

COUNTY ASSEMBLIES FORUM (CAF)
P. O. Box 73552 - 00200,
NAIROBI, KENYA

REPUBLIC OF KENYA

OFFICE OF THE CONTROLLER OF BUDGET

ANNUAL COUNTY GOVERNMENTS BUDGET IMPLEMENTATION REVIEW REPORT

FY 2016/17

AUGUST, 2017

COUNTY ASSEMBLIES FORUM (CAF)
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PREFACE

COUNTY ASSEMBLIES FORUM (CAF)
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I am pleased to present the Annual County Governments Budget Implementation Review Report (CBIRR) for the Financial Year (FY) 2016/17. The report has been prepared in accordance with Article 228 (6) of the Constitution, which requires the Office of the Controller of Budget (OCOB) to submit to both Houses of Parliament a report on the implementation of the budgets of the National and County Governments every four month.

The report examines budget performance of the forty seven County Governments for the period July, 2016 to June, 2017. It analyses data from the approved budgets, financial reports submitted to the Office of the Controller of Budget (OCOB) by the County Treasuries in line with Section 166 and 168 of the Public Finance Management (PFM) Act, 2012 and reports generated from the Integrated Financial Management Information System (IFMIS). Findings are largely based on provisions of the Constitution of Kenya, 2010 and the Public Finance Management (PFM) Act, 2012 as benchmarks. The report also highlights the challenges faced by the Counties in budget implementation and proceeds to make recommendations to address the challenges.

Preparation of this report has been made possible through concerted effort of staff from the County Treasuries and the OCOB. I am grateful to all the staff who were involved in the preparation of this report.

Information provided in this report is useful to many stakeholders including policy makers, legislators, analysts, practitioners, and the general public. While successful budget implementation depends on a number of factors, public participation and effective monitoring of its implementation remain critical principles. It is our hope that this report will generate interest and participation by the public and other stakeholders in monitoring budget implementation by the Counties. I urge all readers to constructively engage County Governments in in order to improve equity in resource allocation and enhance prudence in utilization of public funds.



Mrs. Agnes Odhiambo, CBS
CONTROLLER OF BUDGET

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ACRONYMS

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ADP	Annual Development Plan
CA	County Assembly
CARA	County Allocation of Revenue Act
CBA	Collective Bargaining Agreement
CBEF	County Budget and Economic Forum
CBK	Central Bank of Kenya
CBROP	County Budget Review and Outlook Paper
CBD	Central Business District
CEC	County Executive Committee
CFSP	County Fiscal Strategy Paper
CECM-F	County Executive Committee Member for Finance
COB	Controller of Budget
CRA	Commission on Revenue Allocation
CRF	County Revenue Fund
DANIDA	Danish International Development Agency
ECD	Early Childhood Education
E-G	Electronic Governance
G-PAY	Government Payment System
ICT	Information Communication Technology
IFMIS	Integrated Financial Management Information System
IBEC	Intergovernmental Budget and Economic Council
IPPD	Integrated Payroll Personnel Database
KRB	Kenya Roads Board
LAN	Local Area Network
LAPFUND	Local Authorities Provident Fund
LATF	Local Authority Transfer Fund
MCA	Member of County Assembly
MTEF	Medium Term Expenditure Framework
O&M	Operations and Maintenance
OCOB	Office of the Controller of Budget
P/E	Personnel Emoluments
PFM	Act Public Finance Management Act
SMEs	Small and Medium Enterprises
SRC	Salaries and Remuneration Commission
THSUC	Transforming Health Systems for Universal Care

EXECUTIVE SUMMARY

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This is the Annual County Budget Implementation Review Report (CBIRR) for the financial year 2016/17 and covers the period July 2016 to June 2017. It provides the status of budget implementation by the Counties by analysing revenue performance against annual target, and expenditure against approved annual budget estimates. Expenditure analysis is based on the actual expenses reported by County Treasuries in line with Section 166 and 168 of the Public Finance Management (PFM) Act, 2012 and is compared against the Approved Budgets, which is broadly disaggregated into recurrent and development expenditure.

On aggregate, the approved budgets for County Governments in Financial Year (FY) 2016/17 amounted to Kshs.399.24 billion comprising Kshs.240.89 billion (60.3 per cent) for recurrent expenditure and Kshs.158.36 billion (39.7 per cent) for development expenditure. In order to finance the budget, county governments were allocated Kshs.280.3 billion as the equitable shareable revenue raised nationally and Kshs.21.9 billion as total conditional grants from the National Government and Development Partners. Additionally, county governments expected to raise local revenue amounting to Kshs.57.66 billion from local sources, and utilize Kshs.37.19 billion projected cash balance brought forward from FY 2015/16.

The total revenue available to the county governments in the reporting period amounted to Kshs.369.45 billion comprising of Kshs.280.3 billion as equitable share of revenue raised nationally, Kshs.4 billion grant to Level 5 Hospitals, Kshs.408 million grant from DANIDA, Kshs.4.12 billion for Free Maternal Healthcare, Kshs.900 million for User Fees Foregone, Kshs.4.31 billion from the Road Maintenance Fuel Levy Fund, Kshs.556 million grant from the World Bank, Kshs.200 million as special purpose grant to support emergency medical services in Lamu and Tana River Counties, Kshs.4.84 billion as allowances for County Medical Personnel, Kshs.107 million as Coffee Cess, Kshs.37.19 billion cash balance from FY 2015/16, and Kshs.32.52 billion from local revenue sources.

In FY 2016/17, the aggregate revenue raised by county governments amounted to Kshs.32.52 billion which was 56.4 per cent of the annual local revenue target of Kshs.57.66 billion. This performance represented a decline of 7.1 per cent from Kshs.35.02 billion generated in FY 2015/16. Further analysis of local revenue collection as a proportion of annual targets indicated that Marsabit and Turkana Counties surpassed their targets at 107.3 per cent and 103.5 per cent respectively, while Kisii at 37.5 per cent, Wajir at 33 per cent, Garissa at 23.4 per cent, and Mandera at 21 per cent recorded the lowest performance.

The Controller of Budget (COB) authorised withdrawal of **Kshs.328.24 billion** from the County Revenue Funds to the various County Operational Accounts. The withdrawals comprised of Kshs.219.95 billion (67 per cent) for recurrent expenditure and Kshs.108.3 billion (33 per cent) to finance development activities. Counties that had the highest amount of funds released for operations were Nairobi City at Kshs.15.54 billion; Turkana at Kshs.12.8 billion; and Kiambu at Kshs.11.35 billion. Those that received the lowest amounts were; Tharaka Nithi at Kshs.3.56 billion, Isiolo at Kshs.3.51 billion and Lamu at Kshs.2.95 billion.

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The total expenditure during the period was **Kshs.319.06 billion** which comprised of Kshs.215.72 billion for recurrent expenditure (**89.6 per cent** of the annual recurrent budget) and Kshs.103.34 billion for development expenditure (**65.3 per cent** of the annual development budget). The total expenditure was **79.9 per cent** of the total annual County Government budgets. Counties that recorded the highest overall absorption rates were Wajir at 95 per cent, Garissa at 94.1 per cent, and Isiolo at 92.5 per cent. Conversely, Nakuru, Tharaka Nithi, and Lamu Counties recorded the lowest overall absorption rates at 70.7 per cent, 70 per cent, and 62.1 per cent respectively.

The highest absorption rates of development expenditure were reported by Machakos, Wajir, Bomet and Isiolo at 99.1 per cent, 90.1 per cent, 89.3 per cent, and 88.6 per cent respectively. Counties with the lowest rates were; Lamu, Nakuru, Nairobi City and Taita Taveta at 38.3 per cent, 35.1 per cent, 33.4 per cent, and 28.6 per cent, respectively. Absorption rate is computed as a percentage of total expenditure to the Approved Budget.

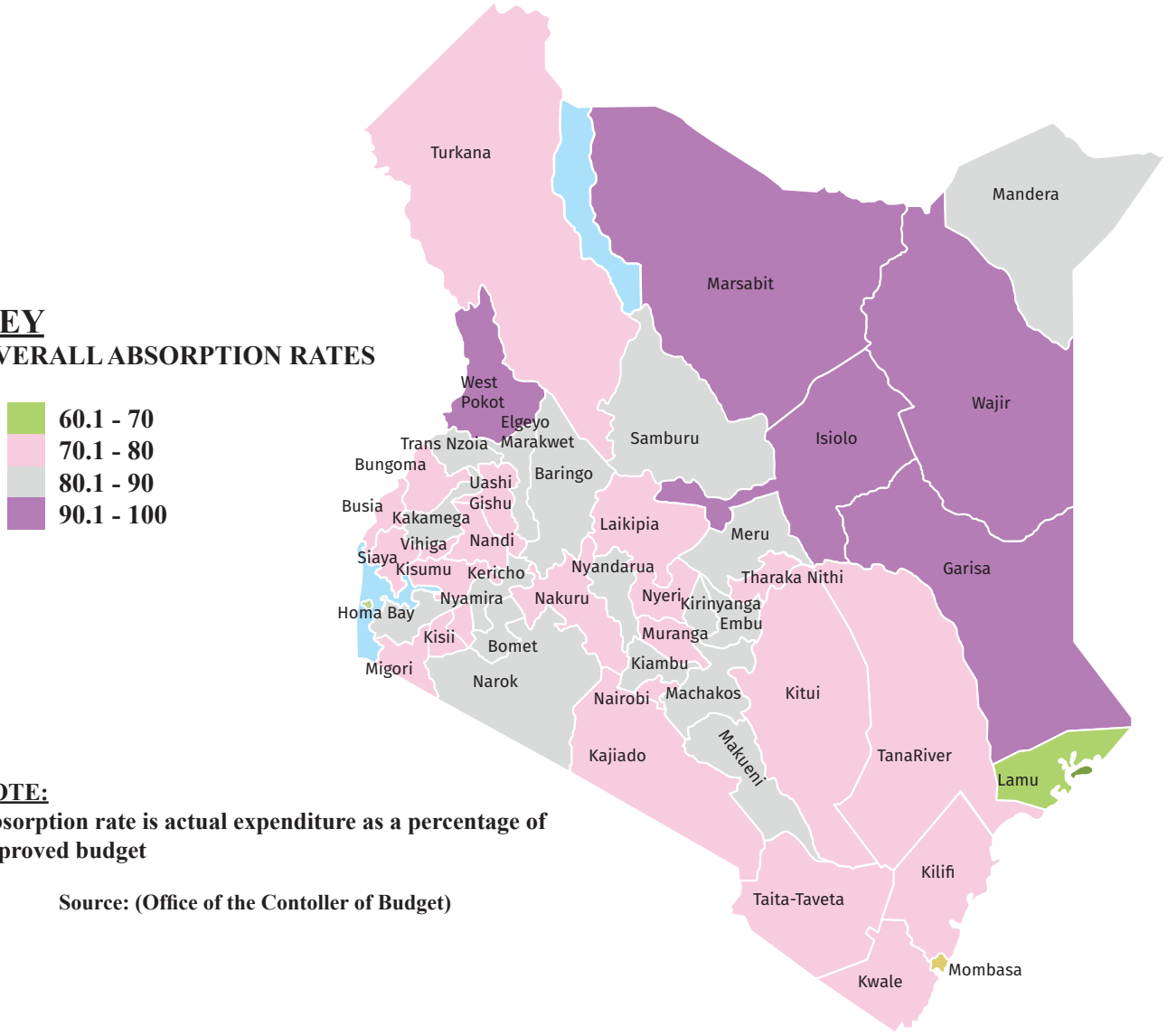
Analysis of expenditure by economic classification shows that Kshs.130.97 billion (41.1 per cent) of total expenditure was incurred on personnel emoluments, Kshs.84.74 billion (26.6 per cent) on operations and maintenance, and Kshs.103.34 billion (32.4 per cent) on development activities. Comparison of total expenditure as a percentage of the funds authorized for withdrawal indicated that Nairobi City, Kilifi, Mombasa, Wajir and Nandi exceeded the amount authorized for withdrawal by the Controller of Budget and this may be attributed to spending of local revenue at source contrary to Section 109 of the PFM Act, 2012. A review of personnel emoluments as a percentage of total expenditure indicates that Tharaka Nithi, Taita Taveta, and Nairobi City recorded the highest percentage at 60.1 per cent, 58.9 per cent and 54 per cent respectively.

The key challenges identified by the Office as hindering effective budget execution by county governments incuded; high expenditure on personnel emoluments, under-performance in local revenue collection, failure by the National Treasury to disburse the equitable share of revenue in line with the CARA, 2016 Disburement Schedule, high levels of pending bills, which stood at Kshs.35.84 billion as at end of the financial year, IFMIS connectivity challenges which caused delays in processing of financial transactions and late submission of financial reports by County Treasuries contrary to Section 166 and 168 of the PFM Act, 2012 which affected timely preparation of budget implemntation review reports and oversight on budget implementation.

The Office recommends that the County Public Service Boards (CPSB) should ensure the wage bill does not exceed 35 per cent of their total revenue in line with Regulation 25(1)(a) of the Public Finance Management (County Governments) Regulations 2015. County Treasuries should also develop and implement strategies to mobilize local revenue collection, while the National Treasury should comply with the CARA, 2016 Disburement Schedule in the disbursement of the equitable share revenue raised nationally. Further, County Governments should ensure effective management of pending bills by aligning procurement plans to cashflow plans and the IFMIS Directorate should address IFMIS connectivity challenges experienced by most counties in FY2016/17. Finally, County Treasuries should comply with Section 166 and 168 of the PFM Act, 2012 on submission of financial returns to facilitate timely preparation of budget implemntation review reports.

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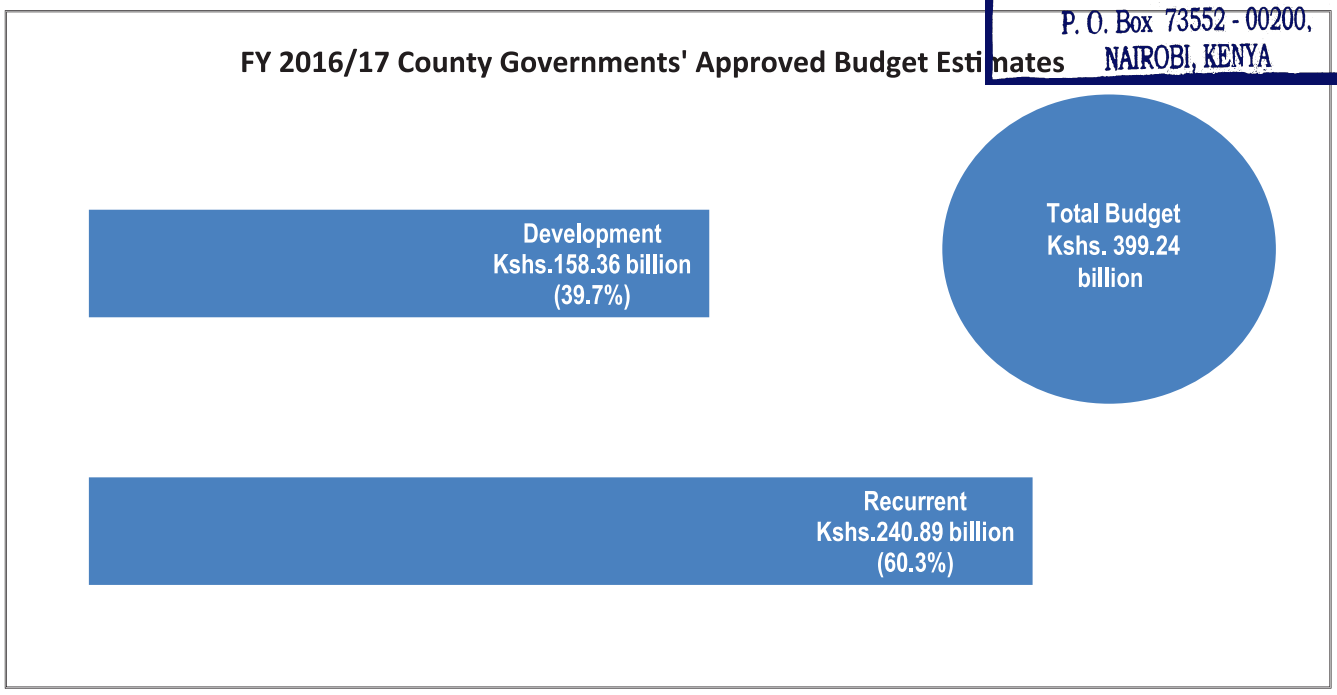
Overal Absorption Rates for FY 2016/17

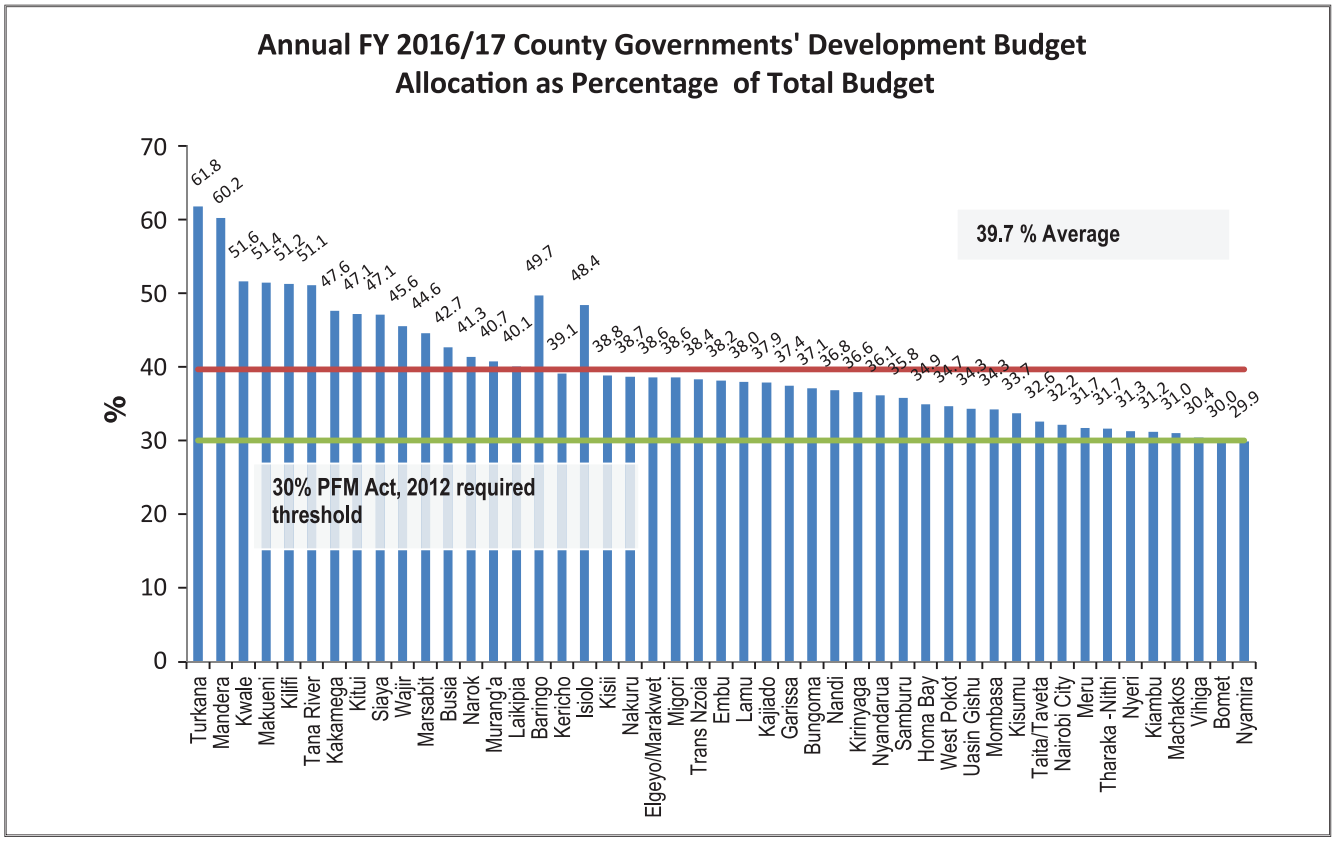


NOTE:
Absorption rate is actual expenditure as a percentage of approved budget

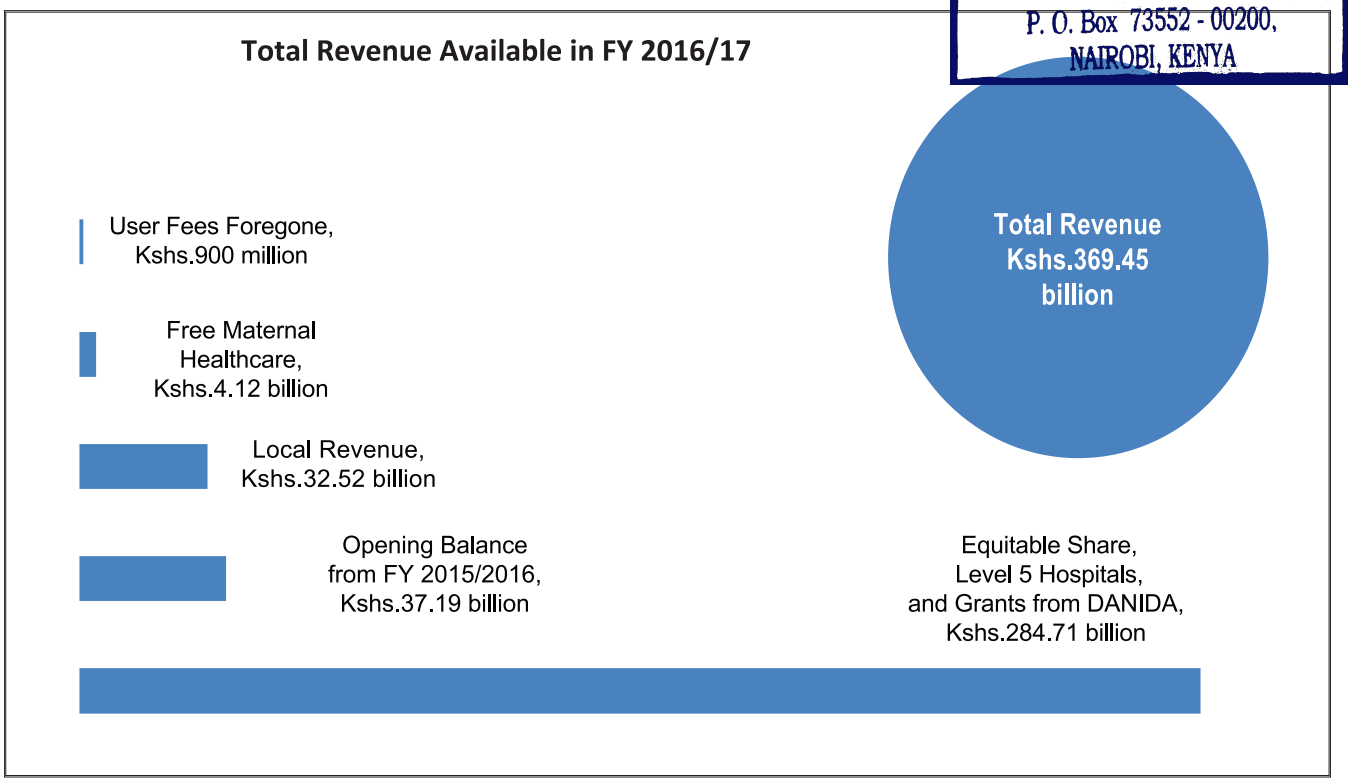
Source: (Office of the Contoller of Budget)

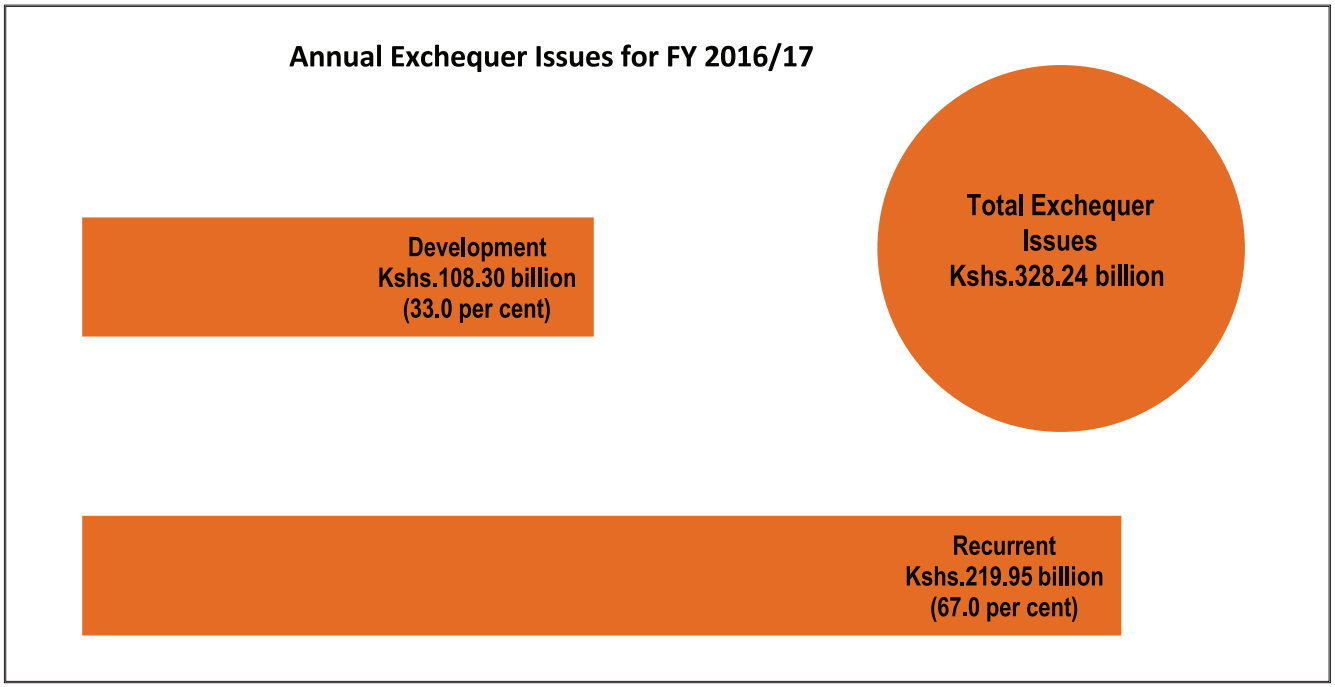
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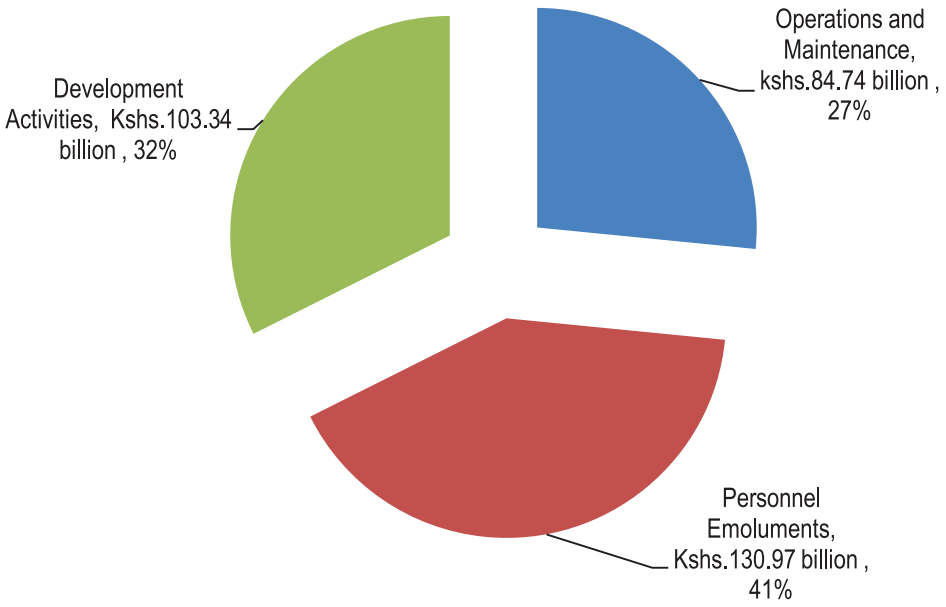
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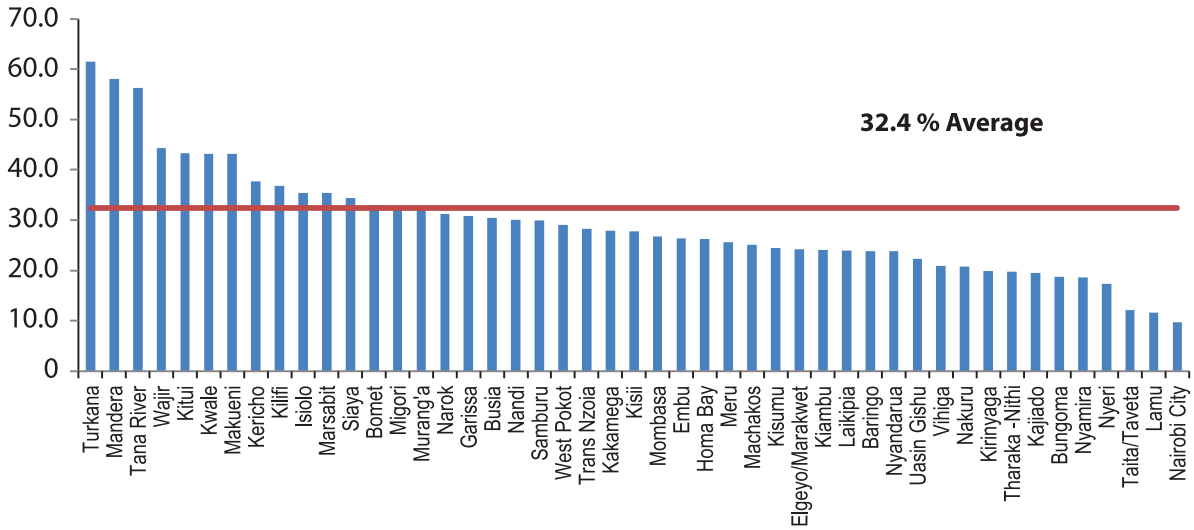


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Annual FY 2016/17 Expenditure by Economic Classification



Development Expenditure as Percentage of Total Expenditure in FY 2016/17



1 INTRODUCTION

COUNTY ASSEMBLIES FORUM (CAF)
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The Office of the Controller of Budget (OCOB) is established under Article 228 of the Constitution of Kenya, 2010 to amog other functions, oversee and report on implementation of the budgets of both the national and county governments to each House of Parliament every four months.

This Budget Implementation Review Report (BIRR) is therefore prepared in conformity with Article 228 (4) and 228 (6) of the Constitution. It presents a review of budget execution by the County Governments for FY 2016/17 and analyses information on local revenue raised, transfers received from the National Government and Development Partners, and the total expenditure during the 2016/17 financial year. The report offers useful information on budget implementation to oversight institutions such as, the Senate, County Assemblies, the National Treasury, and the Public at large. Information provided in this report is also useful to Development Partners who may wish to access the impact of their support to counties. The County Executives will find this report useful in evaluating their achievements against set targets and can also benchmark performance against other counties.

This report is organized into five chapters. Chapter one offers the introduction while the main body of the report begins in chapter two where aggregate performance by the counties is presented. The chapter presents an analysis of revenue and expenditure performance against set targets by revenue streams such as; equitable shareable revenue, conditional grants from the National Government and Development Partners, and own revenue collection. Expenditure is analyzed into three cost categories of development expenditure, personnel emoluments, and, operations and maintenance. Absorption rate is used to measure performance and is computed as a percentage of expenditure aginst the approved annual budget.

Chapter three presents individual County performance and covers information on budget allocation and financing, exchequer issues, expenditure, and observations made by the OCOB in budget implementation during the reporting period. The key challenges and recommendations that affected budget implementation by the County Governments during the financial year are presented in Chapter four. Chapter five provides the conclusion.

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2 FINANCIAL ANALYSIS OF COUNTY BUDGET IMPLEMENTATION IN FY 2016/17

2.1 Introduction

This chapter presents analysis of overall performance on budget implementation by the counties for the twelve months of FY 2016/17.

2.2 Revenue Analysis

In FY 2016/17, the combined County governments' budgets approved by the County Assemblies amounted to Kshs.399.24 billion and comprised of Kshs.240.89 billion (60.3 per cent) allocated to recurrent expenditure and Kshs.158.36 billion (39.7 per cent) for development expenditure.

In order to finance the budgets, county governments expected to receive Kshs.280.3 billion as equitable share of revenue raised nationally, Kshs.21.9 billion as total conditional grants from the National Government and Development Partners, generate Kshs.57.66 billion from local sources, and Kshs.37.19 billion cash balance brought forward from FY 2014/15. The conditional grants comprised of Kshs.4.5 billion for Leasing of Medical Equipment, Kshs.4.12 billion for Free Maternal Healthcare, Kshs.4 billion for Level 5 Hospitals, Kshs.4.31 billion from the Road Maintenance Fuel Levy Fund, Kshs.900 million for compensation of User Fees Foregone, Kshs.200 million as Special Purpose Grant Supporting Emergency Medical Services, Kshs.422.36 million from DANIDA, Kshs.1.3 billion as World Bank Loan, and Kshs.2.15 billion as Conditional Allocation-Other Loans and Grants. All these conditional grants were contained in the County Allocation of Revenue Act (CARA), 2016.

2.2.1 Revenue Out-turn

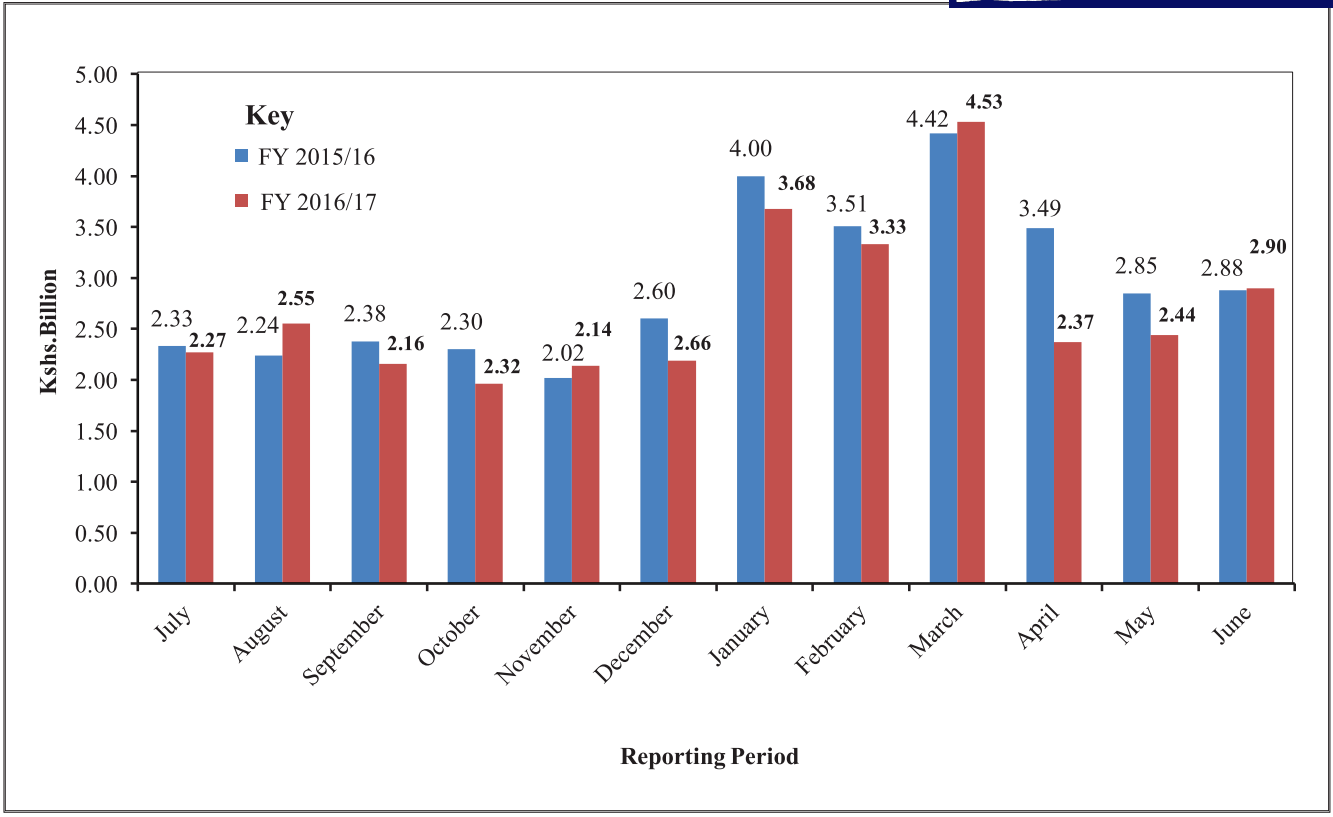
The total funds available to the County Governments in FY 2016/17 amounted to Kshs.369.45 billion. This amount consisted of Kshs.280.3 billion as equitable share of revenue, Kshs.4 billion as grant for Level 5 Hospitals, Kshs.408 million grant from DANIDA, Kshs.556 million grant from the World Bank, Kshs.4.12 billion for Free Maternal Health Care, Kshs.900 million as compensation for User Fees Foregone, Kshs.4.31 billion from the Road Maintenance Fuel Levy Fund, Kshs.200 million as Special Purpose Grant Supporting Emergency Medical Services, Kshs.4.84 billion as Allowances for County Medical Personnel, Kshs.107 million as Coffee Cess, Kshs.32.52 billion as revenue raised from local sources, and Kshs.37.19 billion cash balance from FY 2015/16.

2.3 Locally Collected Revenue

The aggregate annual local revenue target for counties in FY 2016/17 is Kshs.57.66 billion. During the reporting period, county governments generated a total of Kshs.32.52 billion, which was 56.4 per cent of the annual target. This was a decline compared to Kshs.35.02 billion generated in FY 2015/16, which was 69.3 per cent of the annual revenue target. The monthly local revenue collection in FY 2015/16 and FY 2016/17 is shown in Figure 2.1.

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Figure 2.1: Monthly Local Revenue- FY 2015/16 and FY 2016/17 (Kshs. Billion)



Source: *County Treasuries*

The local revenue collection by quarter for the period July 2016-June 2017 is shown in Table 2.1.

Table 2.1: Local Revenue Collection for FY 2016/17

County Title	Annual local revenue target FY 2016/17 (Kshs.)	1st Quarter, FY 2016/17 Local Revenue (Kshs.)	2nd Quarter, FY 2016/17 Local Revenue (Kshs.)	3rd Quarter Local, FY 2016/17 Revenue (Kshs.)	4th Quarter Local, FY 2016/17 Revenue (Kshs.)	FY 2016/17 Total Local Revenue (Kshs.)	% of Local Revenue Against Annual Local Revenue Target
Baringo	330,000,000	91,426,072	59,288,234	71,993,883	65,810,488	288,518,677	87.4
Bomet	274,724,577	100,163,619	37,172,887	59,790,182	39,570,350	236,697,038	86.2
Bungoma	731,896,718	105,524,675	102,599,218	318,591,746	134,872,510	661,588,149	90.4
Busia	587,510,998	69,988,384	64,398,780	70,612,959	51,826,116	256,826,239	43.7
Elgeyo/ Marakwet	160,021,113	24,905,877	20,542,123	30,143,211	21,732,762	97,323,973	60.8
Embu	803,772,092	101,490,826	96,524,887	106,261,004	111,995,530	416,272,247	51.8
Garissa	350,000,000	21,416,486	19,785,201	21,209,079	19,547,385	81,958,151	23.4
Homa Bay	192,162,868	40,697,810	30,910,563	43,019,119	29,504,200	144,131,692	75
Isiolo	250,000,000	37,940,997	20,195,760	18,608,397	18,250,909	94,996,063	38
Kajiado	1,248,371,716	121,297,878	104,104,688	223,336,412	108,355,091	557,094,069	44.6

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County Title	Annual local revenue target FY 2016/17 (Kshs.)	1st Quarter, FY 2016/17 Local Revenue (Kshs.)	2nd Quarter, FY 2016/17 Local Revenue (Kshs.)	3rd Quarter Local, FY 2016/17 Revenue (Kshs.)	4th Quarter Local, FY 2016/17 Revenue (Kshs.)	FY 2016/17 Total Local Revenue (Kshs.)	% of Local Against Annual Local Revenue Target
Kakamega	894,070,561	102,583,711	88,484,734	109,877,097	142,230,478	443,176,020	49.6
Kericho	603,346,705	62,380,333	101,541,664	192,943,467	133,115,165	489,980,629	81.2
Kiambu	3,070,000,000	403,438,150	421,988,774	751,619,872	455,933,962	2,032,980,758	66.2
Kilifi	1,585,881,577	144,200,292	181,631,997	190,525,270	103,736,016	620,093,575	39.1
Kirinyaga	743,239,866	78,075,942	49,221,110	126,498,377	66,842,870	320,638,299	43.1
Kisii	725,000,000	73,292,944	43,301,000	85,864,436	69,186,000	271,644,380	37.5
Kisumu	1,584,987,119	211,209,760	241,557,388	323,520,926	227,755,832	1,004,043,906	63.3
Kitui	668,610,000	91,246,587	56,379,145	87,910,618	79,811,014	315,347,364	47.2
Kwale	261,048,468	45,057,651	33,730,228	80,231,502	61,991,805	221,011,186	84.7
Laikipia	670,000,000	52,413,065	57,605,862	131,123,054	221,581,270	462,723,251	69.1
Lamu	100,000,000	7,978,400	14,877,084	19,333,329	34,771,975	76,960,788	77
Machakos	2,861,623,481	295,284,724	224,790,482	431,831,079	307,398,659	1,259,304,944	44
Makueni	330,000,000	43,745,134	26,756,815	83,003,428	62,752,599	216,257,976	65.5
Mandera	265,643,523	13,926,551	15,431,200	15,366,462	11,119,412	55,843,625	21
Marsabit	120,000,000	24,102,699	23,876,724	41,823,533	38,927,180	128,730,136	107.3
Meru	773,236,727	126,054,421	79,538,678	158,780,782	188,294,276	552,668,157	71.5
Migori	420,000,000	93,850,397	50,246,696	87,072,079	59,646,131	290,815,303	69.2
Mombasa	5,289,743,050	351,343,709	496,302,660	1,094,101,102	1,224,493,490	3,166,240,961	59.9
Murang'a	993,550,000	112,311,181	77,881,618	201,466,627	115,026,306	506,685,732	51.0
Nairobi City	19,566,000,000	2,038,350,816	2,168,459,211	4,509,675,319	2,213,345,007	10,929,830,353	55.9
Nakuru	2,597,264,658	275,572,395	256,823,116	594,952,564	420,946,924	1,548,294,999	59.6
Nandi	362,283,894	101,587,001	32,145,212	42,772,211	68,226,333	244,730,757	67.6
Narok	2,891,716,734	824,524,753	389,714,485	259,035,136	60,659,586	1,533,933,960	53
Nyamira	198,230,100	26,655,816	21,268,124	28,397,635	17,598,512	93,920,087	47.4
Nyandarua	390,000,000	49,096,833	53,561,192	110,063,996	84,044,542	296,766,563	76.1
Nyeri	1,095,101,000	169,833,726	138,378,967	186,919,631	148,006,829	643,139,153	58.7
Samburu	345,867,422	65,209,411	40,702,426	44,123,057	37,628,610	187,663,504	54.3
Siaya	270,000,000	38,807,258	28,605,872	59,304,682	46,119,312	172,837,124	64
Taita/Taveta	355,587,656	39,643,238	30,708,423	44,505,991	57,159,460	172,017,112	48.4
Tana River	60,000,000	8,349,423	4,949,548	8,952,275	5,165,778	27,417,024	45.7
Tharaka -Nithi	200,000,000	24,263,430	19,747,128	15,211,568	19,347,064	78,569,191	39.3
Trans Nzoia	500,000,000	67,119,995	30,702,605	78,724,118	41,347,085	217,893,803	43.6
Turkana	180,000,000	49,848,315	30,508,033	30,080,170	75,880,251	186,316,769	103.5
Uasin Gishu	1,192,000,000	116,685,485	102,105,515	304,538,336	140,501,442	663,830,778	55.7
Vihiga	220,000,000	23,560,000	15,947,000	25,223,000	31,303,000	96,033,000	43.7
Wajir	230,119,950	21,573,075	17,185,915	20,025,115	17,124,615	75,908,720	33
West Pokot	122,245,626	19,404,094	16,518,847	22,537,121	24,758,845	83,218,907	68.1
Total	**57,664,858,199**	**7,007,433,339**	**6,238,697,819**	**11,561,500,958**	**7,715,242,976**	**32,522,875,093**	**56.4**

Source: *County Treasuries*

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During the period under review, the Nairobi City County generated the highest amount of local revenue at Kshs.10.93 billion, followed by Mombasa and Kiambu at Kshs.3.17 billion and Kshs.2.03 billion respectively. The Counties that generated the lowest amount were Wajir, Mandera and Tana River at Kshs.75.91 million, Kshs.55.84 million and Kshs.27.42 million respectively.

Analysis of local revenue as a proportion of the annual revenue target indicates that Marsabit and Turkana Counties surpassed their targets at 107.3 per cent and 103.5 per cent respectively. Conversely, counties that recorded the lowest proportion of local revenue against annual targets were Kisii at 37.5 per cent, Wajir at 33 per cent, Garissa at 23.4 per cent and Mandera at 21 per cent.

2.4 Funds Released to the Counties

2.4.1 Funds released to counties from the Consolidated Fund

In FY 2016/17, the Controller of Budget (COB) approved transfer of Kshs.284.71 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.208.3 billion as equitable share of revenue raised nationally; Kshs.4 billion as conditional allocations from the National Government to Level 5 Hospitals, and Kshs.408 million as conditional grant from DANIDA to supplement financing of County Health Facilities.

2.4.2 Funds transfered to Counties as a direct disbursement to their County Revenue Fund Accounts

During the same period, Counties received additional conditional grants from the National Government as follows; Kshs.4.12 billion for Free Maternal Healthcare, Kshs.900 million to compensation User Fees Foregone, Kshs.4.31 billion from the Road Maintenance Fuel Levy Fund, Kshs.200 million as Special Purpose Grant Supporting Emergency Medical Services in Lamu and Tana River Counties, Kshs.4.84 billion as additional allowances for County Medical Personnel, and Kshs.107 million as Coffee Cess. Further, county governments received Kshs.556 million from the World Bank as a loan to supplement financing of County Health Facilities.

2.4.3 Funds Released to the County Operational Accounts

The COB authorised withdrawals of Kshs.328.24 billion from the County Revenue Funds to County Operational Accounts. The transfers comprised of Kshs.219.95 billion (67 per cent) for recurrent expenditure and Kshs.108.3 billion (33 per cent) for development expenditure.

From the Kshs.219.95 billion released for recurrent activities, Kshs.191.62 billion was for the County Executives while Kshs.28.33 billion was for the County Assemblies. On the other hand, out of Kshs.108.3 billion released towards development activities, the County Executive and the County Assemblies received Kshs.105.28 billion and Kshs.3.01 billion respectively.

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

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

Exchequer Releases from CRF to County Operations Accounts, FY 2016/17 (Kshs.Million)									
County	COUNTY ASSEMBLY			COUNTY EXECUTIVE			COMBINED EXCHEQUER ISSUES		
	Rec (Kshs)	Dev (Kshs)	Total	Rec (Kshs)	Dev (Kshs)	Total	Rec (Kshs)	Dev (Kshs)	Total
	A	B	C=A+B	D	E	F=D+E	G=A+D	H=B+E	I=G+H
Baringo	556.67	35	591.67	3,314.98	1,486.50	4,801.49	3,871.65	1,521.50	5,393.15
Bomet	483.82	-	483.82	3,344.57	1,706.96	5,051.53	3,828.38	1,706.96	5,535.35
Bungoma	838.41	88	926.41	5,535.68	2,816.40	8,352.07	6,374.08	2,904.40	9,278.48
Busia	633.73	90.14	723.87	3,487.00	2,555.24	6,042.24	4,120.73	2,645.38	6,766.10
Elgeyo/ Marakwet	460.86	16.04	476.90	2,355.04	1,218.43	3,573.47	2,815.90	1,234.47	4,050.37
Embu	489.55	-	489.55	3,501.23	1,940.47	5,441.70	3,990.78	1,940.47	5,931.25
Garissa	649.50	20	669.50	4,032.13	2,422.06	6,454.19	4,681.63	2,442.06	7,123.69
Homa Bay	730.00	10	740.00	4,186.00	1,583.00	5,769	4,916.00	1,593.00	6,509
Isiolo	377.90	177.10	555.00	1,925.73	1,024.92	2,950.65	2,303.63	1,202.02	3,505.65
Kajiado	550.68	69.16	619.84	3,667.20	1,108.31	4,775.52	4,217.88	1,177.48	5,395.35
Kakamega	899.91	-	899.91	5,142.53	5,052.50	10,195.03	6,042.44	5,052.50	11,094.94
Kericho	612.17	-	612.17	3,111.15	2,089.18	5,200.32	3,723.32	2,089.18	5,812.49
Kiambu	894.25	47.64	941.89	7,900.38	2,506.05	10,406.43	8,794.63	2,553.69	11,348.32
Kilifi	774.92	120	894.92	4,885	3,451.06	8,336.06	5,659.92	3,571.06	9,230.98
Kirinyaga	480.47	-	480.47	2,853.56	1,123.12	3,976.68	3,334.02	1,123.12	4,457.14
Kisii	791.07	113	904.07	5,191	1,927.6	7,118.6	5,982.06	2,040.6	8,022.66
Kisumu	654.62	-	654.62	5,505.92	1,908.38	7,414.3	6,160.55	1,908.38	8,068.93
Kitui	661.19	117.52	778.71	4,641.27	3,840.96	8,482.23	5,302.46	3,958.48	9,260.94
Kwale	492.92	270	762.92	3,234.87	2,031.29	5,266.17	3,727.79	2,301.29	6,029.08
Laikipia	360.00	15	375	3,021.19	1,364.19	4,385.38	3,381.19	1,379.19	4,760.38
Lamu	326.00	79.50	405.5	1,576.25	970.43	2,546.67	1,902.25	1,049.93	2,952.17
Machakos	786.78	144.41	931.19	6,117.57	2,626.67	8,744.25	6,904.36	2,771.08	9,675.44
Makueni	628.40	59.94	688.34	4,258.67	4,444.66	8,703.32	4,887.07	4,504.60	9,391.66
Mandera	576.69	96.75	673.44	3,760.02	5,762.15	9,522.17	4,336.71	5,858.90	10,195.62
Marsabit	496.34	60.31	556.65	2,890.14	2,918.97	5,809.12	3,386.48	2,979.28	6,365.76
Meru	894.52	-	894.52	5,422.94	2,431.56	7,854.51	6,317.46	2,431.56	8,749.02
Migori	638.00	-	638	4,118.22	2,330.00	6,448.22	4,756.22	2,330.00	7,086.22
Mombasa	471.25	-	471.25	5,694.77	2,611.49	8,306.27	6,166.02	2,611.49	8,777.52
Murang'a	620.00	30	650	3,542.00	2,517	6,059	4,162	2,547	6,709
Nairobi City	1,286.13	94	1,380.13	14,161.36	-	14,161.36	15,447.49	94	15,541.49
Nakuru	790.44	207.20	997.65	7,243.95	3,031.14	10,275.09	8,034.40	3,238.34	11,272.74
Nandi	550.00	118.90	668.9	2,984.23	1,584.5	4,568.73	3,534.23	1,703.4	5,237.63
Narok	543.10	70	613.1	4,780.49	2,080.83	6,861.33	5,323.59	2,150.83	7,474.42
Nyamira	488.71	51.88	540.59	3,268.30	906.53	4,174.83	3,757.01	958.41	4,715.42
Nyandarua	572.22	177	749.22	2,857.43	1,549.66	4,407.09	3,429.65	1,726.66	5,156.31
Nyeri	593.21	10.67	603.88	4,067.85	1,250.49	5,318.34	4,661.06	1,261.16	5,922.22
Samburu	449.81	55	504.81	2,595.89	1,178.04	3,773.93	3,045.70	1,233.04	4,278.73

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Siaya	599.91	27.12	627.04	3,283.09	2,472.88	5,755.96	3,883.00	2,500.00	6,383
Taita/ Taveta	432.62	32.80	465.41	2,489.65	938.77	3,428.42	2,922.26	971.56	3,893.83
Tana River	450.91	98.36	549.27	1,753.59	2,198.70	3,952.28	2,204.5	2,297.06	4,501.56
Tharaka – Nithi	340.10	-	340.1	2,237.14	982.66	3,219.8	2,577.24	982.66	3,559.90
Trans Nzoia	534.27	-	534.27	3,690.21	1,980.24	5,670.45	4,224.48	1,980.24	6,204.72
Turkana	763.43	253	1,016.43	4,399.23	7,380.29	11,779.51	5,162.65	7,633.29	12,795.94
Uasin Gishu	482.13	12	494.13	4,109.46	1,849.52	5,958.99	4,591.59	1,861.52	6,453.12
Vihiga	533.77	61.37	595.14	2,755.55	962.36	3,717.92	3,289.32	1,023.73	4,313.06
Wajir	645.13	-	645.13	3,907.94	3,549.04	7,456.99	4,553.08	3,549.04	8,102.12
West Pokot	440	84.98	524.98	2,818.60	1,616.54	4,435.14	3,258.60	1,701.52	4,960.12
Total	**28,326**	**3,014**	**31,340**	**191,621**	**105,282**	**296,903**	**219,947**	**108,296**	**328,243**

Source: *County Treasuries and OCOB*

Nairobi City County received the highest amount from its CRF account to the operational accounts at Kshs.15.54 billion followed by Turkana and Kiambu at Kshs.12.8 billion and Kshs.11.35 billion respectively. The Counties that received the least amounts were; Tharaka Nithi at Kshs.3.56 billion, Isiolo at Kshs.3.51 billion, and Lamu at Kshs.2.95 billion.

From the funds released for recurrent activities, the Nairobi City County, Kiambu County and Nakuru County received the highest amounts at Kshs.15.45 billion, Kshs.8.79 billion and Kshs.8.03 billion respectively. Conversely, Isiolo, Tana River, and Lamu Counties received the lowest amounts at Kshs.2.3 billion, Kshs.2.2 billion, Kshs.1.9 billion respectively.

The funds released for development activities indicate that Turkana County, Mandera County, and Kakamega County received the highest amount at Kshs.7.63 billion, Kshs.5.86 billion and Kshs.5.05 billion respectively. Those that received the least amount for development activities were Taita Taveta at Kshs.971.56 million, Nyamira at Kshs.958.41 million and Nairobi City at Kshs.94 million.

2.5 Expenditure Analysis

The total expenditure by County governments in FY 2016/17 was Kshs.319.06 billion representing an absorption rate of 79.9 per cent of the total annual County Government's Budgets. This was a decrease from an absorption rate of 80.4 per cent reported attained in FY 2015/16 where total expenditure was Kshs.295.29 billion.

Recurrent expenditure was Kshs.215.71 billion, representing 89.6 per cent of the annual recurrent budget, and a decline from 91.9 per cent reported in FY 2015/16. Development expenditure amounted to Kshs.103.34 billion, representing an absorption rate of 65.3 per cent, and a slight increase from 65.2 per cent attained in FY 2015/16 when total development expenditure was Kshs.103.45 billion. The analysis of expenditure by economic classification in FY 2016/17 is provided in Table 2.3.

Table 2.3: Expenditure by Economic Classification - FY 2016/17

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County Title	Personnel Emoluments (Kshs.)	Operations & Maintenance (Kshs.)	Development Expenditure (Kshs.)	Total Expenditure (Kshs.)
	A	B	C	D=A+B+C
Baringo	2,384,718,802	1,363,372,334	1,466,296,532	5,214,387,668
Bomet	2,245,195,272	1,077,393,117	1,491,950,043	4,814,538,432
Bungoma	3,417,281,564	2,730,711,289	1,844,187,428	7,992,180,281
Busia	2,422,857,698	1,494,932,350	1,963,609,147	5,881,399,195
Elgeyo/Marakwet	2,050,879,402	746,131,100	1,167,667,198	3,964,677,700
Embu	2,543,582,471	1,116,496,043	2,099,161,907	5,759,240,421
Garissa	2,760,350,275	1,921,281,193	2,442,055,050	7,123,686,518
Homa Bay	2,879,456,649	1,440,211,660	1,417,516,313	5,737,184,622
Isiolo	1,369,045,355	831,171,169	1,266,238,163	3,466,454,687
Kajiado	1,753,129,073	2,058,391,231	1,250,401,568	5,061,921,872
Kakamega	3,950,535,456	1,685,820,596	5,208,764,157	10,845,120,209
Kericho	2,148,962,069	1,429,253,974	2,022,500,051	5,600,716,094
Kiambu	5,305,453,921	2,995,622,587	2,510,488,718	10,811,565,226
Kilifi	2,833,075,185	2,878,022,342	4,473,125,092	10,184,222,619
Kirinyaga	2,171,574,287	991,465,309	1,083,535,833	4,246,575,429
Kisii	4,148,352,797	1,822,366,514	2,014,889,259	7,985,608,570
Kisumu	3,402,106,815	1,453,178,949	1,982,568,299	6,837,854,063
Kitui	2,821,765,546	1,804,188,212	3,688,648,678	8,314,602,436
Kwale	2,005,494,196	1,798,452,193	2,056,688,001	5,860,634,389
Laikipia	2,004,123,450	1,159,456,443	1,547,089,362	4,710,669,255
Lamu	721,006,767	805,208,415	467,342,028	1,993,557,210
Machakos	4,129,106,860	1,676,115,233	3,343,570,840	9,148,792,933
Makueni	2,714,545,316	2,171,432,477	4,036,525,943	8,922,503,736
Mandera	1,645,809,439	2,719,646,363	5,831,482,458	10,196,938,260
Marsabit	1,400,872,629	1,948,868,898	2,791,752,525	6,141,494,052
Meru	3,739,280,877	2,365,749,113	2,238,994,499	8,344,024,489
Migori	2,634,309,836	1,314,873,334	1,869,609,807	5,818,792,977
Mombasa	3,777,053,256	2,613,434,248	2,743,147,029	9,133,634,533
Murang'a	2,772,159,641	1,622,728,658	2,037,425,071	6,432,313,369
Nairobi City	13,422,280,358	7,656,629,145	3,779,727,323	24,858,636,826
Nakuru	5,166,024,742	3,447,357,772	2,049,831,821	10,663,214,335
Nandi	1,855,505,886	1,641,532,947	1,803,756,718	5,300,795,551
Narok	2,967,462,626	2,355,825,566	2,150,672,199	7,473,960,391
Nyamira	2,219,570,179	1,302,824,673	979,206,352	4,501,601,204
Nyandarua	1,920,352,233	1,399,944,997	1,642,722,449	4,963,019,679
Nyeri	2,907,282,859	1,557,115,700	1,220,696,247	5,685,094,806
Samburu	1,123,086,362	1,780,476,937	1,263,836,008	4,167,399,307
Siaya	2,307,288,339	1,339,522,982	1,983,347,837	5,630,159,158
Taita/Taveta	1,995,016,544	984,365,949	405,651,476	3,385,033,969
Tana River	1,239,682,628	527,553,687	1,779,133,015	3,546,369,330
Tharaka -Nithi	1,668,123,331	559,004,732	546,716,254	2,773,844,316
Trans Nzoia	2,161,908,317	2,131,337,393	1,711,194,246	6,004,439,956

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Turkana	2,681,411,280	2,350,087,489	6,159,909,977	11,191,408,746
Uasin Gishu	2,752,074,361	1,382,140,918	1,460,346,888	[illegible]
Vihiga	1,837,710,941	1,087,844,010	793,121,616	3,718,676,567
Wajir	2,934,356,602	1,625,055,312	3,688,781,853	8,248,193,767
West Pokot	1,661,183,860	1,577,260,168	1,565,650,844	4,804,094,872
Total	**130,972,406,350**	**84,741,855,720**	**103,341,534,122**	**319,055,796,192**

Source: *OCOB and County Treasuries*

The Counties that attained the highest expenditure in absolute terms were; Nairobi City at Kshs.24.86 billion, Turkana at Kshs.11.19 billion, and Kakamega at Kshs.10.85 billion. The lowest expenditure was recorded by Taita Taveta, Tharaka Nithi, and Lamu counties at Kshs.3.39 billion, Kshs.2.77 billion, and Kshs.1.99 billion respectively.

Analysis of expenditure as a percentage of the funds released indicates that the following counties attained the highest percentage of expenditure to total funds released: - Nairobi City at 160 per cent, Kilifi at 110.3 per cent, Mombasa at 104.1 per cent, Wajir at 101.8, and Nandi at 101.2 per cent. These counties spent more than the funds authorized for withdrawal by the COB and may be attributed to spending of locally generated revenue at source contrary to Section 109 of the PFM Act, 2012. The Counties that had the least percentages of expenditure to funds released included; Tana River at 78.8 per cent, Tharaka Nithi at 77.9 per cent, and Lamu at 67.5 per cent.

Counties that recorded the highest overall absorption rates were Wajir at 95 per cent, Garissa at 94.1 per cent, and Isiolo at 92.5 per cent. Conversely, Nakuru, Tharaka Nithi, and Lamu Counties recorded the lowest overall absorption rates at 70.7 per cent, 70 per cent, and 62.1 per cent respectively. Overall absorption rate is a percentage of total expenditure to the Approved County Budgets.

A review of cumulative expenditure by economic classification showed that Kshs.130.97 billion (41.1 per cent) was spent on personnel emoluments, Kshs.4.74 billion (26.6 per cent) on operations and maintenance, and Kshs.103.34 billion (32.4 per cent of the total expenditure) on development expenditure.

2.5.1 Development Expenditure

The County governments spent Kshs.103.34 billion on development activities, representing an absorption rate of 65.3 per cent of the annual development budget, which is a slight increase from 65.2 per cent, reported in FY 2015/16 when development expenditure was Kshs.103.45 billion.

Turkana County recorded the highest expenditure on development activities in absolute terms at Kshs.6.16 billion, followed by Mandera County and Kakamega County at Kshs.5.83 billion and Kshs.5.21 billion respectively. Counties that reported the lowest development expenditure included; Tharaka Nithi, Lamu and Taita Taveta at Kshs.546.72 million, Kshs.467.34 million and Kshs.405.65 million respectively.

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

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Table 2.4: County Budget Allocation, Expenditure and Absorption Rate for FY 2016/17

County Title	Budget Estimates (Kshs.Million)			Expenditure (Kshs.Million)			Recurrent Absorption Rate (%)	Devel-opment Absorption Rate (%)	Overall Absorption Rate
	Rec	Dev	Total	Rec	Dev	Total			
	A	B	C=A+B	D	E	F=D+E	G=D/A *100	H=E/B *100	I=F/C *100
Baringo	3,901.72	2,609.72	6,511.44	3,748.09	1,466.30	5,214.39	96.1	56.2	80.1
Bomet	3,911.94	1,671.01	5,582.95	3,322.59	1,491.95	4,814.54	84.9	89.3	86.2
Bungoma	6,685.75	3,784.24	10,469.99	6,147.99	1,844.19	7,992.18	92.0	48.7	76.3
Busia	4,471.32	3,074.32	7,545.63	3,917.79	1,963.61	5,881.40	87.6	63.9	77.9
Elgeyo/ Marakwet	2,886.76	1,852.41	4,739.17	2,797.01	1,167.67	3,964.68	96.9	63.0	83.7
Embu	4,145.77	2,579.70	6,725.47	3,660.08	2,099.16	5,759.24	88.3	81.4	85.6
Garissa	4,764.56	2,805.96	7,570.52	4,681.63	2,442.06	7,123.69	98.3	87	94.1
Homa Bay	4,633.84	2,098.07	6,731.91	4,319.67	1,417.52	5,737.18	93.2	67.6	85.2
Isiolo	2,316.97	1,429.46	3,746.42	2,200.22	1,266.24	3,466.45	95	88.6	92.5
Kajiado	4,354.48	2,655.90	7,010.38	3,811.52	1,250.4	5,061.92	87.5	47.1	72.2
Kakamega	6,044.61	6,325.15	12,369.76	5,636.36	5,208.76	10,845.12	93.2	82.4	87.7
Kericho	3,854.29	2,444.66	6,298.95	3,578.22	2,022.50	5,600.72	92.8	82.7	88.9
Kiambu	8,806.63	3,592.52	12,399.15	8,301.08	2,510.49	10,811.57	94.3	69.9	87.2
Kilifi	6,502.05	6,830.75	13,332.80	5,711.10	4,473.13	10,184.22	87.8	65.5	76.4
Kirinyaga	3,369.02	1,875.84	5,244.86	3,163.04	1,083.54	4,246.58	93.9	57.8	81.0
Kisii	6,361.32	3,709.21	10,070.53	5,970.72	2,014.89	7,985.61	93.9	54.3	79.3
Kisumu	6,230.62	3,164.60	9,395.21	4,855.29	1,982.57	6,837.85	77.9	62.6	72.8
Kitui	5,750.30	5,220.10	10,970.41	4,625.95	3,688.65	8,314.60	80.4	70.7	75.8
Kwale	4,326.16	3,622.35	7,948.51	3,803.95	2,056.69	5,860.63	87.9	56.8	73.7
Laikipia	3,500.27	2,466.22	5,966.49	3,163.58	1,547.09	4,710.67	90.4	62.7	79.0
Lamu	1,991.54	1,219.72	3,211.26	1,526.22	467.34	1,993.56	76.6	38.3	62.1
Machakos	7,508.05	3,373.91	10,881.96	5,805.22	3,343.57	9,148.79	77.3	99.1	84.1
Makueni	5,154.66	5,497.78	10,652.44	4,885.98	4,036.53	8,922.50	94.8	73.4	83.8
Mandera	4,789.97	7,238.82	12,028.79	4,365.46	5,831.48	10,196.94	91.1	80.6	84.8
Marsabit	3,609.18	3,210.00	6,819.18	3,349.74	2,791.75	6,141.49	92.8	87	90.1
Meru	6,924.21	3,216.89	10,141.1	6,105.03	2,238.99	8,344.02	88.2	69.6	82.3
Migori	4,749.07	2,981.63	7,730.69	3,949.18	1,869.61	5,818.79	83.2	62.7	75.3
Mombasa	7,657.84	3,989.86	11,647.7	6,390.49	2,743.15	9,133.63	83.5	68.8	78.4
Murang'a	4,707.53	3,505.29	8,212.82	4,394.89	2,037.43	6,432.31	93.4	58.1	78.3
Nairobi City	23,460.81	11,324.05	34,784.86	21,078.91	3,779.73	24,858.64	89.8	33.4	71.5
Nakuru	9,251.15	5,839.40	15,090.55	8,613.38	2,049.83	10,663.21	93.1	35.1	70.7
Nandi	4,377.21	2,526.11	6,903.32	3,497.04	1,803.76	5,300.80	79.9	71.4	76.8
Narok	5,682.88	3,396.67	9,079.55	5,323.29	2,150.67	7,473.96	93.7	63.3	82.3
Nyamira	3,938.16	1,670.90	5,609.06	3,522.39	979.21	4,501.60	89.4	58.6	80.3
Nyandarua	3,722.63	1,945.50	5,668.12	3,320.30	1,642.72	4,963.02	89.2	84.4	87.6
Nyeri	4,977.49	2,304.91	7,282.40	4,464.40	1,220.70	5,685.09	89.7	53.0	78.1
Samburu	3,206.18	1,462.13	4,668.31	2,903.56	1,263.84	4,167.40	90.6	86.4	89.3
Siaya	3,917.08	3,153.25	7,070.33	3,646.81	1,983.35	5,630.16	93.1	62.9	79.6

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Taita/ Taveta	3,240.52	1,415.92	4,656.44	2,979.38	405.65	3,385.03	91.9	28.6	72.7
Tana River	2,227.56	2,357.66	4,585.21	1,767.24	1,779.13	3,546.37	79.3	75.5	77.3
Tharaka -Nithi	2,686.75	1,273.16	3,959.90	2,227.13	546.72	2,773.84	82.9	42.9	70
Trans Nzoia	4,224.48	2,650.52	6,875.00	4,293.25	1,711.19	6,004.44	101.6	64.6	87.3
Turkana	5,487.83	8,878.12	14,365.95	5,031.50	6,159.91	11,191.41	91.7	69.4	77.9
Uasin Gishu	5,042.94	2,676.15	7,719.09	4,134.22	1,460.35	5,594.56	82.0	54.6	72.5
Vihiga	3,529.59	1,511.05	5,040.64	2,925.55	793.12	3,718.68	82.9	52.5	73.8
Wajir	4,588.44	4,093.50	8,681.95	4,559.41	3,688.78	8,248.19	99.4	90.1	95.0
West Pokot	3,414.26	1,832.13	5,246.39	3,238.44	1,565.65	4,804.09	94.9	85.5	91.6
Total	**240,886.37**	**158,357.20**	**399,243.57**	**215,714.26**	**103,341.53**	**319,055.80**	**89.6**	**65.3**	**79.9**

Source: *OCOB and County Treasuries*

Analysis of development expenditure as a proportion of approved annual development budget shows that Machakos, Wajir, Bomet, and Isiolo Counties attained the highest absorption rate at 99.1 per cent, 90.1 per cent, 89.3 per cent and 88.6 per cent respectively. Lamu, Nakuru County, Nairobi City County and Taita Taveta County reported the lowest absorption rate of their development budget at 38.3 per cent, 35.1 per cent, 33.4 per cent and 28.6 per cent respectively. Detailed analysis of development projects undertaken by counties is provided in chapter three.

2.5.2 Recurrent Expenditure

The Counties spent an aggregate of Kshs.215.71 billion or 67.6 per cent of the total expenditure on recurrent activities. This expenditure represents 89.6 per cent of the annual county government's budget for recurrent activities, and a decline from 91.9 per cent recorded in FY 2015/16 when expenditure stood at Kshs.191.85 billion.

Analysis of expenditure in absolute terms shows that Nairobi City County attained the highest expenditure on recurrent activities at Kshs.21.08 billion, followed by Nakuru and Kiambu Counties at Kshs.8.61 billion and Kshs.8.3 billion respectively. Counties with the lowest expenditure on recurrent activities included Isiolo at Kshs.2.2 billion, Tana River at Kshs.1.77 billion and Lamu at Kshs.1.53 billion.

Trans Nzoia County reported the highest percentage of recurrent expenditure to its annual recurrent budget at 101.6 per cent, followed by Wajir County at 99.4 per cent, and Garissa County at 98.3 per cent. Kisumu, Machakos, and Lamu Counties recorded the lowest proportion of recurrent expenditure to its annual recurrent budget at 77.9 per cent, 77.3 per cent, and 76.6 per cent respectively.

2.5.2.1 Personnel Emoluments

In the period July, 2016 to June, 2017, County Governments spent Kshs.130.97 billion on personnel emoluments, representing 60.7 per cent of the total recurrent expenditure and 41.1 per cent of total expenditure. This expenditure was an increase from Kshs.118.65 billion spent in FY 2015/16 when the personnel expenditure translated to

40.2 per cent of the total expenditure.

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Nairobi City County reported the highest expenditure on personnel emoluments at Kshs.13.42 billion, followed by Kiambu and Nakuru Counties at Kshs.5.31 billion and Kshs.5.17 billion respectively. Those with the lowest expenditure on personnel emoluments included Tana River, Samburu, and Lamu at Kshs.1.24 billion, Kshs.1.12 billion, and Kshs.721 million respectively.

Analysis of personnel emoluments as a percentage of total expenditure by county shows that Tharaka Nithi, Taita Taveta and Nairobi City recorded the highest percentage at 60.1 per cent, 58.9 per cent and 54 per cent respectively. Turkana, Marsabit, and Mandera reported the least proportions at 24 per cent, 22.8 per cent and 16.1 per cent respectively.

2.5.2.2 Operations and Maintenance Expenditure

A total of Kshs.84.74 billion was spent on operations and maintenance during the reporting period, which translated to 26.6 per cent of the total expenditure. Counties that reported the highest expenditure on operations and maintenance in absolute terms were Nairobi City at Kshs.7.66 billion, Nakuru at Kshs.3.45 billion and Kiambu at Kshs.3 billion. Elgeyo Marakwet, Tharaka Nithi and Tana River reported the least expenditure at Kshs.746.13 million, Kshs.559 million, and Kshs.527.55 million respectively.

Analysis of expenditure on operations and maintenance as a proportion of the total expenditure by county indicated that Samburu attained the highest proportion at 42.7 per cent, followed by Kajiado and Lamu Counties at 40.7 per cent and 40.4 per cent respectively. The Counties that attained the least proportion of operations and maintenance expenditure to their total expenditure during the reporting period were Machakos, Kakamega and Tana River at 18.3 per cent, 15.5 per cent and 14.9 per cent respectively.

2.5.2.3 Review of MCAs Sitting Allowances

During the reporting period, the County Assemblies spent Kshs.2.32 billion on MCAs Sitting allowances against an approved budget allocation of Kshs.3.09 billion. This expenditure translates to 75.1 per cent of the approved MCAs sitting allowance budget, and a decline from 81.6 per cent attained in FY 2015/16 when Kshs.2.82 billion was spent.

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

Table 2.5: MCAs Budget Allocation, Expenditure and Absorption Rate in FY 2016/17

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County	MCA Sitting Allowances				
	Budgetary Allocation (Kshs)	Expenditure (Kshs)	Absorption %	No. of MCAs & Speaker	Average monthly sitting allowance Per MCA (Kshs)
	A	B	C=B/A*100	D	E=B/D/12
Baringo	38,703,598	38,470,858	99.4	49	65,427
Bomet	30,904,230	30,801,530	99.7	36	71,300
Bungoma	68,808,000	72,268,114	105	64	94,099
Busia	107,827,201	70,680,174	65.5	54	109,074
Elgeyo/Marakwet	37,496,000	37,495,999	100	31	100,796
Embu	28,009,000	29,100,453	103.9	34	71,325
Garissa	87,000,000	78,750,800	90.5	49	133,930
Homa Bay	126,313,600	100,001,220	79.2	64	130,210
Isiolo	16,215,936	16,215,841	100	21	64,349
Kajiado	66,440,344	22,291,100	33.6	42	44,228
Kakamega	169,674,400	107,881,111	63.6	88	102,160
Kericho	64,399,769	64,399,769	100.0	48	111,805
Kiambu	103,000,000	102,998,348	100	88	97,536
Kilifi	80,712,000	48,740,601	60.4	54	75,217
Kirinyaga	62,000,000	36,047,900	58.1	30	100,133
Kisii	94,411,955	90,641,000	96.0	72	104,909
Kisumu	86,050,000	39,178,000	45.5	50	65,297
Kitui	42,788,600	43,065,643	100.6	57	62,961
Kwale	55,216,000	45,115,825	81.7	34	110,578
Laikipia	31,984,000	29,158,665	91.2	24	101,245
Lamu	20,841,400	20,152,222	96.7	21	79,969
Machakos	65,472,714	48,608,100	74.2	60	67,511
Makueni	47,500,000	49,336,323	103.9	48	85,653
Mandera	63,000,000	21,307,139	33.8	49	36,237
Marsabit	33,500,000	33,482,683	99.9	34	82,065
Meru	104,991,600	94,884,000	90.4	70	112,957
Migori	93,783,200	61,281,600	65.3	63	81,060
Mombasa	81,151,324	48,400,353	59.6	43	93,799
Murang'a	74,609,600	71,473,557	95.8	49	121,554
Nairobi City	88,047,218	88,047,217	100.0	128	57,322
Nakuru	61,000,000	91,962,340	150.8	75	102,180
Nandi	73,382,400	58,846,300	80.2	49	100,079
Narok	71,510,400	36,608,520	51.2	48	63,556
Nyamira	68,812,800	25,092,400	36.5	34	61,501
Nyandarua	35,629,600	35,380,986	99.3	42	70,200
Nyeri	88,857,600	48,017,000	54	48	83,363
Samburu	49,785,600	26,613,200	53.5	27	82,140
Siaya	68,684,697	62,683,075	91.3	49	106,604
Taita/Taveta	65,436,800	33,109,700	50.6	36	76,643
Tana River	44,990,400	19,651,241	43.7	27	60,652
Tharaka –Nithi	26,660,000	18,015,414	67.6	25	60,051

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County	MCA Sitting Allowances				
	Budgetary Allocation (Kshs)	Expenditure (Kshs)	Absorption %	No. of MCAs & Speaker	Average monthly sitting allowance Per MCA (Kshs)
	A	B	C=B/A*100	D	E=B/D/12
Uasin Gishu	61,560,000	43,637,100	70.9	45	80,809
Vihiga	10,330,000	10,330,000	100	40	21,521
Wajir	70,361,200	24,635,500	35	46	44,630
West Pokot	46,907,060	46,907,060	100	33	118,452
Total	**3,085,640,246**	**2,317,497,969**	**75.1**	**2,266**	**113,636**

Source: *OCOB and County Treasuries*

The County Assemblies that reported higher expenditure on sitting allowance than the SRC's recommended monthly maximum of Kshs.124,800 were: Garissa at Kshs.133,930, Homa Bay at Kshs.130,210, and Trans Nzoia at Kshs.124,930.

2.5.2.4 Review of Expenditure on Domestic and Foreign Travels

The County Governments spent Kshs.12.15 billion on domestic and foreign travel against an approved annual budget allocation of Kshs.13.73 billion. This expenditure represented 88.5 per cent of the total budget allocation towards domestic and foreign travel, and an increase from 86 per cent attained in FY 2015/16 when Kshs.11.03 billion was spent.

The expenditure on domestic and foreign travels by both the County Assembly and the County Executive is presented inTable 2.6.

Table 2.6: Expenditure on Domestic and Foreign Travels by the County Assembly and the County Executive in FY 2016/17 (Kshs.Million)

County	County Assembly			County Executive			Total Expenditure		
	Budget	Expenditure	Performance	Budget	Expenditure	Performance	Budget	Expenditure	Performance
	A	B	C=B/A *100	D	E	F=E/D *100	G=A+D	H=B+E	I=H/G *100
Baringo	116.31	117.61	101.1	67.39	77.54	115.1	183.70	195.15	106.2
Bomet	109.75	109.74	100.0	97.45	93.99	96.5	207.20	203.73	98.3
Bungoma	4.96	7.60	153.3	367.37	344.12	93.7	372.33	351.72	94.5
Busia	53.20	65.58	123.3	162.73	120.67	74.1	215.94	186.25	86.2
Elgeyo/ Marakwet	47.74	47.71	99.9	29.38	27.11	92.3	77.13	74.81	97.0
Embu	117.87	117.85	100.0	79.55	43.40	54.6	197.42	161.25	81.7
Garissa	66.40	66.28	99.8	94.00	90.39	96.2	160.40	156.67	97.7
Homa Bay	62.33	57.69	92.6	102.22	76.86	75.2	164.54	134.55	81.8
Isiolo	64.63	64.63	100.0	101.3	99.20	97.9	165.93	163.84	98.7
Kajiado	199.78	50.75	25.4	298.57	288.97	96.8	498.35	339.73	68.2
Kakamega	153	152.86	99.9	163.23	143.87	88.1	316.23	296.73	93.8

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Kericho	94.38	93.96	99.5	125.44	123.42	98.4	219.83	217.37	98.9
Kiambu	242.82	240.32	99.0	254.87	215.86	84.7	497.69	456.19	91.7
Kilifi	116.68	112.74	96.6	146.27	119.07	81.4	262.96	231.81	88.2
Kirinyaga	103.00	103.00	100.0	78.05	54.88	70.3	181.05	157.88	87.2
Kisii	96.25	96.25	100.0	360.69	372.65	103.3	456.94	468.90	102.6
Kisumu	111.55	36.96	33.1	258.56	128.93	49.9	370.12	165.89	44.8
Kitui	177.03	114.00	64.4	312.19	244.18	78.2	489.23	358.18	73.2
Kwale	171.42	168.85	98.5	27.97	26.23	93.8	199.39	195.08	97.8
Laikipia	57.25	53.67	93.8	97.62	95.49	97.8	154.87	149.16	96.3
Lamu	33.64	32.57	96.8	78.92	67.69	85.8	112.56	100.26	89.1
Machakos	208.58	208.57	100.0	374.69	165.88	44.3	583.27	374.45	64.2
Makueni	100.97	97.6	96.7	177.80	179.48	100.9	278.77	277.07	99.4
Mandera	98.56	85.09	86.3	89.61	83.41	93.1	188.17	168.51	89.6
Marsabit	97.76	92.5	94.6	151.95	146.62	96.5	249.71	239.12	95.8
Meru	209.75	207.69	99.0	139.43	97.27	69.8	349.18	304.96	87.3
Migori	106.88	135.29	126.6	192.66	185.72	96.4	299.54	321.00	107.2
Mombasa	64.56	1.83	2.8	272.19	116.22	42.7	336.75	118.05	35.1
Murang'a	121.50	118.65	97.7	164.64	127.71	77.6	286.14	246.36	86.1
Nairobi City	315.60	315.17	99.9	569.14	324.16	57.0	884.74	639.33	72.3
Nakuru	42.50	52.97	124.6	87.80	332.88	379.1	130.30	385.85	296.1
Nandi	65	63.89	98.3	204	170.06	83.4	269.00	233.94	87
Narok	107.77	69.64	64.6	134.42	86.96	64.7	242.19	156.60	64.7
Nyamira	124.13	127.34	102.6	395.54	296.93	75.1	519.67	424.27	81.6
Nyandarua	98.11	98.02	99.9	159.65	151.31	94.8	257.77	249.33	96.7
Nyeri	129.50	129.4	99.9	174.94	114.68	65.6	304.44	244.08	80.2
Samburu	61.97	51.86	83.7	88.78	78.06	87.9	150.75	129.93	86.2
Siaya	81.42	78.43	96.3	249.75	182.93	73.2	331.16	261.36	78.9
Taita/ Taveta	174.29	156.62	89.9	221.50	219.01	98.9	395.79	375.63	94.9
Tana River	99.14	94.41	95.2	169.12	111.96	66.2	268.27	206.37	76.9
Tharaka – Nithi	55.66	62.18	111.7	136.65	67.65	49.5	192.31	129.84	67.5
Trans Nzoia	73.47	70.98	96.6	76.70	297.24	387.5	150.17	368.23	245.2
Turkana	98.48	87.10	88.4	235.43	233.70	99.3	333.91	320.80	96.1
Uasin Gishu	67.61	74.01	109.5	253.19	207.51	82.0	320.80	281.52	87.8
Vihiga	125.35	125.21	99.9	148.73	132.16	88.9	274.09	257.37	93.9
Wajir	82.32	60.53	73.5	211.11	211.32	100.1	293.43	271.85	92.6
West Pokot	89.41	89.30	99.9	245.6	311.32	126.8	335	400.62	119.6
Total	**5,100.33**	**4,664.88**	**91.5**	**8,628.78**	**7,486.69**	**86.8**	**13,729.10**	**12,151.57**	**88.5**

Source: *OCOB and County Treasuries*

In absolute terms, Nairobi City County had the highest expenditure of domestic and foreign travel at Kshs.639.33 million, followed by Kisii and Kiambu at Kshs.468.9 million and Kshs.456.19 million respectively. The Counties that had the least expenditure in absolute terms were; Mombasa, Lamu and Elgeyo Marakwet at Kshs.118.05

million, Kshs.100.26 million and Kshs.74.81 million respectively.

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Analysis of expenditure on domestic and foreign travel as a proportion of budgetary allocation by County shows that six counties spent more than the approved annual allocation. This indicates weak budgetary control, which should be enhanced to ensure expenditure is within the approved budget. These Counties are Nakuru, Trans Nzoia, West Pokot, Migori, Baringo and Kisii at 296.1 per cent, 245.2 per cent, 119.6 per cent, 107.2 per cent, 106.2 per cent and 102.6 per cent respectively.

2.6 Pending Bills as of June 30, 2017

As at June 30, 2016, forty three Counties had accumulated pending bills amounting to Kshs.35.84 billion. The pending bills consisted of Kshs.11.56 billion for recurrent expenditure and Kshs.24.29 billion for development expenditure respectively. Table 2.7 shows the pending bills as at June 30, 2017.

Table 2.7: Pending Bills for the Counties as at June 30th, 2017

County	Recurrent Pending Bills (Kshs.)	Development Pending Bills (Kshs.)	Total Pending Bills (Kshs.)
Baringo	61,650,000	29,830,000	91,480,000
Bomet	-	269,086,968	269,086,968
Bungoma	277,655,142	611,081,649	888,736,791
Busia	268,546,509	557,539,193	826,085,702
Elgeyo/Marakwet	124,725,625	660,325,808	785,051,433
Embu	430,438,019	430,023,706	860,461,725
Garissa	126,500,000	320,328,547	446,828,547
Homa Bay	32,920,000	499,260,000	532,180,000
Isiolo	95,274,316	124,176,194	219,450,510
Kajiado	88,276,485	305,773,632	394,050,117
Kakamega	282,134,037	274,813,372	556,947,409
Kericho	106,000,000	290,766,689	396,766,689
Kiambu	370,819,455	549,442,219	920,261,674
Kilifi	302,075,380	517,758,502	819,833,882
Kirinyaga	52,599,096	166,915,729	219,514,825
Kisii	165,879,301	743,897,213	909,776,514
Kisumu	506,992,377	1,285,853,813	1,792,846,189
Kitui	-	-	-
Kwale	19,303,730	970,588,044	989,891,774
Laikipia	75,641,025	778,933,827	854,574,852
Lamu	1,634,013	-	1,634,013
Machakos*	-	-	-
Makueni	57,902,276	125,583,115	183,485,391
Mandera*	-	-	-
Marsabit	330,625,322	468,528,492	799,153,814
Meru	222,389,159	609,696,707	832,085,866
Migori	292,928,568	572,525,198	865,453,766
Mombasa	2,983,041,685	962,901,871	3,945,943,556

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Murang'a	99,222,250	1,248,428,912	1,347,651,162
Nairobi City*	-	-	
Nakuru	492,013,193	2,303,789,310	2,795,802,503
Nandi	148,900,472	664,609,044	813,509,516
Narok	607,612,427	1,045,633,326	1,653,245,753
Nyamira	157,596,235	170,070,223	327,666,458
Nyandarua	163,221,961	567,848,679	731,070,640
Nyeri	128,853,140	584,061,861	712,915,001
Samburu	477,520,000	227,310,000	704,830,000
Siaya	127,554,286	150,042,648	277,596,934
Taita/Taveta	150,540,500	130,840,800	281,381,300
Tana River	92,585,824	853,443,726	946,029,550
Tharaka –Nithi	69,642,574	205,500,030	275,142,604
Trans Nzoia	234,258,720	467,872,131	702,130,851
Turkana	-	2,900,000,000	2,900,000,000
Uasin Gishu	136,758,804	127,168,342	263,927,146
Vihiga*	977,480,000	207,330,000	1,184,810,000
Wajir	192,808,298	216,563,336	409,371,634
West Pokot	23,176,168	89,878,241	113,054,409
Total	**11,555,696,371**	**24,286,021,098**	**35,841,717,468**

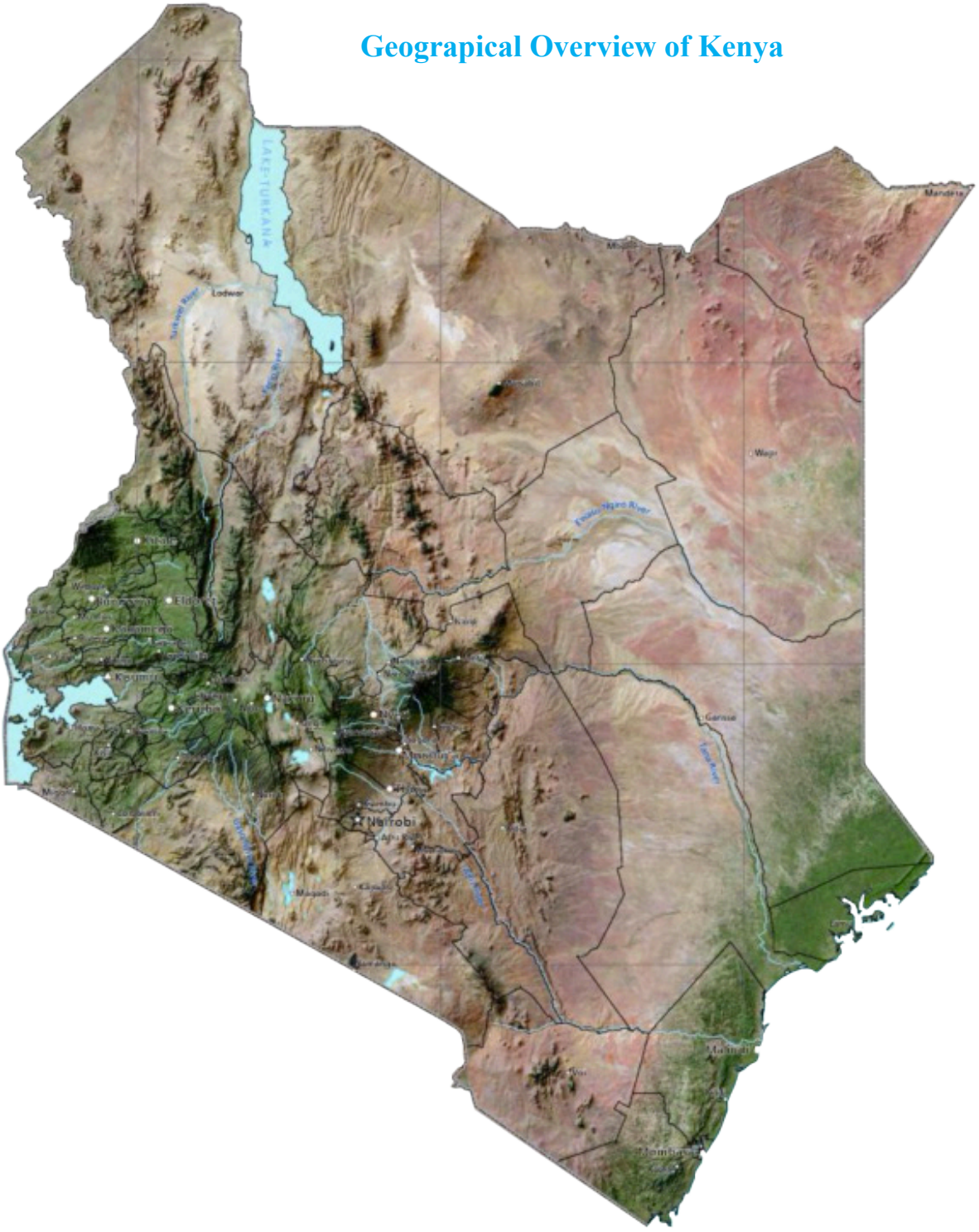
Source: *County Treasuries*

Three Counties, namely: Machakos, Mandera, and Nairobi City had not submitted the status of pending bills at the time of finalizing this report. Counties that reported the highest amount of pending bills were; Mombasa, Turkana, and Nakuru, Kisumu at Kshs.3.95 billion, Kshs.2.9 billion, and Kshs.2.8 billion. Kitui County reported nill pending bills as at June 30, 2017.

The pending bills should be audited by the Auditor General to ascertain their validity.

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Geograpical Overview of Kenya



Key

Borders	Settlements	Hydrological features
International border	Capital, Municipality	Waterbody
County border	City, Township/Town	Major river

Source: *Kenya Bureau of Statistics*

3 INDIVIDUAL COUNTY BUDGET PERFORMANCE

COUNTY ASSEMBLIES FORUM (CAF)
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This chapter provides individual County budget performance for the FY 2016/17.The 47 County Governments are presented in alphabetical order.

3.1 Baringo County

3.1.1 Overview of the FY 2016/17 Budget

The County's FY 2016/17 Approved Supplementary Budget was Kshs.6.51 billion, comprising of Kshs.3.90 billion (59.9 per cent) and Kshs.2.61 billion (40.1 per cent) allocation for recurrent and development expenditure respectively.

To finance the budget, the County expected to receive Kshs.4.79 billion (74.6 per cent) as equitable share of revenue raised nationally, Kshs.356.71 million (5.6 per cent) as total conditional grants, generate Kshs.330 million (5.1 per cent) from local sources, and Kshs.943.51 million (14.7 per cent) cash balance from FY 2015/16. The conditional grants comprised of Kshs.83.23 million (23.3 per cent) for Free Maternal Healthcare, Kshs.95.74 million (26.8 per cent) for Leasing of Medical Equipment, Kshs.73.62 million (21.8 per cent) from the Road Maintenance Fuel Levy Fund, Kshs.13.37 million (3.7 per cent) for User Fees Foregone, Kshs.12.99 million (3.6 per cent) as a grant from DANIDA, and Kshs.77.76 million (21.8 per cent) as World Bank support to Health Facilities. Further, the budget was financed by Kshs.65.12 million from the Ministry of Health for health workers salary, and Kshs.24.66 million as Capacity and Performance Grant which were not contained in CARA, 2016.

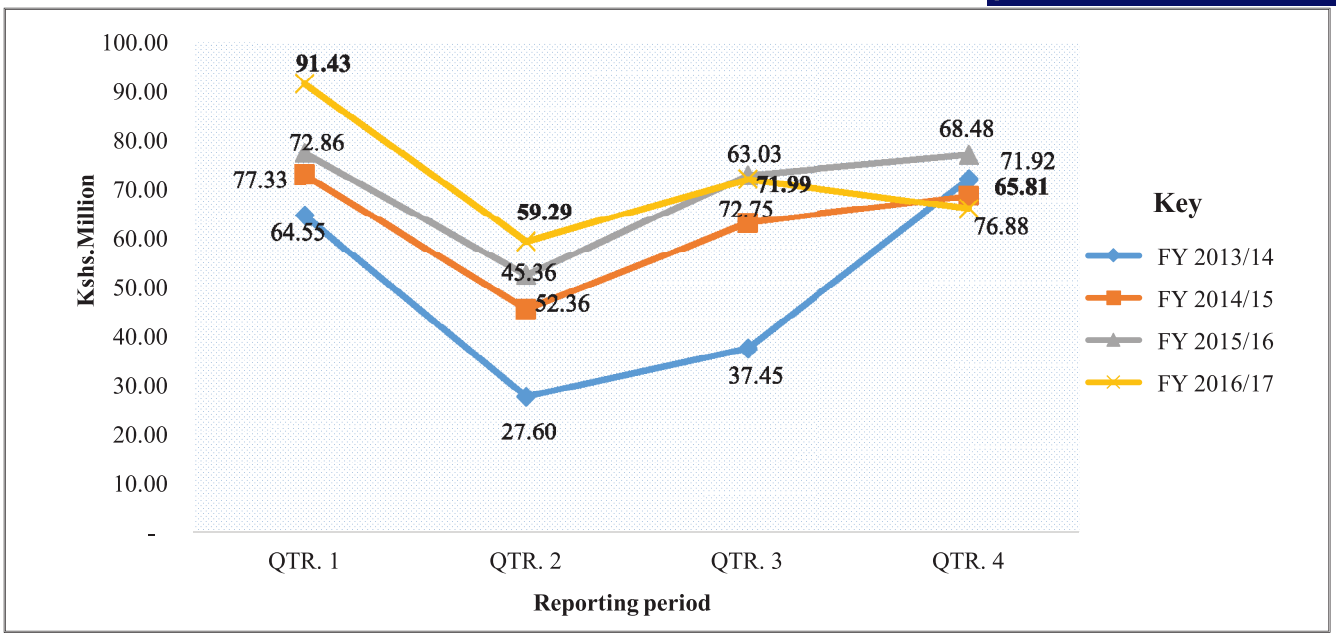
3.1.2 Revenue Analysis

During the year, the County received Kshs.4.79 billion as equitable share of the revenue raised nationally, Kshs.359.7 million as total conditional allocations, raised Kshs.288.52 million from local revenue sources, and had a cash balance of Kshs.943.51 million brought forward from FY 2015/16.

Figure 3.1 shows the quarterly trend in local revenue collection from the first quarter of FY 2013/14 to the fourth quarter FY 2016/17.

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



Source: *Baringo County Treasury*

The total local revenue collected in FY 2016/17 amounted to Kshs.288.52 million, representing an increase of 3.2 per cent compared to Kshs.279.31 million generated in FY 2015/16, and represented 87.4 per cent of the annual local revenue target of Kshs.330 million.

3.1.3 Conditional Grants

Table 3.1 shows an analysis of conditional grants released in FY 2016/17.

Table 3.1: Baringo County Analysis of Conditional Grants Released in FY 2016/17

S/No.	Conditional Grant	CARA, 2016 Annual Allocation in Kshs)	Actual receipts in FY 2016/17 in Kshs.	Actual Receipts as Percentage of Annual Allocation (%)
1	Leasing of Medical Equipment	95,744,681	-	-
2	Conditional Allocation Free Maternal Healthcare	83,230,118	61,751,000	74.2
3	World Bank Support to Health Facilities	77,761,278	77,761,278	100
4	Roads Maintenance Fuel Levy Fund	73,620,416	73,620,416	100
5	Health Workers Salary Remittance	-	107,229,000	-
6	Compensation for Use Fees Forgone	13,370,516	13,370,516	100
7	DANIDA (Health Facilities)	12,985,000	25,970,000	200
Total		**356,712,009**	**359,702,210**	**100.8**

Source: *Baringo Treasury*

Analysis of the conditional grants released during the period under review indicates that, DANIDA grant had the highest receipt at 200 per cent of annual allocation, which was as a result of receipt of a Kshs.12.99 million

balance from FY 2015/16.

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3.1.4 Exchequer Issues

During the year, the Controller of Budget authorised withdrawal of Kshs.5.39 billion from the CRF account, which was 82.8 per cent of the Approved Supplementary Budget. This amount represented an increase of 4.9 per cent from Kshs.5.14 billion authorized in FY 2015/16 and consisted of Kshs.3.87 billion (71.8 per cent) for recurrent expenditure and Kshs.1.52 billion (28.2 per cent) for development activities.

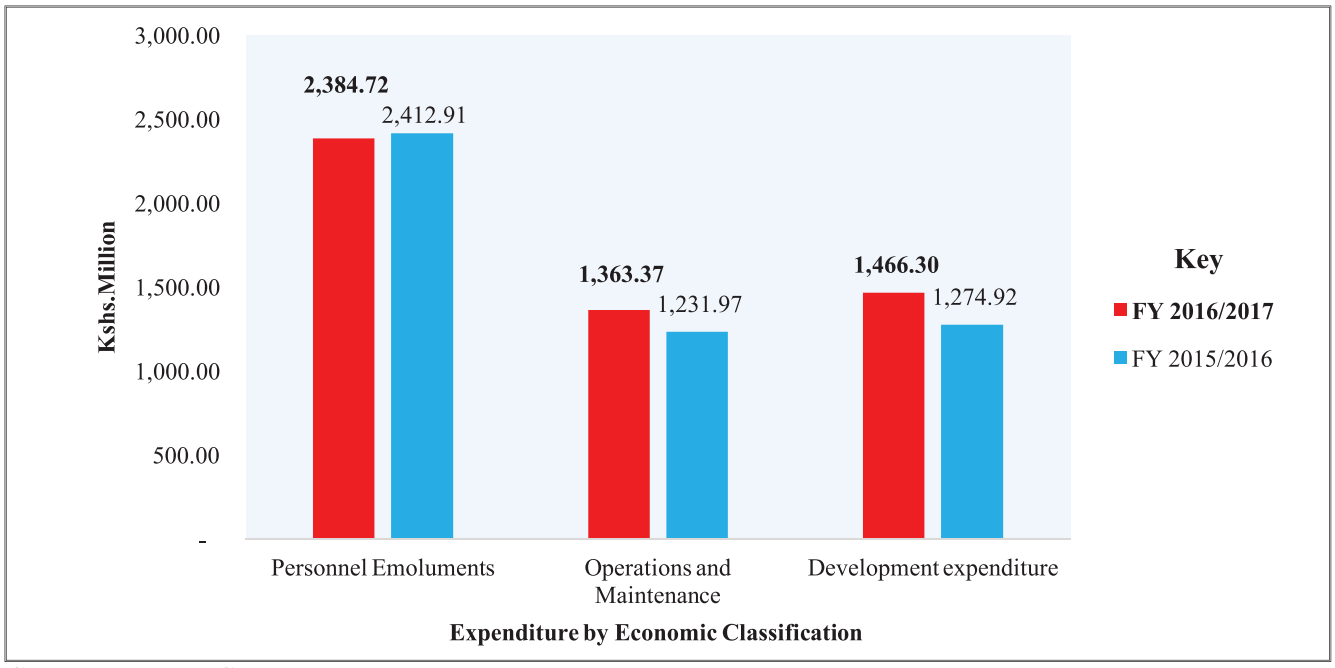
3.1.5 Overall Expenditure Review

The County spent Kshs.5.21 billion, which was 80.1 per cent of the total funds released for operations. This was an increase of 11.1 per cent from Kshs.4.69 billion spent in FY 2015/16.

A total of Kshs.3.75 billion was spent on recurrent activities, while Kshs.1.47 billion was spent on development activities. The recurrent expenditure was 71.9 per cent of the funds released for recurrent activities while development expenditure accounted for 28.1 per cent of the funds released for development activities. The expenditure excluded pending bills as at June 30, 2017 that amounted to Kshs.29.83 million for development and Kshs.61.65 million for recurrent expenditure.

The recurrent expenditure represented 96.1 per cent of the annual recurrent budget, a marginal decrease from 96.5 per cent spent in FY 2015/16. Development expenditure recorded an absorption rate of 56.2 per cent, which was an increase from 53.9 per cent attained in FY 2015/16. Figure 3.2 presents a comparison between the total expenditure in FY 2016/17 and FY 2015/16.

Figure 3.2: Baringo County, Expenditure by Economic Classification in FY 2015/16 and FY 2016/17



Source: *Baringo County Treasury*

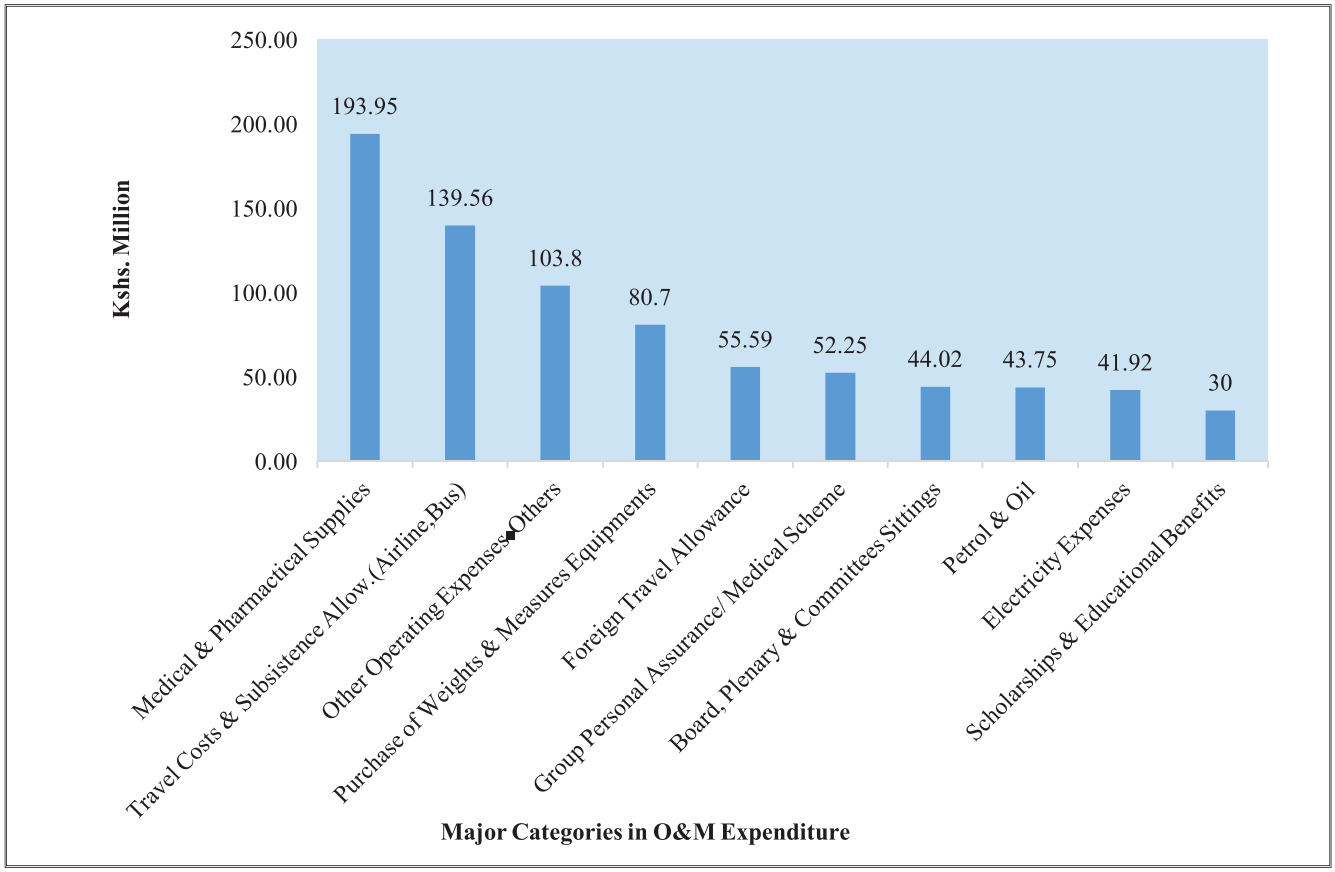
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3.1.6 Analysis of Recurrent Expenditure

The total recurrent expenditure of Kshs.3.75 billion consisted of Kshs.2.38 billion (63.6 per cent) spent on personnel emoluments and Kshs.1.36 billion (36.4 per cent) on operations and maintenance as shown in Figure 3.2. Expenditure on personnel emoluments represented an increase of 5.7 per cent compared to FY 2015/16 when the County spent Kshs.2.25 billion. Figure 3.3 shows a summary of operations and maintenance expenditure by major categories.

The expenditure on personnel emoluments of Kshs.2.38 billion was 45.7 per cent of overall total expenditure in FY 2016/17 and 63.6 per cent of total recurrent expenditure of Kshs.3.75 billion.

Figure 3.3: Baringo County, Operations and Maintenance Expenditure by Major Categories for FY 2016/17



Source: *Baringo County Treasury*

The County spent Kshs.38.47 million on sitting allowances for the 49 MCAs and the Speaker against the annual budget allocation of Kshs.38.7 million. This was a decrease of 22.9 per cent compared to Kshs.49.9 million spent in FY 2015/16. The average monthly sitting allowance was Kshs.65,427 per MCA compared to SRC's recommended monthly ceiling of Kshs.124,800.

Expenditure on domestic and foreign travel amounted to Kshs.195.14 million and consisted of Kshs.117.61 million spent by the County Assembly and Kshs.77.54 million by the County Executive. This expenditure represented 5.2 per cent of total recurrent expenditure and was an increase of 55 per cent compared to Kshs.125.87 million spent

in FY 2015/16.

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3.1.7 Development Expenditure Analysis

The total development expenditure of Kshs.1.46 billion represented 56.2 per cent of the annual development budget of Kshs.2.61 billion. Table 3.2 provides a summary of development projects with the highest expenditure in FY 2016/17.

Table 3.2: Baringo County, List of Development Projects with the Highest Expenditure in FY 2016/17

S/No.	Project name	Project Location	Annual project budget (Kshs.)	Annual project expenditure (Kshs.)	Absorption rate (%)
1	Extension of County Assembly Office Block	County Assembly	45,747,519	14,497,190	31.7
2	Construction of Sanitation and Changing Rooms and Pavilion (Kabarnet stadium)	Kabarnet Ward	23,700,000	12,843,011	54.2
3	Purchaseof a Dozer	Saimo Kipsaraman	21,950,000	21,950,000	100
4	Purchase of Land Banks for Institutional Purposes	Various Wards	19,580,000	12,150,000	62.1
5	Construction of Mogotio Information Centre	Mogotio Ward	17,889,535	8,079,375	45.2
6	Operations and Maintenance for Existing Water Supplies	Various Wards	16,218,601	16,108,561	99.3
7	Construction fuel for County Roads	Mukutani	16,000,857	10,242,665	64
8	Completion of Marigat Project Hospital	Marigat Ward	15,616,585	3,850,274	24.7
9	Construction of Bitumen Road in Marigat Town	Marigat Ward	14,000,000	13,974,355	99.8
10	Refubishment and renovation of Governors office	Kabarnet Ward	13,017,164	12,534,639	96.3

Source: *Baringo County Treasury*

Analysis of the development expenditure by project indicates that, the highest expenditure of Kshs.21.95 million was spent on purchase of a bulldozer for Saimo Kipsaraman Ward, followed by Kshs.16.11 million for operations and maintenance for existing water supplies, and Kshs.14.48 million for extension of the County Assembly office block.

3.1.8 Budget and Budget Performance Analysis by Department

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

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Table 3.3: Baringo County, Budget Performance by Department in FY 2016/17

Department	Annual Supplementary Budget Allocation (Kshs.Million)		Exchequer Issues in FY 2016/17 (Kshs.Million)		Expenditure in FY 2016/17 (Kshs.Million)		FY 2016/17 Expenditure to Exchequer Issues (%)		FY 2016/17 Absorption rate (%)	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
County Assembly	549.09	55.75	556.67	35	534.81	14.5	96.1	41.4	97.4	26
Governor/County Executive services	396.44	78.94	393.85	46.09	331.95	27.46	84.3	59.6	83.7	34.8
County Treasury Services	259.19	32.95	236.76	19.76	268.22	22.79	113.3	115.3	103.5	69.2
Transport and Infrastructure	54.93	636.6	57.46	405.34	55.84	381.55	97.2	94.1	101.7	59.9
Industrialization, Commerce and Tourism	81.49	91.38	83.12	62.48	83.97	62.23	101	99.6	103	68.1
Education, Sports, Culture & Art	274.77	251.05	269.95	135.72	253.64	183.56	94	135.3	92.3	73.1
Health	1830.09	524.51	1822.72	195.05	1770.44	190.01	97.1	97.4	96.7	36.2
Housing & Urban Development	69.4	117.16	66.8	64.93	57.87	101.85	86.6	156.9	83.4	86.9
Agriculture, Livestock, Fisheries & Marketing	224.86	199.48	224.94	180.13	216.52	95.19	96.3	52.8	96.3	47.7
Youth, Gender & Social Security Services	32.19	133.87	31.99	70.8	29.23	60.7	91.4	85.7	90.8	45.3
Water & Irrigation	100.95	435.37	100.86	256.26	121.81	284.34	120.8	111	120.7	65.3
Environment & Natural Resources	28.32	52.65	26.49	49.95	23.79	42.13	89.8	84.3	84	80
Total	**3,901.72**	**2,609.71**	**3,871.6**	**1,521.5**	**3,748.09**	**1,466.3**	**96.8**	**96.4**	**96.1**	**56.2**

Source: *Baringo County Treasury*

Analysis of budget performance by department shows that the Land, Housing and Urban Development Department attained the highest absorption of development budget at 86.9 per cent while the County Assembly attained the least absorption of 26 per cent. On the other hand, the Department of Water and Irrigation had the highest percentage of recurrent expenditure to recurrent budget at 120.7 per cent while the Department of Land, Housing and Urban Development had the lowest at 83.4 per cent.

3.1.9 Observations and Recommendations

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

i. Improved adherence to Salaries and Remuneration Commission (SRC) guidelines on MCAs sitting allowances.

ii. Improvement in staff capacity through training and recruitment of technical staff.

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iii. Improved absorption of development funds. Development expenditure recorded an absorption rate of 56.2 per cent (Kshs.1.47 billion), which was an increase from 53.2 per cent (Kshs.1.25 billion) attained in a similar period of FY 2015/16.

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

1. Late submission of financial reports by the County Treasury, which affected timely preparation of budget implementation report.
2. High wage bill which accounted for 45.7 per cent of the total expenditure in the reporting period, thus constraining funding to other programmes.
3. IFMIS connectivity challenges, which slowed down approval of procurement requests and payments to suppliers.
4. High expenditure on domestic and foreign travel, whic exceeded the approved budget allocation by 6.2 per cent and amounted to Kshs.195 million. This expenditure was an increase of 55 per cent compared to Kshs.125.87 million spent in FY 2015/16.
5. Delay by the National Treasury to disburse the equitable share of revenue raised nationally.

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

1. The County Treasury should ensure timely preparation and submission of financial reports in line with Section 166 of PFM Act, 2012.
2. The County Public Service Board should develop an optimal staffing structure, devise and implement strategies to manage the wage bill.
3. The County Treasury should liaise with the IFMIS Directorate for support in the application of IFMIS and the E-procurement module.
4. The County should put in place measures to ensure travel expenditure is within budget.
5. The County Treasury should liaise with the National Treasury to ensure that funds allocated to the County are released in a timely manner in line with the CARA Disbursement Schedule.

3.2 Bomet County

3.2.1 Overview of the FY 2016/17 Budget

The County's FY 2016/17 Approved Supplementary Budget was Kshs.5.58 billion, comprising of Kshs 3.91 billion (70 per cent) and Kshs.1.67 billion (30 per cent) for recurrent and development expenditure respectively. To finance the budget, the County expected to receive Kshs.5.07 billion (91 per cent) as equitable share of revenue raised nationally, Kshs.190.3 million (3 per cent) as total conditional grants, generate Kshs.274.72 million (5 per cent) from local sources and Kshs 39.13 million (0.7 per cent) as balance brought forward. The conditional grants comprised of Kshs.61.26 million (32 per cent) for Free Maternal Healthcare, Kshs.78.03 million (41 per cent) from the Road Maintenance Fuel Levy Fund, Kshs.14.19 million (7 per cent) for User Fees Foregone, Kshs.8.81 million (5 per cent) as a grant from DANIDA and Kshs.28 million (15 per cent) from World Bank Loan.

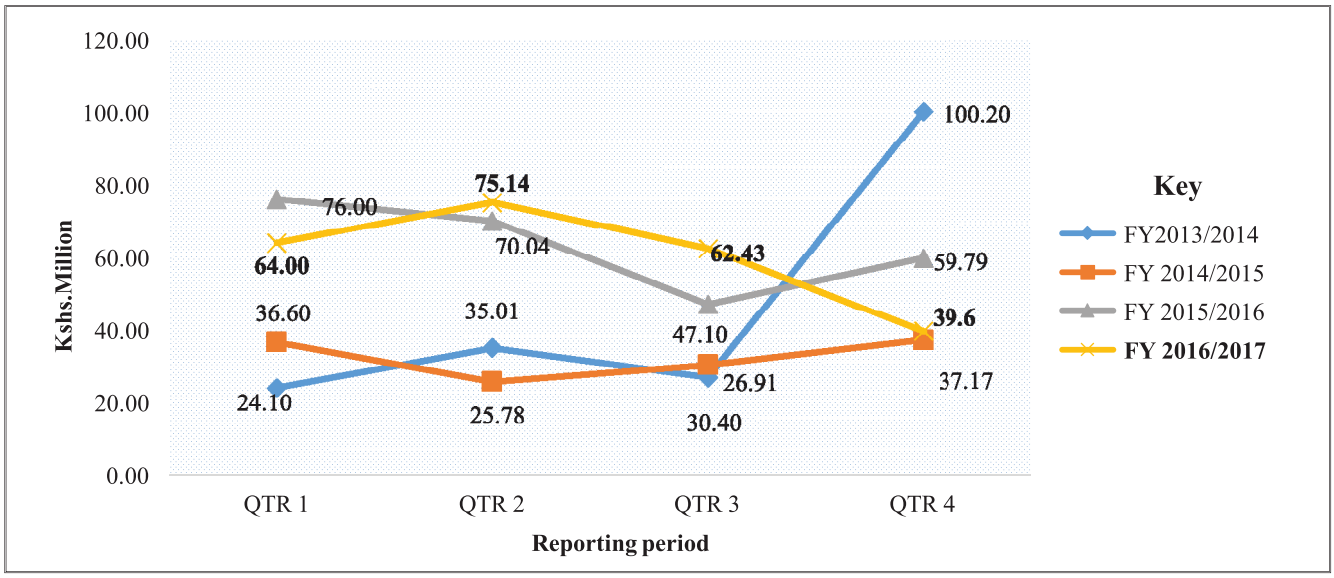
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3.2.2 Revenue Analysis

During the year, the County received Kshs.5.07 billion as equitable share of the revenue raised nationally, Kshs.185.71 million from conditional grants, raised Kshs.236.70 million from local sources, and had a cash balance of Kshs.39.13 million brought forward from FY 2015/16.

Figure 3.4 shows the quarterly trend in local revenue collection from FY 2013/14 to FY 2016/17.

Figure 3.4 : Bomet County, Trend in Local Revenue Collection by Quarter from FY 2013/14 to FY 2016/17



Source: *Bomet County Treasury*

The total local revenue collected in the FY 2016/17 amounted to Kshs.236.70 million, representing an increase of 42 per cent compared to Kshs.166.99 million generated in a similar period of FY 2015/16. This revenue was 86.2 per cent of the annual local revenue target of Kshs. 274.72 million.

3.2.3 Conditional Grants

Table 3.4 shows an analysis of conditional grants released in FY 2016/17.

Table 3.4: Bomet County, Analysis of Conditional Grants Released in FY 2016/17

S/No.	Conditional Grant	CARA, 2016 Annual Allocation in Kshs)	Actual receipts in FY 2016/17 in Kshs.	Actual Receipts as Percentage of Annual Allocation (%)
1	Road Maintenance Fuel Levy Fund	78,035,696	78,035,696	100
2	Free Maternal Healthcare	61,258,095	84,677,500	138
3	World Bank (Capacity Building)	28,000,000	-	-
4	User Fees Foregone	14,191,766	14,191,766	100
5	DANIDA grant	8,810,000	8,810,000	100
TOTAL		**190,295,557**	**185,714,962**	**98**

Source: *Bomet County Treasury*

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Analysis of the conditional grants released during the period under review indicates that, Free Maternal Healthcare recorded the highest actual receipt above its annual allocation at 138 per cent, as the County received outstanding amounts from FY 2015/16, while the Road Maintenance Fuel Levy Fund, User Fees Foregone and DANIDA grant recorded 100 per cent of their annual budget allocation.

3.2.4 Exchequer Issues

During the reporting period, the Controller of Budget authorised withdrawal of Kshs.5.54 billion from the CRF account, which was 99 per cent of the Approved Supplementary Budget. This amount represented an increase of 9.5 per cent from Kshs.5.06 billion authorized in a similar period of FY 2015/16 and consisted of Kshs.3.83 billion (69.13 per cent) for recurrent expenditure and Kshs.1.71 billion (30.9 per cent) for development activities.

