


REPUBLIC OF KENYA

# OFFICE OF THE CONTROLLER OF BUDGET

# COUNTY GOVERNMENTS BUDGET IMPLEMENTATION REVIEW REPORT

## FIRST NINE MONTHS FY 2015/16

## MAY 2016




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# PREFACE

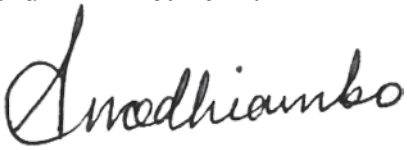
It is with great pleasure that the Controller of Budget (COB) presents the County Governments Budget Implementation Report (CBIRR) for the first nine months of the financial year (FY) 2015/16. This report has been prepared in line with Article 228 (6) of the Constitution of Kenya 2010, which requires the Controller of Budget to submit to each House of Parliament a report on the implementation of the budgets of national and county governments every four months.

The report examines budget performance by the forty seven (47) County Governments for the period between July, 2015 and March, 2016. The report is based on analysis of approved county budgets, financial and non-financial reports submitted to the COB by the County Treasuries, information obtained during continuous monitoring of budget implementation, and reports generated from the Integrated Financial Management Information System (IFMIS). The analysis and findings are centered on provisions of the Constitution of Kenya, 2010 and the Public Finance Management Act, 2012. The report contains the achievements and challenges encountered in budget implementation. It also contains recommendations aimed at addressing the identified challenges in order to promote effective budget implementation.

Preparation of this report has been made possible by the concerted efforts of staff of both the County Treasuries and the Office of the Controller of Budget (COB). The Office is therefore, grateful to the staff in the Budget Implementation Directorate and the County Treasuries for their contribution towards preparation of this report.

This report is intended to inform stakeholders, policy makers, analysts and members of the public on the progress made in implementation of FY 2015/16 County Government budgets. I take this opportunity to urge all citizens to take interest in public finanical management matters. In particular.

I take this opportunity to urge all citizens to take interest in Public Financial matters. In particular, I urge them to actively read this report and participate in public forums to enchance transparency and accountability in the management of public financial recources as enshrined in the constitution and PFM Act 2012.



Mrs. Agnes Odhiambo
Controller of budget

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# LIST OF ABBREVIATIONS/ACRONYMS

| | |
|---|---|
| A.I.A | Appropriations in Aid |
| BQ | Bills of Quantities |
| BROP | Budget Review and Outlook Paper |
| CA | County Assembly |
| CARA | County Allocation of Revenue Act |
| CE | County Executive |
| CARP | Capacity Assessment and Rationalization of the Public Service |
| CBEF | County Budget and Economic Forum |
| CBIRR | County Budget Implementation Review Report |
| CBK | Central Bank of Kenya |
| CBROP | County Budget Review and Outlook Paper |
| CEC | County Executive Committee |
| CECM-F | County Executive Committee Member for Finance |
| CILOR | Contribution in lieu of Rates |
| COB | Controller of Budget |
| CPSB | County Public Service Board |
| CRA | Commission of Revenue Allocation |
| CRF | County Revenue Fund |
| CTTI | County Technical Training Institute |
| DANIDA | Danish International Development Agency |
| ECDE | Early Childhood Development Education |
| E-G | Electronic Governance |
| F.I.F | Facility Improvement Fund |
| FY | Financial Year |
| GoK | Government of Kenya |
| HSSF | Health Sector Services Fund |
| ICT | Information Communication Technology |
| IFMIS | Integrated Financial Management Information System |
| KCB | Kenya Commercial Bank |
| KRB | Kenya Roads Board |
| MCA | Member of County Assembly |
| MTEF | Medium Term Expenditure Framework |
| M&E | Monitoring and Evaluation |
| O&M | Operations and Maintenance |
| COB | Office of the Controller of Budget |
| PE | Personnel Emoluments |
| PFM Act | Public Finance Management Act, 2012 |
| RMFLF | Road Maintenance Fuel Levy Fund |
| SMEs | Small and Medium Enterprises |

# EXECUTIVE SUMMARY

This report has been prepared in fulfilment of Article 228(6) of the Constitution of Kenya, 2010, which requires the Controller of Budget to submit a report on the implementation of the budgets of the National and County governments to each House of Parliament every four months.

This report covers the period, July 2015 to March 2016 and reviews budget implementation status of each of the 47 County Governments. It reviews progress made in revenue generation and analyses revenue by stream against budget for each County. Expenditure performance is analyzed by the economic classification of personnel emoluments, operations and maintenance and development expenditure, and is also compared to annual estimates. Expenditure is disaggregated by department. Absorption rate is used to present performance of development expenditure and is calculated as a percentage of actual expenditure to the budget estimates.

The aggregate County Governments' budget for FY 2015/16 amounted to Kshs.365.51 billion, and comprised of Kshs.202.16 billion (53.3 per cent) for recurrent expenditure and Kshs.163.35 billion (44.7 per cent) for development expenditure. The split between annual development and recurrent expenditure budget conforms to the public finance requirement that at least 30 per cent of budget be allocated to development activities.

In order to finance the budget, County Governments expect to receive Kshs.259.77 billion as equitable share of revenue raised nationally, Kshs.3.60 billion as conditional allocations for Level 5 Hospitals, Kshs.4.30 billion as conditional allocation for Free Maternal Health Care, Kshs.4.50 billion as conditional allocation for Leasing of Medical Equipment, Kshs.3.30 billion as conditional allocation from the Road Maintenance Fuel Levy Fund, Kshs.900 million as conditional allocation for compensation for User Fees Forgone, Kshs.844.71 million as conditional allocation to the Health Sector from the Government of Denmark through the Danish International Development Agency (DANIDA), Kshs.508.25 million from the World Bank to supplement financing of county health facilities, and Kshs.9.32 billion as conditional allocation for other loans and grants. Further, Counties targeted to collect Kshs.55.16 billion from local sources as well as utilize the unspent funds carried forward from FY 2014/15 which amounted to Kshs.40.08 billion.

During the first nine months of FY 2015/16, the County Governments received Kshs.158.88 billion as equitable share of revenue raised nationally, Kshs.2.20 billion as conditional allocation from the National Government for Level 5 Hospitals, Kshs.1.51 billion as conditional allocation for Free Maternal Health Care, Kshs.422.24 million as conditional allocation for compensation for User Fees Forgone, Kshs.1.67 billion from the Road Maintenance Fuel Levy Fund, Kshs.518.66 million from DANIDA as conditional allocation to supplement financing for county health

facilities, Kshs.283.61 million from the World Bank as loan to supplement health facilities, and raised Kshs.25.89 billion from local sources of revenue.

The local revenue was 46.9 per cent of the total annual local revenue target of Kshs.55.16 billion, and is a slight increase from Kshs.25.17 billion generated in a similar period of FY 2014/15. Analysis of local revenue collection indicates that Nairobi City, Kiambu, and Mombasa Counties reported the highest absolute collection at Kshs.9.62 billion, Kshs.1.82 billion, and Kshs.1.58 billion respectively. Conversely, Mandera, Lamu and Tana River Counties recorded the lowest local revenue at Kshs.59.65 million, Kshs.45.18 million, and Kshs.18.26 million respectively.

The Controller of Budget authorized withdrawal of Kshs.200.79 billion from the various County Revenue Fund (CRF) accounts representing 54.9 per cent of the total approved budgets for FY 2015/16. These withdrawals consisted of Kshs.136.60 billion (69 per cent) for recurrent activities and Kshs.62.19 billion (31 per cent) for development activities.

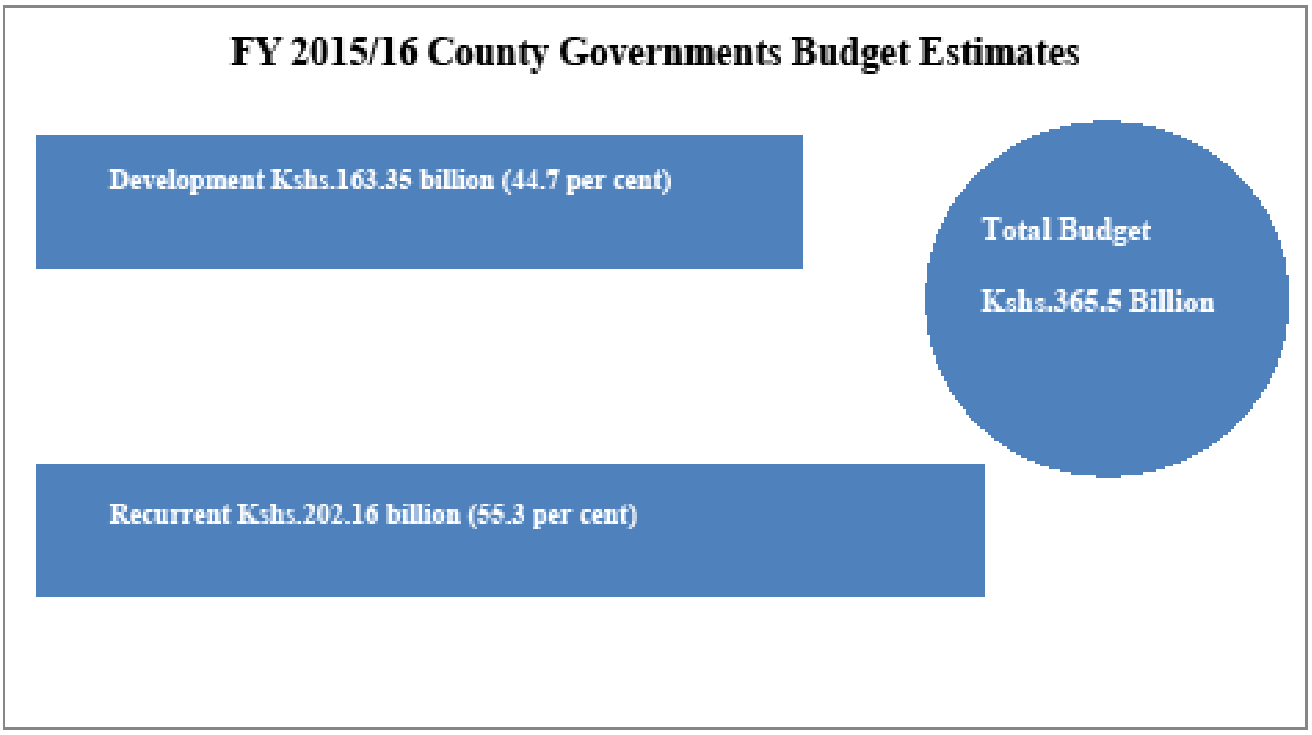
The aggregate County Governments' expenditure during the period under review amounted to Kshs.183.76 billion, and represented 50.3 per cent of the total approved budgets for FY 2015/16. This expenditure consisted of Kshs.128.44 billion for recurrent activities (69.9 per cent of the total expenditure) and Kshs.55.32 billion (30.1 per cent of the total expenditure) for development activities. The aggregate expenditure represented 91.5 per cent of the funds released for operations in the reporting period. Counties that recorded the highest overall absorption rates were Homa Bay, Murang'a, Wajir and Tana River at 68.6 per cent, 64.7 per cent, 61.3 per cent, and 61.1 per cent respectively while those with the lowest rates were; Tharaka Nithi, Kilifi, Mandera and Makueni Counties at 41.6 per cent, 40.2 per cent, 37 per cent, and 36.2 per cent respectively.

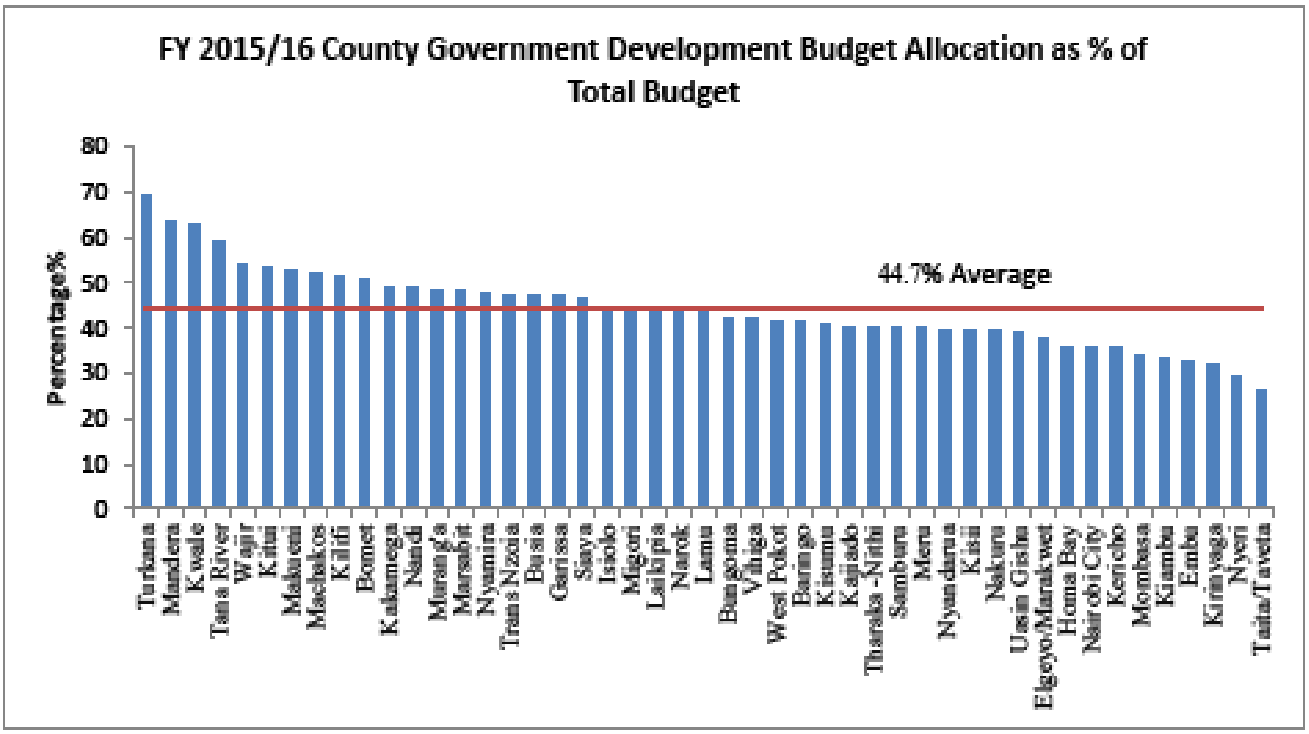
The overall absorption rate for development expenditure by the County Governments for the reporting period was **33.9 per cent** of the annual development budget, a decrease from **37.8 per cent** recorded in a similar period of FY 2014/15. Analysis of the development expenditure indicates that Tana River County, Bomet County, and Vihiga County had the highest absorption rates of their respective development budgets at 59 per cent, 58.9 per cent and 56 per cent respectively. Counties with the lowest absorption rate of development budgets were Tharaka Nithi, Makueni and Nyeri at 16.5 per cent, 14.9 per cent and 11.7 per cent respectively.

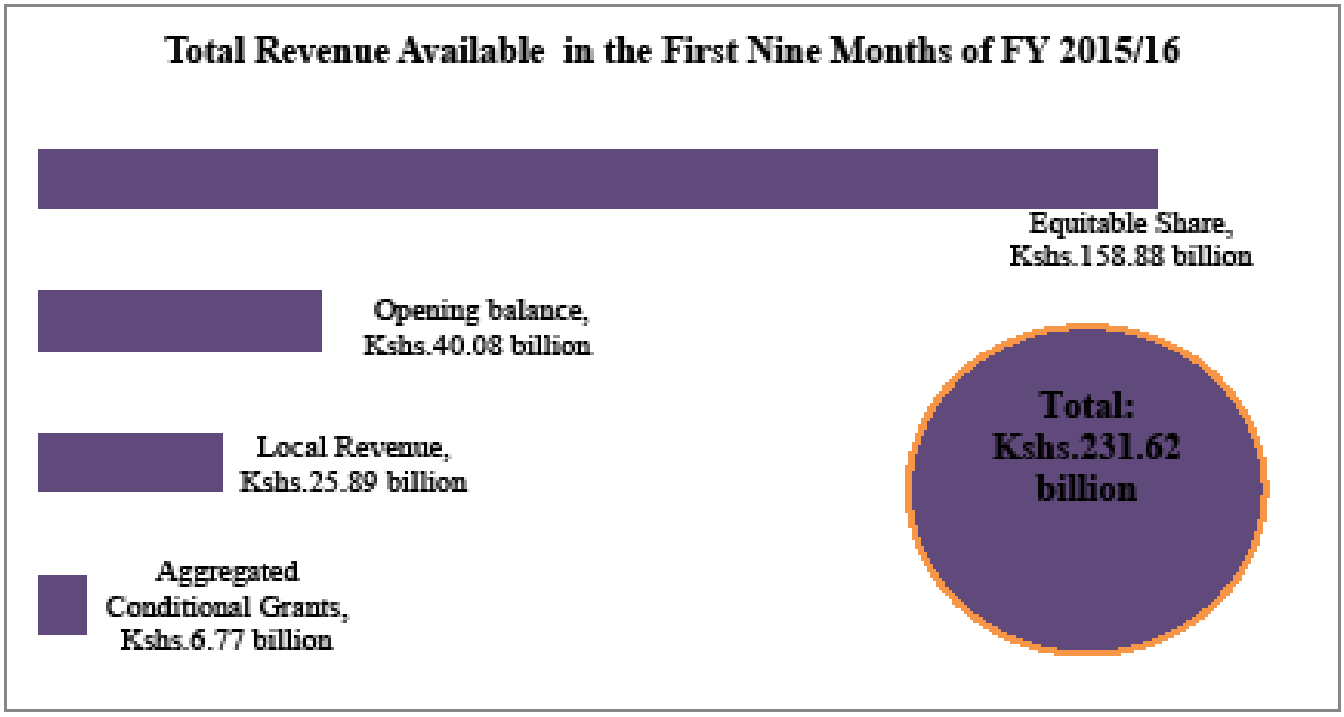
On recurrent expenditure, the total cumulative expenditure by the County Governments represented **63.5 per cent** of the annual recurrent budget which was a decline from **64.5 per cent** recorded in a similar period of FY 2014/15. Machakos County reported the highest percentage of recurrent expenditure to its annual recurrent budget at 82.5 per cent, followed by Homa Bay County at 78.1 per cent and Baringo County at 76.1 per cent. Kwale County, Kitui County and Kiambu County recorded the lowest proportion of recurrent expenditure to its annual recurrent budget at 52 per cent, 51.2 per cent and 48.6 per cent respectively.

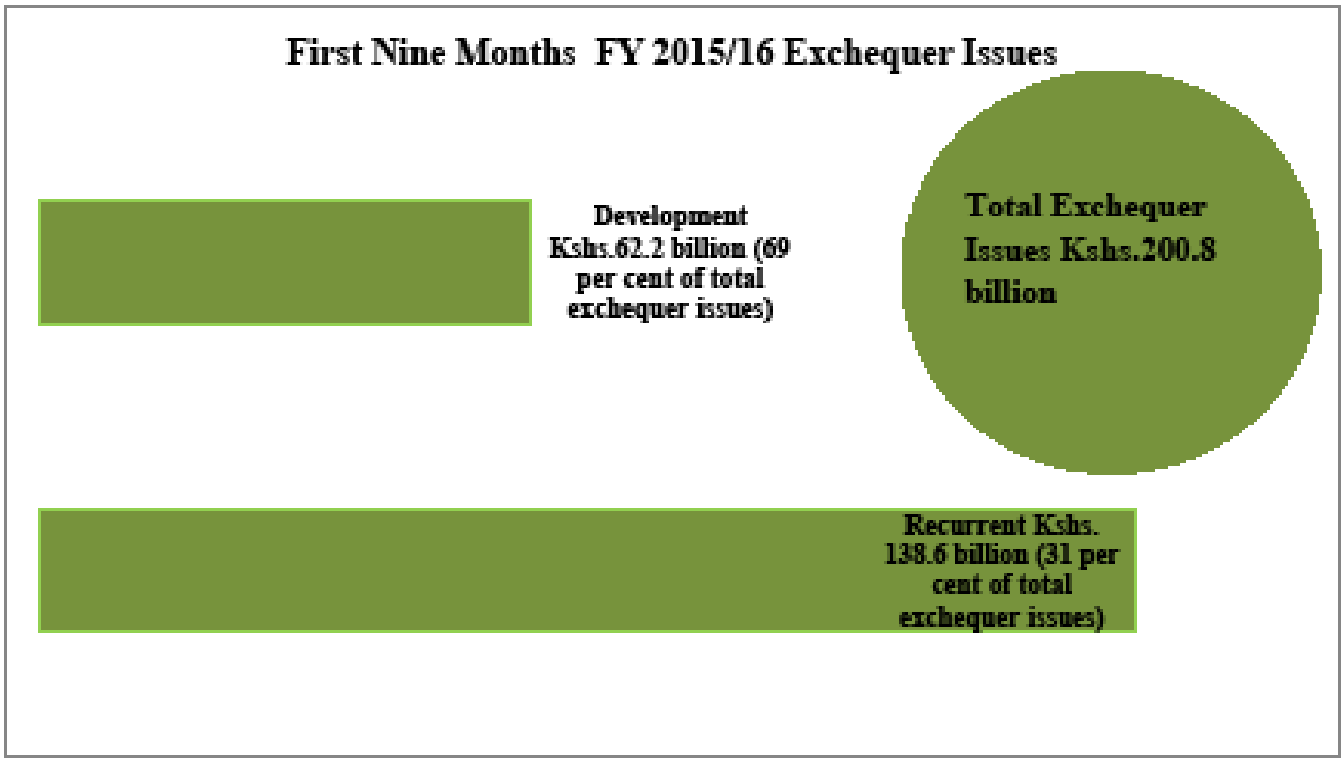
Some of the key challenges that affected budget implementation in the period under review were: (i) under performance in local revenue collection, (ii) delays in establishment and operationalization of the County Budget Economic Forum by some County Governments, (iii) delays and failure to submit quarterly reports on established County Funds, (iv) delay in disbursement of funds to the Counties by the National Treasury, (v) inadequate internal audit arrangements, and (vi) lack of a current database for development projects.

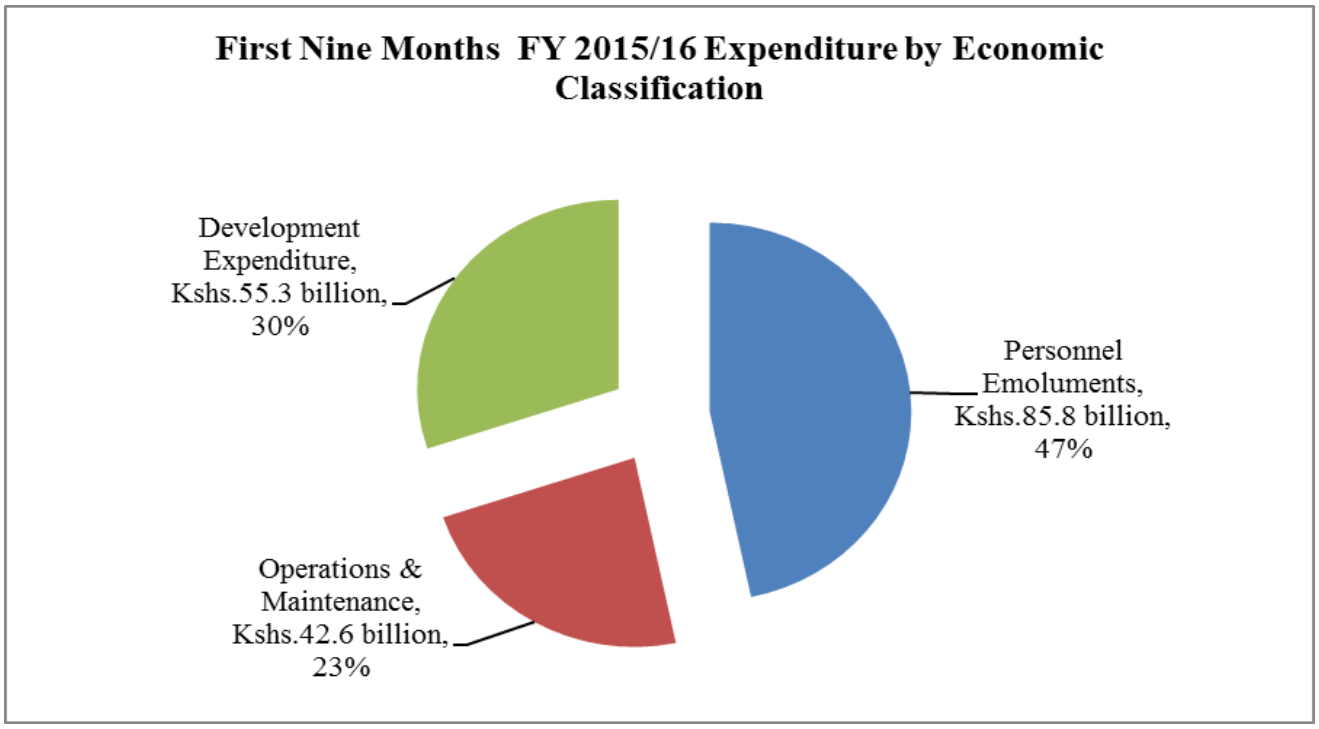
The COB recommends the following to address the challenges identified during the reporting period: (i) the County Treasuries should devise strategies to improve local revenue collection, (ii) the County Budget and Economic Forums should be established as required by Section 137(2) of the Public Finance Management (PFM) Act, 2012, (iii) Administrators of established County Funds should ensure that quarterly reports are prepared in line with Section 168 of the PFM Act, 2012 and (iv) the National Treasury should ensure timely disbursements of funds to the County Governments in line with the CARA, 2015 approved disbursement schedule, (v) counties should establish effective internal audit arrangements, and (vi) develop project databases and appropriate monitoring frameworks for effective development project implementation.

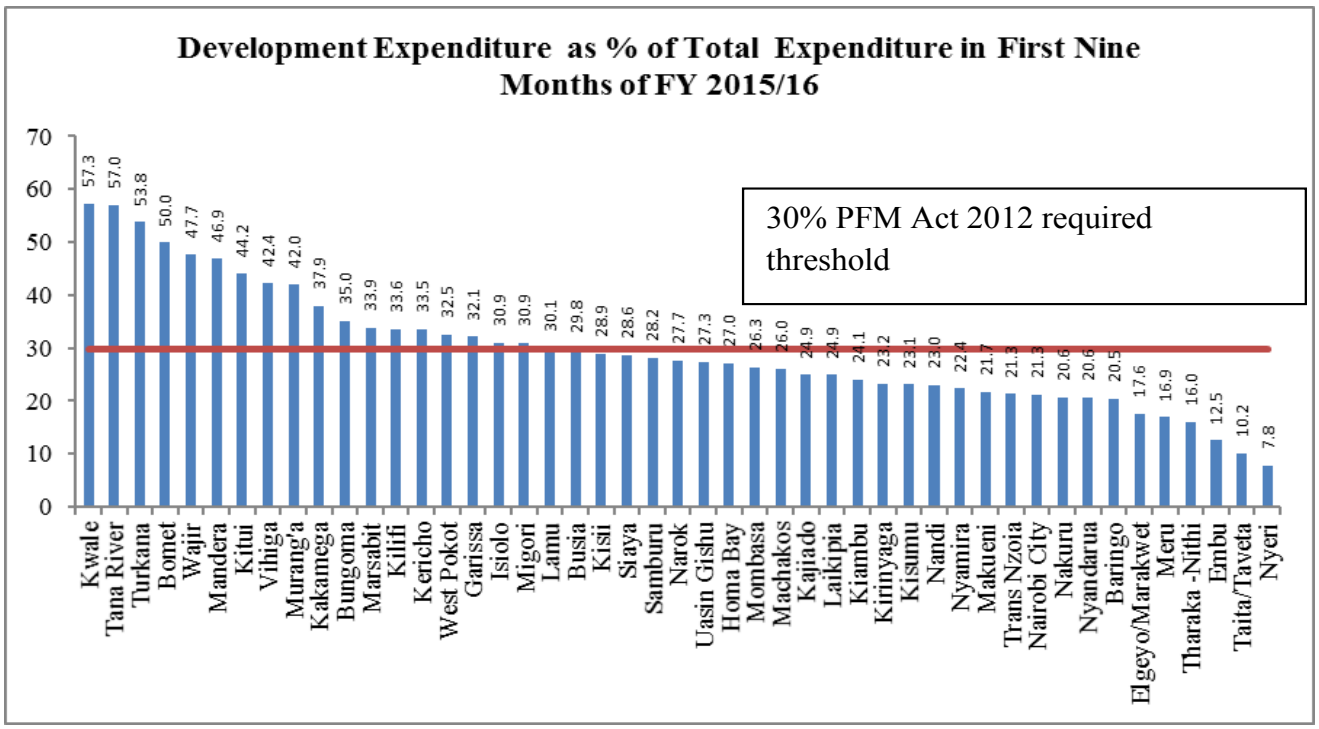

FY 2015/16 County Governments Budget Estimates
Development Kshs.163.35 billion (44.7 per cent)
Total Budget
Kshs.365.5 Billion
Recurrent Kshs.202.16 billion (55.3 per cent)


FY 2015/16 County Government Development Budget Allocation as % of Total Budget
Percentage%
80
70
60
50
40
30
20
10
0
44.7% Average
Turkana
Mandera
Kwale
Tana River
Wajir
Kitui
Makueni
Machakos
Kilifi
Bomet
Kakamega
Nandi
Muranga
Marsabit
Nyamira
Trans Nzoia
Busia
Garissa
Siaya
Isiolo
Migori
Laikipia
Narok
Lamu
Bungoma
Vihiga
West Pokot
Baringo
Kisumu
Kajiado
Tharaka -Nithi
Samburu
Meru
Nyandarua
Kisii
Nakuru
Uasin Gishu
Elgeyo/Marakwet
Homa Bay
Nairobi City
Kericho
Mombasa
Kiambu
Embu
Kirinyaga
Nyeri
Taita/Taveta


Total Revenue Available in the First Nine Months of FY 2015/16
Equitable Share, Kshs.158.88 billion
Opening balance, Kshs.40.08 billion
Local Revenue, Kshs.25.89 billion
Aggregated Conditional Grants, Kshs.6.77 billion
Total: Kshs.231.62 billion


First Nine Months FY 2015/16 Exchequer Issues
Development Kshs.62.2 billion (69 per cent of total exchequer issues)
Total Exchequer Issues Kshs.200.8 billion
Recurrent Kshs. 138.6 billion (31 per cent of total exchequer issues)


First Nine Months FY 2015/16 Expenditure by Economic Classification
Development Expenditure, Kshs.55.3 billion, 30%
Personnel Emoluments, Kshs.85.8 billion, 47%
Operations & Maintenance, Kshs.42.6 billion, 23%


Development Expenditure as % of Total Expenditure in First Nine Months of FY 2015/16
30% PFM Act 2012 required threshold
70
60
50
40
30
20
10
0
Kwale 57.3
Tana River 57.0
Turkana 53.8
Bomet 50.0
Wajir 47.7
Mandera 46.9
Kitui 44.2
Vihiga 42.4
Murang'a 42.0
Kakamega 37.9
Bungoma 35.0
Marsabit 33.9
Kilifi 33.6
Kericho 33.5
West Pokot 32.5
Garissa 32.1
Isiolo 30.9
Migori 30.9
Lamu 30.1
Busia 29.8
Kisii 28.9
Siaya 28.6
Samburu 28.2
Narok 27.7
Uasin Gishu 27.3
Homa Bay 27.0
Mombasa 26.3
Machakos 26.0
Kajiado 24.9
Laikipia 24.9
Kiambu 24.1
Kirinyaga 23.2
Kisumu 23.1
Nandi 23.0
Nyamira 22.4
Makueni 21.7
Trans Nzoia 21.3
Nairobi City 21.3
Nakuru 20.6
Nyandarua 20.6
Baringo 20.5
Elgeyo/Marakwet 17.6
Meru 16.9
Tharaka -Nithi 16.0
Embu 12.5
Taita/Taveta 10.2
Nyeri 7.8


EXIT 6
LANE 1
A2
LANE 2
LANE 3

# 1.0 INTRODUCTION

This is the third quarter County Budget Implementation Review Report issued by the Controller of Budget for FY 2015/16. It covers the first nine months of FY 2015/16 (July, 2015 to March, 2016). The report is prepared in fulfilment of Article 228 (6) of the Constitution and Section 39 (8) of the Public Finance Management (PFM) Act, 2012 which requires the Controller of Budget to ensure that members of the public have access to information on budget implementation both at the national and county government level.

The CBIRR presents information on the revenue raised by counties, disbursements from the National Treasury, transfers from development partners, and an analysis of expenditure during the reporting period. Disbursement of funds to the county governments is based on the County Allocation of Revenue Act (CARA), 2015.

This report offers valuable information to the Senate and County Assemblies who are mandated with the oversight role on the utilization of public funds by the county governments. The County Executives will also find this report useful in evaluating performance against targets and also provide opportunity for benchmarking with peers. Other stakeholders such as learning institutions, civil societies, development partners and the general public will find the information in this report useful as they interrogate county budget performance.

The report is organized into four chapters. Chapter one provides the introduction of the report while chapter two presents an analysis of individual and cumulative County Government's revenue and expenditure performance against the approved budget. The review of expenditure is focused on broad economic classification of recurrent and development expenditure. Recurrent expenditure is further disaggregated into Personnel Emoluments (PE) and Operations and Maintenance (O&M).

Chapter three presents County specific budget implementation performance. In the analysis of specific county performance, focus is placed on revenue receipts against targets and budget utilization by votes/spending entities. The key issues and observations made by the COB during budget implementation in the period under review are highlighted and appropriate recommendations provided. In the period under review, the COB conducted a Monitoring and Evaluation (M&E) exercise in all the forty seven county governments to assess the status of development projects and programmes undertaken by the counties. The findings of the M&E exercise have also informed the discussions in chapter three.

Chapter four summarizes the cross cutting challenges that affected the county governments in the first nine months of FY 2015/16. Recommendations to enhance budget implementation are provided to ensure that budget objectives are realized. Chapter five provides the conclusion.

# 2.0 FINANCIAL ANALYSIS OF COUNTY BUDGET IMPLEMENTATION IN THE FIRST NINE MONTHS OF FY 2015/16

## 2.1 Introduction

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

## 2.2 Revenue Analysis

In FY 2015/16, the combined county governments' budget estimates approved by the County Assemblies amounted to **Kshs.365.51 billion**[1]**.** This comprised of Kshs.202.16 billion (55.3 per cent) for recurrent expenditure and Kshs.163.35 billion (44.7 per cent) for development projects.

In order to finance the budgets, county governments expect to receive equitable and conditional transfers from the National Government, and Conditional grants from development partners amounting to Kshs.287.04 billion; generate revenue from local sources of Kshs.55.16 billion and utilize projected cash balances brought forward from FY 2014/15, which amounted to Kshs.40.08 billion.

The total funds that were available to the county governments in the first nine months of FY 2015/16 amounted to Kshs.227.57 billion. This amount consisted of Kshs.161.60 billion (71.0 per cent) as transfers from the National Government and conditional grants from DANIDA, Kshs.25.89 billion (11.4 per cent) as revenue raised from local sources, and Kshs.40.08 billion (17.6 per cent) as cash balance brought forward from FY 2014/15.

### 2.2.1 Transfers from the National Government and Conditional Allocations from Development Partners

According to CARA, 2015, transfers from the National Government amounts to Kshs.276.37 billion for FY 2015/16 .This amount consists of Kshs.259.77 billion as equitable share of revenue raised nationally; Kshs.3.60 billion as conditional allocations for Level 5 Hospitals; Kshs.4.30 billion as conditional allocations for Free Maternal Health Care (upon confirmation that the county government provided maternal health care services in their health facilities); Kshs.900 million as conditional allocations for compensation to the county health facilities for User Fees Forgone; Kshs.4.50 billion as conditional allocation for leasing of specialised medical equipment and Kshs.3.30 billion as conditional allocation from the Road Maintenance Fuel Levy Fund.

On the other hand, the conditional allocations from development partners in FY 2015/16 amounts to Kshs.10.67 billion, consisting of Kshs.508.25 million from the World Bank and a grant of Kshs.844.71

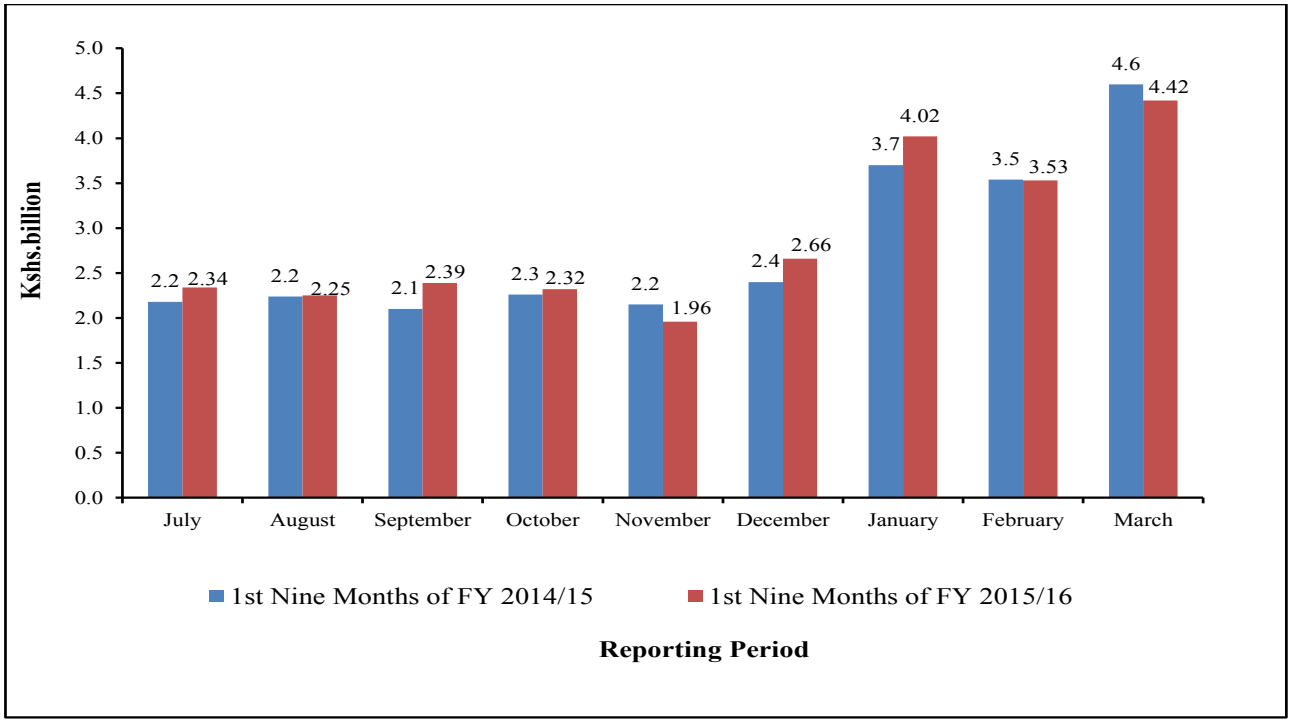
1 *Amount differs from the Kshs.362.76 billion published in the First Half of FY 2015/16 as a result of Supplementary budgets passed by some counties.*

million from DANIDA to supplement financing of county health facilities, and Kshs.9.32 billion as conditional allocation from other loans and grants.

### 2.2.2 Locally Collected Revenue

In the FY 2015/16, county governments targeted to raise Kshs.55.16 billion. In the reporting period, county governments collected a total of Kshs.25.89 billion, which was 46.9 per cent of the annual target. This achievement was an improvement compared to Kshs.25.17 billion (44.0 per cent of the FY 2014/15 annual revenue target) in a similar period FY 2014/15. Figure 2.1 shows the monthly local revenue collection during the first nine months of FY 2015/16 and the same period in FY 2014/15.

**Figure 2.1: Monthly Local Revenue for the First Nine Months of FY 2014/15 and the same perion in FY 2015/16 (Kshs.Billions)**




**Source:** *County Treasuries*

Table 2.1 shows the monthly local revenue collection for the period July 2015 to March 2016.

## Table 2.1: Local Revenue Collection for July 2015 to March 2016 by Quarter (Kshs. Million)

| County Title | 1st quarter of FY 2015/16 | 2nd quarter of FY 2015/16 | 3rd quarter of FY 2015/16 | Total Local Revenue Collection | Local Revenue Target for FY 2015/16 | % of total Local Revenue to the Annual Revenue Target |
|---|---|---|---|---|---|---|
| | A | B | C | D=A+B+C | E | F=D/E*100 |
| **Baringo** | 77,326,161 | 52,357,215 | 72,750,071 | 202,433,447 | 300,000,000 | **67.5** |
| **Bomet** | 26,946,036 | 30,397,527 | 47,210,823 | 104,554,386 | 335,000,000 | **31.2** |
| **Bungoma** | 102,622,636 | 81,701,379 | 143,303,571 | 327,627,586 | 819,941,338 | **40.0** |
| **Busia** | 108,806,879 | 68,007,563 | 79,863,024 | 256,677,466 | 543,066,927 | **47.3** |
| **Elgeyo/Marakwet** | 34,444,140 | 19,973,478 | 40,481,041 | 94,898,659 | 149,980,000 | **63.3** |
| **Embu** | 95,389,550 | 73,100,071 | 124,464,615 | 292,954,236 | 630,762,397 | **46.4** |
| **Garissa** | 24,763,118 | 20,839,300 | 32,271,143 | 77,873,561 | 500,000,000 | **15.6** |
| **Homa Bay** | 43,487,781 | 39,896,821 | 55,039,062 | 138,423,664 | 181,733,667 | **76.2** |
| **Isiolo** | 36,095,279 | 21,232,768 | 28,470,140 | 85,798,187 | 360,000,000 | **23.8** |
| **Kajiado** | 159,208,989 | 131,539,848 | 274,246,100 | 564,994,937 | 1,134,883,377 | **49.8** |
| **Kakamega** | 110,227,243 | 107,312,607 | 141,019,350 | 358,559,200 | 1,000,000,000 | **35.9** |
| **Kericho** | 43,727,216 | 71,558,863 | 133,842,077 | 249,128,156 | 553,400,000 | **45.0** |
| **Kiambu** | 437,588,339 | 536,460,761 | 841,295,319 | 1,815,344,419 | 3,683,082,631 | **49.3** |
| **Kilifi** | 73,395,750 | 95,594,730 | 215,058,519 | 384,048,999 | 1,407,318,463 | **27.3** |
| **Kirinyaga** | 65,048,128 | 53,019,014 | 164,158,069 | 282,225,211 | 500,000,000 | **56.4** |
| **Kisii** | 57,786,966 | 47,069,610 | 109,163,996 | 214,020,572 | 700,000,000 | **30.6** |
| **Kisumu** | 204,680,416 | 201,545,826 | 370,223,960 | 776,450,202 | 1,868,587,023 | **41.6** |
| **Kitui** | 94,842,117 | 60,185,125 | 156,402,737 | 311,429,979 | 608,200,000 | **51.2** |
| **Kwale** | 40,649,387 | 49,333,479 | 87,598,501 | 177,581,367 | 300,000,000 | **59.2** |
| **Laikipia** | 136,770,714 | 94,247,781 | 159,930,856 | 390,949,351 | 500,000,000 | **78.2** |
| **Lamu** | 7,695,367 | 12,928,687 | 24,552,622 | 45,176,676 | 107,000,000 | **42.2** |
| **Machakos** | 201,681,606 | 196,598,418 | 397,410,231 | 795,690,255 | 2,371,633,578 | **33.6** |
| **Makueni** | 40,295,311 | 46,962,142 | 63,875,062 | 151,132,515 | 400,000,000 | **37.8** |
| **Mandera** | 18,457,379 | 19,736,018 | 21,452,045 | 59,645,442 | 199,237,816 | **29.9** |
| **Marsabit** | 26,443,448 | 27,574,164 | 30,604,207 | 84,621,819 | 130,000,000 | **65.1** |

| County Title | 1st quarter of FY 2015/16 | 2nd quarter of FY 2015/16 | 3rd quarter of FY 2015/16 | Total Local Revenue Collection | Local Revenue Target for FY 2015/16 | % of total Local Revenue to the Annual Revenue Target |
|---|---|---|---|---|---|---|
| | A | B | C | D=A+B+C | E | F=D/E*100 |
| **Meru** | 115,150,257 | 92,795,070 | 153,454,114 | 361,399,441 | 997,928,083 | **36.2** |
| **Migori** | 86,868,486 | 64,691,276 | 87,266,182 | 238,825,944 | 400,000,000 | **59.7** |
| **Mombasa** | 384,169,600 | 353,104,653 | 846,178,097 | 1,583,452,350 | 4,072,454,938 | **38.9** |
| **Murang'a** | 109,730,737 | 110,612,324 | 230,649,879 | 450,992,940 | 850,000,000 | **53.1** |
| **Nairobi City** | 2,228,013,602 | 2,737,765,625 | 4,655,878,689 | 9,621,657,916 | 17,528,000,000 | **54.9** |
| **Nakuru** | 436,180,425 | 394,781,399 | 691,840,301 | 1,522,802,125 | 2,911,149,689 | **52.3** |
| **Nandi** | 47,603,829 | 63,421,555 | 47,499,052 | 158,524,436 | 255,764,953 | **62.0** |
| **Narok** | 617,198,284 | 418,534,393 | 367,476,045 | 1,403,208,722 | 3,507,104,592 | **40.0** |
| **Nyamira** | 25,251,964 | 17,111,231 | 37,251,933 | 79,615,128 | 240,958,912 | **33.0** |
| **Nyandarua** | 49,124,850 | 38,518,284 | 102,438,603 | 190,081,737 | 392,000,000 | **48.5** |
| **Nyeri** | 147,321,582 | 136,130,262 | 215,768,566 | 499,220,410 | 1,082,000,000 | **46.1** |
| **Samburu** | 50,662,800 | 34,173,818 | 37,035,574 | 121,872,192 | 356,585,640 | **34.2** |
| **Siaya** | 29,169,787 | 23,247,342 | 42,382,381 | 94,799,510 | 343,309,926 | **27.6** |
| **Taita/Taveta** | 44,719,164 | 27,211,790 | 44,901,317 | 116,832,271 | 310,405,326 | **37.6** |
| **Tana River** | 3,384,957 | 7,542,537 | 7,337,461 | 18,264,955 | 120,000,000 | **15.2** |
| **Tharaka –Nithi** | 36,683,313 | 22,887,305 | 31,451,315 | 91,021,933 | 248,050,000 | **36.7** |
| **Trans Nzoia** | 50,986,745 | 40,627,795 | 144,354,784 | 235,969,324 | 389,026,513 | **60.7** |
| **Turkana** | 10,206,290 | 40,266,468 | 34,124,845 | 84,597,603 | 200,000,000 | **42.3** |
| **Uasin Gishu** | 144,887,624 | 109,831,736 | 288,125,152 | 542,844,512 | 1,037,217,425 | **52.3** |
| **Vihiga** | 34,892,381 | 27,382,900 | 32,904,000 | 95,179,281 | 252,083,022 | **37.8** |
| **Wajir** | 22,318,990 | 19,608,400 | 21,014,265 | 62,941,655 | 200,000,000 | **31.5** |
| **West Pokot** | 21,651,350 | 25,578,491 | 28,924,842 | 76,154,683 | 177,308,244 | **43.0** |
| **Total** | **6,964,556,973** | **6,964,997,849** | **11,962,944,537** | **25,892,499,359** | **55,155,174,480** | **46.9** |

**Source:** *County Treasuries*

During the period under review, the Nairobi City County collected the highest amount of local revenue at Kshs.9.62 billion, followed by Kiambu County and Mombasa County at Kshs.1.82 billion and Kshs.1.58 billion respectively. The Counties that collected the lowest amount were

Mandera, Lamu and Tana River at Kshs.59.65 million, Kshs.45.18 million and Kshs.18.26 million respectively.

Analysis of local revenue as a proportion of the annual revenue target shows that Laikipia County achieved the highest proportion at 78.2 per cent followed by Homa Bay and Baringo Counties at 76.2 per cent and 67.5 per cent respectively. Conversely, counties that recorded the lowest proportion of local revenue against annual targets were Isiolo County at 23.8 per cent, Garissa County at 15.6 per cent and Tana River County at 15.2 per cent.

## 2.3 Funds Released to the Counties

### 2.3.1 Funds released to the counties from the Consolidated Fund

In the first nine months of FY 2015/16, the Controller of Budget (COB) approved transfers of Kshs.161.60 billion from the Consolidated Fund to the various County Revenue Funds (CRFs) in accordance with Article 206 (4) of the Constitution. The transfers were as follows; Kshs.158.88 billion as equitable share of revenue raised nationally; Kshs.2.20 billion as conditional allocations from the National Government to Level 5 Hospitals, and Kshs.518.66 million as conditional grant from DANIDA to supplement financing of county health facilities.

In the same period, counties received as a direct transfer Kshs.1.67 billion as conditional allocations for Free Maternal Health Care; Kshs.425.95 million as conditional allocations for User Fees Forgone and Kshs.1.67 billion as a conditional allocation from the Road Maintenance Fuel Levy Fund.

### 2.3.2 Equitable transfers from the National Government

In the first nine months of FY 2015/16, the actual disbursement of the equitable share of revenue raised nationally amounted to Kshs.158.88 billion, representing 81 per cent of the total expected disbursement of Kshs.196.13 billion slated for transfer to the county governments over the same period. The national government has attributed failure to fully disburse the equitable share for the period to underperformance in revenue collection by the Kenya Revenue Authority. Table 2.2 shows the expected equitable share disbursement to each county and the actual amount disbursed during the reporting period.

## Table 2.2: Disbursement of equitable share of revenue raised nationally for the first nine months of FY 2015/16

| County | Planned disbursements of equitable share of revenue raised nationally for July 2015 to March 2016 (Kshs.) | Actual disbursements of equitable share of revenue raised nationally for July 2015 to March 2016 (Kshs.) | % of actual disbursements to expected disbursements |
|---|---|---|---|
| Baringo | 3,352,634,900 | 2,597,736,974 | 77.5 |
| Bomet | 3,553,704,440 | 3,177,152,976 | 89.4 |
| Bungoma | 5,795,173,856 | 4,364,386,274 | 75.3 |
| Busia | 4,107,387,198 | 3,308,459,049 | 80.5 |
| Elgeyo/Marakwet | 2,469,182,750 | 1,913,207,826 | 77.5 |
| Embu | 2,897,644,579 | 2,245,194,806 | 77.5 |
| Garissa | 4,357,625,503 | 3,376,438,306 | 77.5 |
| Homa Bay | 4,254,394,826 | 3,803,598,023 | 89.4 |
| Isiolo | 2,307,706,978 | 2,063,181,735 | 89.4 |
| Kajiado | 3,331,532,479 | 2,581,386,093 | 77.5 |
| Kakamega | 6,725,713,287 | 5,211,314,269 | 77.5 |
| Kericho | 3,401,323,349 | 2,635,462,462 | 77.5 |
| Kiambu | 5,634,974,051 | 5,037,890,708 | 89.4 |
| Kilifi | 5,618,118,567 | 4,353,111,737 | 77.5 |
| Kirinyanga | 2,671,354,308 | 2,069,857,311 | 77.5 |
| Kisii | 5,355,688,773 | 4,788,198,572 | 89.4 |
| Kisumu | 4,289,355,505 | 3,323,540,358 | 77.5 |
| Kitui | 5,486,791,163 | 4,251,354,742 | 77.5 |
| Kwale | 3,869,901,659 | 2,998,533,074 | 77.5 |
| Laikipia | 2,604,409,414 | 2,017,986,102 | 77.5 |
| Lamu | 1,549,172,228 | 1,200,351,991 | 77.5 |
| Machakos | 5,110,333,368 | 4,568,841,090 | 89.4 |
| Makueni | 4,507,101,893 | 3,492,257,755 | 77.5 |
| Mandera | 6,761,556,376 | 5,239,086,728 | 77.5 |
| Marsabit | 3,918,043,759 | 3,035,835,232 | 77.5 |
| Meru | 4,902,670,102 | 3,798,757,629 | 77.5 |
| Migori | 4,406,823,356 | 3,939,875,184 | 89.4 |
| Mombasa | 3,924,409,953 | 3,040,767,977 | 77.5 |
| Muranga | 4,043,777,968 | 3,615,298,184 | 89.4 |
| Nairobi | 9,812,439,763 | 8,772,711,047 | 89.4 |
| Nakuru | 6,127,829,862 | 4,748,053,602 | 77.5 |

| County | Planned disbursements of equitable share of revenue raised nationally for July 2015 to March 2016 (Kshs.) | Actual disbursements of equitable share of revenue raised nationally for July 2015 to March 2016 (Kshs.) | % of actual disbursements to expected disbursements |
|---|---|---|---|
| Nandi | 3,590,104,930 | 2,781,736,933 | 77.5 |
| Narok | 3,992,365,359 | 3,093,422,166 | 77.5 |
| Nyamira | 3,136,676,204 | 2,430,404,741 | 77.5 |
| Nyandarua | 3,251,838,477 | 2,519,636,436 | 77.5 |
| Nyeri | 3,359,160,833 | 2,602,793,492 | 77.5 |
| Samburu | 2,681,972,863 | 2,397,790,308 | 89.4 |
| Siaya | 3,771,450,535 | 2,922,249,752 | 77.5 |
| Taita | 2,498,723,984 | 2,233,958,529 | 89.4 |
| Tana River | 3,008,350,328 | 2,689,584,730 | 89.4 |
| Tharaka Nithi | 2,368,862,834 | 2,117,857,500 | 89.4 |
| Tranzoia | 3,850,207,589 | 2,983,273,430 | 77.5 |
| Turkana | 7,911,670,237 | 6,130,234,554 | 77.5 |
| Uasin Gishu | 3,919,114,376 | 3,036,664,781 | 77.5 |
| Vihiga | 2,922,916,030 | 2,613,203,074 | 89.4 |
| Wajir | 5,460,718,940 | 4,231,153,085 | 77.5 |
| West Pokot | 3,256,837,765 | 2,523,510,054 | 77.5 |
| **Total** | **196,129,747,498** | **158,877,301,383** | **81.0** |

**Source:** *CARA 2015 and Office of the Controller of Budget*

Analysis of the disbursement of equitable share of revenue raised nationally shows that Nairobi City County received the highest disbursement of Kshs.8.77 billion. This was followed by Turkana County at Kshs.6.13 billion, Mandera County at Kshs.5.24 billion and Kakamega County at Kshs.5.21 billion. Conversely, the counties that received the least amounts were Isiolo at Kshs.2.06 billion, Laikipia at Kshs.2.02 billion, Elgeyo Marakwet at Kshs.1.91 billion and Lamu at Kshs.1.20 billion.

### 2.3.3 Transfer of Conditional Grants

Table 2.3 shows disbursement of conditional allocations to counties in the reporting period.

## Table 2.3: Disbursement of conditional allocations in the first nine months of FY 2015/16

| County | Level 5 Hospitals (Kshs.Mn) | Road Maintenance Fuel Levy Fund (Kshs.Mn) | Free Maternal Health Care (Kshs.Mn) | User Fees Forgone (Kshs. Mn) | DANIDA (Kshs.Mn) | World Bank loan to supplement Health Facilities ( Kshs. Mn) |
|---|---|---|---|---|---|---|
| Baringo | - | 28.49 | 18.67 | - | - | 17.22 |
| Bomet | - | 30.20 | 22.75 | 8.02 | 17.62 | - |
| Bungoma | - | 49.24 | 56.08 | - | - | - |
| Busia | - | 34.90 | 46.85 | 4.39 | - | - |
| Elgeyo /Marakwet | - | 20.98 | 25.39 | 5.83 | 20.80 | 20.18 |
| Embu | 113.80 | 24.62 | 38.00 | 7.40 | - | - |
| Garissa | 212.43 | 37.03 | 37.96 | 10.96 | - | - |
| Homa Bay | - | 36.15 | 34.70 | 5.61 | 24.77 | - |
| Isiolo | - | 19.61 | 9.25 | 2.54 | 7.97 | - |
| Kajiado | - | 28.31 | 11.52 | - | 17.89 | 31.64 |
| Kakamega | 202.31 | 57.15 | 92.44 | 18.39 | - | - |
| Kericho | - | 28.90 | 37.98 | 8.40 | 19.93 | - |
| Kiambu | 221.13 | 47.88 | 45.43 | - | 19.20 | - |
| Kilifi | - | 47.74 | 10.60 | - | 15.53 | - |
| Kirinyaga | - | 22.70 | 28.57 | - | - | - |
| Kisii | 226.87 | 45.51 | 67.97 | 21.75 | 22.95 | - |
| Kisumu | 199.78 | 36.45 | 46.10 | 20.53 | 16.58 | - |
| Kitui | - | 46.62 | 20.41 | 11.21 | 36.99 | 47.00 |
| Kwale | - | 32.88 | 28.39 | 15.22 | 13.62 | 45.76 |
| Laikipia | - | 22.13 | 31.14 | 4.42 | 11.53 | 18.85 |
| Lamu | - | 13.16 | 2.75 | - | 3.82 | - |
| Machakos | 203.90 | 43.42 | 54.83 | 19.25 | - | - |
| Makueni | - | 38.30 | 38.52 | 9.79 | - | - |
| Mandera | - | 57.45 | 9.45 | 4.49 | 7.31 | - |
| Marsabit | - | 33.29 | 9.67 | 3.39 | - | 10.09 |

| County | Level 5 Hospitals (Kshs.Mn) | Road Maintenance Fuel Levy Fund (Kshs.Mn) | Free Maternal Health Care (Kshs.Mn) | User Fees Forgone (Kshs. Mn) | DANIDA (Kshs.Mn) | World Bank loan to supplement Health Facilities ( Kshs. Mn) |
|---|---|---|---|---|---|---|
| Meru | 144.15 | 41.66 | 45.03 | 17.17 | - | - |
| Migori | - | 37.44 | 21.11 | 20.47 | - | - |
| Mombasa | 237.72 | 33.35 | 2.88 | 56.97 | - | - |
| Murang'a | - | 34.36 | - | 46.97 | 24.81 | - |
| Nairobi | - | 83.38 | 168.51 | 6.75 | - | - |
| Nakuru | 222.54 | 52.07 | 93.54 | 9.34 | 25.26 | - |
| Nandi | - | 30.50 | 26.33 | 12.76 | 18.31 | - |
| Narok | - | 33.92 | 56.30 | 19.83 | 17.89 | 38.14 |
| Nyamira | - | 26.65 | 35.45 | 4.36 | 23.92 | - |
| Nyandarua | - | 27.63 | 23.80 | - | 18.86 | - |
| Nyeri | 217.49 | 28.54 | 37.00 | 6.36 | 22.93 | - |
| Samburu | - | 22.79 | 7.64 | 1.70 | 10.99 | 8.67 |
| Siaya | - | 32.05 | 42.64 | 5.67 | 27.53 | - |
| Taita Taveta | - | 21.23 | 13.91 | 3.15 | 7.41 | - |
| Tana River | - | 25.56 | - | - | 9.29 | - |
| Tharaka Nithi | - | 20.13 | 17.11 | 2.59 | 12.33 | 13.90 |
| Trans-Nzoia | - | 32.71 | 29.39 | 3.68 | - | - |
| Turkana | - | 67.22 | - | - | 6.04 | - |
| Uasin Gishu | - | 33.30 | 9.39 | 8.66 | 17.32 | - |
| Vihiga | - | 24.84 | 17.86 | 4.85 | 7.09 | - |
| Wajir | - | 46.40 | 14.24 | 7.33 | - | 16.37 |
| West Pokot | - | 27.67 | 25.57 | 2.47 | 12.18 | 15.80 |
| **Total** | **2,202.12** | **1,666.50** | **1511.66** | **422.24** | **518.66** | **283.61** |

**Source:** *COB, County Treasuries and KRB*

The National Government through the Kenya Roads Board (KRB) transferred Kshs.1.67 billion as conditional grant from the Road Maintenance Fuel Levy Fund while Kshs.1.51 billion and Kshs.422.24 million as conditional allocations for Free Maternal Health Care and conditional allocations for compensation for User Fees Forgone by the county health facilities respectively. The figures for Free Maternal Health Care and compensation for User Fees Forgone is as provided by the respective county governments. The reported amount for some counties has decreased from what was reported in the half year CBIRR for FY 2015/16 and there is need therefore for reconciliation.

Analysis of the conditional allocation from the Road Maintenance Fuel Levy Fund shows that, Nairobi City County received the highest disbursement at Kshs.83.38 million, followed by Turkana County at Kshs.67.22 million and Mandera County at Kshs.57.45 million. Tharaka Nithi, Isiolo and Lamu counties received the lowest disbursements at Kshs.20.13 million, Kshs.19.61 million and Kshs.13.16 million respectively.

Further analysis shows that Mombasa County received the highest disbursement of the conditional grants to Level 5 Hospitals at Kshs.171.24 million, followed by Machakos County at 155.21 million and Kisii County at 143.91 million. Kisumu, Meru and Embu counties received the least disbursements at Kshs.113.44 million, Kshs.81.85 million and Kshs.64.62 million, respectively.

A total of Kshs.518.66 million in respect of the DANIDA grant was transferred to the County Revenue Funds for thirty one (31) counties as shown in Table 2.3: These counties had fulfilled the mutually agreed upon conditions, namely; use of IFMIS in disbursing funds to health facilities bank accounts, and full accounting of previous amounts disbursed in FY 2014/15 from the DANIDA grant.

As at 31st March, 2016, fifteen (15) Counties had not received DANIDA grants due to non-fulfilment of the mutually agreed upon donor conditions. These counties included Baringo, Bungoma, Busia, Embu, Garissa, Kakamega, Kirinyaga, Machakos, Marsabit, Meru, Migori, Mombasa, Nairobi City, Trans Nzoia and Wajir. Among those that received funding from the DANIDA grant; Kitui County received the highest disbursement at Kshs.36.99 million followed by Siaya County at Kshs.27.53 million and Nakuru County at Kshs.25.26 million.

As per the reports submitted by the county governments, a total of Kshs.283.61 million was disbursed to eleven (11) counties as World Bank loan to fund health services as shown in Table 2.3.

### 2.3.4 Funds Released to the County Operational Accounts

During the reporting period, the COB authorised withdrawals of Kshs.200.79 billion from the County Revenue Funds to County Operational Accounts. The transfers comprised of Kshs.138.60 billion (69 per cent of total funds released) for recurrent expenditure and Kshs.62.19 billion (31 per cent of total funds released) for development expenditure.

Out of Kshs.138.60 billion released for recurrent activities, Kshs.119.16 billion was for the County Executive while Kshs.19.44 billion went to the County Assemblies. On the other hand, out of Kshs.62.19 billion released towards development expenditure, the County Executives and the County Assemblies received Kshs.60.59 billion and Kshs.1.60 billion respectively.

Table 2.4 shows the exchequer issues to the County Assembly and the County Executive for the first nine months of FY 2015/16.

**Table 2.4: Exchequer issues to the County Assembly and the County Executive for the first nine months of FY 2015/16**

| Exchequer Releases from CRF to County Operations Accounts for the first nine months of FY 2015/16 (Kshs. Million) | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| County | COUNTY ASSEMBLY | | | COUNTY EXECUTIVE | | | TOTAL EXCHEQUER ISSUES | | |
| | Rec | Dev | Total | Rec | Dev | Total | Rec | Dev | Total |
| | A | B | C=A+B | D | E | F=D+E | G=A+D | H=B+E | I=G+H |
| Baringo | 381.86 | 14.00 | 395.86 | 2,269.91 | 707.72 | 2,977.64 | 2,651.78 | 721.72 | 3,373.50 |
| Bomet | 333.50 | - | 333.50 | 1,464.44 | 1,595.41 | 3,059.85 | 1,797.94 | 1,595.41 | 3,393.35 |
| Bungoma | 539.50 | 17.01 | 556.50 | 3,319.57 | 2,047.23 | 5,366.80 | 3,859.06 | 2,064.24 | 5,923.30 |
| Busia | 406.87 | 50.00 | 456.87 | 2,217.13 | 1,411.00 | 3,628.13 | 2,624.00 | 1,461.00 | 4,085.00 |
| Elgeyo/Marak-wet | 283.03 | 21.38 | 304.41 | 1,508.75 | 469.39 | 1,978.14 | 1,791.78 | 490.77 | 2,282.55 |
| Embu | 374.26 | - | 374.26 | 2,006.30 | 453.00 | 2,459.30 | 2,380.57 | 453.00 | 2,833.57 |
| Garissa | 414.00 | - | 414.00 | 2,418.00 | 1,319.90 | 3,737.90 | 2,832.00 | 1,319.90 | 4,151.90 |
| Homa Bay | 685.00 | 52.00 | 737.00 | 2,483.30 | 1,269.80 | 3,753.10 | 3,168.30 | 1,321.80 | 4,490.10 |
| Isiolo | 289.10 | 25.00 | 314.10 | 1,273.90 | 615.00 | 1,888.90 | 1,563.00 | 640.00 | 2,203.00 |
| Kajiado | 335.59 | 10.00 | 345.59 | 2,288.86 | 740.00 | 3,028.86 | 2,624.45 | 750.00 | 3,374.45 |
| Kakamega | 463.88 | - | 463.88 | 3,828.86 | 2,523.50 | 6,352.36 | 4,292.74 | 2,523.50 | 6,816.23 |
| Kericho | 323.66 | - | 323.66 | 1,799.02 | 1,174.18 | 2,973.20 | 2,122.68 | 1,174.18 | 3,296.86 |
| Kiambu | 506.95 | - | 506.95 | 5,164.66 | 1,378.36 | 6,543.02 | 5,671.61 | 1,378.36 | 7,049.97 |
| Kilifi | 613.00 | 70.00 | 683.00 | 3,183.03 | 2,184.65 | 5,367.68 | 3,796.03 | 2,254.65 | 6,050.68 |
| Kirinyaga | 311.66 | - | 311.66 | 1,534.63 | 691.90 | 2,226.53 | 1,846.29 | 691.90 | 2,538.19 |
| Kisii | 477.31 | - | 477.31 | 3,123.11 | 1,551.55 | 4,674.66 | 3,600.42 | 1,551.55 | 5,151.97 |
| Kisumu | 406.43 | - | 406.43 | 3,804.80 | 1,054.42 | 4,859.22 | 4,211.23 | 1,054.42 | 5,265.65 |
| Kitui | 326.88 | 147.65 | 474.52 | 2,769.70 | 2,097.01 | 4,866.70 | 3,096.57 | 2,244.66 | 5,341.23 |
| Kwale | 338.44 | 215.00 | 553.44 | 1,607.10 | 2,027.05 | 3,634.15 | 1,945.54 | 2,242.05 | 4,187.59 |
| Laikipia | 284.00 | 20.00 | 304.00 | 1,630.12 | 821.92 | 2,452.04 | 1,914.12 | 841.92 | 2,756.04 |
| Lamu | 264.52 | - | 264.52 | 999.32 | 399.66 | 1,398.98 | 1,263.84 | 399.66 | 1,663.50 |
| Machakos | 472.56 | 61.50 | 534.06 | 3,961.44 | 1,602.95 | 5,564.39 | 4,434.00 | 1,664.45 | 6,098.45 |
| Makueni | 504.92 | 74.87 | 579.78 | 2,882.33 | 905.67 | 3,788.00 | 3,387.24 | 980.54 | 4,367.78 |
| Mandera | 398.32 | 45.75 | 444.07 | 2,536.36 | 3,808.23 | 6,344.59 | 2,934.68 | 3,853.98 | 6,788.66 |
| Marsabit | 355.44 | - | 355.44 | 1,854.11 | 1,347.00 | 3,201.11 | 2,209.55 | 1,347.00 | 3,556.55 |
| Meru | 629.70 | 64.03 | 693.74 | 2,785.12 | 784.35 | 3,569.47 | 3,414.83 | 848.38 | 4,263.21 |

| Exchequer Releases from CRF to County Operations Accounts for the first nine months of FY 2015/16 (Kshs. Million) | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| County | COUNTY ASSEMBLY | | | COUNTY EXECUTIVE | | | TOTAL EXCHEQUER ISSUES | | |
| | Rec | Dev | Total | Rec | Dev | Total | Rec | Dev | Total |
| | A | B | C=A+B | D | E | F=D+E | G=A+D | H=B+E | I=G+H |
| Migori | 454.32 | 69.26 | 523.58 | 2,423.68 | 1,400.74 | 3,824.42 | 2,878.00 | 1,470.00 | 4,348.00 |
| Mombasa | 348.04 | - | 348.04 | 3,591.12 | 1,278.78 | 4,869.90 | 3,939.16 | 1,278.78 | 5,217.93 |
| Murang'a | 321.84 | - | 321.84 | 2,188.01 | 1,991.10 | 4,179.11 | 2,509.85 | 1,991.10 | 4,500.95 |
| Nairobi City | 944.00 | 80.00 | 1,024.00 | 10,108.76 | - | 10,108.76 | 11,052.76 | 80.00 | 11,132.76 |
| Nakuru | 615.42 | 91.63 | 707.06 | 5,318.80 | 1,542.86 | 6,861.66 | 5,934.22 | 1,634.49 | 7,568.72 |
| Nandi | 388.19 | 15.00 | 403.19 | 1,762.28 | 1,219.00 | 2,981.28 | 2,150.47 | 1,234.00 | 3,384.47 |
| Narok | 383.00 | 28.00 | 411.00 | 3,018.61 | 1,248.00 | 4,266.61 | 3,401.61 | 1,276.00 | 4,677.61 |
| Nyamira | 303.00 | - | 303.00 | 1,916.51 | 695.16 | 2,611.67 | 2,219.51 | 695.16 | 2,914.67 |
| Nyandarua | 371.82 | 53.00 | 424.82 | 1,817.13 | 756.07 | 2,573.19 | 2,188.94 | 809.07 | 2,998.01 |
| Nyeri | 383.66 | 25.00 | 408.66 | 2,575.62 | 599.50 | 3,175.12 | 2,959.28 | 624.50 | 3,583.78 |
| Samburu | 247.88 | - | 247.88 | 1,610.56 | 757.50 | 2,368.06 | 1,858.44 | 757.50 | 2,615.94 |
| Siaya | 491.00 | 73.89 | 564.89 | 2,064.00 | 1,041.11 | 3,105.11 | 2,555.00 | 1,115.00 | 3,670.00 |
| Taita/Taveta | 403.75 | 7.00 | 410.75 | 1,628.77 | 321.31 | 1,950.08 | 2,032.52 | 328.31 | 2,360.83 |
| Tana River | 281.81 | 55.79 | 337.60 | 894.44 | 1,404.18 | 2,298.62 | 1,176.25 | 1,459.97 | 2,636.22 |
| Tharaka –Nithi | 239.61 | - | 239.61 | 1,393.48 | 772.65 | 2,166.13 | 1,633.09 | 772.65 | 2,405.74 |
| Trans Nzoia | 332.81 | - | 332.81 | 1,854.39 | 1,044.25 | 2,898.64 | 2,187.19 | 1,044.25 | 3,231.45 |
| Turkana | 702.47 | 130.41 | 832.88 | 2,418.73 | 4,654.39 | 7,073.13 | 3,121.21 | 4,784.80 | 7,906.01 |
| Uasin Gishu | 409.86 | - | 409.86 | 2,654.96 | 1,043.36 | 3,698.32 | 3,064.82 | 1,043.36 | 4,108.17 |
| Vihiga | 452.23 | 35.00 | 487.23 | 1,336.84 | 907.30 | 2,244.14 | 1,789.06 | 942.30 | 2,731.36 |
| Wajir | 368.24 | - | 368.24 | 2,187.29 | 2,086.17 | 4,273.46 | 2,555.53 | 2,086.17 | 4,641.70 |
| West Pokot | 280.05 | 45.00 | 325.05 | 1,680.21 | 847.24 | 2,527.45 | 1,960.26 | 892.24 | 2,852.50 |
| **Total** | **19,443.38** | **1,597.18** | **21,040.56** | **119,158.03** | **60,591.52** | **179,749.55** | **138,601.41** | **62,188.69** | **200,790.11** |

**Source:** *County Treasuries and COB*

Nairobi City County received the highest disbursement of funds from its CRF to the operational accounts at Kshs.11.13 billion followed by Turkana County and Nakuru County at Kshs.7.91 billion and Kshs.7.57 billion respectively. Counties that received the lowest disbursement were; Elgeyo Marakwet at Kshs.2.28 billion, Isiolo at Kshs.2.2 billion and Lamu County at Kshs.1.66 billion.

From the funds released for recurrent activities, the Nairobi City County, Nakuru County and Kiambu County received the highest amounts at Kshs.11.05 billion; Kshs.5.93 billion and Kshs.5.67 billion respectively. Conversely, Isiolo, Lamu and Tana River Counties received the lowest amounts at Kshs.1.56 billion, Kshs.1.26 billion, Kshs.1.18 billion respectively.

The funds released for development activities indicate that Turkana county, Mandera County, and Kakamega County received the highest amount of funds at Kshs.4.78 billion, Kshs.3.85 billion and Kshs.2.52 billion respectively. Counties that received the least amount towards development

expenditure were; Lamu at Kshs.399.66 million, Taita Taveta at Kshs.328.31 million and Nairobi City at Kshs.80 million.

## 2.4 Expenditure Analysis

In the first nine months of FY 2015/16, the Counties incurred cumulative expenditure amounting to Kshs.183.76 billion representing an absorption rate of 50.3 per cent of the total annual County budgets. This was a decline from an absorption rate of 52.9 per cent reported in a similar period of FY 2014/15 where total recurrent expenditure was Kshs.170.04 billion.

Recurrent expenditure was Kshs.128.44 billion, representing 63.5 per cent of the annual recurrent budget, and a decline from 64.5 per cent reported in a similar period of FY 2014/15. Development expenditure amounted to Kshs.55.32 billion, representing an absorption rate of 33.9 per cent, and a decline from 37.8 per cent achieved in the first nine months of FY 2014/15 where total development expenditure was Kshs.53.04 billion.

Table 2.5 presents an analysis of expenditure by economic classification for the first nine months of FY 2015/16.

**Table 2.5: Expenditure by Economic Classification for the first nine months of FY 2015/16**

| County Title | Personnel Emoluments (Kshs.) | Operations & Maintenance (Kshs.) | Development Expenditure (Kshs.) | Total Expenditure (Kshs.) |
|---|---|---|---|---|
| Baringo | 1,831,688,322 | 779,730,725 | 672,000,980 | 3,283,420,027 |
| Bomet | 1,169,357,671 | 432,993,024 | 1,599,454,340 | 3,201,805,035 |
| Bungoma | 2,084,786,445 | 1,460,637,801 | 1,912,358,789 | 5,457,783,035 |
| Busia | 1,708,856,902 | 652,231,823 | 1,002,066,802 | 3,363,155,527 |
| Elgeyo/Marakwet | 1,309,981,814 | 252,634,292 | 333,351,421 | 1,895,967,527 |
| Embu | 1,756,038,323 | 426,678,007 | 312,637,272 | 2,495,353,602 |
| Garissa | 1,658,100,000 | 1,088,612,035 | 1,300,898,493 | 4,047,610,528 |
| Homa Bay | 2,096,160,988 | 986,810,410 | 1,143,037,453 | 4,226,008,851 |
| Isiolo | 973,382,913 | 508,084,022 | 663,503,739 | 2,144,970,674 |
| Kajiado | 1,236,664,273 | 977,861,906 | 735,317,052 | 2,949,843,231 |
| Kakamega | 2,904,314,676 | 1,101,093,788 | 2,448,891,306 | 6,454,299,770 |
| Kericho | 1,351,684,952 | 661,336,115 | 1,016,155,808 | 3,029,176,875 |
| Kiambu | 2,296,021,240 | 1,579,384,113 | 1,228,814,273 | 5,104,219,626 |
| Kilifi | 1,668,863,734 | 1,401,535,603 | 1,555,336,793 | 4,625,736,130 |
| Kirinyaga | 1,422,726,815 | 512,188,737 | 585,666,447 | 2,520,581,999 |
| Kisii | 2,609,926,812 | 919,848,644 | 1,434,875,459 | 4,964,650,915 |
| Kisumu | 2,356,582,905 | 944,850,907 | 990,247,101 | 4,291,680,913 |

| County Title | Personnel Emoluments (Kshs.) | Operations & Maintenance (Kshs.) | Development Expenditure (Kshs.) | Total Expenditure (Kshs.) |
|---|---|---|---|---|
| Kitui | 1,766,287,228 | 687,454,944 | 1,941,133,608 | 4,394,875,780 |
| Kwale | 1,118,665,045 | 356,080,485 | 1,981,298,394 | 3,456,043,924 |
| Laikipia | 1,438,083,204 | 406,573,124 | 611,038,667 | 2,455,694,995 |
| Lamu | 598,157,269 | 378,279,891 | 420,461,911 | 1,396,899,071 |
| Machakos | 2,967,280,594 | 1,365,567,024 | 1,525,721,726 | 5,858,569,345 |
| Makueni | 1,610,983,642 | 1,067,482,327 | 742,441,800 | 3,420,907,769 |
| Mandera | 1,140,103,807 | 1,121,237,598 | 1,999,017,668 | 4,260,359,073 |
| Marsabit | 922,376,457 | 688,895,390 | 825,299,969 | 2,436,571,816 |
| Meru | 2,363,492,565 | 662,181,233 | 617,242,053 | 3,642,915,851 |
| Migori | 1,681,364,584 | 834,234,525 | 1,126,349,841 | 3,641,948,950 |
| Mombasa | 3,112,210,017 | 1,239,864,825 | 1,550,461,361 | 5,902,536,203 |
| Murang'a | 1,964,733,284 | 624,173,930 | 1,872,817,242 | 4,461,724,456 |
| Nairobi City | 9,879,228,834 | 4,060,815,738 | 3,762,187,496 | 17,702,232,068 |
| Nakuru | 3,205,006,673 | 2,134,033,878 | 1,386,842,430 | 6,725,882,981 |
| Nandi | 1,325,762,450 | 743,784,948 | 619,564,720 | 2,689,112,118 |
| Narok | 2,028,400,000 | 1,305,766,057 | 1,275,999,164 | 4,610,165,221 |
| Nyamira | 1,328,791,991 | 609,630,173 | 558,995,033 | 2,497,417,197 |
| Nyandarua | 1,225,465,504 | 939,582,375 | 562,074,120 | 2,727,121,998 |
| Nyeri | 1,896,443,590 | 667,731,220 | 218,068,709 | 2,782,243,519 |
| Samburu | 877,451,606 | 725,812,230 | 629,418,231 | 2,232,682,067 |
| Siaya | 1,344,023,994 | 821,829,088 | 869,315,143 | 3,035,168,225 |
| Taita/Taveta | 1,349,301,006 | 687,577,372 | 230,333,864 | 2,267,212,242 |
| Tana River | 649,637,477 | 585,194,639 | 1,635,632,735 | 2,870,464,851 |
| Tharaka -Nithi | 1,111,711,833 | 221,464,690 | 253,463,731 | 1,586,640,254 |
| Trans Nzoia | 1,271,472,578 | 1,007,805,429 | 618,327,666 | 2,897,605,673 |
| Turkana | 2,071,500,000 | 790,312,469 | 3,327,664,151 | 6,189,476,620 |
| Uasin Gishu | 1,604,486,955 | 871,111,380 | 930,619,636 | 3,406,217,971 |
| Vihiga | 982,645,520 | 412,087,453 | 1,026,097,120 | 2,420,830,093 |
| Wajir | 1,472,492,608 | 1,139,718,025 | 2,377,808,619 | 4,990,019,252 |
| West Pokot | 1,081,497,353 | 771,947,732 | 892,291,859 | 2,745,736,943 |
| **Total** | **85,824,196,452** | **42,614,742,144** | **55,322,602,195** | **183,761,540,791** |

**Source:** *COB and County Treasuries*

The counties that attained the highest expenditure in absolute terms were; Nairobi City at Kshs.17.7 billion, Nakuru at Kshs.6.73 billion, Kakamega at Kshs.6.45 billion and Turkana at Kshs.6.19 billion.

On the other hand, the lowest expenditure was recorded by Isiolo, Elgeyo Marakwet, Tharaka Nithi, and Lamu counties at Kshs.2.14 billion, Kshs.1.90 billion, Kshs.1.59 billion, and Kshs.1.40 billion respectively.

Analysis of expenditure as a percentage of the funds released indicates that the following counties attained the highest percentage of expenditure to total funds released:- Nairobi City at 159 per cent, Mombasa at 113.1 per cent, Tana River at 108.9 per cent, and Wajir at 107.5 per cent. These counties spent more than the total approved exchequer release by COB and may be attributed to use of locally generated revenue at source in contravention to the public finance management framework. The Counties that had the least percentages of expenditure to funds released included:-Kiambu at 72.4 per cent, Marsabit at 68.5 per cent, Tharaka Nithi at 66 per cent and Mandera at 62.8 per cent.

Counties that recorded the highest overall absorption rates were Homa Bay at 68.6 per cent, Murang'a at 64.7 per cent, Wajir at 61.3 per cent, and Tana River at 61.1 per cent. Conversely, Tharaka Nithi, Kilifi, Mandera,and Makueni Counties recorded the lowest overall absorption rates at 41.6 per cent,40.2 per cent, 37 per cent and 36.2 per cent respectively.

A review of cumulative expenditure by economic classification showed that Kshs.85.82 billion (46.7 per cent of the total expenditure) was spent on personnel emoluments, Kshs.42.61 billion (23.2 per cent) on operations and maintenance, and Kshs.55.32 billion (30.1 per cent) on development expenditure.

### 2.4.1 Development Expenditure

In the reporting period, county governments spent Kshs.55.32 billion on development activities, representing an absorption rate of 33.9 per cent of the annual development budget. The absorption rate of development expenditure in the first nine months of FY 2015/16 is a decline from 37.8 per cent reported in a similar period in FY 2014/15 where development expenditure was Kshs.53.04 billion.

Nairobi City County recorded the highest expenditure on development activities in absolute terms at Kshs.3.76 billion, followed by Turkana County and Kakamega County at Kshs.3.33 billion and Kshs.2.45 billion respectively. The Counties that reported the least development expenditure included; Tharaka Nithi, Taita Taveta and Nyeri at Kshs.253.46 million, Kshs.230.33 million and Kshs.218.07 million respectively.

Table 2.6 provides an analysis of county budgets and expenditure for the first nine months of FY2015/16.

## Table 2.6: County budget allocation, expenditure and absoption rate for the first nine months of FY 2015/16

| County | Budget Estimates (Kshs. Million) | | | Expenditure (Kshs. Million) | | | Recurrent Absorption Rate (%) | Development Absorption Rate (%) | Overall Absorption Rate |
|---|---|---|---|---|---|---|---|---|---|
| | Recurrent | Development | Total | Recurrent | Development | Total | | | |
| | A | B | C=A+B | D | E | F=D+E | G=D/A*100 | H=E/B*100 | I=F/C*100 |
| Baringo | 3,430.01 | 2,414.02 | 5,844.03 | 2611.42 | 672.00 | 3,283.42 | 76.1 | 27.8 | 56.2 |
| Bomet | 2,644.49 | 2,713.97 | 5,358.46 | 1602.35 | 1599.45 | 3,201.81 | 60.6 | 58.9 | 59.8 |
| Bungoma | 5,779.81 | 4,192.47 | 9,972.28 | 3545.42 | 1912.36 | 5,457.78 | 61.3 | 45.6 | 54.7 |
| Busia | 3,311.80 | 2,958.30 | 6,270.09 | 2361.09 | 1002.07 | 3,363.16 | 71.3 | 33.9 | 53.6 |
| Elgeyo/ Marakwet | 2,417.07 | 1,433.24 | 3,850.30 | 1562.62 | 333.35 | 1,895.97 | 64.6 | 23.3 | 49.2 |
| Embu | 3,301.10 | 1,574.61 | 4,875.71 | 2182.72 | 312.64 | 2,495.35 | 66.1 | 19.9 | 51.2 |
| Garissa | 3,917.72 | 3,443.87 | 7,361.59 | 2746.71 | 1300.90 | 4,047.61 | 70.1 | 37.8 | 55.0 |
| Homa Bay | 3,949.72 | 2,212.63 | 6,162.35 | 3082.97 | 1143.04 | 4,226.01 | 78.1 | 51.7 | 68.6 |
| Isiolo | 2,115.00 | 1,685.83 | 3,800.82 | 1481.47 | 663.50 | 2,144.97 | 70.0 | 39.4 | 56.4 |
| Kajiado | 3,927.42 | 2,661.37 | 6,588.79 | 2214.53 | 735.32 | 2,949.84 | 56.4 | 27.6 | 44.8 |
| Kakamega | 6,275.62 | 6,054.12 | 12,329.74 | 4005.41 | 2448.89 | 6,454.30 | 63.8 | 40.5 | 52.3 |
| Kericho | 3,266.58 | 1,814.48 | 5,081.06 | 2013.02 | 1016.16 | 3,029.18 | 61.6 | 56.0 | 59.6 |
| Kiambu | 7,980.22 | 3,968.83 | 11,949.05 | 3875.41 | 1228.81 | 5,104.22 | 48.6 | 31.0 | 42.7 |
| Kilifi | 5,588.38 | 5,931.81 | 11,520.19 | 3070.40 | 1555.34 | 4,625.74 | 54.9 | 26.2 | 40.2 |
| Kirinyaga | 3,266.19 | 1,511.30 | 4,777.49 | 1934.92 | 585.67 | 2,520.58 | 59.2 | 38.8 | 52.8 |
| Kisii | 5,578.92 | 3,601.15 | 9,180.08 | 3529.78 | 1434.88 | 4,964.65 | 63.3 | 39.8 | 54.1 |
| Kisumu | 5,706.95 | 3,930.67 | 9,637.62 | 3301.43 | 990.25 | 4,291.68 | 57.8 | 25.2 | 44.5 |
| Kitui | 4,790.95 | 5,434.84 | 10,225.79 | 2453.74 | 1941.13 | 4,394.88 | 51.2 | 35.7 | 43.0 |
| Kwale | 2,834.28 | 4,777.20 | 7,611.48 | 1474.75 | 1981.30 | 3,456.04 | 52.0 | 41.5 | 45.4 |
| Laikipia | 2,859.31 | 2,270.07 | 5,129.38 | 1844.66 | 611.04 | 2,455.69 | 64.5 | 26.9 | 47.9 |
| Lamu | 1,757.12 | 1,323.11 | 3,080.23 | 976.44 | 420.46 | 1,396.90 | 55.6 | 31.8 | 45.4 |
| Machakos | 5,250.49 | 5,694.13 | 10,944.61 | 4332.85 | 1525.72 | 5,858.57 | 82.5 | 26.8 | 53.5 |
| Makueni | 4,477.68 | 4,972.25 | 9,449.93 | 2678.47 | 742.44 | 3,420.91 | 59.8 | 14.9 | 36.2 |
| Mandera | 4,216.87 | 7,284.54 | 11,501.42 | 2261.34 | 1999.02 | 4,260.36 | 53.6 | 27.4 | 37.0 |
| Marsabit | 3,027.76 | 2,807.05 | 5,834.81 | 1611.27 | 825.30 | 2,436.57 | 53.2 | 29.4 | 41.8 |
| Meru | 5,107.16 | 3,387.99 | 8,495.15 | 3025.67 | 617.24 | 3,642.92 | 59.2 | 18.2 | 42.9 |
| Migori | 4,046.38 | 3,222.98 | 7,269.37 | 2515.60 | 1126.35 | 3,641.95 | 62.2 | 34.9 | 50.1 |
| Mombasa | 6,616.60 | 3,362.89 | 9,979.49 | 4352.07 | 1550.46 | 5,902.54 | 65.8 | 46.1 | 59.1 |
| Murang'a | 3,548.44 | 3,351.84 | 6,900.28 | 2588.91 | 1872.82 | 4,461.72 | 73.0 | 55.9 | 64.7 |
| Nairobi City | 19,819.26 | 11,009.43 | 30,828.69 | 13940.04 | 3762.19 | 17,702.23 | 70.3 | 34.2 | 57.4 |
| Nakuru | 8,356.67 | 5,375.41 | 13,732.08 | 5339.04 | 1386.84 | 6,725.88 | 63.9 | 25.8 | 49.0 |
| Nandi | 2,770.60 | 2,672.58 | 5,443.18 | 2069.55 | 619.56 | 2,689.11 | 74.7 | 23.2 | 49.4 |
| Narok | 5,061.18 | 3,938.16 | 8,999.35 | 3334.17 | 1276.00 | 4,610.17 | 65.9 | 32.4 | 51.2 |
| Nyamira | 2,904.50 | 2,639.68 | 5,544.18 | 1938.42 | 559.00 | 2,497.42 | 66.7 | 21.2 | 45.0 |

| County | Budget Estimates (Kshs. Million) | | | Expenditure (Kshs. Million) | | | Recurrent Absorption Rate (%) | Development Absorption Rate (%) | Overall Absorption Rate |
|---|---|---|---|---|---|---|---|---|---|
| | Recurrent | Development | Total | Recurrent | Development | Total | | | |
| | A | B | C=A+B | D | E | F=D+E | G=D/A*100 | H=E/B*100 | I=F/C*100 |
| Nyandarua | 3,376.66 | 2,220.39 | 5,597.06 | 2165.05 | 562.07 | 2,727.12 | 64.1 | 25.3 | 48.7 |
| Nyeri | 4,419.61 | 1,857.94 | 6,277.55 | 2564.17 | 218.07 | 2,782.24 | 58.0 | 11.7 | 44.3 |
| Samburu | 2,592.91 | 1,747.79 | 4,340.70 | 1603.26 | 629.42 | 2,232.68 | 61.8 | 36.0 | 51.4 |
| Siaya | 3,724.24 | 3,222.08 | 6,946.33 | 2165.85 | 869.32 | 3,035.17 | 58.2 | 27.0 | 43.7 |
| Taita/Taveta | 2,878.13 | 1,007.84 | 3,885.97 | 2036.88 | 230.33 | 2,267.21 | 70.8 | 22.9 | 58.3 |
| Tana River | 1,926.05 | 2,771.64 | 4,697.69 | 1234.83 | 1635.63 | 2,870.46 | 64.1 | 59.0 | 61.1 |
| Tharaka -Nithi | 2,276.88 | 1,538.87 | 3,815.75 | 1333.18 | 253.46 | 1,586.64 | 58.6 | 16.5 | 41.6 |
| Trans Nzoia | 3,246.98 | 2,907.89 | 6,154.87 | 2279.28 | 618.33 | 2,897.61 | 70.2 | 21.3 | 47.1 |
| Turkana | 4,131.75 | 9,251.56 | 13,383.31 | 2861.81 | 3327.66 | 6,189.48 | 69.3 | 36.0 | 46.2 |
| Uasin Gishu | 4,593.80 | 2,948.83 | 7,542.63 | 2475.60 | 930.62 | 3,406.22 | 53.9 | 31.6 | 45.2 |
| Vihiga | 2,536.18 | 1,831.58 | 4,367.76 | 1394.73 | 1026.10 | 2,420.83 | 55.0 | 56.0 | 55.4 |
| Wajir | 3,728.66 | 4,411.04 | 8,139.71 | 2612.21 | 2377.81 | 4,990.02 | 70.1 | 53.9 | 61.3 |
| West Pokot | 2,823.03 | 2,007.46 | 4,830.49 | 1853.45 | 892.29 | 2,745.74 | 65.7 | 44.4 | 56.8 |
| **Total** | **202,157.17** | **163,351.69** | **365,508.86** | **128,438.94** | **55,322.60** | **183,761.54** | **63.5** | **33.9** | **50.3** |

**Source:** *COB and County Treasuries*

The analysis of development expenditure as a proportion of approved annual development budget shows that Tana River, Bomet and Vihiga Counties attained the highest absorption rate at 59 per cent, 58.9 per cent and 56 per cent respectively. Tharaka Nithi County, Makueni County and Nyeri County reported the lowest absorption rate of their development budget at 16.5 per cent, 14.9 per cent and 11.7 per cent respectively. A detailed analysis of development projects undertaken by counties is provided in chapter three under each county summary report.

### 2.4.2 Recurrent Expenditure

During the period under review, county governments spent an aggregate Kshs.128.44 billion, translating to 69.9 per cent of the total expenditure on recurrent activities. This expenditure represents 63.5 per cent of the annual county budgets for recurrent activities, and a decline from 64.5 per cent recorded in a similar period of FY 2015/16 where expenditure was Kshs.117.0 billion.

Analysis of expenditure in absolute terms shows that Nairobi City County attained the highest expenditure on recurrent activities at Kshs.13.94 billion, followed by Nakuru and Mombasa Counties at Kshs.5.34 billion and Kshs.4.35 billion respectively. Counties with the lowest expenditure on recurrent activities included Tharaka Nithi at Kshs.1.33 billion, Tana River at Kshs.1.23 billion and Lamu at Kshs.976.44 million.

Machakos County reported the highest percentage of recurrent expenditure to its annual recurrent budget at 82.5 per cent, followed by Homa Bay County at 78.1 per cent and Baringo County at 76.1 per cent. Kwale County, Kitui County and Kiambu County recorded the lowest proportion of

recurrent expenditure to its annual recurrent budget in the period under review at 52 per cent, 51.2 per cent and 48.6 per cent respectively.

### 2.4.3 Personnel Emoluments

In the period July, 2015 to March, 2016, county governments spent Kshs.85.82 billion on personnel emoluments, representing 66.8 per cent of the total recurrent expenditure and 46.7 per cent of total expenditure. This expenditure is an increase from Kshs.74.12 million spent in a similar period of FY 2014/15 where the personnel expenditure translated to 43.6 per cent of the total expenditure.

During the period under review, Nairobi City County reported the highest expenditure on personnel emoluments at Kshs.9.88 billion, followed by Nakuru County and Mombasa County at Kshs.3.21 billion and Kshs.3.11 billion respectively. Counties with the lowest expenditure on personnel emoluments included Samburu, Tana River, and Lamu at Kshs.877.38 million, Kshs.649.64 million and Kshs.598.16 million respectively.

Analysis of personnel emoluments as a percentage of total expenditure by county shows that Embu, Tharaka Nithi and Elgeyo Marakwet recorded the highest percentage at 70.4 per cent, 70.1 per cent and 69.1 per cent respectively. Wajir, Mandera, and Tana River Counties reported the least proportion of their personnel emoluments to their total expenditure at 29.5 per cent, 26.8 per cent and 22.6 per cent.

### 2.4.4 Operations and Maintenance

A total of Kshs.42.61 billion was spent on operations and maintenance expenses during the reporting period, which translates to 23.2 per cent of the total expenditure. Counties that reported the highest expenditure on operations and maintenance were Nairobi City at Kshs.4.06 billion, Nakuru at Kshs.2.13 billion and Kiambu at Kshs.2.30 billion. On the other hand, Kwale, Elgeyo Marakwet and Tharaka Nithi Counties reported the least expenditure at Kshs.356.08 million, Kshs.252.63 million, and Kshs.221.46 million respectively.

Analysis of expenditure on operations and maintenance as a proportion of the total expenditure by county indicated that Trans Nzoia County attained the highest proportion at 34.8 per cent, followed by Nyandarua and Kajiado Counties at 34.5 per cent and 33.1 per cent respectively. The Counties that attained the least proportion of operations and maintenance expenditure to their total expenditure during the reporting period were Elgeyo Marakwet, Turkana and Kwale at 13.3 per cent, 12.8 per cent and 10.3 per cent respectively.

## 2.5 Review of MCAs Sitting Allowances

In the reporting period, the County Assemblies spent Kshs.2.08 billion on MCAs Sitting allowances against an approved budget allocation of Kshs.3.71 billion. This expenditure translates to 56.1 per cent of the approved budget, and a decline from 56.3 per cent spent in a similar period of FY 2014/15 where Kshs.2.00 billion was spent.

Table 2.7 shows the budgetary allocation and expenditure on MCAs and Speakers sitting allowances during the first nine months of FY 2015/16.

**Table 2.7: County Budget Allocation, Expenditure and Absoption Rate for MCA Sitting Allowances for the First Nine Months of FY 2015/16**

| County Name | MCAs and Speaker Sitting Allowances for the first nine months of FY 2015/16 | | | | |
|---|---|---|---|---|---|
| | FY 2015/16 Budget Allocation (Kshs) | First Nine Months Expenditure (Kshs) | Absorption % | No. of MCAs including the Speaker | Average monthly sitting allowance Per MCA (Kshs) |
| | A | B | C=B/A | D | E=B/D/9 |
| Baringo | 52,000,000 | 24,465,140 | 47.0 | 49 | 55,477 |
| Bomet | 56,634,400 | 19,742,510 | 34.9 | 35 | 62,675 |
| Bungoma | 105,704,600 | 57,511,500 | 54.4 | 64 | 99,846 |
| Busia | 114,816,000 | 98,642,996 | 85.9 | 54 | 202,969 |
| Elgeyo/Marakwet | 41,496,000 | 30,329,349 | 73.1 | 31 | 108,707 |
| Embu | 49,931,209 | 31,417,201 | 62.9 | 34 | 102,671 |
| Garissa | 80,906,400 | 50,930,100 | 62.9 | 49 | 115,488 |
| Homa Bay | 129,322,306 | 85,550,400 | 66.2 | 64 | 148,525 |
| Isiolo | 29,438,400 | 19,932,116 | 67.7 | 21 | 105,461 |
| Kajiado | 66,326,400 | 28,926,300 | 43.6 | 42 | 76,525 |
| Kakamega | **142,485,600 | 85,592,336 | 60.1 | 88 | 108,071 |
| Kericho | 79,597,230 | 46,993,746 | 59.0 | 48 | 108,782 |
| Kiambu | 100,000,000 | 72,958,057 | 73.0 | 88 | 92,119 |
| Kilifi | 83,194,800 | 48,473,600 | 58.3 | 54 | 99,739 |
| Kirinyaga | 61,526,400 | 27,573,200 | 44.8 | 30 | 102,123 |
| Kisii | 90,411,955 | 90,006,700 | 99.6 | 72 | 138,899 |
| Kisumu | 113,808,000 | 60,599,245 | 53.2 | 50 | 134,665 |
| Kitui | 74,626,000 | 40,423,500 | 54.2 | 57 | 78,798 |
| Kwale | 59,404,800 | 21,307,553 | 35.9 | 34 | 69,633 |
| Laikipia | 35,984,000 | 22,345,700 | 62.1 | 24 | 103,452 |
| Lamu | 37,102,400 | 15,227,100 | 41.0 | 21 | 80,567 |
| Machakos | 75,000,000 | 41,735,900 | 55.6 | 60 | 77,289 |
| Makueni | 47,000,000 | 43,707,930 | 93.0 | 48 | 101,176 |
| Mandera | 50,000,000 | 28,591,300 | 57.2 | 49 | 64,833 |
| Marsabit | 80,000,000 | 17,005,225 | 21.3 | 34 | 55,573 |
| Meru | 120,199,600 | 76,291,040 | 63.5 | 70 | 121,097 |
| Migori | 126,883,200 | 60,635,032 | 47.8 | 63 | 106,940 |
| Mombasa | 97,843,200 | 47,903,300 | 49.0 | 43 | 123,781 |
| Murang'a | 117,734,000 | 14,160,522 | 12.0 | 50 | 31,468 |
| Nairobi City | 207,246,000 | 88,422,400 | 42.7 | 128 | 76,756 |

| County Name | MCAs and Speaker Sitting Allowances for the first nine months of FY 2015/16 | | | | |
|---|---|---|---|---|---|
| | FY 2015/16 Budget Allocation (Kshs) | First Nine Months Expenditure (Kshs) | Absorption % | No. of MCAs including the Speaker | Average monthly sitting allowance Per MCA (Kshs) |
| | A | B | C=B/A | D | E=B/D/9 |
| Nakuru | 110,000,000 | 50,130,070 | 45.6 | 75 | 74,267 |
| Nandi | 73,840,000 | 50,564,300 | 68.5 | 49 | 114,658 |
| Narok | 60,000,000 | 33,661,268 | 56.1 | 48 | 77,920 |
| Nyamira | 65,784,000 | 32,778,735 | 49.8 | 34 | 107,120 |
| Nyandarua | 68,414,000 | 53,950,330 | 78.9 | 42 | 142,726 |
| Nyeri | 97,857,600 | 52,185,100 | 53.3 | 48 | 120,799 |
| Samburu | 44,454,040 | 34,263,620 | 77.1 | 27 | 141,003 |
| Siaya | 86,221,838 | 73,572,013 | 85.3 | 49 | 166,830 |
| Taita/Taveta | 58,060,800 | 55,990,514 | 96.4 | 36 | 172,810 |
| Tana River | 55,700,000 | 13,270,000 | 23.8 | 27 | 54,609 |
| Tharaka –Nithi | 34,923,600 | 21,146,187 | 60.5 | 25 | 93,983 |
| Trans Nzoia | 78,124,800 | 54,736,000 | 70.1 | 40 | 152,044 |
| Turkana | 64,900,000 | 30,850,950 | 47.5 | 47 | 72,993 |
| Uasin Gishu | 61,560,000 | 23,776,800 | 38.6 | 45 | 58,708 |
| Vihiga | 108,549,088 | 48,298,713 | 44.5 | 40 | 134,163 |
| Wajir | 60,224,000 | 17,332,400 | 28.8 | 46 | 41,866 |
| West Pokot | 52,288,628 | 36,282,937 | 69.4 | 33 | 122,165 |
| **Total** | **3,707,525,294** | **2,080,190,935** | **56.1** | **2,265** | **102,045** |

**Source:** *COB and County Treasuries*

*** Amount appropriated as "Other Allowances" in the Approved Budget.*

The County Assemblies that reported higher sitting allowance expenditure than the SRC's recommended monthly maximum of Kshs.124,800 in the reporting period were: Busia County at Kshs.202,969, Taita Taveta County at Kshs.172,810, Siaya County at Kshs.166,830, Trans Nzoia County at Kshs.152,044, Homa Bay County at Kshs.148,525, Nyandarua County at Kshs.142,726, Samburu County at Kshs.141,003, Kisii County at Kshs.138,899, Kisumu County at Kshs.134,665, and Vihiga County at Kshs.134,163.

## 2.6 Review of Expenditure on Domestic and Foreign Travel

In the reporting period, County Governments spent Kshs.7.15 billion on domestic and foreign travel against an approved annual budget allocation of Kshs.11.33 billion. This expenditure represents 63.1 per cent of the total budget allocation towards domestic and foreign travel, and a decline from 66.2 per cent attained in a similar period of FY 2014/15 where Kshs.5.71 billion was spent.

In absolute terms, expenditure on domestic and foreign travel increased by Kshs.1.44 billion, from Kshs.5.71 billion in the first nine months of FY 2014/15 to Kshs.7.15 billion in the reporting period.

Table 2.8 presents the expenditure on domestic and foreign travels by both the County Assembly and the County Executive.

**Table 2.8: Expenditure on domestic and foreign travels by the County Assembly and the County Executive for the first nine months of FY 2015/16 ( Kshs. Million)**

| | County Assembly | | | County Executive | | | Total Expenditure | | |
|---|---|---|---|---|---|---|---|---|---|
| County | 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 | 46.25 | 30.82 | 66.6 | 71.88 | 73.00 | 101.5 | 118.13 | 103.82 | 87.9 |
| Bomet | 47.18 | 79.81 | 169.2 | 35.16 | 17.21 | 49.0 | 82.34 | 97.02 | 117.8 |
| Bungoma | 23.35 | 13.32 | 57.0 | 302.30 | 232.36 | 76.9 | 325.65 | 245.68 | 75.4 |
| Busia | 55.35 | 36.17 | 65.4 | 182.66 | 109.74 | 60.1 | 238.01 | 145.92 | 61.3 |
| Elgeyo/ Marakwet | 48.85 | 34.47 | 70.6 | 35.40 | 21.58 | 60.9 | 84.25 | 56.04 | 66.5 |
| Embu | 68.90 | 70.68 | 102.6 | 34.46 | 18.09 | 52.5 | 103.36 | 88.77 | 85.9 |
| Garissa | 46.03 | 34.56 | 75.1 | 128.34 | 89.07 | 69.4 | 174.37 | 123.63 | 70.9 |
| Homa Bay | 35.13 | 51.59 | 146.9 | 93.72 | 27.51 | 29.3 | 128.85 | 79.10 | 61.4 |
| Isiolo | 31.54 | 25.24 | 80.0 | 129.91 | 92.11 | 70.9 | 161.45 | 117.35 | 72.7 |
| Kajiado | 151.70 | 107.65 | 71.0 | 284.89 | 106.88 | 37.5 | 436.59 | 214.53 | 49.1 |
| Kakamega | 150.00 | 126.72 | 84.5 | 230.44 | 106.57 | 46.2 | 380.44 | 233.29 | 61.3 |
| Kericho | 63.53 | 50.55 | 79.6 | 94.39 | 78.94 | 83.6 | 157.92 | 129.49 | 82.0 |
| Kiambu | 162.50 | 89.33 | 55.0 | 236.24 | 116.37 | 49.3 | 398.74 | 205.70 | 51.6 |
| Kilifi | 140.00 | 106.12 | 75.8 | 130.89 | 96.51 | 73.7 | 270.89 | 202.63 | 74.8 |
| Kirinyaga | 99.00 | 92.47 | 93.4 | 68.16 | 30.01 | 44.0 | 167.16 | 122.47 | 73.3 |
| Kisii | 85.38 | 80.40 | 94.2 | 307.96 | 149.52 | 48.6 | 393.34 | 229.92 | 58.5 |
| Kisumu | 86.32 | 20.03 | 23.2 | 209.27 | 78.02 | 37.3 | 295.59 | 98.06 | 33.2 |
| Kitui | 95.68 | 41.93 | 43.8 | 194.18 | 101.85 | 52.5 | 289.86 | 143.78 | 49.6 |
| Kwale | 93.16 | 62.81 | 67.4 | 78.90 | 28.90 | 36.6 | 172.06 | 91.72 | 53.3 |
| Laikipia | 52.50 | 40.42 | 77.0 | 76.80 | 68.43 | 89.1 | 129.30 | 108.85 | 84.2 |
| Lamu | 72.68 | 34.87 | 48.0 | 83.83 | 64.03 | 76.4 | 156.51 | 98.90 | 63.2 |
| Machakos | 123.50 | 142.92 | 115.7 | 107.77 | 81.03 | 75.2 | 231.27 | 223.95 | 96.8 |
| Makueni | 47.42 | 64.40 | 135.8 | 112.39 | 107.20 | 95.4 | 159.82 | 171.60 | 107.4 |
| Mandera | 97.56 | 56.35 | 57.8 | 139.91 | 64.00 | 45.7 | 237.47 | 120.36 | 50.7 |
| Marsabit | 104.00 | 53.49 | 51.4 | 137.25 | 96.59 | 70.4 | 241.25 | 150.08 | 62.2 |
| Meru | 62.53 | 57.51 | 92.0 | 134.18 | 44.88 | 33.5 | 196.71 | 102.39 | 52.1 |
| Migori | 105.32 | 91.79 | 87.2 | 517.21 | 181.14 | 35.0 | 622.53 | 272.93 | 43.8 |
| Mombasa | 17.71 | 5.63 | 31.8 | 300.49 | 70.93 | 23.6 | 318.20 | 76.55 | 24.1 |

| | County Assembly | | | County Executive | | | Total Expenditure | | |
|---|---|---|---|---|---|---|---|---|---|
| County | 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 |
| Murang'a | 95.63 | 56.44 | 59.0 | 87.10 | 115.59 | 132.7 | 182.73 | 172.03 | 94.14 |
| Nairobi City | 209.97 | 167.60 | 79.8 | 279.20 | 153.34 | 54.9 | 489.17 | 320.93 | 65.6 |
| Nakuru | 72.50 | 60.57 | 83.6 | 208.69 | 160.16 | 76.7 | 281.19 | 220.74 | 78.5 |
| Nandi | 72.88 | 60.78 | 83.4 | 144.24 | 123.98 | 85.9 | 217.13 | 184.75 | 85.1 |
| Narok | 14.51 | 9.77 | 67.3 | 13.00 | 9.35 | 71.9 | 27.51 | 19.12 | 69.5 |
| Nyamira | 93.10 | 108.09 | 116.1 | 132.99 | 84.79 | 63.8 | 226.09 | 192.87 | 85.3 |
| Nyandarua | 111.66 | 79.86 | 71.5 | 152.87 | 116.74 | 76.4 | 264.53 | 196.60 | 74.3 |
| Nyeri | 109.00 | 64.65 | 59.3 | 147.34 | 36.35 | 24.7 | 256.34 | 101.00 | 39.4 |
| Samburu | 46.45 | 20.56 | 44.3 | 145.19 | 71.42 | 49.2 | 191.64 | 91.98 | 48.0 |
| Siaya | 31.22 | 18.19 | 58.3 | 206.99 | 128.54 | 62.1 | 238.22 | 146.73 | 61.6 |
| Taita/Taveta | 122.82 | 115.04 | 93.7 | 130.54 | 79.98 | 61.3 | 253.36 | 195.01 | 77.0 |
| Tana River | 88.39 | 14.18 | 16.0 | 109.81 | 80.10 | 72.9 | 198.20 | 94.28 | 47.6 |
| Tharaka – Nithi | 39.80 | 35.85 | 90.1 | 86.59 | 29.38 | 33.9 | 126.38 | 65.23 | 51.6 |
| Trans Nzoia | 29.00 | 50.07 | 172.6 | 106.00 | 92.27 | 87.0 | 135.00 | 142.34 | 105.4 |
| Turkana | 190.89 | 118.04 | 61.8 | 216.22 | 152.32 | 70.4 | 407.11 | 270.36 | 66.4 |
| Uasin Gishu | 90.58 | 71.88 | 79.4 | 294.51 | 45.44 | 15.4 | 385.09 | 117.32 | 30.5 |
| Vihiga | 107.40 | 103.48 | 96.3 | 94.96 | 53.60 | 56.5 | 202.36 | 157.08 | 77.6 |
| Wajir | 38.82 | 37.89 | 97.6 | 300.08 | 177.71 | 59.2 | 338.90 | 215.60 | 63.6 |
| West Pokot | 64.25 | 52.19 | 81.2 | 172.27 | 137.91 | 80.1 | 236.51 | 190.10 | 80.4 |
| **Total** | **3,841.95** | **2,947.18** | **76.7** | **7,487.56** | **4,201.44** | **56.1** | **11,329.51** | **7,148.60** | **63.1** |

**Source:** *COB and County Treasuries*

In absolute terms, Nairobi City County reported the highest expenditure on domestic and foreign travel at Kshs.320.93 million, followed by Migori and Turkana Counties at Kshs.272.93 million and Kshs.270.36 million respectively. The Counties that had the least expenditure in absolute terms were Tharaka Nithi, Elgeyo Marakwet and Narok Counties at Kshs.65.23 million, Kshs.56.04 million and Kshs.19.12 million respectively.

Analysis of expenditure on domestic and foreign travel as a proportion of budgetary allocation by county, shows that three counties spent more than 100 per cent of the approved budget. These Counties are Trans Nzoia, Makueni and Bomet at 105.4 per cent, 107.4 per cent, and 117.8 per cent respectively. These Counties should pass a supplementary budget before the end of the financial year to regularize the expenditure.

# 3.0 INDIVIDUAL COUNTY BUDGET PERFORMANCE

## 3.1 IntroductiTon

This section provides individual County budget performance during the first half of FY 2015/16. The 47 counties are presented in alphabetical order.

## 3.2 Baringo County

### 3.2.1 Overview of the FY 2015/16 Budget

The FY 2015/16 Approved Budget for Baringo County is Kshs.5.84 billion, comprising of Kshs.3.43 billion (58.7per cent) and Kshs.2.41 billion (41.3 per cent) allocated to recurrent and development expenditure respectively.

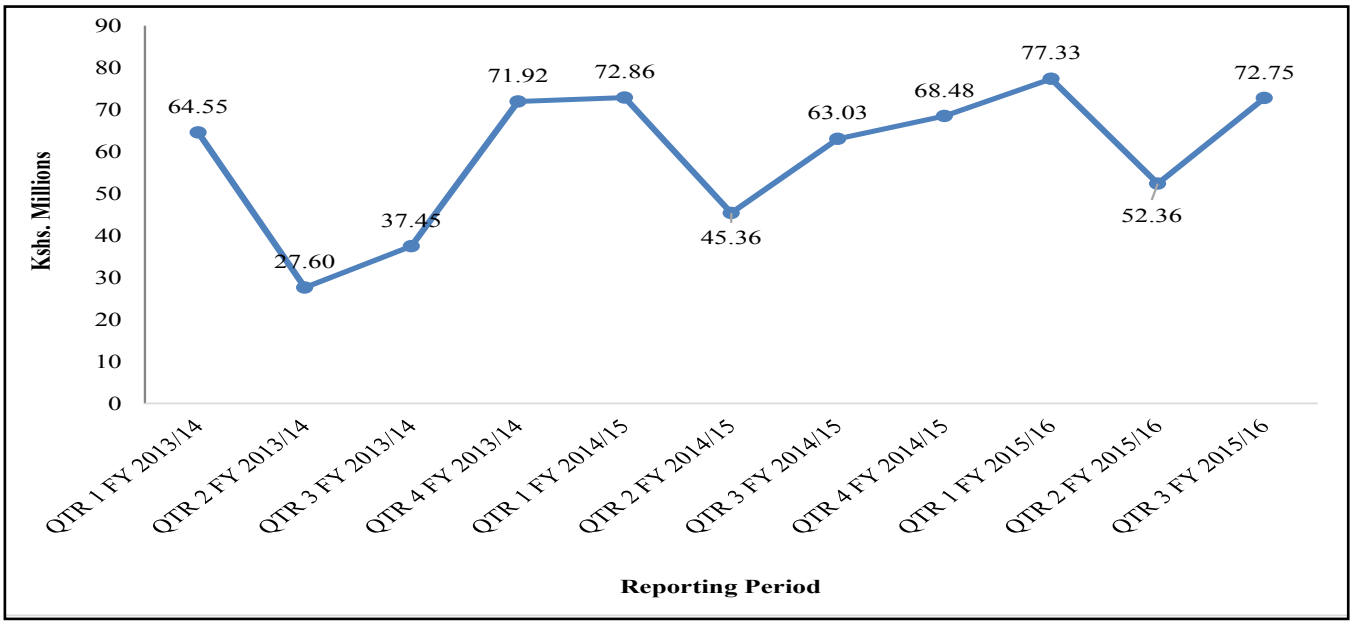
In order to finance the budget, the county expects to receive Kshs.4.44 billion (76.0 per cent) as equitable share of the revenue raised nationally, Kshs.274.06 million (4.7 per cent) as total conditional grants, collect Kshs.300 million (5.1 per cent) from local sources and Kshs.831.91 million (14.2 per cent) as projected cash balance from FY 2014/15. The conditional grants comprise of Kshs.95.74 million (34.9 per cent) for Leasing of Medical Equipment, Kshs.65.75 million (24.0 per cent) for Maternal Health Care, Kshs.56.41 million (20.6 per cent) for Road Maintenance Fuel Levy Fund, Kshs.12.95 million (4.7 per cent) as User Fees Forgone, Kshs.17.22 million (6.3 per cent) as World Bank support to Health Facilities, and Kshs.25.97 million (9.5 per cent) from DANIDA.

### 3.2.2 Revenue Analysis

In the first nine months of FY 2015/16, the County received Kshs.2.60 billion from the National Government as equitable share of the revenue raised nationally, Kshs.64.38 million as conditional allocation, raised Kshs.202.43 million from local sources and had a cash balance of Kshs.831.91 million brought forward from FY 2014/15. The County did not borrow any funds during the reporting period to finance the budget.

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

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




**Source:** *Baringo County Treasury*

The total local revenue for the reporting period of Kshs.202.43 million consisted of Kshs.77.33 million generated in the first quarter, Kshs.52.36 million in the second quarter and Kshs.72.75 million in the third quarter of FY 2015/16. The revenue collected was 67.5 per cent of the annual local revenue target, and an improvement from Kshs.181.25 million collected in a similar period of FY 2014/15.

Table 3.1 presents further analysis of the local revenue collected in the first nine months of FY 2015/16 by stream.

**Table 3.1: Baringo County analysis of revenue collection by stream for the first nine months of FY 2015/16**

| No | Revenue Stream | Annual Targeted Revenue (Kshs.) | 9 Months Actual Revenue | Actual Revenue as a percentage of Annual Target (%) |
|---|---|---|---|---|
| | A | B | C | D=*100 |
| 1 | Produce & Other Cess | 26,754,431 | **32,821,796** | **122.7** |
| 2 | Market Fees & Others | 28,871,413 | **27,607,227** | 95.6 |
| 3 | Animal Stock Sale Fees | 14,269,644 | **12,104,165** | 84.8 |
| 4 | Hospital Revenue | 65,182,560 | **49,343,367** | 75.7 |
| 5 | Game Park Fees | 65,378,064 | **39,060,140** | 59.7 |
| 6 | Single Business Permit | 44,430,982 | **23,514,729** | 52.9 |
| 7 | Plot Rent/ Rates | 29,476,586 | **11,245,779** | 38.2 |
| 8 | Koibatek ATC | 6,000,000 | **1,999,125** | 33.3 |
| 9 | Public Health Licences | 5,113,620 | **1,655,720** | 32.4 |
| 10 | Vetirinery | 8,522,700 | **2,636,892** | 30.9 |
| 11 | Marigat AMS | 6,000,000 | **444,507** | 7.4 |
| | **TOTAL** | **300,000,000** | **202,433,447** | **67.5** |

**Source:** *Baringo County Treasury*

Analysis of the local revenue by stream indicates that Produce & Other Cess recorded the highest performance against annual target at 122.7 per cent. This was closely followed by Market Fees & Others at 95.6 per cent.

During the reporting period, the County deposited all its locally collected revenue into the County Revenue Fund account maintained at Central Bank of Kenya (CBK) in line with Article 207 of the Constitution.

### 3.2.3 Conditional Grants

Table 3.2 shows the analysis of conditional grants for the first nine months of FY 2015/16..

**Table 3.2: Baringo County analysis of conditional grants for the first nine months of FY 2015/16**

| No. | Conditional Grant | Amount allocated as provided in CARA 2015 (Kshs.) | 9 Months Actual receipt of the Conditional Grant (Kshs.) | Actual receipts as a percentage of Annual Allocation (%) |
|---|---|---|---|---|
| 1 | World Bank support to Health Facilities | 17,224,300 | 17,224,300 | 100.0 |
| 2 | Road Maintenance Fuel Levy Fund | 56,410,082 | 28,487,092 | 50.5 |
| 3 | Conditional Allocation Free Maternal Health Care | 65,759,400 | 18,667,500 | 28.4 |
| 4 | Leasing of Medical Equipment | 95,744,681 | 0 | 0 |
| 5 | Compensation for use fees forgone | 12,950,107 | 0 | 0 |
| 6 | DANIDA | 25,970,000 | 0 | 0 |
| | **TOTAL** | **274,058,570** | **64,378,892** | **23.5** |

**Source:** *Baringo County Treasury*

Analysis of the conditional grants for the period under review indicates that the conditional grant from the World Bank recorded the highest disbursement against the annual target at 100 per cent, followed by the Road Maintenance Fuel Levy Fund at 50.5 per cent as shown in table 3.2. The County did not receive any disbursement under the DANIDA grant due to non-compliance with DANIDA procedures on use of IFMIS in disbursing of funds to Health facilities.

### 3.2.4 Exchequer Issues

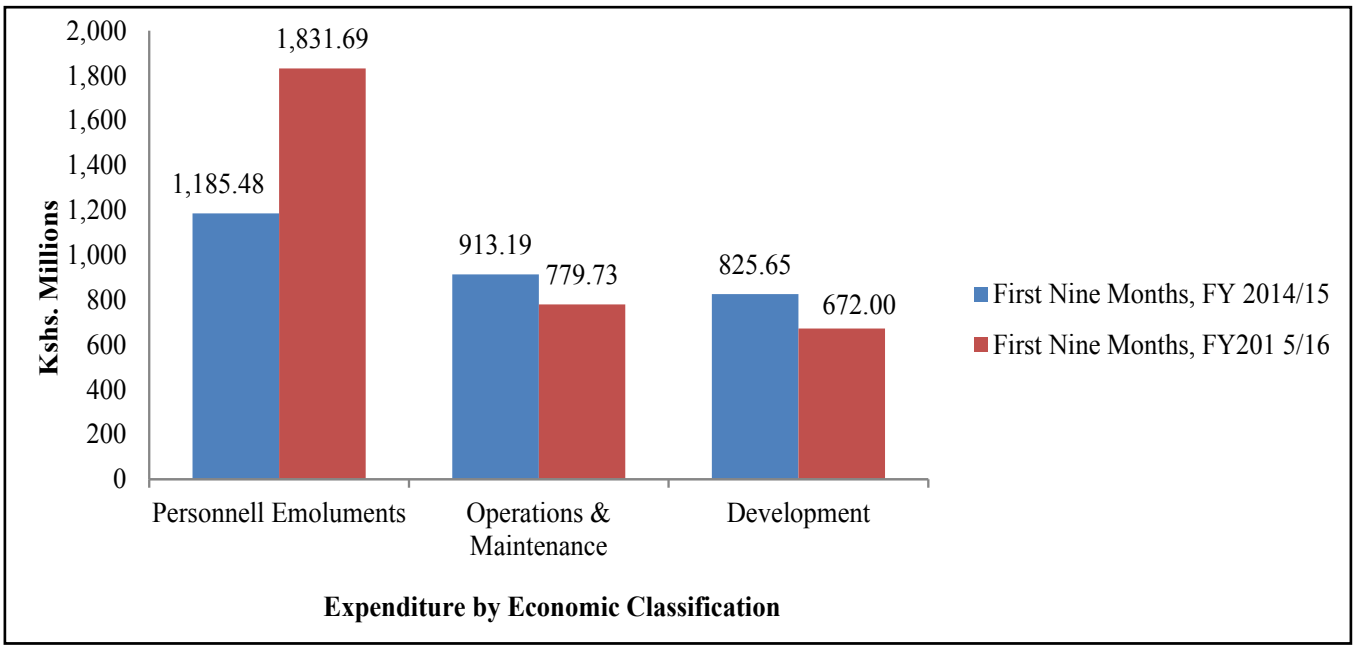
During the period under review, the COB authorised withdrawal of Kshs.3.37 billion from the CRF account, which was 57.7 per cent of the approved budget. The amount represented an increase of 10.9 per cent from Kshs.3.04 billion authorized in a similar period of FY 2014/15 and consisted of Kshs.2.18 billion (71.9 per cent) for recurrent expenditure and Kshs.0.85 billion (28.1 per cent) for development activities.

### 3.2.5 Overall Expenditure Review

The county spent a total of Kshs.3.28 billion during the first nine months of FY 2015/16 which was 97.3 per cent of the total funds released for operations. This was an increase from Kshs.2.92 billion spent in a similar period of FY 2014/15. A total of Kshs.2.61 billion was spent on recurrent activities and Kshs.672 million on development activities. Recurrent expenditure was 98.5 per cent of the funds released for recurrent activities while development expenditure accounted for 93.1 per cent of the funds released for development activities. The expenditure excludes commitments as at 31st March, 2016 that amounted to Kshs.27.5 million for development and Kshs.4.62 million for recurrent expenditure.

Recurrent expenditure for the period under review represented 76.1 per cent of the approved annual recurrent budget, an increase from 71.1 per cent spent in a similar period of FY 2014/15. On the other hand, development expenditure recorded an absorption rate of 27.8 per cent, an increase from 34.5 per cent spent in a similar period of FY 2014/15. Figure 3.2 shows a comparison of the total expenditure in the first nine months of FY 2014/15 and the same period in FY 2015/16.

**Figure 3.2: Baringo County, Expenditure by Economic Classification for the First Nine Months of FY 2014/15 and FY 2015/16**




**Source:** *Baringo County Treasury*

### 3.2.6 Recurrent Expenditure Analysis

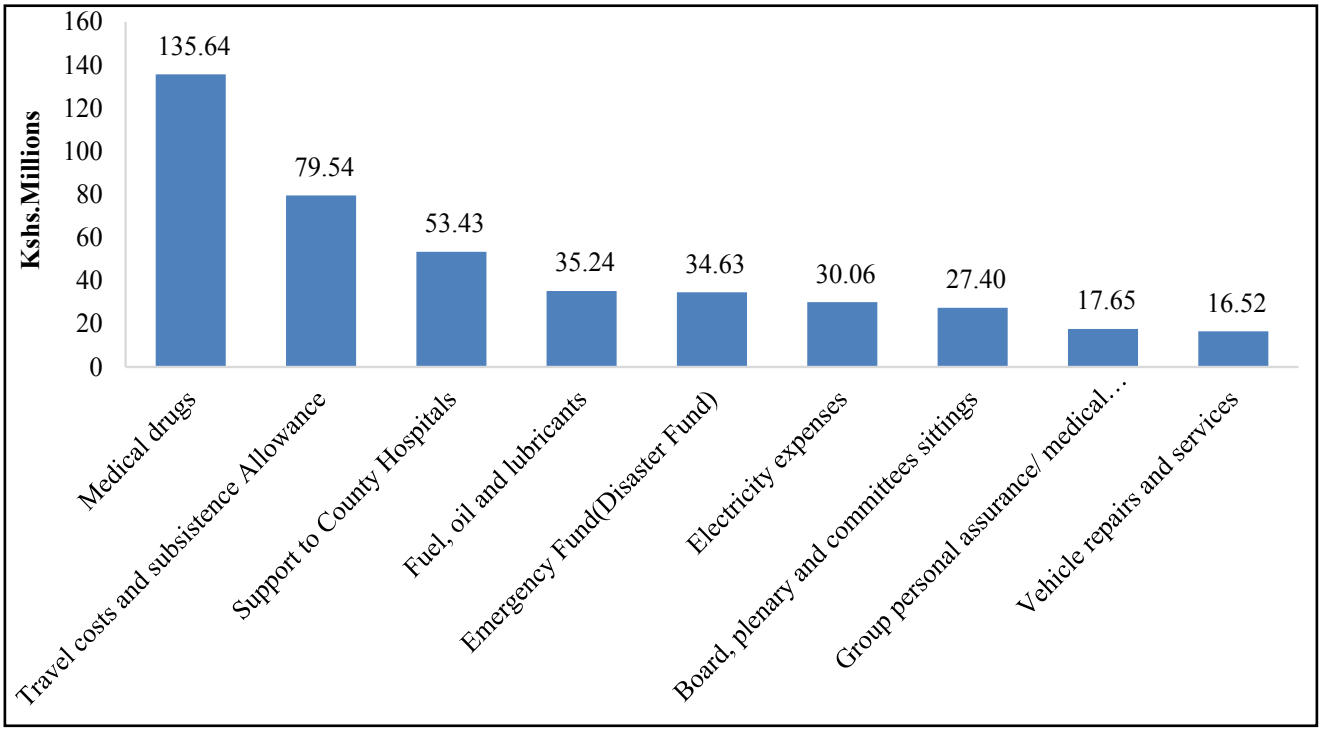
The total recurrent expenditure for the reporting period was Kshs.2.61 billion against an annual recurrent budget of Kshs.3.43 billion. This represents 76.1 per cent of the annual recurrent budget. The County spent Kshs.1.83 billion (70.1 per cent) on personnel emoluments and Kshs.779.73 million (29.9 per cent) on operations and maintenance as shown in Figure 3.2.

The expenditure on personnel emoluments of Kshs.1.83 billion represented an increase of 53.8 per cent in the first nine months of FY 2015/16 compared to a similar period in FY 2014/15 when the county spent Kshs.1.19 billion. The increase is attributed to erroneous posting of personnel emoluments in FY 2014/15 as operations and maintenance shich resulted in lower personnel em emoluments costs. Further, in the FY 2015/16 the county Assembly of Baringo recruited more staff leading to an increase in the workforce.

The County spent Kshs.24.47 million on sitting allowances to the 49 MCAs including the Speaker against an annual budget of Kshs.52 million. This represents an increase from Kshs.19.26 million recorded in a similar period of FY 2014/15. The average monthly sitting allowance per MCA was Kshs.55,477 compared to SRC's recommended monthly ceiling of Kshs.124,800.

The aggregate expenditure on domestic and foreign travel was Kshs.103.82 million compared to Kshs. 115.71 million incurred in a similar period of FY 2014/15, representing a decrease of 10.3 per cent. Figure 3.3 shows a breakdown of the operations and maintenance expenditure for the reporting period

**Figure 3.3: Baringo County, Operations and Maintenance Expenditure for the First Nine Months of FY 2015/16**

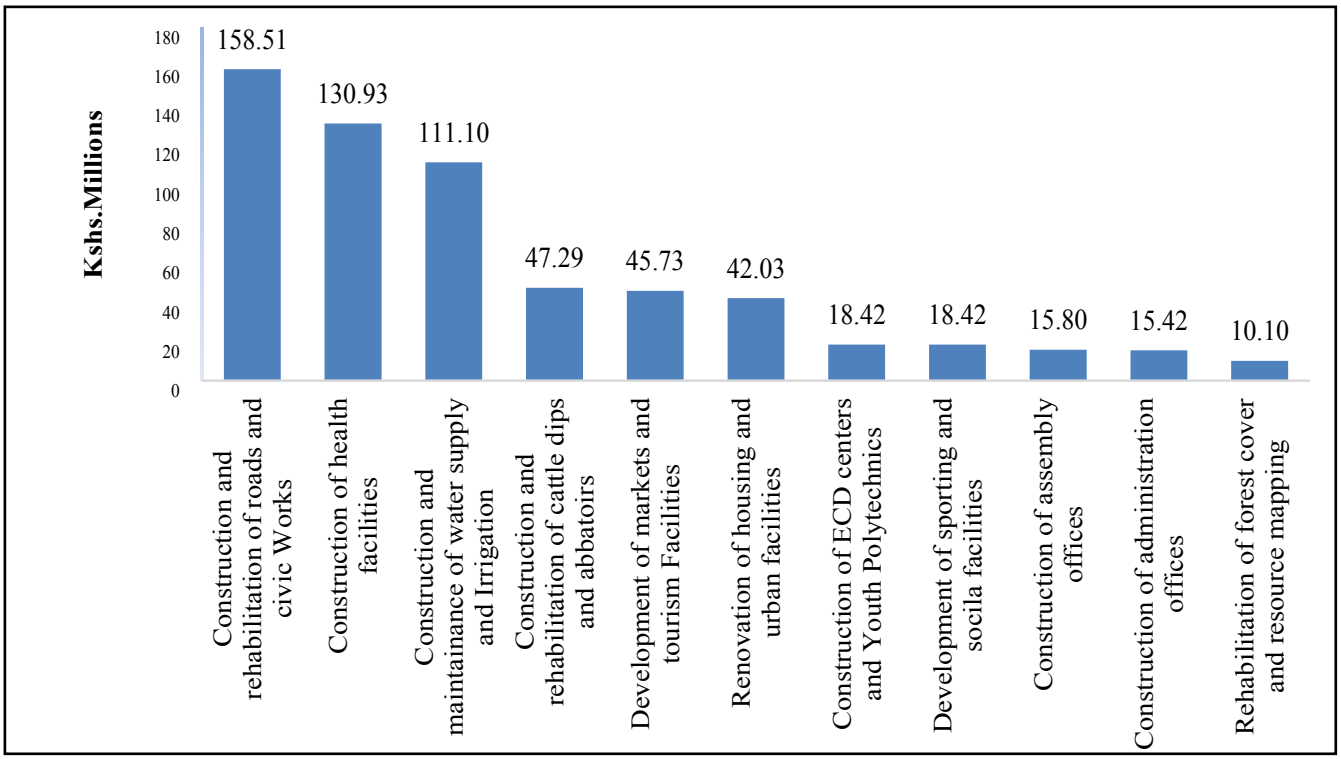



**Source:** *Baringo County Treasury*

### 3.2.7 Development Expenditure Analysis

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 Nine Months of FY 2015/16**




**Source:** *Baringo County Treasury*

Analysis of the development expenditure of Kshs.672 million incurred in the reporting period of FY 2015/16 indicates that the highest expenditure of Kshs.158.51 million was spent by the Roads Department on development and maintenance of access roads and purchase of a garbage truck. A total of 337 kilometres of roads were maintained across the 30 wards. The second highest expenditure of Kshs.130.93 million was incurred by the Health Department on construction of health facilities. The Department of Environment and Natural Resources incurred the least expenditures of Kshs.10.09 million on rehabilitation of degraded areas, while the Office of the Governor incurred Kshs.15.42 million on construction of offices.

### 3.2.8 Annual Budget and Budget Performance Analysis by department for the First Nine Months of FY 2015/16

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

**Table 3.3: Baringo County, Annual Budget and First Nine Months of FY 2015/16 Budget Performance by Department**

| Department | Annual Budget Allocation (Kshs.Million) | | 9 Months Exchequer Issues (Kshs. Million) | | 9 Months Expenditure (Kshs. Million) | | Expenditure to Exchequer Issues (%) | | Absorption rate (%) | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Rec | Dev | Rec | Dev | Rec | Dev | Rec | Dev | Rec | Dev |
| County Assembly | | | | | | | | | | |
| Governor/County Executive services | 506.46 | 79.41 | 381.86 | 14.00 | 289.62 | 15.80 | 75.8 | 112.9 | 57.2 | 19.9 |
| County Treasury Services | 328.25 | 83.18 | 199.26 | - | 195.80 | 3.04 | 98.3 | 0 | 59.6 | 3.7 |
| Transport and Infrastructure | 343.32 | 53.36 | 216.25 | 0.50 | 200.35 | 12.38 | 92.6 | 2,476.6 | 58.4 | 23.2 |
| Industrialization, Commerce and Tourism | 53.55 | 516.99 | 40.41 | 175.48 | 30.64 | 158.51 | 75.8 | 90.3 | 57.2 | 30.7 |
| Education, Sports, Culture & Art | 96.97 | 113.24 | 80.47 | 53.35 | 69.05 | 45.73 | 85.8 | 85.7 | 71.2 | 40.4 |
| Health | 268.05 | 221.57 | 207.50 | 69.76 | 199.38 | 76.68 | 96.1 | 109.9 | 74.4 | 34.6 |
| Housing & Urban Development | 1,375.05 | 427.17 | 1,193.72 | 149.80 | 1,304.19 | 130.93 | 109.3 | 87.4 | 94.8 | 30.6 |
| Agriculture, Livestock, Fisheries & Marketing | 82.71 | 116.37 | 57.74 | 31.78 | 53.81 | 42.03 | 93.2 | 132.2 | 65.1 | 36.1 |
| Youth, Gender & Social Security Services | 210.65 | 235.49 | 166.41 | 69.01 | 159.57 | 47.29 | 95.9 | 68.5 | 75.8 | 20.1 |
| Water & Irrigation | 48.35 | 104.98 | 26.81 | 19.50 | 30.86 | 18.42 | 115.1 | 94.5 | 63.8 | 17.5 |
| Environment & Natural Resources | 88.33 | 414.02 | 63.06 | 128.00 | 53.99 | 111.10 | 85.6 | 86.8 | 61.1 | 26.8 |
| **Total** | **3,430.01** | **2,414.02** | **2,651.78** | **721.72** | **2,611.42** | **672.00** | **98.5** | **93.1** | **76.1** | **27.8** |

**Source:** *Baringo County Treasury*

Analysis of budget performance by department shows that the Department of Education and ICT reported the highest absorption rate for development expenditure at 40.4 per cent while the County Treasury registered the lowest at 3.7 per cent. On the other hand, the Housing & Urban Development Department had the highest percentage of its recurrent expenditure to annual recurrent budget at 94.8 per cent while the Trade, Tourism and Industrialisation had the lowest at 57.2 per cent.

### 3.2.9 Observations and Recommendations

The county has made progress in addressing some of the challenges previously identified as affecting budget implementation. Some of the areas where progress has been made include:

i. Enactment of key revenue legislations such as the Baringo County Revenue Administration Act, 2014, Baringo County Property Rates Act, 2014, Baringo County Agricultural Produce Cess Act, 201, among others.

ii. Improved adherence to budget timelines.

Despite the progress made, the following observations continued to hamper effective budget implementation in the County;

1. Low absorption of the FY 2015/16 development funds due to inadequate technical capacity.
2. Delay in disbursement of the equitable share of revenue raised nationally by the National Treasury.

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

1. *Build capacity of technical departments to enhance implementation of development projects.*
2. *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, 2015 disbursement schedule.*

## 3.3 Bomet County

### 3.3.1 Overview of the FY 2015/16 Budget

The FY 2015/16 Approved Budget for Bomet County is Kshs.5.35 billion, comprising of Kshs.2.64 billion (49.4 per cent) and Kshs.2.71 billion (50.6 per cent) allocated to recurrent and development expenditure respectively.

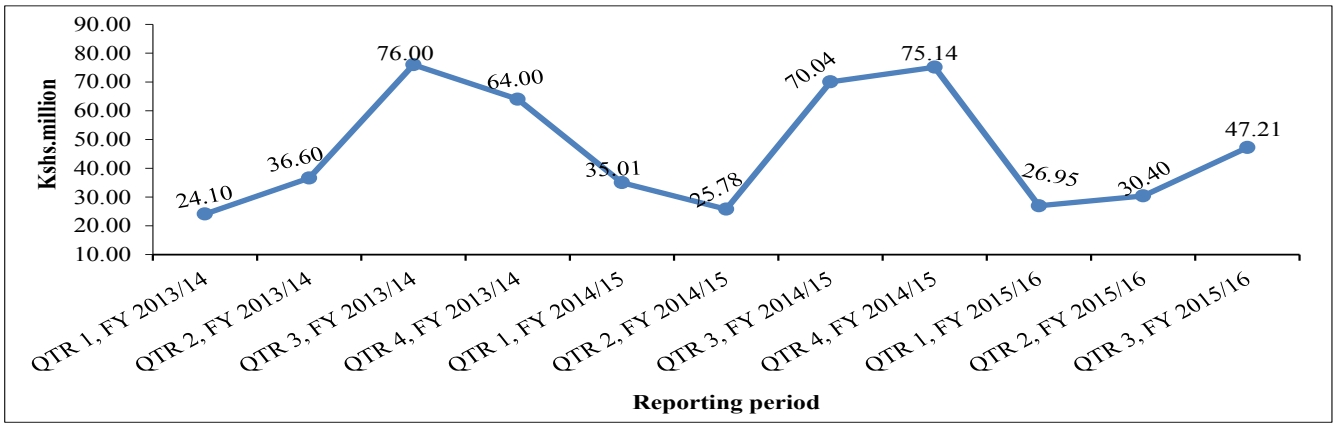
In order to finance the budget, the county expects to receive Kshs.4.72 billion (88.2 per cent) as equitable share of the revenue raised nationally, Kshs.248.50 million (4.6 per cent) as total conditional grants from the National government and development partners, generate Kshs.335 million (6.3 per cent) from local sources and utilize Kshs.48.29 million (0.9 per cent) as projected cash balance from FY 2014/15. The Conditional grants comprise of Kshs.95.74 million for Leasing of Medical Equipment, Kshs.58.45 million for Maternal Health Care, Kshs.59.79 million from the Road Maintenance Fuel Levy Fund, Kshs.16.88 million as User Fees Foregone and Kshs.17.62 million as a conditional grant from DANIDA.

### 3.3.2 Revenue Analysis

In the first nine months of FY 2015/16, the county received Kshs.3.19 billion as equitable share of the revenue raised nationally, Kshs.78.59 million as conditional allocations, raised Kshs.104.55 million from local sources, and had a cash balance of Kshs.48.29 million brought forward from FY 2014/15.

Figure 3.5 shows the quarterly trend in local revenue collection from FY 2013/14 to the third quarter of FY 2015/16.

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




**Source:** *Bomet County Treasury*

The total local revenue for the reporting period of Kshs.104.52 million consisted of Kshs.26.91 million generated in the first quarter, Kshs.30.40 million in the second quarter and Kshs.47.21 million in the third quarter of FY 2015/16. The revenue collected was 31.2 per cent of the annual local revenue target, and a reduction from Kshs.131.24 million collected in a similar period of FY 2014/15.

Table 3.4 shows further analysis of the local revenue collected in the first nine months of FY 2015/16 by stream.

**Table 3.4: Bomet County analysis of revenue collection by stream for the first nine months of FY 2015/16**

| No | Revenue Stream | Annual Targeted Revenue (Kshs.) | 9 Months Actual Revenue (Kshs.) | Actual Revenue as a percentage of Annual Targets (%) |
|---|---|---|---|---|
| 1 | Property Rates | 97,549,815.31 | 5,585,509.00 | 5.7 |
| 2 | Business Permits | 49,476,215.12 | 9,434,504.00 | 19.1 |
| 3 | Cess Collections | 4,967,682.12 | 2,971,890.00 | 59.8 |
| 4 | Markets & Slaughter | 17,473,131.38 | 8,985,550.00 | 51.4 |
| 5 | Rental Income | 4,455,120.09 | 2,749,944.00 | 61.7 |
| 6 | Parking Charges | 17,412,621.05 | 9,522,850.00 | 54.7 |
| 7 | Other revenue sources | 28,388,548.92 | 14,217,447.00 | 50.1 |
| 8 | Hospitals/Dispensaries/Health Centres (HSSF) | 64,380,391.87 | 26,937,342.00 | 41.8 |
| 9 | Unilever Tea (LR) | 23,054,442.00 | 11,527,221.00 | 50.0 |
| 10 | Williamson Tea (LR) | 5,185,930.00 | 5,185,930.00 | 100.0 |
| 11 | James Finlay KE (LR) | 8,643,152.00 | 4,321,576.00 | 50.0 |
| 12 | Kipsigis Highlands (LR) | 2,880,000.00 | 1,440,000.00 | 50.0 |
| 13 | Embomos Tea Farm | 11,132,949.68 | 1,674,623.00 | 15.0 |
| | **Total Revenue** | **335,000,000** | **104,554,386.00** | **31.2** |

Source: *Bomet County Treasury*

Analysis of the local revenue by stream indicates that land rates from Williamson Tea recorded the highest performance against annual target at 100 per cent. This was followed by Rental Income at 61.7 per cent and cess collections at 59.8 per cent.

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

### 3.3.3 Conditional Grants

Table 3.5 shows the analysis of conditional grants for the first nine months of FY 2015/16.

**Table 3.5: Bomet County analysis of conditional grants for the first nine months of FY 2015/16**

| No. | Conditional Grant | Amount allocated as provided in CARA 2015 (Kshs.) | 9 Months Actual receipt of the Conditional Grant (Kshs.) | Actual Receipts as a percentage of Annual Allocation (%) |
|---|---|---|---|---|
| | A | B | C | D=*100 |
| 1 | Road Maintenance Fuel Levy Fund | 59,793,197.00 | 30,195,565.00 | 50.5 |
| 2 | Free Maternal Health Care | 58,452,800.00 | 22,752,500.00 | 38.9 |
| 3 | User Fees Forgone | 16,880,750 | 8,018,356.00 | 47.5 |
| 4 | DANIDA Grant | 17,620,000.00 | 17,620,000.00 | 100.0 |
| | **TOTAL** | **152,746,747.00** | **78,586,421.00** | **51.4** |

**Source:** *Bomet County Treasury*

Analysis of the conditional grants for the period under review indicates that the County received the full disbursement of DANIDA grant as it had complied fully with the mutually agreed upon conditions including the use of IFMIS in disbursing funds to health facility bank accounts. This was followed by the disbursements from the Road Maintenance Levy Fund which accounted for 50.5 per cent of the annual County allocation.

### 3.3.4 Exchequer Issues

During the period under review, the COB authorised withdrawal of Kshs.3.39 billion from the CRF account, which was 63.3 per cent of the approved budget. The amount represented an increase of 15.4 per cent from Kshs.2.94 billion authorized in a similar period of FY 2014/15 and consisted of Kshs.1.80 billion (53.0 per cent) for recurrent expenditure and Kshs.1.60 million (47.0 per cent) for development activities.

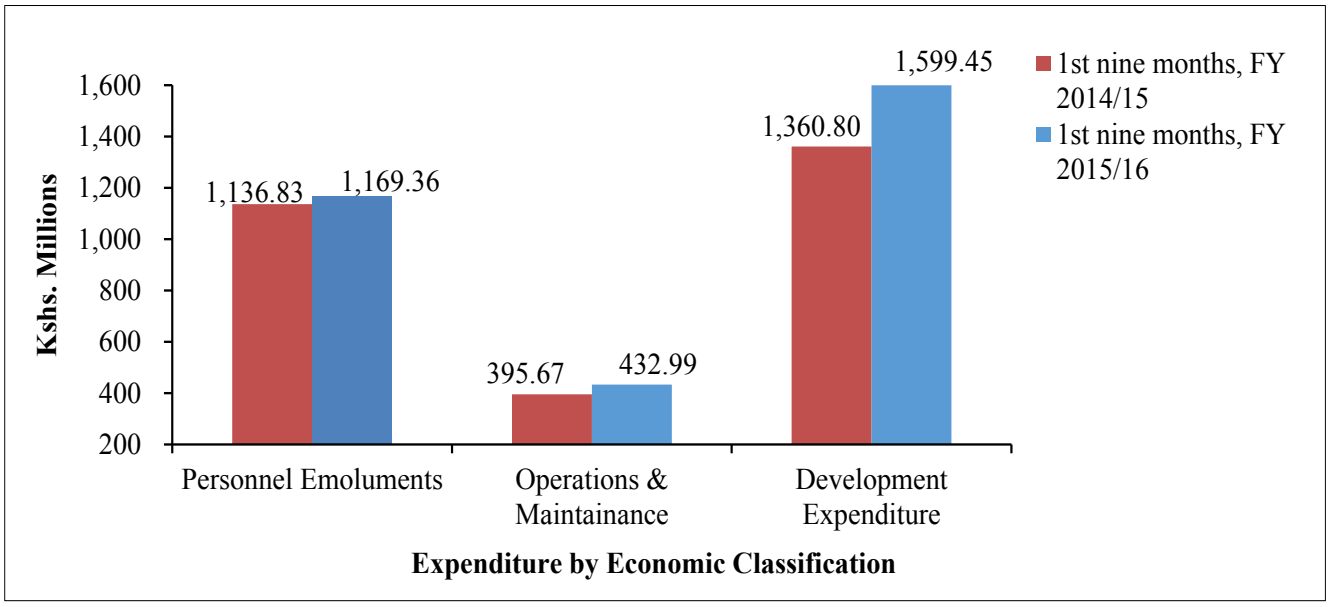
### 3.3.5 Overall Expenditure Review

The County spent a total of Kshs.3.20 billion during the first nine months of FY 2015/16 which was 94.4 per cent of the total funds released for operations. This was an increase from the Kshs.2.89 billion spent in a similar period of FY 2014/15. A total of Kshs.1.60 billion was spent on recurrent activities and Kshs.1.60 million on development activities. Recurrent expenditure was 89.1 per cent of the funds released for recurrent activities while development expenditure accounted for 100.2 per

cent of the funds released for development activities. The expenditure excludes commitments as at 31st March, 2016 that amounted to Kshs.201.45 million for development and Kshs.38.61 million for recurrent expenditure.

Recurrent expenditure for the period under review represented 60.6 per cent of the approved annual recurrent budget, a decline from 81.7 per cent recorded in a similar period of FY 2014/15. On the other hand, development expenditure recorded an absorption rate of 58.9 per cent, an increase from 50.4 per cent recorded in a similar period of FY 2014/15. Figure 3.6 gives a comparison of the total expenditure in the first nine months of FY 2014/15 and the same period in FY 2015/16.

**Figure 3.6: Bomet County, Expenditure by Economic Classification for the First Nine Months of FY 2014/15 and FY 2015/16**




**Source:** *Bomet County Treasury*

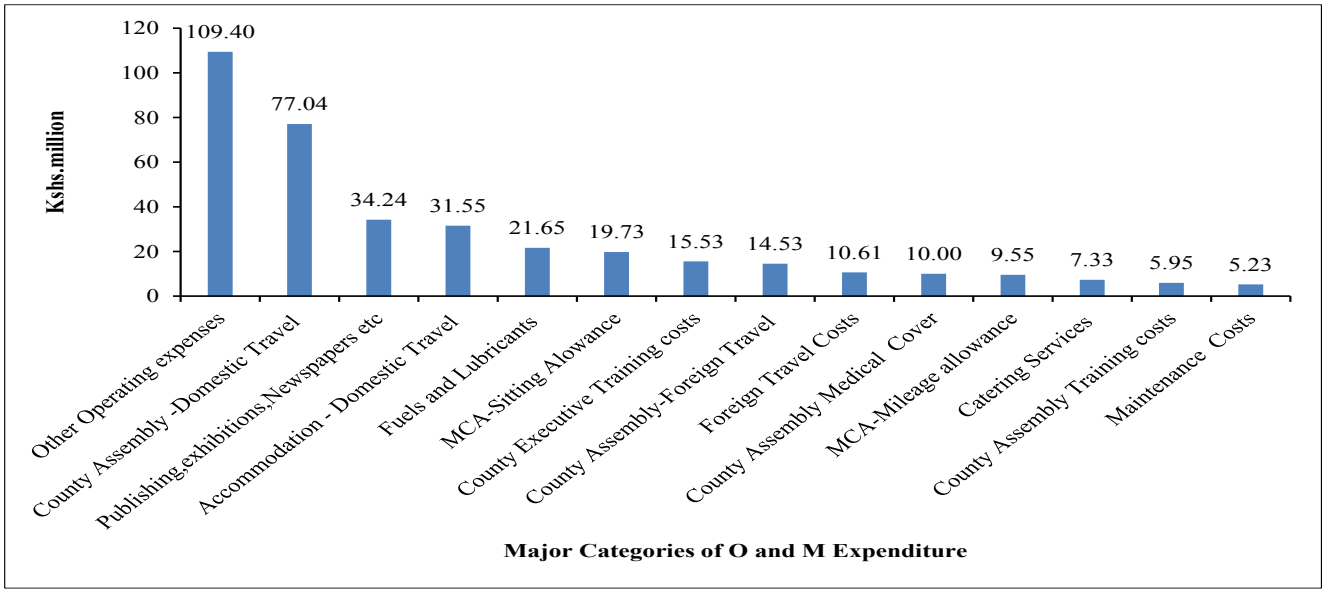
### 3.3.6 Recurrent Expenditure Analysis

A further review of the recurrent expenditure for the reporting period indicated that the County spent Kshs.1.17 billion (73.0 per cent) on personnel emoluments and Kshs.433.27 million (27.0 per cent) on operations and maintenance as shown in Figure 3.6. The expenditure on personnel emoluments of Kshs.1.17 billion, in the first nine months of FY 2015/16 represented an increase of 26.3 per cent compared to a similar period in FY 2014/15 when the county spent Kshs.1.14 billion. Theis increase is attributed to annual salary increase and reinstatement of retrenched local authority staff following a court order, which has led to an increase in the work force.

The county spent Kshs.19.74 million on sitting allowances to the 35 MCAs and the Speaker against an annual budget of Kshs.56.63 million, representing a decrease from Kshs.33.08 million recorded in a similar period of FY 2014/15. The average monthly sitting allowance per MCA was Kshs.62,675 compared to SRC's recommended monthly ceiling of Kshs.124,800.

The aggregate expenditure on domestic and foreign travel was Kshs.97.02 million compared to Kshs.59.28 million incurred in a similar period of FY 2014/15, representing a significant increase of 63.7 per cent. Figure 3.7 shows the breakdown of the operations and maintenance expenditure for the reporting period.

**Figure 3.7: Bomet County, Operations and Maintenance Expenditure for the First Nine Months of FY 2015/16**

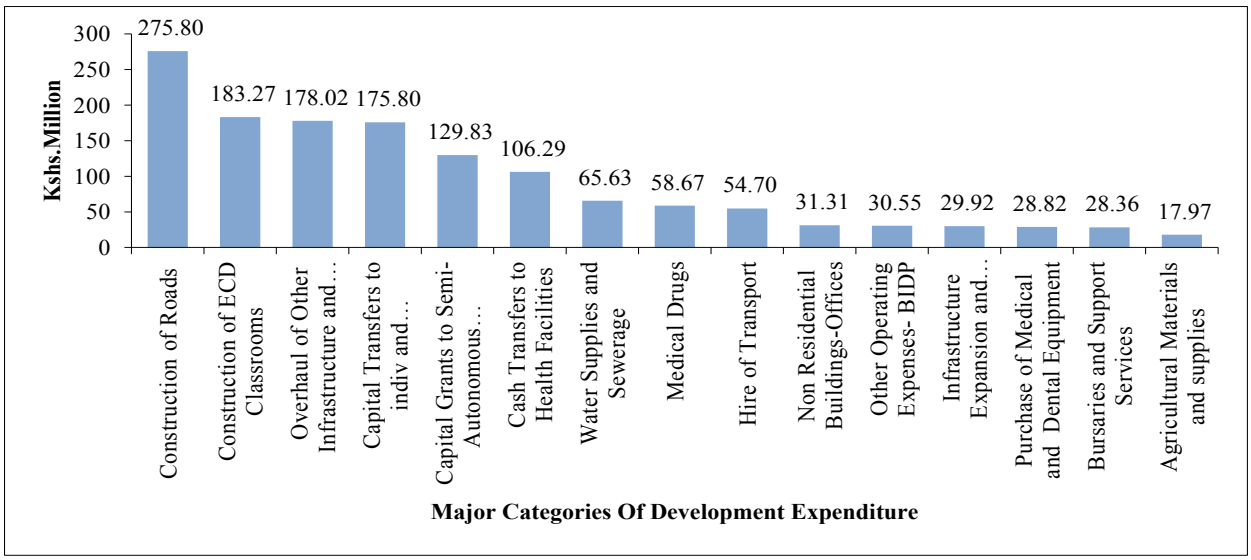



**Source:** *Bomet County Treasury*

### 3.3.7 Development Expenditure Analysis

Figure 3.1 shows a summary of development expenditure during the period under review.

**Figure 3.8: Bomet County, Summary of Development Expenditure for the First Nine Months of FY 2015/16**




**Source:** *Bomet County Treasury*

Analysis of the development expenditure of Kshs.1.60 billion incurred in the reporting period indicates that the highest expenditure of Kshs.275.80 million was spent by the Roads Department on development and maintenance of access roads. A total of 261 kilometres of roads were maintained across the 45 wards. The second highest expenditure of Kshs.183.27 million was incurred by the Education Department on construction of ECD facilities while the Department of Social Services incurred Kshs.175.80 million on capital transfers to elderly persons.

### 3.3.8 Annual Budget and Budget Performance Analysis by Department for the First Nine Months of FY 2015/16

Table 3.6 provides a summary of FY 2015/16 annual budget estimates and budget performance for the reporting period by department.

**Table 3.6: Bomet County, Annual Budget and First Nine Months of FY 2015/16 Budget Performance by Department**

| Department | Annual Budget Allocation (Kshs. Million) | | 9 Months Exchequer Issues (Kshs. Million) | | 9 Months Expenditure (Kshs. Million) | | Expenditure to Exchequer Issues (%) | | Absorption rate (%) | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Rec | Dev | Rec | Dev | Rec | Dev | Rec | Dev | Rec | Dev |
| County Assembly | 489.40 | 10.00 | 333.50 | 0.00 | 264.58 | 0.00 | 79.3 | - | 54.1 | - |
| County Executive | 371.01 | | 253.81 | 42.80 | 233.56 | 49.70 | 92.0 | 116.1 | 63.0 | - |
| County Administration | 341.19 | 95.00 | 236.15 | 0.00 | 287.13 | 0.00 | 121.6 | - | 84.2 | - |
| Agri-Business & Marketing | 153.87 | 205.25 | 103.80 | 108.15 | 100.06 | 97.93 | 96.4 | 90.6 | 65.0 | 47.7 |
| Social Services | 43.90 | 443.39 | 26.45 | 305.69 | 29.35 | 264.81 | 111.0 | 86.6 | 66.9 | 59.7 |
| Public Health & Environment | 91.81 | 22.00 | 62.90 | 12.38 | 64.10 | | 101.9 | 0.0 | 69.8 | - |
| Finance & Economic Planning | 312.72 | 29.68 | 195.90 | 21.13 | 182.45 | 4.04 | 93.1 | 19.1 | 58.3 | 13.6 |
| Water and Irrigation | 41.41 | 554.33 | 30.97 | 227.13 | 26.67 | 250.17 | 86.1 | 110.1 | 64.4 | 45.1 |
| Land, Housing and Urban Planning | 64.06 | 131.02 | 42.72 | 53.50 | 38.87 | 71.64 | 91.0 | 133.9 | 60.7 | 54.7 |
| Education And Vocational Training | 165.18 | 281.66 | 109.08 | 175.35 | 8.95 | 262.53 | 8.2 | 149.7 | 5.4 | 93.2 |
| Roads And Public Works | 90.99 | 388.49 | 74.04 | 337.28 | 60.78 | 288.38 | 82.1 | 85.5 | 66.8 | 74.2 |
| Medical Services | 458.27 | 490.30 | 316.40 | 299.30 | 296.80 | 285.40 | 93.8 | 95.4 | 64.8 | 58.2 |
| Trade Energy, Tourism & Industrialization | 20.72 | 62.84 | 12.29 | 12.70 | 9.05 | 24.79 | 73.6 | 195.2 | 43.7 | 39.4 |
| **TOTAL** | **2,644.52** | **2,713.96** | **1798.01** | **1595.41** | **1602.35** | **1599.39** | **89.1** | **100.2** | **60.6** | **58.9** |

**Source:** *Bomet County Treasury*

Analysis of budget performance by department shows that the Department of Education and Vocational Training reported the highest absorption of development budget at 93.2 per cent while the County Assembly, County Administration and Public Health and Environment departments did not report any development expenditure. On the other hand, the county Administration Department

had the highest percentage of its recurrent expenditure to its annual recurrent budget at 84.2 per cent while the Education and Vocational Training Department had the lowest at 5.4 per cent.

### 3.3.9 Observations and Recommendations

The county has made progress in addressing some of the challenges previously identified as affecting budget implementation. The county has registered continued improvement in absorption of development funds from 50.4 per cent in the first nine months of FY 2014/15 to 58.9 per cent in the reporting period.

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

1. Low local revenue collection. The county collected a total of Kshs.104.55 million which accounted for 31.0 per cent of the annual revenue target for FY 2015/16.

The county should therefore, implement the following recommendation in order to improve budget execution;

1. *The County Treasury should come up with strategies to enhance local revenue collection as well as address any local revenue collection leakages. This will enable the County to implement planned budgeted activities.*

## 3.4 Bungoma County

### 3.4.1 Overview of the FY 2015/16 Budget

The FY 2015/16 Approved Supplementary Budget for Bungoma County is Kshs.9.97 billion, comprising of Kshs.5.78 billion (58.0 per cent) and Kshs.4.19 billion (42.0 per cent) allocated to recurrent and development expenditure respectively.

