REPUBLIC OF KENYA

OFFICE OF THE CONTROLLER OF BUDGET

COUNTY GOVERNMENTS BUDGET IMPLEMENTATION REVIEW REPORT

FIRST HALF
FY 2015/16

MARCH, 2016

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PREFACE

It is with great pleasure that the Office of the Controller of Budget (OCOB) presents the County Governments Budget Implementation Review Report (CBIRR) for the first half of FY 2015/16. The report covers the July to December, 2015 period and is part of a series of quarterly reports prepared by the OCOB. The report is prepared in line with Article 228 (6) of the Constitution of Kenya, 2010 which requires the Controller to submit to each House of Parliament a report on the implementation of the budgets of both the national and county governments.

This is the second report for the FY 2015/16, and it presents the status of budget implementation by the County Governments, and analyzes both revenue and expenditure performance. The analysis is largely based on financial reports submitted by County Treasuries and data generated from the Integrated Financial Management Information System (IFMIS). The Office also relied on insights and information gathered during regular monitoring and evaluation activities in the Counties in preparing this report.

The OCOB commends the County Treasuries and the Budget Implementation Directorate team who were very instrumental in the preparation and finalization of this report. The County Treasuries worked assiduously to ensure timely submission of expenditure returns while the staff in the Budget Implementation Directorate analyzed the returns and drafted this report.

The OCOB will continue to publish quarterly budget implementation review reports in order to provide information to stakeholders and the citizens on public financial management and budget implementation. The public is encouraged to read this report, interrogate the County Budgets and actively participate in forums on public financial management in their respective counties. It is through participation that citizens can contribute in identifying key county priorities for planning and budgeting and also ensures that county governments deliver on their promises to the public.

Mrs. Agnes Odhiambo
Controller of Budget

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LIST OF ABBREVIATIONS/ACRONYMS

ADP	Annual Development Plan
BQ	Bills of Quantities
BROP	Budget Review and Outlook Paper
CA	County Assembly
CE	County Executive
CARPS	Capacity Assessment and Rationalization of the Public Service
CBEF	County Budget and Economic Forum
CBK	Central Bank of Kenya
CBROP	County Budget Review and Outlook Paper
CEC	County Executive Committee
CECM-F	County Executive Committee Member for Finance
CFSP	County Fiscal Strategy Paper
CILOR	Contribution In Lieu of Rates
COB	Controller of Budget
CRA	Commission on Revenue Allocation
CRF	County Revenue Fund
DANIDA	Danish International Development Agency
E-G	Electronic Governance
FY	Financial Year
GoK	Government of Kenya
G-PAY	Government Payment System
HSSF	Health Sector Services Fund
ICT	Information Communication Technology
IFMIS	Integrated Financial Management System
KRB	Kenya Roads Board
MCA	Member of County Assembly
MTEF	Medium Term Expenditure Framework
M&E	Monitoring and Evaluation
O&M	Operations and Maintenance
OCOB	Office of the Controller of Budget
PE	Personnel Emoluments
PFM Act	Public Finance Management Act, 2012
SMEs	Small and Medium Enterprises

EXECUTIVE SUMMARY

This report has been prepared in fulfillment of Article 228(6) of the Constitution of Kenya, 2010. It covers the July to December 2015 period, and presents budget implementation status for the 47 County Governments. County revenue is analyzed by stream and compared to target while expenditure performance is analyzed by the economic classification of personnel emoluments, operations and maintenance, and development expenditure. Expenditure is also compared to target and is further disaggregated by department. The report also highlights the key challenges that faced Counties in budget implementation and includes appropriate recommendations.

The FY 2015/16 aggregate approved Budget estimates for the County governments amounted to **Kshs.362.76 billion** and comprised of Kshs.200.57 billion (55.3 per cent) allocation for recurrent expenditure and Kshs.162.19 billion (44.7 per cent) for development expenditure. Allocation to development activities conforms to the public finance requirement that at least 30 per cent of budget be allocated for development programs.

In order to finance the FY 2015/16 budget, counties expect to receive **Kshs.259.77 billion** from the National Government as equitable share of revenue raised nationally, Kshs.3.60 billion as conditional allocation for Level 5 Hospitals, collect Kshs.56.65 billion from local sources, and utilize the cash balances carried forward from FY 2013/14 of Kshs.31.53 billion. Counties also expect to receive Kshs.844.71 million from the Government of Denmark through the Danish International Development Agency (DANIDA) as conditional allocation to the Health Sector, Kshs.4.30 billion as conditional allocation for free maternal healthcare, 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 forgone user fees, and Kshs.9.32 billion as conditional allocation for other loans and grants.

During the first half of FY 2015/16, County Governments received **Kshs.99.19 billion** as equitable share of revenue from the National Government, Kshs.1.36 billion as conditional allocation for Level 5 Hospitals, Kshs.1.63 billion as conditional allocation for free maternal health care, Kshs.219.17 million as conditional allocation for compensation for forgone user fees, Kshs.1.67 billion from the Road Maintenance Fuel Levy Fund, Kshs.99.92 million from DANIDA as conditional allocation to supplement financing for county health facilities, and raised Kshs.13.92 billion from local sources. The local revenue was 24.6 per cent of the annual target of Kshs.56.65 billion and is an increase from Kshs.13.08 billion generated in a similar period of FY 2014/15.

Analysis of local revenue collection indicates that Nairobi City, Kiambu, Narok, and Nakuru Counties posted the highest absolute collections of Kshs.4.97 billion, Kshs.1.05 billion, Kshs.1.04 billion and Kshs.830.96 million respectively. Conversely, Wajir, Mandera, Nyamira, Lamu and Tana River Counties recorded the lowest local revenue of Kshs.41.93 million, Kshs.38.19 million, Kshs.26.33 million, Kshs.20.62 million and Kshs.10.93 million respectively.

During the reporting period, the Controller of Budget authorized withdrawal of Kshs.127.10 billion from the County Revenue Fund (CRF) accounts representing 35.0 per cent of the total approved Budgets for FY 2015/16. These withdrawals consisted of Kshs.89.44 billion (70.4 per cent) for recurrent activities and Kshs.37.66 billion (29.6 per cent) for development activities.

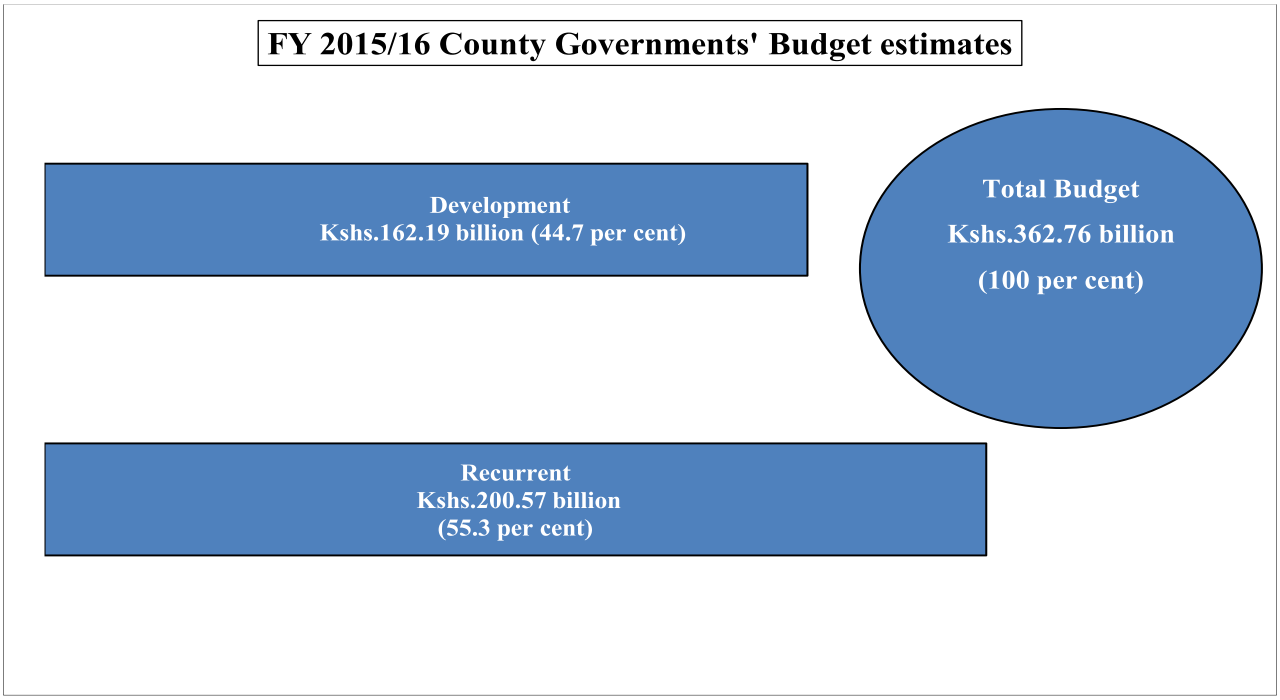
The Counties spent a total of **Kshs.113.43 billion** which was 89.2 per cent of the funds released for operations. This expenditure consisted of Kshs.81.08 billion for recurrent activities (71.5 per cent of the total expenditure) and Kshs.32.35 billion (28.5 per cent of the total expenditure) for development projects. The aggregate expenditure represented an absorption rate of **31.3 per cent** of the annual Budget. Absorption rate is calculated as a percentage of actual expenditure to the annual Budget. Counties that recorded the highest aggregate absorption rates were Bomet, Homa Bay, Murang'a and Kericho at 47.4 per cent, 45.5 per cent, 42.3 per cent, and 40.7 per cent respectively. Those with the lowest rates were Makueni, Meru, Tana River, and Mandera Counties at 22.1 per cent, 20.9 per cent, 18.9 per cent, and 18.4 per cent respectively.

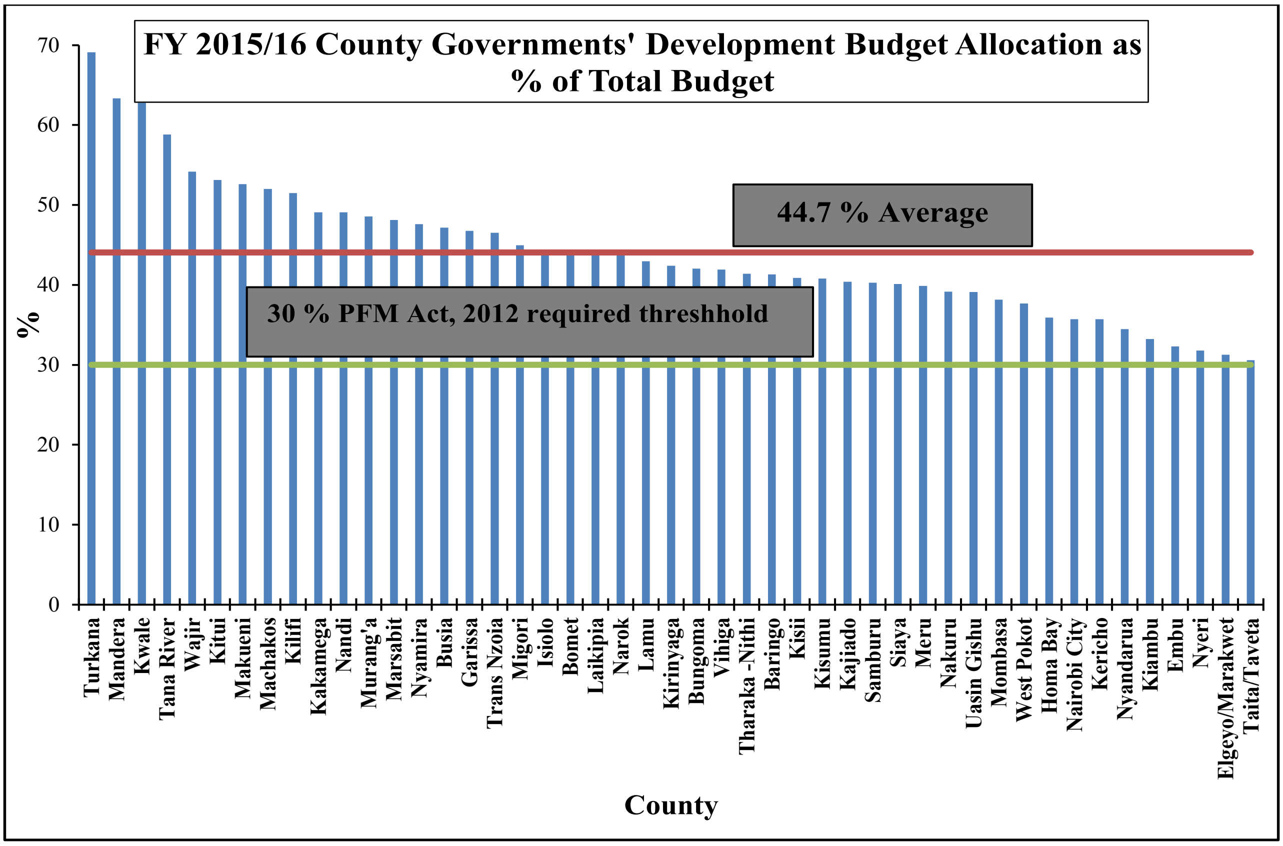
The combined development expenditure was **Kshs.32.35 billion** translating to an absorption rate of **19.9 per cent** of the annual development budget, a decrease from **21.9 per cent** recorded in the first half of FY 2014/15 when expenditure was **Kshs.30.55 billion**. Analysis of the development budget indicates that Bomet, Kericho and Murang'a County had the highest absorption rates of their respective development budgets at 51.2 per cent, 39.8 per cent and 38.3 per cent respectively. Those with the lowest absorption rate were Nyeri, Meru and Taita Taveta at 5.5 per cent, 1.4 per cent and 0.1 per cent respectively.

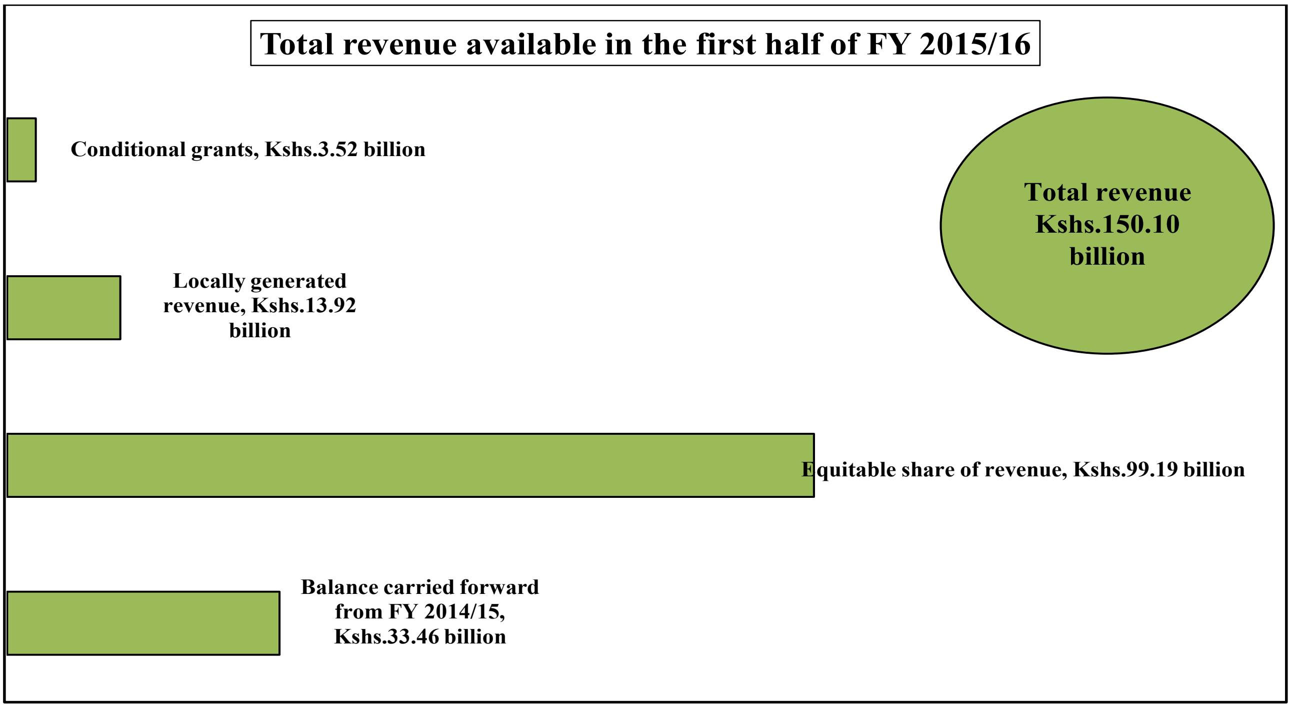
On recurrent expenditure, the counties spent a total of Kshs.81.08 billion, representing 40.4 per cent of the annual recurrent budget, which is similar to that recorded in first half of FY 2014/15 when aggregate expenditure was Kshs.73.15 billion. The Counties spent a total of Kshs.3.84 billion on debt repayment and pending bills, which is an increase from Kshs.1.72 billion incurred in a similar period of FY 2014/15 and represented 3.4 per cent of the aggregate expenditure.

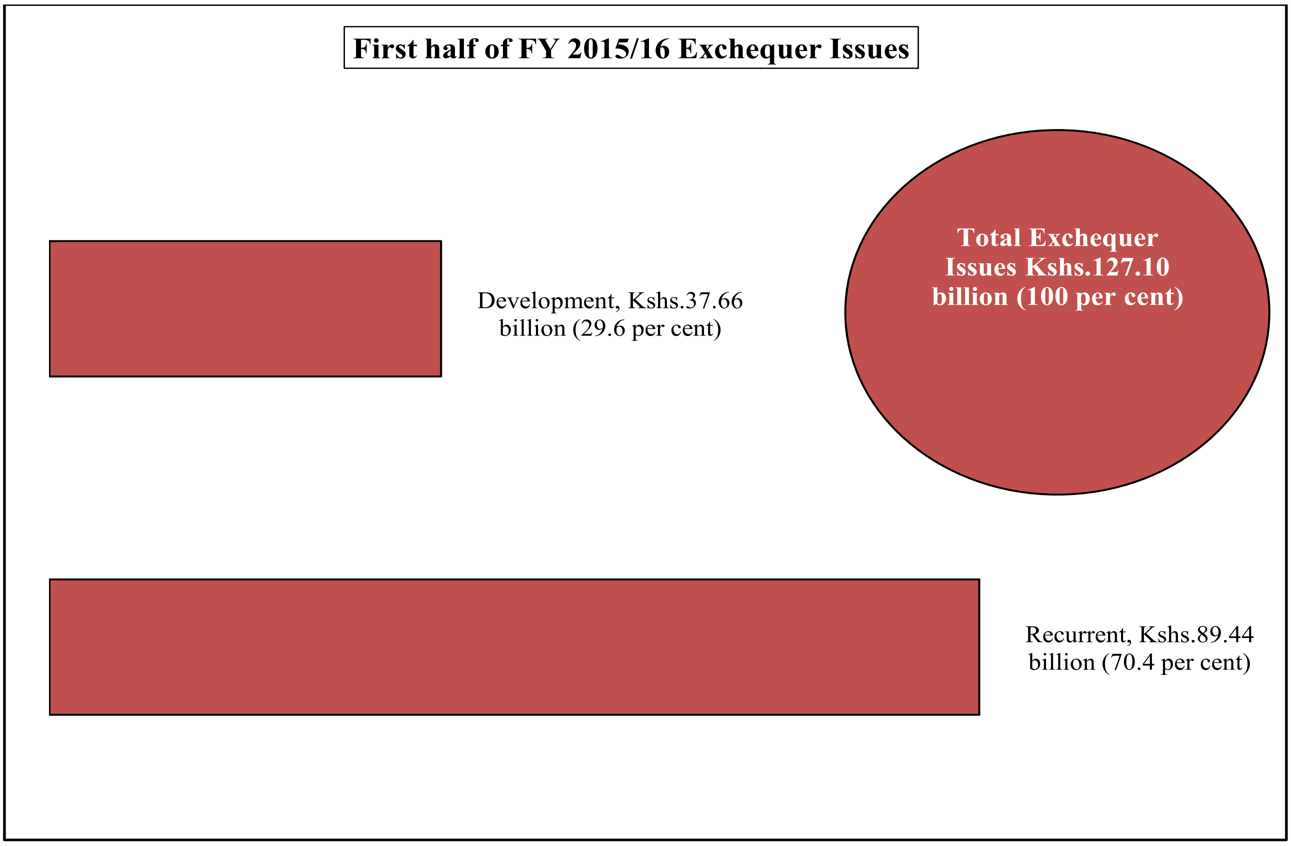
County governments faced various challenges in budget execution during the first half of FY 2015/16. The challenges included: (i) borrowing from commercial banks without guarantee of the National Government or approval by the County Assembly, (ii) inadequate administration and reporting on County established Funds, (iii) underperformance in local revenue collection, (iv) use of locally generated revenue at source, and (iv) inadequate internal audit arrangements.

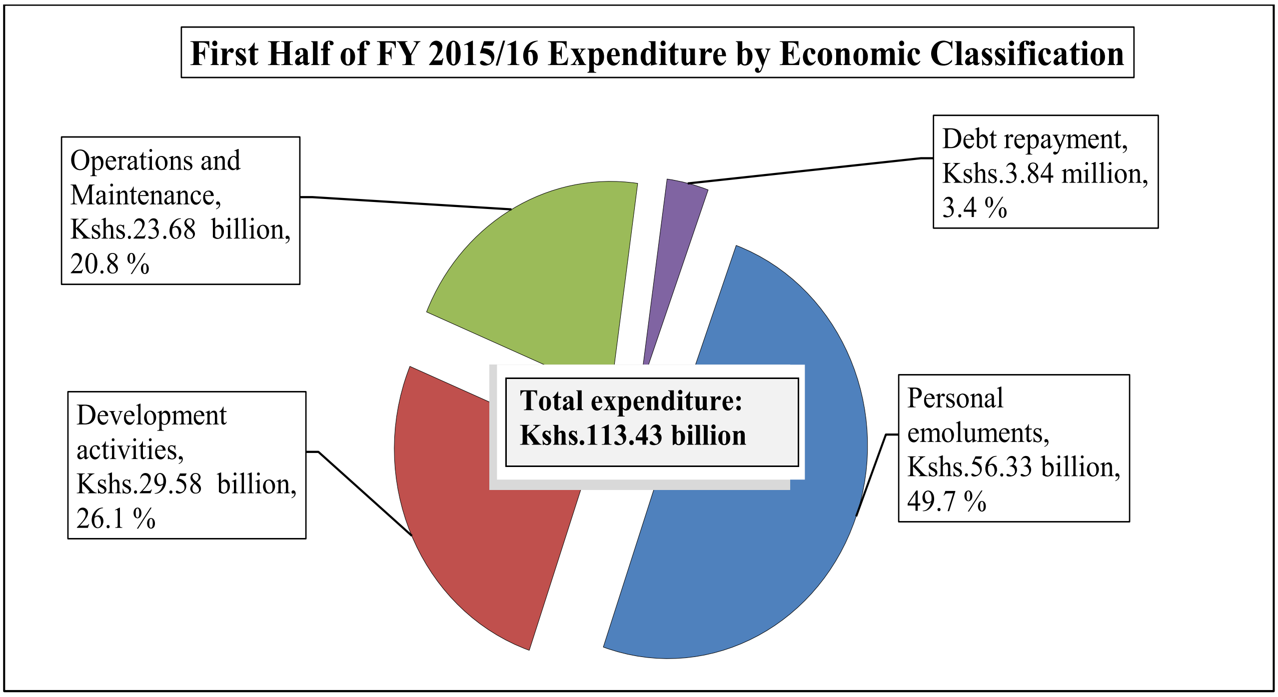
The OCOB recommends the following to address the identified challenges: (i) County Treasuries should ensure all borrowing in line with Article 212 of the Constitution and Section 58 of the PFM Act, 2012, (ii) Fund administrators to ensure the established County Funds are appropriately managed and quarterly reports are prepared in line with Section 168 of the PFM Act, 2012, (iii) County Treasuries should devise strategies to enhance the local revenue collection, (iv) All locally generated revenue should be deposited into the County Revenue Fund accounts maintained at the Central Bank of Kenya in line with Article 207 of the Constitution, and (v) County Treasuries should ensure compliance with Section 155 of the PFM Act, 2012 on establishment of internal audit units.

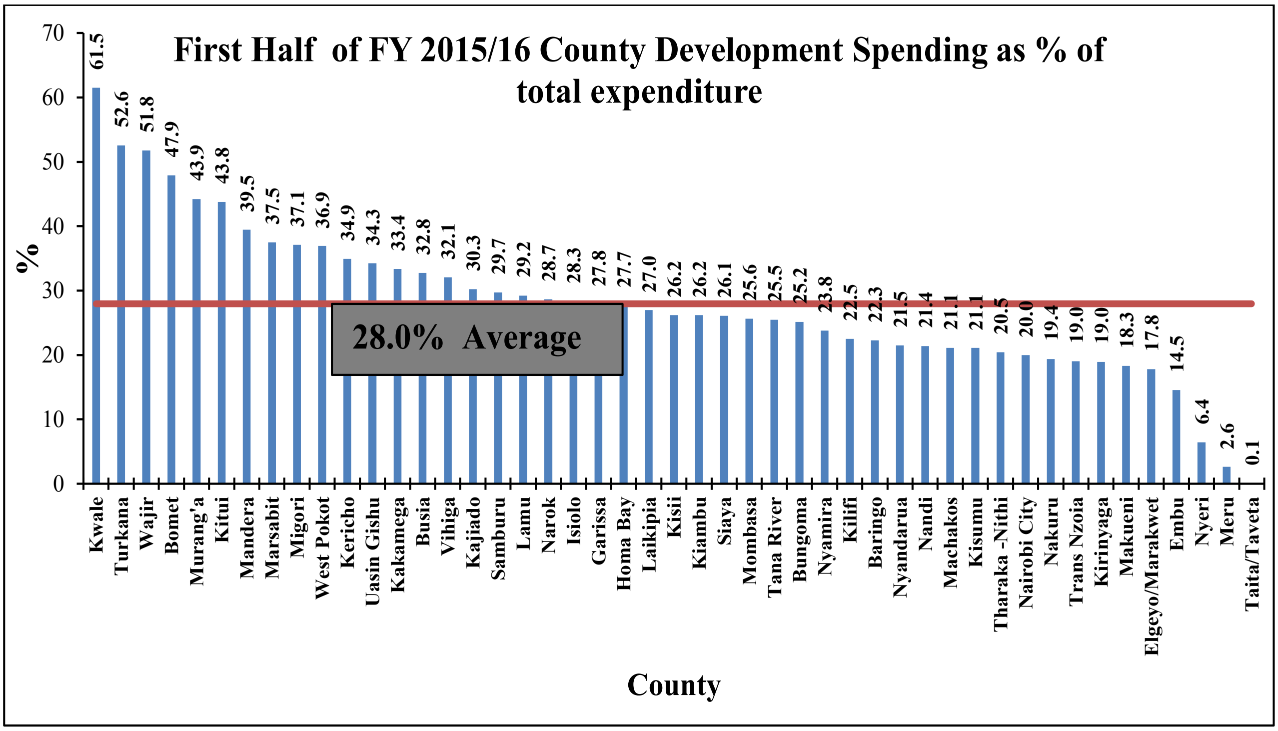

FY 2015/16 County Governments' Budget estimates
Development
Kshs.162.19 billion (44.7 per cent)
Total Budget
Kshs.362.76 billion
(100 per cent)
Recurrent
Kshs.200.57 billion
(55.3 per cent)


FY 2015/16 County Governments' Development Budget Allocation as % of Total Budget
44.7 % Average
30 % PFM Act, 2012 required threshhold
%
70
60
50
40
30
20
10
0
Turkana
Mandera
Kwale
Tana River
Wajir
Kitui
Makueni
Machakos
Kilifi
Kakamega
Nandi
Murang'a
Marsabit
Nyamira
Busia
Garissa
Trans Nzoia
Migori
Isiolo
Bomet
Laikipia
Narok
Lamu
Kirinyaga
Bungoma
Vihiga
Tharaka -Nithi
Baringo
Kisii
Kisumu
Kajiado
Samburu
Siaya
Meru
Nakuru
Uasin Gishu
Mombasa
West Pokot
Homa Bay
Nairobi City
Kericho
Nyandarua
Kiambu
Embu
Nyeri
Elgeyo/Marakwet
Taita/Taveta
County


Total revenue available in the first half of FY 2015/16
Conditional grants, Kshs.3.52 billion
Locally generated revenue, Kshs.13.92 billion
Equitable share of revenue, Kshs.99.19 billion
Balance carried forward from FY 2014/15, Kshs.33.46 billion
Total revenue Kshs.150.10 billion


First half of FY 2015/16 Exchequer Issues
Development, Kshs.37.66 billion (29.6 per cent)
Total Exchequer Issues Kshs.127.10 billion (100 per cent)
Recurrent, Kshs.89.44 billion (70.4 per cent)


First Half of FY 2015/16 Expenditure by Economic Classification
Operations and Maintenance, Kshs.23.68 billion, 20.8 %
Debt repayment, Kshs.3.84 million, 3.4 %
Development activities, Kshs.29.58 billion, 26.1 %
Total expenditure: Kshs.113.43 billion
Personal emoluments, Kshs.56.33 billion, 49.7 %


First Half of FY 2015/16 County Development Spending as % of total expenditure
%
County
28.0% Average
Kwale 61.5
Turkana 52.6
Wajir 51.8
Bomet 47.9
Murang'a 43.9
Kitui 43.8
Mandera 39.5
Marsabit 37.5
Migori 37.1
West Pokot 36.9
Kericho 34.9
Uasin Gishu 34.3
Kakamega 33.4
Busia 32.8
Vihiga 32.1
Kajiado 30.3
Samburu 29.7
Lamu 29.2
Narok 28.7
Isiolo 28.3
Garissa 27.8
Homa Bay 27.7
Laikipia 27.0
Kisii 26.2
Kiambu 26.2
Siaya 26.1
Mombasa 25.6
Tana River 25.5
Bungoma 25.2
Nyamira 23.8
Kilifi 22.5
Baringo 22.3
Nyandarua 21.5
Nandi 21.4
Machakos 21.1
Kisumu 21.1
Tharaka -Nithi 20.5
Nairobi City 20.0
Nakuru 19.4
Trans Nzoia 19.0
Kirinyaga 19.0
Makueni 18.3
Elgeyo/Marakwet 17.8
Embu 14.5
Nyeri 6.4
Meru 2.6
Taita/Taveta 0.1

1.0 INTRODUCTION

The Office of the Controller of Budget (OCOB) is an oversight institution established under Article 228 of the Constitution to oversee and report on implementation of the budgets of the National and County Governments. As part of its oversight mandate, the Controller of Budget (COB) is required to submit to each House of Parliament a report on budget implementation every four months. This is the eleventh County Budget Implementation Review Report by the OCOB prepared in fulfilment of Article 228 (6) of the Constitution.

The report provides a review of in-year budget execution by the County Governments for the first six months of Financial Year (FY) 2015/16. It presents information on the budget implementation status, which is useful to the Senate, County Assemblies and the public. The executive arm of county governments will also find this CBIRR useful in evaluating their achievements against targets made in the annual budgets as well as benchmarking performance with other counties. In addition, learning institutions and researchers on public finance will find information contained in this report very useful.

The rest of the report is organized as follows: Chapter two provides financial analysis of aggregated County Government budget implementation status for FY 2015/16. It reviews aggregate revenue and expenditure performance. Revenue performance is analysed by stream, namely; equitable shareable revenue, conditional grants from the National Government, conditional grants from development partners, and County Governments' own local revenue collection against their annual targets. On the other hand, expenditure is disaggregated by development and recurrent expenditure. Economic classification of Personnel Emoluments (PE), and Operations and Maintenance (O&M) is further used to analyse recurrent expenditure. Chapter three presents overview of individual county revenue and expenditure performance and is compared with annual targets. The challenges that faced budget implementation in each county are identified and appropriate recommendations proposed. The cross-cutting challenges that affected budget implementation during the reporting period are presented in chapter four. The report also contains recommendations aimed at addressing the identified challenges. All recommendations are anchored on the Constitution of Kenya, the Public Finance Management Act 2012, and other relevant legislations. Chapter five provides the conclusion.

The information used in writing this report is derived from the Conditional Allocation of Revenue Act (CARA), 2015 disbursement schedule; the FY 2015/16 approved County Government budgets, expenditure returns submitted by the County Treasuries, and financial data from the Integrated Financial Management Information System (IFMIS).

2.0 FINANCIAL ANALYSIS OF COUNTY BUDGET IMPLEMENTATION IN FIRST HALF OF FY 2015/16

2.1 Introduction

This chapter presents the financial analysis of aggregated county budget implementation for the first half 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.362.76 billion[1].** This comprised of Kshs.200.57 billion (55.3 per cent) for recurrent expenditure and Kshs.162.19 billion (44.7 per cent) for development expenditure.

In order to finance the budgets, county governments expect to receive transfers from the National Government and Conditional allocations from development partners amounting to Kshs.287.04 billion; generate revenue from local sources of Kshs.56.65 billion and utilize projected cash balances brought forward from FY 2014/15, which amounted to Kshs.31.53 billion. The total funds that were available to the County Governments in the first half of FY 2015/16 amounted to Kshs.150.10 billion. This amount consisted of Kshs.102.71 billion (68.4 per cent of the total available revenue) as transfers from the National Government and conditional allocations from development partners, Kshs.13.92 billion (9.3 per cent) as revenue raised from local sources, and Kshs.33.46 billion (22.3 per cent) as cash balance brought forward from the FY 2014/15.

2.2.1 Transfers from the National Government and Conditional allocations from Development Partners

According to the County Allocation of Revenue Act (CARA), 2015, transfers from the National Government are expected to amount to Kshs.276.37 billion by close of 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 forgone user fees; Kshs.4.50 billion as conditional allocation for leasing of specialised medical equipment and Kshs.3.30 billion as conditional

1 *Amount differs from the Kshs.361.12 billion published in the First Quarter of FY 2015/16 as a result of Supplementary budgets passed by some counties.*

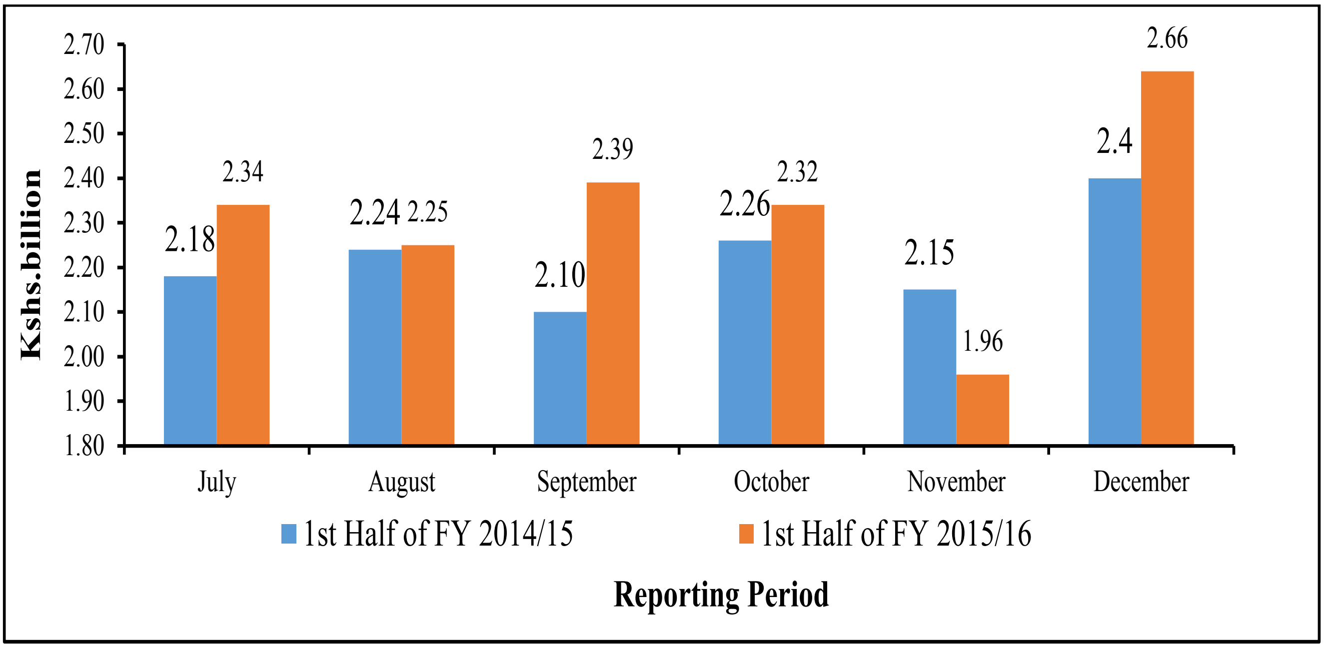
allocation from the Road Maintenance Fuel Levy Fund.

On the other hand, the conditional allocations from Development Partners in FY 2015/16 are expected to be Kshs.10.67 billion, consisting of Kshs.508.25 million from the World Bank to supplement financing of county health facilities; a grant of Kshs.844.71 million from DANIDA to supplement financing for county health facilities, and Kshs.9.32 billion as conditional allocation from other loans and grants.

2.2.2 Locally Collected Revenue

The aggregate annual local revenue target for the counties in FY 2015/16 is Kshs.56.65 billion. During the reporting period, county governments generated a total of Kshs.13.92 billion, which was 24.6 per cent of the annual target. This achievement was an improvement as compared to Kshs.13.08 billion (21.0 per cent of the FY 2014/15 annual revenue target) generated in a similar period in FY 2014/15. The monthly local revenue collection during the first half of FY 2014/15 and the first half of FY 2015/16 is shown in figure 2.1.

Figure 2.1: Monthly Local Revenue for the First Half of FY 2014/15 and First Half of FY 2015/16 (Kshs.Billions)



Source: *County Treasuries*

The monthly local revenue collection for the period July-December 2015 is shown in table 2.1

Table 2.1: Monthly local revenue collection for the period July – December 2015

First half of FY 2015/16 locally generated revenue (in Kshs.million)								Local revenue target for FY 2015/16 (Kshs.mi-llion)	% of total revenue to the annual reve-nue targets
County	Jul	Aug	Sept	Oct	Nov	Dec	Total local revenue for the half year of FY 2015/16		
	Column A	Column B	Column C	Column D	Column E	Column F	Column G	Column I	Column J = * 100
Baringo	26.66	30.93	19.74	19.6	16.08	16.68	129.68	300.00	43.2
Bomet	8.95	6.41	11.59	17.47	6.87	6.06	57.34	230.33	24.9
Bungoma	40.47	29.11	33.04	32.59	24.94	24.17	184.32	819.94	22.5
Busia	29.63	52.64	26.53	25.26	21.77	20.97	176.81	543.04	32.6
Elgeyo/Marak-wet	9.54	7.44	7.22	6.95	5.84	6.93	43.92	149.98	29.3
Embu	29.13	32.42	26.15	22.88	23.19	25.62	159.38	630.76	25.3
Garissa	7.29	11.52	5.95	6.84	6.92	7.08	45.6	500.00	9.1
Homa Bay	14.89	12.87	15.72	13.81	13.96	12.13	83.38	181.73	45.9
Isiolo	11.53	11.64	12.29	10.29	6.69	4.26	56.69	360.00	15.7
Kajiado	50.04	62.88	46.29	43.22	44.8	43.52	290.75	1,134.88	25.6
Kakamega	42.6	29.16	38.44	38.69	33.97	34.65	217.5	1,000.00	21.7
Kericho	20.1	12.89	10.74	40.39	16.21	14.96	115.29	553.40	20.8
Kiambu	180.22	147.25	163.91	175.88	121.74	264.72	1,053.72	3,683.08	28.6
Kilifi	27.2	23.06	23.13	32.69	37.06	25.84	168.99	1,499.01	11.3
Kirinyaga	31.17	20.43	13.45	18.28	20.59	14.15	118.07	500.00	23.6
Kisii	25.39	12.93	19.47	14.98	20.52	11.57	104.86	700.00	15
Kisumu	60.45	83.18	61.06	58.76	58.63	84.15	406.23	1,868.59	21.7
Kitui	35.86	25.77	33.22	23.25	14.44	22.5	155.03	608.2	25.5
Kwale	14.59	10.04	16.02	17.57	18.29	13.48	89.98	300.00	30
Laikipia	41.31	26.38	69.08	36.85	24.18	33.22	231.02	500.00	46.2
Lamu	2.86	2.55	2.28	3.14	5.78	4.01	20.62	107.00	19.3
Machakos	69.19	61.73	70.77	64.88	55.91	75.80	398.28	2,371.63	16.8
Makueni	17.89	11.56	10.85	17.01	15.47	14.48	87.26	400.00	21.8
Mandera	4	4.92	9.54	8.52	6.04	5.18	38.19	199.24	19.2
Marsabit	11.28	7.75	7.42	9.36	9.54	8.68	54.02	130.00	41.6
Meru	43.72	42.19	29.25	35.47	26.55	30.77	207.95	997.93	20.8
Migori	37.25	23.87	25.76	24.37	22.23	18.09	151.56	400.00	37.9
Mombasa	138.89	121.87	123.41	115.7	122.06	115.34	737.27	5,181.67	14.2
Murang'a	40.3	32.24	37.19	41.14	30.19	39.11	220.17	850.00	25.9
Nairobi City	662.47	660.16	905.38	760.85	770.36	1,206.56	4,965.78	17,528.00	28.3
Nakuru	206.42	115.01	114.75	130.83	110.39	153.56	830.96	2,911.15	28.5
Nandi	18.09	17.91	11.6	23.32	29.04	11.06	111.03	255.76	43.4
Narok	115.64	303.48	198.08	228.15	56.26	134.12	1,035.73	3,507.10	29.5
Nyamira	6.23	5.93	5.02	3.55	3.43	2.17	26.33	240.96	10.9
Nyandarua	21.43	14.06	13.64	14.58	11.51	12.43	87.64	235.55	37.2
Nyeri	47.96	54.05	39.9	26.17	29.32	28.1	225.5	1,488.36	15.2
Samburu	13.97	14.72	22.14	13.64	13.97	6.55	84.99	356.59	23.8
Siaya	9.38	11.47	8.32	7.94	7.66	7.65	52.42	343.31	15.3

First half of FY 2015/16 locally generated revenue (in Kshs.million)								Local revenue target for FY 2015/16 (Kshs.mi-llion)	% of total revenue to the annual reve-nue targets
County	Jul	Aug	Sept	Oct	Nov	Dec	Total local revenue for the half year of FY 2015/16		
	Column A	Column B	Column C	Column D	Column E	Column F	Column G	Column I	Column J = * 100
Taita/ Taveta	17.71	14.75	12.26	9.3	8.02	9.89	71.93	310.41	23.2
Tana River	1.88	0.32	1.19	3.73	0.92	2.9	10.93	120.00	9.1
Tharaka Nithi	22.15	6.42	8.11	12.32	6.06	4.50	59.57	248.05	24.0
Trans Nzoia	27.72	12.08	11.18	16.68	10.84	13.1	91.61	389.03	23.5
Turkana	2.76	3.88	3.56	15.6	18.59	6.08	50.47	200.00	25.2
Uasin Gishu	61.61	34.01	39.79	60.94	32.92	33.68	262.95	1,037.22	25.4
Vihiga	15.87	10.87	8.15	7.14	9.68	10.56	62.28	352.16	17.7
Wajir	8.01	7.28	7.03	6.11	8.29	5.21	41.93	200.00	21
West Pokot	8.27	7.01	6.37	7.71	6.12	11.75	47.23	227.31	20.8
Total	**2,339.95**	**2,251.02**	**2,385.97**	**2,324.40**	**1,963.85**	**2,657.98**	**13,923.17**	**56,651.37**	**24.6**

Source: *County Treasuries*

During the period under review, the Nairobi City County generated the highest amount of local revenue at Kshs.4.97 billion, followed by Kiambu County and Narok County at Kshs.1.05 billion and Kshs.1.04 billion respectively. The Counties that generated the lowest amount were Nyamira, Lamu and Tana River at Kshs.26.33 million, Kshs.20.62 million and Kshs.10.93 million respectively.

Analysis of local revenue as a proportion of the annual revenue target indicates that Laikipia County attained the highest proportion at 46.2 per cent followed by Homa Bay and Nandi Counties at 45.9 per cent and 43.4 per cent respectively. Conversely, counties that recorded the lowest proportion of local revenue against annual targets were Nyamira County at 10.9 per cent, Tana River County at 9.11 per cent and Garrisa County at 9.12 per cent, and

2.3 Funds Released to the Counties

2.3.1 Funds released to the counties from the Consolidated Fund

In the first half of FY 2015/16, the Controller of Budget (COB) approved transfers of Kshs.99.19 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.97.74 billion as equitable share of revenue raised nationally; Kshs.1.36 billion as conditional allocations from the National Government to Level 5 hospitals, and Kshs.99.92 million as conditional grant from DANIDA to supplement financing of county health facilities.

During the same period, the counties also received Kshs.1.63 billion as conditional allocations for Free Maternal Health Care; Kshs.219.17 million as conditional allocations for forgone user fees 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 half of the FY 2015/16, the actual disbursement of the equitable revenue transfers amounted toKshs.97.74 billion, representing 74.5 per cent of the total disbursement of Kshs.131.19 billion scheduled to be transferred to the County Governments in the over the same period. The National Government has attributed low transfer of the equitable share for the period to underperformance in revenue collection by the National Government. 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

County	Expected disbursements of equitable share of revenue raised nationally	Actual disbursements of equitable share of revenue raised nationally	% of actual disbursements to expected disbursements (%)
	Column A	Column B	Column C = *100
Baringo	2,242,490,893	1,487,592,969	66.3
Bomet	2,376,981,115	2,376,981,115	100.0
Bungoma	3,876,242,116	2,508,411,533	64.7
Busia	2,747,325,212	2,375,062,377	86.4
Elgeyo /Marakwet	1,651,572,568	1,095,597,645	66.3
Embu	1,938,159,619	1,285,709,846	66.3
Garissa	2,914,703,151	1,933,515,952	66.3
Homa Bay	2,845,654,817	2,394,858,015	84.2
Isiolo	1,543,565,595	1,283,757,524	83.2
Kajiado	2,228,376,029	1,478,229,643	66.3
Kakamega	4,498,655,907	2,984,256,889	66.3
Kericho	2,275,057,339	1,914,652,216	84.2
Kiambu	3,769,088,603	3,172,005,260	84.2
Kilifi	3,757,814,406	2,492,807,577	66.3
Kirinyaga	1,786,799,901	1,185,302,905	66.3
Kisii	3,582,281,895	3,014,791,693	84.2
Kisumu	2,869,039,112	1,903,223,966	66.3
Kitui	3,669,972,897	2,434,536,476	66.3

County	Expected disbursements of equitable share of revenue raised nationally	Actual disbursements of equitable share of revenue raised nationally	% of actual disbursements to expected disbursements (%)
	Column A	Column B	Column C = *100
Kwale	2,588,477,269	1,717,108,683	66.3
Laikipia	1,742,022,191	1,466,058,280	84.2
Lamu	1,036,201,292	687,381,055	66.3
Machakos	3,418,170,001	3,418,170,001	100.0
Makueni	3,014,684,047	1,999,839,911	66.3
Mandera	4,522,630,424	3,000,160,777	66.3
Marsabit	2,620,678,276	1,738,469,748	66.3
Meru	3,279,269,406	2,175,356,933	66.3
Migori	2,947,610,324	2,480,662,154	84.2
Mombasa	2,624,936,459	2,209,104,941	84.2
Murang'a	2,704,778,641	2,276,298,857	84.2
Nairobi	6,563,287,524	6,563,287,524	100.0
Nakuru	4,098,747,126	2,718,970,866	66.3
Nandi	2,401,328,463	1,592,960,465	66.3
Narok	2,670,390,075	2,247,357,984	84.2
Nyamira	2,098,041,700	1,391,770,238	66.3
Nyandarua	2,175,070,770	1,442,868,728	66.3
Nyeri	2,246,855,922	1,490,488,582	66.3
Samburu	1,793,902,379	1,190,014,449	66.3
Siaya	2,522,625,855	1,673,425,072	66.3
Taita Taveta	1,671,331,936	1,406,566,481	84.2
Tana River	2,012,207,835	1,334,830,941	66.3
Tharaka Nithi	1,584,471,167	1,333,465,834	84.2
Trans-Nzoia	2,575,304,414	1,708,370,255	66.3
Turkana	5,291,911,880	3,510,476,198	66.3
Uasin Gishu	2,621,394,384	1,738,944,789	66.3
Vihiga	1,955,063,040	1,645,350,083	84.2
Wajir	3,652,533,861	2,422,968,007	66.3
West Pokot	2,178,414,664	1,833,319,272	84.2
Total	**131,186,122,498**	**97,735,340,709**	**74.5**

Source: 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.6.56 billion. This was followed by Turkana County at Kshs.3.51 billion, Machakos County at Kshs.3.42 billion and Kiambu County at Kshs.3.17 billion. Conversely, the counties that received the least amounts were Samburu at Kshs.1.19 billion, Kirinyaga at Kshs.1.19 billion, Elgeyo Marakwet at Kshs.1.10 billion and Lamu at Kshs.687.38 million.

Table 2.3: Transfer of conditional allocations in the first half of FY 2015/16

County	Level 5 hospitals (Kshs.Million)	Road maintenance Fuel Levy Fund (Kshs.Million)	Free Maternal Health Care (Kshs. Million)	User Fees Forgone (Kshs.Million)	DANIDA (Kshs. Million)
	Column A	Column B	Column C	Column D	Column E
Baringo		28.49	23.75	4.09	
Bomet		30.20	19.50	0.88	8.81
Bungoma		49.24	71.81	4.42	
Busia		34.90	35.34	4.39	
Elgeyo /Marakwet		20.98	17.41	3.79	10.40
Embu	64.62	24.62	23.94	3.80	
Garissa	120.62	37.03	19.76	2.40	
Homa Bay		36.15	43.83	5.61	
Isiolo		19.61	9.25	0.76	
Kajiado		28.31	18.59	3.97	
Kakamega	114.87	57.15	78.59	12.12	
Kericho		28.90	45.98	5.35	
Kiambu	140.27	47.88	90.77	8.12	
Kilifi		47.74	57.93	6.22	
Kirinyaga		22.70	22.87	5.71	
Kisii	143.91	45.51	67.97	6.34	
Kisumu	113.44	36.45	43.86	4.33	8.29
Kitui		46.62	22.87	7.01	18.50
Kwale		32.88	37.71	5.91	6.81
Laikipia		22.13	28.34	2.01	
Lamu		13.16	6.57	0.58	
Machakos	155.21	43.42	41.45	6.16	
Makueni		38.30	31.03	5.84	
Mandera		57.45	16.71	1.90	
Marsabit		33.29	5.22	1.42	
Meru	81.85	41.66	58.28	3.92	
Migori		37.44	50.81	5.13	
Mombasa	171.24	33.35	56.97	2.88	

County	Level 5 hospitals (Kshs.Million)	Road maintenance Fuel Levy Fund (Kshs.Million)	Free Maternal Health Care (Kshs. Million)	User Fees Forgone (Kshs.Million)	DANIDA (Kshs. Million)
	Column A	Column B	Column C	Column D	Column E
Murang'a		34.36	32.75	8.21	12.41
Nairobi		83.38	140.52	6.75	
Nakuru	126.36	52.07	93.54	9.34	
Nandi		30.50	25.13	12.76	9.16
Narok		33.92	22.78	4.06	
Nyamira		26.65	31.96	4.36	
Nyandarua		27.63	14.98	5.12	9.32
Nyeri	123.49	28.54	37.00	6.36	
Samburu		22.79	5.23	1.94	5.50
Siaya		32.05	42.64	5.67	
Taita Taveta		21.23	16.81	2.01	
Tana River		25.56	5.02	1.15	4.65
Tharaka Nithi		20.13	14.51	2.59	
Trans-Nzoia		32.71	29.39	3.68	
Turkana		67.22	8.61	1.58	
Uasin Gishu		33.30	10.97	8.66	
Vihiga		24.84	20.70	4.85	
Wajir		46.40	14.24	2.55	
West Pokot		27.67	18.26	2.47	6.09
Total	**1,355.86**	**1,666.50**	**1,632.06**	**219.17**	**99.92**

Source: *OCOB; Ministry of Health; KRB*

During the same period, the National Government through the Kenya Roads Board (KRB) transferred Kshs.1.67 billion as conditional allocation from the Road Maintenance Fuel Levy Fund. Further, the National Government through the Ministry of Health transferred Kshs.1.63 billion[2] as conditional allocations for free maternal healthcare and Kshs.219.17 million as conditional allocations for compensation for forgone user fees by the county health facilities.

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 lowest disbursement at Kshs.113.44 million, Kshs.81.85 million and Kshs.64.62 million, respectively.

2 *The conditional allocations for Free Maternal Health Care relates to FY 2014/15. The National Government is yet to disburse conditional allocations provided for in CARA, 2015.*

Analysis of the conditional allocation from the Road Maintenance Fuel Levy Fund indicated 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.

2.3.3 Transfer of Conditional Allocations from Development Partners

A total of Kshs.99.92 million was transferred into the CRFs as DANIDA grant for eleven (11) Counties as shown in Table 2.3. These were the counties that had fulfilled the mutually agreed upon conditions, namely; use of IFMIS in disbursing funds to health facilities bank accounts, and full accounting of the previous DANIDA grant disbursed in FY 2014/15.

From the Counties that received funding from the DANIDA grant, Kitui County received the highest disbursement at Kshs.18.50 million followed by Murang'a County at Kshs.12.41 million and Elgeyo/Marakwet County at Kshs.10.40 million.

There were no disbursements of the World Bank and the conditional allocations from other loans and grants during the reporting period.

2.3.4 Funds Released to the County Operational Accounts

During the reporting period, the COB authorised withdrawals of Kshs.127.10 billion from the County Revenue Funds to County Operational Accounts of the County Governments. The transfers comprised of Kshs.89.44 billion (70.4 per cent of total funds released) for recurrent expenditure and Kshs.37.66 billion (29.6 per cent of total funds released) for development expenditure.

Out of Kshs.89.44 billion released for recurrent activities, Kshs.77.19 billion went to the County Executive while Kshs.12.62 billion was for the Legislative arm (County Assemblies). On the other hand, out of Kshs.37.66 billion released towards development expenditure, the County Executive and the County Assemblies received Kshs.36.76 billion and Kshs.898.63 million, respectively.

The exchequer issues to the County Assembly and the County Executive for the first half of FY 2015/16 are shown in table 2.4.

Table 2.4: The exchequer issues to the County Assembly and the County Executive for the first half of FY 2015/16

Exchequer Releases from CRFs to County Operations Accounts in the first Half of FY 2015/16 (Kshs. Million)									
County	County Assembly			County Executive			Combined Exchequer Issues		
	Rec	Dev	Total	Rec	Dev	Total	Rec	Dev	Total
	Column A	Column B	Column C=A+B	Column D	Column E	Column F=D+E	Column G=A+D	Column H=B+E	Column I=G+H
Baringo	269.75	14.00	283.75	1,527.92	633.42	2,161.34	1,797.67	647.42	2,445.10
Bomet	247.5	0.00	247.5	1,059.97	1,181.69	2,241.65	1,307.47	1,181.69	2,489.15
Bungoma	299.34	0.00	299.34	2,213.21	1,162.44	3,375.66	2,512.56	1,162.44	3,675.00
Busia	244.87	10.00	254.87	1,717.13	1,085.00	2,802.13	1,962.00	1,095.00	3,057.00
Elgeyo/ Ma-rakwet	164.71	13.82	178.53	955.07	316.18	1,271.25	1,119.77	330.00	1,449.77
Embu	225.35	0.00	225.35	1,289.01	257.50	1,546.51	1,514.36	257.50	1,771.86
Garissa	240.00	0.00	240	1,353.00	606.00	1,959.00	1,593.00	606.00	2,199.00
Homa Bay	463.00	33.00	496	1,610.60	887.00	2,497.60	2,073.60	920.00	2,993.60
Isiolo	203.4	25.00	228.4	889.6	275.00	1,164.60	1,093.00	300.00	1,393.00
Kajiado	237.82	10.00	247.82	1,467.81	740.00	2,207.81	1,705.63	750.00	2,455.63
Kakamega	346.86	0.00	346.86	2,790.35	1,881.78	4,672.13	3,137.21	1,881.78	5,018.99
Kericho	242.5	0.00	242.5	1,339.83	832.83	2,172.66	1,582.33	832.83	2,415.16
Kiambu	262.82	0.00	262.82	3,301.50	889.05	4,190.55	3,564.33	889.05	4,453.37
Kilifi	360.00	70.00	430	2,227.08	1,366.15	3,593.23	2,587.08	1,436.15	4,023.23
Kirinyaga	226.16	0.00	226.16	1,115.24	550.60	1,665.84	1,341.40	550.60	1,892.00
Kisii	360.78	0.00	360.78	2,392.12	1,106.09	3,498.22	2,752.91	1,106.09	3,859.00
Kisumu	245.29	0.00	245.29	2,430.63	754.42	3,185.05	2,675.92	754.42	3,430.34
Kitui	260.66	0.00	260.66	1,883.48	1,209.36	3,092.84	2,144.14	1,209.36	3,353.50
Kwale	246.33	185.00	431.33	1,203.67	1,515.00	2,718.67	1,450.00	1,700.00	3,150.00
Laikipia	188.00	10.00	198	1,041.32	497.92	1,539.24	1,229.32	507.92	1,737.24
Lamu	192.07	0.00	192.07	580.53	336.50	917.03	772.60	336.50	1,109.10
Machakos	369.85	61.50	431.35	2,969.21	3,037.79	1,033.58	4,071.37	3,037.79	4,132.87
Makueni	340.44	38.37	378.8	1,747.61	905.67	2,653.28	2,088.04	944.04	3,032.08
Mandera	158.10	27.75	185.85	1,122.74	812.52	1,935.25	1,280.83	840.27	2,121.10
Marsabit	169.14	0.00	169.14	1,163.41	815.00	1,978.41	1,332.55	815.00	2,147.55
Meru	437.84	32.03	469.88	1,801.78	173.97	1,975.75	2,239.63	206.00	2,445.63
Migori	281.42	42.65	324.07	1,529.58	877.35	2,406.93	1,811.00	920.00	2,731.00

Exchequer Releases from CRFs to County Operations Accounts in the first Half of FY 2015/16 (Kshs. Million)									
County	County Assembly			County Executive			Combined Exchequer Issues		
	Rec	Dev	Total	Rec	Dev	Total	Rec	Dev	Total
	Column A	Column B	Column C=A+B	Column D	Column E	Column F=D+E	Column G=A+D	Column H=B+E	Column I=G+H
Mombasa	211.38	0.00	211.38	2,400.22	763.78	3,163.99	2,611.60	763.78	3,375.38
Murang'a	201.84	0.00	201.84	1,450.60	1,297.10	2,747.70	1,652.44	1,297.10	2,949.54
Nairobi City	672.00	80.00	752	6,175.02	0.00	6,175.02	6,847.02	80.00	6,927.02
Nakuru	505.08	0.00	505.08	3,519.27	1,006.28	4,525.55	4,024.35	1,006.28	5,030.63
Nandi	264.07	0.00	264.07	1,175.78	664.00	1,839.78	1,439.85	664.00	2,103.85
Narok	287.00	18.00	305	1,934.37	847.00	2,781.37	2,221.37	865.00	3,086.37
Nyamira	145.00	0.00	145	1,138.00	515.16	1,653.16	1,283.00	515.16	1,798.16
Nyandarua	250.21	45.00	295.21	1,236.23	534.36	1,770.59	1,486.44	579.36	2,065.80
Nyeri	227.09	0.00	227.09	1,603.77	114.50	1,718.27	1,830.86	114.50	1,945.36
Samburu	170.02	0.00	170.02	951.58	498.86	1,450.45	1,121.61	498.86	1,620.47
Siaya	253.00	16.06	269.06	1,058.00	365.94	1,423.94	1,311.00	382.00	1,693.00
Taita/Taveta	252.57	7.00	259.57	864.62	108.78	973.40	1,117.19	115.78	1,232.97
Tana River	173.18	39.75	212.93	549.65	1,000.42	1,550.07	722.83	1,040.17	1,763.00
Tharaka Nithi	149.75	0.00	149.75	841.74	419.64	1,261.37	991.49	419.64	1,411.13
Trans Nzoia	165.13	0.00	165.13	1,175.72	524.10	1,699.81	1,340.85	524.10	1,864.95
Turkana	488.95	79.70	568.65	1,513.56	2,416.46	3,930.02	2,002.51	2,496.15	4,498.67
Uasin Gishu	288.51	0.00	288.51	1,641.96	690.33	2,332.29	1,930.47	690.33	2,620.80
Vihiga	248.8	0.00	248.8	936.72	200.00	1,136.72	1,185.52	200.00	1,385.52
Wajir	214.93	0.00	214.93	1,262.66	1,583.94	2,846.59	1,477.58	1,583.94	3,061.52
West Pokot	165.05	40.00	205.05	969.95	510.00	1,479.95	1,135.00	550.00	1,685.00
Total	**12,617.58**	**898.63**	**13,516.20**	**77,190.97**	**36,762.66**	**113,953.63**	**89,438.70**	**37,661.29**	**127,099.99**

Source: *County Treasuries and OCOB*

Nairobi City County received the highest disbursement of funds from its CRF to the operational accounts at Kshs.6.93 billion followed by Nakuru County and Kakamega County at Kshs.5.03 billion and Kshs.5.02 billion respectively. Counties that received the lowest disbursement were; Vihiga at Kshs.1.39 billion; Taita Taveta at Kshs.1.23 billion and Lamu County at Kshs.1.11 billion.

From the funds released for recurrent activities, the Nairobi City County, Machakos County and Nakuru County received the highest amounts at Kshs.6.85 billion; Kshs.4.07billion and Kshs.4.02 billion respectively. Conversely, Tharaka Nithi, Lamu and Tana River Counties received the lowest amounts at Kshs.991.49 million, Kshs.772.60 million, Kshs.722.83 million respectively.

The funds released for development activities indicate that Machakos county, Turkana County, Kakamega County received the highest amount of funds at Kshs.3.04billion, Kshs.2.50 billion and Kshs.1.88 billion respectively. Counties that received the least amount for development expenditure were Taita Taveta at Kshs.115.78 million, Nyeri at Kshs.114.50 million and Nairobi City at Kshs.80 million.

2.4 Expenditure Analysis

During the reporting period, Counties incurred expenditure amounting to Kshs.113.43 billion representing an absorption rate of 31.3 per cent of the total annual County Governments' budgets. This was a decline from an absorption rate of 32.4 per cent reported in a similar period of FY 2014/15.

Recurrent expenditure was Kshs.83.85 billion, representing 40.4 per cent of the annual recurrent budget. The percentage recurrent expenditure outturn was similar to that attained in the similar period of FY 2014/15. On the other hand, development expenditure amounted to Kshs.29.58 billion, representing an absorption rate of 19.9 per cent and a decline from an absorption rate of 21.9 per cent reported in a similar period of FY 2014/15.

Table 2.5: Expenditure by Economic Classification for the first half of FY 2015/16

County Title	Personnel Emoluments (Kshs)	Operations & Maintenance (Kshs)	Debt Repayment (Kshs)	Development Expenditure (Kshs)	Total Expenditure (Kshs)
	Column A	Column B	Column C	Column D	Column E=A+B+C+D
Baringo	1,265,264,107	458,373,200		494,018,657	2,217,655,964
Bomet	940,670,000	273,820,000		1,116,050,000	2,330,540,000
Bungoma	1,449,959,900	876,611,387		781,932,713	3,108,504,000
Busia	1,027,920,569	432,182,754		711,250,387	2,171,353,710
Elgeyo/Marakwet	839,507,605	112,418,909		205,994,277	1,157,920,791
Embu	848,175,450	185,169,228		175,720,660	1,209,065,338
Garissa	1,066,200,358	488,819,642		600,000,000	2,155,020,000
Homa Bay	1,347,138,739	681,413,526		777,560,379	2,806,112,644

County Title	Personnel Emoluments (Kshs)	Operations & Maintenance (Kshs)	Debt Repayment (Kshs)	Development Expenditure (Kshs)	Total Expenditure (Kshs)
	Column A	Column B	Column C	Column D	Column E=A+B+C+D
Isiolo	391,238,134	291,908,842		269,994,004	953,140,980
Kajiado	833,342,093	465,281,925	22,486,906	573,115,718	1,894,226,642
Kakamega	1,992,574,991	742,237,687		1,369,384,005	4,104,196,683
Kericho	887,699,359	458,076,857		722,524,493	2,068,300,709
Kiambu	1,835,085,217	914,568,593		975,869,817	3,725,523,627
Kilifi	1,294,466,369	856,525,104		625,251,614	2,776,243,087
Kirinyaga	968,790,036	328,670,710		303,369,983	1,600,830,729
Kisii	1,927,168,942	703,744,076		934,039,305	3,564,952,323
Kisumu	1,631,525,276	361,060,566	772,262,268	76,990,591	2,841,838,701
Kitui	1,260,566,566	375,084,665		1,274,325,147	2,909,976,378
Kwale	641,749,125	133,101,010		1,239,554,313	2,014,404,448
Laikipia	884,982,220	272,933,434		427,776,138	1,585,691,792
Lamu	349,132,348	149,215,993		206,002,209	704,350,550
Machakos	2,012,793,851	893,299,988		778,738,816	3,684,832,655
Makueni	1,056,322,603	649,523,153		381,682,085	2,087,527,841
Mandera	559,062,233	721,429,876		835,100,120	2,115,592,229
Marsabit	548,688,503	342,424,084	238,437,515	296,955,952	1,426,506,054
Meru	1,504,150,375	217,497,593	53,339,423	-	1,774,987,391
Migori	1,126,268,100	522,290,529		974,050,575	2,622,609,204
Mombasa	2,057,723,251	415,681,305		852,362,859	3,325,767,415
Murang'a	1,312,210,615	323,376,944		1,282,406,504	2,917,994,062
Nairobi City	6,676,069,932	1,830,506,736	653,507,415	2,287,232,233	11,447,316,316
Nakuru	2,378,599,373	1,453,126,937		921,413,541	4,753,139,851
Nandi	920,422,322	464,618,835		377,179,016	1,762,220,173
Narok	1,219,100,699	856,552,967	68,542,000	861,551,561	3,005,747,227
Nyamira	835,747,087	386,845,383		381,757,324	1,604,349,794

County Title	Personnel Emoluments (Kshs)	Operations & Maintenance (Kshs)	Debt Repayment (Kshs)	Development Expenditure (Kshs)	Total Expenditure (Kshs)
	Column A	Column B	Column C	Column D	Column E=A+B+C+D
Nyandarua	813,606,903	529,934,977		367,453,621	1,710,995,501
Nyeri	1,281,865,110	307,187,302		109,412,251	1,698,464,663
Samburu	528,752,481	377,554,858		383,651,480	1,289,958,819
Siaya	818,084,112	388,157,148		426,162,343	1,632,403,603
Taita/Taveta	520,641,784	513,738,079		1,344,611	1,035,724,474
Tana River	418,800,000	185,730,000		206,860,000	811,390,000
Tharaka -Nithi	721,349,138	138,483,642		221,196,363	1,081,029,143
Trans Nzoia	822,194,103	548,634,275		322,450,642	1,693,279,020
Turkana	1,361,291,570	537,429,254		2,104,026,806	4,002,747,630
Uasin Gishu	1,011,311,019	241,545,051	115,588,281	638,455,638	2,006,899,989
Vihiga	616,909,589	259,870,048	328,827,601	85,174,200	1,290,781,438
Wajir	801,106,489	673,253,885	1,582,646,060	-	3,057,006,434
West Pokot	724,747,240	342,276,069		624,556,516	1,691,579,825
Total	**56,330,975,886**	**23,682,187,026**	**3,835,637,469**	**29,581,899,467**	**113,430,699,847**

Source: *OCOB and County Treasuries*

The Counties that attained the highest total expenditure were; Nairobi City at Kshs.11.45 billion, Nakuru at Kshs.4.75 billion, Kakamega at Kshs.4.10 billion and Turkana at Kshs.4.00 billion. On the other hand, Taita Taveta, Isiolo, Tana River and Lamu reported the least total expenditure at Kshs.1.04 billion, Kshs.953.14 million, Kshs.811.39 million, and Kshs.704.35 million respectively.

Analysis of total expenditure as a percentage of the total funds authorized for withdrawal by the COB indicated that Nairobi City and West Pokot Counties incurred expenditure in excess of the funds released by 165.3 per cent and 100.4 per cent respectively. Those that had the least percentage of expenditure to total funds released included; Kwale County at 63.9 per cent, Lamu County at 63.5 per cent and Tana River County at 46.0 per cent.

Analysis of total expenditure to the approved County Government budget indicates that Bomet County attained the highest absorption rate of its annual approved budget at 47.4 per cent followed by Homa Bay County at 45.5 per cent, and Murang'a County at 42.3 per cent. Conversely, Meru, Tana River and Mandera counties had the lowest absorption at 20.9 per cent, 18.9 per cent and 18.4 per cent respectively.

A review of county expenditure by economic classification showed that Kshs.56.33 billion (49.7 per cent of the total expenditure) was spent on personnel emoluments, Kshs.29.58 billion (26.1 per cent of the total expenditure) on development activities, Kshs.23.68 billion (20.9 per cent of the total expenditure) on operations and maintenance and Kshs.3.84 billion (3.4 per cent of the total expenditure) on was incurred on debt repayment. Out of Kshs.3.84 billion incurred on debt repayment, Kshs.2.77 billion related to development activities while Kshs.1.07 billion to recurrent activities.

2.4.1 Development Expenditure

In the first half of FY 2015/16, the county governments spent of Kshs.29.58 billion on development activities translating to 26.08 per cent of total expenditure. This expenditure included Kshs.2.77 billion on debt repayments related to activities from prior financial periods.

The Nairobi City County reported the highest absolute expenditure on development activities at Kshs.2.29 billion. Other counties that recorded high expenditure were Turkana, [3] Kakamega and Murang'a at Kshs.2.10 billion, Kshs.1.34billion and Kshs.1.28billion respectively. Those that reported the lowest absolute expenditure included, Embu at Kshs.175.72 million, Nyeri at Kshs.109.41 million, Vihiga at Kshs.85.17 million, Kisumu at Kshs. 76.99 million and Taita Taveta at Kshs.1.34 million. Meru county and Wajir county did not record any development expenditure. Analysis of the development expenditure as a percentage of development funds authorized for withdrawal by COB indicates that Nairobi City County incurred expenditure in excess of the amount authorised for withdrawal by 2,859.0 per cent. This contravenes the provisions of the Constitution of Kenya 2010 and the PFM Act 2012. Other Counties that incurred expenditure in excess of the amount approved for withdrawal were; Vihiga at 207.0 per cent, West Pokot at 113.6 per cent, Mombasa at 111.6 per cent, Siaya at 111.6 per cent, Kiambu at 109.8 per cent, Bomet at 109.6 per cent, Migori at 105.9 per cent and Kitui at 105.4 per cent.

An analysis of county budgets and expenditure for the first half of FY 2015/16 is provided in table 2.6

3 *The Development expenditure for Wajir County relates to debt repayment for development activities from prior periods.*

Table 2.6: County budget allocation, expenditure and absorption rate for the first Half of FY 2015/16

County Name	Budget Estimates (Kshs.million)			Expenditure (Kshs.million)			Recurr Ab-sor-ption rate (%)	Dev Ab-sor-ption rate (%)
	Rec	Dev	Total	Rec	Dev	Total		
Baringo	3,430.01	2,414.02	5,844.03	1,723.64	494.02	2,217.66	50.3	20.5
Bomet	2,739.01	2,181.55	4,920.57	1,214.49	1,116.05	2,330.54	44.3	51.2
Bungoma	5,779.81	4,192.47	9,972.28	2,326.57	781.93	3,108.50	40.3	18.7
Busia	3,311.80	2,958.30	6,270.09	1,460.10	711.25	2,171.35	44.1	24
Elgeyo/Marakwet	2,519.93	1,145.52	3,665.45	951.93	205.99	1,157.92	37.8	18
Embu	3,301.10	1,574.61	4,875.71	1,033.34	175.72	1,209.07	31.3	11.2
Garissa	3,917.72	3,443.87	7,361.59	1,555.02	600	2,155.02	39.7	17.4
Homa Bay	3,949.72	2,212.63	6,162.35	2,028.55	777.56	2,806.11	51.4	35.1
Isiolo	2,115.00	1,685.83	3,800.82	683.15	269.99	953.14	32.3	16
Kajiado	3,927.42	2,661.37	6,588.79	1,321.11	573.12	1,894.23	33.6	21.5
Kakamega	6,275.62	6,054.12	12,329.74	2,734.81	1,369.38	4,104.20	43.6	22.6
Kericho	3,266.58	1,814.48	5,081.06	1,345.78	722.52	2,068.30	41.2	39.8
Kiambu	7,980.22	3,968.83	11,949.05	2,749.65	975.87	3,725.52	34.5	24.6
Kilifi	5,588.38	5,931.81	11,520.19	2,150.99	625.25	2,776.24	38.5	10.5
Kirinyaga	3,066.08	2,255.24	5,321.31	1,297.46	303.37	1,600.83	42.3	13.5
Kisii	5,301.30	3,663.58	8,964.88	2,630.91	934.04	3,564.95	49.6	25.5
Kisumu	5,706.95	3,930.67	9,637.62	2,242.67	599.16	2,841.84	39.3	15.2
Kitui	4,790.95	5,434.84	10,225.79	1,635.65	1,274.33	2,909.98	34.1	23.4
Kwale	2,834.28	4,777.20	7,611.48	774.85	1,239.55	2,014.40	27.3	25.9
Laikipia	2,859.31	2,273.07	5,132.38	1,157.92	427.78	1,585.69	40.5	18.8
Lamu	1,757.12	1,323.11	3,080.23	498.35	206	704.35	28.4	15.6
Machakos	5,250.49	5,694.13	10,944.61	2,906.09	778.74	3,684.83	55.3	13.7
Makueni	4,477.68	4,972.25	9,449.93	1,705.85	381.68	2,087.53	38.1	7.7
Mandera	4,216.87	7,284.54	11,501.42	1,280.49	835.1	2,115.59	30.4	11.5
Marsabit	3,027.76	2,807.05	5,834.81	891.11	535.39	1,426.51	29.4	19.1
Meru	5,107.16	3,387.99	8,495.15	1,728.53	46.46	1,774.99	33.8	1.4
Migori	3,581.28	2,925.64	6,506.93	1,648.56	974.05	2,622.61	46	33.3
Mombasa	6,751.95	4,165.51	10,917.46	2,473.40	852.36	3,325.77	36.6	20.5
Murang'a	3,548.44	3,351.84	6,900.28	1,635.59	1,282.41	2,917.99	46.1	38.3
Nairobi City	19,819.26	11,009.43	30,828.69	9,160.08	2,287.23	11,447.32	46.2	20.8
Nakuru	8,356.67	5,375.41	13,732.08	3,831.73	921.41	4,753.14	45.9	17.1
Nandi	2,770.60	2,672.58	5,443.18	1,385.04	377.18	1,762.22	50	14.1
Narok	5,061.18	3,938.16	8,999.35	2,144.20	861.55	3,005.75	42.4	21.9
Nyamira	2,904.50	2,639.68	5,544.18	1,222.59	381.76	1,604.35	42.1	14.5
Nyandarua	2,804.39	1,475.81	4,280.20	1,343.54	367.45	1,711.00	47.9	24.9
Nyeri	4,286.75	1,997.46	6,284.21	1,589.05	109.41	1,698.46	37.1	5.5
Samburu	2,592.91	1,747.79	4,340.70	906.31	383.65	1,289.96	35	22
Siaya	3,746.47	2,511.51	6,257.97	1,206.24	426.16	1,632.40	32.2	17
Taita/Taveta	2,697.44	1,188.53	3,885.97	1,034.38	1.34	1,035.72	38.3	0.1
Tana River	1,767.50	2,526.16	4,293.66	604.53	206.86	811.39	34.2	8.2
Tharaka Nithi	2,082.20	1,471.44	3,553.64	859.83	221.2	1,081.03	41.3	15
Trans Nzoia	3,364.16	2,928.21	6,292.37	1,370.83	322.45	1,693.28	40.7	11
Turkana	4,131.75	9,251.56	13,383.31	1,898.72	2,104.03	4,002.75	46	22.7
Uasin Gishu	4,593.80	2,948.83	7,542.63	1,319.17	687.73	2,006.90	28.7	23.3

County Name	Budget Estimates (Kshs.million)			Expenditure (Kshs.million)			Recurr Ab-sor-ption rate (%)	Dev Ab-sor-ption rate (%)
	Rec	Dev	Total	Rec	Dev	Total		
Vihiga	2,536.18	1,831.58	4,367.76	876.78	414	1,290.78	34.6	22.6
Wajir	3,728.66	4,411.04	8,139.71	1,474.36	1,582.65	3,057.01	39.5	35.9
West Pokot	2,946.00	1,781.60	4,727.60	1,067.02	624.56	1,691.58	36.2	35.1
Total	**200,570.38**	**162,192.82**	**362,763.20**	**81,080.99**	**32,349.71**	**113,430.70**	**40.4**	**19.9**

Source: *OCOB and County Treasuries.*

The analysis of development expenditure as a proportion of approved annual development budget reveals that Bomet County attained the highest absorption rate at 51.2 per cent, followed by Kericho and Murang'a Counties at 39.8 per cent and 38.3 per cent respectively. Nyeri County, Meru County and Taita Taveta County reported the least absorption rates at 5.5 per cent, 1.4 per cent and 0.1 per cent respectively. A summary of development projects undertaken by counties is provided in chapter three under each county summary report.

2.4.2 Recurrent Expenditure

County Governments spent an aggregate of Kshs.81.08 billion on recurrent activities. This expenditure includes Kshs.1.07 billion on debt repayments related to recurrent activities from prior periods. The total recurrent expenditure was 71.5 per cent of the total expenditure and represents 40.4 per cent of the approved annual County Governments' budget for recurrent activities. This is an increase from 18.6 per cent recorded in a similar period of FY 2014/15.

The Nairobi City County reported the highest expenditure on recurrent activities in the period under review at Kshs.9.16 billion followed by Nakuru and Machakos Counties at Kshs.3.83 billion and Kshs.2.91 billion respectively. Isiolo County, Tana River County and Lamu County reported the least expenditure at Kshs.683.15 million, Kshs.604.53 million and Kshs.498.35 million respectively.

Analysis of recurrent expenditure as a percentage of the funds released for recurrent expenditure by the COB indicates that the Nairobi City County and Trans Nzoia County incurred expenditure in excess of the authorised withdrawals by 133.8 per cent and 102.2 per cent, respectively.

Machakos County reported the highest recurrent expenditure as a proportion of its approved annual recurrent budget at 55.3 per cent followed by Homa Bay County at 51.4 per cent and Baringo County at 50.3 per cent. The counties that registered the lowest expenditure to their respective approved annual budget were Uasin Gishu at 28.7 per cent, Lamu at 28.4 per cent and Kwale at 27.3 per cent.

2.4.3 Personnel Emoluments

During the reporting period, the Counties spent Kshs.56.33 billion on personnel emoluments, translating to 49.7 per cent of total County Governments' expenditure compared to 46.8 per cent spent in a similar period of FY 2014/15. Nairobi City County reported the highest expenditure on personnel emoluments at Kshs.6.68 billion followed by Nakuru County at Kshs.2.38 billion and Mombasa County at Kshs.2.06 billion. The Tana River, Isiolo and Lamu Counties incurred the lowest expenditure on personnel emoluments at Kshs.418.80 million, Kshs.391.24 million and Kshs.349.13 million respectively.Analysis of personnel emoluments as a proportion of the total expenditure showed that Meru County recorded the highest proportion at 84.7 per cent followed by Nyeri County at 75.5 per cent and Elgeyo/Marakwet County at 72.5 per cent. Kwale, Mandera and Wajir Counties reported the least proportion of their personnel emoluments to their total expenditure at 31.9 per cent, 26.4 per cent and 26.2 per cent respectively.

2.4.4 Operations and Maintenance

On aggregate, the Counties spent a total of Kshs.23.68 billion on operations and maintenance, which translated to 20.8 per cent of the total expenditure during the period under review. Nairobi City County reported the highest expenditure on operations and maintenance at Kshs.1.83 billion followed by Nakuru County at Kshs.1.45 million, and Kiambu County at Kshs.914.57 million. On the other hand, Tharaka Nithi, Kwale and Elgeyo/Marakwet reported the lowest expenditure at Kshs.138.48 million, Kshs.133.10 million and Kshs.112.42 million respectively.

Analysis of expenditure on operations and maintenance as a proportion of the total County Governments expenditure for the period under review indicated that Taita Taveta County attained the highest percentage at 49.6 per cent followed by Mandera County at 34.1 per cent and Trans Nzoia County at 32.4 per cent. The Counties that attained the least percentage of operations and maintenance to their total expenditure were; Murang'a at 11.1 per cent, Elgeyo/Marakwet at 9.7 per cent, and Kwale at 6.6 per cent.

2.5 Analysis of MCAs Sitting Allowances

During the period July to December 2015, the County Assemblies spent a total of Kshs.1.37 billion on MCAs' sitting allowances translating to 38.2 per cent of the approved annual budget allocation compared to 18.4 per cent attained in the similar period of FY 2014/15. Table 2.7 shows the budgetary allocation and the expenditure on MCAs' and Speakers' sitting allowances during the period under review.

Table 2.7: Budget allocation and the expenditures for MCAs' sitting allowances for the first half of FY 2015/16

County Name	MCAs & Speaker Sitting Allowances for the first half of FY 2015/16					
	FY 2015/16 Budget Allocation (Kshs)	Half Year Expenditure (Kshs)	Absorption rate (%)	No. of MCAs including the Speaker	Expenditure relative to the No. of MCAs & Speakers (Kshs)	Average monthly sitting allowance Per MCA (Kshs)
Baringo	52,000,000	14,712,169	28.3	49	300,248	50,041
Bomet	56,634,400	15,769,190	27.8	35	450,548	75,091
Bungoma	105,705,600	42,776,000	40.5	64	668,375	111,396
Busia	114,816,000	25,317,784	22.1	54	468,848	78,141
Elgeyo/Marakwet	41,496,000	19,074,823	46.0	31	615,317	102,553
Embu	49,931,209	16,587,599	33.2	34	487,871	81,312
Garissa	80,906,400	33,478,456	41.4	49	683,234	113,872
Homa Bay	129,322,306	56,908,800	44.0	64	889,200	148,200
Isiolo	29,438,400	8,384,336	28.5	21	399,254	66,542
Kajiado	66,326,400	19,204,900	29.0	42	457,260	76,210
Kakamega	142,485,600	54,931,612	38.6	88	624,223	104,037
Kericho	79,597,230	36,506,500	45.9	48	760,552	126,759
Kiambu	100,000,000	53,228,245	53.2	88	604,866	100,811
Kilifi	83,194,800	35,996,700	43.3	54	666,606	111,101
Kirinyaga	61,526,400	20,200,800	32.8	30	673,360	112,227
Kisii	90,411,955	60,332,100	66.7	72	837,946	139,658
Kisumu	113,808,000	43,226,697	38.0	50	864,534	144,089
Kitui	74,626,000	29,226,600	39.2	57	512,747	85,458
Kwale	59,404,800	13,706,941	23.1	34	403,145	67,191
Laikipia	35,984,000	17,200,300	47.8	24	716,679	119,447
Lamu	37,102,400	10,620,800	28.6	21	505,752	84,292
Machakos	75,000,000	30,198,500	40.3	59	511,839	85,306
Makueni	47,000,000	32,689,430	69.6	48	681,030	113,505
Mandera	50,000,000	22,022,500	44.0	49	449,439	74,906
Marsabit	80,000,000	36,441,600	45.6	34	1,071,812	178,635
Meru	120,199,600	51,671,900	43.0	70	738,170	123,028
Migori	126,883,200	62,266,809	49.1	63	988,362	164,729
Mombasa	97,843,200	34,973,900	35.7	43	813,347	135,558
Murang'a	117,734,000	14,160,522	12.0	50	283,210	47,202
Nairobi City	207,246,000	66,779,700	32.2	128	521,716	86,953
Nakuru	110,000,000	34,223,040	31.1	75	456,307	76,051
Nandi	73,840,000	34,734,200	47.0	49	708,861	118,144
Narok	60,000,000	23,828,768	39.7	48	496,433	82,739
Nyamira	65,784,000	20,522,600	31.2	33	621,897	103,649
Nyandarua	68,414,000	27,905,360	40.8	42	664,413	110,736
Nyeri	107,857,600	38,678,300	35.9	48	805,798	134,300
Samburu	45,534,160	25,462,520	55.9	26	979,328	163,221

County Name	MCAs & Speaker Sitting Allowances for the first half of FY 2015/16					
	FY 2015/16 Budget Allocation (Kshs)	Half Year Expenditure (Kshs)	Absorption rate (%)	No. of MCAs including the Speaker	Expenditure relative to the No. of MCAs & Speakers (Kshs)	Average monthly sitting allowance Per MCA (Kshs)
Siaya	43,180,800	24,045,100	55.7	49	490,716	81,786
Taita/Taveta	58,060,800	25,030,400	43.1	36	695,289	115,881
Tana River	55,702,400	11,123,700	20.0	27	411,989	68,665
Tharaka –Nithi	34,923,600	6,136,472	17.6	25	245,459	40,910
Trans Nzoia	78,124,800	33,880,000	43.4	40	847,000	141,167
Turkana	64,911,200	20,567,300	31.7	47	437,602	72,934
Uasin Gishu	56,160,000	17,088,000	30.4	45	379,733	63,289
Vihiga	14,568,000	4,383,200	30.1	40	109,580	18,263
Wajir	60,224,000	15,780,700	26.20	45	350,682	116,894
West Pokot	54,288,628	26,628,461	49.0	33	806,923	134,487
Total	**3,578,197,888**	**1,368,614,334**	**38.2**	**2,259**	**605,850**	

Source: *OCOB and County Treasuries*

The County Assemblies that reported the highest expenditure on sitting allowances relative to the number of MCAs and the Speaker were; Marsabit County Assembly at Kshs.1.07 million followed by Migori County Assembly at Kshs.988,362 and Samburu County Assembly at Kshs.979,328. Those that reported the least expenditure were Baringo at Kshs.300,248, Tharaka Nithi at Kshs.245,459 and Vihiga at Kshs.109,580.

Further analysis indicated that the County Assemblies that reported the highest proportion of expenditure on MCAs' sitting allowances to the annual budget allocation were; Makueni at 69.6 per cent, Kisii at 66.7 per cent and Samburu at 55.9 per cent. Those with the lowest proportions were; Tana River at 20.0 per cent, Tharaka Nithi at 17.6 per cent and Murang'a at 12.0 per cent. Twelve County Assemblies exceeded the recommended SRC's maximum monthly sitting allowance of Kshs.124,800. These were Homa Bay, Kakamega, Kericho, Kisii, Kisumu, Marsabit, Migori, Mombasa, Nyeri, Samburu, Trans Nzoia and West Pokot County Assemblies

2.6 Analysis of Expenditure on Domestic and Foreign Travels

The Counties' aggregate expenditure on domestic and foreign travel was Kshs.4.58 billion against an approved annual budget of Kshs.10.55 billion[4]. This represents an absorption rate of 43.5 per cent of the annual budget, a marginal decrease from 43.7 per cent attained in the first half of FY 2014/15. The expenditure on domestic and foreign travels by the County Assembly and the County Executive is presented in Table 2.8.

4 *The approved annual budget for Domestic and Foreign travel differ from Kshs.9.72 billion published in the First Quarter of FY 2015/16 since most Counties revised their budgets.*

Table 2.8: Expenditures on domestic and foreign travels by the County Assembly and the County Executive for the first Half of FY 2015/16 (Kshs.million)

County	County Assembly			County Executive			Total Expenditure		
	Budget	Expen-di-ture	Perfo-rmance	Budget	Expen-di-ture	Perfo-rmance	Budget	Expen-di-ture	Perfo-rmance
	A	B	C= *100	D	E	F= *100	G	H	I = *100
Baringo	83.15	18.45	22.2	71.88	54.65	76.0	155.03	73.10	47.2
Bomet	47.18	59.36	125.8	30.40	24.09	79.2	77.58	83.45	107.6
Bungoma	23.35	12.53	53.7	198.34	176.46	89.0	221.69	188.99	85.2
Busia	55.35	30.85	55.7	238.01	97.45	40.9	293.36	128.30	43.7
Elgeyo/ Ma-rakwet	49.50	31.56	63.8	24.11	9.17	38.0	73.61	40.73	55.3
Embu	68.90	31.60	45.9	34.46	7.80	22.6	103.36	39.39	38.1
Garissa	46.03	23.13	50.3	90.09	23.43	26.0	136.12	46.56	34.2
Homa Bay	35.13	51.74	147.3	95.40	70.57	74.0	130.53	122.31	93.7
Isiolo	31.54	19.14	60.7	97.59	49.57	50.8	129.13	68.71	53.2
Kajiado	151.70	43.12	28.4	284.89	42.48	14.9	436.59	85.60	19.6
Kakamega	150.00	72.32	48.2	230.44	62.09	26.9	380.44	134.41	35.3
Kericho	63.53	36.11	56.8	94.39	52.36	55.5	157.92	88.47	56.0
Kiambu	162.50	61.05	37.6	223.24	70.86	31.7	385.74	131.91	34.2
Kilifi	140.00	96.48	68.9	130.89	74.60	57.0	270.89	171.09	63.2
Kirinyaga	101.00	70.73	70.0	67.07	31.79	47.4	168.07	102.52	61.0
Kisii	95.38	67.67	70.9	243.73	102.45	42.0	339.12	170.12	50.2
Kisumu	86.32	18.78	21.8	209.27	43.90	21.0	295.59	62.68	21.2
Kitui	95.68	29.57	30.9	205.80	63.25	30.7	301.48	92.82	30.8
Kwale	103.06	9.63	9.3	103.06	78.90	2.83	3.6	12.46	6.8
Laikipia	52.50	22.03	42.0	81.80	41.55	50.8	134.30	63.59	47.3
Lamu	72.68	5.02	6.9	83.83	37.62	44.9	156.51	42.64	27.2
Machakos	118.50	99.00	83.5	103.74	49.62	47.8	222.24	148.62	66.9
Makueni	47.42	46.28	97.6	112.39	67.66	60.2	159.82	113.94	71.3
Mandera	103.06	9.63	9.3	139.91	23.54	16.8	242.97	33.14	13.6
Marsabit	100.00	39.26	39.3	135.24	58.30	43.1	235.24	97.56	41.5
Meru	62.53	64.47	103.1	115.84	24.38	21.0	178.37	88.85	49.8
Migori	86.84	56.65	65.2	330.89	100.43	30.4	417.73	157.08	37.6
Mombasa	42.40	3.78	8.9	223.69	42.54	19.0	266.09	46.32	17.4
Murang'a	95.63	30.83	22.4	87.10	57.25	65.7	182.73	88.04	48.2
Nairobi City	209.97	133.65	63.7	279.20	153.34	54.9	489.17	286.99	58.7
Nakuru	72.50	51.42	70.9	208.69	145.88	69.9	281.19	197.30	70.2
Nandi	72.88	35.99	49.4	144.24	65.54	45.4	217.13	101.53	46.8
Narok	14.51	7.55	52.0	13.00	7.42	57.1	27.51	14.97	54.4
Nyamira	93.10	63.38	68.1	132.30	57.68	43.6	225.40	121.06	53.7

County	County Assembly			County Executive			Total Expenditure		
	Budget	Expen-di-ture	Perfo-rmance	Budget	Expen-di-ture	Perfo-rmance	Budget	Expen-di-ture	Perfo-rmance
	A	B	C= *100	D	E	F= *100	G	H	I = *100
Nyandarua	57.58	40.01	69.5	109.22	58.74	53.8	166.80	98.75	59.2
Nyeri	85.00	34.83	41.0	160.56	21.00	13.1	245.56	55.84	22.7
Samburu	36.81	12.03	32.7	144.74	44.55	30.8	181.55	56.58	31.2
Siaya	20.00	18.89	94.4	129.93	67.04	51.6	149.93	85.92	57.3
Taita/ Taveta	97.12	47.72	49.1	130.54	23.48	18.0	227.66	71.19	31.3
Tana River	63.35	32.71	51.6	169.11	23.01	13.6	232.45	55.72	24.0
Tharaka Nithi	38.80	25.22	65.0	73.02	16.91	23.2	111.82	42.14	37.7
Trans Nzoia	29.00	44.60	153.8	76.00	54.60	71.8	105.00	99.20	94.5
Turkana	190.89	37.20	19.5	216.22	104.14	48.2	407.11	141.34	34.7
Uasin Gishu	101.58	44.63	43.9	227.45	25.02	11.0	329.03	69.65	21.2
Vihiga	107.40	77.20	71.9	68.53	40.94	59.7	175.93	118.14	67.2
Wajir	38.82	22.48	57.9	271.58	127.42	46.9	310.40	149.90	48.3
West Pokot	63.50	29.38	46.3	164.37	65.88	40.1	227.87	95.26	41.8
TOTAL	**3,763.68**	**1,919.67**	**51.0**	**6,782.02**	**2,665.25**	**39.3**	**10,545.70**	**4,584.88**	**43.5**

Source: *OCOB and County Treasuries*

The Nairobi City County reported the highest expenditure on domestic and foreign travel at Kshs.286.99 million followed by Nakuru County and Bungoma County at Kshs.197.30 million and Kshs.188.99 million respectively. The counties that reported the lowest expenditure were; Mandera, Narok and Kwale at Kshs.33.14 million, Kshs.14.97 million and Kshs.12.46 million respectively.

Bomet County had the highest proportion of domestic and foreign travel as a proportion of its approved annual budget at 107.6 per cent followed by Trans Nzoia County at 94.5 per cent, Homa Bay County at 93.7 per cent and Bungoma County at 85.2 per cent. On the other hand, Kajiado County at 19.6 per cent, Mombasa County at 17.4 per cent, Mandera County at 13.6 per cent and Kwale County at 6.8 per cent had the lowest proportion of expenditure on domestic and foreign travels.

2.7 Expenditure on Debt Repayment

In the first half of FY 2015/16, the County Governments spent a total of Kshs.3.84 billion on debt repayment related to both recurrent and development activities. This accounted for 3.4 per cent of the total expenditure for the reporting period and an increase compared to 1.7 per cent incurred in a similar period of FY 2014/15.

Wajir County incurred the highest expenditure on debt repayment at Kshs.1.58 billion followed by Kisumu County at Kshs.772.26 million and Nairobi City County at Kshs.653.51 million as shown in table 2.5.

Analysis of the expenditure on debt repayment as a percentage of the total expenditure incurred in the reporting period indicated that Wajir County reported the highest percentage at 51.8 per cent followed by Kisumu County at 27.2 per cent and Vihiga County at 25.5 per cent. Out of the nine (9) counties that incurred expenditure on debt repayment, Meru, Narok and Kajiado Counties had the least percentage of expenditure on debt repayment to their total expenditure at 3.0 per cent, 2.3 per cent and 1.2 per cent respectively.

3.0 INDIVIDUAL COUNTY BUDGET PERFORMANCE

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

3.1 Baringo County

3.1.1 Overview of the FY 2015/16 Budget

The FY 2015/16 approved budget for Baringo County was Kshs.5.84 billion. It comprised of Kshs.3.43 billion (58.7 per cent) allocated to recurrent expenditure and Kshs.2.41 billion (41.3 per cent) to development expenditure.

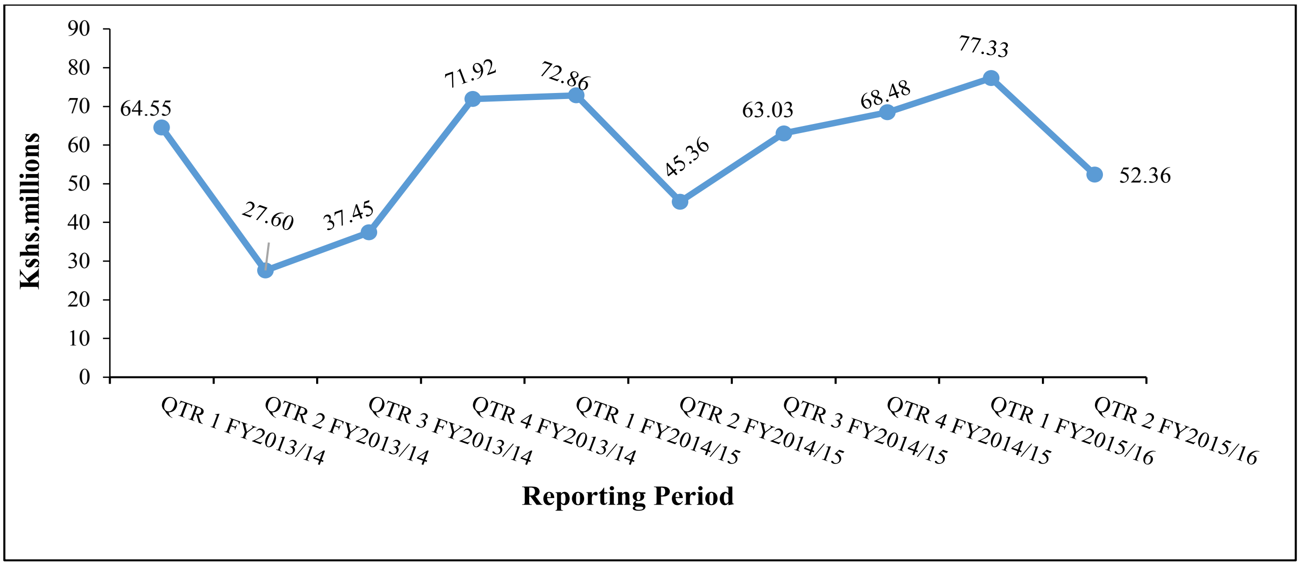
In order to finance the budget, the county expects to receive Kshs.4.44 billion (76.0 per cent) as transfers from the National Government, generate Kshs.300 million (5.1 per cent) from local sources, receive Kshs.95.74 million (1.6 per cent) for Leasing of Medical Equipment, Kshs.65.75 million (1.1 per cent) for Maternal Healthcare, Kshs.56.41 million (1.0 per cent) from the Roads Maintenance Fuel Levy Fund, Kshs.17.22 million (0.3 per cent) as World Bank grant to support health facilities, Kshs.25.97 million (0.4 per cent) as a conditional grant from DANIDA, and Kshs.831.91 million (14.2 per cent) as projected cash balance from FY 2014/15.

3.1.2 Revenue Analysis

In the first half of FY 2015/16, the County received Kshs.1.49 billion from the National Government as equitable share, Kshs.28.49 million as conditional allocation from the road maintenance fuel levy fund, Kshs.23.75 million as conditional allocation for free maternal health care, Kshs.4.09 million as conditional allocations for forgone user fees, raised Kshs.129.69 million from local sources, and had a cash balance of Kshs.831.91 million brought forward from FY 2014/15.

The quarterly trend in local revenue collection from FY 2013/14 to the second quarter of FY 2015/16 is shown in figure 3.1.

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



Source: *Baringo County Treasury*

The local revenue consisted of Kshs.77.33 million and 52.36 million raised in the first quarter and second quarter of the FY 2015/16 respectively. The local revenue raised in the first half of FY 2015/16 was Kshs.129.68 million (43.2 per cent of the annual local revenue target), and an improvement from Kshs.118.22 million collected in a similar period of FY 2014/15.

Further analysis of local revenue for the first half of FY 2015/16 by stream is shown in Table 3.1.

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

No	Revenue Stream	Annual Targeted Revenue (Kshs.)	6 Months Actual Revenue	Revenue Performance (%)
	A	B	C	D=*100
1	Produce & Other Cess	26,754,431.28	20,205,285.00	75.5
2	Market Fees	28,871,413.05	17,545,808.00	60.8
3	Animal Stock Sale Fees	14,269,644.46	7,553,695.00	52.9
4	Game Park Fees	65,378,063.83	32,941,970.00	50.4
5	Hospital Revenue	65,182,560.00	32,295,772.00	49.5
6	Koibatek ATC	6,000,000.00	1,307,079.00	21.8
7	Plot Rent/ Rates	29,476,585.69	6,254,379.00	21.2
7	Single Business Permit	44,430,982.05	8,775,609.00	19.8
9	Veterinary	8,522,700.00	1,706,452.00	20.0
10	Public Health Licenses	5,113,620.00	894,050.00	17.5
11	Marigat AMS	6,000,000.00	203,277.00	3.4
	TOTAL	**300,000,000.36**	**129,683,376.00**	**43.2**

Source: *Baringo County Treasury*

Analysis of revenue by stream indicates that produce and other cess recorded the highest performance against annual target at 75.5 per cent. This was closely followed by market fees at 60.8 per cent.

3.1.3 Banking of Local Revenue

In the first half of FY 2015/16, the County banked all the locally generated revenue intact into the CRF. This conforms to Article 207 of the Constitution and Section 109 of the PFM Act 2012, which stipulates that all funds raised or received by or on behalf of the County Governments should be deposited into the CRF account, unless excluded by an Act of Parliament.

3.1.4 Exchequer Issues

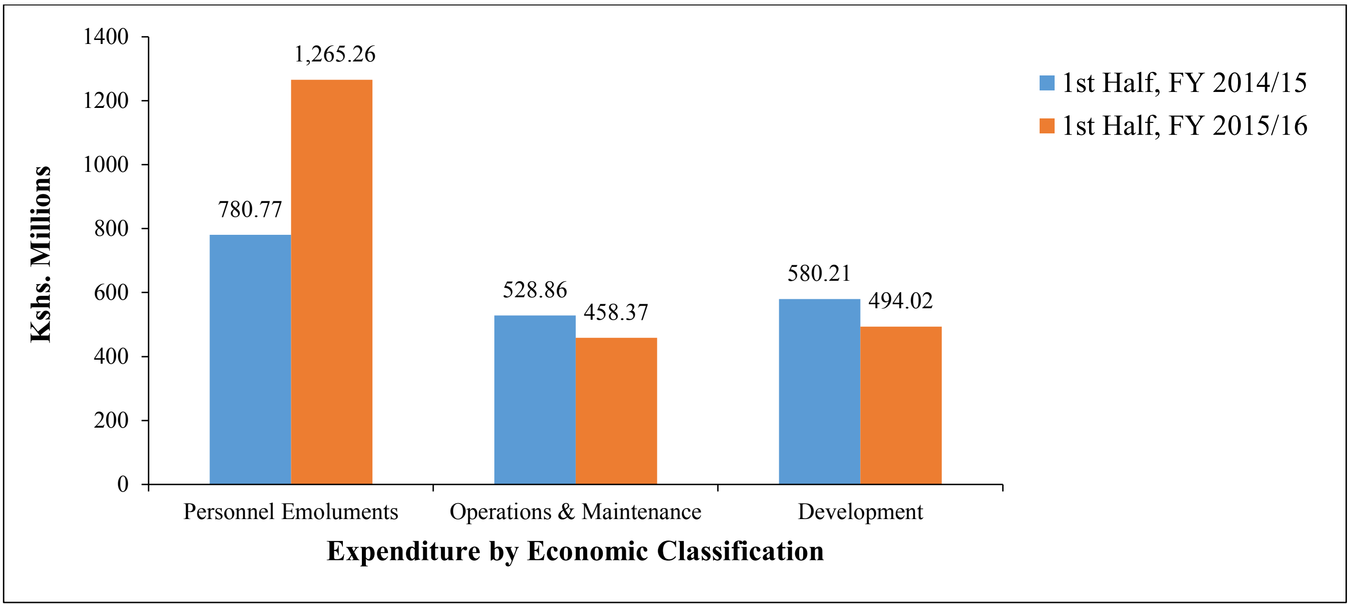
During the period under review, the COB authorised withdrawal of Kshs.2.45 billion from the CRF account, which was 41.8 per cent of the approved budget. The amount represented an increase of 4.6 per cent from Kshs.1.99 billion authorized in a similar period of FY 2014/15 and consisted of Kshs.1.80 billion (73.5 per cent) for recurrent expenditure and Kshs.647.42 million (26.5 per cent) for development activities.

3.1.5 Overall Expenditure Review

The County spent a total of Kshs.2.22 billion during the first half of FY 2015/16 which was 90.7 per cent of the total funds released for operations. This was a decline from the Kshs.1.89 billion spent in a similar period of FY 2014/15. A total of Kshs.1.72 billion was spent on recurrent activities and Kshs.494.01 million on development activities. Recurrent expenditure was 95.9 per cent of the funds released for recurrent activities while development expenditure accounted for 76.3 per cent of the funds released for development activities. The expenditure excludes commitments as of 31st December, 2015 that amounted to Kshs.36.65 million for development and Kshs.27.34 million for recurrent expenditure.

Recurrent expenditure for the period under review represented 50.3 per cent of the approved annual recurrent budget, an increase from 44.4 per cent spent in a similar period of FY 2014/15. On the other hand, development expenditure recorded an absorption rate of 20.5 per cent, a decrease from 24.3 per cent spent in a similar period of FY 2014/15. A comparison of the total expenditure in the first half of FY 2014/15 and the first half of FY 2015/16 is shown in Figure 3.2.

Figure 3.2: Baringo County, Expenditure by Economic Classification for first half of FY 2014/15 and first half of FY 2015/16



Source: *Baringo County Treasury*

3.1.6 Recurrent Expenditure Analysis

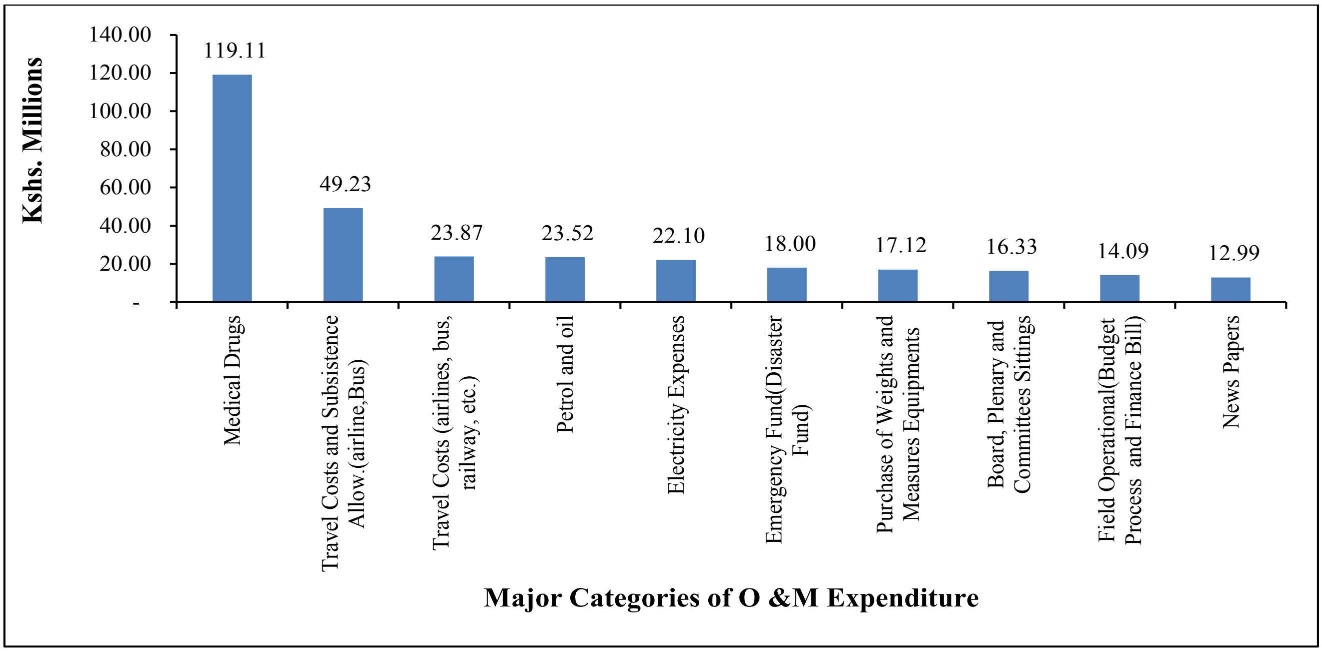
The total recurrent expenditure for the reporting period was Kshs.1.72 billion against an annual recurrent budget of Kshs.3.43 billion. This represents 50.3 per cent of the annual recurrent budget. The County spent Kshs.1.27 billion (73.4 per cent) on personnel emoluments and Kshs.458.37 million (26.6 per cent) on operations and maintenance as shown in Figure 3.2.

Expenditure on personnel emoluments amounted to Kshs.1.27 billion accounting for 57.7 per cent of the total expenditure and has increased significantly in the first half of FY 2015/16 as compared to a similar period in FY 2014/15 when the County spent Kshs.780.77 million. The increase is attributed to erroneous charging of personnel expenditure to operating and maintenance during the half year of FY 2014/15. This error was corrected in FY 2015/16.

The County spent Kshs.14.71 million on sitting allowances to the49 MCAs and the Speaker against an annual budget of Kshs.52 million. This represents a decrease from Kshs.9.66 million recorded in a similar period of FY 2014/15. The average monthly sitting allowance per MCA was Kshs.50,041 compared to SRC's recommended monthly ceiling of Kshs.124, 800.

The aggregate expenditure on domestic and foreign travel was Kshs.73.10 million compared to Kshs.30.38 million incurred in a similar period of FY 2014/15, representing a significant increase of 140.6 per cent. A breakdown of the operations and maintenance expenditure for the reporting period is shown in Figure 3.3.

Figure 3.3: Baringo County, Operations and Maintenance Expenditure for the first half of FY 2015/16

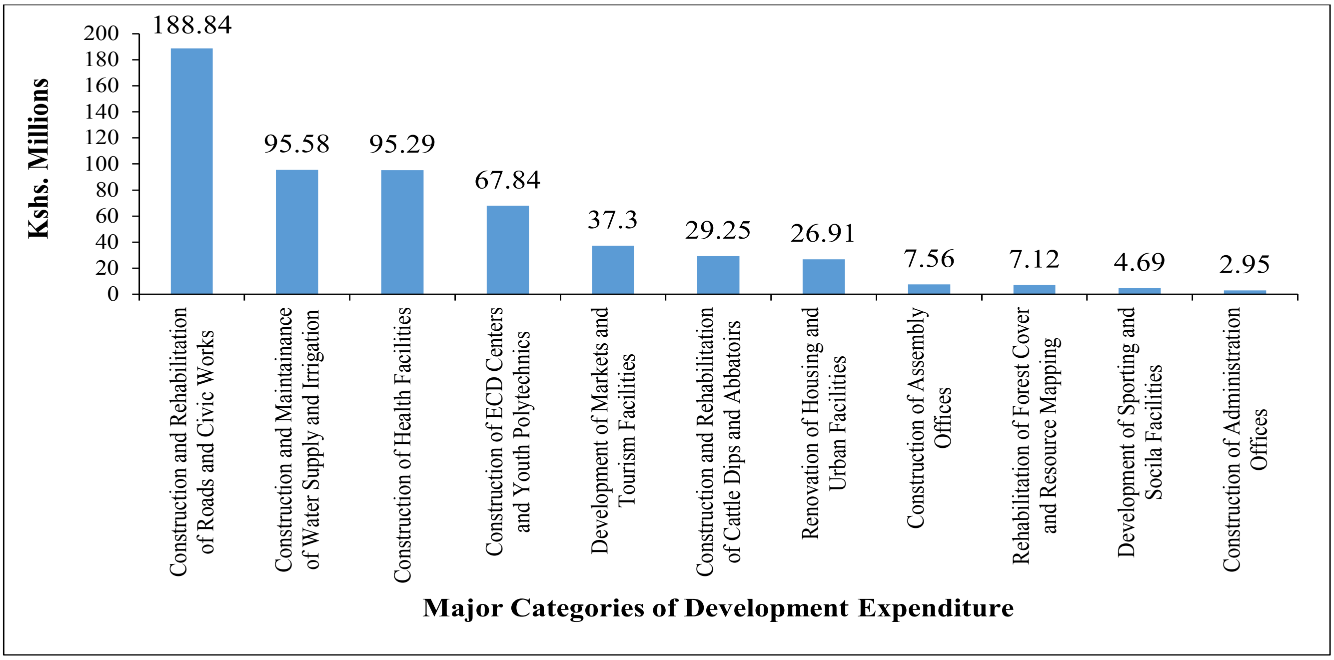


Source: *Baringo County Treasury*

3.1.7 Development Expenditure Analysis

A summary of development expenditure during the first half of FY 2015/16 is provided in figure 3.4.

Figure 3.4: Baringo County, Summary of Development Expenditure for the First Half of FY 2015/16



Source: *Baringo County Treasury*

Analysis of the development expenditure of Kshs.494.02 million incurred in the first half of FY 2015/16 indicates that the highest expenditure of Kshs.222.17 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 45 wards. The second highest expenditure of Kshs.26.37 million was incurred by the Health Department on construction of health facilities. The Department of Land, Physical Planning and Urban Development incurred Kshs.21.40 million on installation of street lights while the Department of Agriculture incurred Kshs.14.44 million on Artificial Insemination Programme.

3.1.8 Annual Budget and Budget Performance Analysis by department for the First Half of FY 2015/16

A summary of FY 2015/16 annual budget estimates and budget performance for the first half by department is shown in Table 3.2.

Table 3.2: Baringo County, Annual Budget and First Half of FY 2015/16 Budget Performance by Department

Department	Annual Budget Allocation (Kshs.Million)		6 Months Exchequer Issues (Kshs. Million)		6 Months Expenditure (Kshs.Million)		Expenditure to Exchequer Issues (%)		Absorption rate (%)	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
County Assembly	506.46	79.41	269.75	14.00	154.34	7.56	57.2	54.0	30.5	9.5
Governor/County Executive services	328.25	83.18	130.43	-	126.75	2.95	97.2	-	38.6	3.5
County Treasury Services	343.32	53.36	165.29	0.50	114.93	0.69	69.5	138.4	33.5	1.3
Transport and Infrastructure	53.55	516.99	29.85	152.65	25.29	118.84	84.7	77.8	47.2	23.0
Industrialization, Commerce and Tourism	96.97	113.24	60.51	51.35	36.63	37.30	60.5	72.6	37.8	32.9
Education, Sports, Culture & Art	268.05	221.57	117.90	57.62	116.19	67.84	98.6	117.7	43.3	30.6
Health	1,375.05	427.17	794.20	147.80	941.42	95.29	118.5	64.5	68.5	22.3
Housing & Urban Development	82.71	116.37	40.83	22.50	38.87	26.91	95.2	119.6	47.0	23.1
Agriculture, Livestock, Fisheries & Marketing	210.65	235.49	115.93	51.50	96.39	29.25	83.1	56.8	45.8	12.4
Youth, Gender & Social Security Services	48.35	104.98	15.32	15.50	16.68	4.69	108.9	30.3	34.5	4.5
Water & Irrigation	88.33	414.02	45.79	128.00	39.06	95.58	85.3	74.7	44.2	23.1
Environment & Natural Resources	28.31	48.23	11.86	6.00	17.07	7.12	143.9	118.7	60.3	14.8
Total	**3,430.01**	**2,414.02**	**1,797.67**	**647.42**	**1,723.64**	**494.02**	**95.9**	**76.3**	**50.3**	**20.5**

Source: *Baringo 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 32.9 per cent while the County Treasury registered the lowest at 1.3 per cent. On the other hand, the Health Department had the highest percentage of its recurrent expenditure to annual recurrent budget at 68.5 per cent while the County Assembly had the lowest at 30.5 per cent.

3.1.9 Borrowing by the County Government

Article 212 of the Constitution requires a county government to borrow with approval from the County Assembly, and only if the national government guarantees the loan. Further, Section 58 of the PFM Act 2012 gives the Cabinet Secretary of the National Treasury powers to guarantee loans subject to approval by Parliament. During the period under review, the County did not report any borrowing.

3.1.10 Observations and Recommendations

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

i. Establishment of an Internal Audit Committee and strengthened internal audit function.

ii. Establishment of an enforcement unit to strengthen revenue collection efforts.

iii. Stoppage of irregular payments of allowances not awarded by the Salaries and Remuneration Commission to County staff. However, the irregularly paid allowances are yet to be recovered.

iv. Improvement of working relationship between the County Executive and the County Assembly.

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

1. Infrastructural challenges in the implementation of the E-Procurement module.
2. Failure to develop guidelines and regulations to operationalize the County established Funds.
3. Failure to observe key budgetary timelines.

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

1. *The County Treasury should liaise with the IFMIS Directorate to ensure smooth implementation of the E-Procurement module.*
2. *The County Treasury should develop regulations for approval by the County Assembly to operationalize the County established Funds in line with Section 116 of the PFM Act 2012.*

3. *The County Government should adhere to budget timelines as outlined in the PFM Act 2012.*

3.2 Bomet County

3.2.1 Overview of the FY 2015/16 Budget

The FY 2015/16 approved budget for the County was Kshs.4.92 billion. It comprised of Kshs.2.74 billion (55.5 per cent) allocated to recurrent expenditure and Kshs.2.18 billion (44.5 per cent) to development expenditure.

In order to finance the budget, the County expects to receive Kshs.4.67 billion (94.9 per cent) as equitable share from the National Government, collect Kshs.230.33 million (4.6 per cent) from local sources and receive a conditional grant of Kshs.15.35 million (0.3 per cent) from DANIDA.

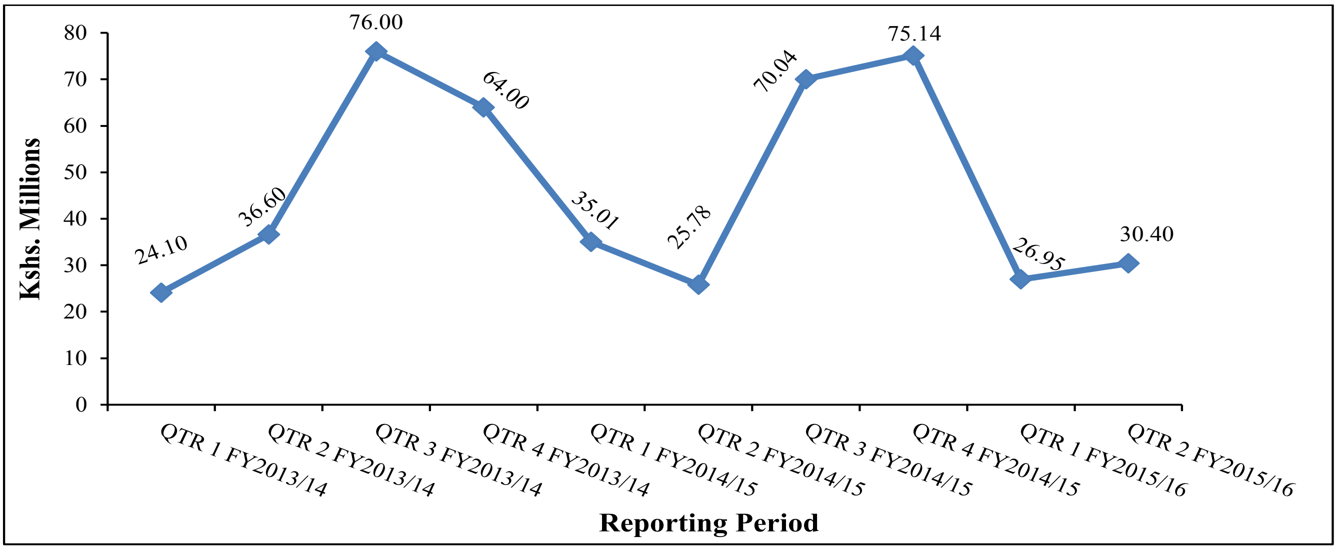
While reviewing the approved budget, the OCOB noted that the County had under budgeted for the equitable share by Kshs.32.01 million. In addition, the County did not budget for the conditional grants contained in the CARA 2015, which included; Kshs.16.88 million for compensation of forgone user fees, Kshs.95.74 million for leasing of medical equipment, Kshs.59.79 million from the Road Maintenance Fuel Levy Fund, Kshs.58.45 million for Maternal Health care, and Kshs.26.75 million as balance brought forward from FY 2014/15.

3.2.2 Revenue Analysis

During the first half of FY 2015/16, the County received Kshs.2.38 billion from the National Government as equitable share, Kshs.30.20 million from the Road Maintenance Fuel Levy Fund, Kshs.8.81 million from DANIDA, Kshs.19.50 million as conditional allocation for free maternal health care, Kshs.0.88 million as conditional allocation for forgone user fees, generated Kshs.57.34 million from local sources, and had Kshs.26.74 million cash balance brought forward from FY 2014/15. The local revenue consisted of Kshs.26.95 million raised in the first quarter and Kshs.30.40 million in the second quarter of FY 2015/16.

The total local revenue raised in the first half of the FY 2015/16 was Kshs.57.34 million (24.9 per cent of the annual local revenue target) and a decrease from Kshs.62.21 million collected in the first half of FY 2014/15. The quarterly trend in local revenue collection by quarter from the first quarter of FY 2013/14 to the second quarter of FY 2014/15 is shown in figure 3.5.

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



Source: *Bomet County Treasury*

The analysis of local revenue realized in the first half of FY 2015/16 by stream is shown in

Table 3.3.

Table 3.3: Bomet County, Analysis of revenue collection by stream for the first half of FY 2015/16

No.	Revenue Stream	Annual Targeted Revenue (Kshs.)	Six Months Actual Revenue (Kshs.)	Revenue Performance (%)
	A	B	C	D=*100
1	Embomos Tea Farm	11,132,950	9,846,540	88.4
2	Rental Income	4,455,120	2,276,477	51.1
3	Cess Collections	4,967,682	2,027,410	40.8
4	Parking Charges	17,412,621	6,388,660	36.7
5	Markets & Slaughter	17,473,131	5,798,784	33.2
6	Hospitals/Dispensaries/Health Centres (HSSF)	64,380,392	19,386,637	30.1
7	Business Permits	49,476,215	4,848,925	9.8
8	Property Rates	97,549,815	2,708,596	2.8
9	Misclellaneous revenue streams	23,800,207	28,110,386	118.1
	Total	**290,648,134**	**57,343,563**	**19.7**

Source: *Bomet County Treasury*

The analysis of revenue by stream indicates that misclellaneous revenue recorded the highest performance against the annual local revenue target at 118.1 percent followed by Embomos Tea Farm at 88.4 per cent. In addition, the revenue target by stream of Kshs.290.6 million varies from the revenue target contained in the approved budget of Kshs.230.33 million.

3.2.3 Banking of local revenue

A review of the bank statements for the revenue collection account indicates that all locally generated revenue was deposited into the CRF during the period under review. This conforms to Article 207 of the Constitution and Section 109 of the PFM Act 2012, which stipulates that all funds raised or received by or on behalf of the County Government should be deposited into the CRF account, unless excluded by an Act of Parliament.

3.2.4 Exchequer Issues

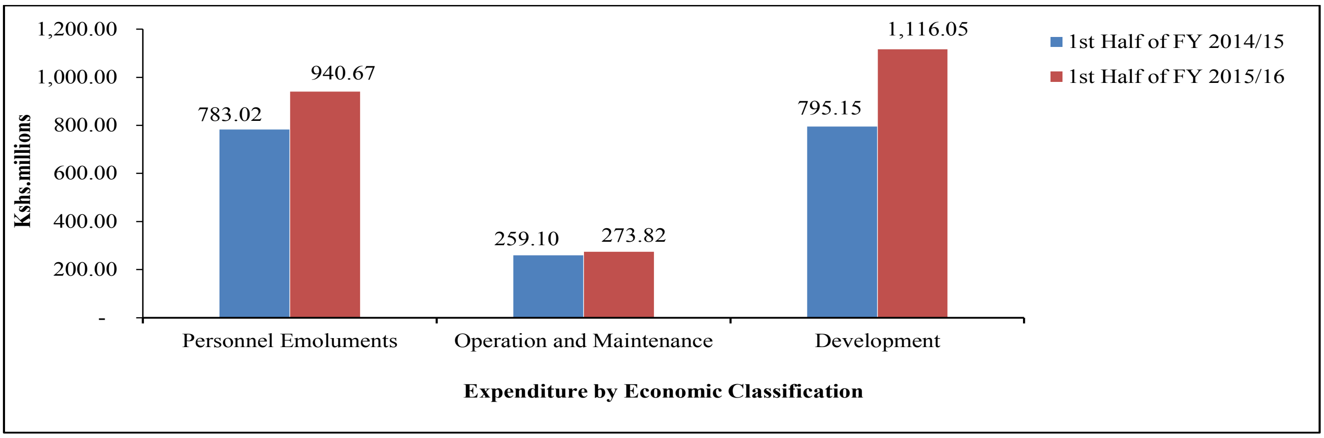
The COB authorized withdrawal of Kshs.2.49 billion from the CRF, which represented 50.6 per cent of the approved budget. The amount was an increase of 19.1 per cent from Kshs.2.09 billion authorized in a similar period of FY 2014/15 and consisted of Kshs.1.31 billion (52.5 per cent) for recurrent expenditure and Kshs.1.18 million (47.5 per cent) for development activities.

3.2.5 Overall Expenditure Review

The County spent a total of Kshs.2.33 billion during the first half of FY 2015/16 which was 93.6 per cent of the total funds released for both recurrent and development expenditure. This is an increase from the Kshs.1.84 billion spent in a similar period of FY 2014/15. A total of Kshs.1.21 billion was spent on recurrent activities and Kshs.1.12 billion on development activities. Recurrent expenditure was 92.9 per cent of the funds released for recurrent activities while development expenditure accounted for 94.9 per cent of the funds released for development activities. The expenditure excludes commitments as of 31st December, 2015 that amounted to Kshs.170 million for development and Kshs.68 million for recurrent expenditure.

Recurrent expenditure for the period under review represented 44.3 per cent of the approved annual recurrent budget, a decrease 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 51.2 per cent, an improvement from 29.4 per cent spent in a similar period of FY 2014/15. A comparison of the total expenditure in the first half of FY 2014/15 and the first half of FY 2015/16 is shown in Figure 3.6.

Figure 3.6: Bomet County, Expenditure by Economic Classification for first half of FY 2014/15 and FY 2015/16



Source: *Bomet County Treasury*

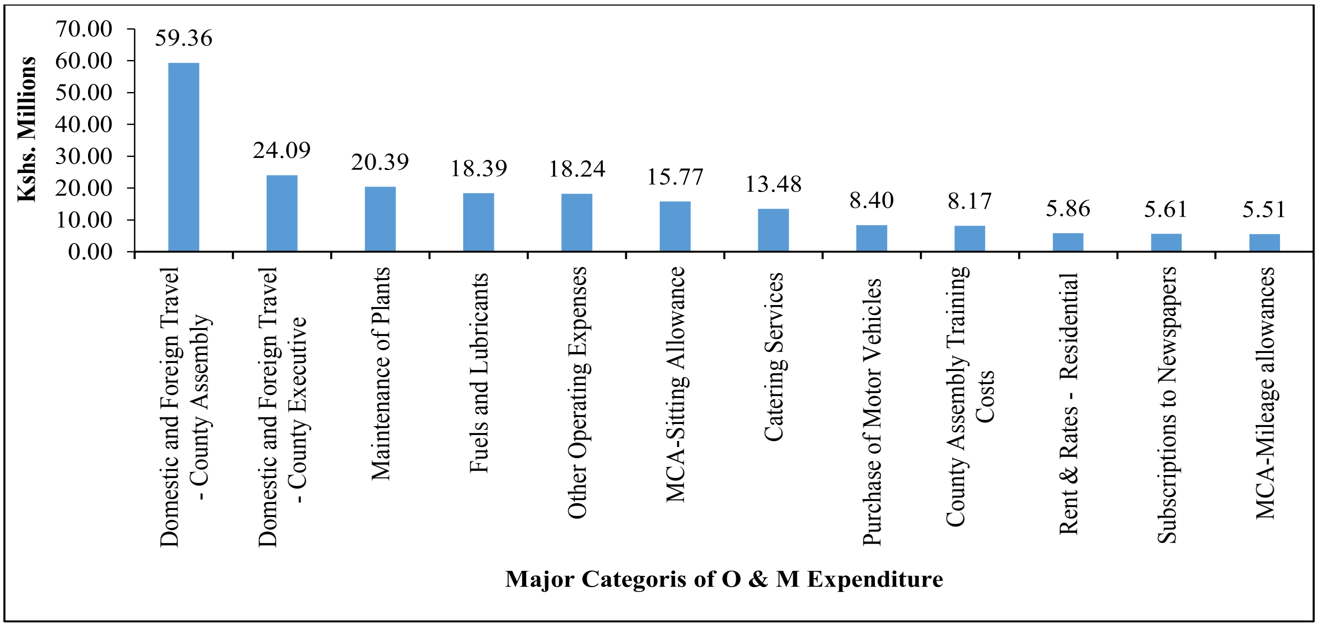
3.2.6 Recurrent Expenditure Analysis

The total recurrent expenditure for the reporting period was Kshs.1.21 billion against an annual recurrent budget of Kshs.2.74 billion. This represents 44.3 per cent of the annual recurrent budget. The County spent Kshs.940.67 million (77.5 per cent) on personnel emoluments and Kshs.273.82 million (22.5 per cent) on operations and maintenance as shown in Figure 3.6. Expenditure on personnel emoluments accounted for 40.4 per cent of total expenditure and has increased significantly in the first half of FY 2015/16 as compared to a similar period in FY 2014/15 when the County spent Kshs.783.02 million. The increase is attributed to continuous recruitment of staff.

The County spent Kshs.15.77 million on sitting allowances to the 35 MCAs and the Speaker against an annual budget of Kshs.56.63 million. This is a marginal increase from Kshs.23.25 million recorded in a similar period of FY 2014/15. The average monthly sitting allowance per MCA was Kshs.75,091 compared to SRC's recommended monthly ceiling of Kshs.124,800.

A breakdown of the operations and maintenance expenditure is shown in Figure 3.7.

Figure 3.7: Bomet County, Operations and Maintenance Expenditure for the first half of FY 2015/16



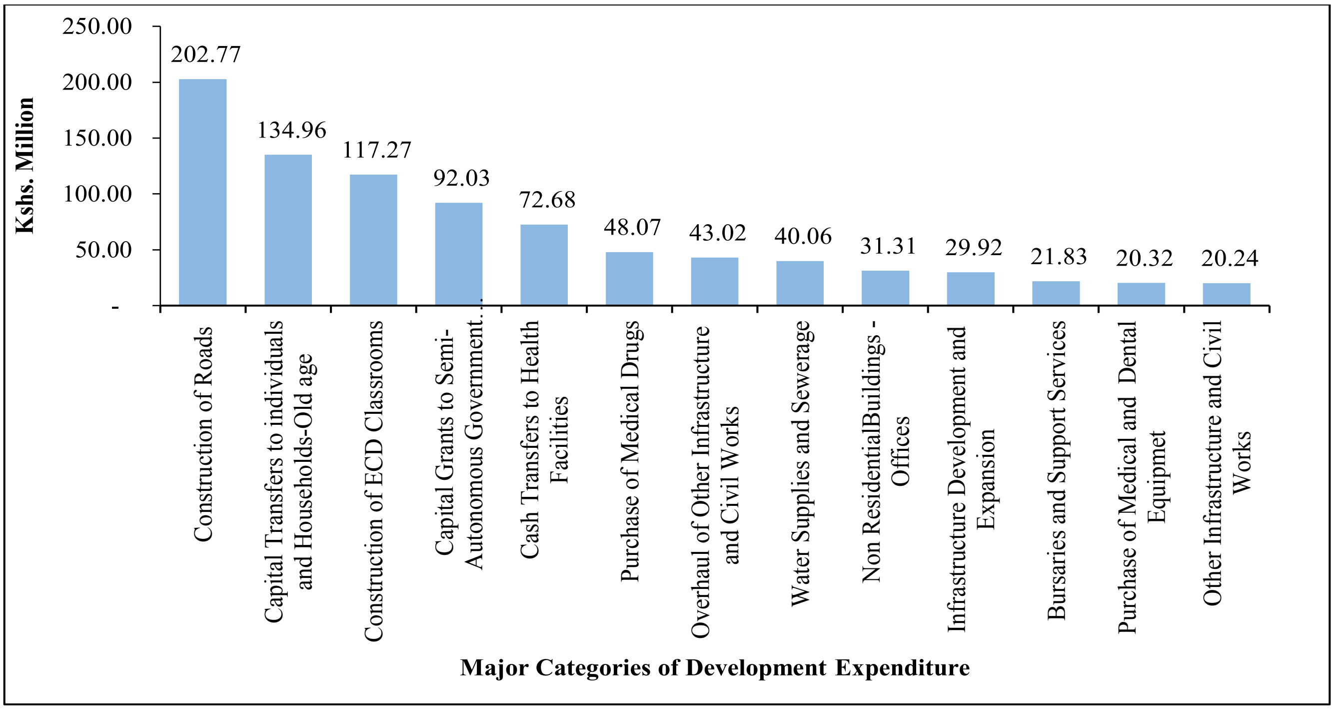
Source: *Bomet County Treasury*

The aggregate expenditure on domestic and foreign travel was Kshs.83.45 million as compared to Kshs.46.9 million incurred in a similar period of FY 2014/15, representing an increase of 77.9 per cent. This expenditure comprised of Kshs.24.09 million spent by the County Executive and Kshs.59.36 million by the County Assembly.

3.2.7 Development Expenditure Analysis

The summary of development expenditure during the first half of FY 2015/16 is provided in figure 3.8.

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



Source: *Bomet County Treasury*

Analysis of the development expenditure of Kshs.1.12 billion incurred in the first half of FY 2015/16 indicates that the Roads Department reported the highest expenditure at Kshs.202.77 million which was spent on development and maintenance of access roads. A total of 223 kilometers of roads were maintained across the 45 wards. The second highest category of development expenditure was Kshs.134.96 million, which was spent on capital transfers to individuals. The Department of Education and vocational training incurred Kshs.117.27 million on building of ECD classrooms while Kshs.92.03 million was spent on capital grants to Semi-Autonomous Government Agencies.

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

A summary of the FY 2015/16 annual budget estimates and budget performance for the first half of FY 2015/16 by department is shown in Table 3.4.

Table 3.4: Bomet County, Annual Budget and First Half of FY 2015/16 Budget Performance by Department

Department	Annual Budget Allocation (Kshs)		Six Months Exchequer Issues (Kshs)		Six Months Expenditure (Kshs)		Six Months Expenditure to Exchequer issues (%)		Expenditure to Annual Budget (Absorption %)	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
County Assembly	489.4	10	247.5	-	161.85	-	65.4	-	33.1	-
County Executive & Administration	719.7	70	339.3	25.1	331.82	31.31	97.8	124.7	46.1	44.7
Agri Business & Marketing	161.4	239.1	77.3	96.6	96.34	48.14	124.6	49.8	59.7	20.1
Social Services	53.8	399.2	22	246.7	22.14	183.73	100.6	74.5	41.2	46
Public Health & Environment	113.9	41.58	48.3	12.4	49	-	101.4	-	43	-
Finance & Economic Planning	314.4	25.7	145.6	11.1	142.43	2.83	97.8	25.5	45.3	11
Water and Irrigation	39	290.3	22.2	153.8	20.32	172.6	91.5	112.2	52.1	59.5
Land, Housing and Urban Planning	63.3	63	30	27.5	30.8	43.85	102.7	159.5	48.7	69.6
Education And Vocational Training	178	296.7	81.5	128.6	82.19	180.84	100.8	140.6	46.2	61
Roads And Public Works	157.2	309.23	65.3	242	47.82	227.7	73.2	94.1	30.4	73.6
Medical Services	432.2	378	221	228.2	224.18	203.55	101.4	89.2	51.9	53.8
Trade Energy, Tourism & Industrialization	17	59	7.13	9.5	5.6	21.5	78.5	226.3	32.9	36.4
TOTAL	**2,739.30**	**2,181.81**	**1,307.13**	**1,181.50**	**1,214.49**	**1,116.05**	**92.9**	**94.5**	**44.3**	**51.2**

Source: *Bomet County Treasury*

Analysis of budget performance by department shows that the Department of Roads and Public Works reported the highest absorption rate of its development budget at 73.6 per cent while the Department of Public Health and Environment, and the County Assembly did not report any development expenditure. Conversely, the Department of Agri-Business and Marketing had the highest percentage of its recurrent budget at 59.69 per cent while the Roads and Public Works Department had the lowest percentage at 30.43 per cent.

3.2.9 Borrowing by the County Government

Article 212 of the Constitution requires a county government to borrow with approval from the County Assembly, and only if the national government guarantees the loan. Further, Section 58 of the PFM Act 2012 gives the Cabinet Secretary to the National Treasury the powers to guarantee loans subject to approval by Parliament. During the period under review, the County did not report any borrowing.

3.2.10 Observations and Recommendations

The County has made progress in addressing the challenges previously identified as affecting budget implementation. Some of the progresses made by the county include:

i. Improvement in absorption of development funds from 23.08 per cent reported in the first half of FY 2014/15 to 51.15 per cent in the period under review.

ii. Improvement in local revenue collection from 16.3 per cent of the annual revenue target in the first half of FY 2014/15 to 24.9 per cent in the similar period of FY 2015/16.

Despite the progress made, low local revenue collection continued to hamper effective budget implementation. During the reporting period, the County collected a total of Kshs.57.34 million which accounted for 24.9 per cent of the of the annual revenue target in FY 2015/16 against an expected outturn of 50 per cent.

1. *The County Treasury should come up with strategies to enhance local revenue collection. This will enable the County to implement the planned activities.*

3.3 Bungoma County

3.3.1 Overview of the FY 2015/16 Budget

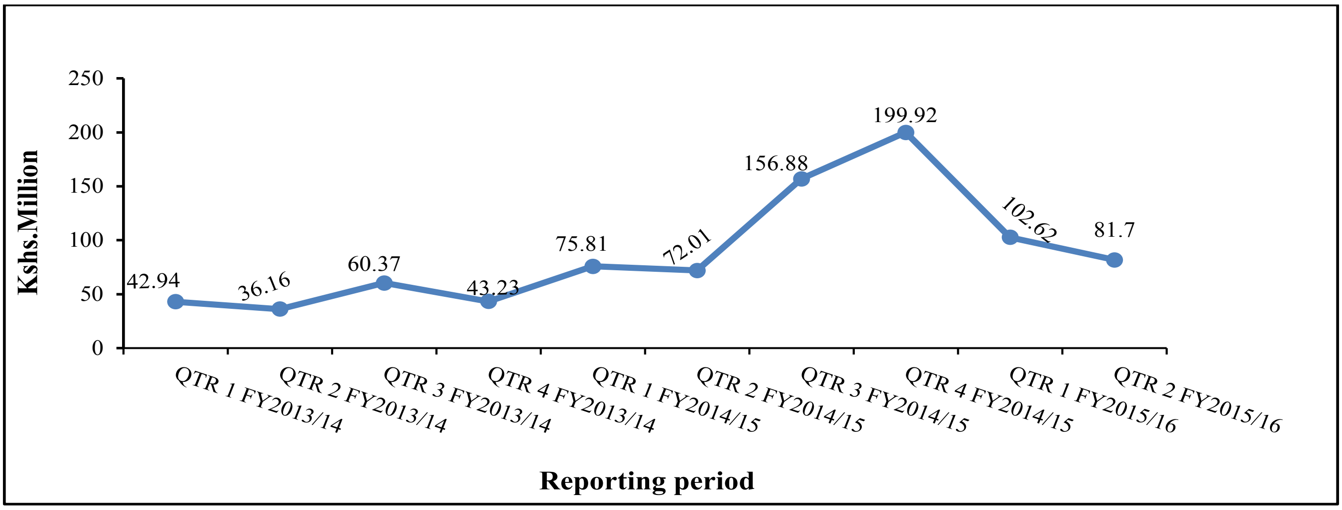
The FY 2015/16 approved Supplementary Budget for Bungoma County amounted to Kshs.9.97 billion. It comprised of Kshs.5.78 billion (58.0 per cent) allocated for recurrent expenditure and Kshs.4.19 billion (42.0 per cent) for development expenditure.