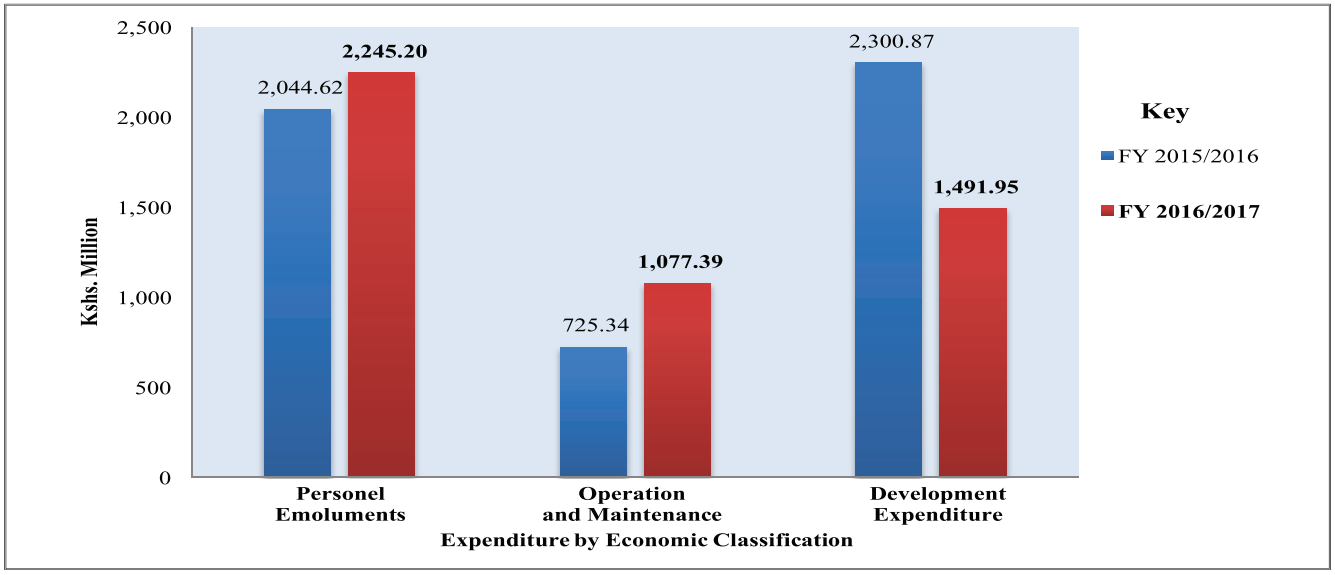
3.2.5 Overall Expenditure Review

The County spent Kshs.5.3 billion, which was 99.6 per cent of the total funds released for operations. This was an increase of 4.5 per cent from Kshs.5.07 billion spent in a similar period of FY 2015/16.

A total of Kshs.3.8 billion was spent on recurrent activities, while Kshs.1.49 billion was spent on development activities. The recurrent expenditure was 99.5 per cent of the funds released for recurrent activities while development expenditure accounted for 100 per cent of the funds released for development activities. The expenditure excluded outstanding commitments as at June 30, 2017 that amounted to Kshs.99.35 million for development and Kshs.169.73 million for recurrent expenditure.

The recurrent expenditure represented 97.1 per cent of the annual recurrent budget, a decrease from 101 per cent spent in a similar period of FY 2015/16. Development expenditure recorded an absorption rate of 89.6 per cent, which were a decrease from 94.6 per cent attained in a similar period of FY 2015/16. Figure 3.5 presents a comparison between the total expenditure during the FY 2016/17 and FY 2015/16.

Figure 3.5: Bomet County, Expenditure by Economic Classification in FY 2016/17 and FY 2015/16



Source: *Bomet County Treasury*

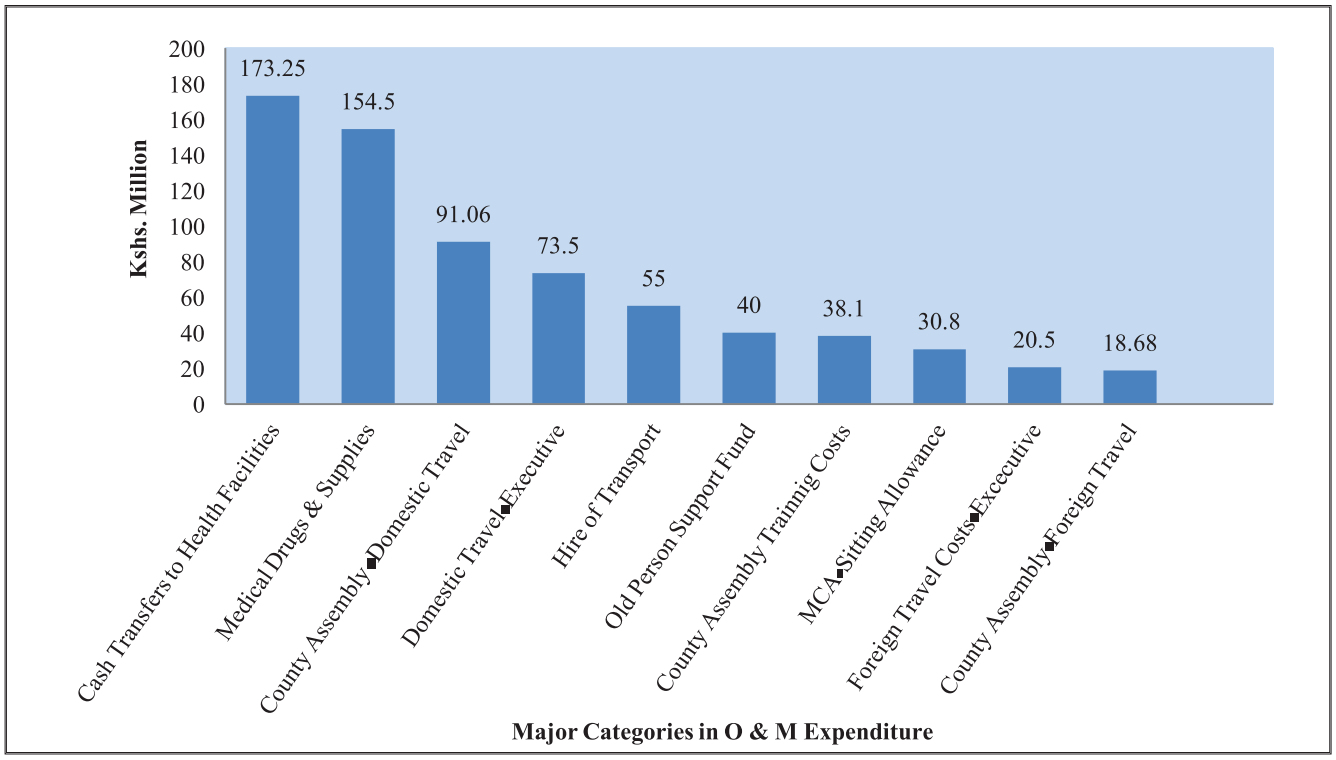
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3.2.6 Analysis of Recurrent Expenditure

The total recurrent expenditure of Kshs.3.8 billion consisted of Kshs.2.25 billion (60 per cent) spent on personnel emoluments and Kshs.1.08 billion (40 per cent) on operations and maintenance as shown in Figure 3.5. Expenditure on personnel emoluments represented an increase 10 per cent compared to a similar period of FY 2015/16 when the County spent Kshs.2.04 billion.

The expenditure on personnel emoluments of Kshs.2.25 billion was 40.3 per cent of overall total expenditure in FY 2016/17 and 59.2 per cent of total recurrent expenditure of Kshs.3.8 billion. Figure 3.6 shows a summary of the operations and maintenance expenditure by major categories.

Figure 3.6: Bomet County, Operations and Maintenance Expenditure by Major Categories for FY 2016/17



Source: *Bomet County Treasury*

The County spent Kshs.30.8 million on sitting allowances for the 35 MCAs and the Speaker against the annual budget allocation of Kshs.45.01 million. This was an increase of 8.8 per cent compared to Kshs.28.3 million spent in the same period of FY 2015/16. The average monthly sitting allowance was Kshs.73,333 per MCA compared to SRC's recommended monthly ceiling of Kshs.124,800..

Expenditure on domestic and foreign travel amounted to Kshs.203.74 million and consisted of Kshs.109.74 million by the County Assembly and Kshs.94 million by the County Executive. This was an increase of 30 per cent compared to Kshs.156.8 million spent in a similar period of FY 2015/16.

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3.2.7 Development Expenditure Analysis

The total development expenditure of Kshs.1.49 billion represented 97.1 per cent of the annual development budget of Kshs.1.68 billion. Table 3.5 provides a list of development projects with the highest expenditure during the period under review.

Table 3.5: Bomet County, List of Development Projects with the Highest Expenditure in FY 2016/17

S/No.	Project name	Ward (Location of the project)	Estimated Budget (Kshs.)	Expenditure as at 31st March, 2017 (Kshs.)	Absorption rate (%)
1	Construction of Roads	Across the entire County	328,611,808	328,611,808	100
2	Water infrastructure Development	BIDP programme ,Bomet Water Company & Various Water Projects Across the County	215,160,884	215,075,990	100
3	Construction of ECD Classrooms	ECD Classrooms was constructed 6 per ward	119,607,706	119,506,819	100
4	Cooperative Societies	Silibwet, and Kipsonoi,Ward	193,581,856	193,144,879	100
5	Bursaries and Support Services	All wards in the entire county	34,297,903	34,297,382	100
6	Ward Offices	Construction of Ward Offices in All the Wards	80,000,000	80,000,000	100
7	Educational Infrastructure	Supprt a school in each Ward	30,000,000	30,000,000	100
8	Development and Management of Tegat Sport Facility	Kembu Ward	46,000,000	31,165,636	68
9	Demurrage of Medical Equipments	Longisa Referral Hospital	30,000,000	29,586,000	99
10	Purchase of Dental Equipment	Longisa Referral Hospital	8,982,000	8,979,000	100

Source: *Bomet County Treasury*

Analysis of the development expenditure by project indicates that, the highest expenditure of Kshs.328.61 million was spent on construction of roads, followed by Kshs.215.08 million on water-related infrastructure, and Kshs.193.14 million on Cooperative Societies.

3.2.8 Budget and Budget Performance Analysis by Department

Table 3.6 shows a summary for the Twelve months FY 2016/17 budget estimates and budget performance by department.

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Table 3.6: Bomet County, Budget Performance by Department in FY 2016/17

Department	Budget Allocation (Kshs)		Exchequer Issues (Kshs)		Expenditure (Kshs)		Expenditure to Exchequer Issues (%)		Absorption (%)	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
County Executives	363.81	-	363.81	-	358.7	-	98.6	-	98.6	-
Public Service Board	47.52	-	47.52	-	33.35	-	70.2	-	-	-
Administration	583	99.8	583	93.7	582.4	99.4	99.9	106.1	99.9	99.6
Finance	285.84	64.01	285.84	54.8	282.27	64.01	98.8	116.8	98.8	100
Land,Public & Environment	231.16	93.24	231.16	86.74	228.62	93.05	98.9	107.3	98.9	99.8
Agri-Business, Coopertives & Marketing	185.59	300.1	185.58	292.86	185.36	283.42	99.9	96.8	99.9	94.4
Social Services	154.73	80.94	112.23	76.37	121.7	53.77	108.4	70.4	78.7	66.4
Medical Services	898.16	79.98	898.16	77.8	896.5	79.56	99.8	102.3	99.8	99.5
Economic Planning & Development	33.9	7.55	33.9	-	33.53	7.4	98.9	-	98.9	98
Water Services	149.26	215.16	149.23	209.4	149.15	215.15	99.9	102.7	99.9	100
Education & Vocational Trainings	202.93	229.1	202.93	223.62	202.74	221.4	99.9	99	99.9	96.6
Roads And Public Works	132.05	328.61	132.05	323.63	131.78	328.61	99.8	101.5	99.8	100
Ict,Training And Industry	110.74	59.59	110.73	32	110.04	58.32	99.4	182.3	99.4	97.9
County Assembly	533.25	120.47	483.82	33.06	483.74	-	100	-	90.7	-
Total	**3,911.94**	**1,678.55**	**3,819.96**	**1,503.98**	**3,799.88**	**1,504.09**	**99.5**	**100**	**97.1**	**89.6**

Source: *Bomet County Treasury*

Analysis of budget performance by department shows that the Department of Finance, Water Services and, Roads and Public Works attained the highest absorption of development budget at 100 per cent while the County Assembly did not incur any development expenditure. On the other hand, the Department of Administration, Education and Agribusiness had the highest percentage of recurrent expenditure to recurrent budget at 99.9 per cent, while the Department of Social Services had the lowest at 78.7 per cent.

3.2.9 Observations and Recommendations

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

i. Improvement in the use of IFMIS and the Internet Banking platform to process financial transactions.

ii. Establishement of an Internal Audit Committee in line with Section 155 of the PFM Act, 2012.

iii. Establishment of the County Budget and Economic Forum (CBEF) in line with Section 137 of the PFM Act, 2012.

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

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1. The County's wage bill has remained high, having increased by 10 per cent from Kshs.2.04 billion during the FY 2015/16 to Kshs.2.25 billion in the period under review, representing 40.3 per cent of the total expenditure. Increase in wage bill may affect implementation of development projects.
2. Late submission of financial reports by the County Treasury, which affected timely preparation of the Budget Implementation Review Report.
3. Failure to reconcile IFMIS payroll data to the IPPD data. While IFMIS reports indicated total expenditure on personnel emoluments as Kshs.2.25 billion, data from IPPD indicated Kshs.1.06 billion as total payroll costs for the same period.

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

1. The County Public Service Board should establish an optimal staffing structure in order to manage the wage bill.
2. The County Treasury should ensure timely preparation and submission of financial reports to the Office of the Controller of Budget, in line with Section 166 of PFM Act, 2012.
3. The County should reconcile the IFMIS & IPPD data on a monthly basis for accurate reporting.

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

1. *The County Public Service Board should establish an optimal staffing structure in order to manage the wage bill.*
2. *The County Treasury should ensure timely preparation and submission of financial reports to the Office of the Controller of Budget, in line with Section 166 of PFM Act, 2012.*
3. *The County should reconcile the IFMIS & IPPD data on a monthly basis for accurate reporting.*

3.3 Bungoma County

3.3.1 Overview of the FY 2016/17 Budget

The County's FY 2016/17 Approved Supplementary Budget was Kshs.10.47 billion, comprising of Kshs.6.69 billion (63.9 per cent) and Kshs.3.78 billion (36.1 per cent) allocations for recurrent and development expenditure respectively.

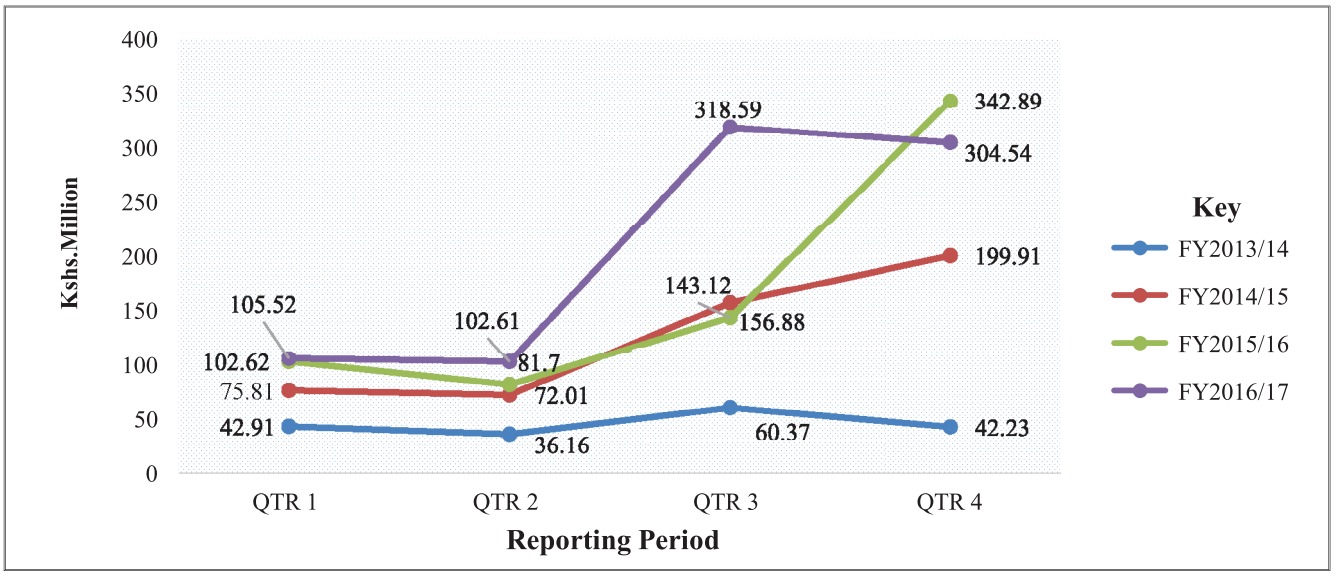
To finance the budget, the County expected to receive Kshs.8.29 billion (80.5 per cent) as equitable share of revenue raised nationally, Kshs.453.23 million (4.4 per cent) as total conditional grants, generate Kshs.731.92 million (7.1 per cent) from local sources, Kshs.762.19 million (7.4 per cent) cash balance from FY 2015/16, and Kshs.56.08 million (0.5 per cent) as outstanding reimbursement for Free Maternal Healthcare from FY 2014/15. The conditional grants comprised of Kshs.127.25 million (28.1 per cent) from the Road Maintenance Fuel Levy Fund, Kshs.189.57 million (41.8 per cent) for Free Maternal Healthcare, Kshs.95.74 million (21.1 per cent) for Leasing of Medical Equipment, Kshs.33.28 million (7.3 per cent) for User Fees Foregone and Kshs.7.38 million (1.6 per cent) grant from DANIDA. Further, the County expected to received Kshs.3.45 million as Coffee and Tea Cess.

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3.3.2 Revenue Analysis

During the year, the County received Kshs.8.29 billion as equitable share of the revenue raised nationally, Kshs.192.81 million as total conditional allocations, raised Kshs.661.59 million from local revenue sources, and had a cash balance of Kshs.762.19 million brought forward from FY 2015/16. Figure.3.7 shows the quarterly trend in local revenue collection from the first quarter of FY 2013/14 to the fourth quarter FY 2016/17.

Figure.3.7: Bungoma County, Trend in Local Revenue Collection by Quarter from FY 2013/14 to FY 2016/17



Source: *Bungoma County Treasury*

The total local revenue collected in FY 2016/17 amounted to Kshs.661.59 million, representing an increase of 4.8 per cent compared to Kshs.630.99 million generated in FY 2015/16, and represented 90.4 per cent of the annual local revenue target of Kshs. 731.9 million.

3.3.3 Conditional Grants

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

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Table.3.7: Bungoma County Analysis of Conditional Grants Released in FY 2016/17

S/No	Conditional Grant	CARA,2016 Annual Allocation in Kshs)	Actual receipts in FY 2016/17 in Kshs.	Actual Receipts as Percentage of Annual Allocation (%)
1	Free Maternal Healthcare	189,574,801	100,782,500	53.2
2	Road Maintenance Fuel Levy Fund	127,250,840	127,250,840	100
3	Leasing of Medical Equipment	95,744,680	-	-
4	User Fees Foregone	33,282,912	16,641,456	50
5	DANIDA Grant	7,375,000	-	-
6	Coffee Cess	-	3,173,202	-
7	Tea	-	273,131	-
Total		**453,228,233**	**248,121,129**	**54.7**

Source: *Bungoma County Treasury*

Analysis of the conditional grants released during the period under review indicates that, Road Maintenance Fuel Levy Fund recorded the highest receipts at 100 per cent of annual allocation, followed by Free Maternal Healthcare at 53.2 per cent and User Fees Foregone at 50 per cent.

3.3.4 Exchequer Issues

During the year, the Controller of Budget authorised withdrawal of Kshs.9.28 billion from the CRF account, which was 91.6 per cent of the Approved Supplementary Budget. This amount represented an increase of 6.9 per cent from Kshs.8.52 billion authorized in FY 2015/16 and consisted of Kshs.6.37 billion (69 per cent) for recurrent expenditure and Kshs.2.90 billion (31 per cent) for development activities.

3.3.5 Overall Expenditure Review

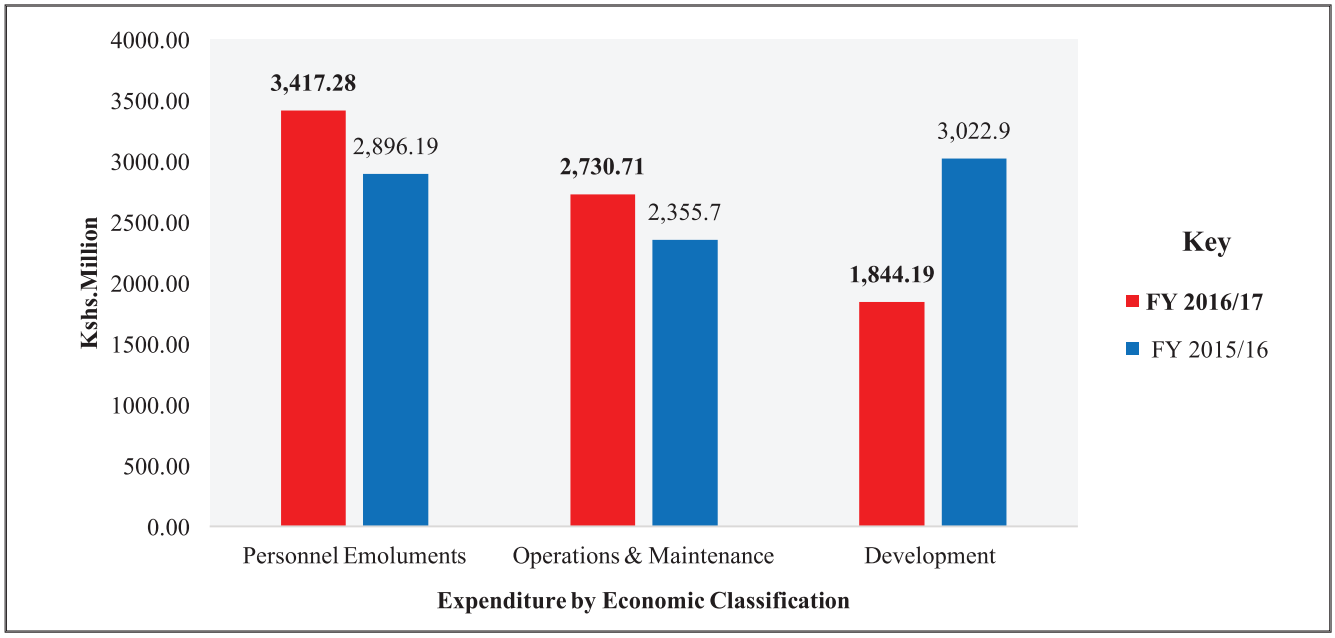
The County spent Kshs.7.99 billion, which was 86.1 per cent of the total funds released for operations. This was a decrease of 3.4 per cent from Kshs.8.27 billion spent in FY 2015/16.

A total of Kshs.6.15 billion was spent on recurrent activities, while Kshs.1.84 billion was spent on development activities. The recurrent expenditure was 96.5 per cent of the funds released for recurrent activities while development expenditure accounted for 63.5 per cent of the funds released for development activities. The expenditure excluded pending bills as at June 30, 2017 that amounted to Kshs.611.08 million for development and Kshs.277.66 million for recurrent expenditure.

The recurrent expenditure represented 92 per cent of the annual recurrent budget, an increase from 86.4 per cent spent in FY 2015/16. Development expenditure recorded an absorption rate of 48.7 per cent, which was a decrease from 76.1 per cent attained in FY 2015/16. Figure.3.8 presents a comparison between the total expenditure in FY 2016/17 and FY 2015/16.

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Figure.3.8: Bungoma County,Expenditure by Economic Classification in FY 2015/16 and FY 2016/17



Source: *Bungoma County Treasury*

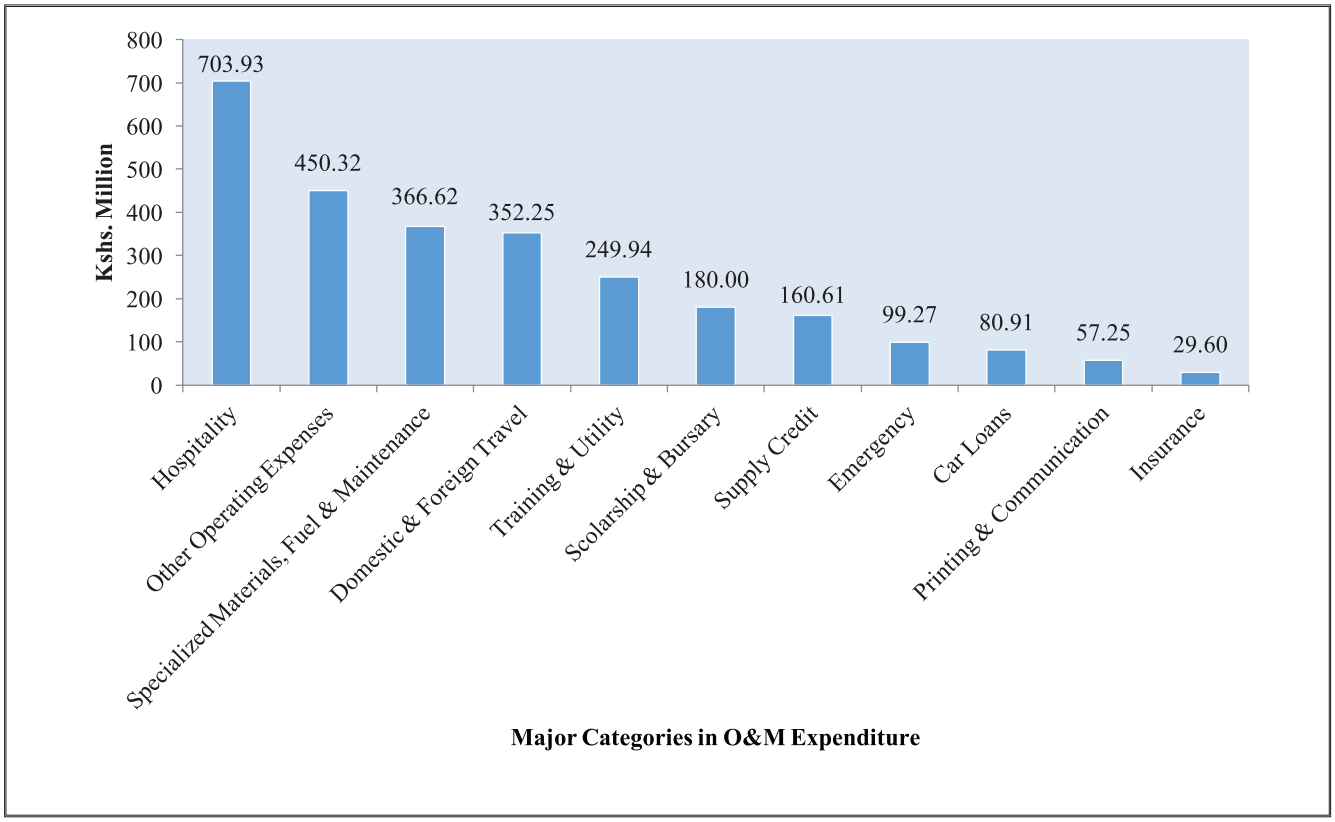
3.3.6 Analysis of Recurrent Expenditure

The total recurrent expenditure of Kshs.6.15 billion consisted of Kshs.3.42 billion (55.6 per cent) spent on personnel emoluments and Kshs.2.73 billion (43.4 per cent) on operations and maintenance as shown in Figure.3.8. Expenditure on personnel emoluments represented an increase of 51.3 per cent compared to FY 2015/16 when the County spent Kshs.2.26 billion. Figure.3.9 shows a summary of operations and maintenance expenditure by major categories.

The expenditure on personnel emoluments of Kshs.3.42 billion was 42.8 per cent of overall total expenditure in FY 2016/17 and 55.6 per cent of total recurrent expenditure of Kshs.6.15 billion.

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Figure.3.9: Bungoma County,Operations and Maintenance Expenditure by Major Categories for FY 2016/17



Source:*Bungoma County Treasury*

The County Assembly spent Kshs.72.27 million on sitting allowances for the 64 MCAs and the Speaker against the annual budget allocation of Kshs.68.81 million. This was an increase of 1.2 per cent compared to Kshs.71.42 million spent in FY 2015/16. The average monthly sitting allowance was Kshs.94,099 per MCA compared to SRC's recommended monthly ceiling of Kshs.124,800.

Expenditure on domestic and foreign travel amounted to Kshs.351.72 million and consisted of Kshs.7.6 million spent by the County Assembly and Kshs.344.12 million by the County Executive. This expenditure represented 5.7 per cent of total recurrent expenditure and was an increase of 18.9 per cent compared to Kshs.295.78 million spent in FY 2015/16.

3.3.7 Development Expenditure Analysis

The total development expenditure of Kshs.1.84 billion represented 71.9 per cent of the annual development budget of Kshs.2.56 billion.Table.3.8 provides a summary of development projects with the highest expenditure in FY 2016/17.

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Table.3.8: Bungoma County,List of Development Projects with the Highest Expenditure in FY 2016/17

S/No	Project name	Project location	Annual project budget (Kshs.)	Annual project expenditure (Kshs.)	Absorption rate (%)
1	Acquisition of strategic stock	County wide	145,143,638	144,899,280	99.83
2	Upgrading of Lusaka road	Kanduyi	140,097,106	88,438,137	63.13
3	Water supplies and sewerage	County wide	122,328,550	57,260,819	46.81
4	Construction of Office block	County Assembly	67,083,662	60,873,391	90.74
5	Renovation of Bungoma county referral hospital	Kanduyi	46,202,732	58,042,086	125.62
6	Solar streetlights installation across the county	County wide	46,600,000	46,600,000	100
7	Certified Maize seed	County wide	39,600,000	57,027,000	144.01
8	Construction of high attitude centre in Mt.Elgon	Mt. Elgon	37,068,630	18226333	49.17
9	Construction of Wamocha bridge	Ndivisi	28,332,993	14,328,900	50.57
10	Rehabilitation of Mabanga-Knaduyi-kibabii water project	Kanduyi	25,821,760	18,075,232	70
11	Construction of casualty Department, packing bay and walks at BCRH.	Kanduyi	25,331,402	49,030,810.48	193.56
12	Drainage works in Kapkateny mkt	Kapkateny	24,884,552	22,947,190	92.21
13	Renovation of Lwakhakha market in Bungoma County	Lwakhakha	24,409,776	17,008,530	69.68
14	Renovation of Ndalu market in Bungoma County	Ndalu	16,765,862	6,239,431	37.22
15	Purchase of ICT Networking and communication Equipment	Kanduyi	16,682,792	14,144,735	84.79
16	Purchase of medical and Dental Equipment	Kanduyi	12,140,000	12,140,000	70.22
17	Construction of fence at BCRH	Kanduyi	11,000,000	32,463,110	66.68

Source: *Bungoma County Treasury*

Analysis of the development expenditure by project indicates that the highest expenditure of Kshs.144.9 million was spent on acquisition of strategic stocks, followed by Kshs.88.44 million on upgrading of Lusaka road, Kshs.12.14 million on purchase of medical and dental equipment, and Kshs.6.24 million on renovation of Ndalu market.

3.3.8 Budget and Budget Performance Analysis by Department

Table.3.9 shows a summary of budget estimates and budget performance by department in FY 2016/17

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Table.3.9: Bungoma County, Budget Performance by Department in FY 2016/17

Department	Annual Supplementary Budget Allocation (Kshs.Million		Exchequer Issues in FY 2016/17 (Kshs. Million)		Expenditure in FY 2016/17 (Kshs.Million)		FY 2016/17 Expenditure to Exchequer Issues (%)		FY 2016/17 Absorption rate (%)	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
Administration	352.32	42.25	341.85	34.98	330.18	31.94	96.6	91.3	93.7	75.6
Finance and Economic Planning	1,260.97	1222.77	1223.32	641	1217.37	6.72	99.5	-	96.5	0.5
Lands, Urban and Physical Planning	94.68	163.42	94.11	153.8	93.21	108.96	99	70.8	98.4	66.7
Agriculture	415.06	284.91	399.47	278.04	363.96	253.84	91.1	91.3	87.7	89.1
Trade, Energy and Industrialization	71.06	111.98	69.98	88.37	52.26	87.41	74.7	98.9	73.6	78.1
Roads and Public Works	135.82	1094.99	126.61	1078.08	118.21	884.2	93.4	82	87	80.7
Tourism and Natural resources	55.99	38.64	55.99	12.4	51.54	38.59	92.1	-	92.1	99.9
Water	41.62	210.51	40.41	205.43	38.59	119.16	95.5	58	-	-
Education	535.65	113.6	531.99	58.51	553.03	40.55	104	69.3	103.2	35.7
Governors' office	352.66	-	350.54	-	327.66	-	93.5	-	92.9	-
Deputy Governor's Office	41.38	-	40.37	-	34.20	-	84.7	-	82.6	-
County Secretary	51.8	21.68	49.1	14.99	45.54	19.12	92.7	127.6	87.9	88.2
Sub County Administration	31.76	-	31.76	-	-	-	-	-	-	-
Health	2,221.72	190.93	2003.75	190.27	1921.27	140.59	-	73.9	86.5	73.6
CPSB	47.65	-	46.39	-	46.98	-	101.3	-	98.6	-
Assembly	838.41	146.92	838.41	88	838.39	87.39	100	99.3	100	59.5
Gender and Culture	91.91	62.57	86.32	3.99	82.01	3.98	95	-	89.2	6.4
Housing and Sanitation	45.24	79.05	43.7	56.53	33.57	21.73	76.8	38.4	74.2	27.5
Total	**6,685.7**	**3,784.21**	**6,374.07**	**2,904.39**	**6,147.98**	**1,844.18**	**96.5**	**63.5**	**92**	**48.7**

Source: *Bungoma County Treasury*

Analysis of budget performance by department shows that the Department of Tourism and Natural Resources attained the highest absorption of development budget at 99.9 per cent while Finance and Economic Planning Department incurred the lowest rate at 0.5 per cent of its development expenditure. On the other hand, the Department of Education had the highest percentage of recurrent expenditure to recurrent budget at 103.2 per cent while Trade, Energy and Industrialization had the lowest at 73.6 per cent.

2.1.1 Observations and Recommendations

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

i. Adoption of IFMIS in processing of financial transactions.

ii. Establishment of internal audit committee in line with section 155 of the PFM Act, 2012.

iii. Automation of revenue collection which has led to improved local revenue collection.

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

1. Late submission of financial reports by the County Treasury, which affected timely preparation of budget implementation report.
2. A high wage bill that increased by 7.6 per cent from Kshs.2.89 billion in FY 2015/16 to Kshs.3.11 billion in FY 2016/17 and represented 42.8 per cent of the total expenditure. The increase in wage bill may affect implementation of development projects.
3. High expenditure on domestic and foreign travel by the County Assembly, which was 153.9 per cent and 150.7 per cent of the annual allocations respectively.
4. Delay by the National Treasury to disburse the equitable share of revenue raised nationally.

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

1. *The County Treasury should ensure timely preparation and submission of financial reports to the Office of the Controller of Budget in line with Section 166 of PFM Act, 2012.*
2. *The County Public Service Board should establish an optimal staffing structure in order to manage the wage bill.*
3. *The County Assembly should ensure that domestic and foreign travel expenditure is within the Approved Budget..*
4. *The County Treasury should liaise with the National Treasury to ensure that funds allocated to the County are released in a timely manner in line with the CARA Disbursement Schedule.*

3.4 Busia County

3.4.1 Overview of the FY 2016/17 Budget

The County's FY 2016/17 Approved Supplementary Budget was Kshs.7.55 billion, comprising of Kshs.4.47 billion (59.3 per cent) and Kshs.3.08 billion (40.7 per cent) allocation for recurrent and development expenditure respectively.

To finance the budget, the County expected to receive Kshs.5.87 billion (77.8 per cent) as equitable share of revenue raised nationally, Kshs.206.07 million (2.7 per cent) as total conditional grants, generate Kshs.587.51 million (7.8 per cent) from local revenue sources, Kshs.29.76 million (0.4 per cent) from Kenya Devolution Support Programme Trust which is not contained in CARA, 2016, and Kshs.843.55 million (11.2 per cent) cash balance from FY 2015/16. The conditional grants comprised of Kshs.92.08 million (42.9 per cent) for Free Maternal Healthcare, Kshs.90.2 million (42 per cent) from the Road Maintenance Fuel Levy Fund, Kshs.17.3 million (8.1 per cent) for User Fees Foregone, and Kshs.6.5 million (7 per cent) from DANIDA.

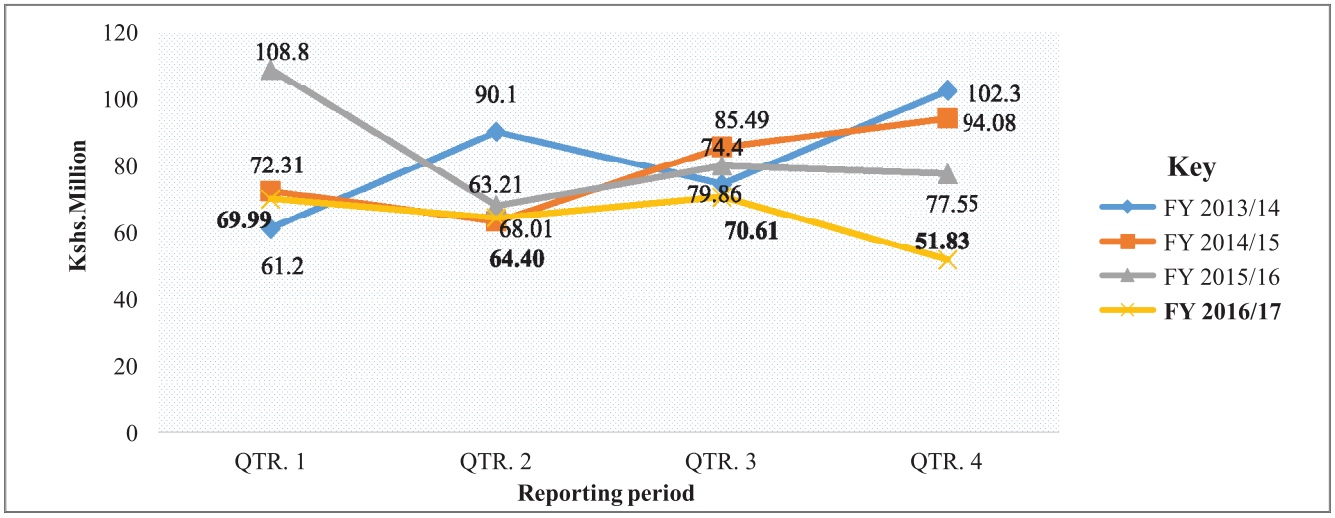
3.4.2 Revenue Analysis

During the year, the County received Kshs.5.87 billion as equitable share of the revenue raised nationally, Kshs.209.7 million as total conditional allocations, Kshs.94.01 million for Doctors, Clinical Officers and Nurses allowances, Kshs.812 million as Coffee Cess, unknown credits to the County Revenue Fund Account of Kshs.7.41 million, raised Kshs.256.83 million from local revenue sources, and had a cash balance of Kshs.843.55 million

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brought forward from FY 2015/16. Figure 3.10 shows the quarterly trend in local revenue collection from the first quarter of FY 2013/14 to the fourth quarter FY 2016/17.

Figure 3.10: Busia County, Trend in Local Revenue Collection by Quarter from FY 2013/14 to FY 2016/17



Source: *Busia County Treasury*

The total local revenue collected in FY 2016/17 amounted to Kshs.256.83 million, representing a decrease of 23.2 per cent compared to Kshs.334.22 million generated in FY 2015/16, and represented 43.7 per cent of the annual local revenue target of Kshs.587.51 million.

3.4.3 Conditional Grants

Table 3.10 shows an analysis of conditional grants released in FY 2016/17.

Table 3.10: Busia County Analysis of Conditional Grants Released in FY 2016/17

S/No	Conditional Grant	CARA, 2016 Annual Allocation in Kshs.	Actual Receipts in FY 2016/17 in Kshs.	Actual Receipts as Percentage of Annual Allocation (%)
1.	Free Maternal Healthcare	92,079,522	82,717,500	89.8
2.	Road Maintenance Fuel Levy Fund	90,194,001	90,194,000	100
3.	User Fees Foregone	17,302,828	17,302,828	100
4.	DANIDA Grant	6,495,000	19,485,000	300
TOTAL		**206,071,351**	**209,699,328**	**88.9**

Source: *Busia Treasury*

Analysis of the conditional grants released during the period under review indicates that, DANIDA grant recorded the highest receipts at 300 per cent of annual allocation. Receipts from DANIDA included Kshs.12.99 million from FY 2015/16.

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3.4.4 Exchequer Issues

During the year, the Controller of Budget authorised withdrawal of Kshs.6.77 billion from the CRF account, which was 89.7 per cent of the Approved Supplementary Budget. This amount represented an increase of 4 per cent from Kshs.6.51 billion authorized in FY 2015/16 and consisted of Kshs.4.12 billion (60.9 per cent) for recurrent expenditure and Kshs.2.65 billion (39.1 per cent) for development activities.

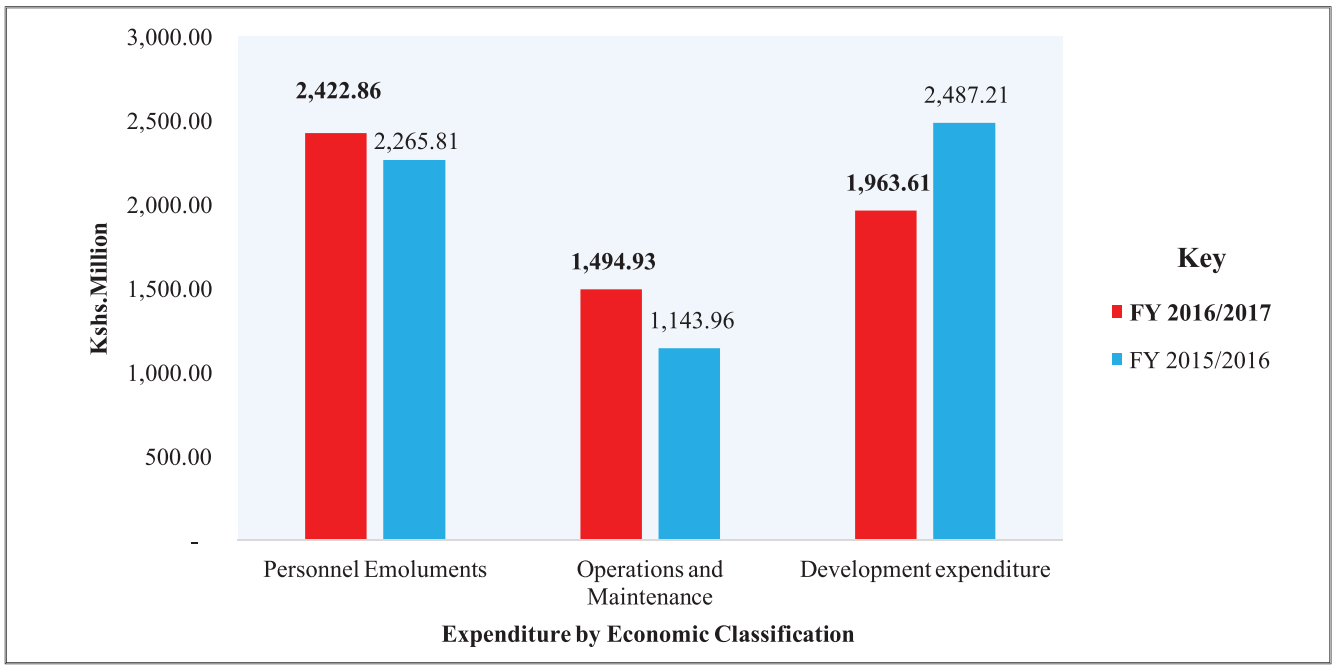
3.4.5 Overall Expenditure Review

The County spent Kshs.5.88 billion, which was 86.9 per cent of the total funds released for operations. This was a marginal decrease of 0.3 per cent from Kshs.5.9 billion spent in FY 2015/16.

A total of Kshs.3.92 billion was spent on recurrent activities, while Kshs.1.96 billion was spent on development activities. The recurrent expenditure was 95.1 per cent of the funds released for recurrent activities while development expenditure accounted for 74.2 per cent of the funds released for development activities. The expenditure excluded pending bills as at June 30, 2017 that amounted to Kshs.557.54 million for development and Kshs.268.55 million for recurrent expenditure.

The recurrent expenditure represented 87.6 per cent of the annual recurrent budget, a decrease from 92.2 per cent spent in FY 2015/16. Development expenditure recorded an absorption rate of 63.9 per cent, which was a decrease from 69.2 per cent attained in FY 2015/16. Figure 3.11 presents a comparison between the total expenditure in FY 2016/17 and FY 2015/16.

Figure 3.11: Busia County, Expenditure by Economic Classification in FY 2015/16 and FY 2016/17



Source: Busia County Treasury

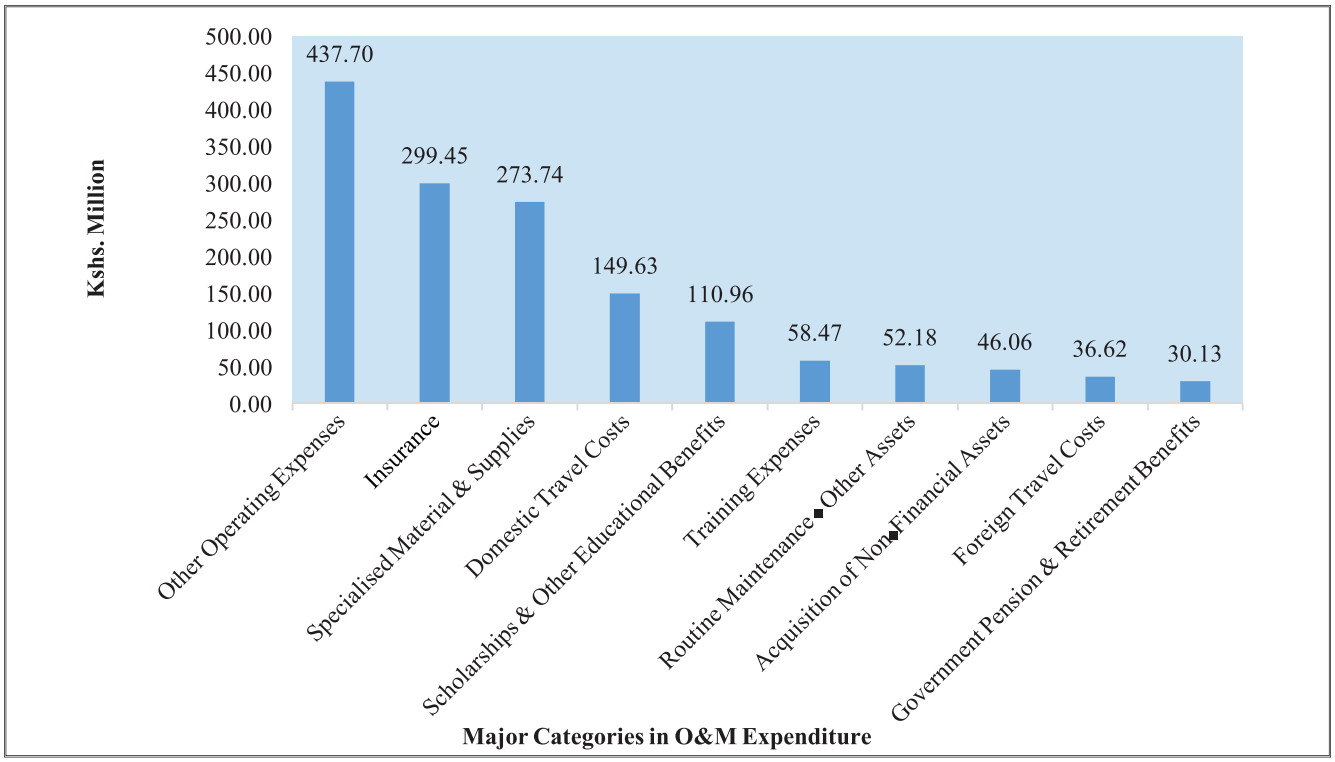
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3.4.6 Analysis of Recurrent Expenditure

The total recurrent expenditure of Kshs.3.92 billion consisted of Kshs.2.42 billion (61.8 per cent) spent on personnel emoluments and Kshs.1.5 billion (38.2 per cent) on operations and maintenance as shown in Figure 3.11. Expenditure on personnel emoluments represented an increase of 6.9 per cent compared to FY 2015/16 when the County spent Kshs.2.27 billion. Figure 3.12 shows a summary of operations and maintenance expenditure by major categories.

The expenditure on personnel emoluments of Kshs.2.42 billion was 41.2 per cent of overall total expenditure in FY 2016/17 and 61.8 per cent of total recurrent expenditure of Kshs.3.92 billion.

Figure 3.12: Busia County, Operations and Maintenance Expenditure by Major Categories for FY 2016/17



Source: *Busia County Treasury*

The County spent Kshs.70.68 million on sitting allowances for the 54 MCAs and the Speaker against the annual budget allocation of Kshs.107.83 million. This was a decrease of 28.6 per cent compared to Kshs.98.93 million spent in FY 2015/16. The average monthly sitting allowance was Kshs.109,074 per MCA compared to SRC's recommended monthly ceiling of Kshs.124,800.

Expenditure on domestic and foreign travel amounted to Kshs.186.25 million and consisted of Kshs.65.58 million spent by the County Assembly and Kshs.120.67 million by the County Executive. This expenditure represented 4.8 per cent of total recurrent expenditure and was a decrease of 19.2 per cent compared to Kshs.230.48 million spent in FY 2015/16.

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3.4.7 Development Expenditure Analysis

The total development expenditure of Kshs.1.96 billion represented 63.9 per cent of the annual development budget of Kshs.3.08 billion. Figure 3.11 provides a summary of development projects with the highest expenditure in FY 2016/17.

Table 3.11: Busia County, List of Development Projects with the Highest Expenditure in FY 2016/17

S/No.	Project name	Project location	Annual project budget (Kshs.)	Annual project expenditure (Kshs.)	Absorption rate (%)
1	Construction of Buildings	Entire County	464,200,521	133,276,891	28.7
2	Street Lighting	All County major towns	336,594,813	217,160,823	64.5
3	Construction of and Tarmacking of Major and Access Roads	Entire County	311,398,250	228,636,875	73.4
4	Routine Maintenance of County Roads	Entire County	307,700,229	129,825,774	42.2
5	Construction of Non-Residential Buildings	Entire County	173,720,497	72,715,247	41.9
6	Construction of Bridges and Box Culverts	Entire County	145,838,200	101,932,345	69.9
7	Medical Equipment and Supplies	Entire County	135,347,233	110,357,332	81.5
8	Water Supplies and Sewerage Works	Entire County	133,647,767	105,471,666	78.9
9	Project Feasibility Studies	Countywide	85,036,000	59,137,590	69.5
10	Purchase of Land for Investment	Countywide	74,423,204	36,536,170	49.1

Source: *Busia County Treasury*

Analysis of the development expenditure by project indicates that, the highest expenditure of Kshs.228.64 million was spent on construction of the new access roads in the County and tarmacking of access roads within Busia and Malaba towns, followed by Kshs.217.16 million on installation and maintenance of street lights in all urban and market centers, and Kshs.133.28 million on construction of buildings across the County.

3.4.8 Budget and Budget Performance Analysis by Department

Table 3.12 shows a summary of budget estimates and budget performance by department in FY 2016/17

Table 3.12: Busia County, Budget Performance by Department in FY 2016/17

Department	Annual Supplementary Budget Allocation (Kshs.Million)		Exchequer Issues in FY 2016/17 (Kshs.Million)		Expenditure in FY 2016/17 (Kshs.Million)		FY 2016/17 Expenditure to Exchequer Issues (%)		FY 2016/17 Absorption rate (%)	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev

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Agriculture and Animal Resources	209.41	218.31	183.56	196	197.57	165.88	07.6			76
Economic Planning, Trade, Co-operative and Industrialization	64.34	165.98	59	88.1	48.33	15.11	81.9	17.2	75.1	9.1
Education and Vocational Training	348.61	221.14	265.64	208.72	301.05	116.05	113.3	55.6	86.4	52.5
Finance and ICT	1000.3	66.59	910.28	66.59	878.82	87.14	96.5	130.9	87.9	130.9
Community, Culture, Sports & Social Services	81.74	119.51	77.52	55.37	62.26	83.4	80.3	150.6	76.2	69.8
Public Works, Roads, Transport and Energy	70.06	834	68.28	696.61	46.09	659.38	67.5	94.7	65.8	79.1
Public Service Management	157.47	-	141.48	-	145.74	-	103	-	92.6	-
Lands, Housing & Urban development	100.67	297.65	96.44	271.66	82.9	200.3	86	73.7	82.3	67.3
Water, Environment & natural resources	65.27	479.32	62.26	473.17	47.68	244.85	76.6	51.7	73.1	51.1
Health and Sanitation	1355.06	353.33	1241.06	315.94	1131.96	208.4	91.2	66	83.5	59
County Public Service Board	42.73	-	42.73	-	23.54	-	55.1	-	55.1	-
Office of the County Secretary	53.52	-	53.52	-	31.39	-	58.7	-	58.7	-
Office of the Governor	266.81	217.64	266.65	183.08	306.06	146.5	114.8	-	114.7	67
Office of the Deputy Governor	21.59	-	18.58	-	3.85	-	20.7	-	17.8	-
County Assembly	633.73	100.84	633.73	90.14	610.55	36.6	96.3	-	96.3	36
Total	**4,471.31**	**3,074.31**	**4,120.73**	**2,645.38**	**3,917.79**	**1,963.61**	**95.1**	**74.2**	**87.6**	**63.9**

Source: *Busia County Treasury*

Analysis of budget performance by department shows that the Finance and ICT Department attained the highest absorption of development budget at 130.9 per cent while the Economic Planning, Trade, Co-operatives and Industrialization Department had the lowest absorption rate of development budget at 9.1 per cent. On the other hand, the Office of the Governor had the highest percentage of recurrent expenditure to recurrent budget at 114.7 per cent while the Office of the Deputy Governor had the lowest at 17.8 per cent.

3.4.9 Observations and Recommendations

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

i. Establishment of the County Budget and Economic Forum (CBEF) in line with Section 137 of the PFM Act, 2012.

ii. Timely submission of quarterly financial reports to the Controller of Budget by County Government entities in line with Section 166 of the PFM Act, 2012. The only delays in submission of financial reports were on the County Bursary Scheme reports.

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

1. Failure to establish an Internal Audit Committee to oversee financial operations in the County contrary to the provisions of Section 155 of the PFM Act, 2012.
2. Under-performance in local revenue collection.Local revenue collection has declined by 23.2 per cent from Kshs.334.22 million in FY 2015/16 to Kshs.256.83 million in FY 2016/17.
3. Delay by the County Assembly in approving of key planning and budget policy documents such as the ADP, CFSP, CBROP and the Supplementary Budget.
4. Operational delays and IFMIS connectivity challenges, which slowed down approval of procurement requests and payments to suppliers
5. Delay in submitting quarterly expenditure reports on the County Bursary Scheme contrary to Section 116 and 168 of the PFM Act, 2012.
6. High personal emoluments which accounted for 51.1 per cent of overall total expenditure during the reporting period. The increase in wage bill may affect implementation of development projects.
7. Delay by the National Treasury to disburse the equitable share of revenue raised nationally.

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

1. *The County should establish Internal Audit Committees in line with Section 155 of the PFM Act, 2012.*
2. *The County Treasury should formulate and implement strategies to enhance local revenue collection.*
3. *The County should observe the timelines stipulated in law (i.e. Sections 117, 118, 126, 129(2) (a), 131(1), of the PFM Act, 2012 and Sec108 of the County Governments Act, 2012) in the approval of key planning documents so as to facilitate smooth implementation of the budget.*
4. *The County Treasury should liaise with the IFMIS Directorate for support in application of IFMIS and the E-procurement module.*
5. *The Department of Education and Vocational Training should ensure timely submission of the County Bursary Scheme quarterly and annual reports in line with Section 116 (7) and 168 of the PFM Act, 2012.*
6. *The County Public Service Board should develop an optimal staffing structure and devise strategies to address the escalating wage bill.*
7. *The County Treasury should liaise with the National Treasury so as to ensure that funds allocated to the County are released in a timely manner in line with CARA, 2016 Disbursement Schedule.*

3.5 Elgeyo Marakwet County

3.5.1 Overview of the FY 2016/17 Budget

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

To finance the budget, the County expected to receive Kshs.3.53 billion (74.5 per cent) as equitable share of revenue raised nationally, Kshs.204.61 million (4.3 per cent) as total conditional grants, generate Kshs.160.02 million (3.4 per cent) from local sources, and Kshs.845.69 million (17.8 per cent) cash balance from FY 2015/16.

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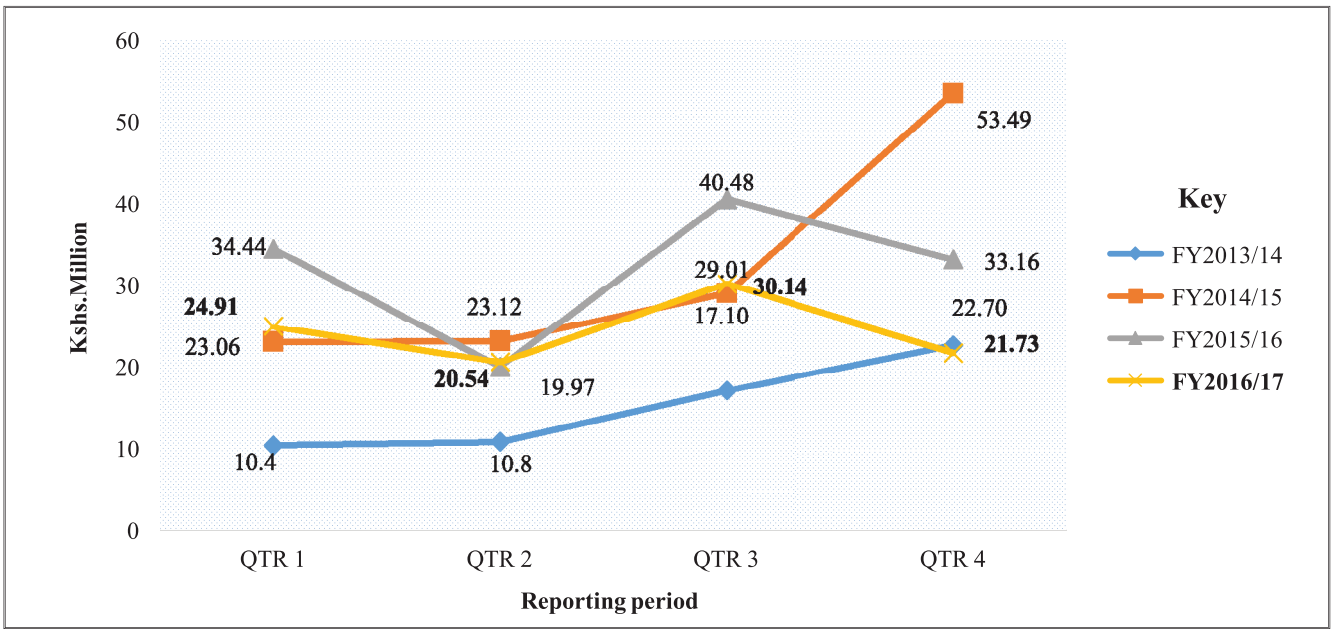
The conditional grants comprise of Kshs.50.23 million (25.6 per cent) for Free Maternal Healthcare, Kshs.54.22 million (26.5 per cent) from the Road Maintenance Fuel Levy Fund, Kshs.8.96 million (4.4 per cent) for User Fees Foregone, Kshs.10.4 million (5.1 per cent) grant from DANIDA, Kshs.56.95 million (27.8 per cent) grant from World Bank HSSF and Kshs.23.88 million (11.7 per cent) conditional grants from Other Loans and Grants.

3.5.2 Revenue Analysis

During the year, the County received Kshs.3.53 billion as equitable share of the revenue raised nationally, Kshs.117.52 million as total conditional allocations, raised Kshs.97.32 million from local revenue sources, and had a cash balance of Kshs.845.69 million brought forward from FY 2015/16.

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

Figure 3.13: Elgeyo Marakwet County, Trend in Local Revenue Collection by Quarter from FY 2013/14 to FY 2016/17



Source: *Elgeyo Marakwet County Treasury*

The total local revenue collected in FY 2016/17 amounted to Kshs.97.32 million, representing a decrease of 24 per cent compared to Kshs.128 million generated in FY 2015/16, and represented 60.8 per cent of the annual local revenue target of Kshs.160.02 million.

3.5.3 Conditional Grants

Table 3.13 shows an analysis of conditional grants released in FY 2016/17.

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Table 3.13: Elgeyo Marakwet County Analysis of Conditional Grants Released in FY 2016/17

S/No	Conditional Grant	CARA, 2016 Annual Allocation in Kshs)	Actual receipts in FY 2016/17 in Kshs.	Actual Receipts as Percentage of Annual Allocation (%)
1	World Bank loan to health facilities	56,932,570	-	-
2	Road Maintenance Fuel Levy Fund	54,220,715	54,220,715	100
3	Free Maternal Healthcare	50,228,374	43,897,500	87.4
4	DANIDA grant	10,400,00	10,400,000	100
5	Foregone User Fees	8,956,070	8,956,070	100
TOTAL		**204,613,295**	**117,474,285**	**57.4**

Source: *Elgeyo Marakwet Treasury*

Analysis of the conditional grants released during the period under review indicates that, Road Maintenance Fuel Levy Fund, DANIDA grant, and the User Fees Foregone grant recorded the highest receipts at 100 per cent of annual allocation, while Free Maternal Healthcare recorded 87.4 per cent. The County did not receive funds from the World Bank loan to health facilities.

3.5.4 Exchequer Issues

During the year, the Controller of Budget authorised withdrawal of Kshs.4.05 billion from the CRF account, which was 85.5 per cent of the Approved Supplementary Budget. This amount represented an increase of 25 per cent from Kshs.3.24 billion authorized in FY 2015/16 and consisted of Kshs.2.82 billion (69.6 per cent) for recurrent expenditure and Kshs.1.24 billion (20.4 per cent) for development activities.

3.5.5 Overall Expenditure Review

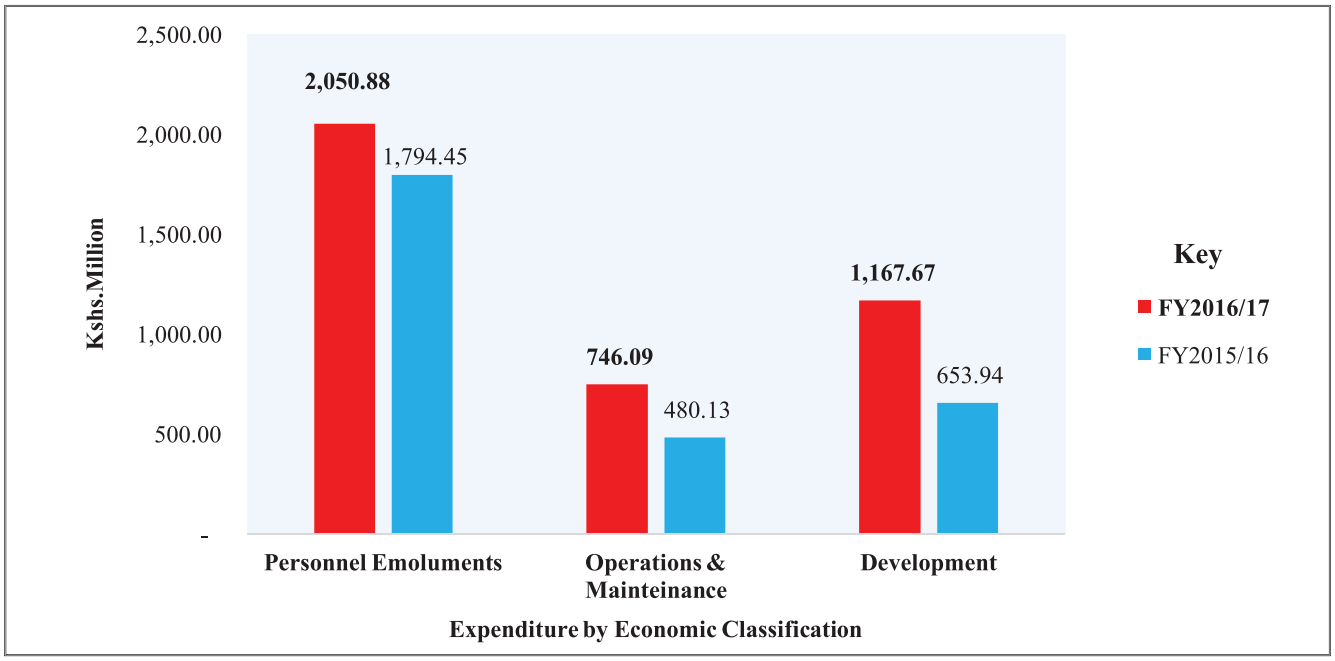
The County spent Kshs.3.97 billion, which was 97.9 per cent of the total funds released for operations. This was an increase of 35.5 per cent from Kshs.2.93 billion spent in FY 2015/16.

A total of Kshs.2.8 billion was spent on recurrent activities, while Kshs.1.17 billion was spent on development activities. The recurrent expenditure was 99.3 per cent of the funds released for recurrent activities while development expenditure accounted for 94.6 per cent of the funds released for development activities. The expenditure excluded pending bills as at June 30, 2017 that amounted to Kshs.660.33 million for development and Kshs.124.73 million for recurrent expenditure.

The recurrent expenditure represented 96.9 per cent of the annual recurrent budget, an increase from 94.1 per cent spent in FY 2015/16. Development expenditure recorded an absorption rate of 63 per cent, which was an increase from 45.6 per cent attained in FY 2015/16. Figure 3.14 presents a comparison between the total expenditure in FY 2016/17 and FY 2015/16.

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Figure 3.14: Elgeyo Marakwet County, Expenditure by Economic Classification in FY 2015/16 and FY 2016/17



Source: *Elgeyo Marakwet County Treasury*

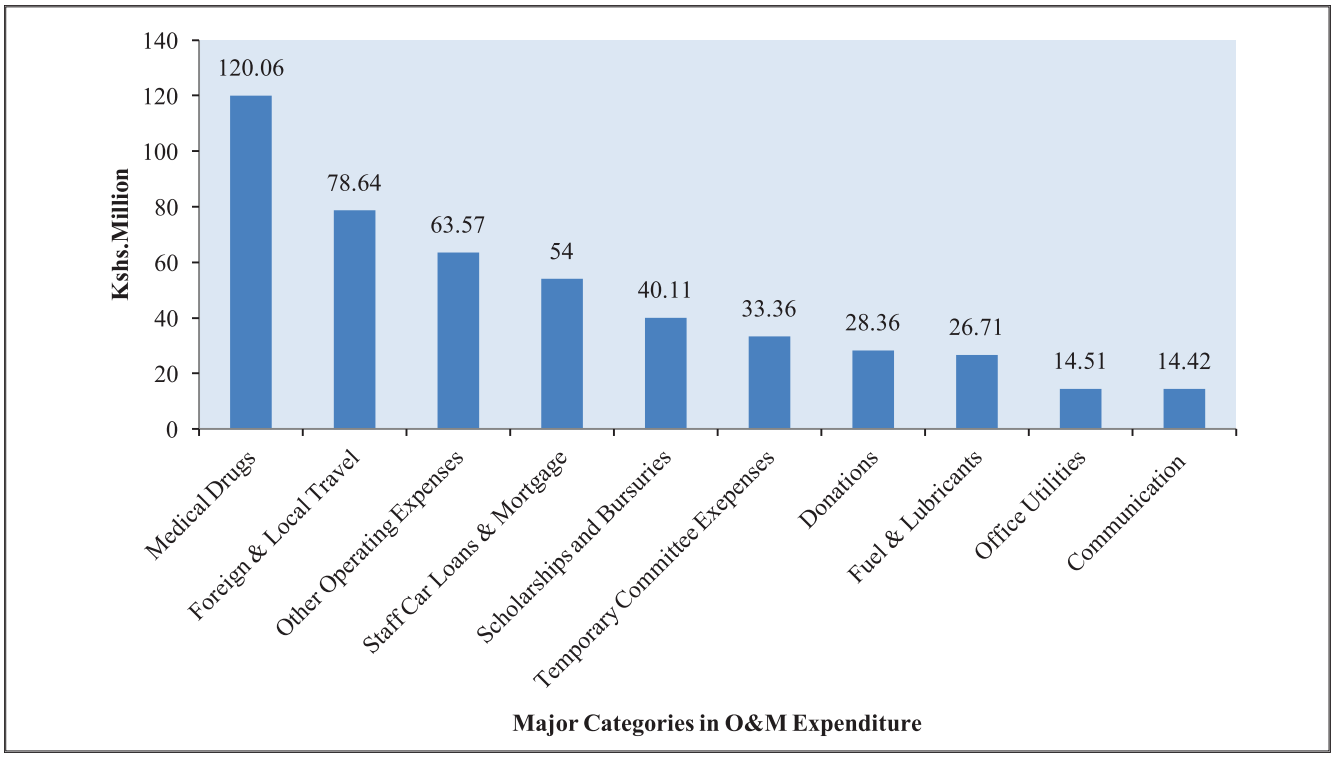
3.5.6 Analysis of Recurrent Expenditure

The total recurrent expenditure of Kshs.2.8 billion consisted of Kshs.2.05 billion (73.2 per cent) spent on personnel emoluments and Kshs.746.13 million (26.8 per cent) on operations and maintenance as shown in Figure 3.14. Expenditure on personnel emoluments represented an increase of 14.5 per cent compared to FY 2015/16 when the County spent Kshs.1.79 billion. Figure 3.15 shows a summary of operations and maintenance expenditure by major categories.

The expenditure on personnel emoluments of Kshs.2.05 billion was 51.7 per cent of overall total expenditure in FY 2016/17 and 73.2 per cent of total recurrent expenditure of Kshs.2.8 billion.

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Figure 3.15: Elgeyo Marakwet County, Operations and Maintenance Expenditure by Major Categories for FY 2016/17



Source: *Elgeyo Marakwet County Treasury*

The County spent Kshs.37.5 million on sitting allowances for the 30 MCAs and the Speaker against the annual budget allocation of Kshs.37.5 million. This was a decrease of 9.7 per cent compared to Kshs.41.5 million spent in FY 2015/16. The average monthly sitting allowance was Kshs.100,796 per MCA compared to SRC's recommended monthly ceiling of Kshs.124,800.

Expenditure on domestic and foreign travel amounted to Kshs.74.81 million and consisted of Kshs.47.71 million spent by the County Assembly and Kshs.27.1 million by the County Executive. This expenditure represented 2.7 per cent of total recurrent expenditure and was a decrease of 3.2 per cent compared to Kshs.76.23 million spent in FY 2015/16.

3.5.7 Development Expenditure Analysis

The total development expenditure of Kshs.1.17 billion represented 63 per cent of the annual development budget of Kshs.1.85 billion. Table 3.14 provides a summary of development projects with the highest expenditure in FY 2016/17.

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Table 3.14: Elgeyo Marakwet County, List of Development Projects with the Highest Expenditure in FY 2016/17

S/No.	Project name	Project location	Annual project budget (Kshs.)	Annual project expenditure (Kshs.)	Absorption rate (%)
1.	Kamariny Stadium Tartan track and football pitch	Kamariny	10,000,000	8,866,802	88.7
2.	Procurement of ERP System (Revenue and Health System)	County	10,000,000	7,069,400	70.7
3.	Construction of Marakwet East Sub County Office	Endoo	8,849,479	4,713,820	53.3
4.	Purchase of specialized equipment at Iten County Referral Hospital	HQs	8,000,000	7,296,000	91.2
5.	Drilling and Blasting of Rocks at Sisiya Arror Road	Arror	6,000,000	6,000,000	100
6.	Simbirir Water Project	Sambirir	5,795,870	5,151,679	88.9
7.	Mindililwo/Kamogio/ Kapkessum/Kapcherop Water Project	County	5,590,540	4,278,716	76.5
8.	Prefeasibility of Rimoi Reserve Cable Car	County	5,000,000	4,662,360	93.2
9.	Installation of Solar Powered Street Lights lot 3	Sengwer	4,898,800	4,898,000	100
10.	Grading of Chesewew-Mogil Road	Sambirir	4,000,000	3,920,000	98

Source: *Elgeyo Marakwet County Treasury*

Analysis of the development expenditure by project indicates that, the highest expenditure of Kshs.8.87 million was spent on development of Kamariny Stadium Tartan track and Football pitch in Iten, followed by Kshs.7.07 million on procurement of a Revenue and Health ERP System for the County Headquarters, and Kshs.7.3 million on the purchase of specialized equipment for the Iten County Referral Hospital.

3.5.8 Budget and Budget Performance Analysis by Department

Table 3.15 shows a summary of budget estimates and budget performance by department in FY 2016/17

Table 3.15: Elgeyo Marakwet County, Budget Performance by Department in FY 2016/17

Department	Annual Supplementary Budget Allocation (Kshs.Million)		Exchequer Issues in FY 2016/17 (Kshs.Million)		Expenditure in FY 2016/17 (Kshs.Million)		FY 2016/17 Expenditure to Exchequer Issues (%)		FY 2016/17 Absorption rate (%)	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
Office of the Governor	171.54	36.37	153.47	33	154.8	3.18	100.9	9.6	90.2	8.7
Administration	29.89	-	29.89	-	25.14	-	84.1	-	84.1	-

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Department	Annual Supplementary Budget Allocation (Kshs.Million)		Exchequer Issues in FY 2016/17 (Kshs.Million)		Expenditure in FY 2016/17 (Kshs.Million)		FY 2016/17 Expenditure to Exchequer Issues (%)		FY 2016/17 Absorption rate (%)	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
County Assembly	467.09	17.5	460.86	16.04	460.34	8.17	99.9	50.9	98.6	46.7
Finance and Economic Planning	212.36	1.93	188.49	1.43	185.35	1.42	98.3	99.3	87.3	73.6
Roads, Public Works and Transport	70.08	377.61	70.08	335.41	67.83	313.84	96.8	93.6	96.8	83.1
Education and Technical Training	177.82	340.27	177.82	188.77	175.27	220.92	98.6	117	98.6	64.9
Youth Affairs, Culture, Children and Gender	19.8	116.74	19.8	89.88	18.77	69.23	94.8	77	94.8	59.3
Health Services	1,281.69	235.75	1,259	135.91	1,266.17	125.09	100.6	92	98.8	53.1
Water, Lands, Housing and Physical Planning	77.01	344.81	77.01	162.83	74.2	203.89	96.4	125.2	96.4	59.1
Trade, Tourism, Cooperatives and Wildlife	56.11	110.35	56.11	83.63	53.97	68.43	96.2	81.8	96.2	62
Agriculture, Livestock and Fisheries	182.6	199.96	182.6	130.39	179	124.09	98	95.2	98	62.1
County Public Service Board (CPSB)	34.85	1.51	34.85	1.5	33.79	1.02	97	68	97	67.5
ICT and Public Service	105.93	69.62	105.93	55.7	102.38	28.39	96.6	51	96.6	40.8
Total	**2,886.76**	**1,852.42**	**2,815.9**	**1,234.48**	**2,797.01**	**1,167.67**	**99.3**	**94.6**	**96.9**	**63**

Source: *Elgeyo Marakwet County Treasury*

Analysis of budget performance by department shows that, the Roads, Public Works and Transport Department attained the highest absorption of development budget at 83.1 per cent while the Public Administration Departments did not incur any development expenditure. On the other hand, the Department of Health Services had the highest percentage of recurrent expenditure to recurrent budget at 98.8 per cent while the Department of Public Administration had the lowest at 84.1 per cent.

3.5.9 Observations and Recommendations

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

i. Establishment and operationalization of the Internal Audit Committee to oversee financial operations in the County in line with Section 155 of the PFM Act, 2012.

ii. Improvement in the absorption of development Funds to 63 per cent in the reporting period compared to 45.7 per cent achieved in the same period of FY2015/16.

iii. Timely preparation and approval of Budget documents such as the Annual Development Plan, County Fiscal Strategy Paper and Budget Estimates in line with the PFM Act, 2012.

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

1. Internet Banking (IB) and IFMIS connectivity challenges, which slowed down approval of procurement requests and payments to suppliers.

2. Under-performance in local revenue collection. The local revenue collection has declined by 23.9 per cent

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from Kshs.128 million in FY 2015/16 to Kshs.97.32 million in the reporting period.

3. High wage bill that increased by 14.5 per cent from Kshs.1.79 billion in 2015/16 to Kshs.2.05 billion during the period under review, representing 51.7 per cent of the total expenditure. Increase in wage bill may affect implementation of development projects.

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

1. *The County Treasury should liaise with the National Treasury IFMIS Directorate for support in application of IFMIS and E-procurement module.*
2. *The County Treasury should formulate and implement strategies to enhance local revenue collection.*
3. *The County Public Service Board should establish an optimal staffing structure to manage the wage bill.*

3.6 Embu County

3.6.1 Overview of the FY 2016/17 Budget

The County's FY 2016/17 Approved Supplementary Budget was Kshs.6.72 billion, comprising of Kshs.4.14 billion (61.6 per cent) and Kshs.2.58 billion (38.4 per cent) allocation for recurrent and development expenditure respectively.

To finance the budget, the County expected to receive Kshs.4.14 billion (62 per cent) as equitable share of revenue raised nationally, Kshs.518.72 million (7.8 per cent) as total conditional grants, generate Kshs.803.77 million (12 per cent) from local sources, and Kshs.1.22 billion (18.3 per cent) cash balance from FY 2015/16. The conditional grants comprised of Kshs.95.75 million (18.5 per cent) for Leasing of Medical Equipment, Kshs.286.7 million (55.3 per cent) for Level 5 Hospital, Kshs.54.99 million (10.6 per cent) for Free Maternal Healthcare, Kshs.63.63 million (12.3 per cent) from the Road Maintenance Fuel Levy Fund, Kshs.10.78 million (2.1 per cent) for User Fees Foregone, and Kshs.6.87 million (1.3 per cent) as a grant from DANIDA. Further, the County expected to receive Kshs.37.33 million in conditional grants from Other Loans and Grants which was not contained in CARA, 2016.

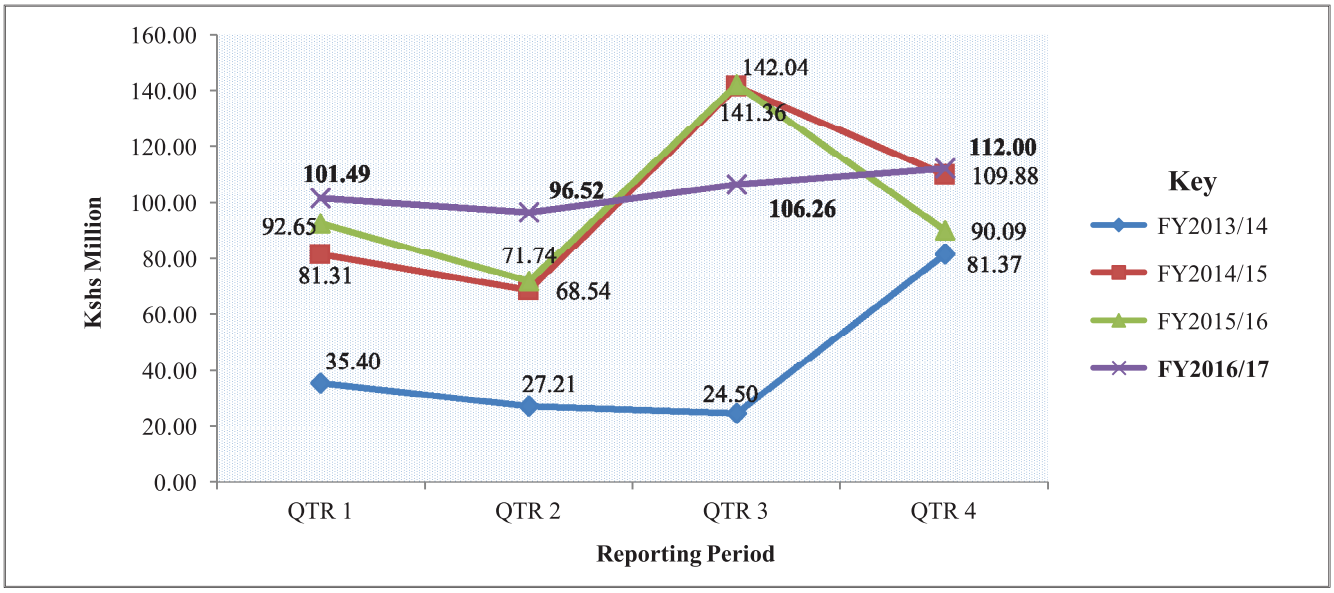
3.6.2 Revenue Analysis

During the year, the County received Kshs.4.14 billion as equitable share of the revenue raised nationally, Kshs.503.18 million as total conditional allocations, raised Kshs.416.27 million from local revenue sources, and had a cash balance of Kshs.1.22 billion brought forward from FY 2015/16. Figure 3.4 shows the quarterly trend in local revenue collection from FY 2013/14 to FY 2016/17.

Figure 3.16 shows the quarterly trend in local revenue collection from the first quarter of FY 2013/14 to the fourth quarter FY 2016/17.

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Figure 3.16: Embu County, Trend in Local Revenue Collection by Quarter from FY 2013/14 to FY 2016/17



Source: *Embu County Treasury*

The total local revenue collected in FY 2016/17 amounted to Kshs.416.27 million, representing a increase of 4.9 per cent compared to Kshs.396.52 million generated in FY 2015/16. This revenue was 51.8 per cent of the annual local revenue target of Kshs.803.77 million.

3.6.3 Conditional Grants

Table 3.16 shows an analysis of conditional grants released in FY 2016/17.

Table 3.16: Embu County Analysis of Conditional Grants Released in FY 2016/17

S/No	Conditional Grant	CARA, 2016 Annual Allocation in Kshs)	Actual receipts in FY 2016/17 in Kshs.	Actual Receipts as Percentage of Annual Allocation (%)
1	Embu Level 5 Hospital	286,705,202	286,705,201	100
2	Road Maintenance Fuel Levy Fund	63,629,297	62,953,489	98.9
3	Free Maternal Healthcare	54,985,378	53,847,500	97.9
4	User Fees Foregone	10,776,608	10,776,608	100
5	DANIDA Grant	6,875,000	6,875,000	100
6	Leasing of Medical Equipment	95,744,681	-	-
Total		**518,716,166**	**421,157,798**	**81.2**

Source: *Embu County Treasury*

Analysis of the conditional grants during the year indicates that Embu Level 5 Hospital, User Fees Foregone, and DANIDA recorded the highest receipts at 100 per cent of annual allocation.

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3.6.4 Exchequer Issues

During the year, the Controller of Budget authorised withdrawal of Kshs.5.93 billion from the CRF account which was 88.2 per cent of the Approved Supplementary Budget. This amount represented an increase of 41.8 per cent from Kshs.4.18 billion released in FY 2015/16 and consisted of Kshs.3.99 billion (67.3 per cent) for recurrent expenditure and Kshs.1.94 billion (32.7 per cent) for development activities.

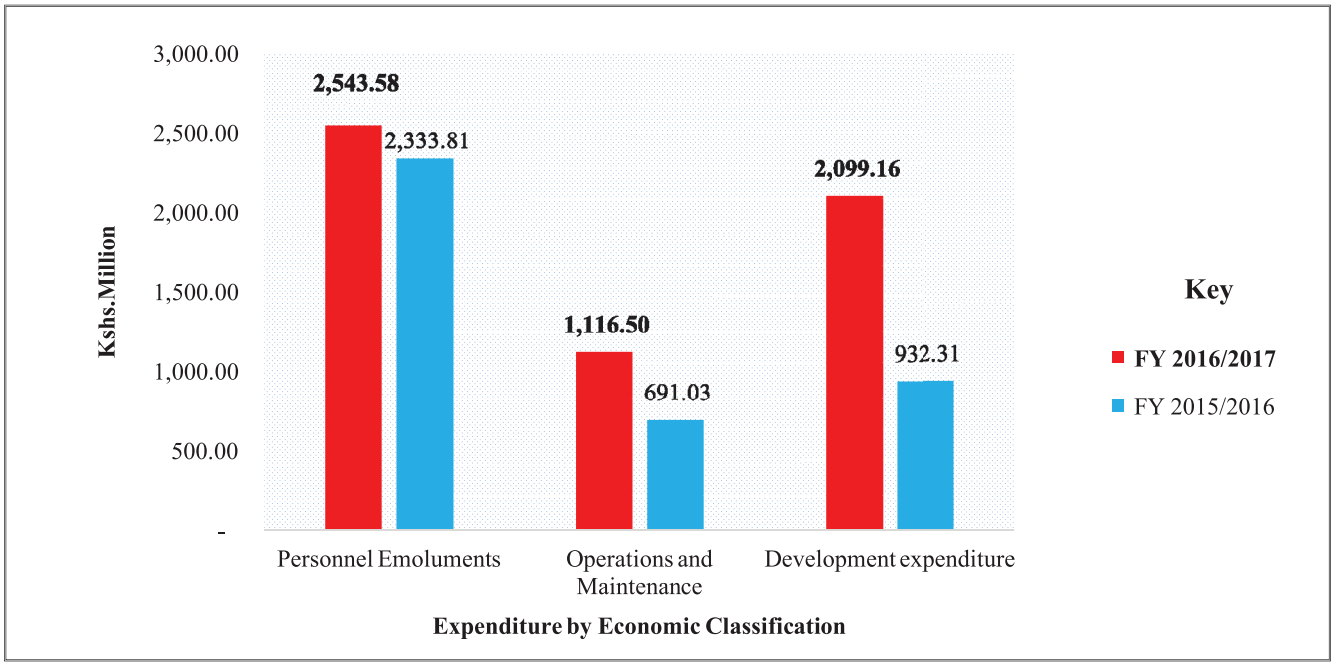
3.6.5 Overall Expenditure Review

The County spent Kshs.5.76 billion, which was 97.1 per cent of the total funds released for operations. This was an increase of 45.5 per cent from Kshs.3.96 billion spent in FY 2015/16.

A total of Kshs.3.66 billion was spent on recurrent activities, while Kshs.2.1 billion was spent on development activities. The recurrent expenditure was 91.7 per cent of the funds released for recurrent activities while development expenditure accounted for 108.2 per cent of the funds released for development activities. The expenditure excluded pending bills as at June 30, 2017 that amounted to Kshs.357.77 million for development and Kshs.308.59 million for recurrent expenditure.

The recurrent expenditure represented 88.3 per cent of the annual recurrent budget, a decrease from 88.8 per cent spent in FY 2015/16. Development expenditure recorded an absorption rate of 81.4 per cent, which was an increase from 40.1 per cent attained in FY 2015/16. Figure 3.17 present a comparison between the total expenditure in FY 2016/17 and FY 2015/16.

Figure 3.17: Embu County, Expenditure by Economic Classification in FY 2015/16 and FY 2016/17



Source: *Embu County Treasury*

3.6.6 Analysis of Recurrent Expenditure

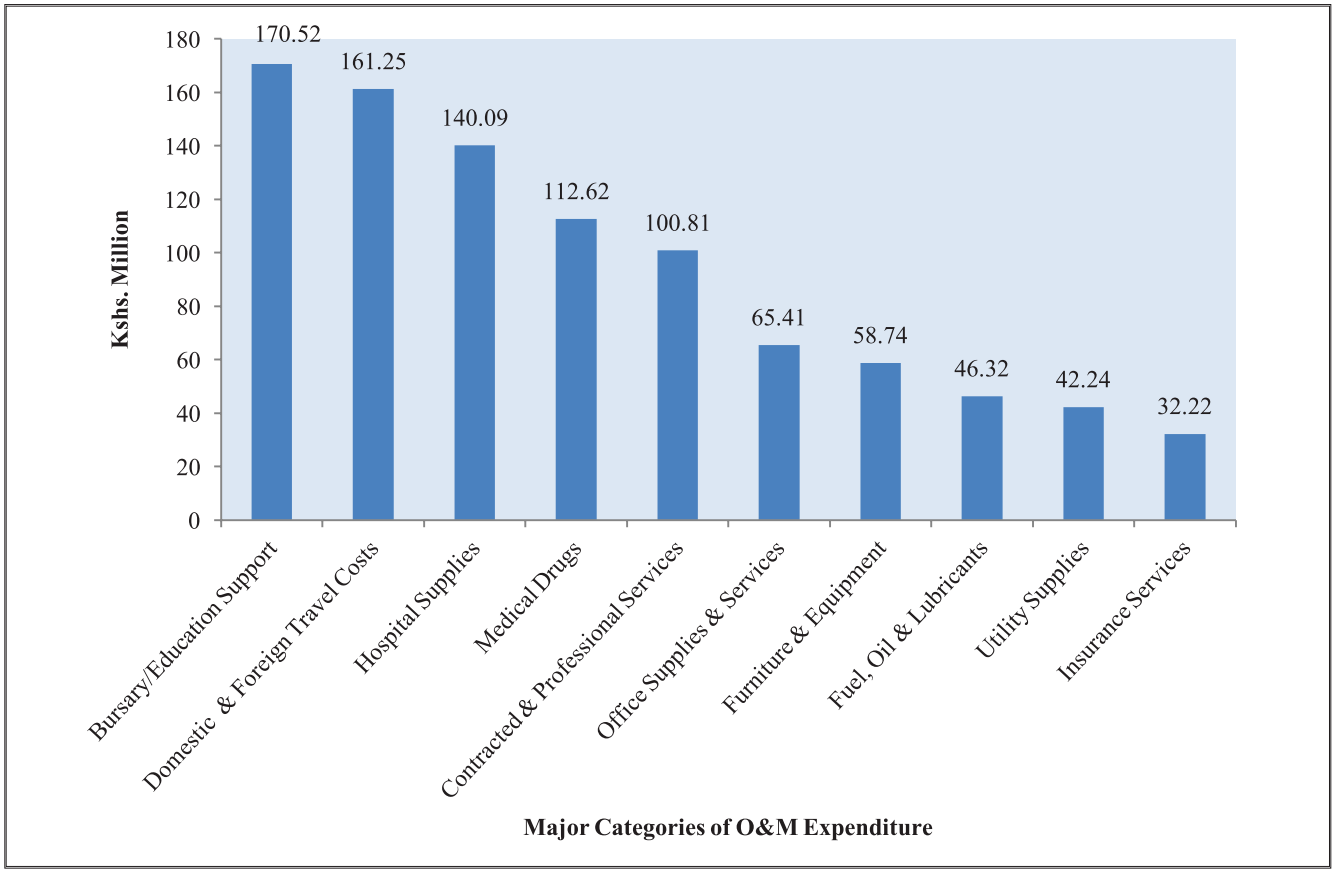
The total recurrent expenditure of Kshs.3.66 billion consisted of Kshs.2.54 billion (69.4 per cent) spent on

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personnel emoluments and Kshs.1.12 billion (30.6 per cent) on operations and maintenance as shown in Figure 3.17 .Expenditure on personnel emoluments represented an increase of 9 per cent compared to FY 2015/16 when the County spent Kshs.2.33 billion. Figure 3.18 shows a summary of operations and maintenance expenditure by major categories.

The expenditure on personnel emoluments of Kshs.2.54 billion was 44.2 per cent of overall total expenditure in FY 2016/17 and 69.5 per cent of total recurrent expenditure of Kshs.3.66 billion.

Figure 3.18: Embu County, Operations and Maintenance Expenditure by Major Categories for FY 2016/17



Source: *Embu County Treasury*

The County spent Kshs.29.10 million on sitting allowances for the 33 MCAs and the Speaker against the annual budget allocation of Kshs.28 million. This was a decrease of 20.3 per cent compared to Kshs.36.53 million spent in FY 2015/16. The average monthly sitting allowance was Kshs.71,325 per MCA compared to SRC's recommended monthly ceiling of Kshs.124,800.

Expenditure on domestic and foreign travel amounted to Kshs.161.25 million and consisted of Kshs.117.85 million by the County Assembly and Kshs.43.40 million by the County Executive. This expenditure represented 14.4 per cent of total recurrent expenditure and was an increase of 22.4 per cent compared to Kshs.131.79 million spent in FY 2015/16.

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3.6.7 Development Expenditure Analysis

The total development expenditure of Kshs.2.1 billion represented 81.4 per cent of the annual development budget of Kshs.2.58 billion. Table 3.17 provides a summary of development projects with the highest expenditure in FY 2016/17.

Table 3.17: Embu County, List of Development Projects with the Highest Expenditure in FY 2016/17

S/No.	Project Name	Project Location	Annual Project Budget (Kshs.)	Annual Project Expenditure (Kshs.)	Absorption Rate (%)
1	Tarmacking of Embu-Kibugu Road	Kirimari/Nginda	290,900,242	301,501,195	103.6
2	Construction of ECDE classes	County wide	93,377,537	69,017,720	73.9
3	Expansion of JICA water supply project	County wide	73,169,440	57,135,211	78.1
4	Installation of PowerTransformers	County wide	47,692,000	49,357,880	103.5
5	Tarmacking of Mbiruri-Nduuri Road	Runyenjes Central	67,799,046	37,853,590	55.8
6	Construction of Badea Wards (Level 5 Hospital)	Kirimari	40,310,400	39,123,286	97.1
7	Completion of Embu Stadium	Kirimari	29,700,000	29,699,939	100
8	Expansion of Kiritiri Level 4 Hospital	Mavuria	15,030,709	21,030,627	139.9
9	Roofing of Embu Market Mitumba Stalls	Kirimari	27,320,000	18,752,688	68.6
10	Purchase of Dialysis Machines	Kirimari	18,420,000	18,420,000	100

Source: *Embu County Treasury*

Analysis of the development expenditure by project indicates that, the highest expenditure of Kshs.301.50 million was spent on tarmacking of Embu-Kibugu road, followed by Kshs.69.02 million for construction of ECDE classrooms.

3.6.8 Budget and Budget Performance Analysis by Department

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

Table 3.18: Embu County, Budget Performance by Department in FY 2016/17

Department	Annual Supplementary Budget Allocation (Kshs.Million)		Exchequer Issues in FY 2016/17 (Kshs. Million)		Expenditure in FY 2016/17 (Kshs. Million)		FY 2016/17 Expenditure to Exchequer Issues (%)		FY 2016/17 Absorption rate (%)	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
Office of the Governor	345.28	-	344.95	-	316.1	-	91.6	-	91.5	-
Public Service & Administration	318.18	4.5	311.11	-	293.69	4.42	94.4	100	92.3	98.2
County Public service Board	38.37	-	34.75	-	28.94	-	83.3	-	75.4	-

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Finance and Economic Planning	194.69	25.01	133.86	25.01	47.37	14.68	35.4	58.7	34.3	58.7
Health Services	1,617.19	355.99	1,596.54	308.15	1,512.98	219.23	94.8	71.1	93.6	61.6
Embu Level 5 Hospital	283.23	189.69	283.23	149.19	223.15	183.10	78.8	122.7	78.8	96.5
Trade, Investment & Industrialization	33.82	200.9	31.27	76.1	18.68	182.21	59.7	239.5	55.2	90.7
Education, Science & Technology	373.49	146.6	364.56	128.74	347.08	97.31	95.2	75.6	92.9	66.4
Youth Empowerment & Sports	12.5	105.65	11.92	73.46	6.75	85.40	56.6	116.3	54	80.8
Infrastructure & Public Works	65.52	1,084.7	61.63	882.59	52.13	1,001.39	84.6	113.5	79.6	92.3
Gender Empowerment & Culture	16.69	86.44	14.43	-	5.73	53.3	39.7	100	34.4	61.7
Lands, Water & Natural Resources	113.3	222.53	91.45	222.53	96.01	145.65	105	65.5	86.3	65.5
Agriculture, Livestock & Fisheries	231.85	139.58	221.52	74.7	226.45	112.47	102.2	150.6	97.7	80.6
County Assembly	503.66	18.1	489.55	-	485.01	-	99.1	-	96.3	-
TOTAL	**4,145.77**	**2,579.7**	**3,990.78**	**1,940.47**	**3,660.08**	**2,099.16**	**91.7**	**108.2**	**88.3**	**81.4**

Source: *Embu County Treasury*

Analysis of budget performance by department shows that the Department of Public Service and Administration attained the highest absorption of development budget at 98.2 per cent while the County Assembly did not incur any development expenditure. On the other hand, the Department of Agriculture, Livestock & Fisheries had the highest percentage of recurrent expenditure to its recurrent budget at 97.7 per cent while the Department of Finance & Economic Planning had the lowest at 24.3 per cent.

3.6.9 Observations and Recommendations

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

i. Improvement in the absorption of development budget from 40.1 per cent in FY 2015/16 to 81.4 per cent in the current year.

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

1. Late submission of financial reports by the County Treasury, which affected timely preparation of budget implementation report.
2. Delay by Fund Administrator to submit expenditure reports on the established Car and Mortgage Funds contrary to Section 168 of the PFM Act, 2012.
3. Operational delays and IFMIS connectivity challenges, which slowed down approval of procurement requests and payments to suppliers.
4. High wage bill which increased by 9 per cent from Kshs.2.33 billion in FY 2015/16 to Kshs.2.54 billion in the reporting period, and represented 44.2 per cent of overall total expenditure. Increase in wage bill may affect implementation of development projects.

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5. Delay by the National Treasury to disburse the equitable share of revenue raised nationally.

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

1. *The County Treasury should ensure timely preparation and submission of financial reports in line with Section 166 of PFM Act, 2012.*
2. *Fund Administrators should ensure timely submission of expenditure reports on the established Funds in line with Section 168 of the PFM Act, 2012.*
3. *The County Treasury should liaise with the IFMIS Directorate for support in application of IFMIS and the E-procurement module.*
4. *The County Public Service Board should establish an optimal staffing structure in order to ensure a sustainable wage bill.*
5. *The County Treasury should liaise with the National Treasury to ensure that funds allocated to the County are released in a timely manner in line with the CARA Disbursement Schedule.*

3.7 Garissa County

3.7.1 Overview of the FY 2016/17 Budget

The County's FY 2016/17 Approved Supplementary Budget was Kshs.7.57 billion, comprising of Kshs.4.76 billion (62.9 per cent) and Kshs.2.81 billion (37.1 per cent) allocations for recurrent and development expenditure respectively.

To finance the budget, the County expected to receive Kshs.6.23 billion (82.3 per cent) as equitable share of revenue raised nationally, Kshs.686.8 million (9.1 per cent) as total conditional grants, generate Kshs.350 million (4.6 per cent) from local sources, and Kshs.306 million (4 per cent) cash balance from FY 2015/16. The conditional grants comprised of Kshs.53.8 million (8.5 per cent) for Free Maternal Healthcare, Kshs.95.7 million (7.8 per cent) from the Road Maintenance Fuel Levy Fund, Kshs.13.1 million (13.9 per cent) for User Fees Foregone, Kshs.13.1 million (1.9 per cent) as a grant from DANIDA and Kshs.8.97 million (1.3 per cent) as conditional grants from other loans and grants. In addition, the County expected to receive Kshs.41.03 million as Kenya Devolution Support Programme from World Bank which was not contained in CARA, 2016.

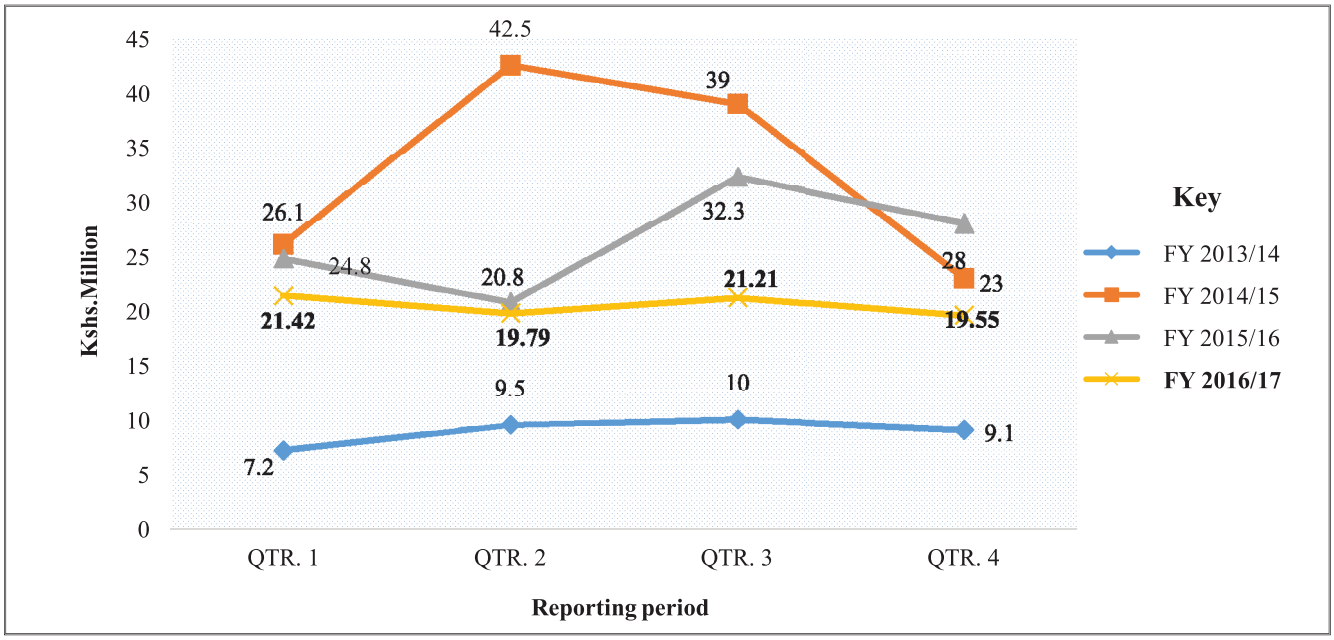
3.7.2 Revenue Analysis

During the year, the County received Kshs.6.23 billion as equitable share of the revenue raised nationally, Kshs.499.88 million as total conditional allocations, raised Kshs.82 million from local revenue sources, and had a cash balance of Kshs.306 million brought forward from FY 2015/16.Figure 3.4 shows the quarterly trend in local revenue collection from FY 2013/14 to FY 2016/17.

Figure 3.19 shows the quarterly trend in local revenue collection from the first quarter of FY 2013/14 to the fourth quarter of FY 2016/17.

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Figure 3.19: Garissa County, Trend in Local Revenue Collection by Quarter from FY 2013/14 to FY 2016/17



Source: *Garissa County Treasury*

The total local revenue collected in FY 2016/17 amounted to Kshs.81.9 million, representing a decrease of 28.2 per cent compared to Kshs.105.9 million generated in FY 2015/16, and represented 23.4 per cent of the annual local revenue target of Kshs.350 million.

3.7.3 Conditional Grants

Table 3.19 shows an analysis of conditional grants released in FY 2016/17

Table 3.19: Garissa County, Analysis of Conditional Grants Released in FY 2016/17

S/No.	Conditional Grants	CARA, 2016 Annual Allocation in Kshs)	Actual receipts in FY 2016/17 in Kshs.	Actual receipt as a Percentage of Annual Allocation
1	Level Five Hospital	328,323,699	328,323,699	100
2	Leasing of Medical Equipment	95,744, 681	-	-
3	Road Levy Maintenance Fund	95,688,977	95,688,977	100
4	Free Maternal Healthcare	53,772,809	53,772,809	100
5	World Bank loan to health facilities	50,131,467	-	-
6	Foregone User Fees	13,126,919	13,126,919	100
7	DANIDA grant	8,970,000	8,970,000	100
TOTAL		**645,758,552**	**499,882,404**	**83.9**

Source: *Garissa County Treasury*

Analysis of the conditional grants released during the period under review indicates that, Level Five Hospital, the User Fees Foregone, Road Levy Maintenance Fund, and Danida grants recorded the highest actual receipt at 100

per cent of annual allocation.

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3.7.4 Exchequer Issues

During the year, the Controller of Budget authorised withdrawal of Kshs.7.1 billion from the CRF account, which was 93.8 per cent of the Approved Supplementary Budget. This amount represented an increase of 9.2 per cent from Kshs.6.5 billion authorized in FY 2015/16 and consisted of Kshs.4.7 billion (65.7 per cent) for recurrent expenditure and Kshs.2.4 billion (34.3 per cent) for development activities.

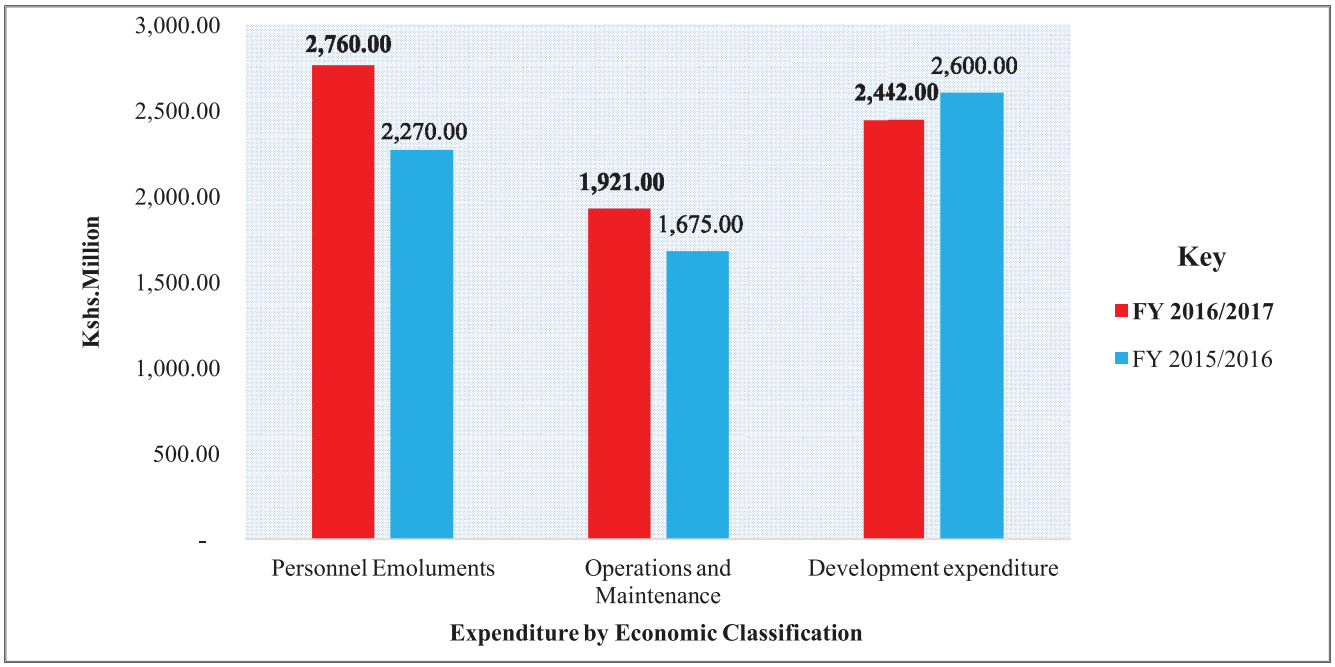
3.7.5 Overall Expenditure Review

The County spent Kshs.7.1 billion, which was 100 per cent of the total funds released for operations. This was an increase of 8.4 per cent from Kshs.6.55 billion spent in FY 2015/16.

A total of Kshs.4.7 billion was spent on recurrent activities, while Kshs.2.4 billion was spent on development activities. The recurrent expenditure was 100 per cent of the funds released for recurrent activities while development expenditure accounted for 100 per cent of the funds released for development activities. The expenditure excluded pending bills as at June 30, 2017 that amounted to Kshs.320.3 million for development and Kshs.126.5 million for recurrent expenditure.

The recurrent expenditure represented 98.3 per cent of the annual recurrent budget, an increase from 96.2 per cent spent in FY 2015/16. Development expenditure recorded an absorption rate of 87 per cent, which was an increase from 78.8 per cent attained in FY 2015/16. Figure 3.20 presents a comparison between the total expenditure in FY 2016/17 and FY 2015/16.

Figure 3.20: Garissa County, Expenditure by Economic Classification in FY 2015/16 and FY 2016/17



Source: *Garissa County Treasury*

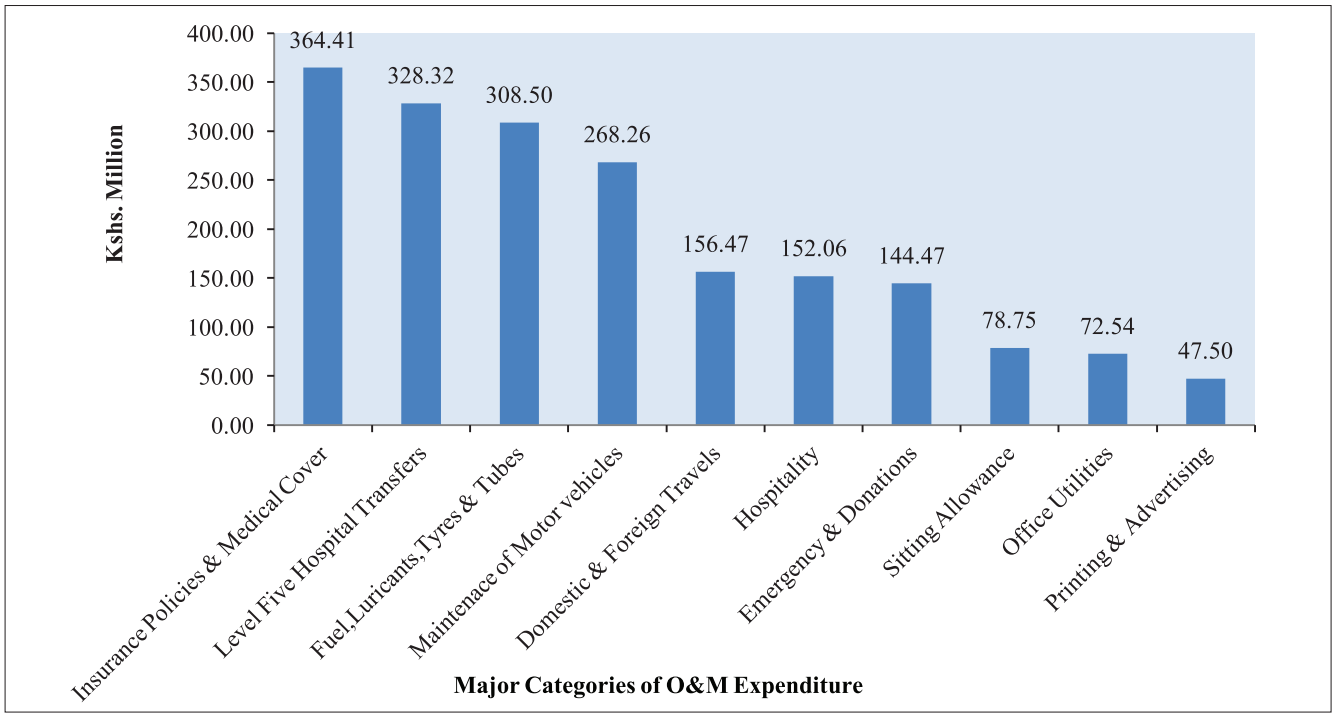
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3.7.6 Analysis of Recurrent Expenditure

The total recurrent expenditure of Kshs.4.7 billion consisted of Kshs.2.76 billion (59.6 per cent) spent on personnel emoluments and Kshs.1.92 billion (40.4 per cent) on operations and maintenance as shown in Figure 3.20. Expenditure on personnel emoluments represented an increase of 21.6 per cent compared to FY 2015/16 when the County spent Kshs.2.27 billion. Figure 3.21 shows a summary of operations and maintenance expenditure by major categories.

The expenditure on personnel emoluments of Kshs.2.76 billion was 38.7 per cent of overall total expenditure in FY 2016/17 and 59 per cent of total recurrent expenditure of Kshs.4.7 billion.

Figure 3.21: Garissa County, Operations and Maintenance Expenditure by Major Categories for FY 2016/17



Source: *Garissa County Treasury*

The County spent Kshs.78.75 million on sitting allowances for the 49 MCAs and the Speaker against the annual budget allocation of Kshs.87 million. This was an increase of 3.8 per cent compared to Kshs.75.97 million spent in FY 2015/16. The average monthly sitting allowance was Kshs.133,930 per MCA and exceeded the SRC's recommended monthly ceiling of Kshs.124,800 by 7.3 per cent.

Expenditure on domestic and foreign travel amounted to Kshs.156.47 million and consisted of Kshs.66.3 million spent by the County Assembly and Kshs.90.4 million by the County Executive. This expenditure represented 3.3 per cent of total recurrent expenditure and was a decrease of 6 per cent compared to Kshs.166.7 million spent in FY 2015/16.

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3.7.7 Development Expenditure Analysis

The total development expenditure of Kshs.2.44 billion represented 87 per cent of the annual development budget of Kshs.2.81 billion. Table 3.20 provides a summary of development projects with the highest expenditure in FY 2016/17.

Table 3.20: Garissa County, List of Development Projects with the Highest Expenditure in FY 2016/17

S/No.	Project name	Ward (Location of the Project)	Annual project budget (Kshs.)	Annual project expenditure (Kshs.)	Absorption rate (%)
1	Masalani Water Project	Masalani	158,000,000	118,000,000	75
2	Construction of water supply in Ijara Sub-County	Ijara	108,750,000	70,000,000	64
3	Upgrading of Garswein- Gababa Road	Masalani	56,000,000	56,000,000	100
4	Installation of flash lights	Balambala	49,000,000	49,000,000	100
5	Construction of Modogashe Sub-County Hospital	Modogashe	23,600,000	23,600,000	100
6	Piping of Waberi West water project	Township	20,000,000	19,200,000	96
7	Grading of Guyobombi Dam, Baraki Road	Baraki	18,486,294	18,486,294	100
8	Hareri Dherow Water Pan	Hulugho	17,400,000	17,400,000	100
9	Renovation of Baraki Dispensary	Baraki	14,500,000	14,500,000	100
10	Aden Wobi Water Pan	Hulugho	12,600,000	12,600,000	100

Source: *Garissa County*

Analysis of the development expenditure by project indicates that, the highest expenditure of Kshs.118 million was spent on Masalani water supply project, followed by Kshs.70 million on construction of Ijara Water Supply, and Kshs.56 million on upgrading of the Garsweino –Gababa Road.

3.7.8 Budget and Budget Performance Analysis by Department

Table 3.21 shows a summary of budget estimates and budget performance by department in FY 2016/17

Table 3.21: Garissa County, Budget Performance by Department in FY 2016/17

Department	Annual Budget Allocation (Kshs.Million)		Exchequer Issues in FY 2016/17(Kshs. Million)		Expenditure in FY 2016/17 (Kshs.Million)		FY 2016/17 Expenditure to Exchequer Issues (%)		FY 2016/17 Absorption rate (%)	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
Transport ,Infrastructure and Lands	94.2	1028	94	1028	94	1028	100	100	99.8	100
Water Services	136.7	617	136	604	136	604	100	100	99.5	97.9
Finance and Economic Planning	1428	250.3	1428	180	1428	180	100	100	100	71.9
Health and Sanitation	1375	327.2	1368	327	1368	327	100	100	99.5	99.9

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Education	279	67.5	274	50	274	50	100	100	98	74
Trade, cooperative and Youth	71.1	39	70	32	70	32	100	100	98.4	82
Environment, Energy and Natural Resources	38.3	130	32	48.5	32	48.5	100	100	83	37
Urban Services	163.1	97	154	97	154	97	100	100	94.4	100
Agriculture	101	74	100	34	100	34	100	100	99.	45.9
Livestock and Pastoral Economy	81.8	62	70	-	70	-	100	-	85.6	-
Women Affairs and Culture	37.3	42	37.2	-	37.2	-	100	-	99.7	-
Executive Services	279.7	22	268.4	21.9	268.4	21.9	100	100	95.9	99.5
County Assembly	679.5	50	649.5	20	649.5	20	100	100	95.6	40
Total	**4,765**	**2,806**	**4,681.1**	**2,442**	**4,681.1**	**2,442.4**	**100**	**100**	**98.3**	**87**

Source: *Garissa County Treasury*

Analysis of budget performance by department shows that the Transport, Infrastructure and Lands Department and the Urban Services Department attained the highest absorption of development budget at 100 per cent. On the other hand, the Department of Finance and Economic Planning had the highest percentage of recurrent expenditure to recurrent budget at 100 per cent.

3.7.9 Observations and Recommendations

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

i. Improved adherence to budget timelines. The budget estimates for FY 2017/18 was approved on 29th June, 2017, Annual Development Plan was approved on 30th September, 2016 while the County Fiscal Strategy Paper was approved on 28th February,2017.

ii. Establishment of the County Budget and Economic Forum in line with Section 137 of the PFM Act, 2012.

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

1. Late submission of financial reports by the County Treasury, which affected timely preparation of budget implementation report.
2. Under-performance in local revenue collection. Local revenue collection has declined by 28.2 per cent from Kshs.105.9 million in FY 2015/16 to Kshs.81.9 million in the reporting period, and represented 23.4 per cent of annul target.
3. Failure to designate Administrators for established County Funds such as the Scholarship Fund and the Emergency Fund contrary to Section 116 of the PFM Act, 2012.
4. Failure to establish an Internal Audit Committee to oversee financial operations in the County contrary to Section 155 of the PFM Act, 2012.
5. High wage bill that increased by 21.6 per cent from Kshs.2.27 billion in FY 2015/16 to Kshs.2.8 billion in the period under review, and represented 38.7 per cent of overall expenditure. High wage bill may affect implementation of development projects.
6. Non- adherence to the SRC's recommended MCA monthly sitting allowance of Kshs.124,800. In the reporting period, the average monthly sitting allowance was Kshs.133, 930 per MCA and exceeded the

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SRC ceiling by 7.3 per cent.