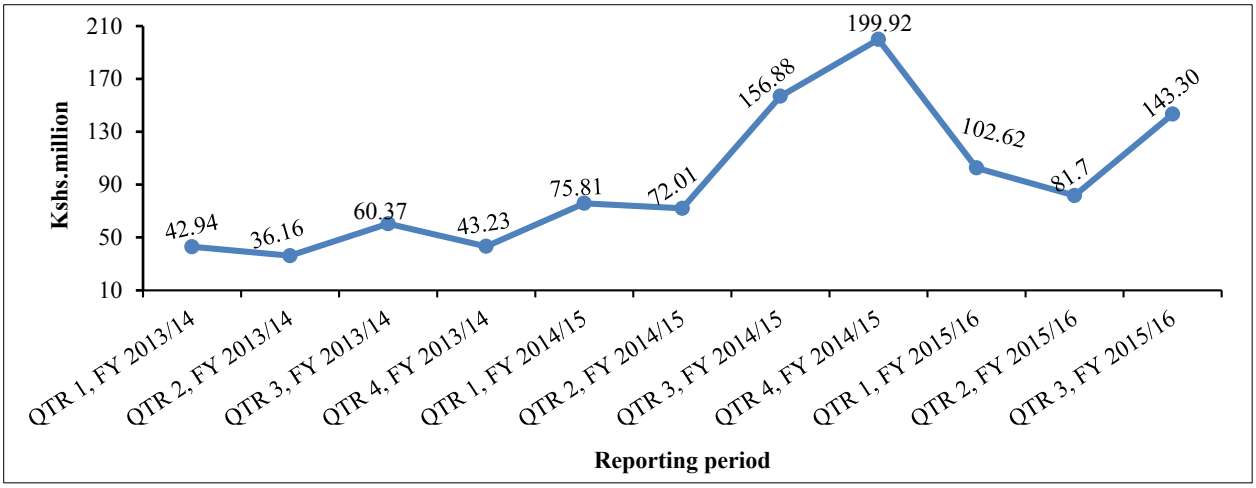
In order to finance the budget, the county expects to receive Kshs.7.68 billion (77.0 per cent) as equitable share of revenue raised nationally, Kshs.416.65 million (4.1 per cent) as total conditional grants from the national government and development partners, generate Kshs.819.94 million (8.2 per cent) from local sources and utilize Kshs.1.37 billion (13.7 per cent) as projected cash balance from FY 2014/15. The conditional grants comprise of Kshs.95.74 million for Leasing of Medical Equipment, Kshs.170.63 million for Maternal Health Care, Kshs.97.50 million from the Road Maintenance Fuel Levy Fund, Kshs.38.03 million as World Bank grant to support health facilities, and Kshs.14.75 million as a conditional grant from DANIDA as shown in **Table 3.8**.

### 3.4.2 Revenue Analysis

In the first nine months of FY 2015/16, the county received Kshs.4.36 billion as equitable share of the revenue raised nationally, Kshs.105.32 million as conditional allocations, raised Kshs.327.63 million from local sources, and had a cash balance of Kshs.1.37 million brought forward from FY 2014/15.

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

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




**Source:** *Bungoma County Treasury*

The total local revenue for the reporting period of Kshs.327.63 million consisted of Kshs.102.62 million generated in the first quarter, Kshs.81.70 million in the second quarter and Kshs.143.30 million in the third quarter of FY 2015/16. The revenue collected was 40.0 per cent of the annual local revenue target, an improvement from Kshs.156.88 million collected in a similar period of FY 2014/15.

Table 3.7 shows further analysis of the local revenue collected in the first nine months of FY 2015/16 by stream.

**Table.3.7: Bungoma County analysis of revenue collection by stream for the first nine months of FY 2015/16**

| No | Revenue Stream | Annual Targeted Revenue (Kshs.) | 9 Months Actual Revenue | Actual Revenue as a percentage of Annual Targets (%) |
|---|---|---|---|---|
| 1 | Enclosed bus park | 39,712,097 | 34,936,540 | 88.0 |
| 2 | Market fees | 33,077,282 | 28,593,825 | 86.4 |
| 3 | Crop cess | 27,294,277 | 27,295,826 | 100.0 |
| 4 | Single Business Permit | 55,151,069 | 45,337,100 | 82.2 |
| 5 | Other revenue sources | 132,285,080 | 78,091,465 | 59.0 |
| 6 | A.I.A | 257,452,053 | 113,372,830 | 44.0 |
| | **TOTAL** | **544,971,859** | **327,627,586** | **60.1** |

**Source:** *Bungoma County Treasury*

Analysis of the local revenue by stream indicates that crop Cess recorded the highest performance

against the annual target at 100.0 per cent. This was followed by Enclosed Bus Park Fees at 88.0 per cent and Market Fees, at 86.4 per cent. The improvement in the revenue performance was due to introduction of electronic system of revenue collection.

The county deposited all locally collected revenue into the county Revenue Fund account maintained at Central Bank of Kenya (CBK) in line with Article 207 of the Constitution with the exception of A.I.A, which was spent at the source.

### 3.4.3 Conditional Grants

Table 3.8 shows an analysis of conditional grants for the first nine months of FY 2015/16.

**Table 3.8: Bungoma County analysis of conditional grants for the first nine months of FY 2015/16**

| No. | Conditional Grant | Amount allocated as provided in CARA 2015 (Kshs.) | 9 Months Actual receipt of the Conditional Grant (Kshs.) | Actual Receipts as a percentage of Annual Allocation (%) |
|---|---|---|---|---|
| 2 | Road Maintenance Fuel Levy Fund | 97,507,257 | 49,239,146 | 50.5 |
| 3 | Free Maternal Health Care | 170,630,600 | 56,077,500 | 33.0 |
| 4 | User Fees Forgone | 38,017,014 | 00.00 | 00 |
| 5 | DANIDA Grant | 14,750,000 | 00.00 | 00 |
| | **TOTAL** | **320,904,871** | **105,316,646** | **32.8** |

**Source:** *Bungoma County Treasury*

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

### 3.4.4 Exchequer Issues

During the period under review, the COB authorised withdrawal of Kshs.5.92 billion from the CRF account, which was 59.4 per cent of the approved supplementary budget. The amount represented an increase of 10.2 per cent from Kshs.5.37 billion authorized in a similar period of FY 2014/15 and consisted of Kshs.3.86 billion (65.2 per cent) for recurrent expenditure and Kshs.2.06 million (34.8 per cent) for development activities.

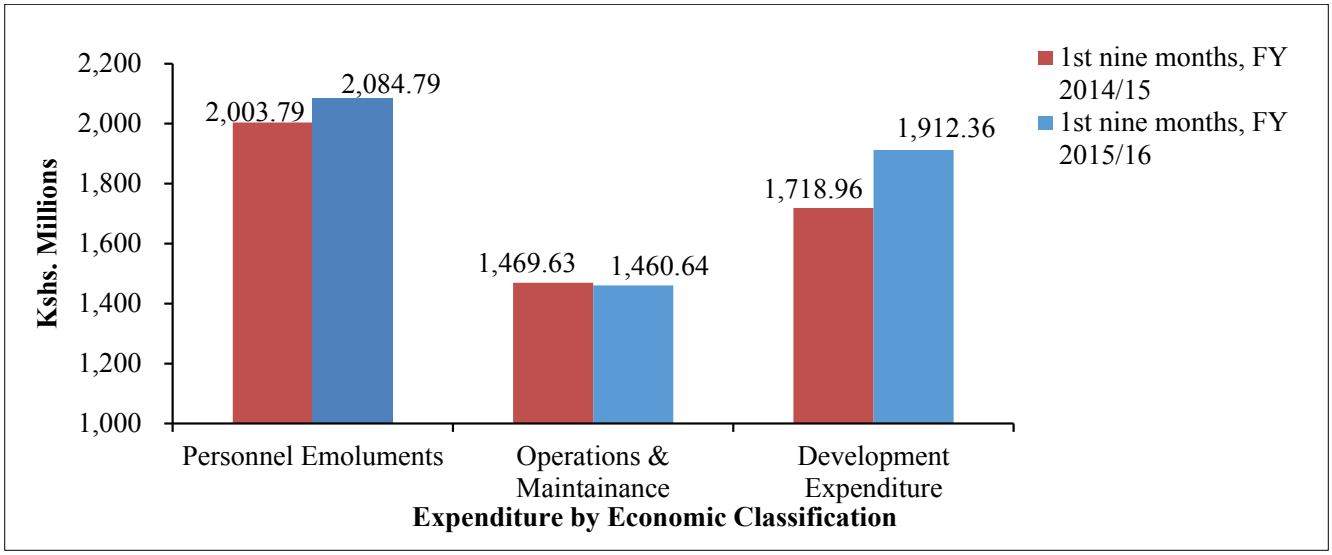
### 3.4.5 Overall Expenditure Review

The County spent a total of Kshs.5.46 billion during the first nine months of FY 2015/16 which was 92.1 per cent of the total funds released for operations. This was an increase from the Kshs.5.19 billion spent in a similar period of FY 2014/15. A total of Kshs.3.55 billion was spent on recurrent activities and Kshs.1.91 billion on development activities. Recurrent expenditure was 91.9 per cent of the funds released for recurrent activities while development expenditure accounted for 92.6 per cent of the funds released for development activities. The expenditure excludes commitments

as at 31st March, 2016 that amounted to Kshs.895.02 million for development expenditure and Kshs.264.80 million for recurrent expenditure.

Recurrent expenditure for the period under review represented 61.3 per cent of the approved supplementary recurrent budget, a decrease from 76.5 per cent spent in a similar period of FY 2014/15. On the other hand, development expenditure recorded an absorption rate of 45.6 per cent, an increase from 29.3 per cent spent in a similar period of FY 2014/15. Figure 3.10 shows a comparison of the total expenditure in the first nine months of FY 2014/15 and and a similar period in FY 2015/16.

**Figure.3.10: Bungoma County, Expenditure by Economic Classification for the First Nine Months of FY 2014/15 and FY 2015/16**




**Source:** *Bungoma County Treasury*

### 3.4.6 Recurrent Expenditure Analysis

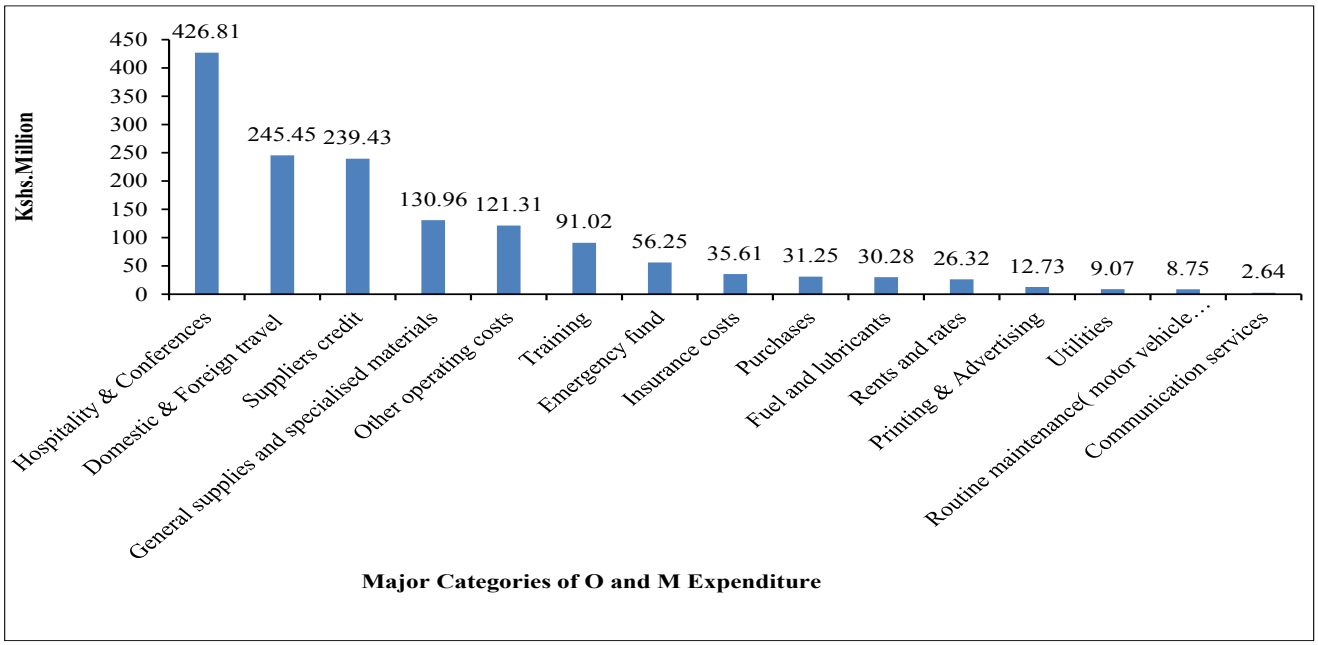
A review of the recurrent expenditure for the reporting period indicated that the County spent Kshs.2.08 billion (58.8 per cent) on personnel emoluments and Kshs.1.46 billion (41.2 per cent) on operations and maintenance as shown in Figure.3.10. The expenditure on personnel emoluments in the first nine months of FY 2015/16 represented an increase of 4 per cent compared to a similar period in FY 2014/15 when the County spent Kshs.2.00 billion due to an increase in the number of staff.

The county spent Kshs.57.52 million on sitting allowances to the 64 MCAs and the Speaker against an annual budget of Kshs.105.71 million. This represents an increase from Kshs.19.26 million recorded in a similar period of FY 2014/15. The average monthly sitting allowance per MCA was Kshs.99,846 compared to SRC's recommended monthly ceiling of Kshs.124,800.

The aggregate expenditure on domestic and foreign travel was Kshs.245.68 million compared to Kshs.115.71 million incurred in a similar period of FY 2014/15, representing a significant increase of 112.3 per cent. Figure 3.11 shows a breakdown of the operations and maintenance expenditure

for the reporting period.

**Figure 3.11: Bungoma County, Operations and Maintenance Expenditure for the First Nine Months of FY 2015/16**

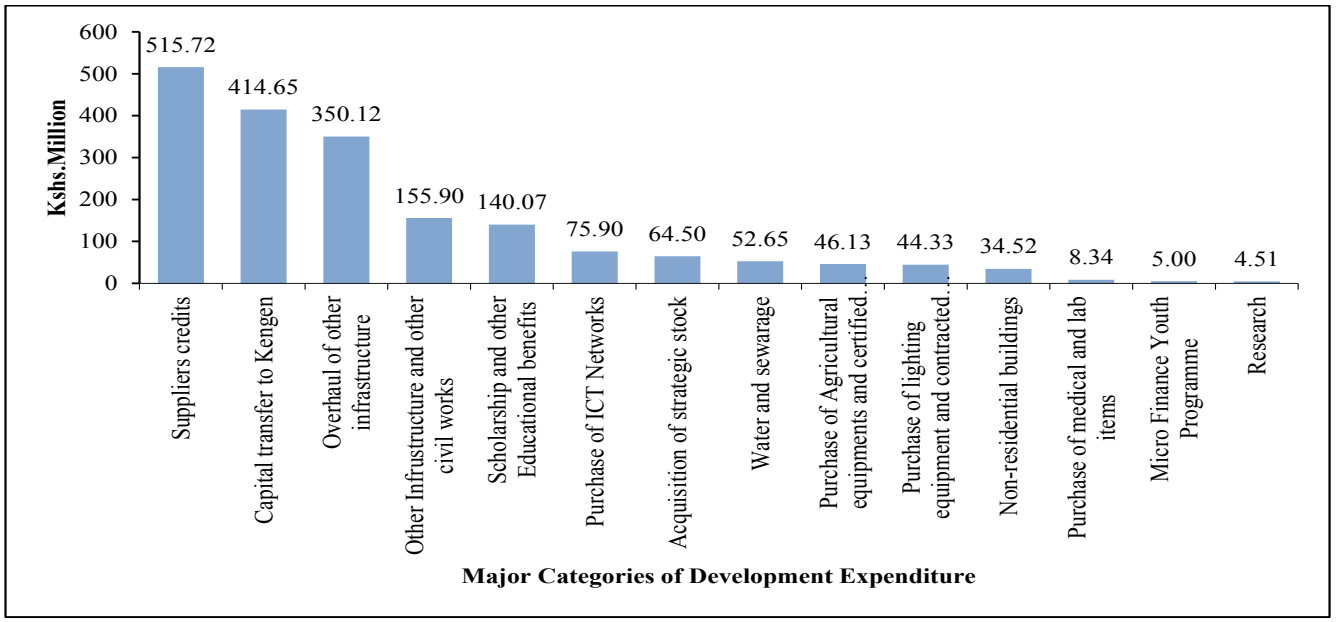



**Source:** *Bungoma County Treasury*

### 3.4.7 Development Expenditure Analysis

A summary of development expenditure during the period under review is provided in Figure.3.12.

**Figure.3.12: Bungoma County, Summary of Development Expenditure for the First Nine Months of FY 2015/16**




**Source:** *Bungoma County Treasury*

Analysis of the development expenditure of Kshs.1.91 billion incurred in the reporting period indicates that the highest expenditure of Kshs.515.72 million was spent on suppliers' credits for the following activities: supply of agricultural materials and machinery, purchase of animals and breeding stock, purchase of motor vehicle and supplies for production under the Department of Agriculture; construction and renovation of the Sudi Namachanja Mausoleum and cultural activities under the Department of Gender and Culture.

Other expenditure was on purchase of medical and dental equipment and refurbishment of non-residential buildings under the Department of Health; purchase of land under the Department of Public Administration; purchase of trucks, trailers and solid waste management under the Department of Tourism, Forestry, Environment, Water and Natural Resources. The Department of Roads and Public Works incurred Kshs.350.12 million on overhaul of water supplies and sewerage, overhaul of roads and bridges and overhaul of other infrastructure and civil works. The Department of Education incurred Kshs.140.07 million on other educational benefits, while the Department of Agriculture, Livestock, Fisheries and Cooperative Development incurred Kshs.46.13 million on the purchase of agriculture equipment and certified seeds.

### 3.4.8 Annual Budget and Budget Performance Analysis by department for the First Nine Months of FY 2015/16

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

**Table.3.9: Bungoma County, Annual Budget and First Nine Months of FY 2015/16 Budget Performance by Department**

| Department | Annual Budget Allocation (Kshs. Million) | | 9 Months Exchequer Issues (Kshs. Million) | | 9 Months Expenditure (Kshs. Million) | | Expenditure to Exchequer Issues (%) | | Absorption rate (%) | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Rec. | Dev. | Rec. | Dev. | Rec. | Dev. | Rec. | Dev. | Rec. | Dev. |
| Public Administration | 440.53 | 60.12 | 270.1 | 38.4 | 253.85 | 32.0 | 94.0 | 83.3 | 57.6 | 53.2 |
| Finance and Planning | 1,108.88 | 1423.8 | 808.52 | 466 | 805.38 | 482.8 | 99.6 | 103.6 | 72.6 | 33.9 |
| Agriculture, Livestock, Fisheries and Co-op Development | 436.27 | 409.7 | 249.13 | 268 | 214.1 | 237.6 | 85.9 | 88.7 | 49.1 | 58.0 |
| Trade, Energy, land, Industrialization, | 102.47 | 439.2 | 57.57 | 165 | 50.81 | 156.5 | 88.3 | 94.8 | 49.6 | 35.6 |
| Roads and Public Works | 137.81 | 814.0 | 91.12 | 636 | 73.44 | 576.9 | 80.6 | 90.7 | 53.3 | 70.9 |
| Tourism, Forestry, Environment, Water and Natural Resources | 63.3 | 308.80 | 48.69 | 160 | 48.66 | 133.7 | 99.9 | 83.6 | 76.9 | 43.3 |
| Education, Science, Sports and Youth Affairs | 355.92 | 422.23 | 257.6 | 208 | 218.64 | 196.8 | 84.9 | 94.6 | 61.4 | 46.6 |
| Governors' office | 395.97 | 13.67 | 301.42 | 7.1 | 288.39 | 4.51 | 95.7 | 63.5 | 72.8 | 33.0 |
| Health | 1,901.76 | 165.66 | 1,121.64 | 70.9 | 980.27 | 63.4 | 87.4 | 89.4 | 51.5 | 38.3 |
| CPSB | 44.65 | 0 | 35.78 | 0 | 18.84 | 0 | 52.7 | | 42.2 | |
| County Assembly | 677.36 | 43.39 | 539.5 | 17 | 531.57 | 10.58 | 98.5 | 62.2 | 78.5 | 24.4 |
| Gender and Culture | 75.29 | 62.7 | 56.15 | 15.7 | 47.5 | 14.95 | 84.6 | 95.2 | 63.1 | 23.8 |
| Housing and Sanitation | 39.59 | 29.24 | 21.81 | 11.2 | 13.98 | 2.73 | 64.1 | 24.4 | 35.3 | 9.3 |
| **Total** | **5,779.8** | **4,192.5** | **3,859.03** | **2,064.22** | **3,545.43** | **1,912.4** | **91.9** | **92.6** | **61.3** | **45.6** |

**Source:** *Bungoma County Treasury*

Analysis of budget performance by department shows that the Department of Roads reported the highest absorption rate of its development budget at 70.9 per cent while the Housing Department registered the lowest at 9.3 per cent. On the other hand, the County Assembly had the highest percentage of its recurrent expenditure to annual recurrent budget at 78.5 per cent while the Housing and Sanitation Department had the lowest at 35.3 per cent.

### 3.4.9 Observations and Recommendations

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

i. Automation of revenue collection which has led to improved local revenue performance.

ii. The County has a fully functional CBEF that is involved in budget issues.

iii. Improved absorption of development funds from 29.3 per cent in the third quarter of FY 2014/15 to 45.6 per cent in the period under review.

Despite the progress made, the following issues continued to hamper effective budget implementation in the County;

1) Late submission of financial reports to COB by the County Treasury.
2) Failure by Fund Administrators to submit expenditure reports on the established County Funds.
3) The County's wage bill remains high and has increased from Kshs.2 billion in the third quarter of FY 2014/15 to Kshs.2.08 billion 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 County Assembly, Controller of Budget, Commission for Revenue Allocation and the National Treasury in line with Section 166 of PFM Act, 2012.*

*2) The Fund Administrator should ensure timely submission of expenditure reports on the established County Funds in time in line with Section 168 of the PFM Act, 2012.*

*3) The County should develop an optimal staffing structure to ensure that the wage bill is sustainable.*

## 3.5 Busia County

### 3.5.1 Overview of the FY 2015/16 Budget

The FY 2015/16 Approved Budget for Busia County is Kshs.6.27 billion, comprising of Kshs.3.31 billion (52.8 per cent) allocated to recurrent expenditure and Kshs.2.96 billion (47.2 per cent) to development expenditure.

In order to finance the budget, the county expects to receive Kshs.5.44 billion (86.7 per cent) as equitable share of revenue raised nationally, Kshs.288.93 million (4.6 per cent) as total conditional grants from the national government and development partners, generate Kshs.543.04 million (8.7

per cent) from local sources. The conditional grants comprise of Kshs.95.74 million for Leasing of Medical Equipment, Kshs.99.71 million for Maternal Health Care, Kshs.69.11 million from the Road Maintenance Fuel Levy Fund, Kshs.11.38 million as User Fees Forgone, and Kshs.12.99 million as a conditional grant from DANIDA.

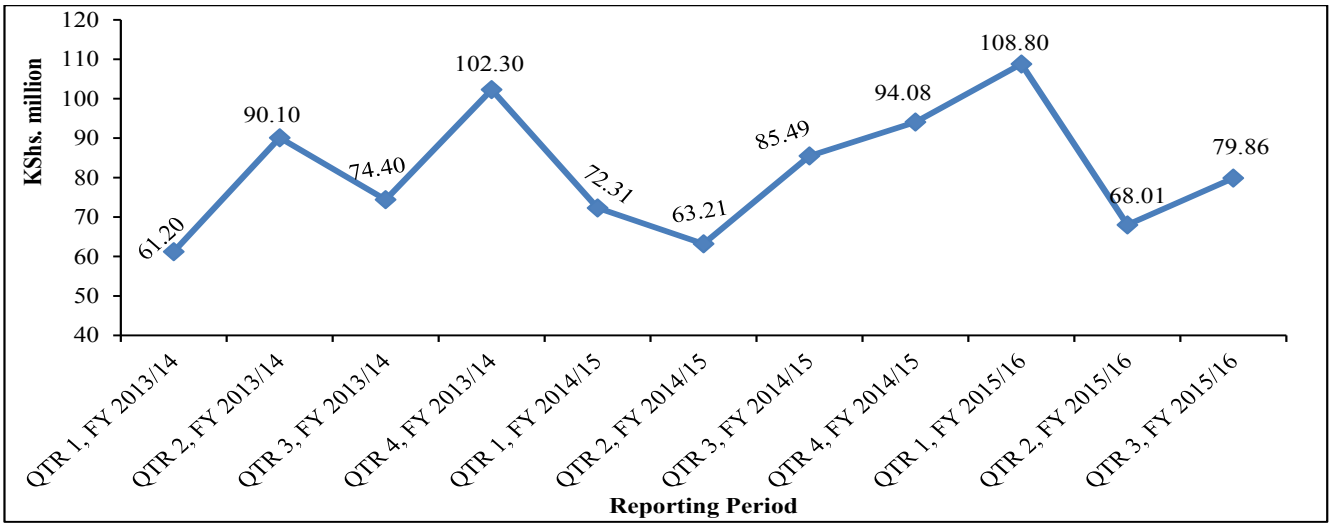
However, the county did not budget for the opening cash balance from FY 2014/15 amounting to Kshs.497.52 million. Further the county under budgeted for the conditional grants contained in the CARA, 2015 of Kshs.275.94 million, from the national government and Kshs.12.99 million from DANIDA by Kshs.2 million .

### 3.5.2 Revenue Analysis

In the first nine months of FY 2015/16, the County received Kshs.3.31 billion as equitable share raised nationally, Kshs.74.63 million as conditional allocations from the National Government, raised Kshs.256.68 million from local sources, and had a cash balance of Kshs.497.52 million brought forward from FY 2014/15.

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

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




**Source:** *Busia County Treasury*

The total local revenue for the reporting period of Kshs.256.68 million consisted of Kshs.108.81 million generated in the first quarter, Kshs.68.01 million in the second quarter and Kshs.79.86 million in the third quarter of FY 2015/16. The revenue collected was 47.3 per cent of the annual local revenue target, and an improvement from Kshs.218.31 million collected in a similar period of FY 2014/15.

Table 3.10 shows further analysis of the local revenue collected in the first nine months of FY 2015/16 by stream.

**Table 3.10: Busia County analysis of revenue collection by stream for the first nine months of FY 2015/16**

| No. | Revenue Stream | Annual Targeted Revenue (Kshs.) | 9 Months Actual Revenue (Kshs.) | Revenue Performance (%) |
|---|---|---|---|---|
| 1 | Other Miscellaneous | 1,150,000 | 20,938,127 | 1,820.7 |
| 2 | Tobacco Cess | 2,456,521 | 2,122,027 | 86.4 |
| 3 | Tractor Hire Services | 3,680,000 | 2,961,700 | 80.5 |
| 4 | Hospital users fees | 69,000,000 | 48,439,807 | 70.2 |
| 5 | Trailer Parking fees | 126,500,000 | 86,182,770 | 68.1 |
| 6 | Stock Sale | 4,140,000 | 2,541,750 | 61.4 |
| 7 | Transit Produce Cess | 28,750,000 | 15,721,977 | 54.7 |
| 8 | Bus parking fees | 40,250,000 | 21,384,220 | 53.1 |
| 9 | Market Fees | 32,200,000 | 15,988,530 | 49.7 |
| 10 | Single Business Permits | 43,700,000 | 21,337,895 | 48.8 |
| 11 | Other Sources | 191,240,406 | 19,058,663 | 10.0 |
| | **TOTAL** | **543,066,927** | **256,677,466** | **47.3** |

**Source:** *Busia County Treasury*

Analysis of the local revenue by stream indicates that Other Miscellaneous receipts recorded the highest performance against annual target at over 100 per cent. This was followed by Tobacco Cess at 86.4 per cent. The high performance in the other miscellaneous revenue stream is attributed to un-reconciled revenue receipts deposited directly into the local county revenue account by citizens who did not deliver the deposit slips to the county revenue unit on time for proper identification and accounting. The high performance in Tobacco cess is attributed to the revival of a Tobacco Factory in Malakisi in Bungoma County.

The county deposited all locally collected revenue into the County Revenue Fund account maintained at Central Bank of Kenya (CBK) in line with Article 207 of the Constitution.

### 3.5.3 Conditional Grants

Table 3.11 shows an analysis of conditional grants for the first nine months of FY 2015/16.

**Table 3.11: Busia County analysis of conditional grants for the first nine months of FY 2015/16**

| No. | Conditional Grant | Amount allocated as provided in CARA 2015 (Kshs.) | 9 Months Actual receipt of the Conditional Grant (Kshs.) | Performance (%) |
|---|---|---|---|---|
| 1 | Road Maintenance Fuel Levy Fund | 69,109,240 | 34,900,166 | 50.5 |
| 2 | Free Maternal Health Care | 99,713,600 | 46,849,600 | 47.0 |
| 3 | User Fees Forgone | 11,377,011 | 4,391,420 | 38.6 |
| 4 | Leasing of Medical Equipment | 95,744,681 | | 0.0 |
| 5 | DANIDA Grant | 12,990,000 | | |
| | **TOTAL** | **288,934,532** | **86,141,186** | **29.8** |

**Source:** *Busia County Treasury*

Analysis of the conditional grants for the period under review indicates that Road Maintenance Fuel Levy Fund recorded the highest performance against annual target at 50.5 per cent. This was closely followed by Free Maternal Health Care at 47.0 per cent.

### 3.5.4 Exchequer Issues

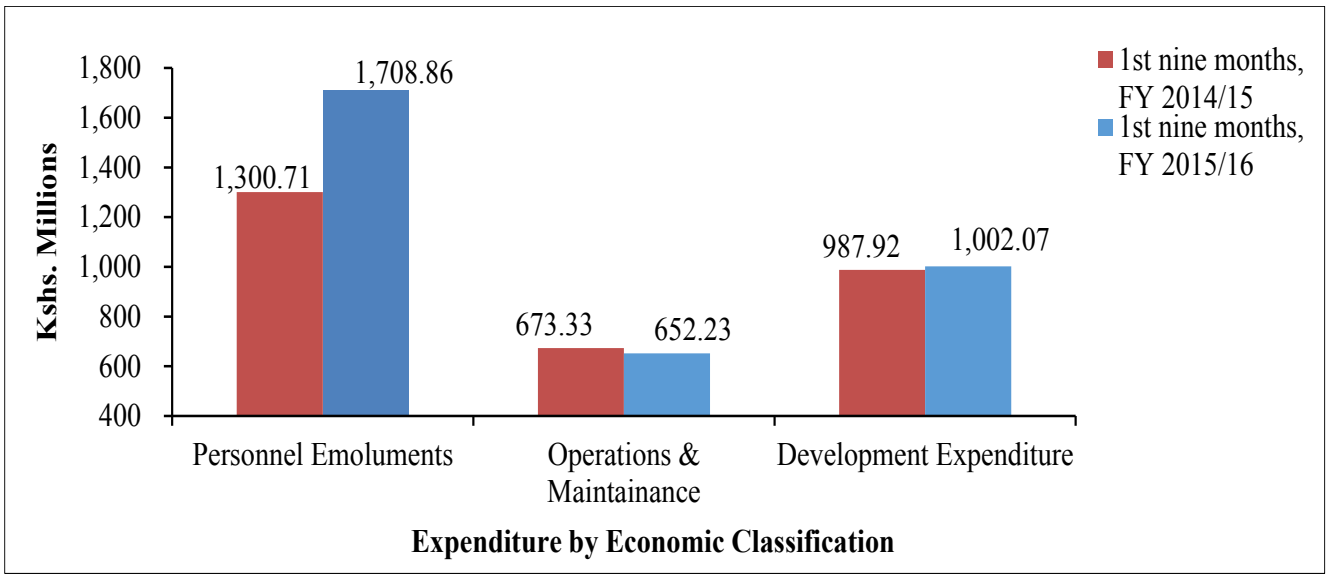
During the period under review, the COB authorised withdrawal of Kshs.4.09 billion from the CRF account, which was 65.2 per cent of the approved budget. The amount represented an increase of 9.8 per cent from Kshs.3.72 billion authorized in a similar period of FY 2014/15 and consisted of Kshs.2.63 billion (64.2 per cent) for recurrent expenditure and Kshs.1.46 million (35.8 per cent) for development activities.

### 3.5.5 Overall Expenditure Review

The County spent a total of Kshs.3.36 billion during the first nine months of FY 2015/16 which was 82.3 per cent of the total funds released for operations. This was an increase from the Kshs.2.96 billion spent in a similar period of FY 2014/15. A total of Kshs.2.36 billion was spent on recurrent activities and Kshs.1.0 billion on development activities. Recurrent expenditure was 90.0 per cent of the funds released for recurrent activities while development expenditure accounted for 68.6 per cent of the funds released for development activities. The expenditure excludes commitments as at 31st March, 2016 that amounted to Kshs.70.12 million for development and Kshs.88.49 million for recurrent expenditure.

Recurrent expenditure for the period under review represented 71.3 per cent of the approved annual recurrent budget, an increase from 63.1 per cent spent in a similar period of FY 2014/15. On the other hand, development expenditure recorded an absorption rate of 33.9 per cent, an increase from 24.6 per cent spent in a similar period of FY 2014/15. Figure 3.14 shows a comparison of the total expenditure in the first nine months of FY 2014/15 and the first nine months of FY 2015/16.

**Figure 3.14: Busia County, Expenditure by Economic Classification for the First Nine Months of FY 2014/15 and FY 2015/16**




**Source:** *Busia County Treasury*

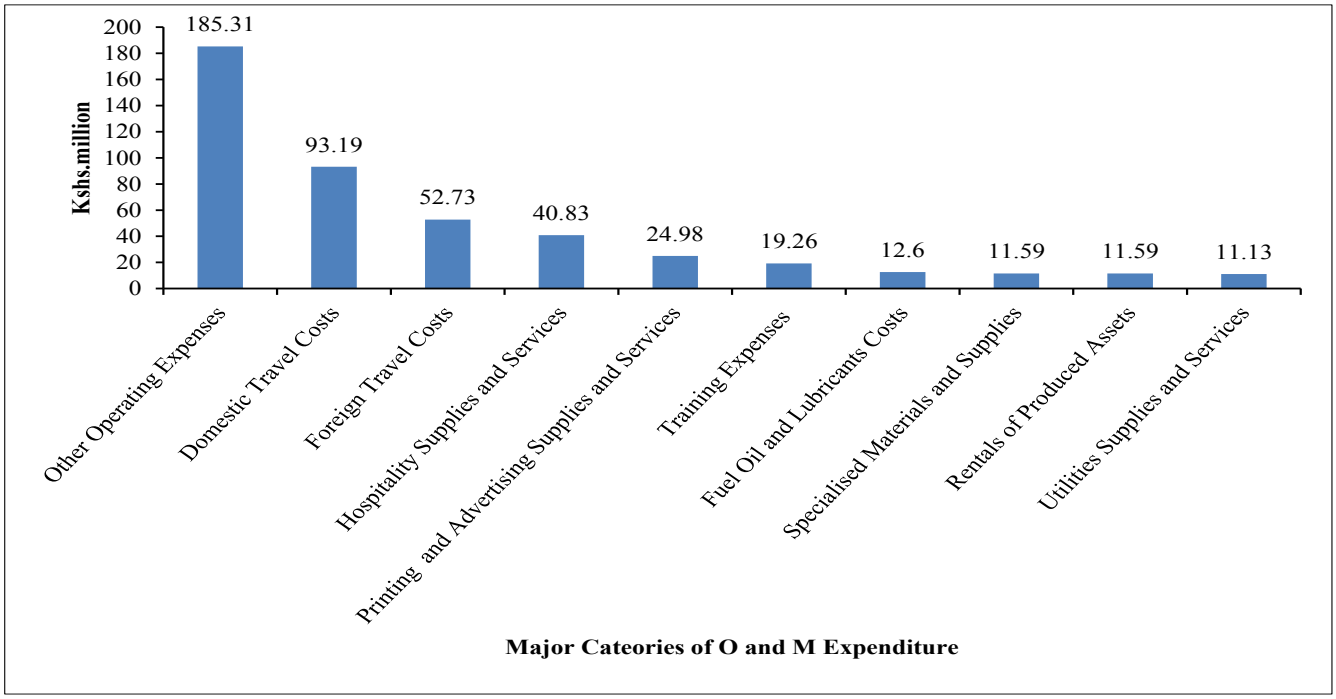
### 3.5.6 Recurrent Expenditure Analysis

A further review of the recurrent expenditure for the reporting period indicates that the County spent Kshs.1.71 billion (72.5 per cent) on personnel emoluments and Kshs.652.23 million (27.5 per cent) on operations and maintenance as shown in Figure 3.14. The expenditure on personnel emoluments in the first nine months of FY 2015/16 represented an increase of 31.5 per cent compared to a similar period in FY 2014/15 when the County spent Kshs.1.30 billion. The increase is attributed to increase in the number of staff at the county.

The county spent Kshs.98.64 million on sitting allowances to the 54 MCAs and the Speaker against an annual budget of Kshs.114.82 million. This represents an increase from Kshs.23.88 million recorded in a similar period of FY 2014/15. The average monthly sitting allowance per MCA was Kshs.202, 969 compared to SRC's recommended monthly ceiling of Kshs.124,800.

The aggregate expenditure on domestic and foreign travel was Kshs.145.92 million compared to Kshs.81.12 million incurred in a similar period of FY 2014/15, representing a significant increase of 79.9 per cent. Figure 3.15 shows a breakdown of the operations and maintenance expenditure for the reporting period.

**Figure 3.15: Busia County, Operations and Maintenance Expenditure for the First Nine Months of FY 2015/16**

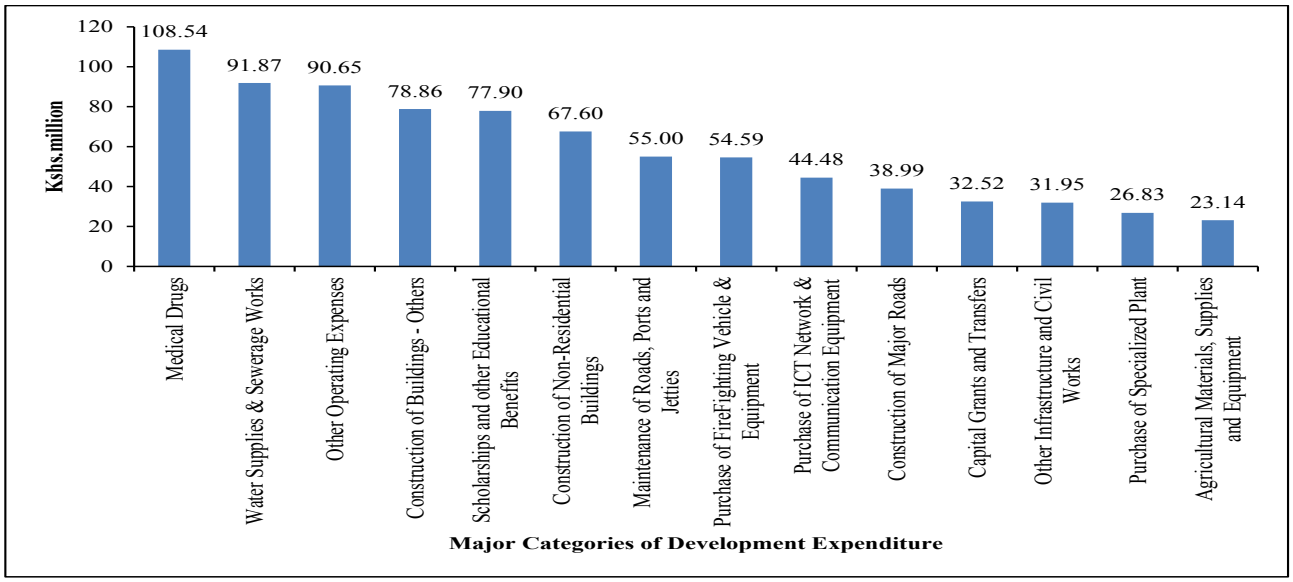



**Source:** *Busia County Treasury*

### 3.5.7 Development Expenditure Analysis

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 Nine Months of FY 2015/16**




**Source:** *Busia County Treasury*

Analysis of the development expenditure of Kshs.1.00 billion incurred in the reporting period indicates that the highest expenditure of Kshs.108.54 million was incurred by the Health Department on purchase of medical drugs. The second highest expenditure of Kshs.91.87 million was incurred by the Water and Agriculture Departments on construction of water supplies and sewerage works. The Department of Water, Environment and Natural Resources incurred Kshs.26.83 million on purchase of a specialized plant while the Department of Agriculture incurred Kshs.23.14 million on purchase of agricultural materials, supplies and equipment.

### 3.5.8 Annual Budget and Budget Performance Analysis by department for the First Nine Months of FY 2015/16

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

**Table 3.12: Busia County, Annual Budget and First Nine Months of FY 2015/16 Budget Performance by Department**

| Department | Annual Budget Allocation (Kshs. Million) | | 9 Months Exchequer Issues (Kshs. Million) | | 9 Months Expenditure (Kshs. Million) | | Expenditure to Exchequer Issues (%) | | Absorption rate (%) | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Rec | Dev | Rec | Dev | Rec | Dev | Rec | Dev | Rec | Dev |
| Agriculture and Animal Resources | 214.91 | 215.90 | 163.62 | 173.80 | 170.13 | 78.44 | 104.0 | 45.1 | 79.2 | 36.3 |
| Trade, Cooperative, Tourism and Industry | 40.97 | 94.65 | 30.84 | 78.90 | 27.59 | 36.40 | 89.5 | 46.1 | 67.3 | 38.5 |
| Education and Vocational Training | 194.99 | 270.32 | 148.32 | 204.30 | 81.29 | 162.43 | 54.8 | 79.5 | 41.7 | 60.1 |
| Finance and Economic Planning | 567.91 | 903.92 | 473.85 | 75.19 | 538.13 | 56.20 | 113.6 | 74.7 | 94.8 | 6.2 |

| Department | Annual Budget Allocation (Kshs. Million) | | 9 Months Exchequer Issues (Kshs. Million) | | 9 Months Expenditure (Kshs. Million) | | Expenditure to Exchequer Issues (%) | | Absorption rate (%) | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Rec | Dev | Rec | Dev | Rec | Dev | Rec | Dev | Rec | Dev |
| Community Gender, Culture & Social Services | 62.92 | 149.00 | 48.18 | 104.55 | 38.33 | 37.14 | 79.6 | 35.5 | 60.9 | 24.9 |
| Public Works, Transport and Disaster Management | 70.66 | 163.00 | 55.64 | 108.00 | 41.13 | 162.60 | 73.9 | 150.6 | 58.2 | 99.8 |
| Labour, public Service, ICT and Intergovernmental relations | 333.34 | 65.04 | 243.15 | 54.55 | 127.08 | 41.68 | 52.3 | 76.4 | 38.1 | 64.1 |
| Lands, Housing & Urban Development | 28.96 | 177.90 | 22.48 | 101.90 | 20.36 | 31.83 | 90.6 | 31.2 | 70.3 | 17.9 |
| Water, Environment & Natural Resources | 68.71 | 224.53 | 54.62 | 195.00 | 27.45 | 140.29 | 50.3 | 71.9 | 40.0 | 62.5 |
| Health and Sanitation | 938.87 | 505.73 | 788.46 | 305.81 | 722.47 | 221.34 | 91.6 | 72.4 | 77.0 | 43.8 |
| County Public Service Board | 31.95 | 0.00 | 26.15 | - | 16.77 | - | 64.1 | - | 52.5 | - |
| Office of the Governor | 114.16 | 10.00 | 86.48 | 9.00 | 67.27 | 3.71 | 77.8 | 41.2 | 58.9 | 37.0 |
| Office of the Deputy Governor | 28.69 | 0.00 | 22.93 | | 11.40 | - | 49.7 | - | 39.7 | |
| County Executive Administration ( County Secretary) | 60.44 | 0.00 | 52.41 | - | 31.63 | - | 60.4 | - | 52.3 | |
| County Assembly | 554.32 | 178.31 | 406.87 | 50.00 | 440.06 | 30.01 | 108.2 | - | 79.4 | 17.0 |
| **Total** | **3311.80** | **2958.30** | **2,624.00** | **1,461.00** | **2,361.09** | **1,002.07** | **90.0** | **68.6** | **71.3** | **33.9** |

***Source:*** *Busia County Treasury*

Analysis of budget performance by department shows that the Department of Public Works, Transport and Disaster Management reported the highest absorption rate of its development budget at 99.8 per cent while the Department of Finance and Economic Planning registered the lowest at 6.2 per cent. On the other hand, the Finance and Economic Planning Department had the highest percentage of recurrent expenditure to annual recurrent budget at 94.8 per cent while the Labour, ICT, Public Service and Intergovernmental Relations Department had the lowest at 38.1 per cent.

### 3.5.9 Observations and Recommendations

The county has made progress in addressing one of the challenges previously identified as affecting budget implementation. The county has established an active County Budget and Economic Forum as per the provisions of Section 137 of the PFM Act, 2012**.**

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

i. Delay in approving budget policy documents such as the ADP, CFSP and CBROP. These key documents were not approved within the legal timelines.

ii. Failure to establish an Internal Audit Committee to oversee financial operations.

iii. Continued underperformance in local revenue collection. As at the end of the first nine months, the county had collected 47.3 per cent of the annual revenue target for FY 2015/16 against an expected performance of 75 per cent.

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

i. *The County Treasury should observe the budget timelines as stipulated in law in approval of budget documents.*

ii. *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.*

iii. *The County needs to come up with mechanisms of enhancing mobilization of local revenue collection such as automation of the revenue collection as well as address local revenue collection leakages.*

## 3.6 Elgeyo Marakwet County

### 3.6.1 Overview of the FY 2015/16 Budget

The FY 2015/16 Approved Supplementary Budget for Elgeyo Marakwet County is Kshs.3.85 billion, comprising of Kshs.2.42 billion (62.8 per cent) allocated to recurrent expenditure and Kshs.1.43 billion (37.2 per cent) to development expenditure.

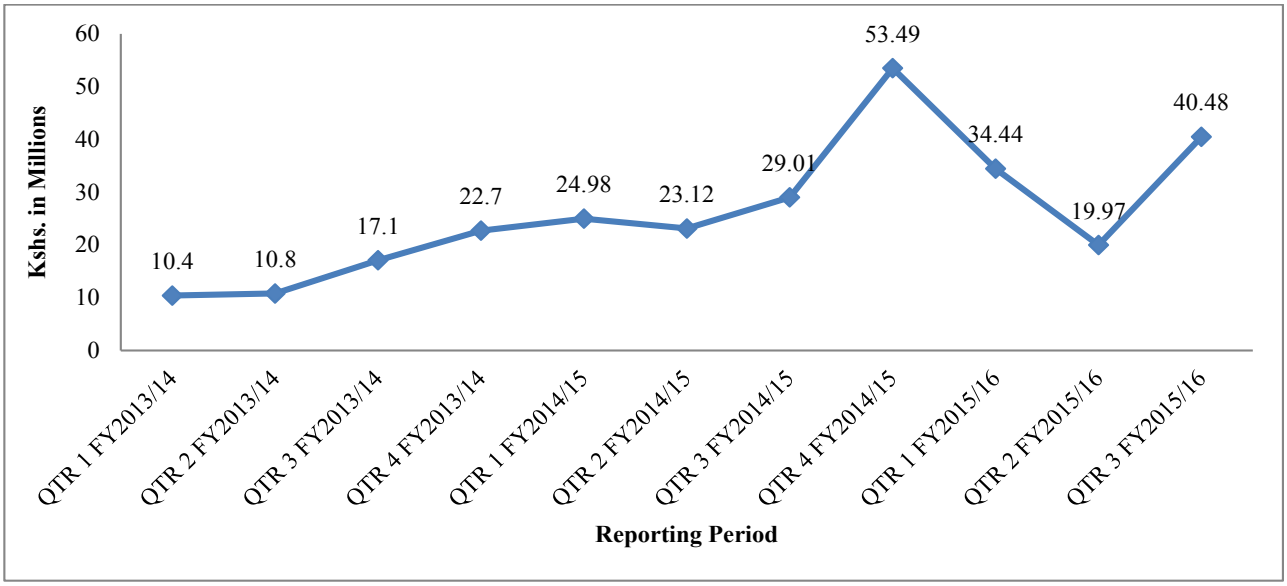
In order to finance the budget, the county expects to receive Kshs.3.27 billion (84.9 per cent) as equitable share of revenue raised nationally, Kshs.230.30 million (3.5 per cent) as total conditional grants, generate Kshs.149.98 million (3.9 per cent) from local sources and Kshs.295.32 million (7.7 per cent) as projected cash balance from FY 2014/15. The conditional grants comprise of Kshs.95.74 million (41.6 per cent) for Leasing of Medical Equipment, Kshs.43.41 million (18.8 per cent) for Maternal Health Care, Kshs.8.62 million (3.7 per cent) as User Fees Foregone, Kshs.41.55 million (18 per cent) from the Road Maintenance Fuel Levy Fund, Kshs.20.18 million (8.8 per cent) as World Bank grant to support health facilities and Kshs.20.80 million (9 per cent) as a conditional grant from DANIDA.

### 3.6.2 Revenue Analysis

In the first nine months of FY 2015/16, the County received Kshs.1.93 billion from the National Government as equitable share of revenue raised nationally, Kshs.93.18 million as conditional allocations, raised Kshs.94.90 million from local sources and had a cash balance of Kshs.295.32 million brought forward from FY 2014/15. The County did not borrow any funds during the reporting period to finance the budget.

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

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




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

The total local revenue for the reporting period of Kshs.94.90 million consisted of Kshs.34.44 million generated in the first quarter, Kshs.19.97 million in the second quarter and Kshs.40.48 million in the third quarter of FY 2015/16. The revenue collected was 63.3 per cent of the annual local revenue target, an increase from Kshs.76.04 million collected in a similar period of FY 2014/15.

Table 3.13 shows further analysis of the local revenue collected in the first nine months of FY 2015/16 by stream.

**Table.3.13:Elgeyo Marakwet County analysis of revenue collection by stream for the first nine months of FY 2015/16**

| No | Revenue Stream | Annual Targeted Revenue (Kshs.) | 9 Months Actual Revenue | Actual Revenue as a percentage of Annual Target (%) |
|---|---|---|---|---|
| 1 | Penalties/ Fines | 313,723 | 285,885 | 91.1 |
| 2 | Market Fees | 7,472,890 | 6,797,785 | 91.0 |
| 3 | Bus Park/ Parking Fees | 3,660,103 | 3,283,440 | 89.7 |
| 4 | Produce /Cess Collection | 30,638,247 | 23,662,381 | 77.2 |
| 5 | Single Business permits | 18,923,699 | 12,300,410 | 65.0 |
| 6 | Health (A-I.A) | 65,284,932 | 39,469,178 | 60.5 |
| 7 | House/Stall Rent | 1,033,329 | 339,200 | 32.8 |
| 8 | Other Departments | 18,501,197 | 5,300,197 | 28.6 |
| 9 | Others streams | 4,151,231 | 3,460,183 | 83.4 |
| | **Total** | **149,979,351** | **94,898,659** | **63.3** |

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

Analysis of the local revenue by stream indicates that Penalties/Fines recorded the highest

performance against annual target at 91.1 per cent. This was closely followed by Market Fees at 91 per cent. The high performance of Penalties/Fines is attributed to enhanced enforcement of law by the county revenue officers.

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

### 3.6.3 Conditional Grants

Table 3.14 shows an analysis of conditional grants for the first nine months of FY 2015/16.

**Table 3.14: Elgeyo Marakwet County analysis of conditional grants for the first nine months of FY 2015/16**

| No | Conditional Grant | Amount allocated as provided in CARA 2015 (Kshs.) | 9 Months Actual receipt of the Conditional Grant (Kshs.) | Actual receipts as a percentage of Annual Allocation (%) |
|---|---|---|---|---|
| 1 | DANIDA Grant | 20,800,000 | 20,800,000 | 100.0 |
| 2 | World Bank Grant | 20,179,116 | 20,179,116 | 100.0 |
| 3 | User Fees Forgone | 8,624,640 | 5,834,471 | 67.6 |
| 4 | Free Maternal Health Care | 43,409,800 | 25,394,733 | 58.5 |
| 5 | Road Maintenance Fuel Levy Fund | 41,545,473 | 20,980,465 | 50.5 |
| | **TOTAL** | **134,559,029** | **93,188,785** | **69.3** |

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

Analysis of the conditional grants for the period under review indicates that the DANIDA and the World Bank grants recorded the highest performance against their respective annual targets at 100 per cent. This was closely followed by User Fees Foregone at 67.6 per cent.

### 3.6.4 Exchequer Issues

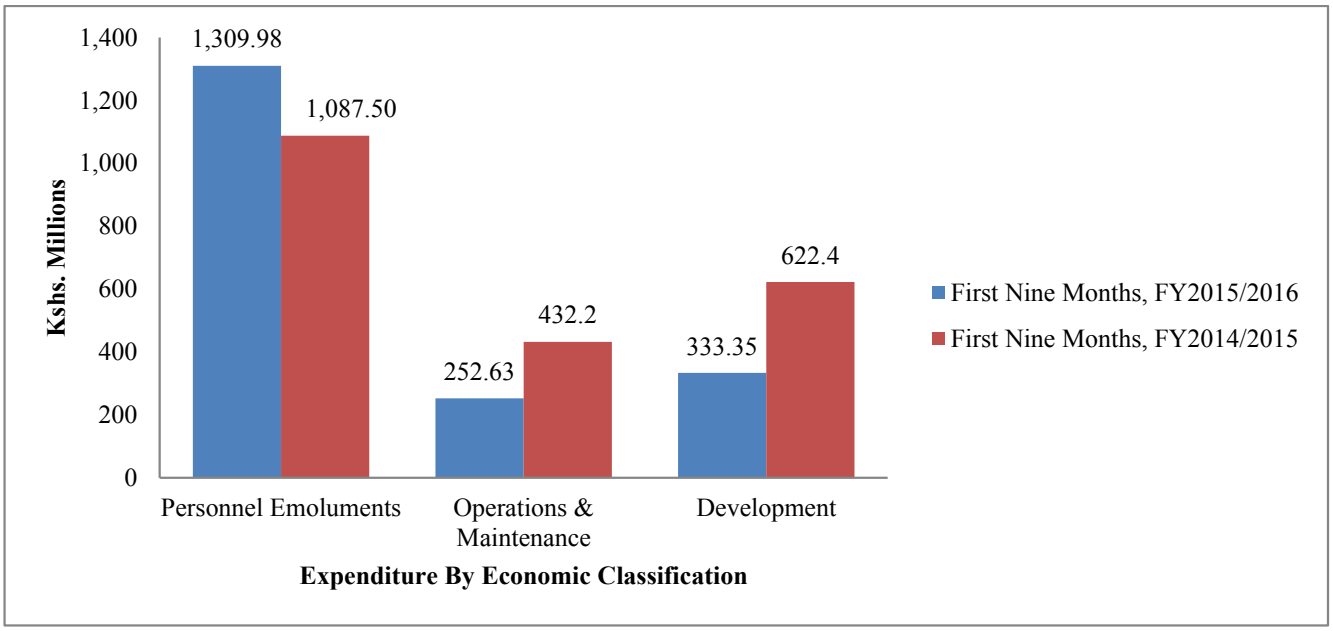
During the period under review, the COB authorised withdrawal of Kshs.2.28 billion from the CRF account, which was 59.3 per cent of the approved budget. The amount represented a decline of 4.2 per cent from Kshs.2.38 billion authorized in a similar period of FY 2014/15 and consisted of Kshs.1.79 billion (78.5 per cent) for recurrent expenditure and Kshs.490.77 million (21.5 per cent) for development activities.

### 3.6.5 Overall Expenditure Review

The County spent a total of Kshs.1.90 billion during the first nine months of FY 2015/16 which was 83.1 per cent of the total funds released for operations. This was a decline from the Kshs.2.14 billion spent in a similar period of FY 2014/15. A total of Kshs.1.56 billion was spent on recurrent activities and Kshs.333.35 million on development activities. Recurrent expenditure was 87.2 per cent of the funds released for recurrent activities while development expenditure accounted for 67.9 per cent of the funds released for development activities. The expenditure excludes commitments as at 31st March, 2016 that amounted to Kshs.43.65 million for development and Kshs.292.96 million for recurrent expenditure.

Recurrent expenditure for the period under review represented 64.6 per cent of the approved annual recurrent budget, a decrease from 69.7 per cent spent in a similar period of FY 2014/15. On the other hand, development expenditure recorded an absorption rate of 23.3 per cent, a decrease from 38.0 per cent spent in a similar period of FY 2014/15. Figure 3.18 shows a comparison of the total expenditure in the third quarter of FY 2014/15 and the same period in FY 2015/16.

**Figure 3.18: Elgeyo Marakwet County, Expenditure by Economic Classification for the First Nine Months of FY 2014/15 and FY 2015/16**




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

### 3.6.6 Recurrent Expenditure Analysis

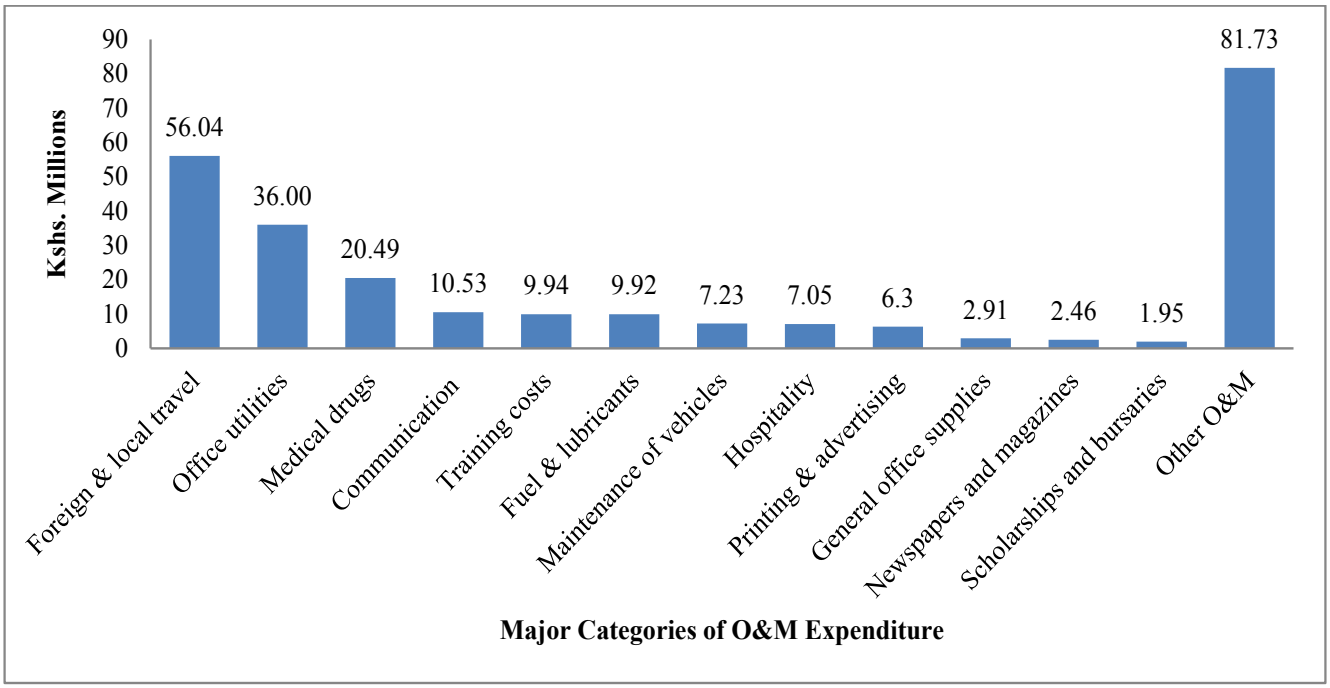
The total recurrent expenditure for the reporting period was Kshs.1.56 billion against an annual recurrent budget of Kshs. 2.42 billion. This represents 64.6 per cent of the annual recurrent budget. The County spent Kshs.1.31 billion (83.8 per cent) on personnel emoluments and Kshs.252.63 million (16.2 per cent) on operations and maintenance as shown in Figure 3.18.

The expenditure on personnel of Kshs.1.31 billion in the first nine months of FY 2015/16 represented an increase of 30.2 per cent compared to a similar period in FY 2014/15 when the County spent Kshs.1.09 billion. The increase is attributed to annual staff salaries increament, staff promotions in the health sector and hiring of additional staff.

The County spent Kshs.30.33 million on sitting allowances to the 30 MCAs and the Speaker against an annual budget of Kshs.41.50 million. This represents an increase from Kshs.14.99 million spent in a similar period of FY 2014/15. The average monthly sitting allowance per MCA was Kshs.108,707 compared to SRC's recommended monthly ceiling of Kshs.124,800.

The aggregate expenditure on domestic and foreign travel was Kshs.56.04 million compared to Kshs.47.94 million incurred in a similar period of FY 2014/15, representing an increase of 16.9 per cent. Figure 3.19 shows a breakdown of the operations and maintenance expenditure for the reporting period.

**Figure 3.19: Elgeyo Marakwet County, Operations and Maintenance Expenditure for the First Nine Months of FY 2015/16**

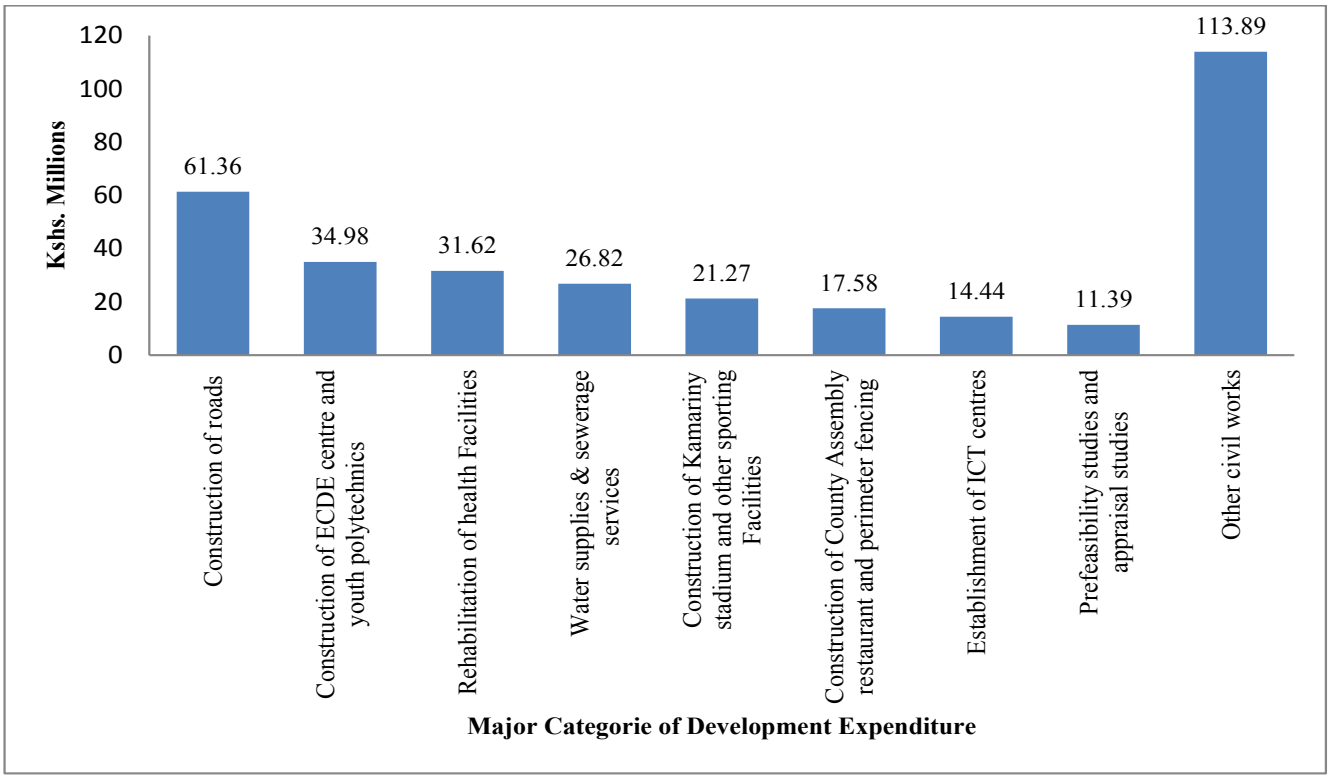



**Source:** *Elgeyo Marakwet County Treasury*

### 3.6.7 Development Expenditure Analysis

Figure 3.20 shows a summary of development expenditure during the period under review.

**Figure.3.20: Elgeyo Marakwet County, Summary of Development Expenditure for the First Nine Months of FY 2015/16**




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

Analysis of the development expenditure of Kshs.333.35 million incurred in the reporting period indicated that the highest expenditure of Kshs.61.36 million was spent by the Roads Department on construction and maintenance of access roads. Approximately 72.5 kilometres of roads were maintained across 5 wards. The second highest expenditure of Kshs.34.98 million was incurred by the Education and Technical Training Department on construction of ECDE classrooms in various primary schools and a dormitory at Chesongoch Polytechnic, among others. The Department of Health Services incurred Kshs.31.62 million on the construction and improvement of health facilities while the Water, Lands, Physical Planning and Urban Development incurred Kshs.26.82 million on the provision of water supply and sewerage services.

### 3.6.8 Annual Budget and Budget Performance Analysis by department for the First Nine Months of FY 2015/16

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

**Table 3.15: Elgeyo Marakwet County, Annual Budget and First Nine Months of FY 2015/16 Budget Performance by Department**

| Department | Annual Budget Allocation (Kshs.Million) | | 9 Months Exchequer Issues (Kshs. Million) | | 9 Months Expenditure (Kshs.Million) | | Expenditure to Exchequer Issues (%) | | Absorption rate (%) | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Rec | Dev | Rec | Dev | Rec | Dev | Rec | Dev | Rec | Dev |
| Office of the Governor | 81.47 | 31.69 | 66.32 | 12.45 | 65.40 | 11.39 | 98.6 | 91.5 | 80.3 | 35.9 |
| Administration | 23.35 | - | 15.04 | - | 12.57 | - | 83.6 | - | 53.8 | - |
| County Assembly | 426.07 | 44.96 | 283.03 | 21.38 | 276.97 | 17.58 | 97.9 | 82.2 | 65.0 | 39.1 |
| Finance and Economic Planning | 164.74 | 28.64 | 129.67 | 10.78 | 128.96 | 5.56 | 99.5 | 51.6 | 78.3 | 19.4 |
| Roads, Public works and Transport | 77.63 | 268.58 | 52.85 | 77.40 | 40.88 | 61.23 | 77.4 | 79.1 | 52.7 | 22.8 |
| Youth Affairs, Culture, Children and Gender | 25.43 | 120.39 | 18.95 | 26.68 | 14.88 | 21.27 | 78.5 | 79.7 | 58.5 | 17.7 |
| Education and Technical Training | 138.86 | 241.27 | 126.54 | 104.94 | 74.85 | 38.24 | 59.2 | 36.4 | 53.9 | 15.8 |
| Health Services | 1,088.53 | 201.63 | 787.08 | 89.83 | 694.39 | 73.76 | 88.2 | 82.1 | 63.8 | 36.6 |
| Water, lands, Housing and Physical Planning | 66.59 | 261.46 | 54.43 | 57.23 | 43.93 | 32.31 | 80.7 | 56.5 | 66.0 | 12.4 |
| Trade, Tourism, Cooperatives and Wildlife | 47.75 | 55.99 | 32.22 | 18.88 | 28.06 | 15.34 | 87.1 | 81.2 | 58.8 | 27.4 |
| Agriculture, Livestock and Fisheries | 173.63 | 131.16 | 147.40 | 47.11 | 112.02 | 34.90 | 76.0 | 74.1 | 64.5 | 26.6 |
| ICT and Public Service | 68.93 | 47.45 | 53.25 | 24.10 | 46.91 | 21.78 | 88.1 | 90.4 | 68.1 | 45.9 |
| County Public Service Board | 34.10 | - | 25.00 | - | 22.80 | - | 91.2 | - | 66.9 | - |
| **Total** | **2,417.07** | **1,433.24** | **1,791.78** | **490.77** | **1,562.62** | **333.35** | **87.2** | **67.9** | **64.6** | **23.3** |

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

Analysis of budget performance by department shows that the Department of ICT and Public Service reported the highest absorption rate for development expenditure at 45.9 per cent while the Water, Lands, Housing and Physical Planning department registered the lowest at 12.4 per cent. On the other hand, the Office of the Governor department had the highest percentage of its recurrent expenditure to annual recurrent budget at 80.3 per cent while the Roads, Public Works and Transport department had the lowest at 52.7 per cent.

### 3.6.9 Observations and Recommendations

The county has made progress in addressing some of the challenges previously identified as affecting budget implementation. Some of the areas where progress has been made include:

i. The County Assembly approved the supplementary budget which included the pending bills and cash balance FY 2014/15 and also addressed other budget issues raised by the COB.

ii. The County Budget and Economic Forum has been established and is actively involved in the County budgetig and economic matters.

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

1. Slow uptake of development funds compared to a similar period in the previous year.
2. Revision by the County Assembly of some votes to levels below already incurred expenditure, in the supplementary budget. This affected smooth budget execution.
3. The Equitable Development Act, 2015 approved by the County Assembly has led to County resources being spread too thinly to projects across the County. This may in turn lead to inability to link the County development projects to the Country's Vision 2030 aspirations.

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

1. *Adopt appropriate strategies to enhance absorption of development funds.*
2. *The County Assembly should adhere to Section 154 of the PFM Act, 2012 when approving supplementary budget estimates.*
3. *The County Assembly and the Executive need to review the Equitable Development Act 2015 formula for allocation of resources to projects to enhance ability to implement flagship projects.*

## 3.7 Embu County

### 3.7.1 Overview of the FY 2015/16 Budget

The FY 2015/16 Approved (Supplementary) Budget for Embu County is Kshs.4.87 billion, comprising of Kshs.3.30 billion (67.7 per cent) and Kshs.1.57 billion (32.3 per cent) allocated to recurrent and development expenditure respectively.

In order to finance the budget, the county expects to receive Kshs.3.84 (78.7 per cent) as Equitable share of revenue raised nationally, Kshs.407.01 (8.3 per cent) as total conditional grant and collect

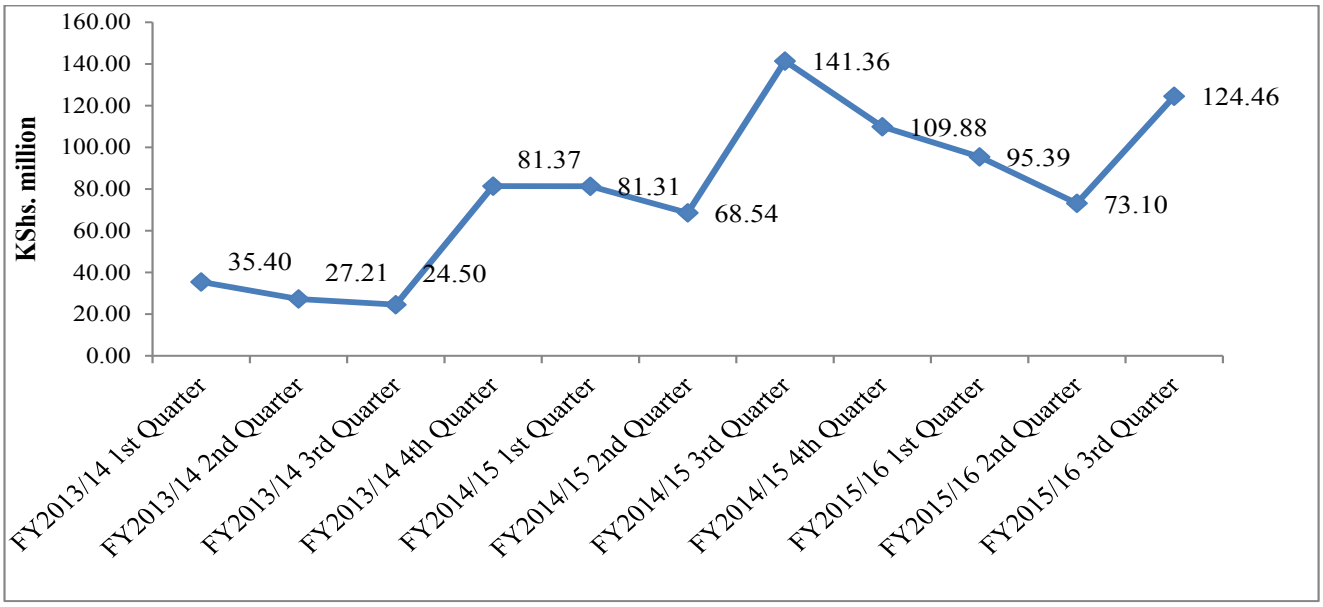
Kshs.630.76 million (12.9 per cent) from local sources.. The conditional grants comprise of Kshs.192.88 million for Level Five Hospital, Kshs.95.74 million for leasing of medical equipment, Kshs.57.59 million conditional allocation for Free Maternal Health Care, Kshs.12.03 million for compensation of User Fees Foregone and Kshs.48.75 million for Road Maintenance Fuel Levy Fund. The County did not budget for the additional conditional grant of Kshs.13.75 million from DANIDA and Kshs.842.88 million representing the opening cash balance from FY 2014/15 was not factored in the FY 2015/16 budget.

### 3.7.2 Revenue Analysis

In the first nine months of FY 2015/16, the County received Kshs.2.25 billion as Equitable share of revenue raised nationally, Kshs.183.58 million as conditional allocations, raised Kshs.292.95 million from local sources, and had a cash balance of Kshs.842.88 million brought forward from FY 2014/15. The County did not borrow any funds during the reporting period to finance the budget.

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

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




**Source:** *Embu County Treasury*

The total local revenue for the reporting period of Kshs.292.95 million consisted of Kshs.95.39 million generated in the first quarter, Kshs.73.10 million in the second quarter and Kshs.124.46 million in the third quarter of FY 2015/16. The revenue collected was 46.4 per cent of the annual local revenue target, and a decrease from Kshs.141.36 million collected in a similar period of FY 2014/15. Table 3.16 shows the analysis of local revenue for the first nine months of FY 2015/16 per stream..

**Table 3.16: Embu County, Analysis of revenue collection per stream for the first nine months of FY 2015/16**

| No. | Revenue Stream | Actual Receipts (Kshs.) | Contribution to Total Revenue (%) |
|---|---|---|---|
| 1 | Medical Levies and Hospital fees | 121,021,442 | 41.3 |
| 2 | Market Fees | 45,358,586 | 15.5 |
| 3 | Produce Cess | 36,606,705 | 12.5 |
| 4 | Parking Fees | 24,810,070 | 8.5 |
| 5 | Property Rent & Rates | 17,540,196 | 6.0 |
| 6 | Single Business Permits | 4,191,755 | 1.4 |
| 7 | Buildings Approvals | 26,342,339 | 9.0 |
| 8 | Other Sources | 17,540,196 | 6.0 |
| | **Total** | **292,954,236** | **100.0** |

**Source:** *Embu County Treasury*

Total local revenue collected was Kshs.292.95 million which was 46.4 per cent of the annual target of Kshs.630.76 million. Analysis of the local revenue by stream indicates that Medical Levies recorded the highest performance at 41.3 per cent of the local revenue. This was followed by Market Fees at 15.5 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.

### 3.7.3 Conditional Grants

Table 3.17 shows an nalysis of conditional grants for the first nine months of FY 2015/16..

**Table 3.17: Embu County analysis of conditional grants for the first nine months of FY 2015/16**

| No. | Conditional Grant | Amount allocated as provided in CARA 2015 (Kshs.) | 9 Months Actual receipt of the Conditional Grant (Kshs.) | Actual Receipts as a percentage of Annual Allocation (%) |
|---|---|---|---|---|
| 1 | Level 5 Hospital | 192,882,857 | 113,800,886 | 59.0 |
| | Medical Equipment Leasing | 95,744,681 | - | 0.0 |
| 3 | Free Maternal Health Care | 57,593,200 | 38,000,000 | 65.9 |
| 2 | Road Maintenance Fuel Levy Fund | 48,754,599 | 24,621,073 | 50.0 |
| 4 | User Fees Forgone | 12,032,884 | 7,400,000 | 61.5 |
| 5 | DANIDA Grant | - | - | 0.0 |
| 6 | World Bank Grant | - | - | 0.0 |
| | **TOTAL** | **407,008,221** | **183,821,958** | **45.1** |

**Source:** *Embu County Treasury*

Analysis of the conditional grants for the period under review indicates that Free Maternal Care recorded the highest performance against annual target at 65.9 per cent. This was closely followed by User Fees Forgone at 61.5 per cent

### 3.7.4 Exchequer Issues

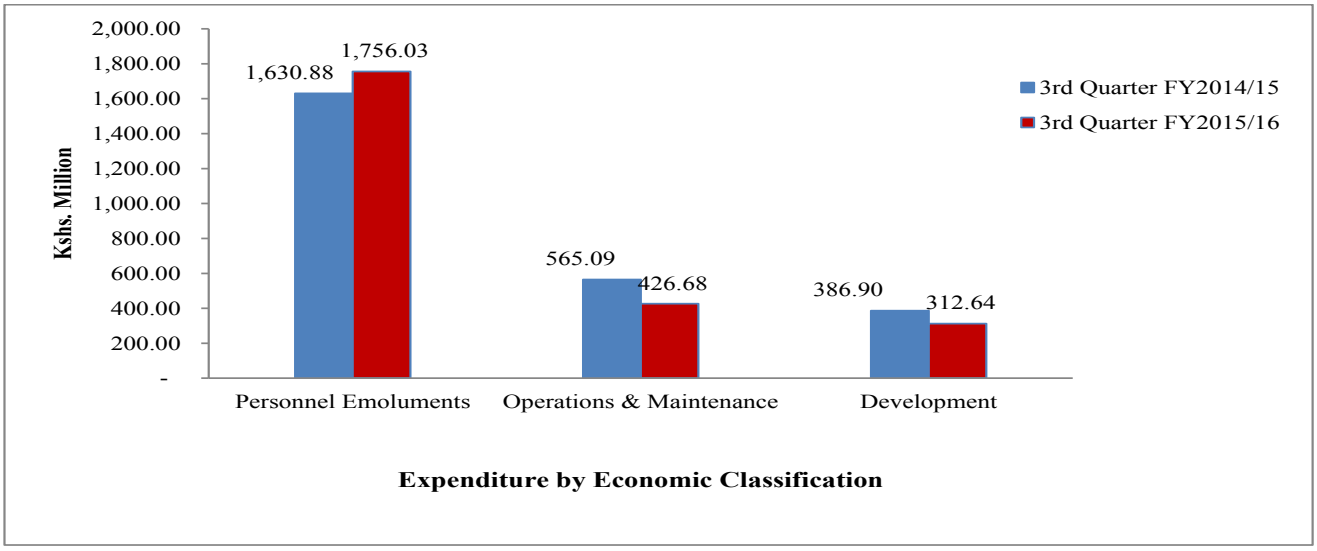
During the period under review, the COB authorised withdrawal of Kshs.2.83 billion from the CRF account, which was 58.1 per cent of the approved budget. The amount represented an increase of 4.0 per cent from Kshs.2.72 billion authorized in a similar period of FY 2014/15 and consisted of Kshs.2.38 billion (84.1 per cent) for recurrent expenditure and Kshs.453.0 million (15.9 per cent) for development activities.

### 3.7.5 Overall Expenditure Review

The county spent a total of Kshs.2.49 billion during the first nine months of FY 2015/16 which was 88.1 per cent of the funds released for operations. This was a decline from the Kshs.2.58 billion spent in a similar period of FY 2014/15. A total of Kshs.2.18 billion was spent on recurrent activities and Kshs.312.64 million on development activities. Recurrent expenditure was 91.7 per cent of the funds released for recurrent activities while development expenditure accounted for 69.0 per cent of the funds released for development activities. The expenditure excludes commitments as at 31st March, 2016 that amounted to Kshs.495.62 million for development and Kshs.188.91 million for recurrent expenditure.

Recurrent expenditure for the period under review represented 66.1 per cent of the approved annual recurrent budget, a decrease from 73.7 per cent spent in a similar period of FY 2014/15. On the other hand, development expenditure recorded an absorption rate of 19.9 per cent, a decrease from 23.0 per cent spent in a similar period of FY 2014/15. Figure 3.22 shows a comparison of the total expenditure in the third quarter of FY 2014/15 and the third quarter FY 20151/16.

**Figure 3.22 : Embu County, Expenditure by Economic Classification for First Nine Months of FY 2014/15 and FY 2015/16**




**Source:** *Embu County Treasury*

### 3.7.6 Recurrent Expenditure Analysis

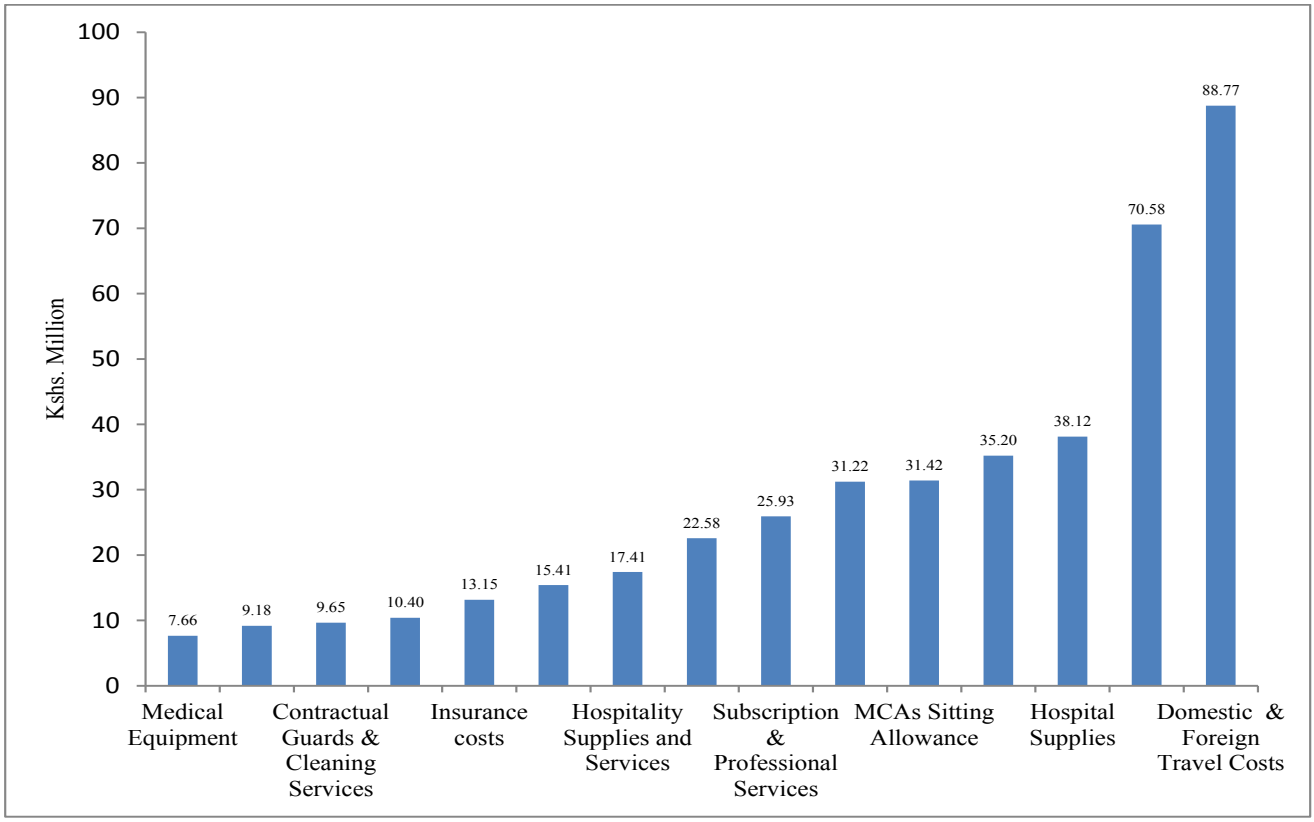
The total recurrent expenditure for the reporting period was Kshs.2.18 billion against an annual recurrent budget of Kshs.3.30 billion. This represents 66.1 per cent of the annual recurrent budget. The County spent Kshs.1.76 billion (80.6 per cent) on personnel emoluments and Kshs.426.68

million (19.4 per cent) on operations and maintenance as shown in Figure 3.22. The expenditure on personnel emoluments in the first nine months of FY 2015/16 represented on increase of 6 per cent compared to the similar period in FY 2014/15 when the county spent Kshs.1.63 billion. The increase is attributed to annual salary increment and recruitment of new staff.

The county spent Kshs.31.42 million on sitting allowances to the 34 MCAs including the speaker against an annual budget of Kshs.49.93 million. This represents an increase from Kshs.20.35 million recorded in a similar period of FY 2014/15. The average monthly sitting allowance per MCA was Kshs.102,671 compared to SRC's recommended monthly ceiling of Kshs.124,800.

The aggregate expenditure on domestic and foreign travel was Kshs.88.77 million compared to Kshs.99.86 million incurred in a similar period of FY 2014/15, representing a decrease of 11.1 per cent. This expenditure comprised of Kshs.18.09 million spent by the County Executive and Kshs.70.68 million by the County Assembly. Figure 3.23 shows a breakdown of the operations and maintenance expenditure for the reporting period.

**Figure 3.23: Embu County, Operations and Maintenance Expenditure for the First Nine Months of FY 2015/16**



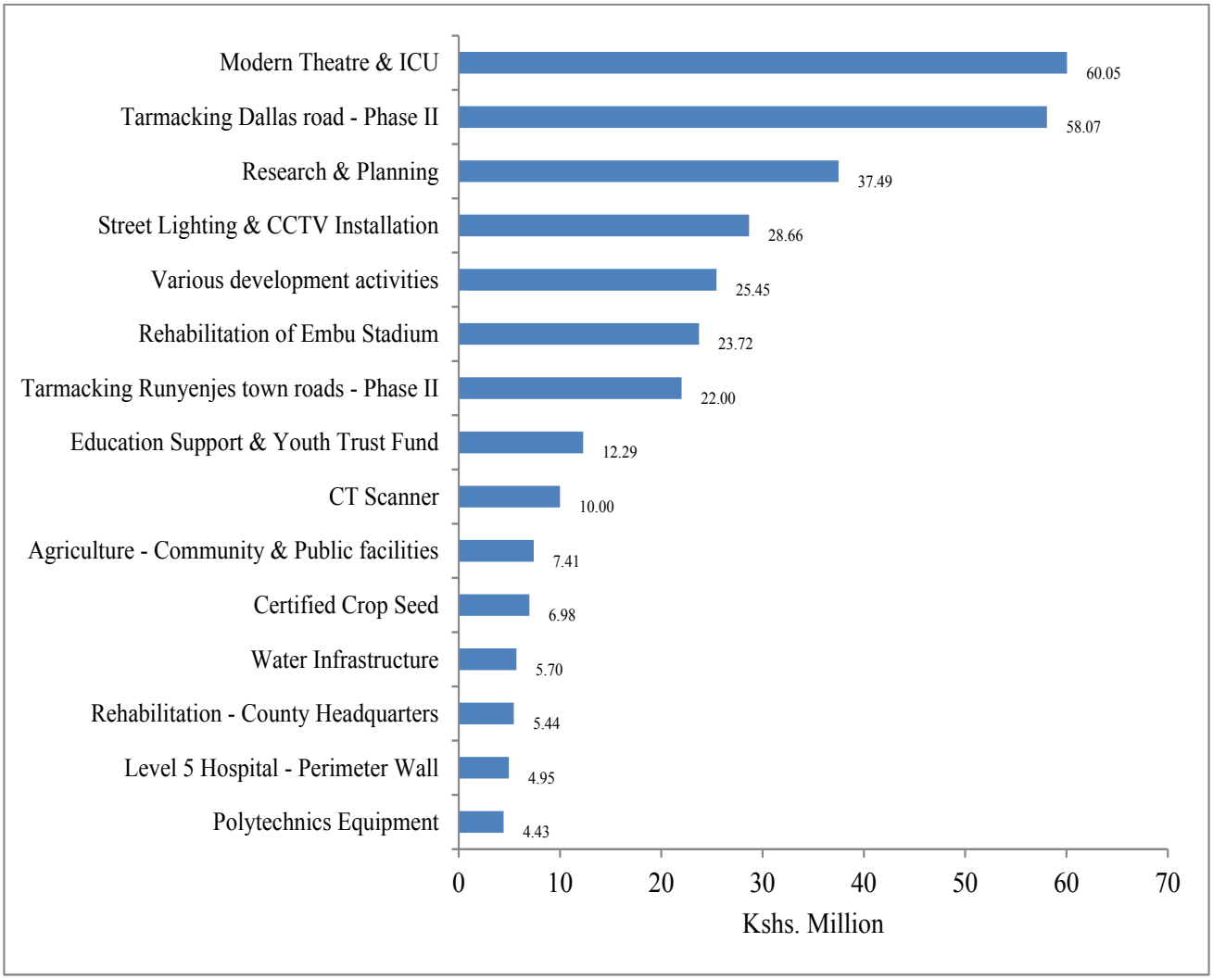

**Source:** *Embu County Treasury*

### 3.7.7 Development Expenditure Analysis

Analysis of the development expenditure of Kshs.312.64 million incurred in the first nine months of FY 2015/16 indicates that the Department of Infrastructure & Public Works had the highest expenditure at Kshs.114.20 million which was spent on tarmacking of roads in Runyenjes town

and the Dallas road in Embu town. The Department also installed street and high-mast lights in the main towns and market centres. The second highest expenditure of Kshs.82.13 million was incurred by the Health Department on construction of modern Theatre & ICU and acquisition of medical equipment for the Level 5 Hospital. The Department of Youth Empowerment & Sports spent Kshs.34.27 million mainly on rehabilitation of Embu Stadium while the Department of Agriculture spent Kshs.17.99 million on certified crop seeds and animal breed improvement programme. Figure 3.24 provides details of development expenditure during the first nine months of FY 2015/16.

**Figure 3.24: Embu County, Summary of Development Expenditure for the First Nine Months of FY 2015/16**




**Source:** *Embu County Treasury*

### 3.7.8 Annual Budget and Budget Performance Analysis by department for the First Nine Months of FY 2015/16

Table 3.18 shows a summary of the FY 2015/16 annual budget estimates and budget performance for the first nine months by department for Embu County.

**Table 3.18: Embu County, Annual Budget and First Nine Months of FY 2015/16 Budget Performance by Department**

| Department | Budget Allocation (Kshs Million) | | Exchequer Issues (Kshs Million) | | Expenditure (Kshs Million) | | Expenditure to Exchequer issues (%) | | Absorption (%) | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Rec | Dev | Rec | Dev | Rec | Dev | Rec | Dev | Rec | Dev |
| Office of the Governor | 397.79 | - | 295.94 | - | 257.90 | - | 87.1 | - | 64.8 | - |
| Finance and Economic Planning | 61.62 | 446.59 | 45.85 | 32.30 | 29.91 | 37.49 | 65.2 | 116.1 | 48.5 | 8.4 |
| Health Services | 1,342.20 | 194.13 | 934.41 | 36.50 | 916.02 | 2.96 | 98.0 | 8.1 | 68.2 | 1.5 |
| Embu Level 5 Hospital | 191.59 | 145.88 | 155.85 | 136.0 | 79.89 | 79.18 | 51.3 | 58.2 | 41.7 | 54.3 |
| Education & Technology | 149.54 | 27.00 | 73.62 | 18.00 | 98.18 | 8.72 | 133.4 | 48.4 | 65.7 | 32.3 |
| Youth Empowerment & Sports | 18.96 | 41.50 | 13.58 | 33.00 | 4.39 | 34.27 | 32.3 | 103.8 | 23.2 | 82.6 |
| Infrastructure & Public Works | 64.28 | 450.75 | 49.65 | 90.00 | 39.15 | 114.20 | 78.9 | 126.9 | 60.9 | 25.3 |
| Trade & Investments | 13.96 | 59.34 | 9.71 | 16.00 | 6.63 | 6.96 | 68.3 | 43.5 | 47.5 | 11.7 |
| Gender Empowerment | 7.65 | 36.00 | 4.77 | 6.20 | 3.33 | 3.95 | 69.7 | 63.7 | 43.5 | 11.0 |
| Lands, Water & Environment | 72.52 | 98.00 | 56.91 | 25.00 | 47.70 | 6.92 | 83.8 | 27.7 | 65.8 | 7.1 |
| Agriculture & Livestock | 257.80 | 72.40 | 192.74 | 60.00 | 175.28 | 18.00 | 90.9 | 30.0 | 68.0 | 24.9 |
| Public Service & Administration | 232.99 | 3.00 | 171.29 | - | 180.07 | - | 105.1 | - | 77.3 | 0.0 |
| County Public Service Board | 7.07 | - | 1.99 | - | 1.99 | - | 100.0 | - | 28.2 | - |
| County Assembly | 483.13 | - | 374.26 | - | 342.28 | - | 91.5 | - | 70.8 | - |
| **Total** | **3,301.10** | **1,574.61** | **2,380.57** | **453.00** | **2,182.72** | **312.64** | **91.69** | **69.01** | **66.12** | **19.85** |

**Source:** *Embu County Treasury*

Analysis of budget performance by department shows that the Department of Youth Empowerment & Sports reported the highest absorption rate for development expenditure at 82.6 per cent while the Department of Public Service and Administration did not spend on development activities. On the other hand, Department of Public Service had the highest percentage of its recurrent expenditure to annual recurrent budget at 77.3 per cent while the department of Youth Empowerment & Sports had the lowest at 23.2 per cent.

### 3.7.9 Observations and Recommendations

The county has made progress in addressing the challenges that have been previously identified as

affecting budget implementation. These include:

(i) Embracing use of IFMIS to process financial transactions by the County Assembly.

(ii) Improvement in internal audit capacity through recruitment of additional staff.

However, the following challenges continued to hamper effective budget implementation:

1. Delay in finalization of a supplementary budget to appropriate unspent balances from FY 2014/15.
2. Low absorption of development budget at 19.9 per cent of annual budget allocation.
3. Low local revenue collection which stood at 43.9 per cent of the annual target.
4. Failure to provide quarterly financial statements on the established MCAs Car and Mortgage Funds as required under Section 167 and 168 of the PFM Act, 2012.

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

1. *The County should approve the supplementary budget to facilitate smooth implementation of the activities started in the previous financial year.*
2. *The County should enhance capacity in procurement, project management, and come up with appropriate structures and systems to improve absorption of development funds.*
3. *The County should adopt tangible strategies to ensure local revenue targets are achieved.*
4. *The Fund Administrator should ensure all quarterly financial statements for the County established Funds are submitted in line with section 167 and 168 of the PFM Act, 2012.*

## 3.8 Garissa County

### 3.8.1 Overview of the FY 2015/16 Budget

The FY 2015/16 Approved Budget for Garissa County is Kshs.7.36 billion, comprising of Kshs.3.92 billion (53.3 per cent) and Kshs.3.44 billion (46.7 per cent) allocated to recurrent expenditure development expenditure respectively.

In order to finance the budget, the county expects to receive Kshs.5.77 billion (78.4 per cent) as Equitable share of revenue raised nationally, Kshs.626.95 million (8.5 per cent) as total conditional grants, generate Kshs.500 million (6.8 per cent) from local sources and Kshs.463 million (6.3 per cent) as projected cash balance from FY 2014/15. The conditional grants comprises of Kshs.95.74 million (15.3per cent) for Leasing of Medical Equipment, Kshs.50.29 million (8.0 per cent) for Maternal Health Care, Kshs.73.32 million (11.7 per cent) from the Road Maintenance Fuel Levy Fund, Kshs.15.09 million (2.4 per cent) as World Bank grant to support health facilities, Kshs.14.52 million (2.3 per cent) as User Fees Foregone, Kshs.360.05 million(57.4 per cent) for Level 5 hospitals, and Kshs.17.94 million (2.9 per cent) as a conditional grant from DANIDA as shown in Table 3.20.

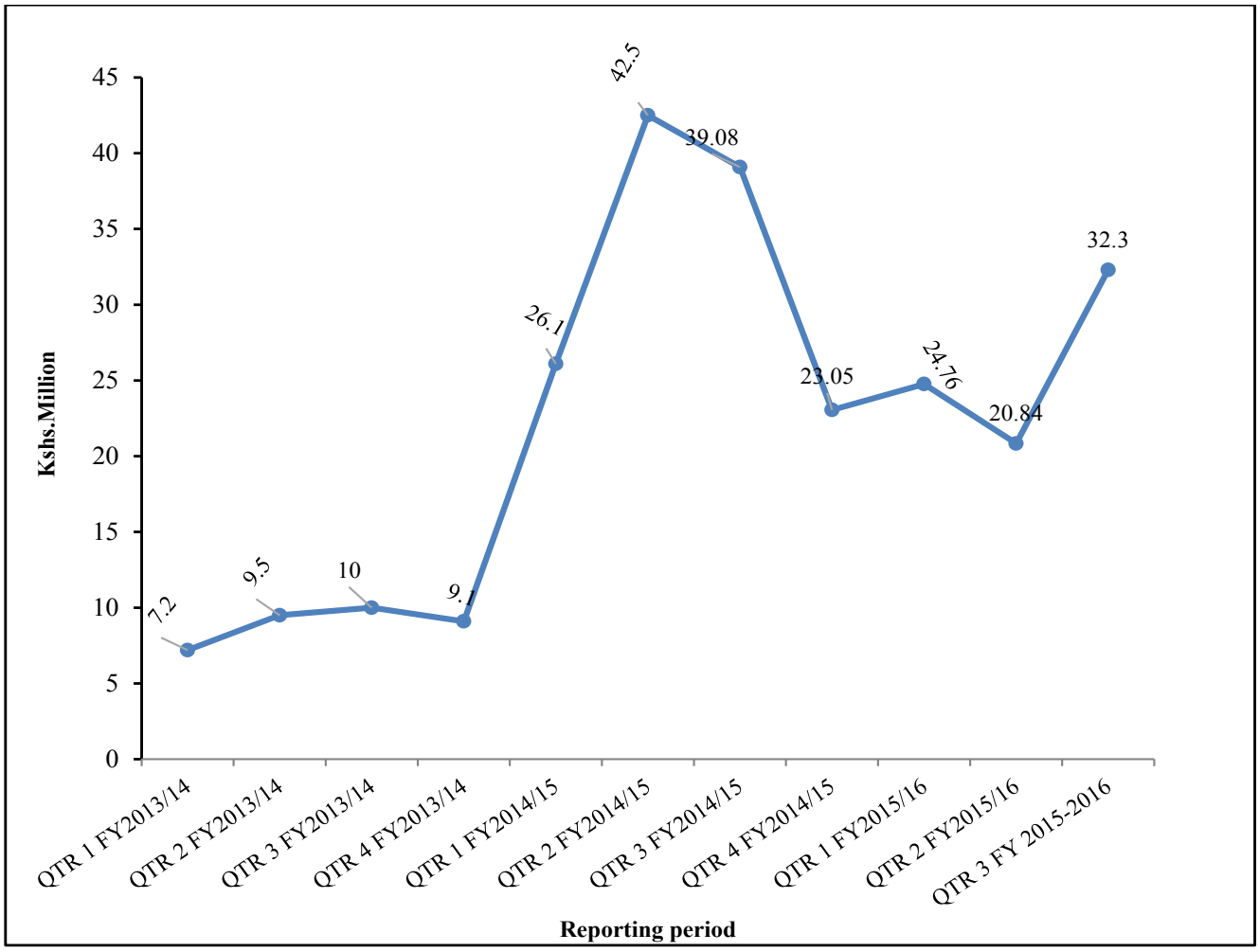
### 3.8.2 Revenue Analysis

In the first nine months of FY 2015/16, the County received Kshs.3.38 billion from the as Equitable Share of revenue raised nationally, Kshs.316.71 million as conditional allocations, raised Kshs.77.87

million from local sources, and had a cash balance of Kshs.463 million brought forward from FY 2014/15. The county did not borrow any funds during the reporting period.

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

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




**Source:** *Garissa County Treasury*

The total local revenue for the reporting period of Kshs.77.87 million consisted of Kshs.24.76 million generated in the first quarter, Kshs.20.84 million in the second quarter and Kshs.32.27 million in the third quarter of FY 2015/16. The revenue collected was 15.6 per cent of the annual local revenue target, and a decline from Kshs.107.68 million collected in a similar period of FY 2014/15.

Table 3.19 shows further analysis of the local revenue collected in the first nine months of FY 2015/16 by stream.

**Table.3.19: Garissa County analysis of revenue collection by stream for the first nine months of FY 2015/16**

| No. | Revenue Stream | Annual Targeted Revenue (Kshs.) | 9 Months Actual Revenue (Kshs.) | Actual Revenue as a Percentage of Annual Targets (%) |
|---|---|---|---|---|
| 1 | Stock Auction Fees(Cattle) | 39,477,200 | 6,700,660 | 17.0 |
| 2 | Market Fresh Produce Fees | 34,888,000 | 4,394,950 | 12.6 |
| 3 | Single Business Permits | 45,974,680 | 10,874,673 | 23.7 |
| 4 | Building Materials | 36,996,000 | 6,136,150 | 16.6 |
| 5 | Land Rates | 43,309,560 | 7,567,895 | 17.5 |
| 6 | PG Hospital Revenues | 120,463,400 | 17,537,660 | 14.6 |
| 7 | Others | 178,891,160 | 24,734,182 | 13.8 |
| | **TOTAL** | **500,000,000** | **77,946,170** | **16.5** |

**Source:** *Garissa County Treasury*

Analysis of local revenue by stream indicates that Single Business Permit recorded the highest performance against annual target at 23.7 per cent. This was closely followed by Land Rates at 17.5 per cent. Market Fees reported the lowest collections against the annual targets at 12.6 per cent.

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

### 3.8.3 Conditional Grants

Table 3.20 shows an analysis of conditional grants for the first nine months of FY 2015/16.

**Table 3.20: Garissa County analysis of conditional grants for the first nine months of FY 2015/16**

| No. | Conditional Grant | Amount allocated as provided in CARA 2015 (Kshs.) | 9 Months Actual receipt of the Conditional Grant (Kshs.) | Actual receipts as a percentage of Annual Allocation (%) |
|---|---|---|---|---|
| 1 | Level 5 Hospitals | 360,048,000 | 212,428,320 | 59 |
| 2 | Road Maintenance Fuel Levy Fund | 73,319,649 | 37,026,422 | 50.5 |
| 3 | Free Maternal Health Care | 50,286,600 | 37,960,000 | 75.5 |
| 4 | User Fees Forgone | 14,523,507 | 10,962,400 | 75.4 |
| 5 | DANIDA Grant | 17,940,000 | 0 | 0 |
| 6 | World Bank Grant | 15,088,268 | 0 | 0 |
| | **TOTAL** | **531,206,024** | **316,707,054** | **59.6** |

**Source:** *Garissa County Treasury*

Analysis of the conditional grants for the period under review indicates that Free Maternal Care recorded the highest performance against annual target at 75.5 per cent. This was closely followed by User Fees Forgone at 75.4 per cent. These conditional grants were received at CRF but not released.

### 3.8.4 Exchequer Issues

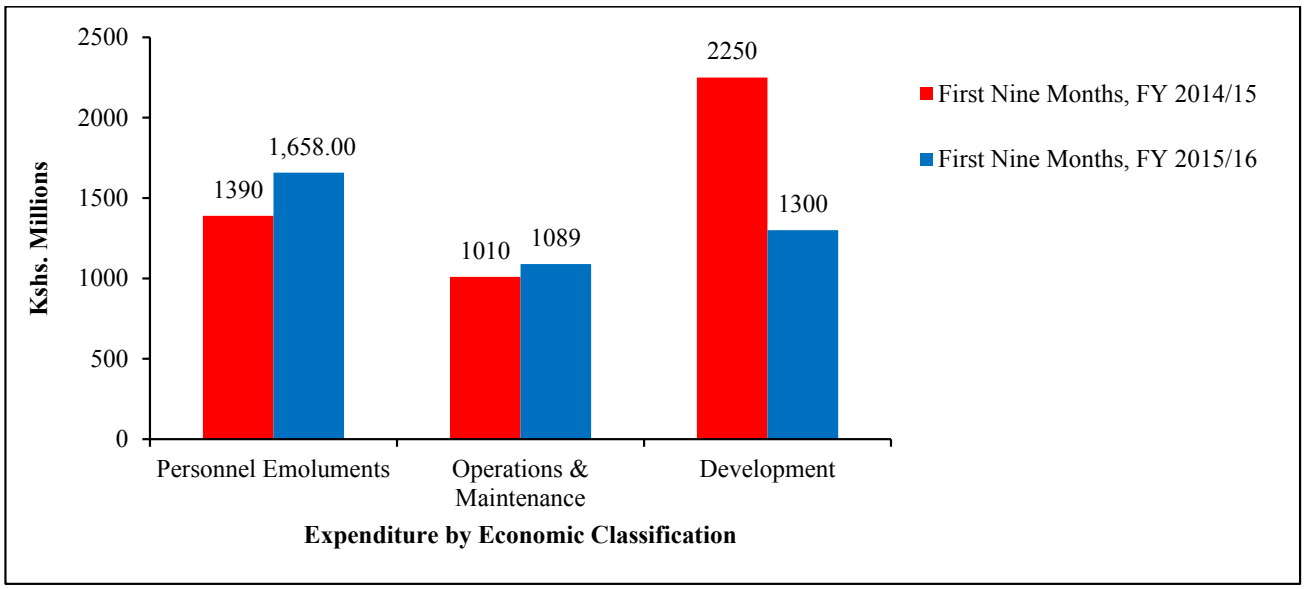
During the period under review, the COB authorised withdrawal of Kshs.4.2 billion from the CRF account, which was 56.4 per cent of the approved budget. The amount represented a decline of 19.2 per cent from Kshs.5.2 billion authorized in a similar period of FY 2014/15 and consisted of Kshs.2.83 billion (67.5 per cent) for recurrent expenditure and Kshs.1.32 billion (31.5 per cent) for development activities.

### 3.8.5 Overall Expenditure Review

The County spent a total of Kshs.4.05 billion during the first nine months of FY 2015/16 which was 97.5 per cent of the total funds released for operations. This was a decline from the Kshs.4.65 billion spent in a similar period of FY 2014/15. A total of Kshs.2.75 billion was spent on recurrent activities and Kshs.1.3 billion on development activities. Recurrent expenditure was 97 per cent of the funds released for recurrent activities while development expenditure accounted for 98.6 per cent of the funds released for development activities. The expenditure excludes commitments as at 31st March, 2016 that amounted to Kshs.78 million for development and Kshs.26.3million for recurrent expenditure.

Recurrent expenditure for the period under review represented 70.1 per cent of the approved annual recurrent budget, a decline from 77.4 per cent spent in a similar period of FY 2014/15. On the other hand, development expenditure recorded an absorption rate of 37.8 per cent, a decrease from 51.4 per cent spent in a similar period of FY 2014/15. Figure 3.26 shows a comparison of the total expenditure in the third quarter of FY 2014/15 and the same period in FY 2015/16.

**Figure 3.26: Garissa County, Expenditure by Economic Classification for the First Nine Months of FY 2014/15 and FY 2015/16**




**Source:** *Garissa County Treasury*

### 3.8.6 Recurrent Expenditure Analysis

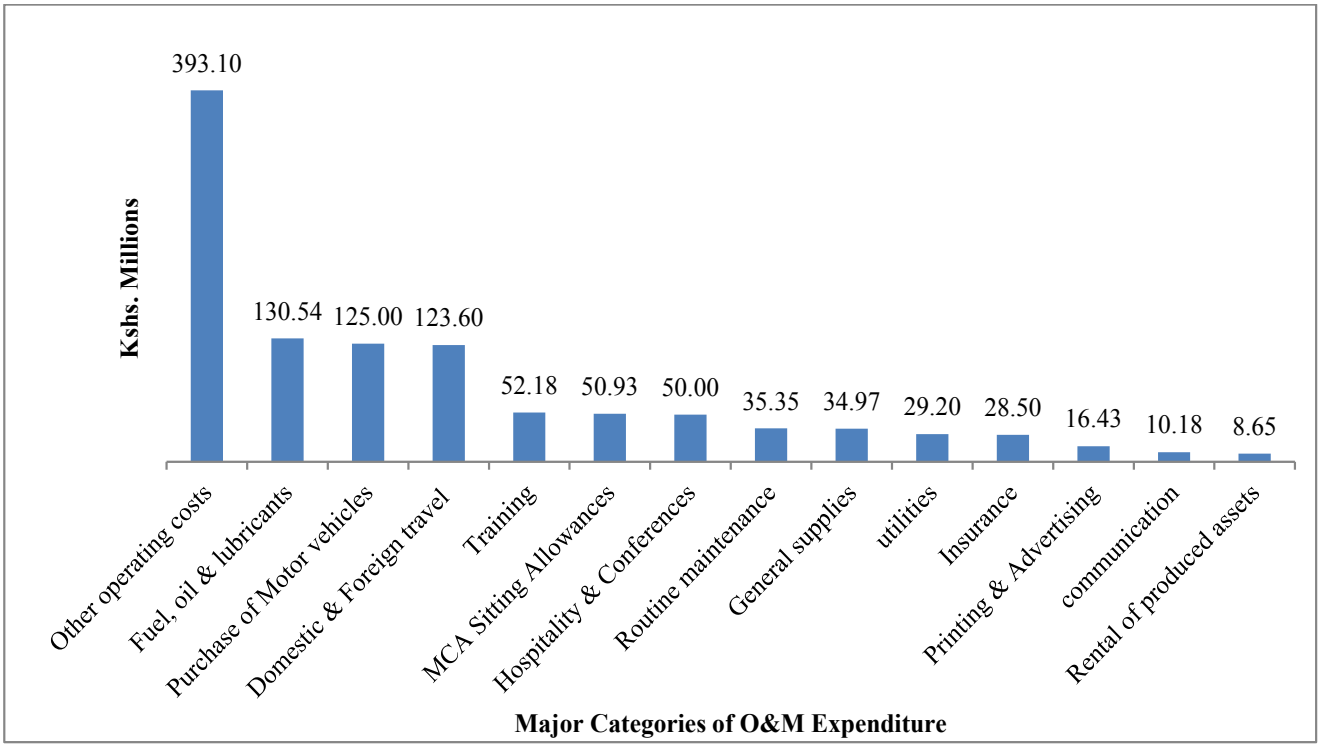
The total recurrent expenditure for the reporting period was Kshs.2.75 billion against an annual

recurrent budget of Kshs.3.92 billion. This represents 70.1 per cent of the annual recurrent budget. The county spent Kshs.1.66 billion (60.4 per cent) on personnel emoluments and Kshs.1.09 million (39.6 per cent) on operations and maintenance as shown in Figure 3.27. The expenditure on personnel emoluments of Kshs.1.66 billion in the first nine months of FY 2015/16 represented an increase of 18.6 per cent compared to a similar period in FY 2014/15 when the County spent Kshs.1.4 billion. The increase is attributed to the employment of more staff at the County.

The County spent Kshs.50.93 million on sitting allowances to the 49 MCAs and the Speaker against an annual budget of Kshs.80.9 million. This represents an increase from Kshs.45.48million recorded in a similar period of FY 2014/15. The average monthly sitting allowance per MCA was Kshs.115,488 compared to SRC's recommended monthly ceiling of Kshs.124,800.

The aggregate expenditure on domestic and foreign travel was Kshs.123.6 million compared to Kshs.117.6 million incurred in a similar period of FY 2014/15, representing a significant increase of 5.1per cent. Figure 3.27 shows a breakdown of the operations and maintenance expenditure for the reporting period.

**Figure 3.27: Garissa County, Operations and Maintenance Expenditure for the First Nine Months of FY 2015/16**

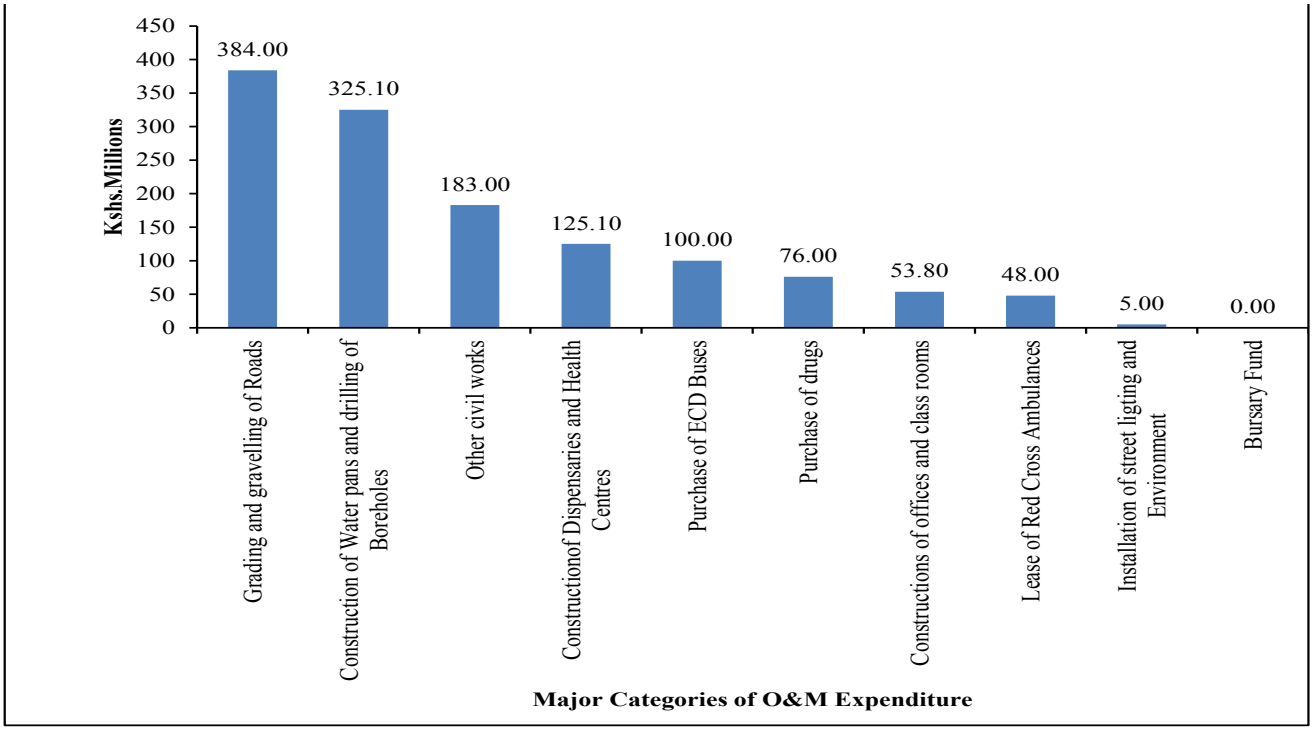



**Source:** *Garissa County Treasury*

### 3.8.7 Development Expenditure Analysis

Figure 3.28 provides a summary of development expenditure during the period under review.

**Figure 3.28: Garissa County, Summary of Development Expenditure for the First Nine Months of FY 2015/16**




**Source:** *Garissa County Treasury*

Analysis of the development expenditure of Kshs.1.3 billion incurred in the reporting period indicates that the highest expenditure of Kshs.384 million was spent by the Roads and Infrastructure Department on development and maintenance of access roads across the 45 wards. The second highest expenditure of Kshs.325.1 million was incurred by the Water Department reported the highest expenditure which was spent on construction of water pans, dam and drilling of boreholes.

### 3.8.8 Annual Budget and Budget Performance Analysis by department for the First Nine Months of FY 2015/16

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

**Table 3.21: Garissa County, Annual Budget and First Nine Months of FY 2015/16 Budget Performance by Department**

| Department | Annual Budget Allocation (Kshs.Million) | | 9 Months Exchequer Issues (Kshs. Million) | | 9 Months Expenditure (Kshs.Million) | | Expenditure to Exchequer Issues (%) | | Absorption rate (%) | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Rec | Dev | Rec | Dev | Rec | Dev | Rec | Dev | Rec | Dev |
| Agriculture | 106.4 | 115 | 78.8 | 0 | 76 | 0 | 96.4 | 0 | 71.4 | 0 |
| Culture | 34.4 | 70 | 25.7 | 11.4 | 24.9 | 11.2 | 96.8 | 98.2 | 72.4 | 16 |
| Roads and Infrastructure | 86.9 | 864.2 | 64.8 | 429 | 62.86 | 423 | 97 | 98.6 | 72.3 | 48.9 |
| Education | 143.4 | 334 | 106.2 | 140.2 | 103 | 138.2 | 96.9 | 98.6 | 72 | 41.4 |
| Environment | 30.3 | 163 | 22.0 | 7 | 21.34 | 6.9 | 97 | 98.6 | 70.4 | 4.2 |

| Department | Annual Budget Allocation (Kshs.Million) | | 9 Months Exchequer Issues (Kshs. Million) | | 9 Months Expenditure (Kshs.Million) | | Expenditure to Exchequer Issues (%) | | Absorption rate (%) | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Rec | Dev | Rec | Dev | Rec | Dev | Rec | Dev | Rec | Dev |
| Finance and Economic Planning | 1,295 | 482 | 969.5 | 230.1 | 940.4 | 227 | 96.9 | 98.7 | 72.6 | 47 |
| Health | 1,124 | 303 | 840.7 | 99.2 | 815.5 | 97.8 | 97 | 98.6 | 72.6 | 32.2 |
| Livestock | 79.5 | 88.6 | 59.3 | 5 | 57.5 | 4.9 | 97 | 98 | 72.3 | 5.5 |
| Trade and Youths | 76.9 | 235.3 | 57.6 | 0 | 55.8 | 0 | 96.8 | 0 | 72.6 | 0 |
| Water | 108.7 | 788.7 | 81.6 | 398 | 79.1 | 390 | 96.9 | 97.9 | 72.8 | 49.4 |
| Executive Services | 148.2 | 0 | 111.8 | 0 | 108.4 | 0 | 96.9 | 0 | 73.1 | 0 |
| County Assembly | 684 | 0 | 414 | 0 | 410 | 0 | 99 | 0 | 60 | 0 |
| **Total** | **3,918** | **3,444** | **2,832** | **1,319** | **2,748** | **1,300** | **97** | **98.6** | **70.1** | **37.8** |

**Source:** *Garissa County Treasury*

Analysis of budget performance by department shows that the Department of Water reported the highest absorption rate for development expenditure at 49.4 per cent while the departments of Agriculture, and Trade registered the lowest at 0 per cent. On the other hand, the department of Executive Services had the highest percentage of its recurrent expenditure to annual recurrent budget at 73.1 per cent while the County Assembly had the lowest at 60 per cent.

### 3.8.9 Observations and Recommendations

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

i. Establishment of effective Monitoring and Evaluation systems.

ii. Establishment of the County Budget and Economic Forum (CBEF) which is actively involved in budget issues.

Despite the progress made, the following challanges continued to hamper effective budget implementation in the County;

1. Underperformance of local revenue collection. The County collected Kshs.77.9 million (15.6 per cent of the annual target) against the annual target of Kshs.375 million.
2. Inadequate internal audit mechanisms to ensure effective financial management.
3. Absence of designated administrators for established public funds in the county hence rendering administration and accounting for the funds difficult.

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

1. *The County should put in place proper revenue collection mechanisms to maximize revenue collection.*
2. *Strengthen the Internal Audit mechanisms to enhance financial management systems.*

3. *For each public fund, the County Executive Member for Finance should designate a person responsible for administering the fund in line with the requirements of Section 116 of the PFM Act, 2012.*

## 3.9 Homa Bay County

### 3.9.1 Overview of the FY 2015/16 Budget

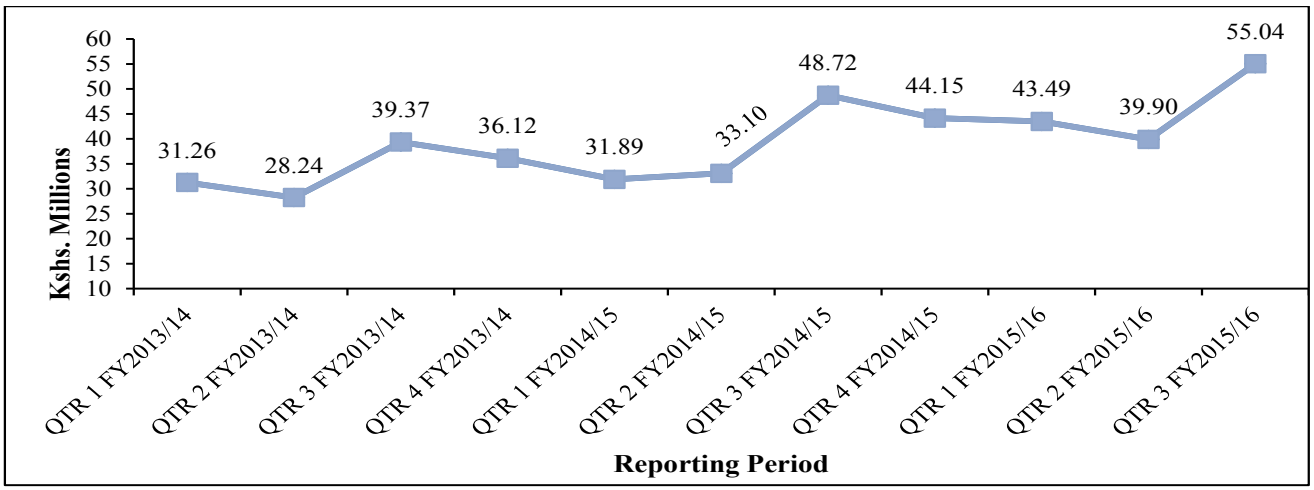
The FY 2015/16 Approved Budget for Homa Bay County is Kshs.6.16 billion, comprising of Kshs.3.95 billion (64.1 per cent) and Kshs.2.21 billion (35.9 per cent) allocated to recurrent and development expenditure respectively.

In order to finance the budget, the county expects to receive Kshs.5.63 billion (91.3 per cent) as Equitable share of revenue raised nationally, Kshs345.65 million (4.1 per cent) as total conditional grants, generate Kshs.181.73 million (2.9 per cent) from local sources, and Kshs.6.99 million (0.1 per cent) as projected cash balance from FY 2014/15. The conditional grants comprise of Kshs.95.75 million (38.3 per cent) for Leasing of Medical Equipment, Kshs.131.09 million (52.5 per cent) for Maternal Health Care, Kshs.71.58 million (28.6 per cent) from the Road Maintenance Fuel Levy Fund and Kshs.24.77 million (9.9 per cent) as a conditional grant from DANIDA as shown in Table 3.23.

### 3.9.2 Revenue Analysis

In the first nine months of FY 2015/16, the County received Kshs.3.80 billion as Equitable share of revenue raised nationally, Kshs.40.31 million as conditional allocations, raised Kshs.138.42 million from local sources, and had a cash balance of Kshs.6.99 million brought forward from FY 2014/15. The County did not borrow any funds during the reporting period to finance the budget. Figure 3.29 shows the quarterly trend in local revenue collection from FY 2013/14 to the third quarter of FY 2015/16.

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




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

The total local revenue of Kshs.138.42 million for the reporting period consisted of Kshs.43.49 million generated in the first quarter, Kshs.39.90 million in the second quarter and Kshs.55.04 Million in the third quarter of FY 2015/16. The revenue collected was 76.1 per cent of the annual local revenue target, and an improvement from Kshs.48.72 million collected in a similar period of FY 2014/15.

Table 3.22 shows further analysis of the local revenue collected in the first nine months of FY 2015/16 by stream.

**Table 3.22: Homa Bay County analysis of revenue collection by stream for the first nine months of FY 2015/16**

| No | Revenue Stream | Annual Targeted Revenue (Kshs.) | 9 Months Actual Revenue | Actual Revenue as a per-centage of Annual Targets (%) |
|---|---|---|---|---|
| 1 | Health Sector | 1,464,636 | 11,490,235 | 784.5 |
| 2 | Motorbike Fees | 2,601,226 | 5,130,270 | 197.2 |
| 3 | Cess (Wheat, Maize, Sugarcane) | 10,196,804 | 10,638,278 | 104.3 |
| 4 | Enclosed Bus Park | 14,830,031 | 14,489,950 | 97.7 |
| 5 | Market Dues | 40,574,064 | 26,735,675 | 65.9 |
| 6 | Land Rates | 2,513,660 | 1,448,187 | 57.6 |
| 7 | Urban Planning Fees | 3,180,241 | 930,230 | 29.3 |
| 8 | Sign Boards & Advert Fees | 883,387 | 239,460 | 27.1 |
| 9 | Single Business Permits | 24,270,229 | 10,787,199 | 44.4 |
| 10 | House Management Unit | 8,584,906 | 1,296,200 | 15.1 |
| 11 | Others | 72,634,483 | 55,237,980 | 76.0 |
| | **TOTAL** | **181,733,667** | **138,423,664** | **76.2** |

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

Analysis of the local revenue by stream indicates that the Health Sector recorded the highest performance against annual target at 784.5 per cent. This was closely followed by Motor Bike Fees at 197.2 per cent.

In the first nine months of the FY 2015/16, the County did not deposit all locally collected revenue into the County Revenue Fund account maintained at Central Bank of Kenya (CBK) in line with Article 207 of the Constitution.

### 3.9.3 Conditional Grants

Table 3.23 shows an analysis of conditional grants for the first nine months of FY 2015/16.

**Table 3.23: Homa Bay County analysis of conditional grants for the first nine months of FY 2015/16**

| No. | Conditional Grant | Amount allocated as provided in CARA 2015 (Kshs.) | 9 Months Actual receipt of the Conditional Grant (Kshs.) | Actual Receipts as a percentage of Annual Allocation (%) |
|---|---|---|---|---|
| 1 | Level 5 Hospitals | 0 | 0 | 0 |
| 2 | Road Maintenance Fuel Levy Fund | 71,582,731 | 36,149,278 | 50.4 |
| 3 | Free Maternal Health Care | 131,089,000 | 34,700,000 | 26.5 |
| 4 | User Fees Forgone | 22,466,004 | 5,609,616 | 25.1 |
| 5 | DANIDA Grant | 24,770,000 | 0 | 0 |
| 6 | World Bank Grant | 0 | 0 | 0 |
| | **TOTAL** | **249,907,735** | **40,309,616** | **16.1** |

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

Analysis of the conditional grants for the period under review indicates that Road Maintenance Fuel Levy Fund recorded the highest performance against its annual target at 50.4 per cent. This was closely followed by Free Maternal Health Care at 26.5 per cent. The performance was low in both cases because of delay in remittance of funds to the County.

### 3.9.4 Exchequer Issues

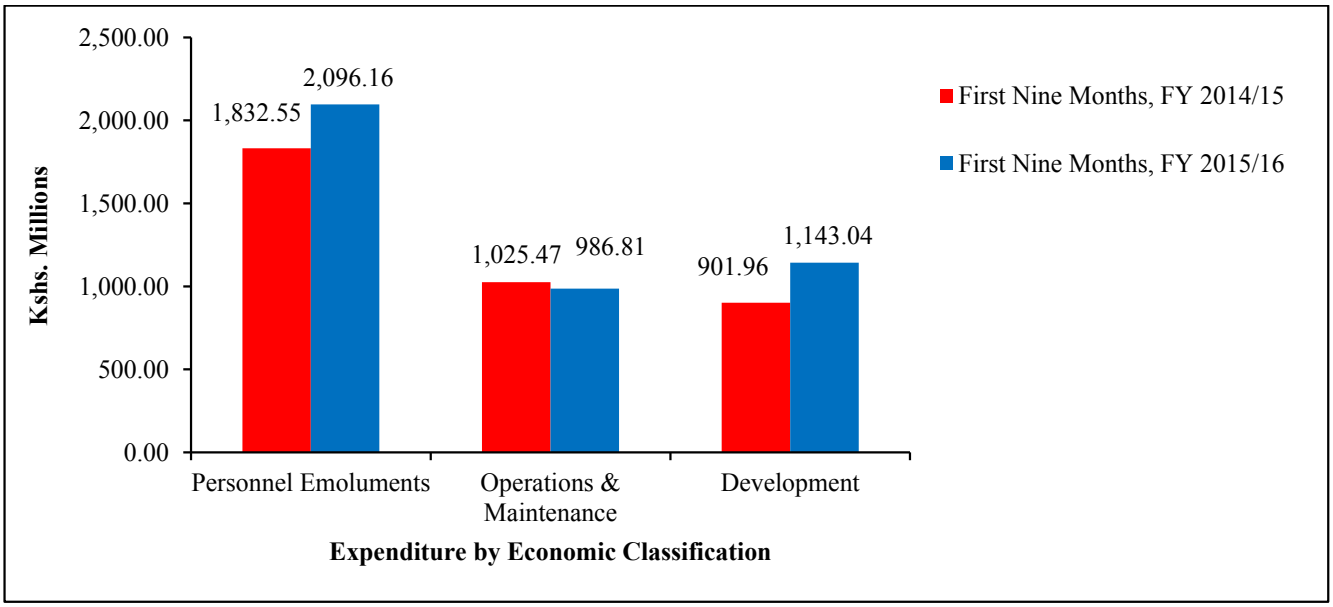
During the period under review, the COB authorised withdrawal of Kshs.4.49 billion from the CRF account, which was 72.9 per cent of the approved budget. The amount represented an increase of 34.4 per cent from Kshs.3.34 billion authorized in a similar period of FY 2014/15 and consisted of Kshs.3.17 billion (70.6per cent) for recurrent expenditure and Kshs.1.32 billion (29.4 per cent) for development activities.

### 3.9.5 Overall Expenditure Review

The County spent a total of Kshs.4.23 billion during the first nine months of FY 2015/16 which was 94 per cent of the total funds released for operations. This was an increase from the Kshs.3.76 billion spent in a similar period of FY 2014/15. A total of Kshs.3.08 billion was spent on recurrent activities and Kshs.1.14 million on development activities. Recurrent expenditure was 97.3 per cent of the funds released for recurrent activities while development expenditure accounted for 86.5 per cent of the funds released for development activities. The expenditure excludes commitments as at 31st March, 2016 that amounted to Kshs.498.33 million for development and Kshs.80.46 million for recurrent expenditure.

Recurrent expenditure for the period under review represented 78.1 per cent of the approved annual recurrent budget, a decrease from 78.7 per cent spent in a similar period of FY 2014/15. On the other hand, development expenditure recorded an absorption rate of 51.6 per cent, a decrease from 53.5 per cent spent in a similar period of FY 2014/15. Figure 3.30 shows a comparison of the total expenditure in the third quarter of FY 2014/15 and the same period in FY 2015/16.

**Figure 3.30: Homa Bay County, Expenditure by Economic Classification for the First Nine Months of FY 2014/15 and FY 2015/16**




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

### 3.9.6 Recurrent Expenditure Analysis

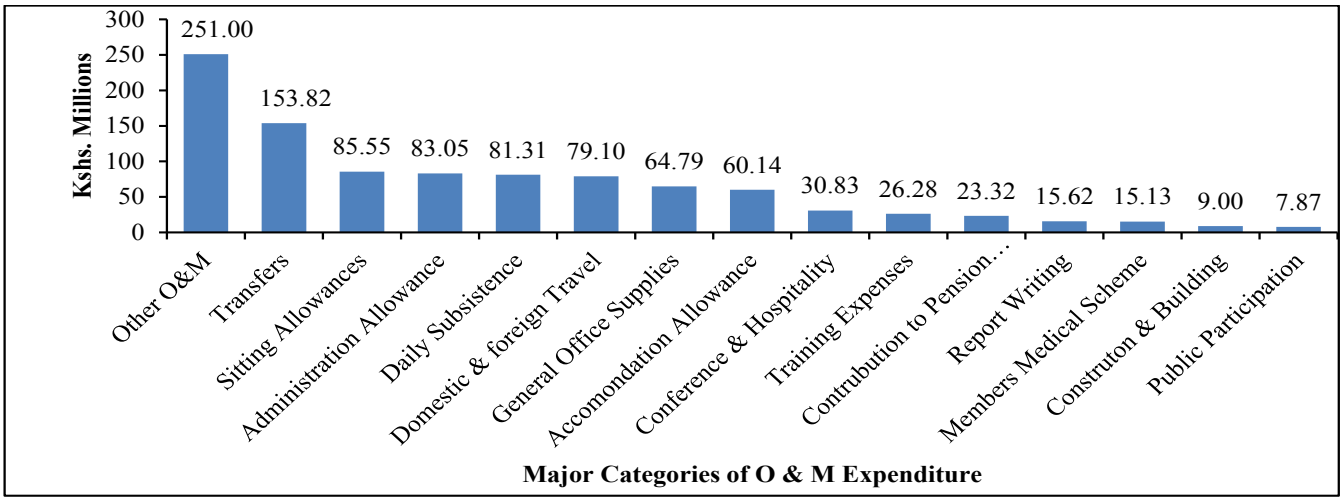
The total recurrent expenditure for the reporting period was Kshs.3.08 billion against an annual recurrent budget of Kshs.3.95 billion. This represents 77.9 per cent of the annual recurrent budget. The County spent Kshs.2.10 billion (68.2 per cent) on personnel emoluments and Kshs.986.81 million (31.8 per cent) on operations and maintenance as shown in Figure 3.30.

The expenditure on personnel emoluments of to Kshs.2.10 billion in the first nine months of FY 2015/16 represented an increase of 14.8 per cent compared to a similar period in FY 2014/15 when the County spent Kshs.1.83 million. The increase is attributed to recruitment of health workers, youth instructors and ESP Agriculture officers into the payroll, who were previously on the national government payroll.

The County spent Kshs.85.55 million on sitting allowances to the 63 MCAs and the Speaker against an annual budget of Kshs.129.32 million. This represents a decrease from Kshs.94.98 million recorded in a similar period of FY 2014/15. The average monthly sitting allowance per MCA was Kshs.148,525 compared to SRC's recommended monthly ceiling of Kshs.124,800.

The aggregate expenditure on domestic and foreign travel was Kshs.79.10 million compared to Kshs.67.43 million incurred in a similar period of FY 2014/15, representing a significant increase of 17.3 per cent. Figure 3.31 shows a breakdown of the operations and maintenance expenditure for the reporting period

**Figure 3.31. Homa Bay County, Operations and Maintenance Expenditure for the First Nine Months of FY 2015/16**

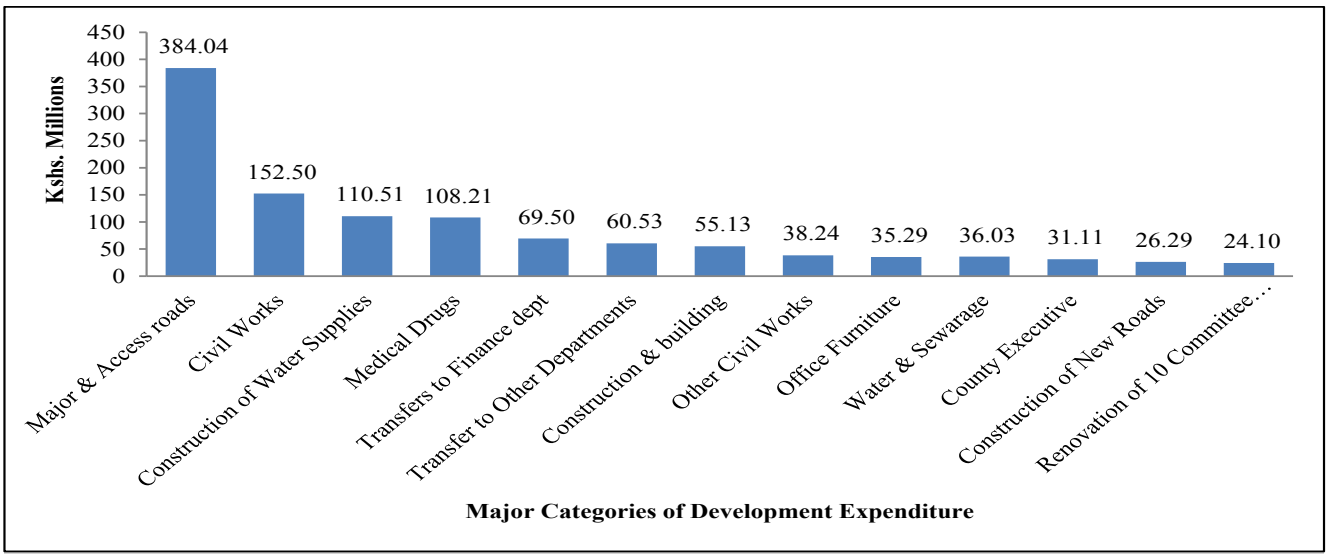



**Source:** Homa Bay *County Treasury*

### 3.9.7 Development Expenditure Analysis

Figure 3.32 shows a summary of development expenditure during the period under review.

**Figure. 3.32: Homa Bay County, Summary of Development Expenditure for the First Nine Months of FY 2015/16**




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

Analysis of the development expenditure of Kshs.1.14 billion incurred in the reporting period indicates that the highest expenditure of Kshs.384.04 million was spent by the Transport and Infrastructure Department on development of major and access roads. A total of 800 kilometres of roads were maintained across the 40 wards and 14 kilometres of Kadongo-Kendia road has been tarmacked. The second highest expenditure of Kshs.152.50 million was incurred by Trade, Industry, Investment and Cooperatives Department on construction of animal feed factory. The Department

of Water and Environment incurred Kshs.110.50 million on construction of water supplies and water kiosks, while the Department of Health incurred Kshs.108.21 million on purchase of medical drugs

### 3.9.8 Annual Budget and Budget Performance Analysis by department for the First Nine Months of FY 2015/16

Table 3.24 shows a summary of FY 2015/16 annual budget estimates and budget performance for the reporting period.

**Table 3.24: Homa Bay County, Annual Budget and First Nine Months of FY 2015/16 Budget Performance by Department**

| Department | Annual Budget Allocation (Kshs.Million) | | 9 Months Exchequer Issues (Kshs.Million) | | 9 Months Expenditure (Kshs.Million) | | Expenditure to Exchequer Issues (%) | | Absorption rate (%) | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Rec | Dev | Rec | Dev | Rec | Dev | Rec | Dev | Rec | Dev |
| Office of the Governor | 464.13 | - | 428.3 | - | 701.93 | 6.52 | 163.9 | - | 151.2 | - |
| Finance & Economic Planning | 479.95 | 417.95 | 288.3 | - | 431.96 | 109.81 | 149.8 | - | 90.0 | 26.3 |
| Tourism, Culture, Youth and Sports | 38.49 | 64.31 | 29 | 48 | 23.63 | 14.39 | 81.5 | 30.0 | 61.4 | 22.4 |
| Health and Medical Services | 1,017.78 | 461 | 866.9 | 398.5 | 711.7 | 185.84 | 82.1 | 46.6 | 69.9 | 40.3 |
| Education and ICT | 355.01 | 33.89 | 286.6 | 29 | 315.02 | 35.92 | 109.9 | 123.9 | 88.7 | 106.0 |
| Transport and Infrastructure | 67.1 | 499 | 55.2 | 262.6 | 38.62 | 509.1 | 70.0 | 193.9 | 57.6 | 102.0 |
| County Assembly | 880.12 | 70 | 685 | 56.5 | 491.42 | 24.1 | 71.7 | 42.7 | 55.8 | 34.4 |
| Lands, Housing &Physical planning | 58.61 | 80.95 | 48.7 | 35.4 | 22.97 | 76.56 | 47.2 | 216.3 | 39.2 | 94.6 |
| Trade, Industry, Co-operatives and Investments | 132.53 | 117.83 | 117.9 | 84.8 | 28.46 | 39.05 | 24.1 | 46.0 | 21.5 | 33.1 |
| Energy and Natural Resources | 32.32 | 72 | 26.6 | 57.3 | 16.27 | 15.32 | 61.2 | 26.7 | 50.3 | 21.3 |
| Agriculture, Livestock and Fisheries Services | 213.2 | 156.2 | 198.8 | 127.4 | 112.77 | 15.92 | 56.7 | 12.5 | 52.9 | 10.2 |
| Water Services and Environment | 115.9 | 240 | 96.7 | 222.3 | 125.56 | 110.51 | 129.8 | 49.7 | 108.3 | 46.0 |
| County Public Service Board | 94.57 | - | 40.3 | - | 62.66 | - | 155.5 | - | 66.3 | - |
| **Total** | **3,949.71** | **2,213.13** | **3,168.30** | **1,321.80** | **3,082.97** | **1,143.04** | **97.3** | **86.5** | **78.1** | **51.6** |

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

Analysis of budget performance by department shows that the Department of Education and ICT reported the highest absorption rate for development expenditure at 106 per cent while the department of Agriculture, Livestock and Fisheries Services registered the lowest at 10.2 per cent. On the other hand, the Office of the Governor had the highest percentage of its recurrent expenditure to annual recurrent budget at 151.2 per cent while the department of Trade and Industry had the lowest at 21.5 per cent.

### 3.9.9 Observations and Recommendations

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

i. Establishment of CBEF which is actively involved in the County budget and economic matters.

ii. Improvement in local revenue collection to Kshs.55.04 million in the reporting period from Kshs.48.72 million in a similar period of FY 2014/15.

iii. Recruitment of Health staff to enhance service delivery in hospitals.

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

1. Continued spending of revenue at source by the Health Department in contravention of Section 109 of the PFM Act, 2012.
2. Failure to adopt IFMIS by all departments. The continued use of the manual system is prone to errors and manipulation.
3. Delays in disbursement of funds by the National Treasury which has affected implementation of some projects within the report period hence affecting service delivery to the public.

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

1. *The Department of Health should adhere to Section 109 of the PFM Act, 2012 and ensure all revenue collected is deposited into the CRF.*
2. *The County Treasury should ensure IFMIS is installed and adopted by all departments.*
3. *The County Treasury should liase with the National Treasury to ensure timely disbursement of funds in order to facilitate timely implementation of projects.*

## 3.10 Isiolo County

### 3.10.1 Overview of the FY 2015/16 Budget

The FY 2015/16 Approved Budget for Isiolo County is Kshs.3.80 billion, comprising of Kshs.2.11 billion (55.6 per cent) and Kshs.1.69 billion (44.4 per cent) for recurrent expenditure and development expenditure respectively.

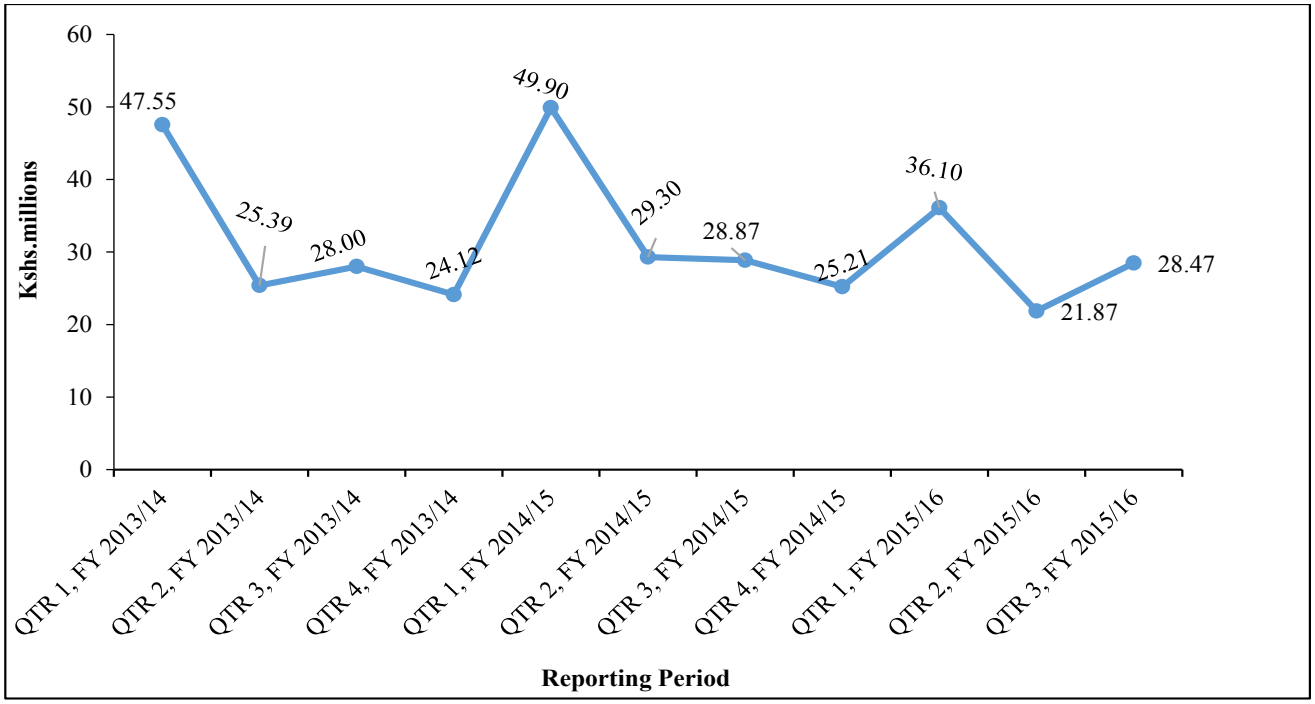
In order to finance the budget, the County expects to receive Kshs.3.06 billion (80.4 per cent) as equitable share of revenue raised nationally, Kshs.254.70 million (6.7 per cent) as total conditional grants and Kshs.112.8 million (3.0 per cent) as Appropriations In Aid and to generate Kshs.360 million (9.5 per cent) from local sources. The County did not include Kshs.24.68 million opening balance brought forward from FY 2014/15 in the budget. The conditional grants comprise of Kshs.95.74 million (2.5 per cent) for Leasing of Medical Equipment, Kshs.23.21 million (0.6 per cent) for Maternal Health Care, Kshs.3.34 million (0.1 per cent ) as User Fees Foregone, Kshs.38.83 million (1.0 per cent) from the Road Maintenance Fuel Levy Fund, Kshs.8.73 million (0.2 per cent)

as World Bank grant to support health facilities, Kshs.7.97 million (0.2 per cent) as a conditional grant from DANIDA as shown in Table 3.26.

### 3.10.2 Revenue Analysis

In the first nine months of FY 2015/16, the County received Kshs.2.06 billion as equitable share of revenue raised nationally, Kshs.39.37 million as total conditional allocations, raised Kshs.85.80 million from local sources, and had a cash balance of Kshs.24.68 million brought forward from FY 2014/15. The County did not borrow any funds during the reporting period to finance the budget. Figure 3.33 shows the quarterly trend in local revenue collection from FY 2013/14 to the third quarter of FY 2015/16.

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




**Source:** *Isiolo County Treasury*

The total local revenue for the reporting period of Kshs.85.80 million consisted of Kshs.36.10 million generated in the first quarter, Kshs.21.23 million in the second quarter and Kshs.28.47 million in the third quarter of FY 2015/16. The revenue collected was 23.8 per cent of the annual local revenue target, a decline from Kshs.108.49 million collected in a similar period of FY 2014/15.

Figure 3.35 shows further analysis of the local revenue collected in the first nine months of FY 2015/16 by stream.

**Table 3.25: Isiolo County analysis of revenue collection by stream for the first nine months of FY 2015/16**

| No | Revenue Stream | Annual Targeted Revenue (Kshs.) | 9 Months Actual Revenue | Actual Revenue as a percentage of Annual Targets (%) |
|---|---|---|---|---|
| 1 | Hospital Levies | 15,000,000 | 9,923,197 | 66.2 |
| 2 | Land Rates & Rents | 70,200,000 | 9,842,410 | 14.0 |
| 3 | Plot transfer/Subdivision/Registration/ Approval/Application | 2,000,000 | 3,924,500 | 196.2 |
| 4 | Parking Fee | 6,000,000 | 3,918,580 | 65.3 |
| 5 | SBP & Promotions Fees | 6,500,000 | 3,701,555 | 56.9 |
| 6. | Sand Cess | 10,200,000 | 3,338,450 | 32.7 |
| 7 | Livestock Cess | 6,000,000 | 3,246,870 | 54.1 |
| 7 | Liqour Application | 3,000,000 | 1,811,000 | 60.4 |
| 9 | Miraa Cess | 5,000,000 | 1,730,164 | 34.6 |
| 10 | Slaughter Fees | 1,500,000 | 1,377,085 | 91.8 |
| 11 | Water Levies | 3,000,000 | 957,487 | 31.9 |
| 12 | Agri. Produce Cess/Barter/Market Entrance/Tractor | 1,500,000 | 728,382 | 48.6 |
| 13 | Stand Premium | 1,500,000 | 309,200 | 20.6 |
| 14 | Game Parks Entry Fees | 210,000,000 | 39,644,568 | 18.9 |
| 15 | Others | 18,600,000 | 1,344,739 | 7.2 |
| | **TOTALS** | **360,000,000** | **85,798,187** | **23.8** |

**Source:** *Isiolo County Treasury*

Analysis of the local revenue by stream indicates that Produce and Other Cess recorded the highest performance against annual target at 196.2 per cent. This was followed by Slaughter Fees at 91.8 per cent. The tourism sector which was projected to be the highest earner has continued to perform poorly due to global challenges in the tourism industry.

In the first nine months of the FY 2015/16, 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.

### 3.10.3 Conditional Grants

Table 3.26 shows an analysis of conditional grants for the first nine months of FY 2015/16.

**Table 3.26: Isiolo County analysis of conditional grants for the first nine months of FY 2015/16**

| No. | Conditional Grant | Amount allocated as provided in CARA 2015 (Kshs.) | 9 Months Actual receipt of the Conditional Grant (Kshs.) | Performance (%) |
|---|---|---|---|---|
| 1 | Level 5 Hospitals | 0 | 0 | 0 |
| 2 | Road Maintenance Fuel Levy Fund | 38,828,547 | 19,608,416 | 50 |
| 3 | Free Maternal Health Care | 23,209,200 | 9,250,000 | 40 |
| 4 | User Fees Forgone | 3,340,178 | 2,536,585 | 76 |
| 5 | DANIDA Grant | 7,970,000 | 7,970,000 | 100 |
| 6 | World Bank Grant | 8,728,052 | 0 | - |
| | **TOTAL** | **82,075,977** | **39,365,001** | **48** |

**Source:** *Isiolo County Treasury*

Analysis of the conditional grants for the period under review indicates that DANIDA recorded the highest performance against annual target at 100 per cent. This was closely followed by User Fees Foregone at 76 per cent.

### 3.10.4 Exchequer Issues

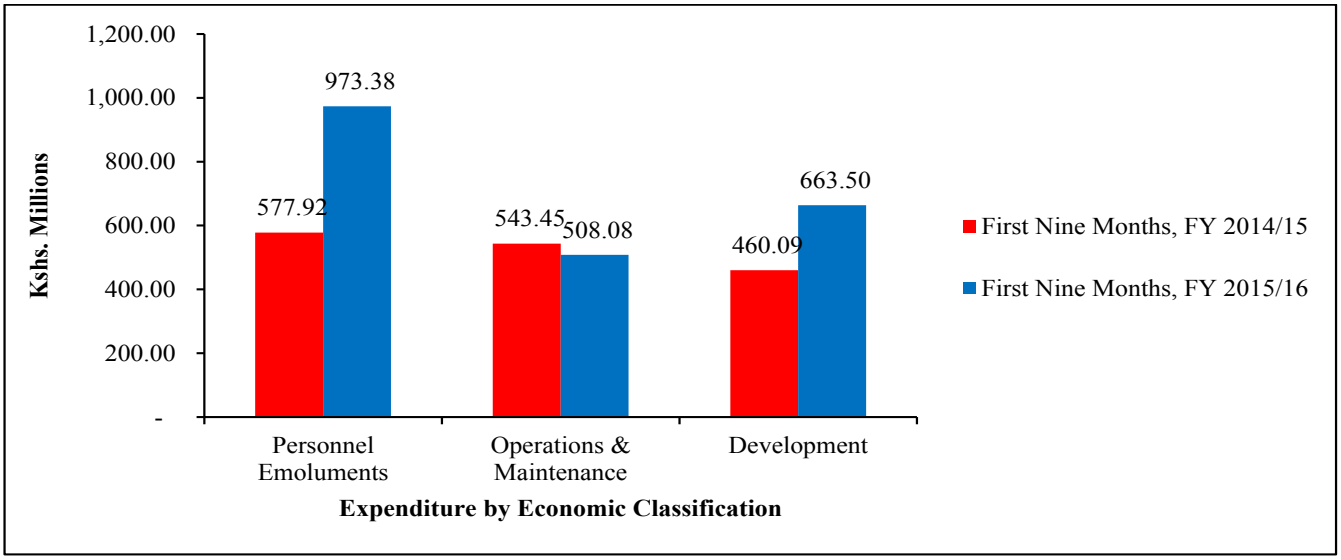
During the period under review, the COB authorised withdrawal of Kshs.2.20 billion from the CRF account which was 58.0 per cent of the approved budget. The amount represented an increase of 106 per cent from Kshs.1.07 billion authorized in a similar period of FY 2014/15 and consisted of Kshs.1.56 billion (70.9 per cent) for recurrent expenditure and Kshs.640 million (29.1 per cent) for development activities.

### 3.10.5 Overall Expenditure Review

The county spent a total of Kshs.2.15 billion during the first nine months of FY 2015/16 which was 97.3 per cent of the total funds released for operations. This was an increase from the Kshs.1.58 billion spent in a similar period of FY 2014/15. A total of Kshs.1.48 billion was spent on recurrent activities and Kshs.663.5 million on development activities. Recurrent expenditure was 94.8 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 excludes commitments as at 31st March, 2016 that amounted to Kshs.153.91 million for development and Kshs.96.90 million for recurrent expenditure.

Recurrent expenditure for the period under review represented 70.0 per cent of the approved annual recurrent budget, an increase from 59 per cent spent in a similar period of FY 2014/15. On the other hand, development expenditure recorded an absorption rate of 39.4 per cent, a decrease from 43.0 per cent spent in a similar period of FY 2014/15. Figure 3.34 shows a comparison of the total expenditure in the third quarter of FY 2014/15 and the same period in FY 2015/16.

**Figure.3.34: Isiolo County, Expenditure by Economic Classification for the First Nine Months of FY 2014/15 and FY 2015/16**




**Source:** *Isiolo County Treasury*

### 3.10.6 Recurrent Expenditure Analysis

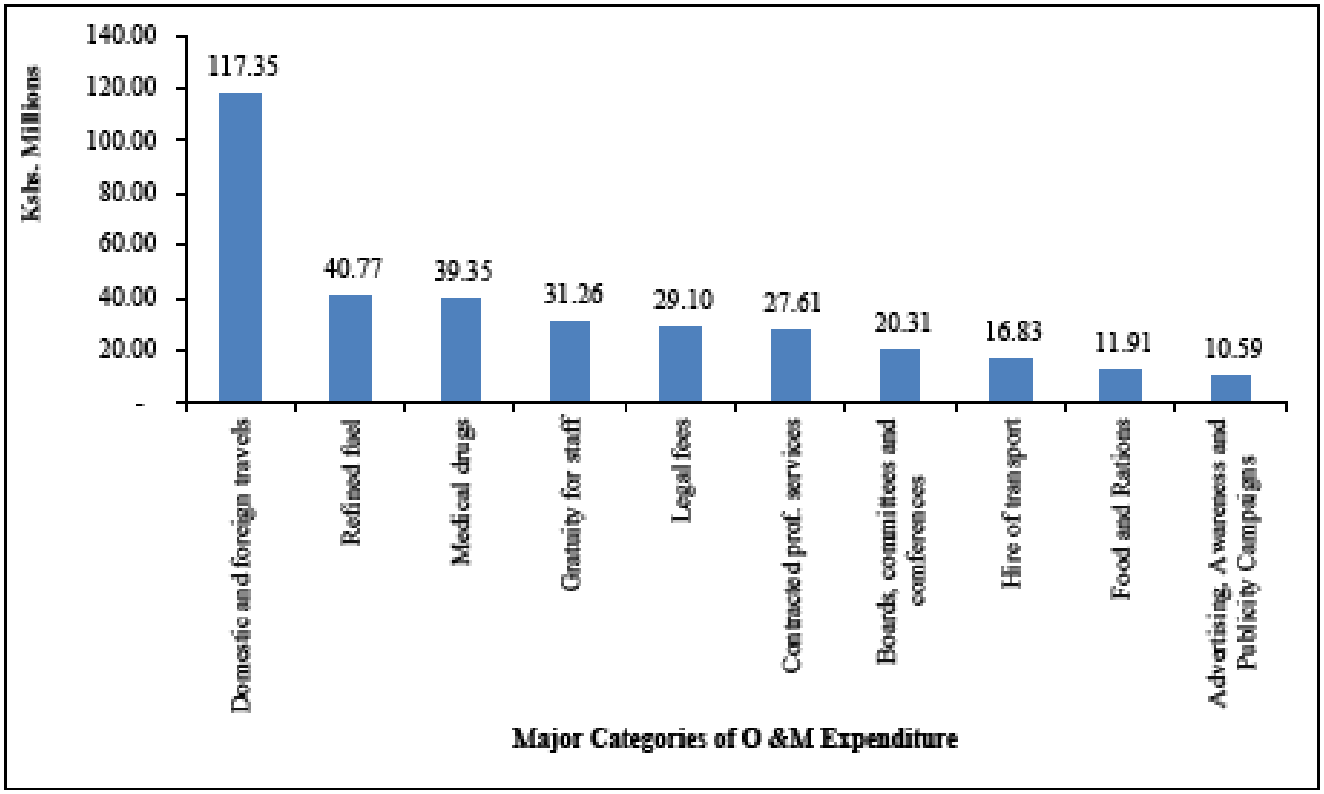
The total recurrent expenditure for the reporting period was Kshs.1.48 billion against an annual recurrent budget of Kshs.2.12 billion. This represents 70 per cent of the annual recurrent budget. The County spent Kshs.973.38 million (65.7 per cent) on personnel emoluments and Kshs.508.01 million (34.3 per cent) on operations and maintenance as shown in Figure.3.34.

The expenditure on personnel emoluments Kshs.973.38 million in the first nine months of FY 2015/16 represented an increase of 68.4 per cent compared to a similar period in FY 2014/15 when the County spent Kshs.577.92 million. The increase is attributed to recruitment of new staff by the county.

The County spent Kshs.19.93 million on sitting allowances to the 20 MCAs and the Speaker against an annual budget of Kshs.29.44 million. This represents an increase from Kshs.12.24 million recorded in a similar period of FY 2014/15. The average monthly sitting allowance per MCA was Kshs.105,461 compared to SRC's recommended monthly ceiling of Kshs.124,800.

The aggregate expenditure on domestic and foreign travel was Kshs.117.35 million compared to Kshs.140.61 million incurred in a similar period of FY 2014/15, representing a significant decrease of 16.5 per cent. Figure 3.35 shows a breakdown of the operations and maintenance expenditure for the reporting period.

**Figure.3.35: Isiolo County, Operations and Maintenance Expenditure for the First Nine Months of FY 2015/16**

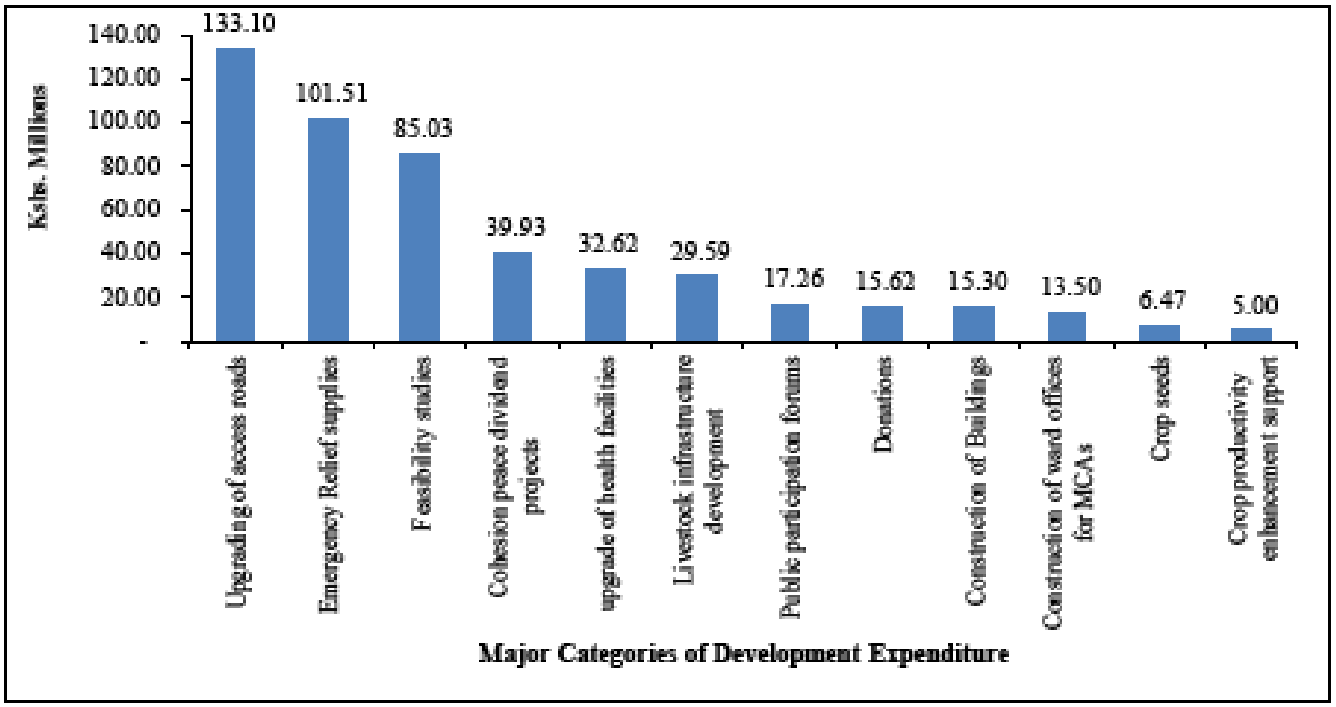



**Source:** *Isiolo County Treasury*

### 3.10.7 Development Expenditure Analysis

Figure 3.36 shows a summary of development expenditure during the period under review.