In order to finance the budget, the County expects to receive Kshs.7.77 billion (78.0 per cent) as transfers from the National Government, collect Kshs.819.94 million (8.0 per cent) from local sources, receive a conditional grant of Kshs.14.75 million (0.2 per cent) from DANIDA and, Kshs.1.37 billion (13.8 per cent) opening cash balance brought forward from FY 2014/15. However, the County did not budget for the additional conditional grants of Kshs.401.90 million from the National Government as contained in CARA, 2015 for free Maternal health care, compensation of forgone user fees, leasing of medical equipment and the road maintenance fuel levy fund.

3.3.2 Revenue Analysis

In the first half of FY 2015/16, the County received Kshs.2.51 billion from the National Government as equitable share, Kshs.49.24 million as conditional allocations from the road maintenance fuel levy fund, Kshs.71.81 million as conditional allocation for free maternal health care, Kshs.4.42 million as conditional allocations for forgone user fees, raised Kshs.184.32 million from local sources, and had a cash balance of Kshs.1.37 billion brought forward from FY 2014/15..The quarterly trend in local revenue collection from the FY 2013/14 to the second quarter of FY 2015/16 is shown in figure 3.9.

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



Source: *Bungoma County Treasury*

The local revenue consisted of Kshs.102.62 million raised in the first quarter and Kshs.81.70 million in the second quarter.

The local revenue raised in the first half of the FY 2015/16 was Kshs.184.32 million (22.5 per cent of the annual local revenue target), and an improvement from Kshs.147.82 million collected in a similar period of FY 2014/15

The analysis of local revenue for the first half of FY 2015/16 by stream is shown in Table 3.5.

Table 3.5: Bungoma County Analysis of revenue collection by stream for the first half of FY 2015/16

No.	Revenue Stream	Annual Targeted Revenue (Kshs.)	6 Months Actual Revenue (Kshs.)	Revenue Performance (%)
	A	B	C	D=*100
1	Enclosed Bus Park Fee	25,605,158	23,114,750	90.3
2	Market Fees	23,101,432	19,740,055	85.4
3	Single Business Permits	15,658,213	11,473,710	73.3
4	Cess	22,127,758	15,330,456	69.3
5	AIA	145,344,141	77,685,834	53.4
6	Other sources	588,104,636	36,979,210	6.3
	TOTAL	**819,941,338**	**184,324,015**	**22.5**

Source: *Bungoma County Treasury*

The analysis of revenue by stream indicates that bus park fees recorded the highest performance against annual target at 90.3 per cent followed by market fees at 85.5 per cent.

3.3.3 Banking of Local Revenue

A review of the bank statements for the revenue collection accounts indicates that the County did not bank all the locally generated revenue into the CRF. The Department of Health did not sweep its revenue to the CRF account maintained at CBK. This contravenes Article 207 of the Constitution and Section 109 of the PFM Act 2012, which stipulates that all funds raised or received by or on behalf of the County Government should be deposited into the CRF account, unless excluded by an Act of Parliament.

3.3.4 Exchequer Issues

During the period under review, the COB authorised withdrawal of Kshs.3.67 billion from the CRF account, which represented 36.9 per cent of the approved budget. The withdrawn amount represented an increase from Kshs.3.45 billion authorized in a similar period of FY 2014/15 and consisted of Kshs.2.51 billion (68.4 per cent) for recurrent expenditure and Kshs.1.16 billion (31.6 per cent) for development activities.

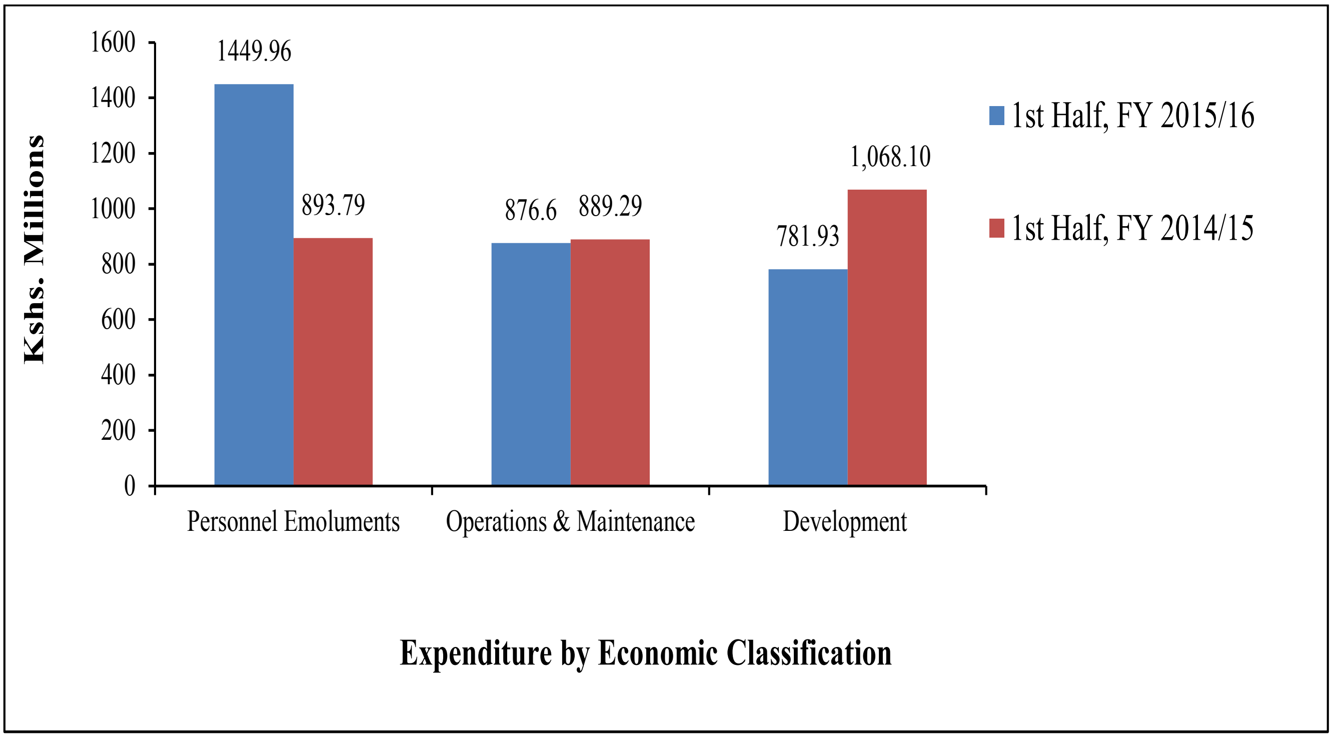
3.3.5 Overall Expenditure Review

The County spent a total of Kshs.3.11 billion during the first half of FY 2015/16 which was 84.6 per cent of the funds released for operations. This was an increase from the Kshs.2.85 billion spent in a similar period of FY 2014/15. A total of Kshs.2.33 billion was spent on recurrent activities and Kshs.781.93 million on development activities. Recurrent expenditure was 92.6 per cent of the funds released for recurrent activities while development expenditure accounted for 67.3 per cent of the funds released for development activities. The expenditure excludes commitments as of 31st December, 2015 that amounted to Kshs.343.19 million for recurrent expenditure. The County Treasury did not provide for the outstanding commitments for development expenditure.

Recurrent expenditure for the period under review represented 40.3 per cent of the approved annual recurrent budget, a decrease from 43.3 per cent spent in a similar period of FY 2014/15. Development expenditure recorded an absorption rate of 18.7 per cent, an improvement from 12.0 per cent spent in a similar period of FY 2014/15.

A comparison of the total expenditure between the first half of FY 2014/15 and the first half of FY 2015/16 is shown in Figure 3.10.

Figure 3.10: Bungoma County, Expenditure by Economic Classification for First Half of FY 2014/15 and First Half of FY 2015/16



Source: *Bungoma County Treasury*

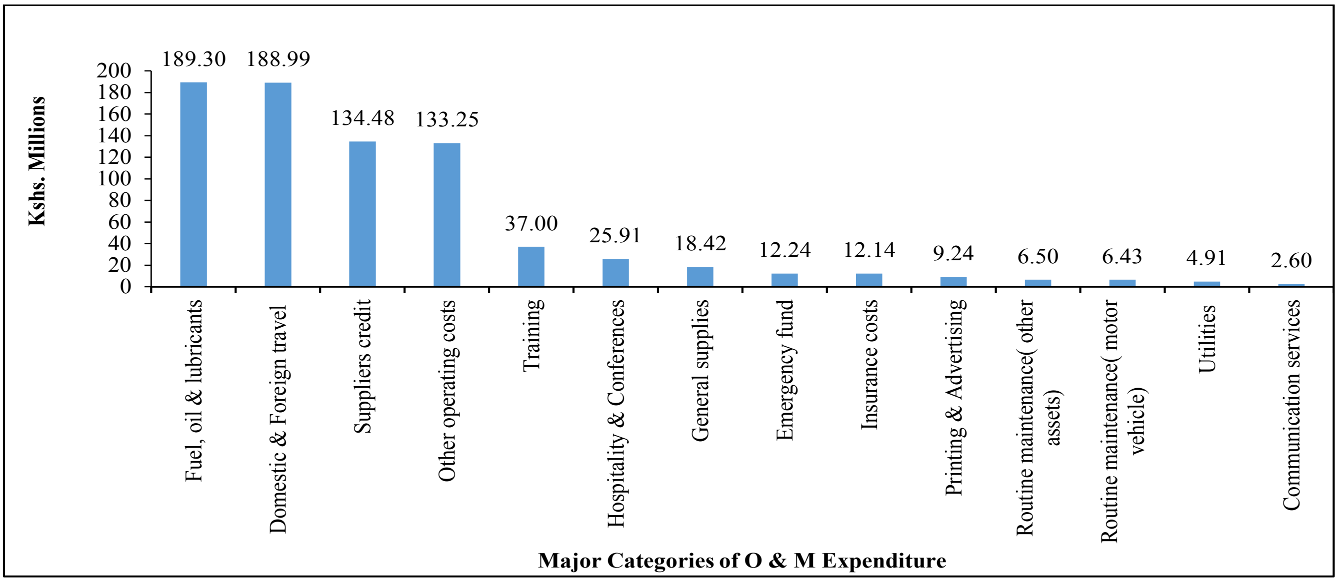
3.3.6 Recurrent Expenditure Analysis

The total recurrent expenditure for the reporting period was Kshs.2.33 billion against an annual recurrent budget of Kshs.5.78 billion. This represents 40.3 per cent of the annual recurrent budget. The County spent Kshs.1.45 billion (62.2 per cent) on personnel emoluments and Kshs.876.6 million (37.8 per cent) on operations and maintenance as shown in Figure 3.10. Expenditure on personnel emoluments accounted for 46.6 per cent of total expenditure and has increased significantly in the first half of FY 2015/16 as compared to the similar period in FY 2014/15 when the County spent Kshs.893.79 million.

The County spent Kshs.42.78 million on sitting allowances to the 64 MCAs and the Speaker against an annual budget of Kshs.105.71 million. This is an increase from Kshs.59.40 million recorded in a similar period of FY 2014/15. The average monthly sitting allowance per MCA was Kshs.111, 396 compared to SRC's recommended monthly ceiling of Kshs.124, 800.

A breakdown of the operations and maintenance expenditure is shown in Figure 3.11.

Figure 3.11: Bungoma County, Operations and Maintenance Expenditure for the first half of FY 2015/16



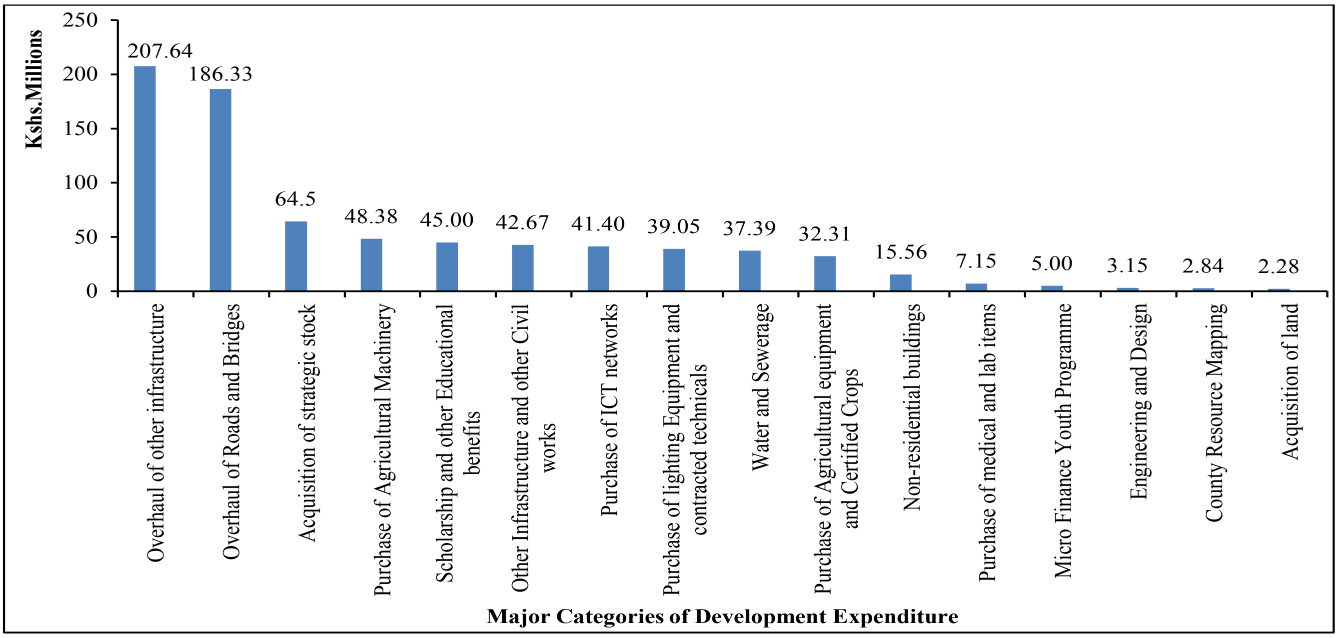
Source: *Bungoma County Treasury*

The aggregate expenditure on domestic and foreign travel was Kshs.188.99 million as compared to Kshs.73.00 million incurred in a similar period of FY 2014/15, representing an increase of 158.9 per cent. This expenditure comprised of Kshs.176.46 million spent by the County Executive and Kshs.12.53 million by the County Assembly.

3.3.7 Development Expenditure Analysis

Details of development expenditure during the first half of FY 2015/16 are provided in figure 3.2.

Figure 3.12: Bungoma County, Summary of Development Expenditure for the first half of FY 2015/16



Source: *Bungoma County Treasury*

Analysis of the development expenditure of Kshs.781.93 million incurred in the first half of FY 2015/16 indicates that the County spent Kshs.186.33 million on roads and bridges, Kshs.207.64 million on overhaul of other infrastructure, Kshs.64.50 million on acquisition of strategic stock, Kshs.76.68 million on scholarships and other education benefits, Kshs.48.38 million on purchase of agricultural machinery and Kshs.41.40 million on purchase of ICT networks.

3.3.8 Annual Budget and Budget Performance Analysis by department for the First Half of FY 2015/16

A summary of the annual budget estimates and budget performance for the first half of FY 2015/16 by department is shown in Table 3.6.

Table 3.6: Bungoma County, Annual Budget and First Half of FY 2015/16 Budget Performance by Department

Department	Annual Budget Allocation (Kshs. Million)		6 Months Exchequer issues (Kshs. Million)		6 Months Expenditure (Kshs. Million)		Expenditure to exchequer issues (%)		Absorption %	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
Public Administration	440.53	60.12	188.84	14.25	165.58	7.4	87.7	52	37.6	12.3
Finance and Planning	1108.88	1423.8	500.39	226	521.08	41.4	104.1	18.3	47	2.9
Agriculture, Livestock, Fisheries and Co-op Development	436.27	409.7	167.42	148.22	149.61	145.19	89.4	98	34.3	35.4
Trade, Energy, land, Industrialization,	102.47	439.2	39.84	89.24	32.44	53.64	81.4	60.1	31.7	12.2
Roads and Public Works	137.81	814	65.41	383.06	43.45	387.67	66.4	101.2	31.5	47.6
Tourism, Forestry, Environment, Water and Natural Resources	63.3	308.8	35.27	74.84	37.17	47.24	105.4	63.1	58.7	15.3
Education, Science, Sports and Youth Affairs	355.92	422.23	172.19	163.31	165.15	76.68	95.9	47	46.4	18.2
Governors' office	395.97	13.67	201.61	0	198.68	0	98.5	0	50.2	0
Health	1,901.76	165.66	718.71	47.85	707.28	22.7	98.4	47.4	37.2	13.7
CPSB	44.65	0	13.12	0	12.03	0	91.7	0	26.9	0
County Assembly	677.36	43.39	347.86	0	249.73	0	71.8	0	36.9	0
Gender and Culture	75.29	62.7	46.82	7.54	35.27	0	75.3	0	46.8	0
Housing And Sanitation	39.59	29.24	15.09	8.13	9.1	0	60.3	0	23.0	0.0
Total	**5779.8**	**4192.51**	**2512.57**	**1162.44**	**2326.57**	**781.92**	**92.6**	**67.3**	**40.3**	**18.7**

Source: *Bungoma County Treasury*

Analysis of budget performance by department shows that the Department of Roads reported the highest absorption rate for development expenditure at 47.6 per cent. On the other hand, the Tourism, Forestry, Environment and Natural Resources Department had the highest percentage of recurrent expenditure to its annual recurrent budget at 58.7 per cent.

3.3.9 Borrowing by the County Government

Article 212 of the Constitution requires a county government to borrow with approval from the County Assembly, and only if the national government guarantees the loan. Further, Section 58 of the PFM Act 2012 gives the Cabinet Secretary to the National Treasury the powers to guarantee loans subject to approval by Parliament. During the period under review, the County did not borrow any funds.

3.3.10 Observations and Recommendations

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

i. Fully embraced the IFMIS system in processing financial transactions.

ii. Improved its staff capacity through training.

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

1. Late submission of financial reports by the County Treasury contrary to Section 168 and 166 of the PFM Act 2012.

2. Failure to establish an Internal Audit Committee in line with Section 155 of the PFM Act 2012.

3. A high wage bill, which increased from Kshs.893.79 million in the first half year of FY 2014/15 to Kshs.1,449.96 million in the first half of FY 2015/16.

4. Failure to budget for all the conditional allocations as contained in CARA 2015.

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

1. *The County Treasury should ensure timely preparation and submission of financial reports.*

2. *The County Treasury should establish an internal audit committee to oversee operations of the Internal Audit Department.*

3. *The County should review its payroll costs and devise strategies to ensure sustainability.*

4. *The County Treasury should prepare a Supplementary Budget to include the conditional allocations contained in the CARA, 2015.*

3.4 Busia County

3.4.1 Overview of the FY 2015/16 Budget

The FY 2015/16 approved budget for Busia County amounts to Kshs.6.27 billion. It Comprised of Kshs.3.31 billion (52.8 per cent) allocated for recurrent expenditure and Kshs.2.96 billion (47.2 per cent) for development expenditure.

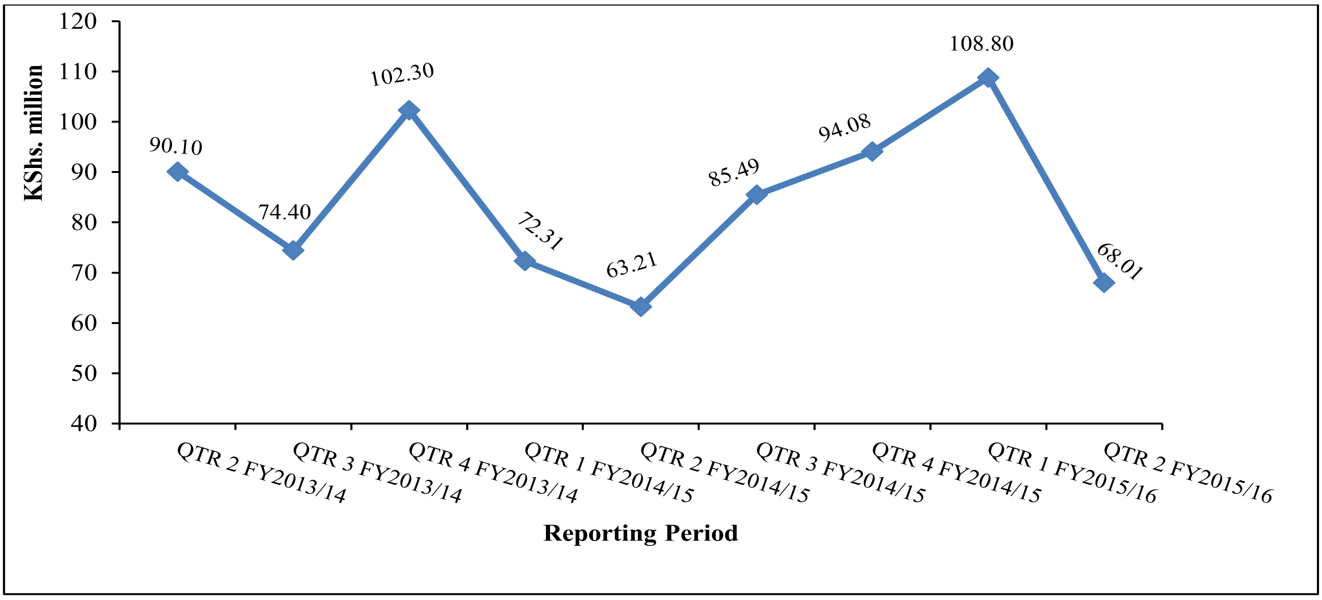
In order to finance the budget, the County expected to receive Kshs.5.44 billion (86.8 per cent) as transfers from the National Government, collect Kshs.543.04 million (8.7 per cent) from local sources, and receive a conditional grant of Kshs.12.99 million (0.20 per cent) from DANIDA. However, Kshs.469.12 million representing the opening cash balance from FY 2014/15 was not factored in the FY 2015/16 budget. Further, the County under budgeted the additional conditional grants amounting to Kshs.275.94 million from the National Government as contained in CARA, 2015 for free maternal care, compensation of forgone user fees, leasing of medical equipment and road maintenance fuel levy fund.

3.4.2 Revenue Analysis

In the first half of FY 2015/16, the County received Kshs.2.38 billion from the National Government as equitable share, Kshs.34.90 million as conditional allocation from the road maintenance fuel levy fund, Kshs.35.34 million as conditional allocations for free maternal health care, Kshs.4.39 million as conditional allocation for forgone user fees, raised Kshs.176.81 million from local sources, and had a cash balance of Kshs.469.12 million brought forward from FY 2014/15.

The quarterly trend in local revenue collection from FY 2013/14 to the second quarter of FY 2015/16 is shown in figure 3.13.

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



Source: *Busia County Treasury*

The local revenue consisted of Kshs.108.80 million raised in the first quarter and Kshs.68.01 million in the second quarter. The local revenue raised in the first half of the FY 2015/16 was Kshs.176.81 million (32.6 per cent of the annual local revenue target), an improvement from Kshs.136 million collected in a similar period of FY 2014/15.

The analysis of local revenue realized in the first half of FY 2015/16 by stream is shown in Table 3.7.

Table 3.7: Busia County, Analysis of revenue collection per stream for the first half of FY 2015/16

No.	Revenue Stream	Annual Targeted Revenue (Kshs.)	Six Months Actual Revenue (Kshs.)	Revenue Performance (%)
	A	B	C	D=*100
1	Tobacco Cess	2,456,521	2,122,027	86.4
2	Hospital Users Fees	69,000,000	42,093,658	61.0
3	Fish Cess	3,105,000	1,461,928	47.1
4	Trailer Parking Fees	126,500,000	58,195,370	46
5	Transit Produce Cess	28,750,000	12,655,257	44
6	Stock Sale	4,140,000	1,687,400	40.8
7	Bus Parking Fees	40,250,000	14,905,060	37
8	Market Fees	32,200,000	11,442,280	35.5
9	Single Business Permit	43,700,000	6,678,200	15.3
10	Other Sources	175,715,406	24,829,660	14.1
11	Sugar Cane Cess	17,250,000	741,602	4.3
	TOTAL	**543,066,927**	**176,812,442**	**32.6**

Source: *Busia County Treasury*

Analysis of revenue by stream indicates that tobacco cess recorded the highest performance against the annual at 86.4 per cent followed by hospital user fees at 61.0 per cent.

3.4.3 Banking of local revenue

In the first half of FY 2015/16, the County banked all the locally generated revenue intact into the CRF. This conforms to Article 207 of the Constitution and Section 109 of the PFM Act 2012, stipulate that all funds raised or received by or on behalf of the County Government should be deposited into the CRF account, unless excluded by an Act of Parliament.

3.4.4 Exchequer Releases

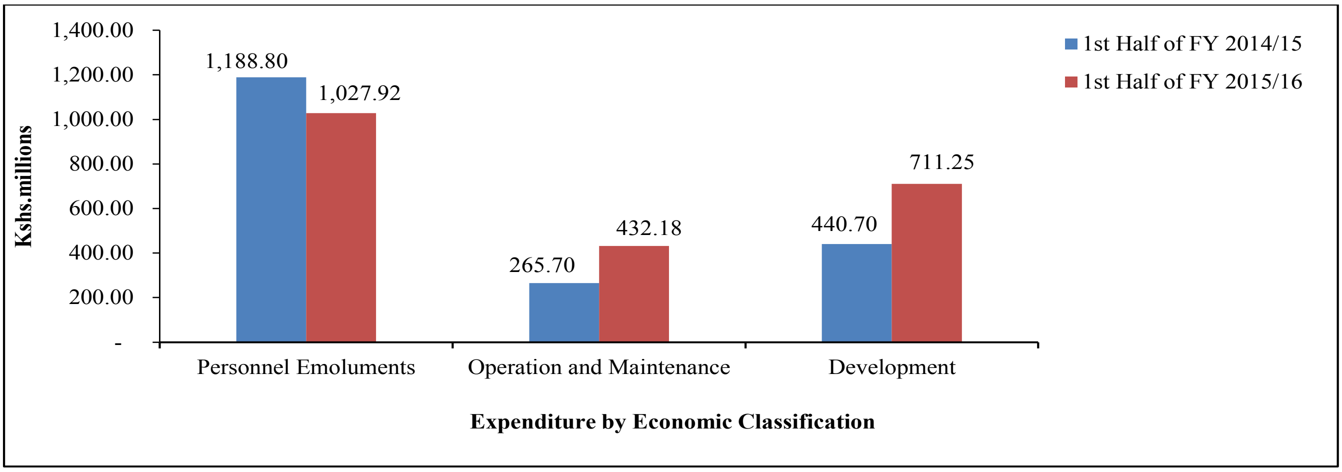
The Controller of Budget authorised withdrawal of Kshs.3.06 billion from the CRF account, which was 48.8 per cent of the approved budget. The amount represented an increase of 52.2 per cent from Kshs.2.01 billion authorized in a similar period of FY 2014/15 and consisted of Kshs.1.96 billion (64.1 per cent) for recurrent expenditure and Kshs.1.10 billion (35.9 per cent) for development activities.

3.4.5 Overall Expenditure Review

The County spent a total of Kshs.2.17 billion during the first half of FY 2015/16 whichrepresented 71 per cent of the funds released for operations. This is an increase of 14.8 per cent from the Kshs.1.89 billion spent in a similar period of FY 2014/15. A total of Kshs.1.46 billion was spent on recurrent activities and Kshs.711.25 million on development activities. Recurrent expenditure was 74.4 per cent of the funds released for recurrent activities while development expenditure accounted for 65 per cent of the funds released for development activities. The expenditure excludes commitments as of 31st December, 2015 that amounted to Kshs.278.92 million for development and Kshs.56.93 million for recurrent expenditure.

A comparison of the total expenditure between the first half of FY 2014/15 and the first half of FY 2015/16 is shown in Figure 3.14.

Figure 3.14: Busia County, Expenditure by Economic Classification for the first half of FY 2014/15 and for first half of FY 2015/16



Source: *Busia County Treasury*

Recurrent expenditure for the period under review represented 44.1 per cent of the approved annual recurrent budget, a decrease from 47.1 per cent spent in a similar period of FY 2014/15. On the other hand, development expenditure recorded an absorption rate of 24 per cent, an improvement from 18.3 per cent spent in a similar period of FY 2014/15.

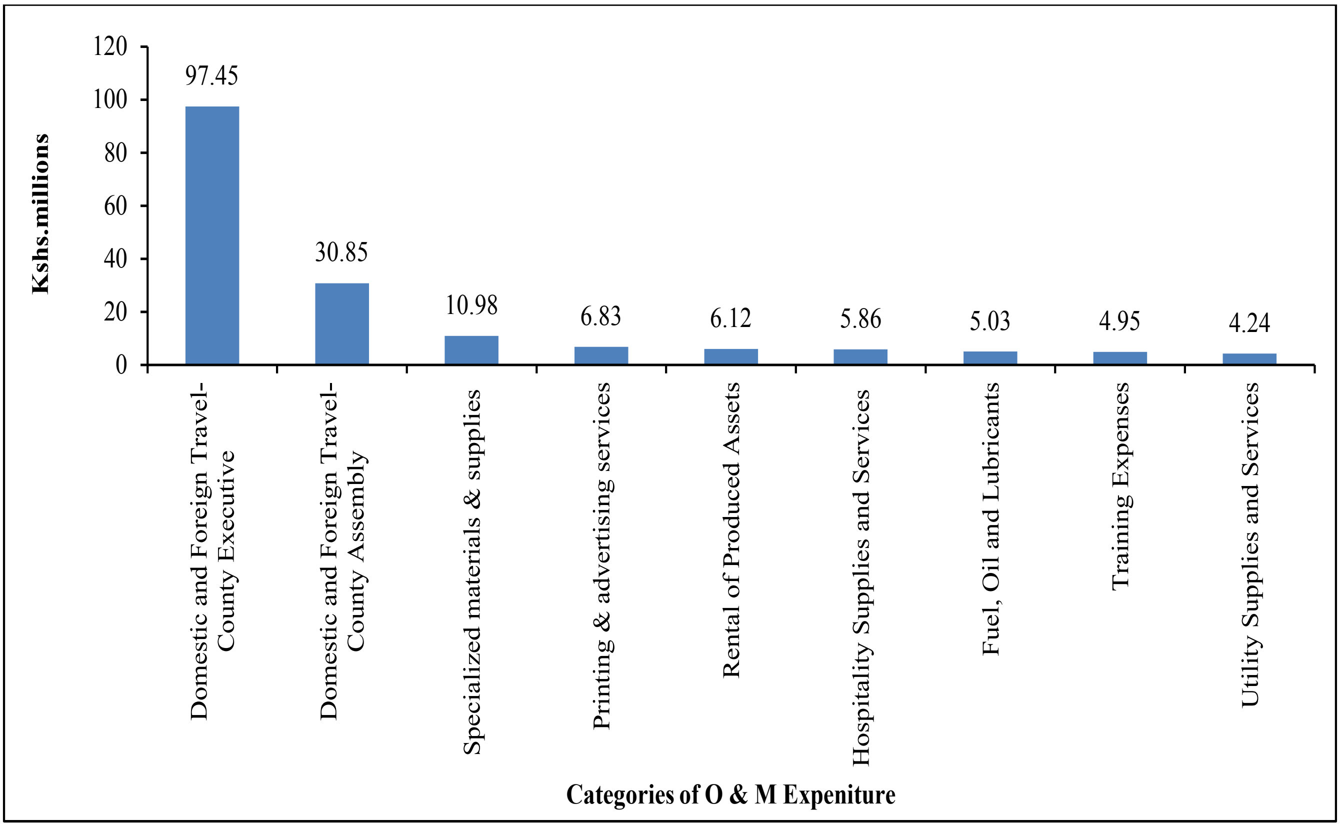
3.4.6 Recurrent Expenditure Analysis

The total recurrent expenditure for the reporting period was Kshs.1.46 billion against an annual budget of Kshs.3.31 billion. This represents 44.1 per cent of the annual recurrent budget. The county spent Kshs.1.0 billion (68.5 per cent) on personnel emoluments and Kshs.432.18 million (31.5 per cent) on operations and maintenance as shown in Figure 3.14. Expenditure on personnel emoluments accounted for 68.5 per cent of total recurrent expenditure and has decreased slightly in the first half of FY 2015/16 as compared to a similar period in FY 2014/15 when the County spent Kshs.1.19 billion. The decline is attributed to low spending in the period under review as a result of delayed disbursement of funds by the National Treasury.

The county spent Kshs.25.32 million on sitting allowances to the 54 MCAs and the Speaker against an annual budget of Kshs.114.82 million. This was a marginal increase from Kshs.23 million recorded in a similar period of FY 2014/15. The average monthly sitting allowance per MCA was Kshs.78,141 compared to SRC recommended monthly ceiling of Kshs.124,800.

A breakdown of the operations and maintenance expenditure is shown in Figure 3.15.

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



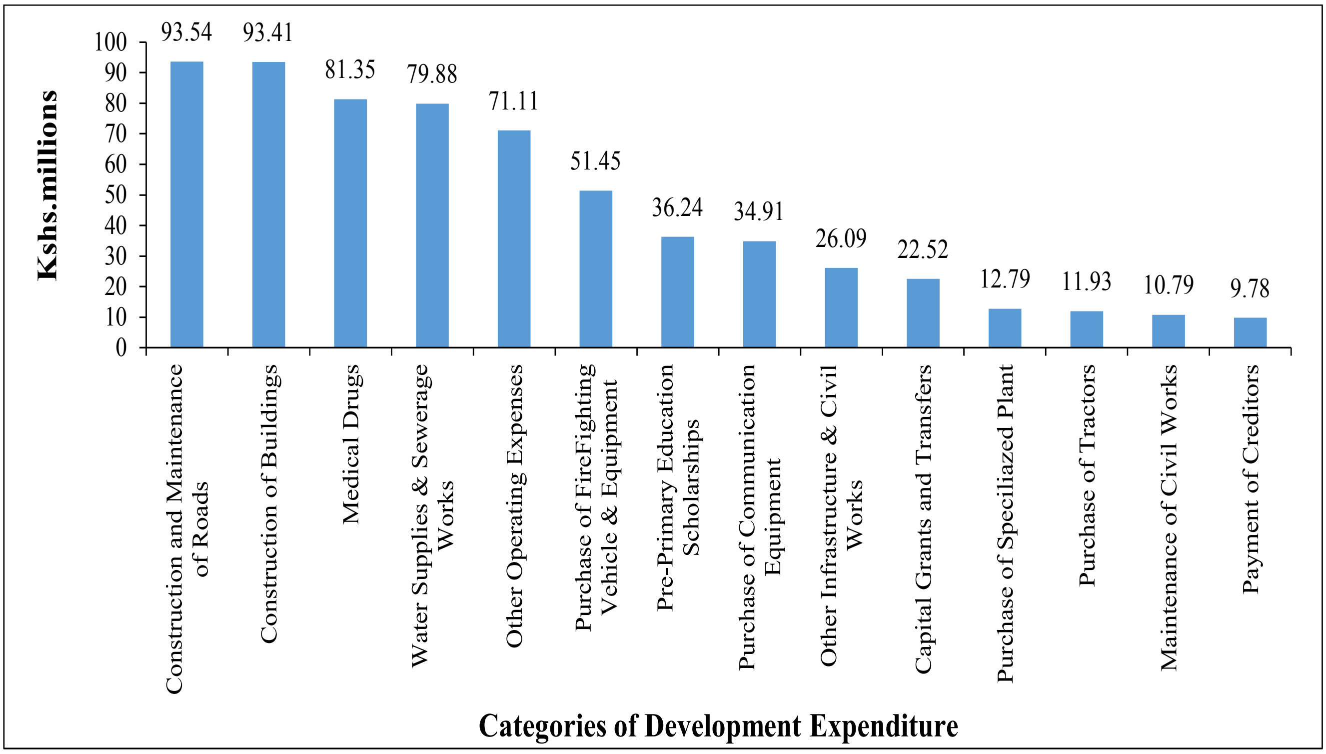
Source: *Busia County Treasury*

The aggregate expenditure on domestic and foreign travel was Kshs.128.30 million compared to Kshs.64.19 million incurred in a similar period of FY 2014/15, representing an increase of 99.9 per cent. This expenditure comprised of Kshs.97.45 million spent by the County Executive and Kshs.30.85 million by the County Assembly.

3.4.7 Development Expenditure Analysis

A summary of development expenditure during the first half of FY 2015/16 is provided in figure 3.16.

Figure 3.16: Busia County, Summary of Development Expenditure for the First Half of FY 2015/16



Source: *Busia County Treasury*

Analysis of the development expenditure of Kshs.711.25 million incurred in the first half of FY 2015/16 indicates that the Public works and Roads department reported the highest expenditure of Kshs.93.54 million on construction and maintenance of roads. The second highest expenditure of Kshs.93.41 million was incurred by the Health and Education departments on construction of health and learning facilities. The department of Health and Sanitation incurred Kshs.81.35 million on purchase of medical drugs while the department of Water, Environment and Natural Resources incurred Kshs.79.88 million on Water Supplies and Sewerage systems.

3.4.8 Annual Budget and Budget Performance Analysis by department for the first half of FY 2015/16

A summary of the FY 2015/16 annual budget estimates and budget performance by department in the first half of FY 2015/16 is shown in Table 3.8.

Table 3.8: Busia County, Annual Budget and First Half of FY 2015/16 Budget Performance by Department

Department	Annual Budget Allocation (Kshs. Millions)		6 Months Exchequer Issues (Kshs. Millions)		6 Months Expenditure (Kshs. Millions)		6 Months Expenditure to Exchequer issues (%)		Absorption rate (%)	
	REC	DEV	REC	DEV	REC	DEV	REC	DEV	REC	DEV
Agriculture and Animal Resources	214.91	215.90	136.69	144.70	91.70	32.66	67.1	22.6	42.7	15.1
Trade, Cooperative, Tourism and Industry	40.97	94.65	22.42	72.90	23.50	15.96	104.8	21.9	57.4	16.9
Education and Vocational Training	194.99	270.32	121.67	159.00	74.19	100.60	61.0	63.3	38.0	37.2
Finance and Economic Planning	567.91	903.92	339.74	72.19	357.62	45.18	105.3	62.6	63.0	5.0
Community Gender, Culture & Social Services	62.92	149.00	46.38	80.45	24.91	26.61	53.7	33.1	39.6	17.9
Public Works, Transport and Disaster Management	70.66	163.00	42.19	108.00	22.27	159.01	52.8	147.2	31.5	97.6
Labour, public Service, ICT and Intergovernmental relations	333.34	65.04	169.21	47.41	67.17	38.55	39.7	81.3	20.2	59.3
Lands, Housing & Urban development	28.96	177.90	21.34	93.45	10.45	15.06	49.0	16.1	36.1	8.5
Water, Environment & natural resources	68.71	224.53	53.68	148.50	21.61	108.10	40.3	72.8	31.5	48.1
Health and Sanitation	938.87	505.73	620.78	151.40	451.88	164.12	72.8	108.4	48.1	32.5
County Public Service Board	31.95	0.00	18.18	0.00	12.18	0.00	67.0	0.0	38.1	0.0
Office of the Governor	114.16	10.00	64.98	7.00	44.71	2.89	68.8	41.3	39.2	29.0
Office of the Deputy Governor	28.69	0.00	19.18	0.00	6.06	0.00	31.6	0.0	21.1	0.0
County Executive Administration (County Secretary)	60.44	0.00	40.69	0.00	29.93	0.00	73.6	0.0	49.5	0.0
County Assembly	554.32	178.31	244.87	10.00	221.92	2.51	90.6	21.5	40.0	1.4
Total	**3311.80**	**2958.30**	**1962.00**	**1095.00**	**1460.10**	**711.25**	**74.4**	**65.0**	**44.1**	**24.0**

Source: *Busia County Treasury*

Analysis of budget performance by department shows that the Department of Public Works reported the highest absorption rate of its development budget at 97.6 per cent while the County Assembly registered the lowest rate at 1.4 per cent. Conversely, the Department of Finance and Economic Planning had the highest percentage of recurrent expenditure to its recurrent budget at 63 per cent while the department of Labour, Public Service, ICT and Intergovernmental Relations had the lowest at 20.2 per cent.

3.4.9 Borrowing by the County Government

Article 212 of the Constitution requires a county government to borrow with approval from the County Assembly, and only if the national government guarantees the loan. Further, Section 58 of the PFM Act 2012 gives the Cabinet Secretary to the National Treasury the powers to guarantee loans subject to approval by Parliament. During the period under review, the County utilized its equitable share and local revenue collection deposited into the County Revenue Fund account maintained at Central Bank of Kenya and did not borrow any funds.

3.4.10 Observations and Recommendations

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

i. Registered improvement in absorption of development funds from 18.3 per cent attained in the first half of FY 2014/15 to 24 per cent reported in the period under review.

ii. Improved in local revenue collection from Kshs.136 million (equivalent to 17.7 per cent of the annual target for FY 2014/15) collected in the first half of FY 2014/15 to Kshs.176.81 million (equivalent to 32.6 per cent of the annual revenue target for FY 2015/16).

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

1. Delay in revision and approval of the supplementary budget and other budget policy documents such as the CBROP, ADP and CFSP which affected implementation of the budget.

2. Failure to establishing an internal audit committee to oversee operations of the Internal Audit Department.

3. Delay in submitting the quarterly financial reports.

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

1. *The County should observe the budget timelines stipulated in law while developing budget policy documents. This will facilitate smooth implementation of the budget.*

2. *The County should establish an Internal Audit Committee and also strengthen the internal audit function in line with Section 155 of the PFM Act 2012.*

3. *The County Treasury and County Assembly should observe timelines in submitting quarterly financial reports to the OCOB in line with Section 166 of the PFM Act 2012.*

3.5 Elgeyo Marakwet County

3.5.1 Overview of the FY 2015/16 Budget

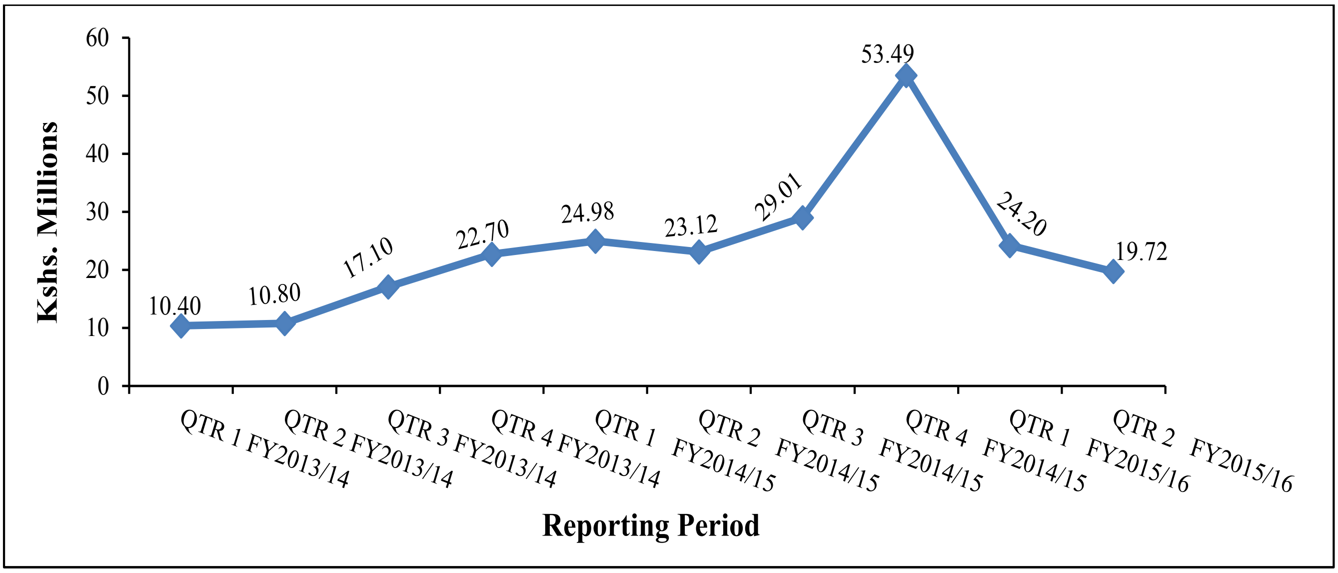
The FY 2015/16 approved budget for Elgeyo Marakwet County amounts to Kshs.3.67 billion. It comprised of Kshs.2.52 billion (68.7 per cent) allocated for recurrent expenditure and Kshs.1.15 billion (31.3 per cent) for development expenditure.

In order to finance the budget, the County expects to receive Kshs.3.19 billion (87.1 per cent) as transfers from the National Government, collect Kshs.149.98 million (4.1 per cent) from local sources, and receive a conditional grant (DANIDA and World Bank) of Kshs.40.98 million (1.1 per cent), receive government grants (Road maintenance fuel levy, maternal healthcare and forgone user fees) of Kshs.93.58 million (2.6 per cent), and Kshs.292.59 million (8.0 per cent) as projected cash balance from FY 2014/15. However, the composition of revenue sources for the County does not tally with the amounts contained in CARA, 2015 while the opening cash balance was not re-voted in the approved budget.

3.5.2 Revenue Analysis

In the first half of FY 2015/16, the County received Kshs.1.10 billion from the National Government as equitable share, Kshs.10.40 million as DANIDA grant, Kshs.20.98 million as conditional allocation from the road maintenance fuel levy fund, Kshs.17.41 million as conditional allocation for free maternal health care, received Kshs.3.79 million as conditional allocation for forgone user fees, Kshs.43.92 million from local sources, and had a cash balance of Kshs.292.59 million brought forward from FY 2014/15. The quarterly trend in local revenue collection from FY 2013/14 to the second quarter of FY 2015/16 is shown in figure 3.17.

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



Source: *Elgeyo Marakwet County Treasury*

The local revenue consisted of Kshs.24.20 million raised in the first quarter and Kshs.19.72 million in the second quarter. The local revenue raised in the first half of the FY 2015/16 was Kshs.43.92 million (29.3 per cent of the annual local revenue target), a decline from Kshs.48.00 million collected in a similar period of FY 2014/15.

The analysis of local revenue for the first half of FY2015/16 by stream in shown in Table 3.9.

Table 3.9: Elgeyo Marakwet County, Analysis of Revenue collection by stream for the First Half of FY2015/16

Revenue Stream	Annual Targeted Revenue (Kshs.)	Six Months Actual Revenue (Kshs.)	Revenue Performance (%)
A	B	C	D=*100
Market Fees	3,660,103	2,114,445	57.8
Produce and other Cess	33,007,390	12,440,573	37.7
Public Health, Medical Levies and Hospital Fees	63,951,209	16,729,896	26.2
Business Permits	14,438,797	2,152,665	14.9
Rent Income on Residential/ Commercial Buildings	4,722,871	460,320	9.8
Other Sources	30,199,630	10,025,934	33.2
TOTAL	**149,980,000**	**43,923,833**	**29.3**

Source: *Elgeyo Marakwet County Treasury*

The analysis of revenue by stream indicates that market fees generated the highest percentage of revenue against annual target at 57.8 per cent followed by produce & other cess at 37.7 per cent.

3.5.3 Banking of Local Revenue

A review of the bank statements for the revenue collection account indicates that all locally generated revenue was deposited into the CRF during the period under review. This conforms to Article 207 of the Constitution and Section 109 of the PFM Act 2012, which stipulates that all funds raised or received by or on behalf of the County Government should be deposited into the CRF account, unless excluded by an Act of Parliament.

3.5.4 Exchequer Issues

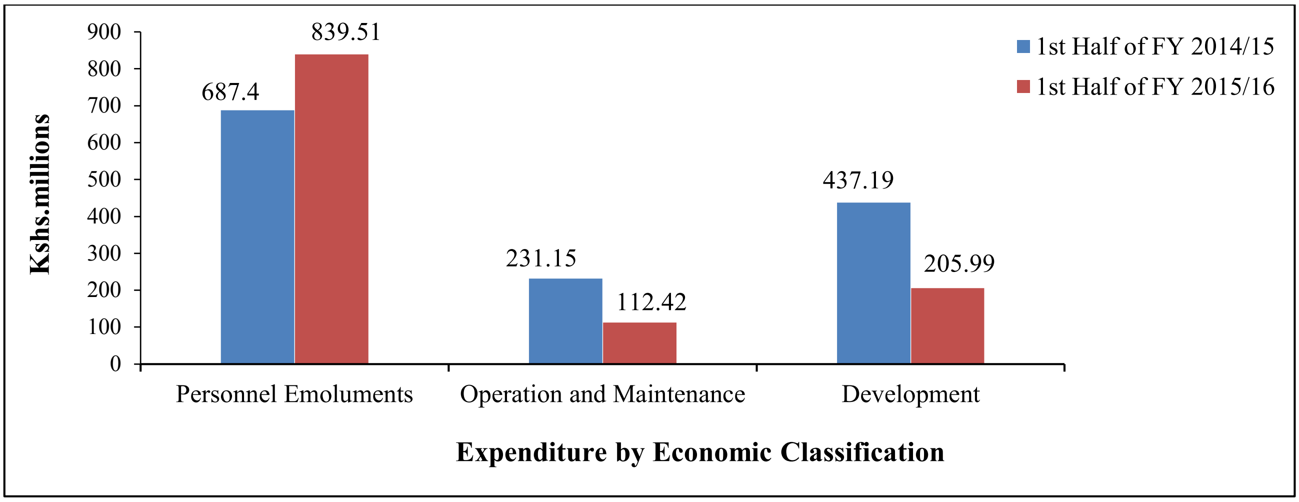
During the period under review the COB authorized withdrawal of Kshs.1.45 billion from the CRF account, which was 39.6 per cent of the approved budget. The amount represented an increase of 34.3 per cent from Kshs.1.08 billion authorized in a similar period of FY 2014/15 and consisted of Kshs.1.12 billion (77.2 per cent) for recurrent expenditure and Kshs.330.00 million (22.8 per cent) for development activities.

3.5.5 Overall Expenditure Review

The County spent a total of Kshs.1.15 billion during the first half of FY 2015/16 which was 79.9 per cent of the funds released for operations. This was a reduction from the Kshs.1.36 billion spent in a similar period of FY 2014/15. A total of Kshs.951.93 million was spent on recurrent activities and Kshs.205.99 million on development activities. Recurrent expenditure was 85.0 per cent of the funds released for recurrent activities while development expenditure accounted for 62.4 per cent of the funds released for development activities. The expenditure excludes commitments as of 31st December, 2015 that amounted to Kshs.324.75 million for development expenditure and Kshs.11.42 million for recurrent expenditure.

Recurrent expenditure for the period under review represented 37.8 per cent of the Approved annual recurrent budget, a decrease from 42.1 per cent spent in a similar period of FY 2014/15. On the other hand, development expenditure recorded an absorption rate of 18.0 per cent, a decrease from 26.7 per cent spent in a similar period of FY 2014/15. A comparison of the total expenditure in the first half of FY 2014/15 and in the first half of FY 2015/16 is shown in Figure 3.18.

Figure 3.18: Elgeyo Marakwet County, Expenditure by Economic Classification for first half of FY 2014/15 and first half of FY 2015/16



Source: *Elgeyo Marakwet County Treasury*

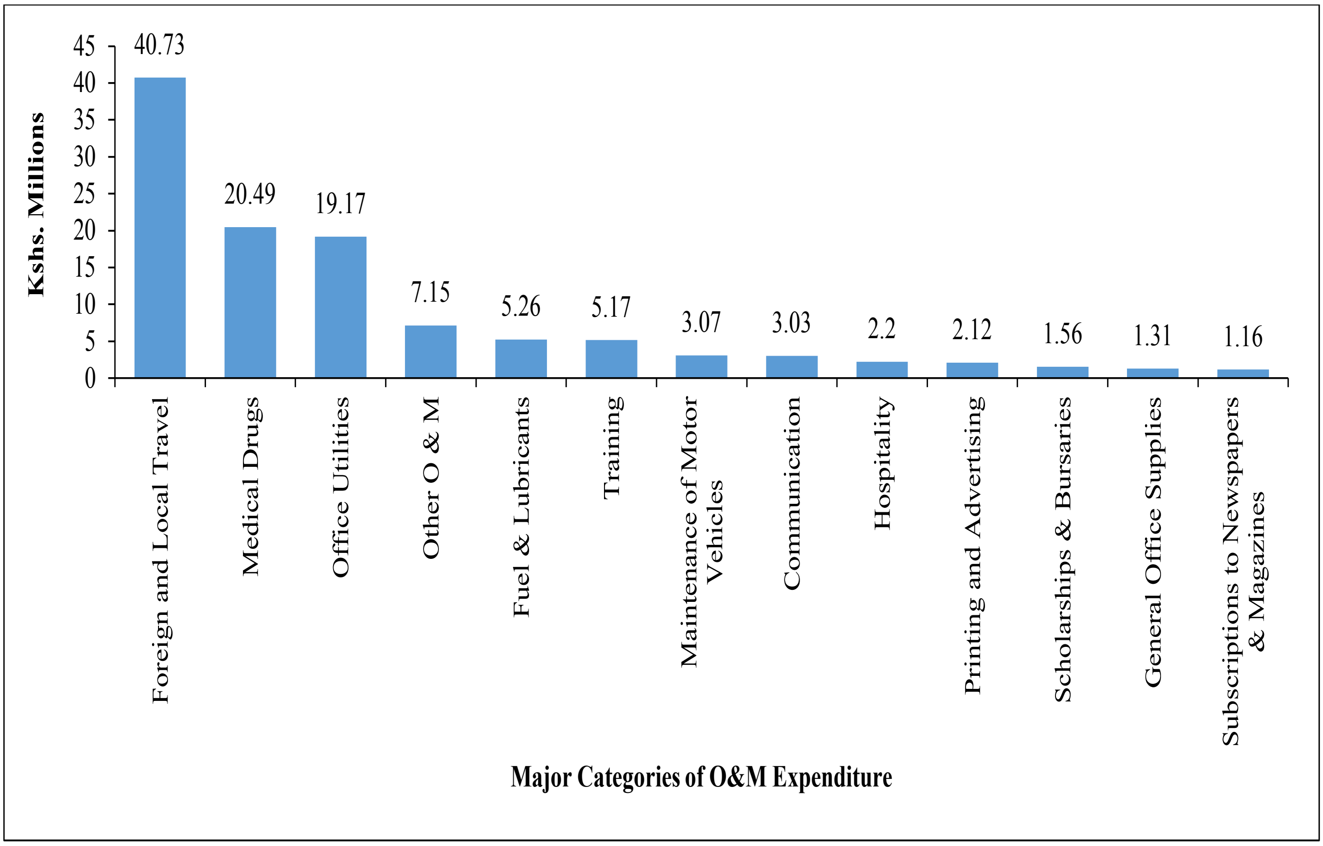
3.5.6 Recurrent Expenditure Analysis

The total recurrent expenditure for the reporting period was Kshs.951.93 million against an annual recurrent budget of Kshs.2.52 billion. This represents 37.8 per cent of the annual recurrent budget. The County spent Kshs.839.51 million (88.2 per cent) on personnel emoluments and Kshs.112.42 million (11.8 per cent) on operations and maintenance as shown in Figure 3.18. Expenditure on personnel emoluments accounted for 72.5 per cent of total expenditure and has increased significantly in the first half of FY 2015/16 as compared to a similar period in FY 2014/15 when the County spent Kshs.687.40 million. The increase is attributed to the recruitment of additional medical personnel, annual increase in staff salaries, staff promotions in the Health and Agriculture Departments and payment of annual leave allowance to all staff.

The County spent Kshs.19.07 million on sitting allowances to the 30 MCAs and the Speaker against an annual budget of Kshs.41.50 million. This is a significant increase from Kshs.18.99 million recorded in a similar period of FY 2014/15. The average monthly sitting allowance per MCA was Kshs.102,553 compared to SRC's recommended monthly ceiling of Kshs.124,800.

A breakdown of the operations and maintenance expenditure is shown in Figure 3.19.

Figure 3.19: Elgeyo Marakwet County, Operations and Maintenance Expenditure for the first half of FY 2015/16



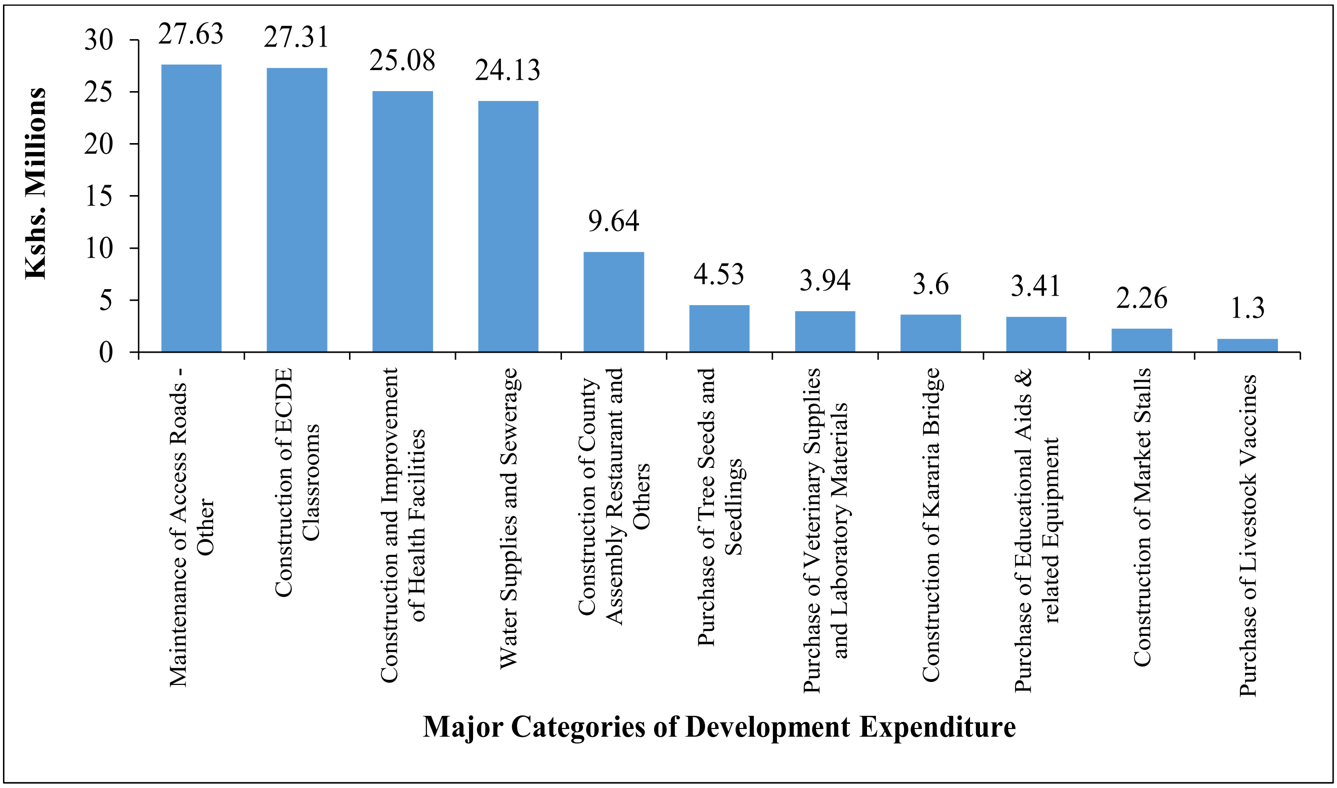
Source: *Elgeyo Marakwet County Treasury*

The aggregate expenditure on domestic and foreign travel was Kshs.40.73 million compared to Kshs.32.6 million incurred in a similar period of FY 2014/15, representing an increase of 24.9 per cent. This expenditure comprised of Kshs.9.17 million spent by the County Executive and Kshs.31.56 million by the County Assembly.

3.5.7 Development Expenditure Analysis

A summary of development expenditure during the first half of FY 2015/16 is shown in figure 3.20.

Figure 3.20: Elgeyo Marakwet County, Summary of Development Expenditure for the First Half of FY 2015/16



Source: *Elgeyo Marakwet County Treasury*

Analysis of the development expenditure of Kshs.205.99 million incurred in the first half of FY 2015/16 indicates that the Roads Department incurred the highest expenditure at Kshs.27.63 million on development and maintenance of access roads. A total of 76 kilometers of roads were maintained across the 20 wards. The second highest expenditure of Kshs.27.31 million was incurred by the Education and Technical Training Department on construction of ECDE classrooms. The department of Health incurred Kshs.25.08 million on construction and improvement of health facilities while the Department of Water, Land, Housing and Physical Planning incurred Kshs.24.13 million on water supplies and sewerage systems.

3.5.8 Annual Budget and Budget Performance Analysis by Department for the First Half of FY 2015/16

A summary of the FY 2015/16 annual budget estimates and budget performance for the first half of the year is shown in Table 3.10.

Table 3.10: Elgeyo Marakwet County, Annual Budget and First Half of FY 2015/16 Budget Performance by Department

Department	Annual Budget Allocation (Kshs. Million)		6 Months Exchequer Issues (Kshs.Million)		6 Months Expenditure (Kshs.Million)		6 Months Expenditure to Exchequer Issues (%)		Absorption rate (%)	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
Office of the Governor	70.00	13.00	33.60	6.40	31.00	4.90	92.30	76.6	44.3	37.7
Administration	21.60	-	10.60	-	9.40	-	88.70	-	43.5	-
County Assembly	399.00	30.00	164.70	13.80	150.00	9.30	91.10	67.4	37.6	31.0
Finance and Economic Planning	244.30	30.00	73.50	7.40	70.00	5.40	95.20	73.0	28.7	18.0
Roads, Public Works and Transport	58.60	266.30	27.60	42.00	24.80	37.60	89.90	89.5	42.3	14.1
Youth Affairs, Culture, Children and Social Services	24.80	71.00	11.10	18.70	10.10	8.20	91.00	43.9	40.7	11.5
Education and Technical Training	160.70	151.70	63.70	72.70	49.00	28.20	76.90	38.8	30.5	18.6
Health Services	1134.80	156.30	543.20	57.60	447.20	32.00	82.30	55.6	39.4	20.5
Water, Lands, Housing and Physical Planning	66.50	205.50	32.90	41.60	28.30	21.40	86.00	51.4	42.6	10.4
Trade, Tourism, Co-operatives and Wildlife	41.40	50.40	19.30	14.10	18.20	11.40	94.30	80.9	44.0	22.6
Agriculture	184.90	122.90	90.70	33.40	72.30	26.70	79.70	79.9	39.1	21.7
ICT and Public Service	87.10	46.00	36.30	21.40	30.20	21.00	83.20	98.1	34.7	45.7
County Public Service Board	26.30	2.50	12.60	0.70	11.50	0.00	91.30	0.0	43.7	0.0
Total	**2519.90**	**1145.50**	**1119.80**	**329.80**	**952.00**	**206.10**	**85.00**	**62.4**	**37.8**	**18.0**

Source: *Elgeyo Marakwet County Treasury*

Analysis of budget performance by department shows that the Department of ICT and Public Service reported the highest absorption of its development budget at 45.7 per cent while the County Public Service Board did not implement its development budget. On the other hand, the Office of the Governor had the highest percentage of recurrent expenditure to recurrent budget at 44.3 per cent while Finance & Economic Planning Department had the lowest percentage of its recurrent expenditure to recurrent budget at 28.7 per cent.

3.5.9 Borrowing by the County Government

Article 212 of the Constitution requires a county government to borrow with approval from the County Assembly, and only if the national government guarantees the loan. Further, Section 58 of the PFM Act 2012, gives the Cabinet Secretary to the National Treasury the powers to guarantee loans subject to approval by Parliament. During the period under review, the County utilized its equitable share and local revenue collection deposited into the County Revenue Fund account maintained at the Central Bank of Kenya and did not borrow any funds.

3.5.10 Observations and Recommendations

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

i. Addressed the capacity challenges encountered in implementing the E-procurement module in consultation with the IFMIS Directorate at the National Treasury.

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

1. Delay in formulation and approval of a supplementary budget to capture cash balances brought forward from FY 2014/15 and pending bills that were not included in the approved budget, which led to delay in implementation of some activities.
2. Low absorption of development budget which stood at 18.0 per cent of the development budget compared to 26.7 per cent in a similar period of FY 2014/15. The Low absorption of the development budget was mainly attributed to procurement challenges, among other factors.
3. Low local revenue collection in the reporting period which amounted to Kshs.43.92 million, representing 29.3 per cent of the annual local revenue target.

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

1. *The County should fast track formulation and approval of the supplementary budget to include pending bills and cash balances from FY 2014/15. This will enhance smooth implementation of the planned activities.*
2. *The County Treasury should develop capacity of the procurement department to facilitate absorption of development funds.*
3. *The County Treasury should review the local revenue collection strategies with a view to enhance revenue collection.*

3.6 Embu County

3.6.1 Overview of the FY 2015/16 Budget

The FY 2015/16 approved budget for Embu County is Kshs.4.87 billion. It comprised of Kshs.3.30 billion (67.7 per cent) allocated for recurrent expenditure and Kshs.1.57 billion (32.3 per cent) for development expenditure.

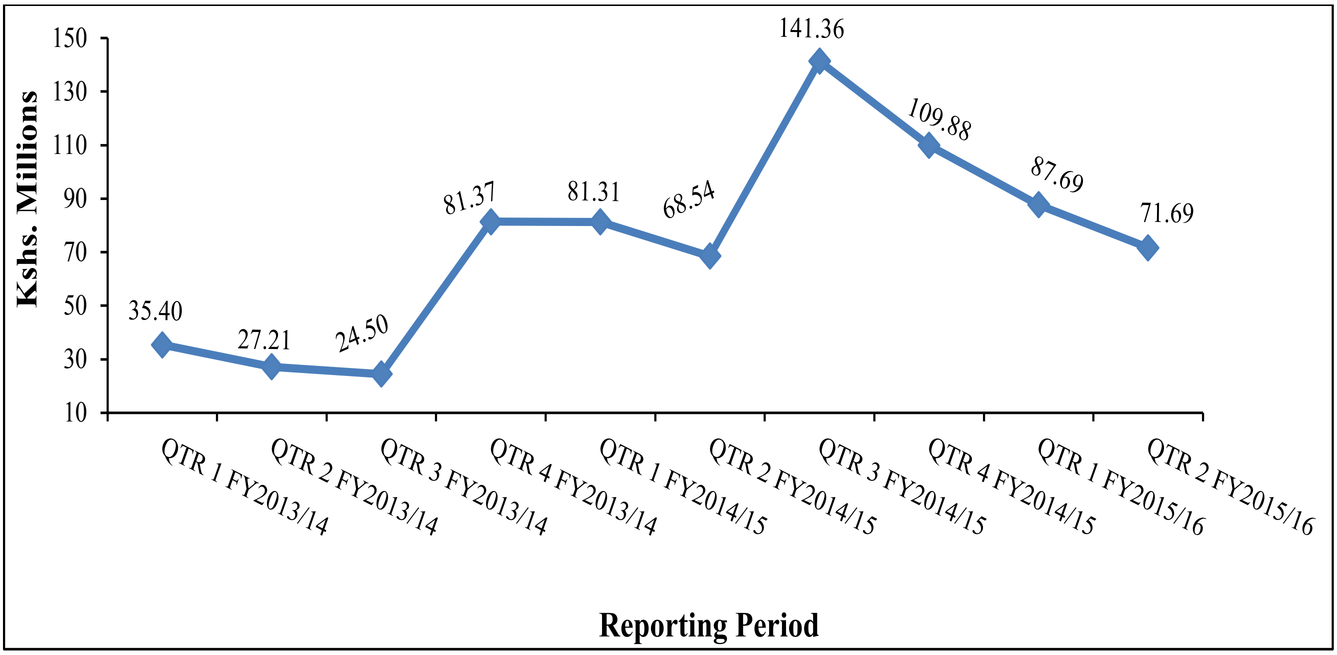
In order to finance the budget, the County expected to receive Kshs.4.26 billion (87.3 per cent) as transfers from the National Government, this amount was composed of Kshs.3.84 billion for equitable share, Kshs.192.88 million conditional allocation for Level Five Hospital, Kshs.95.74 million conditional allocation for leasing of medical equipment, Kshs.57.59 million conditional allocation for free maternal health care, Kshs.12.03 million conditional allocation for compensation of forgone user fees and Kshs.48.75 million as conditional allocation from Road Maintenance Fuel Levy Fund. In addition to the transfer from the National Government the County expects to collect Kshs.630.76 million (12.9 per cent) from local sources. However, Kshs.842.88 million representing the opening cash balance from FY 2014/15 was not factored in the FY 2015/16 budget. Further, the County did not budget for additional conditional grant of Kshs.13.75 million from DANIDA.

3.6.2 Revenue Analysis

In the first half of FY 2015/16, the County received Kshs.1.37 billion from the National Government as a direct transfer to the CRF account, raised Kshs.159.38 million from local sources, and had a cash balance of Kshs.842.88 million brought forward from FY 2014/15.

Direct transfer from National Government composed of equitable share of Kshs.1.29 billion, Kshs.64.62 million as conditional allocation for the Embu Level 5 hospital, Kshs.24.62 million from the road maintenance fuel levy fund, Kshs.23.94 million as conditional allocation for free maternal health care and Kshs.3.80 million as conditional allocation for forgone user fees. The quarterly trend in local revenue collection from FY 2013/14 to the second quarter of FY 2015/16 is shown in table 3.21.

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



Source: *Embu County Treasury*

The local revenue consisted of Kshs.87.69 million raised in the first quarter and Kshs.71.69 million in the second quarter. The local revenue raised in the first half of the FY 2015/16 was Kshs.159.38 million (25.3 per cent of the annual local revenue target), an improvement from Kshs.149.86 million collected in a similar period of FY 2014/15.

The analysis of local revenue for the first half of FY 2015/16 by stream is shown in Table 3.11.

Table 3.11: Embu County, Analysis of revenue collection per stream for the first half of FY 2015/16

No.	Revenue Stream	Annual Targeted Revenue (Kshs.)	Six Months Actual Revenue (Kshs.)	Revenue Performance (%)
	A	B	C	D=*100
1	Medical Levies and Hospital Fees	-	74,989,473	-
2	Produce Cess	-	22,815,415	-
3	Parking Fees	-	16,122,055	-
4	Property Rent & Rates	-	11,597,937	-
5	Market Fees	-	11,451,899	-
6	Single Business Permits	-	6,987,893	-
7	Buildings Approvals	-	2,441,631	-
8	Other Sources	-	12,978,508	-
	Total	**-**	**159,384,811**	**-**

Source: *Embu County Treasury*

The analysis of revenue by stream indicates that medical levies generated the highest amount at Kshs.74.99 million followed by produce cess at Kshs.22.82 million.

3.6.3 Banking of local revenue

In the first half of FY 2015/16, the County banked all the locally generated revenue into the CRF. This conforms to Article 207 of the Constitution and Section 109 of the PFM Act 2012, which stipulates that all funds raised or received by or on behalf of the County Government should be deposited into the CRF account, unless excluded by an Act of Parliament.

3.6.4 Exchequer Issues

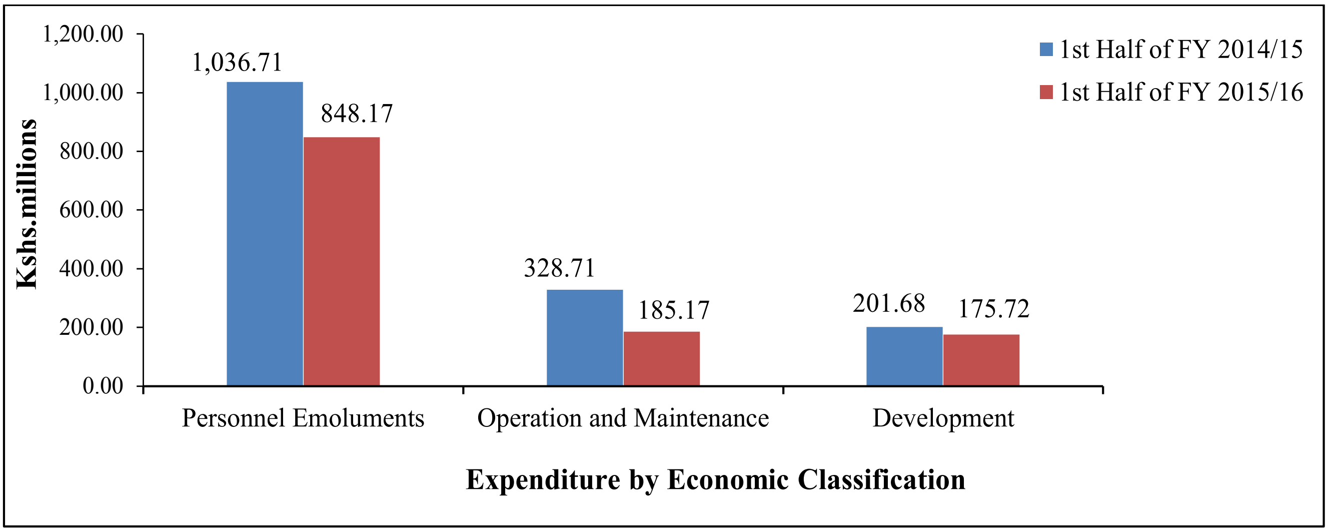
The Controller of Budget authorised withdrawal of Kshs.1.77 billion from the CRF account, which was 36.3 per cent of the approved budget. The amount was the same as the Kshs.1.77 billion authorized in a similar period of FY 2014/15 and consisted of Kshs.1.51 billion (85.5 per cent) for recurrent expenditure and Kshs.257.50 million (14.5 per cent) for development activities.

3.6.5 Overall Expenditure Review

The County spent a total of Kshs.1.21 billion during the first half of FY 2015/16 which was 68.2 per cent of the funds released for operations. This is a reduction from the Kshs.1.57 billion spent in a similar period of FY 2014/15. A total of Kshs.1.03 billion was spent on recurrent activities and Kshs.175.72 million on development activities. Recurrent expenditure was 68.2 per cent of the funds released for recurrent activities while development expenditure accounted for 68.2 per cent of the funds released for development activities. The expenditure excludes commitments as of 31st December, 2015 that amounted to Kshs.263.76 million for development and Kshs.138.12 million for recurrent expenditure.

Recurrent expenditure for the period under review represented 31.3 per cent of the approved annual recurrent budget, a decrease from 48.6 per cent spent in a similar period of FY 2014/15. On the other hand, development expenditure recorded an absorption rate of 11.2 per cent, a decrease from 16.7 per cent spent in a similar period of FY 2014/15. A comparison of the total expenditure for the first half of FY 2014/15 and the first half of FY 20151/16 is shown in Figure 3.22.

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



Source: *Embu County Treasury*

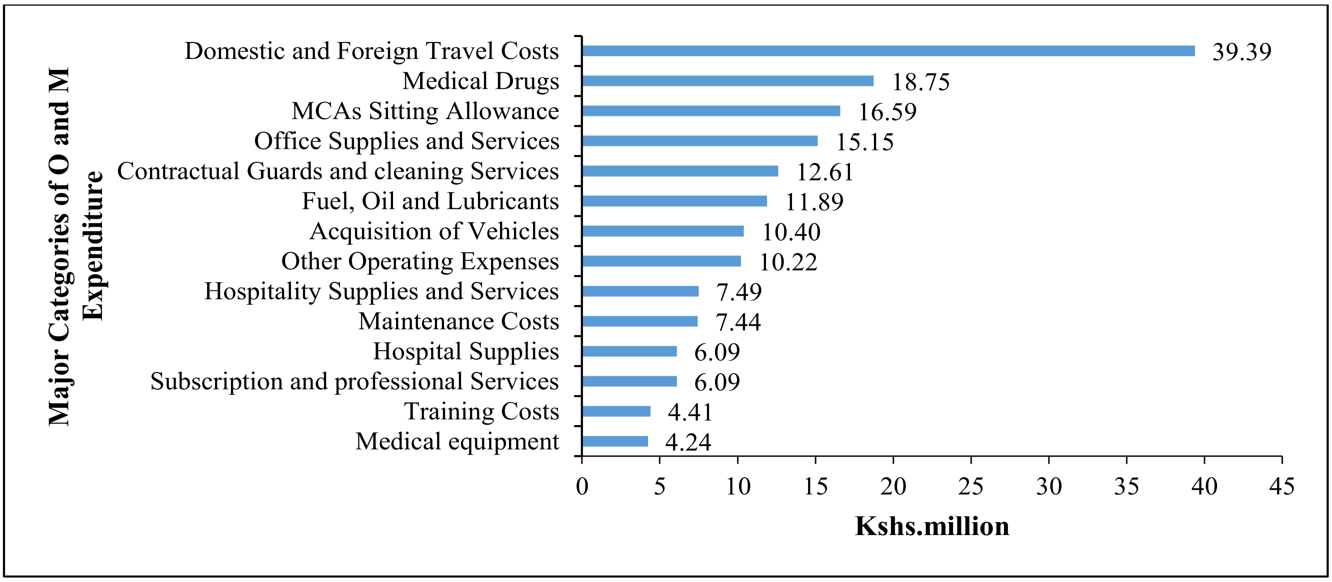
3.6.6 Recurrent Expenditure Analysis

The total recurrent expenditure for the reporting period was Kshs.1.03 billion against an annual recurrent budget of Kshs.3.30 billion. This represents 31.3 per cent of the annual recurrent budget. The County spent Kshs.848.17 million (82.1 per cent) on personnel emoluments and Kshs.185.17 million (17.9 per cent) on operations and maintenance as shown in Figure 3.22. Expenditure on personnel emoluments accounted for 70.1 per cent of total expenditure and has decreased significantly in the first half of FY 2015/16 as compared to a similar period in FY 2014/15 when the County spent Kshs.1.04 billion. The decline is mainly attributed to December, 2015 salaries and allowances which were paid in January, 2016.

The County spent Kshs.16.59 million on sitting allowances to the 34 MCAs and the Speaker against an annual budget of Kshs.49.93 million. This is an increase from Kshs.14.03 million recorded in a similar period of FY 2014/15. The average monthly sitting allowance per MCA was Kshs.81,312 compared to the SRC's recommended monthly ceiling of Kshs.124,800.

A breakdown of the operations and maintenance expenditure for the reporting period is shown in Figure 3.23.

Figure 3.23: Embu County, Operations and Maintenance Expenditure for the first half of FY 2015/16



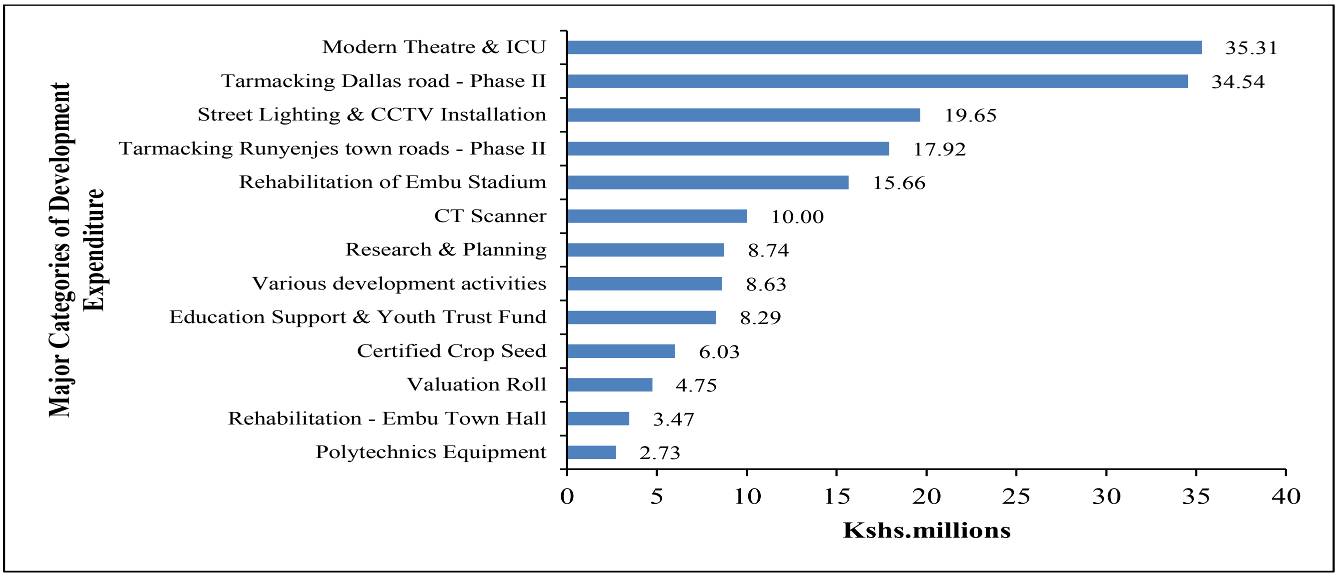
Source: *Embu County Treasury*

The aggregate expenditure on domestic and foreign travel was Kshs.39.39 million compared to Kshs.62.53 million incurred in a similar period of FY 2014/15, representing a significant decrease of 37.0 per cent. This expenditure comprised of Kshs.7.80 million spent by the County Executive and Kshs.31.59 million by the County Assembly.

3.6.7 Development Expenditure Analysis

A summary of development expenditure during the first half of FY 2015/16 is provided in figure 3.24.

Figure 3.24: Embu County, Summary of Development Expenditure for the first half of FY 2015/16



Source: *Embu County Treasury*

Analysis of the development expenditure of Kshs.175.72 million incurred in the first half of FY 2015/16 indicates that the Department of Infrastructure & Public Works had the highest expenditure of Kshs.75.59 million which was spent on tarmacking roads in Runyenjes town and Dallas road in Embu town. The Department also installed street and high-mast lights in main towns and market centres. The second highest expenditure of Kshs.50.73 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 expended Kshs.20.41 million mainly on rehabilitation of Embu Stadium while the department of Agriculture spent Kshs.7.68 million on Certified Crop Seed and animal breed improvement programme

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

A summary of the FY 2015/16 annual budget estimates and budget performance for the first half of FY 2015/16 by department is shown in Table 3.12.

Table 3.12: Embu County, Annual Budget and First Half of FY 2015/16 Budget Performance by Department

Department	Annual Budget Allocation (Kshs Million)		6 months Exchequer Issues (Kshs Million)		6 months Expenditure (Kshs Million)		6 Months Expenditure to Exchequer issues (%)		Absorption rate (%)	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
Office of the Governor	397.79	-	213.09	0.00	149.42	-	70.1	-	37.6	-
Public Service & Administration	232.99	3.00	128.23	0.00	113.73	-	88.7	-	48.8	-
County Public service Board	7.07	-	1.64	0.00	1.04	-	63.4	-	14.7	-
Finance and Economic Planning	61.62	446.59	26.15	15.00	17.77	13.49	67.9	89.9	28.8	3.0
Health Services	1342.20	194.13	598.96	32.50	420.79	-	70.3	-	31.4	-
Embu Level 5 Hospital	191.59	145.88	74.88	79.00	31.52	50.73	42.1	64.2	16.5	34.8
Education & Technology	149.54	27.00	50.44	-	44.05	7.02	87.3	-	29.5	26.0
Youth Empowerment & Sports	18.96	41.50	2.52	18.00	1.97	20.41	78.1	113.4	10.4	49.2
Infrastructure & Public Works	64.28	450.75	29.00	55.00	20.47	75.59	70.6	137.4	31.8	16.8
Trade & Investments	13.96	59.34	4.10	0.00	2.93	-	71.5	-	21.0	-
Gender Empowerment	7.65	36.00	2.54	0.00	1.10	-	43.2	-	14.3	-
Lands, Water & Environment	72.52	98.00	35.74	20.00	20.94	0.80	58.6	4.0	28.9	0.8
Agriculture & Livestock	257.80	72.40	121.73	38.00	79.25	7.68	65.1	20.2	30.7	10.6
County Assembly	483.13	-	225.35	0.00	128.37	-	57.0	-	26.6	-
Total	**3301.10**	**1574.61**	**1514.36**	**257.50**	**1033.34**	**175.72**	**68.2**	**68.2**	**31.3**	**11.2**

Source: *Embu County Treasury*

Analysis of budget performance by department shows that the Department of Youth Empowerment & Sports reported the highest absorption rate of its development budget at 49.2 per cent while the Departments of Public Service, County Public Service Board, Health Services, Trade and Investment, Gender Empowerment and County Assembly did not record any development expenditure. On the other hand, Department of Public Service had the highest percentage of its recurrent expenditure to its recurrent budget at 48.8 per cent while the Department of Youth Empowerment and Sports had the lowest at 10.4 per cent.

3.6.9 Borrowing by the County Government

Article 212 of the Constitution requires a County Government to borrow with approval from the County Assembly, and only if the national government guarantees the loan. Further, Section 58 of the PFM Act 2012, gives the Cabinet Secretary in charge of the National Treasury the powers to guarantee loans subject to approval by Parliament. During the period under review, there was no borrowing by the County.

3.6.10 Observations and Recommendations

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

i. Embraced use of IFMIS to process financial transactions by the County Assembly.
ii. Improved the internal audit capacity through recruitment of a Principal Internal Auditor.

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

1. Delay in approval of the supplementary budget to include unspent cash balances from FY 2014/15.

2. Low absorption of development budget which stood at 11.2 per cent of the annual budget allocation.

3. Underperformance of local revenue collection which accounted for 25.3 per cent of the annual target.

4. Failure to provide quarterly financial statements on the County established Funds, namely: The MCAs Car Loan 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 Assembly should approve the supplementary budget so as to appropriate unspent cash balances from FY 2014/15.*

2. *The County should enhance capacity in procurement, project management and also develop and operationalize 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 County Treasury should provide quarterly financial statements for all County established Funds in line with section 167 and 168 of the PFM Act 2012.*

3.7 Garissa County

3.7.1 Overview of the FY 2015/16 Budget

The FY 2015/16 approved budget for Garissa County amounts to Kshs.7.36 billion. It comprised of Kshs.3.92 billion (53.3 per cent) allocated to recurrent expenditure and Kshs.3.44 billion (46.7 per cent) for development expenditure.

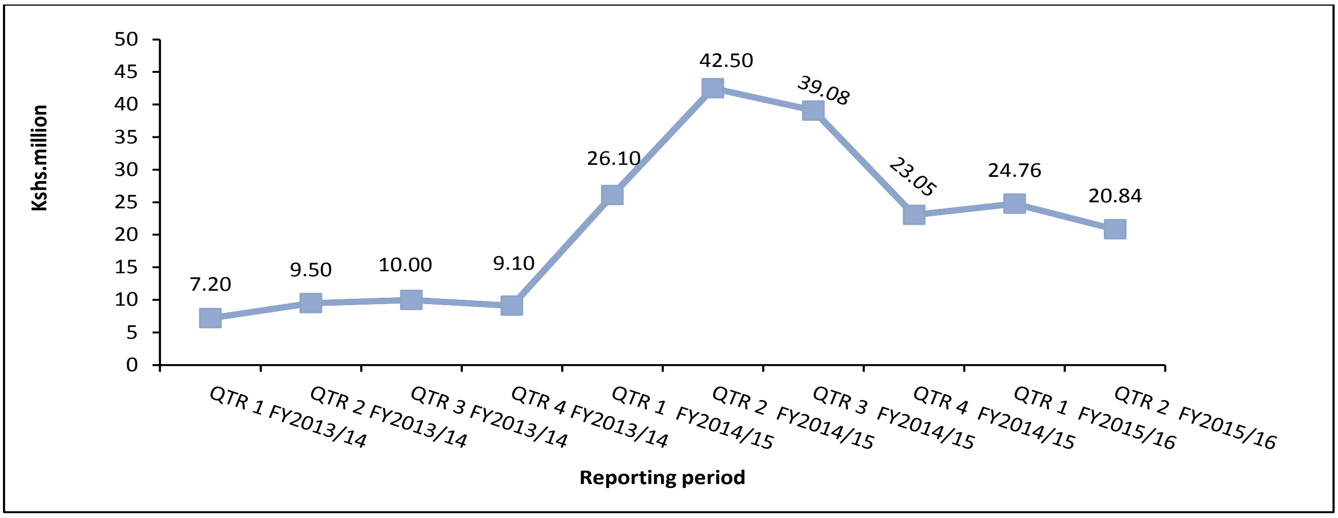
In order to finance the budget, the County expects to receive Kshs.5.77 billion (78.4 per cent) as transfers from the National Government, generate Kshs.500 million (6.8 per cent) from local sources, receive a conditional grant of Kshs.17.94 million (0.2 per cent) from DANIDA, Kshs.463 million (6.3 per cent) as projected cash balance from FY 2014/15 and additional conditional grants of Kshs.593.92 million (8.1 per cent) from the National Government as contained in CARA, 2015. The additional Kshs.593.92 million conditional grant comprises of Kshs.360.05 million for Level 5 Hospitals, Kshs.50.29 million for Free Maternal Health Care, Kshs.14.52 million for Compensation for Forgone User Fees, Kshs.95.74 million for Leasing of Medical Equipment, and Kshs.73.32 million from Road Maintenance Fuel Levy Fund.

3.7.2 Revenue Analysis

In the first half of FY 2015/16, the County received Kshs.1.93 billion revenue from the National Government as equitable share, Kshs.120.62 million as conditional allocations for Garissa Level 5 Hospital, Kshs.37.03 million as conditional allocations from the road maintenance fuel levy fund, Kshs.19.76 million as conditional allocations for free maternal health care, Kshs.2.40 million as conditional allocations for forgone user fees, raised Kshs.45.60 million from local sources, and had a cash balance of Kshs.463 million brought forward from FY 2014/15.

The quarterly trend in local revenue collection from the FY 2013/14 to the second quarter of FY 2015/16 is shown in figure 3.25.

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



Source: *Garissa County Treasury*

The local revenue consisted of Kshs.24.76 million raised in the first quarter and Kshs.20.84 million in the second quarter. The local revenue raised in the first half of the FY 2015/16 was Kshs.45.60 million (9.1 per cent of the annual local revenue target) and a decrease from Kshs.68.6 million collected in a similar period of FY 2014/15.

The Analysis of local revenue for the first half of FY 2015/16 by stream is shown in Table 3.13.

Table 3.13: Garissa County, Analysis of revenue collection by stream for the first half of FY 2015/16

No.	Revenue Stream	Annual Targeted Revenue (Kshs.)	6 Months Actual Revenue (Kshs.)	Revenue Performance (%)
	A	B	C	D=C/B*100
1	Stock Auction Fees (Cattle)	39,477,200	4,120,320	10.4
2	Market Fresh Produce Fees	34,888,000	3,488,800	10.0
3	Single Business Permits	45,974,680	4,597,468	10.0
4	Building Materials	36,996,000	3,700,600	10.0
5	Land Rates	43,309,560	4,230,965	9.8
6	PG Hospital Revenues	120,463,400	9,935,340	8.2
7	Others	178,891,160	15,601,534	8.7
	TOTAL	**500,000,000**	**45,675,027**	**9.1**

Source: *Garissa County Treasury*

The analysis of revenue by stream indicates that the stock auction fees generated the highest percentage of revenue against annual target at 10.4 per cent, followed by single business permit, market produce fees and building materials fees at 10.0 per cent. The referral hospital fees reported the lowest collection against the expected target at 8.2 per cent.

3.7.3 Banking of local revenue

A review of the bank statements for the revenue collection account indicates that all locally generated revenue was deposited into the CRF during the period under review. This is in conformity with Article 207 of the Constitution and Section 109 of the PFM Act 2012, which stipulates that all funds raised or received by or on behalf of the County Government should be deposited into the CRF account, unless excluded by an Act of Parliament.

3.7.4 Exchequer Releases

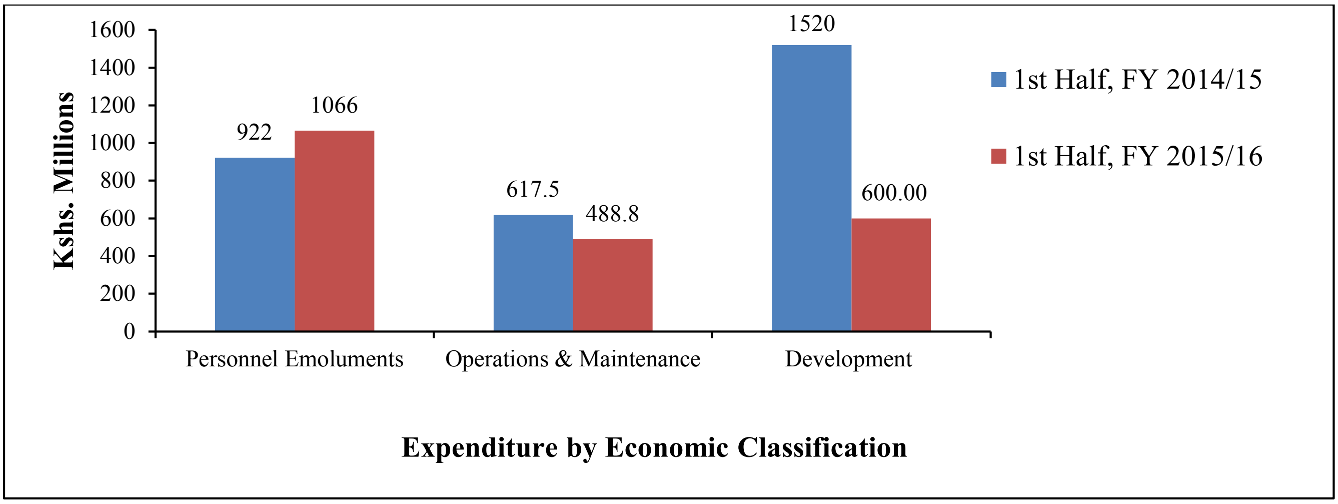
During the period under review, the COB authorised withdrawal of Kshs.2.20 billion from the CRF account, which was 29.9 per cent of the approved budget. The withdrawal represented a decline of 27.6 per cent from Kshs.3.04 billion authorized in a similar period of FY 2014/15 and consisted of Kshs.1.59 million (72.4 per cent) for recurrent expenditure and Kshs.606 million (27.6 per cent) for development activities.

3.7.5 Overall Expenditure Review

The County spent a total of Kshs.2.16 billion during the first half of FY 2015/16 which was 98 per cent of the funds released for operations. This is a significant reduction from the Kshs.3.01 billion spent in a similar period of FY 2014/15. A total of Kshs.1.55 billion was spent on recurrent activities and Kshs.600 million on development activities. Recurrent expenditure was 97.6 per cent of the funds released for recurrent activities while development expenditure accounted for 99 per cent of the funds released for development activities.

Recurrent expenditure for the period under review represented 39.7 per cent of the approved annual recurrent budget, a decrease from 47.9 per cent spent in a similar period of FY 2014/15. On the hand, development expenditure recorded an absorption rate of 17.4 per cent, a decrease from 34.8 per cent spent in a similar period of FY 2014/15. A comparison of the total expenditure in the first half of FY 2014/15 and the first half of FY 2015/16 is shown in Figure 3.26.

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



Source: *Garissa County Treasury*

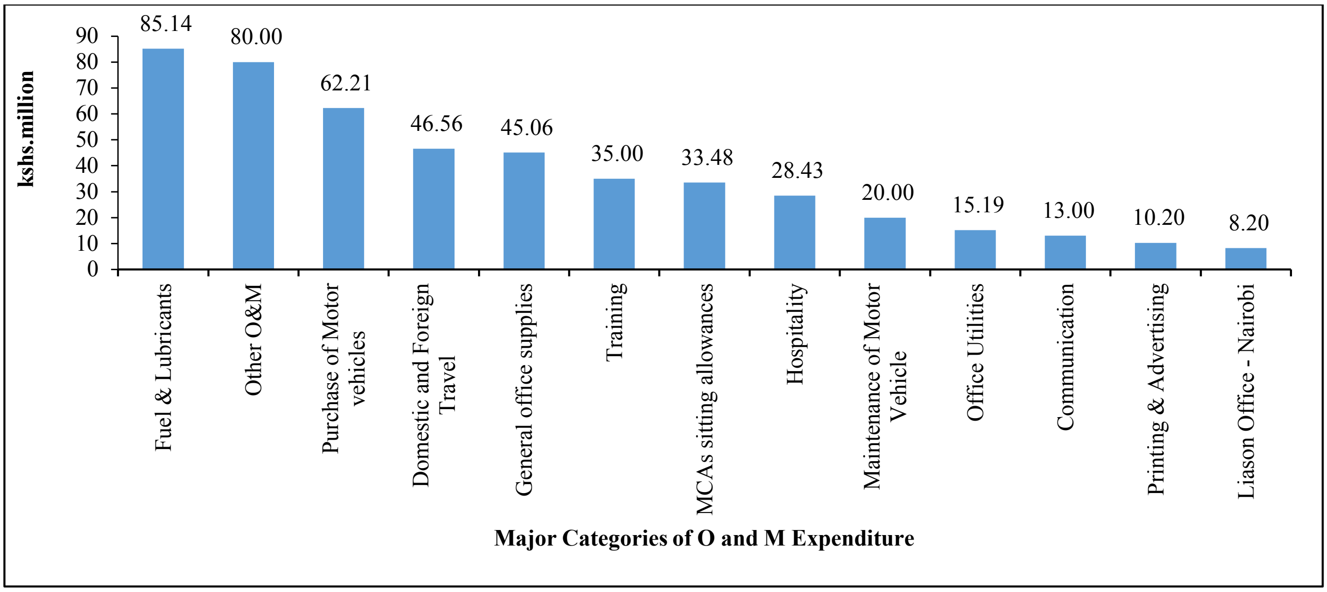
3.7.6 Recurrent Expenditure Analysis

The total recurrent expenditure was Kshs.1.56 billion against an annual recurrent budget of Kshs.3.92 billion. This represents 39.7 per cent of the annual recurrent budget. The County spent Kshs.1,066.2 million (68.6 per cent) on personnel emoluments and Kshs.488.8 million (31.4 per cent) on operations and maintenance as shown in Figure 3.26. Expenditure on personnel emoluments accounted for 49.5 per cent of total expenditure and has increased significantly in FY 2015/16 as compared to the similar period in FY 2014/15 when the County spent Kshs.922 million.

The county spent Kshs.33.48 million on sitting allowances to the 49 MCAs and the Speaker against an annual budget of Kshs.80.9 million. This was an increase from Kshs.28.8 million recorded in a similar period of FY 2014/15. The average monthly sitting allowance per MCA was Kshs.113,872 compared to SRC's recommended monthly ceiling of Kshs.124,800.

A breakdown of the operations and maintenance expenditure for the reporting period is shown in Figure 3.27.

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



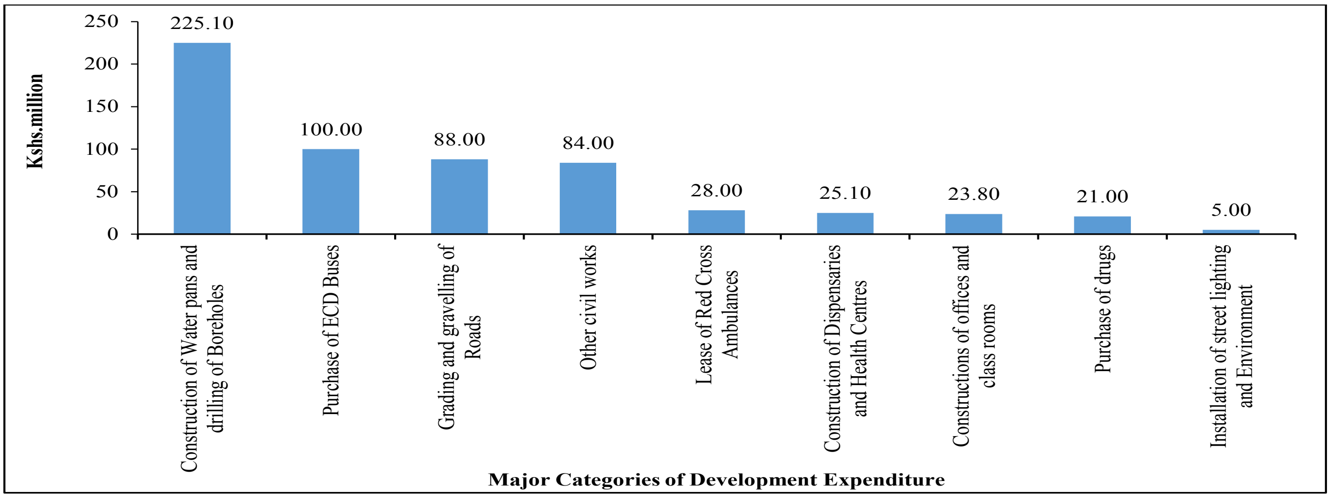
Source: *Garissa County Treasury*

The aggregate expenditure on domestic and foreign travel was Kshs.46.56 million compared to Kshs.75.96 million incurred in a similar period of FY 2014/15, representing a decrease of 38.8 per cent. This expenditure comprised of Kshs.23.43 million spent by the County Executive and Kshs.23.13 million by the County Assembly.

3.7.7 Development Expenditure Analysis

A summary of development expenditure during the first half of FY 2015/16 is shown in figure 3.28.

Figure 3.28: Garissa County, Summary of Development Expenditure for the first half of FY 2015/16



Source: *Garissa County Treasury*

Analysis of the development expenditure of Kshs.600 million in the first half of FY 2015/16 indicates that the Water Department reported the highest expenditure of Kshs.225.10 million which was spent on construction of water pans, dam and drilling of boreholes. The second highest expenditure of Kshs.100 million was utilized on purchase of seven buses for the Early Childhood Development (ECD) program. The third highest expenditure of Kshs.88 million was incurred by the Roads Department on construction of feeder roads to ease transportation in rural areas.

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

A summary of the FY 2015/16 annual budget estimates and budget performance for the first half by department is shown in Table 3.14.

Table 3.14: Garissa County, Annual Budget and First Half of FY 2015/16 Budget Performance by Department

Department	Annual Budget Allocation (Kshs.Millions)		6 Months Exchequer Issues (Kshs.Millions)		6 Months Expenditure (Kshs.Millions)		Expenditure to Exchequer Issues (%)		Absorption rate (%)	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
Agriculture ,Irrigation Services and Fisheries	106.36	115	43.8	-	42.5	-	97.0	-	40.0	-
Culture	34.43	70	9.65	11.4	9.36	11.3	97.0	99.1	27.2	16.1
Public Works, Roads, and Physical Planning	86.93	864.2	28.8	88	27.9	88.0	96.9	100.0	32.1	10.2
Education	143.4	334	55.2	133.3	53.5	132.0	96.9	99.0	37.3	39.5
Finance & Economic Planning	1294	482	531.5	56	514.8	56	96.9	100.0	39.8	11.6
Health and Sanitation	1124.2	303	540.7	49.3	527.2	49.3	97.5	100.0	46.9	16.3
Livestock	79.52	88.57	26.3	0	25.6	0	97.3	-	32.2	0.0
Trade, Youth and Sport	76.87	235.34	25.6	0	24.96	0	97.5	-	32.5	0.0
Environment	30.32	163	10	0	9.75	0	97.5	-	32.2	0.0
Water	108.6	788	35.6	268	34.71	264	97.5	98.5	32.0	33.5
County Executive	148.2	0	45.8	0	44.7	0	97.6	-	30.2	-
County Assembly	684	0	240	0	240	0	100.0	-	35.1	-
Total	**3,917**	**3,443**	**1,593**	**606**	**1,555**	**600**	**97.6**	**99**	**39.7**	**17.4**

Source: *Garissa County Treasury*

Analysis of budget performance by department shows that the Department of Education reported the highest absorption rate for development expenditure at 39.5 per cent. On the other hand, the Health Department and Sanitation had the highest percentage of recurrent expenditure to annual recurrent budget at 46.9 per cent.

3.7.9 Borrowing by the County Government

Article 212 of the Constitution requires a county government to borrow with approval from the County Assembly, and only if the national government guarantees the loan. Further, Section 58 of the PFM Act 2012 gives the Cabinet Secretary to the National Treasury the powers to guarantee loans subject to approval by Parliament. During the period under review, the County utilized its equitable share and local revenue collection deposited into the CRF and did not borrow.

3.7.10 Observations and Recommendations

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

i. Embraced use of IFMIS in processing financial transactions.

The following challenges raised in the previous CBIRRs continue to hamper effective budget implementation in the County;

1. Decline in local revenue collection against annual target from 13.6 per cent in a similar period of FY 2014/15 to 9.1 per cent in the reporting period.

2. Inadequate internal audit mechanism to ensure effective financial management.

3. Absence of designated administrators for established County established Funds thus rendering administration and accounting for the Funds difficult.

The County should 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 department.*

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.*

3.8 Homa Bay County

3.8.1 Overview of the FY 2015/16 Budget

The FY 2015/16 approved budget for Homa Bay County is Kshs.6.16 billion. It comprised of Kshs.3.95 billion (64.1 per cent) allocated for recurrent expenditure and Kshs.2.21 billion (35.9 per cent) for development expenditure.

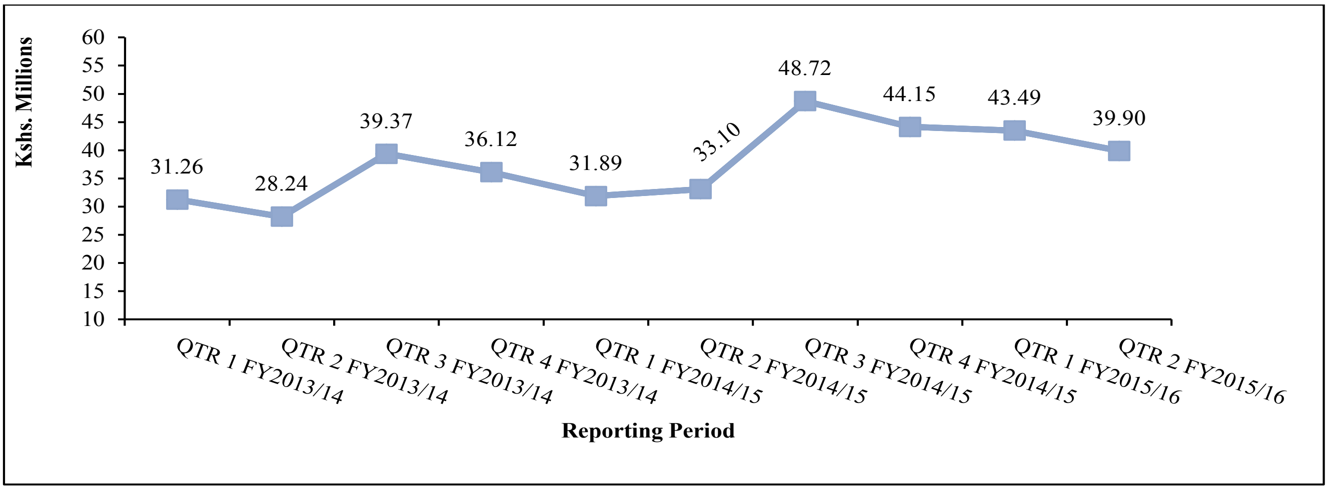
In order to finance the budget, the County is expected to receive Kshs.5.63 billion (91.3 per cent) as equitable share from the national government, collect Kshs.181.73 million (2.9 per cent) from local revenue sources, receive a conditional grant of Kshs.24.77 million (0.40 per cent) from DANIDA, Kshs.6.99 million (0.1 per cent) being balance brought forward from FY 2014/15, additional conditional grants of Kshs.320.89 million (5.3 per cent)from the National Government as contained in CARA, 2015 for free maternal care, leasing of medical equipment, compensation for user fees forgone, and Road Maintenance Fuel Levy Fund. However, the approved budget did not include additional conditional grants of Kshs.320.89 million of which Kshs.131.09 million was for free maternal health care, Kshs.22.47 million for compensation of forgone user fees, Kshs.95.75 million for leasing of medical equipment, and Kshs.71.58 million from Road Maintenance Fuel Levy Fund.

3.8.2 Revenue Analysis

During the second quarter of FY 2015/16, the County received Kshs.2.39 billion from the National Government as equitable share to the CRF account, Kshs.43.83 million for free maternal health care allocation, Kshs.5.61 million for compensation of forgone user fees, Kshs.36.15 million from the road maintenance fuel levy fund, raised Kshs.83.38 million from local sources, and had a cash balance of Kshs.6.99 million brought forward from FY 2014/15.

The quarterly trend in local revenue collection from FY 2013/14 to the second quarter of FY 2015/16 is shown in figure 3.29.

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



Source: *Homa Bay County Treasury*

The local revenue consisted of Kshs.43.49 million raised in the first quarter and Kshs.39.90 million in the second quarter. The local revenue raised in the first half of the FY 2015/16 was Kshs.83.38 million (45.9 per cent of the annual local revenue target), an improvement from Kshs.64.99 million collected in a similar period of FY 2014/15.

The analysis of local revenue for the first half of FY 2015/16 by stream is shown in Table 3.15.

Table 3.15: Homa Bay County, Analysis of revenue collection by stream for the first half of FY 2015/16

No.	Revenue Streams	Annual Targeted Revenue (Kshs.)	Six Months Actual Revenue (Kshs.)	Revenue Performance (%)
	A	B	C	D=*100
1	Health Sector	1,464,636	6,465,550	441.44
2	Motorbike Fees	2,601,226	3,403,060	130.83
3	Cess (Wheat, Maize, Sugarcane)	10,196,804	7,573,969	74.28
4	Enclosed Bus Park	14,830,031	8,979,720	60.55
5	Market Dues	40,574,064	17,611,945	43.41
6	Land Rates	2,513,660	881792	35.08
7	Urban Planning Fees	3,180,241	613,500	19.29
8	Sign Boards & Advert Fees	883,387	81,160	9.19
9	Single Business Permits	24,270,229	2,112,091	8.7
10	House Management Unit	8,584,906	217,400	2.53
11	Other revenue streams	72,634,483	35,444,415	48.8
	Total	**181,733,667**	**83,384,602**	**45.9**

Source: *Homa Bay County Treasury*

Analysis of revenue by stream indicates that the Health Department generated the highest performance of revenue against annual target at 441.4 per cent followed by Motorbike Fee at 130.8 per cent. House management unit reported the lowest collection against annual target at 2.5 per cent.

3.8.3 Banking of local revenue

A review of the bank statements for the revenue collection account indicates that the County did not bank Kshs.21.88 million from locally generated revenue into the CRF during the period under review. This does not conform to Article 207 of the Constitution and Section 109 of the PFM Act 2012, which stipulates that all funds raised or received by or on behalf of the County Government should be deposited into the CRF account, unless excluded by an Act of Parliament.

3.8.4 Exchequer Issues

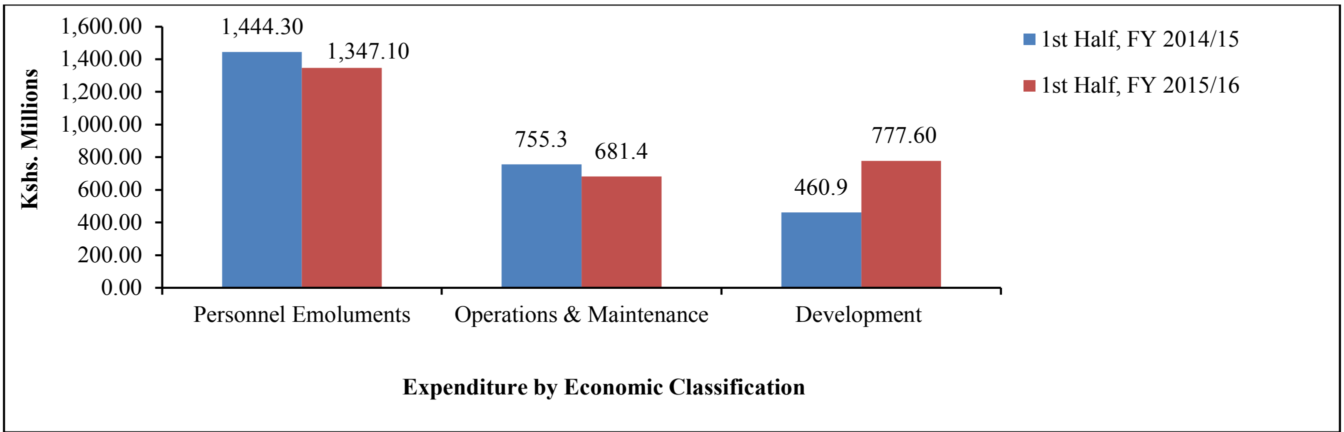
The Controller of Budget authorised withdrawal of Kshs.2.99 billion from the CRF account, which was 48.6 per cent of the approved budget. This represented an increase of 55.7 per cent from Kshs.1.92 billion authorized in a similar period of FY 2014/15 and consisted of Kshs.2.07 billion (69.3 per cent) for recurrent expenditure and Kshs.920 million (30.7 per cent) for development activities.

3.8.5 Overall Expenditure Review

The County spent a total of Kshs.2.81 billion during the first half of FY 2015/16 which was 93.7 per cent of the total funds released for both recurrent and development expenditure. This is an increase from the Kshs.2.66 billion spent in a similar period of FY 2014/15. A total of Kshs.2.03 billion was spent on recurrent activities and Kshs.777.56 million on development activities. Recurrent expenditure was 97.8 per cent of the funds released for recurrent activities while development expenditure accounted for 84.5 per cent of the funds released for development activities. The expenditure does not include pending bills as at 31st December, 2015 that amounted to Kshs.688.56 million for development expenditure and Kshs.151.97 million for recurrent activities.

Recurrent expenditure for the period under review represented 51.3 per cent of the approved annual recurrent budget, a decrease from 82.7 per cent spent in a similar period of FY 2014/15. On the other hand, development expenditure recorded an absorption rate of 35.1 per cent, an improvement from 27.3 per cent spent in a similar period of FY 2014/15. A comparison of the total expenditure in the first half of FY 2014/15 and in the first half of FY 20151/16 is shown in Figure 3.30.

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



Source: *Home Bay County Treasury*

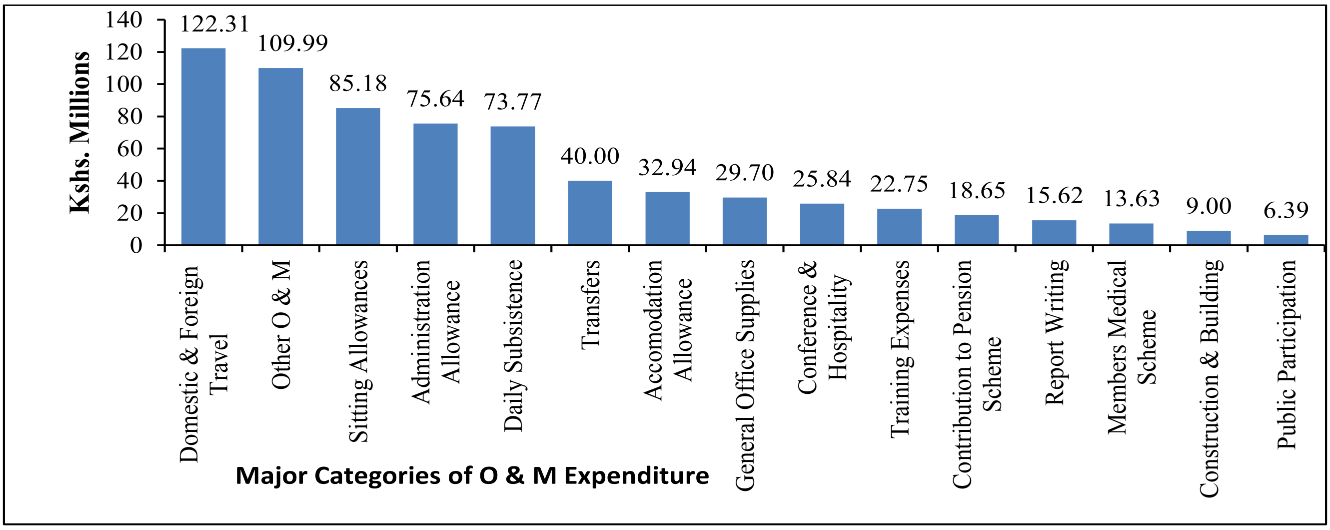
3.8.6 Recurrent Expenditure Analysis

The total recurrent expenditure for the reporting period was Kshs.2.03 billion against an annual recurrent budget of Kshs.3.95 billion. This represents 51.4 per cent of the annual recurrent budget. The County spent Kshs.1.35 billion (66.5 per cent) on personnel emoluments and Kshs.681.4 million (33.6 per cent) on operations and maintenance as shown in Figure 3.30. Expenditure on personnel emoluments accounted for 48.0 per cent of total expenditure, a significant decrease compared to a similar period of FY 2014/15 when the County spent Kshs.1.44 billion.

The County spent Kshs.56.91 million on sitting allowances to the 64 MCAs against an annual budget of Kshs.129.32 million. This is a decrease from Kshs.63.41 million recorded in a similar period of FY 2014/15. The average monthly sitting allowance per MCA was Kshs.148,200 compared to SRC's recommended monthly ceiling of Kshs.124,800.

A breakdown of the operations and maintenance expenditure for the reporting period is shown in Figure 3.31.

Figure 3.31: Homa Bay County, Operations and Maintenance Expenditure for the first half of FY 2015/16



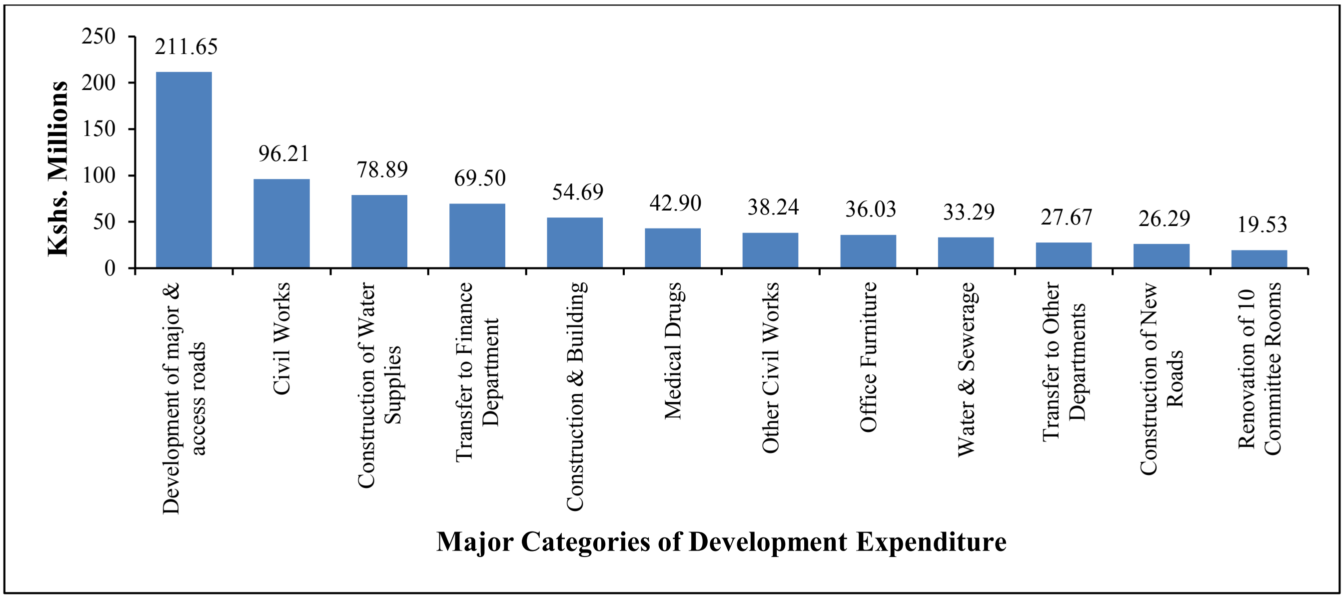
Source: *Home Bay County Treasury*

The aggregate expenditure on domestic and foreign travel was Kshs.122.31 million compared to Kshs.112.1 million incurred in a similar period of FY 2014/15, representing an increase of 19.1 per cent. This expenditure comprised of Kshs.70.57 million spent by the County Executive and Kshs.51.74 million by the County Assembly.

3.8.7 Development Expenditure Analysis

A summary of development expenditure during the first half of FY 2015/16 is provided in figure 3.32.

Figure 3.32: Homa Bay County, Summary of Development Expenditure for the First Half of FY 2015/16



Source: *Homa Bay County Treasury*

Analysis of the development expenditure of Kshs.777.56 million in the first half of FY 2015/16 indicates that the Roads Department reported the highest expenditure of Kshs.211.65 million which was spent on development of major and access roads. A total of 290 kilometers of roads were maintained across the 40 wards. The second highest expenditure of Kshs.96.21 million was incurred by the Trade and Industry Department on structural engineering. The Department of Water and Environment incurred Kshs.78.89 million on construction of water supplies while the Department of Finance and Planning made some transfers amounting to Kshs.69.50 million. The County however did not provide detailed information on the transfers.

3.8.8 Annual Budget and Budget Performance Analysis by Department for the First Half of FY 2015/16

The summary of the FY 2015/16 annual budget estimates and budget performance for the first half is shown in Table 3.16.

Table 3.16: Homa Bay County, Annual Budget and First Half of FY 2015/16 Budget Performance by Department

Department	Annual Budget Allocation (Kshs. Million)		6 Months Exchequer Issues (Kshs. Million)		6 Months Expenditure (Kshs. Million)		6 Months Expenditure to Exchequer Issues (%)		Absorption rate (%)	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
Office of the Governor	464.13	-	277.50	-	502.67	6.52	181.1	-	108.3	-
Finance & Economic Planning	479.95	417.95	186.50	-	338.87	95.80	181.7	-	70.6	22.9
Tourism, Culture, Youth and Sports	38.49	64.31	18.00	13.00	9.30	7.88	51.7	60.6	24.2	12.3
Health and Medical Services	1017.78	461.00	485.10	288.00	436.26	101.21	89.9	35.1	42.9	22.0
Education and ICT	355.01	33.89	236.50	23.00	141.74	30.70	59.9	133.5	39.9	90.6
Transport and Infrastructure	67.10	499.00	38.50	177.00	19.13	334.62	49.7	189.1	28.5	67.1
County Assembly	880.12	70.00	463.00	48.00	338.87	19.53	73.2	40.7	38.5	27.9
Lands, Housing & Physical planning	58.61	80.95	33.00	20.00	18.56	72.96	56.2	364.8	31.7	90.1
Trade, Industry, Co-operatives and Investments	132.53	117.83	90.00	51.00	18.62	14.32	20.7	28.1	14.0	12.2
Energy and Natural Resources	32.32	72.00	14.50	45.00	13.17	5.65	90.8	12.6	40.8	7.9
Agriculture, Livestock and Fisheries Services	213.20	156.20	149.00	94.00	67.62	9.48	45.4	10.1	31.7	6.1
Water Services and Environment	115.90	240.00	67.00	161.00	75.83	78.89	113.2	49.0	65.4	32.9
County Public Service Board	94.57	-	15.00	0.00	47.91	-	319.4	-	50.7	-
Total	**3949.71**	**2213.13**	**2073.60**	**920.00**	**2028.55**	**777.56**	97.8	**84.5**	**51.4**	**35.1**

Source: *Homa Bay County Treasury*

Analysis of budget performance by department shows that the Department of Education and ICT reported the highest absorption rate of its development budget at 90.6 per cent while the Department of Agriculture, Livestock and Fisheries Services registered the lowest absorption rate at 6.1 per cent. On the other hand, Office of the Governor attained the highest percentage of its recurrent expenditure to its recurrent budget at 108.3 per cent while Trade, Industry, Cooperative Development and Investment Department had the lowest percentage at 14.0 per cent.

3.8.9 Borrowing by the County Government

Article 212 of the Constitution requires a county government to borrow with approval from the County Assembly, and only if the national government guarantees the loan. Further, Section 58 of the PFM Act 2012 gives the Cabinet Secretary to the National Treasury the powers to guarantee loans subject to approval by Parliament. During the period under review, the County utilized its equitable share and local revenue collection deposited at the County Revenue Fund account maintained at the Central Bank of Kenya and did not borrow any funds.

3.8.10 Observations and Recommendations

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

ii. Improved local revenue collection from Kshs.64.99 million in the first half of FY 2014/15 to Kshs.83.38 million in first half of FY 2015/16.

iii. Developed and approved regulations to operationalize the County Assembly Members Car Loan and Mortgage Fund and the County Bursary Fund.

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

1. Delay in submission of expenditure reports contrary to Section 166 of the PFM Act 2012.

2. Some departments have not fully embraced use of IFMIS in processing financial transactions. Instead, the departments use both IFMIS and manual systems, which is prone to manipulation.

3. The Department of Health spent locally generated revenue at source in contravention of section 109 of the PMF Act 2012.

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

1. *The County Treasury should submit expenditure reports according to the set timelines.*

2. *All the County entities should fully adopt IFMIS in processing financial transactions.*

3. *The County Treasury should ensure that all revenue collected locally is deposited into the CRF in line with section 109 of the PFM Act 2012.*

3.9 Isiolo County

3.9.1 Overview of the FY 2015/16 Budget

The FY 2015/16 approved budget for Isiolo County amounts to Kshs.3.80 billion. It comprised of Kshs.2.11 billion (55.6 per cent) for recurrent expenditure and Kshs.1.69 billion (44.4 per cent) for development expenditure.

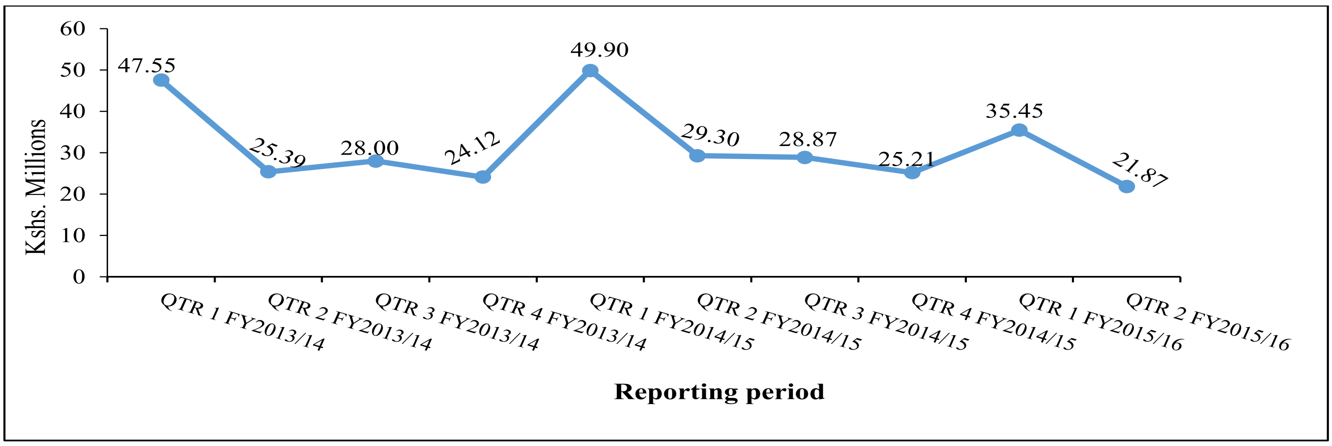
In order to finance the budget, the County expected to receive Kshs.3.06 billion (80.4 per cent) as transfers from the National Government, collect Kshs.360 million (9.5 per cent) from local sources, and receive a conditional grant of Kshs.8.73 million (0.2 per cent) from World Bank loan to supplement financing of county health facilities, and Kshs.7.97 million (0.2 per cent) from DANIDA grant to supplement financing for county health facilities, Kshs.254.70 million as conditional grant from national government, Kshs.112.80 million as appropriations in aid. The County did not include in the budget Kshs.24.68 million as opening balance brought forward from FY 2014/15.The conditional grants as per the County Allocation of Revenue Act, 2015 were Kshs.161.12 million, however what was included in the budget amounts to Kshs.254.70 million, depicting a shortfall of Kshs.93.62 million. The Kshs.161.12 million conditional grant comprises of Kshs.95.74 million for leasing of medical equipment, Kshs.38.83 million from the road maintenance fuel levy fund, Kshs.23.21 million for free maternal health care, Kshs.3.34 million for compensation of forgone user fees.

3.9.2 Revenue Analysis

In the first half of FY 2015/16, the County received Kshs.1.28 billion from the National Government as equitable share, raised Kshs.57.32 million from local sources, Kshs.9.25 million as conditional allocation for free maternal healthcare, Kshs.0.76 million as conditional allocations for forgone user fees and Kshs.19.61 million as conditional allocation from the fuel levy fund. The county did not budget Kshs.24.65 million reported as the cash balance brought forward from FY 2014/15.

The quarterly trend in local revenue collection from the FY 2013/14 to the second quarter of FY 2015/16 is shown in table 3.33.

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



Source: *Isiolo County Treasury*

The local revenue consisted of Kshs.35.45 million raised in the first quarter and Kshs.21.87 million in the second quarter. The local revenue raised in the first half of the FY 2015/16 was Kshs.57.32 million (15.75 per cent of the annual local revenue target), a decline from Kshs.79.62 million collected in a similar period of FY 2014/15.

The analysis of local revenue for the first half of FY 2015/16 by stream is shown in Table 3.17.

Table 3.17: Isiolo County, Analysis of revenue collection by stream for the first half of FY 2015/16

No.	Revenue Stream	Annual Targeted Revenue (Kshs.)	Six Months Actual Revenue (Kshs.)	Revenue Performance (%)
	A	B	C	D=*100
1	Plot Transfer/Subdivision/ Registration/Approval Fees	2,000,000	1,666,500	83.3
2	Slaughter Fee	1,500,000	1,010,425	67.4
3	Liquor Application	3,000,000	1,799,000	60.0
4	Parking Fee	6,000,000	2,727,730	45.5
5	Hospital Charges	15,000,000	1,799,000	12
6	Livestock Cess	6,000,000	1,975,950	32.9
7	Miraa Cess	5,000,000	1,253,464	25.1
8	Sand Cess	10,200,000	2,271,400	22.3
9	Water Levies	3,000,000	508,564	17
10	Promotions Fee	6,500,000	1,070,055	16.5
11	Game Parks Entry Charges	210,000,000	28,151,462	13.4
12	Land Rates & Rents	70,200,000	5,933,816	8.45
13	Planning & Survey Fee	8,500,000	10,000	0.12
14	Other revenue streams	13,100,000	6,509,140	49.6
	TOTAL	**360,000,000**	**56,686,506**	**15.75**

Source: *Isiolo County Treasury*

The analysis of revenue by stream indicates that Plot Transfer Fees and Slaughter House Fees were the best performing revenue streams achieving 83.30 per cent and 67.4 per cent against their annual targets respectively.

3.9.3 Banking of local revenue

A review of bank statements of the revenue collection account indicated that all locally generated revenue was deposited into the CRF during the period under review. This conforms to Article 207 of the Constitution and Section 109 of the PFM Act 2012, which stipulates that all funds raised or received by or on behalf of the County Government shall be deposited into the CRF account unless excluded by an Act of Parliament.

3.9.4 Exchequer Issues

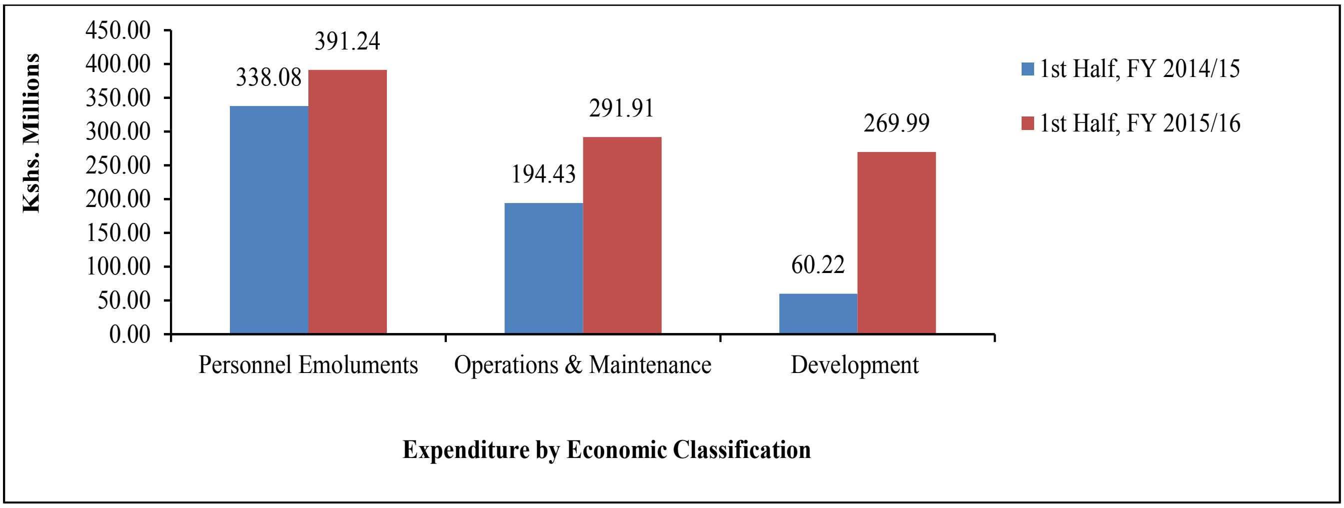
The Controller of Budget authorised withdrawal of Kshs.1.39 billion from the CRF account, which was 36.6 per cent of the approved budget. The amount represented an improvement of 28.7 per cent from Kshs.1.08 billion authorized in a similar period of FY 2014/15 and consisted of Kshs.1.09 billion (78.5 per cent) for recurrent expenditure and Kshs.300.0 million (21.5 per cent) for development activities.

3.9.5 Overall Expenditure Review

The County spent a total of Kshs.953.14 million during the first half of FY 2015/16 which was 68.4 per cent of the funds released for operations. This is an improvement from the Kshs.592.74 million spent in a similar period of FY 2014/15. A total of Kshs.683.14 million was spent on recurrent activities and Kshs.269.99 million on development activities. Recurrent expenditure was 62.5 per cent of the funds released for recurrent activities while development expenditure accounted for 90.0 per cent of the funds released for development activities. The expenditure excludes commitments as of 31st December, 2015 that amounted to Kshs.589.60 million for recurrent expenditure and Kshs.392.7 million for development expenditure.

Recurrent expenditure for the period under review represented 32.3 per cent of the approved annual recurrent budget, an improvement from 27.4 per cent spent in a similar period of FY 2014/15.On the other hand, development expenditure recorded an absorption rate of 16.0 per cent, an improvement from 7.3 per cent spent in a similar period of FY 2014/15. A comparison of the total expenditure in the first half of FY 2014/15 and in the first half of FY 20151/16 is shown in Figure 3.34.

Figure 3.34: Isiolo County, Expenditure by Economic Classification for First Half of FY 2014/15 and First Half of FY 2015/16



Source: *Isiolo County Treasury*

3.9.6 Recurrent Expenditure Analysis

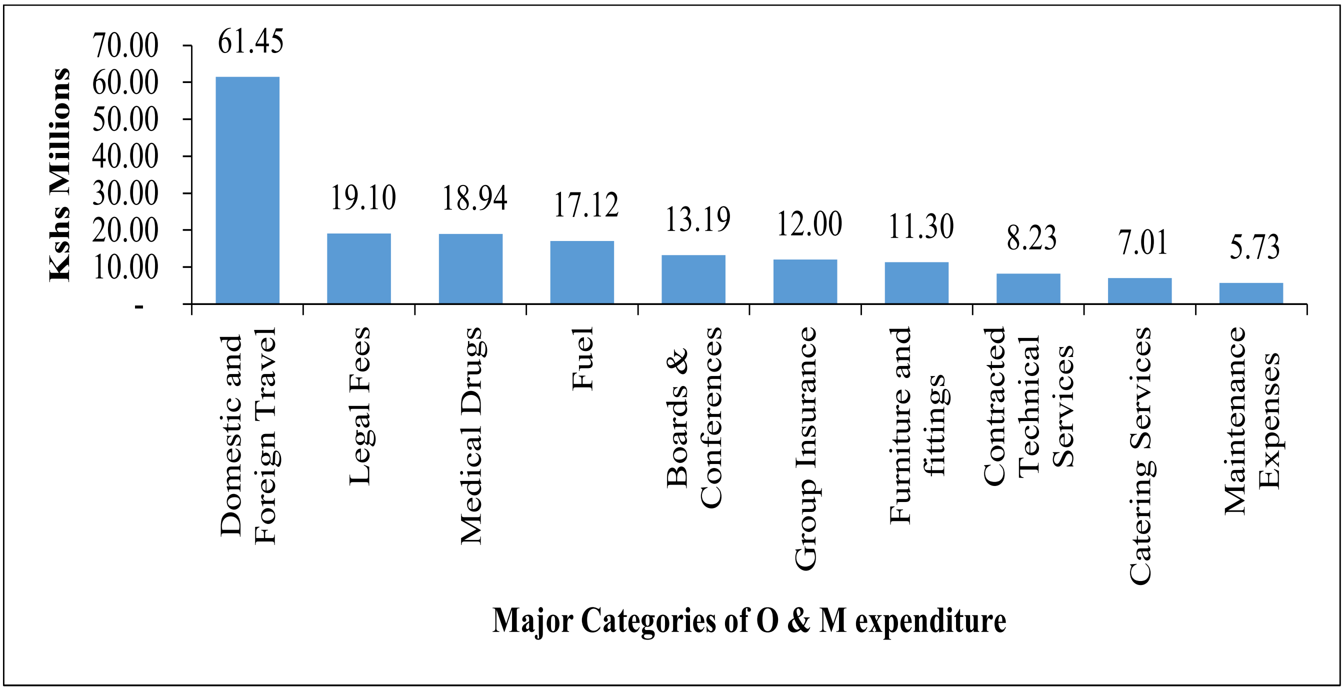
The total recurrent expenditure for the reporting period was Kshs.683.15 million against an annual budget of Kshs.2.12 billion. This is 32.30 per cent of the annual recurrent budget. The County spent

Kshs.391.24 million (57.3 per cent) on personnel emoluments and Kshs.291.91 million (42.7 per cent) on operations and maintenance as shown in Figure 3.34. Expenditure on personnel emoluments accounted for 41.4 per cent of total expenditure and has increased in FY 2015/16 as compared to a similar period of FY 2014/15 when the County spent Kshs.338.08 million.