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

1. *The County Treasury should ensure timely preparation and submission of financial reports in line with Section 166 of PFM Act, 2012.*
2. *The County Treasury should formulate and implement strategies to enhance local revenue collection.*
3. *The CECM-F should designate an Administrator for the Scholarship Fund and the Emergency Fund in line with Section 116 of the PFM Act, 2012.*
4. *The County should establish an Internal Audit Committee in line with Section 155 of the PFM Act, 2012.*
5. *The County Public Service Board should establish an optimal staffing structure in order to ensure a sustainable wage bill.*
6. *The County Assembly should ensure compliance with SRC guidelines on MCAs sitting allowances.*

3.8 Homa Bay County

3.8.1 Overview of the FY 2016/17 Budget

The County's FY 2016/17 Approved Supplementary Budget was Kshs.6.73 billion, comprising of Kshs.4.63 billion (69 per cent) and Kshs.2.09 billion (31 per cent) allocation for recurrent and development expenditure respectively.

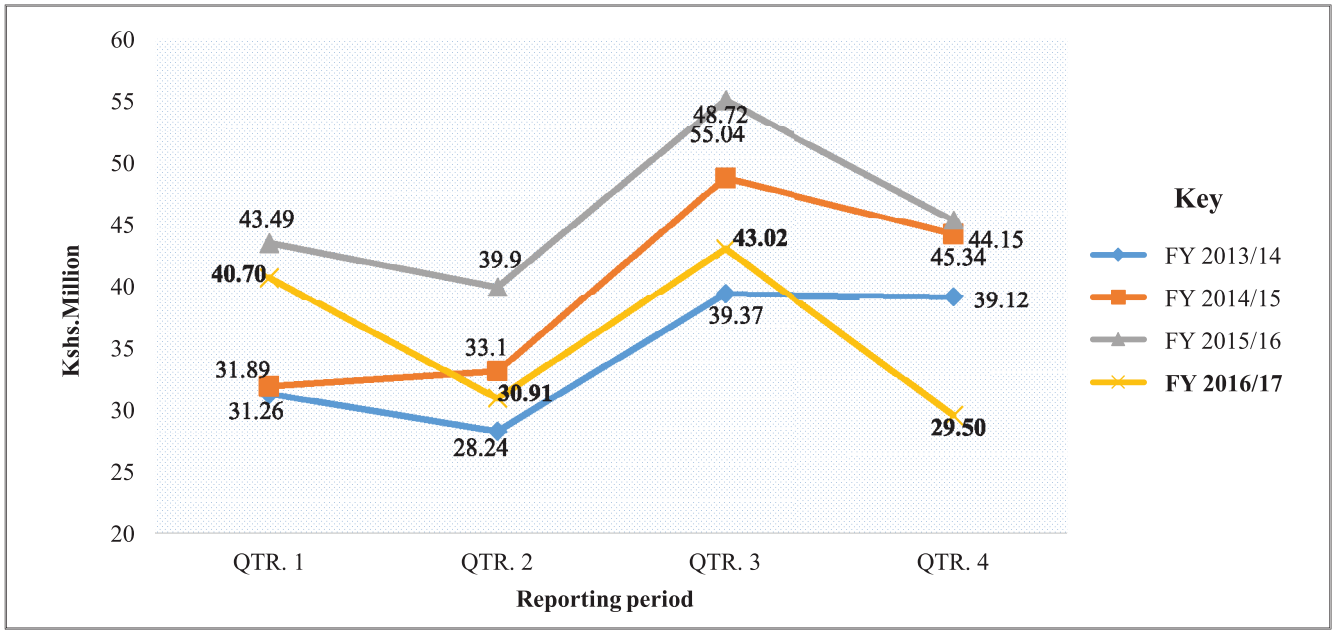
To finance the budget, the County expected to receive Kshs.6.09 billion (90.3 per cent) as equitable share of revenue raised nationally, Kshs.383.19 million (5.7 per cent) as total conditional grants, generate Kshs.141.13 million (2.9 per cent) from local revenue sources, and Kshs.34.1 million (0.5 per cent) cash balance from FY 2015/16. The conditional grants comprised of Kshs.128.74 million (1.9 per cent) for Free Maternal Healthcare, Kshs.93.42 million (1.4 per cent) from the Road Maintenance Fuel Levy Fund, Kshs.22.62 million (0.3 per cent) for User Fees Foregone, Kshs.12.09 million (0.2 per cent) from DANIDA and Kshs.30.29 million (0.4 per cent) as Other Loans and Grants.

3.8.2 Revenue Analysis

During the year, the County received Kshs.6.09 billion as equitable share of the revenue raised nationally, Kshs.208.76 million as total conditional allocations, raised Kshs.144.14 million from local revenue sources, and had a cash balance of Kshs.34.1 million brought forward from FY 2015/16. Figure 3.22 shows the quarterly trend in local revenue collection from the first quarter of FY 2013/14 to the fourth quarter FY 2016/17.

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Figure 3.22: Homa Bay County, Trend in Local Revenue Collection by Quarter from FY 2013/14 to FY 2016/17



Source: *Homa Bay County Treasury*

The total local revenue collected in FY 2016/17 amounted to Kshs.144.14 million, representing a decrease of 21.6 per cent compared to Kshs.183.77 million generated in FY 2015/16, and represented 74.9 per cent of the annual local revenue target of Kshs. 192.16 million.

3.8.3 Conditional Grants

Table 3.22 shows an analysis of conditional grants released in FY 2016/17.

Table 3.22: Homa Bay County, Analysis of Conditional Grants Released in FY 2016/17

S/No	Conditional Grant	CARA,2016 Annual Allocation (Kshs)	Actual receipts in FY 2016/17 in Kshs.	Actual Receipts as Percentage of Annual Allocation (%)
1	Free Maternal Healthcare	128,736,441	82,430,000	64.03
2	Leasing of Medical Equipment	95,744,681	-	-
3	Road Maintenance Fuel Levy Fund	93,422,137	93,422,137	100
4	World Bank grant to Health Facilities	30,293,030	-	-
5	User Fees Foregone	22,616,803	22,616,803	100
6	DANIDA grant	12,385,000	12.385,000	100
TOTAL		**383,198,092**	**198,468,940**	**52**

Source: *Homa Bay Treasury*

Analysis of the conditional grants released during the period under review indicates that the Road Maintenance Fuel Levy Fund, User Fees Foregone, and DANIDA recorded the highest receipts at 100 per cent of annual

allocation respectively.

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3.8.4 Exchequer Issues

During the year, the Controller of Budget authorised withdrawal of Kshs.6.51 billion from the CRF account, which was 96.7 per cent of the Approved Supplementary Budget. This amount represented an increase of 5.5 per cent from Kshs.6.16 billion authorized in FY 2015/16 and consisted of Kshs.4.92 billion (75.6 per cent) for recurrent expenditure and Kshs.1.59 billion (24.4 per cent) for development activities.

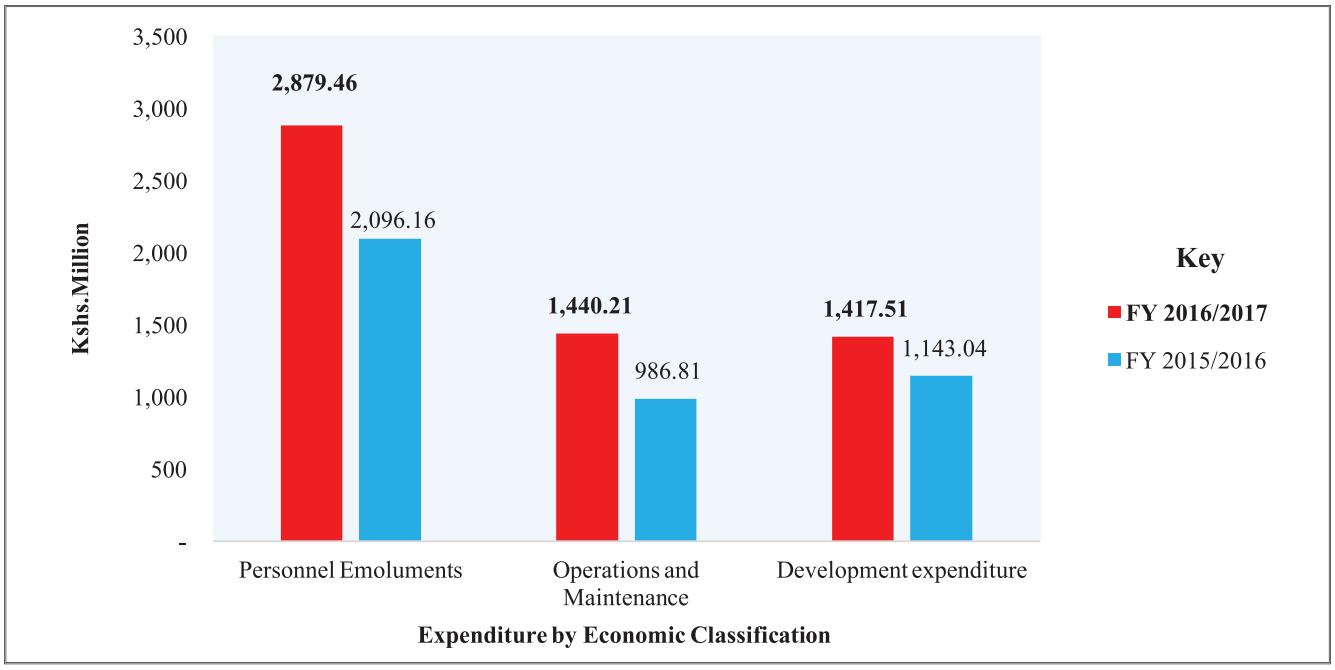
3.8.5 Overall Expenditure Review

The County spent Kshs.5.74 billion, which was 88.2 per cent of the total funds released for operations. This was an increase of 35.7 per cent from Kshs.4.23 billion spent in FY 2015/16.

A total of Kshs.4.32 billion was spent on recurrent activities, while Kshs.1.42 billion was spent on development activities. The recurrent expenditure was 87.9 per cent of the funds released for recurrent activities while development expenditure accounted for 100.7 per cent of the funds released for development activities. The expenditure excluded pending bills as at June 30, 2017 that amounted to Kshs.499.26 million for development and Kshs.32.92 million for recurrent expenditure.

The recurrent expenditure represented 93.2 per cent of the annual recurrent budget, a marginal decrease from 93.4 per cent spent in FY 2015/16. Development expenditure recorded an absorption rate of 75.9 per cent, which was an increase of 24 per cent attained in FY 2015/16. Figure.3.23 presents a comparison between the total expenditure in FY 2016/17 and FY 2015/16.

Figure.3.23: HomaBay County, Expenditure by Economic Classification in FY 2015/16 and FY 2016/17



Source: *Homa Bay County Treasury*

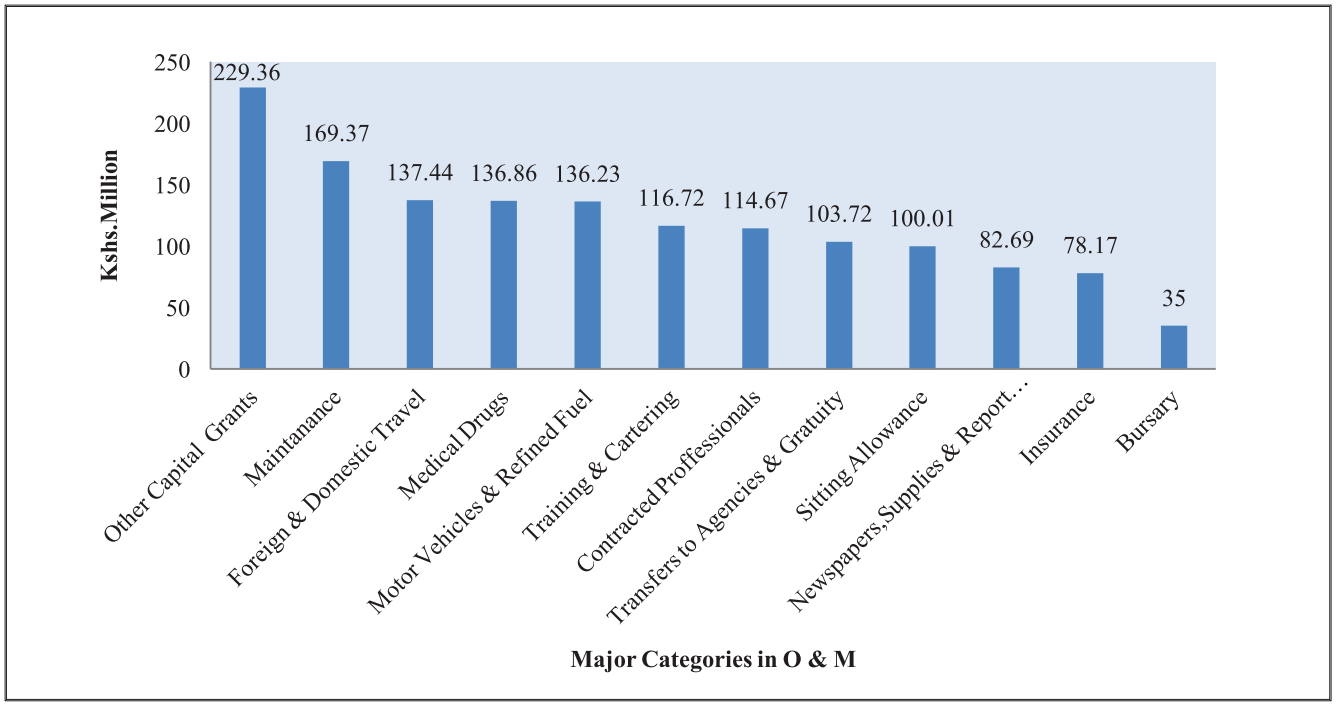
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3.8.6 Analysis of Recurrent Expenditure

The total recurrent expenditure of Kshs.4.32 billion consisted of Kshs.2.88 billion (66.6 per cent) on personnel emoluments and Kshs.1.44 billion (33.4 per cent) on operations and maintenance as shown in Figure.3.23 Expenditure on personnel emoluments represented an increase of 37.4 per cent compared to FY 2015/16 when the County spent Kshs.2.09 billion. Figure 3.24 shows a summary of operations and maintenance expenditure by major categories.

The expenditure on personnel emoluments of Kshs.2.88 billion was 50.2 per cent of overall total expenditure in FY 2016/17 and 66.6 per cent of total recurrent expenditure of Kshs.4.32 billion.

Figure 3.24: Homa Bay County, Operations and Maintenance Expenditure by Major Categories for FY 2016/17



Source: *Homa Bay County Treasury*

The County spent Kshs.100.01 million on sitting allowances for the 64 MCAs and the Speaker against the annual budget allocation of Kshs.130.73 million. This was a decrease of 41.6 per cent compared to Kshs.222,788 million spent in FY 2015/16. The average monthly sitting allowance was Kshs.130,210 per MCA and exceeded the SRC's recommended monthly ceiling of Kshs.124,800 by 4.3 per cent.

Expenditure on domestic and foreign travel amounted to Kshs.137.44 million and consisted of Kshs.57.94 million spent by the County Assembly and Kshs.79.49 million by the County Executive. This expenditure represented 26.3 per cent of total recurrent expenditure and was an increase of 38.4 per cent compared to Kshs.99.30 million spent in FY 2015/16.

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3.8.7 Development Expenditure Analysis

The total development expenditure of Kshs.1.42 billion represented 67.7 per cent of the annual development budget of Kshs.2.098 billion. Table 3.23 provides a summary of development projects with the highest expenditure in FY 2016/17.

Table 3.23: Homa Bay County, List of Development Projects with the Highest Expenditure in FY 2016/17

S/No	Project Name	Department	Ward (Location of the project)	Annual Budget (Kshs.)	Annual Project Expenditure	Absorption rate (%)
1	Major roads	Transport	Rusinga Island ward,North Kabuoch Ward,Kanyadoto,Kabondo West Ward.	343,099,000	248,343,800	72.4
2	Construction and expansion of water supply	Water and environment	Kojwach Kabondo –East Ruma-Kaksingri Kibiri Kotieno Kochia	546,017,854	202,731,314	37.1
3	OtheriInfrastructure and civil works	All departments	All wards	406,380,681	202,045,293	49.7
4	Constraction of ECDcentres/Renovation of medical blocks	Education and Health	All wards & Sub-counties	427,072,000	197,514,295	46.2
5	Routine maintenance – Other Assets	Transport and infrastructure	All wards	181,275,440	148,937,142	82.2
6	Construction/renovation of health facilities (health centres & dispensaries)	Health services	All wards	70,000,000	93,925,605	134.2
7	Construction of other roads	Transport and infrastructure	All wards	154,572,000	93,724,200	60.6
8	Purchase of Equipments,Tools and Accessories	Education and ICT	Central Kasipul, Gwasi South & North, Kochia, Kabondo West	277,679,000	63,906,810	23
9	Purchase of plant and machinery	Transport and infrastructure	Homabay central Construction of other roads ward	50,000,000	43,450,000	86.9
10	Purchase of medical and dental equipment	Health Services	All Sub-County Hospitals	40,000,000	25,008,895	62.5
11	Purchase of drilling rigs	Water & Environment	Homabay central ward	50,000,000	20,840,353	41.7
12	Engineering and design plans	Lands, Housing,Engineering & design plans	Kokwanyo Kokelo ward	12,219,632	19,630,000	160.6
13	Development of IT Platform	Education & IT	Mbita Sub- county, Magunga Ward,Kotaro Ward	72,587,060	13,300,606	18.3
14	Kenya Devolution Support Programme	Finance & Economic planning	Headquarters	30,293,030	13,180,000	43.5
15	Reorganisation of IFMIS system and installation of 8 barriers	County Assembly	county Assembly HQ	5,000,000	4,960,000	99.2

Source: *Homa Bay County Treasury*

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Analysis of the development expenditure by project indicates that, the highest expenditure of Kshs.243.34 million was spent on construction of major roads in Rusinga Island Ward, North Kabuoch Ward, Kendadoto and Kabondo West Ward, followed by Kshs.202.73 million on construction and expansion of water supplies at Kojwach- Kabondo, East Ruma, Kasingri Kibiri, Kotienokochia and Kshs.199.82 million on construction of the other infrastructure and civil works in all wards.

3.8.8 Budget and Budget Performance Analysis by Department

Table3.24 shows a summary of budget estimates and budget performance by department in FY 2016/17.

Table3.24: Homa Bay County, Budget Performance by Department in FY 2016/17

Department	Annual Supplementary Budget Allocation (Kshs.Million)		Exchequer Issues in FY 2016/17 (Kshs.Million)		Expenditure in FY 2016/17 (Kshs.Million)		FY 2016/17 Expenditure to Exchequer Issues (%)		FY 2016/17 Absorption rate (%)	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
Agriculture, Livestock and Fisheries	168.09	164	230.53	117	158.44	45.98	68.7	39.3	137.1	71.3
Tourism and culture	63.08	52.82	80.88	35	53.12	42.82	65.7	122.3	128.2	66.3
Transport and Infrastructure	41.34	570.9	76.44	427	70.03	529.74	91.6	124.1	184.9	74.8
Energy and Natural Resources	25.12	66.04	31.9	70	21.34	19.03	66.9	27.2	127	106
Education and ICT	337.15	135.59	334.16	85	293.52	92.3	87.8	108.6	99.1	62.7
Health	1,653.67	250	2,039.82	175	1586.58	214.17	77.8	122.4	123.4	70
Lands, Housing and Physical Planning	49.7	71	65.11	53	49.93	31.01	76.7	58.5	131	74.6
Trade, Industry and Investment	131.97	132.74	161.29	80	147.72	30.55	91.6	38.2	122.2	60.3
Water and Environment	100.35	490	132.32	456	97.1	225.61	73.4	49.5	131.9	93.1
Finance and Economic Planning	552.78	79.42	458.76	25	453.17	99.14	98.8	396.6	83	31.5
Off ice of the Governor	486.17	65	475.4	60	621.75	65	130.8	108.3	97.8	92.3
County Public Service Board	89.16	-	99.39	-	72.63	-	73.1	-	111.5	-
County Assembly Service Board	935.59	20.46	730	10	695.34	22.14	95.3	221.4	78	48.9
TOTAL	**4,634**	**2,098**	**4,916**	**1,593**	**4319.67**	**1417.49**	**87.9**	**89.0**	**106.1**	**75.9**

Source: *Homa Bay County Treasury*

Analysis of budget performance by department shows that the Department of Energy and Natural Resources attained the highest absorption of development budget at 106 per cent while the County Public Service Board did not incur any development expenditure. On the other hand, the Department of Transport and Infrastructure had the highest percentage of recurrent expenditure to recurrent budget at 184.9 per cent while the County Assembly Service Board had the lowest at 78.0 per cent.

3.8.9 Observations and Recommendations

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

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i. Adherence to budget timelines. The CECM - Finance submitted the budget estimates to the County Assembly on 3rd March 2017, in line with Section 129 (2)(a) of the PFM Act, 2012.
ii. Improved capacity of technical staff through training.

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

1. Failure by Fund Administrators to submit expenditure reports for the Car Loan and Mortgage Fund, County Assembly Members Car Loan and Mortgage Fund, Bursary Fund, Emergency Fund and the Aswekra Fund to the Controller of Budget contrary to Section 168 of the PFM Act, 2012.
2. Under-performance of local revenue collection, which declined by 21.6 per cent from Kshs.183.77 million in FY 2015/16 to Kshs.144.14 million in FY 2016/17 representing 74.9 per cent of the annual target.
3. IFMIS connectivity challenges, which slowed down approval of procurement requests and payments to suppliers.
4. From analysis of bank statements and expenditure reports, the Controller of Budget has noted that the County made payments from bank accounts maintained in commercial banks by cheque. This contravenes Government policy which requires all payments to be made online through the Internet Banking platform.
5. The County's wage bill has remained high having increased by 37.4 per cent from Kshs.2.09 billion in FY 2015/16 to Kshs.2.88 billion during the FY 2016/17 representing 50.2 per cent of total expenditure. High wage bill may affect implementation of development projects.
6. Delay by the National Treasury to disburse the equitable share of revenue raised nationally.

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

1. *All Fund Administrators should ensure timely submission of expenditure reports on the established Funds in line with Section 168 of the PFM Act, 2012.*
2. *The CECM-F should formulate and implement strategies to enhance local revenue collection.*
3. *The County Treasury should liaise with the IFMIS Directorate for support in the application of IFMIS and the E-procurement module.*
4. *All Accounting Officers in the County should ensure that all payments are made online through the Internet Banking platform at the Central Bank of Kenya.*
5. *The County Public Service Board should establish and adopt an optimal staffing structure in order to ensure a sustainable wage bill.*
6. *The County Treasury should liaise with the National Treasury to ensure that funds allocated to the County are released in a timely manner in line with the CARA Disbursement Schedule.*

3.9 Isiolo County

3.9.1 Overview of the FY 2016/17 Budget

The County's FY 2016/17 Approved Supplementary Budget was Kshs.3.75 billion, comprising of Kshs.2.32 billion (61.8 per cent) and Kshs.1.43 billion (38.2 per cent) allocation for recurrent and development expenditure respectively.

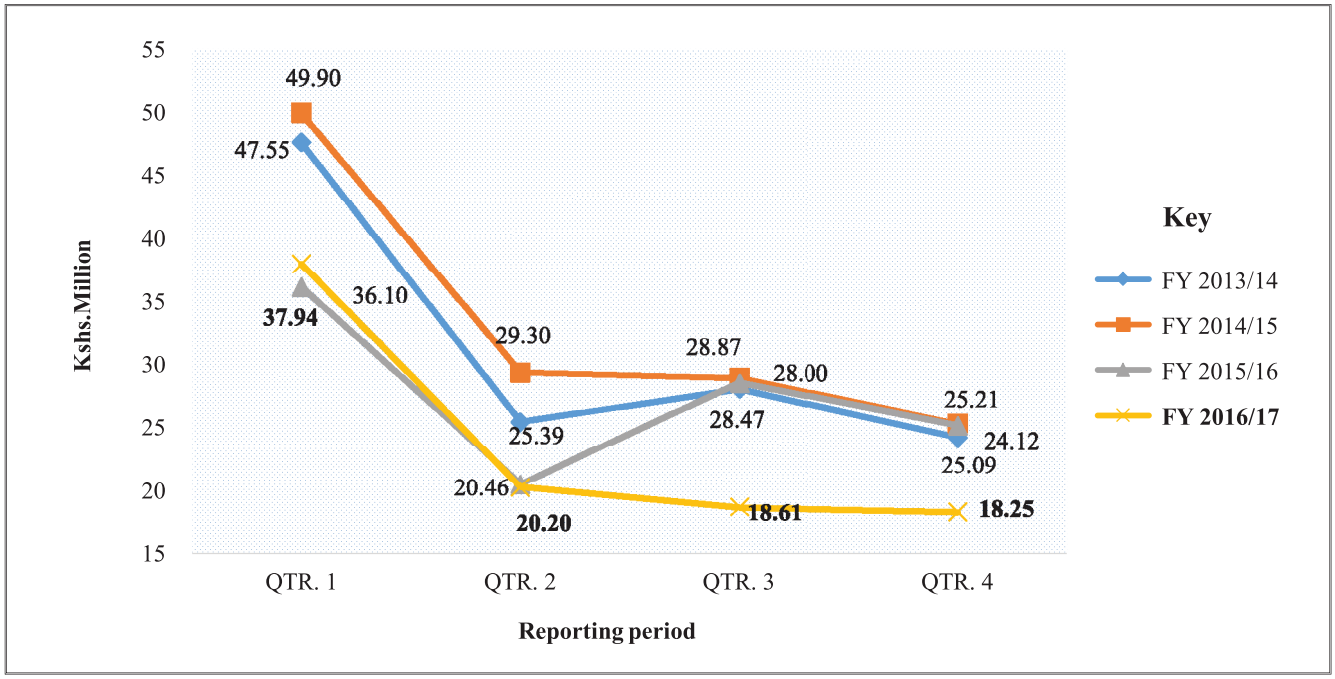
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To finance the budget, the County expected to receive Kshs.3.3 billion (90.1 per cent) as equitable share of revenue raised nationally, Kshs.102.6 million (2.8 per cent) as total conditional grants, generate Kshs.250 million (6.8 per cent) from local sources, and Kshs.9.96 million (0.3 per cent) cash balance from FY 2015/16. The conditional grants comprised of Kshs.95.74 million (48.3 per cent) for Leasing of Medical Equipment, Kshs.22.18 million (11.2 per cent) for Free Maternal Healthcare, Kshs.50.67 million (25.5 per cent) from the Road Maintenance Fuel Levy Fund, Kshs.3.51 million (1.8 per cent) for User Fees Foregone, Kshs.3.99 million (2 per cent) as a grant from DANIDA and Kshs.22.25 million (11.2 per cent) conditional grants from other loans and grants.

3.9.2 Revenue Analysis

During the year, the County received Kshs.3.3 billion as equitable share of the revenue raised nationally, Kshs.102.6 million as total conditional allocations, raised Kshs.95 million from local revenue sources, and had a cash balance of Kshs.9.96 million brought forward from FY 2015/16.The County also received Kshs.41.41 million from the National Government to finance health workers salary increase as per Collective Bargaining Agreement (CBA) of 2017. Figure.3.25 shows the quarterly trend in local revenue collection from the first quarter of FY 2013/14 to the fourth quarter FY 2016/17.

Figure.3.25: Isiolo County, Trend in Local Revenue Collection by Quarter from FY 2013/14 to FY 2016/17



Source: *Isiolo County Treasury*

The total local revenue collected in FY 2016/17 amounted to Kshs.95 million, representing a decrease of 13.7 per cent compared to Kshs.110.11 million generated in FY 2015/16, and represented 38 per cent of the annual local revenue target Kshs.250 million.

3.9.3 Conditional Grants

Table.3.25 shows an analysis of conditional grants released in FY 2016/17.

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Table.3.25: Isiolo County Analysis of Conditional Grants Released in FY 2016/17

No.	Conditional Grant	CARA, 2016 Annual Allocation (Kshs.)	Actual receipts in FY 2016/17 in Kshs.)	Actual receipts as a percentage of Annual Allocation (%)
1	Road Maintenance Fuel Levy Fund	50,674,844	50,674,844	100
2	Free Maternal Healthcare	22,181,866	21,181,866	100
3	World Bank grant to health facilities	22,247,373	22,247,373	100
4	User Fees Foregone	3,514,477	3,514,477	100
5	DANIDA grant	3,985,000	3,985,000	100
TOTAL		**102,603,560**	**102,603,560**	**100**

Source: *Isiolo county Treasury*

Analysis of the conditional grants released during the period under review indicates that the County received all conditional grants as allocated in the CARA, 2016.

3.9.4 Exchequer Issues

During the year, the Controller of Budget authorised withdrawal of Kshs.3.51 billion from the CRF account, which was 93.6 per cent of the Approved Supplementary Budget. This amount represented an increase of 7.7 per cent from Kshs.3.26 billion authorized in FY 2015/16 and consisted of Kshs.2.30 billion (65.7 per cent) for recurrent expenditure and Kshs.1.2 billion (34.3 per cent) for development activities.

3.9.5 Overall Expenditure Review

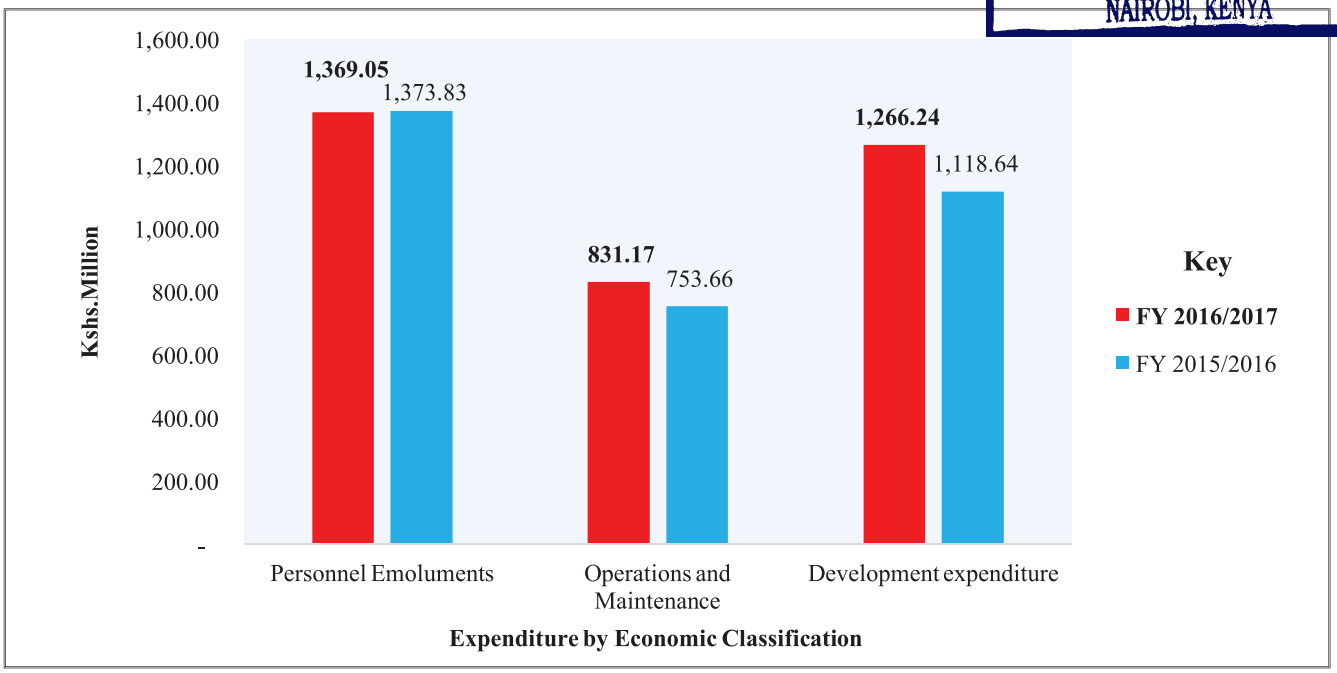
The County spent Kshs.3.47 billion, which was 98.9 per cent of the total funds released for operations. This was an increase of 6.5 per cent from Kshs.3.25 billion spent in FY 2015/16.

A total of Kshs.2.2 billion was spent on recurrent activities, while Kshs.1.27 billion was spent on development activities. The recurrent expenditure was 95.5 per cent of the funds released for recurrent activities while development expenditure accounted for 107.6 per cent of the funds released for development activities. The expenditure excluded pending bills as at June 30, 2017 that amounted to Kshs.124.18 million for development and Kshs.95.27 million for recurrent expenditure respectively.

The recurrent expenditure represented 95 per cent of the annual recurrent budget, an increase from 93.3 per cent spent in FY 2015/16. Development expenditure recorded an absorption rate of 90.4 per cent, which was an increase from 76.8 per cent attained in FY 2015/16. Figure.3.26 presents a comparison between the total expenditure in FY 2016/17 and FY 2015/16.

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Figure.3.26: Isiolo County, Expenditure by Economic Classification in FY 2015/16 and FY 2016/17



Source: *Isiolo County Treasury*

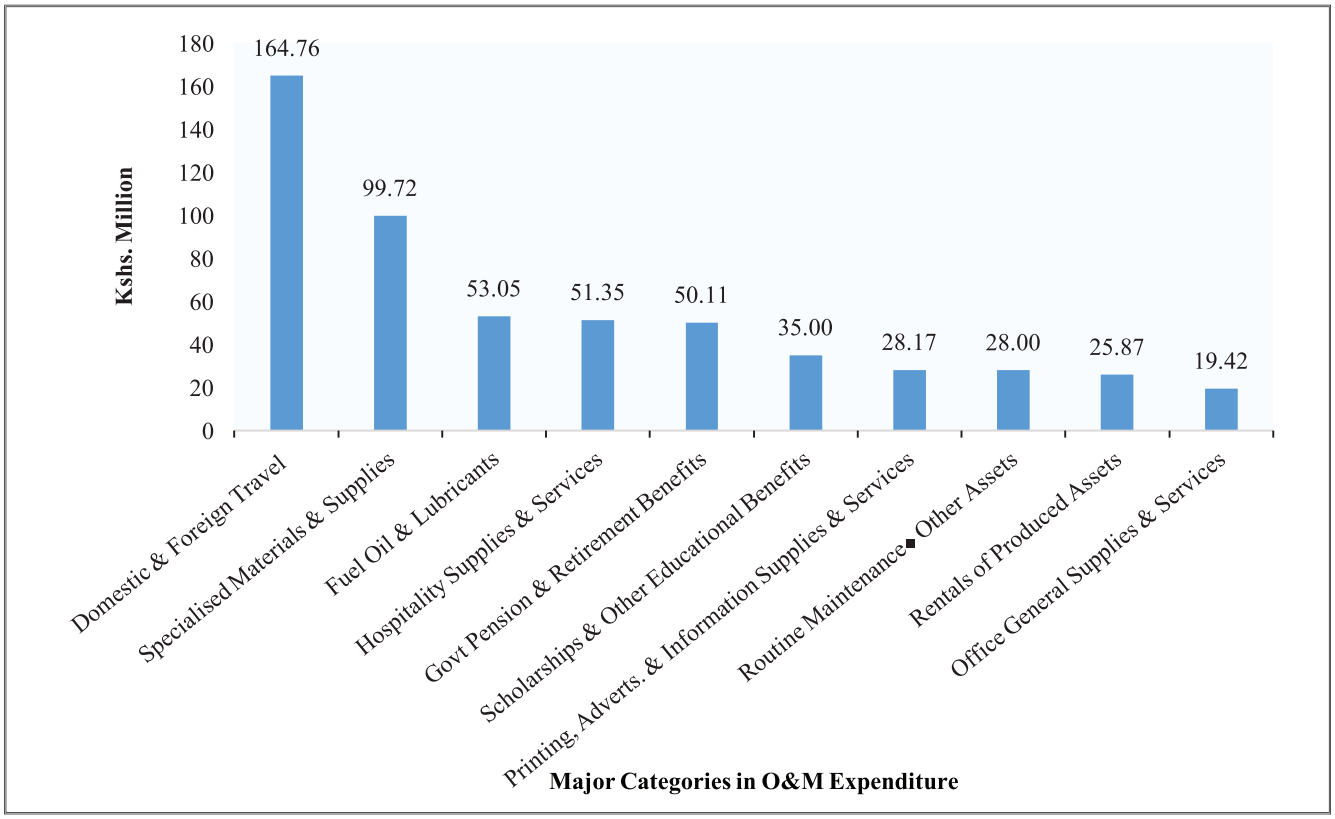
3.9.6 Analysis of Recurrent Expenditure

The total recurrent expenditure of Kshs.2.2 billion consisted of Kshs.1.37 billion (62.2 per cent) spent on personnel emoluments and Kshs.831.17 million (37.8 per cent) on operations and maintenance as shown in Figure.3.26. Expenditure on personnel emoluments represented a slight decrease of 0.4 per cent compared to FY 2015/16 when the County spent Kshs.1.37 billion. Figure.3.27 shows a summary of operations and maintenance expenditure by major categories.

The expenditure on personnel emoluments of Kshs.1.37 billion was 39.6 per cent of overall total expenditure in FY 2016/17 and 62.2 per cent of total recurrent expenditure of Kshs.2.2 billion.

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Figure.3.27: Isiolo County, Operations and Maintenance Expenditure by Major Categories for FY 2016/17



Source: *Isiolo County Treasury*

The County spent Kshs.16.22 million on sitting allowances for the 21 MCAs and the Speaker against the annual budget allocation of Kshs.16.22 million. This was a slight decrease of 2.7 per cent compared to Kshs.16.67 million spent in FY 2015/16. The average monthly sitting allowance was Kshs.64,349 per MCA compared to SRC's recommended monthly ceiling of Kshs.124,800.

Expenditure on domestic and foreign travel amounted to Kshs.164.76 million and consisted of Kshs.99.2 million spent by the County Assembly and Kshs.65.56 million by the County Executive. This expenditure represented 7.5 per cent of total recurrent expenditure and was an increase of 9.7 per cent compared to Kshs.150.02 million spent in FY 2015/16.

3.9.7 Development Expenditure Analysis

The total development expenditure of Kshs.1.27 billion represented 88.6 per cent of the annual development budget of Kshs.1.43 billion. Table 3.26 provides a summary of development projects with the highest expenditure in FY 2016/17.

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Table 3.26 Isiolo County, List of Development Projects with the Highest Expenditure in FY 2016/17

S/No	Project name	Project location	Annual project budget (Kshs .)	Annual project expenditure (Kshs.)	Absorption rate (%)
1	Abattoir	Burat	72,918,292	72,918,292	100
2	Upgrading of Kinna-Kulamawe Road	Kinna Ward	14,000,000	13,369,903	95.5
3	Construction of 13 feeding troughs and 10 water troughs at feedlot	Burat	8,000,000	7,888,740	98.6
4	Upgrading of Ubeidah Mosqu Ola Jarole Road	Bula pesa	5,000,000	4,999,430	100
5	Upgrading of Cereals Board to Eastern bypass Road	Wabera	5,000,000	4,985,400	99.7
6	Fresh produce market	Wabera	5,000,000	4,585,596	91.7
7	Fencing of public cemetery	Bula pesa	4,863,777	4,863,777	100.0
8	Kombola dispensary	Garba Tulla	4,500,000	4,193,365	93.2
9	Construction of a conservancy community office	Chari	4,035,002	4,035,002	100
10	Borehole development and installations	Ngaremara ward (Ksilie)	4,000,000	3,995,000	99.9

Source: *Isiolo County Treasury*

Analysis of the development expenditure by project indicates that, the highest expenditure of Kshs.72.92 million was spent on completion of an abattoir, followed by Kshs.13.37 million on paving of Kinna-Kulamawe road, Kshs.7.8 million on construction of feed troughs at Buarat and Kshs.4.99 million on paving of the Ubeidah Mosque road in Bula Pesa.

3.9.8 Budget and Budget Performance Analysis by Department

Table.3.27 shows a summary of budget estimates and budget performance by department in FY 2016/17

Table.3.27: Isiolo County, Budget Performance by Department in FY 2016/17

Department	Annual Supplementary Budget Allocation (Kshs.Million)		Exchequer Issues in FY 2016/17 (Kshs. Million)		Expenditure in FY 2016/17 (Kshs.Million)		FY 2016/17 Expenditure to Exchequer Issues (%)		FY 2016/17 Absorption rate (%)	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
County Assembly	377.92	207.72	377.9	177.1	377.87	147.1	100	83.1	100	70.8
Office of the Governor	213.13	161.42	213.06	65	207.22	158.74	97.3	244.2	97.2	98.3
County Public Service Board	59.78	-	59.77	-	57.41	-	96	-	96	-
Office of the County Secretary	15.35	-	15.31	-	12.76	-	83.4	-	83.1	-
County treasury and Planning	335.02	137.86	335.01	74	314.36	124.98	93.8	168.9	93.8	90.7

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Roads, Housing and Works	26.19	202.06	26.17	201.67	24.53	206.18	93.7	102.2	93.7	102
Lands Development	30.55	30.5	30.55	13	27.38	40.85	89.6	[illegible]	[illegible]	[illegible]
Agriculture	59.36	25	59.31	35	56.56	15.94	95.4	45.5	95.3	63.8
Livestock and Fisheries	78.09	99	78.08	120	74.91	101.26	95.9	84.4	95.9	102.3
Cohesion and Intergovernmental relations	15.5	-	15.50	-	15.35	-	99	-	99	-
Education and Vocational training	149.79	77.85	137.74	81	145.57	76.92	105.7	95	97.2	98.8
Sports, Youth and Culture	9.51	33	9.43	5	6.2	32.93	65.7	658.7	65.1	99.8
Tourism, Culture and Social Services	52.31	44	52.22	36	51.52	26.85	98.7	74.6	98.5	61
Public Service Management and ICT	76.39	40	76.2	33.5	40.59	37.38	53.3	111.6	53.1	93.4
Water and Irrigation	59.42	155.7	59.37	155.1	57.32	141.85	96.5	91.5	96.5	91.1
Environment and Natural Resources	32.37	45.5	32.37	47	31.06	42.97	96	91.4	96	94.4
Medical Services	373.69	41.58	373.4	43	365.39	26.61	97.9	61.9	97.8	-
Public Health	318.27	99.3	318.17	103.65	305.14	82.83	95.9	79.9	95.9	83.4
Trade, Industrialization	24.61	16.97	24.49	-	21.2	17.46	86.6	-	86.1	102.9
Town Administration	9.71	12	9.56	12	7.87	12	82.3	100	81.1	100
TOTAL	**2,316.97**	**1,429.46**	**2,303.63**	**1,202.02**	**2,200.2**	**1,292.9**	**95.5**	**107.6**	**95**	**90.4**

Source:*Isiolo County Treasury*

Analysis of budget performance by department shows that the Town Administration, Trade Development and Roads Departments had the highest absorption rate of development budget at 100 per cent while the Department of Tourism, Culture and Social Services had the lowest at 61 per cent. On the other hand, the County Assembly had the highest percentage of recurrent expenditure to recurrent budget at 100 per cent while the Department of Public Service Management ant ICT had the lowest at 53.1 per cent.

3.9.9 Observations and Recommendations

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

i. Improvement in absorption of development budgets by 15.36 per cent from 76.8 per cent in FY 2015/16 to 88.6 per cent FY 2016/17.

ii. Timely preparation and approval of budget policy documents such as the Annual Development Plan (ADP), County Fiscal Strategy Paper (CFSP) and Budget Estimates.

iii. Use of IFMIS and Internet Banking platform in processing of financial transactions.

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

1. Under-performance in local revenue collection, which declined by 13.7 per cent from Kshs.110.11 million in FY 2015/16 to Kshs.94.99 million in FY 2016/17 representing 38 per cent of annual target of Kshs.250 million.

2. Failure by Fund Administrators to submit expenditure reports for the County Assembly Members Car Loan Fund, and the County Bursary Funds contrary to Section 168 of the PFM Act, 2012.

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3. Late submission of financial reports by the County Treasury, which affected timely preparation of budget implementation reports.
4. The Country has not established an Internal Audit Committee to oversee financial operations in the county contrary to section 155 of PFM Act 2012.
5. The County has not constituted the CBEF in line with section 137 of the PFM Act ,2012 for consultation in the budget making process

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

1. *The County Treasury should develop and implement strategies to improve local revenue collection.*
2. *The Administrators of the Bursary Fund and County Assembly Members Car Loan should ensure timely submission of expenditure reports in line with Section 168 of the PFM Act, 2012.*
3. *The County Treasury should ensure timely preparation and submission of financial reports in line with section 166 of PFM Act, 2012.*
4. *The County should establish the CBEF in line with Section 137 of the PFM Act, 2012.*
5. *The County should establish an Internal Audit Committee in line with Section 155 of the PFM Act, 2012.*

3.10 Kajiado County

3.10.1 Overview of the FY 2016/17 Budget

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

To finance the budget, the County expected to receive Kshs.4.76 billion (67.9 per cent) as equitable share of revenue raised nationally, Kshs.253.75 million (4 per cent) as total conditional grants, generate Kshs.1.25 billion (17.8 per cent) from local sources, and Kshs.720 million (10.3 per cent) cash balance from FY 2015/16. The conditional grants comprised of Kshs.54.76 million (19.5 per cent) for Free Maternal Health Care, Kshs.73.16 million (26.1 per cent) from the Road Maintenance Fuel Levy Fund, Kshs.16.31 million (5.8 per cent) for User Fees Foregone, Kshs.8.95 million (3.2 per cent) as a grant from DANIDA, Kshs.100.58 million (35.8 per cent) as World Bank Loan, and Kshs.26.97 million (9.6 per cent) grant for Kenya Devolution Support Program. The County did not budget for Kshs.40 million conditional allocations for grants and other loans as provided for in the CARA, 2016.

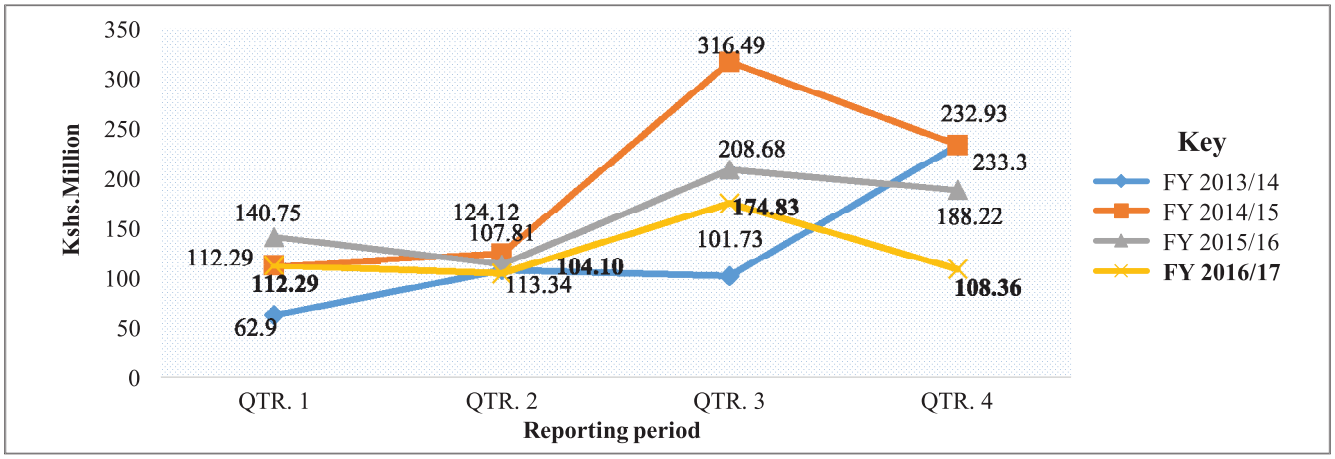
3.10.2 Revenue Analysis

During the year, the County received Kshs.4.76 billion as equitable share of the revenue raised nationally, Kshs.255.04 million as total conditional allocations, raised Kshs.557.09 million from local revenue sources, and had a cash balance of Kshs.720 million brought forward from FY 2015/16.

Figure 3.28 shows the quarterly trend in local revenue collection from the first quarter of FY 2013/14 to the fourth quarter FY 2016/17.

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Figure 3.28 Kajiado County, Trend in Local Revenue Collection by Quarter in FY 2013/14 to FY 2016/17



Source: *Kajiado County Treasury*

The total local revenue collected in FY 2016/17 amounted to Kshs.557.09 million, representing a decrease of 14.4 per cent compared to Kshs.650.98 million generated in FY 2015/16, and represented 44.6 per cent of the annual local revenue target of Kshs.1.25 billion.

3.10.3 Conditional Grants

Table 3.28 shows an analysis of conditional grants released in FY 2016/17.

Table 3.28: Kajiado County Analysis of Conditional Grants Released in FY 2016/17

S/No	Conditional Grant	CARA, 2016 Annual Allocation in Kshs)	Actual receipts in FY 2016/17 in Kshs.	Actual Receipts as Percentage of Annual Allocation (%)
1	World Bank loan to health facilities	100,581,341	100,315,410	99.7
2	Road Maintenance Fuel Levy Fund	73,157,028	73,157,028	100
3	Free Maternal Healthcare	54,758,022	56,312,500	102.8
4	User Fees Foregone	16,311,160	16,311,160	100
5	DANIDA grant	8,945,000	8,945,000	100
Total		**253,752,551**	**255,041,098**	**99.04**

Source: *Kajiado Treasury*

Analysis of the conditional grants released during the period under review indicates that receipts from the Free Maternal Healthcare grant exceeded the annual allocation by 2.8 per cent. This was due to disbursement of a Kshs.1.55 billion balance from FY 2015/16. The User Fees Foregone, DANIDA Grant, and Road Maintenance Fuel Levy Fund received 100 per cent of the annual allocation respectively.

3.10.4 Exchequer Issues

During the year, the Controller of Budget authorised withdrawal of Kshs.5.39 billion from the CRF account,

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which was 76.9 per cent of the Annual Approved Budget. This amount represented a decrease of 2 per cent from Kshs.5.68 billion authorized in FY 2015/16 and consisted of Kshs.4.22 billion (78.2 per cent) for current expenditure and Kshs.1.18 billion (21.8 per cent) for development activities.

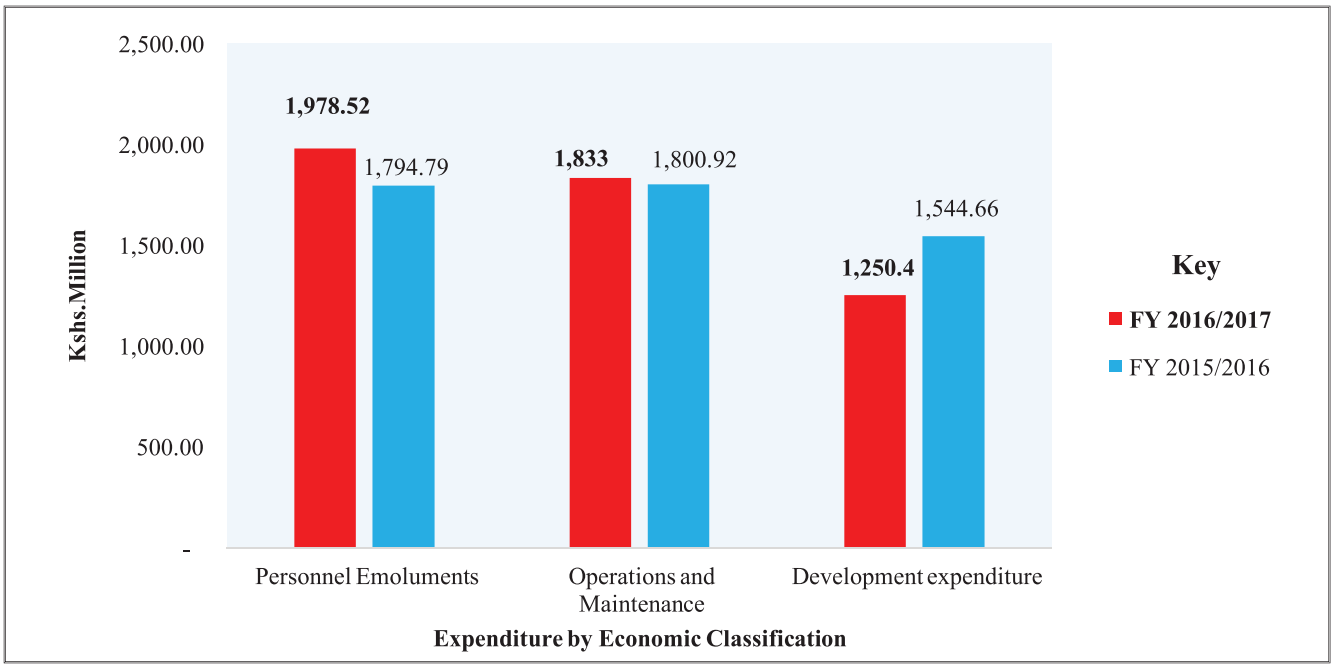
3.10.5 Overall Expenditure Review

The County spent Kshs.5.06 billion, which was 94 per cent of the total funds released for operations. This was a decrease of 1.5 per cent from Kshs.5.14 billion spent in FY 2015/16.

A total of Kshs.3.81 billion was spent on recurrent activities, while Kshs.1.25 billion was spent on development activities. The recurrent expenditure was 90.3 per cent of the funds released for recurrent activities while development expenditure accounted for 106.2 per cent of the funds released for development activities. The expenditure excluded pending bills as at June 30, 2017 that amounted to Kshs.305.77 million for development and Kshs.88.28 million for recurrent expenditure.

The recurrent expenditure represented 87.6 per cent of the annual recurrent budget, an increase from 87.5 per cent spent in FY 2015/16. Development expenditure recorded an absorption rate of 47 per cent, which was a decrease from 56.8 per cent attained in FY 2015/16. Figure 3.29 presents a comparison between the total expenditure in FY 2016/17 and FY 2015/16.

Figure 3.29: Kajiado County, Expenditure by Economic Classification in FY 2015/16 and FY 2016/17



Source: *Kajiado County Treasury*

3.10.6 Analysis of Recurrent Expenditure

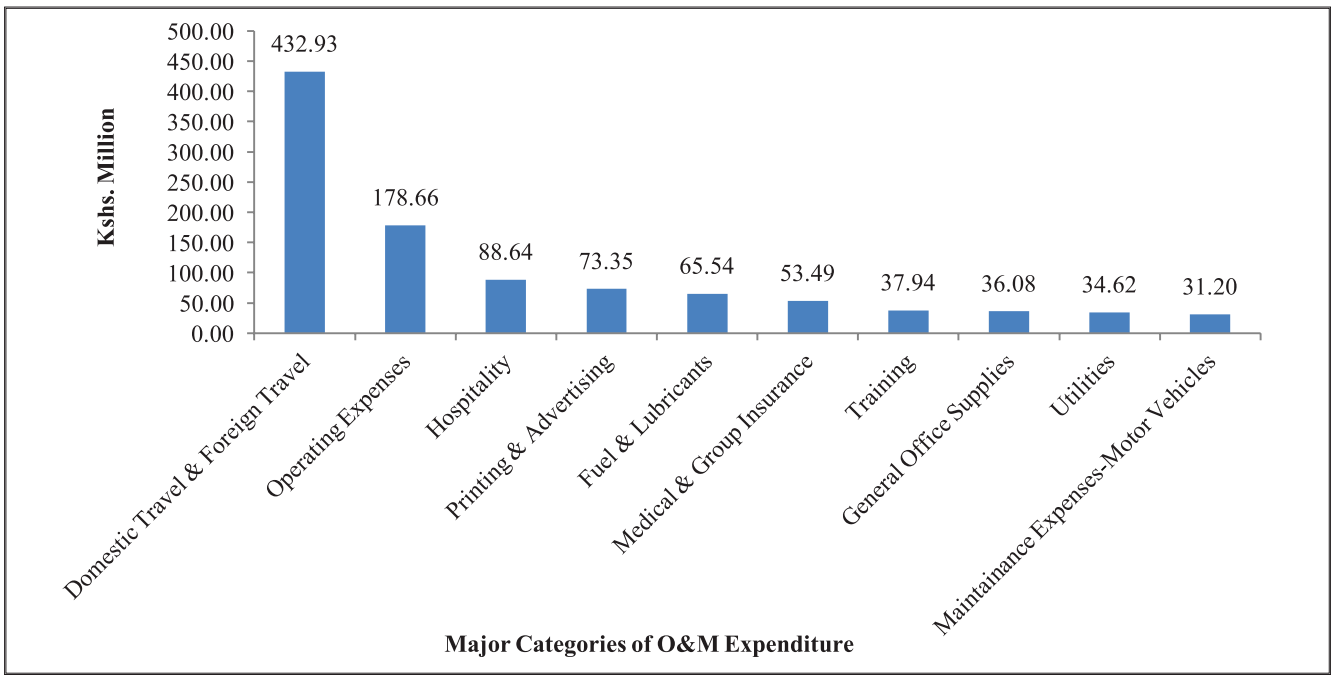
The total recurrent expenditure of Kshs.3.81 billion consisted of Kshs.1.98 billion (51.9 per cent) spent on personnel emoluments and Kshs.1.83 billion (48 per cent) on operations and maintenance as shown in Figure 3.29.

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Expenditure on personnel emoluments represented an increase of 10.6 per cent compared to FY 2015/16 when the County spent Kshs.1.79 billion. Figure 3.30 shows a summary of operations and maintenance expenditure by major categories.

The expenditure on personnel emoluments of Kshs.1.98 billion was 39.1 per cent of overall total expenditure in FY 2016/17 and 52 per cent of total recurrent expenditure of Kshs.3.81 billion.

Figure 3.30: Kajiado County, Operations and Maintenance Expenditure by Major Categories for FY 2016/17



Source: *Kajiado County Treasury*

The County spent Kshs.22.29 million on sitting allowances for the 41 MCAs and the Speaker against the annual budget allocation of Kshs.66.44 million. This was a decrease of 40.5 per cent compared to Kshs.37.49 million spent in FY 2015/16. The average monthly sitting allowance was Kshs.44,228 per MCA compared to SRC's recommended monthly ceiling of Kshs.124,800.

Expenditure on domestic and foreign travel amounted to Kshs.432.93 million and consisted of Kshs.50.75 million spent by the County Assembly and Kshs.288.97 million by the County Executive. This expenditure represented 11.3 per cent of total recurrent expenditure and was an increase of 10.9 per cent compared to Kshs.385.55 million spent in FY 2015/16.

3.10.7 Development Expenditure Analysis

The total development expenditure of Kshs.1.25 billion represented 47.1 per cent of the annual development budget of Kshs.2.66 billion. Table 3.29 provides a summary of development projects with the highest expenditure in FY 2016/17.

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Table 3.29: Kajiado County, List of Development Projects with the Highest Expenditure in FY 2016/17

S/No	Project name	Project location	Annual project budget (Kshs .)	Annual project expenditure (Kshs.)	Absorption rate (%)
1	Maternity wing and ward at Kajiado Hospital	Dalalekutuk	53,279,145	19,310,583	36.2
2	Development of valuation roll	Kuku Ward	27,947,613	13,966,794	50
3	Construction of Kimana market phase III	Kaputie North	19,995,952	9,109,004	45.6
4	Construction of Loitoktok market	Ildamat	19,461,384	13,478,620	69.3
5	KCB ground fence at Kajiado	Kimana	19,383,407	15,127,154	78
6	Perimeter wall and gate at Rongai market	Headquarters	17,000,000	17,000,000	100
7	Fence and upgrading of Namanga Sub-County Hospital	Ongata Rongai	12,710,433	12,420,433	97.7
8	Isinya market sheds,shops and toilet	Kimana	12,419,634	8,939,238	72
9	Market shed and refuse bin at Kimana market	Matapato South	10,118,134	10,118,107	100
10	Site clearance, grading and gravelling and drainage at Empiron Maisoyati Road	Kimana	9,171,722	8,887,804	96.9

Source: *Kajiado County Treasury*

Analysis of the development expenditure by project indicates that, the highest expenditure of Kshs.19.31 million was spent on construction of a Maternity ward at Kajiado Hospital, followed by Kshs.17 million on construction of a perimeter wall and gate at Rongai Market, and Kshs.15.12 million on erection of a fence at KCB grounds in Kajiado town.

3.10.8 Budget and Budget Performance Analysis by Department

Table 3.30 shows a summary of budget estimates and budget performance by department in FY 2016/17.

Table 3.30: Kajiado County, Budget Performance by Department in FY 2016/17

Department	Budget Allocation (Kshs.Million)		Exchequer Issues in FY 2016/17 (Kshs.Million)		Expenditure in FY 2016/17 (Kshs.Million)		FY 2016/17 Expenditure to Exchequer Issues (%)		FY 2016/17 Absorption rate (%)	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
Office of the Governor and the Deputy Governor	166.71	-	165.5	-	168.19	-	101.6	-	100.9	-
Finance and Economic Planning	442	87.84	375.48	56.85	322.68	55.54	85.9	97.7	73	63.2
Lands, Physical Planning, Environment, Wildlife and Natural Resources	177.26	124.48	176.7	24.62	168.58	75.43	95.4	306.3	95.1	60.6
County Public Service Board	78.04	-	78.04	-	71.97	-	92.2	-	92.2	-

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Agriculture, Livestock and Fisheries	261.43	46.09	261.36	14	231.02	15.91	88.4	34.5	88.4	34.5
Industrialization and Enterprise Development	97.03	189.63	96.35	88.89	92.58	123.22	96.1	138.6	95.4	65
Public Works, Roads, Transport, and Housing	175.86	705.22	212.44	327.4	138.4	368.29	65.1	112.5	78.7	52.2
Water and Irrigation	98.62	403.85	98.62	103.16	87.56	154.12	88.8	149.4	88.8	38.2
Education, Youth, Sports, and Social Services	268.22	519.93	248.22	305.39	244.87	198.01	98.7	64.8	91.3	38.1
Ict and Gender	81.16	101.98	73.53	47.58	66.59	7.35	90.6	15.5	82.1	7.2
Health Services	1518.88	346.36	1484.13	140.41	1363.17	158.16	91.8	112.6	89.7	45.7
County Public Service	428.41	10	396.82	-	354.33	-	89.3	-	82.7	-
County Assembly	560.87	120.52	550.68	69.16	501.58	94.36	91.1	136.4	89.4	78.3
Total	**4354.48**	**2655.90**	**4217.88**	**1177.48**	**3811.52**	**1250.40**	**90.4**	**106.2**	**87.5**	**47.1**

Source:*Kajiado County Treasury*

Analysis of budget performance by department shows that the County Assembly attained the highest absorption of development budget at 78.3 per cent while the Department of ICT and Gender incurred the lowest rate at 7.2 per cent. On the other hand, the Office of the Governor and Deputy Governor had the highest percentage of recurrent expenditure to recurrent budget at 100.9 per cent while the Department of Finance and Economic Planning had the lowest at 73 per cent.

3.10.9 Observations and Recommendations

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

i. Improved adherence to budget timelines. The CECM-Finance submitted budget documents to the County Assembly for approval within the legal timelines. The CBROP, CFSP and Budget Estimates were approved on 30th November 2016, 15th March 2017 and 4th April 2017 respectively.

ii. Automation of locally collected revenue by the County Treasury which is anticipated to increase local revenue collection in the future.

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

1. High personal emoluments that increased by 10.6 per cent from Kshs.1.79 billion in FY 2015/16 to Kshs.1.98 billion in FY 2016/17 which accounted for 39.1 per cent of overall total expenditure during the reporting period. High wage bill may affect implementation of development projects.
2. Low absorption of development funds, which stood at 47.1 per cent of the annual development budget.
3. Late submission of financial reports by the County Treasury and Fund Administrators, which affected timely preparation of budget implementation reports.
4. Under-performance in local revenue collection. The total local revenue collected in FY 2016/17 amounted to Kshs.557.09 million, representing a decrease of 14.4 per cent compared to Kshs.650.98 million generated in FY 2015/16, and represented 44.6 per cent of the annual local revenue target.
5. Delay by the National Treasury to disburse the equitable share of revenue raised nationally.

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

1. *The County Public Service Board should develop an optimal staffing structure and devise strategies to address the escalating wage bill.*
2. *The County should come up with measures to improve the absorption of development funds*
3. *The County Treasury should ensure timely preparation and submission of financial reports on established Funds to the Controller of Budget in line with Section 166 and Section 168 of PFM Act, 2012 respectively.*
4. *The County should develop and implement strategies to enhance revenue collection.*
5. *The County Treasury should liaise with the National Treasury to ensure that funds allocated to the County are released in a timely manner in line with the CARA Disbursement Schedule.*

3.11 Kakamega County

3.11.1 Overview of the FY 2016/17 Budget

The County's FY 2016/17 Approved Supplementary Budget was Kshs.12.37 billion, comprising of Kshs.6.04 billion (48.9 per cent) and Kshs.6.33 billion (51.1 per cent) allocation for recurrent and development expenditure respectively.

To finance the budget, the County expected to receive Kshs.9.61 billion (78.2 per cent) as equitable share of revenue raised nationally, Kshs.861.35 million (7 per cent) as total conditional grants, generate Kshs.894.1 million (7.2 per cent) from local revenue sources, and Kshs.938.09 million (7.6 per cent) cash balance from FY 2015/16. The conditional grants comprised of Kshs.217.18 million (25.2 per cent) for Free Maternal Healthcare, Kshs.147.69 million (17.1 per cent) from the Road Maintenance Fuel Levy Fund, Kshs.38.62 million (4.5 per cent) for User Fees Foregone, Kshs.11.75 million (1.4 per cent) from DANIDA, Kshs.39.18 million as World Bank Loan (4.5 per cent), and Kshs.406.94 million (47.2 per cent) for Kakamega Level 5 Hospital. Further, the County budgeted to receive Kshs.50 million for Kenya Devolution Support Programmee, although not contained in CARA, 2016.

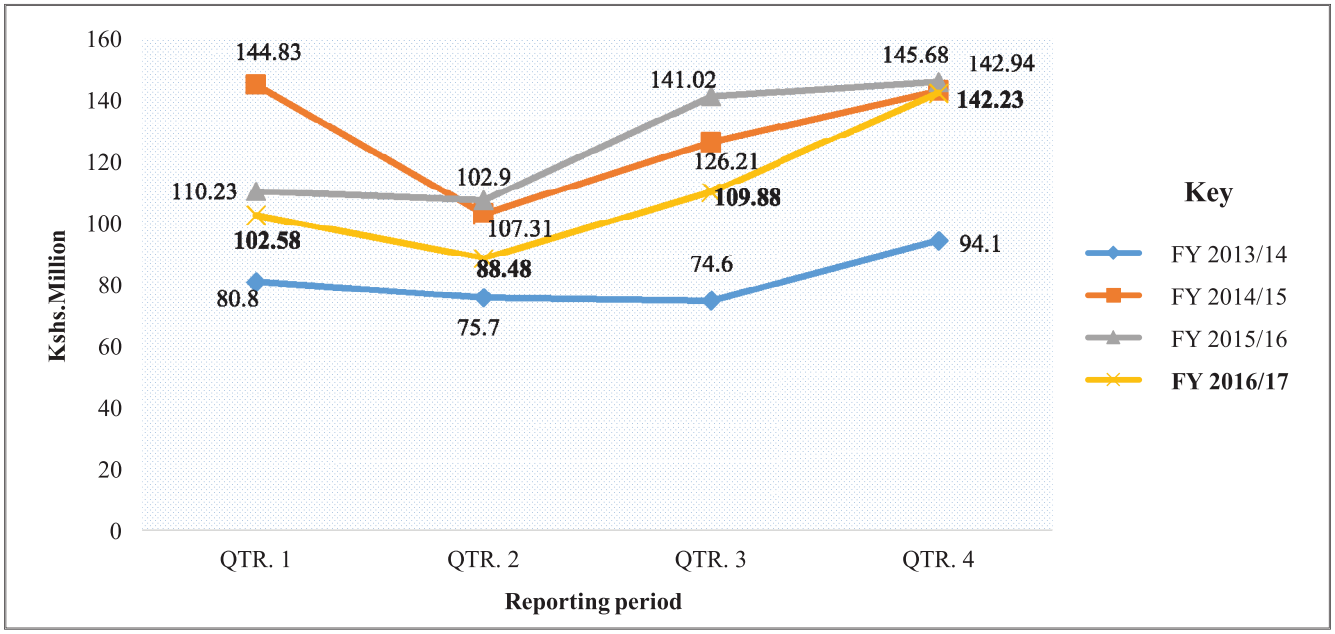
3.11.2 Revenue Analysis

During the year, the County received Kshs.9.61 billion as equitable share of the revenue raised nationally, Kshs.810.54 million as total conditional allocations, raised Kshs.443.18 million from local revenue sources, and had a cash balance of Kshs.938.09 million brought forward from FY 2015/16.

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

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



Source: *Kakamega County Treasury*

The total local revenue collected in FY 2016/17 amounted to Kshs.443.18 million, representing a decrease of 12.1 per cent compared to Kshs.504.24 million generated in FY 2015/16, and represented 49.6 per cent of the annual local revenue target of Kshs.894.07 million.

3.11.3 Conditional Grants

Table 3.31shows an analysis of conditional grants released in FY 2016/17.

Table 3.31: Kakamega County, Analysis of Conditional Grants Released in FY 2016/17

S/No	Conditional Grant	CARA, 2016 Annual Allocation in Kshs)	Actual receipts in FY 2016/17 in Kshs.	Actual Receipts as Percentage of Annual Allocation (%)
1	Kakamega Level 5 Hospitals	406,936,416	406,936,416	100
2	Free Maternal Healthcare	217,184,083	205,550,000	94.6
3	Road Maintenance Fuel Levy Fund	147,689,749	147,689,749	100
4	Foregone User Fees	38,617,147	38,617,147	100
5	DANIDA grant	11,750,000	11,750,000	100
6	World Bank loan to health facilities	39,175,578	-	-
Total		**861,352,973**	**810,543,312**	**94.1**

Source: *Kakamega County Treasury*

Analysis of the conditional grants released during the period under review indicates that, Road Maintenance Fuel Levy Fund, User Fees Foregone, DANIDA, and Level 5 Hospitals grants recorded the highest receipts at 100 per

cent of annual allocation.

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3.11.4 Exchequer Issues

During the year, the Controller of Budget authorised withdrawal of Kshs.11.07 billion from the CRF account, which was 89.5 per cent of the Approved Supplementary Budget. This amount represented a decrease of 4.2 per cent from Kshs.11.55 billion authorized in FY 2015/16 and consisted of Kshs.6.04 billion (54.5 per cent) for recurrent expenditure and Kshs.5.03 billion (45.5 per cent) for development activities.

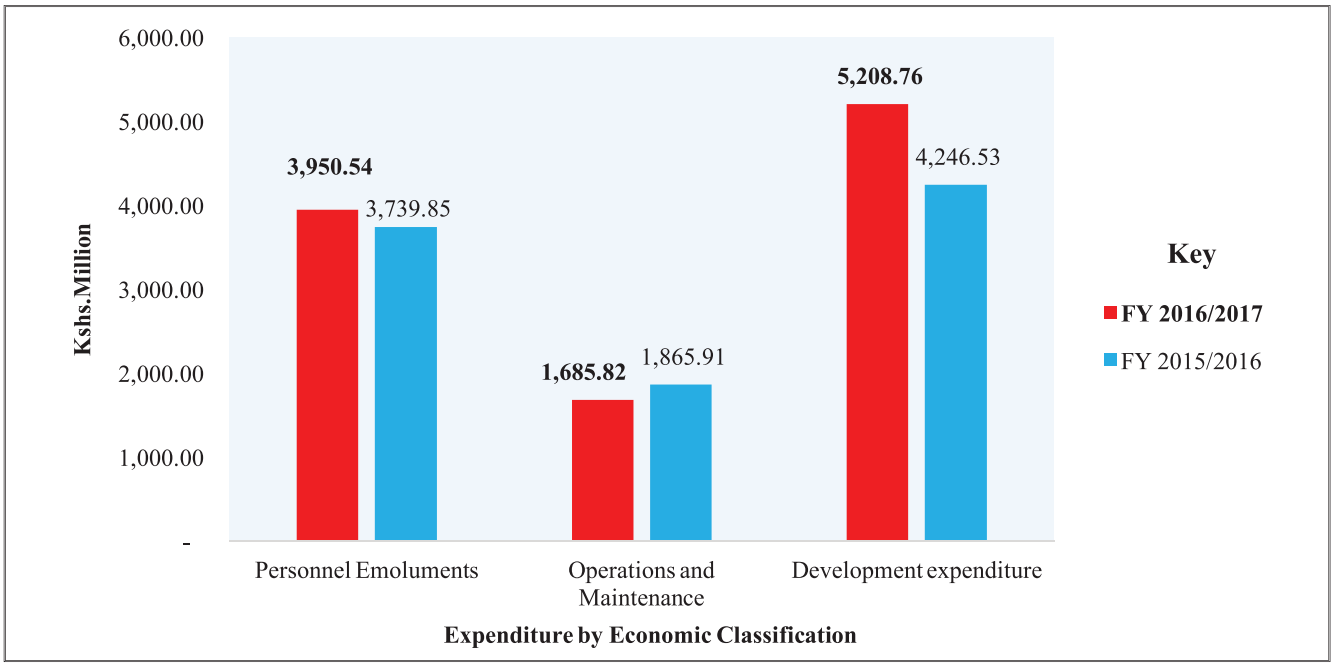
3.11.5 Overall Expenditure Review

The County spent Kshs.10.85 billion, which was 97.9 per cent of the total funds released for operations. This was an increase of 10.2 per cent from Kshs.9.85 billion spent in FY 2015/16.

A total of Kshs.5.64 billion was spent on recurrent activities, while Kshs.5.21 billion was spent on development activities. The recurrent expenditure was 93.4 per cent of the funds released for recurrent activities while development expenditure accounted for 103.5 per cent of the funds released for development activities. The expenditure excluded pending bills as at June 30, 2017 that amounted to Kshs.274.81 million for development and Kshs.282.13 million for recurrent expenditure.

The recurrent expenditure represented 93.2 per cent of the annual recurrent budget, an increase from 87 per cent spent in FY 2015/16. Development expenditure recorded an absorption rate of 82.4 per cent, which was an increase from 72.4 per cent attained in FY 2015/16. Figure 3.32 presents a comparison between the total expenditure in FY 2016/17 and FY 2015/16.

Figure 3.32: Kakamega County, Expenditure by Economic Classification in FY 2015/16 and FY 2016/17



Source: *Kakamega County Treasury*

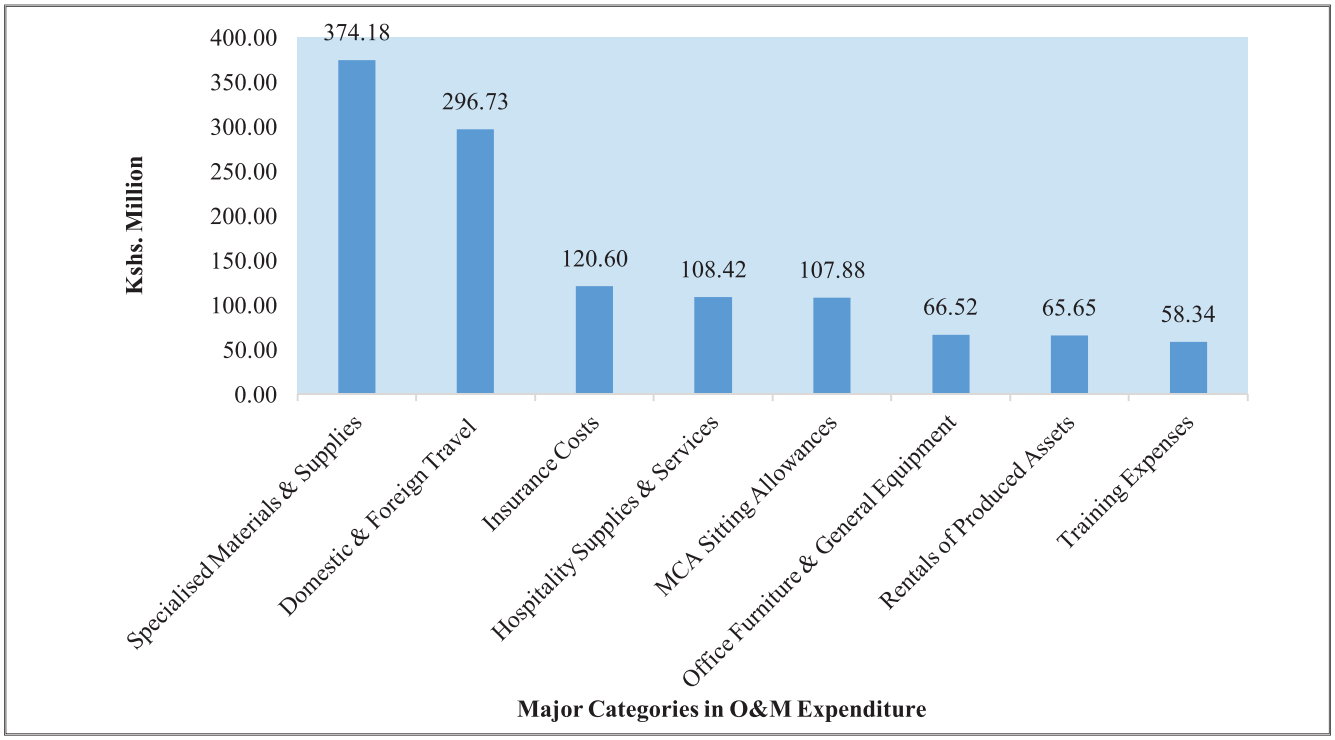
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3.11.6 Analysis of Recurrent Expenditure

The total recurrent expenditure of Kshs.5.64 billion consisted of Kshs.3.95 billion (70[illegible] per cent spent on personnel emoluments and Kshs.1.69 billion (29.9 per cent) on operations and maintenance as shown in Figure 3.32 . Expenditure on personnel emoluments represented an increase of 5.6 per cent compared to FY 2015/16 when the County spent Kshs.3.74 billion. Figure 3.33 shows a summary of operations and maintenance expenditure by major categories.

The expenditure on personnel emoluments of Kshs.3.95 billion was 36.4 per cent of overall total expenditure in FY 2016/17 and 70.1 per cent of total recurrent expenditure of Kshs.5.64 billion.

Figure 3.33: Kakamega County, Operations and Maintenance Expenditure by Major Categories for FY 2016/17



Source: *Kakamega County Treasury*

The County spent Kshs.107.88 million on sitting allowances for the 88 MCAs and the Speaker against the annual budget allocation of Kshs.169.67 million. This was an increase of 1.1 per cent compared to Kshs.106.73 million spent in FY 2015/16. The average monthly sitting allowance was Kshs.102,160 per MCA compared to SRC's recommended monthly ceiling of Kshs.124,800.

Expenditure on domestic and foreign travel amounted to Kshs.296.73 million and consisted of Kshs.152.86 million spent by the County Assembly and Kshs.143.87 million by the County Executive. This expenditure represented 5.3 per cent of total recurrent expenditure and was a decrease of 15.9 per cent compared to Kshs.352.28 million spent in FY 2015/16.

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3.11.7 Development Expenditure Analysis

The total development expenditure of Kshs.5.21 billion represented 82.4 per cent of the annual development budget of Kshs.6.33 billion. Table 3.32 provides a summary of development projects with the highest expenditure in FY 2016/17.

Table 3.32: Kakamega County, List of Development Projects with the Highest Expenditure in FY 2016/17

S/No.	Project name	Project location	Annual project budget (Kshs.)	Annual project expenditure (Kshs.)	Absorption rate (%)
1	Construction of County Teaching and Referral Hospital	Kakamega Town	200,000,000	887,033,371	443.5
2	Construction of modern markets	County Wide	250,000,000	219,828,233	87.9
3	Provision of subsidized seeds and fertilizer	County Wide	200,000,000	189,215,757	94.6
4	Rehabilitation of Bukhungu Stadium	Kakamega Town	227,000,000	166,977,580	73.6
5	Construction of ECD Centers	County Wide	168,500,000	160,916,800	95.5
6	Construction of Shamakhubu County Hospital	Shinyalu	200,000,000	135,417,431	67.7
7	Bursary Education Fund	County Wide	122,200,000	120,100,100	98.3
8	Dairy cattle value chain development	County Wide	170,000,000	117,515,449	69.1
9	Construction of Bridges	County Wide	132,463,722	114,197,358	86.2
10	Water infrastructure development for devolved facilities	County Wide	70,000,000	69,000,000	98.6

Source: *Kakamega County Treasury*

Analysis of the development expenditure by project indicates that, the highest expenditure of Kshs.887.03 million was spent on construction of County Teaching and Referral Hospital in Kakamega Town, followed by Kshs.219.83 million on construction of modern markets and Kshs.189.22 million on provision of subsidized seeds and fertilizer to farmers.

3.11.8 Budget and Budget Performance Analysis by Department

Table 3.33 shows a summary of budget estimates and budget performance by department in FY 2016/17

Table 3.33: Kakamega County, Budget Performance by Department in FY 2016/17

Department	Supplementary Budget Allocation (Kshs.Million)		Exchequer Issues in FY 2016/17 (Kshs.Million)		Expenditure in FY 2016/17 (Kshs.Million)		FY 2016/17 Expenditure to Exchequer Issues (%)		FY 2016/17 Absorption rate (%)	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
Office of the Governor	230.6	129	230.6	27.16	182.32	13.48	79.1	49.6	79.1	10.4

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Public Service and Administration	3972.26	176.35	3972.26	117.34	3770.35	92.23	94.9	78.6	94.9	52.3
County Treasury	153.3	177.15	153.27	126.38	112.75	77.49	73.6	61.3	73.5	43.7
Environment, Natural Resource, Water and Forestry	22.63	211.42	22.63	171.57	12.51	116.93	55.3	68.2	55.3	55.3
Labour, Social Services, Youth & Sports	24.95	348.09	24.95	278.06	13.65	254.59	54.7	91.6	54.7	73.1
Transport, Infrastructure & Public Works	12.92	2252.59	12.92	2095.32	8.07	2078.13	62.5	99.2	62.5	92.3
Lands, Housing, Urban Areas & Physical planning	43.75	289.6	43.75	151.68	25.08	109.01	57.3	71.9	57.3	37.6
Health Services	531.79	1273.25	526	966.35	517.12	1336.58	98.3	138.3	97.2	105
Agriculture, Livestock, Fisheries & Co-operatives	66.25	514.96	65.91	334.01	28.81	366.47	43.7	109.7	43.5	71.2
Industrialization, Trade & Tourism	25.91	408	25.91	327.88	17.6	294.66	67.9	89.9	67.9	72.2
Education, Science & Technology	26.48	544.73	26.09	439.2	9.6	469.2	36.8	106.8	36.3	86.1
County Public Service Board	33.86	-	33.28	-	39.97	-	120.1	-	118.1	-
County Assembly	899.91	-	899.91	-	898.52	-	99.8	-	99.8	-
TOTAL	**6,044.61**	**6,325.15**	**6,037.49**	**5,034.94**	**5,636.36**	**5,208.76**	**93.4**	**103.5**	**93.2**	**82.4**

Source: *Kakamega County Treasury*

Analysis of budget performance by department shows that the Health Services Department attained the highest absorption of development budget at 105 per cent while the Office of the Governor did have the least absorption rate at 10.4 per cent. On the other hand, the Department of County Public Service Board had the highest percentage of recurrent expenditure to recurrent budget at 118.1 per cent while the Department of Education, Science & Technology had the lowest at 36.3 per cent. An absorption rate over and above 100 per cent depicts expenditure above budget allocation.

3.11.9 Observations and Recommendations

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

i. Appointment of an Audit Committee in line with Section 155 of the PFM Act, 2012.

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

iii. Improvement in absorption of development funds by 13.8 per cent from 72.4 per cent in FY 2015/16 to 82.4 per cent in FY 2016/17.

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

1. Late submission of financial reports by the County Treasury which affected timely preparation of the Budget Implementation Review Report.

2. Continued under-performance in local revenue collection. Local revenue collection has declined by 12.1

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from Kshs.504.24 million in FY 2015/16 to Kshs.443.18 million in the current reporting period.

3. Intermittent use of IFMIS, which is the prescribed financial management system for processing all financial transactions as per Section 12 of the PFM Act, 2012.
4. Failure to develop legislation to operationalize some established County Public Funds such as "mkopo mashinani" under the Department of Trade in contravention of Section 116 of the PFM Act, 2012.
5. Inadequate budgetary control which resulted in higher expenditure than the Approved Budget in the Health Services Department (105 per cent of its development budget) and the County Public Service Board (118.1 per cent recurrent expenditure to recurrent budget).
6. Delay by the National Treasury to disburse the equitable share of revenue raised nationally.

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

1. *The County Treasury should ensure timely submission of expenditure reports in line with Section 166 of the PFM Act, 2012.*
2. *The County Treasury should develop and implement strategies to improve local revenue collection.*
3. *The County Treasury should ensure IFMIS is used by all county public entities in processing financial transactions.*
4. *County should ensure the legislations establishing any County Public Fund are in place before operationalization of the Fund in line with Section 116 of the PFM Act, 2012.*
5. *The County Treasury should enhance Vote Book control to ensure adherence to the approved budgetary provisions.*
6. *The County Treasury should liaise with the National Treasury to ensure that funds allocated to the County are released in a timely manner in line with the CARA Disbursement Schedule.*

3.12 Kericho County

3.12.1 Overview of the FY 2016/17 Budget

The County's FY 2016/17 Approved Supplementary Budget was Kshs.6.29 billion, comprising of Kshs.3.85 billion (61.2 per cent) and Kshs.2.44 billion 38.8 per cent) allocation for recurrent and development expenditure respectively.

To finance the budget, the County expected to receive Kshs.4.86 billion (77.1 per cent) as equitable share of revenue raised nationally, Kshs.294.22 million (4.7 per cent) as total conditional grants, generate Kshs.603.35 million (9.6 per cent) from local revenue sources, and Kshs.540.37million (8.6 per cent) cash balance from FY 2015/16.

The conditional grants comprised of Kshs.89.33 million (30.4 per cent) for Free Maternal Healthcare, Kshs.74.69 million (25.4 per cent) from the Road Maintenance Fuel Levy Fund, Kshs.18.31 million (6.2 per cent) for User Fees Foregone, Kshs.14.17 million (4.8 per cent) from DANIDA, Kshs.30.29 million as conditional nursing grant (10.3 per cent), and Kshs.67.43 million (22.9 per cent) for doctors allowances from the National Government's Ministry of Health.

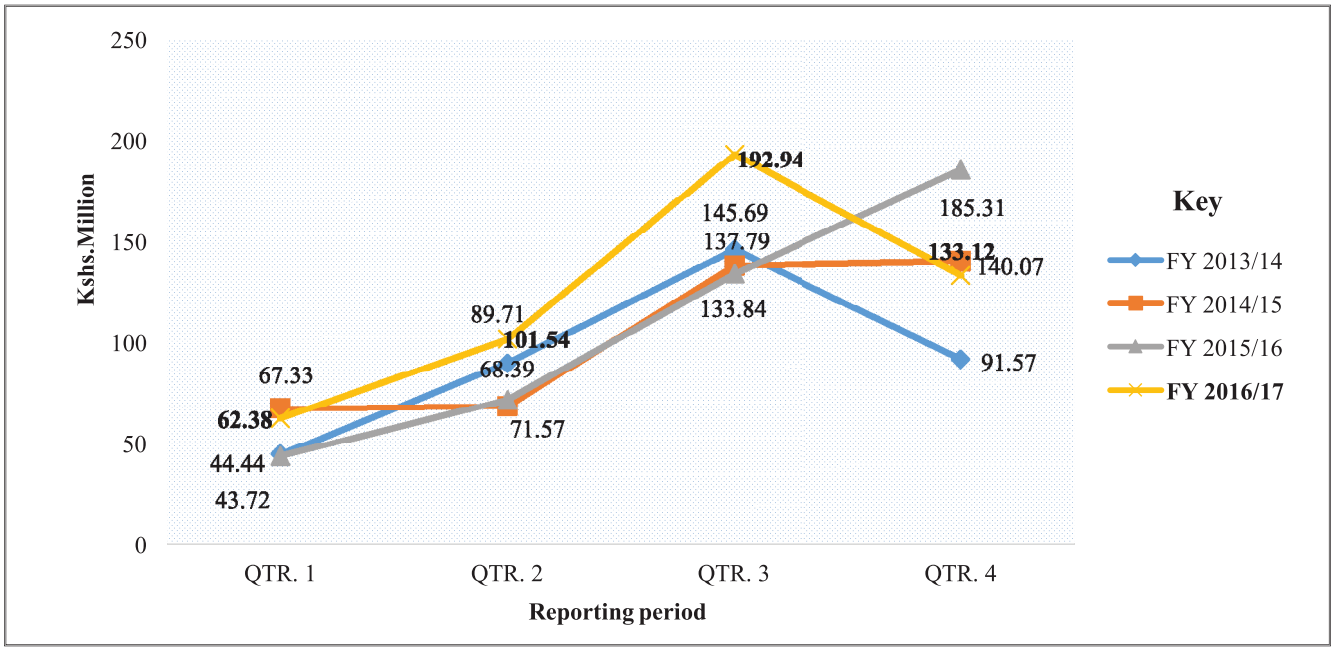
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3.12.2 Revenue Analysis

During the year, the County received Kshs.4.86 billion as equitable share of the revenue raised nationally, Kshs.293 million as total conditional allocations, raised Kshs.489.98 million from local revenue sources, and had a cash balance of Kshs.540.38 million brought forward from FY 2015/16.

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

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



Source: *Kericho County Treasury*

The total local revenue collected in FY 2016/17 amounted to Kshs.489.98 million, representing an increase of 12.8 per cent compared to Kshs.434.44 million generated in FY 2015/16, and represented 81.2 per cent of the annual local revenue target of Kshs.603.35 million.

3.12.3 Conditional Grants

Table 3.34 shows an analysis of conditional grants released in FY 2016/17

Table 3.34: Kericho County Analysis of Conditional Grants Released in FY 2016/17

S/No	Conditional Grant	. CARA, 2016 Annual Allocation in Kshs.	Actual Receipts in FY 2016/17 in Kshs	Actual Receipts as Percentage of Annual Allocation (%)
1	Free Maternal Healthcare	89,327,921	85,792,500	96
2	Road Maintenance Fuel Levy Fund	74,689,564	74,689,564	100

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3	Doctors, Health Services & Clinical Allowances	-	65,00-,000	-
4	Conditional Nursing Grants	-	30,924,000	-
5	Foregone User Fees	18,313,556	18,313,556	100
6	DANIDA grants	14,165,000	14,165,000	100
TOTAL		**294,218,041**	**288,888,620**	**98.2**

Source: *Kericho County Treasury*

Analysis of the conditional grants released during the period under review indicates that, Road Maintenance Fuel Levy Fund, User Fees Foregone and the DANIDA grant received 100 per cent of the annual allocation. On the other hand, the Free Maternal Healthcare realized 96 per cent of the annual allocation.

3.12.4 Exchequer Issues

During the year, the Controller of Budget authorised withdrawal of Kshs.5.81 billion from the CRF account, which was 92.3 per cent of the Approved Supplementary Budget. This amount represented an increase of 15.9 per cent from Kshs.5.02 billion authorized in FY 2015/16 and consisted of Kshs.3.72 billion (64.1 per cent) for recurrent expenditure and Kshs.2.09 billion (35.9 per cent) for development activities.

3.12.5 Overall Expenditure Review

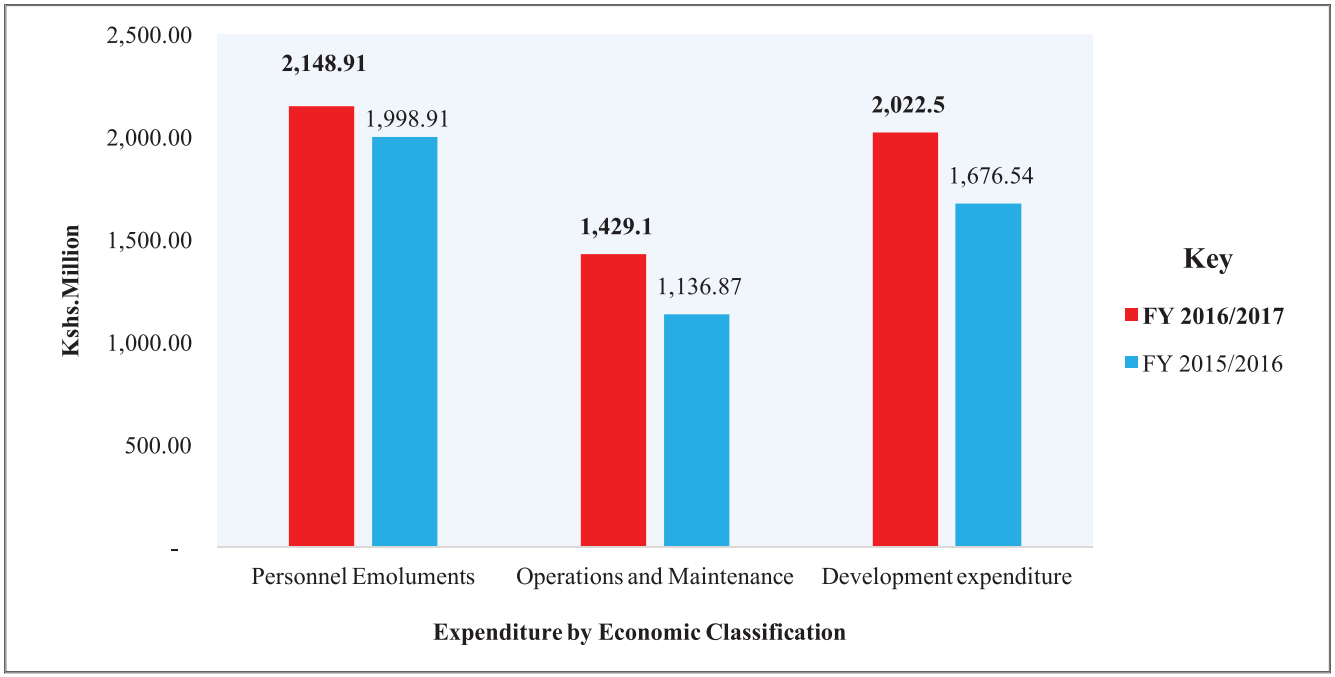
The County spent Kshs.5.6 billion, which was 96.4 per cent of the total funds released for operations. This was an increase of 16.4 per cent from Kshs.4.81 billion spent in FY 2015/16.

A total of Kshs.3.58 billion was spent on recurrent activities, while Kshs.2.02 billion was spent on development activities. The recurrent expenditure was 96.1 per cent of the funds released for recurrent activities while development expenditure accounted for 96.8 per cent of the funds released for development activities. The expenditure excluded pending bills as at June 30, 2017 that amounted to Kshs.290.77 million for development and Kshs.106 million for recurrent expenditure.

The recurrent expenditure represented 92.8 per cent of the annual recurrent budget, a marginal increase from 91.6 per cent spent in FY 2015/16. Development expenditure recorded an absorption rate of 82.7 per cent, which was a slight increase from 78.1 per cent attained in FY 2015/16. Figure 3.35 presents a comparison between the total expenditure in FY 2016/17 and FY 2015/16.

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



Source: *Kericho County Treasury*

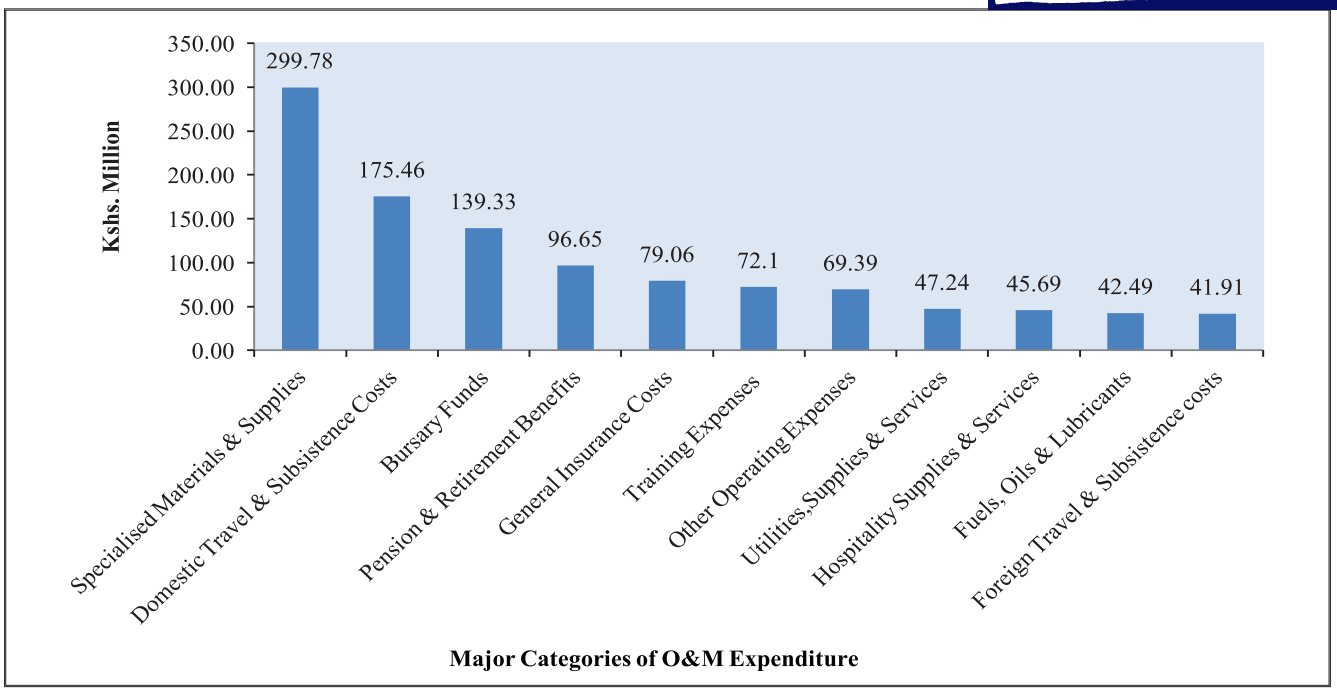
3.12.6 Analysis of Recurrent Expenditure

The total recurrent expenditure of Kshs.3.58 billion consisted of Kshs.2.15 billion (60.1 per cent) spent on personnel emoluments and Kshs.1.43 billion (39.9 per cent) on operations and maintenance as shown in Figure.3.36. Expenditure on personnel emoluments represented an increase of 7.5 per cent compared to FY 2015/16 when the County spent Kshs.2 billion. Figure.3.36 shows a summary of operations and maintenance expenditure by major categories.

The expenditure on personnel emoluments was 38.4 per cent of overall total expenditure in FY 2016/17 and 60.1 per cent of total recurrent expenditure of Kshs.3.58 billion.

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Figure.3.36: Kericho County, Operations and Maintenance Expenditure by Major Categories for FY 2016/17



Source: *Kericho County Treasury*

The County spent Kshs.64.4 million on sitting allowances for the 47 MCAs and the Speaker against the annual budget allocation of Kshs.64.4 million. This was a decrease of 9.4 per cent compared to Kshs.71.1 million spent in FY 2015/16. The average monthly sitting allowance was Kshs.111,805 per MCA compared to SRC's recommended monthly ceiling of Kshs.124,800.

Expenditure on domestic and foreign travel amounted to Kshs.217.37 million and consisted of Kshs.93.96 million spent by the County Assembly and Kshs.123.41 million by the County Executive. This expenditure represented 6.1 per cent of total recurrent expenditure and was an increase of 19.8 per cent compared to Kshs.181.42 million spent in FY 2015/16.

3.12.7 Development Expenditure Analysis

The total development expenditure of Kshs.2.02 billion represented 82.7 per cent of the annual development budget of Kshs.2.09 billion. Table 3.35 provides a summary of development projects with the highest expenditure in FY 2016/17.

Table 3.35: Kericho County, List of Development Projects with the Highest Expenditure in FY 2016/17

S/No.	Project Name	Project Location	Annual Budget (Kshs.)	Annual Project Expenditure Kshs.	Absorption Rate (%)
1	Construction of roads	County Wide	934,477,915	934,413,864	100

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2	Construction of water & sewerage infrastructure (including pipeline works to benefit areas not serviced by KEWASCO)	Six Sub-counties	177,806,671	105,095,741	59.1
3	Approximately 130 newly constructed & completion of pre-existing ECDE nursery classrooms	Within 29 wards	171,886,696	131,496,876	76.5
4	Free Maternal Healthcare & Services	137 Health Facilities	89,327,921	85,792,500	96
5	Emergency road works, goods supplies & contracted services attributable to emergency circumstances	County Wide	81,000,000	76,098,543	93.9
6	Roads funded from the Roads Maintenance Fuel Levy Fund	County Wide	74,689,564	69,578,362	93.2
7	Construction of 493 ablution blocks in ECDE Schools	Within 29 wards	59,734,671	50,045,707	83.8
8	Construction & completion of health facility centers & dispensaries	57 Health centers	52,998,584	42,088,120	79.4
9	Designing & construction of road drainage structures, infrastructure & other civil works (bridges & culverts)	County Wide	50,378,361	50,376,911	100
10	Construction of market sheds & installation of cattle weighing machine in newly rehabilitated slaughter houses	Six Sub-counties	44,449,440	44,445,117	100

Source: *Kericho County Treasury*

Analysis of development expenditure by project indicates that, the highest expenditure of Kshs.934.41 million was spent on construction of approximately 131 kilometres of access roads, followed by Kshs.131.5 million incurred on construction of approximately 130 new and pre-existing ECDE classrooms across the 29 Wards and Kshs.105.1 million on construction of water and sewerage infrastructure to benefit areas not serviced by KEWASCO.

3.12.8 Budget and Budget Performance Analysis by Department

Table 3.36 shows a summary of budget estimates and budget performance by department in FY 2016/17

Table 3.36: Kericho County, Budget Performance by Department in FY 2016/17

Department	Annual Supplementary Budget Allocation (Kshs.Million)		Exchequer Issues in FY 2016/17 (Kshs.Million)		Expenditure in FY 2016/17 (Kshs.Million)		FY 2016/17 Expenditure to Exchequer Issues (%)		FY 2016/17 Absorption rate (%)	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
County Assembly Services	634.28	-	612.17	-	611.52	-	99.9	-	96.4	-
Public Service and Administration	312.03	9.11	290.59	-	290.82	-	100.1	-	93.2	-
Office of the Governor & Deputy Governor	148.93	-	137.08	-	155.28	-	113.3	-	104.3	-
County Public Service Board	62.02	-	53.47	-	45.61	-	85.3	-	73.5	-

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Finance & Economic Planning	273.69	121.74	243.17	94.28	218.85	88.02	90	93.4	87.5	72.3
Agriculture, Livestock &Fisheries	184.08	199.36	175.29	152.37	170.68	132.01	97.4	86.6	92.7	66.2
Environment,Water,Energy & Natural Resources	82.98	216.01	78.42	160	79.24	135.22	101.1	84.5	95.5	62.6
Education ,Youth, Culture & Social services	490.75	326.6	477.03	198	370.29	224.22	77.6	113.2	75.5	68.7
Health Services	1,432.09	281.22	1,428.31	227.07	1,428.41	176.06	100	77.5	99.7	62.6
Land, Housing & Physical Planning	41.7	67.21	40.26	65.76	39.3	66.27	97.6	100.8	94.3	98.6
Public Works, Roads & Transport	70.61	1,109.37	69.2	1,098.69	66.81	1,104.14	96.5	100.5	94.6	99.5
ICT & E-Government	39.05	58.32	38.12	49	27.44	51.37	72	104.8	70.3	88.1
Trade, Industrialization, Tourism, Wildlife & Cooperative Development	82.09	55.72	80.22	44	73.95	45.19	92.2	102.7	90.1	81.1
Total	**3,854.29**	**2,444.66**	**3,723.32**	**2,089.18**	**3,578.22**	**2,022.50**	**96.1**	**96.8**	**92.8**	**82.7**

Source: *Kericho County Treasury*

Analysis of budget performance by department shows that the Public Works, Roads and Transport Department attained the highest absorption of development budget at 99.5 per cent while the Departments of County Public Service Management, County Public Service Board, Office of the Governor & Deputy Governor and County Assembly did not incur any development expenditure. On the other hand, the Office of the Governor and Deputy Governor had the highest percentage of recurrent expenditure to recurrent budget at 104.3 per cent while the Department ICT & E-Government had the lowest at 70.3 per cent.

3.12.9 Observations and Recommendations

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

i. Timely submission of quarterly financial reports by county government entities to the Controller of Budget in line with Section 166 of the PFM Act, 2012.

ii. Improvement in utilization of development budget. In the reporting period, the County registered an absorption rate of 82.7 per cent which was an increase of 5.9 per cent from 78.1 per cent achieved in a similar period of FY 2015/16.

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

1. IFMIS downtime and connectivity challenges which slowed down procurement approval processes and payments to suppliers.
2. High expenditure on personnel emoluments, which increased by 7.5 per cent from Kshs.2 billion in FY 2015/16 to Kshs.2.15 billion in FY 2016/17, and represnted 38.4 per cent of overall total expenditure. High personell costs may limit implementation of development projects.
3. Delay by the National Treasury to disburse the equitable share of revenue raised nationally.

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

1. *The County Treasury should liaise with the National Treasury to ensure that IFMIS downtimes and connectivity challenges are addressed.*
2. *The County Public Service Board should establish an optimal staffing structure in order to ensure a sustainable wage bill.*
3. *The County Treasury should liaise with the National Treasury to ensure that funds allocated to the County are released in a timely manner in line with the CARA Disbursement Schedule.*

3.13 Kiambu County

3.13.1 Overview of the FY 2016/17 Budget

The County's FY 2016/17 Approved Supplementary Budget was Kshs.12.4 billion, comprising of Kshs.8.81 billion (71 per cent) and Kshs.3.59 billion (29 per cent) allocation for recurrent and development expenditure respectively.

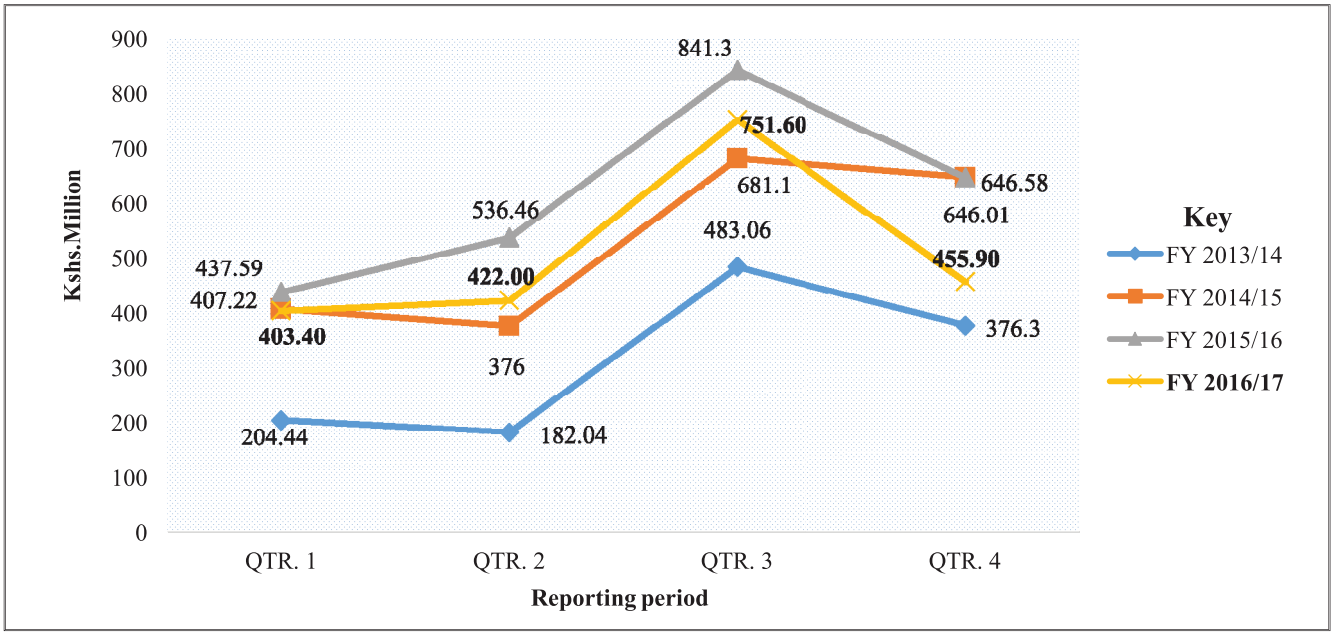
To finance the budget, the County expected to receive Kshs.8.4 billion (67.4 per cent) as equitable share of revenue raised nationally, Kshs.879.44 million (7.1 per cent) as total conditional grants, generate Kshs.3.03 billion (24.3 per cent) from local sources, and Kshs.151.64 million (1.2 per cent) cash balance from FY 2015/16. The conditional grants comprised of Kshs.393.06 million (44.7 per cent) for Thika Level 5 hospital, Kshs.221.52 million (25.2 per cent) for Free Maternal Healthcare, Kshs.123.74 million (14.1 per cent) from the Road Maintenance Fuel Levy Fund, Kshs.35.77 million (4.1 per cent) for User Fees Foregone, and a Kshs.9.6 million (1.1 per cent) grant from DANIDA. Other sources of revenue which were not contained in CARA, 2016 included; Kshs.63.96 million for Tea and Cess funds, Kshs.45 million donor funds for construction of Chania Bridge, Kshs.10 million from World Bank for transforming healthcare systems, Kshs.68.89 million for Free Maternal Healthcare brought forward from FY 2015/16, and Kshs.184.26 million from the National Treasury for nurses and doctors allowances.

3.13.2 Revenue Analysis

During the year, the County received Kshs.8.4 billion as equitable share of the revenue raised nationally, Kshs.1.08 billion as total conditional allocations, raised Kshs.2.03 billion from local revenue sources, and had a cash balance of Kshs.151.64 million brought forward from FY 2015/16. Figure.3.37 shows the quarterly trend in local revenue collection from the first quarter of FY 2013/14 to the fourth quarter FY 2016/17.

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Figure.3.37: Kiambu County, Trend in Local Revenue Collection by Quarter from FY 2013/14 to FY 2016/17



Source: *Kiambu County Treasury*

The total local revenue collected in FY 2016/17 amounted to Kshs.2.03 billion, representing a decrease of 17.5 per cent compared to Kshs.2.46 billion generated in FY 2015/16, and represented 66.2 per cent of the annual local revenue target of Kshs.3.07 billion.

3.13.3 Conditional Grants

Table 3.37 shows an analysis of conditional grants released in FY 2016/17.

Table 3.37: Kiambu County Analysis of Conditional Grants Released in FY 2016/17

S/No	Conditional Grant	CARA, 2016 Annual Allocation in (Kshs)	Actual receipts in FY 2016/17 in (Kshs.)	Actual Receipts as Percentage of Annual Allocation (%)
1	Thika Level 5 Hospital	393,063,584	393,063,584	100
2	Free Maternal Healthcare	221,521,352	201,937,502	91.2
3	Road Maintenance Fuel Levy Fund	123,738,238	123,738,238	100
4	Leasing of Medical Equipment	95,744,681	-	-
5	Free Maternal Healthcare FY 2015/16 balance	-	68,875,000	-
6	Compensation for Foregone User Fees	35,773,082	35,773,082	100
7	DANIDA grant	9,600,000	9,600,000	100
8	Tea and Cess Funds	-	63,956,166	-
9	National Treasury Remittances for Doctors and Nurses Allowances	-	184,260,000	-
Total		**879,440,937**	**1,081,203,572**	**122.9**

Source: *Kiambu Treasury*

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Analysis of the conditional grants released during the period under review indicates that Urgent Needs for Level 5 Hospital, Road Maintenance Fuel Levy Fund, User Fees Foregone, Free Maternal Healthcare and DANIDA recorded 100 per cent of annual allocation.

3.13.4 Exchequer Issues

During the year, the Controller of Budget authorised withdrawal of Kshs.11.34 billion from the CRF account, which was 88.3 per cent of the Approved Supplementary Budget. This amount represented an increase of 2 per cent from Kshs10.58 billion authorized in FY 2015/16 and consisted of Kshs.8.79 billion (77.5 per cent) for recurrent expenditure and Kshs.2.55 billion (22.5 per cent) for development activities.

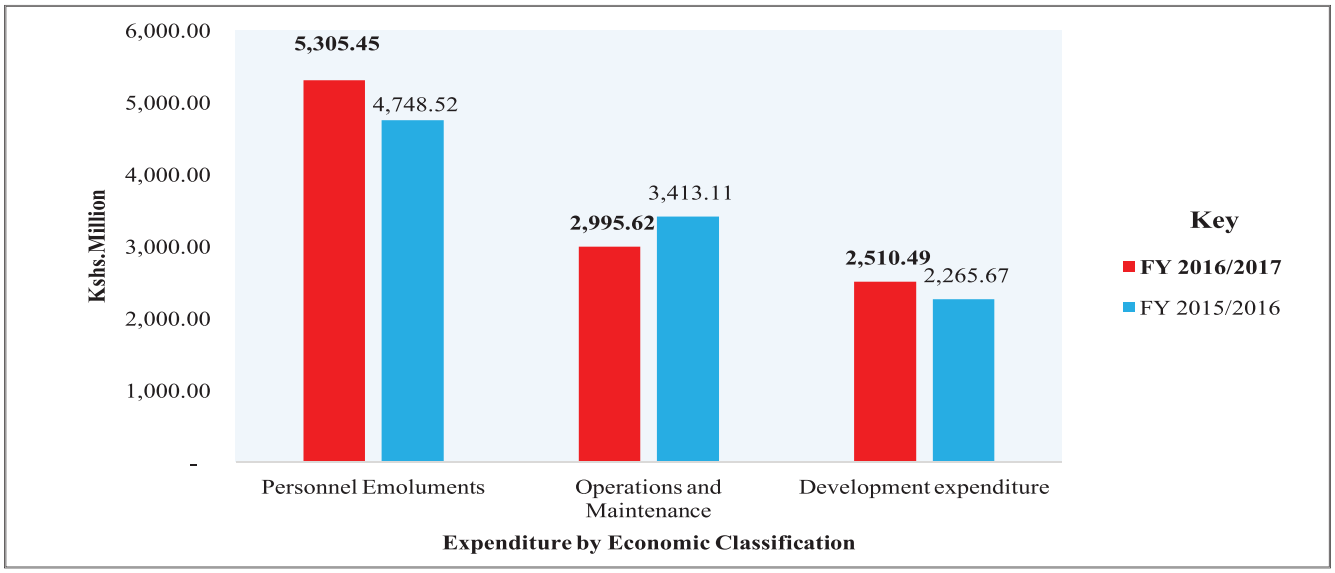
3.13.5 Overall Expenditure Review

The County spent Kshs.10.81billion, which was 95.3 per cent of the total funds released for operations. This was an increase of 4 per cent from Kshs.10.43 billion spent in FY 2015/16.

A total of Kshs.8.3 billion was spent on recurrent activities, while Kshs.2.51 billion was spent on development activities. The recurrent expenditure was 94.4 per cent of the funds released for recurrent activities while development expenditure accounted for 98.3 per cent of the funds released for development activities. The expenditure excluded pending bills as at June 30, 2017 that amounted to Kshs.549.44 million for development and Kshs.370.8 million for recurrent expenditure.

The recurrent expenditure represented 94.3 per cent of the annual recurrent budget, a decrease from 98.6 per cent spent in FY 2015/16. Development expenditure recorded an absorption rate of 69.9 per cent, which was a decrease from 71.4 per cent attained in FY 2015/16. Figure 3.38 presents a comparison between the total expenditure in FY 2016/17 and FY 2015/16.

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



Source: *Kiambu County Treasury*

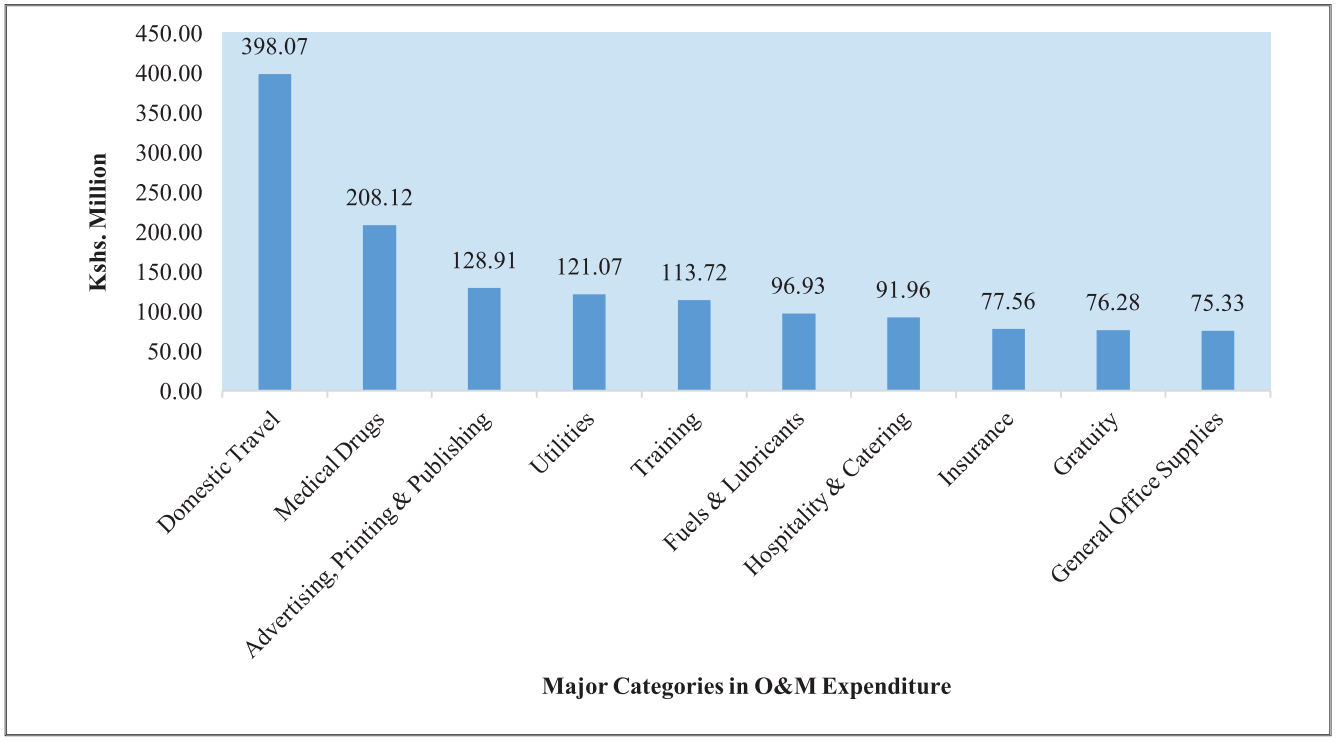
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3.13.6 Analysis of Recurrent Expenditure

The total recurrent expenditure of Kshs.8.3 billion consisted of Kshs.5.31 billion (63.9 per cent) on personnel emoluments and Kshs.3 billion (36.1 per cent) on operations and maintenance as shown in Figure 3.38. Expenditure on personnel emoluments represented an increase of 11.7 per cent compared to FY 2015/16 when the County spent Kshs.4.75 billion. Figure3.39 shows a summary of the operations and maintenance expenditure by major categories.