**Figure.3.36: Isiolo County, Summary of Development Expenditure for the First Nine Months of FY 2015/16**




**Source:** *Isiolo County Treasury*

Analysis of the development expenditure of Kshs.663.50 million incurred in the reporting period of FY 2015/16 indicates that the highest expenditure of Kshs.133.1 million was spent by the Roads Department on development and maintenance of access roads and purchase of a garbage truck. A total of 70 kilometres of roads were maintained across 45 wards. The second highest expenditure of Kshs.101.5 million was incurred by the Office of the Governor on emergency relief supplies. The Department of Cohesion spent Kshs.39.92 million on peace dividend projects while the Department of Health incurred Kshs.32.62 million on upgrade of health facilities across the county.

### 3.10.8 Annual Budget and Budget Performance Analysis by department for the First Nine Months of FY 2015/16

Table 3.27 shows a summary of FY 2015/16 annual budget estimates and budget performance for the reporting period by department.

**Table.3.27: Isiolo County, Annual Budget and First Nine Months of FY 2015/16 Budget Performance by Department**

| Department | Annual Budget Allocation (Kshs. Million) | | 9 Months Exchequer Issues (Kshs. Million) | | 9 Months Expenditure(Kshs.Million) | | Expenditure to Exchequer Issues (%) | | Absorption rate (%) | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Rec | Dev | Rec | Dev | Rec | Dev | Rec | Dev | Rec | Dev |
| County assembly | 380.93 | 70.00 | 289.10 | 25.00 | 238.98 | 13.5 | 82.7 | 54.0 | 62.7 | 19.3 |
| Office of the Governor | 258.77 | 108.00 | 195.67 | 22.00 | 209.54 | 105.52 | 107.1 | 479.6 | 81.0 | 97.7 |
| Finance and Planning | 314.71 | 211.50 | 223.23 | 156.00 | 221.63 | 57.83 | 99.3 | 37.1 | 70.4 | 27.3 |
| Lands and Planning | 53.93 | 343.85 | 39.96 | 181.00 | 17.19 | 143.64 | 43.0 | 79.4 | 31.9 | 41.8 |
| Agriculture, Livestock | 117.57 | 192.00 | 91.66 | 48.00 | 80.77 | 42.98 | 88.1 | 89.5 | 68.7 | 22.4 |
| Cohesion and Intergovernmental Relations | 13.23 | 68.18 | 7.17 | 22.00 | 6.38 | 51.54 | 88.9 | 234.3 | 48.2 | 75.6 |
| Education | 150.04 | 95.00 | 101.73 | 23.00 | 78.60 | 60.11 | 77.3 | 261.4 | 52.4 | 63.3 |
| Tourism and Culture | 45.98 | 122.50 | 26.73 | 22.00 | 30.18 | 32.05 | 112.9 | 145.7 | 65.6 | 26.2 |
| Public Service Management | 70.09 | 9.10 | 48.53 | 3.50 | 30.74 | 1.77 | 63.3 | 50.7 | 43.9 | 19.5 |
| Water and Irrigation | 101.10 | 243.33 | 69.93 | 73.50 | 51.12 | 51.11 | 73.1 | 69.5 | 50.6 | 21.0 |
| Health Services | 567.56 | 157.37 | 452.58 | 43.00 | 491.24 | 71.70 | 108.5 | 166.7 | 86.6 | 45.6 |
| Trade and cooperatives | 27.00 | 40.00 | 8.20 | 5.00 | 17.02 | 8.00 | 207.5 | 160.0 | 63.0 | 20.0 |
| Town Administrator | 14.10 | 25.00 | 8.52 | 16.00 | 8.09 | 23.75 | 94.9 | 148.4 | 57.4 | 95.0 |
| **TOTAL** | **2,115.0** | **1,685.8** | **1,563.0** | **640.0** | **1,481.5** | **663.504** | **94.8** | **103.7** | **70.0** | **39.4** |

**Source:** *Isiolo County Treasury*

Analysis of budget performance by department shows that the Office of the Governor reported the highest absorption rate for development expenditure at 97.7 per cent while the County Assembly registered the lowest at 19.3 per cent. On the other hand, the Health Department had the highest percentage of its recurrent expenditure to annual recurrent budget at 86.6 per cent while Lands and Planning had the lowest at 31.9 per cent.

### 3.10.9 Observations and Recommendations

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

i. Improved capacity of the County Assembly technical staff through training.

ii. Adopted use of IFMIS and internet banking in the County Assembly.

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

1. Low local revenue collection, which stood at 23.8 per cent of the annual target during the reporting period.
2. High wage bill due to continued recruitment of staff.
3. Delays in submission of expenditure and revenue reports by the County Treasury contrary to Section

166 and 168 of the PFM Act, 2012.

4. Failure to include the correct amounts of conditional grants as per the CARA, 2015 in the approved budget. The conditional grants as per the County Allocation of Revenue Act, 2015 amounts to Kshs.161.12 million. However, what was included in the budget amounts to Kshs.254.70 million, depicting an excess of Kshs.93.62 million.

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

1. *The County Treasury should devise strategies to enhance local revenue collection.*
2. *The County Public Service Board should review the wage bill and staff establishment for sustainability.*
3. *The County Treasury should put in place mechanisms that will enable production of financial reports and returns in a timely manner. In addition, the Administrators of all established County Funds should submit financial report as required by Section 168 of the PFM Act, 2012.*
4. *A supplementary budget should be prepared to correct the over-stated conditional grants in the budget and to ensure compliance with CARA, 2015.*

## 3.11 Kajiado County

### 3.11.1 Overview of the FY 2015/16 Budget

The FY 2015/16 Approved Budget for Kajiado County is Kshs.6.59 billion, comprising of Kshs.3.93 billion (59.6 per cent) for recurrent expenditure and Kshs.2.66 billion (40.4 per cent) for development expenditure.

In order to finance the budget, the County expects to receive Kshs.4.41 billion (67 per cent) as Equitable share of revenue raised nationally, Kshs.56.84 million (0.9 per cent) as total conditional grants, generate Kshs.1.13 billion (17.2 per cent) from local sources, and Kshs.984.80 million (14.9 per cent) as cash balance brought forward from FY 2014/15. The conditional grants comprise of Kshs.15.51 million (27.3 per cent) from DANIDA, Kshs.41.33 million (72.7 per cent) as Free Maternal Health Care.

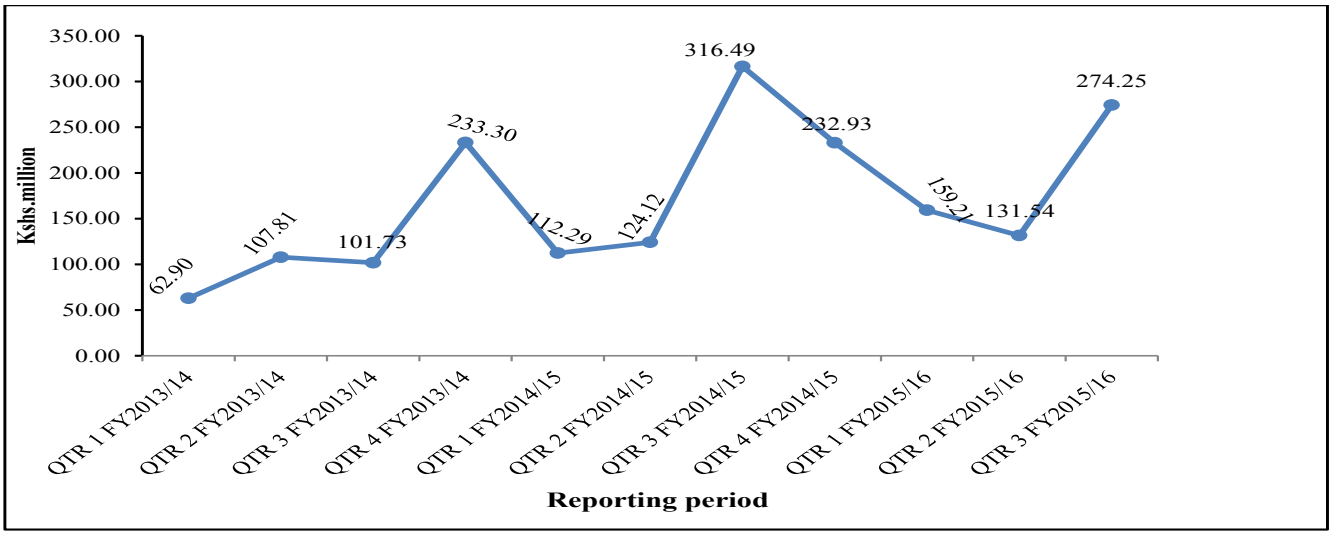
However, the county did not budget for the additional conditional grants of Kshs.176.35 million from the National Government as contained in CARA, 2015 for compensation for User Fees Forgone, leasing of medical equipment and Road Maintenance Fuel Levy Fund. The allocation for Free Maternal Health Care was under budgeted by Kshs.8.53 million.

### 3.11.2 Revenue Analysis

In the first nine months of FY 2015/16, the County received Kshs.2.60 billion as Equitable share of revenue raised nationally, Kshs.61.052 million as conditional grant, raised Kshs.564.99 million from local sources, and had a cash balance of Kshs.984.80 million brought forward from FY 2014/15. The County did not borrow any funds during the reporting period to finance the budget.

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

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




**Source:** *Kajiado County Treasury*

The total local revenue for the reporting period of Kshs.564.99 million consisted of Kshs.159.21 million generated in the first quarter, Kshs.131.54 million in the second quarter and Kshs.274.25 million in the third quarter of FY 2015/16. The revenue collected was 49.8 per cent of the annual local revenue target, a slight increase from Kshs.552.90 million collected in a similar period of FY 2014/15. Table 3.28 shows further analysis of the local revenue collected in the first nine months of FY 2015/16 by stream.

**Table 3.28: Kajiado County analysis of revenue collection by stream for the first nine months of FY 2015/16**

| No. | Revenue Stream | Annual Targeted Revenue (Kshs.) | 9 Months Actual Revenue (Kshs.) | Revenue Performance (%) |
|---|---|---|---|---|
| 1 | Land Rent and Rates | 104,166,738 | 80,846,296 | 77.6 |
| 2 | Produce and Livestock cess | 46,950,000 | 33,642,412 | 71.7 |
| 3 | Single Business Permit | 192,542,098 | 102,691,193 | 53.3 |
| 4 | Sand and mineral cess | 250,911,650 | 132,617,064 | 52.9 |
| 5 | Market Fees | 77,702,142 | 40,756,095 | 52.5 |
| 6 | Public Health, Medical Levies and Hospital fees | 95,288,578 | 47,223,234 | 49.6 |
| 7 | Building Plan Approval | 125,500,000 | 56,442,498 | 45.0 |
| 8 | Parking Fees | 70,479,332 | 29,128,732 | 41.3 |
| 9 | Liquor | 48,000,000 | 13,118,000 | 27.3 |
| 10 | Market Levy | 77,702,142 | 17,872,289 | 23.0 |
| 11 | Other Sources | 45,640,697 | 10,657,124 | 23.4 |
| | **TOTAL** | **1,134,883,377** | **564,994,937** | **49.8** |

**Source:** *Kajiado County Treasury*

Analysis of the local revenue by stream indicates that Land Rent and Rates recorded the highest performance against annual target at 77.6 per cent. This was closely followed by Produce and Livestock Cess at 71.7 per cent. The high performance in Land Rates is associated with the rising demand for land in the county.

In the first nine months of the FY 2015/16, the County deposited all locally generated revenue into the county Revenue Fund account maintained at the Central Bank of Kenya (CBK) in line with Article 207 of the Constitution.

### 3.11.3 Conditional Grants

Table 3.29 shows an analysis of conditional grants for the first nine months of FY 2015/16.

**Table 3.29: Kajiado County analysis of conditional grants for the first nine months of FY 2015/16**

| No. | Conditional Grant | Amount allocated as provided in CARA 2015 (Kshs.) | 9 Months Actual receipt of the Conditional Grant (Kshs.) | Actual Receipt as a percentage of Annual allocation (%) |
|---|---|---|---|---|
| 1 | DANIDA Grant | 17,890,000 | 17,890,000 | 100.0 |
| 2 | World Bank Grant | 31,643,654 | 31,643,654 | 100.0 |
| 3 | Free Maternal Health Care | 49,856,800 | 11,519,859 | 23.1 |
| 4 | Road Maintenance Fuel Levy Fund | 56,055,021 | 28,307,416- | 50.50 |
| 5 | User Fees Forgone | 16,021,218 | | 0.0 |
| | **TOTAL** | **171,466,693** | **89,460,929** | **52.2** |

**Source:** *Kajiado County Treasury*

Analysis of the conditional grants for the period under review indicates that DANIDA and World Bank Grants recorded the highest receipts against allocation at 100 per cent, followed by RMFLF at 50.5 per cent.

### 3.11.4 Exchequer Issues

During the period under review, the COB authorised withdrawal of Kshs.3.37 billion from the CRF account, which was 51.1 per cent of the approved budget. The amount represented an increase of 39.3per cent from Kshs.2.42 billion authorized in a similar period of FY 2014/15 and consisted of Kshs.2.62 billion (77.8 per cent) for recurrent expenditure and Kshs.750 million (22.2 per cent) for development activities.

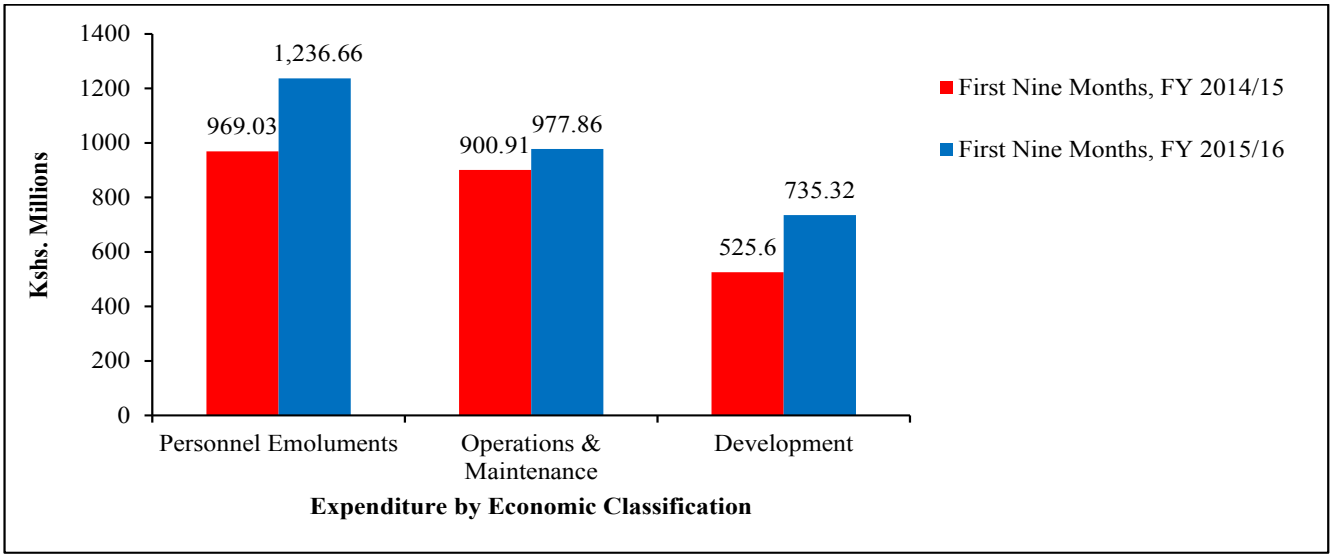
### 3.11.5 Overall Expenditure Review

The County spent a total of Kshs.2.95 billion during the first nine months of FY 2015/16 which was 87.2 per cent of the total funds released for operations. This was an increase from Kshs.2.55 billion spent in a similar period of FY 2014/15. A total of Kshs.2.21 billion was spent on recurrent activities and Kshs.735.32 million on development activities. Recurrent expenditure was 84.4 per cent of the funds released for recurrent activities while development expenditure accounted for 98 per cent of the funds released for development activities. The expenditure excludes commitments

as at 31st March, 2016 that amounted to Kshs.1.63 billion for development and Kshs.443.36 million for recurrent expenditure.

Recurrent expenditure for the period under review represented 56.4 per cent of the approved annual recurrent budget, a slight increase from 55.8 per cent absorbed in a similar period of FY 2014/15. On the other hand, development expenditure recorded an absorption rate of 27.6 per cent, an increase from 25.7 per cent absorbed in a similar period of FY 2014/15. Figure 3.38 shows a comparison of the total expenditure in the third quarter of FY 2014/15 and the same period in FY 2015/16.

**Figure 3.38: Kajiado County, Expenditure by Economic Classification for the First Nine Months of FY 2014/15 and FY 2015/16**




**Source:** *Kajiado County Treasury*

### 3.11.6 Recurrent Expenditure Analysis

The total recurrent expenditure for the reporting period was Kshs.2.21 billion against an annual recurrent budget of Kshs.3.93 billion. This represents 56.4 per cent of the annual recurrent budget. The County spent Kshs.1.24 billion (56.1 per cent) on personnel emoluments and Kshs.977.86 million (43.9 per cent) on operations and maintenance as shown in Figure 3.39.

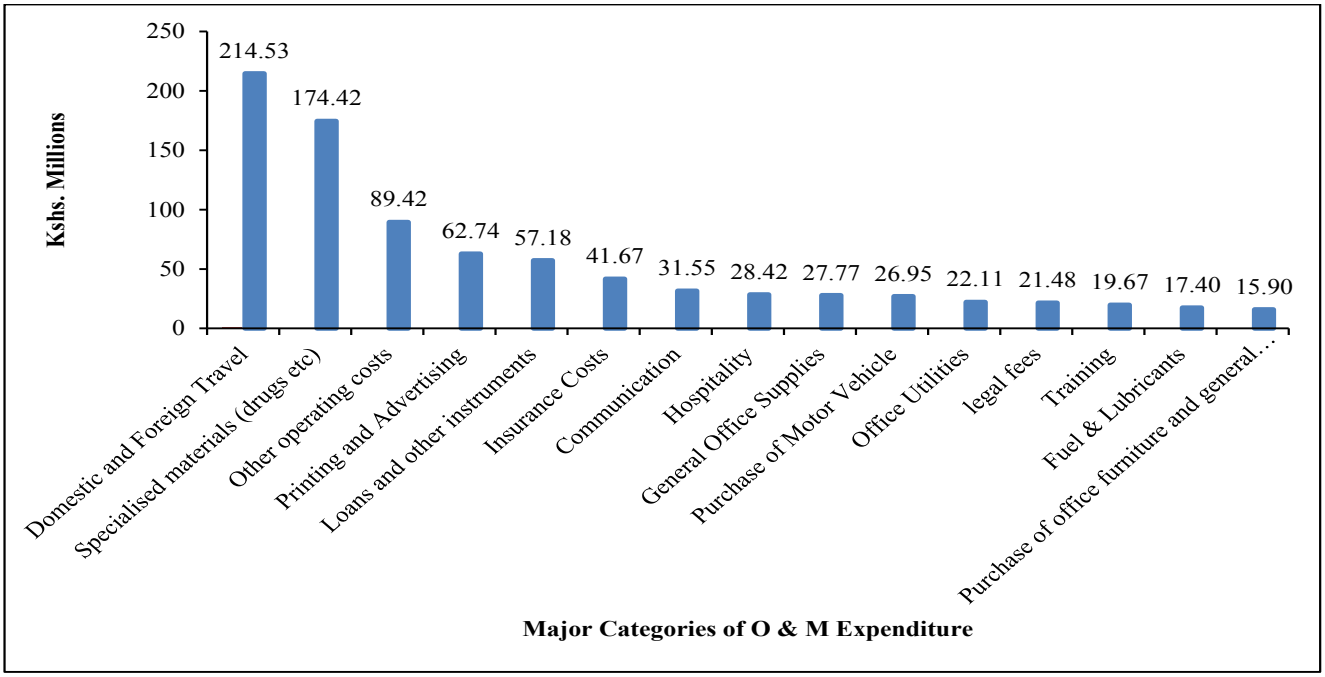
The expenditure on personnel emoluments of Kshs.1.24 billion in the first nine months of FY 2015/16 represented an increase of 30 per cent compared to a similar period in FY 2014/15 when the County spent Kshs.969.03 million. The increase is attributed to employment of new staff and annual salary increments for the existing members of staff.

The County spent Kshs.28.93 million on sitting allowances to the 41 MCAs and the Speaker against an annual budget of Kshs.66.33 million. This represents an increase from Kshs.16.55 million recorded in a similar period of FY 2014/15. The average monthly sitting allowance per MCA was Kshs.76,525 compared to SRC's recommended monthly ceiling of Kshs.124,800.

The aggregate expenditure on domestic and foreign travel was Kshs.214.53 million compared to Kshs.219.61 million incurred in a similar period of FY 2014/15, representing a slight decrease of

2.3 per cent. Figure 3.39 shows a breakdown of the operations and maintenance expenditure for the reporting period.

**Figure 3.39: Kajiado County, Operations and Maintenance Expenditure for the First Nine Months of FY 2015/16**

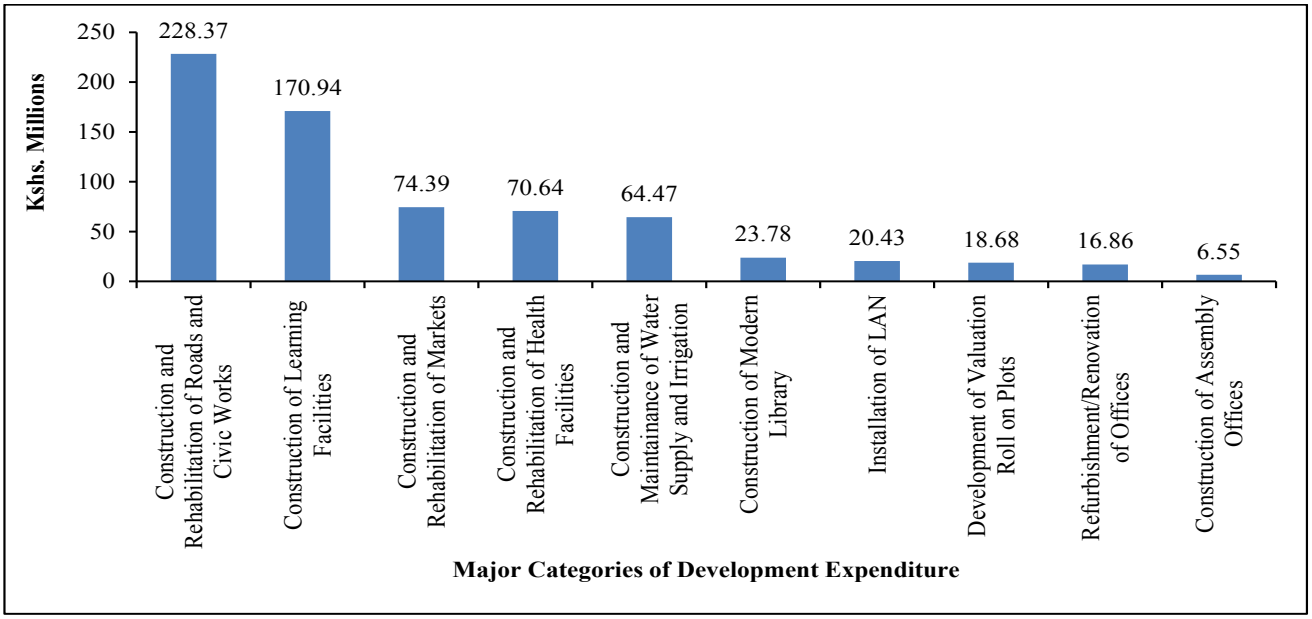



**Source:** *Kajiado County Treasury*

### 3.11.7 Development Expenditure Analysis

Figure 3.40 provides a summary of development expenditure during the period under review.

**Figure 3.40: Kajiado County, Summary of Development Expenditure for the First Nine Months of FY 2015/16**




**Source:** *Kajiado County Treasury*

Analysis of the development expenditure of Kshs.735.32 million incurred in the reporting period of FY 2015/16 indicates that the highest expenditure of Kshs.228.37 million was spent by the Roads Department on development and maintenance of access roads. The second highest expenditure of Kshs.170.94 million was incurred by the Education Department on construction of learning facilities. The Department of Trade incurred Kshs.74.39 million on construction and rehabilitation of markets while the Department of Health spent Kshs.70.64 million on upgrading and construction of health facilities.

### 3.11.8 Annual Budget and Budget Performance Analysis by department for the First Nine Months of FY 2015/16

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

**Table 3.30: Kajiado County, Annual Budget and First Nine Months of FY 2015/16 Budget Performance by Department**

| Department | Annual Budget Allocation (Kshs.Millions) | | 9 Months Exchequer Issues (Kshs.Millions) | | 9 Months Expenditure (Kshs.Millions) | | Expenditure To Exchequer Issues (%) | | Absorption Rate (%) | |
|---|---|---|---|---|---|---|---|---|---|---|
| | REC | DEV | REC | DEV | REC | DEV | REC | DEV | REC | DEV |
| Office of the Governor/D/Governor | 167.87 | - | 124.50 | - | 96.08 | - | 77.2 | - | 57.2 | - |
| County Public Service Board | 86.3 | - | 70.17 | - | 62.28 | - | 88.8 | - | 72.2 | - |
| Education | 286.68 | 636.84 | 99.06 | 149 | 123.59 | 147.76 | 124.8 | 99.2 | 43.1 | 23.2 |
| Health | 1,244.26 | 276.43 | 892.08 | 140 | 780 | 75.54 | 87.4 | 54.0 | 62.7 | 27.3 |
| Information & Citizen Participation | 47.7 | 89.59 | 31.77 | 62 | 30.97 | 48.52 | 97.5 | 78.3 | 64.9 | 54.2 |
| Agriculture | 241.97 | 36.5 | 168.14 | 26.5 | 142.15 | - | 84.5 | 0.0 | 58.7 | 0.0 |
| Water & Irrigation | 92.61 | 359.24 | 66.19 | 62 | 48.57 | 71.24 | 73.4 | 114.9 | 52.4 | 19.8 |
| Public Works & Roads | 94.85 | 673.03 | 65.32 | 138 | 56.39 | 297.61 | 86.3 | 215.7 | 59.5 | 44.2 |
| Finance and Economic Planning | 445.3 | 59.03 | 320.72 | 15 | 236.96 | 20.8 | 73.9 | 138.7 | 53.2 | 35.2 |
| Industrialization | 87.01 | 268.23 | 59.22 | 105 | 56.41 | 57.55 | 95.3 | 54.8 | 64.8 | 21.5 |
| Lands & Physical Planning | 133.13 | 137.95 | 105.01 | 42.5 | 75.41 | 9.75 | 71.8 | 22.9 | 56.6 | 7.1 |
| County Assembly | 513.88 | 124.52 | 335.59 | 10 | 301.01 | 6.55 | 89.7 | 65.5 | 58.6 | 5.3 |
| County Public Service and E-government | 485.86 | - | 286.69 | - | 204.69 | - | 71.4 | - | 42.1 | - |
| **TOTAL** | **3,927.42** | **2,661.37** | **2,624.45** | **750** | **2,214.51** | **735.32** | **84.4** | **98.0** | **56.2** | **27.6** |

**Source:** *Kajiado County Treasury*

Analysis of budget performance by department shows that the Department of Information, Communication and Technology reported the highest absorption rate for development expenditure at 54.2 per cent while the Department of Agriculture registered the lowest at 0 per cent. On the other hand, the County Public Service Board had the highest percentage of its recurrent expenditure to annual recurrent budget at 72.2 per cent while the Department of County Public Service and E-government had the lowest at 42.1 per cent.

### 3.11.9 Observations and Recommendations

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

i. The County has established and operationalised the Kajiado County Budget and Economic Forum in compliance with Section 137 (2) of the PFM Act, 2012.
ii. The County has observed timelines on preparation and submission of key planning documents.

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

1. Delayed disbursement of funds from the National Treasury which affected implementation of budgeted activities.
2. Legal cases by members of the public that have hampered revenue collection on liquor licences, Single Business Permits, and Sand Cess.
3. A large amount of outstanding commitments totalling to Kshs.2.07 billion, which is likely to result into huge pending bills at the end of FY 2015/16.
4. Delays in submission of revenue and expenditure reports by both the County Assembly and County Executive to the COB contrary to Section 166 and 168 of the PFM Act, 2012.

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

1. *The County Treasury should liase with the National Treasury to ensure timely disbursement of funds to the County as per the CARA 2015 approved disbursement schedule.*
2. *The County should address the legal matters surrounding revenue collection so as to enable smooth collection of local revenue.*
3. *The County should ensure that budget commitments are in line with the annual budget, cash flow projections, and the exchequer issues.*
4. *The County should ensure timely submission of reports as provided for in the PFM Act, 2012.*

## 3.12 Kakamega County

### 3.12.1 Overview of the FY 2015/16 Budget

The FY 2015/16 Approved Budget for Kakamega County is Kshs.12.33 billion, comprising of Kshs.6.28 billion (50.9 per cent) and Kshs.6.05 billion (49.1 per cent) allocated to recurrent and development expenditure respectively.

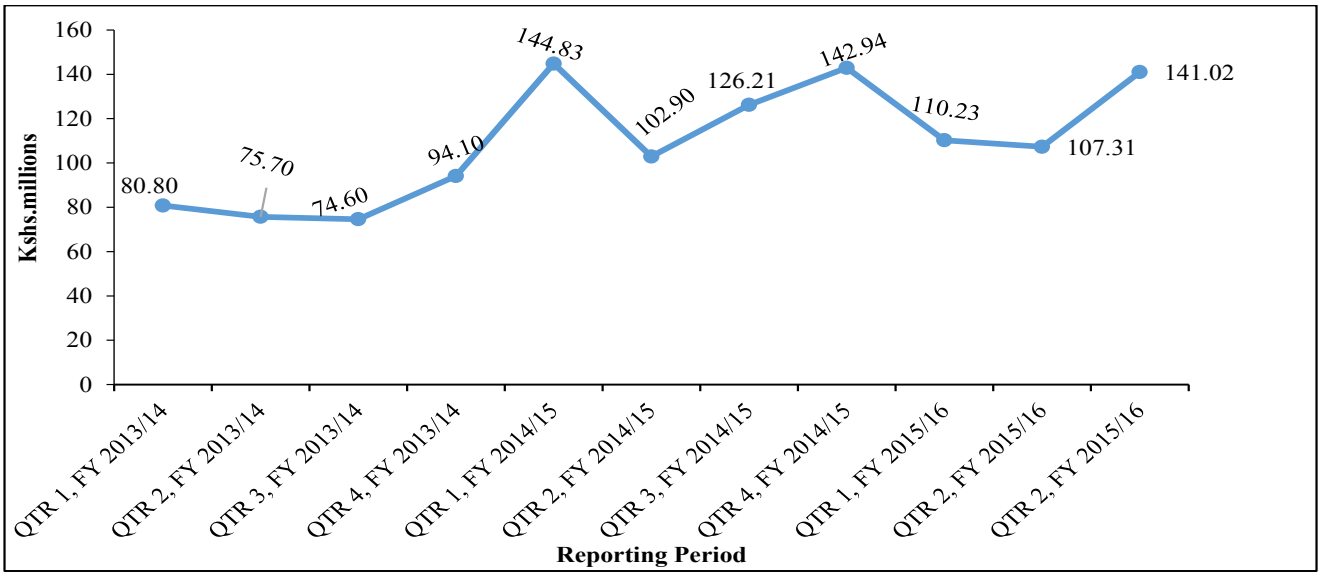
In order to finance the budget, the county expects to receive Kshs.8.91 billion (72.2 per cent) as Equitable share of revenue raised nationally, Kshs.828.92 million (6.7 per cent) as total conditional grants, generate Kshs.1 billion (8.1 per cent) from local sources, and Kshs.1.68 billion (13.6 per cent) as projected cash balance from FY 2014/15. The conditional grants comprise of Kshs.342.90 million (41.4 per cent) for Level 5 Hospital, Kshs.214.90 million (25.9 per cent) for Maternal Health Care, Kshs.113.16 million (13.6 per cent) from the Road Maintenance Fuel Levy Fund, Kshs.38.71 million (4.7 per cent) as User Fees Forgone, Kshs.95.74 million (11.6 per cent) for leasing of medical equipment and Kshs.23.5 million (2.8 per cent) as a conditional grant from DANIDA as shown in Table 3.32.

### 3.12.2 Revenue Analysis

In the first nine months of FY 2015/16, the county received Kshs.5.21 billion as Equitable share of revenue raised nationally, Kshs.370.29 million as conditional allocations, raised Kshs.358.56 million from local sources, and had a cash balance of Kshs.1.69 billion brought forward from FY 2014/15. The county did not borrow any funds during the reporting period to finance the budget.

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

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




**Source:** *Kakamega County Treasury*

The total local revenue for the reporting period of Kshs.358.56 million consisted of Kshs.110.23 million generated in the first quarter, Kshs.107.31 million in the second quarter and Kshs.141.02

million in the third quarter of FY 2015/16. The revenue collected was 35.8 per cent of the annual local revenue target, and a decrease from Kshs.368.65 million collected in a similar period of FY 2014/15.

Table 3.31 shows further analysis of the local revenue collected in the first nine months of FY 2015/16 by stream is shown in Table 3.31 .

**Table 3.31: Kakamega County analysis of revenue collection by stream for the first nine months of FY 2015/16**

| No | Revenue Stream | Annual Targeted Revenue (Kshs.) | 9 Months Actual Revenue | Actual Revenue as a percentage of Annual Targets (%) |
|---|---|---|---|---|
| 1 | Devolved Units & others | 21,000,000 | 39,311,913 | 187.2 |
| 2 | Housing/Stall Rent | 4,011,672 | 5,899,953 | 147.1 |
| 3 | Hire of Machinery | 6,112,848 | 7,128,316 | 116.6 |
| 4 | Bus Park | 48,285,392 | 36,451,100 | 75.5 |
| 5 | Barter Market | 39,361,412 | 24,292,882 | 61.7 |
| 6 | Health facilities & Public health | 275,100,000 | 135,606,715 | 49.3 |
| 7 | Single Business Permit | 123,160,304 | 46,581,919 | 37.8 |
| 8 | Property Rates | 47,250,000 | 14,334,152 | 30.3 |
| 9 | Kiosk Fee | 12,945,954 | 2,750,320 | 21.2 |
| 10 | Slaughter | 7,128,534 | 926,395 | 13.0 |
| 11 | CESS | 241,500,000 | 35,192,855 | 14.6 |
| 12 | Parking Fee | 48,668,340 | 7,005,980 | 14.4 |
| 13 | liquor Licences | 38,331,879 | 3,076,700 | 8.0 |
| | **TOTAL** | **1,000,000,000** | **358,559,200** | **35.8** |

**Source:** *Kakamega County Treasury*

Analysis of the local revenue by stream indicates that Devolved Units & others recorded the highest performance against annual target at 187.2 per cent. This was closely followed by Housing/Stall Rent at 147.1 per cent. The major reason for this performance is under budgeting in which certain revenues had not been factored for example, the housing/stall rent did not put into consideration rent paid by staff on houses belonging to the county government.

In the first nine months of the FY 2015/16, the County deposited all locally collected revenue into the County Revenue Fund account maintained at Central Bank of Kenya (CBK) in line with Article 207 of the Constitution.

### 3.12.3 Conditional Grants

Table 3.32 shows an analysis of conditional grants for the first nine months of FY 2015/16.

**Table 3.32: Kakamega County analysis of conditional grants for the first nine months of FY 2015/16**

| No. | Conditional Grant | Amount allocated as provided in CARA 2015 (Kshs.) | 9 Months Actual receipt of the Conditional Grant (Kshs.) | Actual Receipts as a percentage of Annual Allocation (%) |
|---|---|---|---|---|
| 1 | Road Maintenance Fuel Levy Fund | 113,164,138 | 57,147,888 | 50.5 |
| 2 | Level 5 Hospitals | 342,902,857 | 202,312,687 | 59.0 |
| 3 | Free Maternal Health Care | 214,900,000 | 92,442,500 | 43.0 |
| 4 | User Fees Forgone | 38,709,716 | 18,387,115 | 47.5 |
| 5 | DANIDA Grant | 23,500,000 | 0 | 0 |
| 6 | World Bank Grant | 0 | 0 | 0 |
| | **TOTAL** | **709,676,711** | **370,290,190** | **52.1** |

**Source:** *Kakamega County Treasury*

Analysis of the conditional grants for the period under review indicates that Level 5 Hospitals recorded the highest receipt against annual target at 59.0 per cent.

### 3.12.4 Exchequer Issues

During the period under review, the COB authorised withdrawal of Kshs.6.81 billion from the CRF account, which was 55.2 per cent of the approved budget. The amount represented an increase of 0.4 per cent from Kshs.6.78 billion authorized in a similar period of FY 2014/15 and consisted of Kshs.4.29 billion (63 per cent) for recurrent expenditure and Kshs.2.52 billion (37 per cent) for development activities.

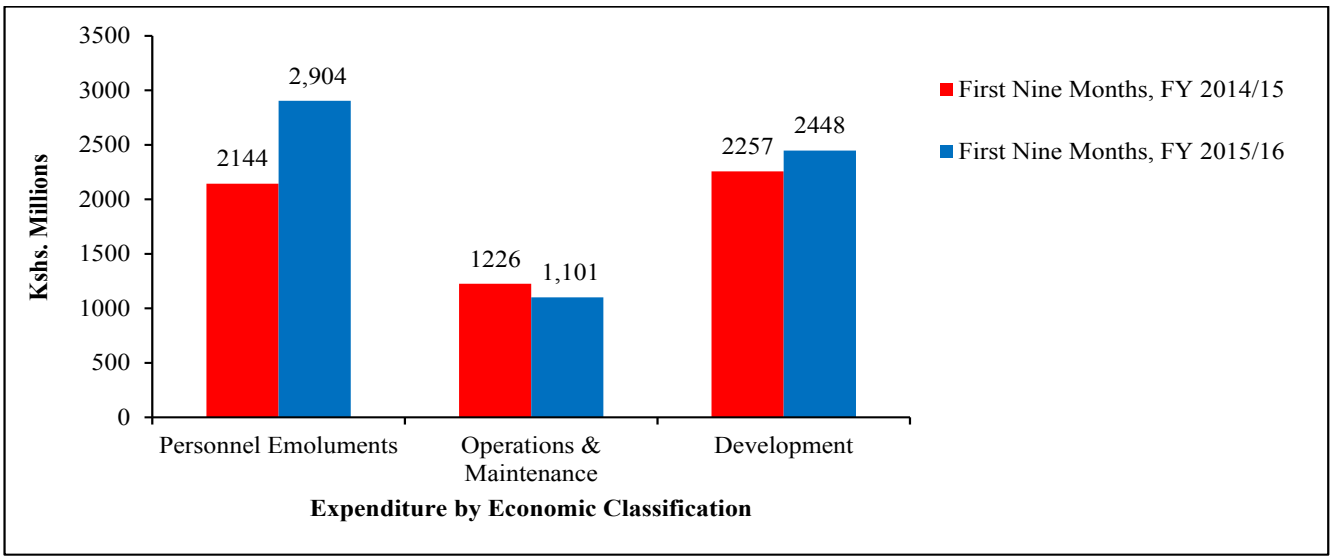
### 3.12.5 Overall Expenditure Review

The County spent a total of Kshs.6.45 billion during the first nine months of FY 2015/16 which was 94.1 per cent of the total funds released for operations. This was an increase from the Kshs.5.63 billion spent in a similar period of FY 2014/15. A total of Kshs.4.0 billion was spent on recurrent activities and Kshs.2.45 billion on development activities. Recurrent expenditure was 93.3 per cent of the funds released for recurrent activities while development expenditure accounted for 97.0 per cent of the funds released for development activities. The expenditure excludes commitments as at 31st March, 2016 that amounted to Kshs.277.92 million for development and Kshs.89.22 million for recurrent expenditure.

Recurrent expenditure for the period under review represented 63.7 per cent of the approved annual recurrent budget, an increase from 59.2 per cent spent in a similar period of FY 2014/15. On the other hand, development expenditure recorded an absorption rate of 40.5 per cent, a decrease from

48.8 per cent spent in a similar period of FY 2014/15. Figure 3.42 shows a comparison of the total expenditure in the third quarter of FY 2014/15 and the same period in FY 2015/16.

**Figure 3.42: Kakamega County, Expenditure by Economic Classification for the First Nine Months of FY 2014/15 and FY 2015/16**




**Source:** *Kakamega County Treasury*

### 3.12.6 Recurrent Expenditure Analysis

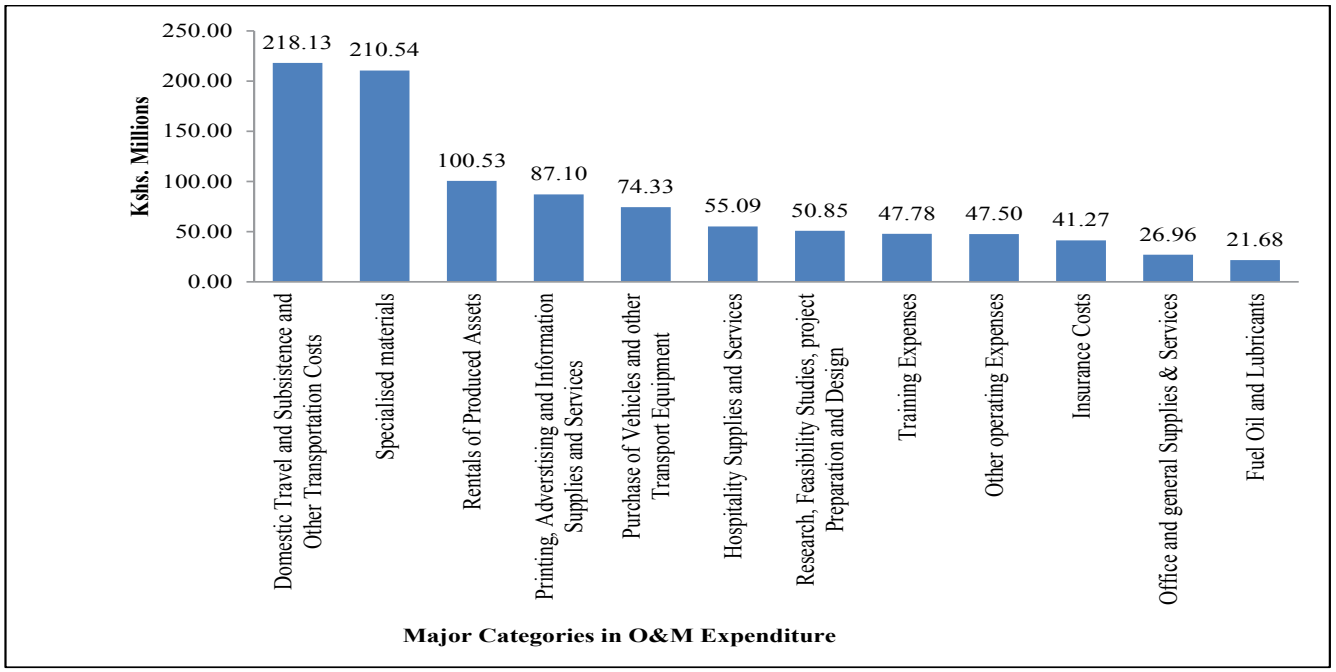
The total recurrent expenditure for the reporting period was Kshs.4.00 billion against an annual recurrent budget of Kshs.6.27 billion. This represents 63.8 per cent of the annual recurrent budget. The County spent Kshs.2.90 billion (72.5 per cent) on personnel emoluments and Kshs.1.1 billion (27.5 per cent) on operations and maintenance as shown in Figure 3.42.

The expenditure on personnel emoluments of Kshs.2.90 billion in the first nine months of FY 2015/16 represented an increase of 81.3 percent compared to a similar period in FY 2014/15 when the County spent Kshs.1.6 billion. The increase is attributed to employment of new staff by the county government.

The County spent Kshs.85.59 million on sitting allowances to the 87 MCAs and the Speaker against an annual budget of Kshs.142.49 million. This represents a decrease from Kshs.108.66 million recorded in a similar period of FY 2014/15. The average monthly sitting allowance per MCA was Kshs.108,071 compared to SRC's recommended monthly ceiling of Kshs.124, 800.

The aggregate expenditure on domestic and foreign travel was Kshs.233.29 million compared to Kshs.93.74 million incurred in a similar period of FY 2014/15, representing a significant increase of 148.87 per cent. This expenditure comprised of Kshs.106.57 million spent by the County Executive and Kshs.126.72 million by the County Assembly. Figure 3.43 shows a breakdown of the operations and maintenance expenditure for the reporting period.

**Figure 3.43: Kakamega County, Operations and Maintenance Expenditure for the First Nine Months of FY 2015/16**

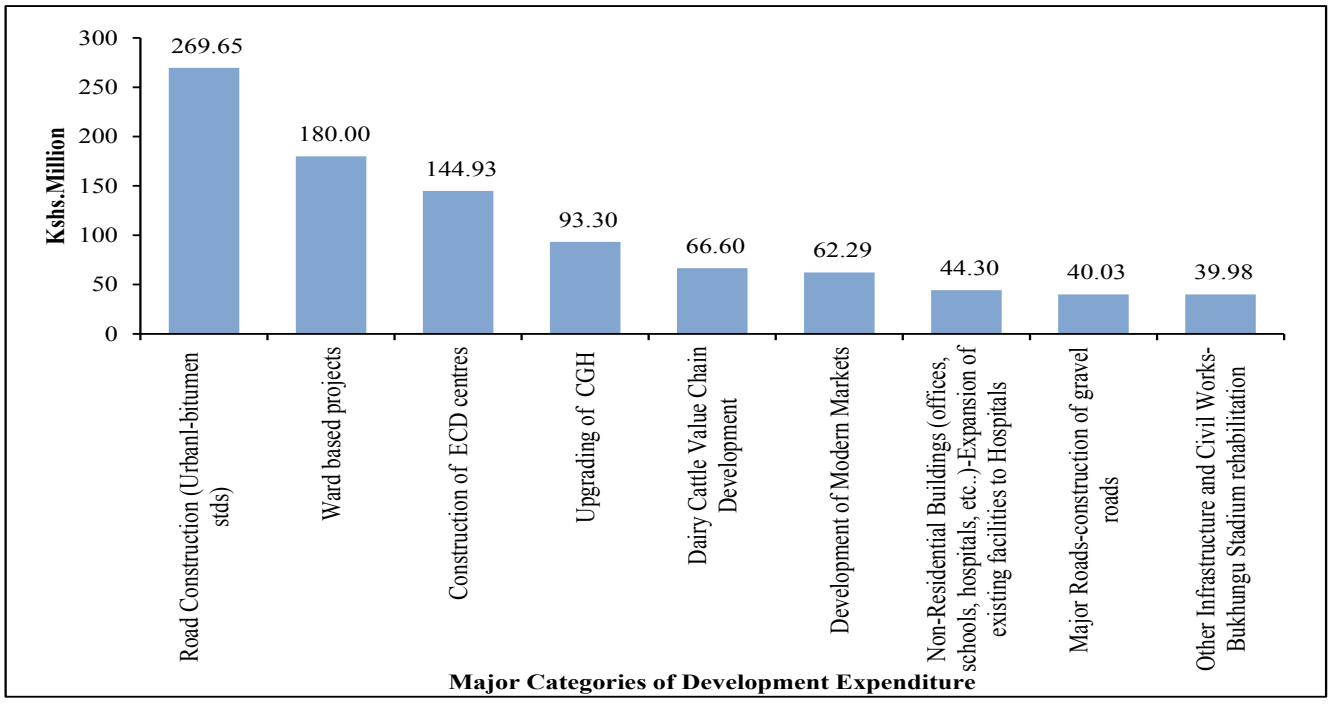



**Source:** *Kakamega County Treasury*

### 3.12.7 Development Expenditure Analysis

Figure 3.44 provides a summary of development expenditure during the period under review.

**Figure 3.44: Kakamega County, Summary of Development Expenditure for the First Nine Months of FY 2015/16**




***Source:*** *Kakamega County Treasury*

Analysis of the development expenditure of Ksh.2.45 billion in the first nine months of FY 2015/16 indicates that the Transport, Infrastructure & Public Works department had the highest expenditure at Kshs.951.9 million, which included Kshs.80 million for the 10 kilometers of roads per ward, Kshs.67.5 million for the purchase of specialized construction equipment and Kshs.26 million on construction of bridges across the county.

The second highest expenditure at Kshs.432.96 million was incurred by the Education, Science & Technology department, where the highest amount was spent on bursaries at Kshs.158 million, and Kshs.144 million on construction of ECDE classrooms. Figure 3.44 provides the details of development expenditure during the first quarter of FY 2015/16

### 3.12.8 Annual Budget and Budget Performance Analysis by department for the First Nine Months of FY 2015/16

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

**Table 3.33: Kakamega County, Annual Budget and First Nine Months of FY 2015/16 Budget Performance by Department**

| Department | Budget Allocation (Kshs.Million) | | Exchequer Issues (Kshs.Million) | | Expenditure (Kshs. Million) | | % of Expenditure to Exchequer Issues | | Absorption rate (%) | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Rec | Dev | Rec | Dev | Rec | Dev | Rec | Dev | Rec | Dev |
| Office of the Governor | 318.60 | 308.00 | 236.26 | 87.91 | 140.24 | 6.59 | 59.4 | 7.5 | 44.0 | 2.1 |
| Public Service and Administration | 1,721.15 | 259.40 | 1,379.79 | 96.00 | 1,220.97 | 102.10 | 88.5 | 106.4 | 70.9 | 39.4 |
| County Treasury and Economic Planning | 250.64 | 140.00 | 155.38 | 64.50 | 144.29 | 67.77 | 92.9 | 105.1 | 57.6 | 48.4 |
| Environment, Natural Resource, Water and Forestry | 98.06 | 224.10 | 57.20 | 103.75 | 14.55 | 90.17 | 25.4 | 86.9 | 14.8 | 40.2 |
| Labour, Social Services, Youth & Sports | 56.78 | 360.25 | 32.91 | 140.00 | 10.05 | 104.42 | 30.5 | 74.6 | 17.7 | 29.0 |
| Transport, Infrastructure & Public Works | 63.79 | 1,678.65 | 32.71 | 658.64 | 7.78 | 951.91 | 23.8 | 144.5 | 12.2 | 56.7 |
| Lands, Housing, Urban Areas & Physical planning | 84.06 | 212.00 | 49.04 | 117.00 | 14.74 | 50.95 | 30.1 | 43.5 | 17.5 | 24.0 |
| Health Services | 2,127.79 | 1,045.77 | 1,402.28 | 499.66 | 1950.41 | 279.77 | 139.1 | 56.0 | 91.7 | 26.8 |
| Agriculture, Livestock, Fisheries & Co-operatives | 364.86 | 575.00 | 249.80 | 337.90 | 69.36 | 225.62 | 27.8 | 66.8 | 19.0 | 39.2 |
| Industrialization, Trade & Tourism | 47.66 | 403.96 | 27.80 | 191.43 | 12.20 | 136.62 | 43.9 | 71.4 | 25.6 | 33.8 |
| Education, Science & Technology | 269.59 | 747.00 | 222.17 | 226.70 | 10.44 | 432.96 | 4.7 | 191.0 | 3.9 | 58.0 |
| County Public Service Board | 85.80 | - | 39.02 | 0.00 | | | - | | - | - |
| County Assembly | 786.85 | 100.00 | 463.88 | 0.00 | 410.38 | | 88.5 | | 52.1 | - |
| **TOTAL** | **6,275.63** | **6,054.13** | **4,292.74** | **2523.50** | **4,005.41** | **2,448.89** | **93.3** | **97.0** | **63.7** | **40.5** |

**Source:** *Kakamega County Treasury*

Analysis of budget performance by department shows that the Department of Education, Science & Technology reported the highest absorption rate for development expenditure at 58.0 per cent while the Office of the Governor registered the lowest absorption rate at 2.1 per cent. On the other hand, the Departments of Health Services had the highest absorption rate for recurrent expenditure at 91.7 per cent while the department of Education, Science & Technology had the lowest absorption rate for recurrent expenditure at 3.9 per cent. The County Public Service Board did not give their expenditure returns for the end of the review period.

### 3.12.9 Observations and Recommendations

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

i. The appointment of the Internal Audit Committee.

ii. Active participation by the County Budget and Economic Forum in the budget making process.

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

1. A high wage bill which is partly due to a huge workforce inherited from the former local authorities which has constrained funding to key development projects in the county and their operations.
2. Failure to budget for some non-discretionary items, such as MCA sitting allowances that was not captured in the budget.
3. Failure by MCAs to regularly repay the car and mortgage loans advanced to them by the County Government.

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

1. *The County should liaise with the National Government to evaluate the staff establishment under the CARPS programme for sustainability.*
2. *All non-discretionary expenditure items must be appropriately budgeted for.*
3. *The Administrator of the Car Loan and Mortgage Fund should ensure all disbursed loans are repaid. Further, the County Treasury should ensure that financial reports on the Car and Mortgage Scheme are prepared and audited.*

## 3.13 Kericho County

### 3.13.1 Overview of the FY 2015/16 Budget

The FY 2015/16 approved Budget for Kericho County is Kshs.5.08 billion, comprising of Kshs.3.27 billion (64.3 per cent) and Kshs.1.81 billion (35.7 per cent) allocated to recurrent and development expenditure respectively.

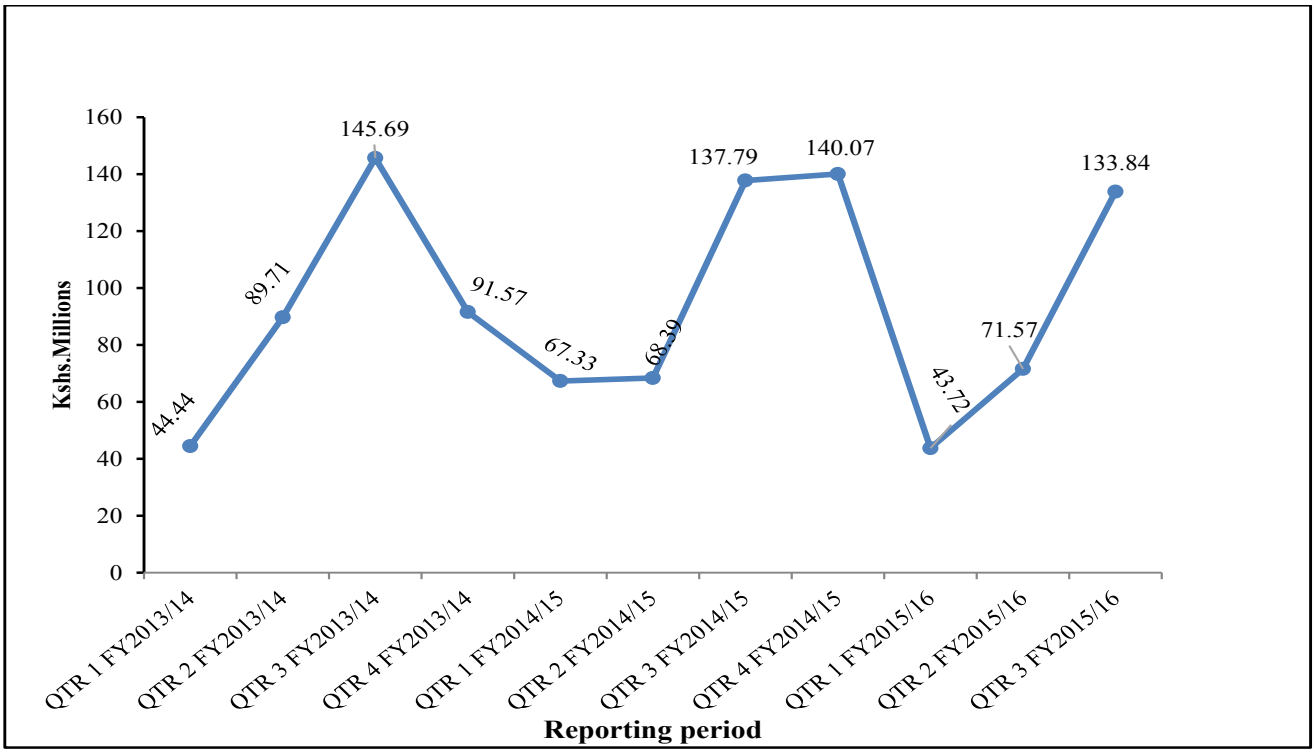
In order to finance the budget, the county expects to receive Kshs.4.51 billion (88.7 per cent) as equitable share of revenue raised nationally, Kshs.22.60 million (0.4 per cent) as conditional grants from DANIDA and generate Kshs.553.40 million (10.9 per cent) from local sources. However, the County did not budget for additional conditional grants amounting to Kshs.173.76 million though provided for in CARA 2015 and Kshs.425.18 million cash balance brought forward from the FY 2014/15.

### 3.13.2 Revenue Analysis

In the first nine months period of FY 2015/16, the County received Kshs.2.64 billion as equitable share of revenue raised nationally, Kshs.95.21 million as conditional allocations, raised Kshs.249.13 million from local sources, and had a cash balance of Kshs.425.18 million brought forward from FY 2014/15. The County did not borrow any money during the reporting period to finance their budget.

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

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




***Source:*** *Kericho County Treasury*

The total local revenue for the reporting period of Kshs.249.13 million consisted of Kshs.43.72 million generated in the first quarter, Kshs.71.57 million in the second quarter and Kshs.133.84 million in the third quarter of FY 2015/16. The revenue collected was 45.0 per cent of the annual local revenue target, and a decrease of 8.9 per cent from Kshs.273.52 million collected in a similar period of FY 2014/15.

Table 3.34 shows further analysis of the local revenue collected in the first nine months of FY

2015/16 by stream.

**Table 3.34: Kericho County analysis of revenue collection by stream for the first nine months of FY 2015/16**

| No | Revenue Stream | Annual Targeted Revenue (Kshs.) | 9 Months Actual Revenue | Revenue Performance (%) |
|---|---|---|---|---|
| 1 | Single Business Permit | 60,290,265 | 37,398,283 | 62.0 |
| 2 | Market /Trade Fees | 33,423,402 | 17,539,380 | 52.5 |
| 3 | House /Kiosk & Stall rents | 15,360,064 | 7,746,099 | 50.4 |
| 4 | Car Parking Fees | 19,383,534 | 9,174,050 | 47.3 |
| 5 | Produce cess | 16,104,126 | 7,249,713 | 45.0 |
| 6 | Forest produce cess | 12,875,516 | 5,747,655 | 44.6 |
| 7 | Health Services | 167,400,000 | 74,316,206 | 44.4 |
| 8 | Sub-County Public Health | 9,796,360 | 4,330,305 | 44.2 |
| 9 | Plan Approval fees | 10,128,780 | 4,417,438 | 43.6 |
| 10 | Bus park fees | 44,077,650 | 19,153,039 | 43.5 |
| 11 | Advertisements | 10,971,758 | 4,736,557 | 43.2 |
| 12 | Land Rates/Plot rents | 99,203,218 | 41,434,453 | 41.8 |
| 15 | Other sources | 54,385,326 | 15,884,978 | 29.2 |
| | **TOTAL** | **553,400,000** | **249,128,156** | **45.0** |

***Source:*** *Kericho County Treasury*

Analysis of the local revenue by stream indicates that single business permit (SBP) recorded the highest performance against annual target at 62.0 per cent. This was followed closely by market trade fees at 52.5 per cent and house /stall rents at 50.4 per cent. Despite the major revenue streams demonstrating an increasing performance trends against their annual targets, the overall revenue turnover achieved fell below 50 per cent of the annual target.

In the first nine months of the FY 2015/16, the County swept all the local revenues deposited into County Revenue Collection Account to the County Revenue Fund Account maintained at Central Bank of Kenya (CBK) in line with Article 207 of the Constitution.

### 3.13.3 Conditional Grants

Table 3.35 shows an analysis of conditional grants for the first nine months of FY 2015/16.

**Table 3.35: Kericho County analysis of conditional grants for the first nine months of FY 2015/16**

| No. | Conditional Grant | Amount allocated as provided in CARA 2015 (Kshs) | 9 Months Actual receipt of the Conditional Grant (Kshs) | Actual Receipts as (%) of Annual Allocation |
|---|---|---|---|---|
| 1 | DANIDA Grant | 22,600,000 | 19,930,000 | 88.2 |
| 2 | Road Maintenance Fuel Levy Fund | 57,229,294 | 28,900,794 | 50.5 |
| 3 | User Fees Forgone | 17,676,855 | 8,396,506 | 47.5 |
| 4 | Free Maternal Health Care | 98,854,000 | 37,980,000 | 38.4 |
| 5 | Leasing of Medical Equipment | 95,744,680 | - | 0.0 |
| | **TOTAL** | **292,104,829** | **95,207,300** | **32.6** |

***Source**: Kericho County Treasury*

Analysis of the conditional grants for the period under review indicates that DANIDA grant recorded the highest receipt against annual target at 88.2 per cent. This was followed closely by Road Maintenance Fuel Levy Fund at 50.5 per cent. The Free Maternal Health Care registered the lowest performance of 38.4 per cent. The County was unable to access all the grants in the CRF account except for DANIDA due to non-inclusion in the budget.

### 3.13.4 Exchequer Issues

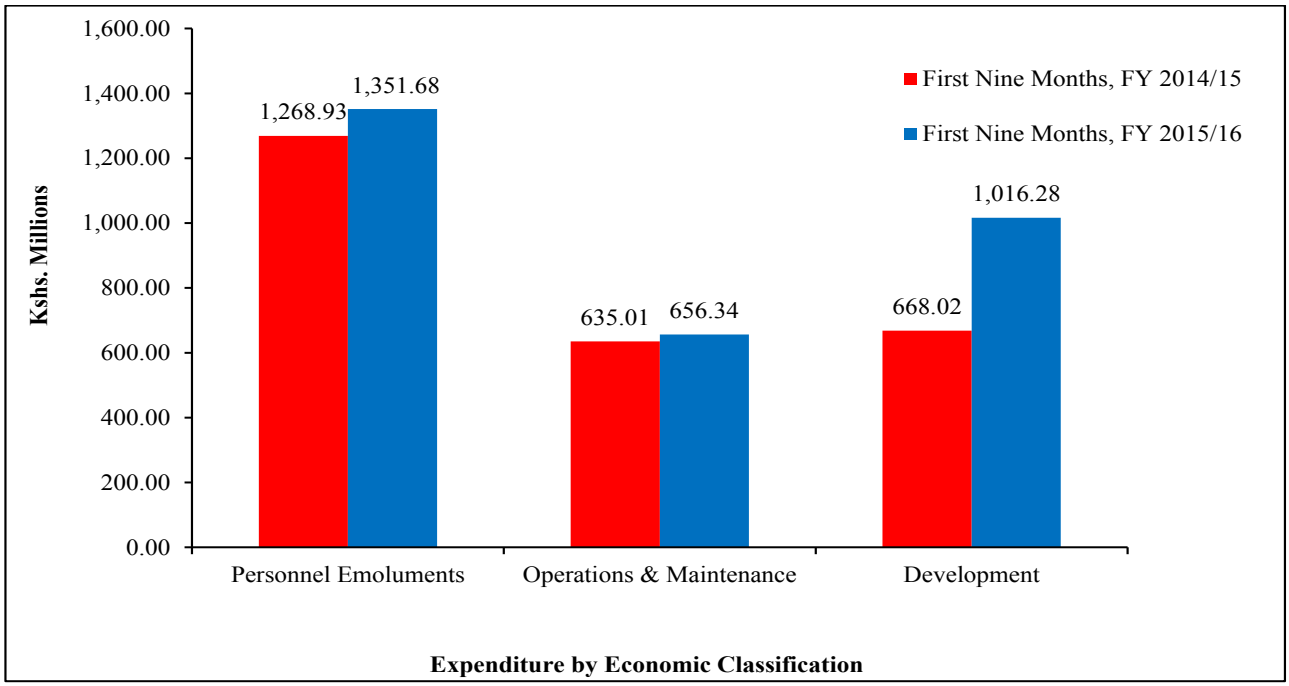
During the period under review, the COB authorised withdrawal of Kshs.3.29 billion from the CRF account, which was 64.9 per cent of the approved budget. The amount represented an increase of 5.1 per cent from Kshs.3.13 billion authorised in a similar period of FY 2014/15 and consisted of Kshs.2.12 billion (64.4 per cent) for recurrent expenditure and Kshs.1.17 million (35.6 per cent) for development expenditure.

### 3.13.5 Overall Expenditure Review

The County spent a total of Kshs.3.03 billion during the first nine months of FY 2015/16 which was 91.9 per cent of the total funds released for operations. This was an increase from the Kshs.2.75 billion spent in a similar period of FY 2014/15. A total of Kshs.2.01 billion was spent on recurrent activities and Kshs.1.02 billion on development activities. Recurrent expenditure was 94.8 per cent of the funds released for recurrent activities while development expenditure accounted for 86.5 per cent of the funds released for development activities. The expenditure excludes commitments as at 31st March, 2016 that stood at Kshs.356.67 million for development and Kshs.120.48 million for recurrent expenditure.

Recurrent expenditure for the period under analysis represented 61.6 per cent of the approved annual recurrent budget, a slight increase from 61.5 per cent spent in a similar period of FY 2014/15. On the other hand, development expenditure recorded an absorption rate of 56.0 per cent, an increase from 45.8 per cent spent in a similar period of FY 2014/15. Figure 3.46 shows a comparison of the total expenditure in the third quarter of FY 2014/15 and the same period in FY 2015/16.

**Figure 3.46: Kericho County, Expenditure by Economic Classification for the First Nine Months of FY 2014/15 and FY 2015/16**




***Source:*** *Kericho County Treasury*

### 3.13.6 Recurrent Expenditure Analysis

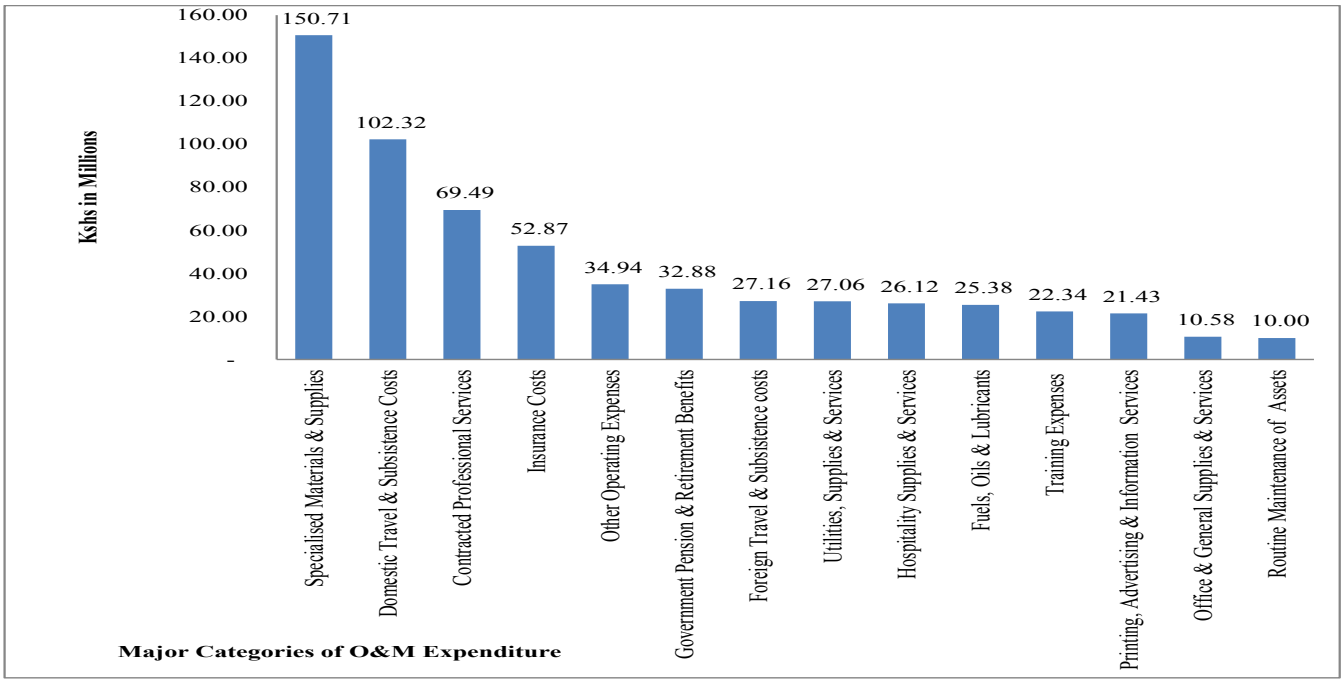
The total recurrent expenditure for the reporting period was Kshs.2.01 billion against an annual recurrent budget of Kshs.3.27 billion. This represents 61.6 per cent of the annual recurrent budget. The County spent Kshs.1.35 billion (67.1 per cent) on personnel emoluments and Kshs.661.34 million (32.9 per cent) on operations and maintenance as shown in Figure 3.46.

The expenditure on personnel emoluments of Kshs.1.35 billion significantly in the first nine months of FY 2015/16 represented an increase of 7.0 per cent compared to a similar period in FY 2014/15 when the County spent Kshs.1.26 million. This increase is attributed to annual staff salary adjustments effected in the year.

The County spent Kshs.46.99 million on sitting allowances to the 48 MCAs and the Speaker against an annual budget of Kshs.79.60 million. This represents an increase from Kshs.40.83 million recorded in a similar period of FY 2014/15. The average monthly sitting allowance per MCA was Kshs.108,781 compared to SRC's endorsed monthly ceiling of Kshs.124,800.

The aggregate expenditure on domestic and foreign travel was Kshs.129.49 million compared to Kshs.111.69 million incurred in a similar period of FY 2014/15, representing a significant increase of 15.9 per cent. Figure 3.47 shows a breakdown of the operations and maintenance expenditure for the reporting period.

**Figure 3.47: Kericho County, Operations and Maintenance Expenditure for the First Nine Months of FY 2015/16**

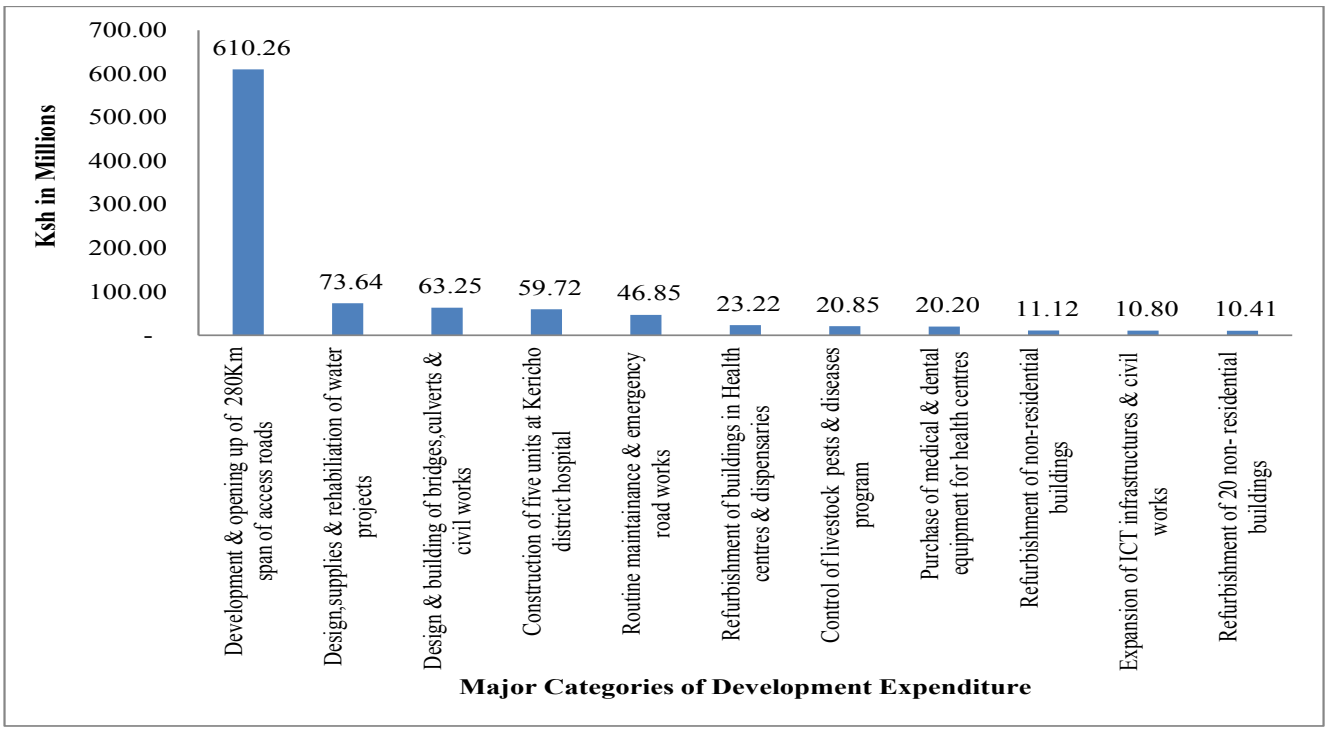



***Source:*** *Kericho County Treasury*

### 3.13.7 Development Expenditure Analysis

Figure 3.48 provides a summary of development expenditure during the period under review.

**Figure 3.48: Kericho County, Summary of Development Expenditure for the First Nine Months of FY 2015/16**




***Source:*** *Kericho County Treasury*

Analysis of the development expenditure of Kshs.1.01 billion incurred in the reporting period indicates that the highest expenditure of Kshs.610.26 million was spent by the Roads Department on development and opening up of new access roads. A total of 280 kilometres of access roads were newly opened, graded and gravelled across the 29 wards. The second highest expenditure of Kshs.73.64 million was by the Water Department in design assessment, rehabilitation of water projects and supply of pipes to benefit areas not covered by Kericho Water Sewerage &Sanitation Company Ltd in provision of water services to 29 wards.The Department of Public Works and Roads utilized Kshs.63.25 million in development and construction of 4 bridges,18 box culverts and other civil works while the Health Department spent Kshs.59.72 million in construction of burns unit, medical stores, operating theatre, surgical unit & comprehensive care extension at Kericho District Hospital.

### 3.13.8 Annual Budget and Budget Performance Analysis by department for the First Nine Months of FY 2015/16

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

**Table 3.36: Kericho County, Annual Budget and First Nine Months of FY 2015/16 Budget Performance by Department**

| Department | Annual Budget Allocation (Kshs.Million) | | 9 Months Exchequer Issues (Kshs.Million) | | 9 Months Expenditure (Kshs.Million) | | Expenditure to Exchequer Issues (%) | | Absorption rate (%) | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Rec | Dev | Rec | Dev | Rec | Dev | Rec | Dev | Rec | Dev |
| County Assembly Services | 538.04 | 20.00 | 323.66 | - | 304.99 | - | 94.2 | - | 56.7 | - |
| Public Service & Administration | 277.36 | 10.27 | 175.11 | - | 189.45 | - | 108.2 | - | 68.3 | - |
| Office of the Governor & Deputy Governor | 144.45 | - | 103.06 | - | 138.74 | - | 134.6 | - | 96.0 | - |
| County Public Service Board | 43.03 | - | 33.26 | - | 27.76 | - | 83.5 | - | 64.5 | - |
| Finance & Economic Planning | 299.94 | 44.39 | 170.74 | 14.39 | 147.53 | - | 86.4 | - | 49.2 | - |
| Agriculture, Livestock & Fisheries Development | 159.60 | 165.77 | 100.85 | 77.00 | 106.84 | 49.84 | 105.9 | 64.7 | 66.9 | 30.1 |
| Water ,Enviroment ,Energy & Natural Resources | 69.32 | 140.56 | 36.71 | 83.95 | 43.25 | 74.50 | 117.8 | 88.7 | 62.4 | 53.0 |
| Education ,Youth, Culture & Social services | 202.64 | 284.10 | 130.40 | 79.90 | 120.16 | 6.20 | 92.1 | 7.8 | 59.3 | 2.2 |
| Health Services | 1,330.47 | 172.83 | 920.85 | 140.88 | 819.06 | 117.45 | 88.9 | 83.4 | 61.6 | 68.0 |
| Land, Housing & Physical Planning | 43.78 | 74.24 | 23.59 | 21.00 | 19.43 | 21.53 | 82.3 | 102.5 | 44.4 | 29.0 |
| Public Works, Roads & Transport | 54.93 | 747.81 | 41.32 | 685.97 | 42.70 | 720.36 | 103.4 | 105.0 | 77.7 | 96.3 |
| ICT & E-Government | 24.21 | 67.81 | 15.72 | 28.00 | 13.23 | 14.49 | 84.2 | 51.8 | 54.7 | 21.4 |
| Trade, Industrialization, Tourism, Wildlife & Co-operative Development | 78.81 | 86.70 | 47.41 | 43.10 | 39.88 | 11.78 | 84.1 | 27.3 | 50.6 | 13.6 |
| **TOTAL** | **3,266.58** | **1,814.48** | **2,122.68** | **1,174.18** | **2,013.02** | **1,016.16** | **94.8** | **86.5** | **61.6** | **56.0** |

***Source:*** *Kericho County Treasury*

Analysis of budget performance by department shows that the Department of Public Works & Roads recorded the highest absorption rate for development expenditure at 96.3 per cent while the departments of Public Service and Finance & Economic Planning had no development expenditure. On the other hand, the Office of the Governor recorded the highest percentage of its recurrent expenditure to annual recurrent budget at 96.0 per cent while the department of Lands, Housing & Physical Planning posted the lowest recurrent absorption rate at 44.4 per cent.

### 3.13.9 Observations and Recommendations

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

*i.* Adherence to budgeting and planning timelines as stipulated in the PFM Act, 2012.

*ii.* Capacity building on use of IFMIS and the E-procurement module.

*iii.* Improvement in absorption of development funds to 56.0 per cent attained in the reporting period compared to 45.8 per cent achieved in a similar period of FY 2014/15.

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

1. Delay in disbursement of funds by National Treasury which resulted to slow implementation of development projects.
2. Low local revenue performance which stood at 45 per cent of the annual local revenue target which implies that the county might face fiscal deficit in implementing planned development activities. The declining performance is attributed to inadequate enforcemet mechanisms.
3. Delay in preparation and approval of supplementary budget to incorporate the conditional grants contained in the CARA 2015, such as User Fees Forgone, Maternal Health Care and Road Maintenance Fuel Levy Fund which were already disbursed to the County.

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

1. *The County Treasury should liase with the National Treasury to ensure timely release of funds in accordance with the CARA 2015 approved disbursement schedule.*
2. *The County Treasury should institute strategies and measures to enhance revenue collection such as enforcement of revenue laws, and automation of revenue collection.*
3. *The County should prepare and enact a supplementary budget in order to incorporate all conditional grants contained in the CARA, 2015.*

## 3.14 Kiambu County

### 3.14.1 Overview of the FY 2015/16 Budget

The FY2015/16 approved budget for Kiambu County is Kshs.11.95 billion, comprising of Kshs.7.98 billion (66.8 per cent) allocated to recurrent expenditure and Kshs.3.97 billion (33.2 per cent) to

development expenditure.

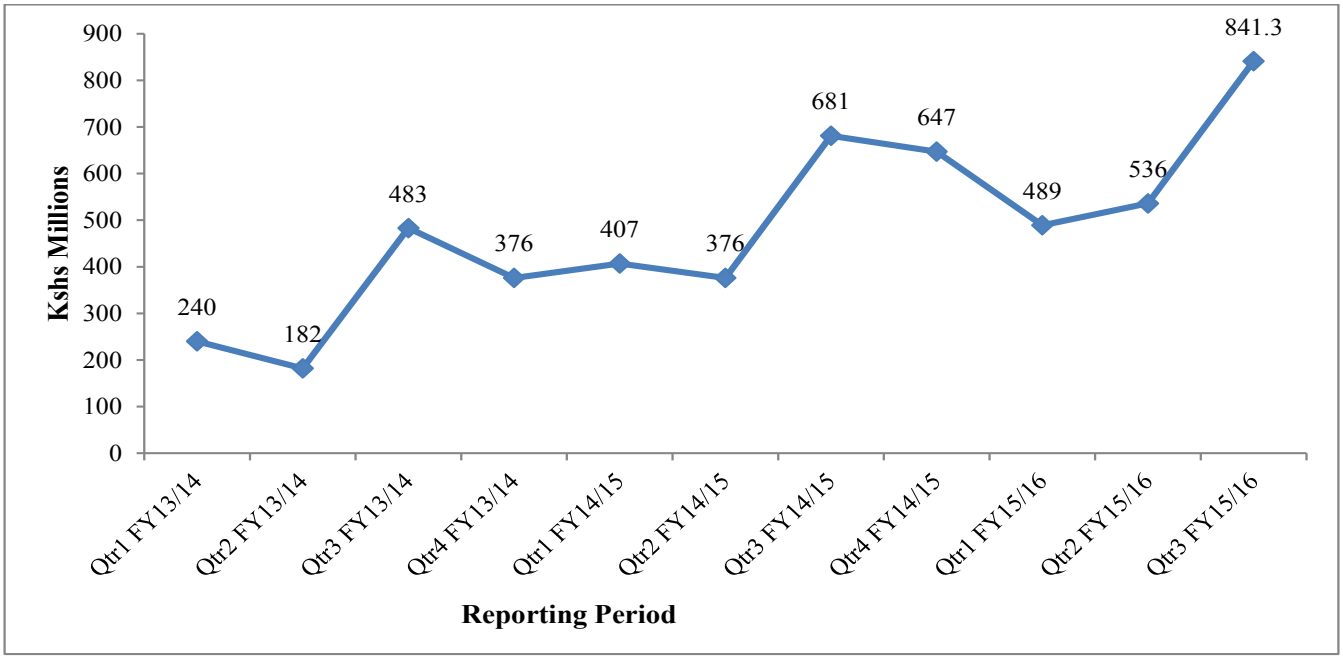
In order to finance the budget, the County expects to receive Kshs.7.46 billion (62.5percent) as equitable Share of revenue raised nationally, Kshs.802.42 million (6.7 per cent) as conditional grants, and generate Kshs.3.68 billion (30.8 per cent) from local sources. The conditional grants is comprise of Kshs.330.04 million for Thika Level V hospital; Kshs.224.78 million for maternal health care; 95.74 million for leasing of medical equipment; Kshs.94.81 million for road Road Maintenance Fuel Levy Fund; Kshs.37.84 million for compensation of User Fees Forgone and Kshs.19.2 million DANIDA grant.

### 3.14.2 Revenue Analysis

In the first nine months of FY 2015/16, the county received Kshs.5.04 billion (73.4 per cent) equitable share of revenue raised nationally, Kshs.326.05 million as conditional allocations, raised Kshs.1.82 billion (23.3 per cent) from local sources, and had cash balance of Kshs.2.59 million (0.1 per cent) brought forward from FY 2014/15. The County did not borrow any funds during the reporting period to finance the budget.

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

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




**Source:** *Kiambu County Treasury*

The total local revenue for the reporting period of Kshs1.8 billion consisted of Kshs.489 million generated in the first quarter, Kshs.536 million in the second quarter and Kshs.841 million in the third quarter of FY 2015/16. The revenue collected was 49.3per cent of the annual local revenue target, and an improvement from Kshs.1.46 billion collected in a similar period of FY 2014/15.

Table 3.37 shows further analysis of the local revenue collected in the first nine months of FY

2015/16 by stream.

**Table 3.37: Kiambu County analysis of revenue collection by stream for the first nine months of FY 2015/16**

| No. | Revenue Stream | Targeted Receipts (Kshs.) | 9 actual Actual Receipts (Kshs.) | Actual Revenue as a percentage of Annual Targets (%) |
|---|---|---|---|---|
| 1 | Health Services Mg't | 430,000,000 | 391,546,870.02 | 91.1 |
| 2 | Physical Planning Management Unit | 548,444,874 | 332,054,825.72 | 60.5 |
| 3 | Parking fees | 440,000,000 | 205,943,187.69 | 46.8 |
| 4 | Land Rates Management Unitt | 545,131,996 | 188,934,886.00 | 34.7 |
| 5 | Business Permit | 389,026,913 | 204,325,467.88 | 52.5 |
| 6 | Others | 1,330,478,848 | 492,539,181.00 | 37.0 |
| | **TOTAL** | **3,683,082,631** | **1,815,344,418** | **49.3** |

**Source:** *Kiambu County Treasury*

Analysis of the local revenue by stream indicates that Health Service Management recorded the highest performance against annual target at 91.1 per cent. This was closely followed by Physical Planning Management Unit at 60.5 per cent.

### 3.14.3 Conditional Grants

Able 3.38 shows an analysis of conditional grants for the first nine months of FY 2015/16..

**Table 3.38: Kiambu County analysis of conditional grants for the first nine months of FY 2015/16**

| No. | Conditional Grant | Amount allocated as provided in CARA 2015 (Kshs.) | 9 Months Actual receipt of the Conditional Grant (Kshs.) | Actual Receipts as a percentage of Annual Allocation (%) |
|---|---|---|---|---|
| 1 | Level 5 Hospitals | 330,044,000 | 221,129,480 | 67.0 |
| 2 | Road Maintenance Fuel Levy Fund | 94,811,800 | 47,879,959 | 50.5 |
| 3 | Free Maternal Health Care | 224,785,400 | 37,838,646 | 16.8 |
| 4 | User Fees Forgone | 37,838,646 | - | - |
| 5 | DANIDA Grant | 19,200,000 | 19,200,000 | 100.0 |
| 6 | World Bank Grant | - | - | - |
| | **TOTAL** | **706,679,846** | **326,048,085** | **46.1** |

***Source:*** *Kiambu County Treasury*

Analysis of the conditional grants for the period under review indicates that DANIDA recorded the highest performance against annual target at 100 per cent. This was closely followed by Level 5 Hospitals Fund at 67 per cent.

### 3.14.4 Exchequer Issues

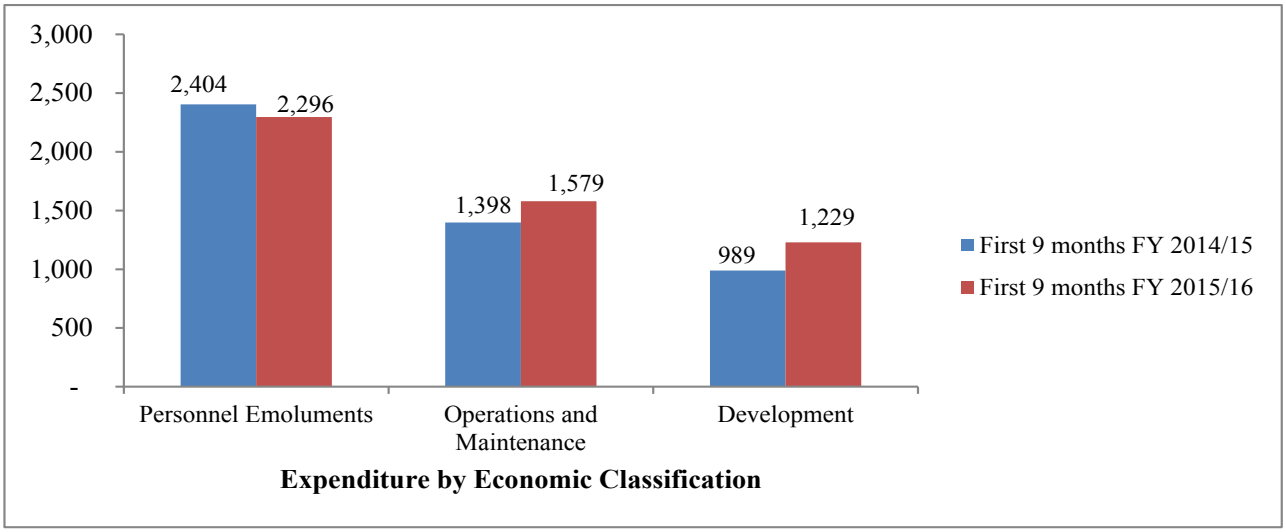
During the period under review, the COB authorised withdrawal of Kshs.7.04 billion from the CRF account, which was 59 per cent of the approved budget. The amount represented an increase of 80.5 per cent from Kshs.3.9 billion authorized in a similar period of FY 2014/15 and consisted of Kshs.1.38 billion (19.6 per cent) for development expenditure and Kshs.5.7 billion (80.4 per cent) for recurrent activities.

### 3.14.5 Overall Expenditure Review

The County spent a total of Kshs5.1 billion during the first nine months of FY 2015/16 which was 71.8 per cent of the total funds released for operations. This was an increase from the Kshs.4.79 billion spent in a similar period of FY 2014/15. A total of Kshs.3.87 billion was spent on recurrent activities and Kshs.1.22 billion on development activities. Recurrent expenditure was 68.3 per cent of the funds released for recurrent activities while development expenditure accounted for 89.1 per cent of the funds released for development activities. The expenditure excludes commitments as at 31st March, 2016 that amounted to Kshs.301.30 million for development and Kshs.690.08 million for recurrent expenditure.

Recurrent expenditure for the period under review represented 48.6 per cent of the approved annual recurrent budget, a slight decrease from 55.5 per cent spent in a similar period of FY 2014/15. On the other hand, development expenditure recorded an absorption rate of 31 per cent a decrease from 31.6 per cent spent in a similar period of FY 2014/15. Figure 3.50 shows a comparison of the total expenditure in the third quarter of FY 2014/15 and the same period in FY 2015/16.

**Figure 3.50: Kiambu County, Expenditure by Economic Classification for the First Nine Months of FY 2014/15 and FY 2015/16**




**Source:** *Kiambu County Treasury*

### 3.14.6 Recurrent Expenditure Analysis

The total recurrent expenditure for the reporting period was Kshs.3.87 billion against an annual

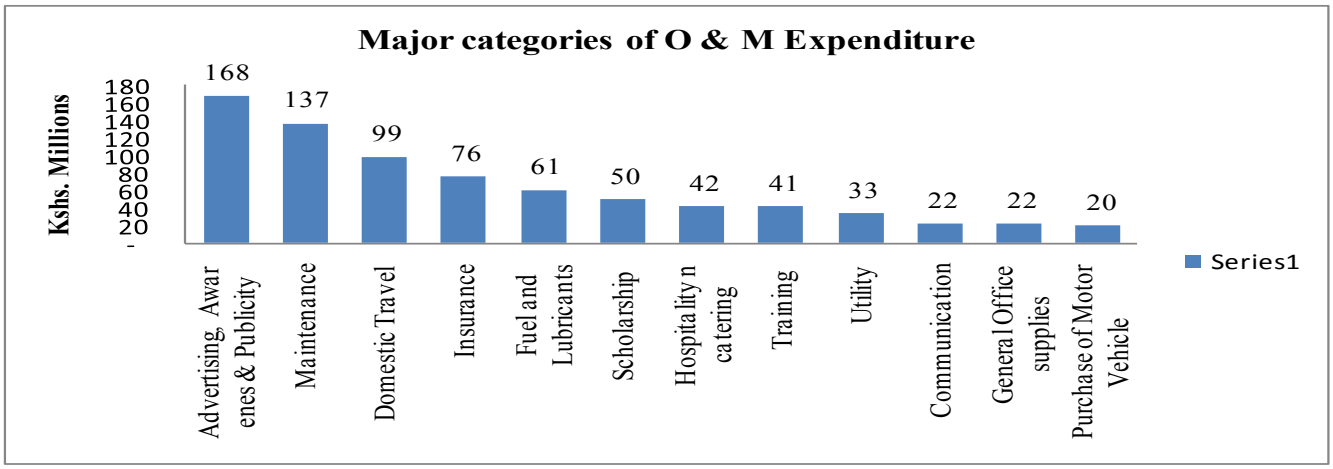
recurrent budget of Kshs.7.98 billion. This represents 48.5 per cent of the annual recurrent budget. The County spent Kshs.2.3 billion (59.3 per cent) on personnel emoluments and Kshs.1.58 billion (40.7 per cent) on operations and maintenance as shown in Figure 3.50.

The expenditure on personnel emoluments of Kshs.2.3 billion incurred in the first nine months of FY 2015/16 represented a decrease of 9.5 per cent compared to a similar period in FY 2014/15 when the County spent Kshs.2.40 billion. The decrease is attributed to stringent management of staff allowances in the nine month period, which is commendable.

The County spent Kshs.72.96 million on sitting allowances to the 87 MCAs and the Speaker against an annual budget of Kshs.100 million. This represents an increase from Kshs.53.22 million recorded in a similar period of FY 2014/15. The average monthly sitting allowance per MCA was Kshs.92,119 compared to SRC's recommended monthly ceiling of Kshs.124,000.

The aggregate expenditure on domestic and foreign travel was Kshs.205.7 million compared to Kshs.131.91 million incurred in a similar period of FY 2014/15, representing a significant increase of 55.9 per cent. Figure 3.51 shows a breakdown of the operations and maintenance expenditure for the reporting period.

**Figure 3.51: Kiambu County, Operations and Maintenance Expenditure for the First Nine Months of FY 2015/16**

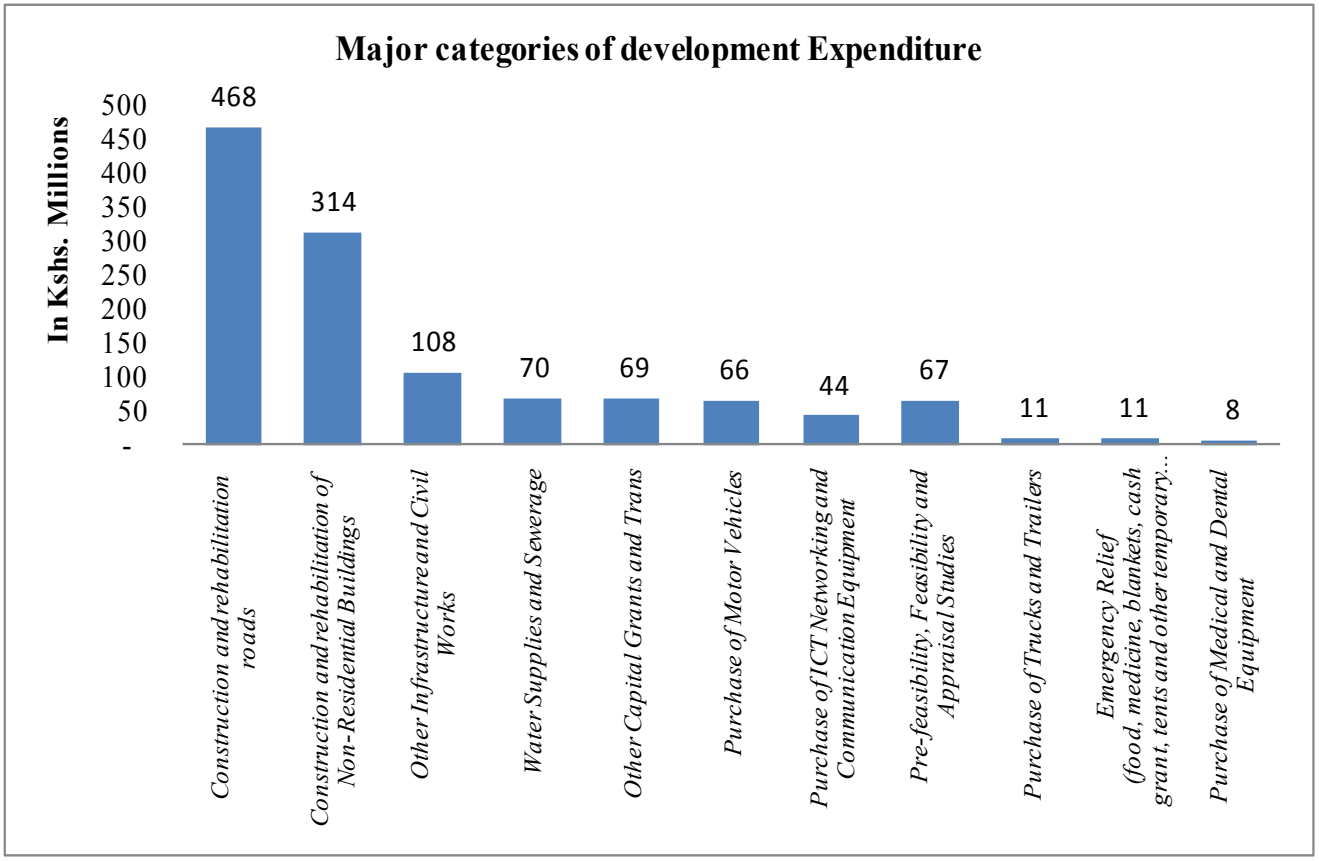



**Source:** *Kiambu County Treasury*

### 3.14.7 Development Expenditure Analysis

Figure 3.52 shows a summary of development expenditure during the period under review.

**Figure 3.52: Kiambu County, Summary of Development Expenditure for the First Nine Months of FY 2015/16**




**Source:** *Kiambu County Treasury*

Analysis of the development expenditure of Kshs.1.23 billion incurred in the reporting period of FY 2015/16 indicates that the highest expenditure of Kshs.468 million was spent by the Roads Department on development and maintenance of access roads and purchase of a garbage truck, a total of 261 kilometres of roads were maintained across all wards. The second highest expenditure of Kshs.314 million was incurred by the health department on construction of health facilities. The Department of Land, Physical Planning and Urban Development incurred Kshs.70 million on installation of street lights while the Department of Agriculture incurred Kshs.108 million on Artificial Insemination Programme.

### 3.14.8 Annual Budget and Budget Performance Analysis by department for the First Nine Months of FY 2015/16

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

**Table 3.39: Kiambu County, Annual Budget and First Nine Monthsof FY 2015/16 Budget Performance by Department**

| Department | Budget Allocation (Kshs. Million) | | 9 Months Exchequer Issues (Kshs. Million) | | 9 Months Expenditure (Kshs. Million) | | Expenditure to Exchequer Issues (%) | | Absorption % | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Rec | Dev | Rec | Dev | Rec | Dev | Rec | Dev | Rec | Dev |
| **County Assembly** | 828 | 44.8 | 506.95 | - | 534 | - | 105.3 | 0 | 64.5 | 0 |
| **County Executive** | 382 | 7.2 | 250.9 | - | 170.49 | 3.2 | 68 | 0 | 44.6 | 44.4 |
| **County Public Service Board** | 63 | 0 | 31.59 | 0 | 31.85 | 0 | 100.8 | 0 | 51 | 0 |
| **Finance and Econ. Planning** | 1,374 | 85.3 | 780.28 | 11.8 | 609.7 | -27.85 | 78.1 | -2.4 | 44.4 | -32.6 |
| **Administrative & Public Service** | 486 | 208.6 | 399.97 | 20.67 | 289.6 | 64.6 | 72.4 | 3.1 | 59.5 | 31 |
| **Agriculture, Livestock & Fisheries** | 375 | 262.5 | 251 | 34.5 | 185.76 | 97.2 | 74 | 2.8 | 49.5 | 37 |
| **Water, Environment & Natural Resources** | 201 | 281.5 | 152 | 155.87 | 132.7 | 86 | 87.3 | 0.6 | 66.2 | 30.6 |
| **Health Services** | 2,864 | 1,027.00 | 2,359.66 | 437 | 1,433.87 | 265.78 | 60.8 | 0.6 | 50.1 | 25.9 |
| **Education, Culture, ICT & Social Services** | 526 | 375.6 | 323 | 80.45 | 164.53 | 7 | 50.9 | 0.1 | 31.3 | 1.9 |
| **Youth, Sports & Communications** | 146 | 370 | 97 | 46 | 51.45 | 79.8 | 53 | 1.7 | 35.2 | 21.6 |
| **Lands, Physical Planning & Housing** | 136 | 180 | 103.8 | 75.82 | 51.17 | 58 | 49.3 | 0.8 | 37.6 | 32.2 |
| **Trade, Tourism, Industry & Cooperative** | 167 | 227.5 | 105.3 | 22.1 | 67.2 | 32 | 63.8 | 1.4 | 40.2 | 14.1 |
| **Roads, Transport & Public Works** | 433 | 898 | 310 | 493.5 | 153.13 | 562.3 | 49.4 | 1.1 | 35.4 | 62.6 |
| **TOTAL** | **7,979.80** | **3,968.00** | **5,671.45** | **1,377.71** | **3,875.45** | **1,228.03** | **68.3** | **89.1** | **48.6** | **30.9** |

**Source**: *Kiambu County Treasury*

Analysis of budget performance by department shows that the Department of Roads, Transport and Public Works reported the highest absorption rate for development expenditure at 62.6 per cent while Education, Culture, ICT and Social Services Treasury registered the lowest at 1.9 per cent. On the other hand, the Health Department had the highest percentage of its recurrent expenditure to annual recurrent budget at 66.2 per cent while the Education, Culture, ICT and Social Services Department had the lowest at 31.3 per cent.

### 3.14.9 Observations and Recommendations

The County has made progress in addressing some of the challenges previously identified as affecting

budget implementation. Some of the areas where progress has been made include:

1. The County has published guidelines on formation of Internal Audit committee as specified in Part XIII (167) of the Public Finance Management (County Governments) Regulations, 2015. This has paved way for formation of an Internal Audit Committees, which will oversee financial operations.
2. County Assembly has commenced use of IFMIS in processing of financial transactions.
3. The County has a fully functioning County Budget and Economic Forum which has been actively involved in the budgetary process nd economic matters.

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

1. Delay in disbursement of equitable share by the National Treasury which affects implementation of budget activities.
2. Underperformance on local revenue against the annual local revenue estimates which affect implementation of planned budgeted activities.

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

1. *The County should liaise with the National Treasury to ensure that the County's equitable share of revenue is released in line with the CARA 2015 disbursement schedule approved by the Senate.*
2. *There is need to enhance local revenue collection efforts in order to realize the annual target and facilitate full implementation of budgeted activities.*

## 3.15 Kilifi County

### 3.15.1 Overview of the FY 2015/16 Budget

The FY 2015/16 approved Supplementary Budget for Kilifi County is Kshs.11.52 billion, comprising of Kshs.5.59 billion (48.5 per cent) and Kshs.5.93 billion (51.5 per cent) allocated to recurrent and development expenditure respectively.

In order to finance the budget, the county expects to receive Kshs.7.44 billion (64.6 per cent) as Equitable share of revenue raised nationally, Kshs.475.53 million (4.1 per cent) as total conditional grants, generate Kshs.1.41 billion (12.2 per cent) from local sources, raise Kshs.91.69 million (0.8 per cent) as Facility Improvement Fund and Kshs.2.1 billion (18.3 per cent) as projected cash balance from FY 2014/15. The conditional grants comprise of Kshs.95.7 million (20.1 per cent) for Leasing of Medical Equipment, Kshs.177.08 million (37.2 per cent) for Maternal Health Care, Kshs.25.88 million (5.4 per cent) for Compensation For User Fees Forgone, Kshs.94.53 million (19.9 per cent)

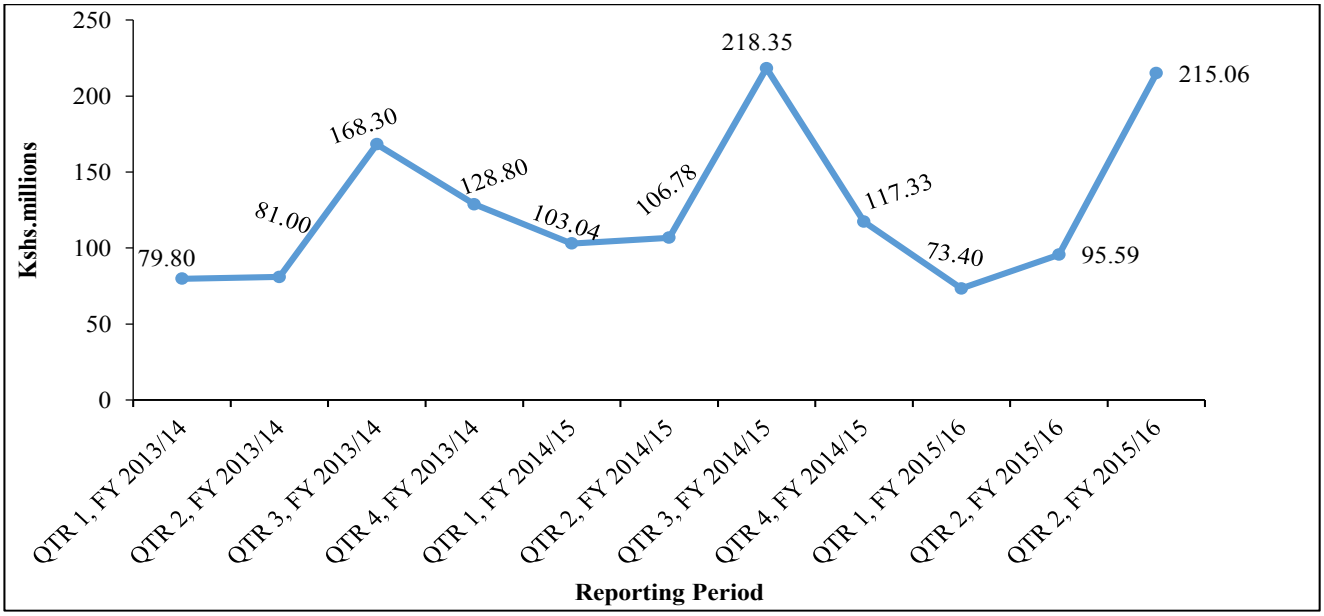
from the Road Maintenance Fuel Levy Fund, Kshs.66.78 million (14.1 per cent) as World Bank grant to support health facilities and Kshs.15.53 million (3.3 per cent) as a conditional grant from DANIDA as shown in Table 3.41.

### 3.15.2 Revenue Analysis

In the first nine months of FY 2015/16, the County received Kshs.4.35 billion as Equitable share of revenue raised nationally, Kshs.73.87 million as conditional allocations, raised Kshs.384.05 million from local sources, and had a cash balance of Kshs.2.1 billion brought forward from FY 2014/15. The County did not borrow any funds during the reporting period to finance the budget.

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

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




**Source:** *Kilifi County Treasury*

The total local revenue for the reporting period of Kshs.384.05 million consisted of Kshs.73.4 million generated in the first quarter, Kshs.95.59 million in the second quarter and Kshs.215.06 million in the third quarter of FY 2015/16. The revenue collected was 27.3 per cent of the annual local revenue target, and an improvement from Kshs.204.9 million collected in a similar period of FY 2014/15.

Table 3.40 shows further analysis of the local revenue collected in the first nine months of FY 2015/16 by stream.

**Table 3.40: Kilifi County analysis of revenue collection by stream for the first nine months of FY 2015/16**

| No | Revenue Stream | Annual Targeted Revenue (Kshs.) | 9 Months Actual Revenue | Actual Revenue as a percentage of Annual Targets (%) |
|---|---|---|---|---|
| 1 | Cess on natural resources | 165,753,979 | 161,736,485 | 97.6 |
| 2 | Business Permits | 155,441,695 | 59,361,323 | 38.2 |
| 3 | Slaughter House and Livestock sale Yards | 7,847,665 | 1,964,214 | 25.0 |
| 4 | Land Rates and other Land Revenue | 421,012,611 | 97,903,905 | 23.3 |
| 5 | Rent/Stall rents | 25,829,842 | 4,033,040 | 15.6 |
| 6 | Bill Boards and signage | 76,486,673 | 11,926,348 | 15.6 |
| 7 | Market Fees | 100,139,093 | 13,802,602 | 13.8 |
| 8 | Food Hygiene Fees | 11,096,950 | 1,192,800 | 10.8 |
| 9 | Survey fees and plot rents | 23,589,887 | 2,154,150 | 9.1 |
| 10 | House rent | 16,219,038 | 1,172,200 | 7.2 |
| 11 | Building Plan approval and Inspection | 61,905,431 | 4,463,808 | 7.2 |
| 12 | Parking Fees | 237,885,561 | 16,174,145 | 6.8 |
| 13 | Refuse Collection | 15,648,297 | 865,377 | 5.5 |
| 14 | Sale of Tender Documents | 18,194,400 | 113,000 | 0.6 |
| 15 | Plot ground rent | 17,259,003 | 1,000 | 0.0 |
| 16 | Others | 53,008,337 | 7,184,602 | 13.6 |
| | **TOTAL** | **1,407,318,463** | **384,048,999** | **27.3** |

**Source:** *Kilifi County Treasury*

Analysis of the local revenue by stream indicates that Cess on natural resources recorded the highest performance against annual target at 97.6 per cent. This was closely followed by Business Permits at 38.2 per cent.

In the first nine months of the FY 2015/16, the County deposited all local revenue into the County Revenue Fund account maintained at Central Bank of Kenya (CBK) in line with Article 207 of the Constitution.

### 3.15.3 Conditional Grants

Table 3.41 shows an analysis of conditional grants for the first nine months of FY 2015/16.

**Table 3.41: Kilifi County analysis of conditional grants for the first nine months of FY 2015/16**

| No. | Conditional Grant | Amount allocated as provided in CARA 2015 (Kshs.) | 9 Months Actual receipt of the Conditional Grant (Kshs.) | Actual Receipts as a percentage of Annual Allocation (%) |
|---|---|---|---|---|
| 1 | DANIDA Grant | 15,530,000 | 15,530,000 | 100 |
| 2 | Road Maintenance Fuel Levy Fund | 94,528,196 | 47,736,741 | 50.5 |
| 3 | Free Maternal Health Care | 177,077,600 | 10,600,000 | 5.99 |

| No. | Conditional Grant | Amount allocated as provided in CARA 2015 (Kshs.) | 9 Months Actual receipt of the Conditional Grant (Kshs.) | Actual Receipts as a percentage of Annual Allocation (%) |
|---|---|---|---|---|
| 4 | Leasing Of Medical Equipment | 95,744,681 | - | 0.0 |
| 5 | User Fees Forgone | 25,867,884 | - | 0.0 |
| 6 | World Bank Grant | 66,776,764 | - | 0.0 |
| | **TOTAL** | **475,525,125** | **73,866,741** | **15.53** |

**Source:** *Kilifi County Treasury*

Analysis of the conditional grants for the period under review indicates that DANIDA grant recorded the highest receipt against annual target at 100 per cent. This was closely followed by Road Maintenance Fuel Levy Fund at 50.5 per cent.

### 3.15.4 Exchequer Issues

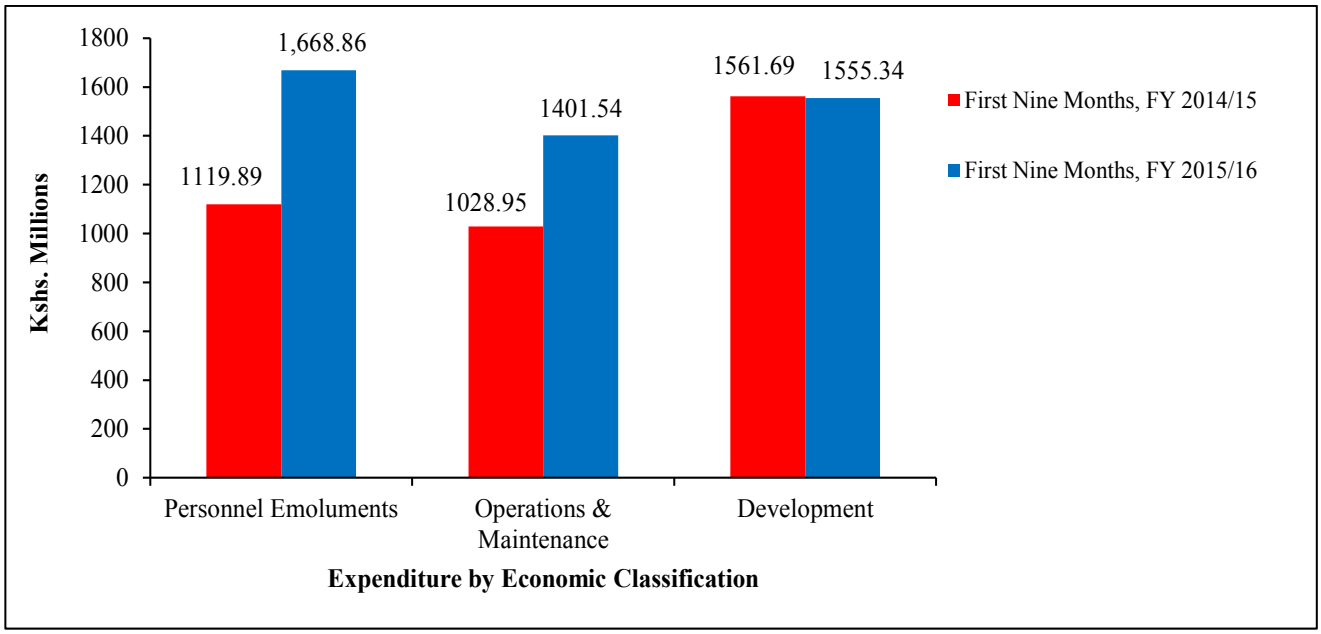
During the period under review, the COB authorised withdrawal of Kshs.6.05 billion from the CRF account, which was 52.5 per cent of the approved budget. The amount represented an increase of 27.4 per cent from Kshs.4.75 billion authorized in a similar period of FY 2014/15 and consisted of Kshs.3.80 billion (62.8 per cent) for recurrent expenditure and Kshs.2.25 billion (37.2per cent) for development activities.

### 3.15.5 Overall Expenditure Review

The County spent a total of Kshs.4.63 billion during the first nine months of FY 2015/16 which was 76.4 per cent of the total funds released for operations. This was an increase from the Kshs.3.95 billion spent in a similar period of FY 2014/15. A total of Kshs.3.07 billion was spent on recurrent activities and Kshs.1.56 billion on development activities. Recurrent expenditure was 80.9 per cent of the funds released for recurrent activities while development expenditure accounted for 69.0 per cent of the funds released for development activities. The expenditure excludes commitments as at 31st March, 2016 that amounted to Kshs.2.45 billion for development and Kshs.453.26 million for recurrent expenditure.

Recurrent expenditure for the period under review represented 54.9 per cent of the approved annual recurrent budget, an increase from 50.3 per cent spent in a similar period of FY 2014/15. On the other hand, development expenditure recorded an absorption rate of 26.2 per cent, a decrease from 42.3 per cent spent in a similar period of FY 2014/15. Figure 3.45 shows a comparison of the total expenditure in the third quarter of FY 2014/15 and the same period in FY 2015/16.

**Figure 3.54: Kilifi County, Expenditure by Economic Classification for the First Nine Months of FY 2014/15 and FY 2015/16**




**Source:** *Kilifi County Treasury*

### 3.15.6 Recurrent Expenditure Analysis

The total recurrent expenditure for the reporting period was Kshs.3.07 billion against an annual recurrent budget of Kshs.5.59 billion. This represents 54.9 per cent of the annual recurrent budget. The County spent Kshs.1.67 billion (54.4 per cent) on personnel emoluments and Kshs.1.4 billion (45.6 per cent) on operations and maintenance as shown in Figure 3.54.

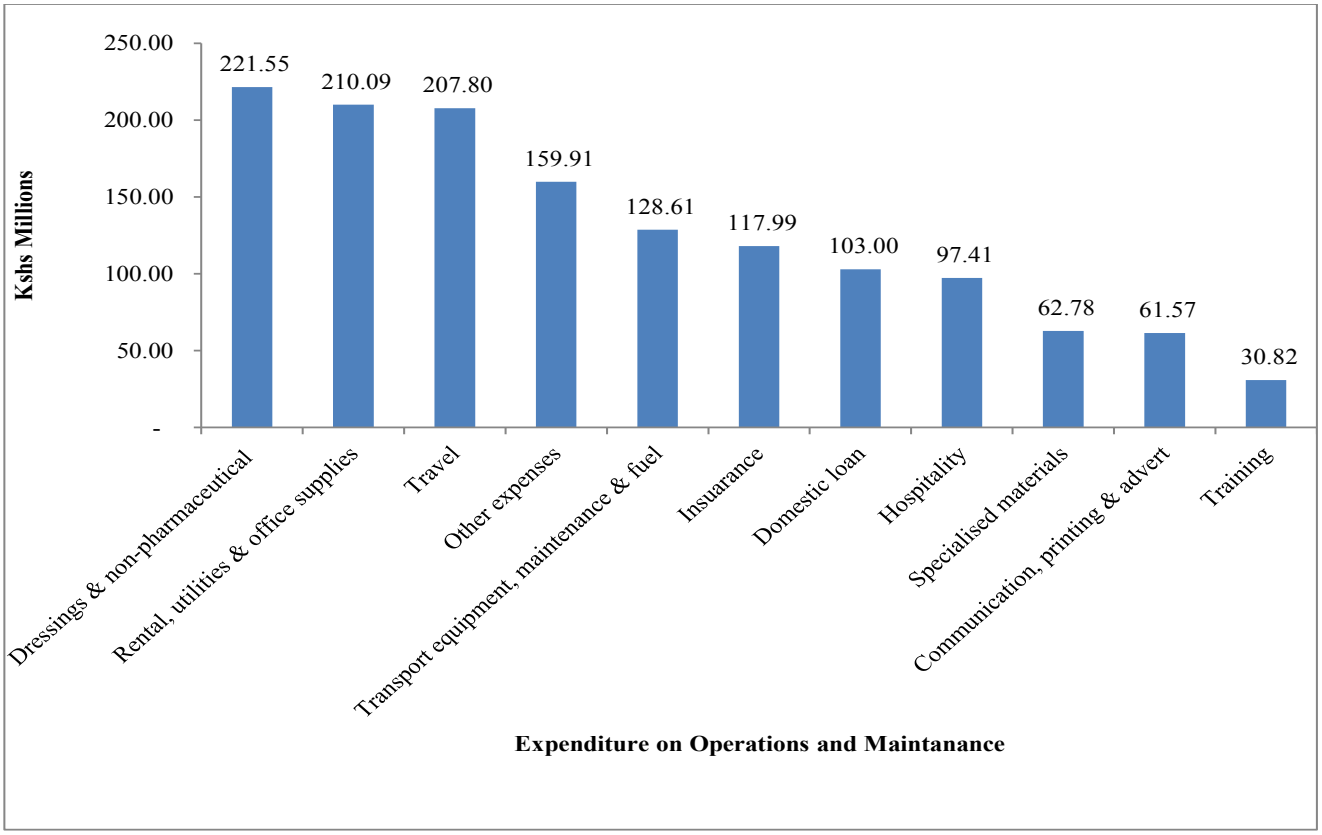
The expenditure on personnel emoluments of Kshs.1.67 billion incurred in the first nine months of FY 2015/16 represented an increase of 49.1 per cent compared to a similar period in FY 2014/15 when the County spent Kshs.1.12 billion. The increase is attributed to additional recruitment, absorption of casual to be permanent staff of the Kilifi County and annual salary increment.

The County spent Kshs.48.47 million on sitting allowances to the 54 MCAs and the Speaker against an annual budget of Kshs.83.19 million. This represents a decrease from Kshs.52.19 million recorded in a similar period of FY 2014/15. The average monthly sitting allowance per MCA was Kshs.97,926 compared to SRC's recommended monthly ceiling of Kshs.124,800.

The aggregate expenditure on domestic and foreign travel was Kshs.202.63 million compared to Kshs.149.73 million incurred in a similar period of FY 2014/15, representing a significant increase of 35.3 per cent. Figure 3.55 shows a breakdown of the operations and maintenance expenditure for the reporting period.

**Figure 3.55: Kilifi County, Operations and Maintenance Expenditure for the First Nine**

**Months of FY 2015/16**

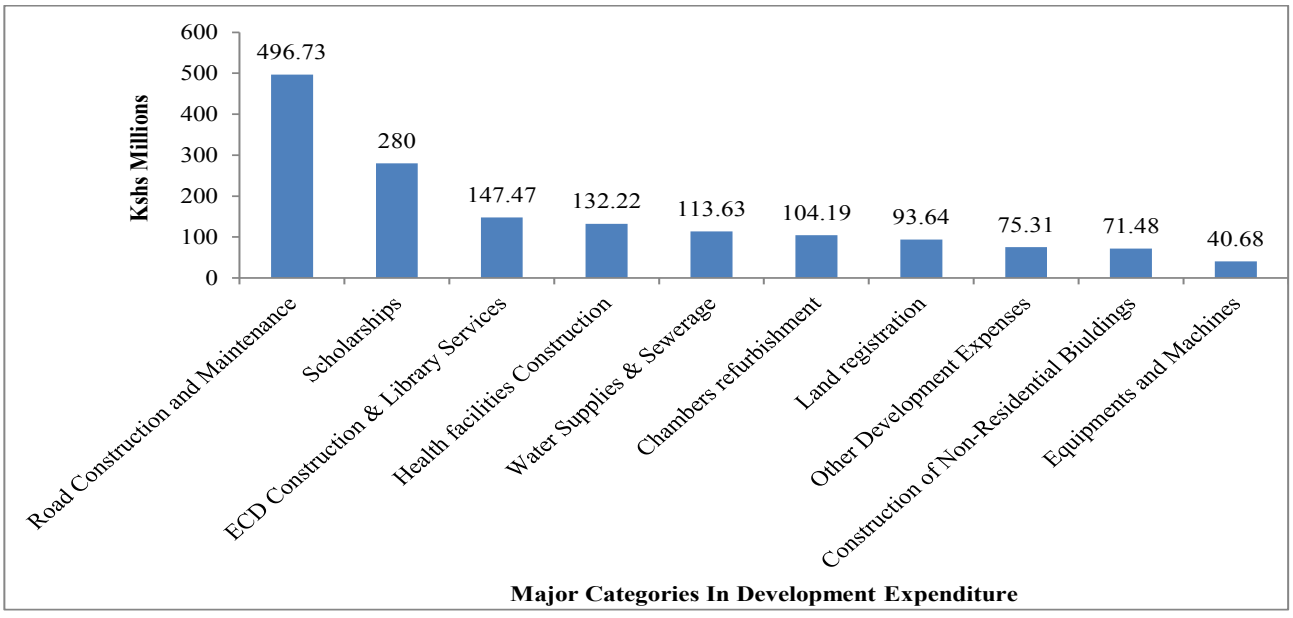



**Source:** *Kilifi County Treasury*

### 3.15.7 Development Expenditure Analysis

Figure 3.56 provides a summary of development expenditure during the period under review.

**Figure 3.56: Kilifi County, Summary of Development Expenditure for the First Nine Months of FY 2015/16**




**Source:** *Kilifi County Treasury*

Analysis of the development expenditure of Kshs.1.56 billion incurred in the reporting period

indicates that the highest expenditure of Kshs.496.73 million was spent by the Roads Department on development and maintenance of access roads across the 54 wards. The second highest expenditure of Kshs.280 million was incurred by the Education Department on Ward Scholarship Fund and Kshs.147.47 million on construction of Early Childhood Development Centre (ECD).

The Department of Health incurred Kshs.132.22 million on construction of and refurbishment of health facilities. Kshs.113.63 million was incurred in construction of water supplies & sewerage system which was being implemented by both the Agriculture and Environment and Natural Resources department. The County Assembly spent Kshs.104.19 million on refurbishment of County Assembly chambers while Lands, Physical Planning, Housing and Energy Department spent Kshs.93.64 million on land adjudication & registration exercise.

### 3.15.8 Annual Budget and Budget Performance Analysis by department for the First Nine Months of FY 2015/16

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

**Table 3.42: Kilifi County, Annual Budget and First Nine Months of FY 2015/16 Budget Performance by Department**

| Department | Annual Budget Allocation (Kshs. Million) | | 9 Months Exchequer Issues (Kshs.Million) | | 9 Months Expenditure (Kshs. Million) | | Expenditure to Exchequer Issues (%) | | Absorption rate (%) | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Rec | Dev | Rec | Dev | Rec | Dev | Rec | Dev | Rec | Dev |
| County Assembly | 802.82 | 276.82 | 613.00 | 70.00 | 459.87 | 104.19 | 75.0 | 148.8 | 57.3 | 37.6 |
| County Executive | 376.23 | 0 | 205.41 | - | 202.36 | - | 98.5 | - | 53.8 | - |
| Finance and Economic Planning | 564.97 | 581.5 | 400.45 | 25.50 | 220.50 | - | 55.1 | - | 39.0 | - |
| Agriculture | 297.04 | 514.7 | 185.62 | 220.32 | 148.70 | 93.56 | 80.1 | 42.5 | 50.1 | 18.2 |
| Environment And Natural Resources | 167.62 | 789.76 | 125.71 | 274.10 | 115.15 | 98.85 | 91.6 | 36.6 | 68.7 | 12.5 |
| Education, Sports and Youth Affairs | 462.62 | 1191.43 | 325.43 | 614.29 | 148.61 | 432.59 | 45.7 | 70.4 | 32.1 | 36.3 |
| County Health Services | 1935.16 | 818.81 | 1284.82 | 405.56 | 1,246.11 | 156.36 | 97.0 | 38.6 | 64.4 | 19.1 |
| Lands, Physical Planning, Housing and Energy | 103.85 | 277.76 | 65.43 | 19.03 | 69.84 | 98.54 | 106.7 | 517.8 | 67.3 | 35.5 |
| Public Works and Services | 213.82 | 987.03 | 119.49 | 505.16 | 68.35 | 510.41 | 57.2 | 101.0 | 32.0 | 51.7 |
| ICT, E-Government, Culture And Social Services | 86.07 | 97.49 | 58.32 | 43.70 | 63.80 | 25.41 | 109.4 | 58.1 | 74.1 | 26.1 |
| Trade Development And Regulation | 105.01 | 289.3 | 76.09 | 77.00 | 36.64 | 17.70 | 48.2 | 23.0 | 34.9 | 6.1 |
| Public Service Board | 48.27 | 0 | 27.54 | - | 11.53 | - | 41.9 | - | 23.9 | - |
| Public Service Management | 424.9 | 107.2 | 308.72 | - | 278.94 | 17.74 | 90.4 | 0.0 | 65.7 | 16.6 |
| **Total** | **5,588.38** | **5,931.81** | **3,796.03** | **2,254.65** | **3,070.40** | **1,555.34** | **80.9** | **69.0** | **54.9** | **26.2** |

**Source:** *Kilifi County Treasury*

Analysis of budget performance by department shows that the Department of Public Works and

Services reported the highest absorption rate for development expenditure at 51.7 per cent while the Finance and Economic Planning had no development expenditure. On the other hand, the ICT, E-Government, Culture and Social Services department had the highest percentage of its recurrent expenditure to annual recurrent budget at 74.1 per cent while the Public Service Board had the lowest at 23.9 per cent.

### 3.15.9 Observations and Recommendations

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

i. The County Treasury and the County Assembly has liaised with the IFMIS Directorate and addressed the challenges observed in the use of IFMIS.
ii. The County Treasury has come up with project monitoring teams to monitor and track implementation of development projects.

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

1. Under performance of revenue collection. During the reporting period, the County collected Kshs.384.05 million, which accounted for 27.3 per cent of the annual revenue target against an expected outturn of 75 per cent.
2. Delay in submission of financial reports to COB, which is contrary to Section 166 of the PFM Act, 2012.
3. Large outstanding commitments amounting to Kshs.2.45 billion for development and Kshs.453.26 million for recurrent expenditure as at the end of the nine months period of FY 2015/16. This may result in large pending bills at the end of FY 2015/16.
4. County Budget Economic Forums (CBEF) has not yet been established in the county, as stipulated under Section 137(2) of PFM Act, 2012.

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

1. *The County Treasury should review its local revenue collection strategies in order to ensure that local revenue targets are achieved.*
2. *The County Treasury should ensure that financial reports are submitted in a timely manner and in the format determined by the Accounting Standards Board.*
3. *The County Treasury should come up with strategies to ensure that budget commitments are in line with the cash flow projection and the exchequer issues in order to minimize pending bills at the end of FY 2015/16.*

4. *The County should fast track the establishment of CBEF to provide means of consultation by the County Government, stakeholders and public in matters relating to budgeting, economy and financial management including preparation of key policy documents.*

## 3.16 Kirinyaga County

### 3.16.1 Overview of the FY 2015/16 Budget

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

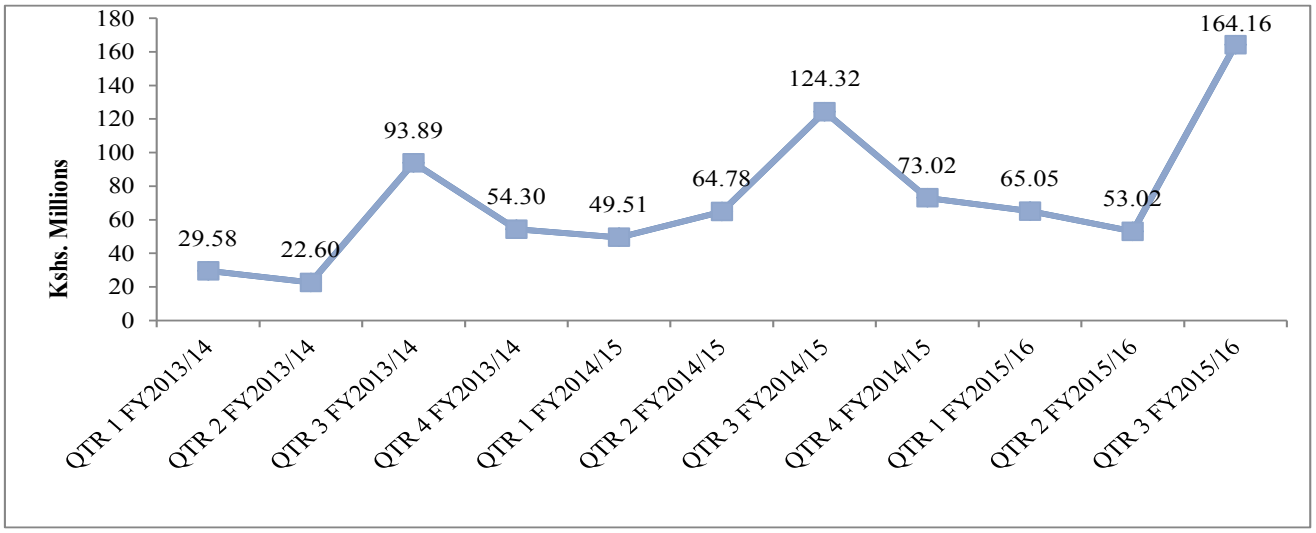
In order to finance the budget, the county expects to receive Kshs.3.54 billion (74.1 per cent) as equitable share of revenue raised nationally, Kshs.216.49 million (4.4 per cent) as total conditional grants, generate Kshs.500 million (10.3 per cent) from local sources, and Kshs.618.53 million (12.6 per cent) as projected cash balance from FY 2014/15. The conditional grants comprise of Kshs.95.74 million (44.2 per cent) for Leasing of Medical Equipment, Kshs.50.72 million (23.4 per cent) for Maternal Health Care, Kshs.44.95 million (20.8 per cent) from the Road Maintenance Fuel Levy Fund, Kshs.12.31 million (5.7 per cent) as User Fees Foregone, and Kshs.12.77 million (5.9 per cent) as a conditional grant from DANIDA as shown in Table 3.44.

### 3.16.2 Revenue Analysis

In the first nine months of FY 2015/16, the County received Kshs.2.07 billion as equitable share of revenue raised nationally, Kshs.56.47 million as total conditional allocations, raised Kshs.282.23 million from local sources, and had a cash balance of Kshs.618.53 million brought forward from FY 2014/15. The County did not borrow any funds during the reporting period to finance the budget.

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

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




**Source:** *Kirinyaga County Treasury*

The total local revenue for the reporting period of Kshs.282.23 million consisted of Kshs.65.05 million generated in the first quarter, Kshs.53.02 million in the second quarter and Kshs.164.16 million in the third quarter of FY 2015/16. The revenue collected was 56.4 per cent of the annual local revenue target, an improvement from Kshs.238.61 million collected in a similar period of FY 2014/15.

Table 3.43 shows further analysis of the local revenue collected in the first nine months of FY 2015/16 by stream.

**Table 3.43: Kirinyaga County analysis of revenue collection by stream for the first nine months of FY 2015/16**

| No. | Revenue Stream | Annual Targeted Revenue (Kshs. In millions) | 9 Months Actual Revenue(Kshs. Millions) | Actual Revenue as a percentage of Annual Targets (%) |
|---|---|---|---|---|
| 1 | Liquor License | 40.00 | 45.54 | 113.9 |
| 2 | Business Permits | 82.69 | 70.46 | 85.2 |
| 3 | Quarry Cess/Fee | 6.52 | 5.34 | 81.9 |
| 4 | Market Entrance/Gate Fee | 50.00 | 31.78 | 63.6 |
| 5 | Parking Fee | 25.00 | 14.57 | 58.3 |
| 6 | Veterinary Services | 3.32 | 1.89 | 57.1 |
| 7 | Public Health | 20.00 | 11.33 | 56.6 |
| 8 | Buildings Plans | 8.60 | 3.44 | 40.0 |
| 9 | Health(Hospitals) | 117.81 | 39.52 | 33.6 |
| 10 | Land, Ground Rates &Arrears | 92.04 | 9.28 | 10.1 |
| 11 | **Others** | 54.03 | 49.08 | 90.8 |
| | **TOTAL** | **500.00** | **282.23** | **56.5** |

**Source:** *Kirinyaga County Treasury*

Analysis of the local revenue revenue by stream indicates that Liquor License recorded the highest performance against annual target at 113.9 per cent. This was closely followed by Business Permits at 85.2 per cent. Local revenue collected was however faced by the challenge of unrealistic revenue projection and lack of the requisite revenue laws upon which the finance bill is anchored.

In the first nine months of the FY 2015/16, the county did not deposit all the locally collected revenue into the County Revenue Fund account maintained at the Central Bank of Kenya (CBK) in line with Article 207 of the Constitution. All revenue collected by health facilities referred to as Facility Improvement Fund (FIF) amounting to Kshs.50.85 million was not deposited in CBK. The amount was used locally based on the budget that was approved by the County Assembly. The County is in the process of establishing a fund (Facility Improvement Fund) to admminster the revenue collected by health facilities A.I.A.

### 3.16.3 Conditional Grants

Table 3.44 shows an analysis of conditional grants for the first nine months of FY 2015/16.

**Table 3.44: Kirinyaga County analysis of conditional grants for the first nine months of FY 2015/16**

| No. | Conditional Grant | Amount allocated as provided in CARA 2015 (Kshs.) | 9 Months Actual receipt of the Conditional Grant (Kshs.) | Actual Receipts as a percentage of Annual Allocation (%) |
|---|---|---|---|---|
| 1 | Free Maternal Health Care | 50,716,400 | 28,573,630 | 56.3 |
| 2 | Road Maintenance Fuel Levy Fund | 44,947,130 | 22,698,300 | 50.5 |
| 3 | DANIDA Grant | 12,770,000 | 5,195,000 | 40.7 |
| 4 | User Fees Forgone | 12,308,920 | - | 0.0 |
| 5 | Leasing of Medical Equipment | 95,744,680 | - | 0.0 |
| 6 | Other Loans and Grants | 324,000,000 | - | 0.0 |
| | **TOTAL** | **228,796,050** | **56,466,930** | **24.7** |

**Source:** *Kirinyaga County Treasury*

Analysis of the conditional grants for the period under review indicates that Free Maternal Health Care recorded the highest receipt against annual target at 56.3 per cent. This was closely followed by Road Maintenance Fuel Levy Fund at 50.5 per cent.

### 3.16.4 Exchequer Issues

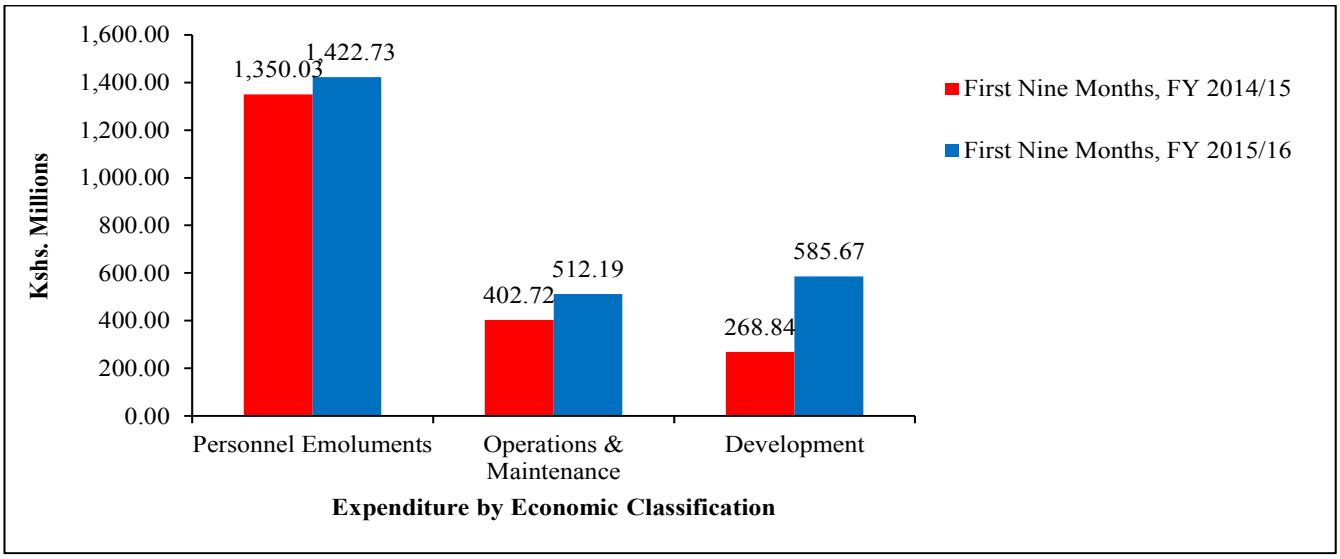
During the period under review, the COB authorised withdrawal of Kshs.2.54 billion from the CRF account, which was 53.1 per cent of the approved supplementary budget. The amount represented an increase of 5.4 per cent from Kshs.2.41 billion authorized in a similar period of FY 2014/15 and consisted of Kshs.1.85 billion (72.7 per cent) for recurrent expenditure and Kshs.691.90 million (27.3 per cent) for development activities.

### 3.16.5 Overall Expenditure Review

The County spent a total of Kshs.2.52 billion during the first nine months of FY 2015/16 which was 96.4 per cent of the total funds released for operations. This was an increase from the Kshs.2.02 billion spent in a similar period of FY 2014/15. A total of Kshs.1.93 billion was spent on recurrent activities and Kshs.585.67 million on development activities. Recurrent expenditure was 100.7 per cent of the funds released for recurrent activities while development expenditure accounted for 84.6 per cent of the funds released for development activities. The expenditure excludes commitments as at 31st March, 2016 that amounted to Kshs.206.04 million for development and Kshs.48.69 million for recurrent expenditure.

Recurrent expenditure for the period under review represented 59.2 per cent of the approved annual recurrent budget, a decrease from 69.2 per cent spent in a similar period of FY 2014/15. On the other hand, development expenditure recorded an absorption rate of 38.8 per cent, an increase from 17.2 per cent spent in a similar period of FY 2014/15. Figure 3.58 shows a comparison of the total expenditure in the third quarter of FY 2014/15 and the same period in FY 2015/16.

**Figure 3.58: Kirinyaga County, Expenditure by Economic Classification for the First Nine Months of FY 2014/15 and FY 2015/16**




**Source:** *Kirinyaga County Treasury*

### 3.16.6 Recurrent Expenditure Analysis

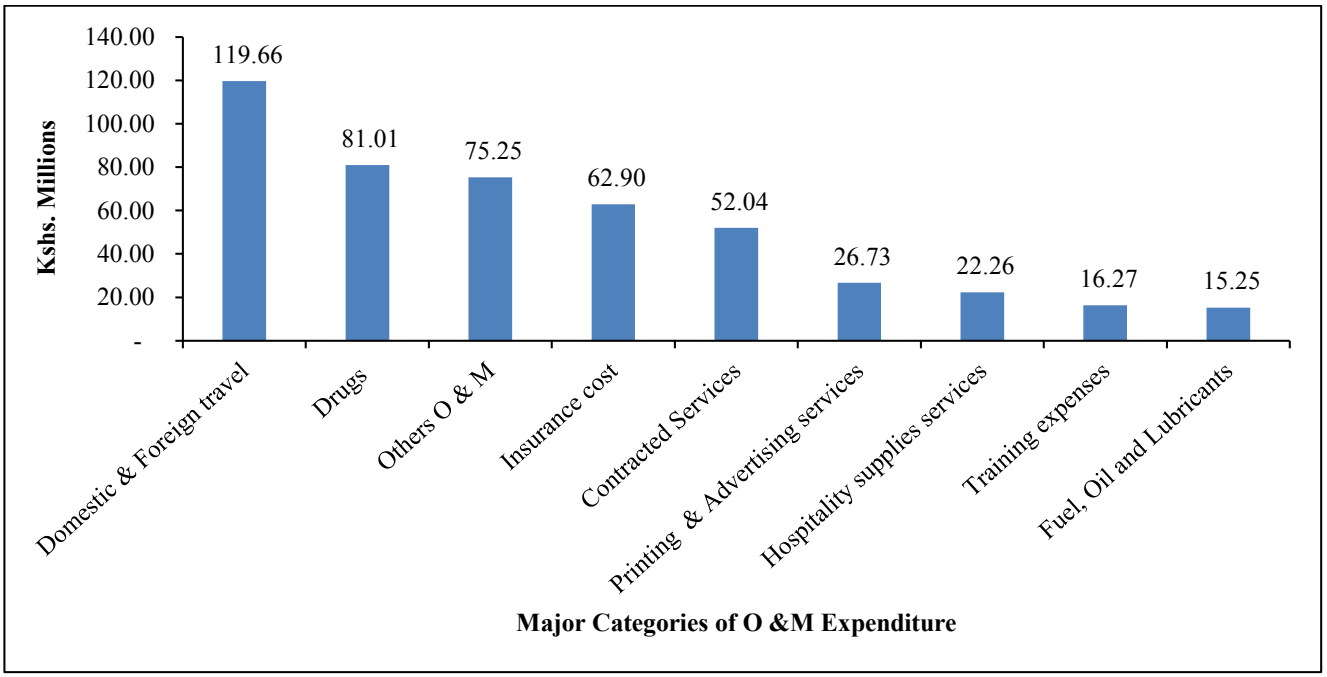
The total recurrent expenditure for the reporting period was Kshs.1.93 billion against an annual recurrent budget of Kshs.3.27 billion. This represents 59.2 per cent of the annual recurrent budget. The County spent Kshs.1.42 billion (73.5 per cent) on personnel emoluments and Kshs.512.19 million (26.5 per cent) on operations and maintenance as shown in Figure 3.58.

The expenditure on personnel emoluments of Kshs.1.42 billion incurred in the first nine months of FY 2015/16 represented an increase of 5.2 per cent compared to a similar period in FY 2014/15 when the County spent Kshs.1.35 billion. The increase is attributed to the review of salaries for Health workers and an increase in employment of new staff by the County Public Service Board.

The County spent Kshs.27.57 million on sitting allowances to the 30 MCAs and the Speaker against an annual budget of Kshs.61.53 million. This represents a decrease from Kshs.38.41 million recorded in a similar period of FY 2014/15. The average monthly sitting allowance per MCA was Kshs.102,123 compared to SRC's recommended monthly ceiling of Kshs.124,800.

The aggregate expenditure on domestic and foreign travel was Kshs.122.47 million against a budget of Kshs.99.0 million. This represented an increase of 108.1 per cent compared to Kshs.58.85 million incurred in a similar period of FY 2014/15. Figure 3.59 shows a breakdown of the operations and maintenance expenditure for the reporting period.

**Figure 3.59: Kirinyaga County, Operations and Maintenance Expenditure for the First Nine Months of FY 2015/16**

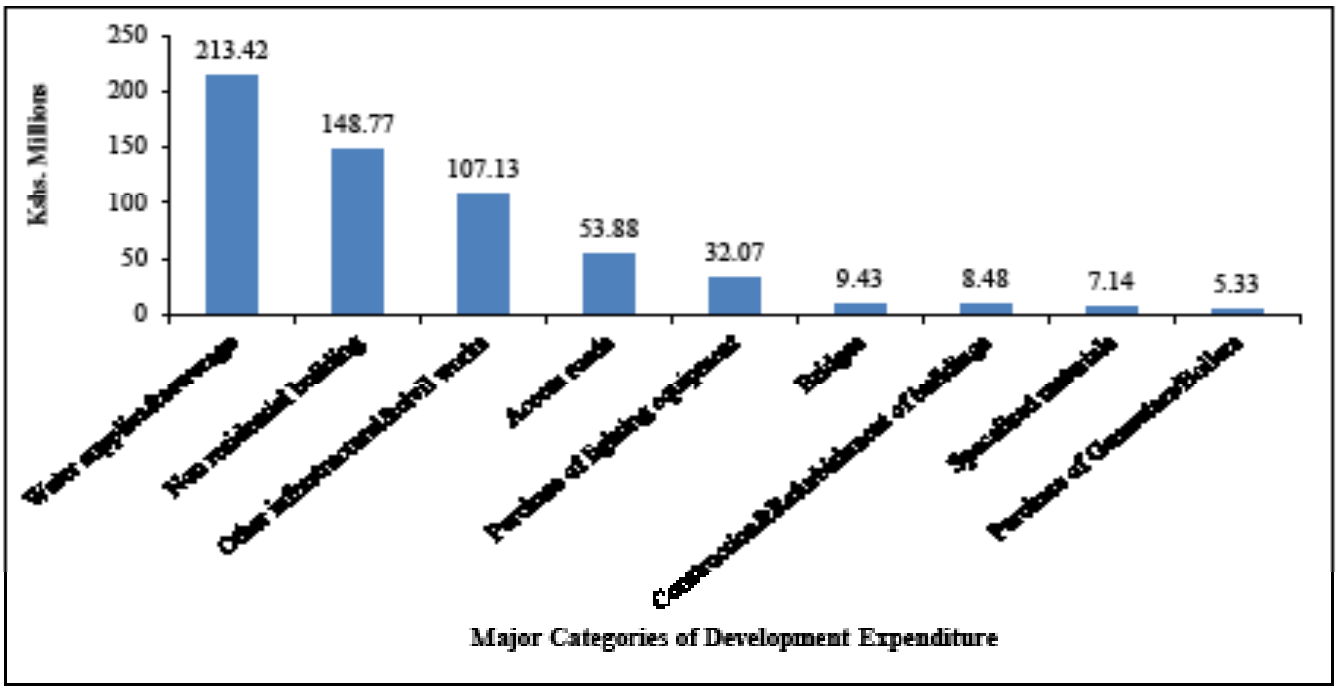



**Source:** *Kirinyaga County Treasury*

### 3.16.7 Development Expenditure Analysis

Figure 3.60 provides a summary of development expenditure during the period under review.

**Figure 3.60: Kirinyaga County, Summary of Development Expenditure for the First Nine Months of FY 2015/16**




**Source:** *Kirinyaga County Treasury*

Analysis of the development expenditure of Kshs.585.67 million incurred in the reporting period

of FY 2015/16 indicates that the highest expenditure of Kshs.213.42 million was spent by the Department of Environment and Natural Resources on water supplies and sewerage. The second highest expenditure of Kshs.70.99 million was incurred by the Health Department on construction of health facilities. The County Executive incurred Kshs.54.88 million on construction of County headquarters while the Department of Transport and Infrastructure incurred Kshs.53.88 million on improvement of road network in the county.

### 3.16.8 Annual Budget and Budget Performance Analysis by department for the First Nine Months of FY 2015/16

Table 3.45 shows a summary of FY 2015/16 annual budget estimates and budget performance for the reporting period by department.

**Table 3.45: Kirinyaga County, Annual Budget and First Nine Months of FY 2015/16 Budget Performance by Department**

| Department | Annual Budget Allocation (Kshs.Million) | | 9 Months Exchequer Issues (Kshs.Million) | | 9 Months Expenditure (Kshs.Million) | | Expenditure to Exchequer Issues (%) | | Absorption rate (%) | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Rec | Dev | Rec | Dev | Rec | Dev | Rec | Dev | Rec | Dev |
| County Assembly | 477.25 | 57.21 | 311.66 | - | 310.59 | - | 99.7 | - | 65.1 | 0.0 |
| County Executive Services | 349.38 | 118.69 | 215.76 | 65.11 | 154.51 | 54.88 | 71.6 | 84.3 | 44.2 | 46.2 |
| Finance and Economic planning | 575.91 | 0.97 | 285.80 | - | 316.91 | - | 110.9 | - | 55.0 | 0.0 |
| Medical Services | 1,155.40 | 295.21 | 693.99 | 118.67 | 844.02 | 74.87 | 121.6 | 63.1 | 73.0 | 25.4 |
| Education | 182.63 | 85.72 | 65.28 | 36.28 | 57.67 | 25.45 | 88.3 | 70.2 | 31.6 | 29.7 |
| Agriculture | 237.19 | 77.30 | 135.02 | 33.35 | 147.86 | 11.29 | 109.5 | 33.8 | 62.3 | 14.6 |
| Gender/Culture &Social Services | 70.58 | 51.85 | 28.82 | 28.33 | 32.49 | 11.98 | 112.7 | 42.3 | 46.0 | 23.1 |
| Trade & Co-operative Development | 43.98 | 95.80 | 15.79 | 51.27 | 10.29 | 51.82 | 65.2 | 101.1 | 23.4 | 54.1 |
| Environment and natural resources | 71.67 | 320.34 | 44.83 | 180.56 | 36.65 | 243.29 | 81.8 | 134.7 | 51.1 | 75.9 |
| Physical Planning and Housing | 29.33 | 91.50 | 13.21 | 36.46 | 5.62 | 20.69 | 42.5 | 56.8 | 19.2 | 22.6 |
| Transport and Infrastructure | 72.86 | 316.69 | 36.12 | 141.87 | 18.30 | 91.39 | 50.6 | 64.4 | 25.1 | 28.9 |
| **TOTAL** | **3,266.19** | **1,511.30** | **1846.29** | **691.90** | **1,934.92** | **585.67** | **104.8** | **84.6** | **59.2** | **38.8** |

**Source**: *Kirinyaga County Treasury*

Analysis of budget performance by department shows that the Department of Environment and Natural Resources reported the highest absorption rate for development expenditure at 75.9 per cent while the Department of Finance and Economic Planning had no development expenditure. On the other hand, the Health Department had the highest percentage of its recurrent expenditure to annual recurrent supplementary budget at 73.0 per cent while the Physical Planning and Housing had the lowest at 19.2 per cent.

### 3.16.9 Observations and Recommendations

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

i. Improvement in absorption of development funds from 17.2 per cent in third quarter of FY 2014/15 to 38.8 per cent in the reporting period.

ii. Separated the County Assembly payroll from the executive payroll which has enhanced effectiveness and the Assembly's independence.

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

1. Delay in disbursement of funds by the National Treasury which resulted in slow implementation of development projects.
2. The county has established the Budget and Economic Forum (CBEF). However, the CBEF is not involved in the budget preparation and implementation process.
3. The county is yet to establish an Audit Committee as required by Section 155(5) of the PFM Act, 2012 and Part XIII (167) of the Public Finance Management (County Governments) Regulations, 2015.
4. High wage bill which constrained funding to key county programmes. During the period under review, compensation of employee was 73.6 per cent of the total recurrent expenditure.
5. Spending Facility Improvement Fund (FIF) at source before transferring the revenue to CBK as per Article 207 of the Constitution and Section 109 of the PFM Act, 2012.
6. Use of manual system (manual vote book) alongside IFMIS by County Treasury. manual processing of financial transactions leads to inaccurate expenditure reports that are inconsistent with IFMIS returns. In addition, the County Assembly is yet to adopt IFMIS and Internet Banking.

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

*1. The County Treasury should liase with the National Treasury to release funds in time and as per*

*CARA, 2015 approved disbursement schedule.*

2. *The County should sensitize and build capacity of the CBEF to enhance their role in the budget process as stipulated under section 137 of the PFM Act, 2012.*

3. *The County Government should set up an Audit Committee in line with Section 155 of the PFM Act, 2012.*

4. *The County should address the huge wage bill. This will require the concerted approach of both County and National Government. In the short term, the County should freeze staff recruitment, undertake staff audit and staff rationalization in order to control the escalating wage bill.*

5. *The County should strictly adhere to the provision of the Constitution and deposit all local revenue into the CRF.*

6. *The County should automate the vote book used by the County Treasury to ensure accurate reporting. In addition,the County Assembly should adopt IFMIS in financial transaction as required by Section 12 of the PFM Act, 2012.*

## 3.17 Kisii County

### 3.17.1 Overview of the FY 2015/16 Budget

The FY 2015/16 Approved Supplementary Budget for Kisii County is Kshs.9.18 billion, comprising of Kshs.5.58 billion (60.8 per cent) allocated to recurrent expenditure and Kshs.3.60 billion (39.2 per cent) to development expenditure.

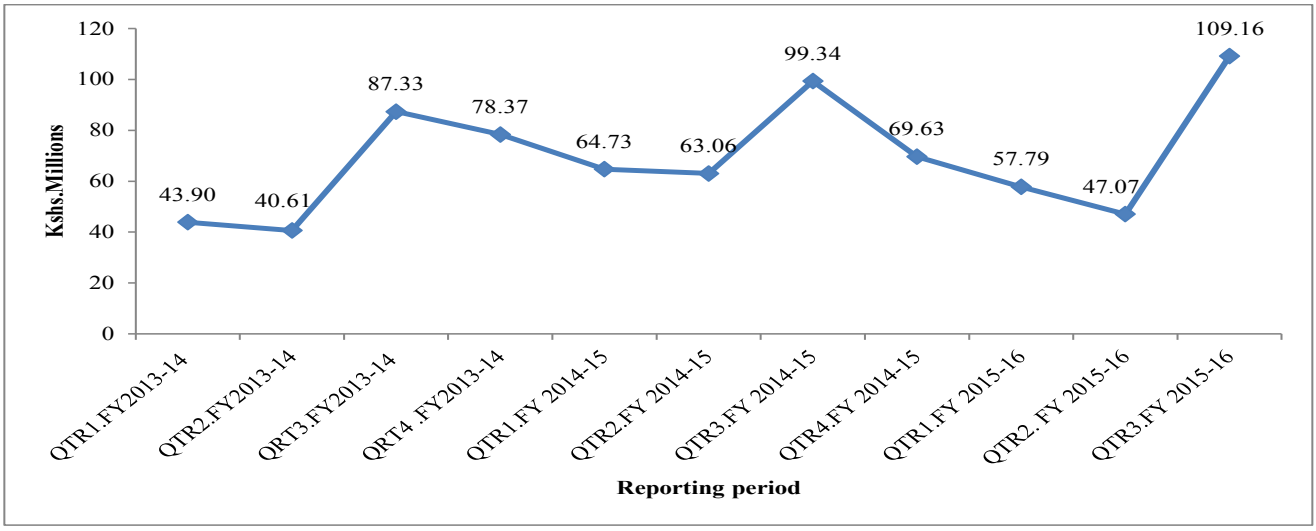
In order to finance the budget, the county expects to receive Kshs.7.09 billion (77.3 per cent) as equitable share of revenue raised nationally , Kshs.768.98 million (8.4 per cent) as total conditional grants, generate Kshs.700 million (7.6 per cent) from local sources and Kshs.617.47 million (6.7 per cent) as projected cash balance from FY 2014/15. The conditional grants comprise of Kshs.338.62 million 44.0 (per cent) for Level 5 hospital, Kshs.95.74 million (12.5 per cent) for Leasing of Medical Equipment, Kshs.194.70 million (25.3 per cent) for Maternal Health Care, Kshs.90.11 million (11.7 per cent) from the Road Maintenance Fuel Levy Fund, Kshs.22.95 million (3.0 per cent) as a conditional grant from DANIDAand Kshs.26.86 million (3.5 per cent) for User Fees Forgone as shown in Table 3.47.

### 3.17.2 Revenue Analysis

In the first nine months of FY 2015/16, the County received Kshs.4.79 billion from the National Government as equitable share of revenue raised nationally, Kshs.214.02 million as conditional allocations, raised Kshs.214.02 million from local sources and had a cash balance of Kshs.611.86 million brought forward from FY 2014/15. The County did not borrow any funds during the reporting period to finance the budget.

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

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




**Source:** *Kisii County Treasury*

The total local revenue for the reporting period of Kshs.214.02 million consisted of Kshs.57.79 million generated in the first quarter, Kshs.47.07 million in the second quarter and Kshs.109.16 million in the third quarter of FY 2015/16. The revenue collected was 30.6 per cent of the annual local revenue target, and a slight decline from Kshs.227.14 million collected in a similar period of FY 2014/15.

Table 3.46 shows further analysis of the local revenue collected in the first nine months of FY 2015/16 by stream.

**Table 3.46: Kisii County analysis of revenue collection by stream for the first nine months of FY 2015/16**

| No. | Revenue Stream | Annual Targeted Revenue (Kshs.) | 9 Months Actual Revenue | Actual Revenue as a percentage of Annual Target (%) |
|---|---|---|---|---|
| 1 | Market Dues | 61,700,000 | 48,631,104 | 78.8 |
| 2 | Parking Fees | 90,900,000 | 65,878,193 | 72.5 |
| 3 | Advertisement and Billboards | 25,000,000 | 17,091,618 | 68.4 |
| 4 | Fire compliance | 8,500,000 | 5,141,970 | 60.5 |
| 5 | Single Business Permit | 119,000,000 | 39,409,476 | 33.1 |
| 6 | CESS | 20,000,000 | 6,016,417 | 30.1 |
| 7 | Plan Approvals | 32,000,000 | 9,073,047 | 28.4 |
| 8 | Rent and Rates | 140,700,000 | 20,237,687 | 14.4 |
| 9 | Revenue from devolved units | 162,400,000 | 2,427,730 | 1.5 |

| No. | Revenue Stream | Annual Targeted Revenue (Kshs.) | 9 Months Actual Revenue | Actual Revenue as a percentage of Annual Target (%) |
|---|---|---|---|---|
| 10 | Miscellaneous Revenue | 39,800,000 | 113,330 | 0.3 |
| | **Total** | **700,000,000** | **214,020,572** | **30.6** |

**Source:** *Kisii County Treasury*

Analysis of the revenue by stream indicates that market dues recorded the highest performance against annual target at 78.8 per cent. This was closely followed by parking fees at 72.5 per cent. On the other hand, devolved units recorded the lowest performance against annual target at 1.5 per cent.

In the first nine months of the FY 2015/16, the County did not deposit all locally collected revenue into the County Revenue Fund account maintained at Central Bank of Kenya (CBK) in line with Article 207 of the Constitution. Revenue collected by Health Services Department and revenue from Liquor licensing was not deposited into the CRF account but spent at source.

### 3.17.3 Conditional Grants

Table 3.47 shows an nalysis of conditional grants for the first nine months of FY 2015/16.