The County spent Kshs.8.38 million on sitting allowances to the 21 MCAs and the Speaker against an annual budget of Kshs.29.44 million. This is an increase as compared to a similar period of FY2014/15. The average monthly sitting allowance per MCA was Kshs.66,542 compared to SRC's recommended monthly ceiling of Kshs.124,800.

A breakdown of the operations and maintenance expenditure for the reporting period is shown in Figure 3.35.

Figure 3.35: Isiolo County, Operations and Maintenance Expenditure for the First Half of FY 2015/16



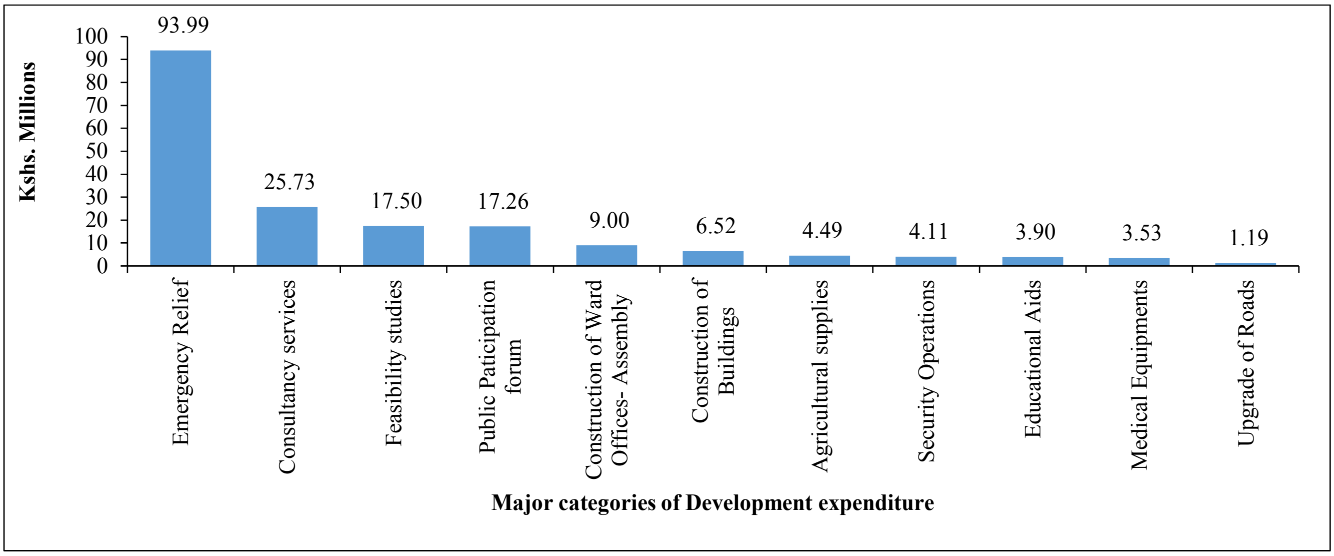
Source: *Isiolo county Treasury*

The aggregate expenditure on domestic and foreign travel was Kshs.68.71 million compared to Kshs.50.0 million incurred in a similar period of FY 2014/15, representing an increase of 36.2 per cent. This expenditure comprised of Kshs.49.57 million spent by the County Executive and Kshs.19.14 million by the County Assembly.

3.9.7 Development Expenditure Analysis

A summary of development expenditure during the first half of FY 2015/16 is shown in figure 3.36.

Figure 3.36: Isiolo County, Summary of Development Expenditure for the First Half of FY 2015/16



Source: *Isiolo County Treasury*

Analysis of the development expenditure of Kshs.269.99 million incurred in the first half of FY 2015/16 indicates that the Office of the Governor reported the highest expenditure of Kshs.80.50 million which was spent on delivery of relief supplies. The second highest expenditure of Kshs.30.90 million was incurred by the Department of Cohesion and Intergovernmental relations on famine relief and feasibility studies. The Department of Land, Physical Planning and Urban Development incurred Kshs.17.30 million for public participation forums on land issues and peace building initiatives while the Department of Agriculture incurred Kshs.4.5 million on Agricultural supplies. The office has noted that the provided list of development projects should have been classified as recurrent expenditure.

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

A summary of the FY 2015/16 annual budget estimates and budget performance for the first half by department is shown in Table 3.18.

Table 3.18: Isiolo County, Annual Budget and First Half of FY 2015/16 Budget Performance by Department

Department	Annual Budget Allocation (Kshs. Millions)		6 Months Exchequer Issues (Kshs. Millions)		6 Month Expenditure (Kshs. Millions)		6 Month Expenditure to Exchequer Issues (%)		Absorption rate (%)	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
County Assembly	380.93	70.00	203.40	25.00	162.18	9.00	79.7	36.0	42.6	12.9
Office of the Governor	258.77	108.00	123.41	10.00	106.59	85.05	86.4	850.5	41.2	78.8
Finance and planning	314.71	211.50	139.68	50.00	96.62	37.53	69.2	75.1	30.7	17.7
Lands and Planning	53.93	343.85	30.98	75.00	7.77	19.23	25.1	25.6	14.4	5.6

Department	Annual Budget Allocation (Kshs. Millions)		6 Months Exchequer Issues (Kshs. Millions)		6 Month Expenditure (Kshs. Millions)		6 Month Expenditure to Exchequer Issues (%)		Absorption rate (%)	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
Agriculture, Livestock	117.57	192.00	69.76	10.00	40.93	8.49	58.7	84.9	34.8	4.4
Cohesion and Intergovernmental Relations	13.23	68.18	5.67	15.00	1.13	30.91	19.9	206.0	8.5	45.3
Education	150.04	95.00	75.93	14.00	9.55	24.49	12.6	175.0	6.4	25.8
Tourism and Culture	45.98	122.50	19.87	15.00	6.76	17.83	34.0	118.8	14.7	14.6
Public Service Management	70.09	9.10	31.23	-	16.91	1.77	54.1	0.0	24.1	19.5
Water and Irrigation	101.10	243.33	56.83	50.00	20.91	9.07	36.8	18.1	20.7	3.7
Health Services	567.56	157.37	325.03	30.00	205.15	7.11	63.1	23.7	36.1	4.5
Trade and cooperatives	27.00	40.00	5.10	5.00	5.23	3.62	102.5	72.4	19.4	9.0
Town Administration	14.10	25.00	6.12	1.00	3.89	15.89	63.6	1589.2	27.6	63.6
TOTAL	**2115.00**	**1685.83**	**1093.00**	**300.00**	**683.62**	**269.99**	**62.5**	**90.0**	**32.3**	**16.0**

Source: *Isiolo County Treasury*

Analysis of budget performance by department shows that the Office of the Governor had the highest absorption of its development budget at 78.8 per cent, The Department of Water and Irrigation the lowest absorption at 3.7 per cent. On the other hand, the County Assembly had the highest percentage of its recurrent expenditure to its recurrent budget at 42.6 per cent while Education and Sports Department had the lowest percentage at 6.4 per cent.

3.9.9 Borrowing by the County Government

Article 212 of the Constitution requires a county government to borrow with approval from the County Assembly, and only if the national government guarantees the loan. Further, Section 58 of the PFM Act 2012 gives the Cabinet Secretary to the National Treasury the powers to guarantee loans subject to approval by Parliament. During the period under review, the County utilized its equitable share and local revenue collections deposited into the County revenue fund account maintained at CBK and did not borrow any funds.

3.9.10 Observations and Recommendations

The County has made significant progress in addressing the challenges previously identified as affecting budget implementation. The County has:

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

ii. Procured an automated local revenue collection system.

iii. Adopted use of IFMIS and internet banking in the processing of financial transactions.

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

1. High wage bill due to recruitment of additional staff.
2. Delay in submission of financial reports as well as failure to submit quarterly financial reports for the County Assembly Car Loan Fund.
3. Delay in approval of Emergency Fund and Bursary Fund regulations by the County Assembly. This has led to difficulties in administration, reporting and accounting for these funds.

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

1. *The County Treasury should liaise with the County Public Service Board to review the wage bill and staff establishment for sustainability.*
2. *The County Treasury should put in place mechanisms that will enable production of financial reports in a timely basis. In addition, administrators of the established County Funds should submit Fund reports as required by Section 168 of the PFM Act 2012.*
3. *The County Assembly should fast track approval of the regulations to operationalize the Emergency Fund and the Bursary Fund.*

3.10 Kajiado County

3.10.1 Overview of the FY 2015/16 Budget

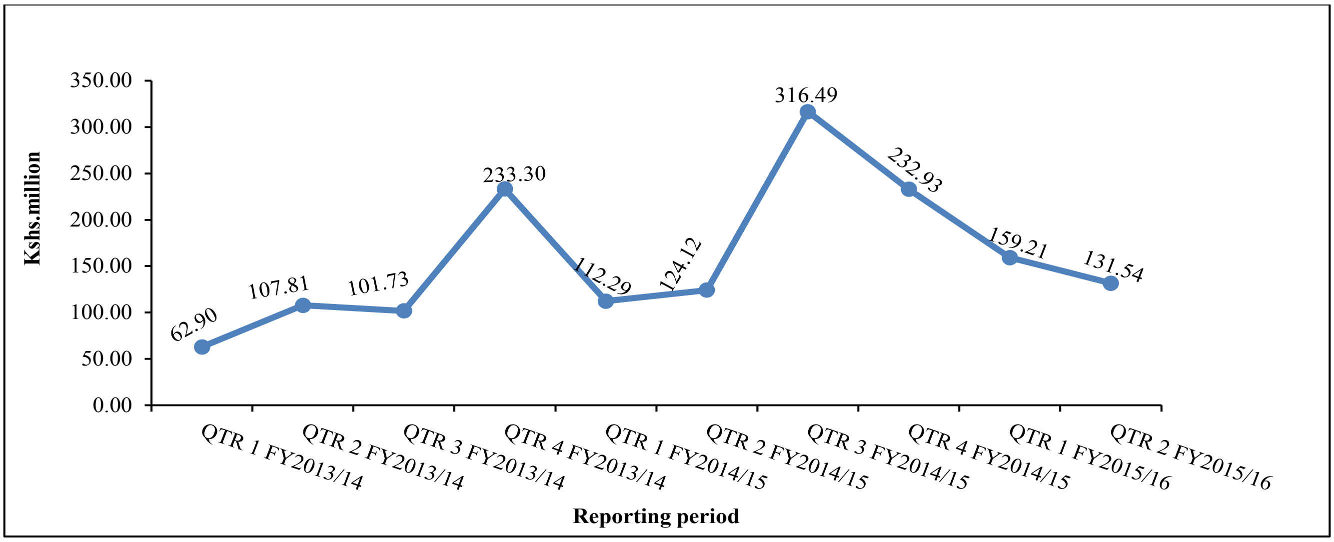
The FY 2015/16 approved budget for Kajiado County is Kshs.6.59 billion. It comprised of Kshs.3.93 billion (59.6 per cent) for recurrent expenditure and Kshs.2.66 billion (40.4 per cent) for development expenditure.

In order to finance the budget, the County expects to receive Kshs.4.41 billion (67 per cent) as transfers from the National Government, collect Kshs.1.13 billion (17.2 per cent) from local sources, receive a conditional grant of Kshs.15.51 million (0.2 per cent) from DANIDA, Kshs.41.33 million as free maternal health care fund (0.6 per cent) and Kshs.984.80 million (14.9 per cent) as cash balance brought forward from FY 2014/15. 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 of forgone user fees, 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.

3.10.2 Revenue Analysis

During the first half of FY 2015/16, the County received Kshs.1.48 billion from the National Government as equitable share, Kshs.28.31 million as conditional allocations from the Roads Maintenance Fuel Levy Fund, Kshs.18.59 million as conditional allocation for free maternal health care, Kshs.3.97 million as conditional allocations for forgone user fees, raised Kshs.290.75 million from local sources, and had a cash balance of Kshs.984.80 million brought forward from FY 2014/15. The quarterly trend in local revenue collection from FY 2013/14 to the second quarter of FY 2015/16 is shown in figure 3.37.

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



Source: *Kajiado County Treasury*

The local revenue consisted of Kshs.159.21 million raised in the first quarter and Kshs.131.54 million in the second quarter. The local revenue raised in the first half of the FY 2015/16 was Kshs.290.75 million (25.6 per cent of the annual local revenue target), an improvement from Kshs.236.42 million collected in a similar period of FY 2014/15.

The analysis of local revenue for the first half of FY 2015/16 by stream is shown in Table 3.19.

Table 3.19: Kajiado County, Analysis of revenue collection by stream for the first half of FY 2015/16

No.	Revenue Stream	Annual Targeted Revenue (Kshs.)	Six Months Actual Revenue (Kshs.)	Revenue Performance (%)
	A	B	C	D=*100
1	Sand Cess	176,253,516	77,128,680	43.8
2	Market Fees	77,702,142	40,756,095	52.5
3	Land Rates	104,166,738	37,666,790	36.2
4	Building Plan Approval	125,500,000	28,082,091	22.4
5	Public Health, Medical Levies and Hospital Fees	95,288,578	27,205,156	28.6
6	Royalties/Ballast Cess	74,658,134	26,272,444	35.2
7	Livestock Cess	27,950,000	15,672,413	56.1
8	Single Business Permit	192,542,098	13,790,635	7.2
9	Parking Fees	70,479,332	12,559,215	17.8
10	Market Levy	77,702,142	10,645,496	13.7
11	Other Sources	112,640,698	969,822	0.9
	TOTAL	**1,134,883,378**	**290,748,837**	**25.6**

Source: *Kajiado County Treasury*

The analysis of revenue by stream indicates that Livestock Cess recorded the highest performance against the annual target at 56.1 per cent followed by Market Fees at 52.5 per cent.

3.10.3 Banking of local revenue

A review of the bank statements for the revenue collection account indicates that all locally generated revenue was deposited into the CRF during the period under review. This conforms to Article 207 of the Constitution and Section 109 of the PFM Act 2012, which stipulates that all funds raised or received by or on behalf of the County Government shall be deposited into the CRF account unless excluded by an Act of Parliament.

3.10.4 Exchequer Issues

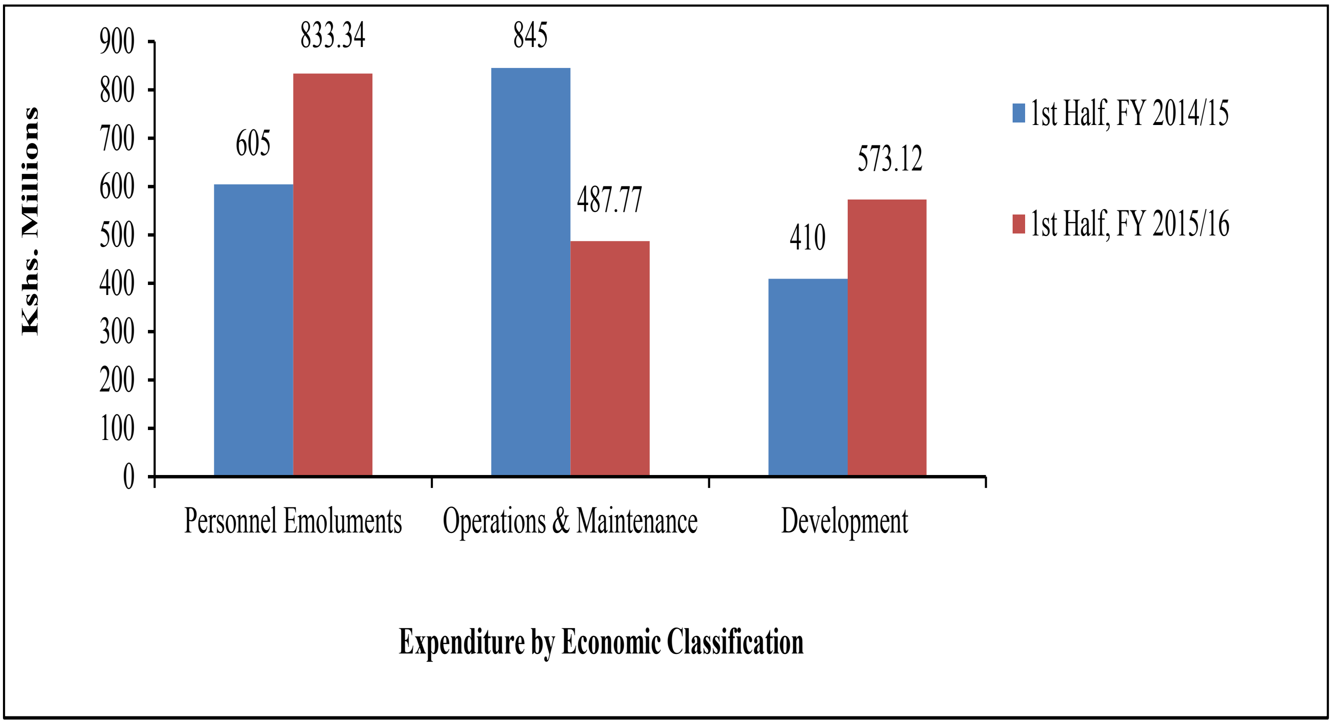
The Controller of Budget authorised withdrawal of Kshs.2.46 billion from the CRF account, which was 37.3 per cent of the approved budget. The exchequer releases consisted of Kshs.1.71 billion (69.5 per cent) for recurrent expenditure and Kshs.750 million (30.5 per cent) for development activities. The amount depicted a decline of 11.9 per cent from Kshs.2.20 billion authorized in a similar period of FY 2014/15.

3.10.5 Overall Expenditure Review

The County spent a total of Kshs.1.89 billion during the first half of FY 2015/16 which was 76.8 per cent of the funds released for both recurrent and development expenditure. This is a slight increase from the Kshs.1.86 billion spent in a similar period of FY 2014/15. A total of Kshs.1.32 billion was spent on recurrent activities and Kshs.573.12 million on development activities. Recurrent expenditure was 77.5 per cent of the funds released for recurrent activities while development expenditure accounted for 76.4 per cent of the funds released for development activities. The expenditure excludes commitments as of 31st December, 2015 that amounted to Kshs.1.42 billion for development and Kshs.360.48 million for recurrent expenditure.

Recurrent expenditure for the period under review represented 33.6 per cent of the approved annual recurrent budget, a decrease from 36.6 per cent spent in a similar period of FY 2014/15. On the other hand, development expenditure recorded an absorption rate of 21.5 per cent, a decrease from 22 per cent spent in a similar period of FY 2014/15. A comparison of the total expenditure in the first half of FY 2014/15 and in the first half of FY 2015/16 is shown in Figure 3.38.

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



Source: *Kajiado County Treasury*

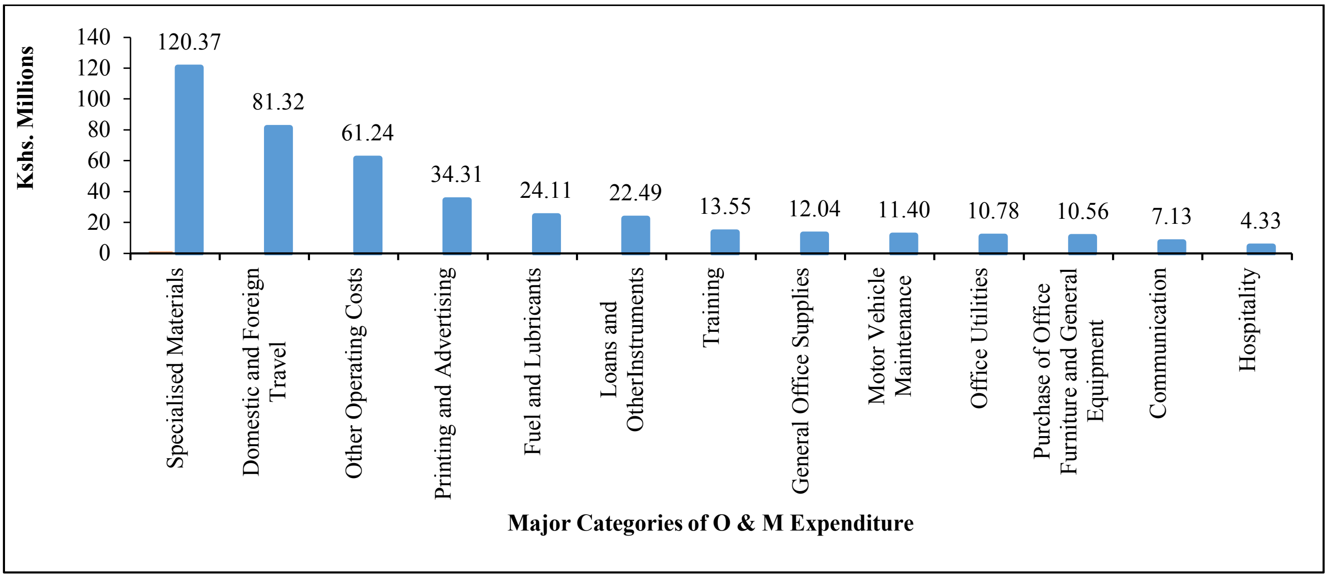
3.10.6 Recurrent Expenditure Analysis

The total recurrent expenditure for the reporting period was Kshs.1.32 billion against an annual recurrent budget of Kshs.3.93 billion. This represents 33.6 per cent of the annual recurrent budget. The County spent Kshs.833.34 million (63.1 per cent) on personnel emoluments and Kshs.487.77 million (36.9 per cent) on operations and maintenance as shown in Figure 3.38. Expenditure on personnel emoluments accounted for 63.1 per cent of total recurrent expenditure and has increased significantly in the first half of FY 2015/16 as compared to a similar period of FY 2014/15 when the County spent Kshs.605 million. The increase is attributed to recruitment of new staff and annual staff salary increment.

The County spent Kshs.19.20 million on sitting allowances to the 42 MCAs including the Speaker against an annual budget of Kshs.66.32 million. This is a significant increase from Kshs.7.74 million spent in a similar period of FY 2014/15. The average monthly sitting allowance per MCA was Kshs.76,210 compared to SRC's recommended monthly ceiling of Kshs.124,800.

A breakdown of the operations and maintenance expenditure for the reporting period is shown in Figure 3.39.

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



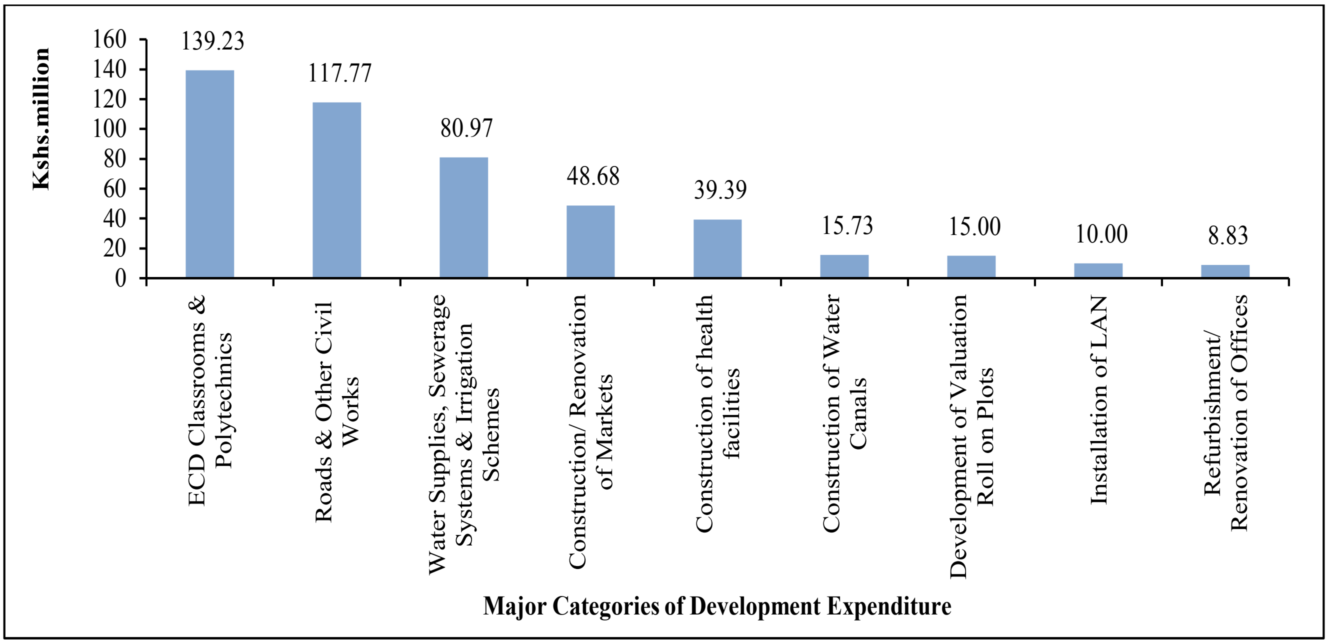
Source: *Kajiado County Treasury*

The aggregate expenditure on domestic and foreign travel was Kshs.81.32 million compared to Kshs.127.59 million incurred in a similar period of FY 2014/15, representing a decrease of 36.3 per cent. This expenditure comprised of Kshs.38.20 million spent by the County Executive and Kshs.43.12 million by the County Assembly.

3.10.7 Development Expenditure Analysis

A summary of development expenditure during the first half of FY 2015/16 is provided in figure 3.40.

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



Source: *Kajiado County Treasury*

Analysis of the development expenditure of Kshs.573.12 million incurred in the first half of FY 2015/16 indicates that the Education Sector reported the highest expenditure of Kshs.139.23 million on construction of classrooms and polytechnics. The second highest expenditure of Kshs.117.77 million was incurred by the Roads department on construction and rehabilitation of roads. The department of Water and Irrigation incurred Kshs.80.97 million on construction and maintenance of water supplies and sewerage systems while the department of Trade incurred Kshs.48.66 million on construction and renovation of markets.

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

A summary of the FY 2015/16 annual budget estimates and budget performance for the first half by department is shown in Table 3.20.

Table 3.20: Kajiado County, Annual Budget and First Half of FY 2015/16 Budget Performance by Department

Department	Annual Budget Allocation (Kshs. Millions)		Six Months Exchequer Issues (Kshs. Millions)		Six Months Expenditure (Kshs. Millions)		Six Months Expenditure to Exchequer Issues (%)		Absorption rate (%)	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
Office of the Governor/ D/Governor	167.87	-	68.11	-	50.52	-	74.2	-	30.1	-
County Public Service Board	86.30	-	42.35	-	34.85	-	82.3	-	40.4	-
Education	286.68	636.84	58.37	149.00	74.50	107.79	127.6	72.3	26.0	16.9
Health	1244.26	276.43	583.46	140.00	486.15	62.30	83.3	44.5	39.1	22.5
Information & Citizen Participation	47.70	89.59	20.50	62.00	13.66	48.52	66.6	78.3	28.6	54.2
Agriculture	241.97	36.50	98.10	26.50	74.47	-	75.9	-	30.8	-
Water & Irrigation	92.61	359.24	31.71	62.00	24.02	61.61	75.8	99.4	25.9	17.2
Public Works & Roads	94.85	673.03	42.94	138.00	30.57	208.68	71.2	151.2	32.2	31.0
Finance and Economic Planning	445.30	59.03	236.61	15.00	135.75	20.80	57.4	138.7	30.5	35.2
Industrialization	87.01	268.23	41.34	105.00	29.15	51.31	70.5	48.9	33.5	19.1
Lands & Physical Planning	133.13	137.95	62.30	42.50	41.17	5.57	66.1	13.1	30.9	4.0
County Assembly	513.88	124.52	237.82	10.00	201.49	6.55	84.7	65.5	39.2	5.3
County Public Service and E-government	485.86	-	182.01	-	124.81	-	68.6	-	25.7	-
TOTAL	**3927.42**	**2661.37**	**1705.63**	**750.00**	**1321.11**	**573.12**	**77.5**	**76.4**	**33.6**	**21.5**

Source: *Kajiado County Treasury*

Analysis of budget performance by department shows that the Department of Information and Citizen Participation reported the highest absorption rate of its development budget at 54.2 per cent while the Department of Agriculture did not incur any development expenditure during the reporting period. On the other hand, the County Public Service Board had the highest percentage of its expenditure against its recurrent budget at 40.4 per cent while the Public Service and E-government Department had the lowest percentage at 25.7 per cent.

3.10.9 Borrowing by the County Government

Article 212 of the Constitution requires a county government to borrow with approval from the County Assembly, and only if the national government guarantees the loan. Further, Section 58 of the PFM Act 2012 gives the Cabinet Secretary to the National Treasury the powers to guarantee loans subject to approval by Parliament. During the period under review, the County utilized its equitable share and local revenue collection deposited into the County Revenue Fund account maintained at the Central Bank of Kenya and did not borrow any funds.

3.10.10 Observations and Recommendations

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

i. Registered notable improvement in local revenue collection from 12.8 per cent in first half of FY 2014/15 to 25.6 per cent in the first half of FY 2015/16.
ii. Fully implemented Internet banking in payment processing.
iii. Cleared pending bills from the previous financial year hence enabling initiation of new projects.

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

1. Delay in disbursement of funds by the National Treasury which affected budget implementation.

2. Large outstanding commitments amounting to Kshs.1.78 billion which may result in large pending bills at end of FY 2015/16.

3. Lack of a County project database which makes it difficult to monitor and track status of development expenditure.

4. Delays in submission of revenue and expenditure reports by both the County Assembly and County Executive to the Office of the Controller of Budget.

5. The County did not budget for the additional conditional grants of Kshs.176.35 million as contained in the CARA, 2015 for compensation of user fees forgone, leasing of medical equipment and Road Maintenance Fuel Levy Fund.

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

1. *The County Treasury should liaise with the National Treasury to ensure timely disbursement of funds as per the disbursement schedule approved by Senate.*

2. *The County Treasury should ensure that budget commitments are in line with the cash flow*

projections and the exchequer issues in order to minimize pending bills at the end of FY 2015/16.

3. *The county should develop a project database to enhance efficiency in monitoring their implementation as well as reporting on projects.*

4. *The County should ensure timely submission of reports in line with Section 166 of the PFM Act 2012.*

5. *The County Treasury should develop a supplementary budget for approval by the County Assembly for approval to capture the additional conditional grants of Kshs.176.35 million.*

3.11 Kakamega County

3.11.1 Overview of the FY 2015/16 Budget

The FY 2015/16 approved budget estimates for Kakamega County amounts to Kshs.12.33 billion. It comprised of Kshs.6.28 billion (50.9 per cent) allocated to recurrent expenditure and Kshs.6.05 billion (49.1 per cent) to development expenditure.

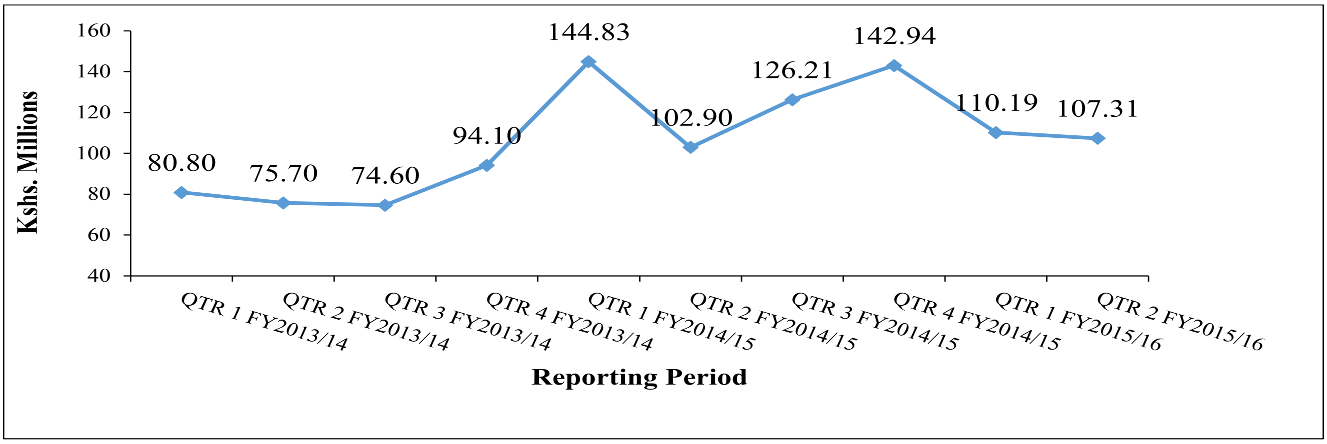
In order to finance the budget, the County expects to receive Kshs.8.91 billion (72.2 per cent) as equitable share from the National Government, collect Kshs.1.0 billion (8.1 per cent) from local sources, receive a conditional grant of Kshs.23.5 million (0.02 per cent) from DANIDA, Kshs.709.67 million (5.7 per cent) as conditional grants from the National Government as per CARA 2015, and Kshs.1.69 billion (13.7 per cent) as projected cash balance from FY 2014/15. The Kshs.709.67 million conditional grants from the National Government comprises of Kshs.38.71 million for compensation of forgone user fees, Kshs.342.9 million for level 5 Hospital, Kshs.113.16 million from Road Maintenance Fuel Levy Fund, and Kshs.214.9 million for free medical maternal healthcare.

3.11.2 Revenue Analysis

During the first half of FY 2015/16, the County received from the National Government Kshs.2.98 billion as equitable share, Kshs.114.87 million as conditional allocation for Level 5 hospital and Kshs.57.15 million from the Road Maintenance Fuel Levy Fund, Kshs.78.59 million as conditional allocations for free maternal health care and Kshs.12.12 million as conditional allocations for forgone user fees. In addition to the National Government transfers, the County raised Kshs.217.50 million from local sources, and had an actual cash balance of Kshs.1.69 billion brought forward from FY 2014/15.

The quarterly trend in local revenue collection from FY 2013/14 to the second quarter of FY 2015/16 is shown in figure 3.41.

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



Source: *Kakamega County Treasury*

The local revenue consisted of Kshs.110.19 million raised in the first quarter and Kshs.107.31 million in the second quarter. The local revenue raised in the first half of the FY 2015/16 was Kshs.217.50 million (21.7 per cent of the annual local revenue target), a decrease from Kshs.242.44 million collected in a similar period of FY 2014/15.

The analysis of local revenue for the first half of FY 2015/16 by stream is shown in Table 3.21.

Table 3.21: Kakamega County, Analysis of revenue collection by stream for the first half of FY 2015/16

No.	Revenue Stream	Annual Targeted Revenue (Kshs.)	Six Months Actual Revenue (Kshs.)	Revenue Performance (%)
	A	B	C	D=*100
1	Hospitals	275,100,000	94,938,258	34.5
2	Bus Park	48,285,392	24,687,465	51.1
3	Devolved Units and others	21,000,000	23,497,531	111.9
4	Barter Markets	39,361,412	22,965,070	58.3
5	Cess	241,500,000	22,266,875	9.2
6	Business Permits	123,160,304	13,979,904	11.4
7	Machinery Hire	6,112,848	5,754,214	94.1
8	Property Rates	47,250,000	4,995,187	10.6
9	Parking Fees	48,668,340	4,476,820	9.2
10	Housing /Stall Rent	4,011,672	2,389,424	59.6
11	Liquor Licensing	38,331,879	1,958,700	5.1
12	Kiosks	12,945,954	1,682,440	13
13	Slaughter House	7,128,534	516,690	7.2
	TOTAL	**1,000,000,000**	**217,539,850**	**21.8**

Source: *Kakamega County Treasury*

Analysis of revenue by stream indicates that Devolved Units generated the highest percentage of revenue against annual target at 111.9 per cent followed by Hire of Machinery at 94.1 per cent.

3.11.3 Banking of Local Revenue

A review of the bank statements for the revenue collection account indicates that all locally generated revenue was deposited into the CRF during the period under review. This conforms to Article 207 of the Constitution and Section 109 of the PFM Act 2012, which stipulates that all funds raised or received by or on behalf of the County Government, should be deposited into the CRF account, unless excluded by an Act of Parliament.

3.11.4 Exchequer Issues

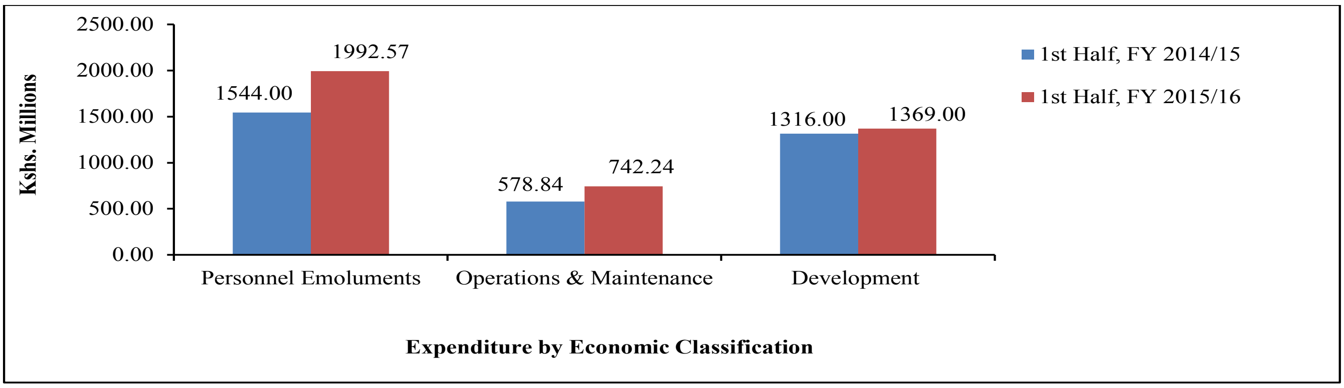
During the period under review, the Controller of Budget authorized withdrawal of Kshs.5.02 billion from the CRF, which was 40.7 per cent of the approved budget. The amount represented an increase of 10.6 per cent from Kshs.4.54 billion authorized in a similar period of FY 2014/15 and consisted of Kshs.3.14 billion (62.5 per cent) for recurrent expenditure, and Kshs.1.88 billion (37.5 per cent) for development activities.

3.11.5 Overall Expenditure Review

The County spent a total of Kshs.4.1 billion during the first half of FY 2015/16 which was 81.8 per cent of the funds released for both recurrent and development expenditure. This is an increase from the Kshs.3.5 billion spent in a similar period of FY 2014/15. A total of Kshs.2.73 billion was spent on recurrent activities and Kshs.1.37 billion on development activities. Recurrent expenditure was 87.2 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 of 31st December, 2015 that amounted to Kshs.285.70 million for development and Kshs.134.33 million for recurrent expenditure.

Recurrent expenditure for the period under review represented 43.6 per cent of the approved annual recurrent budget, an improvement from 38.4 per cent spent in a similar period of FY 2014/15. On the other hand, development expenditure recorded an absorption rate of 22.6 per cent, an improvement from 16.2 per cent spent in a similar period of FY 2014/15. A comparison of the total expenditure in the first half of FY 2014/15 and in the first half of FY 20151/16 is shown in Figure 3.42.

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



Source: *Kakamega County Treasury*

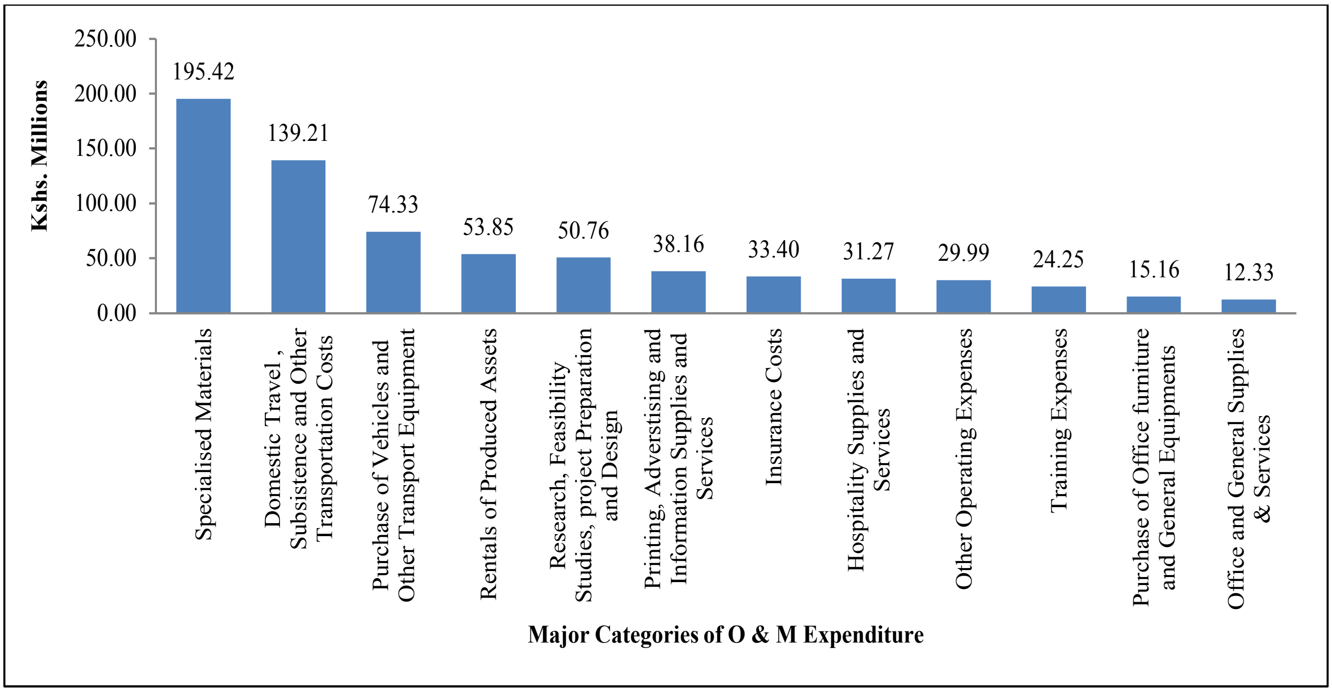
3.11.6 Recurrent Expenditure Analysis

The total recurrent expenditure for the reporting period was Kshs.2.73 billion against an annual recurrent budget of Kshs.6.28 billion. This represents 43.6 per cent of the annual recurrent budget. The County spent Kshs.1.99 billion (72.9 per cent) on personnel emoluments and Kshs.742.24 million (27.1 per cent) on operations and maintenance as shown in Figure 3.42. Expenditure on personnel emoluments accounted for 48.5 per cent of total expenditure and has increased in FY 2015/16 as compared to a similar period of FY 2014/15 when the County spent Kshs.1.6 billion. The increase has been attributed to continued recruitment of staff by both the Executive and the Assembly.

The County spent Kshs.54.93 million on sitting allowances to the 88 MCAs and the Speaker against an annual budget of Kshs.142.49 million. This is a decrease from Kshs.70.31 million recorded in a similar period of FY 2014/15. The average monthly sitting allowance per MCA was Kshs.104,037 compared to SRC's recommended monthly ceiling of Kshs.124,800.

A breakdown of the operations and maintenance expenditure for the reporting period is shown in Figure 3.43.

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



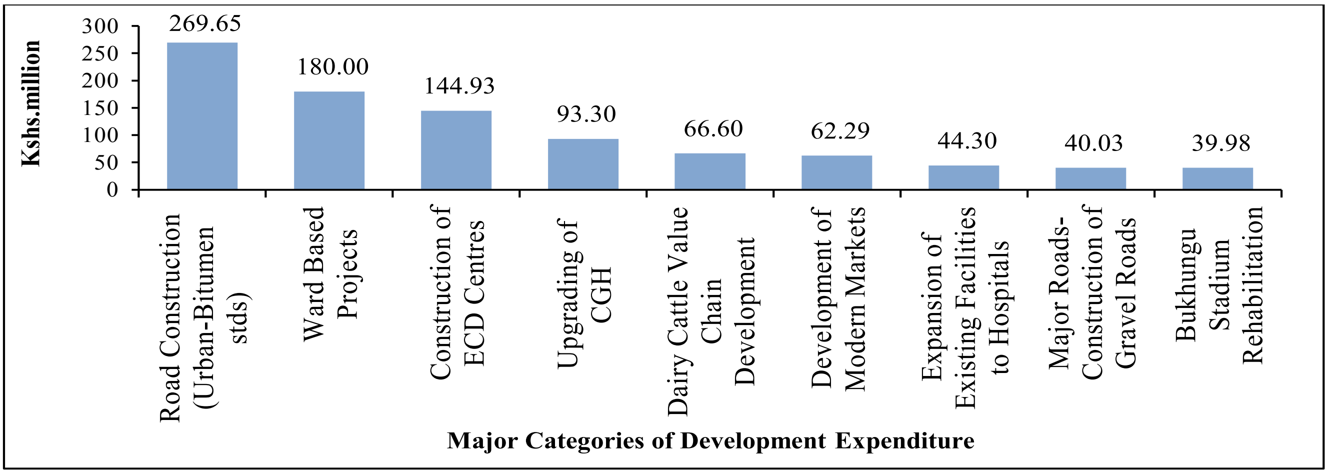
Source: *Kakamega County Treasury*

The aggregate expenditure on domestic and foreign travel was Kshs.139.21 million compared to Kshs.93.74 million incurred in a similar period of FY 2014/15, representing an increase of 48.5 per cent. This expenditure comprised of Kshs.62.09 million spent by the County Executive and Kshs.72.32 million by the County Assembly.

3.11.7 Development Expenditure Analysis

A summary of development expenditure during the first half of FY 2015/16 is provided in figure 3.44.

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



Source: *Kakamega County Treasury*

Analysis of the development expenditure of Kshs.1.37 billion incurred in the first half of FY 2015/16 indicates that the highest expenditure of Kshs.403.04 million was spent by the Education, Science & Technology Department on scholarships and construction of buildings and ECDs. The second highest expenditure of Kshs.398.32 million was incurred by the Transport, Infrastructure & Public Works Department on construction of roads.

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

A summary of the FY 2015/16 annual budget estimates and budget performance for the first half by department is shown in Table 3.22.

Table 3.22: Kakamega County, Annual Budget and First Half of FY 2015/16 Budget Performance by Department

Department	Annual Budget Allocation (Kshs. Million)		Six Months Exchequer Issues (Kshs. Million)		Six Months Expenditure (Kshs. Million)		Six Months Expenditure to Exchequer Issues (%)		Absorption rate %	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
Office of the Governor	318.6	308	157.56	18.2	57.99	4.84	36.8	26.6	18.2	1.6
Public Service and Administration	1721.15	259.4	975.27	62	1547.95	38.73	158.7	62.5	89.9	14.9
County Treasury and Economic Planning	250.64	140	134.2	61.5	101.4	17.77	75.6	28.9	40.5	12.7
Environment, Natural Resource, Water and Forestry	98.06	224.1	40.86	81.25	6.32	54.08	15.5	66.6	6.4	24.1
Labour, Social Services, Youth & Sports	56.78	360.25	23.51	101	5.5	49.11	23.4	48.6	9.7	13.6

Department	Annual Budget Allocation (Kshs. Million)		Six Months Exchequer Issues (Kshs. Million)		Six Months Expenditure (Kshs. Million)		Six Months Expenditure to Exchequer Issues (%)		Absorption rate %	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
Transport, Infrastructure & Public Works	63.79	1678.65	26.58	618.64	4.83	398.32	18.2	64.4	7.6	23.7
Lands, Housing, Urban Areas & Physical planning	84.06	212	35.03	86	6.3	46.59	18	54.2	7.5	22
Health Services	2127.79	1045.77	1003.67	375.66	784.75	137.6	78.2	36.6	36.9	13.2
Agriculture, Livestock, Fisheries & Co-operatives	364.86	575	187.98	149.65	16.54	129.5	8.8	86.5	4.5	22.5
Industrialization, Trade & Tourism	47.66	403.96	19.86	133.86	4.59	89.82	23.1	67.1	9.6	22.2
Education, Science & Technology	269.59	747	155.34	194.02	6.06	403.04	3.9	207.7	2.2	54
County Public Service Board	85.8	-	30.5	0	65.64	-	215.2		76.5	-
County Assembly	786.85	100	346.86	0	126.93	-	36.6		16.1	-
TOTAL	**6275.63**	**6054.13**	**3137.21**	**1881.78**	**2734.81**	**1369.38**	**87.2**	**72.8**	**43.6**	**22.6**

Source: *Kakamega County Treasury*

Analysis of budget performance by department shows that the Department of Education, Science & Technology reported the highest absorption rate of its development budget at 54.0 per cent while the County Assembly did not incur any development expenditure during the reporting period. On the other hand, the Department of County Public Service had the highest percentage of its expenditure to its recurrent budget at 76.5 per cent while the Education, Science & Technology Department had the lowest percentage at 2.2 per cent.

3.11.9 Borrowing by the County Government

Article 212 of the Constitution requires a county government to borrow with approval from the County Assembly, and only if the national government guarantees the loan. Further, Section 58 of the PFM Act, 2012 gives the Cabinet Secretary to the National Treasury the powers to guarantee loans subject to approval by Parliament. During the period under review, the County utilized its equitable share and local revenue collection deposited into the County Revenue Fund account maintained at the Central Bank of Kenya and did not borrow any funds.

3.11.10 Observations and Recommendations

The County has made progress in addressing one of the challenges previously identified as affecting budget implementation. The County has;

(i) Established a functional audit committee as stipulated by section 155(5) of the PFM Act 2012, and Part XIII (167) of the Public Finance Management (County Governments) Regulations, 2015.

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

1. High wage bill which has constrained funding to key development projects.

2. Failure to budget for some non-discretionary items such as MCA sitting allowances.

3. Failure by some MCAs to regularly repay the car and mortgage loans advanced to them by the County Government.

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

1. *The County should liaise with the National Government to evaluate its staff levels under the CARPS programme.*

2. *All non-discretionary expenditure items must be appropriately budgeted for in the supplementary budget.*

3. *The Administrator of the County Assembly car loan and mortgage fund should ensure all disbursed loans are repaid. Further, the County Treasury should ensure financial reports on the Funds are regularly prepared and audited.*

3.12 Kericho County

3.12.1 Overview of the FY 2015/16 Budget Estimates

The FY 2015/16 approved budget for Kericho County was Kshs.5.08 billion. It comprised of Kshs.3.27 billion (64.3 per cent) allocated for recurrent expenditure and Kshs.1.81 billion (35.7 per cent) for development expenditure.

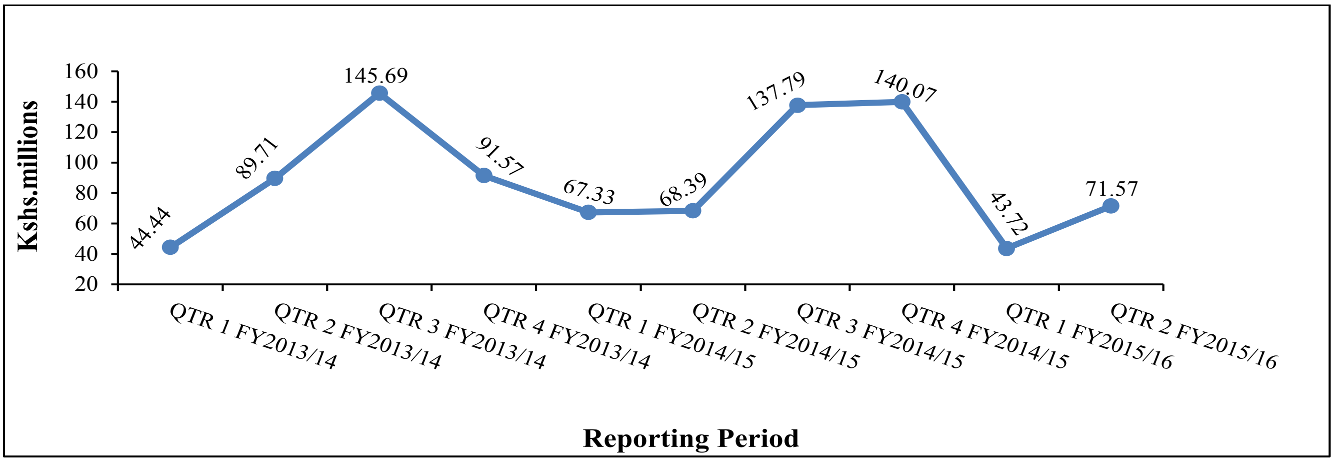
In order to finance the budget, the County expected to receive Kshs.4.51 billion (88.7 per cent) as equitable share from the National Government, collect Kshs.553.40 million (10.9 per cent) from local sources, and receive a conditional grant of Kshs.22.60 million (0.40 per cent) from DANIDA. However, Kshs.425.18 million representing unspent cash balances from FY 2014/15 was not budgeted for in the FY 2015/16 budget. Similarly, the County did not include an additional conditional grants totaling to Kshs.269.50 million from the National Government as contained in CARA, 2015 for free maternal care, compensation of forgone user fees, leasing of medical equipment and Road Maintenance Fuel Levy Fund.

3.12.2 Revenue Analysis

In the first half of FY 2015/16, the County received Kshs.1.99 billion from the National Government as a direct transfer to the CRF account comprising of Kshs.1.91 billion as equitable share, Kshs.45.98 million for free maternal care, Kshs.28.90 million from Road Maintenance Fuel Levy Fund, and Kshs.5.35 million for compensation of forgone user fees. The County also raised Kshs.115.29 million from local sources, and had a cash balance of Kshs.425.18 million brought forward from FY 2014/15.

The quarterly trend in local revenue collection from FY 2013/14 to the second quarter of FY2015/16 is shown in figure 3.45.

Figure 3.45: Kericho County, Trend in Local Revenue Collection by Quarters from the FY 2013/14 to the second quarter of FY 2015/16



Source: *Kericho County Treasury*

The local revenue comprised of Kshs.43.72 million generated in the first quarter and Kshs.71.57 million in the second quarter. The local revenue raised in the first half of the FY 2015/16 was Kshs.115.29 million (20.8 per cent of the annual local revenue target), a decline from Kshs.135.72 million collected in a similar period of FY 2014/15.

The analysis of local revenue for the first half of FY 2015/16 by stream is shown in Table 3.23.

Table 3.23: Kericho County, Analysis of Revenue Collection by stream for the first half of FY 2015/16

No.	Revenue Stream	Annual Targeted Revenue (Kshs.)	Six Months Actual Revenue (Kshs.)	Revenue Performance (%)
	A	B	C	D=*100
1	Health Services-F.I.F	167,400,000	45,649,754	27.3
2	Bus Park Fees	44,077,650	12,904,439	29.3
3	Market /Trade Fees	34,423,402	12,025,010	34.9
4	Car Parking Fees	19,383,534	5,620,600	29
5	Land Rates/ Plot Rents	102,203,218	5,426,614	5.3
6	Single Business Permit	63,290,265	5,424,983	8.6
7	House /Kiosk & Stall Rents	15,360,064	5,077,100	33.1
14	Stock Sales/ Livestock	3,211,076	1,562,110	48.6
15	Slaughter Fees	4,114,481	1,549,690	37.7
17	Sub-County Public Health Inspection	7,529,004	999,785	13.3
18	Weight and Measures	1,467,736	662,340	45.1
19	Produce Cess	53,163,285	2,305,718	4.3
20	Others Sources-Assorted	397,571,761	94,596,707	23.8
	TOTAL	**553,400,000**	**115,286,079**	**20.8**

Source: *Kericho County Treasury*

Analysis of revenue by stream indicates that Stock /Livestock Sales generated the highest percentage of revenue against annual local revenue target at 48.6 per cent, followed by Weight and Measures at 45.1 per cent. Similarly, the Slaughter Fees achieved 37.7 per cent of its forecast while the Market Fees registered 34.9 per cent.

3.12.3 Banking of Local Revenues

Analysis of the County's Revenue Collection statement in the first half of FY2015/16 indicates that Kshs.122.09 million was deposited into the CRF Account against Kshs.115.29 million generated during the period under review. This conforms to Article 207 of the Constitution and Section 109 of the PFM Act 2012, which stipulates that all funds raised or received by or on behalf of the County Governments, should be deposited into the CRF account, unless excluded by an Act of Parliament.

3.12.4 Exchequer Issues

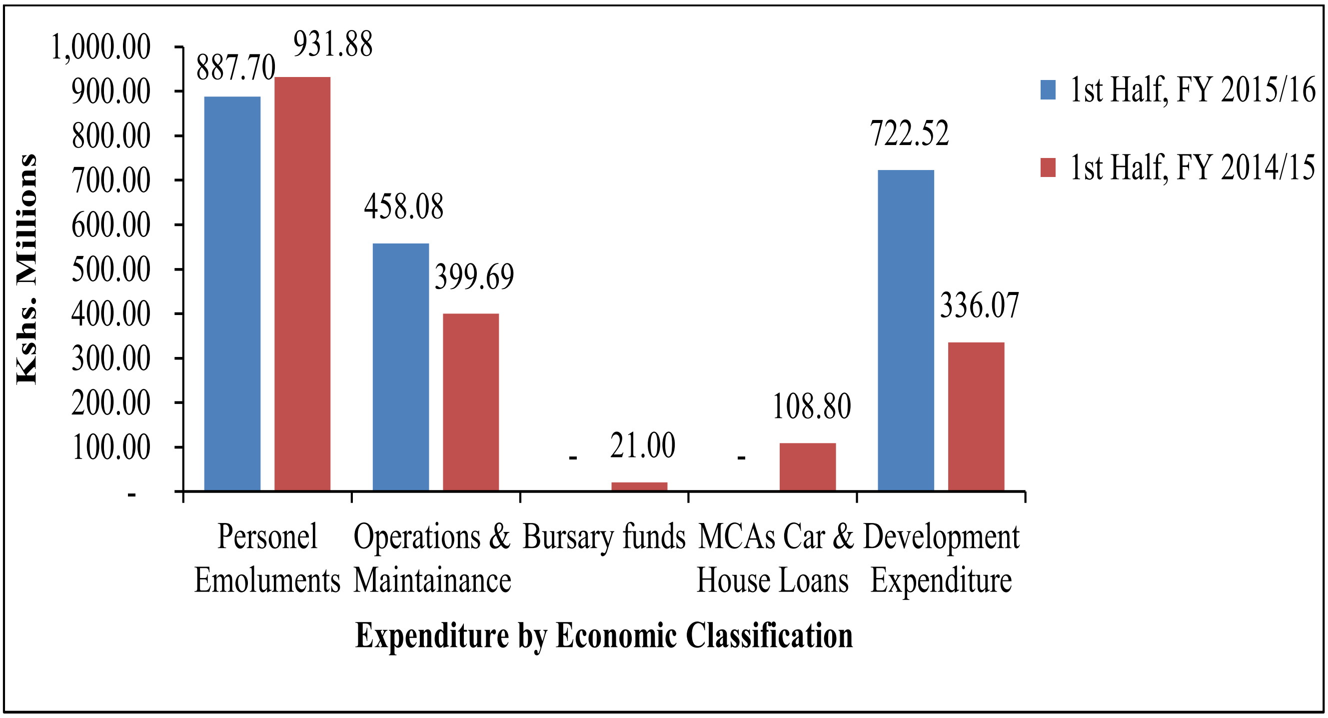
During the period under review, the Controller of Budget authorized withdrawal of Kshs.2.42 billion from the CRF, which was 47.5 per cent of the approved budget estimates. The amount represented a significant increase of 21.6 per cent from Kshs.1.99 billion approved in a similar period of FY 2014/15 consisting of Kshs.1.58 billion (65.5 per cent) for recurrent expenditure and Kshs.832.83 million (34.5 per cent) for development activities.

3.12.5 Overall Expenditure Review

The County spent a total of Kshs.2.07 billion during the first half of FY 2015/16 which was 85.6 per cent of the funds released for both recurrent and development expenditure. This is an increase from Kshs.1.79 billion incurred in a similar period of FY 2014/15. A total of Kshs.1.35 billion was spent on recurrent activities and Kshs.722.52 million on development activities. The recurrent expenditure was 85.1 per cent of the funds released for recurrent activities while development expenditure accounted for 86.8 per cent of the funds released for development activities. The expenditure excludes commitments as of 31st December, 2015 that amounted to Kshs.239.85 million for development and Kshs.129.59 million for recurrent expenditure.

Recurrent expenditure for the period under review represented 41.2 per cent of the approved annual recurrent budget and was a decrease from 47.2 per cent recorded in a similar period of FY 2014/15. On the other hand, development expenditure recorded an absorption rate of 39.8 per cent, an improvement from 23.2 per cent achieved in a similar period of FY 2014/15. A comparison of the total expenditure in the first half of FY 2014/15 and in the first half of FY 2015/16 is shown in Figure 3.46.

Figure 3.46: Kericho County, Expenditure by Economic Classification for first half of FY 2014/15 and First Half of FY 2015/16



Source: *Kericho County Treasury*

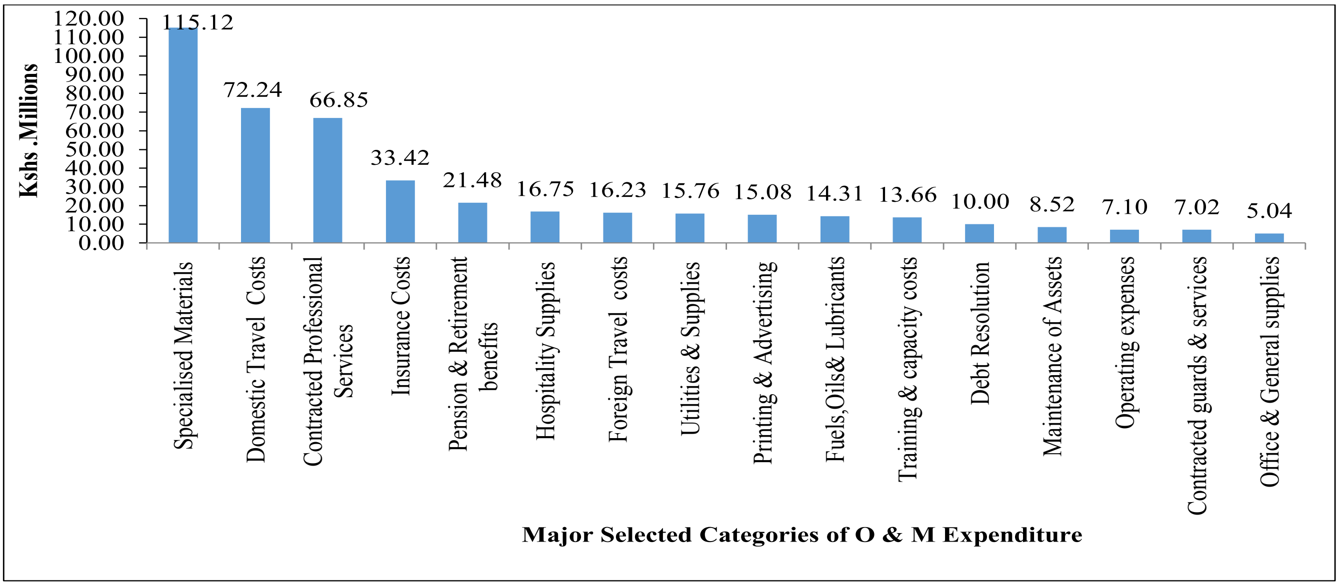
3.12.6 Recurrent Expenditure Analysis

The total recurrent expenditure for the reporting period was Kshs.1.35 billion against an annual recurrent budget of Kshs.3.27 billion. This represents 41.2 per cent of the annual recurrent budget. The County spent Kshs.887.70 million (65.66.0 per cent) on personnel emoluments and Kshs.458.08 million (34.0 per cent) on operations and maintenance as shown in Figure 3.46. Expenditure on personnel emoluments accounted for 42.9 per cent of total expenditure and has slightly decreased in FY 2015/16 as compared to a similar period of FY 2014/15 when the County spent Kshs.931.88 million. However, Kshs.146.32 million relating to Executive salaries and allowances for December, 2015 were committed in the same month and paid in early January, 2016 signifying an upward shift compared to the same period in FY2014/15.

The County spent Kshs.36.51 million on sitting allowances to the 47 MCAs and the Speaker against an annual budget of Kshs.79.60 million. This is an increase from Kshs.26.56 million recorded in a similar period of FY 2014/15. The average monthly sitting allowance per MCA was Kshs.126,759 compared to SRC's recommended monthly ceiling of Kshs.124,800.

A breakdown of the operations and maintenance expenditure for the reporting period is shown in Figure 3.47.

Figure 3.47: Kericho County, Operations and Maintenance Expenditure for the first half of FY 2015/16



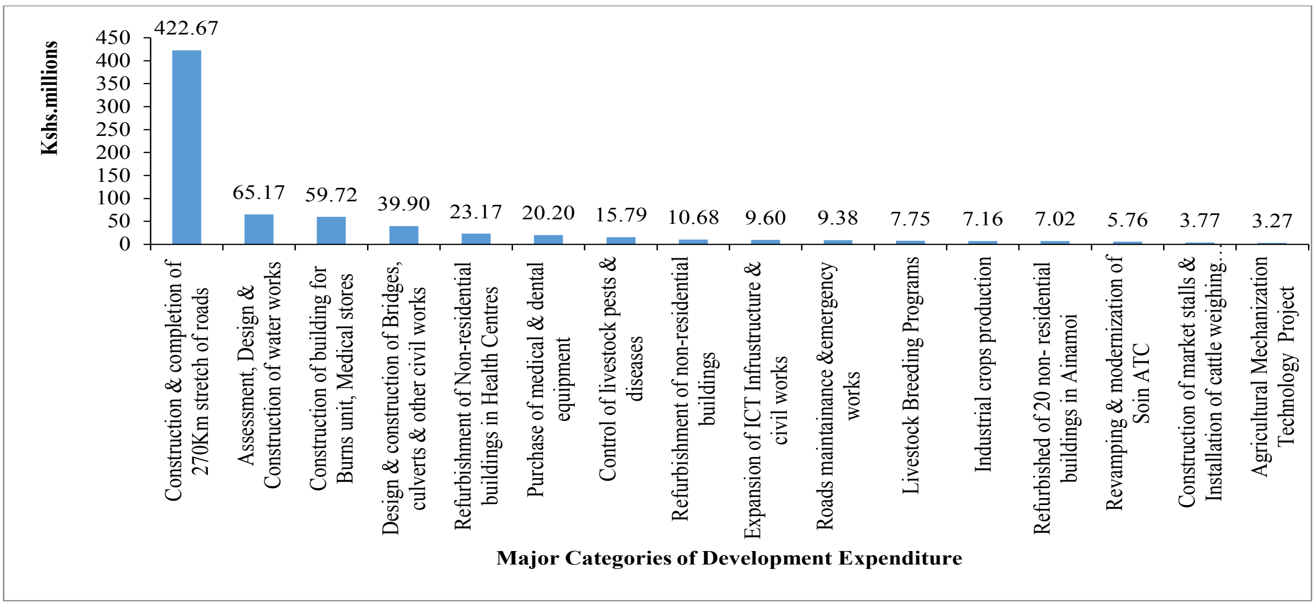
Source: *Kericho County Treasury*

The aggregate expenditure on domestic and foreign travel was Kshs.88.47 million compared to Kshs.83.78 million incurred in a similar period of FY 2014/15, representing an increase of 5.8 per cent. This expenditure comprised of Kshs.52.36 million spent by the County Executive and Kshs.36.11 million by the County Assembly.

3.12.7 Development Expenditure Analysis

A summary of development expenditure during the first half of the FY 2015/16 is provided in figure 3.48.

Figure 3.48: Kericho County, Summary of Development Expenditure for the first half of FY 2015/16



Source: *Kericho County Treasury*

Analysis of development expenditure of Kshs.722.52 million incurred in the first half of FY 2015/16 indicates that the Department of Public Works reported the highest expenditure of Kshs.422.67 million which was incurred on opening up of new access roads in 29 wards. A total of 270 kilometers of new roads were graveled. The second highest expenditure amounting to Kshs.65.17 million was incurred by the Department of Water, Energy, Natural Resources, and Environment and was utilized in design assessment & construction of water supply works to benefit areas not covered by KEWASCO within the County. The third highest expenditure of Kshs.59.72 million was incurred the Health Department in construction of burns unit, medical stores, operating theatre, surgical unit & comprehensive care extension at Kericho District Hospital. Furthermore, the Department of Public Works incurred Kshs.39.90 million in design and construction of 18 box culverts and 4 bridges across the County.

3.12.8 Annual budget and Budget performance analysis by department for the First half of FY 2015/16

A summary of the FY 2015/16 annual budget estimates and budget performance for the first half by department for Kericho County is shown in Table 3.24.

Table 3.24: Kericho County, Annual Budget and First Half of FY 2015/16 Budget performance by department

Department	6 Budget Allocation (Kshs. Million)		6 Months Exchequer Issues (Kshs. Million)		6 Months Expenditure (Kshs. Million)		6 Months Expenditure to Exchequer Issues (%)		Absorption rate %	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
County Assembly Services	538.04	20.00	242.50	-	216.19	-	89.2	0.0	40.2	0.0
Public Service & Administration	277.36	10.27	131.39	-	120.70	0.12	91.9	0.0	43.5	1.2
Office of the Governor & Deputy Governor	144.45	-	83.57	-	100.02	-	119.7	0.0	69.2	0.0
County Public Service Board	43.03	-	27.49	-	18.68	-	67.9	0.0	43.4	0.0
Finance & Economic Planning	299.94	44.39	98.85	14.39	103.73	-	104.9	0.0	34.6	0.0
Agriculture, Livestock & Fisheries Development	159.60	165.77	77.62	70.00	65.95	41.72	85.0	59.6	41.3	25.2
Water, Environment, Energy & Natural Resources	69.32	140.56	26.09	73.95	25.33	65.17	97.1	88.1	36.5	46.4
Education ,Youth, Culture & Social services	202.64	284.10	97.80	64.90	76.00	2.79	77.7	4.3	37.5	1.0
Health Services	1330.47	172.83	700.69	122.00	545.52	106.01	77.9	86.9	41.0	61.3
Land, Housing & Physical Planning	43.78	74.24	17.53	16.00	12.18	17.71	69.5	110.7	27.8	23.8
Public Works, Roads & Transport	54.93	747.81	30.98	420.50	29.73	471.94	96.0	112.2	54.1	63.1
ICT & E-Government	24.21	67.81	11.97	18.00	7.49	11.82	62.5	65.7	30.9	17.4
Trade, Industrialization, Tourism, Wildlife & Cooperative Development	78.81	86.70	35.82	33.10	24.26	5.24	67.7	15.8	30.8	6.0
TOTAL	**3266.58**	**1814.48**	**1582.33**	**832.83**	**1345.78**	**722.52**	**85.1**	**86.8**	**41.2**	**39.8**

Source: *Kericho County Treasury*

Analysis of budget performance by department shows that the Department of Public Works recorded the highest absorption rate of its development budget at 63.1 per cent while the County Assembly and Finance and Economic Planning Department did not incur any development expenditure during the reporting period. On the other hand, the Office of the Governor and Deputy Governor had the highest percentage of its recurrent expenditure to its recurrent budget at 69.2 per cent while the Lands, Housing and Physical Planning Department had the lowest percentage at 27.8 per cent.

3.12.9 Borrowing by the County Government

Article 212(a) of the Constitution requires that a county government should seek a guarantee from the National Government and approval of the County Assembly for any loan or credit. Similarly, Section 58 of the PFM Act, 2012 gives the Cabinet Secretary to the National Treasury the powers to guarantee loans subject to approval by Parliament. During the period under review, the County utilized its equitable share and local revenue collection deposited into the County Revenue Fund account maintained at the Central Bank of Kenya and did not borrow any funds.

3.12.10 Observations and Recommendations

The county has made some progress in addressing challenges previously identified as affecting budget implementation. These included;

i. Full adoption of the E-procurement module in procurement of goods and services and internet banking for payment of goods and services.

ii. Establishment of an Internal Audit Committee as required under Section 155(5) of the PFM Act 2012. This enhances oversight and improves internal controls.

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

1. A significant decline in local revenue performance by 15.1 per cent from Kshs.135.72 million recorded in the first half of FY 2014/15 to Kshs.115.29 million collected in the reporting period. This has been attributed to inadequate revenue collection systems.

2. Inadequate staff capacity in the use of the E-procurement module and the internet banking system.

3. Delays in finalization and approval of the first Supplementary budget for the FY 2015/16 to include other additional grants of Kshs.269.50 million contained in CARA, 2015 and pending bills from FY 2014/15 of Kshs.859.56 million.

4. Failure by the National Treasury to disburse funds in a timely manner as outlined in the CARA (2015) disbursement schedule. This adversely affected implementation of development activities.

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

1. *The County Treasury should enhance revenue collection strategies by mapping out its revenue*

sources and automating revenue collection. In addition, the County should enhance local revenue enforcement measures.

2. *The County Treasury should liaise with the IFMIS directorate and the CBK for staff training and technical support in the use of the E-procurement module and Internet Banking.*

3. *The County Treasury should expedite preparation of a supplementary budget and submit it to the County Assembly for approval.*

4. *The County Treasury should liaise with the National Treasury to ensure timely disbursement of funds as per the disbursement schedule approved by the Senate.*

3.13 Kiambu County

3.13.1 Overview of the FY 2015/16 Budget

The FY 2015/16 approved budget for Kiambu County was Kshs.11.95 billion. It comprised Kshs.7.98 billion (66.8 per cent) for recurrent expenditure and Kshs.3.97 billion (33.2 per cent) to development expenditure.

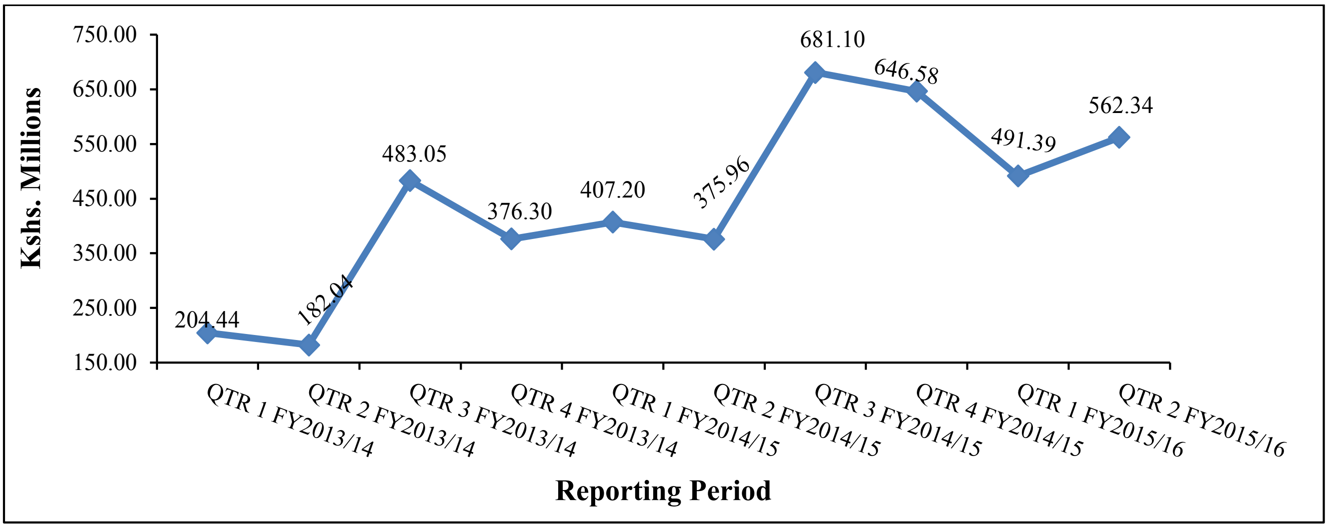
In order to finance the budget, the County expected to receive Kshs.7.46 billion (62.4 per cent) as equitable transfer from the National Government, collect Kshs.3.68 billion (30.8 per cent) from local sources, and receive a conditional grant of Kshs.19.20 million (0.2 per cent) from DANIDA and other conditional grants of Kshs.783.21 million (6.7 per cent). The conditional grants comprised of Kshs.330.04 million for Thika Level 5 hospital; Kshs.224.78 million for maternal health care; Kshs.95.74 million for leasing of medical equipment; Kshs.94.81 million for Road Maintenance Fuel Levy Fund; Kshs.37.84 million for compensation of forgone user fees. The County government did not budget Kshs.2.59 million brought forward from the FY 2014/15.

3.13.2 Revenue Analysis

During the first half of FY 2015/16, the County received Kshs.3.17 billion revenue from the National Government as equitable share to the CRF account, Kshs.140.27 million as conditional allocations for Thika Level 5 Hospital, Kshs.47.88 million as conditional allocations from the Road Maintenance Fuel Levy Fund, Kshs.90.77 million as conditional allocations for free maternal health care and Kshs.8.12 million as conditional allocations for forgone user fees. The County raised Kshs.1.05 billion from local sources, and had a cash balance of Kshs.2.59 million brought forward from FY 2014/15.

The quarterly trend in local revenue collection from first quarter of the FY 2013/14 to the second quarter of FY 2015/16 is shown in figure 3.49.

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



Source: *Kiambu County Treasury*

The local revenue consisted of Kshs.491.39 million raised in the first quarter and Kshs.562.34 million in the second quarter. The total local revenue generated in the first half of the FY 2015/16 of Kshs.1.05 billion (28.6 per cent of the annual local revenue target) was an improvement from Kshs.783.18 collected in a similar period of FY 2014/15.

The Office noted that the revenue reported by County Treasury during the first quarter of FY 2015/16 had been overstated by Kshs.2.96 million. Actual revenue collected was Kshs.491.39 million and not Kshs.493.35 million as reported in the first quarter of FY 2015/16. The analysis of local revenue for the first half of FY 2015/16 by stream is shown in Table 3.25.

Table 3.25: Kiambu County, Analysis of revenue collection by stream for the first half of FY 2015/16

No.	Revenue Stream	Annual Targeted Revenue (Kshs.)	Six Months Actual Revenue (Kshs.)	Revenue Performance (%)
	A	B	C	D=*100
1	Health Services Management fees	430,000,000	263,158,648	61.2
2	Physical Planning Management Unit	548,444,874	208,973,260	38.1
3	Parking fees	440,000,000	125,449,708	28.5
4	Land Rates Management Unit	545,131,996	93,954,522	17.2
5	Business Permit	389,026,913	56,433,490	14.5
6	Other revenue stream	1,330,478,848	305,753,966	23
	TOTAL	**3,683,082,631**	**1,053,723,594**	**28.6**

Source: *Kiambu County Treasury*

The analysis of revenue by stream indicates that Health Services fees had the highest revenue performance against annual target at 61.2 per cent followed by Physical Planning Management Unit fees at 38.1 per cent. Health Services fees includes facility improvement fees and public health facility improvement fees while Physical Planning Management fees includes change of user fees, building inspection fees, signboard and advertisement fees among other revenue streams.

3.13.3 Banking of local revenue

A review of the bank statements for the revenue collection account during the first half of FY 2015/16 indicates that the County did not bank all the locally generated revenue intact into the CRF. This does not conform to Article 207 of the Constitution and Section 109 of the PFM Act 2012, which stipulates that all funds raised or received by or on behalf of the County Government should be deposited into the CRF account, unless excluded by an Act of Parliament.

3.13.4 Exchequer Issues

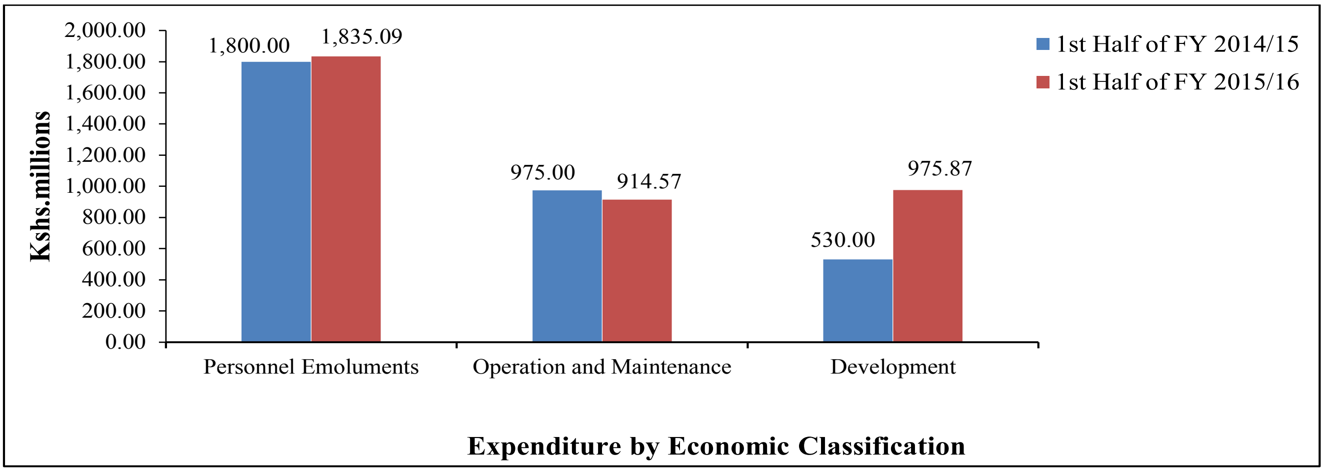
The Controller of Budget authorised withdrawal of Kshs.4.45 billion from the CRF, which was 37.3 per cent of the approved budget. The amount represented an increase of 9.3 per cent from Kshs.4.07 billion authorized in a similar period of FY 2014/15, and consisted of Kshs.3.56 billion (80.0 per cent) for recurrent expenditure and Kshs.889.05 million (20.0 per cent) for development activities.

3.13.5 Overall Expenditure Review

The County spent a total of Kshs.3.73 billion during the first half of FY 2015/16 which was 83.7 per cent of the funds released for operations. This is an improvement from the Kshs.3.31 billion spent in a similar period of FY 2014/15. A total of Kshs.2.75 billion was spent on recurrent activities and Kshs.975.87 million on development activities. Recurrent expenditure was 77.2 per cent of the funds released for recurrent activities while development expenditure accounted for 109.9 per cent of the funds released for development activities. The expenditure excludes commitments as of 31st December, 2015 that amounted to Kshs.676.2 million for development and Kshs.173.5 million for recurrent expenditure.

Recurrent expenditure for the period under review represented 34.5 per cent of the approved annual recurrent budget, a decrease from 39 per cent spent in a similar period of FY 2014/15. On the other hand development expenditure recorded an absorption rate of 24.5 per cent, an improvement from 15 per cent spent in a similar period of FY 2014/15. A comparison of the total expenditure in the first half of FY 2014/15 and the first half of FY 2015/16 is shown in Figure 3.50.

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



Source: *Kiambu County Treasury*

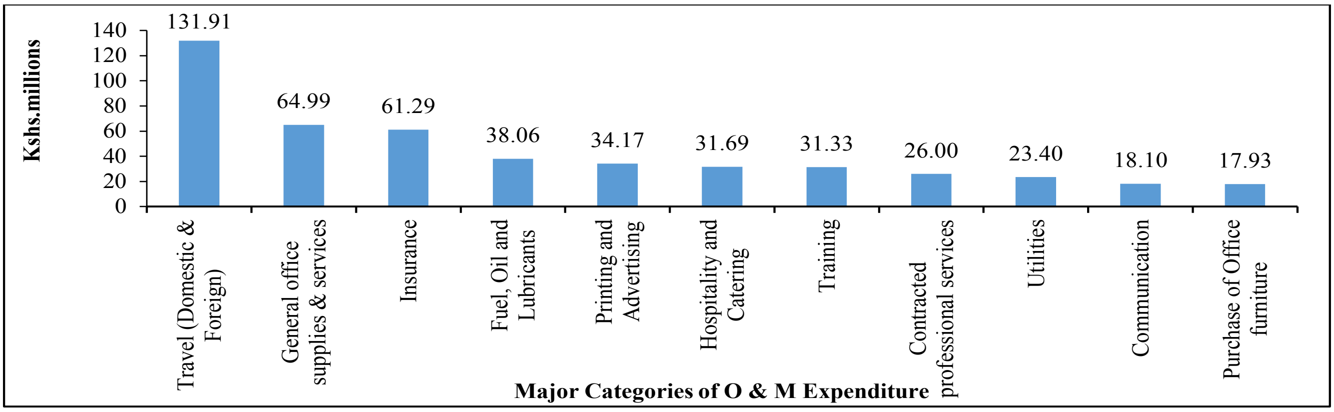
3.13.6 Recurrent Expenditure Analysis

The total recurrent expenditure for the reporting period was Kshs.2.75 billion against a budget of Kshs.7.98 billion. This represents 34.5 per cent of the annual recurrent budget. The County spent Kshs.1.84 billion (66.7 per cent) on personnel emoluments and Kshs.914.56 million (33.3 per cent) on operations and maintenance as shown in Figure 3.50. Expenditure on personnel emoluments accounted for 49.3 per cent of total expenditure and has increased in first half of FY 2015/16 compared to a similar period in FY 2014/15 when it accounted for Kshs.1.8 billion (65 per cent).

The County spent Kshs.53.22 million on sitting allowances to the 87 MCAs and the Speaker against budget of Kshs.100.0 million. This is a marginal decrease from Kshs.54.85 million recorded in a similar period of FY 2014/15. The average monthly sitting allowance per MCA was Kshs.100,811 compared to SRCs recommended monthly ceiling of Kshs.124,800.

A breakdown of the operations and maintenance expenditure for the reporting period is shown in Figure 3.51.

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



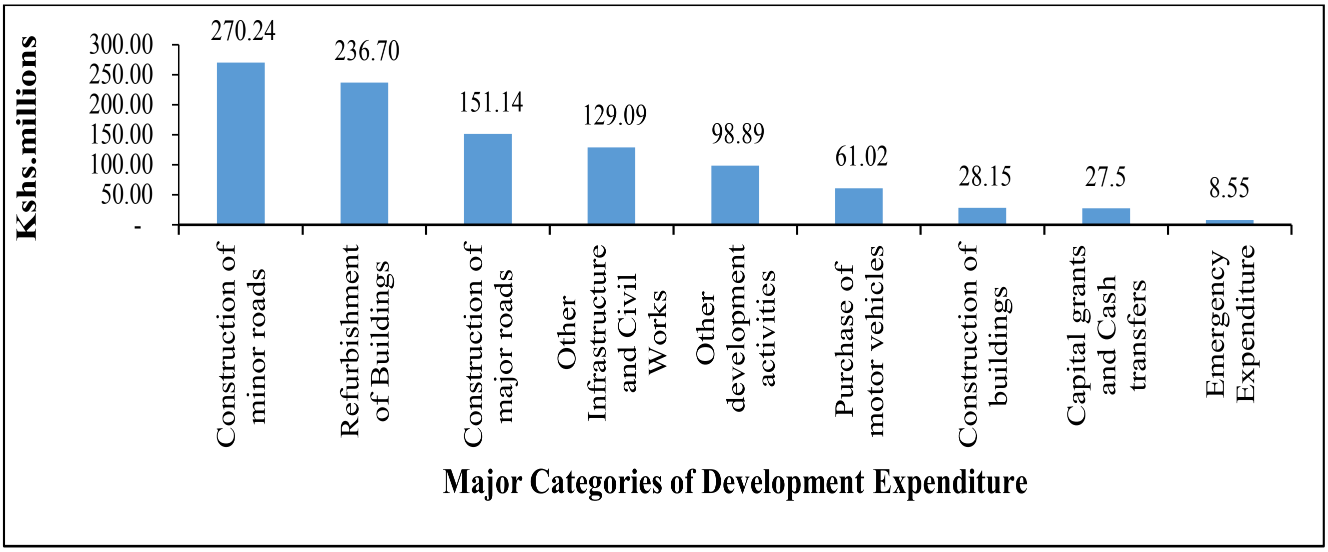
Source: *Kiambu County Treasury*

The aggregate expenditure on domestic and foreign travel was Kshs.131.91 million compared to Kshs.80.50 million incurred in a similar period of FY 2014/15, representing a significant increase of 63.9 per cent. This expenditure comprised of Kshs.70.86 million spent by the County Executive and Kshs.61.05 million by the County Assembly.

3.13.7 Development Expenditure Analysis

A summary of development expenditure during the first half of FY 2015/16 is provided in figure 3.52.

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



Source: *Kiambu County Treasury*

Analysis of the development expenditure of Kshs.975.87 million indicates that the highest expenditure of Kshs.270.23 million was incurred on construction of minor roads while Kshs.236.7 million was spent on refurbishment of buildings. Kshs.151.13 million was incurred on construction of major roads while Kshs.129.08 million was incurred on other infrastructure and civil works. Kshs.61.02 million was used to purchase motor vehicles and Kshs.24.5 million on cash transfer to the Department of Health.

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

A summary of the FY 2015/16 annual budget estimates and budget performance for the first half by department is shown in Table 3.26.

Table 3.26: Kiambu County, Annual Budget and First Half of FY 2015/16 Budget Performance by Department

Department	Annual Budget Allocation (Kshs.Million)		6 months Exchequer Issues (Kshs. Million)		6 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	828	44.80	262.80	0.10	335.90	0.18	127.8	180.0	40.6	0.4
County Executive	382	7.20	136.80	0.10	107.30	0.58	78.4	580.0	28.1	8.1
County Public Service Board	63	0	19.00	0.01	16.00	0	84.2	0.0	25.4	
Finance and Econ. Planning	1,374	85.30	453.00	5.00	383.30	- 32.00	84.6	-640.0	27.9	-37.5
Administrative & Public Service	486	208.60	302.50	17.00	209.60	58.40	69.3	343.5	43.1	28.0
Agriculture, Livestock & Fisheries	375	262.50	181.00	27.60	146.80	88.20	81.1	319.6	39.1	33.6
Water, Environment & Natural Resources	201	281.50	116.60	93.60	86.20	71.20	73.9	76.1	42.9	25.3
Health Services	2,864	1,027.00	1,508.00	250.50	1,105.60	177.70	73.3	70.9	38.6	17.3
Education, Culture, ICT & Social Services	526	375.60	160.50	66.00	103.80	-9.80	64.7	-14.8	19.7	-2.6
Youth, Sports & Communications	146	370.00	54.50	21.00	44.00	70.90	80.7	337.6	30.1	19.2
Lands, Physical Planning & Housing	136	180.00	68.40	30.00	46.70	35.60	68.3	118.7	34.3	19.8
Trade, Tourism, Industry & Cooperative	167	227.50	75.60	12.00	61.90	17.40	81.9	145.0	37.1	7.6
Roads, Transport & Public Works	433	898.00	225.00	365.40	102.70	497.60	45.6	136.2	23.7	55.4
Total	**7,979.80**	**3,968.00**	**3,563.70**	**888.31**	**2,749.80**	**975.96**	**77.2**	**109.9**	**34.5**	**24.6**

Source: *Kiambu County Treasury*

Analysis of budget performance by department shows that the Roads, Transport and Public Works Department reported the highest absorption rate of its development budget at 55.4 per cent while the Department of Agriculture, Livestock and Fisheries absorbed 33.6 per cent of its development budget. County Assembly registered the lowest absorption rate at 0.4 per cent during the reporting period under review. On the other hand, the Water, Environment and Natural Resources Department and Administration and Public Service had the highest percentage of its expenditure to the recurrent budget at 43 per cent while the Education, Culture, ICT and Social Services Department had the lowest percentage at 19.8 per cent.

3.13.9 Borrowing by the County Government

Article 212 of the Constitution requires a county government to borrow with approval from the County Assembly, and only if the national government guarantees the loan. Further, Section 58 of the PFM Act 2012 gives the Cabinet Secretary to the National Treasury the powers to guarantee loans subject to approval by Parliament. During the period under review, the County utilized equitable share and local revenue collection deposited into County Revenue Fund account maintained at the Central Bank of Kenya and did not borrow any funds.

3.13.10 Observations and Recommendations

The County has made progress in addressing the challenges previously identified as affecting budget implementation. The County has;

i. Disbursed the Biashara funds. The delay in disbursement of these funds had been observed in first quarter, CBIRR.

Despite the progress made, the following challenges raised in the previous CBIRRs continue to hamper effective budget implementation;

1. Lack of Internal Audit committee as specified in Part XIII (167) of the Public Finance Management (County Governments) Regulations, 2015.

2. Manual financial operations at the County Assembly which are prone to errors, inefficiencies and manipulation.

3. Failure to bank all revenue collected into the CRF account. Revenue collected from liquor license was not deposited into the CRF account during the reporting period.

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 National Treasury.*

3. *The County Treasury should ensure that all locally collected revenue is banked intact and transferred to CRF account.*

3.14 Kilifi County

3.14.1 Overview of the FY 2015/16 Budget

The FY 2015/16 Supplementary Budget for Kilifi County was Kshs.11.52 billion. It comprised of Kshs.5.59 billion (48.5 per cent) allocated for recurrent expenditure and Kshs.5.93 billion (51.5 per cent) for development expenditure.

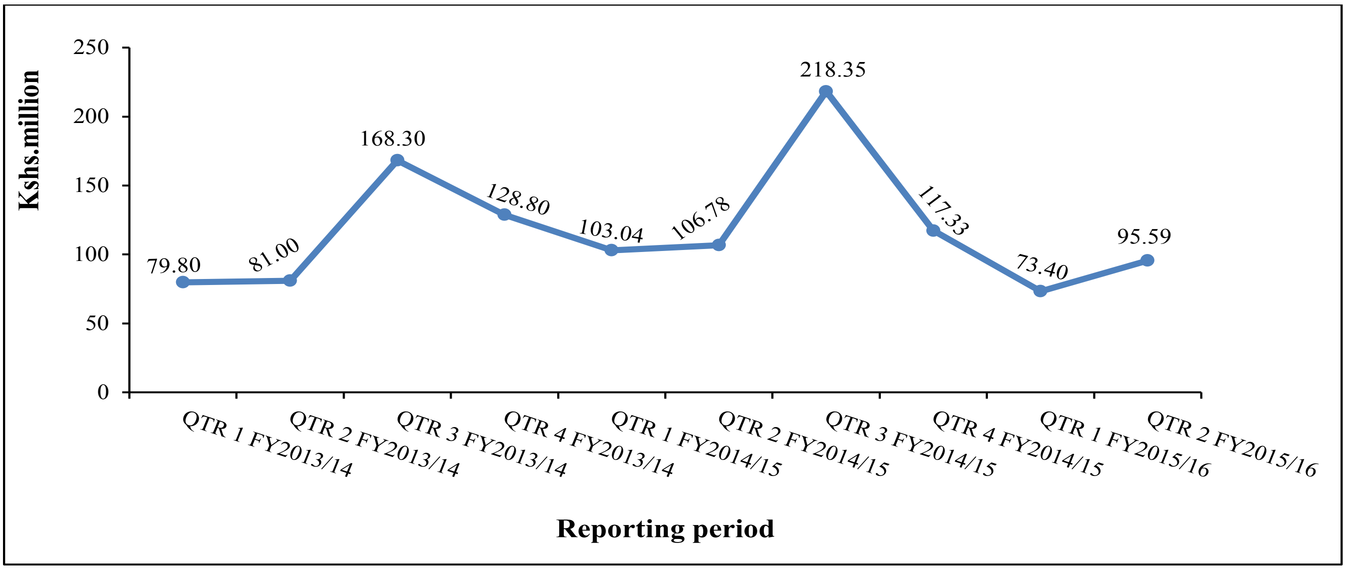
In order to finance the budget, the County expected to receive Kshs.7.44 billion (64.6 per cent) as equitable share from the National Government, collect Kshs.1.40 billion (12.2 per cent) from local sources, Kshs.91.69 million (0.8 per cent) as Facility Improvement Fund, receive Kshs.393.22 million (3.4 per cent) as conditional allocation from National Government, receive a conditional grant of Kshs.15.53 million (0.1 per cent) from DANIDA, Kshs.6.78 million (0.6 per cent) as World Bank loan to supplement financing of county health facility and Kshs.2.1 billion (18.3 per cent) as projected cash balance from FY 2014/15. The conditional allocation of Kshs.393.22 million was composed of Kshs.177.08 million for free maternal health care, Kshs.25.87 million as compensation of forgone user fees , Kshs.95.74 million for leasing of medical equipment and Kshs.94.53 million from Road Maintenance and Fuel Levy Fund.

3.14.2 Revenue Analysis

In the first half of FY 2015/16, the County received Kshs.2.49 billion from the National Government as equitable share, Kshs.47.74 million from the Road Maintenance Fuel Levy Fund, Kshs.57.93 million as conditional allocations for free maternal health care and Kshs.6.22 million as conditional allocations for forgone user fees. In addition, the County raised Kshs.168.99 million from local sources, and had a cash balance of Kshs.1.31 billion brought forward from FY 2014/15.

The quarterly trend in local revenue collection from FY 2013/14 to the second quarter of FY 2015/16 is shown in figure 3.53.

Figure 3.53: Kilifi County, Trend in Local Revenue Collection by Quarter from the first quarter of FY 2013/14 to the second half of FY 2015/16



Source: *Kilifi County Treasury*

The local revenue consisted of Kshs.73.4 million raised in the first quarter and Kshs.95.59 million in the second quarter. The local revenue raised in the first half of the FY 2015/16 was Kshs.168.99 million (12.0per cent of the annual local revenue target), an increase from Kshs.106.78 million collected in a similar period of FY 2014/15.

The analysis of local revenue for the first half of FY 2015/16 by stream is shown in Table 3.27.

Table 3.27: Kilifi County, Analysis of revenue collection by stream for the first half of FY 2015/16

No.	Revenue Stream	Annual Targeted Revenue (Kshs.)	Six Months Actual Revenue (Kshs.)	Revenue Performance (%)
	A	B	C	D=*100
1	CESS on Natural Resources	165,753,979	90,588,447	54.7
2	Slaughter House and Livestock Sale Yards	7,847,665	1,628,665	20.8
3	Rent/ Stall Rents	25,829,842	2,667,090	10.3
4	Market Fees	100,139,093	9,058,407	9.0
5	Other revenue streams	53,008,337	4,020,899	7.6
6	Land Rates and Other Land Revenue	421,012,611	31,466,152	7.5
7	Business Permits	155,441,695	10,355,234	6.7
8	Survey Fees and Plot Rents	23,589,887	1,479,210	6.3
9	House Rent	16,219,038	820,000	5.1
10	Bill Boards and Signage	76,486,673	3,740,243	4.9
11	Building Plan Approval and Inspection	61,905,431	2,868,454	4.6
12	Parking Fees	237,885,561	9,100,565	3.8
13	Refuse Collection	15,648,297	576,114	3.7
14	Food Hygiene Fees	11,096,950	247,000	2.2
15	Sale of Tender Documents	18,194,400	113,000	0.6
16	Plot Ground Rent	17,259,003	0	0.0
	TOTAL	**1,407,318,463**	**168,990,480**	12.0

Source: *Kilifi County Treasury*

Analysis of revenue by stream indicates that CESS on Natural Resources had the highest performance against the annual target at 54.7 per cent followed by Slaughter House and Livestock Sale Yards with a performance of 20.8 per cent.

3.14.3 Banking of Local Revenue

A review of the bank statements for the revenue collection account indicates that all locally generated revenue was deposited into the CRF during the period under review. This conforms to Article 207 of the Constitution and Section 109 of the PFM Act 2012, which stipulates that all funds raised or received by or on behalf of the County Government, should be deposited into the CRF account, unless excluded by an Act of Parliament.

3.14.4 Exchequer Issues

The Controller of Budget authorised withdrawal of Kshs.4.02 billion from the CRF, which was 34.9 per cent of the approved budget. The amount represented an improvement of 24.8 per cent from Kshs.3.22 billion authorized in a similar period of FY 2014/15 and consisted of Kshs.2.59 billion (64.3 per cent) for recurrent expenditure and Kshs.1.44 billion (35.7 per cent) for development activities.

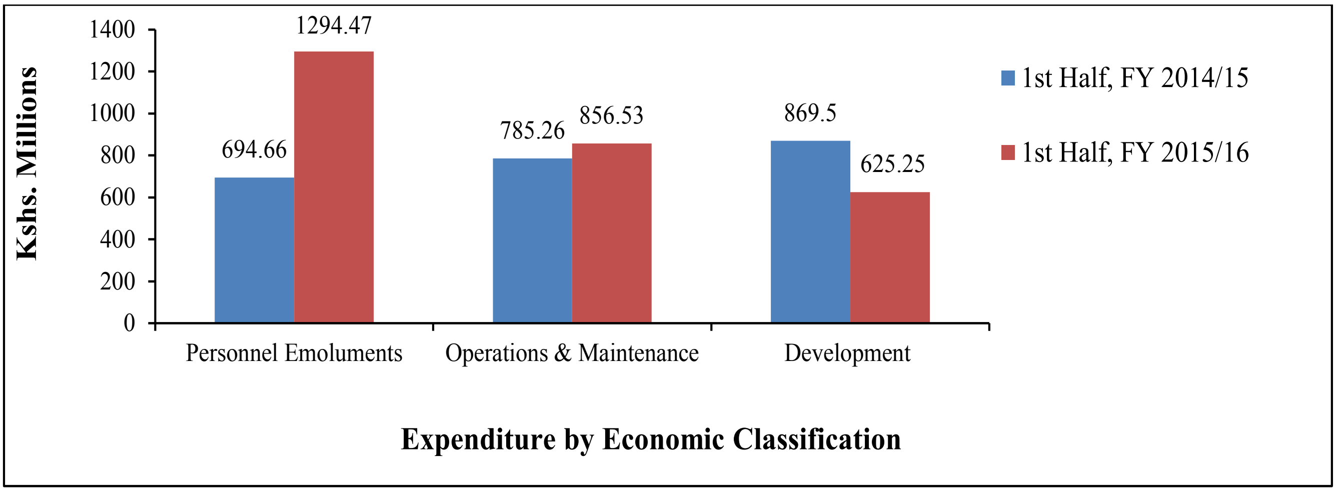
3.14.5 Overall Expenditure Review

The County spent a total of Kshs.2.78 billion during the first half of FY 2015/16 which was 69.0 per cent of the funds released for both recurrent and development expenditure. This is a slight increase from the Kshs.2.35 billion spent in a similar period of FY 2014/15. A total of Kshs.2.15 billion was spent on recurrent activities and Kshs.625.25 million on development activities. Recurrent expenditure was 83.1 per cent of the funds released for recurrent activities while development expenditure accounted for 43.5 per cent of the funds released for development activities.

Recurrent expenditure for the period under review represented 38.5 per cent of the approved annual recurrent budget, an improvement from 31.2 per cent spent in a similar period of FY 2014/15. On the other hand, development expenditure recorded an absorption rate of 10.5 per cent, a decline from 23.6 per cent spent in a similar period of FY 2014/15.This was as a result of the challenges associated with implementation of the new E-procurement process.

A comparison of the total expenditure between the second quarter of FY 2014/15 and FY 2015/16 is shown in Figure 3.54.

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



Source: *Kilifi County Treasury*

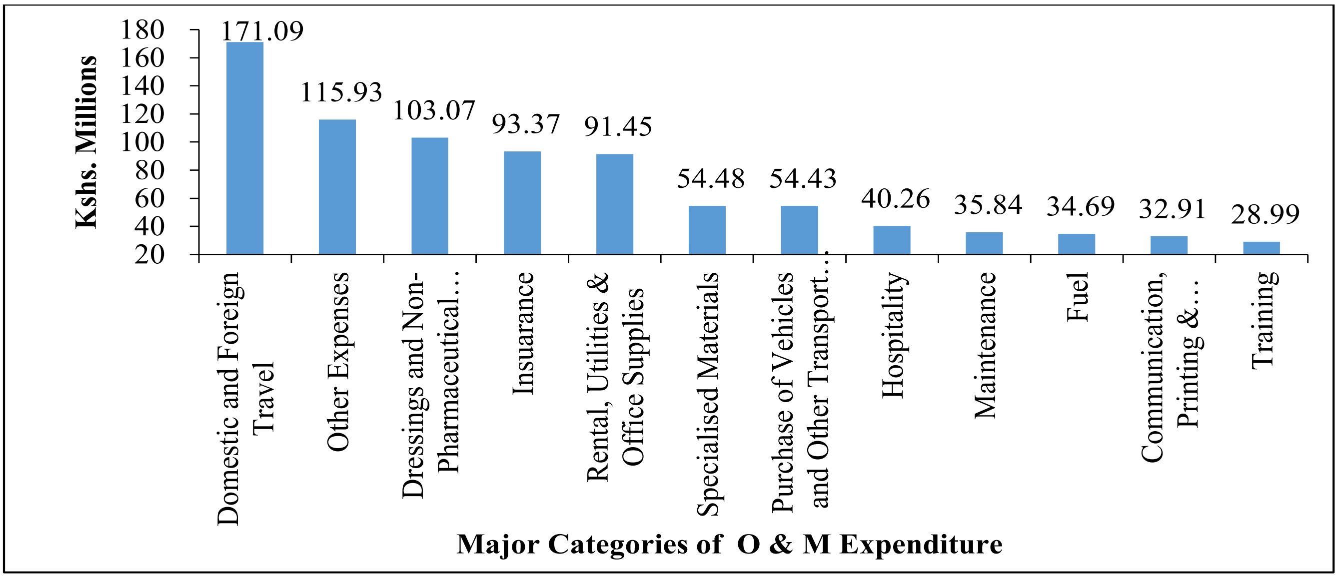
3.14.6 Recurrent Expenditure Analysis

The total recurrent expenditure for the reporting period was Kshs.2.15 billion against an annual recurrent budget of Kshs.5.59 billion. This represents 38.5 per cent of the annual recurrent budget. The County spent Kshs.1.29 billion (60.2 per cent) on personnel emoluments, and Kshs.856.53 million (39.8 per cent) on operations and maintenance (includes Kshs.19.13 million expenditure on County Emergency Fund) as shown in Figure 3.54. Expenditure on personnel emoluments accounted for 46.6 per cent of total expenditure and has increased significantly in the first half of FY 2015/16 as compared to a similar period of FY 2014/15 when the County spent Kshs.694.66 million. The increase is attributed to recruitment of new staff.

The County spent Kshs.36 million on sitting allowances to the 54 MCAs and the Speaker against an annual budget of Kshs.83.19 million. This is a slight increase from Kshs.35.08 million recorded in a similar period of FY 2014/15. The average monthly sitting allowance per MCA was Kshs.111,101 compared to SRC's recommended monthly ceiling of Kshs.124,800.

A breakdown of the operations and maintenance expenditure for the reporting period is shown in Figure 3.55.

Figure 3.55: Kilifi County, Operations and Maintenance Expenditure for the First Half of FY 2015/16



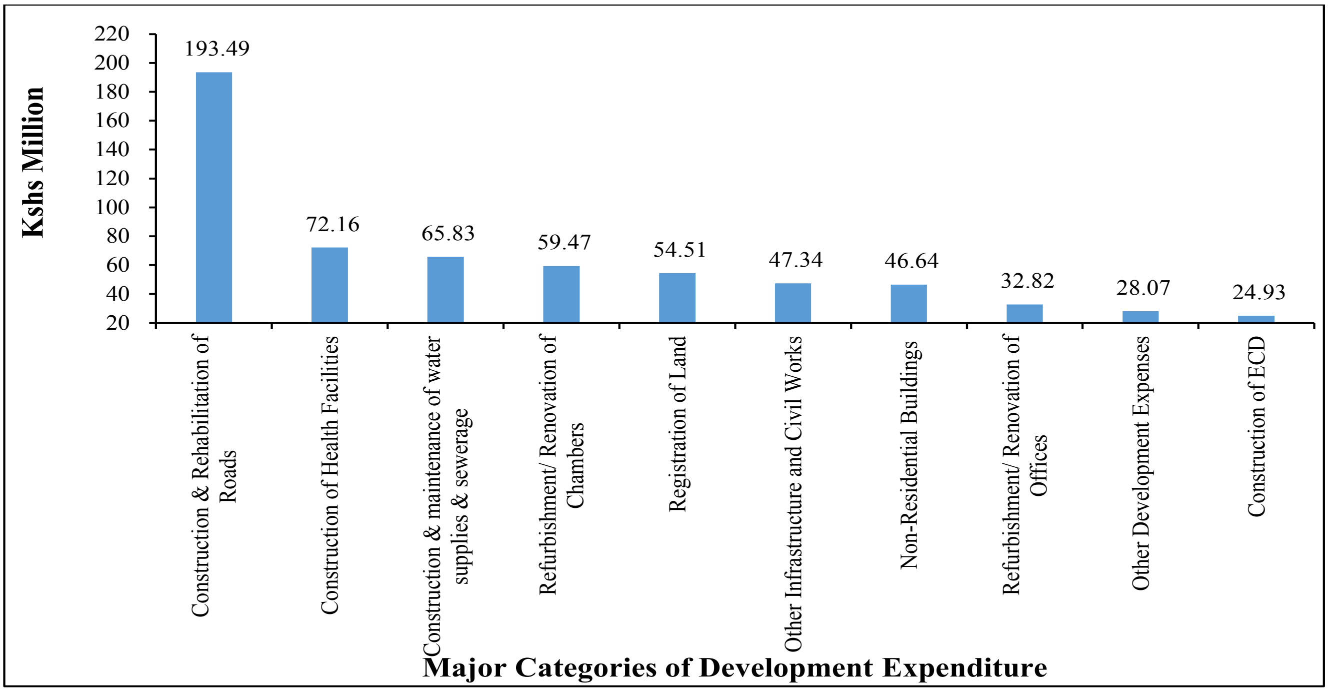
Source: *Kilifi County Treasury*

The aggregate expenditure on domestic and foreign travel was Kshs.171.09 million compared to Kshs.77.94 million incurred in a similar period of FY 2014/15, representing a significant increase of 119.5 per cent. This expenditure comprised of Kshs.74.6 million spent by the County Executive and Kshs.96.48 million by the County Assembly.

3.14.7 Development Expenditure Analysis

A summary of development expenditure during the first half of FY 2015/16 is provided in figure 3.56.

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



Source: *Kilifi County Treasury*

Analysis of the development expenditure of Kshs.625.25 million indicates that the Roads Department reported the highest expenditure of Kshs.193.49 million which was spent on development and maintenance of access roads. The second highest expenditure amounting to Kshs.72.16 million was incurred by the Health Department on construction of health facilities. The Department of Water, Environment and Natural Resources incurred Kshs.65.83 million on construction and maintenance of water supplies & sewerage system, County Assembly spent Kshs.59.47 million on refurbishment and renovation of the Assembly chambers while the Department of Lands, Physical Planning, Housing and Energy incurred Kshs.54.51 million on registration of land programme.

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

A summary of the FY 2015/16 annual budget estimates and budget performance for the first half by department is shown in Table 3.28.

Table 3.28: Kilifi County, Annual Budget and First Half of FY 2015/16 Budget Performance by Department

Department	Annual Budget allocation (Kshs. Million)		Six Months Exchequer Issues (Kshs. Million)		Six Months Expenditure (Kshs. Million)		Six Months Expenditure to Exchequer Issues (%)		Expenditure to Annual Budget (%)	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
County Assembly	802.82	276.82	360.00	70.00	324.04	92.11	90.0	131.6	40.4	33.3
County Executive	376.23	-	141.63	-	140.77	-	99.4	-	37.4	-
Finance and Economic Planning	564.97	581.50	243.90	25.50	139.26	-	57.1	0.0	24.6	-
Agriculture	297.04	514.70	139.06	148.56	125.02	32.75	89.9	22.0	42.1	6.4
Environment and Natural Resources	167.62	789.76	88.15	124.69	79.39	68.34	90.1	54.8	47.4	8.7
Education, Sports and Youth Affairs	462.62	1191.43	230.75	343.67	95.29	24.93	41.3	7.3	20.6	2.1
County Health Services	1935.16	818.81	869.56	287.06	924.59	74.78	106.3	26.0	47.8	9.1
Lands, Physical Planning, Housing and Energy	103.85	277.76	51.93	9.31	54.11	55.01	104.2	591.1	52.1	19.8
Public Works and Services	213.82	987.03	84.53	358.97	36.56	241.84	43.3	67.4	17.1	24.5
ICT, E-Government, Culture and Social Services	86.07	97.49	43.03	43.70	33.44	7.22	77.7	16.5	38.9	7.4
Trade Development and Regulation	105.01	289.30	49.27	24.70	27.11	13.31	55.0	53.9	25.8	4.6
Public Service Board	48.27	-	24.16	-	7.88		32.6	-	16.3	-
Public Service Management	424.90	107.20	261.11	-	163.53	14.97	62.6	-	38.5	14.0
Total	**5588.38**	**5931.81**	**2587.08**	**1436.15**	**2150.99**	**625.25**	**83.1**	**43.5**	**38.5**	**10.5**

Source: *Kilifi County Treasury*

Analysis of budget performance by department shows that the Department of County Assembly reported the highest absorption rate of its development budget at 33.3 per cent while the Department of Finance and Economic Planning did not incur any development expenditure during the reporting period. On the other hand, the Department of Lands, Physical Planning, Housing and Energy services had the highest percentage of its expenditure to its recurrent budget at 52.1 per cent while the Public Service Board had the lowest percentage at 16.3 per cent.

3.14.9 Borrowing by the County Government

Article 212 of the Constitution requires a county government to borrow with approval from the County Assembly, and only if the national government guarantees the loan. Further, Section 58 of the PFM Act 2012, gives the Cabinet Secretary to the National Treasury the powers to guarantee loans subject to approval by Parliament. During the period under review, the County utilized its equitable share and local revenue collections deposited into the County Revenue Fund account maintained at the Central Bank of Kenya and did not borrow any funds.

3.14.10 Observations and Recommendations

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

i. Prepared regulations for the Scholarship Fund and designated a Fund Administrator in line with the requirements of section 116 of the PFM Act 2012, on County Funds.

ii. Restructured the Accounts Department and ensured close supervision of officers handling IFMIS transactions.

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

1. Delayed disbursement of funds by the National Treasury which affected implementation of budgeted activities.
2. Inadequate staff capacity to use IFMIS by the county departments.

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

1. *The County Treasury should liaise with the National Treasury to ensure timely disbursements of funds as per the disbursement schedule approved by senate.*

2. *The County Treasury should liaise with the IFMIS Directorate to address the challenges faced in use of IFMIS.*

3.15 Kirinyaga County

3.15.1 Overview of the FY 2015/16 Budget

The FY 2015/16 approved budget for Kirinyaga County was Kshs.5.32 billion. It comprised of Kshs.3.07 billion (57.6 per cent) allocated for recurrent expenditure and Kshs.2.26 billion (42.4 per cent) for development expenditure.

In order to finance the budget, the County expects to receive Kshs.3.54 billion (66.5 per cent) as equitable share from the National Government, collect Kshs.500.00 million (9.3 per cent) from local sources, and receive a conditional grant of Kshs.12.77 million (0.2 per cent) from DANIDA, and Kshs.618.53 million (11.6 per cent) representing the opening cash balance from FY 2014/15 was factored in FY 2015/16 budget. Further, the County budgeted for the additional conditional grants of Kshs.203.72 million (3.8 per cent) from the National Government as contained in CARA, 2015. This amount of Kshs.203.72 million was composed of Kshs.50.72 million for free maternal care, Kshs.12.31 million for compensation of forgone user fees, Kshs.95.74 million for leasing of medical equipment, and Kshs.44.95 million from Road Maintenance Fuel Levy Fund. The revenue from the various sources in 2015/16 financial year do not adequately meet the budget requirement, therefore FY 2015/16 County budget has a deficit of Kshs.543.82 million.

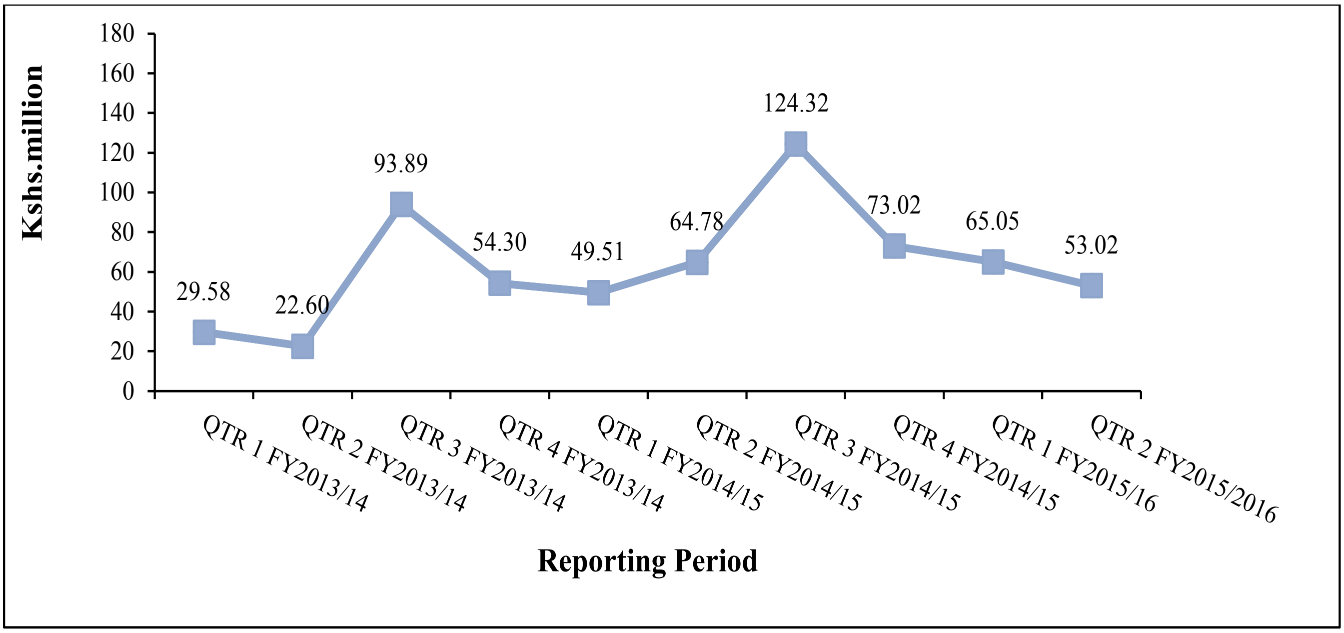
The County has however finalized a supplementary budget to correct this budget deficit.

3.15.2 Revenue Analysis

In the first half of FY 2015/16, the County received Kshs.1.19 billion from the National Government as equitable share, Kshs.22.70 million from Road Maintenance Fuel Levy Fund, Kshs.22.87 million as conditional allocations for free maternal health care, Kshs.5.71 million as conditional allocations for forgone user fees, had a cash balance of Kshs.618.53 million brought forward from FY 2014/15, and raised Kshs.118.07 million from local sources.

The quarterly trend in local revenue from FY 2013/14 to the second quarter of FY 2015/16 is shown in figure 3.57.

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



Source: *Kirinyaga County Treasury*

The local revenue consisted of Kshs.65.05 million raised in the first quarter and Kshs.53.02 million in the second quarter. The local revenue raised in the first half of the FY 2015/16 was Kshs.118.07 million (23.6 per cent of the annual local revenue target), a slight improvement from Kshs.114.43 million collected in a similar period of FY 2014/15.

Analysis of local the revenue by stream is shown in Table 3.29.

Table 3.29: Kirinyaga County, Analysis of revenue collection by stream for the first half of FY 2015/16

No.	Revenue Stream	Annual Targeted Revenue (Kshs.)	Six Months Actual Revenue (Kshs.)	Revenue Performance (%)
	A	B	C	D=*100
1	Liquor License Fees	40,000,000	22,524,229	56.3
2	Market Entrance/Gate Fees	50,000,000	21,129,695	42.3
3	Hospital Revenue/ Public Health	137,806,035	30,147,853	21.9
4	Business Permits	82,687,447.00	10,599,088	12.8
5	Land, Ground Rates and Arrears	92,044,330.00	4,982,176	5.4
6	Others	97,462,186.00	28,684,101	29.5
	TOTAL	**500,000,000**	**118,067,142**	**23.6**

Source: *Kirinyaga County Treasury*

Analysis of revenue by stream indicates that Liquor Licenses Fees generated the highest performance against the annual target at 56.3 per cent followed by Market Entrance/ Gate Fees at 42.3 per cent.

3.15.3 Banking of Local Revenue

In the first half of FY 2015/16, the County deposited all the locally generated revenue into the CRF except revenue generated by hospitals normally referred to as Facility Improvement Fund (FIF). The Department of Health uses this revenue as Appropriation in Aid (AIA). As at the end of December 2015 the Health Department had used Kshs.50.62 million as per the submitted FIF expenditure returns. The County is in the process of enacting a legislation to regularize the use of revenue generated by Hospitals. Article 207 of the Constitution and Section 109 of the PFM Act 2012, stipulate that all funds raised or received by or on behalf of the County Government should be deposited into the CRF account, unless excluded by an Act of Parliament.

3.15.4 Exchequer Issues

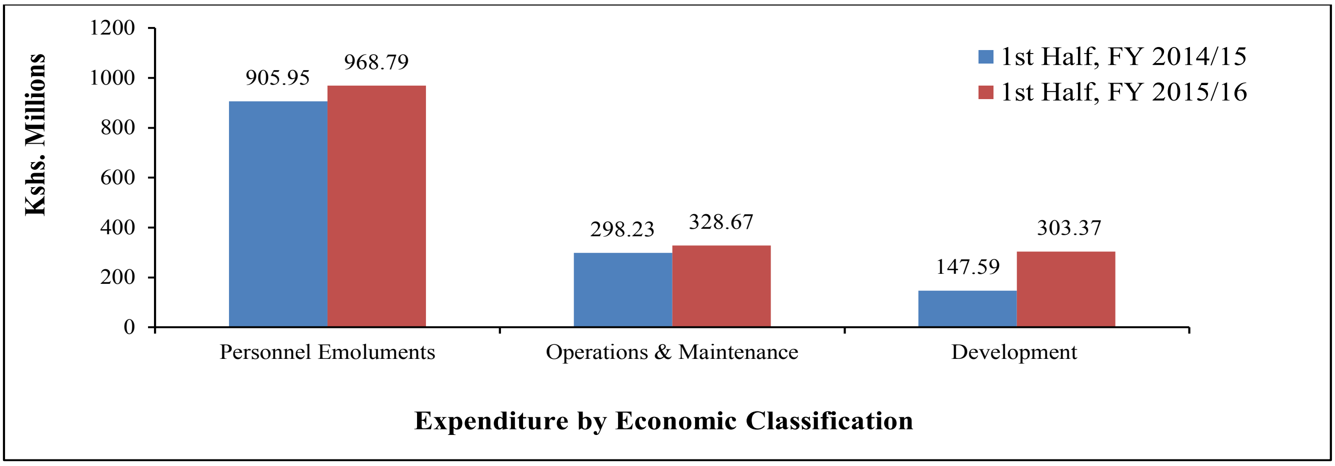
During the period under review, the Controller of Budget authorized withdrawal of Kshs.1.89 billion from the CRF, which was 35.6 per cent of the approved budget. This amount represented an increase of 25.2 per cent from Kshs.1.51 billion authorized in a similar period in FY 2014/15. The approved withdrawals consisted of Kshs.1.34 billion (70.9 per cent) for recurrent expenditure and Kshs.550.60 million (29.1 per cent) for development activities. The expenditure excludes commitments as of 31st December, 2015 that amounted to Kshs.400.01 million for development activities and Kshs.39.89 million for recurrent expenditure.

3.15.5 Overall Expenditure Review

The County spent a total of Kshs.1.60 billion during the first half of FY 2015/16 which represented 84.6 per cent of the total funds released for operations. This is an increase of Kshs.249.06 million as compared with Kshs.1.35 billion incurred in a similar period of FY 2014/15. A total of Kshs.1.30 billion was spent on recurrent activities and Kshs.303.37 million on development activities. Recurrent expenditure was 96.7 per cent of the funds released for recurrent activities while development expenditure accounted for 55.1 per cent of the funds released for development activities.

Recurrent expenditure for the period under review represented 42.3 per cent of the approved annual recurrent budget, a decrease from 47.0 per cent spent in a similar period of FY 2014/15. On the other hand, development expenditure recorded an absorption rate of 13.5 per cent, an improvement from 8.7 per cent spent in a similar period of FY 2014/15. A comparison of the total expenditure in the first half of FY 2014/15 and the first half of FY 2015/16 is shown in Figure 3.58.

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



Source: *Kirinyaga County Treasury*

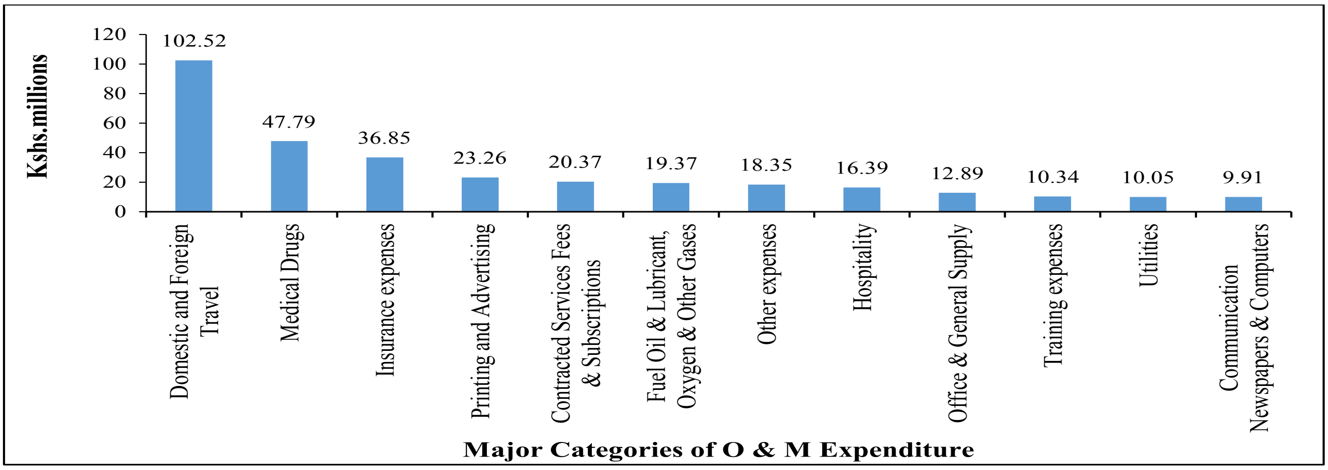
Recurrent Expenditure Analysis

The total recurrent expenditure for the reporting period was Kshs.1.30 billion against an annual recurrent budget of Kshs.3.07 billion. This represents 42.3 per cent of the annual recurrent budget. The County spent Kshs.968.79 million (74.7 per cent) on personnel emoluments and Kshs.328.67 million (25.3 per cent) on operations and maintenance as shown in Figure 3.58. Expenditure on personnel emoluments accounted for 60.5 per cent of total expenditure which has increased significantly in the first half of FY 2015/16 as compared to a similar period in FY 2014/15 when the County spent Kshs.905.95 million. The increase is largely attributed to continuous recruitment of staff in the County.

The County spent Kshs.20.20 million on sitting allowances to the 30 MCAs against an annual budget of Kshs.61.53 million. This is a marginal decrease from Kshs.25.54 million recorded in a similar period of FY 2014/15. The average monthly sitting allowance per MCA was Kshs.112,227 compared to SRC's recommended monthly ceiling of Kshs.124,800.

A breakdown of the operations and maintenance expenditure during the reporting period is shown in Figure 3.59.

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

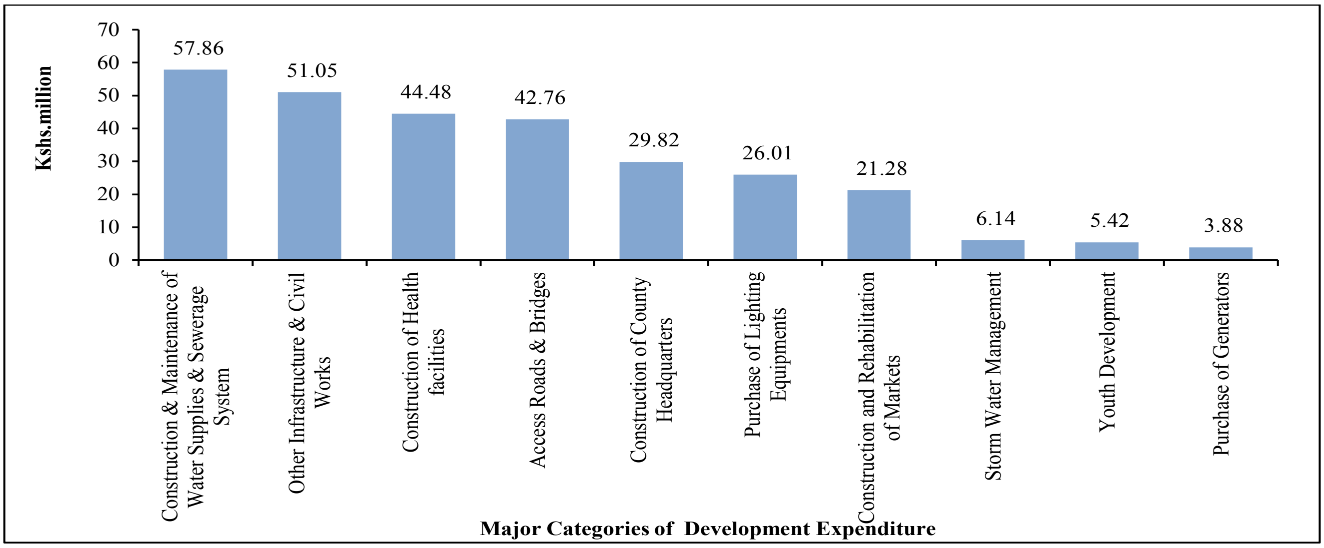


Source: *Kirinyaga County Treasury*

The aggregate expenditure on domestic and foreign travel was Kshs.102.52 million compared to Kshs.34.79 million incurred in a similar period of FY 2014/15, representing an increase of 194.7 per cent. This expenditure comprised of Kshs.31.79 million spent by the County Executive and Kshs.70.73 million by the County Assembly.Development Expenditure Analysis

An overview of development expenditure during the first half of FY 2015/16 is provided in figure 3.60.

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



Source: *Kirinyaga County Treasury*

Analysis of the development expenditure of Kshs.303.37 million incurred in the first half of FY 2015/16 indicates that the Environment and Natural Resources Department reported the highest expenditure of Kshs.83.47 million which was spent on water supplies and sewerage and purchase of lighting equipment. The second highest expenditure of Kshs.60.74 million was incurred by the Health Department on construction of health facilities and purchase of generators. The Department of Transport incurred Kshs.56.90 million on access roads and bridges. The Land, Physical Planning & Urban Development Department had the lowest development expenditure of Kshs.6.65 million on storm water management.

3.15.6 Annual Budget and Budget Performance Analysis by department for the First Half of FY 2015/16

A summary of the FY 2015/16 annual budget estimates and budget performance for the first half by department is shown in Table 3.30.

Table 3.30: Kirinyaga County, Annual Budget and First Half of FY 2015/16 Budget Performance by Department

Department	Annual Budget Allocation (Kshs. Million)		Six Months Exchequer Issues (Kshs. Million)		Six Months Expenditure (Kshs. Million)		Six Months Expenditure to Exchequer Issues (%)		Absorption rate (%)	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
County Assembly	506.14	82.69	226.16	-	219.51	-	97.1	-	43.4	-
County Executive Services	345.38	155	163.4	52.97	144.7	29.62	88.6	55.9	41.9	19.1
Finance and Economic Planning	426.01	86.97	198.31	16.88	183.43	-	92.5	-	43.1	-
Medical Services	1,133.10	385.48	510.08	83.69	548.11	60.74	107.5	72.6	48.4	15.8
Education	184.15	149.13	49.89	31.15	42.3	17.4	84.8	55.9	23	11.7
Agriculture	223.09	133.3	95.64	28.5	86.94	6.83	90.9	24	39	5.1
Gender/Culture & Social Services	66.75	91.28	22.16	24.83	20.69	18.54	93.3	74.7	31.0	20.3
Trade & Co-operative Development	32.6	132.47	11.47	36.46	7.53	23.21	65.7	63.7	23.1	17.5
Environment and Natural Resources	61.67	483.48	30.08	132.55	18.67	83.47	62.1	63.0	30.3	17.3
Physical Planning and Housing	29.33	119.15	9.74	27.21	8.07	6.65	82.9	24.5	27.5	5.6
Transport and Infrastructure	57.86	436.29	24.48	116.35	17.52	56.9	71.6	48.9	30.3	13
TOTAL	**3,066.08**	**2,255.24**	**1,341.40**	**550.6**	**1,297.46**	**303.37**	**96.7**	**55.1**	**42.3**	**13.5**

Source: *Kirinyaga County Treasury*

Analysis of budget performance by department shows that the Department of Gender, Culture and Social Services reported the highest absorption rate of its development budget at 20.3 per cent, followed by the County Executive with an absorption rate of 19.1 per cent. On the other hand, the Health and Medical Services Department had the highest percentage of its recurrent expenditure to its recurrent budget at 48.4 per cent, he County Assembly was the second being at 43.4 per cent.

3.15.7 Borrowing by the County Government

Article 212 of the Constitution requires a county government to borrow with approval from the County Assembly, and only if the national government guarantees the loan. Further, Section 58 of the PFM Act 2012, gives the Cabinet Secretary to the National Treasury the powers to guarantee loans subject to approval by Parliament. During the period under review, the County utilized its equitable share and local revenue collection deposited into the County Revenue Fund account maintained at the Central Bank of Kenya and did not borrow any funds.

3.15.8 Observations and Recommendations

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

i. Improved in absorption of development funds from 8.7 per cent in the first half of FY 2014/15 to 13.5 per cent in the first half of FY 2015/16.

ii. Separated the County Assembly payroll from the County Executive payroll. This has enhanced effectiveness and independence in financial operations.

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

1. High wage bill which had deprived funding of development activities. During the period under review compensation of employee was 60.5 per cent of the total expenditure.
2. Use of local revenue from the Facility Improvement Fund at source instead of depositing the collections into the CRF account at CBK as per Article 207 of the Constitution and Section 109 of the PFM Act 2012.
3. Use of Manual system (manual vote book) alongside IFMIS by County Treasury which give inaccurate expenditure returns that vary from IFMIS reports. Further, the County Assembly is yet to adopted IFMIS and internet banking.
4. Low local revenue performance due to weak regulatory and enforcement framework. The County is yet to automate local revenue collection.
5. Delay in the disbursement of funds by the National Treasury.

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

1. *The County should address the huge wage bill in consultation with the National Government.*
2. *The County Treasury should deposit all locally generated revenue into the CRF account in*

line with provision of the Constitution and Section 109 of the PFM Act 2012.

3. *The County Treasury should enhance local revenue collection efforts in order to increase revenue yields through automation of revenue collection and improved enforcement frameworks.*

4. *The County Treasury should liaise with the National Treasury to ensure timely disbursement of funds as per the disbursement schedule approved by Senate.*

3.16 Kisii County

3.16.1 Overview of the FY 2015/16 Budget

The FY 2015/16 approved budget for Kisii County was Kshs.8.96 billion. It comprised of Kshs.5.30 billion (59.1 per cent) allocated for recurrent expenditure and Kshs.3.66 billion (40.9 per cent) for development expenditure.

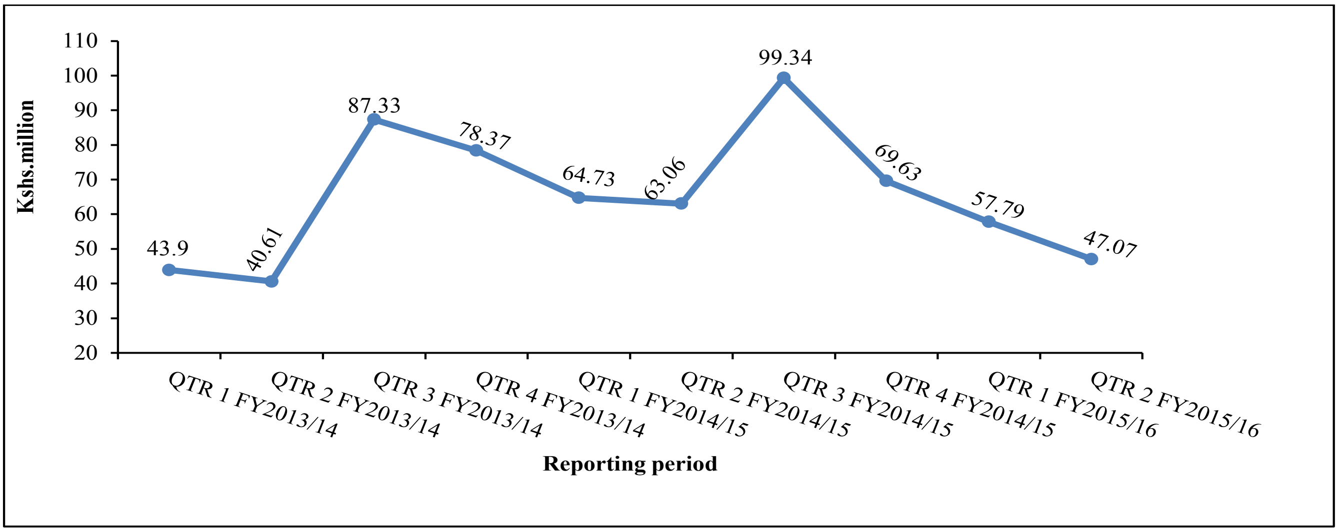
In order to finance the budget, the County expected to receive Kshs.7.62 billion (85.0 per cent) as transfers from the National Government, collect Kshs.700 million (7.8 per cent) from local sources, and receive a conditional grant of Kshs.22.95 million (0.3 per cent) from DANIDA and Kshs.617.47 million (6.9 per cent) as projected cash balance from FY 2014/15. However, the County did not budget for the additional conditional grants of Kshs.215.53 million from the National Government as contained in CARA, 2015 for compensation of forgone user fees and Road Maintenance Fuel Levy Fund. Funds for free maternal care and leasing of medical equipment was under budgeted by Kshs.56.88 million and Kshs.41.68 million respectively.

3.16.2 Revenue Analysis

During the first half of FY 2015/16, the County received Kshs.3.01 billion revenue from the National Government as equitable share, Kshs.143.91 million as conditional allocations for Kisii Level 5 Hospital, Kshs.6.34 million as conditional allocations for forgone user fees, Kshs.67.97 million as conditional allocations for free maternal health care, Kshs.45.51 million as conditional allocations for fuel levy fund, raised Kshs.104.86 million from local sources, and had a cash balance of Kshs.611.86 million brought forward from FY 2014/15.

The quarterly trend in local revenue collection from the FY 2013/14 to the second quarter of FY 2015/16 is shown in figure 3.61.

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



Source: *Kisii County Treasury*

The local revenue consisted of Kshs.57.79 million raised in the first quarter and Kshs.47.07 million in the second quarter. The local revenue raised in the first half of the FY 2015/16 was Kshs.104.86 million (15.0 per cent of the annual local revenue target), a decline from Kshs.127.79 million collected in a similar period of FY 2014/15.

Analysis of the local revenue realized by stream is shown in Table 3.31.

Table 3.31: Kisii County, Analysis of revenue collection by stream for the first half of FY 2015/16

No.	Revenue Stream	Annual Targeted Revenue (Kshs.)	Six Months Actual Revenue (Kshs.)	Revenue Performance (%)
	A	**B**	**C**	**D=*100**
1	Bus park & Other Parking Fees	73,500,000	42,335,169	57.6
2	Market Entrance Fees	54,100,000	30,078,340	55.6
3	Buildings Plan Approval Fees	30,000,000	3,713,951	12.4
4	Property Rates & Rent	110,500,000	9,127,216	8.3
5	Single Business Permits	127,000,000	7,614,505	6
6	Others Sources	304,900,000	11,987,395	3.9
	TOTAL	**700,000,000**	**104,856,576**	**15**

Source: *Kisii County Treasury*

Analysis of locally generated revenue collection by stream indicates that Bus Park and Other Parking Fees generated the highest percentage of revenue against target at 57.6 per cent followed by Market Entrance Fees at 55.6 per cent. Other Sources of revenue reported the lowest percentage of revenue against target at 3.9 per cent.