The expenditure on personnel emoluments of Kshs.5.31 billion was 49.1 per cent of overall total expenditure in FY 2016/17 and 63.9 per cent of total recurrent expenditure.

Figure3.39: Kiambu County, Operations and Maintenance Expenditure by Major Categories for FY 2016/17



Source: *Kiambu County Treasury*

The County spent Kshs.102.99 million on sitting allowances for the 87 MCAs and the Speaker against the annual budget allocation of Kshs.103 million. This was an increase of 3 per cent compared to Kshs.100 million spent in FY 2015/16. The average monthly sitting allowance was Kshs.97,536 per MCA compared to SRC's recommended monthly ceiling of Kshs.124,800.

Expenditure on domestic and foreign travel amounted to Kshs.456.19 million and consisted of Kshs.240.3 million spent by the County Assembly and Kshs.215.87 million by the County Executive. This expenditure represented 5.5 per cent of total recurrent expenditure and was an increase of 18.5 per cent compared to Kshs.384.76 million spent in FY 2015/16.

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Table 3.38: Kiambu County, List of Development Projects with the Highest Expenditure in FY 2016/17

S/No.	Project name	Project location	Annual project budget (Kshs.)	Annual project expenditure (Kshs.)	Absorption rate (%)
1	Construction & rehabilitation of Githunguri CBD Roads	Githunguri	103,900,000	57,481,286	55.3
2	Construction of a 3 storeyed medical ward at Tigoni Sub-County hospital	Ngecha/Tigoni	160,740,000	39,348,138	24.5
3	Part payment for supply, installation & testing of milk pasteurizers in Gatundu North, Gatundu South, Limuru, Kiambaa, Kiambu Sub- Counties	Gatundu North/ Gatundu South/Limuru/ Kiambaa/Kaimbu	46,000,000	23,395,000	50.9
4	Construction & rehabilitation of Limuru market	Limuru Central	45,168,350	11,751,835	-
5	Rehabilitation & construction Ruiru Stadium	Gitothua	30,000,000	23,740,530	79.1
6	Purchase of two skip loaders and a tipper	Headquarter	30,000,000	30,398,000	101.3
7	Construction of Kamwangi Market	Gituamba	28,157,525	15,385,428	-
8	Construction of bio digester at Gatundu Level 4 Hospital	Gatundu North/ Gatundu South/Limuru/ Kiambaa/Kaimbu	14,707,410	29,407,410	199.9
9	Construction of 2 classrooms and an ablution block at Kawaida ECDE.	Cianda	3,400,000	3,495,730	102.8
10	Improvement of Local Area Network (LAN)	Headquarter	-	20,992,099	-

Source: *Kiambu County Treasury*

Analysis of the development expenditure by project indicates that, the highest expenditure of Kshs.57.48 million was spent on construction and rehabilitation of roads in Githunguri, followed by Kshs.39.3 million on building of a 150 bed capacity medical ward at Tigoni Hospital. The County also spent Kshs.30.4 million on supply of two skip loaders and a tipper while Kshs.29.4 million was spent on construction of a bio digester at the Gatundu Level 4 Hospital.

3.13.8 Budget and Budget Performance Analysis by Department

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

Table.3.39: Kiambu County, Budget Performance by Department in FY 2016/17

Department	Annual Supplementary Budget Allocation (Kshs.Million)		Exchequer Issues in FY 2016/17 (Kshs.Million)		Expenditure in FY 2016/17 (Kshs.Million)		FY 2016/17 Expenditure to Exchequer Issues (%)		FY 2016/17 Absorption rate (%)	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
County Assembly	906.25	47.64	894.25	47.64	893.23	47.64	99.9	100	98.6	100

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County Executive	422.01	12.2	422.01	-	354.32	6.40	84.0		84	52.4
County Public Service Board	60.37	-	60.37	-	53.62	-	88.8	-	88.8	-
Finance and Economic Planning	1,296.6	26	1,296.6	-	1,242.97	17.92	95.9	-	95.9	68.9
Administrative & Public Service	474.26	25.6	474.26	6.72	431.05	21.23	90.9	315.9	90.9	82.9
Agriculture, Livestock & Fisheries	373.8	152.77	373.80	111.29	355.03	99.55	95	89.4	95	65.2
Water, Environment & Natural Resources	254.32	222.24	254.32	190.26	235.11	149.69	92.4	78.7	92.4	67.4
Health Services	3,536.33	856.47	3,536.33	767.99	3,453.14	570.96	97.6	74.3	97.6	66.7
Education, Culture, ICT & Social Services	554.81	310.07	554.81	119.22	501.18	132.23	90.3	110.9	90.3	42.6
Youth, Sports & Communications	118.75	243.86	118.75	102.54	99.45	172.73	83.7	168.5	83.7	70.8
Lands, Physical Planning & Housing	151.42	146.5	151.42	8.03	136.37	90.90	90.1	1132.4	90.1	62
Trade, Tourism, Industry & Cooperative	229.72	264.53	229.72	129.07	191.12	168.55	83.2	130.6	83.2	63.7
Roads, Transport & Public Works	427.98	1,284.63	427.98	1,070.92	354.49	1,032.69	82.8	96.4	82.8	80.4
Total	**8,806.63**	**3,592.52**	**8,794.63**	**2,553.69**	**8,301.08**	**2,510.49**	**94.4**	**98.3**	**94.3**	**69.9**

Source: *Kiambu County Treasury*

Analysis of budget performance by department shows that the County Assembly had the highest absorption of development expenditure at 100 per cent followed by the Administration and Public Service Department at 82.9 per cent. On the other hand, the County Assembly had the highest percentage of recurrent expenditure to recurrent budget at 98.6 per cent followed by the Health Services Department at 97.6 per cent.

3.13.9 Observations and Recommendations

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

i. Establishment of the County Budget and Economic Forum (CBEF) in line with Section 137 of the PFM Act, 2012.

ii. Improvement in the administration and reporting on established funds in line with Section 116 and 168 of the PFM Act, 2012.

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

1. Delay by the National Treasury to disburse the equitable share of revenue raised nationally.
2. Frequent IFMIS connectivity challenges during the financial year, which slowed down approval of procurement requests and payments to suppliers.
3. High wage bill, that increased by 11.7 per cent from Kshs.4.75 billion in FY 2015/16 to Kshs.5.31 billion in the reporting period, and represented 49.1 per cent of total expenditure. A high wage bill may affect

the implementation of development projects.

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

1. *The County Treasury should liaise with the National Treasury to ensure that funds allocated to the County are released in a timely manner in line with the CARA Disbursement Schedule.*
2. *The county should liaise with IFMIS directorate to address the IFMIS connectivity challenges.*
3. *The County Public Service Board should address the rising wage bill to ensure it is sustainable.*

3.14 Kilifi County

3.14.1 Overview of the FY 2016/17 Budget

The County's FY 2016/17 Approved Supplementary Budget was Kshs.13.33 billion, comprising of Kshs.6.5 billion (48.8 per cent) and Kshs.6.83 billion (51.2 per cent) allocation for recurrent and development expenditure respectively.

To finance the budget, the County expected to receive Kshs.8.03 billion (60.2 per cent) as equitable share of revenue raised nationally, Kshs.538.23 million (6.7 per cent) as total conditional grants, generate Kshs.1.59 billion (11.9 per cent) from local sources, Kshs.2.83 billion (21.2 per cent) cash balance from FY 2015/16. The conditional grants comprised of Kshs.181.67 million (31.1 per cent) for Free Maternal Healthcare, Kshs.214.84 million (21.1 per cent) from the Road Maintenance Fuel Levy Fund, Kshs.26.39 million (4.5 per cent) for User Fees Foregone, a Kshs.19.58 million (1.3 per cent) grant from DANIDA, Kshs.114.66 million (19.6 per cent) loan from World Bank, Kshs.95.74 million (16.4 per cent) for Leasing of Medical Equipment, and Kshs.233.28 million (6 per cent) from Other Sources of Financing (comprising of Kenya Devolution Support Program Capacity & Performance Grant, the World Bank Transforming Health Systems for Universal Care Project, Results Based Financing, and Conditional Allocation to Doctors and Nurses Allowances).

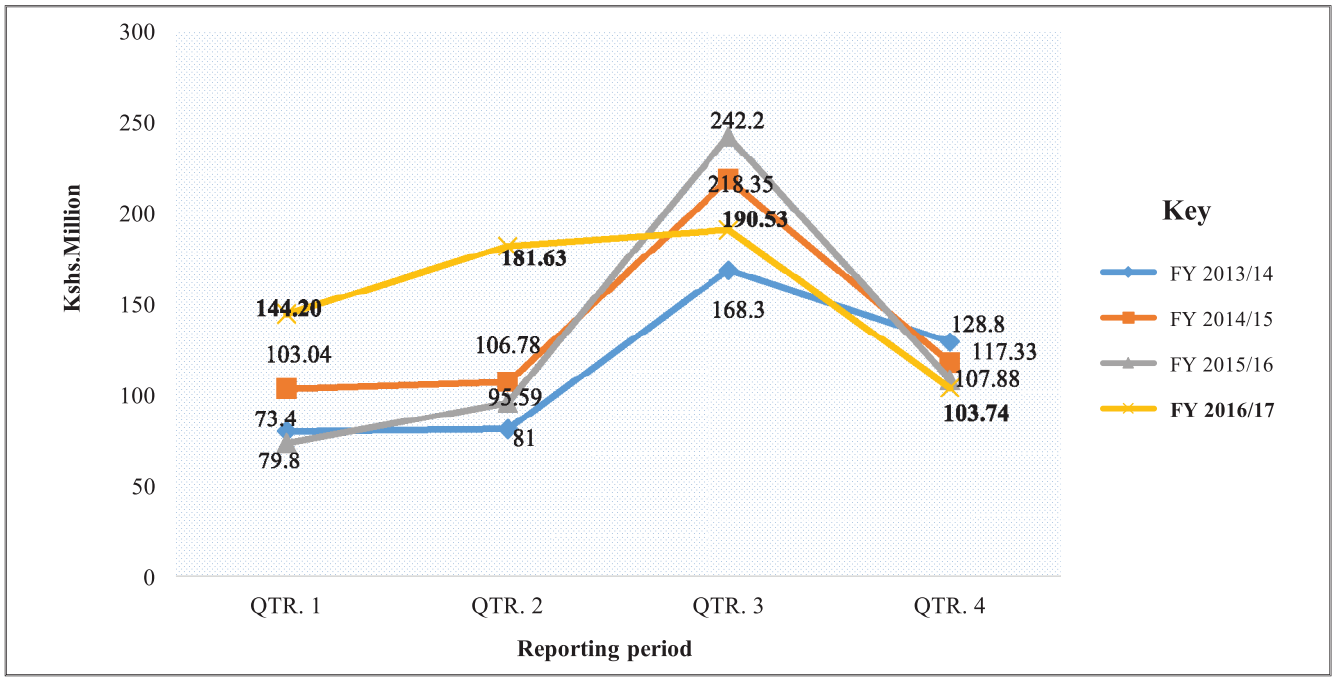
3.14.2 Revenue Analysis

During the year, the County received Kshs.8.03 billion as equitable share of the revenue raised nationally, Kshs.297.63 million as total conditional allocations, raised Kshs.620.09 million from local revenue sources, and had a cash balance of Kshs.121.27 million brought forward from FY 2015/16.

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

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



Source: *Kilifi County Treasury*

The total local revenue collected in FY 2016/17 amounted to Kshs.620.09 million, representing an increase of 19.5 per cent compared to Kshs.519.08 million generated in FY 2015/16, and represented 39.1 per cent of the annual local revenue target of Kshs.1.59 billion.

3.14.3 Conditional Grants

Table 3.40 shows an analysis of conditional grants released in FY 2016/17.

Table 3.40: Kilifi County Analysis of Conditional Grants Released in FY 2016/17

S/No	Conditional Grant	CARA, 2016 Annual Allocation in Kshs)	Actual receipts in FY 2016/17 in Kshs.	Actual Receipts as Percentage of Annual Allocation (%)
1	Road Maintenance Levy Fund	214,836,809	123,368,108	57.4
2	Free Maternal Healthcare	181,669,778	147,317,500	81.1
3	Leasing of Medical Equipment	95,744,681	-	-
4	User Fees Foregone	26,392,597	26,947,170	102.1
5	DANIDA Grant to health	19,581,404	-	-
TOTAL		**538,225,269**	**297,632,778**	**55.3**

Source: *Kilifi County Treasury*

Analysis of the conditional grants released during the period under review indicates that, User Fees Foregone recorded the highest receipts at 102.1 per cent of annual allocation due to disbursement of the balance of Kshs.554,573 from FY 2015/16, while the Free Maternal Healthcare and Road Maintenance Fuel Levy Fund

recorded 57.4 per cent and 81.1 per cent of annual allocation, respectively.

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3.14.4 Exchequer Issues

During the year, the Controller of Budget authorised withdrawal of Kshs.9.23 billion from the CRF account, which was 69.2 per cent of the Approved Supplementary Budget. This amount represented a decrease of 2.1 per cent from Kshs.9.42 billion authorized in FY 2015/16 and consisted of Kshs.5.66 billion (61.3 per cent) for recurrent expenditure and Kshs.3.57 billion (38.7 per cent) for development activities.

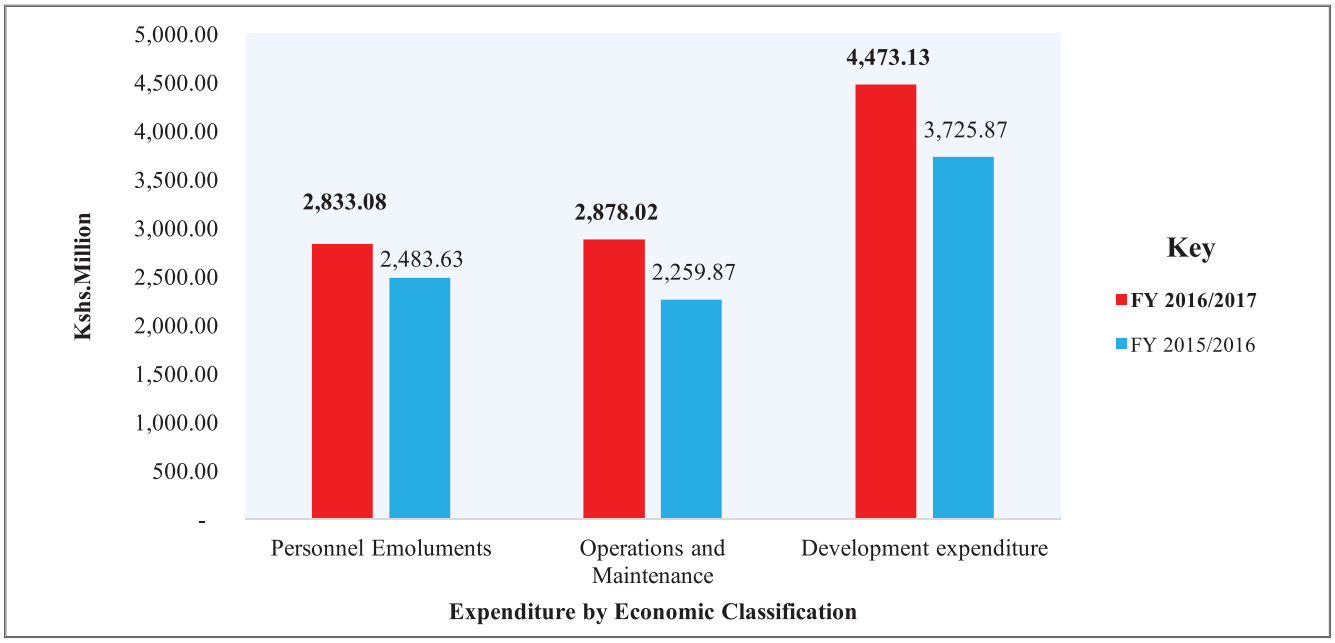
3.14.5 Overall Expenditure Review

The County spent Kshs.10.18 billion, which was 110.3 per cent of the total funds released for operations. This was an increase of 20.2 per cent from Kshs.8.47 billion spent in FY 2015/16.

A total of Kshs.5.71 billion was spent on recurrent activities, while Kshs.4.47 billion was spent on development activities. The recurrent expenditure was 100.9 per cent of the funds released for recurrent activities while development expenditure accounted for 125.3 per cent of the funds released for development activities. The expenditure excluded pending bills as at June 30, 2017 that amounted to Kshs.302.08 million for recurrent expenditure and Kshs.517.76 million for development activities.

The recurrent expenditure represented 87.8 per cent of the annual recurrent budget, an increase from 85.1 per cent spent in FY 2015/16. Development expenditure recorded an absorption rate of 65.5 per cent, which was an increase from 62.6 per cent attained in FY 2015/16. Figure 3.41 presents a comparison between the total expenditure in FY 2016/17 and FY 2015/16.

Figure 3.41: Kilifi County, Expenditure by Economic Classification in FY 2015/16 and FY 2016/17



Source: *Kilifi County Treasury*

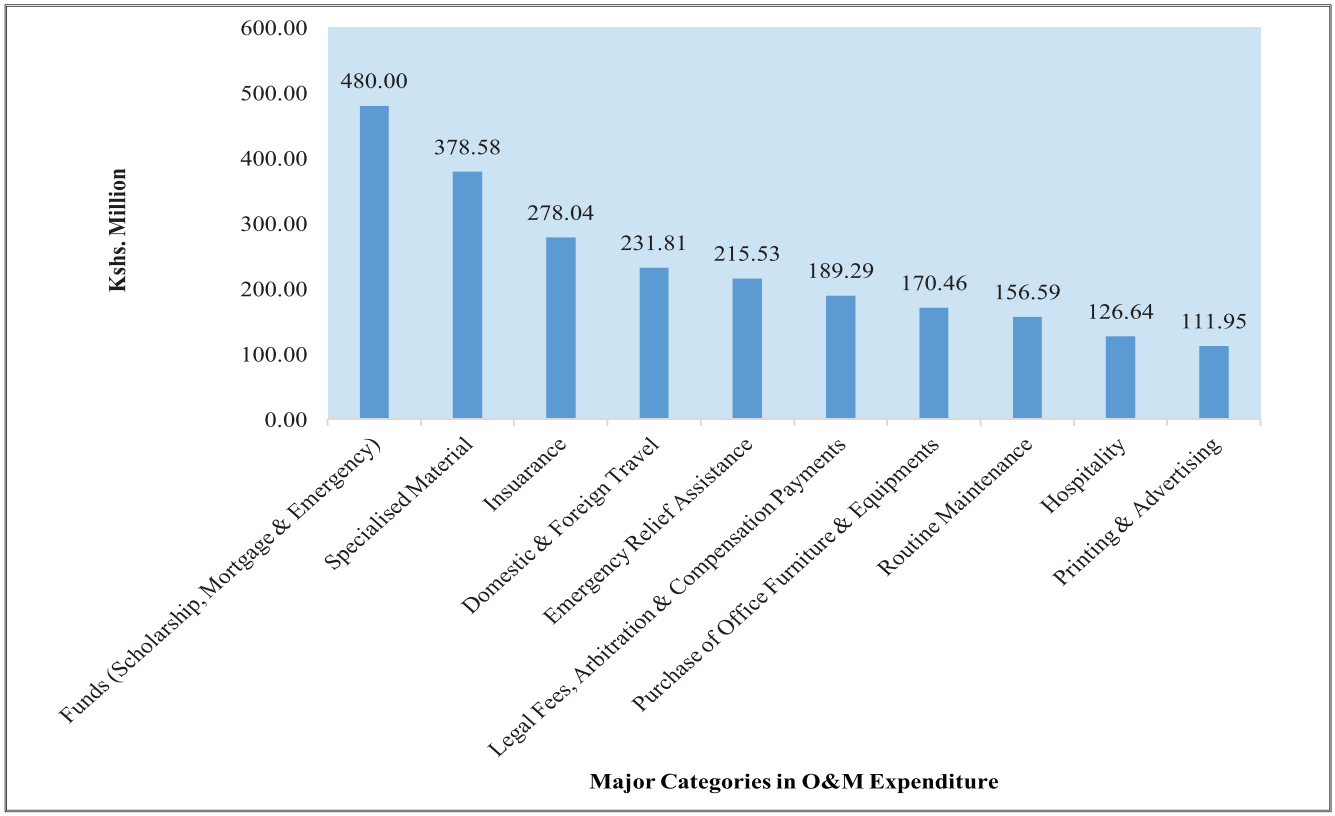
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3.14.6 Analysis of Recurrent Expenditure

The total recurrent expenditure of Kshs.5.71 billion consisted of Kshs.2.83 billion (49.6 per cent) on personnel emoluments and Kshs.2.88 billion (50.4 per cent) on operations and maintenance as shown in Figure 3.41 .Expenditure on personnel emoluments represented an increase of 14.2 per cent compared to FY 2015/16 when the County spent Kshs.2.48 billion. Figure 3.42 shows a summary of operations and maintenance expenditure by major categories.

The expenditure on personnel emoluments of Kshs.2.83 billion was 27.8 per cent of overall total expenditure in FY 2016/17 and 49.6 per cent of total recurrent expenditure of Kshs.5.71 billion.

Figure 3.42: Kilifi County, Operations and Maintenance Expenditure by Major Categories for FY 2016/17



Source: *Kilifi County Treasury*

The County spent Kshs.48.74 million on sitting allowances for the 53 MCAs and the Speaker against the annual budget allocation of Kshs.80.71 million. This was a decrease of 25.1 per cent compared to Kshs.65.04 million spent in FY 2015/16. The average monthly sitting allowance was Kshs.75,217 per MCA compared to SRC's recommended monthly ceiling of Kshs.124,800.

Expenditure on domestic and foreign travel amounted to Kshs.231.81 million and consisted of Kshs.112.74 million spent by the County Assembly and Kshs.119.07 million by the County Executive. This expenditure represented 4.1 per cent of total recurrent expenditure and was a decrease of 23.5 per cent compared to Kshs.302.89 million spent in FY 2015/16.

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3.14.7 Development Expenditure Analysis

The total development expenditure of Kshs.4.47 billion represented 65.5 per cent of the annual development budget of Kshs.6.83 billion. Table 3.41provides a summary of development projects with the highest expenditure in FY 2016/17.

Table 3.41: Kilifi County, List of Development Projects with the Highest Expenditure in FY 2016/17

S/No.	Project name	Project location	Annual project budget (Kshs.)	Annual project expenditure (Kshs.)	Absorption rate (%)
1	Upgrading of Malindi Township Roads to Bitumen Standard (Ngala-Malindi High-Muyeye-New Bus Park)	Shella	150,000,000	130,000,000	86.7
2	Upgrading of Malindi Township Roads to Cabro Standard (Ngala-HGM-Kisumu Ndogo-Kanu Office)	Malindi	123,000,000	101,000,000	82.1
3	Upgrading to Bitumen Standard of BP petrol station-Eden Rock Road	Malindi Town	100,000,000	90,000,000	90
4	Completion of Mtwapa Bus park	Shimo La Tewa	150,000,000	74,000,000	49.3
5	Completion of 2.5 km upgrading of B8 - Sultan Palace road	Kikambala	72,000,000	72,000,000	100
6	Agricultural mechanisation through procurement of 20 tractors	All wards	56,000,000	56,000,000	100
7	Free Feeding Programme for ECD Centres	All Wards	50,000,000	49,950,000	99.9
8	Ganze/Bamba main pipeline	Ganze	54,000,000	30,000,000	55.6
9	Ganze-Bamba raising Main Phase II	Ganze	50,000,000	30,000,000	60
10	Purchase & installation of Oxygen plant for Kilifi Hospital	Sokoni	45,000,000	24,772,701	55.1
11	Development of Burangi Irrigation Sceme (Rice production)	Magarini	20,000,000	20,000,000	100

Source: *Kilifi County Treasury*

Analysis of the development expenditure by project indicates that, the highest expenditure of Kshs.130 million was spent on upgrading of Malindi Township Roads (Ngala-Malindi High-Muyeye-New Bus Park) to bitumen standard, followed by Kshs.101 million on upgrading of other Township Roads in Malindi (Ngala-HGM-Kisumu Ndogo-Kanu Office) to cabro standard, and Kshs.90 million on upgrading to bitumen standard of the road from the BP Petrol Station to Eden Rock Hotel.

3.14.8 Budget and Budget Performance Analysis by Department

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

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Table 3.42: Kilifi County, Budget Performance by Department in FY 2016/17

Department	Annual Supplementary Budget Allocation (Kshs.Million)		Exchequer Issues in FY 2016/17 (Kshs.Million)		Expenditure in FY 2016/17 (Kshs.Million)		FY 2016/17 Expenditure to Exchequer Issues (%)		FY 2016/17 Absorption rate (%)	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
County Assembly	774.92	415.14	774.92	170	734.3	148.77	94.8	87.5	94.8	35.8
County Executive	376.23	-	335.93		300.92	-	89.6	-	80	-
Finance & Economic Planning	502.64	40.06	478.41	8	321.42	9.89	67.2	123.7	63.9	24.7
Agriculture	300.27	478.82	281.87	324.14	281.93	300.28	100	92.6	93.9	62.7
Environment and Natural Resources	199	1296.45	181.19	496.21	184.85	945.44	102	190.5	92.9	72.9
Education & Youth Affairs	685.03	1085.98	667.35	389.52	644.52	658.78	96.6	169.1	94.1	60.7
County Health Services	2186.72	775.29	1642.54	582.5	1950.97	545.76	118.8	93.7	89.2	70.4
Physical Planning and Development	214.04	285.91	282.54	914.67	171.37	148.31	60.7	16.2	80.1	51.9
Public works and services	367.91	1800.28	180.22	284.98	321.55	1407.15	178.4	493.8	87.4	78.2
ICT & E-government	121.65	141.78	106.56	133.79	101.58	79.66	95.3	59.5	83.5	56.2
Trade development and regulation	79.12	357.55	74.63	220.38	59.44	145.95	79.7	66.2	75.1	40.8
County public service board	67.03	-	62.47	-	54.05	-	86.5	-	80.6	-
Public service management	627.49	153.49	591.31	96.88	584.19	83.13	98.8	85.8	93.1	54.2

Source: *Kilifi County Treasury*

Analysis of budget performance by department shows that Public Works and Services Department attained the highest absorption of development budget at 78.2 per cent while the County Public Service Board and the County Executive Department did not incur any development expenditure. On the other hand, the County Assembly had the highest percentage of recurrent expenditure to recurrent budget at 94.8 per cent while the Department of Finance & Economic Planning had the lowest at 63.9 per cent.

3.14.9 Observations and Recommendations

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

i. Improved adherence to budget timelines. The County Executive Committee Member for Finance (CECM-Finance) submitted the budget estimates to the County Assembly on 28th February 2017 and was approved by the County Assembly on 13th June 2017.

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

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

1. Under-performance in local revenue collection. During the year, the County targeted to collect Kshs.1.59 billion from local revenue sources but managed to generate Kshs.620.09 million, which represented 39.1 per cent of the annual local revenue target.
2. IFMIS connectivity challenges, which slowed down approval of procurement requests and payments to suppliers.
3. Failure to establish an Internal Audit Committee to oversee financial operations in the County contrary to Section 155 of the PFM Act, 2012.
4. The County has not constituted the County Budget and Economic Forum (CBEF) as required by Section 137 of the PFM Act, 2012 for consultation in the budget process.
5. Delay by the National Treasury to disburse the equitable share of revenue raised nationally.

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

1. *The County Treasury should develop and implement strategies to enhance local revenue collection.*
2. *The County Treasury should liaise with IFMIS Directorate to ensure support in use of IFMIS and the E-procurement module.*
3. *The County should establish an Internal Audit Committee in line with Section 155 of the PFM Act, 2012.*
4. *The County should establish the CBEF for consultation in budgeting and economic matters in line with Section 137 of the PFM Act, 2012.*
5. *The County Treasury should liaise with the National Treasury to ensure that funds allocated to the County are released in a timely manner in line with the CARA Disbursement Schedule.*

3.15 Kirinyaga County

3.15.1 Overview of the FY 2016/17 Budget

The County's FY 2016/17 Approved Supplementary Budget was Kshs.5.24 billion, comprising of Kshs.3.37 billion (64.2 per cent) and Kshs.1.88 billion (35.8 per cent) allocation for recurrent and development expenditure respectively.

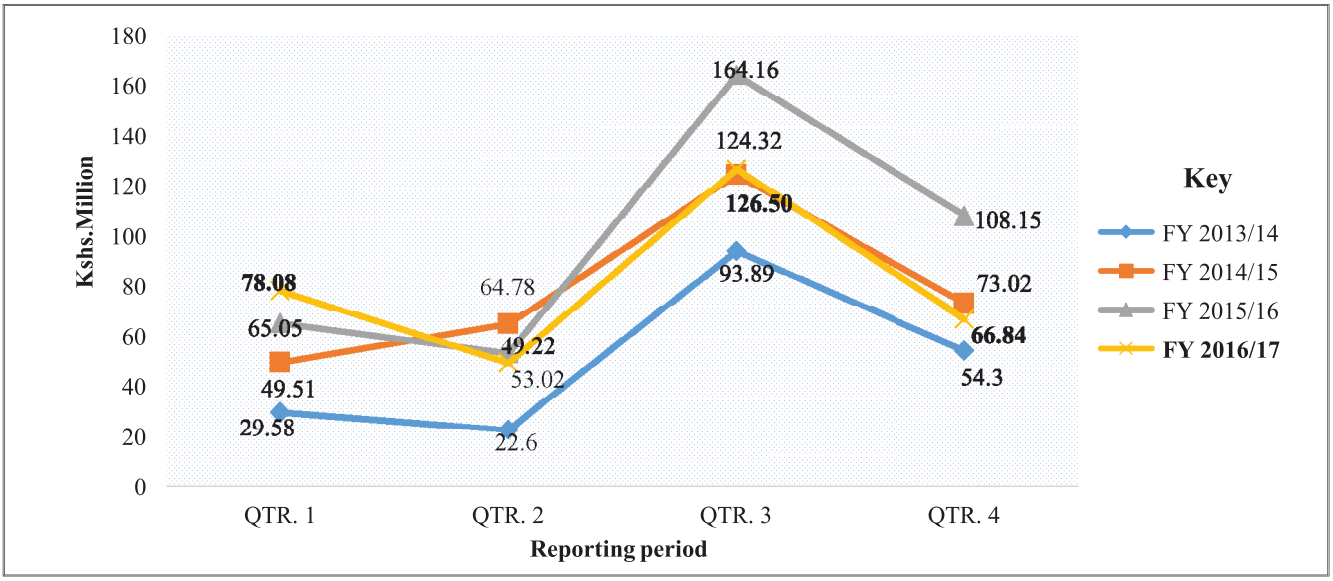
To finance the budget, the County expected to receive Kshs.3.82 billion (72.8 per cent) as equitable share of revenue raised nationally, Kshs.146.66 million (3.2 per cent) as total conditional grants, generate Kshs.743.24 million (14.2 per cent) from local revenue sources, and Kshs.448.95 million (8.6 per cent) cash balance from FY 2015/16. The county also expected Kshs.17.27 million (0.3 per cent) from Coffee Cess Funds and Kshs.45.39 million (0.9 per cent) in refund from the Local Authority Pension Fund (LAPFUND). The conditional grants comprised of Kshs.45.39 million (27.2 per cent) for Free Maternal Healthcare, Kshs.58.66 million (35.1 per cent) from the Road Maintenance Fuel Levy Fund, Kshs.11.63 million (7 per cent) for User Fees Foregone, a Kshs.6.39 million (3.8 per cent) grant from DANIDA, Kshs.24.6 million (14.7 per cent) from World Bank Loan and Kshs.20.52 million (12.3 per cent) from other Loans and Grants.

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3.15.2 Revenue Analysis

During the year, the County received Kshs.3.82 billion as equitable share of the revenue raised nationally, Kshs.122.06 million as total conditional allocations, raised Kshs.320.64 million from local revenue sources, and had a cash balance of Kshs.448.95 million brought forward from FY 2015/16. Figure 3.43 shows the quarterly trend in local revenue collection from the first quarter of FY 2013/14 to fourth quarter of FY 2016/17.

Figure 3.43: Kirinyaga County, Trend in Local Revenue Collection by Quarter from FY 2013/14 to FY 2016/17



Source: *Kirinyaga County Treasury*

The total local revenue collected in FY 2016/17 amounted to Kshs.320.64 million, representing a decrease of 21.8 per cent compared to Kshs.390.38 million generated in FY 2015/16, and represented 43.1 per cent of the annual local revenue target of Kshs.743.24 million.

3.15.3 Conditional Grants

Table.3.43 shows an analysis of conditional grants released in FY 2016/17.

Table.3.43: Kirinyaga County Analysis of Conditional Grants Released in FY 2016/17

S/No	Conditional Grant	CARA, 2016 Annual Allocation in Kshs)	Actual receipts in FY 2016/17 in Kshs.	Actual Receipts as Percentage of Annual Allocation (%)
1	Road Maintenance Fuel Levy Fund	58,660,195	58,660,195	100
2	Free Maternal HealthCare	45,389,754	45,389,754	100
3	User Fees Foregone	11,625,078.	11,625,078	100
4	DANIDA Grant	6,385,000	6,385,000	100
5	World Bank Loan	24,601,287	-	-
TOTAL		**146,661,314**	**122,060,027**	**83.22**

Source: *Kirinyaga County Treasury*

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Analysis of the conditional grants released during the period under review indicates that all grants received 100 per cent of their annual allocation except for the World Bank Loan.

3.15.4 Exchequer Issues

During the year, the Controller of Budget authorised withdrawal of Kshs.4.46 billion from the CRF account, which was 85 per cent of the Approved Supplementary Budget. This amount represented an increase of 4.8 per cent from Kshs.4.24 billion authorized in FY 2015/16 and consisted of Kshs.3.33 billion (74.8 per cent) for recurrent expenditure and Kshs.1.12 billion (25.2 per cent) for development activities.

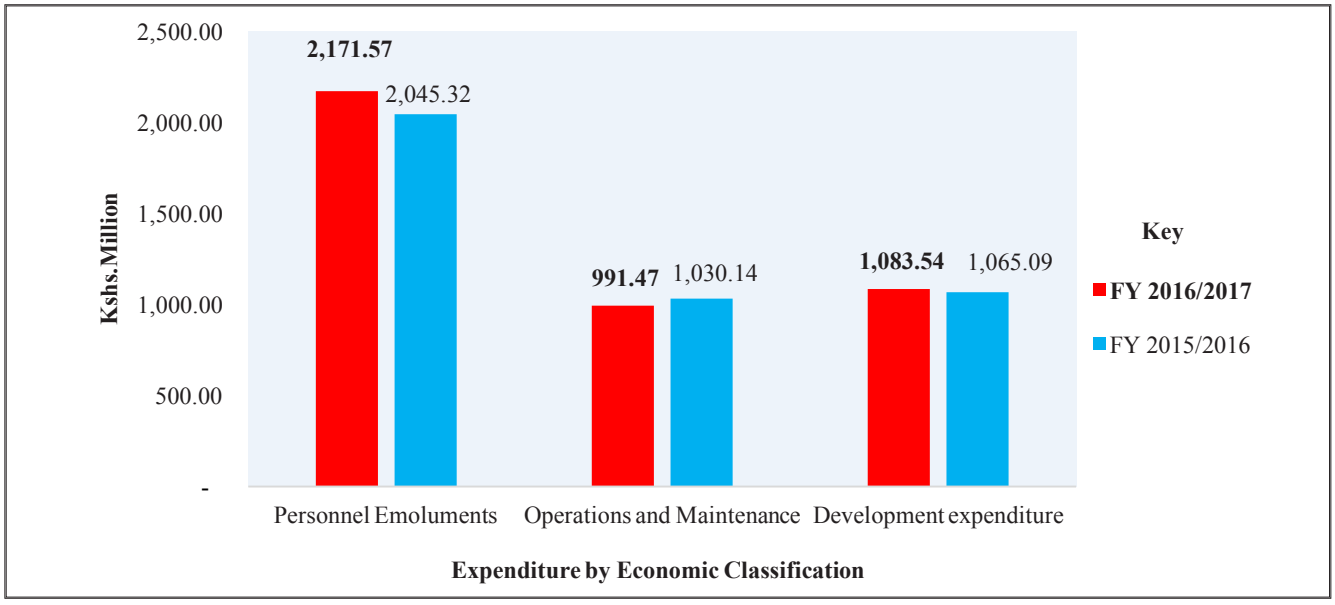
3.15.5 Overall Expenditure Review

The County spent Kshs.4.25 billion, which was 95.3 per cent of the total funds released for operations. This was an increase of 5.1 per cent from Kshs.4.14 billion spent in FY 2015/16.

A total of Kshs.3.16 billion was spent on recurrent activities, while Kshs.1.08 billion was spent on development activities. The recurrent expenditure was 94.9 per cent of the funds released for recurrent activities while development expenditure accounted for 96.5 per cent of the funds released for development activities. The expenditure excluded pending bills as at June 30, 2017 that amounted to Kshs.166.92 million for development and Kshs.52.6 million for recurrent expenditure.

The recurrent expenditure represented 93.9 per cent of the annual recurrent budget, a decrease from 94.2 per cent spent in FY 2015/16. Development expenditure recorded an absorption rate of 57.6 per cent, which was a decrease from 70.5 per cent attained in FY 2015/16. Figure3.44 presents a comparison between the total expenditure in FY 2016/17 and FY 2015/16.

Figure3.44: Kirinyaga County, Expenditure by Economic Classification in FY 2015/16 and FY 2016/17



Source: *Kirinyaga County Treasury*

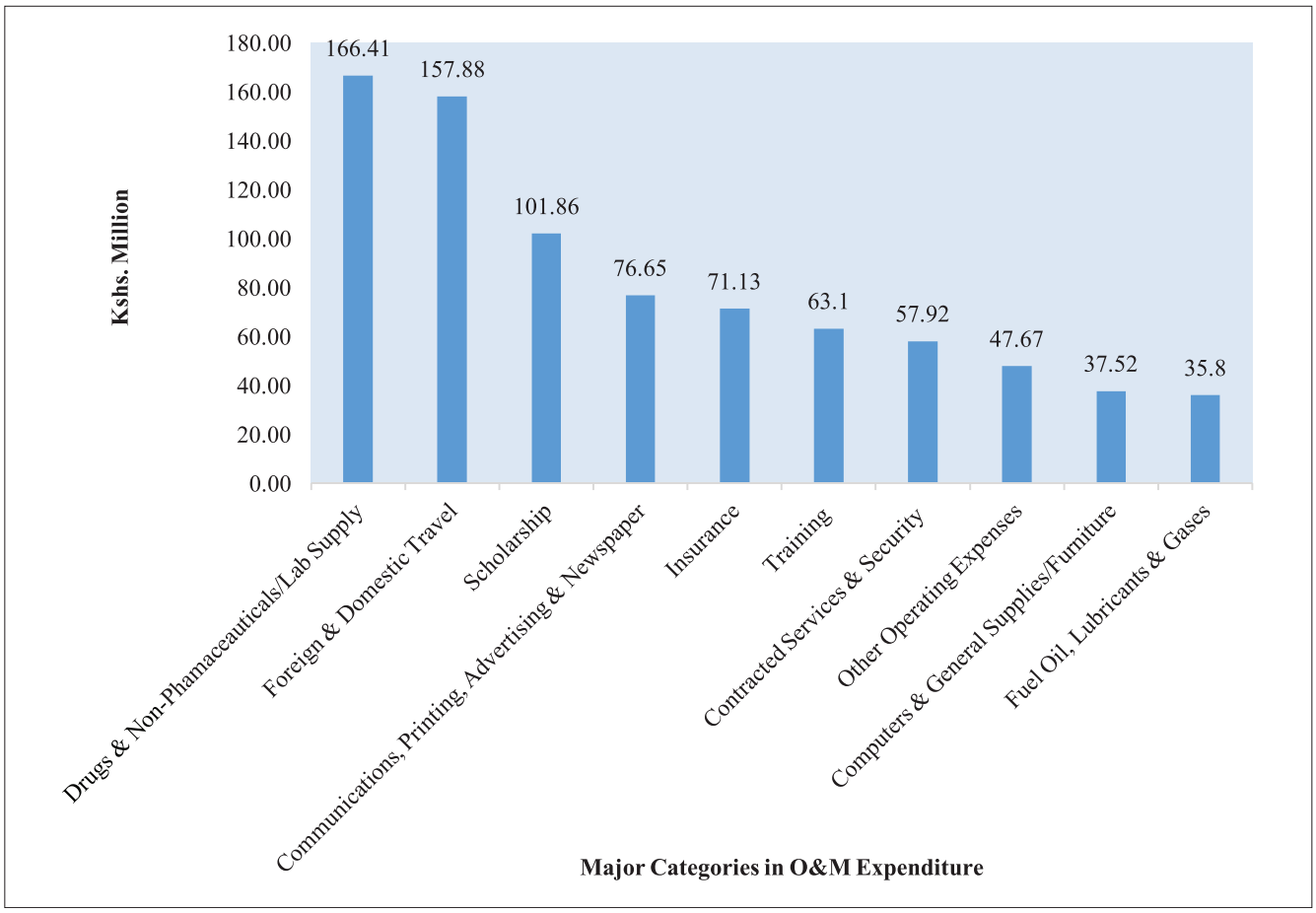
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3.15.6 Analysis of Recurrent Expenditure

The total recurrent expenditure of Kshs.3.16 billion consisted of Kshs.2.17 billion (69.7 per cent) spent on personnel emoluments and Kshs.991.47 million (31.3 per cent) on operations and maintenance as shown in Figure3.44. Expenditure on personnel emoluments represented an increase of 5.8 per cent compared to FY 2015/16 when the County spent Kshs.2.05 billion. Figure 3.45 shows a summary of operations and maintenance expenditure by major categories.

The expenditure on personnel emoluments of Kshs.2.17 billion was 51.1 per cent of overall total expenditure in FY 2016/17 and 68.7 per cent of total recurrent expenditure of Kshs.3.16 billion.

Figure 3.45: Kirinyaga County, Operations and Maintenance Expenditure by Major Categories for FY 2016/17



Source: *Kirinyaga County Treasury*

The County spent Kshs.36.05 million on sitting allowances for the 30 MCAs and the Speaker against the annual budget allocation of Kshs.62 million. This was a decrease of 3.9 per cent compared to Kshs.37.44 million spent in FY 2015/16. The average monthly sitting allowance was Kshs.100,133 per MCA compared to SRC's recommended monthly ceiling of Kshs.124,800.

Expenditure on domestic and foreign travel amounted to Kshs.157.88 million and consisted of Kshs.103 million

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spent by the County Assembly and Kshs.54.88 million by the County Executive. This expenditure represented 5 per cent of total recurrent expenditure and was a decrease of 1.6 per cent compared to Kshs.100.38 million spent in FY 2015/16.

3.15.7 Development Expenditure Analysis

The total development expenditure of Kshs.1.08 billion represented 57.8 per cent of the annual development budget of Kshs.1.88 billion. Table 3.44 provides a summary of development projects with the highest expenditure in FY 2016/17.

Table 3.44: Kirinyaga County, List of Development Projects with the Highest Expenditure in FY 2016/17

S/No.	Project name	Project location	Annual project budget (Kshs.)	Annual project expenditure (Kshs.)	Absorption rate (%)
1	Non-residential building (County headquarters)	kutus	149,843,258	144,801,225	96.6
2	Mwea-Maikima Water Project	Flagship	25,957,762	25,947,465	100
3	10% Ad Valorem Levy for Tea Infrastructure Road services in Tea zones		20,517,876	20,517,876	100
4	Purchase of Oxygen Plant for Kerugoya County Hospital	Kerugoya Ward	14,786,000	14,786,000	100
5	Construction of Kagio market	Kiine	28,000,000	14,390,792	51.4
6	Spatial Planning	county	15,000,000	12,000,000	80
7	BackHoe	Flagship	10,000,000	9,999,712	100
8	Renovation of Kerugoya Referral Hospital	Kerugoya Ward	9,511,689	8,983,465	94.4
9	Improvement of Thomas Ngari Access Roads	Kanyekiine Ward	6,968,626	6,968,626	100
10	County Talent Academy	County	9,756,080	6,588,720	67.5

Source: *Kirinyaga County Treasury*

Analysis of the development expenditure by project indicates that, the highest expenditure of Kshs.144.80 million was spent on construction of the County Headquarters at Kutus, followed by Kshs.25.95 million on construction of Mwea-Makima water project, and Kshs.20.52 million for tea zone infrastructure projects.

3.15.8 Budget and Budget Performance Analysis by Department

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

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Table 3.45: Kirinyaga County, Budget Performance by Department in FY 2016/17

Department	Annual Supplementary Budget Allocation (Kshs.Million)		Exchequer Issues in FY 2016/17 (Kshs. Million)		Expenditure in FY 2016/17 (Kshs.Million)		FY 2016/17 Expenditure to Exchequer Issues (%)		FY 2016/17 Absorption rate (%)	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
County Assembly	480.47	50	480.47	-	473.36	-	98.5	-	98.5	-
County Executive Services	373.81	144.84	373.81	144.8	356.97	144.8	95.5	100	95.5	100
Finance and Economic planning	536.09	2.27	501.09	1.71	430.86	1.73	86	101	80.4	76.2
Medical Services	1,252.13	308.64	1,252.13	166.43	1,251.72	141.3	100	84.9	100	45.8
Education	231.59	93.65	231.59	37.8	235.04	45.18	101.5	119.5	101.5	48.2
Agriculture	208.31	153.19	208.31	56.53	211.88	104.17	101.7	184.3	101.7	68
Gender/Culture &Social Services	51.67	98.91	51.67	46.51	43.43	23.85	84	51.3	84	24.1
Trade & Co-operative Development	33.76	92.86	33.76	55.04	22.91	33.75	67.9	61.3	67.9	36.4
Environment and natural resources	97.68	248.73	97.68	220.89	77.2	182.79	79	82.8	79	73.5
Physical Planning and Housing	26.07	74.43	26.07	35.72	19.58	12.93	75.1	36.2	75.1	17.4
Transport and Infrastructure	77.46	608.31	77.46	357.67	40.09	393.03	51.8	109.9	51.8	64.6
TOTAL	**3,369.02**	**1,875.84**	**3,334.02**	**1,123.12**	**3,163.04**	**1,083.54**	**94.9**	**96.5**	**93.9**	**57.8**

Source: *Kirinyaga County Treasury*

Analysis of budget performance by department shows that the County Executive Services Department attained the highest absorption of development budget at 100 per cent while the County Assembly did not incur any development expenditure. On the other hand, the Department of Agriculture had the highest percentage of recurrent expenditure to recurrent budget at 101.7 per cent, while the Department of Transport and Infrastructure had the lowest recurrent absorption rate at 51.8 per cent.

3.15.9 Observations and Recommendations

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

i. Adoption of IFMIS and Internet Banking by the County Assembly, which has ensured transparent financial management and standard financial reporting as contemplated by Article 226 of the Constitution.

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

iii. Improved adherence to budget timelines. The County Executive Committee Member for Finance (CECMF) submitted the Budget Estimates to the County Assembly on 31st January 2017, which was approved on 15th March 2017. The Annual Development Plan (ADP) and the County Fiscal Strategy Paper (CFSP) were submitted to the County Assembly on 1st September, 2016 and 16th November 2016

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respectively and approved on 2nd November, 2016 and 23rd November 2016 respectively, in line with Section 129 (2)(a) of the PFM Act, 2012.

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

1. High personal emoluments which accounted for 51.1 per cent of overall expenditure during the reporting period thus constraining funding of other programmes.
2. IFMIS connectivity challenges, which slowed down approval of procurement requests and payments to suppliers.
3. Under-performance in local revenue collection. The local revenue has declined from Kshs.390.38 million in the FY 2015/16 to Kshs.320.64 million in the reporting period representing a decrease of 21.8 per cent, which may affect implementation of budgeted activities.
4. Failure by Fund Administrators to submit expenditure reports on the established County Funds such as the Bursary Fund, contrary to Section 168 of the PFM Act, 2012.
5. Low absorption of development funds, which was 57.8 per cent of the annual development budget.
6. Delay by the National Treasury to disburse the equitable share of revenue raised nationally.

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

1. *The County Public Service Board should develop an optimal staffing structure and devise strategies to address the escalating wage bill.*
2. *The County Treasury should liaise with the IFMIS Directorate for support in the use of IFMIS and the E-procurement module.*
3. *The County Treasury should develop and implement strategies to enhance local revenue collection.*
4. *Fund Administrators should ensure timely submission of expenditure reports in line with Section 168 of the PFM Act, 2012.*
5. *The County should identify and address the causes of low absorption of the development budget.*
6. *The County Treasury should liaise with the National Treasury to ensure that funds allocated to the County are released in a timely manner in line with the CARA Disbursement Schedule.*

3.16 Kisii County

3.16.1 Overview of the FY 2016/17 Budget

The County's FY 2016/17 Approved Supplementary Budget was Kshs.10.07 billion, comprising of Kshs.6.36 billion (63.2 per cent) and Kshs.3.71 billion (36.8 per cent) allocation for recurrent and development expenditure respectively.

To finance the budget, the County expected to receive Kshs.7.65 billion (76 per cent) as equitable share of revenue raised nationally, Kshs.985.02 million (9.8 per cent) as total conditional grants, generate Kshs.725 million (7.4 per cent) from local revenue sources, and Kshs.690.05 million (6.9 per cent) cash balance from FY 2015/16. The conditional grants comprised of Kshs.397.69 million (40.4 per cent) for Level 5 Hospital, Kshs.168.13 million (17.1 per cent) for Free Maternal Healthcare, Kshs117.61 million (11.9 per cent) from the Road Maintenance Fuel

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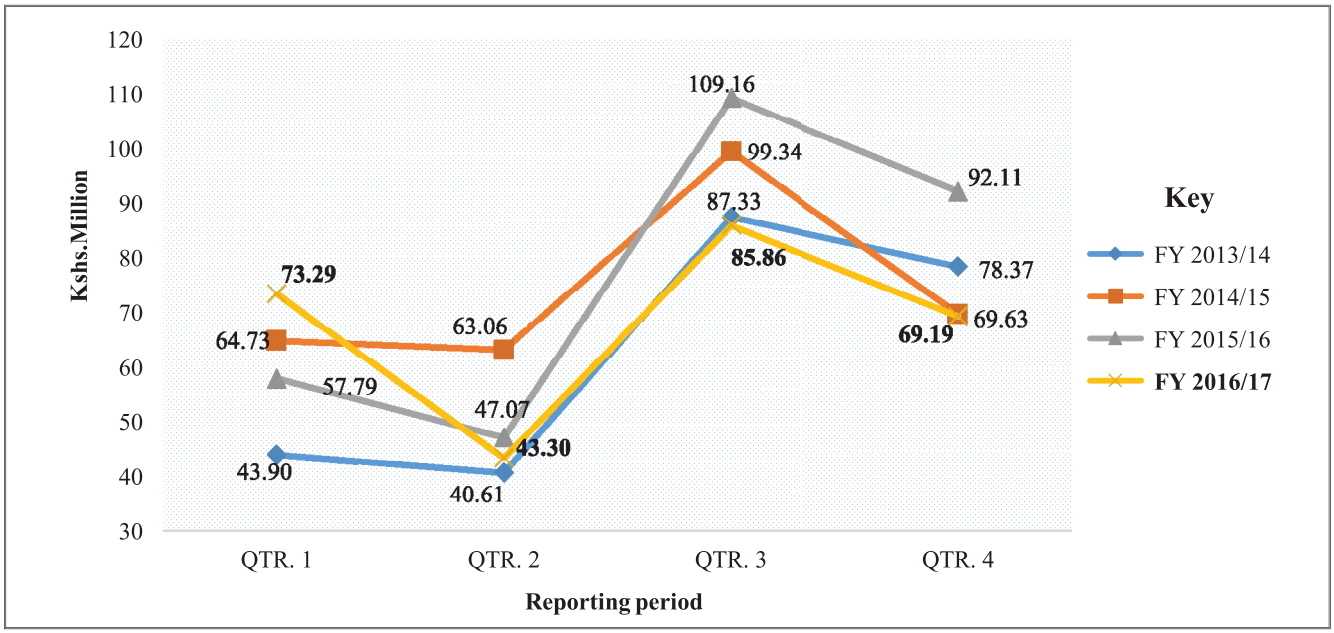
Levy Fund, Kshs.26.95 million (2.7 per cent) for User Fees Foregone, Kshs.11.48 million (1 per cent) from DANIDA, Kshs.95.74 million as (9.7 per cent) conditional allocation for Leasing of Medical Equipment and Kshs.167.42 million (17 per cent) as Other Loans and Grants not contained in the CARA, 2016.

3.16.2 Revenue Analysis

During the year, the County received Kshs.7.65 billion as equitable share of the revenue raised nationally, Kshs.699.27 million as total conditional allocations, raised Kshs.271.64 million from local revenue sources, and had a cash balance of Kshs.687.91 million brought forward from FY 2015/16.

Figure 3.46 shows the quarterly trend in local revenue collection from the first quarter of FY 2013/14 to the fourth quarter FY 2016/17.

Figure 3.46: Kisii County, Trend in Local Revenue Collection by Quarter from FY 2013/14 to FY 2016/17



Source: *Kisii Treasury*

The total local revenue collected in FY 2016/17 amounted to Kshs.271.64 million, representing a decrease of 11.3 per cent compared to Kshs.306.13 million generated in FY 2015/16, and represented 37.5 per cent of the annual local revenue target of Kshs.725 million.

3.16.3 Conditional Grants

Table 3.46 shows an analysis of conditional grants released in FY 2016/17.

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Table 3.46: Kisii County Analysis of Conditional Grants Released in FY 2016/17

S/No	Conditional Grant	CARA, 2016 Annual Allocation in Kshs)	Actual receipts in FY 2016/17 in Kshs.	Actual Receipts as Percentage of Annual Allocation (%)
1	Kisii Level 5 Hospital	397,687,861	397,687,861	100
2	Free Maternal Healthcare	168,133,301	145,550,000	86.6
3	Road Maintenance Fuel Levy Fund	117,605,419	117,605,419	100
4	Leasing of Medical Equipment	95,744,681	-	-
5	User Fees Foregone	26,947,170	26,947,170	100
6	DANIDA Grant	11,475,000	11,475,000	100
7	Other Loans and Grants	133,174,846	-	-
Total		**985,020,089**	**699,265,450**	**71**

Source: *Kisii Treasury*

Analysis of the conditional grants released during the period under review indicates that, the Kisii Level 5 Hospital and Road Maintenance Fuel Levy Fund grants recorded the highest receipts at 100 per cent of the annual allocation.

3.16.4 Exchequer Issues

During the year, the Controller of Budget authorised withdrawal of Kshs.8.02 billion from the CRF account, which was 79.7 per cent of the Approved Supplementary Budget. This amount represented an increase of 0.9 per cent from Kshs.7.95 billion authorized in FY 2015/16 and consisted of Kshs.5.98 billion (74.6 per cent) for recurrent expenditure and Kshs.2.04 billion (25.4 per cent) for development activities.

3.16.5 Overall Expenditure Review

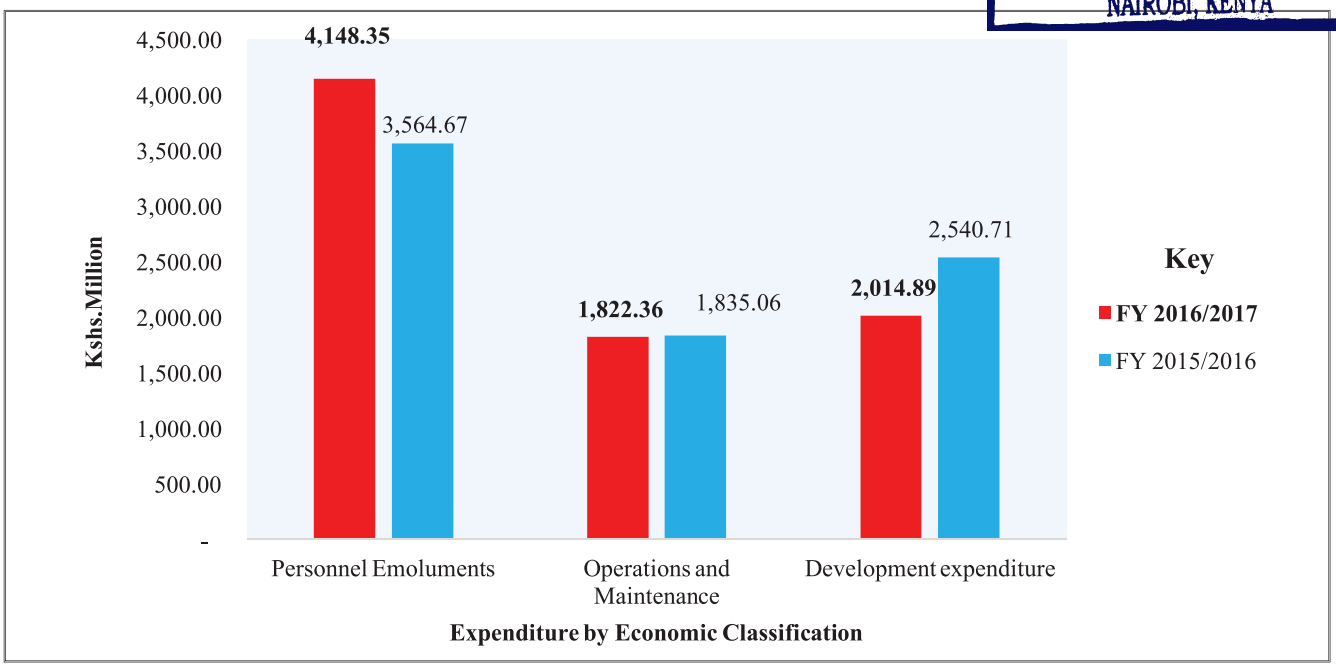
The County spent Kshs.7.99 billion, which was 99.5 per cent of the total funds released for operations. This was an increase of 0.6 per cent from Kshs.7.94 billion spent in FY 2015/16.

A total of Kshs.5.97 billion was spent on recurrent activities, while Kshs.2.02 billion was spent on development activities. The recurrent expenditure was 99.8 per cent of the funds released for recurrent activities while development expenditure accounted for 98.7 per cent of the funds released for development activities. The expenditure excluded pending bills as at June 30, 2017 that amounted to Kshs.743.89 million for development and Kshs.165.88 million for recurrent expenditure.

The recurrent expenditure represented 93.9 per cent of the annual recurrent budget, a decrease from 96.8 per cent spent in FY 2015/16. Development expenditure recorded an absorption rate of 54.3 per cent, which was a decrease from 70.6 per cent attained in FY 2015/16. Figure.3.47 presents a comparison between the total expenditure in FY 2016/17 and FY 2015/16.

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Figure.3.47: Kisii County, Expenditure by Economic Classification in FY 2015/16 and FY 2016/17



Source: *Kisii County Treasury*

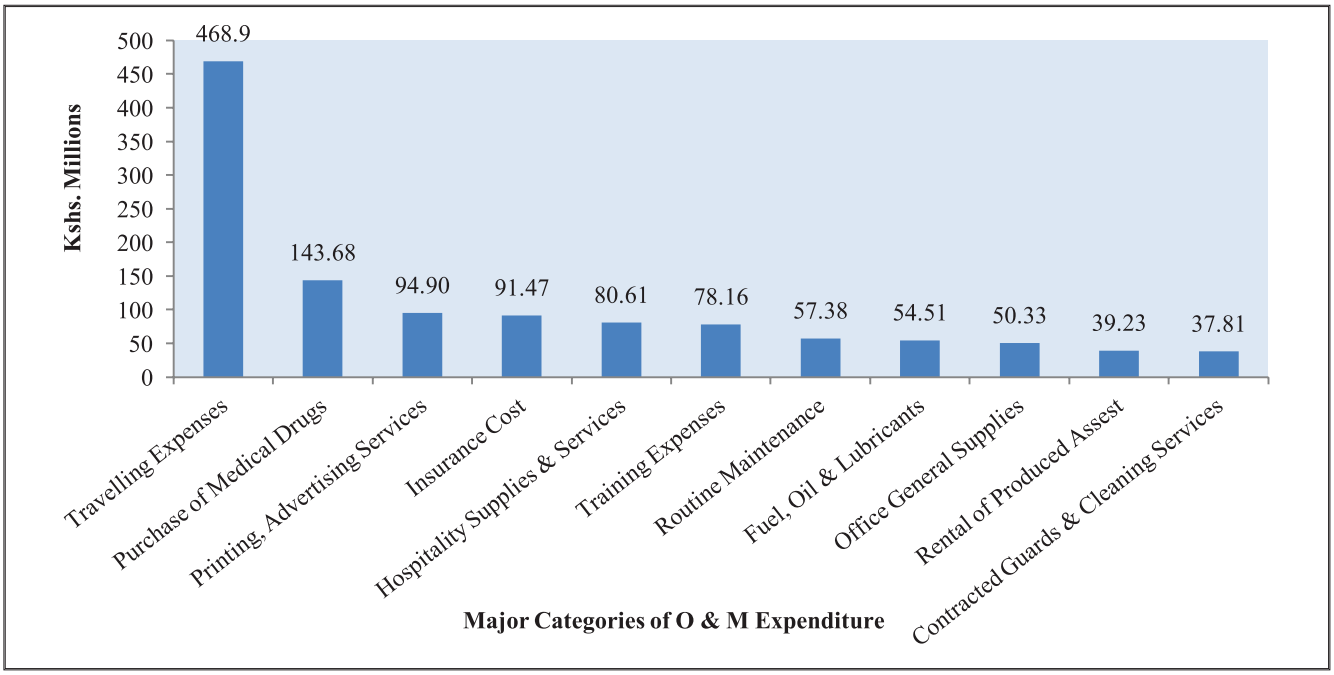
3.16.6 Analysis of Recurrent Expenditure

The total recurrent expenditure of Kshs.5.97 billion consisted of Kshs.4.15 billion (69.5per cent) spent on personnel emoluments and Kshs.1.82 billion (30.5 per cent) on operations and maintenance as shown in Figure.3.47. Expenditure on personnel emoluments represented an increase of 16.4 per cent compared to FY 2015/16 when the County spent Kshs.3.56 billion. Figure 3.48 shows a summary of operations and maintenance expenditure by major categories.

The expenditure on personnel emoluments of Kshs.4.14 billion was 51.9 per cent of overall total expenditure in FY 2016/17 and 69.5 per cent of total recurrent expenditure of Kshs.5.97 billion.

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Figure 3.48: Kisii County, Operations and Maintenance Expenditure by Major Categories FY 2016/17



Source:*Kisii County Treasury*

The County spent Kshs.90.64 million on sitting allowances for the 71 MCAs and the Speaker against the annual budget allocation of Kshs.95.41 million. This was an in a decrease of 32 per cent compared to Kshs.133.34 million spent in FY 2015/16. The average monthly sitting allowance was Kshs.104,909 per MCA compared to SRC's recommended monthly ceiling of Kshs.124,800.

Expenditure on domestic and foreign travel amounted to Kshs.468.90 million and consisted of Kshs.96.25 million spent by the County Assembly and Kshs.372.65 million by the County Executive. This expenditure represented 7.9 per cent of total recurrent expenditure and was an increase of 24.2 per cent compared to Kshs.377.55 million spent in FY 2015/16.

3.16.7 Development Expenditure Analysis

The total development expenditure of Kshs.2.01 billion represented 54.3 per cent of the annual development budget of Kshs.3.71 billion. Table.3.47 provides a summary of development projects with the highest expenditure in FY 2016/17.

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Table.3.47: Kisii County, List of Development Projects with the Highest Expenditure in FY 2016/17

S/No.	Project name	Project location	Annual project budget (Kshs .)	Annual project expenditure (Kshs.)	Absorption rate (%)
1	Extension and refurbishment of County Assembly offices	Kisii County Assembly	51,108,200	38,963,600	76.2
2	Construction of Assembly car park	Kisii County Assembly	21,074,880	21,000,000	99.6
3	Construction of Mortuary car park	Kisii Level 5 Hospital	20,520,000	11,500,000	56
4	Construction of Ogembo Library	Boochi Tendere	20,304,210	20,304,210	100
5	Renovation of Block B	Kisii Level 5 Hospital	7,400,000	2,600,000	35.1
6	Nyabigena -Nyandiwa Road	South Mugirango ward	7,175,481	7,175,481	100
7	Nyabikondo - Bogecho Road	Nyatieko ward	6,952,974	6,948,261	99.9
8	Renovation of eye ward	Kisii Level 5 Hospital	5,400,000	2,200,000	40.7
9	Costruction of Fish multiplication Centre at Ogembo	Boochi Tendere	5,077,346	5,077,346	100
10	Suguta gravity	Bassi Central	5,068,000	5,068,000	100

Source:*Kisii County Treasury*

Analysis of the development expenditure by project indicates that, the highest expenditure of Kshs.38.96 million was spent on extension and refurbishment of the County Assembly offices, followed by Kshs.21 million on construction of County Assembly car park and Kshs.11.5 million on construction of the mortuary car park.

3.16.8 Budget and Budget Performance Analysis by Department

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

Table 3.48: Kisii County, Budget Performance by Department in FY 2016/17

Department	Annual Supplementary Budget Allocation (Kshs.Million)		Exchequer Issues in FY 2016/17 (Kshs.Million)		Expenditure in FY 2016/17 (Kshs.Million)		FY 2016/17 Expenditure to Exchequer Issues (%)		FY 2016/17 Absorption rate (%)	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
County Assembly	883.79	195	791.07	113	790.09	72.57	99.9	64.2	89.4	37.2
County Executive	406.18	20	405.72	-	404.69	-	99.7	-	99.6	-
Finance and Economic Planning	704.47	119.49	655.13	70.41	658.21	102.94	100.5	146.2	93.4	86.1
Agriculture	285.93	235.32	284.15	74.65	284.15	102.49	100	137.3	99.4	43.6
Environment & Natural Resources	146.23	365.45	125.83	187.35	140.21	157.35	111.4	84.0	95.9	43.1

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Education, Youth Affairs & Social Development	576.78	271	459.79	95.76	457.47	52.75	99.5	35.3	99.5	19.5
County Health Services	2,387.94	741.60	2307.64	452.56	2291.06	435.21	99.3	96.2	95.9	58.7
Physical planning & urban development	84.40	179.70	83.25	55.01	85.32	69.25	102.5	125.9	101.1	38.5
Roads, Public works and transport	128.86	972.16	129.35	807.77	129.35	851.23	100	105.4	100.4	87.6
Trade development & regulations	66.13	186	66.12	59.21	60.74	52.23	91.9	88.2	91.8	28.1
Culture and Social services regulations	83.59	213	82	71.07	81.91	50.44	99.9	71.0	98	23.7
Kisii Town Urban Area	79.39	57	79.39	5	79.39	6.58	100.0	-	100	-
County Administration	527.63	153.50	512.63	48.80	508.13	61.85	99.1	126.7	96.3	40.3
TOTAL	**6,361.32**	**3,709.21**	**5,982.07**	**2,040.60**	**5,970.72**	**2,014.89**	**99.8**	**98.7**	**93.9**	**54.3**

Source:*Kisii County Treasury*

Analysis of budget performance by department shows that the Roads, Public Works and Transport Department attained the highest absorption of development budget at 87.6 per cent while the County Executive and Kisii Town Urban Area Departments did not incur any development expenditure. On the other hand, the Department of Physical Planning & Urban Development had the highest percentage of recurrent expenditure to recurrent budget at 101.1 per cent while the Department of Education, Youth Affairs & Social Development had the lowest at 79.3 per cent.

3.16.9 Observations and Recommendations

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

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

ii. In compliance to Section 155(5) of the PFM Act, 2012 the County has established an Internal Audit Committee.

iii. Adoption of IFMIS and Internet Banking by the County Assembly, which has ensured transparent financial management and standard financial reporting as contemplated by Article 226 of the Constitution.

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

1. Delay by the National Treasury to disburse the equitable share of revenue raised nationally.
2. Spending of revenue at source in contravention of Section 109 of the PFM Act, 2012. From the analysis of bank statements and expenditure returns, the COB has noted that the Department of Health Services and the Department of Trade Regulations and Development did not bank all local revenue receipts into the CRF account.
3. High wage bill that increased by 16.4 per cent from Kshs.3.56 billion in the FY 2015/16 to Kshs.4.14

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billion in the period under review, representing 51.9 per cent of total expenditure. The increase in wage bill may affect implementation of development projects.

4. Late submission of financial reports by the County Treasury, which affected timely preparation of the budget implementation report.
5. Under-performance in local revenue collection. Local revenue collection has declined by 11.3 per cent from Kshs.306.13 million in FY 2015/16 to Kshs.271.64 million in the reporting period, and represented 37.5 per cent of the annual target.
6. High expenditure on domestic and foreign travel which amounted to Kshs.468.9 million, which exceeded the Approved Budget of Kshs.418.1 million by 12.2 per cent. Further, the expenditure represented 7.9 per cent of total recurrent expenditure and was an increase of 24.2 per cent compared to Kshs.377.55 million spent in FY 2015/16.

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

1. *4. The County Treasury should liaise with the National Treasury to ensure that funds allocated to the County are released in a timely manner in line with the CARA Disbursement Schedule.*
2. *The County should ensure all Departments adhere to Section 109 of the PFM Act, 2012 and deposit all local revenue receipts into the CRF account.*
3. *The County Public Service Board should develop an optimal staffing structure and devise strategies to address the escalating wage bill.*
4. *The County Treasury should ensure timely submission of financial reports in line with Section 166 of the PFM Act, 2012.*
5. *The County Treasury should formulate and implement strategies to enhance local revenue collection.*
6. *The County should enhance budgetary control to ensure travel expenditure is within the Approved Budget.*

3.17 Kisumu County

3.17.1 Overview of the FY 2016/17 Budget

The County's FY 2016/17 Approved Supplementary Budget was Kshs.9.4 billion, comprising of Kshs.6.23 billion (66.3 per cent) and Kshs.3.16 billion (33.7 per cent) allocation for recurrent and development expenditure respectively.

To finance the budget, the County expected to receive Kshs.6.13 billion (67 per cent) as equitable share of revenue raised nationally, Kshs.719.54 million (7.9 per cent) as total conditional grants, generate Kshs.1.58 billion (17.3 per cent) from local revenue sources, and Kshs.717.23 million (7.8 per cent) cash balance from FY 2015/16. The conditional grants comprised of Kshs.351.44 million (48.8 per cent) for Level 5 Hospital, Kshs.118.02 million (16.4 per cent) for Free Maternal Healthcare, Kshs.94.19 million (13.1 per cent) from the Road Maintenance Fuel Levy Fund, Kshs.21.85 million (3 per cent) for User Fees Foregone, Kshs.8.29 million (1.2 per cent) from DANIDA, Kshs.95.74 million (13.3 per cent) for Leasing of Medical Equipment.

In addition, the County expected to receive Kshs.30.42 million from the Kenya Support Devolution Programme

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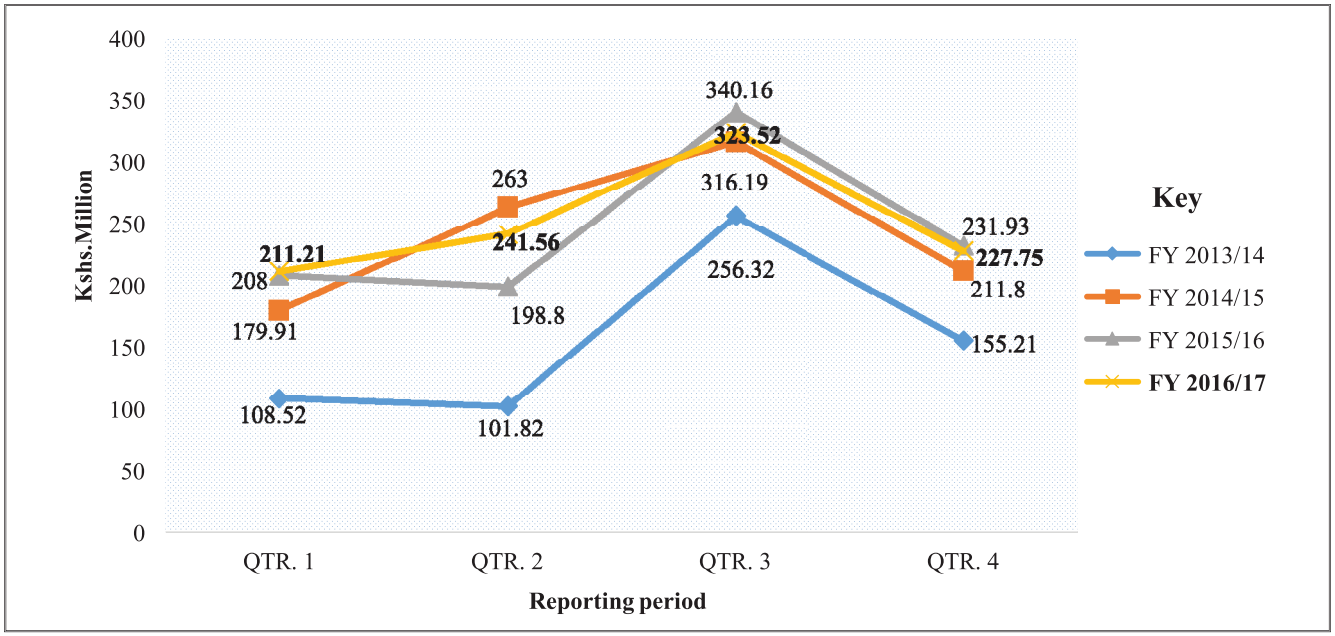
(World Bank) Loan, Kshs.58.2 million for Doctors' Allowances, Kshs.54.77 million for Nurses Allowances, and Kshs.30 million as Other Loans and Grants. These were nonetheless, not contained in CARA 2016.

3.17.2 Revenue Analysis

During the year, the County received Kshs.6.13 billion as equitable share of the revenue raised nationally, Kshs.699.25 million as total conditional allocations, raised Kshs.1 billion from local revenue sources, and had a cash balance of Kshs.717.23 million brought forward from FY 2015/16.

Figure.3.49 shows the quarterly trend in local revenue collection from the first quarter of FY 2013/14 to the fourth quarter FY 2016/17.

Figure.3.49: Kisumu County, Trend in Local Revenue Collection by Quarter from FY 2013/14 to FY 2016/17



Source: *Kisumu County Treasury*

The total local revenue collected in FY 2016/17 amounted to Kshs.1 billion, representing an increase of 2.2 per cent compared to Kshs.978.89 million generated in FY 2015/16, and represented 63.3 per cent of the annual local revenue target of Kshs.1.58 billion.

3.17.3 Conditional Grants

Table.3.49 shows an analysis of conditional grants released in FY 2016/17.

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Table.3.49: Kisumu County Analysis of Conditional Grants Released in FY 2016/17

S/No	Conditional Grant	CARA, 2016 Annual Allocation in Kshs)	Actual receipts in FY 2016/17 in Kshs.	Actual Receipts as Percentage of Annual Allocation (%)
1	Level 5 Hospital	351,445,087	351,445,087	100
2	Free Maternal Healthcare	118,015,691	110,497,500	93.6
3	Leasing of Medical Equipment	95,744,681	-	-
4	Road Maintenance Fuel Levy Fund	94,189,837	94,189,836	100
5	Other Loans and Grants	30,000,000	-	-
6	User Fees Forgone	21,854,292	21,854,292	100
7	DANIDA Grant	8,290,000	8,290,000	100
8	Call and Risk Allowance for Doctors	-	58,200,000	-
9	Call and Risk Allowance for Nurses and Other Staff	-	54,774,000	-
TOTAL		719,539,588	699,250,716	97.2

Source: *Kisumu County Treasury*

Analysis of the conditional grants released during the period under review indicates that, Level 5 Hospital grant, Road Maintenance Fuel Levy Fund, User Fees Foregone and DANIDA grant recorded the highest receipts at 100 per cent of annual allocation respectively.

3.17.4 Exchequer Issues

During the year, the Controller of Budget authorised withdrawal of Kshs.8.07 billion from the CRF account, which was 85.9 per cent of the Approved Supplementary Budget. This amount represented an increase of 11 per cent from Kshs.7.27 billion authorized in FY 2015/16 and consisted of Kshs.6.16 billion (76.3 per cent) for recurrent expenditure and Kshs.1.91 billion (23.7 per cent) for development activities.

3.17.5 Overall Expenditure Review

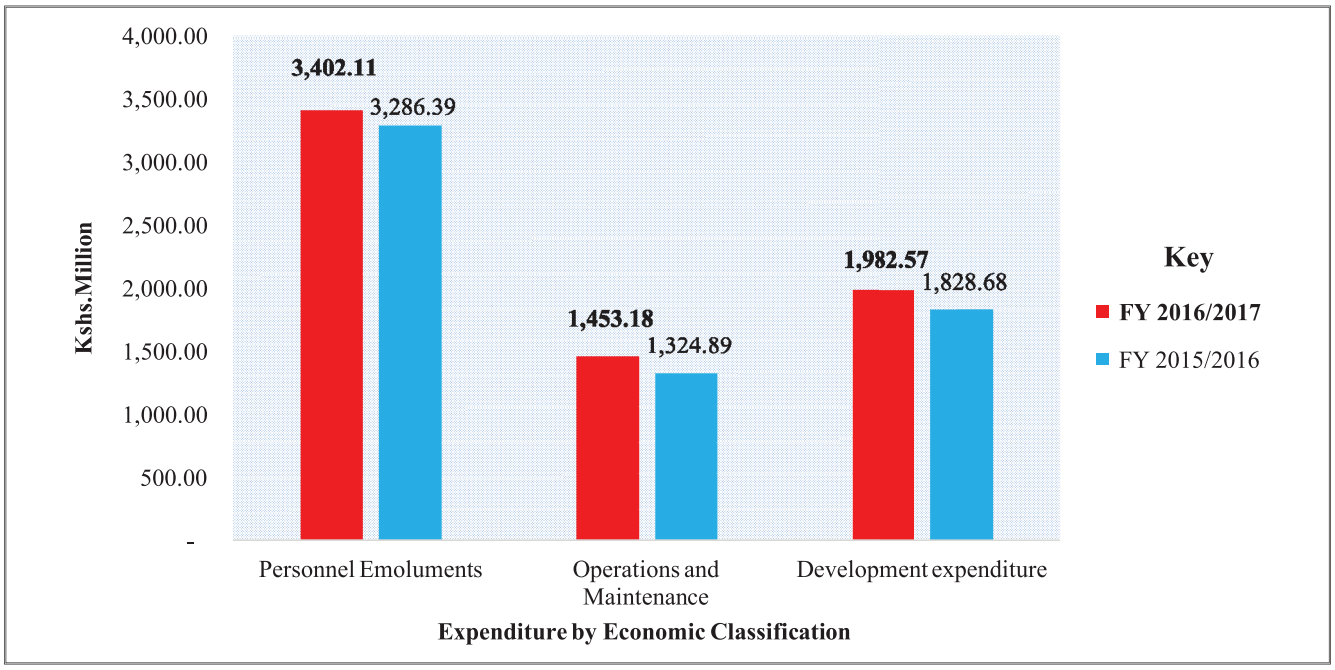
The County spent Kshs.6.84 billion, which was 84.8 per cent of the total funds released for operations. This was an increase of 6.2 per cent from Kshs.6.44 billion spent in FY 2015/16.

A total of Kshs.4.86 billion was spent on recurrent activities, while Kshs.1.98 billion was spent on development activities. The recurrent expenditure was 78.8 per cent of the funds released for recurrent activities while development expenditure accounted for 103.9 per cent of the funds released for development activities. The expenditure excluded pending bills as at June 30, 2017 that amounted to Kshs.1.29 billion for development and Kshs.506.99 million for recurrent expenditure.

The recurrent expenditure represented 77.9 per cent of the annual recurrent budget, a decrease from 82.3 per cent spent in FY 2015/16. Development expenditure recorded an absorption rate of 62.6 per cent, which was an increase from 45.3 per cent attained in FY 2015/16. Figure .3.50presents a comparison between the total expenditure in FY 2016/17 and FY 2015/16.

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Figure .3.50: Kisumu County, Expenditure by Economic Classification in FY 2015/16 and FY 2016/17



Source: *Kisumu County Treasury*

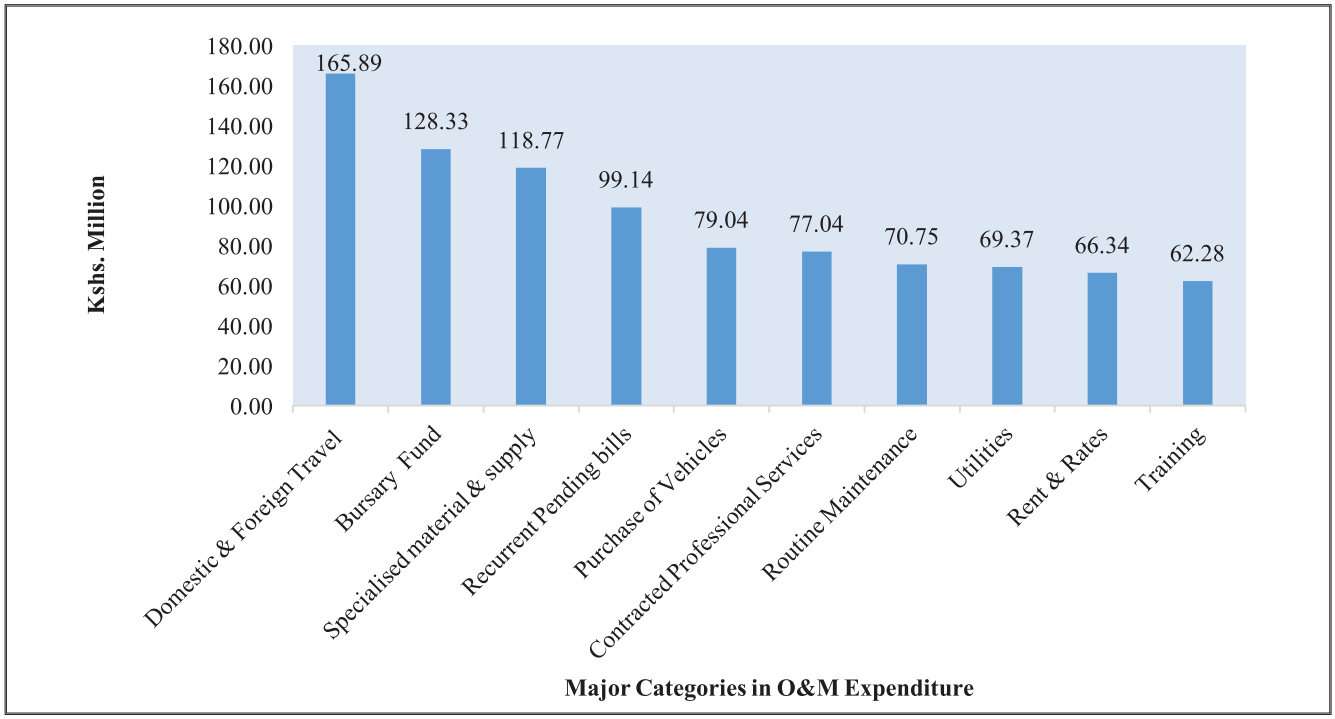
3.17.6 Analysis of Recurrent Expenditure

The total recurrent expenditure of Kshs.4.86 billion consisted of Kshs.3.40 billion (70.2 per cent) spent on personnel emoluments and Kshs.1.45 billion (29.8 per cent) on operations and maintenance as shown in Figure .3.50. Expenditure on personnel emoluments represented an increase of 4 per cent compared to FY 2015/16 when the County spent Kshs.3.27 billion. Figure.3.51 shows a summary of operations and maintenance expenditure by major categories.

The expenditure on personnel emoluments of Kshs.3.40 billion was 49.8 per cent of overall total expenditure in FY 2016/17 and 70.1 per cent of total recurrent expenditure of Kshs.4.86 billion.

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Figure.3.51: Kisumu County, Operations and Maintenance Expenditure by Major Categories for FY 2016/17



Source:*Kisumu County Treasury*

The County spent Kshs.39.18 million on sitting allowances for the 49 MCAs and the Speaker against the annual budget allocation of Kshs.86.05 million. This was a decrease of 35.1 per cent compared to Kshs.60.35 million spent in FY 2015/16. The average monthly sitting allowance was Kshs.65,297 per MCA compared to SRC's recommended monthly ceiling of Kshs.124,800.

Expenditure on domestic and foreign travel amounted to Kshs.165.89 million and consisted of Kshs.36.9 million spent by the County Assembly and Kshs.128.99 million by the County Executive. This expenditure represented 3.4 per cent of total recurrent expenditure and was a decrease of 13.6 per cent compared to Kshs.192.02 million spent in FY 2015/16.

3.17.7 Development Expenditure Analysis

The total development expenditure of Kshs.1.98 billion represented 62.6 per cent of the annual development budget of Kshs.3.16 billion. Table.3.50 provides a summary of development projects with the highest expenditure in FY 2016/17

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Table.3.50: Kisumu County, List of Development Projects with the Highest Expenditure in FY 2016/17

S/No.	Project name	Project location	Annual project budget (Kshs.)	Annual project expenditure (Kshs.)	Absorption rate (%)
1	Preparation of Geographical Information System Based Valuation Roll	County Head Quarters	80,000,000	79,808,160	99.8
2	Installation of Integrated Enterprise Resource System	County Headquarters	70,000,000	33,069,303	47.2
3	Purchase of a Drilling Rig	County Headquarters	59,122,816	59,122,816	100
4	Supply of Earth Moving Machines (Hydraulic Excavator and Motor Grader)	County Headquarters	44,999,500	44,999,500	100
5	Supply of Assorted Agricultural Machinery and Equipment	County Headquarters	43,550,000	31,950,404	73.4
6	Construction of Modern Retail Market at Korowe Phase II	Kobura Ward	18,600,000	15,568,835	83.7
7	ECD Feeding Programme (Supply and delivery of 6400 bags of 25kgs each of non-aromatic Ahero rice grade 1)	Countywide	22,000,000	22,000,000	100
8	Installation and commissioning of flood lights at Kisumu West, Seme, Nyando and Kisumu Central	4 Sub-counties	9,227,957	9,227,957	100
9	Construction of Forems Dala Hera Adeta Access Road	Migosi Ward	7,265,312	7,265,312	100
10	Completion of Ongeche Resource Centre	Kobura Ward	6,029,999.96	9,209,958	152.7

Source: *Kisumu County Treasury*

Analysis of the development expenditure by project indicates that the highest expenditure of Kshs.79.81 million was spent on preparation of Geographical Information System Based Valuation Roll, followed by Kshs.59.12 million on purchase of Drilling Rig.

3.17.8 Budget and Budget Performance Analysis by Department

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

Table.3.51: Kisumu County, Budget Performance by Department in FY 2016/17

Department	Annual Supplementary Budget Allocation (Kshs.Million)		Exchequer Issues in FY 2016/17 (Kshs.Million)		Expenditure in FY 2016/17 (Kshs.Million)		FY 2016/17 Expenditure to Exchequer Issues (%)		FY 2016/17 Absorption rate (%)	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
Office of the Governor and County Administration	417.85	127.5	417.84	105.06	663.61	127.12	158.8	121	158.8	99.7

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Department	Annual Supplementary Budget Allocation (Kshs.Million)		Exchequer Issues in FY 2016/17 (Kshs.Million)		Expenditure in FY 2016/17 (Kshs.Million)		FY 2016/17 Expenditure to Exchequer Issues (%)		FY 2016/17 Absorption Rate (%)	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
Finance and Economic Planning	815.62	1,499.99	809.02	872.33	569.74	1,003.55	70.4	115	69.9	66.9
Agriculture, Livestock and Fisheries	267.5	138.54	267.5	69.51	237.15	112.72	88.7	162.2	88.7	81.4
Education, Youth, Culture and Social Services	378.45	47.8	353.44	87.13	354.24	79.03	100.2	165.3	93.6	165.3
Tourism, Trade and Heritage	73.76	79.11	73.75	65.4	50.11	59.61	67.9	91.1	67.9	75.4
Lands, Housing and Physical Planning	30.04	156.39	30.04	45	16.54	74.92	55.1	166.5	55.1	47.9
Roads, Transport and Public Works	119.35	628.63	119.34	153.11	107.8	204.3	90.3	133.4	90.3	32.5
Health Services	2,388.4	96.45	2,317.57	179.66	1,616.55	98.58	69.8	54.9	67.7	102.2
Water, Environment & Natural Resources	152.38	118.03	152.38	133.85	128.16	76.8	84.1	57.4	84.1	65.1
Industrialization, Enterprise Development, Energy and Mining	110.93	135.98	115.42	92.45	89.07	57.68	77.2	62.4	80.3	42.4
Communication, Information and Technology	65.11	119.82	65.11	15	22.93	85.40	35.2	569.3	35.2	71.3
County Assembly	654.62	-	654.62	-	433.59	-	66.2	-	66.2	-
City of Kisumu	709.46	16.35	737.36	89.88	524.86	2.86	71.2	3.2	74	17.5
County Public Service Board	47.15	-	47.15	-	40.93	-	86.8	-	86.8	-
TOTAL	**6,230.62**	**3,164.59**	**6,160.54**	**1,908.38**	**4,855.28**	**1,982.57**	**78.8**	**103.9**	**77.9**	**62.6**

Source: *Kisumu County Treasury*

Analysis of budget performance by department shows that the Education, Youth, Culture and Social Services Department attained the highest absorption of development budget at 165.3 per cent while the City of Kisumu Department recorded the least absorption of development budget at 17.5 per cent. On the other hand, the Office of the Governor and County Administration had the highest percentage of recurrent expenditure to recurrent budget at 158.8 per cent while the Department of Lands, Housing and Physical Planning had the lowest percentage of recurrent expenditure to recurrent budget at 55.1 per cent.

3.17.9 Observations and Recommendations

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

i. Improvement in absorption of development budget, which stood at 62.6 per cent compared to 45.3 per

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cent attained in FY2015/16.

ii. Establishment of the County Budget and Economic Forum (CBEF) in line with Section 187 of the PFM Act, 2012.

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

1. Delays in remitting statutory deductions leading to penalties and accumulation of unpaid taxes.
2. Delay by the National Treasury to disburse the equitable share of revenue raised nationally.
3. Late submission of financial reports by the County Treasury to the Controller of Budget, which affected timely preparation of the Annual Budget Implementation Review Report.
4. Intermittent use of IFMIS, which is the prescribed financial system per Section 12 of the PFM Act, 2012.
5. The County's wage bill has remained high, having increased by 4 per cent from Kshs.3.27 billion in the FY 2015/16 to Kshs.3.4 billion in the FY 2016/17, and represented 49.8 per cent of the overall expenditure. Increase in wage bill may affect implementation of development projects.

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

1. *The County Treasury should ensure timely payment of statutory deductions to avoid penalties.*
2. *The County Treasury should liaise with the National Treasury to ensure that funds allocated to the County are released in a timely manner in line with the CARA Disbursement Schedule.*
3. *The County Treasury should ensure timely preparation and submission of revenue and expenditure reports to the Controller of Budget in line with Section 166 of the PFM Act, 2012.*
4. *All Accounting Officers should ensure all financial transactions are processed through IFMIS and payments made through the Internet Banking Platform.*
5. *The County Public Service Board should establish and adopt an optimal staffing structure in order to ensure a sustainable wage bill.*

3.18 Kitui County

3.18.1 Overview of the FY 2016/17 Budget

The County's FY 2016/17 Approved Supplementary Budget was Kshs.10.97 billion, comprising of Kshs.5.75 billion (52.4 per cent) and Kshs.5.22 billion (47.6 per cent) allocation for recurrent and development expenditure respectively.

To finance the budget, the County expected to receive Kshs.7.84 billion (72.5 per cent) as equitable share of revenue raised nationally, Kshs.348.02 million (3.2 per cent) as total conditional grants, generate Kshs.668.8 million (6.2 per cent) from local revenue sources, and Kshs.1.95 billion (18 per cent) cash balance from FY 2015/16. The conditional grants comprised of Kshs.54.37 million (15.6 per cent) for Free Maternal Healthcare, Kshs.120.48 million (34.6 per cent) from the Road Maintenance Fuel Levy Fund, Kshs.23.14 million (6.7 per cent) for User Fees Foregone, Kshs.18.5 million (5.3 per cent) from DANIDA, and Kshs.131.53 million (37.8 per cent) from the World Bank. In addition, the County budgeted for Kshs.158.51million as Other Loans and Grants, which was not contained in CARA, 2016.

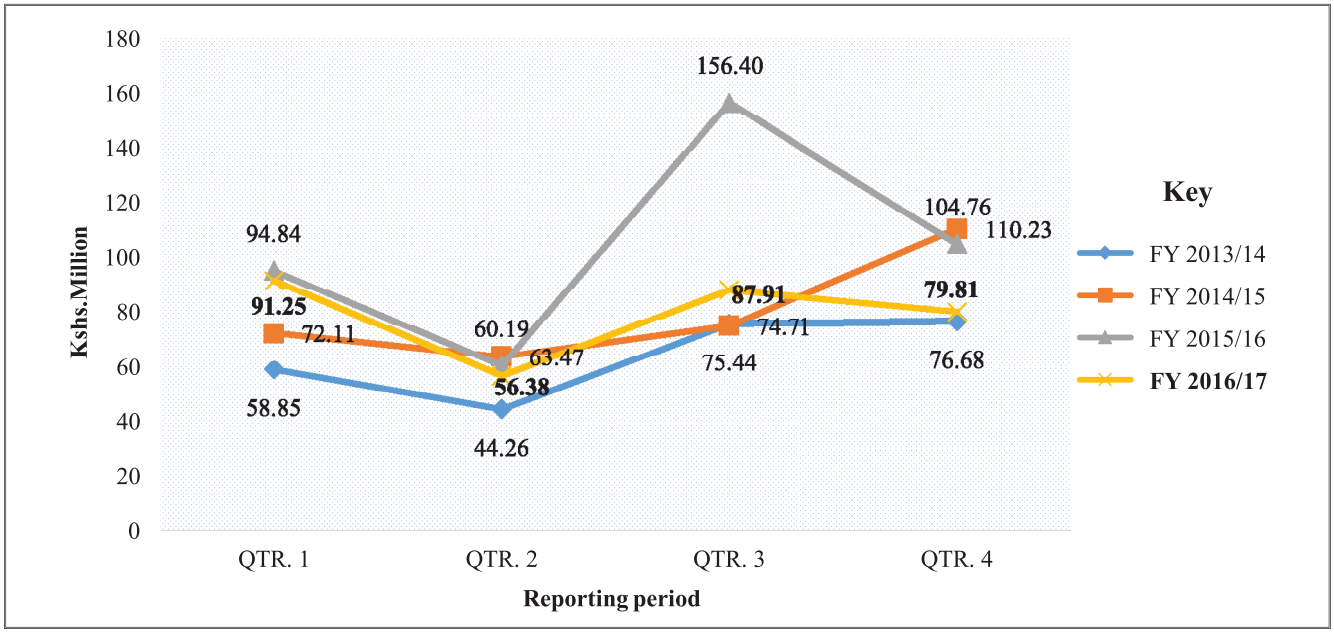
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3.18.2 Revenue Analysis

During the year, the County received Kshs.7.84 billion as equitable share of the revenue raised nationally, Kshs.452.72 million as total conditional allocations, raised Kshs.315.35 million from local revenue sources, and had a cash balance of Kshs.1.84 billion brought forward from FY 2015/16.

Figure 3.52shows the quarterly trend in local revenue collection from the first quarter of FY 2013/14 to the fourth quarter FY 2016/17.

Figure 3.52: Kitui County, Trend in Local Revenue Collection by Quarter from FY 2013/14 to FY 2016/17



Source: *Kitui County Treasury*

The total local revenue collected in FY 2016/17 amounted to Kshs.315.35 million, representing a decrease of 24.2 per cent compared to Kshs.416.19 million generated in FY 2015/16, and represented 47.2 per cent of the annual local revenue target of Kshs.668.8 million.

3.18.3 Conditional Grants

Table 3.52 shows an analysis of conditional grants released in FY 2016/17.

Table 3.52: Kitui County, Analysis of Conditional Grants Released in FY 2016/17

S/No	Conditional Grant	CARA, 2016 Annual Allocation in Kshs)	Actual receipts in FY 2016/17 in Kshs.	Actual Receipts as Percentage of Annual Allocation (%)
1	World Bank Loan to Supplement Financing of County Health Facilities	131,525,244	131,525,244	100
2	Road Maintenance Fuel Levy Fund	120,484,293	120,484,292	100
3	Free Maternal Healthcare	54,367,434	70,080,000	128.9

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4	Allowances for Doctors (Not contained in CARA,2016)	-	36,630,000	-
7	Allowances for Nurses (Not contained in CARA,2016)	-	28,608,000	-
8	Compensation for User Fees Forgone	23,144,997	23,144,996	100
9	HSSF/HSPS - (DANIDA/IDA) Grant	18,495,000	18,495,000	100
11	Allowances for Other Health Staff (Not contained in CARA,2016)	-	20,574,000	-
12	Allowances for Clinical Officers (Not contained in CARA,2016)	-	3,180,000	-
TOTAL		**348,016,968**	**452,721,532**	**130.1**

Source: *Kitui County Treasury*

Analysis of the conditional grants released during the period under review indicates that, Free Maternal Healthcare grants recorded the highest receipts at 128.9 per cent of annual allocation, as a result of receiving a balance of Kshs.15.71 million from FY 2015/16.

3.18.4 Exchequer Issues

During the year, the Controller of Budget authorised withdrawal of Kshs.9.26 billion from the CRF account, which was 84.4 per cent of the Approved Supplementary Budget. This amount represented an increase of 14 per cent from Kshs.8.12 billion authorized in FY 2015/16 and consisted of Kshs.5.3 billion (57.3 per cent) for recurrent expenditure and Kshs.3.96 billion (42.7 per cent) for development activities.

3.18.5 Overall Expenditure Review

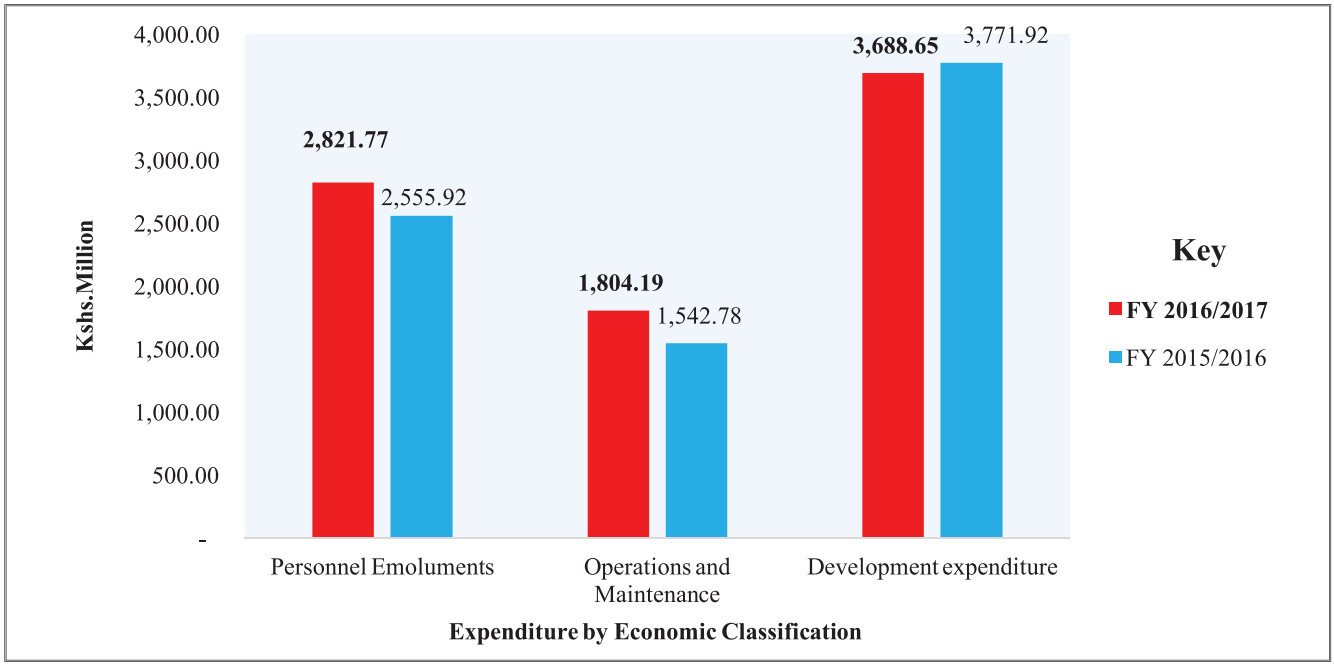
The County spent Kshs.8.31 billion, which was 89.8 per cent of the total funds released for operations. This was an increase of 5.6 per cent from Kshs.7.87 billion spent in FY 2015/16.

A total of Kshs.4.63 billion was spent on recurrent activities, while Kshs.3.69 billion was spent on development activities. The recurrent expenditure was 87.2 per cent of the funds released for recurrent activities while development expenditure accounted for 93.2 per cent of the funds released for development activities. The County reported no pending bill as at 30th June 2017.

The recurrent expenditure represented 80.4 per cent of the annual recurrent budget, a decrease from 87.4 per cent spent in FY 2015/16. Development expenditure recorded an absorption rate of 70.7 per cent, which was an increase from 69.6 per cent attained in FY 2015/16. Figure 3.53 presents a comparison between the total expenditure in FY 2016/17 and FY 2015/16.

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Figure 3.53: Kitui County, Expenditure by Economic Classification in FY 2015/16 and FY 2016/17



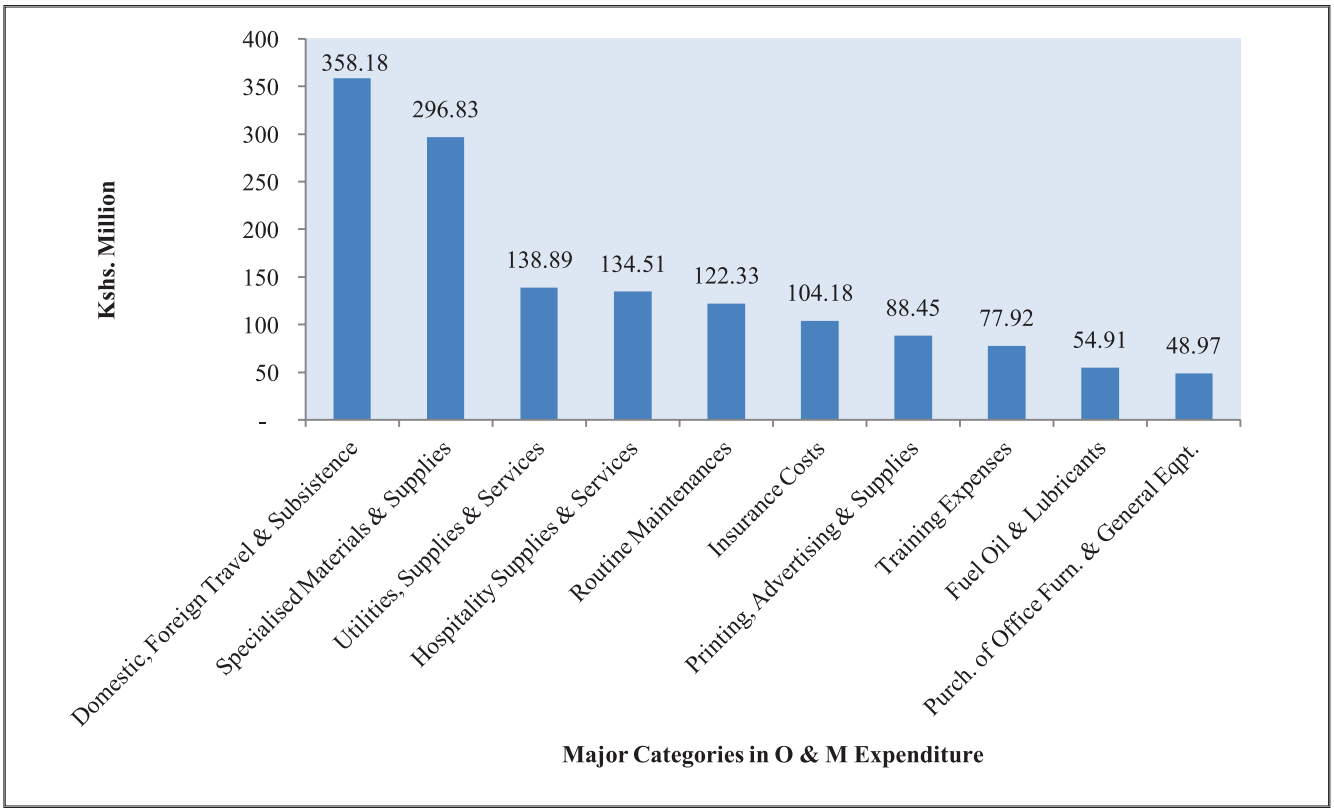
Source: *Kitui County Treasury*

3.18.6 Analysis of Recurrent Expenditure

The total recurrent expenditure of Kshs.4.63 billion consisted of Kshs.2.82 billion (61 per cent) spent on personnel emoluments and Kshs.1.8 billion (39 per cent) on operations and maintenance as shown in Figure 3.53. Expenditure on personnel emoluments represented an increase of 10.4 per cent compared to FY 2015/16 when the County spent Kshs.2.56 billion. Figure 3.54 shows a summary of operations and maintenance expenditure by major categories. The expenditure on personnel emoluments of Kshs.2.82 billion was 33.9 per cent of overall total expenditure in FY 2016/17 and 61 per cent of total recurrent expenditure of Kshs.4.63 billion.

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Figure 3.54: Kitui County, Operations and Maintenance Expenditure by Major Categories for FY 2016/17



Source: *Kitui County Treasury*

The County spent Kshs.43.07 million on sitting allowances for the 56 MCAs and the Speaker, exceeding the annual budget allocation of Kshs.42.79 million. This was however a decrease of 27.3 per cent compared to Kshs.59.2 million spent in FY 2015/16. The average monthly sitting allowance was Kshs.62,961 per MCA compared to SRC's recommended monthly ceiling of Kshs.124,800.

Expenditure on domestic and foreign travel amounted to Kshs.358.18 million and consisted of Kshs.114 million spent by the County Assembly and Kshs.244.18 million by the County Executive. This expenditure represented 7.7 per cent of total recurrent expenditure and was an increase of 32.9 per cent compared to Kshs.269.54 million spent in FY 2015/16.

3.18.7 Development Expenditure Analysis

The total development expenditure of Kshs.3.69 billion represented 70.7 per cent of the annual development budget of Kshs.5.22 billion. Table 3.53 provides a summary of development projects with the highest expenditure in FY 2016/17.

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Table 3.53: Kitui County, List of Development Projects with the Highest Expenditure in FY 2016/17

S/No.	Project name	Project location	Annual project budget (Kshs .)	Annual project expenditure (Kshs.)	Absorption rate (%)
1	Upgrading to Bitumen Standards of Kitui School-Ithookwe Showground - Kitui Airstrip Road	Kitui Central	133,451,699	72,164,829	54.1
2	Construction of Box Culverts at Kwa-Ndonyi London and Nguni River Confluence	Kitui South	68,889,710	68,651,558	99.7
3	Construction of Mutendea - Kaayo Bridge Kyamatyaka - Kwa Mulungu Kathivo Road	Kitui West	56,683,619	46,622,913	82.3
4	Construction of 1 11.5 Km of DN 200MM Expoxy Mutomo Gravity Line	Kitui South	42,533,211	42,533,211	100
5	Supply and Delivery of Hospital Equipment to 37 Health Facilities	Kitui Central	42,949,522	37,630,849	87.6
6	Completion of Modern Out-Patient Department Block at Kitui Referral Hospital	Kitui Central	43,975,009	32,866,640	74.7
7	Opening up of Road from Bavaria Junction to Mutuni Road Through Kamangu Stream and Kalundu River	Kitui Central	26,482,891	22,521,184	85
8	Construction of an Ultra-Modern Resource Centre at Manyenyoni	Kitui Central	106,209,000	16,526,113	15.6
9	Construction of Kathande-Kaumu Drift on Zombe/Mwitika Ward	Kitui East	23,130,439	15,801,759	68.3
10	Supply, Delivery, Installation and Commissioning of Hospital Equipment at Ikutha Health Centre	Kitui East	19,790,294	14,709,007	74.3

Source: *Kitui County Treasury*

Analysis of the development expenditure by project indicates that, the highest expenditure of Kshs.72.16 million was spent on upgrading to bitumen standard of Kitui School – Ithookwe showground – Kitui Airstrip road, followed by Kshs.68.65 million on construction of box culverts at Kwa-Ndonyi London and Nguni River confluence, and Kshs.46.62 million on construction of Mutendea – Kaayo Bridge Kyamatyaka – Kwa Mulungu Kathivo road.

3.18.8 Budget and Budget Performance Analysis by Department

Table 3.54 shows a summary of budget estimates and budget performance by department in FY 2016/17

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Table 3.54: Kitui County, Budget Performance by Department in FY 2016/17

Department	Annual Supplementary Budget Allocation (Kshs.Million)		Exchequer Issues in FY 2016/17 (Kshs.Million)		Expenditure in FY 2016/17 (Kshs.Million)		FY 2016/17 Expenditure to Exchequer Issues (%)		FY 2016/17 Absorption rate (%)	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
Office of the Governor	576.54	685.66	427.16	467.38	443.48	629.98	103.8	134.8	76.9	91.9
Administration & Coordination of County Affairs	404.94	91.87	404.91	86.07	348.09	59.32	86	68.9	86	64.6
Agriculture, Water & Irrigation	559.11	709.33	559.09	525.11	489.17	524.26	87.5	99.8	87.5	73.9
Basic Education, Training, & Skills Development	366.14	419.14	366.14	349.16	340.45	320.69	93	91.8	93	76.5
Lands, Infrastructure & Urban Development	218.85	1,073.92	218.85	1,014.51	226.78	641.96	103.6	63.3	103.6	59.8
Health & Sanitation	1,836.02	780.85	1,824.16	602.9	1,509.76	477.22	82.8	79.2	82.2	61.1
Trade, Industry, ICT & Cooperatives	149.84	252.8	149.36	130.13	85.27	203.5	57.1	156.4	56.9	80.5
Culture, Youth, Sports & Social Services	58.95	162.64	56.69	125.82	42.31	145.9	74.6	116	71.8	89.7
Environment, Energy & Minerals Investment Development	42.16	229.37	42.16	178.34	43.78	188.36	103.8	105.6	103.8	82.1
Tourism and Natural Resources	52.56	86.93	52.56	46.61	50.32	56.54	95.7	121.3	95.7	65
Finance & Economic Planning	548.74	102.33	341.74	-	305.59	19.91	89.4	-	55.7	19.5
County Public Service Board	66.71	-	57.84	-	62.32	-	107.8	-	93.4	-
County Assembly	729.13	185.38	661.19	117.52	585.72	101.36	88.6	86.3	80.3	54.7
Kitui Town Administration	81.91	296.12	81.9	221.13	51.83	224.63	63.3	101.6	63.3	75.9
Mwingi Town Administration	58.7	143.74	58.69	93.81	41.08	95.01	70	101.3	70	66.1
TOTAL	**5,750.3**	**5,220.1**	**5,302.46**	**3,958.48**	**4,625.95**	**3,688.65**	**87.2**	**93.2**	**80.4**	**70.7**

Source: *Kitui County Treasury*

Analysis of budget performance by department shows that the Office of the Governor attained the highest absorption of development budget at 91.9 per cent while the Finance and Economic Planning Department absorbed 19.5 per cent of its development budget. On the other hand, the Department of Environment, Energy & Minerals Investment Development and Department of Lands, Infrastructure & Urban Development exceeded their recurrent budget estimates with a recurrent budget performance of 103.8 and 103.6 per cent respectively. Finance and Economic Planning Department had the lowest recurrent budget performance at 55.7 per cent.

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3.18.9 Observations and Recommendations

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

i. Adherence to budget timelines. The FY 2017/18 budget was approved by the County Assembly on March 30, 2017 against a deadline of March 31, 2017.

ii. In the FY 2016/17 the County gazetted guidelines for operationalization of the Community Level Infrastructure Development Programme, and Youth Local Infrastructure Savings and Investment Programme thereby ensuring smooth operation of the programmes.

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

1. Late submission of financial reports by the County Treasury, which affected timely preparation of the Annual Budget Implementation Review Report.
2. Failure to reconcile IFMIS payroll data to the IPPD data. While IFMIS reports indicated total expenditure on personnel emoluments as Kshs.2.82 billion, the IPPD report indicated Kshs.2.18 billion as the total payroll costs for the same period.
3. IFMIS connectivity challenges, which slowed down approval of procurement requests and payments to suppliers.
4. Under-performance in local revenue collection. The local revenue collection has declined by 24.2 per cent from Kshs.416.19 million in FY 2015/16 to Kshs.315.35 million in the reporting period, representing 47.2 per cent of annual target.
5. Variance between the IFMIS generated report on development expenditure (Kshs.3.69 billion) and the actual development projects generated separately (Kshs.3.24 billion).
6. High expenditure on domestic and foreign travel, which increased by 32.9 per cent from Kshs.269.54 million in the FY 2015/16 to Kshs.358.18 million in FY 2016/17.
7. The recurrent expenditure by the Department of Lands, Infrastructure and Urban Development, and, Department of Environment, Energy and Mineral Resources exceeded the approved recurrent budget estimates.
8. Delay by the National Treasury to disburse the equitable share of revenue raised nationally.

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

1. *The County Treasury should ensure timely preparation and submission of financial reports to the Office of the Controller of Budget in line with Section 16 of the COB Act, 2016.*
2. *The County should reconcile the IFMIS & IPPD data on a monthly basis for accurate reporting.*
3. *The County Treasury should liaise with the IFMIS Directorate for support in utilization of IFMIS and E-procurement module.*
4. *The County Treasury should formulate and implement strategies to enhance local revenue collection.*
5. *The County Treasury should identify innovative ways of tracking development projects. Further reconciliation of the returns generated from IFMIS and actual payments should be undertaken regularly.*
6. *Expenditure on domestic and foreign travel should be contained to free up resources for implementation of development projects.*

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7. *The County Treasury should improve Vote book and budgetary control to ensure that expenditure is within the approved budget.*
8. *The County Treasury should liaise with the National Treasury to ensure that funds allocated to the County are released in a timely manner in line with the CARA Disbursement Schedule.*

3.19 Kwale County

3.19.1 Overview of the FY 2016/17 Budget

The County's FY 2016/17 Approved Supplementary Budget was Kshs.7.95 billion, comprising of Kshs.4.33 billion (54.4 per cent) and Kshs.3.62 billion (45.6 per cent) allocation for recurrent and development expenditure respectively.

To finance the budget, the County expected to receive Kshs.5.53 billion (70.3 per cent) as equitable share of revenue raised nationally, Kshs.404.48 million (5.1 per cent) as total conditional grants, Kshs.135 million (1.7 per cent) from the National Treasury as salary refund, Kshs.67.49 million (0.9 per cent) from other financial sources, generated Kshs.261.05 million (3.3 per cent) from local sources, and Kshs.1.47 billion (18.7 per cent) cash balance from FY 2015/16. The conditional grants comprised of Kshs.119.38 million (29.5 per cent) for Free Maternal Healthcare, Kshs.95.74 million (23.7 per cent) for Leasing of Medical Equipment, Kshs.84.98 million (21 per cent) from the Road Maintenance Fuel Levy Fund, Kshs.82.17 million (20.3 per cent) as World Bank Loan to Supplement Financing of Health Facilities, Kshs.15.4 million (3.8 per cent) User Fees Foregone, and Kshs.6.81 million (1.4 per cent) from DANIDA.

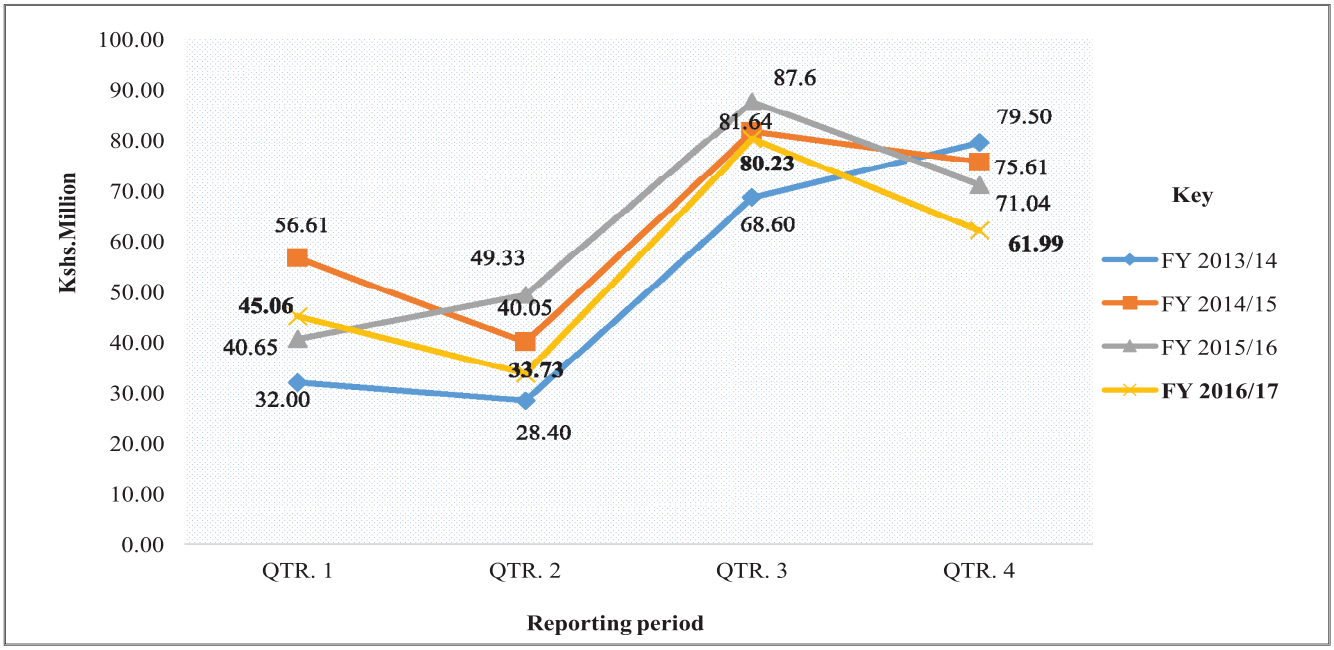
Further, the County also expected to receive Kshs.52.16 million for Doctors and Nurses Allowances from the National Government, and Kshs.30.68 million for the World Bank Universal Health Care Project, which were not contained in CARA, 2016.