**Table 3.47: Kisii County analysis of conditional grants for the first nine months of FY 2015/16**

| No. | Conditional Grant | Amount allocated as provided in CARA 2015 (Kshs.) | 9 Months Actual receipt of the Conditional Grant (Kshs.) | Actual receipts as a percentage of Annual Allocation (%) |
|---|---|---|---|---|
| 1 | DANIDA Grant | 22,950,000 | 22,950,000 | 100.0 |
| 2 | User Fees Forgone | 26,859,653 | 21,750,835 | 81.0 |
| 3 | Level 5 Hospitals | 338,616,571 | 226,873,104 | 67.0 |
| 4 | Road Maintenance Fuel Levy Fund | 90,112,658 | 45,506,893 | 50.5 |
| 5 | Free Maternal Health Care | 194,699,400 | 67,965,000 | 34.9 |
| | **TOTAL** | **673,238,282** | **385,045,832** | **57.2** |

**Source:** *Kisii County Treasury*

Analysis of the conditional grants for the period under review indicates that DANIDA grant recorded the highest performance against annual target at 100 per cent. This was closely followed by User Fees Forgone at 81 per cent.

### 3.17.4 Exchequer Issues

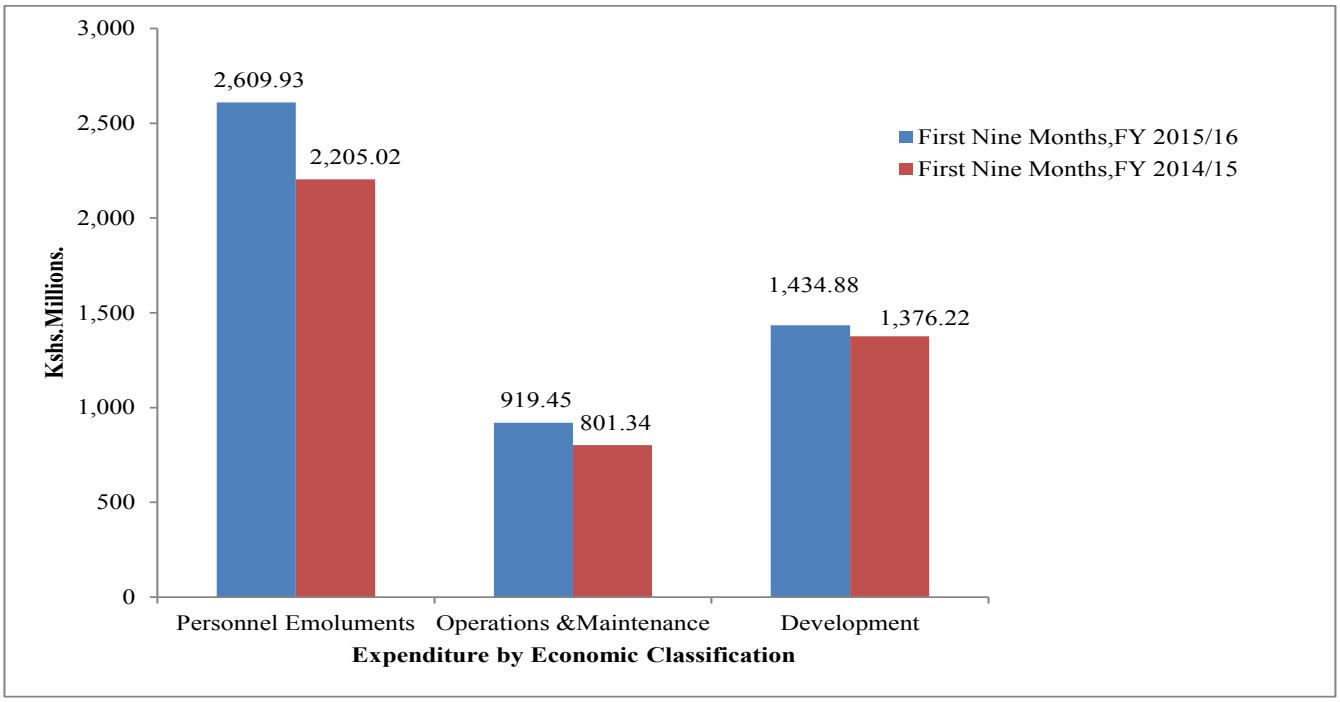
During the period under review, the COB authorised withdrawal of Kshs.5.15 billion from the CRF account, which was 56.1 per cent of the approved supplementary budget. The amount represented an increase of 8 per cent from Kshs.4.77 billion authorized in a similar period of FY 2014/15 and consisted of Kshs.3.60 billion (69.9 per cent) for recurrent expenditure and Kshs.1.55 billion (30.1per cent) for development activities.

### 3.17.5 Overall Expenditure Review

The County spent a total of Kshs.4.96 billion during the first nine months of FY 2015/16 which was 96.4 per cent of the total funds released for operations. This was an increase from the Kshs.4.38 billion spent in a similar period of FY 2014/15. A total of Kshs.3.53 billion was spent on recurrent activities and Kshs.1.43 billion on development activities. Recurrent expenditure was 98.0 per cent of the funds released for recurrent activities while development expenditure accounted for 92.5 per cent of the funds released for development activities. The expenditure excludes commitments as at 31st March, 2016 that amounted to Kshs.833.66 million for development and Kshs.152.13 million for recurrent expenditure.

Recurrent expenditure for the period under review represented 63.3 per cent of the approved annual recurrent budget, a decrease from 64.9 per cent spent in a similar period of FY 2014/15. On the other hand, development expenditure recorded an absorption rate of 39.8 per cent, a decrease from 43.5 per cent spent in a similar period of FY 2014/15. Figure 3.62 shows a comparison of the total expenditure in the third quarter of FY 2014/15 and the same period in FY 2015/16.

**Figure.3.62: Kisii County, Expenditure by Economic Classification for the First Nine Months of FY 2014/15 and FY 2015/16**




**Source:** *Kisii County Treasury*

### 3.17.6 Recurrent Expenditure Analysis

The total recurrent expenditure for the reporting period was Kshs.3.53 billion against an annual recurrent budget of Kshs.5.58 billion. This represents 63.3 per cent of the annual recurrent budget. The County spent Kshs2.61 billion (73.9 per cent) on personnel emoluments and Kshs.919.45 million (26.1per cent) on operations and maintenance as shown in Figure.3.62. Personnel emolument for the

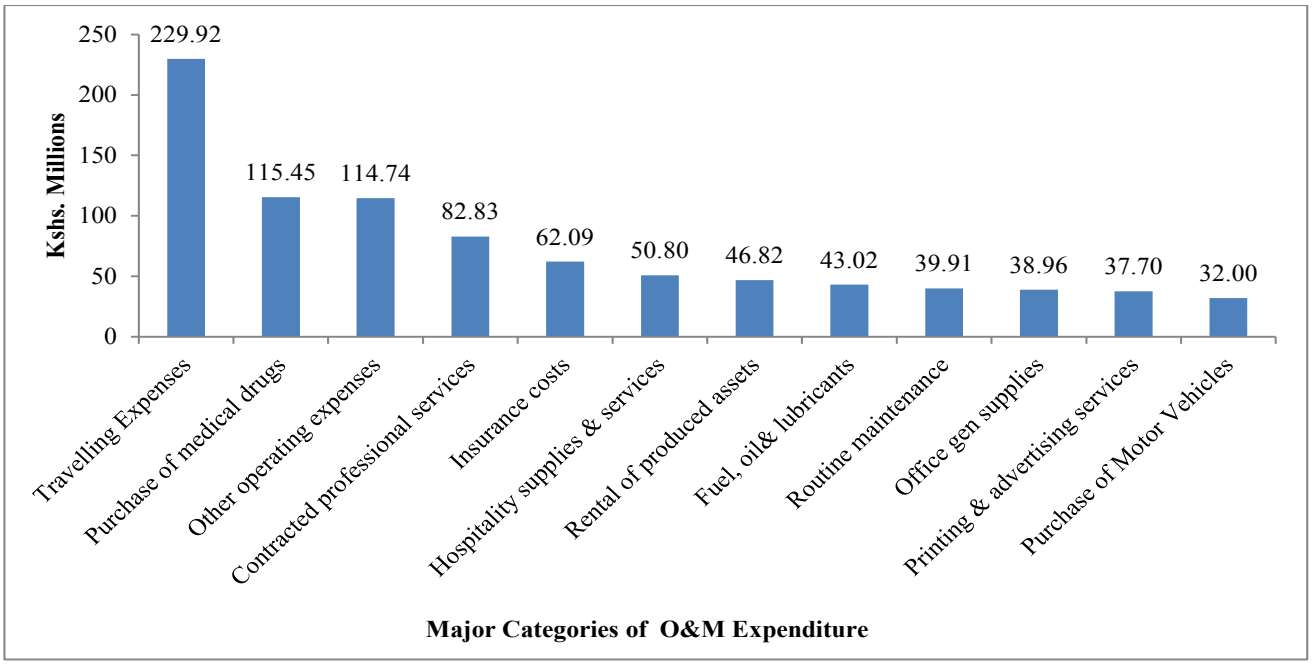
month of March 2016 estimated at Kshs.325 million were paid in April 2016 and is therefore not part of the reported figure for the nine months.

The expenditure on personnel emoluments of Kshs.2.61 billion incured in the first nine months of FY 2015/16 represented an increase of 18 per cent compared to a similar period in FY 2014/15 when the County spent Kshs.2.21 billion. The increase is attributed to continuous staff recruitment and promotion especially among health workers.

The County spent Kshs.90.01 million on sitting allowances to the 71 MCAs and the Speaker against an annual budget of Kshs.90.41 million. This represents a decrease from Kshs.94.27 million recorded in a similar period of FY 2014/15. The average monthly sitting allowance per MCA was Kshs.138,899 compared to SRC's recommended monthly ceiling of Kshs.124,800.

The aggregate expenditure on domestic and foreign travel was Kshs.229.92 million compared to Kshs.181.14 million incurred in a similar period of FY 2014/15, representing a significant increase of 26.9 per cent. Figure 3.63 shows a breakdown of the operations and maintenance expenditure for the reporting period.

**Figure 3.63: Kisii County, Operations and Maintenance Expenditure for the First Nine Months of FY 2015/16**

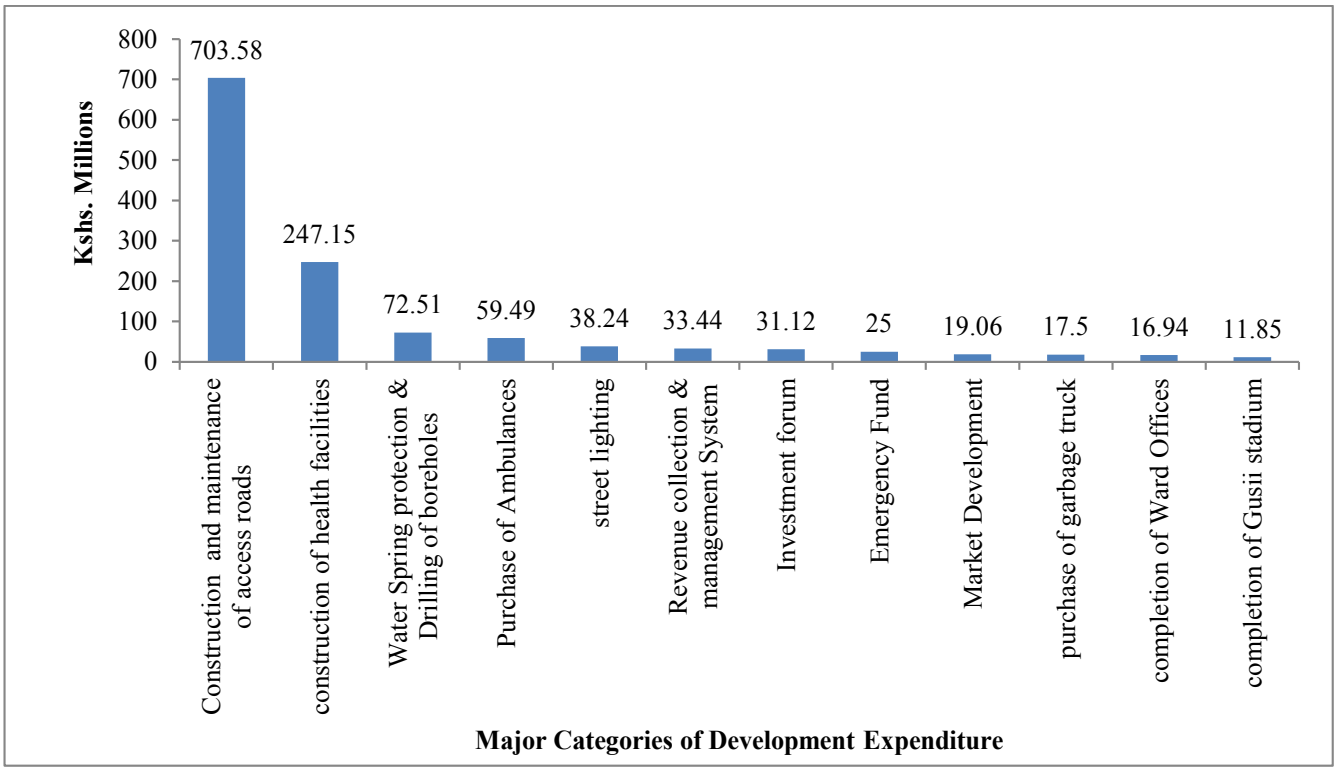



**Source:** *Kisii County Treasury*

### 3.17.7 Development Expenditure Analysis

Figure 3.64 provides a summary of development expenditure during the period under review.

**Figure 3.64: Kisii County, Summary of Development Expenditure for the First Nine Months of FY 2015/16**




**Source:** *Kisii County Treasury*

Analysis of the development expenditure of Kshs.1.43 billion incurred in the reporting period of FY 2015/16 indicates that the highest expenditure of Kshs.703.58 million was spent by the Roads Department on development and maintenance of access roads and purchase of a garbage truck. A total of 324 kilometres of roads were maintained across the 45 wards. The second highest expenditure of Kshs.247.15 million was incurred by the Health Department on construction of health facilities and Kshs.59.49 million on purchase of ambulances. The Department of Water and Environment incurred Kshs.72.51 million on spring protection in wards, water schemes and drilling of boreholes while the Department of Lands, Physical planning and Urban Development incurred Kshs.38.24 million on Street lighting programme.

### 3.17.8 Annual Budget and Budget Performance Analysis by department for the First Nine Months of FY 2015/16

Table 3.48 shows the summary of FY 2015/16 annual budget estimates and budget performance for the reporting period by department.

**Table.3.48: Kisii County, Annual Budget and First Nine Months of FY 2015/16 Budget Performance by Department**

| Department | Annual Budget Allocation (Kshs. Million) | | 9 Months Exchequer Issues (Kshs. Million) | | 9 Months Expenditure (Kshs. Million) | | Expenditure to Exchequer Issues (%) | | Absorption rate (%) | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Rec | Dev | Rec | Dev | Rec | Dev | Rec | Dev | Rec | Dev |
| Health Services | 1,862.90 | 968.39 | 1,253.64 | 370.25 | 1291.93 | 337.50 | 103.1 | 91.2 | 69.4 | 34.9 |
| Agriculture & Livestock Development | 267.37 | 138.50 | 194.25 | 55.70 | 201.07 | 47.25 | 103.5 | 84.8 | 75.2 | 34.1 |
| County Assembly | 713.65 | 35.00 | 477.31 | - | 503.56 | - | 105.5 | | 70.6 | - |
| County Executive (Office of the Governor and Deputy Governor) & CPSB | 433.83 | - | 264.06 | - | 209.60 | - | 79.4 | - | 48.3 | - |
| County Administration | 475.83 | 142.80 | 362.29 | 15.00 | 355.24 | 20.24 | 98.1 | 134.9 | 74.7 | 14.2 |
| Finance and Economic Planning | 726.16 | 142.50 | 482.12 | 90.00 | 393.47 | 81.22 | 81.6 | 90.2 | 54.2 | 57.0 |
| Environment and water | 136.09 | 358.50 | 77.91 | 79.00 | 76.49 | 72.52 | 98.2 | 91.8 | 56.2 | 20.2 |
| Education and Youth development | 551.93 | 218.75 | 253.94 | 44.00 | 273.36 | 25.29 | 107.6 | 57.5 | 49.5 | 11.6 |
| Land, Physical planning& urban development | 84.54 | 201.00 | 39.98 | 90.00 | 36.47 | 87.24 | 91.2 | 96.9 | 43.1 | 43.4 |
| Roads, Public works and transport | 138.58 | 1012.21 | 73.47 | 707.60 | 66.54 | 691.43 | 90.6 | 97.7 | 48.0 | 68.3 |
| Trade regulations& development | 60.55 | 165.00 | 36.81 | 63.00 | 34.31 | 51.42 | 93.2 | 81.6 | 56.7 | 31.2 |
| Culture and Social services | 64.91 | 208.50 | 36.72 | 37.00 | 45.26 | 20.77 | 123.3 | 56.1 | 69.7 | 10.0 |
| Kisii Town | 62.58 | 10.00 | 47.92 | - | 42.47 | - | 88.6 | - | 67.9 | - |
| **TOTAL** | **5,578.92** | **3,601.15** | **3,600.42** | **1,551.55** | **3,529.77** | **1,434.88** | **98.0** | **92.5** | **63.3** | **39.8** |

**Source:** *Kisii County Treasury*

Analysis of budget performance by department shows that the Department of Roads, Public works and Transport reported the highest absorption rate for development expenditure at 68.3 per cent while Kisii County Assembly and Kisii Town did not spend their development budget. On the other hand, the Department of Agriculture and Livestock Development had the highest percentage of its recurrent expenditure to annual recurrent budget at 75.2 per cent while the Department of Lands, Physical Planning and Urban Development had the lowest at 43.1per cent.

### 3.17.9 Observations and Recommendations

The County has made progress in addressing some of the challenges previously identified as affecting budget implementation which include the establishment of County Budget and Economic Forum, which is actively involved in the budgeting process.

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

1. The Department of Health Services has continued to spend local revenue at source contrary to Section 109(2) of the PFM Act, 2012.
2. Low performance in local revenue collection, which stood at 30.6 per cent of the annual revenue target during the reporting period.
3. High wage bill due to continuous staff recruitment that may result in unsustainable payroll costs.
4. Failure to designate Administrators for established County Public Funds.

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

1. *All locally generated revenue should be reported and properly accounted for in accordance to Section 109(2) PFM Act, 2012.*
2. *The County should develop strategies to enhance local revenue collection.*
3. *The County should ensure that personnel emoluments are maintained at a sustainable level. Furthermore, the County should ensure that it complies with the provision of the Section 25(1(a)) of the PFM (County Governments) Regulations 2015.*
4. *The County Treasury should designate an Administrator to ensure effective management and reporting on each County established Fund.*

## 3.18 Kisumu County

### 3.18.1 Overview of the FY 2015/16 Budget

The FY 2015/16 Approved Budget for Kisumu County is Kshs.9.64 billion, comprising of Kshs.5.71 billion (59.2 per cent) and Kshs.3.93 billion (40.8 per cent) to recurrent and development expenditure respectively.

In order to finance the budget, the county expects to receive Kshs.5.68 billion ( 59.2 per cent) as equitable share of revenue raised nationally , Kshs.669.48 million (7.0 per cent) as total conditional grants, generate Kshs.1.87 billion (19.5 per cent) from local sources and Kshs.1.37 billion (14.3 per cent) as projected cash balance from FY 2014/15. The conditional grants comprise of Kshs.338.62 million (50.6 per cent) for Level 5 hospital, Kshs.95.74 million (14.3 per cent) for leasing of medical equipment, Kshs.123.78 million (18.5 per cent) for maternal health care, Kshs.72.17 million (10.8 per cent) from the Road Maintenance Fuel Levy Fund and Kshs.16.58 million (2.5 per cent) from DANIDA for support of health facilities as shown in Table 3.50.

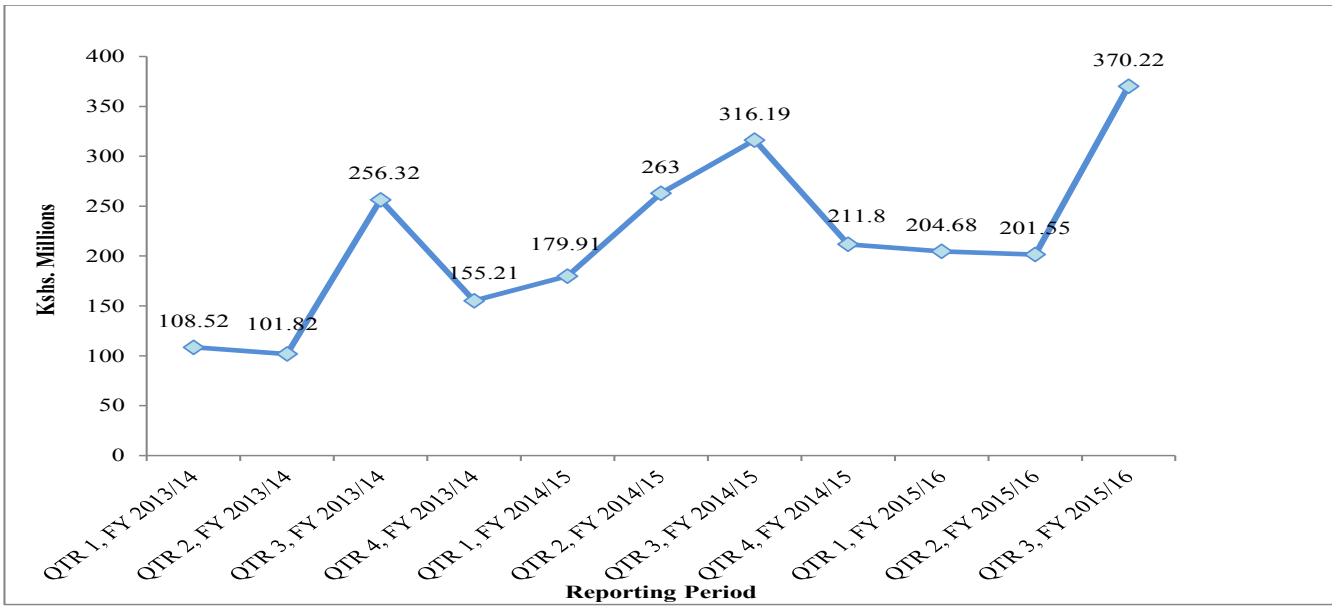
### 3.18.2 Revenue Analysis

In the first nine months of FY 2015/16, the County received Kshs.3.32 billion as equitable share of revenue raised nationally, Kshs.319.44 million as conditional allocations, raised Kshs.776.45 million from local sources, and had a cash balance of Kshs.1.02 billion brought forward from FY 2014/15. The County did not borrow any funds during the reporting period to finance the budget.

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

quarter of FY 2015/16.

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




**Source:** *Kisumu County Treasury*

The total local revenue for the reporting period of Kshs.776.45 million consisted of Kshs.204.68 million generated in the first quarter, Kshs.201.55 million in the second quarter and Kshs.370.22 million in the third quarter of FY 2015/16. The revenue collected was 41.5 per cent of the annual local revenue target, and an increase from Kshs.759.10 million collected in a similar period of FY 2014/15. Table 3.49 shows further analysis of the local revenue collected in the first nine months of FY 2015/16 by stream.

**Table 3.49: Kisumu County analysis of revenue collection by stream for the first nine months of FY 2015/16**

| No | Revenue Stream | Annual Targeted Revenue (Kshs.) | 9 Months Actual Revenue | Actual Revenue as a percentage of Annual Target (%) |
|---|---|---|---|---|
| 1 | Vehicle parking fees | 77,729,500 | 150,947,587 | 194.2 |
| 2 | Rental income on commercial / residential buildings | 33,683,640 | 28,067,316 | 83.3 |
| 3 | Single business permits | 100,000,000 | 75,855,746 | 75.9 |
| 4 | Land rates | 171,904,848 | 119,665,314 | 69.6 |
| 5 | Signboards and advertisements Fee | 67,209,213 | 42,300,781 | 62.9 |
| 6 | Liquor licenses | 25,082,200 | 13,757,908 | 54.9 |
| 7 | Market fees | 113,244,059 | 61,007,265 | 53.9 |
| 7 | Public health and medical levies, hospital fees | 719,808,508 | 200,207,955 | 27.8 |
| 9 | Building plans approval | 53,537,361 | 13,137,697 | 24.5 |
| 10 | Other sources | 506,387,694 | 71,502,633 | 14.1 |
| | **Total** | **1,868,858,023** | **776,450,202** | **41.5** |

**Source:** *Kisumu County Treasury*

Analysis of the local revenue by stream indicates that Vehicle parking fees recorded the highest performance against annual target at 194.2 per cent. This was closely followed by Rental income on commercial/ residential buildings at 83.3 per cent.

In the first nine months of the FY 2015/16, the County deposited all locally collected revenue into the County Revenue Fund account maintained at Central Bank of Kenya (CBK) in line with Article 207 of the Constitution.

### 3.18.3 Conditional Grants

Table 3.50 shows an analysis of conditional grants for the first nine months of FY 2015/16.

**Table 3.50: Kisumu County analysis of conditional grants for the first nine months of FY 2015/16**

| No | Conditional Grant | Amount allocated as provided in CARA 2015 (Kshs.) | 9 Months Actual receipt of the Conditional Grant (Kshs.) | Actual receipts as a percentage of Annual Allocation (%) |
|---|---|---|---|---|
| 1 | DANIDA grant | 16,580,000.00 | 16,580,000.00 | 100.0 |
| 2 | User Fees Forgone | 22,585,235.00 | 20,532,987.00 | 90.9 |
| 3 | Level 5 Hospital | 338,616,571.00 | 199,783,778.00 | 59.0 |
| 4 | Road Maintenance Fuel Levy Fund | 72,170,965.00 | 36,446,337.00 | 50.5 |
| 5 | Free Maternal Health Care | 123,782,400.00 | 46,097,500.00 | 37.2 |
| 6 | Leasing of medical equipment | 95,744,680.00 | 0 | 0 |
| | **TOTAL** | **669,479,851** | **319,440,602** | **47.7** |

**Source:** *Kisumu County Treasury*

Analysis of the conditional grants for the period under review indicates that conditional grant from DANIDA recorded the highest receipts against the annual target at 100 per cent. This can be attributed to the fulfilment of the agreed basic criteria by the County agreed upon with DANIDA to disburse funds in full to health facilities electronically through IFMIS/G-Pay. This was closely followed by User Fees Forgone at 90.9 per cent.

### 3.18.4 Exchequer Issues

During the period under review, the COB authorised withdrawal of Kshs.5.27 billion from the CRF account while the department of Health had Kshs.235.11 million as operations accounts balances from FY 2014/15 not paid to the CRF account as required by Section 136 of the PFM Act, 2012. These summed up to Kshs.5.46 billion available for use in the in the operations accounts which was 54.6 per cent of the approved budget. The amount represented an increase of 19.2 per cent from Kshs.4.58 billion authorized in a similar period of FY 2014/15 and consisted of Kshs.4.21 billion (80.0 per cent) for recurrent expenditure and Kshs.1.05 billion (20.0 per cent) for development activities.

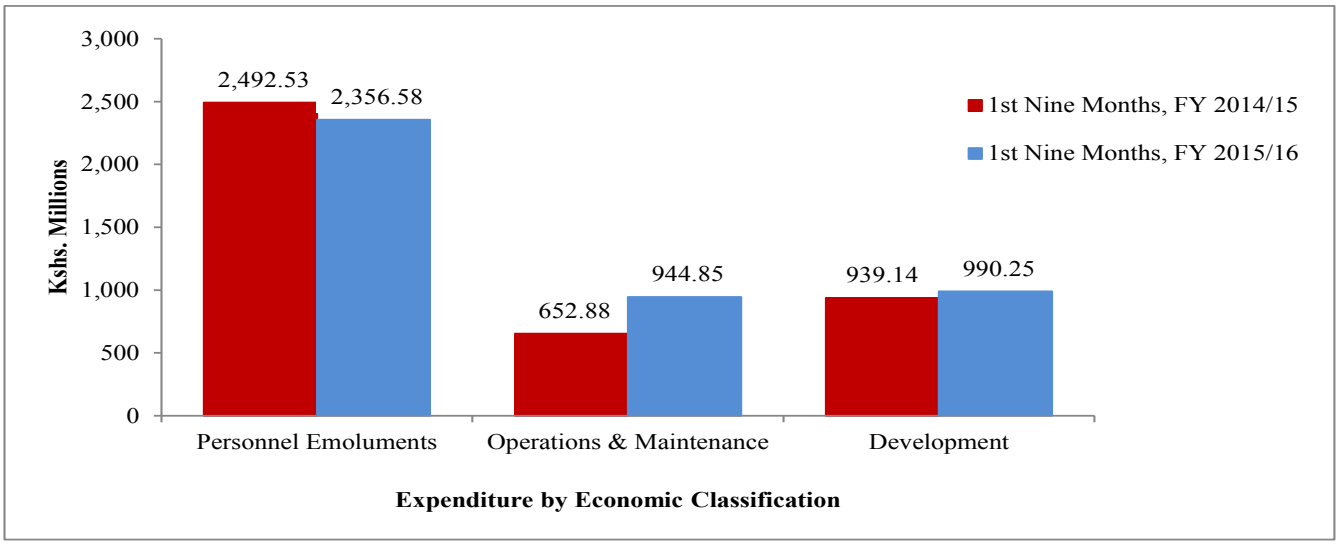
### 3.18.5 Overall Expenditure Review

The County spent a total of Kshs.4.29 billion during the first nine months of FY 2015/16 which was 81.6 per cent of the total funds released for operations. This was an increase from Kshs.4.08 billion

spent in a similar period of FY 2014/15. A total of Kshs.3.30 billion was spent on recurrent activities and Kshs.990.25 million on development activities. Recurrent expenditure was 78.4 per cent of the funds released for recurrent activities while development expenditure accounted for 93.9 per cent of the funds released for development activities. The expenditure excludes commitments as at 31st March, 2016 that amounted to Kshs.1.29 billion for development expenditure.

Recurrent expenditure for the period under review represented 57.8 per cent of the approved annual recurrent budget, a decrease from 61.8 per cent spent in a similar period of FY 2014/15. On the other hand, development expenditure recorded an absorption rate of 25.2 per cent, a decrease from 37.8 per cent spent in a similar period of FY 2014/15. Figure 3.66 shows a comparison of the total expenditure in the third quarter of FY 2014/15 and the same period in FY 2015/16.

**Figure 3.66: Kisumu County, Expenditure by Economic Classification for the First Nine Months of FY 2014/15 and FY 2015/16**




**Source:** *Kisumu County Treasury*

### 3.18.6 Recurrent Expenditure Analysis

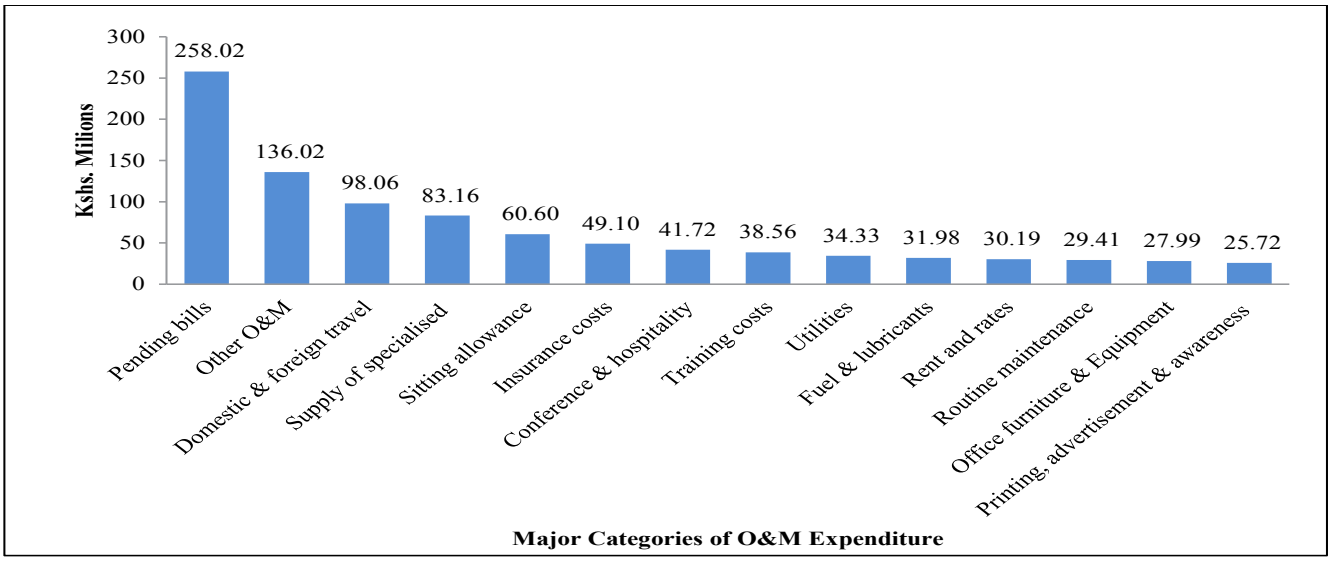
The total recurrent expenditure for the reporting period was Kshs.3.30 billion against an annual recurrent budget of Kshs.5.71 billion. This represents 57.8 per cent of the annual recurrent budget. The County spent Kshs.2.36 billion (71.5 per cent) on personnel emoluments and Kshs.944.85 million (28.5 per cent) on operations and maintenance as shown in Figure 3.66.

The expenditure on personnel emoluments ofKshs.2.36 billion incured in the first nine months of FY 2015/16 represented an increase of 5 per cent compared to a similar period in FY 2014/15 when the County spent Kshs.2.49 billion.

The County spent Kshs.60.60 million on sitting allowances to the 49 MCAs and the Speaker against an annual budget of Kshs.113.81 million. This represents an increase from Kshs.53.84 million recorded in a similar period of FY 2014/15. The average monthly sitting allowance per MCA was Kshs.134,665 compared to SRC's recommended monthly ceiling of Kshs.124,800.

The aggregate expenditure on domestic and foreign travel was Kshs.98.06 million compared to Kshs.76.24 million incurred in a similar period of FY 2014/15, representing a significant increase of 28.6 per cent. Figure 3.67 shows a breakdown of the operations and maintenance expenditure for the reporting period

**Figure 3.67: Kisumu County, Operations and Maintenance Expenditure for the First Nine Months of FY 2015/16**

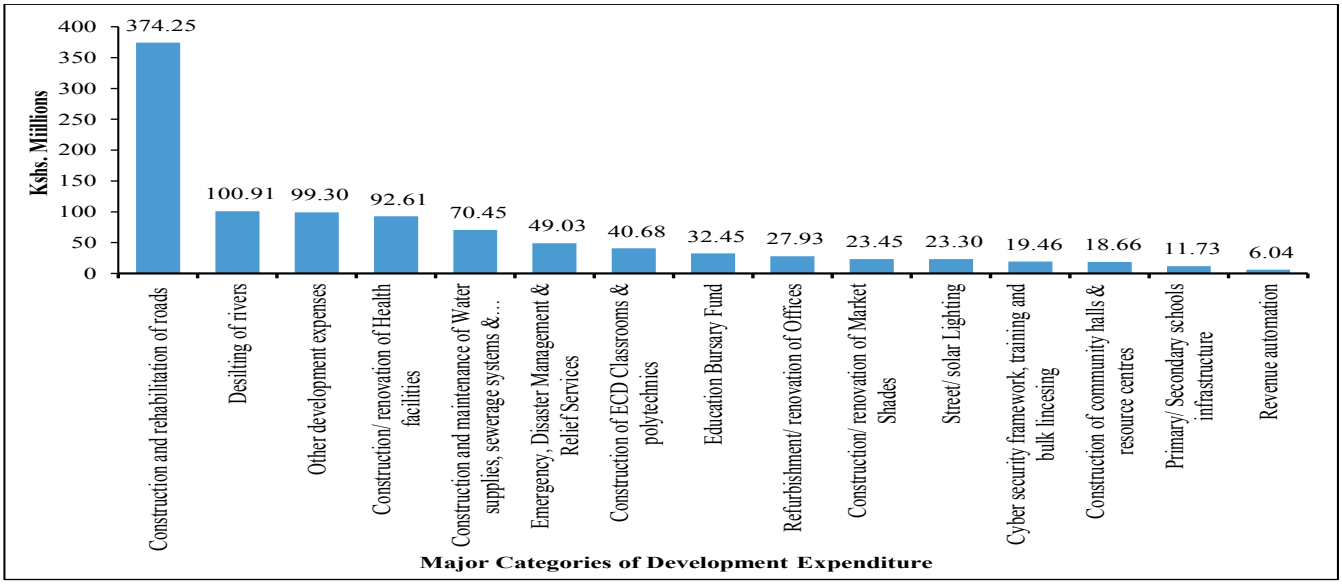



**Source:** *Kisumu County Treasury*

### 3.18.7 Development Expenditure Analysis

Figure 3.68 provides a summary of development expenditure during the period under review.

**Figure 3.68: Kisumu County, Summary of Development Expenditure for the First Nine Months of FY 2015/16**




**Source:** *Kisumu County Treasury*

Analysis of the development expenditure of Kshs.990.25 million incurred in the reporting period

indicates that the highest expenditure of Kshs.734.47 million was spent by Finance and Economic Planning Department mainly on payment of pending bills. Further analysis of pending bills shows that the highest expenditure of Kshs.374.25 million was on development and rehabilitation of access roads and bridges across the 35 wards, followed by expenditure of Kshs.92.61 million on construction and renovation of health facilities. The second highest expenditure of Kshs.149.94 million was incurred by the Office of the Governor and County Administration Department, out of which Kshs.100.91 million was spent on de-silting of rivers and Kshs.49.03 million on emergency relief services. The Department of Education, Gender, Culture and Sports incurred Kshs.32.45 million on Education Bursary Fund and Kshs.11.73 million on primary and secondary schools infrastructure while the Department of Communication and Information Technology spent Kshs.19.46 million on developing Cyber Security framework and bulk licences for Microsoft products.

### 3.18.8 Annual Budget and Budget Performance Analysis by department for the First Nine Months of FY 2015/16

Table 3.51 shows a summary of FY 2015/16 annual budget estimates and budget performance for the reporting period by department.

**Table 3.51: Kisumu County, Annual Budget and First Nine Months of FY 2015/16 Budget 210Performance by Department**

| Department | Annual Budget Allocation (Kshs. Million) | | 9 Months Exchequer Issues (Kshs. Million) | | 9 Months Expenditure (Kshs. Million) | | Expenditure to Exchequer Issues (%) | | Absorption rate (%) | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Rec | Dev | Rec | Dev | Rec | Dev | Rec | Dev | Rec | Dev |
| Finance and Economic Planning | 808.33 | 1,577.26 | 672.34 | 1,004.42 | 470.17 | 734.47 | 69.9 | 73.1 | 58.2 | 46.5 |
| Office of the Governor and County Administration | 391.16 | 150.00 | 289.28 | 0 | 2,016.97 | 149.94 | 697.2 | 0 | 515.6 | 100.0 |
| Agriculture, Livestock & Fisheries | 307.08 | 180.01 | 235.27 | 0 | 24.64 | 2.69 | 10.5 | 0 | 8.0 | 1.5 |
| Education, Youth, Culture & Sports | 152.23 | 371.00 | 114.52 | 50.00 | 76.26 | 57.63 | 66.6 | 115.3 | 50.1 | 15.5 |
| Roads, Transport & Public Works | 120.16 | 414.37 | 97.09 | 0 | 13.64 | 5.60 | 14.0 | 0 | 11.4 | 1.4 |
| Health | 2,127.99 | 241.71 | 1,478.40 | 0 | 282.90 | 2.00 | 19.1 | 0 | 13.3 | 0.8 |
| City of Kisumu | 851.23 | 90.00 | 609.76 | 0 | 80.57 | 0.00 | 13.2 | 0 | 9.5 | - |
| Water, Environment & Natural Resources | 95.26 | 210.02 | 72.70 | 0 | 20.54 | 11.69 | 28.2 | 0 | 21.6 | 5.6 |
| Communication and Information Technology | 72.43 | 100.00 | 51.71 | 0 | 15.84 | 25.03 | 30.6 | 0 | 21.9 | 25.03 |
| Tourism, Trade and Heritage | 68.75 | 130.00 | 53.13 | 0 | 6.30 | 0 | 11.9 | - | 9.2 | - |
| Lands, Housing and Physical Planning | 31.41 | 234.30 | 22.54 | 0 | 1.97 | 0 | 8.7 | - | 6.3 | - |

| Department | Annual Budget Allocation (Kshs. Million) | | 9 Months Exchequer Issues (Kshs. Million) | | 9 Months Expenditure (Kshs. Million) | | Expenditure to Exchequer Issues (%) | | Absorption rate (%) | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Rec | Dev | Rec | Dev | Rec | Dev | Rec | Dev | Rec | Dev |
| County Assembly | 533.90 | 0.00 | 406.43 | 0 | 232.12 | 0 | 57.1 | - | 43.5 | - |
| County Public Service Board | 65.00 | 0.00 | 48.51 | 0 | 40.44 | 0 | 83.4 | - | 62.2 | - |
| Industrialization, Enterprise Dev'pt, Energy & Mining | 82.02 | 232.00 | 59.55 | 0 | 19.06 | 1.20 | 32.0 | - | 23.2 | 0.5 |
| **Total** | **5,706.95** | **3,930.67** | **4,211.23** | **1,054.42** | **3,301.42** | **990.25** | **78.4** | **93.9** | **57.8** | **25.2** |

**Source:** *Kisumu County Treasury*

Analysis of budget performance by department shows that the Office of the Governor and County Administration reported the highest absorption rate for development expenditure at 100 per cent while the Tourism, Trade and Heritage department, City of Kisumu, and Land, Housing and Physical Planning department did not incur any development expenditure. On the other hand, the recurrent expenditure for the Office of the Governor and County Administration exceeded its annual allocation by 515.6 per cent arising from the use of below the line IFMIS item codes to pay personnel emoluments without regard to personnel emoluments' budget for the department. The Lands, Housing and Physical Planning department had the lowest recurrent expenditure compared to its annual recurrent budget at 6.3 per cent.

### 3.18.9 Observations and Recommendations

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

i. Establishment of the County Budget and Economic Forum which is actively involved in the budget process.

ii. Improvement in local revenue collection during the reporting period by 2.3 per cent from Kshs.759.10 million to Kshs.776.45 million achieved during a similar period of FY 2014/15.

iii. Increased staff capacity through training and recruitment of new staff.

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

1. Enactment of various county public fund bills which did not comply with the requirements of the Constitution and PFM Act, 2012, leading to difficulty in accessing the money allocated for the respective county public funds. The affected funds include; Trade Fund, Co-operative Development Fund, Investment into regional bank and Ward Development Fund.

2. Delayed disbursement of funds by the National Treasury which resulted in slow implementation of development projects.

3. Huge wage bill which accounted for 72.0 per cent of the recurrent expenditure thus constraining

funding to key county programmes.

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

1. *The County should undertake amendments of the affected legislations in order to align them to the Constitution, PFM Act, 2012 and PFM (County Government) Regulations, 2015.*

2. *The County Treasury should liaise with the National Treasury to ensure timely release of funds in accordance with the CARA, 2015 approved disbursement schedule.*

3. *The County Public Service Board should develop and implement an optimal staffing structure, devise strategies to manage recruitment of new staff and address the escalating wage bill.*

## 3.19 Kitui County

### 3.19.1 Overview of the FY 2015/16 Budget

The FY 2015/16 Approved Budget for Kitui County is Kshs.10.23 billion, comprising of Kshs.4.79 billion (46.9 per cent) allocated to recurrent expenditure and Kshs.5.43 billion (53.1 per cent) to development expenditure.

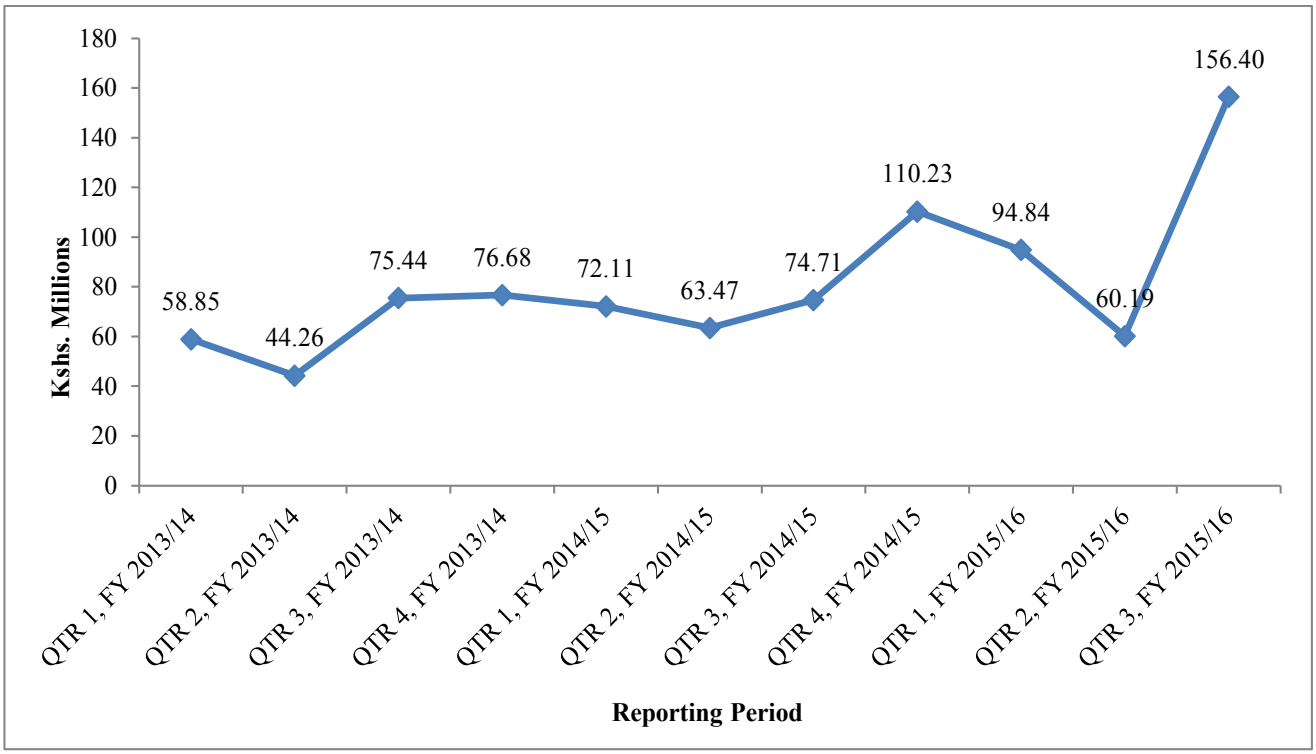
In order to finance the budget, the county expects to receive Kshs.7.27 billion (71.1 per cent) as equitable share of revenue raised nationally , Kshs.283.52 million (2.8 per cent) as total conditional grants, generate Kshs.608.20 million (5.9 per cent) from local sources and Kshs.2.07 billion (20.2 per cent) as projected cash balance from FY 2014/15. The conditional grants comprise of Kshs.63.61 million (22.4 per cent) for Maternal Health Care, Kshs.92.32 million (32.6 per cent) from the Road Maintenance Fuel Levy Fund, Kshs.23.61 million (8.3 per cent) for User Fees Foregone, Kshs.47.00 million (16.6 per cent) World Bank loan to support health facilities, Kshs.36.99 million (13.0 per cent) as a conditional grant from DANIDA and Kshs.20.00 million (7.1 per cent) grant from UNDP as shown in Table 3.53.

### 3.19.2 Revenue Analysis

In the first nine months of FY 2015/16, the County received Kshs.4.25 billion from the National Government as equitable share of revenue raised nationally, Kshs.46.62 million as conditional allocation from the Road Maintenance Fuel Levy Fund, Kshs.20.41 million for Free Maternal Health Care, Kshs.11.21 million for User Fees Forgone, Kshs.47.00 million from World Bank loan to support health facilities, Kshs.36.99 million from DANIDA to support health facilities, raised Kshs.311.43 million from local sources, and had a cash balance of Kshs.1.86 billion brought forward from FY 2014/15. The County did not borrow any funds during the reporting period to finance the budget.

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

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




**Source:** *Kitui County Treasury*

The total local revenue for the reporting period of Kshs.311.43 million consisted of Kshs.94.84 million generated in the first quarter, Kshs.60.19 million in the second quarter and Kshs.156.40 million in the third quarter of FY 2015/16. The revenue collected was 51.2 per cent of the annual local revenue target, and an improvement from Kshs.210.29 million collected in a similar period of FY 2014/15.

Table 3.52 shows further analysis of the local revenue collected in the first nine months of FY 2015/16 by stream.

**Table 3.52: Kitui County analysis of revenue collection by stream for the first nine months of FY 2015/16**

| No | Revenue Stream | Annual Targeted Revenue (Kshs.) | 9 Months Actual Revenue | Actual Revenue as a percentage of Annual Target (%) |
|---|---|---|---|---|
| 1 | Direct Deposits (unclassified ) | - | 107,321,316 | - |
| 2 | Single Business Permits | 33,453,125 | 52,622,266 | 157.3 |
| 3 | Market Fees | 70,708,904 | 31,415,710 | 44.4 |
| 4 | Cess | 79,852,810 | 18,623,355 | 23.3 |
| 5 | Earth movement in cubic meters (m3) | 12,700,000 | 18,549,307 | 146.1 |
| 6 | Enclosed Parking | 26,313,400 | 12,556,625 | 47.7 |

| No | Revenue Stream | Annual Targeted Revenue (Kshs.) | 9 Months Actual Revenue | Actual Revenue as a percentage of Annual Target (%) |
|---|---|---|---|---|
| 7 | Land rates | 45,809,370 | 10,318,286 | 22.5 |
| 7 | Alcoholic Drinks License application/Renewal | - | 6,938,200 | - |
| 9 | Sign Board & Advertising | 2,939,701 | 6,922,795 | 235.5 |
| 10 | Street Parking | 25,017,000 | 6,184,501 | 24.7 |
| 11 | Other Revenue Streams | 311,405,689.79 | 39,977,618.00 | 12.8 |
| | **Grand Total** | **608,200,000** | **311,429,979** | **51.2** |

**Source:** *Kitui County Treasury*

Analysis of of the revenue by stream indicates that unclassified direct deposits had the highest revenue at Kshs.107.32 million. Direct deposits are funds deposited in the revenue collection account but have not been classified by revenue streams. This was followed by Single Business Permits with a revenue collection of Kshs.52.62 million, and a performance of 157.3 per cent. Market Fees generated Kshs.31.42 million and a performance of 44.4 per cent.

In the first nine months of the FY 2015/16, the County deposited all locally collected revenue into the County Revenue Fund account maintained at Central Bank of Kenya (CBK) in line with Article 207 of the Constitution.

### 3.19.3 Conditional Grants

Table 3.53 shows an analysis of conditional grants for the first nine months of FY 2015/16.

**Table 3.53: Kitui County analysis of conditional grants for the first nine months of FY 2015/16**

| No. | Conditional Grant | Amount allocated as provided in CARA 2015 (Kshs.) | 9 Months Actual receipt of the Conditional Grant (Kshs.) | Actual receipts as a percentage of Annual Allocation (%) |
|---|---|---|---|---|
| 1 | World Bank Loan to Supplement Financing of County Health Facilities | 46,995,266.00 | 46,995,266.00 | 100 |
| 2 | DANIDA Grant to supplement Financing for County Health Facilities | 36,990,000.00 | 36,990,000.00 | 100 |
| 3 | Road Maintenance Fuel Levy Fund | 92,318,534.00 | 46,620,860.00 | 50.5 |
| 4 | Compensation for User Fees Forgone | 23,606,211.00 | 11,212,950.00 | 47.5 |
| 5 | Free Maternal Health Care Allocation | 63,610,400.00 | 20,405,000.00 | 32.1 |
| | **TOTAL** | **359,265,091.85** | **162,224,076.00** | **45.2** |

**Source:** *Kitui County Treasury*

Analysis of the conditional grants for the period under review indicates that World Bank loan and DANIDA grant recorded the highest receipts against the annual target at 100 per cent each. This was followed by Road Maintenance Fuel Levy Fund at 50.5 per cent. Release of the DANIDA grant to the county was done on a timely basis because of fulfilment of the agreed basic criteria

for the County to disburse funds in full to health facilities electronically through IFMIS/G-Pay and adequate reporting was required by the donor. .

### 3.19.4 Exchequer Issues

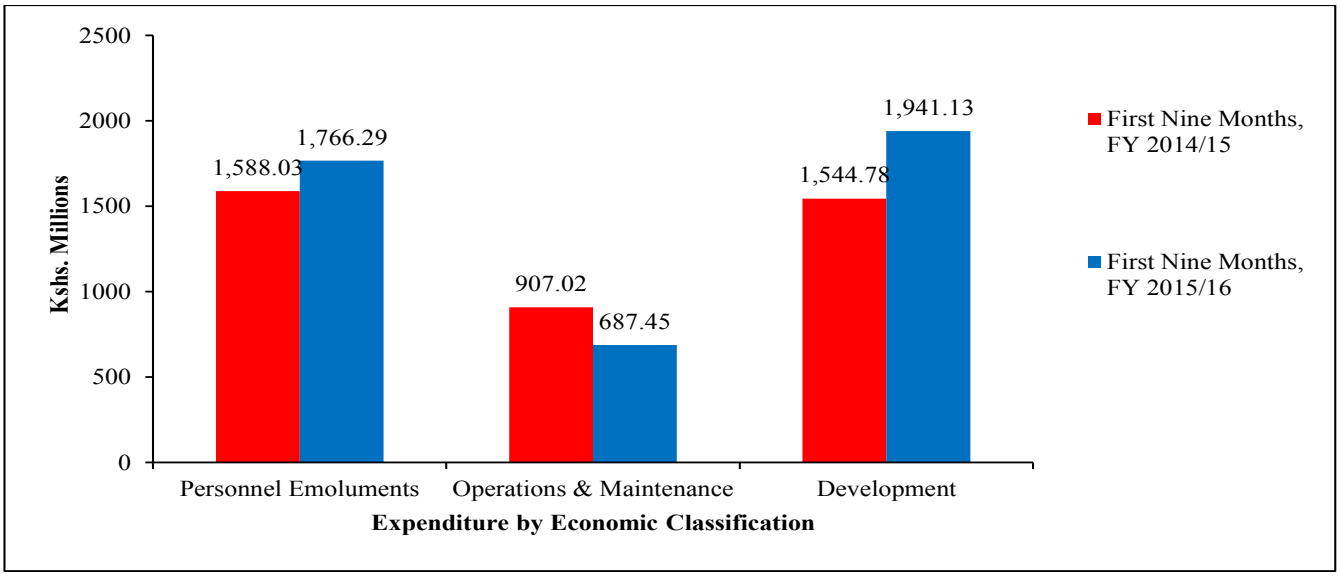
During the period under review, the COB authorised withdrawal of Kshs.5.34 billion from the CRF account, which was 52.2 per cent of the approved budget. The amount represented an increase of 14.9 per cent from Kshs.4.65 billion authorized in a similar period of FY 2014/15 and consisted of Kshs.3.10 billion (58.0 per cent) for recurrent expenditure and Kshs.2.24 billion (42.0 per cent) for development activities.

### 3.19.5 Overall Expenditure Review

The County spent a total of Kshs.4.39 billion during the first nine months of FY 2015/16 which was 82.3 per cent of the total funds released for operations. This was an increase from the Kshs.4.04 billion spent in a similar period of FY 2014/15. A total of Kshs.2.45 billion was spent on recurrent activities and Kshs.1.94 billion on development activities. Recurrent expenditure was 79.2 per cent of the funds released for recurrent activities while development expenditure accounted for 86.5 per cent of the funds released for development activities. The expenditure excludes commitments as at 31st March, 2016 that amounted to Kshs.1.51 billion for development and Kshs.182.90 million for recurrent expenditure.

Recurrent expenditure for the period under review represented 51.2 per cent of the approved annual recurrent budget, a decrease from 54.4 per cent spent in a similar period of FY 2014/15. On the other hand, development expenditure recorded an absorption rate of 35.7 per cent, an increase from 32.4 per cent spent in a similar period of FY 2014/15. Figure 3.70 shows a comparison of the total expenditure in the third quarter of FY 2014/15 and the same period in FY 2015/16.

**Figure 3.70: Kitui County, Expenditure by Economic Classification for the First Nine Months of FY 2014/15 and FY 2015/16**




**Source:** *Kitui County Treasury*

### 3.19.6 Recurrent Expenditure Analysis

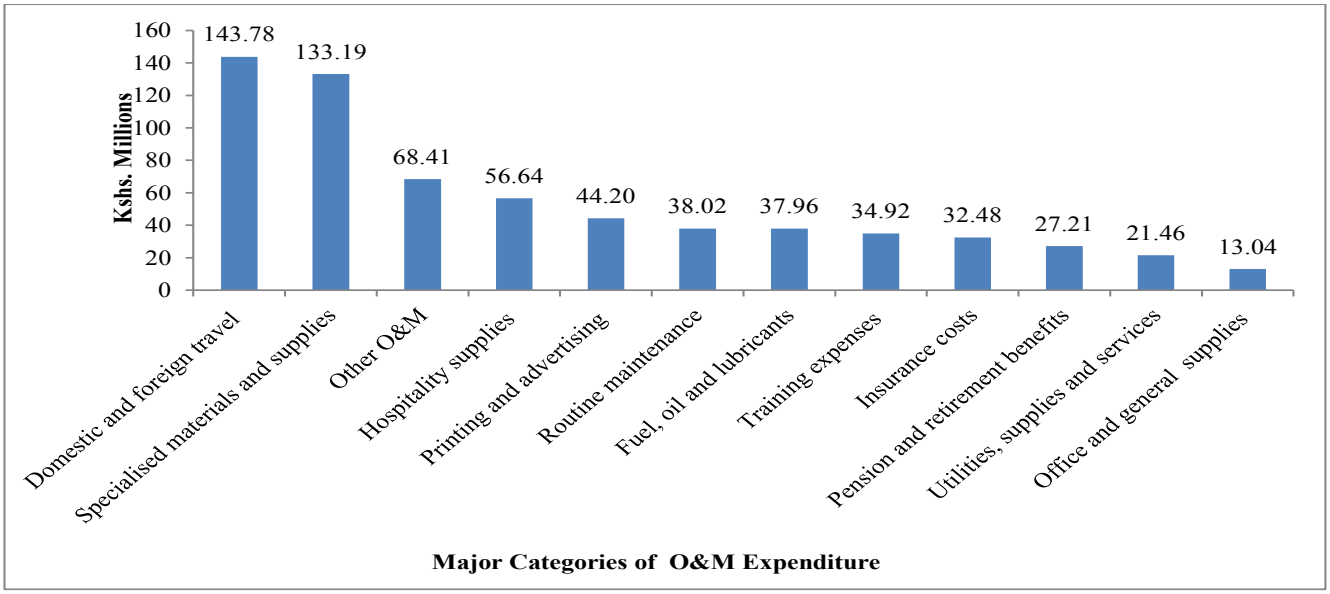
The total recurrent expenditure for the reporting period was Kshs.2.45 billion against an annual recurrent budget of Kshs.4.79 billion. This represents 51.2 per cent of the annual recurrent budget. The County spent Kshs.1.77 billion (72.0 per cent) on personnel emoluments and Kshs.687.45 million (28.0 per cent) on operations and maintenance as shown in Figure 3.70.

The expenditure on personnel emoluments amounting to Kshs.1.77 billion accounting for 40.2 per cent in the first nine months of FY 2015/16 represented an increase of 12.7 per cent compared to a similar period in FY 2014/15 when the County spent Kshs.1.59 billion.

The County spent Kshs.40.42 million on sitting allowances to the 57 MCAs including the Speaker against an annual budget of Kshs.74.63 million. This represents an increase from Kshs.39.99 million recorded in a similar period of FY 2014/15. The average monthly sitting allowance per MCA was Kshs.78,798.25 compared to SRC's recommended monthly ceiling of Kshs.124,800.

The aggregate expenditure on domestic and foreign travel was Kshs.143.78 million compared to Kshs.139.15 million incurred in a similar period of FY 2014/15, representing an increase of 3.3 per cent. Figure 3.71 shows a breakdown of the operations and maintenance expenditure for the reporting period

**Figure 3.71: Kitui County, Operations and Maintenance Expenditure for the First Nine Months of FY 2015/16**

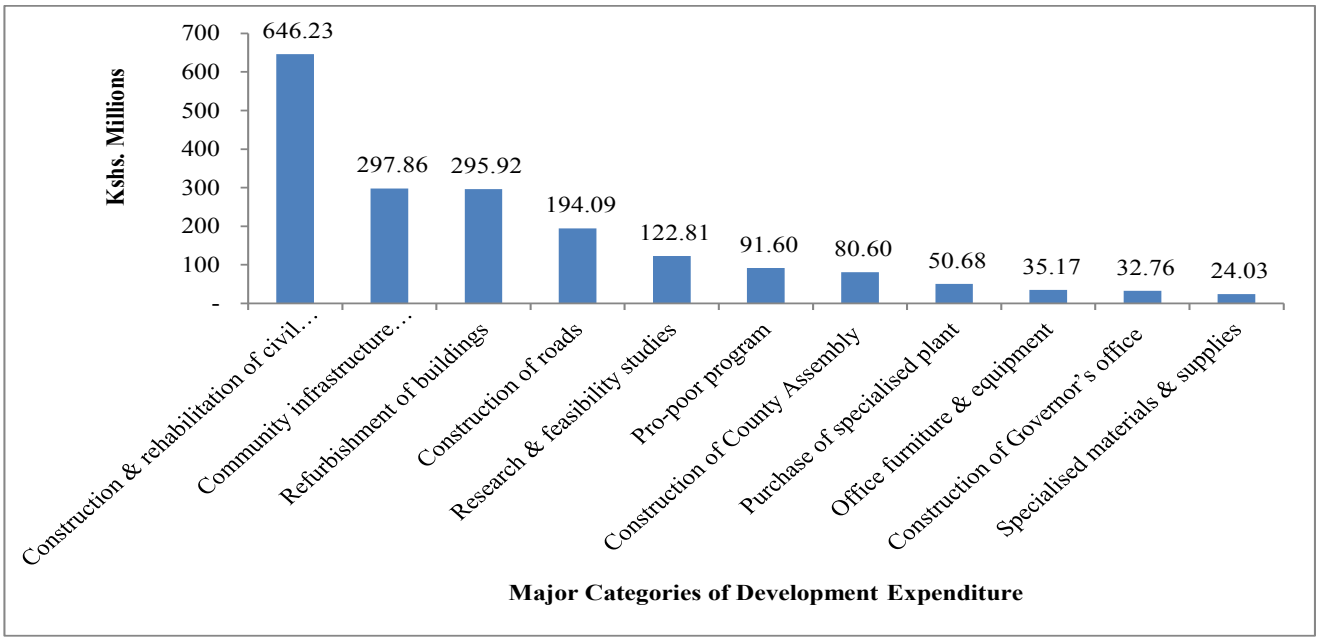



**Source:** *Kitui County Treasury*

### 3.19.7 Development Expenditure Analysis

Figure 3.72 provides a summary of development expenditure during the period under review.

**Figure 3.72: Kitui County, Summary of Development Expenditure for the First Nine Months of FY 2015/16**




**Source:** *Kitui County Treasury*

Analysis of the development expenditure of Kshs.1.94 billion incurred in the reporting period indicates that the highest expenditure of Kshs.646.23 million was spent on construction and rehabilitation of civil works. This amount was incurred by various departments with the Agriculture, Water and Irrigation Department having the largest expenditure of Kshs.336.11 million. The Department of Agriculture, Water and Irrigation carried out various projects such as: construction of Chuluni Irrigation Project, Ithumula Irrigation Project, Kilimu Phase II Irrigation Project; Muthoni-Nzawa Pipeline extension; and construction of Katothya borehole, Kivuuni borehole among other projects.

The second highest expenditure of Kshs.297.86 million was incurred by the Office of the Governor on Community Level Infrastructure Development Programme (CLIDP). Some of the CLIDP projects undertaken were construction of ECDE classroom at Yoonye Primary, construction of ECDE classroom at Windundu Primary, and pipeline extension from Kiliku to Kyondoni Primary school among other projects. The Department of Lands, Infrastructure and Urban Development incurred Kshs.194.09 million on construction of access roads while the County Assembly incurred Kshs.80.60 million on Construction of Kitui County Assembly Chamber.

### 3.19.8 Annual Budget and Budget Performance Analysis by department for the First Nine Months of FY 2015/16

Table 3.54 shows a summary of FY 2015/16 annual budget estimates and budget performance for the reporting period by department.

**Table 3.54: Kitui County, Annual Budget and First Nine Months of FY 2015/16 Budget Performance by Department**

| Department | Annual Budget Allocation (Kshs.Million) | | 9 Months Exchequer Issues (Kshs.Million) | | 9 Months Expenditure (Kshs.Million) | | Expenditure to Exchequer Issues (%) | | Absorption rate (%) | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Rec | Dev | Rec | Dev | Rec | Dev | Rec | Dev | Rec | Dev |
| Office Of The Governor | 434.33 | 1,193.51 | 266.04 | 294.87 | 248.41 | 481.58 | 93.4 | 163.3 | 57.2 | 40.3 |
| Administration & Coordination | 496.09 | 238.89 | 268.51 | 64.92 | 172.76 | 40.30 | 64.3 | 62.1 | 34.8 | 16.9 |
| Agriculture, Water & Irrigation | 390.82 | 887.29 | 290.40 | 347.24 | 229.93 | 365.08 | 79.2 | 105.1 | 58.8 | 41.1 |
| Basic Education, Training, & Skills Development | 362.65 | 262.25 | 272.87 | 134.26 | 249.05 | 51.65 | 91.3 | 38.5 | 68.7 | 19.7 |
| Land, Infrastructure & Urban Development | 253.43 | 711.59 | 210.32 | 498.31 | 129.61 | 401.18 | 61.6 | 80.5 | 51.1 | 56.4 |
| Health & Sanitation | 1,565.12 | 739.11 | 1,038.81 | 382.65 | 780.46 | 174.41 | 75.1 | 45.6 | 49.9 | 23.6 |
| Trade, Industry & Cooperatives | 61.49 | 272.37 | 44.07 | 138.57 | 36.00 | 88.86 | 81.7 | 64.1 | 58.5 | 32.6 |
| Culture, Youth, Sports & Social Services | 61.84 | 218.73 | 43.86 | 126.22 | 27.30 | 55.76 | 62.2 | 44.2 | 44.1 | 25.5 |
| Environment, Energy & Minerals Investment Development | 40.63 | 280.53 | 29.01 | 72.61 | 17.35 | 164.01 | 59.8 | 225.9 | 42.7 | 58.5 |
| Natural Resources & Tourism | 44.53 | 93.52 | 34.76 | 19.57 | 27.43 | 9.12 | 78.9 | 46.6 | 61.6 | 9.7 |
| Finance & Economic Planning | 256.12 | 64.77 | 173.66 | 8.58 | 155.38 | 20.66 | 89.5 | 240.9 | 60.7 | 31.9 |
| County Public Service Board | 60.65 | 0.00 | 46.33 | 0.00 | 40.57 | 0.00 | 87.6 | - | 66.9 | - |
| County Assembly | 678.24 | 179.56 | 326.88 | 147.65 | 315.24 | 80.75 | 96.4 | 54.7 | 46.5 | 45.0 |
| Kitui Town Administration | 50.63 | 192.91 | 30.85 | 1.53 | 15.39 | 4.28 | 49.9 | 279.2 | 30.4 | 2.2 |
| Mwingi Town Administration | 34.38 | 99.80 | 20.21 | 7.68 | 8.89 | 3.49 | 44.0 | 45.4 | 25.9 | 3.5 |
| **Total** | **4,790.95** | **5,434.84** | **3,096.57** | **2,244.66** | **2,453.74** | **1,941.13** | **79.2** | **86.5** | **51.2** | **35.7** |

**Source:** *Kitui County Treasury*

Analysis of budget performance by department shows that the Department of Environment, Energy and Minerals Investment Development reported the highest absorption rate for development expenditure at 58.5 per cent while the Kitui Town Administration registered the lowest at 2.2 per cent. On the other hand, the Basic Education, Training, and Skills Development Department had the highest percentage of its recurrent expenditure to annual recurrent budget at 68.7 per cent while the Mwingi Town Administration had the lowest at 25.9 per cent.

### 3.19.9 Observations and Recommendations

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

i. Establishment of Kitui County Budget and Economic Forum that was formed on 30th July 2014 and has been actively involved in budget matters. The Forum is composed of twenty four members with twelve members not being county public officers as stipulated in Section137 of the PFM Act, 2012.
ii. Improved absorption of development funds from 30.4 per cent in the first nine months of FY

2014/15 to 35.7 per cent in the first nine months of FY 2015/16.

iii. Improved local revenue collection by 47.7 per cent from Kshs.210.29 million during third quarter of FY 2014/15 to Kshs.311.43 million during the first nine months of FY 2015/16.

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

1. Weak administration of some of the established county funds where funds remain unutilised. For example, Kitui County Executive Mortgage Scheme Fund and Kitui County Assembly staff car and mortgage loans where no loans were disbursed to members of the Fund. This raises questions on the need for establishing such county public funds considering other competing activities for the the scarce resources.
2. Transfer of substantial amount of funds (Kshs.603.23 million) from the County Operational Account at CBK to the Kitui County Standing Imprest Account at Kenya Commercial Bank for spending, against guidelines issued by the National Treasury on management of County Bank Accounts. This is an indication that a sizable number of payments were paid through the imprest account and more so via direct cash payments.
3. Unauthorized diversion of exchequer releases to expenditure items that were not included in the funded work plans. The expenditure to exchequer issues performance for some development votes exceeded 100 per cent such as of Office of the Governor (163.3 per cent), Environment, Energy & Mineral Investment Development Department (225.9 per cent), Department of Finance and Economic Planning (240.9 per cent) and Kitui Town Administration (279.2 per cent).

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

1. *There is need for the County Government to establish and address the reason behind funds not being utilized for some of the established County Public Funds.*
2. *The imprest bank accounts are purposed to handle petty cash. The County Treasury should determine the right cash-levels to be maintained at the imprest account. Also, there is need for the County Treasury to discourage direct cash payments.*
3. *The County Treasury should develop a supplementary before the end of the financial year to regularise the diversion of exchequer issues.*

## 3.20 Kwale County

### 3.20.1 Overview of the FY 2015/16 Budget

The FY 2015/16 Approved Budget for Kwale County is Kshs.7.61 billion, comprising of Kshs.2.83 billion (37.2 per cent) allocated to recurrent expenditure and Kshs.4.78 billion (62.8 per cent) to development expenditure.

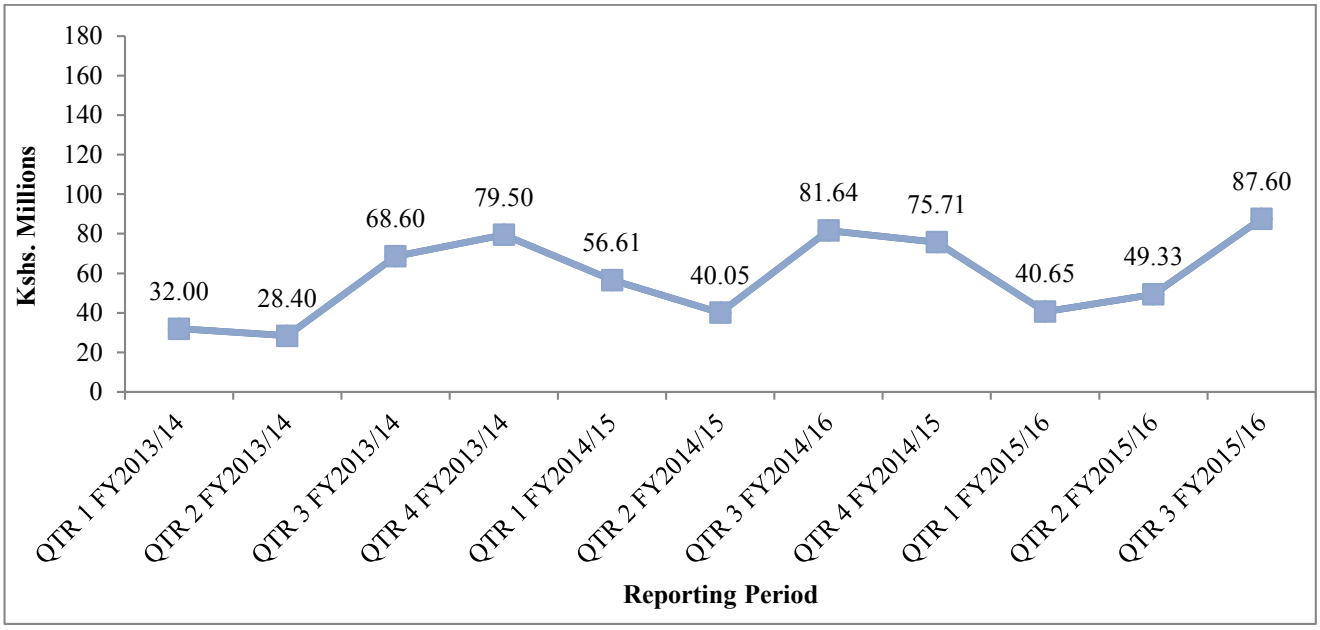
In order to finance the budget, the county expects to receive Kshs.5.12 billion (67.3 per cent) as equitable share of revenue raised nationally, Kshs.339.83 million (4.5 per cent) as total conditional grants, generate Kshs.300 million (3.9 per cent) from local sources and Kshs.1.84 billion (24.3 per cent) as projected cash balance from FY 2014/15. The conditional grants comprise of Kshs.95.74 million (28.2 per cent) for Leasing of Medical Equipment, Kshs.104 .44 million (30.7 per cent) for Free Maternal Health Care, Kshs.15.15 million (4.5 per cent) for User Fees Forgone, Kshs.65.11 million (19.2 per cent) from the Road Maintenance Fuel Levy Fund, Kshs.45.76 million (13.5 per cent) from World Bank to supplement health facilities expenses and Kshs.13.62 million (4.0 per cent) from DANIDA.

### 3.20.2 Revenue Analysis

In the first nine months of FY 2015/16, the County received Kshs.3.01 billion from the National Government as equitable share of revenue raised nationally, Kshs.135.90 million as total conditional grants, raised Kshs.177.58 million from local sources and had a cash balance of Kshs.1.42 billion brought forward from FY 2014/15. The County did not borrow any funds during the reporting period to finance the budget.

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

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




**Source:** *Kwale County Treasury*

The total local revenue for the reporting period of Kshs.177.58 million consisted of Kshs.40.65 million generated in the first quarter, Kshs.49.33 million in the second quarter and Kshs.87.60 million in the third quarter of FY 2015/16. The revenue collected was 59.2 per cent of the annual local revenue target, and a slight decrease from Kshs.178.30 million collected in a similar period of FY 2014/15.

Table 3.55 shows further analysis of the local revenue collected in the first nine months of FY 2015/16 by stream.

**Table 3.55: Kwale County analysis of revenue collection by stream for the first nine months of FY 2015/16**

| No | Revenue Stream | Annual Targeted Revenue (Kshs.) | 9 Months Actual Revenue (Kshs) | Actual Revenue as a percentage of Annual Target (%) |
|---|---|---|---|---|
| 1 | Others revenue sources | 18,784,000.00 | 19,368,870.00 | 103.1 |
| 2 | House and Stalls Rent | 5,738,800.00 | 5,671,297.00 | 98.8 |
| 3 | Advertisement | 12,101,700.00 | 9,851,485.00 | 81.4 |
| 4 | Royalties &Cess | 33,888,220.00 | 23,673,088.00 | 69.9 |
| 5 | Auction Fees | 6,622,140.00 | 4,542,977.00 | 68.6 |
| 6 | Public health and Sanitation | 4,426,890.00 | 2,733,295.00 | 61.7 |
| 7 | Parking Fees | 14,764,000.00 | 8,176,990.00 | 55.4 |
| 8 | Single Business Permit | 58,447,660.00 | 31,797,362.00 | 54.4 |
| 9 | Land Rates | 88,066,590.00 | 45,531,865.00 | 51.7 |
| 10 | Revenue from Hospital | 52,160,000.00 | 24,462,898.00 | 46.9 |
| 11 | Building Plan Approval | 5,000,000.00 | 1,771,240.00 | 35.4 |
| | **Local Revenue** | **300,000,000.00** | **177,581,367.00** | **59.2** |

**Source:** *Kwale County Treasury*

Analysis of the local revenue by stream indicates that House and Stalls rent recorded the highest performance against annual target at 98.8 per cent. This was closely followed by advertisements at 81.4 per cent. It is worth nothing that "other revenue" sources surpassed the annual target to achieve a performance of 103.1 per cent. These were revenue sources like market fees, garbage fees, and slaughter fees amongst other miscellaneous sources. There exists potential to increase local revenue performance by leveraging on the growth of these small streams. Numerous challenges face the Revenue Collection Department. which include; insufficient vehicles/motorbikes, lack of designated parking areas in Taru, Samburu and MacKinnon areas, lack of fenced off auction rings at Lunga Lunga and Kinango, poor facilitation of the Enforcement Department and legal cases.

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

### 3.20.3 Conditional Grants

Table 3.56 shows an analysis of conditional grants for the first nine months of FY 2015/16.

**Table 3.56: Kwale County analysis of conditional grants for the first nine months of FY 2015/16**

| No. | Conditional Grant | Amount allocated as provided in CARA 2015 (Kshs.) | 9 Months Actual receipt of the Conditional Grant (Kshs.) | Actual receipts as a percentage of Annual Allocation (%) |
|---|---|---|---|---|
| 1 | User Fees Forgone | 15,149,869 | 15,244,040 | 100.6 |
| 2 | DANIDA Grant | 13,620,000 | 13,620,000 | 100.0 |
| 3 | World Bank Grant | 45,759,322 | 45,759,322 | 100.0 |
| 4 | Road Maintenance Fuel Levy Fund | 65,113,404 | 32,882,267 | 50.5 |
| 5 | Free Maternal Health Care | 104,441,400 | 28,390,000 | 27.2 |
| | **TOTAL** | **339,828,676** | **135,895,629** | **40.0** |

**Source:** *Kwale County Treasury*

Analysis of the conditional grants for the period under review indicates that World Bank, DANIDA and User Fees Forgone recorded the highest performance against annual target at 100 per cent.

### 3.20.4 Exchequer Issues

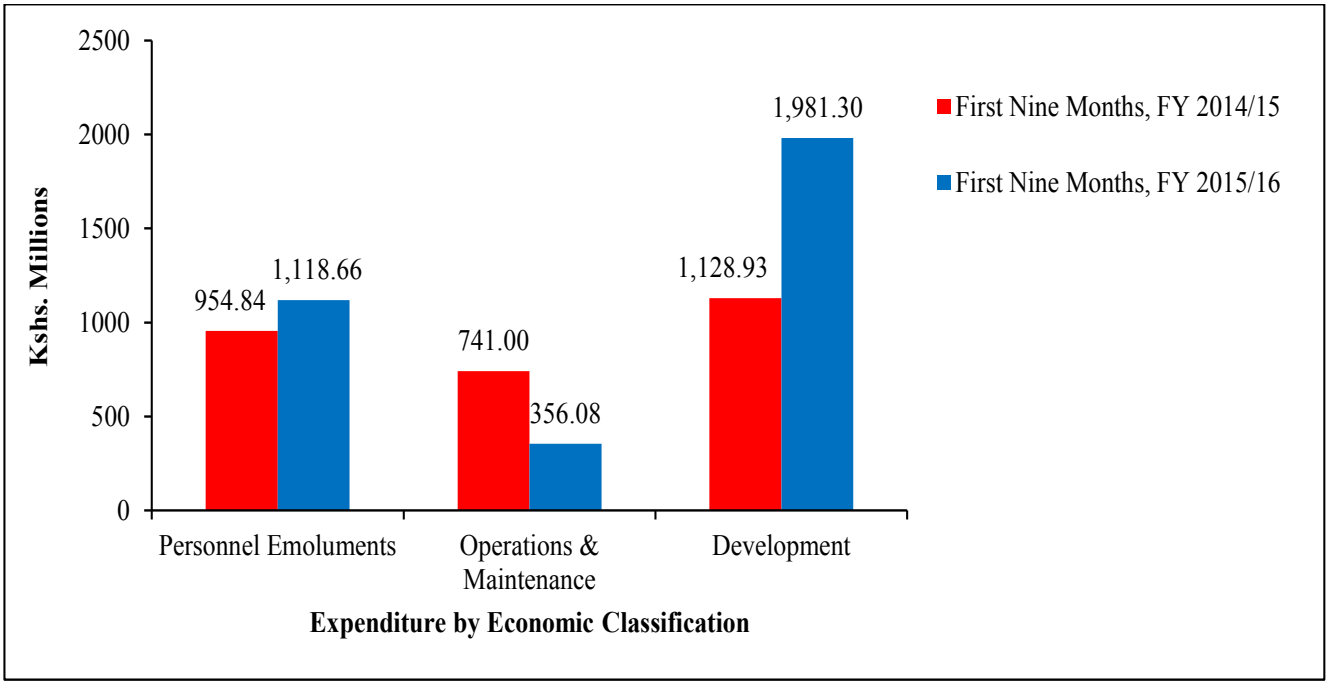
During the period under review, the COB authorised withdrawal of Kshs.4.19 billion from the CRF account, which was 55.0 per cent of the approved budget. The amount represented an increase of 24.7 per cent from Kshs.3.36 billion authorized in a similar period of FY 2014/15 and consisted of Kshs.1.95 billion (46.5 per cent) for recurrent expenditure and Kshs.2.24 billion (53.5 per cent) for development activities.

### 3.20.5 Overall Expenditure Review

The County spent a total of Kshs.3.46 billion during the first nine months of FY 2015/16 which was 82.5 per cent of the total funds released for operations. This was an increase from the Kshs.2.82 billion spent in a similar period of FY 2014/15. A total of Kshs.1.47 billion was spent on recurrent activities and Kshs.1.98 billion on development activities. Recurrent expenditure was 75.8 per cent of the funds released for recurrent activities while development expenditure accounted for 88.4 per cent of the funds released for development activities. The expenditure excludes commitments as at 31st March, 2016 that amounted to Kshs.1.06 billion for development and Kshs.202.90 million for recurrent expenditure.

Recurrent expenditure for the period under review represented 52.0 per cent of the approved annual recurrent budget, a decrease from 61.9 per cent spent in a similar period of FY 2014/15. On the other hand, development expenditure recorded an absorption rate of 41.5 per cent, an increase from 38.6 per cent spent in a similar period of FY 2014/15. Figure 3.74 shows a comparison of the total expenditure in the third quarter of FY 2014/15 and the same period in FY 2015/16.

**Figure 3.74: Kwale County, Expenditure by Economic Classification for the First Nine Months of FY 2014/15 and FY 2015/16**




**Source:** *Kwale County Treasury*

### 3.20.6 Recurrent Expenditure Analysis

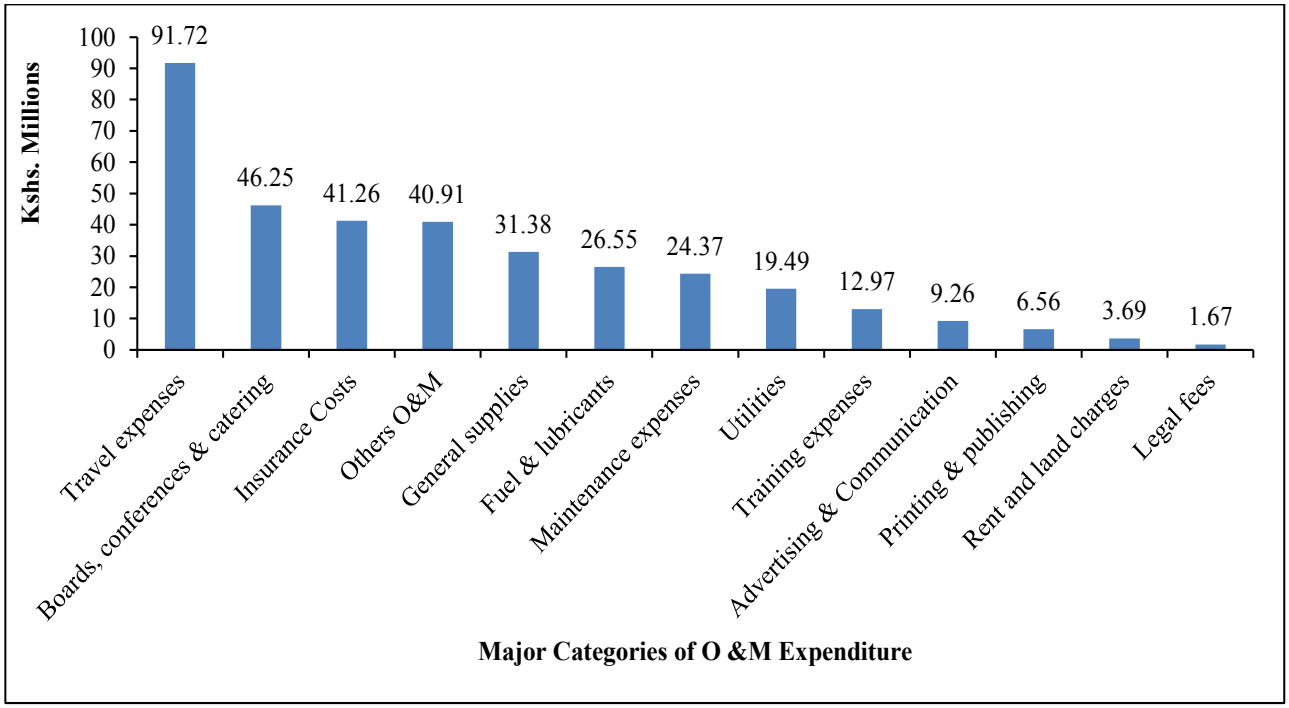
The total recurrent expenditure for the reporting period was Kshs.1.47 billion against an annual recurrent budget of Kshs.2.83 billion. This represents 52.0 per cent of the annual recurrent budget. The County spent Kshs.1.12 billion (75.9 per cent) on personnel emoluments and Kshs.356.08 million (24.1 per cent) on operations and maintenance as shown in Figure 3.74.

The expenditure on personnel emoluments of Kshs.1.12 billion incured in the first nine months of FY 2015/16 represented 17.4 per cent compared to a similar period in FY 2014/15 when the County spent Kshs.954.84 million. The increase is attributed to completion of close to sixty new ECD centres which prompted hiring of new teachers. The department of Public Administration also employed administrators to share up staff levels.

The County spent Kshs.21.30 million on sitting allowances to the 33 MCAs and the Speaker against an annual budget of Kshs.59.40 million. This represents a decrease from Kshs.22.87 million recorded in a similar period of FY 2014/15. The average monthly sitting allowance per MCA was Kshs.69.63 compared to SRC's recommended monthly ceiling of Kshs.124,800.

The aggregate expenditure on domestic and foreign travel was Kshs.91.72 million compared to Kshs.115.50 million incurred in a similar period of FY 2014/15, representing a significant decrease of 20.59 per cent. Figure 3.75 shows a breakdown of the operations and maintenance expenditure for the reporting period.

**Figure 3.75: Kwale County, Operations and Maintenance Expenditure for the First Nine Months of FY 2015/16**

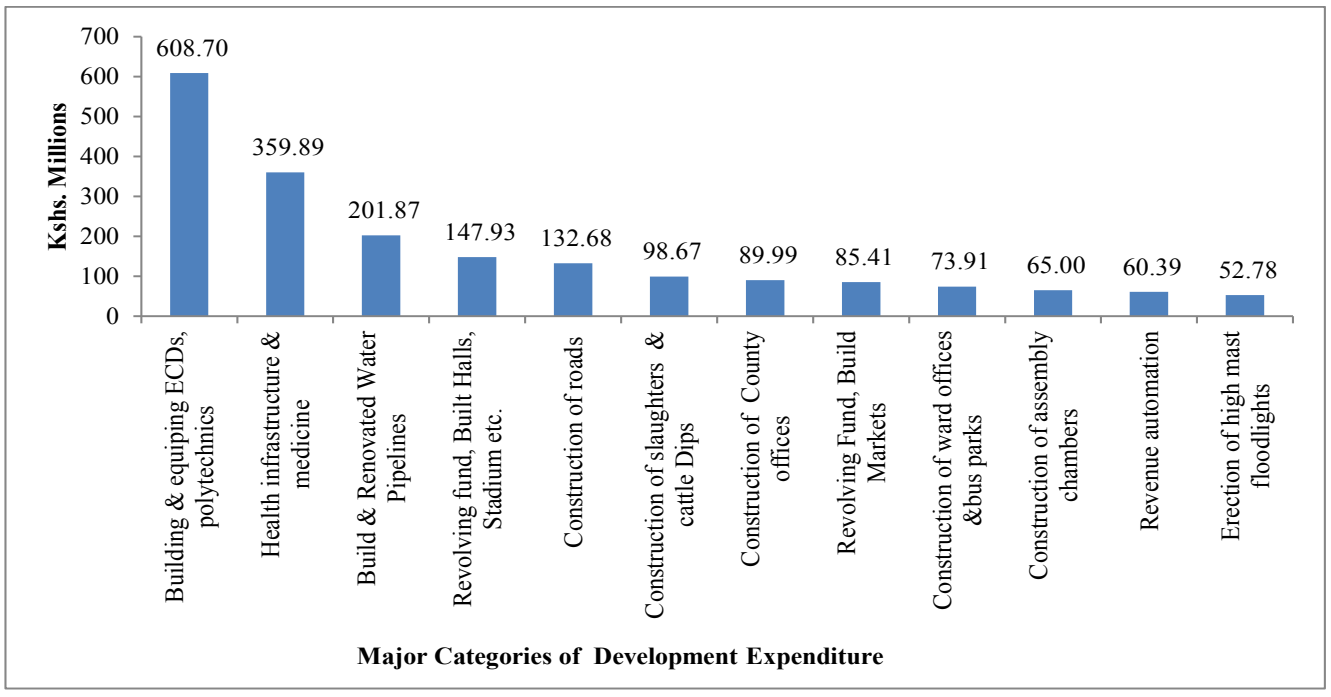



**Source:** *Kwale County Treasury*

### 3.20.7 Development Expenditure Analysis

Figure 3.76 provides a summary of development expenditure during the period under review.

**Figure 3.76: Kwale County, Summary of Development Expenditure for the First Nine Months of FY 2015/16**




**Source:** *Kwale County Treasury*

Analysis of the development expenditure of Kshs.1.98 billion incurred in the reporting period of FY 2015/16 indicates that the highest expenditure of Kshs.608.70 million was spent by the Education Department on construction and equipping of ECDs and Polytechnics. An education scholarship of Kshs. 282.00 million was awarded to deserving students in secondary and tertiary schools. The second highest expenditure of Kshs.359.89 million was incurred by the Health Department on construction of health facilities such as upgrading of Kwale and Msambweni hospitals by constructing renal, ICU, emergency and children's ward. All the county hospitals were also supplied with medical drugs and non-pharmaceutical medical equipment. The Department of Land, Physical Planning and Urban Development incurred the least expenditure of Kshs.52.78 million on installations of high mast street lights and purchase of digital survey equipment.

### 3.20.8 Annual Budget and Budget Performance Analysis by department for the First Nine Months of FY 2015/16

Table 3.57 shows a summary of FY 2015/16 annual budget estimates and budget performance for the reporting period by department.

**Table 3.57: Kwale County, Annual Budget and First Nine Months of FY 2015/16 Budget Performance by Department**

| Department | Annual Budget Allocation (Kshs.Million) | | 9 Months Exchequer Issues (Kshs.Million) | | 9 Months Expenditure (Kshs.Million) | | Expenditure to Exchequer Issues (%) | | Absorption rate (%) | |
|---|---|---|---|---|---|---|---|---|---|---|
| | REC | DEV | REC | DEV | REC | DEV | REC | DEV | REC | DEV |
| Finance and Economic Planning | 286.25 | 80.00 | 212.53 | 76.25 | 150.99 | 17.35 | 71.0 | 22.8 | 52.7 | 21.7 |
| Agriculture, Livestock &Fisheries | 172.12 | 318.36 | 114.75 | 172.75 | 98.50 | 97.10 | 85.8 | 56.2 | 57.2 | 30.5 |
| Lands, Housing & Physical planning | 62.18 | 113.05 | 41.54 | 93.50 | 14.72 | 50.74 | 35.4 | 54.3 | 23.7 | 44.9 |
| Medical & Public Health Services | 949.37 | 798.40 | 652.98 | 205.00 | 600.14 | 361.38 | 91.9 | 176.3 | 63.2 | 45.3 |
| County Assembly | 492.66 | 479.10 | 338.44 | 215.00 | 236.95 | 66.60 | 70.0 | 31.0 | 48.1 | 13.9 |
| Industry, Trade & Investment | 56.65 | 252.35 | 37.50 | 117.50 | 18.65 | 83.38 | 49.7 | 71.0 | 32.9 | 33.0 |
| Community, Culture & Talent Management | 73.63 | 306.26 | 49.09 | 125.25 | 35.94 | 145.26 | 73.2 | 116.0 | 48.8 | 47.4 |
| Office of the Governor & CPSB | 142.77 | 120.00 | 98.99 | 79.50 | 70.49 | 90.00 | 71.2 | 113.2 | 49.4 | 75.0 |
| Education, Research & HR | 192.75 | 1,133.98 | 128.53 | 583.00 | 115.22 | 600.24 | 89.6 | 103.0 | 59.8 | 52.9 |
| Water Services | 57.63 | 516.28 | 38.42 | 193.05 | 9.95 | 203.60 | 25.9 | 105.5 | 17.3 | 39.4 |
| Infrastructure & Public Works | 128.53 | 370.23 | 85.69 | 155.75 | 51.94 | 148.10 | 60.6 | 95.1 | 40.4 | 40.0 |

| Department | Annual Budget Allocation (Kshs.Million) | | 9 Months Exchequer Issues (Kshs.Million) | | 9 Months Expenditure (Kshs.Million) | | Expenditure to Exchequer Issues (%) | | Absorption rate (%) | |
|---|---|---|---|---|---|---|---|---|---|---|
| Tourism and ICT | 46.64 | 162.22 | 31.09 | 107.25 | 12.99 | 42.42 | 41.8 | 39.6 | 27.9 | 26.2 |
| Public Service & Administration | 173.10 | 126.97 | 116.00 | 118.25 | 58.27 | 75.15 | 50.2 | 63.5 | 33.7 | 59.2 |
| **TOTAL** | **2,834.28** | **4,777.20** | **1,945.54** | **2,242.05** | **1,474.75** | **1,981.30** | **75.8** | **88.4** | **52.0** | **41.5** |

**Source:** *Kwale County Treasury*

Analysis of budget performance by department shows that the Office of the Governor reported the highest absorption rate for development expenditure at 75.0 per cent while the County Assembly registered the lowest at 13.9 per cent. On the other hand, the Health Department had the highest percentage of its recurrent expenditure to annual recurrent budget at 63.2 per cent while the Department of Water Services had the lowest at 17.3 per cent.

### 3.20.9 Observations and Recommendations

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

i. Improvement in absorption of development funds from 38.6 per cent in the first nine months of FY 2014/15 to 41.5 per cent during the reporting period.

ii. The County Assembly has amended the Bursary Fund legislation to align it with the Constitution, Section 116 of the PFM Act, 2012 and the County Government Act, 2012.

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

1. Failure to develop legislation to operationalize some established County Public Funds such as the Kwale County Youth, Women and PWDs. This contravenes Section 116 of the PFM Act, 2012.

2. Weak local revenue collection mechanisms that need to be continuously enhanced in order to meet revenue targets.

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

1. *The County should ensure the County Public Funds are properly established as required in Section 116 of the PFM Act, 2012.*

2. *The County should develop and implement a revenue performance strategy to enhance local revenue collection. Departments should also be put on revenue generation targets.*

## 3.21 Laikipia County

### 3.21.1 Overview of the FY 2015/16 Budget

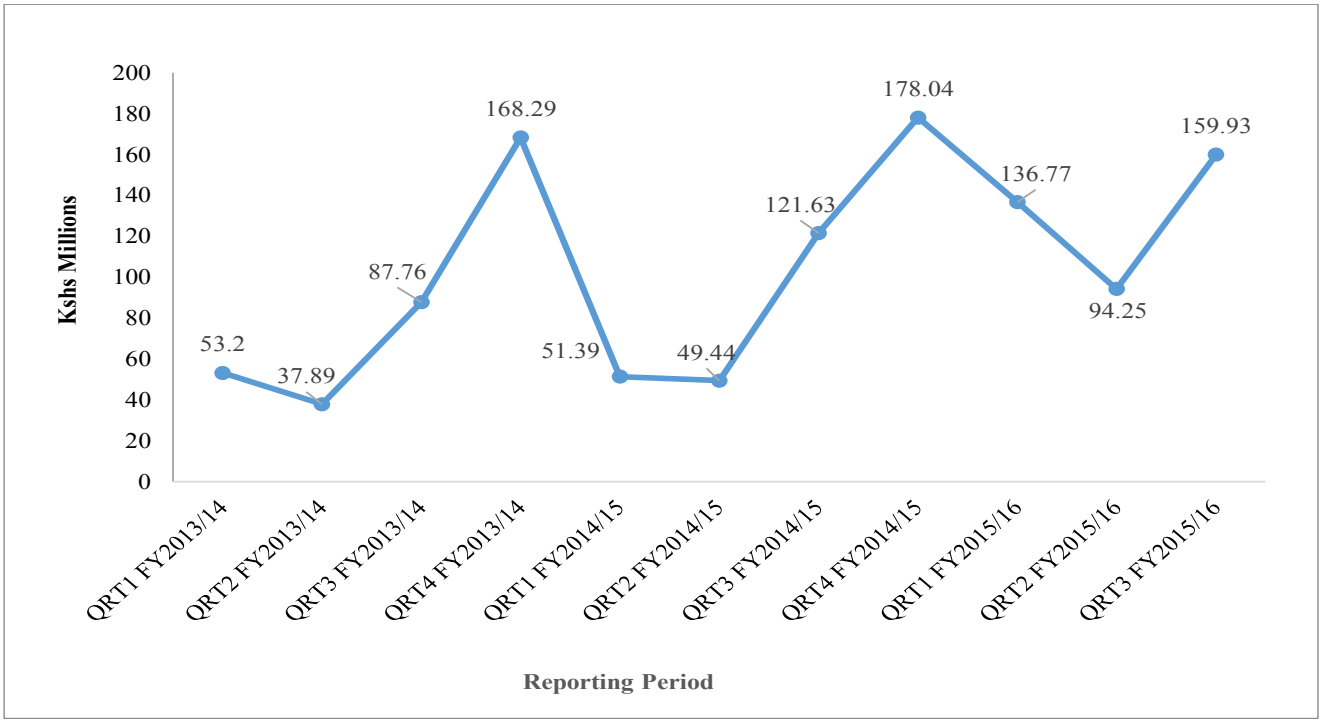
The FY 2015/16 Approved Budget for Laikipia County is Kshs.5.13 billion, comprising of Kshs.2.86 billion (55.7 per cent) and Kshs.2.27 billion (44.3 per cent) allocated to recurrent and development expenditure respectively.

In order to finance the budget, the county expects to receive Kshs.3.45 billion (67.3per cent) as equitable share of revenue raised nationally, Kshs.242.85 million (4.7 per cent) as total conditional grants, generate Kshs.500 million (9.7 per cent) from local sources and Kshs.334.21 million (6.5 per cent) as projected cash balance from FY 2014/15. The conditional grants comprise of Kshs.95.74 million (39.4per cent) for Leasing of Medical Equipment, Kshs.63.61 million (26.2 per cent) for Maternal Health Care, Kshs.9.31 million (3.8 per cent) for User Fees Foregone, Kshs.43.82 million (18.0 per cent) from the Road Maintenance Fuel Levy Fund, Kshs.18.85 million (7.8 per cent) as World Bank grant to support health facilities and Kshs.11.53 million (4.7 per cent) from DANIDA as shown in Table 3.59.

### 3.21.2 Revenue Analysis

In the first nine months of FY 2015/16, the County received Kshs.2.03 billion from the National Government as equitable share, Kshs.88.06 million as conditional allocations, raised Kshs.390.95 million from local sources and had a cash balance of Kshs.334.21 million brought forward from FY 2014/15. The County did not borrow any funds during the reporting period to finance the budget.

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




**Source:** *Laikipia County Treasury*

The total local revenue for the reporting period of Kshs.390.95 million consisted of Kshs.136.77 million generated in the first quarter, Kshs.94.25 million in the second quarter and Kshs.159.93 million in the third quarter of FY 2015/16. The revenue collected was 78.2 per cent of the annual local revenue target, and an improvement from Kshs.222.46 million collected in a similar period of FY 2014/15.

Table 3.58 shows further analysis of the local revenue collected in the first nine months of FY 2015/16 by stream.

**Table 3.58: Laikipia County analysis of revenue collection by stream for the first nine months of FY 2015/16**

| No | Revenue Stream | Annual Targeted Revenue (Kshs.) | 9 Mouths Actual Revenue | Actual Revenue as a percentage of Annual Target (%) |
|---|---|---|---|---|
| 1 | Parking fees | 35,200,000 | 40,315,995 | 114.5% |
| 2 | Councils Natural Resources & Exploration | 35,620,000 | 29,786,050 | 83.6 |
| 3 | Land rates | 110,500,000 | 71,548,193 | 64.7 |
| 4 | other local revenue sources | 58,935,000 | 37,044,161 | 62.9 |
| 5 | Plot rent | 17,500,000 | 10,673,638 | 61.0 |
| 6 | Business permits | 95,400,000 | 42,775,027 | 44.8 |
| 7 | Public health & sanitation service fees | 14,775,000 | 6,477,670 | 43.8 |
| 8 | Housing & social premises use fees | 26,100,000 | 10,814,187 | 41.4 |
| 9 | Market fees | 17,000,000 | 6,787,710 | 39.9 |
| 10 | Cess | 59,670,000 | 16,183,142 | 27.1 |
| 11 | Technical assistance fees | 29,300,000 | 252,140 | 0.9 |
| 12 | Hospital collection fees | - | 118,291,438 | - |
| | **Total** | **500,000,000** | **390,949,351** | **78.2** |

**Source:** *Laikipia County Treasury*

Analysis of the local revenue by stream indicates that parking fess had the highest performance against annual target at 114.5 per cent. This was closely followed by Council's Natural Resources and Exploration at 83.6 per cent. This is attributed to increased effort in revenue collection and improved parking space in the major towns through cabro paving. Fees from technical assistance recorded the lowest performance at 0.9 per cent which was attributed to low awareness of the public on the need of technical assistance such as seeking approvals on building plans amongst others.

In the first nine months of the FY 2015/16, the County deposited all locally collected revenue into the County Revenue Fund account maintained at Central Bank of Kenya (CBK) in line with Article 207 of the Constitution.

### 3.21.3 Conditional Grants

Table 3.59 shows the analysis of conditional grants for the first nine months of FY 2015/16..

**Table 3.59: Laikipia County analysis of conditional grants for the first nine months of FY 2015/16**

| No. | Conditional Grant | Amount allocated as provided in CARA 2015 (Kshs.) | 9 Months Actual receipt of the Conditional Grant (Kshs.) | Actual receipts as a percentage of Annual Allocation (%) |
|---|---|---|---|---|
| 1 | World Bank grant | 18,845,096 | 18,845,096 | 100.0 |
| 2 | DANIDA | 11,530,000 | 11,530,000 | 100.0 |
| 3 | Road Maintenance Fuel Levy Fund | 43,820,742 | 22,129,474 | 50.5 |
| 4 | Free Maternal Health Care | 63,610,400 | 31,135,000 | 48.9 |
| 5 | User Fees Forgone | 9,305,967 | 4,420,334 | 47.5 |
| | **TOTAL** | **147,112,205** | **88,059,904** | **59.9** |

**Source:** *Laikipia County Treasury*

Analysis of the conditional grants for the period under review indicates that DANIDA and World Bank grant recorded the highest performance against annual target at 100 per cent each. This was followed by Road Maintenance Fuel Levy Fund at 50.5 per cent.

### 3.21.4 Exchequer Issues

During the period under review, the COB authorised withdrawal of Kshs.2.76 billion from the CRF account, which was 53.7 per cent of the approved budget. The amount represented an increase of 24.9 per cent from Kshs.2.21 billion authorized in a similar period of FY 2014/15 and consisted of Kshs.1.91 billion (69.5 per cent) for recurrent expenditure and Kshs.841.92 million (30.5 per cent) for development activities.

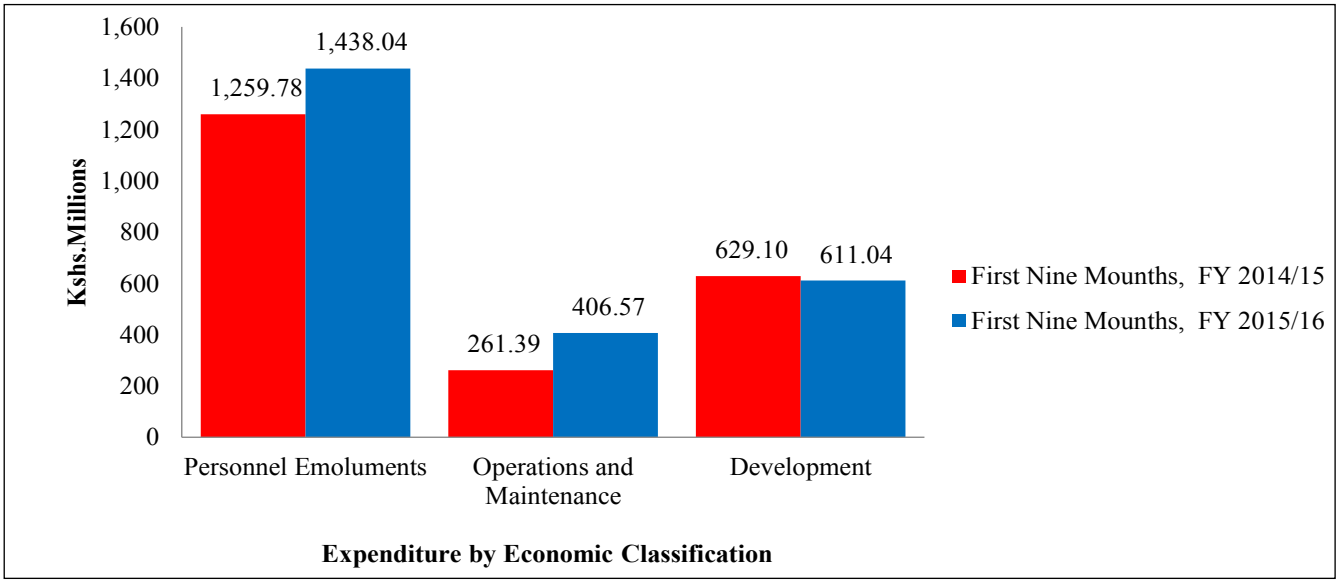
### 3.21.5 Overall Expenditure Review

The County spent a total of Kshs.2.46 billion during the first nine months of FY 2015/16 which was 89.1 per cent of the total funds released for operations. This was an increase from the Kshs.2.15 billion spent in a similar period of FY 2014/15. A total of Kshs.1.84 billion was spent on recurrent activities and Kshs.611.04 million on development activities. Recurrent expenditure was 96.4 per cent of the funds released for recurrent activities while development expenditure accounted for 72.6 per cent of the funds released for development activities. The expenditure excludes commitments as at 31st March, 2016 that amounted to Kshs.288.82 million for development and Kshs.34.94 million for recurrent expenditure.

Recurrent expenditure for the period under review represented 64.5 per cent of the approved annual recurrent budget, an increase from 58.9 per cent spent in a similar period of FY 2014/15. On the

other hand, development expenditure recorded an absorption rate of 26.9 per cent, a decrease from 35.8 per cent spent in a similar period of FY 2014/15. Figure 3.78 shows a comparison of the total expenditure in the third quarter of FY 2014/15 and the same period in FY 2015/16.

**Figure 3.78: Laikipia County, Expenditure by Economic Classification for the First Nine Months of FY 2014/15 and FY 2015/16**




***Source:*** *Laikipia County Treasury*

### 3.21.6 Recurrent Expenditure Analysis

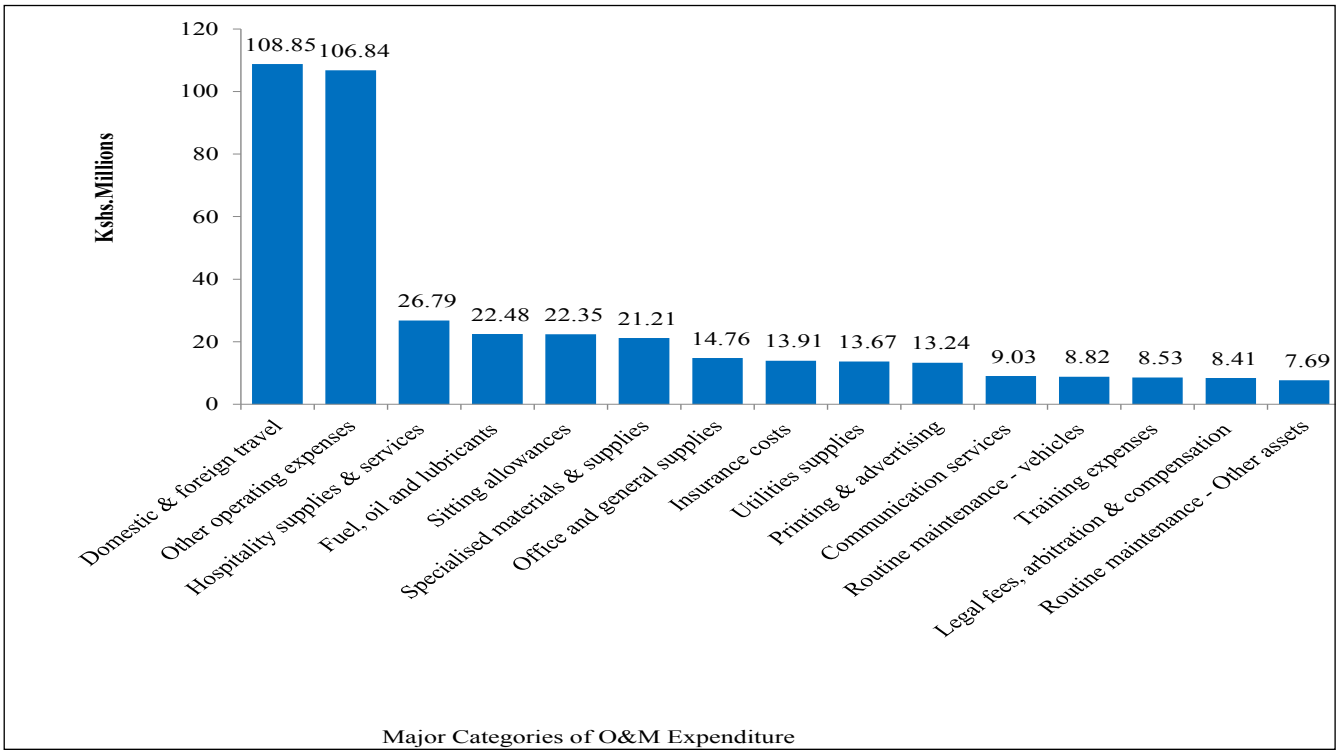
The total recurrent expenditure for the reporting period was Kshs.1.84 billion against an annual recurrent budget of Kshs.2.86 billion. This represents 64.5 per cent of the annual recurrent budget. The County spent Kshs.1.44 billion (78 per cent) on personnel emoluments and Kshs.406.57 million (22 per cent) on operations and maintenance as shown in Figure 3.78.

The expenditure on personnel emoluments of Kshs.1.44 billion incured in the first nine months of FY 2015/16 represented an increase of 14.3 per cent compared to a similar period in FY 2014/15 when the County spent Kshs.1.26 billion. The increase is attributed to hiring of staff promotions and incidental costs such as medical insurance and hardship allowances.

The County spent Kshs.22.35 million on sitting allowances to the 23 MCAs and the Speaker against an annual budget of Kshs.35.98 million. This represents a significance increase from Kshs.12.06 million recorded in a similar period of FY 2014/15. The average monthly sitting allowance per MCA was Kshs.103, 452 compared to SRC's recommended monthly ceiling of Kshs.124, 800.

The aggregate expenditure on domestic and foreign travel was Kshs.108.85 million compared to Kshs.64.92 million incurred in a similar period of FY 2014/15, representing a significant increase of 67.7 per cent. A breakdown of the operations and maintenance expenditure for the reporting period is shown in Figure 3.79.

**Figure 3.79: Laikipia County, Operations and Maintenance Expenditure for the First Nine months of FY 2015/16**

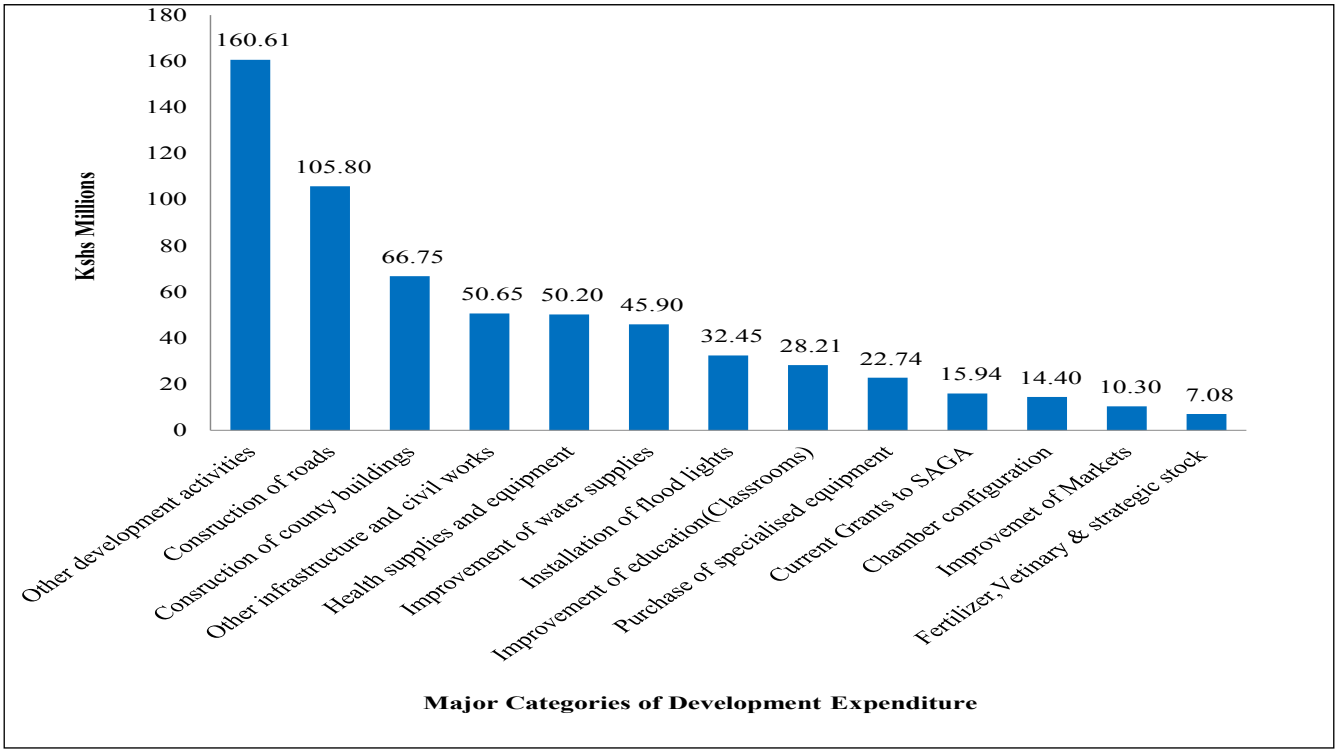



**Source:** *Laikipia County Treasury*

### 3.21.7 Development Expenditure Analysis

Figure 3.80 provides the summary of development expenditure during the period under review.

**Figure 3.80: Laikipia County, Summary of Development Expenditure for the First Nine Months of FY 2015/16**




**Source:** *Laikipia County Treasury*

Analysis of the development expenditure of Kshs.611.04 million incurred in the reporting period of FY 2015/16 indicates that the highest expenditure of Kshs.105.5 million was spent by the department of infrastructure on construction of roads. The second highest expenditure of Kshs.66.75 was incurred by the health department on construction of hospitals amongst others. However, the water department spent the lowest at Kshs.3 million on supply of water and sewerage services.

### 3.21.8 Annual Budget and Budget Performance Analysis by department for the First Nine Months of FY 2015/16

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

**Table 3.60: Laikipia County, Annual Budget and First Nine Months of FY 2015/16 Budget by department**

| Department | Annual Budget Allocation(Kshs.Million) | | 9 Months Exchequer Issues(Kshs. Million) | | 9 Months Expenditure (Kshs. Million) | | Expenditure to exchequer issues (%) | | Absorption rate (%) | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Rec | Dev | Rec | Dev | Rec | Dev | Rec | Dev | Rec | Dev |
| Agriculture | 17.17 | 104.06 | 13.00 | 16.70 | 12.94 | 7.48 | 99.5 | 44.8 | 75.3 | 7.2 |
| Education, Gender Sports Culture & Social Services | 15.50 | 99.60 | 11.78 | 70.00 | 11.72 | 9.40 | 99.5 | 13.4 | 75.6 | 9.4 |
| County Administration | 2,181.34 | 283.78 | 1,415.98 | 2.12 | 1,373.44 | 2.04 | 97.0 | 96.3 | 63.0 | 0.7 |
| Public Works, Transport and Infrastructure | 11.50 | 305.82 | 8.74 | 132.87 | 9.66 | 62.60 | 110.5 | 47.1 | 84.0 | 20.5 |
| Finance and Economic Planning | 82.00 | 864.00 | 51.94 | 386.24 | 51.62 | 385.02 | 99.4 | 99.7 | 62.9 | 44.6 |
| Trade, Industrialization, Cooperative Development and Tourism | 10.00 | 68.70 | 7.60 | 65.70 | 7.56 | 36.13 | 99.5 | 55.0 | 75.6 | 52.6 |
| Health | 151.00 | 391.11 | 113.33 | 140.49 | 111.88 | 90.95 | 98.7 | 64.7 | 74.1 | 23.3 |
| Water, Environment, Forestry & Natural Resources | 10.24 | 122.00 | 7.74 | 7.80 | 7.69 | 3.00 | 99.4 | 38.5 | 75.1 | 2.5 |
| County Assembly | 380.56 | 31.00 | 284.00 | 20.00 | 258.16 | 14.40 | 90.9 | 72.0 | 67.8 | 46.5 |
| **Total** | **2,859.31** | **2,270.07** | **1,914.11** | **841.92** | **1,844.66** | **611.03** | **96.4** | **72.6** | **64.5** | **26.9** |

**Source:** *Laikipia County Treasury*

Analysis of budget performance by department shows that the Department of Trade and Industrialization reported the highest absorption rate for development expenditure at 52.6 per cent while the County Administration registered the lowest at 0.7 per cent. On the other hand, the Infrastructure, public works and transport had the highest percentage of its recurrent expenditure to annual recurrent budget at 84 per cent while the Finance and Economic Planning had the lowest at 62.9 per cent.

### 3.21.9 Observations and Recommendations

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

i. Improvement in revenue collection from Kshs.222.46 million in the third quarter of FY 2014/15 to Kshs.390.95 million in the third quarter of FY 2015/16

ii. Timely submission of quarterly reports 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 establishment of a County Budget and Economic forum (CBEF) as required under Section 137 of the PFM Act, 2012.
2. Lack of an Internal Audit Committee contrary to Section 155(5) of the PFM Act, 2012.

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

1. *The county should fast track the establishment of the County Budget and Economic forum to facilitate consultations on budgeting and financial management in the County.*
2. *The County should establish an Internal Audit Committee to enhance prudent public financial management.*

## 3.22 Lamu County

### 3.22.1 Overview of the FY 2015/16 Budget

In FY 2015/16 the Approved Supplementary Budget for Lamu County is Kshs.3.08 billion, comprising of Kshs.1.76 billion (57.0 per cent) and Kshs.1.32 billion (43.0 per cent) as allocation for recurrent and development expenditure respectively.

In order to finance the budget, the County expected to receive Kshs.2.05 billion (66.6 per cent) as equitable share of revenue raised nationally, Kshs.155.71 million (5.1 per cent) as total conditional grants, generate Kshs.107 million (3.5 per cent) from local sources, and Kshs.826.60 million (26.8 per cent) as cash balance brought forward from FY 2014/15. The conditional grants comprised of Kshs.16.76 million for maternal health care, Kshs.26.07 million for Road Maintenance Fuel Levy Fund, Kshs.2.37 million for compensation of User Fees Forgone, Kshs.7.64 million from DANIDA and receive a further conditional grant of Kshs.7.13 million from World Bank. The County Government did not budget for Kshs.95.74 million for leasing of medical equipment.

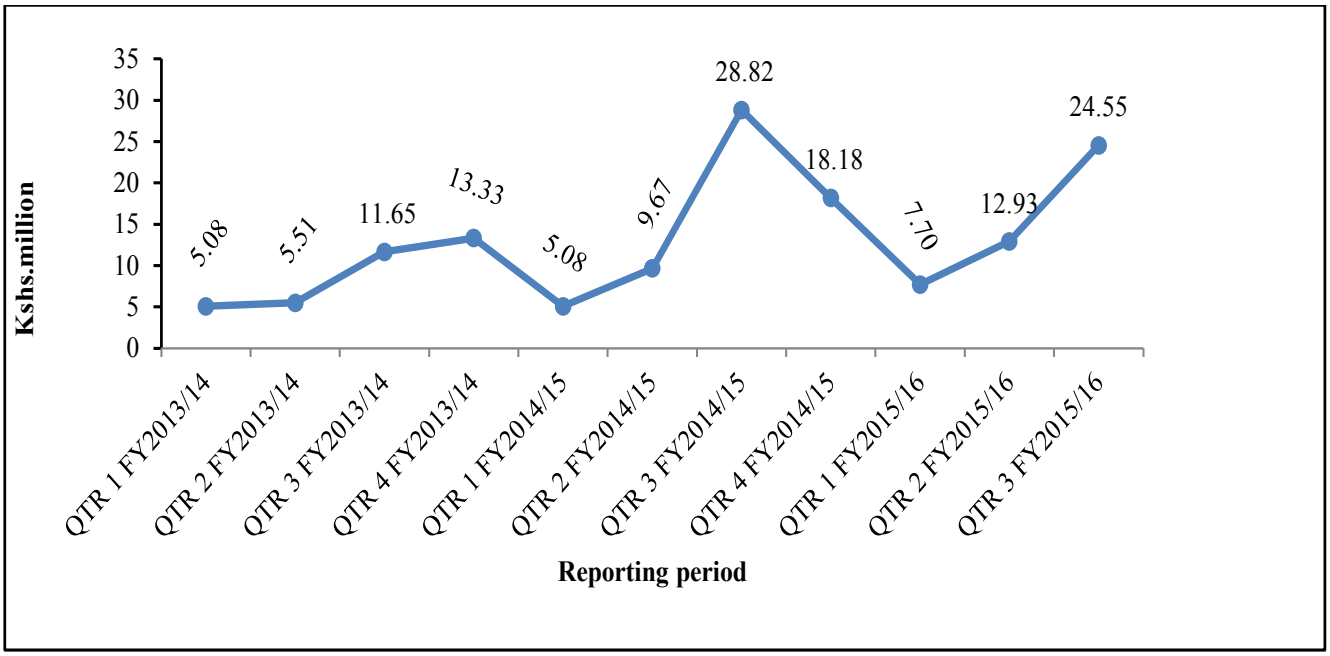
### 3.22.2 Revenue Analysis

In the first nine months of FY 2015/16, the County received Kshs.1.20 billion as equitable share of revenue raised nationally, Kshs.27.3 million as conditional allocation, raised Kshs.45.18 million

from local sources and had a cash balance of Kshs.826.60 million brought forward from FY 2014/15.

Figure 3.81 shows the quarterly trend in local revenue collection from FY 2013/14 to the third quarter of FY 2015/16.

**Figure 3.81: Lamu County, Trend in Local Revenue Collection by Quarter from the FY 2013/14 to the Third Quarter of FY 2015/16**




***Source:*** *Lamu County Treasury*

The total local revenue for the reporting period of Kshs.45.18 million consisted of Kshs.7.70 million raised in the first quarter, Kshs.12.93 million in the second quarter and Kshs.24.55 million in the third quarter of the FY 2015/16. The revenue collected was 42.2 per cent of the annual local revenue target representing a slight improvement from Kshs.43.57 million collected in a similar period of FY 2014/15. Table 3.61 shows the analysis of local revenue collected in the third quarter of FY 2015/16 by stream.

**Table 3.61:Lamu County, Analysis of revenue collection by stream for the Third Quarter of FY 2015/16**

| No. | Revenue Stream | Annual Targeted Revenue (Kshs.) | 9 months Actual Revenue (Kshs.) | Actual Revenue as a percentage of Annual Targets (%) (%) |
|---|---|---|---|---|
| 1 | Building & plan approval | 480,000.00 | 746,354.00 | 155.5 |
| 2 | Promotion fees | 400,000.00 | 406,822.00 | 101.7 |
| 3 | Others | 4,202,400.00 | 2,923,073.00 | 69.6 |
| 4 | Public Health, Medical Levies and Hospital fees | 15,200,000.00 | 8,162,749.00 | 53.7 |
| 5 | Cess collection | 5,160,000.00 | 2,762,157.00 | 53.5 |

| No. | Revenue Stream | Annual Targeted Revenue (Kshs.) | 9 months Actual Revenue (Kshs.) | Actual Revenue as a percentage of Annual Targets (%) (%) |
|---|---|---|---|---|
| 6 | Fisheries | 600,000.00 | 300,450.00 | 50.1 |
| 7 | Local quarry | 1,000,000.00 | 451,354.00 | 45.1 |
| 8 | DVO | 1,200,000.00 | 475,130.00 | 39.6 |
| 9 | Market fees | 5,257,600.00 | 1,836,475.00 | 34.9 |
| 10 | Single Business Permit | 20,400,000.00 | 4,926,000.00 | 24.1 |
| 11 | Donations for cultural festivals | 10,000,000.00 | 2,000,000.00 | 20.0 |
| 12 | Property rates | 51,000,000.00 | 3,187,852.00 | 6.3 |
| 13 | Sign Board and Bill Boards | 2,100,000.00 | 20,500.00 | 1.0 |
| 14 | Direct Deposits | - | 9,174,023.00 | ∞ |
| 15 | M.ATDC/AMS(Agriculture department) | - | 7,813,857.00 | ∞ |
| | **TOTAL** | **117,000,000.00** | **45,186,796.00** | **38.6** |

**Source:** *Lamu County Treasury*

The analysis of the local revenue by stream indicates that Building and Plan approval had the highest revenue performance against annual target at 155.5 per cent followed by Promotion Fees at 101.7 per cent. Building and plan approval includes building application fees, plan application forms and plan renewal fees.

A review of the bank statements for the revenue collection account during the first nine months of the FY 2015/16 indicates that the County deposited Ksh.6.08 million more than what is indicated in their reports i.e. the total amount banked is Ksh.51.26 million while the report indicate that Ksh.45.19 million was collected There is therefore, need to reconcile the two figures. The locally generated revenue is swept to the County Revenue Fund account maintained at Central Bank of Kenya (CBK) in line with Article 207 of the Constitution.

### 3.22.3 Conditional Grants

Table 3.62 shows an analysis of conditional grants for the first nine months of FY2015/16.

**Table 3.62: Lamu County analysis of conditional grants for the first nine months of FY 2015/16**

| | Conditional Grant | Amount allocated as provided in CARA,2015 (Kshs.) | 9 Months Actual receipt of the conditional Grant (Kshs.) | Actual Receipts as a percentage of Annual Allocation (%). |
|---|---|---|---|---|
| 1 | World Bank Loan. | 7,132,526 | 7,132,526 | 100.00 |
| 2 | Road Maintenance Fuel Levy Fund | 26,065,747 | 13,163,202 | 50.50 |
| 3 | Danida Grant | 7,640,000 | 3,820,000 | 50.00 |
| 4 | Free Maternal Health Care | 16,762,200 | 2,748,864 | 16.40 |
| 5 | User Fees Forgone | 2,366,871 | - | - |
| 6 | Level5 Hospital | 0 | - | - |
| 7 | Leasing of Medical Equipment | 95,744,680.85 | - | - |
| | **Total** | **155,712,025** | **26,864,592** | **17.25** |

**Source**: Lamu County Treasury

Analysis of the conditional grants for the period under review indicates that World Bank Loan recorded the highest performance against annual target at 100 per cent.

### 3.22.4 Exchequer Issues

During the period under review, the Controller of Budget authorized withdrawal of Kshs.1.66 billion from the CRF account, representing 54.0 per cent of the approved budget. The amount represented an increase of 44.3 per cent from Kshs.1.15 billion authorized in a similar period of FY 2014/15 and consisted of Kshs.1.26 billion (76.0 per cent) for recurrent expenditure and Kshs.399.66 million (24.0 per cent) for development activities.

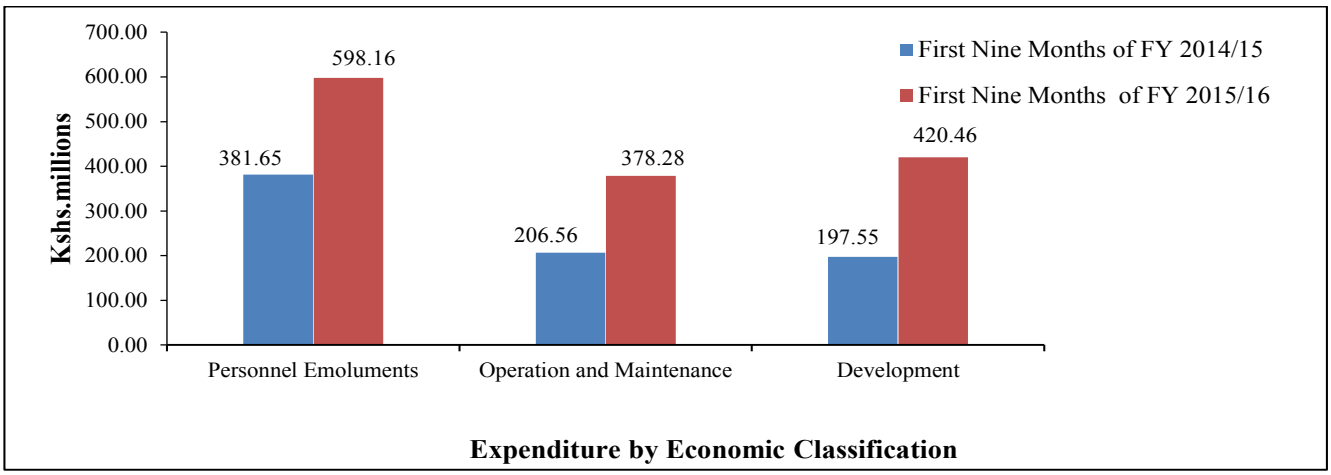
### 3.22.5 Overall Expenditure Review

The County spent a total of Kshs.1.40 billion during the first nine months of FY 2015/16 which was 84.0 per cent of the funds released for operations. This is an improvement from the Kshs.789.04 million spent in a similar period of FY 2014/15. A total of Kshs.976.44 million was spent on recurrent activities and Kshs.420.46 million on development activities. Recurrent expenditure was 77.3 per cent of the funds released for recurrent activities while development expenditure accounted for 105.2 per cent of the funds released for development activities. The expenditure excludes commitments as at 31st March, 2016 that amounted to Kshs.136.82 million for development and Kshs.49.55 million for recurrent expenditure.

Recurrent expenditure for the period under review represented 55.6 per cent of the approved annual recurrent budget, an increase from 47.6 per cent spent in a similar period of FY 2014/15. On the other hand development expenditure recorded an absorption rate of 31.8 per cent, an improvement

from 27.6 per cent spent in a similar period of FY 2014/15. Figure 3.82 shows a comparison of the total expenditure in the first nine months of FY 2014/15 and the first nine months of FY 2015/16.

**Figure 3.82: Lamu County, Expenditure by Economic Classification for the first nine months of FY 2014/15 and FY 2015/16**




**Source:** *Lamu County Treasury*

### 3.22.6 Recurrent Expenditure Analysis

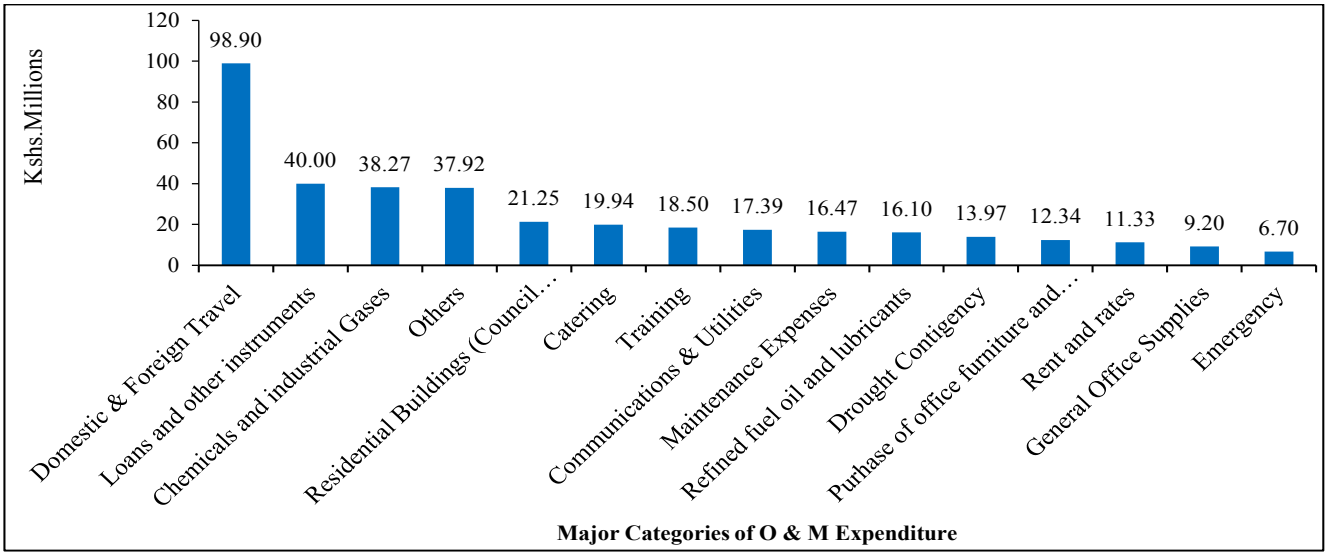
The total recurrent expenditure for the reporting period was Kshs.976.44 million against a budget of Kshs.1.76 billion. This represents 55.6 per cent of the annual recurrent budget. The County spent Kshs.598.16 million (61.3 per cent) on personnel emoluments and Kshs.378.28 million (38.7 per cent) on operations and maintenance as shown in Figure 3.82.

The expenditure on personnel emoluments represented an increase of 1 per cent compared to a similar period in the FY 2014/15 (Kshs.381.65 million, 48.4 per cent).

The County spent Kshs.15.23 million on sitting allowances to the 20 MCAs and the Speaker against the budget of Kshs.37.10 million. This is a marginal increase from Kshs.13.69 million recorded in a similar period of FY 2014/15. The average monthly sitting allowance per MCA was Kshs.80, 567 compared to SRCs recommended monthly ceiling of Kshs.124, 800.

The aggregate expenditure on domestic and foreign travel was Kshs.98.90 million compared to Kshs.54.70 million incurred in a similar period of FY 2014/15, representing a significant increase of 80.8 per cent. This expenditure comprised of Kshs.64.03 million spent by the County Executive and Kshs.34.87 million by the County Assembly. Figure 3.83 shows a breakdown of the operations and maintenance expenditure for the reporting period.

**Figure 3.83: Lamu County, Operations and Maintenance Expenditure for the First Nine Months of FY 2015/16**

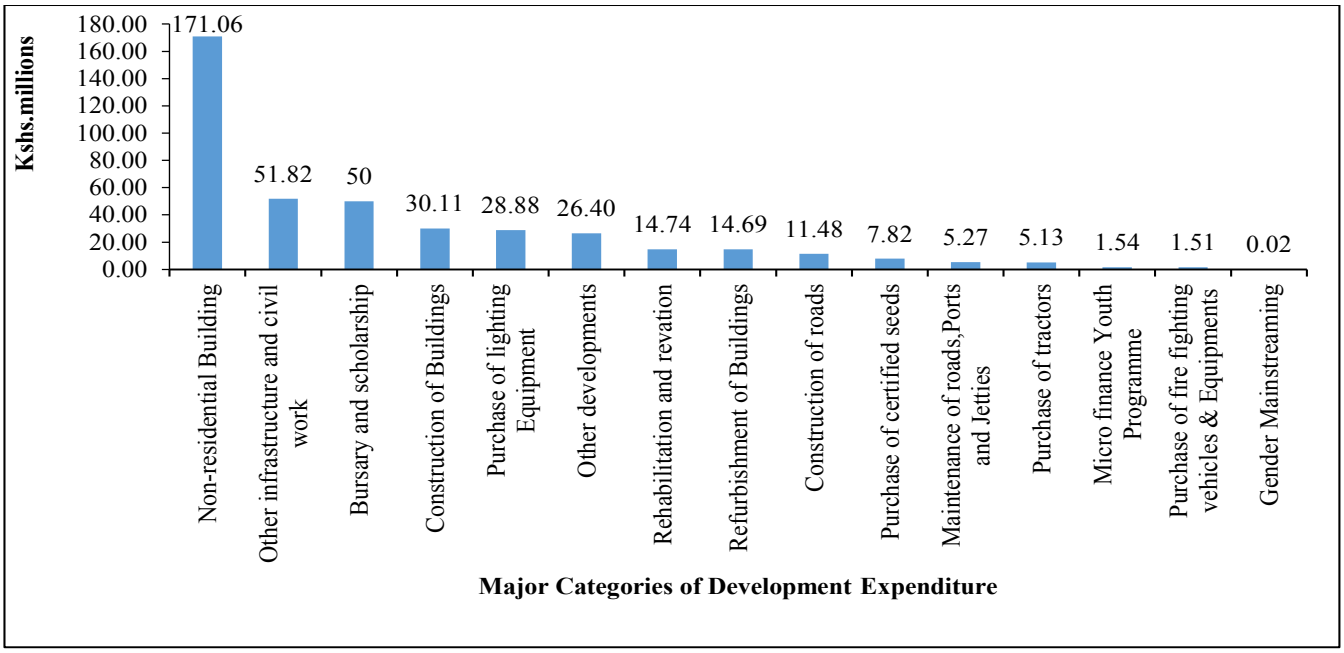



**Source:** *Lamu County Treasury*

### 3.22.7 Development Expenditure Analysis

Figure 3.84 provides a summary of development expenditure during the period under review.

**Figure 3.84: Lamu County, Summary of Development Expenditure for the First Nine Months of FY 2015/16**




**Source:** *Lamu County Treasury*

Analysis of the development expenditure of Kshs.420.46 million indicates that the highest expenditure of Kshs.171.06 million was incurred on construction of non-residential buildings while Kshs.51.82 million was spent on other infrastructure and civil works. Kshs.50 million was incurred on bursary

fund while Kshs.30.11 million was incurred on construction of buildings. Kshs.28.88 million was used to purchase lighting equipment and Kshs.26.40 million on other developments.

### 3.22.8 Annual Budget and Budget Performance Analysis by department for the First Nine months of FY 2015/16

Table 3.63 shows a summary of the FY 2015/16 annual budget estimates and budget performance for the third quarter by department.

**Table 3.63: Lamu County, Annual Budget and the first nine months of FY 2015/16 Budget Performance by Department**

| Department | Annual Budget Allocation (Kshs.Million) | | 9 months Exchequer Issues (Kshs.Million) | | 9 months Expenditure (Kshs.Million) | | 9 months Expenditure to Exchequer Issues (% ) | | Expenditure to Annual Budget (Absorption rate %) | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Rec | Dev | Rec | Dev | Rec | Dev | Rec | Dev | Rec | Dev |
| County Assembly Services | 404.78 | 105.92 | 264.52 | - | 194.69 | 42.73 | 73.60 | - | 48.10 | 40.34 |
| County Executive Service | 376.58 | 195.08 | 302.89 | 39.00 | 206.62 | 134.31 | 68.22 | 344.38 | 54.87 | 68.85 |
| Finance & Economic Planning | 97.84 | 26.33 | 83.48 | 15.00 | 66.89 | 11.85 | 80.13 | 79.00 | 68.37 | 45.01 |
| County Public Service Board | 45.06 | - | 32.84 | - | 25.60 | - | 77.95 | - | 56.81 | - |
| Agriculture and irrigation | 67.73 | 54.56 | 49.34 | 24.20 | 30.85 | 9.18 | 62.53 | 37.93 | 45.55 | 16.83 |
| Land, Physical Planning, Infrastructure, Water, Urban Development and Natural Resources | 53.01 | 298.41 | 40.05 | 91.45 | 30.44 | 61.10 | 76.00 | 66.81 | 57.42 | 20.48 |
| Education, Gender, Sports, Youth & Social services | 54.48 | 234.40 | 42.37 | 49.60 | 36.11 | 89.06 | 85.23 | 179.56 | 66.28 | 37.99 |
| Health & Sanitation | 522.49 | 266.56 | 350.18 | 69.60 | 310.04 | 48.86 | 88.54 | 70.20 | 59.34 | 18.33 |
| Trade, Culture ,Tourism& Investment development | 35.67 | 47.23 | 25.18 | 17.50 | 12.28 | 7.78 | 48.77 | 44.46 | 34.43 | 16.47 |
| Fisheries, Livestock, Veterinery & Co-operative Development | 68.67 | 78.78 | 48.26 | 26.90 | 43.90 | 11.82 | 90.97 | 43.94 | 63.93 | 15.00 |
| ICT & E-Government and Public Participation | 30.78 | 15.83 | 24.74 | 3.25 | 19.02 | 3.77 | 76.88 | 116.00 | 61.79 | 23.82 |
| **TOTAL** | **1,757.09** | **1,323.10** | **1,263.85** | **399.66** | **976.44** | **420.46** | **77.36** | **105.20** | **55.57** | **31.78** |

**Source:** *Lamu County Treasury*

Analysis of budget performance by department shows that the County Executive reported the highest absorption rate of its development budget at 68.9 per cent while Fisheries, Livestock, Veternary & Co-operative Development had the lowest per centage at 15.0 per cent. On the other hand, Finance and Economic Planning had the highest percentage of its expenditure to annual recurrent budget at 68.4 per cent while Trade, Culture, Tourism and Investment Development Department registered the lowest absorption rate at 34.4 per cent.

### 3.22.9 Observations and Recommendations

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

i. Fully adopted the IFMIS system in processing financial transactions.
ii. Improved staff capacity through recruitment and training.
iii. The County Treasury has initiated process of revenue automation to improve the collection of local revenue and also minimise revenue leakages.

Despite the progress made following challenges raised in the previous CBIRRs continue to hamper effective budget implementation;

1. Differences between the IFMIS generated reports on development expenditure and the actual development projects reported separately why by the County.
2. Lack of Internal Audit Committee contrary to Section 155(5) of the PFM Act, 2012.
3. Delay in disbursement of funds by the National Treasury.
4. Failure to institute monitoring and evaluation teams to oversee implementation of development projects.

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

1. *The County Treasury should develop an up-to-date project database indicating project status, amount paid, contract variations, etc. which will enhance efficiency in reporting on the development activities. Further, reconciliation of the database with reports generated from IFMIS should be undertaken regularly.*

2. *Establish an Internal Audit Committee in line with Section 155(5) of the PFM Act, 2012 to enhance prudent public financial management.*
3. *The County Treasury should liase with the National Traesury to ensure funds allocated to the County are released in a timely manner.*
4. *The County should establish a monitoring and evaluation unit to oversee development project implementation.*

## 3.23 Machakos County

### 3.23.1 Overview of the Budget

The FY 2015/16 Approved Budget for Machakos County amounts Kshs.10.95 billion, comprising of Kshs.5.25 billion (47.97 per cent) and Kshs.5.69 billion (52.03 per cent) allocated to Recurrent and development expenditure respectively.

In order to finance the budget, the county expects to receive Kshs.6.77 billion (61.8 per cent) as equitable Share of revenue raised nationally, Kshs.815.50 million (7.5 per cent) as Conditional additional allocation grants, generate Kshs.2.37 billion (21.7 per cent) from local sources and Kshs.988.82 million (9.0 per cent) as a grant by National Government in support of water projects, which is not included in CARA, 2015.

The Conditional allocation comprise of Kshs.304.33 million (37.3 per cent) allocation for Machakos Level 5 hospital, Kshs.95.74 million (11.7 per cent) for Leasing of Medical Equipment, Kshs.97.13 million (11.9per cent) for Maternal Health Care, Kshs.85.98 million (10.5 per cent) from the Road Maintenance Fuel Levy Fund, , Kshs.25.60 million (3.1 per cent) as compensation for User Fees Forgone, Kshs.26.70 million (3.3 per cent) as a conditional grant from DANIDA to support health sector services, and Kshs.180.00 million (22.1 per cent) as other loans and grants as shown in Table 3.65.

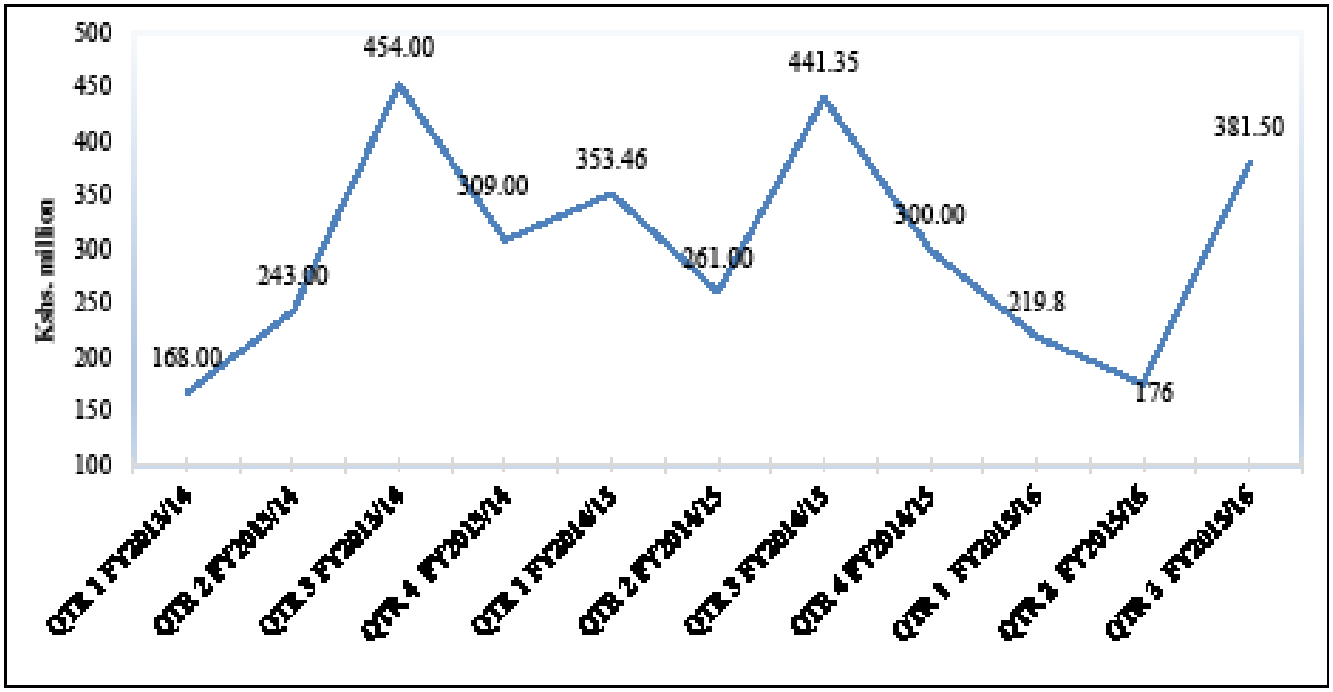
The County did not budget for the projected cash balance from FY 2014/15 which amounted to Kshs.538 million.

### 3.23.2 Revenue Analysis

In the first nine months of FY 2015/16, the County received Kshs.4.57 billion from Equitable share of revenue raised Nationally, Kshs.321.41 million as conditional allocation, raised Kshs.795.70 million from local sources, and had a cash balance of Kshs.538.12 million brought forward from FY 2014/15. The County did not borrow any funds during the reporting period to finance the budget.

Figure 3.85 shows the quarterly trend in local revenue collection from FY 2013/14 to the third quarter of FY 2015/16.

**Figure 3.85: Machakos County, Trend in Local Revenue Collection by Quarter from FY 2013/14 to the Third quarter of FY 2015/16**




**Source:** *Machakos County Treasury*

The total local revenue deposit to CRF for the reporting period of Kshs.795.70 million consisted of Kshs.201.68 million generated in the first quarter, Kshs.196.60 million in the second quarter and Kshs.397.41million in the third quarter of FY 2015/16. The revenue collected was 33.6 per cent of the annual local revenue target, and a decline from Kshs.1.06 billion collected in a similar period of FY 2014/15.

Table 3.64 shows further analysis of the local revenue collected in the first nine months of FY 2015/16 by stream.

**Table 3.64: Machakos County, Analysis of Revenue Collection per Stream for the Nine Months of FY 2015/16**

| No. | Revenue Stream | Annual Targeted Revenues(Khs) | 9 months Actual Revenue | Actual Revenue per centage of annual Targets(%) |
|---|---|---|---|---|
| 1 | Game Park Fees - Local Authority Revenue | 8,197,272 | 6,607,107 | 80.6 |
| 2 | Liquor Licenses | 107,739,304 | 56,332,797 | 52.3 |
| 3 | Building Plan Approval | 221,850,218 | 111,166,552 | 50.1 |
| 4 | Single Business Licenses - Local Authority | 282,239,362 | 133,302,610 | 47.2 |
| 5 | Receipts From Administrative Fees And Charges | 100,202,732 | 47,143,132 | 47.0 |
| 6 | Quarry | 244,173,538 | 114,364,958 | 46.8 |
| 7 | Parking Fees - Local Authority Revenue | 132,768,350 | 62,100,739 | 46.8 |
| 8 | Market Fees-Local Authority Revenue | 78,923,070 | 32,836,972 | 41.6 |
| 9 | Property Rates - Local Authority Revenue | 389,415,731 | 128,113,189 | 32.9 |
| 10 | Water And Sewerage Rates – Local authority Revenue | 1,387,064 | 376,035.00 | 27.1 |
| 11 | Miscellaneous Receipts | 8,664,270 | 2,260,716.00 | 26.1 |
| 12 | Receipts From Royalties Other (Sand Harvesting) | 335,643,994 | 54,030,982.65 | 16.1 |
| 13 | Cess Receipts | 51,881,288 | 8,149,552.00 | 15.7 |
| 14 | Sale Of Tender Documents | 3,270,310 | 443,000.00 | 13.5 |
| 15 | Receipts From Fines, Penalties, Forfeitures And Other Charges | 8,277,913 | 1,101,871.00 | 13.3 |
| 16 | House Rents -Local Authority Revenue | 33,511,236 | 1,997,556 | 6.0 |
| 17 | Others | 363,487,926 | 35,362,486 | 9.7 |
| | **TOTALS** | **2,371,633,578** | **795,690,255** | **33.6** |

**Source:** *Machakos County Treasury*

Analysis of the local revenue by stream indicates that game park fees recorded the highest performance against annual target at 80.6 per cent. This was followed by liquor licences at 52.3 per cent and closely followed by building plan approval at 50.1 per cent.

In the first nine months of the FY 2015/16, the County deposited all locally collected revenue into the County Revenue Fund account maintained at Central Bank of Kenya (CBK) in line with Article 207 of the Constitution.

### 3.23.3 Conditional Grants

Table 3.65 shows the analysis of conditional grants for the first nine months of FY 2015/16.

**Table 3.65: Machakos County analysis of conditional grants for the first nine months of FY 2015/16**

| No. | Conditional Grant | Amount allocated as provided in CARA 2015 (Kshs.) | 9 Months Actual receipt of the Conditional Grant (Kshs.) | Actual receipts as a Per cent of annual allocation. (%) |
|---|---|---|---|---|
| 1 | Level 5 Hospital | 304,326,286 | 203,898,612 | 67 |
| 2 | Road Maintenance Fuel Levy Fund | 85,984,407 | 43,422,127 | 50.50 |
| 3 | Free Maternal Health Care | 97,134,800 | 54,832,500 | 56.45 |
| 4 | User Fees Forgone | 25,607,954 | 19,254,686 | 75.19 |
| 5 | DANIDA Grant | 26,700,000 | 0 | 0 |
| 6 | Leasing of Medical equipment's | 95,744,680.85 | - | - |
| 7 | Other loans and grants | 180,000,000 | 0 | 0 |
| | **TOTAL** | **815,498,127.85** | **321,407,925** | **39.41** |

**Source:** *Machakos County Treasury*

Analysis of the conditional grants for the period under review indicates that User Fees Forgone recorded the highest performance against annual target at 75.2 per cent. This was closely followed by Level 5 Hospital at 67.0 per cent.

### 3.23.4 Exchequer Issues

During the period under review, the COB authorised withdrawal of Kshs.6.10 billion from the CRF account, which was 55.7 per cent of the approved budget. The amount represented an increase of 27.8 per cent from Kshs.4.77 billion authorized in a similar period of FY 2014/15 and consisted of Kshs.4.43 billion (72.7 per cent) for recurrent expenditure and Kshs.1.66 billion (27.3 per cent) for development activities.

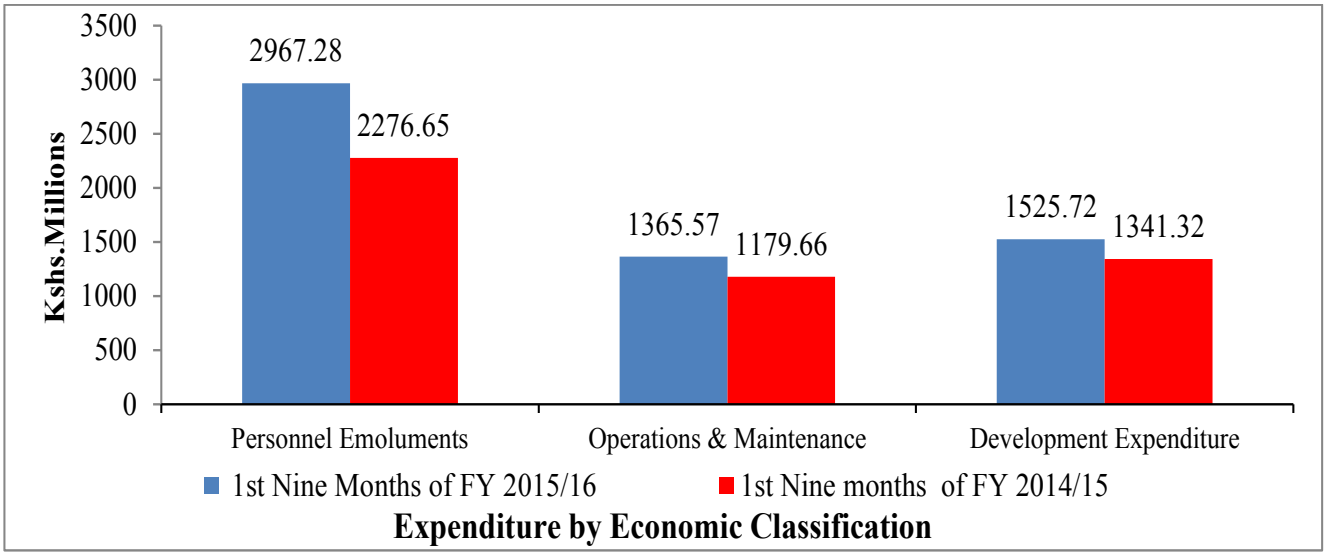
### 3.23.5 Overall Expenditure Review

The County spent a total of Kshs.5.86 billion during the first nine months of FY 2015/16 which was 96.07 per cent of the total funds released for operation, an increase from the Kshs.4.80 billion spent in a similar period of FY 2014/15. A total of Kshs.4.43 billion was spent on recurrent activities and Kshs.1.52 billion on development activities. Recurrent expenditure was 97.74 per cent of the funds released for recurrent activities while development expenditure accounted for 92.17 per cent of the funds released for development activities. The expenditure excludes commitments as at 31st March, 2016 which was not provided by the County Treasury.

Recurrent expenditure for the period under review represented 82.5 per cent of the approved annual recurrent budget, an increase from 70.4 per cent spent in a similar period of FY 2014/15. On the

other hand, development expenditure recorded an absorption rate of 26.8 per cent, a decrease from 33.6 per cent spent in a similar period of FY 2014/15. Figure 3.86 shows a comparison of the total expenditure in the third quarter of FY 2014/15 and the same period in FY 2015/16.

**Figure 3.86: Machakos County, Expenditure by Economic Classification for First Half, FY 2014/15 and FY 2015/16**




**Source:** *Machakos County Treasury*

### 3.23.6 Recurrent Expenditure Analysis

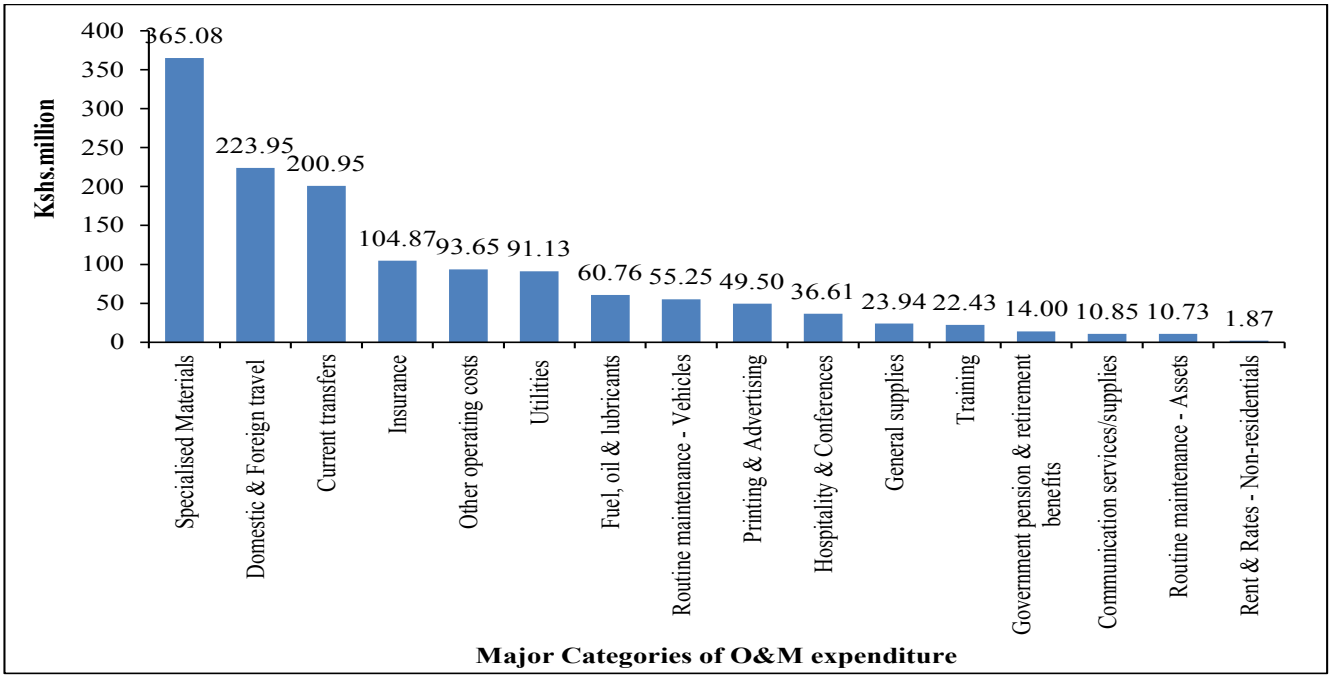
The total recurrent expenditure for the reporting period was Kshs.4.3 billion against an annual recurrent budget of Kshs.5.25 billion. This represents 82.5 per cent of the annual recurrent budget. The County spent Kshs.2.97 billion (68.59 per cent) on personnel emoluments and Kshs.1.37 billion (31.41 per cent) on operations and maintenance as shown in Figure 3.86.

