25 million (10.4 per cent) as total conditional grants, generate Kshs.355.89 million (7.6 per cent) from local sources, and Kshs.241.41 million (5.2 per cent) cash balance from FY 2015/16. The conditional grants comprise of Kshs.37.66 million (7.8 per cent) for Free Maternal Health Care, Kshs.54.87 million (11.3 per cent) from the Road Maintenance Fuel Levy Fund, Kshs.6.63 million (1.4 per cent) for User Fees Foregone, Kshs.7.4 million (1.5 per cent) as a grant from DANIDA, and Kshs.377.67 million (78 per cent) as conditional grants from other loans and grants.

3.39.342 Revenue Analysis

During the first quarter of FY 2016/17, the County received Kshs.892.77 million as equitable share of the revenue raised nationally, Kshs.6.88 million as total conditional allocations, raised Kshs.39.64 million from local sources, and Kshs.241.41 million brought forward from FY 2015/16.

Figure 3.147 shows the quarterly trend in local revenue collection from the first quarter of FY 2013/14 to the first quarter of FY 2016/17.

Figure 3.147: Taita Taveta County, Trend in Local Revenue Collection by Quarter from the First Quarter FY 2013/14 to the First Quarter FY 2016/17



Source: *Taita Taveta County Treasury*

The total local revenue collected in the first quarter of FY 2016/17 amounted to Kshs.39.64 million, which is a decrease of 11.32 per cent compared to Kshs.44.7 million generated in a similar period of FY 2015/16. This revenue accounted for 11.2 per cent of the annual local revenue target.

Table 3.112 provides an analysis of the local revenue collected in the first quarter of FY 2016/17 by revenue stream.

Table 3.112: Taita Taveta County Analysis of Revenue Collected by Stream in the First Quarter of FY 2016/17

No.	Revenue Stream	Annual Target Revenue (Kshs.)	First quarter, FY 2016/17 Actual Revenue (Kshs.)	Actual Revenue as a percentage of Annual Target (%)
1	Public Hospital Fees	88,444,669.36	9,891,411.00	11.2
2	Market Fees	17,957,194.28	8,199,547.00	45.7
3	Parking Fees	31,068,612.00	3,961,680.00	12.8
4	Cess Fees	44,939,748.61	3,865,384.00	8.6
5	Single Business Permits	36,249,521.16	2,159,830.00	6.0
6	Natural Resource Exploitation	8,730,980.69	1,959,272.00	22.4
7	Other Public Works Related Fees	14,524,749.00	1,909,085.00	13.1
8	Hire of Stadium Market Stalls & Other Social Halls	7,150,392.59	1,623,000.00	22.7
9	House Rent	9,970,191.00	1,387,650.00	13.9
10	Land Rates	39,503,552.25	1,325,539.00	3.4
11	Other Land Related Fess	11,919,281.07	915,335.00	7.7

No.	Revenue Stream	Annual Target Revenue (Kshs.)	First quarter, FY 2016/17 Actual Revenue (Kshs.)	Actual Revenue as a percentage of Annual Target (%)
12	Refuse collection Toilets and Exhauster Charges	12,340,007.50	829,730.00	6.7
13	Tender Doc Financial investments & Local Levies	5,804,415.52	741,155.00	12.8
14	Slaughter Houses Livestock Veterinary & Fisheries	5,896,311.29	410,090.00	7.0
15	Plot Rents	12,213,470.37	329,830.00	2.7
16	Administrative Impounding & Clamping Fees	1,032,299.00	134,700.00	13.0
17	Liquor Licenses	7,585,014.84	-	0
18	Water Administration	57,245.74	-	0
	TOTAL	**355,387,656.27**	**39,643,238.00**	**11.2**

Source: *Taita Taveta County Treasury*

Analysis of the local revenue performance by stream indicated that, Market Fees recorded the highest performance against annual target at 45.7 per cent. This was followed by Hire of Stadium, Market Stalls & Other Social Halls at 22.7 per cent, and Natural Resource Exploitation was at 22.4 per cent.

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

3.39.343 Conditional Grants

Table 3.113 shows an analysis of conditional grants received in the first quarter of FY 2016/17.

Table 3.113: Taita Taveta County Analysis of Conditional Grant Releases in the First Quarter of FY 2016/17

No.	Conditional Grant	Amount allocation as provided in CARA, 2016 (Kshs.)	First Quarter, FY 2016/17 Actual receipt from the Conditional Grant(Kshs.)	Actual receipt as a percentage of Annual Allocation(%)
1	Road Maintenance Fuel Levy Fund	54,869,411	-	-
2	Free Maternal Health Care	37,659,621	6,880,000	18.3
3	Compensation For User Fees Foregone	6,631,099	-	-
4	Danida Grant	7,405,000	-	-
5	National Drought Management Authority Grant (Not contained in CARA, 2016)	9,920,000	-	-
6	Red Cross Grant (Not contained in CARA, 2016)	100,000,000	-	-
7	Kenya Devolution Support Programme- World Bank (Not contained in CARA, 2016)	23,981,101	-	-
8	European Union Grant (Not contained in CARA, 2016)	112,000,000	-	-
9	Leasing of Medical Equipment	95,744,681	-	-
10	Health Sector Services Fund-World bank	36,034,216	-	-
	TOTAL	**484,245,129**	**6,880,000**	**1.4**

Source: *Taita Taveta County Treasury*

In the first quarter of the FY 2016/17, the County reported receipts from only one conditional grant category, namely; the Free Maternal Health Care of Kshs.6.88 million. This represented 18 per cent of the annual target. The Office notes that some conditional grants contained in the approved budget were not in the CARA, 2016. There is therefore, need for the County to provide details on these grants.

3.39.344 Exchequer Issues

During the reporting period, the Controller of Budget authorised withdrawal of Kshs.972.21 million from the CRF account, which was 20.9 per cent of the FY 2016/17 Approved Budget. This amount represented an increase of 187.6 per cent from Kshs.338 million authorized in a similar period of FY 2015/16 and consisted of Kshs.658.57 million (67.7 per cent) for recurrent expenditure and Kshs.313.64 million (32.3 per cent) for development activities.

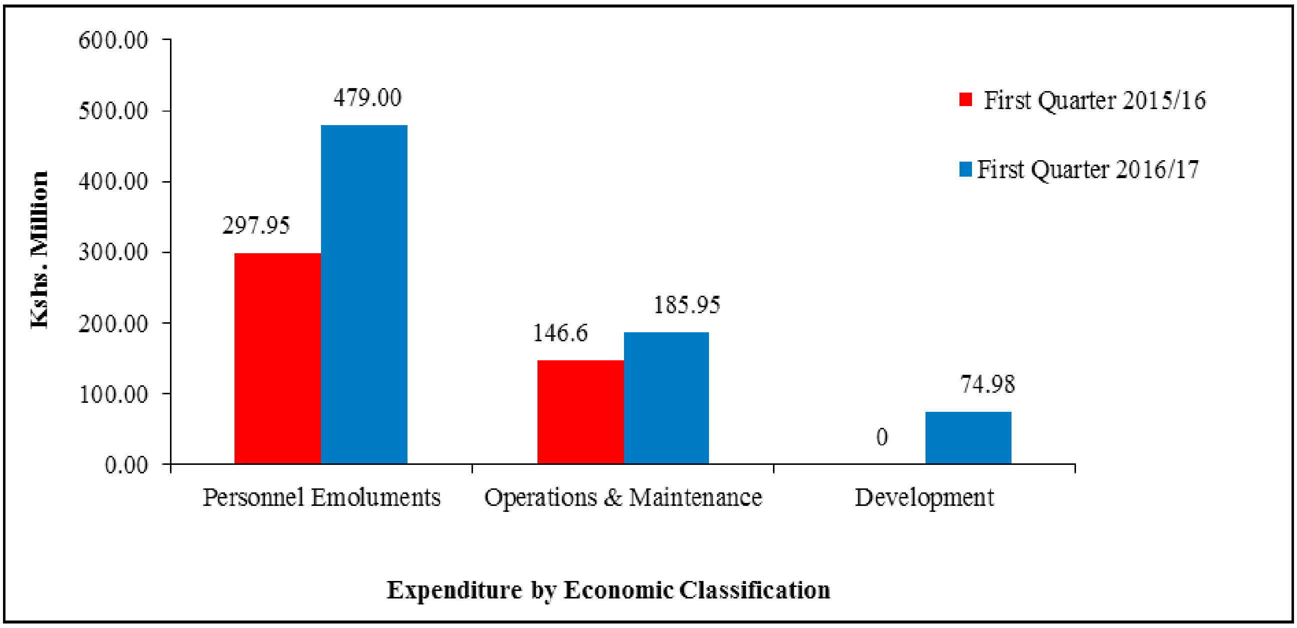
3.39.345 Overall Expenditure Review

The County spent Kshs.739 million, which was 76.1 per cent of the total funds released for operations. This was an increase of 66.24 per cent from Kshs.444.55 million spent in a similar period in FY 2015/16.

A total of Kshs.664.95 million was spent on recurrent activities, while Kshs.74.98 million was spent on development activities. The recurrent expenditure was 101.0 per cent of the funds released for recurrent activities while development expenditure accounted for 23.9 per cent of the funds released for development activities. The expenditure excluded outstanding commitments as at 30th September, 2016 that amounted to Kshs.30.4 million for development and Kshs.21.1 million for recurrent expenditure.

The recurrent expenditure represented 21.1 per cent of the annual recurrent budget, an increase from 16.5 per cent spent in a similar period of FY 2015/16. Development expenditure recorded an absorption rate of 5 per cent while there was no development expenditure in a similar period of FY 2015/16. Figure 3.148 presents a comparison between total expenditure in the first quarter of FY 2016/17and FY 2015/16.

Figure 3.148: Taita Taveta County, Expenditure by Economic Classification for the First Quarter of FY 2015/16 and the First Quarter of FY 2016/17



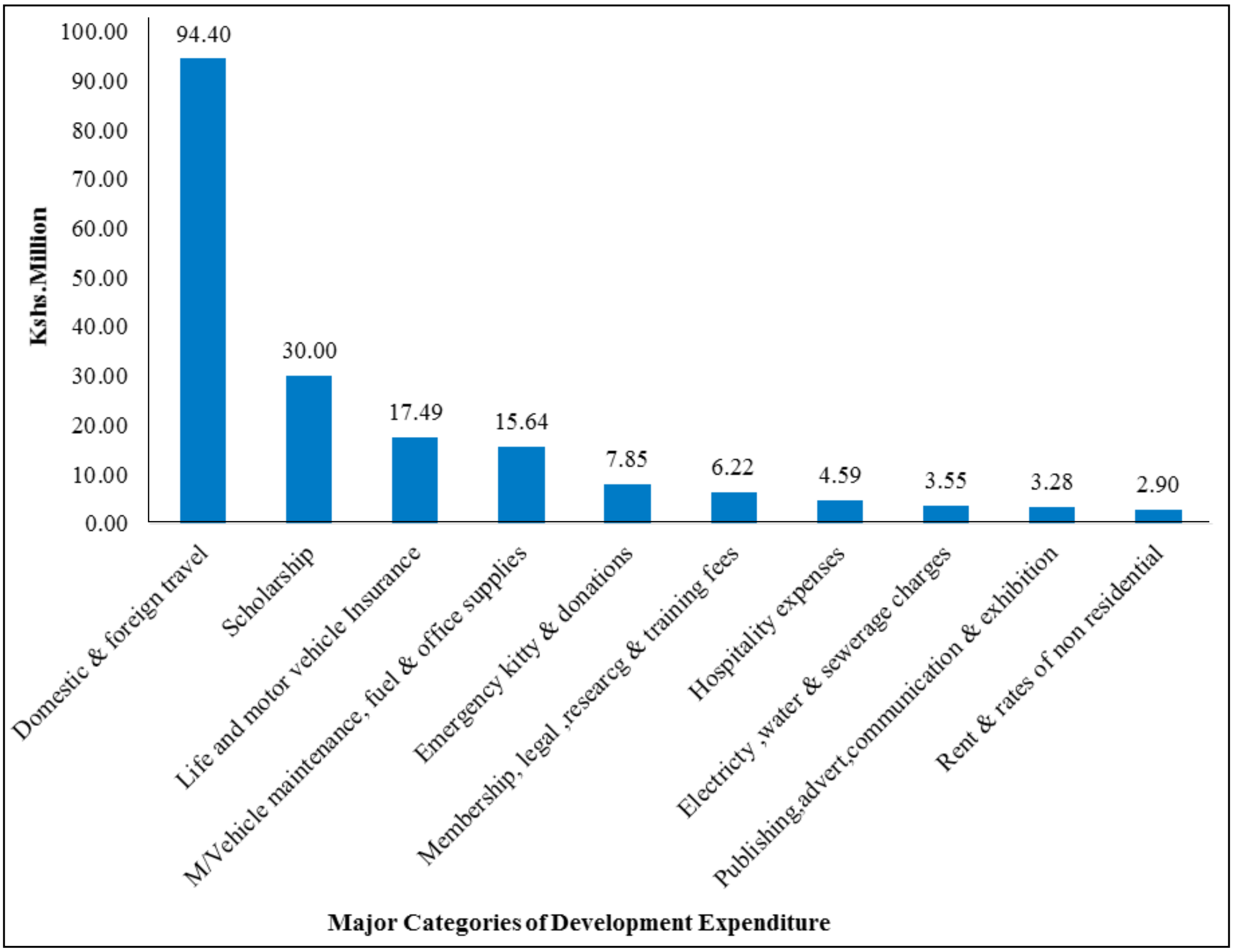
Source: *Taita Taveta County Treasury*

3.39.346 Analysis of Recurrent Expenditure

The recurrent expenditure of Kshs.664.94 million consisted of Kshs.479 million (72 per cent) spent on personnel emoluments and Kshs.185.95 million (28 per cent) on operations and maintenance as shown in Figure 3.147.Expenditure on personnel emoluments represented an increase of 60.8 per cent compared to a similar period of FY 2015/16 when the County spent Kshs.297.95 million.

Figure 3.149 shows a summary of the operations and maintenance expenditure by major categories.

Figure 3.149: Taita Taveta County, Operations and Maintenance Expenditure for the First Quarter of FY 2016/17



Source: *Taita Taveta County Treasury*

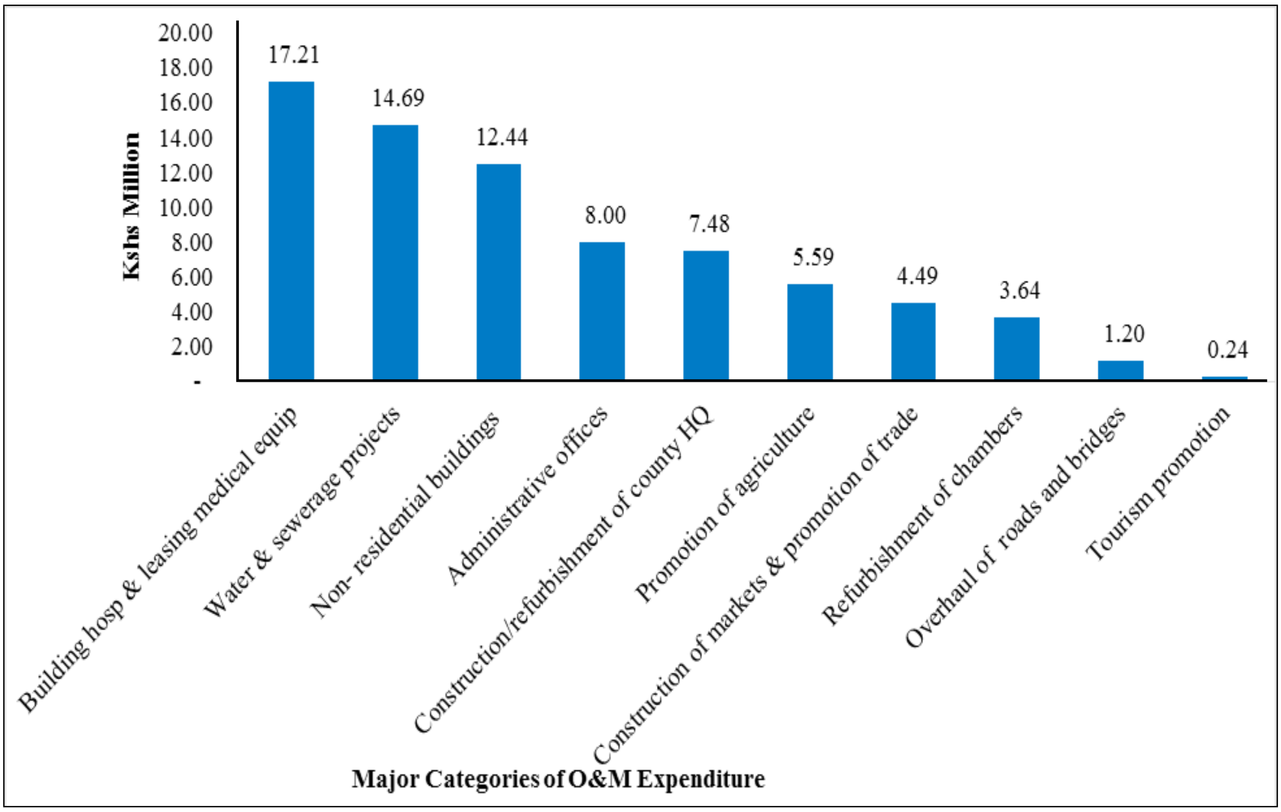
The County spent Kshs.9.54 million on sitting allowances to the 35 MCAs and the Speaker against the annual budget allocation of Kshs.65.44 million. This was an increase of over 100 per cent compared to Kshs.3.1 million spent in a similar period of FY 2015/16. The average monthly sitting allowance was Kshs.270,123 compared to SRC's recommended monthly ceiling of Kshs.88,352.

Expenditure on domestic and foreign travel amounted to Kshs.94 million compared to Kshs.21.9million spent in a similar period of FY 2015/16, representing an increase of 328.6 per cent.

3.39.347 Development Expenditure Analysis

The total development expenditure of Kshs.74.98 million represented 5 per cent of the annual development budget of Kshs.1.50 billion. Figure 3.150 provides a summary of development expenditure during the period under review.

Figure 3.150: Taita Taveta County, Summary of Development Expenditure for the First Quarter of FY 2016/17



Source: *Taita Taveta County Treasury*

Analysis of the development expenditure by category indicated that, the highest expenditure of Kshs.17.21 million was spent by the Heath Department and consisted of Kshs.11.39 million incurred on Leasing of Medical Equipment, and Kshs.5.82 million on construction of hospitals. The second highest expenditure category of Kshs.14.69 million was incurred by the Water and Irrigation Department on development of water and sewerage projects. The Education and Libraries Department spent Kshs.12.44 million on construction of schools and polytechnics.

3.39.348 Budget and Budget Performance Analysis by Department

Table 3.114 shows a summary of first quarter FY 2016/17 budget estimates and budget performance by department.

Table 3.114: Taita Taveta County, First Quarter of FY 2016/17 Budget Performance by 2016/17

Department	Budget Allocations (Kshs.Million)		First Quarter FY 2016/17 Exchequer Issues(Kshs. Million)		First Quarter FY 2016/17 Expenditure (Kshs. Million)		First Quarter FY 2016/17 Expenditure to Exchequer Issues(%)		First Quarter FY 2016/17 Absorption rate(%)	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
County Assembly	571.00	60.00	114.33	12.65	144.45	3.63	126.3	28.7	25.3	6.1
Administration and Devolution	152.61	20.13	39.66	4.80	38.96	8.00	98.2	166.7	25.5	39.7
The Governor's And Deputy Governor's Office	170.04	55.10	27.56	11.50	39.23	7.48	142.3	65.0	23.1	13.6
Finance and Planning	533.05	1.50	86.71	0.91	104.59	-	120.6	-	19.6	-
Agriculture, Livestock, and Fisheries	146.21	163.75	40.28	34.59	52.33	5.59	129.9	16.2	35.8	3.4
Industrialization, Energy, Research, and ICT	23.65	16.59	5.68	4.29	-	-	-	-	-	-
Water and Irrigation	54.47	398.52	12.85	86.88	0.94	14.69	7.3	16.9	1.7	3.7
Education and Libraries	399.70	170.19	65.95	35.53	112.42	12.44	170.5	35.0	28.1	7.3
Health	840.08	214.33	204.67	39.92	161.11	17.22	78.7	43.1	19.2	8.0
Trade and Community Affairs	57.83	144.36	14.23	36.56	3.10	4.49	21.8	12.3	5.4	3.1
County Public Service Board	51.81	-	11.17	-	4.35	-	38.9	-	8.4	-
Infrastructure and Public Works	56.97	239.15	13.41	40.80	1.61	1.20	12.0	2.9	2.8	0.5
Lands and Mining	37.40	3.30	5.98	1.99	0.66	-	11.0	-	1.8	-
Tourism and Natural Resources	55.27	15.29	16.11	3.19	1.18	0.24	7.3	7.5	2.1	1.6
TOTAL	**3,150.09**	**1,502.21**	**658.59**	**313.61**	**664.93**	**74.98**	**101.0**	**23.9**	**21.1**	**5.0**

Source: *Taita Taveta County Treasury*

Analysis of budget performance by department shows that the Department of Administration and Devolution attained the highest absorption of development budget at 39.7 per cent. On the other hand, the Agriculture, Livestock and Fisheries Department had the highest percentage of recurrent expenditure to annual recurrent budget at 35.8 per cent.

3.39.349 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 ECD infrastructure.

ii. Enhancement of human capacity through training as evidenced by improved budget implementation.

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

1. Late submission of financial reports by the County Treasury to the Controller of Budget, which affected timely preparation of budget implementation report.
2. A high wage bill that increased by 60.8 per cent from Kshs.297.95 million in the first quarter of FY 2015/16 to Kshs.479 million in the period under review.
3. Underperformance in local revenue collection. The local revenue collection has declined from Kshs.44.7 million in the first quarter of FY 2015/16 to Kshs.39.64 million in the reporting period.

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

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

3.40 Tana River County

3.40.350 Overview of the FY 2016/17 Budget

The County's FY 2016/17 Approved Budget was Kshs.4.68billion, comprising of Kshs.2.29 billion (49 per cent) and Kshs.2.38billion (51 per cent) allocations for recurrent and development expenditure respectively.

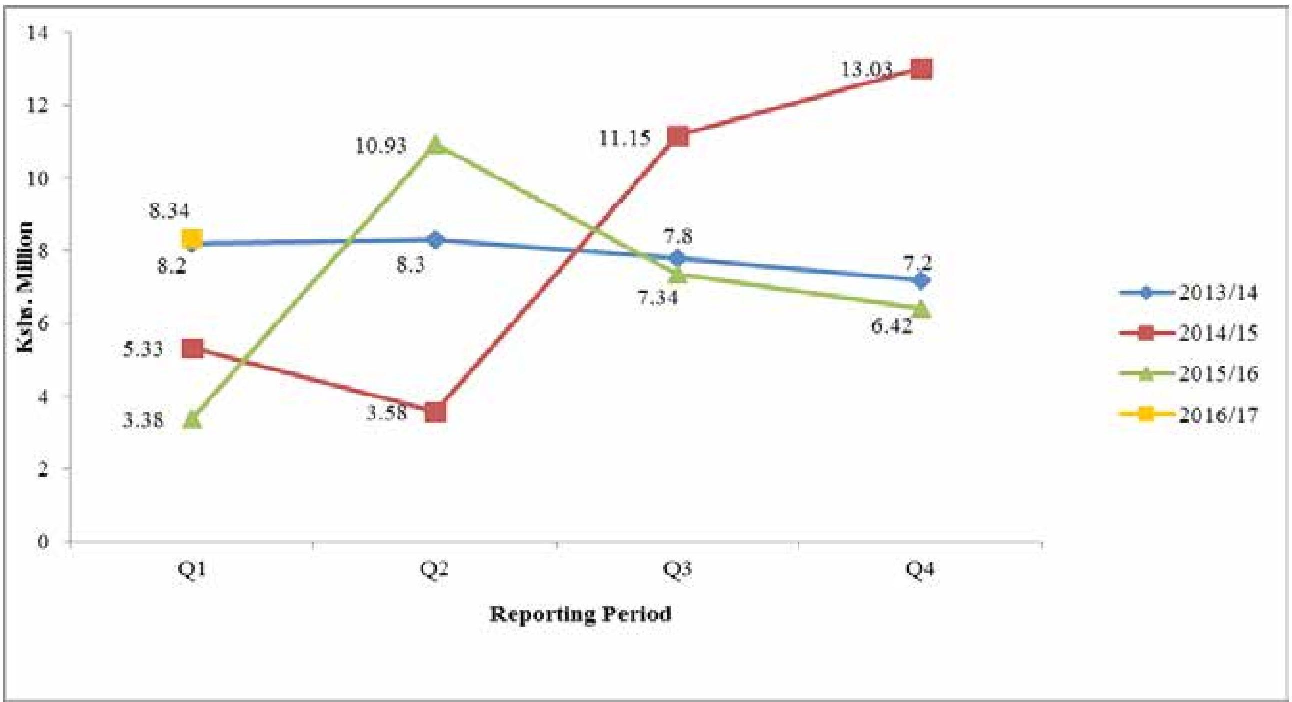
To finance the budget, the County expects to receive Kshs.4.3 billion (91.9 per cent) as equitable share of revenue raised nationally, Kshs.292.74 million (6.3 per cent) as total conditional grants, generate Kshs.60 million (1.4 per cent) from local sources. The County had no cash balance brought forward from FY 2015/16. The conditional grants comprise of Kshs.25.23 million for Free Maternal Health Care, Kshs.66.06 million from the Road Maintenance Fuel Levy Fund, Kshs.5.7 million for User Fees Foregone, Kshs.4.65 million from DANIDA, and Kshs.24.17 million as World Bank loan to supplement financing of health services.

3.40.351 Revenue Analysis

During the first quarter of FY 2016/17, the County received Kshs.1.07 billion as equitable share of the revenue raised nationally, Kshs.3.69 million as total conditional allocations, raised Kshs.8.34 million from local sources.

Figure 3.151 shows the quarterly trend in local revenue collection from the first quarter of FY 2013/14 to the first quarter of FY 2016/17.

Figure 3.151: Tana River County, Trend in Local Revenue Collection by Quarter from FY 2013/14 to FY 2016/17



Source: *Tana River County Treasury*

The total local revenue collected in the first quarter of FY 2016/17 amounted to Kshs.8.34 million which was an increase of over 100 per cent compared to Kshs.3.38 million generated in a similar period of FY 2015/16. This revenue accounted for 13.9 per cent of the annual local revenue target.

Table 3.115 provides an analysis of the local revenue collected in the first quarter of FY 2016/17 by revenue stream.