3.19.2 Revenue Analysis

During the year, the County received Kshs.5.53 billion as equitable share of the revenue raised nationally, Kshs.360.11 million as total conditional and loans allocations, raised Kshs.221.01 million from local revenue sources, Kshs.135 million as a refund from National Government for Health Salaries, and had a cash balance of Kshs.1.47 billion brought forward from FY 2015/16. Figure 3.55 shows the quarterly trend in local revenue collection from the first quarter of FY 2013/14 to the fourth quarter FY 2016/17.

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Figure 3.55: Kwale County, Trend in Local Revenue Collection by Quarter from FY 2013/14 to FY 2016/17



Source: *Kwale County Treasury*

The total local revenue collected in FY 2016/17 amounted to Kshs.221.01 million, representing a decrease of 11.1 per cent compared to Kshs.248.62 million generated in FY 2015/16, and represented 84.7 per cent of the annual local revenue target of Kshs.261.05 million.

3.19.3 Conditional Grants

Table 3.55 shows an analysis of conditional grants released in FY 2016/17.

Table 3.55: Kwale County, Analysis of Conditional Grants Released in FY 2016/17

No.	Conditional Grant	Allocation based on CARA, 2016 (Kshs.)	FY 2016/17 Actual receipt of Conditional Grants (Kshs.)	Actual receipts as a percentage of Annual Allocation (%)
1	Free Maternal Healthcare	119,385,662	87,812,500	73.6
2	Leasing of Medical Equipment	95,744,681	-	-
3	Road Maintenance Fuel Levy Fund	84,979,062	84,979,062	100
4	World Bank Loan to Supplement Financing of Health Facilities	82,166,289	82,166,289	100
5	Doctors & Nurses Allowances Return to Work Agreement	-	52,164,000	-
6	World Bank Universal Health Care Project	-	30,777,000	-
7	User Fees Foregone	15,397,611	15,397,611	100
8	DANIDA grant	6,810,000	6,810,000	100
Total		**404,483,305**	**360,106,462**	**89**

Source: *Kwale Treasury*

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Analysis of the conditional grants released during the period under review indicates that, except for the financing of Medical Equipment and Free Maternal Health care, all the other grants received 100 per cent of their allocation.

3.19.4 Exchequer Issues

During the year, the Controller of Budget authorised withdrawal of Kshs.6.03 billion from the CRF account, which was 75.9 per cent of the Approved Supplementary Budget. This amount represented a decrease of 3.8 per cent from Kshs.6.27 billion authorized in FY 2015/16. Withdraws consisted of Kshs.3.73 billion (61.8 per cent) for recurrent expenditure and Kshs.2.3 billion (38.2 per cent) for development activities.

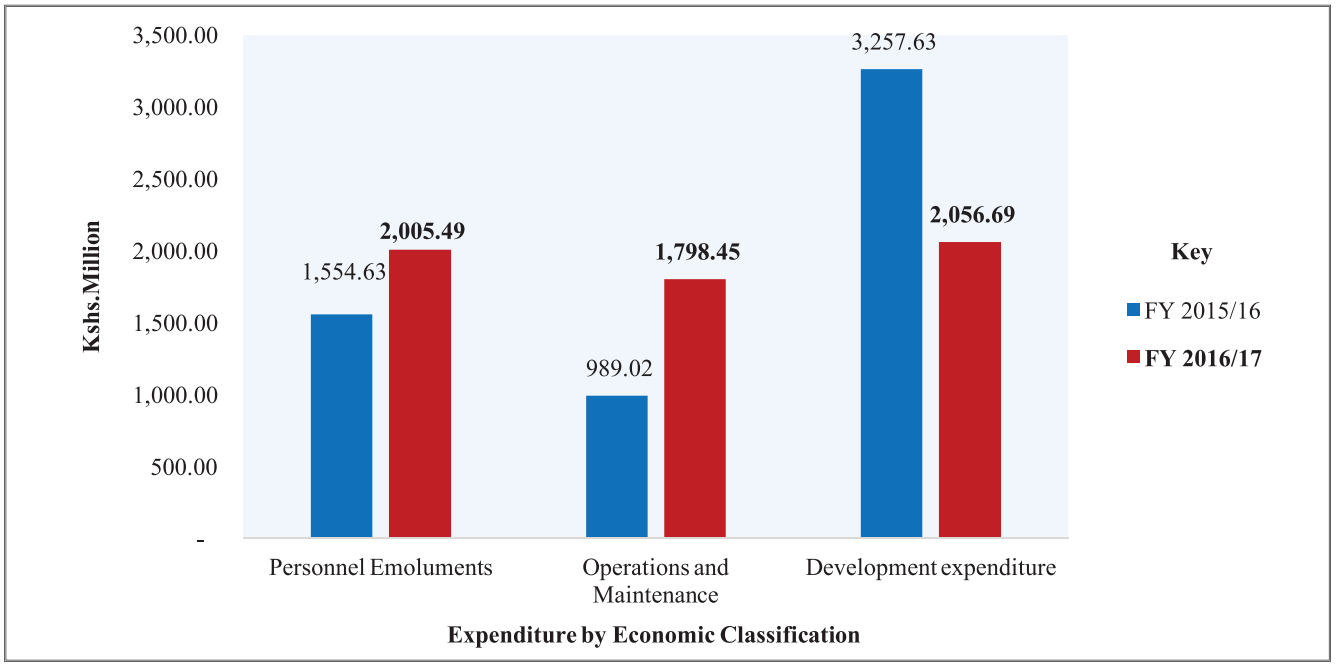
3.19.5 Overall Expenditure Review

The County spent Kshs.5.86 billion, which was 97.2 per cent of the total funds released for operations. This was an increase of 1 per cent from Kshs.5.8 billion spent in FY 2015/16.

A total of Kshs.3.8 billion was spent on recurrent activities, while Kshs.2.06 billion was spent on development activities. The recurrent expenditure was 102 per cent of the funds released for recurrent activities while development expenditure accounted for 89.4 per cent of the funds released for development activities. The expenditure excluded pending bills as at June 30, 2017 that amounted to Kshs.970.59 million for development and Kshs.19.30 million for recurrent expenditure.

The recurrent expenditure represented 87.9 per cent of the annual recurrent budget, a decrease from 89.4 per cent spent in FY 2015/16. Development expenditure recorded an absorption rate of 56.8 per cent, which was a decrease from 68.4 per cent attained in FY 2015/16. Figure 3.56 presents a comparison between the total expenditure in FY 2016/17 and FY 2015/16.

Figure 3.56: Kwale County, Expenditure by Economic Classification in FY 2015/16 and FY 2016/17



Source: *Kwale County Treasury*

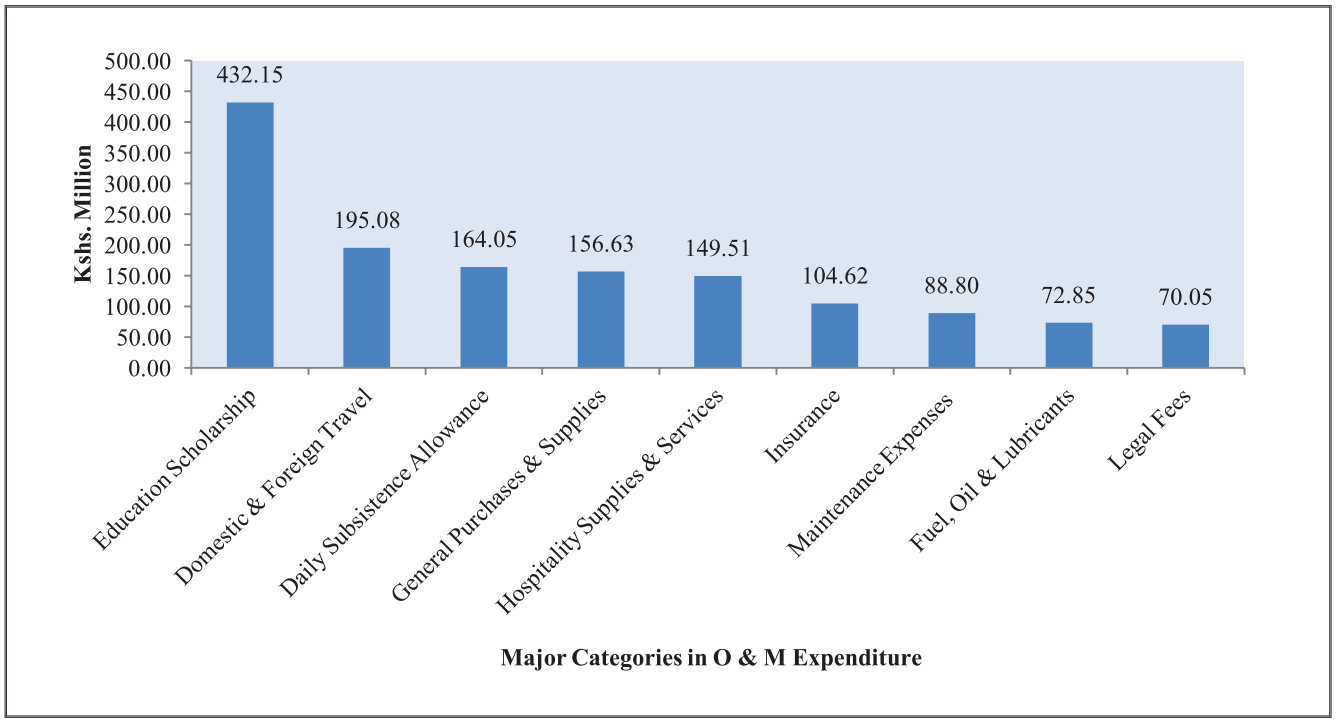
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3.19.6 Analysis of Recurrent Expenditure

The total recurrent expenditure of Kshs.3.8 billion consisted of Kshs.2 billion (52.6 per cent) spent on personnel emoluments and Kshs.1.8 billion (47.4 per cent) on operations and maintenance as shown in Figure 3.56. Expenditure on personnel emoluments represented an increase of 29 per cent compared to FY 2015/16 when the County spent Kshs.1.55billion. Figure 3.57 shows a summary of operations and maintenance expenditure by major categories.

The expenditure on personnel emoluments of Kshs.2 billion was 34.2 per cent of overall total expenditure in FY 2016/17 and 52.7 per cent of total recurrent expenditure of Kshs.3.8 billion.

Figure 3.57: Kwale County, Operations and Maintenance Expenditure by Major Categories for FY 2016/17



Source: *Kwale County Treasury*

The County spent Kshs.45.12 million on sitting allowances for the 33 MCAs and the Speaker against the annual budget allocation of Kshs.55.22 million. This was a decrease of 16.3 per cent compared to Kshs.38.79 million spent in FY 2015/16. The average monthly sitting allowance was Kshs.110,578 per MCA compared to SRC's recommended monthly ceiling of Kshs.124,800.

Expenditure on domestic and foreign travel amounted to Kshs.195.08 million and consisted of Kshs.168.85 million spent by the County Assembly and Kshs.26.23 million by the County Executive. This expenditure represented 10.8 per cent of total recurrent expenditure and was a decrease of 30 per cent compared to Kshs.278.54 million spent in FY 2015/16.

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3.19.7 Development Expenditure Analysis

The total development expenditure of Kshs.2.06 billion represented 56.8 per cent of the annual development budget of Kshs.3.62 billion. Table 3.56 provides a summary of development projects with the highest expenditure in FY 2016/17.

Table 3.56: Kwale County, List of Development Projects with the Highest Expenditure in FY 2016/17

S/No.	Project name	Project location	Annual project budget (Kshs.)	Annual project expenditure (Kshs.)	Absorption rate (%)
1	County Headquarters by County Executive	Matuga	129,000,000	129,000,000	100
2	County Assembly Headquarters & Speaker's Residence	Matuga/Ukunda	218,249,039	117,765,651	54
3	Construction of Mwananyamala Dzombo pipeline at Ramisi, Pongwe, Dzombo wards	Ramisi	73,343,807	61,308,926	83.6
4	Cabro work at Ukunda Airstrip Road	Ukunda	37,196,513	36,063,062	97
5	Construction of accident and emergency unit in Kinango	Kinango	31,992,628	27,252,834	85.2
6	Marere - Mwaluphamba pipeline	Marere	46,715,880	24,301,674	52
7	Jasini Causeway	Jasini	22,721,800	22,721,800	100
8	Cabling of the County Head Quarters	Kwale	49,322,090	22,603,517	45.8
9	Supply and delivery of 2 units dump track	Kwale	17,860,000	21,432,000	120
10	Supply and delivery of uji/millet to all County ECDs	All wards	19,998,500	19,998,500	100

Source: *Kwale County Treasury*

Analysis of the development expenditure by project indicates that, the highest expenditure of Kshs.129 million was spent on construction of the County Headquarters, followed by Kshs.117.77 million on construction of County Assembly Headquarters & Official Speaker's residence situated in Kwale and Ukunda towns respectively.

3.19.8 Budget and Budget Performance Analysis by Department

Table 3.57shows a summary of budget estimates and budget performance by department in FY 2016/17

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Table 3.57: Kwale County, Budget Performance by Department in FY 2016/17

Department	Annual Supplementary Budget (Kshs. Million)		Exchequer Issues in FY 2016/17 (Kshs. Million)		Expenditure in FY 2016/17 (Kshs. Millions)		FY 2016/17 Expenditure to Exchequer Issues (%)		FY 2016/17 Absorption rate (%)	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
County Executive Services	217.82	135	160.69	103.69	196.6	137.64	122.3	132.7	90.3	102
Public Service and Administration	231.35	64.44	243.2	43.51	211.55	15.96	87	36.7	91.4	24.8
Finance and Economic Planning	393.6	60.97	391.99	47.97	359.74	22.6	91.8	47.1	91.4	37.1
Agriculture, Livestock and Fisheries	189.46	132.67	178.53	124.4	179.67	90.7	100.6	72.9	94.8	68.4
Education, Research & Human Resource Development	690.6	788.7	688.65	368.38	663.51	392.21	96.3	106.5	96.1	49.7
Medical and Health Services	1,525.5	619.43	1,137.38	321.6	1,220.01	360.65	107.3	112.1	80	58.2
Trade and Cooperative Development	54.95	154.32	56.1	137.26	41.28	94.14	73.6	68.6	75.1	61
Community Development, Culture & Talent Management	143.69	215.77	101.2	181.92	120.41	98.01	119	53.9	83.8	45.4
Infrastructure and Public Works	120.1	388.17	122.71	211.73	111.09	231.34	90.5	109.3	92.5	59.6
Tourism, Investment and ICT	47.1	135.32	48.78	99.02	37.9	82.78	77.7	83.6	80.5	61.2
Land, Physical Planning and Natural Resources	47.76	49.91	50.21	35.71	42.29	33.59	84.2	94	88.6	67.3
Water Services	54.31	659.39	54.72	296.11	42.56	379.32	77.8	128.1	78.4	57.5
County Assembly	609.91	218.25	492.9	330.18	577.33	117.77	117.1	35.7	94.7	54.
TOTAL	**4,326.16**	**3,622.35**	**3,727.06**	**2,301.47**	**3,803.95**	**2,056.69**	**102**	**89.4**	**87.9**	**56.8**

Source: *Kwale County Treasury*

Analysis of budget performance by department shows that the County Executive Services attained the highest absorption of development budget at 102 per cent, while the Department of Public Service and Administration had the lowest development budget absorption at 24.8 per cent. On the other hand, the Department of Agriculture Livestock and Fisheries had the highest recurrent budget absorption at 94.8 per cent while the Department of Trade and Cooperative Department had the lowest at 75.1 per cent.

3.19.9 Observations and Recommendations

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

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i. Establishment of an Internal Audit Committee in compliance with Section 155 (5) of the PFM Act, 2012.
ii. Timely submission of quarterly reports in line with Section 166 of the PFM Act, 2012.

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

1. Operational delays and IFMIS connectivity challenges, which slowed down approval of procurement requests and payments to suppliers.
2. Low implementation of development projects. The County spent Kshs.2.06 billion on development projects which represented 56.8 per cent of the annual development budget of Kshs.3.62 billion.
3. Delay by the National Treasury to disburse the equitable share of revenue raised nationally.

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

1. *The County Treasury to liaise with the IFMIS Directorate for support in utilization of IFMIS.*
2. *The County should identify and address the issues that caused delays in implentation of development projects.*
3. *The County Treasury should liaise with the National Treasury to ensure that funds allocated to the County are released in a timely manner in line with the CARA, 2016 Disbursement Schedule.*

3.20 Laikipia County

3.20.1 Overview of the FY 2016/17 Budget

The County's FY 2016/17 Approved Supplementary Budget was Kshs.5.97 billion, comprising of Kshs.3.5 billion (58.62 per cent) and Kshs.2.47 billion (41.37 per cent) allocation for recurrent and development expenditure respectively.

To finance the budget, the County expected to receive Kshs.3.72 billion (62.63 per cent) as equitable share of revenue raised nationally, Kshs.194.29 million (4.43 per cent) as total conditional grants, generate Kshs.670 million (11.27 per cent) from local sources, generate from other sources Kshs.903.76 million (15.21 per cent), and Kshs.357.23 million (6.01 per cent) cash balance from FY 2015/16.The conditional grants comprised of Kshs.61.4 million (21.18 per cent) for Free Maternal Healthcare, Kshs.57.19 million (19.72 per cent) from the Road Maintenance Fuel Levy Fund, Kshs.9.87 million (3.4 per cent) for User Fees Foregone, Kshs.5.76 million (1.99 per cent) from DANIDA, Lease of Medical Equipment Kshs.95.74 million (33.02 per cent) and Kshs.60.05 million (20.71 per cent) from other loans and grants.

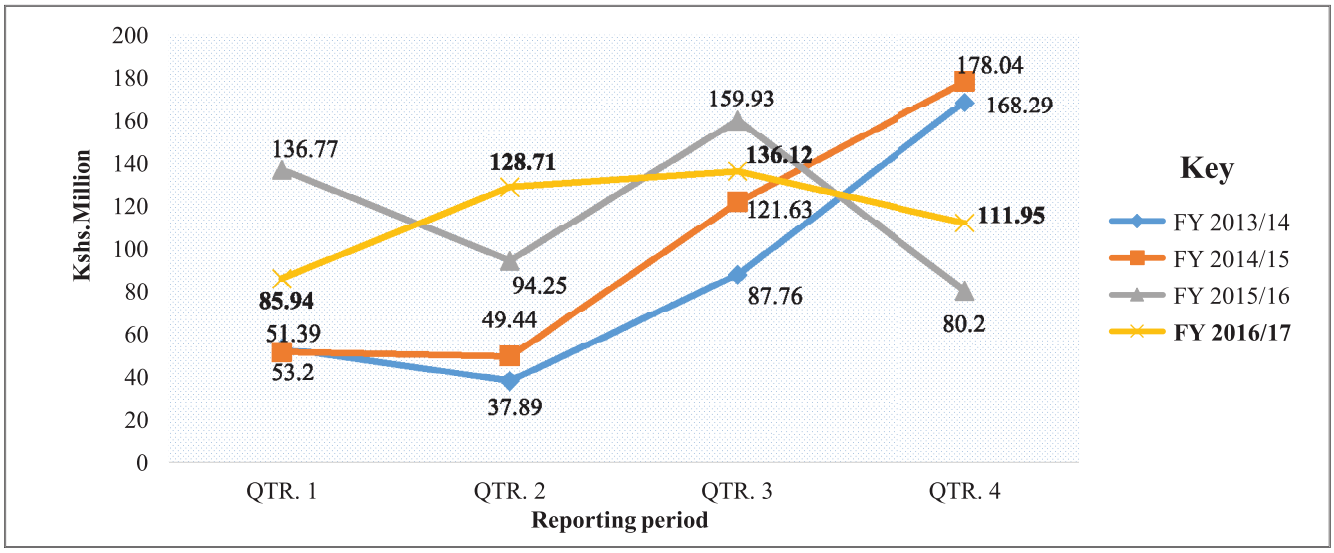
3.20.2 Revenue Analysis

During the year, the County received Kshs.3.72 billion as equitable share of the revenue raised nationally, Kshs.218.92 million as total conditional allocations, raised Kshs.462.72 million from local revenue sources, and had a cash balance of Kshs.357.23 million brought forward from FY 2015/16.

Figure 3.58 shows the quarterly trend in local revenue collection from the first quarter of FY 2013/14 to the fourth quarter FY 2016/17.

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Figure 3.58: Laikipia County, Trend in Local Revenue Collection by Quarter from FY 2013/14 to FY 2016/17



Source: *Laikipia County Treasury*

The total local revenue collected in FY 2016/17 amounted to Kshs.462.72 million, representing a decrease of 1.82 per cent compared to Kshs.471.15 million generated in FY 2015/16, and represented 32.9 per cent of the annual local revenue target of Kshs.670 million.

3.20.3 Conditional Grants

Table 3.58 shows an analysis of conditional grants released in FY 2016/17.

Table 3.58: Laikipia County Analysis of Conditional Grants Released in FY 2016/17

S/No	Conditional Grant	CARA, 2016 Annual Allocation in Kshs)	Actual receipts in FY 2016/17 in Kshs)	Actual Receipts as Percentage of Annual Allocation (%)
1	Road Maintenance Fuel Levy Fund	57,190,152	57,190,152	100
2	Free Maternal Healthcare	61,409,667	86,042,500	140
3	World Bank loan to health facilities	60,049,676	60,049,676	100
4	Foregone User Fees	9,872,540	9,872,540	100
5	DANIDA grant	5,765,000	5,765,000	100
TOTAL		**194,287,035**	**218,919,868**	**112.68**

Source: *Laikipia County Treasury*

Analysis of the conditional grants released during the period under review indicates that, Free Maternity Healthcare recorded the highest receipts at 141.1 per cent of annual allocation, as a result of receiving Kshs.24.63 million as balance from FY 2015/16.

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3.20.4 Exchequer Issues

During the year, the Controller of Budget authorised withdrawal of Kshs.4.76 billion from the County Revenue Fund account which was 79.78 per cent of the Approved Supplementary Budget. This amount represented an increase of 15.25 per cent from Kshs.4.13 billion authorized in FY 2015/16 and consisted of Kshs.3.38 billion (71.0 per cent) for recurrent expenditure and Kshs.1.38 billion (28.99 per cent) for development activities.

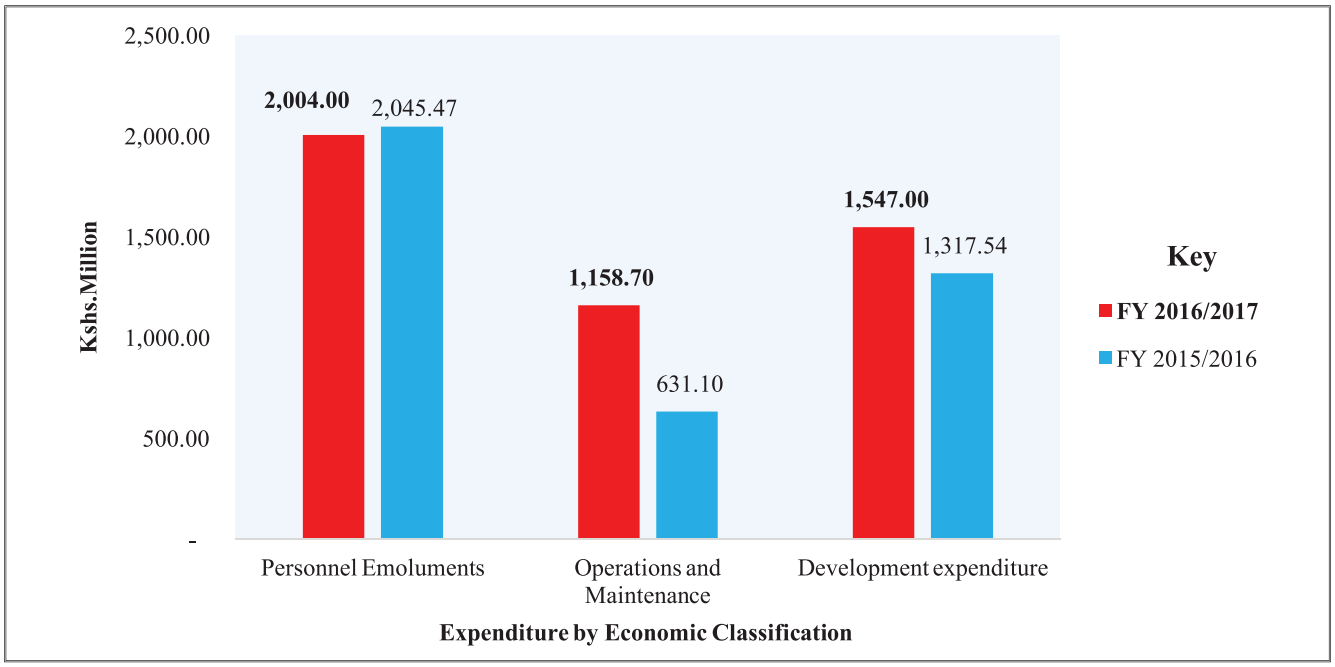
3.20.5 Overall Expenditure Review

The County spent Kshs.4.71 billion, which was 98.96 per cent of the total funds released for operations. This was an increase of 15.28 per cent from Kshs.3.99 billion spent in FY 2015/16.

A total of Kshs.3.16 billion was spent on recurrent activities, while Kshs.1.55 billion was spent on development activities. The recurrent expenditure was 93.6 per cent of the funds released for recurrent activities while development expenditure accounted for 112.2 per cent of the funds released for development activities. The expenditure excluded pending bills as at June 30, 2017 that amounted to Kshs.778.93 million for development and Kshs.75.64 million for recurrent expenditure.

The recurrent expenditure represented 90.4 per cent of the annual recurrent budget, an increase from 88.8 per cent spent in FY 2015/16. Development expenditure recorded an absorption rate of 62.7 per cent, which was an increase from 60.7 per cent attained in FY 2015/16.Figure 3.59 presents a comparison between the total expenditure in FY 2016/17 and FY 2015/16.

Figure 3.59: Laikipia County, Expenditure by Economic Classification in FY 2015/16 and FY 2016/17



Source: *Laikipia County Treasury*

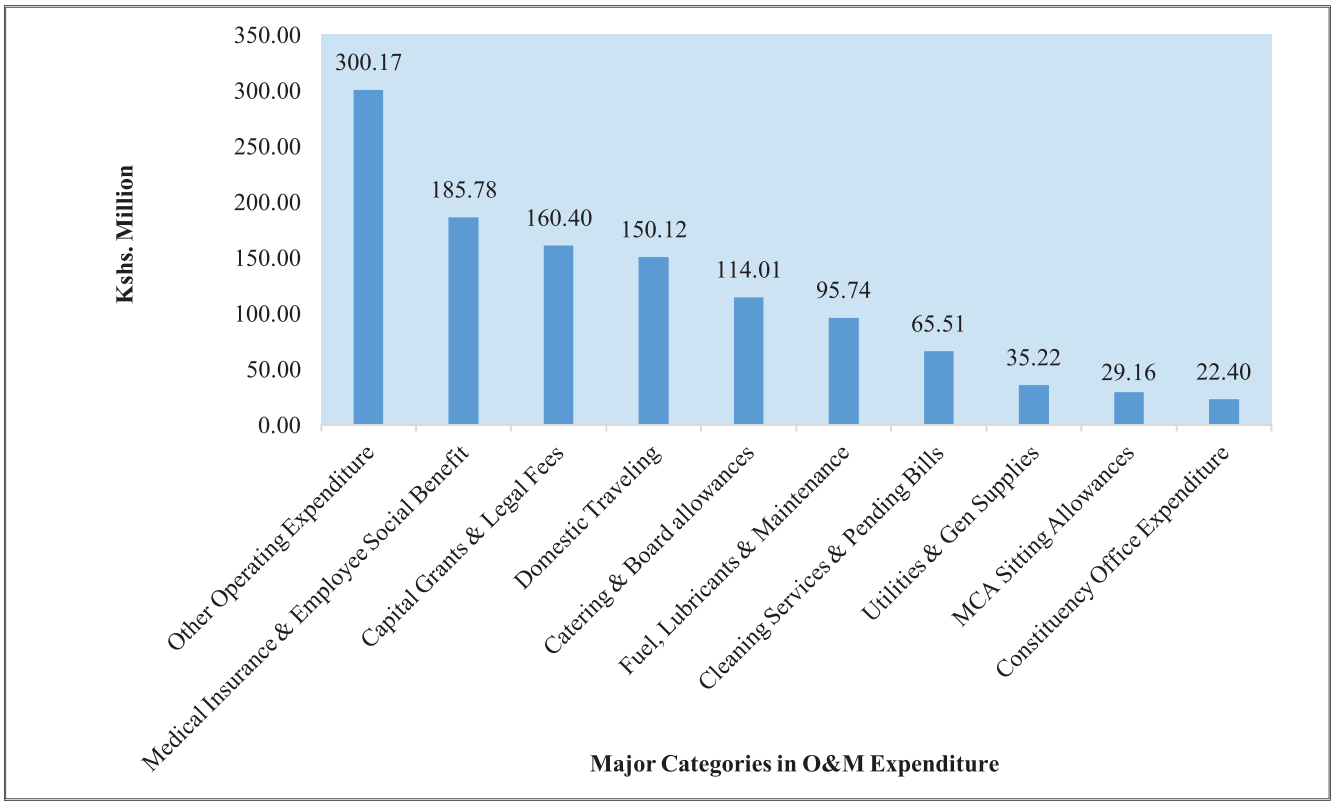
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3.20.6 Analysis of Recurrent Expenditure

The total recurrent expenditure of Kshs.3.16 billion consisted of Kshs.2.0 billion (63.29 per cent) on personnel emoluments and Kshs.1.16 billion (36.71 per cent) on operations and maintenance as shown in Figure 3.59 Expenditure on personnel emoluments represented a decrease of 2.07 per cent compared to FY 2015/16 when the County spent Kshs.2.05 billion.Figure 3.60 shows a summary of operations and maintenance expenditure by major categories.

The expenditure on personnel emoluments of Kshs.2.0 billion was 42.46 per cent of overall total expenditure in FY 2016/17 and 63.23 per cent of total recurrent expenditure of Kshs.3.16 billion.

Figure 3.60: Laikipia County, Operations and Maintenance Expenditure by Major Categories for FY 2016/17



Source: *Laikipia County Treasury*

The County spent Kshs.29.15 million on sitting allowances for the 20 MCAs and the Speaker against the annual budget allocation of Kshs.31.98 million. This was a decrease of 7.46 per cent compared to Kshs.31.5 million spent in FY 2015/16. The average monthly sitting allowance was Kshs.121,494 per MCA compared to SRC's recommended monthly ceiling of Kshs.124,800.

Expenditure on domestic and foreign travel amounted to Kshs.150.11 million and consisted of Kshs.95.49 million spent by the County Assembly and Kshs.53.67 million by the County Executive. This expenditure represented 25.91 per cent of total recurrent expenditure and was a decrease of 13.33 per cent compared to Kshs.170.12 million spent in FY 2015/16.

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3.20.7 Development Expenditure Analysis

The total development expenditure of Kshs.1.55 billion represented 62.73 per cent of the annual development budget of Kshs.2.47 billion. Table 3.59 provides a summary of development projects with the highest expenditure in FY 2016/17.

Table 3.59: Laikipia County, List of Development Projects with the Highest Expenditure in FY 2016/17

S/No.	Project name	Project location	Annual project budget (Kshs.)	Annual project expenditure (Kshs.)	Absorption rate (%)
1	Supply of Drugs and Non-Pharmaceutical Products	County	69,467,267	69,467,267	100
2	Supply and Delivery of Isuzu Tipper Trucks220tons	County	34,500,000	34,500,000	100
3	Purchase of Excavator	County	24,424,000	24,424,000	100
4	4wd Ambulance Heavy Duty	County	21,576,000	21,576,000	100
5	Nanyuki Referal Hospital. -Renal Unit Construction	Nanyuki	14,669,099	14,669,099	100
6	Butiment Overlay of Nyahururu stage	Igwamiti	14,009,543	13,437,660	95.9
7	Construction of Ewaso Water Project-Mukogodo East	Ewaso River	13,000,000	12,584,096	96.8
8	Construction of Naituria water project-Marmanet	Marmanet	12,000,000	11,094,374	92.4
9	Revenue Automation	County	15,005,000	11,100,000	73.9
10	Supply of Dam Liners	County	10,000,000	9,800,000	98

Source: *Laikipia County Treasury*

Analysis of the development expenditure by project indicates that, the highest expenditure of Kshs.69.47 million was spent on Supply of Drugs and Non-Pharmaceutical Products, followed by Kshs.34.5 million on supply and delivery of Isuzu Tipper Trucks, and Kshs.24.4 million on Purchase of Excavators.

3.20.8 Budget and Budget Performance Analysis by Department

Table 3.60 shows a summary of budget estimates and budget performance by department in FY 2016/17

Table 3.60: Laikipia County, Budget Performance by Department in FY 2016/17

No	Department	Annual Supplementary budget FY 2016/17 (Kshs.Million)		Exchequer Issues FY 2016/17(Kshs. Million)		Expenditure FY 2016/17(Kshs.Million)		FY 2016/17 Expenditure to Exchequer issues (%)		FY 2016/17 Absorption rate (%)	
		Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
1	County Admin.	2,463.25	104.58	2,454.84	18.62	2,277.17	-	92.8	-	92.4	-
2	Finance and Planning	220.36	1,071.96	210.85	794.44	197.3	853.16	93.6	107.4	89.5	79.6
3	Health	229.98	433.45	205.36	147.4	199.33	184.46	97.1	125.1	86.7	42.6

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4	Agriculture	21.91	89.71	19.2	19.65	14.02	32.68	73.0	100.3	64.0	36.4
5	Infrastructure	36.41	330.9	30.68	200.03	25.48	173.95	83.1	87.6	70.1	52.6
6	Education	52.84	89.8	39.74	14.39	36.61	62.05	92.1	431.2	69.3	69.1
7	Trade & Industrialization	27.82	84	25.88	20.93	23.68	32.23	91.5	154.0	85.1	38.4
8	Water	41.22	236.82	34.65	148.73	33.98	194.12	98.1	130.5	82.4	82
9	County Assembly	406.47	25	360	15	356	14.44	98.9	96.3	87.6	57.8
TOTAL		**3,500.26**	**2,466.22**	**3,381.20**	**1,379.19**	**3,163.57**	**1,547.09**	**93.6**	**112.2**	**90.4**	**62.7**

Source: *Laikipia County Treasury*

Analysis of budget performance by department shows that the Water Department attained the highest absorption of development budget at 81.97 per cent while the Agriculture Department had the least expenditure. On the other hand, the Department of County Administration had the highest percentage of recurrent expenditure to recurrent budget at 92.45 per cent while the Department of Agriculture had the lowest at 64 per cent..

3.20.9 Observations and Recommendations

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

i. Improved staff capacity through training, especially in the Department of Finance and Planning.

ii. The County Treasury has liaised with IFMIS Directorate for support in utilization of IFMIS and the E-procurement module.

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

1. High Personal emoluments which accounted for 42.46 per cent of overall total expenditure during the reporting period thus constraining funding of other programmes.
2. Late submission of financial reports to the COB by the County Treasury, which affected timely preparation of budget implementation report. Section 166 of the PFM Act, 2012 requires the financial reports to be submitted by the 15th day after the end of each quarter.
3. Failure by Fund Administrators to submit expenditure reports for the Car Loan and Mortgage Fund (executive), bursary funds contrary to Section 168 of the PFM Act, 2012.
4. Under-performance in local revenue collection. Local revenue collected in FY 2016/17 amounted to Kshs.462.72 million, representing 32.9 per cent of the annual local revenue target.
5. Failure to establish an Internal Audit Committee to oversee financial operations in the County contrary to the provisions of Section 155 of the PFM Act, 2012.
6. The County has not constituted the CBEF as required by Section 137 of the PFM Act, 2012 for consultation in the budget process and economic matters.
7. Delay by the National Treasury to disburse the equitable share of revenue raised nationally.

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

1. *The County Public Service Board should develop an optimal staffing structure and devise strategies to address the escalating personnel emoluments.*
2. *The County Treasury should ensure timely preparation and submission of financial reports to the*

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Controller of Budget in line with Section 166 of PFM Act, 2012.

3. *All Fund Administrators should submit financial reports to the Controller of Budget in line with Section 168 of the PFM Act, 2012.*
4. *The County Treasury should develop and implement strategies to enhance local revenue collection.*
5. *The County should establish an Internal Audit Committee in line with Section 155 of the PFM Act, 2012.*
6. *The County should establish an effective CBEF for consultation in the budget process and economic matters in line with Section 137 of the PFM Act, 2012.*
7. *The County Treasury should liaise with the National Treasury to ensure that funds allocated to the County are released in a timely manner in line with the CARA, 2016 Disbursement Schedule.*

3.21 Lamu County

3.21.1 Overview of the FY 2016/17 Budget

The County's FY 2016/17 Approved Supplementary Budget was Kshs.3.21 billion comprising of Kshs.1.99 billion (62 per cent) and Kshs.1.22 billion (38 per cent) allocation for recurrent and development expenditure respectively.

To finance the budget, the County expected to receive Kshs.2.22 billion (69 per cent) as equitable share of revenue raised nationally, Kshs.170.2 million (7.7 per cent) as total conditional grants, generate Kshs.84 million (2.6 per cent) from local revenue sources, and Kshs.677.1 million (21.1 per cent) cash balance from FY 2015/16. The conditional grants comprised of Kshs.100 million (58.7 per cent) for Special Purpose Grant Supporting Emergency Medical Services, Kshs.15.38 million (9 per cent) from Free Maternal Healthcare, Kshs.2.48 million (1.5 per cent) for User Fees Foregone, Kshs.34.02 million (20 per cent) as Road Maintenance Fuel Levy, and Kshs.14.53 million (8.5 per cent) World Bank Loan to Supplementing County Health Services.

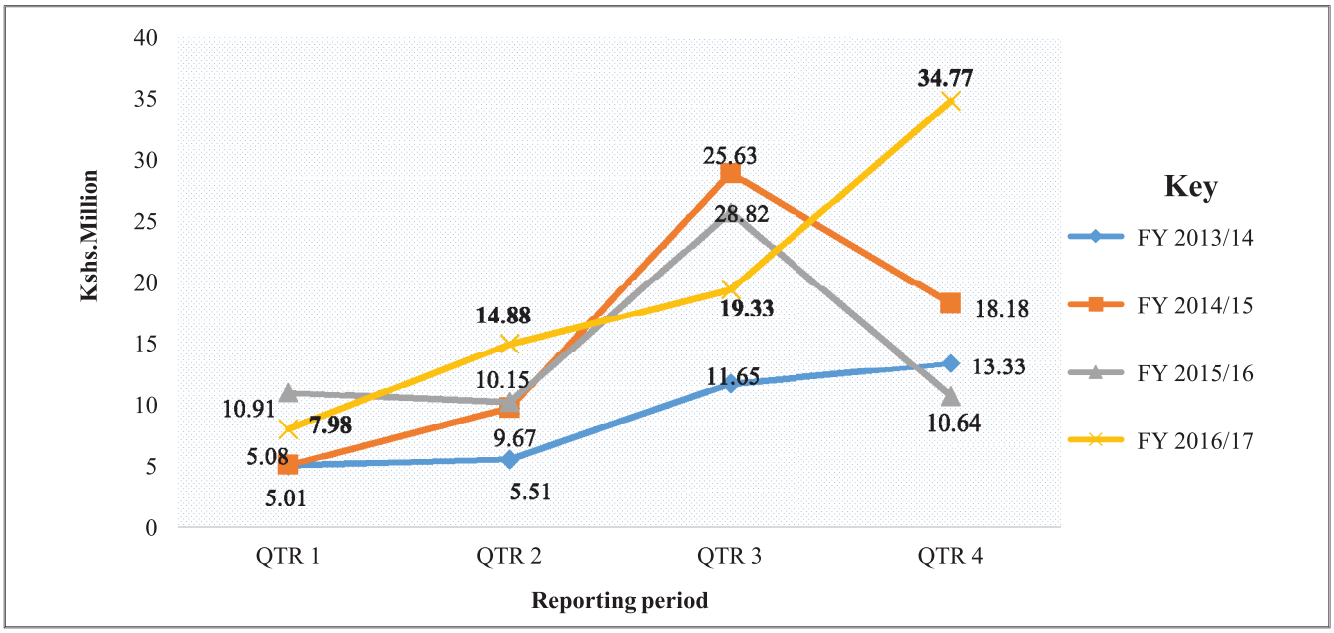
In addition, the County expected to receive for Kshs.12.99 million under the World Bank Universal Care Project and Kshs.27.23 million as Other Loans and Grants which were not included in CARA, 2016.

3.21.2 Revenue Analysis

During the year, the County received Kshs.2.22 billion as equitable share of the revenue raised nationally, Kshs.150.55 million as total conditional allocations, raised Kshs.76.96 million from local revenue sources, and had a cash balance of Kshs.677.01 million brought forward from FY 2015/16 Figure 3.61 shows the quarterly trend in local revenue collection from the first quarter of FY 2013/14 to the fourth quarter FY 2016/17.

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Figure 3.61: Lamu County, Trend in Local Revenue Collection by Quarter from FY 2013/14 to FY 2016/17



Source: *Lamu County Treasury*

The total local revenue collected in FY 2016/17 amounted to Kshs.76.96 million representing an increase of 34.2 per cent compared to Kshs.57.33 million generated in FY 2015/16, and represented 77 per cent of the annual local revenue target of Kshs.100 million.

3.21.3 Conditional Grants

Table 3.61 shows an analysis of conditional grants released in FY 2016/17.

Table 3.61: Lamu County Analysis of Conditional Grants Released in FY 2016/17

S/No	Conditional Grant	CARA, 2016 Annual Allocation in Kshs)	Actual receipts in FY 2016/17 in Kshs.	Actual Receipts as Percentage of Annual Allocation (%)
1	Special Purpose Grant Supporting Emergency Medical Services	100,000,000	100,000,000	100
2	Road Maintenance Fuel Levy	34,018,227	26,065,747	76.6
3	Free Maternal Healthcare	15,372,820	14,528,378	94.5
4	World Bank Loan to health Facilities	14,528,378	6,133,978	42.2
5	DANIDA grant	3,820,000	3,820,000	100
6	User Fee Foregone	2,481,810	-	-
TOTAL		**170,221,235**	**150,548,103**	**88.4**

Source: *Lamu Treasury*

Analysis of the conditional grants released during the period under review indicates that, DANIDA grant was fully

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received at 100 per cent of the annual allocation, followed by Road Maintenance Fuel Levy and Free Maternal Healthcare at 94.5 per cent and 76.6 per cent respectively.

3.21.4 Exchequer Issues

During the year, the Controller of Budget authorised withdrawal of Kshs.2.95 billion from the CRF account, which was 91.9 per cent of the Approved Supplementary Budget. This amount represented an increase of 19 per cent from Kshs.2.48 billion authorized in FY 2015/16 and consisted of Kshs.1.90 billion (64.4 per cent) for recurrent expenditure and Kshs.1.05 billion (35.6 per cent) for development activities.

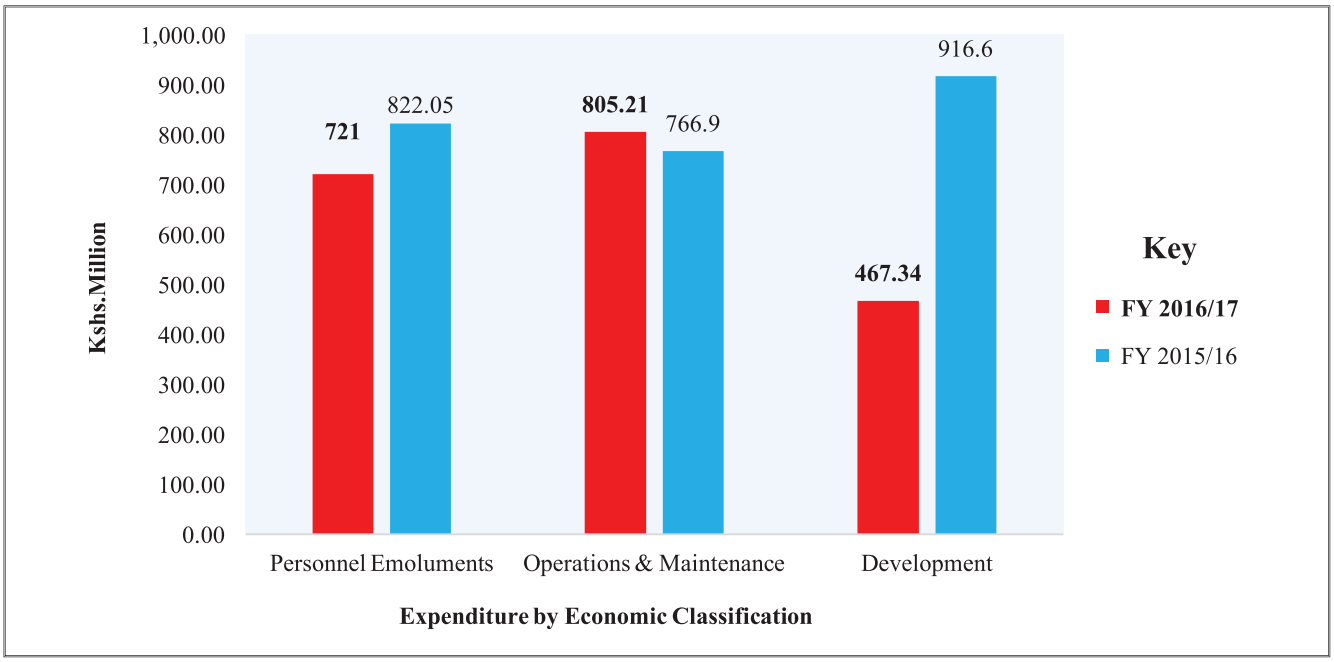
3.21.5 Overall Expenditure Review

The County spent Kshs.1.99 billion which was 67.5 per cent of the total funds released for operations. This was a decrease of 20.6 per cent from Kshs.2.51 billion spent in FY 2015/16.

A total of Kshs.1.53 billion was spent on recurrent activities, while Kshs.467.34 million was spent on development activities. The recurrent expenditure was 80.2 per cent of the funds released for recurrent activities while development expenditure accounted for 44.5 per cent of the funds released for development activities. The expenditure excluded pending bills as at June 30, 2017 that amounted to Kshs.1.63 million for recurrent expenditure.

The recurrent expenditure represented 76.6 per cent of the annual recurrent budget, a decrease from 90.4 per cent spent in FY 2015/16. Development expenditure recorded an absorption rate of 38.3 per cent, which was a decrease from 64.4 per cent attained in FY 2015/16. Figure 3.62 presents a comparison between the total expenditure in FY 2016/17 and FY 2015/16.

Figure 3.62: Lamu County, Expenditure by Economic Classification in FY 2015/16 and FY 2016/17



Source: *Lamu County Treasury*

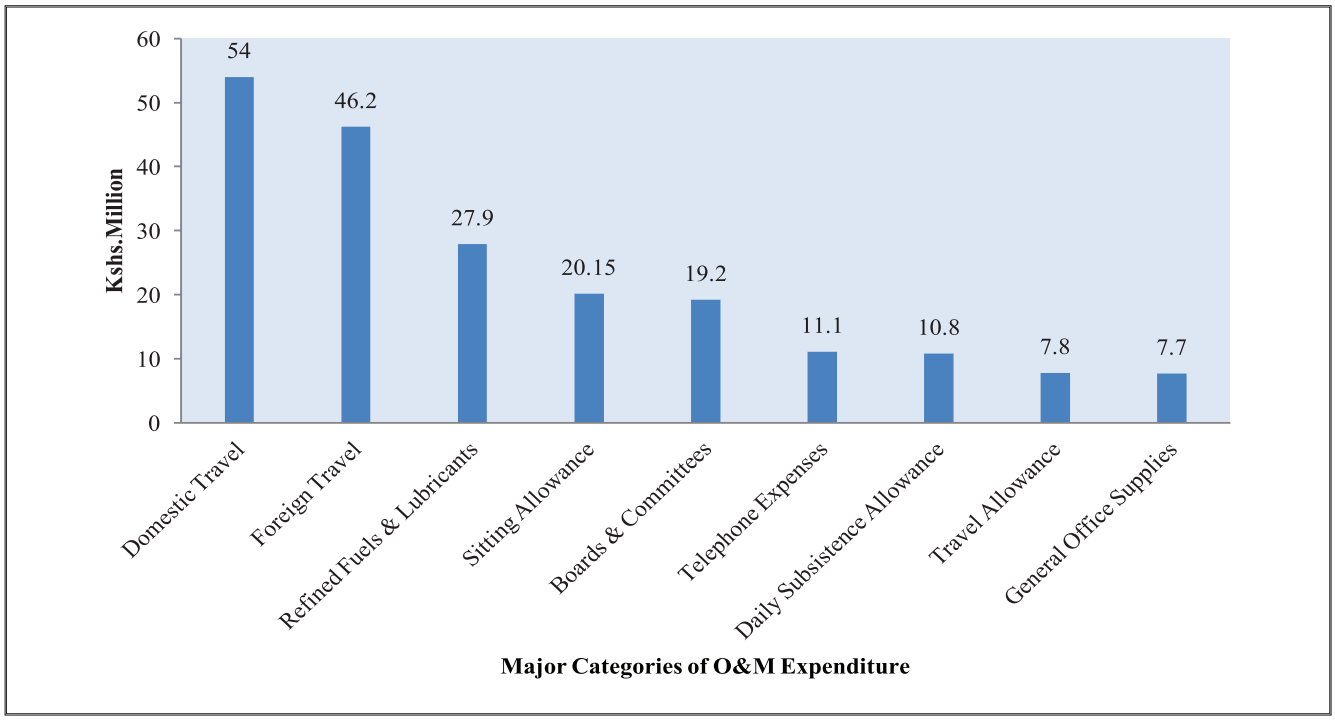
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3.21.6 Analysis of Recurrent Expenditure

The total recurrent expenditure of Kshs.1.53 billion consisted of Kshs.721 million (47.2 per cent) spent on personnel emoluments and Kshs.805.21 million (52.8 per cent) on operations and maintenance as shown in Figure 3.62. Expenditure on personnel emoluments represented a decrease of 12.3 per cent compared to FY 2015/16 when the County spent Kshs.822.05 million. Figure 3.63 shows a summary of operations and maintenance expenditure by major categories.

The expenditure on personnel emoluments of Kshs.721.01 million was 36.2 per cent of overall total expenditure in FY 2016/17 and 47.2 per cent of total recurrent expenditure of Kshs.1.53 billion.

Figure 3.63: Lamu County, Operations and Maintenance Expenditure by Major Categories for FY 2016/17



Source: *Lamu County Treasury*

The County spent Kshs.20.15 million on sitting allowances for the 20 MCAs and the Speaker against the annual budget allocation of Kshs.20.84 million. This was a decrease of 6.2 per cent compared to Kshs.21.49 million spent in FY 2015/16. The average monthly sitting allowance was Kshs.79,969 per MCA compared to SRC's recommended monthly ceiling of Kshs.124,800.

Expenditure on domestic and foreign travel amounted to Kshs.100.26 million and consisted of Kshs.32.57 million spent by the County Assembly and Kshs.67.69 million by the County Executive. This expenditure represented 6.6 per cent of total recurrent expenditure and was a decrease of 44.4 per cent compared to Kshs.180.20 million spent in FY 2015/16.

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3.21.7 Development Expenditure Analysis

The total development expenditure of Kshs.467.34 million represented 38.3 per cent of the annual development budget of Kshs.1.22 billion. Table 3.62 provides a summary of development projects with the highest expenditure in FY 2016/17.

Table 3.62: Lamu County, List of Development Projects with the Highest Expenditure in FY 2016/17

S/No.	Project name	Project location	Annual project budget (Kshs.)	Annual project expenditure (Kshs.)	Absorption rate (%)
1	Renovation of King Fahad Hospital	Lamu Headquarters	85,489,534	81,894,897	95.8
2	Construction of Enforcement & Training Centre	Hindi	30,000,000	27,277,167	90.9
3	Construction of County Headquarters	Hindi	27,263,593	19,112,347	70.1
4	Renovation of Mokowe Health Centre	Hindi	25,000,000	18,946,280	75.8
5	Construction of Kizingitini Ice Plant phase 2	Faza	17,000,000	5,698,465	33.5
6	Renovation of Faza Hospital	Faza	17,000,000	2,385,655	14
7	Completion of Witu Accident & Emergency Unit	Witu	13,032,000	10,403,218	79.8
8	Purchase of Certified Seed	County Headquarters	10,000,000	10,000,000	100
9	Purchase of Subsidized Fertilizer	County Headquarters	10,000,000	10,000,000	100
10	Construction of Mokowe Metropolis	Mokowe Metropolis	8,000,000	8,000,000	100

Source: *Lamu County Treasury*

Analysis of the development expenditure by project indicates that, the highest expenditure of Kshs.81.89 million was spent on renovation of King Fahad Hospital at the Lamu, followed by Kshs.27.28 million on construction of an Enforcement & Training Centre at Hindi, and Kshs.19.11 million on construction of the County Headquarters at Hindi.

Budget and Budget Performance Analysis by Department

Table.3.63 shows a summary of budget estimates and budget performance by department in FY 2016/17

Table.3.63: Lamu County, Budget Performance by Department in FY 2016/17

Department	Annual Supplementary Budget Allocation (Kshs.Million)		Exchequer Issues in FY 2016/17 (Kshs. Million)		Expenditure in FY 2016/17 (Kshs.Million)		FY 2016/17 Expenditure to Exchequer Issues (%)		FY 2016/17 Absorption rate (%)	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
County Assembly	333.2	82	326	79.5	333.2	58.6	102.2	73.7	100	71.5
Office of the Governor	114.31	94.82	114.31	94.82	399.6	32.66	349.6	34.4	349.6	34.4

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County Public Service Board	45.65	-	45.65	-	26.05	-	57.	-	-	-
Public Service Management	285.28	-	272.95	-	-	-	-	-	-	-
Finance, Strategy & Economic Planning	179.86	25	158.43	28	85.24	5.21	53.8	18.6	47.4	20.8
Agriculture & Irrigation	68.25	44.73	68.25	44.73	28.9	6.54	42.3	14.6	42.3	14.6
Land, Physical Planning, Infrastructure, Water & Natural Resources	63.93	288.1	62.15	232.99	134.34	42.82	216.2	18.4	210.1	14.9
Education, Gender, Sports, Youth & Social Services	144.29	113.71	144.29	88.71	113.34	59.66	78.6	67.3	78.6	52.5
Health, Sanitation & Environment	607.56	422.91	562.4	332.73	313.89	175.67	55.8	52.8	51.7	41.5
Trade, Culture, Tourism & Investment Development	36.39	40	34.3	40	26.2	21.96	76.4	54.9	72	54.9
Information, Communication & Public Participation	33.99	27.01	33.99	27.01	23.25	15.92	68.4	58.9	68.4	58.9
Fisheries, Livestock, Veterinary & Cooperative Development	78.83	81.38	79.54	81.38	42.2	48.31	53.1	59.4	53.5	59.4
TOTAL	**1,991.54**	**1219.66**	**1902.26**	**1049.87**	**1526.21**	**467.35**	**80.2**	**44.5**	**76.6**	**38.3**

Source: *Lamu County Treasury*

Analysis of budget performance by department shows that the County Assembly attained the highest absorption of development budget at 71.5 per cent while the Agriculture and Irrigation Department had the lowest expenditure at 14.6 per cent. On the other hand, the Office of the Governor had the highest percentage of recurrent expenditure to recurrent budget at 349.6 per cent while the Public Service Management Department did not report any recurrent expenditure.

3.21.8 Observations and Recommendations

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

i. Establishment of the County Budget and Economic Forum (CBEF) in line with Section 137 of the PFM Act, 2012.

ii. Timely submission of quarterly financial reports to the Controller of Budget in line with Section 166 of the PFM Act, 2012.

iii. Establishment of an Audit Committee in line with section 155(5) of the PFM Act, 2012.

iv. Automation of the local revenue collection which has led to improved revenue performance by 34.2 per cent from Kshs.57.33 million in FY 2015/16 to Kshs.76.96 million in the reporting period.

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

1. IFMIS Connectivity challenges which slowed down approval of procurement requests and payments to

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suppliers.

2. Slow implementation of development activities. The development expenditure of Kshs.[illegible] million represented 38.3 per cent of the annual development budget in FY 2016/17.
3. Delay by the National Treasury to disburse the equitable share of revenue raised nationally.

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

1. *The County Treasury should liaise with the National Treasury to ensure that IFMIS connectivity challenges are addressed.*
2. *The County Government should identify and address the causes of low absorption of development budget.*
3. *The County Treasury should liaise with the National Treasury to ensure that funds allocated to the County are released in a timely manner in line with the CARA Disbursement Schedule.*

3.22 Machakos County

3.22.1 Overview of the FY 2016/17 Budget

The County's FY 2016/17 Approved Supplementary Budget was Kshs.10.88 billion, comprising of Kshs.7.51 billion (69.0 per cent) and Kshs.3.37 billion (31.0per cent) allocation for recurrent and development expenditure respectively.

To finance the budget, the County expected to receive Kshs.7.3 billion (65.1 per cent) as equitable share of revenue raised nationally, Kshs.716.87 million (6.4 per cent) as total conditional grants, generate Kshs.2.86 billion (25.5 per cent) from local sources, and Kshs.339.7 million (3 per cent) cash balance from FY 2015/16. The conditional grants comprised of Kshs.365.32 million (51 per cent) for Machakos Level 5 Hospital, Kshs.105 million (14.7 per cent) for Free Maternal Healthcare, Kshs.95.74 million (13.4 per cent) for Leasing of Medical Equipment, Kshs.112 million (15.7 per cent) from the Road Maintenance Fuel Levy Fund, Kshs.24.76 million (3.4 per cent) for User Fees Foregone, and Kshs.13.35 million (1.8 per cent) from DANIDA. In addition, the County received Kshs.6.63 million and Kshs.158.16 million from the Kenya Roads Board (KRB) as Coffee Cess Allocation and the Ministry of Health for Doctor's Allowances respectively, which were not in CARA, 2016.

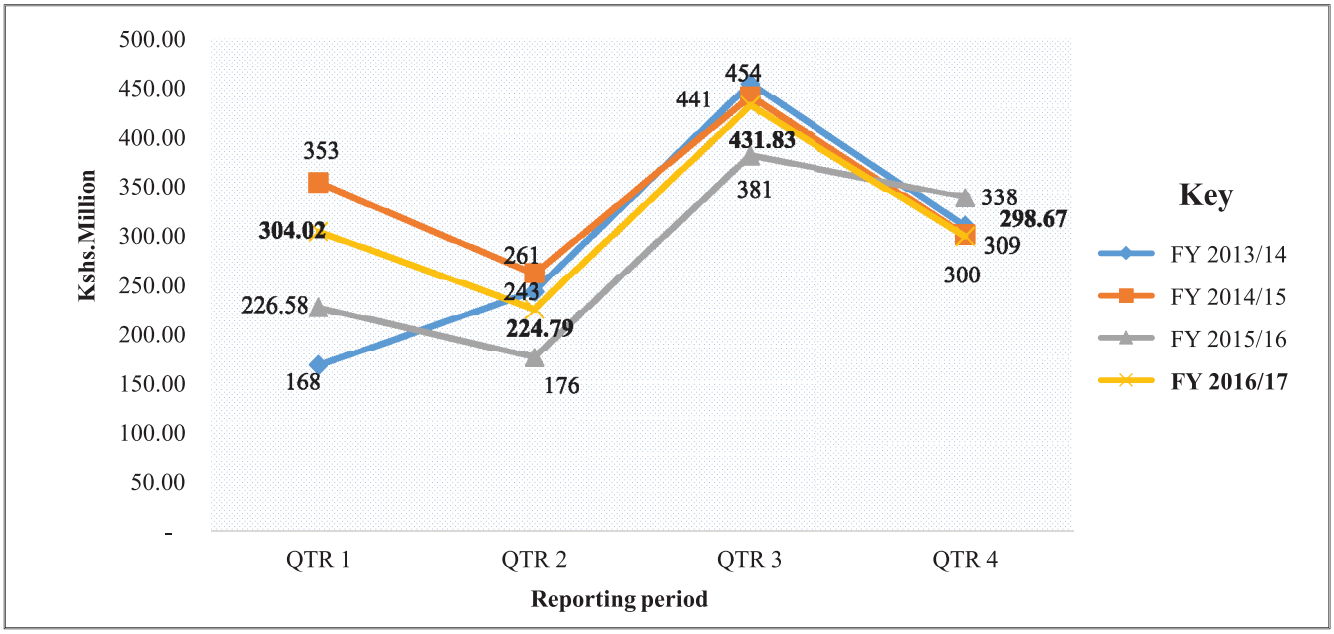
3.22.2 Revenue Analysis

During the FY 2016/17, the County received Kshs.7.3 billion as equitable share of the revenue raised nationally, Kshs.711.50 million as total conditional allocations, raised Kshs.1.26 billion from local sources, and had a cash balance of Kshs.339.7 million brought forward from FY 2015/16.

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

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Figure 3.64: Machakos County, Trend in Local Revenue Collection by Quarter from FY 2013/14 to FY2016/17.



Source: *Machakos County Treasury*

The total local revenue collected in FY 2016/17 amounted to Kshs.1.26 billion, representing an increase of 12.5 per cent compared to Kshs.1.12 billion generated in FY 2015/16, and represented 44 per cent of the annual local revenue target of Kshs.2.86 billion.

3.22.3 Conditional Grants

Table 3.64 shows an analysis of conditional grant released in FY 2016/17.

Table 3.64: Machakos County Analysis of Conditional Grants Released in FY 2016/17

No.	Conditional Grant	CARA, 2016,Annual Allocation in (Kshs.)	Actual receipts in FY 2016/17 in Kshs.	Actual receipts as a percentage of Annual Allocation (%)
1	Machakos Level 5 Hospitals	365,317,919	365,317,923	100
2	Road Maintenance Fuel Levy Fund	112,217,667	56,108,834	50
3	Free Maternal Healthcare	105,476,087	87,137,500	82.6
4	User Fees Forgone	95,744,681	24,764,876	25.9
5	KRB - Coffee Cess Allocation	-	6,636,751	26.8
6	DANIDA Grant	13,350,000	13,350,000	100
7	Health top-up / Doctors allowances	-	158,158,000	-
Total		**716,871,231**	**711,473,884**	**99.2**

Source: *Machakos County Treasury*

Analysis of the conditional grant releases for the period under review indicates that receipts for Machakos Level 5 Hospital and DANIDA grant recorded the highest performance at 100 per cent of annual allocation, followed by Free Maternal Healthcare at 82.6 per cent.

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3.22.4 Exchequer Issues

During the year, the Controller of Budget (COB) authorised withdrawal of Kshs.9.68 billion from the CRF account which was 89 per cent of the FY 2016/17 Approved Supplementary Budget. This amount represented an increase of 13.9 per cent from Kshs.8.5 billion authorized in a similar period of FY 2015/16 and consisted of Kshs.6.9 billion (71.3per cent) for recurrent expenditure and Kshs.2.77 billion (28.7 per cent) for development activities.

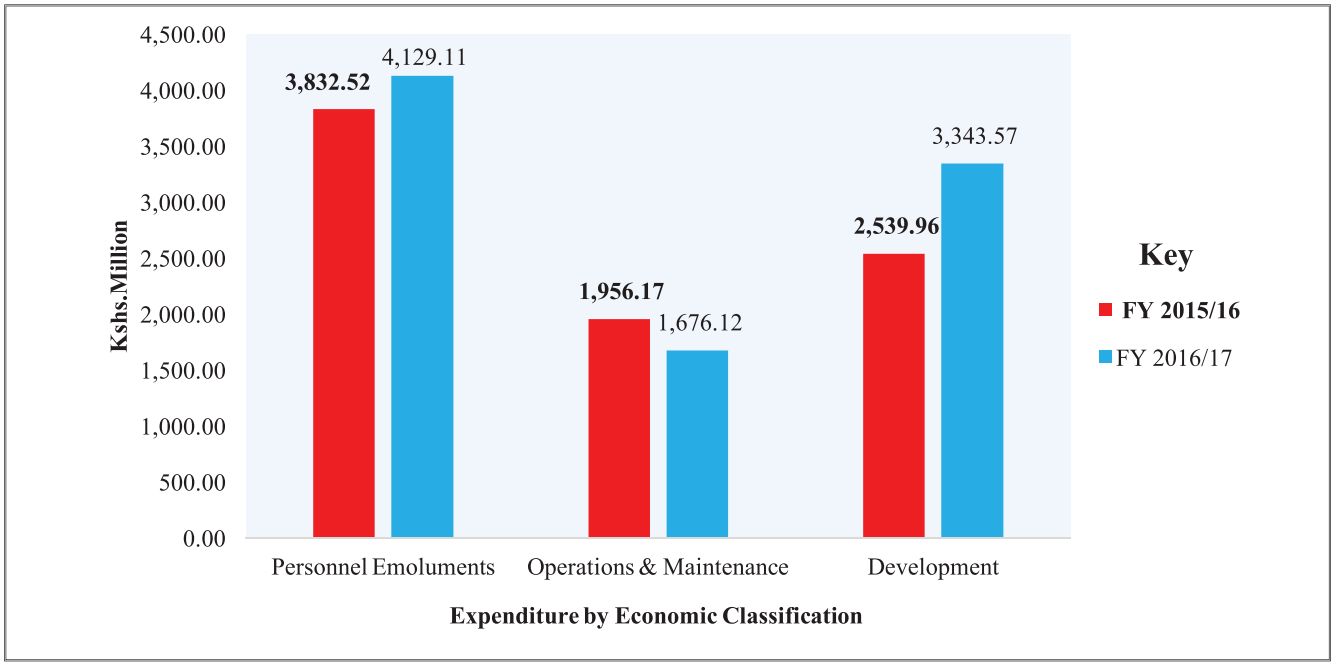
3.22.5 Overall Expenditure Review

The County spent Kshs.9.14 billion, which was 94.5 per cent of the total funds released for operations. This was an increase of 9.7 per cent from Kshs.8.33 billion spent in a similar period in FY 2015/16.

A total of Kshs.5.81 billion was spent on recurrent activities, while Kshs.3.34 billion was spent on development activities. The recurrent expenditure was 84.1 per cent of the funds released for recurrent activities while development expenditure accounted for 120.7 per cent of the funds released for development activities. The expenditure excluded outstanding commitments as at June 30, 2017, which was not provided by the County.
The recurrent expenditure represented 77.23 per cent of the annual recurrent budget, a decrease from 96.2 per cent spent in a similar period in FY 2015/16. Development expenditure recorded an absorption rate of 99.1 per cent, which was an increase from 46.7 per cent attained in a similar period of FY 2015/16.

Figure 3.65: presents a comparison between the total expenditure in FY 2016/17 and FY 2015/16.

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



Source: *Machakos County Treasury*

3.22.6 Analysis of Recurrent Expenditure

The total recurrent expenditure of Kshs.5.81 billion consisted of Kshs.4.13 billion (71.1 per cent) spent on

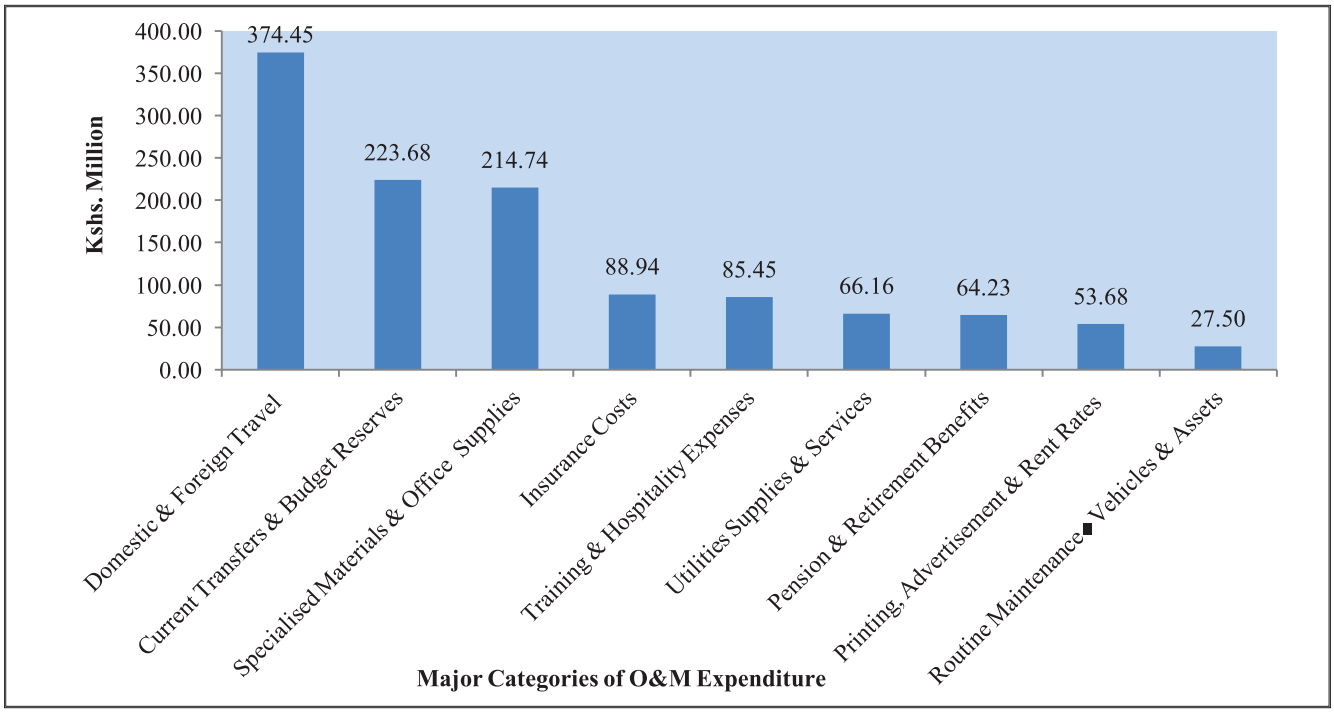
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personnel emoluments and Kshs.1.68 million (28.9 per cent) on operations and maintenance as shown in Figure 3.65. Expenditure on personnel emoluments represented an increase of 7.7 per cent compared to a similar period of FY 2015/16 when the County spent Kshs.3.83 billion.

The expenditure on personnel emoluments of Kshs.4.13 billion was 45.1 per cent of overall total expenditure in FY 2016/17 and 71 per cent of total recurrent expenditure of Kshs.5.81 billion.

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

Figure.3.66: Machakos County, Operations and Maintenance Expenditure by Major Categories for FY 2016/17



Source: *Machakos County Treasury*

The County spent Kshs.48.61 million on sitting allowances for the 59 MCAs and the Speaker against the annual budget allocation of Kshs.85.47 million. This was a decrease of 20.3 per cent compared to Kshs.60.99 million spent in the same period of FY 2015/16. The average monthly sitting allowance was Kshs.67,511 compared to SRC's recommended monthly ceiling of Kshs.124,800.

Expenditure on domestic and foreign travel amounted to Kshs.374.45 million and consisted of Kshs.208.57 million spent by the County Assembly and Kshs.165.88 million by the County Executive. This was an increase of 67.2 per cent compared to Kshs.223.95 million spent in a similar period of FY 2015/16.

3.22.7 Development Expenditure Analysis

The total development expenditure of Kshs.3.34 billion represented 99.1 per cent of the annual development budget of Kshs.3.37 billion.

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Table 3.65 below provide a summary of development projects implemented during the period under review.

Table 3.65: Machakos County, Summary of development projects implemented in FY 2016/17

S/No.	Project name	Project location	Annual project Budget (Kshs.)	Annual project expenditure (Kshs.)	Absorption rate (%)
1.	Overhaul / refurbishment of construction and civil works	Across the County	698,981,008	260,553,495	37.3
2	Construction and refurbishment of buildings	Across the County	640,575,452	284,906,051	44.5
3	Construction & Grading of Roads	Across the County	461,085,551	335,709,620	72.8
4	Basic Wages - Temporary employees on roads work(transport) and works on water projects	Across the County	261,403,240	151,393,865	57.9
5	Purchase of specialized plant and machinery equipment.	Across the County	251,048,027	96,377,194	38.4
6	Capital grants and transfers (KRB, Free Maternity, User fee forgone)	Across the County	208,000,000	209,168,846	100.6
7	Motor vehicle purchases	Across the County	140,442,969	64,133,331	45.7
8	Fuel & lubricants	Across the County	130,062,583	88,108,210	67.7
9	Office furniture & equipment – (Office of the Governor, I CT, Finance and County Assembly).	Across the County	86,408,690	33,706,352	39
10	Acquisition of strategic stocks, research and feasibility studies	Across the County	40,864,872	13,763,962	33.7

Source:*Machakos County Treasury*

Analysis of development expenditure by project indicates that, the highest expenditure of Kshs.335.70 million was spent on construction and grading of roads, followed by Kshs.284.9 million on construction and refurbishment of buildings by the Department of Transport, Roads and Housing.

3.22.8 Budget and Budget Performance Analysis by Department

Table 3.66 shows a summary of budget estimates and budget performance by department in FY 2016/17

Table 3.66: Machakos County, Budget Performance by Department FY 2016/17

Department	Budget Allocation (Kshs. Million)		FY 2016/17 Exchequer Issues (Kshs. Million)		FY 2016/17 Expenditure (Kshs. Million)		FY 2016/17 Expenditure to Exchequer Issues (%)		FY 2016/17 Absorption rate (%)	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
Office of the Governor	556.2	39.03	480.75	11.88	288.84	79.86	60.1	30.4	51.9	204.6
Public Services, ICT & Labour	712.95	46.57	632.95	42.91	3,957.12	8.6	625.2	-	555	18.5
Trade, Economic Planning & Energy	133.50	411.84	118.48	213.81	30.98	69.15	26.1	32.3	23.2	16.8
Finance and Revenue Management	365.82	36.7	331.36	5.75	78.68	3.46	23.7	-	21.5	9.4
Decentralized Units, Water & Irrigation.	1,073.18	998.97	998.01	993.98	175.39	719.48	17.6	72.4	16.3	72

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Agriculture, Lands & Urban Development	386.86	95.45	375.31	73.28	16.52	42.52	4.4	44.5	44.5	44.5
Health Services and Emergency Services	2,606.93	488.29	2,477.53	338.45	295.1	220.33	11.9	65.1	11.3	45.1
Transport, Roads and Housing	221.43	858.53	221.25	821.14	36.66	1979.26	16.6	241.0	16.6	230.5
Education, Youth and Social Welfare	327.49	49.2	301.2	45.73	118.82	11.28	39.4	24.7	36.3	22.9
Environment, Sanitation and solid Waste Mgt.	32.5	58.96	31.35	14.72	6.17	9.25	19.7	-	19.0	15.7
Tourism, Culture and Co-operative Development	125.48	102.33	99.02	65.03	58.47	60.87	59	-	46.6	59.5
County Public Service Board	51.59	6.47	50.37	-	5.63	-	11.2	-	10.9	-
County Assembly	914.14	181.56	786.78	144.41	736.82	139.51	93.7	96.6	80.6	76.8
TOTAL	**7,508.07**	**3,373.91**	**6,904.36**	**2,771.09**	**5,805.2**	**3,343.57**	**84.1**	**120.7**	**77.3**	**99.1**

Source: *Machakos County Treasury*

Analysis of budget performance by department shows that the Department of Transport, Roads and Housing attained the highest absorption rate at 230.5 per cent while the Department of County Public Services Board did not incur any development expenditure in the period under review. On the other hand, the Department of Public Services, ICT and Labour had the highest percentage of recurrent expenditure to its recurrent budget at 555 per cent while the Department of Agriculture, Lands and Urban development had the lowest at 4.3 per cent.

3.22.9 Observations and Recommendations

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

i. Improvement in absorption of development budget. In the reporting period, the County attained an absorption rate of 99.1 per cent compared to 44.6 per cent in a similar period in FY 2015/16.

ii. Establishment of the County Budget and Economic Forum as per provisions of Section 137 of the PFM Act, 2012.

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

1. High wage bill that increased by 7.4 per cent from Kshs.3.83 billion in FY 2015/16 to Kshs.4.13 billion in the period under review, and accounted for 45.1 per cent of total expenditure. Increase in wage bill may affect implementation of development projects.
2. Failure to establish an Internal Audit Committee contrary to Section 155 of the PFM Act, 2012.
3. Delays by the Fund Administrators of both the County Assembly and the County Executive Car and Mortgage Funds to submit expenditure reports contrary to Section 168 of the PFM Act, 2012.
4. Although the local revenue collection increased from Kshs.1.12 billion in FY 2015/16 to Kshs.1.26 billion in the reporting period, it represented 44 per cent of the annual local revenue target of Kshs. 2.86 billion.
5. Expenditure by the Department of Transport, Roads and Housing, and, the Office of the Governor was above 100 per cent of the annual allocation for development budget, at 230.5 per cent and 204.6 per cent, respectively. This indicates weak budgetary control.

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

1. *The County Public Service Board should establish an optimal staffing structure in order to manage the wage bill.*
2. *The County should establish an Internal Audit Committee in line with Section 155 of the PFM Act, 2012.*
3. *The CECM-F should ensure the Fund Administrators prepare and submit expenditure reports in line with Section 168 of the PFM Act, 2012.*
4. *The County Treasury should formulate and implement strategies to enhance local revenue collection.*
5. *The County Treasury should ensure expenditure is within the approved budget.*

3.23 Makueni County

3.23.1 Overview of the FY 2016/17 Budget

The County's FY 2016/17 Approved Supplementary Budget was Kshs.10.65 billion, comprising of Kshs.5.15 billion (48.4 per cent) and Kshs.5.5 billion (51.6 per cent) allocation for recurrent and development expenditure respectively.

To finance the budget, the County expected to receive Kshs.6.44 billion (60.5 per cent) as equitable share of revenue raised nationally, Kshs.373.96 million (3.6 per cent) as total conditional grants, generate Kshs.33 million (3.1 per cent) from local revenue sources, Kshs.80 million from Facility Improvement Fund (0.7 per cent) and Kshs.3.43 billion (32.1 per cent) cash balance from FY 2015/16. The conditional grants comprised of Kshs.83.7 million (22.3 per cent) for Free Maternal Healthcare, Kshs.98.97 million (26.4 per cent) from the Road Maintenance Fuel Levy Fund, Kshs.19.45 million (5.2 per cent) for User Fees Foregone, Kshs.12.07 million (3.2 per cent) from DANIDA, Kshs.32.59 million from the World Bank Loan to health facilities (8.7 per cent), Kshs.95.74 million (25.6 per cent) for Leasing of Medical Equipment, and Kshs.31.45 million (8.4 per cent) as Kenya Devolution support Programme Trust which was not contained in CARA, 2016.

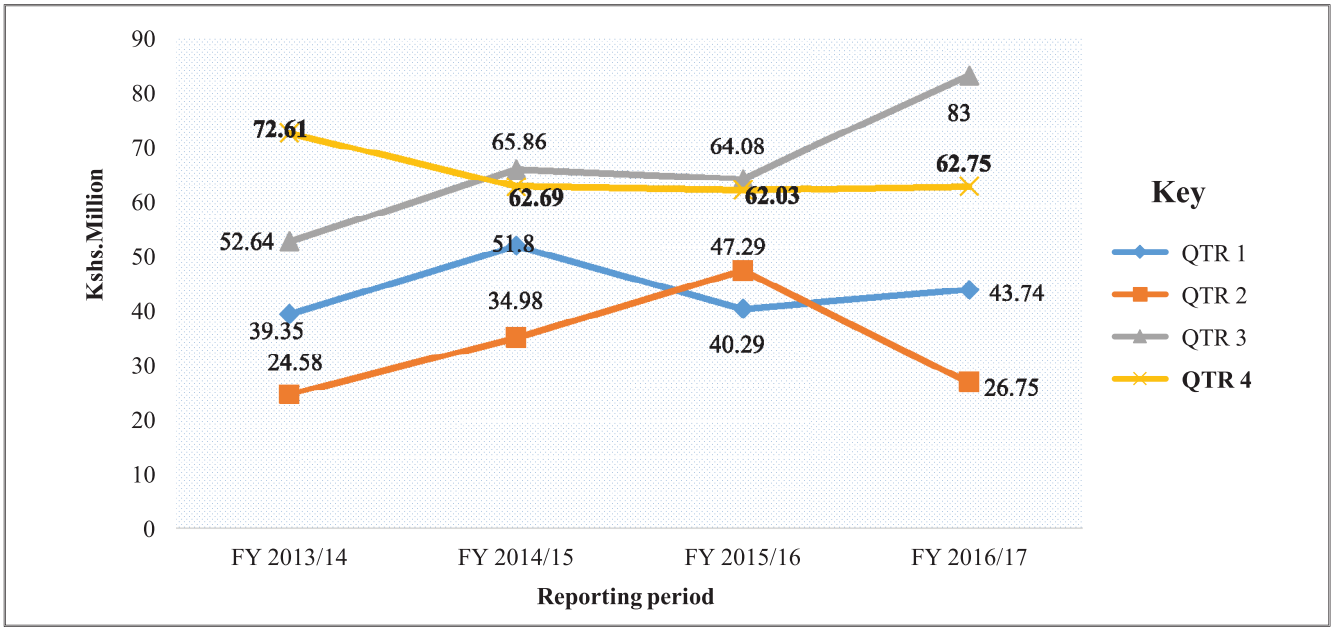
3.23.2 Revenue Analysis

During the year, the County received Kshs.6.44 billion as equitable share of the revenue raised nationally, Kshs.216.38 million as total conditional allocations, raised Kshs.216.3 million from local revenue sources, and had a cash balance of Kshs.3.42 billion brought forward from FY 2015/16.

Figure.3.67 shows the quarterly trend in local revenue collection from the first quarter of FY 2013/14 to the fourth quarter FY 2016/17.

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Figure.3.67: Makueni County, Trend in Local Revenue Collection by Quarter from FY 2013/14 to FY 2016/17



Source: *Makueni County Treasury*

The total local revenue collected in FY 2016/17 amounted to Kshs.216.26 million, representing an increase of 1.2 per cent compared to Kshs.213.69 million generated in FY 2015/16, and represented 65.5 per cent of the annual local revenue target of Kshs.330 million.

3.23.3 Conditional Grants

Table.3.67 shows an analysis of conditional grants released in FY 2016/17.

Table.3.67: Makueni County Analysis of Conditional Grants Released in FY 2016/17

S/No.	Conditional Grant	Amount allocated as provided in CARA, 2016 (Kshs.)	FY 2016/17 Actual receipt of the Conditional Grant(Kshs)	Actual receipts as a percentage of Annual Allocation (%)
1	Road Maintenance Fuel Levy Fund	98,971,324	98,971,324	100
2	Leasing of Medical Equipment	95,744,681	-	-
3	Free Maternal Healthcare	83,696,467	85,890,000	103
4	World Bank loan to health facilities	32,588,949	-	-
5	User Fees Forgone	19,449,802	19,449,802	100
6	DANIDA Grant	12,065,000	12,065,000	100
TOTAL		**373,967,826**	**216,376,126**	**57.8**

Source: *Makueni County Treasury*

Analysis of the conditional grants released during the period under review indicates that, Free Maternity Health Care recorded the highest receipts at 103 per cent of annul allocation, followed by Road Maintenance Fuel Levy

Fund, DANIDA Grant and User Fees Foregone which had 100 per cent.

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3.23.4 Exchequer Issues

During the year, the Controller of Budget authorised withdrawal of Kshs.9.39 billion from the CRF account, which was 88.2 per cent of the Approved Supplementary Budget. This amount represented an increase of 61.9 per cent from Kshs.5.80billion authorized in FY 2015/16 and consisted of Kshs.4.88billion (52 per cent) for recurrent expenditure and Kshs.4.5 billion (48 per cent) for development activities.

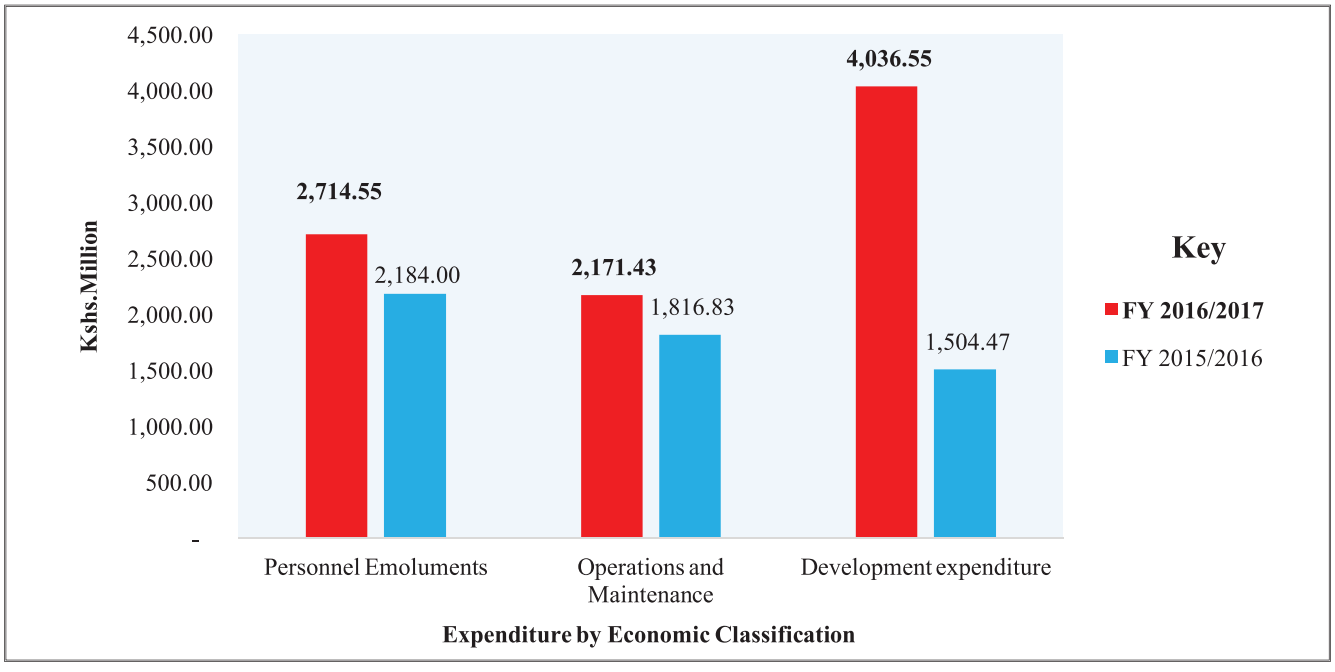
3.23.5 Overall Expenditure Review

The County spent Kshs.8.92 billion, which was 95 per cent of the total funds released for operations. This was an increase of 61.9 per cent from Kshs.5.51billion spent in FY 2015/16.

A total of Kshs.4.88 billion was spent on recurrent activities, while Kshs.4.04 billion was spent on development activities. The recurrent expenditure was 100 per cent of the funds released for recurrent activities while development expenditure accounted for 89.6 per cent of the funds released for development activities. The expenditure excluded pending bills as at June 30, 2017 that amounted to Kshs.125.58 million for development and Kshs.57.9 million for recurrent expenditure.

The recurrent expenditure represented 94.8 per cent of the annual recurrent budget, an increase from 85.1 per cent spent in FY 2015/16. Development expenditure recorded an absorption rate of 73.4per cent, which was an increase from 31.7 per cent attained in FY 2015/16. Figure 3.68 presents a comparison between the total expenditure in FY 2016/17 and FY 2015/16.

Figure 3.68: Makueni County, Expenditure by Economic Classification in FY 2015/16 and FY 2016/17



Source: *Makueni County Treasury*

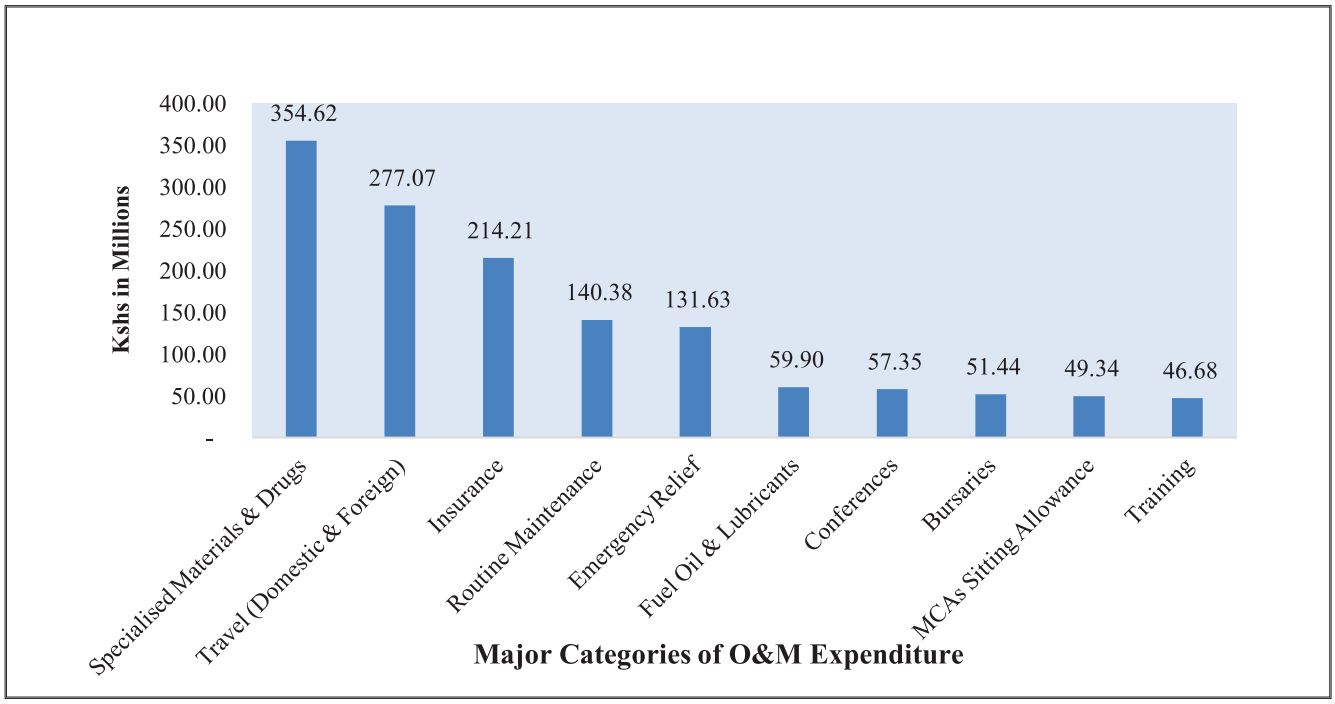
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3.23.6 Analysis of Recurrent Expenditure

The total recurrent expenditure of Kshs.4.88 billion consisted of Kshs.2.71 billion (55.5 per cent) on personnel emoluments and Kshs.2.17 billion (44.5per cent) on operations and maintenance as shown in Figure 3.68. Expenditure on personnel emoluments represented an increase of 24.3per cent compared to FY 2015/16 when the County spent Kshs.2.18 billion. Figure.3.69 shows a summary of operations and maintenance expenditure by major categories.

The expenditure on personnel emoluments of Kshs.2.71 billion was 30.4 per cent of overall total expenditure in FY 2016/17 and 55.5 per cent of total recurrent expenditure.

Figure.3.69: Makueni County, Operations and Maintenance Expenditure by Major Categories for FY 2016/17



Source: *Makueni County Treasury*

The County spent Kshs.49.33 million on sitting allowances for the 47 MCAs and the Speaker against the annual budget allocation of Kshs.47.5 million. This was a decrease of 5.8 per cent compared to Kshs.52.35 million spent in FY 2015/16. The average monthly sitting allowance was Kshs.85,653 per MCA compared to SRC's recommended monthly ceiling of Kshs.124,800.

Expenditure on domestic and foreign travel amounted to Kshs.277.07 million and consisted of Kshs.97.59 million spent by the County Assembly and Kshs.179.47 million by the County Executive. This expenditure represented 5.6 per cent of total recurrent expenditure and was an increase of 5 per cent compared to Kshs.263.63 million spent in FY 2015/16.

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3.23.7 Development Expenditure Analysis

The total development expenditure of Kshs.4.04 billion represented 73.4 per cent of the annual development budget of Kshs.5.49 billion. Table 3.68 provides a summary of development projects with the highest expenditure in FY 2016/17.

Table 3.68: Makueni County, List of Development Projects with the Highest Expenditure in FY 2016/17

S/No.	Project name	Project location	Annual project budget (Kshs.)	Annual project expenditure (Kshs.)	Absorption rate (%)
1	Fruit Processing Plant	Kilili/Kalamba	548,280,200	434,924,606	79
2	Road Maintenance Fuel Levy Fund	Across the Wards	174,806,002	91,873,897	53
3	Universal Health Care	Across the Wards	168,731,706	168,216,337	100
4	Tetheka Fund	Across the Wards	135,000,000	110,975,000	82
5	Thwake bridge	Kalawa Ward	130,000,000	49,358,975	38
6	Free Maternity Healthcare	Across the Wards	129,623,967	126,085,000	97
7	Automation of Revenue System	Across the Wards	45,000,000	42,734,530	95
8	Emali Bus park	Emali/Mulala	43,110,994	40,022,975	93
9	Purchase of 5 Hospital Generators	Across the 5 Wards	32,000,000	31,000,000	97
10	User Fee Foregone	Across the Wards	19,449,802	19,449,802	100

Source: *Makueni County Treasury*

Analysis of the development expenditure by project indicates that, the highest expenditure of Kshs.434.92 million was spent on construction and equipping of the Kalamba Fruit Processing Plant in Kilili/Kalamba ward, followed by Kshs.168.21 million on Universal Healthcare Project across all wards, and Kshs.126.08 million on Free Maternity Healthcare.

3.23.8 Budget and Budget Performance Analysis by Department

Table 3.69 shows a summary of budget estimates and budget performance by department in FY 2016/17

Table.3.69: Makueni County, Budget Performance by Department in FY 2016/17

Department	Annual Supplementary Budget Allocation (Kshs.Million)		Exchequer Issues in FY 2016/17 (Kshs.Million)		Expenditure in FY 2016/17 (Kshs.Million)		FY 2016/17 Expenditure to Exchequer Issues (%)		FY 2016/17 Absorption rate (%)	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
County Attorney's Office	38.19	-	38.19	-	35.33	-	92.5	-	92	-
County Public Service Board	75.64	-	72.89	-	67.22	-	92.2	-	89	-
Lands, Physical Planning & Mining	40.44	149.49	40.44	148.88	38.01	118.2	94	79	94	79

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Office of Governor	245.16	-	235.79	-	230.32	-	97.7	94	-	-
Trade, Tourism & Cooperatives	58.4	315.53	48.42	269.67	53.53	222.06	110.6	82	92	70
Youth, Gender, Sports & Social Services	57.96	455.68	57.09	272.3	53.29	403.83	93.3	148	92	89
County Secretary	343.44	-	341.4	-	296.14	-	86.7	-	86	-
Finance & Socio Economic Planning	671.52	55.74	568.75	29.33	597.25	16.62	105	57	89	30
Education & ICT	263.78	462.38	205.86	412.51	285.13	334.86	138.5	81	108	72
Transport & Infrastructure	141.73	853.29	141.73	797.55	138.69	592.56	97.9	74	98	69
Agriculture, Livestock & Fisheries Development	205.47	701.23	202.35	397.25	252.54	559.67	124.8	141	123	80
Water, Irrigation & Environment	151.27	1,234.02	149.74	1,234.02	148.56	789.82	99.2	64	98	64
Health	1,818.87	1,177.29	1,760.32	849.93	1,741.88	883.5	99	104	96	75
Devolution & Public Service	351.58	28	348.54	28	282.39	50.58	81	181	80	181
Sand Authority	47.15	5.2	47.15	5.2	56.21	17.04	119.2	328	119	328
County Assembly	644.05	59.94	628.4	59.94	609.49	47.79	97	80	95	80
TOTAL	**5,154.66**	**5,601.7**	**4,887.07**	**4,504.6**	**4,885.98**	**4,036.53**	**100**	**90**	**95**	**72**

Source: *Makueni County Treasury*

Analysis of budget performance by department shows that the Sand Authority Department attained the highest absorption of development budget at 328 per cent, followed by the Department of Devolution & Public Service at 181 per cent. On the other hand, the Department of Agriculture, Livestock & Fisheries Development had the highest percentage of recurrent expenditure to recurrent budget at 123 per cent followed by the Department of Devolution and Public Service at 119 per cent. An absorption rate above 100 per cent depicts expenditure above budget allocation and should be reviewed by the County Treasury.

3.23.9 Observations and Recommendations

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

i. Establishment of the County Budget and Economic Forum (CBEF) in line with Section 137 of the PFM Act, 2012.

ii. Establishment of an Internal Audit Committee and strengthening of the Internal Audit Department in line with Section 155 of the PFM Act, 2012.

iii. Improvement in absorption of development budget from 31.7 per cent in FY 2015/16 when the County spent Kshs.1.5 billion to 73.4 per cent, or an expenditure of Kshs.4.04 billion in the reporting period.

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

1. Operational delays and IFMIS connectivity challenges, which slowed down approval of procurement requests and payments to suppliers.

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2. Over-expenditure in some Votes contrary to Section 154 of the PFM Act, 2012. For example, the Devolution and Public Service, and, Sand Authority Departments incurred development expenditure above the approved annual budget allocation.
3. Delay by the National Treasury to disburse the equitable share of revenue raised nationally.

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

1. *The County Treasury should liaise with IFMIS Directorate for support on IFMIS connectivity.*
2. *The County Treasury should improve budgetary and Vote book control to ensure that expenditure is in line with the approved budget.*
3. *The County Treasury should liaise with the National Treasury to ensure that funds allocated to the County are released in a timely manner in line with the CARA Disbursement Schedule.*

3.24 Mandera County

3.24.1 Overview of the FY 2016/17 Budget

The County's FY 2016/17 Approved Supplementary Budget was Kshs.12.03 billion, comprising of Kshs.4.79 billion (39.8 per cent) and Kshs.7.24 billion (60.2 per cent) allocation for recurrent and development expenditure respectively.

To finance the budget, the County expected to receive Kshs.9.66 billion (79.9 per cent) as equitable share of revenue raised nationally, Kshs.362.88 million (3 per cent) as total conditional grants, generate Kshs.265.64 million (2.2 per cent) from local revenue sources, and Kshs.1.8 billion (14.9 per cent) cash balance from FY 2015/16. The conditional grants comprised of Kshs.53.35 million (14.7 per cent) for Free Maternal Healthcare, Kshs.148.48 million (40.9 per cent) from the Road Maintenance Fuel Levy Fund, Kshs.15.52 million (4.3 per cent) for User Fees Foregone, Kshs.7.31 million (2 per cent) from DANIDA, Kshs.42.48 million (11.7 per cent) from a World Bank Loan, and Kshs.95.74 million (26.4 per cent) for Leasing of Medical Equipment. In addition, the County budgeted to receive Kshs.39.30 million as Other Loans and Grants, which was not contained in CARA, 2016.

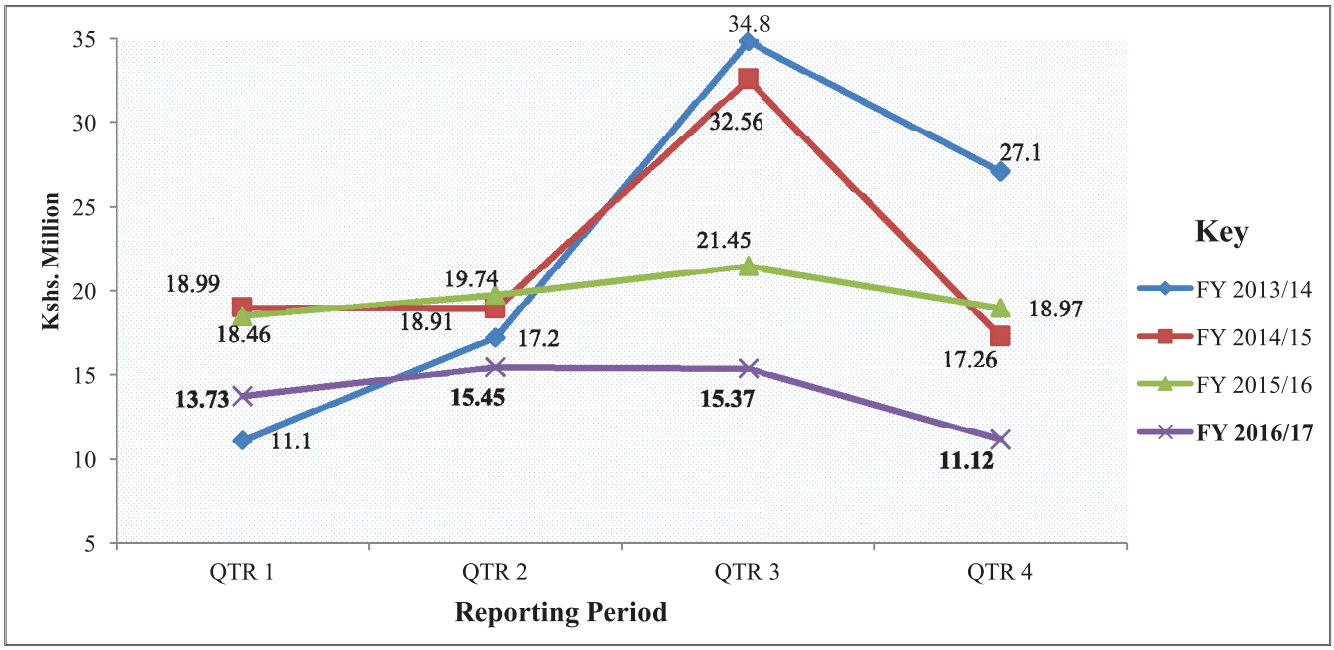
3.24.2 Revenue Analysis

During the year, the County received Kshs.9.66 billion as equitable share of the revenue raised nationally, Kshs.325.55 million as total conditional allocations, raised Kshs.55.84 million from local revenue sources, and had a cash balance of Kshs.1.80 billion brought forward from FY 2015/16.

Figure.3.70 shows the quarterly trend in local revenue collection from the first quarter of FY 2013/14 to the fourth quarter FY 2016/17.

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Figure.3.70: Mandera County, Trend in Local Revenue Collection by Quarter from FY 2013/14 to FY 2016/17



Source: *Mandera County Treasury*

The total local revenue collected in FY 2016/17 amounted to Kshs.55.84 million, representing a decrease of 36.7 per cent compared to Kshs.88.23 million generated in FY 2015/16, and represented 21 per cent of the annual local revenue target of Kshs.265.64 million.

3.24.3 Conditional Grants

Table 3.70 shows an analysis of conditional grants released in FY 2016/17.

Table 3.70: Mandera County Analysis of Conditional Grants Released in FY 2016/17

S/No	Conditional Grant	CARA, 2016 Annual Allocation in Kshs)	Actual receipts in FY 2016/17 in Kshs.	Actual Receipts as Percentage of Annual Allocation (%)
1.	Fuel Levy Fund	148,476,828	148,476,828	100
2.	Leasing of Medical Equipment	95,744,681	-	-
3.	Maternal Healthcare	53,351,581	56,905,000	106.7
4.	World Bank Loan	42,477,798	42,477,798	100
5.	Allowances for Doctors, Nurses, Clinical Officers and Other Health Workers	-	54,861,000	-
6.	User Fees foregone	15,521,730	15,521,730	100
7.	Health Facilities-DANIDA	7,310,000	7,310,000	100
TOTAL		**362,882,618**	**325,552,356**	**89.7**

Source: *Mandera Treasury*

Analysis of the conditional grants released during the period under review indicates that, Maternal Healthcare

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grants recorded the highest receipts at 106.7 per cent, as a result of receiveing Kshs.3.55 million as balance from FY2015/16.

3.24.4 Exchequer Issues

During the year, the Controller of Budget authorised withdrawal of Kshs.10.2 billion from the CRF account, which was 84.8 per cent of the Approved Supplementary Budget. This amount represented an increase of 7.0 per cent from Kshs.9.57 billion authorized in FY 2015/16 and consisted of Kshs.4.34 billion (42.5 per cent) for recurrent expenditure and Kshs.5.86 billion (57.5 per cent) for development activities.

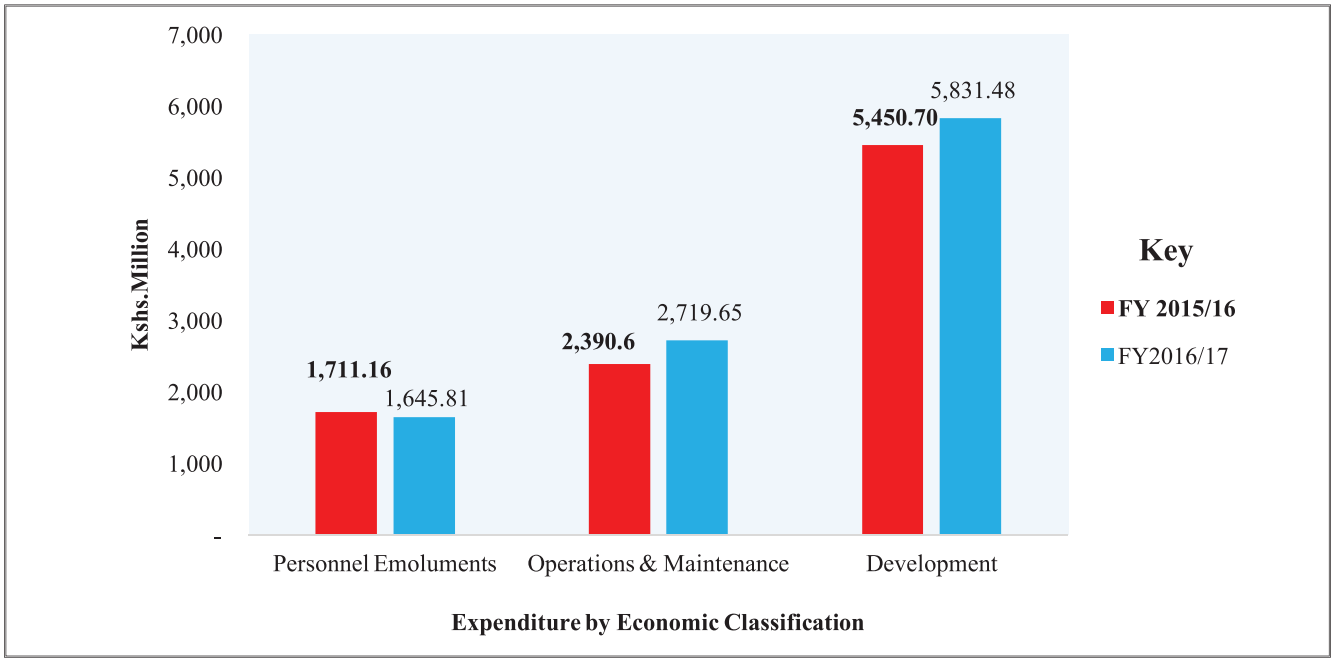
3.24.5 Overall Expenditure Review

The County spent Kshs.10.2 billion, which was 100 per cent of the total funds released for operations. This was an increase of 7 per cent from Kshs.9.55 billion spent in FY 2015/16.

A total of Kshs.4.37 billion was spent on recurrent activities, while Kshs.5.83billion was spent on development activities. The recurrent expenditure was 100.7 per cent of the funds released for recurrent activities while development expenditure accounted for 99.5 per cent of the funds released for development activities. The expenditure excluded pending bills as at June 30, 2017 that was not submitted by the county.

The recurrent expenditure represented 91.1 per cent of the annual recurrent budget, a decrease from 97.3 per cent spent in FY 2015/16. Development expenditure recorded an absorption rate of 80.6 per cent, which was an increase from 74.8 per cent attained in FY 2015/16. Figure.3.71 present a comparison between the total expenditure in FY 2016/17 and FY 2015/16.

Figure.3.71: Mandera County, Expenditure by Economic Classification in FY 2015/16 and FY 2016/17



Source: *Mandera County Treasury*

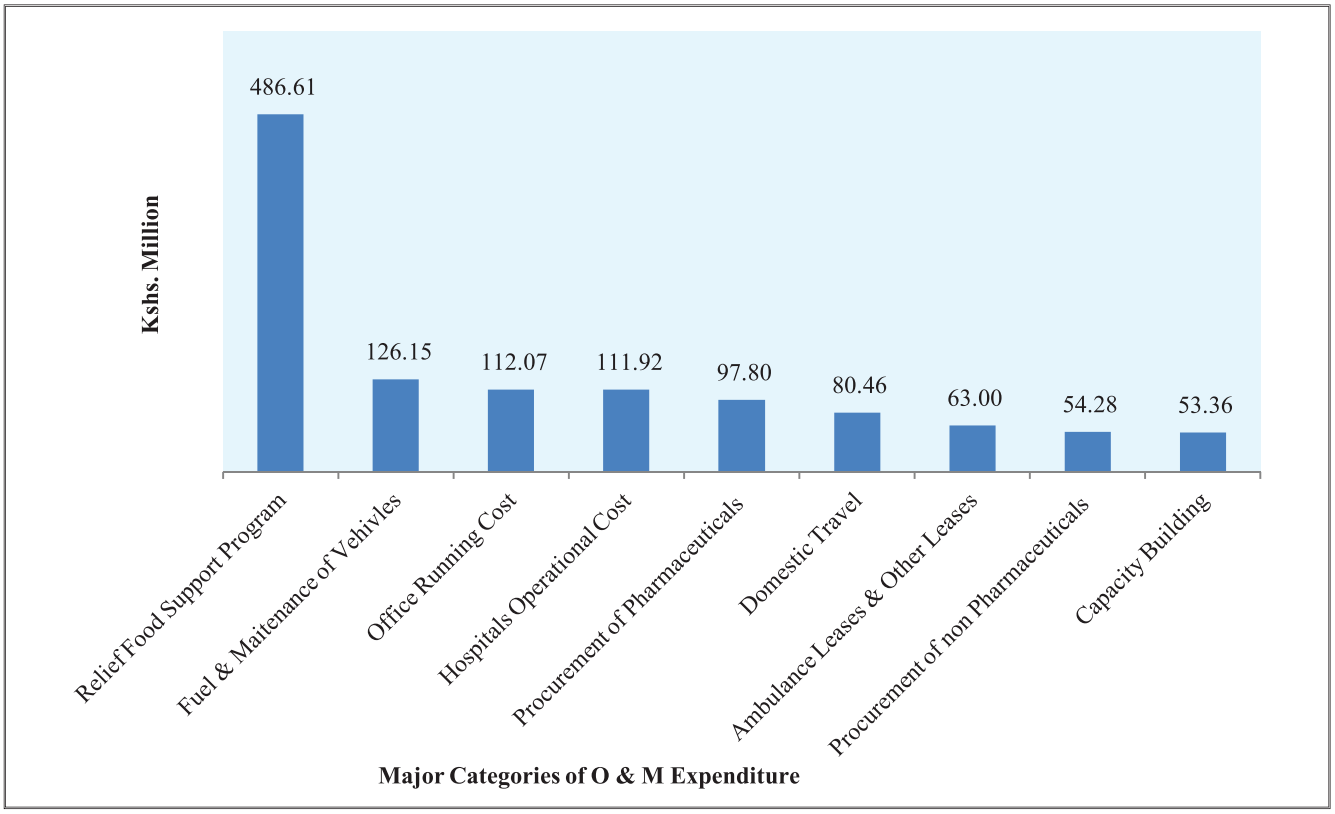
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3.24.6 Analysis of Recurrent Expenditure

The total recurrent expenditure of Kshs.4.37 billion consisted of Kshs.1.65 billion (37.7 per cent) spent on personnel emoluments and Kshs.2.72 billion (62.3 per cent) on operations and maintenance as shown in Figure.3.71. Expenditure on personnel emoluments represented a decrease of 4 per cent compared to FY 2015/16 when the County spent Kshs.1.71 billion. Figure 3.72 shows a summary of operations and maintenance expenditure by major categories.

The expenditure on personnel emoluments of Kshs.1.65 billion was 16.1 per cent of overall total expenditure in FY 2016/17 and 37.7 per cent of total recurrent expenditure of Kshs.4.37 billion.

Figure 3.72: Mandera County, Operations and Maintenance Expenditure by Major Categories for FY 2016/17



***Source**: Mandera County Treasury*

The County spent Kshs.21.31 million on sitting allowances for the 49 MCAs and the Speaker against the annual budget allocation of Kshs.63 million. This was a decrease of 57 per cent compared to Kshs.49.69 million spent in FY 2015/16. The average monthly sitting allowance was Kshs.36,237 per MCA compared to SRC's recommended monthly ceiling of Kshs.124,800.

Expenditure on domestic and foreign travel amounted to Kshs.168.51 million and consisted of Kshs.85.09 million spent by the County Assembly and Kshs.83.41 million by the County Executive. This expenditure represented 3.9 per cent of total recurrent expenditure and was an increase of 33 per cent compared to Kshs.126.32 million spent

in FY 2015/16.

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3.24.7 Development Expenditure Analysis

The total development expenditure of Kshs.5.83 million represented 80.6 per cent of the annual development budget of Kshs.7.24 billion. Table 3.71 provides a summary of development projects with the highest expenditure in FY 2016/17.

Table 3.71: Mandera County, List of Development Projects with the Highest Expenditure in FY 2016/17

S/No.	Project name	Project location	Annual project budget (Kshs.)	Annual project expenditure (Kshs.)	Absorption rate (%)
1	Construction, improvement and Supervision of roads in all sub-counties	Countywide	1,905.62	1,397.33	73.3
2	Construction/ Rehabilitation of Earth Pans/ Dams	Countywide	958.47	934.37	97.5
3	Construction/ Rehabilitation of water supplies	Not stated	498.75	455.96	91.4
4	Construction, Renovation, Refurbishment and Fencing of Ashabito, Kutulo, Rhamu Dimtu, Rhamu, Miraa Market, Mandera East,Sala, Eymole,Elwak SME Market	Ashabito, Kutulo, Rhamu Dimtu, Rhamu, Miraa Market, Mandera East,Sala, Eymole,Elwak SME Market	356.89	277.12	77.7
5	Construction of Building, fencing and other infrastructure in all sub-counties	All sub-counties	327.35	104.18	31.8
6	Supply of solar Equipment and Installation of Solar Powered Street Lighting - Rhamu Town	Rhamu Town	237.93	237.93	100
7	Construction Of Mandera Accident and Emergency Unit in Mandera Town and Elwak Town	Mandera Town and Elwak Town	236.35	236.35	100
8	Construction of 6-Bed Maternity & Delivery Block And Related Works At Elgolicha Dispensary	Elgolicha Dispensary	174.64	174.64	100
9	Payables from Previous Financial year	Not stated	140	140	100
10	Construction / Rehabilitation of Water Storage Tanks	Not stated	137.38	110.04	80.1

Source: *Mandera County Treasury*

Analysis of the development expenditure by project indicates that, the highest expenditure of Kshs.1.4 billion was spent on construction, improvement and supervision of roads in all sub-counties, followed by Kshs.934.37 million on construction/rehabilitation of earth pans/ dams, and Kshs.455.96 million on construction/rehabilitation of water supplies.

3.24.8 Budget and Budget Performance Analysis by Department

Table 3.72 shows a summary of budget estimates and budget performance by department in FY 2016/17

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Table 3.72: Mandera County, Budget Performance by Department in FY 2016/17

Department	Annual Budget Allocation (Kshs. Million)		FY 2016/17 Exchequer Issues (Kshs.Million)		FY 2016/17 Expenditure (Kshs.Million)		FY 2016/17 Expenditure to Exchequer Issues (%)		FY 2016/17 Absorption rate (%)	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
County Assembly	700.17	155.92	576.69	96.75	572.83	71.91	99.3	74.3	81.8	46.1
Ministry of Agriculture, Livestock and Fisheries	148.50	422.32	148.5	322.42	148.50	316.73	100	98.2	100	75
Ministry of Education, Culture and Sports	422.77	304.95	272.77	276.98	324.27	275.35	118.9	99.4	76.7	90.3
Ministry of Gender, Youth and Social Services	67.42	59.07	67.42	59.07	67.42	55.34	100	93.7	100	93.7
Ministry of Finance & Economic Planning and ICT	762.30	294.57	723	258.75	723	258.75	100	100.0	94.8	87.8
Health Services	1,074.46	830.27	1,006.24	782.63	1,006.03	783.35	100	100.1	93.6	94.3
Ministry of Trade, Investments, Industrialization, and Cooperative Development	39.12	364.58	39.12	291.95	39.12	282.97	100	96.9	100	77.6
Lands, Housing Developments and Physical Planning	60.51	139.8	60.51	105.95	60.51	106.34	100	100.4	100	76.1
Office of the Governor and Deputy Governor	301.78	-	284.02	-	295.08	-	103.9	-	97.8	-
County Public Service Board	63.74	-	63.74	-	63.74	-	100	-	100	-
Ministry of Public Service Management and Devolved Units	558.62	204.39	538.28	154.13	536.51	147.31	99.7	95.6	96	72.1
Public Works Roads and Transport	125.67	2,444.7	123.76	1,701.05	121.17	1,701.05	97.9	100	96.4	69.6
Ministry of Water, Energy, Environment, Natural Resources Tourism and Wildlife	464.93	2,018.24	432.66	1,809.22	407.28	1,832.39	94.1	101.3	87.6	90.8
Total	**4,789.97**	**7,238.82**	**4,336.71**	**5,858.9**	**4,365.46**	**5,831.48**	**100.7**	**99.5**	**91.1**	**80.6**

Source: *Mandera County Treasury*

Analysis of budget performance by department shows that the Department of Health Services attained the highest absorption of development budget at 94.3 per cent while Office of the Governor and Deputy Governor and County Public Service Board did not incur any development expenditure. On the other hand, the Ministry of Agriculture, Livestock and Fisheries, Ministry of Gender, Youth and Social Services, Ministry of Trade, Investments, Industrialization, and Cooperative Development, and Lands, Housing Developments and Physical Planning had the highest percentage of recurrent expenditure to recurrent budget at 100 per cent while the Ministry of Education, Culture and Sports had the lowest at 76.7 per cent.