The expenditure on personnel emoluments of Kshs.2.97 billion accounting for 50.7 incurred in the first nine months of FY 2015/16 represented an increase of 30.8 per cent compared to a similar period in FY 2014/15 when the County spent Kshs.2.27 billion. This increase is attributed to continuous recruitment of staff and annual salary increment.

The County spent Kshs.41.74 million on sitting allowances for the 59 MCAs and the Speaker against an annual budget of Kshs.75.00 million. This represents an increase from Kshs.36.88 million recorded in a similar period of FY 2014/15. The average monthly sitting allowance per MCA was Kshs.77, 298 compared to SRC's recommended monthly ceiling of Kshs.124, 800.

The aggregate expenditure on domestic and foreign travel was Kshs.223.95 million compared to Kshs.211.44 million incurred in a similar period of FY 2014/15, representing an increase of 5.92 per cent. Figure 3.87 shows a breakdown of the operations and maintenance expenditure for the reporting period.

**Figure 3.87: Machakos County, Operations and Maintenance Expenditure for the First Nine Months, FY 2015/16**

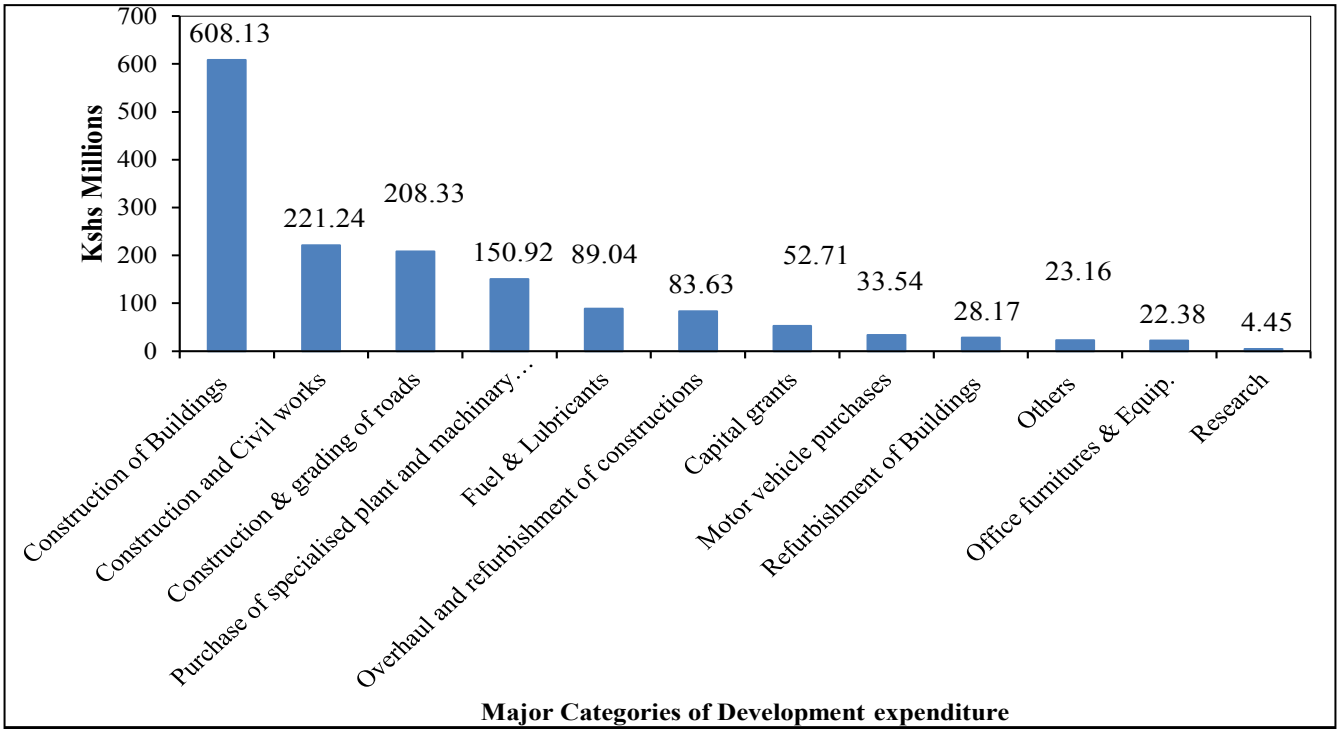



**Source:** *Machakos County Treasury*

### 3.23.7 Development Expenditure Analysis

Figure 3.88 provides a summary of development expenditure during the period under review.

**Figure 3.88: Machakos County, Summary of Development Expenditure for the First Nine Months of FY 2015/16**




**Source:** *Machakos County Treasury*

Analysis of the development expenditure of Kshs.1.5 billion incurred in the reporting period indicates that the highest expenditure of Kshs.608.13 million was spent on construction of non-residential buildings by the departments of Health and Education Departments. The second highest expenditure of Kshs.221.24 million was incurred on construction and civil works. The Department of Transport, Roads and Housing incurred Kshs.208.33 million on roads, Kshs.83.63 on overhaul and refurbishment of constructions and Kshs.28.17 on refurbishment of buildings.

### 3.23.8 Annual Budget and Budget Performance Analysis by Department for the First Nine Months of FY 2015/16

Table 3.66 shows a summary of FY 2015/16 annual budget estimates and budget performance for the reporting period by department.

**Table 3.66: Machakos County, Annual Budget and First Nine Months of FY 2015/16 Budget Performance by Department**

| Department | Budget Allocation (FY 2015/16) | | Exchequer Issues | | Expenditure | | % of Expenditure to Exchequer Issues | | Absorption Rate (%) | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Rec. | Dev. | Rec | Dev. | Rec | Dev. | Rec. | Dev. | Rec. | Dev. |
| County Executive | 431.32 | 51 | 368.96 | 27.89 | 395.74 | 29.65 | 107.3 | 106.3 | 91.8 | 58.1 |
| PS, Labor & ICT | 254.23 | 330.94 | 226.36 | 73.56 | 85.44 | 44.27 | 37.7 | 60.2 | 33.6 | 13.4 |
| Trade, Investment & Eco. Planning | 56.78 | 336.96 | 51.01 | 127.65 | 42.8 | 91.04 | 83.9 | 71.3 | 75.4 | 27.0 |
| Finance & Revenue | 331.94 | 851.02 | 195.26 | 35.48 | 218.32 | 22.28 | 111.8 | 62.8 | 65.8 | 2.6 |
| Decentralized Units, County Admin. | 559.95 | 82.2 | 499.35 | 40.94 | 404.21 | 33.68 | 80.9 | 82.3 | 72.2 | 41.0 |
| Agri., Lands & Livestock | 341.82 | 175.78 | 298.13 | 72.08 | 259.27 | 33.31 | 87.0 | 46.2 | 75.8 | 18.9 |
| Health, Environment & Emergency | 1,947.06 | 267.7 | 1,704.32 | 187.6 | 1,901.62 | 141.5 | 111.6 | 75.4 | 97.7 | 52.9 |
| Transport, Roads & Housing | 262.27 | 665.52 | 233.61 | 509.87 | 207.75 | 389.75 | 88.9 | 76.4 | 79.2 | 58.6 |
| Education, Youth & Social | 186.51 | 54.82 | 166.42 | 40.71 | 162.85 | 32.69 | 97.9 | 80.3 | 87.3 | 59.6 |
| Water & Irrigation | 92.46 | 2,405.74 | 78.59 | 434.99 | 83.08 | 611.97 | 105.7 | 140.7 | 89.9 | 25.4 |
| Tourism, Sports and Culture | 90.13 | 290.14 | 80.87 | 64.39 | 89.71 | 85.01 | 110.9 | 132.0 | 99.5 | 29.3 |
| County Public Service Board | 65.75 | 14.27 | 58.54 | 7.8 | 42.15 | 0 | 72.0 | 0.0 | 64.1 | 0.0 |
| County Assembly | 630.23 | 168 | 472.56 | 41.5 | 439.86 | 10.57 | 93.1 | 25.5 | 69.8 | 6.3 |
| **TOTAL** | **5,250.45** | **5,694.09** | **4,433.98** | **1,664.46** | **4,332.80** | **1,525.7** | **97.7** | **91.7** | **82.5** | **26.8** |

**Source:** *Machakos County Treasury*

Analysis of budget performance by Department shows that the department of Tourism, Sports & Culture had the highest expenditure in proportion of its recurrent budget at 99.5 per cent while the

Department of Public Service, Labour & ICT had the lowest absorption rate for recurrent expenditure at 33.6 per cent. On the other hand, the Department of Education, Youth and Social services reported the highest absorption rate of its development budget at 59.6 per cent while the County Public Service Board did not spend funds on development activities.

### 3.23.9 Observations and Recommendations

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

1. Embracing use of IFMIS to process financial transactions.
2. Improvement in staff capacity through training.

Despite the progress made, the following challenges continue to hamper effective budget implementation in the County;

1. Underperformance in local revenue collection which stood at Kshs.777 million, or 32.7 per cent of the annual target. This implies that some budgeted activities might not be implemented due to the low local revenue which may result into lack of funds.
2. An increasing wage bill due to continuous staff recruitment, which may result in unsustainable salary costs.
3. Lack of Internal Audit Committee contrary to Section 155(5) of the PFM Act, 2012.
4. None compliance with the requirement of the PFM Act, 2012 on submission of quarterly financial statements on public funds.

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

1. *The County should devise strategies to ensure revenue collection meets the set targets.*
2. *The County should urgently seek a solution to the huge wage bill.*
3. *The County Treasury should hasten establishment of an Internal Audit Committee as per Section 155(5) of the PFM Act, 2012 in order to enhance public financial management.*
5. *The County should comply with the requirement of the PFM Act, 2012 on submission of quarterly financial statements on public funds.*

## 3.24 Makueni County

### 3.24.1 Overview of the FY 2015/16 Budget

The FY 2015/16 Approved Budget for Makueni County is Kshs.9.45 billion, comprising of Kshs.4.47 billion (47.4 per cent) and Kshs.4.97 billion (52.6 per cent) allocated to recurrent expenditure and development expenditure respectively.

In order to finance the budget, the county expected to receive Kshs.5.96 billion (63.2 per cent) as equitable share of revenue raised nationally, Kshs.657.23 million (7 per cent) as conditional grants, raise Kshs.400 million (4.2 per cent) from local sources and Kshs.2.42 billion (25.6 per cent) as

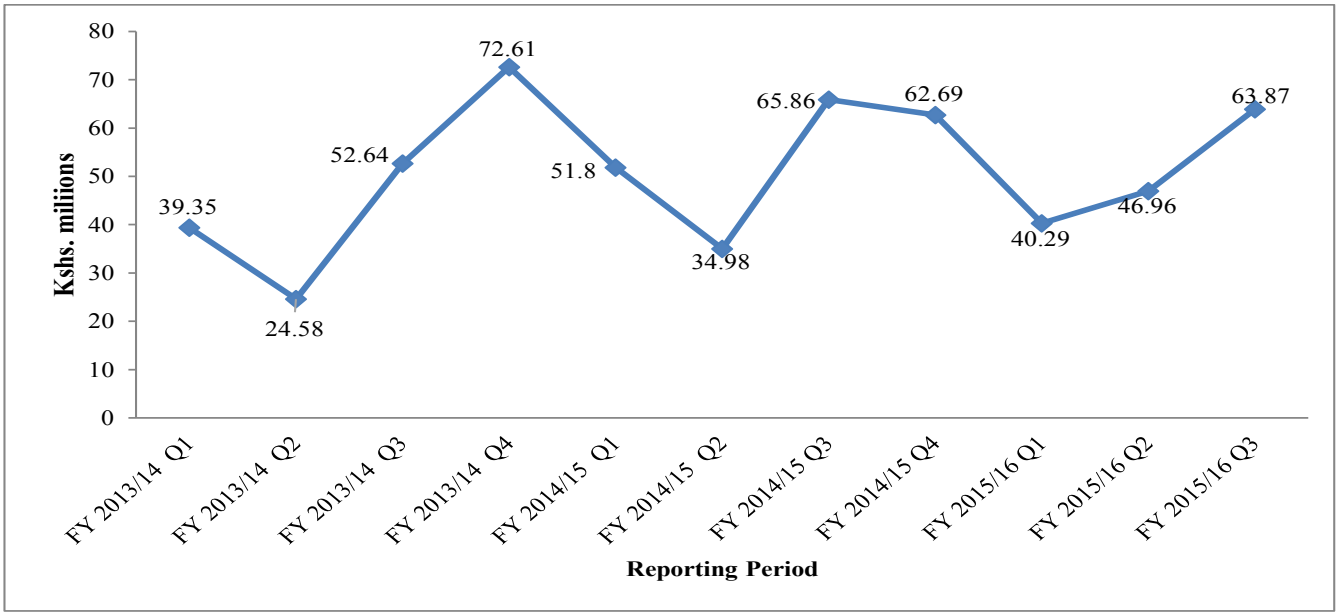
balance brought forward from FY 2014/15. The conditional grants comprises of Kshs.24.13 million (3.6 per cent) from DANIDA, Kshs.20.61 (3.1per cent) as compensation of User Fees Forgone, Kshs.75.83 million (11.5per cent) as Road Maintenance Levy Fund, Kshs.80.80 million (12.3 per cent) for Free Maternal Health Care, Kshs.95.74 million (14.6per cent) for leasing of medical equipment, Kshs.220.0 million (33.5 per cent) as conditional allocation for other loans/grants, Kshs.51.02 million (7.8 per cent) as World bank funding for rural health, Kshs.89.08 million (13.6) as FIF for Hospitals.

### 3.24.2 Revenue Analysis

In the first nine months of FY 2015/16, the County received Kshs.3.49 billion as Equitable share of revenue raised nationally, Kshs.86.61 million as conditional allocations, raised Kshs.151.13 million from local sources, and had a cash balance of Kshs.2.42 billion brought forward from FY 2014/15. The County did not borrow any funds during the reporting period to finance the budget.

Figure 3.89 shows the quarterly trend in local revenue collection from FY 2013/14 to the third quarter of FY 2015/16..

**Figure3.89: Makueni County, Trend in Local Revenue Collection by Quarter from FY 2013/14 to the Third Quarter of FY 2015/16**




**Source:** *Makueni County Treasury*

The total local revenue for the reporting period of Kshs.151.13 million consisted of Kshs.40.29 million generated in the first quarter, Kshs.46.96 million in the second quarter and Kshs.63.87 Million in the third quarter of FY 2015/16. The revenue collected was 37.8 per cent of the annual local revenue target, and a slight decline from Kshs.152.6 million collected in a similar period of FY 2014/15.

Table 3.67 shows further analysis of the local revenue collected in the first nine months of FY 2015/16 by stream.

**Table.3.67: Makueni County Analysis of Revenue Collection by Stream for the First Nine Months of FY 2015/16**

| No | Revenue Stream | Annual Targeted Revenue (Kshs.) | 9 Months Actual Revenue | Actual Revenue as a percentage of Annual Targets (%) |
|---|---|---|---|---|
| | | | | C/B*100 |
| 1 | Other Sources | 450,000 | 8,602,441 | 1,911.7 |
| 2 | Cess | 11,100,000 | 10,405,969 | 93.7 |
| 3 | Sand Cess local | 3,500,000 | 2,742,810 | 78.4 |
| 4 | Liquor license Fees | 35,900,000 | 26,835,990 | 74.8 |
| 5 | Penalty Fees | 1,500,000 | 963,426 | 64.2 |
| 6 | Market Entrance Fees | 30,000,000 | 19,238,295 | 64.1 |
| 7 | Stock Market Fees | 10,000,000 | 6,201,195 | 62.0 |
| 8 | Parking Fees | 35,000,000 | 19,503,765 | 55.7 |
| 9 | Plot rent Fees | 18,200,000 | 9,996,207 | 54.9 |
| 10 | Conservancy Fees | 4,550,000 | 2,378,580 | 52.3 |
| 11 | Permits | 80,000,000 | 35,238,424 | 44.0 |
| 12 | Kiosk renewal fees | 4,550,000 | 1,513,790 | 33.3 |
| 13 | Stock Movement Fees | 3,550,000 | 1,090,315 | 30.7 |
| 14 | Plan approval fees | 15,750,000 | 3,408,744 | 21.6 |
| 15 | Other Plot Dues | 17,750,000 | 3,012,564 | 17.0 |
| 16 | Min of Agriculture | 6,550,000 | - | 0 |
| 17 | Public Health | 85,250,000 | - | 0 |
| 18 | Water & Environment | 36,400,000 | - | 0 |
| | **TOTAL** | **400,000,000** | **151,132,515** | **37.8** |

**Source:** *Makueni County Treasury*

Analysis of the local revenue by stream indicates that other revenue sources recorded the highest performance against annual target at 1,911.7 per cent. This was closely followed by cess at 93.7 per cent.

In the first nine months of the FY 2015/16, The County deposited all locally collected revenue into the County Revenue Fund account maintained at Central Bank of Kenya (CBK) in line with Article 207 of the Constitution.

### 3.24.3 Conditional Grants

Table 3.68 shows the analysis of conditional grants for the first nine months of FY 2015/16..

**Table 3.68: Makueni County analysis of conditional grants for the first nine months of FY 2015/16**

| No. | Conditional Grant | Amount allocated as provided in CARA 2015 (Kshs.) | 9 Months Actual receipt of the Conditional Grant (Kshs.) | Performance (%) |
|---|---|---|---|---|
| 1 | Road Maintenance Fuel Levy Fund | 75,834,678 | 38,296,512 | 50.5 |
| 2 | Free Maternal Health Care | 80,802,400 | 38,517,500 | 47.7 |
| 3 | User Fees Forgone | 20,618,293 | 9,793,689 | 47.5 |
| 4 | DANIDA Grant | 24,130,000 | - | 0 |
| 5 | World Bank Grant | 51,022,686 | - | 0 |
| | **TOTAL** | **252,408,057** | **86,607,701** | **34.4** |

**Source:** *Makueni County Treasury*

Analysis of the conditional grants for the period under review indicates that Road Maintenance Fuel Levy Fund recorded the highest performance against annual target at 50.5 per cent. This was closely followed by Free Maternity Health Care at 47.5 per cent.

### 3.24.4 Exchequer Issues

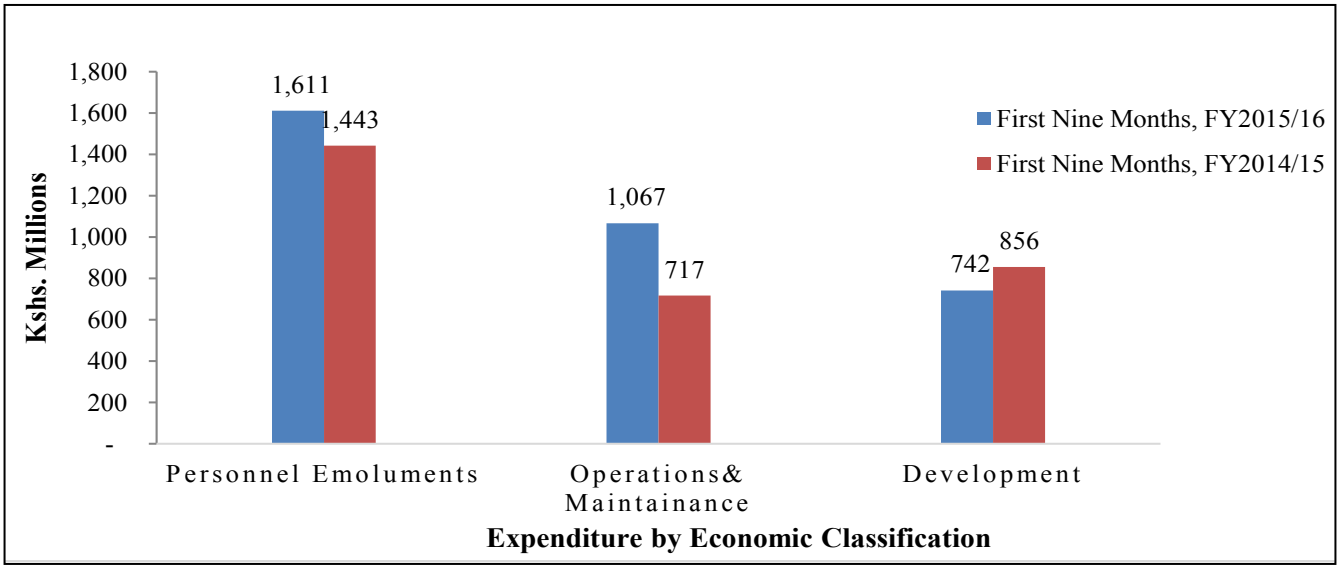
During the period under review, the COB authorised withdrawal of Kshs.4.37 billion from the CRF account, which was 46.2 per cent of the approved budget. The amount represented an increase of 19.7 per cent from Kshs.3.64 billion authorized in a similar period of FY 2014/15 and consisted of Kshs.3.38 billion (77.6 per cent) for recurrent expenditure and Kshs.980.53 million (22.4 per cent) for development activities.

### 3.24.5 Overall Expenditure Review

The County spent a total of Kshs.3.42 billion during the first nine months of FY 2015/16 which was 78.3 per cent of the total funds released for operations. This was an increase from the Kshs.3.01 billion spent in a similar period of FY 2014/15. A total of Kshs.2.67 billion was spent on recurrent activities and Kshs.742.44 million on development activities. Recurrent expenditure was 79.1 per cent of the funds released for recurrent activities while development expenditure accounted for 75.7 per cent of the funds released for development activities.

Recurrent expenditure for the period under review represented 59.8 per cent of the approved annual recurrent budget, an increase from 54.8 per cent spent in a similar period of FY 2014/15. On the other hand, development expenditure recorded an absorption rate of 14.9 per cent, a decrease from 27.2 per cent spent in a similar period of FY 2014/15. Figure 3.90 shows a comparison of the total expenditure in the third quarter of FY 2014/15 and the same period in FY 2015/16.

**Figure 3.90: Makueni County, Expenditure by Economic Classification for the First Nine Months of FY 2014/15 and FY 2015/16**




**Source:** *Makueni County Treasury*

### 3.24.6 Recurrent Expenditure Analysis

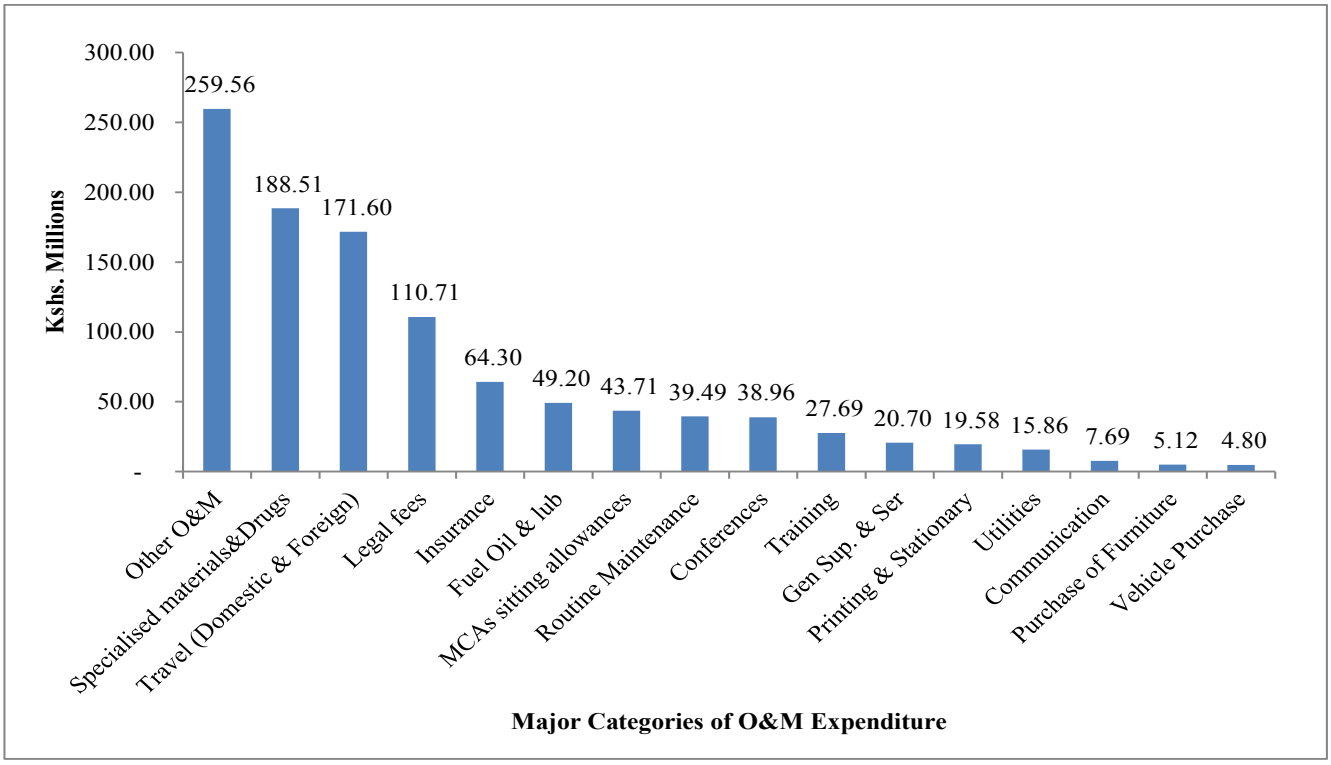
The total recurrent expenditure for the reporting period was Kshs.2.67 billion against an annual recurrent budget of Kshs.4.47 billion, representing 59.8 per cent of the annual recurrent budget. The County spent Kshs.1.61 billion (47.1 per cent) on personnel emoluments and Kshs.1.06 million (31.2 per cent) on operations and maintenance as shown in Figure 3.90.

The expenditure on personnel emoluments of Kshs.1.61 billion accounting for 60.3 per cent of the total recurrent expenditure and has increased significantly in the first nine months of FY 2015/16 represented an increase of 11.8 per cent compared to a similar period in FY 2014/15 when the County spent Kshs.1.44 billion was spent. The increase is attributed to continuous recruitment of new County employees by the County Public Service Board.

The County spent Kshs.43.7million on sitting allowances to the 47 MCAs and the Speaker against an annual budget of Kshs.47 million. This represents an increase from Kshs.17.7 million recorded in a similar period of FY 2014/15. The average monthly sitting allowance per MCA was Kshs.101,176 compared to SRC's recommended monthly ceiling of Kshs.124,800.

The aggregate expenditure on domestic and foreign travel was Kshs.171.59 million compared to Kshs.127.95 million incurred in a similar period of FY 2014/15, representing a significant increase of 34.1 per cent. Figure 3.91 shows a breakdown of the operations and maintenance expenditure for the reporting period.

**Figure.3.91: Makueni County, Operations and Maintenance Expenditure for the First Nine Months of FY 2015/16**

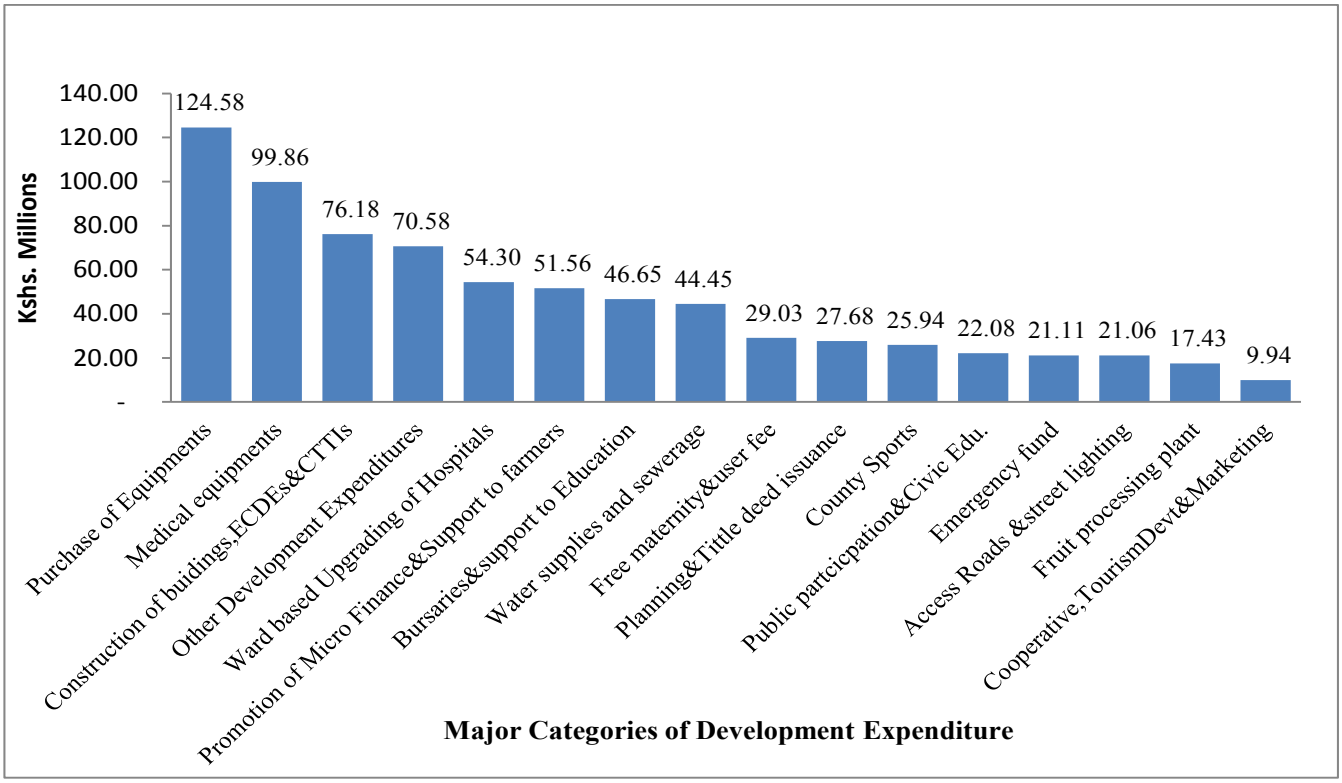



**Source:** *Makueni County Treasury*

### 3.24.7 Development Expenditure Analysis

Figure 3.92 provides a summary of development expenditure during the period under review.

**Figure 3.92: Makueni County, Summary of Development Expenditure for the First Nine Months of FY 2015/16**




**Source:** *Makueni County Treasury*

Analysis of the development expenditure of Kshs.742.44 million spent in the reporting period indicates that the highest expenditure of Kshs.199.78 million was spent by Health Department on Purchase of medical equipment and ward based upgrading of hospitals, health centres and dispensaries. The second highest expenditure at Kshs.117.04 million was spent by the Transport and Infrastructure Department on purchase of equipment and construction of office block, Governors and Deputy Governor's residence and installation of street lighting & upgrading of access roads while the Department of Water and Irrigation spent Kshs.102.85 million on construction of water supplies and sewerage such as sand dams and earth dams and purchase of equipment.

### 3.24.8 Annual Budget and Budget Performance Analysis by department for the First Nine Months of FY 2015/16

Table 3.69 shows a summary of FY 2015/16 annual budget estimates and budget performance for the reporting period by department.

**Table 3.69: Makueni County, Annual Budget and First Nine Months of FY 2015/16 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 Attorney's Office | 87.57 | | 45.96 | - | 61.84 | - | 134.5 | 0 | 70.6 | 0 |
| County Public Service Board | 65.31 | | 45.59 | - | 36.50 | - | 80.1 | 0 | 56 | 0 |
| Department of Lands | 37.37 | 190.75 | 28.33 | 52.15 | 20.76 | 32.21 | 73.3 | 62 | 55.6 | 17 |
| Office Of Governor | 179.55 | 0.00 | 138.73 | - | 129.48 | - | 93.3 | 0 | 72 | 0 |
| Department of Trade | 57.02 | 359.53 | 43.40 | 115.56 | 26.42 | 36.31 | 60.9 | 31.4 | 46.3 | 10 |
| Department Of Gender | 73.69 | 369.21 | 56.40 | 92.53 | 31.87 | 49.65 | 56.5 | 53.7 | 43.2 | 13.4 |
| County Public Service | 114.60 | 0.00 | 88.41 | - | 59.93 | - | 67.8 | 0 | 52.3 | 0 |
| Department of Finance | 553.19 | 263.00 | 397.73 | 13.00 | 273.02 | 21.11 | 68.6 | 162.4 | 49.4 | 8 |
| Department of Education & ICT | 224.43 | 437.89 | 173.92 | 72.48 | 133.19 | 88.12 | 76.6 | 121.6 | 59.3 | 20 |
| Department of transport | 167.16 | 707.45 | 127.65 | 89.05 | 80.16 | 117.05 | 62.8 | 131.4 | 48 | 16.5 |
| Department of agriculture | 227.73 | 433.40 | 174.39 | 73.25 | 133.15 | 44.57 | 76.3 | 61 | 58.5 | 10.3 |
| County assembly | 611.87 | 92.37 | 504.92 | 74.87 | 420.73 | 23.55 | 83.3 | 31.5 | 69 | 25.5 |
| Department of water | 170.83 | 1250.26 | 125.80 | 225.36 | 89.28 | 102.85 | 71.0 | 45.6 | 52.3 | 8 |
| Department of health | 1,671.30 | 794.68 | 1,262.80 | 165.29 | 1,059.11 | 199.79 | 83.9 | 121 | 63.4 | 25 |
| Department of Devolution & Public Service | 236.06 | 73.7 | 173.20 | 7.00 | 123.04 | | 71.0 | 389 | 52 | 37 |
| **TOTAL** | **4,477.68** | **4,972.25** | **3,387.24** | **980.54** | **2,678.47** | **742.44** | **79.1** | **75.7** | **60** | **15** |

**Source:** *Makueni County Treasury*

Analysis of budget performance by department shows that the Department of Devolution and Public Service reported the highest absorption rate for development expenditure at 37 per cent while the Department of Water and Irrigation and Department of Finance registered the lowest at 8 per cent. On the other hand, Office of the Governor and Deputy Governor had the highest percentage of its recurrent expenditure to annual recurrent budget at 72 per while the Department of Gender and Social Services had the lowest at 43.2 per cent.

### 3.24.9 Observations and Recommendations

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

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

ii. Preparation of the Makueni County Vision 2025, which will enhance coordinated planning in the County.

iii. The County Assembly has full autonomy in processing its financial transactions.

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

1. Low local revenue collection. By the end of third quarter the County collected Kshs.151.13 million (37.8 per cent of the annual local revenue target) against a target of 75 per cent for the period.
2. Failure to establish an Internal Audit Committee, contrary to Section 155(5) of the PFM Act, 2012.
3. Lack of Debt Management Strategy Paper contrary to Section 123 of the PFM Act, 2012.
4. Slow uptake of development funds which stood at 14.9 per cent of the annual development budget.

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

1. *The County Treasury should develop strategies to enhance local revenue collection.*
2. *The CounyTreasury should establish an Internal Audit Committee as per Section 155(5) of the PFM Act, 2012 to enhance oversight in public financial management.*
3. *The County Treasury should prepare the Debt Management Strategy Paper as per Section 123 of the PFM Act, 2012 and ensure it is approved by the County Assembly.*
4. *The County should identify the causes of low absorption of development funds and address the causes to improve absorption of development funds.*

## 3.25 Mandera County

### 3.25.1 Overview of the FY 2015/16 Budget

The FY 2015/16 Approved Supplementary Budget for Mandera County is Kshs.11.50 billion, comprising of Kshs.4.22 billion (36.7 per cent) allocated to recurrent expenditure and Kshs.7.28 billion (63.3 per cent) to development expenditure.

In order to finance the budget, the county expected to receive Kshs.8.96 billion (78.0 per cent) as equitable share of revenue raised nationally, Kshs.308.14 million (2 per cent) as total conditional grants, generate Kshs.199.20 million (1.7 per cent) from local sources and Kshs.2.12 billion (18.5 per cent) as cash balance brought forward from FY 2014/15., The conditional grant comprise of Kshs.95.74 million ( 0.8 per cent) Leasing of Medical Equipment, Kshs.46.42 million (0.4 per cent) for Free Maternal Care, Kshs.23.9 million (0.2 per cent) for User Fees Forgone, Kshs.13.69 million

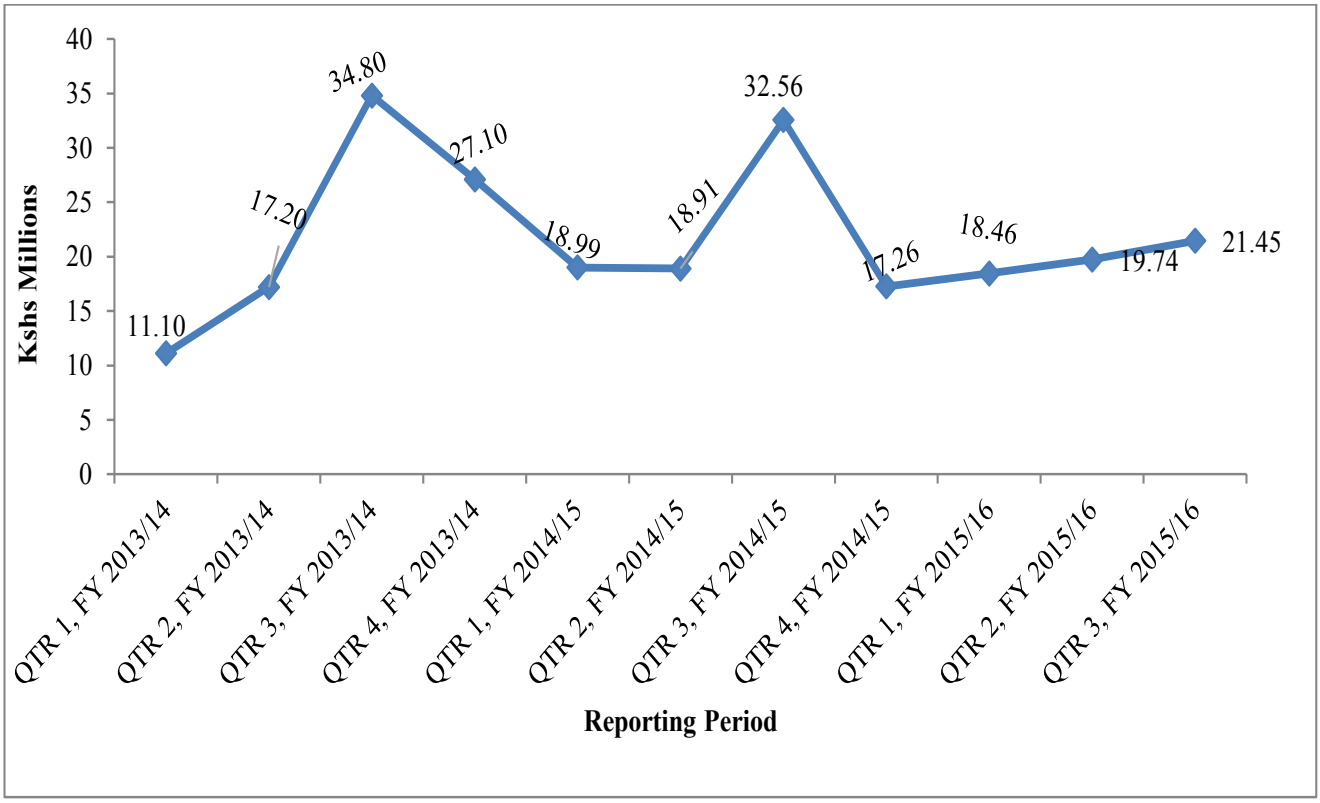
(0.1 per cent) from the World Bank Funding as support for the Health sector, Kshs.113.77 million (1.0 per cent) from Road Maintenance Fuel Levy Fund and Kshs.14.60 million (0.2 per cent) as a conditional grant from DANIDA as shown in Table 3.71.

### 3.25.2 Revenue Analysis

In the first nine months of FY 2015/16, the County received Kshs.5.24 billion as Equitable share of revenue raised nationally, Kshs.107.15 million as conditional allocations, raised Kshs.59.65 million from local sources, and had a cash balance of Kshs.2.12 billion brought forward from FY 2014/15. The County did not borrow any funds during the reporting period to finance the budget.

Figure 3.98 shows the quarterly trend in local revenue collection from FY 2013/14 to the third quarter of FY 2015/16.

**Figure 3.93: Mandera County, Trend in Local Revenue Collection by Quarter from FY 2013/14 to the Third Quarter of FY 2015/16**




**Source:** *Mandera County Treasury*

The total local revenue for the reporting period of Kshs.59.65 million consisted of Kshs.18.46 million generated in the first quarter, Kshs.19.74 million in the second quarter and Kshs. 21.45 Million in the third quarter of FY 2015/16. The revenue collected was 29.9 per cent of the annual local revenue target, and a decline from Kshs.70.47 million collected in a similar period of FY 2014/15.

Table 3.70 shows further analysis of the local revenue collected in the first nine months of FY 2015/16 by stream.

**Table 3.70: Mandera County Analysis of Revenue Collection by Stream for the First nine Months of FY 2015/16**

| Revenue Stream | Annual Target | 9 months Actual Revenue | Actual Revenue as a percentage of Annual Targets (%) |
|---|---|---|---|
| Land Rent | 25,586,653 | 14,305,990 | 55.9 |
| Single Business Permit | 19,680,924 | 5,806,055 | 29.5 |
| Land Transfer Fees | 12,200,000 | 4,142,800 | 34.0 |
| Miraa Cess | 17,137,280 | 5,917,200 | 34.5 |
| Hospital Fees | 7,040,000 | 6,963,036 | 98.9 |
| Barrier Fees | 4,214,210 | 4,235,007 | 100.5 |
| Market Stalls Rent | 8,684,321 | 1,964,230 | 22.6 |
| Bus park Stalls rent | 2,645,321 | 1,888,427 | 71.4 |
| Agriculture Cess | 10,000,000 | 2,166,350 | 21.7 |
| Livestock Market Fees | 10,278,887 | 2,502,749 | 24.3 |
| Slaugter Fees | 9,265,687 | 3,675,695 | 39.7 |
| Livestock Movement | 7,538,916 | 847,000 | 11.2 |
| Others | 60,751,406 | 995,896 | 1.6 |
| **Total** | **199,237,815** | **59,645,442** | **29.9** |

**Source:** *Mandera County Treasury*

Analysis of local revenue by stream indicates that barrier fees recorded the highest performance against annual target at 100.5 per cent which was closely followed by hospital fees at 98.9 per cent.

In the first nine months of the FY 2015/16, the County deposited all locally collected revenue into the County Revenue Fund account maintained at Central Bank of Kenya (CBK) in line with Article 207 of the Constitution.

### 3.25.3 Conditional Grants

Table 3.71 shows the analysis of conditional grants for the first nine months of FY 2015/16..

**Table 3.71: Mandera County analysis of conditional grants for the first nine months of FY 2015/16**

| No. | Conditional Grant | Amount allocated as provided in CARA 2015 (Kshs.) | 9 Months Actual receipt of the Conditional Grant (Kshs.) | Actual Receipts as a percentage of Annual Allocations (%) |
|---|---|---|---|---|
| 1 | Level 5 Hospitals | 0 | 0 | 0 |
| 2 | Road Maintenance Fuel Levy Fund | 113,767,220.00 | 85,894,254 | 75.5 |
| 3 | Free Maternal Health Care | 46,418,400.00 | 9,453,760 | 20.4 |
| 4 | User Fees Forgone | 23,910,336.00 | 4,493,650 | 18.8 |
| 5 | DANIDA Grant | 14,620,000.00 | 7,310,000 | 50.0 |
| 6 | World Bank Loan | 13,686,168.00 | 0 | 0.0 |
| 7 | Leasing of Medical Equipment | 95,744,680.85 | 0 | 0.0 |
| | **TOTAL** | **308,146,804.85** | **107,151,664.00** | **34.8** |

**Source:** *Mandera County Treasury*

Analysis of the conditional grants for the period under review indicates that Road Maintenance Fuel Levy Fund recorded the highest performance against annual target at 75.5 per cent. This was closely followed by DANIDA at 50.0 per cent.

### 3.25.4 Exchequer Issues

During the period under review, COB authorised withdrawal of Kshs.6.79 billion from the CRF account, which was 59.0 per cent of the approved budget. The amount represented a decline of 0.9 per cent from Kshs.6.85 billion authorized in a similar period of FY 2014/15 and consisted of Kshs. 2.93 billion ( 43.2 per cent) for recurrent expenditure and Kshs. 3.85 billion (56.8 per cent) for development activities.

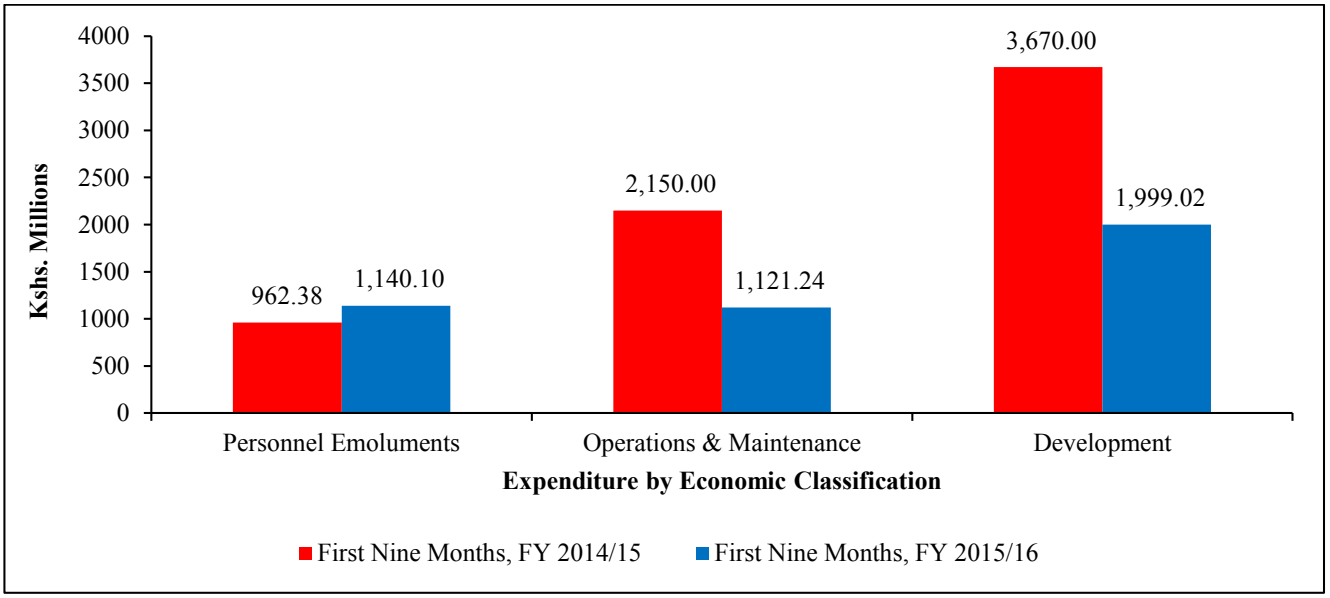
### 3.25.5 Overall Expenditure Review

The County spent a total of Kshs.4.26 billion during the first nine months of FY 2015/16 which was 62.8 per cent of the total funds released for operations. This was a decline from the Kshs. 6.78 billion spent in a similar period of FY 2014/15. A total of Kshs.2.26 billion was spent on recurrent activities and Kshs.2 million on development activities. Recurrent expenditure was 77.1 per cent of the funds released for recurrent activities while development expenditure accounted for 51.9 per cent of the funds released for development activities. The expenditure excludes commitments as at 31st March, 2016 that amounted to Kshs.314 million for development.

Recurrent expenditure for the period under review represented 53.6 per cent of the annual recurrent budget, a decline from 63.5 per cent spent in a similar period of FY 2014/15. Development mexpenditure recorded an absorption rate of 27.4 per cent, a decrease from 57.3 per cent spent in a similar period of FY 2014/15. Figure 3.94 shows a comparison of the total expenditure in the third

quarter of FY 2014/15 and FY 2015/16.

**Figure 3.94: Mandera County, Expenditure by Economic Classification for the First Nine Months of FY 2014/15 and FY 2015/16**




**Source:** *Mandera County Treasury*

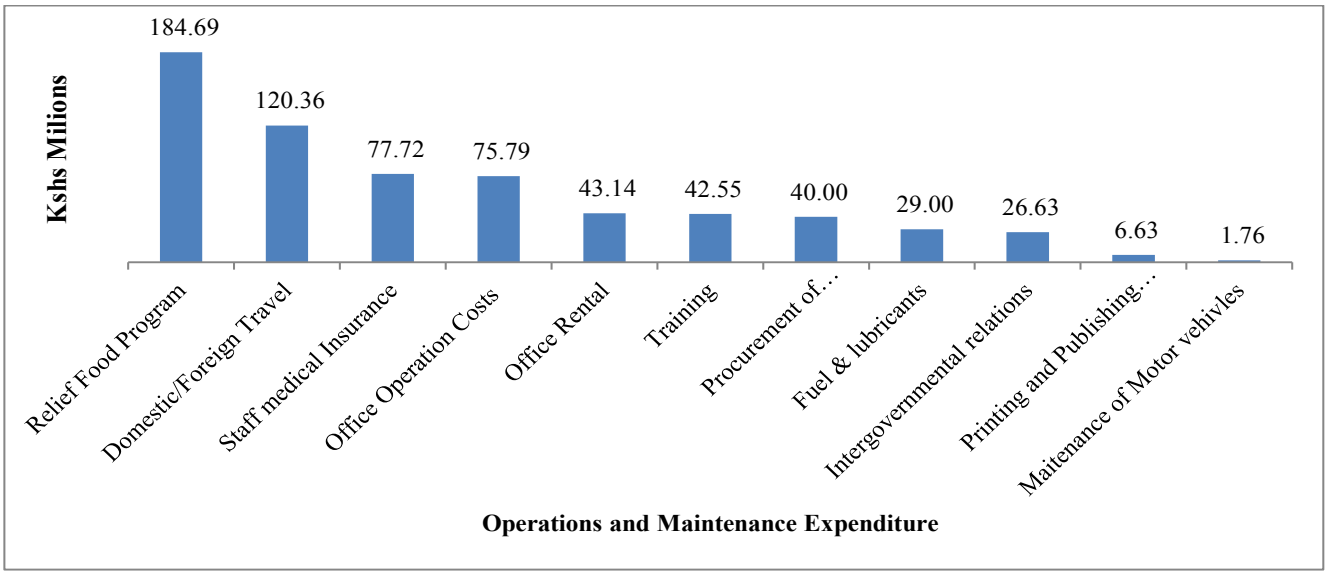
### 3.25.6 Recurrent Expenditure Analysis

The total recurrent expenditure for the reporting period was Kshs. 2.26 billion against an annual recurrent budget of Kshs. 4.22 billion. This represents 53.6 per cent of the annual recurrent budget. The County spent Kshs.1.14 billion (50.4 per cent) on personnel emoluments and Kshs.1.12 billion (49.6 per cent) on operations and maintenance as shown in Figure 3.94.

The expenditure on personnel emoluments of Kshs.1.14 billion in FY 2014/15 when the County spent Kshs.962.38 million incurred represents an increase of 18.5 per cent to a similar period. The County spent Kshs.28.59 million on sitting allowances to the 49 MCAs and the Speaker against an annual budget of Kshs.50 million. This represents a decrease from Kshs. 30.54 million recorded in a similar period of FY 2014/15. The average monthly sitting allowance per MCA was Kshs.64,833 compared to SRC's recommended monthly ceiling of Kshs. 124,800.

The aggregate expenditure on domestic and foreign travel was Kshs.120.36 million compared to Kshs.142.02 million spent in a similar period of FY 2014/15, representing a decrease of 15.3 per cent. Figure 3.95 shows a breakdown of the operations and maintenance expenditure for the reporting period.

**Figure 3.95: Mandera County, Operations and Maintenance Expenditure for the First Nine Months of FY 2015/16 (Kshs. Million**

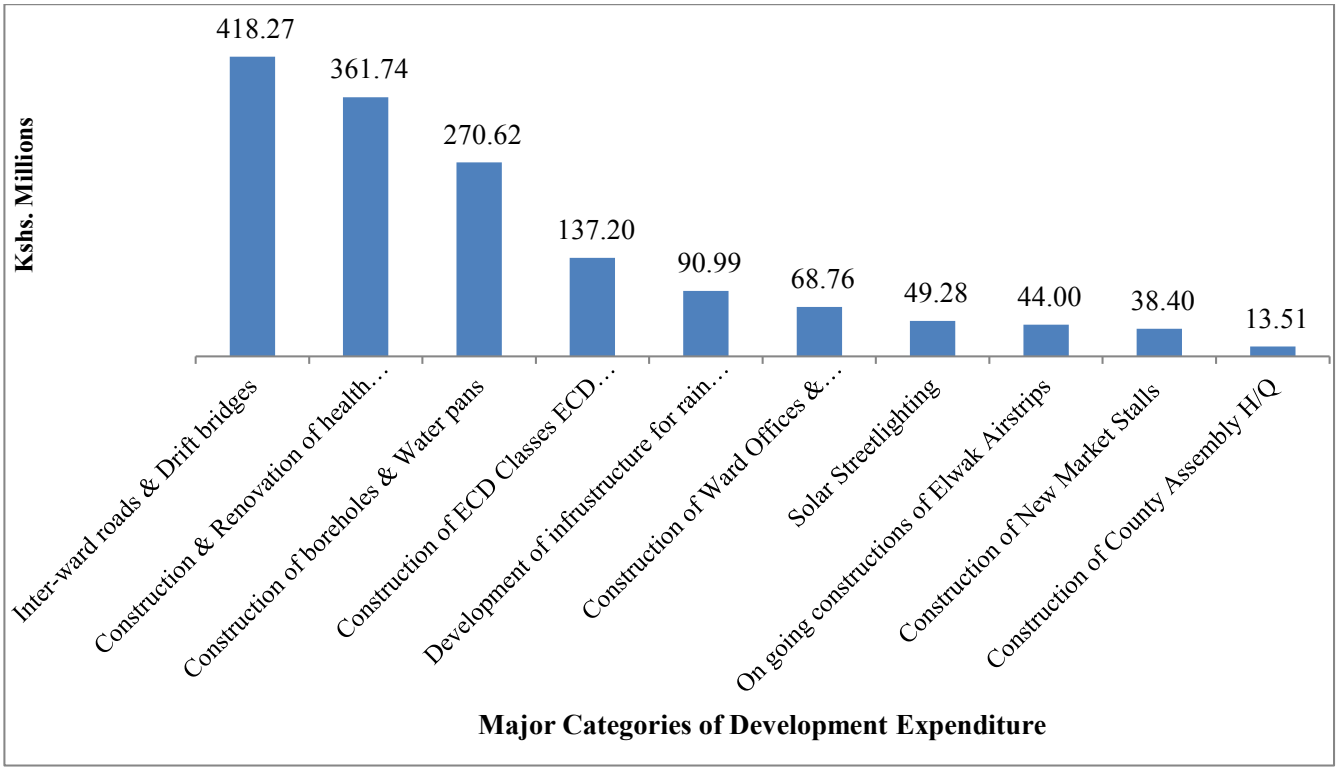



**Source:** *Mandera County Treasury*

### 3.25.7 Development Expenditure Analysis

Figure 3.96 provides a summary of development expenditure during the period under review.

**Figure 3.96: Mandera County, Summary of Development Expenditure for the First Nine Months of FY 2015/16**




**Source:** *Mandera County Treasury*

Analysis of the development expenditure of Kshs.1.99 billion spent in the reporting period of FY 2015/16 indicates that the highest expenditure of Kshs. 462.26 million was spent by the Public Works Roads and Transport Department on construction and development of Inter-ward roads & Drift bridges and tarmacking of town road. The second highest expenditure of Kshs.428.28 million was incurred by the Ministry of Finance & Economic Planning and ICT on construction of central procurement stores at county and various low value purchases.

### 3.25.8 Annual Budget and Budget Performance Analysis by department for the First Nine Months of FY 2015/16

Table 3.72 shows a summary of FY 2015/16 annual budget estimates and budget performance for the reporting period by department.

**Table 3.72: Mandera County, Annual Budget and First Nine Months of FY 2015/16 Budget Performance by Department**

| Ministry | Annual Budget Allocation (Kshs. Million) | | 9 Months Exchequer Issues (Kshs. Million) | | 9 Months Expenditure (Kshs.Million) | | Expenditure to Exchequer Issues (%) | | Absorption rate (%) | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Rec | Dev | Rec | Dev | Rec | Dev | Rec | Dev | Rec | Dev |
| County Assembly | 631.98 | 169.50 | 398.32 | 45.75 | 336.49 | 13.51 | 84.5 | 29.5 | 53.2 | 8.0 |
| Ministry of Agriculture, Livestock and Fisheries | 161.24 | 404.59 | 105.94 | 127.61 | 73.04 | 96.61 | 68.9 | 75.7 | 45.3 | 23.9 |
| Ministry of Education, Culture and Sports | 333.09 | 597.26 | 238.71 | 430.51 | 174.55 | 241.08 | 73.1 | 56.0 | 52.4 | 40.4 |
| Ministry of Gender, Youth and Social Services | 24.55 | 74.07 | 18.01 | 6.00 | 8.40 | 0.00 | 46.7 | 0.0 | 34.2 | 0.0 |
| Ministry of Finance & Economic Planning and ICT | 514.38 | 1142.50 | 326.08 | 658.93 | 354.80 | 428.28 | 108.8 | 65.0 | 69.0 | 37.5 |
| Health Services | 1001.44 | 596.18 | 654.43 | 470.30 | 514.86 | 391.53 | 78.7 | 83.3 | 51.4 | 65.7 |
| Ministry of Trade, Investments, Industrialization, and Cooperative Development | 32.45 | 402.05 | 25.72 | 67.47 | 20.33 | 38.40 | 79.0 | 56.9 | 62.6 | 9.6 |
| Lands, Housing Developments and Physical Planning | 50.27 | 91.70 | 31.18 | 44.70 | 18.78 | 14.70 | 60.2 | 32.9 | 37.4 | 16.0 |
| Office of the Governor and Deputy Governor | 456.69 | 0.00 | 529.34 | 0.00 | 248.05 | 0.00 | 46.9 | 0.0 | 54.3 | 0.0 |
| County Public Service Board | 50.21 | 0.00 | 42.05 | 0.00 | 27.69 | 0.00 | 65.9 | 0.0 | 55.1 | 0.0 |
| Ministry of Public Service Management and Devolved Units | 638.10 | 148.75 | 347.91 | 99.89 | 310.94 | 74.86 | 89.4 | 74.9 | 48.7 | 50.3 |
| Public Works Roads and Transport | 97.27 | 2098.95 | 71.44 | 1181.57 | 63.38 | 462.26 | 88.7 | 39.1 | 65.2 | 22.0 |
| Ministry of Water, Energy, Environment, Natural Resources Tourism and Wildlife | 225.19 | 1559.00 | 145.55 | 721.27 | 110.05 | 237.79 | **75.6** | **33.0** | **48.9** | **15.3** |
| **Total** | **4,216.87** | **7,284.54** | **2,934.68** | **3,853.98** | **2,261.34** | **1,999.02** | **77.1** | **51.9** | **53.6** | **27.4** |

**Source:** *Mandera County Treasury*

Analysis of budget performance by department shows that the Department of Health Services recorded the highest absorption rate for development expenditure at 65.7 per cent while the County Assembly registered the lowest at 8.0 per cent. The Ministry of Finance & Economic Planning and ICT had the highest percentage of its recurrent expenditure to annual recurrent budget at 69.0 per cent while the Ministry of Gender, Youth and Social Services had the lowest at 34.2 per cent.

### 3.25.9 Observations and Recommendations

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

i. Enacted regulations to operationalize the Bursary Fund in line with Section 116 of the PFM Act, 2012.

1. Factored pending bills from FY 2014/15 in the Approved Supplementary Budget for FY 2015/16.

ii. Ensured that expenditure returns by the Executive arm of the County Government are submitted to the COB in a timely manner.

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

1. Delay in submission of financial reports by the County Assembly to COB.
2. Failure by the County Treasury to perform regular reconciliation of the locally colleted revenue.
3. The County does not have an effective CBEF that guides on the budget matters.

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

1. *The County Assembly should submit its return on time to avoid delay in publication of COB reports.*
2. *Regular reconciliation of the bank account to daily collections and deposited swept to the CRF account reconciles.*
3. *The County should istrengthen the CBEF ensure effective guidance in County budgeting and economic matters.*

## 3.26 Marsabit County

### 3.26.1 Overview of the FY 2015/16 Budget

The FY 2015/16 Approved Budget for Marsabit County is Kshs.5.83 billion, comprising of Kshs.3.03 billion (51.9 per cent) as allocated for recurrent expenditure, Kshs.2.81 billion (48.1 per cent) for development expenditure.

In order to finance the budget, the county expected to receive Kshs.5.1 billion (87.9 per cent) from the

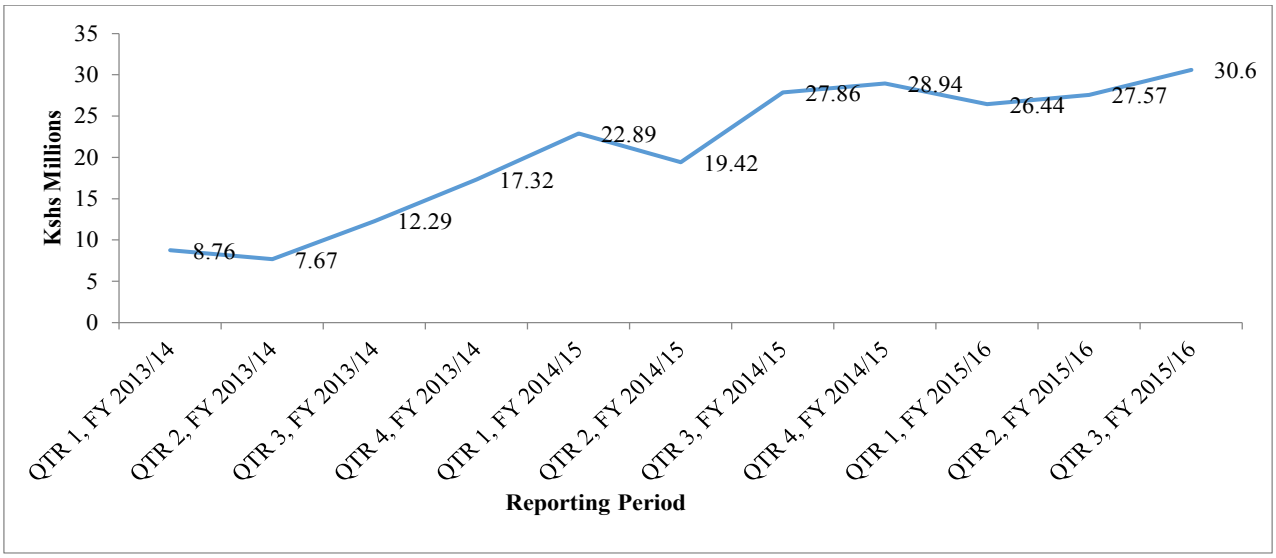
National Government, collect Kshs.130 million (2.2 per cent) from local revenue sources, receive a conditional grant of Kshs.15.35 million (0.3 per cent) from DANIDA and Kshs.0.5 billion (8.62 per cent) as cash balance brought forward from FY 2014/15. The actual cash balance brought forward was Kshs.813.19 million but this amount was not captured in the original budget and following additional conditional grants: Fuel Levy Road Maintenance Fund (Kshs.65.92 million), Maternal Health Care (Kshs.19.34 million), User Fees Forgone (Kshs.6.79 million) and World Bank grant of Kshs.10.08 million.

### 3.26.2 Revenue Analysis

In the first nine months of FY 2015/16, the County received Kshs.3.04 billion from the National Government as equitable share of nationally raised revenue, Kshs.56.44 million as conditional allocations, raised Kshs.84.62 million from local sources, and actual cash balance of Kshs.813.19 million brought forward from FY 2014/15. The County did not borrow any funds during the reporting period to finance the budget.

Figure 3.97 shows the quarterly trend in local revenue collection from FY 2013/14 to the third quarter of FY 2015/16.

**Figure 3.97: Marsabit County, Trend in Local Revenue Collection by Quarter from FY 2013/14 to the Third Quarter of FY 2015/16**




**Source:** *Marsabit County Treasury*

The total local revenue collected in the reporting period of Kshs.84.62 million which consisted of Kshs.26.44 million generated in the first quarter, Kshs.27.57 million in the second quarter and Kshs.30.6 Million in the third quarter of FY 2015/16. The revenue collected was 65.1 per cent of the annual local revenue target, and an improvement from Kshs.70.1 million collected in a similar period of FY 2014/15.

Table 3.73 further analysis of the local revenue collected in the first nine months of FY 2015/16 by stream.

**Table 3.73: Marsabit County analysis of revenue collection by stream for the first nine months of FY 2015/16**

| No | Revenue Stream | 9 Months Actual Revenue |
|---|---|---|
| 1 | Produce cess | 16,053,925 |
| 2 | Livestock Charges | 15,681,395 |
| 3 | Single Business Permit | 11,225,445 |
| 4 | Hospital charges | 10,887,030 |
| 5 | Land transaction Charges | 10,653,255 |
| 6 | Lease rentals | 3,907,100 |
| 7 | Others | 16,213,669 |
| 8 | **TOTAL** | **84,621,819.30** |

**Source:** *Marsabit County Treasury*

Analysis of the local revenue by stream indicates that the highest amount of revenue came from produce cess at Kshs.16.05 million, followed by livestock charges at Kshs.15.68 million. The county did not provide a breakdown of revenue targets by source and this made it difficult to assess revenue performance by revenue streams.

In the first nine months of the FY 2015/16, The County deposited all locally collected revenue into the County Revenue Fund account maintained at Central Bank of Kenya (CBK) in line with Article 207 of the Constitution.

### 3.26.3 Conditional Grants

Table 3.74 shows the analysis of conditional grants for the first nine months of FY 2015/16.

**Table 3.74: Marsabit County analysis of conditional grants for the first nine months of FY 2015/16**

| No. | Conditional Grant | Amount allocated as provided in CARA 2015 (Kshs.) | 9 Months Actual receipt of the Conditional Grant (Kshs.) | Actual Receipts as a percentage of Annual Allocation (%) |
|---|---|---|---|---|
| 2 | Road Maintenance Fuel Levy Fund | 65,923,423 | 33,291,329 | 50.5 |
| 3 | Free Maternal Health Care | 19,341,000 | 9,670,500 | 49.9 |
| 4 | User Fees Forgone | 6,787,069 | 3,393,535 | 49.9 |
| 5 | DANIDA Grant | 15,350,000 | 0 | 0 |
| 6 | World Bank Grant | 10,086,676 | 10,086,676 | 100 |
| | **TOTAL** | **117,488,168** | **56,442,040** | **48.0** |

**Source:** *Marsabit County Treasury*

Analysis of the conditional grants for the period under review indicates that World Bank grant recorded the highest performance against annual target at 100 per cent. The County did not receive DANIDA Fund due to failure by the County Treasury and health department to use IFMIS in disbursement of funds to the individual facilities.

### 3.26.4 Exchequer Issues

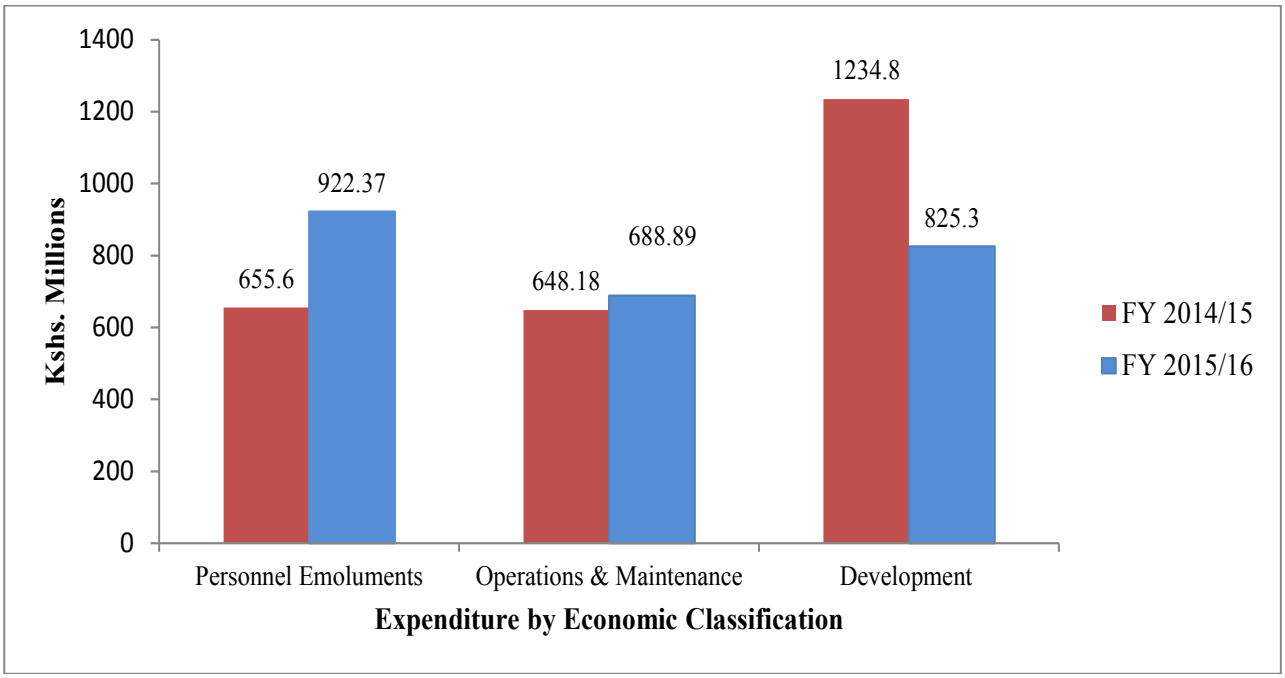
During the period under review, the COB authorised withdrawal of Kshs.3.56 billion from the CRF account, which was 60.8 per cent of the approved budget. The amount represented an increase of 9.5 per cent from Kshs.3.25 billion authorized in a similar period of FY 2014/15 and comprised of Kshs.2.21 billion (62.1 per cent) for recurrent expenditure and Kshs.1.35 billion (37.9 per cent) for development activities.

### 3.26.5 Overall Expenditure Review

The County spent a total of Kshs.2.43 billion during the first nine months of FY 2015/16 which was 68.5 per cent of the total funds released for operations. This was a decline from the Kshs.2.55 billion spent in a similar period of FY 2014/15. A total of Kshs.1.61 billion was spent on recurrent activities and Kshs.825.3 million on development activities. Recurrent expenditure was 72.9 per cent of the funds released for recurrent activities while development expenditure accounted for 61.3 per cent of the funds released for development activities. The expenditure excludes commitments as at 31st March, 2016 that amounted to Kshs.1.13 billion for development and Kshs.242.74 million for recurrent expenditure.

Recurrent expenditure for the period under review represented 53.2 per cent of the approved annual recurrent budget, a decline from 48.2 per cent spent in a similar period of FY 2014/15. On the other hand, development expenditure recorded an absorption rate of 29.4 per cent, a decrease from 40.8 per cent spent in a similar period of FY 2014/15. Figure 3.98 shows a comparison of the total expenditure in the third quarter of FY 2014/15 and the same period in FY 2015/16.

**Figure 3.98: Marsabit County, Expenditure by Economic Classification for the First Nine Months of FY 2014/15 and FY 2015/16**




**Source:** *Marsabit County Treasury*

### 3.26.6 Recurrent Expenditure Analysis

The total recurrent expenditure for the reporting period was Kshs.1.61 billion against an annual

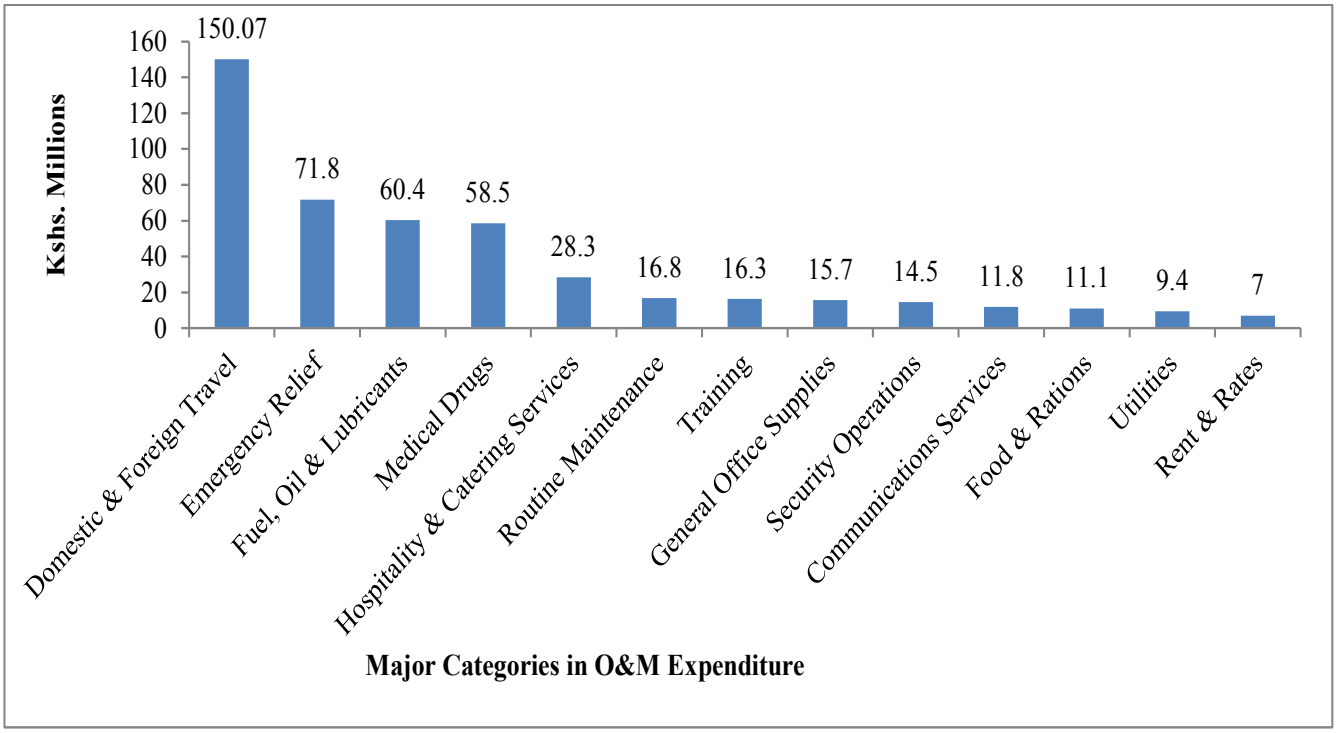
recurrent budget of Kshs.3.03 billion representing 53.2 per cent of the annual recurrent budget. The County spent Kshs.922.37 billion (57.3per cent) on personnel emoluments and Kshs.688.90 million (42.7 per cent) on operations and maintenance as shown in Figure 3.98.

The expenditure on personnel emoluments of Kshs.922.37 million incurred represented an increase of 40.7 per cent increase compared to a similar period FY 2014/15 when the County spent Kshs.655.6 million. The increase is attributed to continued recruitment of staff by the County Public Service Board.

During the period under review, the County spent Kshs.17 million on sitting allowances for the 33 MCAs and the Speaker against an annual budget of Kshs.80 million. This represents a decline from Kshs.24.75 million recorded in a similar period of FY 2014/15. The average monthly sitting allowance per MCA was Kshs.55,573 compared to SRC's recommended monthly ceiling of Kshs.124, 800. In the first half of the year, the County Assembly has clarified that a total of Kshs.16.43 million was spent on sitting allowance and not Kshs.36.4 million that had been provided to the Office and reported in the half year CBIRR. The first half year report, indicated that Kshs.36.4 million was spent on sitting allowance but County Assembly has since clarrified that a total of Kshs.16.43 million was spent on MCA sitting allowances.

The aggregate expenditure on domestic and foreign travel was Kshs.150.07 million compared to Kshs.83.46 million incurred in a similar period of FY 2014/15, representing a significant increase of 79.8 per cent. Figure 3.99 shows a breakdown of the operations and maintenance expenditure for the reporting period.

**Figure 3.99: Marsabit County, Operations and Maintenance Expenditure for the First Nine Months of FY 2015/16**

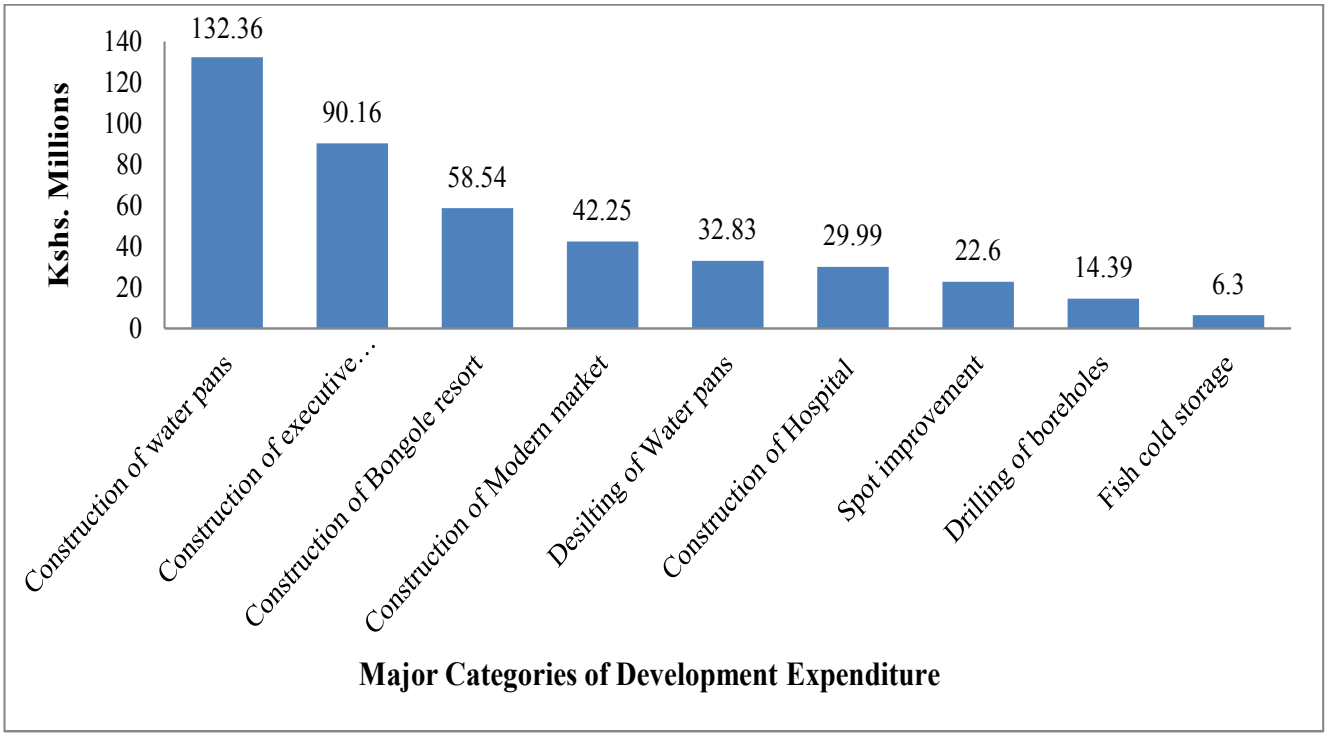



**Source:** *Marsabit County Treasury*

### 3.26.7 Development Expenditure Analysis

Figure 3.100 provides a summary of development expenditure during the period under review.

**Figure 3.100: Marsabit County, Summary of Development Expenditure for the First Nine Months of FY 2015/16**




**Source:** *Marsabit County Treasury*

Analysis of the development expenditure of Kshs.825.29 million incurred in the reporting period indicates that the highest expenditure of Kshs.132.36 million was spent by the Department of Water, Environment & Natural Resources on construction of water pans. The second highest expenditure of Kshs.90.16 million was incurred by the Department of Public Works on construction of County Offices. The Department of Tourism spent Kshs.58.54 million on construction of *Bongole* resort while the Department of Roads, Public Works and Housing spent Kshs.22.6 million on spot improvement of roads.

### 3.26.8 Annual Budget and Budget Performance Analysis by department for the First Nine Months of FY 2015/16

Table 3.75 shows a summary of FY 2015/16 annual budget estimates and budget performance for the reporting period by department.

**Table 3.75: Marsabit County, Annual Budget and First Nine Months of FY 2015/16 Budget Performance by Department**

| Department | Annual Budget Allocation (Kshs. Million) | | 9-Months Exchequer Issues (Kshs. Million) | | 9-Months Expenditure (Kshs. Million) | | Expenditure to Exchequer Issues (%) | | Absorption rate (%) | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Rec | Dev | Rec | Dev | Rec | Dev | Rec | Dev | Rec | Dev |
| County Assembly Services | 496 | 30 | 355.44 | 0 | 0 | 0 | 0.0 | | 0.0 | 0.0 |
| Administration, Coordination &ICT | 188.78 | 25 | 135.42 | 9 | 81.57 | 2.49 | 60.2 | 27.7 | 43.2 | 10.0 |
| Office of the Governor & Deputy Governor | 383.58 | 134 | 274.47 | 55 | 216.19 | 48.66 | 78.8 | 88.5 | 56.4 | 36.3 |
| County Public Service Board | 54.37 | 5 | 39.34 | 5 | 30.74 | 2.75 | 78.1 | 55.0 | 56.5 | 55.0 |
| Finance & Economic Planning | 426.26 | 560 | 344.39 | 480 | 215.57 | 318.8 | 62.6 | 66.4 | 50.6 | 56.9 |
| Agriculture, Livestock & Fisheries Development | 169.73 | 143.89 | 121.72 | 15 | 85.75 | 0 | 70.4 | 0.0 | 50.5 | 0.0 |
| Water ,Environment& Natural Resources | 147.65 | 605.25 | 106.28 | 427 | 68.82 | 252.5 | 64.8 | 59.2 | 46.6 | 41.7 |
| Education, Skills Development, Youth & Sports | 110.85 | 153.17 | 79.48 | 30 | 63.64 | 24.87 | 80.1 | 82.9 | 57.4 | 16.2 |
| Health Services | 750.3 | 316.59 | 537.07 | 40 | 480.83 | 2.49 | 89.5 | 6.2 | 64.1 | 0.8 |
| Energy, Land & Urban Development | 83.94 | 133.1 | 60.45 | 35 | 54.01 | 39.42 | 89.3 | 112.6 | 64.3 | 29.6 |
| Public Works, Roads & Transport | 104.29 | 445.32 | 75.08 | 75.5 | 28.56 | 24.85 | 38.0 | 32.9 | 27.4 | 5.6 |
| Trade, Industry & Enterprise Development | 55.23 | 73.8 | 39.68 | 64 | 27.55 | 23.99 | 69.4 | 37.5 | 49.9 | 32.5 |
| Tourism, Culture & Social services | 56.72 | 181.9 | 40.73 | 112 | 33.24 | 66.49 | 81.6 | 59.4 | 58.6 | 36.6 |
| **TOTAL** | **3,027.70** | **2,807.02** | **2,209.55** | **1,347** | **1,611.3** | **825.3** | **72.9** | **61.3** | **53.2** | **29.4** |

**Source:** *Marsabit County Treasury*

Analysis of budget performance by department shows that the Department of Finance and Economic Planning Development reported the highest absorption rate for development expenditure at 56.9 per cent while the Health Services recorded the lowest at 0.8 per cent. On the other hand, the Department of Energy, Land and Urban Development recorded the highest percentage of its annual recurrent budget expenditure to annual budget at 64.3 per cent while the Department of Public Works, Roads and Housing had the lowest at 27.4 per cent.

### 3.26.9 Observations and Recommendations

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

1. The adoption of IFMIS in processing financial transactions; although there were instances where some transactions were not captured in the system.

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

1. The County is yet to establish an internal audit function to enhance financial controls.
2. Low absorption of development funds which stood at 28.8 per cent of the annual development budget.
3. Failure to involve the County Budget and Economic Forum (CBEF) on matters related to planning and budgeting as required by Section 137 of the PFM Act, 2012.

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

1. *The County should establish an internal audit function as provided in law.*

2. *The County should devise strategies to address the low absorption of development funds, such as, through involvement of all the stakeholders in order to enhance timely execution of planned development activities.*

3. *The County Treasury should ensure that the CBEF is actively involved in budgeting and economic matters of the County in line with Section 137 of the PFM Act, 2012.*

## 3.27 Meru County

### 3.27.1 Overview of the FY 2015/16 Budget

The FY 2015/16 Approved Supplementary Budget for Meru County is Kshs.8.50 billion, comprising of Kshs.5.11 billion (60.1 per cent) and Kshs.3.39 billion (39.9 per cent) allocated to recurrent and development expenditure respectively.

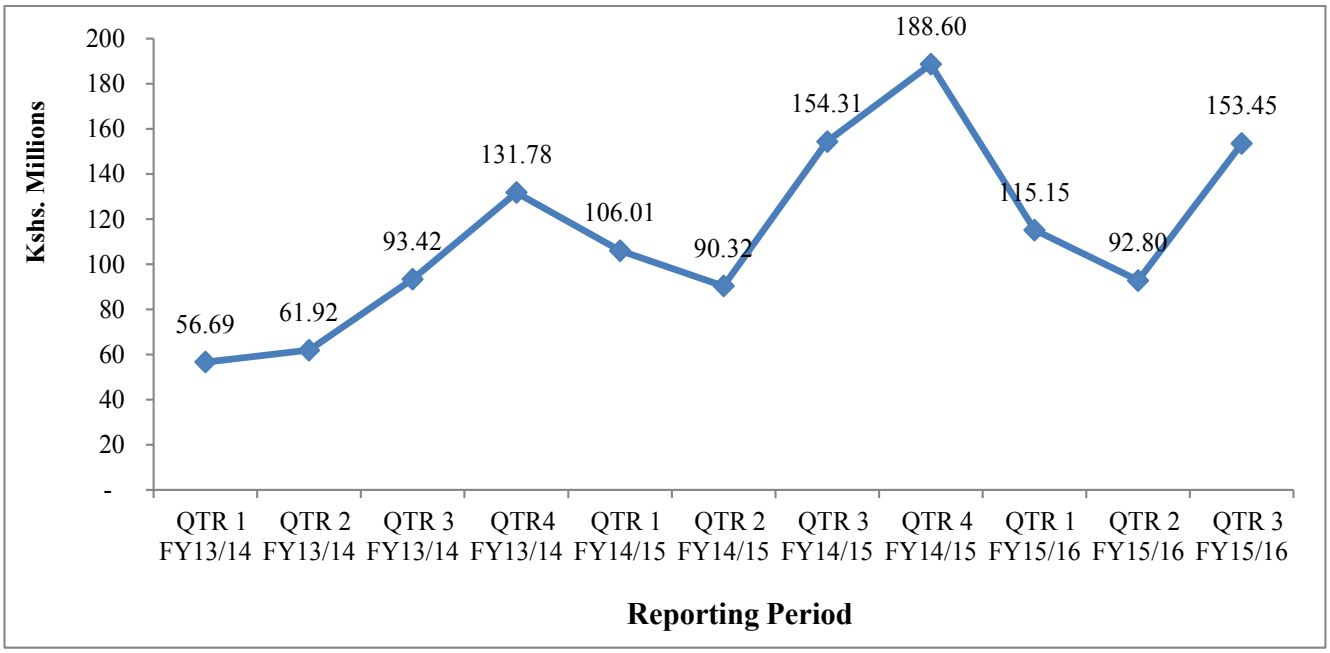
In order to finance the budget, the county expected to receive Kshs.6.49 billion (76.4 per cent) as equitable share of revenue raised nationally, Kshs.302.12 million (2.7 per cent) as total conditional grants, generate Kshs.997.93 million (11. 7 per cent) from local sources, and Kshs.656.22 million (7.5 per cent) as projected cash balance from FY 2014/15. The conditional grants comprise of Kshs.95.74 million (1.1 per cent) for Leasing of Medical Equipment, Kshs.123.78 million (1.4 per cent) for Maternal Health Care, Kshs.82.49 million (0.9 per cent) from the Road Maintenance Fuel Levy Fund as shown in Table 3.77.

### 3.27.2 Revenue Analysis

In the first nine months of FY 2015/16, the County received Kshs.3.80 billion as equitable share of revenue raised nationally, Kshs.248.00 million as conditional allocations, Kshs.361.40 million from local sources, and cash balance of Kshs.656.22 million brought forward from FY 2014/15. The County did not borrow any funds during the reporting period to finance the budget.

Figure 3.101 shows the quarterly trend in local revenue collection from FY 2013/14 to the third quarter of FY 2015/16.

**Figure 3.101: Meru County, Trend in Local Revenue Collection by Quarter from FY 2013/14 to the Third Quarter of FY 2015/16**




**Source:** *Meru County Treasury*

The total local revenue raised in the reporting period of Kshs.361.40 million consisted of Kshs.115.15 million generated in the first quarter, Kshs.92.80 million in the second quarter and Kshs153.45 million in the third quarter of FY 2015/16. The revenue collected was 36.2 per cent of the annual local revenue target, an improvement from Kshs.350.64 million collected in a similar period of FY 2014/15.

Table 3.76 shows analysis of the local revenue collected in the first nine months of FY 2015/16 by stream.

**Table 3.76: Meru County Analysis Of Revenue Collection by Stream for the First Nine Months of FY 2015/16**

| No | Revenue Stream | Annual Targeted Revenue (Kshs.) | 9 Months Actual Revenue | Revenue Performance (%) |
|---|---|---|---|---|
| 1 | Hospital FIF | 160,000,000 | 93,172,517 | 58.2 |
| 2 | Single business permit | 200,582,367 | 66,789,970 | 33.3 |
| 3 | Parking fees | 137,912,425 | 42,226,704 | 30.6 |
| 4 | Market fee | 98,032,833 | 33,290,737 | 34.0 |
| 5 | Cess | 83,832,188 | 30,836,060 | 36.8 |
| 6 | Liquor Licence & Application fee | 20,000,000 | 19,836,560 | 99.2 |
| 7 | Land Rates | 107,247,585 | 18,787,333 | 17.5 |
| 7 | Building plans | 19,226,378 | 11,297,995 | 58.8 |
| 9 | House rent/Stall rent | 26,753,532 | 9,109,705 | 34.1 |
| 10 | Other Revenue sources | 144,378,792 | 36,051,861 | 25.0 |
| 11 | **TOTALS** | **997,966,101** | **361,399,441** | **36.2** |

**Source:** *Meru County Treasury*

Analysis of the local revenue by stream indicates that Liquor Licence & Application fee recorded the highest performance against annual target at 99.2 per cent. This was followed by Building plans at 58.8 per cent.

The County did not deposit all locally revenue into the County Revenue Fund account maintained at Central Bank of Kenya (CBK) in line with Article 207 of the Constitution. Revenue collection from Hospital FIF and liquor license and liquor processing fee is not deposited to CRF but to commercial banks accounts where it is spent without the approval of the Controller of Budget. The total amount deposited into the CRF account during this period under review was Kshs.199.76 million organised to the total local revenue collected of Kshs.361.40

### 3.27.3 Conditional Grants

Table 3.77 shows the analysis of conditional grants for the first nine months of FY 2015/16.

**Table 3.77: Meru County analysis of conditional grants for the first nine months of FY 2015/16**

| No. | Conditional Grant | Amount allocated as provided in CARA 2015 (Kshs.) | 9 Months Actual receipt of the Conditional Grant (Kshs.) | Performance (%) |
|---|---|---|---|---|
| 1 | Level 5 Hospitals | 244,318,286 | 144,147,790 | 59.0 |
| 2 | Road Maintenance Fuel Levy Fund | 82,490,349 | 41,657,626 | 50.5 |
| 3 | Free Maternal Health Care | 123,782,400 | 45,030,000 | 36.4 |
| 4 | User Fees Forgone | 31,615,328 | 17,168,050 | 54.3 |
| 5 | DANIDA Grant | 20,590,000 | - | - |
| 6 | World Bank Grant | - | - | - |
| | **TOTAL** | **502,796,363** | **248,003,466** | **49.3** |

**Source:** *Meru County Treasury*

Analysis of the conditional grants for the period under review indicates that Level 5 Hospitals Fund recorded the highest performance against annual target at 59.0 per cent. This was closely followed by User Fees Forgone at 54.3 per cent. The county has not received any funds for DANIDA because of non-fulfilment of the conditions set by the donor.

### 3.27.4 Exchequer Issues

During the period under review, the COB authorised withdrawal of Kshs.4.26 billion from the CRF account, which was 50.2 per cent of the approved budget. The amount represented a decline of 5.6 per cent from Kshs.4.51 billion authorized in a similar period of FY 2014/15 and consisted of Kshs.3.41 billion (80.1 per cent) for recurrent expenditure and Kshs.848.38 million (19.9 per cent) for development activities.

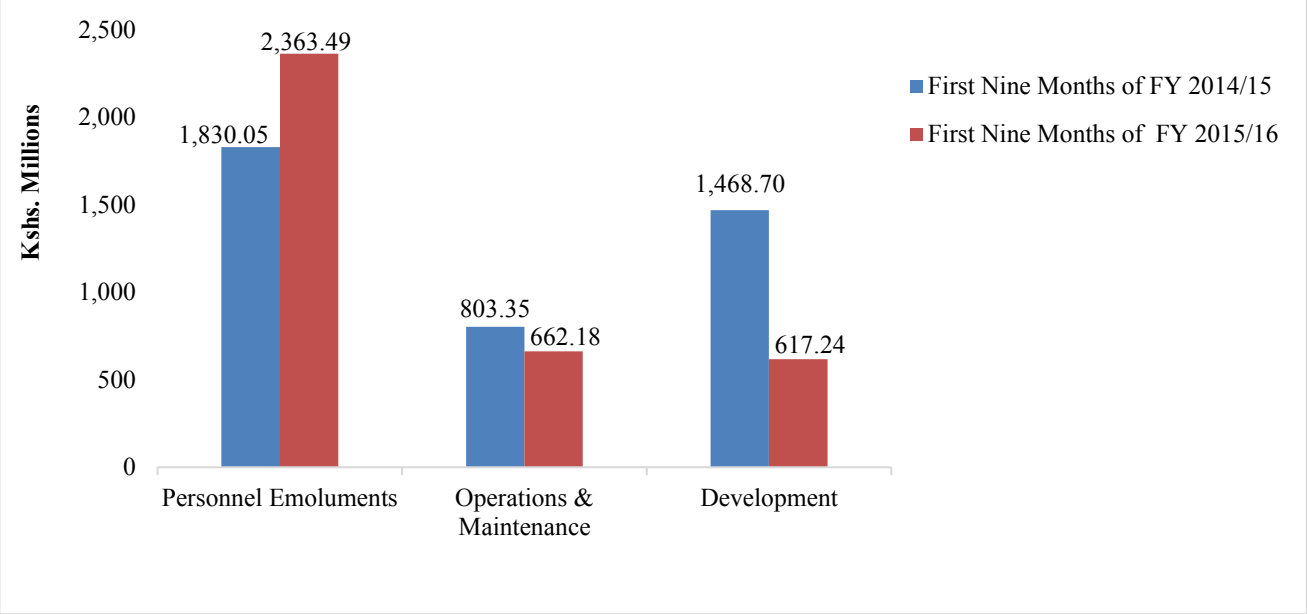
### 3.27.5 Overall Expenditure Review

The County spent a total of Kshs.3.64 billion during the first nine months of FY 2015/16 which was 85.5 per cent of the total funds released for operations. This was a decline from the Kshs.4.10

billion spent in a similar period of FY 2014/15. A total of Kshs.3.03 billion was spent on recurrent activities and Kshs.617.24 million on development activities. Recurrent expenditure was 88.6 per cent of the funds released for recurrent activities while development expenditure accounted for 72.8 per cent of the funds released for development activities. The expenditure excludes commitments as at 31st March, 2016 that amounted to Kshs.1.39 billion for development and Kshs.685.96 million for recurrent expenditure.

Recurrent expenditure for the period under review represented 59.2 per cent of the approved annual recurrent budget, a decrease from 57.6 per cent spent in a similar period of FY 2014/15. On the other hand, development expenditure recorded an absorption rate of 18.2 per cent, a decrease from 45.0 per cent spent in a similar period of FY 2014/15. Figure 3.102 shows a comparison of the total expenditure in the third quarter of FY 2014/15 and the same period in FY 2015/16.

**Figure 3.102: Meru County, Expenditure by Economic Classification for the First Nine Months of FY 2014/15 and FY 2015/16**




**Source:** *Meru County Treasury*

### 3.27.6 Recurrent Expenditure Analysis

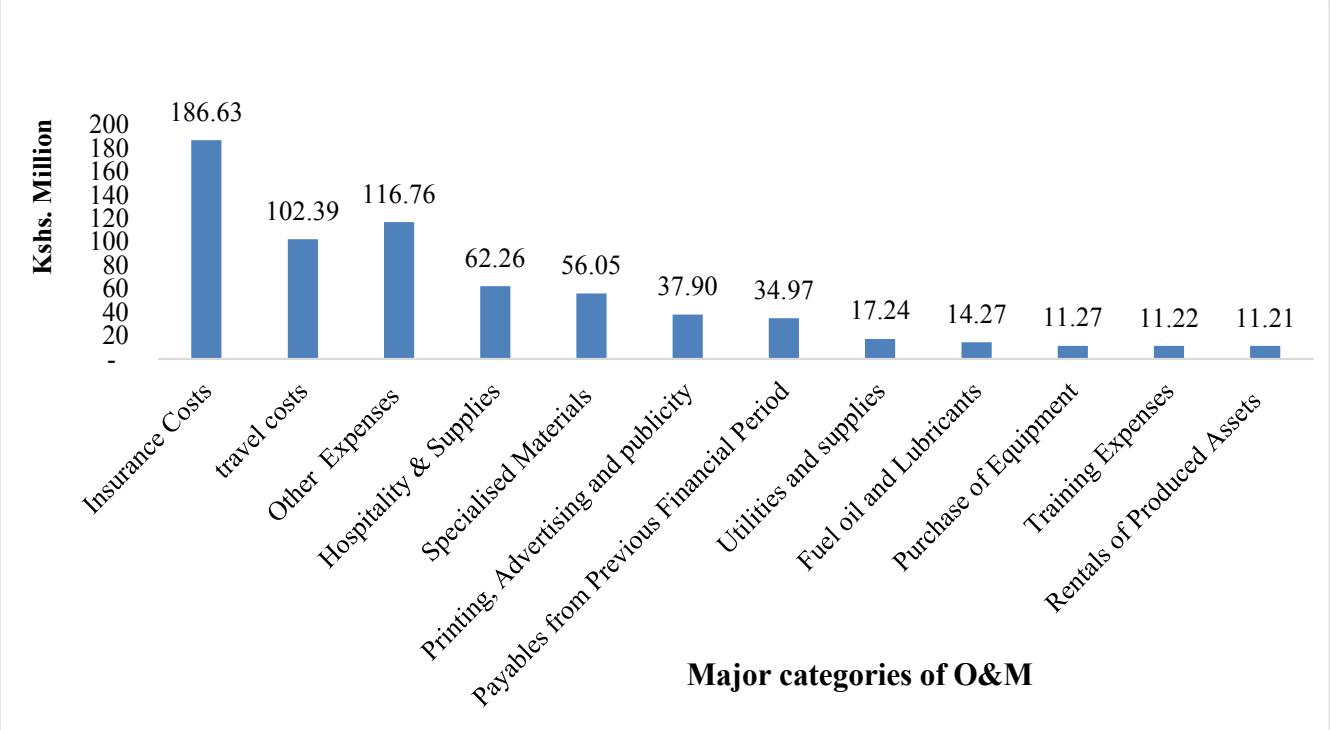
The total recurrent expenditure for the reporting period was Kshs.3.03 billion against an annual recurrent budget of Kshs.5.11 billion which represents 59.2 per cent of the annual recurrent budget. The County spent Kshs.2.36 billion (78.1 per cent) on personnel emoluments and Kshs.662.18 million 21.9 per cent) on operations and maintenance as shown in Figure 3.102.

The expenditure on personnel emoluments of Kshs.2.36 billion represented an increase of 29 per cent compared to a similar period FY 2014/15 when the County spent Kshs.1.83 billion. .

The County spent Kshs.76.29 million on sitting allowances for the 69 MCAs and the Speaker against an annual budget of Kshs.120.20 million. This represents a decrease from Kshs.78.25 million recorded in a similar period of FY 2014/15. The average monthly sitting allowance per MCA was Kshs.121,097 compared to SRC's recommended monthly ceiling of Kshs.124,800

The aggregate expenditure on domestic and foreign travel was Kshs.102.39 million compared to Kshs. 62.73 million incurred in a similar period of FY 2014/15, representing a significant increase by 63.2 per cent. Figure 3.103 shows a breakdown of the operations and maintenance expenditure for the reporting period.

**Figure 3.103: Meru County, Operations and Maintenance Expenditure for the First Nine Months of FY 2015/16**

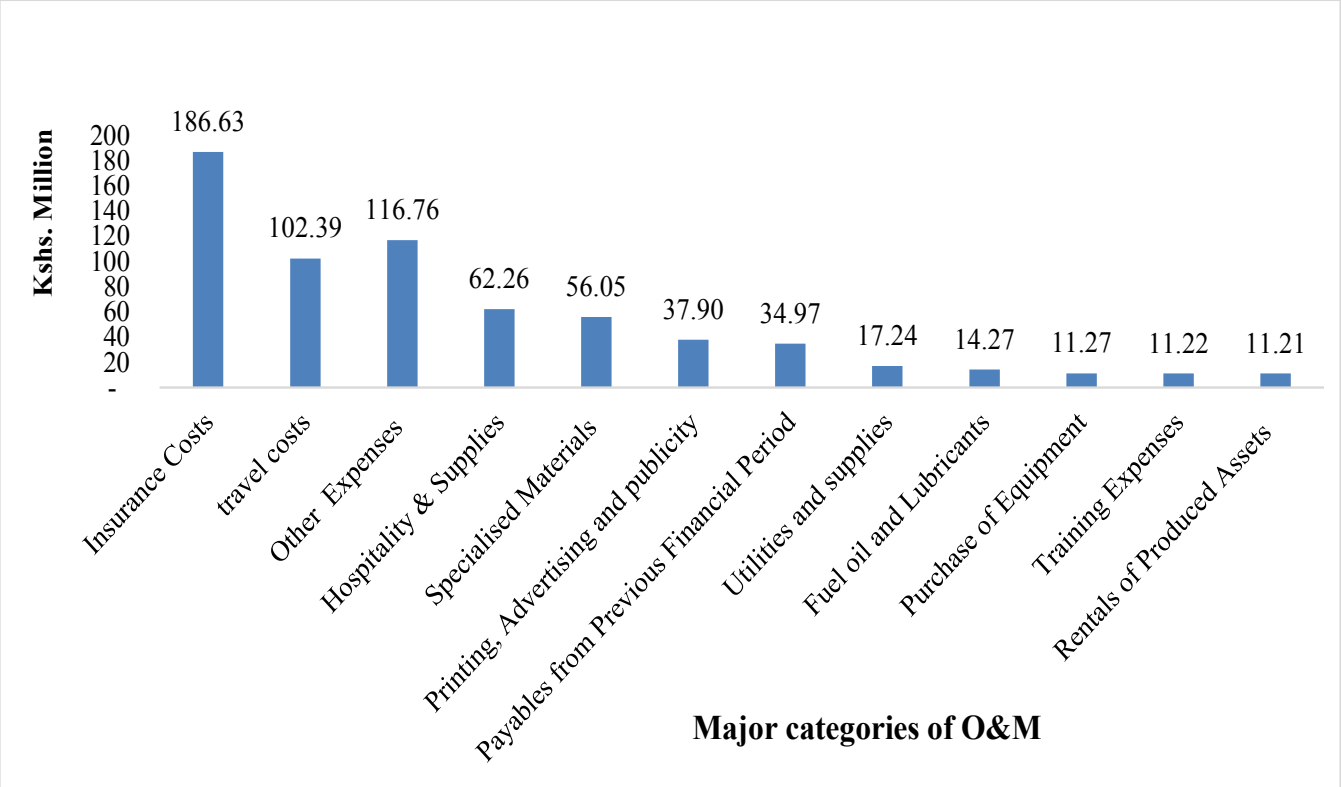



**Source:** *Meru County Treasury*

### 3.27.7 Development Expenditure Analysis

Figure 3.104 provides a summary of development expenditure during the period under review.

**Figure 3.104: Meru County, Summary of Development Expenditure for the First Nine Months of FY 2015/16**




**Source:** *Meru County Treasury*

Analysis of the development expenditure of Kshs.617.24 million spent in the reporting period indicates that the highest amount of Kshs.150.58 million was spent by the Roads Department on construction and rehabilitation of roads and purchase of two graders. The second highest expenditure of Kshs.73.80 million was incurred by the Health Department on renovations, construction and completion of dispensaries, purchase of ICU equipment and machines and payments of cabro paving works at MTRH. The Department of Water, Environment and Natural Resources incurred Kshs.57.71 million on supply of garbage trucks, water bowzer and construction of supply system and pipes. County Assembly Kshs.44.04 million on chamber reconfiguration and modernization of offices supply and delivery, installation, testing and commissioning of hansard equipment. The Department of Agriculture spent Kshs. 20.53 million on upgrading of Maua Cereals Market and Supply of Agricultural materials, supplies and small equipment and civil works. The department of culture spent Kshs.20.00 million on construction of Kinoru Stadium while the department of education spent Kshs.18.34 million on construction of ECDE classrooms and polytechnic workshops.

### 3.27.8 Annual Budget and Budget Performance Analysis by department for the First Nine Months of FY 2015/16

Table 3.78 shows a summary of FY 2015/16 annual budget estimates and budget performance for the reporting period by department.

**Table 3.78:Meru County, Annual Budget and First Nine Months of FY 2015/16 Budget Performance by Department**

| Department | Annual Budget Allocation (Kshs.Million) | | 9 Months Exchequer Issues (Kshs. Million) | | 9 Months Expenditure (Kshs.Million) | | Expenditure to Exchequer Issues (%) | | Absorption rate (%) | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Rec | Dev | Rec | Dev | Rec | Dev | Rec | Dev | Rec | Dev |
| County Assembly | 792.12 | 114.07 | 629.70 | 64.03 | 475.56 | 72.64 | 75.5 | 113.4 | 60.0 | 63.7 |
| Office of the Governor | 268.22 | - | 160.86 | - | 97.75 | - | 60.8 | - | 36.4 | - |
| County Treasury | 511.29 | 202.39 | 295.37 | - | 271.65 | 20.00 | 92.0 | - | 53.1 | 9.9 |
| Agriculture, Fishery and Livestock | 329.68 | 235.22 | 219.61 | 45.55 | 215.79 | 20.44 | 98.3 | 44.9 | 65.5 | 8.7 |
| Water, Environment and Natural Resources | 110.86 | 720.36 | 76.16 | 207.92 | 65.02 | 73.11 | 85.4 | 35.2 | 58.7 | 10.1 |
| Education | 466.96 | 244.28 | 253.82 | 59.78 | 183.93 | 27.35 | 72.5 | 45.8 | 39.4 | 11.2 |
| Health | 1,620.19 | 341.70 | 1,051.40 | 71.78 | 1,148.47 | 35.14 | 109.2 | 48.9 | 70.9 | 10.3 |
| Lands, Housing, Physical and Economic Planning | 95.66 | 164.95 | 67.46 | 43.04 | 50.26 | 17.03 | 74.5 | 39.6 | 52.5 | 10.3 |
| Public Service and Administration | 621.94 | 9.95 | 457.98 | - | 382.33 | 2.65 | 83.5 | - | 61.5 | 26.7 |
| Transport and Infrastructure | 104.35 | 858.59 | 70.55 | 181.39 | 58.06 | 204.28 | 82.3 | 112.6 | 55.6 | 23.8 |
| Co-operative, Tourism and Enterprise Development | 87.60 | 282.55 | 58.46 | 71.00 | 41.45 | 112.83 | 70.9 | 158.9 | 47.3 | 39.9 |
| Culture, Gender and Sports | 59.17 | 211.44 | 42.93 | 103.89 | 26.43 | 31.26 | 61.6 | 30.1 | 44.7 | 14.8 |
| County Public Service Board | 14.62 | - | 12.15 | - | 5.30 | - | 43.7 | - | 36.3 | - |
| Town Administration | 24.53 | 2.50 | 18.37 | - | 3.67 | 0.50 | 20.0 | - | 15.0 | 20.0 |
| **Total** | **5,107.16** | **3,387.99** | **3,414.83** | **848.38** | **3,025.67** | **617.24** | **88.6** | **72.8** | **59.2** | **18.2** |

**Source:** *Meru County Treasury*

Analysis of budget performance by department shows that County Assembly recorded the highest absorption rate for development expenditure at 63.7 per cent while the Agriculture, Fishery and Livestock registered the lowest at 8.7 per cent. On the other hand, the County Health Department had the highest percentage of its recurrent expenditure to its annual recurrent budget at 70.9 per cent while the Town Administration had the lowest at 15.0 per cent.

### 3.27.9 Observations and Recommendations

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

i. A Budget and Economic Forum is in place, which is involved in the budget process.

ii. The County Treasury has submitted financial returns for the Meru County Microfinance Corporation and Investment Corporation as required by law.

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

1. Misclassifcation of expenditure between recurrent and development.
2. The approved budget for development expenditure uploaded into IFMIS varies from the budget approved by the County Assembly.

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

1. *The County Treasury should properly classify expenditure items.*
2. *The County Treasury should liase with the IFMIS Directorate to ensure the budget uploaded into IFMIS correspond, with the that approved by the County Assembly.*

## 3.28 Migori County

### 3.28.1 Overview of the FY 2015/16 Budget

The FY 2015/16 approved Supplementary Budget for Migori County is Kshs.7.27 billion, comprising of Kshs.4.05 billion (55.71 per cent) as allocation to recurrent expenditure and Kshs.3.22 billion (44.29 per cent) to development expenditure.

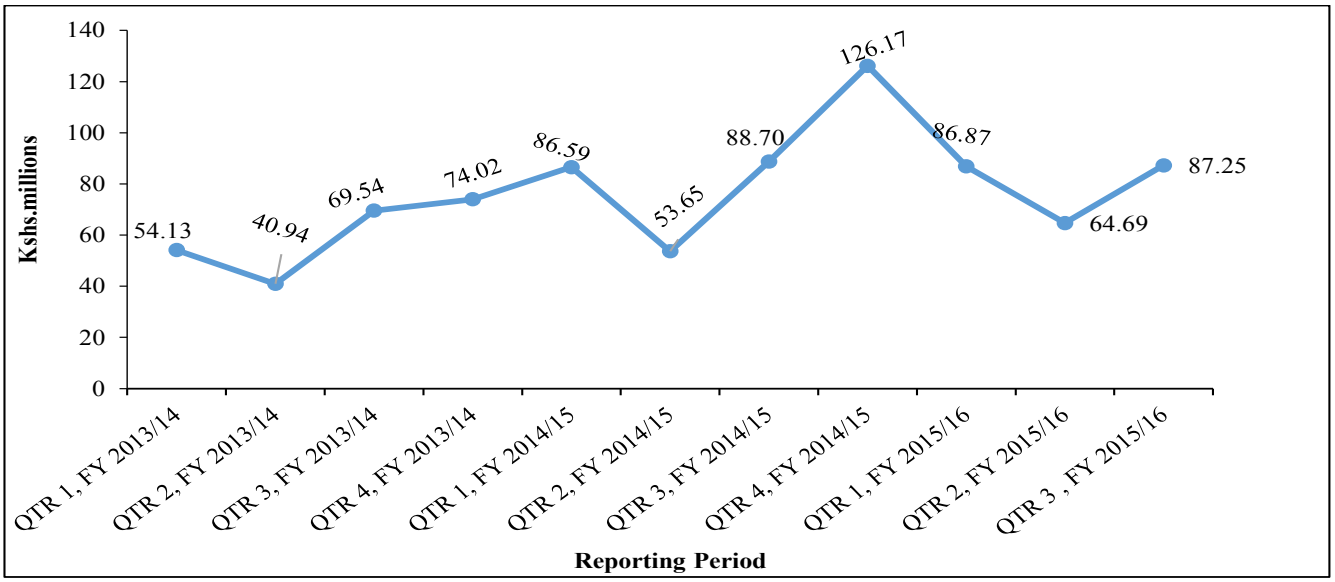
In order to finance the budget, the county expected to receive Kshs.5.83 billion (80.3 per cent) as equitable share of revenue raised nationally, Kshs.493.77 million (6.8 per cent) as total conditional grants, generate Kshs.400.00 million (5.5 per cent) from local sources and Kshs.538.74 million (7.4 per cent) as cash balance from FY 2014/15. The conditional grants comprise of Kshs.44.49 million (0.6 per cent) for Leasing of Medical Equipment, Kshs.109.70 million (1.5 per cent) for Maternal Health Care, Kshs.74.15 million (1.0 per cent) from the Road Maintenance Fuel Levy Fund, Kshs.100.00 million (1.4 per cent) as a grant from European Union , Kshs.100.00 million (1.4 per cent) as a grant from Water Trust Fund , Kshs.20.44 million (0.3 per cent) as a conditional grant from DANIDA and direct transfer to Ministry of Health bank account of Kshs.45.0 million (0.6 per cent) from UNFPA as shown in Table 3.80.

### 3.28.2 Revenue Analysis

In the first nine months of FY 2015/16, the County received Kshs.3.94 billion as equitable share of revenue raised nationally, Kshs.176.27 million as conditional allocations, raised kshs.238.83 million from local sources and cash balance of Kshs.538.74 million brought forward from FY 2014/15. The County did not borrow any funds during the reporting period to finance the budget.

Figure 3.105 shows the quarterly trend in local revenue collection from FY 2013/14 to the third quarter of FY 2015/16.

**Figure 3.105: Migori County, Trend in Local Revenue Collection by Quarter from FY 2013/14 to the Third Quarter of FY 2015/16**




**Source:** *Migori County Treasury*

The total local revenue for the reporting period of Kshs.238.83 million consisted of Kshs.86.87 million generated in the first quarter, Kshs.64.69 million in the second quarter and Kshs.87.27 million in the third quarter of FY 2015/16. The revenue collected was 59.7 per cent of the annual local revenue target, and an improvement from Kshs.230.00 million collected in a similar period of FY 2014/15.

Table 3.79 shows analysis of the local revenue collected in the first nine months of FY 2015/16 by stream.

**Table.3.79: Migori County analysis of revenue collection by stream for the first nine months of FY 2015/16**

| No | Revenue Stream | Annual Targeted Revenue (Kshs.) | 9 Months Actual Revenue | Actual Revenue as a percentage of Annual Targets (%) |
|---|---|---|---|---|
| 1 | Parking-Bus Park and Taxi Car | 60,000,000 | 41,192,280 | 68.7 |
| 2 | Market Dues | 52,000,000 | 34,352,291 | 66.1 |
| 3 | Ministry of Health | 50,000,000 | 28,984,105 | 58.0 |
| 4 | SBP/Application | 50,000,000 | 26,328,430 | 52.7 |
| 5 | Cess-Sugar-Cane | 40,000,000 | 20,641,559 | 51.6 |
| 6 | Motor Cycle | 24,000,000 | 16,490,300 | 68.7 |
| 7 | C/H,C/F,S.H Fees | 19,000,000 | 11,858,520 | 62.4 |
| 7 | Cess-Tobacco | 30,000,000 | 11,668,342 | 38.9 |
| 9 | Cess-Maize/Potatoes | 11,000,000 | 9,410,419 | 85.5 |
| 10 | Land Department( Land Fee) | 15,000,000 | 7,187,759 | 47.9 |
| 11 | Cess-Sand/Stone | 6,000,000 | 5,659,467 | 94.3 |

**Source:** *Migori County Treasury*

Analysis of the local revenue by stream indicates that sand and stone cess recorded the highest performance against annual target at 94.3 per cent. This was followed by maize and potatoes cess fees at 85.5 per cent and parking fee from Bus Park & Taxi at 68.7 per cent.

In the first nine months of the FY 2015/16, The County deposited all locally collected revenue into the County Revenue Fund account maintained at Central Bank of Kenya (CBK) in line with Article 207 of the Constitution.

### 3.28.3 Conditional Grants

Table 3.80 shows the analysis of conditional grants for the first nine months of FY 2015/16.

**Table 3.80: Migori County analysis of conditional grants for the first nine months of FY 2015/16**

| No. | Conditional Grant | Amount allocated as provided in CARA 2015 (Kshs.) | 9 Months Actual receipt of the Conditional Grant (Kshs.) | Actual Receipts as a percentage of Annual Allocation (%) |
|---|---|---|---|---|
| 1 | Level 5 Hospitals | | | |
| 2 | Road Maintenance Fuel Levy Fund | 74,147,432 | 37,444,455 | 50.5 |
| 3 | Free Maternal Health Care | 165,043,200 | 138,832,276 | 84.1 |
| 4 | User Fees Forgone | 0 | 0 | 0 |
| 5 | DANIDA Grant | 20,440,000 | 0 | 0 |
| 6 | World Bank Grant | 0 | 0 | 0 |
| | **TOTAL** | **259,630,632** | **176,276,731** | **67.9** |

**Source:** *Migori County Treasury*

Analysis of the conditional grants for the period under review indicates that Free Maternal Health Care recorded the highest performance against annual target at 84.1 per cent. This was closely followed by Road Maintenance Fuel Levy Fund at 50.5 per cent.

### 3.28.4 Exchequer Issues

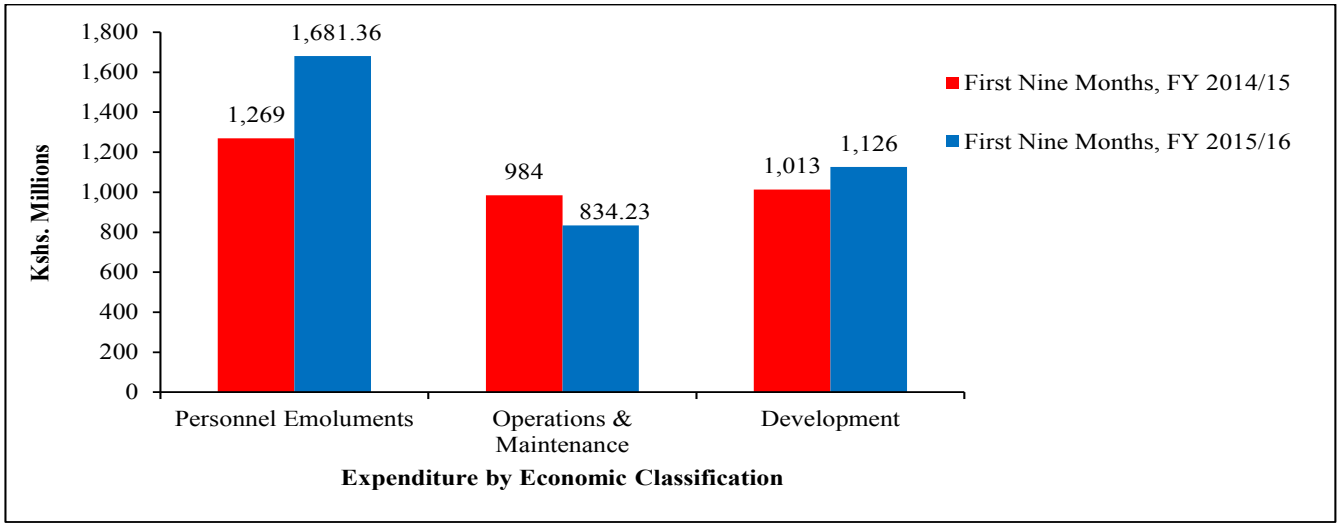
During the period under review, COB authorised withdrawal of Kshs.4.35 billion from the CRF account, which was 59.8 per cent of the approved budget. The amount represented an increase of 23.2 per cent from Kshs.3.53 billion authorized in a similar period of FY 2014/15 and consisted of Kshs.2.88 billion (66.2 per cent) for recurrent expenditure and Kshs.1.47 million (33.8 per cent) for development activities.

### 3.28.5 Overall Expenditure Review

The County spent a total of Kshs.3.64 billion during the first nine months of FY 2015/16 which was 80.2 per cent of the total funds released for operations. This was an increase from the Kshs.3.26 billion spent in a similar period of FY 2014/15. A total of Kshs.2.52 billion was spent on recurrent activities and Kshs.1.13 billion on development activities. Recurrent expenditure was 87.4 per cent of the funds released for recurrent activities while development expenditure accounted for 76.6 per cent of the funds released for development activities. The expenditure excludes commitments as at 31st March, 2016 that amounted to Kshs.1.75 billion for development.

Recurrent expenditure for the period under review represented 62.2 per cent of the annual recurrent budget, an increase from 47.5 per cent spent in a similar period of FY 2014/15. On the other hand, development expenditure recorded an absorption rate of 34.9 per cent, an increase from 27.5 per cent spent in a similar period of FY 2014/15. Figure 3.106 shows a comparison of the total expenditure in the third quarter of FY 2014/15 and the same period in FY 2015/16.

**Figure 3.106: Migori County, Expenditure by Economic Classification for the First Nine Months of FY 2014/15 and FY 2015/16**




**Source:** *Migori County Treasury*

### 3.28.6 Recurrent Expenditure Analysis

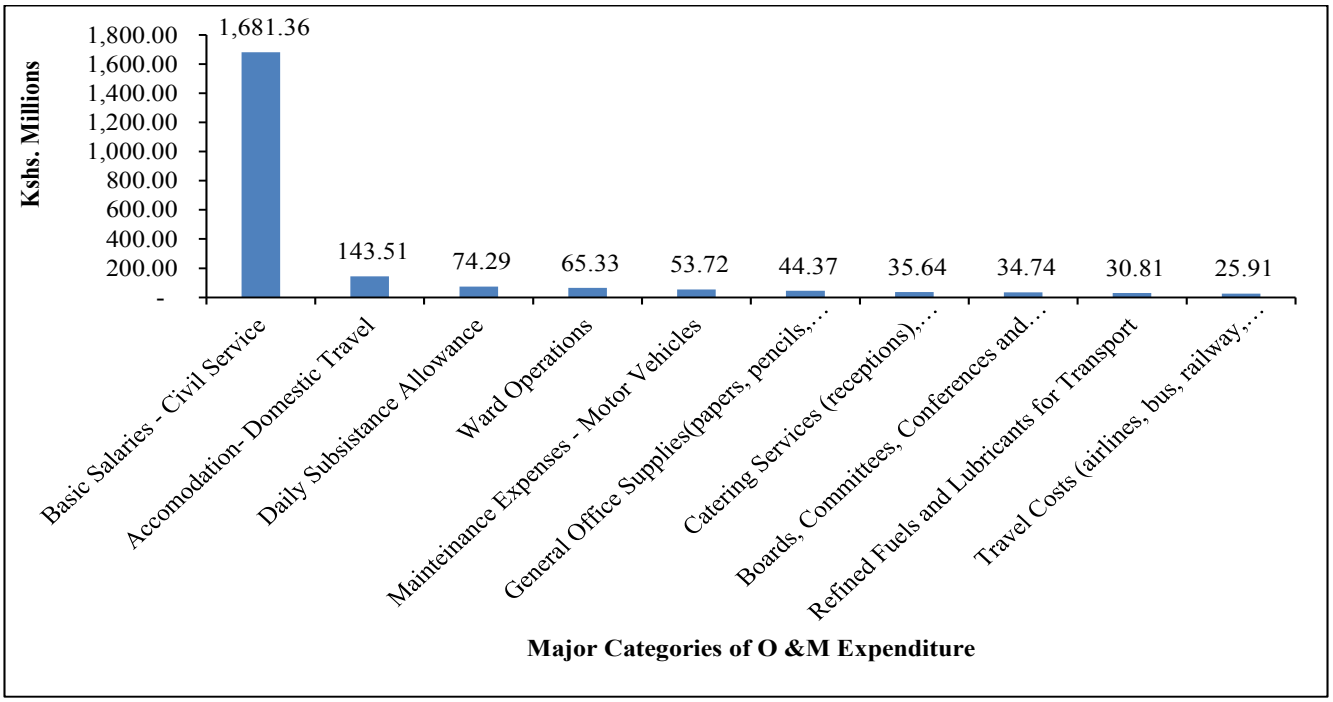
The total recurrent expenditure for the reporting period was Kshs.2.52 billion against an annual recurrent budget of Kshs.4.05 billion. This represents 62.2 per cent of the annual recurrent budget. The County spent Kshs.1.68 billion (66.7 per cent) on personnel emoluments and Kshs.834.23 million (33.1 per cent) on operations and maintenance as shown in Figure 3.106.

The expenditure on personnel emoluments of Kshs.1.68 billion representes an increase of 32.3 per cent compared to a similar period in FY 2014/15 when the County spent Kshs.1.27 billion (389.0 per cent). The increase is attributed to staff employment in the County.

The County spent Kshs.60.64 million on sitting allowances to the 63 MCAs and the Speaker against an annual budget of Kshs.126.88 million. This represents a decrease from Kshs.92 million recorded in a similar period of FY 2014/15. The average monthly sitting allowance per MCA was Kshs.106, 940 compared to SRC's recommended monthly ceiling of Kshs.124, 800.

The aggregate expenditure on domestic and foreign travel was Kshs.272.93 million compared to Kshs.155.50 million incurred in a similar period of FY 2014/15, representing a significant increase of 75.5 per cent. This expenditure comprised Kshs.91.8 million spent by the County Assembly and Kshs.181.14 million by the County Executive. Figure 3.107 shows a breakdown of the operations and maintenance expenditure for the reporting period.

**Figure.3.107: Migori County, Operations and Maintenance Expenditure for the First Nine Months of FY 2015/16**

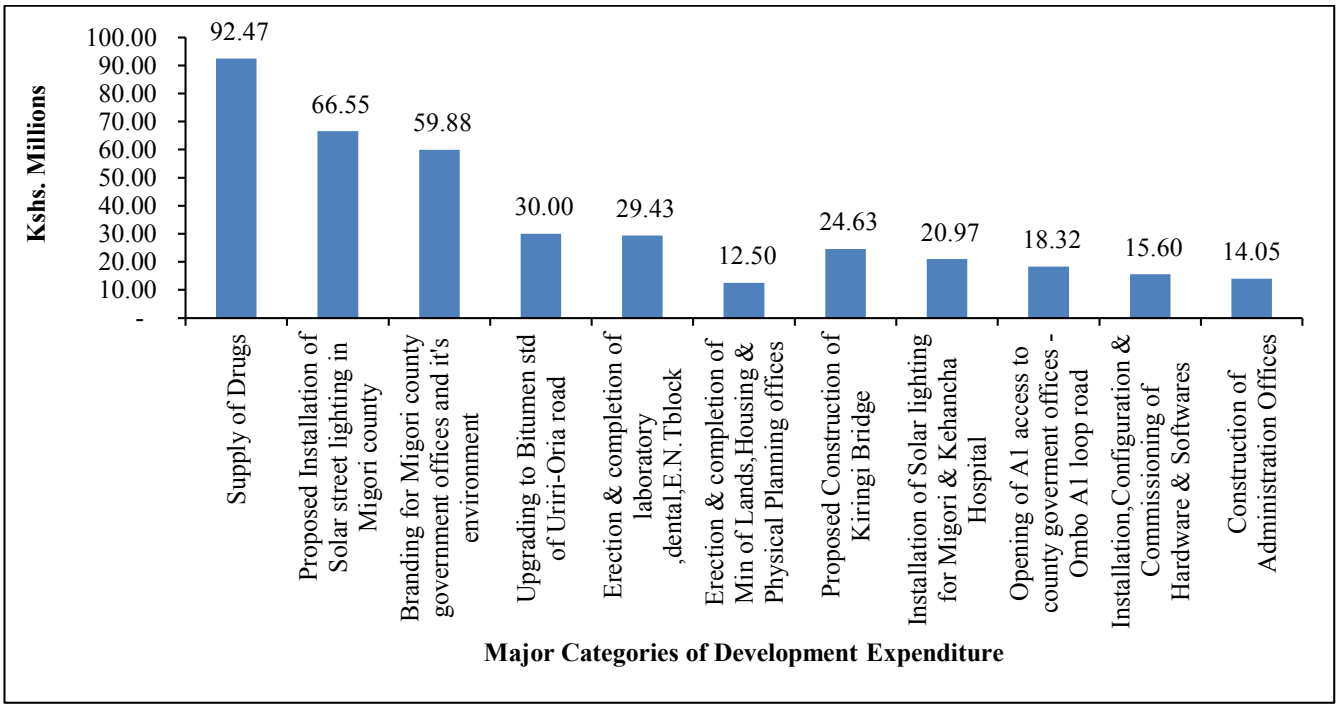



**Source:** *Migori County Treasury*

### 3.28.7 Development Expenditure Analysis

Figure 3.108 provides a summary of development expenditure during the period under review.

**Figure.3.108: Migori County, Summary of Development Expenditure for the First Nine Months of FY 2015/16**




**Source:** *Migori County Treasury*

Analysis of the development expenditure of Kshs.1.12 billion incurred in the reporting period indicates that the highest expenditure of Kshs.92.47 million was spent by the Health Department for supply of drugs; the second highest expenditure of Kshs.66.55 million was incurred by the Roads, Transport, Public Works and Energy on installation of solar street lighting. The Department of Public Service Management incurred Kshs.59.88 million on branding while Department of Roads incurred Kshs.30 million on upgrading to bitumen standard of Uriri-Oria Road.

### 3.28.8 Annual Budget and Budget Performance Analysis by department for the First Nine Months of FY 2015/16

Table 3.81 shows a summary of FY 2015/16 annual budget estimates and budget performance for the reporting period by department.

**Table.3.81: Migori County, Annual Budget and First Nine Months of FY 2015/16 Budget Performance by Department**

| Department | Annual Budget Allocation (Kshs. Million) | | 9 Months Exchequer Issues (Kshs. Million) | | 9 Months Expenditure (Kshs.Million) | | Expenditure to Exchequer Issues (%) | | Absorption rate (%) | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Rec | Dev | Rec | Dev | Rec | Dev | Rec | Dev | Rec | Dev |
| Agriculture,Livestock,Fisheries, and water | 211.83 | 619.53 | 166.71 | 177.76 | 137.63 | 76.13 | 82.6 | 42.8 | 65.0 | 12.3 |
| Trade,Industrialization, Cooperative Dev and Tourism | 46.34 | 59.91 | 38.36 | 36.95 | 24.00 | 36.28 | 62.6 | 98.2 | 51.8 | 60.6 |
| Health and Medical Services | 956.83 | 255.78 | 744.00 | 177.33 | 522.82 | 217.91 | 70.3 | 122.9 | 54.6 | 85.2 |
| Education,Youth, Sports and Culture | 136.57 | 189.93 | 121.30 | 136.92 | 67.70 | 30.92 | 55.8 | 22.6 | 49.6 | 16.3 |
| Public Works, Roads,Transport and Energy | 41.61 | 1.278.00 | 32.67 | 541.47 | 31.56 | 418.45 | 96.6 | 77.3 | 75.9 | 32.7 |
| Lands,Physical Planning Survey and Housing | 32.87 | 84.19 | 27.85 | 58.75 | 20.64 | 53.13 | 74.1 | 90.4 | 62.8 | 63.1 |
| Environment and Disaster Management | 34.61 | 84.80 | 29.24 | 26.55 | 29.98 | 58.79 | 102.5 | 221.4 | 86.6 | 69.5 |
| Finance and Economic Planning | 669.40 | 175.00 | 321.75 | 85.62 | 286.65 | 33.61 | 89.1 | 39.3 | 42.8 | 19.2 |
| Public Service Management | 692.53 | 209.54 | 548.05 | 115.53 | 623.19 | 128.02 | 113.7 | 110.8 | 90.0 | 61.1 |
| Governor,Deputy Governor's Office, County Secretary and Exec | 501.19 | 121.00 | 393.75 | 44.86 | 306.65 | 26.50 | 77.9 | 59.1 | 61.1 | 21.9 |
| County Assembly | 722.60 | 145.30 | 454.32 | 69.26 | 464.79 | 46.43 | **102.3** | 67.0 | 64.3 | 32.0 |
| **Total** | **4,046.38** | **3,222.98** | **2,878.00** | **1,470.00** | **2,515.61** | **1,126.34** | **87.4** | **76.6** | **62.2** | **34.9** |

**Source:** *Migori County Treasury*

Analysis of budget performance by department shows that the Department of Health and Medical Services reported the highest absorption rate for development expenditure at 85.2 per cent while the Agriculture, Livestock, Fisheries and Water registered the lowest at 12.3 per cent. On the other hand, the Public Service Management Department had the highest percentage of its recurrent expenditure to annual recurrent budget at 90.0 per cent while the Finance and Economic Planning Department had the lowest at 42.8 per cent.

### 3.28.9 Observations and Recommendations

The County has established the County Budget and Economic Forum in line with Section 137 of the PFM Act, 2012 which was highlighted in previous CBIRR as affecting budget implementation.

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

1. Lack of an Internal Audit Committee contrary to Section 155(5) of PFM Act, 2012.
2. Manual collection and reporting of local revenue collection.
3. The County Assembly is yet to adopt IFMIS in processing financial transactions.
4. Delay in disbursement of funds by the National Treasury.
5. Differences between the IFMIS generated report on development expenditure and the actual development projects provided separately by the County.

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

1. *The County should establish an Internal Audit Committee as required by Section 155(5) of the PFM Act, 2012 to enhance transparency and accountability in public finance management.*
2. *The County Treasury should automate revenue collection in order to improve revenue collection and reporting.*
3. *The County Assembly should adopt IFMIS to improve on financial management.*
4. *The National Treasury should ensure that funds allocated to the County are released in a timely manner in line with the CARA, 2015 disbursement schedule approved by the Senate.*
5. *The County Treasury should maintain an up-to-date project database indicating of project status, amount paid, contract variations, etc, which will enhance efficiency in reporting on development activities.*

## 3.29 Mombasa County

### 3.29.1 Overview of the FY 2015/16 Budget

The FY 2015/16 Approved Supplementary Budget for Mombasa County is Kshs.9.97 billion, comprising of Kshs.6.61billion (66.3 per cent) and Kshs.3.36 billion (33.7 per cent) allocated to Recurrent and development expenditure respectively.

In order to finance the budget, the County expects to receive Kshs.5.16 billion (51.8 per cent) as equitable share of revenue raised nationally, collect Kshs.4.07 billion (40.7 per cent) from local sources, Kshs.745.13 million (7.5 Per cent) as total conditional grant from development partners as per CARA, 2015. Kshs.745.2 conditional grants comprise of Kshs.136.25 million (18.3 per cent): for Free Maternal Health Care Kshs.21.89 million (2.8 per cent), for compensation for User Fees Forgone, Kshs.66.03million (8.8 per cent) for Road Maintenance Fuel Levy Fund and Kshs.95.74 million (12.7 per cent) for leasing of medical equipment, Kshs.402.92 million (53.9 per cent) to Level 5 Hospitals and Kshs.6.3million (0.8 per cent) grants from DANIDA as shown

in Table 3.83.

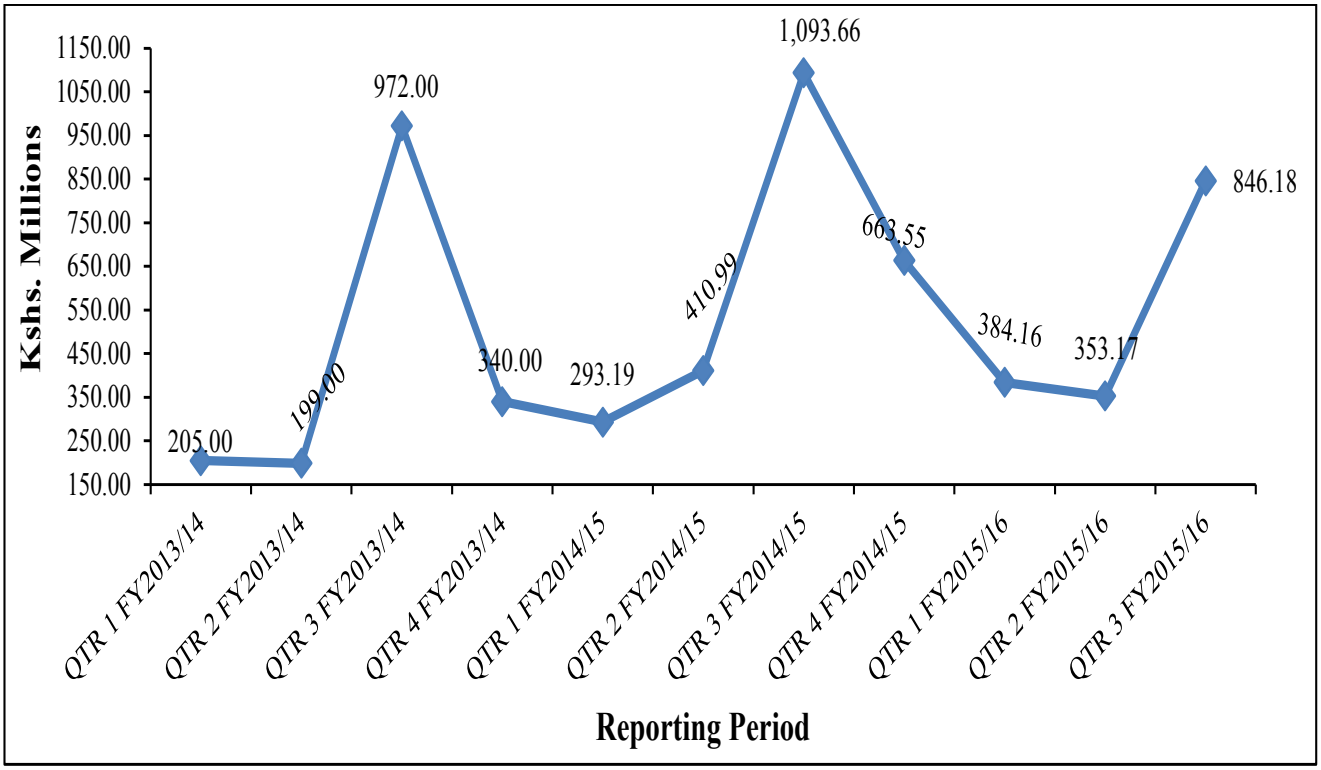
However, the county did not budget for Kshs.16.0 million (2.1 per cent) as conditional allocation from other loans and grants.

### 3.29.2 Revenue Analysis

During the first three quarters of FY 2015/16, the County received Kshs.3.04 billion as equitable share of revenue raised nationally, Kshs.333.83 million as conditional allocations .The County raised Kshs.1.58 billion from local sources.

Figure 3.109 shows the quarterly trend in local revenue collection from first quarter of the FY 2013/14 to the third quarter of FY 2015/16.

**Figure 3.109: Mombasa County, Trend in Local Revenue Collection by Quarter from the FY 2013/14 to the third quarter of FY 2015/16**




**Source:** *Mombasa County Treasury*

The local revenue consisted of Kshs.384.16 million raised in the first quarter, Kshs.353.10 million in the second quarter and Kshs.++-846.17 million in the third quarter. The total local revenue generated in the first three quarters of the FY 2015/16 of Kshs.1.58 billion (38.9 per cent) of the annual local revenue target) was a decline from Kshs.1.97 billion collected in a similar period of FY 2014/15.

Table 3.82 shows the analysis of the local revenue collected in the first three quarters of FY 2015/16 by stream.

**Table 3.82: Mombasa County, Analysis of revenue collection by stream for the first half of FY 2015/16**

| No. | Revenue Stream | Annual Targeted Revenue (Kshs.) | Nine Months Actual Revenue (Kshs.) | Actual Revenue as a percentage of Annual Targets (%) |
|---|---|---|---|---|
| 1 | Firefighting fees | 2,172,048 | 1,496,900 | 68.9 |
| 2 | Buildings plans approval | 35,695,719 | 23,666,880 | 66.3 |
| 3 | Sewer connection charges | 8,492 | 5,000 | 59.0 |
| 4 | Consent sub lease | 152,862 | 78,500 | 51.4 |
| 5 | Change of user fees | 4,044,482 | 1,560,000 | 38.6 |
| 6 | Ground rates | 15,146,723 | 1,895,058 | 12.5 |
| 7 | Others | 4,015,234,542 | 1,554,750,012 | 38.7 |
| | **TOTAL** | **4,072,454,938** | **1,583,452,350** | **38.9** |

**Source:** *Mombasa County Treasury*

The Analysis of the local revenue by stream indicates that firefighting fees under the Transport and Public Works department had the highest revenue performance against annual target at 68.9 per cent followed by building plans approval fees under the Lands and Physical Planning department at 66.3 per cent.

A review of the bank statements for the revenue collection account during the three quarters of FY 2015/16 indicates that the County banked all the locally generated revenue intact into the CRF

### 3.29.3 Conditional Grants

Table 3.83 shows the analysis of conditional grants for the first nine months of FY 2015/16.

**Table 3.83: Mombasa County analysis of conditional grants for the first nine months of FY 2015/16**

| No. | Conditional Grant | Amount allocated as provided in CARA 2015 (Kshs. Millions) | 9 Months Actual receipt of the Conditional Grant (Kshs. Millions) | Actual receipts as a percentage of annual allocation. |
|---|---|---|---|---|
| 1 | Level 5 Hospitals | 402.91 | 273.97 | 67.9 |
| 2 | Road Maintenance Fuel Levy Fund | 66.03 | 33.35 | 50.5 |
| 3 | Free Maternal Health Care | 136.24 | 56.97 | 41.8 |
| 4 | User Fees Forgone | 21.89 | 2.88 | 13.2 |
| 5 | DANIDA Grant | 6.30 | 00 | |
| 6 | World Bank Grant | | 00 | |
| | **TOTAL** | **633.37** | **367.17** | **58.0** |

**Source:** *Mombasa County Treasury*

Analysis of the conditional grants for the period under review indicates that conditional allocation for Level 5 Hospital recorded the highest performance against annual allocation at 67.9 per cent .This was closely followed by RMFLF at 50.5 per cent.

### 3.29.4 Exchequer Issues

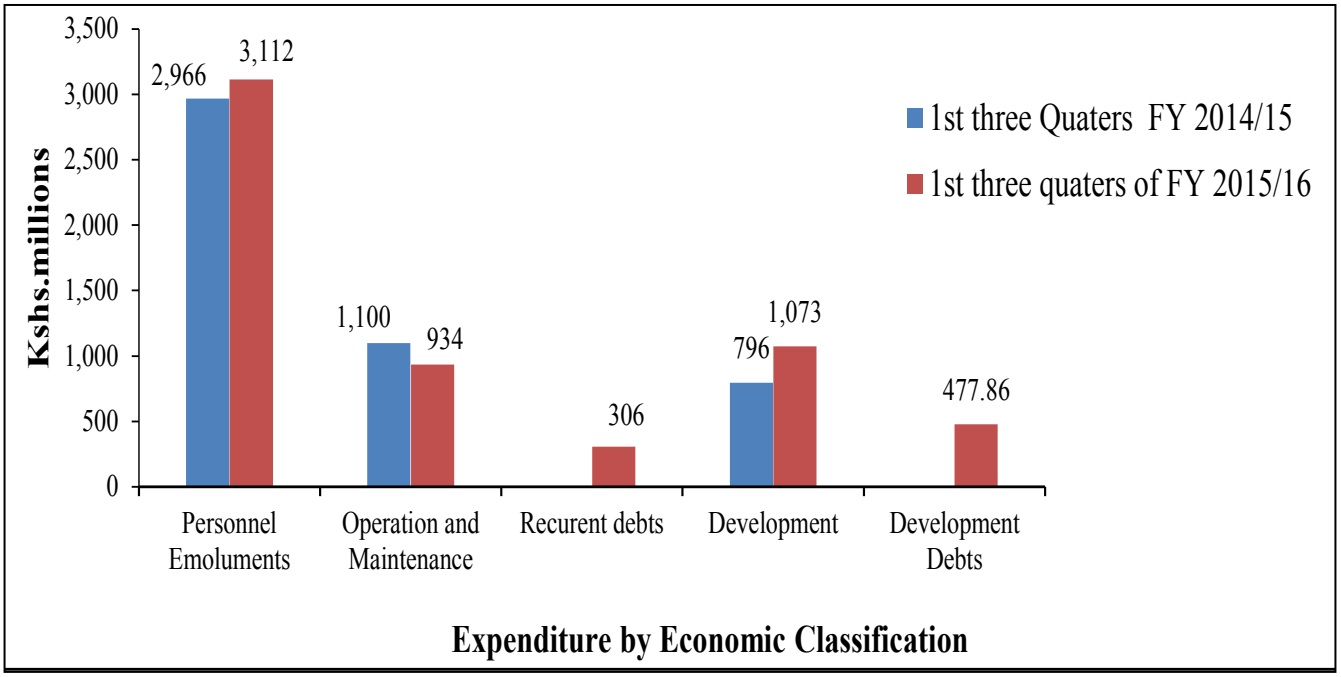
The Controller of Budget authorized withdrawal of Kshs.5.22 billion from the CRF, which was 52.5 per cent of the approved supplementary budget. The amount represented an increase of 7.6 per cent from Kshs.4.86 billion authorized in a similar period of FY 2014/15, and consisted of Kshs.3.94 billion (75.3 per cent) for recurrent expenditure and Kshs.1.29 billion (24.7 per cent) for development activities.

### 3.29.5 Overall Expenditure Review

The County spent a total of Kshs.5.90 billion during the first three quarters of FY 2015/16 which was 113.1 per cent of the funds released for operations. This is an improvement from the Kshs.4.86 billion spent in a similar period of FY 2014/15. A total of Kshs.4.34 billion was spent on recurrent activities and Kshs.1.55 billion on development activities. Recurrent expenditure was 110.4 per cent of the funds released for recurrent activities while development expenditure accounted for 121.2 per cent of the funds released for development activities. The expenditure excludes commitments as at 31st March, 2016 that amounted to Kshs.363.46 million for development and Kshs.557.9 million for recurrent expenditure.

Recurrent expenditure for the period under review represented 65.7 per cent of the approved annual recurrent budget, an increase from 60.8 per cent spent in a similar period of FY 2014/15. On the other hand development expenditure recorded an absorption rate of 46.1 per cent, an improvement from 25 per cent spent in a similar period of FY 2014/15. Figure 3.110 shows a comparison of the total expenditure in the first three quarters of FY 2014/15 and the first three quarters of FY 2015/16.

**Figure 3.110: Mombasa County, Expenditure by Economic Classification for First three quarters of FY 2014/15 and First Half of FY 2015/16**




**Source:** *Mombasa County Treasury*

### 3.29.6 Recurrent Expenditure Analysis

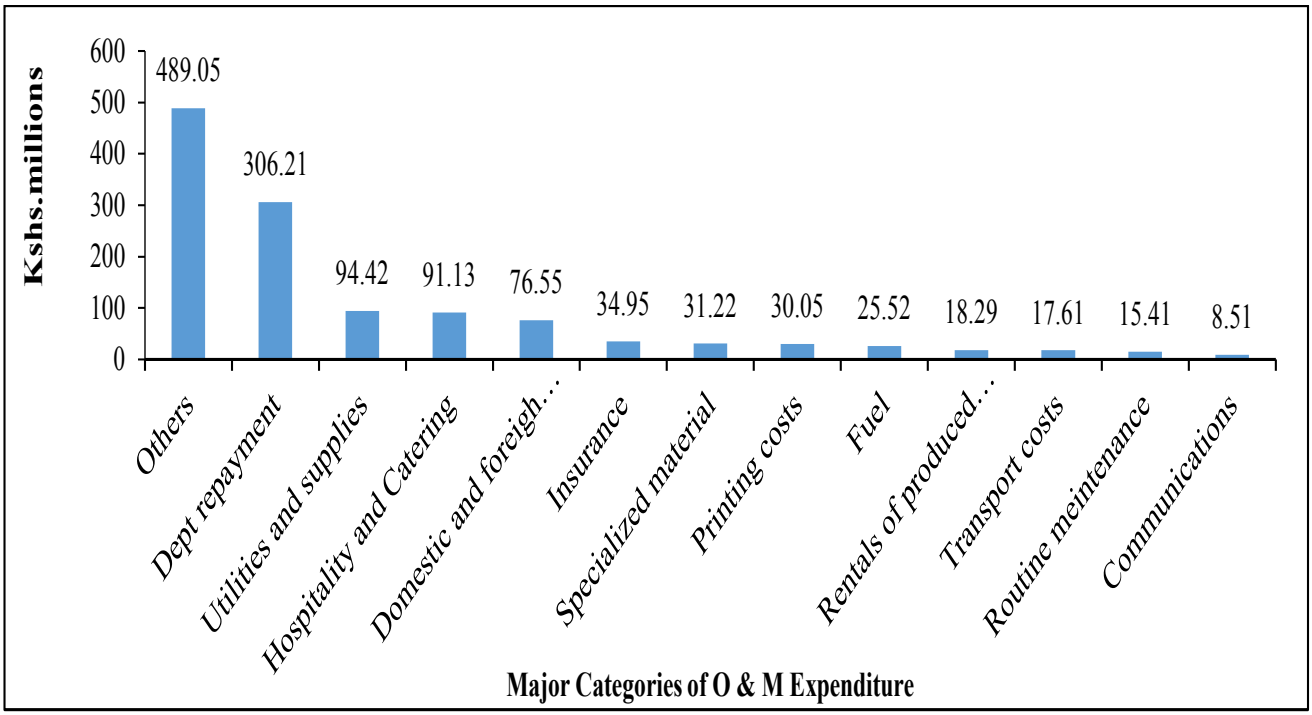
The total recurrent expenditure for the reporting period was Kshs.4.35 billion against a budget of Kshs.6.62 billion. This represents 65.7 per cent absorption of the annual recurrent budget. The County spent Kshs.3.11 billion (71.5 per cent) on personnel emoluments and Kshs.1.24 billion (28.5 per cent) on operations and maintenance as shown in Figure 3.110. The county spent Kshs.306.21 million (7.0 per cent) for payment of recurrent debts.

The expenditure on personnel emoluments increased by 4.7 per cent compared to a similar period in FY 2014/15 when the county spent Kshs.2.97 billion. This increase is attributed to employment of new number of staff by the county public service board.

The County spent Kshs.47.90 million on sitting allowances to the 43 MCAs and the Speaker against budget of Kshs.97.84 million. This is a decrease from Kshs.59.52 million recorded in a similar period of FY 2014/15. The average monthly sitting allowance per MCA was Kshs.123, 781.13 compared to SRCs recommended monthly ceiling of Kshs.124,800.

The aggregate expenditure on domestic and foreign travel was Kshs.76.55 million compared to Kshs.31.84 million incurred in a similar period of FY 2014/15, representing a significant increase of 140.4 per cent. This expenditure comprised of Kshs.70.92 million spent by the County Executive and Kshs.5.62 million by the County Assembly. Figure 3.11 shows a breakdown of the operations and maintenance expenditure for the reporting period.

**Figure 3.111: Mombasa County, Operations and Maintenance Expenditure for the First three quaters of FY 2015/16**



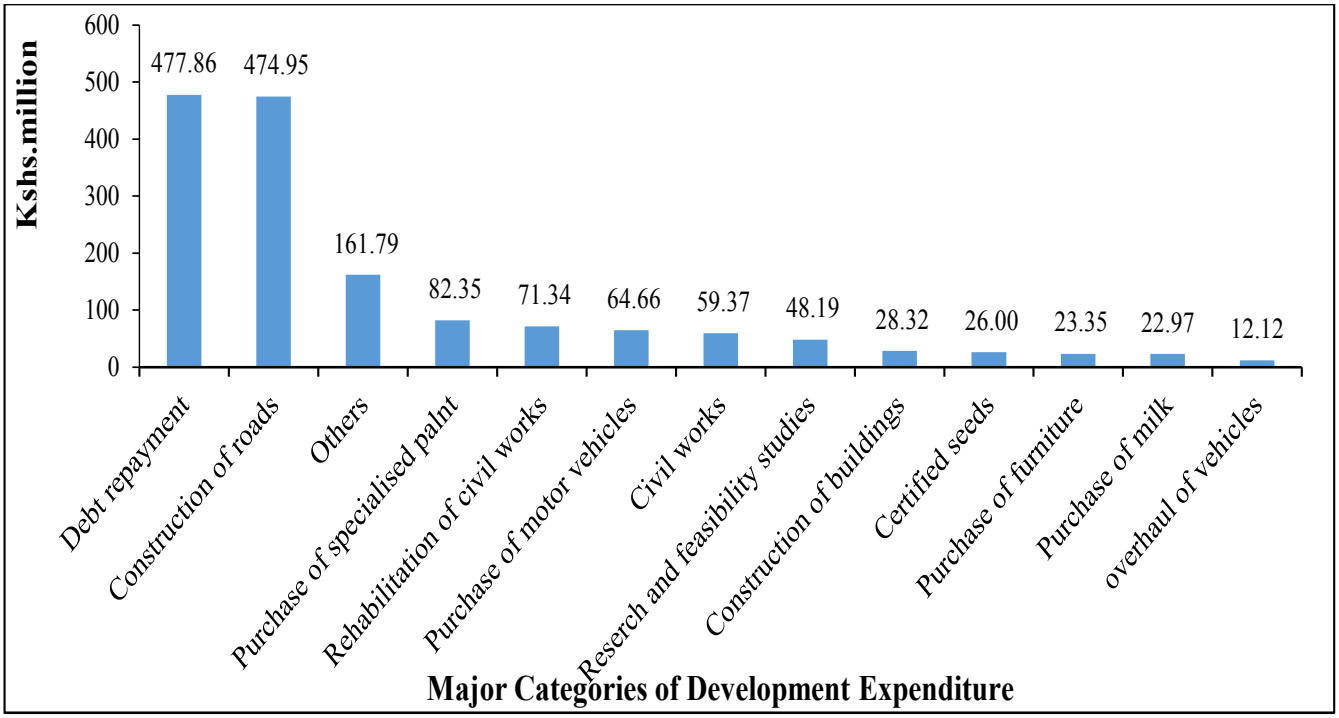

**Source:** *Mombasa County Treasury*

### 3.29.7 Development Expenditure Analysis

Analysis of the development expenditure of Kshs.1.55 billion indicates that the highest expenditure of Kshs.477.86 million was spent on debt repayment, Kshs.474.95 million was spent on construction of roads, Kshs.161.79 million was spent on other development activities and Kshs.82.35 million was spent on purchase of specialized plants and equipment while Kshs.71.34 million was incurred on rehabilitation of civil works.

Figure 3.112 provides a summary of development expenditure during the first three quarters of FY 2015/16.

**Figure 3.112: Mombasa County, Summary of Development Expenditure for the First three quaters of FY 2015/16**




**Source:** *Mombasa County Treasury*

### 3.29.8 Months of FY 2015/16

Table 3.84 shows a summary of the FY 2015/16 annual budget estimates and budget performance for the first three quarters by department.

**Table 3.84: Mombasa County, Annual Budget and First three quaters of FY 2015/16 Budget Performance by Department**

| Department | Approved Supplementary Budget Allocation (Kshs. Million) | | 9 months Exchequer Issues (Kshs. Million) | | 9 months Expenditure(Kshs. Million) | | Expenditure to Exchequer Issues (%) | | Expenditure to Annual Budget rate (%) | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Rec | Dev | Rec | Dev | Rec | Dev | Rec | Dev | Rec | Dev |
| County Assembly | 675.77 | 43.00 | 348.03 | | 359.75 | | 103.4 | | 53.2 | |
| County Executive | 836.87 | 181.25 | 447.97 | 39.79 | 484.63 | 115.27 | 108.2 | 289.7 | 57.9 | 63.6 |
| County Public Service Board | 112.24 | 20.32 | 35.97 | 0.5 | 31.25 | | 86.9 | | 27.8 | |
| Finance and Econ. Planning | 824.96 | 767.61 | 394.61 | 200.61 | 557.06 | 527.04 | 141.2 | 262.7 | 67.5 | 68.7 |
| Water, Environment & Natural Resources | 515.11 | 223.73 | 257.06 | 45.57 | 333.73 | 15.96 | 129.8 | 35.0 | 64.7 | 7.1 |
| Health Services | 2,049.53 | 370.66 | 1,476.36 | 170.75 | 1,716.27 | 121.51 | 116.3 | 71.2 | 83.7 | 32.8 |
| Education, Culture, ICT & Social Services | 245.89 | 415.74 | 149.62 | 85.72 | 137.20 | 96.19 | 91.6 | 112.2 | 55.8 | 23.1 |
| Youth, Sports & Communications | 152.11 | 120.12 | 58.66 | 241.00 | 68.10 | 26.90 | 116.1 | 11.2 | 44.7 | 22.4 |
| Lands, Physical Planning & Housing | 218.62 | 183.87 | 101.36 | 19.00 | 108.96 | 61.02 | 107.5 | 321.2 | 49.8 | 33.2 |
| Tourisim and betting control | 105.69 | 35.40 | 45.58 | 26.50 | 52.59 | | 115.4 | | 49.7 | |
| Trade and cooperative development | 305.70 | 84.00 | 211.00 | 56.00 | 167.31 | 4.76 | 79.3 | 8.5 | 54.7 | 5.6 |
| Roads, Transport & Public Works | 398.04 | 876.35 | 295.55 | 360.02 | 251.31 | 570.78 | 85.0 | 158.5 | 63.1 | 65.1 |
| Agriculture | 176.00 | 40.81 | 117.32 | 33.30 | 81.06 | 13.81 | 69.1 | 41.5 | 46.1 | 33.8 |
| **Total** | **6,616.53** | **3,362.86** | **3,939.15** | **1,278.77** | **4,349.26** | **1,553.27** | 110.4 | 121.5 | **65.7** | **46.2** |

**Source:** *Mombasa County Treasury*

Analysis of budget performance by department shows that the Finance and Economic Planning department had the highest absorption on its development budget at 68.7 per cent. The Roads Transport and Public Works Department reported the second highest absorption rate of development

budget at 65.1 per cent while the Office of the Governor absorbed 63.6 per cent of its development budget.

On the other hand, the Health Department had the highest percentage of expenditure to its recurrent budget at 83.7 per cent while the County Public Service Board Department had the lowest percentage at 27.8 per cent.

### 3.29.9 Observations and Recommendations

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

i. Improvement in absorption of development funds from 25 per cent in the first nine months of FY 2014/15 to 46.1 per cent in a similar period of FY 2015/16.

The following challenges raised in the previous CBIRRs continue to hamper effective budget implementation;

1. High expenditure on personal emoluments which has increased from Kshs.2.97 billion in the third quarter of FY 2014/15 to Kshs.3.11 billion in the reporting period.
2. Low local revenue collection against target. During the reporting period, the County generated Kshs.1.58 billion, representing 38.2 per cent of the annual target of Kshs.4.07 billion.

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

1. *The County should liaise with the National Government to streamline its workforce so as to reduce expenditure on personnel emoluments to sustainable levels.*
2. *The County should come up with effective strategies to improve local revenue performance.*

## 3.30 Murang'a County

### 3.30.1 Overview of the FY 2015/16 Budget

The FY 2015/16 Approved Supplementary Budget for Murang'a County is Kshs.6.90 billion, comprising of Kshs.3.55 billion (51.4 per cent) and Kshs.3.35 billion (48.6 per cent) allocated to recurrent and development expenditure respectively.