Table 3.115: Tana River County Analysis of Revenue Collected by Stream in the First Quarter of FY 2016/17

No	Revenue Stream	Annual Targeted Revenue (Kshs.)	First quarter, FY 2016/17 Actual Revenue	Actual Revenue as a percentage of Annual Target (%)
1	Hides &skins	500,000	2,200.00	0.4
2	Charcoal	1,230,000	388,500.00	31.5
3	Fish	200,000	49,580.00	24.8
4	Fruits/Mango	2,800,000	43,250.00	1.5
5	Maize	2,500,000	1,626,003.00	65.0
6	Export	3,800,000	119,700.00	3.2
8	Gypsum	6,200,000	658,000.00	10.6
9	Other revenue sources	10,777,200	1,947,450	18.1
10	Plot rent	1,500,000	1,205,000.00	80.3
11	Plot Reg. Fees	300,000	7,500.00	2.5
12	Plot Transfer Fees	500,000	109,000.00	21.8

No	Revenue Stream	Annual Targeted Revenue (Kshs.)	First quarter, FY 2016/17 Actual Revenue	Actual Revenue as a percentage of Annual Target (%)
13	Land Application Fees	700,000	38,000.00	5.4
14	Land Lease Fees	3,200,000	14,000.00	0.4
16	Permit Fees	6,000,000	1,764,350.00	29.4
18	A.I.A (Health facilities)	10,000,000	51,470.00	0.5
19	Bus Park Fees	700,000	52,000.00	7.4
21	Grazing Fees	450,000	95,370.00	21.2
22	Market Fees	1,500,000	12,000.00	0.8
23	Auction Fees	2,500,000	54,000.00	2.2
25	Advertising Fees	20,000	16,800.00	84.0
26	Deve. Application Fees	800,000	81,850.00	10.2
28	PPI Forms	400,000	1,000.00	0.3
29	Interest from Banks	500,000	3,500.00	0.7
30	Inspection Fees	2,200,000	1,000.00	0.1
TOTAL		**60,000,000**	**8,336,423.00**	**13.9**

Source: *Tana River County Treasury*

Analysis of the local revenue performance by stream indicated that, the Advertising Fees recorded the highest performance against annual target at 84.0 per cent. This was followed by Plot Rental Income at 80.1 per cent, and Maize Cess at 65 per cent.

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

3.40.352 Conditional Grants

Table 3.116 shows an analysis of conditional grants received in the first quarter of FY 2016/17.

Table 3.116: Tana River County Analysis of Conditional Grant Releases in the First Quarter of FY 2016/17

No.	Conditional Grant	Amount allocated as provided in CARA, 2016 (Kshs.)	First Quarter, FY 2016/17 Actual receipt of the Conditional Grant (Kshs.)	Actual receipts as a percentage of Annual Allocation (%)
1	Road Maintenance Fuel Levy Fund	66,060,281	0.0	0.0
2	Free Maternal Health Care	25,230,780	3,685,000	14.6
3	User Fees Foregone	5,699,850	0.0	0.0
4	DANIDA Grant	4,645,000	0.0	0.0
5	World Bank Loan	24,174,105	0.0	0.0
6	Lease of Medical Equipment	95,744,681	0.0	0.0
7	Emergency Medical Services	100,000,000	0.0	0.0
Total		**292,735,592.00**	**3,685,000**	**1.3**

Source: *Tana River County Treasury*

The County Treasury reported receipts from only one category of conditional grants, the Free Maternal Health Care, which attained a performance of 14.6 per cent of its annual allocation.

3.40.353 Exchequer Issues

During the reporting period, the Controller of Budget authorised withdrawal of Kshs.1.41 billion from the CRF account, which was 30.7 per cent of the FY 2016/17 Approved Budget. This amount represented an increase of 92.1 per cent from Kshs.733 million authorized in a similar period of FY 2015/16 and consisted of Kshs.689.91 million (49 per cent) for recurrent expenditure and Kshs.720.15 million (51 per cent) for development activities.

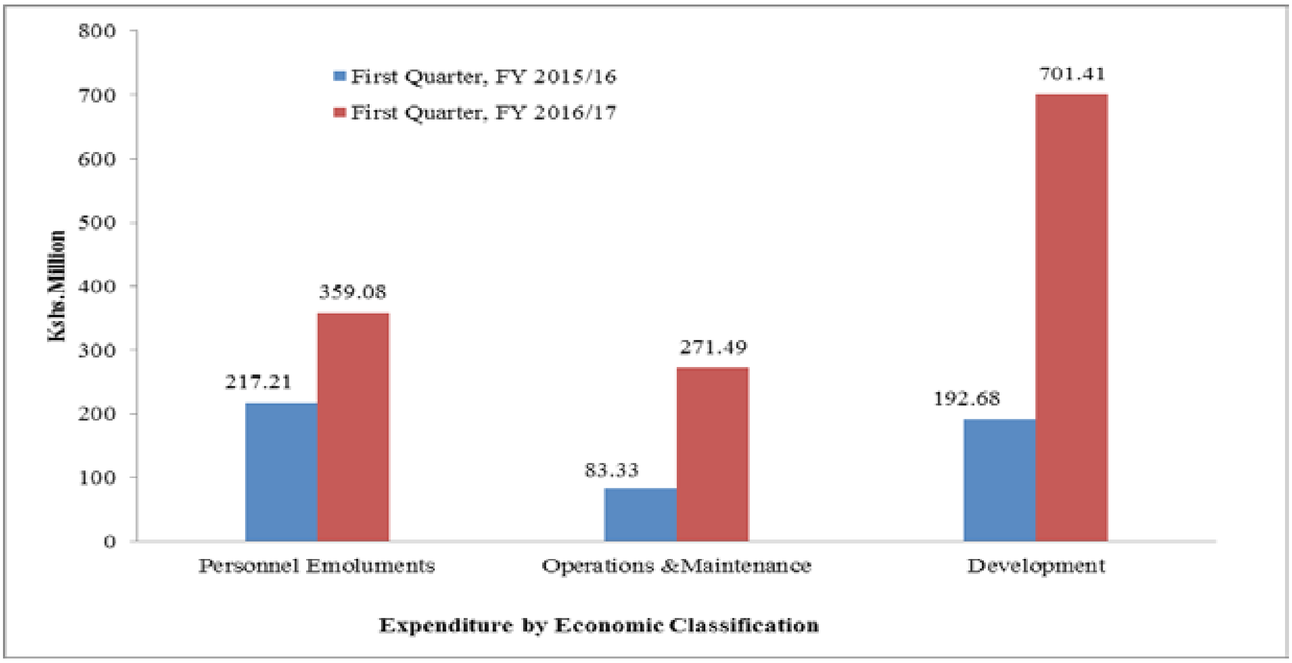
3.40.354 Overall Expenditure Review

The County spent Kshs.1.33 billion, which was 94.5 per cent of the total funds released for operations. This was an increase from Kshs.493.20 million spent in a similar period in FY 2015/16.

A total of Kshs.630.58 million was spent on recurrent activities, while Kshs.701.41 million was spent on development activities. The recurrent expenditure was 91.4 per cent of the funds released for recurrent activities while development expenditure accounted for 97.4 per cent of the funds released for development activities. The expenditure excluded outstanding commitments as at 30th September, 2016 that amounted to Kshs.18.74 million for development and Kshs.59.33million for recurrent expenditure.

The recurrent expenditure represented 28.3 per cent of the annual recurrent budget, an increase from 17.1 per cent spent in a similar period of FY 2015/16. Development expenditure recorded an absorption rate of 29.8 per cent compared to 7.6 attained in a similar period of FY 2015/16. Figure 3.152 presents a comparison between total expenditure in the first quarter of FY 2016/17 and the first quarter of FY 2015/16.

Figure 3.152: Tana River County, Expenditure by Economic Classification for the First Quarter of FY 2016/17 and theFirst Quarter of FY 2015/16



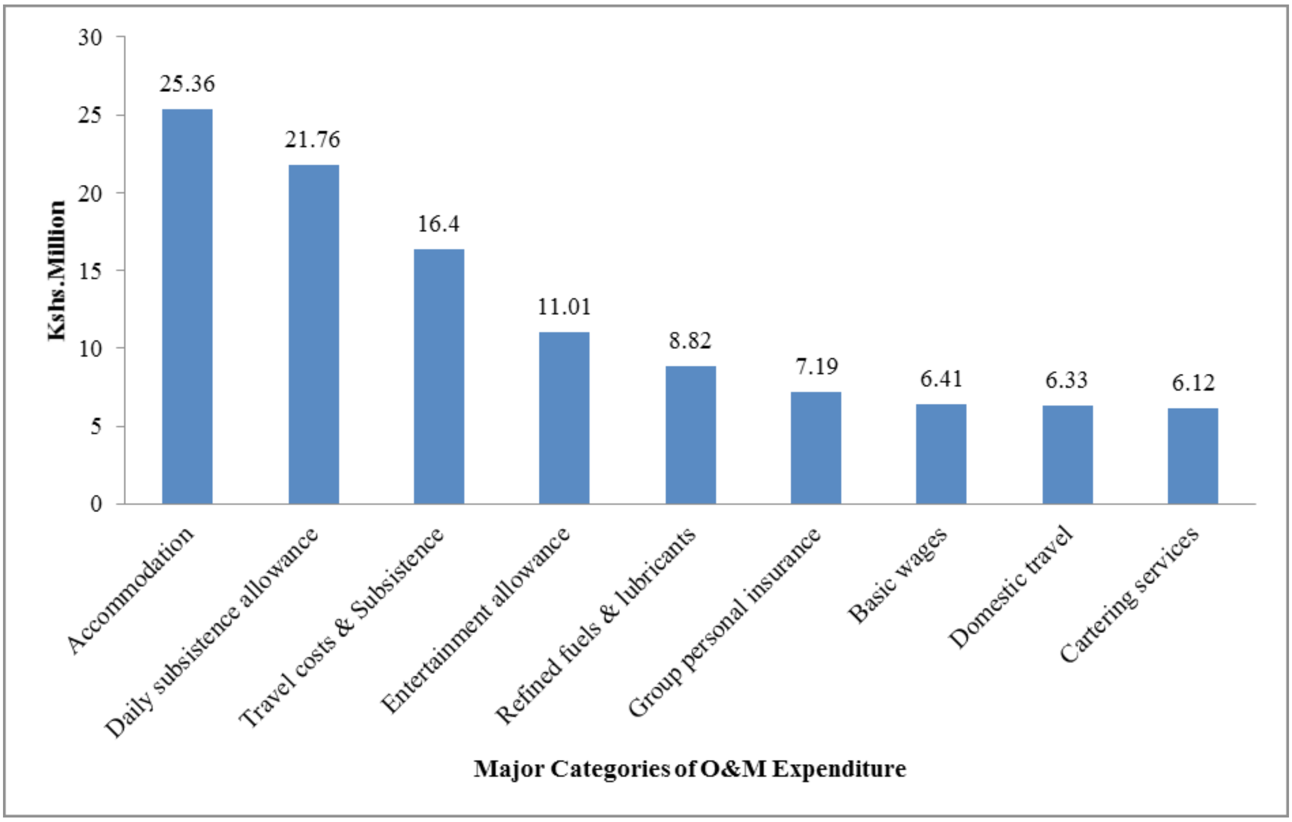
Source: *Tana River County Treasury*

3.40.355 Analysis of Recurrent Expenditure

The recurrent expenditure of Kshs.630.58 million consisted of Kshs.359.08 million (56.9per cent) spent on personnel emoluments and Kshs.271.49 million (43.1 per cent) on operations and maintenance as shown in Figure 3.151 . Expenditure on personnel emoluments represented an increase of 65.3 per cent compared to a similar period of FY 2015/16 when the County spent Kshs.217.21million.

Figure 3.153 shows a summary of the operations and maintenance expenditure by major categories.

Figure 3.153: Tana River County, Operations and Maintenance Expenditure for First Quarter of FY 2016/17



Source: *Tana River County Treasury*

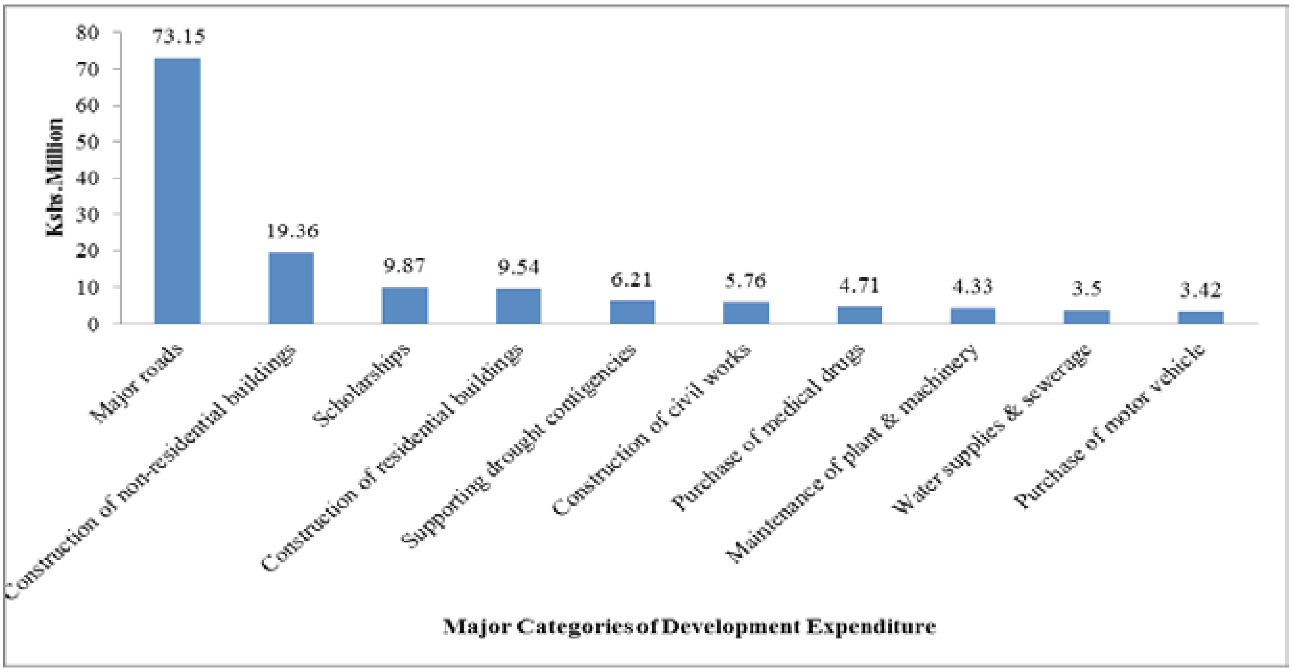
The County spent Kshs.6.29 million on sitting allowances to the 26 MCAs and the Speaker against the annual budget allocation of Kshs.22.5 million. This was an increase of 9.39 per cent compared to Kshs.5.75 million spent in a similar period of FY 2015/16. The average monthly sitting allowance was Kshs.77,626 compared to SRC's recommended monthly ceiling of Kshs.124,800.

Expenditure on domestic and foreign travel amounted to Kshs.64.18 million compared to Kshs.52.43 million spent in a similar period of FY 2015/16, representing a decrease of 22.4 per cent.

3.40.356 Development Expenditure Analysis

The total development expenditure of Kshs.701.41 million represented 29.8 per cent of the annual development budget of Kshs.2.36 billion. Figure 3.154 provides a summary of development expenditure during the period under review.

Figure 3.154: Tana River County, Summary of Development Expenditure for the First Quarter of FY 2016/17



Source: *Tana River County Treasury*

Analysis of the development expenditure by category indicated that, the highest expenditure of Kshs.73.15 million was incurred by the Roads and Public Works Department on construction of major roads. The second highest expenditure of Kshs.19.36 million was spent on the construction of non-residential buildings. The Department of Education spent Kshs.9.87 million on scholarships, while the Department of Cohesion and Special Programmes incurred Kshs.6.21 million on drought contingencies.

3.40.357 Budget and Budget Performance Analysis by Department

Table 3.117 shows a summary of first quarter FY 2016/17 budget estimates and budget performance by department.

Table 3.117: Tana River County, Budget Performance by Department in the First Quarter of FY 2016/17

Department	Budget Allocation (Kshs. Million)		First quarter FY 2016/17 Exchequer Issues (Kshs. Million)		First quarter FY 2016/17 Expenditure (Kshs. Million)		First quarter FY 2016/17 Expenditure to Exchequer Issues (%)		First quarter FY 2016/17 Absorption rate (%)	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
County Assembly	442.44	98.09	137.03	29.87	121.54	25.99	88.7	87.0	27.5	26.5
Office of Governor	369.29	96.21	114.37	29.30	112.09	28.40	98.0	96.9	30.4	29.5
Finance& Economic Planning	118.01	59.55	36.55	18.14	35.45	16.49	97.0	90.9	30.0	27.7
Education	183.95	238.45	56.97	72.63	54.69	69.65	96.0	95.9	29.7	29.2
Health, Water & Sanitation	586.08	597.54	181.52	182.00	154.61	179.61	85.2	98.7	26.4	30.1
Agriculture	220.39	388.17	68.26	118.22	66.89	117.86	98.0	99.7	30.4	30.4
Environment & Natural Resources	31.13	27.35	9.64	8.32	9.64	7.64	100.0	91.7	31.0	27.9

Department	Budget Allocation (Kshs. Million)		First quarter FY 2016/17 Exchequer Issues (Kshs. Million)		First quarter FY 2016/17 Expenditure (Kshs. Million)		First quarter FY 2016/17 Expenditure to Exchequer Issues (%)		First quarter FY 2016/17 Absorption rate (%)	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
Cohesion & Special Programmes	49.34	102.22	15.28	31.13	15.28	31.13	100.0	100	31.0	30.5
Gender, Culture and Social Services	45.54	116.88	14.11	28.80	13.40	28.23	95.0	98.0	29.4	24.2
Trade and Tourism	71.30	230.00	22.08	78.93	17.42	76.00	79.8	96.3	24.4	33.0
Roads & Public Works	48.99	403.20	15.17	122.80	13.88	120.42	91.5	98.1	28.3	29.9
CPSB	61.09	0.00	18.92	0.00	15.67	0.00	82.8	0.0	25.6	0.0
TOTAL	**2,227.56**	**2,357.66**	**689.91**	**720.15**	**630.58**	**701.41**	**91-4**	**97.4**	**28.3**	**29.8**

Source: *Tana River County Treasury*

Analysis of budget performance by department shows that the Department of Trade and Tourism attained the highest absorption of development budget at 33 per cent while the Department of Gender, Culture and Social Services incurred the lowest development expenditure at 24.2 Per cent. On the other hand, the Department of Environment and Natural Resources and the Department of Cohesion & Special Programmes attained the highest expenditure to recurrent budget at 31 per cent.

3.40.358 Observations and Recommendations

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

i. Improvement in staff capacity through training, particularly on IFMIS and Internet Banking.

ii. Establishment of the Internal Audit Committee in line with Section116 of the PFMA, 2012.

iii. Improvement in absorption of the development budget. Development expenditure recorded an absorption rate of 29.8 per cent during the period under review compared to 7.6 per cent attained in the same period of FY 2015/16.

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

1. Failure to establish an Internal Audit Committee to provide oversight in financial management oversight contrary to Section 155 of the PFM Act, 2012.

The County should implement the following recommendation 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.*

3.41 Tharaka Nithi County

3.41.359 Overview of the FY 2016/17 Budget

The County's FY 2016/17 Approved Budget was Kshs.3.76 billion, comprising of Kshs.2.54 billion (67.6 per cent) and Kshs.1.21 billion (32.4 per cent) allocations for recurrent and development expenditure respectively.

To finance the budget, the County expects to receive Kshs.3.45 billion (91.8 per cent) as equitable share of revenue raised nationally, Kshs.110.80 million (2.9 per cent) as total conditional grants, and generate Kshs.200 million (5.3 per cent) from local sources. The conditional grants comprise of Kshs.35.26 million (31.8 per cent) for Free Maternal Health Care, Kshs.52.02 million (46.9 per cent) from the Road Maintenance Fuel Levy Fund, Kshs.8.52 million (7.7 per cent) for User Fees Foregone, and Kshs.15 million (13.5 per cent) as a grant from DANIDA.

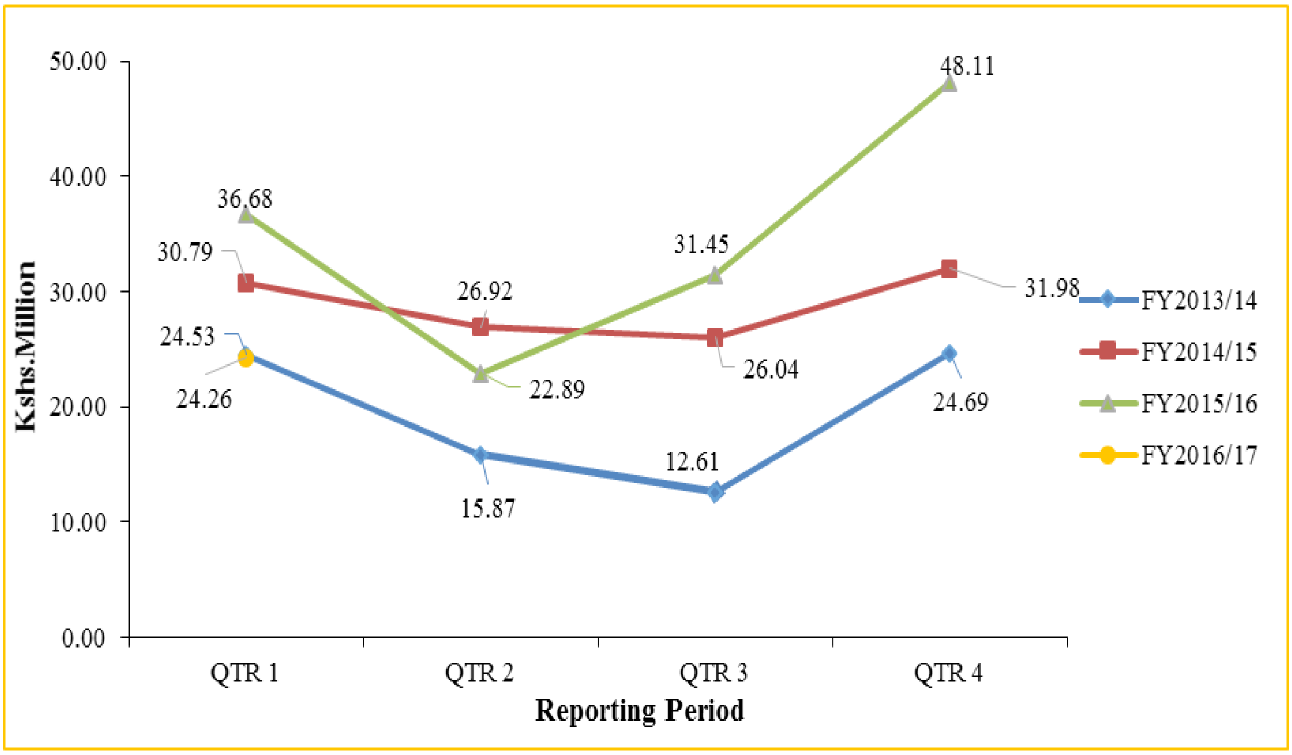
The Office noted some discrepancy between the approved revenue estimates for conditional grants when compared with CARA, 2016. The approved revenue estimates for the conditional grant for Free Maternal Health Care and DANIDA exceeded the allocations provided for in CARA, 2016 by Kshs.5.41 million and Kshs.8.83 million respectively, while the Compensation for User Fees Foregone was underestimated by 0.1 million when compared to the allocated amount in CARA, 2016. Further, the County did not factor in the budget Kshs.198.50 million brought forward from the FY 2015/16 and Kshs.44.65 million allocated as conditional grant from the World Bank to support health facilities.

3.41.360 Revenue Analysis

During the first quarter of FY 2016/17, the County received Kshs.846.37 million as equitable share of the revenue raised nationally, Kshs.19.34 million as total conditional allocations, raised Kshs.24.26 million from local sources, and Kshs.198.50 million brought forward from FY 2015/16.

Figure 3.155 shows the quarterly trend in local revenue collection from the first quarter of FY 2013/14 to the first quarter of FY 2016/17.

Figure 3.155: Tharaka Nithi County, Trend in Local Revenue Collection by Quarter from the first quarter FY 2013/14 to the first quarter of FY 2016/17



Source: *Tharaka Nithi County Treasury*

The total local revenue collected in the first quarter of FY 2016/17 amounted to Kshs.24.26 million which is a decrease of 9.1 per cent compared to Kshs.36.68 million generated in a similar period of FY 2015/16. This revenue accounted for 12.1 per cent of the annual local revenue target.

Table 3.118 provides an analysis of the local revenue collected in the first quarter of FY 2016/17 by revenue stream.

Table 3.118: Tharaka Nithi County Analysis of Revenue Collected by Stream in the First Quarter of FY 2016/17

No.	Revenue Stream	Annual Targeted Revenue (Kshs.)	First quarter, FY 2016/17 Actual Revenue	Actual Revenue as a percentage of Annual Target (%)
1	Appropriation in the Hospital/Dispensaries	50,000,000	6,170,096.20	12.3
2	Single Business Permit	35,000,000	2,744,845	7.8
3	Vehicle Parking	35,000,000	2,491,490	7.1
4	Cess Fees	30,000,000	5,425,410	18.1
5	Market and Slaughter	12,000,000	4,129,000	34.4
6	Plot Rents	10,000,000	614,068	6.1
7	Land Rates	3,000,000	174,166	5.8
8	Livestock Markets	5,200,000	290,860	5.6
9	Plan Approval Fees	2,500,000	389,900	15.6
10	Other Revenue Streams	17,300,000	1,833,595	10.6
TOTAL		**200,000,000**	**24,263,430.20**	**12.1**

Source: *Tharaka Nithi County Treasury*

Analysis of the local revenue performance by stream indicated that, Market and Slaughter Fees recorded the highest performance against annual target at 34.4 per cent followed by cess fees at 18.1 per cent, and Plan Approval Fees at 15.6 per cent.

The County did not deposit all locally generated revenue into the County Revenue Fund account maintained at Central Bank of Kenya (CBK) as required by Article 207 of the Constitution. The Department of Veterinary Services did not deposit its revenue collections into the CRF.

3.41.361 Conditional Grants

Table 3.119 shows an analysis of conditional grants received in the first quarter of FY 2016/17.

Table 3.119: Tharaka Nithi County Analysis of Conditional Grant Releases in the First Quarter of FY 2016/17

No.	Conditional Grant	Amount allocated as provided in CARA, 2016 (Kshs.)	First Quarter, FY 2016/17 Actual receipts from the Conditional Grant (Kshs.)	Actual receipts as a percentage of Annual Allocation (%)
1	Road Maintenance Fuel Levy Fund	52,017,792	13,004,448.00	25.0
2	World Bank Loan	44,654,343	0.00	0.0
3	Free Maternal Health Care	29,853,703	6,335,000.00	21.2
4	Compensation for User fees Foregone	8,419,197	0.00	0.0
5	DANIDA grant	6,165,000	0.00	0.0
Total		**141,110,035**	**19,339,4481**	**13.7**

Source: *Tharaka Nithi County Treasury*

The County received revenue from two grants. They were; the Road Maintenance Fuel Levy Fund, which recorded 25 per cent against the annual target followed by the Free Maternity Health Care grant at 21.2 per cent.

3.41.362 Exchequer Issues

During the reporting period, the Controller of Budget (COB) authorized withdrawal of Kshs.797.27 million from the CRF account, which was 21.2 per cent of the FY 2016/17 Approved Budget. This amount represented an increase of 42 per cent from Kshs.561.27 million authorized in a similar period of FY 2015/16 and consisted of Kshs.570.16 million (71.5 per cent) for recurrent expenditure and Kshs.227.12 million (28.5 per cent) for development activities.