3.24.9 Observations and Recommendations

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

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implementation. Some of the progress made included:

i. Improvement in absorption rate of development budget by 5.8 per cent from 74.8 per cent in FY2015/16 to 80.6 per cent in FY2016/17.

ii. Improved staff capacity especially in the use of IFMIS and E-Procurement module.

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

1. Under-performance in local revenue collection, which declined by 36.7 per cent from Kshs.88.23 million in FY 2015/16 to Kshs.55.84 million in FY 2016/17, representing 21 per cent of the annual revenue target.
2. Late submission of financial reports by the County Treasury to the Controller of Budget, which affected timely preparation of Budget Implementation Review Reports.
3. From the analysis of bank statements and expenditure reports, the Office noted that, the County made payments from bank accounts maintained in commercial banks by cheque. This is contrary to Government policy which requires all payments by Government to be made online through the Internet Banking platform.
4. Delay by the National Treasury to disburse the equitable share of revenue raised nationally.

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

1. *The County Treasury should develop and implement strategies to improve local revenue collection.*
2. *The County Treasury should ensure timely submission of expenditure reports on the Established Funds in line with Section 168 of the PFM Act, 2012.*
3. *All Accounting Officers in the County should ensure that payments are made online through the Internet Banking platform operated by the Central Bank of Kenya.*
4. *The County Treasury should liaise with the National Treasury to ensure that funds allocated to the County are released in a timely manner in line with the CARA Disbursement Schedule.*

3.25 Marsabit County

3.25.1 Overview of the FY 2016/17 Budget

The County's FY 2016/17 Approved Supplementary Budget was Kshs.6.82 billion, comprising of Kshs.3.61 billion (52.9 per cent) and Kshs.3.21 billion (47.1 per cent) allocation for recurrent and development expenditure respectively.

To finance the budget, the County expected to receive Kshs.5.59 billion (81.9 per cent) as equitable share of revenue raised nationally, Kshs.160.31 million (2.3 per cent) as total conditional grants, generate Kshs.120 million (1.8 per cent) from local revenue sources, and Kshs.939.37 million (13.8 per cent) cash balance from FY 2015/16. The conditional grants comprised of Kshs.25.09 million (15.7 per cent) for Free Maternal Healthcare, Kshs.86.04 million (53.7 per cent) from the Road Maintenance Fuel Levy Fund, Kshs.6.87 million (4.3 per cent) for User Fees Foregone, Kshs.7.67 million (4.8 per cent) from DANIDA and Kshs.34.63 million from a World Bank Loan (21.6 per cent). The County Treasury did not include in the expected revenues Kshs.29.08 million from Kenya Devolution Support Programme.

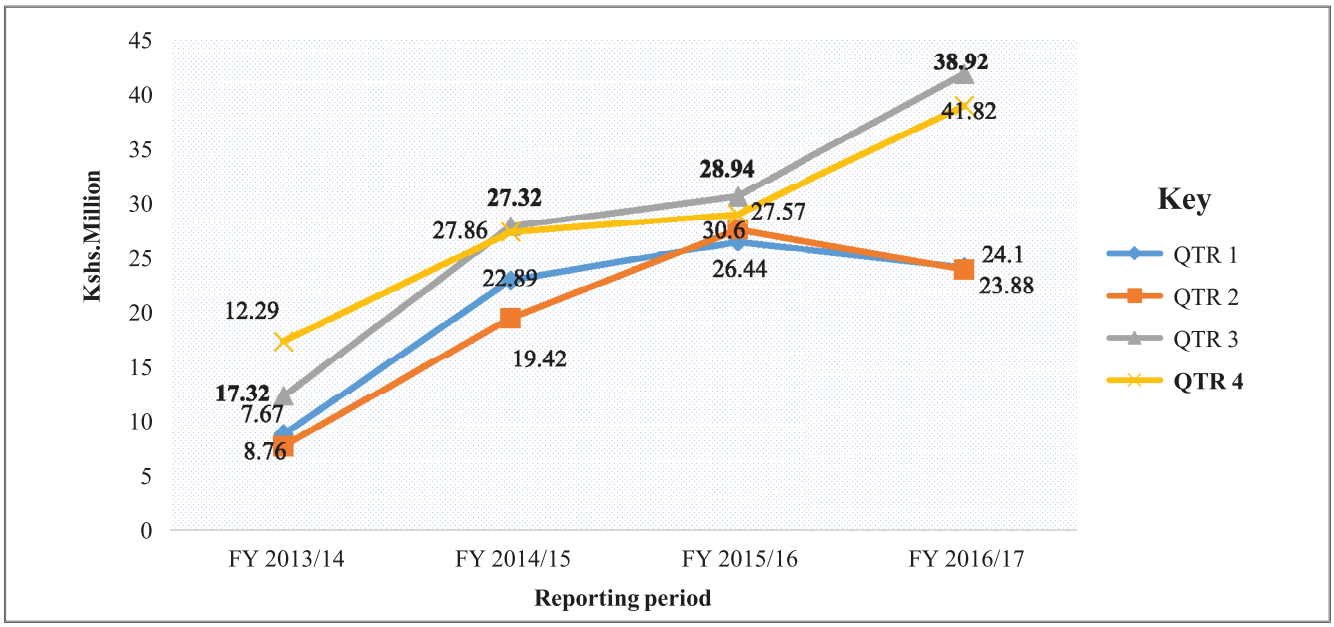
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3.25.2 Revenue Analysis

During the year, the County received Kshs.5.59 billion as equitable share of the revenue raised nationally, Kshs.125.68 million as total conditional allocations, raised Kshs.128.62 million from local revenue sources, and had a cash balance of Kshs.939.37 million brought forward from FY 2015/16.

Figure3.73 shows the quarterly trend in local revenue collection from the first quarter of FY 2013/14 to the fourth quarter FY 2016/17.

Figure3.73: Marsabit County, Trend in Local Revenue Collection by Quarter from FY 2013/14 to FY 2016/17



Source: *Marsabit County Treasury*

The total local revenue collected in FY 2016/17 amounted to Kshs.128.63 million, representing an increase of 14.9 per cent compared to Kshs.111.94 million generated in FY 2015/16, and represented 107.2 per cent of the annual local revenue target of Kshs.120 million.

3.25.3 Conditional Grants

Table 3.73 shows an analysis of conditional grants released in FY 2016/17.

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Table 3.73: Marsabit County Analysis of Conditional Grants Released in FY 2016/17

S/No	Conditional Grant	CARA, 2016 Annual Allocation in Kshs)	Actual receipts in FY 2016/17 in Kshs.	Actual Receipts as Percentage of Annual Allocation (%)
1	Road Maintenance Fuel Levy Fund	86,036,213	86,036,213	100
2	World Bank loan to health facilities	34,627,134	-	-
3	Free Maternal Healthcare	25,096,698	25,096,698	100
4	Foregone User Fees	6,872,636	6,872,636	100
5	DANIDA grant	7,675,000	7,675,000	100
TOTAL		**160,307,681**	**125,680,547**	**78.3**

Source: *Marsabit Treasury*

Analysis of the conditional grants released during the period under review indicates that, Road Maintenance Fuel Levy Fund, User Fees Foregone Free Maternal Healthcare and DANIDA grants recorded the highest receipts each at 100 per cent of the annual allocation, respectively.

3.25.4 Exchequer Issues

During the year, the Controller of Budget authorised withdrawal of Kshs.6.37 billion from the CRF account, which was 93.3 per cent of the Approved Supplementary Budget. This amount represented an increase of 10.2 per cent from Kshs.5.77 billion authorized in FY 2015/16 and consisted of Kshs.3.39 billion (53.2 per cent) for recurrent expenditure and Kshs.2.98 billion (46.8 per cent) for development activities.

3.25.5 Overall Expenditure Review

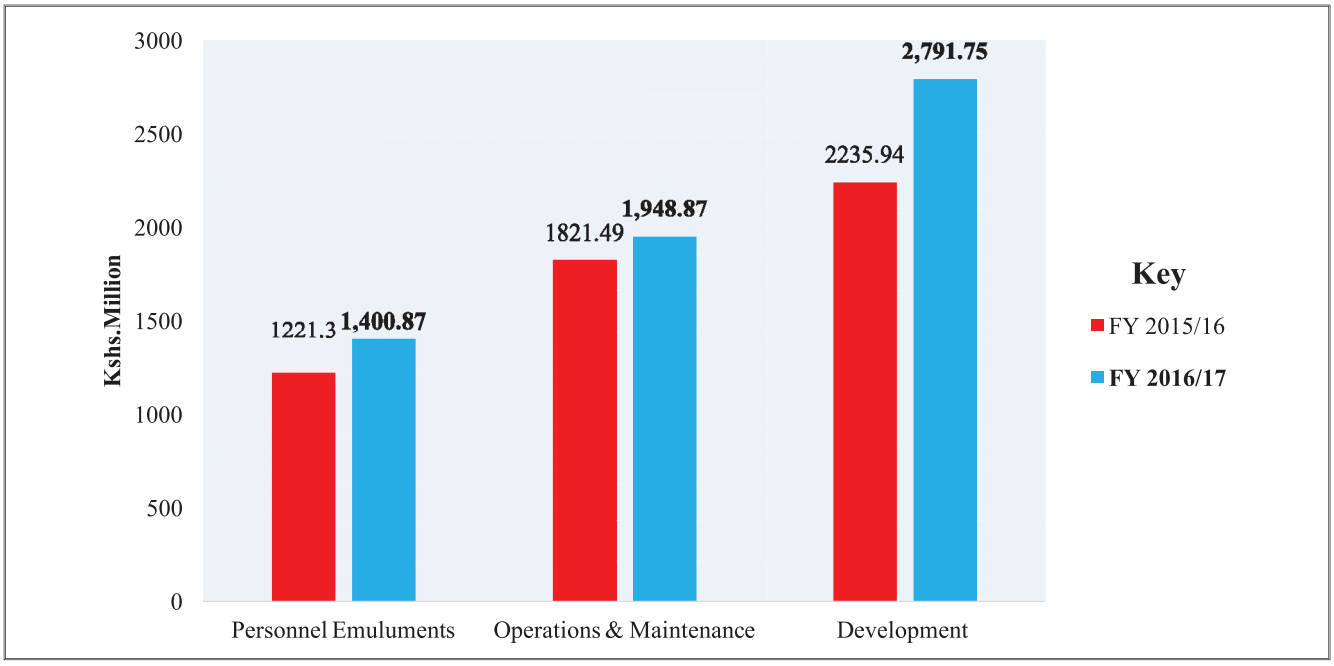
The County spent Kshs.6.14 billion, which was 96.4 per cent of the total funds released for operations. This was an increase of 91.5 per cent from Kshs.5.28 billion spent in FY 2015/16.

A total of Kshs.3.35 billion was spent on recurrent activities, while Kshs.2.79 billion was spent on development activities. The recurrent expenditure was 98.8 per cent of the funds released for recurrent activities while development expenditure accounted for 93.6 per cent of the funds released for development activities. The expenditure excluded pending bills as at June 30, 2017 that amounted to Kshs.468.53 million for development and Kshs.330.63 million for recurrent expenditure.

The recurrent expenditure represented 92.8 per cent of the annual recurrent budget, a decrease from 95 per cent spent in FY 2015/16. Development expenditure recorded an absorption rate of 86.9 per cent, which was an increase from 72.6 per cent attained in FY 2015/16. Figure 3.74 presents a comparison between the total expenditure in FY 2016/17 and FY 2015/16.

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Figure 3.74: Marsabit County, Expenditure by Economic Classification in FY 2015/16 and FY 2016/17



Source: *Marsabit County Treasury*

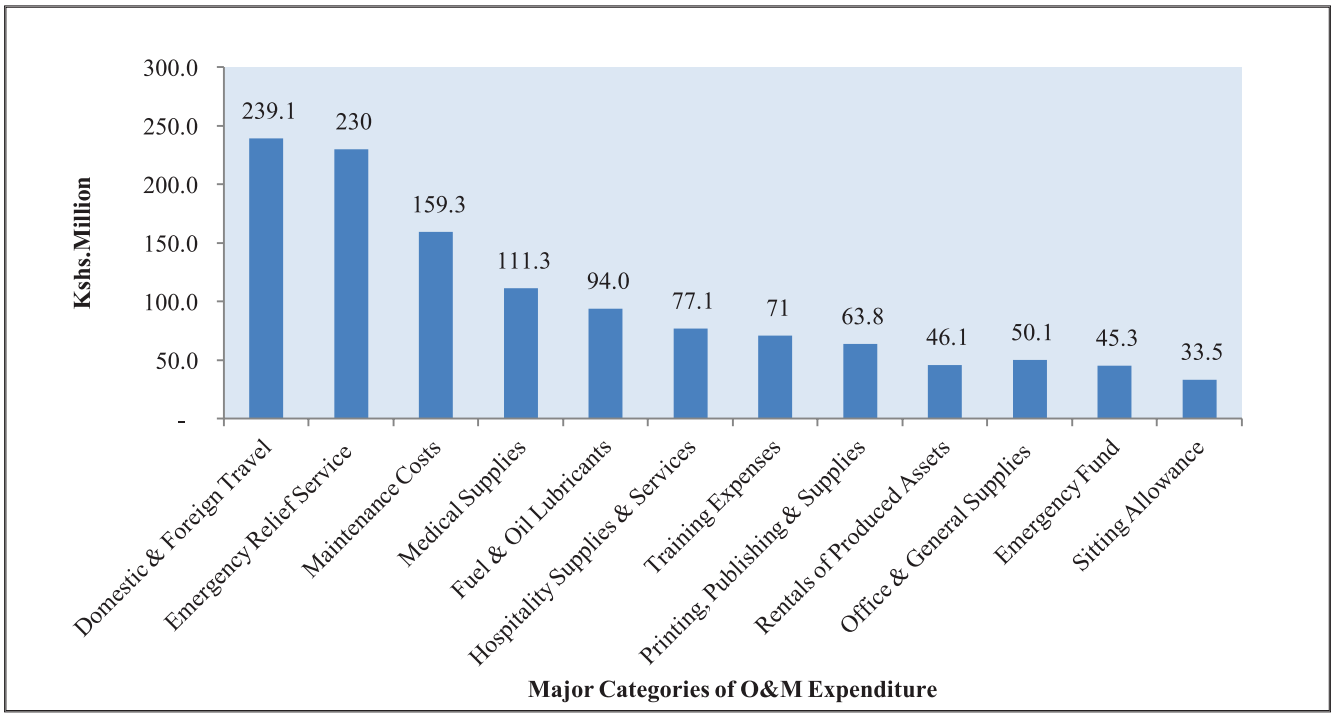
3.25.6 Analysis of Recurrent Expenditure

The total recurrent expenditure of Kshs.3.35 billion consisted of Kshs.1.4 billion (41.7 per cent) spent on personnel emoluments and Kshs.1.95 billion (58.3 per cent) on operations and maintenance as shown in Figure 3.74 .Expenditure on personnel emoluments represented an increase of 14.8 per cent compared to FY 2015/16 when the County spent Kshs.1.22 billion. Figure 3.75 shows a summary of operations and maintenance expenditure by major categories.

The expenditure on personnel emoluments of Kshs.1.4 billion was 22.3 per cent of overall total expenditure in FY 2016/17 and 41.8 per cent of total recurrent expenditure of Kshs.3.35 billion.

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Figure 3.75: Marsabit County, Operations and Maintenance Expenditure by Major Categories for FY 2016/17



Source: *Marsabit County Treasury*

The County spent Kshs.33.5 million on sitting allowances for the 33 MCAs and the Speaker against the annual budget allocation of Kshs.40 million. This was a decrease of 16.1 per cent compared to Kshs.39.9 million spent in FY 2015/16. The average monthly sitting allowance was Kshs.82, 109 per MCA compared to SRC's recommended monthly ceiling of Kshs.124,800.

Expenditure on domestic and foreign travel amounted to Kshs.239.1 million and consisted of Kshs.92.5 million spent by the County Assembly and Kshs.146.6 million by the County Executive. This expenditure represented 7.1 per cent of total recurrent expenditure and was a decrease of 6.7 per cent compared to Kshs.256.34 million spent in FY 2015/16.

3.25.7 Development Expenditure Analysis

The total development expenditure of Kshs.2.79 billion represented 86.9 per cent of the annual development budget of Kshs.3.21 billion. Table 3.74 provides a summary of development projects with the highest expenditure in FY 2016/17.

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Table 3.74: Marsabit County, List of Development Projects with the Highest Expenditure in FY 2016/17

S/No.	Project name	Project location	Annual project budget (Kshs .)	Annual project expenditure (Kshs.)	Absorption rate (%)
1	Construction of Marsabit Modern Market	Saku	110,000,000	104,735,194	95.2
2	Solar Street Lighting	Saku/Moyale	62,825,600	40,208,384	64
3	Upgrading of Marsabit Road to Bitumen Standard	Saku	347,755,684	30,000,000	8.6
4	Construction of tupcha dam	Laisamis	33,958,000	23,770,600	70
5	North Horr Health Centre	North Horr	12,000,000	12,000,000	100
6	Construction of dabel dam	Moyale	8,003,199	8,003,199	100
7	Improvement of Loiyangalani -Moite Road	Loiyangalani	7,877,328	7,877,328	100
8	Solid waste management	Saku	12,000,000	7,700,000	64.2
9	Firefighting equipment	County Headquarters	7,000,000	7,000,000	100
10	Improvement of Laggaikirime-Illeret road	North Horr	9,525,910	6,668,137	70

Source: *Marsabit County Treasury*

Analysis of the development expenditure by project indicates that, the highest expenditure of Kshs.104.74 million was spent on construction of Marsabit Market in Saku Sub-county, followed by Kshs.40.21 million on Solar Street Lighting in Saku and Moyale Sub-counties, and Kshs.30 million as part payment for the upgrading of Marsabit town roads to Bitumen standard.

3.25.8 Budget and Budget Performance Analysis by Department

Table 3.75 shows a summary of budget estimates and budget performance by department in FY 2016/17

Table 3.75: Marsabit County, Budget Performance by Department in FY 2016/17

Department	Annual Supplementary Budget Allocation (Kshs.Million)		Exchequer Issues in FY 2016/17 (Kshs.Million)		Expenditure in FY 2016/17 (Kshs.Million)		FY 2016/17 Expenditure to Exchequer Issues (%)		FY 2016/17 Absorption rate (%)	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
County assembly	500	60.31	496.34	60.31	456.24	50.03	91.9	83	91.2	83
Office of the Governor	399.83	353.72	399.83	314.1	386.07	366.24	96.6	116.6	96.6	103.5
Finance & Economic planning	491.36	192.38	491.36	169.72	471.45	163.15	95.9	96.1	95.9	84.8
Agriculture, Livestock, Veterinary & Fisheries	160.59	136.55	160.59	133.81	148.24	133.33	92.3	99.6	92.3	97.6
Water, Environment & Natural Resources	168.52	608.84	168.52	606.45	157.52	473.14	93.5	78	93.5	77.7

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Education, Youth Affairs & Sports	159.15	366.53	159.15	332.32	146.84	317.11	92.3	95.4	92.3	86.5
County Health Services	899.37	475.49	857.23	474	839.49	392.58	97.9	82.8	93.3	82.6
Lands, Physical Planning and Urban Development	96.61	257.86	96.61	218.5	89.82	228.24	93	104.5	93	88.5
County Transport, Public Works and Roads	269.67	337.86	118.02	320.08	240	324	203.4	101.2	89	95.9
Trade, Tourism, Cooperatives and Enterprise Development	77.31	219.1	75.61	210.83	73.87	181.01	97.7	85.9	95.6	82.6
Culture, Social Services and Gender	41.57	144.22	41.57	100.22	31.89	107.36	76.7	107.1	76.7	74.4
County Public Service Board	74.82	5	74.82	5	74.16	4.99	99.1	99.8	99.1	99.8
Administration, Coordination & ICT	270.39	52.14	246.84	33.94	234.15	50.57	94.9	149	86.6	97
TOTAL	**3,609.18**	**3,210**	**3,386.48**	**2,979.28**	**3349.74**	**2791.75**	**98.9**	**93.7**	**92.8**	**87**

Source: *Marsabit County Treasury*

Analysis of budget performance by department shows that the Office of the Governor overspent its development budget by 3.5 per cent while the the Department of Culture, Social Services and Gender had the lowest development expenditure to its budget at 74.4 per cent. On the other hand, the County Public Service Board had the highest percentage of recurrent expenditure to recurrent budget at 99.1 per cent.

3.25.9 Observations and Recommendations

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

i. Improvement in absorption of development budget. In the reporting period, the County attained an absorption rate of 86.9 per cent compared to 72.6 per cent in FY 2015/16.

ii. Improvement in local revenue collection by 14.9 per cent from Kshs.111.94 million in FY 2015/16 to Kshs.128.63 million in FY 2016/17.

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

1. Failure by Fund Administrators to submit expenditure reports for the Car Loan and Mortgage Fund, Bursary Fund, and, Enterprise Fund contrary to Section 168 of the PFM Act, 2012.
2. IFMIS connectivity challenges, which slowed down approval of procurement requests and payments to suppliers.
3. Delay by the National Treasury to disburse the equitable share of revenue raised nationally.

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

1. *Fund Administrators should prepare and submit Fund reports in a timely manner as required by Section 168 of the PFM Act, 2012.*
2. *The County Treasury should liaise with National Treasury to ensure proper functioning of the IFMIS system.*

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3. *The County Treasury should liaise with the National Treasury to ensure that funds allocated to the County are released in a timely manner in line with the CARA Disbursement Schedule*

3.26 Meru County

3.26.1 Overview of the FY 2016/17 Budget

The County's FY 2016/17 Approved Supplementary Budget was Kshs.10.14 billion, comprising of Kshs.6.92 billion (68.3 per cent) and Kshs3.22 billion (31.7per cent) allocation for recurrent and development expenditure respectively.

To finance the budget, the County expected to receive Kshs.7.01 billion (69.1 per cent) as equitable share of revenue raised nationally, Kshs.634.24 million (6.6 per cent) as total conditional grants, generate Kshs.773.24 million (7.6 per cent) from local sources (includes Hospital A-I-A of Kshs.185 million), Kshs.374.65 million (3.7 per cent) negotiated Health Workers Allowances and Kshs.1.32 billion (13 per cent) cash balance from FY 2015/16. The conditional grants comprised of Kshs.356.07 million (56.1 per cent) for Meru Level 5 Hospital, Kshs.114.7 million (18.1 per cent) for Free Maternal Healthcare, Kshs.107.66 million (17 per cent) from the Road Maintenance Fuel Levy Fund, Kshs.32.1 million (5.1 per cent) for User Fees Foregone, Kshs.10.3 million (1.6 per cent) from DANIDA, and Kshs.13.42 million (1.6 per cent) World Bank Loan to finance health facilities. In addition, the County budgeted for Kshs.44.52 million from Other Loans and Grants, which was not contained in CARA, 2016.

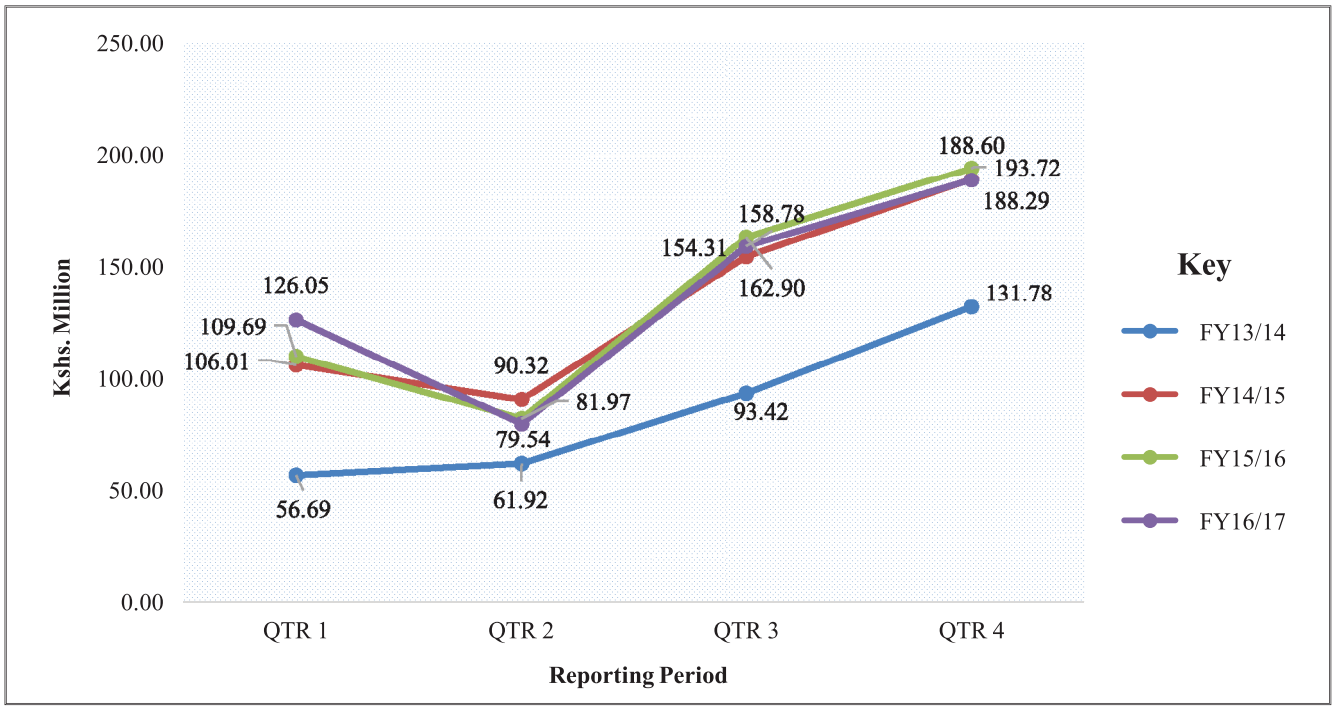
3.26.2 Revenue Analysis

During the year, the County received Kshs.7.01 billion as equitable share of the revenue raised nationally, Kshs.661.4 million as total conditional allocations, Kshs.174.14 million as Negotiated Health Workers Allowances raised Kshs.552.67 million from local revenue sources, and had a cash balance of Kshs.1.32 billion brought forward from FY 2015/16.

Figure 3.76 shows the quarterly trend in local revenue collection from the first quarter of FY 2013/14 to the fourth quarter FY 2016/17.

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Figure 3.76: Meru County, Trend in Local Revenue Collection by Quarter from FY 2013/14 to FY 2016/17



Source: *Meru County Treasury*

The total local revenue collected in FY 2016/17 amounted to Kshs.552.67 million, representing an increase of 0.8 per cent compared to Kshs.548.29 million generated in FY 2015/16, and represented 71.5 per cent of the annual local revenue target of Kshs.773.24 million.

3.26.3 Conditional Grants

Table 3.76 shows an analysis of conditional grants released in FY 2016/17.

Table 3.76: Meru County Analysis of Conditional Grants Released in FY 2016/17

S/No.	Conditional Grant	CARA, 2016 Annual Allocation in Kshs)	Actual receipts in FY 2016/17 in Kshs.	Actual Receipts as Percentage of Annual Allocation (%)
1	Level 5 Hospitals	356,069,364	356,069,364	100
2	Free Maternal Healthcare	114,704,443	115,425,000	100.6
3	Road Maintenance Fuel Levy Fund	107,657,595	107,657,595	100
4	User Fees Foregone	32,096,227	32,096,227	100
5	World Bank Loan to Health Facilities	13,420,040	-	-
6	DANIDA grant	10,295,000	10,295,000	100
7	Tea Development Fund	-	25,487,506	100
8	Kenya Devolution Support Programme Trust (Not in CARA, 2016)	-	8,753,558	-
9	Coffee Cess	-	5,615,993	100
Total		**639,858,662**	**661,400,243**	**103.4**

Source: *Meru County Treasury*

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Analysis of the conditional grants released during the period under review indicates that, Free Maternal Healthcare recorded the highest receipts at100.6 per cent of annual allocation, as a result of receiving Kshs.920.56 million balance from FY 2015/16.

3.26.4 Exchequer Issues

During the year, the Controller of Budget authorised withdrawal of Kshs.8.75 billion from the CRF account, which was 86.3 per cent of the Approved Supplementary Budget. This amount represented an increase of 31.4 per cent from Kshs.6.66 billion authorized in FY 2015/16 and consisted of Kshs.6.32 billion (72.2 per cent) for recurrent expenditure and Kshs2.43 billion (27.8 per cent) for development activities.

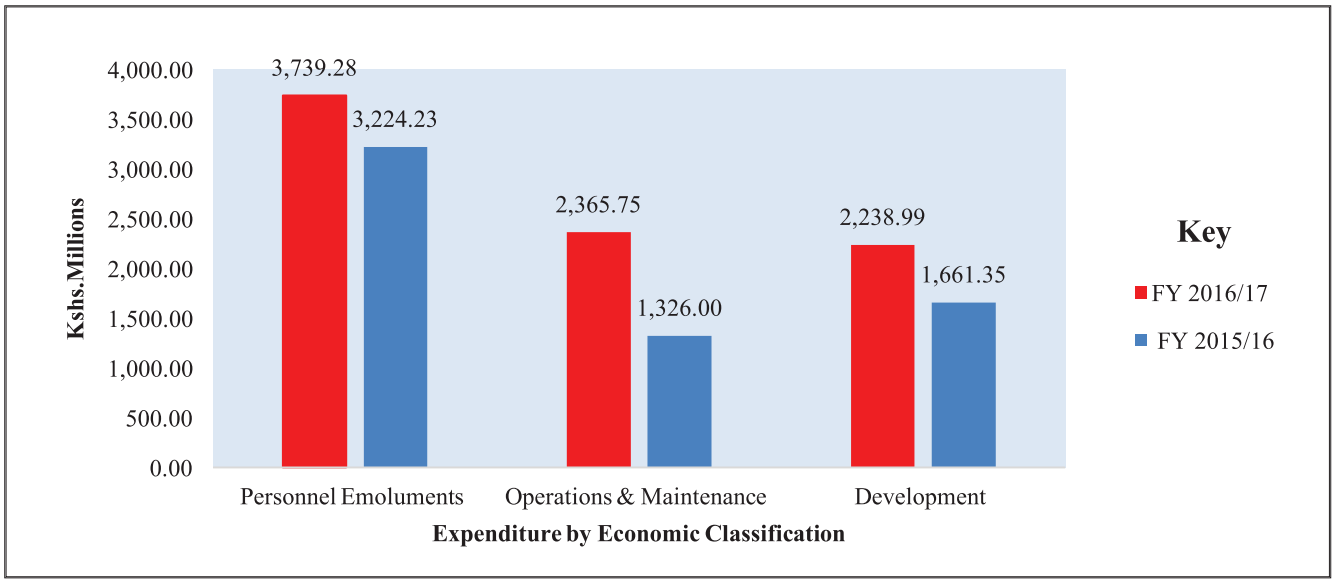
3.26.5 Overall Expenditure Review

The County spent Kshs.8.34 billion, which was 95.4 per cent of the total funds released for operations. This was an increase of 34.3 per cent from Kshs.6.2 billion spent in FY 2015/16.

A total of Kshs.6.11 billion was spent on recurrent activities, while Kshs.2.24 billion was spent on development activities. The recurrent expenditure was 96.6 per cent of the funds released for recurrent activities while development expenditure accounted for 92.1 per cent of the funds released for development activities. The expenditure excluded pending bills as at June 30, 2017 that amounted to Kshs.609.7 million for development and Kshs.222.39 million for recurrent expenditure.

The recurrent expenditure represented 88.2 per cent of the annual recurrent budget, an increase from 84.3 per cent attained in FY 2015/16. Development expenditure recorded an absorption rate of 69.6 per cent, which was an increase from 58.8 per cent attained in FY 2015/16. Figure 3.77 presents a comparison between the total expenditure in FY 2016/17 and FY 2015/16.

Figure 3.77: Meru County, Expenditure by Economic Classification in FY 2015/16 and FY 2016/17



Source: *Meru County Treasury*

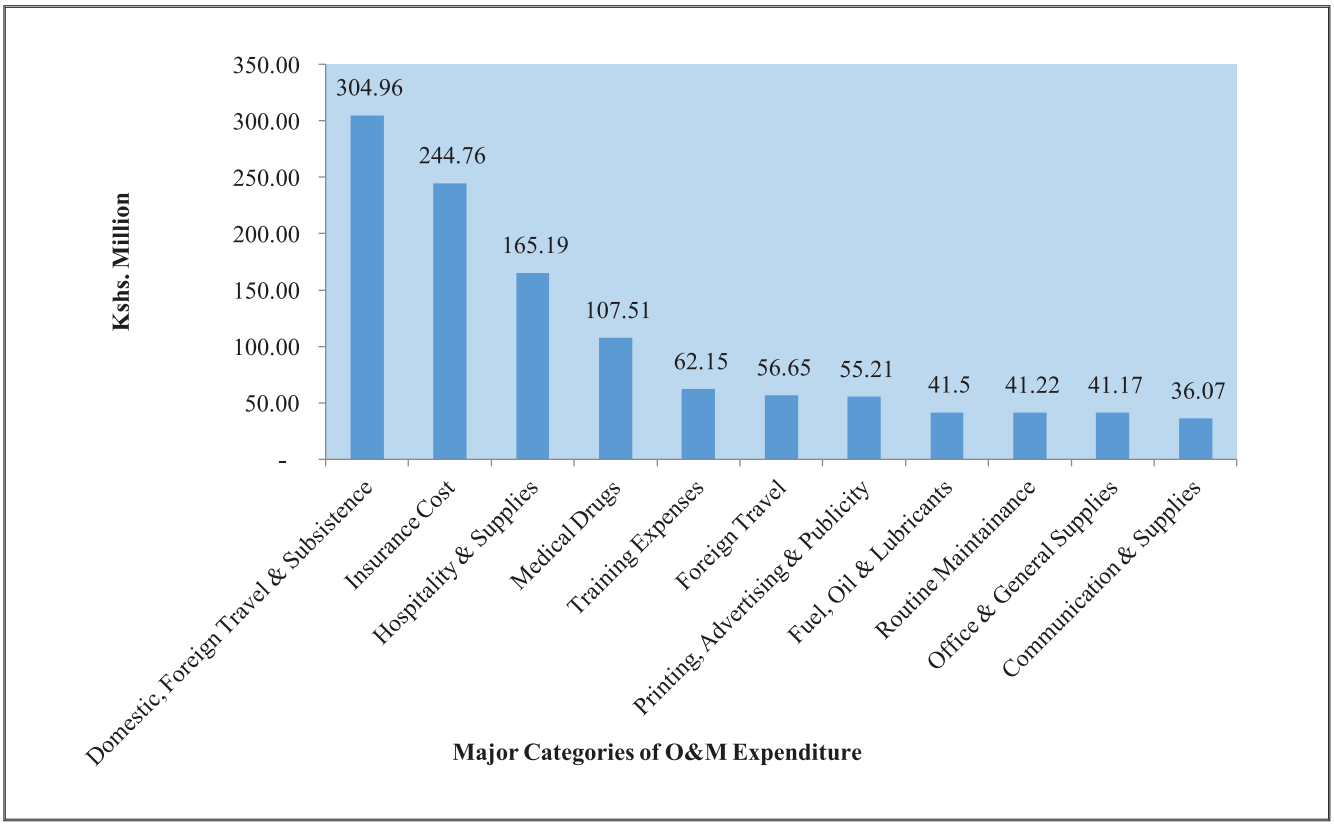
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3.26.6 Analysis of Recurrent Expenditure

The total recurrent expenditure of Kshs.6.11 billion consisted of Kshs.3.74 billion (61.2 per cent) spent on personnel emoluments and Kshs.2.37 billion (38.8 per cent) on operations and maintenance as shown in Figure 3.77. Expenditure on personnel emoluments represented an increase of 16 per cent compared to FY 2015/16 when the County spent Kshs.3.22 billion. Figure 3.78 shows a summary of operations and maintenance expenditure by major categories.

The expenditure on personnel emoluments of Kshs.3.74 billion was 44.8 per cent of overall total expenditure in FY 2016/17 and 61.2 per cent of total recurrent expenditure iof Kshs.6.11 billion.

Figure 3.78: Meru County, Operations and Maintenance Expenditure by Major Categories for FY 2016/17



Source: *Meru County Treasury*

The County spent Kshs.94.88 million on sitting allowances for the 70 MCAs and the Speaker against the annual budget allocation of Kshs.104.99 million. This was a decrease of 5.8 per cent compared to Kshs.100.7 million spent in FY 2015/16. The average monthly sitting allowance was Kshs.112,957 per MCA compared to SRC's recommended monthly ceiling of Kshs.124,800.

Expenditure on domestic and foreign travel amounted to Kshs.304.96 million and consisted of Kshs.207.69 million spent by the County Assembly and Kshs.97.27 million by the County Executive. This expenditure represented 5 per cent of total recurrent expenditure and was an increase of 28.3 per cent compared to Kshs.237.62 million

spent in FY 2015/16.

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3.26.7 Development Expenditure Analysis

The total development expenditure of Kshs.2.24 million represented 69.6 per cent of the annual development budget of Kshs.3.2 billion. Table 3.77 provides a summary of development projects with the highest expenditure in FY 2016/17.

Table 3.77: Meru County, List of Development Projects with the Highest Expenditure in FY 2016/17

S/No.	Project name	Project Location	Annual project Budget (Kshs.)	Annual project Expenditure (Kshs.)	Absorption rate (%)
1	Construction of Water Supply System	Njia Ward, Lower Igembe South, Matiandui, Rumanthi, Maburua, Mbirikine, Matiandui, Kithingangu, Njia, Muramba, Mitunguu, Michimikuru, Maburua, Koome Machaka, Kianjai, Kiamiogo, Kiagu, Kangeta, Gikui-Mweru, Gatwe, Gatuntu, Muthara, Thangatha	218,499,180	184,633,031	84.5
2	ECDE Classrooms	Ambaru, Ankurani, Antuanthege, Antubankui, Antubochiu, CCM Good Shepherd, CCM Irinda, CCM Micii, Mukuru, CCM Ntumburi, CCM Ontulili, Chaikuru, Chugu, DEB Itumbi, DEB Kirwiro, DEB Mamuru, DEB Township, Gaatia, Gakiiri, Gatimbi ECDECentre, Gikuru, Gikurune, Gitura, Ikingo, KK Aaru, K K Muuti, KK Rwanjwee, Kaamu, Kaguma, Kaluli, Kamboo, Kamburu, Kamiruru, Kamithenga, Kamiti, Kanthali, Kariati, Karima, Karirwara, Karumaru, Kathanthatu, Katheju, Kathita, Kaura, Kauru, Kauthene, Kiambogo, Kiandiu, Kiandungu, Kiani, Kibiru, Kieni, Kiguma, Kiirua, Kiithe, Kilili, Kiolo, Kiraria, Kiromwathi, Kithaene, Kithangari, Kithatu, Kithunguri, KK Mau, KK Muuti, KKTharaine, Kuiri, Laciathuru, Liburu, Limbine, Linjoka, Lukununu, Luuma, Machegene, Marere, Matabithi, Mburugiti, Mbuta, Mbuta, Mck Abothuguchi Boarding, Mck Runywene , Mck St Pauls Nkunjumu, Mikinduri, Miori, Mporoko, Mpuri, Muguru, Murungene, Muthikine, Muungu, Mwerene, Mwerongundu, Mweronkoro, Mwiteria, Nairiri, Nairuru, Ndiine, Ndoleli, Ndumuru, Ndurumuru, Nkabune, Nkubu, Nthambiro, Nthangathi, Ntharagwe, Ntherone, Nthimbiri, Ntirutu, Ntoombo, Ontulili, Rurii, Rwarera, Thamare, Tutua, Ucima, Ugoti, Yururu Primary schools	141,541,903	84,651,835	59.8

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3	Grading and Gravelling of Roads	Akithi, Kiegoi, Nkuene, Njia, Mwangathia, Mitunguu, Kisima, Igoji East, Timau, Ntima, Mitunguu, Kisima, Kiegoi, Kibirichia, Kiagu, Igoji West, Igembe East, Athiru, Amwathi, Ntunene, Municipality, Mbeu, Kibirichia, Antuambui, Abogeta East, Timau, Naathu, Kanuni, Ntima East, Abothuguci West, and Kibirichia Wards	82,758,120	82,758,120	100
4	Supply and Delivery of Water Pipes	Akachiu and Kiegoi, Nyaki East, Mbeu Imenti South Wards, Tigania East, Thangatha, Imenti Central, Ntima East, East and West, Mwangathia, Abogeta Kiagu, Mikinduri, Buuri, Imenti North, Athiru Ruujine, Athiru Ruujine, Kamaroo, Ntima West, Various Meru County Communities, Thangatha, Nkuene, Antuambui, Imenti North, Kiirua/Naari ward	72,489,014	71,133,054	98.1
5	Supply of Mortuary Chambers	Nyambene, and Level 5	64,627,781	64,627,781	100
6	Road Opening Works	Abothugucii Central Ward, Ntunene, Njia, Naathu Ward, Muthara Ward, Municipality Ward, Mbeu Ward, Maua Ward, Maua, Kisima, Kangeta Ward, Igembe East, Athwana Ward, Athiru Rujiine Ward, Antubetwe Kiogo Ward, Antubetwe Kiogo Ward, Antubetwe Kiogo Ward, Antuambui, Athiru Gaiti, Amwathi Ward, Akirangondu Ward, Abothuguchi West Ward, Muthara Ward, Muthara Ward, Kiirua Naari Ward	57,076,872	57,076,872	100
7	Borehole Drilling	Kiromwathi Primary, Karichu, Ruiri, Murambai, Kiromwathi, Kianjai, Karama	56,977,792	46,251,254	81.2
8	Construction of Health Centre, Hospitals & Dispensaries	Akachiu Health Centre, Athiru Ruujine, Kaleera, Kaongo Dispensary, Mikinduri, Muthara Hospital, Muthara Hospital, Mutonyi Dispensary, Kimbo Dispensary, Mchuune Dispensary, Ndoleli Dispensary, Nthugu Dispensary, Nthugu Dispensary	50,295,687	42,532,918	84.6
9	Upgrading of Roads	Maua	47,528,551	47,528,551	100
10	Upgrading of Kinoru Stadium	Kinoru Stadium	46,988,650	46,988,650	100

Source:*Meru County Treasury*

Analysis of the development expenditure by project indicates that, the highest expenditure of Kshs.184.63 million was spent on Construction of Water Supply System, followed by Kshs.84.65 million on construction of ECDE Classrooms at various Primary schools as per the table above, and Kshs.82.76 million on grading and gravelling of roads.

3.26.8 Budget and Budget Performance Analysis by Department

Table 3.78 shows a summary of budget estimates and budget performance by department in FY 2016/17.

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Table 3.78: Meru County, Budget Performance by Department in FY 2016/17

Department	Annual Supplementary Budget Allocation (Kshs.Million)		Exchequer Issues in FY 2016/17 (Kshs.Million)		Expenditure in FY 2016/17 (Kshs. Million)		FY 2016/17 Expenditure to Exchequer Issues (%)		FY 2016/17 Absorption rate (%)	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
County Assembly	910.3	10.91	894.52	-	901.73	0.6	100.8	-	99.1	5.5
Office of the Governor	389.23	-	333.64	-	348.99	-	104.6	-	89.7	-
County Treasury	957.26	174.86	726.6	95.53	816.98	50	112.4	52.3	85.3	28.6
Agriculture, Fishery and Livestock	377.01	228.8	351.53	76.89	308.38	177.65	87.7	231.1	81.8	77.6
Water, Environment and Natural Resources	113.82	500.09	113.82	455.65	102.11	482.99	89.7	106	89.7	96.6
Education	496.12	192.17	348.32	179.37	453.57	55.79	130.2	31.1	91.4	29
Health	2,620.46	461.98	2,489.02	447.06	2,269	343.66	91.2	76.9	86.6	74.4
Lands, Housing, Physical and Economic Planning	104	132.9	104	121.76	85.48	118.58	82.2	97.4	82.2	89.2
Public Service and Administration	633.05	34.26	633.05	33.17	585.41	30.06	92.5	90.6	92.5	87.8
Transport and Infrastructure	110.14	773.36	110.14	593.79	92.65	559.30	84.1	94.2	84.1	72.3
Co-operative, Tourism and Enterprise Development	82.94	349.61	82.94	242.20	67.32	222.07	81.2	91.7	81.2	63.5
Culture, Gender and Sports	68.14	355.41	68.14	185.80	44.59	196.3	65.4	105.7	65.4	55.2
County Public Service Board	25.28	-	25.28	-	15.63	-	61.8	-	61.8	-
Town Administration	36.47	2.55	36.47	0.36	13.21	1.99	36.2	559.6	36.2	78
Total	**6,924.21**	**3,216.89**	**6,317.46**	**2,431.56**	**6,105.03**	**2,238.99**	**96.6**	**92.1**	**88.2**	**69.6**

Source: *Meru County Treasury*

Analysis of budget performance by department shows that the Water, Environment and Natural Resources Department attained the highest absorption of development budget at 96.6 per cent while the County Assembly attained the least absorption of development expenditure at 5.5 per cent. On the other hand, the County Assembly had the highest percentage of recurrent expenditure to recurrent budget at 99.1 per cent while the Department of Town Administration had the lowest at 36.2 per cent.

3.26.9 Observations and Recommendations

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

i. Improvement in the absorption of development budget from 58.8 per cent in FY 2015/16 to 69.6 per cent in the reporting period.

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

1. Delay by Fund Administrators to regularly submit quarterly expenditure reports on the Bursary Fund, County Assembly Staff Car Loan and Mortgage Fund, and, County Executive Car & Mortgage Fund contrary to Section 168 of the PFM Act, 2012.
2. Failure to establish an Internal Audit Committee to oversee financial operations in the County contrary to

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Section 155 of the PFM Act, 2012.

3. Discrepancies at item level between the Approved Budget and the budget uploaded onto IFMIS.
4. Failure to develop Regulations to operationalize the Disaster Management Fund contrary to Section 116 of the PFM Act, 2012.
5. The County's wage bill has remained high, having increased by 16 per cent from Kshs.3.22 billion in the FY 2015/16 to Kshs.3.74 billion in FY 2016/17, and represented 44.8 per cent of total expenditure. Increase in wage bill may affect implementation of development projects.
6. Delay by the National Treasury to disburse the equitable share of revenue raised nationally.

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

1. *The Administrators of the Bursary Fund, County Assembly Staff Car Loan and Mortgage Fund, and, the County Executive Staff Car Loan and Mortgage Fund should ensure timely submission of expenditure reports in line with Section 168 of the PFM Act, 2012.*
2. *The County should establish an Internal Audit Committee in line with Section 155 of the PFM Act, 2012.*
3. *The County Treasury should reconcile the discrepancies between the Approved Budget and that uploaded in IFMIS.*
4. *The County should ensure that Regulations establishing any County Public Funds are in place in line with Section 116 of the PFM Act, 2012 before operationalization of the Fund.*
5. *The County Public Service Board should establish and adopt an optimal staffing structure in order to ensure sustainable wage bill.*
6. *The County Treasury should liaise with the National Treasury to ensure that funds allocated to the County are released in a timely manner in line with the CARA Disbursement Schedule.*

3.27 Migori County

3.27.1 Overview of the FY 2016/17 Budget

The County's FY 2016/17 approved supplementary Budget was Kshs.7.30 billion comprising of Kshs.4.75 billion (61.4 per cent) and Kshs.2.98 billion (38.6 per cent) allocations for recurrent and development expenditure respectively.

To finance the budget, the County expected to receive Kshs.6.3 billion (82.5 per cent) as equitable share of revenue raised nationally, Kshs.470.28 million (6.2 per cent) as total conditional grants, to generate Kshs.420 million (5.5 per cent) from local sources, and Kshs.446.63 million (5.8 per cent) cash balance from FY 2015/16. The conditional grants comprised of Kshs.172.35 million (36.6 per cent) for Free Maternal Health Healthcare, Kshs.96.77 million (20.6 per cent) from the Road Maintenance Fuel Levy Fund, Kshs.21.88 million (4.7 per cent) for User Fees Foregone, Kshs.10.22 million (2.2 per cent) as a grant from DANIDA, and Kshs.169.06 million (36.6 per cent) as World Bank Loan to health facilities. In addition the County expected to receive Kshs.95.7 million for Kenya Devolution Support Programme from World Bank which was not contained in CARA, 2016.

3.27.2 Revenue Analysis

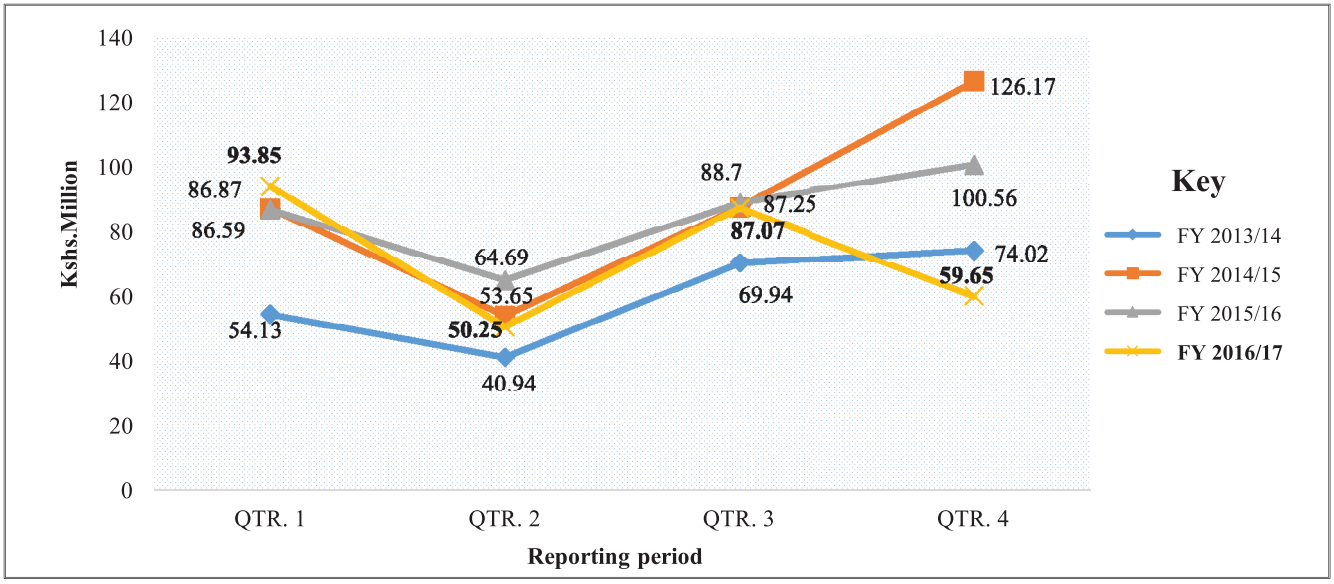
During the year, the County received Kshs.6.3 billion as equitable share of the revenue raised nationally,

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Kshs.268.36 million as total conditional allocations, raised Kshs.290.82 million from local revenue sources, and had a cash balance of Kshs.446.63 million brought forward from FY 2015/16.

Figure.3.79 shows the quarterly trend in local revenue collection from the first quarter of FY 2013/14 to the fourth quarter FY 2016/17.

Figure.3.79: Migori County, Trend in Local Revenue Collection by Quarter from FY 2013/14 to FY 2016/17



Source: *Migori County Treasury*

The total local revenue collected in FY 2016/17 amounted to Kshs.290.82 million, representing a decrease of 14.6 per cent compared to Kshs.340.54 million generated in FY 2015/16, and represented 69.2 per cent of the annual local revenue target of Kshs.420 million.

3.27.3 Conditional Grants

Table.3.79 shows an analysis of conditional grants released in FY 2016/17.

Table.3.79: Migori County Analysis of Conditional Grants Released in FY 2016/17

S/No	Conditional Grant	CARA,2016 Annual Allocation in Kshs)	Actual receipts in FY 2016/17 in Kshs.	Actual Receipts as Percentage of Annual Allocation (%)
1	Free Maternal Healthcare	172,348,147	131,394,500	76.2
2	World Bank loan to health facilities	169,061,327	20,004,000	11.8
3	Road Maintenance Fuel Levy Fund	96,769,311	84,859,828	87.7
4	User Fees Foregone	21,882,372	21,882,372	100.0
5	DANIDA grant	10,220,000	10,220,000	100.0
TOTAL		**470,281,157**	**268,360,700**	**57.1**

Source: *Migori County Treasury*

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Analysis of the conditional grants released during the period under review indicates that, bursaries bygone and the DANIDA grant recorded the highest receipts at 100 per cent of annual allocation followed by the Road Maintenance Fuel Levy Fund at 87.7 per cent.

3.27.4 Exchequer Issues

During the year, the Controller of Budget authorised withdrawal of Kshs.7.09 billion from the CRF account, which was 91.7 per cent of the Approved Supplementary Budget. This amount represented an increase of 8.5 per cent from Kshs.6.49 billion authorized in FY 2015/16 and consisted of Kshs.4.76 billion (67.1 per cent) for recurrent expenditure and Kshs.2.33billion (32.9 per cent) for development activities.

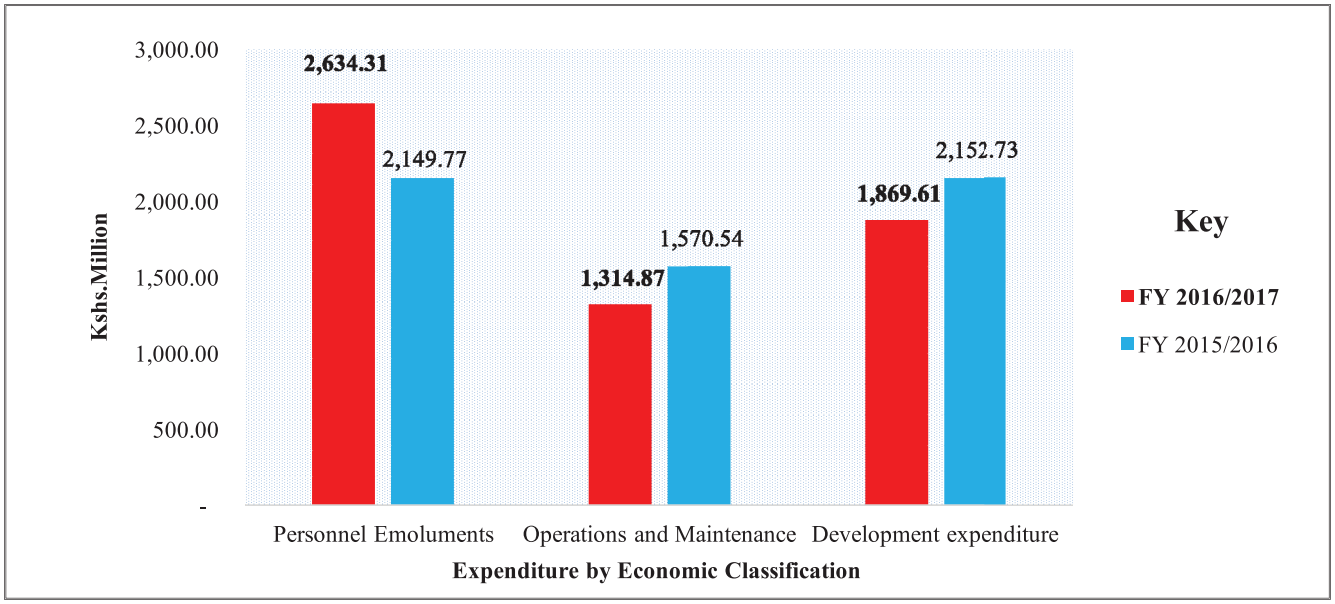
3.27.5 Overall Expenditure Review

The County spent Kshs.5.82 billion, which was 17.9 per cent of the total funds released for operations. This was a decrease of 0.9 per cent from Kshs.5.87 billion spent in FY 2015/16.

A total of Kshs.3.95 billion was spent on recurrent activities, while Kshs.1.87 billion was spent on development activities. The recurrent expenditure was 83 per cent of the funds released for recurrent activities while development expenditure accounted for 80.2 per cent of the funds released for development activities. The expenditure excluded pending bills as at June 30, 2017 that amounted to Kshs.572.2 million for development and Kshs.292.9 million for recurrent expenditure.

The recurrent expenditure represented 83.2 per cent of the annual recurrent budget, a decrease from 91.9 per cent spent in FY 2015/16. Development expenditure recorded an absorption rate of 62.8 per cent, which was a decrease from 66.7 per cent attained in FY 2015/16. Figure.3.80 present a comparison between the total expenditure in FY 2016/17 and FY 2015/16.

Figure.3.80: Migori County, Expenditure by Economic Classification in FY 2015/16 and FY 2016/17



Source: *Migori County Treasury*

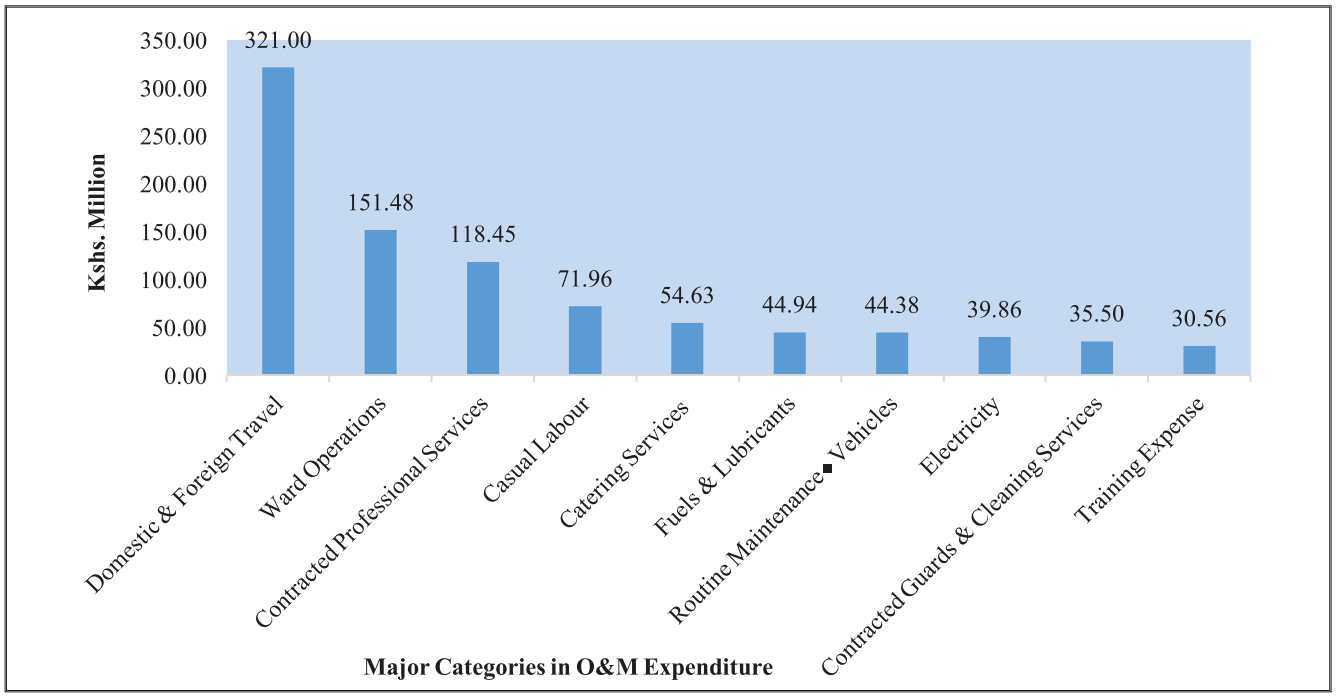
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3.27.6 Analysis of Recurrent Expenditure

The total recurrent expenditure of Kshs.3.95 billion consisted of Kshs.2.63 billion (66.6 per cent) spent on personnel emoluments and Kshs.1.32 billion (33.4 per cent) on operations and maintenance as shown in Figure.3.80. Expenditure on personnel emoluments represented an increase of 22.5 per cent compared to FY 2015/16 when the County spent Kshs.2.15 billion. Figure.3.81 shows a summary of operations and maintenance expenditure by major categories.

The expenditure on personnel emoluments of Kshs.2.63 billion was 45.3 per cent of overall total expenditure in FY 2016/17 and 66.7 per cent of total recurrent expenditure of Kshs.3.95 billion.

Figure.3.81: Migori County, Operations and Maintenance Expenditure by Major by Categories for FY 2016/17



Source: *Migori County Treasury*

The County spent Kshs.61.28 million on sitting allowances for the 63 MCAs and the Speaker against the annual budget allocation of Kshs.93.78 million. This was a decrease of 30.2 per cent compared to Kshs.77.05 million spent in FY 2015/16. The average monthly sitting allowance was Kshs.81,060 per MCA compared to SRC's recommended monthly ceiling of Kshs.124,800.

Expenditure on domestic and foreign travel amounted to Kshs.321 million and consisted of Kshs.135.29 million spent by the County Assembly and Kshs.185.72 million by the County Executive. This expenditure represented 8.1 per cent of total recurrent expenditure and was a decrease of 17.4 per cent compared to Kshs.273.49 million spent in FY 2015/16.

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3.27.7 Development Expenditure Analysis

The total development expenditure of Kshs.1.87 billion represented 62.7 per cent of the annual development budget of Kshs.2.98 billion. Table3.80 provides a summary of development projects with the highest expenditure in FY 2016/17.

Table3.80: Migori County, List of Development Projects with the Highest Expenditure in FY 2016/17

S/No.	Project name	Project location	Annual project budget (Kshs.)	Annual project expenditure (Kshs.)	Absorption rate (%)
1	Upgrading to Bitumen Standard of Uriri – Oria Road	Uriri	797,392,630	128,000,000	0.2
2	Construction of Kiringi Bridge	Wuoth Ogik	246,290,425	93,366,827	0.4
3	Equipping of 16 Boreholes in Migori county	Various sites in Migori County	98,502,098	78,502,098	0.8
4	Supply & Installation of a TV Station	Uriri	49,866,900	49,866,900	100
5	Supply,delivery & testing of a complete Drilling Rig	Water Department	49,004,666	49,004,66	100
6	Configuration of Hospital Management System	Sub county hospitals	31,489,970	31,489,970	100
7	Supply, Installation & Configuration of LAN & Wireless network at Health facilities	Sub county hospitals	29,429,960	29,429,960	100
8	Supply of Power Back-Up Battery & Inverters & Related Works for Migori Level IV Hospital	Migori County referral hospital	29,058,000	29,058,000	100
9	Solar Street Lighting	Various Sub-Counties	20,000,000	20,000,000	100
10	Construction of 2- Water Pans at Rongo	North Kamgambo-Rongo	17,497,143	17,497,143	100

Source: *Migori County Treasury*

Analysis of development expenditure by project indicates that, the highest expenditure of Kshs.128 million was spent on upgrading to bitumen standard of Uriri – Oria in Uriri Road, followed by Kshs.93.37 million on construction of Kiringi Bridge, and Kshs.78.5 million on equipping of 16 boreholes in the County.

3.27.8 Budget and Budget Performance Analysis by Department

Table 3.18 shows a summary of budget estimates and budget performance by department in FY 2016/17

Table.3.81: Migori County, Budget Performance by Department in FY 2016/17

Department	Annual Supplementary Budget Allocation (Kshs.Million)		Exchequer Issues in FY 2016/17 (Kshs.Million)		Expenditure in FY 2016/17 (Kshs.Million)		FY 2016/17 Expenditure to Exchequer Issues (%)		FY 2016/17 Absorption rate (%)	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
Office of the Governor	292.67	94	292.67	46.24	206.32	99.5	70.5	215.2	70.5	105.9
Finance and Economic Planning	736	367.24	736	220.18	515.53	317.52	70	144.2	70	86.5

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Roads, Public Works and Transport	70.51	948.02	70.51	933.44	84.82	691.4	120.3	74.1	120.3	72.9
Health and Sanitation	1,558.13	365.3	1,537.48	243.65	1,146.6	220.65	74.6	9[illegible]	[illegible]	60.4
Education, Communication and ICT	216.59	221.5	216.59	149.91	279.52	11.56	129.1	7.7	129.1	5.2
Agriculture and Irrigation	289.4	455.85	289.4	299.44	270.12	176.43	93.3	58.9	93.3	38.7
Trade, Industry and Cooperatives	81.87	26.44	81.87	25.77	74.81	19.15	91.4	74.3	91.4	72.4
Land, Physical Planning and Urban Development	66.01	47.9	66.01	46.95	49	17.99	74.2	38.3	74.2	37.6
Water Development, Environment & Natural Resources	69.76	83.38	69.76	42.06	75.29	2.97	107.9	7.1	107.9	3.6
County Public Service Management	645.94	327	645.94	277.77	376.65	265.71	58.3	95.7	58.3	81.3
County Assembly	722.19	45	750	44.59	870.58	44.5	116.1	99.8	120.5	98.9
TOTAL	**4749.07**	**2981.63**	**4756.23**	**2,330**	**3949.24**	**1867.38**	**83.0**	**80.2**	**83.2**	**62.7**

Source: *Migori County Treasury*

Analysis of budget performance by department shows that the Office of Governor attained the highest absorption of development budget at 105.9 per cent while the Water Development, Environment & Natural Resources Departments reported the least at 3.6 per cent. On the other hand, the Department of Education, Communication and ICT had the highest percentage of recurrent expenditure to recurrent budget at 129.1 per cent while the County Public Service Management had the lowest at 58.3 per cent.

3.27.9 Observations and Recommendations

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

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

ii. Improved staff capacity, especially on the use of IFMIS, E-procurement module, and the Internet Banking platform.

iii. Establishment of the County Budget and Economic Forum (CBEF) in line with Section 137 of the PFM Act, 2012.

iv. Timely submission of quarterly financial reports to the Controller of Budget in line with Section 166 of the PFM Act, 2012.

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

1. Failure by Fund Administrators to submit expenditure reports for the Car Loan and Mortgage Fund, County Assembly Members Car Loan and Mortgage Fund contrary to Section 168 of the PFM Act, 2012.
2. IFMIS connectivity challenges, which slowed down approval of procurement requests and payments to suppliers.
3. High wage bill that increased by 22.5 per cent from Kshs.2.15 billion in FY 2015/16 to Kshs.2.63 billion in the period under review, and represented 45.3 per cent of total expenditure. Increase in wage bill may affect implementation of development projects.
4. High expenditure on domestic and foreign travel that exceeded the approved budget allocation by 7.2 per cent and amounted to Kshs.321 million in FY 2016/17.

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

1. *All Fund Administrators should submit expenditure reports as require by Section 168 of the PFM Act 2012.*
2. *The County Treasury to liaise with the IFMIS Directorate for support in utilization of IFMIS and the E-procurement module.*
3. *The County Public Service Board should establish an optimal staffing structure in order to manage the wage bill.*
4. *The County should ensure all expenditure is within the Approved Budget.*

3.28 Mombasa County

3.28.1 Overview of the FY 2016/17 Budget

The County's FY 2016/17 Approved Supplementary Budget was Kshs.11.65 billion, comprising of Kshs.7.66 billion (65.7 per cent) and Kshs.3.99 billion (34.3 per cent) allocation for recurrent and development expenditure respectively.

To finance the budget, the County expected to receive Kshs.5.61 billion (48.2 per cent) as equitable share of revenue raised nationally, Kshs.749.36 million (6.4 per cent) as total conditional grants, generate Kshs.5.29 million (45.4 per cent) from local revenue sources. The conditional grants comprised of Kshs.125.72 million (16.8 per cent) for Free Maternal Healthcare, Kshs.86.18 million (11.5 per cent) from the Road Maintenance Fuel Levy Fund, Kshs.23.51 million (3.1 per cent) for User Fees Foregone, Kshs.3.15 million (0.4 per cent) from DANIDA, Kshs.16 million as other loans and grants (2.1 per cent), and Kshs.369.94 million (49.4 per cent) for the Mombasa Level 5 Hospital, Kshs.95.74 million (12.8 per cent) from the leasing of Medical Equipment Fund, and Kshs.29.11 million (3.9 per cent) performance grant from the World Bank

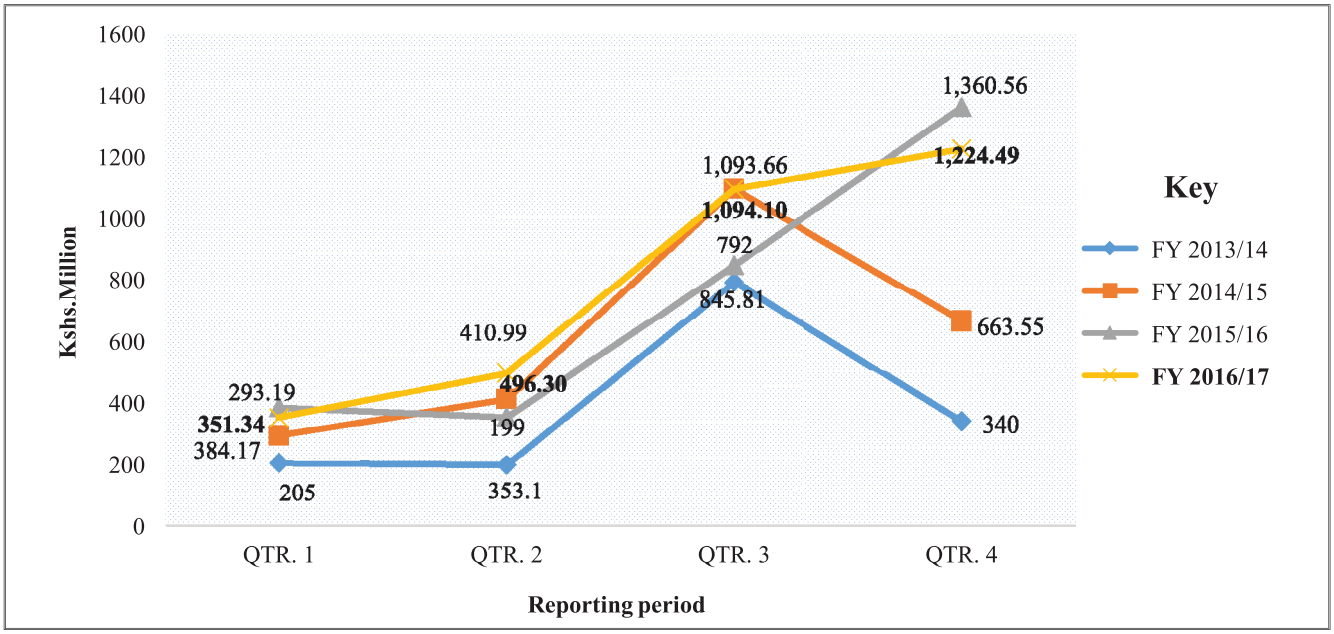
3.28.2 Revenue Analysis

During the year, the County received Kshs.5.61 billion as equitable share of the revenue raised nationally, Kshs.756.16 million as total conditional allocations, raised Kshs.3.17 million from local revenue sources. The amount received for other loans exceeded budget by over 100 per cent Kshs.95.83 million.

Figure 3.82 shows the quarterly trend in local revenue collection from the first quarter of FY 2013/14 to the fourth quarter FY 2016/17.

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Figure 3.82: Mombasa County, Trend in Local Revenue Collection by Quarter from FY 2013/14 to FY 2016/17



Source: *Mombasa County Treasury*

The total local revenue collected in FY 2016/17 amounted to Kshs.3.17 billion, representing an increase of 7.8 per cent compared to Kshs.2.94 million generated in FY 2015/16, and represented 60 per cent of the annual local revenue target of Kshs.5.29 billion.

3.28.3 Conditional Grants

Table 3.82 shows an analysis of conditional grants released in FY 2016/17.

Table 3.82: Mombasa County Analysis of Conditional Grants Released in FY 2016/17

S/No	Conditional Grant	CARA, 2016 Annual Allocation in Kshs)	Actual receipts in FY 2016/17 in Kshs.	Actual Receipts as Percentage of Annual Allocation (%)
1	Mombas Level 5 Hospital	369,942,197	369,942,197	100
2	Free Maternal Healthcare	125,722,505	125,722,505	100
3	Leasing of Medical Equipment	95,744,681	35,823,495	37.4
4	Road Maintenance Fuel Levy Fund	86,176,009	86,176,009	100
5	World Bank Loan	29,106,112	-	-
6	Foregone User Fees	23,514,312	23,514,312	100
7	Other Loans	16,000,000	111,828,000	698.9
8	DANIDA Grant	3,150,000	3,150,000	100
TOTAL		**749,355,816**	**756,156,517**	**100.9**

Source: *Mombasa Treasury*

Analysis of the conditional grants released during the period under review indicates that, other loans and grants

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recorded the highest receipts at 698.9 per cent of annual allocation, as a result of receipts of Kshs.3.89 million balances from previous financial year.

3.28.4 Exchequer Issues

During the year, the Controller of Budget authorised withdrawal of Kshs.8.78 billion from the CRF account, which was 75.3 per cent of the Approved Supplementary Budget. This amount represented an increase of 4.9 per cent from Kshs.8.36 billion authorized in FY 2015/16 and consisted of Kshs.6.17 billion (70.4 per cent) for recurrent expenditure and Kshs.2.61 billion (29.6 per cent) for development activities.

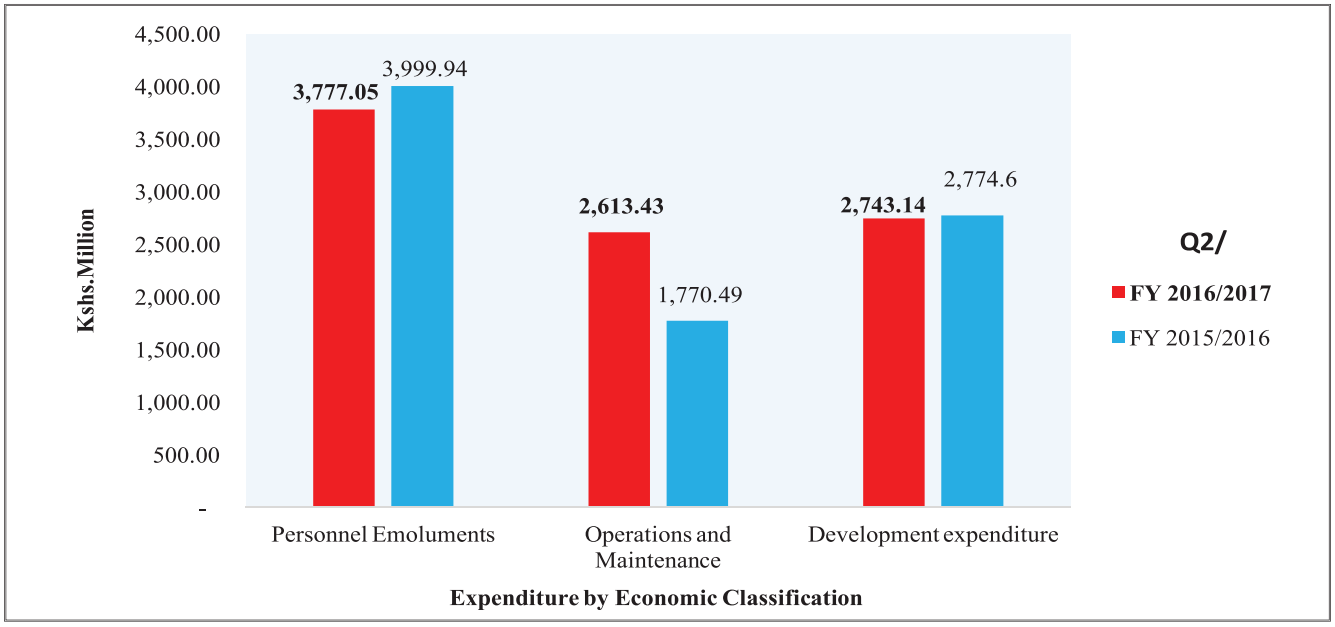
3.28.5 Overall Expenditure Review

The County spent Kshs.9.13 billion, which was 104.1 per cent of the total funds released for operations. This was an increase of 6.9 per cent from Kshs.8.54 billion spent in FY 2015/16.

A total of Kshs.6.39 billion was spent on recurrent activities, while Kshs.2.74 billion was spent on development activities. The recurrent expenditure was 103.7 per cent of the funds released for recurrent activities while development expenditure accounted for 95.3 per cent of the funds released for development activities. The expenditure excluded pending bills as at June 30, 2017 that amounted to Kshs.962.9 million for development activities and Kshs.2.98 billion for recurrent expenditure.

The recurrent expenditure represented 83.5 per cent of the annual recurrent budget, a decrease from 87.3 per cent spent in FY 2015/16. Development expenditure recorded an absorption rate of 68.8 per cent, which was a decrease from 82.4 per cent attained in FY 2015/16. Figure.3.83 presents a comparison between the total expenditure in FY 2016/17 and FY 2015/16.

Figure.3.83: Mombasa County, Expenditure by Economic Classification in FY 2015/16 and FY 2016/17



Source: *Mombasa County Treasury*

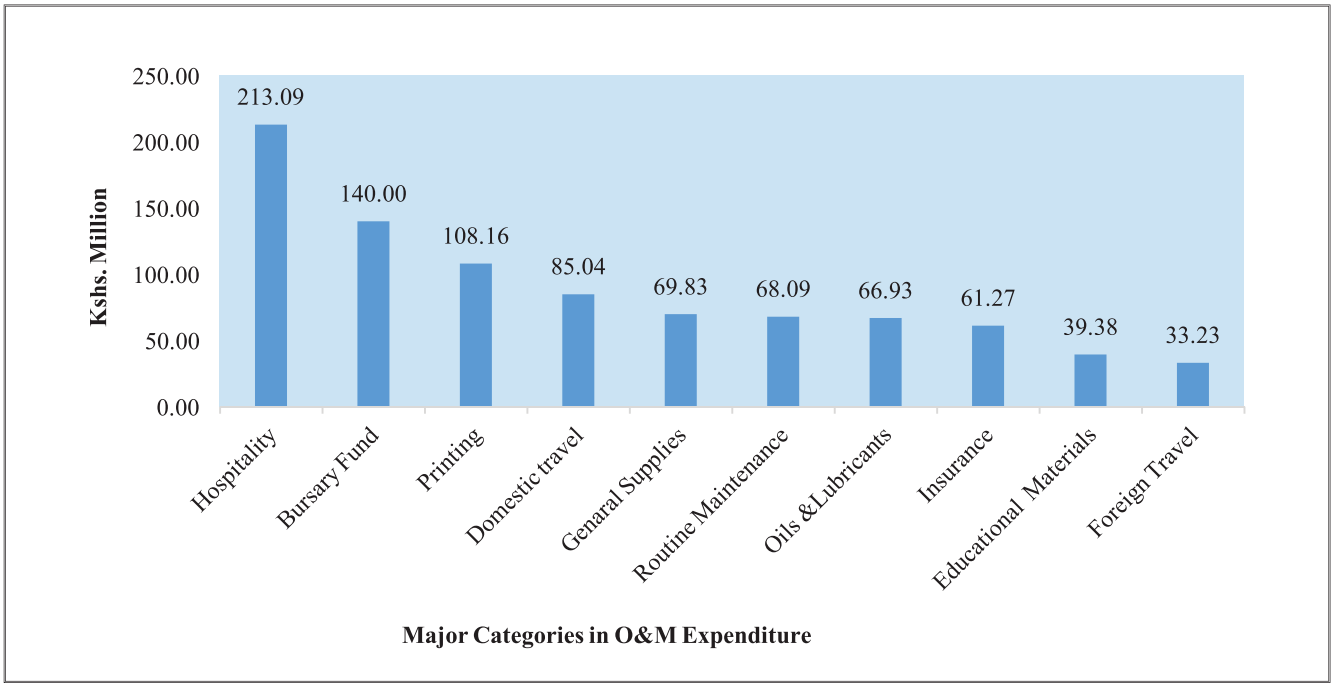
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3.28.6 Analysis of Recurrent Expenditure

The total recurrent expenditure of Kshs.6.39 billion consisted of Kshs.3.77 billion (59.1 per cent) spent on personnel emoluments and Kshs.2.61 billion (40.9 per cent) on operations and maintenance as shown in Figure.3.83. Expenditure on personnel emoluments represented a decrease of 34.5 per cent compared to FY 2015/16 when the County spent Kshs.3.99 billion. Figure.3.84 shows a summary of operations and maintenance expenditure by major categories.

The expenditure on personnel emoluments of Kshs.3.77 billion was 41.3 per cent of overall total expenditure in FY 2016/17 and 58.9 per cent of total recurrent expenditure of Kshs.6.39 billion.

Figure.3.84: Mombasa County, Operations and Maintenance Expenditure by Major Categories for FY 2016/17



Source: *Mombasa County Treasury*

The County spent Kshs.48.40 million on sitting allowances for the 43 MCAs and the Speaker against the annual budget allocation of Kshs.81.15 million. This was a decrease of 15.9 per cent compared to Kshs.57.43 million spent in FY 2015/16. The average monthly sitting allowance was Kshs.93,799 per MCA compared to SRC's recommended monthly ceiling of Kshs.124,800.

Expenditure on domestic and foreign travel amounted to Kshs.118.04 million and consisted of Kshs.1.82 million spent by the County Assembly and Kshs.116.22 million by the County Executive. This expenditure represented 1.8 per cent of total recurrent expenditure and was a decrease of 7.6 per cent compared to Kshs.127.71 million spent in FY 2015/16.

3.28.7 Development Expenditure Analysis

The total development expenditure of Kshs.2.74 billion represented 68.8 per cent of the annual development

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budget of Kshs.3.99 billion. Table 3.83 provides a summary of development projects with the highest expenditure in FY 2016/17.

Table 3.83: Mombasa County, List of Development Projects with the Highest Expenditure in FY 2016/17

S/No.	Project name/ Details	Project location	Annual project budget (Kshs.)	Annual project expenditure (Kshs.)	Absorption rate (%)
1	Consultancy for Audit Verification and Valuation of Assets and Liabilities	Mvita	95,750,000	95,750,000	100
2	Construction of Changamwe Sports Facility	Changamwe	85,075,195	12,033,195	14.1
3	Construction of Uwanja Wa Ndege Sports Facility	Changamwe	66,270,664	63,446,930	95.7
4	Construction of Closed Culvert Storm Water Drainage Along Nyali Kisauni Road	Nyali	65,877,790	21,258,100	32.3
5	Construction of Umoja Estate- Kilima Road	Nyali	47,825,010	47,825,010	100
6	Construction of Magongo Mwisho-Scope Part III Road To Cabros Paved Standards	Changamwe	32,010,361	30,738,702	96
7	Maintenance of Ongera, Mamlaka and Taratibu Road	Changamwe	20,726,062	20,502,330	98.9
8	Maintenance of Mfati and Kitinyanga Road	Nyali	18,441,475	18,242,258	98.9
9	Construction of English Point Road	Nyali	16,985,981	16,870,411	99.3
10	Maintenance of Beira and Mozambique Roads	Changamwe	16,823,776	16,668,308	99.1

Source: *Mombasa County Treasury*

Analysis of the development expenditure by project indicates that, the highest expenditure of Kshs.95.75 million was spent on consultancy for audit valuation and verification of assets and liabilities, followed by Kshs.47.83 million on construction of Umoja Estate-Kilima road and Kshs.16.67 million on construction of English Point Road.

3.28.8 Budget and Budget Performance Analysis by Department

Table.3.84 shows a summary of budget estimates and budget performance by department in FY 2016/17

Table.3.84: Mombasa County, Budget Performance by Department in FY 2016/17

Department	Annual Supplementary Budget Allocation (Kshs.Million)		Exchequer Issues in FY 2016/17 (Kshs. Million)		Expenditure in FY 2016/17 (Kshs.Million)		FY 2016/17 Expenditure to Exchequer Issues (%)		FY 2016/17 Absorption rate (%)	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
Office of the Governor	299.82	130.66	151.38	60	221.06	68.61	146	114.4	73.7	52.5

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Department	Annual Supplementary Budget Allocation (Kshs.Million)		Exchequer Issues in FY 2016/17 (Kshs. Million)		Expenditure in FY 2016/17 (Kshs.Million)		FY 2016/17 Expenditure to Exchequer Issues (%)		FY 2016/17 Absorption Rate (%)	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
County Assembly	652.21	-	471.25	-	219.23	-	46.5	-	33.6	-
Public Service Board	78.45	-	48.66	-	47.78	-	98.2	-	60.9	-
Finance and Economic Planning	1,940.24	958.91	1,372.24	800	1,531.62	745.37	111.61	93.17	78.9	77.7
Tourism and Betting control	90.11	2.5	43.02	-	70.67	-	164.3	-	78.4	-
Education	1,041.92	202.37	531.26	162	872.68	160.38	164.3	99	83.7	79.3
Health Services	2,296.38	131.87	2,578.17	72	2,462.95	69.37	95.5	96.3	107.3	52.6
Environment, Energy and natural resources	114.82	54.17	25.66	0.61	49.74	23.71	193.8	3,886.8	43.3	43.7
Youth, Gender and Sports	154.94	433.56	104.71	300.5	110.49	259.22	105.5	86.3	71.3	59.5
Trade and Cooperative development	210.09	56.79	275.01	38.02	148.29	37.95	53.9	99.8	70.6	66.8
Lands, Housing and Public Works	146.17	139.49	93.79	80.4	108.59	77.38	115.7	96.2	74.3	55.5
Transport and Infrastructure	504.39	1,864.95	370.48	1,094.7	433.39	1,298.45	116.9	118.6	85.9	69.6
Agriculture	128.27	14.57	100.36	3.26	113.95	2.69	113.54	82.5	88.8	18.5
TOTAL	**7,657.81**	**3,989.84**	**6,165.98**	**2,611.49**	**6,390.44**	**2,743.13**	**103.6**	**105**	**83.4**	**68.8**

Source: *Mombasa County Treasury*

Analysis of budget performance by department shows that the Finance and Economic Planning Department attained the highest absorption of development budget at 77.7 per cent while the Tourism and Betting Control, County Assembly and Public Service Board Departments did not incur any development expenditure. On the other hand, the Department of Health Services had the highest percentage of recurrent expenditure to recurrent budget at 107 per cent while the County Assembly had the lowest at 33.6 per cent.

3.28.9 Observations and Recommendations

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

i. Establishment of the County Budget and Economic Forum (CBEF) in line with Section 137 of the PFM Act, 2012.

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

iii. Improvement in local revenue collection by 7.8 per cent from Kshs.2.94 billion in FY 2015/16 to Kshs.3.17 billion in FY 2016/17.

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

1. Failure by Fund Administrators to submit expenditure reports for the County Executive Car Loan and

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Mortgage Funds, County Assembly Members Car Loan and Mortgage Funds, and the Educational Scholarship Fund contrary to Section 168 of the PFM Act, 2012.

2. IFMIS connectivity challenges, which slowed down approval of procurement requests and payments to suppliers.
3. The County's wage bill has remained high at 41.3 per cent of the overall expenditure. Increase in wage bill may affect implementation of development projects.

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

1. *All Fund Administrators should ensure they submit expenditure reports to the Controller of Budget in line with Section 168 of the PFM Act, 2012.*
2. *The County should liaise with the IFMIS Department for support and to address the connectivity challenge.*
3. *The County Public Service Board should establish an optimal staffing structure in order to ensure a sustainable wage bill.*

3.29 Murang'a County

3.29.1 Overview of the FY 2016/17 Budget

The County's FY 2016/17 Approved Supplementary Budget was Kshs.8.21 billion, comprising of Kshs.4.71 billion (57.3 per cent) and Kshs.3.51 billion (42.7 per cent) allocations for recurrent and development expenditure respectively

To finance the budget, the County expected to receive Kshs.5.78 billion (70.9 per cent) as equitable share of revenue raised nationally, Kshs.200.78 million (3.6 per cent) as total conditional grants, generate Kshs.993.55 million (12.2 per cent) from local sources, and Kshs.496.52 million (6.1 per cent) cash balance from FY 2015/16. The conditional grants comprised of Kshs.95.75 million (1.2 per cent) for Leasing of medical Equipment, Kshs.78.83 million (1.0 per cent) for Free Maternal Healthcare, Kshs.88.8 million (1.1 per cent) from the Road Maintenance Fuel Levy Fund, Kshs.20.75 million (0.3 per cent) for User Fees Foregone and Kshs.12.41 million (0.2 per cent) from DANIDA as provided in CARA, 2016. Other conditional grants in the County Budget amounted to Kshs.588.04 million and included; Kenya Devolution Support Program-Kshs.29.54 million, grant for Water Development-Kshs.500 million, and Kshs.42.68 million from the Tea Industry Advolem Levy.

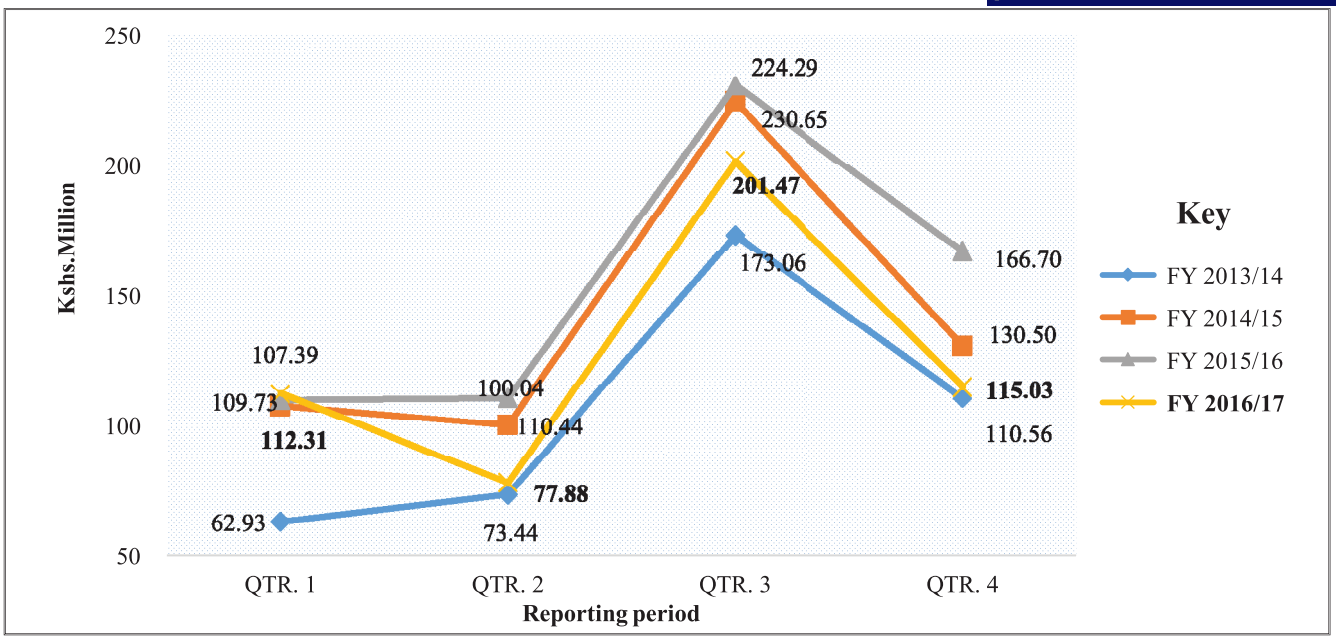
3.29.2 Revenue Analysis

During the year, the County received Kshs.5.78 billion as equitable share of the revenue raised nationally, Kshs.391.86 million as total conditional allocations, raised Kshs.506.69 million from local sources, and had a cash balance of Kshs.496.52 million brought forward from FY 2015/16.

Figure 3.85 shows the quarterly trend in local revenue collection from the first quarter of FY 2013/14 to the fourth quarter FY 2016/17.

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Figure 3.85: Murang'a County, Trend in Local Revenue Collection by Quarter from FY 2013/14 to FY 2016/17



Source: *Murang'a County Treasury*

The total local revenue collected in FY 2016/17 amounted to Kshs.506.69 million, representing a decrease of 17.9 per cent compared to Kshs.617.53 million generated in FY 2015/16, and represented 51 per cent of the annual local revenue target of Kshs.993.5 million.

3.29.3 Conditional Grants

Table 3.85 shows an analysis of conditional grants released in FY 2016/17.

Table 3.85: Murang'a County Analysis of Conditional Grants Released in FY 2016/17

S/No	Conditional Grant	CARA, 2016 Annual Allocation in Kshs)	Actual receipts in FY 2016/17 in Kshs.	Actual Receipts as Percentage of Annual Allocation (%)
1	Road Maintenance Fuel Levy Fund	88,797,208	88,797,208	100
2	Free Maternal Healthcare	78,828,699	227,229,881	288.3
3	User Fees Foregone	20,749,146	20,749,146	100
4	DANIDA grant	12,405,000	12,405,000	100
TOTAL		**200,780,053**	**349,181,235**	**143.5**

Source: *Murang'a Treasury*

Analysis of the conditional grants released during the period under review indicates that, Free Maternal Healthcare recorded the highest receipts at 288.3 per cent of annual allocation, which included the medical staff allowances of Kshs.148.4 million.

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3.29.4 Exchequer Issues

During the year, the Controller of Budget authorised withdrawal of Kshs.6.71 billion from the CRF account which was 81.7 per cent of the Approved Supplementary Budget. This amount represented an increase of 7.5 per cent from Kshs.6.16 billion authorized in FY 2015/16 and consisted of Kshs.4.16 billion (62.0 per cent) for recurrent expenditure and Kshs.2.55 billion (38.0 per cent) for development activities.

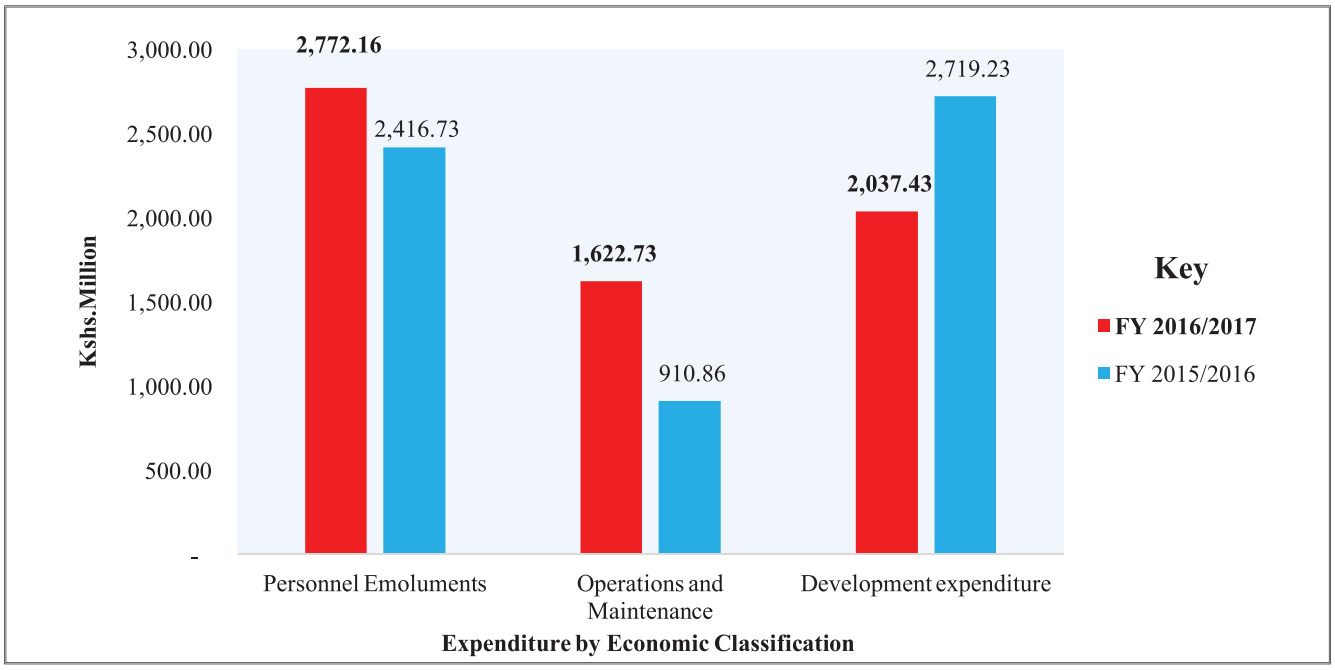
3.29.5 Overall Expenditure Review

The County spent Kshs.6.43 billion, which was 95.9 per cent of the total funds released for operations. This was an increase of 6.3 per cent from Kshs.6.05 billion spent in FY 2015/16.

A total of Kshs.4.39 billion was spent on recurrent activities, while Kshs.2.03 billion was spent on development activities. The recurrent expenditure was 105.6 per cent of the funds released for recurrent activities while development expenditure accounted for 80 per cent of the funds released for development activities. The expenditure excluded reported pending bills as at June 30, 2017 that amounted to Kshs.1.25 billion for development and Kshs.99.22 million for recurrent expenditure.

The recurrent expenditure represented 93.4 per cent of the annual recurrent budget, a decrease from 93.8 per cent spent in FY 2015/16. Development expenditure recorded an absorption rate of 58.1 per cent, which was a decrease from 81.1 per cent attained in FY 2015/16. Figure 3.86 present a comparison between the total expenditure in FY 2016/17 and FY 2015/16.

Figure 3.86: Murang'a County, Expenditure by Economic Classification in FY 2015/16 and FY 2016/17



Source: *Murang'a County Treasury*

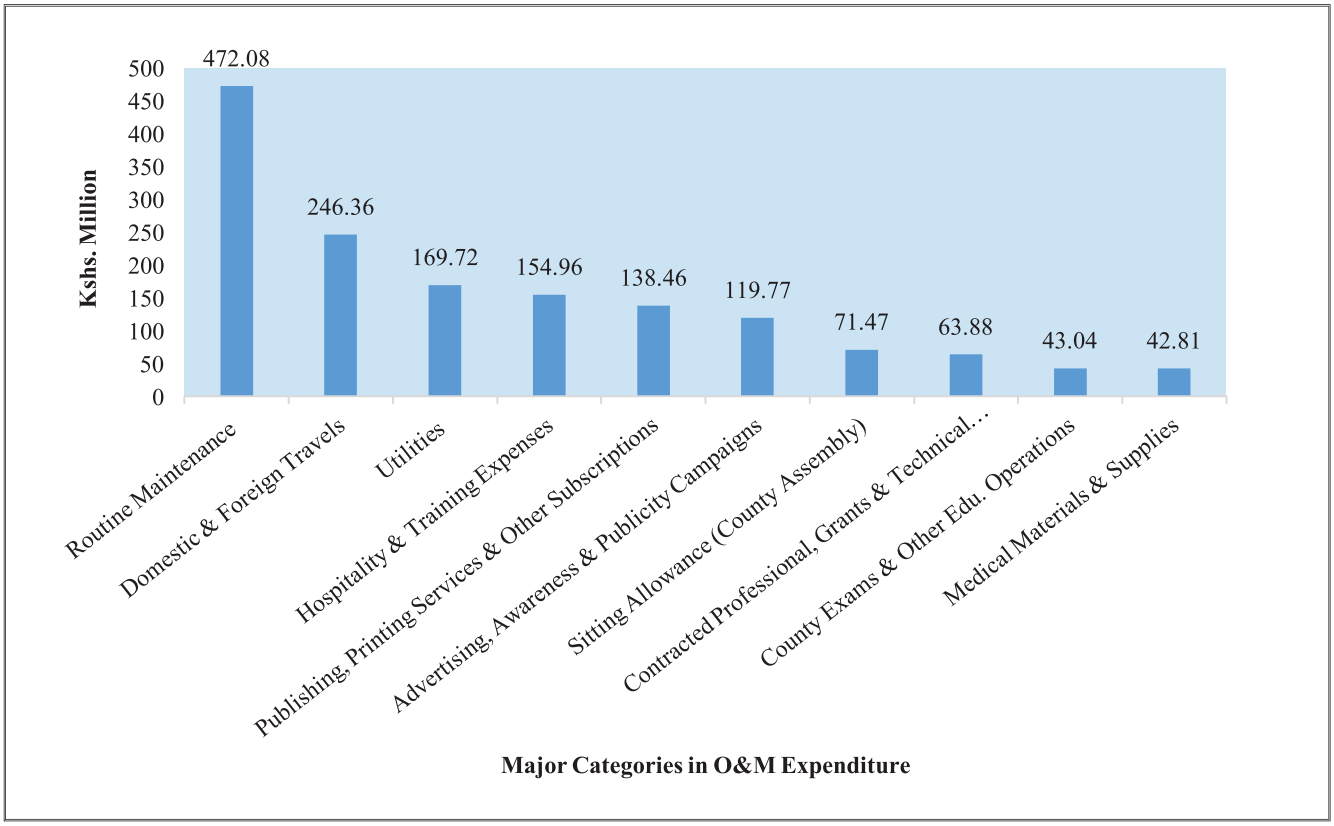
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3.29.6 Analysis of Recurrent Expenditure

The total recurrent expenditure of Kshs.4.39 billion consisted of Kshs.2.77 billion (63.1 per cent) spent on personnel emoluments and Kshs.1.62 billion (36.9 per cent) on operations and maintenance as shown in Figure 3.86. Expenditure on personnel emoluments represented an increase of 14.7 per cent compared to FY 2015/16 when the County spent Kshs.2.42 billion. Figure 3.87 show a summary of operations and maintenance expenditure by major categories.

The expenditure on personnel emoluments of Kshs.2.77 billion was 43.1 per cent of overall total expenditure in FY 2016/17 and 63.1 per cent of total recurrent expenditure of Kshs.4.39 billion.

Figure 3.87: Murang'a County, Operations and Maintenance Expenditure by Major Categories for FY 2016/17



Source: *Murang'a County Treasury*

The County spent Kshs.71.47 million on sitting allowances for the 48 MCAs and the Speaker against the annual budget allocation of Kshs.74.61 million. This was an increase of 43.6 per cent compared to Kshs.49.78 million spent in FY 2015/16. The average monthly sitting allowance was Kshs.121,554 per MCA compared to SRC's recommended monthly ceiling of Kshs.124,800.

Expenditure on domestic and foreign travel amounted to Kshs.246.36 million and consisted of Kshs.118.65 million spent by the County Assembly and Kshs.127.71 million by the County Executive. This expenditure represented 5.6 per cent of total recurrent expenditure and was an increase of 0.7 per cent compared to Kshs.244.64 million spent in FY 2015/16.

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3.29.7 Development Expenditure Analysis

The total development expenditure of Kshs.2.04 billion represented 58 per cent of the annual development budget of Kshs.3.51 billion. Table 3.86 provide a summary of development projects with the highest expenditure in FY 2016/17.

Table 3.86: Murang'a County, List of Development Projects with the Highest Expenditure in FY 2016/17

No	Project Name	Project location	Annual project budget (Kshs)	Annual Project Expenditure (Kshs) **	Absorption rate (%)
1	Medical Drugs and other supplies	County Wide	435,000,000	366,828,490	84.3
2	Maize Seeds- Supply to Farmers	County Wide	32,000,000	79,352,000	248
3	Murang'a Cooperative Creameries Support- Murata Sacco	County Wide	19,981,000	75,498,057	377.8
4	School Milk & Feeding Program	County Wide	115,410,000	71,441,000	61.9
5	Fertilizer & Manure Program-Supply To Farmers	County Wide	80,000,000	59,041,100	73.8
6	Milk Processing Factory Development	Maragua	350,000,000	41,713,681	11.9
7	Final Account For Kimathi Githuri & Ajibika Irrigation Projects	Kimathi Githuri & Kigumo	70,000,000	31,274,668	44.7
8	Refurmbishment of non -residential buildings	County Assembly	70,000,000	15,490,741	22.1
9	Transfer Of Fund -For Youth Polytechnics	County Wide	9,000,000	11,000,000	122.2
10	Supply And Installation Of Paving Blocks for Kangari Town	Kangari	330,213,000	5,805,800	1.8

Source: *Murang'a County Treasury*

Analysis of the development expenditure by project indicates that, the highest expenditure of Kshs.366.83 million was spent on Medical Drugs and other supplies, followed by Kshs.79.35 million on supply of Maize Seeds to Farmers, and Kshs.75.5 million on Murang'a Cooperative Creameries Support- Murata Sacco.

3.29.8 Budget and Budget Performance Analysis by Department

Table 3.87 shows a summary of budget estimates and budget performance by department in FY 2016/17

Table 3.87: Murang'a County, Budget Performance by Department in FY 2016/17

Department	Annual Supplementary Budget Allocation (Kshs.Million)		Exchequer Issues in FY 2016/17 (Kshs.Million)		Expenditure in FY 2016/17 (Kshs.Million)		FY 2016/17 Expenditure to Exchequer Issues (%)		FY 2016/17 Absorption rate (%)	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
Office of the Governor and Deputy Governor	269.36	11.50	203.6	-	200.13	-	98.3	-	74.3	-
County Assembly	672.42	70	620	30	594.25	15.49	95.8	51.6	88.4	22.1
Finance, Economic Planning and IT	318.01	38	271.2	-	782.5	14.86	288.5	100	246.1	39.1

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Department	Annual Supplementary Budget Allocation (Kshs.Million)		Exchequer Issues in FY 2016/17 (Kshs.Million)		Expenditure in FY 2016/17 (Kshs.Million)		FY 2016/17 Expenditure to Exchequer Issues (%)		FY 2016/17 Absorption rate (%)	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
Agriculture, Livestock and Fisheries	209.30	248.23	176.3	175	146.81	214.61	83.3	122.6	70.1	86.5
Energy, Transport and Infrastructure	38.72	1,929.02	31.75	1,425.85	118.35	1,066.45	372.8	74.8	305.7	55.3
Commerce, Trade ,Industry, Tourism	32.31	25.63	25.2	23.6	7.97	8.72	31.6	36.9	24.7	34
Health and Sanitation	1,736.03	528.92	1,563.6	512	1,026.93	443.27	65.7	86.6	59.2	83.8
Lands, Housing and Physical Planning	30	13	20.45	-	2.94	-	14.4	-	9.8	-
Public Service and Administration	892.66	1.57	777.45	-	1,095.35	3.67	140.9	100	122.7	234.1
Education and Technical Training	278.98	365.86	269.71	176.8	329.31	129.75	122.1	73.4	118	35.5
Youth, Culture, Social Services & Coop Devt	185.87	213.19	164.85	203.75	89.65	140.62	54.4	69	48.2	66
Environment and Natural Resources	13.73	60.37	11.80	-	0.67	-	5.6	-	4.9	-
County Public Service Board	30.15	-	26.09	-	0.04	-	0.1	-	0.1	-
Grand Total	**4,708**	**3,505**	**4,162**	**2,547**	**4,395**	**2,037**	**105.6**	**80**	**93.4**	**58.1**

Source: *Murang'a County Treasury*

Analysis of budget performance by department shows that the Public Service and Administration attained the highest absorption of development budget at 234.1 per cent while the Environment and Natural Resources and Lands, Housing and Physical Planning Departments did not incur any development expenditure. On the other hand, the Department of Energy, Transport and Infrastructure had the highest absorption rate of recurrent budget at 305.7 per cent while the Department of County Public Service Board had the lowest at 0.1 per cent.

3.29.9 Observations and Recommendations

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

i. Timely submission of the last quarter financial reports to the Controller of Budget by County Government entities in line with Section 166 of the PFM Act, 2012.

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

1. Under-performance in local revenue collection, which declined by 17.9 per cent from Kshs.617.53 million in FY 2015/16 to Kshs.506.69 million in FY 2016/17, representing 51 per cent of annual target.
2. The County's wage bill has increased by 14.7 per cent from Kshs.2.42 billion in FY 2015/16 to Kshs.2.77 billion during the period under review, and represented 43.1 per cent of total expenditure. Increase in wage bill may affect implementation of development projects.
3. Failure to establish an Internal Audit Committee to oversee financial operations in the County contrary to Section 155 of the PFM Act, 2012.

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

1. *The County Treasury should formulate and implement strategies to enhance local revenue collection.*
2. *The County Public Service Board should establish and adopt an optimal staffing structure in order to*

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ensure a sustainable wage bill.

3. *The County Treasury should establish an Internal Audit Committee in line with Section 155 of the PFM Act, 2012.*

3.30 Nairobi County

3.30.1 Overview of the FY 2016/17 Budget

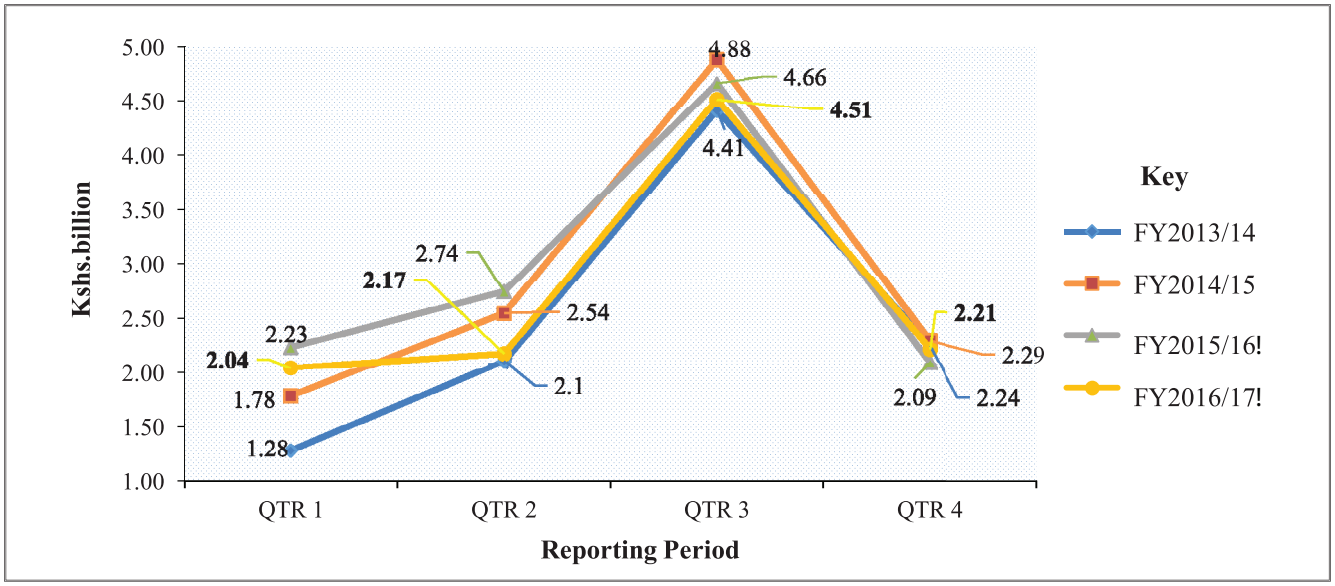
The County's FY 2016/17 Approved Supplementary Budget was Kshs.34.78 billion, comprising of Kshs.23.46 billion (67.4 per cent) and Kshs.11.32 billion (32.6 per cent) for recurrent and development expenditure respectively. To finance the budget, the County expected to receive Kshs.14.02 billion (41.1 per cent) as equitable share of revenue raised nationally, Kshs.509.15 million (1.5 per cent) as total conditional grants, and generate Kshs.19.57 billion (57.4 per cent) from local sources. The conditional grants comprised of Kshs.199.90 million for Free Maternal Healthcare, Kshs.215.47 million for Road Maintenance Fuel Levy Fund, Kshs.79.88 million for User Fees Foregone and Kshs.13.90 million from DANIDA.

3.30.2 Revenue Analysis

During the year, the County received Kshs.14.02 billion as equitable share of the revenue raised nationally, Kshs.576.92 million as total conditional allocations, raised Kshs.10.93 billion from local sources, received Kshs.250.61 million as allowances for doctors following the negotiated Commercial Bargaining Agreement (CBA).

Figure 3.88 shows the quarterly trend in local revenue collection from the first quarter of FY 2013/14 to the Fourth quarter of FY 2016/17.

Figure 3.88: Nairobi City County, Trend in Local Revenue Collection by Quarter from FY 2013/14 to FY 2016/17



Source: *Nairobi City County Treasury*

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The total local revenue collected in FY 2016/17 amounted to Kshs.10.93 billion, representing a decrease of 6.7 per cent compared to Kshs.11.71 billion generated in FY 2015/16, and represented 55.9 per cent of the annual local revenue target of Kshs.19.57 billion.

3.30.3 Conditional Grants

Table 3.88 shows an analysis of conditional grants released in FY 2016/17.

Table 3.88: Nairobi City County, Analysis of Conditional Grants Released in FY 2016/17

S/No.	Conditional Grant	CARA, 2016 Annual Allocation in Kshs.	Actual receipt in FY 2016/17	Actual receipts as a percentage of Annual Allocation (%)
1	Free Maternal Healthcare	199,899,133	281,567,500	140.9
2	Road Maintenance Fuel Levy Fund	215,471,089	215,471,088	100
3	Compensation for User fees forgone	79,879,082	79,879,082	100
4	DANIDA grant	13,900,000	-	-
Total		**509,149,304**	**576,917,670**	**113.3**

Source: *Nairobi County Treasury*

Analysis of the conditional grants released in the period under review indicates that Free Maternal Healthcare recorded the highest receipts against the annual target at 140.9 per cent of annual allocation, as the County received Kshs.81.67 million balances from FY 2015/16.

3.30.4 Exchequer Issues

During the financial year, the Controller of Budget authorised withdrawal of Kshs.15.54 billion from the CRF account, which was 44.5 per cent of the approved supplementary budget. This amount represented an increase of 0.1 per cent from Kshs.15.52 billion authorized in FY 2015/16 and consisted of Kshs.15.45 billion (99.4 per cent) for recurrent expenditure and Kshs.94 million (0.6 per cent) for development activities.

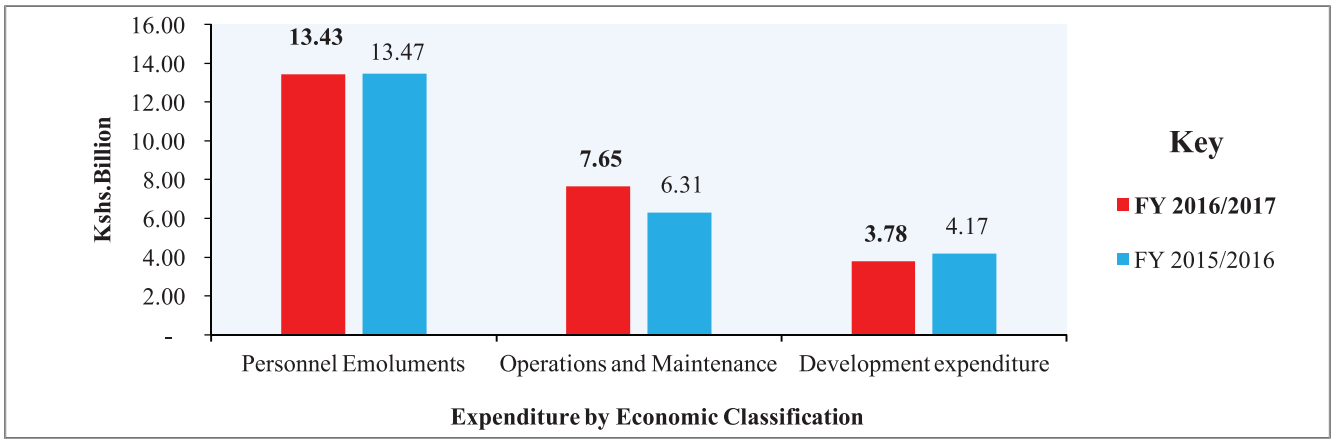
3.30.5 Overall Expenditure Review

The County spent Kshs.24.86 billion, which was 160 per cent of the total funds released for operations. This was an increase of 3.8 per cent from Kshs.23.95 billion spent in FY 2015/16.

A total of Kshs.21.07 billion was spent on recurrent activities, while Kshs.3.78 billion was spent on development activities despite the fact that the County sought approval of Kshs.94 million for the refurbishment of the County Assembly chambers. The recurrent expenditure was 136.4 per cent of the funds released for recurrent activities. The recurrent expenditure represented 89.8 per cent of the annual recurrent budget, a decrease from 93.3 per cent attained in FY 2015/16. Development expenditure recorded an absorption rate of 33.4 per cent, which was a decline from 52.9 per cent absorbed in FY 2015/16. Figure 3.89 presents a comparison between the total expenditure in FY 2016/17 and FY 2015/16.

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Figure 3.89: Nairobi City County, Expenditure by Economic Classification for FY 2016/17 and FY 2015/16



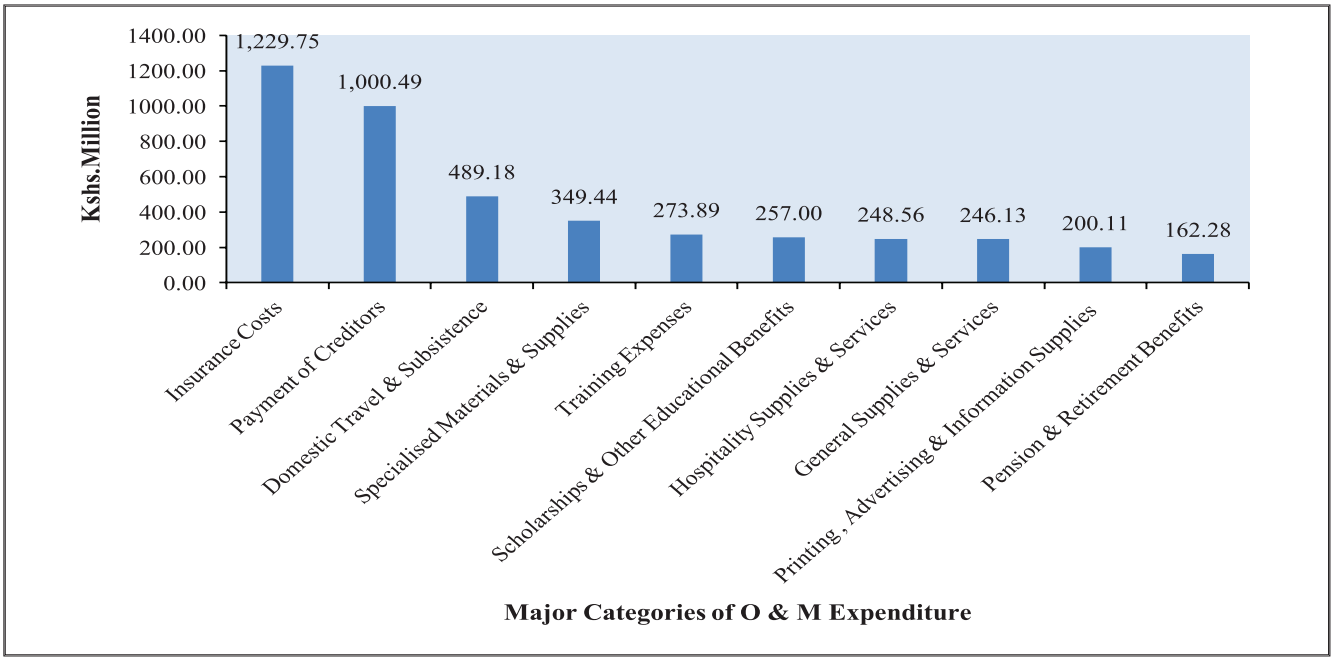
Source: *Nairobi City County Treasury*

3.30.6 Analysis of Recurrent Expenditure

The total recurrent expenditure of Kshs.21.08 billion consisted of Kshs.13.43 billion (63.7 per cent) on spent on personnel emoluments and Kshs.7.65 billion (36.3 per cent) on operations and maintenance as shown in Figure 3.89. Expenditure on personnel emoluments represented a marginal decrease of 0.003 per cent compared to FY 2015/16 when the County spent Kshs.13.47 billion. Figure 3.90 shows a summary of the operations and maintenance expenditure by major categories.