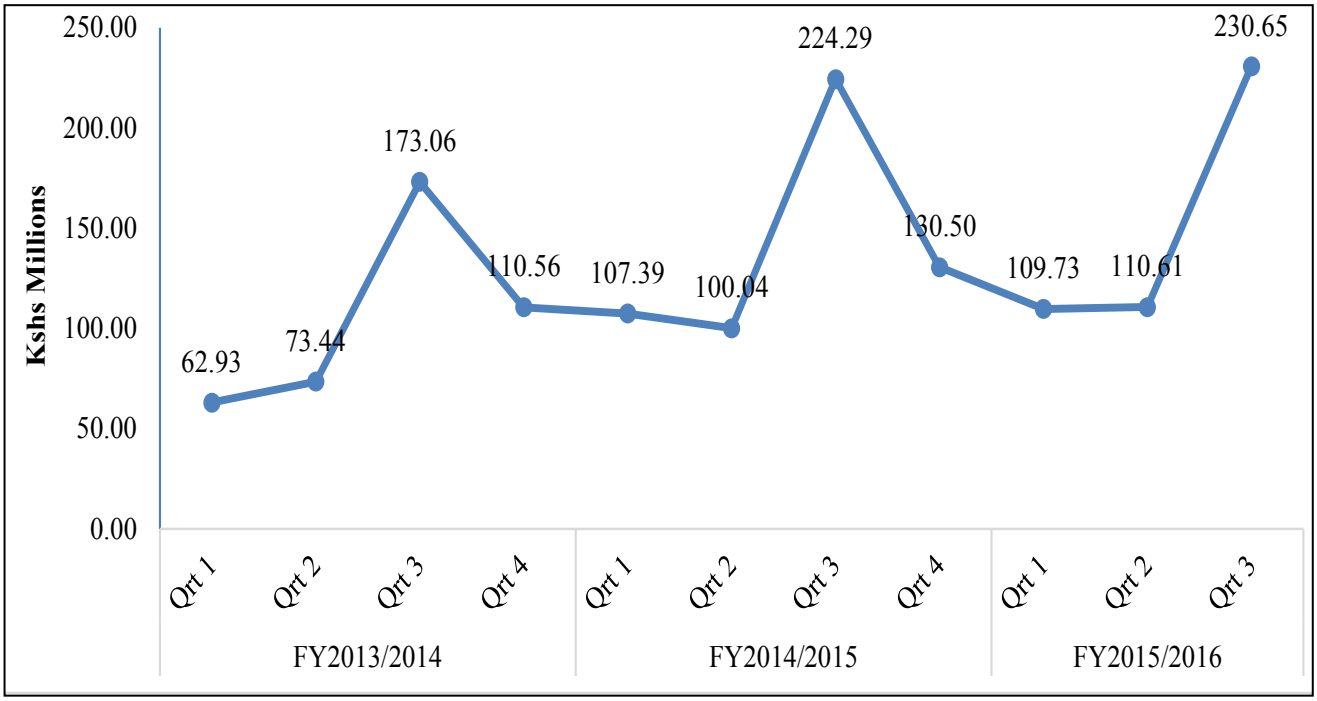
In order to finance the budget, the county expects to receive Kshs.5.36 billion (77.4 per cent) as equitable share of revenue raised nationally, Kshs.291.37 million (4.2 per cent) as total conditional grants, Kshs.420.58 million (6.1 per cent) as projected cash balance from FY 2014/15 and generate Kshs.850.00 million (12.3 per cent) from local sources. The conditional grants comprise of Kshs.95.74 million (32.9per cent) for Leasing of Medical Equipment, Kshs.80.80 million (27.7 per cent) for Maternal Health Care, Kshs.68.04 million (23.3 per cent) from the Road Maintenance Fuel Levy Fund, Kshs.21.97 million (7.5 per cent) as User Fees Foregone, Kshs.24.81 million (8.5 per cent) as a conditional grant from DANIDA as shown in Table 3.86.

### 3.30.2 Revenue Analysis

In the first nine months of FY 2015/16, the County received Kshs.3.62 billion as Equitable share of revenue raised nationally, Kshs.93.73 million as conditional allocations, Kshs.450.99 million from local sources, and had a cash balance of Kshs.432.99 million brought forward from FY 2014/15. The County did not borrow funds during the reporting period to finance the budget.

Figure 3.113 shows the quarterly trend in local revenue collection from FY 2013/14 to the third quarter of FY 2015/16.

**Figure 3.113: Murang'a County, Trend in Local Revenue Collection by Quarter from FY 2013/14 to the Third Quarter of FY 2015/16**




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

The total local revenue for the reporting period of Kshs.450.99 million consisted of Kshs.109.73 million generated in the first quarter, Kshs.110.61 million in the second quarter and Kshs.230.65 million in the third quarter of FY 2015/16. The revenue collected was 53.1 per cent of the annual local revenue target, and a increase from Kshs.430.37 million collected in a similar period of FY 2014/15.

Table 3.85 shows further analysis of the local revenue collected in the first nine months of FY 2015/16 by 12 top streams.

**Table 3.85: Murang'a County analysis of revenue collection by stream for the first nine months of FY 2015/16**

| Revenue Streams | Annual Targeted Revenue (Kshs.) | 9 Months Actual Revenue | Actual Revenue as a (%) of annual Allocation |
|---|---|---|---|
| Land subdivision/transfer | - | 8,876,040 | - |
| Coffee /tea cess | - | 10,972,203 | - |
| Plan approval | 13,798,813 | 13,643,571 | 98.9 |
| Public health | 20,511,324 | 18,582,130 | 90.6 |
| Advertisements | 7,905,200 | 6,272,564 | 79.3 |
| Motor bikes | 13,612,140 | 8,572,450 | 63.0 |
| Licences | 138,000,000 | 78,210,245 | 56.7 |
| Parking/bus park fee | 74,089,114 | 41,663,850 | 56.2 |
| Land rates/plot rent | 72,905,120 | 39,853,513 | 54.7 |
| Barter market fee | 72,211,245 | 38,094,055 | 52.8 |
| Meat inspection | 14,355,305 | 7,494,050 | 52.2 |
| Conservancy | 20,666,660 | 10,767,090 | 52.1 |
| Building materials cess | 103,214,900 | 53,387,828 | 51.7 |
| Hospitals | 119,470,312 | 59,976,951 | 50.2 |
| Sale of forms | 17,600,000 | 8,691,880 | 49.4 |
| Other Streams | 161,659,867 | 45,934,520 | 28.4 |
| **Total** | **850,000,000** | **450,992,940** | **53.1** |

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

Analysis of the local revenue by stream indicates that land sub-division/transfer and coffee /tea cess recorded the highest performance against annual target at above 100 per cent. This is because the county had not set targets for these streams yet revenue was collected. This was followed by plan approval and public health at 98.9 per cent and 90.6 per cent respectively.

### 3.30.3 Conditional Grants

Analysis of conditional grants for the first nine months of FY 2015/16 is shown in Table 3.86.

**Table 3.86: Murang'a County analysis of conditional grants for the first nine months of FY 2015/16**

| No. | Conditional Grant | Amount allocated as provided in CARA 2015 (Kshs.) | 9 Months Actual receipt of the Conditional Grant (Kshs.) | Actual Receipts as a (%) Annual allocation |
|---|---|---|---|---|
| 1 | Road Maintenance Fuel Levy Fund | 68,038,977 | 34,359,683 | 50.1 |
| 2 | Free Maternal Health Care | 80,802,400 | 46,968,977 | 45.7 |
| 3 | User Fees Forgone | 21,971,530 | | |
| 4 | DANIDA Grant | 24,810,000 | 12,405,000 | 50.0 |
| 5 | CA-Leasing of medical Equipment | 95,744,681 | - | 0.0 |
| | **TOTAL** | **291,367,588** | **93,733,660** | **32.2** |

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

Analysis of the conditional grants for the period under review indicates that the Road Maintenance Fuel Levy Fund recorded the highest performance against annual expected receipt at 50.1 per cent. This was followed by DANIDA grant at 50.0 per cent.

### 3.30.4 Exchequer Issues

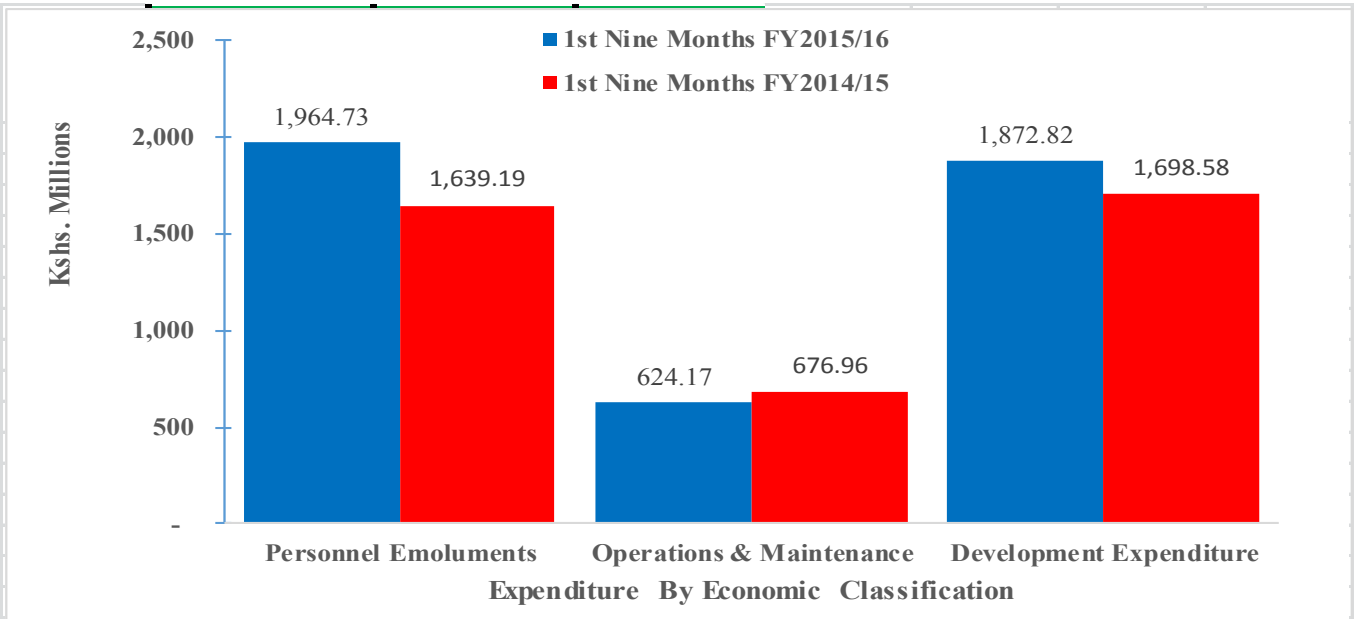
During the period under review, the COB authorised withdrawal of Kshs.4.50 billion from the CRF account, which was 65.2 per cent of the approved budget. The amount represented an increase of 15.38 per cent from Kshs.3.90 billion authorized in a similar period of FY 2014/15 and consisted of Kshs.2.51 billion (55.8 per cent) and Kshs.2.00 billion (44.2 per cent) for recurrent and development expenditure respectively.

### 3.30.5 Overall Expenditure Review

The County spent a total of Kshs.4.46 billion during the first nine months of FY 2015/16 which was 99.1 per cent of the total funds released for operations. This was 11.13 per cent increase from the Kshs.4.01 billion spent in a similar period of FY 2014/15. A total of Kshs.2.59 billion was spent on recurrent activities and Kshs.1.87 billion on development activities. Recurrent expenditure was 103.1 per cent of the funds released for recurrent activities while development expenditure accounted for 94.1 per cent of the funds released for development activities. The expenditure excludes commitments as at 31st March, 2016 that amounted to Kshs.928.58 million for both development and recurrent expenditure.

Recurrent expenditure for the period under review represented 73.0 per cent of the approved annual recurrent budget, a decrease from 80.9 per cent spent in a similar period of FY 2014/15. On the other hand, development expenditure recorded an absorption rate of 55.9 per cent, an increase from 54.5 per cent spent in a similar period of FY 2014/15. Figure 3.114 shows a comparison of the total expenditure in the third quarter of FY 2014/15 and the same period in FY 2015/16.

**Figure 3.114:Murang'a County, Expenditure by Economic Classification for the First Nine Months of FY 2014/15 and FY 2015/16**




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

### 3.30.6 Recurrent Expenditure Analysis

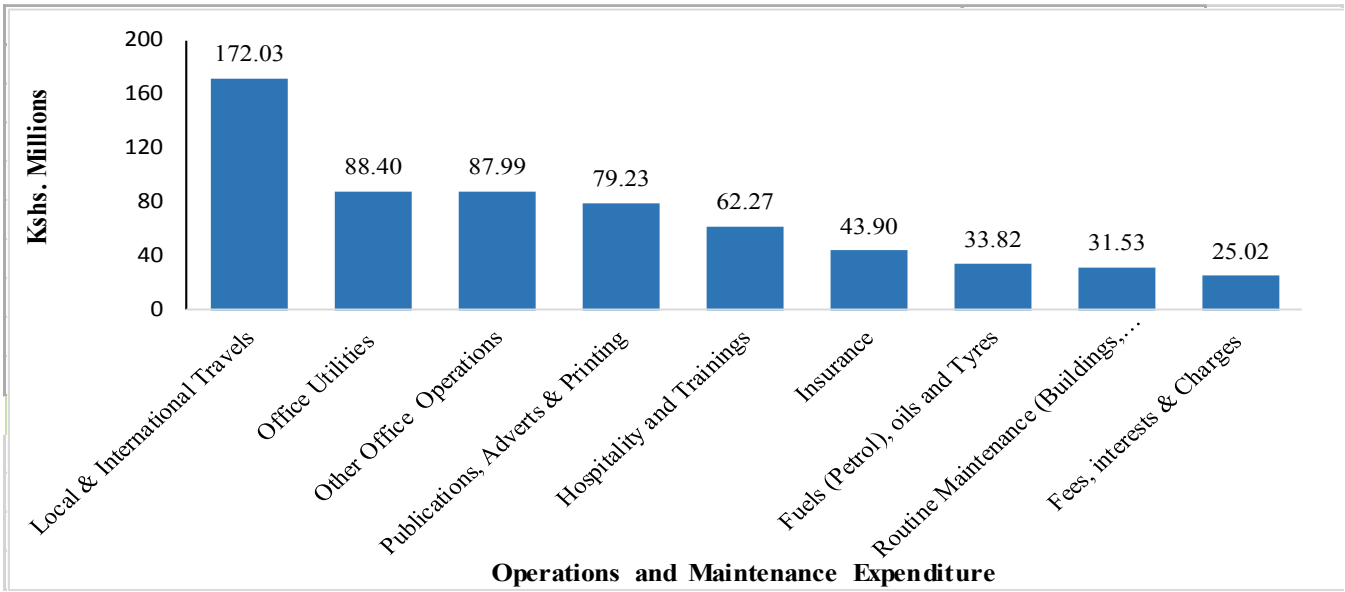
The total recurrent expenditure for the reporting period was Kshs.2.59 billion against an annual recurrent budget of Kshs.3.55 billion. This represents 73.0 per cent of the annual recurrent budget. The County spent Kshs.1.96 billion (75.9 per cent) on personnel emoluments and Kshs.624.17 million (24.1 per cent) on operations and maintenance as shown in Figure 3.114.

The expenditure on personnel emoluments of Kshs.1.96 billion incurred in the nine months of FY 2015/16 represented an increase of 19.5 per cent compared to a similar period in FY 2014/15 when the County spent Kshs.1.64 billion. This increase is attributed to continuous recruitment of staff and annual salary increment.

The County spent Kshs.14.16 million on sitting allowances to the 49 MCAs and the Speaker against an annual budget of Kshs.117.73 million. This expenditure has not changed from that previously reported in the half year report. This is because sitting allowance are aggregated with basic salary and therefore increasing the amount of salaries paid but no change in sitting allowance. This is therefore a decrease from Kshs.44.53 million recorded in a similar period of FY 2014/15.

The aggregate expenditure on domestic and foreign travel was Kshs.172.03 million compared to Kshs.109.48 million incurred in a similar period of FY 2014/15, representing a significant increase of 57.1 per cent. Figure 3.115 shows a breakdown of the operations and maintenance expenditure for the reporting period.

**Figure 3.115: Murang'a County, Operations and Maintenance Expenditure for the First Nine Months of FY 2015/16**

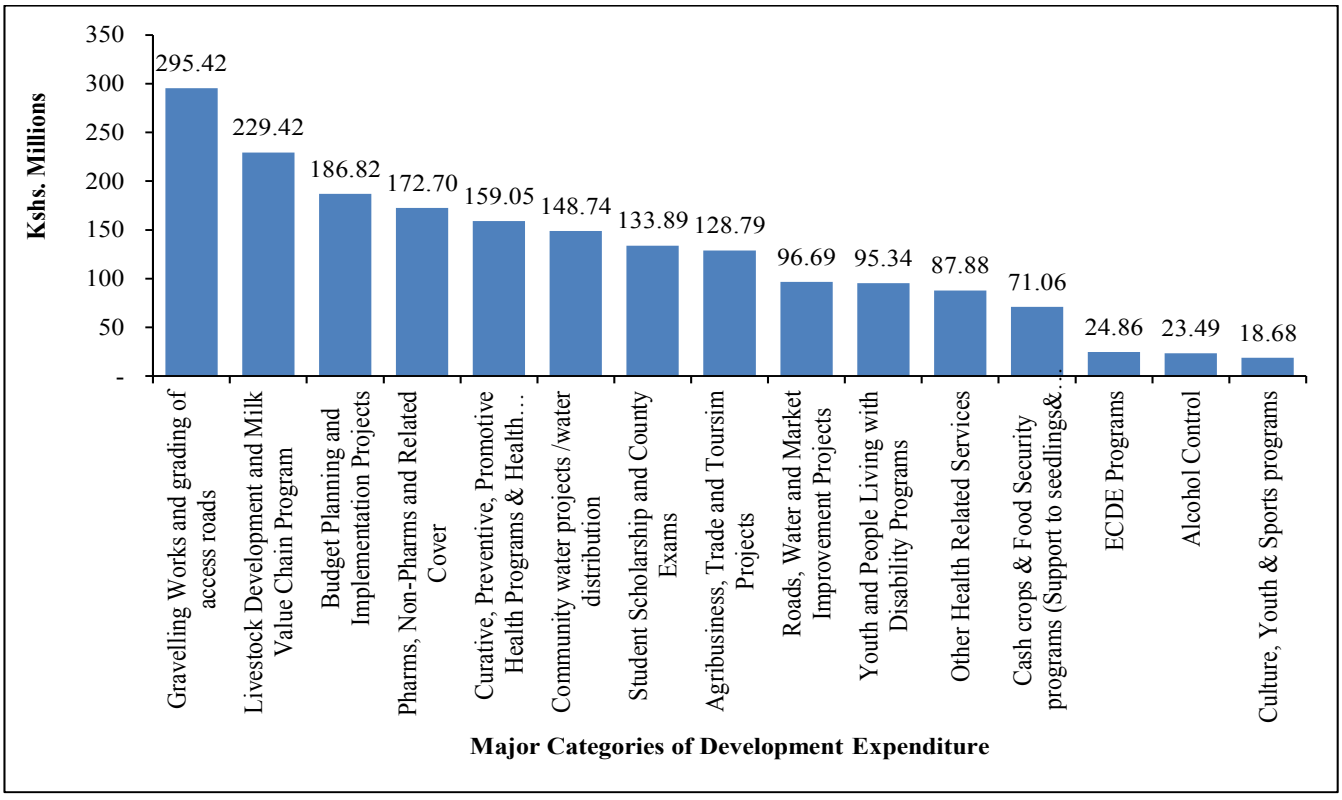



**Source:** *Murang'a County Treasury*

### 3.30.7 Development Expenditure Analysis

Figure 3.116 provides a summary of development expenditure during the period under review.

**Figure 3.116: Murang'a County, Summary of Development Expenditure for the First Nine Months of FY 2015/16**




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

Analysis of the development expenditure of Kshs.1.87 billion incurred in the reporting period indicates that the highest expenditure of Kshs.295.42 million was spent by the Roads Department on development and maintenance of access roads. The second highest expenditure of Kshs.229.42 million was incurred under the livestock development and milk value chain program which involved running subsidized artificial insemination, construction of milk processing plant and veterinary services among others. The Department of Health incurred Kshs.172.70 million on purchase of pharmaceuticals and non-pharmaceuticals products and Kshs.159.05 million on curative, preventive, promotive health programs and health infrastructure projects.

### 3.30.8 Annual Budget and Budget Performance Analysis by department for the First Nine Months of FY 2015/16

Table 3.87 shows a summary of FY 2015/16 annual budget estimates and budget performance for the reporting period by department.

**Table 3.87: Murang'a County, Annual Budget and First Nine Months of FY 2015/16 Budget Performance by Department**

| Department | Approved Supplementary Budget Estimates FY2015 -2016 | | Total Requisitions | | Expenditure | | % of Expenditure to Exchequer Issues | | Absorption rate (%) (Exp. to Budget) | |
|---|---|---|---|---|---|---|---|---|---|---|
| | REC | DEV | REC | DEV | REC | DEV | REC | DEV | REC | DEV |
| Office of the Governor & D. Governor | 218.37 | 6.10 | 146.61 | 0.00 | 116.28 | - | 79.3% | 0.0% | 53.3 | 0.0 |
| County Assembly | 588.99 | 255.58 | 321.84 | 0.00 | 317.57 | - | 98.7% | 0.0% | 53.9 | 0.0 |
| Finance IT and Planning | 276.21 | 140.74 | 159.79 | 46.00 | 204.11 | 177.22 | 127.7% | 385.3% | 73.9 | 125.9 |
| Agriculture, Livestock & Fisheries | 141.34 | 136.49 | 113.86 | 87.50 | 88.72 | 107.88 | 77.9% | 123.3% | 62.8 | 79.0 |
| Energy, Transport and Infrastructure | 54.72 | 1,215.66 | 33.47 | 963.60 | 20.36 | 597.25 | 60.8% | 62.0% | 37.2 | 49.1 |
| Commerce, Trade, Industry & Tourism | 6.13 | 95.00 | 4.26 | 74.00 | 1.48 | 76.26 | 34.7% | 103.0% | 24.1 | 80.3 |
| Health and Sanitation | 1,252.21 | 631.51 | 970.75 | 359.05 | 1,274.28 | 444.82 | 131.3% | 123.9% | 101.8 | 70.4 |
| Lands, Housing and Physical Planning | 11.28 | 33.28 | 7.98 | 32.20 | 2.95 | 1.02 | 37.0% | 3.2% | 26.2 | 3.1 |
| Public Service and Administration | 727.63 | 24.29 | 571.22 | 5.00 | 411.97 | - | 72.1% | 0.0% | 56.6 | 0.0 |
| Education and Technical Training | 172.80 | 167.68 | 115.86 | 18.00 | 92.97 | 158.75 | 80.2% | 881.9% | 53.8 | 94.7 |
| Youth, Culture, Gender & Social Services | 49.65 | 610.13 | 31.21 | 378.15 | 44.39 | 305.27 | 142.2% | 80.7% | 89.4 | 50.0 |
| Environment and Natural Resources | 9.10 | 29.88 | 5.85 | 27.60 | 6.23 | 4.35 | 106.5% | 15.8% | 68.5 | 14.6 |
| County Public Service Board | 40.00 | 5.50 | 27.13 | 0.00 | 7.59 | - | 28.0% | 0.0% | 19.0 | 0.0 |
| **Total** | **3,548.44** | **3,351.84** | **2,509.85** | **1,991.10** | **2,588.91** | **1,872.82** | **103.1%** | **94.1%** | **73.0** | **55.9** |

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

Analysis of budget performance by department shows that the Department of Finance IT and Planning reported the highest absorption rate for development expenditure at 125.9 per cent while Office of the Governor and Deputy Governor, County Assembly, Public Service and Administration and County Public Service Board did not spend any funds on development expenditure. On the other hand, the Health and Sanitation Department had the highest percentage of its recurrent expenditure to annual recurrent budget at 101.8 per cent while the County Public Service Board department had the lowest at 19.0 per cent.

### 3.30.9 Observations and Recommendations

The county has made progress in addressing some of the challenges previously identified as affecting budget implementation. Some of the areas where progress has been made include:

i. Adoption of IFMIS system and internet banking by the County Assembly

ii. Full settlement of bank overdraft of Kshs.200 million which had been accessed in FY 2014/15.

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

1. Failure to deposit some of the local revenue into the CRF as per Section 109 of the PFM Act, 2012. Revenue raised through development programs such as from sale of Cows in Mariira farm to farmers was not deposited to the CRF Account maintained at CBK.
2. The county has established the County Budget and Economic Forum by nominating members. However, the forum has not been active in executing its mandate.

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

1. *The County Should ensure all local revenue is deposited into the CRF.*
2. *The County Treasury should roll out use of IFMIS in the sub counties, hospitals and all county entities.*
3. *The County Treasury should build the capacity members of the County Budget and Economic Forum to enhance the execution of their mandate.*

## 3.31 Nairobi County

### 3.31.1 Overview of the FY 2015/16 Budget

The FY 2015/16, Approved Budget for Nairobi City County amounts to Kshs.30.83 billion, with Kshs.19.82 billion (64.3 per cent) allocated to recurrent and Kshs.11.01 billion (35.7 per cent) to development expenditure respectively.

In order to finance the budget, the County expects to receive Kshs.13.77 billion (43.30 per cent) as transfers from the National Government, collect Kshs.17.53 billion (56.69 per cent) from local

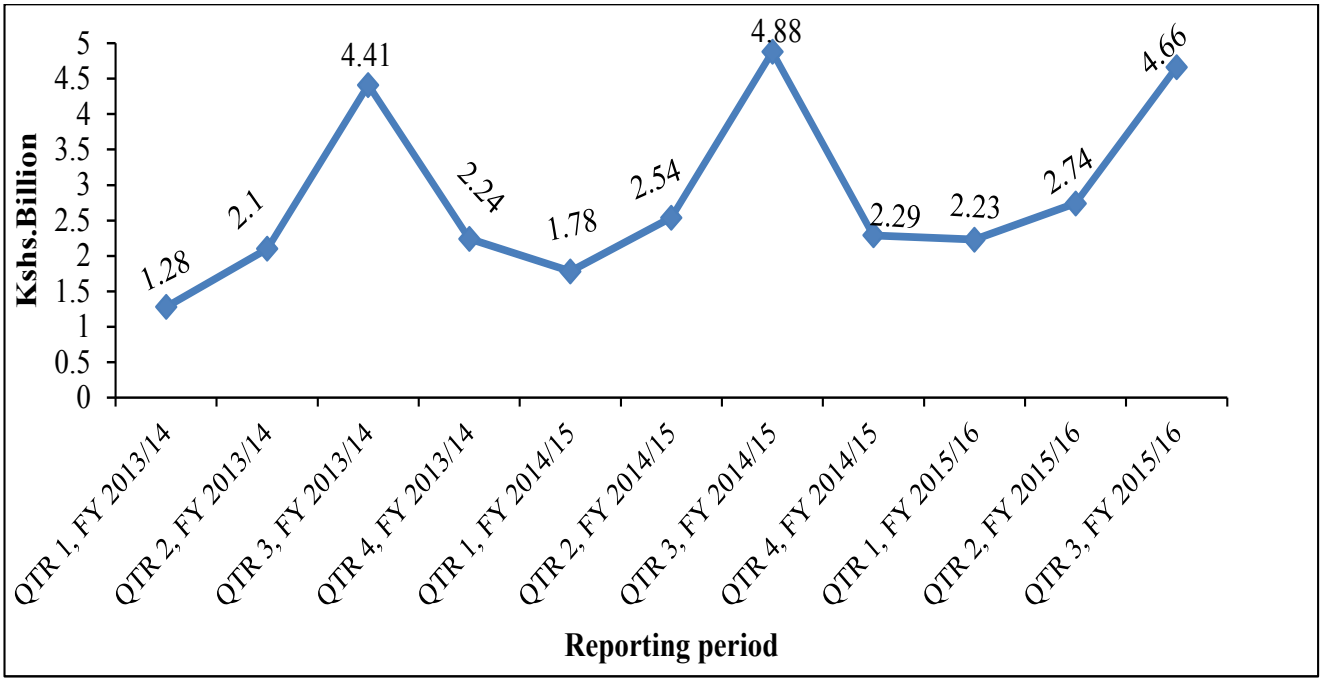
sources. The County did not budget for the additional conditional allocations from the National Government and from the Development Partners as provided for in CARA, 2015. The allocations include a conditional grant of Kshs.27.80 million from DANIDA, additional conditional grants of Kshs.636.58 million from the National Government for free Maternal Health Care, Compensation for User Fees Forgone, and Road Maintenance Fuel Levy Fund.

### 3.31.2 Revenue Analysis

In the first nine months of FY 2015/16, the County received Kshs.8.77 billion as equitable share of revenue raised nationally, Kshs.299.91 million as conditional allocations and raised Kshs.9.62 billion from local sources.

Figure 3.117 shows the quarterly trend in local revenue collection from FY 2013/14 to the third quarter of FY 2015/16.

**Figure 3.117:Nairobi County, Trend in Local Revenue collection by Quarter from FY 2013/14 the Third Quarter of FY 2015/16**




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

The total local revenue for the reporting period of Kshs.9.62 billion consisted of Kshs.2.23 billion generated in the first quarter, Kshs.2.74 billion in the second quarter and Kshs.4.66 billion in the third quarter of FY 2015/16. The local revenue raised in the period under review accounted for 54.9 per cent of the annual local revenue target, an improvement from Kshs.2.45 billion collected during a similar period of FY 2014/15.

Table 3.88 shows further analysis of the local revenue collected in the first nine months of FY 2015/16 by stream.

**Table 3.88: Nairobi City County, analysis of revenue collection by stream for the first nine months of FY 2015/16**

| No. | Revenue Stream | Annual Targeted Revenue (Kshs.) | 9 Months Actual Revenue | Actual Revenue as a percentage of Annual Targets (%) |
|---|---|---|---|---|
| 1 | Fire inspection certificates fees | 154,000,000 | 143,739,202 | 93.3 |
| 2 | Land Rates | 3,400,000,000 | 2,669,221,201 | 78.5 |
| 3 | Regulations of buildings /change /amalg/sub | 150,000,000 | 102,239,360 | 68.2 |
| 4 | Eastlands | 330,000,000 | 215,474,760 | 65.3 |
| 5 | Decentralization-wards | 237,000,000 | 154,146,475 | 65.0 |
| 6 | Other revenue streams | 1,705,000,000 | 1,068,652,241 | 62.7 |
| 7 | Rents | 374,000,000 | 220,054,460 | 58.8 |
| 8 | Single business permits | 2,870,000,000 | 1,598,402,277 | 55.7 |
| 9 | Wakulima market | 165,000,000 | 87,706,640 | 53.2 |
| 10 | Building permits (1.25 % of construction cost) | 1,850,000,000 | 913,889,010 | 49.4 |
| 11 | Parking fees | 3,400,000,000 | 1,591,432,300 | 46.8 |
| 12 | Billboards & advertisements | 1,300,000,000 | 557,015,756 | 42.8 |
| 13 | Other markets | 187,000,000 | 79,877,969 | 42.7 |
| 14 | Liquor licenses | 650,000,000 | 153,045,690 | 23.5 |
| 15 | Lease fees-NWSC | 224,000,000 | 32,936,834 | 14.7 |
| 16 | Food handlers certificate fees | 163,000,000 | 19,144,752 | 11.7 |
| 17 | Pumwani Maternity Hospital | 154,000,000 | 8,124,049 | 5.3 |
| 18 | Co-operative audit | 215,000,000 | 6,554,940 | 3.0 |
| | **Total** | **17,528,000,000** | **9,621,657,916** | **54.9** |

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

Analysis of the local revenue by stream indicates that issuance of fire inspection certificate recorded the highest performance against the annual target at 93.3 per cent. This was closely followed by Land Rates at 78.5 per cent.

### 3.31.3 Conditional Grants

Table 3.89 shows the analysis of conditional grants for the first nine months of FY 2015/16.

**Table 3.89: Nairobi County analysis of conditional grants for the first nine months of FY 2015/16**

| No. | Conditional Grant | Amount allocated as provided in CARA 2015 (Kshs.) | 9 Months Actual receipt of the Conditional Grant (Kshs.) | Actual Receipts as a percentage of Annual Allocation (%) |
|---|---|---|---|---|
| 1 | Road Maintenance Fuel Levy Fund | 165,100,152 | 83,375,577 | 50.5 |
| 2 | Free Maternal Health Care | 375,367,823 | 168,511,534 | 44.9 |
| 3 | User Fees Forgone | 22,642,400 | 6,752,220 | 29.8 |
| | **Total** | **563,110,375** | **299,914,369** | **53.3** |

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

Analysis of the conditional grants for the period under review indicates that the Road Maintenance Fuel Levy Fund recorded the highest performance against the annual target at 50.5 per cent followed by the Free Maternal Health Care at 44.9 per cent.

### 3.31.4 Exchequer Issues

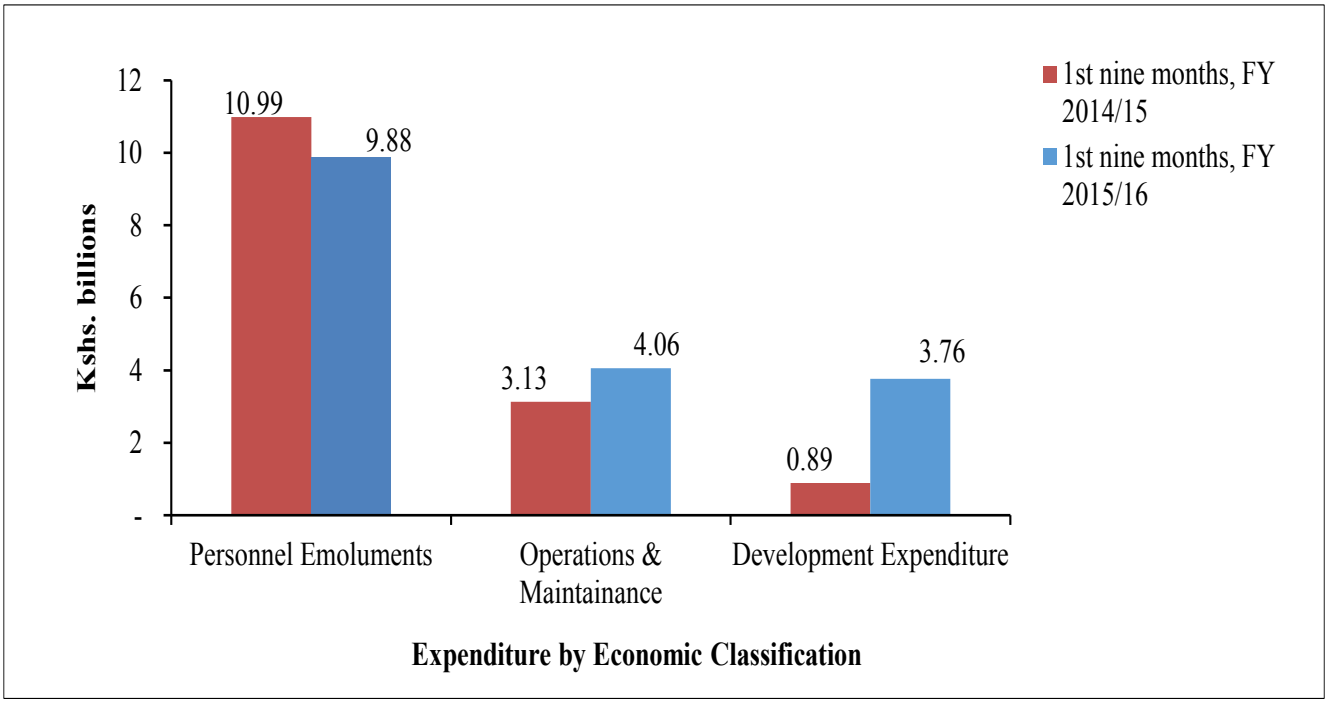
During the period under review, the COB authorised withdrawal of Kshs.11.13 billion from the CRF, which was 36.1 per cent of the annual budget. The amount represented an increase of 20.7 per cent from Kshs.9.22 billion released in a similar period of FY 2014/15 and consisted of Kshs.11.05 billion (99.3 per cent) for recurrent expenditure and Kshs.80 million (0.7 per cent) for development activities.

### 3.31.5 Overall Expenditure Review

The County spent a total of Kshs.17.70 billion during the first nine months of FY 2015/16 which was 159.0 per cent of the total funds released for operations. This was an increase from Kshs.1.91 billion spent in a similar period of FY 2014/15. A total of Kshs.13.94 billion was spent on recurrent activities while Kshs.3.76 billion on development activities. Recurrent expenditure was 126.1 per cent of the funds released for recurrent activities while development expenditure accounted for over 100 per cent of the funds released for development activities.

The recurrent expenditure for the period under review represented 70.3 per cent of the approved recurrent budget, a decrease from 73.0 per cent realized in similar period FY 2014/15. On the other hand, development expenditure recorded an absorption rate of 34.2 per cent, an increase of 9.4 per cent compared to that realized in a similar period of FY 2014/15. Figure 3.118 shows a comparison of the total expenditure in the first nine months of FY 2014/15 and the first nine months of FY 2015/16.

**Figure 3.118:Nairobi City County, Expenditure by Economic Classification for the First Nine Months of FY 2014/15 and FY 2015/16**




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

### 3.31.6 Recurrent Expenditure Analysis

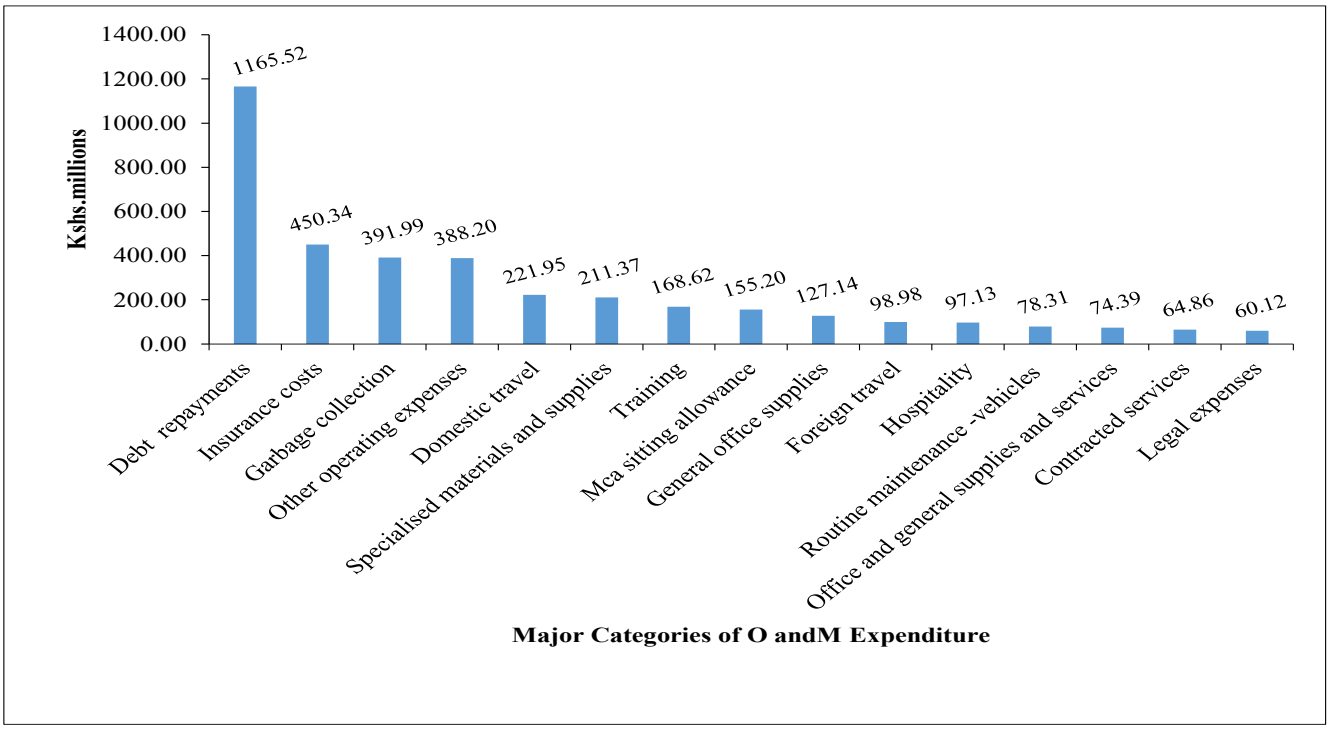
A further review of the recurrent expenditure for the reporting period indicated that the County spent Kshs.9.88 billion (70.9 per cent) on personnel emoluments and Kshs.4.06 billion (29.1 per cent) on operations and maintenance as shown in figure 2.

The expenditure on personnel emoluments incurred in the first nine months of FY 2015/16 represented a decrease of 10.1 per cent compared to a similar period of FY 2014/15 when the county spent Kshs.10.99 billion. This trend is commendable.

The County spent Kshs.88.42 million on sitting allowances to 128 MCAs and the Speaker against the annual MCAs sitting allowance budget of Kshs.207.24 million. This represents an increase from Kshs.22.02 million spent in a similar period of FY 2014/15. The average monthly sitting allowance per MCA was Kshs.76,756 compared to SRC recommended monthly ceiling of Kshs.124,800.

The aggregate expenditure on domestic and foreign travel was Kshs.320.93 million compared to Kshs.290.26 million in similar period in FY 2014/15, representing an increase of 10.6 per cent. The expenditure comprised of Kshs.153.34 million spent by the County Executive and Kshs.167.60 million by the County Assembly. Figure 3.119 shows a breakdown of operations and maintenance expenditure for the first nine months of FY 2015/16.

**Figure 3.119: Nairobi City County, Operations and Maintenance Expenditure for the first nine months of FY 2015/16**

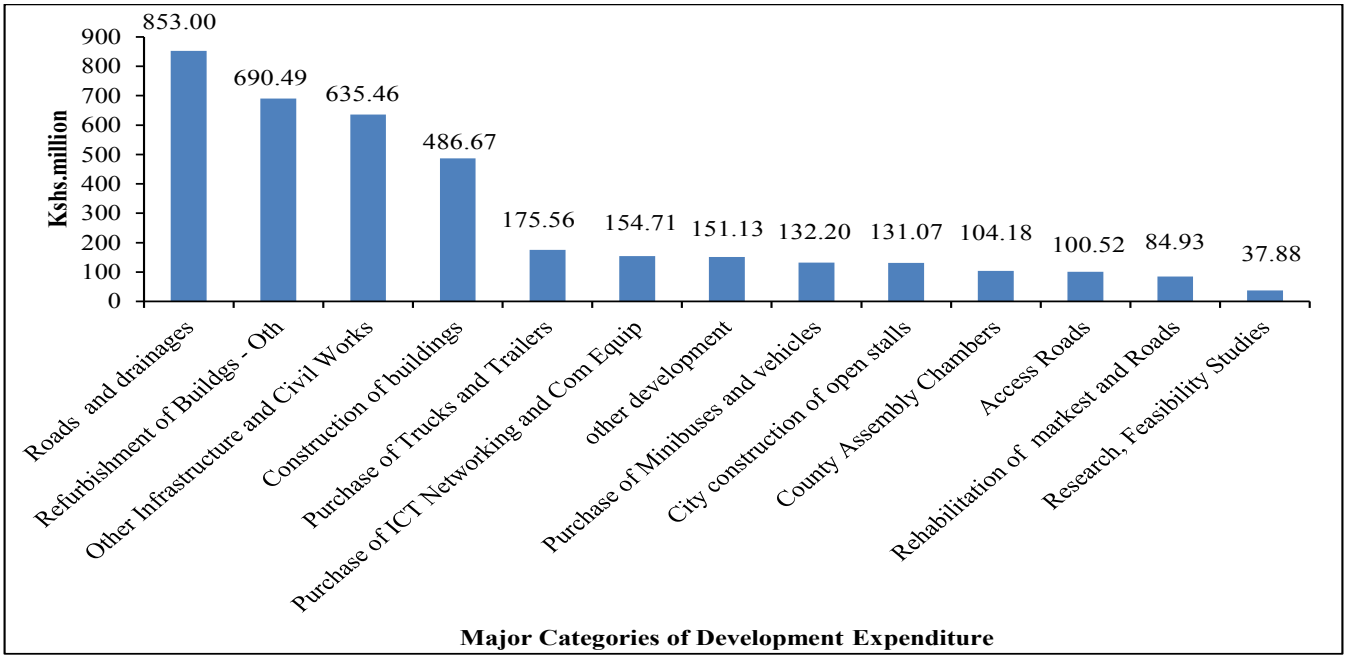



**Source:** *Nairobi City County Treasury*

### 3.31.7 Development Expenditure Analysis

Figure 3.120 provides a summary of development expenditure during the period under review.

**Figure 3.120: Nairobi City County, Summary of Development Expenditure for the First Nine Months of FY 2015/16**




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

Analysis of the development expenditure of Kshs.3.76 billion incurred in the period under review indicates that the County incurred the highest expenditure of Kshs.853.00 million on construction and Maintenance of Roads and Drainage works. The second highest expenditure of Kshs.690.49 million was incurred on refurbishment of Health Centres in the County.

### 3.31.8 Annual Budget and Budget Performance Analysis by department for the First Half of FY 2015/16

Table 3.90 shows a summary of the FY 2015/16 annual budget estimates and budget performance for the first half by department for Nairobi County.

**Table 3.90: Nairobi City County, Annual Budget and First Nine Months of FY 2015/16 Budget Performance by Department**

| Department | Annual Budget Allocation (Kshs. Million) | | 9 Months Exchequer Issues (Kshs. Million) | | 9 Months Expenditure (Kshs. Million) | | Expenditure to Exchequer Issues (%) | | Absorption rate (%) | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Rec. | Dev. | Rec. | Dev. | Rec. | Dev. | Rec. | Dev. | Rec. | Dev. |
| County Public Service Board | 80.00 | 20.00 | 38.66 | 0.00 | 31.83 | 0.00 | 82.3 | - | 39.8 | 0.0 |
| Governor's Office | 4,488.72 | 379.00 | 2646.43 | 0.00 | 3288.44 | 94.74 | 124.3 | - | 73.3 | 25.0 |
| ICT,E-Government & Public Communications | 144.00 | 150.00 | 59.99 | 0.00 | 80.53 | 142.98 | 134.2 | - | 55.9 | 95.3 |
| Finance & Economic Planning | 2,773.39 | 127.00 | 1331.49 | 0.00 | 2010.95 | 38.38 | 151.0 | - | 72.5 | 30.2 |
| Health | 5,038.00 | 1,760.00 | 3107.49 | 0.00 | 3237.29 | 547.32 | 104.2 | - | 64.3 | 31.1 |
| Physical Planning, Lands & Housing | 375.00 | 320.00 | 230.99 | 0.00 | 260.63 | 95.07 | 112.8 | - | 69.5 | 29.7 |
| Public Works & Infrastructure | 1,355.00 | 6,205.00 | 754.98 | 0.00 | 817.47 | 1681.95 | 108.3 | - | 60.3 | 27.1 |
| Education ,Youth Affairs Social Services | 1,534.00 | 436.00 | 841.13 | 0.00 | 987.71 | 154.79 | 117.4 | - | 64.4 | 35.5 |
| Trade Cooperative, Industrialization | 278.89 | 700.00 | 141.85 | 0.00 | 227.46 | 469.70 | 160.4 | - | 81.6 | 67.1 |
| Public Service Management | 1,016.92 | 30.00 | 238.37 | 0.00 | 925.01 | 0.00 | 388.1 | - | 91.0 | 0.0 |
| Agriculture, Livestock & Fisheries Development | 288.00 | 50.00 | 140.86 | 0.00 | 186.85 | 23.62 | 132.6 | - | 64.9 | 47.2 |
| Water, Energy, Environment Forestry & Natural Resources | 893.78 | 688.00 | 576.51 | 0.00 | 815.85 | 405.71 | 141.5 | - | 91.3 | 59.0 |
| County Assembly | 1,553.56 | 144.43 | 944 | 80.00 | 1,070.43 | 107.92 | 113.4 | 134.9 | 68.9 | 74.7 |
| **TOTAL** | **19,819.26** | **11,009.43** | **11,052.76** | **80.00** | **13,940.45** | **3,762.18** | **126.1** | **4,702.7** | **70.3** | **34.2** |

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

A breakdown of expenditure by department shows that the ICT, E-Government and Public Communication had the highest absorption rate of its development budget at 95.3 per cent followed by the County Assembly at 74.7 per cent. On the other hand, the Department of Water, Energy,

Environment and Forestry and Natural Resources had the highest percentage of the recurrent expenditure to its annual recurrent budget at at 91.3 per cent while the County Public Service Board had the lowest percentage of the recurrent expenditure at 39.8 per cent.

### 3.31.9 Observations and Recommendations

In the period under review, the County made some progress in addressing some of the challenges that affected budget implementation in the previous periods. Some of the areas where progress has been made include;

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

ii. Improvement in revenue collection from Kshs.9.20 billion raised in the first nine months of FY 2014/15 to Kshs.9.62 billion collected in the period under review.

However, the following challenges continued to hamper effective budget implementation and included;

1. The county has persistently utilized some of the locally collected revenue at source, contrary to Article 207 of the Constitution and Section 109 of the PFM Act, 2012 which stipulates that all funds raised or collected on behalf of the County Government should be deposited into the CRF account.

2. The County Assembly has not fully adopted IFMIS in processing financial transactions.

3. Low absorption of development funds.

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

1. *The County Treasury should ensure that all locally collected revenue collected is deposited into the County Revenue Fund as required by Section 109 of the PFM Act, 2012.*

2. *The County Assembly should adopt IFMIS and internet banking in processing financial transactions as required by the law.*

3. *The County Executive should come up with measures to address the low absorption of development funds and enhance implementation of development activities*

## 3.32 Nakuru County

### 3.32.1 Overview of the FY 2015/16 Budget

The FY 2015/16 Approved Supplementary Budget for Nakuru County is Kshs.13.73 billion, comprising of Kshs.8.36 billion (60.9 per cent) and Kshs.5.38 billion (39.1 per cent) allocated to recurrent and development expenditure respectively.

In order to finance the budget, the county expects to receive Kshs 8.12 billion (59.1 per cent) as

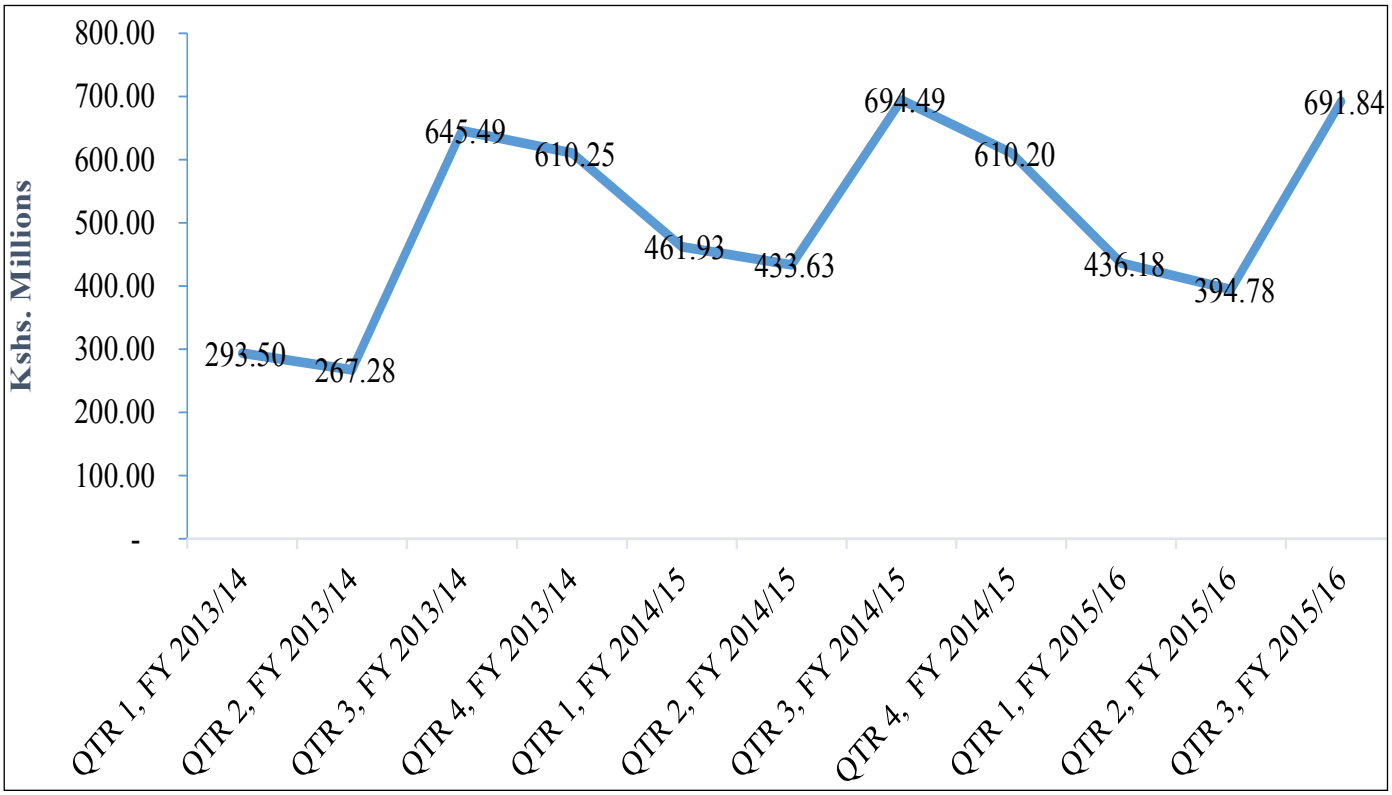
equitable share of revenue raised nationally, Kshs.858.30 million (6.2 per cent) as total conditional grants, generate Kshs.2.91 billion (21.2 per cent) from local sources, and Kshs.1.85 billion (13.5 per cent) as projected cash balance from FY 2014/15. The conditional grants comprise of Kshs.377.19 million (43.9 per cent) for Level 5 Hospital, Kshs.95.74 million (11.2 per cent) for Leasing of Medical Equipment, Kshs.219.63 million (25.6 per cent) for Maternal Health Care, Kshs.103.10 million (12.0 per cent) from the Road Maintenance Fuel Levy Fund, Kshs.37.37 million (4.4 per cent) for User Fees Forgone and Kshs.25.26 million (2.9 per cent) as a conditional grant from DANIDA as shown in Table 3.92.

### 3.32.2 Revenue Analysis

In the first nine months of FY 2015/16, the County received Kshs.4.75 billion as equitable share of revenue raised nationally, Kshs.402.75 million as conditional allocations, raised Kshs.1.52 billion from local sources, and had a cash balance of Kshs.1.51 billion brought forward from FY 2014/15. The County did not borrow any funds during the reporting period to finance the budget.

Figure 3.121 shows the quarterly trend in local revenue collection from FY 2013/14 to the third quarter of FY 2015/16.

**Figure 3.121: Nakuru County, Trend in Local Revenue Collection by Quarter from FY 2013/14 to the Third Quarter of FY 2015/16**




**Source:** *Nakuru County Treasury*

The total local revenue for the reporting period of Kshs.1.52 billion consisted of Kshs.436.18 million generated in the first quarter, Kshs.394.78 million in the second quarter and Kshs.691.84 million in

the third quarter of FY 2015/16. The revenue collected was 52.3 per cent of the annual local revenue target, and a decline from Kshs.1.59 billion collected in a similar period of FY 2014/15.

Table 3.91 shows further analysis of the local revenue collected in the first nine months of FY 2015/16 by stream.

**Table 3.91: Nakuru County analysis of revenue collection by stream for the first nine months of FY 2015/16**

| No | Revenue Stream | Annual Targeted Revenue (Kshs.) | 9 Months Actual Revenue | Actual Revenue as percentage of Annual Targets (%) |
|---|---|---|---|---|
| 1 | Royalties | 103,092,000 | 111,551,122 | 108.2 |
| 2 | Health fees and charges | 70,000,000 | 61,355,005 | 87.7 |
| 3 | Parking fees | 265,000,000 | 217,896,025 | 82.2 |
| 4 | House Rent | 50,000,000 | 35,980,550 | 72.0 |
| 5 | Facility Improvement Fund | 550,000,000 | 368,458,681 | 67.0 |
| 6 | Single Business Permit | 420,000,000 | 211,838,025 | 50.4 |
| 7 | Market Fees | 105,000,000 | 48,177,354 | 45.9 |
| 8 | Building Approval | 80,325,850 | 29,877,066 | 37.2 |
| 9 | Property tax (plot rent and land rates) | 620,000,000 | 196,237,261 | 31.7 |
| 10 | Cess | 125,910,000 | 38,914,960 | 30.9 |
| 11 | Others | 521,821,839 | 201,788,276 | 38.7 |
| | **Total** | **2,911,149,689** | **1,522,802,125** | **52.3** |

**Source:** *Nakuru County Treasury*

Analysis of the local revenue by stream indicates that Royalties recorded the highest performance against annual target at 108.2 per cent attributable to review of royalty rates during the reporting period. This was closely followed by Health fees and charges at 87.7 per cent.

The County deposited all locally collected revenue into the County Revenue Fund account maintained at Central Bank of Kenya (CBK) in line with Article 207 of the Constitution. This is with the exception of Facility Improvement Fund for level 5 hospital which was approved as an Appropriation In Aid allocation in the approved budget.

### 3.32.3 Conditional Grants

Table 3.92 shows the analysis of conditional grants for the first nine months of FY 2015/16.

**Table 3.92: Nakuru County analysis of conditional grants for the first nine months of FY 2015/16**

| No. | Conditional Grant | Amount allocated as provided in CARA 2015 (Kshs.) | 9 Months Actual receipt of the Conditional Grant (Kshs.) | Performance (%) |
|---|---|---|---|---|
| 1 | Level 5 Hospitals | 377,193,143 | 222,543,957 | 59.0 |
| 2 | Road Maintenance Fuel Levy Fund | 103,104,393 | 52,067,716 | 50.5 |
| 3 | Free Maternal Health Care | 219,627,800 | 93,540,000 | 42.6 |
| 4 | User Fees Forgone | 37,373,449 | 9,342,680 | 25.0 |
| 5 | Leasing of Medical Equipment | 95,744,681 | - | 0.0 |
| 6 | DANIDA Grant | 25,260,000 | 25,260,000 | 100.0 |
| 7 | World Bank Grant | - | | 0 |
| | **TOTAL** | **858,303,466** | **402,754,353** | **46.9** |

**Source:** *Nakuru County Treasury*

Analysis of the conditional grants for the period under review indicates that DANIDA grant recorded the highest performance against annual target at 100 per cent. This was closely followed by Level 5 hospital grant at 59.0 per cent.

### 3.32.4 Exchequer Issues

During the period under review, the COB authorised withdrawal of Kshs.7.57 billion from the CRF account, which was 55.1 per cent of the approved budget. The amount represented an increase of 45.6 per cent from Kshs.5.20 billion authorized in a similar period of FY 2014/15 and consisted of Kshs.5.93 billion (78.4 per cent) for recurrent expenditure and Kshs.1.63 billion (21.6 per cent) for development activities.

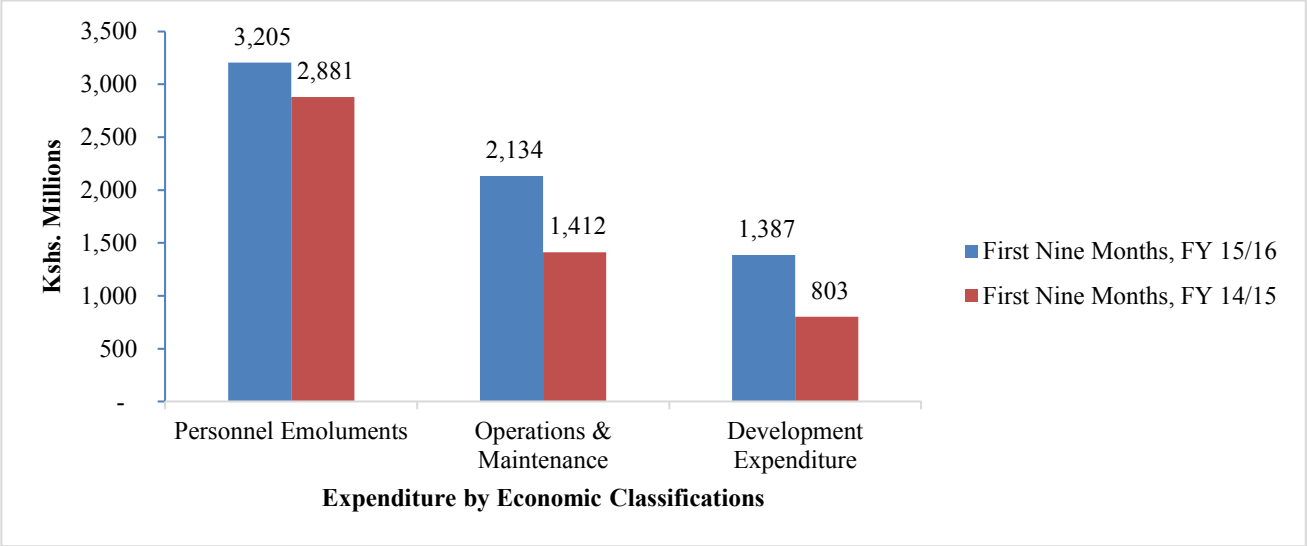
### 3.32.5 Overall Expenditure Review

The County spent a total of Kshs.6.73 billion during the first nine months of FY 2015/16 which was 89.9 per cent of the total funds released for operations. This was an increase from the Kshs.5.10 billion spent in a similar period of FY 2014/15. A total of Kshs.5.34 billion was spent on recurrent activities and Kshs.1.39 billion on development activities. Recurrent expenditure was 90.0 per cent of the funds released for recurrent activities while development expenditure accounted for 84.8 per cent of the funds released for development activities. The expenditure excludes commitments as at 31st March, 2016 that amounted to Kshs.1.17 billion for development expenditure and Kshs.376.90 million for recurrent expenditure.

Recurrent expenditure for the period under review represented 63.9 per cent of the approved annual recurrent budget, an increase from 60.9 per cent spent in a similar period of FY 2014/15. On the other hand, development expenditure recorded an absorption rate of 25.8 per cent, an increase from 22.5 per cent spent in a similar period of FY 2014/15. Figure 3.122 shows a comparison of the total

expenditure in the third quarter of FY 2014/15 and the same period in FY 2015/16.

**Figure 3.122: Nakuru County, Expenditure by Economic Classification for the First Nine Months of FY 2014/15 and FY 2015/16**




**Source:** *Nakuru County Treasury*

### 3.32.6 Recurrent Expenditure Analysis

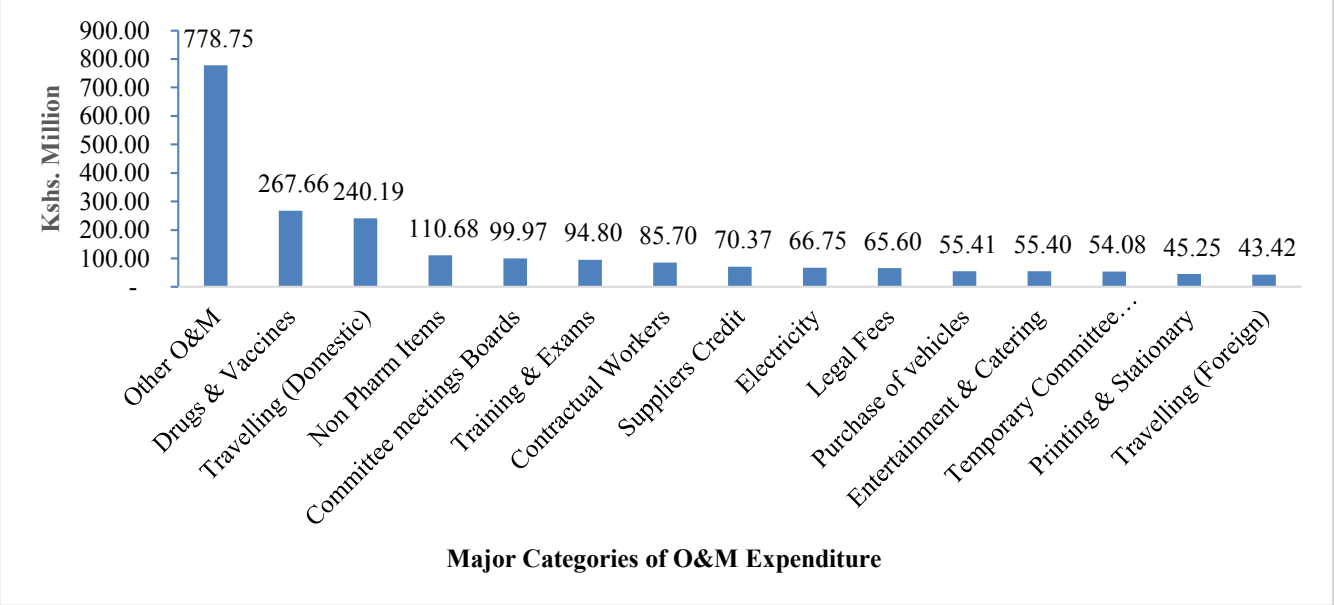
The total recurrent expenditure for the reporting period was Kshs.5.34 billion against an annual recurrent budget of Kshs.8.36 billion. This represents 63.9 per cent of the annual recurrent budget. The County spent Kshs.3.21 billion (60.1 per cent) on personnel emoluments and Kshs.2.13 billion (39.9 per cent) on operations and maintenance as shown in Figure 3.122.

The expenditure on personnel emoluments of Kshs.3.21 billion incurred the first nine months of FY 2015/16 represented an increase of 11.5 per cent compared to a similar period in FY 2014/15 when the County spent Kshs.2.88 billion. The increase is attributed to additional workforce recruited during this financial year.

The County spent Kshs.50.13 million on sitting allowances to the 74 MCAs and the Speaker against an annual budget of Kshs.110.00 million. This represents a decrease from Kshs.68.33 million recorded in a similar period of FY 2014/15. The average monthly sitting allowance per MCA was Kshs.74,267.00 compared to SRC's recommended monthly ceiling of Kshs.124,800

The aggregate expenditure on domestic and foreign travel was Kshs.220.74 million compared to Kshs. 197.30 million incurred in a similar period of FY 2014/15, representing an increase of 11.9 per cent. Figure 3.123 shows a breakdown of the operations and maintenance expenditure for the reporting period.

**Figure 3.123: Nakuru County, Major Operations and Maintenance Expenditure for the First Nine Months of FY 2015/16**

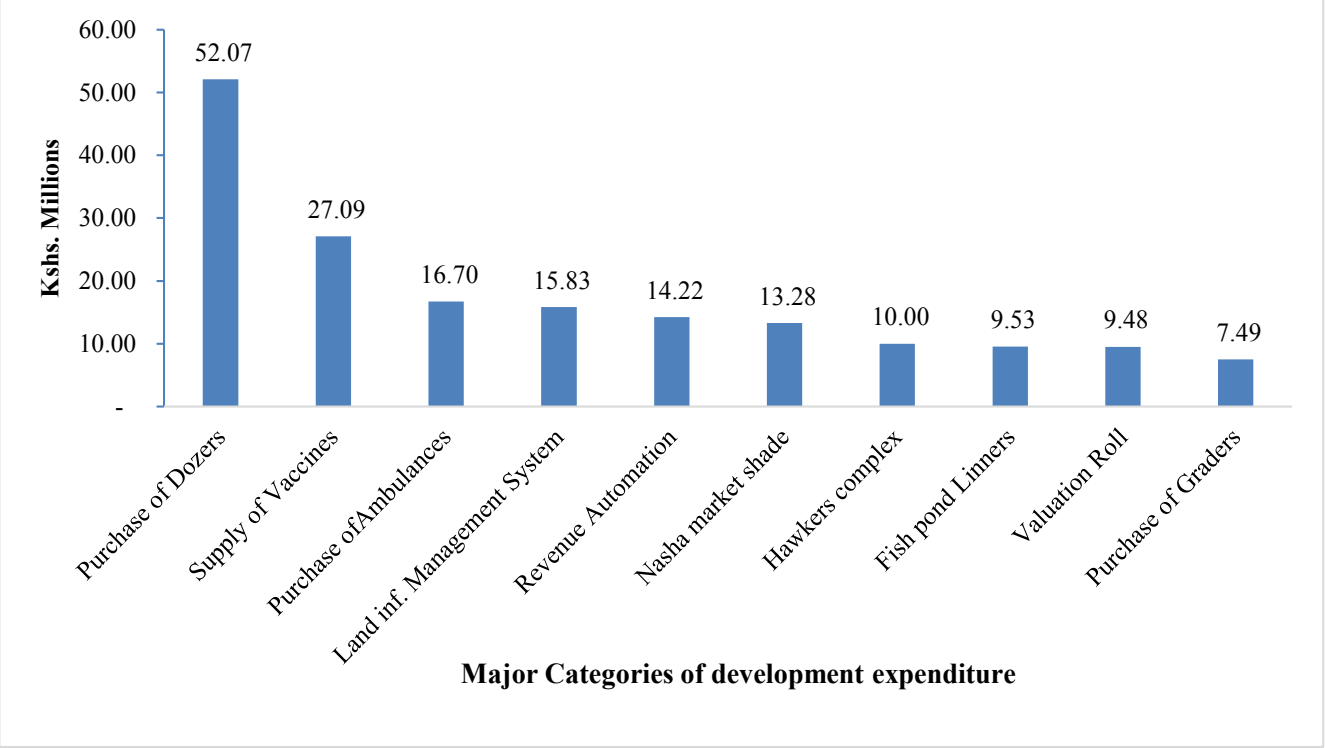



**Source:** *Nakuru County Treasury*

### 3.32.7 Development Expenditure Analysis

Figure 3.124 provides a summary of development expenditure during the period under review.

**Figure 3.124: Nakuru County, Summary of Development Expenditure for the First Nine Months of FY 2015/16**




**Source:** *Nakuru County Treasury*

Analysis of the development expenditure of Kshs.1.29 billion incurred in the reporting period indicates that the highest expenditure of Kshs.52.07 million was spent by the Roads Department on purchase of dozers. The second highest expenditure of Kshs.27.09 million was incurred by the Agriculture Department on purchase and supply of vaccines. The Department of Health incurred Kshs.16.70 million on purchase of ambulances while the Department of Trade and Industrialization incurred Kshs.13.28 million on construction of Nasha market shades.

### 3.32.8 Annual Budget and Budget Performance Analysis by department for the First Half of FY 2015/16

Table 3.93 shows a summary of FY 2015/16 annual budget estimates and budget performance for the reporting period by department.

**Table 3.93: Nakuru County, Annual Budget and First Nine Months of FY 2015/16 Budget Performance by Department**

| Department | Budget Allocation (Kshs. Million) | | 9 Month Exchequer Issues (Kshs. Million) | | 9 Month Expenditure (Kshs. Million) | | Expenditure to Exchequer Issues (%) | | Absorption Rate (%) | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Rec | Dev | Rec | Dev | Rec | Dev | Rec | Dev | Rec | Dev |
| Office of the Governor | 228.81 | 57.55 | 182.24 | 4.00 | 212.56 | 4.36 | 116.6 | 109.0 | 92.9 | 7.6 |
| County Assembly | 792.84 | 284.59 | 615.42 | 11.63 | 429.78 | - | 69.8 | - | 54.2 | - |
| Finance and Economic Planning | 710.44 | 508.40 | 594.66 | 172.00 | 624.08 | 44.37 | 104.9 | 25.8 | 87.8 | 8.7 |
| Public Service Management | 880.93 | 88.65 | 677.50 | - | 605.04 | 14.57 | 89.3 | - | 68.7 | 16.4 |
| Education, Sport, Youth & Culture | 660.93 | 777.07 | 345.97 | 262.53 | 278.37 | 208.97 | 80.5 | 79.6 | 42.1 | 26.9 |
| ICT & E-Government | 36.67 | 72.21 | 33.05 | 16.56 | 25.82 | 13.16 | 78.1 | 79.5 | 70.4 | 18.2 |
| Health and Sanitation | 3,575.73 | 755.07 | 2,447.03 | 306.29 | 2,287.86 | 203.23 | 93.5 | 66.4 | 64.0 | 26.9 |
| Roads and Public Works | 285.54 | 1,511.39 | 212.67 | 412.35 | 181.24 | 516.48 | 85.2 | 125.3 | 63.5 | 34.2 |
| Lands, Housing & Physical planning | 111.14 | 230.43 | 78.19 | 147.56 | 58.54 | 75.20 | 74.9 | 51.0 | 52.7 | 32.6 |
| Public Service Board | 80.25 | 5.39 | 61.66 | 5.39 | 56.17 | 5.39 | 91.1 | 99.9 | 70.0 | 99.9 |
| Trade, Energy, Industrialization and Tourism | 123.20 | 286.36 | 96.77 | 84.86 | 86.15 | 67.06 | 89.0 | 79.0 | 69.9 | 23.4 |
| Environment and Natural Resources | 326.85 | 568.75 | 251.34 | 158.61 | 208.65 | 131.16 | 83.0 | 82.7 | 63.8 | 23.1 |
| Agriculture livestock & Fisheries | 543.35 | 229.53 | 337.71 | 52.72 | 284.78 | 102.88 | 84.3 | 195.2 | 52.4 | 44.8 |
| **Total** | **8,356.67** | **5,375.41** | **5,934.22** | **1,634.49** | **5,339.04** | **1,386.83** | **90.0** | **84.8** | **63.9** | **25.8** |

**Source:** *Nakuru County Treasury*

Analysis of budget performance by department shows that the Department of Public Service Board reported the highest absorption rate for development expenditure at 99.9 per cent while the County Assembly did not spend any funds on development projects. On the other hand, the Office of the Governor had the highest percentage of its recurrent expenditure to annual recurrent budget at 92.9 per cent while the Education, Sport, Youth & Culture Department had the lowest expenditure at 42.1 per cent.

### 3.32.9 Observations and Recommendations

The County has made progress in addressing one of the challenges previously identified as affecting budget implementation. Part of the progresses made is the establishment of a functional CBEF that is involved with budget issues.

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

i. Decline in local revenue collection by 4.4 per cent from Kshs.1.59 billion collected in a similar period of FY 2014/15 to Kshs.1.52 billion in the reporting period.
ii. Continued increase in the debt level. Pending bills increased to Kshs.3.95 billion as at the end of the third quarter of FY 2015/16, up from Kshs.2.05 billion reported in March 2015.
iii. Huge wage bill, which accounted for 50 per cent of total expenditure thus constraining funding to other development programmes.

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

*i. The County should devise strategies to expand its revenue base and improve collection from the existing revenue streams.*

*ii. The County public debt should be maintained at 20 per cent of the total budget as required by PFM (County Governments) Regulations, 2015.*

*iii. The County should comply with Section 25 of the PFM (County Government) Regulations, 2015 on the limit on personnel expenditure.*

## 3.33 Nandi County

### 3.33.1 Overview of the FY 2015/16 Budget

The FY 2015/16 Approved Budget for Nandi County is Kshs.5.44 billion, comprising of Kshs.2.78 billion (51.1 per cent) and Kshs.2.67 billion (48.9 per cent) allocated to recurrent and development expenditure respectively.

In order to finance the budget, the county will receive Kshs.4.76 billion (87.5 per cent) as equitable share of revenue raised nationally, generate Kshs.255.76 million (4.7 per cent) from local sources

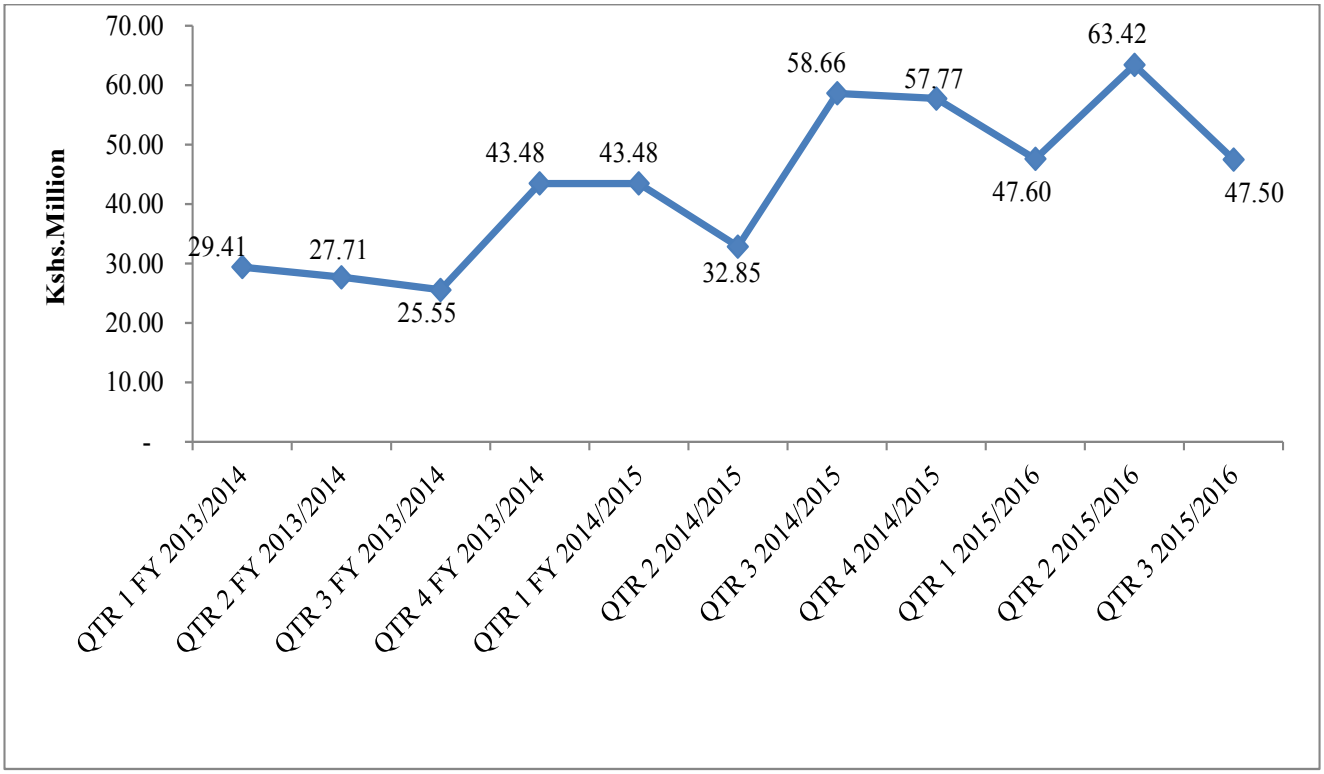
and Kshs.432.30million (7.9 per cent) as projected cash balance from FY 2014/15. However, total conditional grants of Kshs.259.06 million allocated to the County by CARA 2015 were not factored in the approved budget. The conditional grants comprise of Kshs.95.74 million (37.0per cent) for Leasing of Medical Equipment, Kshs.67.05million (25.9 per cent) for Maternal Health Care, Kshs.17.55 million (6.8 per cent) from User Fee Foregone , Kshs.60.41million (23.3per cent) from the Road Maintenance Fuel Levy Fund, and Kshs.18.31million (7.1 per cent) as a conditional grant from DANIDA as shown in Table 3.95.

### 3.33.2 Revenue Analysis

In the first nine months of FY 2015/16, the County received Kshs.2.78 billion as equitable share of revenue raised nationally, Kshs.58.37 million as conditional allocations, raised Kshs.158.52 million from local sources, and had a cash balance of Kshs.432.3 million brought forward from FY 2014/15. The County did not borrow any funds during the reporting period to finance the budget.

Figure 3.125 shows the quarterly trend in local revenue collection from FY 2013/14 to the third quarter of FY 2015/16.

**Figure 3.125: NandiCounty, Trend in Local Revenue Collection by Quarter from FY 2013/14 to the Third Quarter of FY 2015/16**




**Source:** *Nandi County Treasury*

The total local revenue for the reporting period of Kshs.158.52 million consisted of Kshs.47.60 million generated in the first quarter, Kshs.63.42 million in the second quarter and Kshs.47.50 million in the third quarter of FY 2015/16. The revenue collected was 62.0 per cent of the annual

local revenue target, and an improvement from Kshs.134.98 million collected in a similar period of FY 2014/15.

Table 3.94 shows further analysis of the local revenue collected in the first nine months of FY 2015/16 by stream.

**Table 3.94: Nandi County analysis of revenue collection by stream for the first nine months of FY 2015/16**

| No. | Revenue Stream | Annual Targeted Revenue (Kshs.) | 9 Months Actual Revenue | Actual Revenue as percentage of Annual Targets (%) |
|---|---|---|---|---|
| 1 | (FIF)Maternity, In-patient | 30,000,000 | 26,327,755.00 | 87.8 |
| 2 | Parking Fees | 33,642,700 | 25,752,837.00 | 76.5 |
| 3 | Market Fees | 11,300,000 | 7,427,323.00 | 65.7 |
| 4 | Miscellaneous | 9,136,100 | 5,954,623.00 | 65.2 |
| 5 | Kiborgok Tea Proceeds | 20,100,000 | 12,355,000.00 | 61.5 |
| 6 | Business Permits | 30,500,000 | 17,585,258.00 | 57.7 |
| 7 | Health and Sanitation | 50,530,000 | 22,003,279.00 | 43.5 |
| 8 | Land Rates | 31,537,953 | 13,462,043.00 | 42.7 |
| 9 | Other Sources | 39,018,200 | 27656318.00 | 70.9 |
| **Total** | | **255,764,953** | **158,524,436.00** | **62.0** |

***Source:*** *Nandi County Treasury*

Analysis of the local revenue by stream indicates that Facility Improvement Fund recorded the highest performance against annual target at 87.8 per cent. This was closely followed by Parking Fees at 76.5 per cent. The increase in Parking Fee is attributable to e-payment system introduced by the County.

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

### 3.33.3 Conditional Grants

Table 3.9 shows the analysis of conditional grants for the first nine months of FY 2015/16.

**Table 3.95: Nandi County analysis of conditional grants for the first nine months of FY 2015/16**

| No. | Conditional Grant | Amount allocated as provided in CARA 2015 (Kshs.) | 9 Months Actual receipt of the Conditional Grant (Kshs.) | Actual Receipts as a percentage of Annual Allocation (%) |
|---|---|---|---|---|
| 1 | DANIDA Grant | 18,310,000 | 18,310,000 | 100.0 |
| 2 | Road Maintenance Fuel Levy Fund | 60,405,657 | 30,504,858 | 50.5 |
| 3 | Free Maternal Health Care | 67,048,800 | 26,327,755 | 39.3 |
| 4 | User Fees Forgone | 17,551,588 | 12,758,690 | 72.2 |
| 5 | Leasing of Medical Equipment | 95,744,680 | 0 | 0.0 |
| | **TOTAL** | **259,060,725** | **87,901,303** | **33.9** |

**Source:** *Nandi County Treasury*

Analysis of the conditional grants for the period under review indicates that DANIDA Grant recorded the highest receipts against annual target at 100.0 per cent. This was closely followed by Road Maintenance Fuel Levy Fund at 75.5 per cent.

### 3.33.4 Exchequer Issues

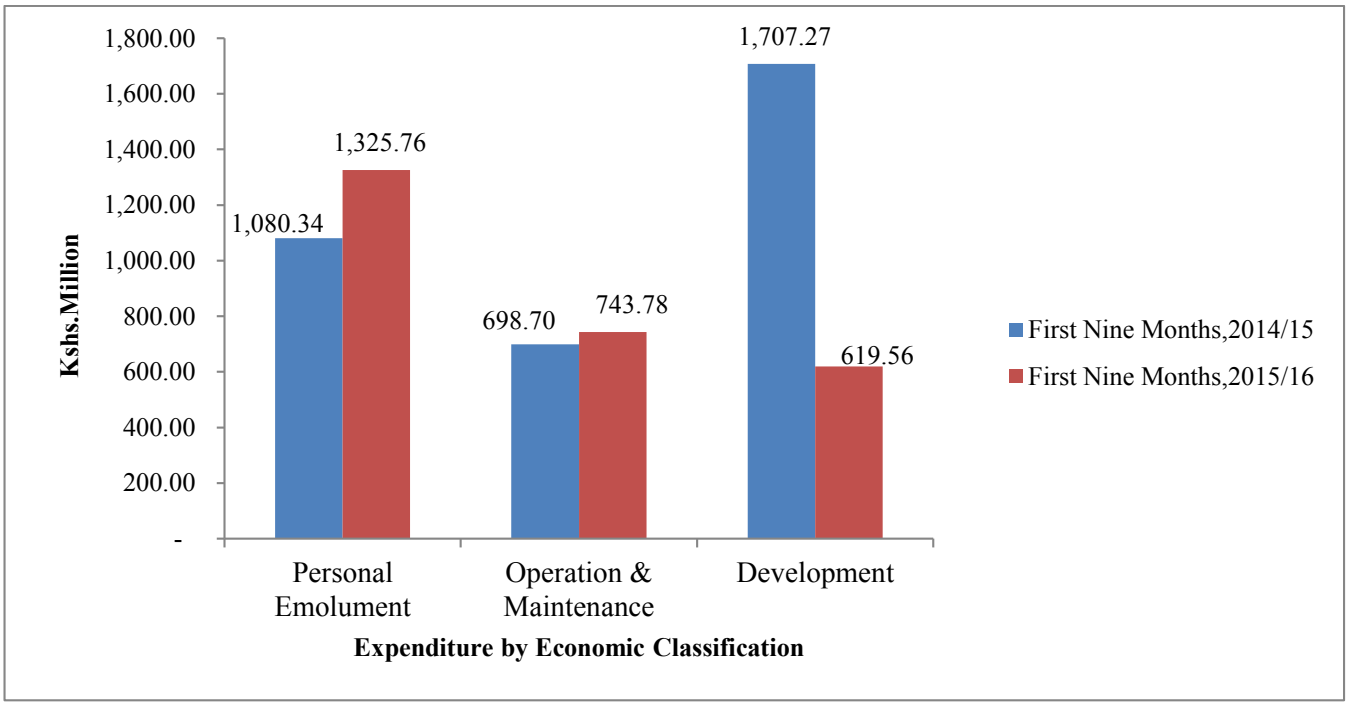
During the period under review, the COB authorised withdrawal of Kshs.3.38 billion from the CRF account, which was 62.2 per cent of the approved budget. The amount represented a decline of 4.2 per cent from Kshs.3.53 billion authorized in a similar period of FY 2014/15 and consisted of Kshs.2.15 billion (63.6 per cent) for recurrent expenditure and Kshs.1.23 billion (36.4 per cent) for development activities.

### 3.33.5 Overall Expenditure Review

The County spent a total of Kshs.2.69 billion during the first nine months of FY 2015/16 which was 79.6 per cent of the total funds released for operations. This was a decline from the Kshs.3.49 billion spent in a similar period of FY 2014/15. A total of Kshs.2.1 billion was spent on recurrent activities and Kshs.619.56 million on development activities. Recurrent expenditure was 96.2 per cent of the funds released for recurrent activities while development expenditure accounted for 50.2 per cent of the funds released for development activities. The expenditure excludes commitments as at 31st March, 2016 that amounted to Kshs.573.63 million for development and Kshs.87.81 million for recurrent expenditure.

Recurrent expenditure for the period under review represented 74.7 per cent of the approved annual recurrent budget, an increase from 63.9 per cent spent in a similar period of FY 2014/15. On the other hand, development expenditure recorded an absorption rate of 23.2 per cent, a decrease from 70.9 per cent spent in a similar period of FY 2014/15. Figure 3.126 shows a comparison of the total expenditure in the third quarter of FY 2014/15 and the same period in FY 2015/16.

**Figure 3.126: Nandi County, Expenditure by Economic Classification for the First Nine Months of FY 2014/15 and FY 2015/16**




**Source:** *Nandi County Treasury*

### 3.33.6 Recurrent Expenditure Analysis

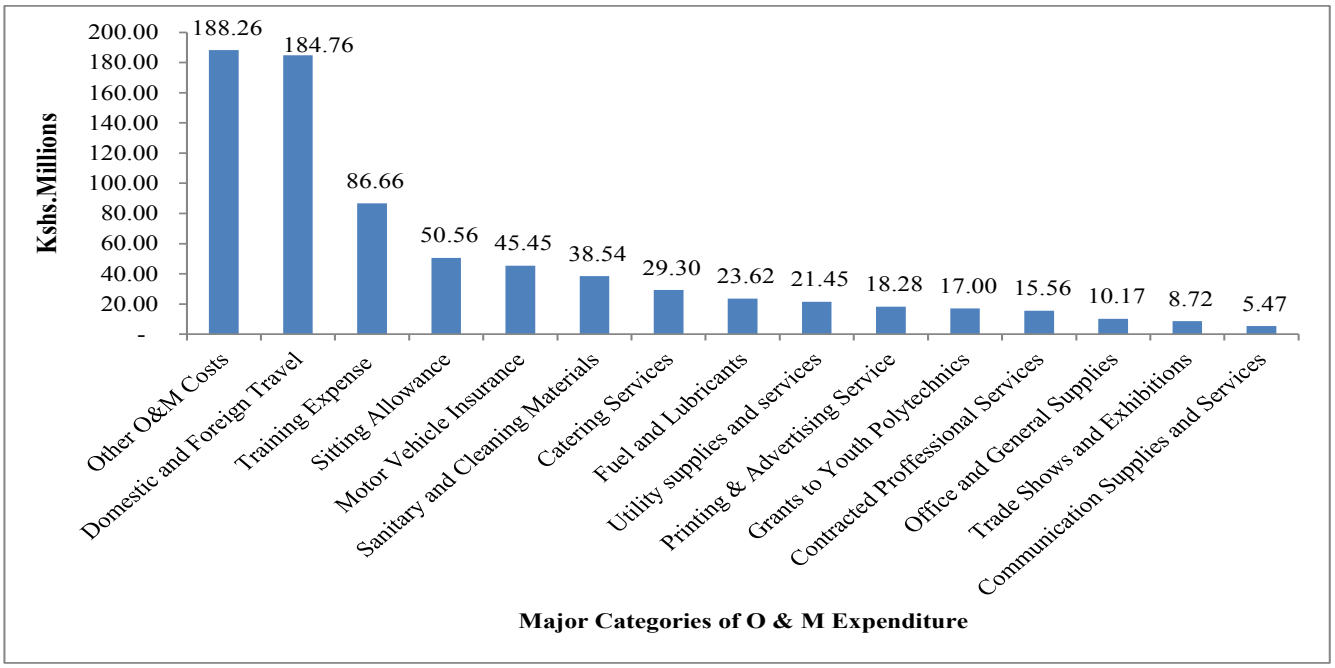
The total recurrent expenditure for the reporting period was Kshs.2.1 billion against an annual recurrent budget of Kshs.2.78 billion. This represents 75.5 per cent of the annual recurrent budget. The County spent Kshs.1.33 billion (63.3 per cent) on personnel emoluments and Kshs.743.78 million (36.7 per cent) on operations and maintenance as shown in Figure 3.126.

The expenditure on personnel emoluments of Kshs.1.33 billion incurred in the first nine months of FY 2015/16 represented an increase of 23.1 per cent compared to a similar period in FY 2014/15 when the County spent Kshs.1.08 million. The increase is attributed to payments associated with nurses promotions and annual salary increments to all staff.

The County spent Kshs.50.56 million on sitting allowances to the 48 MCAs and the Speaker against an annual budget of Kshs.73.84 million. This represents an increase from Kshs.31.36million recorded in a similar period of FY 2014/15. The average monthly sitting allowance per MCA was Kshs.114,658 compared to SRC's recommended monthly ceiling of Kshs.124,800.

The aggregate expenditure on domestic and foreign travel was Kshs.184.76 million compared to Kshs.140.16 million incurred in a similar period of FY 2014/15, representing a significant increase of 31.8 per cent. Figure 3.127 shows a breakdown of the operations and maintenance expenditure for the reporting period.

**Figure 3.127: Nandi County, Operations and Maintenance Expenditure for the First Nine Months of FY 2015/16**

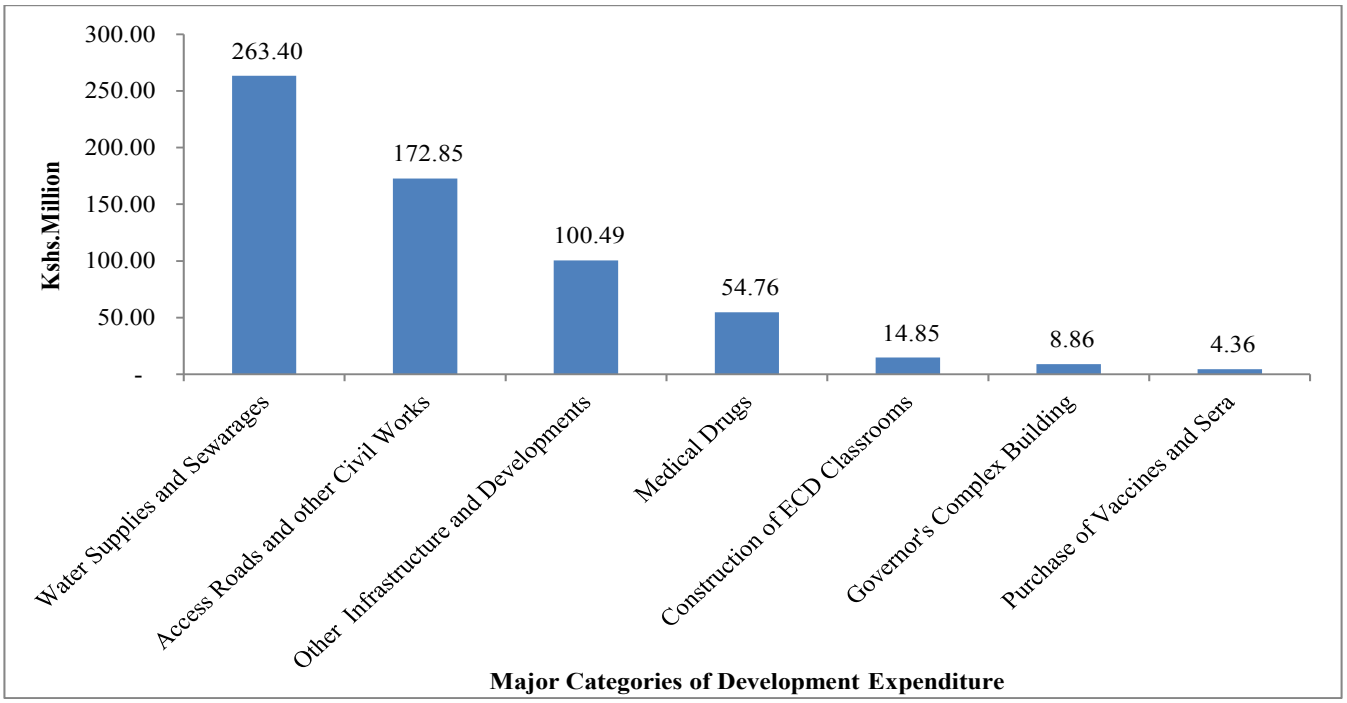



**Source:** *Nandi County Treasury*

### 3.33.7 Development Expenditure Analysis

Figure 3.128 provides a summary of development expenditure during the period under review.

**Figure 3.128: NandiCounty, Summary of Development Expenditure for the First Nine Months of FY 2015/16**




**Source:** *Nandi County Treasury*

Analysis of the development expenditure of Kshs.619.56 million incurred in the reporting period indicates that the highest expenditure of Kshs.263.40 million was spent by the Water, Environment, Energy & Natural Resources Department on Water Supplies and Sewerages. The second highest expenditure of Kshs.172.85 million was incurred by the Department of Roads and Transport on development and maintenance of access roads .A total of 230 kilometres of roads were maintained across the 30 wards. The Department of Health and Sanitation Development incurred Kshs.50.76 million on Purchase of medical drugs while the Department of Agriculture incurred Kshs.4.36 million on purchase of vaccines and sera.

### 3.33.8 Annual Budget and Budget Performance Analysis by department for the First Half of FY 2015/16

Table 3.96 shows a summary of FY 2015/16 annual budget estimates and budget performance for the reporting period by department.

**Table 3.96: Nandi County, Annual Budget and First Nine Monthsof FY 2015/16 Budget Performance by Department**

| Department | Budget Allocation(Kshs.Million) | | Exchequer Issues (Kshs.Million) | | Expenditure (Kshs.Million) | | Expenditure to Exchequer Issues(%) | | Expenditure to Annual Budget (%) | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Rec | Dev | Rec | Dev | Rec | Dev | Rec | Dev | Rec | Dev |
| Office of the Governor & Deputy Governor | 373.03 | 78.00 | 315.19 | 20.00 | 315.07 | 8.86 | 100.0 | 44.3 | 84.5 | 11.4 |
| Finance & Economic Planning | 437.53 | 747.99 | 351.40 | 0.00 | 332.65 | | 94.7 | 0.0 | 76.0 | 0.0 |
| Education, Youth, Culture & Social services | 184.03 | 161.00 | 155.17 | 80.00 | 106.15 | 14.85 | 68.4 | 18.6 | 57.7 | 9.2 |
| Health Services | 754.47 | 417.89 | 580.06 | 305.00 | 672.85 | 125.55 | 116.0 | 41.2 | 89.2 | 30.0 |
| Gender, Culture & Social Development | 36.59 | 130.82 | 25.26 | 23.00 | 13.50 | | 53.5 | 0.0 | 36.9 | 0.0 |
| Public Works, Roads and Transport | 87.33 | 441.41 | 68.33 | 418.00 | 55.74 | 176.00 | 81.6 | 42.1 | 63.8 | 39.9 |
| County Assembly Services | 524.20 | 110.56 | 388.19 | 15.00 | 315.95 | | 81.4 | 0.0 | 60.3 | 0.0 |
| Public Service & Administration | 56.03 | 147.00 | 38.83 | 76.00 | 38.99 | | 100.4 | 0.0 | 69.6 | 0.0 |
| Trade, Industrialization, Tourism, Wildlife & Cooperative Development | 72.00 | 57.62 | 46.85 | 0.00 | 36.39 | 1.69 | 77.7 | 0.0 | 50.5 | 2.9 |
| County Public Service Board | 36.50 | 0.00 | 22.85 | 0.00 | 14.61 | 0.00 | 63.9 | 0.0 | 40.0 | 0.0 |
| Agriculture, Livestock & Fisheries Development | 172.94 | 43.77 | 134.94 | 40.00 | 151.82 | 29.22 | 112.5 | 73.1 | 87.8 | 66.8 |
| Water ,Environment ,Energy & Natural Resources | 35.95 | 336.53 | 23.41 | 237.00 | 15.83 | 263.40 | 67.6 | 111.1 | 44.0 | 78.3 |
| **TOTAL** | **2,770.60** | **2,672.58** | **2,150.47** | **1,214.00** | **2,069.55** | **619.56** | **96.2** | **50.2** | **74.7** | **23.2** |

**Source:** *Nandi County Treasury*

Analysis of budget performance by department shows that the Department of Water, Environment, Energy & Natural Resources reported the highest absorption rate for development expenditure at 78.3 per cent while the County Treasury, Gender, Culture and Social Services, Public Service and Administration and County Assembly Services did not incur any development expenditure during the period under review. On the other hand, the Health Services Department had the highest percentage of its recurrent expenditure to annual recurrent budget at 89.2 per cent while the Gender, Culture & Social Development had the lowest at 36.9 per cent.

### 3.33.9 Observations and Recommendations

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

i. Automation of the revenue system.
ii. Establishment of the County Budget and Economic Forum.
iii. Built the capacity of staff through regular training.
iv. Adoption of IFMIS in the processing of transactions by both the County Executive and County Assembly.

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

1. The County Assembly is yet to enact regulations to operationalize Emergency and Disaster Fund.
2. Absence of a designated Administrator for the established County Bursary Fund, thereby rendering the administration and accounting for the funds difficult.
3. Failure to establish a monitoring and evaluation committee to monitor and report on status of projects in the County.

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

1. *The County Assembly should fast track approval of the Emergency Fund Regulations.*
2. *The County Executive Member for Finance should appoint an administrator for the Bursary Fund in accordance with Section 116 of the PFM Act, 2012.*
3. *The County should establish an effective monitoring, reporting and evaluation committee to oversee implementation development county projects and report on their status*.

## 3.34 Narok County

### 3.34.1 Overview of the FY 2015/16 Budget

The Approved Budget for Narok County for FY 2015/16 amounts to Kshs.9.00 billion, with Kshs.5.06 billion (56.2 per cent) and Kshs3.94 billion (43.8 per cent) for recurrent and development expenditure respectively.

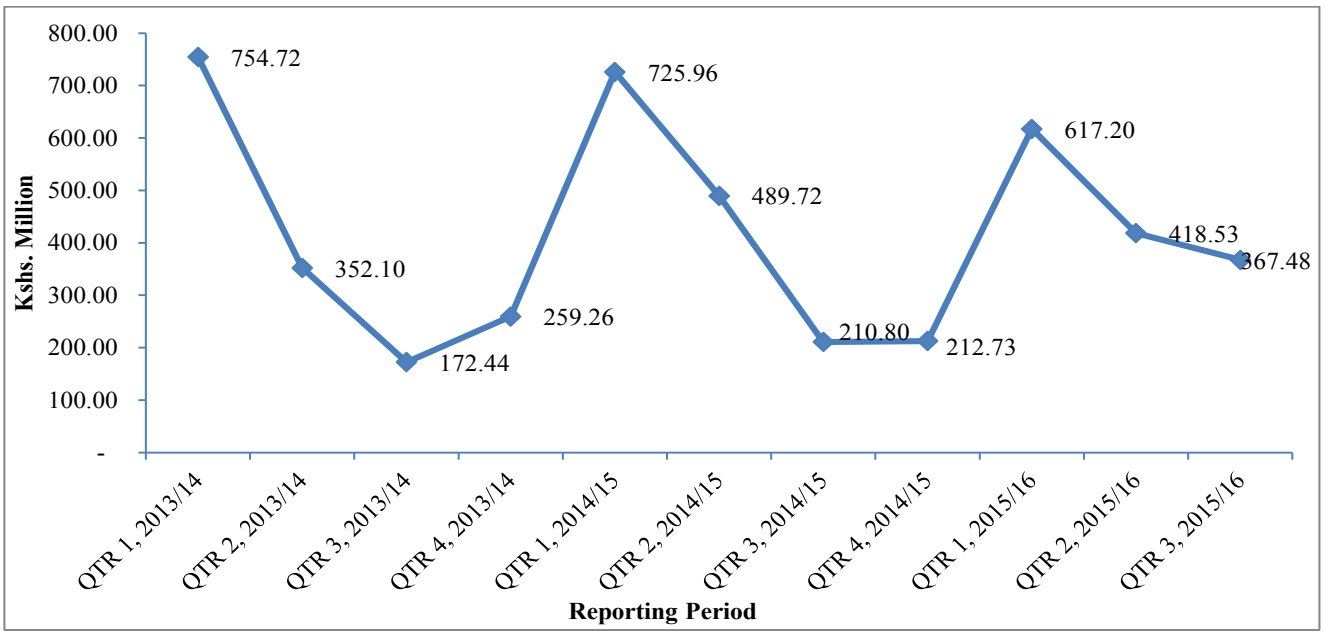
In order to finance the budget, the county expects to receive Kshs.5.29 billion (58.7 per cent) as equitable share of revenue raised nationally, Kshs.295.08 million (3.3 per cent) as total conditional grants, and generate Kshs.3.32 billion (36.8 per cent) from local sources. The conditional grants comprise of Kshs.56.30 million (19.1 per cent) for Maternal Health Care, Kshs.67.17 million (22.8 per cent) from the Road Maintenance Fuel Levy Fund, Kshs.38.14 million (12.9 per cent) as World Bank grant to support health facilities and Kshs.17.89 million (6.1 per cent) as a conditional grant from DANIDA as shown in Table 3.97. However, opening cash balance from FY 2014/15 of Kshs.419.00 million was not factored in the FY 2015/16 budget.

### 3.34.2 Revenue Analysis

In the first nine months of FY 2015/16, the County received Kshs.3.09 billion as equitable share of revenue raised nationally, Kshs.17.89 million as conditional allocations, raised Kshs.1.40 billion from local sources, and had a cash balance of Kshs.419.00 million brought forward from FY 2014/15. The County did not borrow any funds during the reporting period to finance the budget.

Figure 3.129 shows the quarterly trend in local revenue collection from FY 2013/14 to the third quarter of FY 2015/16.

**Figure 3.129: Narok County, Trend in Local Revenue Collection by Quarter from the FY 2013/14 to the Third Quarter of FY 2015/16**




Source: *Narok County Treasury*

The total local revenue for the reporting period of Kshs.1.40 billion consisted of Kshs.617.20 million generated in the first quarter, Kshs.418.53 million in the second quarter and Kshs.367.48 million in the third quarter of FY 2015/16. The revenue collected was 40.0 per cent of the annual local revenue target, and an improvement from Kshs.1.20 billion collected in a similar period of FY 2014/15.

Table 3.97 shows further analysis of the local revenue collected in the first nine months of FY 2015/16 by stream.

**Table 3.97: Narok County analysis of revenue collection by stream grant for the first nine months of FY 2015/16**

| No | Revenue Stream | Annual Targeted Revenue (Kshs.) | 9 Months Actual Revenue | Actual Revenue as percentage of Annual Targets (%) |
|---|---|---|---|---|
| 1 | Mara Game Reserve Fees | 1,900,000,000 | 1,186,471,444 | 62.4 |
| 2 | Cess Revenue | 367,000,000 | 70,865,470 | 19.3 |
| 3 | Single Business Permits | 99,000,000 | 10,923,396 | 11.0 |
| 4 | Plot Rent | 352,900,000 | 27,562,827 | 7.8 |
| 5 | Vehicle Parking Fees | 40,000,000 | 2,449,480 | 6.1 |
| 6 | Market and Slaughter Fees | 190,400,000 | 8,241,403 | 4.3 |
| 7 | Other Sources | 557,804,596 | 96,694,702 | 17.3 |
| | **TOTAL** | **3,507,104,596** | **1,403,208,722** | **40.0** |

***Source**: Narok County Treasury*

Analysis of the local revenue by stream indicates that Mara Game Reserve Fees recorded the highest performance against annual target at 62.4 per cent. This was closely followed by cess revenue at 19.3 per cent.

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

### 3.34.3 Conditional Grants

Table 3.98 shows the analysis of conditional grants for the first nine months of FY 2015/16.

**Table 3.98: Narok County analysis of conditional grants for the first nine months of FY 2015/16**

| No. | Conditional Grant | Amount allocated as provided in CARA 2015 (Kshs.) | 9 Months Actual receipt of the Conditional Grant (Kshs.) | Actual Receipts as a percentage of Annual Allocation (%) |
|---|---|---|---|---|
| 1 | DANIDA Grant | 17,890,000.00 | 17,890,000 | 100.0 |
| 2 | Road Maintenance Fuel Levy Fund | 67,173,929.00 | 33,922,834 | 50.5 |
| 3 | Free Maternal Health Care | 56,303,800.00 | 22,780,000 | 40.5 |
| 4 | User Fees Forgone | 19,834,915.00 | 4,063,750 | 20.5 |
| 5 | World Bank Grant | 38,137,350.00 | 38,137,350 | 100.0 |
| 6 | Leasing of Medical Equipment | 95,744,680.00 | 0.0 | 0.0 |
| | **TOTAL** | **295,084,674** | **166,088,899** | **56.3** |

***Source:** Narok county Treasury*

Analysis of the conditional grants for the period under review indicate that DANIDA and World Bank grants attained the highest performance against annual target at 100.0 per cent. This was closely followed by Road Maintenance Fuel Levy Fund at 50.0 per cent.

### 3.34.4 Exchequer Issues

During the period under review, the COB authorised withdrawal of Kshs.4.68 billion from the CRF account, which was 52.0 per cent of the approved budget. The amount represented a decline of 5.8 per cent from Kshs.4.97 billion authorized in a similar period of FY 2014/15 and consisted of Kshs.3.40 billion (72.6 per cent) for recurrent expenditure and Kshs.1.28 billion ( 27.3 per cent) for development activities.

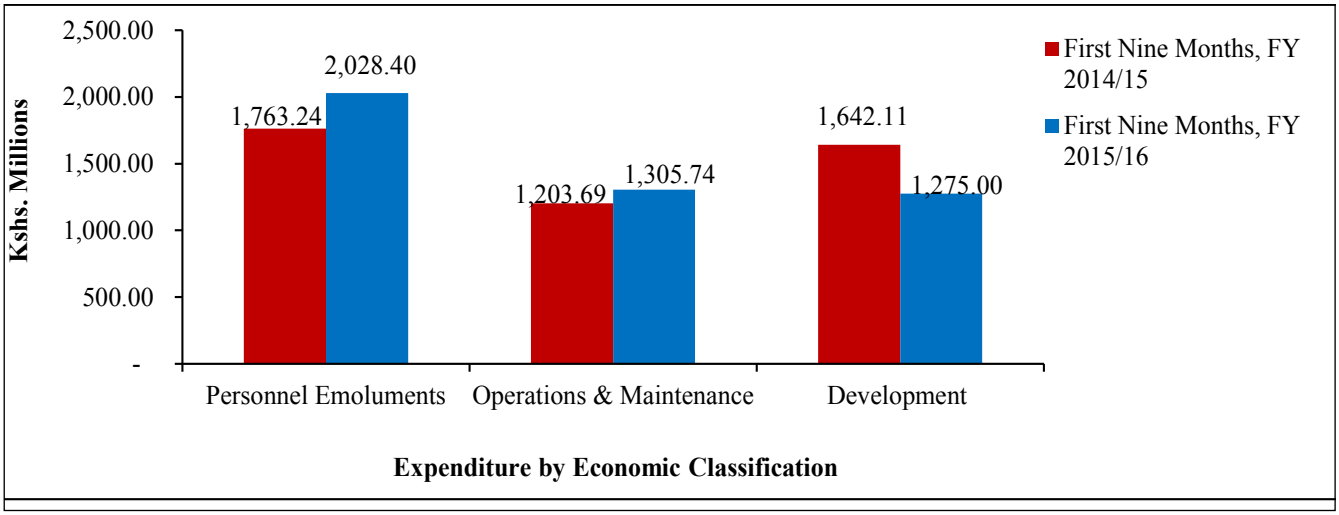
### 3.34.5 Overall Expenditure Review

The County spent a total of Kshs.4.61 billion during the first nine months of FY 2015/16 which was 96.4 per cent of the total funds released for operations. This was the same as the amount spent in a similar period of FY 2014/15. A total of Kshs.3.33 billion was spent on recurrent activities and Kshs.1.28 million on development activities. Recurrent expenditure was 97.9 per cent of the funds released for recurrent activities while development expenditure accounted for 100.0 per cent of the funds released for development activities. The expenditure excludes commitments as at 31st March, 2016 that amounted to Kshs.440.25 million for development and Kshs.349.58 million for recurrent expenditure.

Recurrent expenditure for the period under review represented 65.8 per cent of the approved annual recurrent budget, a decrease from 66.2 per cent spent in a similar period of FY 2014/15. On the other hand, development expenditure recorded an absorption rate of 32.5 per cent, a decrease from 40.1 per cent spent in a similar period of FY 2014/15.

Figure 3.130 shows a comparison of the total expenditure in the third quarter of FY 2014/15 and the same period in FY 2015/16.

**Figure 3.130 : Narok County, Expenditure by Economic Classification for third quarter of FY 2014/15 and FY 2015/16**




**Source:** *Narok County Treasury*

### 3.34.6 Recurrent Expenditure Analysis

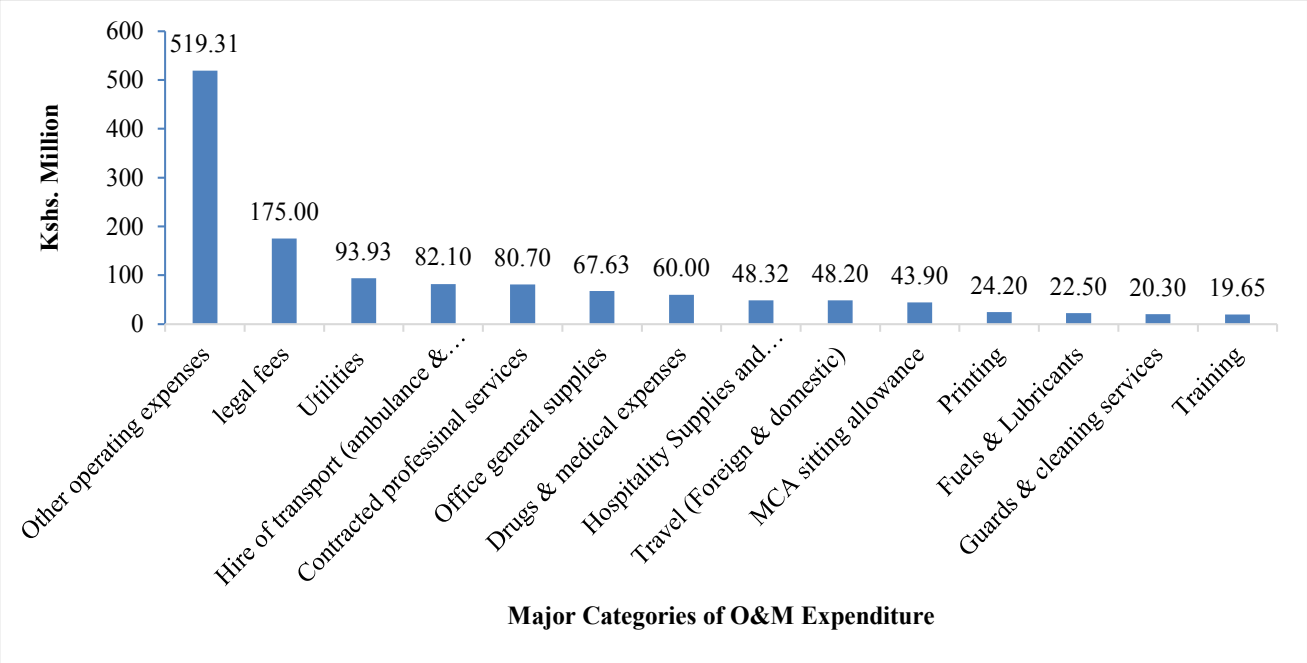
The total recurrent expenditure for the reporting period was Kshs.3.33 billion against an annual recurrent budget of Kshs.5.06 billion. This represents 65.8 per cent of the annual recurrent budget. The County spent Kshs.2.03 billion (61.0 per cent) on personnel emoluments and Kshs.1.31 billion (39.3 per cent) on operations and maintenance as shown in Figure 3.130.

The expenditure on personnel emoluments of Kshs.2.03 billion incurred in the first nine months of FY 2015/16 represented an increase of 14.7 per cent compared to a similar period in FY 2014/15 when the County spent Kshs.1.77 billion. The increase is attributed to payment of salary arrears to former Local Authority employees and new recruitments.

The County spent Kshs.33.60 million on sitting allowances to the 48 MCAs and the Speaker against an annual budget of Kshs.60.00 million. This represents a marginal increase from Kshs.29.11 million recorded in a similar period of FY 2014/15. The average monthly sitting allowance per MCA was Kshs.77,920 compared to SRC's recommended monthly ceiling of Kshs.124,800.

The aggregate expenditure on domestic and foreign travel was Kshs.19.12 million which comprised of Kshs. 9.35 million by the County Executive and Kshs. 9.77 million by the Count Assembly compared to Kshs.96.55 million incurred in a similar period of FY 2014/15, representing a significant decrease of 80.2 per cent. Figure 3.13 shows a breakdown of the operations and maintenance expenditure for the reporting period.

**Figure 3.131: Narok County, Operations and Maintenance Expenditure for the First Nine Months of FY 2015/16**

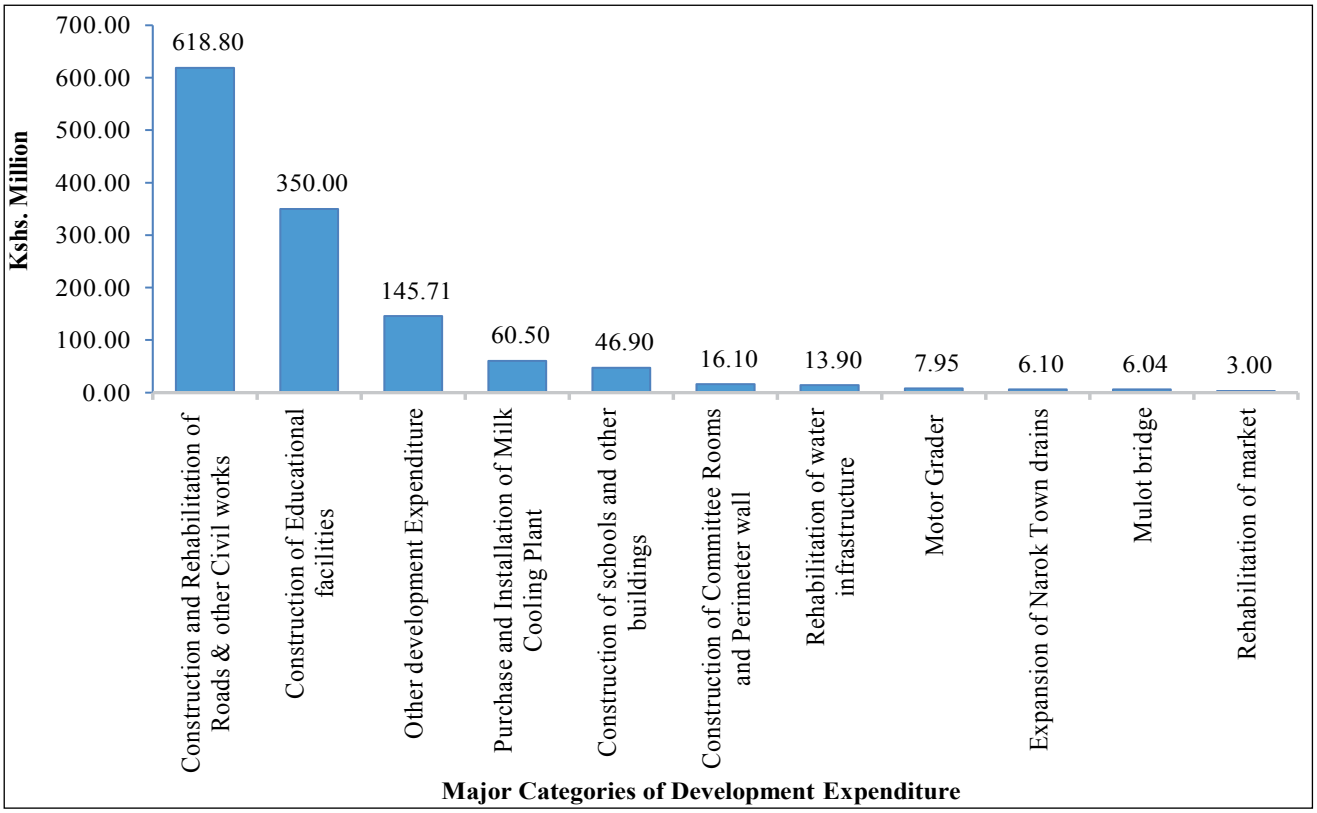



**Source:** *Narok County Treasury*

### 3.34.7 Development Expenditure Analysis

Analysis of the development expenditure of Ksh.1.275 billion up to the third quarter of FY 2015/16 indicates that the Roads Department had the highest expenditure at Kshs.618.8 million which was spent on development and maintenance of access roads. A total of 239.5 kilometres of roads were maintained across the 30 wards. The second highest expenditure at Kshs.350 million was incurred by the Education Department on construction of educational facilities. The Department of Agriculture, Livestock and Fisheries spent Kshs.60.5 million on purchase and installation of milk cooling plant. Figure **3.132** provides the details of development expenditure up to the third quarter of FY 2015/16.

**Figure 3.132: Narok County, Summary of Development Expenditure for the Third Quarter of FY 2015/16**




**Source:** *Narok County Treasury*

### 3.34.8 Annual Budget and Budget Performance Analysis by department for the First Nine Months of FY 2015/16

Table 3.99 shows a summary of the FY 2015/16 annual budget estimates and budget performance for the third quarter, by department for Narok County.

**Table 3.99: Narok County, Budget and Expenditure By Department for third Quarter FY 2015/16**

| Department | Budget Allocation (Kshs Million) | | Exchequer Issues (Kshs Million) | | Expenditure (Kshs Million) | | % Of Expenditure to Exchequer Issues | | % Of Expenditure To Budget Allocation | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Rec | Dev | Rec | Dev | Rec | Dev | Rec | Dev | Rec | Dev |
| County Assembly | 533.00 | 187.81 | 383.00 | 28.00 | 317.78 | 28.00 | 83.0 | 100.0 | 59.6 | 14.91 |
| Governor's Office | 1,823.86 | 60.00 | 1,294.51 | - | 1,294.86 | - | 100.0 | - | 71.0 | - |
| Finance and Economic Planning | 506.56 | 363.00 | 308.41 | 500.00 | 308.40 | 50.00 | 100.0 | 10.0 | 60.9 | 13.77 |
| Roads, Transport and Infrastructure | 91.94 | 1,777.17 | 58.76 | 735.00 | 58.76 | 735.00 | 100.0 | 100.0 | 63.9 | 41.4 |
| Education, Social Cultural, Youth and Sports | 436.00 | 396.50 | 225.05 | 350.00 | 225.05 | 350.00 | 100.0 | 100.0 | 51.6 | 88.3 |
| Water, Environment, Energy and Natural Resources | 54.39 | 80.00 | 33.40 | 18.00 | 33.40 | 18.00 | 100.0 | 100.0 | 61.4 | 22.5 |
| County Public Service Board | 66.38 | - | 45.05 | - | 45.05 | - | 100.0 | - | 67.9 | - |
| Agriculture, Livestock and Fisheries | 216.61 | 332.00 | 137.48 | 80.00 | 137.47 | 80.00 | 100.0 | 100.0 | 63.5 | 24.1 |
| Health Services | 1,077.11 | 169.00 | 748.50 | 2.00 | 748.50 | 2.00 | 100.0 | 100.0 | 69.5 | 1.2 |
| Lands, Housing and physical planning | 103.32 | 159.68 | 67.07 | 10.00 | 64.66 | 10.00 | 96.4 | 100.0 | 62.6 | 6.3 |
| ICT and E-Government | 29.50 | 33.00 | 22.56 | - | 22.56 | - | 100.0 | - | 76.5 | - |
| Trade, Cooperatives, Tourism and Wildlife | 122.51 | 380.00 | 77.87 | 3.00 | 77.67 | 3.00 | 99.7 | 100.0 | 63.4 | 0.80 |
| **TOTAL** | **5,061.18** | **3,938.16** | **3,401.65** | **1,726.00** | **3,334.17** | **1,276.00** | **98.0** | **73.9** | **65.9** | **32.4** |

**Source:** *Narok County Treasury*

A breakdown of budget performance by department shows that the Department of Education, Culture Youth Sports and Social Services reported the highest absorption rate for development budget at 88.3 per cent while Department of ICT and E-government and Office of the Governor did not incur and development expenditure. On the other hand, the Department of ICT and E-government had the highest absorption rate for recurrent budget at 76.5 while the Department of Education Youth

Culture and Social Services had the lowest absorption rate at 51.6 per cent.

### 3.34.9 Observations and Recommendations

The county has made progress in addressing some of the challenges that were previously identified as affecting budget implementation as follows;

i. Addressed the irregular spending of local revenue at source by the Department of Health.

ii. Improved local revenue collection by 16.7 per cent from Kshs.1.20 billion achieved during the first nine monthsof FY 2014/15 to Kshs.1.40 billion during the reporting period.

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

1. Delay in disbursement of funds by National Treasury which resulted in slow implementation of development projects.
2. The IFMIS System connectivity challenges occasioning delays in processing of payments.

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 funds allocated to the County are released in a timely manner in line with the CARA, 2015 disbursement schedule.*
2. *The County Treasury should liaise with the National Treasury to ensure seamless connectivity of IFMIS.*

## 3.35 Nyamira County

### 3.35.1 Overview of the FY 2015/16 Budget

The FY 2015/16 Approved Budget for Nyamira County is Kshs.5.54 billion, comprising of Kshs.2.90 billion (52.3 per cent) and Kshs.2.64 billion (47.7 per cent) allocated to recurrent and development expenditure respectively.

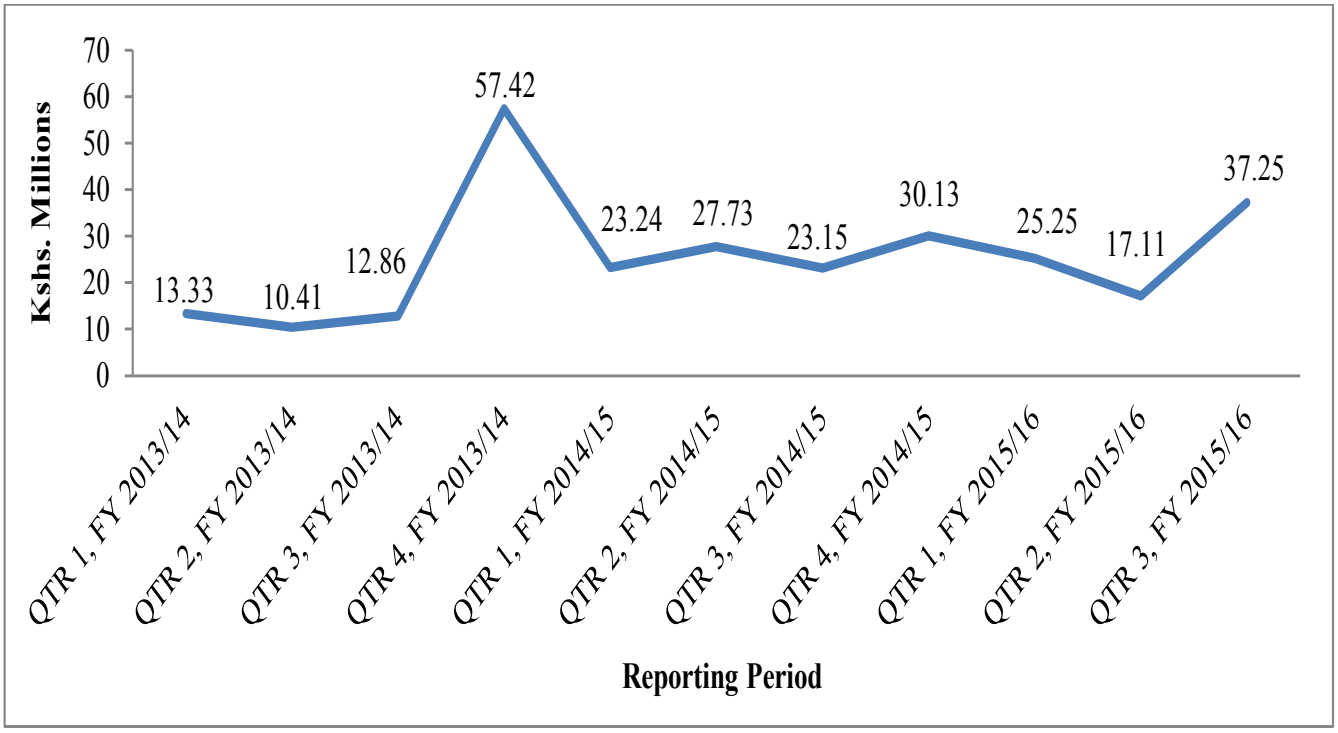
In order to finance the budget, the county expects to receive Kshs.4.15 billion (74.9 per cent) as equitable share of revenue raised nationally, Kshs.359.95 million (6.5 per cent) as total conditional grants, generate Kshs.240.96 million (4.4 per cent) from local sources, and Kshs.788.73 million (14.2 per cent) as projected cash balance from FY 2014/15. The conditional grants comprise of Kshs.95.74 million (26.6 per cent) for Leasing of Medical Equipment, Kshs.79.94 million (22.2 per cent) for Maternal Health Care, Kshs.52.78 million (14.7 per cent) from the Road Maintenance Fuel Levy Fund, Kshs.13.95 million (3.9 per cent) as User Fees Forgone, Kshs.93.62 million (26.0 per cent) as County Emergency Fund, and Kshs.23.92 million (6.6 per cent) as a conditional grant from DANIDA as shown in Table 3.100. However County Emergency Fund was not provided for in CARA 2015.

### 3.35.2 Revenue Analysis

In the first nine months of FY 2015/16, the County received Kshs.2.43 billion as equitable share of revenue raised nationally, Kshs.90.38 million as conditional allocations, raised Kshs.79.62 million from local sources, and had a cash balance of Kshs.726.31 million brought forward from FY 2014/15. The County did not borrow any funds during the reporting period to finance the budget.

Figure 3.133 shows the quarterly trend in local revenue collection from FY 2013/14 to the third quarter of FY 2015/16.

**Figure 3.133: Nyamira County, Trend in Local Revenue Collection by Quarter from FY 2013/14 to the Third Quarter of FY 2015/16**




**Source:** *Nyamira County Treasury*

***NB:*** *The revenue data for QTR1, FY 2015/16 and QTR 2, FY 2015/16 was updated in the third quarter to include revenue from health facilities previously excluded.*

The total local revenue for the reporting period of Kshs.79.62 million consisted of Kshs.25.25 million generated in the first quarter, Kshs.17.11 million in the second quarter and Kshs.37.25 Million in the third quarter of FY 2015/16. The revenue collected was 33 per cent of the annual local revenue target, and an improvement from Kshs.74.12 million collected in a similar period of FY 2014/15.

Table 3.100 shows further analysis of the local revenue collected in the first nine months of FY 2015/16 by stream.

**Table 3.100: Nyamira County analysis of revenue collection by stream for the first nine months of FY 2015/16**

| No | Revenue Stream | Annual Targeted Revenue (Kshs.) | 9 Months Actual Revenue | Actual Revenue as percentage of Annual Targets (%) |
|---|---|---|---|---|
| 1 | Land Rates | 3,880,714 | 10,107,414 | 260.5 |
| 2 | Weights & Measures charges | 324,723 | 369,020 | 113.6 |
| 3 | Advertisement | 1,155,043 | 1,292,380 | 111.9 |
| 4 | Plot Rent | 1,300,229 | 1,146,887 | 88.2 |
| 5 | Impounding Charges | 277,487 | 230,850 | 83.2 |
| 6 | Public Health Fees | 40,540,898 | 29,665,862 | 73.2 |
| 7 | Private Parking | 1,372,085 | 852,380 | 62.1 |
| 8 | Isolated Plot Rent | 884,070 | 485,530 | 54.9 |
| 9 | Storage Charges | 238,260 | 115,580 | 48.5 |
| 10 | Building Plan Approvals | 2,709,771 | 1,208,915 | 44.6 |
| 11 | Other Revenue Streams | 188,275,632 | 34,140,310 | 18.1 |
| | **Total** | **240,958,912** | **79,615,128** | **33.0** |

**Source:** *Nyamira County Treasury*

Analysis of the local revenue by stream indicates that Land Rates recorded the highest performance against annual target at 260.5 per cent attributable to low annual local revenue target for the stream. This was closely followed by Weights & Measures Charges at 113.6 per cent.

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

### 3.35.3 Conditional Grants

Table 3.101 shows the analysis of conditional grants for the first nine months of FY 2015/16.

**Table 3.101: Nyamira County analysis of conditional grants for the first nine months of FY 2015/16**

| No. | Conditional Grant | Amount allocated as provided in CARA 2015 (Kshs.) | 9 Months Actual receipt of the Conditional Grant (Kshs.) | Actual Receipts as percentage of Annual Allocation (%) |
|---|---|---|---|---|
| 1 | DANIDA Grant | 23,920,000 | 23,920,000.00 | 100.0 |
| 2 | Road Maintenance Fuel Levy Fund | 52,776,448 | 26,652,106.00 | 50.5 |
| 3 | Free Maternal Health Care | 79,942,800 | 35,451,186.00 | 44.3 |
| 4 | User Fees Forgone | 13,945,233 | 4,355,300.00 | 31.2 |
| 5 | Leasing of Medical Equipment | 95,744,681 | 0 | - |
| | **TOTAL** | **266,329,162** | **90,378,592** | **33.9** |

**Source:** *Nyamira County Treasury*

Analysis of the conditional grants for the period under review indicates that DANIDA grant recorded the highest receipts against annual allocation at 100 per cent. This was closely followed by Road Maintenance Fuel Levy Fund at 50.5 per cent.

### 3.35.4 Exchequer Issues

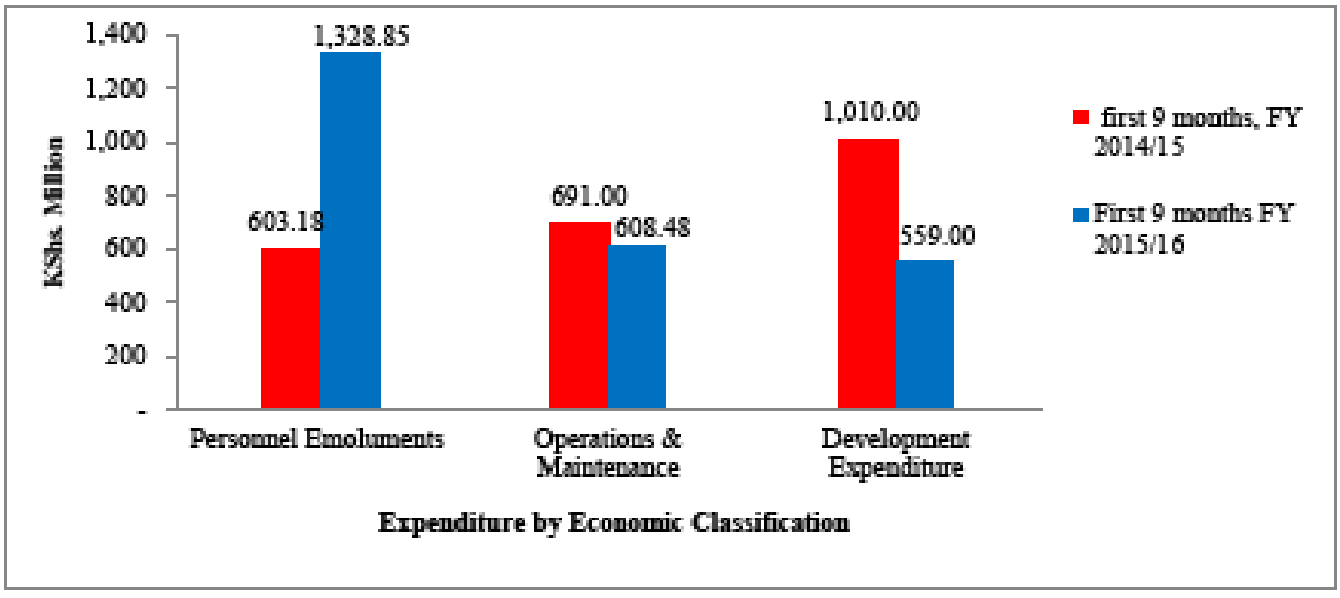
During the period under review, the COB authorised withdrawal of Kshs.2.91 billion from the CRF account, which was 52.6 per cent of the approved budget. The amount represented an increase of 4.7 per cent from Kshs.2.78 billion authorized in a similar period of FY 2014/15 and consisted of Kshs.2.22 billion (76.3 per cent) for recurrent expenditure and Kshs.695.16 million (23.8 per cent) for development activities.

### 3.35.5 Overall Expenditure Review

The County spent a total of Kshs.2.50 billion during the first nine months of FY 2015/16 which was 85.6 per cent of the total funds released for operations. This was an increase from Kshs.2.30 billion spent in a similar period of FY 2014/15. A total of Kshs.1.94 billion was spent on recurrent activities and Kshs.559.00 million on development activities. Recurrent expenditure was 87.4 per cent of the funds released for recurrent activities while development expenditure accounted for 80.4 per cent of the funds released for development activities. The expenditure excludes commitments as at 31st March, 2016 that amounted to Kshs.582.21 million for development and Kshs.231.35 million for recurrent expenditure.

Recurrent expenditure for the period under review represented 66.9 per cent of the approved annual recurrent budget, an increase from 53.2 per cent spent in a similar period of FY 2014/15. On the other hand, development expenditure recorded an absorption rate of 21.2 per cent, a decrease from 45.0 per cent spent in a similar period of FY 2014/15. Figure 3.134 shows a comparison of the total expenditure in the third quarter of FY 2014/15 and the same period in FY 2015/16.

**Figure 3.134: Nyamira County, Expenditure by Economic Classification for the First Nine Months of FY 2014/15 and FY 2015/16**




**Source:** *Nyamira County Treasury*

### 3.35.6 Recurrent Expenditure Analysis

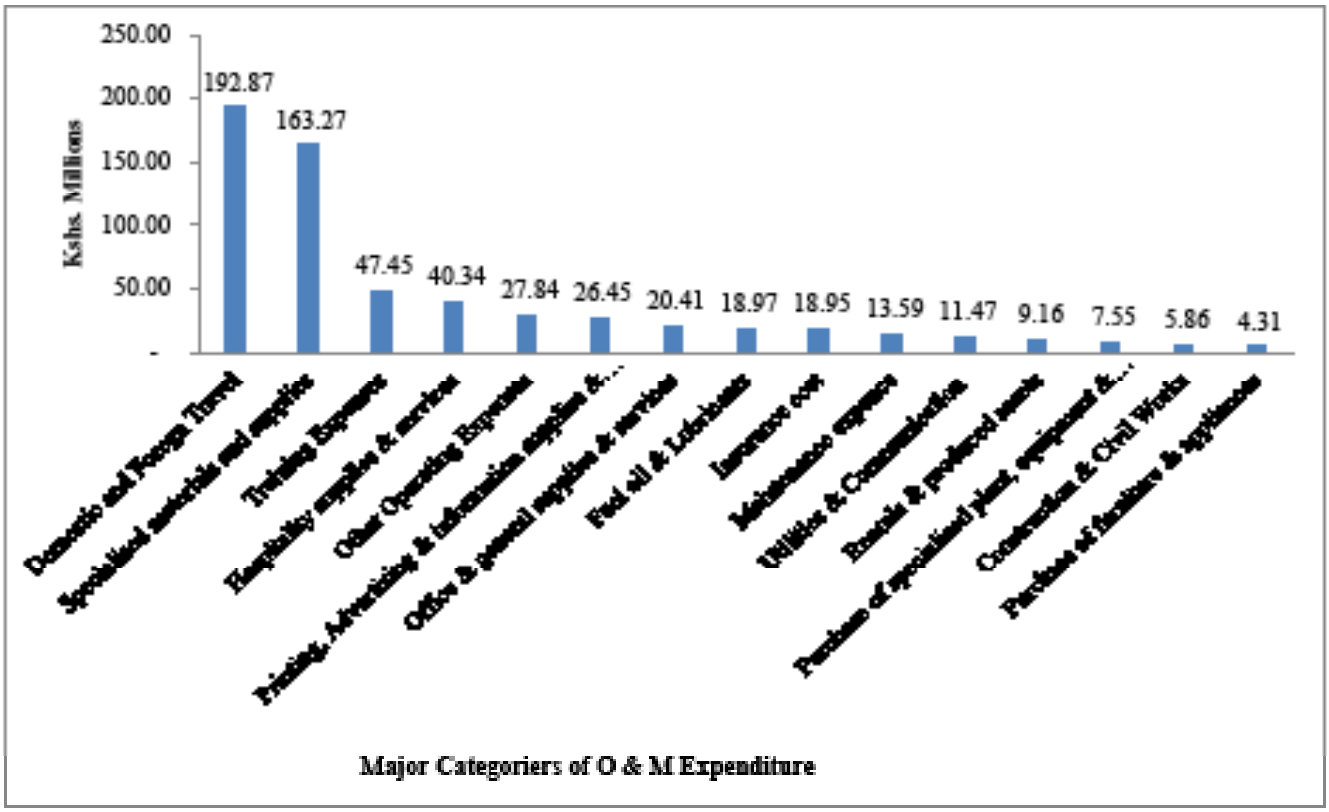
The total recurrent expenditure for the reporting period was Kshs.1.94 billion against an annual recurrent budget of Kshs.2.90 billion. This represents 66.9 per cent of the annual recurrent budget. The County spent Kshs.1.33 billion (68.6 per cent) on personnel emoluments and Kshs.609.63 million (31.4 per cent) on operations and maintenance as shown in Figure 3.134.

The expenditure on personnel emoluments of Kshs.1.33 billion incurred in the first nine months of FY 2015/16 represented an increase of 220 per cent compared to a similar period in FY 2014/15 when the County spent Kshs.603.18 million. The increase is due to recruitment of additional staff, mainly in the health department.

The County spent Kshs.32.78 million on sitting allowances to the 33 MCAs and the Speaker against an annual budget of Kshs.65.78 million. This represents a decrease from Kshs.39.63 million recorded in a similar period of FY 2014/15. The average monthly sitting allowance per MCA was Kshs.107, 120 compared to SRC's recommended monthly ceiling of Kshs.124, 800.

The aggregate expenditure on domestic and foreign travel was Kshs.192.87 million compared to Kshs.69.11 million incurred in a similar period of FY 2014/15, representing a significant increase of 179.1 per cent. Figure 3.135 shows a breakdown of the operations and maintenance expenditure for the reporting period.

**Figure 3.135: Nyamira County, Operations and Maintenance Expenditure for the First Nine Months of FY 2015/16**

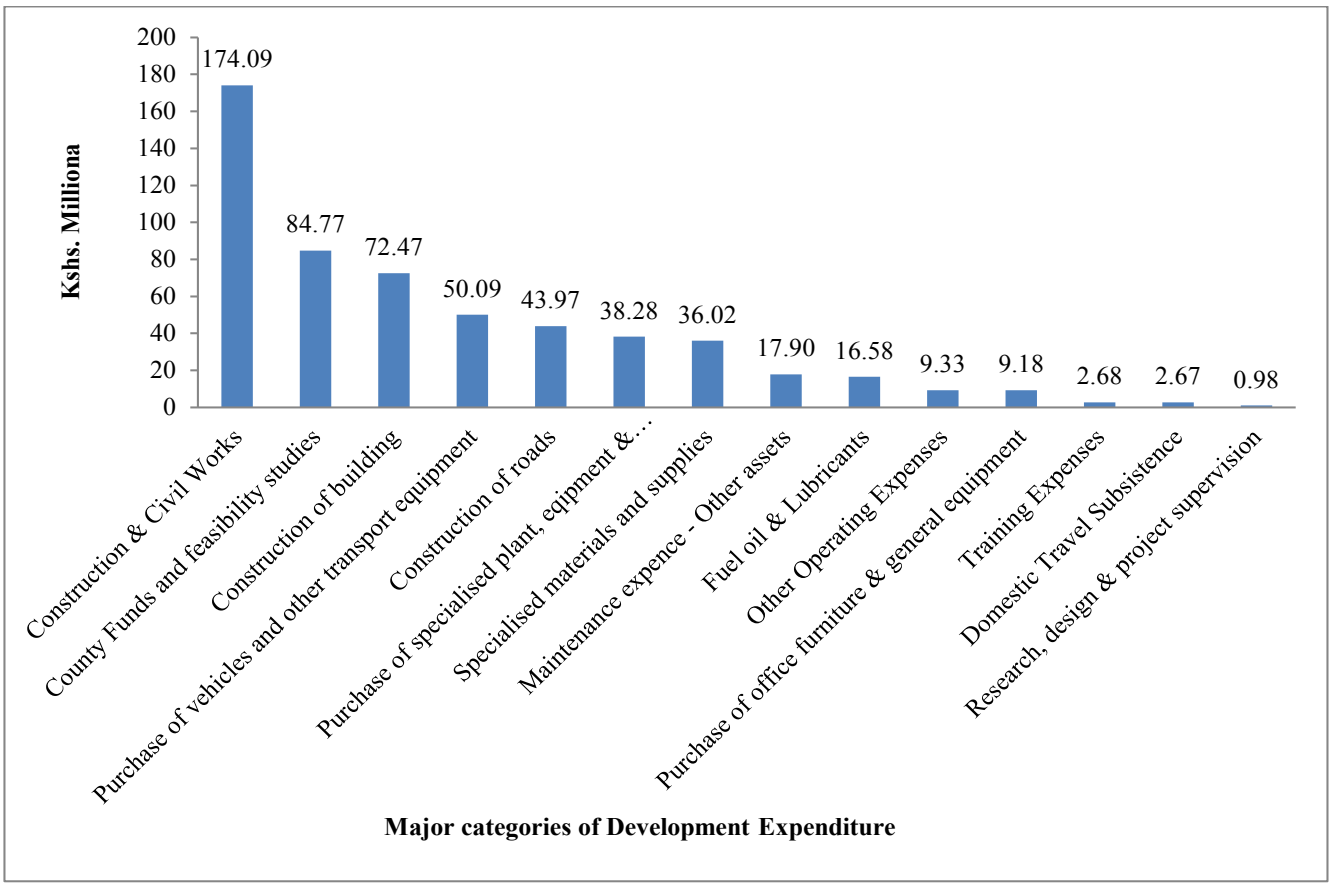



**Source:** *Nyamira County Treasury*

### 3.35.7 Development Expenditure Analysis

Figure 3.136 provides a summary of development expenditure during the period under review.

**Figure 3.136: Nyamira County, Summary of Development Expenditure for the First Nine Months of FY 2015/16**




**Source:** *Nyamira County Treasury*

Analysis of the development expenditure of Kshs.559.00 million incurred in the reporting period indicates that the highest expenditure of Kshs.174.09 million was spent on construction and civil works. This comprised of Kshs.104.10 million spent by the Roads, Transport and Public Works Department on development and maintenance of access roads, Kshs.40.48 million spent by the Department of Environment, Water and Natural Resources on designs and plans, and electricity connections to water pumps, Kshs.24.28 million spent by the Health Department to develop health infrastructure, Kshs.3.41 million incurred by the Department of Land, Housing and Urban Development, and Kshs.1.82 million by the Education and ICT Department. The second highest expenditure of Kshs.84.77 million was incurred on established County public funds and feasibility studies.

### 3.35.8 Annual Budget and Budget Performance Analysis by department for the First Nine Months of FY 2015/16

Table 3.102 shows a summary of FY 2015/16 annual budget estimates and budget performance for

the reporting period by department.

**Table 3.102: Nyamira County, Annual Budget and First Nine Months of FY 2015/16 Budget Performance by Department**

| Department | Annual Budget Allocation (Kshs.Million) | | 9 Months Exchequer Issues (Kshs. Million) | | 9 Months Expenditure (Kshs.Million) | | Expenditure to Exchequer Issues (%) | | Absorption rate (%) | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Rec | Dev | Rec | Dev | Rec | Dev | Rec | Dev | Rec | Dev |
| County Assembly | 428.74 | 175.90 | 330.90 | - | 303.00 | - | 91.6 | - | 70.7 | - |
| County Executive Office | 386.62 | 171.15 | 223.55 | 45.75 | 278.45 | 20.00 | 124.6 | 43.7 | 72.0 | 11.7 |
| Finance & Economic Planning | 197.22 | 218.70 | 164.62 | 83.89 | 148.33 | 78.32 | 90.1 | 93.4 | 75.2 | 35.8 |
| Agriculture, Livestock and Fisheries | 158.87 | 154.21 | 107.86 | 39.24 | 121.50 | 63.27 | 112.6 | 161.2 | 76.5 | 41.0 |
| Environment, Energy, Natural Resources and Mining | 82.43 | 233.03 | 61.66 | 59.91 | 62.83 | 118.65 | 101.9 | 198.0 | 76.2 | 50.9 |
| Education and ICT | 232.95 | 254.22 | 125.74 | 21.18 | 173.27 | 35.97 | 137.8 | 169.8 | 74.4 | 14.1 |
| County Health Services | 1,076.12 | 515.32 | 734.09 | 54.17 | 817.77 | 218.84 | 111.4 | 404.0 | 76.0 | 42.5 |
| Lands, Housing and Urban Development | 43.78 | 174.98 | 19.37 | 37.15 | 30.00 | 12.33 | 154.9 | 33.2 | 68.5 | 7.0 |
| Roads, Transport and Public Works | 53.70 | 589.15 | 35.33 | 212.06 | 40.50 | 192.93 | 114.6 | 91.0 | 75.4 | 32.7 |
| Trade, Tourism, Industrialization and Cooperatives Development | 39.05 | 132.17 | 26.96 | 5.64 | 28.73 | 17.36 | 106.6 | 308.0 | 73.6 | 13.1 |
| Youths, Sports, Gender, Culture and Social Services | 59.70 | 7.95 | 28.28 | - | 43.75 | 2.50 | 154.7 | - | 73.3 | 31.4 |
| County Public Service Board | 35.49 | - | 23.17 | - | 26.18 | - | 113.0 | - | 73.8 | - |
| Public Administration and Coordination Decentralized Units | 109.83 | 12.90 | 55.81 | - | 80.20 | - | 143.7 | - | 73.0 | - |
| **Total** | **2,904.50** | **2,639.68** | **1,606.44** | **559.00** | **2,154.51** | **760.16** | **111.2** | **136.0** | **74.2** | **28.8** |

**Source:** *Nyamira County Treasury*

Analysis of budget performance by department shows that the Department of Environment, Energy, Natural Resources and Mining reported the highest absorption rate for development budget at 50.9 per cent while both County Assembly and Department of Public administration did not incure any development expenditure. On the other hand, the Agriculture, Livestock and Fisheries department had the highest percentage of its recurrent expenditure to its annual recurrent budget at 76.5 per cent while the Lands, Housing and Urban Development had the lowest at 68.5 per cent.

### 3.35.9 Observations and Recommendations

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

i. Complied with Article 207 the Constitution, which requires all locally generated revenue to be deposited into the CRF account.

ii. Involve the CBEF on budget issues.

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

1. Delay in disbursement of funds by the National Treasury which resulted to slow implementation of development projects.
2. The County is yet to establish an Internal audit Committee as required by Section 155 (5) of PFM Act, 2012.
3. Huge wage bill which accounted for 53.2 per cent of the total expenditure thus constrained funding to development projects.

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, 2015 disbursement schedule.*

*2 The County should establish an Internal Audit Committee as per Section 155 (5) of PFM Act, 2012.*

*3 The County should comply with provisions of Section 25 of the PFM (County Government) Regulations on the limit for personnel emoluments.*

## 3.36 Nyandarua County

### 3.36.1 Overview of the FY 2015/16 Budget

The FY 2015/16 Approved Supplementary Budget for Nyandarua County is Kshs.5.59 billion, comprising of Kshs.3.37 billion (60.3 per cent) and Kshs.2.22 billion (39.7 per cent) allocated to recurrent and development expenditure respectively.

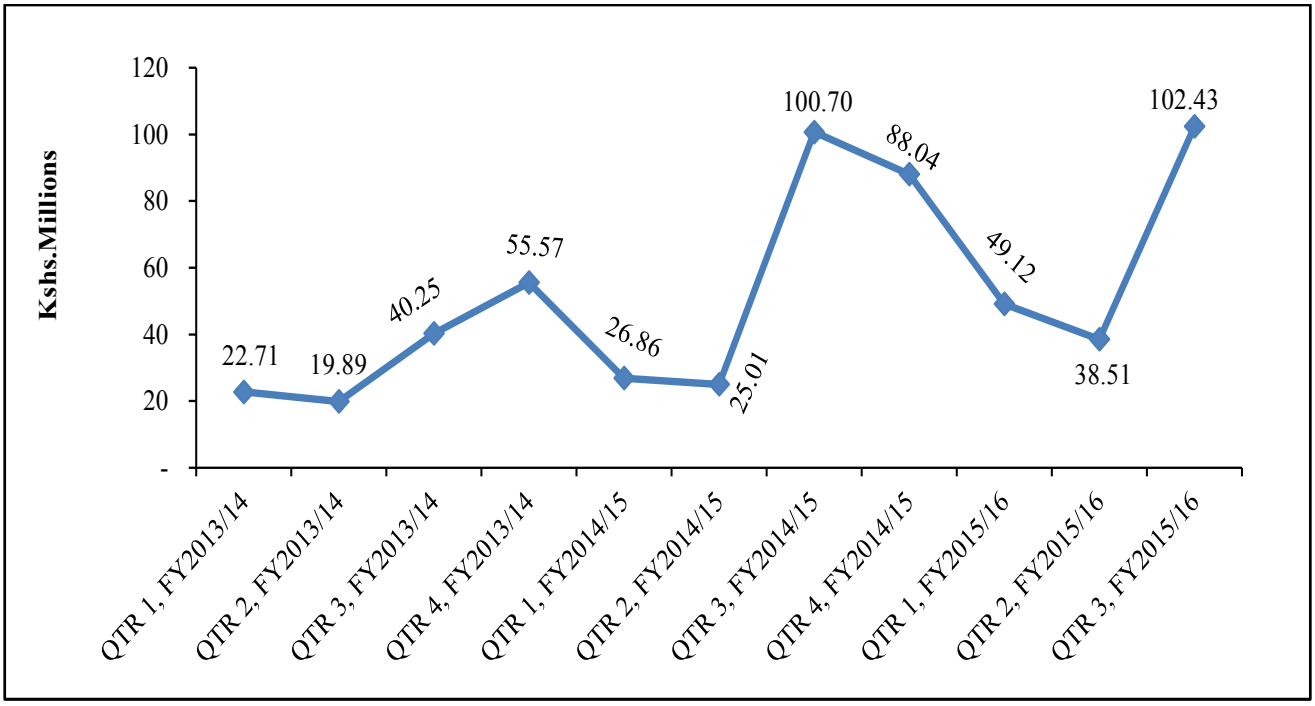
In order to finance the budget, the county expects to receive Kshs.4.3 billion (76.9 per cent) as equitable share of revenue raised nationally , Kshs.293.02 (5.2 per cent) as total conditional grants, generate Kshs.392.00 million (7.0 per cent) from local sources, and Kshs.591.05 million (10.6 per cent) as projected cash balance from FY 2014/15. The conditional grants comprise of Kshs.95.74 million (32.7 per cent) for Leasing of Medical Equipment, Kshs.50.71 million (17.3 per cent) for Maternal Health Care, Kshs.54.71 million (18.7 per cent) from the Road Maintenance Fuel Levy Fund, Kshs.18.86 million (6.4 per cent) as a conditional grant from DANIDA, Kshs.73 million (24.9 per cent) as conditional allocation grants from other loans & grants as shown in Table 3.104.

### 3.36.2 Revenue Analysis

In the first nine months of FY 2015/16, the County received Kshs.2.51 billion as equitable share of revenue raised nationally, Kshs.70.29 million as conditional allocations, raised Kshs.190.08 million from local sources, and had a cash balance of Kshs.591.05 million brought forward from FY 2014/15. The County did not borrow any funds during the reporting period to finance the budget.

Figure 3.137 shows the quarterly trend in local revenue collection from FY 2013/14 to the third quarter of FY 2015/16.

**Figure 3.137: Nyandarua County, Trend in Local Revenue Collection by Quarter from FY 2013/14 to the Third Quarter of FY 2015/16**




**Source:** *Nyandarua County Treasury*

The total local revenue for the reporting period of Kshs.190.08 million consisted of Kshs.49.12 million generated in the first quarter, Kshs.38.51 million in the second quarter and Kshs.102.43 million in the third quarter of FY 2015/16. The revenue collected was 48.5 per cent of the annual local revenue target, and an improvement from Kshs.152.57 million collected in a similar period of FY 2014/15.

Table 3.103 shows further analysis of the local revenue collected in the first nine months of FY 2015/16 by stream.

**Table 3.103: Nyandarua County analysis of revenue collection by stream for the first nine months of FY 2015/16**

| No | Revenue Stream | Annual Targeted Revenue (Kshs.) | 9 Months Actual Revenue | Actual Revenue as percentage of Annual Targets (%) |
|---|---|---|---|---|
| 1 | Public Health Fees | 2,210,833 | 3,346,525 | 151.4 |
| 2 | Single Business Permits | 72,290,868 | 63,766,573 | 88.2 |
| 3 | Produce Cess and Royalties | 36,593,022 | 29,305,900 | 80.0 |
| 4 | Plot Rates | 11,972,184 | 7,480,976 | 62.5 |
| 5 | Open Air Market Fees | 15,063,516 | 8,060,916 | 53.5 |
| 6 | Bus And Matatu Fees | 21,263,687 | 10,183,040 | 47.9 |
| 7 | Liquor License | 108,681,609 | 9,238,300 | 8.5 |
| 10 | Other Sources | 123,924,281 | 67,936,070 | 54.8 |
| | **Total** | **392,000,000** | **190,081,737** | **48.5** |

**Source:** *Nyandarua County Treasury*

Analysis of the local revenue by stream indicates that Public Health Fees recorded the highest performance against annual target at 151.4 per cent. This was closely followed by Single Business Permits at 88.2 per cent.

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

### 3.36.3 Conditional Grants

Table 3.104 shows the analysis of conditional grants for the first nine months of FY 2015/16.

**Table 3.104: Nyandarua County analysis of conditional grants for the first nine months of FY 2015/16**

| No. | Conditional Grant | Amount allocated as provided in CARA 2015 (Kshs.) | 9 Months Actual receipt of the Conditional Grant (Kshs.) | Actual Receipts as percentage of Annual Allocation (%) |
|---|---|---|---|---|
| 1 | DANIDA Grant | 18,860,000.00 | 18,860,000.00 | 100.0 |
| 2 | Road Maintenance Fuel Levy Fund | 54,714,122 .00 | 27,630,632.00 | 50.5 |
| 3 | Free Maternal Health Care | 50,716,400.00 | 23,799,518.00 | 46.9 |
| 4 | User Fees Forgone | 13,898,986.00 | - | 0.0 |
| 5 | Leasing of Medical Equipment | 95,744,680.00 | - | 0.0 |
| 6 | Other loans and grants | 73,000,000.00 | - | 0.0 |
| | **Total** | **306,934,188** | **70,290,150** | **46.3** |

**Source:** *Nyandarua County Treasury*

Analysis of the conditional grants for the period under review indicates that the DANIDA grant recorded the highest receipts against the annual target at 100.0 per cent. This was closely followed by RMFLF at 50.5 per cent.

### 3.36.4 Exchequer Issues

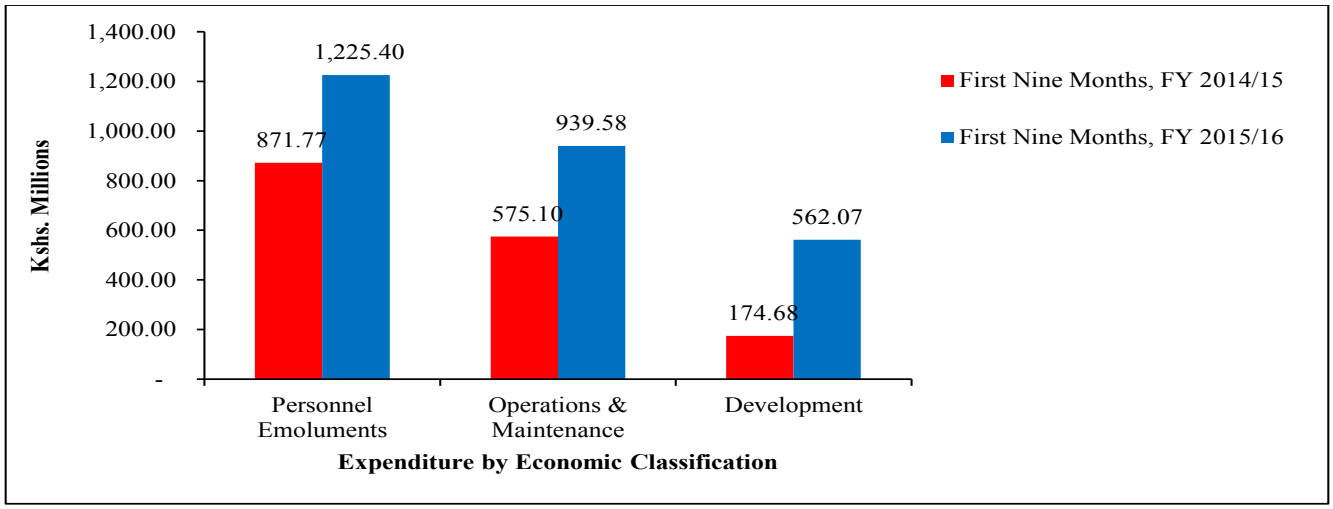
During the period under review, the COB authorised withdrawal of Kshs.2.99 billion from the CRF account, which was 53.56 per cent of the approved supplementary budget. The amount represented an increase of 37.8 per cent from Kshs.2.17 billion authorized in a similar period of FY 2014/15 and consisted of Kshs.2.19 billion (72.9 per cent) for recurrent expenditure and Kshs.809.07 million (27.1 per cent) for development activities.