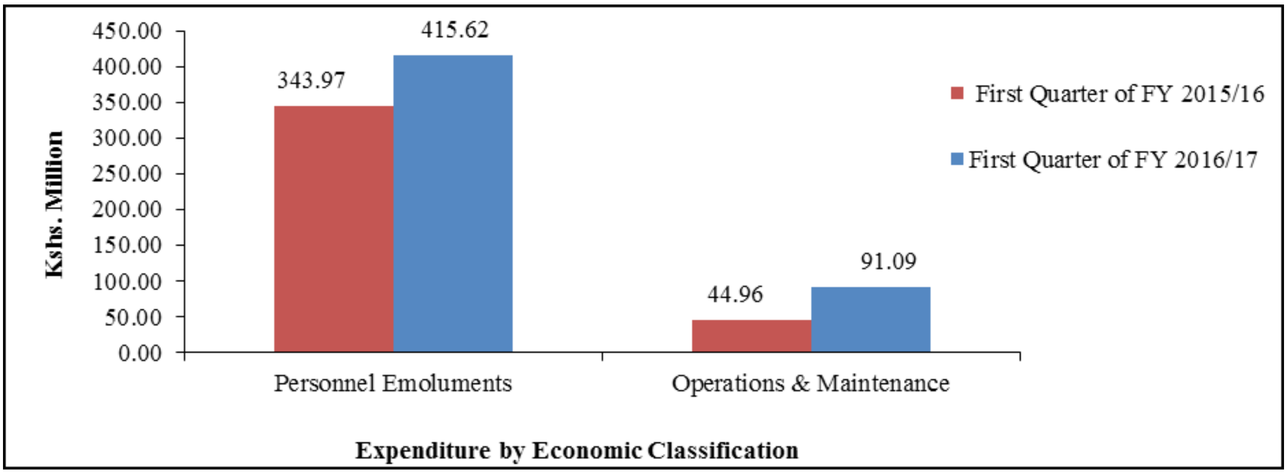
3.41.363 Overall Expenditure Review

The County spent Kshs.506.71 million, which was 63.6 per cent of the total funds released for operations. This was an increase of 30.4 per cent from Kshs.388.57 million spent in a similar period in FY 2015/16.

A total of Kshs.506.71 million was spent on recurrent activities, while there was no development expenditure. The recurrent expenditure was 88.9 per cent of the funds released for recurrent activities. The County did not incur any development expenditure in the period under review despite being granted an approval to withdraw Kshs.227.12 million for development activities. Expenditure excluded outstanding commitments as at 30th September, 2016 that amounted to Kshs.20.94 million for development and Kshs.89.91 million for recurrent expenditure.

The recurrent expenditure represented 19.9 per cent of the annual recurrent budget, an increase from 18.7 per cent spent in a similar period of FY 2015/16. Figure 3.156 presents a comparison between total expenditure in the first quarter of FY 2016/17 and the first quarter of FY 2015/16.

Figure 3.156: Tharaka Nithi County, Expenditure by Economic Classification for the First Quarter of FY 2016/17 and the first quarter of FY 2015/16



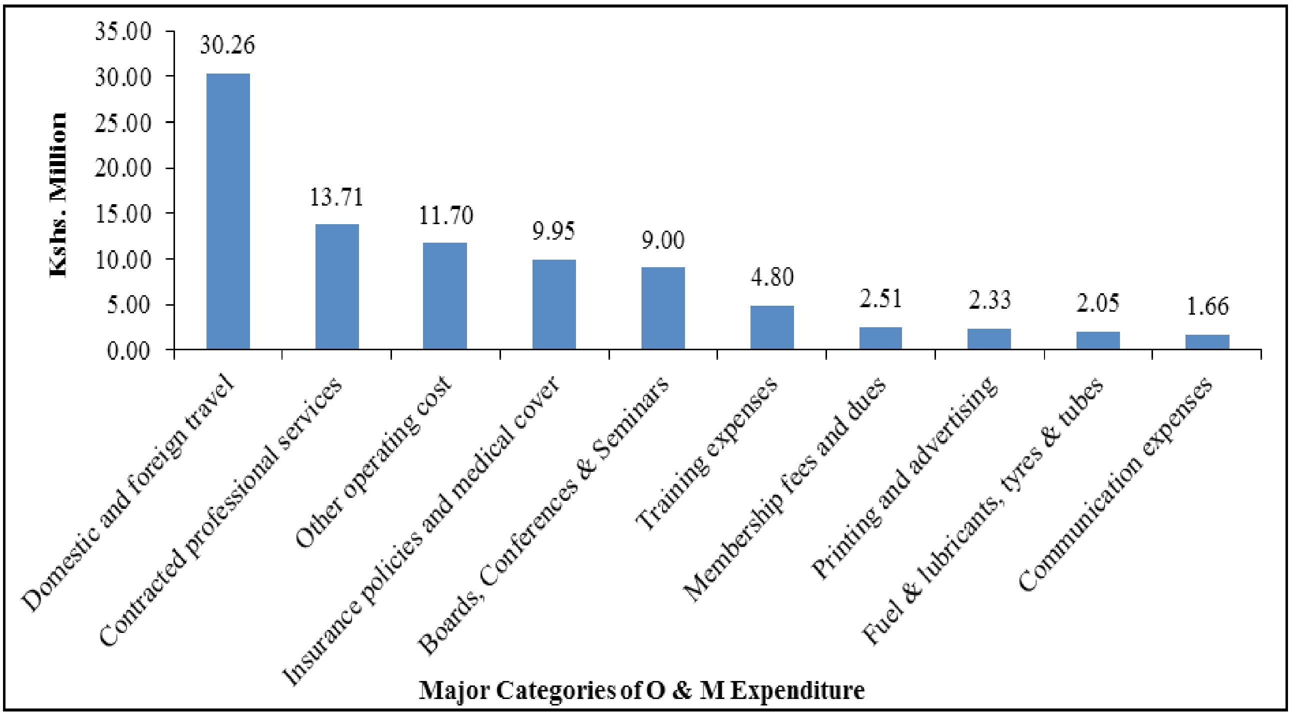
Source: *Tharaka Nithi County Treasury*

3.41.364 Analysis of Recurrent Expenditure

The recurrent expenditure of Kshs.506.71 million consisted of Kshs.415.62 million (82.0 per cent) spent on personnel emoluments and Kshs.91.09 million (18.0 per cent) on operations and maintenance as shown in Figure 3.155. Expenditure on personnel emoluments represented an increase of 20.8 per cent compared to a similar period in FY 2015/16 when the County spent Kshs.343.97 million.

Figure 3.1567 shows a summary of the operations and maintenance expenditure by major categories.

Figure 3.157: Tharaka Nithi County, Operations and Maintenance Expenditure for the First Quarter of FY 2016/17



Source: *Tharaka Nithi County Treasury*

The County spent Kshs.4.26 million on sitting allowances to the 24 MCAs and the Speaker against the annual budget allocation of Kshs.36.66 million. This was an increase of 261 per cent compared to Kshs.1.18 million spent in a similar period in FY 2015/16. The average monthly sitting allowance was Kshs.56,767 compared to SRC's recommended monthly ceiling of Kshs.124,800.

Expenditure on domestic and foreign travel amounted to Kshs.30.26 million compared to Kshs.13.82 million spent in a similar period of FY 2015/16, representing an increase of 119 per cent.

3.41.365 Budget and Budget Performance Analysis by Department

Table 3.120 shows a summary of first quarter FY 2016/17 budget estimates and budget performance by department.

Table 3.120: Tharaka Nithi County, First Quarter of FY 2016/17 Budget Performance by Department

Department	Budget Allocation (Kshs. Million)		First quarter FY 2016/17 Exchequer Issues (Kshs. Million)		First quarter FY 2016/17 Expenditure (Kshs. Million)		First quarter FY 2016/17 Expenditure to Exchequer Issues (%)		First quarter FY 2016/17 Absorption rate (%)	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
County Executive	166.28	0.00	28.36	0.00	40.83	0.00	144.0		24.6	
Finance and Economic	250.64	95.00	62.25	19.00	58.09	0.00	93.3	0.0	23.2	0.0
Labour and Urban Development	148.54	90.00	36.97	10.00	33.68	0.00	91.1	0.0	22.7	0.0
Education, Youth, Gender and Social Service	170.29	84.00	40.83	19.71	31.53	0.00	77.2	0.0	18.5	0.0
Health Service	936.16	113.00	231.34	16.00	207.79	0.00	89.8	0.0	22.2	0.0
Physical planning and Land	61.03	31.00	5.43	0.00	8.90	0.00	163.9		14.6	0.0
Tourism, Environment and Natural Services	51.40	7.00	8.20	3.50	11.37	0.00	138.7	0.0	22.1	0.0
Road, Transport, Housing, Public work and legal affairs	69.96	482.00	11.03	97.91	4.58	0.00	41.5	0.0	6.5	0.0
Agriculture, Livestock and Fisheries Development	204.18	97.28	53.75	31.00	50.46	0.00	93.9	0.0	24.7	0.0
Trade, Industry and Cooperative development	43.04	98.00	5.96	15.00	8.17	0.00	137.1	0.0	19.0	0.0
County Assembly	402.25	0.00	80.1	0.00	49.81	0.00	62.2		12.4	
County Public Services Board	29.94	0.00	5.48	0.00	1.50	0.00	27.4		5.0	
Water services and Irrigation	8.92	117.00	0.46	15.00	0.00	0.00	0.0	0.0	0.0	0.0
TOTAL	**2542.63**	**1214.28**	**570.16**	**227.12**	**506.71**	**0.00**	**88.9**	**0.0**	**19.9**	**0.0**

Source: *Tharaka Nithi County Treasury*

Analysis of budget performance by department shows that the Department of Agriculture, Livestock and Fisheries Development had highest percentage of recurrent expenditure to recurrent budget at 24.7 per cent while Department of Water Services and Irrigation did not incur any recurrent expenditure during the period under review. The County did not incur any development expenditure despite requesting for funds to undertake development activities.

3.41.366 Observations and Recommendations

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

i. Adoption of IFMIS by the County Assembly in processing financial transactions.
ii. Establishment of a monitoring and evaluation unit to enhance oversight and reporting on implementation of development projects.

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

1. Late submission of financial reports by the County Treasury to the Controller of Budget, which affected timely preparation of budget implementation report.
2. A high wage bill that increased by 20.8 per cent from Kshs.343.97 million in the first quarter of FY 2015/16 to Kshs.415.62 million in the period under review.
3. Failure to establish an Internal Audit Committee to provide oversight in financial management contrary to Section 155 of the PFM Act, 2012.
4. Underperformance in local revenue collection. The local revenue collection has declined by 33.68 per cent from Kshs.36.68 million in the first quarter of FY 2015/16 to Kshs.24.26 million in the reporting period.
5. The Approved Budget included revenue estimates that exceed those provided in CARA, 2016 for Free Maternal Health Care and DANIDA by Kshs.5.41 million and Kshs.8.83 million respectively. The revenue estimate for Compensation for User Fees Foregone was underestimated by 0.1 million, while the World Bank loan of Kshs.44.65 million was not budgeted for.
6. Failure to develop legislation to operationalize some established County Public Funds such as the Bursary Fund, Emergency Fund, Joint Loan Board Fund, and the County Assembly Staff Loan and Mortgage Fund contrary to Section 116 of the PFM Act, 2012.

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

1. *The County Treasury should ensure timely preparation and submission of financial reports to the Office of the Controller of Budget in line with Section 166 of PFM Act, 2012.*
2. *The County Public Service Board should establish an optimal staff structure in order to manage the wage bill.*
3. *The County should establish an Internal Audit Committee and also strengthen the internal audit function in line with Section 155 of the PFM Act, 2012.*
4. *The County Treasury should formulate strategies to enhance local revenue collection.*
5. *The County should correctly budget for all revenue streams as contained in the CARA, 2016.*
6. *The County should ensure the legislations establishing any County Public Funds are in place in line with Section 116 of the PFM Act, 2012 before operationalization of the Funds.*

3.42 Trans Nzoia County

3.42.367 Overview of the FY 2016/17 Budget

The County's FY 2016/17 Approved Budget was Kshs.6.87 billion, comprising of Kshs.3.65 billion (53.1 per cent) and Kshs.3.22 billion (46.9 per cent) allocations for recurrent and development expenditure respectively.

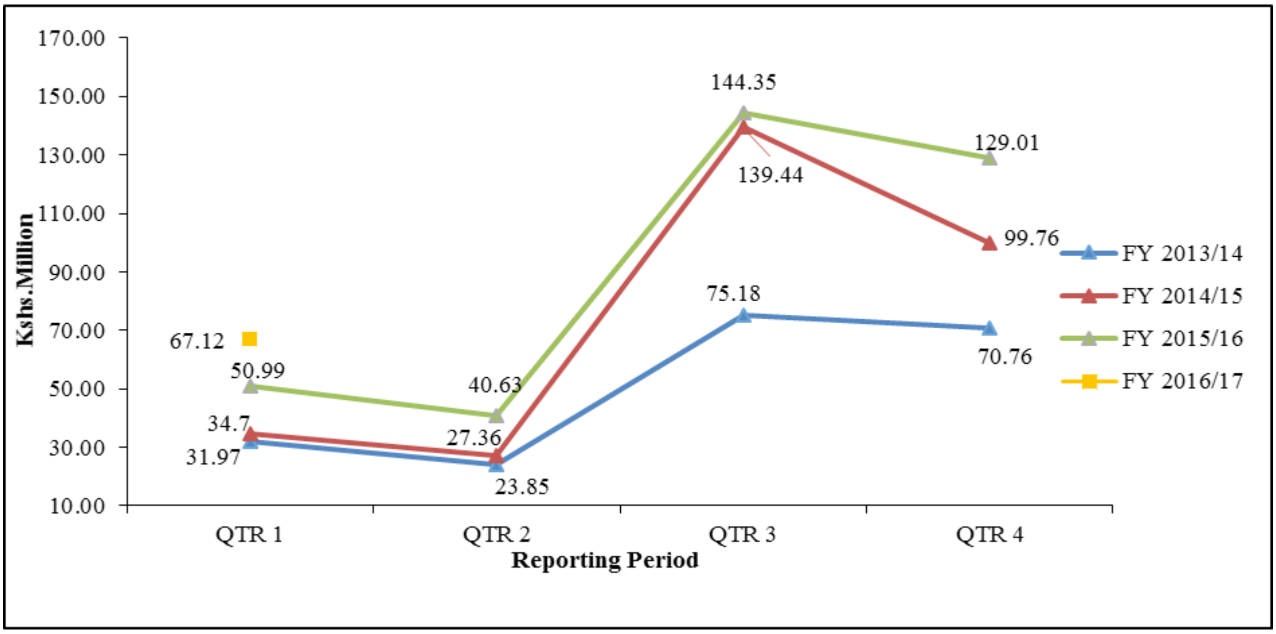
To finance the budget, the County expects to receive Kshs.5.50 billion (80.1 per cent) as equitable share of revenue raised nationally, Kshs.282.46 million (4.1 per cent) as total conditional grants, generate Kshs.500 million (7.3 per cent) from local sources, and Kshs.585 million (8.5 per cent) cash balance from FY 2015/16. The conditional grants comprise of Kshs.144.20 million (50.9 per cent) for Free Maternal Health Care, Kshs.84.55 million (29.8 per cent) from the Road Maintenance Fuel Levy Fund, Kshs.20.21 million (7.1 per cent) for User Fees Foregone, Kshs.5.67 million (2.0 per cent) as a grant from DANIDA and Kshs.28.84 million (10.2 per cent) as conditional grants from other loans and grants.

3.42.368 Revenue Analysis

During the first quarter of FY 2016/17, the County received Kshs.935.43 million as equitable share of the revenue raised nationally, Kshs.21.14 million as total conditional allocations, raised Kshs.67.12 million from local sources, and Kshs.261.08 million brought forward from FY 2015/16.

Figure 3.158 shows the quarterly trend in local revenue collection from the first quarter of FY 2013/14 to the first quarter of FY 2016/17.

Figure 3.158: Trans Nzoia County, Trend in Local Revenue Collection by Quarter from the First Quarter FY 2013/14 to the First Quarter FY 2016/17



Source: *Trans Nzoia County Treasury*

The total local revenue collected in the first quarter of FY 2016/17 amounted to Kshs.67.12 million which was an increase of 31.63 per cent compared to Kshs.50.99 million generated in a similar period of FY 2015/16. This revenue accounted for 13.4 per cent of the annual local revenue target.

Table 3.121 provides an analysis of the local revenue collected in the first quarter of FY 2016/17 by revenue stream.

Table 3.121: Trans Nzoia County Analysis of Revenue Collected by Stream in the First Quarter of FY 2016/17

No	Revenue Stream	Annual Targeted Revenue (Kshs.)	First quarter, FY 2016/17 Actual Revenue (Kshs.)	Actual Revenue as a percentage of Annual Target (%)
1	Land Rates	43,911,532	17,200,807	39.2
2	Cess	37,290,756	11,968,654	32.1
3	Liquor Fees	18,165,995	5,315,380	29.3
4	Building plans, Clearances and Completion Certificates	10,117,056	1,408,700	13.9
5	Agricultural Mechanism Services	3,513,127	450,015	12.8
6	Change of user, Plot Subdivision and Transfers	3,843,503	438,060	11.4
7	Parking Fees	61,763,740	4,929,030	8.0
8	Market Fees	50,415,631	3,250,610	6.4
9	Single Business Permits	67,545,365	4,300,395	6.4
10	Advertisement, Signboard and Billboard Fees	15,096,311	794,170	5.3
11	Cattle Auction and Slaughter Fees	2,324,655	70,800	3.0
12	Refuse Collection and Conservancy	11,744,982	191,180	1.6
14	Other Sources	5,224,249	729,175	14.0
TOTAL		**500,000,000**	**67,119,995**	**13.4**

Source: *Trans Nzoia County Treasury*

Analysis of the local revenue performance by stream indicated that, Land Rates recorded the highest performance against annual target at 39.2 per cent. This was followed by Produce Cess at 32.1 per cent, and Liquor Fees at 29.3 per cent.

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

3.42.369 Conditional Grants

Table 3.122 shows an analysis of conditional grants received in the first quarter of FY 2016/17.

Table 3.122: Trans Nzoia County Analysis of Conditional Grant Releases in the First Quarter of FY 2016/17

No.	Conditional Grant	Amount allocated as provided in CARA, 2016 (Kshs.)	First Quarter, FY 2016/17 Actual receipt of the Conditional Grant (Kshs.)	Actual receipts as a percentage of Annual Allocation (%)
1	Road Maintenance Fuel Levy Fund	84,546,600	21,136,650	25
2	Free Maternal Health Care	76,292,795	-	0
3	User Fees Foregone	20,209,153	-	0
4	DANIDA Grant	5,665,000	-	0
5	Other Loans and Grants	95,744,681	-	0
Total		**282,458,229**	**21,136,650**	**7.5**

Source: *Trans Nzoia County Treasury*

The County Treasury reported receipts from only one conditional grant, the Road Maintenance Fuel Levy Fund, which recorded 25 per cent of its annual allocation.

The FY 2016/17 Approved Budget for the County indicated that Kshs.28.84 million is expected as "*World Bank Training grant*". This amount is not contained in the CARA, 2016. Further, the County budgeted for Kshs.144.20 million for Free Maternal Health Care instead of Kshs.76.29 million provided in CARA, 2016.

3.42.370 Exchequer Issues

During the reporting period, the Controller of Budget authorised withdrawal of Kshs.1.22 billion from the CRF account, which was 17.8 per cent of the FY 2016/17 Approved Budget. This amount represented an increase of 38.6 per cent from Kshs.880.95 million authorized in a similar period of FY 2015/16 and consisted of Kshs.689.56 million (56.5 per cent) for recurrent expenditure and Kshs.531.27 million (43.5 per cent) for development activities.

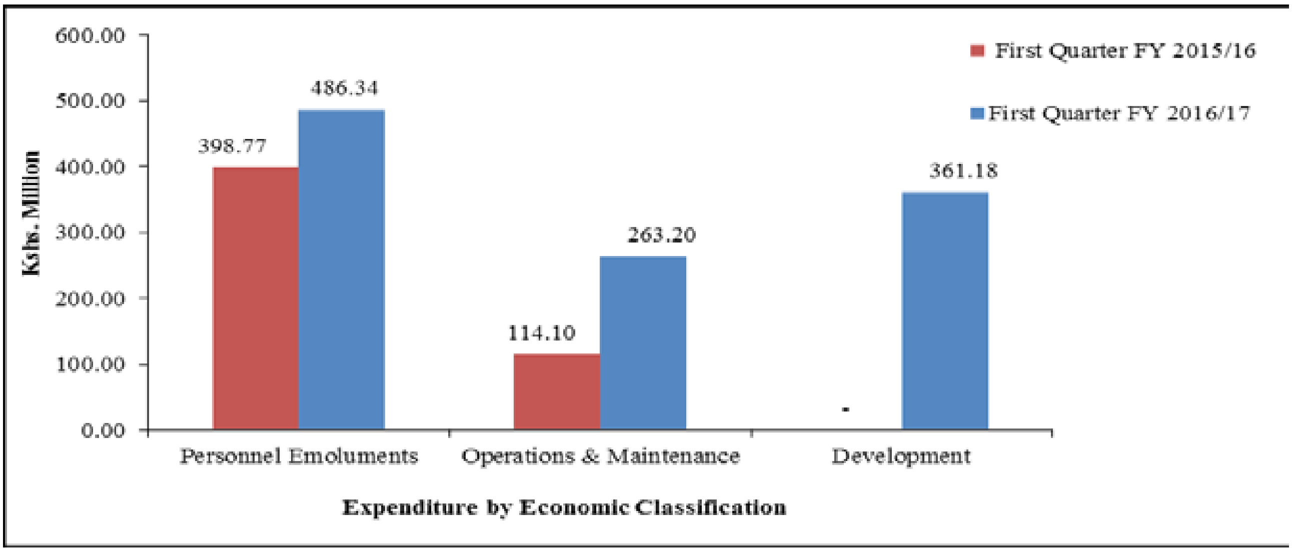
3.42.371 Overall Expenditure Review

The County spent Kshs.1.11 billion, which was 91 per cent of the total funds released for operations. This was an increase of about 100 per cent from Kshs.512.87 million spent in a similar period in FY 2015/16.

A total of Kshs.749.53 million was spent on recurrent activities, while Kshs.361.18 million was spent on development activities. The recurrent expenditure was 61.4 per cent of the funds released for recurrent activities while development expenditure accounted for 29.6 per cent of the funds released for development activities. The expenditure excluded outstanding commitments as at 30th September, 2016 that amounted to Kshs.110.14 million for development and Kshs.32.23 million for recurrent expenditure.

The recurrent expenditure represented 20.5 per cent of the annual recurrent budget, an increase from 15.3 per cent spent in a similar period of FY 2015/16. Development expenditure recorded an absorption rate of 11.2 per cent, which was an increase from 0 per cent attained in a similar period of FY 2015/16. Figure 3.159 presents a comparison between total expenditure in the first quarter of FY 2016/17 and the first quarter of FY 2015/16.

Figure 3.159: Trans Nzoia County, Expenditure by Economic Classification for FY 2016/17 and FY 2015/16



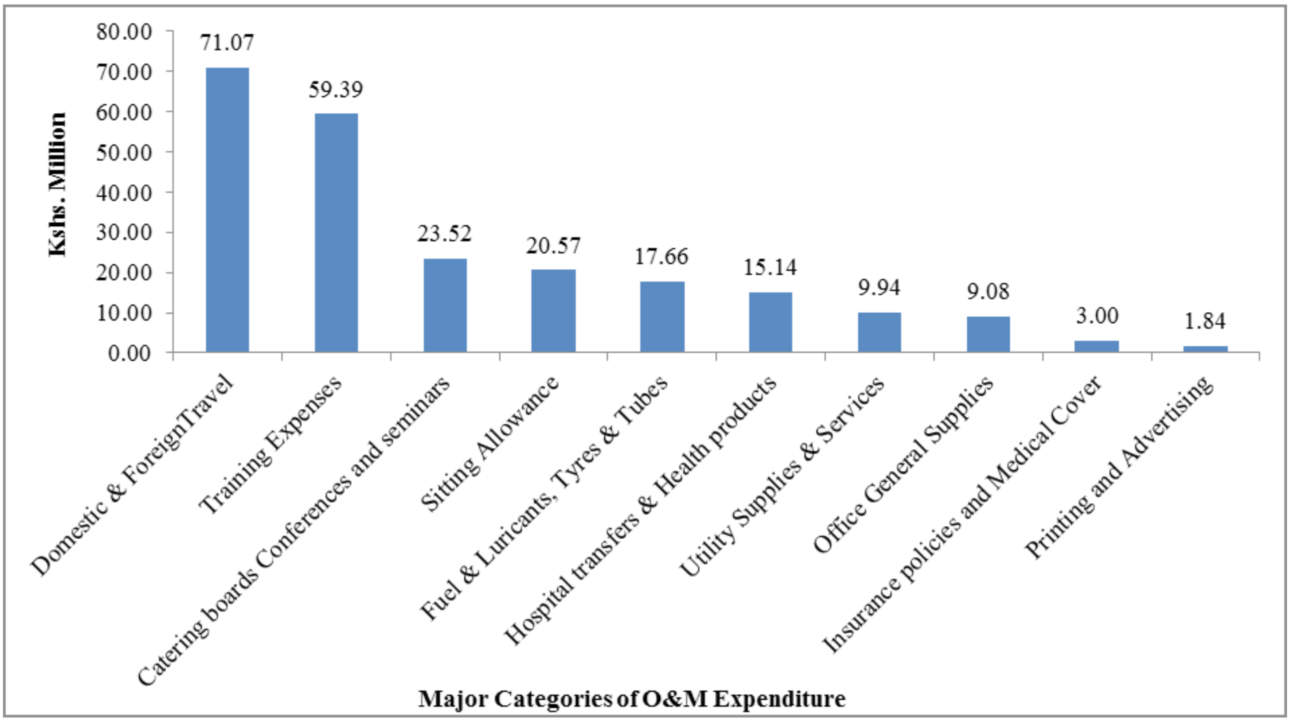
Source: *Trans Nzoia County Treasury*

3.42.372 Analysis of Recurrent Expenditure

The recurrent expenditure of Kshs.749.53 million consisted of Kshs.486.34 million (64.9 per cent) spent on personnel emoluments and Kshs.263.20 million (35.1 per cent) on operations and maintenance as shown in Figure 3.158. Expenditure on personnel emoluments represented an increase of 22 per cent compared to a similar period of FY 2015/16 when the County spent Kshs.398.77 million.

Figure 3.160 shows a summary of the operations and maintenance expenditure by major categories.