The expenditure on personnel emoluments of Kshs.13.43 billion was 54 per cent of overall total expenditure in FY 2016/17 and 63.7 per cent of total recurrent expenditure of 21.08 billion.

Figure 3.90: Nairobi City County, Operations and Maintenance Expenditure by Major Categories in FY 2016/17



Source: *Nairobi City County Treasury*

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The County Assembly spent Kshs.88.05 million on sitting allowances for the 128 MCAs and the Speaker against the annual budget allocation of Kshs.88.05 million. This was a decrease of 27.9 per cent compared to Kshs.122.04 million spent in FY 2015/16. The average monthly sitting allowance was Kshs.57,322 per MCA compared to SRC's recommended monthly ceiling of Kshs.124,800.

Expenditure on domestic and foreign travel amounted to Kshs.639.33 million compared to Kshs.381.26 million spent in FY 2015/16, representing an increase of 67.7 per cent. The amount consisted of Kshs.324.16 million for County executive and Kshs.315.17 million for the County assembly.

3.30.7 Development Expenditure Analysis

The total development expenditure of Kshs.3.78 billion represented 33.4 per cent of the annual development budget of Kshs.11.32 billion. Table 3.89 provides a list of top development projects with the highest expenditure in FY 2016/17.

Table 3.89: Nairobi City County, list of Development Expenditure with the highest expenditure in FY 2016/17

S/No.	Project Name	Project Location	Annual project budget (Kshs.)	Annual Project Expenditure (Kshs.)	Absorption rate (%)
1	City Park Market Phase 3		115,000,000	17,831,498	15.5
2	Rehabilitation of Ndwaru Road	Waithaka	96,500,000	20,171,156	20.9
3	Upgrade of hospital and completion of a 68 bed wards (Roll Over Projects)	Pumwani	80,000,000	70,000,000	87.5
4	Access Roads to Maji Mazuri	Clay City	77,100,000	33,801,213	43.8
5	Construction of Access Road to HACCO Industries	Clay City	61,000,000	36,185,554	59.3
6	Maintenance of rental houses	County Wide	60,000,000	23,641,637	39.4
7	Construction of a Rehabilitation Centre in Ruai	Ruai	50,000,000	32,203,620	64.4
8	Purchase of a Compactor		45,000,000	47,960,000	106.6
9	Rehabilitation of Stadium Road-Bin Agare Slum	Makongeni Ward	40,400,000	26,555,201	65.7
10	Supply and delivery of ten Skip loaders			107,880,000	

Source: *Nairobi City County Treasury*

Analysis of the development expenditure by project indicates that, the highest expenditure of Kshs.107.88 million on supply and delivery of ten Skip Loaders, followed by Kshs.70 million on upgrade of hospital and completion of a 68 bed wards and Kshs.47.96 million on purchase of a compactor. Despite these accomplishments, the County Executive did not request for exchequer releases for development expenditure.

3.30.8 Budget and Budget Performance Analysis by Department

Table 3.90 shows a summary of FY 2016/17 budget estimates and budget performance by department.

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Table 3.90: Nairobi City County, FY 2016/17 Budget Performance by Department

Department	Annual Supplementary Budget Allocation (Kshs. Million)		Exchequer Issues in FY 2016/17 (Kshs. Million)		FY 2016/17 Expenditure in FY 2016/17 (Kshs. Million)		FY 2016/17 Expenditure to Exchequer Issues (%)		FY 2016/17 Absorption rate (%)	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
County Public Service Board	85.19	28	30.07	-	49.90	7.49	165.9	-	58.6	26.7
Office of Governor & Deputy Governor	5,515.68	569	4,255.18	-	5,067.96	125.66	119.1	-	91.9	22.1
ICT, E-Government & Public Communications	304.00	150	45.02	-	188.1	134.66	417.8	-	61.9	89.8
Finance & Economic Planning	2,923.32	100	1,301.15	-	3,786.52	21.98	291	-	129.5	22
Health	5,228.28	1,070	3,997.02	-	4,077.12	152.73	102	-	78.0	14.3
Urban Planning & Lands	313.50	435	189.10	-	245.18	27.57	129.7	-	78.2	6.3
Public Works, Transport & Infrastructure	1,380.00	6,528	931.55	-	1,036.45	2,204.68	111.3	-	75.1	33.8
Education, Youth Affairs, Sports, Culture & Social Services	1,641.1	242	889.29	-	1,329.59	318.13	149.5	-	81	131.5
Trade, Commerce, Tourism & Cooperatives	593.79	570	221.55	-	317.52	55.02	143.3	-	53.5	9.7
Public Service Management	1,544	115	1,141.44	-	1,427.76	20.51	125.1	-	92.5	17.8
Agriculture, Livestock Development, Fisheries and Forestry	384	150	266.78	-	285.23	93.82	106.9	-	74.3	62.5
Environment, Water, Energy & Natural Resources	1,862	970	790.55	-	1,754.81	399.4	222	-	94.2	41.2
Urban Renewal and Housing	192.95	188	102.65	-	135.07	23.64	131.6	-	70	12.6
County Assembly	1,493	209.05	1,286.13	94.00	1,377.72	194.43	107.1	206.8	92.3	93
Ward Development Fund										
TOTAL	**23,460.81**	**11,324.05**	**15,447.49**	**94**	**21,078.91**	**3,779.73**	**136.5**	**4,020.9**	**89.8**	**33.4**

Source: *Nairobi City County Treasury*

Analysis of budget performance by department shows that the Education, Youth Affairs, Sports, Culture & Social Services department attained the highest absorption rate of its development budget at 131.5 per cent, followed by the County Assembly and ICT, E-Government & Public Communications at 93.0 per cent and 89.8 per cent respectively. These departments with exception of the County Assembly, incurred expenditure despite the fact that the County Treasury did not request funds for them to carry out development activities. On the other hand, the Department of Finance & Economic Planning had the highest percentage of recurrent expenditure to its recurrent budget at 129.5 per cent while Education, Youth Affairs, Sports, Culture & Social Services department had the lowest at 24.9 per cent. The Department of Finance and Planning exceeded their approved budget by 129.5 per cent due to the fact that their expenditure includes monies amounting to Kshs.1.02 billion that were recovered by

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the Kenya Revenue Authority (KRA) from the Nairobi County Revenue Fund account to settle outstanding tax obligations. The County had not factored the funds in the budget.

3.30.9 Observations and Recommendations

The County has made progress in addressing some of the challenges previously identified as affecting budget implementation, which included improvement in staff capacity through training and recruitment of technical staff. Despite the progress made, the following challenges continued to hamper effective budget implementation. Some of tthese concerns are yet to be addressed even though they were raised in previous reports.

1. Low performance in local revenue collection which accounted for 55.9 per cent of the annual local revenue target. The local revenue collected of Kshs.10.92 billion represented a decline 6.7 per cent from Kshs.11.71 billion collected in FY 2015/16.
2. Although the wage bill declined marginally from Kshs.13.47 billion in FY 2015/16 to Kshs.13.43 billion in FY 2016/17, it represented 54 per cent of the total expenditure. A high wage bill may affect implementation of development projects.
3. Low expenditure on development activities. In FY 2016/17, the County incurred cumulative development expenditure of Kshs.3.78 million accounting for an absorption rate of 33.4 per cent.
4. IFMIS connectivity challenges, which slowed down approval of procurement requests and payments to suppliers.

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

1. *The County Treasury should formulate and implement strategies to enhance local revenue collection.*
2. *The County Public Service Board should develop and implement an optimal staffing structure to ensure the wage bill is sustainable.*
3. *The County should devise strategies to address the low absorption of development funds.*
4. *The County Treasury to liaise with IFMIS Directorate for support in application of IFMIS.*

3.31 Nakuru County

3.31.1 Overview of the FY 2016/17 Budget

The County's FY 2016/17 Approved Supplementary Budget was Kshs.15.09 billion comprising of Kshs.9.25 billion (61.3 per cent) allocated for recurrent expenditure and Kshs.5.84 billion (38.7 per cent) for development expenditure.

To finance the budget, the County expected to receive Kshs.8.76 billion (58.0 per cent) as equitable share of revenue raised nationally, Kshs.1.05 billion (7.0 per cent) as total conditional grants, generate Kshs.2.6 billion (17.2 per cent) from local sources, receive Kshs.605 million (4.0 per cent) as facility improvement fund, received six months National Government contribution to health workers revised salaries and allowances (January-June 2017), Kshs.182.4 million (1.2 per cent) and had a cash balance of Kshs.1.89 billion (12.2 per cent) from FY 2015/16. The conditional grants comprised of Kshs.215.28 million (20.4 per cent) for Free Maternal Healthcare, Kshs.134.56 million (12.8 per cent) from the Road Maintenance Fuel Levy Fund, Kshs.39.22 million (3.7 per

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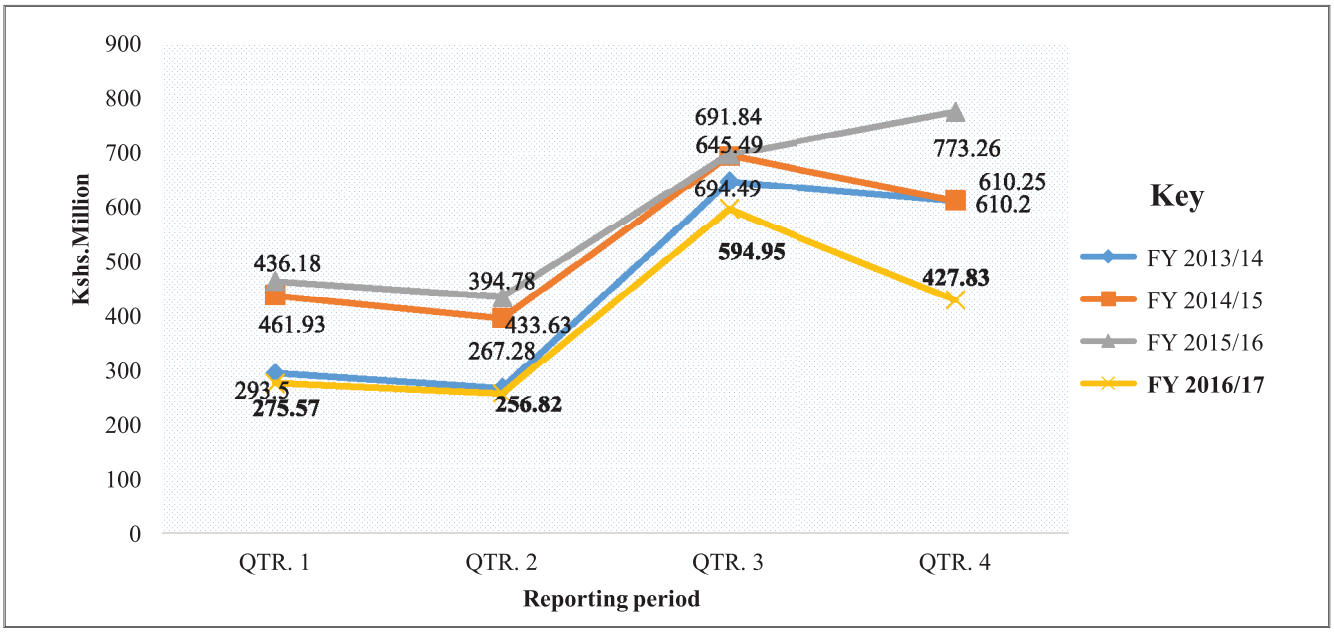
cent) for User Fees Foregone, Kshs.12.63 million (1.2 per cent) as a grant from DANIDA, Kshs.97.54 million (9.1 per cent) as conditional allocation for medical equipment, Kshs.520.46 million (49.3 per cent) conditional grant for level 5 hospital and Kshs.37.03 million (49.3 per cent) Kenya Devolution Support Program (KDSP)

3.31.2 Revenue Analysis

During the year, the County received Kshs.8.76 billion as equitable share of the revenue raised nationally, Kshs.760.35 million as total conditional allocations, raised Kshs.1.55 billion from local revenue sources, and had a cash balance of Kshs.1.89 billion brought forward from FY 2015/16.

Figure.3.91 shows the quarterly trend in local revenue collection from the first quarter of FY 2013/14 to the fourth quarter FY 2016/17.

Figure.3.91: Nakuru County, Trend in Local Revenue Collection by Quarter from FY 2013/14 to FY 2016/17



Source: Nakuru County Treasury

The total local revenue collected in FY 2016/17 amounted to Kshs.1.55 billion, representing a decrease of 32.6 per cent compared to Kshs.2.3 billion generated in FY 2015/16, and represented 60 per cent of the annual local revenue target of Kshs.2.6 billion.

3.31.3 Conditional Grants

Table.3.91 shows an analysis of conditional grants released in FY 2016/17.

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Table.3.91: Nakuru County Analysis of Conditional Grants Released in FY 2016/17

S/No	Conditional Grant	CARA, 2016 Annual Allocation in Kshs.)	Actual receipts in FY 2016/17 in Kshs.	Actual Receipts as Percentage of Annual Allocation (%)
1	Level- 5 Hospital	520,465,617	356,069,364	68.4
2	Free Maternal Health	215,283,613	217,877,500	101.2
3	Road Maintenance Fuel Levy Fund (RMFLF)	134,560,844	134,560,844	100
4	Leasing of Medical Equipment	95,744,681	-	-
5	User Fees Foregone	39,216,180	39,216,180	100
6	Kenya Devolution Support Programme	37,028,227	-	-
7	Donor Grants (DANIDA)	12,630,000	12,630,000	100
Total		**1,054,929,162**	**760,353,888**	**72.1**

Source: *Nakuru County Treasury*

Analysis of the conditional grants released during the period under review indicates that, Free Maternal Healthcare recorded the highest receipts at 101.2 per cent annual allocation, which includes Kshs.2.59 million received balance from FY 2015/16.

3.31.4 Exchequer Issues

During the year, the Controller of Budget authorised withdrawal of Kshs.11.27 billion from the CRF account, which was 74.7 per cent of the Approved Supplementary Budget. This amount represented an increase of 9.58 per cent from Kshs.10.29 billion authorized in FY 2015/16 and consisted of Kshs.8.03 billion (71.27 per cent) for recurrent expenditure and Kshs.3.24 billion (28.73 per cent) for development activities.

3.31.5 Overall Expenditure Review

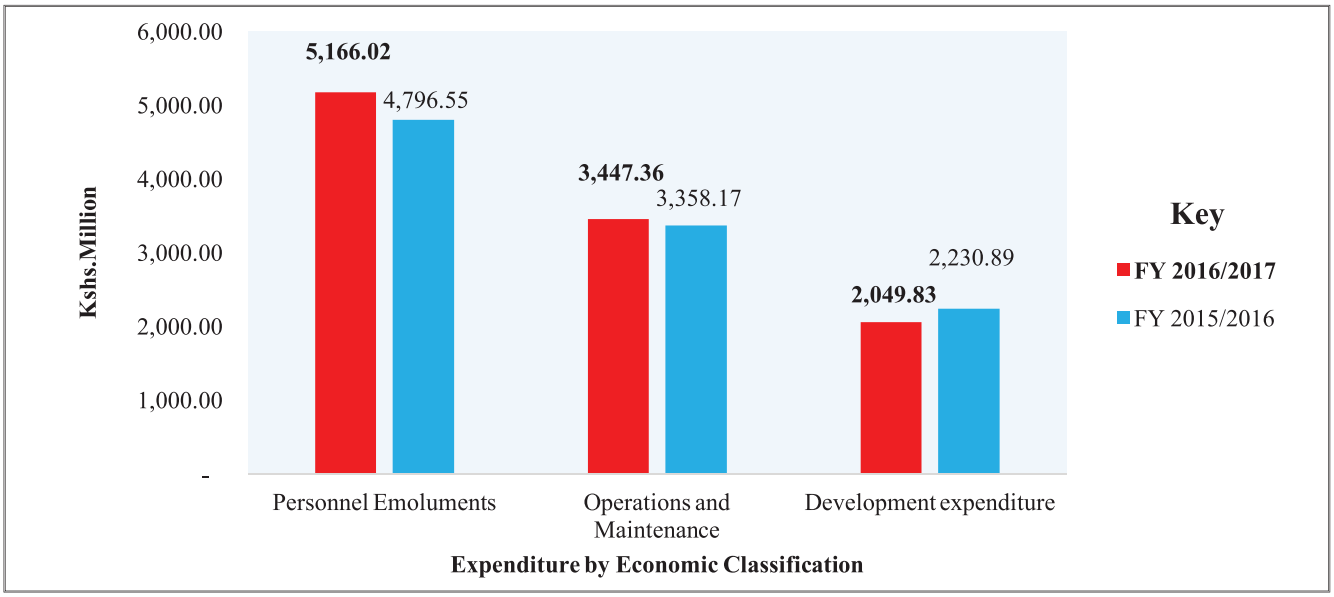
The County spent Kshs.10.66 billion, which was 95 per cent of the total funds released for operations. This was an increase of 2.6 per cent from Kshs.10.39 billion spent in FY 2015/16.

A total of Kshs.8.61 billion was spent on recurrent activities, while Kshs.2.05 billion was spent on development activities. The recurrent expenditure was 107.2 per cent of the funds released for recurrent activities while development expenditure accounted for 63.3 per cent of the funds released for development activities. The expenditure excluded pending bills as at June 30, 2017 that amounted to Kshs.2.30 billion for development and Kshs.492.01 million for recurrent expenditure.

The recurrent expenditure represented 93.1 per cent of the annual recurrent budget, a decrease from 94.80 per cent spent in FY 2015/16. Development expenditure recorded an absorption rate of 35.1 per cent, which was a decrease from 41.44 per cent attained in FY 2015/16. Figure.3.92 presents a comparison between the total expenditure in FY 2016/17 and FY 2015/16.

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Figure.3.92: Nakuru County, Expenditure by Economic Classification in FY 2015/16 and FY 2016/17



Source: *Nakuru County Treasury*

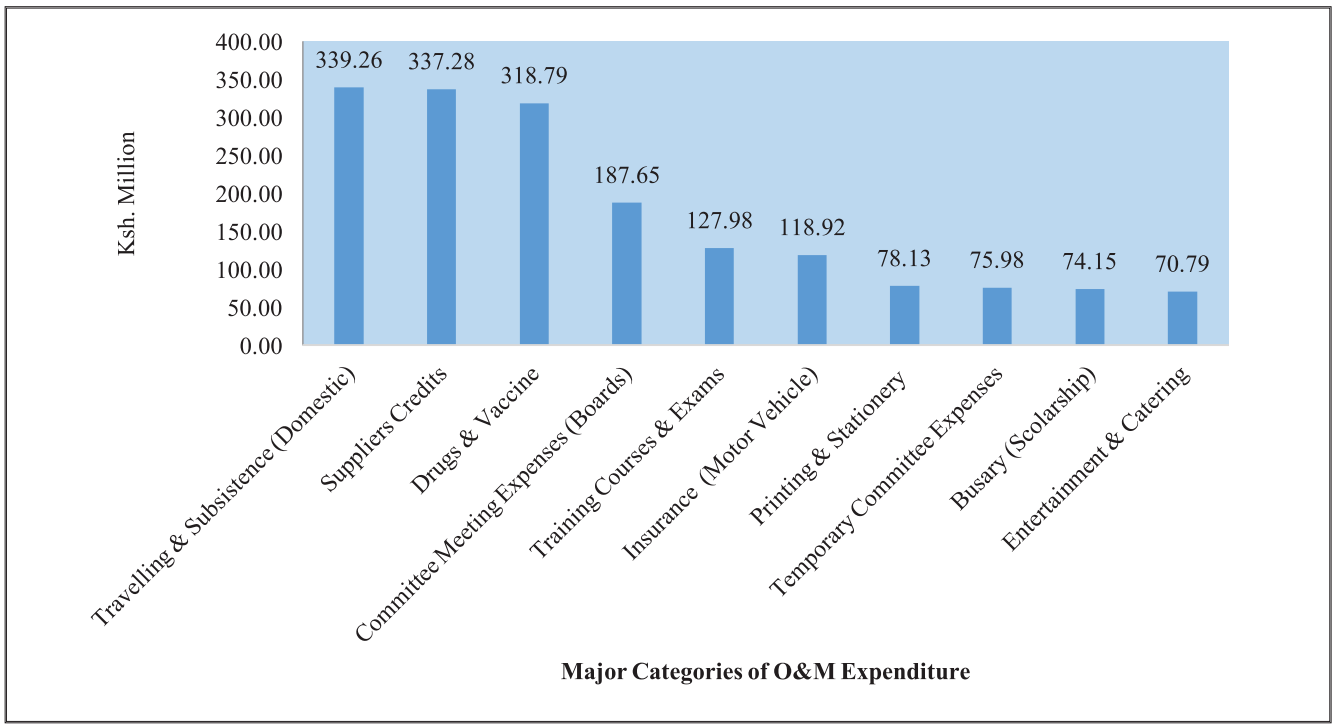
3.31.6 Analysis of Recurrent Expenditure

The total recurrent expenditure of Kshs.8.61 billion consisted of Kshs.5.17 billion (60 per cent) spent on personnel emoluments and Kshs.3.45 billion (40 per cent) on operations and maintenance as shown in Figure.3.92. Expenditure on personnel emoluments represented an increase of 7.7 per cent compared to FY 2015/16 when the County spent Kshs.4.79 billion. Figure.3.93 shows a summary of operations and maintenance expenditure by major categories.

The expenditure on personnel emoluments of Kshs.5.17 billion was 48.4 per cent of overall total expenditure in FY 2016/17 and 59.98 per cent of total recurrent expenditure of Kshs.8.61 billion.

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Figure.3.93: Nakuru County, Operations and Maintenance Expenditure by Major Categories for FY 2016/17



Source: *Nakuru County Treasury*

The County spent Kshs.91.96 million on sitting allowances for the 75 MCAs and the Speaker against the annual budget allocation of Kshs.61 million. This was an increase of 15.5 per cent compared to Kshs.79.6 million spent in FY 2015/16. The average monthly sitting allowance was Kshs.102,180 per MCA compared to SRC's recommended monthly ceiling of Kshs.124,800.

Expenditure on domestic and foreign travel amounted to Kshs.385.85 million and consisted of Kshs.52.97 million spent by the County Assembly and Kshs.332.88 million by the County Executive. This expenditure represented 4.5 per cent of total recurrent expenditure and was an increase of 58 per cent compared to Kshs.244 million spent in FY 2015/16.

3.31.7 Development Expenditure Analysis

The total development expenditure of Kshs.2.01 billion represented 35.1 per cent of the annual development budget of Kshs.5.84 billion. Table.3.92 provides a summary of development projects with the highest expenditure in FY 2016/17.

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Table.3.92: Nakuru County, List of Development Projects with the Highest Expenditure in FY 2016/17

S/No.	Project Name	Project Location	Annual Project Budget (Kshs.)	Annual Project Expenditure (Kshs.)	Absorption rate (%)
1	Supply of Vaccines	H/Q	61,500,000	54,130,000	88
2	Consultation services for Digital Topographical Mapping and preparation of a Spatial Plan	H/Q	68,900,562	45,830,673	66.5
3	Preparation of Draft Valuation Roll	H/Q	18,700,000	16,275,213	87
4	Mawalebo Water Project	H/Q	20,000,000	12,961,257	64.8
5	Purchase of Land Block 27/910 Mwariki	Rhona/Mwariki	14,854,044	9,000,000	60.6
6	Renovation of Pavalion Stand Afraha Stadium	H/Q	-	8,507,858	-
7	Spot Improvement and Routine Maintenance of Pombo-Reboit-Badiat-Soitaran Road	Keringet	9,103,100	8,358,325	91.8
8	Periodic and Routine Maintenance of Bamba And Part of John Momanyi Road, Nakuru West	Shabab	22,859,550	7,652,343	33.5
9	Land Information Management System Consultation Service	H/Q	10,000,000	7,625,452	76.3

Source: *Nakuru County Treasury*

Analysis of the development expenditure by project indicates that, the highest expenditure of Kshs.54.13 million was spent on the purchase of vaccines by the Department of Agriculture, Livestock and Fisheries, followed by Kshs.45.83 million on consultation services for digital topographical mapping and preparation of a Spatial Plan by the Department of Lands and Physical Planning.

3.31.8 Budget and Budget Performance Analysis by Department

Table 3.93 shows a summary of budget estimates and budget performance by department in FY 2016/17

Table.3.93: Nakuru County, Budget Performance by Department in FY 2016/17

Department	Annual Supplementary Budget Allocation (Kshs.Million)		Exchequer Issues in FY 2016/17 (Kshs.Million)		Expenditure in FY 2016/17 (Kshs.Million)		FY 2016/17 Expenditure to Exchequer Issues (%)		FY 2016/17 Absorption rate (%)	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
Office of the Governor and Deputy Governor	203.13	58.37	196.44	54.12	401.05	53.52	204.2	98.9	197.4	91.7
Finance and Economic Planning	941.45	330.03	887.48	253.56	1,141.28	90.29	128.6	35.6	121.2	27.4
County Public Service Board	53.92	3.60	52.37	3.60	52.82	13.47	100.9	374.2	98.0	373.7

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Public Service Management	723.61	43.93	714.36	45.73	752.44	26.23	105.3	57.4	100.0	59.7
Health Services	4,403.31	1,021.17	3,442.02	451.34	3,799.78	167.10	110.4	37.0	86.3	16.4
Trade, Industrialization and tourism	126.69	261.22	129.30	167.11	119.41	113	92.4	67.6	94.3	43.3
Roads, Public Works and Transport	342.87	1,809.59	300.38	810.82	306.53	729.21	102.0	89.9	89.4	40.3
Information, Communication and E- Government	55.89	40.89	55.73	37.70	44.37	38.11	79.6	101.1	79.4	93.2
Agriculture, Livestock Development and Fisheries	540.52	263.55	540.96	195.61	506.62	91.37	93.7	46.7	93.7	34.7
Land, Housing and Urban Development	110.26	226.48	110.54	229.02	100.65	109.64	91.1	47.9	91.3	48.4
Education, Culture Youth Affairs and Social Services	506.08	849.17	434.92	383.30	328.08	328.33	75.4	85.7	64.8	38.7
Environment, Energy, Natural Resources and Water	377.97	711.55	359.48	399.22	296.24	195.83	82.4	49.1	78.4	27.5
County Assembly	865.47	219.84	810.44	207.20	764.12	93.74	94.3	45.2	88.3	42.6
TOTAL	**9,251.15**	**5,839.40**	**8,034.42**	**3,238.33**	**8,613.39**	**2,049.83**	**107.2**	**63.3**	**93.1**	**35.1**

Source: *Nakuru County Treasury*

Analysis of budget performance by department shows that the County Public Service Board attained the highest absorption of development budget at 373.7 per cent while the Health department recorded the lowest absorption rate of 16.4 per cent. On the other hand, the Office of the Governor and Deputy Governor had the highest percentage of recurrent expenditure to recurrent budget at 197.4 per cent while the Department of Education, Culture, Youth Affairs and Social Services had the lowest at 64.8 per cent.

3.31.9 Observations and Recommendations

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

i. Establishment of the County Budget and Economic Forum (CBEF) in line with Section 137 of the PFM Act, 2012.

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

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

1. Delay by the National Treasury to disburse the equitable share of revenue raised nationally.
2. High expenditure on domestic and foreign travel that exceeded the approved budget allocation by 196.1 per cent and amounted to Kshs.385.85 million. This expenditure was an increase of 58 per cent compared to Kshs.244 million spent in FY 2015/16.
3. Under-performance in local revenue collection, which declined by 32.3 per cent from Kshs.2.29 billion in

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FY 2015/16 to Kshs.1.55 million in FY 2016/17.

4. High wage bill, which increased by 7.7 per cent from Kshs.4.80 billion in FY 2015/16 to Kshs.5.12 billion in FY 2016/17 and represented 48.4 per cent of the total expenditure. Increase in wage bill may affect implementation of development projects.

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

1. *The County Treasury should liaise with the National Treasury to ensure that allocated funds are released in a timely manner in line with CARA Disbursement Schedule.*
2. *The County should ensure all expenditure is within the Approved Budget.*
3. *The County should formulate and implement strategies to improve local revenue collection.*
4. *The CountyPublic Service Board should ensure an optimal staffing structure in order to ensure a sustainable wage bill.*

3.32 Nandi County

3.32.1 Overview of the FY 2016/17 Budget

The County's FY 2016/17 Approved Budget was Kshs.6.91 billion, comprising of Kshs.4.38 billion (63.4 per cent) and Kshs.2.53 billion (36.6 per cent) allocations for recurrent and development expenditure respectively.

To finance the budget, the County expected to receive Kshs.5.13 billion (79.3 per cent) as equitable share of revenue raised nationally, Kshs.174.24 million (2.7 per cent) as total conditional grants, generate Kshs.131.34 million (2.0 per cent) from local sources, Kshs.59.70 million (1 per cent) from Kenya Water Trust Fund, and Kshs.973 million (15.0 per cent) cash balance from FY 2015/16. The conditional grants comprised of Kshs.68.20 million (39.1 per cent) for Free Maternal Healthcare, Kshs.78.84 million (45.2 per cent) from the Road Maintenance Fuel Levy Fund, Kshs.18.06 million (10.4 per cent) for User Fees Foregone, and Kshs.9.16 million (5.3 per cent) as a grant from DANIDA. Other conditional grants that are not in CARA, 2016 include Kshs.59.70 million for Kenya Water Trust Fund and Kshs.27.90 million for Kenya Devolution Support Programme.

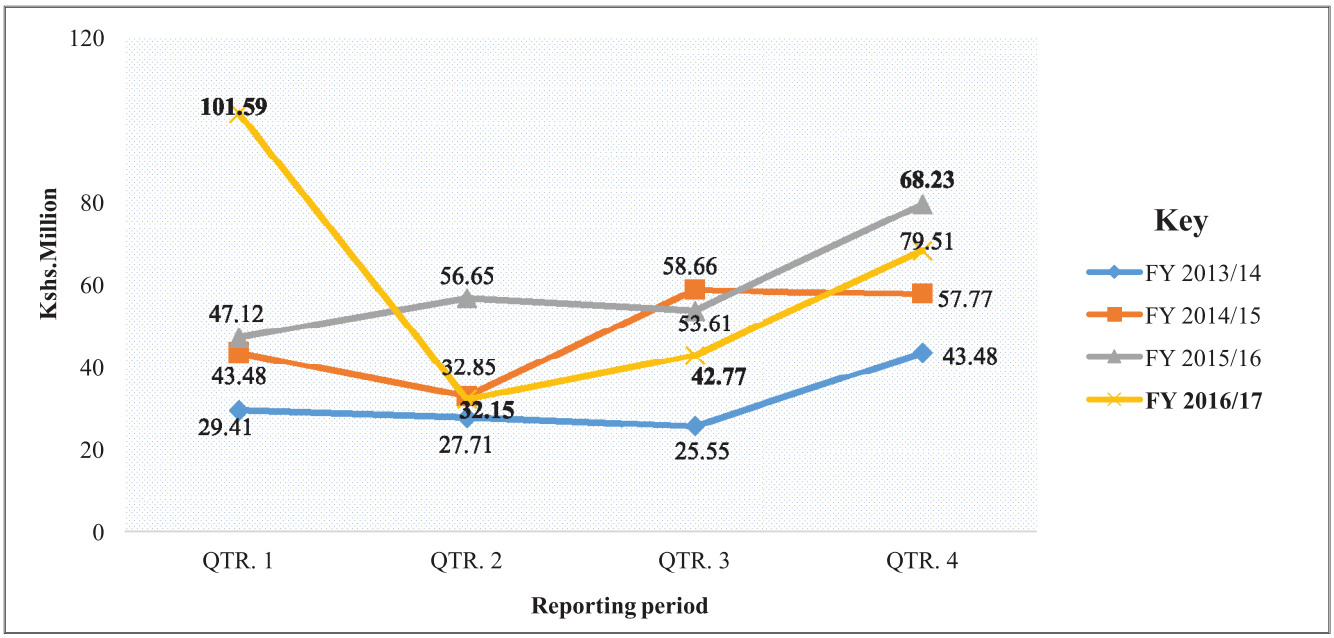
3.32.2 Revenue Analysis

During the year, the County received Kshs.5.13 billion as equitable share of the revenue raised nationally, Kshs.174.24 million as total conditional allocations, raised Kshs.244.74 million from local revenue sources, and had a cash balance of Kshs.973 million brought forward from FY 2015/16.

Figure 3.94 shows the quarterly trend in local revenue collection from the first quarter of FY 2013/14 to the fourth quarter FY 2016/17.

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Figure 3.94: Nandi County Trend in Local Revenue Collection by Quarter from FY 2013/14 to FY 2016/17



Source: *Nandi County Treasury*

The total local revenue collected in FY 2016/17 amounted to Kshs.244.74 million, representing an increase 3.3 per cent compared to Kshs.236 .89 million generated in FY 2015/16, and represented 67.6 per cent of the annual local revenue target of Kshs.362.28 million.

3.32.3 Conditional Grants

Table 3.94 shows an analysis of conditional grants released in FY 2016/17.

Table 3.94: Nandi County Analysis of Conditional Grants Released in FY 2016/17

S/No	Conditional Grant	CARA, 2016 Annual Allocation in Kshs)	Actual receipts in FY 2016/17 in Kshs.	Actual Receipts as Percentage of Annual Allocation (%)
1	Road Maintenance Fuel Levy Fund	78,835,014	78,835,014	100
2	Free Maternal Healthcare	68,195,394	68,195,394	100
3	User Fees Foregone	18,055,819	18,055,819	100
4	DANIDA grant	9,155,000	9,155,000	100
TOTAL		**174,241,227**	**174,241,227**	**100**

Source: *Nandi Treasury*

Analysis of the conditional grants released during the period under review indicates that, Road Maintenance Fuel Levy Fund, Free Maternal Healthcare, User Fees Foregone grants and DANIDA recorded full receipts at 100 per cent of their annual budget allocation respectively.

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3.32.4 Exchequer Issues

During the year, the Controller of Budget authorised withdrawal of Kshs.5.37 billion from the County Revenue Fund account which was 77.8 per cent of the Approved Budget. This amount represented an increase of 7.4 per cent from Kshs.5 billion authorized in FY 2015/16 and consisted of Kshs.3.54 billion (65.9 per cent) for recurrent expenditure and Kshs.1.83 billion (34.1 per cent) for development activities.

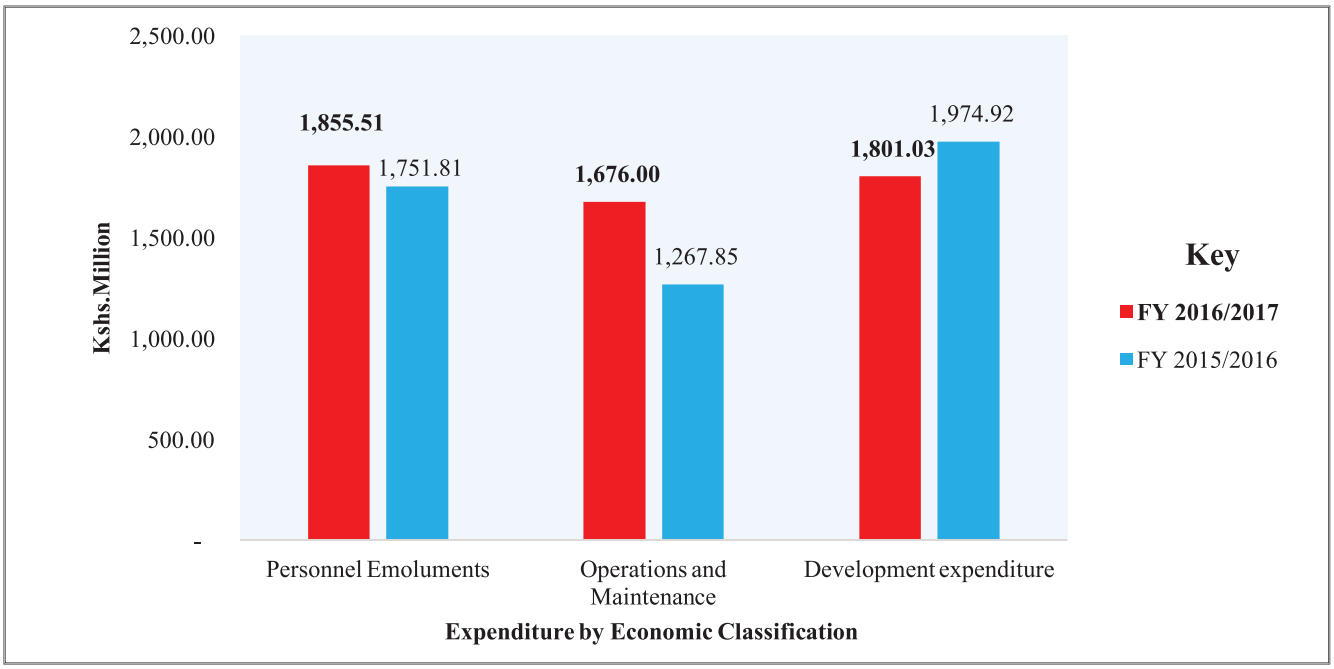
3.32.5 Overall Expenditure Review

The County spent Kshs.5.33 billion, which was 99.4 per cent of the total funds released for operations. This was an increase of 7 per cent from Kshs.4.98 billion spent in FY 2015/16.

A total of Kshs.3.53 billion was spent on recurrent activities, while Kshs.1.8 billion was spent on development activities. The recurrent expenditure was 99.9 per cent of the funds released for recurrent activities while development expenditure accounted for 98.4 per cent of the funds released for development activities. The expenditure excluded pending bills as at June 30, 2017 that amounted to Kshs.664.61 million for development and Kshs.148.9 million for recurrent expenditure.

The recurrent expenditure represented 80.7 per cent of the annual recurrent budget, a decrease from 95.6 per cent spent in FY 2015/16. Development expenditure recorded an absorption rate of 71.4 per cent, which was a decrease from 77.3 per cent attained in FY 2015/16. Figure 3.95 presents a comparison between the total expenditure in FY 2016/17 and FY 2015/16.

Figure 3.95: Nandi County, Expenditure by Economic Classification in FY 2015/16 and FY 2016/17



Source: *Nandi County Treasury*

3.32.6 Analysis of Recurrent Expenditure

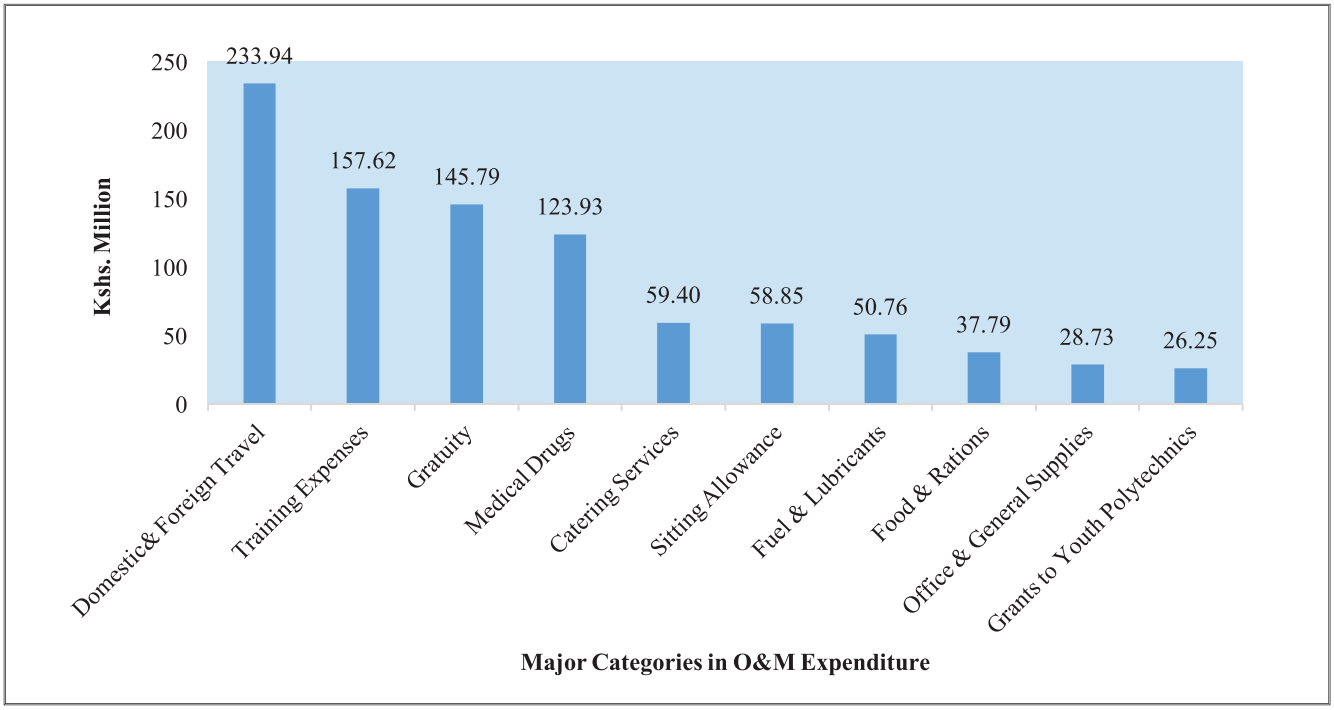
The total recurrent expenditure of Kshs.3.53 billion consisted of Kshs.1.86 billion (52.7 per cent) spent on

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personnel emoluments and Kshs.1.67 billion (47.3 per cent) on operations and maintenance as shown in Figure 3.95. Expenditure on personnel emoluments represented an increase of 6.3 per cent compared to FY 2015/16 when the County spent Kshs.1.75 billion. Figure 3.96 shows a summary of operations and maintenance expenditure by major categories.

The expenditure on personnel emoluments of Kshs.1.86 billion was 34.9 per cent of overall total expenditure in FY 2016/17 and 52.7 per cent of total recurrent expenditure of Kshs.3.53 billion.

Figure 3.96 Nandi County, Operations and Maintenance Expenditure by Major Categories for FY 2016/17



Source: *Nandi County Treasury*

The County spent Kshs.58.85 million on sitting allowances for the 48 MCAs and the Speaker against the annual budget allocation of Kshs.73.38 million. This was an increase of 0.3 per cent compared to Kshs.58.7 million spent in FY 2015/16. The average monthly sitting allowance was Kshs.100,079 per MCA compared to SRC's recommended monthly ceiling of Kshs.124,800.

Expenditure on domestic and foreign travel amounted to Kshs.233.95 million and consisted of Kshs.63.89 million spent by the County Assembly and Kshs.170.06 million by the County Executive. This expenditure represented 6.6 per cent of total recurrent expenditure and was a decrease of 10.4 per cent compared to Kshs.261.10 million spent in FY 2015/16.

3.32.7 Development Expenditure Analysis

The total development expenditure of Kshs.1.8 billion represented 71.1 per cent of the annual development budget of Kshs.2.53 billion. Table 3.35 provides a summary of development projects with the highest expenditure in FY

2016/17.

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Table 3.95: Nandi County, List of Development Projects with the Highest Expenditure in FY 2016/17

S/No	Project name	Project location	Annual project budget (Kshs .)	Annual project expenditure (Kshs.)	Absorption rate (%)
1	Water Supplies and Sewerage	County Wide	430,000,000	425,699,114	99
2	Access Roads	County Wide	401,810,000	397,218,420	98.9
3	Purchase of Specialized Plant & Equipment	Kapsabet	200,000,000	131,255,496	65.6
4	Sports infrastructure Development-Kipchoge Stadium	Kapsabet	121,308,000	100,043,034	82.5
5	Early Child Development and Education	County Wide	98,050,000	97,910,000	99.9
6	Construction of Buildings - Nandi County Assembly	Kapsabet	118,900,000	79,418,069	66.8
7	Fire fighting Vehicles and Equipment	Kapsabet	38,000,000	38,000,000	100
8	Construction of Maternity Block	Kurgung	5,736,685	5,736,685	100
9	Kipsebwo Youth Polytenchic-Administration Block	Nandi Hills	2,000,000	1,828,276	91.4

Source:*Nandi County Treasury*

Analysis of the development expenditure by project indicates that, the highest expenditure of Kshs.425.7 million was spent on Water Supplies and Sewerage across the county, followed by Kshs.397.22 million on Access Roads County wide, and Kshs.131.26 million on Purchase of Specialized Plant & Equipment in Kapsabet.

3.32.8 Budget and Budget Performance Analysis by Department

Table 3.96 shows a summary of budget estimates and budget performance by department in FY 2016/17

Table 3.96: Nandi County, Budget Performance by Department in FY 2016/17

Department	Annual Budget Allocation (Kshs. Million)		Exchequer Issues in FY 2016/17 (Kshs.Million)		Expenditure in FY 2016/17 (Kshs.Million)		FY 2016/17 Expenditure to Exchequer Issues (%)		FY 2016/17 Absorption rate (%)	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
Office of the Governor & Deputy Governor	445.62	132.34	327.1	-	329.12	-	100.6	-	73.9	0.2
Finance and Economic Planning	732.68	149.1	524.2	50	619.28	50	118.1	120.8	84.5	40.5
Health and Sanitation	1318.69	173.26	1225.06	65	1,191.87	65	97.3	75.9	90.4	28.5
Roads Transport and Public Works	242.53	771.21	238.31	666.5	156.78	666.5	65.8	98.4	64.6	85

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Agriculture, Livestock and Fisheries	197.94	144.34	159.58	115	166.10	115	104.1	93.6	83.9	74.5
Education Research and Vocational Training	411.7	153.05	241.94	130	289.17	130	119.5	95.8	70.2	81.4
Lands, Environment and Natural Resources	59.95	516.41	50.26	500	42.05	500	83.7	85.1	70.1	82.4
Trade and Industrial Development	46.2	21.86	43.72	10	34.63	10	79.2	93.0	75	42.6
Public Service and Labour	34.35	-	28.70	-	20.95	-	73	-	61	-
Tourism, Culture and Co-operative Development	28.87	47	26.98	28	20.16	28	74.7	92.9	69.8	55.4
Devolved Units and Special Programmes	220.46	166.05	83.87	50	96.04	50	114.5	120.8	43.6	36.4
Youth, Gender and Social Services	37.95	132.6	34.52	100	15.68	100	45.4	101.8	41.3	76.8
County Assembly	600.29	118.9	550	118.9	549.66	118.9	99.9	66.8	91.6	66.8
TOTAL	**4,377.21**	**2,526.11**	**3,534.23**	**1,833.4**	**3,531.50**	**1,833.4**	**99.9**	**98.4**	**80.7**	**71.4**

Source: *Nandi County Treasury*

Analysis of budget performance by department shows that the Roads Transport and Public Works Department attained the highest absorption of development budget at 85 per cent while the Public Service and Labour Department did not incur any development expenditure. On the other hand, the County Assembly had the highest percentage of recurrent expenditure to recurrent budget at 91.6 per cent while the Department of Youth, Gender and Social Services had the lowest at 41.3 per cent.

3.32.9 Observations and Recommendations

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

i. Adoption of IFMIS in processing financial transactions.

ii. Improvement in human capacity through recruitment of additional key staff in various departments and continuous training.

iii. Automation of revenue collection which has led to improved revenue performance. The local revenue collection has improved by 3.3 per cent from Kshs.236.89 million in the FY 2015/16 compared to Kshs.244.74 million in the period under review, representing 67.6 per cent of annual budget.

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

1. Failure to constituted the County Budget and Economic Forum (CBEF) as required by Section 137 of the PFM Act, 2012 for consultation in the budget process.
2. IFMIS connectivity challenges, which slowed down approval of procurement requests and payments to suppliers.
3. Delay by Fund Administrators to regularly submit quarterly expenditure reports on the County Executive

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Bursary Fund, and, the County Assembly Car and Mortgage Fund contrary to Section 168 of the PFM Act, 2012.

4. Delay by the National Treasury to disburse the equitable share of revenue raised nationally.

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

1. *The County should establish the CBEF for consultation in the budget and economic process in line with Section 137 of the PFM Act, 2012.*
2. *The County Treasury should liaise with IFMIS Directorate for support in the use of IFMIS and the E-procurement module.*
3. *The Administrators of the Bursary Fund and County Assembly Members Car Loan and Mortgage Fund should ensure timely submission of expenditure reports in line with Section 168 of the PFM Act, 2012.*
4. *The County Treasury should liaise with the National Treasury to ensure that funds allocated to the County are released in a timely manner in line with the CARA Disbursement Schedule.*

3.33 Narok County

3.33.1 Overview of the FY 2016/17 Budget

The County's FY 2016/17 Approved Supplementary Budget was Kshs.9.08 billion, comprising of Kshs.5.68 billion (62.6 per cent) and Kshs.3.4 billion (37.4 per cent) allocation for recurrent and development expenditure respectively.

To finance the budget, the County expected to receive Kshs.5.71 billion (63.7 per cent) as equitable share of revenue raised nationally, Kshs.349.72 million (3.9 per cent) as total conditional grants, generate Kshs.2.9 billion (32.4 per cent) from local revenue sources, and Kshs.5.38 million (0.1 per cent) cash balance from FY 2015/16. The conditional grants comprised of Kshs.56.33 million (16.1 per cent) for Free Maternal Healthcare, Kshs.87.66 million (25.1 per cent) from the Road Maintenance Fuel Levy Fund, Kshs.19.83 million (5.7 per cent) for User Fees Foregone, Kshs.90.15 million (25.8 per cent) from DANIDA, and Kshs.95.74 million (27.4 per cent) for Leasing of Medical Equipment. In addition, the County budgeted to receive Kshs.29.35 million as Kenya Devolution Support Program which was not contained in CARA, 2016.

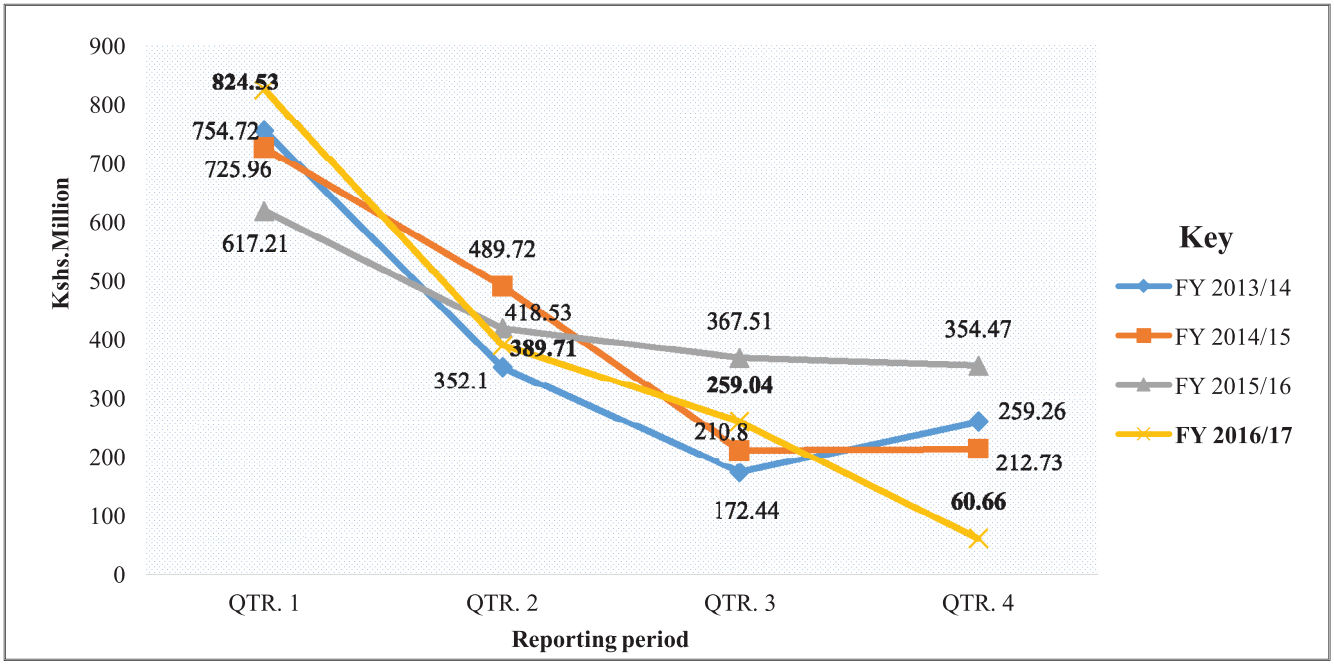
3.33.2 Revenue Analysis

During the year, the County received Kshs.5.71 billion as equitable share of the revenue raised nationally, Kshs.262.65 million as total conditional allocations, raised Kshs.1.53 billion from local revenue sources, and had a cash balance of Kshs.5.37 million brought forward from FY 2015/16.

Figure.3.97 shows the quarterly trend in local revenue collection from the first quarter of FY 2013/14 to the fourth quarter FY 2016/17.

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Figure.3.97: Narok County, Trend in Local Revenue Collection by Quarter from FY 2013/14 to FY 2016/17



Source: *Narok County Treasury*

The total local revenue collected in FY 2016/17 amounted to Kshs.1.53 billion, representing a decrease of 13.1 per cent compared to Kshs.1.76 billion generated in FY 2015/16, and represented 53 per cent of the annual local revenue target of Kshs.2.89 billion.

3.33.3 Conditional Grants

Table 3.97 shows an analysis of conditional grants released in FY 2016/17.

Table 3.97: Narok County, Analysis of Conditional Grants Released in FY 2016/17

S/No	Conditional Grant	CARA, 2016 Annual Allocation in Kshs)	Actual receipts in FY 2016/17 in Kshs.	Actual Receipts as Percentage of Annual Allocation (%)
1	Leasing of Medical Equipment	95,744,681	89,569,500	93.5
2	DANIDA grant	90,146,403	8,945,000	9.9
3	Road Maintenance Fuel Levy Fund	87,668,239	87,668,239	100
4	Free Maternal Healthcare	56,330,000	56,330,000	100
6	User Fees Foregone	19,834,915	20,106,734	101
TOTAL		**349,724,238**	**262,619,473**	**75.1**

Source: *Narok County Treasury*

Analysis of the conditional grants released during the period under review indicates that, User Fees Foregone recorded the highest receipts at 101 per cent of annual allocation, which includes Kshs.271,819 balance from FY 2015/16, followed by the Road Maintenance Fuel Levy Fund, and Free Maternal Healthcare at 100 per cent,

respectively.

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3.33.4 Exchequer Issues

During the year, the Controller of Budget authorised withdrawal of Kshs.7.47 billion from the CRF account, which was 82 per cent of the Approved Supplementary Budget. This amount represented an increase of 3.2 per cent from Kshs.7.24 billion authorized in FY 2015/16 and consisted of Kshs.5.32 billion (71.2 per cent) for recurrent expenditure and Kshs.2.15 billion (28.8 per cent) for development activities.

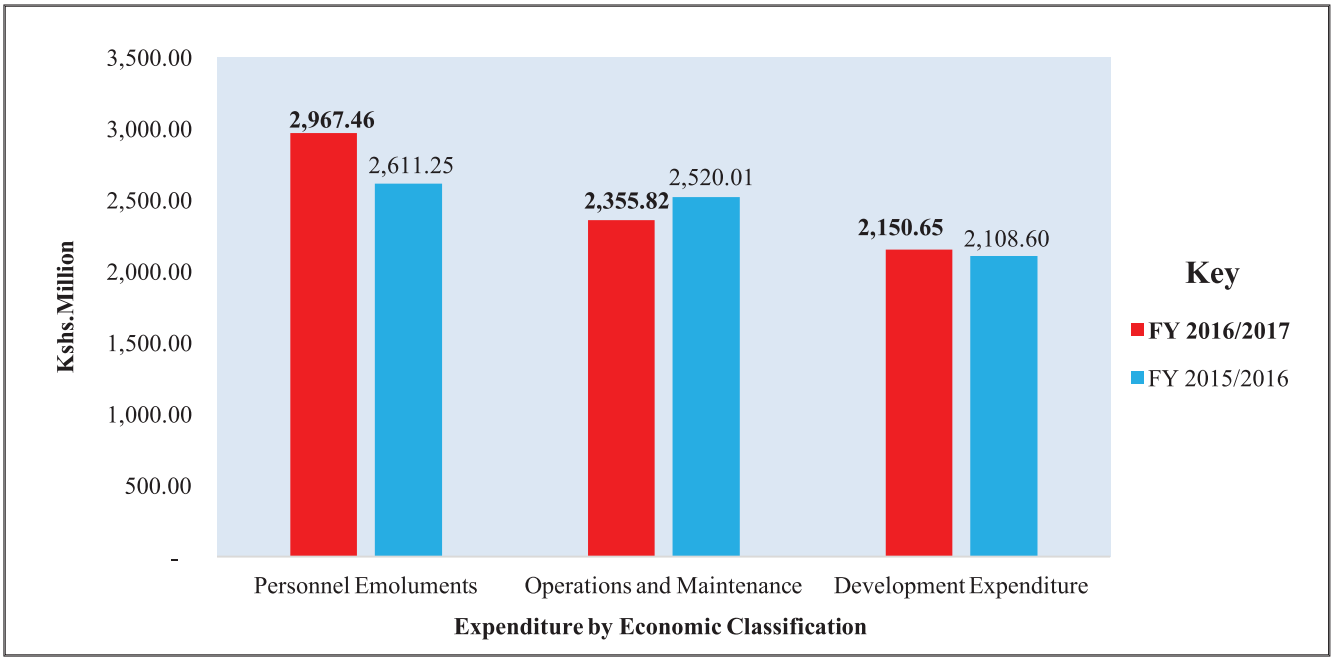
3.33.5 Overall Expenditure Review

The County spent Kshs.7.47 billion, which was 99.9 per cent of the total funds released for operations. This was an increase of 3.17 per cent from Kshs.7.24 billion spent in FY 2015/16.

A total of Kshs.5.32 billion was spent on recurrent activities, while Kshs.2.15 billion was spent on development activities. The recurrent expenditure was 100 per cent of the funds released for recurrent activities while development expenditure accounted for 100 per cent of the funds released for development activities. The expenditure excluded pending bills as at June 30, 2017 that amounted to Kshs.1.05 billion for development and Kshs.607.6 million for recurrent expenditure.

The recurrent expenditure represented 93.7 per cent of the annual recurrent budget, an increase from 91.8 per cent spent in FY 2015/16. Development expenditure recorded an absorption rate of 63.3 per cent, which was a decrease from 77.6 per cent attained in FY 2015/16.

Figure.3.98: Narok County, Expenditure by Economic Classification in FY 2015/16 and FY 2016/17



Source:*Narok County Treasury*

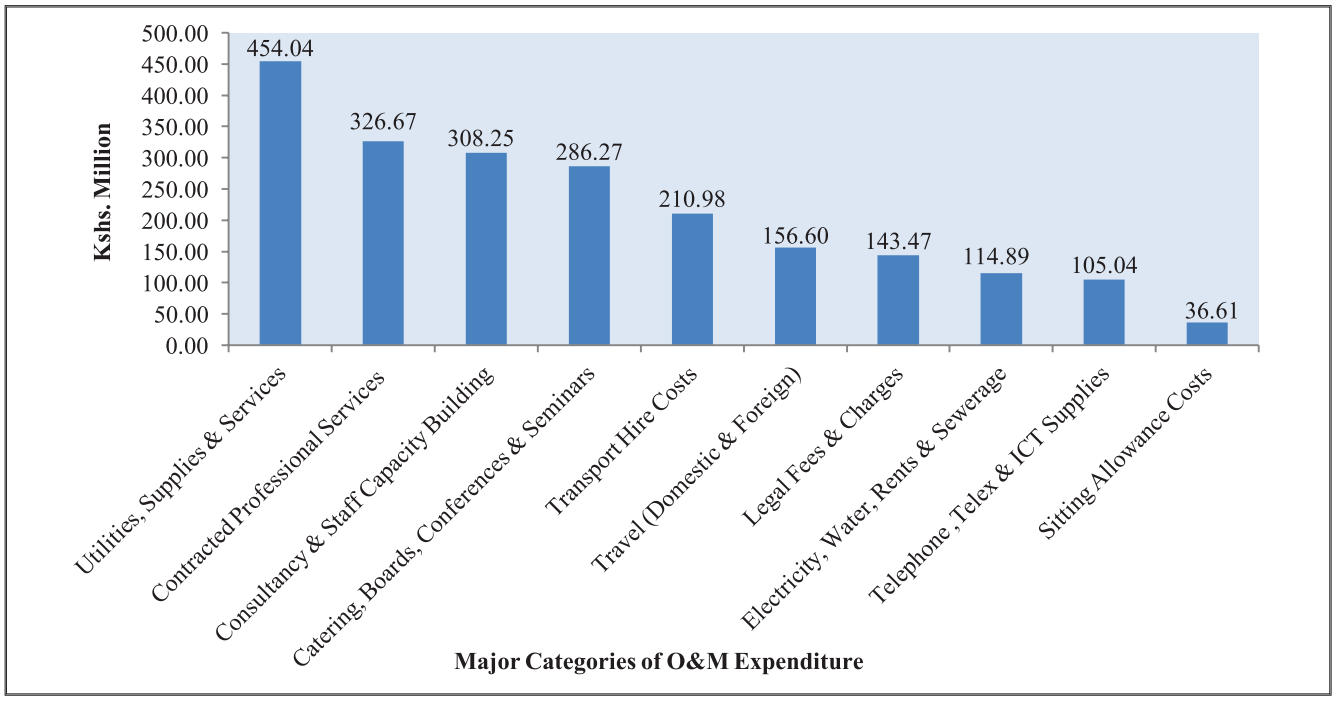
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3.33.6 Analysis of Recurrent Expenditure

The total recurrent expenditure of Kshs.5.32 billion consisted of Kshs.2.96 billion (55.6 per cent) spent on personnel emoluments and Kshs.2.35 billion (44.4 per cent) on operations and maintenance as shown in Figure.3.98. Expenditure on personnel emoluments represented an increase of 13.6 per cent compared to FY 2015/16 when the County spent Kshs.2.61 billion. Figure.3.99 shows a summary of operations and maintenance expenditure by major categories.

The expenditure on personnel emoluments of Kshs.2.96 billion was 39.7 per cent of overall total expenditure in FY 2016/17 and 55.7 per cent of total recurrent expenditure of Kshs.5.32 billion.

Figure.3.99: Narok County, Operations and Maintenance Expenditure by Major Categories for FY 2016/17



Source: *Narok County Treasury*

The County spent Kshs.36.61 million on sitting allowances for the 48 MCAs and the Speaker against the annual budget allocation of Kshs.71.51 million. This was a decrease of 19 per cent compared to Kshs.45.23 million spent in FY 2015/16. The average monthly sitting allowance was Kshs.63,556 per MCA compared to SRC's recommended monthly ceiling of Kshs.124, 800

Expenditure on domestic and foreign travel amounted to Kshs.156.6 million and consisted of Kshs.69.63 million spent by the County Assembly and Kshs.86.95 million by the County Executive. This expenditure represented 2.94 per cent of total recurrent expenditure and was an increase of 36.8 per cent compared to Kshs.66.12 million spent in FY 2015/16.

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3.33.7 Development Expenditure Analysis

The total development expenditure of Kshs.2.15 billion represented 63.3 per cent of the annual development budget of Kshs.3.39 billion. Table.3.98 provides a summary of development projects with the highest expenditure in FY 2016/17.

Table.3.98: Narok County, List of Development Projects with the Highest Expenditure in FY 2016/17

S/No.	Project name	Project location	Annual project budget (Kshs.)	Annual project expenditure (Kshs.)	Absorption rate (%)
1	Rehabilitation of Roads	Narok Township	1,358,912,455	80,214,967	5.9
2	School Infrastructure	Narok East, Narok West, Narok North, Emurua-Dikirr, Transmara West, Narok South Sub-Counties	1,257,100,000	1,257,100,000	100
3	Acquisition of Roads Machinery & Equipment	HQs	111,510,000	90,000,000	80.7
4	County Assembly Headquarters (non-residential building)	HQs	67,000,000	45,389,376	67.7
5	Mara Game Reserve Rehabilitation	Maasai Mara	19,500,760	15,383,518	78.9
6	Construction of Renal Unit	HQs-referral	19,450,360	17,434,902	89.6
7	Water Pan construction	Lolgorian	16,083,962	10,000,000	62.2
8	Keekorok Mara-Airstrip Road	Keekorok-Mara	15,965,000	13,018,499	81.5
9	Construction of a Water Pan	Lolgorian	13,252,768	12,000,000	90.5
10	Road Rehabilitation	Narok South-Majimoto	15,090,000	11,910,000	78.9

Source: *Narok County Treasury*

Analysis of the development expenditure by project indicates that, the highest expenditure of Kshs.1.26 billion was spent on construction of School Infrastructure, followed by Kshs.90 million on acquisition of Roads Machinery and Equipment.

3.33.8 Budget and Budget Performance Analysis by Department

Table.3.99 shows a summary of budget estimates and budget performance by department in FY 2016/17

Table.3.99: Narok County, Budget Performance by Department in FY 2016/17

Department	Annual Budget Allocation (Kshs. Million)		FY 2016/17 Exchequer Issues (Kshs.Million)		FY 2016/17 Expenditure (Kshs.Million)		FY 2016/17 Expenditure to Exchequer Issues (%)		FY 2016/17 Absorption rate (%)	
	Rec	Dev.	Rec	Dev.	Rec	Dev.	Rec	Dev.	Rec	Dev
County Assembly	629.99	277	543.09	70	543.09	69.82	100	99.7	86.2	25.2

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Governor's Office	297.43	-	297.43	-	297.17	-	99.9	-	99.9	-
Finance & ICT	587.65	357.06	585.64	-	585.52	298.39	100	-	99.8	83.6
Transport	117.94	1,177.69	115.44	1,123.8	150.69	803.41	130.5	71.5	127.8	68.2
Education & Social Services	720.13	825	664.23	809	663.87	763.59	99.9	94.4	92.2	92.6
Environment & Water	53.85	125.71	53.85	5	53.75	80	99.8	1600	99.8	63.6
Public Service Board	67.47	-	67.47	-	52.01	-	77.1	-	77.1	-
Agriculture & Livestock	226.15	183.7	222.25	10	213.57	3.26	96.1	32.6	94.4	1.8
Health & Sanitation	1,588.18	268	1,453.2	123	1,449	101.03	99.7	82.1	91.2	37.7
Lands & Physical Plan	83.64	92.5	83.64	-	80.35	22.6	96.1	-	96.1	24.4
Tourism, Trade, Cooperatives	221.26	70	220.76	10	219.67	8.52	99.5	85.2	99.3	12.2
Administration & Public Service Management	1,089.14	20	1,016.4	-	1,014.40	-	99.8	-	93.1	-
Total	**5,682.83**	**3,396.66**	**5,323.4**	**2,150.8**	**5,323.09**	**2,150.62**	**100**	**100**	**93.7**	**63.3**

Source:*Narok County Treasury*

Analysis of budget performance by department shows that the Department of Education & Social Services achieved the highest absorption rate of development budget at 92.6 per cent, followed by the the Finance and ICT Department at 83.6 per cent. On the other hand, the Department of Transport had the highest percentage of recurrent expenditure to recurrent budget at 127.8 per cent.

3.33.9 Observations and Recommendations

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

i. Designation of Fund Administrators to the Maasai Mara Community Support Fund and the Bursary Fund in line with Section 116 of the PFM Act,2016.

ii. Reduction of expenditure on MCAs sitting allowance by 19 per cent from Kshs.45.23 million in FY 2015/16 to Kshs.36.61 million in the reporting period. The average expenditure per MCA on sitting allowance was Kshs.63,556 compared to SRC's recommended monthly ceiling of Kshs.124,800.

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

1. Under-performance in local revenue collection at 53 per cent of annual target. Local revenue collected in FY 2016/17 amounted to Kshs.1.53 billion, and represented a decrease of 13.1 per cent compared to Kshs.1.76 billion generated in FY 2015/16.
2. IFMIS connectivity challenges, which slowed down approval of procurement requests and payment of suppliers.
3. The County's wage bill has remained high, having increased by 13.4 per cent from Kshs.2.61 billion in FY 2015/16 to Kshs 2.96 billion in the FY 2016/17, and represented 39.7 per cent of overall expenditure. Increase in wage bill may affect implementation of development projects.

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

1. *The County Treasury should devise and implement strategies to enhance revenue collection.*
2. *The County Treasury should liaise with IFMIS Directorate for support in the use of IFMIS.*
3. *The County Public Service Board should establish and adopt an optimal staffing structure in order to ensure a sustainable wage bill.*

3.34 Nyamira County

3.34.1 Overview of the FY 2016/17 Budget

The County's FY 2016/17 Approved Supplementary Budget was Kshs.5.61 billion, comprising of Kshs.3.94 billion (70.2 per cent) and Kshs.1.67 billion (29.8 per cent) allocation for recurrent and development expenditure respectively.

To finance the budget, the County expected to receive Kshs.4.48 billion (79.9 per cent) as equitable share of revenue raised nationally, Kshs.181.19 million (5.2 per cent) as total conditional grants, generate Kshs.198.23 million (5.2 per cent) from local revenue sources, and Kshs.637.02 million (11.1 per cent) cash balance from FY 2015/16. The conditional grants comprised of Kshs.82.17 million (45.2 per cent) for Free Maternal Healthcare, Kshs.68.88 million (38 per cent) from the Road Maintenance Fuel Levy Fund, Kshs.11.58 million (6.4 per cent) for User Fees Foregone, and Kshs.18.56 million (10.2 per cent) from DANIDA

Further, the County expected to receive Kshs.26.28 million for World Bank Devolution Support Programme, Kshs.34.61 million from Agriculture, Fisheries and Food Authority, Kshs.12.93 million grant from World Bank towards Transforming Health Systems for Universal Care (THSUC), and Kshs.36 million (12.4 per cent) from the National Treasury for Nursing Service Allowances which were not contained in CARA, 2016.

3.34.2 Revenue Analysis

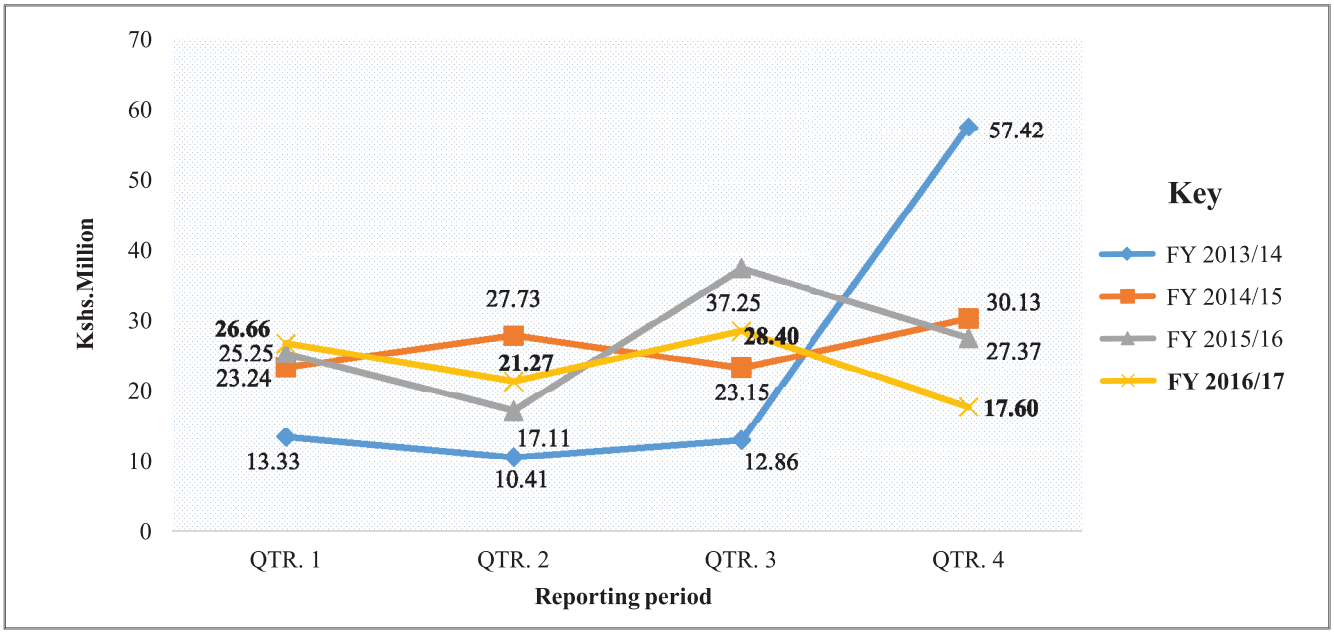
During the year, the County received Kshs.4.48 billion as equitable share of the revenue raised nationally, Kshs.286.44 million as total conditional allocations, raised Kshs.93.92 million from local revenue sources, and had a cash balance of Kshs.633.78 million brought forward from FY 2015/16.

Figure 3.4 shows the quarterly trend in local revenue collection from FY 2013/14 to FY 2016/17.

Figure.3.100 shows the quarterly trend in local revenue collection from the first quarter of FY 2013/14 to the fourth quarter FY 2016/17.

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Figure.3.100: Nyamira County, Trend in Local Revenue Collection by Quarter from FY 2013/14 to FY 2016/17



Source: *Nyamira County Treasury*

The total local revenue collected in FY 2016/17 amounted to Kshs.93.92 million, representing a decrease of 12.2 per cent compared to Kshs.106.98 million generated in FY 2015/16, and represented 47.4 per cent of the annual local revenue target of Kshs.198.23 million.

3.34.3 Conditional Grants

Table.3.100 shows an analysis of conditional grants released in FY 2016/17.

Table.3.100: Nyamira County Analysis of Conditional Grants Released in FY 2016/17

S/No	Conditional Grant	CARA, 2016 Annual Allocation in Kshs)	Actual receipts in FY 2016/17 in Kshs.	Actual Receipts as Percentage of Annual Allocation (%)
1	Free Maternal Healthcare	82,174,925	77,047,500	94
2	Road Maintenance Fuel Levy Fund	68,878,185	68,878,185	100
3	DANIDA grant	18,557,268	17,480,000	94
4	Foregone User Fees	11,578,458	11,578,458	100
5	Nursing Service Allowance	-	76,842,000	100
6	Tea & Coffee Cess for Infrastructure development	-	34,610,871	100
TOTAL		**181,188,836**	**286,437,014**	**100**

Source: *Nyamira Treasury*

Analysis of the conditional grants released during the period under review indicates that, except for DANIDA and Free Maternal Healthcare, all the other grants reported 100 per cent of their annual allocation.

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3.34.4 Exchequer Issues

During the year, the Controller of Budget authorised withdrawal of Kshs.4.72 billion from the County account which was 84.1 per cent of the Approved Supplementary Budget. This amount represented an increase of 5.1 per cent from Kshs.4.49 billion authorized in FY 2015/16 and consisted of Kshs.3.76 billion (79.7 per cent) for recurrent expenditure and Kshs.958.41 million (20.3 per cent) for development activities.

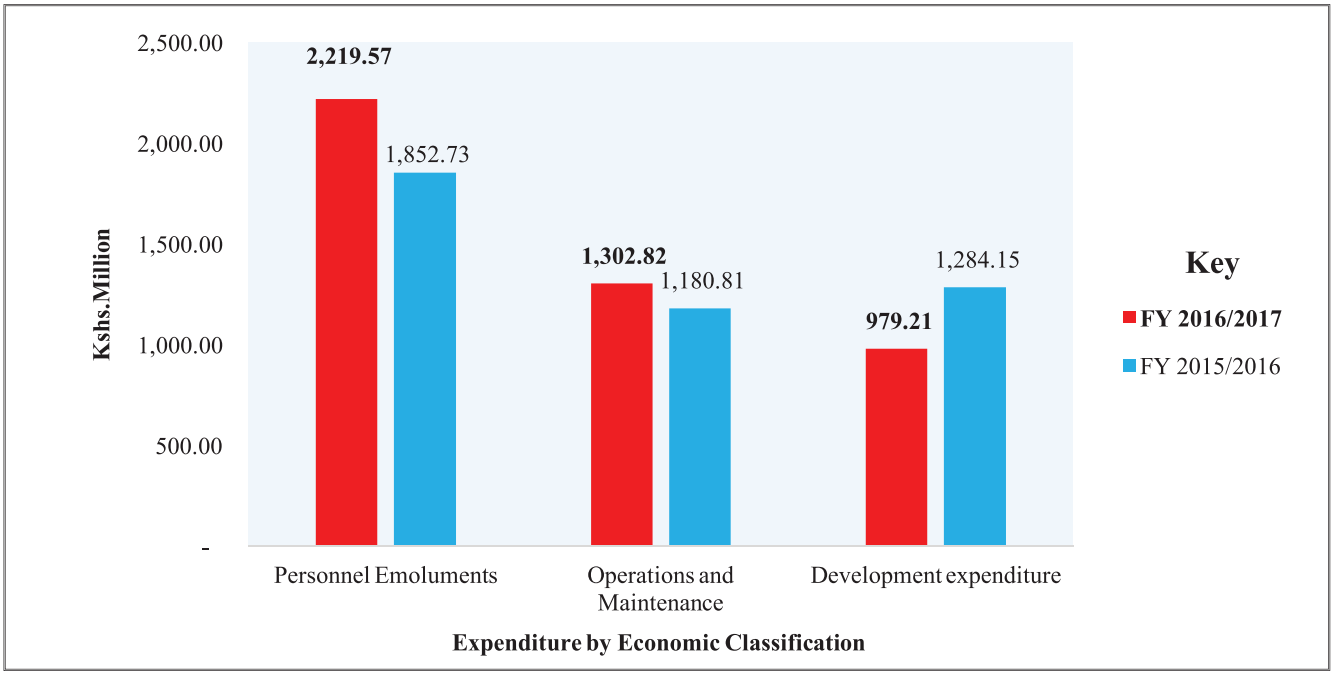
3.34.5 Overall Expenditure Review

The County spent Kshs.4.5 billion, which was 95.5 per cent of the total funds released for operations. This was an increase of 4.4 per cent from Kshs.4.31 billion spent in FY 2015/16.

A total of Kshs.3.52 billion (78.2 per cent) was spent on recurrent activities, while Kshs.979.21 million (21.8 per cent) was spent on development activities. The recurrent expenditure was 93.8 per cent of the funds released for recurrent activities while development expenditure accounted for 102.2 per cent of the funds released for development activities. The expenditure excluded pending bills as at June 30, 2017 that amounted to Kshs.170.07 million for development and Kshs.157.6 million for recurrent expenditure

The recurrent expenditure represented 89.4 per cent of the annual recurrent budget, a decrease from 98.1 per cent spent in FY 2015/16. Development expenditure recorded an absorption rate of 58.6 per cent, which was an increase from 54.5 per cent attained in FY 2015/16. Figure.3.101 presents a comparison between the total expenditure in FY 2016/17 and FY 2015/16.

Figure.3.101: Nyamira County, Expenditure by Economic Classification in FY 2015/16 and FY 2016/17



Source: *Nyamira County Treasury*

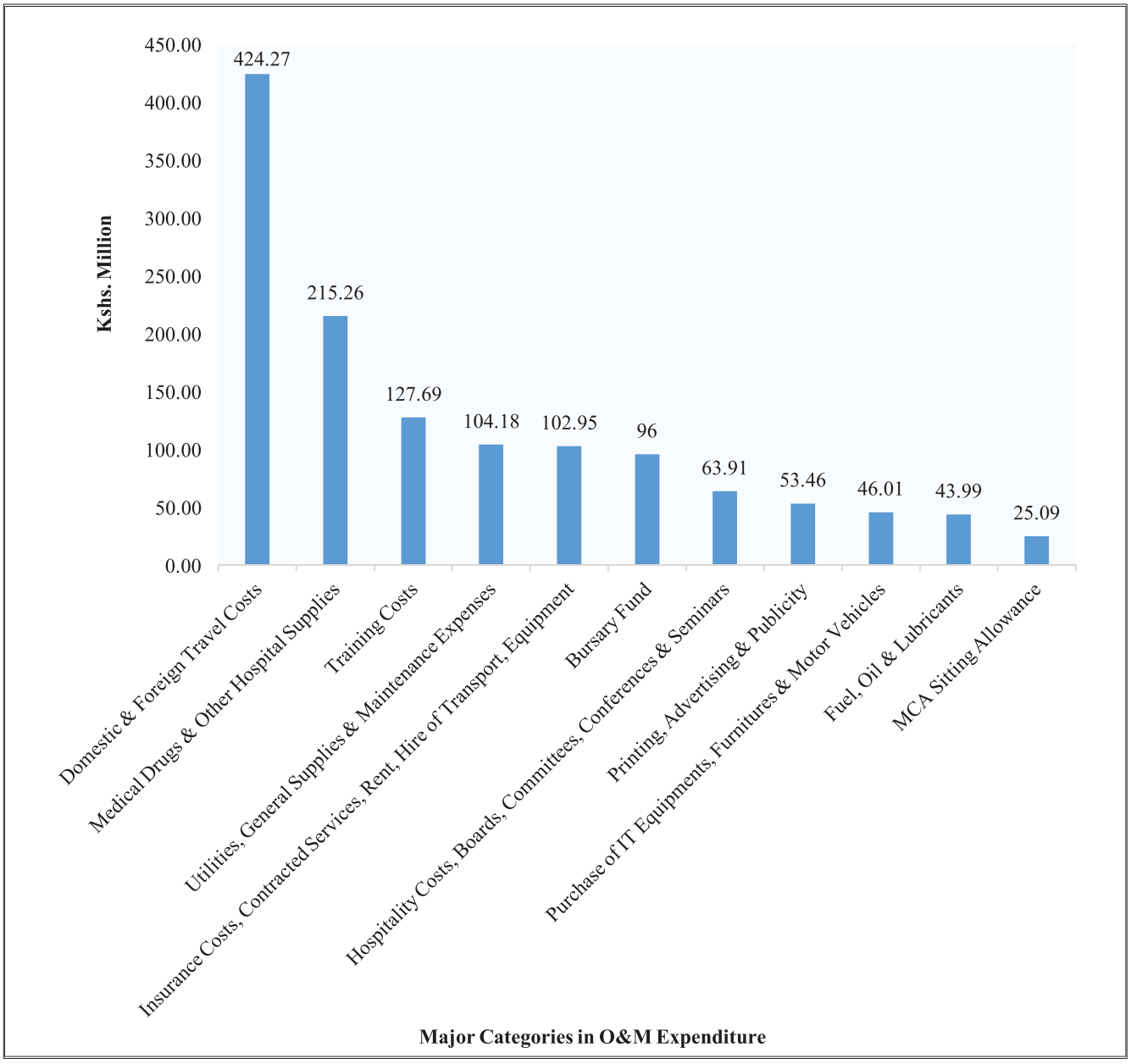
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3.34.6 Analysis of Recurrent Expenditure

The total recurrent expenditure of Kshs.3.52 billion consisted of Kshs.2.22 billion (63 per cent) spent on personnel emoluments and Kshs.1.31 billion (37 per cent) on operations and maintenance as shown in Figure.3.101. Expenditure on personnel emoluments represented an increase of 20 per cent compared to FY 2015/16 when the County spent Kshs.1.85 billion. Figure 3.102 shows a summary of operations and maintenance expenditure by major categories.

The expenditure on personnel emoluments of Kshs.2.22 billion was 49.3 per cent of overall total expenditure in FY 2016/17 and 63 per cent of total recurrent expenditure of Kshs.3.52 billion.

Figure 3.102: Nyamira County, Operations and Maintenance Expenditure by Major Categories for FY 2016/17



Source: *Nyamira County Treasury*

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The County spent Kshs.25.09 million on sitting allowances for the 33 MCAs and the Speaker against the annual budget allocation of Kshs.68.81 million. This was a decrease of 61.8 per cent compared to Kshs.65.75 million spent in FY 2015/16. The average monthly sitting allowance was Kshs.61,501 per MCA compared to SRC's recommended monthly ceiling of Kshs.124,800.

Expenditure on domestic and foreign travel amounted to Kshs.424.27 million and consisted of Kshs.127.34 million spent by the County Assembly and Kshs.296.93 million by the County Executive. This expenditure represented 12 per cent of total recurrent expenditure and was a decrease of 39.2 per cent compared to Kshs.304.9 million spent in FY 2015/16.

3.34.7 Development Expenditure Analysis

The total development expenditure of Kshs.979.21 million represented 58.6 per cent of the annual development budget of Kshs.1.67 billion. Table.3.101 provides a summary of development projects with the highest expenditure in FY 2016/17.

Table.3.101: Nyamira County, List of Development Projects with the Highest Expenditure in FY 2016/17

S/No.	Project name	Project location	Annual project budget (Kshs.)	Annual project expenditure (Kshs.)	Absorption rate (%)
1	Opening & gravelling of 600km, of various roads within the county	Various locations	244,558,360	217,777,226	75
2	Construction of 80 bed capacity with Doctors plaza	Township Ward	142,319,154	14,582,902	47
3	Other Infrastructure & Works - KRB Roads Maintenance	Various locations	120,488,685	32,557,544	90
4	Solar powered street lighting	County wide	63,904,500	14,058,990	100
5	Construction of Car Parking Lots	Township Ward	29,267,002	15,000,000	70
6	Kemasare Water Project	Nyamaiya	22,084,014	18,359,666	80
7	4No.Pick Up - Double cab	HQ	21,685,000	20,357,000	100
8	Fencing of Markets	Magwagwa, Mokomoni, Manga and Miruka ward	16,000,000	16,000,000	100
9	Free Maternal Healthcare Programme	-	-	39,253,538	-
10	Purchase & Installation of Dental and Laboratory Equipment at Nyamira County Hospital	Township Ward	-	17,837,030	-

Source: Nyamira County Treasury

Analysis of the development expenditure by project indicates that, the highest expenditure of Kshs.217.78 million was spent on gravelling of about 600kms of various roads within the county, followed by Kshs.39.25 million on Free Maternity Programme, and Kshs.32.56 million on other infrastructure & works under the Kenya Rural Board's road maintenance in various locations.

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3.34.8 Budget and Budget Performance Analysis by Department

Table 3.102 shows a summary of budget estimates and budget performance by department in FY 2016/17.

Table.3.102: Nyamira County, Budget Performance by Department in FY 2016/17

Department	Annual Supplementary Budget Allocation (Kshs.Million)		Exchequer Issues in FY 2016/17 (Kshs.Million)		Expenditure in FY 2016/17 (Kshs.Million)		FY 2016/17 Expenditure to Exchequer Issues (%)		FY 2016/17 Absorption rate (%)	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
Nyamira County Assembly	488.71	180	488.71	51.88	488.71	-	100	-	100	-
County Executive Office	314.26	-	293.22	-	233.22	-	79.5	-	74.2	-
Finance and Economic Planning	524.81	34.87	506.29	-	411.74	4.8	81.3	-	78.5	13.8
Agriculture, Livestock & Fisheries	157.56	142.98	152.97	61.05	146.34	105.11	95.7	172.2	92.9	73.5
Environment, Water, Natural Resources, Mining & Energy	89.59	184.26	83.91	118.05	81.26	110.87	96.8	93.9	90.7	60.2
Education & ICT	355.07	113.05	327.99	68.64	341.89	108.51	104.2	158.1	96.3	96
Health Services	1,271.71	270.92	1,248.94	197.07	1,178.08	200.42	94.3	101.7	92.6	74
Lands, Housing & Physical Planning	43.65	52.73	41.24	45.11	39.26	46.78	95.2	103.7	89.9	88.7
Roads, Transport, & Public Works	103.79	498.29	93.78	327.6	90.65	301.2	96.7	91.9	87.3	60.4
Trade, Tourism, Industrialisation & Co-operative Development	46.41	47.86	41.53	19.31	37.96	35.94	91.4	186.1	81.8	75.1
Youth, Sports, Gender, Culture & Social Services	142.91	91.98	122.16	47.29	114.06	30.45	93.4	64.4	79.8	33.1
County Public Service Board	55.1	-	50.76	-	52.57	-	103.6	-	95.4	-
Public Administration & Co-ordination of the Decentralised units	344.59	53.96	305.52	22.42	306.65	35.11	100.4	156.6	89	65.1
TOTAL	**3,938.16**	**1,670.9**	**3,757.01**	**958.41**	**3,522.39**	**979.21**	**93.8**	**102.2**	**89.4**	**58.6**

Source: *Nyamira County Treasury*

Analysis of budget performance by department shows that the Education & ICT Department attained the highest absorption of development budget at 96.3 per cent while the Nyamira County Assembly did not incur any development expenditure. On the other hand, the Nyamira County Assembly had the highest percentage of recurrent expenditure to recurrent budget at 100 per cent while the County Executive Office had the lowest at 74.2 per cent.

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3.34.9 Observations and Recommendations

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

i. Establishment of an Internal Audit Committee in line with Section 155 (5) of the PFM Act, 2012.
ii. Developed Regulations to operationalize the Nyamira County Education Bursary Fund.
iii. Passed Supplementary Budget to align revenue projections with expenditure estimates.

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

1. Late submission of financial reports by the County Treasury contrary to Section 166 of the PFM Act, 2012.
2. Delay by Fund Administrators to submit expenditure reports for the County Assembly Members Car Loan and Mortgage Fund, and the Bursary Fund contrary to Section 168 of the PFM Act, 2012.
3. Under-performance in local revenue collection, which declined by 12.2 per cent from Kshs.106.98 million in FY 2015/16 to Kshs.93.92 million in FY 2016/17.
4. High wage bill, which increased by 20 per cent from Kshs.1.85 billion in the FY 2015/16 to Kshs.2.22 billion during the period under review. Increase in wage bill may affect implementation of development projects.
5. Slow implementation of development activities during FY 2016/17. The County spent Kshs.979.21 million on development projects which represented 58.6 per cent of the annual development budget of Kshs.1.67 billion.
6. Delay by the National Treasury to disburse the equitable share of revenue raised nationally.

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

1. *The County Treasury should ensure timely preparation and submission of financial reports to the Controller of Budget in line with Section 166 of PFM Act, 2012.*
2. *Fund Administrators should ensure timely submission of expenditure reports on the Established Funds in line with Section 168 of the PFM Act, 2012.*
3. *The County Treasury should develop and implement strategies to mobilize local revenue collection.*
4. *The County Public Service Board should establish an optimal staffing structure in order to ensure a sustainable wage bill.*
5. *The County should identify and address issues that caused delay in implementation of development projects.*
6. *The County Treasury should liaise with the National Treasury to ensure that funds allocated to the County are released in a timely manner in line with the CARA Disbursement Schedule.*

3.35 Nyandarua County

3.35.1 Overview of the FY 2016/17 Budget

The County's FY 2016/17 Approved Supplementary Budget was Kshs.5.67 billion, comprising of Kshs.3.72 billion (65.7 per cent) and Kshs.1.94 billion (34.3 per cent) allocation for recurrent and development expenditure

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respectively.

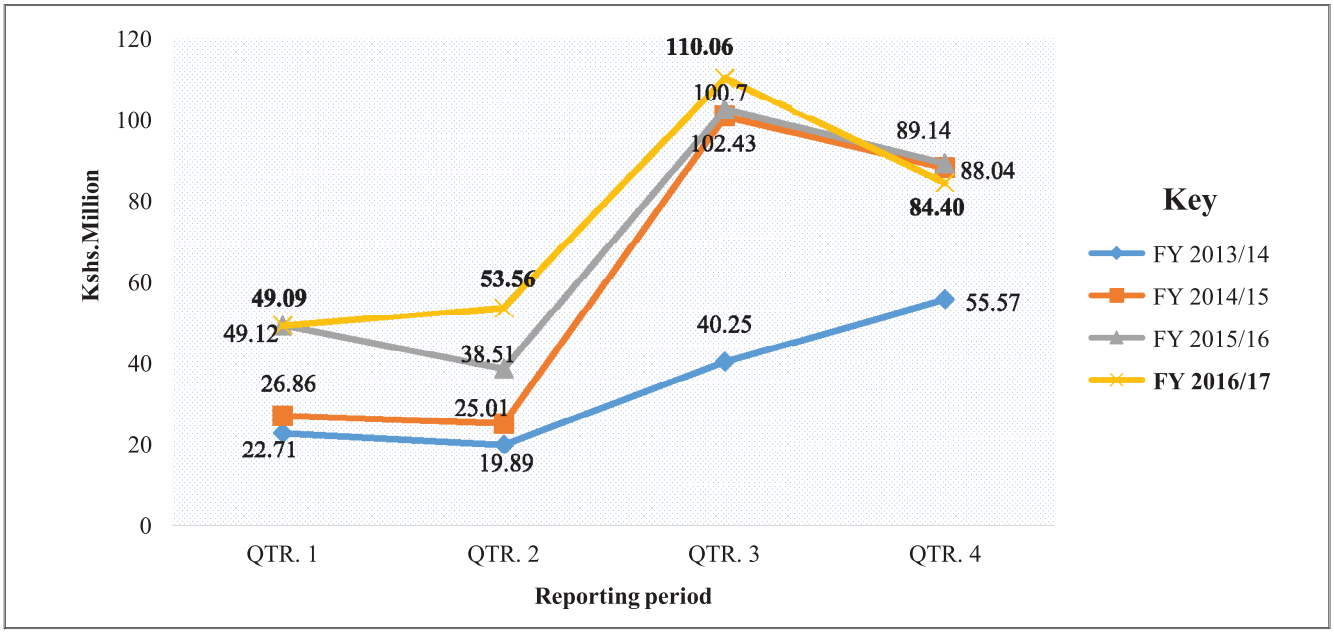
To finance the budget, the County expected to receive Kshs.4.65 billion (83.4 per cent) as equitable share of revenue raised nationally, Kshs.236.22 million (4.2 per cent) as total conditional grants, generate Kshs.390 million (7 per cent) from local sources, and Kshs.296.37 million (5.3 per cent) cash balance from FY 2015/16. The conditional grants comprised of Kshs.95.74 million (40.5 per cent) for Leasing of Medical Equipment, Kshs.71.41 million (30.2 per cent) from the Road Maintenance Fuel Levy Fund, Kshs.46.51 million (19.7 per cent) for Free Maternal Healthcare, Kshs.13.12 million (5.6 per cent) for User Fees Foregone, and Kshs.9.43 million (4 per cent) as a grant from DANIDA. The County also budgeted for grants not in the CARA, 2016 which included; Kshs.10 million for World Bank grant for Maternal Healthcare, Kshs.26.68 million as IDA grant for Capacity Building, and Kshs.61.45 million for Doctors and Nurses Allowance which was negotiated and released by the Ministy of Health.

3.35.2 Revenue Analysis

During the year, the County received Kshs.4.65 billion as equitable share of the revenue raised nationally, Kshs.193.11 million as total conditional allocations, raised Kshs.296.77 million from local revenue sources, and had a cash balance of Kshs.296.37 million brought forward from FY 2015/16.

Figure.3.103 shows the quarterly trend in local revenue collection from the first quarter of FY 2013/14 to the fourth quarter FY 2016/17.

Figure.3.103: Nyandarua County, Trend in Local Revenue Collection by Quarter from FY 2013/14 to FY 2016/17



Source: *Nyandarua County Treasury*

The total local revenue collected in FY 2016/17 amounted to Kshs.296.76 million, representing an increase of 6.1 per cent compared to Kshs.279.22 million generated in FY 2015/16, and represented 76.1 per cent of the annual

local revenue target of Kshs.390 million.

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3.35.3 Conditional Grants

Figure.3.103 shows an analysis of conditional grants released in FY 2016/17.

Table 3.103: Nyandarua County Analysis of Conditional Grants Released in FY 2016/17

S/No	Conditional Grant	CARA, 2016 Annual Allocation in Kshs)	Actual receipts in FY 2016/17 in Kshs.	Actual Receipts as Percentage of Annual Allocation (%)
1	Leasing of Medical Equipment	95,744,681	-	-
2	Road Maintenance Fuel Levy Fund	71,407,030	71,407,030	100
3	Grant-Ministry of Health-Doctors and Nurses Allowance Increase (Not contained in CARA,2016)	-	61,455,000	-
4	Free Maternal Healthcare	46,514,879	37,702,500	81.1
5	Foregone User Fees	13,122,239	13,122,240	100
6	DANIDA grant	9,430,000	9,430,000	100
TOTAL		**236,218,829**	**193,116,770**	**81.8**

Source: *Nyandarua Treasury*

Analysis of the conditional grants released during the period under review indicates that, Road Maintenance Fuel Levy Fund, DANIDA grant, and User Fees Forgone recorded the highest receipts each at 100 per cent of annual allocation, respectively.

3.35.4 Exchequer Issues

During the year, the Controller of Budget authorised withdrawal of Kshs.5.15 billion from the CRF account, which was 91 per cent of the Approved Supplementary Budget. This amount represented a slight increase of 1.3 per cent from Kshs.5.08 billion authorized in FY 2015/16 and consisted of Kshs.3.42 billion (66.5 per cent) for recurrent expenditure and Kshs.1.72 billion (33.5 per cent) for development activities.

3.35.5 Overall Expenditure Review

The County spent Kshs.4.96 billion, which was 96.3 per cent of the total funds released for operations. This was a slight increase of 1.81 per cent from Kshs.4.87 billion spent in FY 2015/16.

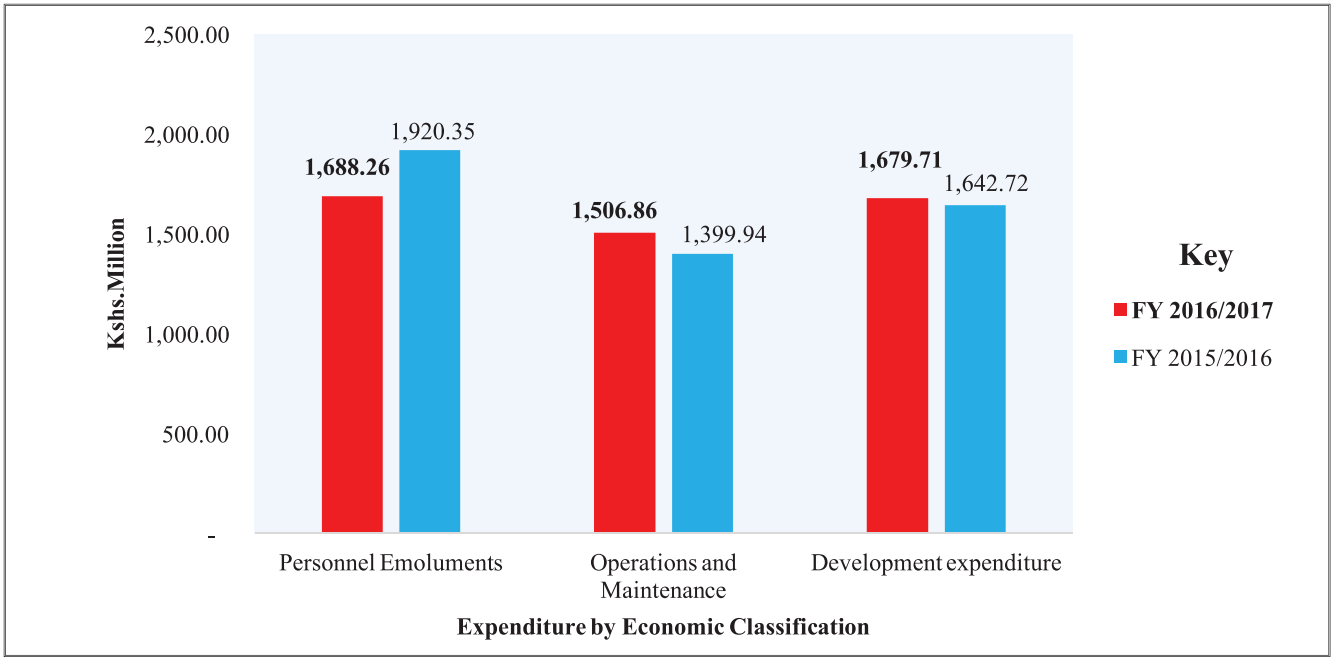
A total of Kshs.3.32 billion was spent on recurrent activities, while Kshs.1.64 billion was spent on development activities. The recurrent expenditure was 96.8 per cent of the funds released for recurrent activities while development expenditure accounted for 95.1 per cent of the funds released for development activities. The expenditure excluded pending bills as at June 30, 2017 that amounted to Kshs.567.85 million for development and Kshs.163.22 million for recurrent expenditure.

The recurrent expenditure represented 89.1 per cent of the annual recurrent budget, a decrease from 92.9 per

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cent spent in FY 2015/16. Development expenditure recorded an absorption rate of 84.4 per cent, which was an increase from 77.8 per cent attained in FY 2015/16. Figure.3.104 presents a comparison between the total expenditure in FY 2016/17 and FY 2015/16.

Figure.3.104: Nyandarua County, Expenditure by Economic Classification in FY 2015/16 and FY 2016/17



Source: *Nyandarua County Treasury*

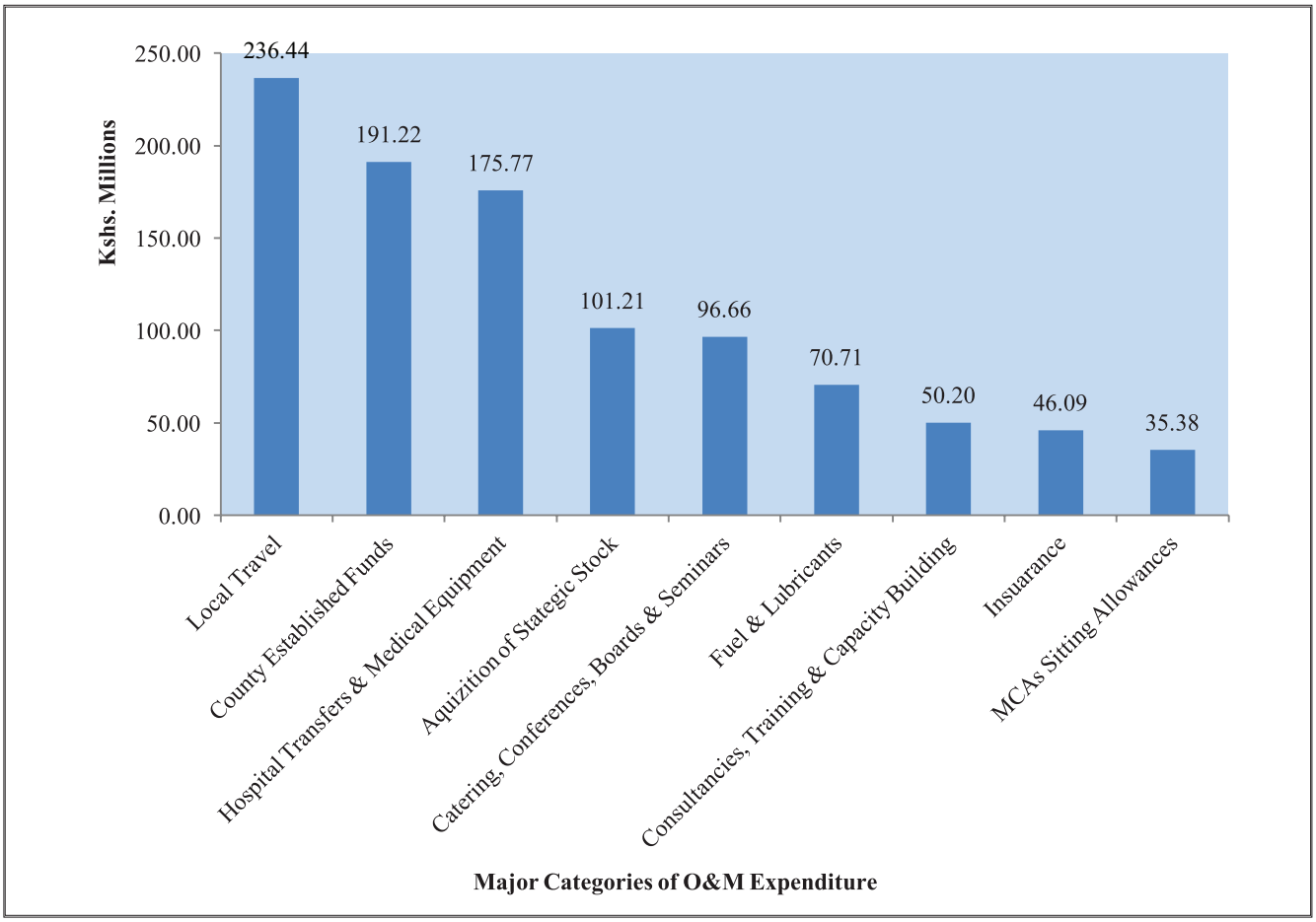
3.35.6 Analysis of Recurrent Expenditure

The total recurrent expenditure of Kshs.3.3 billion consisted of Kshs.1.92 billion (57.8 per cent) spent on personnel emoluments and Kshs.1.4 billion (42.2 per cent) on operations and maintenance as shown in Figure.3.104. Expenditure on personnel emoluments represented an increase of 12.1 per cent compared to FY 2015/16 when the County spent Kshs.1.68 billion. Figure.3.105 shows a summary of operations and maintenance expenditure by major categories.

The expenditure on personnel emoluments of Kshs.1.92 billion was 38.7 per cent of overall total expenditure in FY 2016/17 and 57.8 per cent of total recurrent expenditure of Kshs.3.3 billion.

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Figure.3.105: Nyandarua County, Operations and Maintenance Expenditure by Major Categories for FY 2016/17



Source:*Nyandarua County Treasury*

The County spent Kshs.35.38 million on sitting allowances for the 42 MCAs and the Speaker against the annual budget allocation of Kshs.35.62 million. This was a decrease of 48.1 per cent compared to Kshs.68.16 million spent in FY 2015/16. The average monthly sitting allowance was Kshs.70,200 per MCA compared to SRC's recommended monthly ceiling of Kshs.124,800.

Expenditure on domestic and foreign travel amounted to Kshs.249.33 million and consisted of Kshs.98 million spent by the County Assembly and Kshs.151.31 million by the County Executive. This expenditure represented 7.2 per cent of total recurrent expenditure and was a decrease of 34 per cent compared to Kshs.320.75 million spent in FY 2015/16.

3.35.7 Development Expenditure Analysis

The total development expenditure of Kshs.1.64 billion represented 84.4 per cent of the annual development budget of Kshs.1.94 billion. Figure.3.104 provides a summary of development projects with the highest expenditure in FY 2016/17.

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Table.3.104: Nyandarua County, List of Development Projects with the Highest Expenditure in FY 2016/17

S/No.	Project name	Project location	Annual project budget (Kshs .)	Annual project expenditure (Kshs.)	Absorption rate (%)
1	Completion of Assembly Chambers	Olkalou	206,793,913	176,658,864	85.4
2	Roads Maintenance (Fuel Levy Fund)	County	71,407,030	55,592,842	77.9
3	Flagship project - JM Kariuki Hospital upgrade	Olkalou	50,460,000	50,460,000	100
4	Drainage systems - Olkalou estates	Olkalou	29,335,000	29,335,000	100
5	Acquisition of Land - Other (Access Roads and social amenities)	-	28,022,141	28,022,141	100
6	Purchase of firefighting vehicles and equipment	County	18,000,000	18,000,000	100
7	Assorted road works-Charagita	Charagita	14,450,000	14,450,000	100
8	Purchase of Milk Coolers	Mirangine, North Kinngop & Ndaragwa Cental	13,000,000	13,000,000	100
9	Enhancement and Completion of Revenue Automation	County	10,492,160	10,492,160	100

Source: *Nyandarua County Treasury*

Analysis of the development expenditure by project indicates that, the highest expenditure of Kshs.176.65 million was spent on completion of the County Assembly Chambers at Olkalou, followed by Kshs.55.59 million on road maintenance under the Road Maintenance Fuel Levy Fund.

3.35.8 Budget and Budget Performance Analysis by Department

Figure.3.105 shows a summary of budget estimates and budget performance by department in FY 2016/17

Table 3.105: Nyandarua County, Budget Performance by Department in FY 2016/17

Department	Budget Allocation (Kshs.Million)		Exchequer Issues (Kshs.Million)		Expenditure (Kshs.Million)		Expenditure to Exchequer Issues (%)		Absorption rate (%)	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
Agriculture, Livestock, Fisheries & Irrigation	256.84	64.75	234.38	64.75	232.46	44.47	99.2	68.7	90.5	68.7
County Assembly	603.71	206.79	572.22	177	573.55	176.66	100.2	99.8	95	85.4
County Attorney , E-Government & Intergovernmental Relations	79.24	22.68	77.79	22.68	54.73	23.83	70.4	105	69.1	105

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Education, Youth, Children Affairs, Culture & Social Services	192.10	64.9	187.81	59.73	188.26	27.86	100.2	46.0	98.	42.9
Finance & Economic Planning	614.52	5	592.16	3.09	563.87	4.43	95.2	143.2	91.8	88.6
Gubernatorial Office	424.85	-	370.46	-	365.86	-	98.8	-	86.1	-
Health Services	1,183.57	147.08	1,051.9	146.11	1,029.05	102.64	97.8	70.3	86.9	69.8
Industrialization, Cooperatives, Trade, Enterprise, Weights & Measures	62.64	35.13	56.35	30.73	60.52	25.79	107.4	83.9	96.6	73.4
Lands, Housing & Physical Planning	63.14	110.27	57.83	89.23	34.35	56.22	59.4	63	54.4	51
Roads, Transport & Public Works	121.2	906.19	115.8	804.52	98.93	858.2	85.4	106.7	81.6	94.7
Tourism, Wildlife & Sports	58.61	61.35	52.78	50.25	57.19	11.77	108.4	23.4	97.6	19.2
Water, Environment & Natural Resources	62.24	321.35	60.18	278.57	61.52	310.86	102.2	111.6	98.8	96.7
Total	**3,722.63**	**1,945.5**	**3,429.65**	**1,726.66**	**3,320.3**	**1,642.72**	**96.8**	**95.1**	**89.2**	**84.4**

Source: Nyandarua County Treasury

Analysis of budget performance by department shows that the County Attorney, E-Government & Intergovernmental Relations Department attained the highest absorption of development budget at 105 per cent while the Gubernatorial Office did not incur any development expenditure. On the other hand, the Department of Water, Environment & Natural Resources had the highest percentage of recurrent expenditure to recurrent budget at 98.8 per cent while the Department of Lands, Housing & Physical Planning had the lowest at 54.4 per cent.

3.35.9 Observations and Recommendations

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

i. Improved absorption of development funds by 14.3 per cent from 70.1 per cent in FY 2015/16 to 84.4 per cent in FY 2016/17.

ii. Adoption of IFMIS in processing of all financial transactions.

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

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

1. IFMIS connectivity challenges, which slowed down approval of procurement requests and payments to suppliers.
2. Local revenue collection was below the annual target. The County collected Kshs.296.76 million which is 76.1 per cent of the annual local revenue target.
3. A high wage bill that increased by 12.1 per cent from Kshs.1.68 billion in the FY 2015/16 to Kshs.1.92 billion in the FY 2016/17. The wage bill translated to 38.7 per cent of the total expenditure during the

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reporting period and may limit expenditure on development activities.

4. Delay by the National Treasury to disburse the equitable share of revenue raised nationally.

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

1. *The County Treasury should liaise with IFMIS Directorate for support in utilization of IFMIS and E-procurement module.*
2. *The County should develop and implement strategies to improve local revenue collection.*
3. *The County Public Service Board should establish an optimal staffing structure in order to manage the wage bill.*
4. *The County Treasury should liaise with the National Treasury to ensure that funds allocated to the County are released in a timely manner in line with the CARA Disbursement Schedule.*

3.36 Nyeri County

3.36.1 Overview of the FY 2016/17 Budget

The County's FY 2016/17 Approved Supplementary Budget was Kshs.7.28 billion, comprising of Kshs.4.98 billion (68.3 per cent) and Kshs.2.3 billion (31.7 per cent) allocation for recurrent and development expenditure respectively.

To finance the budget, the County expected to receive Kshs.4.8 billion (65.9 per cent) as equitable share of revenue raised nationally, Kshs.557.23 million (7.7 per cent) as total conditional grants, Kshs.693 million (9.5 per cent) cash balance from FY 2015/16, Kshs.104.87 million (1.4 per cent) as an allocation for additional allowances to health workers, Kshs.31.43 million (0.4 per cent) as coffee and tea cess releases, and generate Kshs.1.1 billion (15.0 per cent) from local revenue sources. The conditional grants comprised of Kshs.388.44 million (69.7 per cent) for Nyeri Level 5 Hospital, Kshs.69.22 million (12.4 per cent) for Free Maternal Healthcare, Kshs.73.76 million (13.2 per cent) from the Road Maintenance Fuel Levy Fund, Kshs.14.35 million (2.6 per cent) for User Fees Foregone, and Kshs.11.47 million (2.1 per cent) as a grant from DANIDA.

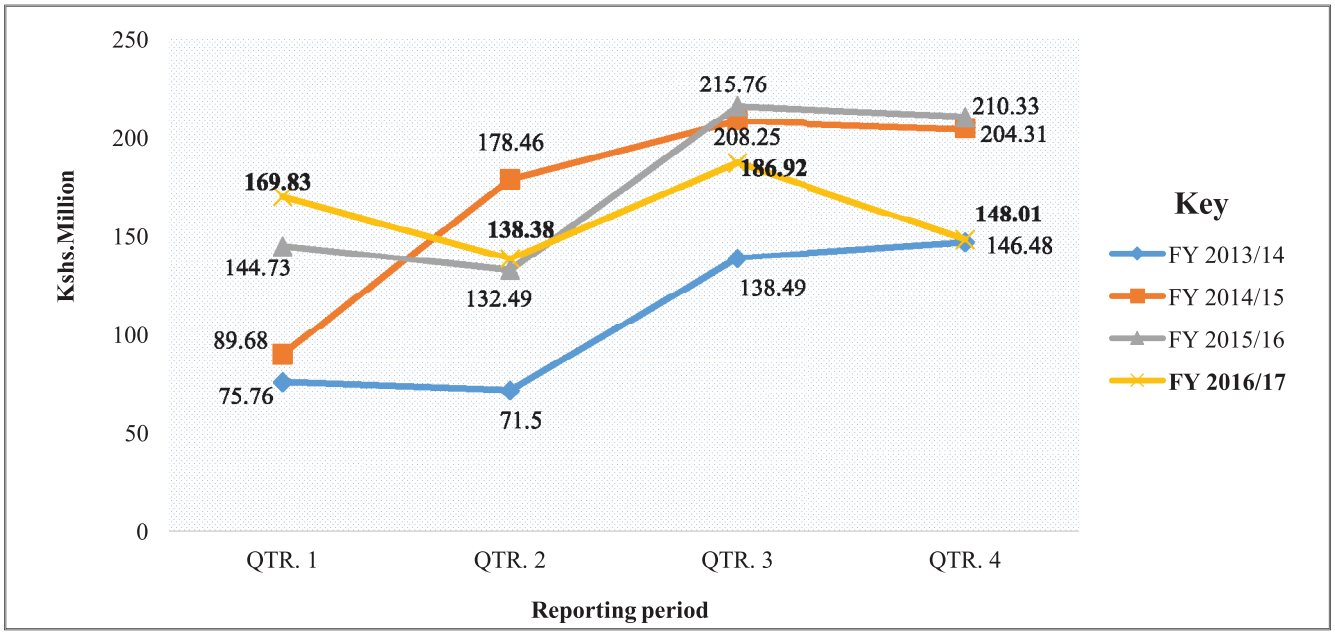
3.36.2 Revenue Analysis

During the year, the County received Kshs.4.8 billion as equitable share of the revenue raised nationally, Kshs.548.43 million as total conditional allocations, Kshs.141.86 million as an allocation for additional allowances to health workers, Kshs.31.43 million as coffee and tea cess releases, raised Kshs.643.14 million from local revenue sources, and had a cash balance of Kshs.693 million brought forward from FY 2015/16.

Figure 3.106 shows the quarterly trend in local revenue collection from the first quarter of FY 2013/14 to the fourth quarter FY 2016/17.

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Figure 3.106: Nyeri County, Trend in Local Revenue Collection by Quarter from FY 2013/14 to FY 2016/17



Source: *Nyeri County Treasury*

The total local revenue collected in FY 2016/17 amounted to Kshs.643.14 million, representing a decrease of 8.6 per cent compared to Kshs.703.31 million generated in FY 2015/16, and represented 58.7 per cent of the annual local revenue target of Kshs.1.1 billion.

3.36.3 Conditional Grants

Table 3.106 shows an analysis of conditional grants released in FY 2016/17.

Table 3.106: Nyeri County Analysis of Conditional Grants Released in FY 2016/17

S/No	Conditional Grant	CARA, 2016 Annual Allocation in Kshs)	Actual receipts in FY 2016/17 in Kshs.	Actual Receipts as Percentage of Annual Allocation (%)
1	Nyeri Level 5 Hospital	388,439,306	388,439,306	100
2	Road Maintenance Fuel Levy Fund	73,763,719	73,763,719	100
3	Free Maternal Healthcare	69,215,585	60,515,000	87.4
4	Foregone User Fees	14,347,664	14,347,664	100
5	DANIDA grant	11,465,000	11,465,000	100
TOTAL		**557,231,274**	**548,530,689**	**98.4**

Source: *Nyeri County Treasury*

Analysis of the conditional grants released during the period under review indicates that, all the expected revenue from conditional grants was fully received except for Free Maternal Healthcare which recorded a performance of 87.4 per cent of its annual allocation.

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3.36.4 Exchequer Issues

During the year, the Controller of Budget authorised withdrawal of Kshs.5.92 billion from the CRF account which was 81.3 per cent of the Approved Supplementary Budget. This amount represented an increase of 4.1 per cent from Kshs.5.69 billion authorized in FY 2015/16 and consisted of Kshs.4.66 billion (78.7 per cent) for recurrent expenditure and Kshs.1.26 billion (21.3 per cent) for development activities.