3.16.3 Banking of Local Revenue

A review of the revenue collection accounts bank statements indicates that the County did not bank all the locally generated revenue into the CRF during the period under review. This was specifically in regard to the revenue raised by the Health Services Department which is in contravention of Article 207 of the Constitution and Section 109 of the PFM Act 2012, which stipulate that all funds raised or received by or on behalf of the County Government should be deposited into the CRF account, unless excluded by an Act of Parliament.

3.16.4 Exchequer Issues

During the period under review, the Controller of Budget authorized withdrawal of Kshs.3.86 billion al from the CRF, which was 43.0 per cent of the approved budget. The amount represented an improvement of 28.6 per cent from Kshs.3.00 billion authorized in a similar period of FY 2014/15 and consisted of Kshs.2.75 billion (71.3 per cent) for recurrent expenditure and Kshs.1.11 billion (28.7 per cent) for development activities.

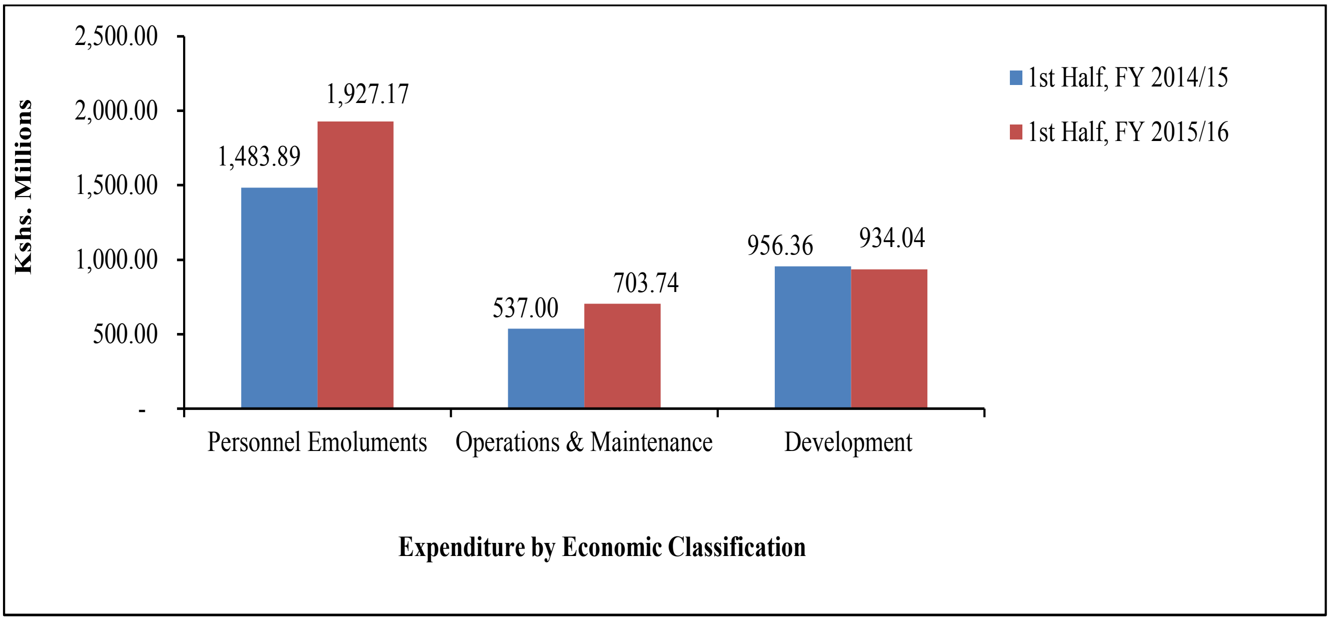
3.16.5 Overall Expenditure Review

The County spent a total of Kshs.3.86billion during the first half of FY 2015/16 which was 92.4 per cent of the funds released for both recurrent and development expenditure. This is a significant increase from the Kshs.2.98 billion spent in a similar period of FY 2014/15. A total of Kshs.2.63 billion was spent on recurrent activities and Kshs.934.04 million was spent on development activities. Recurrent expenditure was 95.6 per cent of the funds released for recurrent activities while development expenditure accounted for 84.4 per cent of the funds released for development activities. The expenditure excludes commitments as of 31st December, 2015 that amounted to Kshs.333.94 million for development expenditure and Kshs.62.43 million for recurrent expenditure.

Recurrent expenditure for the period under review represented 49.6 per cent of the approved annual recurrent budget, an improvement from 43.6 per cent spent in a similar period of FY 2014/15. On the other hand, development expenditure represented an absorption rate of 25.5 per cent, a decrease from 30.2 per cent spent in a similar period of FY 2014/15.

A comparison of the total expenditure between the first half of FY 2014/15 and first half of FY 2015/16 is shown in Figure 3.62.

Figure 3.62: Kisii County, Expenditure by Economic Classification for First Half of FY 2014/15 and First Half of FY 2015/16



Source: *Kisii County Treasury*

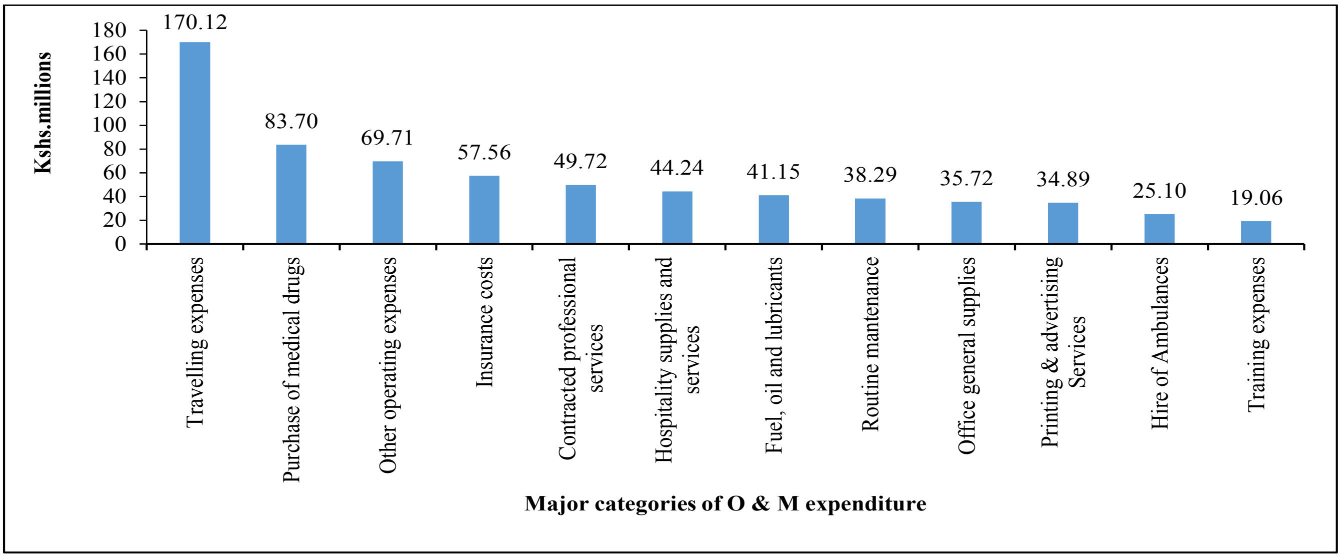
3.16.6 Recurrent Expenditure Analysis

The total recurrent expenditure for the reporting period was Kshs.2.63 billion against an annual recurrent budget of Kshs.5.30 billion. This represents 49.6 per cent of the annual recurrent budget. The County spent Kshs.1.93 billion (73.3 per cent) on personnel emoluments and Kshs.703.74 million (26.7 per cent) on operations and maintenance as shown in Figure 3.62. Expenditure on personnel emoluments accounted for 54.1 per cent of total expenditure and has increased significantly in the first half of FY 2015/16 as compared to a similar period in FY 2014/15 when the County spent Kshs.1.48 billion. The increase can be attributed to employment and promotion of health workers, employment of ECD teachers and absorption of youth polytechnic instructors.

The County spent Kshs.60.33 million on sitting allowances to the 71 MCAs and the Speaker against an annual budget of Kshs.90.41 million. This represents a marginal decrease from Kshs.64.24 million incurred in a similar period of FY 2014/15. The average monthly sitting allowance per MCA was Kshs.139,658 compared to SRC's recommended monthly ceiling of Kshs.124,800.

A breakdown of the operations and maintenance expenditure for the reporting period is shown in Figure 3.63.

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



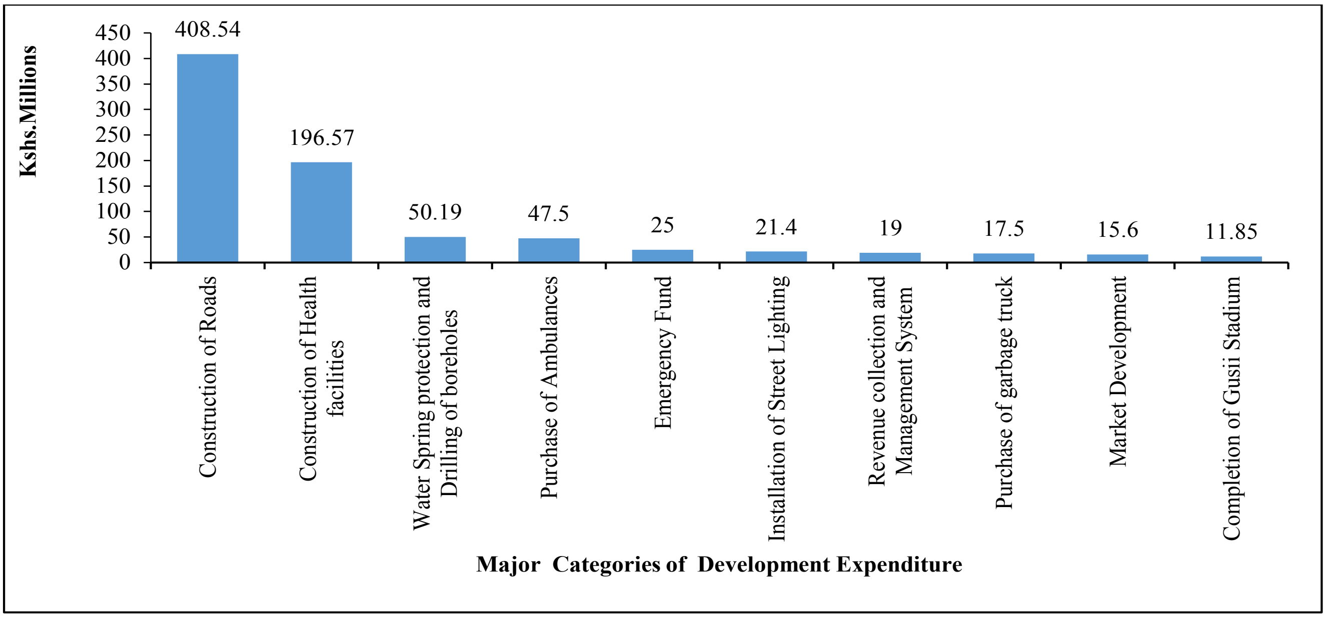
Source: *Kisii County Treasury*

The aggregate expenditure on domestic and foreign travel was Kshs.170.12 million compared to Kshs.111.09 million incurred in a similar period of FY 2014/15, representing an increase of 53.1 per cent. This expenditure comprised of Kshs.102.45 million spent by the County Executive and Kshs.67.67 million by the County Assembly.

3.16.7 Development Expenditure Analysis

A summary of development expenditure during the first half of FY 2015/16 is provide in figure 3.64.

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



Source: *Kisii County Treasury*

Analysis of the development expenditure of Kshs.934.04 million in the first half of FY 2015/16 indicates that the Roads Department reported the highest expenditure of Kshs.408.54 million which was spent on construction and maintenance of access roads and Kshs.17.5 million on purchase of a garbage truck. A total of 382 kilometers of roads were maintained across the 45 wards. The second highest expenditure of Kshs.196.57 million was incurred by the Health Department on construction of health facilities and Kshs.47.5 million on purchase of six ambulances. Kshs.19 million was spent by the Finance and Economic Planning Department on Revenue collection management system and Kshs.25 million on Emergency Fund. The Department of Land, Physical Planning and Urban Development incurred Kshs.21.40 million on installation of street lighting, carpeting of urban roads in various towns and managing storm water drainage systems while the Department of Water and Environment incurred Kshs.50.19 million on protection of water springs and drilling of boreholes.

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

A summary of the FY 2015/16 annual budget estimates and budget performance for the first half by department is shown in Table 3.32.

Table 3.32: Kisii County, Annual Budget and First Half of FY 2015/16 Budget Performance by Department

Department	Annual Budget Allocation (Kshs. Million)		Six Months Exchequer Issues (Kshs. Million)		Six Months Expenditure (Kshs. Million)		Six Months Expenditure to Exchequer Issues (%)		Absorption rate (%)	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
Health	1805.91	890.93	929.41	243.11	976.58	244.07	105.1	100.4	54.1	27.4
Agriculture	267.37	151.8	153.33	45.7	153.89	24.15	100.4	52.8	57.6	15.9
County Assembly	713.65	-	360.78	-	318.69	-	88.3	-	44.7	-
County Executive (Office of the Governor and Deputy Governor) & CPSB	424.33	-	213.17	-	182.74	-	85.7		43.1	-
County Administration	529.83	130	270.16	10	263.25	10	97.4	100.0	49.7	7.7
Finance and Economic Planning	691.53	180.5	387.81	80	312.98	60.33	80.7	75.4	45.3	33.4
Water, Environment & Natural Resources	141.09	449	66.69	74	59.86	50.19	89.8	67.8	42.4	11.2
Education & Youth Development	315.43	478.75	192.14	44	198.19	24.59	103.1	55.9	62.8	5.1
Land, Physical Planning & Urban Development	84.54	206.5	31.95	80	27.95	57.62	87.5	72.0	33.1	27.9
Public works, Roads and Transport	138.58	784.1	59.49	471.29	51.84	426.04	87.1	90.4	37.4	54.3
Trade Regulations & Development	60.55	157.5	29.34	28	26.5	22.84	90.3	81.6	43.8	14.5
Culture and Social Services	65.91	215.5	28.2	30	26.45	14.21	93.8	47.4	40.1	6.6
Kisii Town	62.58	19	35.43	-	31.98	-	90.3	-	51.1	-
TOTAL	**5301.3**	**3663.58**	**2757.91**	**1106.09**	**2630.91**	**934.04**	**95.4**	**84.4**	**49.6**	**25.5**

Source: *Kisii County Treasury*

Analysis of budget performance by department shows that the Department of Public Works, Roads and Transport reported the highest absorption rate of its development budget at 54.3 per cent while the Department of Education and Youth Development registered the lowest absorption rate at 5.1 per cent. On the other hand, the Department of Education and Youth Development had the highest percentage of its recurrent budget expenditure to its recurrent budget at 62.8 per cent while the Department of Lands, Physical Planning and Urban Development had the lowest percentage of its recurrent expenditure to its recurrent budget at 33.1 per cent.

3.16.9 Borrowing by the County Government

Article 212 of the Constitution requires a county government to borrow with approval from the County Assembly, and only if the national government guarantees the loan. Further, Section 58 of the PFM Act 2012 gives the Cabinet Secretary to the National Treasury the powers to guarantee loans subject to approval by Parliament. During the period under review, the County utilized its equitable share and local revenue collection deposited into the County Revenue Fund account maintained at the Central Bank of Kenya and did not borrow any funds.

3.16.10 Observations and Recommendations

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

i Designated accounting officers in all departments.
ii Improved its human capacity through training and recruitment of qualified staff.
iii Complied with budgetary timelines.
iv Established an Internal Audit Committee.

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

1. Low local revenue collection which stood at 15.0 per cent of the projected revenue for FY 2015/16.

2. Health Department did not report/account for local revenue collected in contravention of Section 109 (2) of the PFM Act 2012.

3. There are no designated fund administrators for established funds such as the County Assembly Mortgages and Car loan Fund, Bursary Fund and Emergency Fund. This has led to difficulties in the administration, accounting and reporting of these funds.

4. High expenditure on personnel emoluments which stood at 73.3 per cent of the total recurrent budget and 54.1 per cent of the total expenditure.

5. The additional conditional grants of Kshs.215.53 million for compensation of user fees foregone and Road Maintenance Fuel Levy Fund were not budgeted for by the County Government.

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

1. *The County should develop strategies to enhance local revenue collection.*

2. *All revenue collected should be reported and properly accounted for in accordance with Section 109(2) of the PFM Act 2012.*

3. *All County public funds should have designated fund administrators and separate bank accounts so as to comply with the accounting and reporting requirements envisaged in Section 168 of the PFM Act 2012.*

4. *The County Treasury should ensure that Personnel Emoluments are sustainable.*

5. *The County should develop a Supplementary Budget to include the additional conditional grants of Kshs.215.53 million (for compensation of forgone user fees and Road Maintenance Fuel Levy Fund). Further, the under-budgeted grants for free maternal care and leasing of medical equipment by Kshs.56.88 million and Kshs.41.68 million respectively shoukld be corrected.*

3.17 Kisumu County

3.17.1 Overview of the FY 2015/16 Budget

The FY 2015/16 approved budget for Kisumu County was Kshs.9.64 billion. It comprised Kshs.5.71 billion (59.2 per cent) for recurrent expenditure and Kshs.3.93 billion (40.8 per cent) for development expenditure.

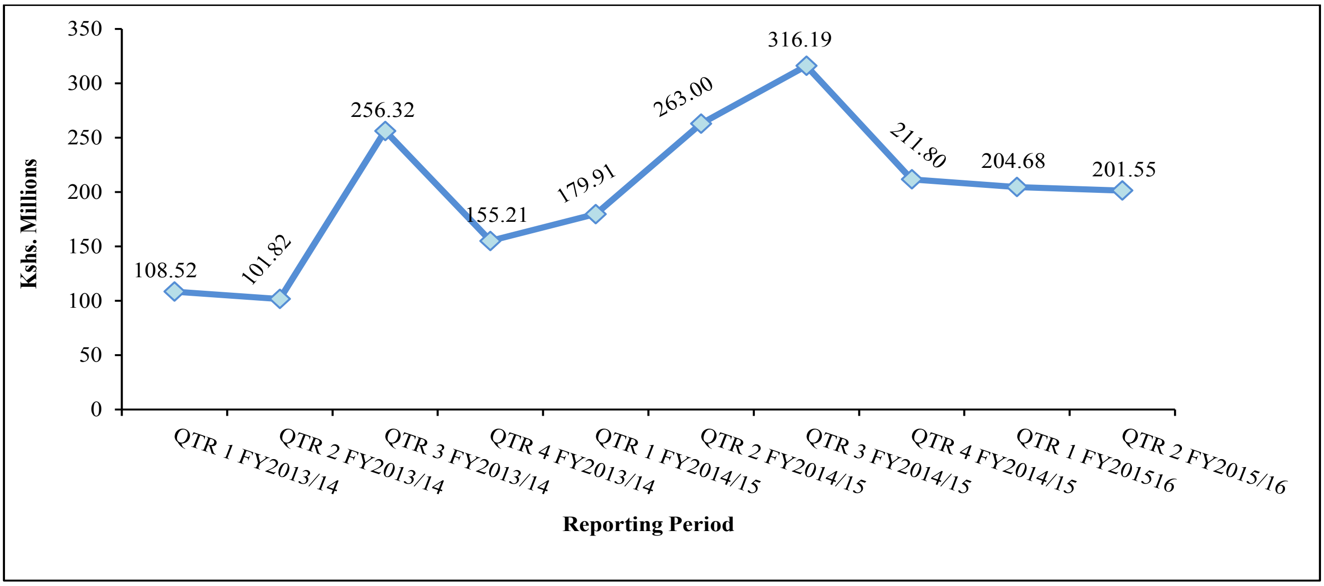
In order to finance the budget, the County expects to receive Kshs.6.38 billion (66.2 per cent) as transfers from the National Government, collect Kshs.1.87 billion (19.4 per cent) from local sources, receive a conditional grant of Kshs.16.58 million (0.2 per cent) from DANIDA and Kshs.1.37 billion (14.2 per cent) as projected cash balance from FY 2014/15.

3.17.2 Revenue Analysis

During the first half of FY 2015/16, the County received Kshs.2.06 billion from the National Government as a direct transfer to the CRF account, this amount comprised of Kshs.1.90 billion as equitable share of revenue, Kshs.113.44 million as conditional allocation for Level 5 Hospital, Kshs.8.29 million as DANIDA grant, Kshs.43.86 million as conditional allocations for free maternal health care, Kshs.4.33 million as conditional allocations for forgone user fees, Kshs.36.45 million as conditional allocation from the Road Maintenance Fuel Levy Fund, raised Kshs.406.23 million from local sources, and a balance of Kshs.1.02 billion brought forward from FY 2014/15.

The trend of local revenue collection from first quarter of the FY 2013/14 to the second quarter of FY 2015/16 is shown in figure 3.65.

Figure 3.65: Kisumu County, Trend in Local Revenue Collection by Quarter from the first quarter of FY 2013/14 to the second quarter of FY 2015/16



Source: *Kisumu County Treasury*

The local revenue consisted of Kshs.204.68 million raised in the first quarter and Kshs.201.55 million in the second quarter. The local revenue raised in the first half of the FY 2015/16 of Kshs.406.23 million (21.7 per cent of the annual local revenue target), a decrease from Kshs.442.84 million collected in a similar period of FY 2014/15.

The analysis of local revenue by stream is shown in Table 3.33.

Table 3.33: Kisumu County, Analysis of revenue collection by stream for the first half of FY 2015/16

No.	Revenue Stream	Annual Targeted Revenue (Kshs.)	Six Months Actual Revenue (Kshs.)	Revenue Performance (%)
	A	B	C	D=*100
1	Parking Fees	77,729,500	99,515,413	128.0
2	Rent Income on residential/ Commercial buildings	33,683,640	19,261,990	57.2
3	Market Fees	113,244,059	40,756,095	36.0
4	Land Rates	171,904,848	37,666,790	21.9
5	Public Health, Medical Levies and Hospital fees	719,808,508	132,443,696	18.4
6	Other Sources	752,216,468	76,582,258	10.2
	TOTAL	**1,868,587,023**	**406,226,242**	**21.7**

Source: *Kisumu County Treasury*

The analysis of revenue by stream indicates that parking fees generated the highest percentage of revenue against the annual target at 128.0 per cent followed by Rent income on residential/ commercial buildings at 57.2 per cent.

3.17.3 Banking of Local Revenue

A review of the bank statements for the revenue collection account indicates that all locally generated revenue was deposited into the CRF during the period under review. This conforms to Article 207 of the Constitution and Section 109 of the PFM Act 2012, which stipulates that all funds raised or received by or on behalf of the County Government shall be deposited into the CRF account unless excluded by an Act of Parliament.

3.17.4 Exchequer Issues

During the period under review, Kshs.3.43 billion was available for use in the operations accounts, which was 35.6 per cent of the approved budget. This amount comprised of Kshs.3.20 billion authorized for withdrawal by the Controller of Budget from the CRF and unspent cash balances from FY 2014/15 of Kshs.235.11 million held in Health Department operations accounts which was not paid to the CRF as per the requirement of Section 136 of the PFM Act 2012. The amount represented an increase of 17.1 per cent from Kshs.2.93 billion authorized in a similar period of FY 2014/15 and consisted of Kshs.2.68 billion (78.1 per cent) for recurrent expenditure and Kshs.754.42 million (21.9 per cent) for development activities.

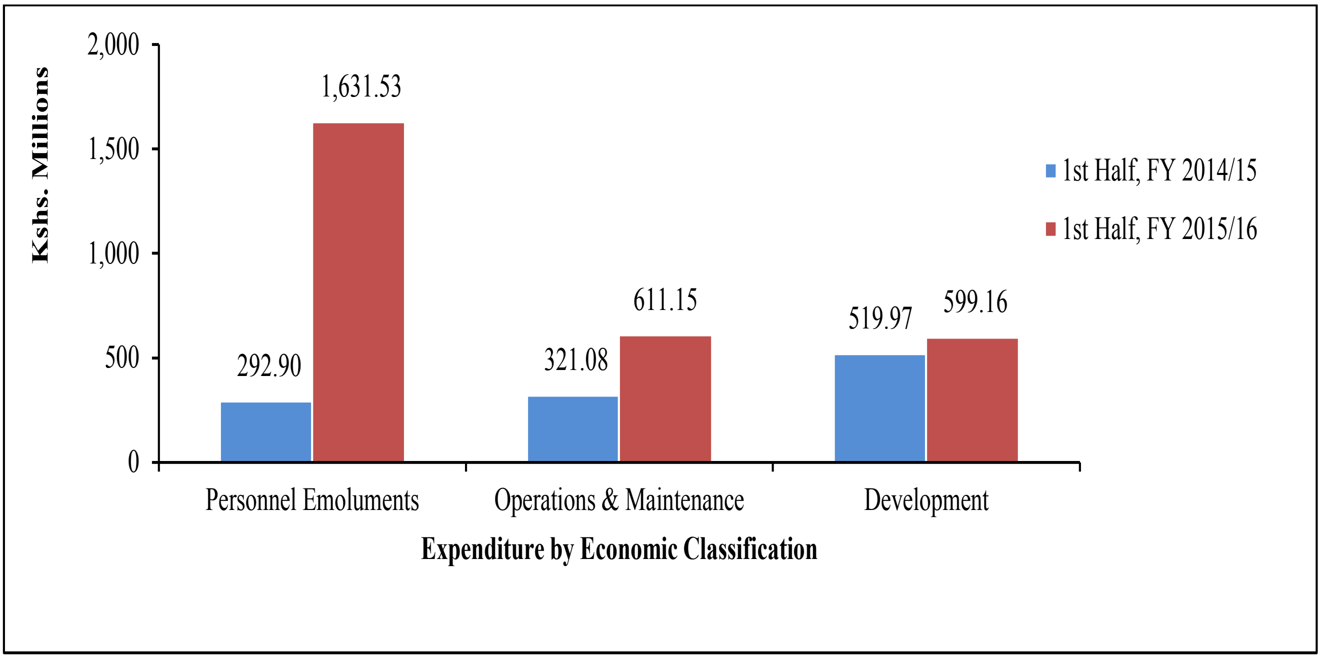
3.17.5 Overall Expenditure Review

The County spent a total of Kshs.2.84 billion during the first half of FY 2015/16 which was 82.8 per cent of the total funds released for both development and recurrent expenditure. This is a significant improvement from the Kshs.1.13 billion spent in a similar period of FY 2014/15. A total of Kshs.2.24 billion was spent on recurrent activities and Kshs.599.16 million on development activities. Recurrent expenditure was 83.8 per cent of the funds released for recurrent activities while development expenditure accounted for 79.4 per cent of the funds released for development activities. The expenditure excludes commitments as of 31st December, 2015 that amounted to Kshs.1.48 billion for development expenditure and Kshs.344.09 million for recurrent expenditure.

Recurrent expenditure for the period under review represented 39.3 per cent of the approved annual recurrent budget, an increase from 10.9 per cent spent in a similar period of FY 2014/15. On the other hand, development expenditure recorded an absorption rate of 15.2 per cent, an improvement from 8.9 per cent spent in a similar period of FY 2014/15.

A comparison of the total expenditure between the first half of FY 2014/15 and the first half of FY 2015/16 is shown in Figure 3.66.

Figure 3.66: Kisumu County, Expenditure by Economic Classification for First Half of FY 2014/15 and First Half of FY 2015/16



Source: *Kisumu County Treasury*

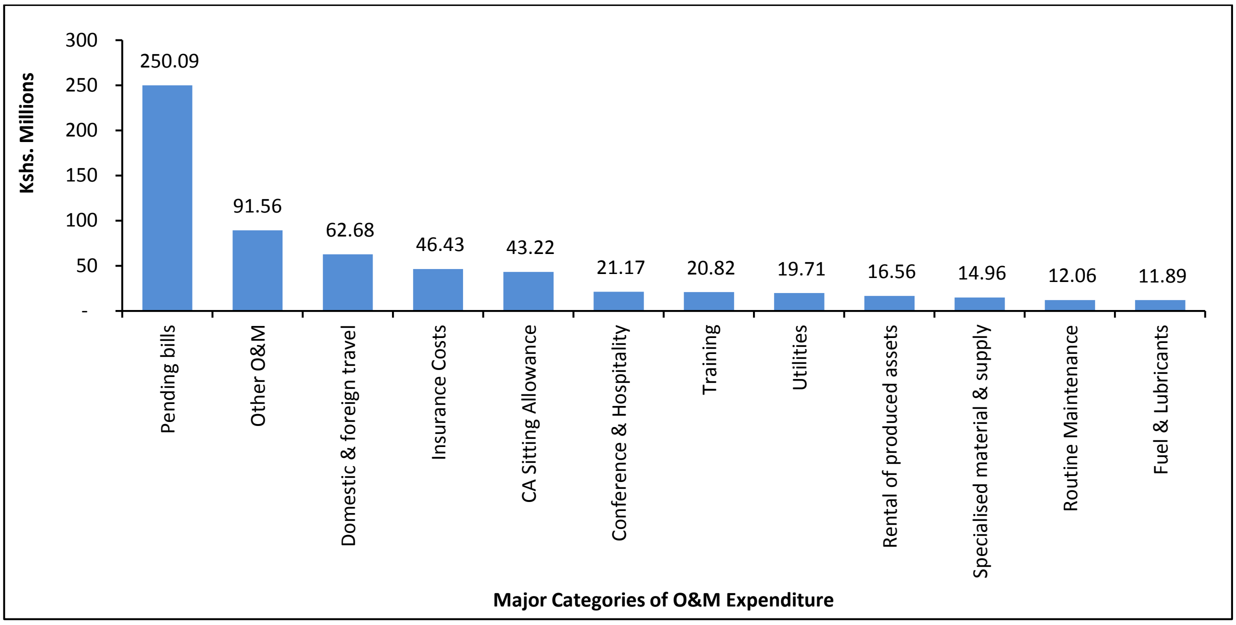
3.17.6 Recurrent Expenditure Analysis

The total recurrent expenditure for the reporting period was Kshs.2.24 billion against an annual budget of Kshs.5.71 billion. This represents 39.2 per cent of the annual recurrent budget. The County spent Kshs.1.63 billion (72.8 per cent) on personnel emoluments and Kshs.611.15 million (27.2 per cent) on operations and maintenance as shown in Figure 3.66. Expenditure on personnel emoluments accounted for 57.4 per cent of total expenditure and has increased enormously in first half of FY 2015/16 as compared to a similar period in FY 2014/15 when the County spent Kshs.321.08 million. The increase is attributed to incomplete reporting of expenditure for first half of FY 2014/15 which did not include expenditure processed through below the line IFMIS codes, and unremitted payroll deductions in the first half of FY 2014/15.

The County spent Kshs.43.22 million on sitting allowances to the 50 MCAs and the Speaker against a budget of Kshs.113.81 million. This is a significant increase from Kshs.11.42 million recorded in a similar period of FY 2014/15. The average monthly sitting allowance per MCA was Kshs.144,089 compared to SRCs recommended monthly ceiling of Kshs.124,800.

A breakdown of the operations and maintenance expenditure for the reporting period is shown in Figure 3.67.

Figure 3.67: Kisumu County, Operations and Maintenance Expenditure for the hirst half of FY 2015/16



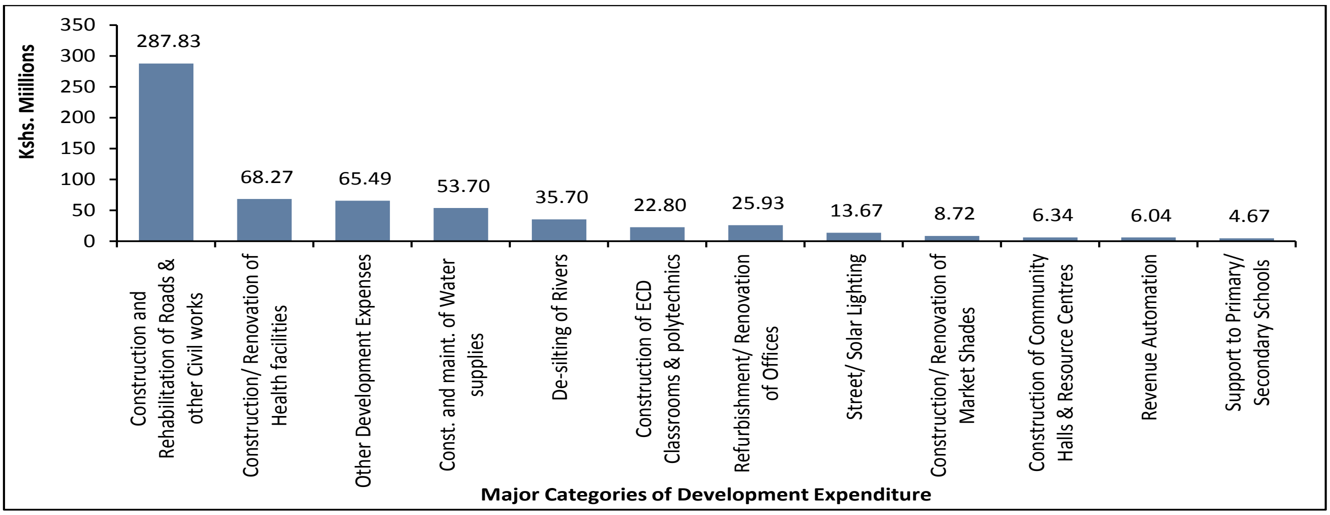
Source: *Kisumu County Treasury*

The aggregate expenditure on domestic and foreign travel was Kshs.62.68 million compared to Kshs.40.85 million incurred in a similar period of FY 2014/15, representing a significant increase of 53.4 per cent. This expenditure comprised of Kshs.43.90 million spent by the County Executive and Kshs.18.78 million by the County Assembly.

3.17.7 Development Expenditure Analysis

A summary of development expenditure during the first half of FY 2015/16 is provided in figure 3.68.

Figure 3.68: Kisumu County, Summary of Development Expenditure for the First Half of FY 2015/16



Source: *Kisumu County Treasury*

Analysis of the development expenditure of Kshs.599.16 million incurred in the first half of FY 2015/16 indicates that the Finance and Economic Planning Department reported the highest expenditure of Kshs.522.17 million which was incurred on pending bills. Breakdown of the expenditure on pending bills shows that the highest expenditure of Kshs.287.83 million was incurred on development and maintenance of access roads and bridges. The second highest expenditure at Kshs.68.27 million was incurred on construction and renovation of health facilities including dispensaries, staff houses and wards while drilling of boreholes, extension and rehabilitation of water supplies, renovation of drainage systems and protection of springs stood at Kshs.53.70 million. Office of Governor incurred the second highest expenditure of Kshs.35.70 million on Special Programmes to de-silt rivers.

3.17.8 Annual Budget and Budget Performance Analysis by department for the First Half of FY 2015/16

A summary of the FY 2015/16 annual budget estimates and budget performance for the first half by department is shown in Table 3.34.

Table 3.34: Kisumu County, Annual Budget and First Half of FY 2015/16 Budget Performance by Department

Department	Annual Budget Allocation (Kshs. Million)		Six Months Exchequer Issues (Kshs. Million)		Six Months Expenditure (Kshs. Million)		Six Months Expenditure to Exchequer Issues (%)		Absorption rate (%)	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
County Assembly Services	533.90	-	245.29	-	142.58	-	58.1	-	26.7	-
City of Kisumu	851.23	90.00	346.03	-	45.47	-	13.1	-	5.3	-
Office of the Governor & County Administration	391.16	150.00	150.72	-	1,575.04	69.55	1,045	-	402.7	46.4
County Public Service Board	65.00	-	31.43	-	7.75	-	24.6	-	11.9	-
Finance & Economic Planning	808.33	1,577.26	455.29	754.42	318.60	522.17	70.0	69.2	39.4	33.1
Agriculture, Livestock & Fisheries Development	307.08	180.01	135.60	-	9.48	-	7.0	-	3.1	-
Water ,Environment & Natural Resources	95.26	210.02	52.20	-	11.61	-	22.2	-	12.2	-
Education, Youth, Culture & Social services	152.23	371.00	67.95	-	44.79	7.44	65.9	-	29.4	2.0
Health Services	2,127.99	241.71	1,016.43	-	58.05	-	5.7	-	2.7	-
Land, Housing & Physical Planning	31.41	234.30	13.14	-	1.61	-	12.3	-	5.1	-
Roads Public Works & Transport	120.16	414.37	59.16	-	4.26	-	7.2	-	3.5	-
Communication and Information Technology	72.43	100.00	30.89	-	7.02	-	22.7	-	9.7	-
Trade, Tourism & Heritage	68.75	130.00	31.86	-	3.92	-	12.3	-	5.7	-
Industrialization, Enterprise Development, Energy & Mining	82.02	232.00	39.93	-	10.22	-	25.6	-	12.5	-
TOTAL	**5,706.95**	**3,930.67**	**2,675.92**	**754.42**	**2,240.41**	**599.16**	**83.7**	**79.4**	**39.3**	**15.2**

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 of its development budget at 46.4 per cent followed by Department of Finance and Economic Planning at 33.1 per cent and Department of Education, Youth, Culture & Social services at 2.0 per cent while the rest of departments did not incur any development expenditure during the reporting period. On the other hand, the Office of the Governor and County Administration had its recurrent expenditure exceeding the department's recurrent budgetary allocation by 402.7 per cent. This was occasioned by use of below the line IFMIS item codes to pay personnel emoluments without taking into account the budget allocation to personnel emoluments for the department. Besides, the Department of Health Services spent the lowest percentage of its recurrent budget to recurrent budget at 2.7 per cent.

3.17.9 Borrowing by the County Government

During the period under review, the County accessed an overdraft facility of Kshs.11.00 million from Kenya Commercial Bank. This borrowing was in line with Article 212 of the Constitution and Section 107 of the PFM Act 2012.

3.17.10 Observations and Recommendations

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

i. Registered improvement in absorption of development funds from 8.9 per cent in the first half of FY 2014/15 to 15.2 per cent during the reporting period.

ii. Ensured remittance of local revenue collection by devolved entities into the County Revenue Fund (CRF) account.

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

1. Decline in local revenue collection by 8.3 per cent from Kshs.442.84 million achieved during the first half of FY 2014/15 to Kshs.406.23 million in the first half of FY 2015/16.

2. Failure to deposit unspent cash balance of Kshs.235.11 million held in Health Operations Accounts into the CRF at the close of FY 2014/15 in contravention of Section 136 of the PFM Act 2012.

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

1. *The County should innovatively expand its revenue base and improve collection on the existing revenue streams through automation.*

2. *The County Treasury should enhance its monitoring role over the management of financial resources and as well as ensure that no County Government entity holds unspent funds after*

the close of a financial year.

3.18 Kitui County

3.18.1 Overview of the FY 2015/16 Budget

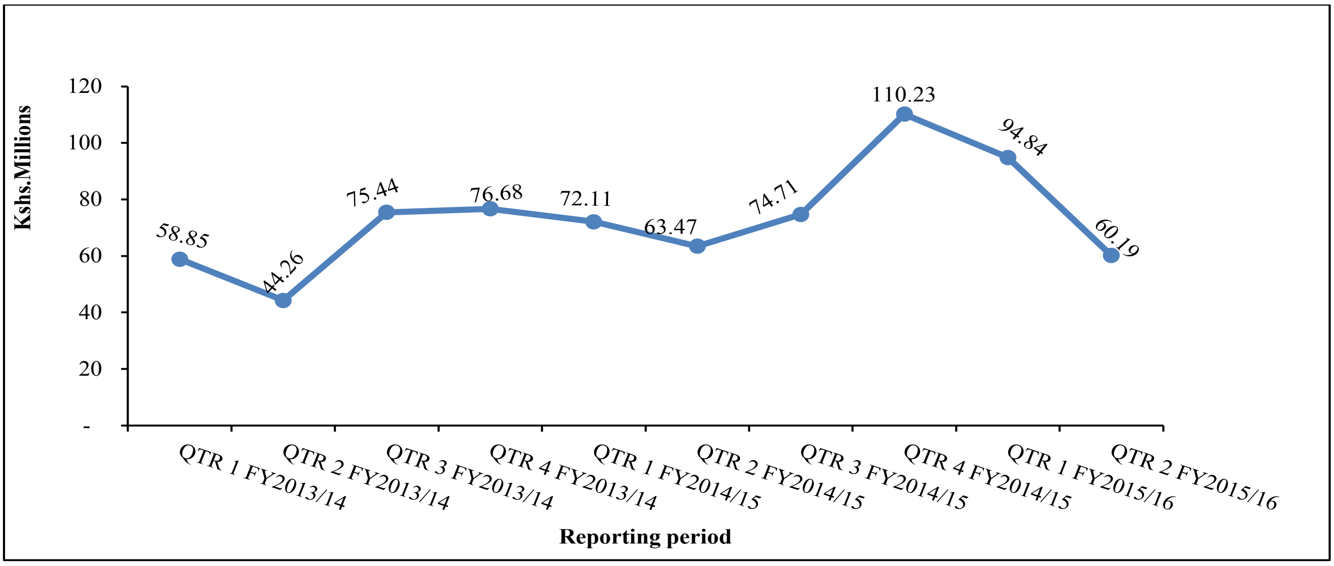
The FY 2015/16 approved budget for Kitui County was Kshs.10.23 billion. It comprised Kshs.4.79 billion (46.9 per cent) for recurrent expenditure and Kshs.5.43 billion (53.1 per cent) for development expenditure.

In order to finance the budget, the County expects to receive Kshs.7.27 billion (71.1 per cent) as equitable share from the National Government, collect Kshs.608.20 million (5.9 per cent) from local sources, have Kshs.2.07 billion (20.2 per cent) as projected cash balance from FY 2014/15, and receive Kshs.283.52 million (2.8 per cent) as conditional grant. The conditional grant as per the County Allocation of Revenue Act, 2015 was Kshs.359.27 million, which is more than the amount budgeted in the approved budget of Kshs.283.52 million. The Kshs.359.27 million conditional grant comprises of Kshs.95.74 million for leasing of medical equipment, Kshs.92.32 million from Road Maintenance Fuel Levy Fund, Kshs.63.61 million for free maternal health care, Kshs.23.61 million for compensation of forgone user fees, Kshs.47.0 million from World Bank loan to supplement financing of county health facilities, and Kshs.36.99 million from DANIDA grant to supplement financing for county health facilities. The County did not budget for Kshs.95.74 million for leasing of medical equipment, but had an additional budget estimate of a grant from UNDP of Kshs.20.00 million.

3.18.2 Revenue Analysis

In the first half of FY 2015/16, the County received Kshs.2.52 billion from the National Government as direct transfer to the CRF account. This amount comprised of Kshs.2.43 billion for equitable share, Kshs.46.64 million for conditional allocation from Road Maintenance Fuel Levy Fund, Kshs.18.50 million from DANIDA grant meant to supplement financing for county health facilities, Kshs.22.87 million for conditional allocation for free maternal health care allocation, and Kshs.7.01 million for conditional allocation for compensation for user fees forgone. In addition to the direct transfer from national government, the County raised Kshs.155.03 million from local sources, and had a cash balance of Kshs.1.86 billion brought forward from FY 2014/15. The quarterly trend in local revenue collection from first quarter of the FY 2013/14 to the second quarter of FY 2015/16 is shown in figure 3.69.

Figure 3.69: Kitui County, Trend in Local Revenue Collection by Quarter from the first quarter of FY 2013/14 to the second quarter of FY 2015/16



Source: *Kitui County Treasury*

The local revenue consisted of Kshs.94.84 million raised in the first quarter and Kshs.60.19 million in the second quarter. The local revenue raised in the first half of the FY 2015/16 of Kshs.155.03 million (25.5 per cent of the annual local revenue target), an improvement from Kshs.135.58 million collected in a similar period of FY 2014/15.

Analysis of local revenue by stream is shown in Table 3.35.

Table 3.35: Kitui County, Analysis of revenue collection by stream for the first half of FY 2015/16

No.	Revenue Stream	Annual Targeted Revenue (Kshs.)	Six Months Actual Revenue (Kshs.)	Revenue Performance (%)
	A	B	C	D=*100
1	Market Fees	70,708,904	21,737,270	30.7
2	Single Business Permits	33,453,125	15,363,356	45.9
3	Cess	79,852,810	11,440,460	14.3
4	Enclosed Parking	26,313,400	8,206,750	31.2
5	Non Agricultural Work Dry Rate - Earth movement in cubic meters (M^3) (sand harvesting)	12,700,000	6,672,691	52.5
6	Land rates	45,809,370	5,533,567	12.1
7	Alcoholic Drinks License application/Renewal		5,159,300	-
8	Sale of Tender Documents	10,800,000	4,770,000	44.2
9	Signboard & Advertising	7,387,701	4,292,895	58.1
10	Street Parking	25,017,000	3,158,760	12.6
11	Other Revenue streams	296,157,690	68,692,193	23.2
	TOTAL	608,200,000	155,027,242	25.49

Source: *Kitui County Treasury*

The analysis of revenue by stream indicates that signboard advertsing generated the highest percentage of revenue against annual target at 58.1 percent, followed by sand harvesting fees at 52.5 per cent. In absolute terms, market fees generated the highest amount of Kshs.21.74 million, representing a performance of 30.7 per cent, followed by Single Business Permits at Kshs.15.36 million, representing a 45.9 performance of the annual target.

3.18.3 Banking of Local Revenue

A review of the bank statements for the revenue collection account indicates that all locally generated revenue was deposited into the CRF during the period under review; however the Department of Health and Sanitation did not deposit collections from some sub-county hospitals to the CRF on a regular basis. The Office requests the County Treasury to ensure that local is regularly deposited into the CRF account in line with Article 207 of the Constitution and Section 109 of the PFM Act 2012, which stipulates that all funds raised or received by or on behalf of the County Government should be deposited into the CRF account, unless excluded by an Act of Parliament.

3.18.4 Exchequer Issues

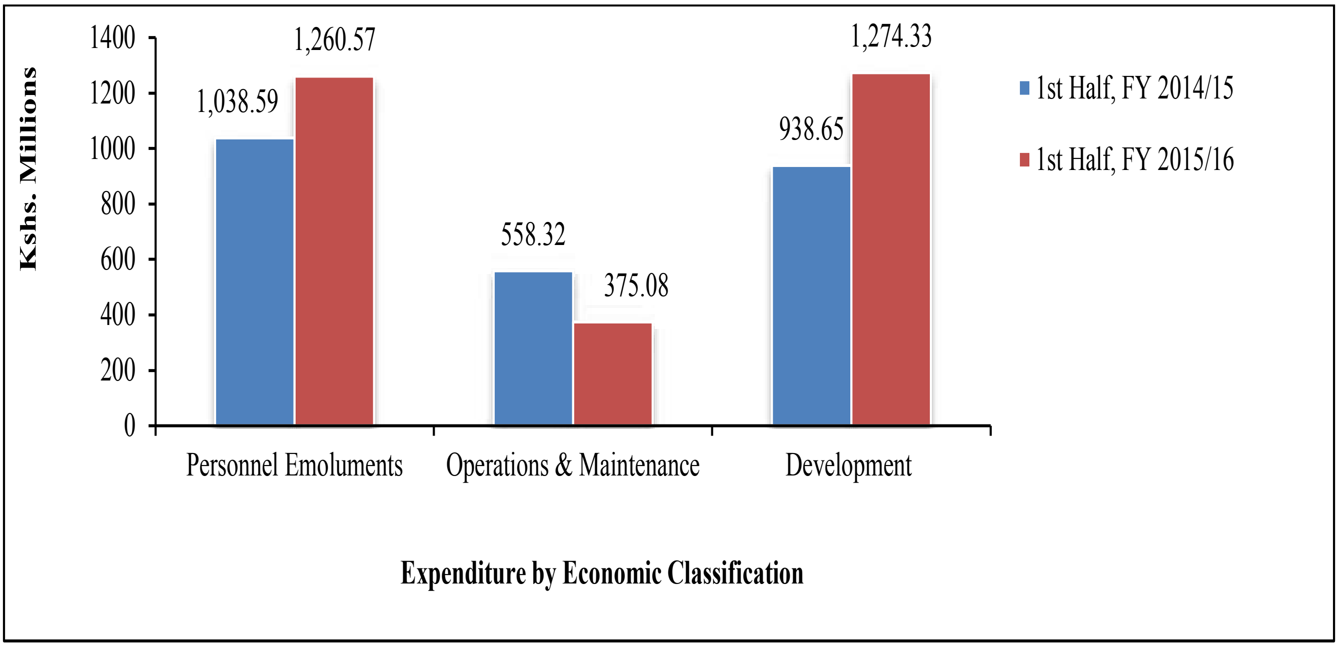
The Controller of Budget authorised withdrawal of Kshs.3.35 billion from the CRF, which was 32.8 per cent of the approved budget. The amount represented an increase of 4.4 per cent from Kshs.3.21 billion authorized in a similar period of FY 2014/15 and consisted of Kshs.2.14 billion (63.9 per cent) for recurrent expenditure and Kshs.1.21 billion (36.1 per cent) for development activities.

3.18.5 Overall Expenditure Review

The County spent a total of Kshs.2.91 billion during the first half of FY 2015/16 which was 86.8 per cent of the funds released for both recurrent and development expenditure. This is a slight increase from the Kshs.2.54 billion spent in a similar period of FY 2014/15. A total of Kshs.1.64 billion was spent on recurrent activities and Kshs.1.27 billion on development activities. Recurrent expenditure was 76.3 per cent of the funds released for recurrent activities while development expenditure accounted for 105.4 per cent of the funds released for development activities. The expenditure excludes commitments as of 31st December, 2015 that amounted to Kshs.835.26 million for development expenditure and Kshs.105.44 million for recurrent expenditure.

Recurrent expenditure for the period under review represented 34.1 per cent of the approved annual recurrent budget, a slight decrease from 35.6 per cent spent in a similar period of FY 2014/15.On the other hand, development expenditure recorded an absorption rate of 23.4 per cent, an improvement from 18.4 per cent spent in a similar period of FY 2014/15. A comparison of the total expenditure in the first half of FY 2014/15 and the first half of 2015/16 is shown in Figure 3.70.

Figure 3.70: Kitui County, Expenditure by Economic Classification for First Half of FY 2014/15 and First Half of FY 2015/16



Source: *Kitui County Treasury*

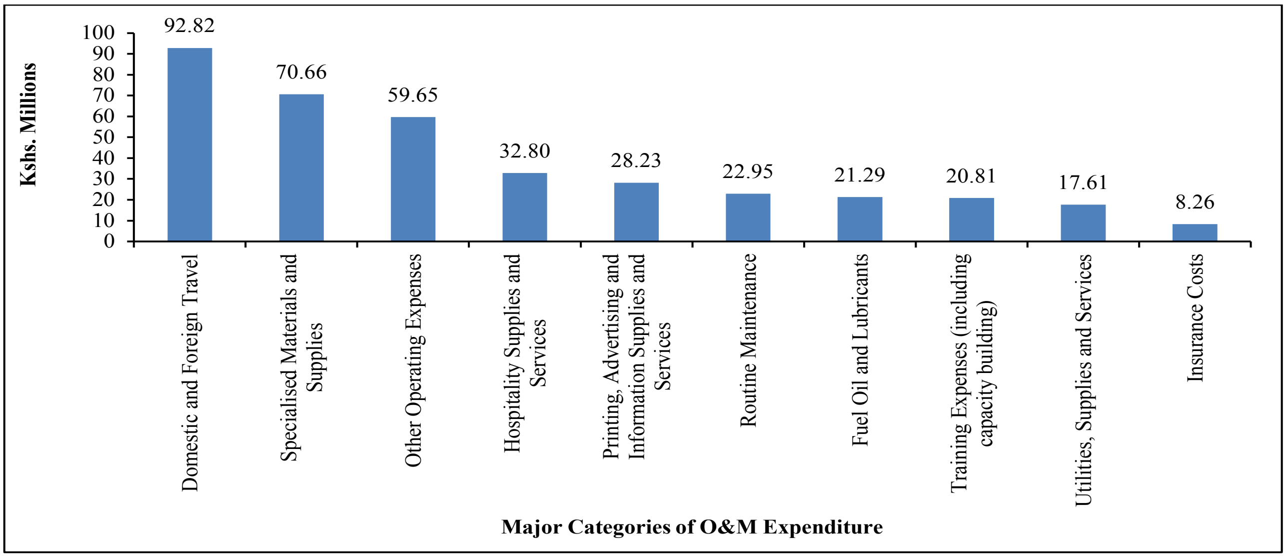
3.18.6 Recurrent Expenditure Analysis

The total recurrent expenditure for the reporting period was Kshs.1.64 billion against an annual recurrent budget of Kshs.4.79 billion. This represents 34.1 per cent of the annual recurrent budget. The County spent Kshs.1.26 billion (76.8per cent) on personnel emoluments and Kshs.375.08 million (22.9 per cent) on operations and maintenance as shown in Figure 3.70. Expenditure on personnel emoluments accounted for 43.3 per cent of total expenditure and has increased in the first half of FY 2015/16 as compared to a similar period in FY 2014/15 when the County spent Kshs.1.04 billion.

The County spent Kshs.29.23 million on sitting allowances to the 56 MCAs and the Speaker against a budget of Kshs.74.63 million. This is a marginal increase from Kshs.27.23 million recorded in a similar period of FY 2014/15. The average monthly sitting allowance per MCA was Kshs.85,458 compared to SRCs recommended monthly ceiling of Kshs.124,800.

A breakdown of the operations and maintenance expenditure for the reporting period is shown in Figure 3.71

Figure 3.71: Kitui County, Operations and Maintenance Expenditure for the First Half of FY 2015/16



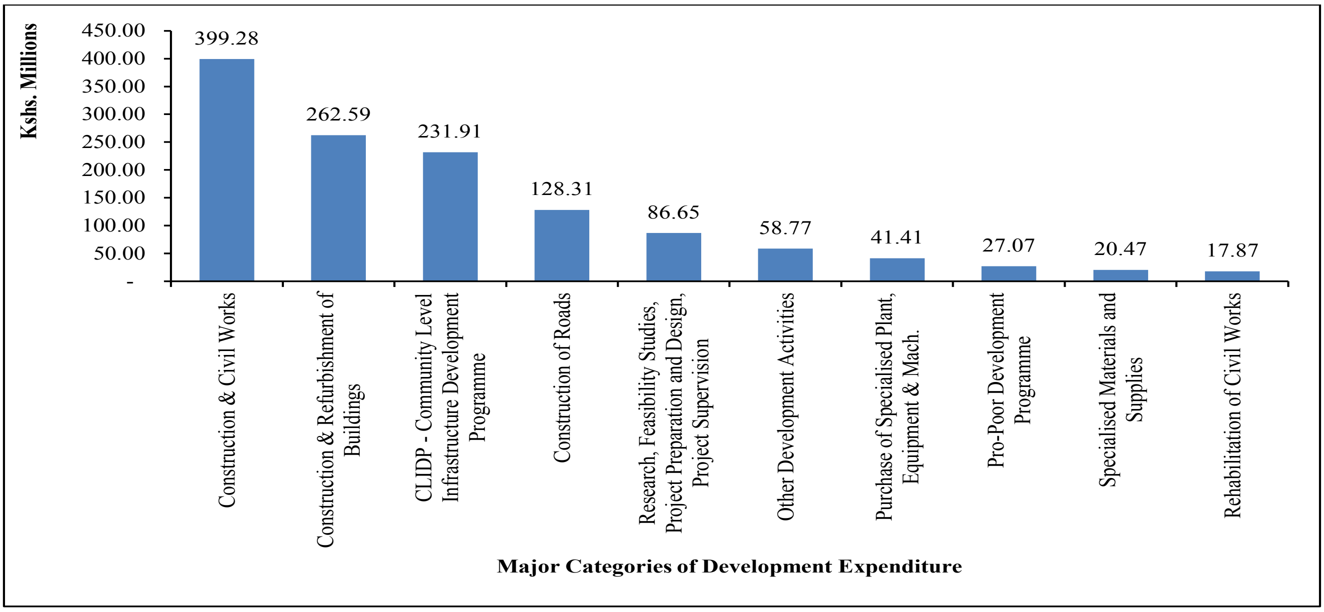
Source: *Kitui County Treasury*

The aggregate expenditure on domestic and foreign travel was Kshs.92.82 million compared to Kshs.77.32 million incurred in a similar period of FY 2014/15, representing an increase of 20.1 per cent. This expenditure comprises of Kshs.63.25 million spent by the County Executive and Kshs.29.57 million by the County Assembly.

3.18.7 Development Expenditure Analysis

Details of development expenditure during the first half of FY 2015/16 are provide in figure 3.72.

Figure 3.72: Kitui County, Summary of Development Expenditure for the First Half of FY 2015/16



Source: *Kitui County Treasury*

Analysis of the development expenditure of Kshs.1.27 billion incurred in the first half of FY 2015/16 indicates that the Office of the Governor reported the highest expenditure of Kshs.327.58 million out of which Kshs.231.91 million was spent on Community Level Infrastructure Development Programme (CLIDP) and Kshs.27.07 million was spent on the Pro-Poor Programme. Some of the CLIDP projects included construction of pit latrine at Kavasya, construction of ECDE classrooms at Masambo Primary, pipeline extension from Kandwia Secondary to Kandwia Primary and Rehabilitation of Kyanika Cattle dip among others.

The second highest expenditure at Kshs.269.87 million was incurred by the Land Infrastructure and Urban Development out of which Kshs.128.31 million was used for construction of roads such as construction of K.E.A to Kamandio road and construction of Kiseveni drift along Nyingi - Mikwakwani road.

3.18.8 Annual Budget and Budget Performance Analysis by department for the First Half of FY 2015/16

A summary of the FY 2015/16 annual budget estimates and budget performance for the first half by department is shown in Table 3.36.

Table 3.36: Kitui County, Annual Budget and First Half of FY 2015/16 Budget Performance by Department

Department	Annual Budget Allocation (Kshs. Million)		6 months Exchequer Issues (Kshs. Million)		6 months Expenditure (Kshs. Million)		6 months expenditure to exchequer issues (%)		Expenditure to Annual Budget (Absorption rate %)	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
Office Of The Governor	434.33	1,193.51	195.67	205.79	144.93	327.58	74.1	159.2	33.4	27.4
Administration & Coordination	496.09	238.89	201.72	38.61	127.72	30.16	63.3	78.1	25.7	12.6
Agriculture, Water & Irrigation	390.82	887.29	215.23	252.05	169.91	262.26	78.9	104	43.5	29.6
Basic Education, Training, & Skills Development	362.65	262.25	130.01	113.24	164.71	36.73	126.7	32.4	45.4	14
Land, Infrastructure & Urban Development	253.43	711.59	147.71	391.02	87.77	269.87	59.4	69	34.6	37.9
Health & Sanitation	1,565.12	739.11	695.29	100.15	540.88	108.12	77.8	108	34.6	14.6
Trade, Industry & Cooperatives	61.49	272.37	33.36	28.46	23.71	61.09	71.1	214.7	38.6	22.4
Culture, Youth, Sports & Social Services	61.84	218.73	31.69	3.08	20.27	42.15	64	1368.5	32.8	19.3
Environment, Energy & Minerals Investment Development	40.63	280.53	20.29	69.97	10.53	69.77	51.9	99.7	25.9	24.9
Natural Resources & Tourism	44.53	93.52	24.33	5.97	17.95	5.47	73.8	91.6	40.3	5.8

Department	Annual Budget Allocation (Kshs. Million)		6 months Exchequer Issues (Kshs. Million)		6 months Expenditure (Kshs. Million)		6 months expenditure to exchequer issues (%)		Expenditure to Annual Budget (Absorption rate %)	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
Finance & Economic Planning	256.12	64.77	114.54	-	99.23	15.58	86.6	∞	38.7	24.1
County Public Service Board	60.65	0	32.9	-	25.14	-	76.4	∞	41.5	-
County Assembly	678.24	179.56	260.66	-	189.7	45.06	72.8	∞	28	25.1
Kitui Town Administration	50.63	192.91	24.05	1.02	8.84	0.48	36.8	47	17.5	0.2
Mwingi Town Administration	34.38	99.8	16.7	-	4.36	-	26.1	∞	12.7	0
Total	**4,790.95**	**5,434.83**	**2144.14**	**1209.36**	**1,635.65**	**1,274.32**	**76.3**	**105.4**	**34.1**	**23.4**

Source: *Kitui County Treasury*

Analysis of budget performance by department shows that the Department of Land, Infrastructure & Urban Development had the highest absorption rate of its development budget at 37.9 per cent while the Department of Mwingi Town Administration did not incur any development expenditure during the reporting period under review. On the other hand, the Department of Basic Education, Training, & Skills Development reported the highest percentage of recurrent expenditure to its recurrent budget at 45.4 per cent while the Department of Mwingi Town Administration registered the lowest percentage at 12.7 per cent.

3.18.9 Borrowing by the County Government

Article 212 of the Constitution requires a county government to borrow with approval from the County Assembly, and only if the national government guarantees the loan. Further, Section 58 of the PFM Act 2012 gives the Cabinet Secretary to the National Treasury the powers to guarantee loans subject to approval by Parliament. During the period under review, the County utilized equitable share and local revenue collection deposited into the County Revenue Fund maintained at the Central Bank of Kenya and did not borrow any funds.

3.18.10 Observations and Recommendations

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

i. Registered improvement on absorption of development funds from 18.4 per cent in the first half of FY 2014/15 to 23.4 per cent in the first half of FY 2015/16.

ii. Improved in local revenue collection from Kshs.135.58 million (20.9 per cent of the annual local revenue target in FY 2014/15) during the first half of FY 2014/15 to Kshs.155.03 million (25.5 per cent of the annual local revenue target in FY 2015/16) during the first half of FY 2015/16.

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

1. Delay in reporting on the various County Funds established in line with section 168(3) of the PFM Act 2012.

2. Failure 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.

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

1. *The County should ensure timely submission of reports on established County Funds in line with section 168 of the PFM Act 2012.*

2. *The County Government should establish an Internal Audit Committee. A functional Audit Committee will enhance management controls and governance among others.*

3.19 Kwale County

3.19.1 Overview of the FY 2015/16 Budget

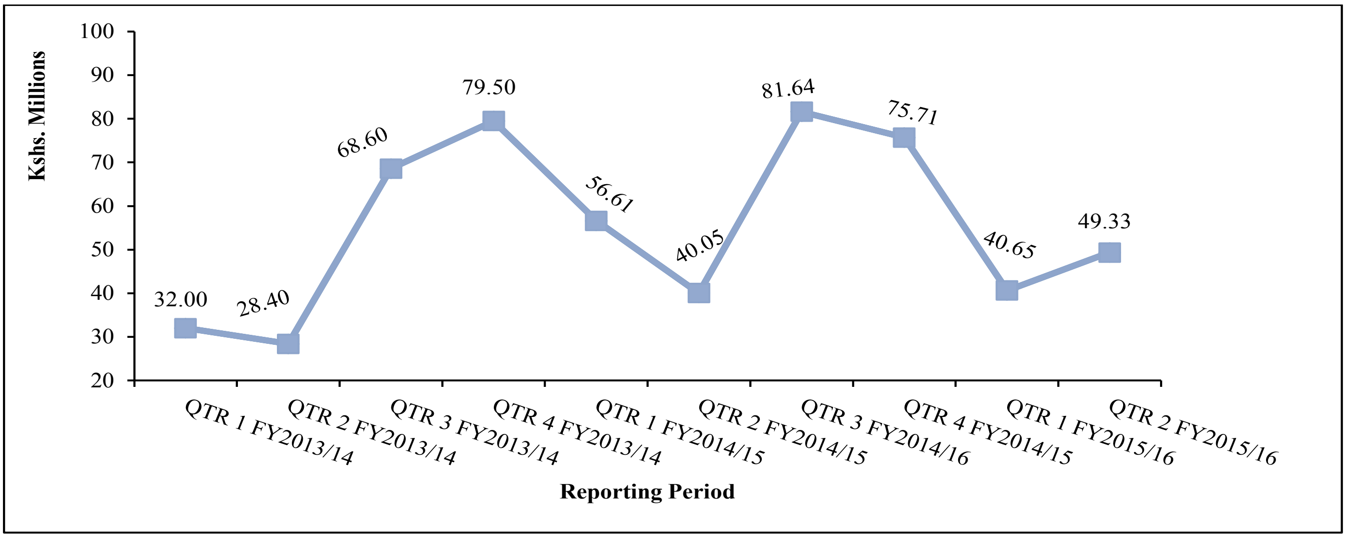
The FY 2015/16 approved budget for Kwale County was Kshs.7.61 billion. It comprised Kshs.2.83 billion (37.2 per cent) allocated for recurrent expenditure and Kshs.4.78 billion (62.8 per cent) for development expenditure.

In order to finance the budget, the County expects to receive Kshs.5.12 billion (67.3 per cent) in transfers from the National Government, collect Kshs.300.00 million (3.9 per cent) from local sources, conditional grants of Kshs.339.81 million (4.5 per cent) and Kshs.1.84 billion (24.3 per cent) as projected cash balance from FY 2014/15. The conditional grants are contained in the National Government CARA, 2015 for DANIDA Health Sector Services Fund (HSSF), free maternal care, compensation of forgone user fees, leasing of medical equipment and road maintenance fuel levy fund.

3.19.2 Revenue Analysis

In the first half of FY 2015/16, the County received Kshs.1.72 billion revenue from the National Government as equitable share, Kshs.6.81 million as DANIDA grant, Kshs.32.88 million as conditional allocations from the Roads Maintenance Fuel Levy Fund, Kshs.37.71 million as conditional allocations for free maternal health care, Kshs.5.91 million as conditional allocations for forgone user fees, raised Kshs.89.98 million from local sources, and had an actual cash balance of Kshs.1.42 billion brought forward from FY 2014/15. The quarterly trend in local revenue collection from first quarter of the FY 2013/14 to the second quarter of FY 2015/16 is shown in figure 3.73.

Figure 3.73: Kwale County, Trend in Local Revenue Collection by Quarter from the FY 2013/14 to the second quarter of FY 2015/16



Source: *Kwale County Treasury*

The local revenue consisted of Kshs.40.65 million raised in the first quarter and Kshs.49.33 million in the second quarter.

Analysis of local revenue by stream is shown in Table 3.37.

Table 3.37: Kwale County Local Revenue Performance for the First Half of FY 2015/16

No.	Revenue Stream	Annual Targeted Revenue (Kshs.)	Six Months Actual Revenue (Kshs.)	Revenue Performance (%)
	A	B	C	D=*100
1	Land Rates	88,066,590.00	19,963,552.00	22.7
2	Single Business Permit	58,447,660.00	5,624,922.00	9.6
3	Revenue from Hospital	52,160,000.00	17,166,354.00	32.9
4	Royalties & Cess	33,888,220.00	15,032,263.00	44.4
5	Parking Fees	14,764,000.00	4,273,350.00	28.9
6	Advertisement	12,101,700.00	5,054,100.00	41.8
7	Auction Fees	6,622,140.00	3,168,582.00	47.8
8	House and Stalls Rent	5,738,800.00	5,167,726.00	90.0
9	Building Plan Approval	5,000,000.00	1,266,948.00	25.3
10	Public health and Sanitation	4,426,890.00	1,819,895.00	41.1
11	Other revenue stream	18,784,000.00	11,445,174.00	60.9
	Total	**300,000,000.00**	**89,982,866.00**	**30.0**

Source: *Kwale County Treasury*

3.19.3 Banking of Local Revenue

A review of the bank statements for the revenue collection account indicates that all locally collected revenue was deposited into the CRF during the period under review. This conforms to Article 207 of the Constitution and Section 109 of the PFM Act 2012, which stipulates that all funds raised or received by or on behalf of the County Government, should be deposited into the CRF account, unless excluded by an Act of Parliament.

3.19.4 Exchequer Releases

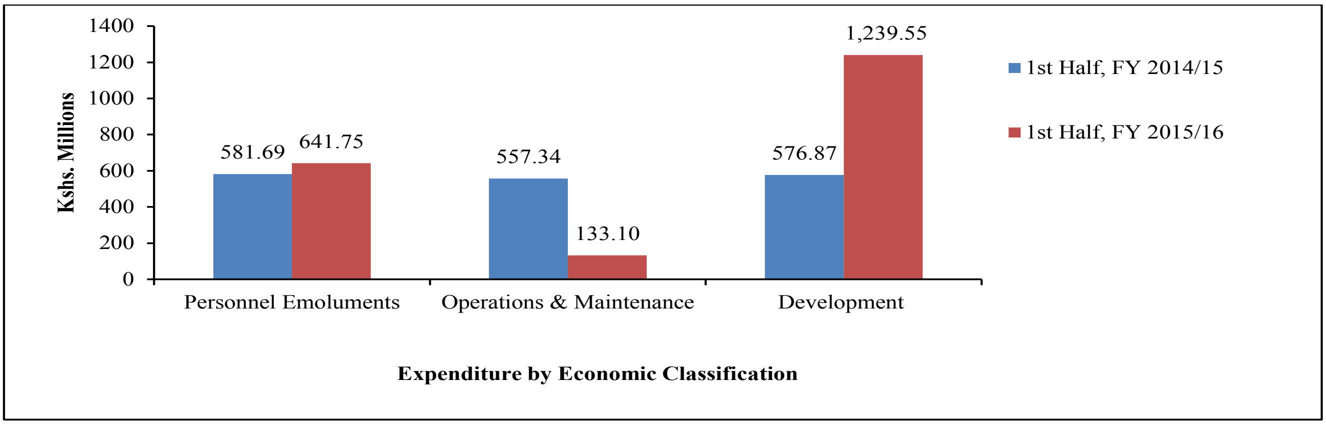
During the period under review, the Controller of Budget authorized withdrawal of Kshs.3.15 billion from the CRF account, which was 41.4 per cent of the approved budget. The amount represented an increase of 41.3 per cent from Kshs.2.23 billion authorized in a similar period of FY 2014/15 and consisted of Kshs.1.45 billion (46.0 per cent) was for recurrent expenditure and Kshs.1.70 billion (54.0 per cent) was for development activities.

3.19.5 Overall Expenditure Review

The County spent a total of Kshs.2.01 billion during the first half of FY 2015/16 which was 63.9 per cent of the funds released. This is an improvement from the Kshs.1.72 billion spent in a similar period of FY 2014/15. A total of Kshs.774.85 million was spent on recurrent activities and Kshs.1.24 billion on development activities. Recurrent expenditure was 53.4 per cent of the funds released for recurrent activities while development expenditure accounted for 72.9 per cent of the funds released for development activities. The expenditure excludes commitments as of 31st December, 2015 that amounted to Kshs.899.48 million for development and Kshs.129.43 million for recurrent expenditure.

Recurrent expenditure for the period under review represented 27.3 per cent of the approved annual recurrent budget, a decrease from 41.6 per cent spent in a similar period of FY 2014/15. On the other hand, development expenditure recorded an absorption rate of 25.9 per cent, an improvement from 19.7 per cent spent in a similar period of FY 2014/15. A comparison of the total expenditure in the first half of FY 2014/15 and the first half of FY 2015/16 is shown in Figure 3.74.

Figure 3.74: Kwale County, Expenditure by Economic Classification for First Half of FY 2014/15 and First Half of FY 2015/16



Source: *Kwale County Treasury*

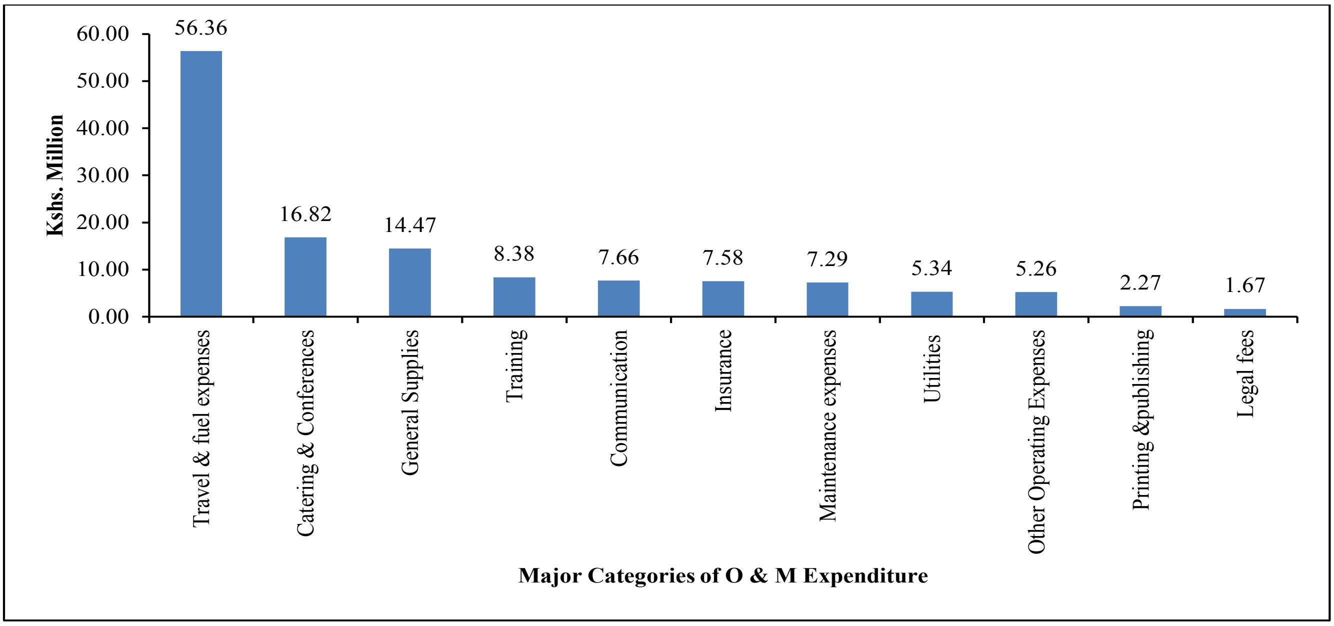
3.19.6 Recurrent Expenditure Analysis

The total recurrent expenditure for the reporting period was Kshs.774.85 million against an annual recurrent budget of Kshs.2.83 billion. This represents 27.3 per cent of the annual recurrent budget. The County spent Kshs.641.75 million (82.8 per cent) on personnel emoluments and Kshs.133.10 million (17.2 per cent) on operations and maintenance as shown in Figure 3.73. Expenditure on personnel emoluments accounted for 31.9 per cent of total expenditure and has slightly increased in the first half of FY 2015/16 as compared to a similar period of FY 2014/15 when the County spent Kshs.581.69 million. The increase is attributed to annual salary increments and hiring of new staff in the health, education and public administration departments.

The County spent Kshs.13.71 million on sitting allowances to the 33 MCAs and the Speaker against a budget of Kshs.59.40 million, representing a decrease from Kshs.25.00 million recorded in a similar period of FY 2014/15. The average monthly sitting allowance per MCA was Kshs.67,191 compared to SRCs recommended monthly ceiling of Kshs.124,800.

A breakdown of the operations and maintenance expenditure for the reporting period is shown in Figure 3.75.

Figure 3.75: Kwale County, Operations and Maintenance Expenditure for the First Half of FY 2015/16



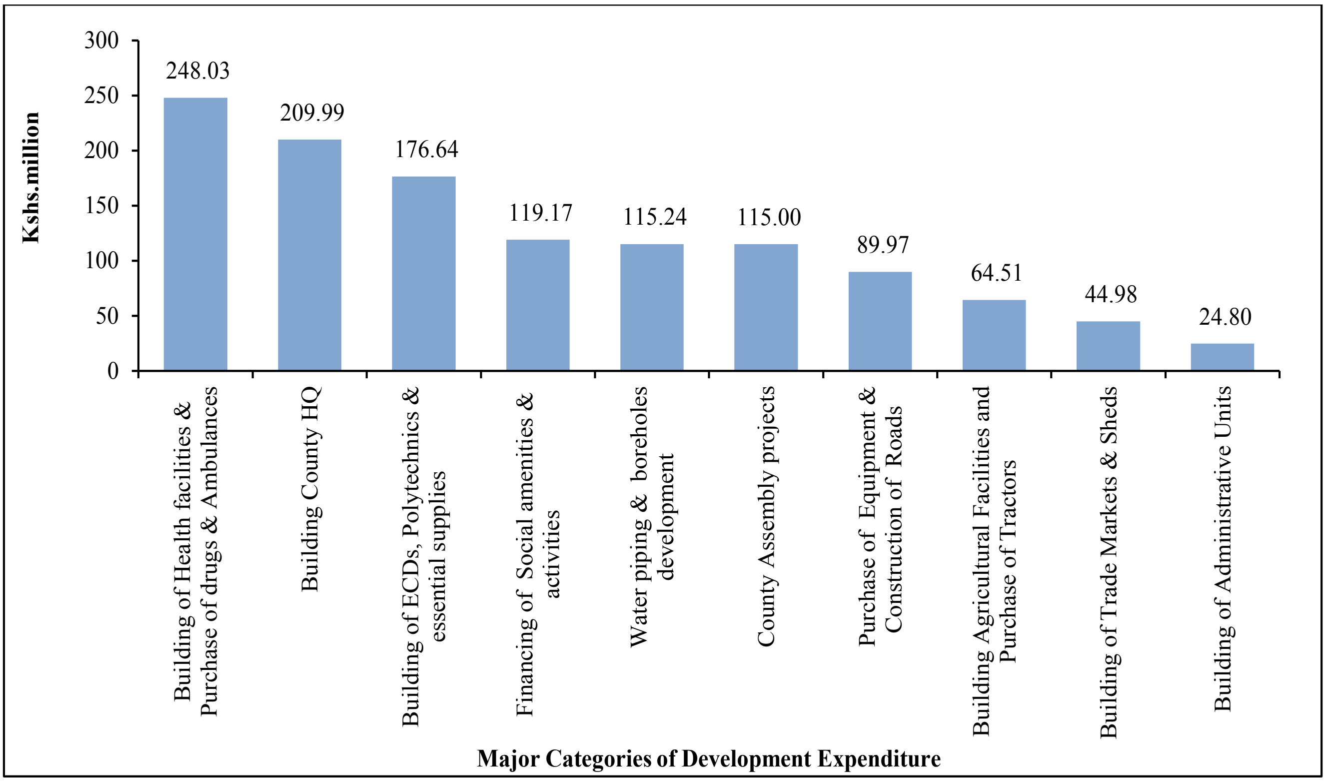
Source: *Kwale County Treasury*

The aggregate expenditure on domestic and foreign travel was Kshs.56.36 million compared to Kshs.108.70 million incurred in a similar period of FY 2014/15, representing a marginal decrease of 48.2 per cent. This expenditure comprised of Kshs.21.83 million spent by the County Executive and Kshs.34.52 million by the County Assembly.

3.19.7 Development Expenditure Analysis

Details of leading departmental development expenditure during the first half of FY 2015/16 are provided in figure 3.76.

Figure 3.76: Kwale County, Summary of Development Expenditure for the first half of FY 2015/16



Source: *Kwale County Treasury*

Analysis of the development expenditure of Kshs.1.24 billion incurred in the first half of FY 2015/16 indicates that the Health Department had the highest expenditure at Kshs.248.03 million which was spent construction of new health facilities like maternities, dispensaries, staff houses, Msambweni Hospital renal unit, purchase of drugs, ambulances and health equipment's. The second highest expenditure was Kshs.209.99 million for construction of the County Head Quarters in Kwale town is underway. The Department of Education comes third in development expenditure at Kshs.176.64 million in building polytechnics and ECDs while at the same time equipping the facilities.

3.19.8 Annual Budget and Budget Performance Analysis by department for the First Half of FY 2015/16

A summary of the FY 2015/16 annual budget estimates and budget performance for the first half by department is shown in Table 3.38.

Table 3.38: Kwale County, Annual Budget and First Half of FY 2015/16 Budget Performance by Department

Department	Annual Budget Allocation (Kshs. Million)		6 months Exchequer Issues (Kshs. Million)		6 months Expenditure (Kshs. Million)		6 months expenditure to exchequer issues (%)		Absorption rate (%)	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
Finance and Economic Planning	286.25	80.00	171.79	56.25	59.01	17.35	34.4	30.8	20.6	21.7
Agriculture, Livestock &Fisheries	172.12	318.36	86.07	122.75	60.69	65.61	70.5	53.5	35.3	20.6
Lands, Housing & Physical planning	62.18	113.05	31.18	64.50	12.18	28.26	39.1	43.8	19.6	25.0
Medical & Public Health Services	949.37	798.40	474.75	165.00	322.00	234.02	67.8	141.8	33.9	29.3
County Assembly	470.73	501.03	246.42	185.00	129.68	66.60	52.6	36.0	27.5	13.3
Industry, Trade & Investment	56.65	252.35	28.32	87.50	8.39	62.21	29.6	71.1	14.8	24.7
Community, Culture & Talent Management	73.63	306.26	36.82	95.25	20.94	103.43	56.9	108.6	28.4	33.8
Office of the Governor & CPSB	142.77	120.00	75.29	49.50	30.69	50.00	40.8	101.0	21.5	41.7
Education, Research & Human Resources	192.75	1133.98	96.41	423.00	75.93	316.40	78.8	74.8	39.4	27.9
Water Services	57.63	516.28	28.81	150.00	5.82	125.03	20.2	83.4	10.1	24.2
Infrastructure & Public Works	128.53	370.23	64.27	125.75	19.03	89.83	29.6	71.4	14.8	24.3
Tourism and ICT	46.64	162.22	23.32	77.25	7.33	34.91	31.4	45.2	15.7	21.5
Public Service & Administration	173.10	126.97	86.55	98.25	23.16	45.90	26.8	46.7	13.4	36.2
TOTAL	**2812.35**	**4799.13**	**1450.00**	**1700.00**	**774.85**	**1239.55**	**53.4**	**72.9**	**27.6**	**25.9**

Source: *Kwale County Treasury*

Analysis of budget performance by department shows that the Office of the Governor reported the highest absorption rate of its development budget at 41.7 per cent while the County Assembly registered the lowest absorption rate at 13.3 per cent during the reporting period. On the other hand, Department of Education had the highest percentage of its recurrent expenditure to its recurrent budget at 39.4 per cent while Water Services Department had the lowest percentage at 10.1 per cent.

3.19.9 Borrowing by the County Government

Article 212 of the Constitution requires a county government to borrow with approval from the County Assembly, and only if the national government guarantees the loan. Further, Section 58 of the PFM Act 2012, gives the Cabinet Secretary to the National Treasury the powers to guarantee loans subject to approval by Parliament. During the period under review, the County utilized its equitable share and local revenue collection deposited into County Revenue Fund account maintained at the Central Bank of Kenya and did not borrow any funds.

3.19.10 Observations and Recommendations

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

i. Registered improvement in absorption of development funds from 19.7 per cent in the first half of FY 2014/15 to 25.9 per cent in the reporting period.

ii. Registered a remarkable decrease in operations and maintenance expenditure from Kshs.557.34 million in the first half of FY 2014/15 to Kshs.133.10 million in the reporting period.

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

1. Difference between the IFMIS generated financial reports on development expenditure of Kshs.1.24 billion and the actual development projects reported separately, which amounted to Kshs.1.43 billion. This may indicate capacity challenges in the use of IFMIS.

2. Lack of regulations to operationalize established County Funds as required in Section 116 of the PFM Act 2012. The Kwale County Bursary Fund Act, 2014 violated the principle of the separation of powers and multiplicity of committees as envisioned in Article 175(a) of the Constitution and Sections 9(2) and 13(2) of the County Government Act, 2012.

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

1. *The County Treasury should liaise with the IFMIS Directorate to address staff capacity challenges in the use of IFMIS.*

2. *The County should develop and approve regulations to operationalize all established County Funds in line with Section 116 of the PFM Act 2012.*

3.20 Laikipia County

3.20.1 Overview of the FY 2015/16 Budget

The FY 2015/16 approved budget for Laikipia County was Kshs.5.13 billion, with Kshs.2.86 billion (55.7 per cent) allocated for recurrent expenditure and Kshs.2.27 billion (44.3 per cent) for development expenditure.

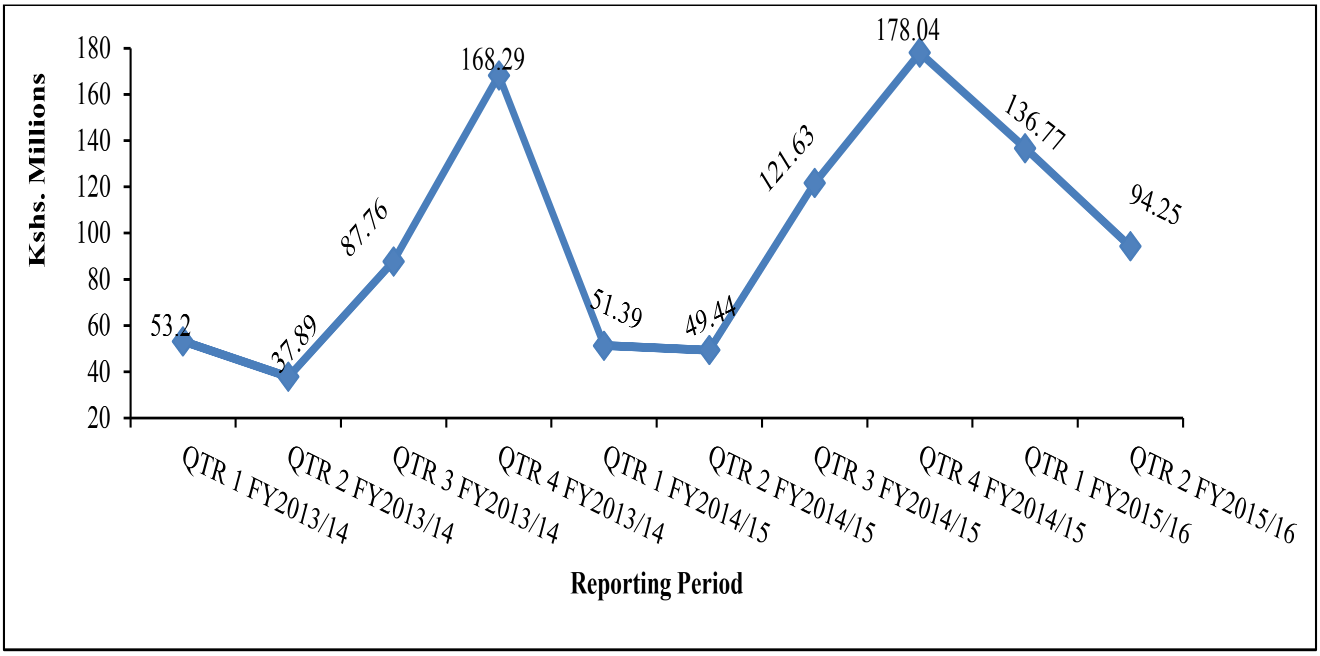
In order to finance the budget, the County expected to receive Kshs.3.45 billion (67.3 per cent) as transfers from the National Government, collect Kshs.500.00 million (9.7per cent) from local sources, receive a conditional grant of Kshs.11.53 million (0.2 per cent) from DANIDA and additional conditional grants of Kshs.834.12 million (16.2 per cent) from the National Government as contained in CARA, 2015 for free maternal care, compensation for forgone user fees, leasing of medical equipment and Road Maintenance Fuel Levy Fund. However, Kshs.334.21 million representing the opening cash balance from FY 2014/15 was not factored in the FY 2015/16 budget.

3.20.2 Revenue Analysis

In the first half of FY 2015/16, the County received Kshs.1.47 billion revenue from the National Government as direct transfer to the CRF account, received Kshs.2.01 million as conditional allocations for forgone user fees from the National Government, received Kshs.28.34 million as conditional allocations for free maternal health care, received Kshs.22.13 million as conditional allocations for Road Maintenance Levy Fund, raised Kshs.231.02 million from local sources, and had a cash balance of Kshs.334.21 million brought forward from FY 2014/15.

The quarterly trend in local revenue collection from the FY 2013/14 to the second quarter of FY 2015/16 is shown in figure 3.77.

Figure 3.77: Laikipia County, Trend in Local Revenue Collection by Quarter from the FY 2013/14 to the second quarter of FY 2015/16



Source: *Laikipia County Treasury*

The local revenue consisted of Kshs.136.77 million raised in the first quarter and Kshs.94.25 million in the second quarter. The local revenue raised in the first half of the FY 2015/16 was Kshs.231.02 million (46.2 per cent of the annual local revenue target), a significant improvement from Kshs.100.82 million collected in a similar period of FY 2014/15.

Analysis of local revenue realized by stream is shown in Table 3.39.

Table 3.39: Laikipia County, Analysis of revenue collection by stream for the first half of FY 2015/16

No.	Revenue Stream	Annual Targeted Revenue (Kshs.)	Six Months Actual Revenue (Kshs.)	Revenue Performance (%)
	A	B	C	D=*100
1	Land Rates	110,500,000	50,192,860	45.4
2	Business Permits	95,400,000	10,277,787	10.8
3	Cess	59,670,000	9,765,312	16.4
4	Plot rent	17,500,000	14,830,518	84.7
5	Councils' Natural Resources and Exploration	35,620,000	18,340,654	51.5
6	Market/Trade centre Fees	17,000,000	12,390,470	72.9
7	Vehicle Parking Fees	35,200,000	17,669,785	50.2
8	Housing and Social Premises use fees	26,100,000	5,894,585	22.6
9	Public health and Sanitation services fee	14,775,000	4,351,350	29.5
10	Technical Assistance fees	29,300,000	4,646,715	15.9
11	Other Local revenue Sources	58,935,000	6,229,620	10.6
12	Hospital Collections fees	0	76,428,839	0
	TOTAL	**500,000,000**	**231,018,495**	**46.2**

Source: *Laikipia County Treasury*

A review of locally generated revenue collection by stream indicates that the Plot Rent generated the highest percentage of revenue against actual target at 84.7 per cent followed by Market/Trade Centre Fees at 72.9 per cent. Other Sources of revenue streams reported the lowest percentage of revenue performance against annual target at 10.6 per cent. The Hospital Collection Fees were not budgeted for by the County Government.

3.20.3 Banking of local revenue

A review of the bank statements for the revenue collection accounts indicate that all locally generated revenue was deposited into the CRF during the period under review. This conforms to Article 207 of the Constitution and Section 109 of the PFM Act 2012, which stipulates that all funds raised or received by or on behalf of the County Government, should be deposited into the CRF account, unless excluded by an Act of Parliament.

3.20.4 Exchequer Issues

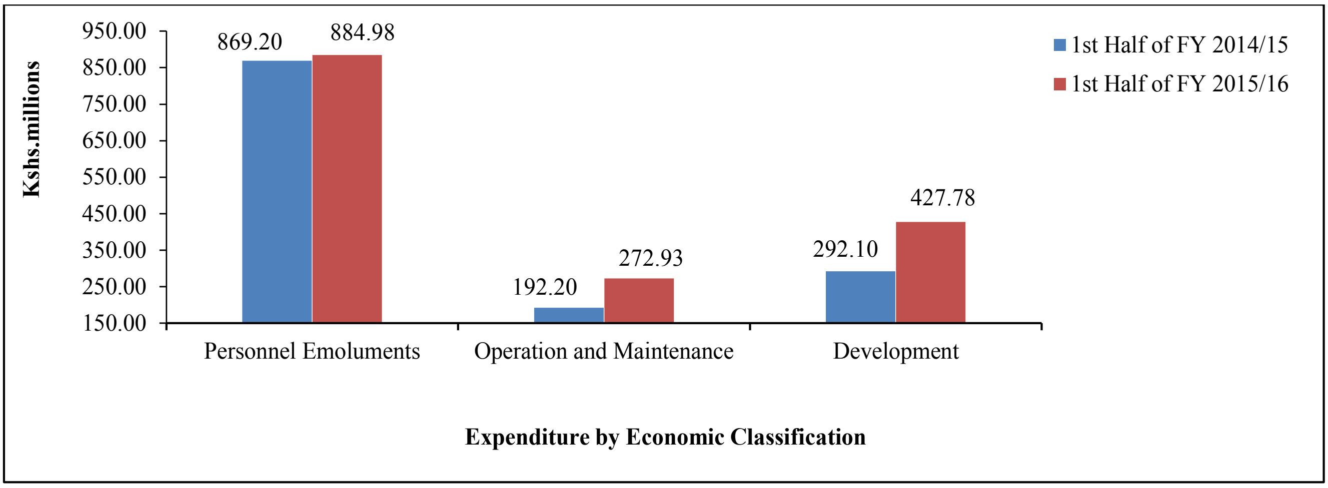
During the period under review, the Controller of Budget authorized withdrawal of Kshs.1.74 billion from the CRF, which was 33.9 per cent of the approved budget. The amount represented a significant increase of 28.9per cent from Kshs.1.35 billion authorized in a similar period of FY 2014/15 and consisted of Kshs.1.23 billion (70.8 per cent) for recurrent expenditure and Kshs.507.92 million (29.2 per cent) for development activities.

3.20.5 Overall Expenditure Review

The County spent a total of Kshs.1.59 billion during the first half of FY 2015/16 which was 91.3 per cent of the funds released for both recurrent and development expenditure. This is a slight improvement from the Kshs.1.35 billion spent in a similar period of FY 2014/15. A total of Kshs.1.16 billion was spent on recurrent activities and Kshs.427.78 million on development activities. Recurrent expenditure was 94.2 per cent of the funds released for recurrent activities while development expenditure accounted for 84.2 per cent of the funds released for development activities. The expenditure excludes commitments as of 31st December, 2015 that amounted to Kshs.300.69 million for development and Kshs.16.91 million for recurrent expenditure.

Recurrent expenditure for the period under review represented 40.5 per cent of the approved annual recurrent budget, a decrease 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 18.8 per cent, a significant decrease from 29.1 per cent spent in a similar period of FY 2014/15. A comparison of the total expenditure in the first half of FY 2014/15 and the first half of FY 2015/16 is shown in Figure 3.78.

Figure 3.78: Laikipia County, Expenditure by Economic Classification for First Half of FY 2014/15 and First Half of FY 2015/16



Source: *Laikipia County Treasury*

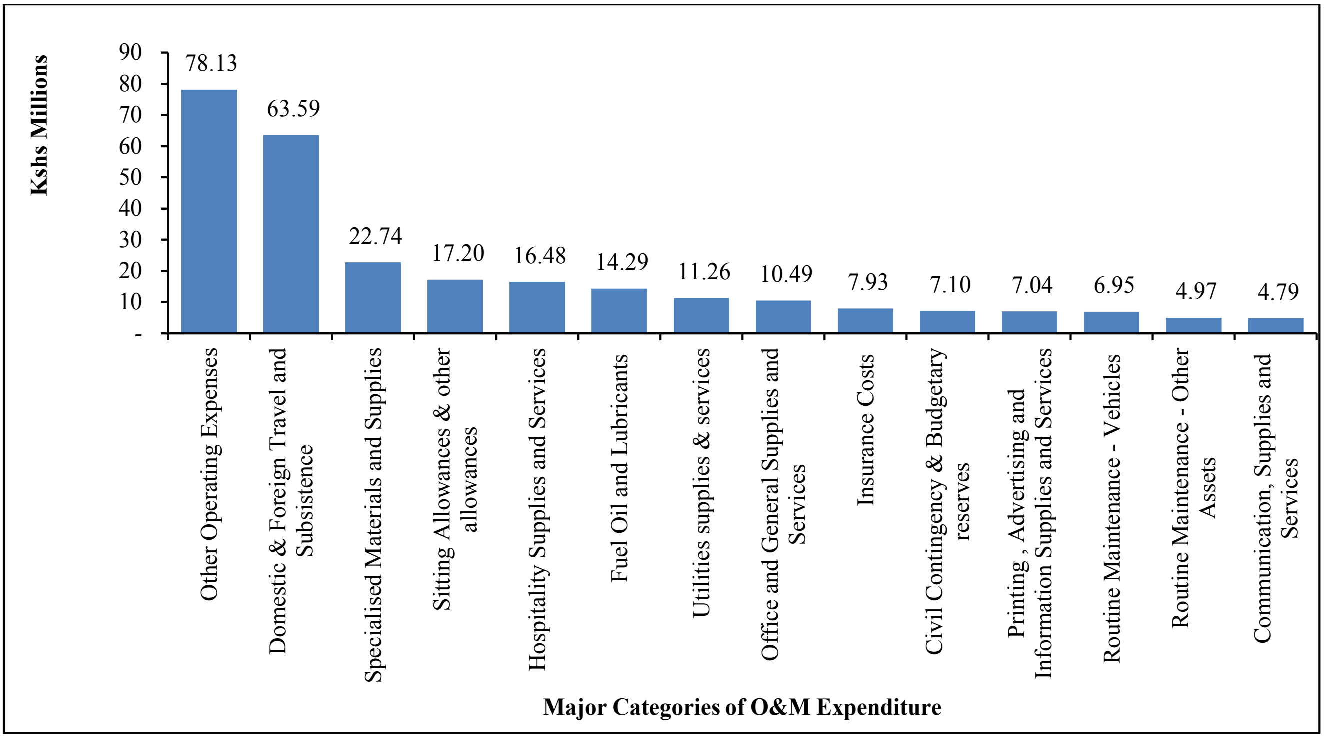
3.20.6 Recurrent Expenditure Analysis

The total recurrent expenditure for the reporting period was Kshs.1.16 billion against an annual recurrent budget of Kshs.2.86 billion. This represents 40.5 per cent of the annual recurrent budget. The County spent Kshs.884.98 million (76.4 per cent) on personnel emoluments and Kshs.272.93 million (23.6 per cent) on operations and maintenance as shown in Figure 3.78. Expenditure on personnel emoluments accounted for 55.8 per cent of total expenditure and has increased marginally in the first half of FY 2015/16 as compared to a similar period of FY 2014/15 when the County spent Kshs.869.20 million. The increase is attributed to employment of the County Departmental directors and CEO's in other County entities such as the Ward Development Fund, Enterprise Fund, County Development Authority and the Revenue Board among others.

The County spent Kshs.17.20 million on sitting allowances to the 24 MCAs and the Speaker against an annual budget of Kshs.35.98 million. This is a significant increase from Kshs.4.84 million recorded in a similar period of FY 2014/15. The average monthly sitting allowance per MCA was Kshs.119, 447.00 compared to SRC's recommended monthly ceiling of Kshs.124,800.

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 Half of FY 2015/16



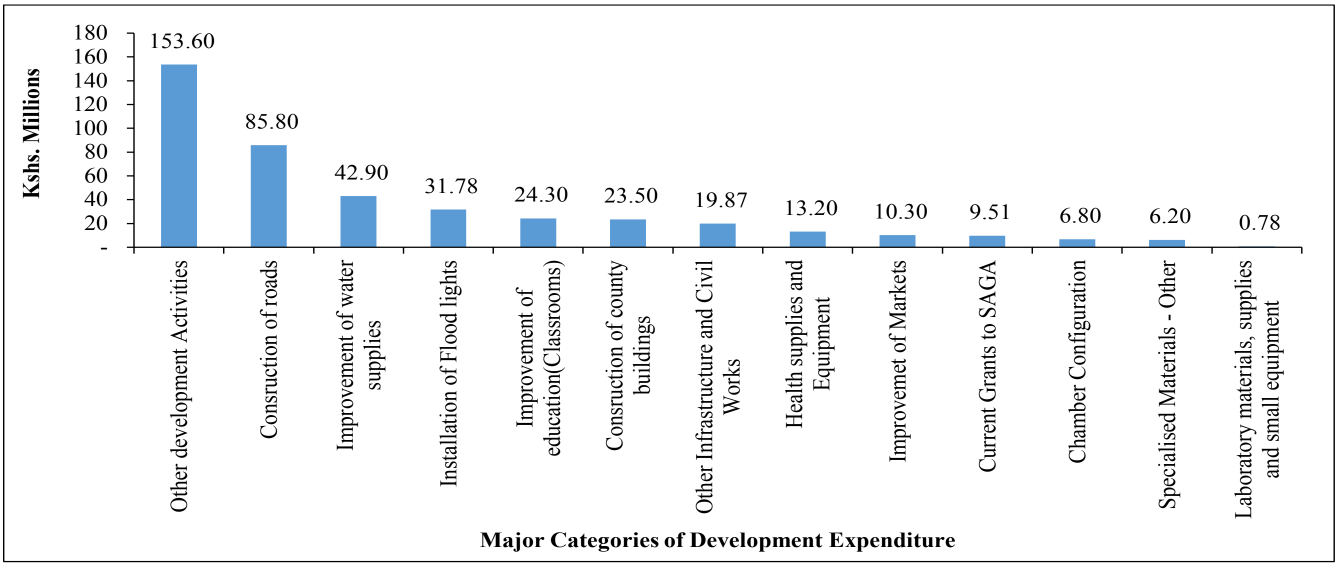
Source: *Laikipia County Treasury*

The aggregate expenditure on domestic and foreign travel was Kshs.63.59 million compared to Kshs.48.83 million incurred in a similar period of FY 2014/15, representing a significant increase of 30.2 per cent. This expenditure comprised of Kshs.41.56 million spent by the County Executive and Kshs.22.03 million by the County Assembly.

3.20.7 Development Expenditure Analysis

A summary of development expenditure during the first half of FY 2015/16 is provided in figure 3.80.

Figure 3.80: Laikipia County, Summary of Development Expenditure for the First Half of FY 2015/16



Source: *Laikipia County Treasury*

Analysis of the development expenditure of Kshs.427.78 million in the first half of FY 2015/16 indicates that the highest expenditure of Kshs.85.80 million was on construction of roads followed by Kshs.42.9 million on improvements of water supplies.

3.20.8 Annual Budget and Budget Performance Analysis by department for the First Half of FY 2015/16

A summary of the FY 2015/16 annual budget estimates and budget performance for the first half by department is shown in Table 3.40.

Table 3.40: Laikipia County, Annual Budget and First Half of FY 2015/16 Budget Performance by Department

Department	Annual Budget Allocation (Kshs. Million)		6 months Exchequer Issues (Kshs. Million)		6 months Expenditure (Kshs. Million)		6 months expenditure to exchequer issues (%)		Absorption rate (%)	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
Agriculture	17.17	104.06	8.59	10	7.76	0.78	90.3	7.8	45.2	0.7
Education, Gender Sports Culture & Social Services	15.5	99.6	7.75		7.25		93.5		46.8	0.0
County Administration	2,181.34	283.78	875.22		845.71		96.6		38.8	0.0
Public Works, Transport and Infrastructure	11.5	305.82	5.75	32.13	5.28	19.87	91.8	61.8	45.9	6.5
Finance and Economic Planning	82	864	36	386.24	33.62	385.02	93.4	99.7	41.0	44.6
Trade, Industrialization, Cooperative Development and Tourism	10	68.7	5	10.5	4.63	5.78	92.6	55.0	46.3	8.4

Department	Annual Budget Allocation (Kshs. Million)		6 months Exchequer Issues (Kshs. Million)		6 months Expenditure (Kshs. Million)		6 months expenditure to exchequer issues (%)		Absorption rate (%)	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
Health	151	391.11	97.89	59.05	84.01	9.51	85.8	16.1	55.6	2.4
Water, Environment, Forestry & Natural Resources	10.24	122	5.12		3.93		76.8		38.4	0.0
County Assembly	380.56	31	188	10	165.72	6.81	88.1	68.1	43.5	22.0
Total	**2,859.31**	**2,270.07**	**1,229.32**	**507.92**	**1,157.91**	**427.77**	**94.2**	**84.2**	**40.5**	**18.8**

Source: *Laikipia County Treasury*

A breakdown of budget performance by department shows that the Department of Finance and Economic Planning reported the highest absorption rate of its development budget at 44.6 per cent while the Department of Education, Gender Sports and Culture; County Administration, and Water, Environment Forestry and Natural Resources did not incur any expenditure. On the other hand, the Department of Health had the highest percentage of its recurrent expenditure to its recurrent budget at 55.6 per cent while the Department of Water, Environment, Forestry and Natural Resources had the lowest percentage at 38.4 per cent.

3.20.9 Borrowing by the County Government

Article 212 of the Constitution requires a county government to borrow with approval from the County Assembly, and only if the national government guarantees the loan. Further, Section 58 of the PFM Act 2012 gives the Cabinet Secretary to the National Treasury the powers to guarantee loans subject to approval by Parliament. During the period under review, the County utilized its equitable share and local revenue collection deposited into the County Revenue Fund account maintained at the Central Bank of Kenya and did not borrow any funds.

3.20.10 Observations and Recommendations

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

i. Initiated monitoring of the budget implementation at vote level, thus ensuring that Departmental expenditure is within approved estimates.

ii. Improved its local revenue collection from Kshs.100.82 million in the first half of FY 2014/15 to Kshs.231.02 million in the reporting period.

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

1. Delayed disbursement of funds by the National Treasury which affected budget implementation.

2. Lack of Internal Audit Committee contrary to Section 155(5) of the PFM Act, 2012.

3. Late submission of expenditure returns to OCOB leading to delays in preparation of statutory reports on budget implementation.

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

1. *The County Treasury should liaise with National Treasury to ensure timely transfer of funds to the CRF account in line with the approved disbursement schedule to facilitate smooth budget implementation.*

2. *Establish an Internal Audit Committee as per section 155(5) of the PFM Act 2012 to enhance oversight in financial management.*

3. *The County Treasury should ensure timely submission of expenditure reports in line with Section 166 of the PFM Act 2012, to facilitate timely reporting on budget implementation.*

3.21 Lamu County

3.21.1 Overview of the FY 2015/16 Budget

The FY 2015/16 Approved Supplementary Budget for Lamu County was Kshs.3.08 billion. It comprised Kshs.1.76 billion (57.0 per cent) for recurrent expenditure and Kshs.1.32 billion (43.0 per cent) for development expenditure.

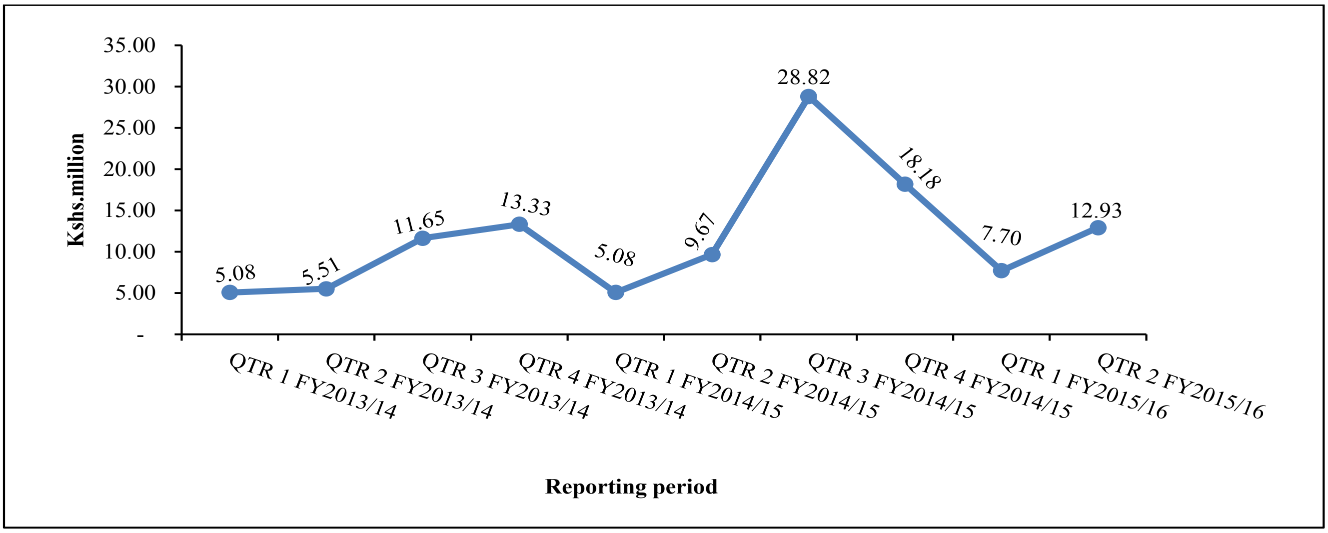
In order to finance the budget, the County expects to receive Kshs.2.05 billion (66.6 per cent) as transfers from the National Government, collect Kshs.107 million (3.5 per cent) from local sources, Kshs.826.60 million (26.9 per cent) as projected cash balance from FY 2014/15, receive a conditional grant of Kshs.7.64 million (0.3 per cent) from DANIDA, Other conditional grants include; Compensation of forgone user fees of Kshs.2.37 million (0.08 per cent), World bank grant of Kshs.14.91 million (0.5 per cent), Kshs.16.76 million (0.5 per cent) for Maternal health care and road maintenance fuel levy fund of Kshs.26.07 million (0.8 per cent).

3.21.2 Revenue Analysis

In the first half of FY 2015/16, the County received Kshs.687.38 million revenue from the National Government as equitable share, Kshs.13.16 million as conditional allocations from the Road Maintenance Fuel Levy Fund, received Kshs.6.57 million as conditional allocations for free maternal health care, Kshs.0.58 million as conditional allocations for forgone user fees, raised Kshs.20.62 million from local sources, and a cash balance of Kshs.828.60 million brought forward from FY 2014/15.

The quarterly trend in local revenue collection from first quarter of the FY 2013/14 to the second quarter of FY 2015/16 is shown in figure 3.81.

Figure 3.81: Lamu County, Trend in Local Revenue Collection by Quarter from the FY 2013/14 to the second quarter of FY 2015/16



Source: *Lamu County Treasury*

The local revenue consisted of Kshs.7.70 million raised in the first quarter and Kshs.12.93 million in the second quarter. The local revenue raised in the first half of the FY 2015/16 was Kshs.20.62 million (17.6per cent of the annual local revenue target), an improvement from Kshs.14.75 million collected in a similar period of FY 2014/15.

The analysis of local revenue by stream for the first half of FY 2015/16 is shown in Table 3.41.

Table 3.41: Lamu County, Analysis of revenue collection by stream for the first half of FY2015/16

No.	Revenue Stream	Annual Targeted Revenue (Kshs.)	Six Months Actual Revenue (Kshs.)	Revenue Performance (%)
	A	B	C	D=*100
1	M.ATDC/AMS(Agriculture department)	-	6,958,385	-
2	Single Business Permit	20,400,000	2,267,520	11.1
3	Donations for cultural festivals	10,000,000	2,000,000	20
4	Property rates	51,000,000	1,812,032	3.6
5	Cess collection	5,160,000	1,736,047	33.6
6	Public Health, Medical Levies and Hospital fees	15,200,000	1,407,235	9.3
7	Market fees	5,257,600	1,193,920	22.7
8	Local quarry	1,000,000	841,214	84.1
9	Building & plan approval fees	480,000	564,316	117.6
10	Fisheries	600,000	300,450	50.1
11	Other revenue streams	7,902,400	1,542,935	19.5
	TOTAL	**117,000,000**	**20,624,054**	**17.6**

Source: *Lamu County Treasury*

The analysis of revenue by stream indicates that building and plan approval fees generated the highest percentage of revenue against annual target at 117.6 per cent. In absolute terms, the M.ATDC/AMS revenue stream under the Department of Agricultural generated the highest revenue at Kshs.6.96 million followed by single business permit at Kshs.2.27 million.

3.21.3 Banking of local revenue

A review of the bank statements for the revenue collection account indicates that all locally generated revenue was deposited into the CRF account during the period under review. This conforms to Article 207 of the Constitution and Section 109 of the PFM Act 2012, which stipulates that all funds raised or received by or on behalf of the County Government, shall be deposited into the CRF account, unless excluded by an Act of Parliament.

3.21.4 Exchequer Issues

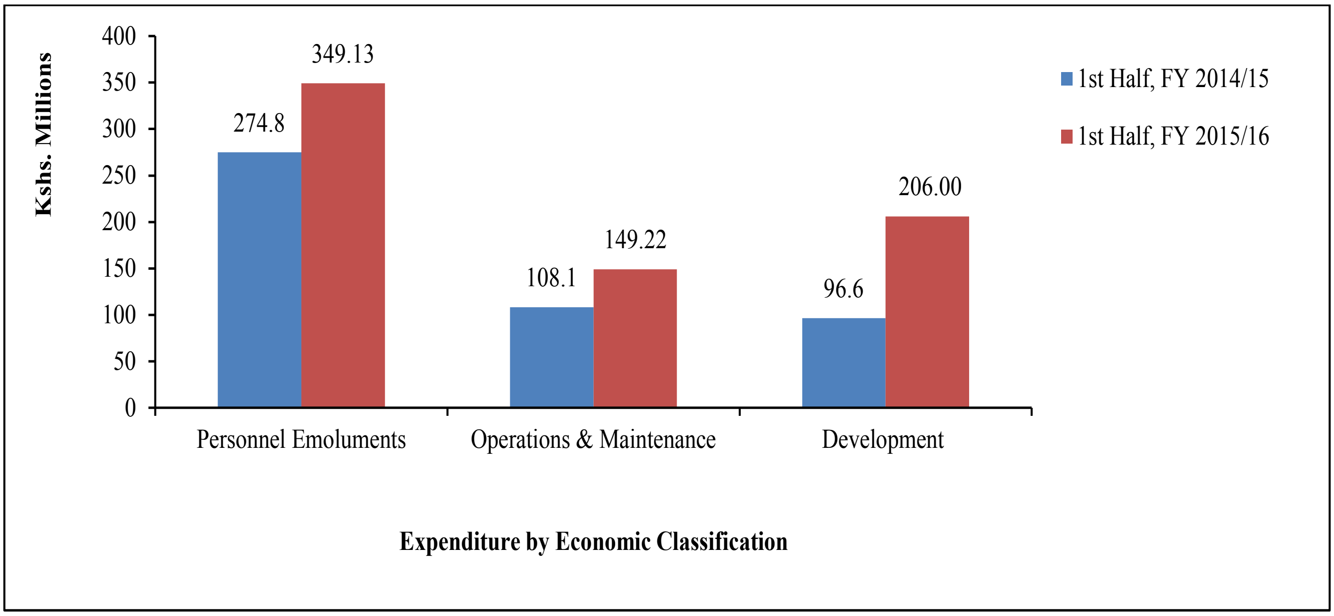
During the period under review, the Controller of Budget authorized withdrawal of Kshs.1.11 billion from the CRF, which was 36.0 per cent of the approved budget. The amount represented a decline of 3.5 per cent from Kshs.1.15 billion authorized in a similar period of FY 2014/15 and consisted of Kshs.772.60 million (69.7 per cent) for recurrent expenditure and Kshs.336.50 million (30.3 per cent) for development activities.

3.21.5 Overall Expenditure Review

The County spent a total of Kshs.704.35 million during the first half of FY 2015/16 which was 63.5 per cent of the funds released for both recurrent and development expenditure. This is significant increase from the Kshs.479.94 million spent in a similar period of FY 2014/15. A total of Kshs.498.35 million was spent on recurrent activities and Kshs.206.00 million on development activities. Recurrent expenditure was 64.5 per cent of the funds released for recurrent activities while development expenditure accounted for 61.2 per cent of the funds released for development activities. The expenditure excludes commitments as of 31st December, 2015 that amounted to Kshs.88.31 million for development and Kshs.40.72 million for recurrent expenditure.

Recurrent expenditure for the period under review represented 28.4 per cent of the approved annual recurrent budget, a decrease from 30.8 per cent spent in a similar period of FY 2014/15. On the hand, development expenditure recorded an absorption rate of 15.6 per cent, an improvement from 13.5 per cent spent in a similar period of FY 2014/15. A comparison of the total expenditure between the first half of FY 2014/15 and the first half of FY 2015/16 is shown in Figure 3.82.

Figure 3.82: Lamu County, Expenditure by Economic Classification for First Half of FY 2014/15 and First Half of FY 2015/16



Source: *Lamu County Treasury*

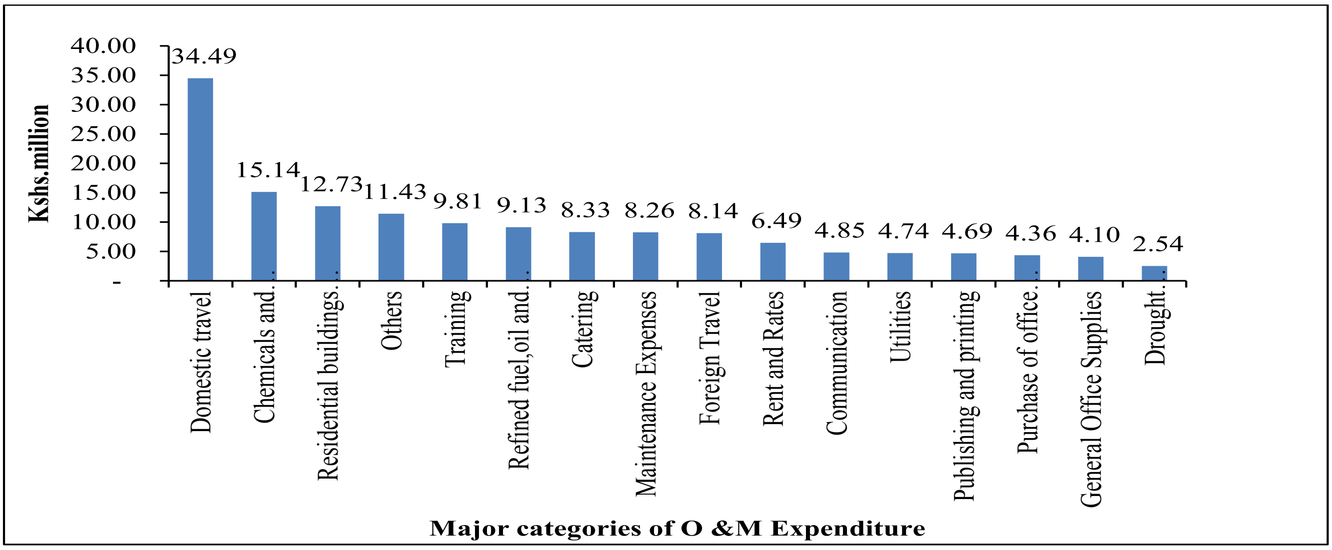
3.21.6 Recurrent Expenditure Analysis

The total recurrent expenditure for the reporting period was Kshs.498.35 million against an annual budget of Kshs.1.76 billion. This represents 28.4 per cent of the annual recurrent budget. The County spent Kshs.349.13 million (70.1 per cent) on personnel emoluments and Kshs.149.22 million (29.9 per cent) on operations and maintenance as shown in Figure 3.82. Expenditure on personnel emoluments accounted for 49.6 per cent of total expenditure and has increased significantly in the first half of FY 2015/16 as compared to a similar period of FY 2014/15 when the County spent Kshs.274.84 million. The increase is attributed to employment of more staff by the County government.

The County spent Kshs.10.62 million on sitting allowances to the 20 MCAs and the Speaker against a budget of Kshs.37.10 million. This is a marginal decrease from Kshs.10.90 million recorded in a similar period of FY 2014/15. The average monthly sitting allowance per MCA was Kshs.84, 392 compared to SRCs recommended monthly ceiling of Kshs.124, 800.

A breakdown of the operations and maintenance expenditure for the reporting period is shown in Figure 3.83.

Figure 3.83: Lamu County, Operations and Maintenance Expenditure for the First Half of FY 2015/16



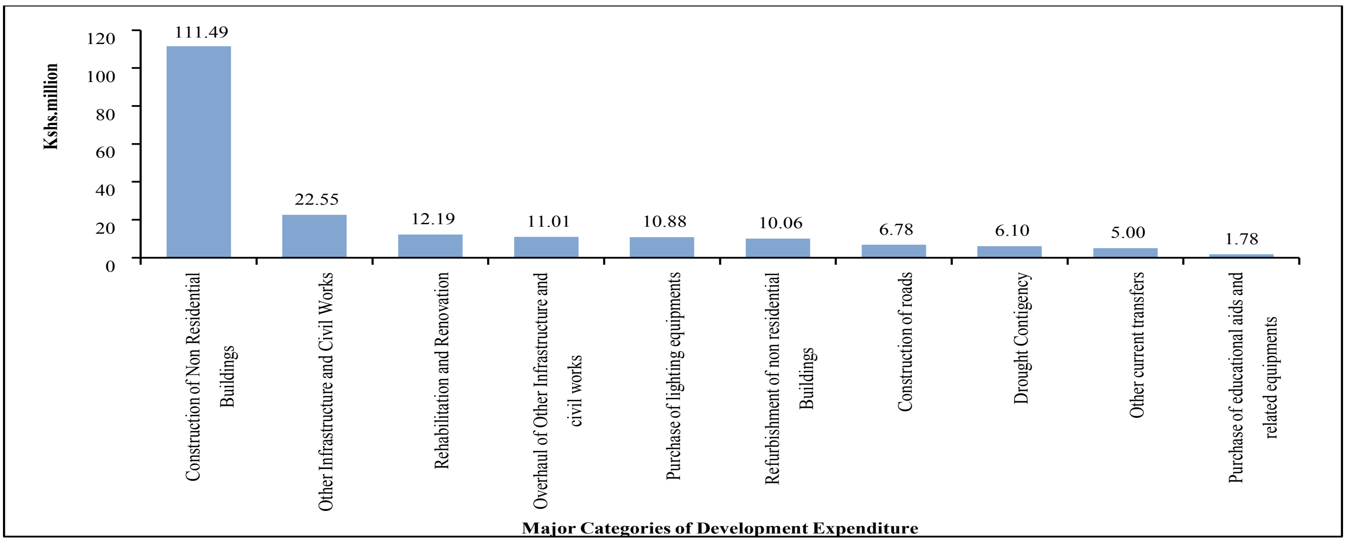
Source: *Lamu County Treasury*

The aggregate expenditure on domestic and foreign travel was Kshs.42.64 million compared to Kshs.19.80 million incurred in a similar period of FY 2014/15, representing an increase of 115.4 per cent. This expenditure comprised of Kshs.37.62 million spent by the County Executive and Kshs.5.02 million by the County Assembly.

3.21.7 Development Expenditure Analysis

Details of development expenditure during the first quarter of FY 2015/16 are provided in figure 3.84.

Figure 3.84: Lamu County, Summary of Development Expenditure for the First Half of FY 2015/16



Source: *Lamu County Treasury*

Analysis of the development expenditure of Kshs.206.00 million incurred in the first half of FY 2015/16 indicates that the Health and Sanitation Department reported the highest expenditure at Kshs.34.94 million on refurbishment/construction of non-residential buildings and other infrastructure and civil works. A perimeter wall at the King Fahad Hospital was constructed. There is an ongoing renovation of King Fahad Hospital and four other health facilities namely Pate, Siyu, Witu and Kiunga, and construction of Mpeketoni Mortuary. The second highest expenditure at Kshs.31.18 million was incurred by the Department of Land, Physical Planning, Urban Development, Infrastructure, Water and Natural Resources on purchase of lighting equipment's, construction of roads, rehabilitation and renovation and other current transfers. Seventy five pieces of solar street lights were installed and commissioned within Lamu County; Cabro paving of Riyadh Mosque and maintenance of roadworks in Mpeketoni.

3.21.8 Annual Budget and Budget Performance Analysis by department for the First Half of FY 2015/16

A summary of the FY 2015/16 annual budget estimates and budget performance for the first half by department is shown in Table 3.42.

Table 3.42: Lamu County, Annual Budget and First Half of FY 2015/16 Budget Performance by Department

Department	Annual Budget Allocation (Kshs. Million)		6 months Exchequer Issues (Kshs. Million)		6 months Expenditure (Kshs. Million)		6 months Expenditure to Exchequer Issues (%)		Absorption rate %	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
County Assembly Services	404.78	105.92	192.07	-	68.77	1.74	35.8	-	17.0	1.6
County Executive Service	376.58	195.08	150.78	39.00	105.44	90.12	69.9	231.1	28.0	46.2
Finance & Economic Planning	97.84	26.33	27.07	15.00	31.38	6.10	115.9	40.7	32.1	23.2
County Public Service Board	45.06	-	22.18	-	16.36	-	73.8	-	36.3	-
Agriculture and Irrigation	67.73	54.56	27.11	24.20	20.43	0.74	75.4	3.1	30.2	1.4
Land, Physical Planning, Infrastructure, Water, Urban Development and Natural Resources	53.01	298.41	22.47	91.45	17.57	31.18	78.2	34.1	33.1	10.4
Education, Gender, Sports, Youth & Social services	54.48	234.40	22.11	49.60	17.54	27.22	79.3	54.9	32.2	11.6
Health & Sanitation	522.49	266.56	250.98	69.60	178.24	34.94	71.0	50.2	34.1	13.1
Trade, Culture, Tourism& Investment development	35.67	47.23	8.95	17.50	4.78	2.72	53.4	15.5	13.4	5.8
Fisheries, Livestock, Veterinary & Co-operative Development	68.67	78.78	33.73	26.90	27.45	10.02	81.4	37.2	40.0	12.7
ICT & E-Government and Public Participation	30.78	15.83	15.16	3.25	10.38	1.22	68.5	37.5	33.7	7.7
TOTAL	**1,757.09**	**1,323.10**	**772.61**	**336.50**	**498.34**	**206.00**	**64.5**	**61.2**	**28.4**	**15.6**

Source: *Lamu County Treasury*

Analysis of budget performance by department shows that the Department of County Executive reported the highest absorption rate of its development budget at 46.2 per cent while the Department of Agriculture and Irrigation registered the lowest absorption rate at 1.36 per cent during the reporting period under review. On the other hand, the Fisheries, Livestock, and Co-operative Development Department had the highest percentage for recurrent expenditure at 40.0 per cent while the Department of Trade, Culture, Tourism and Investment Development Department had the lowest percentage at 13.4 per cent.

3.21.9 Borrowing by the County Government

Article 212 of the Constitution requires a county government to borrow with approval from the County Assembly, and only if the national government guarantees the loan. Further, Section 58 of the PFM Act 2012, gives the Cabinet Secretary to the National Treasury the powers to guarantee loans subject to approval by Parliament. During the period under review, the County utilized its equitable share and local revenue collection deposited into County Revenue Fund account maintained at the Central Bank of Kenya and did not borrow any funds.

3.21.10 Observations and Recommendations

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

i. Registered improvement in local revenue collection from Kshs.14.75 million during the first half of FY 2014/15 to Kshs.20.62 million in the first half of FY 2015/16.

ii. Fully adopted use of IFMIS in processsing financial transactions.

iii. Improved staff capacity through recruitment and training.

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

1. Inconsistencies between the IFMIS generated report on development expenditure of Kshs.206.00 million and the actual development projects reported separately by the County Treasury that amounted to Kshs.169.11 million. This indicated staff capacity challenges in the use of IFMIS.

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

3. Failure to institute monitoring and evaluation teams to oversee implementation of development projects.

4. Delay in disbursement of funds by the National Treasury.

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

1. *The County Treasury should liaise with the IFMIS Directorate to build staff capacity in operating*

the accounting system. Further, regular reconciliations of IFMIS data should be undertaken.

2. *The County 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 should establish a monitoring and evaluation unit to oversee implementation of development project.*

4. *The County Treasury should liaise with the National Treasury to ensure disbursement of the equitable share to the County Revenue Fund is done in line with the approved disbursement schedule.*

3.22 Machakos County

3.22.1 Overview of the Budget

The FY 2015/16 approved budget for Machakos County was Kshs.10.94 billion. It comprised Kshs.5.25 billion (48 per cent) for recurrent expenditure and Kshs.5.69 billion (52 per cent) for development expenditure.

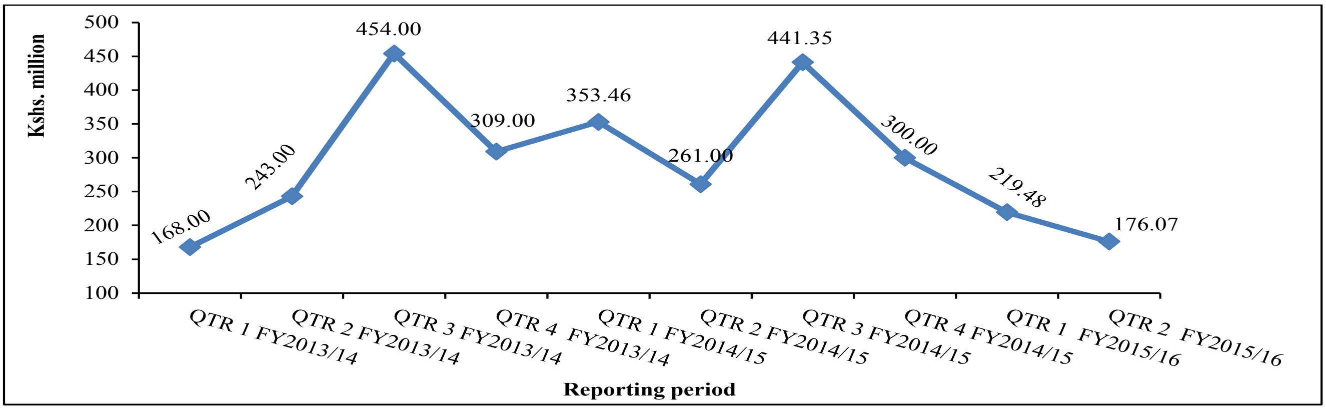
In order to finance the budget, the County expects to receive Kshs.6.77 billion (61.9 per cent) as transfers from the National Government, conditional grant in support of water programme of Kshs.1.26 billion (11.5 per cent), Level 5 Hospital allocation of Kshs.304.3 million (2.8 per cent), conditional grant from DANIDA of Kshs.26.7 million (0.3 per cent), raise Kshs.2.37 billion (21.6 per cent) from local sources, and other conditional grants from the National Government of Kshs.208.7 million (1.9 per cent). However, the County did not budget for the opening cash balance of Kshs.538 million from FY 2014/15 and Kshs.180 million as conditional allocation (other loans and grants) from Development Partners as contained in CARA, 2015.

3.22.2 Revenue Analysis

In the first half of FY 2015/16, the County received Kshs.3.42 billion from the National Government as equitable, Kshs.155.21 million as conditional allocations for Machakos Level 5 Hospital, Kshs.43.42 million as conditional allocations from the road maintenance fuel levy fund, received Kshs.41.45 million as conditional allocations for free maternal health care, Kshs.6.16 million as conditional allocations for forgone user fees, raised Kshs.395.56 million from local sources, and had Kshs.538.12 million as cash balance brought forward from FY 2014/15.

The quarterly trend in local revenue collection from the FY 2013/14 to the second quarter of FY 2015/16 is shown in figure 3.85.

Figure 3.85: Machakos County, Trend in Local Revenue Collection by Quarter from FY 2013/14 to the second quarter of FY 2015/16.



Source: *Machakos County Treasury*

The local revenue consisted of Kshs.219.48 million raised in the first quarter and Kshs.176.07 million in the second quarter. The local revenue raised in the first half of FY 2015/16 was Kshs.398.28 million (16.7 per cent of the annual local revenue target), a decline from Kshs.614.0 million collected in a similar period of FY 2014/15.

The analysis of local revenue by stream is shown in Table 3.43.

Table 3.43: Machakos County, Analysis of revenue collection by stream for the first half of FY 2015/16

No.	Revenue Streams	Annual Targeted Revenue (Kshs.)	Six Months Actual Revenue (Kshs.)	Revenue Performance (%)
	A	B	C	D=*100
1	Cess Receipts	51,881,288	2,345,920	4.5
2	Property Rates - Local Authority Revenue	389,415,731	122,369,973	31.4
3	Liquor Licenses	107,739,304	21,826,670	20.3
4	Royalties on Extraction of Minerals	244,173,538	75,092,338	30.8
5	Receipts from Royalties Other (Sand Harvesting)	335,643,994	42,258,782	12.6
6	House Rents -Local Authority Revenue	33,511,236	1,208,471	3.6
7	Rents - Other (Budget)	202,732	6,103,450	3010.6
8	Receipts from Administrative Fees and Charges	321,850,218	8,550,355	2.7
9	Game Park Fees - Local Authority Revenue	8,197,272	1,776,360	21.7
10	Single Business Licenses - Local Authority	282,239,362	37,627,243	13.3
11	Water And Sewerage Rates – Local Authority Revenue	1,387,064	376,035	27.1
12	Parking Fees - Local Authority Revenue	132,768,350	47,264,043	35.6
13	Market Fees-Local Authority Revenue	78,923,070	20,446,942	25.9
14	Sale Of Tender Documents	3,270,310	443,000	13.5
15	Receipts From Fines, Penalties, Forfeitures and other Charges	8,277,913	861,089	10.4
16	Sundry Revenues	6,539,868	6,651,723	101.7
17	Miscellaneous Receipts	2,124,402	2,260,716	106.4
18	Other stream revenue	363,487,926	9,367,269	2.6
	TOTAL	**2,371,633,578**	**398,280,024**	**16.7**

Source: *Machakos County Treasury*

A review of locally generated revenue collection by stream indicates that rents-others generated the highest percentage of revenue against actual target at 3,010.6 per cent followed by miscellaneous receipts at 106.4 per cent. Receipts from Administrative Fees and Charges recorded the lowest percentage of revenue against actual target at 2.7 per cent.

The office observed that while Kshs.395.56 million was deposited into the county revenue collection account during the reporting period, the analysis of revenue by stream indicates that a total of Kshs.398.28 million was realized. There is therefore, need to reconcile the two amounts.

3.22.3 Banking of Local Revenue

A review of the bank statements for the revenue collection account indicates that all locally generated revenue was deposited into the CRF during the period under review. This conforms to Article 207 of the Constitution and Section 109 of the PFM Act 2012, which stipulates that all funds raised or received by or on behalf of the County Government should be deposited into the CRF account, unless excluded by an Act of Parliament.

3.22.4 Exchequer Issues

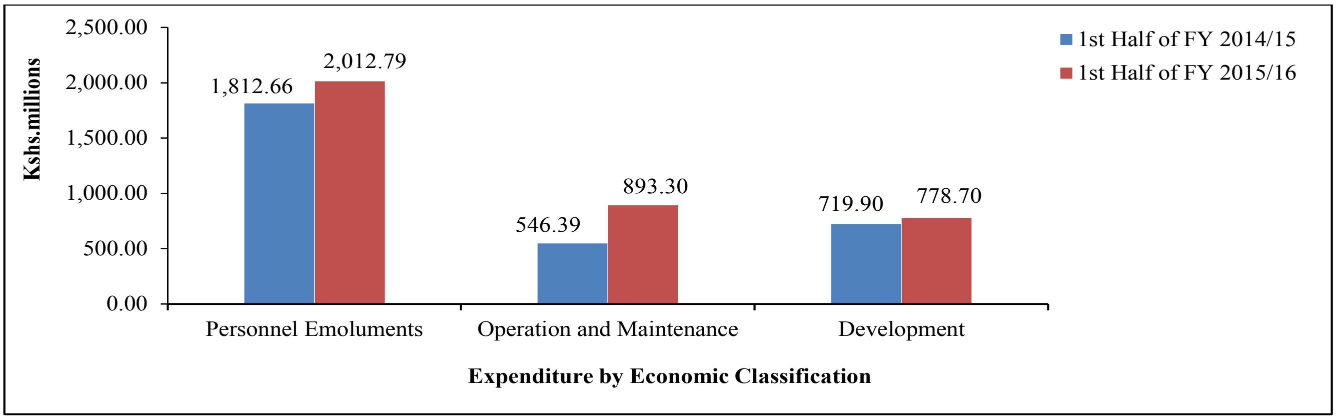
During the period under review the Controller of Budget approved withdrawal of Kshs.4.50 billion from the CRF by Controller of budget, which was 41.1 per cent of the approved annual budget. The amount represented a significant increase of 55.2 per cent from Kshs.2.90 billion authorised in a similar period of FY2014/15 and consisted of Kshs.3.40 billion (75.6 per cent) for recurrent expenditure and Kshs.1.10 billion (24.4 per cent) for development activities.

3.22.5 Overall Expenditure Review

The County spent a total of Kshs.3.68 billion during the first half of FY 2015/16 which was 83.1 per cent of the funds released for both recurrent and development expenditure. This is an improvement from Kshs.3.08 billion spent in the similar period of FY 2014/15. A total of Kshs.2.90 billion (78.9 per cent) was spent on recurrent activities and Kshs.778.7 million (21.1 per cent) was spent on development activities. The recurrent expenditure was 85.3 per cent of the funds released for recurrent activities while development expenditure accounted for 71.1 per cent of the funds released for development activities. This expenditure does not include outstanding commitments as at 31st December, 2015 which was not provided by the County.

Recurrent expenditure for the period under review represented 55.3 per cent of the approved annual recurrent budget, an improvement from 48.0 per cent realized in the first half of FY 2014/15. On the other hand, development expenditure recorded an absorption rate of 13.7 per cent, a decrease from 18.1 per cent realized in a similar period of FY 2014/15. A comparison of the total expenditure between the first half of FY 2014/15 and first half of FY 2015/16 is shown in Figure 3.86.

Figure 3.86: Machakos County, Expenditure by Economic Classification for first half, FY 2014/15 and FY 2015/16



Source: *Machakos County Treasury*

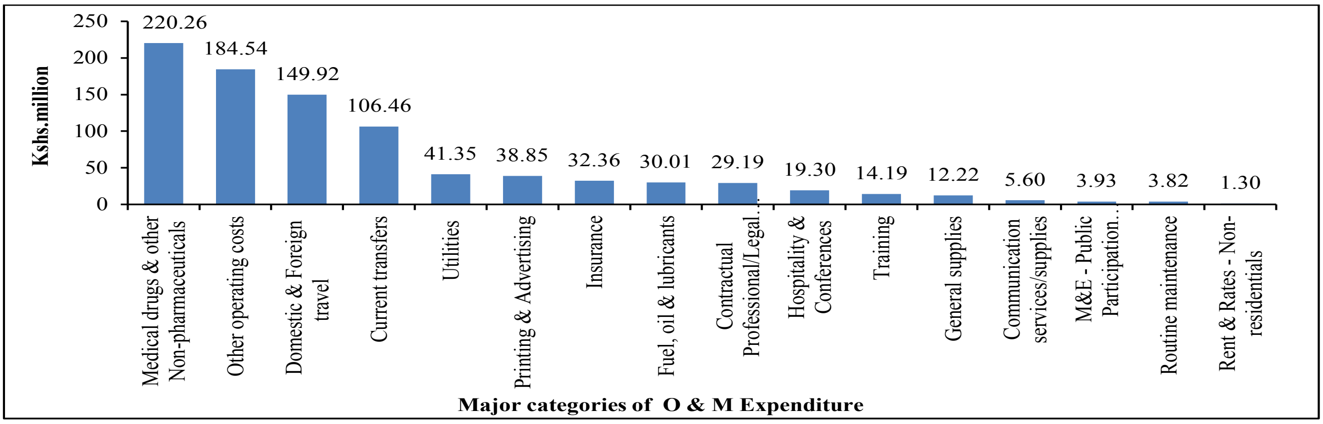
3.22.6 Recurrent Expenditure Analysis

The total recurrent expenditure for the reporting period was Kshs.2.90 billion against an annual recurrent budget of Kshs.5.25 billion. This represents 55.2 per cent of the annual recurrent budget. The County spent Kshs.2.01 billion (69.3 per cent) on personnel emoluments and Kshs.893.30 million (30.7 per cent) on operations and maintenance as shown in Figure 3.86. Expenditure on personnel emoluments accounted for 54.7 per cent of total expenditure and has increased significantly in the first half of FY 2015/16 as compared to a similar period of FY 2014/15 when the County spent Kshs.1.81 billion.