Figure 3.160: Trans Nzoia County, Operations and Maintenance Expenditure for First Quarter of FY 2016/17



Source: *Trans Nzoia County*

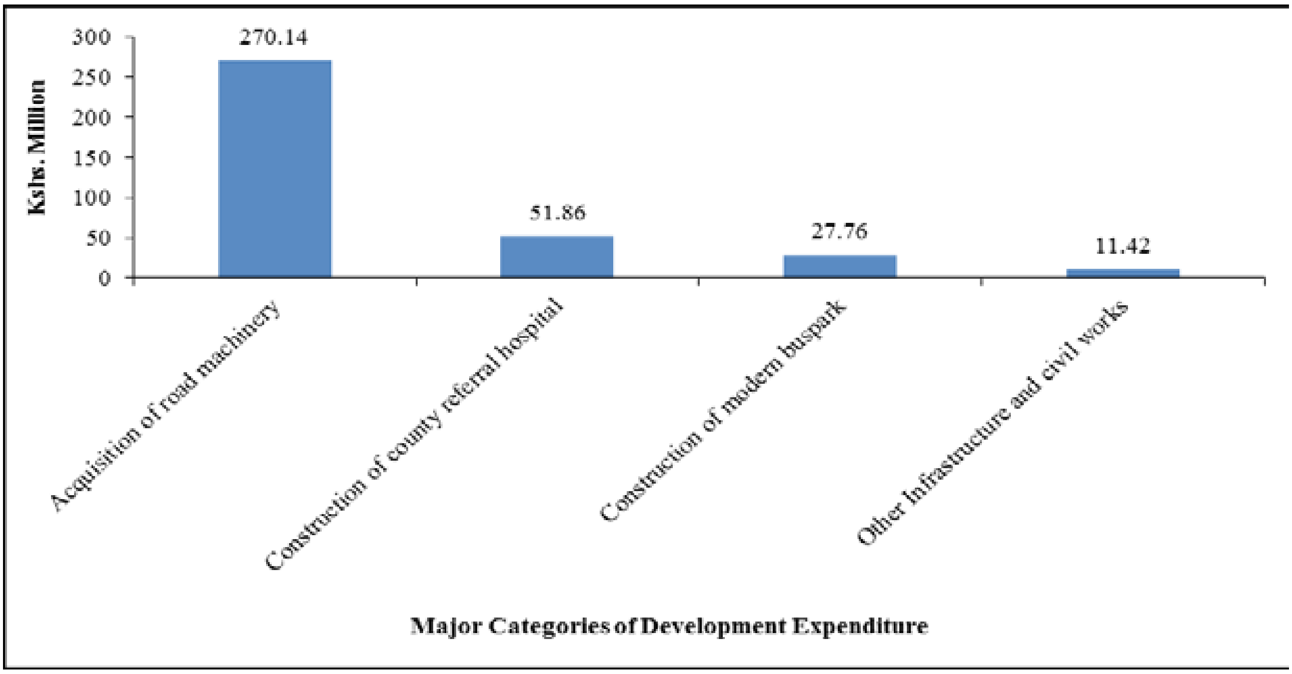
The County spent Kshs.20.57 million on sitting allowances to the 39 MCAs and the Speaker against the annual budget allocation of Kshs.82.27 million. This was an increase of 9 per cent compared to Kshs.20.38 million spent in a similar period of FY 2015/16. The average monthly sitting allowance was Kshs.171,400 compared to SRC's recommended monthly ceiling of Kshs.124,000.

Expenditure on domestic and foreign travel amounted to Kshs.71.07 million compared to Kshs.42.13 million spent in a similar period of FY 2015/16, representing an increase of 68.7 per cent.

3.42.373 Development Expenditure Analysis

The total development expenditure of Kshs.361.18 million represented 11.2 per cent of the annual development budget of Kshs.3.22 billion. Figure 3.161 provides a summary of development expenditure during the period under review.

Figure 3.161: Trans Nzoia County, Summary of Development Expenditure for the First Quarter of FY 2016/17



Source: *Trans Nzoia County Treasury*

Analysis of the development expenditure by category indicated that, the highest expenditure of Kshs.298.64 million was incurred by the Public Works, Transport and Infrastructure Department. This expenditure consisted of Kshs.270.14 million spent on acquisition of machinery for road construction and Kshs.27.76 million on construction of a modern bus park. The second highest expenditure of Kshs.62.53 million was incurred by the Health Department and consisted of Kshs.51.86 million spent on construction of County Referral Hospital and Kshs.11.42 million on other infrastructure and civic works.

3.42.374 Budget and Budget Performance Analysis by Department

Table 3.123 shows a summary of first quarter FY 2016/17 budget estimates and budget performance by department.

Table 3.123: Trans Nzoia County, Budget Performance by Department in the First Quarter of FY 2016/17

Department	Budget Allocation (Kshs. Million)		First quarter FY 2016/17 Exchequer Issues (Kshs. Million)		First quarter FY 2016/17 Expenditure (Kshs. Million)		First quarter FY 2016/17 Expenditure to Exchequer Issues (%)		First quarter FY 2016/17 Absorption rate (%)	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
Agriculture, Livestock, Fisheries & Cooperative Development	261.27	148.06	50.50	-	44.25	-	87.6	0.0	16.9	0.0
Econ. Planning, Commerce & Industry	32.03	125.50	6.42	-	9.31	-	145.0	0.0	29.1	0.0

Department	Budget Allocation (Kshs. Million)		First quarter FY 2016/17 Exchequer Issues (Kshs. Million)		First quarter FY 2016/17 Expenditure (Kshs. Million)		First quarter FY 2016/17 Expenditure to Exchequer Issues (%)		First quarter FY 2016/17 Absorption rate (%)	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
Environ, Water & Natural Resources	61.97	209.00	13.51	-	14.86	-	110.0	0.0	24.0	0.0
Public Works, Transport and Infrastructure	225.03	1,258.26	24.22	519.13	44.00	298.64	181.7	57.5	19.6	23.7
Health Services	1,462.30	619.58	304.42	12.14	247.70	62.53	81.4	515.1	16.9	10.1
Lands, Housing and Urban Development	29.30	195.02	5.66	-	6.16	-	108.8	0.0	21.0	0.0
Gender, Youth, Sports, Culture, Children & Tourism	49.98	182.55	12.79	-	14.08	-	110.1	0.0	28.2	0.0
Education , ICT & Vocational Training	340.15	172.90	57.85	-	51.11	-	88.3	0.0	15.0	0.0
Governance & Public Service Management	268.08	22.00	53.69	-	133.90	-	249.4	0.0	49.9	0.0
Finance	384.59	106.50	71.45	-	66.27	-	92.8	0.0	17.2	0.0
County Assembly	534.27	182.67	89.05	-	117.89	-	132.4	0.0	22.1	0.0
TOTAL	**3,648.97**	**3,222.04**	**689.56**	**531.27**	**749.53**	**361.18**	**108.7**	**68.0**	**20.5**	**11.2**

Source: *Trans Nzoia County Treasury*

Analysis of budget performance by department shows that the Department of Public Works, Transport and Infrastructure attained the highest absorption of development budget at 23.7 per cent, followed by the Department of Health Serves at 10.1 per cent. All other departments did not incur development expenditure during the period under review. On the other hand, the Department of Governance and Public Service Management had the highest percentage of recurrent expenditure to recurrent budget at 49.9 per cent while the Department of Education, ICT and Vocational Training had the lowest at 15 per cent.

3.42.375 Observations and Recommendations

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

i. Improvement in absorption of development funds to 11.5 per cent attained in the first quarter of FY 2016/17. The County did not incur any development expenditure in a similar period of FY 2015/16.
ii. Improvement in local revenue performance. The total local revenue collected in the first quarter of FY 2016/17 amounted to Kshs.67.12 million which was an increase of 31.63 per cent compared to Kshs.50.99 million generated in a similar period of 2015/16.

Despite the 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. As at the end of the reporting period, Kshs.935.43 million had been disbursed against an expected disbursement of Kshs.1.37 billion.
2. Late submission of financial reports by the County Treasury to the Controller of Budget, which affected timely preparation of budget implementation report.
3. A high wage bill that increased by 22 per cent from Kshs.398.77 million in the first quarter of FY 2015/16 to Kshs.486.34 million in the period under review.
4. Failure to establish an Internal Audit Committee to provide oversight in financial management contrary to Section 155 of the PFM Act, 2012.
5. Intermittent use IFMIS, which is the prescribed system for processing financial transactions. This is against Section 12 of the PFM Act, 2012.
6. From analysis of bank statements and expenditure reports, the Office has noted that the County continued to make payments by cheque from bank accounts maintained in commercial banks by cheque.

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

1. *The County Treasury should liaise with the National Treasury to ensure that funds allocated to the County are released in a timely manner in line with CARA, 2016 Disbursement Schedule.*
2. *The County Treasury should 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 Public Service Board should establish an optimal staff structure in order to manage the wage bill.*
4. *The County should establish an Internal Audit Committee in line with Section 155 of the PFM Act, 2012.*
5. *The County Treasury should liaise with the National Treasury to ensure IFMIS is used by all county entities in processing financial transactions.*
6. *All Accounting Officers should ensure payments are made online through IFMIS and Internet Banking platform managed by the Central Bank of Kenya.*

3.43 Turkana County

3.43.376 Overview of the FY 2016/17 Budget

The County's FY 2016/17 Approved Budget was Kshs.15.03 billion, comprising of Kshs.4.21 billion (28 per cent) and Kshs.10.82 billion (72 per cent) allocations for recurrent and development expenditure respectively.

To finance the budget, the County expects to receive Kshs.11.31 billion (75.2 per cent) as equitable share of revenue raised nationally, Kshs.381.10 million (3 per cent) as total conditional grants, generate Kshs.180 million (1.2 per cent) from local sources, and Kshs.3.16 billion (21 per cent) cash balance from FY 2015/16. The conditional grants comprise of Kshs.31.96 million (8.4 per cent) for Free Maternal Healthcare, Kshs.173.73

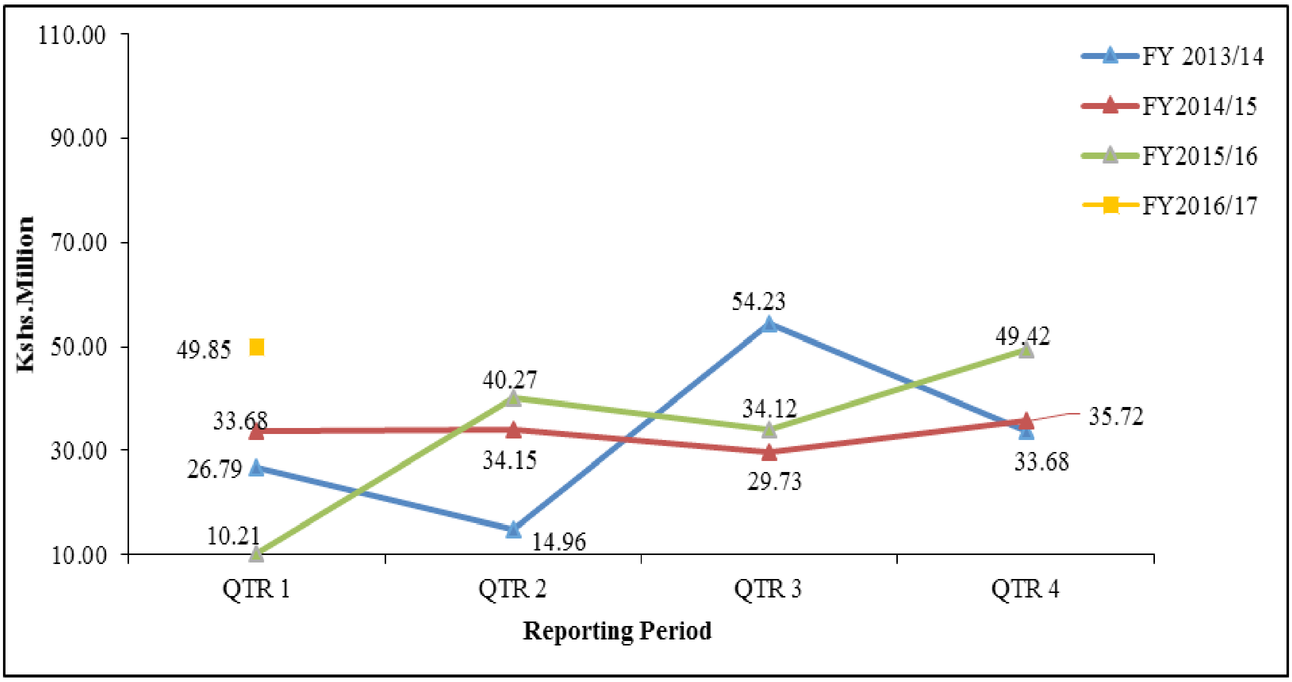
million (45.6 per cent) from the Road Maintenance Fuel Levy Fund, Kshs.26.12 million (6.9 per cent) for User Fees Foregone, Kshs.43.44 million (11.4 per cent), for World Bank Support for Health facilities Kshs.6.04 million (1.6 per cent) as a grant from DANIDA, Kshs.67.26 million (17.6 per cent) for results based financing and Kshs.32.56 million (8.5 per cent) as conditional grants from other loans and grants.

3.43.377 Revenue Analysis

During the first quarter of FY 2016/17, the County received Kshs.1.92 billion as equitable share of the revenue raised nationally, generated Kshs.49.85 million from local sources, and Kshs.3.16 billion brought forward from FY 2015/16.

Figure 3.162 shows the quarterly trend in local revenue collection from the first quarter of FY 2013/14 to the first quarter of FY 2016/17.

Figure 3.162: Turkana County, Trend in Local Revenue Collection by Quarter from First Quarter FY 2013/14 to First Quarter FY 2016/17



Source: *Turkana County Treasury*

The total local revenue collected in the first quarter of FY 2016/17 amounted to Kshs.49.85 million which was an increase of over 100 per cent compared to Kshs.10.21 million generated in a similar period of FY 2015/16. This revenue accounted for 27.7 per cent of the annual local revenue target.

Table 3.124 provides an analysis of the local revenue collected in the first quarter of FY 2016/17 by revenue stream.

Table 3.124: Turkana County Analysis of Revenue Collected by Stream in the First Quarter of FY 2016/17

No	Revenue Streams	Annual Targeted Revenue (Kshs.)	First Quarter FY 2016/17 Annual Actual Revenue (Kshs)	Actual Revenue as a percentage of Annual Target (%)
1	Mis Receipt	73,499,376	8,733,600	11.9
2	Barter Market	1,257,410	146,530	11.7
3	Auction Fee	82,655	3,710	4.5
4	Animal Slaughter Fee	82,655	35,800	43.3
6	Parking Fees	350,065	18,800	5.4
7	Single Business Permit	28,108,605	3,910,000	13.9
8	Animal Auction Fee	82,655	17,320	21.0
9	Matatu Fee	850,673	35,280	4.1
10	Fish Market Fee	1,783,934	219,450	12.3
11	P.O.S Collection	-	11,649,815	-
12	Direct Deposits	73,901,973	25,078,010	33.9
TOTAL		**180,000,000**	**49,848,315**	**27.7**

Source: *Turkana County Treasury*

Analysis of the local revenue performance by stream indicated that, Animal Slaughter Fee recorded the highest performance against annual target at 43.3 per cent. This was followed by Direct Deposits (unreconciled bank deposits) at 33.9 per cent, and Animal Auction fee at 21 per cent.

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

3.43.378 Conditional Grants

The County Treasury did not report any receipts from conditional grants in the reporting period.

3.43.379 Exchequer Issues

During the reporting period, the Controller of Budget authorised withdrawal of Kshs.3.51 billion from the CRF account, which was 23.4 per cent of the FY 2016/17 Approved Budget. This amount represented an increase of 45.6 per cent from Kshs.2.41 billion authorized in a similar period of FY 2015/16 and consisted of Kshs.1.07 billion (30.5 per cent) for recurrent expenditure and Kshs.2.44 billion (69.5 per cent) for development activities.

3.43.380 Overall Expenditure Review

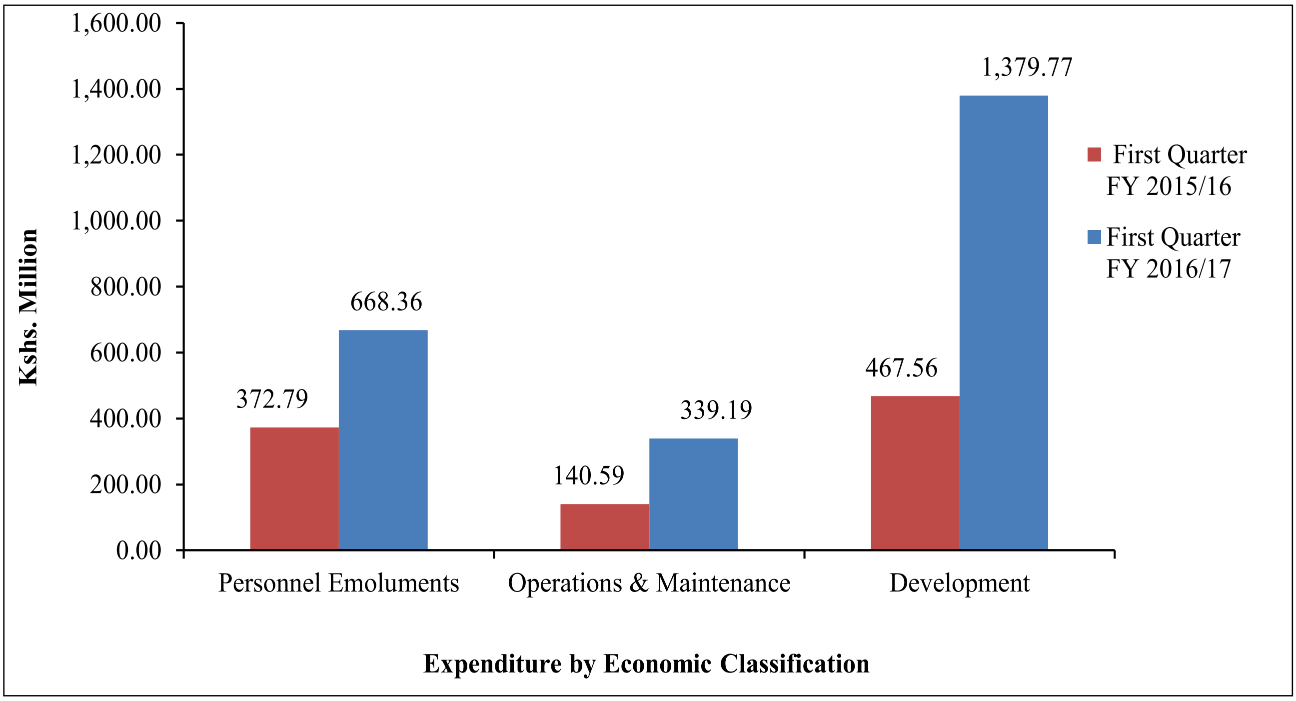
The County spent Kshs.2.34 billion which was 70.7 per cent of the total funds released for operations. This was an increase of over 100 per cent from Kshs.980.94 million spent in a similar period in FY 2015/16.

A total of Kshs.964.58 million was spent on recurrent activities, while Kshs.1.38 billion was spent on development activities. The recurrent expenditure was 90.1 per cent of the funds released for recurrent activities while development expenditure accounted for 56.6 per cent of the funds released for development activities. There were no outstanding commitments reported as at 30th September, 2016.

The recurrent expenditure represented 22.9 per cent of the annual recurrent budget, an increase from 12.4 per cent spent in a similar period of FY 2015/16. Development expenditure recorded an absorption rate of 12.8 per cent, which was an increase from 5.1 per cent attained in a similar period of FY 2015/16.

Figure 3.163 presents a comparison between total expenditure in the first quarter of FY 2016/17 and the first quarter of FY 2015/16.

Figure 3.163: Turkana County, Expenditure by Economic Classification for FY 2016/17 and FY 2015/16



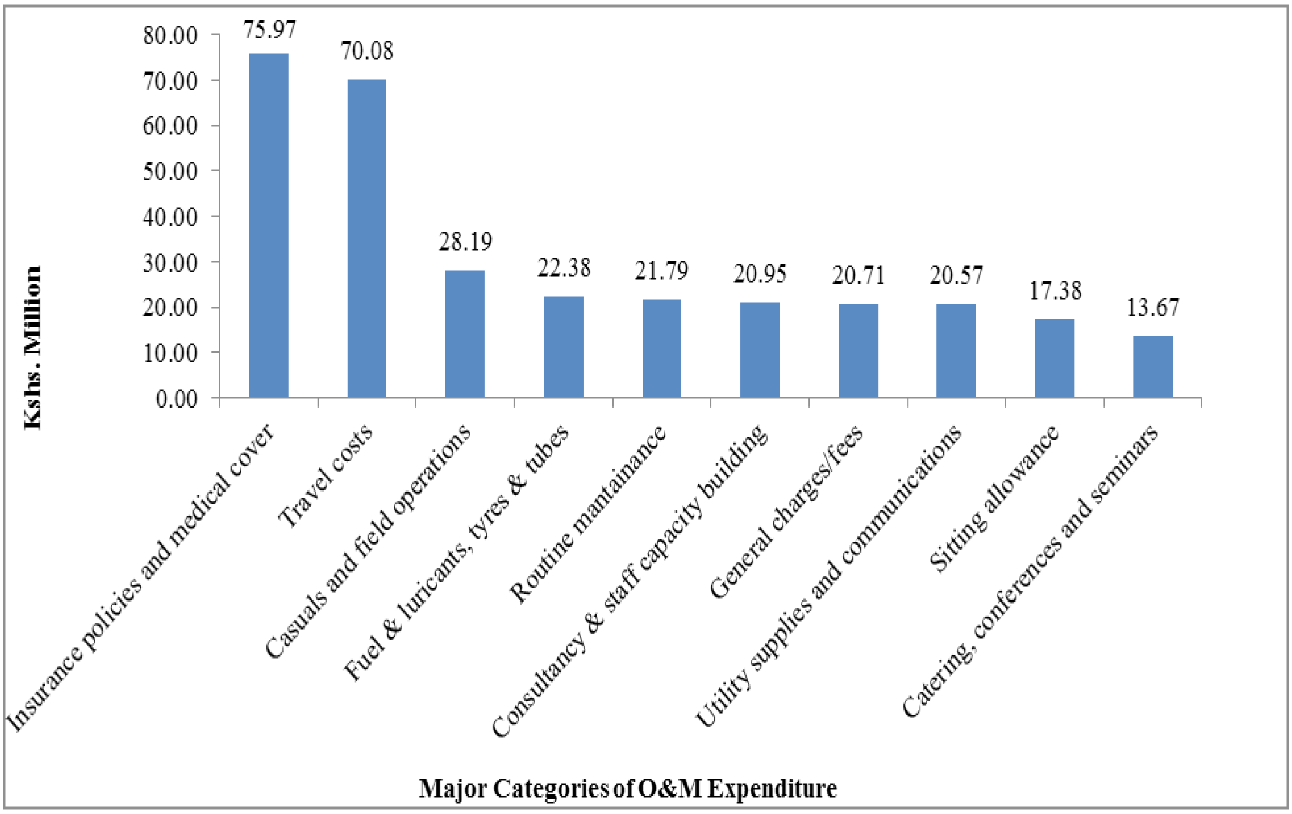
Source: *Turkana County Treasury*

3.43.381 Analysis of Recurrent Expenditure

The recurrent expenditure of Kshs.964.58 million consisted of Kshs.668.36 million (66.8 per cent) spent on personnel emoluments and Kshs.339.19 million (33.9 per cent) on operations and maintenance as shown in Figure 3.162. Expenditure on personnel emoluments represented an increase of 79.3 per cent compared to a similar period of FY 2015/16 when the County spent Kshs.372.79 million.

Figure 3.164 shows a summary of the operations and maintenance expenditure by major categories.

Figure 3.164: Turkana County, Operations and Maintenance Expenditure for First Quarter of FY 2016/17



Source: *Turkana County Treasury*

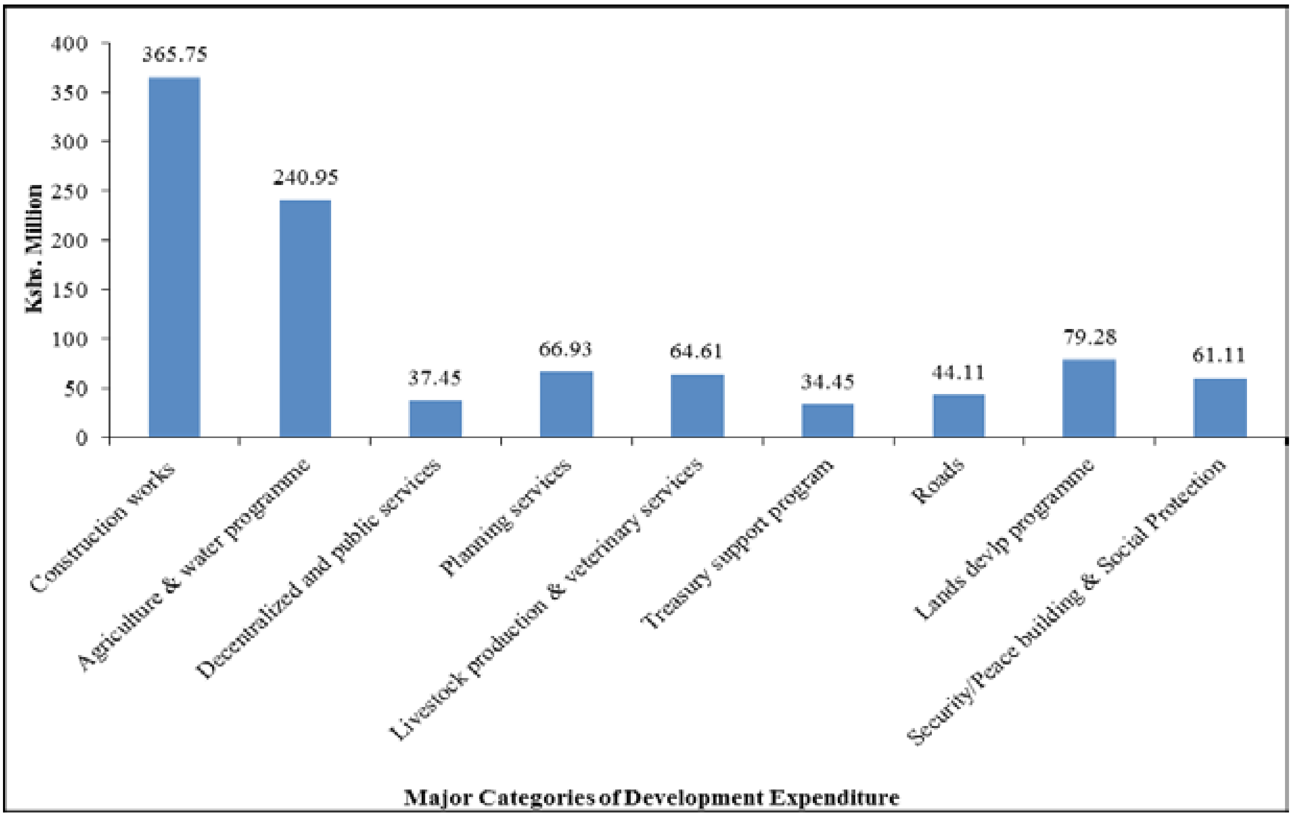
The County spent Kshs.17.38 million on sitting allowances to the 47 MCAs and the Speaker against the annual budget allocation of Kshs.32.76 million. This was an increase compared to Kshs.9.13 million spent in a similar period of FY 2015/16. The average monthly sitting allowance was Kshs.120,663 compared to SRC's recommended monthly ceiling of Kshs.124,800.

Expenditure on domestic and foreign travel amounted to Kshs.70.08 million compared to Kshs.62.06 million spent in a similar period of FY 2015/16, representing an increase of 12.9 per cent.

3.43.382 Development Expenditure Analysis

The total development expenditure of Kshs.1.38 billion represented 12.8 per cent of the annual development budget of Kshs.10.82 billion. Figure 3.165 provides a summary of development expenditure during the period under review.

Figure 3.165: Turkana County, Summary of Development Expenditure for the First Quarter of FY 2016/17



Source: *Turkana County Treasury*

Analysis of the development expenditure by category indicated that, the highest expenditure of Kshs.365.75 million was incurred on construction works. The second highest expenditure of Kshs.240.95 million was incurred on boreholes, water pans and irrigation schemes.