### 3.36.5 Overall Expenditure Review

The County spent a total of Kshs.2.72 billion during the first nine months of FY 2015/16 which was 91.0 per cent of the total funds released for operations. This was an increase from the Kshs.1.62 billion spent in a similar period of FY 2014/15. A total of Kshs.2.16 billion was spent on recurrent activities and Kshs.562.07 million on development activities. Recurrent expenditure was 99.1 per cent of the funds released for recurrent activities while development expenditure accounted for 69.5 per cent of the funds released for development activities. The expenditure excludes commitments as at 31st March, 2016 that amounted to Kshs.138.95 million for development and Kshs.114.72 million for recurrent expenditure.

Recurrent expenditure for the period under review represented 64.09 per cent of the approved annual recurrent budget, an increase from 50.2 per cent spent in a similar period of FY 2014/15. On the other hand, development expenditure recorded an absorption rate of 25.31 per cent, an increase from 21.3 per cent spent in a similar period of FY 2014/15. Figure 3.138 shows a comparison of the total expenditure in the third quarter of FY 2014/15 and the same period in FY 2015/16.

**Figure 3.138: Nyandarua County, Expenditure by Economic Classification for the First Nine Months of FY 2014/15 and FY 2015/16**




**Source:** *Nyandarua County Treasury*

### 3.36.6 Recurrent Expenditure Analysis

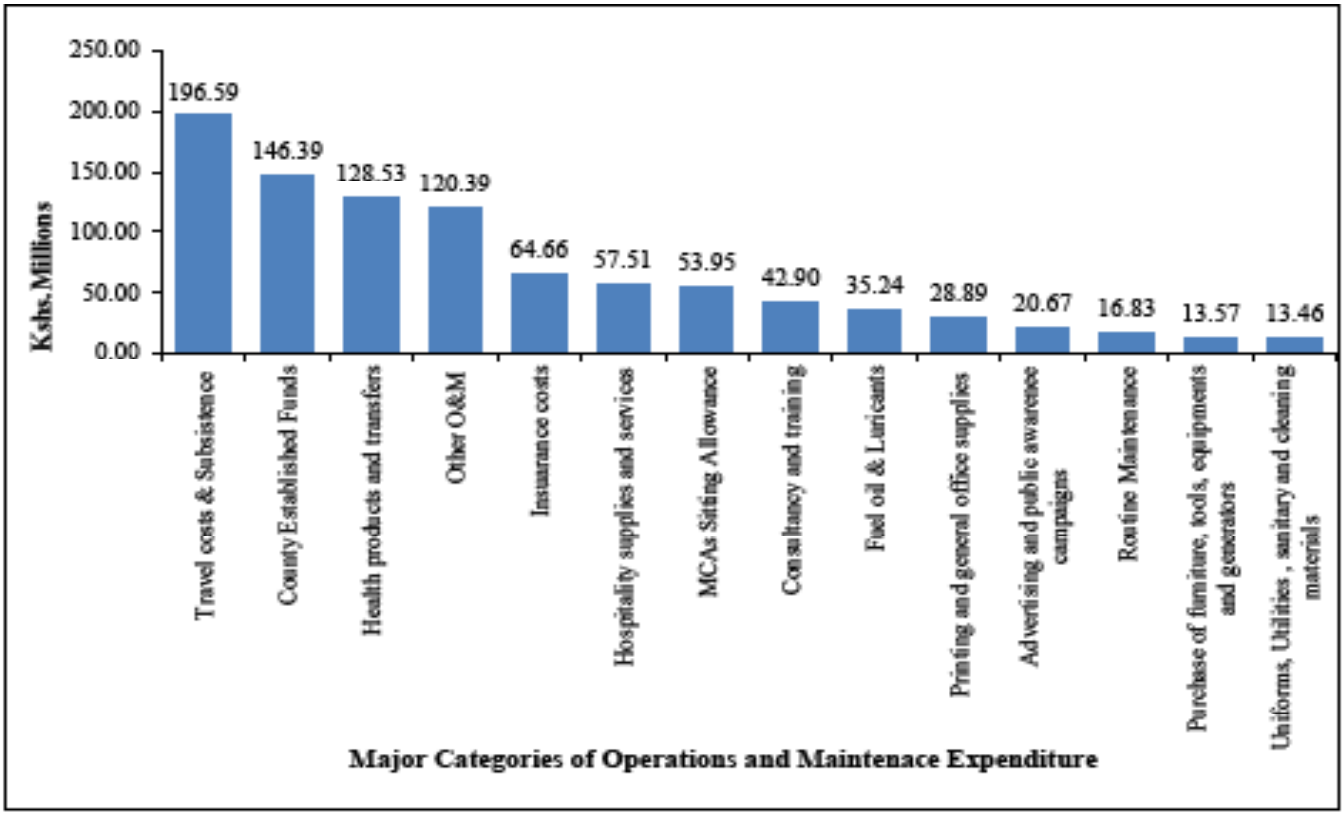
The total recurrent expenditure for the reporting period was Kshs.2.16 billion against an annual recurrent budget of Kshs.3.37 billion. This represents 64.09 per cent of the annual recurrent budget. The County spent Kshs.1.22 billion (56.5 per cent) on personnel emoluments and Kshs.939.58 million (43.4 per cent) on operations and maintenance as shown in Figure 3.138.

The expenditure on personnel emoluments of Kshs.1.22 billion incurred in the first nine months of FY 2015/16 represented an increase of 40 per cent compared to a similar period in FY 2014/15 when the County spent Kshs.871.77 million. The increase is attributed to new staff recruitment.

The County spent Kshs.53.95 million on sitting allowances to the 42 MCAs and the Speaker against an annual budget of Kshs.68.41 million. This represents an increase from Kshs.45.72 million recorded in a similar period of FY 2014/15. The average monthly sitting allowance per MCA was Kshs.142,726 compared to SRC's recommended monthly ceiling of Kshs.124,800.

The aggregate expenditure on domestic and foreign travel was Kshs.196.59 million compared to Kshs.100.86 million incurred in a similar period of FY 2014/15, representing a significant increase of 94.9 per cent. Figure 3.139 shows a breakdown of the operations and maintenance expenditure for the reporting period.

**Figure 3.139: Nyandarua County, Operations and Maintenance Expenditure for the First Nine Months of FY 2015/16**

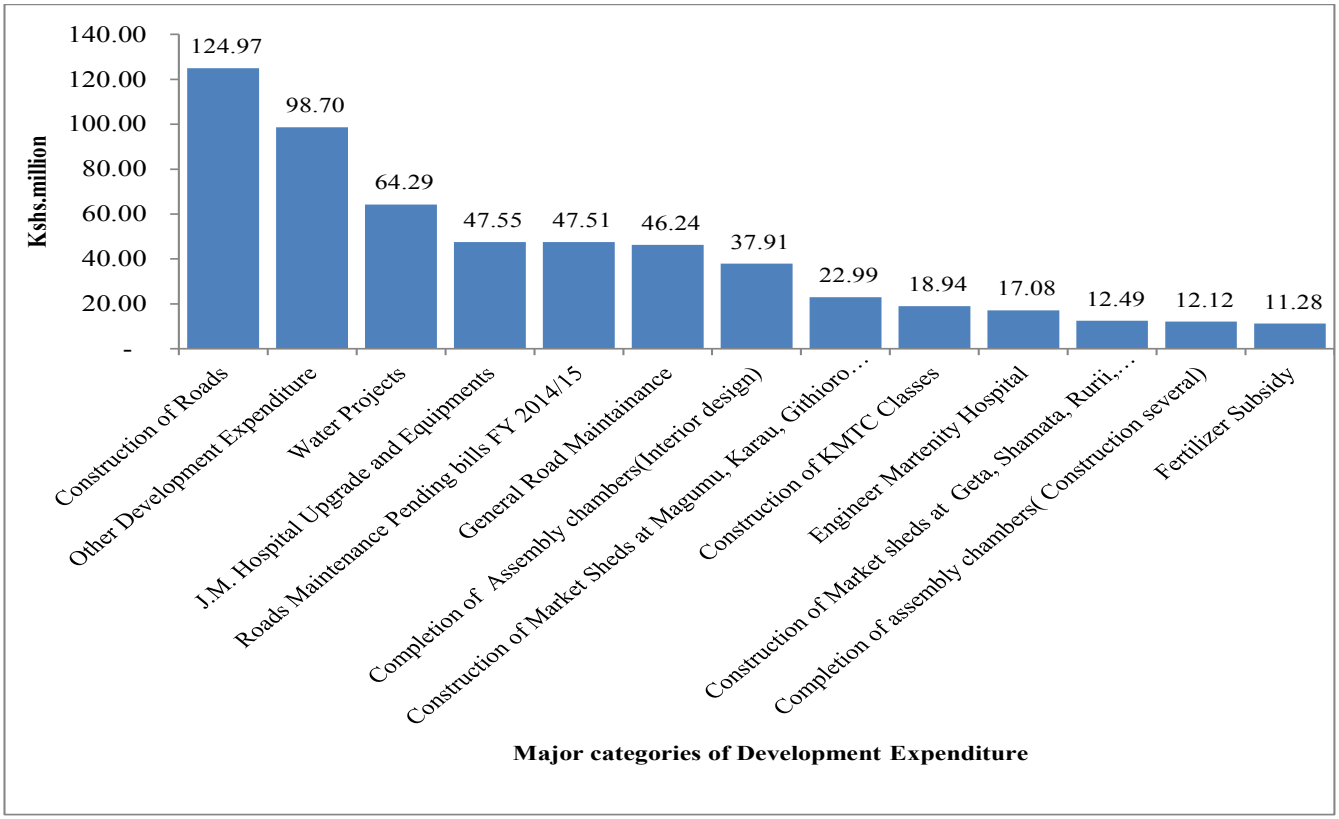



**Source:** *Nyandarua County Treasury*

### 3.36.7 Development Expenditure Analysis

Figure 3.140 provides a summary of development expenditure during the period under review.

**Figure 3.140: Nyandarua County, Summary of Development Expenditure for the First Nine Months of FY 2015/16**




**Source:** *Nyandarua County Treasury*

Analysis of the development expenditure of Kshs.562.07 million incurred in the reporting period indicates that the highest expenditure of Kshs.218.72 million was spent by the Roads Department, of which Kshs.124.97 million was spent on development and maintenance of access roads and Kshs.47.51 million on payment of roadworks pending bills. The second highest expenditure of Kshs.99.48 million was incurred by the Health Department on construction and upgrading of health facilities which include the Engineer Hospital and Kanjuiri Maternity Wings at Kshs.19.29 million, Charagita and Mikeu dispensaries at Kshs.5.10 million, Construction of KMTC classes at Kshs.18.94 million, Fencing of Dumpsites at Kshs.8.13 million, and upgrading of the J.M.Kariuki Hospital at Kshs.47.55 million. The Department of County Attorney E-Government and Intergovernmental Relations incurred Kshs.0.83 million on construction of a County law court.

### 3.36.8 Annual Budget and Budget Performance Analysis by department for the First Nine Months of FY 2015/16

Table 3.105 shows a summary of FY 2015/16 annual budget estimates and budget performance for the reporting period by department.

**Table 3.105: Nyandarua County, Annual Budget and First Nine Months of FY 2015/16 Budget Performance by Department**

| Department | Annual Budget Allocation (Kshs. Million) | | 9 Months Exchequer Issues (Kshs .Million) | | 9 Months Expenditure (Kshs. Million) | | Expenditure to Exchequer Issues (%) | | Absorption rate (%) | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Rec | Dev | Rec | Dev | Rec | Dev | Rec | Dev | Rec | Dev |
| Agriculture Livestock Fisheries and Irrigation | 263.81 | 98.67 | 182.55 | 52.32 | 166.89 | 32.47 | 91.4 | 62.1 | 63.3 | 32.9 |
| County Assembly | 605.57 | 115.30 | 371.82 | 53.00 | 390.43 | 50.04 | 105.0 | 94.4 | 64.5 | 43.4 |
| County Attorney E-Government and Intergovernmental Relations | 53.23 | 36.05 | 41.90 | 7.00 | 18.66 | 0.83 | 44.5 | 11.9 | 35.1 | 2.3 |
| Education, Youth, Gender, Children Affairs and Social Services | 209.39 | 72.23 | 133.29 | 33.00 | 163.60 | 7.54 | 122.7 | 22.8 | 78.1 | 10.4 |
| Finance and Economic Planning | 506.21 | 56.03 | 377.34 | 27.20 | 389.43 | 45.48 | 103.2 | 167.2 | 76.9 | 81.2 |
| Gubernatorial Office | 312.87 | 0.03 | 196.84 | 0.00 | 165.31 | 0.00 | 84.0 | 0.0 | 52.8 | 0.0 |
| Health | 1103.34 | 236.12 | 661.74 | 88.79 | 790.64 | 99.49 | 119.5 | 112.1 | 71.7 | 42.1 |
| Industrialization, Cooperatives, Trade, Enterprise Development | 52.75 | 78.22 | 34.71 | 35.42 | 19.52 | 16.56 | 56.2 | 46.7 | 37.0 | 21.2 |
| Lands, Housing and Physical Planning | 54.71 | 109.36 | 40.41 | 34.38 | 12.97 | 18.74 | 32.1 | 54.5 | 23.7 | 17.1 |
| Roads, Public Works and Transport | 105.17 | 1053.95 | 75.88 | 337.06 | 20.48 | 218.73 | 27.0 | 64.9 | 19.5 | 20.8 |
| Tourism, Wildlife & Sports | 35.29 | 41.60 | 20.56 | 16.89 | 14.50 | 4.41 | 70.5 | 26.1 | 41.1 | 10.6 |
| Water, Environment and Natural Resources | 74.32 | 322.84 | 51.89 | 124.00 | 12.62 | 67.79 | 24.3 | 54.7 | 17.0 | 21.0 |
| **Total** | **3,376.66** | **2,220.39** | **2,188.94** | **809.07** | **2,165.05** | **562.07** | **98.9** | **69.5** | **64.1** | **25.3** |

**Source:** *Nyandarua County Treasury*

Analysis of budget performance by department shows that the Department of Finance and Economic Planning reported the highest absorption rate for development budget at 81.2 per cent while the Gubernatorial Office did not spend against its development allocation. On the other hand, the Education, Youth, Gender, Children Affairs and Social Services Department had the highest percentage of its recurrent expenditure to annual recurrent budget at 78.1 per cent while the Water, Environment and Natural Resources Department had the lowest at 17.0 per cent.

### 3.36.9 Observations and Recommendations

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

i. Registered improvement in local revenue collection from Kshs.152.57 million in the third quarter of FY 2014/15 to Ksh.190.08 million in the reporting period. This is mainly due to the County Governments efforts to seal revenue leakages.

ii. Improved staff capacity through recruitment and training.

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

1. Delay in disbursement of funds by the National Treasury which resulted to slow implementation of development projects.
2. Lack of Internal Audit Committee contrary to Section 155(5) of the PFM Act, 2012.
3. The County incurred Kshs.4.1 million on Trade Development Fund prior to putting in place regulations to operationalize the Fund.
4. The County incurred a huge wage bill, which constrained funding to key County programmes.

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

1. *The National Treasury should ensure that funds allocated to the County are released in a timely manner in line with the CARA, 2015 disbursement schedule.*
2. *The County Treasury should establish an Internal Audit Committee as required by Section 155(5) of the PFM Act, 2012 to enhance public financial management.*
3. *The County should put in place regulations to operationalize the Trade Development Fund.*
4. *The County should review its staff establishment with a view to tame the rising wage bill.*

## 3.37 Nyeri County

### 3.37.1 Overview of the FY 2015/16 Budget

The FY 2015/16 Approved Supplementary Budget for Nyeri County amounts to Kshs.6.28 billion, comprising of Kshs.4.42 billion (70.4 per cent) and Kshs.1.86 billion (29.6 per cent) allocated to recurrent and development expenditure respectively.

In order to finance the budget, the county expects to receive Kshs.4.45 billion (70.9 per cent) as equitable share of revenue raised nationally, Kshs.546.33 million (8.7 per cent) as total conditional grants, generate Kshs.1.08 billion (17.2 per cent) from local sources and Kshs.200.00 million (3.2 per cent) as projected cash balance from FY 2014/15. The conditional grants comprise of Kshs.368.62 million (67.5 per cent) for Level 5 Hospital, Kshs.82.09 million (15 per cent) for Maternal Health Care, Kshs.56.51 million (10.3 per cent) from the Road Maintenance Fuel Levy Fund, Kshs.16.16 million (3.0 per cent) for User Fees Foregone and Kshs.22.93 million (4.2 per cent) donor grant from DANIDA.

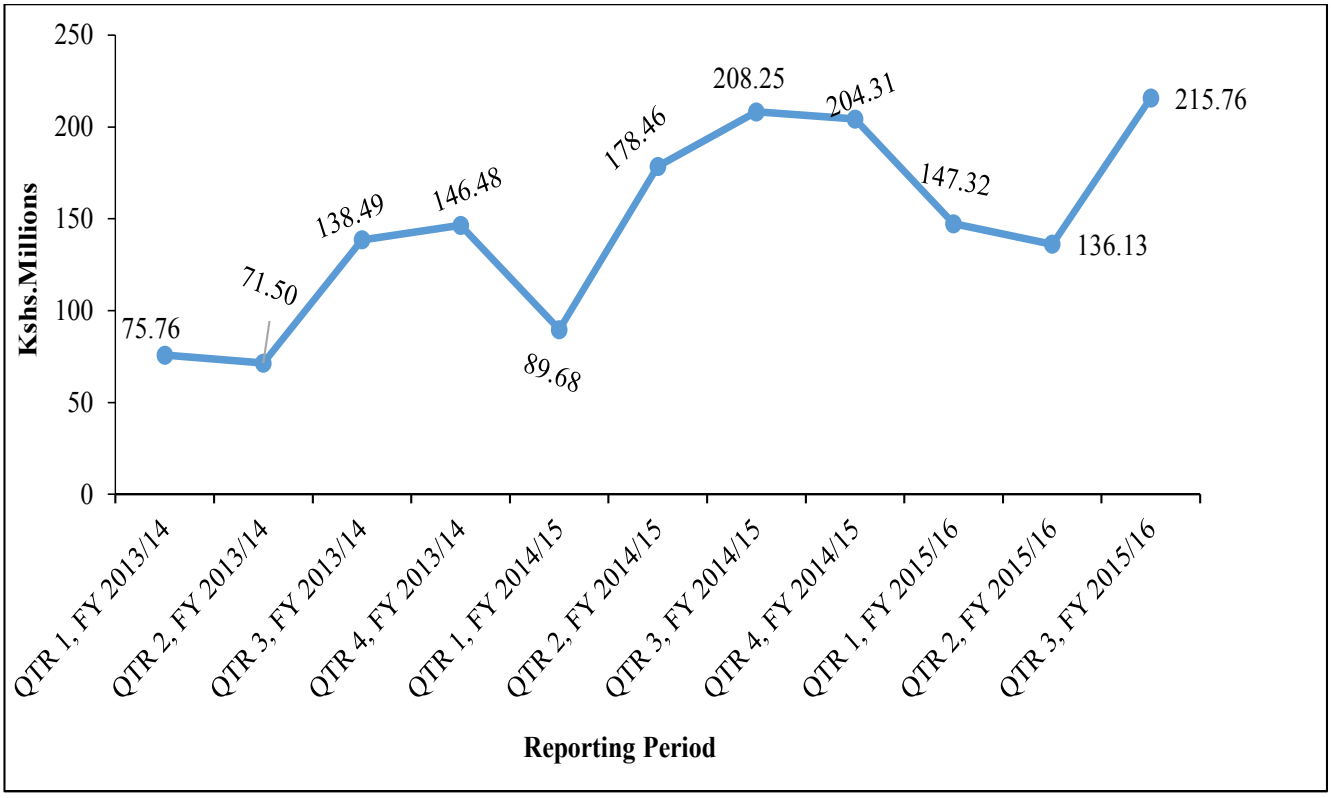
### 3.37.2 Revenue Analysis

In the first nine months of FY 2015/16, the County received Kshs.2.60 billion as equitable share of revenue raised nationally, Kshs.217.48 as conditional allocation for Nyeri Level 5 hospital, Kshs.28.54 million from the Road Maintenance Fuel Levy Fund, Kshs.37 million for Free Maternal

Health Care, Kshs.6.36 million for User Fees Forgone, raised Kshs.499.22 million from local sources, and had a cash balance of Kshs.205.66 million brought forward from FY 2014/15. The County did not borrow any funds during the reporting period to finance the budget.

Figure 3.141 shows the quarterly trend in local revenue collection from FY 2013/14 to the third quarter of FY 2015/16.

**Figure 3.141: Nyeri County, Trend in Local Revenue Collection by Quarter from FY 2013/14 to the Third Quarter of FY 2015/16**




**Source:** *Nyeri County Treasury*

The total local revenue for the reporting period of Kshs.499.22 million consisted of Kshs.147.32 million generated in the first quarter, Kshs.136.13 million in the second quarter and Kshs.215.76 million in the third quarter of FY 2015/16. The revenue collected was 46.1 per cent of the annual local revenue target, and an improvement from Kshs.476.39 million collected in a similar period of FY 2014/15.

Table 3.106 shows further analysis of the local revenue collected in the first nine months of FY 2015/16 by stream.

**Table 3.106: Nyeri County analysis of revenue collection by stream for the first nine months of FY 2015/16**

| No | Revenue Stream | Annual Targeted Revenue (Kshs.) | 9 Months Actual Revenue | Actual Revenue as a percentage of Annual Target (%) |
|---|---|---|---|---|
| 1 | Agency Fee (Fees from Housing Finance, Insurance Firms etc.) | 13,703 | 1,127,025 | 8,224.7 |
| 2 | Garbage Dumping Fee/waste disposal charges | 72,800 | 873,290 | 1,199.6 |
| 3 | Liquor License | 7,889,046 | 32,344,300 | 410.0 |
| 4 | Slaughter House Inspection Fees | 630,484 | 771,100 | 122.3 |
| 5 | Social Hall Hire | 133,420 | 154,000 | 115.4 |
| 6 | Agricultural Mechanisation Station | 1,928,200 | 1,846,400 | 95.8 |
| 7 | Impounding Charges/Court Fines, penalties and forfeitures | 4,003,200 | 3,342,570 | 83.5 |
| 7 | Miscellaneous Income | 702,520 | 541,725 | 77.1 |
| 9 | Plot Transfer Fee | 1,268,000 | 835,100 | 65.9 |
| 10 | Other Property Charges | 737,597 | 481,092 | 65.2 |
| 11 | Other sources | 1,064,621,030 | 456,903,808 | 42.9 |
| **Total** | | **1,082,000,000** | **499,220,410** | **46.1** |

**Source:** *Nyeri County Treasury*

Analysis of the local revenue by stream indicates that Agency Fees recorded the highest performance against annual target at 8,224.7 per cent. This was followed by Garbage Fees at 1,199.6 per cent and Liquor Licenses at 410.0 per cent.

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

### 3.37.3 Conditional Grants

Table 3.107 shows the analysis of conditional grants for the first nine months of FY 2015/16.

**Table 3.107: Nyeri County analysis of conditional grants for the first nine months of FY 2015/16**

| No. | Conditional Grant | Amount allocated as provided in CARA 2015 (Kshs.) | 9 Months Actual receipt of the Conditional Grant (Kshs.) | Actual receipts as a percentage of Annual Allocation (%) |
|---|---|---|---|---|
| 1 | Level 5 Hospitals | 368,620,571 | 217,486,137 | 59.0 |
| 2 | Road Maintenance Fuel Levy Fund | 56,519,885 | 28,542,543 | 50.5 |
| 3 | Free Maternal Health Care | 82,091,800 | 37,000,000 | 45.1 |
| 4 | User Fees Forgone | 16,166,813 | 6,361,370 | 39.3 |
| 5 | DANIDA Grant | 22,930,000 | 22,930,000 | 100.0 |
| | **Total** | **546,329,069** | **312,320,050** | **57.2** |

**Source:** *Nyeri County Treasury*

Analysis of the conditional grants for the period under review indicates that DANIDA grant recorded the highest performance against annual target at 100.0 per cent. This was followed by Level 5 Hospital conditional funding at 59.0 per cent. Grants for free maternity Health Care and User Fees Foregone recorded a performance of 45.1 per cent and 39.3 per cent respectively, indicating the slow release of conditional funding meant to support delivery of health services.

### 3.37.4 Exchequer Issues

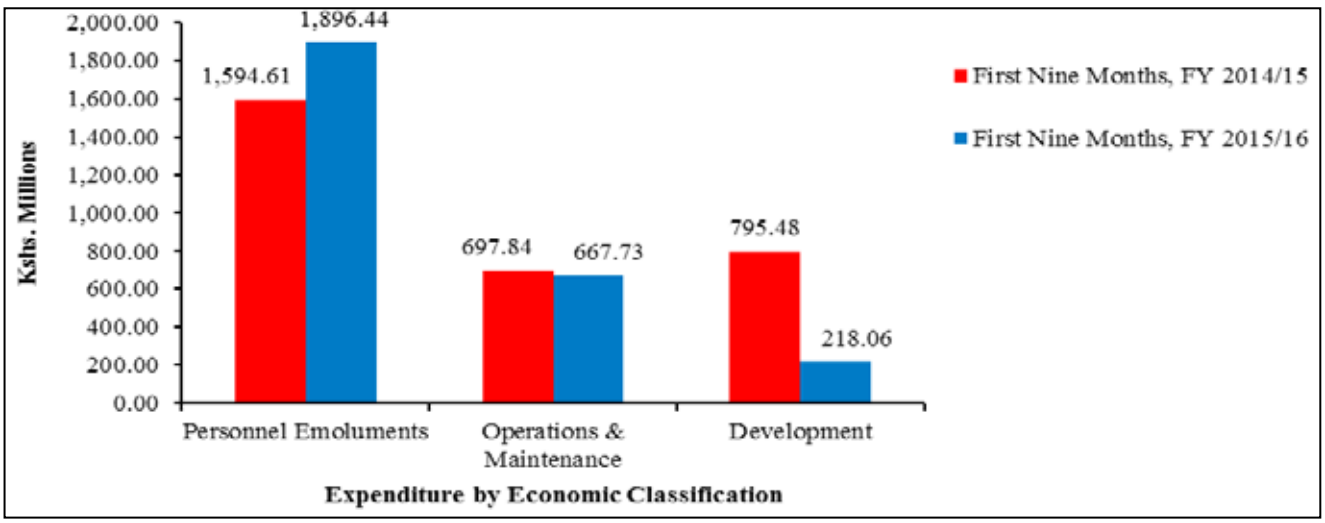
During the period under review, the COB authorised withdrawal of Kshs.3.58 billion from the CRF account, which was 57.1 per cent of the approved budget. The amount represented a slight increase of 1.4 per cent from Kshs.3.53 billion authorized in a similar period of FY 2014/15 and consisted of Kshs.2.96 billion (82.6 per cent) for recurrent expenditure and Kshs.624.50 million (17.4 per cent) for development activities.

### 3.37.5 Overall Expenditure Review

The County spent a total of Kshs.2.78 billion during the first nine months of FY 2015/16 which was 77.6 per cent of the total funds released for operations. This was a decline from the Kshs.3.09 billion spent in a similar period of FY 2014/15. A total of Kshs.2.56 billion was spent on recurrent activities and Kshs.218.06 million on development activities. Recurrent expenditure was 86.6 per cent of the funds released for recurrent activities while development expenditure accounted for 34.9 per cent of the funds released for development activities. The expenditure excludes commitments as at 31st March, 2016 that amounted to Kshs.215.49 million for development and Kshs.231.55 million for recurrent expenditure.

Recurrent expenditure for the period under review represented 58.0 per cent of the approved annual recurrent budget, a decrease from 60.2 per cent spent in a similar period of FY 2014/15. On the other hand, development expenditure recorded an absorption rate of 11.7 per cent, a decrease from 48.6 per cent spent in a similar period of FY 2014/15. Figure 3.142 shows a comparison of the total expenditure in the third quarter of FY 2014/15 and the same period in FY 2015/16.

**Figure 3.142: Nyeri County, Expenditure by Economic Classification for the First Nine Months of FY 2014/15 and FY 2015/16**




**Source:** *Nyeri County Treasury*

### 3.37.6 Recurrent Expenditure Analysis

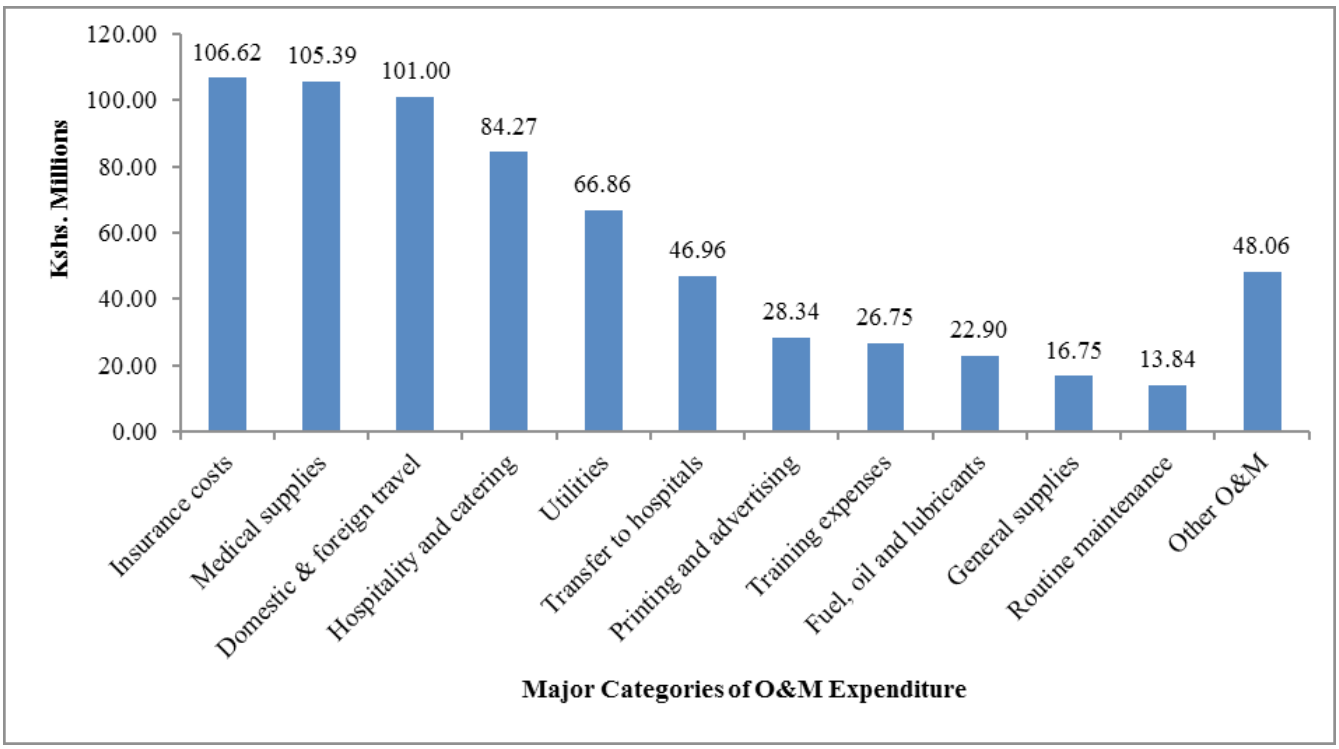
The total recurrent expenditure for the reporting period was Kshs.2.56 billion against an annual recurrent budget of Kshs.4.42 billion. This represents 58.0 per cent of the annual recurrent budget. The County spent Kshs.1.89 billion (74.0 per cent) on personnel emoluments and Kshs.667.73 million (26.0 per cent) on operations and maintenance as shown in Figure 3.143.

The expenditure on personnel emoluments of Kshs.1.89 billion was an increase of 18.9 per cent compared to a similar period in FY 2014/15 when the County spent Kshs.1.59 billion. The increase is attributed to a growing workforce in the county.

The County spent Kshs.52.19 million on sitting allowances to the 47 MCAs and the Speaker against an annual budget of Kshs.97.86 million. This represents a decrease from Kshs.62.36 million recorded in a similar period of FY 2014/15. The average monthly sitting allowance per MCA was Kshs.120,799 compared to SRC's recommended monthly ceiling of Kshs.124,800.

The aggregate expenditure on domestic and foreign travel was Kshs.100.99 million compared to Kshs.106.82 million incurred in a similar period of FY 2014/15, representing a slight decrease of 5.5 per cent. Figure 3.143 shows a breakdown of the operations and maintenance expenditure for the reporting period.

**Figure 3.143: Nyeri County, Operations and Maintenance Expenditure for the First Nine Months of FY 2015/16**

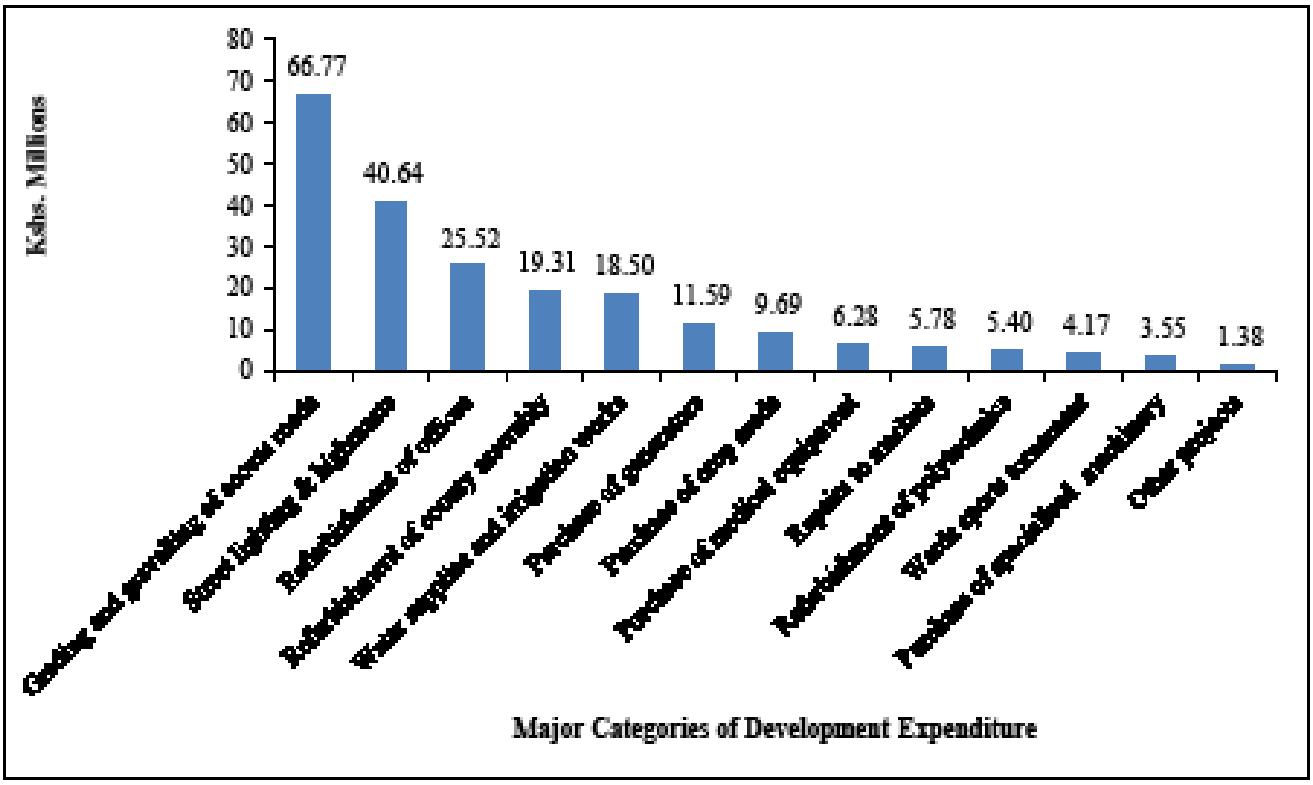



**Source:** *Nyeri County Treasury*

### 3.37.7 Development Expenditure Analysis

Figure 3.144 provides a summary of development expenditure during the period under review.

**Figure 3.144: Nyeri County, Summary of Development Expenditure for the First Nine Months of FY 2015/16**




**Source:** *Nyeri County Treasury*

Analysis of the development expenditure of Kshs.218.06 million incurred in the reporting period of FY 2015/16 indicates that the highest expenditure of Kshs.66.7 million was spent by the Roads Department on development and maintenance of access roads. A total of 271 kilometres of roads were graded and 183 kilometres were gravelled across the 30 wards in the County. The second highest expenditure of Kshs.40.64 million was incurred by the Energy Department on erection of street lights and high mast lights. Kshs.25.52 million and Kshs.19.31million was spent to refurbish offices by the County Executive and County Assembly respectively.

### 3.37.8 Annual Budget and Budget Performance Analysis by Department for the First Nine Months of FY 2015/16

Table 3.108 shows a summary of FY 2015/16 annual budget estimates and budget performance for the reporting period by department.

**Table 3.108: Nyeri County, Annual Budget and First Nine Months of FY 2015/16 Budget Performance by Department**

| Department | Annual Budget Allocation (Kshs. Million) | | 9 Months Exchequer Issues (Kshs. Million) | | 9 Months Expenditure (Kshs. Million) | | Expenditure to Exchequer Issues (%) | | Absorption rate (%) | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Rec | Dev | Rec | Dev | Rec | Dev | Rec | Dev | Rec | Dev |
| Office of the Governor | 106.87 | 0.00 | 67.75 | 0.00 | 50.12 | 0.00 | 74.0% | - | 46.9% | - |
| Office of the County Secretary | 145.08 | 5.00 | 121.24 | 5.00 | 86.91 | 0.00 | 71.7 | 0.0 | 59.9 | 0.0 |
| Finance and Economic Planning | 345.05 | 182 | 231.96 | 80.50 | 144.38 | 0.00 | 62.2 | 0.0 | 41.8 | 0.0 |
| Education and ICT | 69.81 | 134.67 | 40.36 | 28.00 | 27.76 | 5.45 | 68.8 | 19.5 | 39.8 | 4.0 |
| Health Services | 1,914.29 | 273.16 | 1,290.66 | 80.50 | 1,301.02 | 18.18 | 100.8 | 22.6 | 68.0 | 6.7 |
| Special programmes | 76.17 | 32.36 | 48.57 | 13.00 | 12.32 | 6.73 | 25.4 | 51.8 | 16.2 | 20.8 |
| Lands and Infrastructure | 114.05 | 633.41 | 76.34 | 197.50 | 66.81 | 73.88 | 87.5 | 37.4 | 58.6 | 11.7 |
| Public Administration, Information and Communication | 420.58 | 30.00 | 268.61 | 20.00 | 226.17 | 10.52 | 84.2 | 52.6 | 53.8 | 35.1 |
| Trade, Industrialization and Tourism | 81.28 | 152.19 | 52.36 | 42.00 | 19.04 | 6.69 | 36.4 | 15.9 | 23.4 | 4.4 |
| Agriculture | 306.49 | 94.04 | 200.12 | 51.00 | 173.78 | 13.87 | 86.8 | 27.2 | 56.7 | 14.8 |
| Water, Sanitation and Natural resources | 134.14 | 145.66 | 91.27 | 40.00 | 63.54 | 18.52 | 69.6 | 46.3 | 47.4 | 12.7 |
| Energy | 100.84 | 85.03 | 62.30 | 42.00 | 37.85 | 40.64 | 60.8 | 96.8 | 37.5 | 47.8 |
| County Public Service Board | 37.32 | 0.00 | 24.01 | 0.00 | 18.07 | 0.00 | 75.3 | - | 48.4 | - |
| County Assembly | 567.58 | 90.00 | 383.65 | 25.00 | 336.33 | 23.54 | 87.7 | 94.2 | 59.3 | 26.2 |
| **Total** | **4,419.61** | **1,857.93** | **2,959.28** | **624.50** | **2,564.17** | **218.06** | **86.6** | **34.9** | **58.0** | **11.7** |

**Source:** *Nyeri County Treasury*

Analysis of budget performance by department shows that the Department of Energy reported the highest absorption rate for development expenditure at 47.8 per cent while the Office of the County Secretary and the County Treasury did not incur any development expenditure during the period under review. On the other hand, the Health Department had the highest percentage of its recurrent expenditure to annual recurrent budget at 68.0 per cent while the Department of Special Programmes had the lowest at 16.2 per cent.

### 3.37.9 Observations and Recommendations

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

i. Provision of a budget allocation for payment of pending bills for FY 2014/15.

ii. Revision of the FY 2015/16 Budget framework to provide for a realistic local revenue target.

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

1. Low absorption of development funds due to poor planning and delays in procurement. The development expenditure for the period under review of Kshs.218.06 million, was lower than the Kshs.795.48 million spent in a similar period of FY 2014/15.
2. Absence of the County Budget and Economic Forum meant for consultations with the public on budget issues as required under Section 137 of the PFM Act, 2012.
3. Weak administration and reporting on established County Public Funds.

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

1. *Improve planning and procurement processes in order to speed up implementation of development projects. Further, the project management capacity of the spending should be enhanced.*
2. *The County should fast track establishment of the County Budget and Economic Forum.*
3. *The County should ensure that establishment and operation of County Public Funds is in line with the legal framework provided for under the PFM Act, 2012.*

## 3.38 Samburu County

### 3.38.1 Overview of the FY 2015/16 Budget

The FY 2015/16 approved (supplementary) budget for Samburu County is Kshs.4.34 billion, comprising of Kshs.2.59 billion (59.7 per cent) and Kshs.1.75 billion (40.3 per cent) allocated to recurrent and development expenditure respectively.

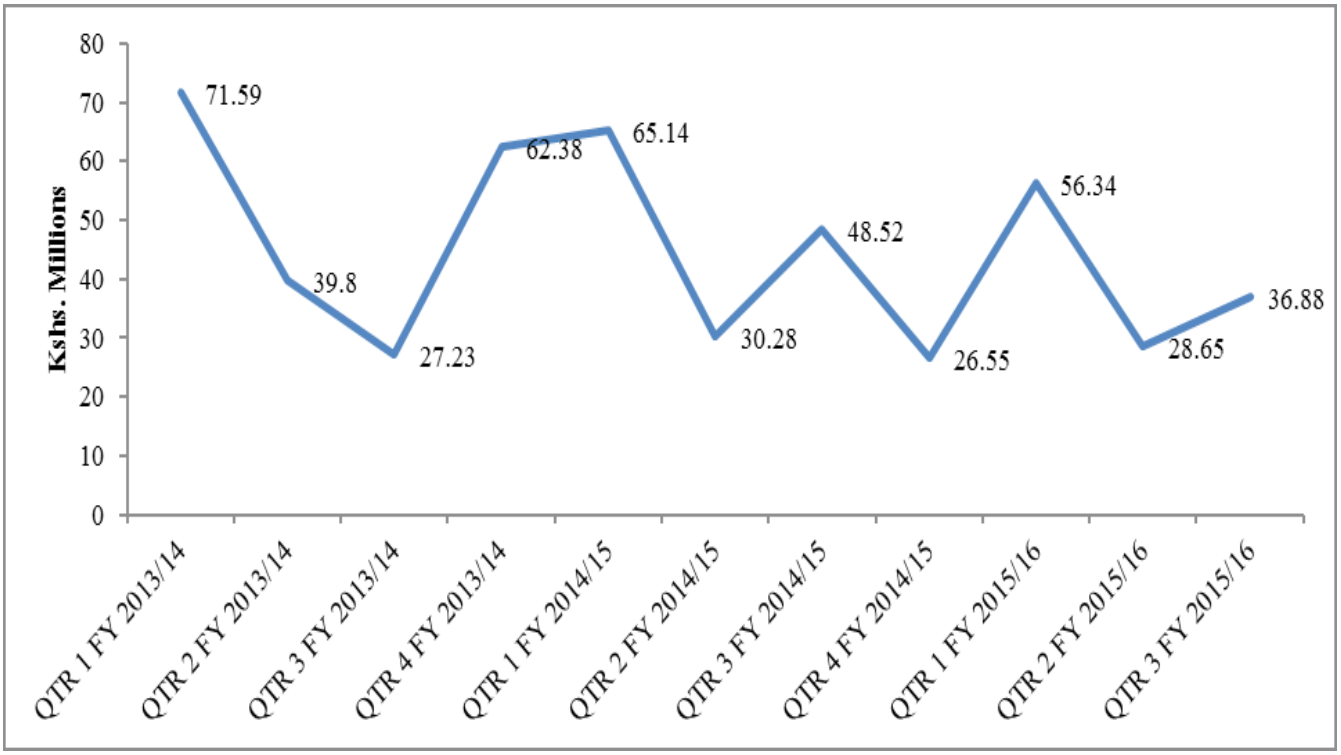
In order to finance the budget, the county expects to receive Kshs.3.55 billion (81.3per cent) as equitable share of revenue raised nationally, Kshs.84.19 million (1.9 per cent) as total conditional grants, generate Kshs.356.59 million (8.2 per cent) from local sources, and Kshs.280 million (6.4 per cent) as projected cash balance from FY 2014/15. The conditional grants comprise of Kshs.14.18 million (16.8 per cent) for Maternal Health Care, Kshs.5.22 million (6.2 per cent) for User fee foregone, Kshs.45.13 million (53.6 per cent) from the Road Maintenance Fuel Levy Fund, Kshs.8.67 million (10.3 per cent) as World Bank grant to support health facilities and Kshs.10.99 million (21 per cent) as a conditional grant from DANIDA as shown in Table 3.110.

### 3.38.2 Revenue Analysis

In the first nine months of FY 2015/16, the County received Kshs.2.23 billion as equitable share of revenue raised nationally, Kshs.51.79 million as conditional allocations, raised Kshs.121.87 million from local sources, and had actual cash balance of Kshs.355.38 million brought forward from FY 2014/15.

Figure 3.145 shows the quarterly trend in local revenue collection from FY 2013/14 to the third quarter of FY 2015/16.

**Figure.3.145: Samburu County, Trend in Local Revenue Collection by Quarter from FY 2013/14 to the Third Quarter of FY 2015/16**




**Source:** *Samburu County Treasury*

The total local revenue for the reporting period of Kshs.121.87 million consisted of Kshs.56.34 million generated in the first quarter, Kshs.28.55 million in the second quarter and Kshs.36.88 million in the third quarter of FY 2015/16. The revenue collected was 34.2 per cent of the annual local revenue target, and decline from Kshs.169.2 million collected in a similar period of FY 2014/15.

Table 3.109 shows further analysis of the local revenue collected in the first nine months of FY 2015/16 by stream.

**Table.3.109: Samburu County analysis of revenue collection by stream for the first nine months of FY 2015/16**

| No. | Revenue Stream | Annual Targeted Revenue (Kshs.) | 9 Months Actual Revenue (Kshs.) | Actual Revenue as a percentage of Annual Targets (%) |
|---|---|---|---|---|
| 1 | Health Department | 9,450,000 | 5,309,700 | 56.2 |
| 2 | Samburu National Reserve | 210,000,000 | 77,109,397 | 36.7 |
| 3 | Others Sources | 50,830,640 | 18,755,393 | 36.9 |
| 4 | Cess Receipts | 32,285,000 | 8,674,783 | 26.9 |
| 5 | Single Business Permits | 18,470,000 | 5,717,950 | 31.0 |
| 6 | Land Rates | 25,500,000 | 5,535,740 | 21.7 |
| 7 | Agricultural Machinery Services | 10,050,000 | 767,846 | 7.6 |
| | **Total** | **356,585,640** | **121,870,809** | **34.2** |

**Source:** *Samburu County Treasury*

Analysis of the local revenue by stream indicates that collections from the Health Department recorded the highest performance against annual target at 56.2 per cent. This was closely followed by the Samburu National Reserve (SNR ) fees at 36.7 per cent. The total collections as a percentage of annual revenue target was 34.2 per cent. This low performance can be attributed to the countrywide slump in tourism, and therefore, a decline in tourist arrivals at the SNR.

In the first nine months of the FY 2015/16, The County deposited all locally collected revenue into the County Revenue Fund account maintained at Central Bank of Kenya (CBK) in line with Article 207 of the Constitution. The Samburu County Executive has an agreement with the Kenya Association of Tour Operators (KATO) to collect revenue on its behalf from Samburu National Reserve (SNR). As an agent, KATO earns a fee of 4 per cent of the revenue collected, an amount that is deducted at source contrary to Art.207 of the Constitution and Sec.109 of the PFM Act, 2012.

### 3.38.3 Conditional Grants

Table 3.110 shows the analysis of conditional grants for the first nine months of FY 2015/16.

**Table 3.110: Samburu County analysis of conditional grants for the first nine months of FY 2015/16**

| No. | Conditional Grant | Amount allocated as provided in CARA 2015 (Kshs.) | 9 Months Actual receipt of the Conditional Grant (Kshs.) | Actual Receipts as a percentage of Annual Allocation (%) |
|---|---|---|---|---|
| 1 | Road Maintenance Fuel Levy Fund | 45,129,793 | 22,790,543 | 50.5 |
| 2 | Free Maternal Health Care | 14,183,400 | 7,640,000 | 53.9 |
| 3 | User Fees Forgone | 5,220,197 | 1,699,754 | 32.6 |
| 4 | DANIDA Grant | 10,990,000 | 10,990,000 | 100 |
| 5 | World Bank Grant | 8,669,898 | 8,669,898 | 100 |
| | **TOTAL** | **84,193,288** | **51,790,195** | **61.5** |

**Source:** *Samburu County Treasury*

Analysis of the conditional grants for the period under review indicates that donor funding to the County health sector; DANIDA and World Bank grants recorded the highest performance against annual target with both at 100 per cent while conditional allocations from the National Government registered low performance due to delay in release of the funds by the National Treasury.

### 3.38.4 Exchequer Issues

During the period under review, the COB authorised withdrawal of Kshs.2.61 billion from the CRF account, which was 60.2 per cent of the approved budget. The amount represented an increase of 16 per cent from Kshs.2.25 billion authorized in a similar period of FY 2014/15 and consisted of Kshs.1.86 billion (71.1 per cent) for recurrent expenditure and Kshs.757.5 million (28.9 per cent) for development activities.

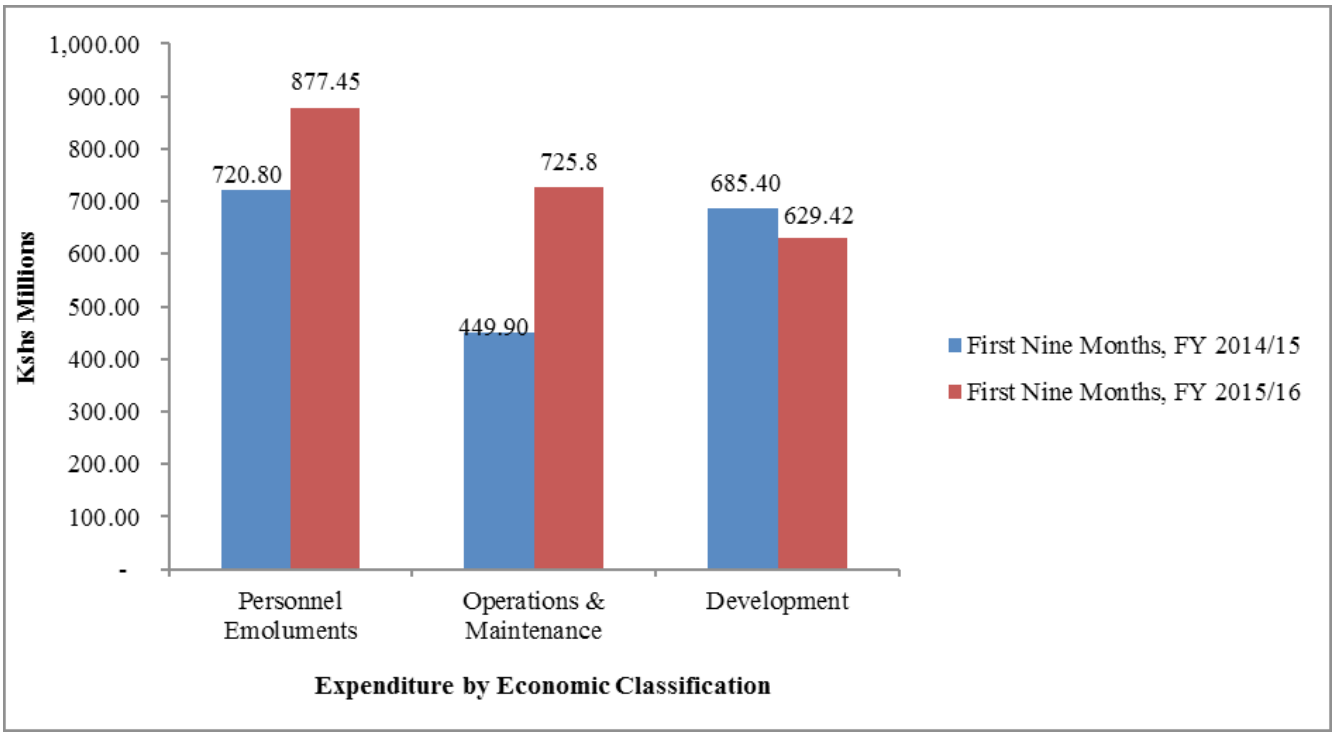
### 3.38.5 Overall Expenditure Review

The County spent a total of Kshs.2.23 billion during the first nine months of FY 2015/16 which was 85.3 per cent of the total funds released for operations. This was an increase from the Kshs.1.86 billion spent in a similar period of FY 2014/15. A total of Kshs.1.60 billion was spent on recurrent activities and Kshs.629.40 million on development activities. Recurrent expenditure was 86.1 per cent of the funds released for recurrent activities while development expenditure accounted for 83.1 per cent of the funds released for development activities. The expenditure excludes commitments as at 31st March, 2016 that amounted to Kshs.473.11 million for development and Kshs.270.90 million for recurrent expenditure.

Recurrent expenditure for the period under review represented 63.4 per cent of the approved annual recurrent budget, an increase from 59.5 per cent spent in a similar period of FY 2014/15. On the other hand, development expenditure recorded an absorption rate of 36 per cent, a decrease from

46.4 per cent spent in a similar period of FY 2014/15. Figure 3.146 shows a comparison of the total expenditure in the third quarter of FY 2014/15 and the same period in FY 2015/16.

**Figure 3.146: Samburu County, Expenditure by Economic Classification for the First Nine Months of FY 2014/15 and FY 2015/16.**




**Source:** *Samburu County Treasury*

### 3.38.6 Recurrent Expenditure Analysis

The total recurrent expenditure for the reporting period was Kshs.1.6 billion against an annual recurrent budget of Kshs.2.59 billion. This represents 61.7 per cent of the annual recurrent budget. The County spent Kshs.877.45 million (54.8 per cent) on personnel emoluments and Kshs.725.8 million (45.2 per cent) on operations and maintenance as shown in Figure 3.146.

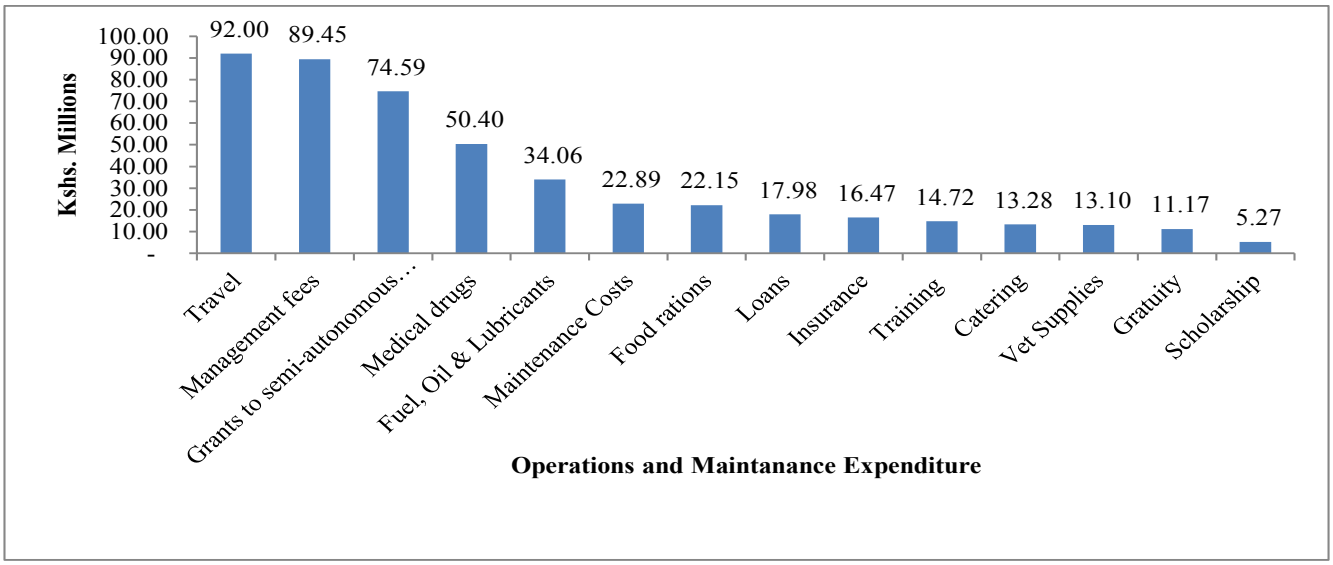
The expenditure on personnel emoluments of Kshs.877.45 million was an increase of 21.3 per cent compared to a similar period in FY 2014/15 when the County spent Kshs.720.76 million. This increase is attributed to continued recruitment of staff by the County Public Service Board.

The County spent Kshs.34.26 million on sitting allowances to the 26 MCAs and the Speaker against an annual budget of Kshs.44.45 million. This represents an increase from Kshs.17.01 million recorded in a similar period of FY 2014/15. The average monthly sitting allowance per MCA was Kshs.141, 003 compared to SRC's recommended monthly ceiling of Kshs.124,800

The aggregate expenditure on domestic and foreign travel was Kshs.92 million compared to Kshs.85.7 million incurred in a similar period of FY 2014/15, representing a significant increase/decrease of 7.4 per cent. Figure 3.147 shows a breakdown of the operations and maintenance expenditure for

the reporting period.

**Figure 3.147: Samburu County, Operations and Maintenance Expenditure for the First Nine Months of FY 2015/16**

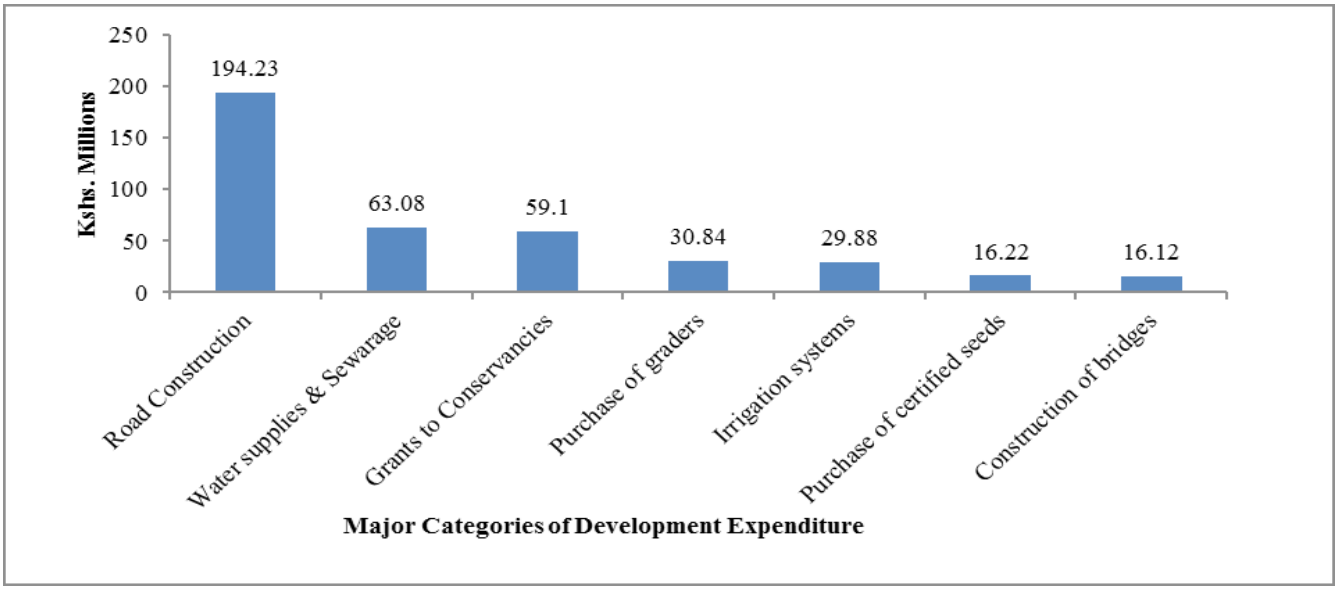



**Source:** *Samburu County Treasury*

### 3.38.7 Development Expenditure Analysis

Figure 3.148 provides a summary of development expenditure during the period under review.

**Figure.3.148: Samburu County, Summary of Development Expenditure for the First Nine Months of FY 2015/16**




**Source:** *Samburu County Treasury*

Analysis of the development expenditure of Kshs.629.4 million incurred in the reporting period indicates that the highest expenditure of Kshs.351.47 million was spent by the Roads Department

on development and maintenance of access roads and water supplies and sewerage. The second highest expenditure of Kshs.79.48 million was incurred by the Department of Trade, Tourism and Cooperative Development on conservancies support and other infrastructural and civil works. The Department of Agriculture spent Kshs.16.22 on purchase of certified seeds and the Roads and Public Works Department incurred Kshs.30.884 on purchase of graders and other heavy machinery.

### 3.38.8 Annual Budget and Budget Performance Analysis by Department for the First Nine Months of FY 2015/16

Table 3.111 shows a summary of FY 2015/16 annual budget estimates and budget performance for the reporting period by department.

**Table 3.111: Samburu County, Annual Budget and First Nine Months of FY 2015/16 Budget Performance by Department**

| Department | Annual Budget Allocation (Kshs. Million) | | Six Months Exchequer Issues (Kshs. Million) | | 9 Months Expenditure (Kshs. Million) | | 9 Months Expenditure to Exchequer Issues (%) | | Expenditure to Annual Budget (Absorption Rate %) | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Rec | Dev | Rec | Dev | Rec | Dev | Rec | Dev | Rec | Dev |
| County Assembly | 431.46 | 50 | 248 | 0 | 274.35 | 0 | 110.7 | 0.0 | 64 | 0 |
| County Executive & CPSB | 338.85 | 23 | 225.4 | 6 | 212.26 | 1.45 | 94.2 | 24.2 | 63 | 6 |
| Finance & Economic planning | 304.43 | 45.5 | 187.4 | 3.79 | 215.17 | 3.95 | 114.8 | 104.2 | 71 | 9 |
| Agriculture, Livestock & Fisheries | 154.85 | 202.24 | 108.3 | 70.81 | 83.52 | 74.05 | 77.1 | 104.6 | 54 | 37 |
| Environment & Natural Resources | 49.53 | 66.51 | 34.3 | 18.57 | 18.75 | 15.5 | 54.7 | 83.5 | 38 | 23 |
| Education, Youth Affairs & Sports | 284 | 179.88 | 214.0 | 59.74 | 157.24 | 51.25 | 73.5 | 85.8 | 55 | 28 |
| Health services | 546.21 | 214.31 | 451.6 | 99.92 | 392.32 | 44.04 | 86.9 | 44.1 | 72 | 21 |
| Physical planning, Housing and Urban Development | 86.18 | 133.94 | 65.8 | 46.56 | 33.85 | 8.22 | 51.4 | 17.7 | 39 | 6 |
| Public works, county roads & water | 190.52 | 654.5 | 148.5 | 344.32 | 122.17 | 351.47 | 82.3 | 102.1 | 64 | 54 |
| Trade, Tourism & Cooperative development | 131.23 | 141.6 | 116.4 | 96.53 | 59.27 | 79.48 | 50.9 | 82.3 | 45 | 56 |
| Gender, culture and social services | 75.66 | 36.3 | 58.9 | 11.27 | 34.6 | **0** | 58.8 | 0.0 | 46 | 0 |
| **TOTAL** | **2,592.91** | **1,747.78** | **1,858.43** | **757.50** | **1603.5** | **629.41** | **86.3** | **83.1** | **62** | **36** |

**Source:** *Samburu County Treasury*

Analysis of budget performance by department shows that the Department of Trade, Tourism and Cooperative Development reported the highest absorption rate for development expenditure at 56 per cent while the County Assembly and Gender, Culture & Social Services did not spend on development expenditure. On the other hand, the Health Department had the highest percentage of its recurrent expenditure to annual recurrent budget at 72 per cent while the Environment & Natural resources department had the lowest at 38 per cent.

### 3.38.9 Observations and Recommendations

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

i. Established a Monitoring and Evaluation Committee to overseer development project implementation.
ii. The County has constituted the County Budget and Economic Forum in accordance with Section,137 of the PFM Act, 2012.

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

1. Poor performance in local revenue collection. The County Treasury had collected Kshs.121.87 million against an annual target of Kshs.356.58 million in the reporting period. This is despite an increase in the number of revenue clerks during the reporting period.

2. The Samburu County Executive has an agreement with the Kenya Association of Tour Operators (KATO) to collect revenue on its behalf from Samburu National Reserve (SNR). As an agent, KATO earns a fee of 4 per cent of the revenue collected. This amount is deducted at source, which is contrary to Article 207 of the Constitution..

3. Disbursement of Bursary and Mortgage, and Car Loans before enactment of regulations.

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

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

2. *The County Treasury should comply with the Constitution and the PFM Act, 2012 and deposit into the CRF all revenue collected by and on its behalf before any payments are made.*

3. *The County should ensure that all the relevant regulations are in place for all established County Funds before their operationalization.*

## 3.39 Siaya County

### 3.39.1 Overview of the FY 2015/16 Budget

The FY 2015/16 Approved Supplementary Budget for Siaya County is Kshs.6.95 billion, comprising of Kshs.3.72 billion (53.5 per cent) allocated to recurrent expenditure and Kshs.3.22 billion (46.5 per cent) to development expenditure.

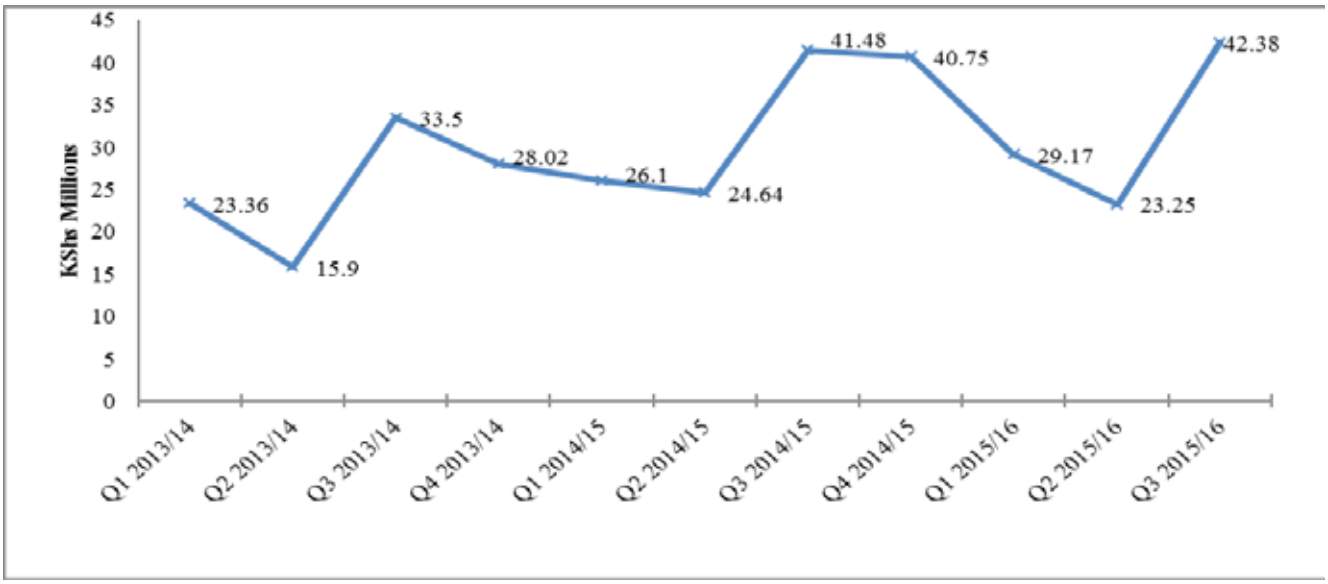
In order to finance the budget, the county will receive Kshs.5.00 billion (71.9 per cent) as transfers from the National Government, Kshs.519.56 (7.9 per cent) million as conditional grant, generate Kshs.343.91 million (5.0 per cent) from local sources and Kshs1.09 billion (15.7 per cent) as projected cash balance from FY 2014/15. The conditional grants comprise of Kshs.95.74 million (18.4 per cent) for Leasing of Medical Equipment, Kshs128.08 million (24.7 per cent) for Maternal Health Care, Kshs.63.46 million (12.2 per cent) from the Road Maintenance Fuel Levy Fund, Kshs.91.50 million (17.6 per cent) as World Bank grant to support health facilities, Kshs.27.53 million (5.3 per cent) as a conditional grant from DANIDA and Kshs.93.62 (18.02) million from other sources of financing.

### 3.39.2 Revenue Analysis

In the first nine months of FY 2015/16, the County received Kshs.2.92 billion as equitable share raised nationally, Kshs.107.89 million as conditional allocation raised Kshs.94.80 million from local sources and had a cash balance of Kshs.1.09 billion brought forward from FY 2014/15. The County did not borrow any funds during the reporting period to finance the budget.

Figure 3.149 shows the quarterly trend in local revenue collection from FY 2013/14 to the third quarter of FY 2015/16.

**Figure 3.149: Siaya County, Trend in Local Revenue Collection by Quarter from FY 2013/14 to the Third Quarter of FY 2015/16**




**Source:** *Siaya County Treasury*

The total local revenue for the reporting period of Kshs.94.80 million consisted of Kshs.29.17 million generated in the first quarter, Kshs.23.25 million in the second quarter and Kshs.42.38 million in the third quarter of FY 2015/16. The revenue collected was 27.6 per cent of the annual local revenue target, and a marginal improvement from Kshs.41.48 million collected in a similar period of FY 2014/15.

Table 3.112 shows further analysis of the local revenue collected in the first nine months of FY 2015/16 by stream.

**Table 3.112: County analysis of revenue collection by stream for the first nine months of FY 2015/16**

| No | Revenue Stream | Annual Targeted Revenue (Kshs.) | 9 Months Actual Revenue | Actual Revenue as a percentage of Annual Targets (%) |
|---|---|---|---|---|
| 1 | Bus Park | 12,000,000 | 8,546,530 | 71.2 |
| 2 | Weight And Measures | 555,000 | 362,105 | 65.2 |
| 3 | Plan Approval | 2,500,000 | 1,396,367 | 55.9 |
| 4 | Slaughter Fee | 896,500 | 494,710 | 55.2 |
| 5 | Fish Cess | 6,500,000 | 3,043,955 | 46.8 |
| 6 | Single Business Permit | 45,000,000 | 18,475,781 | 41.1 |
| 7 | Market Fee | 50,000,000 | 16,454,215 | 32.9 |
| 7 | Plot Rents | 5,900,000 | 1,909,909 | 32.4 |
| 9 | Kiosk/Stall/Ground Rent | 5,239,800 | 1,299,015 | 24.8 |
| 10 | Quarry Cess | 1,200,000 | 293,580 | 24.5 |
| 11 | All the Other Sources Combined | 213,518,626 | 42,523,343 | 19.9 |
| | **TOTALS** | **343,309,626** | **94,799,510** | **27.6** |

**Source:** *Siaya County Treasury*

Analysis of the local revenue by stream indicates that bus park fees recorded the highest performance against annual target at 71.2 per cent. This was closely followed by weights and measures fees at 65.2 per cent.

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

### 3.39.3 Conditional Grants

Table 3.113 shows the analysis of conditional grants for the first nine months of FY 2015/16.

**Table 3.113: Siaya County analysis of conditional grants for the first nine months of FY 2015/16**

| No. | Conditional Grant | Amount allocated as provided in CARA 2015 (Kshs.) | 9 Months Actual receipt of the Conditional Grant (Kshs.) | Actual Receipts as a percentage of Annual Allocation (%) |
|---|---|---|---|---|
| 1 | Road Maintenance Fuel Levy Fund | 63,456,905 | 32,045,735 | 50.5 |
| 2 | Free Maternal Health Care | 128,080,400 | 42,640,000 | 33.3 |
| 3 | User Fees Forgone | 19,643,077 | 5,669,440 | 28.9 |
| 4 | DANIDA Grant | 27,530,000 | 27,530,000 | 100.0 |
| 5 | World Bank Grant | 91,500,000 | - | 0.0 |
| 6 | Leasing of Medical Equipment | 95,744,681 | - | 0.0 |
| 7 | County Emergency Fund | 93,617,021 | - | 0.0 |
| | **Total** | **519,563,084** | **107,885,175** | **20.8** |

**Source:** *Siaya County Treasury*

Analysis of the conditional grants for the period under review indicates that DANIDA grant recorded the highest performance against annual target at 100 per cent. This was followed by Road Maintenance Fuel Levy Fund at 50.5 per cent.

### 3.39.4 Exchequer Issues

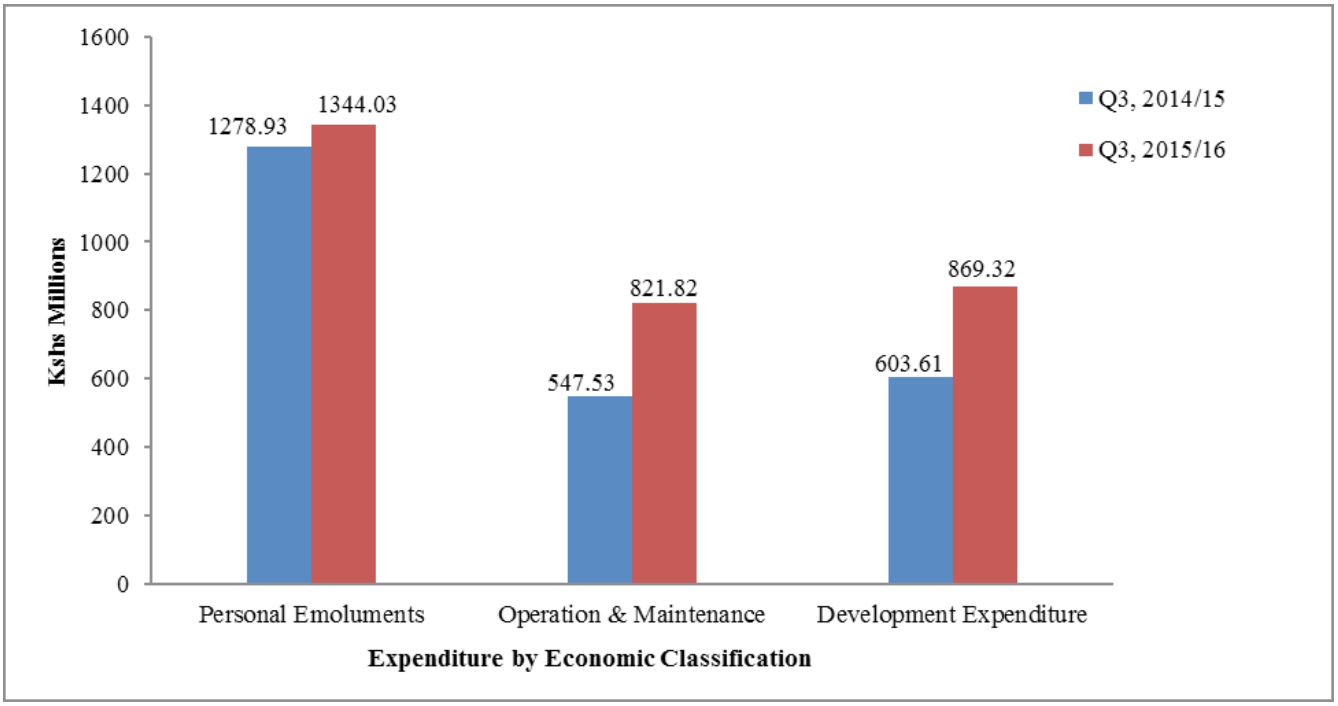
During the period under review, the COB authorised withdrawal of Kshs.3.67 billion from the CRF account, which was 52.8 per cent of the approved budget. The amount represented an increase of 17.6 per cent from Kshs.3.12 billion authorized in a similar period of FY 2014/15 and consisted of Kshs.2.56 billion (69.6 per cent) for recurrent expenditure and Kshs1.12 billion (30.4 per cent) for development activities.

### 3.39.5 Overall Expenditure Review

The County spent a total of Kshs.3.04 billion during the first nine months of FY 2015/16 which was 82.7 per cent of the total funds released for operations. This was an increase from the Kshs2.43 billion spent in a similar period of FY 2014/15. A total of Kshs.2.17 billion was spent on recurrent activities and Kshs.869.32 million on development activities. Recurrent expenditure was 84.8 per cent of the funds released for recurrent activities while development expenditure accounted for 78.0 per cent of the funds released for development activities. The expenditure excludes commitments as at 31st March, 2016 that amounted to Kshs.213.01 million for recurrent and Kshs.316.37 million for development expenditure.

Recurrent expenditure for the period under review represented 58.2 per cent of the approved annual recurrent budget, an increase from 53.2 per cent spent in a similar period of FY 2014/15. On the other hand, development expenditure recorded an absorption rate of 27.0 per cent, a decrease from 24.5 per cent spent in a similar period of FY 2014/15. Figure 3.150 shows a comparison of the total expenditure in the third quarter of FY 2014/15 and the same period in FY 2015/16.

**Figure 3.150: Siaya County, Expenditure by Economic Classification for the First Nine Months of FY 2014/15 and FY 2015/16**




**Source:** *Siaya County Treasury*

### 3.39.6 Recurrent Expenditure Analysis

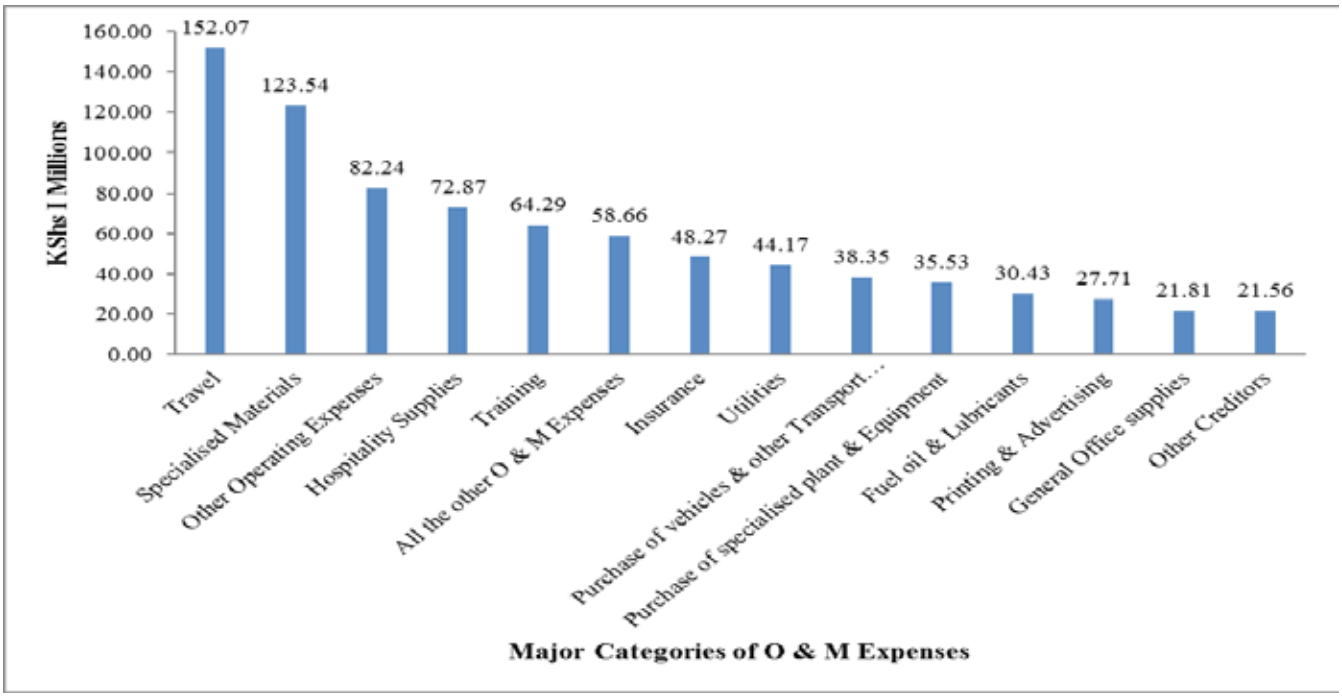
The total recurrent expenditure for the reporting period was Kshs.2.17 billion against an annual recurrent budget of Kshs.3.72 billion. This represents 71.4 per cent of the annual recurrent budget. The County spent Kshs.1.34 billion (61.8 per cent) on personnel emoluments and Kshs.821.82 million (38.2 per cent) on operations and maintenance as shown in Figure 3.151.

The expenditure on personnel emoluments of Kshs.1.34 billion was an increase of 4.7 per cent compared to a similar period in FY 2014/15 when the County spent Kshs.1.28 billion. The increase is attributed to continued recruitment in the county

The County spent Kshs.73.57 million on sitting allowances to the 48 MCAs and the Speaker against an annual budget of Kshs.86.22 million. This represents a decrease/increase from Kshs.66.21 million recorded in a similar period of FY 2014/15. The average monthly sitting allowance per MCA was Kshs.166,830 compared to SRC's recommended monthly ceiling of Kshs.124, 000.

The aggregate expenditure on domestic and foreign travel was Kshs.146.73 million compared to Kshs.72.06 million incurred in a similar period of FY 2014/15, representing a significant increase of 103.5 per cent. Figure 3.151 shows a breakdown of the operations and maintenance expenditure for the reporting period.

**Figure 3.151: Siaya County, Operations and Maintenance Expenditure for the First Nine Months of FY 2015/16**

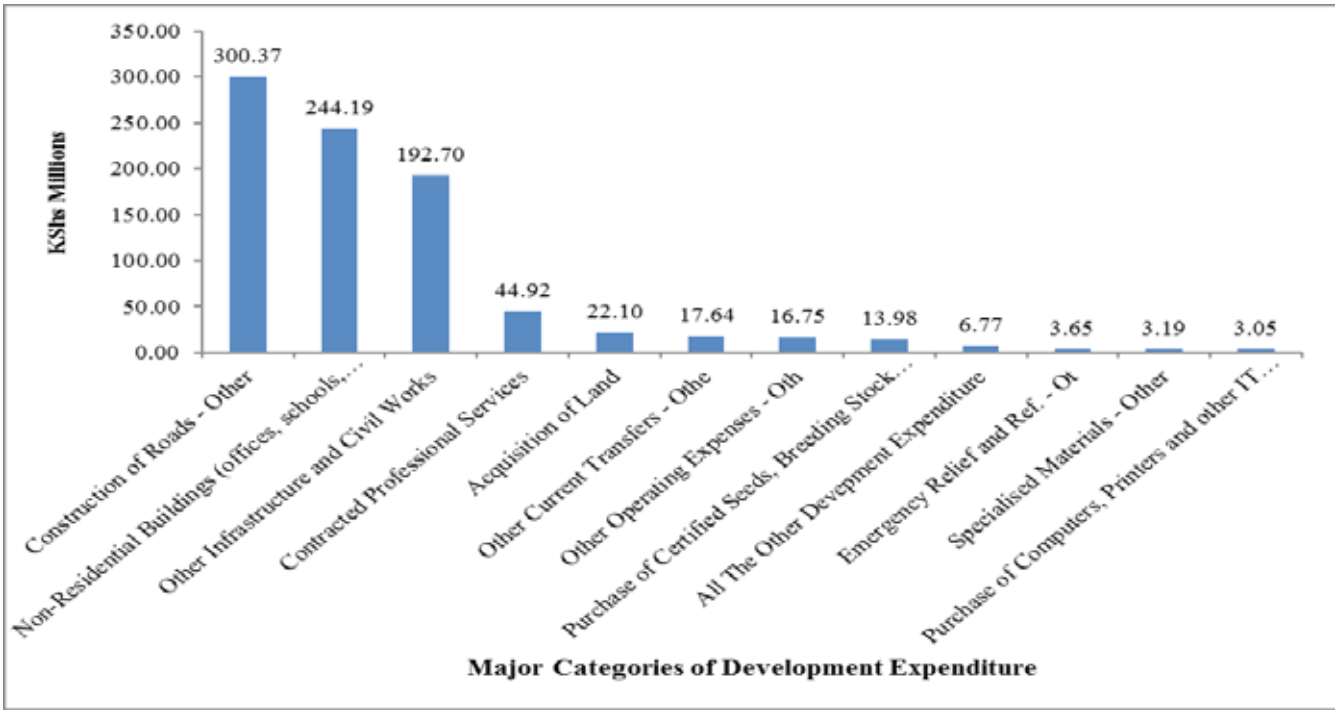



**Source:** *Siaya County Treasury*

### 3.39.7 Development Expenditure Analysis

Figure 3.152 provides a summary of development expenditure during the period under review.

**Figure 3.152: Siaya County, Summary of Development Expenditure for the First Nine Months of FY 2015/16**




**Source:** *Siaya County Treasury*

Analysis of the development expenditure of Kshs.869.32 million incurred in the reporting period indicates that the highest expenditure of Kshs.300.37 million was spent by the Roads Department on development and maintenance of roads. The activities undertaken were opening up of roads, grading and gravelling and lying of culverts across the 30 wards of the county. The second highest expenditure of Kshs.244.19 million was incurred on the construction of non-residential buildings

This area of construction of non-residential building is dominated by construction of ECDs by Education department and construction of health centres, dispensaries, specialised facilities such as mortuaries, maternity wings, etc. at major hospitals by the Health Department. The third highest expenditure category was on civil works such as construction of bridges, drilling of boreholes and associated works like casing and equipping at Kshs.192.70 million. Contracted professional services registerd expenditure of Ksh.44.92 million. This amount was spent on the digitization of revenue consultancy and that on the construction of County Assembly complex.

### 3.39.8 Annual Budget and Budget Performance Analysis by department for the First Nine Months of FY 2015/16

Table 3.114 shows a summary of FY 2015/16 annual budget estimates and budget performance for the reporting period by department.

**Table 3.114: Siaya County, Annual Budget and First Nine Months of FY 2015/16 Budget Performance by D.epartment**

| 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 | 582.03 | 73.89 | 491.00 | 73.89 | 344.24 | 15.56 | 70.1 | 21.1 | 59.1 | 21.1 |
| County Executive | 525.86 | 140.65 | 355.24 | 14.35 | 324.43 | 4.81 | 91.3 | 33.5 | 61.7 | 3.4 |
| Finance, Economic Planning and Vision 2030 | 472.44 | 25.00 | 275.95 | 10.05 | 381.46 | 17.27 | 138.2 | 171.8 | 80.7 | 69.1 |
| Agriculture, Livestock and Fisheries | 225.36 | 165.42 | 184.37 | 101.67 | 170.72 | 69.01 | 92.6 | 67.9 | 75.8 | 41.7 |
| Water, Environment and Natural Resources | 103.97 | 313.84 | 87.11 | 126.19 | 78.53 | 65.74 | 90.2 | 52.1 | 75.5 | 20.9 |
| Education, Youth, Sports, Culture and Social Services | 149.79 | 750.75 | 94.28 | 265.23 | 94.58 | 174.90 | 100.3 | 65.9 | 63.1 | 23.3 |
| County Health Services | 1,486.99 | 668.85 | 922.02 | 275.71 | 663.75 | 99.49 | 72.0 | 36.1 | 44.6 | 14.9 |

| Department | Budget Allocation (Kshs) | | Exchequer Issues (Kshs) | | Expenditure (Kshs) | | Expenditure To Exchequer Issues (%) | | Absorption % | |
|---|---|---|---|---|---|---|---|---|---|---|
| | REC | DEV | REC | DEV | REC | DEV | REC | DEV | REC | DEV |
| Physical Planning, Survey and Housing | 52.28 | 77.21 | 43.19 | 76.29 | 28.69 | 49.75 | 66.4 | 65.2 | 54.9 | 64.4 |
| Roads and Transport | 40.69 | 876.81 | 34.61 | 78.67 | 28.53 | 326.56 | 82.4 | 415.1 | 70.1 | 37.2 |
| Trade and Coop Services | 42.82 | 75.16 | 33.64 | 44.05 | 23.80 | 18.53 | 70.7 | 42.1 | 55.6 | 24.7 |
| Tourism and ICT | 42.00 | 54.50 | 33.60 | 16.54 | 27.12 | 27.70 | 80.7 | 167.5 | 64.6 | 50.8 |
| **TOTAL** | **3,724.23** | **3,222.08** | **2,555.00** | **1,082.64** | **2,165.85** | **869.32** | **84.8** | **78.0** | **58.2** | **27.0** |

**Source:** *Siaya County Treasury*

Analysis of budget performance by department shows that the Department of Finance reported the highest absorption rate for recurrent expenditure at 80.7 per cent while the County Health Services registered the lowest at 44.6 per cent. On the other hand, the Finance Department also had the highest percentage of its development expenditure to annual development budget at 69.1 per cent while the County Executive had the lowest absorption 3.4 per cent.

### 3.39.9 Observations and Recommendations

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

i. Improvement in bsorption of development funds. At the end of the reporting period, it stood at 27 per cent of the annual target compared to 22 per cent at the same time in the FY 2014/15.

ii. Improvement in local revenue collection. At the end of third quarter, local revenue collection stood at 27.6 per cent, an improvement from 15.6 per cent reported in the similar period of FY 2014/15.

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

1. The County is yet to establish the County Budget and Economic Forum as required by the PFM Act, 2012.

2. The lack of an Internal Audit Committee which has been reported previously. The existence of this committee will enhance prudence in financial management through regular review of

financial systems, controls and procedures.

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

1. *The County should establish the County Budget and Economic Forum to provide guidance in budgeting and economic matters.*
2. *The County Treasury should establish an Internal Audit Committee in line with Section 155 of PFM Act, 2012.*

## 3.40 Taita Taveta County

### 3.40.1 Overview of the FY 2015/16 Budget

The FY 2015/16 Approved Budget for Taita Taveta County is Kshs.3.88 billion. It comprises Kshs.2.88 billion (74.1 per cent) and Kshs.1.01billion (25.9 per cent) allocated to recurrent and development expenditure respectively.

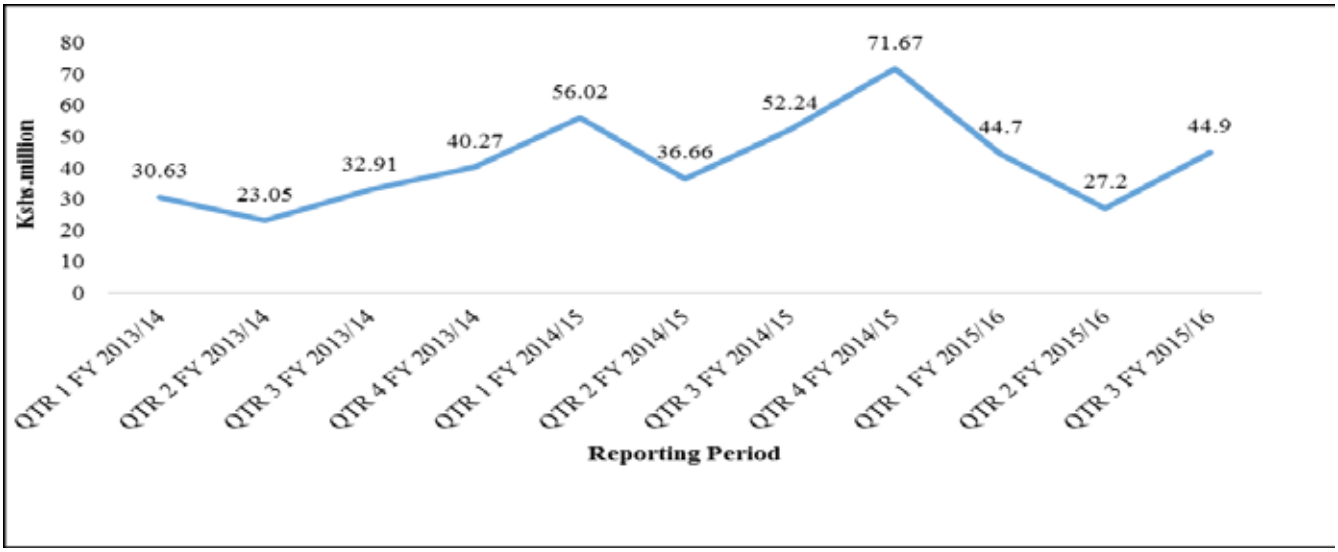
In order to finance the budget, the County expected to receive Kshs.3.31billion (85.2 per cent) as equitable share of revenue raised nationally, Kshs.223.04 million (5.7 per cent) as total conditional grants, and collect Kshs.310.41 million (7.9 per cent) from local sources. The County government did budget for Kshs.42.95 million brought forward from the FY 2014/15. The conditional grants comprised of Kshs.95.74 (8.0 per cent) million for leasing of medical equipment, Kshs.42.12 (18.9 per cent) million free maternity, Kshs.42.04 (18.8 per cent) million for Road Maintenance Fuel Levy Fund, Kshs.17.24 (7.7 per cent) million Health sector services fund-World Bank, Kshs.6.63 (3.0 per cent) million for User Fees Forgone, Kshs.4.44 (2.0 per cent) million as grant from the Government of Australia and received a conditional grant of Kshs.14.81million (6.6 per cent) from DANIDA and received a further conditional grants of Kshs.208.22 million (5.4 per cent) as shown in Table 3.117.

### 3.40.2 Revenue Analysis

In the first nine months of FY 2015/16, the County received Kshs.2.23 billion as equitable share of revenue raised nationally, Kshs.56.20 million as conditional allocations, raised Kshs.116.83 million from local sources, and had a cash balance of Kshs.42.95 million brought forward from FY 2014/15.

Figure 3.153 shows the quarterly trend in local revenue collection from first quarter of the FY 2013/14 to the second quarter of FY 2015/16.

**Figure 3.153: Taita Taveta County, Trend in Local Revenue Collection by Quarter from the FY 2013/14 to the third quarter of FY 2015/16**




**Source:** *Taita Taveta County Treasury*

The local revenue consisted of Kshs.44.7 million raised in the first quarter, Kshs.27.2 million in the second quarter and Kshs.44.90 million in the third quarter. The total local revenue generated of Kshs.116.83 million (37.6 per cent of the annual local revenue target) was a decline from Kshs.144.92 collected in a similar period of FY 2014/15.

Table 3.115 shows the analysis of the local revenue collected in the nine months of FY 2015/16 by stream.

**Table 3.115: Taita Taveta County, Analysis of revenue collection by stream for the first half of FY 2015/16**

| No. | Revenue Stream | Annual Targeted Revenue (Kshs.) | 9 Months Actual Revenue (Kshs.) | Actual Revenue as a Percentage of Annual Target (%) |
|---|---|---|---|---|
| 1 | Approval of Building Plans | 6,027,896.00 | 4,106,512.00 | 68.13 |
| 2 | Natural Resources Exploitation | 7,625,878.00 | 4,333,870.00 | 56.83 |
| 3 | Single Business Permits | 31,661,326.00 | 17,499,270.34 | 55.27 |
| 4 | Bus Park Fees | 16,784,225.00 | 8,130,181.00 | 48.44 |
| 5 | Market Fees | 15,684,306.00 | 7,205,681.00 | 45.94 |
| 6 | Land Rates | 34,503,486.00 | 11,366,601.00 | 32.94 |
| 7 | General Cess | 30,195,035.00 | 9,121,272.00 | 30.21 |
| 8 | Devolved Units | 88,046,460.00 | 24,296,162.00 | 27.59 |
| | **Total** | **230,528,612.00** | **86,059,549.34** | **45.67** |

**Source:** *Taita Taveta County Treasury*

The Analysis of the local revenue by stream indicates that approval of building plans had the highest revenue performance against annual target at 68.1 per cent followed by natural resource exploration fees at 56.8 per cent.

### 3.40.3 Conditional Grants

Table 3.116 shows the analysis of conditional grants for the first nine months of FY 2015/16.

**Table 3.116: Taita Taveta County analysis of conditional grants for the first nine months of FY 2015/16**

| No. | Conditional Grant | Amount allocated as provided in CARA 2015 (Kshs.) | 9 Months Actual receipt of the Conditional Grant (Kshs.) | Performance (%) |
|---|---|---|---|---|
| 1 | Level 5 Hospitals | 0 | 0 | 0 |
| 2 | Road Maintenance Fuel Levy Fund (RMFLF) | 42,042,522 | 31,742,105.00 | 75.50 |
| 3 | Free Maternal Health Care | 42,120,400 | 13,905,000.00 | 33.01 |
| 4 | User Fees Forgone | 6,635,345 | 3,151,789.00 | 47.50 |
| 5 | DANIDA Grant | 14,810,000 | 7,405,000.00 | 50 |
| 6 | World Bank Grant | 17,242,898 | 0 | 0 |
| | ***Total*** | ***122,851,165.00*** | ***56,203,894.00*** | ***45.75*** |

***Sources***: *Taita Taveta County Treasury*

Analysis of the conditional grants, for the period under review indicates that RMFLF recorded the highest performance against annual target at 75.5 per cent. This was closely followed by User Fees Forgone at 47.5 per cent.

### 3.40.4 Exchequer Issues

During the period under review, the COB authorised withdrawal of Kshs.2.36 billion from the CRF, which was 60.8 per cent of the approved budget. The amount represented an decline of 3.2 per cent from Kshs.2.44 billion authorized in a similar period of FY 2014/15, and consisted of Kshs.2.03billion (86.1 per cent) for recurrent expenditure and Kshs.328.31 million (13.9 per cent) for development activities..

### 3.40.5 Borrowing by the County Government

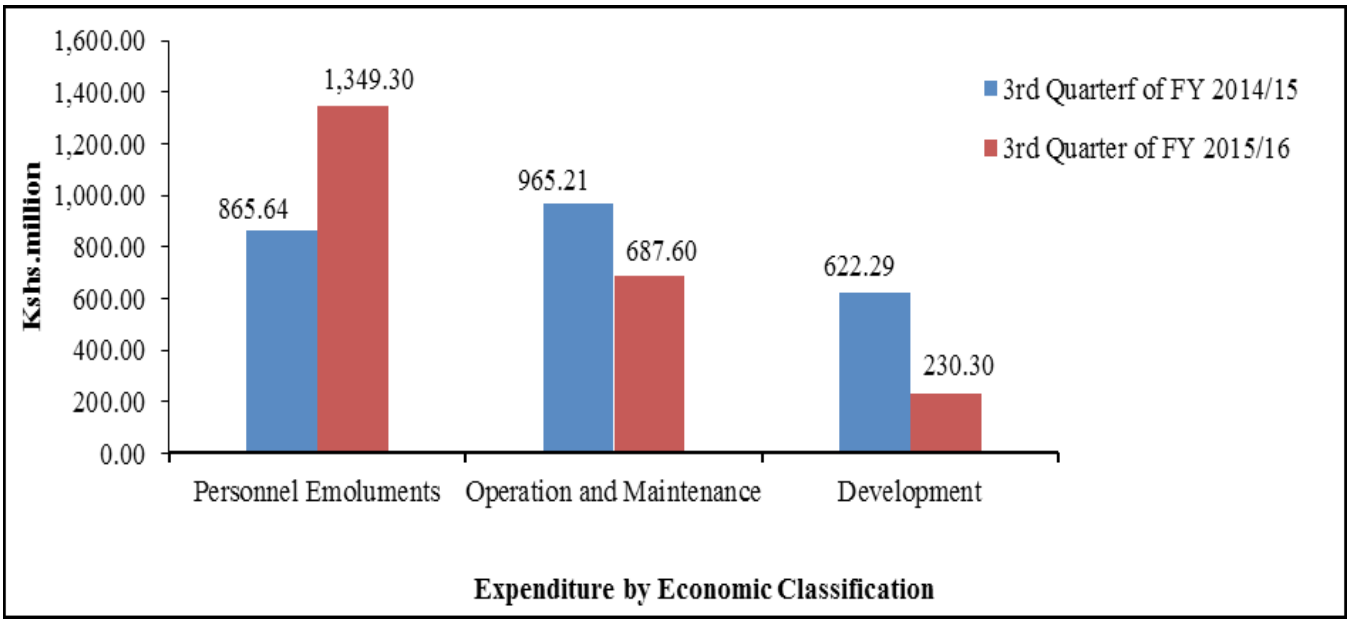
In the half year CBIRR, the Office reported that the County had borrowed Kshs.185 million from Kenya Commercial Bank without approval of the County Assembly. The County has clarified that the County Assembly approved the loan sought, and so far, the County has repaid Kshs.61 million.

### 3.40.6 Overall Expenditure Review

The County spent a total of Kshs.2.27 billion during the first nine months of FY 2015/16 which was 96.0 per cent of the funds released for operations. This is a decline from the Kshs.2.45 billion spent in a similar period of FY 2014/15. A total of Kshs.2.04 billion was spent on recurrent activities and Kshs.230.33 million on development activities. Recurrent expenditure was 89.9 per cent of the funds released for recurrent activities while development expenditure accounted for 10.2 per cent of the funds released for development activities. The expenditure excludes commitments as at 31st March, 2016, that amounted to Kshs.1.65 million for recurrent expenditure.

Recurrent expenditure for the period under review represented 70.8 per cent of the approved annual recurrent budget, an increase of 1.98 per cent from spent in a similar period of FY 2014/15. On the other hand development expenditure recorded an absorption rate of 22.9 per cent, a decrease from 18.6 per cent spent in a similar period of FY 2014/15. Figure 3.154 shows a comparison of the total expenditure in the third quarter of FY 2014/15 and the same period in FY 2015/16.

**Figure 3.154: Taita Taveta County, Expenditure by Economic Classification for Third quarter of FY 2014/15 and Third quarter of FY 2015/16**




**Source:** *Taita Taveta County Treasury*

### 3.40.7 Recurrent Expenditure Analysis

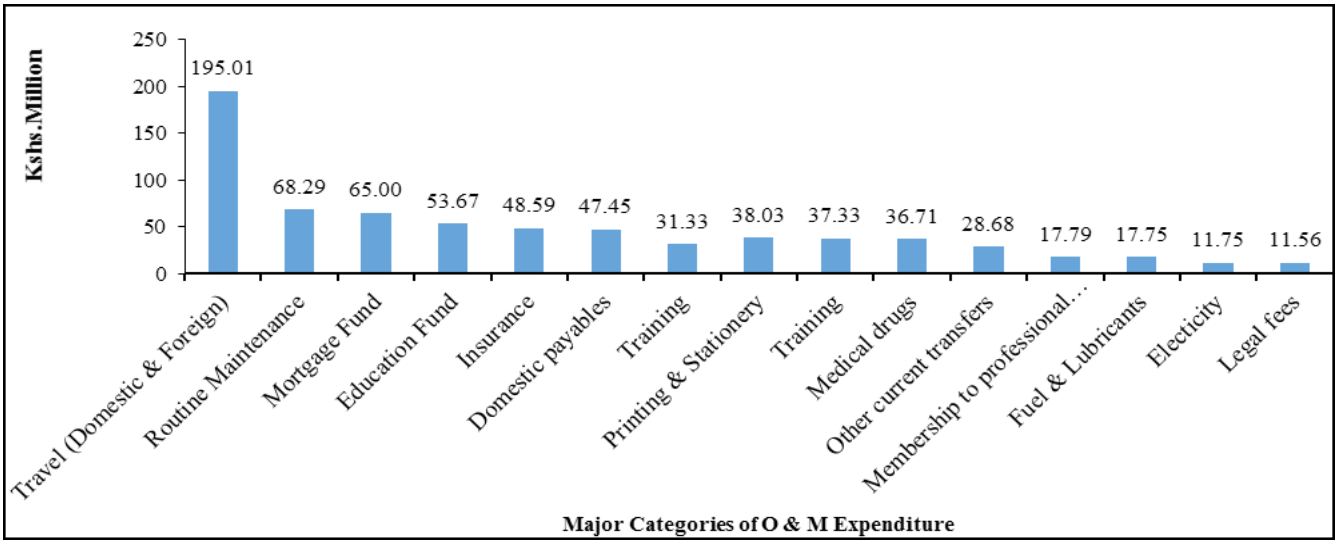
The total recurrent expenditure for the reporting period was Kshs.2.04 billion against a budget of Kshs.2.88 billion. This represents 70.83 per cent of the annual recurrent budget. The County spent Kshs.1.34 billion (65.7 per cent) on personnel emoluments and Kshs.687.6 million (34.3 per cent) on operations and maintenance as shown in Figure 3.82.

The expenditure on personnel emoluments increased by 54.8 per cent compared to a similar period in FY 2014/15 when it accounted for Kshs.865.64 million (69.1 per cent).

The County spent Kshs.55.99 million on sitting allowances to the 36 MCAs and the Speaker against budget of Kshs.58.06 million. This is a decrease from Kshs.26.16 million recorded in a similar period of FY 2014/15. The average monthly sitting allowance per MCA was Kshs.172, 810 compared to SRCs recommended monthly ceiling of Kshs.124,800.

The aggregate expenditure on domestic and foreign travel was Kshs.195.01 million compared to Kshs.134.37 million incurred in a similar period of FY 2014/15, representing a significant increase of 45.13 per cent. This expenditure comprised of Kshs.79.98 million spent by the County Executive and Kshs.115.04 million by the County Assembly. Figure 3.155 shows a breakdown of the operations and maintenance expenditure for the reporting period.

**Figure 3.155: Taita Taveta County, Operations and Maintenance Expenditure for the First Nine Months of FY 2015/16**



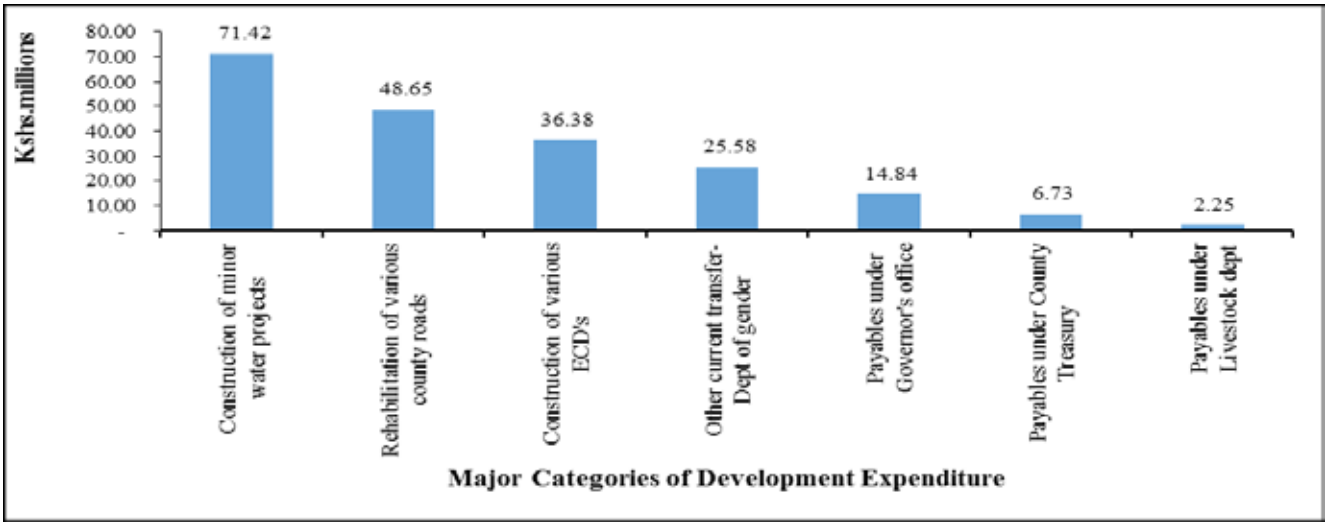

**Source:** *Taita Taveta County Treasury*

### 3.40.8 Development Expenditure Analysis

Analysis of the development expenditure of Kshs.230.33 million indicates that the highest expenditure of Kshs.71.42 million was incurred on construction of water projects while Kshs.48.65 million was incurred in the rehabilitation of various roads within the county. A total of Kshs.36.38 million was spent on construction of ECD classrooms, Kshs.25.58 million on other current transfers under the Department of Gender, Kshs.14.84 million on pending bills from previous period under the Office of the Governor and Kshs.6.73 million on pending bills from previous period.

Figure 3.156 provides a summary of development expenditure during the third quarter of FY 2015/16.

**Figure 3.156: Taita Taveta County, Summary of Development Expenditure for the First Nine Months of FY 2015/16**




**Source:** *Taita Taveta County Treasury*

### 3.40.9 Annual Budget and Budget Performance Analysis by Department for the First Nine Months of FY 2015/16

Table 3.117 shows a summary of the FY 2015/16 annual budget estimates and budget performance for the first Nine Months by department.

**Table 3.117: Taita Taveta County, Annual Budget and Third quarter of FY 2015/16 Budget Performance by Department**

| No. | COUNTY EXPENDITURE BY DEPARTMENT | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | DEPARTMENT | Annual Budget Allocation (Kshs) | | 9 Months Exchequer Issues (Kshs) | | 9 Months Expenditure (Kshs) | | Expenditure to Exchequer issues (%) | | Absorption (%) | |
| | | REC | DEV | REC | DEV | REC | DEV | REC | DEV | REC | DEV |
| 1 | County Assembly | 550.38 | 7 | 403.75 | 7 | 474.62 | - | 117.6 | 0 | 86.2 | 0 |
| 2 | Administration & Devolution | 233.28 | | 161.91 | | 139.91 | - | 0.9 | 0 | 60 | 0 |
| 3 | Water & Irrigation | 24.47 | 143.45 | 17.36 | 20.25 | 9.18 | 71.42 | 0.5 | 0 | 37.5 | 49.8 |
| 4 | Health | 1,000.81 | 198.93 | 658.24 | 77.75 | 719.12 | 36.38 | 1.1 | 0 | 71.9 | 18.3 |
| 5 | County Treasury | 366 | 15.97 | 220.99 | 6.52 | 210.38 | 6.73 | 1 | 0 | 57.5 | 42.2 |
| 6 | Education | 252.76 | 186.86 | 252.19 | 39.02 | 204.36 | 23.4 | 0.8 | 0 | 80.9 | 12.5 |
| 7 | Governor & Deputy Governor | 141.44 | 33.28 | 71.89 | 21.25 | 109.84 | 14.84 | 1.5 | 0.7 | 77.7 | 44.6 |
| 8 | Agriculture,Fisheries &Vet | 78.53 | 34.56 | 74.44 | 7.1 | 47.14 | 3.34 | 0.6 | 0 | 60 | 9.7 |

| No. | COUNTY EXPENDITURE BY DEPARTMENT | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | DEPARTMENT | Annual Budget Allocation (Kshs) | | 9 Months Exchequer Issues (Kshs) | | 9 Months Expenditure (Kshs) | | Expenditure to Exchequer issues (%) | | Absorption (%) | |
| | | REC | DEV | REC | DEV | REC | DEV | REC | DEV | REC | DEV |
| 9 | Trade & Community Affairs | 69.63 | 119.96 | 46.06 | 62.26 | 24.49 | 25.58 | 0.5 | 0.4 | 35.2 | 21.3 |
| 10 | Land & Physical Planning | 23.07 | 7.74 | 9.01 | 0.91 | 4.77 | - | 0.5 | 0 | 20.7 | 0 |
| 12 | County Public Service Board | 43.81 | | 39.58 | | 35.44 | | | 0 | 80.9 | 0 |
| 13 | Infrastructure,Public Works | 20 | 255.98 | 21.12 | 85.6 | 11.82 | 48.65 | 0.6 | 0.6 | 59.1 | 19 |
| 14 | Tourism,Envt & Natural Resources | 73.96 | 4.11 | 55.97 | 0.65 | 45.81 | - | 0.8 | 0 | 61.9 | 0 |
| | **TOTAL** | **2,878.13** | **1,007.84** | **2,032.52** | **328.31** | **2,036.88** | **230.3** | **100.2** | **70.2** | **70.8** | **22.9** |

**Source:** *Taita Taveta County Treasury*

Analysis of budget performance by department shows that the County Assembly reported the highest absorption rate based on its expenditure of recurrent budget at 86.2 per cent followed by the Education Department and County Public Service Board at 80.9 per cent.

On development expenditure, the Water & Irrigation Department reported absorption rate of 49.8 per cent followed by Office of the Governor at 44.6 per cent and agriculture at 0.47 per cent. No development expenditure was reported by the County Assembly, Administration and Devolution, Land and Physical Planning, County Public Service Board and Tourism, Environment & Natural Resources departments.

### 3.40.10 Observations and Recommendations

The following challenges raised in previous CBIRRs continue to hamper effective budget implementation;

1. Lack of Internal Audit Committee as specified in Section 155 (5) of the PFM Act, 2012.
2. Manual financial operations at the County Assembly. The Continued use of manual system is prone to errors and inefficiencies.
3. Delays in providing quarterly financial returns to the COB.
4. Low local revenue collection.

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

*1. The County Treasury should establish an Internal Audit Committee to enhance management*

*controls.*

2. *The County Assembly should adopt the IFMIS system in its financial operations as required by the National Treasury and Section 12 (e) of the PFM Act, 2012.*

3. *The County Treasury should ensure that quarterly returns are submitted in a timely manner.*

4. *The County Treasury should devise strategies to improve on local revenue collection.*

## 3.41 Tana River County

### 3.41.1 Overview of the FY 2015/16 Budget

The FY 2015/16 Approved Budget for Tana River County is Kshs.4.69 billion, comprising of Kshs.1.93 billion (41 per cent) and Kshs.2.77 billion (59 per cent) allocated to recurrent expenditure and development expenditure respectively.

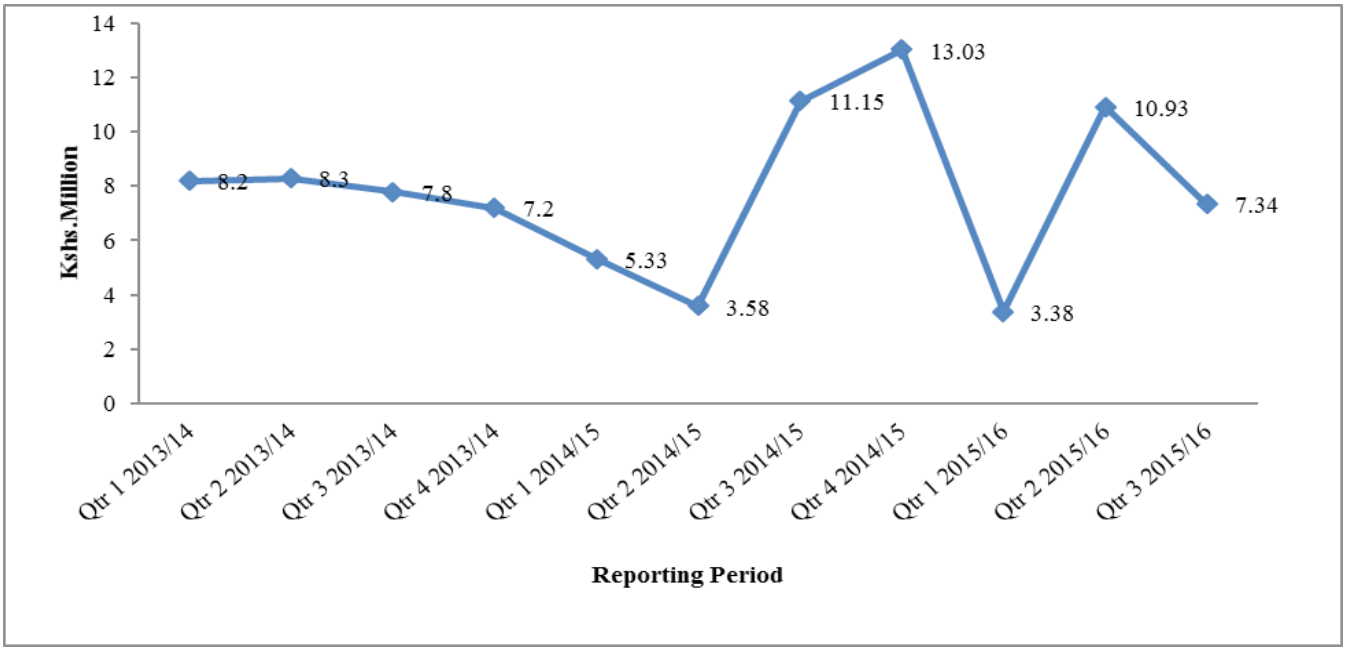
In order to finance the budget, the county will receive Kshs.3.98 billion (84.8 per cent) as equitable share of revenue raised nationally, Kshs.189.07 million (4 per cent) as total conditional grants, generate Kshs.120 million (2.6 per cent) from local sources and Kshs.404.05 million (8.6 per cent) as projected cash balance from FY 2014/15. The conditional grants comprise of Kshs.95.74 million (2.0 per cent) for Leasing of Medical Equipment, Kshs.19.34 million (0.4 per cent) for Maternal Health Care, Kshs.50.62 million (1.1per cent) from the Road Maintenance Fuel Levy Fund, Kshs.5.60 million (0.1 per cent) as User Fees Foregone, Kshs.8.48 million as World Bank grant to support health facilities, Kshs.9.29 million (0.2 per cent) as a conditional grant from DANIDA as shown in Table 3.119.

### 3.41.2 Revenue Analysis

In the first nine months of FY 2015/16, the County received Kshs.2.8 billion from the National Government as equitable share, Kshs.55.99 million as conditional allocations, raised Kshs.7.34 million from local sources, and had a cash balance of Kshs.404.05 million brought forward from FY 2014/15. The County did not borrow any funds during the reporting period to finance the budget.

Figure 3.157 shows the quarterly trend in local revenue collection from FY 2013/14 to the third quarter of FY 2015/16.

**Figure 3.157: Tana River County, Trend in Local Revenue Collection by Quarter from FY 2013/14 to the Third Quarter of FY 2015/16**




**Source:** *Tana River County Treasury*

The total local revenue for the reporting period of Kshs.21.65 million consisted of Kshs.3.38 million generated in the first quarter, Kshs.10.93 million in the second quarter and Kshs.7.34 million in the third quarter of FY 2015/16. The revenue collected was 18.0 per cent of the annual local revenue target, and a decline from Kshs.27.3 million collected in a similar period of FY 2014/15.

Table 3.118 shows further analysis of the local revenue collected in the first nine months of FY 2015/16 by stream.

**Table 3.118: Tana River County analysis of revenue collection by stream for the first nine months of FY 2015/16**

| No | Revenue Stream | Annual Targeted Revenue (Kshs.) | 9 Months Actual Revenue | Actual Revenue as a percentage of Annual Targets (%) |
|---|---|---|---|---|
| 1 | Single Business Permit | 12,169,500 | 2,600,350 | 21.4 |
| 2 | Land Rates | 16,748,858 | 343,894 | 2.0 |
| 3 | Mango Cess | 3,400,000 | 1,818,017 | 53.5 |
| 4 | Motor Cycle License | 3,400,000 | 428,200 | 12.6 |
| 5 | Gypsum | 15,350,500 | 2,918,000 | 19.0 |
| 6 | Export Fees | 3,958,177 | 2,233,000 | 56.4 |
| 7 | Charcoal | 11,113,000 | 3,203,159 | 28.8 |
| 7 | Auction | 4,677,500 | 2,012,045 | 43.0 |
| 9 | Tall Charges | 3,000,000 | 110,350 | 3.7 |
| 10 | Miraa | 2,331,000 | 525,000 | 22.5 |

| No | Revenue Stream | Annual Targeted Revenue (Kshs.) | 9 Months Actual Revenue | Actual Revenue as a percentage of Annual Targets (%) |
|---|---|---|---|---|
| 11 | Grazing Fees | 3,522,767 | 173,000 | 4.9 |
| 12 | Slaughter Fees | 2,730,000 | 53,600 | 2.0 |
| 13 | Tenders | 8,000,000 | 27,000 | 0.3 |
| 14 | House Rent | 4,400,000 | 156,600 | 3.6 |
| 15 | Sand Cess | 2,400,000 | 673,000 | 28.0 |
| 16 | Others | 22,800,698 | 2,297,600 | 10.1 |
| | **TOTAL** | **120,000,000** | **16,972,465** | **14.1** |

**Source:** *Tana River County Treasury*

Analysis of the local revenue by stream indicates that export fees recorded the highest performance against annual target at 56.4 per cent. This was closely followed by mango cess at 53.5 per cent. Most of the itemized revenue streams have performed below set targets mainly attributed to inadequate enforcement mechanisms.

In the first nine months of the FY 2015/16, The County deposited all locally collected revenue into the County Revenue Fund account maintained at Central Bank of Kenya (CBK) in line with Article 207 of the Constitution.

### 3.41.3 Conditional Grants

Table 3.119 shows analysis of conditional grants for the first nine months of FY 2015/16.

**Table 3.119: Tana River County analysis of conditional grants for the first nine months of FY 2015/16**

| No. | Conditional Grant | Amount allocated as provided in CARA 2015 (Kshs.) | 9 Months Actual receipt of the Conditional Grant (Kshs.) | Actual Receipts as a percentage of Annual Allocation (%) |
|---|---|---|---|---|
| 1 | Level 5 Hospitals | 0 | 0 | 0 |
| 2 | Road Maintenance Fuel Levy Fund | 50,617,289 | 38,216,053 | 75.5 |
| 3 | Free Maternal Health Care | 19,341,000 | 0 | 0 |
| 4 | User Fees Forgone | 5,596,140 | 0 | 0 |
| 5 | DANIDA Grant | 9,290,000 | 9,290,000 | 100 |
| 6 | World Bank Grant | 8,481,988 | 8,481,988 | 100 |
| 7 | Leasing of Medical Equipment | 95,744,681 | 0 | 0 |
| | **TOTAL** | **189,071,098** | **55,988,041** | **29.6** |

**Source:** *Tana River County Treasury*

Analysis of the conditional grants for the period under review indicates that DANIDA grant and the World Bank support to health recorded the highest performance against annual target at 100 per cent. This was closely followed by the RMFLF at 75.5 per cent.

### 3.41.4 Exchequer Issues

During the period under review, the COB authorised withdrawal of Kshs.2.64 billion from the CRF account, which was 59 per cent of the approved budget. The amount represented a decline of 10.8 per cent from Kshs.2.96 billion authorized in a similar period of FY 2014/15 and consisted of Kshs.1.18 billion (44.6 per cent) for recurrent expenditure and Kshs.1.46 million (55.4 per cent) for development activities.

### 3.41.5 Overall Expenditure Review

The County spent a total of Kshs.2.87 billion during the first nine months of FY 2015/16 which was 108.7 per cent of the total funds released for operations. This was an increase from the Kshs.2.45 billion spent in a similar period of FY 2014/15. A total of Kshs.1.23 billion was spent on recurrent activities and Kshs.1.33 billion on development activities. Recurrent expenditure was 105 per cent of the funds released for recurrent activities while development expenditure accounted for 112 per cent of the funds released for development activities. The expenditure excludes commitments as at 31st March, 2016 that amounted to Kshs.438.07 million for development and Kshs.124.18 million for recurrent expenditure.

Recurrent expenditure for the period under review represented 64.1 per cent of the approved annual recurrent budget, an increase from 59.0 per cent spent in a similar period of FY 2014/15. On the other hand, development expenditure recorded an absorption rate of 59 per cent, an increase from 54.0 per cent spent in a similar period of FY 2014/15.

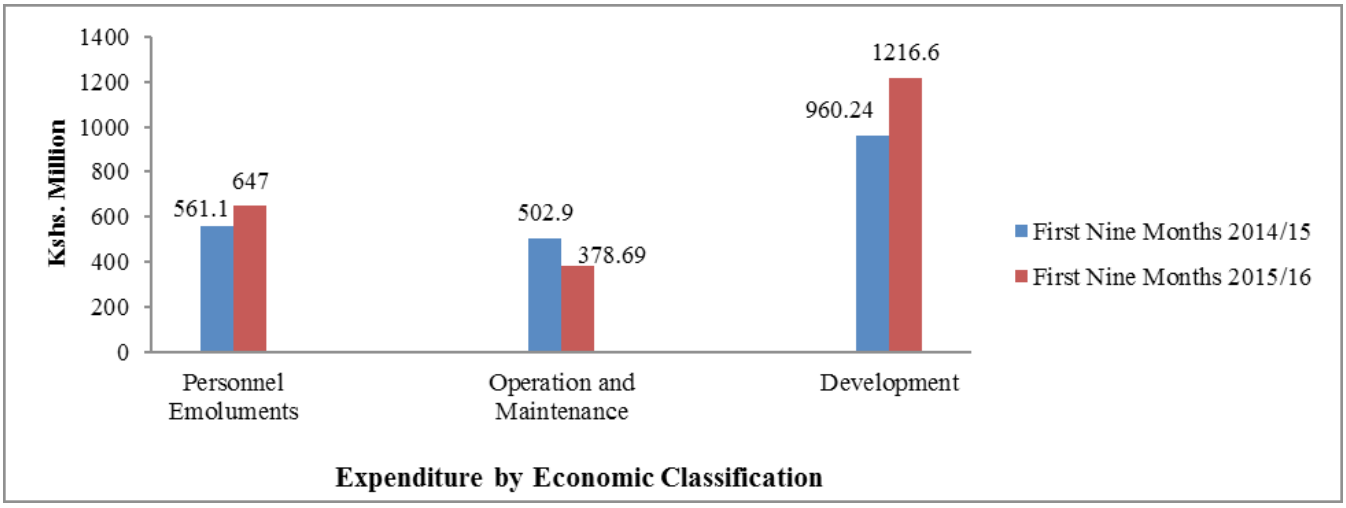
### 3.41.6 Recurrent Expenditure Analysis

The total recurrent expenditure for the reporting period was Kshs.1.23 billion against an annual recurrent budget of Kshs.1.93 billion. This represents 64.1 per cent of the annual recurrent budget. The County spent Kshs.647 million (63.1 per cent) on personnel emoluments and Kshs.378.69 million (36.9 per cent) on operations and maintenance as shown in Figure 3.158.

The expenditure on personnel emoluments of Kshs.647 million was an increase of 15.3 per cent compared to a similar period in FY 2014/15 when the County spent Kshs.561.10 million. The increase is attributed to recruitment of more staff members.

Figure 3.158 shows a comparison of the total expenditure in the third quarter of FY 2014/15 and the same period in FY 2015/16.

**Figure 3.158: Tana River County, Expenditure by Economic Classification for the First Nine Months of FY 2014/15 and FY 2015/16**

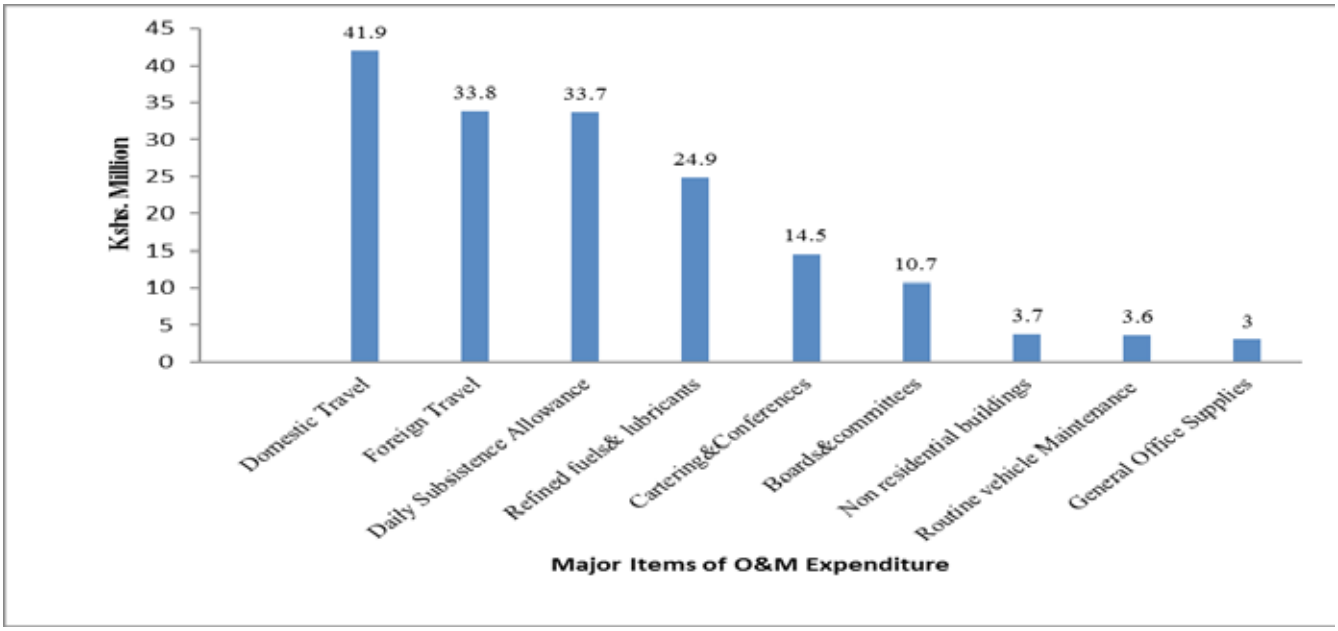



**Source:** *Tana River County Treasury.*

The County spent Kshs.13.27 million on sitting allowances to the 27 MCAs and the Speaker against an annual budget of Kshs.55.7 million. This represents an increase from Kshs.9.54 million recorded in a similar period of FY 2014/15. The average monthly sitting allowance per MCA was Kshs.54,609 compared to SRC's recommended monthly ceiling of Kshs.124, 800

The aggregate expenditure on domestic and foreign travel was Kshs.114.29 million compared to Kshs. 237.82 million incurred in a similar period of FY 2014/15, representing a significant decrease of 51.9 per cent. Figure 3.159 shows a breakdown of the operations and maintenance expenditure for the reporting period.

**Figure 3.159: Tana River County, Operations and Maintenance Expenditure for the First Nine Months of FY 2015/16**

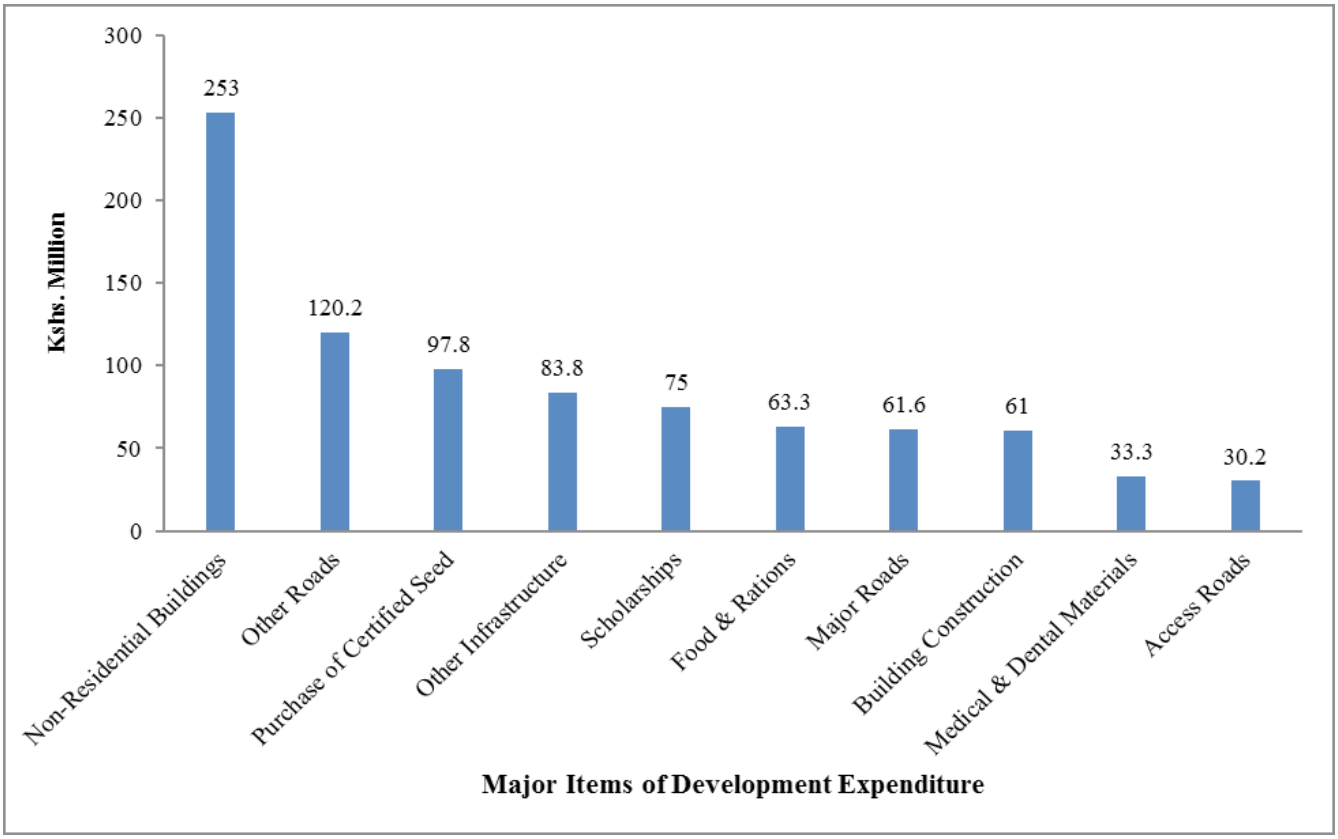



**Source:** *Tana River County Treasury.*

### 3.41.7 Development Expenditure Analysis

Figure 3.160 provides a summary of development expenditure during the period under review.

**Figure 3.160: Tana River County, Summary of Development Expenditure for the First Nine Months of FY 2015/16**




**Source:** *Tana River County Treasury*

Analysis of the development expenditure of Kshs.1.33 billion incurred in the reporting period indicates that the highest expenditure of Kshs.314 million was spent by the Roads Department on development and maintenance of access roads and purchase of a garbage truck. A total of 261 kilometres of roads were maintained across the 15 wards. The second highest expenditure of Kshs.253 million was incurred by the Building Department on construction of infrastructure across all the sectors. The Department of Education incurred Kshs.75 million on scholarships while the Department of Agriculture incurred Kshs.97.8 million on certified seed distribution Programme.

### 3.41.8 Annual Budget and Budget Performance Analysis by Department for the First Nine Months of FY 2015/16

Table 3.120 shows a summary of FY 2015/16 annual budget estimates and budget performance for the reporting period by department.

**Table 3.120: Tana River County, Annual Budget and First Nine Months of FY 2015/16 Budget Performance by Department**

| Department | Annual Budget Allocation (Kshs. Million) | | 9 Months Exchequer Issues (Kshs.Million) | | 9 Months Ex-penditure (Kshs. Million) | | Expenditure to Exchequer Issues (%) | | Absorption rate (%) | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Rec | Dev | Rec | Dev | Rec | Dev | Rec | Dev | Rec | Dev |
| R3161 County Assembly | 423.46 | 96.54 | 275.49 | 63.25 | 216.41 | 34.76 | 78.6 | 55.0 | 51.1 | 36.0 |
| R3162 Office of the Governor | 403.42 | 98.08 | 268.47 | 49.55 | 269.50 | 61.58 | 100.0 | 124.3 | 66.8 | 62.8 |
| R3163 Finance &Plan-ning | 138.88 | 60.14 | 92.42 | 24.76 | 84.00 | 3.65 | 93.0 | 14.7 | 60.5 | 6.1 |
| R3164 CPSB | 46.46 | 0.00 | 30.23 | 0.00 | 26.92 | 0.00 | 89.1 | 0.00 | 57.9 | 0.00 |
| R3165Trade,Tourism Coop | 42.86 | 201.35 | 27.88 | 200.60 | 13.62 | 98.88 | 48.9 | 49.3 | 31.8 | 49.1 |
| R3166 Agriculture& Rural Dev | 156.91 | 375.15 | 102.08 | 153.17 | 55.66 | 36.81 | 54.5 | 24.0 | 35.5 | 9.8 |
| R3167 Gender | 29.81 | 63.97 | 19.39 | 26.34 | 8.26 | 6.21 | 42.6 | 23.6 | 27.7 | 9.7 |
| R3168 Education | 53.19 | 304.16 | 34.61 | 200.24 | 12.63 | 109.52 | 36.5 | 54.7 | 23.8 | 36.0 |
| R3169Health &Water | 384.11 | 764.91 | 255.62 | 426.21 | 270.34 | 51.26 | 105.8 | 52.4 | 70.4 | 32.1 |
| R3170 Cohesion&Spec. Prog | 25.13 | 146.60 | 16.73 | 91.36 | 6.53 | 65.07 | 38.0 | 71.2 | 29.4 | 44.4 |
| R3171Roads&Public Works | 36.72 | 372.20 | 24.02 | 237.21 | 17.30 | 471.21 | 72.0 | 198.6 | 47.1 | 126.6 |
| R3172Environment &NR | 26.55 | 43.07 | 25.67 | 17.73 | 4.45 | 3.22 | 17.3 | 18.2 | 16.8 | 7.5 |
| **Total** | **1,767.50** | **2,526.16** | **1,149.87** | **1,654.6767** | **986.47** | **1,328.60** | **105** | **112** | **64.1** | **59.0** |

**Source:** *Tana River County Treasury*

Analysis of budget performance by department shows that the Department of Roads and Public Works reported the highest absorption rate for development expenditure at 126.6 per cent while the County Treasury registered the lowest at 6.1 per cent. On the other hand, the Health and Water Department had the highest percentage of its recurrent expenditure to annual recurrent budget at 70.4 per cent while the Education Department had the lowest at 23.8 per cent.

### 3.41.9 Observations and Recommendations

The County has made progress in addressing some of the challenges previously identified as affecting budget implementation; so far, the county has adopted IFMIS and E-banking.

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

1. Delay in submission of expenditure reports to the COB.
2. Low local revenue collection for the last three years, which has led to budget deficits.
3. The County is yet to establish the County Budget and Economic Forum as required under Section 137 of the PFM Act, 2012.

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

1. *The County should adhere to Section 166 of the PFM Act, 2012 in submission of quarterly reports.*
2. *The County should devise strategies to enhance local revenue collection.*
3. *The County Government should establish the CBEF as required by Section 137 of the PFM Act, 2012.*

## 3.42 Tharaka Nithi County

### 3.42.1 Overview of the FY 2015/16 Budget

The FY 2015/16 Approved Supplementary Budget for Tharaka Nithi County is Kshs.3.82 billion, comprising of Kshs.2.28 billion (59.7 per cent) allocated to recurrent expenditure and Kshs.1.54 billion (40.3 per cent) to development expenditure respectively.

In order to finance the budget, the county will receive Kshs.3.14 billion (81.7per cent) as equitable share of revenue raised nationally, Kshs.205.59 million (5.4 per cent) as total conditional grants, generate Kshs.248.05 million (6.5 per cent) from local sources and Kshs.250 million (6.5 per cent) as projected cash balance from FY 2014/15. The conditional grants comprise of Kshs.95.74 million (46.6 per cent) for Leasing of Medical Equipment, Kshs.35.24 million (17.1 per cent) for Maternal Health Care, Kshs.39.86 million (19.4 per cent) from the Road Maintenance Fuel Levy Fund, Kshs.8.5 million (4.1 per cent) as compensation of User Fees Forgone, Kshs.12.33 million (6 per cent) as a conditional grant from DANIDA as shown in Table 3.122.

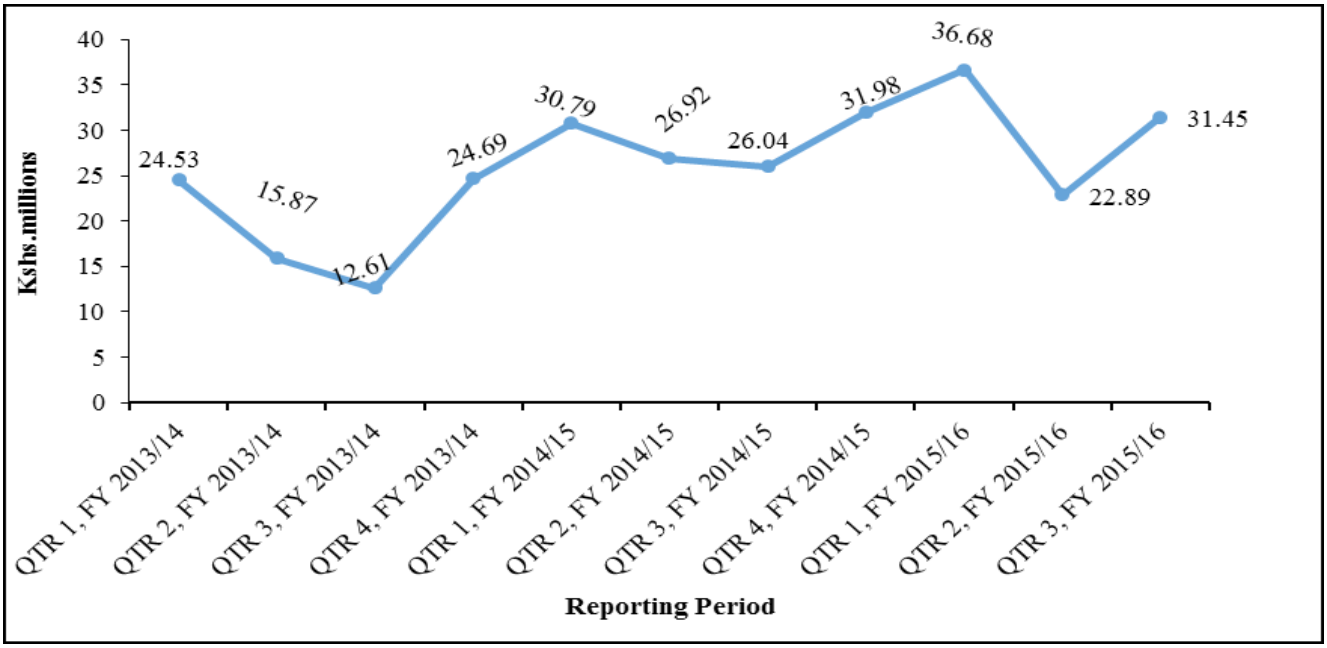
However, the County government did not budget Kshs.28.71 million brought forward from the FY 2014/15 and Kshs.13.90 (6.8 per cent) as World Bank grants to support Health facilities.

### 3.42.2 Revenue Analysis

In the first nine months of FY 2015/16, the County received Kshs.2.12 billion as Equitable share of revenue raised nationally, Kshs.66.06 million as conditional allocations, raised Kshs.91.02 million from local sources, and had a cash balance of Kshs.278.71 million brought forward from FY 2014/15. The County did not borrow any funds during the reporting period to finance the budget.

Figure 3.161 shows the quarterly trend in local revenue collection from FY 2013/14 to the third quarter of FY 2015/16.

**Figure 3.161: Tharaka Nithi County, Trend in Local Revenue Collection by Quarters**




**Source:** *Tharaka Nithi County Treasury*

The total local revenue for the reporting period of Kshs.91.02 million consisted of Kshs.36.68 million generated in the first quarter, Kshs.22.89 million in the second quarter and Kshs.31.45 million in the third quarter of FY 2015/16. The revenue collected was 36.7 per cent of the annual local revenue target, and an improvement from Kshs.83.75 million collected in a similar period of FY 2014/15.

Table 3.121 shows further analysis of the local revenue collected in the first nine months of FY 2015/16 by stream.

**Table 3.121: Tharaka Nithi County analysis of revenue collection by stream for the first nine months of FY 2015/16**

| No. | Revenue Stream | Annual Targeted Revenue (Kshs.) | Nine Months Actual Revenue (Kshs.) | Actual Revenue as a percentage of Annual Targets (%) |
|---|---|---|---|---|
| 1 | Appropriation in the Hospital/Dispensaries | 62,130,000 | 22,234,300 | 35.8 |
| 2 | Single Business Permit | 41,500,000 | 19,119,108 | 46.1 |
| 3 | Cess Fees | 40,000,000 | 18,570,410 | 46.4 |
| 4 | Market /Slaughter | 32,000,000 | 14,231,300 | 44.5 |
| 5 | Vehicle parking | 32,000,000 | 9,103,970 | 28.4 |
| 6 | Other revenue stream | 40,420,000 | 7,753,845 | 19.2 |
| | **TOTAL** | **248,050,000** | **91,021,933.30** | **36.7** |

**Source:** *Tharaka Nithi County Treasury*

Analysis of the local revenue by stream indicates that cess fees recorded the highest performance against annual target at 46.4 per cent. This is followed by single business permit at 46.1 per cent.

Overall, there is an improvement in revenue collection during the period under review mainly due to employment of director of revenue who is providing leadership in revenue collection and the increased in the number of vehicle to occasionally inspect revenue collection centres.

In the first nine months of the FY 2015/16, the County did not deposit all locally revenue into the County Revenue Fund account maintained at Central Bank of Kenya (CBK) in line with Article 207 of the constitution. In particular, the Departments of Veterinary Services and Physical Planning are not depositing local revenue into the CRF.

### 3.42.3 Conditional Grants

Table 3.122 shows the analysis of conditional grants for the first nine months of FY 2015/16.

**Table 3.122: Tharaka Nithi County analysis of conditional grants for the first nine months of FY 2015/16**

| No. | Conditional Grant | Amount allocated as provided in CARA 2015 (Kshs.) | 9 Months Actual receipt of the Conditional Grant (Kshs.) | Actual Receipts as a percentage of Annual Allocation (%) |
|---|---|---|---|---|
| 1 | CA-Leasing of medical equipment | 95,744,681 | 0.00 | 0 |
| 2 | Road Maintenance Fuel Levy Fund | 39,857,530 | 20,128,052 | 50.5 |
| 3 | Free Maternal Health Care | 35,243,600 | 17,112,649 | 48.6 |
| 4 | User Fees Forgone | 8,515,829 | 2,589,970 | 30.4 |
| 5 | DANIDA Grant | 12,330,000 | 12,330,000 | 100 |
| 6 | World Bank Grant | 13,899,808 | 13,899,808 | 100 |
| | **TOTAL** | **205,591,448** | **66,060,479** | **60.1** |

**Source:** *Tharaka Nithi County Treasury*

Analysis of the conditional grants, for the period under review indicates that DANIDA and World Bank grants recorded highest receipts against annual target at 100 per cent. This was followed by Road Maintenance Fuel Levy Fund at 50.5 per cent.

### 3.42.4 Exchequer Issues

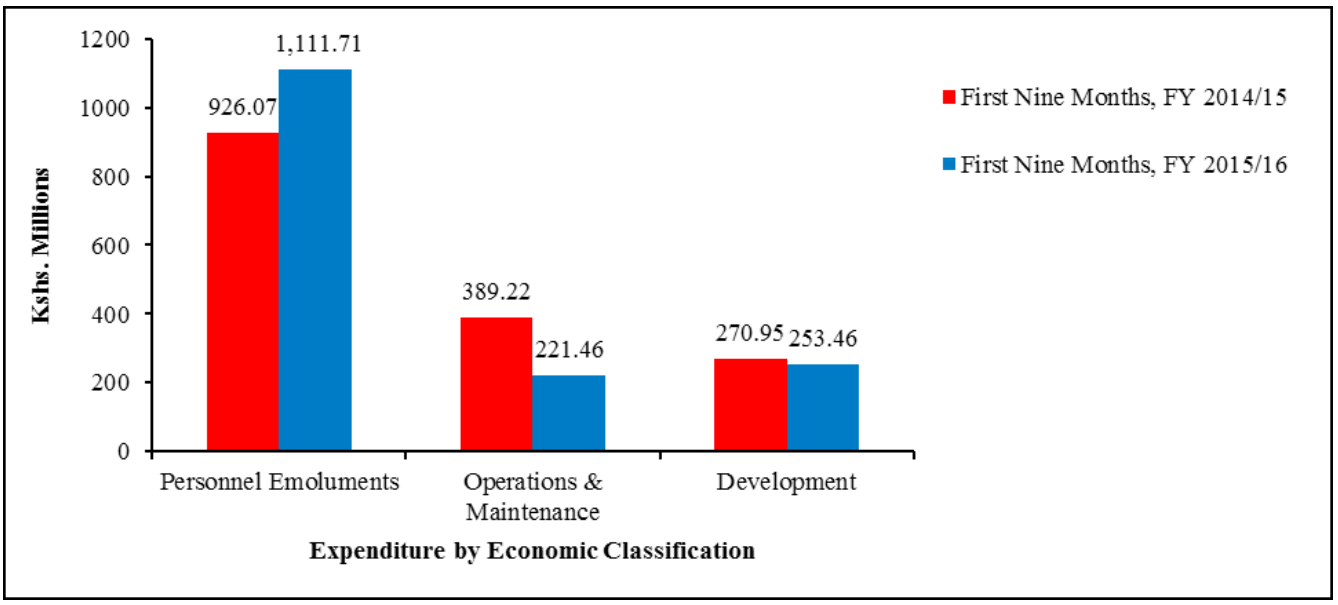
During the period under review, the COB authorised withdrawal of Kshs.2.41 billion from the CRF account, which was 63.0 per cent of the approved budget. The amount represented an increase of 31.7 per cent from Kshs.1.83 billion authorized in a similar period of FY 2014/15 and consisted of Kshs.1.63 billion (67.9 per cent) for recurrent expenditure and Kshs.772.65 million (32.1 per cent) for development activities.

### 3.42.5 Overall Expenditure Review

The County spent a total of Kshs.1.59 billion during the first nine months of FY 2015/16 which was 66.0 per cent of the total funds released for operations. This was equal to the Kshs.1.59 billion spent in a similar period of FY 2014/15. A total of Kshs.1.33 billion was spent on recurrent activities and Kshs.253.46 million on development activities. Recurrent expenditure was 81.6 per cent of the funds released for recurrent activities while development expenditure accounted for 32.8 per cent of the funds released for development activities. The expenditure excludes commitments as at 31st March, 2016 that amounted to Kshs.321.42 million for development and Kshs.137 million for recurrent expenditure.

Recurrent expenditure for the period under review represented 58.6 per cent of the approved annual recurrent budget, decrease from 66.5 per cent spent in a similar period of FY 2014/15. On the other hand, development expenditure recorded an absorption rate of 16.5 per cent, an increase from 13.7 per cent spent in a similar period of FY 2014/15. A comparison of the total expenditure in the third quarter of FY 2014/15 and the same period in FY 2015/16 is shown in Figure 3.162**.**

**Figure 3.162: Tharaka Nithi County, Expenditure by Economic Classification for the First Nine Months of FY 2014/15 and FY 2015/16**




**Source:** *Tharaka Nithi County Treasury*

### 3.42.6 Recurrent Expenditure Analysis

The total recurrent expenditure for the reporting period was Kshs.1.33 against an annual recurrent budget of Kshs.2.28 billion. This represents 58.3 per cent of the annual recurrent budget. The County spent Kshs.1.11 billion (83.4 per cent) on personnel emoluments and Kshs.221.46 million (16.6 per cent) on operations and maintenance as shown in Figure 3.162.

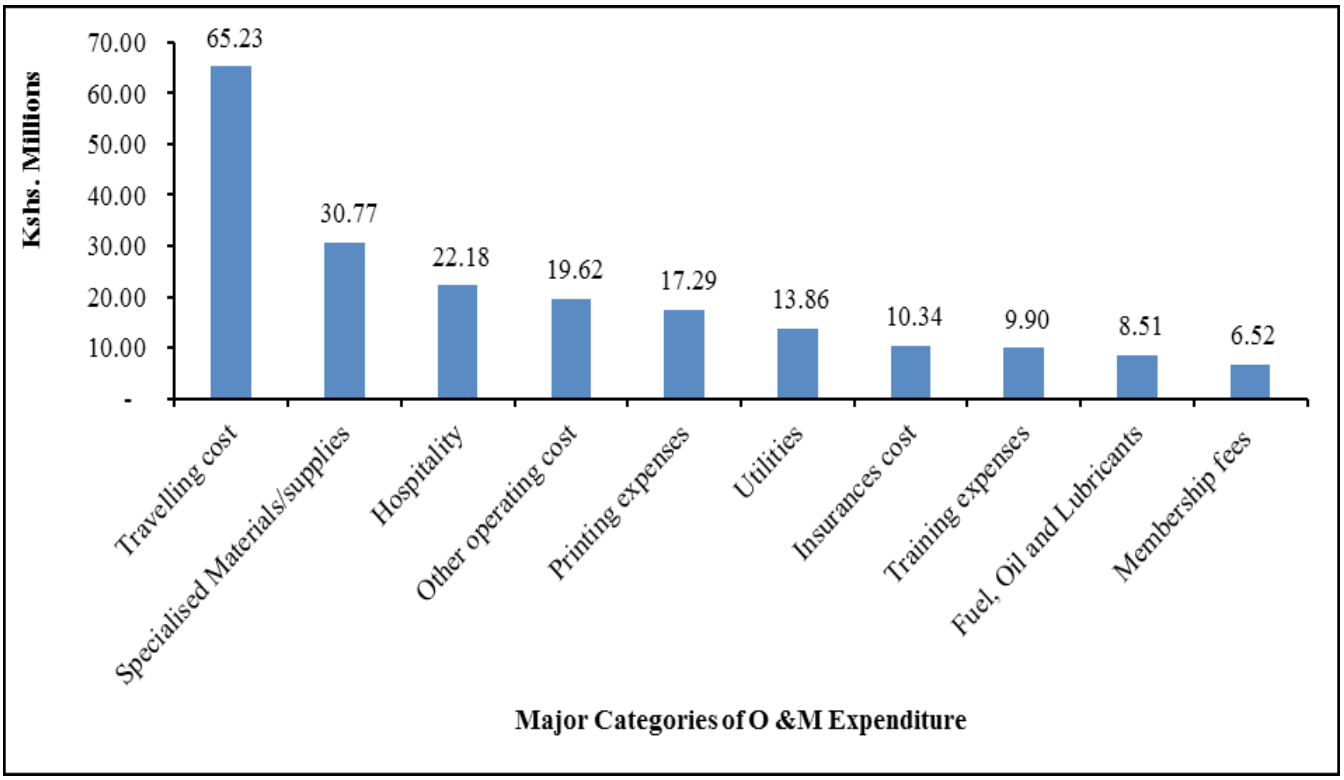
The expenditure on personnel emoluments of Kshs.1.11 billion represented an increase of 19.8 per cent compared to a similar period in FY 2014/15 when the County spent Kshs.926.70 million. This

increase is attributed to recruitment of new members of staff and annual salary increment.

The County spent Kshs.21.15 million on sitting allowances to the 24 MCAs and the Speaker against an annual budget of Kshs.34.92 million. This represents an increase from Kshs.11.26 million recorded in a similar period of FY 2014/15. The average monthly sitting allowance per MCA was Kshs.93, 983 compared to SRC's recommended monthly ceiling of Kshs.124, 800

The aggregate expenditure on domestic and foreign travel was Kshs.65.23 million compared to Kshs.81.93 million incurred in a similar period of FY 2014/15, representing a significant decrease of 20.4 per cent. Figure 3.163 shows a breakdown of the operations and maintenance expenditure for the reporting period.

**Figure 3.163: Tharaka Nithi County, Operations and Maintenance Expenditure for the First Nine Months of FY 2015/16**

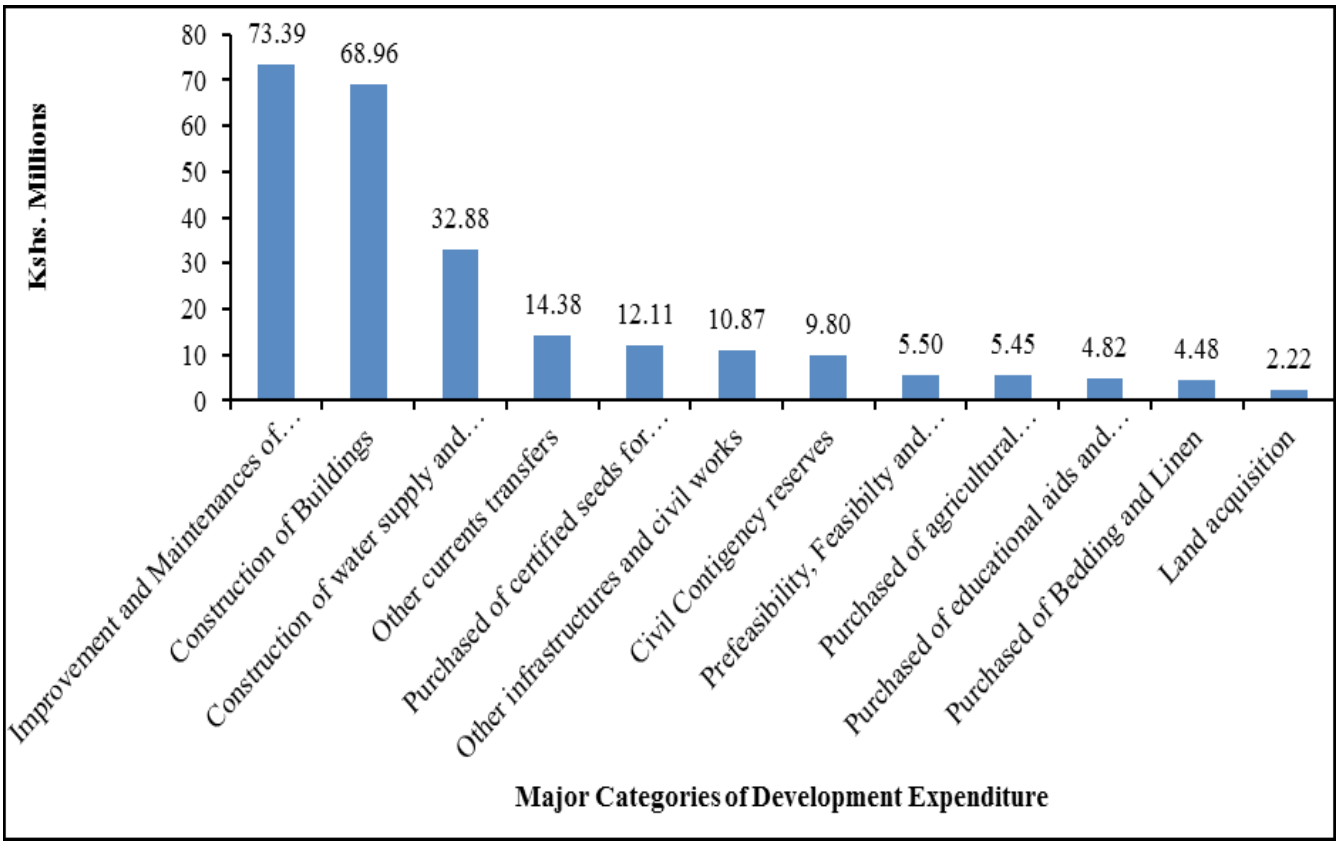



**Source:** *Tharaka Nithi County Treasury*

### 3.42.7 Development Expenditure Analysis

Figure 3.164 provides a summary of development expenditure during the period under review.