The County spent Kshs.30.20 million on payment of sitting allowances to the 60 MCAs including the Speaker against the annual budget of Kshs.75.0 million. This is a marginal decline from the Kshs.31.75 million spent in a similar period of FY 2014/15. The average monthly allowance per MCA was Kshs.85,306 compared to the SRC's recommended amount of Kshs.124, 800.

A breakdown of operations and maintenance expenditure for the first half of FY 2015/16 is shown in Figure 3.87.

Figure 3.87: Machakos County, Operations and Maintenance Expenditure for the first half, FY 2015/16



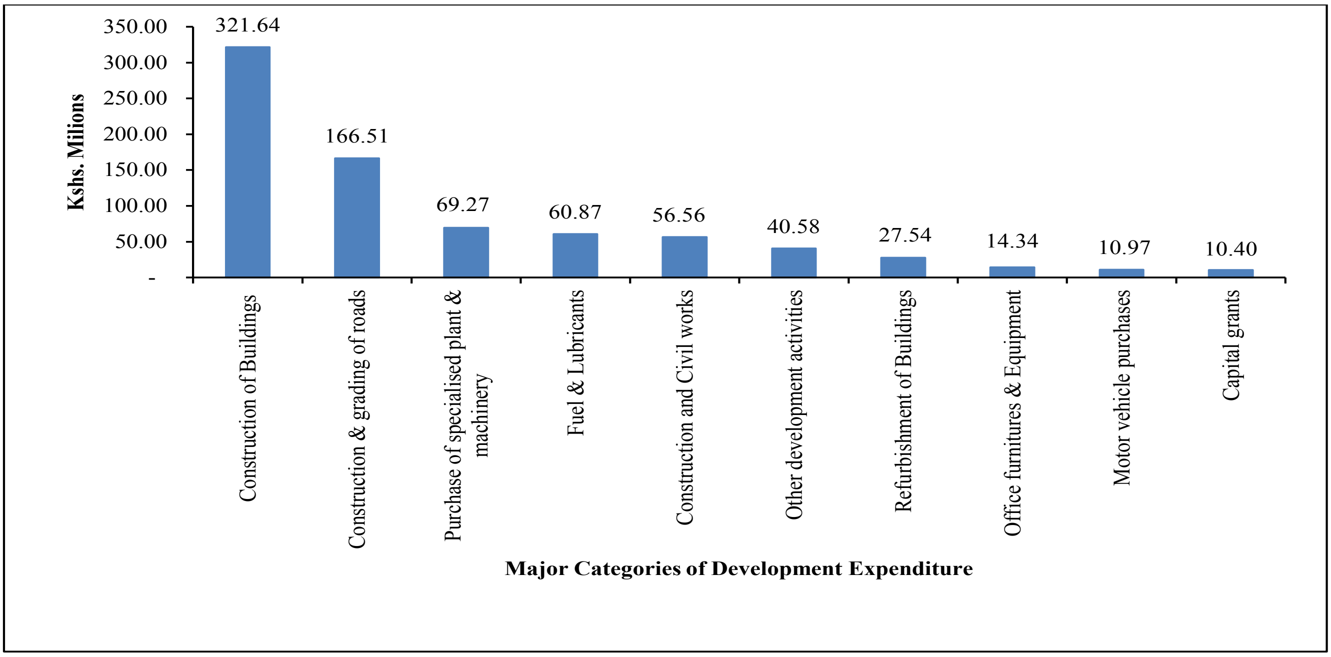
Source: *Machakos County Treasury*

The total expenditure on domestic and foreign travel in the first half of FY 2015/16 was Kshs.148.62 million compared to Kshs.129.08 million incurred in a similar period of FY 2014/15, representing an increase of 15.1 per cent. This expenditure comprised of Kshs.49.62 million by the County Executive and Kshs.99.0 million by the County Assembly.

3.22.7 Development Expenditure Analysis

A summary of development expenditure during the first half period of FY 2015/16 is provided in figure 3.88.

Figure 3.88: Machakos County, Summary of Development Expenditure for the first half, FY 2015/16



Source: *Machakos County Treasury*

Analysis of the development expenditure of Kshs.778.7 million incurred in the first half of FY 2015/2016 shows that the County spent Kshs.321.64 million on construction of buildings; Kshs.166.5 million on construction and grading of access roads; Kshs.69.27 million on purchase of specialized plant, machinery and equipment; Kshs.60.87 million on fuel and lubricants; Kshs.56.56 million on construction and civil works; Kshs.17.10 million on overhaul and refurbishment of buildings; Kshs.10.4 million on Capital grants; and Kshs.14.34 million on purchase of office furniture and equipment.

3.22.8 Annual Budget and Budget Performance Analysis by department for the First Half of FY 2015/16

A summary of the FY 2015/16 annual budget estimates and budget performance for the first half by department is as shown in Table 3.44.

Table 3.44: Machachos County, FY 2015/16 Annual Budget and First Quarter, FY 2015/16 budget performance by Department

Department	Annual Budget Allocation (Kshs. Millions)		6-Months Exchequer Issues (Kshs. Millions)		6-Months Expenditure (Kshs. Millions)		6-Months Expenditure to Exchequer Issues		Absorption Rate (%)	
	Rec.	Dev.	Rec	Dev.	Rec	Dev	Rec.	Dev.	Rec.	Dev.
County Executive	431.32	51.00	277.67	24.38	278.31	14.15	100.2	58.0	64.5	27.7
PS, Labor & ICT	254.23	330.94	170.87	52.70	47.30	42.70	27.7	81.0	18.6	12.9
Trade, Investment & Eco. Planning	56.78	336.96	39.42	112.65	22.64	39.95	57.4	35.5	39.9	11.9
Finance & Revenue	331.94	851.02	151.79	26.34	143.49	0.20	94.5	0.8	43.2	-
Decentralized Units, County Admin.	559.95	82.20	390.41	28.25	343.16	28.84	87.9	102.1	61.3	35.1
Agri., Lands & Livestock	341.82	175.78	238.28	64.36	211.81	19.17	88.9	29.8	62.0	10.9
Health, Environment & Emergency	1,947.06	267.70	1,283.50	108.99	1,225.64	66.40	95.5	60.9	62.9	24.8
Transport, Roads & Housing	262.27	665.52	183.30	275.80	117.10	260.13	63.9	94.3	44.6	39.1
Education, Youth & Social	186.51	54.82	129.59	14.70	58.10	11.52	44.8	78.4	31.2	21.0
Water & Irrigation	92.46	2,405.74	64.50	261.10	66.99	266.56	103.9	102.1	72.5	11.1
Tourism, Sports and Culture	90.13	290.14	62.86	56.50	68.38	18.42	108.8	32.6	75.9	6.3
County Public Service Board	65.75	14.27	45.55	7.80	21.02	-	46.1	-	32.0	-
County Assembly	630.23	168.00	369.85	61.50	302.12	10.56	81.7	17.2	47.9	6.3
TOTAL	**5,250.45**	**5,694.09**	**3,407.59**	**1,095.07**	**2,906.06**	**778.60**	**85.3**	**71.1**	**55.3**	**13.7**

Source: *Machakos County Treasury*

Analysis of budget performance by department shows that the Department of Transport, Roads and Housing reported the highest absorption rate of its development budget at 39.1 per cent while the Department of Finance and Revenue, and the County Public Service Board did not incur any development expenditure. On the other hand, the Department of Tourism, Sports and Culture had the highest percentage of its recurrent expenditure to its recurrent budget at 75.9 per cent while the Department of Public Service, Labour and ICT had the lowest percentage at 18.6 per cent.

3.22.9 Borrowing by the County Government

During the period under review, the County accessed a bank overdraft facility of Kshs.170.0 million. While this borrowing was approved by the County Assembly, it was not guaranteed by the National Government. Article 212 of the Constitution requires a county government to borrow with approval from the County Assembly, and only if the national government guarantees the loan.

3.22.10 Observations and Recommendations

The County has made progress in addressing some of the challenges previously identified as affected budget implementation. The County has;

i. Embraced use of IFMIS in processing financial transactions.

ii. Build staff capacity through training.

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

1. Underperformance of local revenue collection, which stood at Kshs.398.28 million (16.7 per cent of the annual target) and was a decline from Kshs.614 million generated in a similar period of FY 2014/15. Underperformance of local revenue implies that some budgeted activities may not be implemented due to inadequate funding.

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 PFMA, 2012.

4. The County did not budget for the opening cash balance amounting to Kshs.538 million from FY 2014/15 and Kshs.180 million as conditional allocation from National Government and Development Partners as contained in CARA, 2015

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

1. *The County should devise workable strategies to improve revenue collection.*

2. *The County should urgently liaise with the National Government to address the huge wage bill.*

3. *The County Treasury should establish an Internal Audit Committee in line with Section 155(5) of the PFM Act 2012. This will improve oversight in public financial management.*

4. *The County Treasury should prepare a Supplementary Budget that includes the opening cash balance amounting to Kshs.538 million from FY 2014/15 and Kshs.180 million as conditional allocation from National Government and Development Partners as contained in CARA, 2015 for approval by the County Assembly.*

3.23 Makueni County

3.23.1 Overview of the FY 2015/16 Budget

The FY 2015/16 approved budget for Makueni County was Kshs.9.44 billion. This comprised of Kshs.4.47 billion (47.4 per cent) for recurrent expenditure and Kshs.4.97 billion (52.6 per cent) for development expenditure.

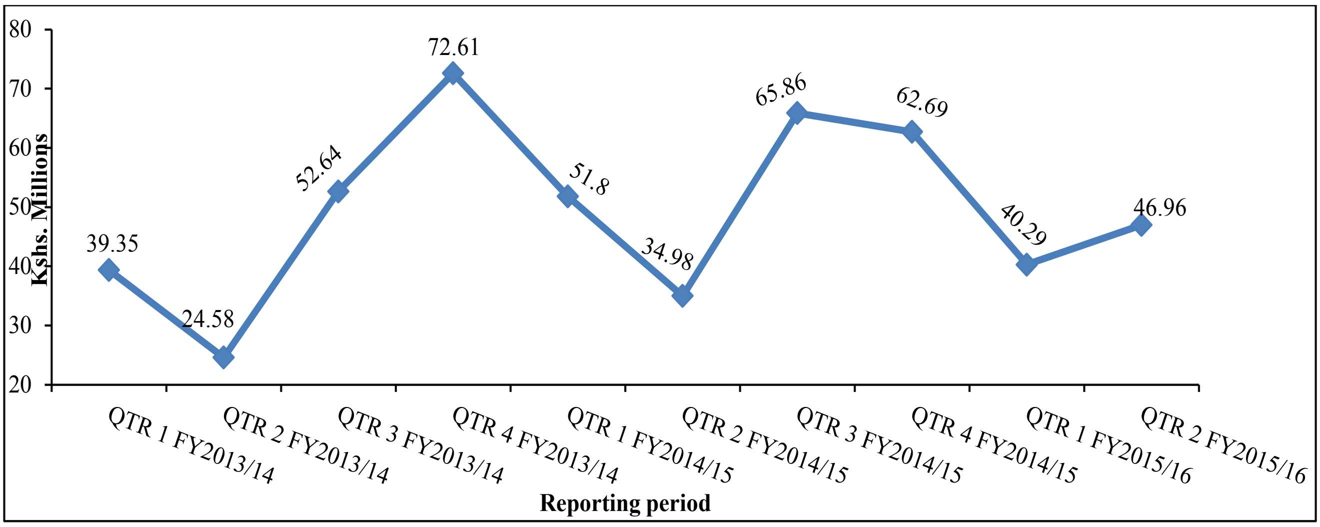
In order to finance this budget, the County expects to receive Kshs.5.96 billion (63 per cent) as transfers from the National Government, collect Kshs.400 million (4.2 per cent) from local sources, and a conditional grant of Kshs.24.13 million (0.3 per cent) from DANIDA. The County also expected to receive additional conditional grant of Kshs.20.61 million (0.2 per cent) as compensation for forgone user fees, Kshs.75.83 million (0.8 per cent) from the road maintenance fuel levy fund, Kshs.80.80 million (0.9 per cent) for free maternal health care, Kshs.95.74 million (1 per cent) for leasing of medical equipment, Kshs.220.0 million (2.3 per cent) as conditional allocation for other loans/grants, Kshs.51.02 million (0.5 per cent) as World bank funding for rural health, Kshs.89.08 million as FIF for Hospitals (0.9 per cent) and Kshs.2.42 billion (25.6 per cent) as balance brought forward from FY 2014/15.

3.23.2 Revenue Analysis

During the first half of FY 2015/16, the County received Kshs.2.00 billion revenue from the National Government as equitable share, Kshs.38.30 million as conditional allocations from the road maintenance fuel levy fund, Kshs.31.03 million as conditional allocations for free maternal health care, Kshs.5.84 million as conditional allocations for forgone user fees, raised Kshs.87.25 million from local sources, and a cash balance of Kshs.2.42 billion brought forward from FY 2014/15.

The quarterly trend in local revenue collection from the first quarter of the FY 2013/14 to the second quarter of FY 2015/16 is shown in figure 3.89.

Figure 3.89: Makueni County, Trend in Local Revenue Collection by Quarter from the FY 2013/14 to the second quarter of FY 2015/16



Source: *Makueni County Treasury*

The local revenue consisted of Kshs.40.29 million raised in the first quarter and Kshs.46.96 million in the second quarter. The local revenue raised in the first half of the FY 2015/16 was Kshs.87.25 (21.8 per cent of the annual local revenue target), a marginal improvement from Kshs.86.79 million collected in a similar period of FY 2014/15.

Analysis of local revenue for the first half of FY 2015/16 by stream is shown in Table 3.45.

Table 3.45: Makueni County, Analysis of revenue collection by stream for the first half of FY 2015/16

No.	Revenue Stream	Annual Targeted Revenue (Kshs.)**	Six Months Actual Revenue (Kshs.)	Revenue Performance (%)
	A	B	C	D=*100
1	Market Entrance Fees	-	13,143,485	-
2	Conservancy Fees	-	1,028,305	-
3	Parking Fees	-	11,755,315	-
4	Plot rent Fees	-	4,448,860	-
5	Permits	-	10,891,851	-
6	Penalty Fees	-	898,146	-
7	Stock Market Fees	-	4,530,395	-
8	Plan approval fees	-	2,603,730	-
9	Cess	-	5,297,694	-
10	Kiosk renewal fees	-	558,690	-
11	Other Plot Dues	-	2,001,338	-
12	Other Sources	-	5,078,259	-
13	Stock Movement Fees	-	823,735	-
14	Sand Cess local	-	1,900,960	
20	Liquor license Fees	-	22,296,690	-
	TOTAL	**-**	**87,257,453**	**-**

Source: *Makueni County Treasury*

*** The County did not provide a schedule of annual revenue target by stream.*

Analysis of revenue by stream indicates that Liquor license fees generated the highest revenue of Kshs.22.29 million (25.6 per cent) of total local revenue followed by Market entrance fees at Kshs.13.14 million (15.1 per cent) and Parking fees at kshs.11.75 million (13.5 per cent of the total revenue generated).

3.23.3 Banking of local revenue

A review of the bank statements for the revenue collection account indicates that all locally collected revenue was deposited into the CRF account during the period under review. This conforms to Article 207 of the Constitution and Section 109 of the PFM Act 2012, which stipulates that all funds raised or received by or on behalf of the County Government should be deposited into the CRF account, unless excluded by an Act of Parliament.

3.23.4 Exchequer Issues

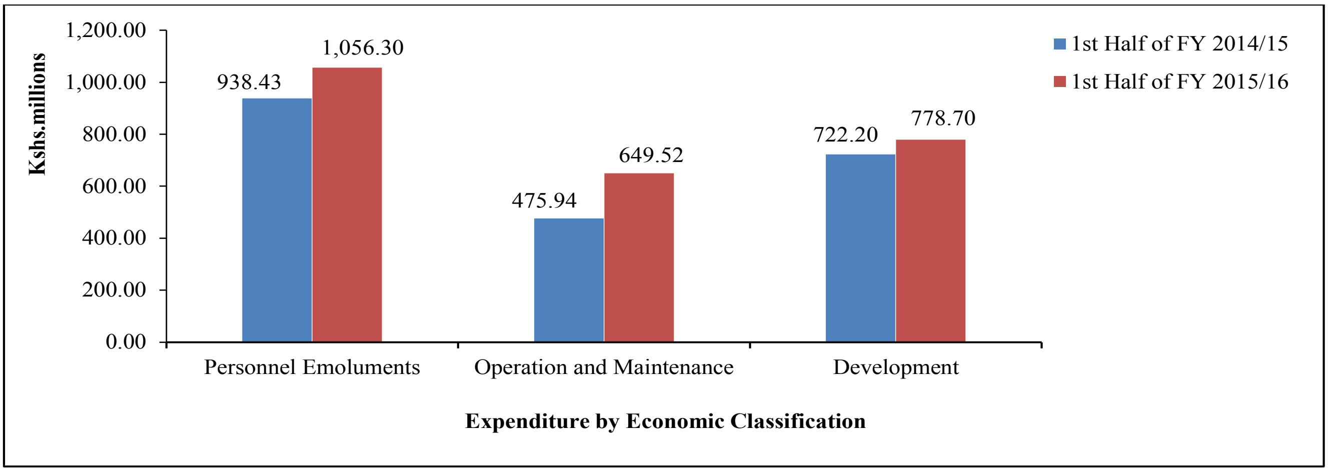
During the period under review, the Controller of Budget approved withdrawal of Kshs.3.03 billion from the CRF by the Controller of Budget, which was 32.1 per cent of the approved budget. The amount represented an increase of 23.1 per cent from Kshs.2.46 billion authorized in a similar period of FY 2014/15 and consisted of Kshs.2.08 billion (68.9 per cent) for recurrent expenditure and Kshs.944.03 million (31.1 per cent) for development activities.

3.23.5 Overall Expenditure Review

The County spent a total of Kshs.2.08 billion during the first half of FY 2015/16 which was 68.8 per cent of the funds released for operations. This is a slight reduction from the Kshs.2.13 billion spent in a similar period of FY 2014/15. A total of Kshs.1.70 billion was spent on recurrent activities and Kshs.381.68 million on development activities. Recurrent expenditure was 81.7 per cent of the funds released for recurrent activities while development expenditure accounted for 40.4 per cent of the funds released for development activities.

Recurrent expenditure for the period under review represented 38.1 per cent of the approved annual recurrent budget, a decrease from 39.4 per cent spent in a similar period of FY 2014/15. On the other hand development expenditure recorded an absorption rate of 7.7 per cent, a decline from 35.9 per cent spent in a similar period of FY 2014/15. A comparison of the total expenditure in the first half of FY 2014/15 and the first half of FY 2015/16 is shown in Figure 3.90.

Figure 3.90: Makueni County, Expenditure by Economic Classification for first half of FY 2014/15 and for first half of FY 2015/16



Source: *Makueni County Treasury*

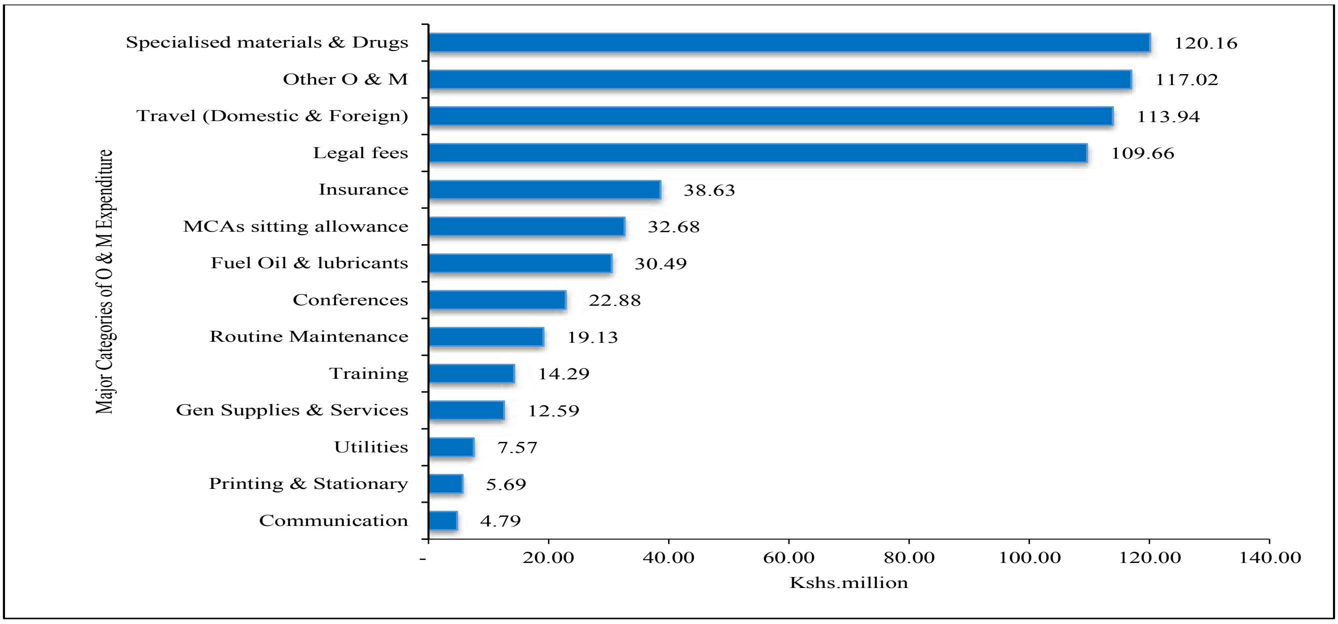
3.23.6 Recurrent Expenditure Analysis

The total recurrent expenditure for the reporting period was Kshs.1.70 billion against an annual recurrent budget of Kshs.4.47 billion. This represents 38.1 per cent of the annual recurrent budget. The County spent Kshs.1.05 billion (61.9 per cent) on personnel emoluments and Kshs.649.52 million (38.1 per cent) on operations and maintenance as shown in Figure 3.90. Expenditure on personnel emoluments accounted for 50.6 per cent of total expenditure and has increased in the first half of FY 2015/16 as compared to a similar period in FY 2014/15 when the County spent Kshs.938.43 million.

The County spent Kshs.32.68 million on sitting allowances to the 47 MCAs and the Speaker against a budget of Kshs.47 million. This is a significant increase from Kshs.11.84 million recorded in a similar period of FY 2014/15. The average monthly sitting allowance per MCA was Kshs.113,505 compared to SRCs recommended amount of Kshs.124,800.

A breakdown of the operations and maintenance expenditure for the reporting period is shown in Figure 3.91.

Figure 3.91: Makueni County, Operations and Maintenance Expenditure for the First Half of FY 2015/16



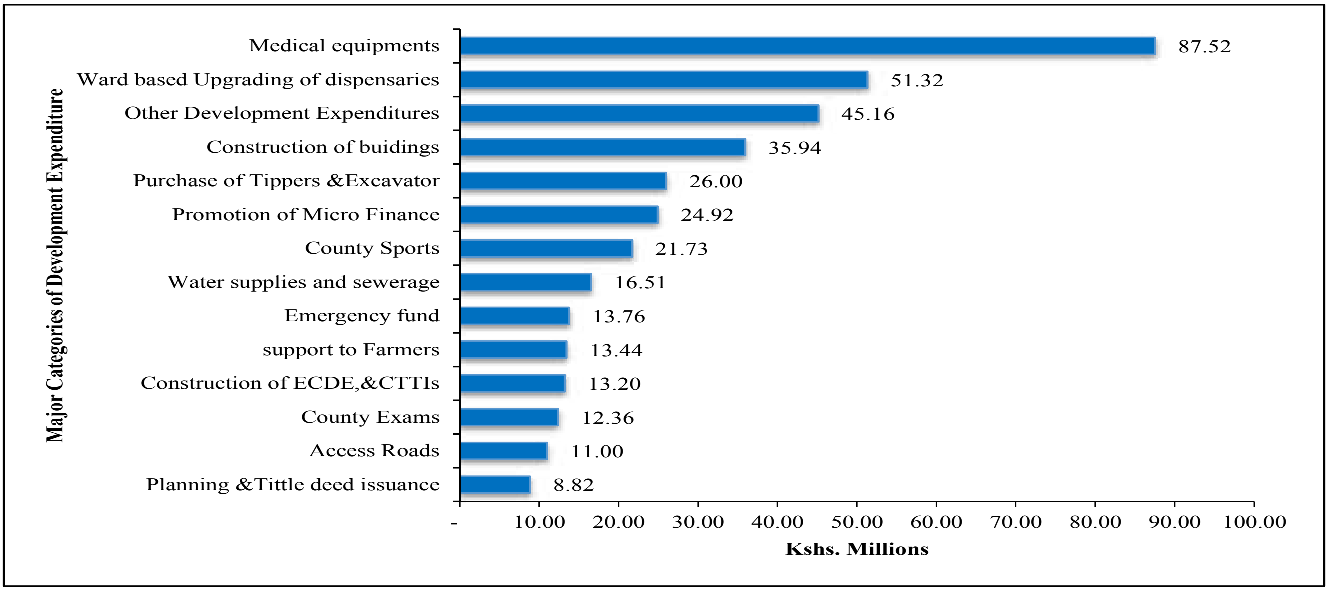
Source: *Makueni County Treasury*

The aggregate expenditure on domestic and foreign travel was Kshs.113.94 million compared to Kshs.88.04 million incurred in a similar period of FY 2014/15, representing a significant increase of 29.4 per cent. This expenditure comprised of Kshs.67.66 million spent by the County Executive and Kshs.46.27 million by the County Assembly.

3.23.7 Development Expenditure Analysis

The details of development expenditure during the first half of FY 2015/16 are provided in figure 3.92.

Figure 3.92: Makueni County, Summary of Development Expenditure for the First Half of FY 2015/16



Source: *Makueni County Treasury*

Analysis of the development expenditure of Kshs.381.68 million incurred in the first half of FY 2015/16 indicates that the Health Department reported the highest expenditure at Kshs.146.83 million which was spent on purchase of medical equipment such as X-rays machines and theatres to hospitals, construction of maternity wing at the Makueni County Referral Hospital and Ward based upgrading & renovation of dispensaries. The second highest expenditure at Kshs.42.56 million was incurred by the Water Department on construction of water supplies and sewerage such as sand dams and earth dams. The Department of Transport incurred Kshs.34.58 million on construction of office block, Governors and Deputy Governor's residence and installation of street lighting & upgrading of access roads. Department of Trade incurred Kshs.31.65 million on promotion of micro finance, tourism and cooperatives while the Department of Education incurred Kshs.28.28 million on construction of ECDEs and CTTIs and support to education.

3.23.8 Annual Budget and Budget Performance Analysis by department for the First Half of FY 2015/16

A summary of the FY 2015/16 annual budget estimates and budget performance for the first half by department is as shown in Table 3.46.

Table 3.46: Makueni County, Annual Budget and First Half of FY 2015/16 Budget Performance by Department

Department	Annual Budget Allocation (Kshs. Million)		6 months Exchequer Issues (Kshs. Million)		6 months Expenditure (Kshs. Million)		6 months expenditure to exchequer issues (%)		Absorption rate (%)	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
County Attorney's Office	87.57	-	33.30	-	54.76	-	164.4	-	62.5	-
County Public service board	65.31	-	29.48	-	19.19	-	65.1	-	29.4	-
Department of Land and Planning	37.37	190.75	16.37	52.15	11.88	9.77	72.6	18.7	31.8	5.1
Office of Governor	179.55	-	83.48	-	75	-	89.8	-	41.8	-
Department of Trade and Cooperatives	57.02	359.53	25.67	115.56	16.2	31.66	63.1	27.4	28.4	8.8
Department of Gender	73.69	369.21	33.94	92.53	19.8	37.53	58.3	40.6	26.9	10.2
County Public Service	114.6	-	55.71	-	35.42	-	63.6	-	30.9	-
Department of Finance	553.19	263	266.81	13.0	138.95	13.75	52.1	105.8	25.1	5.2
Department of Education & ICT	224.43	437.89	106.67	72.48	85.66	28.29	80.3	39.0	38.2	6.5
Department of Transport & Infrastructure	167.16	707.45	78.83	89.05	45.71	34.58	58.0	38.8	27.3	4.9
Department of Agriculture	227.73	433.4	104.15	73.25	86.72	17.72	83.3	24.2	38.1	4.1
County Assembly	611.87	92.37	340.44	38.36	310.11	12.35	91.1	32.2	50.7	13.4

Department	Annual Budget Allocation (Kshs. Million)		6 months Exchequer Issues (Kshs. Million)		6 months Expenditure (Kshs. Million)		6 months expenditure to exchequer issues (%)		Absorption rate (%)	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
Department of Water	170.83	1,250.26	76.31	225.36	54.52	42.57	71.4	18.9	31.9	3.4
Department of Health	1,671.30	794.68	729.48	165.29	674.16	146.83	92.4	88.8	40.3	18.5
Department of Devolution & Public Service	236.06	73.70	107.40	7.0	77.76	6.63	72.4	94.7	32.9	9.0
TOTAL	**4,477.68**	**4,972.25**	**2,088.04**	**944.03**	**1,705.84**	**381.68**	**81.7**	**40.4**	**38.1**	**7.7**

Source: *Makueni County Treasury*

Analysis of budget performance by department shows that the Department of Health reported the highest absorption rate of its development budget at 18.5 per cent while the Department of Water registered the lowest absorption rate at 3.4 per cent during the period under review. On the other hand, the Department of County Attorney had the highest percentage of its recurrent expenditure to its recurrent budget at 62.5 per cent while Finance and Socio Economic Planning Department had the lowest percentage at 25.1 per cent.

3.23.9 Borrowing by the County Government

Article 212 of the Constitution requires a county government to borrow with approval from the County Assembly, and only if the national government guarantees the loan. Further, Section 58 of the PFM Act 2012 gives the Cabinet Secretary to the National Treasury the powers to guarantee loans subject to approval by Parliament. During the period under review, the County utilized its equitable share and local revenue collection deposited into County Revenue Fund account maintained at the Central Bank of Kenya and did not borrow any funds.

3.23.10 Observations and Recommendations

The County has made progress in addressing the challenges previously identified as affecting budget implementation. The County has;

i. Prepared and passed the Annual Development Plans for the FY 2013/14, FY 2014/15, FY 2015/16 and FY 2016/17.

ii. Prepared and passed regulations to operationalize various established County Funds.

iii. Improved working relations between the County Executive and the County Assembly.

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

2. Delay in the enactment of the Finance Bill, which provides a framework for local revenue collection.

2. Failure to submit quarterly financial statements on established County Funds. The County has established various funds in line with section 116 of the PFM Act 2012. However, by the end of the first half of FY 2015/16, no financial reports on these funds had been submitted to the COB.

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

1. *The County Treasury should ensure the Finance Bill is prepared in good time and submitted to the County Assembly for approval.*

2. *The County Treasury should ensure financial statements for the County funds established under Section 116 of the PFM Act 2012 are prepared and submitted to the relevant offices in line with sections 167 and 168 of the PFM Act 2012.*

3.24 Mandera County

3.24.1 Overview of the FY 2015/16 Budget

The FY 2015/16 approved Supplementary Budget for Mandera County was Kshs.11.50 billion. It comprised of Kshs.4.22 billion (36.7 per cent) allocated for recurrent expenditure and Kshs.7.28 billion (63.3 per cent) for development expenditure.

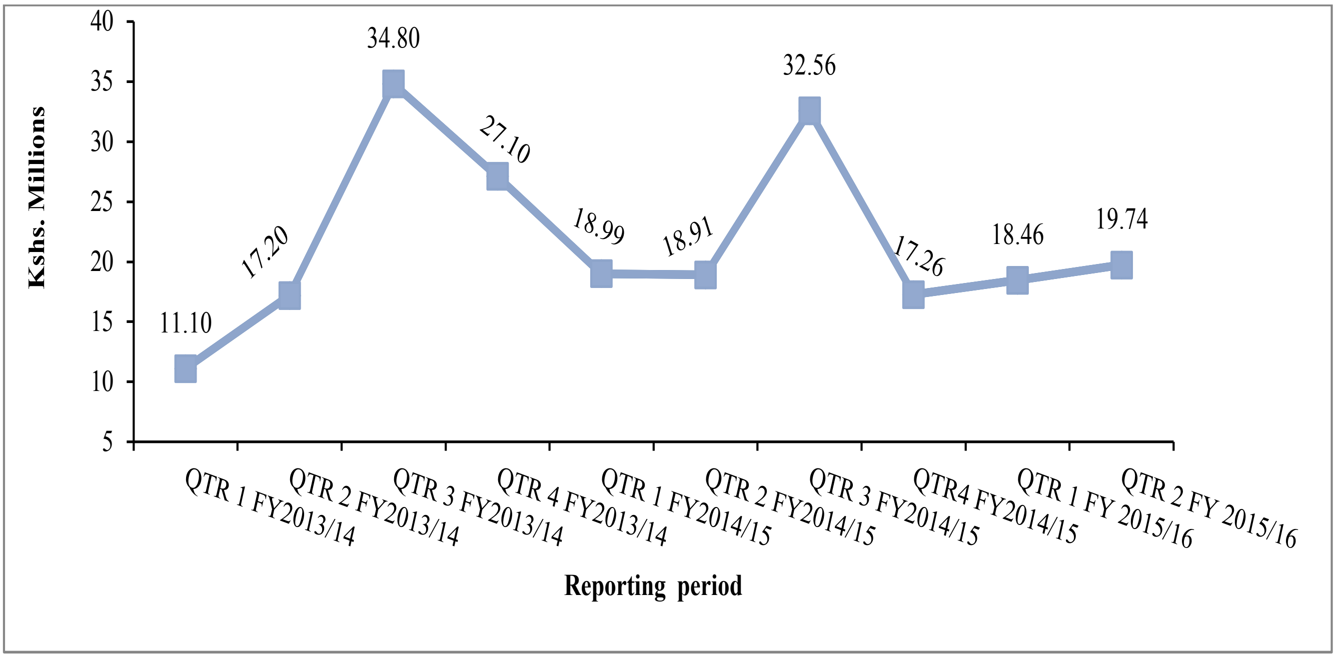
In order to finance the budget, the County expected to receive Kshs.8.96 billion (78 per cent) as transfers from the National Government, collect Kshs.199.20 million (1.7 per cent) from local sources, and receive a conditional grant of Kshs.14.60 million (0.1 per cent) from DANIDA and Kshs.2.12 billion(18.5 per cent) as projected cash balance from FY 2014/15. Further, the County budgeted for the additional conditional grants of Kshs.209.50 million (1.8 per cent) from the National Government as contained in CARA, 2015, Kshs.46.42 million (0.4 per cent) for free maternal care, Kshs.23.9 million (0.2) for compensation of forgone user fees, Kshs.25.4 million (0.2 per cent) from the World Bank Funding as support for the Health sector, and Kshs.113.77 million (1 per cent) from road maintenance fuel levy fund.

3.24.2 Revenue Analysis

In the first half of FY 2015/16, the County received Kshs.3.00 billion from the National Government as equitable share, Kshs.57.45 million as conditional allocations from the road maintenance fuel levy fund, Kshs.16.71 million as conditional allocations for free maternal health care, Kshs.1.90 million as conditional allocations for forgone user fees, raised Kshs.38.20 million from local sources, and a cash balance of Kshs.2.12 billion brought forward from FY 2014/15.

Figure 3.93 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 3.93: Mandera County, Trend in Local Revenue Collection by Quarter from the FY 2013/14 to the second quarter of FY 2015/16



Source: *Mandera County Treasury*

The analysis of local revenue by stream is shown in Table 3.47.

The local revenue consisted of Kshs.18.46 million raised in the first quarter and Kshs.19.74 million in the second quarter. The local revenue raised in the first half of the FY 2015/16 of Kshs.38.20 million (19.2 per cent of the annual local revenue target), an increase from Kshs.37.9 million collected in a similar period of FY 2014/15.

Table 3.47: Mandera County, Analysis of revenue collection by stream for the first half of FY 2015/16

Revenue Stream	Annual Targeted Revenue (Kshs.)	Six Months Actual Revenue (Kshs.)	Revenue Performance (%)
A	B	C	D=*100
Land rents	25,586,653	10,045,965	39.30
Plot Transfers/Sub-Divisions/Application Fees	12,200,000	1,259,000	10.30
Miraa Movements	17,137,280	2,689,300	15.70
Single Business Permit	19,680,924	1,496,700	7.60
Livestock Markets	10,278,887	2,297,253	22.30
Livestock Movement	7,538,916	113,000	1.50
Slaughter fees and Charges	9,265,687	1,896,711	20.50
Markets stalls/Gates	8,684,321	2,698,000	31.10
Stores	7,261,954	177,036	2.40
Bus park/Taxis/Matatu	2,645,321	1,671,400	63.20
Produce Cess	3,347,182	1,235,220	36.90

Revenue Stream	Annual Targeted Revenue (Kshs.)	Six Months Actual Revenue (Kshs.)	Revenue Performance (%)
A	B	C	D=*100
Income from Sale of Tenders documents	5,437,744	1,000	0.00
Public Health	11,600,000	12,900	0.10
Hospital collection	7,040,000	1,605,700	22.80
Agriculture Mechanization/Hire of Equipment.	10,000,000	1,192,230	11.90
Income from Water Management	18,452,034	120,900	0.70
Income from Quarries	7,427,516	7,375,006	99.30
Building plan	1,539,432	61,000	4.00
Barriers	4,214,210	1,894,655	45.00
Other revenue streams	47,686,407	350,421	0.70
TOTAL	**199,237,815**	**38,193,397**	**19.20**

Source: *Mandera County Treasury*

The analysis of revenue by stream indicates that income from quarries recorded the highest performance against the annual target at 99.3 per cent followed by Bus park/matatu fees at 63.2 per cent.

3.24.3 Banking of Local Revenue

A review of the bank statements for the revenue collection account during the first half of FY 2015/16 indicates that the County did not bank all the locally generated revenue intact into the CRF. This does not conform to Article 207 of the Constitution and Section 109 of the PFM Act 2012, which stipulates that all funds raised or received by or on behalf of the County Government should be deposited into the CRF account, unless excluded by an Act of Parliament.

3.24.4 Exchequer Issues

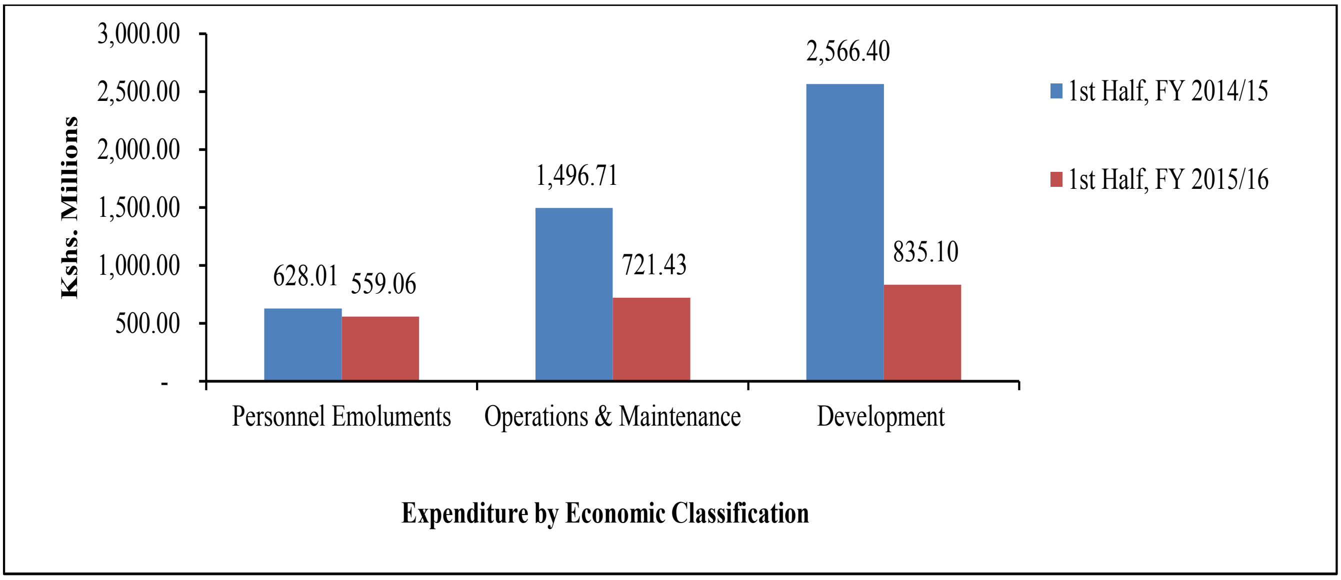
During the period under review, the CoB authorized withdrawal of Kshs.2.12 billion from the CRF, which was 18.5 per cent of the approved budget. The amount represented a decline of 54.9 per cent from Kshs.4.7 billion authorized in a similar period of FY 2014/15 and consisted of Kshs.1.28 billion (60.4 per cent) for recurrent expenditure and Kshs.840.3 million (39.6 per cent) for development activities.

3.24.5 Overall Expenditure Review

The County spent a total of Kshs.2.12 billion during the first half of FY 2015/16 which was 99.8 per cent of the funds released for both recurrent and development expenditure. This is a significant reduction from the Kshs.4.69 billion spent in a similar period of FY 2014/15. A total of Kshs.1.28 billion was spent on recurrent activities and Kshs.835.10 million on development activities. Recurrent expenditure was 100 per cent of the funds released for recurrent activities while development expenditure accounted for 99.4 per cent of the funds released for development activities. The expenditure excludes commitments as of 31st December; 2015.The County did not submit a report on outstanding commitment to OCOB.

Recurrent expenditure for the period under review represented 30.4 per cent of the approved annual recurrent budget, a decrease from 46.2 per cent spent in a similar period of FY 2014/15. On the other hand, development expenditure recorded an absorption rate of 11.5 per cent, a decrease from 36.8 per cent spent in a similar period of FY 2014/15. A comparison of the total expenditure in the first half of FY 2014/15 and the first half of FY 20151/16 is shown in Figure 3.94.

Figure 3.94: Mandera County, Expenditure by Economic Classification for First Half of FY 2014/15 and First Half of FY 2015/16



Source: *Mandera County Treasury*

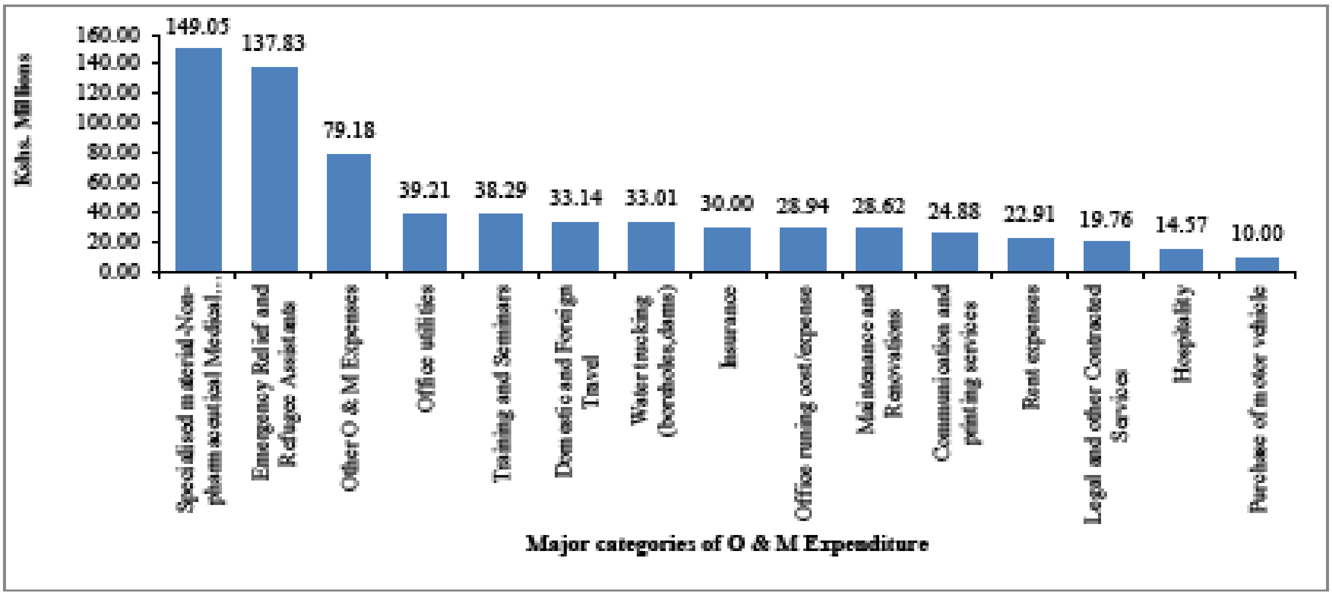
3.24.6 Recurrent Expenditure Analysis

The total recurrent expenditure for the reporting period was Kshs.1.28 billion against an annual recurrent budget of Kshs.4.22 billion. This represents 30.4 per cent of the annual recurrent budget. The County spent Kshs.559.06 million (43.7 per cent) on personnel emoluments and Kshs.721.43 million (56.3 per cent) on operations and maintenance as shown in Figure 3.94. Expenditure on personnel emoluments accounted for 26.4 per cent of total expenditure and has decreased in the first half of FY 2015/16 as compared to a similar period in FY 2014/15 when the County spent Kshs.628.01 million. The decline is attributed to December, 2015 salaries and allowances paid in January, 2016 as a result of delayed approval of supplementary budget.

The County spent Kshs.22.02 million on sitting allowances to the 48 MCAs and the Speaker against a budget of Kshs.50.0 million. This is a marginal decrease from Kshs.24.23 million recorded in a similar period of FY 2014/15. The average monthly sitting allowance per MCA was Kshs.74,906 compared to SRCs recommended monthly ceiling of Kshs.124,800.

A breakdown of the operations and maintenance expenditure for the reporting period is shown in Figure 3.95.

Figure 3.95: Mandera County, Operations and Maintenance Expenditure for the First Half of FY 2015/16



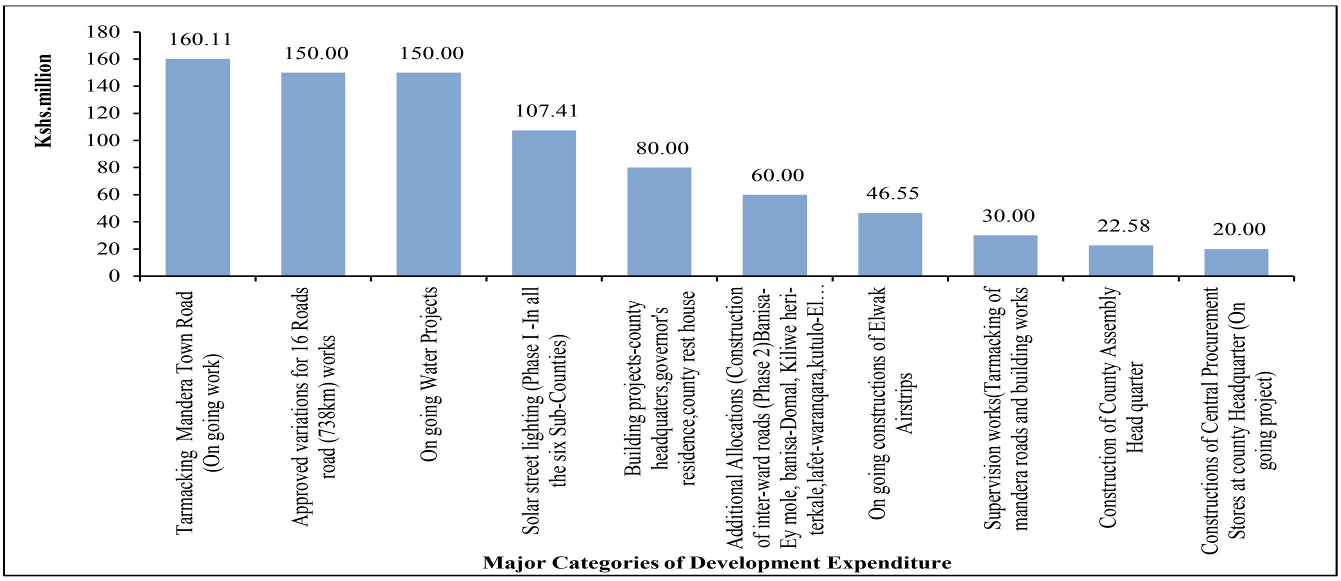
Source: *Mandera County Treasury*

The aggregate expenditure on domestic and foreign travel was Kshs.33.14 million compared to Kshs.38.41 million incurred in a similar period of FY 2014/15, representing a decline of 13.7 per cent. This expenditure comprised of Kshs.23.54 million spent by the County Executive and Kshs.9.63 million by the County Assembly.

3.24.7 Development Expenditure Analysis

A summary of development expenditure during the first half of FY 2015/16 is provided in table 3.96.

Figure 3.96: Mandera County, Summary of Development Expenditure for the first half of FY 2015/16



Source: *Mandera County Treasury*

Analysis of the development expenditure of Ksh.840.27 million incurred in the first half of FY 2015/16 indicates that the Roads Department reported the highest expenditure at Kshs.535.11 million on construction and maintenance of access roads and construction of County e headquarters, governor's residence and rest house. The second highest expenditure at Kshs.257.41 million was incurred by the Water, Energy Environment and Natural Resources Department on On-going Water Projects and Solar street lighting (Phase I -In all the six Sub-Counties). The Department of Finance incurred Kshs.20 million on constructions of central procurement stores at county headquarter (On-going project) while the County Assembly incurred Kshs.22.58 million on construction of County Assembly headquarter.

3.24.8 Annual Budget and Budget Performance Analysis by department for the First Half of FY 2015/16

A summary of the FY 2015/16 annual budget estimates and budget performance for the first half by department is shown in Table 3.48.

Table 3.48: Mandera County, Annual Budget and First Half of FY 2015/16 Budget Performance by Department

Department	Annual Budget Allocation (Kshs. Million)		6 months Exchequer Issues (Kshs. Million)		6 months Expenditure (Kshs. Million)		Expenditure to exchequer issues (%)		Expenditure to Annual Budget (%)	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
Ministry of Agriculture Livestock and Fisheries	161.24	404.59	46.06	-	39.99	-	86.8	-	24.8	-
Ministry of Education, Culture and Sports	333.09	597.26	79.65	-	77.04	-	96.7	-	23.1	-
Ministry of Gender, Youth and Social Service	24.55	74.07	13.16	-	12.81	-	97.3	-	52.2	-
Ministry of Finance	514.38	1,142.50	47.49	20	40.84	20	86.0	100.0	7.9	1.8
Ministry of Health Services	1,001.44	596.18	301.37	-	292.42	-	97.0	-	29.2	-
Ministry of Trade, Investments Industrializations and Cooperative Development	32.45	402.05	15.37	-	14	-	91.1	-	43.1	-
County Assembly	631.98	169.5	158.1	27.75	155.1	22.58	98.1	81.4	24.5	13.3
Lands, Housing and Physical Planning	50.27	91.7	10.18	-	9.4	-	92.3	-	18.7	-
Office of the Governor and Deputy Governor	456.69	-	296.6	-	396.01	-	133.5	-	86.7	-
County Public Service Board	50.21	-	17.49	-	13.58	-	77.6	-	27.0	-
Ministry of Public Service, Management and Devolved Unit	638.1	148.75	169.36	-	125.73	-	74.2	-	19.7	-
Public Works Roads and Transport	97.27	2,098.95	33.29	535.11	25.22	535.11	75.8	100.0	25.9	25.5
Water, Energy Environment and Natural Resources	225.19	1,559.00	92.72	257.41	78.35	257.41	84.5	100.0	34.8	16.5
TOTAL	**4,216.87**	**7,284.54**	**1,280.83**	**840.27**	**1,280.49**	**835.1**	**100.0**	**99.4**	**30.4**	**11.5**

Source: *Mandera County Treasury*

Analysis of budget performance by department shows that the Department of Public Works, Roads and Transport reported the highest absorption rate of its development budget at 25.5 per cent while the Ministry of Finance had the lowest at 1.8 per cent. On the other hand, the Office of the Governor and the Deputy Governerhad the highest percentage of recurrent expenditure to its recurrent budget at 86.7per cent while Finance Department had the lowest percentage at 7.9 per cent.

3.24.9 Borrowing by the County Government

Article 212 of the Constitution requires a county government to borrow with approval from the County Assembly, and only if the national government guarantees the loan. Further, Section 58 of the PFM Act 2012 gives the Cabinet Secretary to the National Treasury the powers to guarantee loans subject to approval by Parliament. During the period under review, the County utilized its equitable share and local revenue collection deposited into County Revenue Fund account maintained at the Central Bank of Kenya and did not borrow any funds.

3.24.10 Observations and Recommendations

In the period under review, the County made progress in addressing the challenges previously identified as affecting budget implementation. The County has;

i. Ensured that expenditure returns by both arms of the County government are submitted to the OCOB in a timely manner.
ii. Enacted regulations to operationaloze the Bursary Fund as required by Section 116 of the PFM Act 2012.
iii. Factored pending bills from FY 2014/15 in the approved supplementary budget.

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

1. Delay in approval of the Annual Development Plan for the FY 2015/16 thereby, affecting implementation of planned activities.
2. Poor IFMIS connectivity, which affected processing of financial transactions thus resulting in low absorption of development funds.

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

1. *The County should ensure that the ADP is approved on time to ensure smooth implementation of planned activity.*
2. *The County should liaise with the National Treasury to ensure seamless IFMIS connectivity.*

3.25 Marsabit County

3.25.1 Overview of the FY 2015/16 Budget

The FY 2015/16 approved budget for Marsabit County was Kshs.5.83 billion. It comprised of Kshs. 3.03 billion (51.9 per cent) allocated for recurrent expenditure, Kshs.2.81 billion (48.1 per cent) for development expenditure.

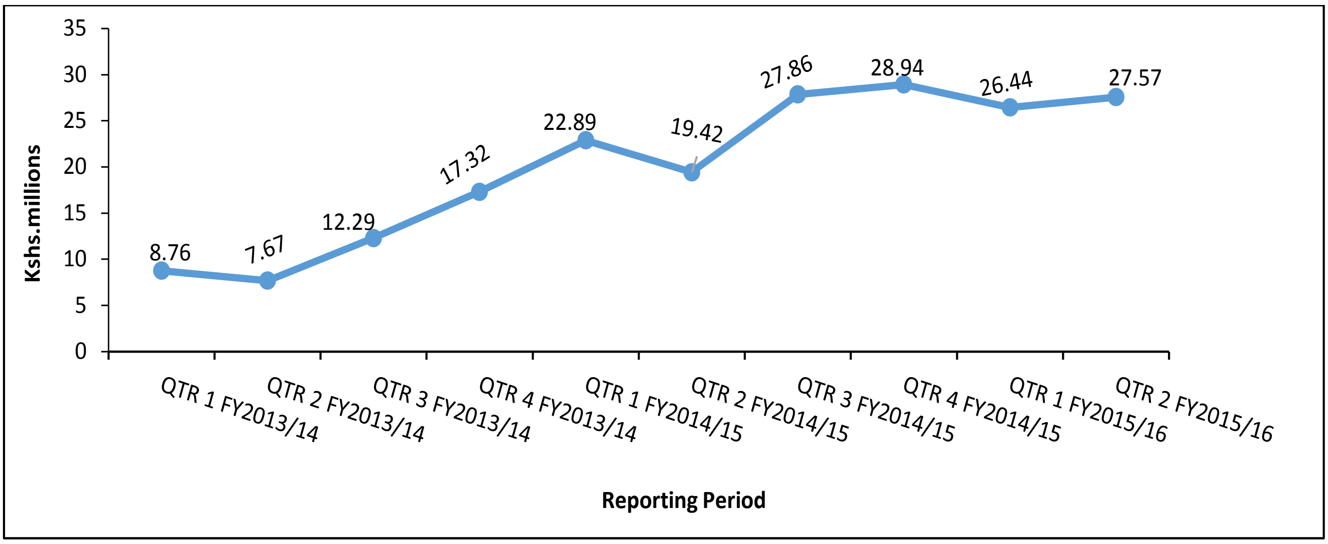
In order to finance the budget, the County expected to receive Kshs 5.1 billion (87.9 per cent) from the National Government, collects Kshs.130 million (2.2 per cent) from local revenue sources, a conditional grant of Kshs.15.35 million (0.26 per cent) from DANIDA, and Kshs.0.5 billion (8.62 per cent) as projected cash balance brought forward from FY 2014/15. Further, the County did not budget for the additional conditional grants of Kshs.197.88 million from the National Government as contained in CARA, 2015 for free maternal care, compensation for forgone user fees, leasing of medical equipment and from the road maintenance fuel levy fund.

3.25.2 Revenue Analysis

In the first half of FY 2015/16, the County received Kshs.1.74 billion from the National Government as equitable share, Kshs.33.29 million as conditional allocations from the road maintenance fuel levy fund, Kshs.5.22 million as conditional allocations for free maternal health care, Kshs.1.42 million as conditional allocations for forgone user fees, raised Kshs.54.01 million from local sources, and had a cash balance of Kshs.813.18 million brought forward from FY 2014/15. The local revenue consisted of Kshs.26.44 million raised in the first quarter and Kshs.27.57 million in the second quarter.

The quarterly trend in local revenue collection from the FY 2013/14 to the second quarter of FY 2015/16 is shown in Figure 3.97.

Figure 3.97: Marsabit County, Trend in Local Revenue Collection by Quarter from the FY 2013/14 to the second quarter of FY 2015/16



Source: *Marsabit County Treasury*

The local revenue raised in the first half of the FY 2015/16 was Kshs.54.01 million (41.6 per cent of the annual local revenue target), an improvement from Kshs.42.30 million collected in a similar period of FY 2014/15.

Analysis of local revenue realized by stream is shown in Table 3.49.

Table 3.49: Marsabit County, Analysis of revenue collection by stream for the first half of FY 2015/16

No.	Revenue Stream	Annual Targeted Revenue (Kshs.)	Six Months Actual Revenue (Kshs.)	Revenue Performance (%)
	A	B	C	D=*100
1	Land Transaction Charges	6,395,229	8,505,524	133.0
2	Lease Rentals	3,660,000	3,000,000	82.0
3	Produce	23,569,423	11,521,895	48.9
4	Livestock Charges	20,460,015	9,831,010	48.0
5	Public Health Charges	5,322,738	2,447,850	46.0
6	Hosp. Collections	15,976,417	6,200,230	38.8
7	Other Sources	12,319,639	4,643,848	37.7
8	Market Charges	3,243,468	984,430	30.4
9	Cement	3,198,269	615,650	19.2
10	Single business permit	20,901,598	3,675,645	17.6
11	Royalties	14,953,205	2,591,530	17.3
	TOTAL	**130,000,000**	**54,017,612**	**41.6**

Source: *Marsabit County Treasury*

Analysis of revenue collection by stream indicates that Land Transaction Charges recorded the highest percentage of revenue performance against annual target at 133.0 per cent followed by Lease Rentals at 82.0 per cent. On the other hand, Royalties reported the lowest percentage of revenue performance against annual target at 17.3 per cent.

3.25.3 Banking of Local Revenue

A review of the bank statements for the revenue collection accounts indicate that all locally generated revenue was deposited into the CRF during the period under review. This conforms to Article 207 of the Constitution and Section 109 of the PFM Act 2012, which stipulates that all funds raised or received by or on behalf of the County Government should be deposited into the CRF account, unless excluded by an Act of Parliament.

3.25.4 Exchequer Issues

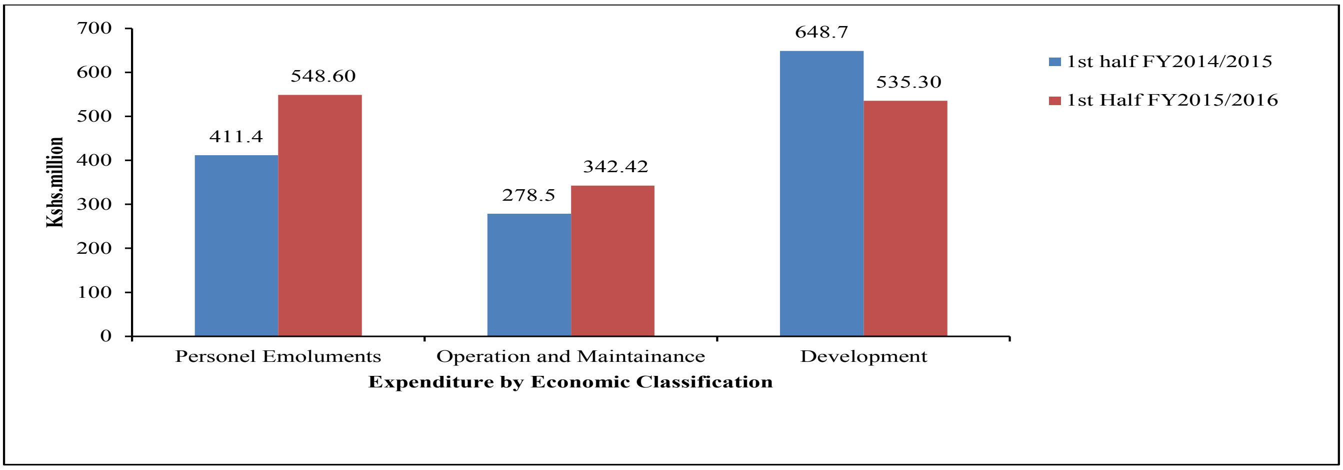
The Controller of Budget authorised withdrawal of Kshs.2.15 billion from the CRF, which was 36.8 per cent of the approved budget. The amount represented a decline of 12.2 per cent from Kshs.2.45 billion authorized in a similar period of FY 2014/15 and consisted of Kshs.1.33 billion (61.8 per cent) for recurrent expenditure and Kshs.815 million (38.2 per cent) for development activities.

3.25.5 Overall Expenditure Review

The County spent a total of Kshs.1.43 billion during the first half of FY 2015/16 which was 66.4 per cent of the funds released for both recurrent and development expenditure. This is a slight increase from the Kshs.1.39 billion spent in a similar period of FY 2014/15. A total of Kshs.891.11 million was spent on recurrent activities and Kshs.535.39 million on development activities. Recurrent expenditure was 66.9 per cent of the funds released for recurrent activities while development expenditure accounted for 65.7 per cent of the funds released for development activities. The expenditure excludes commitments as of 31st December, 2015 that amounted to Kshs.490.27 million for development and Kshs.152.23 million for recurrent expenditure.

Recurrent expenditure for the period under review represented 29.4 per cent of the approved annual recurrent budget, with similar expenditure (29.4 per cent) reported in a similar period of FY 2014/15. On the other hand, development expenditure recorded an absorption rate of 19.1 per cent, a marginal decrease from 22.2 per cent spent in a similar period of FY 2014/15. A comparison of the total expenditure in the first half of FY 2014/15 and the first half of FY 2015/16 is shown in Figure 3.98.

Figure 3.98: Marsabit County, Expenditure by Economic Classification for First Half of FY 2014/15 and First Half of FY 2015/16



Source: *Marsabit County Treasury*

3.25.6 Recurrent Expenditure Analysis

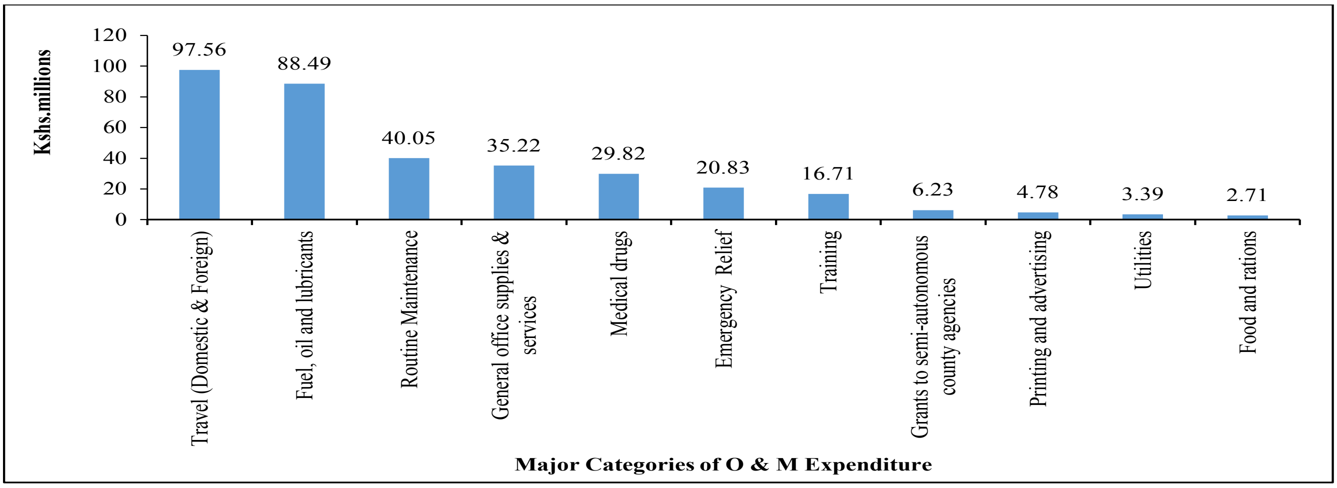
The total recurrent expenditure for the reporting period was Kshs.891.11 million against a total of budget of Kshs.5.83 billion representing an absorption rate of 15.2 per cent. The County spent Kshs.548.6 million (61.6 per cent) on personnel emoluments and Kshs.342.42 million (38.4 per cent) on operations and maintenance as shown in Figure 3.98. Expenditure on personnel emoluments accounted for 38.4 per cent of total expenditure and has increased significantly in the first half of FY 2015/16 as compared to a similar period in FY 2014/15 when the County spent Kshs.411.4 million. The increase is attributed to recruitment of new staffs across the various departments.

The County spent Kshs.36.44 million on sitting allowances to the 33 MCAs and the Speaker against an annual budget of Kshs.80.0 million. This represent a significant increase from Kshs.11.34 million recorded in a similar period of FY 2014/15. The average monthly sitting allowance per MCA was

Kshs.178,635 compared to SRC's recommended monthly ceiling of Kshs.124,800.

A breakdown of the operations and maintenance expenditure for the reporting period is shown in Figure 3.99.

Figure 3.99: Marsabit County, Operations and Maintenance Expenditure for the First Half of FY 2015/16



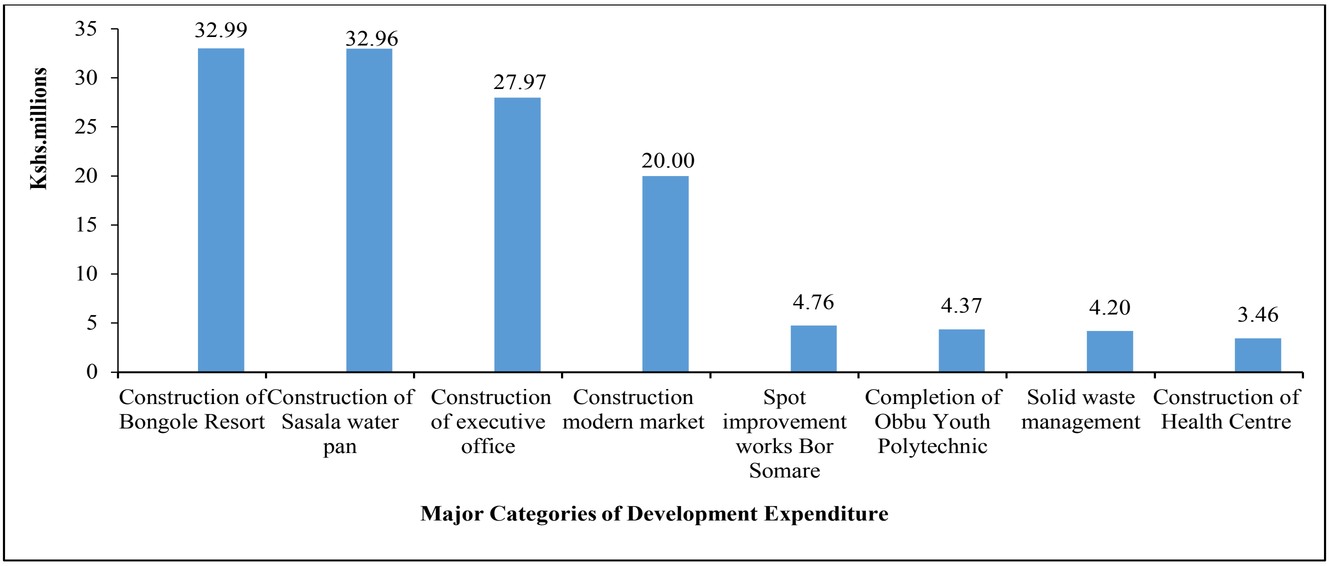
Source: *Marsabit County Treasury*

The aggregate expenditure on domestic and foreign travel was Kshs.97.56 million compared to Kshs.35.74 million incurred in a similar period of FY 2014/15, representing a substantial increase of 173.0 per cent. This expenditure comprised of Kshs.58.30 million spent by the County Executive and Kshs.39.26 million by the County Assembly.

3.25.7 Development Expenditure Analysis

Figure 3.100 provides the details of development expenditure during the first half of FY 2015/16.

Figure 3.100: Marsabit County, Summary of Development Expenditure for the First Half of FY 2015/16



Source: *Marsabit County Treasury*

Analysis of the development expenditure of Kshs.535.39 million in the first half of FY 2015/16 indicates that the Finance and Economic Planning Department had the highest expenditure at Kshs.238.34 million which was spent on development across several flagship projects that were carried forward from the previous year (pending bills). The second highest expenditure at Kshs.178.25 million was incurred by the Water Department on construction of water infrastructural works like dams, pans and piping of water to residents across the vast county. The Department of Tourism, Culture and Social Services incurred Kshs.35.99 million on construction of a resort while the Department of Health incurred Kshs.14.44 million on artificial insemination programme.

3.25.8 Annual Budget and Budget Performance Analysis by Department for the First Half of FY 2015/16

A summary of the FY 2015/16 annual budget estimates and budget performance for the first half by department is as shown in Table 3.50.

Table 3.50: Marsabit County, Annual Budget and First Half of FY 2015/16 Budget Performance by Department

Department	Annual Budget Allocation (Kshs. Million)		6 months Exchequer Issues (Kshs. Million)		6 months Expenditure (Kshs. Million)		6 months Expenditure to Exchequer Issues (%)		Absorption rate %	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
County Assembly	496	30	169.14	-	168.54	0	99.6		34.0	0.0
Public Service & Administration	188.78	25	71.52	9	41.82	0	58.5	0.0	22.2	0.0
Office of the Governor & Deputy Governor	383.58	134	179.41	55	111.34	27.97	62.1	50.9	29.0	20.9
County Public Service Board	54.37	5	24.62	5	14.33	0	58.2	0.0	26.4	0.0
Finance & Economic Planning	426.26	560	253.65	260	66.35	238.4	26.2	91.7	15.6	42.6
Agriculture, Livestock & Fisheries Development	169.73	143.89	69.92	15	51.35	0	73.4	0.0	30.3	0.0
Water, Environment& Natural Resources	147.65	605.25	70.38	210	32.84	178.3	46.7	84.9	22.2	29.5
Education, Youth, Culture & Social Services	110.85	153.17	45.25	30	33.69	13	74.5	43.3	30.4	8.5
Health Services	750.3	316.59	303.67	40	295.58	27.48	97.3	68.7	39.4	8.7
Energy Land, Housing & Physical Planning	83.94	133.1	40.35	35	32.07	4.87	79.5	13.9	38.2	3.7
Public Works, Roads & Transport	104.29	445.32	51.38	10	11.4	9.36	22.2	93.6	10.9	2.1
Trade, Industrialization & Cooperative Development	55.23	73.8	25.93	54	14.48	0	55.8	0.0	26.2	0.0
Tourism, Wildlife & Culture & Social Services	56.72	181.9	27.31	92	17.27	35.99	63.2	39.1	30.4	19.8
TOTAL	**3,027.70**	**2,807.02**	**1,332.53**	**815.00**	**891.11**	**535.39**	**66.9**	**65.7**	**29.4**	**19.1**

Source: *Marsabit County Treasury*

Analysis of budget performance by department shows that the Department of Finance and Planning reported the highest absorption rate of its development budget at 42.6 per cent. On the other hand, the Department of Health Services had the highest percentage of its recurrent expenditure to its recurrent budget at 39.4 per cent while the Department of Public Works, Roads and Transport had the lowest percentage of its recurrent expenditure to its recurrent budget at 10.9 per cent.

3.25.9 Borrowing by the County Government

Article 212 of the Constitution requires a county government to borrow with approval from the County Assembly, and only if the national government guarantees the loan. Further, Section 58 of the PFM Act 2012 gives the Cabinet Secretary to the National Treasury the powers to guarantee loans subject to approval by Parliament. During the period under review, the County utilized its equitable share and local revenue collection deposited into the County Revenue Fund account maintained at the Central Bank of Kenya and did not borrow any funds.

3.25.10 Observations and Recommendations

The county has made progress in addressing the challenges previously identified as affecting budget implementation. The County has:

i. Registered improvement in absorption of development funds from 3.4 per cent in the first half of FY 2014/15 to 19.1 per cent in the period under review.

ii. Improvement in local revenue collection from Kshs.42.3 million in the first half of FY 2014/15 to Kshs.54.01 million in the period under review.

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

1. Failure to budget for some conditional grants as per CARA 2015, which includes free maternal health care, Road Maintenance Fuel Levy Fund, leasing of medical equipment and an overstated Level 5 Hospitals grant.

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

1. *The County should prepare a supplementary budget to include* the *conditional grants as per CARA, 2015. The grants include; free maternal health care, Road Maintenance Fuel Levy Fund, leasing of medical equipment, and a correction of the overstated Level 5 Hospitals grant.*

3.26 Meru County

3.26.1 Overview of the FY 2015/16 Budget

The FY 2015/16 Approved Supplementary Budget for Meru County was Kshs.8.50 billion. It comprised of Kshs.5.11 billion (60.1 per cent) allocated for recurrent expenditure and Kshs.3.39 billion (39.9 per cent) for development expenditure.

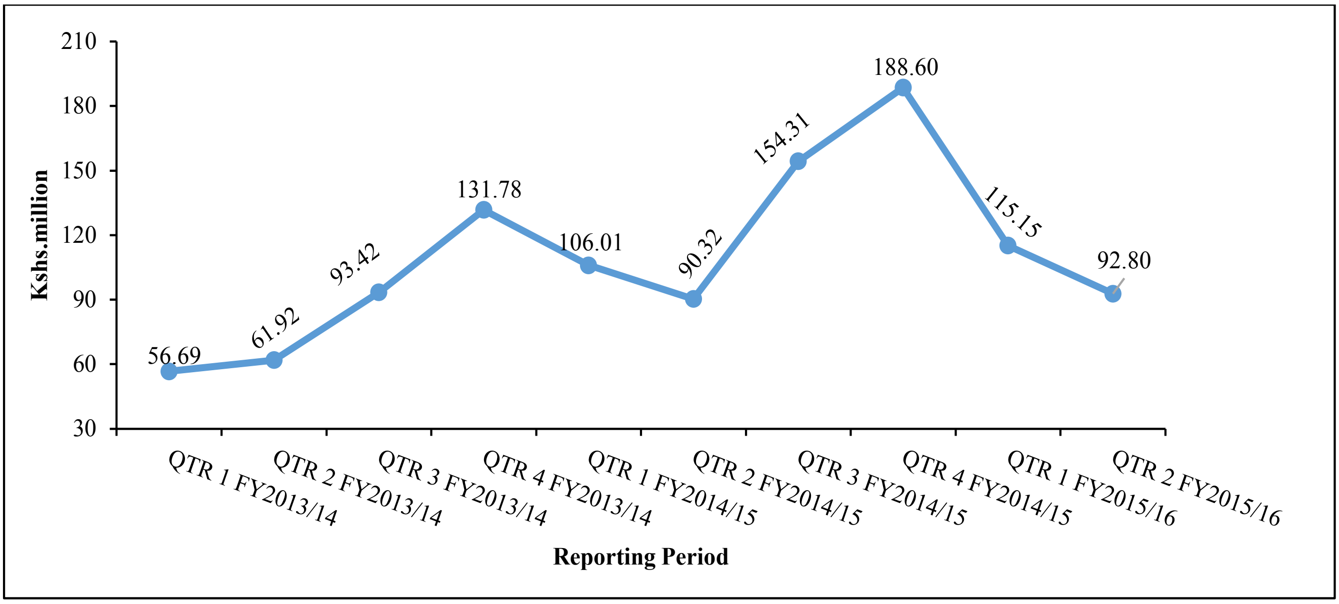
In order to finance the budget, the County expected to receive Kshs.6.49 billion (76.4 per cent) as transfers from the National Government, Kshs.82.49 million (1.0 per cent) from the Road Maintenance Fuel Levy Fund, collect Kshs.997.93 million (11.7 per cent) from local sources, a Kshs.244.32 million (2.9 per cent) as level 5 hospital funds, a conditional grant of Kshs.20.59 million (0.20 per cent) from DANIDA and Kshs.656.22 million (7.7 per cent) representing the opening cash balance from FY 2014/15.

3.26.2 Revenue Analysis

In the first half of FY 2015/16, the County received Kshs.2.18 billion from the National Government as equitable share to the CRF account, Kshs.81.85 million as conditional allocations for Level 5 Hospital, Kshs.41.66 million as conditional allocations from the road maintenance fuel levy fund, Kshs.58.28 million as conditional allocations for free maternal health care, Kshs.3.92 million as conditional allocations for forgone user fees, raised Kshs.207.95 million from local sources, and had a cash balance of Kshs.649.94 million brought forward from FY 2014/15.

The quarterly trend in local revenue collection from the FY 2013/14 to the second quarter of FY 2015/16 is shown in figure 3.101.

Figure 3.101: Meru County, Trend in Local Revenue Collection by Quarter from the FY 2013/14 to the second quarter of FY 2015/16



Source: *Meru County Treasury*

The local revenue consisted of Kshs.115.15 million raised in the first quarter and Kshs.92.80 million in the second quarter. The local revenue raised in the first half of the FY 2015/16 was Kshs.207.95 million (20.8 per cent of the annual local revenue target), an improvement from Kshs.196.33 collected in a similar period of FY 2014/15.

Analysis of local revenue realized by stream is shown in Table 3.51.

Table 3.51: Meru County, Analysis of revenue collection by stream for the first half of FY 2015/16

NO.	Revenue Stream	Annual Targeted Revenue (Kshs.)	6-Month Actual Revenue (Kshs.)	Revenue Performance (%)
	A	B	C	D=*100
1	Liquor License	20,000,000	13,316,800	66.6
2	Hospital FIF	160,000,000	67,848,405	42.4
3	Market Fee	98,032,833	23,589,471	24.1
4	Cess	83,832,188	20,103,614	24.0
5	Parking Fees	137,912,425	26,709,700	19.4
6	Others Sources	498,150,636	56,377,337	11.3
	TOTAL	**997,928,083**	**207,945,328**	**20.8**

Source: *Meru County Treasury*

Analysis of revenue collection by stream indicates that Liquor License recorded the highest percentage of revenue performance against annual target at 66.6 per cent followed by hospital FIF fees at at 42.4 per cent.

3.26.3 Banking of Local Revenue

A review of the bank statements for the revenue collection accounts indicated that the County did not bank all the locally generated revenue intact into the CRF during the period under review. Collections from liquor license and Hospital Facility Improvement Fund (FIF) amounting to Kshs.13.4 million and Kshs.67.85 million respectively were not banked into the CRF even though these amounts were included in the revenue returns. This is in contravention to Article 207 of the Constitution and Section 109 of the PFM Act 2012, which stipulates that all funds raised or received by or on behalf of the County Government should be deposited into the CRF account, unless excluded by an Act of Parliament.

3.26.4 Exchequer Issues

During the period under review, the COB authorized for withdrawal of Kshs.2.45 billion from the CRF account, which was 28.8 per cent of the approved supplementary budget. The amount represented an increase of 6.5 per cent from Kshs.2.3 billion authorized in a similar period of FY 2014/15 and consisted of Kshs.2.24 billion (91.6 per cent) for recurrent expenditure and Kshs.206.0 million (8.4 per cent) for development activities.

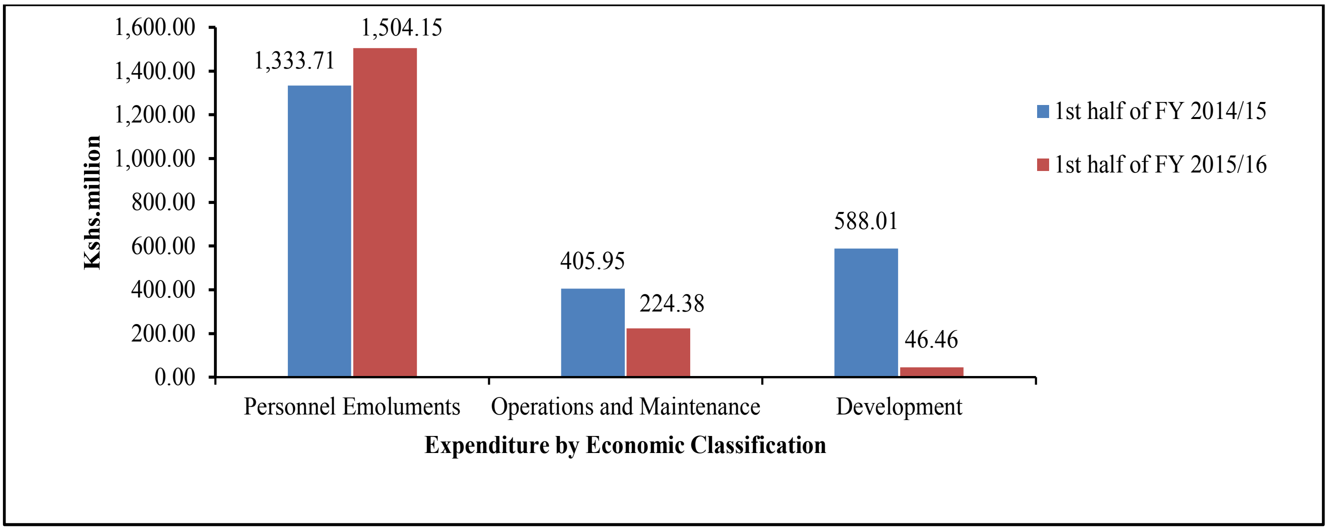
3.26.5 Overall Expenditure Review

The County spent a total of Kshs.1.77 billion during the first half of FY 2015/16 which was 72.6 per cent of the funds released for both recurrent and development expenditure. This is a reduction from Kshs.2.33 billion spent in a similar period of FY 2014/15. A total of Kshs.1.73 billion was spent on recurrent activities and Kshs.46.46 million on development activities. Recurrent expenditure was

77.2 per cent of the funds released for recurrent activities while development expenditure accounted for 22.6 per cent of the funds released for development activities. The expenditure excludes commitments as of 31st December, 2015 that amounted to Kshs.76.0 million for development and Kshs.403.70 million for recurrent expenditure.

Recurrent expenditure for the period under review represented 33.8 per cent of the approved annual recurrent budget, a decrease from 45.1 per cent spent in a similar period of FY 2014/15. On the other hand, development expenditure recorded an absorption rate of 1.4 per cent, a decrease from 25.1 per cent spent in a similar period of FY 2014/15. The low spending on development projects is attributed to the slow pace at which the County addressed the budget issues which led delay in release of development expenditure funds. A comparison of the total expenditure between the first half of FY 2014/15 and first half of FY 2015/16 is shown in Figure 3.102.

Figure 3.102:Meru County, Expenditure by Economic Classification for First Half of FY 2014/15 and First Half of FY 2015/16



Source: *Meru County Treasury*

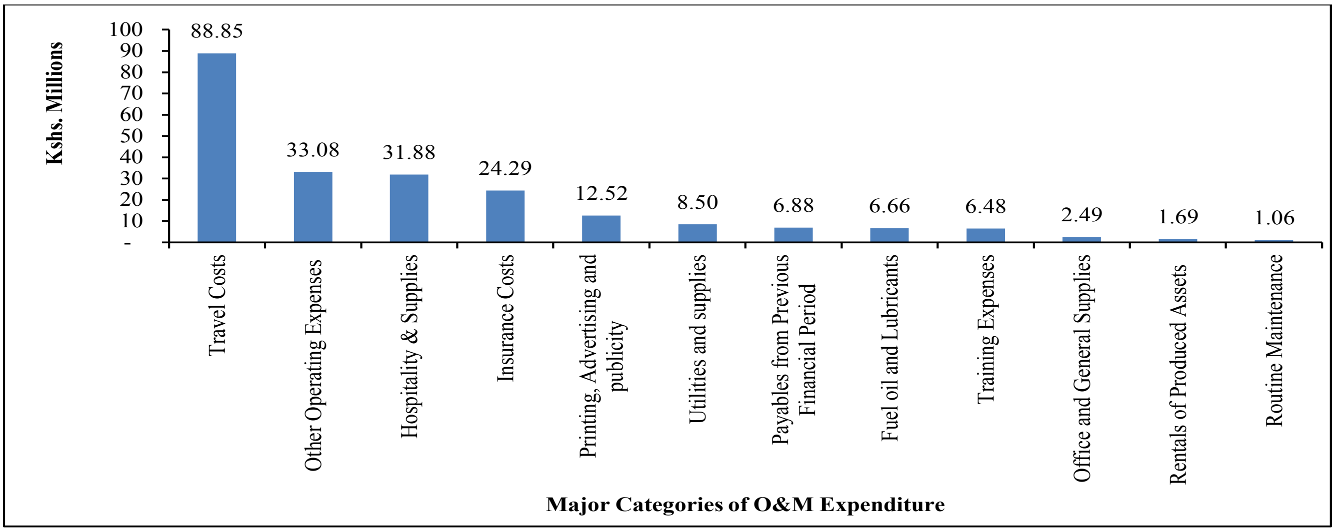
3.26.6 Recurrent Expenditure Analysis

The total recurrent expenditure for the reporting period was Kshs.1.73 million against an annual recurrent budget of Kshs.5.11 billion. This represents 33.8 per cent of the annual recurrent budget. The County spent Kshs.1,504.15 million (87.0 per cent) on personnel emoluments and Kshs.224.38 million (13 per cent) on operations and maintenance as shown in Figure 3.102. Expenditure on personnel emoluments accounted for 84.7 per cent of total expenditure and has increased significantly in the half year of FY 2015/16 as compared to a similar period in FY 2014/15 when the County spent Kshs.1.33 billion. The increase is attributed to the increasing county wage bill.

The County spent Kshs.51.67 million on sitting allowances to the 69 MCAs and the Speaker against an annual budget of Kshs.120.20 million. This is a marginal decrease from Kshs.51.66 million recorded in a similar period of FY 2014/15. The average monthly sitting allowance per MCA was Kshs.123,028 compared to SRC's recommended monthly ceiling of Kshs.124,800.

A breakdown of the operations and maintenance expenditure for the reporting period is shown in Figure 3.103.

Figure 3.103: Meru County, Operations and Maintenance Expenditure for the First Half of FY 2015/16



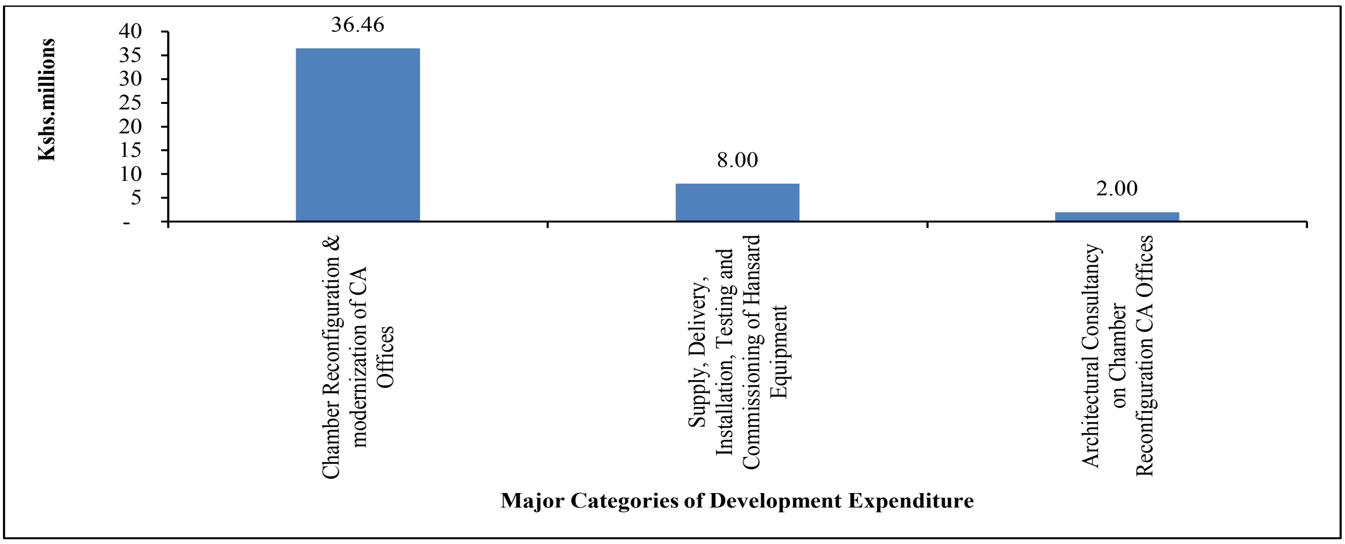
Source: *Meru County Treasury*

The aggregate expenditure on domestic and foreign travel was Kshs.88.85 million compared to Kshs.105.0 million incurred in a similar period of FY 2014/15, representing a decrease of 15.4 per cent. This expenditure comprised of Kshs.24.38 million spent by the County Executive and Kshs.64.47 million by the County Assembly.

3.26.7 Development Expenditure Analysis

A summary of development expenditure during the first half of FY 2015/16 is provided in figure 3.104.

Figure 3.104: Meru County, Summary of Development Expenditure for the First Half of FY 2015/16



Source: *Meru County Treasury*

Analysis of the development expenditure of Kshs.46.46 million in the first half of FY 2015/16 indicates that Kshs.36.46 million was spent on Chamber reconfiguration and modernization of County Assembly offices; Kshs.8 million was spent on supply, delivery, installation, testing and commissioning of Hansard equipment while Kshs.2 million was spent on architectural consultancy on chamber reconfiguration and modernization of County Assembly offices.

3.26.8 Annual Budget and Budget Performance Analysis by department for the First Half of FY 2015/16

A summary of the FY 2015/16 annual budget estimates and budget performance for the first half by department for Meru County is as shown in Table 3.52.

Table 3.52: Meru County, Annual Budget and First Half of FY 2015/16 Budget Performance by Department

Department	Annual Budget Allocation (Kshs.Million)		6-Months Exchequer Issues (Kshs. Million)		6-Months Expenditure (Kshs.Million)		6-Months Expenditure to Exchequer Issues (%)		Absorption rate (%)	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
County Assembly	792.12	114.07	437.84	32.03	345.4	46.46	78.9	145.1	43.6	40.7
Office of the Governor	268.22	-	79.99	-	39.4	-	49.3		14.7	
County Treasury	511.29	202.39	173.56	-	130.73	-	75.3		25.6	0.0
Agriculture, Fishery and Livestock	329.68	235.22	138.18	-	118.95	-	86.1		36.1	0.0
Water, Environment and Natural Resources	110.86	720.36	50.48	18.82	38.71	-	76.7	0.0	34.9	0.0
Education	466.96	244.28	146.92	6.14	133.17	-	90.6	0.0	28.5	0.0
Health	1,620.19	341.7	670.23	7.78	673.42	-	100.5	0.0	41.6	0.0
Lands, Housing, Physical and Economic Planning	95.66	164.95	48.41	8.04	33.6	-	69.4	0.0	35.1	0.0
Public Service and Administration	621.94	9.95	356.5	-	137.52	-	38.6		22.1	0.0
Transport and Infrastructure	104.35	858.59	45.55	22	32.04	-	70.3	0.0	30.7	0.0
Cooperative, Tourism and Enterprise Development	87.6	282.55	36.9	55	25.32	-	68.6	0.0	28.9	0.0
Culture, Gender and Sports	59.17	211.44	30.91	56.19	16.64	-	53.8	0.0	28.1	0.0
County Public Service Board	14.62	-	10.33	-	1.75	-	16.9		12.0	
Town Administration	24.53	2.5	13.82	-	1.89	-	13.7		7.7	0.0
TOTAL	**5,107.16**	**3,388.99**	**2,240.63**	**206**	**1,729.53**	**46.46**	**77.2**	**22.6**	**33.9**	**1.4**

Source: *Meru County Treasury*

A breakdown of budget performance by department shows that the County Assembly reported the highest percentage of its recurrent expenditure to its recurrent budget at 43.6 per cent, followed by the Department of Health at 41.6 per cent. The Department of Town Administration recorded the lowest percentage of its recurrent expenditure to its recurrent budget at 7.7 per cent. It is worth noting that only the County Assembly incurred development expenditure during the period which was more than the funds released (145.1 per cent) for development activities.

3.26.9 Borrowing by the County Government

Article 212 of the Constitution requires a county government to borrow with approval from the County Assembly, and only if the national government guarantees the loan. Further, Section 58 of the PFM Act 2012, gives the Cabinet Secretary to the National Treasury the powers to guarantee loans subject to approval by Parliament. During the period under review, the County utilized its equitable share and local revenue collection deposited into the County Revenue Fund account maintained at the Central Bank of Kenya and did not borrow any funds.

3.26.10 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 revenue collection from Kshs.196.33 million in the first half of FY 2014/15 to Kshs.207.95 million.

During the first half of FY 2015/16, the County experienced some challenges that affected budget implementation. They included:

1. Failure to remit all locally collected revenue into the CRF account as stipulated in Section 109(2) of the Public Finance Management Act, 2012.

2. Failure to submit financial reports for the Hospital FIF, Alcohol Board, Meru Microfinance Corporation and Meru Investment and Development Corporation.

3. Discrepancies between the development budget estimates uploaded into the IFMIS and the approved Supplementary budget, which indicate staff capacity challenges in the use of IFMIS.

4. High turnover of key staff in the County Treasury which might result in reporting and accountability problems.

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

1. *All local revenue should be deposited into the CRF account as stipulated in Section 109(2) of the PFM Act 2012.*

2. *The County should ensure timely submission of expenditure reports to the Controller of Budget.*

3. *The County Treasury should liaise with the IFMIS Directorate to train staff in the use of IFMIS. In addition, regular reconciliation should be undertaken to ensure the budget uploaded in the IFMIS system tallies with that approved by the County Assembly.*

4. *The County Treasury should address the high staff turnover in the department.*

3.27 Migori County

3.27.1 Overview of the FY 2015/16 Budget

The FY 2015/16 approved budget for Migori County for FY 2015/16 was Kshs.6.51 billion. It comprised of Kshs.3.58 billion (55.0 per cent) allocated for recurrent expenditure and Kshs.2.93 billion (45.0 per cent) for development expenditure.

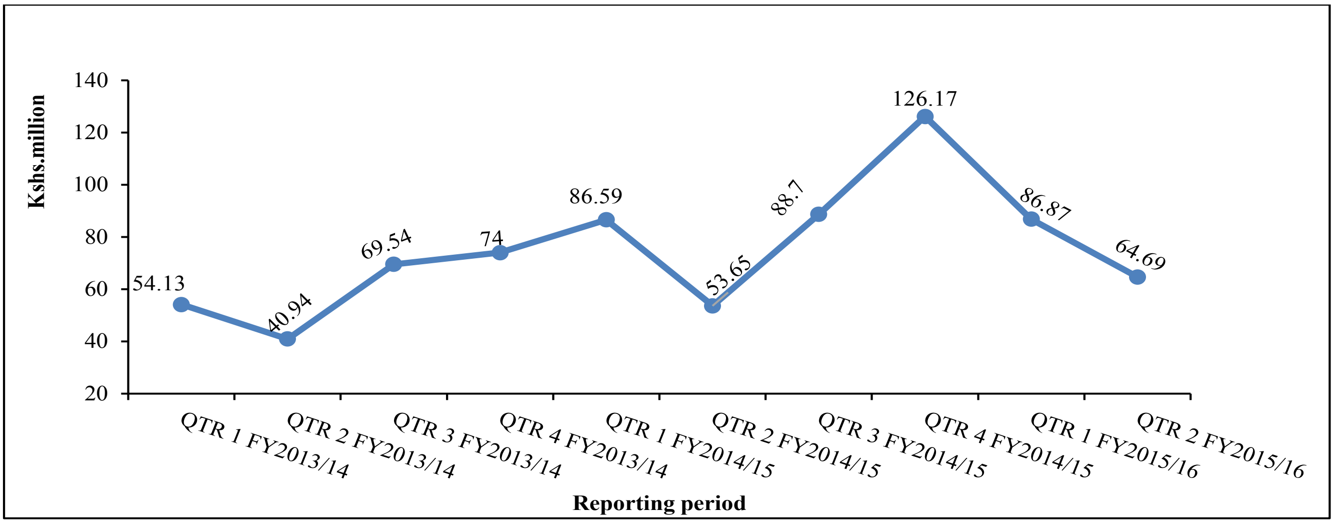
In order to finance the budget, the County expected to receive Kshs.5.70 billion (87.54 per cent) as transfers from the National Government, collect Kshs.400 million (6.15 per cent) from local sources, a conditional grant of Kshs.20.44 million (0.31 per cent) from DANIDA, Kshs.162.10 million (2.49 per cent) as other conditional grants, Kshs.109.70 million (1.69 per cent) as free maternal health care, Kshs.44.49 million (0.68 per cent) for leasing of medical equipment and Kshs.74.15 million from Road Maintenance Fuel Levy Fund. However, County did not budget for forgone user fees of Kshs.21.38 million, opening cash balance amounting to Kshs.538.74 million, donors fund from UNFPA amounting to Kshs.15.13 million, and under-budgeted for free maternal health care by Kshs.55.34 million.

3.27.2 Revenue Analysis

In the first half of FY 2015/16, the County received Kshs.2.48 billion from the National Government as a direct transfer to the CRF account, Kshs.5.13 million as conditional allocations for forgone user fees, Kshs.50.81 million as conditional allocations for free maternal health care, Kshs.37.44 million as conditional allocations from the road maintenance fuel levy fund, raised Kshs.151.56 million from local sources, and had a cash balance of Kshs.538.74 million brought forward from FY 2014/15.

The quarterly trend in local revenue collection from FY 2013/14 to the second quarter of FY 2015/16 is shown in figure 3.105.

Figure 3.105: Migori County, Trend in Local Revenue Collection by Quarter from the FY 2013/14 to the second quarter of FY 2015/16



Source: *Migori County Treasury*

The local revenue consisted of Kshs.86.87 billion raised in the first quarter and Kshs.64.70 million in the second quarter. The local revenue raised in the first half of the FY 2015/16 was Kshs.151.56 million (37.9 per cent of the annual local revenue target), an improvement from Kshs.140.24 million collected in a similar period of FY 2014/15.

Analysis of local revenue realized by stream is shown in Table 3.53.

Table 3.53: Migori County, Analysis of revenue collection by stream for the first half of FY 2015/16

No.	Revenue Stream	Annual Targeted Revenue (Kshs.)	Six Months Actual Revenue (Kshs.)	Revenue Performance (%)
	A	B	C	D=*100
1	Parking- Bus Park	60,000,000	26,897,900	44.8
2	Market Dues	50,000,000	23,705,740	47.4
3	Ministry of Health	45,000,000	18,801,955	41.8
4	Tobacco Cess	40,000,000	11,668,343	29.2
5	Moto cycles- Parking Fee	22,000,000	11,379,980	51.7
6	Sugar Cane- Cess	40,000,000	10,236,640	25.6
7	C/A,C/F,S.H.FEES	19,000,000	8,721,200	45.9
8	Maize/Potatoes-Cess	11,000,000	7,693,200	69.9
9	S.B.P./Applications	50,000,000	7,089,920	14.2
10	Copper-Cess	4,000,000	2,116,586	52.9
11	Other Revenue streams	59,000,000	23,248,296	39.4
	Total	**400,000,000**	**151,559,760**	**37.9**

Source: *Migori County Treasury*

A review of locally generated revenue collection by stream indicates that Maize/Potato Cess generated the highest percentage of revenue against actual target at 69.9 per cent followed by Copper Cess and Motor Cycles Parking Fees 52.9 per cent and 51.7 per cent respectively. The Single Business Permit had the lowest percentage of revenue against actual target at 14.2 per cent.

3.27.3 Banking of Local Revenue

A review of the bank statements for the revenue collection account indicates that all locally generated revenue was deposited into the CRF during the period under review. This conforms to Article 207 of the Constitution and Section 109 of the PFM Act 2012, which stipulates that all funds raised or received by or on behalf of the County Government should be deposited into the CRF account, unless excluded by an Act of Parliament.

3.27.4 Exchequer Issues

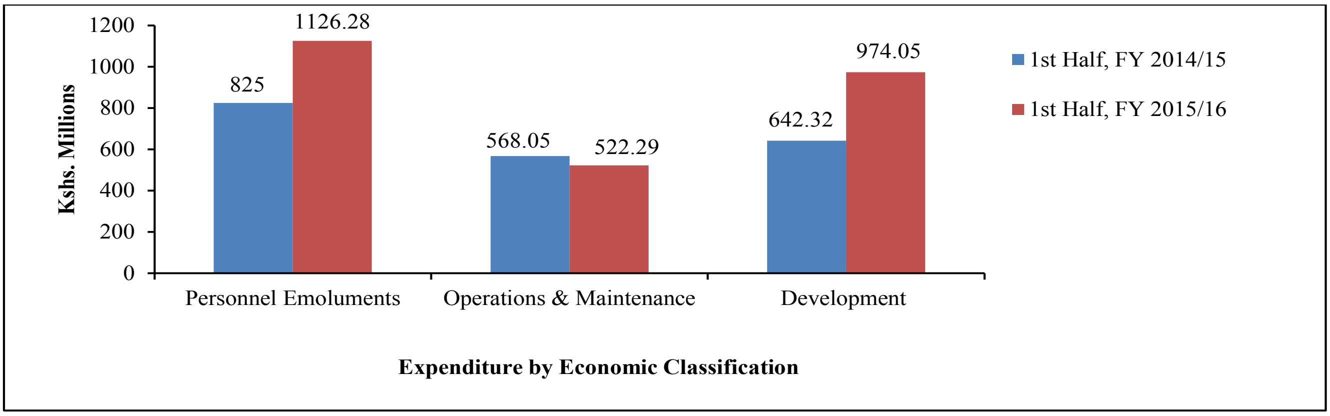
During the period under review, the COB authorized for withdrawal of Kshs.2.73 billion from the CRF, which was 42.0 per cent of the approved budget. The amount represented an improvement of 33.2 per cent from Kshs.2.05 billion authorized in a similar period of FY 2014/15 and consisted of Kshs.1.81 billion (66.3 per cent) for recurrent expenditure and Kshs.920 million (33.7 per cent) for development activities.

3.27.5 Overall Expenditure Review

The County spent a total of Kshs.2.62 billion during the first half of FY 2015/16 which was 96.0 per cent of the funds released for both recurrent and development expenditure. This is an increase from the Kshs.2.04 billion spent in a similar period of FY 2014/15. A total of Kshs.1.65 billion was spent on recurrent activities and Kshs.974.05 million on development activities. Recurrent expenditure was 91.0 per cent of the funds released for recurrent activities while development expenditure accounted for 105.9 per cent of the funds released for development activities.

Recurrent expenditure for the period under review represented 46.0 per cent of the approved annual recurrent budget, a slight decrease 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 33.3 per cent, an improvement from 27.5 per cent spent in a similar period of FY 2014/15. A comparison of the total expenditure between the first half of FY 2014/15 and the first half of FY 2015/16 is shown in Figure 3.106.

Figure 3.106: Migori County, Expenditure by Economic Classification for First Half of FY 2014/15 and First Half of FY 2015/16



Source: *Migori County Treasury*

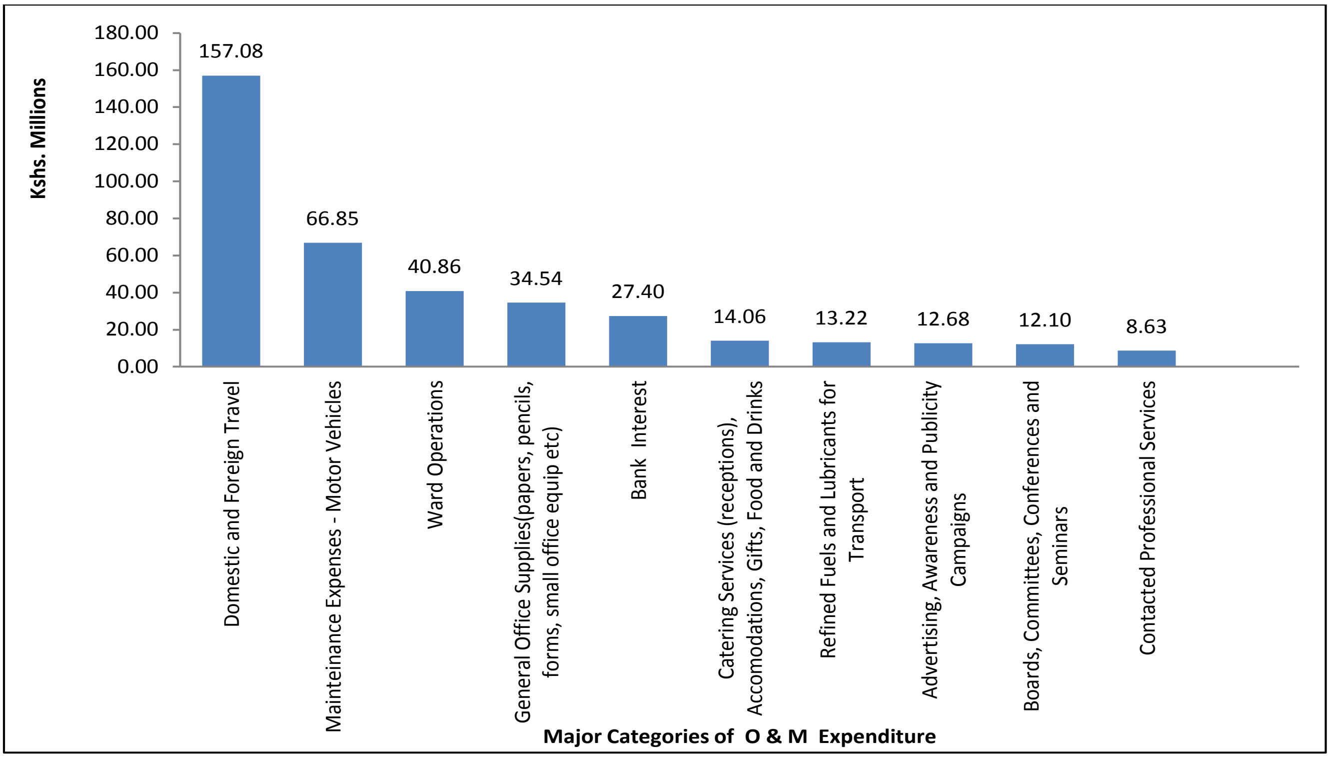
3.27.6 Recurrent Expenditure Analysis

The total recurrent expenditure for the reporting period was Kshs.1.65 billion against an annual recurrent budget of Kshs.3.58 billion. This represents 46.0 per cent of the annual recurrent budget. The County spent Kshs.1.13 billion (68.3 per cent) on personnel emoluments and Kshs.522.29 million (31.7 per cent) on operations and maintenance as shown in Figure 3.106. Expenditure on personnel emoluments accounted for 43.1 per cent of total expenditure and has increased significantly in first half of FY 2015/16 as compared to a similar period in FY 2014/15 when the County spent Kshs.825.00 million.

The County spent Kshs.62.27 million on sitting allowances to the 63 MCAs and the Speaker against an annual budget of Kshs.126.88 million. This is a marginal decrease from Kshs.68 million recorded in a similar period of FY 2014/15. The average monthly sitting allowance per MCA was Kshs.164,729 compared to SRC's recommended monthly ceiling of Kshs.124,800.

A breakdown of the operations and maintenance expenditure for the reporting period is shown in Figure 3.107.

Figure 3.107: Migori County, Operations and Maintenance Expenditure for the First Half of FY 2015/16



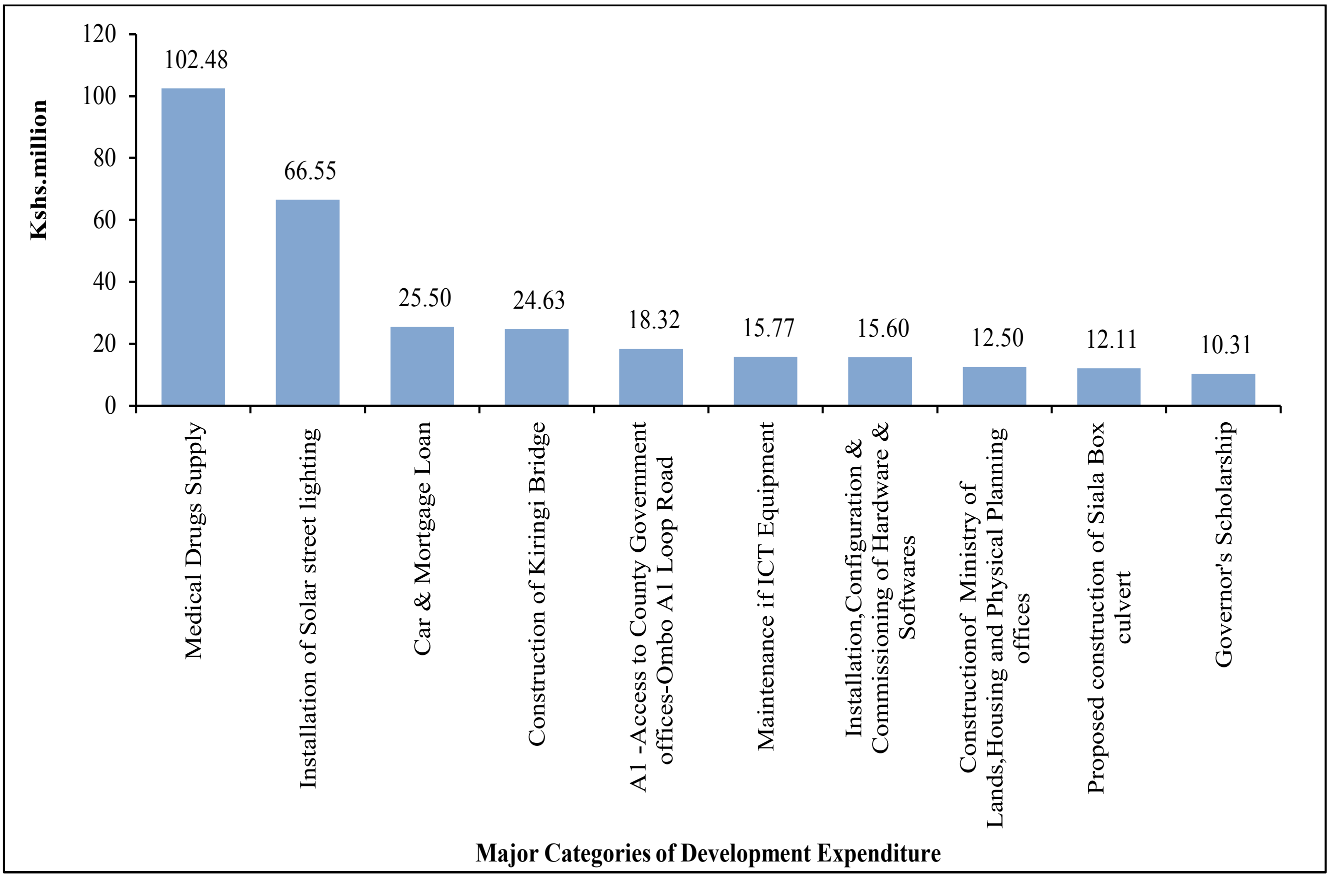
Source: *Migori County Treasury*

The aggregate expenditure on domestic and foreign travel was Kshs.157.08 million an increase of 156.24 per cent compared to Kshs.61.30 million incurred in a similar period of FY 2014/15. This expenditure comprised of Kshs.100.43 million spent by the County Executive and Kshs.56.65 million by the County Assembly.

3.27.7 Development Expenditure Analysis

A summary of development expenditure during the first half of FY 2015/16 is provided in figure 3.108.

Figure 3.108:Migori County, Summary of Development Expenditure for the First Half of FY 2015/16



Source: *Migori County Treasury*

Analysis of the development expenditure of Ksh.974.05 million in the first half of FY 2015/16 indicates that Health Department reported the highest expenditure of Kshs.102.48 million which was spent on purchase of medical drugs. The second highest expenditure at Kshs.66.55 million was incurred by the Energy Department on installation of solar street lightening, Further, the County spent Kshs.25.50 million on Car and Mortgage Loan Scheme (although this expenditure is recurrent expenditure in nature). The Department of Roads incurred Kshs.24.63 million on construction of Kiringi Bridge and Kshs.18.32 million on construction of the A1-acces to county government offices and the Ombo A1-loop road. Expenditure on medical drugs and the Car and Mortgage Loan Scheme should be reclassified as recurrent expenditure.

3.27.8 Annual Budget and Budget Performance Analysis by department for the First Half of FY 2015/16

A summary of the FY 2015/16 annual budget estimates and budget performance for the first half by department is as shown in Table 3.54.

Table 3.54: Migori County, Annual Budget and First Half of FY 2015/16 Budget Performance by Department

Department	Annual Budget Allocation (Kshs.Million)		6-Months Exchequer Issues (Kshs.Million)		6-Months Expenditure (Kshs. Million)		Expenditure to Exchequer Issues (%)		Absorption rate (%)	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
County Assembly Services	652.3	145.3	281.42	42.65	301.08	41.97	107.0	98.4	46.2	28.9
Public Service Management	742.47	185.54	380.46	64.9	505.23	152.37	132.8	234.8	68.0	82.1
Office of the Governor & Deputy Governor	445.09	121	248.98	37.48	231.45	20.31	93.0	54.2	52.0	16.8
Finance & Economic Planning	340.68	495	169.26	58.64	138.49	57.89	81.8	98.7	40.7	11.7
Agriculture, Livestock & Fisheries Development	184.47	478.23	96.01	118.81	80.1	50.63	83.4	42.6	43.4	10.6
Health Services	909.33	224.28	471.68	95.58	291.03	139.56	61.7	146.0	32.0	62.2
Education, Youth, Sports and Culture	134.03	104.73	76.12	107.07	48.33	26.63	63.5	24.9	36.1	25.4
Environment and Disaster Management	34.35	100.06	18.08	21.48	19.1	36.03	105.6	167.7	55.6	36.0
Land, Housing & Physical Planning	39.31	94.19	18.24	29.28	7.55	55.52	41.4	189.6	19.2	58.9
Public Works, Roads , Transport and Energy	43.21	900	22.75	320.33	15.36	366.46	67.5	114.4	35.5	40.7
Trade, Industrialization, Tourism, Wildlife & Cooperative Development	56.04	77.31	28	23.78	10.84	26.68	38.7	112.2	19.3	34.5
Total	**3,581.28**	**2,925.64**	**1,811.00**	**920**	**1,648.56**	**974.05**	**91.0**	**105.9**	**46.0**	**33.3**

Source: *Migori County Treasury*

Analysis of budget performance by department shows that the Department of Public Service Management reported the highest absorption rate of its development budget at 82.1 per cent while the Department of Agriculture, Livestock & Fisheries Development registered the lowest absorption rate at 10.6 per cent. On the other hand, Department of Public Service Management had the highest percentage of the recurrent expenditure at 68.0 per cent while the Department of Land, Housing & Physical Planning had the lowest at 19.2 per cent.

3.27.9 Borrowing by the County Government

Article 212 of the Constitution requires a county government to borrow with approval from the County Assembly, and only if the National Government guarantees the loan. Further, Section 58 of the PFM Act 2012 gives the Cabinet Secretary to the National Treasury the powers to guarantee loans subject to approval by Parliament. During the period under review, the County utilized its equitable share and local revenue collection deposited into the County Revenue Fund account maintained at the Central Bank of Kenya and did not borrow any funds.

3.27.10 Observations and Recommendations

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

i Registered improvement in absorption of development funds from 27.5 per cent in the first half of FY 2014/15 to 33.3 per cent in the reporting period.

ii Improved in local revenue collection from Kshs.140.24 million in the first half of FY 2014/15 to Kshs.151.56 million in the reporting period.

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

1. Lack of Internal Audit Committee contrary to Section 155(5) of PFM Act 2012.
2. Manual collection and reporting of local revenue.
3. Use of manual system to process financial transactions by the County Assembly
4. Failure to budget for the forgone user fees of Kshs.21.38 million, opening cash balances amounting to Kshs.538.74 million, donors fund from UNFPA amounting to Kshs.15.13 million, and under-budgeting for free maternal health care by Kshs.55.34 million.

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

1. *The County should establish an Internal Audit Committee as per section 155(5) of the PFM Act 2012, to enhance oversight in public finance management.*
2. *The County Treasury should automate revenue collection to improve local revenue performance and reporting.*
3. *The County Assembly should adopt IFMIS in order to improve on financial management and comply with the law.*
4. *The County should formulate a supplementary budget to include the under-budgeted conditional grant of Kshs.55.34 million in respect of free maternal health care, Kshs. 21.38 million for forgone user fees, opening cash balance of Kshs.538.74 million and donor funds of Ksh.15.13 million.*

3.28 Mombasa County

3.28.1 Overview of the FY 2015/16 Budget

The FY 2015/16 approved budget for Mombasa County was Kshs.10.92 billion. It comprised of Kshs.6.75 billion (61.8 per cent) allocated for recurrent expenditure and Kshs.4.16 billion (38.2 per cent) for development expenditure.

In order to finance the budget, the County expected to receive Kshs.5.16 billion (47.3 per cent) as transfers from the National Government, collect Kshs.5.18 billion (47.4 per cent) from local sources, a conditional grant of Kshs.573.24 million (5.3 per cent) from development partners and the National Government. However, the County did not budget for some conditional grants as per

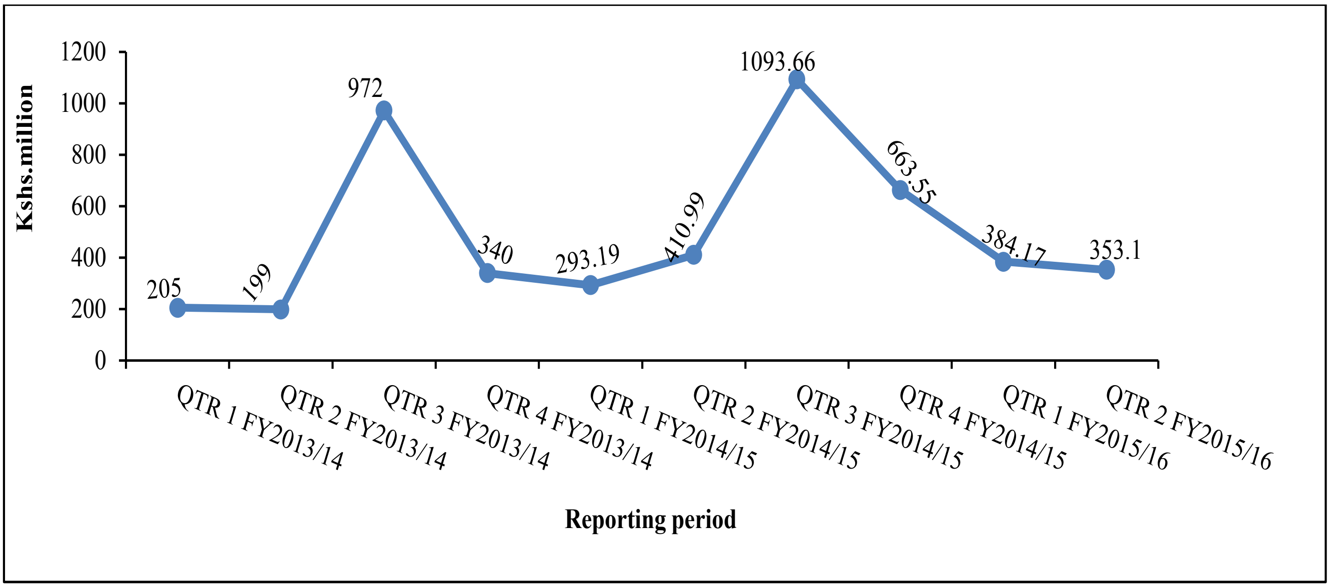
CARA, 2015 which include; Kshs.136.25 million for free maternal health care, Kshs.21.89 million for compensation of forgone user fees, Road Maintenance Fuel Levy Fund amounting to Kshs.66.03 million and allocation for leasing of medical equipment amounting to Kshs.95.74 million. Further, the conditional allocation to level 5 hospitals was overstated in the budget by Kshs.88.30 million.

3.28.2 Revenue Analysis

In the first half of FY 2015/16, the County received Kshs.2.21 billion from the National Government as direct transfers, Kshs.171.24 million as conditional allocations for the Mombasa Level 5 Hospital, Kshs.33.35 million from the Road Maintenance Fuel Levy Fund, Kshs.2.88 million as compensation for forgone User Fees, Kshs.56.97 million for Free Maternal Health Care, and raised Kshs.737.27 million from local sources.

The quarterly trend in local revenue collection from the FY 2013/14 to the second quarter of FY 2015/16 is shown in figure 3.109.

Figure 3.109: Mombasa County, Trend in Local Revenue Collection by Quarter from the FY 2013/14 to the second quarter of FY 2015/16



Source: *Mombasa County Treasury*

The local revenue consisted of Kshs.384.17 million raised in the first quarter and Kshs.353.10 million in the second quarter. The local revenue raised in the first half of the FY 2015/16 was Kshs.737.27 million (14.5 per cent of the annual local revenue target), an improvement from Kshs.718 million collected in a similar period of FY 2014/15.

Analysis of local revenue realized by stream is shown inTable 3.55.

Table 3.55: Mombasa County, Analysis of revenue collection per stream for the first half of

FY 2015/16

No.	Revenue Stream	Annual Targeted Revenue (Kshs.)	Six Months Actual Revenue (Kshs.)	Revenue Performance (%)
	A	B	C	D=*100
1	Transport and Infrastructure Fees	719,507,283	246,778,645	34.3
2	Land Rates	780,946,232	151,519,390	19.4
3	Sand and Ballast Extraction Fees	1,115,629,733	172,004,244	15.4
4	Market Rates	435,028,481	41,538,036	9.5
5	Housing Rent	236,285,486	17,764,865	7.5
6	Water Natural Resources Advertisement Fees	350,408,100	24,364,283	7.0
7	Business Permits	367,377,412	23,744,540	6.5
8	County Planning Control Income	309,431,107	20,359,203	6.6
9	Other Revenue Streams	631,307,423	38,367,264	6.1
10	Clinic Cost Sharing Fees	140,245,768	833,783	0.6
	Total	**5,086,177,025**	**737,274,253**	**14.5**

Source: *Mombasa County Treasury*

Analysis of revenue collection by stream indicates that Transport and Infrastructure Levy Fees recorded the highest percentage of performance against annual target at 34.3 per cent followed by land rates at 19.4 per cent. Clinic Cost Sharing Fees recorded the lowest percentage of performance against annual target at 0.6 per cent.

3.28.3 Banking of local revenue

A review of the bank statements for the revenue collection accounts indicate that all locally generated revenue was deposited into the CRF during the period under review. This conforms to Article 207 of the Constitution and Section 109 of the PFM Act 2012, which stipulates that all funds raised or received by or on behalf of the County Government should be deposited into the CRF account, unless excluded by an Act of Parliament.

3.28.4 Exchequer Issues

The Controller of Budget authorised withdrawal of Kshs.3.38 billion from the CRF, which was 30.9 per cent of the approved budget. The amount represented an increase of 19.9 per cent from Kshs.2.82 billion authorized in a similar period of FY 2014/15 and consisted of Kshs.2.61 billion (77.2 per cent) for recurrent expenditure and Kshs.763.78 million (22.8 per cent) for development activities.

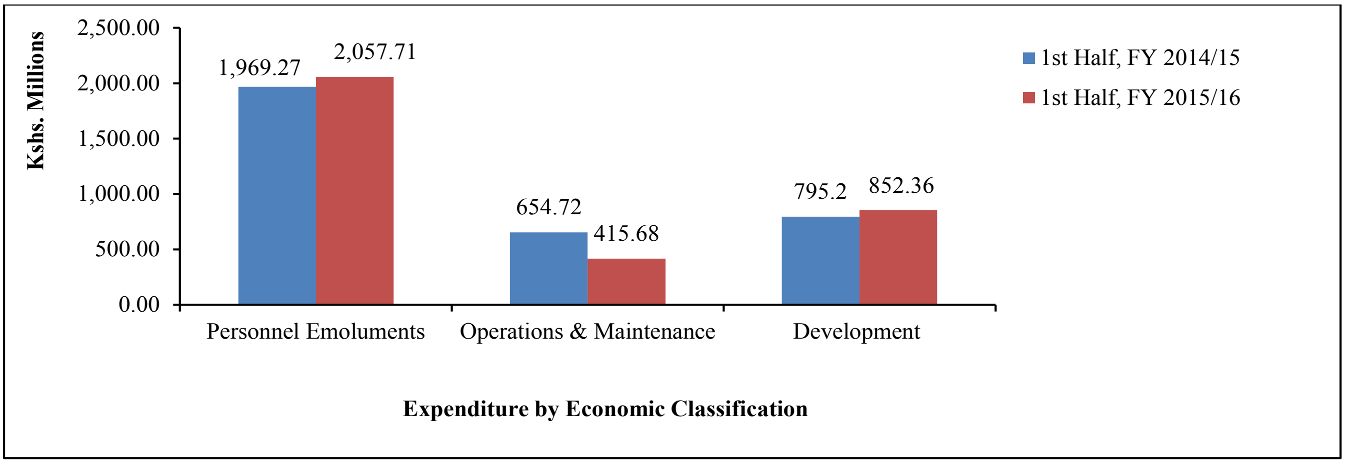
3.28.5 Overall Expenditure Review

The County spent a total of Kshs.3.33 billion during the first half of FY 2015/16 which was 98.5 per cent of the funds released for both recurrent and development expenditure. This is an increase from the Kshs.2.82 million spent in a similar period of FY 2014/15. A total of Kshs.2.47 billion was spent on recurrent activities and Kshs.852.36 million on development activities. Recurrent expenditure was

94.7 per cent of the funds released for recurrent activities while development expenditure accounted for 111.6 per cent of the funds released for development activities. The expenditure excludes commitments as of 31st December, 2015 that amounted to Kshs.363.45 million for development and Kshs.557.93 million for recurrent expenditure.

The recurrent expenditure for the period under review represented 36.6 per cent of the approved annual recurrent budget, an increase from 32.2 per cent spent in a similar period of FY 2014/15. On the other hand, development expenditure recorded an absorption rate of 20.5 per cent, an improvement from 4.6 per cent spent in a similar period of FY 2014/15. A comparison of the total expenditure between the half year of FY 2014/15 and half year of FY 2015/16 is shown in Figure 3.110.

Figure 3.110: Mombasa County, Expenditure by Economic Classification for First Half of FY 2014/15 and for First Half of FY 2015/16



Source: *Mombasa County Treasury*

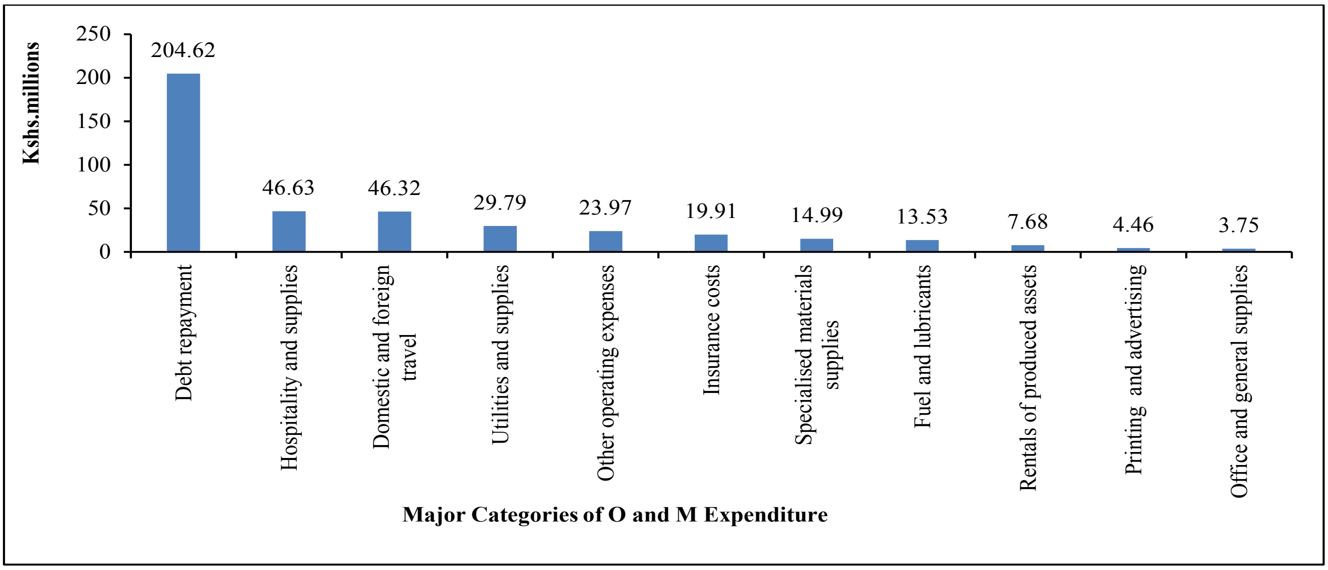
3.28.6 Recurrent Expenditure Analysis

The total recurrent expenditure for the reporting period was Kshs.2.47 billion against an annual recurrent budget of Kshs.6.75 billion. This represents an expenditure of 36.6 per cent of the annual recurrent budget. The County spent Kshs.2.06 billion (83.4 per cent) on personnel emoluments and Kshs.415.68 million (16.8 per cent) on operations and maintenance as shown in Figure 3.110. Expenditure on personnel emoluments accounted for 61.9 per cent of total expenditure and has increased significantly in the first half of FY 2015/16 as compared to a similar period of FY 2014/15 when the County spent Kshs.1.97 billion.

The County spent Kshs.34.97 million on sitting allowances to the 43 MCAs and the Speaker against an annual budget of Kshs.97.84 million. This is an increase from Kshs.28.28 million recorded in a similar period of FY 2014/15. The average monthly sitting allowance per MCA was Kshs.135,558 compared to SRC recommended monthly ceiling of Kshs.124,800.

A breakdown of the operations and maintenance expenditure for the reporting period is shown in Figure 3.111.

Figure 3.111: Mombasa County, Operations and Maintenance Expenditure for the first half of FY 2015/16



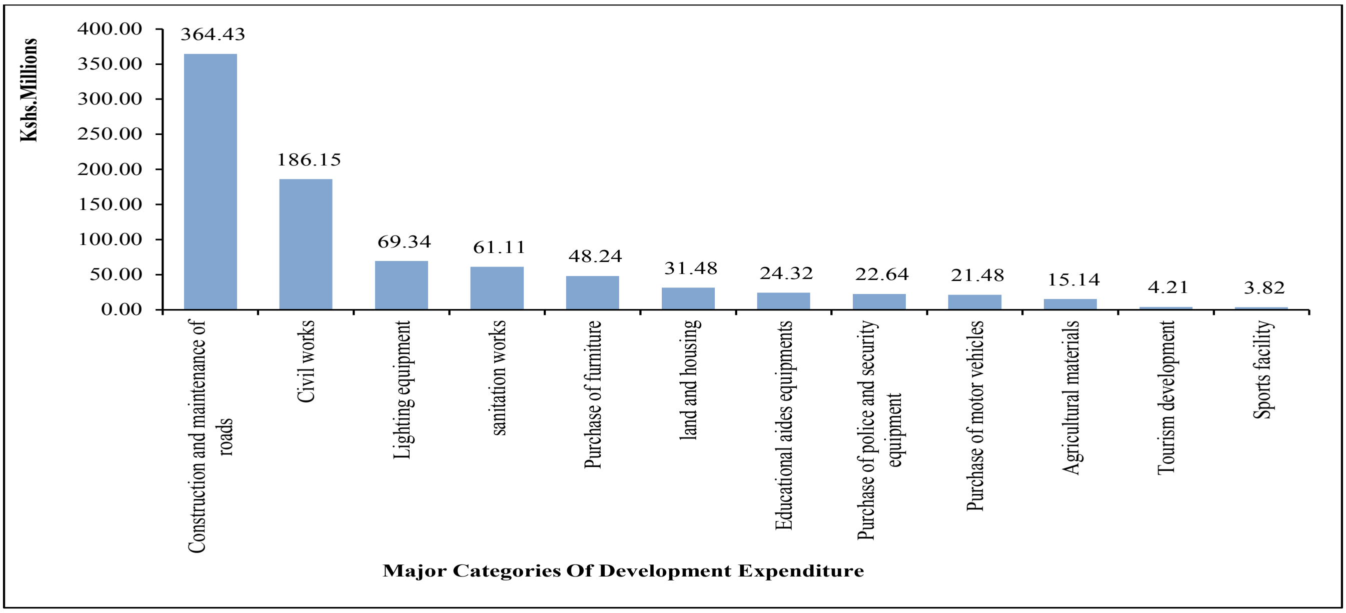
Source: *Mombasa County Treasury*

The aggregate expenditure on domestic and foreign travel was Kshs.46.32 million compared to Kshs.9.05 million incurred in a similar period of FY 2014/15, representing a significant increase of 411.8per cent. This expenditure comprised of Kshs.42.54 million spent by the County Executive and Kshs.3.78 million by the County Assembly.

3.28.7 Development Expenditure Analysis

The details of development expenditure during the first half of FY 2015/16 are provided in figure 3.112.

Figure 3.112: Mombasa County, Summary of Development Expenditure for the first half of FY 2015/16



Source: *Mombasa County Treasury*

Analysis of the development expenditure of Kshs.852.36 million in the first half of FY 2015/16 indicates that the Roads and Public Works department had the highest expenditure of Kshs.364.43 million which was spent on construction and rehabilitation of roads. The second highest expenditure was incurred by the ministry of roads and public works where Kshs.232.18 million was spend under various civil works. The third highest expenditure amounting to Kshs.69.34 million was incurred under the Ministry of Environment, Water and Natural Resources during the street lightning projects. The fourth highest expenditure amounting to Kshs.61.11 million was incurred by the ministry of environment, water and natural resources on various sanitation works. The office of the governor incurred Kshs.48.24 million on purchase of office related equipment.

3.28.8 Annual Budget and Budget Performance Analysis by department for the first half of FY 2015/16

A summary of the FY 2015/16 annual budget estimates and budget performance for the first half by Department is as shown in Table 3.56.

Table 3.56: Mombasa County, Annual Budget and First Half of FY 2015/16 Budget Performance by Department

Department	Annual Budget Allocation (Kshs. Million)		6-Months Exchequer Issues (Kshs. Million)		6-Months Expenditure (Kshs. Million)		Expenditure to Exchequer issues (%)		Absorption rate (%)	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
County Assembly	683.77	35.00	211.38	0.00	227.96	0.00	107.8		33.3	0.0
County Executive	878.25	273.00	311.22	33.00	313.77	49.60	100.8	150.3	35.7	18.2
Public Service Board	68.70	21.20	25.13	0.50	21.06	0.00	83.8	0.0	30.7	0.0
Agriculture	202.18	114.69	72.21	17.30	52.44	13.82	72.6	79.9	25.9	12.0
Lands, Housing & Physical Planning	217.98	100.50	71.08	9.00	76.99	5.12	108.3	56.9	35.3	5.1
Water, Environment & Natural Resources	442.42	327.70	186.17	30.00	223.69	12.00	120.2	40.0	50.6	3.7
Trade,	381.58	247.82	156.09	21.00	116.21	0.00	74.5	0.0	30.5	0.0
Education	249.79	431.79	110.10	63.98	90.69	33.94	82.4	53.0	36.3	7.9
Health Services	2241.13	503.52	953.81	109.34	780.46	3.55	81.8	3.2	34.8	0.7
Finance and Economic Planning	630.72	657.48	220.95	189.47	346.17	455.19	156.7	240.2	54.9	69.2
Youth, Gender and Sports	130.84	599.69	40.63	105.00	43.15	10.60	106.2	10.1	33.0	1.8
Transport and Infrastructure	521.22	718.20	222.41	173.67	162.34	268.52	73.0	154.6	31.1	37.4
Tourism and Betting Control	103.31	134.87	30.36	11.50	18.43	0.00	60.7	0.0	17.8	0.0
Total	**6751.95**	**4165.51**	**2611.54**	**763.76**	**2473.36**	**852.34**	**94.7**	**111.6**	**36.6**	**20.5**

Source: *Mombasa County Treasury*

Analysis of budget performance by Department shows that the Department of Finance and Economic Planning reported the highest absorption rate of its development budget at 69.2 per cent while the Department of Health Services registered the lowest absorption rate at 0.7 per cent. On the other hand, the Department of Tourism and Betting Control, Trade and Public Service Board did not incur any expenditure even though they requisitioned funds for development activities. The Finance and Economic Planning had the highest percentage of recurrent expenditure to its recurrent budget at 54.9 per cent while the department of Tourism and betting control had the lowest percentage at 17.8 per cent.

3.28.9 Borrowing by the County Government

Article 212 of the Constitution requires a county government to borrow with approval from the County Assembly, and only if the national government guarantees the loan. Further, Section 58 of the PFM Act 2012 gives the Cabinet Secretary to the National Treasury the powers to guarantee loans subject to approval by Parliament. During the period under review, the County utilized its equitable share and local revenue collection deposited into the County Revenue Fund account maintained at the Central Bank of Kenya and did not borrow any funds.

3.28.10 Observations and Recommendations

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

i. Registered an improvement in absorption of development funds from 4.6 per cent in the first half of FY 2014/15 to 20.5 per cent in the first half of FY 2015/16.

ii. Embraced use of IFMIS to process financial transactions and enhanced user capacity for effective application of the system.

iii. Adhered to the budgeting and planning timelines as provided for in the PFM Act 2012.

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

1. Low local revenue collection against annual targets. The local collections accounted for 14.5 per cent of annual target. This implies that some planned activities may not be undertaken due to lack of funding.

2. Delay in disbursement of funds by the National Treasury which led to inability to pay suppliers in time.

3. The County did not factor into the budget all conditional grants as provided for in the CARA 2015. The grants included; free maternal health care and Road Maintenance Fuel Levy Fund.