3.43.383 Budget and Budget Performance Analysis by Department

Table 3.125 shows a summary of first quarter FY 2016/17 budget estimates and budget performance by department.

Table 3.125: Turkana County, Budget Performance by Department in the First Quarter of FY 2016/17

Department	Budget Allocation (Kshs. Million)		First quarter FY 2016/17 Exchequer Issues (Kshs. Million)		First quarter FY 2016/17 Expenditure (Kshs. Million)		First quarter FY 2016/17 Expenditure to Exchequer Issues (%)		First quarter FY 2016/17 Absorption rate (%)	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
County Assembly	830.77	420.39	207.92	133.00	160.13	-	77.0	-	19.3	-
Governance Office	164.13	468.70	38.65	116.00	40.38	167.53	104.5	144.4	24.6	35.7

Department	Budget Allocation (Kshs. Million)		First quarter FY 2016/17 Exchequer Issues (Kshs. Million)		First quarter FY 2016/17 Expenditure (Kshs. Million)		First quarter FY 2016/17 Expenditure to Exchequer Issues (%)		First quarter FY 2016/17 Absorption rate (%)	
	Rec	**Dev**	**Rec**	**Dev**	**Rec**	**Dev**	**Rec**	**Dev**	**Rec**	**Dev**
Finance and Planning	197.74	991.21	60.90	245.17	28.61	297.45	47.0	121.3	14.5	30.0
Health Services and Sanitation	170.82	1,763.40	47.02	438.24	36.82	193.65	78.3	44.2	21.6	11.0
Public Service, Disaster Management and Decentralized Services	2,346.82	865.13	561.16	231.00	654.29	132.66	116.6	57.4	27.9	15.3
Trade Tourism and Industrialization	60.57	555.01	18.04	108.14	10.25	38.32	56.9	35.4	16.9	6.9
County Public Service Board	79.37	69.01	25.12	35.19	4.55	7.19	18.1	20.4	5.7	10.4
Roads and Public Works	62.02	1,213.20	18.10	371.00	2.01	37.45	11.1	10.1	3.2	3.1
Deputy Governance Office	29.52	-	11.01	-	2.56	-	23.3	-	8.7	-
Pastoral Economy	63.21	482.68	17.76	89.45	6.24	46.45	35.1	51.9	9.9	9.6
Energy Environment and Natural Resources	38.08	308.05	12.01	127.61	7.01	59.46	58.4	46.6	18.4	19.3
Water Irrigation and Agriculture	65.33	1,622.97	19.90	203.80	2.32	240.95	11.6	118.2	3.5	14.8
Lands Physical Planning and Housing	63.17	438.23	19.30	88.03	8.74	55.81	45.3	63.4	13.8	12.7
Education Culture and Social Services	36.38	1,620.39	13.95	250.16	0.67	102.85	4.8	41.1	1.9	6.3
TOTAL	**4,207.94**	**10,818.38**	**1,070.81**	**2,436.79**	**964.58**	**1,379.77**	**90.1**	**56.6**	**55.9**	**12.8**

Source: *Turkana County Treasury*

Analysis of budget performance by department shows that the Department of Energy Environment and Natural Resources attained the highest absorption of development budget at 19.3 per cent while the County Assembly did not report any development expenditure. On the other hand, the Public Service, Disaster Management and Decentralized Services Department had the highest percentage of recurrent expenditure to recurrent budget at 29.1 per cent while the Department of Education, Culture and Social Services had the lowest at 1.9 per cent.

3.43.384 Observations and Recommendations

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

i. Continued improvement in absorption of development funds. Development expenditure recorded an absorption rate of 12.8 per cent, which was an increase from 5.1 per cent attained in a similar period of FY 2015/16.

ii. Automation of revenue collection which has led to improved revenue performance. The local revenue collection improved by over 100 per cent from Kshs.10.21 million in the first quarter of FY 2015/16 to Kshs.49.85 million collected in the reporting period.

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

1. Failure by Fund Administrators to submit expenditure reports to the Controller of Budget on the established County Funds. This is contrary to Section 168(3) of the PFM Act, 2012. The County Funds include; the Turkana Skills Development Fund, the Biashara Fund, and the Emergency Fund.
2. Failure to establish an Internal Audit Committee to provide oversight in financial management contrary to Section 155 of the PFM Act, 2012.

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

1. *The Fund Administrators should ensure timely submission of expenditure reports to the Controller of Budget on the established Funds in line with Section 168 of the PFM Act, 2012.*
2. *The County should establish an Internal Audit Committee in line with Section 155 of the PFM Act, 2012.*

.

3.44 Uasin Gishu County

3.44.385 Overview of the FY 2016/17 Budget

The County's FY 2016/17 Approved Budget was Kshs.7.65 billion, comprising of Kshs.4.56 billion (59.6 per cent) and Kshs.3.09 billion (40.4 per cent) allocations for recurrent and development expenditure respectively.

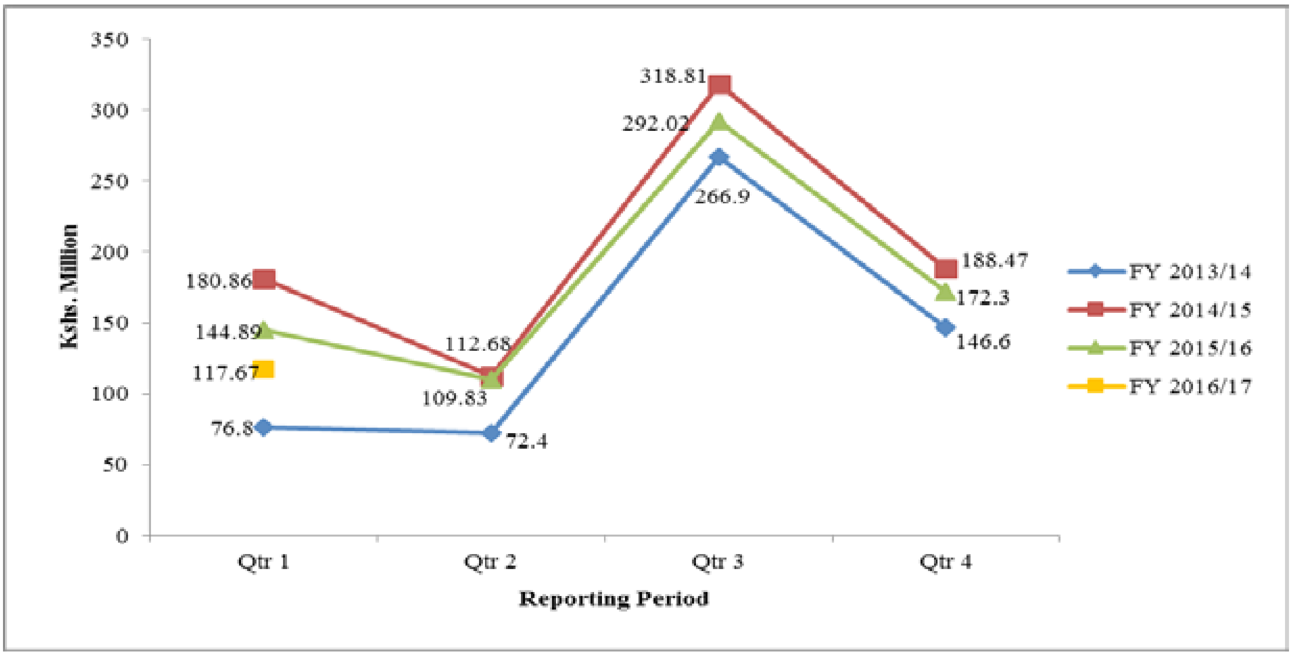
To finance the budget, the County expects to receive Kshs.5.60 billion (73.3 per cent) as equitable share of revenue raised nationally, Kshs.157.67 million (2.1 per cent) as total conditional grants, generate Kshs.1.19 billion (15.6 per cent) from local sources, and Kshs.688.84 million (9.0 per cent) cash balance from FY 2015/16. The conditional grants comprise of Kshs.40.77 million (25.9 per cent) for Free Maternal Healthcare, Kshs.86.06 million (54.6 per cent) from the Road Maintenance Fuel Levy Fund, Kshs.22.18 million (14.1 per cent) for User Fees Foregone, and Kshs.8.66 million (5.5 per cent) as a grant from DANIDA.

3.44.386 Revenue Analysis

During the first quarter of FY 2016/17, the County received Kshs.952.17 million as equitable share of the revenue raised nationally, Kshs.28.85 million as total conditional allocations, raised Kshs.117.67 million from local sources, and Kshs.688.84 million brought forward from FY 2015/16.

Figure 3.166 shows the quarterly trend in local revenue collection from the first quarter of FY 2013/14 to the first quarter of FY 2016/17.

Figure 3.166: Uasin Gishu County, Trend in Local Revenue Collection by Quarter from First Quarter FY 2013/14 to First Quarter FY 2016/17



Source: *Uasin Gishu County Treasury*

The total local revenue collected in the first quarter of FY 2016/17 amounted to Kshs.117.67 million which is a decrease of 13.1 per cent compared to Kshs.135.40 million generated in a similar period of FY 2015/16. This revenue accounted for 9.9 per cent of the annual local revenue target.

Table 3.126 provides an analysis of the local revenue collected in the first quarter of FY 2016/17 by revenue stream.

Table 3.126: Uasin Gishu County Analysis of Revenue Collected by Stream in the First Quarter of FY 2016/17

No	Revenue Stream	Annual Targeted Revenue (Kshs.)	First quarter, FY 2016/17 Actual Revenue	Actual Revenue as a percentage of Annual Target (%)
1	Court Fines	20,000,000	3,885,749	19.4
2	Enclosed Bus Park	130,000,000	24,065,590	18.5
3	Street Parking	92,000,000	16,391,984	17.8
4	Health Centres	40,000,000	6,768,306	16.9
5	Market Fees	36,000,000	6,010,484	16.7
6	Sign Boards & Advert Fees	60,000,000	7,974,357	13.3
7	Other Sources	199,400,000	25,658,439	12.9
8	Produce Cess	60,600,000	3,585,678	5.9
9	Single Business Permits	250,000,000	11,055,707	4.4
10	House Estates Rent	50,000,000	2,058,202	4.1
11	Land Rates	254,000,000	10,218,109	4.0
TOTAL		**1,192,000,000**	**17,672,605**	**9.9**

Source: *Uasin Gishu County Treasury*

Analysis of the local revenue performance by stream indicated that, Court Fines recorded the highest performance against annual target at 19.4 per cent. This was followed by Enclosed Bus Park at 18.5 per cent, and Street Parking at 17.8 per cent.

The County deposited all locally generated revenue into the County Revenue Fund account maintained at Central

Bank of Kenya (CBK) as required by Article 207 of the Constitution.

3.44.387 Conditional Grants

Table 3.127 shows an analysis of conditional grants received in the first quarter of FY 2016/17.

Table 3.127: Uasin Gishu County Analysis of Conditional Grant Releases in the First Quarter of FY 2016/17

No.	Conditional Grant	Amount allocated as provided in CARA, 2016 (Kshs.)	First Quarter, FY 2016/17 Actual receipt of the Conditional Grant (Kshs.)	Actual receipts as a percentage of Annual Allocation (%)
1	Road Maintenance Fuel Levy Fund	86,059,722	21,514,931	25.0
2	Free Maternal Health Care	40,766,831	7,332,500	18.0
3	User Fees Foregone	22,181,068	0	0.0
4	DANIDA Grant	8,660,000	0	0.0
Total		**157,667,621**	**28,847,431**	**18.3**

Source: *Uasin Gishu County Treasury*

Analysis of conditional grant releases indicated that the Road Maintenance Fuel levy Fund and Free Maternal Health Care were the only grants realized, with a performance of 25.0 per cent and 18.0 per cent of their annual allocations respectively. The County attained an overall receipt of conditional grants to annual target of 18.3 per cent.

3.44.388 Exchequer Issues

During the reporting period, the Controller of Budget authorised withdrawal of Kshs.1.33 billion from the CRF account, which was 17.4 per cent of the FY 2016/17 Approved Budget. This amount represented an increase of 12.7 per cent from Kshs.1.18 billion authorized in a similar period of FY 2015/16 and consisted of Kshs.971.42 million (72.9 per cent) for recurrent expenditure and Kshs.361.40 million (27.1 per cent) for development activities.

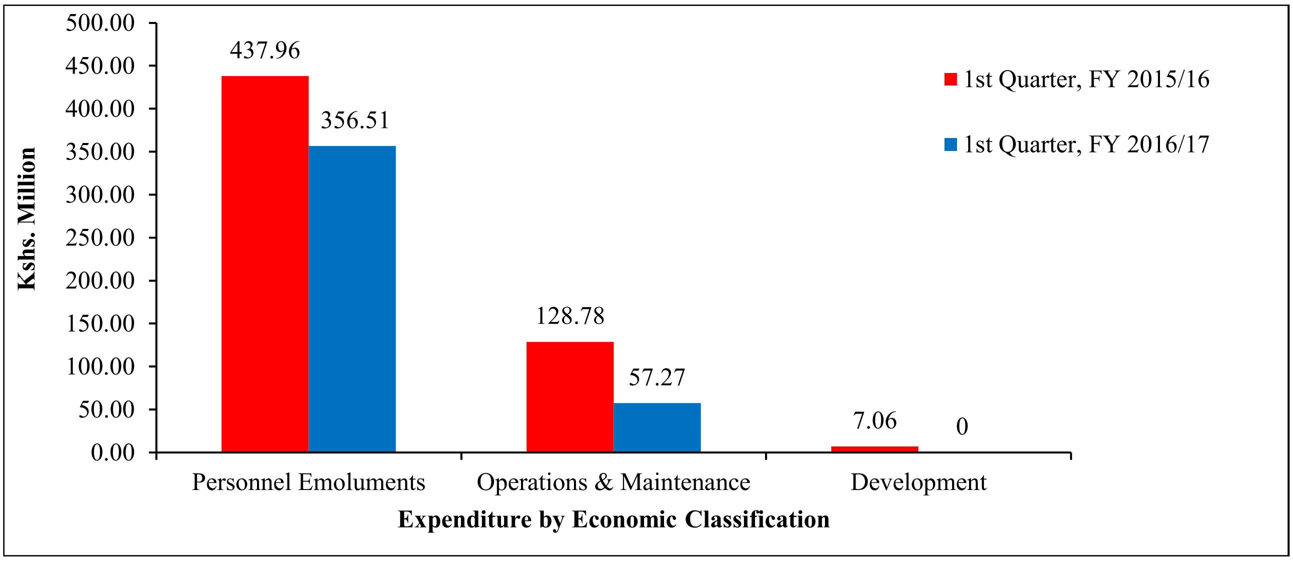
3.44.389 Overall Expenditure Review

The County spent Kshs.413.78 million, which was 31.0 per cent of the total funds released for operations. This was a decrease of 27.9 per cent from Kshs.573.80 million spent in a similar period in FY 2015/16.

A total of Kshs.413.78 million was spent on recurrent activities, while no expenditure was incurred on development activities. The recurrent expenditure was 42.6 per cent of the funds released for recurrent activities while development expenditure accounted for 0.0 per cent of the funds released for development activities. The expenditure excluded outstanding commitments as at 30th September, 2016 that amounted to Kshs.196.65 million for development and Kshs.123.80 million for recurrent expenditure.

The recurrent expenditure represented 9.1 per cent of the annual recurrent budget, a decrease from 13.9 per cent spent in a similar period of FY 2015/16. Development expenditure recorded an absorption rate of 0.0 per cent, which was a decrease from 0.2 per cent attained in a similar period of FY 2015/16. Figure 3.167 presents a comparison between total expenditure in the first quarter of FY 2016/17 and the first quarter of FY 2015/16.

Figure 3.167: Uasin Gishu County, Expenditure by Economic Classification for First Quarter FY 2015/16 and FY 2016/17



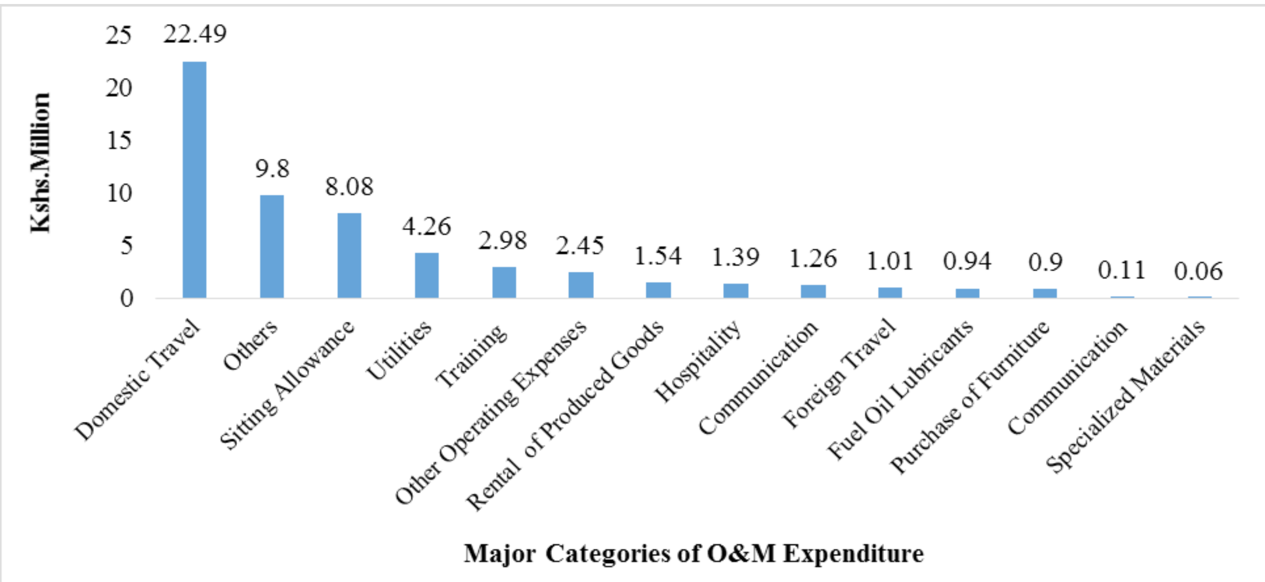
Source: *Uasin Gishu County Treasury*

3.44.390 Analysis of Recurrent Expenditure

The total recurrent expenditure of Kshs.413.78 million represented 9.1 per cent of the annual recurrent budget of Kshs.4.56 billion. The County spent Kshs.356.51 million (86.2 per cent) spent on personnel emoluments and Kshs.57.27 million (13.8 per cent) on operations and maintenance as shown in Figure 3.166. Expenditure on personnel emoluments represented a decrease of 22.8 per cent compared to a similar period in FY 2015/16 when the County spent Kshs.437.96 million. The reduction on personnel emoluments was due to payment of September 2016 salaries in October 2016 which was not the case in a similar period of FY 2015/16.

Figure 3.168 shows a summary of the operations and maintenance expenditure by major categories.

Figure 3.168: Uasin Gishu County, Operations and Maintenance Expenditure for the First Quarter of FY 2016/17



Source: *Uasin Gishu County Treasury*

The County spent Kshs.8.08 million on sitting allowances to the 45 MCA's and the Speaker against the annual budget allocation of Kshs.50.06 million. This was a decrease of 27.14 per cent compared to Kshs.11.09 million spent in a similar period of FY 2015/16. The average monthly sitting allowance was Kshs.59,819 compared to SRC's recommended monthly ceiling of Kshs.124,800.

Expenditure on domestic and foreign travel amounted to Kshs.23.50 million compared to Kshs.31.02 million spent in a similar period of FY 2015/16, representing a decrease of 32.0 per cent.

3.44.391 Development Expenditure Analysis

There was no expenditure on development activities during the first quarter of FY 2016/17.

3.44.392 Budget and Budget Performance Analysis by Department

Table 3.128 shows a summary of first quarter FY 2016/17 budget estimates and budget performance by department.

Table 3.128: Uasin Gishu County, Budget Performance by Department in the First Quarter of FY 2016/17

Department	Budget Allocation (Kshs. Million)		First quarter FY 2016/17 Exchequer Issues (Kshs. Million)		First quarter FY 2016/17 Expenditure (Kshs. Million)		First quarter FY 2016/17 Expenditure to Exchequer Issues (%)		First quarter FY 2016/17 Absorption rate (%)	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
Office of the Governor	173..65	0.00	28.32	0.00	7.42	0.00	26.2	0.0	4.3	0.0
Public Service Management	426.01	13.14	133.19	0.00	48.01	0.00	36.0	0.0	11.3	0.0
Finance	284.97	24.44	45.08	0.00	23.82	0.00	52.8	0.0	8.4	0.0
Budget and Economic Planning	61.23	9.41	10.10	0.00	0.00	0.00	0.0	0.0	0.0	0.0
Education, Social, and Culture Services	241.48	296.31	59.30	8.60	9.86	0.00	16.6	0.0	4.1	0.0
Youth and Sports	43.06	266.50	7.25	0.00	0.00	0.00	0.0	0.0	0.0	0.0
Health Services	1,555.3	289.04	330.08	0.00	179.98	0.00	54.5	0.0	11.6	0.0
ICT and E-Government	45.79	64.27	7.75	0.00	1.30	0.00	16.8	0.0	2.8	0.0
Lands, Housing and Physical Planning	109.12	202.04	17.79	49.68	6.37	0.00	35.8	0.0	5.8	0.0
Roads and Public Works	522.17	652.29	102.60	96.07	20.77	0.00	20.2	0.0	4.0	0.0
Trade, Industrialization and Tourism	108.67	199.60	14.37	46.64	0.00	0.00	0.0	0.0	0.0	0.0
Agriculture, Livestock & Fisheries	247.38	509.86	50.42	46.28	25.5	0.00	50.6	0.0	10.3	0.0

Department	Budget Allocation (Kshs. Million)		First quarter FY 2016/17 Exchequer Issues (Kshs. Million)		First quarter FY 2016/17 Expenditure (Kshs. Million)		First quarter FY 2016/17 Expenditure to Exchequer Issues (%)		First quarter FY 2016/17 Absorption rate (%)	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
Water, Environment and Natural resources	156.12	492.11	28.68	59.01	18.72	0.00	65.3	0.0	12.0	0.0
County Public Service Board	63.60	0.00	9.44	0.00	4.06	0.00	43.0	0.0	6.4	0.0
Public Administration and Coordination	62.74	50.20	8.38	50.11	0.00	0.00	0.0	0.0	0.0	0.0
County Assembly	462.07	15.91	118.68	5.00	16.76	0.00	14.1	0.0	3.6	0.0
TOTAL	**4,563.37**	**3,085.10**	**971.42**	**361.40**	**363.05**	**0.00**	**37.4**	**0.0**	**8.0**	**0.0**

Source: *Uasin Gishu County Treasury*

Analysis of budget performance by department shows that the Department of Water, Environment, and Natural resources had the highest percentage of recurrent expenditure to recurrent budget at 12.0 per cent while the Department of Budget and Economic Planning did not report any expenditure. All County departments did not incur any development expenditure.

3.44.393 Observations and Recommendations

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

i. Improved human capacity in the use of the IFMIS E-procurement module.

ii. Timely submission of quarterly reports to the Controller of Budget by the County Government entities in line with Section 166 of the PFM Act, 2012. The quarterly report for the reporting period was submitted on 10th October, 2016.

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

1. The County did not report any development expenditure during the first quarter of FY 2016/17, which may curtail service delivery to citizens.
2. Failure by the County Assembly to adopt IFMIS, which is the prescribed system for financial management contrary to Section 12 of the PFM Act, 2012.
3. Delay in disbursement of the equitable share of revenue raised nationally by the National Treasury. As at the end of the reporting period, Kshs.952.17 million had been disbursed against an expected disbursement of Kshs.1.40 billion.
4. Underperformance in local revenue collection. The local revenue collection has declined from Kshs.135.40 million in the first quarter of FY 2015/16 to Kshs.117.67 million in the reporting period.

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

1. *The County should prioritize implementation of development projects in order to improve service delivery to citizens.*
2. *The County Treasury should liaise with the National Treasury to ensure IFMIS is used by all county public*

entities in processing financial transactions. Further, the County should ensure all payments are made online through the prescribed Internet Banking platform managed by the Central Bank of Kenya.

3. *The County Treasury should liaise with the National Treasury to ensure that funds allocated to the County are released in a timely manner in line with CARA, 2016 Disbursement Schedule.*
4. *The County Treasury should formulate and implement strategies to enhance local revenue collection.*

3.45 Vihiga County

3.45.394 Overview of the FY 2016/17 Budget

The County's FY 2016/17 Approved Budget was Kshs.4.73 billion, comprising of Kshs.3.19 billion (67.4 per cent) and Kshs.1.54 billion (32.6 per cent) allocations for recurrent and development expenditure respectively.

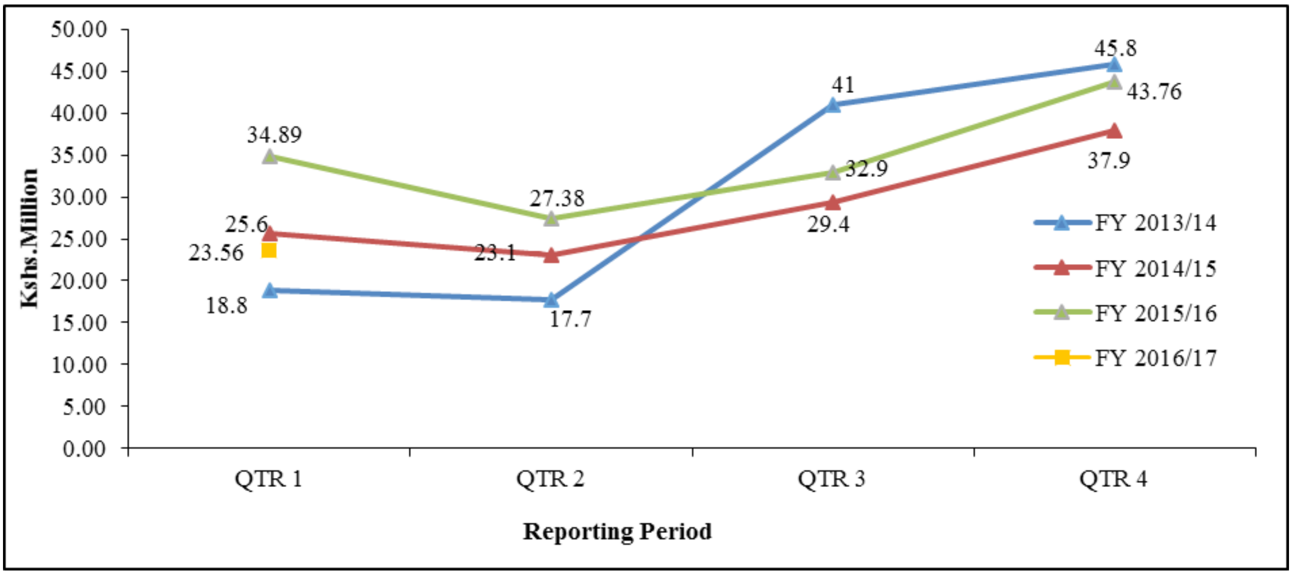
To finance the budget, the County expects to receive Kshs.4.25billion (89.9 per cent) as equitable share of revenue raised nationally, Kshs.150.74 million (3.2 per cent) as total conditional grants, generate Kshs.220 million (4.7 per cent) from local sources. The conditional grants comprise of Kshs.66.47 million (44.1 per cent) for Free Maternal Health Care, Kshs.64.18 million (42.6 per cent) from the Road Maintenance Fuel Levy Fund, Kshs.13.00 million (8.6 per cent) for User Fees Foregone, Kshs.7.09 million (4.7 per cent) as a grant from DANIDA.