**Figure 3.164: Tharaka Nithi County, Summary of Development Expenditure for the First Nine Months of FY 2015/16**




**Source:** *Tharaka Nithi County Treasury*

Analysis of the development expenditure of Kshs.253.46 million incurred in the reporting period indicates that the highest expenditure of Kshs.73.39 million was spent by the Road Departments on improvement and maintenances of roads. The second highest expenditure of Kshs.68.92 million was incurred by the Health Department on construction of health facilities. The Department of Tourism, Environment and Natural Resources incurred Kshs.25.99 million on water and sewerages while the Department of Agriculture, Livestock and Fisheries incurred Kshs.12.11 million on purchase of certified seeds for the farmers.

### 3.42.8 Annual Budget and Budget Performance Analysis by department for the First Nine Months of FY 2015/16

Table 3.123 shows a summary of FY 2015/16 annual budget estimates and budget performance for the reporting period by department.

**Table 3.123: Tharaka Nithi County, Annual Budget and First Nine Months of FY 2015/16 Budget Performance by Department**

| Department | Annual Budget Allocation (Kshs.Million) | | 9 months Exchequer Issues (Kshs. Million) | | 9 months Expenditure (Kshs. Million) | | Expenditure to Exchequer Issues (%) | | Expenditure to Annual Budget rate (%) | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Rec | Dev | Rec | Dev | Rec | Dev | Rec | Dev | Rec | Dev |
| County Assembly | 359.41 | 0.00 | 239.61 | 0.00 | 206.09 | 0.00 | 86 | 0 | 57.3 | 0.0 |
| County Executive | 142.42 | 0.00 | 103.60 | 0.00 | 84.80 | 0.00 | 81.9 | 0 | 59.5 | 0.0 |
| County Public Service Board | 27.88 | 0.00 | 17.23 | 0.00 | 15.99 | 0.00 | 92.8 | 0.0 | 57.4 | 0.0 |
| Finance and Econ. Planning | 246.45 | 69.50 | 138.50 | 34.00 | 110.93 | 20.60 | 80.1 | 60.6 | 45 | 29.6 |
| Health Services | 836.99 | 147.82 | 663.92 | 76.92 | 586.63 | 24.70 | 88.4 | 32.1 | 70.1 | 16.7 |
| Agriculture, Livestock & Fisheries | 187.95 | 90.16 | 138.08 | 63.33 | 133.96 | 34.37 | 97 | 54.3 | 71.3 | 38.15 |
| Water & Irrigation | 7.79 | 139.95 | 0.61 | 46.47 | 0.00 | 0.00 | 0.0 | 0.0 | 0.0 | 0.0 |
| Labour and Urban Development | 118.25 | 66.87 | 89.83 | 17.00 | 67.65 | 3.80 | 75.3 | 22.4 | 57.2 | 5.6 |
| Education, Youth, Gender & Social Services | 147.62 | 161.61 | 89.84 | 62.56 | 47.99 | 6.16 | 53.4 | 9.8 | 32.5 | 3.8 |
| Tourism, Environment & Natural Resources | 47.65 | 90.27 | 39.15 | 69.75 | 24.12 | 42.40 | 61.6 | 60.8 | 50.6 | 47 |
| Physical Planning, Land, Energy & ICT | 56.67 | 67.92 | 36.00 | 11.00 | 14.96 | 2.82 | 41.6 | 25.6 | 26.4 | 4.2 |
| Trade, Industry & Cooperative | 44.55 | 51.35 | 35.92 | 24.00 | 19.43 | 15.35 | 54.1 | 64 | 43.6 | 29.9 |
| Roads, Transport, Housing, Public Works & Legal Affairs | 53.25 | 653.42 | 40.20 | 367.62 | 20.61 | 103.26 | 51.3 | 28.1 | 38.7 | 15.8 |
| **Total** | **2,276.88** | **1,538.87** | **1633.09** | **772.65** | **1,333.18** | **253.46** | **81.6** | **32.8** | **58.6** | **16.5** |

**Source:** *Tharaka Nithi County Treasury*

Analysis of budget performance by department shows that the Department of Agriculture, Livestock and Fisheries development reported the highest absorption rate for development expenditure at 38.2 per cent while the newly created Departments of Water and Irrigation registered the lowest at 0.0 per cent. On the other hand, the Agriculture, Livestock and Fisheries development had the highest percentage of its recurrent expenditure to annual recurrent budget at 71.3 per cent while the Water and Irrigation had the lowest at 0.0 per cent.

### 3.42.9 Observations and Recommendations

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

i. Adoption of the IFMIS system in recording financial transactions by the County Assembly.

ii. Recruitment of a director of revenue, which has enabled the County to improve on its revenue collection.

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

1. Delays in submission of expenditure reports to COB by the County Treasury.
2. Failure by the County to provide quarterly reports on County established funds as required under Section 167 and 168 of the PFM Act, 2012.
3. Failure to establish a monitoring and evaluation unit in the County to oversee and monitor the implementation of the development projects in the County.
4. Limited involvement of the County Budget Economic Forum in the Budget process, which is contrary to Section 137 of the PFM Act, 2012.
5. Lack of an Internal Audit Committee by Contrary to section 155(5) of PFM Act, 2012.

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

1. *The County should ensure timely submission of financial reports to the COB.*
2. *Administrators of County established funds should submit quarterly reports in line with Section 167 and 168 of the PFM Act, 2012.*
3. *The County should establish a monitoring and evaluation unit to oversee and monitor implementation of development projects.*
4. *The County Treasury should actively involve the County Budget Economic forum in all matters relating to budgeting, the economy and financial management as stipulated in to Section 137(3) (b) of PFM Act, 2012.*
5. *The County Treasury should establish an Internal Audit Committee in line Section 155(5) of the PFM Act, 2012.*

## 3.43 Trans Nzoia County

### 3.43.1 Overview of the FY 2015/16 Budget

The FY 2015/16 Approved Supplementary Budget for Trans Nzoia County is Kshs.6.15 billion, comprising of Kshs.3.25 billion (52.8 per cent) and Kshs.2.91 billion (47.2 per cent) allocated to recurrent and development expenditure respectively.

In order to finance the budget, the county expects to receive Kshs.5.10 billion (82.9 per cent) as Equitable share of revenue raised nationally,Kshs.163.11 million (2.9 per cent) as total conditional grants, generate Kshs.389.03 million (6.6 per cent) from local sources, and Kshs.451.26 million (7.6 per cent) as projected cash balance from FY 2014/15. The conditional grants comprise of Kshs.67.91 million (41.6 per cent) for Maternal Health Care, Kshs.19.09 million (11.7 per cent) for compensation of User Fees Forgone, Kshs.64.78 million (39.7 per cent) from Road Maintenance

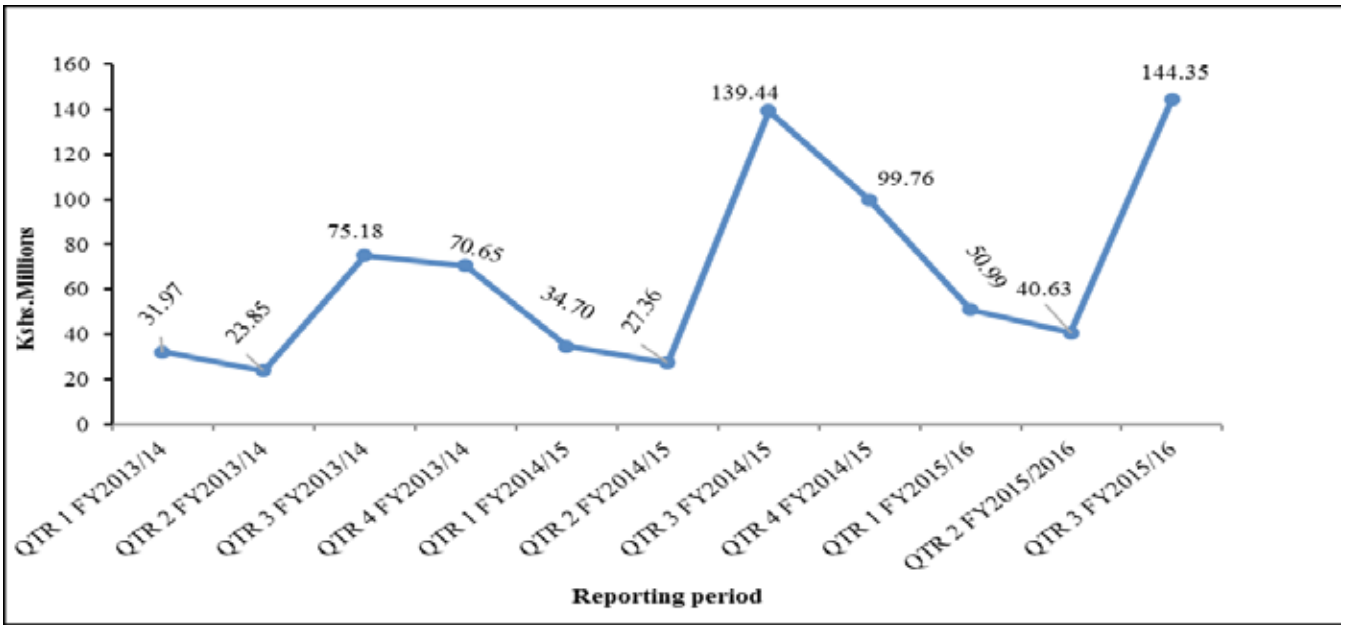
Fuel Levy Fund, and Kshs.11.33 million (7.0 per cent) as a conditional grant from DANIDA as shown in **Table 3.125**. However, Kshs.95.74 million for Leasing of Medical Equipment was not factored in the FY2015/16 budget though provided for in CARA, 2015.

### 3.43.2 Revenue Analysis

In the first nine months of FY 2015/16, the County received Kshs.2.58 billion as equitable share of revenue raised nationally, Kshs.64.78 million as conditional allocations, raised Kshs.235.97 million from local sources, and had a cash balance of Kshs.451.26 million brought forward from FY 2014/15. The County did not borrow any money during the reporting period to finance the budget.

Figure 3.165 shows the quarterly trend in local revenue collection from FY 2013/14 to the third quarter of FY 2015/16.

**Figure 3.165: Trans Nzoia County, Trend in Local Revenue Collection by Quarter from FY 2013/14 to the Third Quarter of FY 2015/16**




**Source:** *Trans Nzoia County Treasury*

The total local revenue for the reporting period of Kshs.235.97 million consisted of Kshs.50.99 million generated in the first quarter, Kshs.40.63 million in the second quarter and Kshs.144.35 million in the third quarter of FY 2015/16. The revenue collected was 60.7 per cent of the annual local revenue target, and an improvement from Kshs.201.50 million collected in a similar period of FY 2014/15.

Table 3.124 shows further analysis of the local revenue collected in the first nine months of FY 2015/16 by stream.

**Table 3.124: Trans Nzoia County, Analysis of revenue collection per stream for the third quarter of FY 2015/16**

| No. | Revenue Stream | Targeted Receipts (Kshs.) | Actual Receipts (Kshs.) | Revenue Performance (%) |
|---|---|---|---|---|
| 1 | Single Business Permits | 43,562,333 | 44,527,661 | 102.2 |
| 2 | Public Health, Medical Levies and Hospital fees | 119,000,000 | 71,619,468 | 60.2 |
| 3 | Parking Fees | 54,822,388 | 26,358,644 | 48.1 |
| 4 | Market Fees | 52,238,206 | 19,996,790 | 38.3 |
| 5 | Land Rates | 67,164,179 | 22,944,100 | 34.2 |
| 6 | Other Revenue Streams | 52,239,407 | 50,522,661 | 96.7 |
| | **TOTAL** | **389,026,913** | **235,969,324** | **60.7** |

**Source***: Trans Nzoia County Treasury*

Analysis of the local revenue by stream indicates that single business permits recorded the highest performance against annual target at 102.2 per cent. This was followed by public health, medical levies and hospital fees at 60.2 per cent.

In the first nine months of the FY 2015/16, The County deposited all locally collected revenue into the County Revenue Fund account maintained at Central Bank of Kenya (CBK) in line with Article 207 of the Constitution.

### 3.43.3 Conditional Grants

Table 3.125 shows the analysis of conditional grants for the first nine months of FY 2015/16.

**Table 3.125: Trans Nzoia County analysis of conditional grants for the first nine months of FY 2015/16**

| No. | Conditional Grant | Amount allocated as provided in CARA 2015 (Kshs.) | 9 Months Actual receipt of the Conditional Grant (Kshs.) | Actual Receipts as a percentage of Annual Allocation (%) |
|---|---|---|---|---|
| 1 | Road Maintenance Fuel Levy Fund | 64,782,039 | 32,714,930 | 50.5 |
| 2 | Free Maternal Health Care | 67,908,400 | 29,385,000 | 24.5 |
| 3 | User Fees Forgone | 19,085,197 | 3,675,390 | 19.3 |
| 4 | DANIDA Grant | 11,330,000 | - | 0.0 |
| 5 | Leasing of Medical Equipment | 95,744,680 | - | 0.0 |
| | **TOTAL** | **258,850,316** | **65,775,320** | **25.0** |

**Source:** *Trans Nzoia County Treasury*

Analysis of the conditional grants, for the period under review indicates that RMFLF recorded the highest receipt against annual target at 50.5 per cent. This was closely followed by Free

Maternal Health Care at 24.5 per cent. According to DANIDA, non-receipt from the donor is attributed to the county not meeting the conditions set by the donor for receipt of the grant which include; (i) Appropriation of the DANIDA grant support in the County's annual approved work plans and budget, (ii) use of IFMIS for disbursement of DANIDA funds from the County to the eligible health facilities, and (iii) accounting of funds through IFMIS.

### 3.43.4 Exchequer Issues

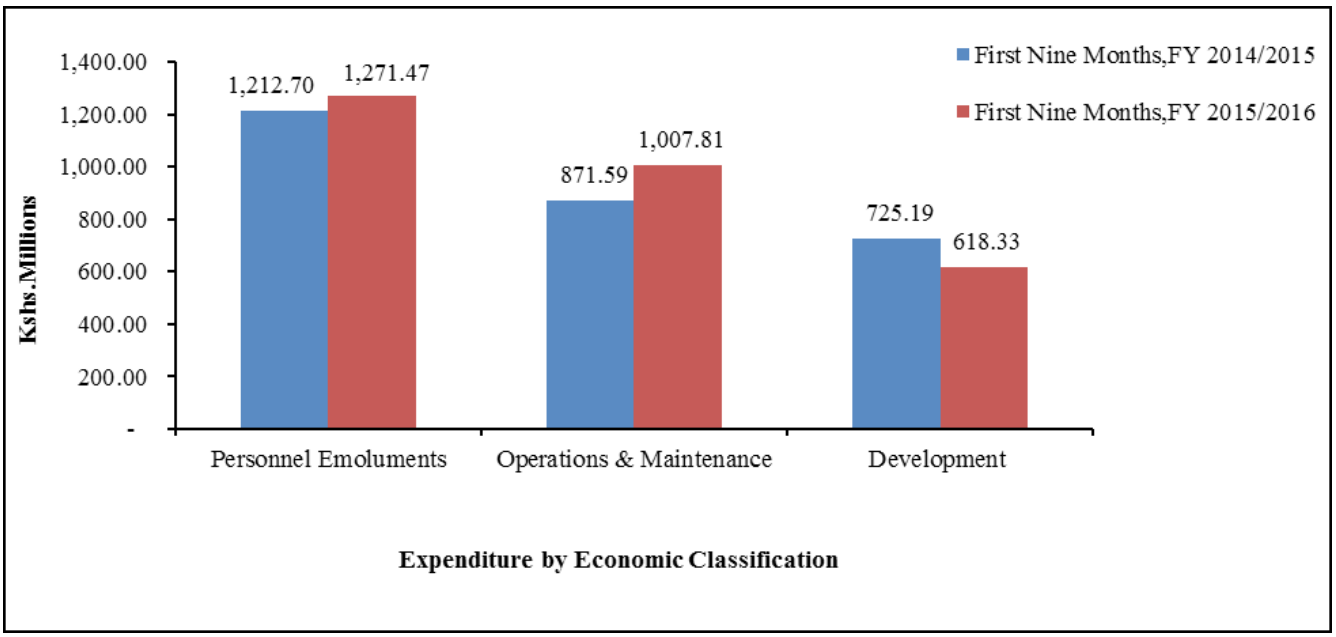
During the period under review, the COB authorised withdrawal of Kshs.3.23 billion from the CRF account, which was 53.2 per cent of the approved supplementary budget. The amount represented a decline of 6.1 per cent from Kshs.3.47 billion authorized in a similar period of FY 2014/15 and consisted of Kshs.2.19 billion (67.8 per cent) for recurrent expenditure and Kshs.1.04 billion (32.2 per cent) for development activities.

### 3.43.5 Overall Expenditure Review

The County spent a total of Kshs.2.90 billion during the first nine months of FY 2015/16 which was 88.6 per cent of the total funds released for operations. This was an increase from the Kshs.2.87 billion spent in a similar period of FY 2014/15. A total of Kshs.2.28 billion was spent on recurrent activities and Kshs.618.33 million on development activities. Recurrent expenditure was 104.2 per cent of the funds released for recurrent activities while development expenditure accounted for 59.2 per cent of the funds released for development activities. The expenditure excludes commitments as at 31st March, 2016 that amounted to Kshs.389.44 million for development and Kshs.173.52 million for recurrent expenditure.

The recurrent expenditure for the period under review represented 70.2 per cent of the approved annual recurrent budget, a decrease from 72.4 per cent spent in a similar period of FY 2014/15. On the other hand, development expenditure recorded an absorption rate of 21.3 per cent, a decrease from 32.8 per cent spent in a similar period of FY 2014/15. Figure 3.166 shows a comparison of the total expenditure in the third quarter of FY 2014/15 and the same period in FY 2015/16.

**Figure 3.166: Trans Nzoia County, Expenditure by Economic Classification for the First Nine Months of FY 2014/15 and FY 2015/16**




**Source:** *Trans Nzoia County Treasury*

### 3.43.6 Recurrent Expenditure Analysis

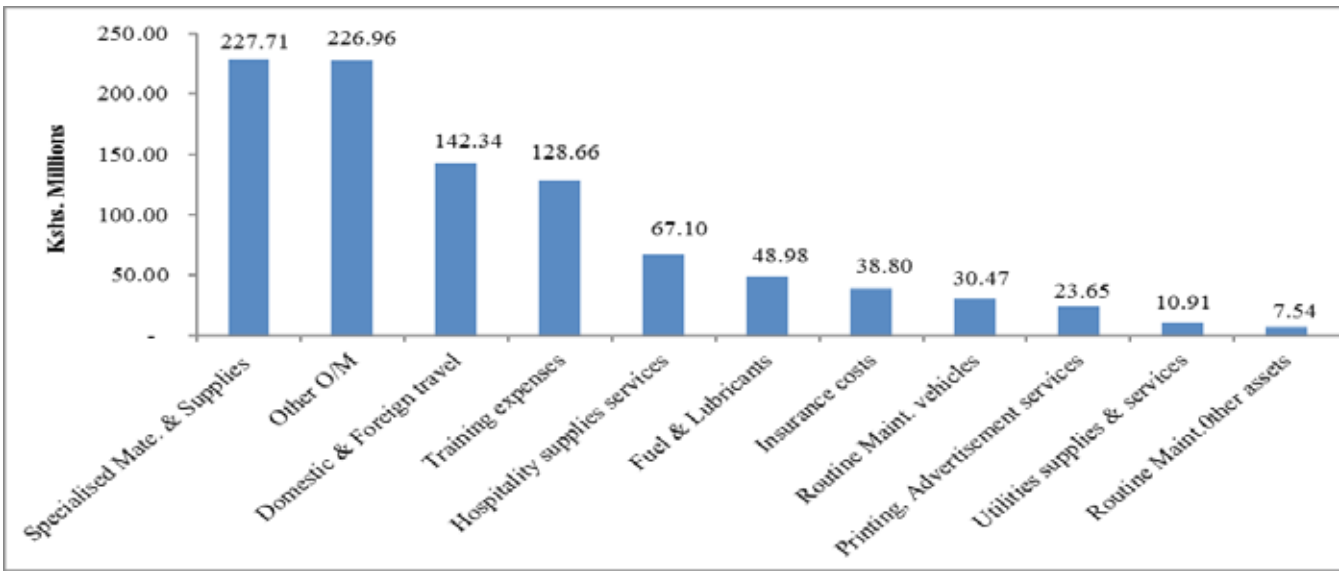
The total recurrent expenditure for the reporting period was Kshs.2.28 billion against an annual recurrent budget of Kshs.3.25 billion. This represents 70.2 per cent of the annual recurrent budget. The county spent Kshs.1.27 billion (55.8 per cent) on personnel emoluments and Kshs.1.01 billion (44.2 per cent) on operations and maintenance as shown in Figure 3.166.

The expenditure on personnel emoluments of Kshs.1.27 billion represented an increase 5 per cent of compared to a similar period in FY 2014/15 when the County spent Kshs.1.21 billion.

The county spent Kshs.54.74 million on sitting allowances to the 40 MCAs and the speaker against an annual budget of Kshs.78.12 million. This represents a decrease from Kshs.66.77 million recorded in a similar period of FY 2014/15. The average monthly sitting allowance per MCA was Kshs.152,044 compared to SRC recommended monthly ceiling of Kshs.124,800.

The aggregate expenditure on domestic and foreign travel was Kshs.142.34 million compared to Kshs.149.68 million incurred in a similar period of FY 2014/15, representing a significant decrease of 5.2 per cent. Figure 3.167 shows a breakdown of the operations and maintenance expenditure for the reporting period.

**Figure 3.167: Trans Nzoia County, Operations and Maintenance Expenditure for the First Nine Months of FY 2015/16**

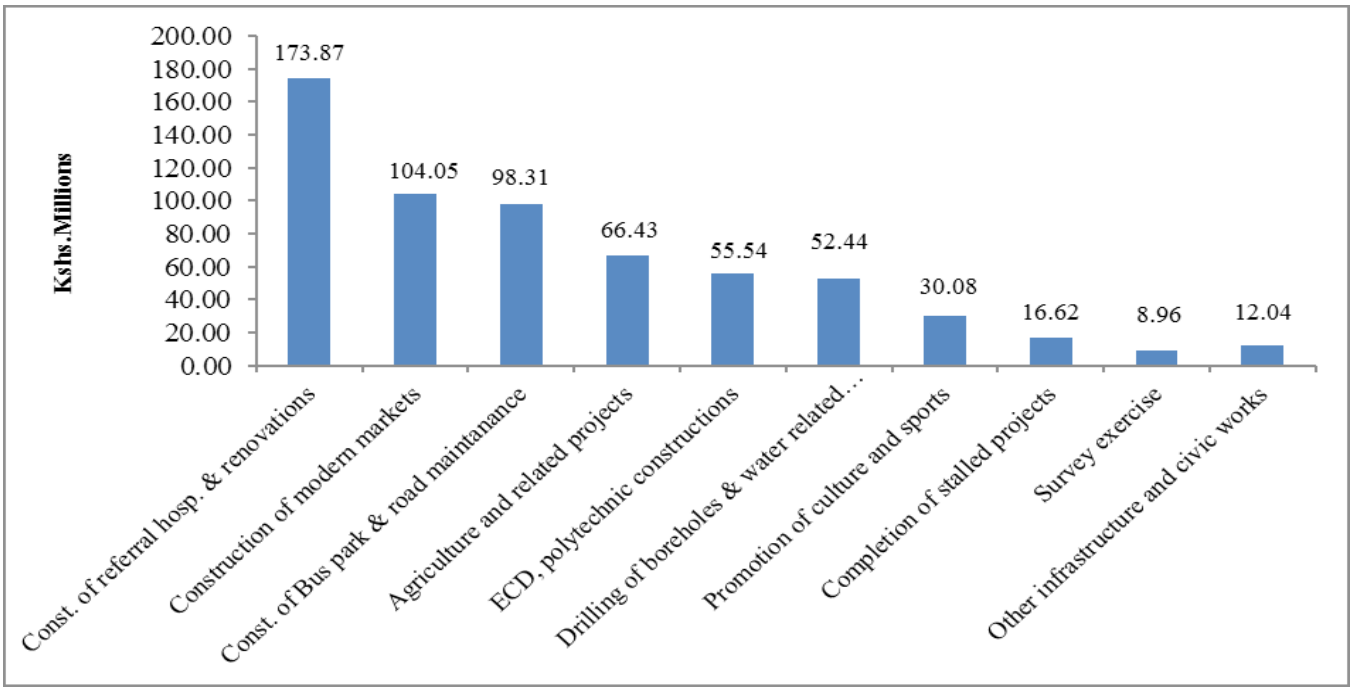



**Source:** *Trans Nzoia County Treasury*

### 3.43.7 Development Expenditure Analysis

Figure 3.168 provides a summary of development expenditure during the period under review.

**Figure 3.168: Trans Nzoia County, Summary of Development Expenditure for the First Nine Months of FY 2015/16**




**Source:** *Trans Nzoia County Treasury*

Analysis of the development expenditure of Ksh.618.33 million in the third quarter of FY 2015/16 indicates that the Health Department had the highest expenditure at Kshs.173.87 million which was spent on construction of referral hospital and renovation works at the county health facilities. The second highest expenditure at Kshs.104.05 million was incurred by the Department of Economic Planning, Commerce and Industry on construction of fresh produce markets and market sheds. The

Public Works Department incurred Kshs.98.31 on construction of Bus Park, street lighting, routine road maintenance, culvert installation, ditches and trenches opening.

The Department of Agriculture, Fisheries and Livestock Development incurred Kshs.66.43 million on renovation works at the showground, construction of grain stores and agriculture related projects. Education Department incurred Kshs.55.54 million on construction of ECD classrooms and youth polytechnics and other educational programmes. The Department of Water and Environment incurred Kshs.52.44 million on drilling of boreholes and protection of water springs and water related projects. The Department of Gender, Youth, Sports and Culture incurred Kshs.30.08 million on promotion of culture, purchase of a sports bus and sports related programmes while the Department of Finance incurred Kshs.16.62 million on completion of stalled projects.

### 3.43.8 Annual Budget and Budget Performance Analysis by department for the First Nine Months of FY 2015/16

Table 3.126 shows a summary of FY 2015/16 annual budget estimates and budget performance for the reporting period by department.

**Table 3.126: Trans Nzoia County, Annual Budget and First Nine Months of FY 2015/16 Budget Performance by Department**

| Department | Budget Allocation (Kshs.Million) | | Exchequer Issues (Kshs.Million) | | Expenditure (Kshs.Million) | | % of Expenditure to Exchequer Issues | | Absorption rate (%) | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Rec | Dev | Rec | Dev | Rec | Dev | Rec | Dev | Rec | Dev |
| Health | 1,221.38 | 477.51 | 888.70 | 321.43 | 844.17 | 173.87 | 95.0 | 54.1 | **69.1** | **36.4** |
| Agriculture, livestock and fisheries | 256.02 | 184.70 | 188.57 | 62.56 | 208.79 | 66.43 | 110.7 | 106.2 | **81.6** | **36.0** |
| Water, Energy, Environment, Forestry & Natural Resources | 46.23 | 302.29 | 37.70 | 43.48 | 38.03 | 52.44 | 100.9 | 120.6 | **82.3** | **17.4** |
| Education, ICT & Vocational Training | 171.87 | 187.55 | 105.46 | 47.60 | 125.28 | 55.54 | 118.8 | 116.7 | **72.9** | **29.6** |
| Public Works, Transport & Infrastructure | 199.46 | 1,061.55 | 109.35 | 394.96 | 149.41 | 98.31 | 136.6 | 24.9 | **74.9** | **9.3** |
| Lands, Housing & Physical Planning | 28.58 | 163.29 | 22.29 | 67.50 | 33.98 | 8.96 | 152.5 | 13.3 | 118.9 | **5.5** |
| Finance | 417.13 | 79.70 | 219.77 | 5.00 | 200.14 | 16.62 | 91.1 | 332.4 | **48.0** | **20.9** |
| Economic Planning, commerce & industry | 30.47 | 151.83 | 24.29 | 45.16 | 27.56 | 104.05 | 113.5 | 230.4 | **90.5** | **68.5** |
| Governance and Public Service Management | 324.67 | 92.69 | 225.09 | 36.76 | 314.30 | 7.25 | 139.6 | 19.7 | **96.8** | **7.8** |
| Gender, youth, sports, culture & Tourism | 52.77 | 119.80 | 33.18 | 19.80 | 39.81 | 30.08 | 120.0 | 151.9 | **75.4** | **25.1** |
| County Assembly | 498.40 | 86.99 | 332.81 | 0 | 297.81 | 4.80 | 89.5 | 0 | **59.75** | **5.5** |
| **Total** | **3,246.98** | **2,907.89** | **2,187.19** | **1,044.36** | **2,279.28** | **618.33** | 104.2 | **59.2** | **70.2** | **21.3** |

**Source:** *Trans Nzoia County Treasury*

A breakdown of budget performance by department shows that the Department of Economic Planning, Commerce and Industry reported the highest absorption rate for development expenditure at 68.5 per cent while both the County Assembly and Department of Lands, Housing and Physical Planning registered the lowest absorption rate at 5.5 per cent. On the other hand, the Department of Lands, Housing and Physical Planning had the highest absorption rate for recurrent expenditure at 118.9 per cent while the Department of Finance had the lowest absorption rate for recurrent expenditure at 48.0 per cent.

### 3.43.9 Observations and Recommendations

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

i. Improvement in local revenue collection to 60.1 per cent (Kshs.235.97 million) of the annual revenue target from 52.2 per cent (Kshs.201.50 million) of the annual target during a similar period of FY 2014/15.

ii. Submission of financial reports and other regulatory returns to the COB within the stipulated time.

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

1. Intermittent use of the IFMIS system. The county uses manual system in processing of financial transactions against the directive by the National Treasury.
2. Low absorption of development funds and slow implementation of development activities.
3. Lack of Monitoring and Evaluation Unit/Committees that would assess the quality and standard of the developmental projects in the County.

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

1. *The County should adopt IFMIS in processing all financial transactions.*
2. *The County should come up with measures to address the low absorption of development funds.*
3. *The County should set up a monitoring and evaluation team to assess the quality of the projects implemented.*

## 3.44 Turkana County

### 3.44.1 Overview of the FY 2015/16 Budget

The FY 2015/16 Approved Budget for Turkana County is 13.38 billion, comprising of Kshs.4.13 billion (31 per cent) and Kshs.9.25 billion (69 per cent) allocated to recurrent and development expenditure respectively.

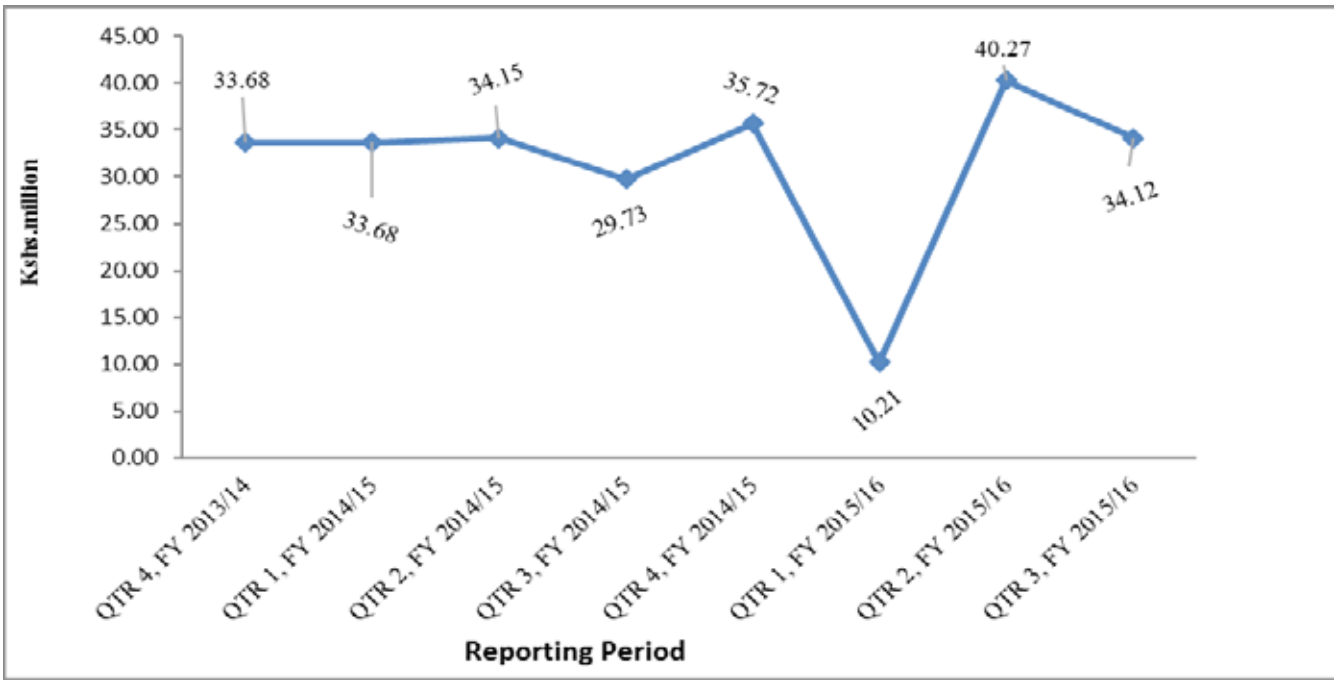
In order to finance the budget, the County expects to receive Kshs.10.48 billion (78.3 per cent) as equitable share of revenue raised nationally, Kshs.304.57 million (2.3 per cent) as total conditional grants, generate Kshs.200 million (1.5 per cent) from local sources, and Kshs.2.4 billion (17.9 per cent) as projected cash balance from FY 2014/15. The conditional grants comprise of Kshs.95.74 million (0.7 per cent) for Leasing of Medical Equipment, Kshs.23.21 million (0.2 per cent) for Maternal Health Care, Kshs.133.12 million (1 per cent) from the Road Maintenance Fuel Levy Fund, Kshs.20.49 million (0.2 per cent) as World Bank grant to support health facilities and Kshs.12.07 million (0.1 per cent) as a conditional grant from DANIDA as shown in Table 3.128.

### 3.44.2 Revenue Analysis

In the first nine months of FY 2015/16, the County received Kshs.6.14 billion as equitable share of revenue raised nationally, Kshs.73.26 million as conditional allocations raised Kshs.84.6 million from local sources, and had a cash balance of Kshs.2.5 billion brought forward from FY 2014/15.

Figure 3.169 shows the quarterly trend in local revenue collection from FY 2013/14 to the third quarter of FY 2015/16.

**Figure 3.169: Turkana County, Trend in Local Revenue Collection by Quarter from FY 2013/14 to the Third Quarter of FY 2015/16**




**Source:** *Turkana County Treasury*

The total local revenue for the reporting period of Kshs.84.6 million consisted of Kshs.10.2 million generated in the first quarter, Kshs.40.3 million in the second quarter and Kshs.34.10 Million in the third quarter of FY 2015/16. The revenue collected was 42.3 per cent of the annual local revenue target, and a decline from Kshs.97.6 million collected in a similar period of FY 2014/15.

Table 3.127 shows further analysis of the local revenue collected in the first nine months of FY 2015/16 by stream.

**Table 3.127: Turkana County analysis of revenue collection by stream for the first nine months of FY 2015/16**

| No. | Revenue Stream | Annual Targeted Receipts | 9 Months Actual Receipts | Actual Revenue as a percentage of Annual Targets (%) |
|---|---|---|---|---|
| 1 | Lorry Parking Fee | 200,000 | 249,100 | 125 |
| 2 | Direct Deposit | 27,156,000 | 30,538,670 | 112 |
| 3 | Matatu Fee | 423,500 | 445,530 | 105 |
| 4 | Bus Park Fee | 500,000 | 428,030 | 86 |
| 5 | Land Cruiser Fee | 257,000 | 788,560 | 307 |
| 6 | Fish Market Fee | 523,000 | 500,500 | 96 |
| 7 | Single Business Permit | 4,530,650 | 8,992,180 | 198 |
| 8 | Miscellaneous Receipt | 135,679,350 | 40,998,063 | 30 |
| 9 | Small Animals Auction Fee | 320,000 | 41,460 | 13 |
| 10 | Small Animals Slaughter Fee | 5,350,000 | 618,580 | 12 |
| 11 | Others | 25,060,500 | 996,930 | 4 |
| | **TOTAL** | **200,000,000** | **84,597,603** | **42** |

**Source:** *Turkana County Treasury*

Analysis of the local revenue by stream indicates that Land Cruiser fee recorded the highest performance against annual target at 307 per cent. This was closely followed by Single Business Permit at 198 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.

### 3.44.3 Conditional Grants

Table 3.128 shows the analysis of conditional grants for the first nine months of FY 2015/16.

**Table 3.128: Turkana County analysis of conditional grants for the first nine months of FY 2015/16**

| No. | Conditional Grant | Amount allocated as provided in CARA 2015 (Kshs.) | 9 Months Actual receipt of the Conditional Grant (Kshs.) | Actual Receipts as a percentage of Annual Allocation |
|---|---|---|---|---|
| 1 | Level 5 Hospitals | - | - | - |
| 2 | Road Maintenance Fuel Levy Fund | 133,118,571 | 67,224,879 | 50.5 |
| 3 | Free Maternal Health Care | 23,209,200 | - | - |
| 4 | User Fees Forgone | 19,939,321 | - | - |
| 5 | DANIDA Grant | 12,070,000 | 6,035,000 | 50 |
| 6 | World Bank Grant | 20,486,700 | - | - |
| 7 | Leasing Medical Equipment | 95,744,681 | - | - |
| 8 | Emergency Fund | 93,617,021 | - | - |
| | **TOTAL** | **398,185,494** | **73,259,879** | **18.3** |

**Source:** *Turkana County Treasury*

Analysis of the conditional grants for the period under review indicates that Road Maintenance Fuel Levy Fund recorded the highest performance against annual target at 76 per cent. This was closely followed by DANIDA Grant at 50 per cent.

### 3.44.4 Exchequer Issues

During the period under review, the COB authorised withdrawal of Kshs.7.91 billion from the CRF account, which was 59.1 per cent of the approved budget. The amount represented a decline of 10.4 per cent from Kshs.8.83 billion authorized in a similar period of FY 2014/15 and consisted of Kshs.3.12 billion (39.5 per cent) for recurrent expenditure and Kshs.4.78 million (60.5 per cent) for development activities.

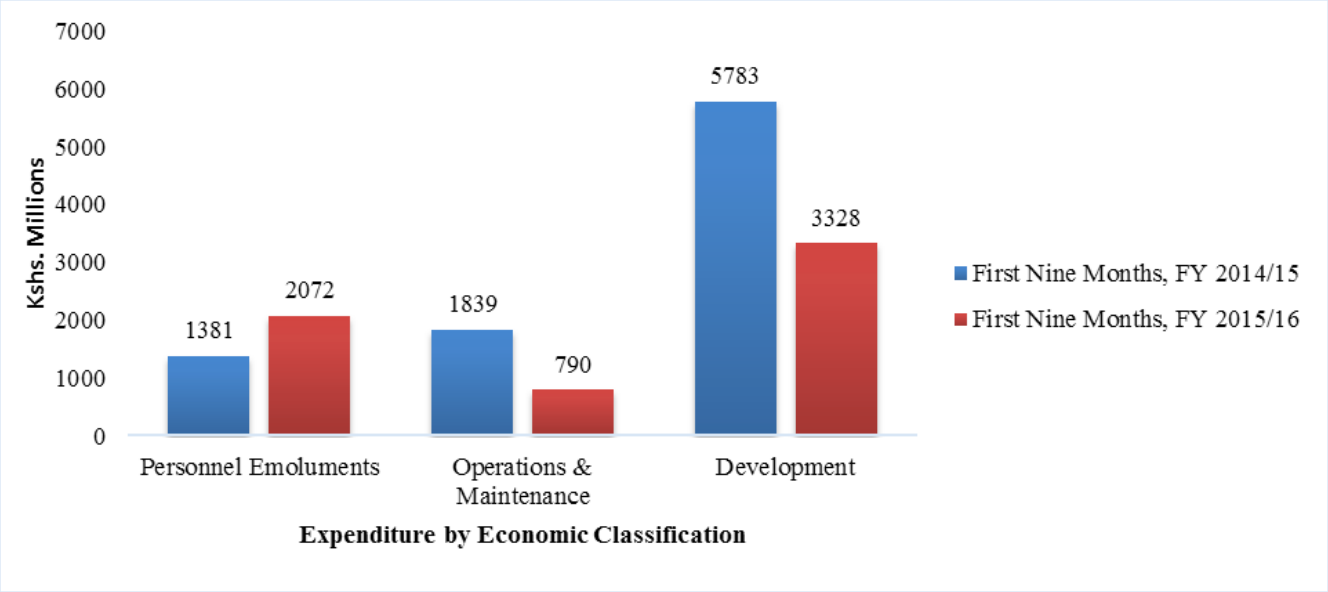
### 3.44.5 Overall Expenditure Review

The County spent a total of Kshs.6.19 billion during the first nine months of FY 2015/16 which was 78.3 per cent of the total funds released for operations. This was an increase from the Kshs.5.1 billion spent in a similar period of FY 2014/15. A total of Kshs.2.86 billion was spent on recurrent activities and Kshs.3.33 billion on development activities. Recurrent expenditure was 91.7 per cent of the funds released for recurrent activities while development expenditure accounted for 69.5 per cent of the funds released for development activities. The county expenditure excludes commitments as at 31st March, 2016.

Recurrent expenditure for the period under review represented 69.3 per cent of the approved annual

recurrent budget, an increase from 52.5 per cent spent in a similar period of FY 2014/15. On the other hand, development expenditure recorded an absorption rate of 36 per cent, an increase from 32.4 per cent spent in a similar period of FY 2014/15. Figure 3.170 shows a comparison of the total expenditure in the third quarter of FY 2014/15 and the same period in FY 2015/16.

**Figure 3.170: Turkana County, Expenditure by Economic Classification for the First Nine Months of FY 2014/15 and FY 2015/16**




**Source:** *Turkana County Treasury*

### 3.44.6 Recurrent Expenditure Analysis

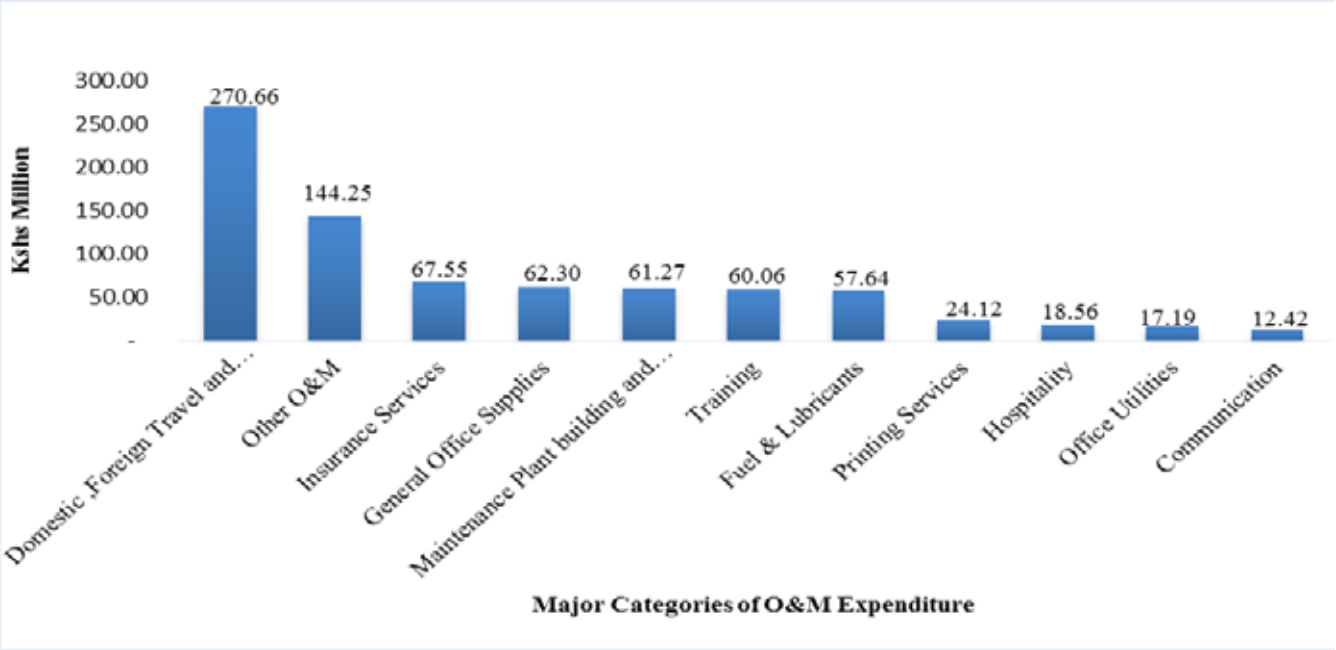
The total recurrent expenditure for the reporting period was Kshs.2.86 billion against an annual recurrent budget of Kshs.4.13 billion. This represents 69.2 per cent of the annual recurrent budget. The County spent Kshs.2.1 billion (73.2 per cent) on personnel emoluments and Kshs.790 million (26.8 per cent) on operations and maintenance as shown in Figure 3.170.

The expenditure on personnel emoluments of Kshs.2.07 billion represented an increase of 50 per cent compared to a similar period in FY 2014/15 when the County spent Kshs.1.38 billion. This increase is attributed to increased staff recruitment and annual salary increments.

The County spent Kshs.30.9 million on sitting allowances to the 47 MCAs and the Speaker against an annual budget of Kshs.64.9 million. This represents an increase from Kshs.45.5 million recorded in a similar period of FY 2014/15. The average monthly sitting allowance per MCA was Kshs.72,933 compared to SRC's recommended monthly ceiling of Kshs.124,000

The aggregate expenditure on domestic and foreign travel was Kshs.270.66 million compared to Kshs.181.73 million incurred in a similar period of FY 2014/15, representing a significant increase of 48.9 per cent. Figure 3.171 shows a breakdown of the operations and maintenance expenditure for the reporting period.

**Figure 3.171: Turkana County, Operations and Maintenance Expenditure for the First Nine Months of FY 2015/16**

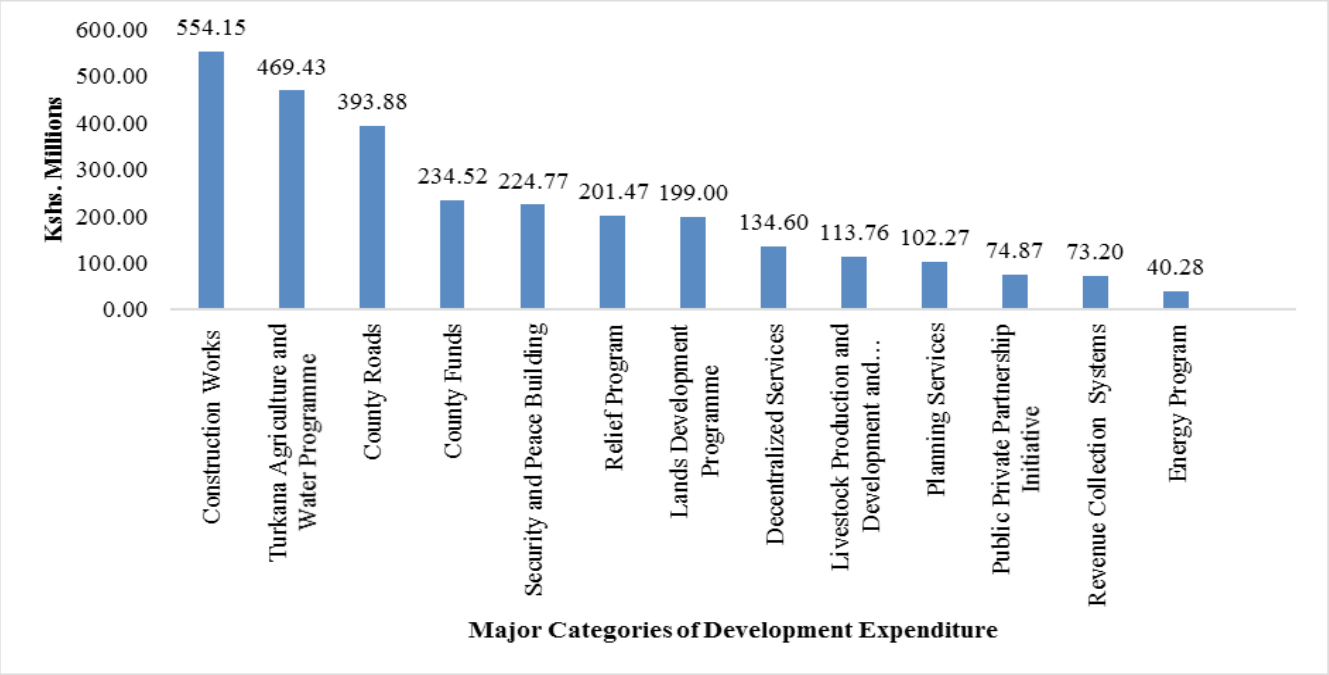



**Source:** *Turkana County Treasury*

### 3.44.7 Development Expenditure Analysis

Figure 3.172 provides a summary of development expenditure during the period under review.

**Figure 3.172: Turkana County, Summary of Development Expenditure for the First Nine Months of FY 2015/16**




**Source:** *Turkana County Treasury*

Analysis of the development expenditure of Kshs.3.33 billion incurred in the reporting period indicates that the highest expenditure of Kshs.554.15 million was spent on construction works by various county entities which comprised of Health facilities, ECD classrooms and offices.

The second highest expenditure of Kshs.469.43 million was incurred on agriculture and water programs. The projects undertaken this expenditure were water supply development, rehabilitation of water supplies, mechanization, water harvesting, irrigation expansion and rehabilitation.

### 3.44.8 Annual Budget and Budget Performance Analysis by department for the First Nine Months of FY 2015/16

Table 3.129 shows a summary of FY 2015/16 annual budget estimates and budget performance for the reporting period by department.

**Table 3.129: Turkana County, Annual Budget and First Nine Months of FY 2015/16 Budget Performance by Department**

| Department | Budget Allocations (Kshs. Millions) | | Exchequer Issues (Kshs. Millions) | | Expenditure (Kshs. Million) | | % of Expenditure to Exchequer Issues | |
|---|---|---|---|---|---|---|---|---|
| | Rec | Dev | Rec | Dev | Rec | Dev | Rec | Dev |
| Finance and Planning | 146.65 | 841.09 | 121.47 | 575.29 | 69.88 | 270.69 | 57.5 | 47.1 |
| Education and Social Services | 33.93 | 1,748.49 | 27.73 | 721.74 | 8.28 | 432.71 | 29.9 | 60 |
| Health and Sanitation | 155.60 | 1,025.28 | 140.90 | 596.15 | 83.34 | 417.61 | 59.1 | 70.1 |
| PSDM | 2,268.04 | 699.84 | 1,639.21 | 389.20 | 1,776.74 | 347.76 | 108.4 | 89.4 |
| Trade and Tourism | 47.68 | 396.59 | 40.88 | 174.64 | 31.65 | 154.67 | 77.4 | 88.6 |
| CPSB | 63.73 | 27.31 | 48.07 | 25.84 | 11.75 | 8.62 | 24.4 | 33.3 |
| Roads and Transport | 68.44 | 1,145.43 | 57.34 | 538.49 | 20.97 | 393.88 | 36.6 | 73.1 |
| Governor's Office | 147.68 | 545.81 | 135.64 | 245.74 | 118.59 | 327.66 | 87.4 | 133.3 |
| Deputy Governor | 29.54 | - | 27.19 | - | 10.07 | - | 37 | 0 |
| Pastoral Economy | 50.61 | 328.55 | 50.61 | 267.21 | 31.09 | 114.17 | 61.4 | 42.7 |
| Energy and Environment | 45.05 | 278.73 | 40.02 | 170.39 | 28.48 | 105.01 | 71.2 | 61.6 |
| Water Irrigation and Agriculture | 43.75 | 1,232.08 | 39.78 | 620.37 | 12.36 | 484.48 | 31.1 | 78.1 |
| Lands | 53.16 | 591.38 | 49.89 | 329.33 | 52.68 | 270.40 | 105.6 | 82.1 |
| County Assembly | 977.90 | 390.98 | 702.47 | 130.41 | 605.92 | - | 86.3 | 0 |
| **TOTALS** | **4,131.75** | **9,251.56** | **3,121.21** | **4,784.80** | **2,861.81** | **3,327.66** | **91.7** | **69.5** |

**Source:** *Turkana County Treasury*

Analysis of budget performance by department shows that Governor's Office reported the highest absorption rate for development expenditure at 133.3 per cent while the County Assembly registered zero expenditure despite being allocated Kshs.390.98 million. On the other hand, the public service and disaster management had the highest percentage of its recurrent expenditure to annual recurrent budget at 108.4 per cent while the County public Service Board had the lowest at 24.4 per cent.

### 3.44.9 Observations and Recommendations

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

i. Enhancement of staff capacity through training and recruitment of key staff, especially in the Procurement and Revenue Departments.

ii. The County has embraced public participation in its processes, such as in legislation, planning and budgeting, as required by law.

The following challenges continued to hamper effective budget implementation in the county;

1. Failure by the County Treasury to submit the financial reports to the COB in time as required by law.

2. The County has an annual local revenue target of Kshs.200 million, but managed to collect Kshs.84.6 million in the period under review, which if 42 percent of the annual target.

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

1. *The County Treasury should comply with the PFM Act, 2012 in regards to preparation and submission of reports.*

2. *The County Treasury should establish and address the challenges faced by the Revenue Department that has resulted to decline in revenue collection in the three years.*

## 3.45 Uasin Gishu County

### 3.45.1 Overview of the FY 2015/16 Budget

The FY 2015/16 Approved Supplementary Budget for Uasin Gishu County is Kshs.7.54 billion, comprising of Kshs.4.59 billion (60.9 per cent) and Kshs.2.95 billion (39.1 per cent) allocated to recurrent and to development expenditure respectively.

In order to finance the budget, the county expects to receive Kshs.5.19 billion (68.0 per cent) as equitable share of revenue raised nationally, Kshs.296.26 million (3.8 per cent) as total conditional grants, generate Kshs.1.04 million (13.6 per cent) from local sources and Kshs.1.09 million (14.3 per cent) as projected cash balance from FY 2014/15. The conditional grants comprise of Kshs.95.74 million (1.2 per cent) for Leasing of Medical Equipment, Kshs.117.3 million (1.5 per cent) for

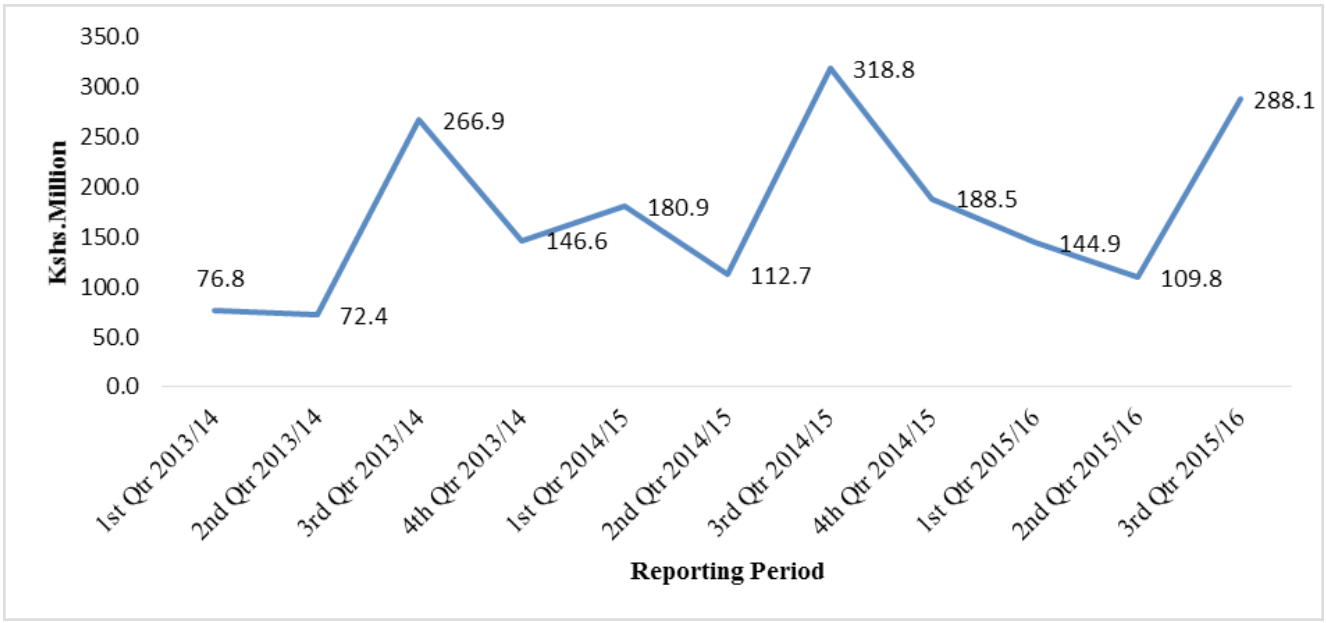
Maternal Health Care, Kshs.65.9 million (0.9 per cent) from the Road Maintenance Fuel Levy Fund, Kshs.17.32 million (0.2 per cent) as a conditional grant from DANIDA.

### 3.45.2 Revenue Analysis

In the first nine months of FY 2015/16, the County received Kshs.3.05 billion as equitable share of revenue raised nationally , Kshs.68.67 million as conditional allocations, raised Kshs.542.84 million from local sources, and had a cash balance of Kshs.1.09 billion brought forward from FY 2014/15. The County did not borrow any funds during the reporting period to finance the budget.

Figure 3.173 shows the quarterly trend in local revenue collection from FY 2013/14 to the third quarter of FY 2015/16.

**Figure 3.173: Uasin Gishu County, Trend in Local Revenue Collection by Quarter from FY 2013/14 to the Third Quarter of FY 2015/16**




**Source:** *Uasin Gishu County Treasury*

The total local revenue for the reporting period of Kshs.542.84 million consisted of Kshs.144.89 million generated in the first quarter, Kshs.109.83 million in the second quarter and Kshs.288.13 million in the third quarter of FY 2015/16. The revenue collected was 52.3 per cent of the annual local revenue target, and a decline from Kshs.715.24 million collected in a similar period of FY 2014/15.

Table 3.130 shows further analysis of the local revenue collected in the first nine months of FY 2015/16 by stream.

**Table 3.130: Uasin Gishu County analysis of revenue collection by stream for the first nine months of FY 2015/16**

| No | Revenue Stream | Annual Targeted Revenue (Kshs.) | 9 Months Actual Revenue | Actual Revenue as a percentage of Annual Targets (%) |
|---|---|---|---|---|
| 1 | Other Sources | 84,200,000 | 234,212,924 | 278.2 |
| 2 | Single Business Permits | 200,000,000 | 86,334,752 | 43.2 |
| 3 | Enclosed Bus Park | 105,000,000 | 63,556,890 | 60.5 |
| 4 | Street Parking | 90,000,000 | 44,764,990 | 49.7 |
| 5 | Land Rates | 237,217,425 | 32,438,806 | 13.7 |
| 6 | Sign Boards & Advert Fees | 40,000,000 | 18,621,563 | 46.6 |
| 7 | Court fines | 15,000,000 | 14,799,784 | 98.7 |
| 8 | House Management Unit | 79,000,000 | 13,251,125 | 16.8 |
| 9 | Health Centres | 44,000,000 | 10,982,447 | 24.9 |
| 10 | Urban Planning Fees | 60,000,000 | 8,942,481 | 14.9 |
| 11 | Cess (Wheat, Maize, Sugarcane) | 50,000,000 | 7,538,191 | 15.1 |
| 12 | Market fees | 32,800,000 | 7,400,559 | 22.6 |
| | **TOTAL** | **1,037,217,425** | **542,844,512** | **52.3** |

**Source:** *Uasin Gishu County Treasury*

Analysis of the local revenue by stream indicates that "other sources" of revenue recorded the highest performance against annual target at 278.2 per cent. This performance was attributed to the unclassified revenue streams during the month of January when the county introduced the automated revenue collection system. This was closely followed by Court Fines at 98.7 per cent. Land Rates and Cess Revenue recorded the lowest revenue collection during the period against annual target.

The County deposited all locally collected revenue into the County Revenue Fund account maintained at Central Bank of Kenya (CBK) in line with Article 207 of the Constitution. However, based on Section 109(2) (b) of the PFM Act, 2012, some county entities (Chebororwa Training Center, Agricultural Mechanization Stations (AMS) and Uasin Gishu Alcoholic Drinks Control Board) did retain revenue from agriculture training activities, and alcohol licensing in order to meet the departmental expenses based on County Assembly legislations.

### 3.45.3 Conditional Grants

Table 3.131 shows the analysis of conditional grants for the first nine months of FY 2015/16.

**Table 3.131: Uasin Gishu County analysis of conditional grants for the first nine months of FY 2015/16**

| No. | Conditional Grant | Amount allocated as provided in CARA 2015 (Kshs.) | 9 Months Actual receipt of the Conditional Grant (Kshs.) | Performance (%) |
|---|---|---|---|---|
| 1 | Road Maintenance Fuel Levy Fund | 65,941,437 | 33,300,425 | 50.5 |
| 2 | Free Maternal Health Care | 117,335,400 | 9,392,500 | 8.0 |
| 3 | User Fees Forgone | 20,843,281 | 8,656,800 | 41.5 |
| 4 | DANIDA Grant | 17,320,000 | 17,320,000 | 100 |
| 5 | Leasing of medical Equipment | 95744680.85 | 0 | 0 |
| | **TOTAL** | **317,184,799** | **68,669,725** | **22.6** |

**Source:** *Uasin Gishu County Treasury*

Analysis of the conditional grants, for the period under review indicates that DANIDA grant recorded the highest performance against annual target at 100 per cent. This was closely followed by Road Mantainence Fuel Levy Fund at 50.5 per cent.

### 3.45.4 Exchequer Issues

During the period under review, the COB authorised withdrawal of Kshs.4.11 billion from the CRF account, which was 54.5 per cent of the approved budget. The amount represented a slight decline of 1.9 per cent from Kshs.4.19 billion authorized in a similar period of FY 2014/15 and consisted of Kshs.3.06 billion (74.6 per cent) for recurrent expenditure and Kshs.1.04 million (25.4 per cent) for development activities.

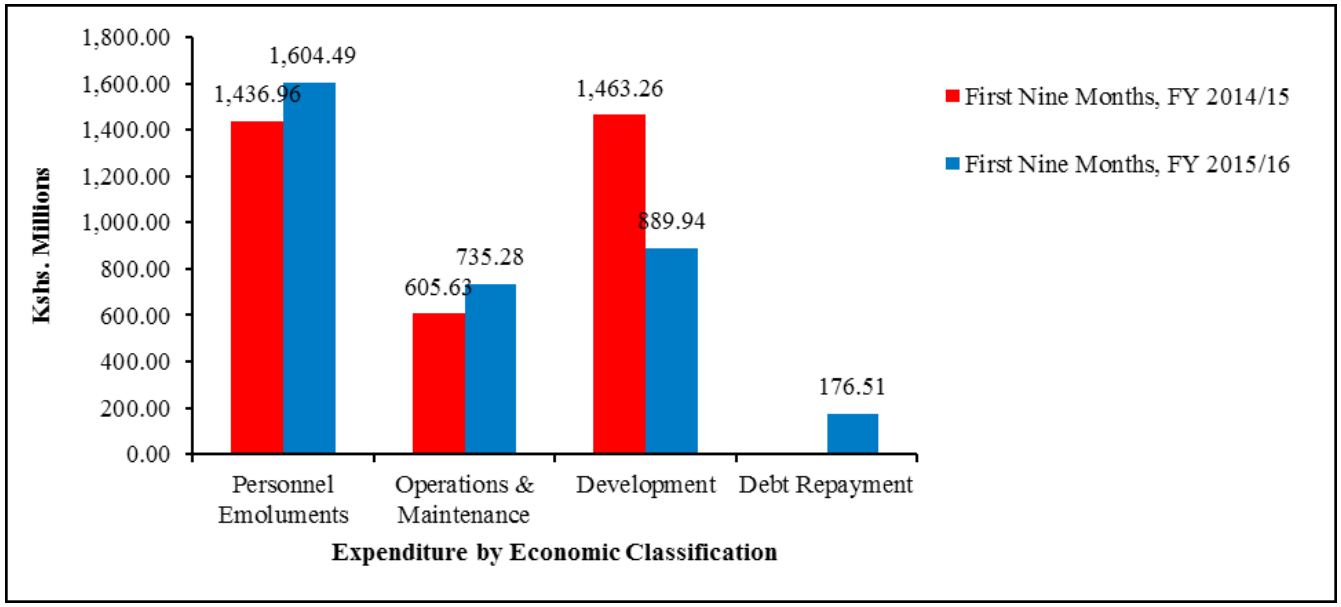
### 3.45.5 Overall Expenditure Review

The County spent a total of Kshs.3.41 billion during the first nine months of FY 2015/16 which was 82.9 per cent of the total funds released for operations. This was a decline from the Kshs.3.51 billion spent in a similar period of FY 2014/15. A total of Kshs.2.48 billion was spent on recurrent activities and Kshs.930.62 million on development activities. Recurrent expenditure was 80.8 per cent of the funds released for recurrent activities while development expenditure accounted for 89.2 per cent of the funds released for development activities. The expenditure excludes commitments as at 31st March, 2016 that amounted to Kshs.48.31 million for recurrent expenditure. There were no pending bills for development expenditure.

Recurrent expenditure for the period under review represented 53.9 per cent of the approved annual recurrent budget, same per cent spent in a similar period of FY 2014/15. On the other hand,

development expenditure recorded an absorption rate of 31.6 per cent, a decrease from 42.2 per cent spent in a similar period of FY 2014/15. Figure 3.174 shows a comparison of the total expenditure in the third quarter of FY 2014/15 and the same period in FY 2015/16.

**Figure 3.174: Uasin Gishu County, Expenditure by Economic Classification for the First Nine Months of FY 2014/15 and FY 2015/16**




**Source:** *Uasin Gishu County Treasury*

### 3.45.6 Recurrent Expenditure Analysis

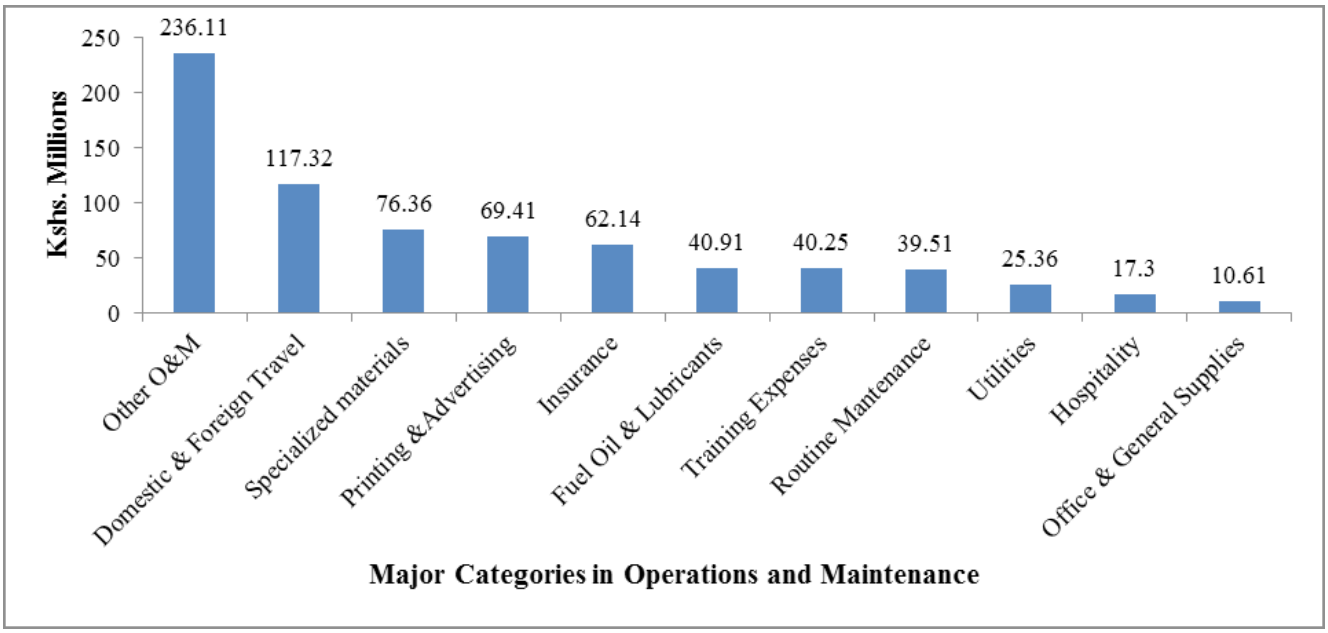
The total recurrent expenditure for the reporting period was Kshs.2.48 billion against an annual recurrent budget of Kshs.4.59 billion. This represents 53.9 per cent of the annual recurrent budget. The County spent Kshs.1.60 billion (64.8 per cent) on personnel emoluments, Kshs.735.28 million (29.7 per cent) on operations and maintenance and Kshs.135.83 million (5.5 per cent) on Debt Repayment & Pending Bills as shown in Figure 3.174.

The expenditure on personnel emoluments of Kshs.1.60 billion represented an increase 16.8 per cent compared to a similar period in FY 2014/15 when the County spent Kshs.1.43 billion. This increase is attributed to employment of Health workers and other county staff during the period under review.

The County spent Kshs.23.78 million on sitting allowances to the 45 MCAs and the Speaker against an annual budget of Kshs.61.56 million. This represents a decrease from Kshs.32.25 million recorded in a similar period of FY 2014/15. The average monthly sitting allowance per MCA was Kshs.58,708 compared to SRC's recommended monthly ceiling of Kshs.124,800.

The aggregate expenditure on domestic and foreign travel was Kshs.117.32 million compared to Kshs.121.69 million incurred in a similar period of FY 2014/15, representing a marginal decrease of 3.6 per cent. Figure 3.175 shows a breakdown of the operations and maintenance expenditure for the reporting period.

**Figure 3.175: Uasin Gishu County, Operations and Maintenance Expenditure for the First Nine Months of FY 2015/16**

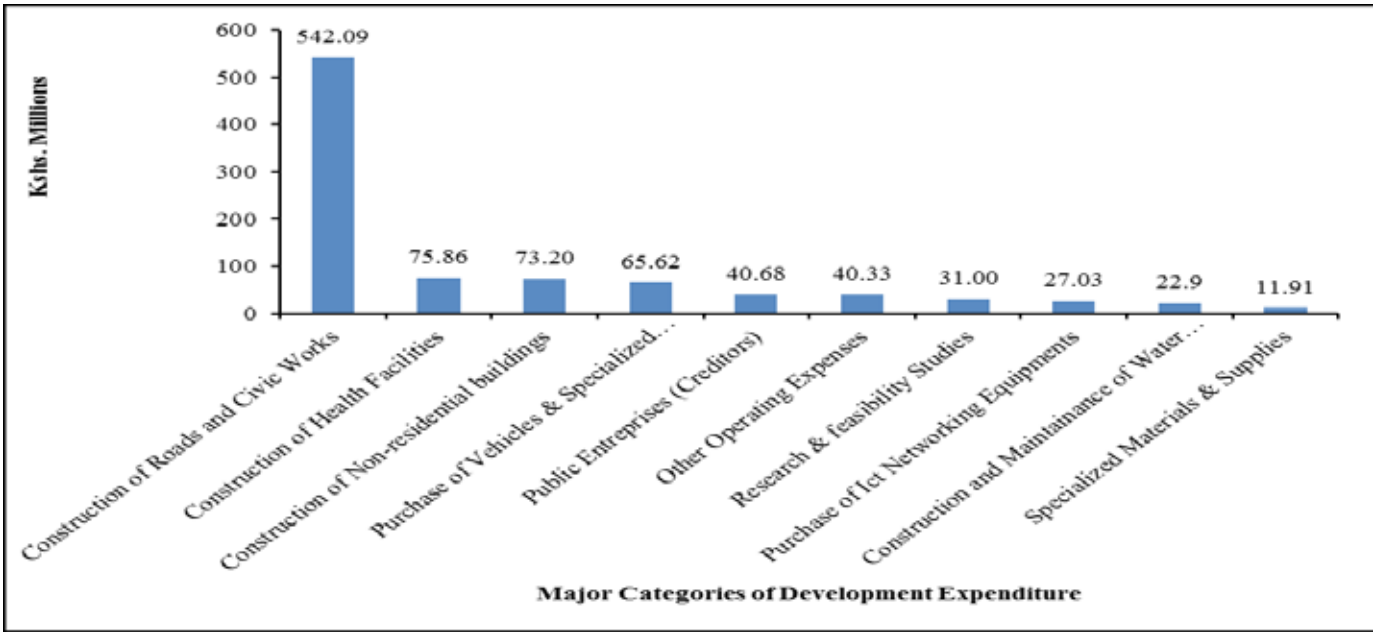



**Source:** *Uasin Gishu County Treasury*

### 3.45.7 Development Expenditure Analysis

Figure 3.176 provides a summary of development expenditure during the period under review.

**Figure 3.176: Uasin Gishu County, Summary of Development Expenditure for the First Nine Months of FY 2015/16**




**Source:** *Uasin Gishu County Treasury*

Analysis of the development expenditure of Ksh.930.62 million in the first nine months of FY 2015/16

indicates that the Roads and Public Works Department had the highest expenditure at Kshs.601.20 million which was spent on construction and maintenance of access roads and bridges, purchase of specialized plant and other infrastructural works. The second highest expenditure was at Kshs.75.86 million incurred by the Department of Health Services in the construction of health centers at the sub-county while the Department of Finance and Economic Planning incurred Kshs.40.68 million on payment of creditors on ward intervention projects such as construction of ECDEs, dispensaries, culverts, cattle dips among others. The Department of Education, Social, Culture, Youth and Sports had the lowest expenditure at Kshs.2.89 million for the construction of buildings and provision of grants.

### 3.45.8 Annual Budget and Budget Performance Analysis by department for the First Nine Months of FY 2015/16

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

**Table 3.132: Uasin Gishu County, Annual Budget and First Nine Months of FY 2015/16 Budget Performance by Department**

| Department | Annual Budget Allocation (Kshs. Million) | | Nine month Exchequer Issues (Kshs. Million) | | Nine month Expenditure (Kshs. Million) | | Nine month Expenditure to Exchequer Issues (%) | | Absorption rate (%) | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Rec | Dev | Rec | Dev | Rec | Dev | Rec | Dev | Rec | Dev |
| County Assembly Services | 502.45 | 24.65 | 409.86 | - | 320.84 | 0.20 | 78.3 | 0.0 | 63.8 | 0.0 |
| Public Service Management | 649.42 | 79.44 | 355.58 | 22.62 | 271.97 | 35.30 | 76.4 | 156.0 | 41.8 | 44.4 |
| Office of the Governor | 113.55 | 10.00 | 74.35 | 5.00 | 64.13 | 3.66 | 86.2 | 73.2 | 56.4 | 36.6 |
| County Public Service Board | 45.36 | 3.73 | 32.97 | 3.73 | 24.89 | 3.01 | 75.4 | 80.6 | 54.8 | 80.6 |
| Finance & Economic Planning | 739.13 | 113.09 | 439.05 | 62.21 | 221.39 | 43.93 | 50.4 | 70.6 | 29.9 | 38.8 |
| Agriculture, Livestock & Fisheries Development | 240.55 | 420.63 | 177.05 | 67.83 | 108.59 | 38.06 | 61.3 | 56.1 | 45.1 | 9.0 |
| Water ,Environment, Energy & Natural Resources | 139.23 | 267.66 | 120.62 | 53.46 | 69.43 | 34.02 | 57.5 | 63.6 | 49.8 | 12.7 |
| Education, Youth, Culture & Social services | 306.05 | 401.31 | 225.24 | 12.35 | 145.90 | 2.90 | 64.7 | 23.4 | 47.6 | 0.7 |
| Health Services | 1,226.90 | 293.40 | 779.31 | 50.0 | 768.84 | 75.86 | 98.6 | 151.7 | 62.6 | 25.8 |
| Land, Housing & Physical Planning | 69.90 | 168.46 | 52.09 | 61.67 | 31.06 | 28.32 | 59.6 | 45.9 | 44.4 | 16.8 |

| Department | Annual Budget Allocation (Kshs. Million) | | Nine month Exchequer Issues (Kshs. Million) | | Nine month Expenditure (Kshs. Million) | | Nine month Expenditure to Exchequer Issues (%) | | Absorption rate (%) | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Rec | Dev | Rec | Dev | Rec | Dev | Rec | Dev | Rec | Dev |
| Roads & Public Works | 398.87 | 858.84 | 263.63 | 594.70 | 229.20 | 601.20 | 86.9 | 101.0 | 57.4 | 70.0 |
| ICT & E-Government | 32.09 | 72.46 | 23.34 | 25.58 | 14.36 | 27.03 | 60.0 | 105.6 | 44.7 | 37.3 |
| Trade, Industrialization, Tourism & Cooperative Development | 130.30 | 235.15 | 111.75 | 84.21 | 76.99 | 37.35 | 68.8 | 44.3 | 59.0 | 15.8 |
| TOTAL | 4,593.8 | 2,948.82 | 3,064.82 | 1,043.36 | 2,475.60 | 930.62 | 80.8 | 89.2 | 53.9 | 31.6 |

**Source:** *Uasin Gishu County Treasury*

Analysis of budget performance by department shows that the County Public Service Board reported the highest absorption rate for development expenditure at 80.6 per cent while the Education, Youth, Culture and Social Services registered the lowest at 0.7 per cent. On the other hand, the County Assembly Services had the highest percentage of its recurrent expenditure to annual recurrent budget at 63.8 per cent while the department of Finance and Economic Planning had the lowest at 29.9 per cent.

### 3.45.9 Observations and Recommendations

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

i. Fully automation of all revenue streams in order to seal any loopholes in the collection system.

ii. Appointment of the Internal Audit Committee as per the requirements of the PFM, Act 2012

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

1. Unclear guidelines to the County on the format and contents for preparation of quarterly reports for County established funds as provided for by law.
2. Inactive CBEF, although established as perb Section 137(2) of the PFM, Act 2012, as a means of consultation in preparation of county plans, County Fiscal Strategy Paper, and Budget review and Outlook paper.
3. Low local revenue collections which accounted for 52.3 per cent of the annual revenue target despite automating the collection system.

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

i. *The Accounting Standards Board should provide clear guidelines on the format for preparation of quarterly reports on county established funds.*

ii. *The County should actively involve the CBEF in matters relating to budgeting, economy and financial management including preparation of key policy documents.*

iii. *The County should re-evaluate the local revenue streams and the collection systems in order to seal any loopholes that may exist.*

## 3.46 Vihiga County

### 3.46.1Overview of the FY 2015/16 Budget

The FY 2015/16 Approved Supplementary Budget for Vihiga County is Kshs.4.37 billion, comprising of Kshs.2.54 billion (58.9 per cent) and Kshs.1.83 billion (41.9 per cent) allocated to recurrent and development expenditure respectively.

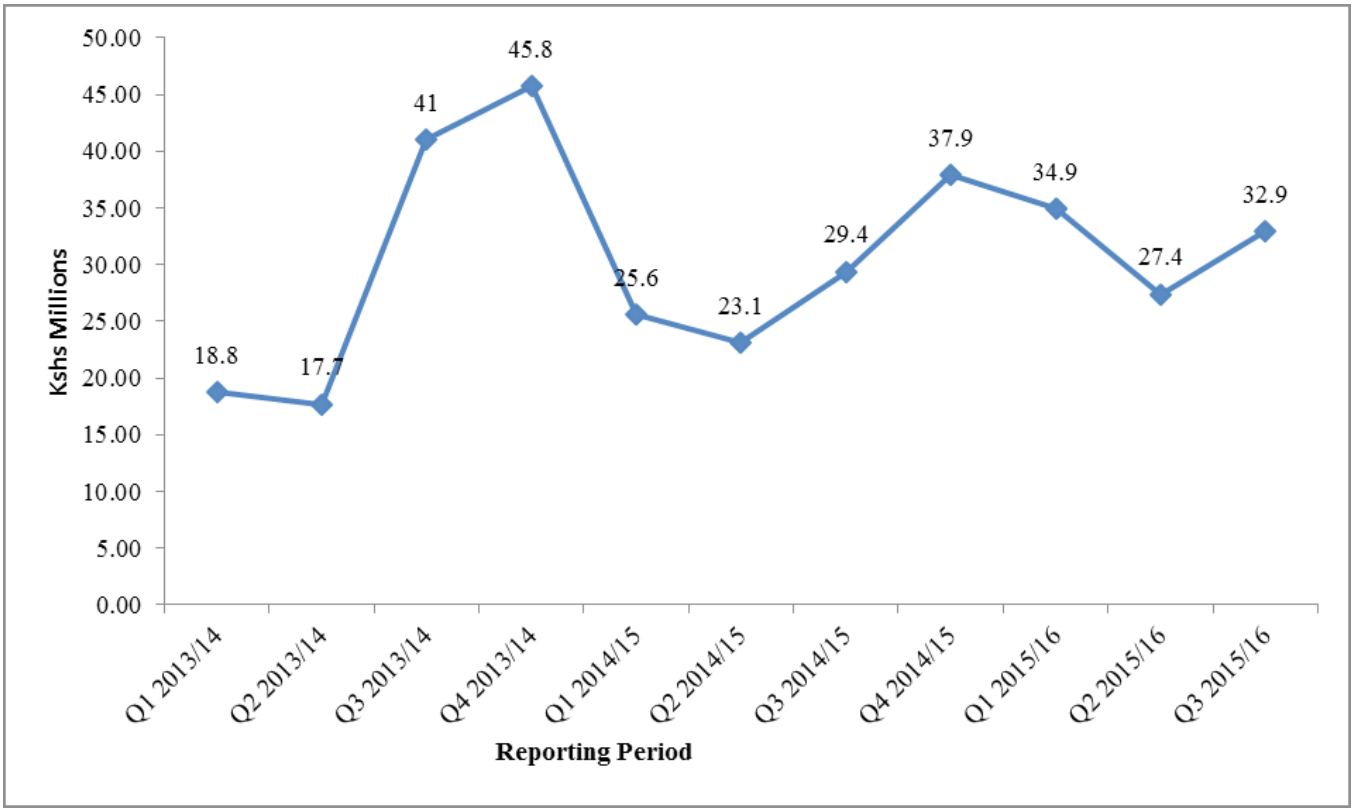
In order to finance the budget, the county expects to receive Kshs.3.87 billion (88.6 per cent) as Equitable share of revenue raised nationally, Kshs.130.02 million (3.0 per cent) as total conditional grants, generate Kshs.352.16 million (8.1 per cent) from local sources, and Kshs.4.33 million (0.1 per cent) as projected cash balance from FY 2014/15. The conditional grants comprise of Kshs.67.91 million (1.6 per cent) for Maternal Health Care, Kshs.49.18 million (1.1 per cent) from the Road Maintenance Fuel Levy Fund, Kshs.12.93million (0.3 per cent) as compensation for User Fees Foregone and Kshs.14.17 million (0.3 per cent) as a conditional grant from DANIDA as shown in Table 3.134. The county did not budget for 95.74 million for Leasing of Medical Equipment.

### 3.46.2 Revenue Analysis

In the first nine months of FY 2015/16, the County received Kshs.2.67 billion as equitable share of revenue raised nationally, Kshs.54.63 million as conditional allocations, raised Kshs.95.18 million from local sources, and had a cash balance of Kshs.4.33 million brought forward from FY 2014/15. The County did not borrow any funds during the reporting period to finance the budget.

Figure 3.177 shows the quarterly trend in local revenue collection from FY 2013/14 to the third quarter of FY 2015/16.

**Figure 3.177: Vihiga County, Trend in Local Revenue Collection by Quarter from FY 2013/14 to the Third Quarter of FY 2015/16**




**Source:** *Vihiga County Treasury*

The total local revenue for the reporting period of Kshs.95.18 million consisted of Kshs.34.89 million generated in the first quarter, Kshs.27.38 million in the second quarter and Kshs.32.9 Million in the third quarter of FY 2015/16. The revenue collected was 37.8 per cent of the annual local revenue target, and an improvement from Kshs.77.98 million collected in a similar period of FY 2014/15.

Table 3.133 shows further analysis of the local revenue collected in the first nine months of FY 2015/16 by stream.

**Table 3.133: Vihiga County analysis of revenue collection by stream for the first nine months of FY 2015/16**

| No | Revenue Stream | Annual Targeted Revenue (Kshs.) | 9 Months Actual Revenue | Actual Revenue as a percentage of Annual Targets (%) |
|---|---|---|---|---|
| 1 | Bus park | 44, 873, 915 | 29, 480, 700 | 65.7 |
| 2 | Single business permit | 53, 104, 577 | 14, 946, 909 | 28.1 |
| 3 | Market fees | 18, 500, 000 | 9, 881, 834 | 53.4 |
| 4 | Departmental revenue | 99, 000, 000 | 26, 020, 640 | 26.3 |
| 5 | Rent (stalls, office, house, ground) | 3, 847, 416 | 2, 286, 307 | 59.4 |
| 6 | Motor bike | 3, 000, 000 | 639, 500 | 21.3 |

| No | Revenue Stream | Annual Targeted Revenue (Kshs.) | 9 Months Actual Revenue | Actual Revenue as a percentage of Annual Targets (%) |
|---|---|---|---|---|
| 7 | Rates/plots | 4, 550, 550 | 949, 148 | 20.9 |
| 8 | Plan approvals and renewal | 5, 520, 000 | 1,230,385 | 22.3 |
| 9 | Others | 119, 762, 973 | 9, 743, 858 | 8.1 |
| | **Totals** | **352, 158, 881** | **95, 179, 281** | **27.0** |

**Source:** *Vihiga County Treasury*

Analysis of the local revenue by stream indicates that Bus Park recorded the highest performance against annual target at 65.7 per cent. This was closely followed by Rent from stalls, office houses and ground at 59.4 per cent.

The County did not deposit all locally revenue into the County Revenue Fund account maintained at Central Bank of Kenya (CBK) in line with Article 207 of the Constitution. The Department of County Health Services spent at the source Kshs.5.31 million during the period under review.

### 3.46.3 Conditional Grants

Table 3.134 shows the analysis of conditional grants for the first nine months of FY 2015/16 is shown in Table 3.134.

**Table 3.134: Vihiga County analysis of conditional grants for the first nine months of FY 2015/16**

| No. | Conditional Grant | Amount allocated as provided in CARA 2015 (Kshs.) | 9 Months Actual receipt of the Conditional Grant (Kshs.) | Actual Receipts as a percentage of Annual Allocation (%) |
|---|---|---|---|---|
| 1 | CA-Leasing of medical Equipment | 95,744,681 | 0 | 0 |
| 2 | Road Maintenance Fuel Levy Fund | 49, 179, 806 | 24, 835, 802 | 50.5 |
| 3 | Free Maternal Health Care | 67, 908, 400 | 17, 855, 000 | 26.3 |
| 4 | User Fees Forgone | 12, 928, 219 | 4, 853, 560 | 37.5 |
| 5 | DANIDA Grant | 14, 170, 000 | 7, 085, 000 | 50 |
| | **TOTAL** | **239,931,106** | **54, 629, 362** | **22.8** |

**Source:** *Vihiga County Treasury*

Analysis of the conditional grants for the period under review indicates that RMFLF recorded the

highest performance against annual target at 50.5 per cent. This was closely followed by DANIDA grants at 50.0 per cent. These two were funded on half year basis.

### 3.46.4 Exchequer Issues

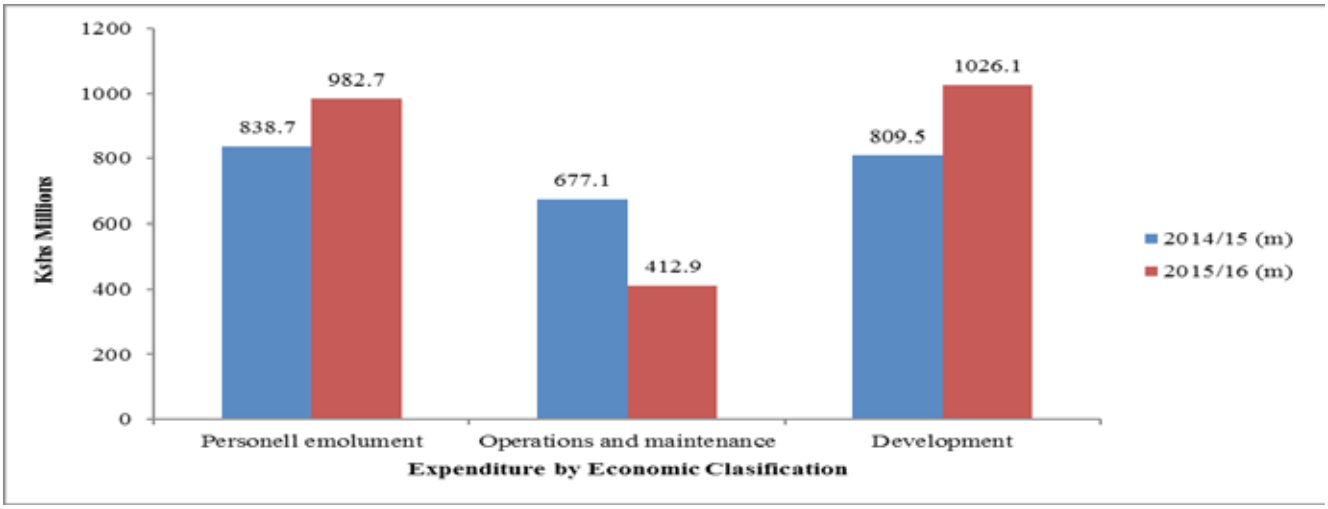
During the period under review, the COB authorised withdrawal of Kshs.2.73 billion from the CRF account, which was 62.5 per cent of the approved budget. The amount represented a decline of 3.9 per cent from Kshs.2.84 billion authorized in a similar period of FY 2014/15 and consisted of Kshs.1.79 billion (65.5 per cent) for recurrent expenditure and Kshs.942.3 million (34.5 per cent) for development activities.

### 3.46.5 Overall Expenditure Review

The County spent a total of Kshs.2.42 billion during the first nine months of FY 2015/16 which was 88.6 per cent of the total funds released for operations. This was an increase from the Kshs.2.33 billion spent in a similar period of FY 2014/15. A total of Kshs.1.39 billion was spent on recurrent activities and Kshs.1.03 billion on development activities. Recurrent expenditure was 78.0 per cent of the funds released for recurrent activities while development expenditure accounted for 108.9 per cent of the funds released for development activities. The expenditure excludes commitments as at 31st March, 2016 that amounted to Kshs.674.1 million for development and Kshs.310.31 million for recurrent expenditure.

Recurrent expenditure for the period under review represented 55.0 per cent of the approved annual recurrent budget, a decrease from 59.6 per cent spent in a similar period of FY 2014/15. On the other hand, development expenditure recorded an absorption rate of 56.0 per cent, an increase from 36.4 per cent spent in a similar period of FY 2014/15. A comparison of the total expenditure in the third quarter of FY 2014/15 and the same period in FY 2015/16 is shown in Figure 3.178.

**Figure 3.178: Vihiga County, Expenditure by Economic Classification for the First Nine Months of FY 2014/15 and FY 2015/16**




**Source:** *Vihiga County Treasury*

### 3.46.6 Recurrent Expenditure Analysis

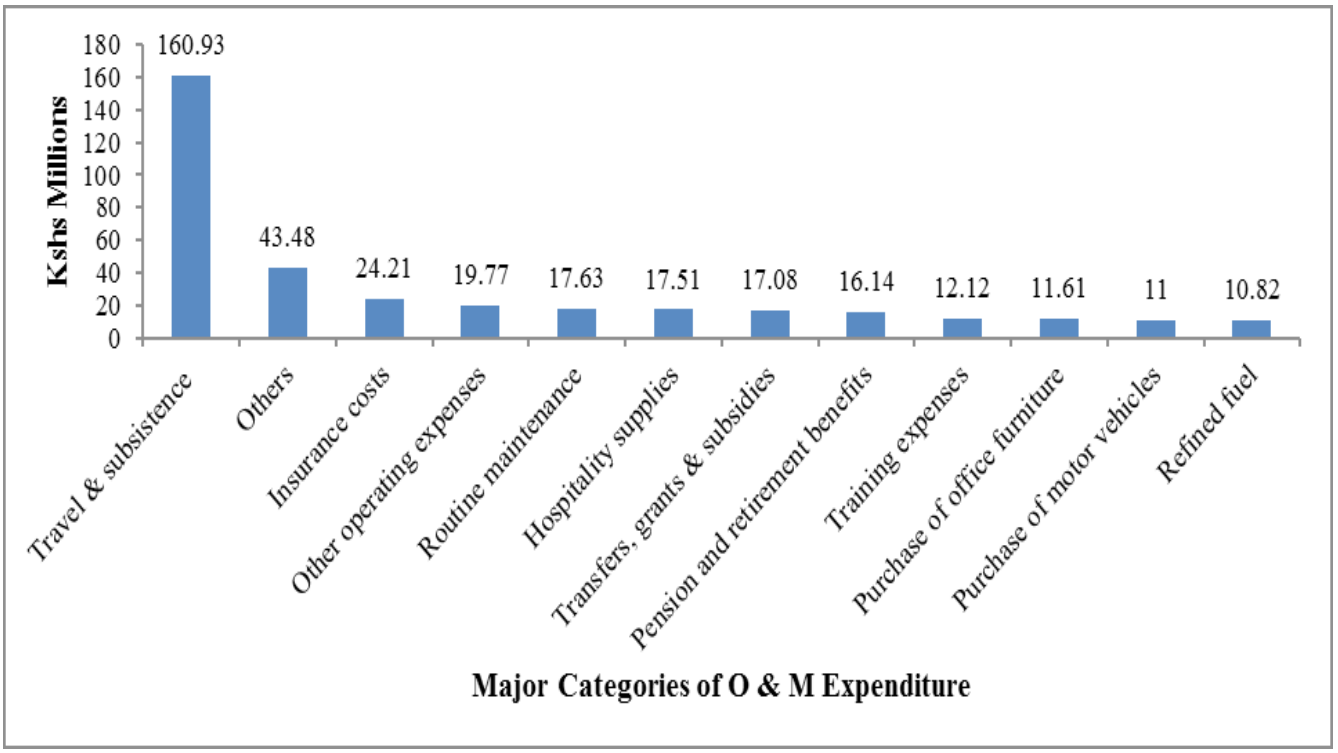
The total recurrent expenditure for the reporting period was Kshs.1.39 billion against an annual recurrent budget of Kshs.2.54 billion. This represents 54.7 per cent of the annual recurrent budget. The County spent Kshs.982.65 million (70.5 per cent) on personnel emoluments and Kshs.412.09 million (29.5 per cent) on operations and maintenance as shown in Figure 3.178.

The expenditure on personnel emoluments of Kshs.982.65 million represented an increase of 17.2 per cent compared to a similar period in FY 2014/15 when the County spent Kshs.838.7 million. This increase is attributed to employment of more casuals, workers and contracted employees. In addition there were promotions of medical staff and staff in the Agriculture department.

The County spent Kshs.48.30 million on sitting allowances to the 39 MCAs and the Speaker against an annual budget of Kshs.108.55 million. This represents an increase from Kshs.8.96 million recorded in a similar period of FY 2014/15. The average monthly sitting allowance per MCA was Kshs.134, 163.10 compared to SRC's recommended monthly ceiling of Kshs.124, 800.

The aggregate expenditure on domestic and foreign travel was Kshs.161.47 million compared to Kshs.82.22 million incurred in a similar period of FY 2014/15, representing a significant increase of 96.4 per cent. Figure 3.179 shows a breakdown of the operations and maintenance expenditure for the reporting period.

**Figure 3.179: Vihiga County, Operations and Maintenance Expenditure for the First Nine Months of FY 2015/16**

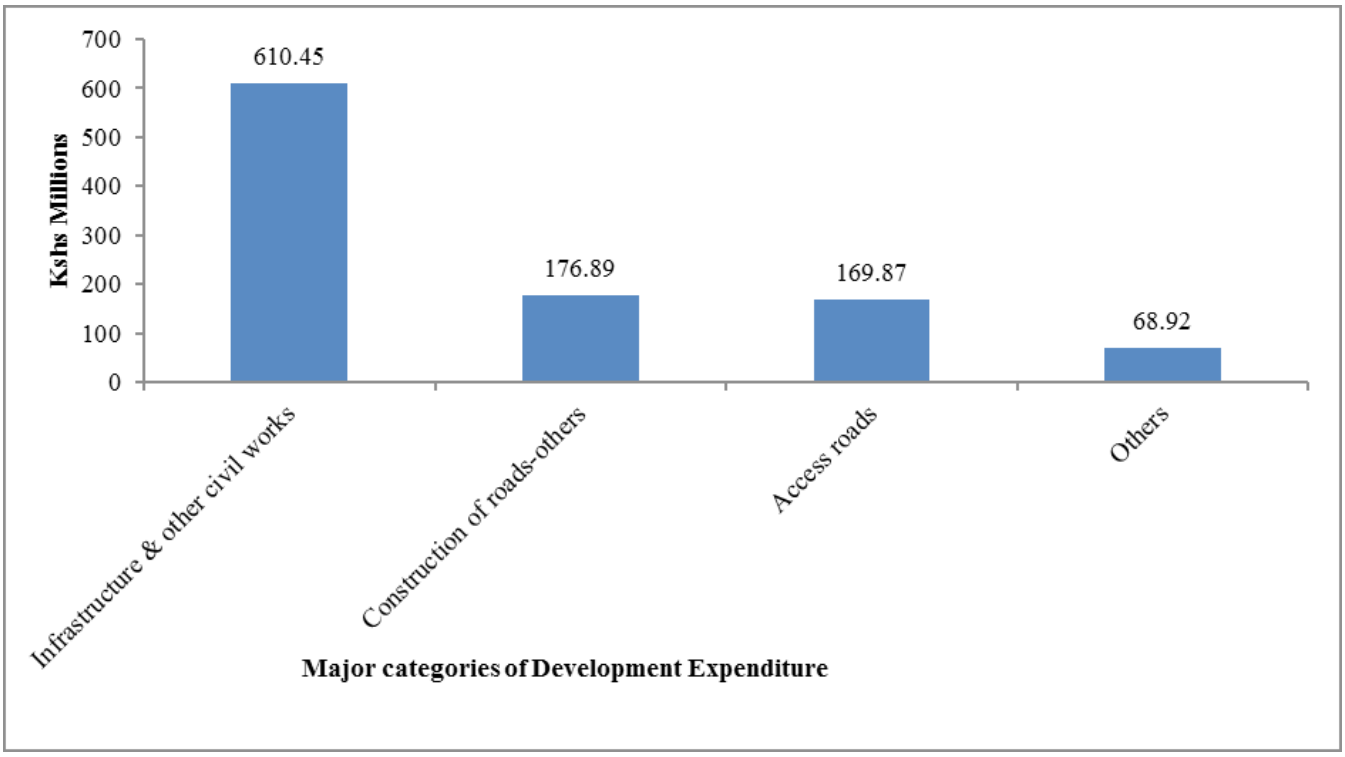



Source: Vihiga *County Treasury*

### 3.46.7 Development Expenditure Analysis

Figure 3.180 provides a summary of development expenditure during the period under review.

**Figure 3.180: Vihiga County, Summary of Development Expenditure for the First Nine Months of FY 2015/16**




**Source:** *Vihiga County Treasury*

Analysis of the development expenditure of Kshs.1.03 billion incurred in the reporting period indicates that the highest expenditure of Kshs.449.46 million was spent by the Finance and Economic Planning to pay pending bills. The second highest expenditure of Kshs.375.18 million was incurred by the Transport and Infrastructure Department on construction of about 200 kilometres of access roads in the 39 wards in the county and tarmacking of 1.8 kilometre of Mbale loop road. The Department of Land, Physical Planning and Urban Development incurred Kshs.4.0 million on construction of 45 semi-permanent houses in five (5) wards (North Maragoli, Shamakhokho, Wodanga and Izava/ lyaduywa wards) while the Department of Industrialisation, Trade and Tourism incurred Kshs.25.0 million on small and medium enterprises.

### 3.46.8 Annual Budget and Budget Performance Analysis by department for the First Nine Monthsof FY 2015/16

Table 3.135 shows a summary of FY 2015/16 annual budget estimates and budget performance for the reporting period by department.

**Table 3.135: Vihiga County, Annual Budget and First Nine Monthsof FY 2015/16 Budget Performance by Department**

| Department | Annual Budget Allocation (Kshs.Million) | | 9 Months Exchequer Issues (Kshs. Million) | | 9 Months Expenditure (Kshs.Million) | | Expenditure to Exchequer Issues (%) | | Absorption rate (%) | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Rec | Dev | Rec | Dev | Rec | Dev | Rec | Dev | Rec | Dev |
| County Assembly | 669.13 | 103.00 | 452.23 | 35.00 | 427.93 | 9.00 | 94.6 | 25.7 | 64.0 | 8.7 |
| County Executive | 242.09 | 50.00 | 173.80 | 0 | 172.38 | 10.31 | 99.2 | 0 | 71.2 | 20.6 |
| Finance | 129.54 | 509.89 | 92.21 | 509.89 | 89.08 | 449.46 | 96.6 | 88.1 | 68.6 | 88.1 |
| Agriculture | 130.13 | 29.25 | 93.72 | 0 | 59.47 | 0 | 63.5 | 0 | 45.7 | 0 |
| Health services | 738.67 | 381.21 | 528.60 | 10.00 | 393.20 | 23.61 | 74.5 | 236.1 | 53.2 | 6.2 |
| Education, science & technology | 114.13 | 288.80 | 82.64 | 185.00 | 22.98 | 84.50 | 27.8 | 45.7 | 20.1 | 29.3 |
| Gender, culture | 49.70 | 70.90 | 35.79 | 0 | 20.30 | 14.65 | 56.7 | 0 | 40.8 | |
| Public service & administration | 225.19 | 6.40 | 160.50 | 0 | 146.35 | 0 | 91.2 | 0 | 65.0 | 0 |
| Transport & infrastructure | 55.88 | 251.08 | 39.95 | 172.41 | 18.18 | 375.18 | 45.5 | 217.6 | 32.5 | 149.4 |
| Lands, housing | 28.33 | 34.05 | 20.27 | 15.00 | 6.91 | 4.00 | 34.1 | 26.7 | 24.4 | 11.7 |
| Environment, water | 73.37 | 40.60 | 52.34 | 7.00 | 13.94 | 26.51 | 26.6 | 378.7 | 19.0 | 65.3 |
| Industrialization, trade & tourism | 25.70 | 66.40 | 18.31 | 5.00 | 5.38 | 28.89 | 29.4 | 577.8 | 21.0 | 43.5 |
| Public service board | 54.32 | 0 | 38.70 | 0 | 18.63 | 0 | 48.1 | 0 | 34.3 | 0 |
| **Total** | **2,536.18** | **1, 831.58** | **1, 789.06** | **942.30** | **1,341.477** | **1,026.11** | **78.0** | **108.9** | **55.0** | **56.0** |

**Source:** *Vihiga County Treasury*

Analysis of budget performance by department shows that the Department of Transport and Infrastructure spent beyond its development budget by 49.4 per cent. The department of Finance and Economic Planning recorded the highest absorption rate for development expenditure at 88.1 per cent followed by the Department of Environment, Natural Resources and Water at 65.3 per cent while the Department of Public Service and Administration and the Department of Agriculture, Fisheries registered the lowest at 0.0 per cent. On the other hand, the County Executive had the highest percentage of its recurrent expenditure to annual recurrent budget at 71.2 per cent while the department of environment, natural resources and water had the lowest at 19.0 per cent.

### 3.46.9 Observations and Recommendations

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

i. The formation of County Budget and Economic Forum as provided by Section 137 the PFM Act, 2012.

ii. Adoption of IFMIS in processing financial transactions by most departments.

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

1. The Internal Audit Committee has not been established contrary to PFM, Act Sec. 155(5).

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

1. *The County should establish an Internal Audit Committee to enhance financial oversight.*

## 3.47 Wajir County

### 3.47.1 Overview of the FY 2015/16 Budget

The FY 2015/16 Approved Budget for Wajir County is Kshs.8.14 billion, comprising of Kshs.3.73 billion (45.8 per cent) allocated to recurrent expenditure and Kshs.4.41 billion (54.2 per cent) to development expenditure.

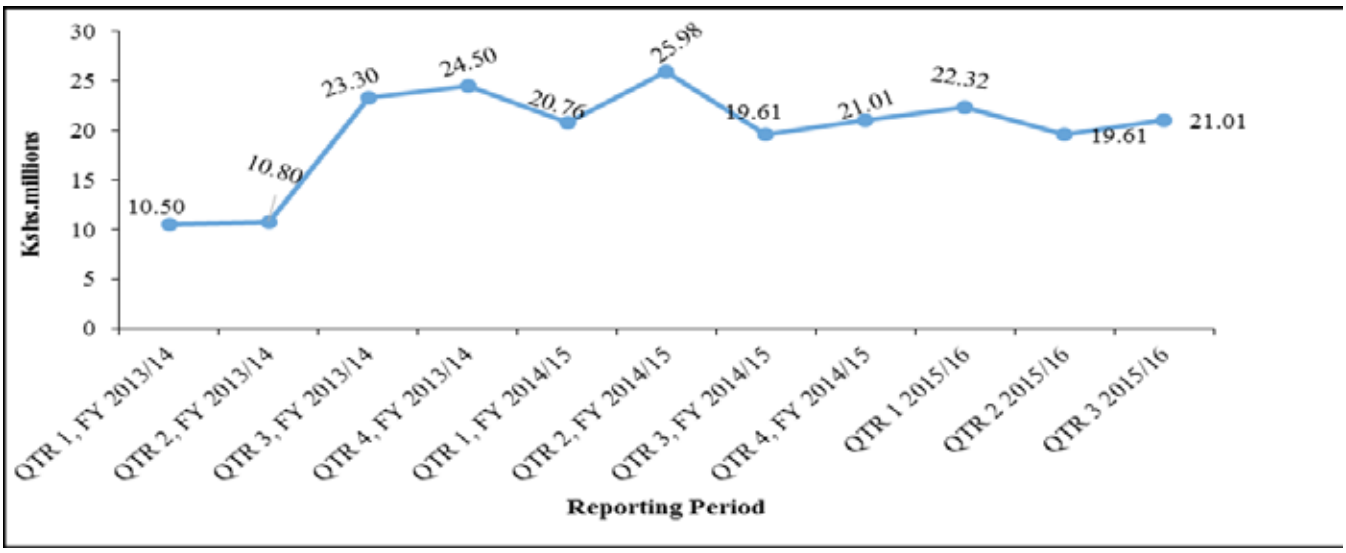
In order to finance the budget, the county will receive Kshs.7.23 billion (88.8 per cent) as equitable share of revenue raised nationally, generate Kshs.200 million (2.4 per cent) from local sources, receive Kshs.16.37 million (0.20 per cent) as World Bank loan to support health facilities, Kshs.20.09 million (0.25 per cent) as a conditional grant from DANIDA, and Kshs.670.51 million (8.24 per cent) as projected cash balance from FY 2014/15. The county did not factor the following conditional grants in the budget:- (i) Kshs.95.74 million for Leasing of Medical Equipment,(ii) Kshs.50.29 million for Maternal Health Care,(iii) Kshs.91.88 million from the Road Maintenance Fuel Levy Fund, and (iv) Kshs.15.43million for forgone user fees.

### 3.47.2 Revenue Analysis

In the first nine months of FY 2015/16, the County received Kshs.4.23 billion from the National Treasury as equitable share of revenue, Kshs.62.97 million as conditional allocations, Kshs.62.94 million from local sources, and had a cash balance of Kshs.670.51 million brought forward from FY 2014/15. The County did not borrow any funds during the reporting period to finance the budget.

Figure 3.181 shows the quarterly trend in local revenue collection from FY 2014/15 to the third quarter of FY 2015/16.

**Figure 3.181: Wajir County, Trend in Local Revenue Collection by Quarter from FY 2013/14 to the Third Quarter of FY 2015/16**




**Source:** *Wajir County Treasury*

The total local revenue for the reporting period of Kshs.62.94 million consisted of Kshs.22.32 million generated in the first quarter, Kshs.19.61 million in the second quarter and Kshs.21.01 million in the third quarter of FY 2015/16. The revenue collected was 31.5 per cent of the annual local revenue target, and a decline from Kshs.74.07 million collected in a similar period of FY 2014/15.

Table 3.136 shows further analysis of the local revenue collected in the first nine months of FY 2015/16 by stream.

**Table 3.136: Wajir County analysis of revenue collection by stream for the first nine months of FY 2015/16**

| No. | Revenue Stream | 9 Months Actual Revenue | Actual Revenue as a percentage of Annual Targets (%) |
|---|---|---|---|
| 1 | Miraa cess | 14,859,050 | 23.6 |
| 2 | Stock Auction fees | 8,573,140 | 13.6 |
| 3 | Hire of County Asset | 6,818,200 | 10.8 |
| 4 | Cost of sharing | 6,773,697 | 10.7 |
| 5 | Single Business permit | 5,757,400 | 9.2 |
| 6 | Building Material | 5,448,870 | 8.7 |
| 7 | Cereals | 2,661,675 | 4.2 |
| 8 | Stock Auction | 2,037,810 | 3.2 |
| 9 | Land Rent | 1,788,650 | 2.8 |
| 10 | Water | 1,597,000 | 2.5 |
| 11 | Septic tank | 1,509,920 | 2.4 |
| 12 | Other Sources | 5,116,243 | 8.1 |
| | **Total** | **62,941,655** | **8.3** |

***Source: Wajir County Treasury***

- *Performance is calculated based on total actual receipt as the County Treasury did not set annual revenue targets per stream for FY 2015/16.*

Analysis of the local revenue by stream indicates that Miraa Cess recorded the highest performance at Kshs.14.86 million, which represented 23.6 per cent of the total local revenue and was followed by Stock Auction fees at Kshs.8.57million (13.6 per cent).

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

### 3.47.3 Conditional Grants

Table 3.137 shows the analysis of conditional grants for the first nine months of FY 2015/16.

**Table 3.137: Wajir County, analysis of conditional grant for the first nine months of FY 2015/16**

| No. | Conditional Grant | Amount allocated as provided in CARA 2015 (Kshs.) | 9 Months Actual receipt of the Conditional Grant (Kshs.) | Actual receipt against Annual allocation Performance (%) |
|---|---|---|---|---|
| 1 | Road Maintenance Fuel Levy Fund | 91,879,854 | 46,399,326 | 50.5 |
| 2 | Free Maternal Health Care | 50,286,600 | 14,240,000 | 28.3 |
| 3 | User Fees Forgone | 15,429,821 | 7,329,165 | 47.5 |
| 4 | DANIDA Grant | 20,090,000 | 0 | 0 |
| 5 | World Bank Grant | 16,369,300 | 16,369,300 | 100.0 |
| | **TOTAL** | **194,055,575** | **84,337,791** | **43.5.5** |

**Source:** *Wajir County Treasury*

Analysis of the conditional grants, for the period under review indicates that RMFLF received the highest amount at Kshs.46.4 million.

### 3.47.4 Exchequer Issues

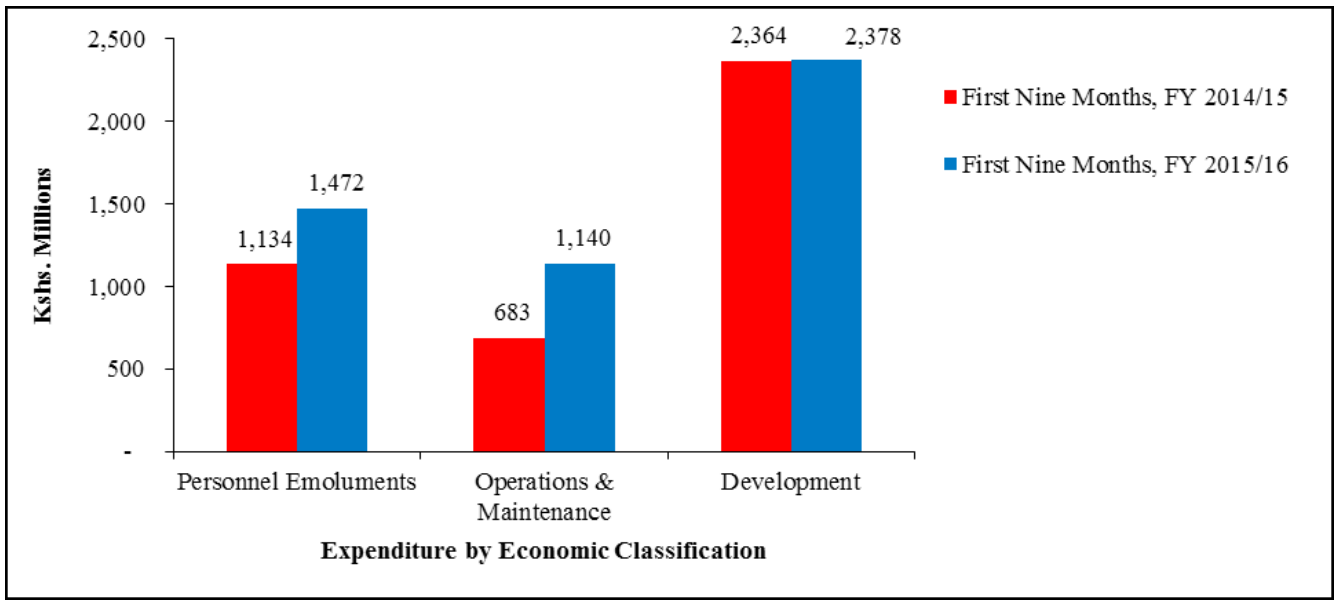
During the period under review, the COB authorised withdrawal of Kshs.4.64 billion from the CRF account, which was 57.0 per cent of the approved budget. The amount represented an increase of 2.2 per cent from Kshs.4.54 billion authorized in a similar period of FY 2014/15 and consisted of Kshs.2.56 billion (55.2 per cent) for recurrent expenditure and Kshs.2.09 billion (44.8 per cent) for development activities.

### 3.47.5 Overall Expenditure Review

The County spent a total of Kshs.4.99 billion during the first nine months of FY 2015/16 which was 107.5 per cent of the total funds released for operations. This was an increase from the Kshs.4.18 billion spent in a similar period of FY 2014/15. A total of Kshs.2.61 billion was spent on recurrent activities and Kshs. 2.38 billion on development activities. Recurrent expenditure was 102.2 per cent of the funds released for recurrent activities while development expenditure accounted for 114 per cent of the funds released for development activities. The expenditure excludes commitments as at 31st March, 2016 that amounted to Kshs.733.87 million for development and Kshs.253.59 million for recurrent expenditure.

Recurrent expenditure for the period under review represented 70.1 per cent of the approved annual recurrent budget, an increase from 43.5 per cent spent in a similar period of FY 2014/15. On the other hand, development expenditure recorded an absorption rate of 53.9 per cent, a decrease from 56.5 per cent spent in a similar period of FY 2014/15. Figure 3.182 shows a comparison of the total expenditure in the first nine months of FY 2014/15 and the first nine months of FY 2015/16.

**Figure 3.182: Wajir County, Expenditure by Economic Classification for the First Nine Months of FY 2014/15 and FY 2015/16**




**Source:** *Wajir County Treasury*

### 3.47.6 Recurrent Expenditure Analysis

The total recurrent expenditure for the reporting period was Kshs.2.61 billion against an annual recurrent budget of Kshs.3.73 billion. This represents 70.1 per cent of the annual recurrent budget. The County spent Kshs.1.47 billion (56.3 per cent) on personnel emoluments and Kshs.1.14 billion (43.7 per cent) on operations and maintenance as shown in Figure 3.182.

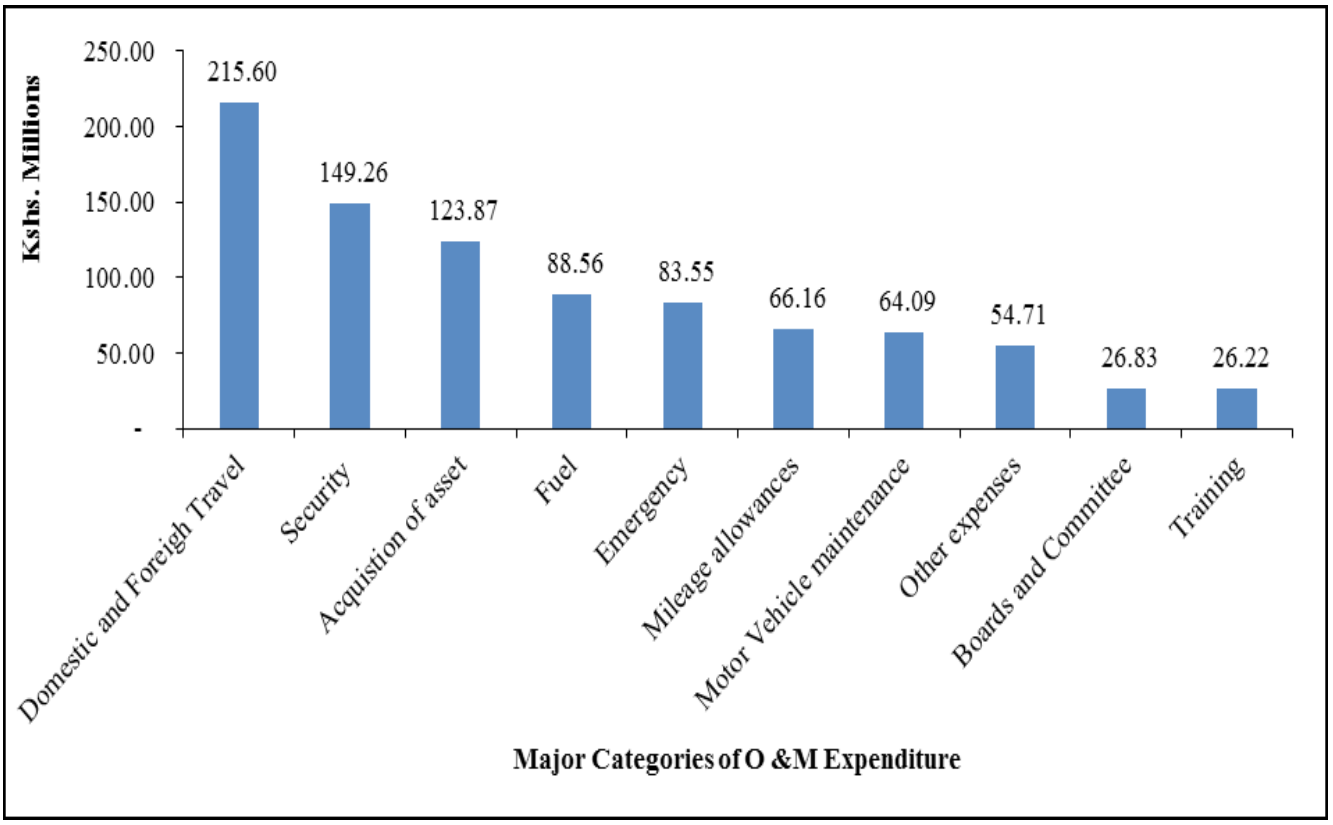
The expenditure on personnel emoluments of Kshs.1.47 billion represented an increase of 30 per

cent compared to a similar period in FY 2014/15 when the County spent Kshs.1.13 billion. This increase is attributed to annual salary increment for existing staff and recruitment of new personnel.

The County spent Kshs.17.33 million on sitting allowances to the 45 MCAs and the Speaker against an annual budget of Kshs.60.22 million. This represents a decrease from Kshs.17.61 million recorded in a similar period of FY 2014/15. The average monthly sitting allowance per MCA was Kshs.41,866 compared to SRC's recommended monthly ceiling of Kshs.124,800.

The aggregate expenditure on domestic and foreign travel was Kshs.215.6 million compared to Kshs.100.47 million incurred in a similar period of FY 2014/15, representing a significant increase of 114.6 per cent. Figure 3.183 shows a breakdown of the operations and maintenance expenditure for the reporting period.

**Figure 3.183: Wajir County, Operations and Maintenance Expenditure for the First Nine Months of FY 2015/16**

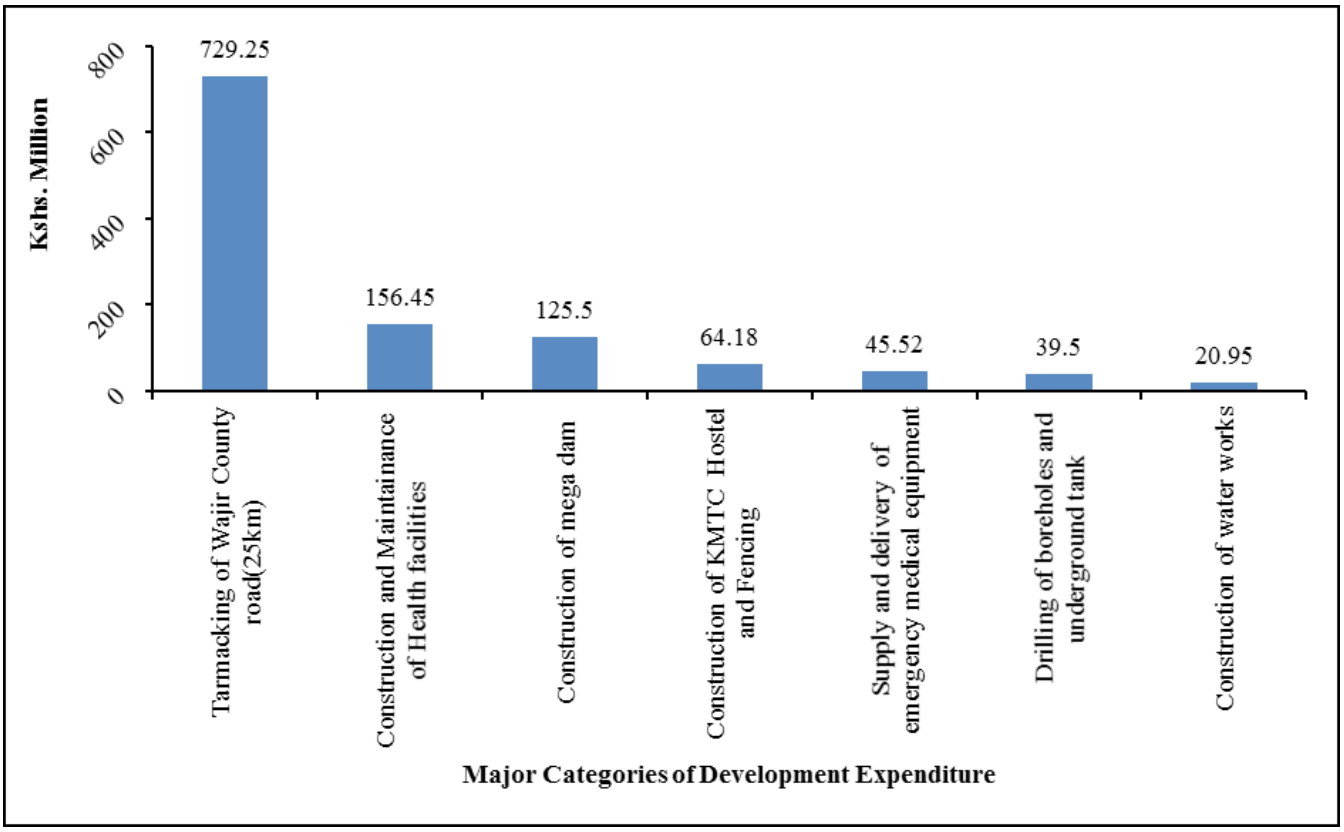



**Source:** *Wajir County Treasury*

### 3.47.7 Development Expenditure Analysis

Figure 3.184 provides a summary of development expenditure during the period under review.

**Figure 3.184: Wajir County, Summary of Development Expenditure for the First Nine Months of FY 2015/16**




**Source:** *Wajir County Treasury*

Analysis of the development expenditure of Kshs.2.38 billion incurred in the reporting period indicates that the highest expenditure of Kshs.729.25 million was spent by the Roads Department on tarmacking of 25 kilometres of Wajir Town roads. The Department of Health Services incurred Kshs.156.45 million on construction of new health centres and equipping of health facilities.

### 3.47.8 Annual Budget and Budget Performance Analysis by department for the First Nine Months of FY 2015/16

Table 3.138 shows a summary of FY 2015/16 annual budget estimates and budget performance for the reporting period by department.

**Table 3.138: Wajir County, Annual Budget and First Nine Months of FY 2015/16 Budget Performance by Department**

| Department | Budget Allocation (Kshs.Million) | | 9months Exchequer Issues (Kshs. Million) | | 9months Expenditure (Kshs.Million) | | % OF Expenditure To Exchequer Issues | | Absorption (%) | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Rec | Dev | Rec | Dev | Rec | Dev | Rec | Dev | Rec | Dev |
| Office of the Governor | 414.2 | 0 | 313.9 | 0 | 325.7 | 0 | 103.8 | - | 78.6 | - |
| Finance and Economic Planning | 354.9 | 21.7 | 196.6 | 12 | 249.8 | 8.9 | 127.1 | 74.2 | 70.4 | 41.0 |
| Sport,& ICT | 102.2 | 85.3 | 63.4 | 10.8 | 25.9 | 8.9 | 40.9 | 82.4 | 25.3 | 10.4 |
| Health Services | 681.3 | 961.6 | 515.9 | 318.9 | 570.7 | 394.3 | 110.6 | 123.6 | 83.8 | 41.0 |
| Public Works, Roads and Transport | 129.8 | 746.04 | 100.03 | 891.47 | 341.31 | 933.01 | 341.2 | 104.7 | 263.0 | 125.1 |
| County Assembly | 560.3 | 0 | 368.2 | 0 | 360.3 | 0 | 97.9 | - | 64.3 | - |
| Lands, Housing & Physical planning | 105.8 | 534.5 | 80.3 | 136 | 27.8 | 102.9 | 34.6 | 75.7 | 26.3 | 19.3 |
| Education,culture and Youth | 223.4 | 325.6 | 150.1 | 94.9 | 135.2 | 110.5 | 90.1 | 116.4 | 60.5 | 33.9 |
| WAJWASCO | 54.5 | 71.5 | 39.4 | 12 | 27.5 | 0 | 69.8 | 0.0 | 50.5 | 0.0 |
| Public Services and Decentralised function | 602.9 | 21 | 392.7 | 0 | 328.5 | 13.9 | 83.7 | - | 54.5 | 66.2 |
| Trade, industralisation and tourism | 57.8 | 246.5 | 30 | 1.5 | 16.1 | 37.8 | 53.7 | 2,520.0 | 27.9 | 15.3 |
| Agriculture | 169.2 | 265.1 | 104.3 | 85.9 | 73.6 | 77.1 | 70.6 | 89.8 | 43.5 | 29.1 |
| Energy and Enviriment | 91.9 | 239.1. | 64.5 | 9.7 | 36.4 | 33.4 | 56.4 | 344.3 | 39.6 | - |
| Water, sanitation & natural resources | 147.6 | 1132.2 | 113.6 | 513 | 75.1 | 657.1 | 66.1 | 128.1 | 50.9 | 58.0 |
| County public services | 32.9 | 0 | 22.6 | 0 | 18.3 | 0 | 81.0 | - | 55.6 | - |
| **Total** | **3,728.7** | **4,411.04** | **2,555.53** | **2,086.17** | **2,612.21** | **2,377.81** | **102.2** | **114.0** | **70.1** | **53.9** |

**Source:** *Wajir County Treasury*

Analysis of budget performance by department shows that the Department of Public Works, Roads and Transport reported the highest absorption rate for development expenditure at 125.1 per cent while the Wajir Water and Sanitation Company (WAJWASCO) did not implement its development budget despite having an allocation of Kshs.71.5 million. On the other hand, the Department of Public Works, Roads and Transport had the highest percentage of its recurrent expenditure to annual recurrent budget at 263 per cent, followed by the Health Department at 83.3 per cent.

### 3.47.9 Observations and Recommendations

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

i. Improved adherence to approved annual procurement plan in budget execution.

ii. Enhanced financial autonomy of the County Assembly.

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

1. Failure by the County Assembly to adopt IFMIS in processing financial transactions.
2. Delay in submission of quarterly financial reports to the COB.
3. Delay in finalization and approval of the second supplementary budget for the FY 2015/16 to include the additional grants contained in the CARA, 2015.
4. Delay in disbursement of funds by the National Treasury.

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

1. *County Assembly should adopt IFMIS in processing financial transaction.*
2. *The County Treasury should adhere to the legal provisions on submission of financial reports should be observed by the County.*
3. *The County should fastruck the process of approval of the second supplementary budget to ensure there is adequate time for its implementation.*
4. *The County Treasury should liaise with the National Treasury to ensure timely disbursement of funds in line with the CARA 2015 disbursement schedule approved by the Senate.*

## 3.48 West Pokot County

### 3.48.1 Overview of the FY 2015/16 Budget

The FY 2015/16 Approved Supplementary Budget for West Pokot County is Kshs.4.83 billion, comprising of Kshs.2.82 billion (58.4 per cent) allocated to recurrent expenditure and Kshs.2.01 billion (41.6 per cent) to development expenditure.

In order to finance the budget, the county expects to receive Kshs.4.31 billion (87.6 per cent) as Equitable share of revenue raised nationally, Kshs.231.73 million (4.7 per cent) as total conditional grants, generate Kshs.177.31 million (3.6 per cent) from local sources and Kshs.203.5 million (4.1 per cent) as projected cash balance from FY 2014/15. The conditional grants comprise of Kshs.11.95

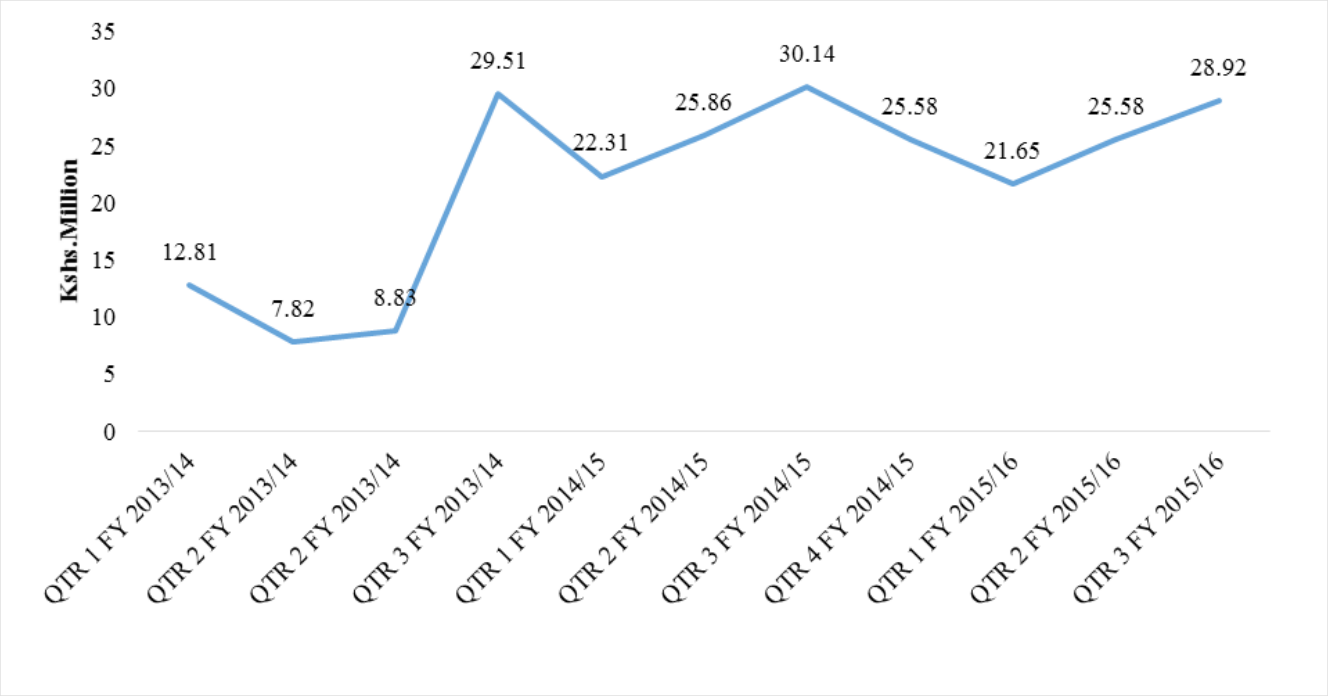
million (0.2 per cent) as compensation for forgone user fee for health, Kshs.41.26 million (0.8 per cent) for Maternal Health Care, Kshs.54.8 million (1.1 per cent) from the Road Maintenance Fuel Levy Fund, Kshs.15.8 million (0.3 per cent) as World Bank grant to support health facilities, Kshs.12.18 million (0.2 per cent) as a conditional grant from DANIDA as shown in Table 3.140. An allocation of Kshs.95.74 million (1.9 per cent) for the leasing of medical equipment by the County was not factored in the budget.

### 3.48.2 Revenue Analysis

In the first nine months of FY 2015/16, the County received Kshs.2.52 billion from the National Government as equitable share, Kshs.27.67 million as conditional allocation from the Road Maintenance Fuel Levy Fund, Kshs.25.57 million for Free Maternal Health Care, Kshs.2.47 million as compensation for User Fees Forgone, Kshs.12.18 million from DANIDA for health facilities, Kshs.15.8 million from the World Bank to support health facilities, raised Kshs.76.15 million from local sources, and had a cash balance of Kshs.203.5 million brought forward from FY 2014/15. The County did not borrow any funds during the reporting period to finance the budget.

Figure 3.185 shows he quarterly trend in local revenue collection from FY 2013/14 to the third quarter of FY 2015/16.

**Figure 3.185: West Pokot County, Trend in Local Revenue Collection by Quarter from FY 2013/14 to the Third Quarter of FY 2015/16**




**Source:** *West Pokot County Treasury*

The local revenue consisted of Kshs.21.65 million generated in the first quarter, Kshs.25.58 million in the second quarter and Kshs.28.92 million in the third quarter of FY 2015/16.The local revenue raised in the first nine months of FY 2015/16 was Kshs.76.15 million (43 per cent of the annual local revenue target), a decline from Kshs.78.32 million collected in a similar period of FY 2014/15.

Table 3.139 shows further analysis of the local revenue collected in the first nine months of FY 2015/16 by stream.

**Table 3.139: West Pokot County analysis of revenue collection by stream for the first nine months of FY 2015/16**

| No. | Revenue stream | Budget Estimates 2015/16 | Actual revenue for 9 months | Revenue Performance (%) |
|---|---|---|---|---|
| 1 | Kiosk Rent | 3,200,000 | 1,339,100 | 41.8 |
| 2 | Single Business Permits | 16,000,000 | 4,836,420 | 30.2 |
| 3 | Market Fees | 6,000,000 | 2,757,575 | 46.0 |
| 4 | Building Approval Fee | 500,000 | 177,000 | 35.4 |
| 5 | Other Cess | 8,000,000 | 4,896,675 | 61.2 |
| 6 | Royalties | 30,000,000 | 21,390,925 | 71.3 |
| 7 | Livestock Cess | 12,000,000 | 5,859,055 | 48.8 |
| 8 | House Rent | 500,000 | 1,185,417 | 237.1 |
| 9 | Advertising Fee | 1,000,000 | 205,560 | 20.6 |
| 10 | Parking Fee | 500,000 | 531,280 | 106.3 |
| 11 | Bus Pack and Motorcycle Operating Fee | 7,000,000 | 4,496,168 | 64.2 |
| 12 | Renewals/Application Fee | 2,200,000 | 1,186,600 | 53.9 |
| 13 | Liquor Licensing Fee | 1,000,000 | 36,000 | 3.6 |
| 14 | Other Fees/ Charges | 11,000,000 | 4,862,185 | 44.2 |
| 15 | Hire of Agricultural Machinery and Sale of Seedlings | 2,500,000 | 351,000 | 14.0 |
| 16 | Health (Cost Sharing & NHIF) | 40,000,000 | 16,816,120 | 42.0 |
| 17 | Lands Rates | 30,908,244 | 552,480 | 1.8 |
| 18 | Livestock Permits | 5,000,000 | 448,685 | 9.0 |
| 19 | Direct Banking | - | 4,226,438 | - |
| | **TOTAL** | **177,308,244** | **76,154,683** | **43.0** |

**Source:** *West Pokot County Treasury*

Analysis of the local revenue by stream indicates that revenue from house rent recorded the highest performance against annual target at 237.1 per cent. This was closely followed by parking fees at 106.3 per cent. Land rates had the lowest performance against the annual target at 1.8 per cent.

In the first nine months of the FY 2015/16, the County deposited all locally generated revenue into the County Revenue Fund account maintained at CBK in line with Article 207 of the Constitution.

### 3.48.3 Conditional Grants

Table 3.140 shows an analysis of conditional grants for the first nine months of FY 2015/16.

**Table 3.140: West Pokot County analysis of conditional grants for the first nine months of FY 2015/16**

| No. | Conditional Grant | Amount allocated as provided in CARA 2015 (Kshs.) | 9 Months Actual receipt of the Conditional Grant (Kshs.) | Actual Revenue as a percentage of Annual Targets (%) |
|---|---|---|---|---|
| 1 | Road Maintenance Fuel Levy Fund | 54,798,238 | 27,673,109 | 50.5 |
| 2 | Free Maternal Health Care | 41,260,800 | 25,565,000 | 62.0 |
| 3 | User Fees Forgone | 11,950,786 | 2,474,680 | 20.7 |
| 4 | DANIDA Grant | 12,180,000 | 12,180,000 | 100.0 |
| 5 | World Bank Grant | 15,799,898 | 15,799,898 | 100.0 |
| | **TOTAL** | **135,989,722** | **83,692,687** | **61.5** |

**Source:** *West Pokot County Treasury*

Analysis of the conditional grants, for the period under review indicates that grants from DANIDA and World Bank recorded the highest performance against annual target at 100 per cent. This was closely followed by Free Maternal Health Care at 62 per cent. Users Fee Forgone had the lowest performance against annual target at 20.7 per cent.

### 3.48.4 Exchequer Issues

During the period under review, the COB authorised withdrawal of Kshs.2.85 billion from the CRF account, which was 59.1 per cent of the approved supplementary budget. The amount represented a marginal decline of 2.7 per cent from Kshs.2.93 billion authorized in a similar period of FY 2014/15 and consisted of Kshs. 1.96 billion (68.7 per cent) for recurrent expenditure and Kshs.892.24 million (31.3 per cent) for development activities.

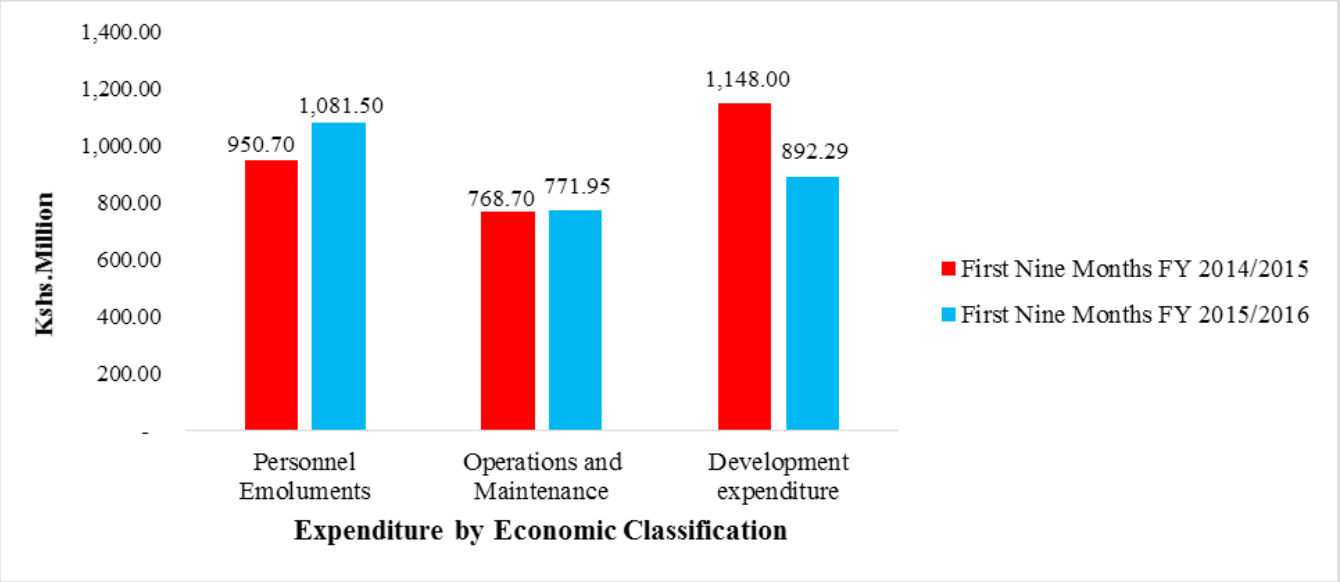
### 3.48.5 Overall Expenditure Review

The County spent a total of Kshs.2.75 billion during the first nine months of FY 2015/16 which was 96.3 per cent of the total funds released for operations. This was a decline from the Kshs.2.87 billion spent in a similar period of FY 2014/15. A total of Kshs.1.85 billion was spent on recurrent activities and Kshs.892.29 million on development activities. Recurrent expenditure was 94.6 per cent of the funds released for recurrent activities while development expenditure accounted for 100 per cent of the funds released for development activities. The expenditure excludes

commitments as at 31st March, 2016 that amounted to Kshs.286.31 million for development and Kshs.126.87 million for recurrent expenditure.

Recurrent expenditure for the period under review represented 65.7 per cent of the approved annual recurrent budget, a decrease from 71.8 per cent spent in a similar period of FY 2014/15. On the other hand, development expenditure recorded an absorption rate of 44.4 per cent, a decrease from 62.2 per cent spent in a similar period of FY 2014/15. Figure 3.186 shows a comparison of the total expenditure in the first nine months of FY 2014/15 and FY 2015/16.

**Figure 3.186: West Pokot County, Expenditure by Economic Classification for the First Nine Months of FY 2014/15 and FY 2015/16**




**Source:** *West Pokot County Treasury*

### 3.48.6 Recurrent Expenditure Analysis

The total recurrent expenditure for the reporting period was Kshs.1.85 billion against an annual recurrent budget of Kshs.2.82 billion. This represents 65.7 per cent of the annual recurrent budget. The County spent Kshs.1.08 billion (58.4 per cent) on personnel emoluments and Kshs.771.95 million (41.6 per cent) on operations and maintenance as shown in Figure 3.186.

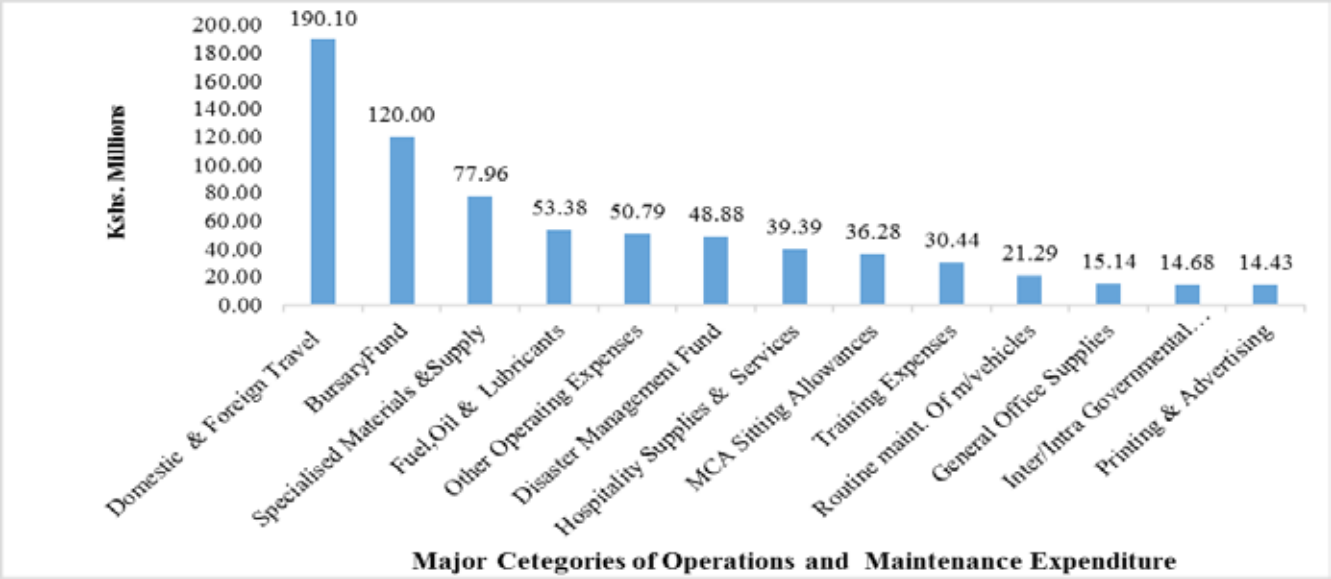
The expenditure on personnel emoluments of Kshs.1.08 billion represented an increase of 13.6 per cent compared to a similar period in FY 2014/15 when the County spent Kshs.950.66 million.

The County spent Kshs.36.28 million on sitting allowances to the 32 MCAs and the Speaker against an annual budget of Kshs.52.29 million. This represents an increase from Kshs.33.15 million recorded in a similar period of FY 2014/15. The average monthly sitting allowance per MCA was Kshs.122,165 compared to SRC's recommended monthly ceiling of Kshs.124,800.

The aggregate expenditure on domestic and foreign travel was Kshs.190.1 million compared to Kshs. 132.11 million incurred in a similar period of FY 2014/15, representing a significant increase of 43.9 per cent. Figure 3.187 shows a breakdown of the operations and maintenance

expenditure for the reporting period.

**Figure 3.187: West Pokot County, Operations and Maintenance Expenditure for the First Nine Months of FY 2015/16**

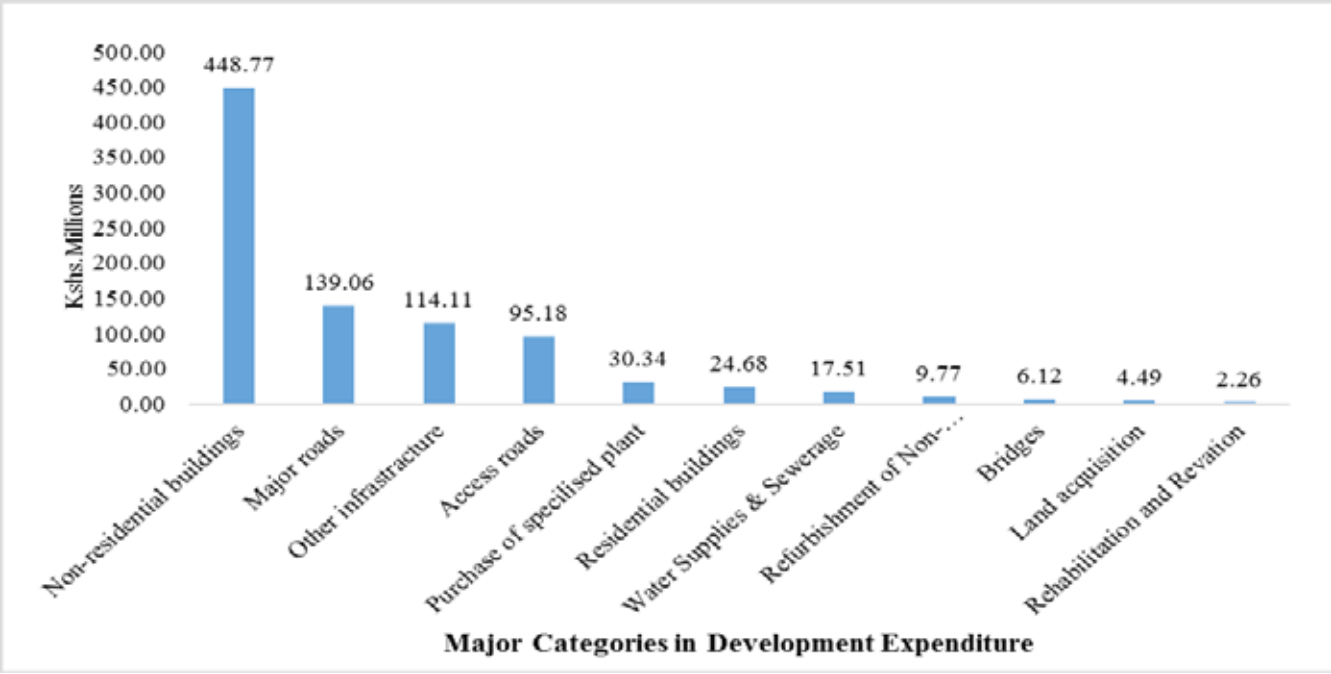



**Source:** *West Pokot County Treasury*

### 3.48.7 Development Expenditure Analysis

Figure 3.188 provides a summary of development expenditure during the period under review.

**Figure 3.188: West Pokot County, Summary of Development Expenditure for the First Nine Months of FY 2015/16**




**Source:** *West Pokot County Treasury*

### 3.48.8 Annual Budget and Budget Performance Analysis by Department for the First Nine Months of FY 2015/16

Table 3.141 shows a summary of FY 2015/16 annual budget estimates and budget performance for the reporting period by department..

**Table 3.141: West Pokot County, Annual Budget and First Nine Months of FY 2015/16 Budget Performance by Department**

| Department | Annual Budget Allocation (Kshs million) | | 9 Months Exchequer Issues (Kshs million) | | 9 Months Expenditure (Kshs million) | | Expenditure to Exchequer issues (%) | | Absorption rate (%) | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Rec | Dev | Rec | Dev | Rec | Dev | Rec | Dev | Rec | Dev |
| Office of the Governor | 439.80 | 103.93 | 271.41 | 43.00 | 321.68 | 54.82 | 118.5 | 127.5 | 73.1 | 52.8 |
| Finance and Economic Planning | 116.09 | 72.33 | 86.14 | 34.15 | 56.52 | 11.53 | 65.6 | 33.8 | 48.7 | 15.9 |
| Roads, Public Works and Transport | 82.87 | 390.96 | 69.62 | 206.15 | 40.59 | 239.65 | 58.3 | 116.3 | 49.0 | 61.3 |
| Health and Sanitation | 901.02 | 265.24 | 615.48 | 107.00 | 603.17 | 78.78 | 98.0 | 73.6 | 66.9 | 29.7 |
| Education, Communication and ICT | 285.36 | 345.29 | 227.09 | 116.17 | 213.61 | 111.22 | 94.1 | 95.7 | 74.9 | 32.2 |
| Agriculture and Irrigation | 94.71 | 210.24 | 67.58 | 83.00 | 62.17 | 145.12 | 92.0 | 174.8 | 65.6 | 69.0 |
| Livestock, Fisheries and Veterinary Services | 105.00 | 111.78 | 68.24 | 67.00 | 62.55 | 48.52 | 91.7 | 72.4 | 59.6 | 43.4 |
| Trade, Industry and Cooperatives | 38.81 | 71.86 | 29.38 | 26.00 | 23.09 | 31.68 | 78.6 | 121.8 | 59.5 | 44.1 |
| Land, Physical Planning and Urban Development | 64.63 | 27.57 | 54.89 | 27.57 | 47.89 | 19.21 | 87.2 | 69.7 | 74.1 | 69.7 |
| Water development, Environment & Natural Resources | 59.91 | 196.52 | 42.15 | 93.00 | 36.40 | 65.97 | 86.4 | 70.9 | 60.8 | 33.6 |
| Tourism, Culture, Sports, Youth and Gender Development | 42.60 | 101.92 | 30.45 | 22.20 | 23.17 | 39.34 | 76.1 | 177.2 | 54.4 | 38.6 |
| County Public Service Management | 152.55 | 22.00 | 117.78 | 22.00 | 73.33 | - | 62.3 | - | 48.1 | - |
| County Assembly | 439.67 | 87.81 | 280.05 | 45.00 | 289.27 | 46.45 | 103.3 | 103.2 | 65.8 | 52.9 |
| **TOTAL** | **2,823.0** | **2,007.5** | **1,960.3** | **892.2** | **1,853.45** | **892.29** | **94.6** | **100.0** | **65.7** | **44.4** |

**Source:** *West Pokot County Treasury*

Analysis of budget performance by department shows that the Department of Land, Physical Planning and Urban Development reported the highest absorption rate for development expenditure at 69.7 per cent while the County Public Service Management did not incur any development expenditure. On the other hand, the Education, Communication and ICT Department had the highest percentage of its recurrent expenditure to annual recurrent budget at 74.9 per cent while the County Public Service Management had the lowest at 48.1 per cent.

### 3.48.9 Observations and Recommendations

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

i. Establishment of the County Budget and Economic Forum in line with Section 137 (1) of the PFM Act, 2012.

ii. Enhanced capacity of technical staff through training.

iii. The County has fully embraced the use of IFMIS in processing financial transactions.

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

1. Low revenue collection, which stood at 43 per cent of the annual local revenue target.
2. The County is yet to establish an Internal Audit Committee in line with section 155 (5) of the PFM Act, 2012.

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

1. *The County Treasury should come up with strategies to improve local revenue performance.*
2. *The County should establish an Internal Audit Committee in line with Section 155 (5) of the PFM Act, 2012.*

# 4.0 KEY CHALLENGES AND RECOMMENDATIONS

## 4.1 Introduction

During the first nine months of FY 2015/16, budget implementation by the counties encountered a number of challenges. This section highlights some of the pertinent challenges and provides recommendations aimed at improving budget implementation by the County Governments in the future.

## 4.2 Delay in Submission of Quarterly Reports on Established County Funds

The Office has noted continued delay and failure by some counties to submit quarterly financial statements of the established County Funds as required by law. Section 168 of the PFM Act, 2012 obligates the administrator of a County Public Fund to prepare quarterly financial statement, not later than fifteen days after the end of each quarter, and submit the reports to the County Treasury and a copy to the Controller of Budget. Further, in some counties, the CECM-F has not designated fund administrators for established funds leading to difficulties in the administration, accounting and reporting of these funds.

It's recommended that counties should ensure timely submission of reports on the established County Funds in line with Section 168 of the PFM Act, 2012.

## 4.3 Underperformance of Local Revenue Collection

County Governments have been granted powers by Article 209(3) of the Constitution to impose taxes and levies. In the FY 2015/16, County Governments targeted to collect local revenue of Kshs.55.16 billion.

In the first nine months of FY 2015/16, actual local revenue amounted to Kshs.25.89 billion, representing 46.9 per cent of the annual target, against an expected outtun of Kshs.41.37 billion, or 75 per cent of the annual target. The low performance on local revenue collection if not addressed might lead to non-implementation of planned activities for FY 2015/16 or may result in accumulation of large pending bills at the end of the financial year.

The Office therefore, recommends that counties should devise strategies to enhance revenue collections such as automation and enforcement mechanisms.

## 4.4 Unbudgeted Revenue in County Budgets

During the period under review, some counties had not budgeted for all the conditional grants contained in the CARA 2015. This includes the World Bank loan and grants, compensation for User Fees Foregone, allocations for Free Maternal Health Care and conditional allocation for Road Maintenance Fuel Levy Fund, and the DANIDA grant. This has been attributed to delay in enactment

of the CARA, 2015 and failure by counties to make supplementary budgets in timely manner.

It is recommended that counties should develop supplementary budgets to capture all revenue streams contained in the CARA, 2015 prior to the end of FY 2015/16.

### 4.5 Inadequate Internal Audit Function and Audit Committees

Section 155 of the PFM Act, 2012 requires each county government to establish an internal audit arrangement including the establishment of an internal audit committee. This is to enhance transparency and accountability in the management of public resources. The Office has noted that in some counties, the established audit functions are inadequately staffed and ineffective in performing the internal audit function as spelt out in law. The COB is concerned that this issue is yet to be addressed fully, despite being raised in previous reports.

It is recommended that Counties should establish effective Internal Audit departments. In addition, the National Treasury should assist counties to build on the capacities of the established Internal Audit departments and Audit Committees.

### 4.6 Establishment and Operationalization of County Budget and Economic Forum

Section 137(2) of the PFM Act, 2012 requires that each county government establishes a County Budget and Economic Forum. The purpose for the Forum is to provide means for consultation by the County Government on preparation of County plans, County Fiscal Strategy Papers, the County Budget Review and Outlook Papers, matters relating to budgeting, the economy and financial management at the county level. COB has noted that some counties are yet to establish these forums while in some of the counties where the Forums has been established, they are yet to be fully operationalized. The Counties include; Elgeyo Marakwet, Kilifi, Mandera, Marsabit, Murang'a, Siaya, Tana River, Tharaka Nithi, Nyamira, Kirinyaga, Nyeri and Uasin Gishu.

The Office recommends that Counties should comply with Section 137(2) of the PFM Act, 2012 and establish effective CBEFs. Further, counties should build the capacity of their CBEFs.

### 4.7 Lack of updated Project Database

During monitoring of development activities in the reporting period, the Office noted that most Counties lack a consolidated project database. A project database is necessary in ensuring that there is effective reporting on the status of development project implementation.

The Office recommends that County government should establish project database and appropriate project monitoring frameworks to guide in monitoring of the development project implementation.

### 4.8 Delay in disbursement of Equitable Share of revenue by the National Treasury

The National Treasury was expected to have disbursed Kshs.196.13 billion to the County

Governments by 31st March, 2016 as per the disbursement schedule approved by the Senate, which is part of CARA, 2015. However, the National Treasury disbursed only Kshs.158.88 billion by the end March, 2016. The release of funds was also unpredictable hence making County planning difficult. This affected planned activities and some county governments had to reschedule a number of activities due to shortage of funds.

The National Treasury should disburse funds to Counties in a timely manner in line with the approved disbursement schedule.

# 5.0 CONCLUSION

The County Budget Implementation Review Report is prepared and publicized in fulfilment of Article 228 (6) of the Constitution, which requires the COB to submit to each House of Parliament a report on the implementation of the budgets of the national and county governments, every four months. The report provides an overview of the budget implementation status during the first nine months of FY 2015/16. It presents an analysis of the revenue outtun and expenditure against annual targets and also identifies the key challenges faced by the county governments during the period under review.

In the reporting period, local revenue collection in the counties amounted to Kshs.25.89 billion against set annual target of Kshs.55.16 billion. This performance represented 46.9 per cent of the target which is a slight improvement from 44.0 per cent reported in a similar period of FY 2014/15. Though the improvement is noted, it still remains below the expected target of 75 per cent for the first nine months of FY 2015/16. The equitable share of revenue raised nationally transferred to the County Governments was Kshs.158.88 billion against the annual allocation of Kshs.259.77 billion compared to Kshs.138.06 billion transferred in a similar period of FY 2014/15. The National Government transferred Kshs.2.20 billion as a conditional grant to Level 5 Hospitals while DANIDA transferred Kshs.518.66 million as conditional grant to supplement funding of county health facilities. The cash balance from FY 2014/15 was Kshs.40.08 billion. Overall, the county governments had a total of Kshs.227.57 billion available for spending in the first nine months of FY 2015/16.

The combined county governments expenditure amounted to Kshs.183.76 billion (50.3 per cent of the approved county government budgets) compared to Kshs.170.04 billion reported in a similar period of FY 2014/15. Recurrent expenditure was Kshs.128.44 billion, representing 63.5 per cent of the annual recurrent budget, and a decline from 64.5 per cent reported in a similar period of FY 2014/15. Development expenditure was Kshs.55.32 billion, representing an absorption rate of 33.9 per cent, and a decline from 37.8 per cent attained in the first nine months of FY 2014/15 where total development expenditure was Kshs.53.04 billion. The overall absorption rate was 50.3 per cent.

The key challenges that affected effective budget implementation during the reporting period included; delays in submission of quarterly reports on established county funds, underperformance of local revenue collection, inadequate internal audit arrangements, delay in formation and operationalization of the County Budget and Economic Forums. The report provides appropriate recommendations to address the identified challenges. We recommend that the County Executive and the County Assembly should implement these recommendations in order to ensure effective budget execution and achieve budget objectives in the future.

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