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

1. *The County Treasury should review its revenue collection measures to enhance revenue collection.*

2. *The County should liaise with the National Treasury to ensure that the County's equitable share is disbursed in line with CARA 2015 disbursement schedule.*

3. *The County Treasury should prepare and submit to the County Assembly a Supplementary Budget for approval factoring in the conditional grants as per CARA, 2015.*

3.29 Murang'a County

3.29.1 Overview of the FY 2015/16 Budget

The FY 2015/16 first Supplementary Budget for Murang'a County amounted to Kshs.6.90 billion, with Kshs.3.55 billion (51.4 per cent) allocated for recurrent expenditure and Kshs.3.35 billion (48.6 per cent) for development expenditure.

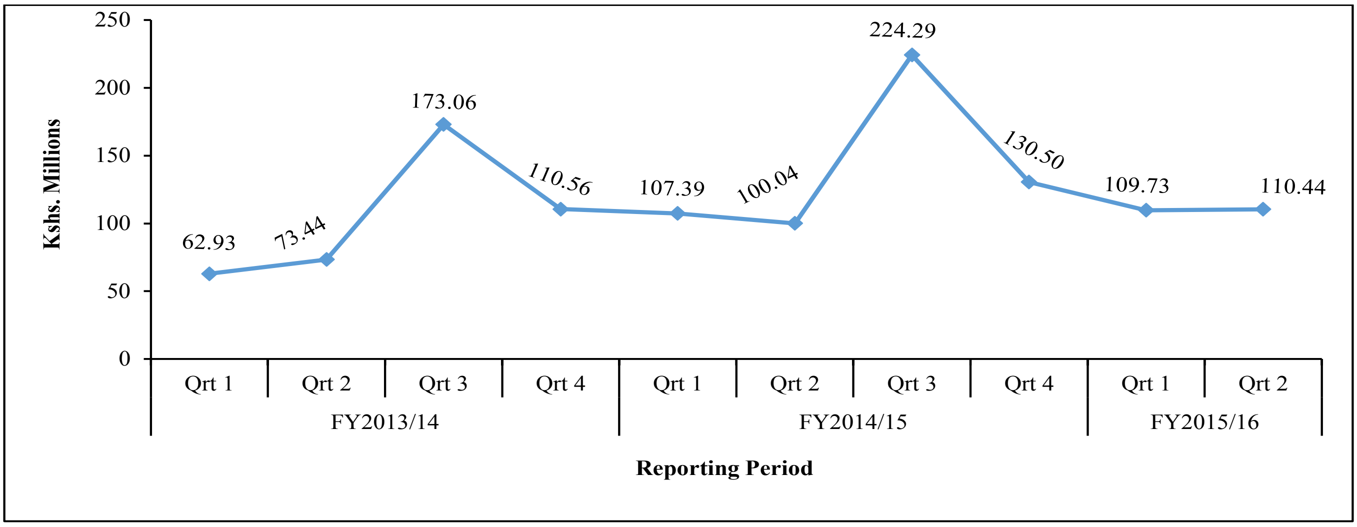
In order to finance the budget, the County expected to receive Kshs.5.36 billion (77.3 per cent) as transfers from the National Government, collect Kshs.850.0 million (12.3 per cent) from local sources, Kshs.432.99 million (6.2 per cent) as projected cash balance from FY 2014/15, receive a conditional grant of Kshs.24.81 million (0.4 per cent) from DANIDA, and receive a conditional grant of Kshs.266.56 million (3.8 per cent) from the National Government as contained in CARA, 2015, to cater for; forgone user fees, compensation for user fees forgone, leasing of medical equipment and road maintenance fuel levy fund.

3.29.2 Revenue Analysis

In the first half of FY 2015/16, the County received Kshs.2.28 billion revenue from the National Government as equitable, Kshs.12.41 million as DANIDA grant, Kshs.34.36 million as conditional allocations for fuel levy fund, Kshs.32.75 million as conditional allocations for free maternal health care, Kshs.8.21 million as conditional allocations for forgone user fees, raised Kshs.220.17 million from local sources, and had an actual cash balance of Kshs.432.99 million brought forward from FY 2014/15.

The trend of local revenue collection from FY 2013/14 to the second quarter of FY 2015/16 is shown in figure 3.113.

Figure 3.113: Murang'a County, Trend in Local Revenue Collection by Quarter from the FY2013/14 to the second quarter of FY 2015/16



Source: *Murang'a County Treasury*

The local revenue consisted of Kshs.109.73 million raised in the first quarter and Kshs.110.44 million in the second quarter. The local revenue raised in the first half of the FY 2015/16 was Kshs.220.33 representing 25.9 per cent of the annual local revenue target, an improvement from Kshs.206.09 million collected in a similar period of FY 2014/15.

The analysis of local revenue by stream is shown in Table 3.57.

Table 3.57: Muranga County, Analysis of revenue collection per stream for the first half of FY 2015/16

No.	Revenue Stream	Annual Targeted Revenue (Kshs.)	Six Months Actual Revenue (Kshs.)	Revenue Performance (%)
	A	B	C	D=*100
	Defunct Local Authority Sources			
1.	Plan Approval	13,798,813	7,712,493	55.9
2.	Land Sub Division/Transfer	10,530,000	5,585,400	53.0
3.	Finance Income (Coffee/Tea Cess, penalties, etc.)	37,064,691	18,178,106	49.0
4.	Parking/Bus Park Fee	74,089,114	25,982,320	35.1
5.	Liquor Licences	35,773,200	12,571,300	35.1
6.	Barter Market Fee	72,211,245	24,994,810	34.6
7.	Building Materials & Other Cess	103,214,900	34,631,330	33.6
8.	Motor Bikes	13,612,140	4,549,320	33.4
9.	Other revenue streams	94,528,210	14,348,223	15.2
10.	Land Rate	72,905,120	8,359,009	11.5
11.	Single Business Permit	138,000,000	11,304,345	8.2
Sub-Total for Defunct Local Authorities Sources		**665,727,433**	**168,216,656**	25.3

No.	Revenue Stream	Annual Targeted Revenue (Kshs.)	Six Months Actual Revenue (Kshs.)	Revenue Performance (%)
	A	B	C	D=*100
Devolved Units Sources				
1.	Water	232,450	391,903	168.6
2.	Trade-Weight & Measures	1,250,740	596,200	47.7
3.	Fisheries	187,034	79,880	42.7
4.	Meat Inspection	14,355,305	5,139,730	35.8
5.	Hospitals /H.C	119,470,312	36,139,556	30.2
6.	Public Health	20,511,324	6,029,390	29.4
7.	Education & Polytechnics	1,368,450	343,950	25.1
8.	Livestock(A.I)	15,402,748	2,171,710	14.1
9.	Land Housing & Physical Planning	5,005,115	616,456	12.3
10.	Veterinary & Clinical Services	4,848,859	544,570	11.2
11.	Cooperatives (Audit)	1,640,230	57,060	3.5
Sub-Total for Devolved Units		**184,272,567**	**52,110,405**	28.3
Grand Total Revenue		**850,000,000**	**220,327,061**	25.9

Source: *Murang'a County Treasury*

The analysis of revenue by stream indicates that plans approval generated the highest per cent of revenue against target at 55.9 per cent followed by land sub-division and transfers at 53.0 per cent for the revenue streams adopted from defunct local authorities. Water as a revenue stream generated the highest percentage of revenue against target at 168.6 per cent followed by Trade-Weight & Measures at 47.7 per cent for the streams adopted from the devolved units. The analysis reveals that only 25.9 per cent of local revenue target has been achieved as at 31st December, 2015 where the worst performing revenue streams are Single Business Permit at 8.5 per cent and cooperative (audit) at 3.5 per cent.

3.29.3 Banking of local revenue

In the first half of FY 2015/16, the County banked all the locally generated revenue intact into the CRF. This conforms to Article 207 of the Constitution and Section 109 of the PFM Act 2012, which stipulate that all funds raised or received by or on behalf of the County Government should be deposited into the CRF account, unless excluded by an Act of Parliament.

3.29.4 Exchequer Issues

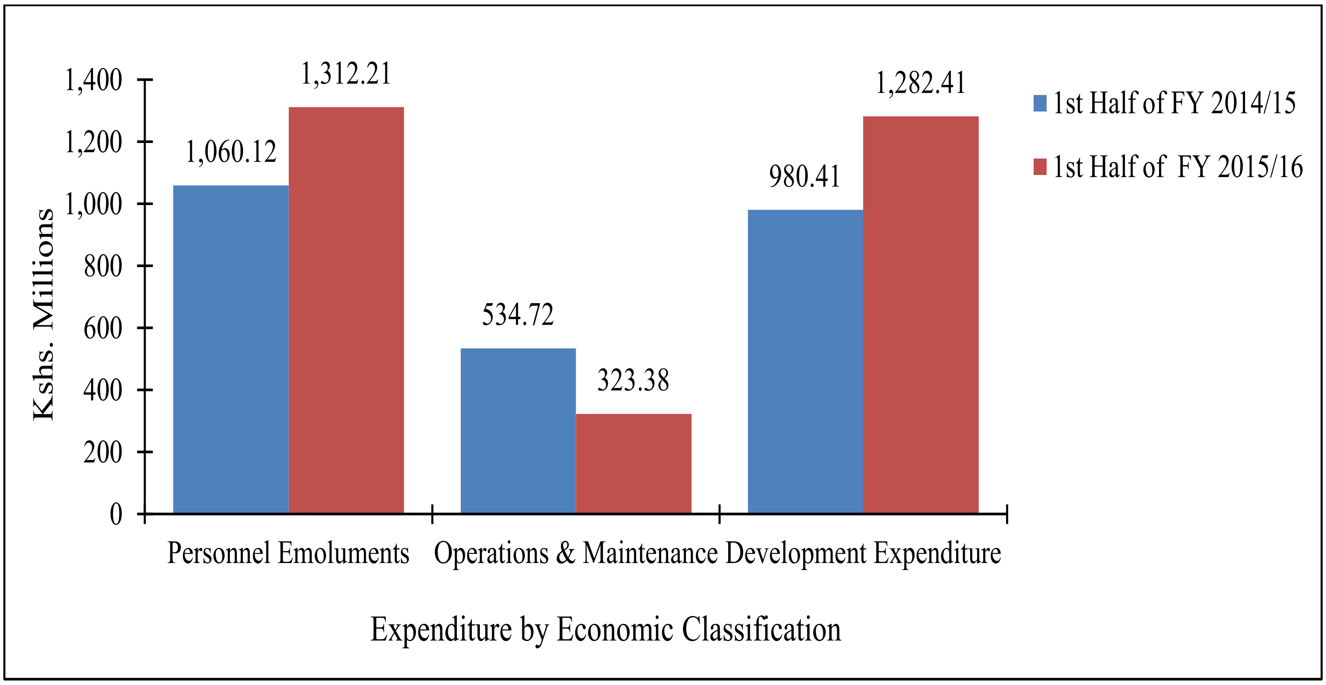
The Controller of Budget authorised withdrawal of Kshs.2.95 billion from the CRF account, which was 42.7 per cent of the approved budget. The amount represented a slight increase of 0.02 per cent from Kshs.2.85 billion authorized in a similar period of FY 2014/15 and consisted of Kshs.1.65 billion (56.0 per cent) for recurrent expenditure and Kshs.1.30 billion (44.0 per cent) for development activities.

3.29.5 Overall Expenditure Review

The County spent a total of Kshs.2.92 billion during the first half of FY 2015/16 which was 98.9 per cent of the released for operations. This was an improvement from the Kshs.2.58 billion spent in a similar period of FY 2014/15. A total of Kshs.1.64 billion was spent on recurrent activities and Kshs.1.28 billion on development activities. Recurrent expenditure was 99 per cent of the funds released for recurrent activities while development expenditure accounted for 98.9 per cent of the funds released for development activities. The expenditure excludes commitments as of 31st December, 2015 that amounted to Kshs.1.08 billion for development and Kshs.30.67 million for recurrent expenditure as per the IFMIS reports.

Recurrent expenditure for the period under review represented 46.1 per cent of the approved annual recurrent budget, a decrease from 49.8 per cent spent in a similar period of FY 2014/15. On the other hand Development expenditure recorded an absorption rate of 38.3 per cent, an improvement from 28.4 per cent spent in a similar period of FY 2014/15. A comparison of the total expenditure in the first of FY 2014/15 and the first of FY 2015/16 is shown in Figure 3.114.

Figure 3.114: Murang'a County, Expenditure by Economic Classification for First Half of FY 2014/15 and for First Half of FY 2015/16



Source: *Murang'a County Treasury*

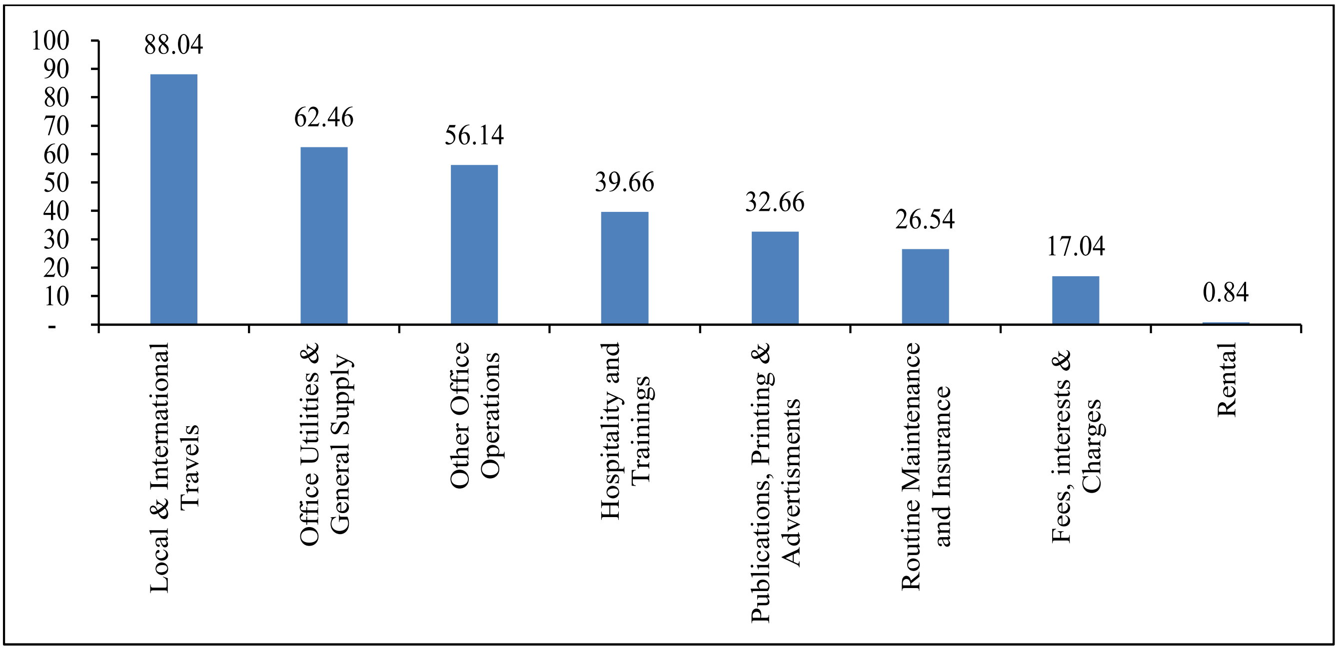
3.29.6 Recurrent Expenditure Analysis

The total recurrent expenditure was Kshs.1.64 billion against a total of budget of Kshs.3.55 billion representing an absorption rate of 46.1 per cent. The County spent Kshs.1.31 billion (79.9per cent) on personnel emoluments and Kshs.323.38 million (19.8 per cent) on operations and maintenance as shown in Figure 3.114. Expenditure on personnel emoluments accounted for 56.2per cent of total expenditure and has increased significantly in the first half of FY 2015/16 as compared to a similar period of FY 2014/15 when the County spent Kshs.1.06 billion. The increase is attributed to employment of health personnel under the Economic Stimulus Program (ESP) strike, adoption of personnel in Youth ministry ESP who were previously in National government payroll, and appointments of various officers and casuals to support coffee program, milk value chain including those working in coolers and alcohol directorate and anti-alcohol campaigns.

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 was a decrease from Kshs.36.34 million recorded in a similar period of FY 2014/15. The average monthly sitting allowance per MCA was Kshs.47,202 compared to SRC's recommended monthly ceiling of Kshs.124, 800.

A breakdown of the operations and maintenance expenditure for the reporting period is shown in Figure 3.115.

Figure 3.115: Murang'a County, Operations and Maintenance Expenditure for the first half of FY 2015/16



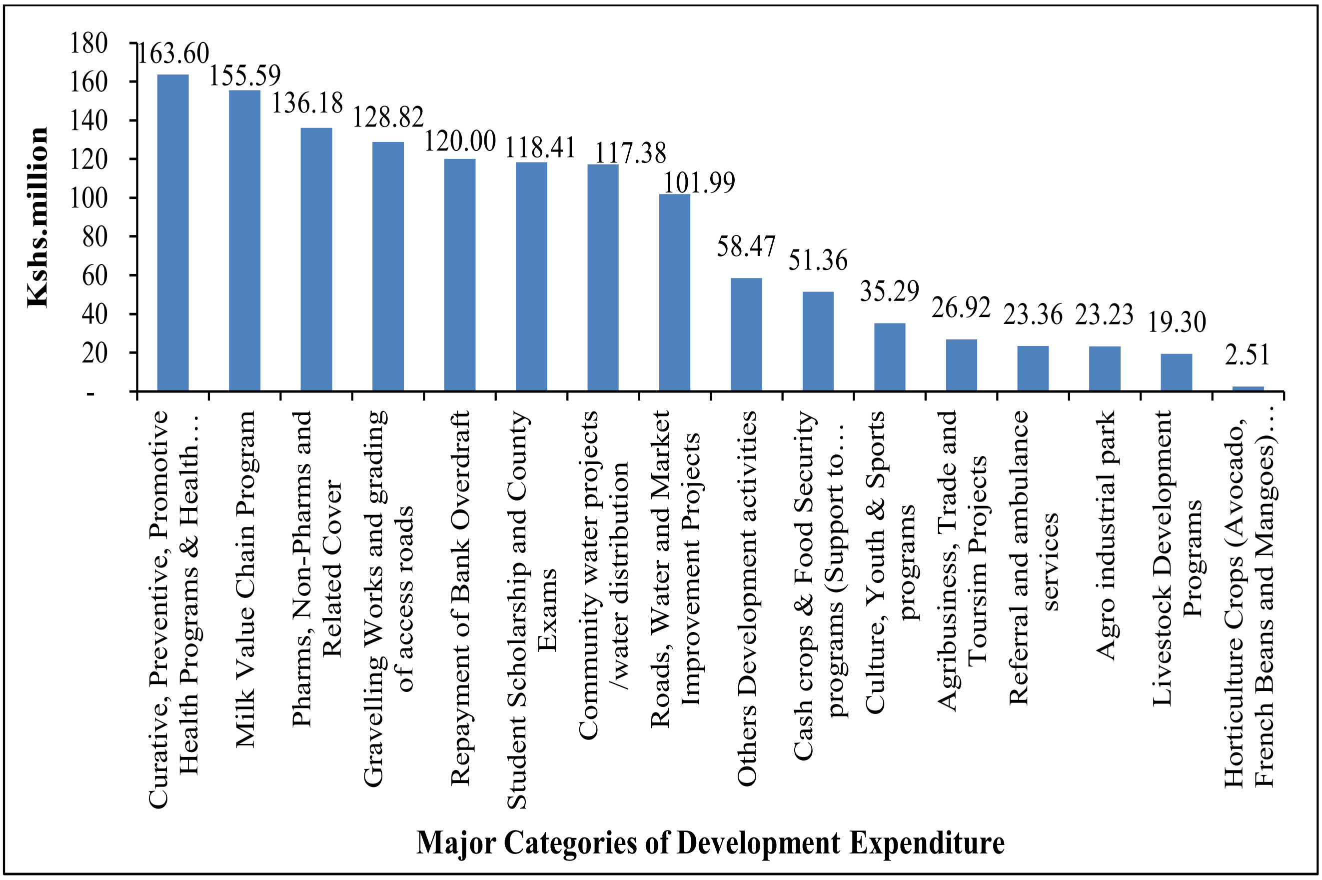
Source: *Murang'a County Treasury*

The aggregate expenditure on domestic and foreign travel was Kshs.88.04 million compared to Kshs.68.25 million incurred in a similar period of FY 2014/15, representing a marginal decrease of 29.0 per cent. This expenditure comprised of Kshs.57.25 million spent by the County Executive and Kshs.30.38 million by the County Assembly.

3.29.7 Development Expenditure Analysis

The details of development expenditure during the first half of FY 2015/16 are provided in figure 3.116.

Figure 3.116: Murang'a County, Summary of Development Expenditure for the first half of FY 2015/16



Source: *Murang'a County Treasury*

Analysis of the development expenditure of Kshs.1.28 billion incurred in the first half of FY 2015/16 indicates that the Energy, Transport, Water and Infrastructure department had the highest expenditure of Kshs.347.75 million which was spent on development and maintenance of access roads, markets and water related projects. The second highest expenditure of Kshs.312.45 million was incurred by the Health department; out of which Kshs.246.7 million was spent on curative health services. The department of Youth, Culture, Social Services and Cooperatives incurred Kshs.155.59 million on the milk value chain development program while the department of Finance and Planning spent Kshs.120 million on repayment of a bank overdraft facility that was classified as a development item.

3.29.8 Annual Budget and Budget Performance Analysis by department for the First Half of FY 2015/16

A summary of the FY 2015/16 annual budget estimates and budget performance for the first half by department is as shown in Table 3.58.

Table 3.58: Murang'a County, Annual Budget and First Half of FY 2015/16 Budget Performance by Department

Department	Annual Budget Allocation (Kshs. Millions)		6 Months Exchequer Issues (Kshs. Millions)		6 Months Expenditure (Kshs. Million)		% of Expenditure to Exchequer Issues		Absorption rate (%)	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
Finance, ICT and Economic Planning	276.20	140.70	117.30	41.00	108.70	127.00	92.7	309.8	39.4	90.3
Education and Technical Training	172.80	167.70	73.10	12.00	81.40	130.50	111.4	1087.6	47.1	77.8
Commerce, Trade Industry and Tourism	6.10	95.00	3.20	74.00	0.50	58.60	15.6	79.2	8.2	61.7
Health and Sanitation	1252.20	631.50	617.30	319.10	781.60	312.50	126.6	97.9	62.4	49.5
Agriculture, Livestock and Fisheries	141.30	136.50	76.40	54.70	36.70	60.30	48.0	110.2	26.0	44.2
Youth, Culture, Gender, Social & Cooperative	49.70	610.10	20.40	247.80	19.20	244.80	94.1	98.8	38.6	40.1
Energy, Transport and Infrastructure	54.70	1215.70	25.60	484.30	12.10	347.80	47.3	71.8	22.1	28.6
Lands, Housing and Physical Planning	11.30	33.30	5.30	32.20	2.50	1.00	47.2	3.1	22.1	3.0
Office of the Governor and Deputy Governor	218.40	6.10	99.90	0.00	80.30	-	80.4	-	36.8	-
Public Service and Administration	727.60	24.30	387.90	5.00	295.20	-	76.1	-	40.6	-
County Assembly	589.00	255.60	201.80	0.00	207.00	-	102.6	-	35.1	-
County Public Service Board	40.00	5.50	20.70	0.00	6.00		29.0		15.0	
Environment and Natural Resources	9.10	29.90	3.70	27.00	4.60	-	124.3	-	50.5	-
Total	**3548.40**	**3351.80**	**1652.40**	**1297.10**	**1635.60**	**1282.40**	99.0	98.9	**46.1**	**38.3**

Source: *Murang'a County Treasury*

An analysis of budget performance by department shows that the Department of Finance, IT and Economic Planning reported the highest absorption rate of its development budget at 90.3 per cent while the Office of the Governor and Deputy Governor, Environment and Natural Resources, Public Service and Administration, County Public Service Board and County Assembly did not incur any expenditure. On the other hand, the Health and Sanitation department had the highest percentage of its recurrent expenditure to its recurrent budget at 62.4 per cent while the department of Environment and Natural Resources had the lowest percentage at 8.2 per cent.

The County spent funds on votes that they had not received exchequer approval by COB. This is depicted by expenditure to exchequer releases of over 100 per cent. As shown in Table 3.58, the department of Finance, ICT and planning spent 309.8 per cent, Education and Technical Training department at 111.4 per cent and 1087.6 per cent for recurrent and development votes respectively.

3.29.9 Borrowing by the County Government

During the period under review, the County did not borrow but had an outstanding bank overdraft facility of Kshs.200 million in Kenya Commercial Bank. This borrowing was not in line with Section 107 (3) of the PFM Act 2012, on short term borrowing. The County did not pay back the overdraft within the stipulated time, but subsequently repaid Kshs.120 million in the second quarter of FY 2015/16.

3.29.10 Observations and Recommendations

The county has made progress in addressing the challenges previously identified as affecting budget implementation. The County has:

i. Registered improvement in absorption of development funds from 28.4 per cent in the first half of FY2014/15 to 38.3 per cent in the first half of FY 2015/16.

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

1. Underperformance of local revenue against set target. The County raised Kshs.220.17 million against an annual target of Kshs.850 million.
2. Delay in the enactment of the finance bill, which may affect the realization of the local revenue target.
3. Transfer of funds to commercial banks by the County Assembly that has enabled use of manual system to process financial transactions. This is prone to abuse and is against the set government standards of processing financial transactions.

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 Treasury should fast track enactment of the finance bill to provide the requisite framework for revenue collection.*
3. *The County Assembly should adopt the IFMIS spending framework as spelt out in the PFM Act 2012 in order to enhance transparency and accountability on the use of public funds.*

3.30 Nairobi City County

3.30.1 Overview of the FY 2015/16 Budget

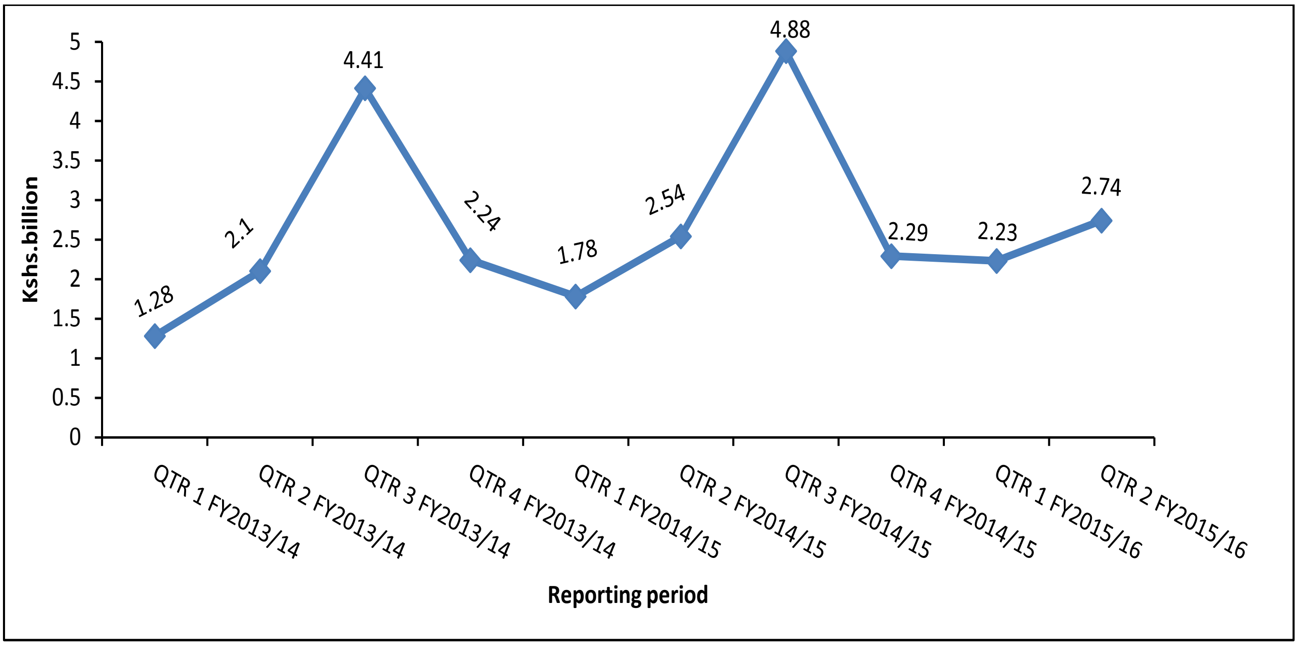
The FY 2015/16, the approved budget for Nairobi City County amounted to Kshs.30.83 billion, with Kshs.19.82 billion (64.3 per cent) allocated to recurrent expenditure and Kshs.11.01 billion (35.7 per cent) to development expenditure.

In order to finance the budget, the County expect to receive Kshs.13.77 billion (44.7 per cent) as transfers from the National Government, collect Kshs.17.53 billion (56.9 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 care, compensation for user fees forgone, and Road Maintenance Fuel Levy Fund.

3.30.2 Revenue Analysis

In the period July 2015 to December 2015, the County received Kshs.6.56 billion from the National Government as equitable, Kshs.6.75 million as conditional allocations for forgone user fees, Kshs.140.52 million as conditional allocations for free maternal health care, Kshs.83.38 million as conditional allocations from the road maintenance fuel levy fund, and raised Kshs.4.97 billion from local sources. The trend of local revenue collection by quarter from FY 2013/14 to the first half of FY 2015/16.

Figure 3.117: Nairobi County, Trend in Local Revenue collection by Quarter from FY 2013/14 to first quarter, FY 2015/16



Source: *Nairobi City County*

The local revenue raised in the half quarter was Kshs.4. 97 billion which is an increase from Kshs.4.32 billion collected during a similar period in FY 2014/15. The local revenue raised in the period under review accounted for 28.3 per cent of the annual local revenue target.

The summary of local revenue realized by stream is shown in Table 3.59.

Table 3.59: Nairobi City County, Analysis of revenue collection per stream for the first half of FY 2015/16

No.	Revenue Stream	Annual Targeted Revenue (Kshs.)	6 months Actual Revenue (Kshs.)	Revenue Performance (%)
	A	B	C	D=C/B*100
1	Rates	3,400,000,000	1,016,997,463	29.9
2	Parking Fees	3,400,000,000	1,016,642,235	29.9
3	Buildings Permits (1.25 per cent of const. Cost)	1,850,000,000	648,293,803	35.0
4	Single Business Permits	2,870,000,000	584,912,225	20.4
5	Billboards & Adverts	1,300,000,000	270,220,322	20.8
6	Rents	374,000,000	149,451,375	40.0
7	Eastlands	330,000,000	140,741,921	42.6
8	Decentralization-wards	237,000,000	106,045,785	44.7
9	Regulation of buildings /Change	150,000,000	71,089,700	47.4
10	Liquor Licenses	650,000,000	68,663,690	10.6
11	Other markets	187,000,000	61,860,476	33.1
12	Wakulima Market	165,000,000	59,024,950	35.8
13	Fire inspection Certificate	154,000,000	57,289,998	37.2
14	Lease fees – NWSC	224,000,000	32,936,834	14.7
15	Pumwani Maternity Hospital	154,000,000	3,887,264	2.5
16	Co-operative Development	215,000,000	2,167,290	1.01
17	Food Handlers Certificate	163,000,000	18,000	0.01
18	other Revenue streams	1,705,000,000	675,535,896	39.6
	Total	**17,528,000,000**	**4,965,779,227**	**28.3**

Source: *Nairobi City County Treasury*

The breakdown of revenue per stream indicates that Regulation of building/Change recorded the highest percentage at 47.4 followed by Decentralization-wards at 44.7 per cent

3.30.3 Banking of local revenue

A review of the bank statements for the revenue collection accounts indicates that the County did not bank all the locally generated revenue intact into the CRF during the period under review. This is in contravention to Article 207 of the Constitution and Section 109 of the PFM Act 2012, which stipulates that all funds raised or received by or on behalf of the County Government should be deposited into the CRF account, unless excluded by an Act of Parliament.

3.30.4 Exchequer Issues

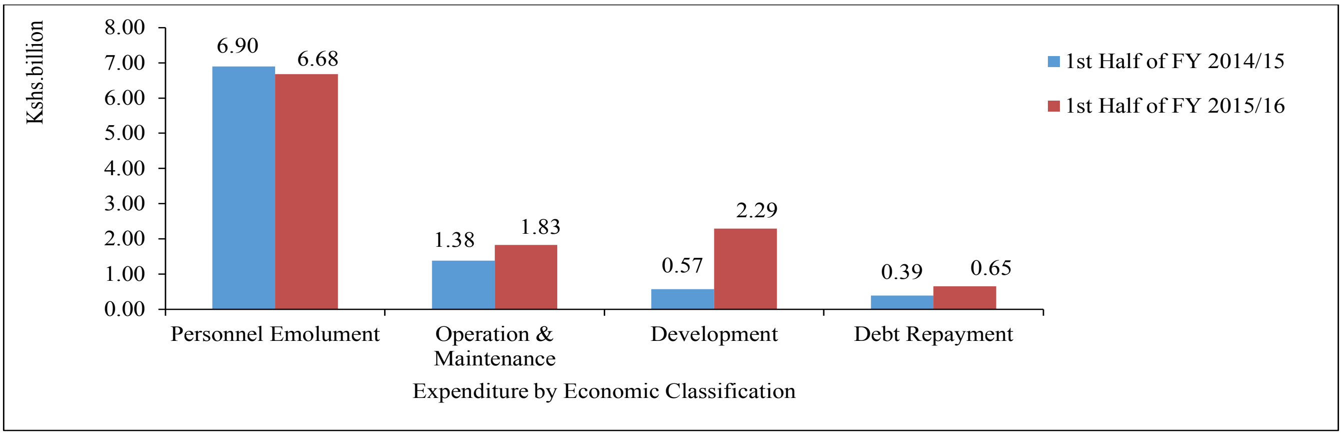
During the reporting period, the County accessed Kshs.6.93 billion from the CRF, which was 22.5 per cent of the annual budget, an increase from 0.92 per cent as compared to a similar period of FY 2014/15. This amount consisted of Kshs.6.85 billion (98.8 per cent) for recurrent expenditure and Kshs.80 million (1.2 per cent) for development activities.

3.30.5 Overall Expenditure Review

The County spent a total of Kshs.11.45 billion in the period under review which was 165.3 per cent of the total funds released for operations, an increase from Kshs.2.21 billion spent in a similar period in FY 2014/15. A total of Kshs.9.16 billion (80.0 per cent) was spent on recurrent activities while Kshs.2.29 billion (20.0 per cent) on development activities. Recurrent expenditure was 133.8 per cent of the funds released for recurrent activities while development expenditure accounted for 2859.0 per cent of the funds released for development activities.

The recurrent expenditure for the period under review represented an absorption rate of 46.2 per cent, a marginal increase from an absorption rate of 1.4 per cent realized in similar period FY 2014/15 while development expenditure recorded an absorption rate of 20.8 per cent, increase an absorption rate of 14.4 per cent realized in the half quarter FY 2014/15. A comparison of the total expenditure between the FY 2014/15 and first half quarter of FY 2015/16 is shown in Figure 3.118.

Figure 3.118: Nairobi City County, Expenditure by Economic Classification for FY 2014/15 and 1st Quarter, FY 2015/16.



Source: *Nairobi City County Treasury*

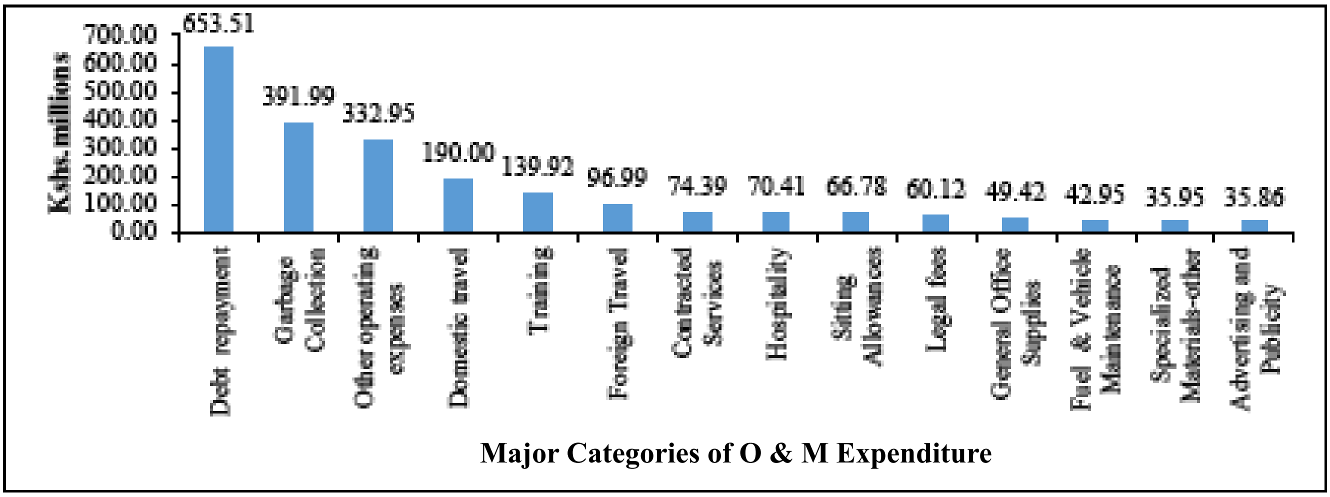
3.30.6 Recurrent Expenditure Analysis

Analysis of the recurrent expenditure of Kshs.9.16 billion shows that the County spent Kshs.6.68 billion (72.9 per cent) on personnel emoluments and Kshs.2.29 billion (25.0 per cent) on operations and maintenance and Kshs.653.51 million (7.1 per cent) on debt repayment as shown in Figure 3.118. Expenditure on personnel emoluments accounted for 58.3 per cent of total expenditure and has decreased significantly from 79.6 per cent reported in a similar period in in FY 2014/15.

The County spent Kshs.66.78 million on sitting allowances to 127 MCAs and the Speaker against the annual MCAs sitting allowance budget of Kshs.207.24 million, a decline from Kshs.22.45 million spent in a similar period of FY 2014/15. The average monthly sitting allowance per MCA was Kshs.86,953 compared to SRC recommended monthly ceiling of Kshs.124, 800.

A breakdown of operations and maintenance expenditure for the first quarter FY 2014/15 is shown in Figure 3.119.

Figure 3.119: Nairobi City County, Operations and Maintenance Expenditure for the first half of FY 2015/16



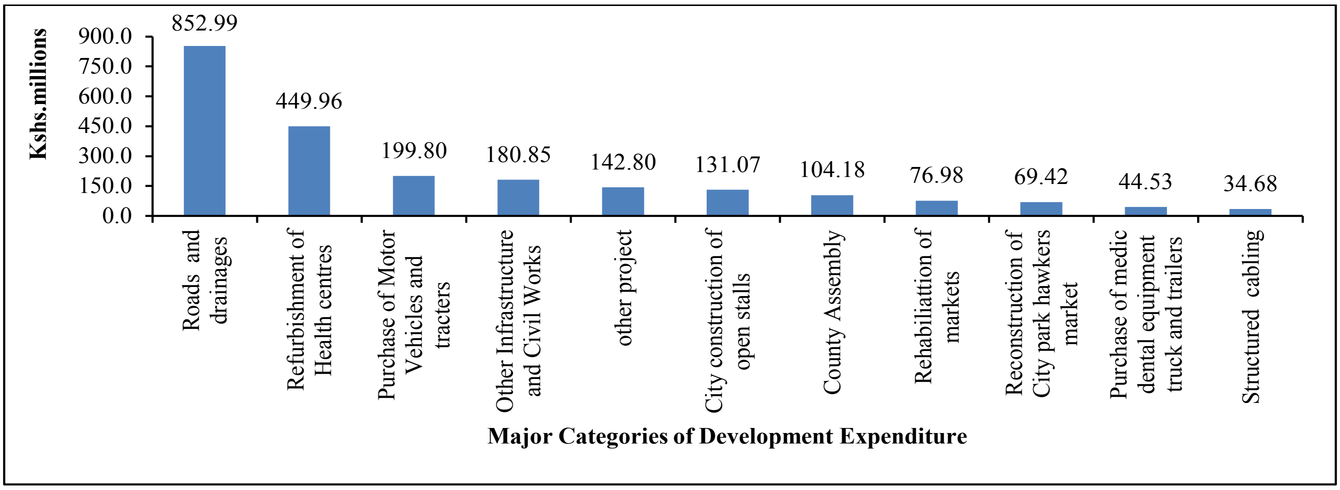
Source: *Nairobi County Treasury*

Total expenditure on domestic and foreign travel was Kshs.286.99 million compared to Kshs.173.67 million in similar period in FY 2014/15, representing an increase of 65.3 per cent. The expenditure comprised of Kshs.153.34 million spent by the County Executive and Kshs.133.65 million by the County Assembly.

3.30.7 Development Expenditure Analysis

Details of development expenditure during the first half of FY 2015/16 are provided in figure 3.120.

Figure 3.120: Nairobi City County, Summary of Development Expenditure for the First Half of FY 2015/16



Source: *Nairobi County Treasury*

Analysis of the development expenditure of Kshs.2.29 billion incurred in the period under review indicates that the County incurred the highest expenditure of Kshs.852.99 million on construction and maintenance of Roads and drainage works. The second highest expenditure of Kshs.449.96 million was incurred on refurbishment of Health Centres in the County.

3.30.8 Annual Budget and Budget Performance Analysis by department for the First Half of FY 2015/16

A summary of the FY 2015/16 annual budget estimates and budget performance for the first half by department is shown in Table 3.60.

Table 3.60: Nairobi City County, Annual Budget and First Half of FY 2015/16 Budget Performance by Department

Department	Annual Budget Allocation (Kshs.Million)		6-Months Exchequer Issues (Kshs. Million)		6-Months Expenditure (Kshs.Million)		6-Months Expenditure to Exchequer Issues (%)		Absorption rate (%)	
	Rec	Dev	Rec	Dev	Rec		Rec	Dev	Rec	Dev
County Public Service Board	80.00	20.00	14.99	0.00	22.29	0.00	148.7		27.9	0.0
Governor's Office	4,488.72	379.00	1,839.75	0.00	2,211.96	31.84	120.2		49.3	8.4
ICT,E-Government & Public Communications	144.00	150.00	36.73	0.00	54.20	42.64	147.6		37.6	28.4
Finance & Economic Planning	2,773.39	127.00	622.70	0.00	1,329.33	9.39	213.5		47.9	7.4
Health	5,038.00	1,760.00	1,913.52	0.00	2,149.49	413.79	112.3		42.7	23.5
Physical Planning, Lands & Housing	375.00	320.00	153.76	0.00	178.91	87.49	116.4		47.7	27.3
Public Works & Infrastructure	1,355.00	6,205.00	464.24	0.00	535.30	853.00	115.3		39.5	13.7
Education ,Youth Affairs Social Services	1,534.00	436.00	572.12	0.00	673.10	58.54	117.6		43.9	13.4
Trade Cooperative, Industrialization	278.89	700.00	87.31	0.00	160.50	319.01	183.8		57.5	45.6
Public Service Management	1,016.92	30.00	117.50	0.00	320.54	0.00	272.8		31.5	0.0
Agriculture, Livestock & Fisheries Development	288.00	50.00	91.51	0.00	123.26	21.89	134.7		42.8	43.8
Water, Energy, Environment Forestry & Natural Resources	893.78	688.00	260.89	0.00	713.37	345.45	273.4		79.8	50.2
County Assembly	1,553.56	144.43	672.00	80.00	687.83	104.18	102.4	130.2	44.3	72.1
TOTAL	**19,819.26**	**11,009.43**	**6,847.02**	**80.00**	**9,160.08**	**2,287.23**	**133.8**	**2859.0**	**46.2**	**20.8**

Source: *Nairobi County Treasury*

A breakdown of expenditure by department shows that the County Assembly recorded the highest absorption rate of its development budget at 72.1 per cent followed by the Department of Finance and Economic Planning had the lowest absorption rate of 7.4 per cent. On the other hand, the department of Water, Energy, Environment, and Forestry and Natural Resources highest percentage of its recurrent expenditure to its recurrent budget at 79.8 per cent while the County Public Service Board the lowest percentage of the recurrent expenditure to its recurrent budget at 27.9 per cent.

3.30.9 Borrowing by the County Government

During the period under review, the County accessed a bank overdraft facility of Kshs.848.12 million without guarantee from National Government and approval from the County Assembly as stipulated in Article 212 of the Constitution and Section 58 of the PFM Act 2012. The County has however, repaid the overdraft.

3.30.10 Observations and Recommendations

In the period under review, the County made some progress in addressing challenges that affected budget implementation in the previous periods. The County has:

i. Embraced use of IFMIS to process financial transactions.

ii. Improved on local revenue collection in the reporting period compared to a similar period of FY 2014/15.

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

1. The County has persistently utilized locally collected revenue at source contrary to Article 207 of the Constitution and Section109 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. Some transactions are generated manually, which can lead to inaccurate reporting.

3. Low absorption development funds and slowed implementation of development activities.

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

1. *The County Treasury should ensure that all local revenue collected is deposited into the County Revenue fund as stipulated in Section 109 of the PFM Act 2012.*

2. *The County Assembly should embrace use of IFMIS and Internet Banking Platform to process all their financial transactions as required in by the law for accuracy and transparency.*

3. *The County should come up with measures to address the low absorption of development funds.*

3.31 Nakuru County

3.31.1 Overview of the FY 2015/16 Budget

The FY 2015/16 approved Supplementary Budget was Kshs.13.73 billion. It comprised of Kshs.8.36 billion (60.9 per cent) allocated for recurrent expenditure and Kshs. 5.38 billion (39.1 per cent) for development expenditure.

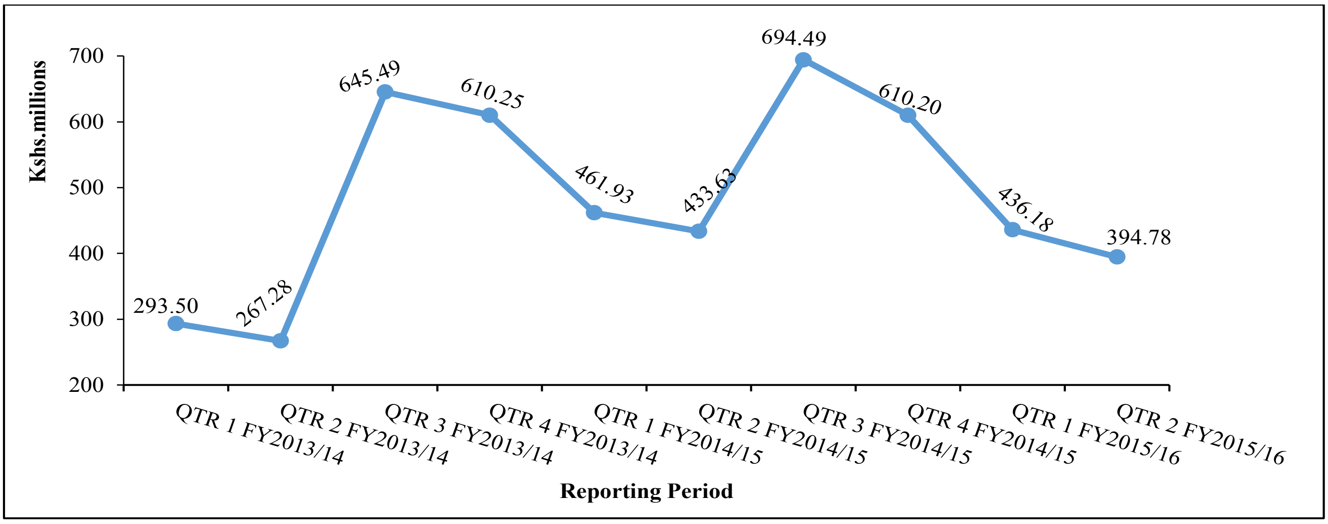
In order to finance the budget, the County expects to receive Kshs.8.12 billion (59.1 per cent) from the national equitable share, Kshs.95.74 million (0.7 per cent) from leasing of medical equipment, Kshs.103.1 million (0.8 per cent) being conditional allocation for fuel levy fund, Kshs.219.63 million (1.6 per cent) conditional allocation for maternal health care, Kshs.37.37 million (0.3 per cent) conditional allocation of forgone user fees, Kshs.25.26 million (0.2 per cent) conditional allocation for health facility DANIDA program, Kshs.377.19 million (2.7 per cent) conditional allocations for Level five (5) Hospital, Kshs.1.85 billion (13.5 per cent) being balance brought forward from FY 2014/15, and Kshs.2.91 billion (21.2 per cent) local revenue targets for FY 2015/16.

3.31.2 Revenue Analysis

In the first half of FY 2015/16, the County received Kshs.2.72 billion revenue from the National Government as equitable share, Kshs.126.36 million as conditional allocations for Nakuru Level 5 Hospital, Kshs.52.07 million as conditional allocations from the road maintenance fuel levy fund, Kshs.93.54 million as conditional allocations for free maternal health care, Kshs.9.34 million as conditional allocations for forgone user fees, raised Kshs.830.96 million from local sources, and had an actual cash balance of Kshs.1.85 billion brought forward from FY 2014/15.

The trend of local revenue collection from FY 2013/14 to the second quarter of FY 2015/16 is shown in figure 3.121.

Figure 3.121:Nakuru County, Trend in Local Revenue Collection by Quarter from the FY 2013/14 to the second quarter of FY 2015/16



Source: *Nakuru County Treasury*

The local revenue consisted of Kshs.436.18 million raised in the first quarter and Kshs.394.78 million in the second quarter. The local revenue raised in the first half of FY 2015/16 was Kshs.830.96 million representing 28.5 per cent of the annual local revenue target, a decline from Kshs.895.57 million collected in a similar period of FY 2014/15.

The analysis of local revenue by stream is shown in Table 3.61.

Table 3.61: Nakuru County, Analysis of revenue collection per stream for the first half of FY 2015/16

Revenue Stream	Annual Targeted Revenue (Kshs.)	Six Months Actual Revenue (Kshs.)	Revenue Performance (%)
A	B	C	D=*100
Land Rates	110,000,000	93,074,756	84.6
Royalties	103,092,000	63,707,147	61.8
House Rent	50,000,000	23,458,090	46.9
Facility Improvement Fund	550,000,000	242,195,596	44.0
Enclosed Bus park fees	150,000,001	63,770,410	42.5
Signboards/signage/street names	50,000,000	16,839,753	33.7
Market Fee	105,000,000	30,540,290	29.1
Approval for Building plans	80,325,850	20,565,285	25.6
Daily Street Parking fee	265,000,000	66,148,520	25.0
Other sources	899,441,837	143,023,083	15.9
Single Business Permit	420,000,000	53,646,130	12.8
Agriculture Produce Cess	125,910,000	13,992,764	11.1
TOTAL	**2,908,769,688**	**830,961,824**	**28.6**

Source: *Nakuru County Treasury*

Analysis of revenue by stream indicates that Land Rates had the highest percentage of revenue collection against target at 84.6 per cent followed by Royalties at 61.8 per cent.

3.31.3 Banking of Local Revenue

A review of the bank statements for the revenue collection account indicated that all locally generated revenues were deposited into the CRF during the period under review. This conforms to Article 207 of the Constitution and Section 109 of the PFM Act 2012, which stipulates that all funds raised or received by or on behalf of the County Government shall be deposited into the CRF account unless excluded by an Act of Parliament.

3.31.4 Exchequer Issues

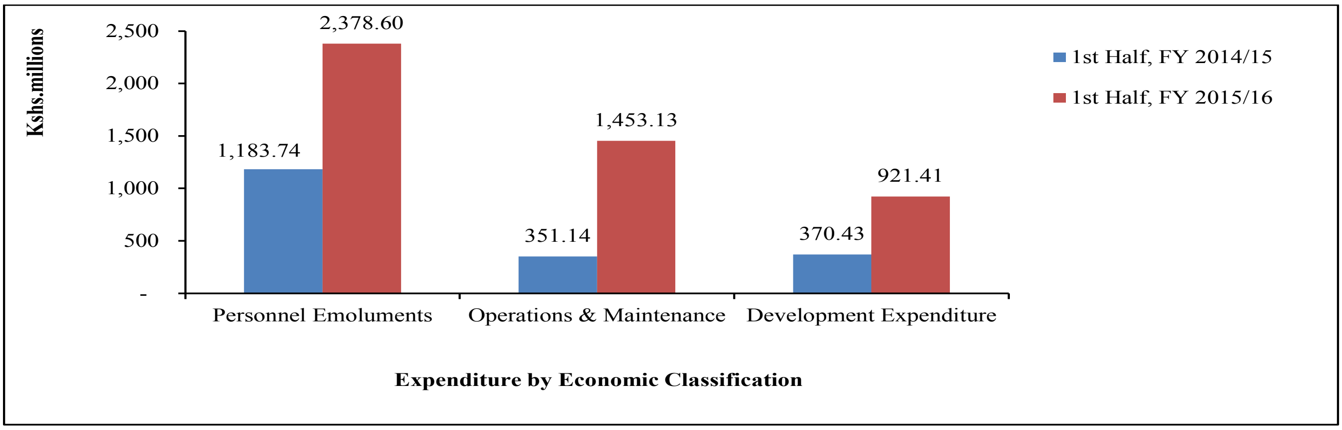
The COB authorised withdrawal of Kshs.5.03 billion from the CRF account, which was 36.6 per cent of the approved supplementary budget. The amount represented an increase of 20.05 per cent from Kshs.4.19 billion authorized in a similar period of FY 2014/15, and consisted of Kshs.4.02 billion (80.0 per cent) for recurrent expenditure and Kshs.1.01 billion (20.0 per cent) for development activities.

3.31.5 Overall Expenditure Review

The County spent a total of Kshs.4.75 billion during the first half of FY 2015/16 which was 94.5 per cent of the released for operations. This is a reduction from the Kshs.3.83 billion spent in a similar period of FY 2014/15. A total of Kshs.3.83 billion was spent on recurrent activities and Kshs.921.41 million on development activities. Recurrent expenditure was 95.2 per cent of the funds released for recurrent activities while development expenditure accounted for 91.6 per cent of the funds released for development activities.

Recurrent expenditure for the period under review represented 45.9 per cent of the annual recurrent budget, a slight decrease from 44.5 per cent spent in a similar period of FY 2014/15. On the other hand Development expenditure recorded an absorption rate of 17.1 per cent, a decrease from 19.6 per cent spent in a similar period of FY 2014/15. A comparison of the total expenditure in the first half of FY 2014/15 and the first half of FY 2015/16 is shown in Figure 3.122.

Figure 3.122:Nakuru County, Expenditure by Economic Classification for the First Half of FY 2014/15 and the First Half of FY 2015/16



Source: *Nakuru County Treasury*

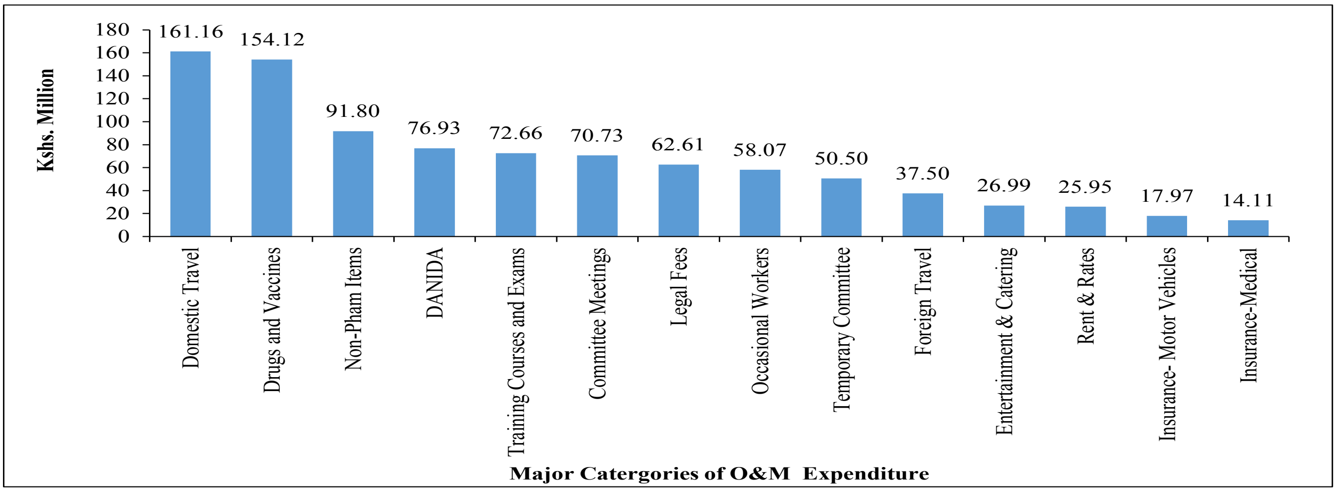
3.31.6 Recurrent Expenditure Analysis

The total recurrent expenditure was Kshs.3.83 billion against a total recurrent budget of Kshs.8.36 billion representing an absorption rate of 45.9 per cent of the recurrent budget. The County spent Kshs.2.38 billion (62.1 per cent) on personnel emoluments and Kshs.1.45 billion (37.9 per cent) on operations and maintenance as shown in Figure 3.122. Expenditure on personnel emoluments accounted for 50.0 per cent of total expenditure and has increased significantly in the first half of FY 2015/16 as compared to a similar period in FY 2014/15 when the County spent Kshs.1.18 billion. The increase is attributed to payment of salary arrears to the defunct local authorities' staff and also employment of addition staff.

The County spent Kshs.34.23 million on sitting allowances to the 75 MCAs including the Speaker against an annual budget of Kshs.110.0 million, representing a marginal decrease from Kshs.36.50 million recorded in a similar period of FY 2014/15. The average monthly sitting allowance per MCA was Kshs.76,051 compared to SRC's recommended monthly ceiling of Kshs.124,800.

A breakdown of the operations and maintenance expenditure items for the reporting period is shown in Figure 3.123.

Figure 3.123: Nakuru County, Operations and Maintenance Expenditure for the first half of FY 2015/16



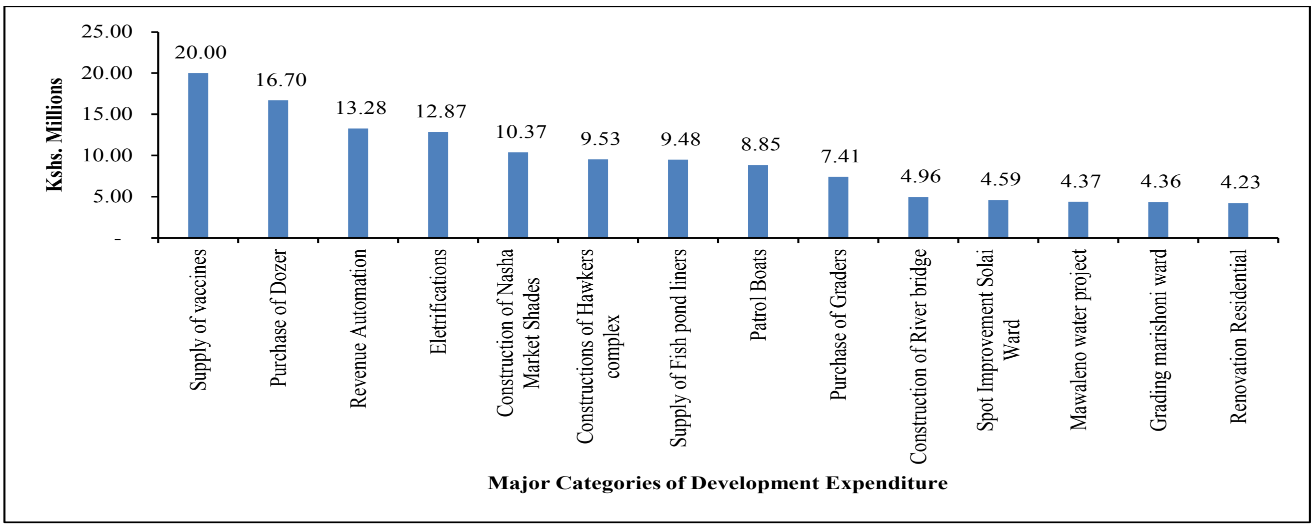
Source: *Nakuru County Treasury*

The aggregate expenditure on domestic and foreign travel was Kshs.197.30 million compared to Kshs.146.94 million incurred in a similar period of FY 2014/15, representing an increase of 34.3 per cent. This expenditure comprised of Kshs.145.88 million spent by the County Executive and Kshs.51.82 million by the County Assembly.

3.31.7 Development Expenditure Analysis

A summary of development expenditure during the first half of FY 2015/16 is provided in figure 3.124.

Figure 3.124: Nakuru County, Summary of Development Expenditure for the first half of FY 2015/16



Source: *Nakuru County Treasury*

Analysis of the development expenditure for the period under review shows that the County spent Kshs.20.0 million on purchase of vaccines, Kshs.16.70 million on purchase of bull dozer, Kshs.13.28 million on automation of revenue collection, Kshs.12.87 million on erection of high mask flood lighting, Kshs.10.37 million on construction of Nasha market shades, Kshs.9.53 million on construction of hawker's complex at Biashara Nakuru East.

3.31.8 Annual Budget and Budget Performance Analysis by department for the first half of FY 2015/16

A summary of the FY 2015/16 annual budget estimates and budget performance for the first half by department is as shown in Table 3.62.

Table 3.62: Nakuru County, Annual Budget and First Half of FY 2015/16 Budget Performance by Department

Department	Annual Budget Allocation (Kshs. Millions)		6 Months Exchequer Issues (Kshs. Millions)		6 Months Expenditure (Kshs.Million)		% of Expenditure to Exchequer Issues		Absorption rate (%)	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
Office of the Governor	228.81	57.55	125.65	4.00	153.61	4.36	122.2	109.1	67.1	7.6
County Assembly	792.84	284.59	505.08	-	327.7	-	64.9	-	41.3	-
Finance and Economic Planning	710.44	508.4	406.9	167	470.39	26.81	115.6	16.1	66.2	5.3
Public Service Management	880.93	88.65	434.15	-	384.39	4.18	88.5	-	43.6	4.7
Education, Sport, Youth & culture	660.93	777.07	189.92	147.51	171.64	94.2	90.4	63.9	26.0	12.1
ICT & E-Government	36.67	72.21	21.35	13.37	15.98	12.67	74.8	94.7	43.6	17.5
Health and Sanitation	3,575.73	755.07	1,628.49	158.96	1,691.26	133.94	103.9	84.3	47.3	17.7
Roads and Public Works	285.54	1,511.39	140.7	265.32	131.09	357.22	93.2	134.6	45.9	23.6
Lands, Housing & Physical Planning	111.14	230.43	52.69	55.92	41.04	40.93	77.9	73.2	36.9	17.8
Public Service Board	80.25	5.39	45.23	5.39	44.81	-	99.1	-	55.8	-
Trade, Energy, Industrialization and Tourism	123.2	286.36	68.28	30.92	46.93	61.27	68.7	198.2	38.1	21.4
Environment and Natural Resources	326.85	568.75	181.69	108.16	145.83	112.61	80.3	104.1	44.6	19.8
Agriculture livestock & Fisheries	543.35	229.53	224.22	49.72	207.05	73.22	92.3	147.3	38.1	31.9
Total	**8,356.67**	**5,375.41**	**4,024.35**	**1,006.28**	**3,831.73**	**921.41**	**95.2**	**91.6**	**45.9**	**17.1**

Source: *Nakuru County Treasury*

Analysis of budget performance by Department shows that the Department of Agriculture, Livestock and Fisheries reported the highest absorption rate of its development budget at 31.9 per cent while Public Service Board and County Assembly did not spend on development expenditure. On the other hand, the Office of the Governor and Deputy Governor and Department of Finance had the highest of their recurrent expenditure to their recurrent budgets at 67.1 per cent and 66.2 per cent respectively while the Department of Education, Sports, Youth & Culture had the lowest absorption rate for its recurrent budget at 26.0 per cent.

3.31.9 Borrowing by the County Government

During the period under review, the County did not borrow or seek a loan from any commercial bank or development partners. Article 212 of the Constitution requires a county government to borrow with approval from the County Assembly, and only if the national government guarantees the loan. Similarly, Section 58 of the PFM Act 2012, gives the Cabinet Secretary to the National Treasury the powers to guarantee loans subject to approval by Parliament. The County utilized its equitable share and local revenue collection deposited into the County Revenue Fund account maintained at the Central Bank of Kenya.

3.31.10 Observations and Recommendations

The County has made progress in addressing the challenges previously identified as affecting budget implementation. The County government has improved efficiency in revenue administration through automation of revenue collection.

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

1. Decline in absorption of development funds from 18.9 per cent achieved in a similar period of FY 2014/15 to 17.1 per cent achieved in the reporting period.

2. Continued increase in the debt level. The debt has increased from Kshs.2.05 billion reported at the end of FY 2014/15 to Kshs.3.95 billion as at the end of the first half of FY 2015/16.

3. High personnel emolument costs that constituted 50 per cent of the total expenditure.

4. Differences between the IFMIS generated report on development expenditure of Kshs.1.32 billion and the actual development projects reported separately by the County that summed up to Kshs.921.41 million. This may indicate capacity challenges in the use of IFMIS.

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

1. *The County should develop strategies to address the low absorption of development funds and ensure timely implementation of development projects.*

2. *The County public debt and obligations should be maintained at 20 per cent of the total budget as envisaged in section 107 (5) of PFM Act 2012. The current debt stands at 28.8 per cent of the*

total budget.

3. *The County Government's wages and benefits to public officers should be contained at a sustainable level.*

4. *The County Treasury should liaise with the IFMIS Directorate to build capacity in the use of the system. In addition, the County Treasury should undertake reconciliations of the vouchers to IFMIS reports.*

3.32 Nandi County

3.32.1 Overview of the FY 2015/16 Budget

The FY 2015/16 approved budget for Nandi County for FY 2015/16 amounted to Kshs.5.44 billion. It comprised of Kshs.2.78 billion (51.1 per cent) allocated for recurrent expenditure and Kshs.2.67 billion (48.9 per cent) for development expenditure.

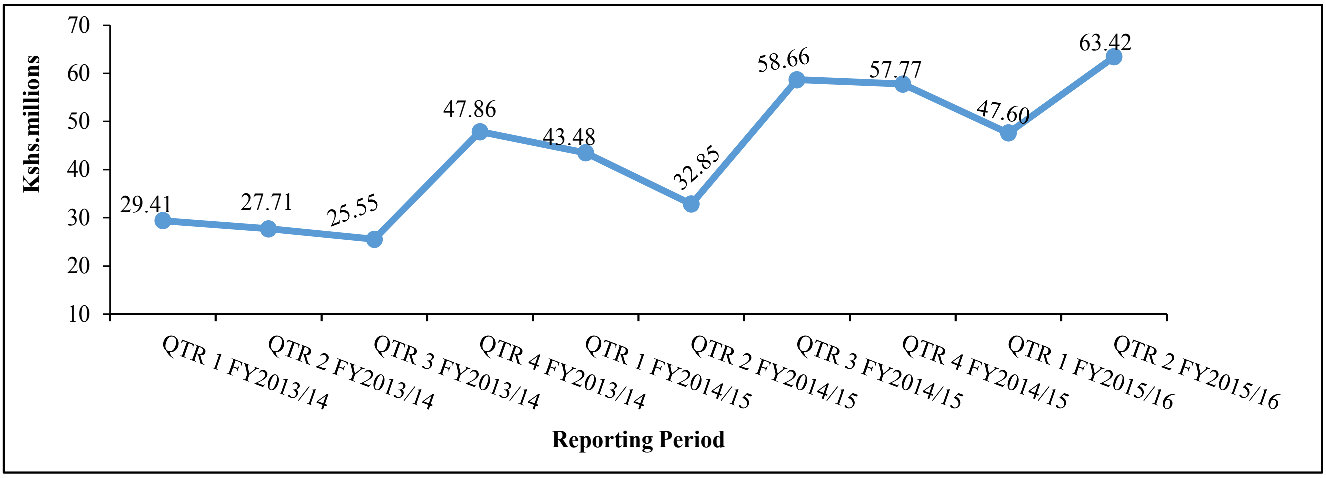
In order to finance the budget, the County expected to receive Kshs.4.76 billion (87.5 per cent) as transfers from the National Government, collect Kshs.255.76 million (4.7 per cent) from local sources, and receive a conditional grant of Kshs.18.31 million (0.3 per cent) from DANIDA. However, Kshs.432.30 million representing the opening cash balance from FY 2014/15 which was factored in the FY 2015/16 budget. Further, the County did not budget for the additional conditional grants of Kshs.240.75 million from the National Government as contained in CARA, 2015 for free maternal care, compensation of forgone user fees, leasing of medical equipment and road maintenance fuel levy fund. The County should review its budget through a supplementary budget so as to reflect the updated revenue levels.

3.32.2 Revenue Analysis

In the first half of FY 2015/16, the County received Kshs.1.59 billion revenue from the National Government as equitable share, Kshs.9.16 million as DANIDA grant, Kshs.30.50 million as conditional allocations for fuel levy fund, Kshs.25.13 million as conditional allocations for free maternal health care, Kshs.12.76 million as conditional allocations for forgone user fees, raised Kshs.111.35 million from local sources, and had an actual cash balance of Kshs.432.30 million brought forward from FY 2014/15. The local revenue consisted of Kshs.47.60 million raised in the first quarter and Kshs.63.75 million in the second quarter.

The trend of local revenue collection from first quarter FY 2013/14 to the second quarter of FY 2015/16 is presented in Figure 3.125.

Figure 3.125:Nandi County, Trend in Local Revenue Collection by Quarter from the FY 2013/14 to the second quarter of FY 2015/16



Source: *Nandi County Treasury*

The local revenue raised in the first half of the FY 2015/16 was 42.0 per cent of the annual local revenue target, an improvement from Kshs.73.6 collected in a similar period of FY 2014/15.

The summary of local revenue realized in the first half of FY 2015/16 per stream is shown in Table 3.63.

Table 3.63: Nandi County, Analysis of revenue collection per stream for the first half of FY 2015/16

No.	Revenue Stream	Annual Targeted Revenue (Kshs.)	Six Months Actual Revenue (Kshs.)	Revenue Performance (%)
	A	B	C	D=*100
1	(FIF)Maternity, inpatient	30,000,000	26,327,755	87.8
2	Parking Fees	33,642,700	16,850,587	50.1
3	Health and Sanitation	50,530,000	13,473,874	26.7
4	Land Rates	31,537,953	8,818,060	28
5	Kiborgok Tea Proceeds	20,100,000	7,785,000	38.7
6	Market Fees	11,300,000	5,751,892	50.9
7	Cess	13,800,000	2,141,868	15.5
8	Other Sources	64,854,300	29,876,348	46.1
	Total	**255,764,953**	**111,025,384**	43.4

Source: *Nandi County Treasury*

(FIF)Maternity, inpatient recorded the highest percentage at 87.8 per cent followed by market fees at 50.9 per cent.

3.32.3 Banking of local revenue

A review of the bank statement for the first half of FY 2015/16, the County did bank all the locally generated revenue intact into the CRF. This conforms to Article 207 of the Constitution and Section 109 of the PFM Act 2012, which stipulates that all funds raised or received by or on behalf of the County Government should be deposited into the CRF account, unless excluded by an Act of Parliament.

3.32.4 Exchequer issues

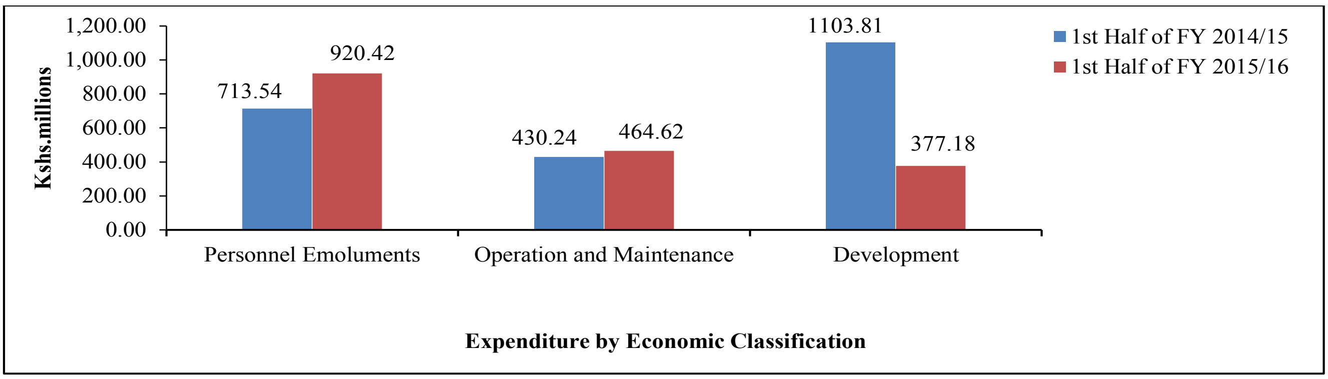
The Controller of Budget authorised withdrawal of Kshs.2.10 billion from the CRF account, which was 38.6 per cent of the approved budget. The amount represented a decline of 11.0 per cent from Kshs.2.36 billion authorized in a similar period of FY 2014/15 and consisted of Kshs.1.44 billion (68.4 per cent) for recurrent expenditure and Kshs.664.0 million (31.6 per cent) for development activities.

3.32.5 Overall Expenditure Review

The County spent a total of Kshs.1.76 billion during the first half of FY 2015/16 which was 83.8 per cent of the released for operations. This was a slight reduction from the Kshs.2.25 billion spent in a similar period of FY 2014/15. A total of Kshs.1.39 billion was spent on recurrent activities and Kshs.377.18 million on development activities. Recurrent expenditure was 96.2 per cent of the funds released for recurrent activities while development expenditure accounted for 56.8 per cent of the funds released for development activities. The expenditure excludes commitments as of 31st December, 2015 that amounted to Kshs.470.08 million for development and Kshs.39.29 million for recurrent expenditure.

Recurrent expenditure for the period under review represented 50.0 per cent of the approved annual recurrent budget, an increase by 12.1 per cent spent in a similar period of FY 2014/15. On the other hand Development expenditure recorded an absorption rate of 14.1 per cent, a decrease from 46.5 per cent spent in a similar period of FY 2014/15. A comparison of the total expenditure in the first half of FY 2014/15 and the first half of FY 2015/16 is shown in Figure 3.126.

Figure 3.126: Nandi County, Expenditure by Economic Classification for first half of FY 2014/15 and first half of FY 2015/16



Source: *Nandi County Treasury*

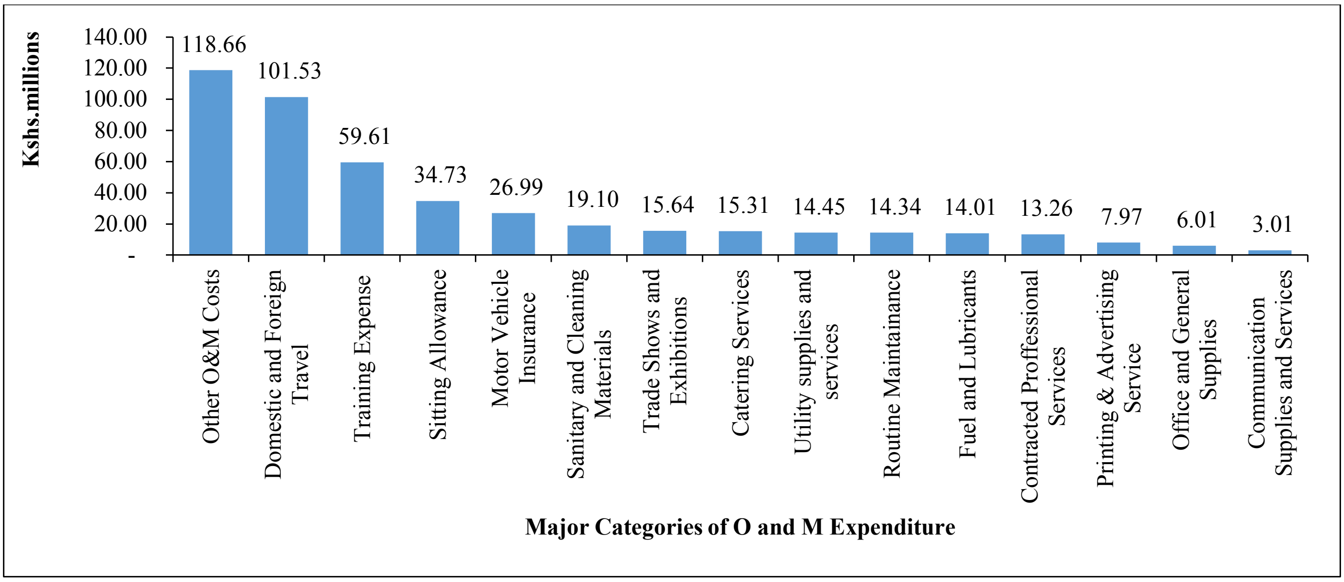
3.32.6 Recurrent Expenditure Analysis

The total recurrent expenditure for the reporting period was Kshs.1.39 billion against a total of budget of Kshs.5.44 billion representing an absorption rate of 25.6 per cent of annual recurrent budget. The County spent Kshs.920.42 million (66.2 per cent) on personnel emoluments and Kshs.464.62 million (33.4 per cent) on operations and maintenance as shown in Figure 3.126. Expenditure on personnel emoluments accounted for 52.3 per cent of total expenditure and has increased significantly in the first half of FY 2015/16 as compared to a similar period of FY 2014/15 when the County spent Kshs.713.54 million. The increase is attributed to new recruitments in the health department and annual salary increments.

The County spent Kshs.34.73 million on sitting allowances to the 48 MCAs and the Speaker against an annual sitting allowance budget of Kshs.73.84 million, representing a marginal increase from Kshs.19.44 million recorded in a similar period of FY 2014/15. The average monthly per MCA was Kshs.118,144 compared to SRC recommended monthly ceiling of Kshs.124,800.

A breakdown of the operations and maintenance expenditure for the reporting period is shown in Figure 3.127.

Figure 3.127:Nandi County, Operations and Maintenance Expenditure for the first half of FY 2015/16

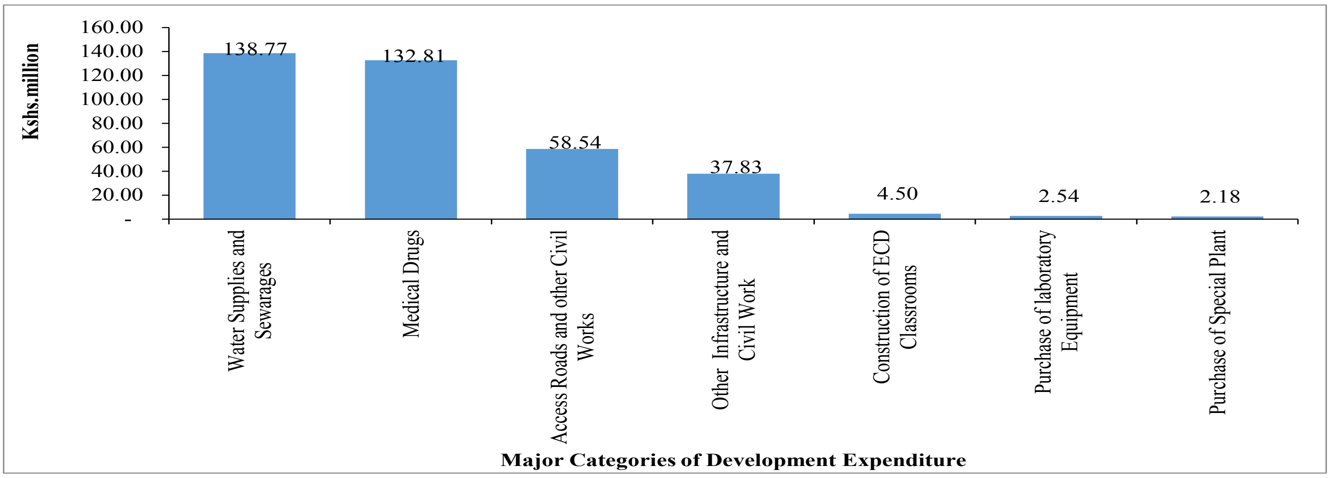


Source: *Nandi County Treasury*

The aggregate expenditure on domestic and foreign travel was Kshs.101.53 million compared to Kshs.38.41 million incurred in a similar period of FY 2014/15, representing a marginal increase of 164.3 per cent. This expenditure comprised of Kshs.65.53 million spent by the County Executive and Kshs.36.00 million by the County Assembly.Development Expenditure Analysis

A summary of development expenditure during the first half of FY 2015/16 is provided in figure 3.128.

Figure 3.128:Nandi County, Summary of Development Expenditure for the First Half of FY 2015/16



Source: *Nandi County Treasury*

Analysis of the development expenditure of Kshs.377.18 million had incurred in the first half of FY 2015/16 indicates that the Water department had the highest expenditure at Kshs.138.77 million which was spent on water projects. The second highest expenditure at Kshs.132.81 million was incurred by the Health department on Purchase of drugs for the health facilities. The department of Roads development incurred Kshs.58.54 million on development and maintenance of access roads. A total of 178 kilometers of roads were maintained across the 30 wards while the department of agriculture incurred Kshs.2.18 million on purchase of special plant.

3.32.7 Annual Budget and Budget Performance Analysis by department for the First Half of FY 2015/16

A summary of the FY 2015/16 annual budget estimates and budget performance for the first half by department is as shown in Table 3.64.

Table 3.64: Nandi County, Annual Budget and First Half of FY 2015/16 Budget Performance by Department

Department	Annual Budget Allocation (Kshs. Millions)		6 Months Exchequer Issues (Kshs. Millions)		6 Months Expenditure (Kshs.Million)		% of Expenditure to Exchequer Issues		Absorption rate (%)	
	Rec	Dev	Rec	Dev	Rec		Rec	Dev	Rec	Dev
Office of the Governor & Deputy Governor	373.00	78.00	218.50		165.30	2.60	75.7	0.0	44.3	3.4
Finance & Economic Planning	437.50	748.00	209.60		187.00		89.3	0.0	42.8	0.0
Education, Youth, Culture & Social services	184.00	161.00	105.30	40.00	84.00	10.00	79.6	25.0	45.5	6.2
Health Services	754.50	417.90	395.60	235.00	562.00	152.50	142.2	64.9	74.5	36.5
Gender, Culture & Social Development	36.60	130.80	15.00	13.00	9.00		59.8	0.0	24.5	0.0
Public Works, Roads and Transport	87.30	441.40	50.20	138.00	29.00	58.60	57.8	42.5	33.2	13.3

Department	Annual Budget Allocation (Kshs. Millions)		6 Months Exchequer Issues (Kshs. Millions)		6 Months Expenditure (Kshs.Million)		% of Expenditure to Exchequer Issues		Absorption rate (%)	
	Rec	Dev	Rec	Dev	Rec		Rec	Dev	Rec	Dev
County Assembly Services	524.20	110.60	264.10		196.90		74.6	0.0	37.6	0.0
Public Service & Administration	56.00	147.00	25.30	50.00	25.00		98.8	0.0	44.6	0.0
Trade, Industrialization, Tourism, Wildlife & Co-operative Development	72.00	57.60	29.60	15.00	23.10	1.70	78.1	11.3	32.1	2.9
County Public Service Board	36.50	-	16.90		10.00		59.2	0.0	27.4	0.0
Agriculture, Livestock & Fisheries Development	172.90	43.80	95.20	40.00	81.00	6.70	85.3	16.8	46.8	15.4
Water, Environment, Energy & Natural Resources	36.00	336.50	14.70	133.00	12.00	145.00	81.6	109.0	33.3	43.1
TOTAL	**2770.60**	**2672.60**	**1439.90**	**664.00**	**1385.00**	**377.20**	**96.2**	**56.8**	**50.0**	**14.1**

Source: *Nandi County Treasury*

Analysis of budget performance by department shows that the Department of Water & Natural Resources reported the highest absorption rate of its development budget at 43.1 per cent while the County Assembly, Finance & Economic Planning, Public Service Administration and Culture & Social services departments registered the lowest absorption rate at 0.0 per cent. On the other hand, the Office of the Health and Sanitation had the highest percentage of its recurrent expenditure to its recurrent budget at 74.5 per cent while the department of Gender, Culture & Social Development had the lowest percentage at 24.5 per cent.

3.32.8 Borrowing by the County Government

During the period under review, the County Assembly approved borrowing of Kshs.696.5 million for purchase of road construction equipment. This borrowing was in contravention of Article 212 of the Constitution, which requires a county government to borrow with approval from the County Assembly, and only if the national government guarantees the loan. Further, Section 58 of the PFM Act 2012 gives the Cabinet Secretary to the National Treasury the powers to guarantee loans subject to approval by Parliament.

3.32.9 Observations and Recommendations

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

i. Set up realistic revenue targets in FY 2015/16.

ii. Embraced use of IFMIS in process financial transactions for both the County Assembly and the County Executive.

iii. Designated departmental accounting officers in line with section 148 of the PFM Act 2012.

iv. Build capacity of staff in the Finance and Procurement departments.

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

1. The County wage bill has risen from Kshs.713.58 million in the first half of FY 2014/15 to Kshs.920.42 million in the first half of FY 2015/16 as shown in Figure 3.126.

2. Accumulated huge Pending bills in the department of Roads and Infrastructure amounting to Kshs.395.87 million.

3. Failure by the County to designate administrators for the established County Funds such as the Bursary Funds thereby rendering the process of accounting and reporting of funds difficult.

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

1. *The County should conduct a staff rationalization exercise based on merit to tame the rising wage bill.*

2. *The County should expedite the payment of pending bills to avoid accumulation of large debt.*

3. *The County Executive Member for Finance should designate an officer to administer each established fund in accordance with section 116 of the PFM Act 2012.*

3.33 Narok County

3.33.1 Overview of the FY 2015/16 Budget

The FY 2015/16 approved budget for Narok County was Kshs.9.00 billion. It comprised of Kshs.5.06 billion (56.2 per cent) allocated for recurrent expenditure and Kshs.3.94 billion (43.8 per cent) for development expenditure.

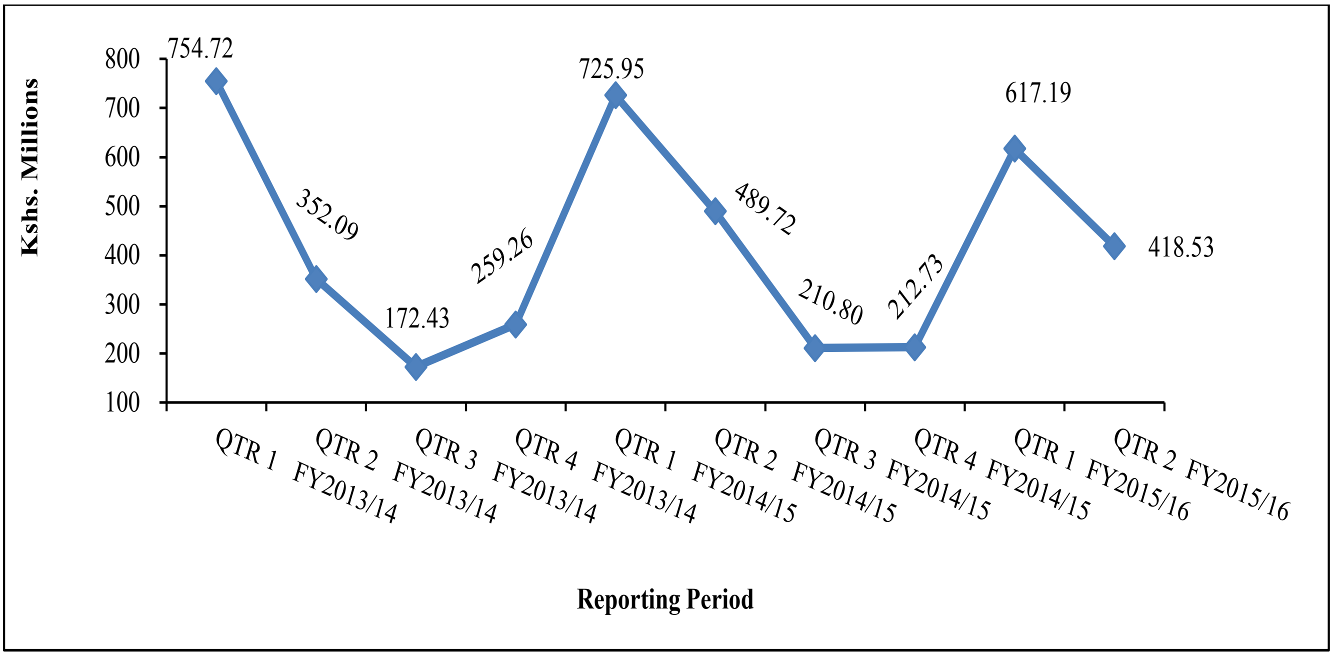
In order to finance the budget, the County expects to receive Kshs.5.29 billion (58.8 per cent) as transfers from the National Government, collect Kshs.3.51 billion (39.0 per cent) from local sources, receive a conditional grant of Kshs.56.03 million (0.6 per cent) from DANIDA, additional conditional grant of Kshs.67.17 million (0.7) from Roads Maintenance Fuel Levy Fund, and Kshs.56.30 million (0.6 per cent) for free maternal health care. However, Kshs.95 million and Kshs.419.68 million representing the conditional allocation for leasing of medical equipment and opening cash balance from FY 2014/15 respectively was not factored in the FY 2015/16 budget as contained in CARA, 2015.

3.33.2 Revenue Analysis

In the first half of FY 2015/16, the County received Kshs.2.25 billion revenue from the National Government as equitable share, Kshs.33.92 million as conditional allocations from the road maintenance fuel levy fund, received Kshs.22.78 million as conditional allocations for free maternal health care, Kshs.4.06 million as conditional allocations for forgone user fees, raised Kshs.1.04 billion from local sources, and had a cash balance of Kshs.419.68 million brought forward from FY 2014/15.

The quarterly trend in local revenue collection from the FY 2013/14 to the second quarter of FY 2015/16 is shown in figure 3.129.

Figure 3.129:Narok County, Trend in Local Revenue Collection by Quarter from the FY 2013/14 to the second quarter of FY 2015/16



Source: *Narok County Treasury*

The local revenue consisted of Kshs.617.20 million raised in the first quarter and Kshs.418.53 million in the second quarter. The local revenue raised in the first half of the FY 2015/16 was Kshs.1.04 billion (27.6 per cent of the annual local revenue target), and a reduction from Kshs.1.22 billion collected in a similar period of FY 2014/15.

Analysis of the local revenue realized by stream is shown in Table 3.65.

Table 3.65: Narok County, Analysis of revenue collection by stream for the first half of FY 2015/16

No.	Revenue Stream	Annual Targeted Revenue (Kshs.)	6-Month Actual Revenue (Kshs.)	Revenue Performance (%)
	A	B	C	D=C/B*100
1	Cess Revenue	57,000,000	49,417,873	86.7
2	Mara Game Reserve	1,900,000,000	858,850,226	45.2
3	Miscellaneous Income	675,804,596	93,705,442	13.9
4	Vehicle Parking	40,000,000	2,449,480	6.1
5	Single Business Permits	99,000,000	4,507,696	4.6
6	Market & Slaughter fees	190,400,000	6,701,213	3.5
7	Plot Rent	352,900,000	8,767,887	2.5
8	House Rents	53,000,000	417,550	0.8
9	Conservancy & Solid Waste	69,500,000	23,800	0.03
10	Other sources	310,000,000	10,867,710	3.5
	Total	**3,747,604,596**	**1,035,708,877**	**27.6**

Source: *Narok County Treasury*

The analysis of revenue collection by stream indicates that Cess Revenue recorded the highest percentage of revenue performance against annual target at 86.7 per cent followed by Park Entry Fees (Mara Game Reserve) at 45.2 per cent. Conservancy & Solid Waste Disposal revenue streams reported the lowest percentage of revenue performance against annual target at 0.03 per cent. The office has noted that while the annual local revenue target in the Approved Budget is Kshs.3,507.1 million, the annual targets by streams amounts to Kshs.3,747.6 million. The County Treasury should reconcile the two revenue targets.

3.33.3 Banking of Local Revenue

A review of the bank statements for the revenue collection accounts indicates that all locally generated revenue was deposited into the CRF during the period under review. This conforms to Article 207 of the Constitution and Section 109 of the PFM Act 2012, which stipulates that all funds raised or received by or on behalf of the County Government should be deposited into the CRF account, unless excluded by an Act of Parliament.

3.33.4 Exchequer Issues

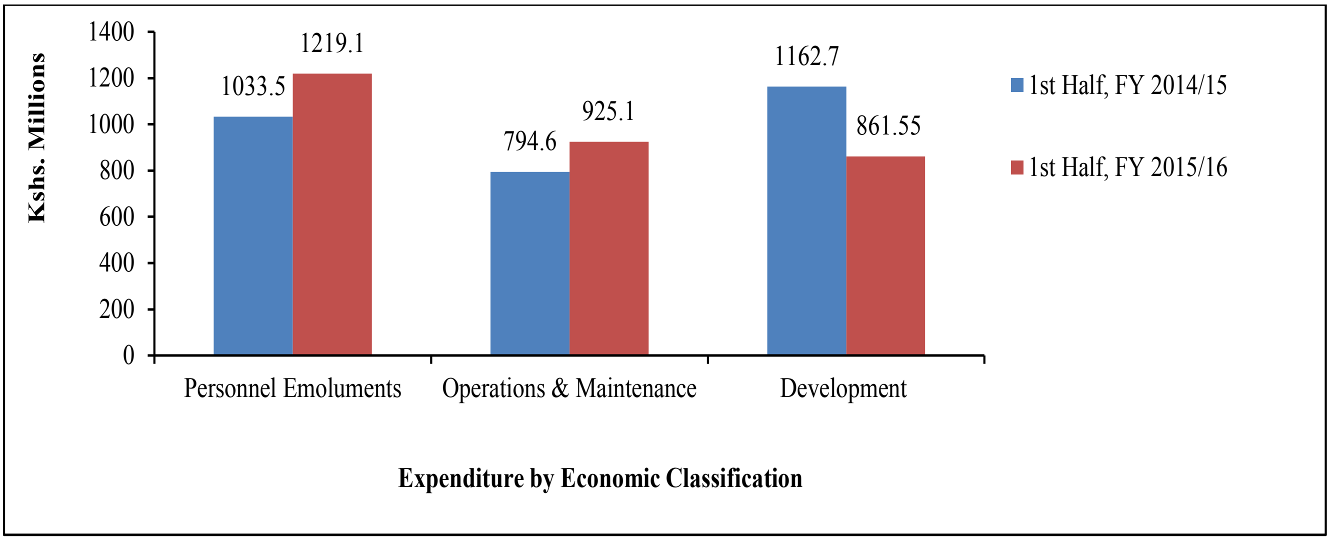
During the period under review, the COB authorised withdrawal of Kshs.3.09 billion from the CRF account, which was 34.3 per cent of the annual approved budget. The withdrawn amount represents a decline from Kshs.3.15 billion authorized in a similar period of FY 2014/15, and consists of Kshs.2.22 billion (72 per cent) for recurrent expenditure and Kshs.865.0 billion (28 per cent) for development activities.

3.33.5 Overall Expenditure Review

The County spent a total of Kshs.3.01 billion during the first half of FY 2015/16 which was 97.4 per cent of the total funds released for both recurrent and development expenditure. This is a slight reduction from the Kshs.2.99 billion spent in a similar period of FY 2014/15. A total of Kshs.2.14 billion was spent on recurrent activities and Kshs.861.55 million on development activities. Recurrent expenditure was 96.5 per cent of the funds released for recurrent activities while development expenditure accounted for 99.6 per cent of the funds released for development activities. The expenditure excludes commitments as of 31st December, 2015 that amounted to Kshs.0.86 billion for development and Kshs.2.14 billion for recurrent expenditure.

Recurrent expenditure for the period under review represented 42.4 per cent of the approved annual recurrent budget, an increase from 40.8 per cent spent in a similar period of FY 2014/15. On the other hand, development expenditure recorded an absorption rate of 21.9 per cent, a decrease from 29.4 per cent spent in a similar period of FY 2014/15. A comparison of the total expenditure between the second quarter of FY 2014/15 and FY 20151/16 is shown in Figure 3.130.

Figure 3.130: Narok County, Expenditure by Economic Classification for first half of FY 2014/15 and FY 2015/16



Source: *Narok County Treasury*

3.33.6 Recurrent Expenditure Analysis

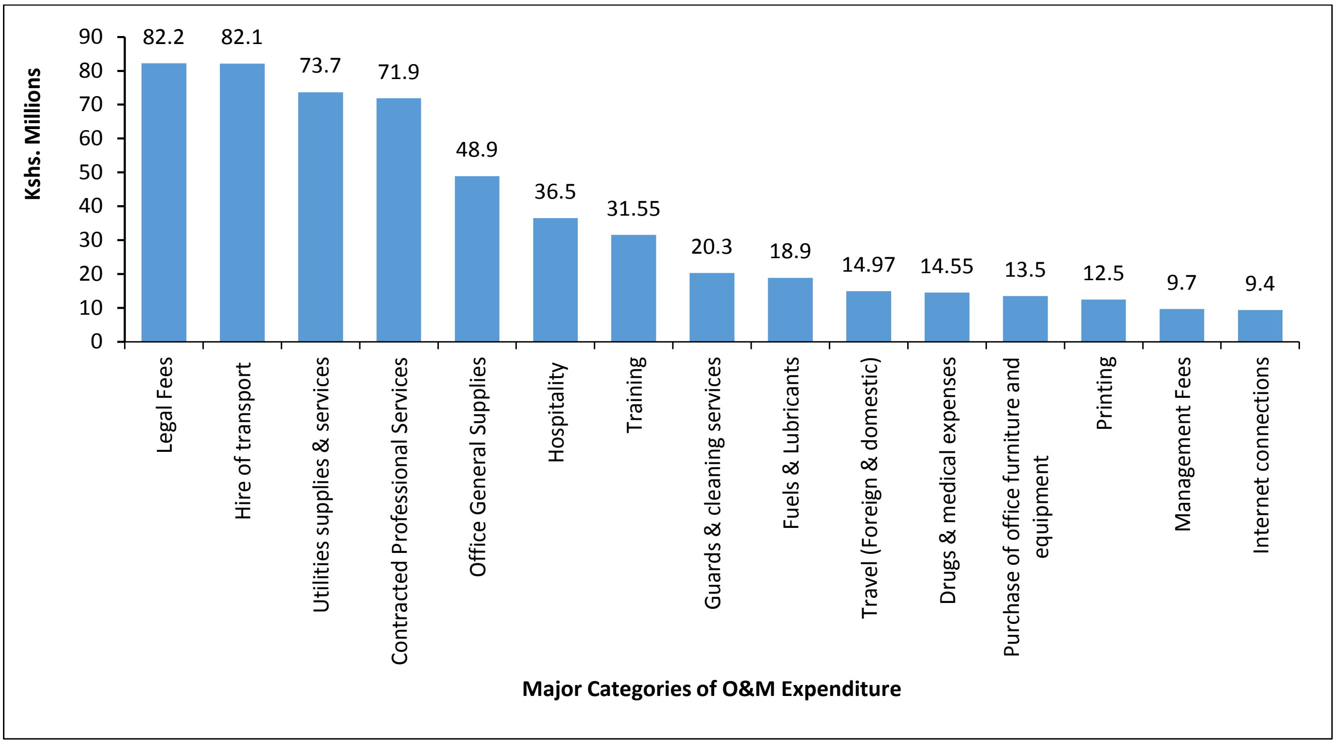
The total recurrent expenditure for the reporting period was Kshs.2.14 billion against an annual recurrent budget of Kshs.5.06 billion. This represents an absorption rate of 42.4 per cent. The County spent Kshs.1,219.1 million (56.9 per cent) on personnel emoluments and Kshs.925.10 million (43.1 per cent) on operations and maintenance as shown in Figure 3.130. Expenditure on personnel emoluments accounted for 40.6 per cent of total expenditure and has increased in

FY 2015/16 as compared to a similar period in FY 2014/15 when the County spent Kshs.1.033 billion. The increase is attributed to the annual increment on employees' basic salaries and as a result of continuous recruitment of staff.

The County spent Kshs.23.83 million on sitting allowances to the 48 MCAs and the Speaker against an annual budget of Kshs.60.0 million. This represents a marginal decrease from Kshs.24.8 million recorded in a similar period of FY 2014/15. The average monthly sitting allowance per MCA was Kshs.82,739 compared to SRC's recommended monthly ceiling of Kshs.124,800.

A breakdown of the operations and maintenance expenditure for the reporting period is shown in Figure 3.131.

Figure 3.131: Narok County, Major Operations and Maintenance Expenditure for the first half of FY 2015/16



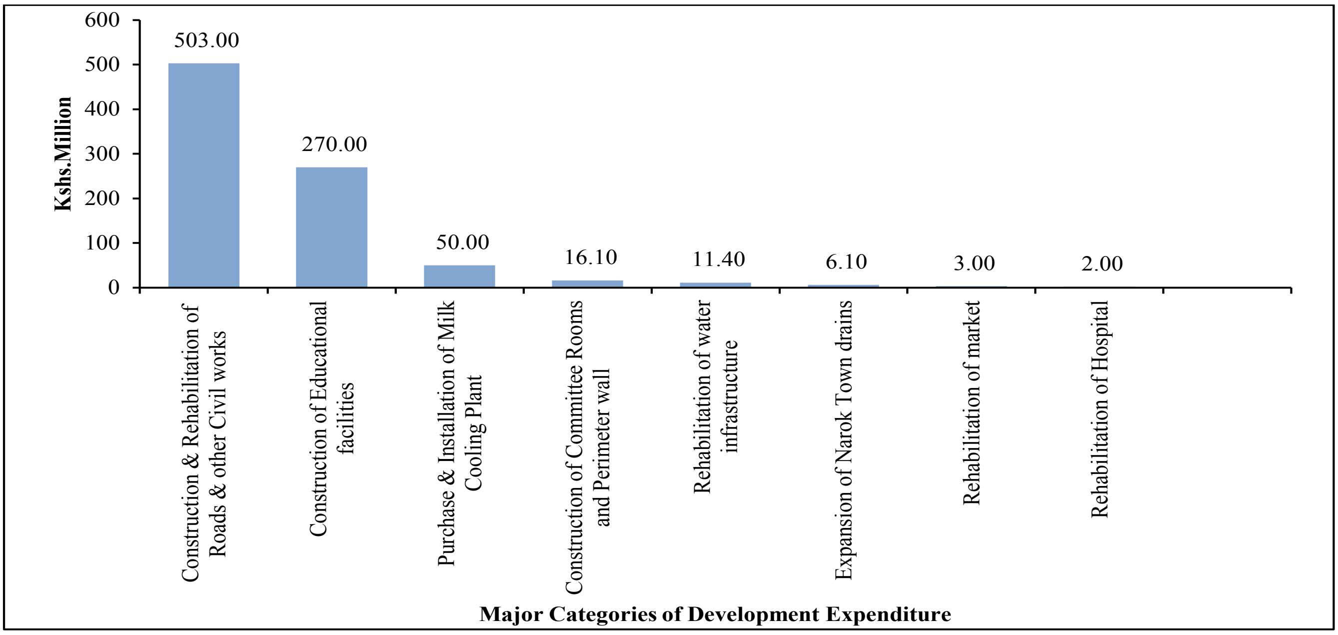
Source: *Narok County Treasury*

The aggregate expenditure on domestic and foreign travel was Kshs.14.97 million compared to Kshs.33.50 million incurred in a similar period of FY 2014/15, representing a decrease of 55.3 per cent. This expenditure comprised of Kshs.7.42 million spent by the County Executive and Kshs.7.55 million by the County Assembly.

3.33.7 Development Expenditure Analysis

Details of development expenditure during the first half of FY 2015/16 are provided in table 3.132.

Figure 3.132: Narok County, Summary of Development Expenditure for the first half of FY 2015/16



Source: *Narok County Treasury*

Analysis of the development expenditure of Kshs.861.55 million in the first half of FY 2015/16 indicates that the highest expenditure at Kshs.503.0 million was spent on construction and maintenance of access roads by the Roads Department. A total of 208.5 kilometers of roads were rehabilitated across the 30 wards. The second highest expenditure at Kshs.270.0 million was incurred by the Education Department on construction of educational facilities. The Department of Agriculture, Livestock and Fisheries incurred Kshs.50.0 million on purchase and installation of milk cooling plant.

3.33.8 Annual Budget and Budget Performance Analysis by department for the First Half of FY 2015/16

A summary of FY 2015/16 annual budget estimates and budget performance for the first half by department is as shown in Table 3.66.

Table 3.66: Narok County, Annual Budget and First Half of FY 2015/16 Budget Performance by Department

Department	Annual Budget Allocation (Kshs. Millions)		6-Months Exchequer Issues (Kshs. Millions)		6-Months Expenditure (Kshs. Millions)		6-Months Expenditure to Exchequer Issues (%)		Absorption rate (%)	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
County Assembly	533.00	187.81	287.00	18.00	210.67	16.07	73.4	89.3	39.5	8.6
Governor's Office	1,823.86	60.00	1,031.39	-	1,030.54	-	99.9	-	56.5	-
Finance and Economic Planning	506.56	363.00	144.80	50.00	144.80	50.00	100.0	100.0	28.6	13.8

Department	Annual Budget Allocation (Kshs. Millions)		6-Months Exchequer Issues (Kshs. Millions)		6-Months Expenditure (Kshs. Millions)		6-Months Expenditure to Exchequer Issues (%)		Absorption rate (%)	
	Rec	**Dev**	**Rec**	**Dev**	**Rec**	**Dev**	**Rec**	**Dev**	**Rec**	**Dev**
Roads, Transport and Infrastructure	91.94	1,777.17	36.66	503.00	36.66	503.00	100.0	100.0	39.9	28.3
Education, Social Cultural, Youth and Sports	436.00	396.50	70.62	220.00	70.62	220.00	100.0	100.0	16.2	55.5
Water, Environment, Energy and Natural Resources	54.39	80.00	24.59	12.00	24.59	11.42	100.0	95.2	45.2	14.3
County Public Service Board	66.38	-	28.08	-	28.08	-	100.0	-	42.3	-
Agriculture, Livestock and Fisheries	216.61	332.00	91.95	50.00	91.95	50.00	100.0	100.0	42.4	15.1
Health Services	1,077.11	169.00	418.39	2.00	418.39	2.00	100.0	100.0	38.8	1.2
Lands, Housing and physical planning	103.32	159.68	35.61	7.00	35.60	6.06	100.0	86.6	34.5	3.8
ICT and E-Government	29.50	33.00	11.59	-	11.59	-	100.0	-	39.3	-
Trade, Cooperatives, Tourism and Wildlife	122.51	380.00	40.70	3.00	40.70	3.00	100.0	100.0	33.2	0.8
Total	**5,061.18**	**3,938.16**	**2,221.37**	**865.00**	**2,144.20**	**861.55**	**96.5**	**99.6**	**42.4**	**21.9**

Source: *Narok County Treasury*

Analysis of budget performance by department shows that the Department of Education, Culture Youth Sports and Social Services reported the highest absorption rate for development expenditure at 55.5 per cent. On the other hand, the Office of the Governor and Deputy Governor had the highest proportion of recurrent expenditure to its annual recurrent budget at 56.5 per cent.

3.33.9 Borrowing by the County Government

Article 212 of the Constitution requires a county government to borrow with approval from the County Assembly, and only if the national government guarantees the loan. Further, Section 58 of the PFM Act 2012 gives the Cabinet Secretary to the National Treasury the powers to guarantee loans subject to approval by Parliament. During the period under review, the County utilized its equitable share and local revenue collection deposited into the County Revenue Fund account maintained at the Central Bank of Kenya and did not borrow any funds.

3.33.10 Observations and Recommendations

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

i. Embraced the use of Internet Banking in processing of payments.

ii. Embraced the use of IFMIS in processing of financial transactions. However, the system faces connectivity challenges which should be addressed.

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

1. Delayed disbursement of funds by the National Treasury affected execution of development projects.

2. Late submission of quarterly reports to the OCOB contrary to Section 166 of the PFM Act 2012.

3. Continued operationalization of the Bursary Fund despite advice by the COB to amend the County Bursary Act, 2013 so as to comply with law. The County paid out Kshs.40 million from the Bursary Fund without approval by the COB.

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

1. *The County Treasury should liaise with the National Treasury to ensure timely release of funds as provided for in CARA, 2015.*

2. *The County Treasury should ensure timely submission of financial reports in line with Section 166 and 168 of the PFM Act 2012.*

3. *The County should fast track amendment of the Narok County Bursary Fund Act, 2013 as advised by the COB to ensure compliance with the law.*

3.34 Nyamira County

3.34.1 Overview of the FY 2015/16 Budget

The FY 2015/16 approved budget for Nyamira County amounted to Kshs.5.54 billion, it comprised of Kshs.2.90 billion (52.3 per cent) allocated to recurrent expenditure and Kshs.2.64 billion (47.7 per cent) to development expenditure.

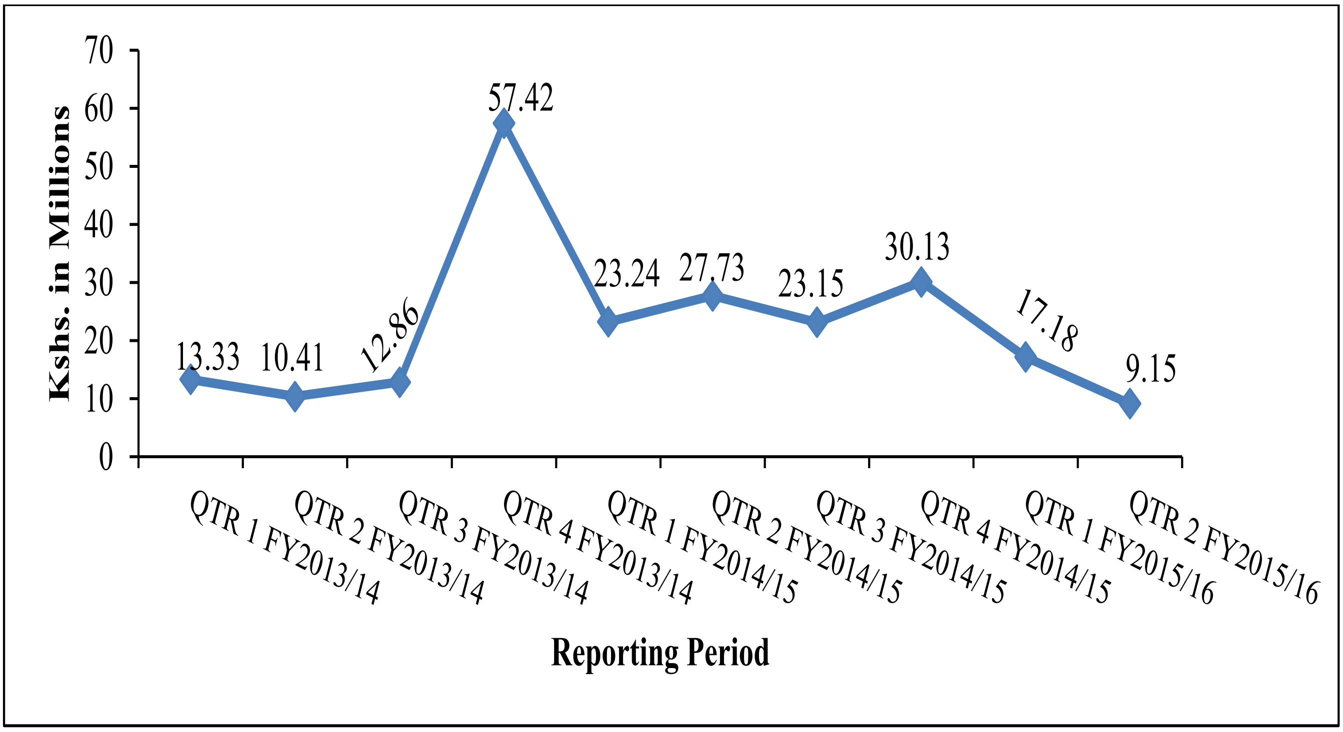
In order to finance the budget, the County expected to receive Kshs.4.15 billion (74.9 per cent) as equitable share from the National Government, collect Kshs.240.96 million (4.4 per cent) from local sources, receive a conditional grant of Kshs.23.92 million (0.4 per cent) from DANIDA, Kshs.788.73 million (14.2 per cent) as projected cash balance from FY 2014/15 and Kshs.336 million (6.1 per cent) as additional conditional allocation. The additional conditional allocation comprised of: Kshs.79.94 million for free maternal healthcare, Kshs.13.95 million as conditional allocation for compensation for user fees forgone, Kshs.95.74 million for leasing of medical equipment, Kshs.52.78 million as conditional allocation from the road maintenance fuel levy fund and Kshs.93.62 million as county emergency fund. However according to CARA 2015 the County emergency fund of Kshs.93.62 million was not included as one of the conditional allocation from the national government, hence a budget deficit of Kshs.93.62 million

3.34.2 Revenue Analysis

In the first half of FY 2015/16, the County received Kshs.1.44 billion from the National Government as direct transfers to the CRF account. This amount comprised of Kshs.1.39 billion as equitable share, Kshs.31.96 million as conditional allocations for free maternal health care, Kshs.4.36 million as conditional allocations for forgone user fees and Kshs.26.65 million as conditional allocation from fuel levy fund. In addition to the National Government direct transfer, the County raised Kshs.26.33 million from local sources, and had an actual cash balance of Kshs.726.76 million brought forward from FY 2014/15.

The trend in local revenue collection for from FY 2013/14 to the second quarter of FY 2015/16 is shown in figure 3.133.

Figure 3.133:Nyamira County, Trend in Local Revenue Collection by Quarter from the FY 2013/14 to the second quarter of FY 2015/16



Source: *Nyamira County Treasury*

The local revenue consisted of Kshs.17.18 million raised in the first quarter and Kshs.9.15 million in the second quarter. The local revenue raised in the first half of the FY 2015/16 of Kshs.26.33 million was 10.1 per cent of the annual local revenue target, a decline from Kshs.50.98 million collected in a similar period of FY 2014/15.

The analysis of local revenue by stream is shown in Table 3.67.

Table 3.67: Nyamira County, Analysis of revenue collection by stream for the first half of FY 2015/16

No.	Revenue Stream	Annual Targeted Revenue (Kshs.)	Six Months Actual Revenue (Kshs.)	Revenue Performance (%)
	A	B	C	D=*100
1	Matatu Parking Charges	37,381,261	5,858,510	15.7
2	Single Business Permit	47,571,157	5,410,560	11.4
3	Market Dues	44,327,473	4,753,640	10.7
4	Agricultural Toll/ Cess	20,577,612	1,184,710	5.8
5	Veterinary Charges	7,296,951	1,128,570	15.5
6	Building Plan Application Fees	2,709,771	1,086,715	40.1
7	Other revenue sources	101,672,299	6,905,954	6.8
	Total	**261,536,524**	**26,328,659**	**10.1**

Source: *Nyamira County Treasury*

The analysis of revenue by stream indicates that Building Plan Application Fee recorded the highest revenue performance at 40.1 per cent, followed by Matatu Parking Charges at 15.7 per cent.

3.34.3 Banking of local revenue

A review of the bank statement for the revenue collection in the first half of FY 2015/16, the County did not bank all the locally generated revenue into the CRF. A total of Kshs.35 million is held in two commercial bank accounts at Kenya Commercial Bank and Cooperative Bank, contrary to Article 207 of the Constitution and Section 109 of the PFM Act 2012, which stipulates that all funds raised or received by or on behalf of the County Government should be deposited into the CRF account, unless excluded by an Act of Parliament.

3.34.4 Exchequer issues

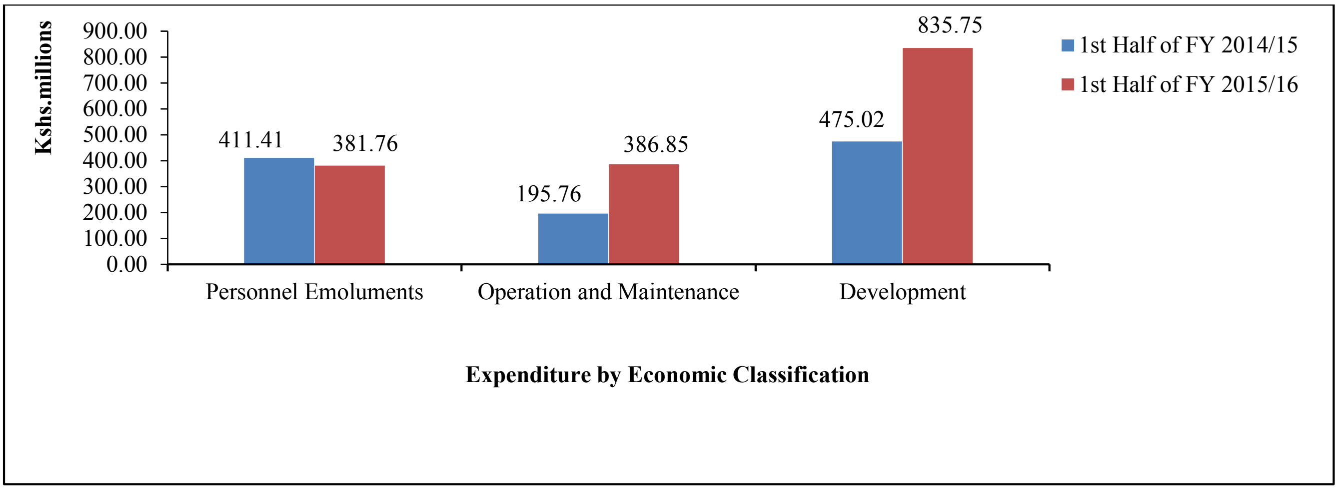
The Controller of Budget authorised withdrawal of Kshs.1.80 billion from the CRF account, which was 32.4 per cent of the approved budget. The amount represented a decline of 2.7 per cent from Kshs.1.85 billion authorized in a similar period of FY 2014/15 and consisted of Kshs.1.28 billion (71.4 per cent) for recurrent expenditure and Kshs.515.16 million (28.6 per cent) for development activities. The expenditure excludes commitments as of 31st December, 2015 that amounted to Kshs.727.25 million for development and Kshs.197.21 million for recurrent expenditure.

3.34.5 Overall Expenditure Review

The County spent a total of Kshs.1.60 billion during the first half of FY 2015/16 which was 89.2 per cent of the released for operations expenditure. This is a slight increase from the Kshs.1.08 billion spent in a similar period of FY 2014/15. A total of Kshs.1.22 billion was spent on recurrent activities and Kshs.381.76 million on development activities. Recurrent expenditure was 95.3 per cent of the funds released for recurrent activities while development expenditure accounted for 74.1 per cent of the funds released for development activities.

Recurrent expenditure for the period under review represented 42.1 per cent of the approved annual recurrent budget, an improvement from 25.8 per cent spent in a similar period of FY 2014/15. On the other hand Development expenditure recorded an absorption rate of 14.5 per cent, a decrease from 19.8 per cent spent in a similar period of FY 2014/15. A comparison of the total expenditure between the second quarter of FY 2014/15 and FY 2015/16 is shown in Figure 3.134.

Figure 3.134:Nyamira County, Expenditure by Economic Classification for First Half of FY 2014/15 and for First Half of FY 2015/16



Source: *Nyamira County Treasury*

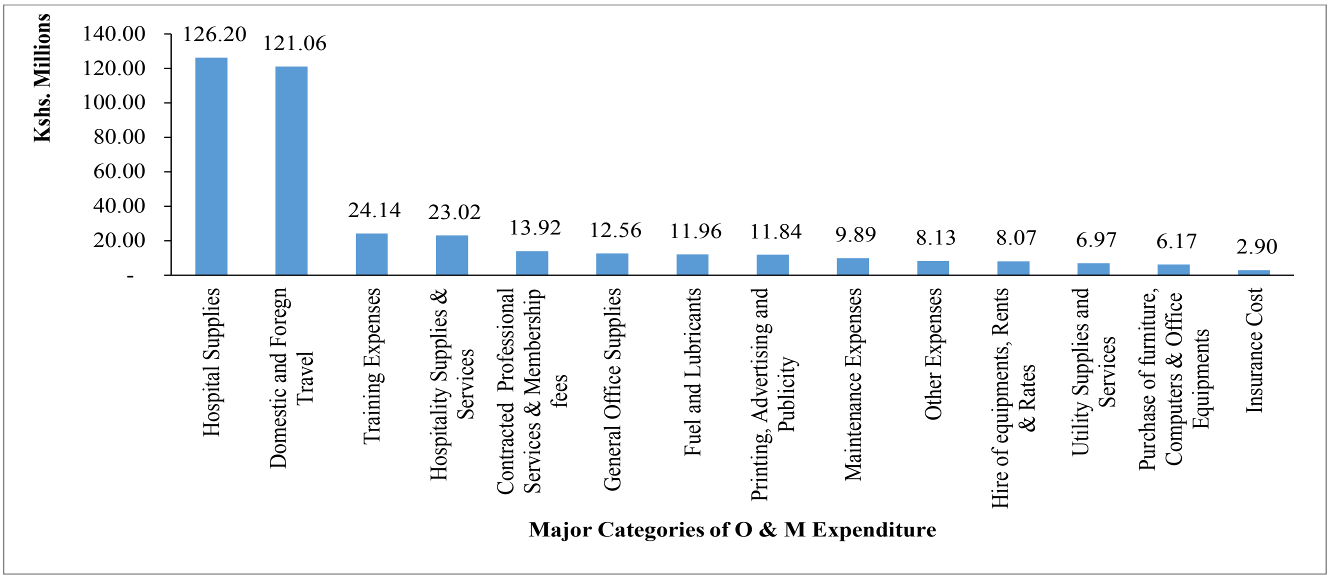
3.34.6 Recurrent Expenditure Analysis

The total recurrent expenditure for the reporting period was Kshs.1.22 billion against annual total recurrent budget of Kshs.2.90 billion. This represents 42.1 per cent of the annual recurrent budget. The County spent Kshs.835.75 million (68.4 per cent) on personnel emoluments and Kshs.386.85 million (31.6 per cent) on operations and maintenance as shown in Figure 3.134. Expenditure on personnel emoluments accounted for 52.1 per cent of total expenditure and has increased significantly in the first half of FY 2015/16 as compared to a similar period of FY 2014/15 when the county spent Kshs.475.02 million.

The County spent Kshs.20.52 million on sitting allowances to the 34 MCAs including the Speaker against an annual budget of Kshs.65.78 million. This represented a marginal decrease from Kshs.24.80 million recorded in a similar period of FY 2014/15. The average monthly sitting allowance per MCA was Kshs.103,649 compared to SRC's recommended monthly ceiling of Kshs.124,800.

A breakdown of the operations and maintenance expenditure for the reporting period is shown in Figure 3.135.

Figure 3.135:Nyamira County, Operations and Maintenance Expenditure for the First Half of FY 2015/16



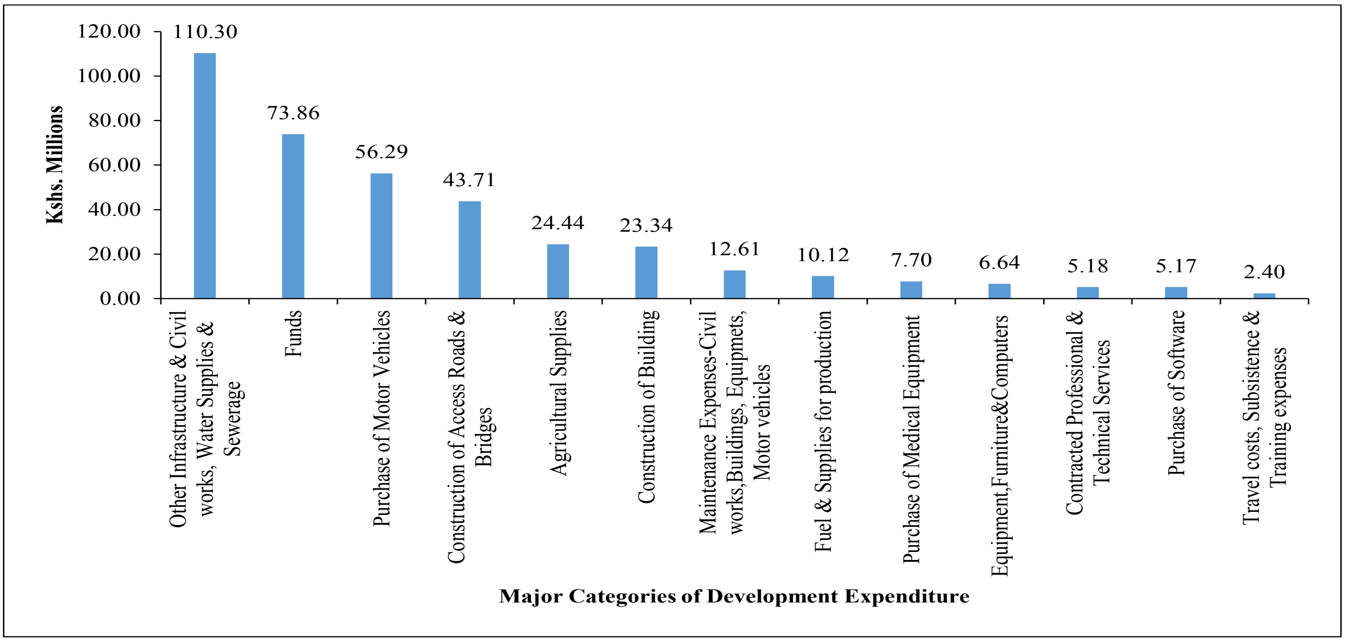
Source: *Nyamira County Treasury*

The aggregate expenditure on domestic and foreign travel was Kshs.121.06 million compared to Kshs.33.50 million incurred in a similar period of FY 2014/15, representing a significant increase of 261.4 per cent. This expenditure comprised of Kshs.57.68 million spent by the County Executive and Kshs.63.38 million by the County Assembly.

3.34.7 Development Expenditure Analysis

Details of development expenditure during the first quarter of FY 2015/16 are provided in figure 3.136.

Figure 3.136: Nyamira County, Summary of Development Expenditure for the First Half of FY 2015/16



Source: *Nyamira County Treasury*

Analysis of the development expenditure of Kshs.381.76 million incurred in the first half of FY 2015/16 indicates that the Roads department had the highest expenditure of Kshs.145.22 million which was spent mostly on Other Infrastructure & Civil works, Water Supplies & Sewerage, and Construction of Access Roads. The second highest expenditure of Kshs.78.47 million was incurred by the Finance & Economic Planning department mostly on Executives Car loans & Mortgage Fund, and Research and Feasibility studies. County Executive Office incurred Kshs.36.6 million on purchase of motor vehicles, department of Agriculture incurred Kshs.22.21million on Agricultural Materials, department of Environment, Energy, Natural Resources and Mining spent Kshs.21.96 million on Water Supplies and Sewerage Supplies and Small Equipment, while the department of Health incurred Kshs.18.5 million on Other Infrastructure and Civil Works.

3.34.8 Annual Budget and Budget Performance Analysis by department for the First Half of FY 2015/16

A summary of the FY 2015/16 annual budget estimates and budget performance for the first half by department is as shown in Table 3.68.

Table 3.68: Nyamira County, Annual Budget and First Half of FY 2015/16 Budget Performance by Department

Department	Annual Budget Allocation (Kshs. Million)		6 Months Exchequer Issues (Kshs. Million)		6 Months Expenditure (Kshs. Million)		% Of Expenditure To Exchequer Issues		Absorption (%)	
	REC	DEV	REC	DEV	REC	DEV	REC	DEV	REC	DEV
Agriculture, Livestock and Fisheries	158.87	154.21	69	50.77	73.01	28.23	105.8	55.6	46	18.3
County Assembly	428.74	175.9	145	-	180.09	-	124.2	-	42	-
County Executive Office	386.62	171.15	169	10	147.71	39.68	87.4	396.8	38.2	23.2
County Public Service Board	35.49	0	15.5	-	14.14	-	91.2	-	39.8	0
Education and ICT	235.95	254.22	102	17.97	95.08	17.06	93.2	94.9	40.3	6.7
Environment, Water and Natural Resources	82.43	233.03	35	93.8	37.68	27.14	107.7	28.9	45.7	11.6
**Finance and Economic Planning	197.22	218.7	151	7.32	97.05	78.47	64.3	1,072.00	49.2	35.9
Health Services	1,075.12	515.32	465	167.62	476.92	38.35	102.6	22.9	44.4	7.4
Lands, Housing & Physical Planning	41.78	174.98	18	1.5	10.37	6.13	57.6	408.4	24.8	3.5
Public Administration & Coordination of Devolved Unit	109.83	12.9	48	-	35.72	-	74.4	-	32.5	
Roads, Transport and Public Works	53.7	589.15	23	146.33	21.51	145.22	93.5	99.2	40	24.6
Trade, Tourism, Industrialization & Cooperative Development	39.05	132.17	17	17.36	17.09	1.49	100.5	8.6	43.8	1.1
Youth, Sports, Gender, Culture and Social Services	59.7	7.95	25.5	2.5	16.23	-	63.7		27.2	
Total	**2,904.50**	**2,639.68**	**1,283.00**	**515.16**	**1,222.59**	**381.76**	**95.3**	**74.1**	**42.1**	**14.5**

Source: *Nyamira County Treasury*

***Recurrent exchequer release for Department of Finance and Economic Planning includes Kshs.65 million budgeted for in Development Estimates as mortgage and car loan for executive.*

An analysis of budget performance by department shows that the Department of Finance and Economic Planning reported the highest percentage of its recurrent expenditure to its recurrent budget at 49.2 per cent while the Department of Lands, Housing and Physical Planning registered the lowest absorption rate at 24.8 per cent of the reporting period. On the other hand, Department of Finance and Economic Planning had the highest absorption rate of its development budget at 35.9 per cent while the department of Trade, Tourism, Industrialization and Cooperative Development had the lowest absorption rate of its development budget at 1.1 per cent. County Assembly, Department of Youth, Sports, Gender, Culture and Social Services, as well as Department of Public Administration did not incur any development expenditure despite having a development budget allocation.

3.34.9 Borrowing by the County Government

During the period under review, the County did not borrow any money. Article 212 of the Constitution requires a county government to borrow with approval from the County Assembly, and only if the national government guarantees the loan. Further, Section 58 of the PFM Act 2012 gives the Cabinet Secretary to the National Treasury the powers to guarantee loans subject to approval by Parliament.

3.34.10 Observations and Recommendations

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

i. Recruited additional staff for both County Executive and County Assembly in the finance docket which will address the staffing challenge that existed.

ii. Embraced internet banking while making payments to vendors.

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

1. Delay in submission of financial returns for established County Funds to the OCOB as required by Section 168 of the PFM Act 2012.

2. Failure by the County Assembly to fully adopt IFMIS.

3. The County is yet to establish an audit committee.

4. Failure to report all locally generated revenue especially from the department of Health services as well as failure to deposit local revenue sinto CRF account as required by Article 207 of constitution and Section 109 of PFM Act 2012.

5. Decline in local revenue from Kshs.50.98 million in the first half of FY 2014/15 to Kshs.26.33 million in the first half of FY 2015/16.

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

1. *The county should ensure mechanisms are in place to submit financial reports and returns in time. Timely and quality reporting will be beneficial to county itself as it will aid planning and will also be beneficial to other stakeholders.*

2. *The County Assembly should adopt IFMIS in processing all their payments. This will reduce bank charges from commercial banks as well as ensuring that public funds are utilized in a transparent and prudent manner.*

3. *The County should establish an Internal Audit Committee in line with Section 155 of the PFM Act 2012.*

4. *All revenue collected locally by the county should be banked to CRF regularly as stipulated by the Constitution and the PFM Act 2012.*
5. *The County should develop strategies to enhance local revenue collection.*

3.35 Nyandarua County

3.35.1 Overview of the FY 2015/16 Budget

The FY 2015/16 approved budget estimates for Nyandarua County amounted to Kshs.4.28 billion. It comprised of Kshs.2.80 billion (65.5 per cent) allocated to recurrent expenditure and Kshs.1.47 billion (34.5 per cent) to development expenditure.

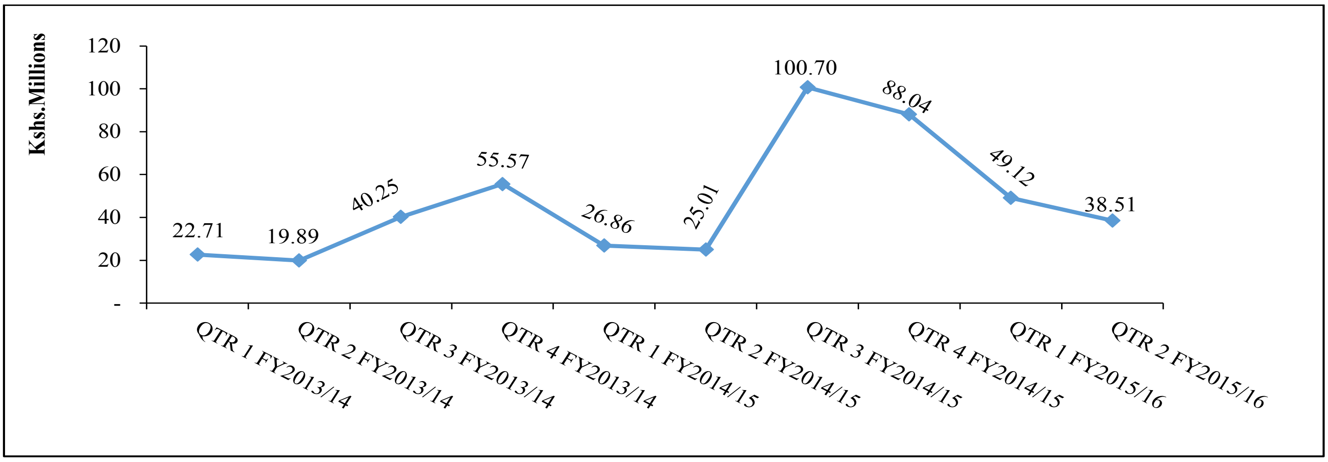
In order to finance the budget, the County expected to receive Kshs.3.983 billion (93.1 per cent) as transfers from the National Government, collect Kshs.235.5 million (5.5 per cent) from local sources, receive DANIDA conditional grant of Kshs.18.86 million (0.4 per cent) and Kshs.42 million (1 per cent) as F.I.F. However, the County did not budget for balance brought forward from FY 2014/2015 amounting to Kshs.591.03 million and additional grants as provided for in CARA, 2015 this includes Kshs.13.94 million as compensation for user fees forgone Kshs.54.71 million for the road maintenance levy, Kshs.50.71 million of forgone user fees, Kshs.95.74 million for leasing of medical equipment and Kshs.73 million as other conditional loans/grants. The equitable share was under budgeted by Kshs.323.27 million indicating that the County had a surplus budget. The County should revise the budget to correct under budgeting of the equitable share of revenue.

3.35.2 Revenue Analysis

In the first quarter of FY 2015/16, the County received Kshs.1.44 billion revenue from the National Government as direct transfer to the CRF account, Kshs.9.32 million as DANIDA grant to supplement financing for county health facilities, Kshs.14.98 million as conditional allocation for free maternal healthcare, Kshs.5.12 million as conditional allocation for forgone user fees, Kshs.27.63 million as conditional allocation from the road maintenance fuel levy fund, raised Kshs.87.64 million from local sources, and had Kshs.591.03 million as actual cash balance brought forward from FY 2014/15.

The trend in local revenue collection from FY 2013/14 to first half of FY 2015/16 is shown in figure 3.137.

Figure 3.137:Nyandarua County, Trend in Local Revenue collection by Quarter since FY 2013/14 to first half of FY 2015/16



Source: *Nyandarua County Treasury*

The local revenue raised in the period under review consisted of Kshs.49.12 million in the first quarter and Kshs.38.51 million in the second quarter. The total local revenue raised in the first half of the year of the FY 2015/16 Kshs.49.12 million which is 37.2 per cent of the annual local revenue target, an improvement from Kshs.51.87 million collected in a similar period of FY 2014/15.

Table 3.69 below provides an analysis of local revenue by stream for the first half of FY 2015/16.

Table 3.69: Nyandarua County, Analysis of revenue collection per stream for the first half of FY 2015/16

No.	Revenue Stream	Annual Targeted Revenue (Kshs.)	Six Months Actual Revenue (Kshs.)	Revenue Performance (%)
	A	B	C	D=*100
1	Meat Inspection	307,872	1,506,987	489.5
2	Transfer Fees	1,002,319	1,706,320	170.2
3	Impounded Fees	1,009,335	1,234,475	122.3
4	Produce Cess and Royalties	26,935,944	20,094,530	74.6
5	Other sources	46,341,732	18,577,877	40.1
6	Open Air Market Fees	11,088,180	5,155,052	46.5
7	Bus and Matatu Fees	15,652,096	6,739,070	43.1
8	Single Business Permits	53,212,954	10,919,818	20.5
9	Liquor License	80,000,000	7,110,500	8.9
10	J. M. Hospital		10,013,530	0.0
11	Public Health Fees		2,649,825	0.0
12	Motor Cycle Fees (Parking)		1,935,150	0.0
	TOTAL	**235,550,432**	**87,643,134**	37.2

Source: *Nyandarua County Treasury*

The analysis of own revenue collection by stream indicates that meat inspection generated the highest percentage of revenue against target at 489.5 per cent followed by transfer fees at 170.2 per cent.

3.35.3 Banking of Local Revenue

A review of the bank statements for the revenue collection account indicated that all locally generated revenues was deposited into the CRF during the period under review even though in a regular basis. This conforms to Article 207 of the Constitution and Section 109 of the PFM Act 2012, stipulate that all funds raised or received by or on behalf of the County Government shall be deposited into the CRF account unless excluded by an Act of Parliament.

3.35.4 Exchequer issues

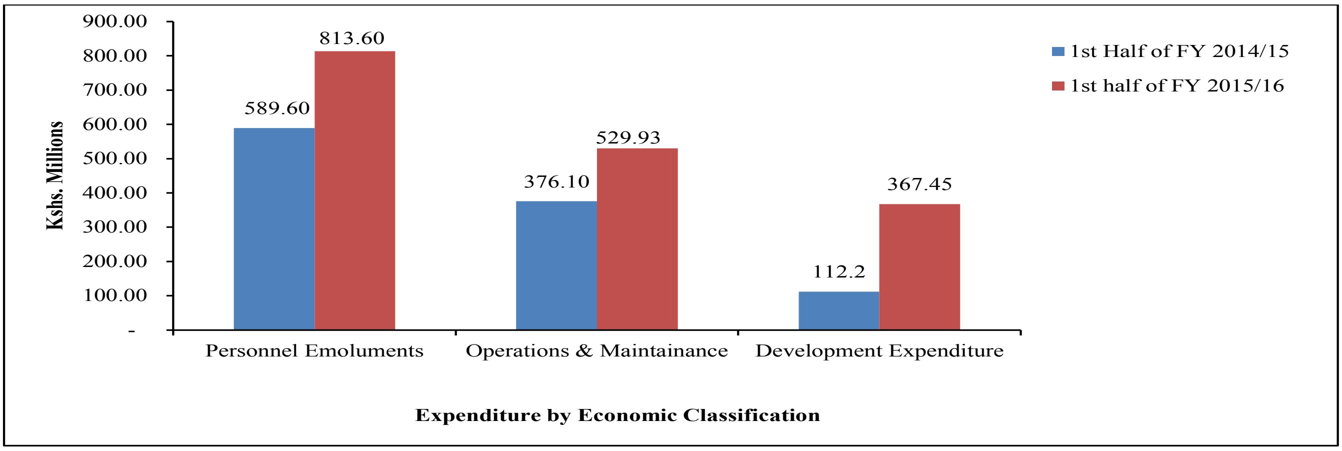
During the reporting period, the CoB authorised withdrawal of Kshs.2.06 billion from the CRF acount, which was 48.3 per cent of the approved budget estimates, an improvement of 31.2 per cent as compared to a similar period of FY 2014/15. This amount consisted of Kshs.1.48 billion (72 per cent) for recurrent expenditure and Kshs.579.35 million (28 per cent) for development activities.