3.45.395 Revenue Analysis

During the first quarter of FY 2016/17, the County received Kshs.1.04 billion as equitable share of the revenue raised nationally; Kshs.26.16 million as total conditional allocations, raised Kshs.23.56 million from local sources, and Kshs.311.14 million brought forward from FY 2015/16.

Figure 3.169 shows the quarterly trend in local revenue collection from the first quarter of FY 2013/14 to the first quarter of FY 2016/17.

Figure 3.169: VihigaCounty, Trend in Local Revenue Collection by Quarter from FY 2013/14 to FY 2016/17



Source: *Vihiga County Treasury*

The total local revenue collected in the first quarter of FY 2016/17 amounted to Kshs.23.56 million which is a decrease of 32.5 per cent compared to Kshs.34.89 million generated in a similar period of FY 2015/16. This revenue accounted for 10.7 per cent of the annual local revenue target.

Table 3.129 provides an analysis of the local revenue collected in the first quarter of FY 2016/17 by revenue stream.

Table 3.129: Vihiga County Analysis of Revenue Collected by Stream in the First Quarter of FY 2016/17

No	Revenue Stream	Annual Targeted Revenue (Kshs.)	First quarter, FY 2016/17 Actual Revenue	Actual Revenue as a percentage of Annual Target (%)
1	Single business permit	48, 999, 480	1, 038, 525	2.2
2	Parking fees	44, 873, 915	9, 103, 510	20.3
3	Cost Sharing (FIF)	52, 500, 000	6, 654, 565	12.7
4	Plan approval	5, 000, 000	205, 710	4.1
5	Rental income	2,747,416	646, 615	23.5
6	Market fees	14, 500, 000	2, 932, 150	20.2
7	Liquor license	9, 100, 000	833, 500	9.2
8	Hire of vehicles/Machines	9, 000, 000	160, 560	1.8
9	Livestock/veterinary cess	1, 773, 698	268, 015	15.1
10	Advertising/wall branding	7, 000, 000	240, 500	3.4
TOTAL		**220,000,000**	**23,560,000**	**10.7**

Source: *Vihiga County Treasury*

Analysis of the local revenue performance by stream indicated that, Rental Income recorded the highest performance against annual target at 23.5 per cent. This was followed by Parking Fees at 20.3 per cent, and Market Fees at 20.2 per cent.

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

3.45.396 Conditional Grants

Table 3.130 shows an analysis of conditional grants received in the first quarter of FY 2016/17.

Table 3.130: Vihiga County Analysis of Conditional Grant Releases in the First Quarter of FY 2016/17

No.	Conditional Grant	Amount allocated as provided in CARA, 2016 (Kshs.)	First Quarter, FY 2016/17Actual receipts from the Conditional Grant (Kshs.)	Actual receipts as a percentage of Annual Allocation (%)
1	Road Maintenance Fuel Levy Fund	64, 184, 231	16, 046, 058	25
2	Free Maternal Health Care	66, 469, 814	0	0
3	User Fees Foregone	13, 002, 761	0	0
4	DANIDA Grant	7, 085, 000	0	0
Total		**150, 741, 806**	**16, 046, 058**	**10.6**

Source: *Vihiga County Treasury*

During the period under review the County received revenue from one conditional grant category, the Road Maintenance Fuel Levy Fund, at 25 per cent of its annual allocation.

3.45.397 Exchequer Issues

During the reporting period, the Controller of Budget authorised withdrawal of Kshs.1.04 billion from the CRF account, which was 22.0 per cent of the Approved Budget. This amount represented an increase of 7.3per cent from Kshs.659 million authorized in a similar period of FY 2015/16 and consisted of Kshs.784.69 million (75.2 per cent) for recurrent expenditure and Kshs.259 million (24.8per cent) for development activities.

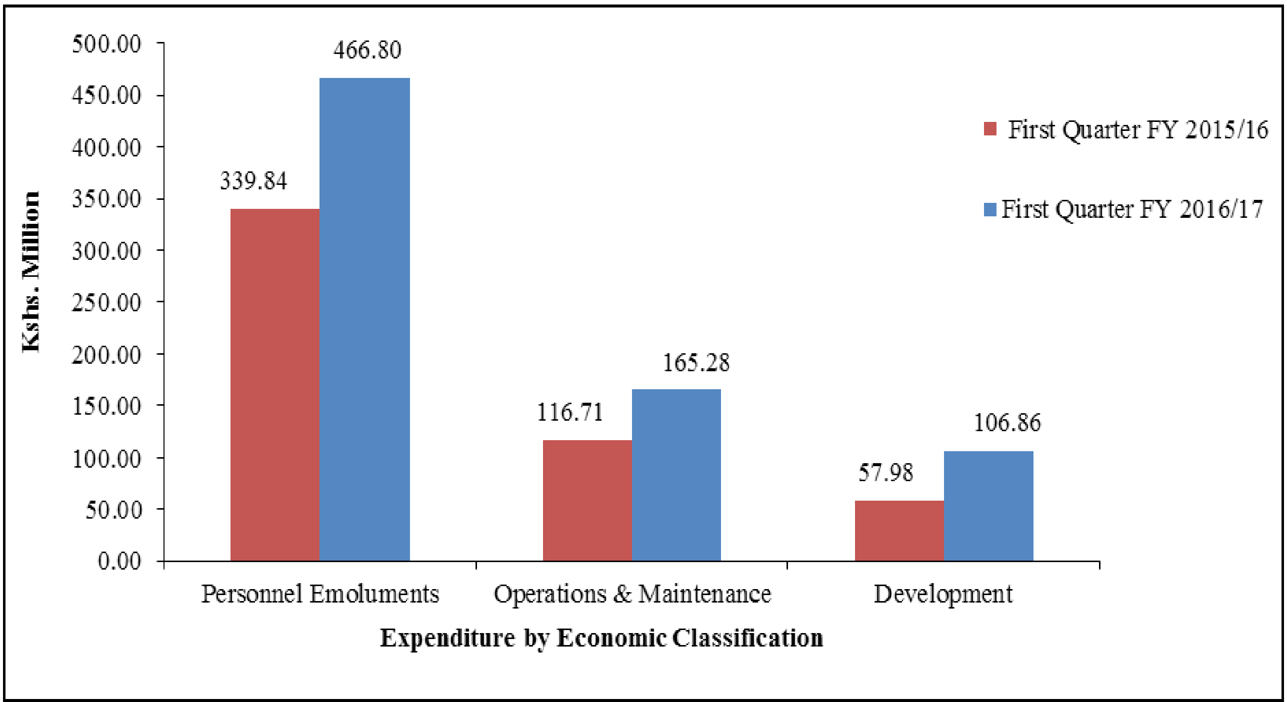
3.45.398 Overall Expenditure Review

The County spent Kshs.738.94 million, which was 70.9 per cent of the total funds released for operations. This was an increase from Kshs.532.17 million spent in a similar period in FY 2015/16.

A total of Kshs.632.08 million was spent on recurrent activities, while Kshs.106.86 million was spent on development activities. The recurrent expenditure was 80.6 per cent of the funds released for recurrent activities while development expenditure accounted for 41.3 per cent of the funds released for development activities. The expenditure excluded outstanding commitments as at 30thSeptember, 2016 that amounted to Kshs.211.96 million for development and Kshs.11.43 million for recurrent expenditure.

The recurrent expenditure represented 19.8 per cent of the annual recurrent budget, an increase from 18.0 per cent spent in a similar period of FY 2015/16. Development expenditure recorded an absorption rate of 7.0 per cent, which was an increase from 3.0 per cent attained in a similar period of FY 2015/16. Figure 3.170 presents a comparison between total expenditure in the first quarter of FY 2016/17 and the first quarter of FY 2015/16.

Figure 3.170:Vihiga County, Expenditure by Economic Classification for FY 2016/17 and FY 2015/16



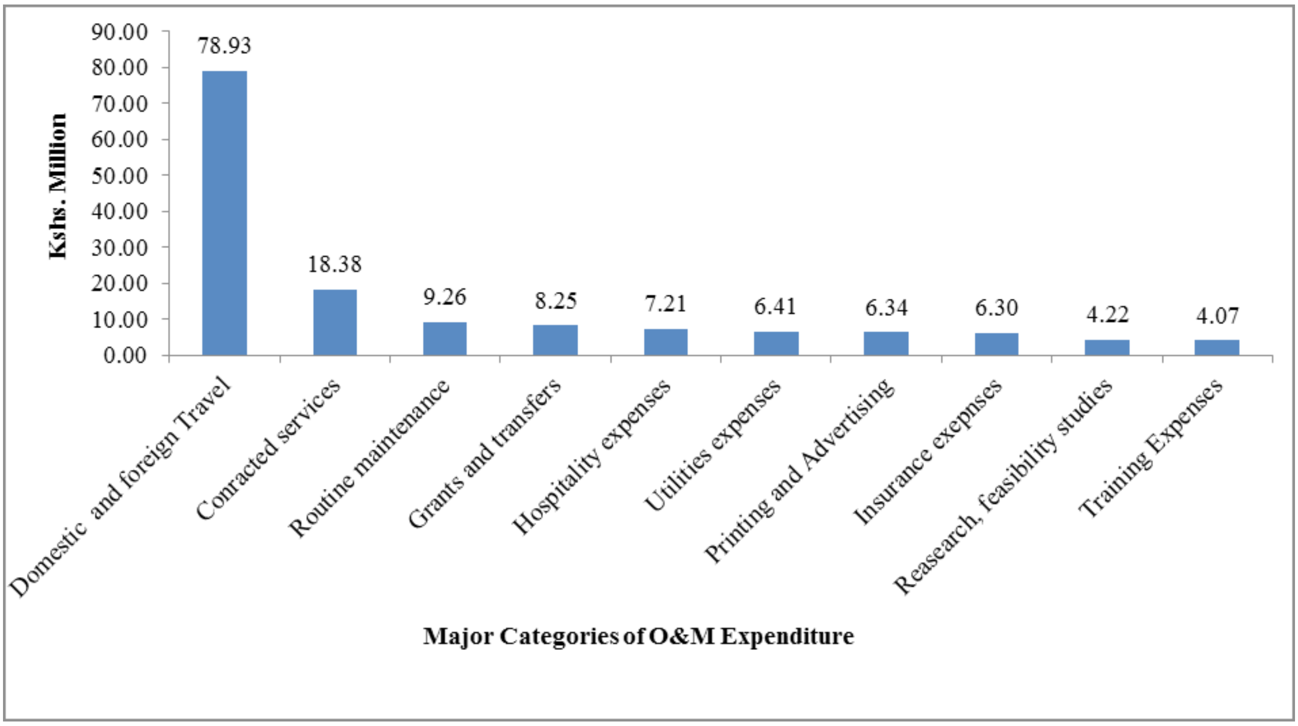
Source: *Vihiga County Treasury*

3.45.399 Analysis of Recurrent Expenditure

The recurrent expenditure of Kshs.632.08 million consisted of Kshs.466.8 million (73.9 per cent) spent on personnel emoluments and Kshs.165.28 million (26.2 per cent) on operations and maintenance as shown in Figure 3.169. Expenditure on personnel emoluments represented an increase of 37.4 per cent compared to a similar period in FY 2015/16 when the County spent Kshs.339.84 billion.

Figure 3.171 shows a summary of the operations and maintenance expenditure by major categories.

Figure 3.171: Vihiga County, Operations and Maintenance Expenditure for First Quarter of FY 2016/17



Source: *Vihiga County Treasury*

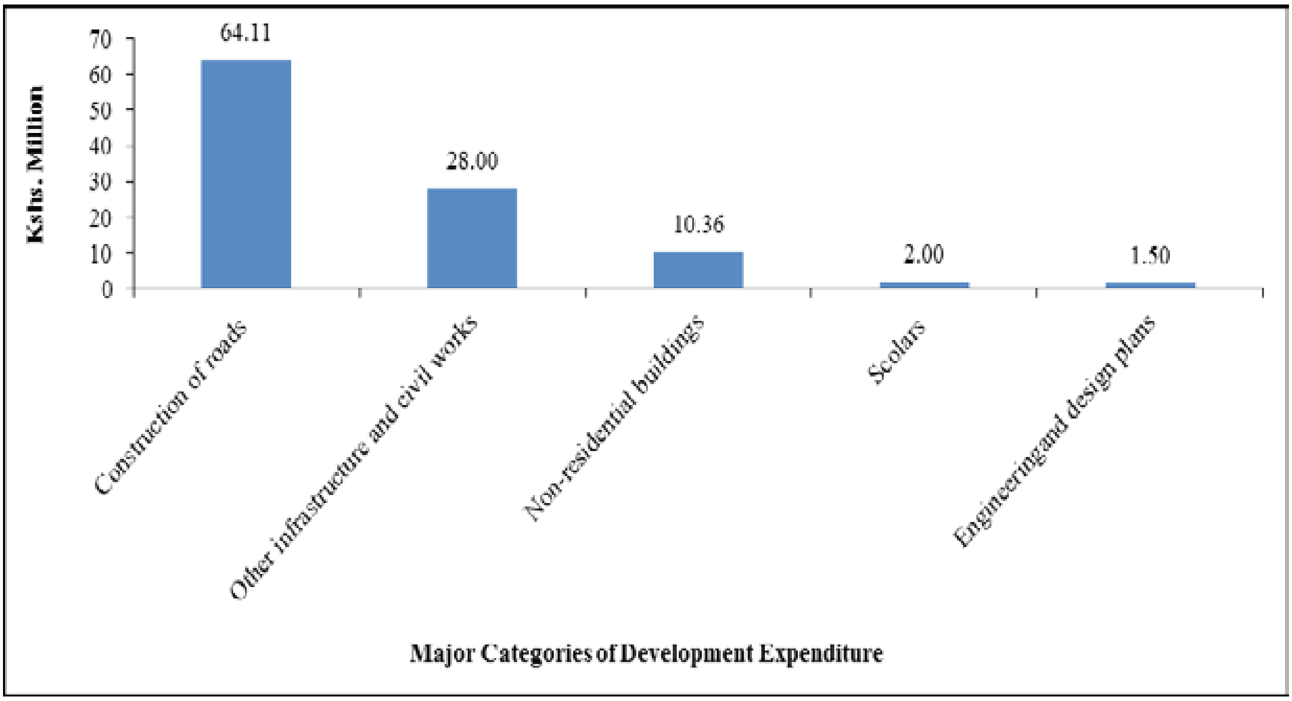
The County spent Kshs.2.98 million on sitting allowances to the 39 MCAs and the Speaker against the annual budget allocation of Kshs.10.33 million. This was an increase compared to a similar period of FY 2015/16 where the County Assembly did not report any expenditure on MCA sitting allowances. The average monthly sitting allowance was Kshs.24,798 compared to SRC's recommended monthly ceiling of Kshs.124,800.

Expenditure on domestic and foreign travel amounted toKshs.78.93 million compared to Kshs.58.48 million spent in a similar period of FY 2015/16, representing an increase of 35.0 per cent.

3.45.400 Development Expenditure Analysis

The total development expenditure of Kshs.106.86 million represented 7.0 per cent of the annual development budget of Kshs.1.54 billion. Figure 3.172 provides a summary of development expenditure during the period under review.

Figure 3.172: Vihiga County, Summary of Development Expenditure for the First Quarter of FY 2016/17



Source: *Vihiga County Treasury*

Analysis of the development expenditure by category indicated that, the highest expenditure of Kshs.66.13 million was incurred by the County treasury Department and consisted of mainly pending bills on road works of Kshs.64.11 million. The second highest expenditure of Kshs.28 million was incurred by the County Assembly on other infrastructure and civil works. This amount also contained Kshs.7.47 million spent on pending bills on ECD classrooms by the department of Education, science and technology.

3.45.401 Budget and Budget Performance Analysis by Department

Table 3.131 shows a summary of first quarter FY 2016/17 budget estimates and budget performance by department.

Table 3.131: Vihiga County, Budget Performance by Department in the First Quarter of FY 2016/17

Department	Budget Allocation (Kshs. Million)		First quarter FY 2016/17 Exchequer Issues (Kshs. Million)		First quarter FY 2016/17 Expenditure (Kshs. Million)		First quarter FY 2016/17 Expenditure to Exchequer Issues (%)		First quarter FY 2016/17 Absorption rate (%)	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
County Executive	293.75	0	73.18	0	56.59	0	77.3	0	19.3	0
County Treasury	125.89	200.74	69.33	0	43.48	66.13	62.7	0	34.5	32.9
Agriculture, Livestock, Veterinary & Fisheries	282.32	53.66	29.04	42.76	27.8	0	95.7	0	9.8	0

Department	Budget Allocation (Kshs. Million)		First quarter FY 2016/17 Exchequer Issues (Kshs. Million)		First quarter FY 2016/17 Expenditure (Kshs. Million)		First quarter FY 2016/17 Expenditure to Exchequer Issues (%)		First quarter FY 2016/17 Absorption rate (%)	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
County Health Service	1, 031.31	247.4	249.11	0	188.28	0.4	75.6	0	18.3	0.2
Education, science	133.20	358.92	31.97	8.50	17.81	2.0	55.7	23.5	13.4	0.6
Gender, Culture, Y & S	71.70	129.55	17.73	36.41	4.02	0	22.7	0	5.6	0
Trade, Industry & Tourism	46.66	36.2	11.53	0	6.52	0	56.5	0	14.0	0
Public service Board	46.79	0	11.6	0	6.81	0	58.7	0	14.6	0
Environment, Water, Forestry	55.82	84.93	13.49	11.0	9.58	0	71.0	0	17.2	0
Transport & Infrastructure	158.07	292.7	40.55	112.33	7.13	7.47	17.6	6.7	4.5	2.6
Lands, Housing	46.13	26.86	11.30	13.00	4.94	1.5	43.7	11.5	10.7	5.6
County Assembly	533.77	80.00	133.47	35.00	128.58	28.86	96.3	82.5	24.1	36.0
Public Service & Administration	369.27	25.00	92.37	0	130.53	0.5	141.3	0	35.3	2.0
TOTAL	**3, 194.67**	**1, 535.96**	**784.69**	**259.0**	**632.08**	**106.86**	**80.6**	**41.3**	**19.8**	**7.0**

Source: *Vihiga County Treasury*

Analysis of budget performance by department shows that the County Assembly attained the highest absorption of development budget at 36.0 per cent. On the other hand, the Public Service & Administration Department had the highest percentage of recurrent expenditure to recurrent budget at 35.3 per cent, while the Department of Transport & Infrastructure had the lowest at 4.5 per cent.

3.45.402 Observations and Recommendations

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

i. Improvement in absorption of development budget. Development expenditure recorded an absorption rate of 7.0 per cent, which was an increase from 3.0 per cent attained in a similar period of FY 2015/16.

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

1. Reliance on manual systems to process financial translations and delays in updating expenditure on the IFMIS system. This resulted in delays in financial reporting.

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

1. *The County Treasury should adopt IFMIS in processing financial transactions.*

3.46 Wajir County.

3.46.403 Overview of the FY 2016/17 Budget

The County's FY 2016/17 Approved Budget was Kshs.8.29 billion, comprising of Kshs.4.29 billion (51.8 per cent) and Kshs.4.01 billion (48.4 per cent) allocations for recurrent and development expenditure respectively.

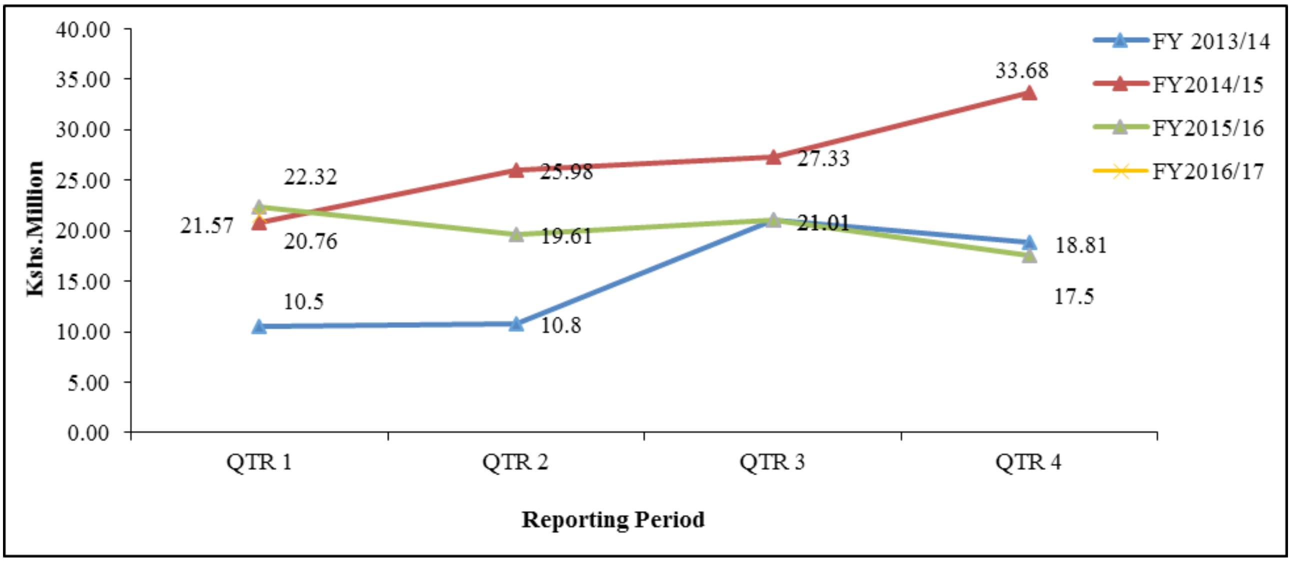
To finance the budget, the County expects to receive Kshs.7.80 billion (94.1 per cent) as equitable share of revenue raised nationally, Kshs.247.70 million (2.9 per cent) as total conditional grants, generate Kshs.212.3 million (2.6 per cent) from local sources, and Kshs.365 million (4.4 per cent) cash balance from FY 2015/16. The conditional grants comprises of Kshs.55.57 million (22.4 per cent) for Free Maternal Health Care, Kshs.119.91 million (48.4 per cent) from the Road Maintenance Fuel Levy Fund, Kshs.16.01 million (6.5 per cent) for User Fees Foregone, Kshs.10.05 million (4.1 per cent) as a grant from DANIDA and Kshs.46.17 million (18.6 per cent) as conditional grants from other loans and grants.

3.46.404 Revenue Analysis

During the first quarter of FY 2016/17, the County received Kshs.1.33 billion as equitable share of the revenue raised nationally, Kshs.38.36 million as total conditional allocation, raised Kshs.21.57 million from local sources, and Kshs.365 million brought forward from FY 2015/16.

Figure 3.173 shows the quarterly trend in local revenue collection from FY 2014/15 to first quarter of FY 2015/16.

Figure 3.173: Wajir County, Trend in Local Revenue Collection by Quarter from First Quarter FY 2013/14 to First Quarter FY 2015/16



Source: *Wajir County Treasury*

The total local revenue collected in the first quarter of FY 2016/17 amounted to Kshs.21.57 million which is a decrease of 3.4 per cent compared to Kshs.22.32 million generated in a similar period of 2015/16. This revenue accounted for 10.2 per cent of the annual local revenue target.

Table 3.132 provides an analysis of the local revenue collected in FY 2016/17 by revenue stream.

Table 3.132: Wajir County Analysis of Revenue Collected by Stream in the First Quarter of FY 2016/17

No	Revenue Stream	First quarter, FY 2016/17 Actual Revenue (Kshs.)	Actual Revenue by stream as a percentage of total collection in the First Quarter, FY 2016/17 (%)
1	Miraa cess	1,356,000	6.3
2	Hire of County Asset	796,000	3.7
3	House Rent	706,300	3.3
4	Stock Auction fees	695,600	3.2
5	Cost Sharing	529,120	2.5
6	Cereals	375,500	1.8
7	Stock Auction fees	262,760	1.2
8	Building materials	220,300	1.0
9	Sale of tender documents	219,000	1.0
10	Other Sources	16,271,595	75.9
TOTAL		**21,573075**	**100.0**

Source: *Wajir County Treasury.*

The Office noted that the County Treasury did not set annual target for individual revenue streams. However, analysis of the local revenue performance by stream indicated that, miscellaneous sources of revenue recorded the highest performance at 75.9 per cent of the total revenue generated, followed by Miraa cess at 6.3 per cent.

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

3.46.405 Conditional Grants

Table 3.133 shows an analysis of conditional grants received in the first quarter of FY 2016/17.

Table 3.133: Wajir County Analysis of Conditional Grant Releases in the First Quarter of FY 2016/17

No.	Conditional Grant	Amount allocated as provided in CARA, 2016 (Kshs.)	First Quarter, FY 2016/17 Actual receipt of the Conditional Grant (Kshs.)	Actual receipts as a percentage of Annual Allocation (%)
1	Road Maintenance Fuel Levy Fund	119,911,775	29,977,944	25.0
2	Free Maternal Health Care	55,574,174	8,385,000	15.1
3	User Fees Foregone	16,011,344	0.00	0.00
4	DANIDA Grant	10,045,000	0.00	0.00
5	World Bank Loan	46,166,458	0.00	0,00
Total		**247,708,751**	**38,362,944**	**15.5**

Source: *Wajir County Treasury*

The County reported receipts from two grant categories, the Road Maintenance Fuel Levy Fund and Free Maternal Health Care, with performance of 25 per cent and 15.1 per cent of their respective annual targets.

3.46.406 Exchequer Issues

In the first quarter, the Controller of Budget authorised withdrawal of Kshs.1.69 billion from the CRF account, which was 20.4 per cent of the FY 2016/17 Approved Budget. The amount represented an increase of 38.52 per cent from Kshs.1.22 billion authorized in a similar period in FY 2015/16 and consisted of Kshs.1.20 billion (71.0 per cent) for recurrent expenditure and Kshs.598.91million (35.4 per cent) for development activities.

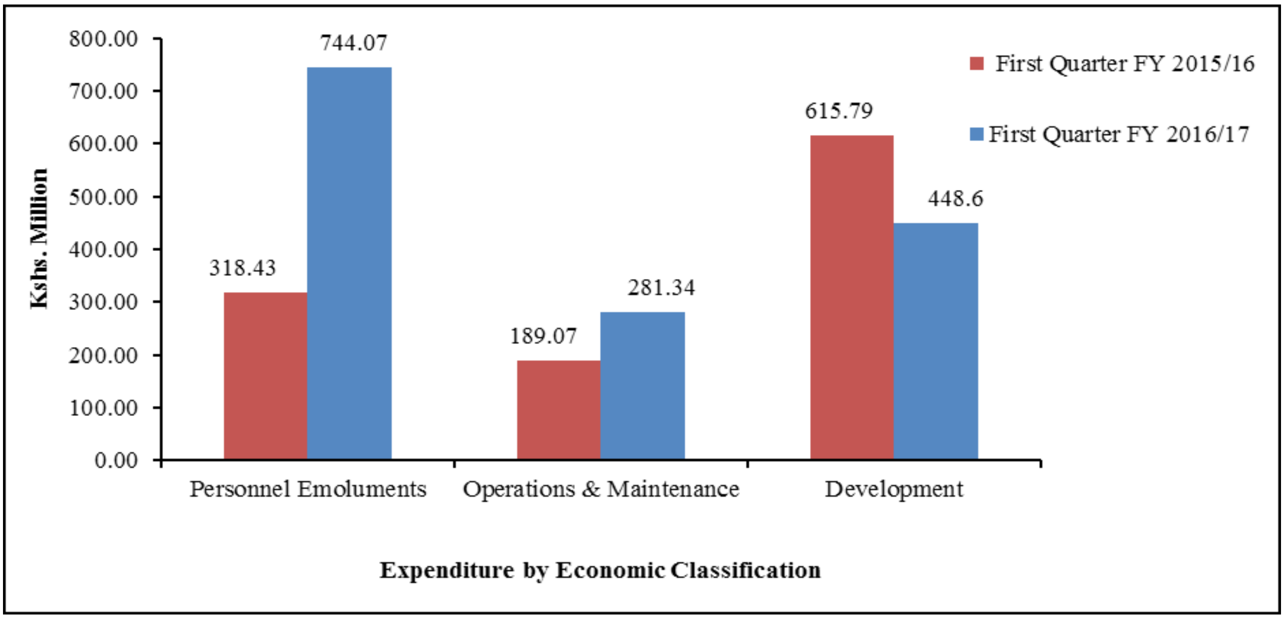
3.46.407 Overall Expenditure Review

During the period under review the County spent Kshs.1.47 billion, which was 86.9 per cent of the total funds released for operations. This was an increase of 31.25 per cent from Kshs.1.12 billion spent in a similar period in FY 2015/16.

A total of Kshs.1.03 billion was spent on recurrent activities, while Kshs.448.6 million was spent on development activities. The recurrent expenditure was 85.8 per cent of the funds released for recurrent activities while development expenditure accounted for 74.9 per cent of the funds released for development activities. The expenditure excluded outstanding commitments as at 30th September, 2016 that amounted to Kshs.358.35 million for development and Kshs.160.75 million for recurrent expenditure.

The recurrent expenditure represented 24 per cent of the annual recurrent budget, an increase from 13.6 per cent spent in a similar period of FY 2015/16. Development expenditure recorded an absorption rate of 11.2 per cent, which was a decrease from 13.9 per cent attained in a similar period of FY 2015/16. Figure 3.174 presents a comparison between total expenditure in the first quarter of FY 2016/17 and the first quarter of FY 2015/16.

Figure 3.174: Wajir County, Expenditure by Economic Classification for FY 2016/17 and FY 2015/16



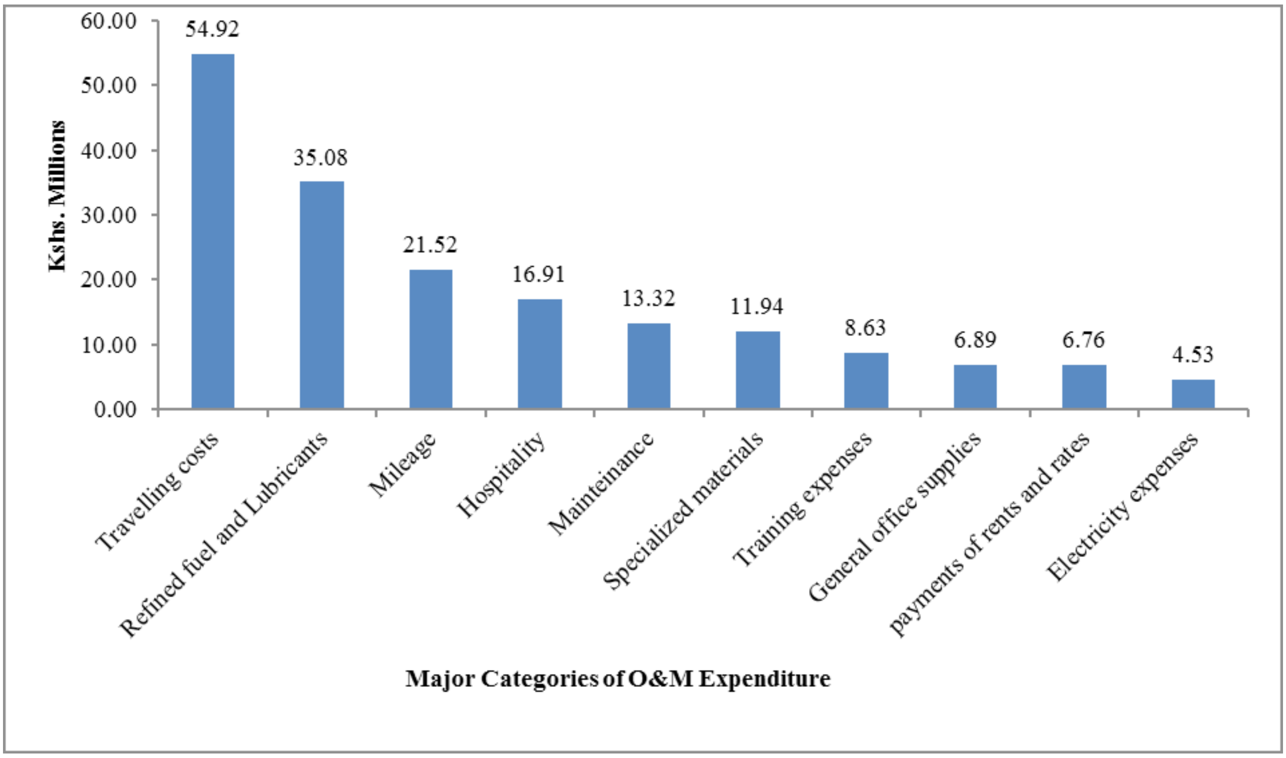
Source: *Wajir County Treasury*

3.46.408 Analysis of Recurrent Expenditure

The recurrent expenditure of Kshs.1.03 billion consisted of Kshs.744.07 million (72.2 per cent) spent on personnel emoluments and Kshs.281.24 million (27.3 per cent) on operations and maintenance as shown in Figure 3.173. Expenditure on personnel emoluments represented an increase by 133.7 per cent compared to a similar period of FY 2015/16 when the County spent Kshs.318.43 million.

Figure 3.175 shows a summary of the operations and maintenance expenditure by major categories.

Figure 3.175: Wajir County, Operations and Maintenance Expenditure for First Quarter of FY 2016/17



Source: *Wajir County Treasury*

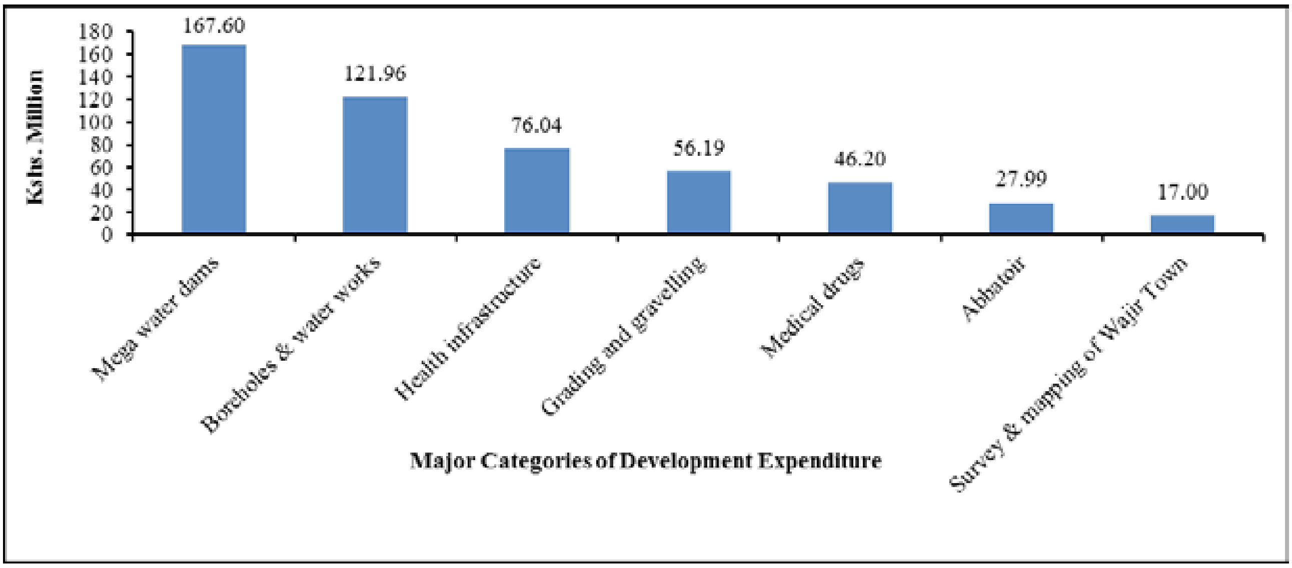
The County spent Kshs.8.71 million on sitting allowances to the 46 MCAs and the Speaker against the annual budget allocation of Kshs.58.53 million. This was an increase of per cent 85.32 compared to Kshs.4.70 million spent in a similar period of FY 2015/16. The average monthly sitting allowance was Kshs.63,107 compared to SRC's recommended monthly ceiling of Kshs.127, 000.

Expenditure on domestic and foreign travel amounted to Kshs.54.92 million compared to Kshs.57.01 million spent in a similar period of FY 2015/16, representing a decrease of 3.7 per cent.

3.46.409 Development Expenditure Analysis

The total development expenditure of Kshs.448.6 million represented 11.2 per cent of the annual development budget of Kshs.4.01 billion. Figure 3.176 provides a summary of development expenditure during the period under review.

Figure 3.176: Wajir County, Summary of Development Expenditure for the First Quarter of FY 2016/17



Source: *Wajir County Treasury*

Analysis of the development expenditure by category indicated that, the highest expenditure of Kshs.289.56 million was incurred by the Water Services Department and consisted of Kshs167.60 million was spent on construction of dams, and Kshs.121.96 million on drilling of boreholes and water works. The second highest expenditure of Kshs.76.04 million was incurred by the Health Department on health infrastructural projects.

3.46.410 Budget and Budget Performance Analysis by Department

Table 3.134 shows a summary of first quarter FY 2016/17 budget estimates and budget performance by department.

Table 3.134: Wajir County, Budget Performance by Department in the First Quarter of FY 2016/17

Department	Budget Allocation (Kshs. Million)		First quarter FY 2016/17 Exchequer Issues (Kshs. Million)		First quarter FY 2016/17 Expenditure (Kshs. Million)		First quarter FY 2016/17 Expenditure to Exchequer Issues (%)		First quarter FY 2016/17 Absorption rate (%)	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
Agriculture, Livestock, Fisheries & Irrigation	176.48	522.10	14.62	38.42	35.66	0.00	243.9	0.00	20.2	0.00
County Assembly	602.38	0.00	151.30	0.00	143.88	0.00	95.1	0.00	23.9	0.00
County Public services Board	72.05	0.00	11.61	0.00	11.0	0.00	94.8	0.00	15.3	0.00
Education, Youth, Children Affairs, Culture & Social Services	297.78	331.43	24.82	19.69	78.57	5.00	135.9	25.4	26.4	1.5

Department	Budget Allocation (Kshs. Million)		First quarter FY 2016/17 Exchequer Issues (Kshs. Million)		First quarter FY 2016/17 Expenditure (Kshs. Million)		First quarter FY 2016/17 Expenditure to Exchequer Issues (%)		First quarter FY 2016/17 Absorption rate (%)	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
Finance & Economic Planning	372.11	51.30	29.45	0.00	51.30	0.00	174.2	0.00	13.8	0.00
County Executive	424.80	0.00	115.78	0.00	129.42	0.00	111.8	0.00	30.5	0.00
Health Services	915.44	439.14	118.79	126.84	258.30	57.48	217.5	45.3	28.2	13.1
ICT ,Industrialization, Cooperatives, Trade, Enterprise,	124.06	242.00	20.68	27.47	9.97	0.00	48.2	0.00	8.03	0.00
Lands, Housing & Public works	88.21	160.00	7.35	17.00	13.51	0.00	18.4	0.00	15.3	0.00
Roads, Transport & Infrastructure	73.76	1153.92	6.15	57.90	7.85	159.20	127.6	274.9	10.6	13.8
Energy, Environment and Natural resources	84.58	188.00	7.05	3.49	9.21	0.00	130.6	0.00	10.9	0.00
Water Services	262.01	901.79	16.01	304.60	3.35	328.66	20.9	107.9	1.28	36.4
TOTAL	**4291.01**	**4014.20**	**1099.35**	**598.91**	**1031.03**	**448.60**	**85.6**	**74.9**	**24.0**	**11.2**

Source: *Wajir County Treasury*

Analysis of budget performance by department shows that the Department of Water Services attained the highest absorption of development budget at 36.4 per cent. On the other hand, the County Executive had the highest percentage of recurrent expenditure to recurrent budget at 30.5 per cent while the Department of Water services had the lowest at 1.28 per cent.

3.46.411 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. The County Treasury has ensured timely preparation and submission of financial reports to the Controller of Budget in line with Section 166 of PFM Act, 2012.
ii. The County Treasury has developed a project data base with information on the project status, payments status and contract variations, if any. This has enhanced efficiency in reporting on the development expenditure. Further, reconciliation of the project database with reports generated from IFMIS is undertaken regularly.

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

1. A high wage bill that increased by 133.7 per cent from Kshs.318.43 million in the first quarter of FY 2015/16 to Kshs.744.07 million in the period under review.

2. Failure to establish an Internal Audit Committee to provide oversight in financial management contrary to Section 155 of the PFM Act, 2012.

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

1. *The County Public Service Board should establish an optimal staff structure in order to manage the wage bill.*
2. *The County should establish an Internal Audit Committee in line with Section 155 of the PFM Act, 2012.*

3.47 West Pokot County

3.47.412 Overview of the FY 2016/17 Budget

The County's FY 2016/17 Approved Budget was Kshs.5.04 billion, comprising of Kshs.3.29 billion (65.2 per cent) and Kshs.1.75 billion (34.8 per cent) allocations for recurrent and development expenditure respectively.

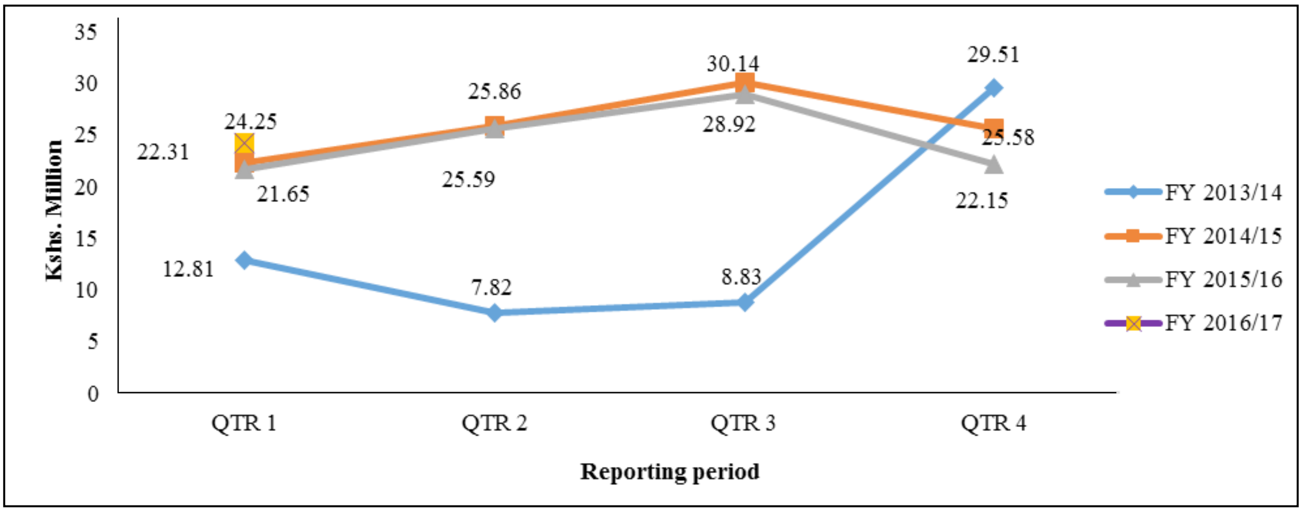
To finance the budget, the County expects to receive Kshs.4.65 billion (92.3 per cent) as equitable share of revenue raised nationally, Kshs.223.73 million (4.4 per cent) as total conditional grants, generate Kshs.122.25 million (2.4 per cent) from local sources, and Kshs.40.8 million (0.8 per cent) cash balance from FY 2015/16. The conditional grants comprise of Kshs.51.05 million (22.8 per cent) for Free Maternal Health Care, Kshs.71.52 million (32 per cent) from the Road Maintenance Fuel Levy Fund, Kshs.12.32 million (5.5 per cent) for User Fees Foregone, Kshs.6.09 million (2.7 per cent) as a grant from DANIDA and Kshs.26.71 million (11.9 per cent) as conditional grants from other loans and grants.

3.47.413 Revenue Analysis

During the first quarter of FY 2016/17, the County received Kshs.791.27 million as equitable share of the revenue raised nationally, Kshs.29.06 million as total conditional allocations, raised Kshs.24.25 million from local sources.

Figure 3.177 shows the quarterly trend in local revenue collection from the first quarter of FY 2013/14 to the first quarter of FY 2016/17.

Figure 3.177: West Pokot County, Trend in Local Revenue Collection by Quarter from the First Quarter of FY 2013/14 to First Quarter FY 2016/17



Source: *West Pokot County Treasury*

The total local revenue collected in the first quarter of FY 2016/17 amounted to Kshs.24.25 million which was an increase of 8.69 per cent compared to Kshs.22.31 million generated in a similar period of FY 2015/16. This revenue accounted for 19.8 per cent of the annual local revenue target.

Table 3.135 provides an analysis of the local revenue collected in the first quarter of FY 2016/17 by revenue stream.

Table 3.135: West Pokot County Analysis of Revenue Collected by Stream in the First Quarter of FY 2016/17.

No.	Revenue stream	Annual Targeted Revenue (Kshs.)	First quarter, FY 2016/17 Actual Revenue (Kshs)	Actual Revenue as a percentage of Annual Target (%)
1	Kiosk Rent	2,643,722	409,300	15.5
2	Single Business Permits	13,216,000	73,000	0.6
3	Market Fees	4,019,884	770,620	19.2
4	Building Approval Fee	452,340	75,000	16.6
5	Cess Receipt	7,634,100	2,230,649	29.2
6	Royalties	29,523,440	4,953,220	16.8
7	Stock Cess & Slaughter	10,175,184	1,542,410	15.2
8	Rent on Lands, Housing and building (House Rent)	311,115	41,424	13.3
9	Other taxes (Advertising Fee)	419,937	26,000	6.2
10	Parking Fees	4,678,070	244,520	5.2
11	Bus Park and Motorcycle Operating Fees	2,134,200	1,143,730	53.6
12	Receipts from Administration Fee & Charges (Renewals/ Application)	2,330,990	31,800	1.4
13	Liquor Licensing Fees	993,782	76,000	7.6
14	Other Fees and Charges	10,902,926	6,092,946	55.9
15	Agriculture Cess	1,500,000	-	0.0
16	Health (Cost Sharing and Public Health)	25,320,000	5,884,860	23.2
17	Lands and Plot Rates	2,796,323	593,650	21.2
18	Livestock Permits	1,283,210	58,775	4.6
19	Weight and Measures Fees	1,910,404	-	0.0
	TOTAL	**122,245,626**	**24,247,904**	**19.8**

Source: *West Pokot County Treasury*

Analysis of the local revenue performance by stream indicated that, Other Fees and Charges recorded the highest performance against annual target at 55.9 per cent. This was followed by Bus Park and Motorcycle Operating Fees at 53.6 per cent and Cess Receipts at 29.2 per cent. The County did not report any revenue from Agriculture Cess and Weight and Measures Fees.

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

3.47.414 Conditional Grants

Table 3.136 shows an analysis of conditional grants received in the first quarter of FY 2016/17.

Table 3.136: West Pokot County Analysis of Conditional Grant Releases in the First Quarter of FY 2016/17

No.	Conditional Grant	Amount allocated as provided in CARA, 2016 (Kshs.)	First Quarter, FY 2016/17 Actual receipt of the Conditional Grant (Kshs.)	Actual receipts as a percentage of Annual Allocation (%)
1	Road Maintenance Fuel Levy Fund	71,516,809	17,879,202	25.0
2	Free Maternal Health Care to health facilities	51,050,356	11,180,000	21.9
3	World Bank grant to health facilities	56,049,761	-	-
4	Kenya Devolution Support Programme Trust (Not in CARA, 2016)	26,705,762	-	-
5	User Fees Foregone to health facilities	12,316,429	-	-
6	DANIDA grant to health facilities	6,090,000	-	-
	TOTAL	**223,729,117**	**29,059,202**	**13.0**

Source: *West Pokot County Treasury*

Analysis of the conditional grant releases for the period under review indicated that the Road Maintenance Fuel Levy recorded the highest receipts at 25 per cent of annual target, followed by the Free Maternal Healthcare at 21.9 per cent. The County Treasury did not report any receipts from all other conditional grants.

3.47.415 Exchequer Issues

During the reporting period, the Controller of Budget authorised withdrawal of Kshs.940 million from the CRF account, which was 18.6 per cent of the FY 2016/17 Approved Budget. This amount represented an increase of 69.4 per cent from Kshs.555 million authorized in a similar period of FY 2015/16 and consisted of Kshs.670 million (71.3 per cent) for recurrent expenditure and Kshs.270 million (28.7 per cent) for development activities.

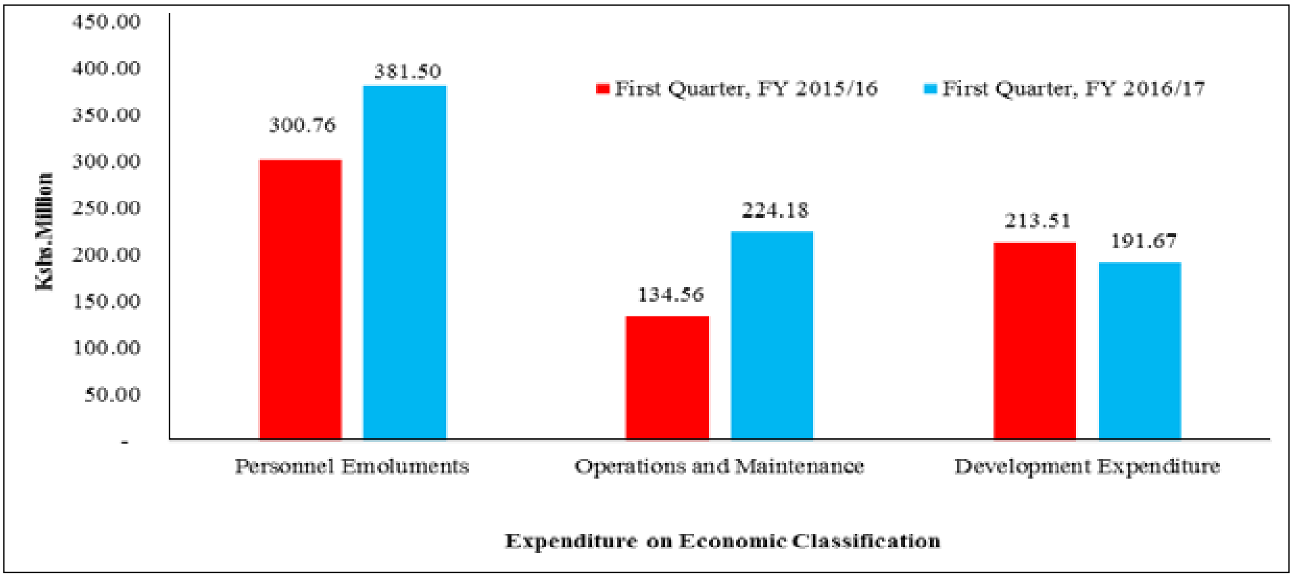
3.47.416 Overall Expenditure Review

The County spent Kshs.797.35 million, which was 84.8 per cent of the total funds released for operations. This was an increase of 22.89 per cent from Kshs.648.83 million spent in a similar period in FY 2015/16.

A total of Kshs.605.68 billion was spent on recurrent activities, while Kshs.191.67 million was spent on development activities. The recurrent expenditure was 90.4 per cent of the funds released for recurrent activities while development expenditure accounted for 71 per cent of the funds released for development activities. The expenditure excluded outstanding commitments as at 30th September, 2016 that amounted to Kshs.102.24 million for development and Kshs.124.97 million for recurrent expenditure.

The recurrent expenditure represented 18.4 per cent of the annual recurrent budget, an increase from 14.8 per cent spent in a similar period FY 2015/16. Development expenditure recorded an absorption rate of 10.9 per cent, which was a decrease from 12 per cent attained in a similar period of FY 2015/16. Figure 3.178 presents a comparison between total expenditure in the first quarter of FY 2016/17 and the first quarter of FY 2015/16.

Figure 3.178: West Pokot County, Expenditure by Economic Classification for the First Quarter of FY 2015/16 and and the First Quarter of FY 2016/17



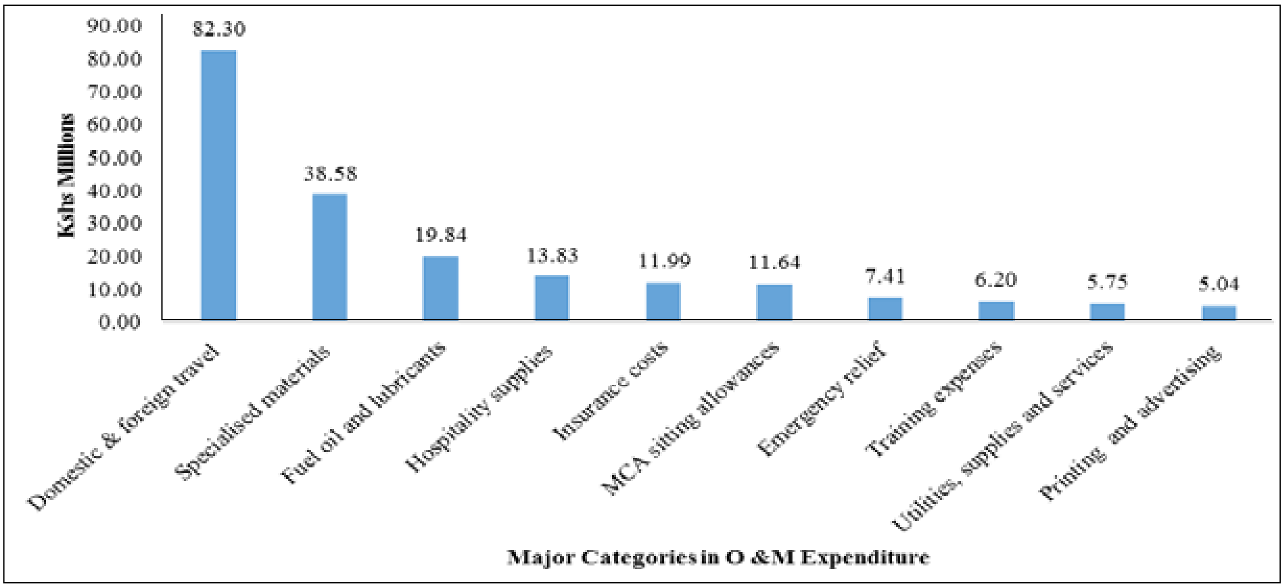
Source: *West Pokot County Treasury*

3.47.417 Analysis of Recurrent Expenditure

The recurrent expenditure of Kshs.605.68 million consisted of Kshs.381.5 million (63 per cent) spent on personnel emoluments and Kshs.224.18 million (37 per cent) on operations and maintenance as shown in Figure 3.177. Expenditure on personnel emoluments represented an increase of 26.8 per cent compared to a similar period of FY 2015/16 when the County spent Kshs.300.76 million.