3.35.5 Overall Expenditure Review

The County spent a total of Kshs.1.71 billion in the first quarter of FY 2015/16, which was 82.8 per cent of the released. This was an increase from Kshs.1.08 billion spent in a similar period of FY 2014/15. A total of Kshs.1.34 billion (78.5 per cent) was spent on recurrent activities while Kshs.367.45 million (21.5 per cent) on development activities. Recurrent expenditure was 90.4 per cent of the funds released for recurrent activities while development expenditure accounted for 63.4 per cent of the funds released for development activities. The County did not provide outstanding commitments as of 31st December, 2015.

Recurrent expenditure for the period under review represented an absorption rate of 47.9 per cent, an increase from 36.4 per cent realized in a similar period of FY 2014/15. On the other hand Development expenditure recorded an absorption rate of 24.9 per cent, an improvement from 6.1 per cent realized in a similar period of FY 2014/15 of the total approved budget estimates. Figure 3.138 shows a comparison of the total expenditure between the first half of FY 2014/15 and first half of FY 2015/16.

Figure 3.138: Nyandarua County, Expenditure by Economic Classification for the first half of FY 2014/15 and first half of FY 2015/16



Source: *Nyandarua County Treasury*

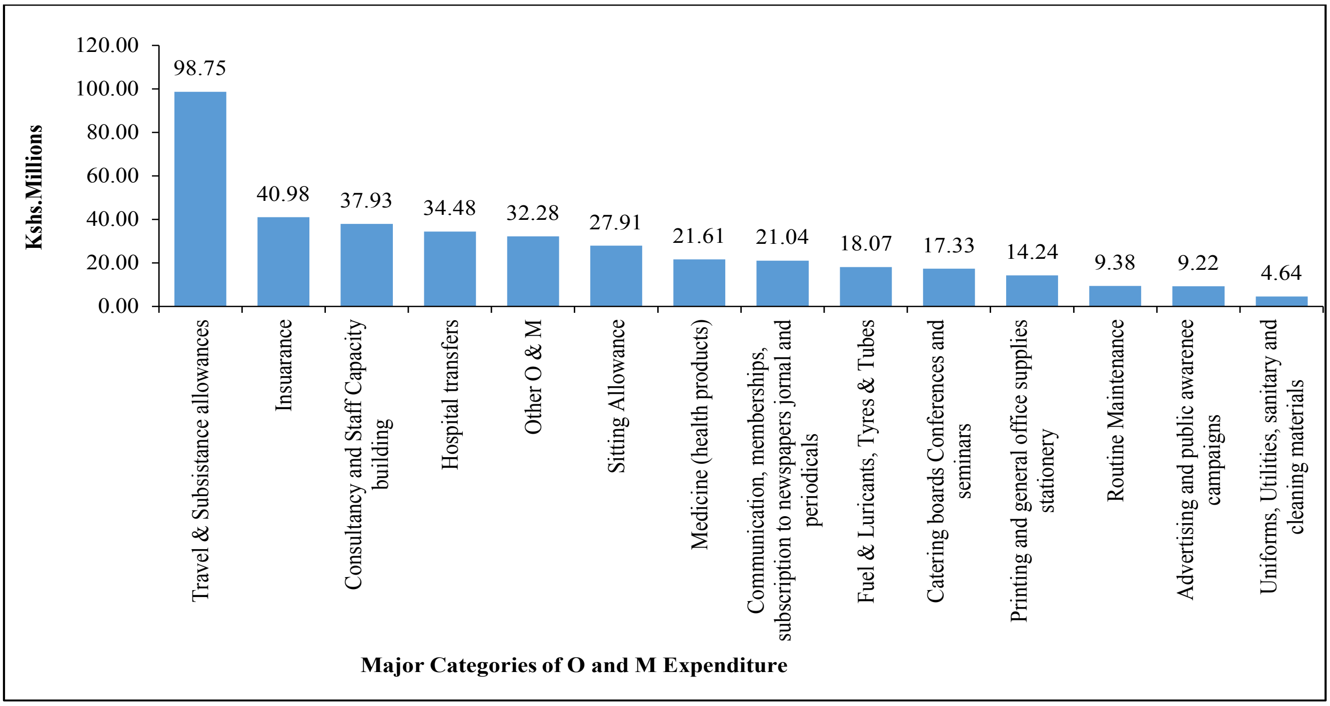
3.35.6 Recurrent Expenditure Analysis

Analysis of the annual recurrent expenditure of Kshs. 1.34 billion for the reporting period indicates that Kshs.813.6 million (60.6 per cent) on personnel emoluments and Kshs.529.93 million (39.4 per cent) on operations and maintenance as shown in Figure 3.138. Expenditure on personnel emoluments accounted for 47.6 per cent of total expenditure and has increased in the reporting period as compared to a similar period of FY 2014/15 when the County spent Kshs.589.6 million. In the FY 2014/15 Annual County Governments Budget Implementation Review Report, it was reported that FY 2013/14 personnel emoluments was Kshs.44.7 million instead of Kshs.1.29 billion. This inadvertent error has been clarified and corrected.

The County spent Kshs.27.9 million on sitting allowances to the 42 MCAs which is inclusive of the County Assembly Service Board, against the annual MCAs budget of Kshs.68.41 million, a decrease from Kshs.31.81 million spent in a similar period of FY 2014/15. The average monthly sitting allowance per MCA was Kshs.110, 736 compared to the SRC's recommended amount of Kshs.124, 800.

A breakdown of the operations and maintenance expenditure in the reporting period is shown in Figure 3.139.

Figure 3.139: Nyandarua County, Operations and Maintenance Expenditure for the First Half of FY 2015/16



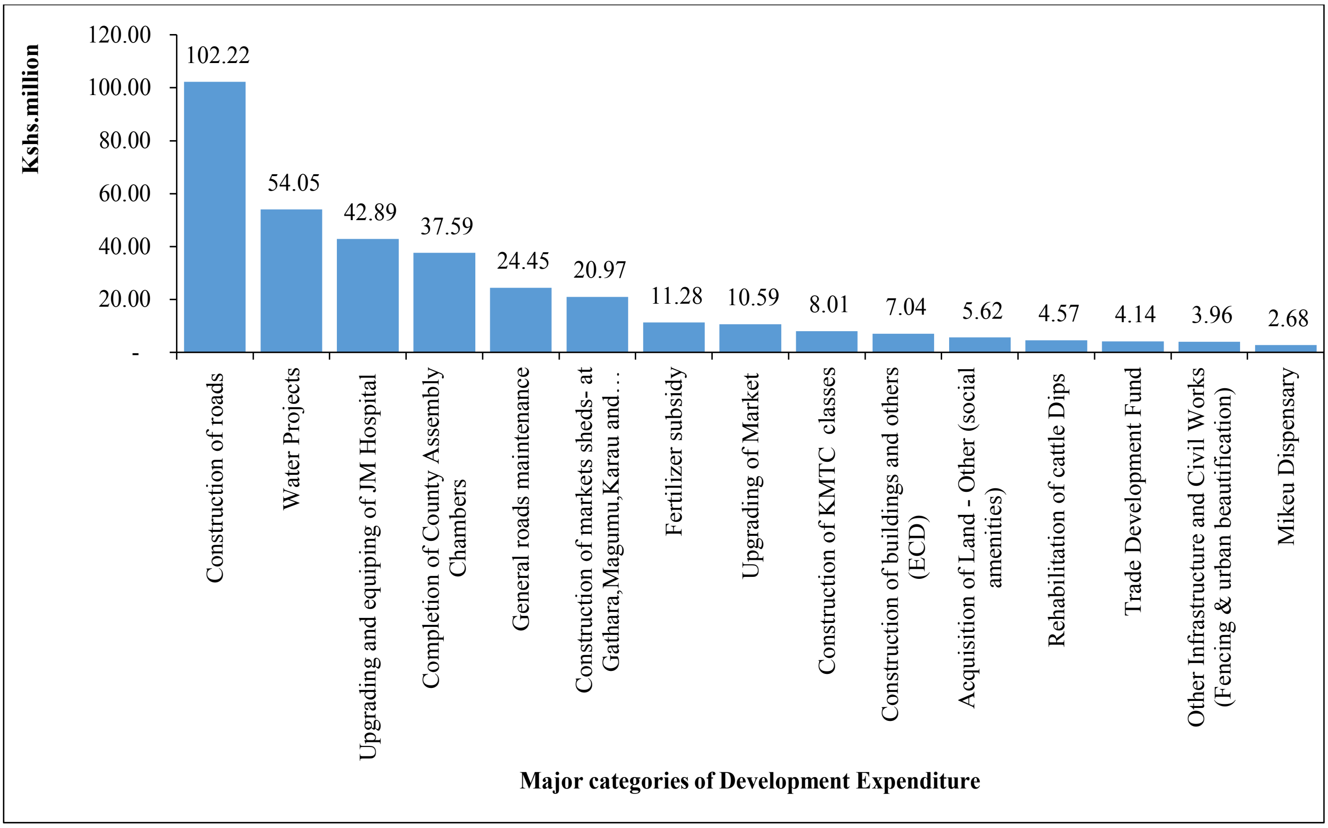
Source: *Nyandarua County Treasury*

The total expenditure on domestic and foreign travel was Kshs.98.74 million compared to Kshs.82.33 million in a similar period of FY 2014/15, representing an increase of 19.9 per cent. This expenditure comprised of Kshs.58.73 million by the County Executive and Kshs.40 million by the County Assembly.

3.35.7 Development Expenditure Analysis

A summary of development expenditure in the first half of FY 2015/16 is provided in figure 3.140.

Figure 3.140: Nyandarua County, Analysis of Development Expenditure for the first half of FY 2015/16



Source: *Nyandarua County Treasury*

Analysis of the development expenditure for the period under review of Kshs.367.45 million incurred in the first half of FY 2015/16 indicates that the Roads department had the highest expenditure of Kshs.126.66 million which was incurred on grading and gravelling of roads across the 25 wards. The second highest expenditure of Kshs.54.05 million was incurred on water projects by the Department of Water & Environment. The department for County Attorney, E-Government & Intergovernmental Relations, and the Gubernatorial Office did not report expenditure on development programmes.

3.35.8 Annual Budget and Budget Performance Analysis for the First Half of FY 2015/16 budget performance by Department

A summary of FY 2015/16 annual budget and budget performance by department for the first half of FY 2015/16 is shown in table 3.70.

Table 3.70: Nyandarua County, FY 2015/16 Annual Budget and First Half of FY 2015/16 Budget Performance by Department

Department	Budget Allocation (Kshs. Million)		6 Months Exchequer Issues (Kshs. Million)		6 Months Expenditure (Kshs. Million)		Expenditure to exchequer issues (%)		Absorption rate (%)	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
Gubernatorial Office	193.88	0.03	103.41	-	66.52	-	64.3	0.0	34.3	0.0
County Attorney, E-Government & Intergovernmental Relations	59.67	11	31.43	7	7.07	-	22.5	0.0	11.8	0.0
Finance & Economic Planning	412.32	297.5	271.38	27.2	279.82	35.7	103.1	131.3	67.9	12.0
Agriculture Livestock & Fisheries	245.41	109.55	128.01	48.56	116.2	28.23	90.8	58.1	47.3	25.8
Lands, Housing & Physical Planning	51.3	77.5	24.53	27	7.69	13.03	31.3	48.3	15.0	16.8
Roads Transport & Public Works	109.78	455.36	55.09	197.58	9.9	126.67	18.0	64.1	9.0	27.8
Health Services	869.73	95.09	457.01	55.48	516.45	58.66	113.0	105.7	59.4	61.7
Education, Gender, Youth, Culture and Social Services	209.59	112	95.04	33	75.22	7.04	79.1	21.3	35.9	6.3
Tourism, Wildlife and Sports	25.46	20.41	11.01	14.09	1.51	1.21	13.7	8.6	5.9	5.9
Industrialization Coop, trade and Enterprise Development	48.87	44.37	24.86	22.46	11.96	5.26	48.1	23.4	24.5	11.9
Water & Environment	77.43	184	34.45	102	5.99	54.05	17.4	53.0	7.7	29.4
County Assembly	501	69	250.21	45	245.21	37.59	98.0	83.5	48.9	54.5
TOTAL	**2,804.42**	**1,475.81**	**1,486.44**	**579.36**	**1,343.54**	**367.45**	**90.4**	**63.4**	**47.9**	**24.9**

Source: *Nyandarua County Treasury*

Analysis of expenditure by department shows that the Health Services Department attained the highest absorption rate of its annual development budget at 61.7 per cent while the Gubernatorial office, County Attorney E-Government & Intergovernmental Relations and Education Gender Youth Culture Social Services departments did not incur development expenditure during the period under review. On the other hand the Finance and Economic Planning department had the highest percentage of its recurrent expenditure to its recurrent budget at67.9 per cent while the department of Tourism, Wildlife and Sports had the lowest absorption rate of annual recurrent budget at 5.9 per cent in the period under review.

3.35.9 Borrowing by the County Government

Article 212 of the Constitution requires a county government to borrow with approval from the County Assembly, and only if the national government guarantees the loan. Further, Section 58 of the PFM Act 2012 gives the Cabinet Secretary to the National Treasury the powers to guarantee loans subject to approval by Parliament. During the period under review, the County utilized its equitable share and local revenue collections deposited into the County Revenue Fund account maintained at Central Bank of Kenya and did not borrow any funds.

3.35.10 Observations & Recommendations

The County has made progress in addressing challenges previously identified as affecting budget implementation. The County has:

(i) Improved local revenue collection which accounted for 37.2 per cent of the annual revenue target up from 24 per cent realised in a similar period of FY 2014/15.

(ii) Improved the absorption of development funds which stood at 24.9 per cent from 6.1 per cent registered in a similar period of FY 2014/15.

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

1. Delay in disbursement of funds by the National Treasury.
2. Lack of an Internal Audit Committee contrary to Section 155(5) of the PFMA, 2012.
3. The County wage bill has risen drastically over the last two years.
4. The County did not budget for the funds brought forward from FY 2014/15 and used a lower figure of equitable share than that contained in the CARA, 2015.

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

1. *The National Treasury should ensure funds allocated to counties 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 per Section 155(5) of the PFM Act 2012, in order to enhance public financial management oversight.*
3. *The County should conduct a staff rationalization exercise based on merit to tame the rising wage bill.*
4. *The County should develop a supplementary budget to program for the funds brought forward from FY 2015/16 and the correct equitable amount based on the CARA 2015.*

3.36 Nyeri County

3.36.1 Overview of the FY 2015/16 Budget

The FY 2015/16 approved budget for Nyeri County amounted to Kshs.6.28 billion, with Kshs.4.28 billion (68.2 per cent) allocated to recurrent expenditure and Kshs.1.99 billion (31.8 per cent) to development expenditure.

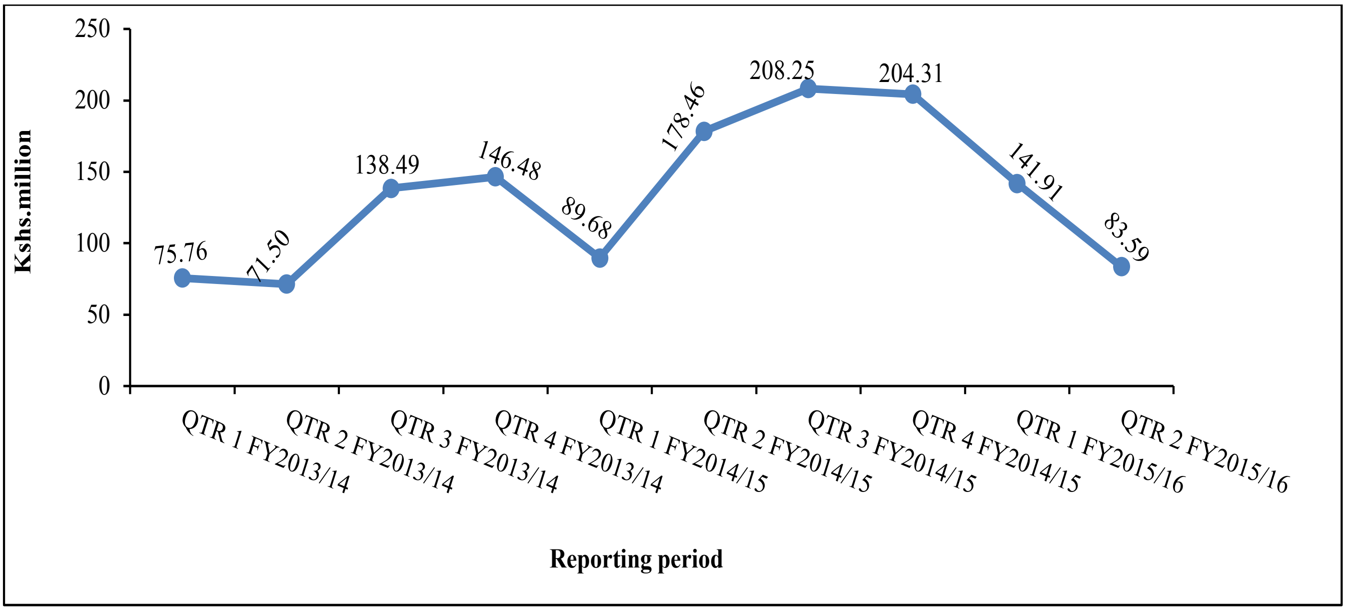
It comprises of Kshs.4.34 billion (69.1 per cent) equitable shares from the National Government, Kshs.453.96 million (7.2 per cent) conditional grants and Kshs.1.48 billion (23.7 per cent) local revenue. However, the County under budgeted for equitable shares and conditional grants by Kshs.107.33 million and Kshs.165.18 million respectively as compared to the provisions of CARA 2015. Further, Kshs.22.93 million donor funds from DANIDA were not factored in the FY 2015/16 budget. The County should review its budget through a supplementary budget so as to reflect the updated revenue levels.

3.36.2 Revenue Analysis

During the first half of FY 2015/16, the County received Kshs.1.68 billion from the National Government as fiscal transfers, raised Kshs.225.50 million from local sources, and had an actual cash balance of Kshs.205.66 million brought forward from FY 2014/15. The fiscal transfers received from the National Government, which represented 33.9 per cent of annual county allocations, included Kshs.1.49 billion as equitable shares, Kshs.123.49 million conditional allocations to Nyeri County referral hospital, Kshs.28.54 million conditional grants for maintenance of county roads, Kshs.37.00 million for free maternal health care and Kshs.6.36 million for user fees forgone by health facilities.

The trend in local revenue collection from FY 2013/14 to the second quarter of FY 2015/16 is shown in figure 3.141.

Figure 3.141: Nyeri County, Trend in Local Revenue Collection by Quarter from the FY 2013/14 to the second quarter of FY 2015/16



Source: *Nyeri County Treasury*

The local revenue consisted of Kshs.141.91 million raised in the first quarter and Kshs.83.59 million in the second quarter. The local revenue raised in the first half of the FY 2015/16 was Kshs.225.50 million which is 15.2 per cent of the annual local revenue target, and represented a considerable decline from Kshs.268.14 million collected in a similar period of FY 2014/15. The decline in local revenue collection, which fell by 15.9 per cent, was attributable to a slump in the performance of some main revenue streams such as parking fees and refuse collection fees.

The analysis of local revenue by stream is shown in Table 3.71.

Table 3.71: Nyeri County, Analysis of revenue collection per stream for the first half of FY 2015/16

No.	Revenue Stream	Annual Revenue Target (Kshs.)	6 Months Actual Revenue (Kshs.)	6 Months Revenue Performance (%)
	A	B	C	D=C/B*100
1	Hospital services	258,859,938	40,793,080	15.8
2	Parking Fees	143,436,072	38,592,365	26.9
3	Liquor License	7,889,046	29,203,050	370.2
4	Market Fees	77,721,130	17,741,543	22.8
5	Business Permits	151,954,610	14,377,179	9.5
6	Others Sources	848,497,340	84,789,561	10.0
TOTAL		**1,488,358,136**	**225,496,778**	**15.2**

Source: *Nyeri County Treasury*

The analysis of revenue by stream indicates that the main source of revenue in the county was hospital services fees at Kshs.40.79 million, Parking fees and Liquor licenses were the second and third highest contributors to local revenue at Kshs.38.59 million and Kshs.29.20 million respectively. Further analysis shows that the top 5 revenue streams contributed up to about 62.4 per cent of total local revenue collected during the reporting period.

3.36.3 Banking of local revenue

In the first half of FY 2015/16, the County banked all the locally generated revenue intact into the revenue be deposited to the CRF. This confirms to Article 207 of the Constitution and Section 109 of the PFM Act 2012, which stipulates that all funds raised or received by or on behalf of the County Government should be deposited into the CRF account, unless excluded by an Act of Parliament.

3.36.4 Exchequer issues

The Controller of Budget authorised withdrawal of Kshs.1.95 billion from the CRF account, which was 31.0 per cent of the approved budget. The amount consisted of Kshs.1.83 billion (94.1 per cent) for recurrent expenditure and Kshs.114.50 million (5.9 per cent) for development activities, and represented a decline of 8.5 per cent from Kshs.2.12 billion authorized in a similar period of FY 2014/15.

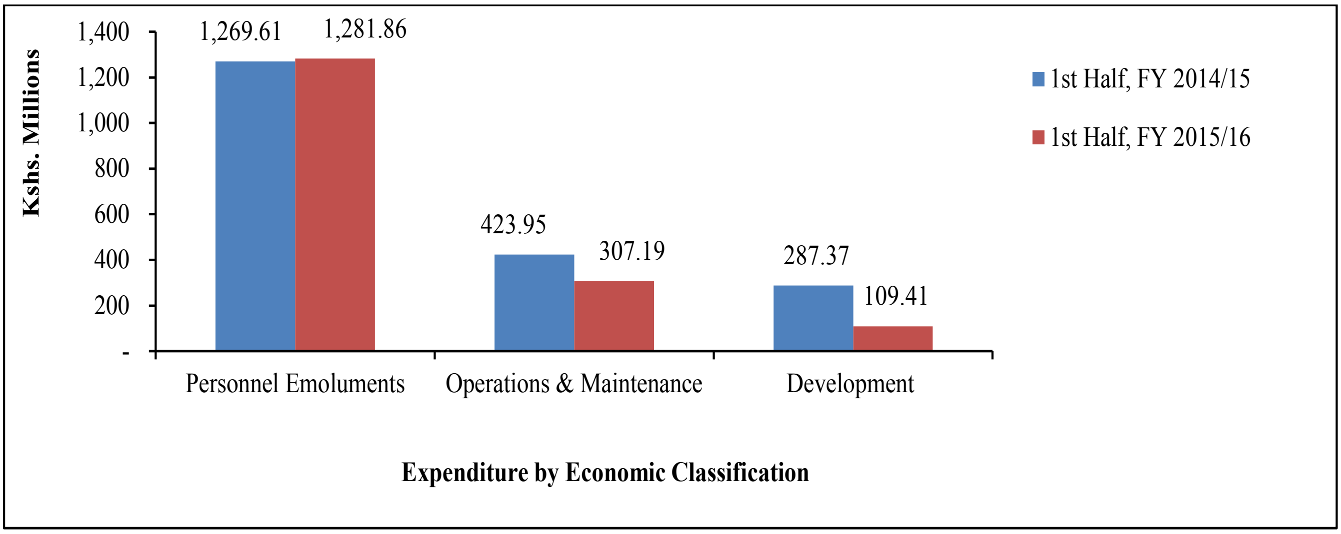
3.36.5 Overall Expenditure Review

The County spent a total of Kshs.1.69 billion during the first half of FY 2015/16 which was 87.3 per cent of the funds released for operations. This is a reduction from the Kshs.1.98 billion spent in a similar period of FY 2014/15. A total of Kshs.1.59 billion was spent on recurrent activities and Kshs.109.41 million on development activities. Recurrent expenditure was 86.8 per cent of the funds released for recurrent activities while development expenditure accounted for 95.6 per cent of the funds released for development activities. The expenditure excludes commitments as of 31st

December, 2015 that amounted to Kshs.56.65 million for development and Kshs.182.48 million for recurrent expenditure.

Recurrent expenditure for the period under review represented 37.1 per cent of the approved annual recurrent budget, a decrease from 44.5 per cent spent in a similar period of FY 2014/15. On the other hand Development expenditure recorded an absorption rate of 5.5 per cent, a significant decrease from 17.6 per cent realized in a similar period of FY 2014/15. A comparison of the total expenditure between the second quarter of FY 2014/15 and FY 2015/16 is shown in Figure 3.142.

Figure 3.142:Nyeri County, Expenditure by Economic Classification for First Half of FY 2014/15 and First Half of FY 2015/16



Source: *Nyeri County Treasury*

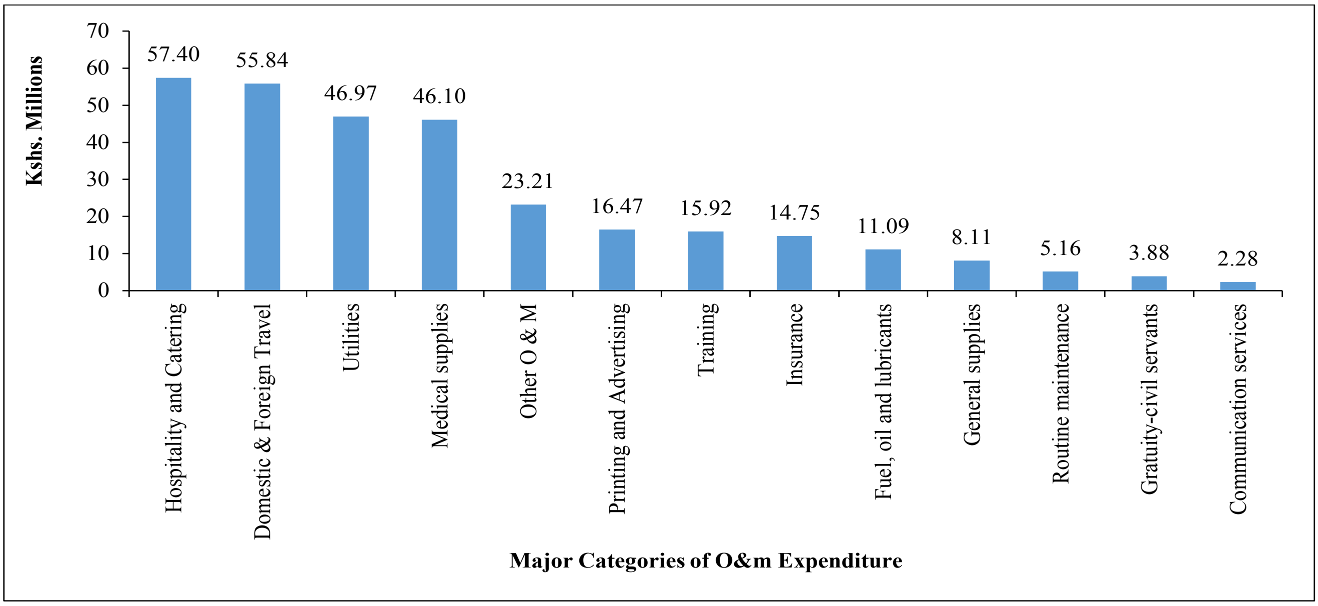
3.36.6 Recurrent Expenditure Analysis

The total recurrent expenditure for the reporting period was Kshs.1.59 billion against an annual total of budget of Kshs.4.28 billion. This represents 37.1 per cent of annual recurrent budget. The County spent Kshs.1.28 billion (80.7 per cent) on personnel emoluments and Kshs.307.19 million (19.3 per cent) on operations and maintenance as shown in Figure 3.142. Expenditure on personnel emoluments accounted for 75.5 per cent of total expenditure and has slightly increased in FY 2015/16 as compared to a similar period in FY 2014/15 when the County spent Kshs.1.27 billion.

The County spent Kshs.38.68 million on sitting allowances to the 47 MCAs and the Speaker against an annual budget of Kshs.107.86 million. This was a marginal decrease from Kshs.41.28 million recorded in a similar period of FY 2014/15. The average monthly sitting allowance per MCA was Kshs.134,300 compared to SRC's recommended monthly ceiling of Kshs.124,800.

A breakdown of the operations and maintenance expenditure for the reporting period is shown in Figure 3.143.

Figure 3.143: Nyeri County, Operations and Maintenance Expenditure for the First Half of FY 2015/16



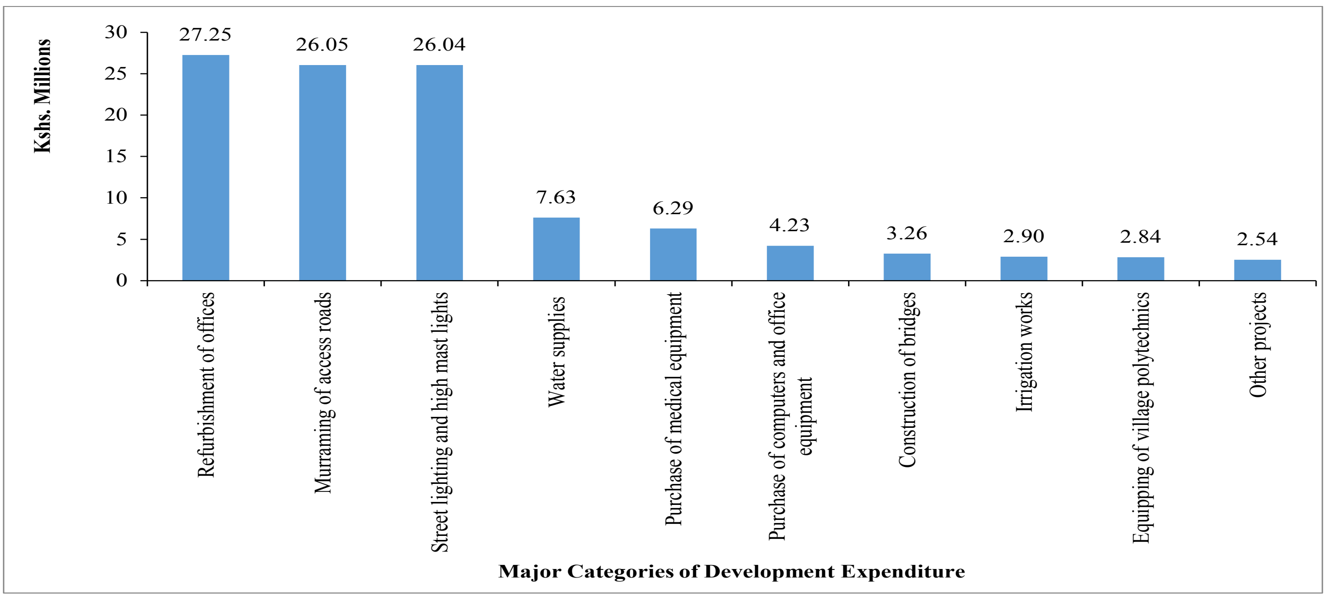
Source: *Nyeri County Treasury*

The aggregate expenditure on domestic and foreign travel was Kshs.55.83 million compared to Kshs.54.14 million incurred in a similar period of FY 2014/15, representing a marginal increase of 3.1 per cent. This expenditure comprised of Kshs.21.00 million spent by the County Executive and Kshs.34.83 million by the County Assembly.

3.36.7 Development Expenditure Analysis

A summary of development expenditure during the first half of FY 2015/16 is provided in figure 3.144.

Figure 3.144:Nyeri County, Summary of Development Expenditure for the First Half of FY 2015/16



Source: *Nyeri County Treasury*

Analysis of the development expenditure of Ksh.109.41 million incurred in the first half of FY 2015/16 indicates that the Lands and Infrastructure department had the highest expenditure of Kshs.31.76 million, which was spent on grading of access roads and construction of bridges. The Energy department recorded the second highest expenditure of Kshs.26.04 million incurred on erection of street lights and high mast lights. The County Assembly spent Kshs.15.15 million on construction of a boundary wall and refurbishment of parking while the department of Water and Natural resources incurred Kshs.10.64 million on water supplies and irrigation works.

3.36.8 Annual Budget and Budget Performance Analysis by department for the First Half of FY 2015/16

A summary of the FY 2015/16 annual budget estimates and budget performance for the first half by department is as shown in Table 3.72.

Table 3.72: Nyeri County, Annual Budget and First Half of FY 2015/16 Budget Performance by Department

Department	Budget Allocation (Kshs.Million)		6 Months Exchequer Issues (Kshs. Million)		6 Months Expenditure (Kshs. Million)		Expenditure to exchequer issues (%)		Absorption rate (%)	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
Office of the Governor	81.07	0	36.03	0.0	30.43	0.0	84.5		37.5	
Office of County Secretary	110.81	0	59.09	0.0	7.48	0.0	12.7		6.8	
Finance and Economic Planning	262.01	210.88	123.99	0.0	67.51	0.0	54.4		25.8	0.0
Education & ICT	54.09	138.77	21.11	10.00	17.10	2.89	81.0	28.9	31.6	2.1
Health Services	2,014.30	281.49	860.97	10.00	824.88	6.59	95.8	65.9	41.0	2.3
Special Programmes	71.22	40.44	34.99	5.00	6.99	1.93	20.0	38.6	9.8	4.8
Lands and Infrastructure	107.55	599.85	49.32	40.00	56.95	31.76	115.5	79.4	53.0	5.3
County Assembly	547.58	155	227.09	0.0	208.39	15.15	91.8		38.1	9.8
Public administration, Information and Communication	416.34	43	168.01	5.00	165.26	10.52	98.4	210.4	39.7	24.5
Trade, Industrialisation and Tourism	75.28	164.6	29.86	10.00	9.89	1.23	33.1	12.3	13.1	0.7
County Public Service Board	34.36	5	15.92	0.0	11.89	0.0	74.7		34.6	0.0
Agriculture	296.49	111.67	115.94	9.50	113.13	2.66	97.6	28.0	38.2	2.4
Water, sanitation & Natural Resources	136.8	146.66	55.36	10.00	43.33	10.64	78.3	106.4	31.7	7.3
Energy	78.85	100.09	33.18	15.00	25.80	26.04	77.8	173.6	32.7	26.0
Total	**4,286.75**	**1,997.46**	**1,830.86**	**114.50**	**1,589.05**	**109.41**	**86.8**	**95.6**	**37.1**	**5.5**

Source: *Nyeri County Treasury*

An analysis of budget performance by department shows that the Department of Energy reported the highest absorption rate of its development budget at 26.0 per cent while the Department of Finance and Economic Planning, and the County Public Service Board did not implement their development budgets. On the other hand, the Department of Lands and Infrastructure development had the highest percentage of its recurrent expenditure to its recurrent budget at 52.9 per cent while the Office of the County Secretary achieved the lowest percentage of its recurrent expenditure to its recurrent budget at 6.8 per cent.

3.36.9 Borrowing by the County Government

During the reporting period, the County did not borrow any funds. Article 212 of the Constitution requires a county government to borrow with approval from the County Assembly, and only if the national government guarantees the loan. Further, Section 58 of the PFM Act 2012 gives the Cabinet Secretary to the National Treasury the powers to guarantee loans subject to approval by Parliament.

3.36.10 Observations and Recommendations

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

i. Developed a framework for public participation to guide public engagement and consultation. However, the County Budget and Economic Forum is yet to be established as required under Section 137 of the PFM Act 2012.

ii. Adhered to the legal timelines in the formulation of budget documents.

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

1. Slow implementation of the development budget which recorded an absorption rate of 5.5 per cent during the period under review.

2. Underperformance of local revenue collection which dropped by 15.9 per cent as compared to a similar period of FY 2014/15.

3. The County did not budget for some conditional allocations under the CARA 2015 amounting to Kshs.22.93 million.

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

1. *Departments should enhance implementation of planned programmes through proper planning and timely execution of projects.*

2. *The County Treasury should enhance revenue mobilization efforts and also institute strong controls to curb loss of revenue through leakages.*

3. *The county needs to formulate a supplementary budget so as to include the additional amounts to be received under CARA, 2015.*

3.37 Samburu County

3.37.1 Overview of the FY 2015/16 Budget

The FY 2015/16 approved budget for Samburu County was Kshs.4.34 billion. It comprised of Kshs.2.59 billion (59.7 per cent) allocated for recurrent expenditure and Kshs.1.75 billion (40.3 per cent) for development expenditure.

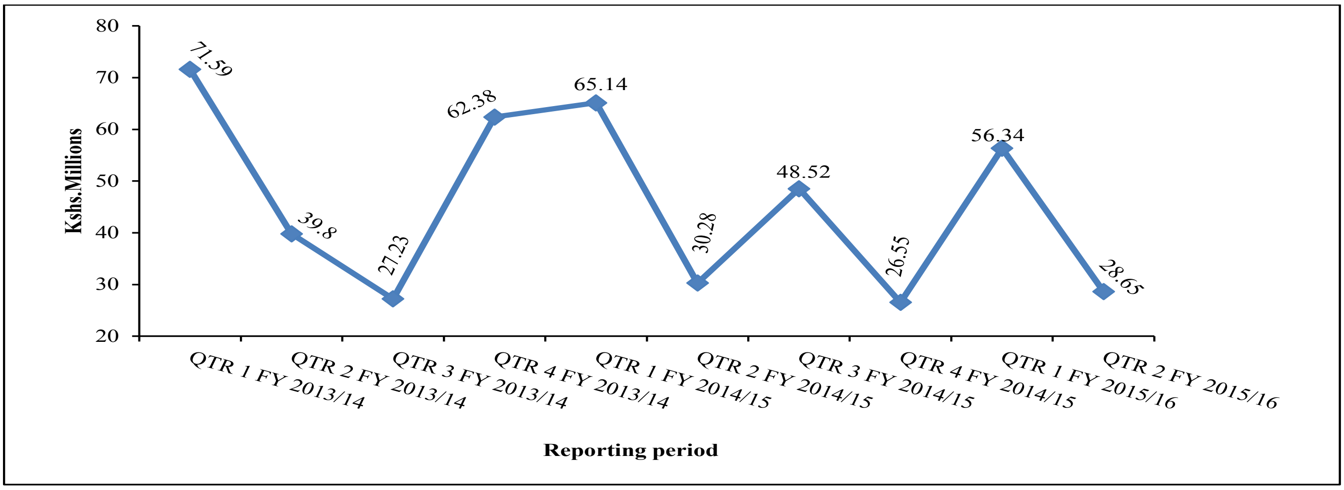
In order to finance the budget, the County expected to receive Kshs.3.53 billion (81.3 per cent) as transfers from the National Government, collect Kshs.356.59 million (8.2 per cent) from local sources, and receive a conditional grant of Kshs.10.99 million (0.25 per cent) from DANIDA. Other conditional grants include; the road maintenance levy fund of Kshs.45.13 million (1.03 per cent), compensation of forgone user fees of Kshs.5.22 million (0.12 per cent), free maternal healthcare of Kshs.14.18 million (0.33 per cent), Conditional Health allocation of Kshs.91.8 million (2.12 per cent) and World Bank grant of Kshs.8.67 million (1.99 per cent). The County Treasury included in the supplementary budget Kshs.280 million (6.4 per cent) as balance brought forward from FY 2014/15 instead of the actual amount of Kshs.355.38 million. Treasury has however acknowledged the anomaly and plans are underway to pass a supplementary to correct it.

3.37.2 Revenue Analysis

In the first half of FY 2015/16, the County received Kshs.1.19 million from the National Government as equitable share to the CRF account, raised Kshs.84.99 million from local sources, and had an actual cash balance of Kshs.355.38 million brought forward from FY 2014/15 though the County Treasury reported a figure of Kshs.280 million. In addition, the County received Kshs.5.50 million from DANIDA, Kshs.5.23 million as conditional allocation for free maternal health care, Kshs.1.94 million as conditional allocation for compensation for forgone user fees, and Kshs.22.79 million from the Road Maintenance Fuel Levy Fund.

The quarterly trend in local revenue collection from FY 2013/14 to the second quarter of FY 2015/16 is shown in figure 3.145.

Figure 3.145:Samburu County, Trend in Local Revenue Collection by Quarter from the FY 2013/14 to the second quarter of FY 2015/16



Source: *Samburu County Treasury*

The local revenue consisted of Kshs.56.34 million raised in the first quarter and Kshs.28.64 million in the second quarter. The local revenue raised in the first half of the FY 2015/16 was Kshs.84.99 million (23.8 per cent of the annual local revenue target), a decline from Kshs.120.64 million collected in a similar period of FY 2014/15.An analysis of local revenue by stream for the first half of FY 2015/16 is provided in table 3.73.

Table 3.73: Samburu County, Analysis of revenue collection by stream for the first half of FY 2015/16

No.	Revenue Stream	Annual Targeted Revenue (Kshs.)	Six Months Actual Revenue (Kshs.)	Revenue Performance (%)
	A	B	C	D=*100
1	Health Department	9,450,000	3,385,201	35.8
2	Samburu National Reserve	210,000,000	57,195,966	27.2
3	Others Sources	50,830,640	12,529,511	24.6
4	Cess Receipts	32,285,000	5,583,955	17.3
5	Single Business Permits	18,470,000	2,517,600	13.6
6	Land Rates	25,500,000	3,333,270	13.1
7	Agricultural Machinery Services	10,050,000	443,732	4.4
	TOTAL	**356,585,640**	**84,989,235**	**23.8**

Source: *Samburu County Treasury*

The analysis of local revenue collection by stream indicates that Health Department recorded the highest performance against the annual target at 35.8 per cent followed Samburu National Reserve at 27.2 per cent.

3.37.3 Banking of local revenue

In the first half of FY 2015/16, the County did not bank all the locally generated revenue into the CRF. Revenue from the Samburu National Reserve is held in a dollar account at KCB-Maralal and as per banking arrangements between the County Treasury and the bank, the dollar account balance converted to Kenya Shillings and deposited in the CRF at the end of each quarter. As at the time of writing this report, USD.17,530 had not been deposited in the CRF. Article 207 of the Constitution and Section 109 of the PFM Act 2012, stipulate that all funds raised or received by or on behalf of the County Government should be deposited into the CRF account, unless excluded by an Act of Parliament.

3.37.4 Exchequer Issues

The Controller of Budget authorised withdrawal of Kshs.1.62 billion from the CRF account, which was 37.3 per cent of the approved budget. The amount represented an increase of 12.5 per cent from

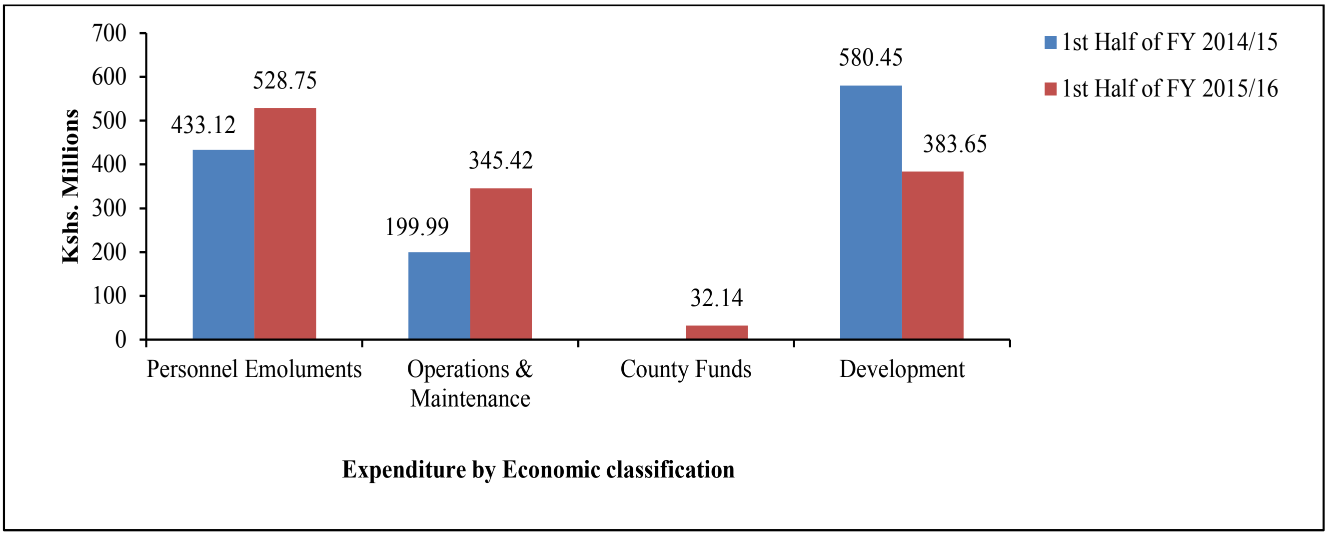
Kshs.1.44 billion authorized in a similar period of FY 2014/15 and consisted of Kshs.1.12 billion (69.2 per cent) for recurrent expenditure and Kshs.498.8 million (30.8 per cent) for development activities. The expenditure excludes commitments as of 31st December, 2015 that amounted to Kshs.529.6 million for development and Kshs.205.6 million for recurrent expenditure.

3.37.5 Overall Expenditure Review

The County spent a total of Kshs.1.29 billion during the first half of FY 2015/16 which was 79.6 per cent of the funds released for both recurrent and development expenditure. This is a slight decrease from the Kshs.1.36 billion spent in a similar period of FY 2014/15. A total of Kshs.906.31 million was spent on recurrent activities and Kshs.383.65 million on development activities. Recurrent expenditure was 80.9 per cent of the funds released for recurrent activities while development expenditure accounted for 76.3 per cent of the funds released for development activities.

Recurrent expenditure for the period under review represented 34.9 per cent of the approved annual recurrent budget, an increase from 25.6 per cent spent in a similar period of FY 2014/15. On the other hand, development expenditure recorded an absorption rate of 21.9 per cent, an improvement from 37.8 per cent spent in a similar period of FY 2014/15. A comparison of the total expenditure between the second quarter of FY 2014/15 and FY 2015/16 is shown in Figure 3.146.

Figure 3.146:Samburu County, Expenditure by Economic Classification for First Half of FY 2014/15 and First Half of FY 2015/16



Source: *Samburu County Treasury*

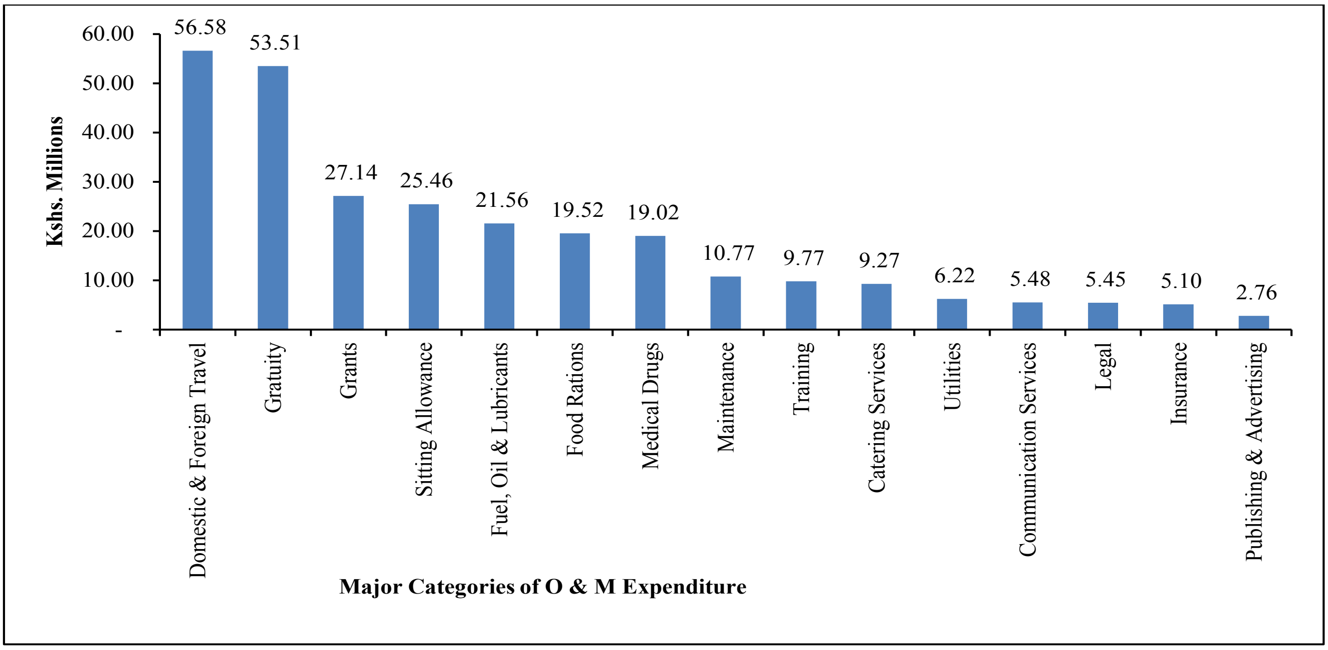
3.37.6 Recurrent Expenditure Analysis

The total recurrent expenditure for the reporting period was Kshs.906.31 million against an annual budget of Kshs.2.59 billion. This represents 34.9 per cent of the annual recurrent budget. The County spent Kshs.528.75 million (58.3 per cent) on personnel emoluments, Kshs.345.42 million (38.1 per cent) on operations and maintenance and Kshs.32.14 million (3.5 per cent) on County Funds as shown in Figure 3.146. Expenditure on personnel emoluments accounted for 40.9 per cent of total expenditure and has increased significantly in the first half of FY 2015/16 as compared to a similar period of FY 2014/15 when the County spent Kshs.433.12 million. The increase is attributed to continued recruitment by the County Public Service Board.

The County spent Kshs.25.46 million on sitting allowances to the 26 MCAs and the Speaker against an annual budget of Kshs.45.53 million, representing a significant increase from Kshs.14.52 million recorded in a similar period of FY 2014/15. The average monthly sitting allowance per MCA was Kshs.163,221 compared to SRC's recommended monthly ceiling of Kshs.124,800.

A breakdown of the operations and maintenance expenditure for the reporting period is shown in Figure 3.147.

Figure 3.147:Samburu County, Operations and Maintenance Expenditure for the First Half of FY 2015/16



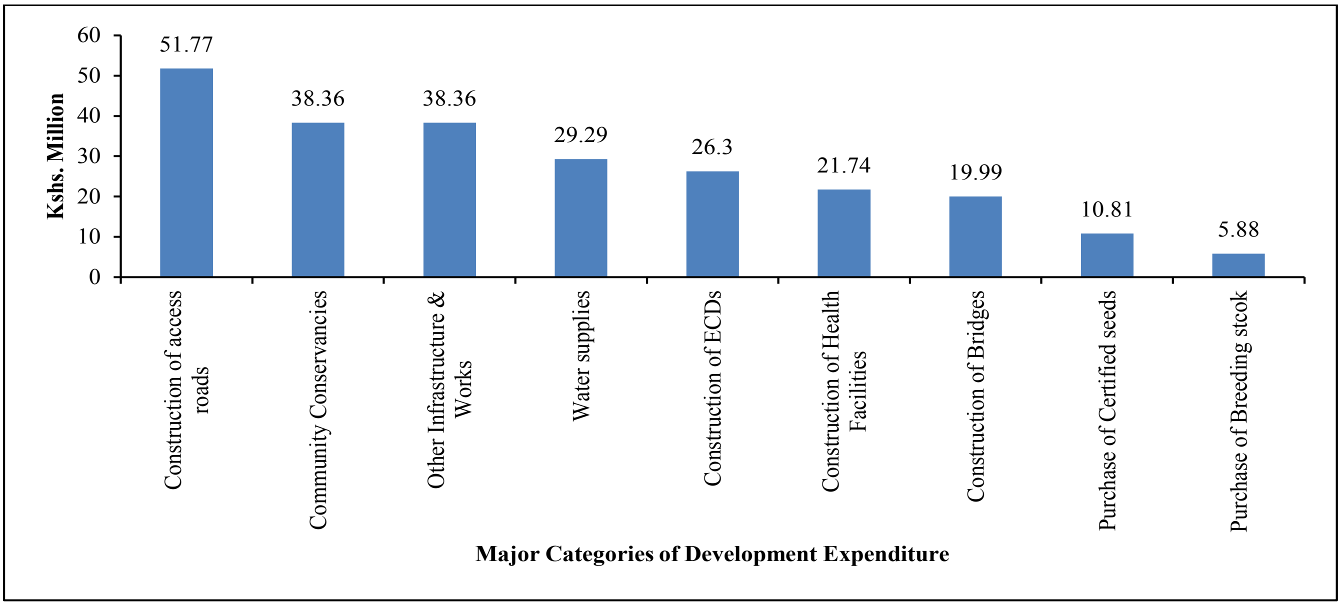
Source: *Samburu County Treasury*

The aggregate expenditure on domestic and foreign travel was Kshs.56.58 million compared to Kshs.65.36 million incurred in a similar period of FY 2014/15, representing a decrease of 13.4 per cent. This expenditure comprised of Kshs.44.55 million spent by the County Executive and Kshs.12.02 million by the County Assembly.

3.37.7 Development Expenditure Analysis

A summary of development expenditure during the first half of FY 2015/16 is provided in figure 3.148.

Figure 3.148: Samburu County, Summary of Development Expenditure for the First Half of FY 2015/16



Source: *Samburu County Treasury*

Analysis of the development expenditure of Kshs.383.65 million incurred in the first half of FY 2015/16 indicates that the Roads Department reported the highest expenditure of Kshs.51.77 million which was spent on development and maintenance of access roads, construction of bridges and feasibility and project appraisal studies. The second highest expenditure of Kshs.38.36 million was incurred by Trade and Tourism Department on community conservancies and capacity building under its development programmes. The Department of Agriculture, Livestock and Fisheries incurred Kshs.16.69 million on breeding stock and certified seeds.

3.37.8 Annual Budget and Budget Performance Analysis by department for the First Half of FY 2015/16

A summary of the FY 2015/16 annual budget estimates and budget performance for the first half by department is shown in Table 3.74.

Table 3.74: Samburu County, Annual Budget and First Half of FY 2015/16 Budget Performance by Department

Department	Budget Allocation (Kshs. Million)		6 Months Exchequer Issues (Kshs. Million)		6 Months Expenditure (Kshs. Million)		Expenditure to exchequer issues (%)		Absorption rate (%)	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
County Assembly	431.46	50	170.02	-	196.07	-	115.3	-	45.4	-
County Executive & CPSB	338.85	23	155.68	-	130.81	1.45	84	-	38.6	6.3
Finance & Economic Planning	304.43	45.5	113.24	1.26	106.51	-	94.1	-	35	-

Department	Budget Allocation (Kshs. Million)		6 Months Exchequer Issues (Kshs. Million)		6 Months Expenditure (Kshs. Million)		Expenditure to exchequer issues (%)		Absorption rate (%)	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
Agriculture, Livestock & Fisheries	154.85	202.24	60.06	45.55	47	39.99	78.3	87.8	30.4	19.8
Environment & Natural Resources	49.53	66.51	22.93	12.96	11.47	7.97	50	61.5	23.2	12
Education, Youth Affairs & Sports	284	179.88	124.01	37.11	84	40.57	67.7	109.3	29.6	22.6
Health services	546.21	214.31	259.27	65.43	192.96	22.28	74.4	34.1	35.3	10.4
Physical planning, Housing and Urban Development	86.18	133.94	41.81	27	20.27	3.1	48.5	11.5	23.5	2.3
Public Works, County Roads & Water	190.52	654.5	81.9	234.52	62.13	215.09	75.9	91.7	32.6	32.9
Trade, Tourism & Cooperative Development	131.23	141.6	62.26	66.52	36.92	53.2	59.3	80	28.1	37.6
Gender, Culture and Social Services	75.66	36.3	30.43	8.52	18.16	-	59.7	-	24	-
Total	**2,592.91**	**1,747.78**	**1,121.61**	**498.87**	**906.3**	**383.65**	**80.9**	**76.9**	**35.0**	**21.9**

Source: *Samburu County Treasury*

Analysis of budget performance by department shows that the Department of Trade, Tourism & Cooperative Development reported the highest absorption rate of its development budget at 37.6 per cent while Finance & Economic Planning and County Assembly did not incur any development expenditure during the reporting period. The County Executive spent Kshs.1.45 million though the department did not request any funds for development activities from COB during the reporting period. On the other hand, the Office of the Governor and CPSB had the highest percentage of its recurrent expenditure to its recurrent budget at 45.4 per cent while the Environment & Natural Resources Department had the lowest percentage of its recurrent expenditure to its recurrent budget at 23.2 per cent.

3.37.9 Borrowing by the County Government

Article 212 of the Constitution requires a county government to borrow with approval from the County Assembly, and only if the national government guarantees the loan. Further, Section 58 of the PFM Act 2012 gives the Cabinet Secretary to the National Treasury the powers to guarantee loans subject to approval by Parliament. During the period under review, the County did not borrow money for its operations. To finance its budget for the half year period, the County relied on transfers from the national government, local revenues and balance brought forward from FY 2014/15.

3.37.10 Observations and Recommendations

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

i. Instituted a Monitoring and Evaluation Committee.

ii. Established an Internal Audit Committee as specified in section 155(5) of the PFM Act 2012. The two committees are critical in enhancing transparency and accountability in the management of public resources.

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

1. Underperformance in local revenue collection whereby Kshs.84.99 million was collected in the reporting period compared to Kshs.120.64 million collected in a similar period of FY 2014/15.
2. Accumulation of huge amounts of imprest by officers. As at the end of the reporting period, Kshs.89.77 million was outstanding.
3. Failure to develop regulations to operationalize the County Executive and County Assembly Car Loan & Mortgage Funds.

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

1. *The County Treasury should put in place mechanisms that will improve revenue collection in the remaining half of the year.*
2. *The County Treasury should ensure close supervision of officers handling imprest management.*
3. *The County Treasury should ensure that all establish County Funds are operationalized by approved regulations as required by the PFM Act 2012.*

3.38 Siaya County

3.38.1 Overview of the FY 2015/16 Budget

The FY 2015/16 approved budget for Siaya County amounted to Kshs.6.26 billion. It comprised Kshs.3.75 billion (59.9 per cent) allocated for recurrent expenditure and Kshs.2.51 billion (40.1 per cent) for development expenditure.

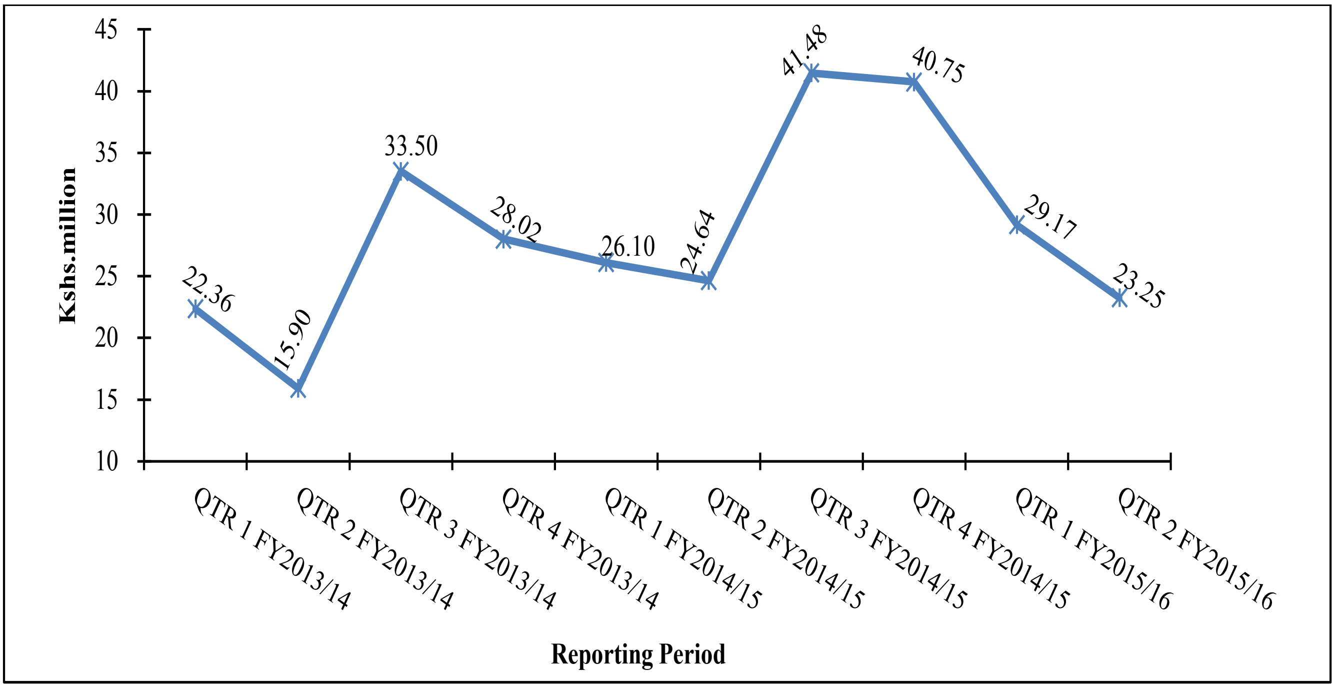
In order to finance the budget, the County expects to receive Kshs5.00 billion (79.8 per cent) as transfers from the National Government, collect Kshs343.31 million (5.5 per cent) from local sources, and receive conditional grants totalling Kshs119.03 million (1.9 per cent) comprising Kshs.91.50 million from the World Bank and Kshs.27.53 million from DANIDA and Kshs1.09 billion as cash balance brought forward from FY 2014/15

However, only Kshs.800.34 million of the opening balance was factored in the 2015-16 budget, the balance of Kshs.287.61 million was not. Further, the County did not budget for the additional conditional grants of Kshs.306.92 million from the National Government as contained in CARA, 2015 for free maternal healthcare, compensation for forgone user fees, leasing of medical equipment and road maintenance fuel levy fund.

3.38.2 Revenue Analysis

During the first half of FY 2015/16, the County received Kshs.1.67 billion from the National Government as equitable share, Kshs.42.64 million for Free Maternal Healthcare, Kshs.32.05 million from the road maintenance fuel levy fund and Kshs.5.76 million as forgone user fees allocation to the CRF account, raised Kshs.52.42 million from local sources, and had a cash balance of Kshs.1.09 billion brought forward from FY 2014/15. The quarterly trend in local revenue collection from the FY 2013/14 to the second quarter of FY 2015/16 is shown in figure 3.149.

Figure 3.149: Siaya County, Trend in Local Revenue Collection by Quarter from the FY 2013/14 to the second quarter of FY 2015/16



Source: *Siaya County Treasury*

The local revenue consisted of Kshs.29.17 million raised in the first quarter and Kshs.23.25 million in the second quarter. The local revenue raised in the first half of the FY 2015/16 was Kshs.52.42 million (15.3 per cent of the annual local revenue target), and a decrease from Kshs.60.74 million collected in a similar period of FY 2014/15.An analysis of local revenue mobilized through various revenue streams in the first half of FY 2015/16 is provided in table 3.75.

Table 3.75: Siaya County, Analysis of revenue collection per stream for the first half of FY 2015/16

NO.	Revenue Stream	Annual Revenue Target	6 Months Actual Revenue Collection	Revenue Performance (%)
	A	B	C	D=C/B*100
1	Trade (Weights and Measures)	550,000	256,950	46.7
2	Bus Park Fees	12,000,000	5,501,880	45.8
3	Health Department	45,500,000	19,848,873	43.6
4	Slaughter Fees	896,500	321,810	35.9
5	Fish Cess	6,500,000	2,024,680	31.1
6	Others Sources	164,548,500	24,442,841	14.9
	TOTAL	**343,309,926**	**52,397,034**	**15.3**

Source: *Siaya County Treasury*

The analysis of revenue by stream indicates that Weights and Measures generated the highest percentage of revenue against target at 46.7 per cent followed by Bus Park Fees 45.8 per cent. However, this analysis does not agree with the total of Kshs.54.43 million indicated as having been banked into the CRF account.

3.38.3 Banking of local revenue

A review of the bank statements for the revenue collection account indicates that all locally collected revenue was deposited into the CRF during the period under review. This conforms to Article 207 of the Constitution and Section 109 of the PFM Act 2012, which stipulates that all funds raised or received by or on behalf of the County Government should be deposited into the CRF account, unless excluded by an Act of Parliament.

3.38.4 Exchequer Releases

The Controller of Budget authorised withdrawal of Kshs.1.69 billion from the CRF account, which was 27.0 per cent of the approved budget. The amount represented a decline of 29.0 per cent from Kshs.2.38 billion authorized in a similar period of FY 2014/15 and consisted of Kshs.1.31 billion (77.5 per cent) for recurrent expenditure and Kshs.382 million (22.5 per cent) for development activities.

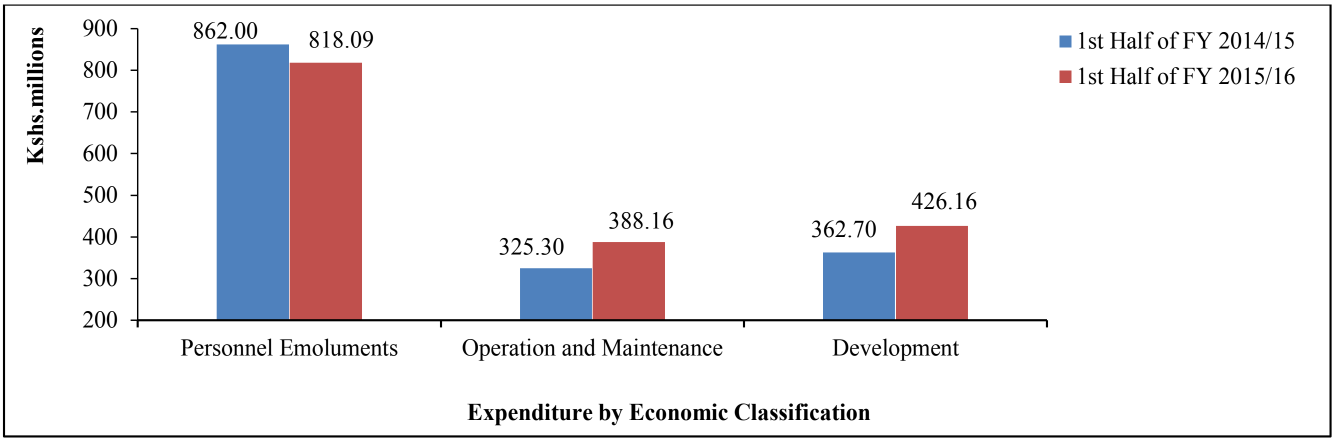
3.38.5 Overall Expenditure Review

The County spent a total of Kshs.1.63 billion during the first half of FY 2015/16 which was 96.4 per cent of the total funds released for both recurrent and development expenditure. This is an improvement from the Kshs.1.55 billion spent in a similar period of FY 2014/15. A total of Kshs.1.21

billion was spent on recurrent activities and Kshs.426.16 million on development activities. Recurrent expenditure was 92.0 per cent of the funds released for recurrent activities while development expenditure accounted for **111.5** per cent of the funds released for development activities. The expenditure excludes commitments as of 31st December, 2015 that amounted to Kshs.219.44 million for development and Kshs.91.5 million for recurrent expenditure.

Recurrent expenditure for the period under review represented 32.2 per cent of the approved annual recurrent budget, a decline from 34.6 per cent achieved in a similar period of FY 2014/15. On the other hand, development expenditure recorded an absorption rate of 17.0 per cent, an improvement from 14.8 per cent spent in a similar period of FY 2014/15. A comparison of the total expenditure in the first half of FY 2014/15 and the first half of FY 2015/16 is shown in Figure 3.150.

Figure 3.150:Siaya County, Expenditure by Economic Classification for First Half of FY 2014/15 and First Half of FY 2015/16



Source: *Siaya County Treasury*

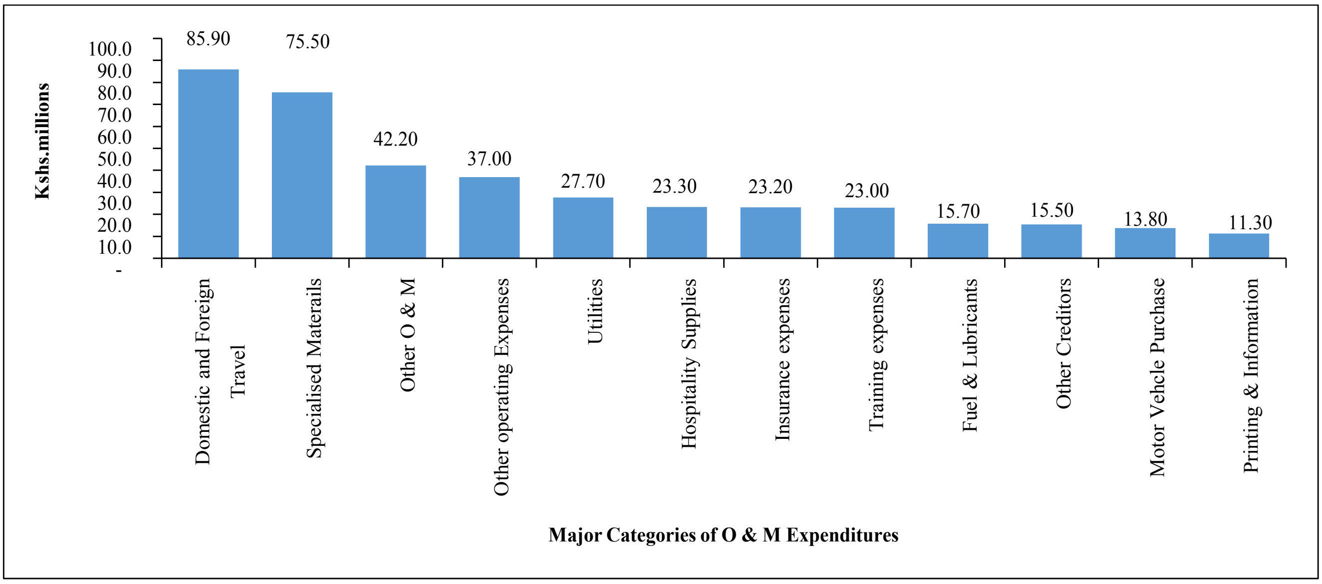
3.38.6 Recurrent Expenditure Analysis

The total recurrent expenditure for the reporting period was Kshs.1.21 billion against an annual budget of Kshs.3.75 billion. This represents 32.2 per cent of the annual recurrent budget. The County spent Kshs.818.09 million (67.8 per cent) on personnel emoluments and Kshs.388.16 million (32.2 per cent) on operations and maintenance as shown in Figure 3.150. Expenditure on personnel emoluments accounted for 50.1 per cent of total expenditure and has marginally decreased in the first half ofFigure 3.150 FY 2015/16 as compared to a similar period of FY 2014/15 when the County spent Kshs.862.0 million. The decline is attributed to a reduction of casual workers by the County.

The County spent Kshs.24.05 million on sitting allowances to the 48 MCAs and the Speaker against an annual budget of Kshs.43.18 million. This is a decrease from Kshs.42.04 million recorded in a similar period of FY 2014/15. The average monthly sitting allowance per MCA was Kshs.81,786 compared to SRC's recommended monthly ceiling of Kshs.124,800.

A breakdown of the operations and maintenance expenditure for the reporting period is shown in Figure 3.151.

Figure 3.151:Siaya County, Operations and Maintenance Expenditure for the First Half of FY 2015/16



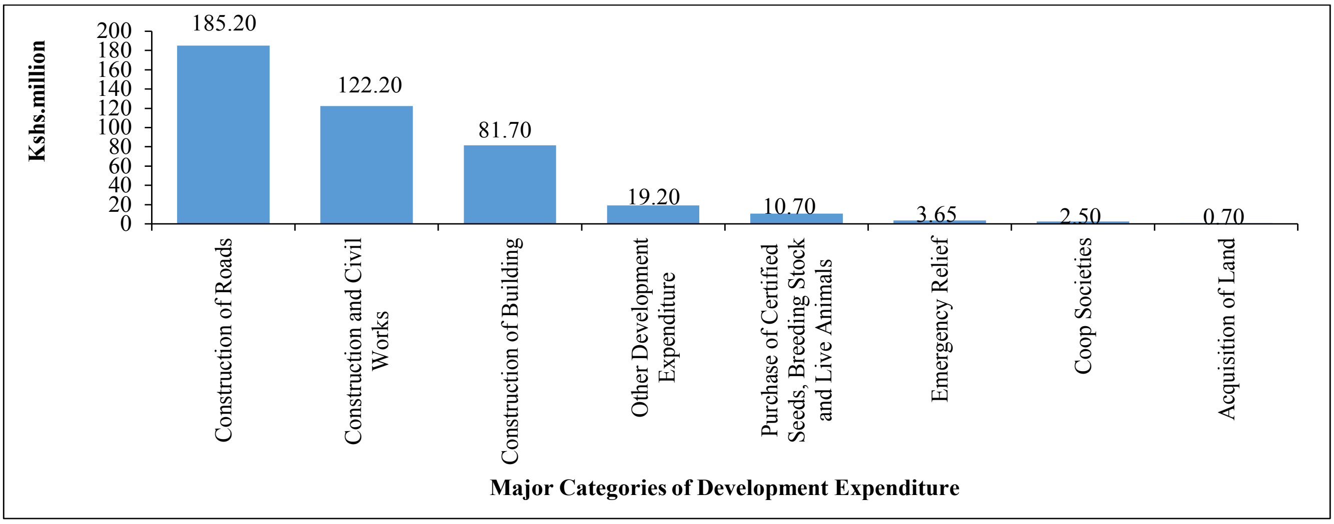
Source: *Siaya County Treasury*

The aggregate expenditure on domestic and foreign travel was Kshs.85.92 million compared to Kshs.98.0 million incurred in a similar period of FY 2014/15, representing a decrease of Kshs.12.08 million (12.3 per cent). This expenditure comprised of Kshs.67.04 million spent by the County Executive and Kshs.18.89 million by the County Assembly.

3.38.7 Development Expenditure Analysis

The details of development expenditure during the first half of FY 2015/16 are provided in figure 3.152.

Figure 3.152:Siaya County, Summary of Development Expenditure for the First Half of FY 2015/16



Source: *Siaya County Treasury*

Analysis of the development expenditure of Kshs.426.16 million incurred in the first half of FY 2015/16 indicates that the Roads department registered the highest expenditure of Kshs.185.20 million which was spent on development and maintenance of road infrastructure across the County. Kshs.122.20 million was incurred on construction and other civil works which included construction of bridges, water supplies, sewerage plants and other infrastructure and civil works across the 30 wards in the County. Kshs.81.72 million was incurred on construction and refurbishment of buildings.

3.38.8 Annual Budget and Budget Performance Analysis by department for the First Half of FY 2015/16

A summary of the FY 2015/16 annual budget estimates and budget performance for the first half by department is shown in Table 3.76.

Table 3.76: Siaya County, Annual Budget and First Half of FY 2015/16 Budget Performance by Department

Department	Budget Allocation (Kshs. Million)		6 Months Exchequer Issues (Kshs. Million)		6 Months Expenditure (Kshs. Million)		Expenditure to exchequer issues (%)		Absorption rate (%)	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
County Assembly	594.03	89.06	253.00	16.06	174.30	8.40	68.9	52.3	29.3	9.4
County Executive	469.26	44.48	174.08	-	188.50	4.80	108.3	-	40.2	10.8
Finance and Economic Planning	456.95	38.00	98.35	10.05	152.00	12.30	154.6	122.4	33.3	32.4
Agriculture	231.84	224.43	96.34	31.62	38.60	66.60	40.1	210.6	16.6	29.7
Water, Environment and Natural Resources	104.60	261.00	45.67	29.19	35.60	28.60	78.0	98.0	34.0	11.0
Education	166.75	613.29	38.43	175.60	8.10	58.20	21.1	33.1	4.9	9.5
Health	1,540.23	386.59	547.41	81.67	577.30	28.70	105.5	35.1	37.5	7.4
Physical Planning, Lands and Housing	49.81	84.71	15.96	9.50	7.20	6.30	45.1	66.3	14.5	7.4
Transport/Roads	42.89	671.04	15.82	15.91	10.50	209.90	66.4	1319.5	24.5	31.3
Trade Development	45.23	47.42	15.09	12.40	7.90	2.30	52.4	18.5	17.5	4.9
ICT Tourism and Wildlife	44.89	51.50	10.87	-	6.40	-	58.9	-	14.3	-
TOTAL	**3,746.47**	**2,511.52**	**1,311.02**	**382.00**	**1,206.40**	**426.10**	**92.0**	**111.5**	**32.2**	**17.0**

Source: *Siaya County Treasury*

Analysis of budget performance by Department shows that the Finance Department reported the highest absorption rate of its development budget at 32.4 per cent while the Department of Tourism and ICT did not incur expenditure on development activities. On the other hand, County Executive had the highest percentage of its recurrent expenditure to its recurrent budget at 40.2 per cent while the Department of Education had the lowest percentage at 4.9 per cent.

3.38.9 Borrowing by the County Government

Article 212 of the Constitution requires a county government to borrow with approval from the County Assembly, and only if the National Government guarantees the loan. Further, Section 58 of the PFM Act 2012 gives the Cabinet Secretary to the National Treasury the powers to guarantee loans subject to approval by Parliament. During the period under review, the County utilized its equitable share and local revenue collection deposited into the County Revenue Fund account maintained at the Central Bank of Kenya and did not borrow any funds.

3.38.10 Observations and Recommendations

The County has made progress in addressing one challenge that previously affected budget implementation, which is, opening of separate operational bank accounts for the County Assembly. This has enabled the County Assembly to smoothly implement budgeted activities.

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

1. Low local revenue collection. The County managed to collect Kshs.52 million against an annual local revenue target of Kshs.343 million representing 15.3 per cent of the annual local revenue target.

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

1. *The County Treasury should devise strategies to mobilise local revenue to ensure smooth implementation of the budget.*

3.39 Taita Taveta County

3.39.1 Overview of the FY 2015/16 Budget

The FY 2016/16 approved budget for Taita Taveta County was Kshs.3.89 billion. It comprised of Kshs.2.70 billion (69.4 per cent) allocated for recurrent expenditure and Kshs.1.19 billion (30.6 per cent) for development expenditure.

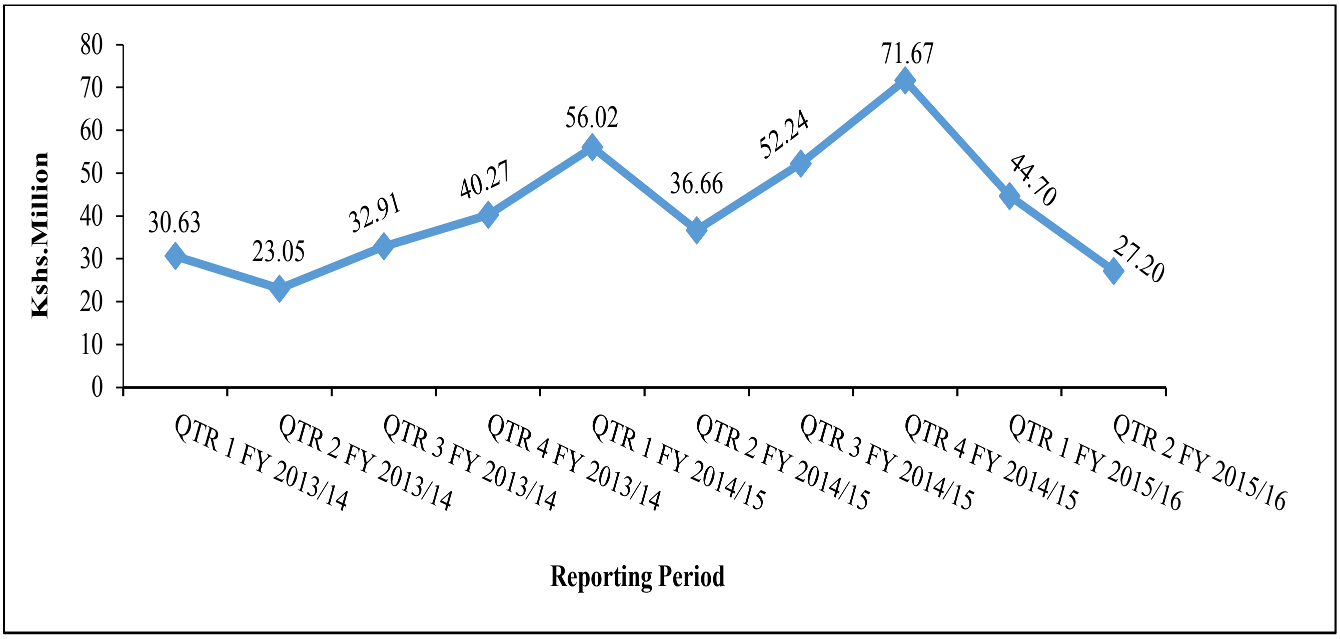
In order to finance the budget, the County expects to receive Kshs.3.31 billion (85.1 per cent) from the National equitable share, Kshs.310.41 million (8.0 per cent) from local revenue sources, Kshs.42.04 million as conditional allocation from the Road Maintenance Fuel Levy Fund (1.1 per cent), Kshs.14.81 million (9.4 per cent) from DANIDA, Kshs.95.74 million for leasing of medical equipment (2.4 per cent), Kshs.42.12 million (1.1 per cent) as conditional allocation for free maternal health care, Kshs.17.24 million(0.4 per cent) as H.S.S.F from the World Bank, Kshs.6.64 million (0.2 per cent) for compensation of forgone user fees, and Kshs.42.96 million (1.1 per cent) being balance brought forward from FY 2014/15.

3.39.2 Revenue Analysis

In the first half of FY 2015/16, the County received Kshs.1.41 billion from the National Government as equitable share, Kshs.21.23 million as conditional allocations for fuel levy fund, Kshs.16.81 million as conditional allocations for free maternal health care, Kshs.2.01 million as conditional allocations for forgone user fees, raised Kshs.71.93 million from local sources, and had a cash balance of Kshs.42.96 million brought forward from FY 2014/15.

The quarterly trend in local revenue collection from FY 2013/14 to the second quarter of FY 2015/16 is shown in figure 3.153.

Figure 3.153:Taita Taveta County, Trend in Local Revenue Collection by Quarter from the first quarter of FY 2013/14 to the second quarter of FY 2015/16



Source: *Taita Taveta County Treasury*

Note: *The Office has noted that the County Treasury revised the local revenue collection for the first quarter, FY 2015/16 from Kshs.54.37 million to Kshs.44.72 million.*

The local revenue consisted of Kshs.44.72 million raised in the first quarter and Kshs.27.21 million in the second quarter. The local revenue collected in the first half of FY 2015/16 of Kshs.71.93 million (23.2 per cent of the annual local revenue target) was a decline from Kshs.92.68 million collected in a similar period of FY 2014/15.

The analysis of local revenue by stream is shown in Table 3.77.

Table 3.77: Taita Taveta County, Analysis of revenue collection by stream for the first half of FY 2015/16

No.	Revenue Stream	Annual Targeted Revenue (Kshs.)	Six Months Actual Revenue (Kshs.)	Revenue Performance (%)
	A	B	C	D=*100
1	Bus Park Fee	16,784,225	7,846,111	46.7
2	Market Fee	15,684,306	5,921,351	37.8
3	Other Local Levies	18,283,891	6,321,983	34.6
4	Single Business Permit	31,661,326	8,822,720	27.9
5	Land Rates	34,503,486	7,714,491	22.4
6	General Cess	30,195,035	6,276,961	20.8
7	Devolved Functions	87,873,960	17,922,922	20.4
8	Other revenue streams	75,419,097	11,104,415	14.72
	Total	**310,405,326**	**71,930,954**	**23.2**

Source: *Taita Taveta County Treasury*

Analysis of revenue by stream indicates that Bus Park Fee had the highest performance against the annual local revenue target at 46.7 per cent followed by Market Fees at 37.8 per cent.

3.39.3 Banking of Local Revenue

A review of the bank statements for the revenue collection account indicates that all locally generated revenue was deposited into the CRF during the period under review. This conforms to Article 207 of the Constitution and Section 109 of the PFM Act 2012, which stipulates that all funds raised or received by or on behalf of the County Government shall be deposited into the CRF account unless excluded by an Act of Parliament.

3.39.4 Exchequer Issues

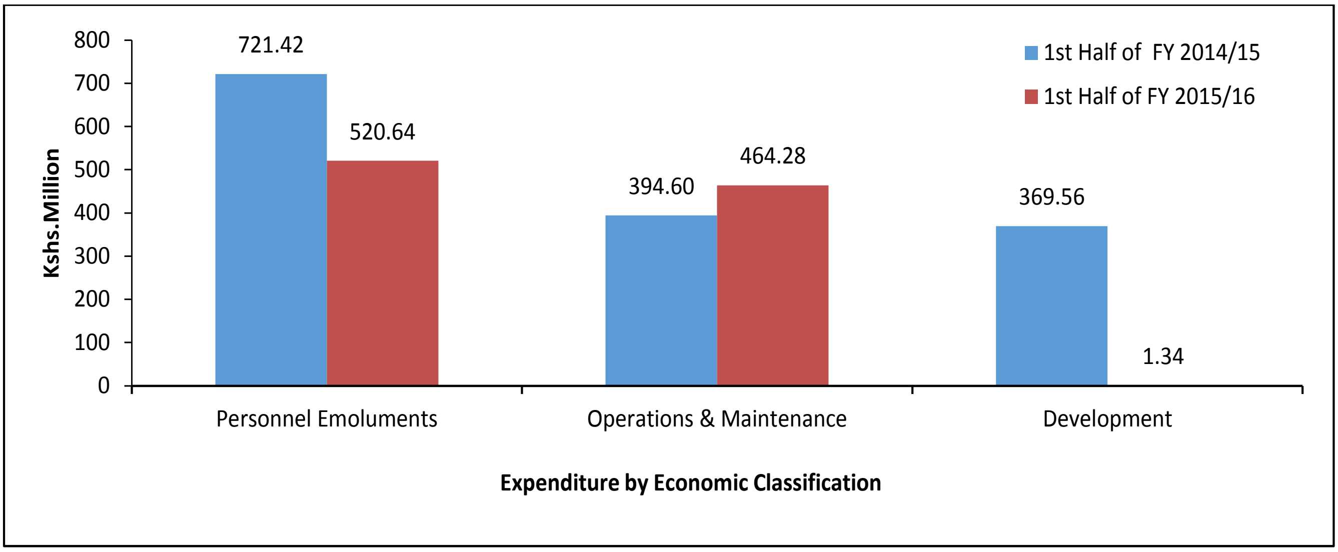
The Controller of Budget authorised withdrawal of Kshs.1.23 billion from the CRF account, which was 31.7 per cent of the approved budget. The amount represented a decline of 17.4 per cent from Kshs.1.49 billion authorized in a similar period of FY 2014/15 and consisted of Kshs.1.12 billion (90.6 per cent) for recurrent expenditure and Kshs.115.78 million (9.4 per cent) for development activities.

3.39.5 Overall Expenditure Review

The County spent a total of Kshs.1.03 billion during the first half of FY 2015/16 which was 83.9 per cent of the funds released for operations. This was a reduction from the Kshs.1.45 billion spent in a similar period of FY 2014/15. A total of Kshs.1.03 billion was spent on recurrent activities and Kshs.1.34 million on development activities. Recurrent expenditure was 92.6 per cent of the funds released for recurrent activities while development expenditure accounted for 1.2 per cent of the funds released for development expenditure. The expenditure excludes commitments as of 31st December, 2015 that amounted to Kshs.63.62 million for recurrent and Kshs.3.78 million for development.

Recurrent expenditure for the period under review represented 38.3 per cent of the approved annual recurrent budget, a decline from 41.8 per cent spent in a similar period of FY 2014/15. On the other hand, development expenditure recorded an absorption rate of 0.52 per cent, a decline from 24.7 per cent spent in a similar period of FY 2014/15. A comparison of the total expenditure in the first half of FY 2014/15 and the first half of FY 2015/16 is shown in Figure 3.154.

Figure 3.154: Taita Taveta County, Expenditure by Economic Classification for First Half of FY 2014/15 and First Half of FY 2015/16



Source: *Taita Taveta County Treasury*

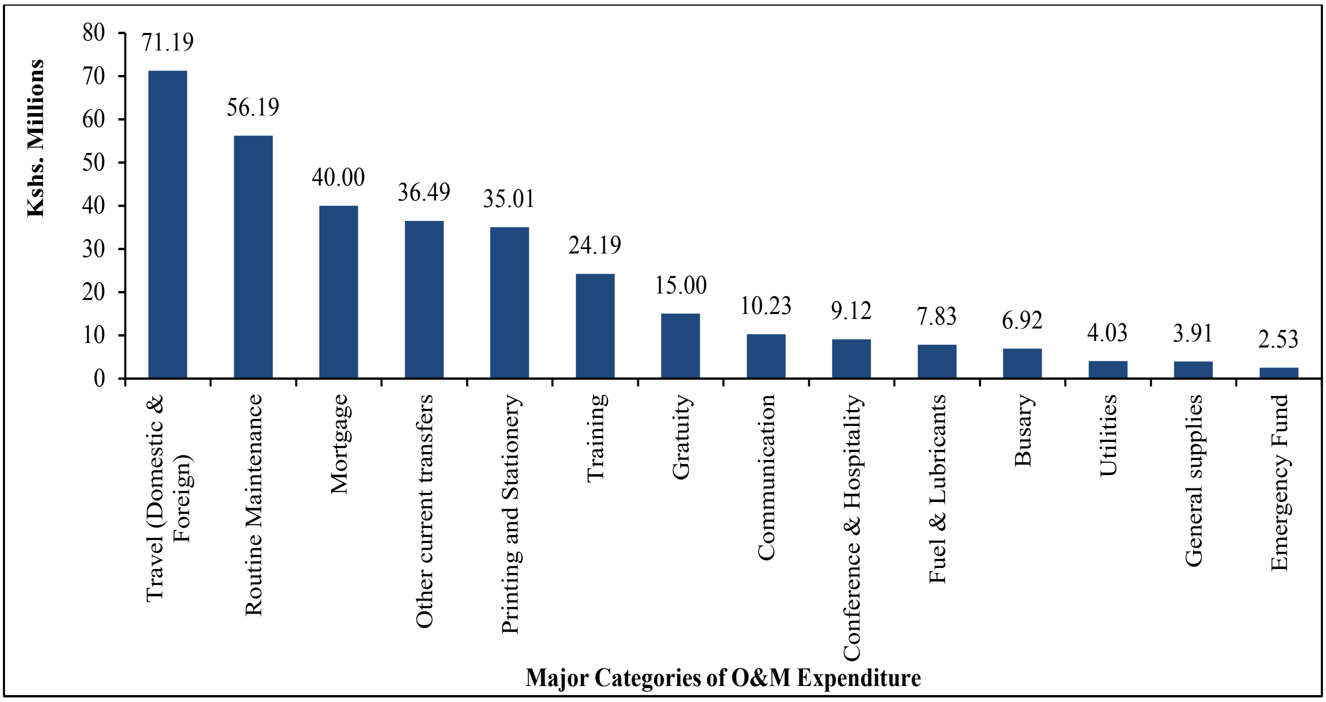
3.39.6 Recurrent Expenditure Analysis

The total recurrent expenditure for the reporting period was Kshs.1.03 billion against an annual recurrent budget of Kshs.2.70 billion. This represents 38.3 per cent of the annual recurrent budget. The County spent Kshs.520.64 million (50.3 per cent) on personnel emoluments and Kshs.464.28 million (44.9 per cent) on operations and maintenance as shown in Figure 3.154. Expenditure on personnel emoluments accounted for 50.3 per cent of total expenditure and has decreased significantly in FY 2015/16 as compared to a similar period in FY 2014/15 when the County spent Kshs.721.42 million. The County should reconcile its payroll expenditure to establish the cause of this sharp decline in personnel emoluments costs.

The County spent Kshs.25.03 million on sitting allowances to the 36 MCAs including the Speaker against an annual budget of Kshs.58.06 million. This was an increase from Kshs.3.00 million recorded in a similar period of FY 2014/15. The average monthly sitting allowance per MCA was Kshs.115,881 compared to SRC's recommended monthly ceiling of Kshs.124,800.

A breakdown of the operations and maintenance expenditure for the reporting period is shown in Figure 3.155.

Figure 3.155: Taita Taveta County, Operations and Maintenance Expenditure for the First Half of FY 2015/16



Source: *Taita Taveta County Treasury*

The aggregate expenditure on domestic and foreign travel was Kshs.71.19 million compared to Kshs.90.6 million incurred in a similar period of FY 2014/15, representing a marginal decrease of 21.4 per cent. This expenditure comprised of Kshs.23.48 million spent by the County Executive and Kshs.47.72 million by the County Assembly.

3.39.7 Development Expenditure Analysis

Analysis of development expenditure of Kshs.1.34 million incurred in the first half of FY 2015/16 indicates that entire amount was used to pay casual employees undertaking development activities.

3.39.8 Annual Budget and Budget Performance Analysis by department for the first half of FY 2015/16

A summary of the FY 2015/16 annual budget estimates and budget performance for the first half by department is shown in Table 3.78.

Table 3.78: Taita Taveta County, Annual Budget and First Half of FY 2015/16 Budget Performance by Department

Department	Budget Allocation (Kshs. Million)		6 Months Exchequer Issues (Kshs. Million)		6 Months Expenditure (Kshs. Million)		Expenditure to exchequer issues (%)		Absorption rate (%)	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
County Assembly	550.38	12.10	252.57	7.00	257.10	0.00	101.8	0.0	46.7	0.0
Administration & Devolution	227.28	19.76	88.78	15.00	82.04	0.00	92.4	0.0	36.1	0.0
Water & Irrigation	21.47	281.72	13.91	0.00	7.01	0.00	50.4	-	32.7	0.0
Health	890.20	177.83	381.15	26.43	354.77	0.10	93.1	0.4	39.9	0.1
County Treasury	336.44	10.07	128.98	6.85	111.89	0.00	86.7	0.0	33.3	0.0
Education	241.17	202.92	73.06	1.22	77.21	1.14	105.7	93.4	32.0	0.6
Governor & Deputy Governor	156.44	2.50	37.19	2.50	47.69	0.10	128.2	4.0	30.5	4.0
Agriculture, Fisheries &Veterinary	75.53	59.54	59.29	5.10	30.31	0.00	51.1	0.0	40.1	0.0
Trade & Community Affairs	58.21	144.17	21.08	34.13	18.02	0.00	85.5	0.0	31.0	0.0
Land & Physical Planning	12.45	32.50	4.71	0.00	2.37	0.00	50.3	-	19.1	0.0
County Public Service Board	43.81	0.00	17.15	0.00	15.61	0.00	91.0	-	35.6	-
Infrastructure, Public Works	30.35	238.22	10.25	17.55	8.06	0.00	78.6	0.0	26.6	0.0
Tourism, Environment & Natural Resources	53.73	7.21	29.09	0.00	22.29	0.00	76.6	-	41.5	0.0
TOTAL	**2,697.46**	**1,188.54**	**1117.21**	**115.78**	**1034.37**	**1.34**	**92.6**	**1.2**	**38.3**	**0.1**

Source: *Taita Taveta County Treasury*

Analysis of budget performance by department shows that the County Assembly had the highest percentage of recurrent expenditure to the annual recurrent budget at 46.7 per cent while the Department of Land and Physical Planning had the lowest percentage at 19.1 per cent. On the other hand, the office of the Governor and Deputy Governor recorded the highest percentage of development expenditure at 4.0 per cent. While

3.39.9 Borrowing by the County Government

During the period under review, the County borrowed Kshs.185 million from Kenya Commercial Bank. This borrowing was neither guaranteed by the National Government nor approved by the County Assembly as required by Article 212 of the Constitution and Section 58 of the PFM Act 2012.

3.39.10 Observations and Recommendations

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

i. Embraced use of internet banking to process payments.

ii. Developed staff capacity through training.

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

1. Underperformance in local revenue collection. The County collected Kshs.71.93 million against an annual target of Kshs.310.41 million, which is 23.2 per cent of the annual target compared to a target of 50 per cent at half year.

2. Low absorption of development expenditure.

3. Unexplained decline in personnel costs during the reporting period compared to a similar period of FY 2014/15. Personnel costs declined from Kshs.721.42 million to Kshs.520.64 million.

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

1. *County should re-double revenue raising efforts with a view to growing the overall resource basket.*

2. *The County should identify the factors that contribute to the low absorption of development expenditure and come up with corrective measures that will ensure effective execution of development budget. An appropriate framework for monitoring and implementing development activities may be necessary to enhance development expenditure.*

3. *The County should review its payroll expenditure to establish the cause of the decline in personnel emoluments costs.*

3.40 Tana River County

3.40.1 Overview of the FY 2015/16 Budget

The FY 2015/16 approved budget for Tana River County was Kshs.4.29 billion. It comprised Kshs.1.76 billion (41.2 per cent) allocated to recurrent expenditure and Kshs.2.53 billion (58.8 per cent) to development expenditure.

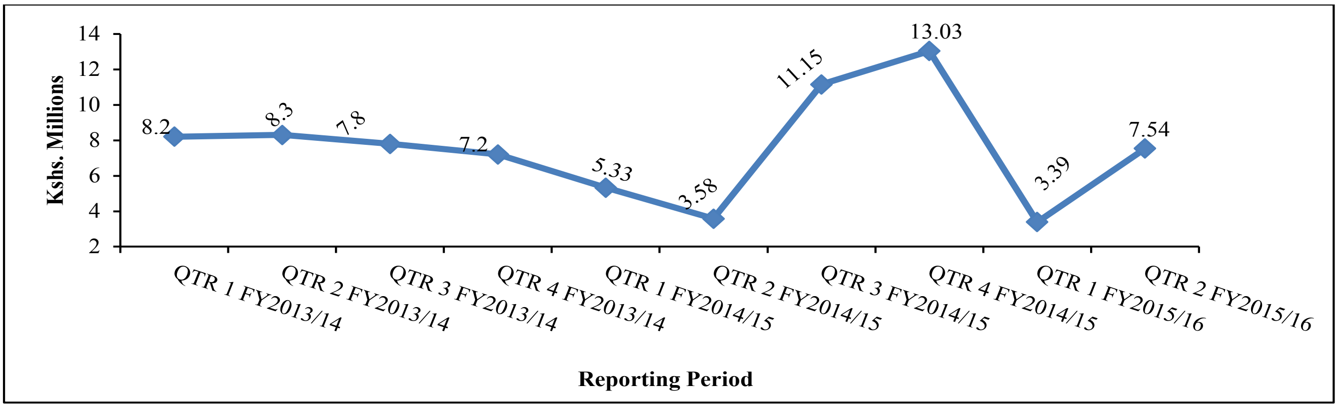
In order to finance the budget, the County expected to receive Kshs.3.98 billion (92.9 per cent) as transfers from the National Government, collect Kshs.120.00 million (2.8 per cent) from local sources, Kshs.13.38 million (0.31 per cent) as projected cash balance from FY 2014/15, a conditional grant of Kshs.9.29 million (0.2 per cent) from DANIDA, and additional conditional grants of Kshs.171.30 million (4.0 per cent) from the National Government as contained in CARA, 2015 for free maternal care, compensation of forgone user fees, and the road maintenance fuel levy fund. However, Kshs.13.38 million representing the opening cash balance from FY 2014/15 was not factored in the FY 2015/16.

3.40.2 Revenue Analysis

In the first half of FY 2015/16, the County received Kshs.1.33 billion from the National Government as equitable share to the CRF account, Kshs.4.65 million as DANIDA grant, Kshs.25.56 million as conditional allocations from the road maintenance fuel levy fund, Kshs.5.02 million as conditional allocations for free maternal health care, Kshs.1.15 million as conditional allocations for forgone user fees, raised Kshs.10.93 million from local sources, and a cash balance of Kshs.13.38 million brought forward from FY 2014/15.

The quarterly trend in local revenue collection from first quarter of the FY 2013/14 to the second quarter of FY 2015/16 is shown in figure 3.156.

Figure 3.156: Tana River County, Trend in Local Revenue Collection by Quarter from the FY 2013/14 to the second quarter of FY 2015/16



Source: *Tana River County Treasury*

The local revenue consisted of Kshs.3.39 million raised in the first quarter and Kshs.7.54 million in the second quarter. The local revenue generated in the first half of the FY 2015/16 of Kshs.10.93 million (9.1 per cent of the annual local revenue target), an improvement from Kshs.8.9 million collected in a similar period of FY 2014/15.

The analysis of local revenue by stream is shown in Table 3.79.

Table 3.79: Tana River County, Analysis of revenue collection by stream for the first half of FY 2015/16

No.	Revenue Stream	Annual Targeted Revenue (Kshs.)	Six Months Actual Revenue (Kshs.)	Revenue Performance (%)
	A	B	C	D=*100
1	Single Business Permits	12,169,500	1,064,850	8.8
2	Land Rates	16,748,858	126,532	0.8
3	Mango Cess	3,400,000	1,330,392	39.1
4	Motor cycle licensee	3,400,000	419,600	12.3
5	Gypsum	15,350,500	1,881,000	12.3
6	Export fees	3,956,177	1,182,960	29.9
7	Charcoal	11,113,000	1,753,016	15.8
8	Auction	4,677,500	1,529,330	32.7
9	Toll Charges	3,000,000	66,150	2.2

No.	Revenue Stream	Annual Targeted Revenue (Kshs.)	Six Months Actual Revenue (Kshs.)	Revenue Performance (%)
	A	B	C	D=*100
10	Miraa	2,331,000	370,000	15.9
11	Grazing Fees	3,522,767	45,000	1.3
12	Slaughter fees	2,730,000	75,000	2.7
13	Tenders	8,000,000	26,000	0.3
14	House Rent	4,400,000	97,200	2.2
15	Sand cess	2,400,000	444,000	18.5
16	Other revenue streams	22,800,698	516,464	2.3
	TOTAL	**120,000,000**	**10,927,494**	**9.1**

Source: *Tana River County Treasury*

The analysis of revenue by stream indicates that Mango Cess generated the highest percentage of revenue against the annual local target at 39.1 per cent followed by Auction fees at 32.7 per cent. Tender fees reported the lowest collection against its annual target at 0.3 per cent.

3.40.3 Banking of Local Revenue

A review of the bank statements for the revenue collection account during the first half of FY 2015/16 indicates that the County did not bank all the locally generated revenue intact into the CRF. This does not conform to Article 207 of the Constitution and Section 109 of the PFM Act 2012, which stipulates that all funds raised or received by or on behalf of the County Government should be deposited into the CRF account, unless excluded by an Act of Parliament.

3.40.4 Exchequer Issues

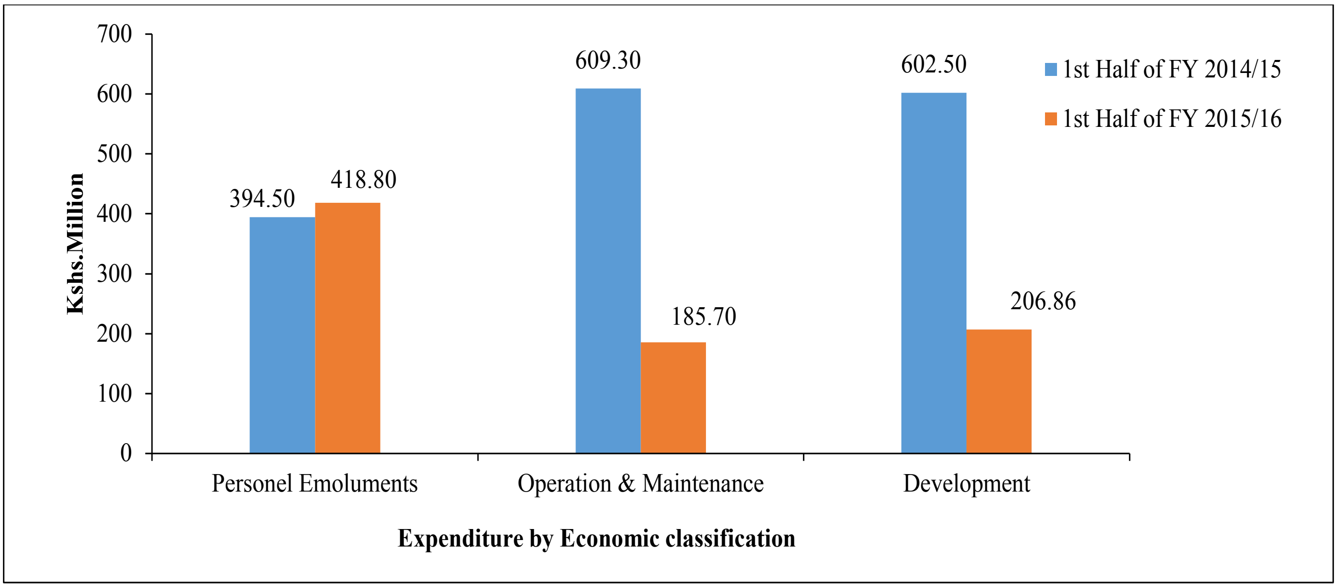
The Controller of Budget authorised withdrawal of Kshs.1.76 billion from the CRF account, which was 41.1 per cent of the approved budget. The amount represented an improvement from Kshs.743 million from the Kshs.1.01 billion authorized in a similar period of FY 2014/15 and consisted of Kshs.722.83 million (41 per cent) for recurrent expenditure and Kshs.1.04 billion (59 per cent) for development activities.

3.40.5 Overall Expenditure Review

The County spent a total of Kshs.811.39 million during the first half of FY 2015/16 which was 46.0 per cent of the funds released for operations. This is a significant reduction from the Kshs.1.61 billion spent in a similar period of FY 2014/15. A total of Kshs.604.53 million was spent on recurrent activities and Kshs.206.86 million on development activities. Recurrent expenditure was 83.6 per cent of the funds released for recurrent activities while development expenditure accounted for 19.9 per cent of the funds released for development activities.

Recurrent expenditure for the period under review represented 34.2 per cent of the approved annual recurrent budget, a decrease from 55.7 per cent spent in a similar period of FY 2014/15. On the other hand, development expenditure recorded an absorption rate of 8.2 per cent, a decline from the 33.9 per cent spent in a similar period of FY 2014/15. A comparison of the total expenditure in the first half of FY 2014/15 and the first half of FY 2015/16 is shown in Figure 3.157.

Figure 3.157: Tana River County, Expenditure by Economic Classification for First Half of FY 2014/15 and First Half of FY 2015/16



Source: *Tana River County Treasury*

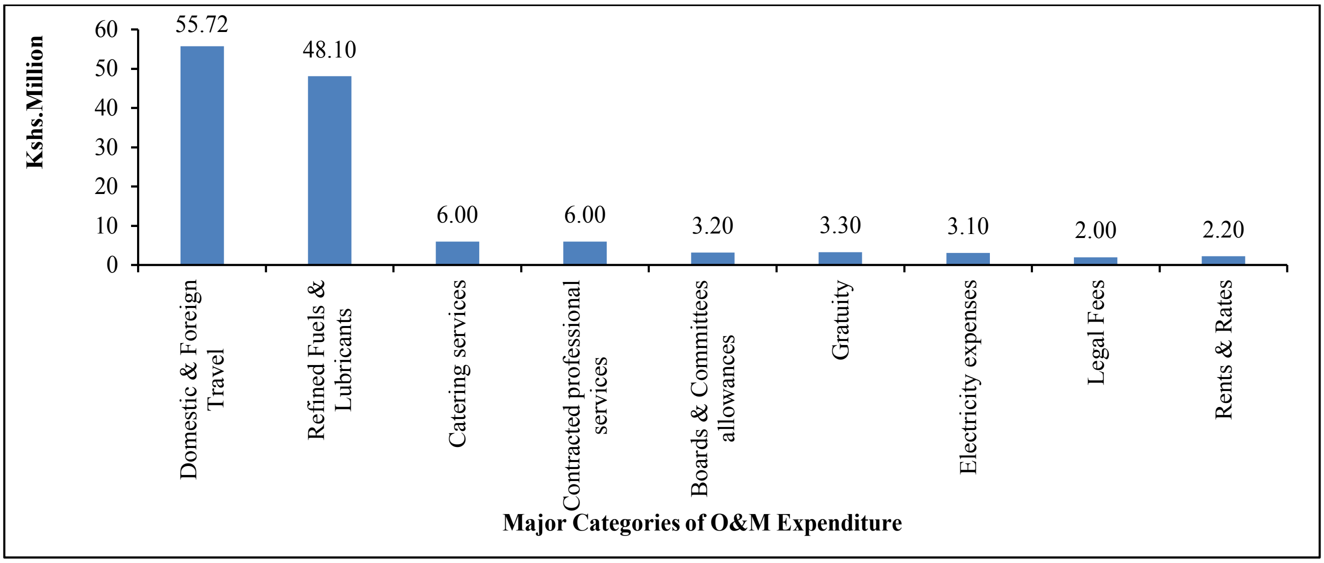
3.40.6 Recurrent Expenditure Analysis

The total recurrent expenditure for the reporting period was Kshs.604.53 million against an annual recurrent of budget of Kshs.1.76 billion. This represents 34.2 per cent of the annual recurrent budget. The County spent Kshs.418.8 million (69.3 per cent) on personnel emoluments and Kshs.185.7 million (30.7 per cent) on operations and maintenance as shown in Figure 3.157. Expenditure on personnel emoluments accounted for 51.6 per cent of total expenditure and has increased in the first half of FY 2015/16 as compared to a similar period of FY 2014/15 when the County spent Kshs.394.5 million.

The County spent Kshs.11.12 million on sitting allowances to the 26 MCAs and the Speaker against a budget of Kshs.55.70 million. This is an increase from Kshs.9.5 million recorded in a similar period of FY 2014/15. The average monthly sitting allowance per MCA was Kshs.68,665 compared to SRCs recommended monthly ceiling of Kshs.124,800.

A breakdown of the operations and maintenance expenditure for the reporting period is shown in Figure 3.158.

Figure 3.158: Tana River County, Operations and Maintenance Expenditure for the First Half of FY 2015/16



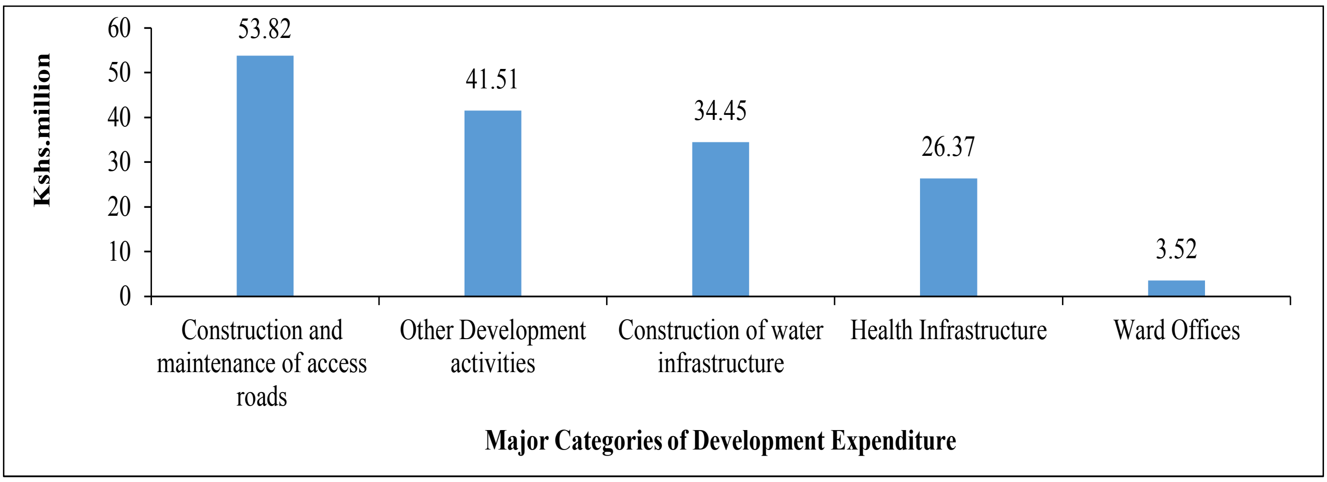
Source: *Tana River County Treasury*

The aggregate expenditure on domestic and foreign travel was Kshs.55.72 million compared to Kshs.183.94 million incurred in a similar period of FY 2014/15, representing a significant decrease of 69.7 per cent. This expenditure comprised of Kshs.23.01 million spent by the County Executive and Kshs.32.71 million by the County Assembly.

3.40.7 Development Expenditure Analysis

A summary of development expenditure during the first half of FY 2015/16 is provided in figure 3.159.

Figure 3.159: Tana River County, Summary of Development Expenditure for the First Half of FY 2015/16



Source: *Tana River County Treasury*

Analysis of the development expenditure of Kshs.206.86 million incurred in the first half of FY 2015/16 indicates that the Roads and Public Works Department reported the highest expenditure at Kshs.53.82 million on construction and maintenance of access roads and renovation of buildings. A total of 800 kilometers of roads were maintained across the 15 wards. The second highest expenditure of Kshs.34.45 million was incurred by the Water Department on construction of water infrastructure. The third highest expenditure of Kshs.26.37 million was incurred by the Health Department for the construction and maintenance of health facilities. A total expenditure of Kshs.41.51 million was spent on other on-going development projects.

3.40.8 Annual Budget and Budget Performance Analysis by department for the First Half of FY 2015/16

The summary of the FY 2015/16 annual budget estimates and budget performance for the first half by department is shown in Table 3.80.

Table 3.80: Tana River County, Annual Budget and First Half of FY 2015/16 Budget Performance by Department

Department	Budget Allocation (Kshs. Million)		6 Months Exchequer Issues (Kshs. Million)		6 Months Expenditure (Kshs. Million)		Expenditure to exchequer issues (%)		Absorption rate (%)	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
County Assembly	423.5	96.54	173.2	39.75	165.28	14.1	95.4	35.5	39.0	14.6
Office of the Governor & Deputy	403.42	98.1	164.98	41.4	135.87	16.5	82.4	39.9	33.7	16.8
Finance & Planning	138.9	60.14	56.79	24.76	53.61	-	94.4		38.6	
Water & Environment	71.5	425.53	29.3	175.21	9.33	-	31.8		13.0	
Education	53.2	304.16	21.76	125.24	13.84	1.87	63.6	1.5	26.0	0.6
Health	339.2	382.45	138.73	127.47	137.6	71.66	99.2	56.2	40.6	18.7
Agriculture	156.92	371.05	60.18	248.42	31.48	-	52.3		20.1	
Cohesion & Special Programmes	25.13	146.6	10.27	60.37	9.07	-	88.3		36.1	
Gender, Culture & Social Services	29.8	63.97	12.6	26.34	9.87	8.51	78.3	32.3	33.1	13.3
Trade, Tourism &Coop	42.86	205.45	17.48	84.6	12.09	35	69.2	41.4	28.2	17.0
Roads & Public Works	36.72	372.2	15.02	153.26	13.26	59.16	88.3	38.6	36.1	15.9
County Public Service Board	46.5		19		12.9		67.9		27.7	
Total	**1,767.65**	**2,526.19**	**722.83**	**1,040.17**	**604.53**	**206.86**	**83.6**	**19.9**	**34.2**	**8.2**

Source: *Tana River County Treasury*

Analysis of budget performance by department shows that the Health Department reported the highest absorption rate of its development budget at 18.7 per cent while the Department of Finance & Planning; Water & Environment; County Public Service Board; Cohesion & Special Programmes and Agriculture did not incur any development expenditure. On the other hand, Health Department had the highest percentage of its recurrent budget at 40.6 per cent while Water & Environment Department had the lowest percentage at 13.1 per cent.

3.40.9 Borrowing by the County Government

Article 212 of the Constitution requires a county government to borrow with approval from the County Assembly, and only if the national government guarantees the loan. Further, Section 58 of the PFM Act 2012 gives the Cabinet Secretary to the National Treasury the powers to guarantee loans subject to approval by Parliament. During the period under review, the County utilized its equitable share and local revenue collection deposited into County Revenue Fund account maintained at the Central Bank of Kenya and did not borrow any funds.

3.40.10 Observations and Recommendations

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

i. Acquired prefabricated offices to accommodate staff who can now discharge their duties effectively.

ii. Made significant improvement in staff capacity building through training.

iii. Operationalized IFMIS and trained staff in the Finance and Planning Department on IFMIS, e-procurement and e-banking.

iv. The County has operationalized the audit department.

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

1. Underperformance of local revenue collection against annual target. The County realized 9.1 per cent of the annual local revenue target in the reporting period.

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

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

3.41 Tharaka Nithi County

3.41.1 Overview of the FY 2015/16 Budget

The FY 2015/16 approved budget for Tharaka Nithi County amounted to Kshs.3.55 billion. It comprised of Kshs.2.08 billion (58.6 per cent) for recurrent expenditure and Kshs.1.47 billion (41.4 per cent) for development expenditure.

In order to finance the budget, the County expects to receive Kshs.3.12 billion (87.6 per cent) as equitable share from the National Government, collect Kshs.248.05 million (7.0 per cent) from local sources, a conditional grant of Kshs.10.00 million (0.3 per cent) from DANIDA, and additional conditional grants of Kshs.179.36 million (5.1 per cent) from national government. The Kshs.179.36 million additional conditional grants comprises of Kshs.35.24 million for Free Maternal Health Care, Kshs.8.52 million as compensation of forgone user fees, Kshs.95.74 million for leasing of medical equipment, and Kshs.39.86 million from Road Maintenance Fuel Levy Fund.

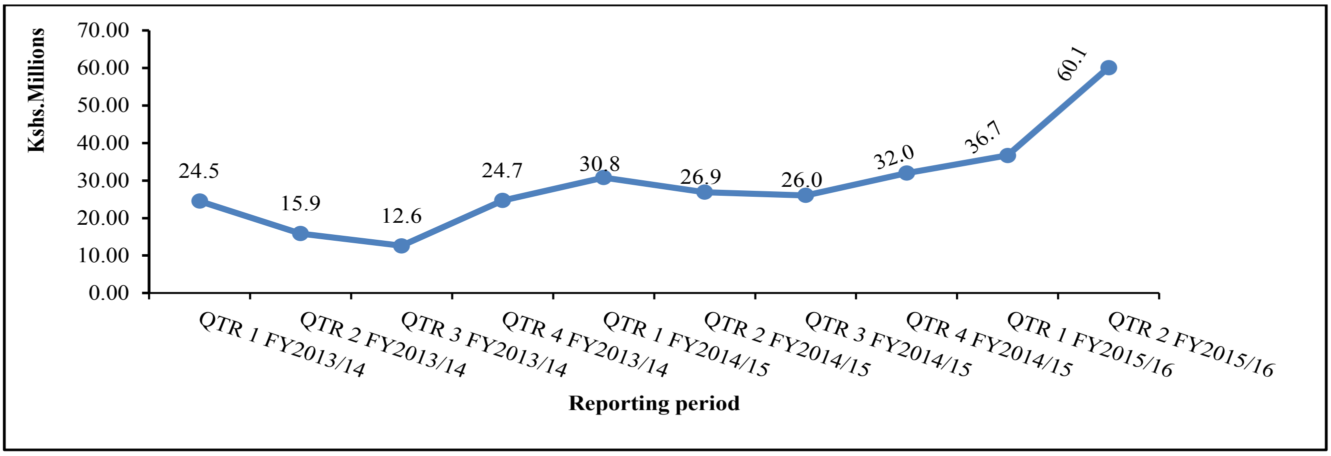
However, Kshs.278.71 million representing the opening cash balance from FY 2014/15 was not appropriated in the approved budget while the equitable share and DANIDA grant were under budgeted by Kshs.21.34 million and Kshs.2.33 million respectively. Further, the County did not budget for the additional conditional grants and loan of Kshs.313.90 million as contained in CARA, 2015. The Kshs.313.90 million additional grants comprises of Kshs.13.90 million from the World Bank to supplement financing of county facilities, and Kshs.300 million from conditional allocation on other loan and grants.

3.41.2 Revenue Analysis

In the first half of FY 2015/16, the County received equitable share of Kshs.1.33 billion from the National Government, Kshs.20.13 million as conditional allocations from the road maintenance fuel levy fund, Kshs.14.51 million as conditional allocation for free maternal health care, Kshs.2.59 million as conditional allocation for forgone user fees, raised Kshs.96.80 million from local sources, and had a cash balance of Kshs.278.71 million brought forward from FY 2014/15.

The quarterly trend in local revenue collection from the FY 2013/14 to the second quarter of FY 2015/16 is shown in figure 3.160.

Figure 3.160: Tharaka Nithi County, Trend in Local Revenue Collection by Quarter from the FY 2013/14 to the second quarter of FY 2015/16



Source: *Tharaka Nithi County Treasury*

The local revenue consisted of Kshs.36.68 million raised in the first quarter and Kshs.60.12 million in the second quarter. The local revenue raised in the first half of the FY 2015/16 was Kshs.96.80 million (39.0 per cent of the annual local revenue target), an improvement from Kshs.57.71 million collected in a similar period of FY 2014/15.

The analysis of local revenue by stream is shown in Table 3.81.

Table 3.81: Tharaka Nithi County, Analysis of revenue collection per stream for the first half of FY 2015/16

No.	Revenue Stream	Annual Targeted Revenue (Kshs.)	Six Months Actual Revenue (Kshs.)	Revenue Performance (%)
	A	B	C	D=*100
1	Hospital Revenue/ Public health	63,630,000	58,210,000	91.5
2	Cess fees	40,000,000	11,700,000	29.3
3	Market and Slaughter fee	32,000,000	9,373,810	29.3
3	Vehicle Parking	32,000,000	5,925,070	18.5
4	Single Business permit	40,000,000	4,208,739	10.5
5	Others	40,420,000	7,380,921	18.3
	TOTAL	**248,050,000**	**96,798,540**	**39.0**

Source: *Tharaka Nithi County Treasury*

Analysis of revenue by stream indicates that Hospital revenues recorded the highest performance against the annual target at 91.5 per cent followed by Cess Fees and Market/Slaughter Fees at 29.3 per cent.

3.41.3 Exchequer Issues

During the period under review, Kshs.1.41 billion was authorized for withdrawal from the CRF by the Controller of Budget, which was 39.7 per cent of the approved budget. The amount represented an improvement of 28.2 per cent from Kshs.1.10 billion authorized in a similar period of FY 2014/15 and consisted of Kshs.991.49 million (70.3 per cent) for recurrent expenditure and Kshs.419.64 million (29.7 per cent) for development activities.

3.41.4 Banking of local revenue

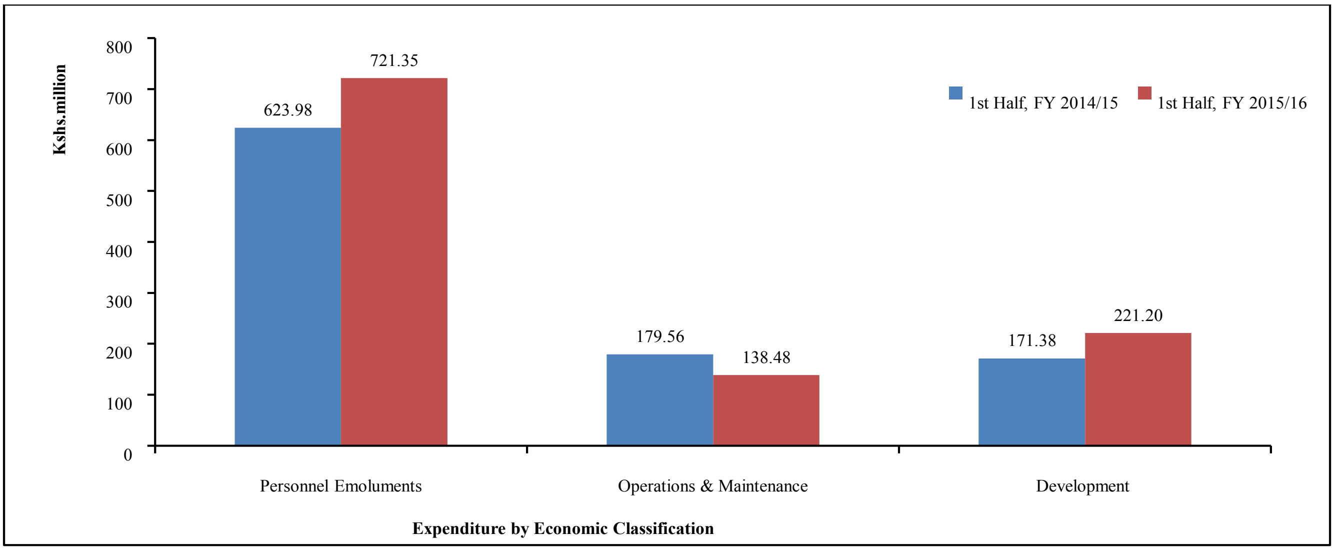
A review of the bank statements for the revenue collection account indicates that the County did not bank all the locally generated revenue intact into the CRF. The Department of Health, especially the Veterinary unit did not deposit its revenue collection into the CRF account. This is contrary to the provisions of Article 207 of the Constitution and Section 109 of the PFM Act 2012, which stipulates that all funds raised or received by or on behalf of the County Government should be deposited into the CRF account, unless excluded by an Act of Parliament.

3.41.5 Overall Expenditure Review

The County spent a total of Kshs.1.08 billion during the first half of FY 2015/16 which was 76.6 per cent of the funds released for operations. This is an increase from the Kshs.974.92 million spent in a similar period of FY 2014/15. A total of Kshs.859.33 million was spent on recurrent activities and Kshs.221.20 million on development activities. Recurrent expenditure was 86.7 per cent of the funds released for recurrent activities while development expenditure accounted for 52.7 per cent of the funds released for development activities. The expenditure excludes commitments as of 31st December, 2015 that amounted to Kshs.59.45 million for development activities and Kshs.12.43 million for recurrent expenditure.

Recurrent expenditure for the period under review represented 41.3 per cent of the approved annual recurrent budget, a decrease from 43.9 per cent spent in a similar period of FY 2014/15. On the other hand, development expenditure recorded an absorption rate of 15.0 per cent, an improvement from 9.1 per cent spent in a similar period of FY 2014/15. A comparison of the total expenditure in the first half of FY 2014/15 and the first half of FY 2015/16 is shown in Figure 3.161.

Figure 3.161: Tharaka Nithi County, Expenditure by Economic Classification for First Half of FY 2014/15 and First Half of FY 2015/16



Source: *Tharaka Nithi County Treasury*

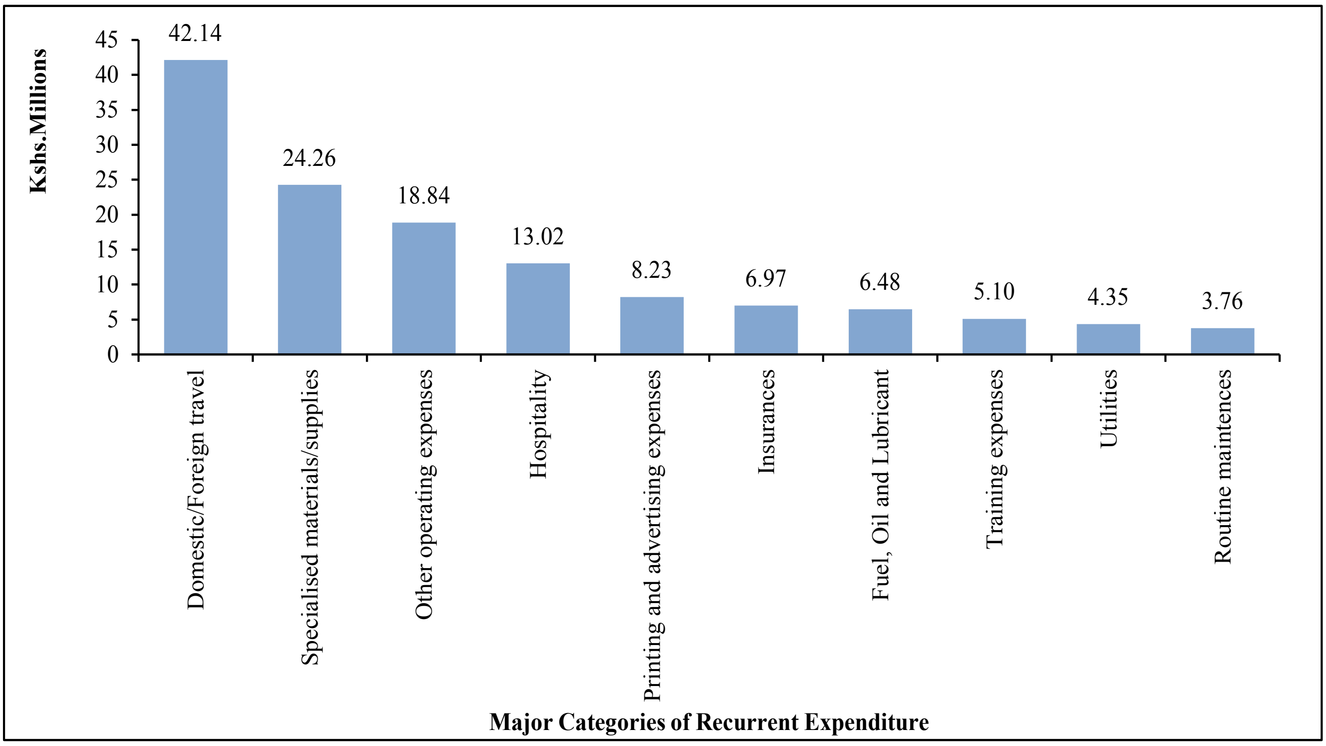
3.41.6 Recurrent Expenditure Analysis

The total recurrent expenditure for the reporting period was Kshs.859.83 million against a total of budget of Kshs.2.08 billion. This represents 41.3 per cent of the annual recurrent budget. The County spent Kshs.721.35 million (83.9 per cent) on personnel emoluments and Kshs.138.48 million (16.1 per cent) on operations and maintenance as shown in Figure 3.161. Expenditure on personnel emoluments accounted for 83.9 per cent of total expenditure and has increased significantly in the first half of FY 2015/16 as compared to a similar period of FY 2014/15 when the County spent Kshs.623.98 million. The increase is attributed to the continuous staff recruitment and annual salary increment.

The County spent Kshs.6.14 million on sitting allowances to the 25 MCAs and the Speaker against an annual sitting allowance budget of Kshs.34.92 million. This is a slight increase from Kshs.6.10 million recorded in a similar period of FY 2014/15. The average monthly sitting allowance per MCA was Kshs.40, 910 compared to SRC recommended monthly ceiling of Kshs.124, 800.

A breakdown of the operations and maintenance expenditure for the reporting period is shown in Figure 3.162.

Figure 3.162: Tharaka Nithi County, Operations and Maintenance Expenditure for the first-half of FY 2015/16



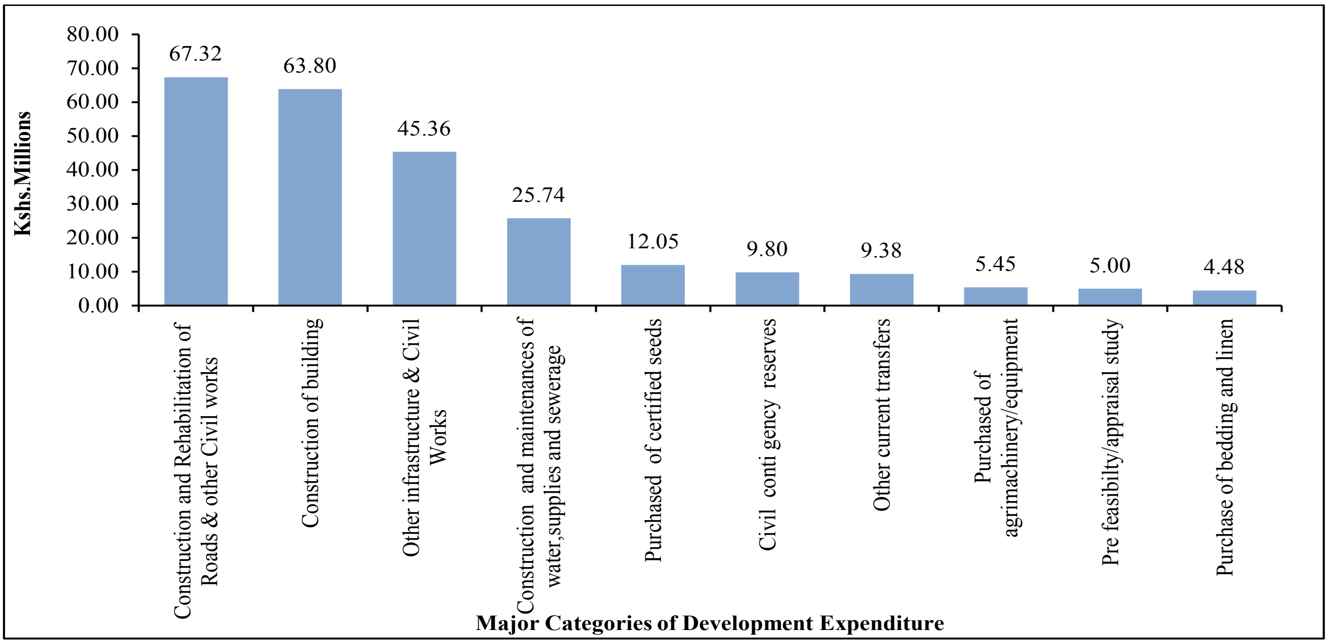
Source: *Tharaka Nithi County Treasury*

The aggregate expenditure on domestic and foreign travel was Kshs.42.14 million compared to Kshs.41.5 million incurred in a similar period of FY 2014/15, representing a slight increase of 1.5 per cent. This expenditure comprised of Kshs.16.91 million spent by the County Executive and Kshs.25.22 million by the County Assembly.

3.41.7 Development Expenditure Analysis

A summary of development expenditure during the first half of FY 2015/16 is provided in figure 3.163.

Figure 3.163: Tharaka Nithi County, Summary of Development Expenditure for the First Half of FY 2015/16



Source: *Tharaka Nithi County Treasury*

Analysis of the development expenditure of Ksh.221.20 million incurred in the first half of FY 2015/16 indicates that the Roads Department reported the highest expenditure at Kshs.67.32 million which was spent on development and maintenance of access roads. The second highest expenditure at Kshs.63.80 million was incurred by the Health Department on construction of health facilities. The Department of Tourism, Environment, Water and Natural resources incurred Kshs.25.74 million on construction and maintenances of water, supplies and sewerage while the Department of Agriculture incurred Kshs.12.05 million on purchase of certified seeds.

3.41.8 Annual Budget and Budget Performance Analysis by department for the First Half of FY 2015/16

A summary of the FY 2015/16 annual budget estimates and budget performance for the first half by department is shown in Table 3.82.

Table 3.82: Tharaka Nithi County, Annual Budget and First Half of FY 2015/16 Budget Performance by Department

Department	Budget Allocation (Kshs. Million)		6 Months Exchequer Issues (Kshs. Million)		6 Months Expenditure (Kshs. Million)		Expenditure to exchequer issues (%)		Absorption rate (%)	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
County Assembly	359.41	69.59	149.75	-	125.38	-	83.7	-	34.9	-
Office of the Governor & Deputy Governor	142.09	-	60.72	-	61.89	-	101.9	-	43.6	-
County Public Service Board	23.04	-	11.61	-	14.20	-	122.3	-	61.6	-
Finance & Economic Planning	133.50	80.00	67.14	27.00	66.52	20.10	99.1	74.4	49.8	25.1

Department	Budget Allocation (Kshs. Million)		6 Months Exchequer Issues (Kshs. Million)		6 Months Expenditure (Kshs. Million)		Expenditure to exchequer issues (%)		Absorption rate (%)	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
Agriculture, Livestock & Fisheries Development	183.18	123.80	92.13	40.66	89.43	29.81	97.1	73.3	48.8	24.1
Tourism, Environment, Water and Natural resources	53.71	145.65	27.69	39.04	19.92	37.01	71.9	94.8	37.1	25.4
Education, Youth, Gender & Social services	107.88	189.9	53.49	50.35	17.70	3.82	33.1	7.6	16.4	2.0
Health Services	790.09	152.45	394.39	30.00	382.09	19.82	96.9	66.1	48.4	13
Physical Planning, Land, Housing, Energy & ICT	70.37	65.60	27.92	8.00	9.76	-	35	-	13.9	-
Labour and Urban Development	117.65	72.90	56.17	17.00	42.65	1.74	75.9	10.2	36.3	2.4
Road, Transport, Public works and Legal affairs	53.25	538.90	26.23	204.29	17.20	97.51	65.6	47.7	32.3	18.1
Trade, Industry & Cooperative Development	48.03	32.65	24.25	3.30	13.09	11.40	54	345.5	27.3	34.9
Total	**2082.20**	**1471.44**	**991.49**	**419.64**	**859.83**	**221.20**	**86.7**	**52.7**	**41.3**	**15.0**

Source: *Tharaka Nithi County Treasury*

Analysis of budget performance by department shows that the Department of Trade, Industry and Co-operative Development reported the highest absorption rate of its development budget at 34.9 per cent while the Department of Physical Planning, Land, Housing, Energy and ICT, and the County Assembly did not spend on development expenditure during the period under review. On the other hand the Public Service Board had the highest percentage of its recurrent expenditure to its recurrent budget at 61.1 per cent while the Department of Physical Planning, Land, Housing, Energy and ICT Development had the lowest percentage at 13.9 per cent.

3.41.9 Borrowing by the County Government

During the period under review, the County Executive borrowed Kshs.85 million from Co-operative Bank of Kenya, Chuka Branch. This borrowing was in contravention of Article 212 of the Constitution which requires a county government to seek approval from the County Assembly, and a guarantee by the National Government for any loan. Further, Section 58 of the PFM Act 2012 gives the Cabinet Secretary to the National Treasury the powers to guarantee loans subject to approval by Parliament.

3.41.10 Observations and Recommendations

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

i. Improved in local revenue collection from 23.1 per cent of the annual revenue target in the first half of FY 2014/15 to 39 per cent in the reporting period.

ii. Registered improvement in absorption of development funds from 9.1 per cent in the first half of FY 2014/15 to 15 per cent in the first half of FY 2015/16.

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

1. The County Assembly has not fully embraced the use of IFMIS in its financial operations.

2. High wage bill, which may not be sustainable.

3. Failure to deposit locally generated revenue into CRF by the Health Department (Veterinary Services). This is contrary to Section 109(2) of PFM Act 2012.

4. Irregular borrowing by the County government.

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

1. *The County Assembly should embrace use of IFMIS system to facilitate smooth budget implementation and reporting.*

2. *The County should liaise with National Government to address the rising wage bill.*

3. *The County Treasury should ensure that all money raised on behalf of the County Government is paid into the CRF account as per Section 109(2) of PFM Act 2012.*

4. *The County should ensure that borrowing is in line with provisions of Article 212 of the Constitution.*

3.42 Trans Nzoia County

3.42.1 Overview of the FY 2015/16 Budget

The FY 2015/16 approved budget for Trans Nzoia County amounted to Kshs.6.29 billion, with Kshs.3.36 billion (53.5 per cent) allocated for recurrent expenditure and Kshs.2.93 billion (46.5 per cent) for development expenditure.

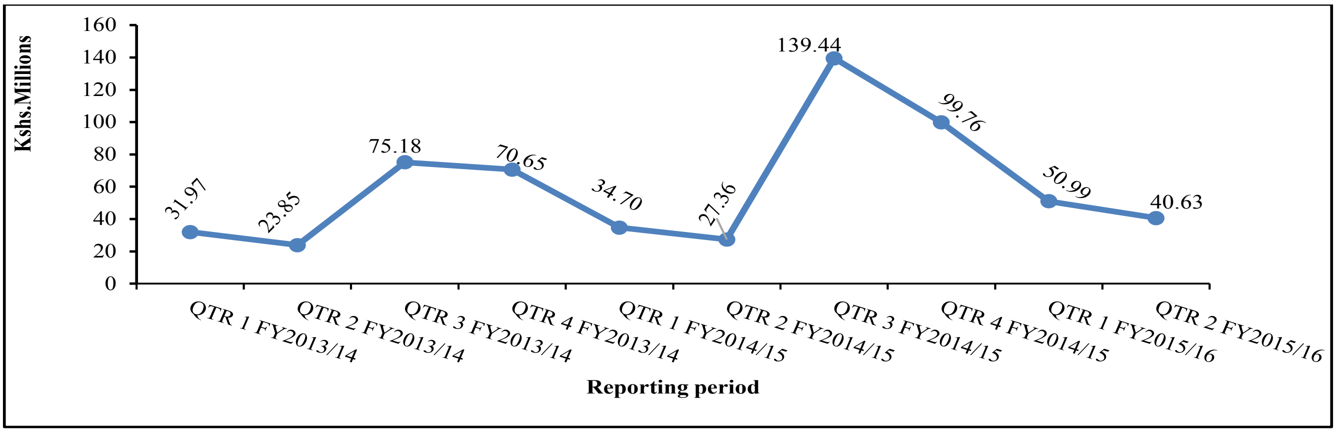
In order to finance the budget, the County expects to receive Kshs.5.10 billion (81.1. per cent) as equitable share from the National Government, collect Kshs.389.03 million (6.3 per cent) from local sources, a conditional grant of Kshs.11.33 million (0.2 per cent) from DANIDA, Kshs.19.09 million (0.3 per cent) for user forgone user fees, Kshs.67.91 million (1.0 per cent) for free maternal care, Kshs.95.74 million (1.5 per cent) for leasing of medical equipment, Kshs.64.78 million (1.4 per cent) from the road maintenance fuel levy fund and Kshs.451.26 million (7.3 per cent) as projected cash balance from FY 2014/15.

3.42.2 Revenue Analysis

In the first half of FY 2015/16, the County received Kshs.1.71 billion from the National Government as equitable share, raised Kshs.91.62 million from local sources, Kshs.32.71 million from the road maintenance fuel levy fund, received Kshs.29.39 million as conditional allocations for free maternal health care, Kshs.3.68 million as conditional allocations for forgone user fees and had a cash balance of Kshs.451.26 million brought forward from FY 2014/15.

The quarterly trend in local revenue collection from the FY 2013/14 to the second quarter of FY 2015/16 is shown in figure 3.164.

Figure 3.164: Trans Nzoia County, Trend in Local Revenue Collection by Quarter from the FY 2013/14 to the second quarter of FY 2015/16



Source: *Trans Nzoia County Treasury*

The local revenue consisted of Kshs.50.99 million raised in the first quarter and Kshs.40.63 million in the second quarter. The local revenue raised in the first half of the FY 2015/16 was Kshs.91.61 million (23.6 per cent of the annual local revenue target), an improvement from Kshs.62.06 million collected in a similar period of FY 2014/15.

The analysis of local revenue by stream is shown in Table 3.83.

Table 3.83: Trans Nzoia County, Analysis of revenue collection per stream for the first half of FY 2015/16

No.	Revenue Stream	Annual Targeted Revenue (Kshs.)	Six Months Actual Revenue (Kshs.)	Revenue Performance (%)
	A	B	C	D=*100
1	Other Sources	52,239,407	31,144,416	59.6
2	Market Fees	52,238,206	16,012,640	30.7
3	Parking Fees	54,822,388	15,322,974	28.0
4	Public Health, Medical Levies and Hospital fees	119,000,000	12,327,665	10.4
5	Single Business Permits	43,562,333	8,462,480	19.4
6	Land Rates	67,164,179	8,344,365	12.4
	TOTAL	**389,026,913**	**91,614,540**	**23.6**

Source: *Trans Nzoia County Treasury*

The analysis of revenue by stream indicates that Market fees had the highest revenue performance against the annual target at 30.7 per cent followed by Parking Fees at 28.0 per cent.

3.42.3 Exchequer Issues

During the period under review, Kshs.1.86 billion was authorized for withdrawal from the CRF by the Controller of Budget, which was 29.6 per cent of the approved budget. The amount represented an decline of 3.3 per cent from Kshs.1.8 billion authorized in a similar period of FY 2014/15 and consisted of Kshs.1.34 billion (71.9 per cent) for recurrent expenditure and Kshs.524.1 million (28.1 per cent) for development activities.

3.42.4 Banking of local revenue

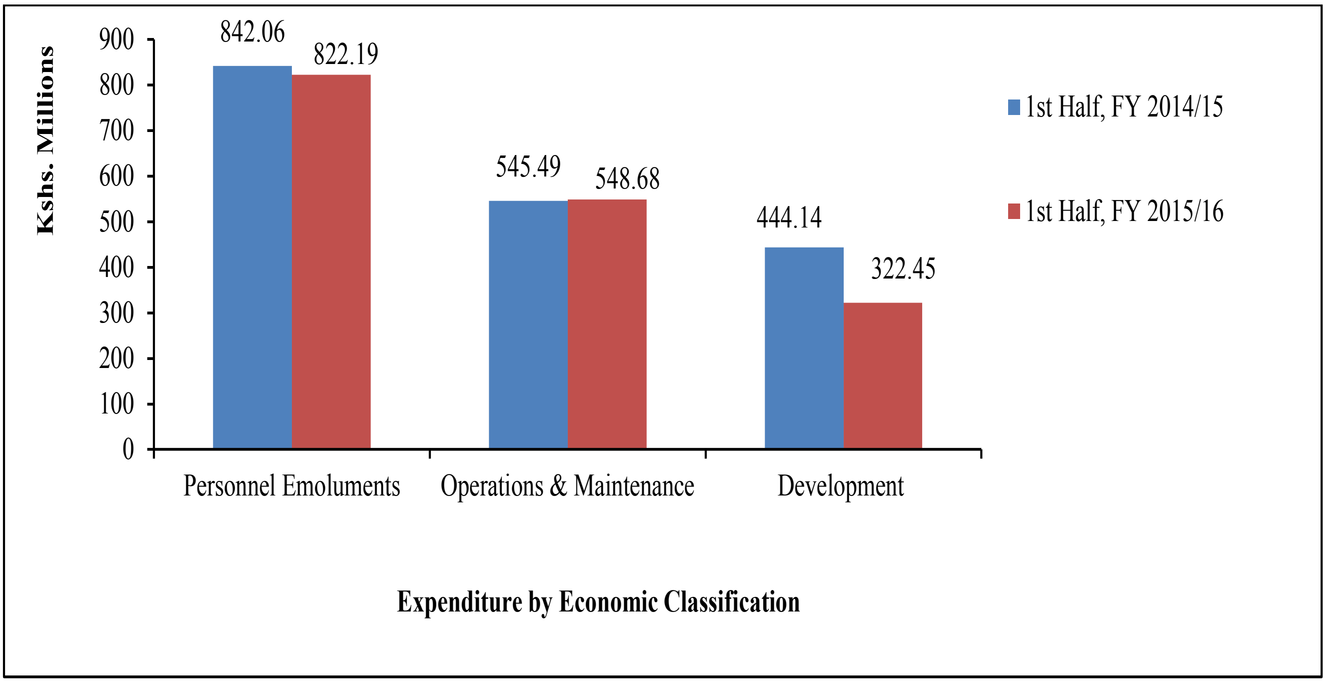
A review of the bank statements for the revenue collection account indicates that all locally generated revenue was deposited into the CRF during the period under review. This conforms to Article 207 of the Constitution and Section 109 of the PFM Act 2012, which stipulates that all funds raised or received by or on behalf of the County Government should be deposited into the CRF account, unless excluded by an Act of Parliament.

3.42.5 Overall Expenditure Review

The County spent a total of Kshs.1.69 billion during the first half of FY 2015/16 which was 90.8 per cent of the funds released for operations and a slight decrease from the Kshs.1.83 billion spent in a similar period of FY 2014/15. A total of Kshs.1.37 billion was spent on recurrent activities and Kshs.322.45 million on development activities. Recurrent expenditure was 102.2 per cent of the funds released for recurrent activities while development expenditure accounted for 61.5 per cent of the funds released for development activities. The expenditure excludes commitments as of 31st December, 2015 that amounted to Kshs.216.18 million for development and Kshs.118.74 million for recurrent expenditure.

Recurrent expenditure for the period under review represented 40.7 per cent of the approved annual recurrent budget, a decrease from 51.5 per cent spent in a similar period of FY 2014/15. On the other hand, development expenditure recorded an absorption rate of 11.0 per cent, a decrease from 19.1 per cent spent in a similar period of FY 2014/15. A comparison of the total expenditure between the second quarter of FY 2014/15 and FY 2015/16 is shown in Figure 3.165.

Figure 3.165: Trans Nzoia County, Expenditure by Economic Classification for First Half of FY 2014/15 and First Half of FY 2015/16



Source: *Trans Nzoia County Treasury*

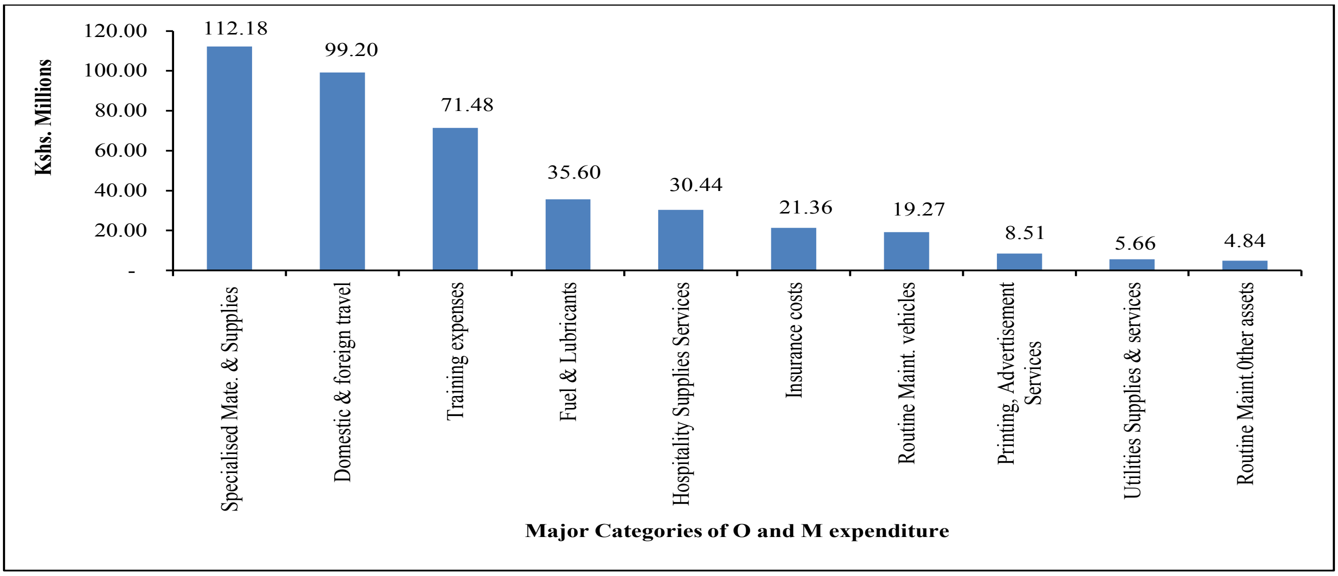
3.42.6 Recurrent Expenditure Analysis

The total recurrent expenditure for the reporting period was Kshs.1.37 billion against an annual f budget of Kshs.3.36 billion. This represents 40.7 per cent of the recurrent budget. The County spent Kshs.822.19 million (60.0 per cent) on personnel emoluments and Kshs.548.68 million (40.0 per cent) on operations and maintenance as shown in Figure 3.165. Expenditure on personnel emoluments accounted for 48.6 per cent of total expenditure and has decreased in FY 2015/16 as compared to a similar period of FY 2014/15 when the County spent Kshs.842.06 million.

The County spent Kshs.33.88 million on sitting allowances to the 40 MCAs including the Speaker against an annual budget of Kshs.78.12 million. This represents a decrease from Kshs.40.62 million recorded in a similar period of FY 2014/15. The average monthly sitting allowance per MCA was Kshs.141,167 compared to SRC's recommended monthly ceiling of Kshs.124,800.

A breakdown of the operations and maintenance expenditure for the reporting period is shown in Figure 3.166.

Figure 3.166:Trans Nzoia County, Operations and Maintenance Expenditure for the First Half of FY 2015/16



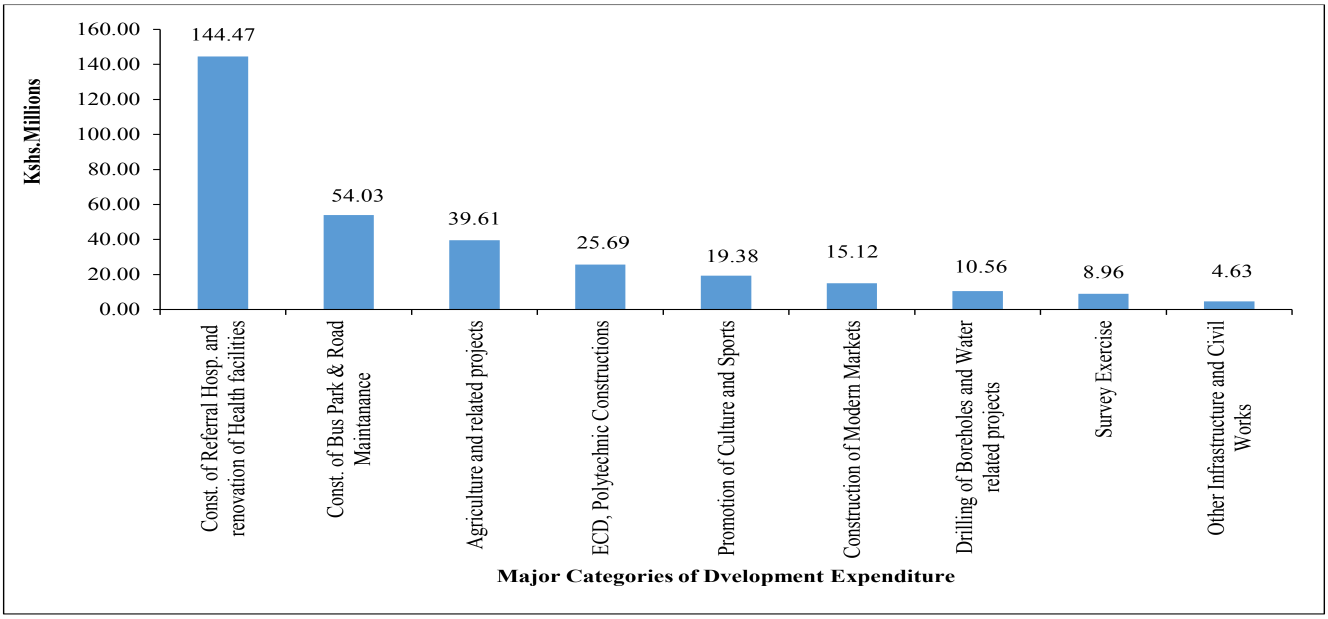
Source: *Trans Nzoia County Treasury*

The aggregate expenditure on domestic and foreign travel was Kshs.99.20 million compared to Kshs.97.85 million incurred in a similar period of FY 2014/15, representing a marginal decrease of 1.4 per cent. This expenditure comprised of Kshs.54.60 million spent by the County Executive and Kshs.44.60 million by the County Assembly.

3.42.7 Development Expenditure Analysis

Details of development expenditure during the first half of FY 2015/16 are provided in figure 3.167.

Figure 3.167: Trans Nzoia County, Summary of Development Expenditure for the First Half of FY 2015/16



Source: *Trans Nzoia County Treasury*

Analysis of the development expenditure of Kshs.322.45 million incurred in the first half of FY 2015/16 indicates that the Health Department reported the highest expenditure at Kshs.144.47 million which was spent on construction of referral hospital and renovation works at the County health facilities. The second highest expenditure at Kshs.54.03 million was incurred by the Public Works Department on construction of Bus Park, street lighting and culvert installation. The Department of Agriculture, Fisheries and Livestock Development incurred Kshs.39.61 million on renovation works at the showground and agriculture related projects. Education Department incurred Kshs.25.69 million on construction of ECD classrooms and other educational programmes. Gender Department spent Kshs.19.38 on promotion of culture and sports programmes. The Department of Economic Planning incurred Kshs.15.12 million on construction of modern markets while the Department of Water and Environment incurred Kshs.10.56 million on drilling of boreholes and protection of water springs and water related projects.

3.42.8 Annual Budget and Budget Performance Analysis by department for the First Half of FY 2015/16

A summary of the FY 2015/16 annual budget estimates and budget performance for the first half by department is shown in Table 3.84.

Table 3.84: Trans Nzoia County, Annual Budget and First Half of FY 2015/16 Budget Performance by Department

Department	Budget Allocation (Kshs. Million)		6 Months Exchequer Issues (Kshs. Million)		6 Months Expenditure (Kshs. Million)		Expenditure to exchequer issues (%)		Absorption rate (%)	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
Health	1,205.39	339.83	518.78	221.82	514.21	144.47	99.1	65.1	43	42.5
Agriculture, Livestock and Fisheries	269.22	204.8	129.02	62.56	138.38	39.61	107.3	63.3	51.4	19.3
Water, Energy, Environment, Forestry & Natural Resources	51.43	175.86	24	22.56	25.19	10.56	105	46.8	49	6
Education	70.06	248.35	33.24	47.6	37.27	25.69	112.1	54	53.2	10.3
Public Works, Transport & Infrastructure	212.25	520.82	93.19	45.32	97.86	54.03	105	119.2	46.1	10.4
Lands, Housing & Physical Planning	33.78	135.7	15.74	67.5	21.88	8.96	139	13.3	64.8	6.6
Finance	548.53	65.7	154.57	5	125.3	0.35	81.1	7	22.8	0.5
Economic Planning, commerce & industry	30.66	203.66	15.4	10.16	17.34	15.12	112.6	148.8	56.6	7.4
Governance and Public Service Management	389.47	91.99	165.29	21.76	196.73	4.28	119	19.7	50.5	4.7
County Assembly	498.4	777.33	165.13	0	173.84	0	105.3	0	34.9	0
Gender, Youth, sports, culture & Tourism	54.96	164.18	26.47	19.8	22.88	19.38	86.4	97.9	41.6	11.8
Total	**3,364.16**	**2,928.21**	**1,340.85**	**524.1**	**1,370.88**	**322.45**	**102.2**	**61.5**	**40.7**	**11**

Source: *Trans Nzoia County Treasury*

An analysis of budget performance by department shows that the Department of Health reported the highest absorption rate of its development budget at 42.5 per cent while the County Assembly did not incur any development expenditure. On the other hand, the Department of Lands, Housing and Physical Planning had the highest percentage of its recurrent expenditure to its recurrent budget at 64.8 per cent while the Department of Finance had the lowest percentage of its recurrent expenditure to its recurrent budget at 22.8 per cent.

3.42.9 Borrowing by the County Government

During the period under review, the County received an overdraft facility of Kshs.30 million from a commercial bank. This borrowing was in contravention of Article 212 of the Constitution which requires a county government to borrow with approval from the County Assembly, and only if the National Government guarantees the loan. Further, Section 58 of the PFM Act 2012, gives the Cabinet Secretary to the National Treasury the powers to guarantee loans subject to approval by Parliament.

3.42.10 Observations and Recommendations

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

i. Improved local revenue collection from 9.3 per cent of the annual local revenue target in the first half of FY 2014/15 to 23.6 per cent in the reporting period.

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

1. Intermittent use of the IFMIS and manual system in processing of financial transactions.

2. Low absorption of development funds, which was 11 per cent of the annual development budget compared to a half year target of 50 per cent.

3. Delay in submission of financial reports to the OCOB contrary to Section 166 of the PFM Act 2012.

The County should 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 Treasury should ensure that financial reports are submitted in a timely manner.*

3.43 Turkana County

3.43.1 Overview of the FY 2015/16 Budget

The FY 2015/16 approved budget for Turkana County amounted to Kshs.13.38 billion. It comprised of Kshs.4.13 billion (30.9 per cent) allocated to recurrent expenditure and Kshs.9.25 billion (69.1 per cent) to development expenditure.

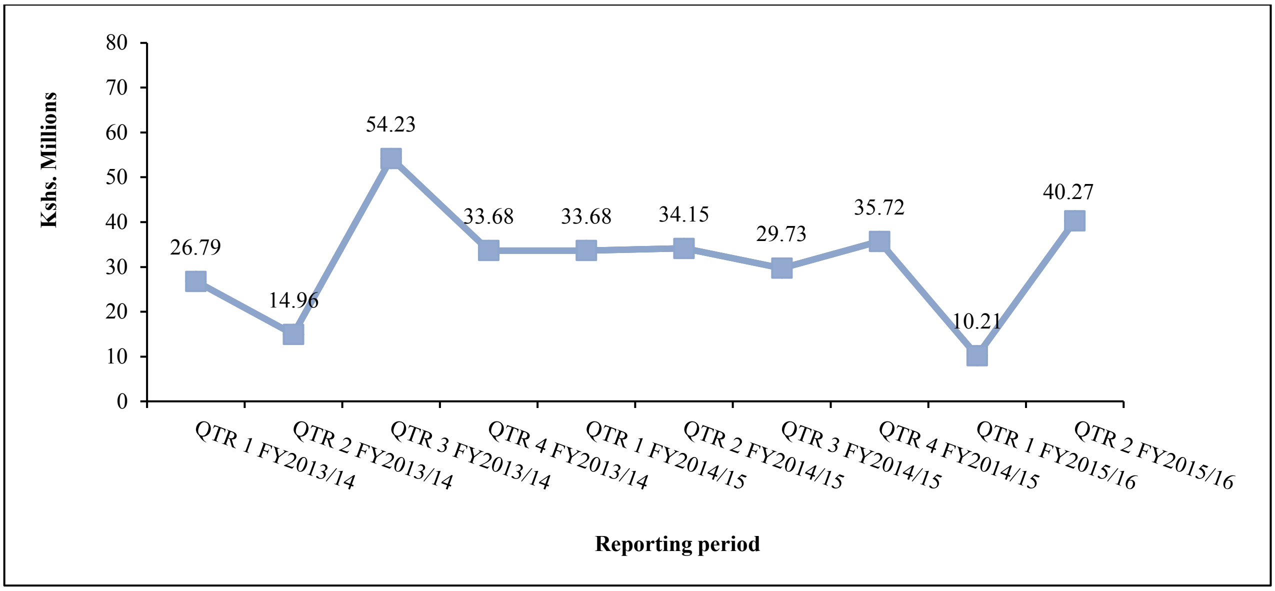
In order to finance the budget, the County expects to receive Kshs.10.23 billion (76.4 per cent) as transfers from the National Government, collect Kshs.200 million (1.49 per cent) from local sources, a conditional grant of Kshs.78 million (0.6 per cent) from DANIDA, Kshs.344.55 million (2.6 per cent) as conditional grants from the National Government, and Kshs.2.45 billion (18.51 per cent) as projected cash balance brought forward from FY 2014/15. However, the office has noted that the revenue budgeted as equitable share and conditional grants by the County differ with the amounts in the CARA, 2015. The amounts in CARA, 2015 are Kshs.10.48 billion as equitable share of revenue, Kshs.272.01 million as National Government conditional grant, Kshs.12.07 million as DANIDA grant, and Kshs.20.49 million as loan from the World Bank. The Kshs.272.01 million conditional allocation includes Kshs.23.21 million for free maternal healthcare, Kshs.19.94 million for forgone user fees, Kshs.95.74 million for leasing of medical equipment, and Kshs.133.12 million from the road maintenance fuel levy.

3.43.2 Revenue Analysis

In the first half of FY 2015/16, the County received Kshs.3.51 billion revenue from the National Government as equitable share, Kshs.67.22 million as conditional allocations from the fuel levy fund, Kshs.8.61 million as conditional allocation for free maternal health care, Kshs.1.58 million as conditional allocation for forgone user fees, raised Kshs.50.48 million from local sources, and had a cash balance of Kshs.2.44 million brought forward from FY 2014/15.

The quarterly trend in local revenue collection from the FY 2013/14 to the second quarter of FY 2015/16 is shown in figure 3.168.

Figure 3.168: Turkana County, Trend in Local Revenue Collection by Quarter from the FY 2013/14 to the second quarter of FY 2015/16



Source: *Turkana County Treasury*

The local revenue consisted of Kshs.10.21 million raised in the first quarter and Kshs.40.27 million in the second quarter. The local revenue raised in the first half of the FY 2015/16 was Kshs.50.48 million (25.2 per cent of the annual local revenue target), and a decline from Kshs.67.83 million collected in a similar period of FY 2014/15.

In the analysis of revenue returns, the Office noted that the revenue reported during the first quarter of FY 2015/16 had been overstated by the County Treasury by Kshs.12.9 million. The actual revenue collected in the same period was Kshs.10.21 million and not Kshs.23.11 million.

The analysis of local revenue by stream is shown in Table 3.85.

Table 3.85: Turkana County, Analysis of revenue collection by stream for the first half of FY 2015/16

No.	Revenue Stream	Annual Targeted Receipts	Six Months Actual Receipts	Revenue Performance (%)
	A	B	C	D=C/B*100
1	Lorry Parking Fee	200,000	219,100	109.6
2	Direct Deposit	27,156,000	18,970,690	69.9
3	Matatu Fee	423,500	262,300	61.9
4	Bus Park Fee	500,000	293,500	58.7
5	Land Cruiser Fee	257,000	151,500	58.9
6	Fish Market Fee	523,000	278,570	53.3
7	Single Business Permit	4,530,650	1,944,240	42.9
8	Miscellaneous Receipt	135,679,350	27,152,408	20
9	Small Animals Auction Fee	320,000	35,030	10.9
10	Small Animals Slaughter Fee	5,350,000	404,300	7.6
11	Other revenue streams	25,060,500	761,120	3
	TOTAL	**200,000,000**	**50,472,758**	**25.2**

Source: *Turkana County Treasury*

The analysis of revenue by stream indicated that revenue from Lorry Parking Fees recorded the highest revenue performance at 109.6 per cent. Other high performances were recorded by Direct Deposits and Matatu Fees at 69.9 per cent and 61.9 per cent respectively. Direct Deposits should be correctly classified by the County Treasury.

3.43.3 Banking of Local Revenue

During the period under review, the Departments of Health and Sanitation, and Roads and Public Works did not bank all its local revenue collections intact into the County Revenue Fund as per Article 207 of the Constitution. This contravenes Article 207 of the Constitution and Section 109 of the PFM Act 2012, which stipulates that all funds raised or received by or on behalf of the County Government should be deposited into the CRF account unless excluded by an Act of Parliament.

3.43.4 Exchequer Issues

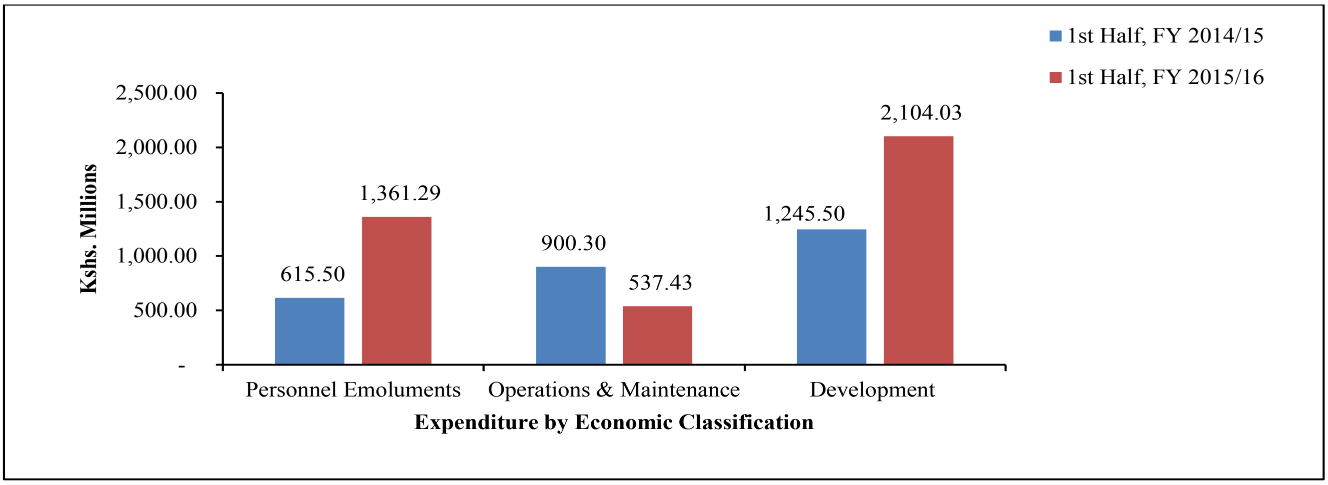
During the period under review, the COB authorised withdrawal of Kshs.4.50 billion from the CRF account, which was 33.6 per cent of the approved budget. The exchequer releases consisted of Kshs.2.0 billion (44.5 per cent) for recurrent expenditure and Kshs.2.5 billion (55.5 per cent) for development activities. The withdrawn amount represented a decline from Kshs.6.34 billion authorized in a similar period of FY 2014/15.

3.43.5 Overall Expenditure Review

The County spent a total of Kshs.4.0 billion during the first half of FY 2015/16 which was 89 per cent of the funds released for operations. This is an increase from the Kshs.2.76 billion spent in a similar period of FY 2014/15. A total of Kshs.1.90 billion was spent on recurrent activities and Kshs.2.10 billion on development activities. Recurrent expenditure was 94.8 per cent of the funds released for recurrent activities while development expenditure accounted for 84.3 per cent of the funds released for development activities.

Recurrent expenditure for the period under review represented 46.0 per cent of the approved annual recurrent budget, an improvement from 37.5 per cent spent in a similar period of FY 2014/15. On the other hand, development expenditure recorded an absorption rate of 22.7 per cent, an improvement from 13.9 per cent spent in a similar period of FY 2014/15. A comparison of the total expenditure in the first half of FY 2014/15 and the first half of FY 2015/16 is shown in Figure 3.169.

Figure 3.169: Turkana County, Expenditure by Economic Classification for First Half of FY 2014/15 and FY 2015/16



Source: *Turkana County Treasury*

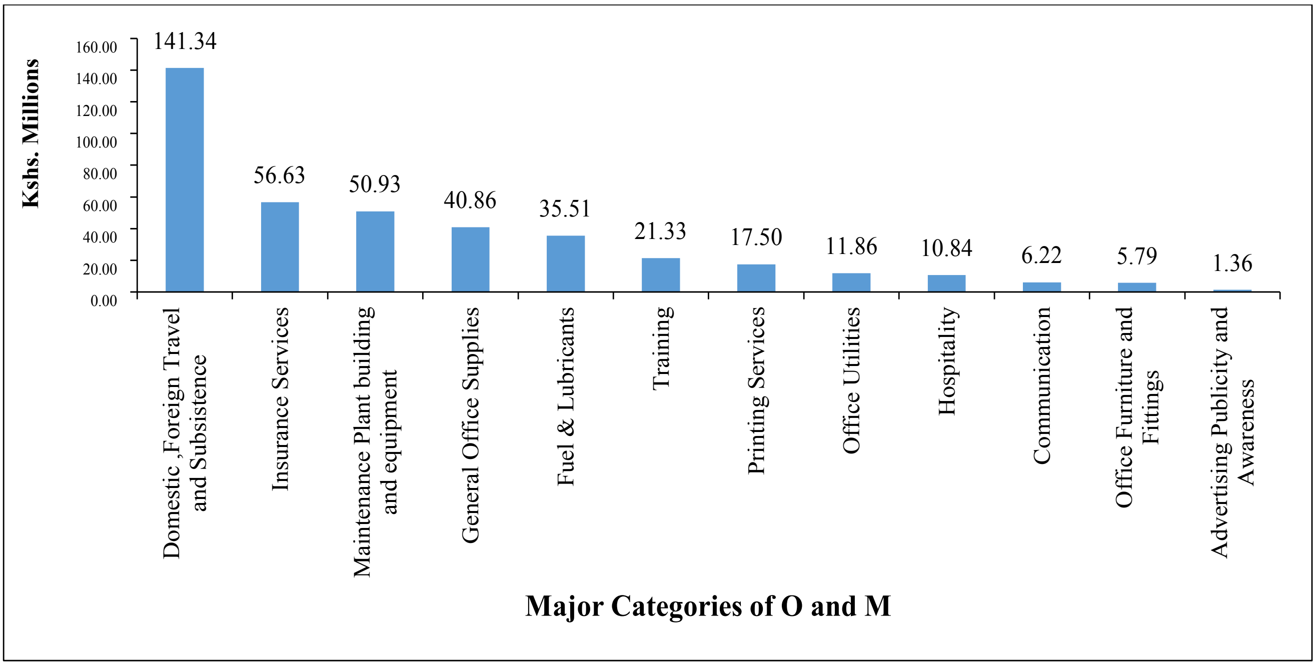
3.43.6 Recurrent Expenditure Analysis

The total recurrent expenditure for the reporting period was Kshs.1.90 billion against an annual recurrent budget of Kshs.4.13 billion. This represents 46.0 per cent of the annual recurrent budget. The County spent Kshs.1.36 billion (72.3 per cent) on personnel emoluments and Kshs.537.43 million (28.2 per cent) on operations and maintenance as shown in Figure 3.169. Expenditure on personnel emoluments accounted for 34 per cent of total expenditure and has increased significantly in FY 2015/16 as compared to a similar period in FY 2014/15 when the County spent Kshs.615.50 million. The increase is attributable to increase in the number of staff recruited and yearly salary increments.

The County spent Kshs.20.57 million on sitting allowances to the 47 MCAs and the Speaker against an annual budget of Kshs.64.91 million. This represents a decrease from Kshs.41.39 million recorded in a similar period of FY 2014/15. The average monthly sitting allowance per MCA was Kshs.72,934 compared to SRC's recommended monthly ceiling of Kshs.124, 800.

A breakdown of the operations and maintenance expenditure for the reporting period is shown in Figure 3.170.

Figure 3.170: Turkana County, Operations and Maintenance Expenditure for the First Half of FY 2015/16



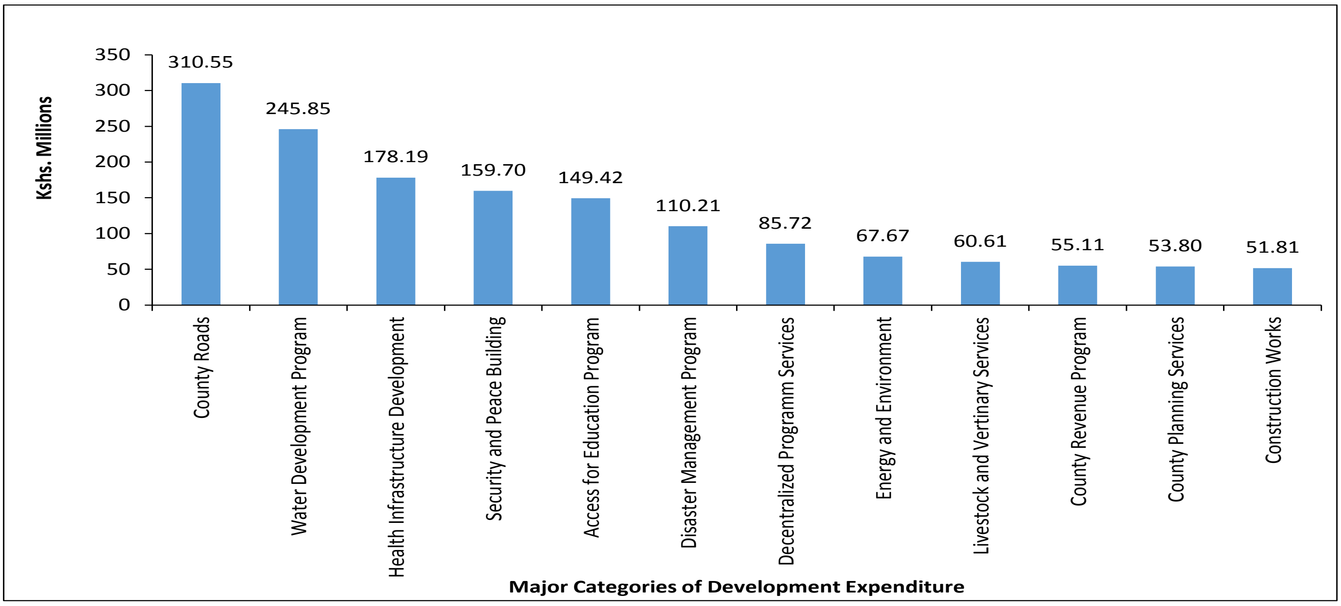
Source: *Turkana County Treasury*

The aggregate expenditure on domestic and foreign travel was Kshs.141.34 million compared to Kshs.241.87 million incurred in a similar period of FY 2014/15, representing a decline of 41.6 per cent. This expenditure comprised of Kshs.104.14 million spent by the County Executive and Kshs.37.20 million by the County Assembly.

3.43.7 Development Expenditure Analysis

A summary of development expenditure during the first half of FY 2015/16 is provided in figure 3.171.

Figure 3.171: Turkana County, Summary of Development Expenditure for the First Half of FY 2015/16



Source: *Turkana County Treasury*

Analysis of the development expenditure of Kshs.2.1 billion in the first half of FY 2015/16 indicates that the Roads and Public Works Department reported the highest expenditure at Kshs.310.55 million which was spent on construction and maintenance of county roads. The second highest expenditure at Kshs.245.85 million was spent on water development programs by Water Services, Irrigation and Agriculture Department.

3.43.8 Annual Budget and Budget Performance Analysis by department for the First Half of FY 2015/16

The summary of the FY 2015/16 annual budget estimates and budget performance for the first half by department is shown in Table 3.86.

Table 3.86: Turkana County, Annual Budget and First Half of FY 2015/16 Budget Performance by Department

Department	Annual Budget Allocation (Kshs. Million)		6 Months Exchequer Issues (Kshs.Million)		6 Months Expenditure (Kshs.Million)		Expenditure to Exchequer Issues (%)		Expenditure to Annual Budget (%)	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
Governor	147.68	545.81	66.68	147.42	94.60	221.36	141.9	150.2	64.1	40.6
Deputy Governor	29.54	-	17.62	-	7.54	-	42.8	0	25.5	0
Finance And Planning	146.65	841.09	69.47	357.41	59.42	200.88	85.5	56.2	40.5	23.9
Water Services, Irrigation And Agriculture	43.75	1,232.08	20.81	332.78	8.16	318.89	39.2	95.8	18.7	25.9
Health And Sanitation	155.60	1,025.28	75.08	276.92	63.96	250.42	85.2	90.4	41.1	24.4

Department	Annual Budget Allocation (Kshs. Million)		6 Months Exchequer Issues (Kshs.Million)		6 Months Expenditure (Kshs.Million)		Expenditure to Exchequer Issues (%)		Expenditure to Annual Budget (%)	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
Tourism Trade Culture	47.68	396.59	20.68	82.53	27.17	79.24	131.4	96.0	57.0	20.0
Education And Social Services	33.93	1,748.49	16.14	386.91	10.16	208.81	62.9	54.0	29.9	11.9
PSDM	2,268.04	699.84	1,093.87	189.02	1,158.29	286.54	105.9	151.6	51.1	40.9
Transport Roads	68.44	1,145.43	32.55	309.37	16.37	358.55	50.3	115.9	23.9	31.3
Pastoral Economy	50.61	328.55	24.07	88.74	23.37	60.61	97.1	68.3	46.2	18.4
Energy Environment	45.05	278.73	20.99	78.26	20.65	67.67	98.4	86.5	45.8	24.3
Lands, Physical Planning	53.16	591.38	25.29	159.73	47.56	45.41	188.1	28.4	89.5	7.7
County Assembly	977.90	390.98	488.95	79.70	350.95	-	71.8	0.0	35.9	0.0
County Public Service Board	63.73	27.31	30.31	7.38	10.53	5.66	34.7	76.7	16.5	20.7
Total	**4,131.76**	**9,251.56**	**2,002.51**	**2,496.17**	**1,898.73**	**2,104.04**	**94.8**	**84.3**	**46.0**	**22.7**

Source: *Turkana County Treasury*

The analysis of budget performance by department shows that the Public Service and Disaster Management (PSDM) Department registered the highest absorption rate at 40.9 per cent while the County Assembly did not spend on development despite having a budget allocation of Kshs.390.98 million. On the other hand, the Department of Lands, Physical Planning and Housing reported the highest proportion of recurrent expenditure to its annual recurrent budget at 89.5 per cent while the County Public Service Board had the lowest proportion at 16.5 per cent.

3.43.9 Borrowing by the County Government

Article 212 of the Constitution requires a county government to borrow with approval from the County Assembly, and only if the national government guarantees the loan. Further, Section 58 of the PFM Act 2012 gives the Cabinet Secretary to the National Treasury the powers to guarantee loans subject to approval by parliament. During the period under review, the County utilized its equitable share and local revenue collection deposited into the County Revenue Fund account maintained at the Central Bank of Kenya and did not borrow any funds.

3.43.10 Observations and Recommendations

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

i. Registered improvement in absorption of development funds from 13.9 per cent in the first half of FY 2014/15 to 22.7 per cent in the period under review.

ii. Improved in the submission of quarterly expenditure reports as required by Section 166 of the

PFM Act 2012.

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

1. Under performance of local revenue collection. The local revenue declined from Kshs.67.83 million in the first half of FY 2014/15 to Kshs.50.48 million in the period under review.

2. Non-compliance with Article 207 of the Constitution. During the period under review, the Departments of Health and Sanitation, and Roads and Public Works spent revenue collection at source despite being advised appropriately.

3. Failure to budget for the additional conditional grants contained in CARA 2015. Where conditional grants were included in the budget, the amounts varied from those contained in the CARA 2015.

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

1. *The County Treasury should review its revenue raising measures in order to establish and address the reasons that caused underperformance.*

2. *The County Treasury should ensure that all revenue raised or received by or on behalf of the County is paid into County Revenue Fund as per Section 109 (2) of the PFM Act 2012. In addition, regular reconciliation of the revenue receipts should be undertaken.*

3. *The County should prepare a Supplementary Budget to include all conditional grants and correct the conditioned grants amounts to agree with CARA, 2015.*

3.44 Uasin Gishu County

3.44.1 Overview of the FY 2015/16 Budget

The FY 2015/16 Supplementary Budget for Uasin Gishu County amounted to Kshs.7.54 billion, with Kshs.4.59 billion (60.9 per cent) allocated for recurrent expenditure and Kshs.2.95 billion (39.1 per cent) for development expenditure. The Supplementary budget was prepared to cater for vote re-allocations or readjustments where no or little budgetary provisions were provided. The overall budget changed from Kshs.7.52 billion to Kshs.7.54 billion, an increment of Kshs.21.87 million being the balance in the local revenue collection accounts at the close of the FY 2014/15.

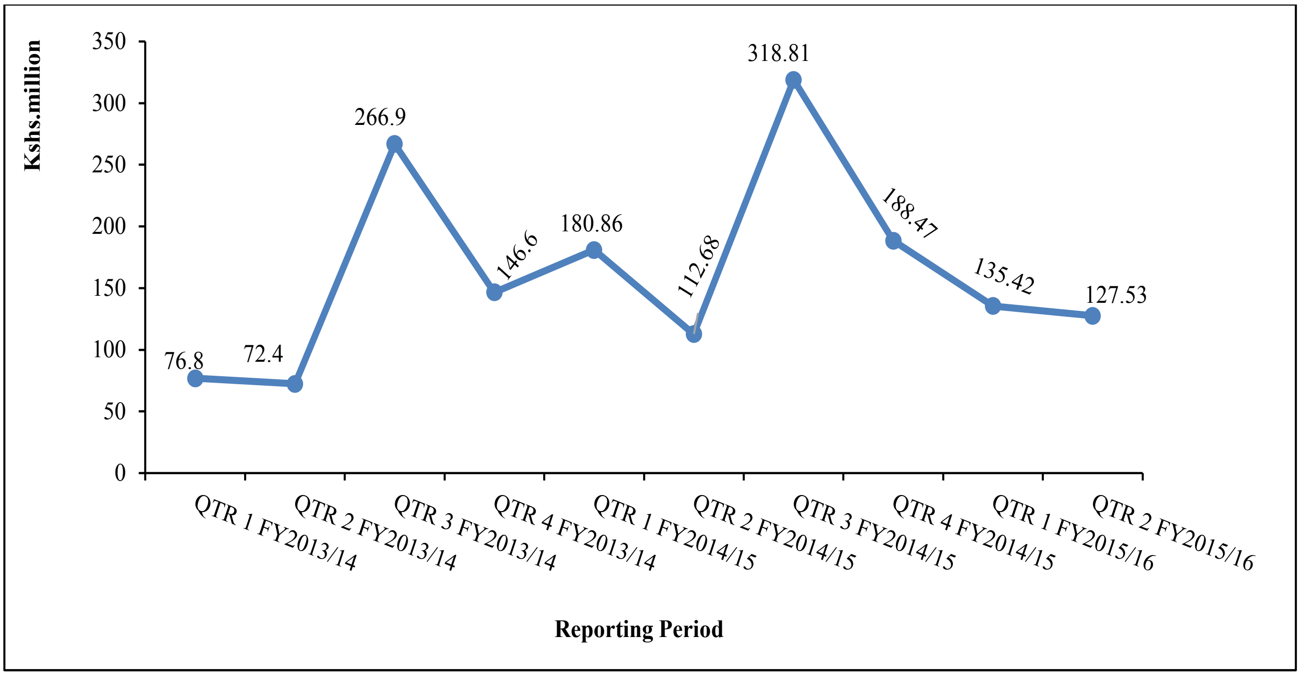
In order to finance the budget, the County expects to receive Kshs.5.19 billion (68.0 per cent) as transfers from the National Government, collect Kshs.1.04 billion (13.6 per cent) from local sources, Kshs.1.09 billion (14.3 per cent) as projected cash balance from FY 2014/15, a conditional grant of Kshs.17.32 million (0.2 per cent) from DANIDA, additional conditional grants as contained in CARA, 2015; Kshs.117.3 million (1.5 per cent) for free maternal care, Kshs.20.8 million (0.3 per cent) for compensation for forgone user fees, and Kshs.65.9 million (0.9 per cent) from the road maintenance fuel levy fund. However, the County did not budget for the conditional grant of Kshs.95.74 million (1.2 per cent) for the leasing of medical equipment as contained in CARA, 2015.

3.44.2 Revenue Analysis

In the first half of FY 2015/16, the County received Kshs.1.74 billion from the National Government as equitable share, Kshs.33.30 million from Road Maintenance Fuel Levy Fund, Kshs.10.97 million as conditional allocation for free maternal health care, Kshs.8.66 million as conditional allocation for forgone user fees, raised Kshs.262.95 million from local sources, and had a cash balance of Kshs.1.09 billion brought forward from FY 2014/15.

The quarterly trend in local revenue collection from FY 2013/14 to the second quarter of FY 2015/16 is shown in figure 3.172.

Figure 3.172: Uasin Gishu County, Trend in Local Revenue Collection by Quarter from the FY 2013/14 to the second quarter of FY 2015/16



Source: *Uasin Gishu County Treasury*

The local revenue consisted of Kshs.135.42 million raised in the first quarter and Kshs.127.53 million in the second quarter. The local revenue raised in the first half of the FY 2015/16 was Kshs.263.95 million (25.4 per cent of the annual local revenue target), and a decline from Kshs.293.54 million collected in a similar period of FY 2014/15.

Analysis of local revenue by stream is shown in Table 3.87.

Table 3.87: Uasin Gishu County, Analysis of revenue collection by stream for the first half of FY 2015/16

No.	Revenue Stream	Annual Targeted Revenue (Kshs.)	Six Months Actual Revenue (Kshs.)	Revenue Performance (%)
	A	B	C	D=*100
3	Enclosed Bus Park	105,000,000	50,901,753	48.5
4	Street Parking	90,000,000	34,376,850	38.2
2	Land Rates	237,217,425	30,392,313	12.8
1	Single Business Permits	200,000,000	20,386,678	10.2
7	Sign Boards & Advert Fees	40,000,000	14,294,455	35.7
5	House Management Unit	79,000,000	13,271,635	16.8
8	Urban Planning Fees	60,000,000	9,636,420	16.1
6	Cess (Wheat, Maize, Sugarcane)	50,000,000	2,442,220	4.9
9	Other revenue streams	176,000,000	87,246,179	49.6
10	TOTAL	1,037,217,425	262,948,503	25.4

Source: *Uasin Gishu County Treasury*

The breakdown of revenue by stream indicates that enclosed bus park generated the highest percentage of revenue against its annual target at 48.5 per cent followed by street parking at 38.2 per cent. The agricultural cess reported the lowest local collection against target at 4.9 per cent.

3.44.3 Exchequer Issues

The Controller of Budget authorised withdrawal of Kshs.2.62 billion from the CRF account, which was 34.7 per cent of the approved supplementary budget. The amount represented a decline of 0.4 per cent from Kshs.2.63 billion authorized in a similar period of FY 2014/15 and consisted of Kshs.1.93 billion (73.7 per cent) for recurrent expenditure and Kshs.690.33 million (26.3 per cent) for development activities.

3.44.4 Banking of local revenue

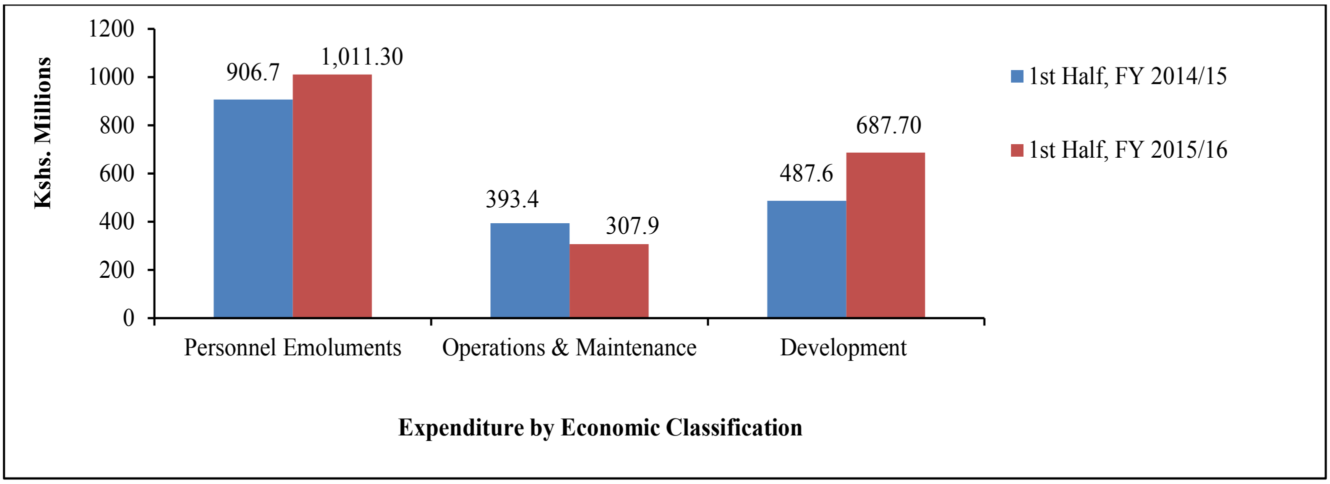
A review of the bank statements of the revenue collection account indicates that all locally generated revenue was deposited into the CRF during the period under review. This conforms to Article 207 of the Constitution and Section 109 of the PFM Act 2012, which stipulates that all funds raised or received by or on behalf of the County Government should be deposited into the CRF account, unless excluded by an Act of Parliament.

3.44.5 Overall Expenditure Review

The County spent a total of Kshs.2.01 billion during the first half of FY 2015/16 which was 76.6 per cent of the funds released for operations. This is an increase from the Kshs.1.79 billion spent in a similar period of FY 2014/15. A total of Kshs.1.32 billion was spent on recurrent activities and Kshs.687.73 million on development activities. Recurrent expenditure was 68.3 per cent of the funds released for recurrent activities while development expenditure accounted for 99.6 per cent of the funds released for development activities. The expenditure excludes commitments as of 31st December, 2015 that amounted to Kshs.197.96 million for development and Kshs.463.46 million for recurrent expenditure.

Recurrent expenditure for the period under review represented 28.7 per cent of the supplementary recurrent budget, a decrease from 35.1 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, an improvement from 14.3 per cent spent in a similar period of FY 2014/15. A comparison of the total expenditure between the second quarter of FY 2014/15 and FY 2015/16 is shown in Figure 3.173.

Figure 3.173: Uasin Gishu County, Expenditure by Economic Classification for First Half of FY 2014/15 and First Half of FY 2015/16



Source: *Uasin Gishu County Treasury*

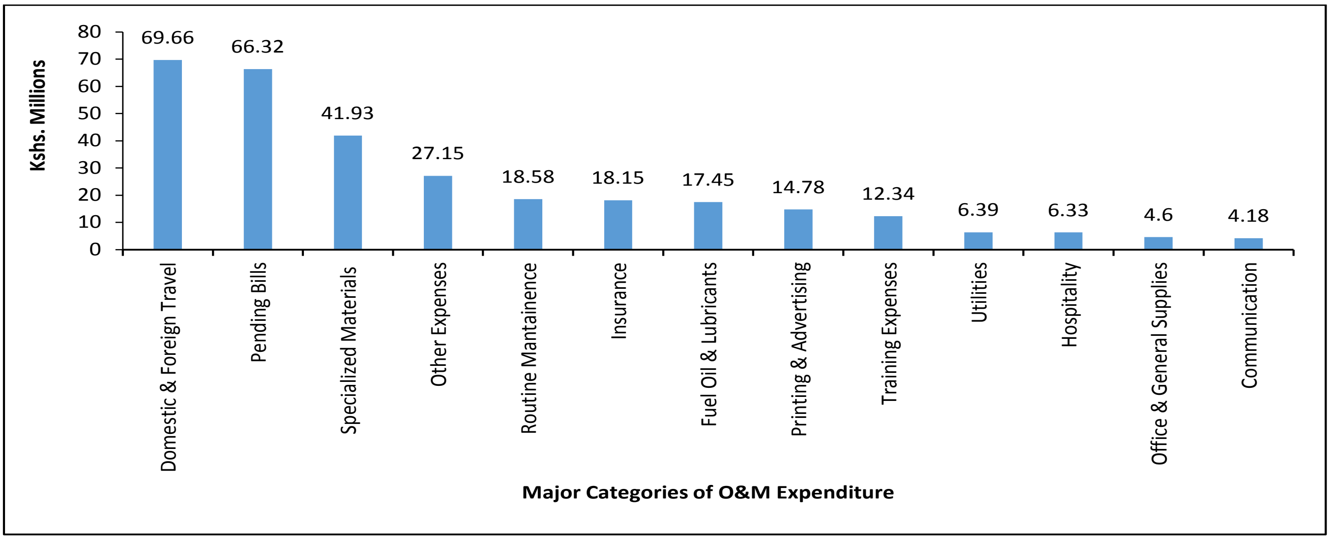
3.44.6 Recurrent Expenditure Analysis

The total recurrent expenditure for the reporting period was Kshs.1.32 billion against an annual budget of Kshs.4.59 billion. This represents 28.7 per cent of the annual recurrent budget. The County spent Kshs.1.01 billion (76.7 per cent) on personnel emoluments and Kshs.307.86 million (23.3 per cent) on operations and maintenance as shown in Figure 3.173. Expenditure on personnel emoluments accounted for 50.3 per cent of total expenditure and has increased significantly in the first half of FY 2015/16 as compared to a similar period of FY 2014/15 when the County spent Kshs.906.7 million. The increase is attributed to the recruitment of the healthcare staff and other regular staff by the County.

The County spent Kshs.17.09 million on sitting allowances to the 45 MCAs and the Speaker against an annual budget of Kshs.56.16 million. This is a significant decrease from Kshs.84.33 million recorded in a similar period of FY 2014/15. The average monthly sitting allowance per MCA was Kshs.63,289 compared to SRC recommended monthly ceiling of Kshs.124,800.

A breakdown of the operations and maintenance expenditure for the reporting period is shown in Figure 3.174.

Figure 3.174: Uasin Gishu County, Operations and Maintenance Expenditure for the First Half of FY 2015/16



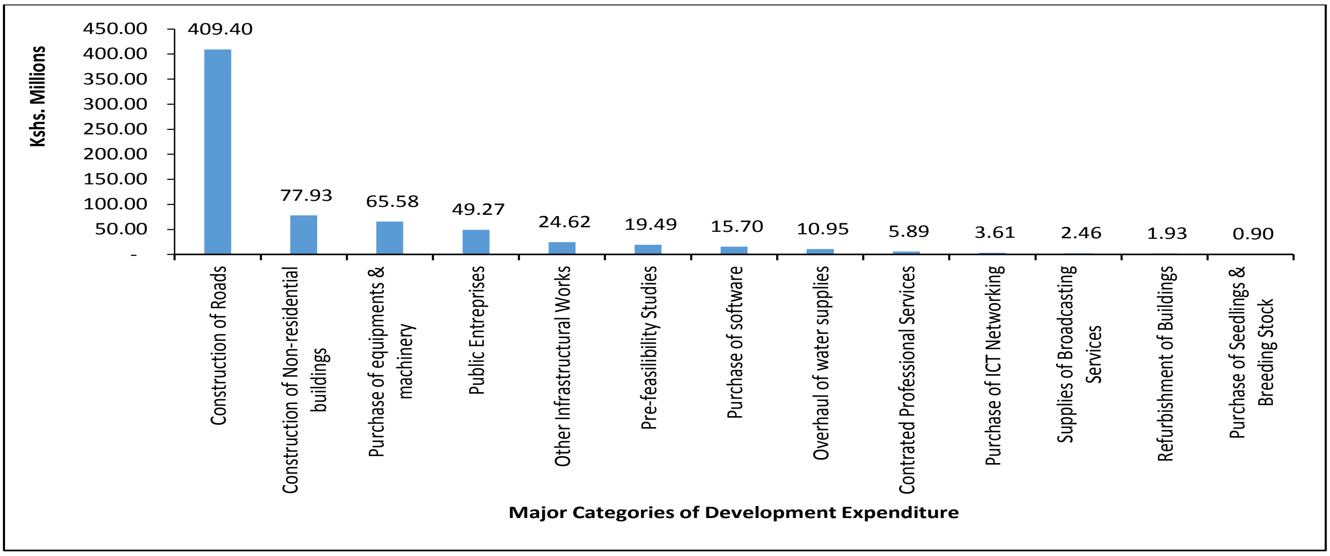
Source: *Uasin Gishu County Treasury*

The aggregate expenditure on domestic and foreign travel was Kshs.69.66 million compared to Kshs.67.62 million incurred in a similar period of FY 2014/15, representing an increase of 3.02 per cent. This expenditure comprised of Kshs.25.03 million spent by the County Executive and Kshs.44.63 million by the County Assembly.

3.44.7 Development Expenditure Analysis

A summary of development expenditure during the first half of FY 2015/16 is provided in figure 3.175.

Figure 3.175: Uasin Gishu County, Summary of Development Expenditure for the First Half of FY 2015/16



Source: *Uasin Gishu County Treasury*

Analysis of the development expenditure of Kshs.687.73 million incurred in the first half of FY 2015/16 indicates that the Roads and Public Works Department reported the highest expenditure at Kshs.474 million which was spent on construction and maintenance of access roads and bridges, purchase of specialized plant and other infrastructural works. During the period, a total of 297.7 kilometres of roads were graded, 3.1 kilometres gravelled and 28.1 kilometres of new roads opened up. The second highest expenditure was at Kshs.49.27 million incurred by the department of Finance and Economic Planning on payment of pending bills related to ward intervention projects namely construction of ECDEs, dispensaries, culverts, cattle dips, boreholes etc. The Department of Health Services incurred Kshs.33.73 million on construction of health facilities whereas the Department of Physical Planning, Lands and Housing incurred Kshs.28.15 million on pre-feasibility and appraisal studies, contracted professional services and other civil works.

The Department of Trade, Tourism, Industry and Co-operative Development incurred Kshs.26.67 million on construction of non-residential buildings and other infrastructural works. The Department of Education, Social, Culture, Youth and Sports had the lowest expenditure at Kshs.2.58 million for the construction of buildings. However, the County Assembly Services and County Public Service Board did not spent on development projects despite having a development expenditure allocation.

3.44.8 Annual Budget and Budget Performance Analysis by department for the First Half of FY 2015/16

A summary of FY 2015/16 annual budget estimates and budget performance for the first half of FY 2015/16 by department is shown in Table 3.88.

Table 3.88: Uasin Gishu County, Annual Budget and First Half of FY 2015/16 Budget Performance by Department

Department	Budget Allocation (Kshs. Million)		6 Months Exchequer Issues (Kshs. Million)		6 Months Expenditure (Kshs. Million)		Expenditure to exchequer issues (%)		Absorption rate (%)	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
County Assembly Services	502.45	24.65	288.51	-	192.2	-	66.6	-	38.3	0
Public Service Management	649.42	79.44	204.78	15	162.41	15.09	79.3	100.6	25	19
Office of the Governor	113.55	10	45.69	5	18	3.66	39.4	73.2	15.9	36.6
County Public Service Board	45.36	3.73	21.63	3.73	9.8	0	45.3	0	21.6	0
Finance & Economic Planning	739.13	113.09	198.17	52.21	132.34	49.27	66.8	94.4	17.9	43.6
Agriculture, Livestock & Fisheries Development	240.55	420.63	116.94	26.83	66.12	11.74	56.5	43.8	27.5	2.8
Water, Environment, Energy & Natural Resources	139.23	267.66	66.93	40.3	47.3	23.02	70.7	57.1	34	8.6
Education, Youth, Culture & Social services	306.05	401.31	149.96	12.35	88.75	2.58	59.2	20.9	29	0.6
Health Services	1,226.90	293.4	531.95	30	456.35	33.73	85.8	112.4	37.2	11.5

Department	Budget Allocation (Kshs. Million)		6 Months Exchequer Issues (Kshs. Million)		6 Months Expenditure (Kshs. Million)		Expenditure to exchequer issues (%)		Absorption rate (%)	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
Land, Housing & Physical Planning	69.9	168.46	32.3	41.12	18.22	28.15	56.4	68.5	26.1	16.7
Roads & Public Works	398.87	858.84	165.13	355.4	104.41	474.52	63.2	133.5	26.2	55.3
ICT & E-Government	32.09	72.46	13.83	25.58	5.7	19.3	41.2	75.4	17.8	26.6
Trade, Industria-lization, Tourism & Cooperative Development	130.3	235.15	94.64	82.81	17.57	26.67	18.6	32.2	13.5	11.3
Total	**4,593.80**	**2,948.82**	**1,930.46**	**690.33**	**1,319.17**	**687.73**	**68.3**	**99.6**	**28.7**	**23.3**

Source: *Uasin Gishu County Treasury*

An analysis of budget performance by department shows that the Department of Roads and Public Works reported the highest absorption rate of its development budget at 55.3 per cent while the County Public Service Board and the County Assembly did not absorb their development budget. On the other hand, the County Assembly Services had the highest percentage of its recurrent expenditure to its recurrent budget at 38.3 per cent while Trade, Industrialization, Tourism & Cooperative Development had the lowest percentage of its recurrent expenditure to its recurrent budget at 13.5 per cent.

3.44.9 Borrowing by the County Government

Article 212 of the Constitution requires a county government to borrow with approval from the County Assembly, and only if the national government guarantees the loan. Further, Section 58 of the PFM, Act, 2012 gives the Cabinet secretary to the National Treasury the powers to guarantee loans subject to approval by Parliament. During the period under review, the County utilized its equitable share and own local revenue collection deposited into the CRF account maintained at the Central bank of Kenya and did not borrow any funds.

3.44.10 Observations and Recommendations

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

i. Registered improvement in absorption of development funds from 14.3 per cent in the first half of FY 2014/15 to 23.3 per cent in the first half of FY 2015/16.

ii. Rolled out IFMIS usage in the County Assembly as required by law.

iii. Improved the capacity of procurement personnel in use of the E-procurement system thereby resulting in increased absorption of development funds.

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

1. Low revenue collection which stood at 25.4 per cent of the annual local revenue target.

2. Late submission of quarterly reports for the County established funds namely the County Bursary and Skills Development Support Fund, County Education Revolving Fund, Car Loans and Mortgages Fund and County Corporative Enterprise Development Fund.

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

1. *The County Treasury should ensure strict compliance with the laws and regulations governing budgeting principles on reallocation of appropriated funds in line with the PFM Act 2012.*

2. *The County Treasury should strengthen revenue mobilization and collection strategies by fully automating the revenue collection systems.*

3. *The County Treasury through the fund administrators should ensure timely submission of quarterly reports for the County established funds to the oversight institutions in line with Section 168 of the PFM Act 2012.*

3.45 Vihiga County

3.45.1 Overview of the FY 2015/16 Budget

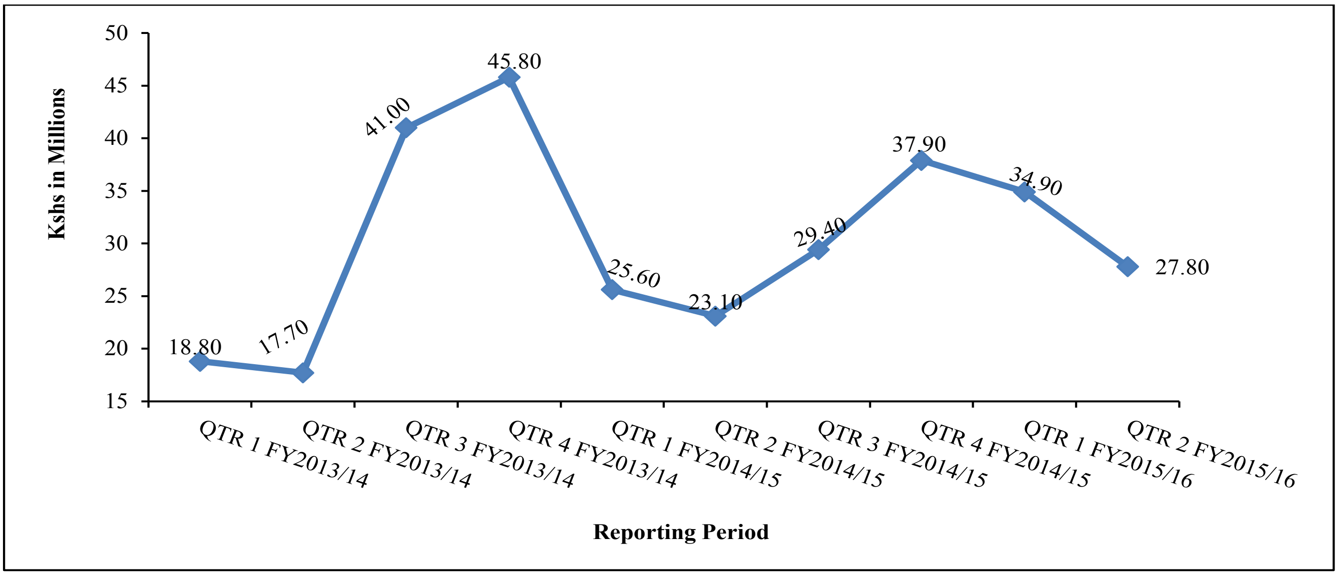
The FY 2015/16 Approved Supplementary Budget for Vihiga County was Kshs.4.37 billion. It comprised of Kshs.2.54 billion (58.1 per cent) allocated to recurrent expenditure and Kshs.1.83 billion (41.9 per cent) to development expenditure.

In order to finance the budget, the County expects to receive Kshs.3.87 billion (88.6 per cent) as equitable share from the National Government, collect Kshs.352.16 million (8.1 per cent) from local sources, a conditional grant of Kshs.130.02 million (3.0 per cent), and Kshs.14.17 million (0.3 per cent) from DANIDA. The conditional grant of Kshs.130.02 million is composed of Kshs.49.18 million from Road Maintenance Fuel Levy Fund, Kshs.67.91 million for maternal health care, Kshs.12.93 million for user fees forgone. Kshs.95.74 million for leasing of medical equipment was not budgeted for by the County.

3.45.2 Revenue Analysis

In the first half of FY 2015/16, the County received Kshs.1.65 billion from the National Government as equitable share, Kshs.20.70 million conditional allocation for free maternal health, Kshs.4.85 million conditional allocation for forgone user fees, Kshs.24.84 million conditional allocation from Road Maintenance Fuel Levy Fund, raised Kshs.62.27 million from local sources, and had Kshs.4.33 million cash balance brought forward from FY 2014/15. The quarterly trend in local revenue collection from FY 2013/14 to the second quarter of FY 2015/16 is shown in figure 3.176.

Figure 3.176: Vihiga County, Trend in Local Revenue collection by Quarter from FY 2013/14 to the second Quarter, FY 2015/16



Source: *Vihiga County Treasury*

The local revenue raised in the first quarter was Kshs.34.89 million and in the second quarter was Kshs.27.38 million.

The total revenue for first half of FY 2015/16 was Kshs.62.27 million and an increase from Kshs.48.7 million collected in a similar period of FY 2014/15. The total local revenue raised in the first half of FY 2015/16 accounted for 17.7 per cent of the annual local revenue target.

The analysis of local revenue by stream is shown in Table 3.89.

Table 3.89: Vihiga County, Analysis of revenue collection by stream for the first half of FY 2015/16

NO.	Revenue Stream	Annual Targeted Revenue (Kshs.)	6 Months Actual Revenue (Kshs.)	Revenue Performance (%)
	A	B	C	D=C/B*10
1	Clothes (other fees)	786,040	529,040	67.3
2	Bus Park	44,873,915	19,610,750	43.7
3	Market Fees	18,500,000	6,618,465	35.8
4	Rent (office, stall & plots)	3,847,416	1,169,408	30.4
5	Land Rates	4,026,585	324,862	8.1
6	Single Business Permits	53,104,577	4,224,222	8.0
7	Motor Bikes Fees	3,000,000	224,100	7.5
8	Advertisements	2,000,000	67,120	3.4
9	Other revenue streams	222,020,348	29,506,161	13.3
	TOTAL	**352,158,881**	**62,274,128**	**17.7**

Source: *Vihiga County Treasury*

The analysis of revenue by stream shows that Clothes Fees recorded the highest performance against the annual target at 67.3 per cent followed by Bus Park Fees at 43.7 per cent and Market Fees at 35.8 per cent. Advertisement recorded the lowest performance at 3.4 per cent followed by Motor Bikes Fees at 7.5 per cent and Single Business Permits at 8.0 per cent.

3.45.3 Exchequer Issues

In the period under review, the COB authorised withdrawal of Kshs.1.39 billion from the CRF account, which is 31.7 per cent of the approved supplementary budget. The exchequer release consisted of Kshs.1.19 billion (85.6 per cent) for recurrent activities and Kshs.200.00 million (14.4 per cent) for development activities.

3.45.4 Banking of Local Revenue

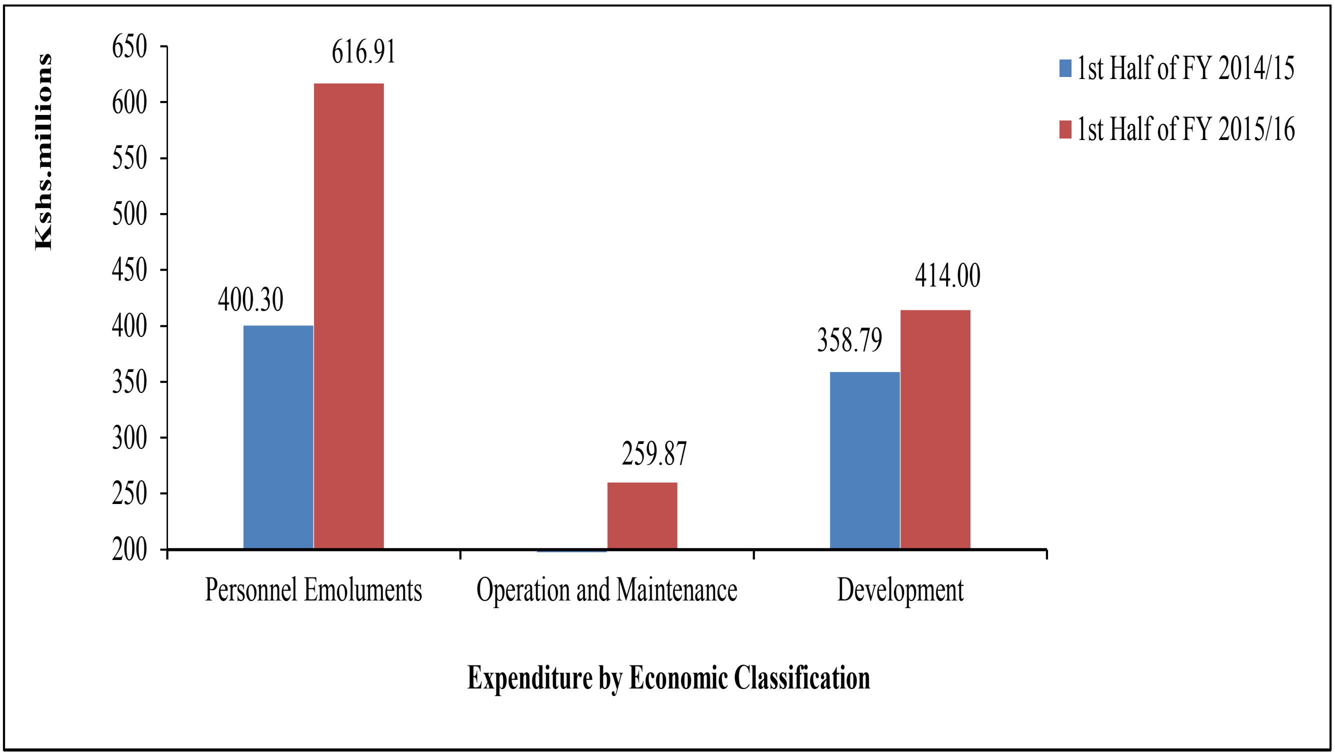
A review of the bank statements in the first half of FY 2015/16 shows that the County did not bank Kshs.4.27 million of the locally generated revenue into the CRF. This revenue was spent at source by the Department of County Health Services in contravention of Article 207 of the Constitution and Section 109 of the PFM Act 2012. The law stipulates that all funds raised or received by or on behalf of the County Government should be deposited into the CRF account, unless excluded by an Act of Parliament.

3.45.5 Overall Expenditure Review

The County spent a total of Kshs.1.29 billion during the first half of FY 2015/16 which was 93.2 per cent of the funds released for operations. This is an increase from the Kshs.915.99 million spent in a similar period in FY 2014/15. A total of Kshs.876.78 million (67.9 per cent) was spent on recurrent activities while Kshs.414.0 million (32.1 per cent) on development activities. Recurrent expenditure was 74.0 per cent of the funds released for recurrent activities while development expenditure accounted for 207.0 per cent of the funds released. The expenditure does not include outstanding commitments as of 31st December, 2015 that amounted to Kshs.610.77 million for development expenditure and Kshs.224.9 million for recurrent expenditure.

Recurrent expenditure for the period under review represented 34.6 per cent of the annual recurrent budget, an increase from 21.9 per cent realized in a similar period of FY2014/15. On the other hand development expenditure was 22.6 per cent of the annual development budget an increase from 16.2 per cent spent in a similar period of FY 2014/15. A comparison of the total expenditure between the first half of FY 2014/15 and the first half of FY 2015/16 is shown in Figure 3.177.

Figure 3.177: Vihiga County, Expenditure by Economic Classification for the First Half of FY 2014/15 and for the First Half of FY 2015/16



Source: *Vihiga County Treasury*

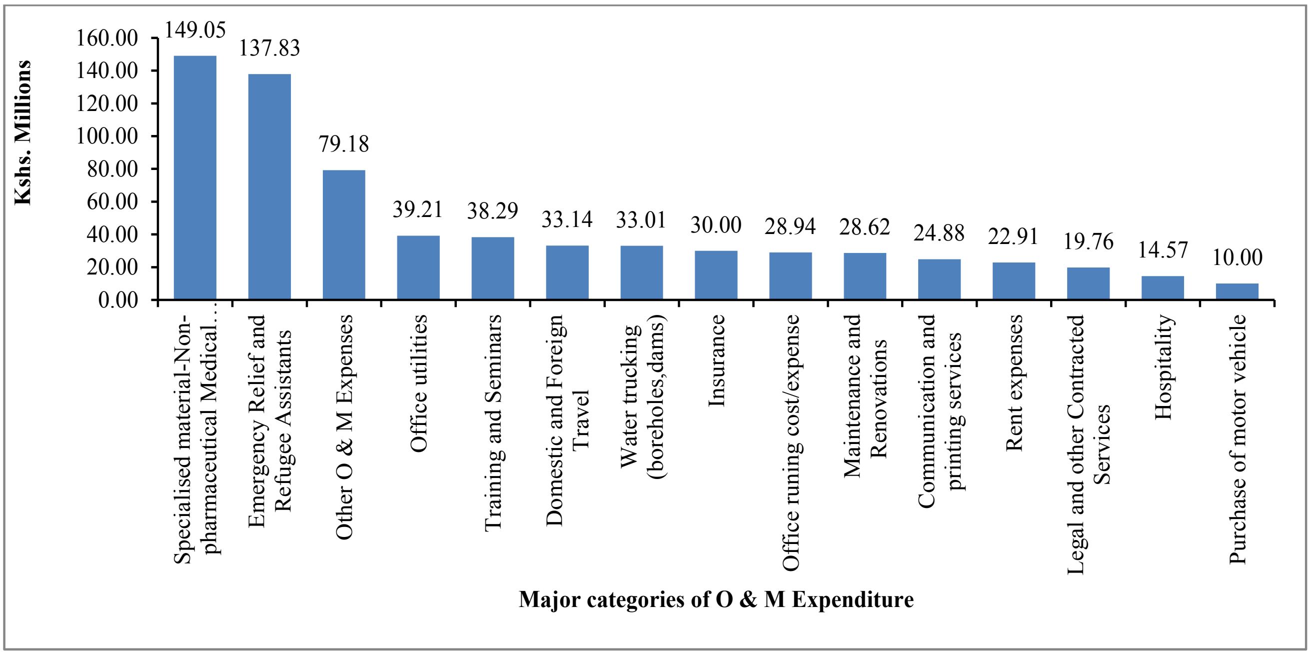
3.45.6 Recurrent Expenditure Analysis

Analysis of the recurrent expenditure for the reporting period of Kshs.876.78 million shows that the County spent Kshs.616.91 million (70.4 per cent) on personnel emoluments and Kshs.259.87 million (29.6 per cent) on operations and maintenance expenditure as shown in Figure 3.177. Expenditure on personnel emoluments accounted for 47.8 per cent of total expenditure and has increased in FY 2015/16 as compared to a similar period in FY 2014/15 when the County spent Kshs.400.3 million. The increase is due to continuous recruitment of staff and promotion of staff.

The County spent Kshs.4.38 million on sitting allowances to the 39 MCAs and the Speaker against an annual budget of Kshs.14.57 million. This is an increase from Kshs.2.93 million recorded in a similar period of FY 2014/15. The average monthly sitting allowance per MCA was Kshs.18, 263 compared to SRC's recommended monthly ceiling of Kshs.124, 800.

A breakdown of operations and maintenance expenditure for the reporting period of FY 2015/16 is shown in Figure 3.178.

Figure 3.178: Vihiga County, Operations and Maintenance Expenditure for the First Half of FY 2015/16



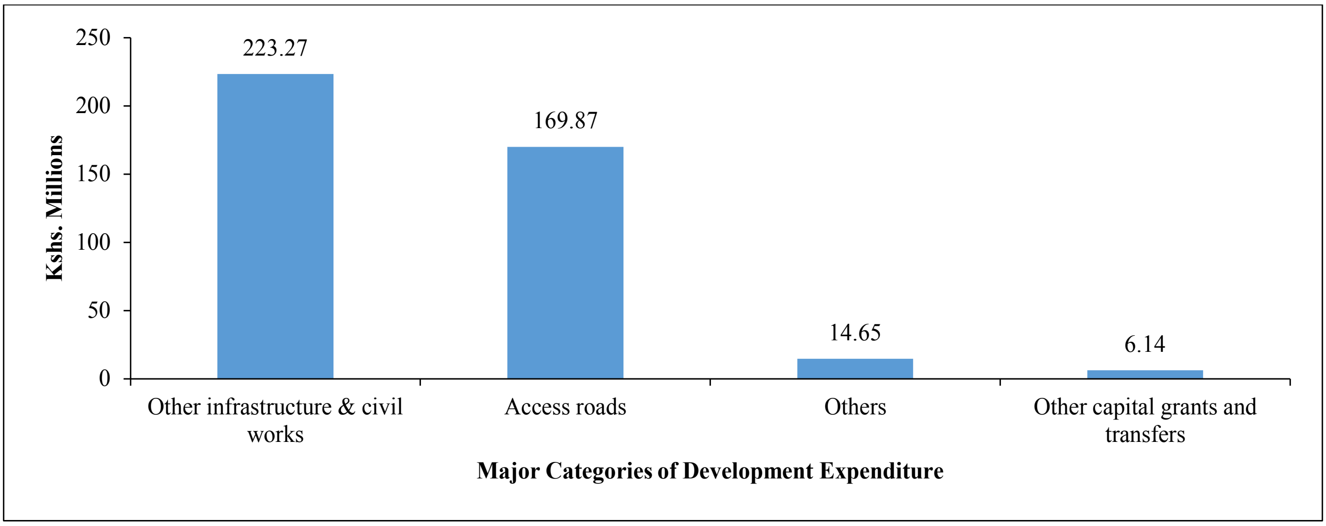
Source: *Vihiga County Treasury*

The aggregate expenditure on domestic and foreign travel was Kshs.118.14 million compared to Kshs.49.36 million incurred in a similar period of FY 2014/15, representing a significant increase of 139.4 per cent. The expenditure consisted of Kshs.40.94 million spent by County Executive and Kshs.77.2 million for County Assembly.

3.45.7 Development Expenditure Analysis

A summary of development expenditure during the first half of FY 2015/16 is provided in figure 3.179.

Figure 3.179: VihigaCounty, FY 2015/16 Development Expenditure for the first half, FY 2015/16



Source: *Vihiga County Treasury*

Analysis of the development expenditure in the period under review indicates that Kshs.223.27 million was spent on infrastructural developments and other civil works and Kshs.169.87 million on access roads.

3.45.8 Annual Budget and Budget Performance Analysis by department for the First Half of FY 2015/16

A summary of the FY 2015/16 annual budget estimates and budget performance for the first half by department is shown in Table 3.90.

Table 3.90: Vihiga County, Annual Budget and First Half of FY 2015/16 Budget Performance by Department

Department	Annual Budget Allocation (Kshs. Million)		6 Months Exchequer Issues (Kshs.Million)		6 Months Expenditure (Kshs.Million)		Expenditure to Exchequer Issues (%)		Expenditure to Annual Budget (%)	
	Rec	Dev	Rev	Dev	Rec	Dev	Rev	Dev	Rev	Dev
Agriculture, Livestock, Fisheries& Cooperative Development	130.13	29.25	64.3	-	43.23	-	67.2	-	33.2	-
Lands, Housing & Physical Planning	28.33	34.05	14.27	-	5.08	-	35.6	-	17.9	-
Transport & Infrastructure	55.88	251.08	29.92	-	12.91	169.87	43.1	-	23.1	67.7
Industrialization, Trade & Tourism	25.7	66.4	12.94	-	3.53	3.89	27.3	-	13.7	5.9
Health Services	738.67	381.21	370.41	-	235.49	5.00	63.6	-	31.9	1.3
Education, Science & Technology	114.13	288.8	57.14	-	5.29	50.08	9.3	-	4.6	17.3
County Executive	242.09	50.0	120.44	-	132.96	2.56	110.4	-	54.9	5.1
County Assembly	669.13	103	248.8	-	262.42	9.0	105.5	-	39.2	8.7
County Treasury	129.54	509.89	65.13	200	66.08	158.96	101.5	79.5	51.0	31.2
Public Service Board	54.32	0	27.34	-	10.25	-	37.5	-	18.9	-
Public Service & Administration	225.19	6.4	113.03	-	78.23	-	69.2	-	34.7	-
Gender, Culture, Youth & Sport	49.7	70.9	25.02	-	13.71	14.64	54.8	-	27.6	20.6
Environment, Natural Resources, Water & Forestry	73.37	40.6	36.78	-	7.61	-	20.7	-	10.4	-
Total	**2,536.18**	**1,831.58**	**1,185.52**	**200**	**876.78**	**414.01**	**74.0**	**207.0**	**34.6**	**22.6**

Source: *Vihiga County Treasury*

Analysis of expenditure by department shows that the County Executive attained the highest absorption rate for recurrent expenditure at 54.9 per cent while the Department of Education, Science and Technology recorded the lowest at 4.9 per cent. On the other hand, Transport & Infrastructure reported the highest absorption rate for development activities at 67.6 per cent.

3.45.9 Borrowing by the County Government

Article 212 of the Constitution requires a county government to borrow with approval from the County Assembly, and only if the national government guarantees the loan. Further, Section 58 of the PFM Act 2012, gives the Cabinet Secretary to the National Treasury the powers to guarantee loans subject to approval by Parliament. During the period under review, the County utilized equitable share and local revenue collection deposited into the County Revenue Fund maintained at the Central Bank of Kenya and did not borrow any funds.

1.1.9 Observations and Recommendations

During the period under review, the County has made progress in addressing challenges previously identified as affecting budget implementation. The County has;

i. Factored pending bills in the supplementary budget.

ii. Adopted of E-procurement system in processing and procurement of county's goods and services.

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

1. Spending of local revenue at source in contravention of the Constitution.

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

1. *The County should comply with Article 207 of the Constitution and Section 109 of the PFM Act 2012 on banking of locally generated revenue.*

3.46 Wajir County

3.46.1 Overview of the FY 2015/16 Budget

The FY 2015/16 Supplementary budget for Wajir County was Kshs.8.14 billion with Kshs.3.73 billion (45.8 per cent) allocated for recurrent expenditure and Kshs.4.41 billion (54.2 per cent) for development expenditure.

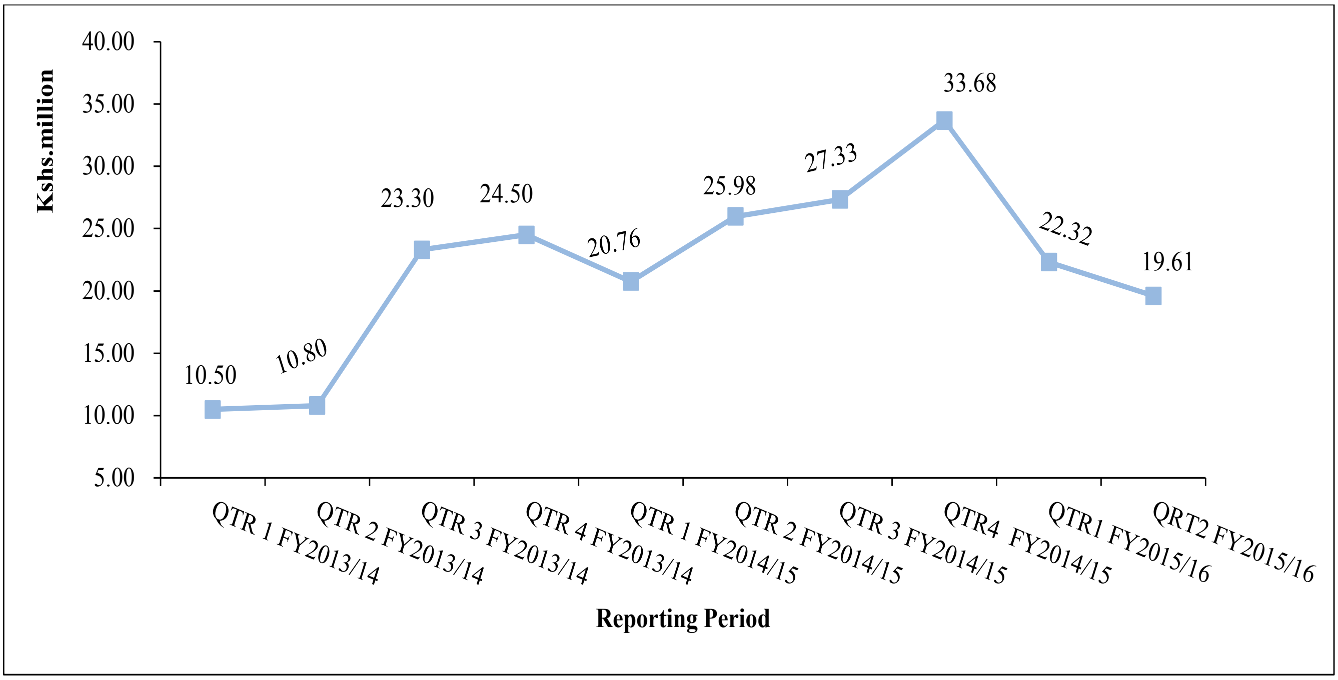
To finance the budget, the County expects to receive Kshs.7.23 billion (88.8 per cent) as transfers from the National Government, Kshs.200.00 million (2.4 per cent) from local revenue sources, a conditional grant of Kshs.20.09 million (0.2 per cent) from DANIDA, Kshs.16.37 million (0.19 per cent) million from World Bank, and Kshs.670.51 million (8.2per cent) as cash balance brought forward from FY 2014/15.The County did not budget for the additional conditional grants comprising of Kshs.50.29 million for Free maternal Health care, Kshs.15.43 million for Compensation for user fees forgone, Kshs.95.75 million for Leasing of Medical Equipment and Kshs.54.80 million from the road maintenance fuel levy fund.

3.46.2 Revenue Analysis

In the first half of FY 2015/16, the County received Kshs.2.42 billion revenue from the National Government as equitable share, Kshs.46.40 million as conditional allocations for fuel levy fund, Kshs.14.24 million as conditional allocation for free maternal health care, Kshs.2.55 million as conditional allocation for forgone user fees, raised Kshs.41.93 million from local sources, and had Kshs.670.51 million as cash balance brought forward from FY 2014/15.

The quarterly trend in local revenue collection from FY 2013/14 to the second quarter of FY 2015/16 is shown in figure 3.180.

Figure 3.180: Wajir County, Trend in Local Revenue Collection by Quarter from FY 2013/14 to the second quarter of FY 2015/16



Source: *Wajir County Treasury*

The local revenue consisted of Kshs.22.32 million raised in the first quarter and Kshs.19.61 million in the second quarter. The local revenue raised in the first half of FY 2015/16 was Kshs.41.93 million (21.0 percent of annual local revenue target), a decline from Kshs.46.74 million realized in the first half of FY 2014/15.

The analysis of local revenue by stream is shown in Table 3.91.

Table 3.91: Wajir County, Analysis of revenue collection per stream for the first half of FY 2015/16

No.	Revenue Stream	Six Months Actual Revenue (Kshs.)	Revenue Performance (%)
	A	B	C=*100
1	Miraa cess	10,085,550,	24.05
2	Hire of County Asset	5,984,200	14.27
3	Stock Auction	5,371,100	12.81
4	Cost sharing	5,067,597	12.08
5	Building Material	3,270,370	7.8
6	Single Business permit	1,916,600	4.57
7	Cereals	1,798,825	4.29
8	Water	1,555,000	3.71
9	Stock Export	1,370,810	3.26
10	Land Rent	1,256,400,	2.99
11	Septic Tank	1,005,120	2.39
12	Other source	3,246,118	7.74
	Total	**41,927,690**	**21.00**

Source: *Wajir County Treasury*

Note: *The County did not set revenue target by stream and hence the percentage of revenue stream is on the total revenue collected.*

The analysis of revenue by stream indicates that Miraa Cess registered the highest performance against the total revenue collected at 24.05 per cent, followed by Hire of County asset at 14.27 per cent.

3.46.3 Exchequer Issues

During the period under review, the COB authorises withdrawal of Kshs.3.06 billion from the CRF account, which was 37.59 per cent of the approved Supplementary Budget, an increase from Kshs.2.83 billion authorised in the same period of FY 2014/15 depicting an increase of 8.1 per cent. The amount consisted of Kshs.1.47 billion (48.0 per cent) for recurrent expenditure and Kshs.1.58 million (52.0 per cent) for development activities.

3.46.4 Banking of local revenue

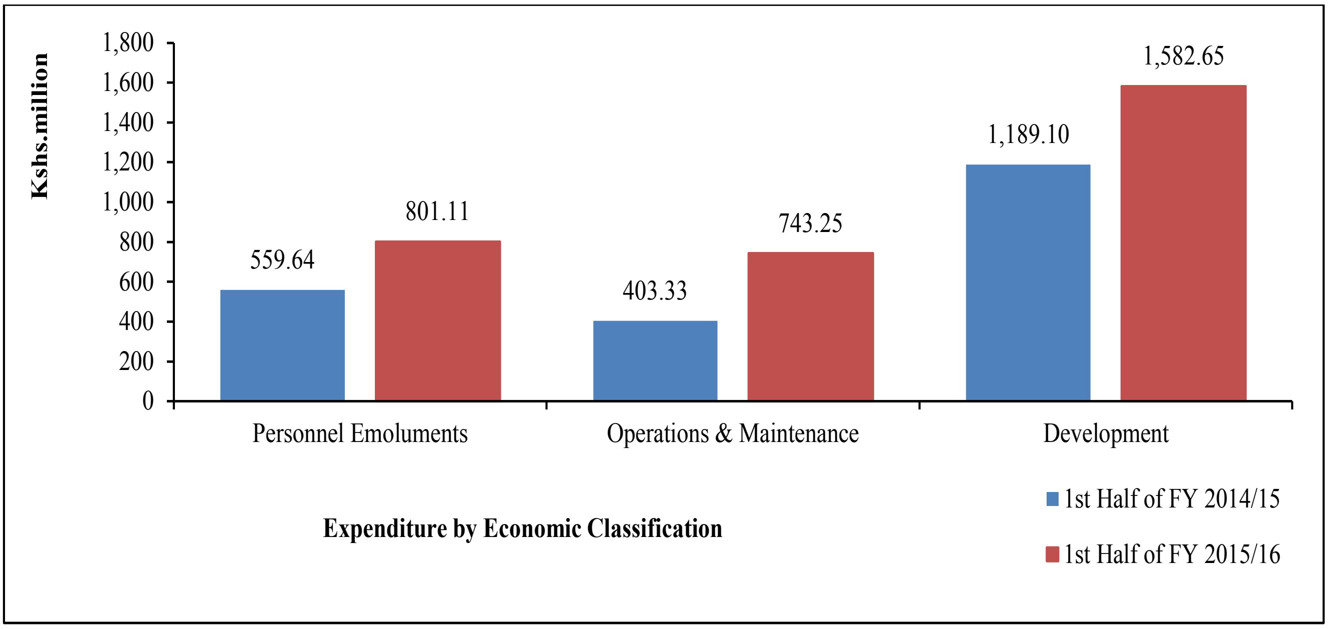
A review of the bank statements for the revenue collection account indicates that all locally generated revenue was deposited into the CRF during the period under review. This conforms to Article 207 of the Constitution and Section 109 of the PFM Act 2012, which stipulates depositing into the CRF account all funds raised or received by or on behalf of the County Government, unless excluded by an Act of Parliament.

3.46.5 Overall Expenditure Review

The County spent a total of Kshs.3.05 billion during the period under review which translates to 99.9 per cent of the funds released for operations. This is an improvement from the Kshs.2.19 billion spent in a similar period of FY 2014/15.A total of Kshs.1.47 billion (48.2 per cent) was spent on recurrent activities and Kshs.1.58 billion (51.8 per cent) on development activities. The expenditure on recurrent includes Kshs.70.1 million spent on the Bursary fund. Recurrent expenditure was 99.8 per cent of the funds released for recurrent activities while development expenditure accounted for 99.9 per cent of the fund released for development activities. The expenditure does not include commitments as at 31st December 2015 that amounted to Kshs.207.79 million for recurrent expenditure and Kshs.26.92 million for development activities.

Recurrent expenditure for the period under review represented an absorption rate of 39.5 per cent of annual recurrent budget an increase from 27.0 per cent incurred in the similar period of FY2014/15. On the other hand, development expenditure recorded an absorption rate of 35.9 per cent of annual development budget, an improvement from an absorption rate of 9.1 per cent realized in the same period of FY 2014/15.A comparison of the total expenditure between the second half of FY 2014/15 and that of FY 2015/16 is shown in Figure 3.181.

Figure 3.181:Wajir County, Expenditure by Economic Classification for First Half of FY 2014/15 and First Half of FY 2015/16



Source: *Wajir County Treasury*

3.46.6 Recurrent Expenditure Analysis

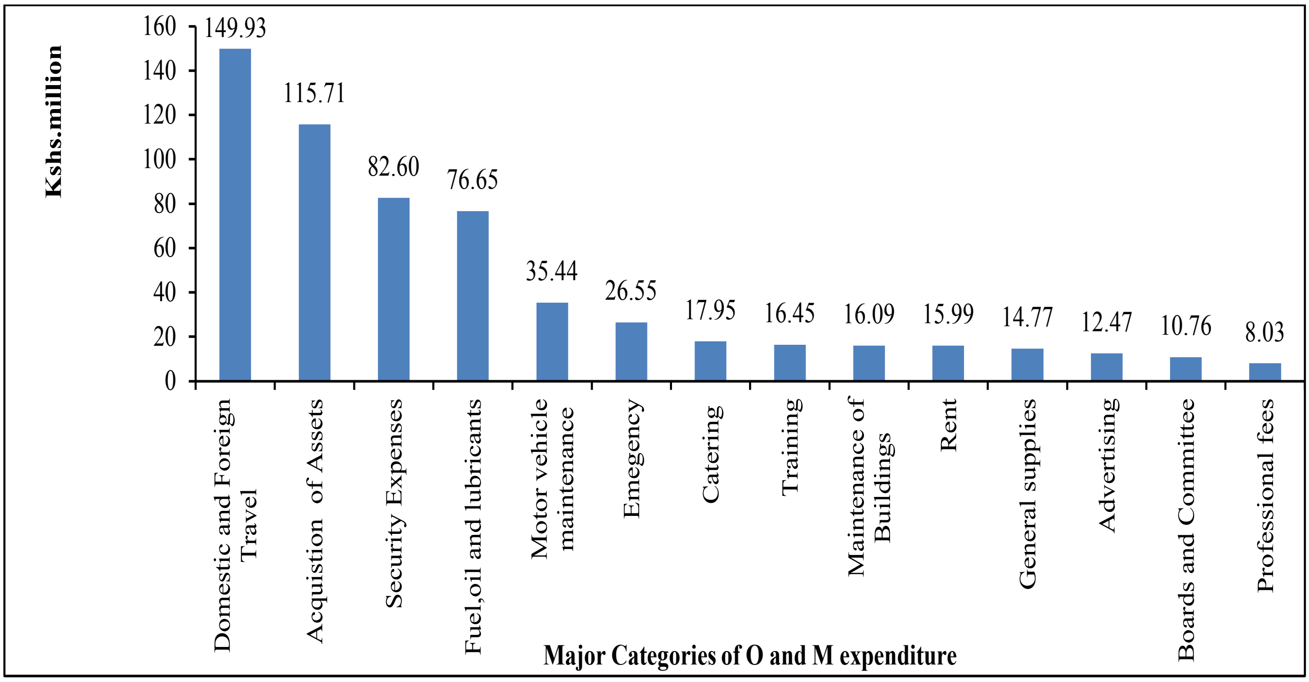
The total recurrent expenditure for the reporting period was Kshs. 1.47 billion against an annual recurrent budget of Kshs.3.73 billion. This represents 39.5 per cent of the recurrent budget. The

County spent Kshs.801.12 million (54.5 per cent) on personnel emoluments and Kshs.743.25 million (50.6 per cent) on operations and maintenance expenditure as shown in Figure 3.181. Expenditure on personnel emoluments accounted for 26.3 per cent of total expenditure and has increased significantly in half year of FY 2015/16 as compared to the similar period of FY 2014/15 when the County spent Kshs.599.6 million. The increase is attributed to annual increment of staff salary and also due to new recruitment of staff.

The County spent Kshs.15.78 million on payment of sitting allowances to the 46 MCAs plus the Speaker against an annual budget of Kshs.60.22 million. This represents an absorption rate of 26.2 per cent of the annual County Assembly sitting allowance budget, a decrease from Kshs.35.04 million spent in the similar period of FY 2014/15. The average monthly sitting allowance per MCA was Kshs.116,894 compared to SRC recommended amount of Kshs.124,800.

A breakdown of operations and maintenance expenditure for first quarter of FY 2015/16 is shown in Figure 3.182.

Figure 3.182: Wajir County, Operations and Maintenance Expenditure for the First Half of FY 2015/16



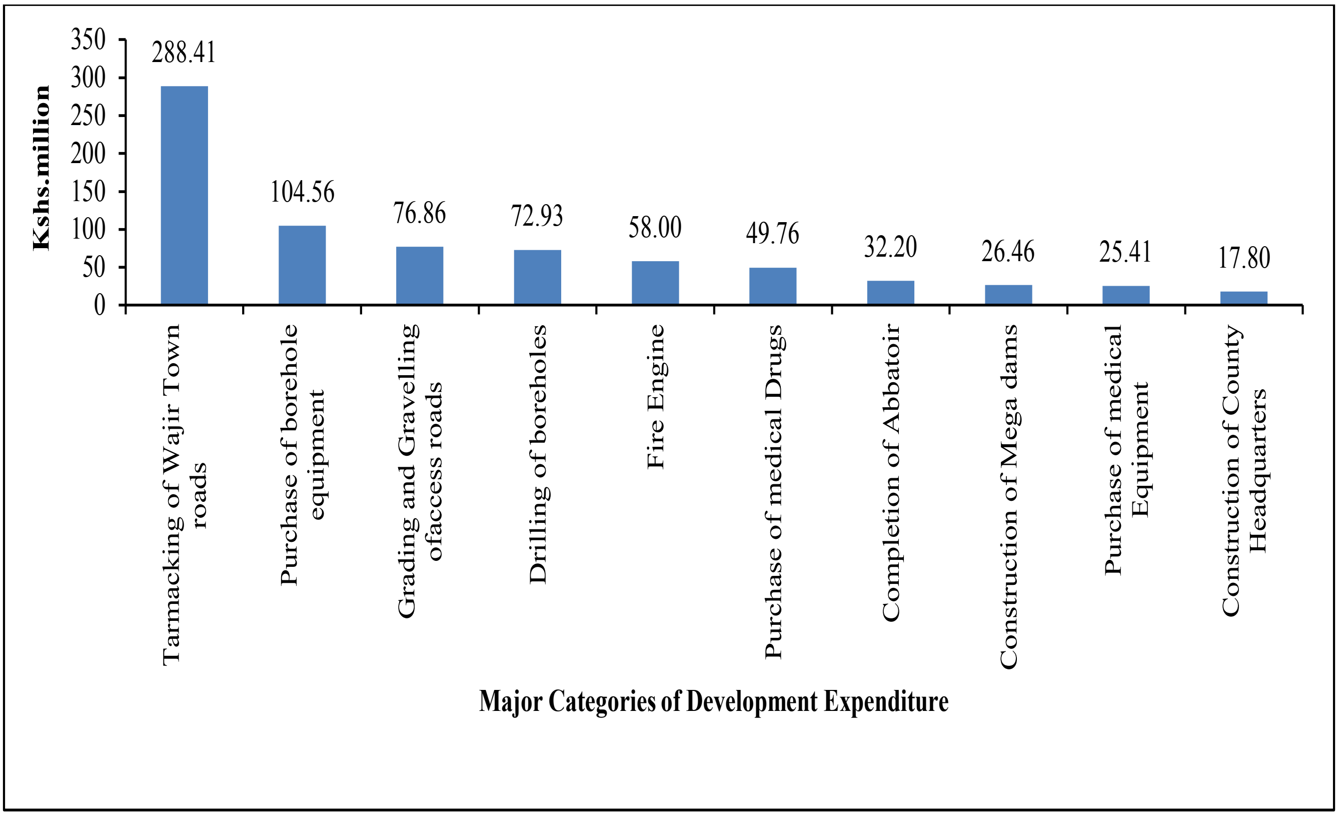
Source: *Wajir County Treasury*

The total expenditure on domestic and foreign travel was Kshs.149.9 million compared to Kshs.88.52 million incurred over the same period of FY 2014/15 and represents an increase of 69.3 per cent. This expenditure comprised of Kshs.127.42 million for the County Executive and Kshs.22.47 million by the County Assembly.

3.46.7 Development Expenditure Analysis

The details of development expenditure during the first half of FY 2015/16 are provided in figure 3.183.

Figure 3.183: Wajir County, Summary of Development Expenditure for the first half of FY 2015/16



Source: *Wajir County Treasury*

Analysis of the development expenditure of Kshs.1.58 billion incurred in the first half of FY 2015/16 indicates that the Roads Department reported the highest expenditure of Kshs.288.41 million which was spent on tarmacking of Wajir Town roads. The Department also incurred Kshs.54.00 million on gravelling, grading and maintenance of access roads The Department of Water incurred Kshs.104.56 million on supply of borehole equipment, and Kshs.72.93 million on drilling of boreholes. Further, the County incurred Kshs.58 million on purchase of a fire engine; Kshs.32.2 million on completion of Abbatour at Elnoor; Kshs.26.46 million on construction of 3 mega dams and Kshs.17.80 million on construction of county headquarters.

3.46.8 Annual Budget and Budget Performance Analysis by department for the First Half of FY 2015/16

A summary of the FY 2015/16 annual budget estimates and budget performance for the first half by department is shown in Table 3.92.

Table 3.92: Wajir County Annual Budget and First Half of FY 2015/16 Budget performance by Department

Department	Budget Allocation (Kshs. Million)		6 Months Exchequer Issues (Kshs. Million)		6 Months Expenditure (Kshs. Million)		Expenditure to exchequer issues (%)		Absorption rate (%)	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
Office of the Governor	414.15	0	201.3	0	215.34	0	107.0		52.0	0
Finance and Economic Planning	354.95	21.66	113.76	12	179.98	0.98	158.2	8.2	50.7	4.5
Sport & ICT	102.19	85.34	34.33	10.8	27.92	0.18	81.3	1.7	27.3	0.2
Health Services	681.25	961.59	336.08	296.66	345.67	268.5	102.9	90.5	50.7	27.9
Public Works, Roads and Transport	129.75	1177.54	35.68	686.97	51.95	743.52	145.6	108.2	40.0	63.1
County Assembly	560.33	0	214.93	0	150.51	0	70.0		26.9	0
Lands, Housing & Physical planning	105.75	534.47	33.85	136	17.78	60.37	52.5	44.4	16.8	11.3
Education, Culture and Youth	223.43	325.57	79.66	74.97	39.1	99.12	49.1	132.2	17.5	30.4
WAJWASCO	54.5	71.46	21.12	0	24.88	15.99	117.8		45.7	22.4
Public Services and Decentralised Function	602.94	21	228.33	0	243.74	0	106.7		40.4	0
Trade, Industrialisation and Tourism	57.81	246.54	19.29	0	7.39	10.22	38.3		12.8	4.1
Agriculture	169.24	265.08	60.47	85.95	48.4	26.76	80.0	31.1	28.6	10.1
Energy and Environment	91.93	239.08	38.52	0	35.32	27.77	91.7		38.4	11.6
Water, sanitation & Natural Resources	147.58	1132.24	48.43	280.6	75.63	355.21	156.2	126.6	51.2	31.4
County Public Services	32.9	0	11.83	0	10.74	0	90.8		32.6	
Total	**3728.66**	**4411.04**	**1477.58**	**1583.94**	**1474.36**	**1582.65**	**99.8**	**99.9**	**39.5**	**35.9**

Source: *Wajir County Treasury*

Analysis of expenditure by departments shows that the Department of Public Works, Roads and Transport had highest absorption rate of its annual development budget at 63.1 per cent, while the Public Services and Decentralised Functions Department did not incur any development expenditure. The Office of the Governor recorded the highest percentage of its recurrent expenditure to its recurrent budget at 52.0 per cent while the Department of Trade, Industrialisation and Tourism had the lowest percentage of its recurrent expenditure to its recurrent budget at 12.8 per cent.

3.46.9 Borrowing by the County Government

Article 212 of the Constitution requires a county government to borrow with approval from the County Assembly, and only if the national government guarantees the loan. Further, Section 58 of the PFM Act 2012, gives the Cabinet Secretary to the National Treasury the powers to guarantee loans subject to approval of parliament. During the period under review, the County utilized its equitable share and own local revenue collection deposited into the County Revenue Fund account maintained at the Central Bank of Kenya and did not borrow any funds.

3.46.10 Observations and Recommendations

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

i. Ensured timely submission of financial reports.

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

1. Delay in disbursement of funds from the National Treasury which affected implementation of budgeted activities.

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

1. *The County Treasury should liaise with the National Treasury to ensure disbursement of the equitable share to the County Revenue Fund is in line with the approved disbursement schedule.*

3.47 West Pokot County

3.47.1 Overview of the FY 2015/16 Budget

The FY 2015/16 approved budget for West Pokot County amounted to Kshs.4.73 billion. It comprised of Kshs.2.95 billion (62.3 per cent) allocated to recurrent expenditure and Kshs.1.78 billion (37.7 per cent) to development expenditure.

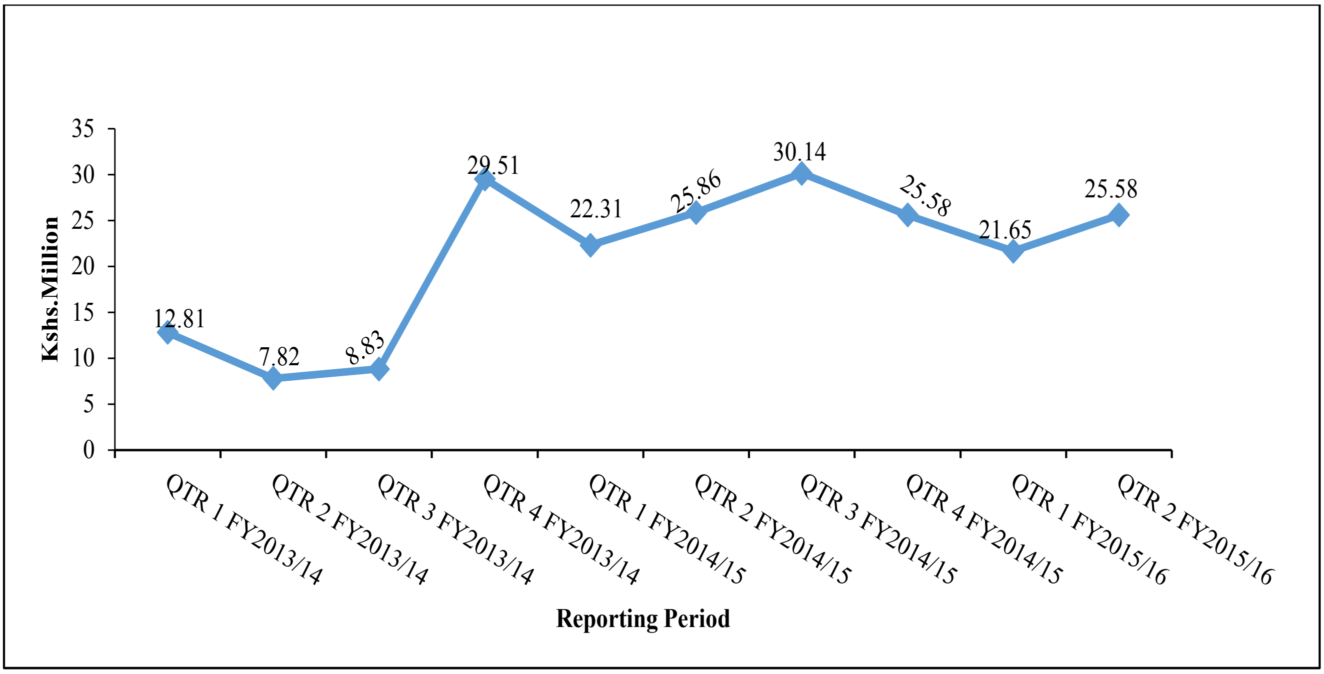
In order to finance the budget, the County expects to receive Kshs.4.28 billion (90.6 per cent) as transfers from the National Government, collect Kshs.227.31 million (4.8 per cent) from local sources, receive conditional grant of Kshs.12.18 million (0.3 per cent) from DANIDA and conditional allocations of Kshs.203.75 million (4.3 per cent) from the National Government which include Kshs.41.26 million for Free Maternal Health Care, Kshs.11.95 million for Compensation for Forgone user fees, Kshs.95.74 million for Leasing of Medical Equipment and Kshs.54.8 million from the road maintenance fuel levy. However, the County did not factor in the FY 2015/16 budget opening cash balance from FY 2014/15 amounting to Kshs.200.93 million. Further, the County did not budget for the additional conditional grants of Kshs.15.8 million from the World Bank as contained in CARA, 2015.

3.47.2 Revenue Analysis

In the first half of FY 2015/16, the County received Kshs.1.83 billion from the National Government as equitable share, Kshs.6.09 million as conditional grant from DANIDA, Kshs.2.47 million as conditional allocation for forgone user fees, Kshs.18.26 million as conditional allocations for free maternal healthcare, Kshs.27.67 million as conditional allocations from the road maintenance fuel levy fund, raised Kshs.47.23 million from local sources, and had a cash balance of Kshs.200.93 million brought forward from FY 2014/15.

The quarterly trend in local revenue collection from the FY 2013/14 to the second quarter of FY 2015/16 is shown in figure 3.184.

Figure 3.184: West Pokot County, Trend in Local Revenue Collection by Quarter from the FY 2013/14 to the second quarter of FY 2015/16



Source: *West Pokot County Treasury*

The local revenue consisted of Kshs.21.65 million raised in the first quarter and Kshs.25.58 million in the second quarter. The local revenue raised in the first half of the FY 2015/16 was Kshs.47.23 million (25.3 per cent of the annual local revenue target), and a marginal decline from Kshs.48.18 million collected in a similar period of FY 2014/15.

Table 3.93 provides analysis of the local revenue by stream.

Table 3.93: West Pokot County, Analysis of revenue collection per stream for the first half of FY 2015/16

NO.	Revenue Stream	Annual Targeted Receipts	Six Months Actual Revenue Kshs	Revenue Performance (%)
	A	B	C	D=C/B*100
1	Royalties	30,000,000	14,248,410	47.5
2	Livestock Cess	12,000,000	4,108,330	34.2
3	Other Cess	8,000,000	2,465,875	30.8
4	Health (cost sharing)	40,000,000	10,398,975	26.0
5	Single business permits	16,000,000	1,152,250	7.2
6	Lands rates	80,908,244	314,750	0.4
7	Other fees/ charges	40,400,000	14,541,251	36.0
	TOTAL	**186,908,244**	**47,229,841**	**25.3**

Source: *West Pokot County Treasury*

Analysis of revenue by stream indicates that Royalties generated the highest performance of revenue against annual target at 47.5 per cent followed by stock at 34.2 per cent.

3.47.3 Exchequer Issues

During the period under review, the COB authorized withdrawal of Kshs.1.69 billion from the CRF account, which was 35.6 per cent of the approved budget. The amount represented a decline of 10.1 per cent from Kshs.1.88 billion authorized in a similar period of FY 2014/15 and consisted of Kshs.1.14 billion (67.4 per cent) for recurrent expenditure and Kshs.555 million (32.6 per cent) for development activities.

3.47.4 Banking of local revenue

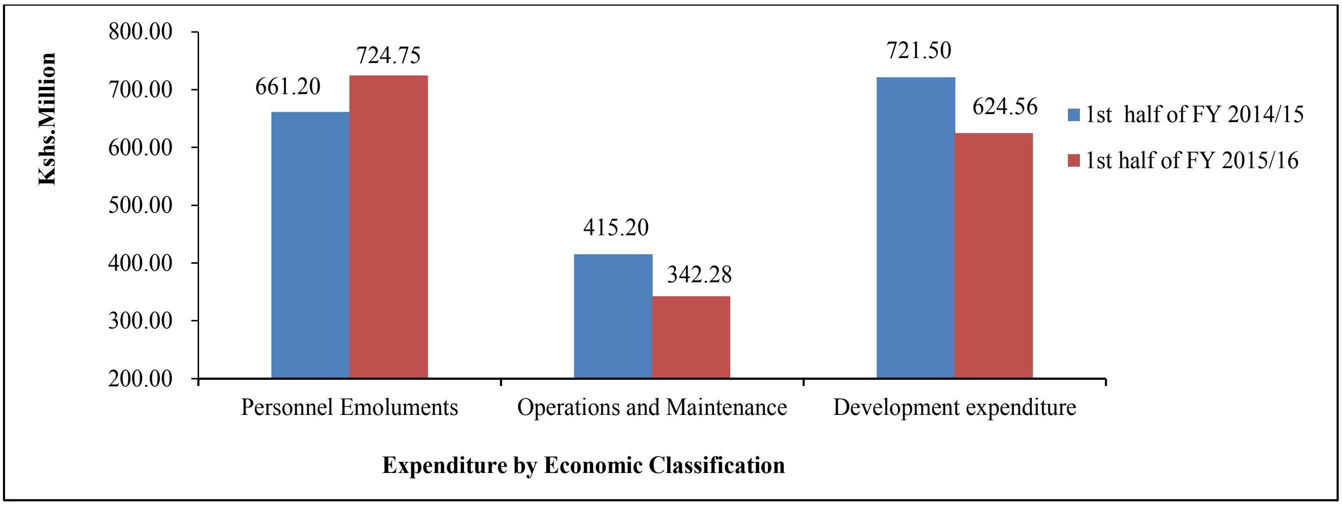
A review of the bank statements of the revenue collection account indicates that all locally generated revenue was deposited into the CRF during the period under review. This conforms to Article 207 of the Constitution and Section 109 of the PFM Act 2012, which stipulates that all funds raised or received by or on behalf of the County Government shall be deposited into the CRF account unless excluded by an Act of Parliament.

3.47.5 Overall Expenditure Review

The County spent a total of Kshs.1.69 billion during the first half of FY 2015/16 which was 100.4 per cent of the funds released for recurrent and development expenditure. This is a reduction from the Kshs.1.80 billion spent in a similar period of FY 2014/15. A total of Kshs.1.07 billion was spent on recurrent activities and Kshs.624.56 million on development activities. Recurrent expenditure was 94.0 per cent of the funds released for recurrent activities while development expenditure accounted for 113.6 per cent of the funds released for development activities. The expenditure excludes commitments as of 31st December, 2015 that amounted to Kshs.241.94 million for development expenditure and Kshs.59.36 million for recurrent expenditure.

Recurrent expenditure for the period under review represented 36.2 per cent of the approved annual recurrent budget, a decrease from 45 per cent spent in a similar period of FY 2014/15. On the other hand, development expenditure recorded an absorption rate of 35.1 per cent, a decrease from 39.1 per cent spent in a similar period of FY 2014/15. A comparison of the total expenditure between the first half of FY 2014/15 and first half of FY 2015/16 is shown in Figure 3.185.

Figure 3.185: West Pokot County, Expenditure by Economic Classification for First Half of FY 2014/15 and FY 2015/16



Source: *West Pokot County Treasury*

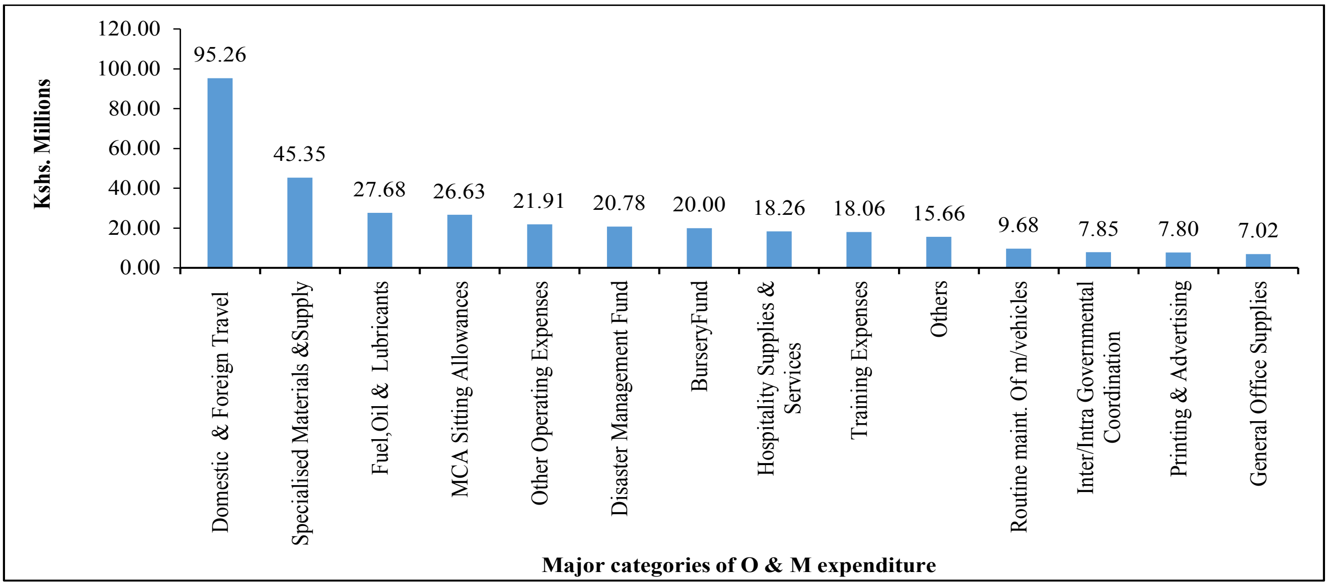
3.47.6 Recurrent Expenditure Analysis

The total recurrent expenditure for the reporting period was Kshs.1.07 billion against an annual recurrent budget of Kshs.2.95 billion. This represents 36.2 per cent of the annual recurrent budget. The County spent Kshs.724.75 million (67.9 per cent) on personnel emoluments and Kshs.342.28 million (32.1 per cent) on operations and maintenance as shown in Figure 3.185. Expenditure on personnel emoluments accounted for 42.8 per cent of total expenditure and has increased significantly in the first half of FY 2015/16 as compared to a similar period of FY 2014/15 when the County spent Kshs.661.2 million.

The County spent Kshs.26.63 million on sitting allowances to the 32 MCAs and the Speaker against an annual budget of Kshs.54.29 million. This represents an increase from Kshs.23.21 million recorded in a similar period of FY 2014/15. The average monthly sitting allowance per MCA was Kshs.134,487 compared to SRC's recommended monthly ceiling of Kshs.124,800.

A breakdown of the operations and maintenance expenditure for the reporting period is shown in Figure 3.186.

Figure 3.186: West Pokot County, Operations and Maintenance Expenditure for the first half of FY 2015/16



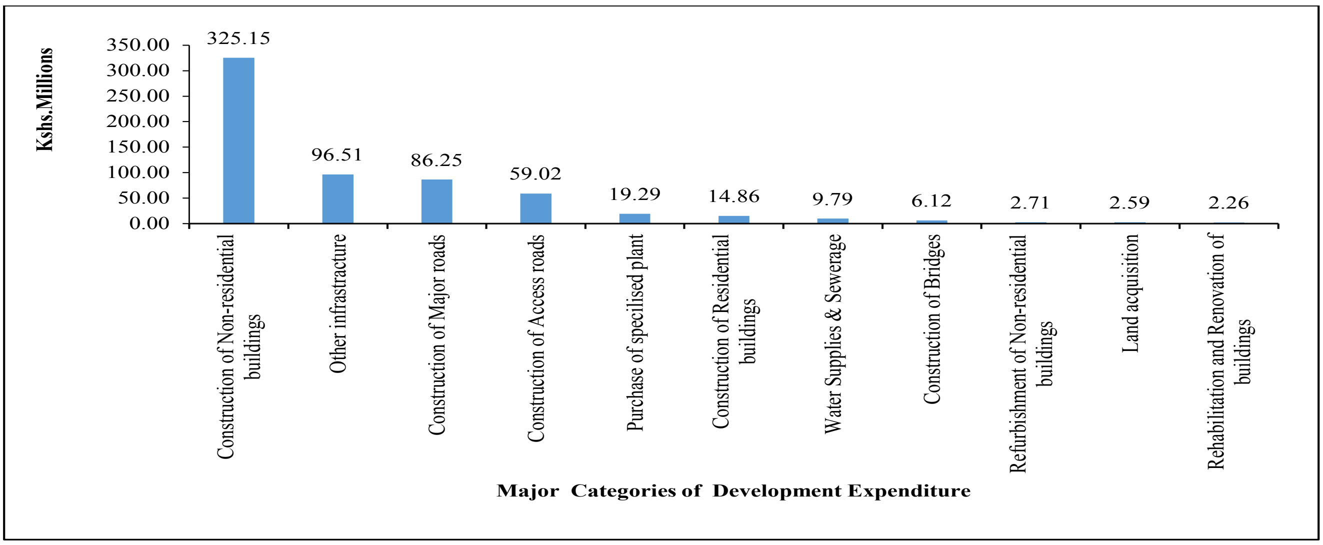
Source: *West Pokot County Treasury*

The aggregate expenditure on domestic and foreign travel was Kshs.95.26 million compared to Kshs.72.85 million incurred in a similar period of FY 2014/15, representing an increase of 30.8 per cent. This expenditure comprised of Kshs.65.88 million spent by the County Executive and Kshs.29.38 million by the County Assembly.

3.47.7 Development Expenditure Analysis

A summary of development expenditure during the first half of FY 2015/16 is provided in figure 3.187.

Figure 3.187: West Pokot County, Summary of Development Expenditure for the first half of FY 2015/16



Source: *West Pokot County Treasury*

Analysis of the development expenditure in the period under review indicates that the County incurred the highest expenditure of Kshs.325.15 million on construction of non-residential buildings. This amount was spent on completion of construction of 12 units of Doctor's flats at Kapenguria Referral Hospital; completion of construction of staff houses at various dispensaries; construction of cattle dips, completion of construction of ICU and the Casualty Wing at Kapenguria County Referral Hospital. The second highest expenditure of Kshs.96.51 million was incurred on the construction of other infrastructure which included the completion of construction of County Treasury offices; completion of construction of County Land's offices; construction of market stalls at Bendera; construction of market shades and stalls at Makutano and Mnagei; construction of Lomut mango store; construction of Kenyao fresh produce market among others. The lowest expenditure of Kshs.2.26 million was incurred on rehabilitation and renovation of buildings.

3.47.8 Annual Budget and Budget Performance Analysis by department for the First Half of FY 2015/16

A summary of the FY 2015/16 annual budget estimates and budget performance for the first half by department is shown in Table 3.94.

Table 3.94: West Pokot County, Annual Budget and First Half of FY 2015/16 Budget Performance by Department

Department	Budget Allocation (Kshs. Million)		6 Months Exchequer Issues (Kshs. Million)		6 Months Expenditure (Kshs. Million)		Expenditure to exchequer issues (%)		Absorption rate (%)	
	Rec	Dev	Rec	Dev	Rec		Rec	Dev	Rec	Dev
Office of the Governor	403.78	70	141.55	40	182.8	37.66	129.1	94.2	45.3	53.8
Finance and Economic Planning	103.26	66.35	31.94	29.15	23.91	21.21	74.9	72.8	23.2	32
Roads, Public Works and Transport	110.86	388.89	44.08	152.15	20.54	150.69	46.6	99.0	18.5	38.7
Health and Sanitation	924.72	356.26	379.81	70	377.59	76.93	99.4	109.9	40.8	21.6
Education, Communication and ICT	327.6	229.1	95.2	21.5	78.47	36.65	82.4	170.5	24	16
Agriculture and Irrigation	102.18	151.01	49.36	43	44.05	105.24	89.2	244.7	43.1	69.7
Livestock, Fisheries and Veterinary Services	113.08	107.88	43.43	49	38.97	40.64	89.7	82.9	34.5	37.7
Trade, Industry and Cooperatives	44.35	61	18.06	18	15.44	27.03	85.5	150.2	34.8	44.3
Land, Physical Planning and Urban Development	80.18	52.07	34.11	30	24.71	12.2	72.4	40.7	30.8	23.4
Water development, Environment & Natural Resources	65.03	150.05	26.77	5	21.09	44.31	78.8	886.2	32.4	29.5
Tourism, Culture, Sports, Youth and Gender Development	47.94	44	20.88	22.2	12.84	37.17	61.5	167.4	26.8	84.5
County Public Service Management	208.35	30	84.76	30	55.38		65.3	0.0	26.6	-
County Assembly	414.67	75	165.05	40	171.2	34.83	103.7	87.1	41.3	46.4
TOTAL	**2,946.00**	**1,781.60**	**1,135.00**	**550**	**1,066.99**	**624.56**	**94.0**	**113.6**	**36.2**	**35.1**

Source: *West Pokot County Treasury*

Analysis of budget performance by department shows that the Department of Tourism, Culture, Sports, Youth and Gender Development reported the highest absorption rate of its development budget at 84.5 per cent while the County Public Service Management department did not incur any development expenditure. County Public Service Management did not record any absorption. On the other hand, the Office of the Governor had the highest percentage of its recurrent expenditure to its recurrent budget at 45.3 per cent while the Department of Roads, Public Works and Transport had the lowest at 18.5 per cent.

3.47.9 Borrowing by the County Government

Article 212 of the Constitution requires a county government to borrow with approval from the County Assembly, and only if the national government guarantees the loan. Further, Section 58 of the PFM Act 2012 gives the Cabinet Secretary to the National Treasury the powers to guarantee loans subject to approval by Parliament. During the period under review, the County utilized its equitable share and own local revenue collection deposited into the County Revenue Fund account maintained at the Central Bank of Kenya

3.47.10 Observations and Recommendations

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

i. Enacted revenue bills to facilitate smooth revenue collection.

ii. Built the capacity of technical staff through training.

iii. Fully embraced the use of IFMIS in processing financial transactions.

iv. Embraced the use of E-procurement to facilitate procurement of goods and services.

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

1. Low revenue collection, which stood at 25.3 per cent of the annual local revenue target. Property rates as a revenue source generated a paltry Kshs.0.31 million against an annual target of Kshs.80.91 million.

2. Although the County established various County Public Funds in line with Section 116 of the PFM Act 2012, it failed to provide financial statements of the same on a quarterly basis as required by Section 167 and 168 of the PFM Act 2012.

3. The County incurred an expenditure of Kshs.20.78 million with commitments of Kshs.4.08 million on the Disaster Fund and Kshs.20 million on Bursary Fund without enacting regulations to operationalize the Funds.

4. Inconsistencies between the IFMIS generated expenditure returns report on Personnel Emoluments

(PE) and the actual payroll. IFMIS report indicated PE of Kshs.724.64 million while the actual payroll indicated Kshs.666.27 million. On the other hand, IFMIS generated expenditure returns report on MCAs Sitting Allowances indicated Kshs.26.62 million while the actual listing of MCAs sitting allowances indicated Kshs.24.95 million.

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

1. *The County Treasury should come up with measures to improve local revenue performance.*
2. *The County should provide financial statements of County Established Funds on a quarterly basis in line with section 168 of the PFM Act 2012.*
3. *The County Treasury should ensure that regulations for administering the Disaster Fund and any other fund established by the County are prepared and approved by the County Assembly.*
4. *The County should ensure that reconciliation of the returns generated from IFMIS is undertaken regularly.*

4.0 KEY CHALLENGES AND RECOMMENDATIONS

During the first half of FY 2015/16, budget implementation by the counties was faced by a number of challenges. This section highlights the pertinent challenges that negatively affected budget implementation. Recommendations aimed at addressing the issues and ultimately improving budget implementation by the County Governments are also provided.

4.1 Unprocedural Borrowing by the Counties

The Constitution of Kenya, 2010 grants revenue raising powers to Counties, which include borrowing. Article 212 requires a county government to borrow with approval from the County Assembly, and only if the national government guarantees the loan.

During the reporting period, it was noted that some Counties borrowed from commercial banks without guarantee from the National Treasury. There were also instances where, some counties borrowed without obtaining approval from the County Assembly.

It is recommended that Counties should regularize the current levels of borrowing by obtaining approval from the County Assemblies and guarantee from the National Treasury as necessary. All future borrowing must adhere to the provisions of Article 212 of the Constitution and Section 58 of the PFM Act 2012.

4.2 Inadequate Administration and Reporting on Public Funds Established by the Counties

Section 116 of the PFM, Act, 2012 provides for the establishment of County Public Funds. Each Fund should be managed by an administrator, who is required to submit quarterly financial reports to the County Treasury and the Controller of Budget in line with Section 168 of the PFM Act, 2012.

During the reporting period, the office noted that some counties had not designated administrators for established public funds rendering operationalization, administration and accounting for the funds difficult. Besides, some counties had not delinked Fund operations from their main county operations while others delayed or did not submit quarterly financial reports as required by Section 168 of the PFM Act, 2012.

It is recommended that all established county public funds be managed by a designated administrator who should prepare quarterly financial reports in line with Section 168 of the PFM Act, 2012.

4.3 Low Local Revenue Collection by the Counties

Article 209(3) of the Constitution grants powers to County Governments to impose taxes and charges, which include; property rates, entertainment taxes and any other tax that is authorized by an Act of

Parliament. In FY 2015/16 the Counties estimated to generate Kshs.56.65 billion.

During the first half of FY 2015/16 the counties generated a total of Kshs.13.92 billion, which was 24.6 per cent of the annual target against an expected performance of 50 per cent for the half year. Most counties reported decline in revenue collection for the first half of FY 2015/16 as compared to a similar period in FY 2014/15. This implied that counties experienced delay in implementing budgeted activities due to lack of funds while others continued to accumulate pending bills.

We recommend that the Counties should develop strategies to enhance local revenue collection.

4.4 Persistent Use of Locally Generated Revenue at Source

Article 209(3) of the Constitution grants powers to County governments to impose taxes and charges, which include; property rates, entertainment taxes and any other tax that is authorized by an Act of Parliament. The County governments are required by Article 207 of the Constitution to deposit all money raised or received by or on behalf of the County government into the County Revenue Fund except money reasonably excluded by an Act of Parliament.

During the reporting period, the Office noted that a number of County governments have continued to violate the requirement to deposit all locally generated revenue into the County Revenue Fund. Instead, they have been spending the revenue at source.

All Counties should deposit all locally generated revenue into the County Revenue Fund Account as required by Article 207 of the Constitution.

4.5 Inadequate monitoring of development projects

A number of County Governments have not established a development projects database to effectively monitor development projects. Some Counties are yet to develop and implement effective M&E frameworks which are key in ensuring effective implementation of development projects.

In order to ensure that Counties achieve their developmental goals, we recommend that they develop and implement robust M&E frameworks in order to monitor development projects.

4.6 Revenue not captured in County Budgets

During the period under review, some Counties had not budgeted for all the conditional grants as contained in the CARA 2015. This includes the World Bank loan and grants, compensation for forgone user fees, allocations for free maternal health care and conditional allocation from the Road Maintenance Fuel Levy Fund. This is partly due to the delay in the enactment of the CARA, 2015 and the inability of Counties to make supplementary budgets in timely manner.

It is recommended that counties should pass supplementary budgets to capture all revenue for compensation for forgone user fees, allocations for free maternal health care, conditional allocation from the Road Maintenance Fuel Levy Fund as provided for in CARA, 2015.

4.7 Inadequate Internal Audit Function and Audit Committees

Section 155 of the PFM Act 2012, requires that each County Government establishes an internal audit arrangement including the establishment of an internal audit committee. This is intended to enhance management controls, and, transparency and accountability in the management of public resources.

The OCOB continues to note that this issue has not been fully addressed by all counties despite having been raised in previous reports. It is therefore recommended that the Counties should ensure compliance with Section 155 of the PFMA Act 2012, which provides for the establishment of an internal audit function.

5.0 CONCLUSION

This report is part of the series of Budget Implementation Review Reports issued by the Office of the Controller of Budget on a quarterly basis. It provides an overview of the revenue and expenditure performance in the counties and the challenges facing budget implementation during the period between July to December 2015. The report has noted the progress made by the Counties in budget implementation and also identified the challenges that faced budget implementation.

During the first six months of FY 2015/16, local revenue collection improved marginally to Kshs.13.92 billion (24.6 per cent of annual target) from Kshs.13.08 billion (21.0 per cent of the annual target) reported in a similar period in FY 2014/15. This improvement has been attributable to automation of revenue collection and enhanced capacity of the revenue collection staff, but still remains below the expected half year target of 50 per cent. Overall revenue performance, including National Government transfers was Kshs.150.10 billion (41.3 per cent of the annual target) as compared to Kshs.136.96 billion (42.8 per cent of annual target) in the first half of FY 2014/15.

The aggregate expenditure by the counties was Kshs.113.43 billion which represents an absorption rate of 31.3 per cent of the total annual county governments' budget. This was a decline in performance as compared to a similar period in FY 2014/15 when the absorption rate was 32.4 per cent or an aggregate expenditure of Kshs.103.70 billion. Recurrent expenditure was Kshs.81.08 billion, representing a performance of 40.4 per cent of the annual recurrent budget, which was similar to the first half performance in FY 2014/15 performance. On the other hand, aggregate development expenditure was Kshs.32.35 billion, representing an absorption rate of 19.9 per cent, a decline from 21.9 per cent attained in a similar period of FY 2014/15.

The report identifies the challenges that affected budget implementation during the reporting period. They included; unprocedural borrowing by the counties, inadequate administration and reporting on public funds established by the counties, low local revenue collection, persistent use of local revenue at source, inadequate monitoring of development projects, revenue not capture in budget and inadequate internal audit arrangements. Appropriate recommendations have been made to address the challenges. We encourage the relevant officers at the Counties to implement the recommendations so as to ensure effective budget implementation in the future.

NOTES

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