Figure 3.179 shows a summary of the operations and maintenance expenditure by major categories.

Figure 3.179: West Pokot County, Operations and Maintenance Expenditure for the First Quarter of FY 2016/17



Source: *West Pokot County Treasury*

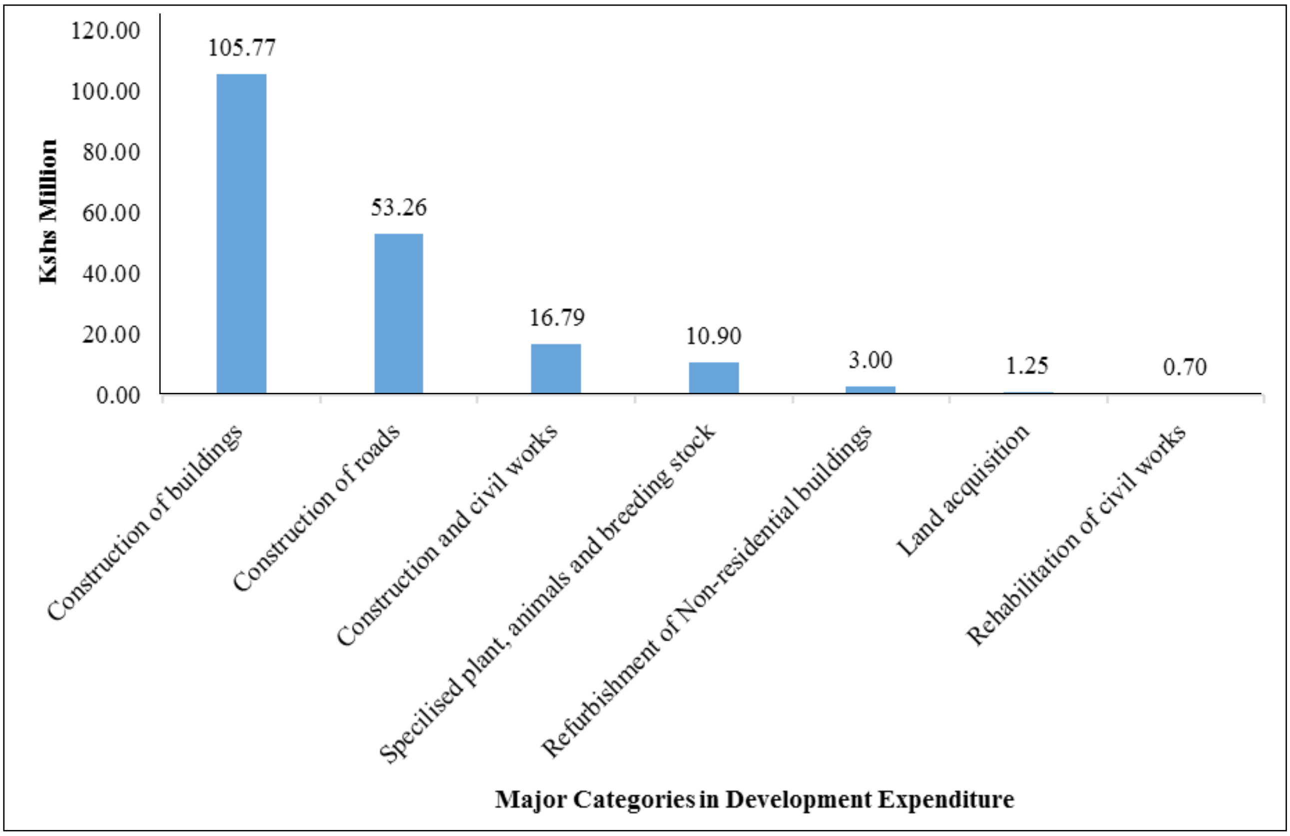
The County spent Kshs.11.64 million on sitting allowances to the 32 MCAs and the Speaker against the annual budget allocation of Kshs.56.91 million. This was an increase of 94 per cent compared to Kshs.6 million spent in a similar period of FY 2015/16. The average monthly sitting allowance was Kshs.117,552 compared to SRC's recommended monthly ceiling of Kshs.124,800.

Expenditure on domestic and foreign travel amounted to Kshs.82.3 million compared to Kshs.42.6 million spent in a similar period of FY 2015/16, representing an increase/decrease of 93.2 per cent.

3.47.418 Development Expenditure Analysis

The total development expenditure of Kshs.191.67 million represented 10.9 per cent of the annual development budget of Kshs.1.75 billion. Figure 3.180 provides a summary of development expenditure during the period under review.

Figure 3.180: West Pokot County, Summary of Development Expenditure for the First Quarter of FY 2016/17



Source: *West Pokot County Treasury*

Analysis of the development expenditure by category indicated that, the highest expenditure of Kshs.105.77 million was spent on construction of buildings with the Department of Education, Communication and ICT spending Kshs.36.15 million on construction of the Kapenguria ECD College and the Chester Teachers Training College. The Office of the Governor spent Kshs.21.71 million on the construction of the Governor's residence among other buildings, while the Finance and Economic Planning Department spent Kshs.15.25 million on completion of the County Treasury building among other buildings. The second highest expenditure of Kshs.53.26 million was spent on road construction by the Department of Roads and Transport. A total Kshs.16.79 million was spent on construction and civil works, which included construction of water supplies and drilling of boreholes by the Department of Water Development, Environment and Natural Resources.

3.47.419 Budget and Budget Performance Analysis by Department

Table 3.137 shows a summary of first quarter FY 2016/17 budget estimates and budget performance by department.

Table 3.137: West Pokot County, Budget Performance by Department in the First Quarter of FY 2016/17

Department	Budget Allocation (Kshs. Million)		First quarter FY 2016/17 Exchequer Issues (Kshs. Million)		First quarter FY 2016/17 Expenditure (Kshs. Million)		First quarter FY 2016/17 Expenditure to Exchequer Issues (%)		First quarter FY 2016/17 Absorption rate (%)	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
Office of the Governor	346.85	99.25	63.23	29.00	72.80	24.21	115.1	83.5	21.0	24.4
Finance and Economic Planning	276.98	38.84	55.58	20.40	54.06	15.82	97.3	77.5	19.5	40.7
Roads, Public Works and Transport	75.88	427.33	18.31	10.00	15.97	60.52	87.2	605.2	21.0	14.2
Health and Sanitation	1,112.97	277.36	245.87	40.00	230.44	8.01	93.7	20.0	20.7	2.9
Education, Communication and ICT	364.60	228.82	51.56	18.50	24.43	36.15	47.4	195.4	6.7	15.8
Agriculture and Irrigation	97.27	141.60	20.50	45.00	18.09	8.08	88.2	18.0	18.6	5.7
Livestock, Fisheries and Veterinary Services	89.58	59.30	21.55	19.00	18.70	2.91	86.8	15.3	20.9	4.9
Trade, Industry and Cooperatives	62.83	31.82	11.05	12.60	7.84	11.50	71.0	91.3	12.5	36.1
Land, Physical Planning and Urban Development	83.01	57.87	15.67	18.50	14.15	1.17	90.3	6.3	17.1	2.0
Water development, Environment & Natural Resources	66.51	137.31	15.51	16.00	11.92	9.04	76.8	56.5	17.9	6.6
Tourism, Culture, Sports, Youth and Gender Development	40.41	87.21	9.58	8.00	8.15	14.26	85.1	178.2	20.2	16.3
County Public Service Management	136.17	9.00	25.20	9.00	30.98	-	122.9	-	22.7	-
Intergovernmental and Special Initiatives	85.52	72.00	6.38	4.00	11.70	-	183.4	-	13.7	-
County Assembly	450.00	85.00	110.00	20.00	86.45	-	78.6	-	19.2	-
TOTAL	**3,288.6**	**1,752.7**	**670.0**	**270.0**	**605.68**	**191.67**	**90.4**	**71.0**	**18.4**	**10.9**

Source: *West Pokot County Treasury*

Analysis of budget performance by department indicated that the Department of Finance and Economic Planning attained the highest absorption of development budget at 40.7 per cent. On the other hand, the County Public Service Management had the highest percentage of recurrent expenditure to recurrent budget at 22.7 per cent while the Department of Education, Communication and ICT had the lowest at 6.7 per cent.

3.47.420 Observations and Recommendations

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

i. Establishment of the County Budget and Economic Forum in line with Section 137 of the PFM Act, 2012.
ii. The County has embraced the use of IFMIS in processing financial transactions.

Despite the 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. As at the end of the reporting period, Kshs.791.27 million had been disbursed against an expected disbursement of Kshs.1.16 billion.
2. Late submission of financial reports to the Controller of Budget by the County Treasury which affected timely preparation of budget implementation report.
3. Failure by the Car Loan and Mortgage Fund Administrators for both the County Assembly and the County Executive to submit quarterly expenditure reports on the Funds contrary to Section 168 of the PFM Act, 2012.
4. A high wage bill that increased by 26.8 per cent from Kshs.300.76 million in the first quarter of FY 2015/16 to Kshs.381.5 million in the period under review.
5. Failure to establish an Internal Audit Committee to provide oversight in financial management contrary to Section 155 of the PFM Act, 2012.
6. Failure to deposit unspent funds at the end of FY 2015/16 into the County Revenue Account maintained at the Central Bank of Kenya contrary to Section 136 (2) of the PFM Act, 2012.

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

1. *The County Treasury should liaise with the National Treasury to ensure that funds allocated to the County are released in a timely manner in line with CARA, 2016 Disbursement Schedule.*
2. *The County Treasury should 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 CECM-F should ensure timely submission of expenditure reports on all established Funds in line with Section 168 of the PFM Act, 2012.*
4. *The County Public Service Board should establish an optimal staff structure in order to manage the wage bill.*
5. *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.*
6. *The County Treasury should put in place mechanisms to comply with Section 136 (2) of the PFM Act, 2012.*

4 KEY CHALLENGES AND RECOMMENDATIONS

This chapter highlights cross-cutting issues that affected budget implementation in the period under review and makes appropriate recommendations to address them in order to enhance smooth execution of budgets by the County Governments. The Office has noted that some of the challenges raised in previous reports have persisted. The cross-cutting challenges included:

4.1 Huge expenditure on Personnel Emoluments

In the first quarter of FY 2016/17, the County Governments' incurred expenditure amounting to Kshs.29.60 billion on Personnel Emoluments (PE), accounting for 52.3 per cent of the total expenditure. This expenditure represented an increase of 17.6 per cent from Kshs.25.17 billion incurred in a similar period in the FY 2015/16. This increase in personnel expenditure will affect expenditure on development activities, and therefore, negatively affect the country's developmental goals.

The Office of the Controller of Budget recommends that, County Governments should ensure that expenditure on personnel emoluments is contained at sustainable levels and in compliance with Regulation 25 (1) (b) of the Public Finance Management (County Governments) Regulations, 2015, which sets the ceilings on the County Government's expenditure on wages and benefits at 35 per cent of the County's total revenue.

4.2 Irregular operationalization of established County Public Funds

Section 116 of the PFM Act, 2012 states that; "*A County Executive Member for finance may establish other County Public funds with the approval of the County Executive Committee and the County Assembly*". The Office noted that while most Counties have established Public Funds and factored these in their Approved Budgets, some Counties are yet to develop legislations to operationalize the Funds. Failure to develop legislations to operationalize these funds will affect administration, accounting, and reporting on the Funds.

The Office recommends that the County Governments' should ensure that appropriate legislation establishing a County Public Fund is in place in line with Section 116 of the PFM Act, 2012 prior to operationalization of any Fund.

4.3 Late submission of financial reports

The Office of the Controller of Budget noted that in the period under review, some Counties delayed in submission of their quarterly financial reports to the Office contrary to Section 166 (4) of the PFM Act, 2012. The delay in submission of quarterly financial reports resulted in late preparation of the Budget Implementation Review Report (BIRR) which has been highlighted in previous budget implementation review reports.

The Office therefore urges the County Governments to ensure timely preparation and submission of financial reports in line with Section 166 (4) of the PFM Act, 2012 and Section 16 of the Controller of Budget Act, 2016.

4.4 Delays in approval of key budget Legislations

The Office noted that some Counties experienced delay in the approval of FY 2016/17 Budget Estimates and other key planning documents such as the Annual Development Plans (ADP) and the County Fiscal Strategy Papers (CFSP) contrary to Section 117 and 126 of the PFM Act, 2012. Two Counties, namely; Garissa and Nyeri did not have approved budgets or approved vote on account as at the end of the first quarter of FY 2016/17.

Delay in approval of key documents informing the budget making process results in ineffective implementation of the budget and affects service delivery to citizens.

The Office urges the County Governments' to ensure adherence to the budget timelines as stipulated in law with regard to approval of key planning documents that inform the budgeting process and the approval of the budget estimates.

4.5 Underperformance in local revenue collection

Article 209 (3) of the Constitution, 2010 empowers County Governments to impose property rates, entertainment taxes and any other tax authorised by an Act of Parliament. During the period under review, the County Governments collected local revenue amounting to Kshs.7.09 billion, representing 12.3 per cent of the cumulative annual target of Kshs.57.46 billion. While this performance represented an improvement of 2.0 per cent from Kshs.6.93 billion realized in a similar period of FY 2015/16, it was below the expected performance of 25 per cent of the annual target.

We recommend that County Governments should develop and implement strategies to mobilize local revenue collection to enhance budget execution.

4.6 Low uptake of Development Funds

During the reporting period, the OCOB released Kshs.24.03 billion towards development activities while the County Governments incurred an expenditure of Kshs.13.96 billion accounting for 41.9 per cent of the released funds. When compared to the County Government's cumulative annual development budget of Kshs.168.07 billion, this expenditure translates to an absorption rate of 8.3 per cent.

The Office noted instances where Counties such as; Embu, Garissa, Isiolo, Kajiado, Nyeri, Tharaka Nithi, and Uasin Gishu did not incur any expenditure on development activities. The low absorption of development funds affects services delivery and 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.

We recommend that Counties should prioritize implementation of development projects in order to improve the standard of living for all citizens as envisaged in Kenyan's Vision 2030.

4.7 Inadequate Internal Audit Arrangements and Audit Committees

Section 155 of the PFM Act, 2012 and Regulation 167 of the PFM (County Governments) Regulations, 2015 require County Governments to establish effective internal audit functions and Audit Committees. This is to enhance transparency and accountability in the management of public resources.

The Office has noted with concern that some Counties are yet to establish adequate audit arrangements, while others are yet to establish Audit Committees.

The Office recommends that Counties should establish effective Internal Audit Committees in compliance with the law. Further, County Treasuries are encouraged to liaise with the National Treasury to build capacities for the newly established Audit Committees.

5 CONCLUSION

This report has been prepared in fulfilment of Article 228 (6) of the Constitution of Kenya, 2010 and Section 9 of the Office of the Controller of Budget Act, 2016. It provides an overview on budget implementation during the first quarter of the financial year 2016/17 by the County Governments.

Generally, the report indicates improved performance compared to a similar period in FY 2015/16. Overall absorption of funds improved to 14.5 per cent compared to 12.3 per cent in first quarter of FY 2015/16. The Counties spent Kshs.42.6 billion on recurrent expenditure and Kshs.13.96 billion on development activities against an annual recurrent budget of Kshs.222.25 billion and a development budget of Kshs.168.07 billion. This expenditure translated to 19.2 per cent of the annual recurrent budget and an absorption rate of 8.2 per cent of the annual development budget.

The improved performance is attributed to the efforts instituted to address the challenges that affected budget implementation in the past, such as improvement in staff capacity that has enhanced budget implementation. Further, oversight institutions including the County Assemblies, the Senate, and the general public have continued to demand value for money, which positively affected budget execution.

Despite the progress, the report has identified challenges which have continued to hamper effective budget execution. They include; high expenditure on personal emoluments, irregular operationalization of established County Public Funds, late submission of financial reports, underperformance in local revenue, low uptake of development funds, and, inadequate internal auditing and audit committee oversight. Appropriate recommendations aimed at addressing these challenges are provided also provided.

The OCOB implores all County Governments to prioritize implementation of the recommendations contained in this report in order to ensure prudent and effective use of public resources. Further, the Office will continue to provide regular reports to all stakeholders regarding budget implementation with the aim of informing and positively influencing budget execution.

Annex 1

County	Gross Budget Estimates (Kshs)			Exchequer Issues (Kshs)			Expenditure (Kshs)			% Expenditure to Gross Estimates		% Expenditure to Exchequer Issues	
	Rec	Dev	Total	Rec	Dev	Total	Rec	Dev	Total	Rec	Dev	Rec	Dev
Baringo	3,921,226,172	2,600,118,405	6,521,344,577	782,313,270	191,217,295	973,530,565	534,134,011	16,137,711	550,271,722	13.6	0.6	68.3	8.4
Bomet	3,962,956,415	1,682,036,261	5,644,992,676	991,652,000	316,250,000	1,307,902,000	747,368,659	359,106,106	1,106,474,765	18.9	21.3	75.4	113.6
Bungoma	5,911,562,722	3,289,520,685	9,201,083,407	1,359,087,291	438,358,412	1,797,445,703	1,190,713,440	69,593,000	1,260,306,440	20.1	2.1	87.6	15.9
Busia	4,634,421,439	3,831,579,824	8,466,001,263	1,137,870,160	647,000,000	1,784,870,160	942,572,760	158,277,817	1,100,850,577	20.3	4.1	82.8	24.5
Elgeyo-Marakwet	2,886,759,633	1,852,408,278	4,739,167,911	659,521,110	193,054,976	852,576,086	522,936,842	1,008,000	523,944,842	18.1	0.1	79.3	0.5
Embu	3,770,058,018	2,519,522,350	6,289,580,368	683,185,664	0	683,185,664	624,591,429	0	624,591,429	16.6	0.0	91.4	-
Garissa	3,917,721,805	3,443,866,724	7,361,588,529	958,500,000	0	958,500,000	956,500,000	0	956,500,000	24.4	0.0	99.8	-
Homa Bay	4,342,760,386	2,353,880,090	6,696,640,476	927,000,000	150,000,000	1,077,000,000	940,219,100	154,019,460	1,094,238,560	21.7	6.5	101.4	102.7
Isiolo	2,264,089,536	1,482,331,945	3,746,421,481	488,728,052	100,000,000	588,728,052	379,039,703	0	379,039,703	16.7	0.0	77.6	0.0
Kajiado	4,354,475,448	2,655,902,268	7,010,377,716	875,622,485	342,321,543	1,217,944,028	480,225,037	0	480,225,037	11.0	0.0	54.8	0.0
Kakamega	6,484,737,359	6,715,401,366	13,200,138,725	1,484,932,022	1,069,758,928	2,554,690,950	1,619,829,186	510,687,635	2,130,516,821	25.0	7.6	109.1	47.7
Kericho	3,850,068,323	2,391,145,251	6,241,213,574	927,784,877	519,021,178	1,446,806,055	656,422,859	419,161,478	1,075,584,337	17.0	17.5	70.8	80.8
Kiambu	3,846,681,626	8,823,584,134	12,670,265,760	1,958,975,938	595,457,769	2,554,433,707	1,752,433,938	566,497,029	2,318,930,967	45.6	6.4	89.5	95.1
Kilifi	6,076,818,740	6,954,612,224	13,031,430,964	1,102,000,000	315,000,000	1,417,000,000	1,454,074,362	895,707,595	2,349,781,957	23.9	12.9	131.9	284.4
Kirinyaga	3,066,787,083	1,357,656,195	4,424,443,278	823,500,000	304,000,000	1,127,500,000	664,750,584	81,259,080	746,009,664	21.7	6.0	80.7	26.7
Kisii	6,103,967,425	3,952,040,240	10,056,007,665	1,533,558,719	545,439,041	2,078,997,760	1,327,799,762	229,561,154	1,557,360,916	21.8	5.8	86.6	42.1

County	Gross Budget Estimates (Kshs)			Exchequer Issues (Kshs)			Expenditure (Kshs)			% Expenditure to Gross Estimates		% Expenditure to Exchequer Issues	
	Rec	Dev	Total	Rec	Dev	Total	Rec	Dev	Total	Rec	Dev	Rec	Dev
Kisumu	5,925,351,185	2,539,751,962	8,465,103,147	1,478,209,600	549,810,669	2,028,020,269	1,145,041,804	260,345,390	1,405,387,194	19.3	10.3	77.5	47.4
Kitui	5,594,903,884	4,871,565,089	10,466,468,973	1,135,235,460	924,373,584	2,059,609,044	841,613,121	614,153,595	1,455,766,716	15.0	12.6	74.1	66.4
Kwale	3,031,608,050	5,105,158,376	8,136,766,426	983,848,797	852,922,927	1,836,771,724	580,083,267	301,590,879	881,674,146	19.1	5.9	59.0	35.4
Laikipia	3,409,168,269	2,533,970,716	5,943,138,985	721,000,000	319,500,000	1,040,500,000	588,624,048	69,414,048	658,038,096	17.3	2.7	81.6	21.7
Lamu	1,809,972,330	794,825,000	2,604,797,330	592,220,656	315,653,387	907,874,043	267,160,661	38,983,447	306,144,108	14.8	4.9	45.1	12.4
Machakos	7,539,572,769	3,336,427,231	10,876,000,000	1,859,143,866	567,725,256	2,426,869,122	1,522,656,132	371,783,826	1,894,439,958	20.2	11.1	81.9	65.5
Makueni	4,921,705,942	5,601,696,453	10,523,402,395	1,581,970,728	941,237,830	2,523,208,558	950,303,389	284,057,118	1,234,360,507	19.3	5.1	60.1	30.2
Mandera	3,499,470,390	7,694,420,682	11,193,891,072	924,796,423	1,647,198,411	2,571,994,834	892,608,021	1,646,458,175	2,539,066,197	25.5	21.4	96.5	100.0
Marsabit	3,553,385,087	3,056,522,172	6,609,907,259	739,728,584	684,652,068	1,424,380,652	812,640,733	38,872,521	851,513,254	22.9	1.3	109.9	5.7
Meru	6,017,887,935	3,624,940,362	9,642,828,297	1,617,570,443	937,811,306	2,555,381,749	1,184,992,187	475,832,260	1,660,824,447	19.7	13.1	73.3	50.7
Migori	4,442,938,439	2,841,125,317	7,284,063,756	1,188,220,000	560,000,000	1,748,220,000	687,460,326	462,434,107	1,149,894,433	15.5	16.3	57.9	82.6
Mombasa	6,849,882,919	3,075,871,374	9,925,754,293	1,285,809,000	608,900,000	1,894,709,000	842,854,081	448,589,983	1,291,444,064	12.3	14.6	65.6	73.7
Murang'a	4,454,129,000	2,890,505,000	7,344,634,000	1,115,000,000	793,000,000	1,908,000,000	966,985,899	583,184,862	1,550,170,761	21.7	20.2	86.7	73.5
Nairobi City	23,161,536,610	11,392,990,013	34,554,526,623	3,728,230,000	0	3,728,230,000	3,806,006,368	133,375,419	3,939,381,787	16.4	1.2	102.1	-
Nakuru	8,963,226,961	5,779,101,842	14,742,328,803	1,942,389,843	1,139,386,463	3,081,776,306	1,412,997,228	241,346,326	1,654,343,554	15.8	4.2	72.7	21.2
Nandi	4,377,213,542	2,526,109,045	6,903,322,587	1,007,900,000	430,000,000	1,437,900,000	866,499,147	273,818,290	1,140,317,437	19.8	10.8	86.0	63.7
Narok	5,537,697,844	4,273,608,239	9,811,306,083	1,151,913,000	512,100,000	1,664,013,000	988,459,079	500,991,355	1,489,450,434	17.8	11.7	85.8	97.8
Nyamira	4,082,095,098	1,853,022,719	5,935,117,817	813,113,985	146,652,106	959,766,091	513,763,918	36,018,116	549,782,034	12.6	1.9	63.2	24.6
Nyandarua	3,693,367,130	1,828,600,594	5,521,967,724	884,969,110	122,000,000	1,006,969,110	708,526,850	22,178,557	730,705,406	19.2	1.2	80.1	18.2
Nyeri	4,419,610,949	1,857,937,767	6,277,548,716	1,202,092,621	0	1,202,092,621	646,217,092	0	646,217,092	14.6	0.0	53.8	-

County	Gross Budget Estimates (Kshs)			Exchequer Issues (Kshs)			Expenditure (Kshs)			% Expenditure to Gross Estimates		% Expenditure to Exchequer Issues	
	Rec	Dev	Total	Rec	Dev	Total	Rec	Dev	Total	Rec	Dev	Rec	Dev
Samburu	2,626,349,421	1,689,625,000	4,315,974,421	671,951,562	127,000,000	798,951,562	590,739,400	20,665,589	611,404,989	22.5	1.2	87.9	16.3
Siaya	3,836,824,303	3,492,667,024	7,329,491,327	1,040,000,000	400,000,000	1,440,000,000	792,656,770	406,858,111	1,199,514,881	20.7	11.6	76.2	101.7
Taita/ Taveta	3,150,094,506	1,502,217,605	4,652,312,111	658,577,985	313,638,102	972,216,087	664,949,951	74,980,524	739,930,475	21.1	5.0	101.0	23.9
Tana River	2,227,555,694	2,357,656,160	4,585,211,854	689,908,941	720,150,186	1,410,059,127	630,576,772	701,412,969	1,331,989,741	28.3	29.8	91.4	97.4
Tharaka -Nithi	2,542,635,000	1,214,775,000	3,757,410,000	671,405,874	227,117,528	898,523,402	506,710,971	0	506,710,971	19.9	0.0	75.5	0.0
Trans Nzoia	3,648,973,002	3,222,036,964	6,871,009,966	689,559,320	531,270,810	1,220,830,130	749,533,410	361,177,945	1,110,711,355	20.5	11.2	108.7	68.0
Turkana	4,207,940,135	10,818,376,192	15,026,316,327	1,070,813,857	2,436,787,659	3,507,601,516	964,578,845	1,379,767,858	2,344,346,703	22.9	12.8	90.1	56.6
Uasin Gishu	4,563,372,616	3,085,101,582	7,648,474,198	971,423,790	361,398,802	1,332,822,592	413,780,198	0	413,780,198	9.1	0.0	42.6	0.0
Vihiga	3,194,665,240	1,535,962,677	4,730,627,917	784,685,000	259,000,000	1,043,685,000	632,078,750	106,864,495	738,943,245	19.8	7.0	80.6	41.3
Wajir	4,285,904,293	4,012,863,962	8,298,768,255	1,099,350,140	598,914,715	1,698,264,855	1,025,308,315	448,603,769	1,473,912,084	23.9	11.2	93.3	74.9
West Pokot	3,288,585,185	1,752,718,599	5,041,303,784	670,000,000	270,000,000	940,000,000	605,680,114	191,665,623	797,345,737	18.4	10.9	90.4	71.0
Total	222,252,715,858	168,067,756,958	390,320,472,816	51,665,270,173	24,025,080,951	75,690,351,124	42,595,698,518	13,956,441,221	56,552,139,741	19.2	8.3	82.4	58.1

Bima House, 12th Floor
Harambee Avenue
P. O. Box 35616 - 00100 Nairobi, Kenya
Tel: +254 (0) 20 318939, 2211056
Fax: +254 (0) 20 2211920
Email: cob@cob.go.ke
Website: www.cob.go.ke