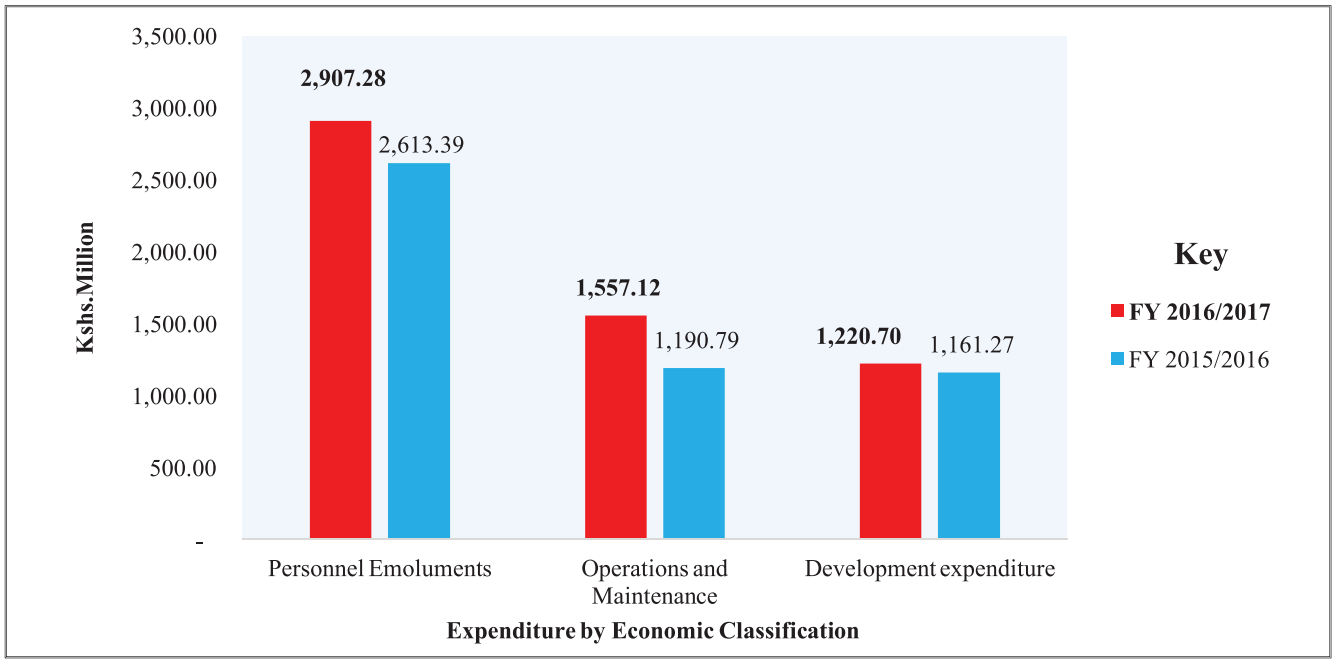
3.36.5 Overall Expenditure Review

The County spent Kshs.5.69 billion, which was 96 per cent of the total funds released for operations. This was an increase of 14.5 per cent from Kshs.4.97 billion spent in FY 2015/16.

A total of Kshs.4.46 billion was spent on recurrent activities, while Kshs.1.22 billion was spent on development activities. The recurrent expenditure was 95.8 per cent of the funds released for recurrent activities while development expenditure accounted for 96.8 per cent of the funds released for development activities. The expenditure excluded pending bills as at June 30, 2017 that amounted to Kshs.584.06 million for development and Kshs.128.85 million for recurrent expenditure.

The recurrent expenditure represented 89.7 per cent of the annual recurrent budget, an increase from 86.1 per cent spent in FY 2015/16. Development expenditure recorded an absorption rate of 53 per cent, which was a decrease from 62.5 per cent attained in FY 2015/16. Figure 3.107 presents a comparison between the total expenditure in FY 2016/17 and FY 2015/16.

Figure 3.107: Nyeri County, Expenditure by Economic Classification in FY 2015/16 and FY 2016/17



Source: *Nyeri County Treasury*

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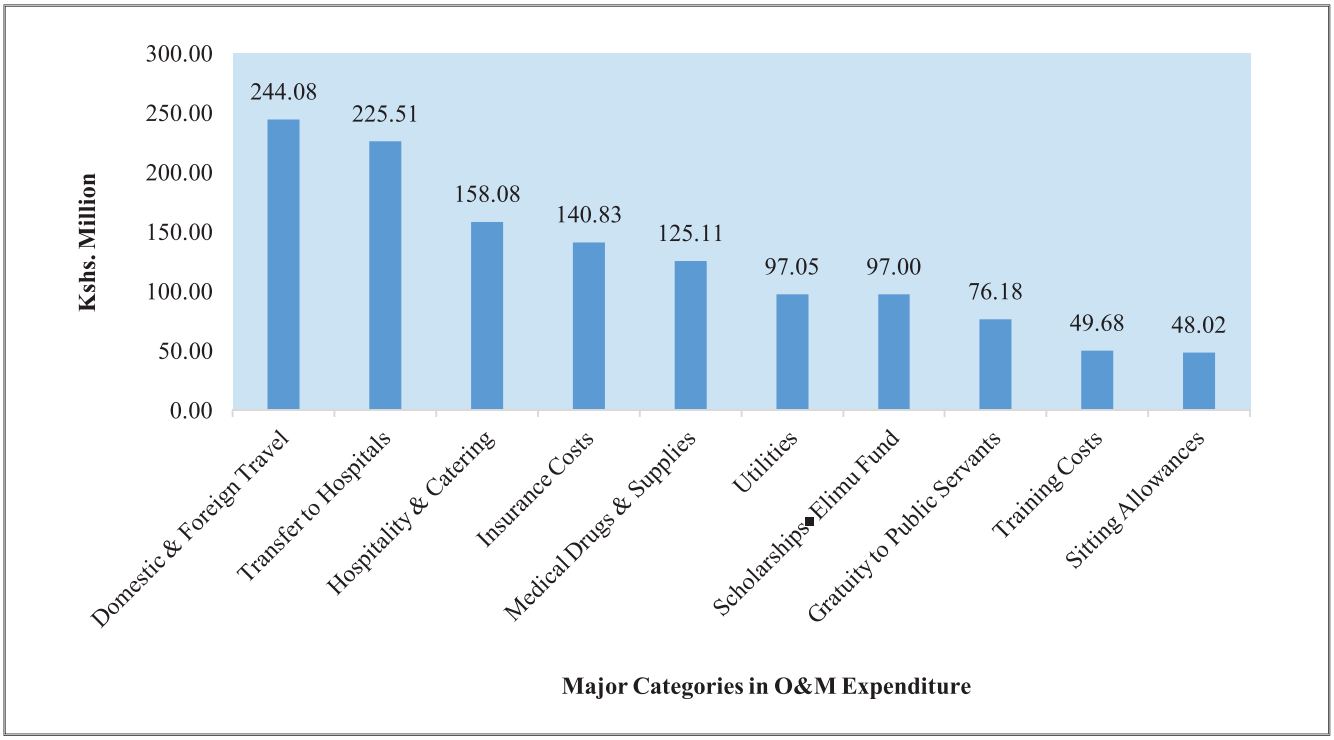
3.36.6 Analysis of Recurrent Expenditure

The total recurrent expenditure of Kshs.4.46 billion consisted of Kshs.2.91 billion (65.1 per cent) spent on personnel emoluments and Kshs.1.56 billion (34.9 per cent) on operations and maintenance as shown in Figure 3.107. Expenditure on personnel emoluments represented an increase of 11.2 per cent compared to FY 2015/16 when the County spent Kshs.2.61 billion.

The expenditure on personnel emoluments of Kshs.2.91 billion was 51.1 per cent of overall total expenditure in FY 2016/17 and 65.1 per cent of total recurrent expenditure of Kshs.4.46 billion.

Figure 3.108 shows a summary of operations and maintenance expenditure by major categories.

Figure 3.108: Nyeri County, Operations and Maintenance Expenditure by Major Categories for FY 2016/17



Source:*Nyeri County Treasury*

The County spent Kshs.48.02 million on sitting allowances for the 47 MCAs and the Speaker against the annual budget allocation of Kshs.88.86 million. This was a decrease of 25.2 per cent compared to Kshs.64.16 million spent in FY 2015/16. The average monthly sitting allowance was Kshs.83,363 per MCA compared to SRC's recommended monthly ceiling of Kshs.124,800.

Expenditure on domestic and foreign travel amounted to Kshs.244.08 million and consisted of Kshs.129.40 million spent by the County Assembly and Kshs.114.68 million by the County Executive. This expenditure represented 5.5 per cent of total recurrent expenditure and was an increase of 46.5 per cent compared to Kshs.166.56 million spent in FY 2015/16.

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3.36.7 Development Expenditure Analysis

The total development expenditure of Kshs.1.22 billion represented 53 per cent of the annual development budget of Kshs.2.3 billion. Table 3.107 provides a summary of development projects with the highest expenditure in FY 2016/17.

Table 3.107: Nyeri County, List of Development Projects with the Highest Expenditure in FY 2016/17

S/No.	Project name	Project location	Annual project budget (Kshs.)	Annual project expenditure (Kshs.)	Absorption rate (%)
1	Construction of Nyeri Open Air Market	Rware	44,000,000	16,953,158	38.5
2	Grading & gravelling of Kwa J-Nyaga road	Naromoru	12,130,120	5,968,432	49.2
3	Construction of Maternity Block at Ichamara Dispensary	Mukurweini Central	8,674,845	6,846,581	78.9
4	Renovations of Karatina Children Home	Karatina	8,624,779	8,543,648	99.1
5	Supply & installation of green house	27 selected wards	8,200,000	6,097,600	74.4
6	Installation of culverts	Ruguru ward	7,298,184	6,134,886	84.1
7	Construction of Out-patient Block at Wamagana Health Centre	Wamagana	7,169,745	7,029,162	98
8	Upgrading of Mukurino-Koine road	Thegu river	6,691,726	6,531,931	97.6
9	Upgrading of Gathorongai-Ndaya road	Thegu river	6,206,464	6,070,605	97.8
10	Installation of culverts	Konyu ward	5,997,965	5,955,463	99.3

Source: *Nyeri County Treasury*

Analysis of the development expenditure by project indicates that, the highest expenditure of Kshs.16.95 million was spent on construction of the Nyeri Open Air Market in Rware ward, followed by Kshs.8.54 million on renovation of Karatina Children Home, and Kshs.7.03 million on construction of an Out-Patient block at Wamagana Health Centre.

3.36.8 Budget and Budget Performance Analysis by Department

Figure 3.108 shows a summary of budget estimates and budget performance by department in FY 2016/17.

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Table 3.108: Nyeri County, Budget Performance by Department in FY 2016/17

Department	Annual Supplementary Budget Allocation (Kshs. Million)		Exchequer Issues in FY 2016/17 (Kshs. Million)		Expenditure in FY 2016/17 (Kshs. Million)		FY 2016/17 Expenditure to Exchequer Issues (%)		FY 2016/17 Absorption rate (%)	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
Office of the Governor and Deputy Governor	116.02	-	115.20	-	85.56	-	74.3	-	73.7	-
Office of the County Secretary	256.57	7.3	177.58	7.3	221.05	-	124.5	0	86.2	-
Finance and Economic Planning	395.47	65.99	392.40	65.99	288.01	59.30	73.4	89.9	72.8	89.9
Lands, Housing and Physical Planning	65.28	49.15	65.28	38.58	37.41	15.24	57.3	39.5	57.3	31
Health and Sanitation	2,028.03	466.56	1,919.03	293.37	1,992.74	261.81	103.8	89.2	98.3	56.1
Special Programmes	113.36	118	111.62	7.24	91.38	8.54	81.9	118	80.6	7.2
Public Administration, Information and Communication	417.62	8.83	410.14	-	392.74	0	95.8	0	94	-
Agriculture, Livestock, Fisheries and Cooperative Development	303.8	119.02	303.80	82.07	295.88	46.98	97.4	57.2	97.4	39.5
Tourism and Culture	29.34	14.85	28.57	14.31	12.32	8.37	43.1	58.5	42	56.3
Education, ICT, Trade and Industrialization	276.95	275.02	217.63	133.80	189.64	128.20	87.1	95.8	68.5	46.6
Water, Irrigation and Natural Resources	130.68	200	130.48	180.99	122.34	66.43	93.8	36.7	93.6	33.2
County Assembly	644.12	62.12	593.21	10.67	585.44	4.59	98.7	43	90.9	7.4
County Public Service Board	36.57	-	36.57	-	29.96	-	81.9	-	81.9	-
Roads and Infrastructure Development	59.71	856.08	59.71	370.27	42.67	568.55	71.5	153.6	71.5	66.4
Energy	103.95	61.98	99.84	56.57	77.18	52.68	77.3	93.1	74.2	85
TOTAL	**4,977.49**	**2,304.91**	**4,661.06**	**1,261.16**	**4,464.40**	**1,220.70**	**95.8**	**96.8**	**89.7**	**53**

Source: *Nyeri County Treasury*

Analysis of budget performance by department shows that the Department of Finance and Economic Planning attained the highest absorption of development budget at 89.9 per cent while the Office of the County Secretary and the Department of Public Administration, Information and Communication did not incur any development expenditure. On the other hand, the Department of Health and Sanitation had the highest percentage of recurrent expenditure to recurrent budget at 98.3 per cent while the Department of Tourism and Culture had the lowest at 42 per cent.

3.36.9 Observations and Recommendations

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

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i. Compliance with Section 116 of the PFM Act, 2012 by ensuring that Regulations establishing County Public Funds are in place before their operationalization.

ii. Adherence to budget timelines. The County observed the budget calendar for FY 2017/18, with the County Budget Estimates being approved by the County Assembly on 24th May 2017 against a deadline of 30th June 2017.

iii. Improved staff capacity through training, particularly on IFMIS operations among both the County Executive and County Assembly staff in the Finance Department.

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

1. Late submission of financial reports by the County Treasury, which affected timely preparation of Annual County Budget Implementation Review Report.
2. Under-performance in local revenue collection, which declined by 8.6 per cent from Kshs.703.31 million in FY 2015/16 to Kshs.643.14 million in FY 2016/17, and represented 58.7 per cent of the annual target.
3. High travel costs which grew by 46.5 per cent from Kshs.166.56 million in FY 2015/16 to Kshs.244.08 million in the reporting period.
4. Failure to establish an Internal Audit Committee to oversee financial operations in the County contrary to Section 155 of the PFM Act, 2012.
5. Failure to constitute the County Budget and Economic Forum (CBEF) as required by Section 137 of the PFM Act, 2012.
6. High personnel emoluments which accounted for 51.1 per cent of the total expenditure and increased by 11.2 per cent from Kshs.2.61 billion spent in FY 2015/16 to Kshs.2.91 billion in the reporting period.
7. Delay by the National Treasury to disburse the equitable share of revenue raised nationally.

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

1. *The County Treasury should ensure timely preparation and submission of financial reports in line with Section 16 of the COB Act, 2016.*
2. *The County Treasury should develop and implement strategies to enhance local revenue collection.*
3. *The County Treasury should monitor spending on non- critical items, particularly on travel related expenses to ensure prudent utilization of public funds.*
4. *The County should establish an audit committee in line with Section 155 of the PFM Act, 2012.*
5. *The County should establish a CBEF in line with Section 137 of the PFM Act, 2012.*
6. *The County Public Service Board should develop an optimal staffing structure in order to ensure a sustainable wage bill.*
7. *The County Treasury should liaise with the National Treasury to ensure that funds allocated to the County are released in a timely manner in line with the CARA Disbursement Schedule.*

3.37 Samburu County

3.37.1 Overview of the FY 2016/17 Budget

The County's FY 2016/17 Approved Supplementary Budget was Kshs.4.67 billion, comprising of Kshs.3.21

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billion (68.7 per cent) and Kshs.1.46 billion (31.3 per cent) allocation for recurrent and development expenditure respectively.

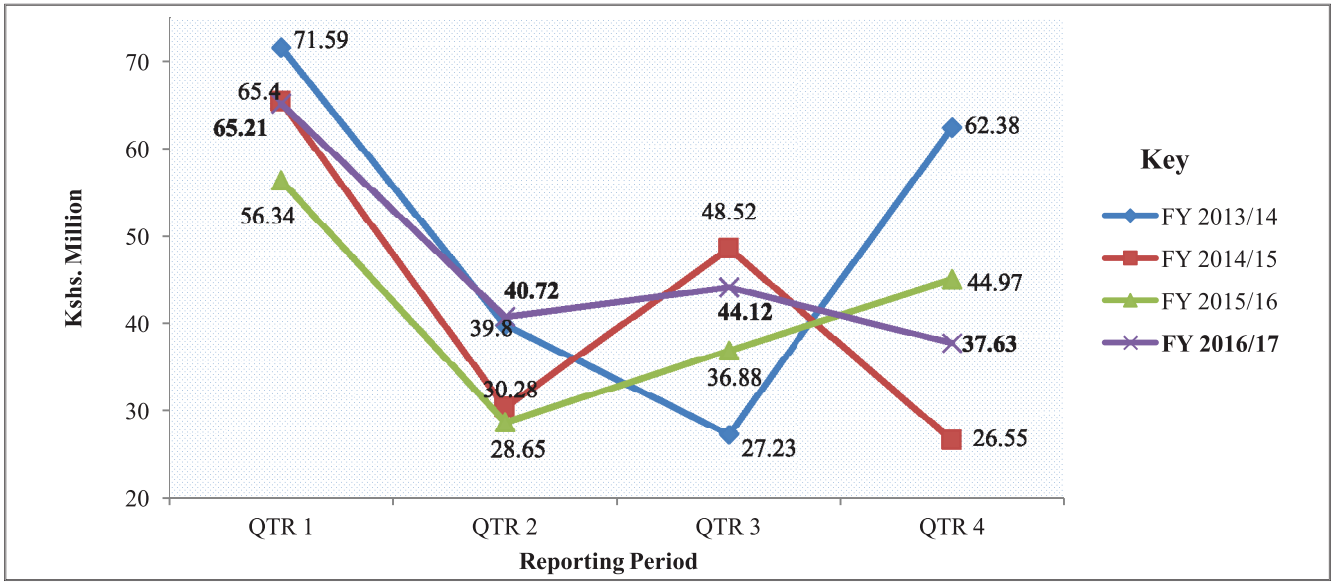
To finance the budget, the County expected to receive Kshs.3.83 billion (84.8 per cent) as equitable share of revenue raised nationally, Kshs.116.51 million (2.6 per cent) as total conditional grants, generate Kshs.345.87 million (7.7 per cent) from local revenue sources, and Kshs.223.34 million (4.9 per cent) cash balance from FY 2015/16. The conditional grants comprised of Kshs.16.95 million (14.5 per cent) for Free Maternal Healthcare, Kshs.58.9 million (50.6 per cent) from the Road Maintenance Fuel Levy Fund, Kshs.5.32 million (4.6 per cent) for User Fees Foregone, Kshs.5.50 million (4.7 per cent) from DANIDA, Kshs.29.85 million (25.6 per cent) as World Bank Loan. The County also budgeted for Kshs.58.64 million as Other Loans and Grants, which was not contained in the CARA, 2016.

3.37.2 Revenue Analysis

During the year, the County received Kshs.3.83 billion as equitable share of the revenue raised nationally, Kshs.112.54 million as total conditional allocations, raised Kshs.187.66 million from local revenue sources, and had a cash balance of Kshs.223.34 million brought forward from FY 2015/16.

Figure.3.109 shows the quarterly trend in local revenue collection from the first quarter of FY 2013/14 to the fourth quarter FY 2016/17.

Figure.3.109: Samburu County, Trend in Local Revenue Collection by Quarter from FY 2013/14 to FY 2016/17



Source: *Samburu County Treasury*

The total local revenue collected in FY 2016/17 amounted to Kshs.187.66 million, representing an increase of 12.5 per cent compared to Kshs.166.84 million generated in FY 2015/16, and represented 54.3 per cent of the annual local revenue target of Kshs.345.87 million.

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3.37.3 Conditional Grants

Table.3.109 shows an analysis of conditional grants released in FY 2016/17.

Table.3.109: Samburu County Analysis of Conditional Grants Released in FY 2016/17

S/No	Conditional Grant	CARA, 2016 Annual Allocation in Kshs)	Actual receipts in FY 2016/17 in Kshs.	Actual Receipts as Percentage of Annual Allocation (%)
1	Road Maintenance Fuel Levy Fund	58,898,587	58,898,586	100
2	Free Maternal Healthcare	16,949,829	2,660,927	15.7
3	World Bank loan to health facilities	29,848,554	29,848,554	100
4	User Fees Foregone	5,321,855	15,638,427	293.9
5	DANIDA grant	5,495,000	5,495,000	100
TOTAL		**116,513,825**	**112,541,494**	**97**

Source: *Samburu County Treasury*

Analysis of the conditional grants released during the period under review indicates that, User Fees Foregone grants recorded the highest receipts at 293.9 per cent of its annual allocation, which included Kshs.10.32 million balances from FY 2015/16. The Road Maintenance Fuel Levy Fund, World Bank loan and DANIDA grant received their annual allocation in full, while Free Maternal Healthcare grant recorded the lowest receipt at 15.7 per cent of the annual allocation.

3.37.4 Exchequer Issues

During the year, the Controller of Budget authorised withdrawal of Kshs.4.29 billion from the CRF account, which was 89 per cent of the Approved Supplementary Budget. This amount represented an increase of 8.9 per cent from Kshs.3.92 billion authorized in FY 2015/16 and consisted of Kshs.3.05 billion (71.4 per cent) for recurrent expenditure and Kshs.1.23 billion (28.8 per cent) for development activities.

3.37.5 Overall Expenditure Review

The County spent Kshs.4.17 billion, which was 97.7 per cent of the total funds released for operations. This was a decrease of 13.9 per cent from Kshs.3.66 billion spent in FY 2015/16.

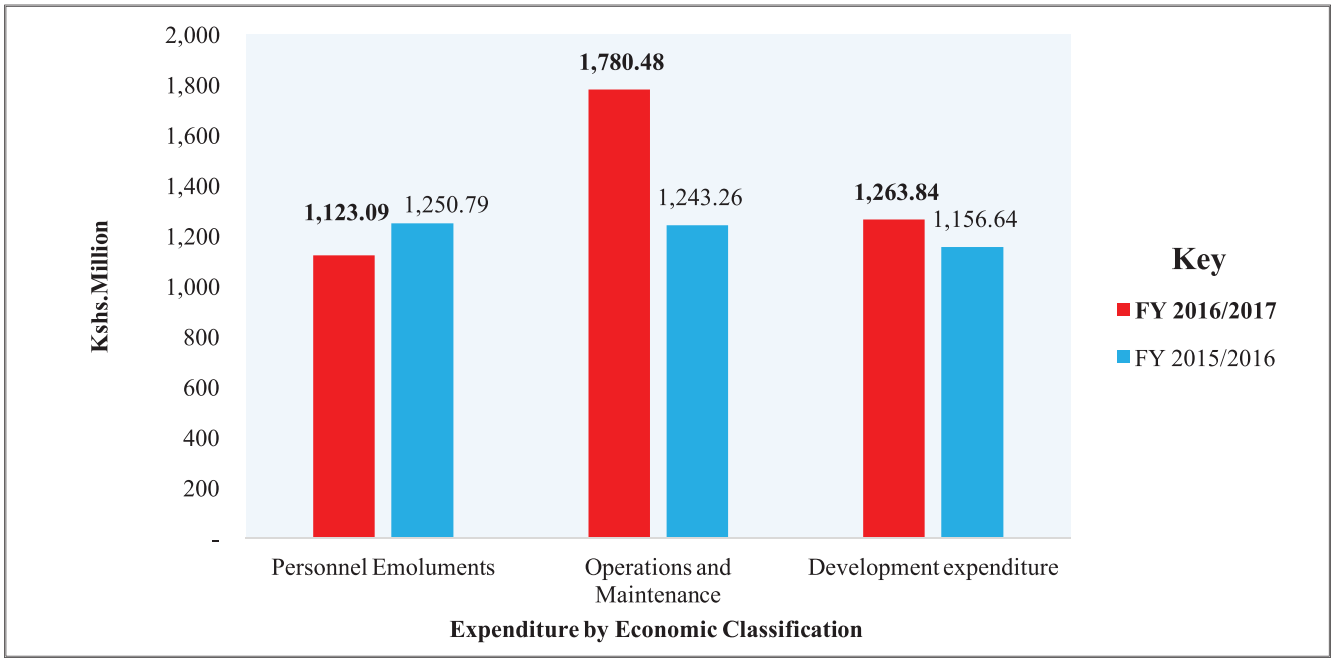
A total of Kshs.2.9 billion was spent on recurrent activities, while Kshs.1.26 billion was spent on development activities. The recurrent expenditure was 95.3 per cent of the funds released for recurrent activities while development expenditure accounted for 102.5 per cent of the funds released for development activities. The expenditure excluded pending bills as at June 30, 2017 that amounted to Kshs.477.52 million for development and Kshs.227.31 million for recurrent expenditure.

The recurrent expenditure represented 90.6 per cent of the annual recurrent budget, a decrease from 93.7 per cent spent in FY 2015/16. Development expenditure recorded an absorption rate of 86.4 per cent, which was an increase from 65.1 per cent attained in FY 2015/16. Figure 3.110 present a comparison between the total

expenditure in FY 2016/17 and FY 2015/16.

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Figure 3.110: Samburu County, Expenditure by Economic Classification in FY 2015/16 and FY 2016/17



Source: *Samburu County Treasury*

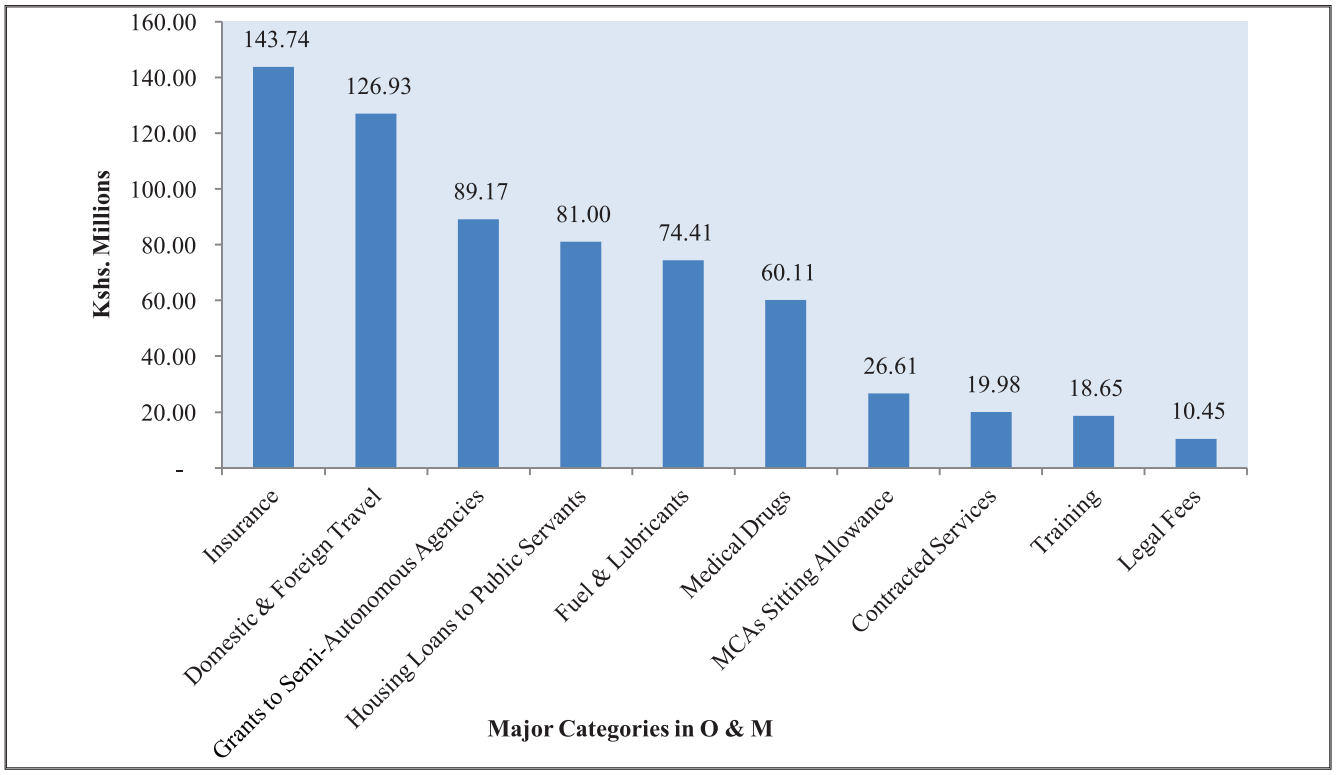
3.37.6 Analysis of Recurrent Expenditure

The total recurrent expenditure of Kshs.2.9 billion consisted of Kshs.1.12 billion (38.6 per cent) spent on personnel emoluments and Kshs.1.78 billion (61.4 per cent) on operations and maintenance as shown in Figure 3.110. Expenditure on personnel emoluments represented a decrease of 10.2 per cent compared to FY 2015/16 when the County spent Kshs.1.25 billion. Figure3.111 shows a summary of operations and maintenance expenditure by major categories.

The expenditure on personnel emoluments of Kshs.1.12 billion was 26.9 per cent of overall total expenditure in FY 2016/17 and 38.7 per cent of total recurrent expenditure of Kshs.2.9 billion.

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Figure3.111: Samburu County, Operations and Maintenance Expenditure by Major Categories for FY 2016/17



Source: *Samburu County Treasury*

The County spent Kshs.26.61 million on sitting allowances for the 27 MCAs and the Speaker against the annual budget allocation of Kshs.49.79 million. This was an increase of 40.4 per cent compared to Kshs.44.66 million spent in FY 2015/16. The average monthly sitting allowance was Kshs.82,140 per MCA compared to SRC's recommended monthly ceiling of Kshs.124,800.

Expenditure on domestic and foreign travel amounted to Kshs.126.93 million and consisted of Kshs.51.86 million spent by the County Assembly and Kshs.78.06 million by the County Executive. This expenditure represented 4.5 per cent of total recurrent expenditure and was a decrease of 6.8 per cent compared to Kshs.136.12 million spent in FY 2015/16.

3.37.7 Development Expenditure Analysis

The total development expenditure of Kshs.1.26 billion represented 86.4 per cent of the annual development budget of Kshs.1.46 billion. Table.3.110 provides a summary of development projects with the highest expenditure in FY 2016/17.

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Table.3.110: Samburu County, List of Development Projects with the Highest Expenditure in FY 2016/17

S/No.	Project name	Project location (Location of the Project)	Annual project budget (Kshs.)	Annual project expenditure (Kshs.)	Absorption rate (%)
1	Drilling of Boreholes (16 No.)	Samburu North/East	70,000,000	42,830,614	61.2
2	Construction of ECDs	County wide	54,609,721	48,240,875	88.3
3	Development of County Spatial Plan	County Wide	50,000,000	27,545,364	55.1
4	Construction of County Offices	Central	50,000,000	33,952,125	67.9
5	Purchase of Camels	County wide	21,104,011	12,590,000	59.7
6	Construction of Archer's Post health Centre	Samburu East	15,000,000	9,880,951	65.9
7	Purchase of Certified seeds	County wide	10,000,000	7,880,500	78.8

Source: *Samburu County Treasury*

Analysis of the development expenditure by project indicates that, the highest expenditure of Kshs.48.24 million was spent on construction of ECDs classrooms across the County, followed by Kshs.42.83 million spent on Drilling of 16 Boreholes in Samburu East and North.

3.37.8 Budget and Budget Performance Analysis by Department

Table.3.111 shows a summary of budget estimates and budget performance by department in FY 2016/17

Table.3.111: Samburu County, Budget Performance by Department in FY 2016/17

Department	Annual Budget Allocation (Kshs. Million)		FY 2016/17 Exchequer Issues (Kshs. Million)		FY 2016/17 Expenditure (Kshs. Million)		FY 2016/17 Expenditure to Exchequer Issues (%)		FY 2016/17 Absorption rate (%)	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
County Assembly	449.81	100	449.81	55	412.41	51.05	91.7	92.8	91.7	51.1
County Executive	450.65	5	424.86	4	364.23	4.43	85.7	110.8	80.8	88.6
Finance & Economic planning	582.52	10.73	547.79	9	541.24	9.94	98.8	110.4	92.9	92.6
Agriculture, Livestock, Veterinary & Fisheries	172.96	88.3	158.84	87.56	155.65	47.23	98	53.9	90	53.5
Environment & Natural Resources	47.81	33.12	45.27	31.2	42.99	27.07	95	86.8	89.9	81.7
Education, Youth Affairs & Social Development	373.35	150.96	380.55	156.33	323.12	134.24	84.9	85.9	86.5	88.9
Health Services	648.33	96.5	594.35	94.28	619.72	67.99	104.3	72.1	95.6	70.5
Lands, Physical Planning and Urban Development	69.43	91.43	69.44	83.63	74.13	77.48	106.8	92.6	106.8	84.7

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Transport, Public Works and Water Services	197.58	711.49	184.76	568.11	180.04	695.12	97.4	122.4	[illegible]	97.7
Trade, Tourism, Cooperatives and Enterprise Development	145.22	147.84	122.35	122.93	138.28	128.25	113	104.3	95.2	86.7
Culture, Social Services and Gender	68.51	27.11	59.52	21	51.47	21.02	86.5	100.1	75.1	77.5
TOTAL	**3,206.17**	**1,462.48**	**3,045.70**	**1,233.04**	**2,903.28**	**1,263.82**	**95.3**	**102.5**	**90.6**	**86.4**

Source: *Samburu County Treasury*

Analysis of budget performance by department shows that the Department of Transport, Public Works and Water Services attained the highest absorption of development budget at 97.7 per cent while the County Assembly had the lowest absorption of development expenditure at 51.1 per cent. On the other hand, the Department of Lands, Physical Planning and Urban Development had the highest percentage of recurrent expenditure to recurrent budget at 106.8 per cent while the Department of Culture, Social Services and Gender had the lowest at 75.1 per cent.

3.37.9 Observations and Recommendations

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

i. Establishment of the County Budget and Economic Forum (CBEF) in line with Section 137 of the PFM Act, 2012.
ii. Adoption of IFMIS in processing financial transactions and financial reporting.
iii. Improvement in absorption of development budget to 86.3 per cent compared to 65.1 per cent reported in FY 2015/16.

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

1. Late submission of financial reports by the County Treasury to the Controller of Budget, which affected timely preparation of Budget Implementation Review Reports.
2. Delay by Fund Administrators to submit expenditure reports on established County Funds contrary to Section 168 of the PFM Act, 2012.

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

1. *The County Treasury should ensure timely preparation and submission of financial reports in line with Section 166 of the PFM Act, 2012.*
2. *All Fund Administrators should ensure timely submission of expenditure reports on established County Funds in line with Section 168 of the PFM Act, 2012.*

3.38 Siaya County

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3.38.1 Overview of the FY 2016/17 Budget

The County's FY 2016/17 Approved Supplementary Budget was Kshs.7.07 billion, comprising of Kshs. 3.92 billion (55.4 per cent) and Kshs.3.15 billion (44.6 per cent) allocation for recurrent and development expenditure respectively.

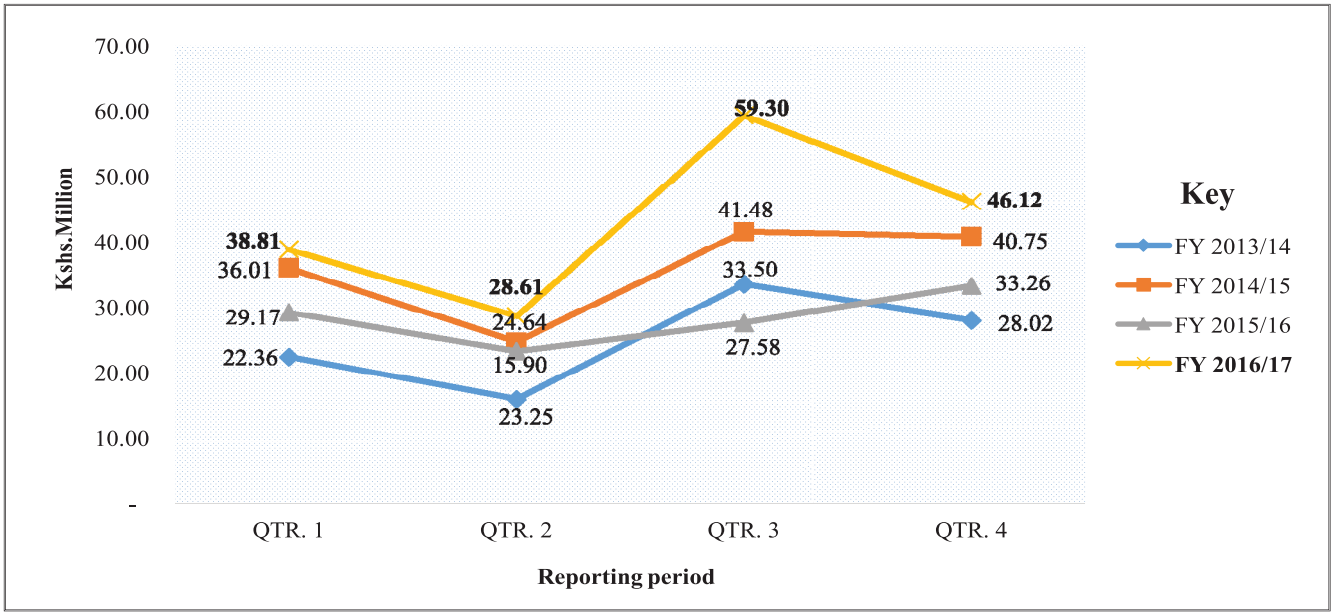
To finance the budget, the County expected to receive Kshs.5.39 billion (76.2 per cent) as equitable share of revenue raised nationally, Kshs.352.5 million (5 per cent) as total conditional grants, generate Kshs.270 million (3.8 per cent) from local sources, and had a cash balance of Kshs.1.32 billion (18.6 per cent) from FY 2015/16. The conditional grants comprised of Kshs.112.56 million (29.5 per cent) for Free Maternal Healthcare, Kshs.95.74 million (27.2 per cent) for Leasing of Medical Equipment, Kshs.82.82 million (21.7 per cent) from the Road Maintenance Fuel Levy Fund, Kshs.19.06 million (5.0 per cent) for User Fees Foregone, Kshs.13.77 million (3.6 per cent) as a grant from DANIDA. In addition, the County expected to receive Kshs.28.56 million from Kenya Devolution Support Programme which was not contained in CARA, 2016.

3.38.2 Revenue Analysis

During the year, the County received Kshs.5.39 billion as equitable share of the revenue raised nationally, Kshs.311.77 million as total conditional allocations. Of the conditional allocations received, Kshs77.1 million relate to receipts for the workers in the health sector. These receipts had not been budget for and were not in the CARA 2017. The county raised Kshs.172.84 million from local revenue sources, and had a cash balance of Kshs.1.003 billion brought forward from FY 2015/16.

Figure 3.112 shows the quarterly trend in local revenue collection from the first quarter of FY 2013/14 to the fourth quarter FY 2016/17.

Figure 3.112: Siaya County, Trend in Local Revenue Collection by Quarter from FY 2013/14 to FY



Source: *Siaya County Treasury*

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The total local revenue collected in FY 2016/17 amounted to Kshs.172.82 million, representing an increase of 34.8 per cent compared to Kshs.127.93 million generated in FY 2015/16, and represented 64 per cent of the annual local revenue target of Kshs.270 million.

3.38.3 Conditional Grants

Table 3.112 shows an analysis of conditional grants released in FY 2016/17.

Table 3.112: Siaya County Analysis of Conditional Grants Released in FY 2016/17

S/No.	Conditional Grant	CARA, 2016 Annual Allocation in Kshs)	Actual receipts in FY 2016/17 in Kshs.	Actual Receipts as Percentage of Annual Allocation (%)
1	Free Maternal Healthcare	112,559,127	118,167,500	105
2	Leasing of Medical Equipment	95,744,681	-	-
3	Road Maintenance Fuel Levy Fund	82,817,177	82,879,530	100
4	User Fees Foregone	19,057,307	19,057,307	100
5	DANIDA Grant	13,765,000	13,765,000	100
Total		**352,498,394**	**233,869,337**	**66.3**

Source: *Siaya Treasury*

Analysis of the conditional grants released during the period under review indicates that, Free Maternity Heathcare grant recorded the highest receipts at 105 per cent of annual allocation, which included Kshs.5.61 million balances from FY 2015/16. The Road Maintenance Fuel Levy Fund, User Fees Foregone and DANIDA grants recorded 100 per cent of annual allocation.

3.38.4 Exchequer Issues

During the year, the Controller of Budget authorised withdrawal of Kshs.6.38 billion from the CRF account, which was 90.3 per cent of the Approved Supplementary Budget. This amount represented an increase of 17.3 per cent from Kshs.5.44 billion authorized in FY 2015/16 and consisted of Kshs.3.88 billion (60.8 per cent) for recurrent expenditure and Kshs.2.5 billion (39.2 per cent) for development activities.

3.38.5 Overall Expenditure Review

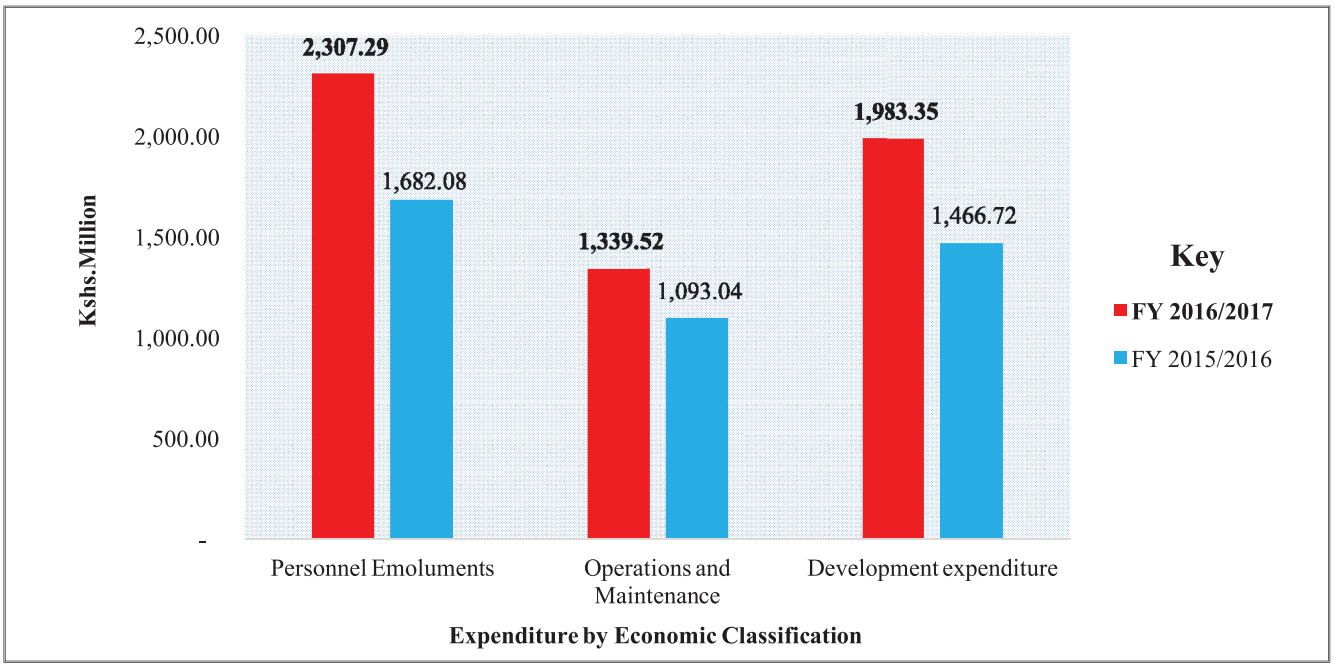
The County spent Kshs.5.63 billion, which was 88.2 per cent of the total funds released for operations. This was a marginal increase of 0.4 per cent from Kshs4.93 billion spent in FY 2015/16.

A total of Kshs.3.9 billion was spent on recurrent activities, while Kshs.1.98 billion was spent on development activities. The recurrent expenditure was 93.9 per cent of the funds released for recurrent activities while development expenditure accounted for 79.3 per cent of the funds released for development activities. The expenditure excluded pending bills as at June 30, 2017 that amounted to Kshs.150.04 million for development and Kshs.127.55 million for recurrent expenditure.

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The recurrent expenditure represented 93.1 per cent of the annual recurrent budget, a decrease from 99.2 per cent spent in FY 2015/16. Development expenditure recorded an absorption rate of 62.9 per cent, which was an increase from 57 per cent attained in FY 2015/16. Figure 3.113 presents a comparison between the total expenditure in FY 2016/17 and FY 2015/16.

Figure 3.113 Siaya County, Expenditure by Economic Classification in FY 2015/16 and FY 2016/17



Source: *Siaya County Treasury*

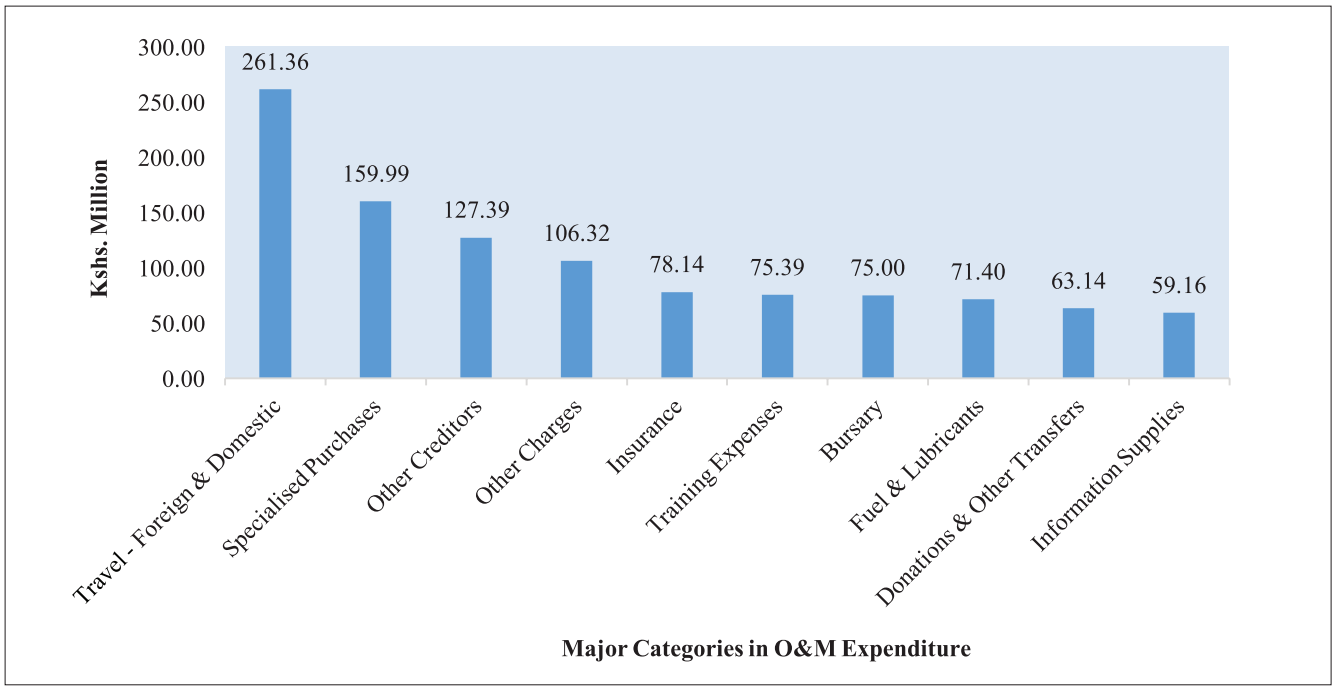
3.38.6 Analysis of Recurrent Expenditure

The total recurrent expenditure of Kshs.3.65 billion consisted of Kshs.2.31 billion (63.3 per cent) spent on personnel emoluments and Kshs.1.34 billion (36.7 per cent) on operations and maintenance as shown in Figure 3.113. Expenditure on personnel emoluments represented an increase of 37.5 per cent compared to FY 2015/16 when the County spent Kshs1.68 billion. Figure 3.114 shows a summary of operations and maintenance expenditure by major categories.

The expenditure on personnel emoluments of Kshs.2.31 billion was 41 per cent of overall total expenditure in FY 2016/17 and 63.3 per cent of total recurrent expenditure.

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Figure 3.114: Siaya County, Operations and Maintenance Expenditure by Major Categories for FY 2016/17



Source: *Siaya County Treasury*

The County spent Kshs.62.68 million on sitting allowances for the 48 MCAs and the Speaker against the annual budget allocation of Kshs.68.68 million. This was a decrease of 9.8 per cent compared to Kshs.69.47 million spent in FY 2015/16. The average monthly sitting allowance was Kshs.106,604 per MCA compared to SRC's recommended monthly ceiling of Kshs.124,800.

Expenditure on domestic and foreign travel amounted to Kshs.261.46 million and consisted of Kshs.78.43 million spent by the County Assembly and Kshs.182.93 million by the County Executive. This expenditure represented 7.2 per cent of total recurrent expenditure and was a decrease of 17.9 per cent compared to Kshs.318.22 million spent in FY 2015/16.

3.38.7 Development Expenditure Analysis

The total development expenditure of Kshs.1.98 billion represented 62.9 per cent of the annual development budget of Kshs.3.15 billion. Table 3.113 provides a summary of development projects with the highest expenditure in FY 2016/17.

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Table 3.113: Siaya County, List of Development Projects with the Highest Expenditure in FY 2016/17

S/No.	Project name	Project location	Annual project budget (Kshs .)	Annual project expenditure (Kshs.)	Absorption rate (%)
1	Refurbishment of Siaya Referral Hospital Phase 1	Siaya township	119,827,681	38,612,866	32.2
2	Supply, delivery and Commissioning of one Fire Engine	Headquarters	55,000,000	55,000,000	100
3	Supply of Tractors and Farming Implements	Headquarters	45,716,880	17,626,538	38.6
4	Construction & Commissioning of Irrigation Projects in Bondo & Alego Usonga	Bondo & Alego Usonga	26,100,000	13,683,628	52.4
5	Maternity Funds Disbursement	Various	21,252,500	-	-
6	Provision of water to all government	South gem	18,800,000	5,379,400	28.6
7	Construction of Maternity & Theatre at Bondo Hospital	West Sakwa	15,956,305	6,040,305	37.9
8	Supply, Installation, Commissioning, and Maintenance of Solar Street Lighting Project In Siaya County	Various	14,000,000	10,475,110	74.8
9	Rehabilitation of New Water Pans and Dams	Various	12,950,000	12,923,328	99.8
10	Twin Ward at Urenga Dispensary	East Ugenya	12,889,099	3,507,585	27.2

Source: *Siaya County Treasury*

Analysis of development expenditure by project indicates that, the highest expenditure of Kshs.55 million was spent on supply of a Fire Engine, followed by Kshs.38.61 million on refurbishment of Siaya Referral Hospital Phase 1, and Kshs.17.63 million on purchase of Tractors and Farming Implements.

3.38.8 Budget and Budget Performance Analysis by Department

Table 3.114 shows a summary of budget estimates and budget performance by department in FY 2016/17

Table 3.114: Siaya County, Budget Performance by Department in FY 2016/17

Department	Annual Supplementary Budget Allocation (Kshs. Million)		Exchequer Issues in FY 2016/17 (Kshs. Million)		Expenditure in FY 2016/17 (Kshs in Millions)		FY 2016/17 Expenditure to Exchequer Issues (%)		FY 2016/17 Absorption rate (%)	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
County Assembly	599.91	91.43	599.91	27.12	531.91	8.72	88.7	32.2	88.7	9.5
County Executive	438.62	45.01	438.62	0.00	371.99	13.93	84.8	-	84.8	30.9

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Finance, Economic Planning and Vision 2030	725.32	25.93	714.15	32.93	662.46	1.00	92.8	3.0	92.8	3.9
Agriculture, Livestock and Fisheries	195.29	232.32	195.29	151.52	178.76	118.34	91.5	78.1	91.5	50.9
Water, Environment and Natural Resources	79.98	324.52	79.98	227.88	69.33	213.57	86.7	93.7	86.7	65.8
Education, Youth, Sports, Culture and Social Services	235.29	574.86	235.29	387.76	228.55	312.04	97.1	80.5	97.1	54.3
County Health Services	1447.38	497.62	1423.03	473.27	1445.46	196.80	101.6	41.6	99.9	39.5
Physical Planning, Survey and Housing	36.68	36.50	38.08	25.64	28.02	28.88	73.6	112.6	76.4	79.1
Roads and Transport	51.99	1096.43	51.99	1006.32	41.36	1012.43	79.6	100.6	79.6	92.3
Trade and Cooperative Services	38.64	188.61	38.64	126.56	21.02	37.46	54.4	29.6	54.4	19.9
Tourism and ICT	67.99	40.04	68.02	40.99	67.95	40.18	99.9	98.0	99.9	100.3
TOTAL	**3,917.09**	**3,153.27**	**3,883**	**2500**	**3,646.81**	**1,983.35**	**93.9**	**79.3**	**93.1**	**62.9**

Source: *Siaya County Treasury*

Analysis of budget performance by department shows that the Department of Tourism and ICT attained the highest absorption rate of both the development and recurrent budget at 100.3 and 99.9 per cent respectively while the Department of Finance, Economic Planning and Vision 2030 had the least absorption rate of development budget at 3.9 per cent. On the other hand, the Department of Trade, Industry and Co-operative had the lowest percentage of receurrent expenditure to recurrent budget at least absorption percentage of recurrent budget 54.4 per cent.

3.38.9 Observations and Recommendations

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

i. Adoption of IFMIS in processing financial transactions.

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

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

1. Late submission of financial reports to the Controller of Budget, which affected timely preparation of annual county budget implementation report.
2. Failure to establish an Internal Audit Committee to oversee financial operations in the County contrary to Section 155 of the PFM Act, 2012.
3. Failure to constituted the County Budget and Economic Forum (CBEF) contrary to Section 137 of the PFM Act, 2012.
4. The County's wage bill has remained high, having increased by 37.5 per cent from Kshs.1.68 billion in FY 2015/16 to Kshs. 2.31 billion during the period under review, and represented 41 per cent of overall total expenditure. Increase in wage bill may affect implementation of development projects.
5. Delay by the National Treasury to disburse the equitable share of revenue raised nationally.

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

1. *The County Treasury should ensure timely preparation and submission of financial reports in line with Section 166 of PFM Act, 2012.*
2. *The County should establish an Internal Audit Committee in line with Section 155 of the PFM Act, 2012.*
3. *The County should establish the CBEF for consultation in the budget process and economic matters in line with Section 137 of the PFM Act, 2012*
4. *The County Public Service Board should establish and adopt an optimal staffing structure in order to ensure a sustainable wage bill.*
5. *The County Treasury should liaise with the National Treasury to ensure that funds allocated to the County are released in a timely manner in line with the CARA Disbursement Schedule.*

3.39 Taita Taveta County

3.39.1 Overview of the FY 2016/17 Budget

The County's FY 2016/17 Approved Budget was Kshs.4.66 billion, comprising of Kshs.3.24 billion (69.6 per cent) and Kshs.1.42 billion (30.4 per cent) allocation for recurrent and development expenditure respectively.

To finance the budget, the County expected to receive Kshs.3.57 billion (82.8 per cent) as equitable share of revenue raised nationally, Kshs.142.6 million (3.3 per cent) as total conditional grants, generate Kshs.355.89 million (8.3 per cent) from local revenue sources, and Kshs.241.41 million (5.6 per cent) cash balance from FY 2015/16. The conditional grants comprised of Kshs.37.67 million (26.4 per cent) for Free Maternal Healthcare, Kshs.54.87 million (38.5 per cent) from the Road Maintenance Fuel Levy Fund, Kshs.6.63 million (4.7 per cent) for User Fees Foregone, Kshs.7.41 million (5.2 per cent) from DANIDA, and Kshs.36.03 million as World Bank Loan (25.3 per cent).

Further, the County expected to receive Kshs.9.92 million as National Drought Management Authority Grant, Kshs.100 million as Red Cross Grant, Kshs.23.98 million for Kenya Devolution Support Programme- World Bank, Kshs.112 million as European Union Grant, Kshs.17.24 million as pending FY 2015/16 World Bank Loan, Kshs.15.16 million as World Bank Loan for Universal Healthcare project, and Kshs.69.62 million as National Government contribution to Health Staff allowances.

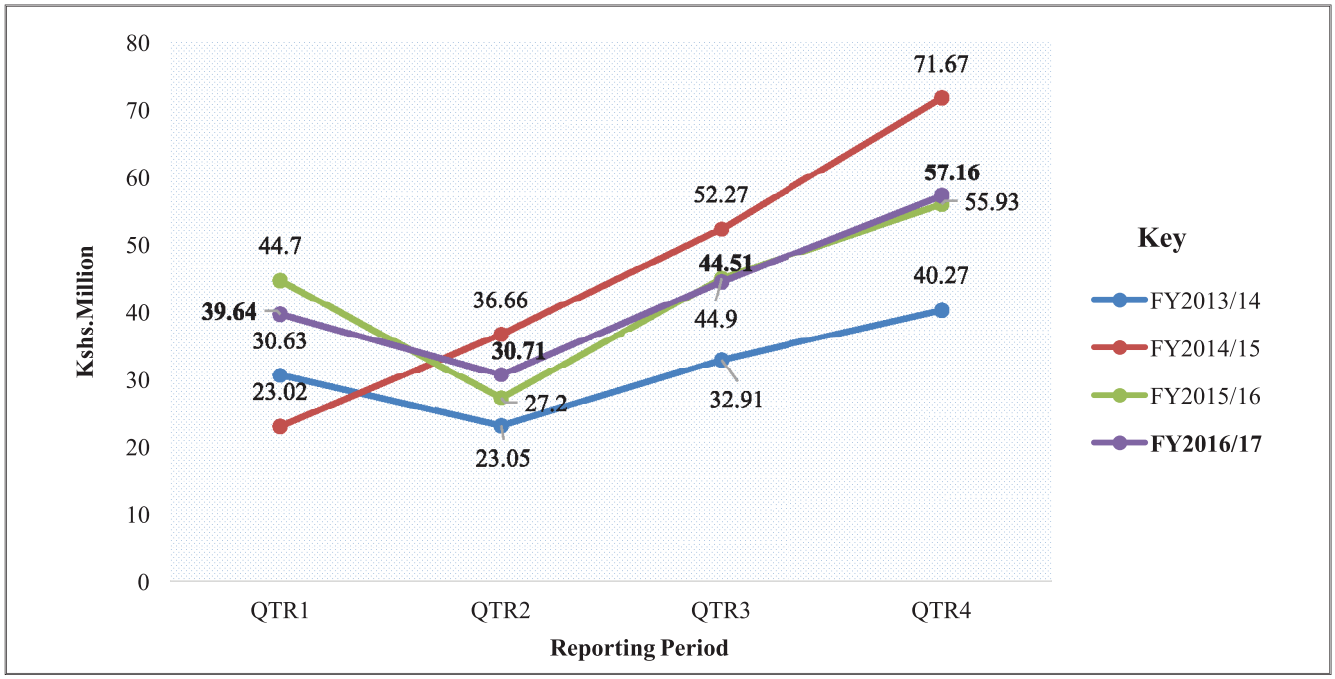
3.39.2 Revenue Analysis

During the year, the County received Kshs.3.57 billion as equitable share of the revenue raised nationally, Kshs.133.03 million as total conditional allocations, raised Kshs.172.02 million from local revenue sources, Kshs.69.62 million as National Government contribution to Health Staff allowances, and had a cash balance of Kshs.241.41 million brought forward from FY 2015/16.

Figure 3.115 shows the quarterly trend in local revenue collection from the first quarter of FY 2013/14 to the fourth quarter FY 2016/17.

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Figure 3.115 Taita Taveta, Trend in Local Revenue Collection by Quarter from FY 2013/14 to FY 2016/17



Source: *Taita Taveta County Treasury*

The total local revenue collected in FY 2016/17 amounted to Kshs.172.02 million, representing a decrease of 0.41 per cent compared to Kshs.172.73 million generated in FY 2015/16, and represented 48.4 per cent of the annual local revenue target of Kshs.355.59 million.

3.39.3 Conditional Grants

Table 3.115 shows an analysis of conditional grants released in FY 2016/17.

Table 3.115: Taita Taveta County Analysis of Conditional Grants Released in FY 2016/17

S/No.	Conditional Grant	CARA,2016 Annual allocation in Kshs	Actual receipts in FY 2016/17 in Kshs	Actual receipts as percentage of Annual Allocation (%)
1	Road Maintenance Fuel Levy Fund	54,869,411	54,954,630	100.2
2	Free Maternal Healthcare	37,659,621	37,470,000	99.5
3	Compensation For User Fees Foregone	6,631,099	6,631,099	100
4	DANIDA Grant to Supplement Financing of County Health Facilities	7,405,000	7,405,000	100
5	World Bank Loan to Supplement Financing of County Health Facilities	36,034,216	26,568,000	73.7
TOTAL		**142,599,347**	**133,028,729**	**93.3**

Source: *Taita Taveta County Treasury*

Analysis of the conditional grants released during the period under review indicates that, Road Maintenance

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Fuel Levy Fund recorded the highest receipts at 100.2 per cent of annual allocation, followed by Free Maternal Healthcare, and User Fees Foregone at 100 per cent.

3.39.4 Exchequer Issues

During the year, the Controller of Budget authorised withdrawal of Kshs.3.89 billion from the CRF account, which was 83.6 per cent of the Approved Budget. This amount represented an increase of 9.3 per cent from Kshs.3.56 billion authorized in FY 2015/16 and consisted of Kshs.2.92 billion (75 per cent) for recurrent expenditure and Kshs.971.56 million (25 per cent) for development activities.

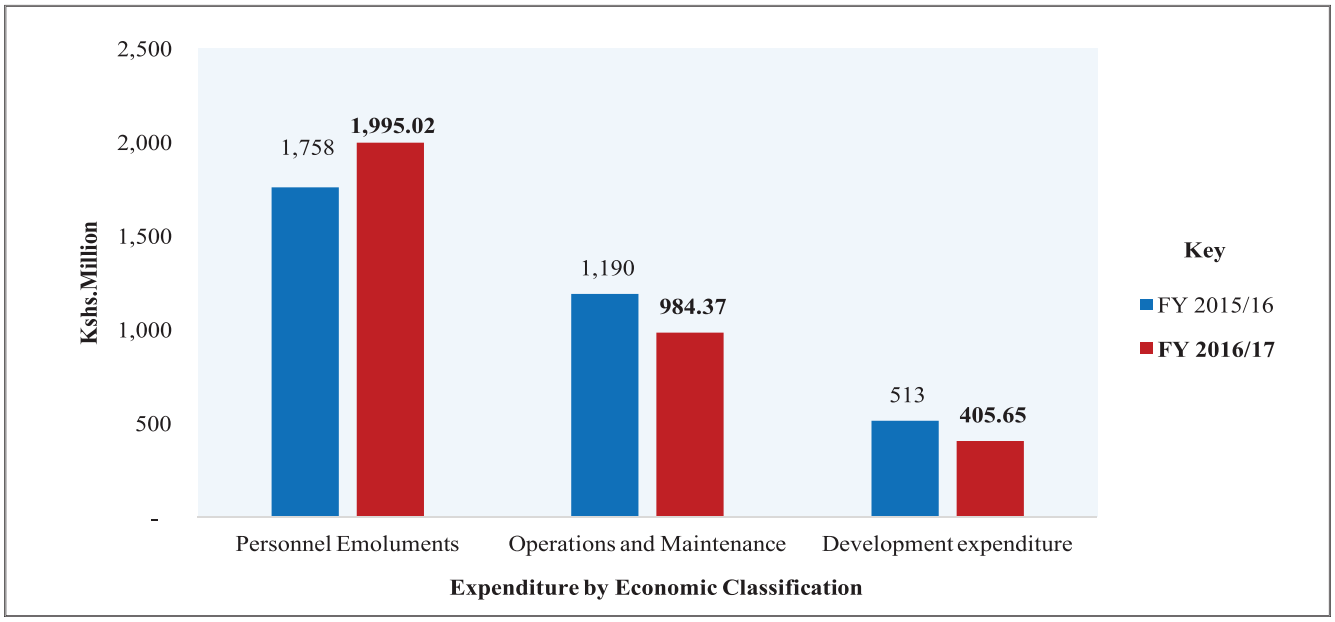
3.39.5 Overall Expenditure Review

The County spent Kshs.3.39 billion, which was 86.9 per cent of the total funds released for operations. This was a decrease of 2 per cent from Kshs.3.46 billion spent in FY 2015/16.

A total of Kshs.2.98 billion was spent on recurrent activities, while Kshs.405.65 million was spent on development activities. The recurrent expenditure was 102 per cent of the funds released for recurrent activities while development expenditure accounted for 41.8 per cent of the funds released for development activities. The expenditure excluded pending bills as at June 30, 2017 that amounted to Kshs.130.84 million for development and Kshs.150.54 million for recurrent expenditure.

The recurrent expenditure represented 91.9 per cent of the annual recurrent budget, a decrease from 101.4 per cent spent in FY 2015/16. Development expenditure recorded an absorption rate of 28.6 per cent, which was a decrease from 41.1 per cent attained in FY 2015/16. Figure.3.116 presents a comparison between the total expenditure in FY 2016/17 and FY 2015/16.

Figure.3.116: Taita Taveta County, Expenditure by Economic Classification in FY 2015/16 and FY 2016/17



Source: *Taita Taveta County Treasury*

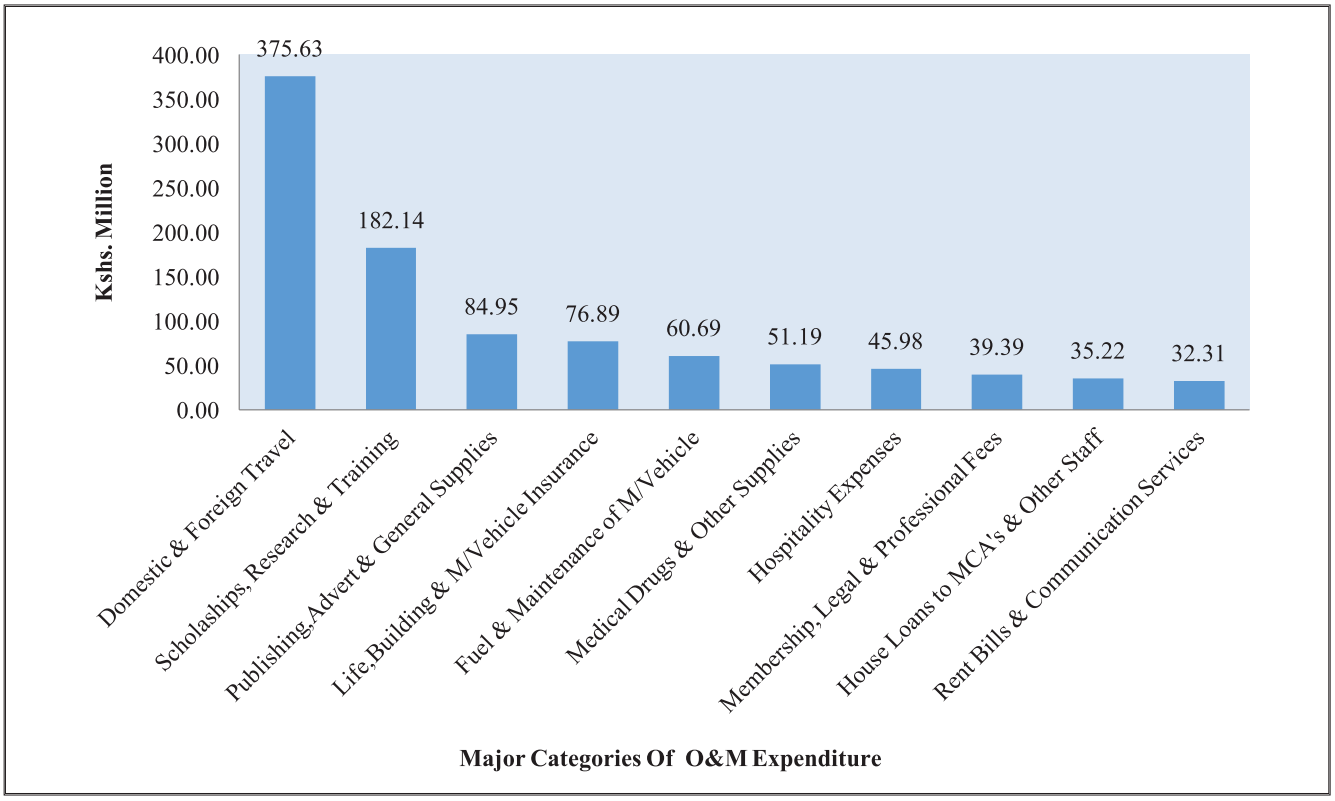
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3.39.6 Analysis of Recurrent Expenditure

The total recurrent expenditure of Kshs.2.98 billion consisted of Kshs.2 billion (74.9 per cent) spent on personnel emoluments and Kshs.984.37 million (25.1 per cent) on operations and maintenance as shown in Figure.3.116. Expenditure on personnel emoluments represented an increase of 13.5 per cent compared to FY 2015/16 when the County spent Kshs.1.76 billion. Figure.3.117 shows a summary of operations and maintenance expenditure by major categories.

The expenditure on personnel emoluments of Kshs.2 billion was 58.9 per cent of overall total expenditure in FY 2016/17 and 67 per cent of total recurrent expenditure of Kshs.2.98 billion.

Figure.3.117: Taita Taveta County, Operations and Maintenance Expenditure by Major Categories for FY 2016/17



Source: *Taita Taveta County Treasury*

The County spent Kshs.33.11 million on sitting allowances for the 35 MCAs and the Speaker against the annual budget allocation of Kshs.65.44 million. This was an increase of 5.3 per cent compared to Kshs.31.45 million spent in FY 2015/16. The average monthly sitting allowance was Kshs.76,643 per MCA compared to SRC's recommended monthly ceiling of Kshs.124,800.

Expenditure on domestic and foreign travel amounted to Kshs.375.63 million and consisted of Kshs.156.62 million spent by the County Assembly and Kshs.219.01 million by the County Executive. This expenditure represented 12.6 per cent of total recurrent expenditure and was an increase 51.4 per cent compared to Kshs.248.14 million spent in FY 2015/16.

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3.39.7 Development Expenditure Analysis

The total development expenditure of Kshs.405.65 million represented 28.6 per cent of the annual development budget of Kshs.1.42 billion. Figure.3.116 provides a summary of development projects with the highest expenditure in FY 2016/17.

Table 3.116: Taita Taveta County, List of Development Projects with the Highest Expenditure in FY

S/No	Project Name	Ward(Location of project)	Annual project budget (Kshs.)	Annual project expenditure (Kshs.)	Absorption Rate (%)
1	Construction of Health Facilities and Other current transfers	County Wide	272,888,814	75,924,403	27.8
2	Various Bore holes & Water Projects	County Wide	128,634,061	71,505,090	55.6
3	Construction of ECD Centre, Youth Improvement Programme & Kambungu Youth Polytechnic	County Wide	124,146,432	112,508,232	90.6
4	Agribusiness Project, Demonstration farms, Water harvesting and Land Reclamation	County Wide	114,000,000	6,334,363	5.6
5	Proposed Construction of County HQ, Refurbishment and Emergencies	County Wide	61,284,147	41,342,204	67.5
6	Construction of Boda Boda Sheds, Market, Social Halls and Rehabilitation of Wundanyi,Tateta,Mwatate & Voi Stadiums	Wundanyi, Tateta, Mwatate &Voi	52,516,141	12,386,812	23.6
7	Opening and murraming of access roads and overhaul of raods and bridges	County Wide	43,173,720	61,098,227	141.5
8	Construction of Administration offices & Parking Bay	Wundanyi HQ	21,172,482	8,740,370	41.3
9	Livestock Multiplication Progmamme, Slaughterhouse facility, water & Buchuma LCM Inftrastructure & Fish ponds	Lake Jipe,Mwakitao, Mwashuma & Bura	17,092,384	7,063,408	41.3
10	Refurbishment of County Assembly	Wundanyi HQ	15,000,000	7,543,827	50.3

Source: *Taita Taveta County Treasury*

Analysis of the development expenditure by project indicates that, the highest expenditure of Kshs.112.51 million was spent on cconstruction of ECD Centres, Youth Improvement Programme & Kambungu Youth Polytechnic, followed by Kshs.75.92 million and Kshs.71.51 million on construction of Health facilities and on drilling of boreholes and various water projects in the County, respectively.

3.39.8 Budget and Budget Performance Analysis by Department

Table 3.117 shows a summary of budget estimates and budget performance by department in FY 2016/17

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Table 3.117: Taita Taveta County, Budget Performance by Department in FY 2016/17

Department	Budget Allocation in FY 2016/17(Kshs. Million)		Exchequer issues in FY 2016/17 (Kshs.Million)		Expenditure in FY 2016/17 (Kshs. Million)		FY 2016/17 Expenditure to Exchequer Issues (%)		FY 2016/17 Absorption rate (%)	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
County Assembly	614.50	15	432.62	32.8	577.51	7.54	133.5	23	94	50.3
Administration and Devolution	924.99	21.17	924.99	21.17	938.74	8.74	101.5	41.3	101.5	41.3
The Governor's and Deputy Governor's Office	143.76	34.78	125.51	30.23	144.37	32.81	115	108.5	100.4	94.3
Finance and Planning	398.79	26.50	322.57	6.78	377.37	8.53	117	125.8	94.6	32.2
Agriculture, Livestock and Fisheries	84.13	161.75	82.23	83.25	73.67	13.39	89.6	16.1	87.6	8.3
Industrialization, Energy, Research and ICT	19.01	31.85	19	18.56	-	-	-	-	-	-
Water and Irrigation	35.04	411.69	32.79	240.48	27.39	71.51	83.5	29.7	78.2	17.4
Education and Libraries	295.42	178.84	263.95	118.14	267.74	112.51	101.4	95.2	90.6	62.9
Health	529.76	156.34	527.17	90.20	439.51	75.92	83.4	84.2	83	48.6
Trade and Community Affairs	51.34	127.58	49.12	93.87	33.44	12.39	68.1	13.2	65.1	9.7
County Public Service Board	35.31	-	34.08	-	35.09	-	103	-	99.4	-
Infrastructure and Public Works	38.95	234.68	38.88	220.36	25.65	61.10	66	27.7	65.9	26
Lands and Mining	25.48	6.59	25.39	6.58	11.24	-	44.3	-	44.1	-
Tourism and Natural Resources	44.04	9.14	43.96	9.14	27.68	1.21	63	13.2	62.9	13.2
TOTAL	**3,240.52**	**1,415.91**	**2,922.26**	**971.56**	**2,979.4**	**405.65**	**102**	**41.8**	**91.9**	**28.6**

Source: *Taita Taveta County Treasury*

Analysis of budget performance by department shows that the Governor and Deputy Governor's Office had the highest absorption rate of development budget at 94.3 per cent while the Industrialization, Energy, Research and ICT Department did not incur any development expenditure. On the other hand, the Administration and Devolution Department had the highest percentage of recurrent expenditure to recurrent budget at 101.5 per cent while Industrialization, Energy, Research and ICT Department did not incur any recurrent expenditure.

3.39.9 Observations and Recommendations

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

i. Establishment of the County Budget and Economic Forum (CBEF) in line with Section 137 of the PFM Act, 2012.

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ii. Improved staff capacity through training, particularly on IFMIS by both the County Executive and the County Assembly.

iii. Adherence to SRC guidelines on MCA'S sitting allowances. The average monthly sitting allowance was Kshs.76,643 per MCA compared to SRC's recommended monthly ceiling of Kshs.124,800.

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

1. Delay in submission of quarterly financial reports to the Controller of Budget by County Government entities.
2. Delay by Fund Administrators to submit expenditure reports for the County Executive Car Loan and Mortgage Fund, County Assembly Members' Car Loan and Mortgage Fund, and, the Bursary Fund contrary to Section 168 of the PFM Act, 2012.
3. Under-performance in local revenue collection, which represented 48.4 per cent of the annual local revenue target.
4. Slow implementation of development activities. The County expenditure on development of Kshs.405.65 million represented an absorption rate of 28.6 per cent of the annual development budget of Kshs.1.42 billion.
5. High wage bill which increased by 13.5 per cent from Kshs.1.76 billion in FY 2015/16 to Kshs.2 billion in the reporting period, and represented 58.9 per cent of overall expenditure. Increase in wage bill may affect implementation of development projects.

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

1. *The County Treasury should ensure timely preparation and submission of financial reports in line with Section 166 of PFM Act, 2012*
2. *Fund Administrators should ensure timely submission of financial reports in line with Section 168 of PFM Act 2012*
3. *The County Treasury should formulate and implement strategies to enhance local revenue collection.*
4. *The County should identify and address issues that cause low absorption of development budget.*
5. *The County Public Service Board should ensure that an optimal staffing level is maintained in order to ensure a sustainable wage bill.*

3.40 Tana River County

3.40.1 Overview of the FY 2016/17 Budget

The County's FY 2016/17 Approved Budget was Kshs.4.59 billion, comprising of Kshs.2.23 billion (48.6 per cent) and Kshs.2.36 billion (51.4 per cent) allocation for recurrent and development expenditure respectively.

To finance the budget, the County expected to receive Kshs.4.3 billion (84.5 per cent) as equitable share of revenue raised nationally, Kshs.321.55 million (6.3 per cent) as total conditional grants, generate Kshs.60 million (1.3 per cent) from local revenue sources, and Kshs.407.62 million (8.9 per cent) cash balance from FY 2015/16. The conditional grants comprised of Kshs.100 million (31.1 per cent) as Special Purpose Grant Supporting

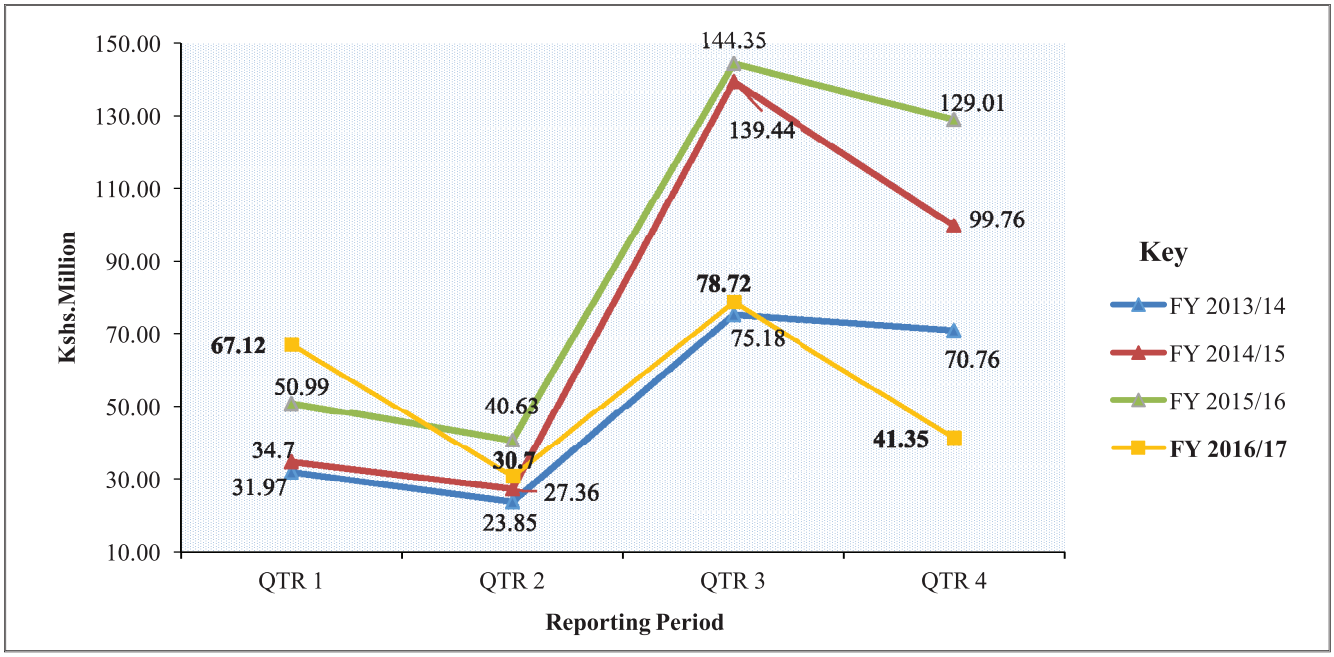
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Emergency Medical Services, Kshs.95.74 million (29.8 per cent) for Leasing of Medical Equipment, Kshs.66.06 million (20.5 per cent) from the Road Maintenance Fuel Levy Fund, Kshs.25.23 million (7.8 per cent) for Free Maternal Healthcare, Kshs.24.17 million (7.5 per cent) as World Bank Loan to supplement financing of County Health Facilities , Kshs.5.7 million (1.8 per cent) for User Fee Foregone, and Kshs.4.65 million (1.4 per cent) from DANIDA to Supplement Financing of County Health Facilities.

3.40.2 Revenue Analysis

During the year, the County received Kshs.4.3 billion as equitable share of the revenue raised nationally, Kshs.190.5 million as total conditional allocations, raised Kshs.27.42 million from local revenue sources, and had a cash balance of Kshs.407.62 million brought forward from FY 2015/16. Figure3.118 shows the quarterly trend in local revenue collection from the first quarter of FY 2013/14 to the fourth quarter FY 2016/17.

Figure3.118: Tana River County, Trend in Local Revenue Collection by Quarter from FY 2013/14 to FY 2016/17



Source: *Tana River County Treasury*

The total local revenue collected in FY 2016/17 amounted to Kshs.27.42 million, representing an increase of 7.7 per cent compared to Kshs.25.47 million generated in FY 2015/16, and represented 45.7 per cent of the annual local revenue target of Kshs.60 million.

3.40.3 Conditional Grants

Table 3.118 shows an analysis of conditional grants released in FY 2016/17.

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Table 3.118: Tana River County Analysis of Conditional Grants Released in FY 2016/17

S/No	Conditional Grant	CARA, 2016 Annual Allocation in Kshs)	Actual receipts in FY 2016/17 in Kshs.	Actual Receipts as Percentage of Annual Allocation (%)
1	Special Purpose Grant Supporting Emergency Medical Services	100,000,000	100,000,000	100
2	Conditional Grant-Leasing of Medical Equipment	95,744,681	-	-
3	Road Maintenance Fuel Levy	66,060,281	66,060,281	100
4	Free Maternal Healthcare	25,230,780	14,097,000	55.9
5	World Bank loan to Health Facilities	24,174,105	-	-
6	User Fee Foregone	5,699,850	5,699,850	100
7	DANIDA Grant To Support Financing of County Health Facilities	4,645,000	4,645,000	100
TOTAL		**321,554,697**	**190,502,131**	**59.2**

Source: *Tana River Treasury*

Analysis of the conditional grants released during the period under review indicates that, Special Grant Supporting Emergency Medical Services, Road Maintenance Fuel Levy Fund, User Fee foregone and the DANIDA grants recorded the highest receipts at 100 per cent of annual allocation respectively.

3.40.4 Exchequer Issues

During the year, the Controller of Budget authorised withdrawal of Kshs.4.5 billion from the CRF account, which was 98.2 per cent of the Approved Budget. This amount represented an increase of 6.9 per cent from Kshs.4.21 billion authorized in FY 2015/16 and consisted of Kshs.2.2 billion (49 per cent) for recurrent expenditure and Kshs.2.3 billion (51per cent) for development activities.

3.40.5 Overall Expenditure Review

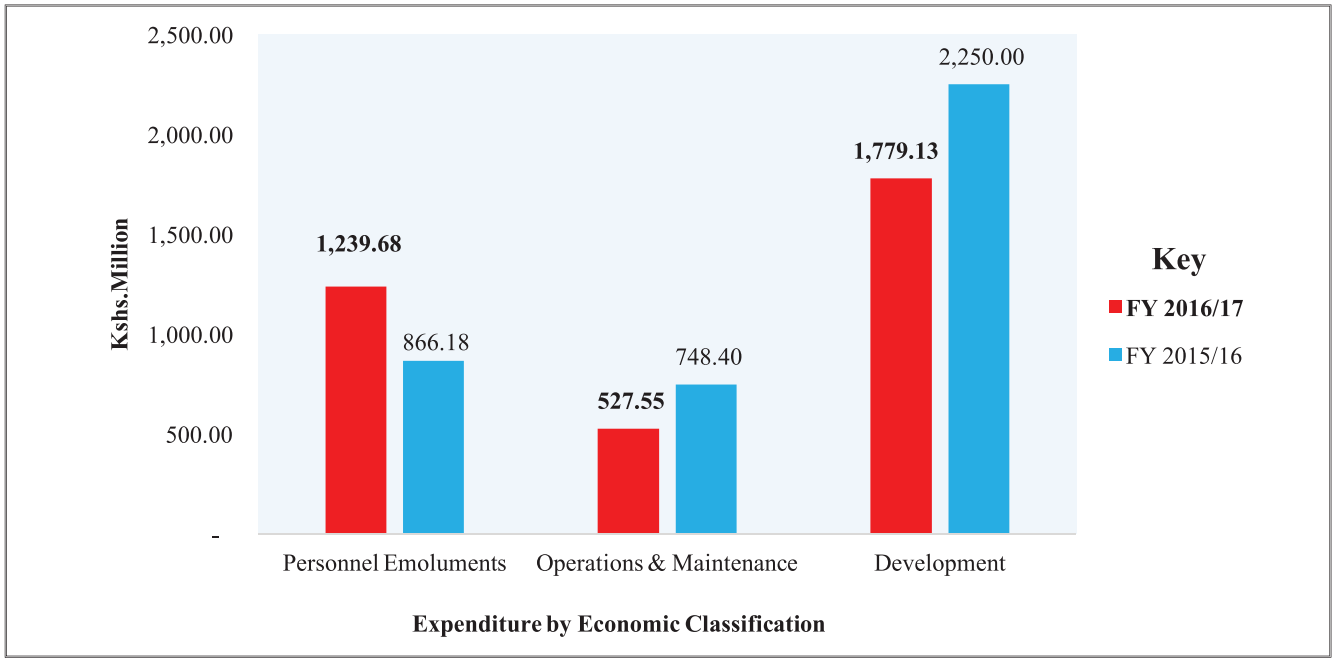
The County spent Kshs.3.55 billion which was 78.8 per cent of the total funds released for operations. This was a decrease of 6.6 per cent from Kshs.3.8 billion spent in FY 2015/16.

A total of Kshs.1.77 billion was spent on recurrent activities, while Kshs.1.78 billion was spent on development activities. The recurrent expenditure was 80.2 per cent of the funds released for recurrent activities while development expenditure accounted for 77.5 per cent of the funds released for development activities. The expenditure excluded pending bills as at June 30, 2017 that amounted to Kshs.853.44 million for development and Kshs.92.59 million for recurrent expenditure.

The recurrent expenditure represented 79.3 per cent of the annual recurrent budget, an increase from 55.8 per cent spent in FY 2015/16. Development expenditure recorded an absorption rate of 75.5 per cent, which was an increase from 52.6 per cent attained in FY 2015/16. Figure 3.119 presents a comparison between the total expenditure in FY 2016/17 and FY 2015/16.

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Figure 3.119: Tana River County, Expenditure by Economic Classification in FY 2016/17 and FY 2016/17



Source: *Tana River County Treasury*

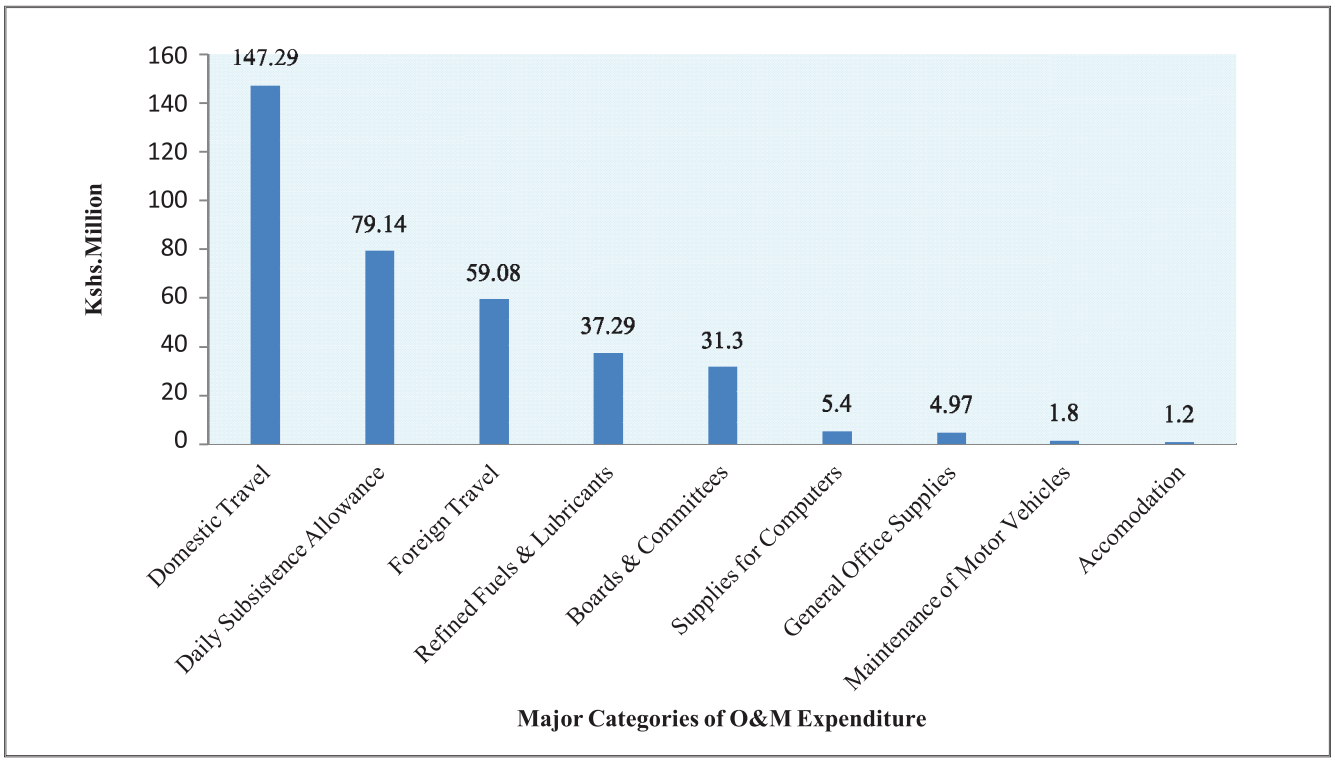
3.40.6 Analysis of Recurrent Expenditure

The total recurrent expenditure of Kshs.1.77 billion consisted of Kshs.1.24 billion (70.1 per cent) spent on personnel emoluments and Kshs.527.55 million (29.1 per cent) on operations and maintenance as shown in Figure 3.119. Expenditure on personnel emoluments represented an increase of 43.1 per cent compared to FY 2015/16 when the County spent Kshs.866.18 million. Figure 3.120 shows a summary of operations and maintenance expenditure by major categories.

The expenditure on personnel emoluments of Kshs.1.24 billion was 35 per cent of overall total expenditure in FY 2016/17 and 70.1 per cent of total recurrent expenditure of Kshs.1.77 billion.

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Figure 3.120 Tana River County, Operations and Maintenance Expenditure by Major Categories for FY 2016/17



Source: *Tana River County Treasury*

The County spent Kshs.19.65 million on sitting allowances for the 27 MCAs and the Speaker against the annual budget allocation of Kshs.44.99 million. This was a decrease of 30.6 per cent compared to Kshs.28.31 million spent in FY 2015/16. The average monthly sitting allowance was Kshs.60,652 per MCA compared to SRC's recommended monthly ceiling of Kshs.124,800.

Expenditure on domestic and foreign travel amounted to Kshs.206.37 million and consisted of Kshs.94.41 million spent by the County Assembly and Kshs.111.96 million by the County Executive. This expenditure represented 11.7 per cent of total recurrent expenditure and was an increase of 41.6 per cent per cent compared to Kshs.145.69 million spent in FY 2015/16.

3.40.7 Development Expenditure Analysis

The total development expenditure of Kshs.1.78 billion represented 75.5 per cent of the annual development budget of Kshs.2.36 billion. Table 3.119 provides a summary of development projects with the highest expenditure in FY 2016/17.

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Table 3.119: Tana River County, List of Development Projects with the Highest Expenditure in FY 2016/17

S/No.	Project name	Project location	Annual project budget (Kshs.)	Annual project expenditure (Kshs.)	Absorption rate (%)
1	Supply of Relief Food	County-Wide	150,000,000	150,000,000	100
2	Water Tracking	Hola Town	-	108,151,996	-
3	Construction of Bura Kofira Steel Bridge	Garsen	210,000,000	87,776,854	41.8
4	Construction of Non-Residential Buildings	County Wide	90,000,000	59,553,848	66.2
5	Construction of County HQ	County HQ	113,000,000	47,609,811	42.1
6	Purchase of Pharmaceuticals	County -Wide	38,811,533	38,811,533	100
7	Construction of Water Pans	County Wide	87,000,000	37,474,833	43.1
8	Installation of Street Lights	County Wide	42,080,150	33,827,309	80.4
9	Construction of Garsen Market	Garsen	32,782,448	32,782,448	100
10	Construction of Prefab Offices	County HQ	30,000,000	21,285,436	71

Source: *Tana River County Treasury*

Analysis of the development expenditure by project indicates that, the highest expenditure of Kshs.150 million was spent on the purchase, supply and distribution of relief food, followed by Kshs.108.15 million on water tracking.

3.40.8 Budget and Budget Performance Analysis by Department

Table 3.120 shows a summary of budget estimates and budget performance by department in FY 2016/17

Table 3.120: Tana River County, Budget Performance by Department in FY 2016/17

Department	Annual Budget Allocation (Kshs. Million)		Exchequer Issues in FY 2016/17 (Kshs.Million)		Expenditure in FY 2016/17 (Kshs.Million)		FY 2016/17 Expenditure to Exchequer Issues (%)		FY 2016/17 Absorption rate (%)	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
Office of the Governor	369.28	96.21	356.35	123.13	343.91	95.05	96.5	77.2	93.1	98.8
Finance and Economic Planning	118	59.55	118	55.89	118	49.83	100	89.2	100	83.7
Roads, Public Works and Transport	48.99	403.2	49.93	394.34	38.59	393.2	77.3	99.7	78.8	97.5
Water Health and Sanitation	586.08	597.54	573.45	590.65	529.17	588.45	92.3	99.6	90.3	98.5
CPSB	61.09	-	62.26	-	48.38	-	77.7	-	79.2	-
Education, Vocational Training & Sports	183.95	238.45	187.47	238.45	54.56	218.45	29.1	91.6	29.7	91.6

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Agriculture and Rural Dev.	220.39	388.17	205.02	304.34	109.86	140.57	53.6	46.2	49.8	36.2
Gender, Culture & Social Services	45.54	116.88	46.42	71.38	19.25	46.73	41.5	65.5	42.3	40
Trade, Industry and Cooperatives	71.3	229.99	72.66	268.97	30.97	84.55	42.6	31.4	43.4	36.8
Environment & Natural Resources	31.13	27.35	31.73	30.04	17.1	23.03	53.9	76.7	54.9	84.2
Cohesion and Special Programmes	49.34	102.22	50.29	121.78	38.47	82.22	76.5	67.5	78	80.4
County Assembly	442.44	98.09	450.91	98.36	419	57.03	92.9	58	94.7	58.1
TOTAL	**2,227.53**	**2,357.65**	**2,204.49**	**2,297.33**	**1,767.26**	**1,779.11**	**80.2**	**77.4**	**79.3**	**75.5**

Source: *Tana River County Treasury*

Analysis of budget performance by department shows that the Office of the Governor attained the highest absorption of development budget 98.8 per cent while the Department of Agriculture and Rural Development had the lowest at 36.2 per cent. On the other hand, the Department of Finance and Economic Planning had the highest percentage of recurrent expenditure to recurrent budget at 100 per cent while the Department of Education, Vocational Training and Sports had the lowest at 29.7 per cent.

3.40.9 Observations and Recommendations

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

i. Establishment of the County Budget and Economic Forum (CBEF) in line with Section 137 of the PFM Act, 2012.

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

iii. Improvement in the absorption of development budget from 52.6 per cent in FY 2015/16 to 75.5 per cent in the reporting period.

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

1. Delay by Fund Administrators to submit expenditure reports for the County Executuive Car Loan and Mortgage Fund, and, County Assembly Members' Car Loan and Mortgage Fund contrary to Section 168 of the PFM Act, 2012.
2. Under-performance in local revenue collection, which accounted for 45.7 per cent of the annual target of Kshs.60 million.
3. IFMIS connectivity challenges, which slowed down approval of procurement requests and payments to suppliers.

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

1. All Fund Administrators should ensure expenditure reports are submitted on time.

2. The County Treasury should develop and implement strategies to enhance local revenue collection.

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3. *The County should collaboration with the National Treasury to improve IFMIS Connectivity.*

3.41 Tharaka Nithi County

3.41.1 Overview of the FY 2016/17 Budget

The County's FY 2016/17 Approved Supplementary Budget was Kshs.3.96 billion, comprising of Kshs.2.69 billion (67.8 per cent) and Kshs.1.27 billion (32.2 per cent) allocations for recurrent and development expenditure respectively.

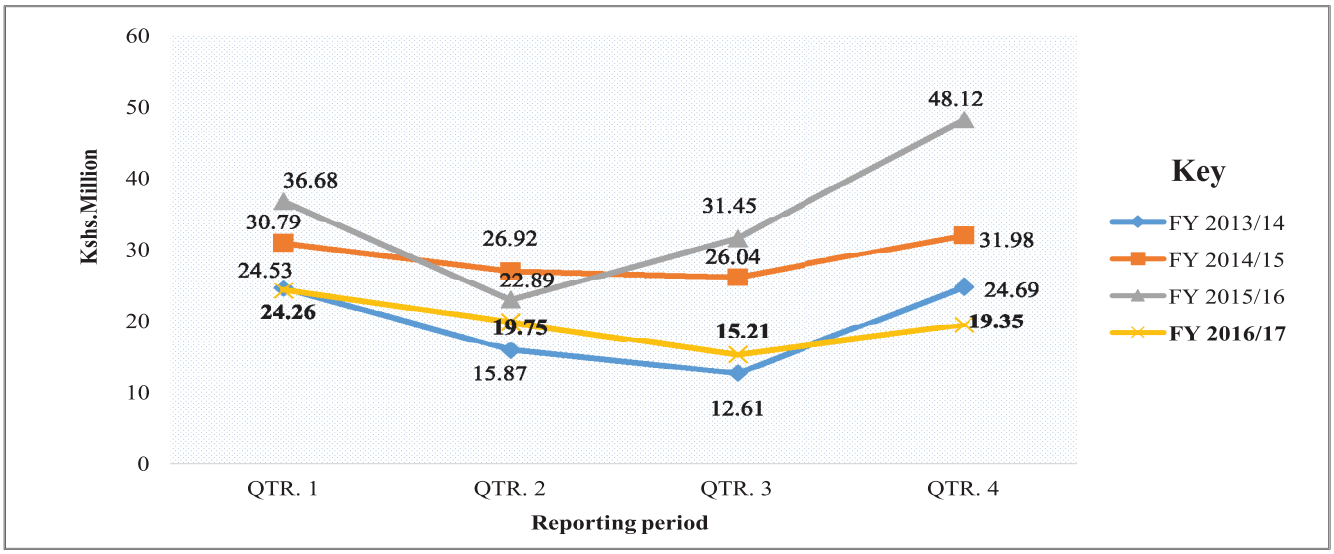
To finance the budget, the County expected to receive Kshs.3.39 billion (86.2 per cent) as equitable share of revenue raised nationally, Kshs.141.11 million (3.6 per cent) as total conditional grants, generate Kshs.200 million (5.1 per cent) from local sources, and Kshs.199.43 million (5.1 per cent) cash balance from FY 2015/16. The conditional grants comprised of Kshs.29.85 million (21.2 per cent) for Free Maternal Healthcare, Kshs.52.02 million (36.9 per cent) from the Road Maintenance Fuel Levy Fund, Kshs.8.42 million (6 per cent) for User Fees Foregone, and Kshs.6.17 million (4.4 per cent) from DANIDA. Further, the County expected to receive Kshs.23.9 million for Kenya Devolution Support Programme from World Bank which was not contained in CARA, 2016.

3.41.2 Revenue Analysis

During the year, the County received Kshs.3.39 billion as equitable share of the revenue raised nationally, Kshs.98.69 million as total conditional allocations, raised Kshs.78.57 million from local revenue sources, Kshs.69.1 million as negotiated allowances for Health Sector workers, and had a cash balance of Kshs.199.43 million brought forward from FY 2015/16.

Figure 3.121 shows the quarterly trend in local revenue collection from the first quarter of FY 2013/14 to the fourth quarter FY 2016/17.

Figure 3.121: Tharaka Nithi County, Trend in Local Revenue Collection by Quarter from FY 2013/14 to FY 2016/17



Source: *Tharaka Nithi County Treasury*

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The total local revenue collected in FY 2016/17 amounted to Kshs.78.57 million, representing a decrease of 43.5 per cent compared to Kshs.139.15 million generated in FY 2015/16, and represented 39.3 per cent of the annual local revenue target of Kshs.200 million.

3.41.3 Conditional Grants

Table 3.121 shows an analysis of conditional grants released in FY 2016/17.

Table 3.121: Tharaka Nithi County Analysis of Conditional Grants Released in FY 2016/17

No.	Conditional Grant	CARA, 2016 Annual Allocation in Kshs)	Actual receipts in FY 2016/17 in Kshs.	Actual receipts as a percentage of Annual Allocation (%)
1	Road Maintenance Fuel Levy Fund	52,017,792	52,017,792	100
2	World Bank Grant	44,654,343	-	-
3	Free Maternal Healthcare	29,853,703	32,085,000	107.5
4	User Fees Foregone	8,419,197	8,419,197	100
5	DANIDA Grant	6,165,000	6,165,000	100
Total		**141,110,035**	**98,686,989**	**69.9**

Source: *Tharaka Nithi Treasury*

Analysis of the conditional grants released during the period under review indicates that, Free Maternal Healthcare recorded the highest receipts at 107.5 per cent of annual allocation. The above 100 per cent in Free Maternal Healthcare grant is as a result of Kshs.2.23 million balance form FY 2015/16 which was received in FY 2016/17. The Road Maintenance Fuel Levy Fund, User Fees Foregone grants and DANIDA received at 100 per cent of their annual allocation, respectively

3.41.4 Exchequer Issues

During the year, the Controller of Budget authorised withdrawal of Kshs.3.56 billion from the CRF account, which was 89.9 per cent of the Approved Supplementary Budget. This amount represented an increase of 1.7 per cent from Kshs.3.5 billion authorized in FY 2015/16 and consisted of Kshs.2.58 billion (72.4 per cent) for recurrent expenditure and Kshs.982.66 million (27.6 per cent) for development activities.

3.41.5 Overall Expenditure Review

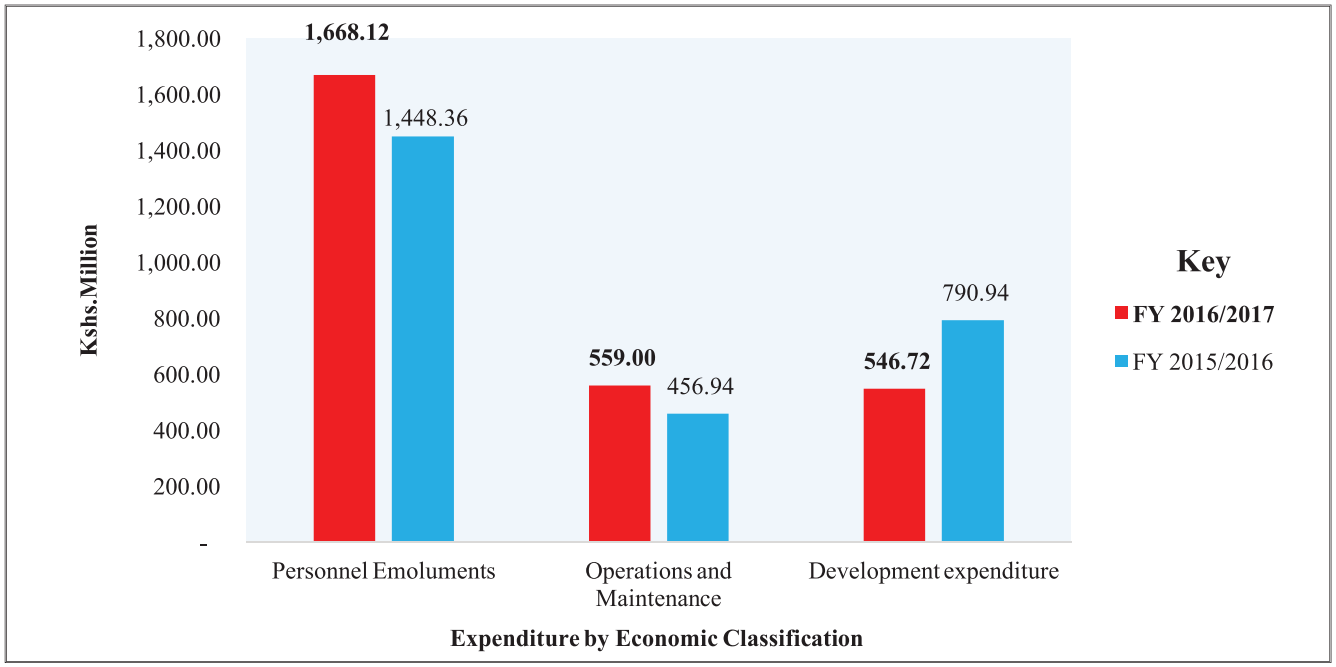
The County spent Kshs.2.77 billion, which was 77.8 per cent of the total funds released for operations. This was an increase of 6.1 per cent from Kshs.2.61 billion spent in FY 2015/16.

A total of Kshs.2.23 billion was spent on recurrent activities, while Kshs.546.72 million was spent on development activities. The recurrent expenditure was 86.4 per cent of the funds released for recurrent activities while development expenditure accounted for 55.6 per cent of the funds released for development activities. The expenditure excluded pending bills as at June 30, 2017 that amounted to Kshs.205.5 million for development and Kshs.69.64 million for recurrent expenditure.

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The recurrent expenditure represented 82.9 per cent of the annual recurrent budget, a decrease from 91.2 per cent spent in FY 2015/16. Development expenditure recorded an absorption rate of 42.9 per cent, which was a decrease from 51.4 per cent attained in FY 2015/16. Figure 3.122 presents a comparison between the total expenditure in FY 2016/17 and FY 2015/16.

Figure 3.122: Tharaka Nithi County, Expenditure by Economic Classification in FY 2015/16 and FY 2016/17



Source: *Tharaka Nithi County Treasury*

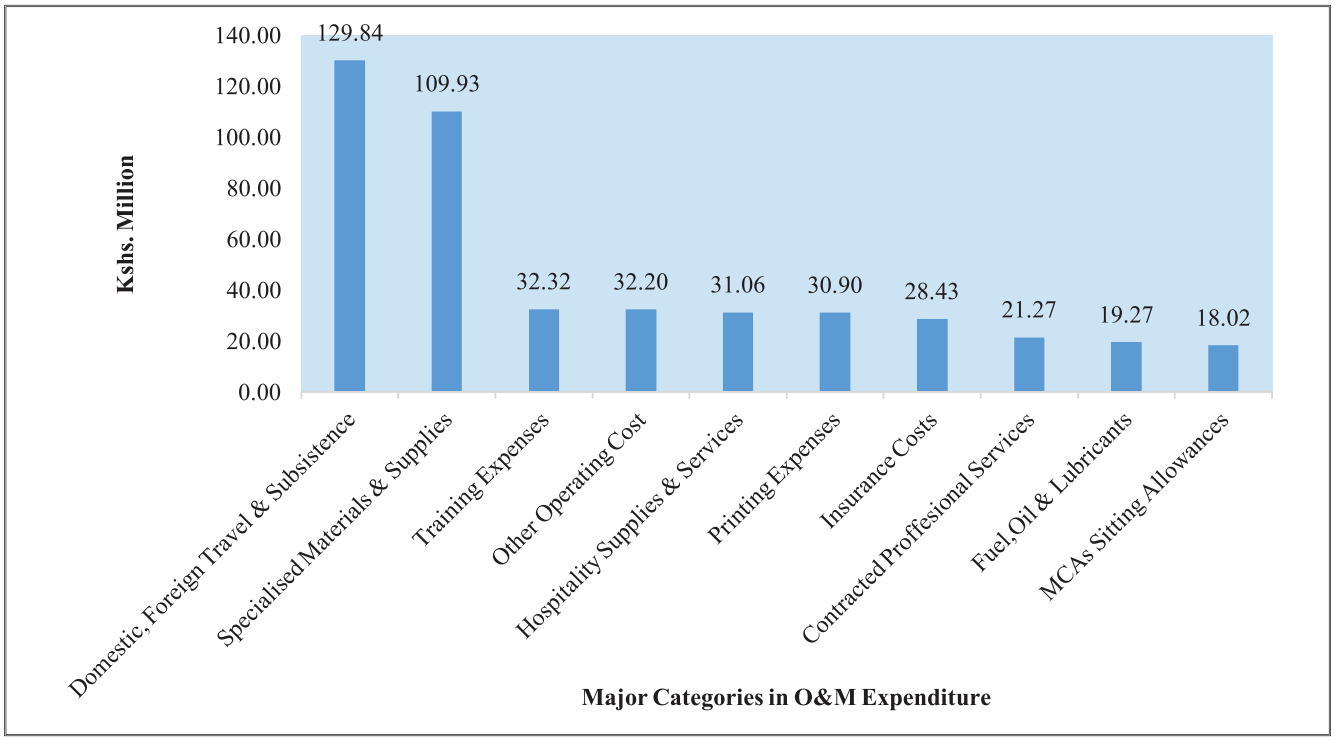
3.41.6 Analysis of Recurrent Expenditure

The total recurrent expenditure of Kshs.2.23 billion consisted of Kshs.1.67 billion (74.9 per cent) spent on personnel emoluments and Kshs.559 million (25.1 per cent) on operations and maintenance as shown in Figure 3.122. Expenditure on personnel emoluments represented an increase of 15.2 per cent compared to FY 2015/16 when the County spent Kshs.1.45 billion. Figure3.123 shows a summary of operations and maintenance expenditure by major categories.

The expenditure on personnel emoluments of Kshs.1.67 billion was 60.1 per cent of overall total expenditure in FY 2016/17 and 74.9 per cent of total recurrent expenditure of Kshs.2.23 billion.

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Figure3.123: Tharaka Nithi County, Operations and Maintenance Expenditure by Major Categories for FY 2016/17



Source: *Tharaka Nithi County Treasury*

The County spent Kshs.18.02 million on sitting allowances for the 24 MCAs and the Speaker against the annual budget allocation of Kshs.26.66 million. This was a decrease of 24.7 per cent compared to Kshs.23.92 million spent in FY 2015/16. The average monthly sitting allowance was Kshs.60,051 per MCA compared to SRC's recommended monthly ceiling of Kshs.124,800.

Expenditure on domestic and foreign travel amounted to Kshs.129.84 million and consisted of Kshs.62.18 million spent by the County Assembly and Kshs.67.65 million by the County Executive. This expenditure represented 5.8 per cent of total recurrent expenditure and was an increase of 14.4 per cent compared to Kshs.113.45 million spent in FY 2015/16.

3.41.7 Development Expenditure Analysis

The total development expenditure of Kshs.546.72 million represented 42.9 per cent of the annual development budget of Kshs.1.27 billion. Table 3.122 provides a summary of development projects with the highest expenditure in FY 2016/17.

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Table 3.122: Tharaka Nithi County, List of Development Projects with the Highest Expenditure in FY 2016/17

S/No.	Project name	Project location	Annual project budget (Kshs.)	Annual project expenditure (Kshs.)	Absorption rate (%)
1	Maintenance and improvement of feeder roads	Countywide	150,000,000	100,250,312	66.8
2	Rehabilitation, maintenance of roads and civil works	Countywide	90,000,000	79,211,675	88
3	Market construction	Countywide	40,000,000	18,395,272	46
4	Other infrastructure project	Countywide	20,000,000	18,174,042	90.9
5	Revenue automation	Countywide	30,000,000	17,737,580	59.1
6	Purchase of hospital equipment	Karingani	14,000,000	13,026,226	93
7	Construction of ECDE classes	Countywide	33,950,000	11,618,480	34.2
8	Milk cooler installation	Upper Zone	10,000,000	10,000,000	100
9	Kathwana Water project	Chuka/ Igambangombe	10,000,000	9,590,000	95.9
10	Marimanti paediatric ward	Marimanti	8,000,000	7,496,424	93.7

Source: *Tharaka Nithi County Treasury*

Analysis of the development expenditure by project indicates that, the highest expenditure of Kshs.100.25 million was spent on maintenance and improvement of the feeder roads across the County, followed by Kshs.79.21 million on rehabilitation, maintenance of roads and civil works, and Kshs.18.4 million on construction of markets.

3.41.8 Budget and Budget Performance Analysis by Department

Table 3.123 shows a summary of budget estimates and budget performance by department in FY 2016/17

Table 3.123: Tharaka Nithi County, Budget Performance by Department in FY 2016/17

Departments	Annual Supplementary Budget Allocation (Kshs.Million)		Exchequer Issues in FY 2016/17 (Kshs.Million)		Expenditure in FY 2016/17 (Kshs.Million)		FY 2016/17 Expenditure to Exchequer Issues (%)		FY 2016/17 Absorption rate (%)	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
County Assembly	402.25	70	340.1	-	317.72	-	93.4	-	79	-
Office of the Governor	155.57	-	155.57	-	149.09	-	95.8	-	95.8	-
Finance and Economic Planning	333.32	147.08	333.27	50.5	195.82	67.39	58.8	133.4	58.7	45.8
Agriculture, Livestock and Fisheries Development	204.18	72.78	204.18	71	183.53	27.47	89.9	38.7	89.9	37.7
Tourism, Environment and Natural Resources	48.75	19.5	48.75	16	51.67	7.54	106	47.1	106	38.7

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Education, Youth, Gender, Cultural and Social Services	165.29	73.5	139.99	73.5	149.84	17.27	107	23.5	107	24.5
Health Services	992.16	104.3	992.16	102.3	927.73	46.3	93.5	45.3	93.5	44.4
Physical Planning, Land ,Energy and ICT	56.03	31	56.03	-	40.12	2.28	71.6	-	71.6	7.4
Road, Transport, Housing, Public Works and Legal Affairs	73.94	448	73.94	406.11	43.77	288.13	59.2	70.9	59.2	64.3
Public Services and Urban Development	168.54	71	148.54	70	124.61	11.95	83.9	17.1	73.9	16.8
Trade, Industry and Cooperative Development	45.44	8	45.44	53	24.96	21.9	54.9	41.3	54.9	24.9
Water Services and Irrigation	8.92	148	8.92	140.25	1.04	56.5	11.7	40.3	11.7	38.2
County Public Services Board	30.36	-	30.36	-	17.21	-	56.7	-	56.7	-
TOTAL	**2,686.75**	**1,273.16**	**2,577.24**	**982.66**	**2,227.13**	**546.72**	**86.4**	**55.6**	**82.9**	**42.9**

Source: *Tharaka Nithi County Treasury*

Analysis of budget performance by department shows that the Department of Road, Transport, Housing, Public Works and Legal Affairs attained the highest absorption of development budget at 64.3 per cent while the Department of Physical Planning, Land, Energy and ICT had the lowest at 7.4 per cent of development expenditure. On the other hand, the Department of Tourism, Environment and Natural Resources had the highest percentage of recurrent expenditure to recurrent budget at 106 per cent while the Department of Water Services and Irrigation had the lowest at 11.7 per cent.

3.41.9 Observations and Recommendations

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

i. Establishment of the County Budget and Economic Forum (CBEF) in line with Section 137 of the PFM Act, 2012.

ii. Improvement in the absorption of the budget by 6.1 per cent from Kshs.2.61 billion in FY 2015/16 to Kshs.2.77 billion in the reporting period.

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

1. Late submission of financial reports by the County Treasury to the Controller of Budget, which affected timely preparation of budget implementation reports.
2. High wage bill that increased by 15.2 per cent from Kshs.1.45 billion in FY 2015/16 to Kshs.1.67 billion in the period under review, and represented 60.1 per cent of total expenditure. Increase in wage bill may affect implementation of development projects.
3. Under-performance in local revenue collection. Local revenue collection has declined by 43.5 from Kshs.139.15 million in FY 2015/16 to Kshs.78.57 million in the reporting period, representing 39.3 per

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cent of the annual revenue target of Kshs.200 million.

4. Slow uptake of development funds which stood at 42.9 per cent of the annual development budget of Kshs.1.27 billion.
5. Delay by the National Treasury to disburse the equitable share of revenue raised nationally.

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

1. *The County Treasury should ensure timely preparation and submission of financial reports in line with Section 166 of PFM Act, 2012.*
2. *The County Public Service Board should establish an optimal staffing structure in order to ensure a sustainable wage bill.*
3. *The County Treasury should formulate and implement strategies to enhance local revenue collection.*
4. *The County should identify and address the underlying causes of low absorption of development funds in order to enhance service delivery to citizens.*
5. *The County Treasury should liaise with the National Treasury to ensure that funds allocated to the County are released in a timely manner in line with the CARA Disbursement Schedule.*

3.42 Trans Nzoia County

3.42.1 Overview of the FY 2016/17 Budget

The County's FY 2016/17 Supplementary Budget was Kshs.6.88 billion, comprising of Kshs.4.22 billion (61.4 per cent) and Kshs.2.65 billion (38.6 per cent) allocations for recurrent and development expenditure respectively. To finance the budget, the County expected to receive Kshs.5.5 billion (81.2 per cent) as equitable share of revenue raised nationally, Kshs.186.71 million (2.8 per cent) as total conditional grants, generate Kshs.500 million (7.4 per cent) from local revenue sources, and had a cash balance of Kshs.585 million (8.6 per cent) from FY 2015/16. The conditional grants comprised of Kshs.76.29 million (40.9 per cent) for Free Maternal Healthcare, Kshs.84.55 million (45.3 per cent) from the Road Maintenance Fuel Levy Fund, Kshs.20.21 million (10.8 per cent) for User Fees Foregone, and Kshs.5.67 million (3 per cent) as a grant from DANIDA. Further, the County budgeted to receive Kshs.92.64 million for Kenya Devolution Support Programme from World Bank which was not contained in CARA, 2016.

3.42.2 Revenue Analysis

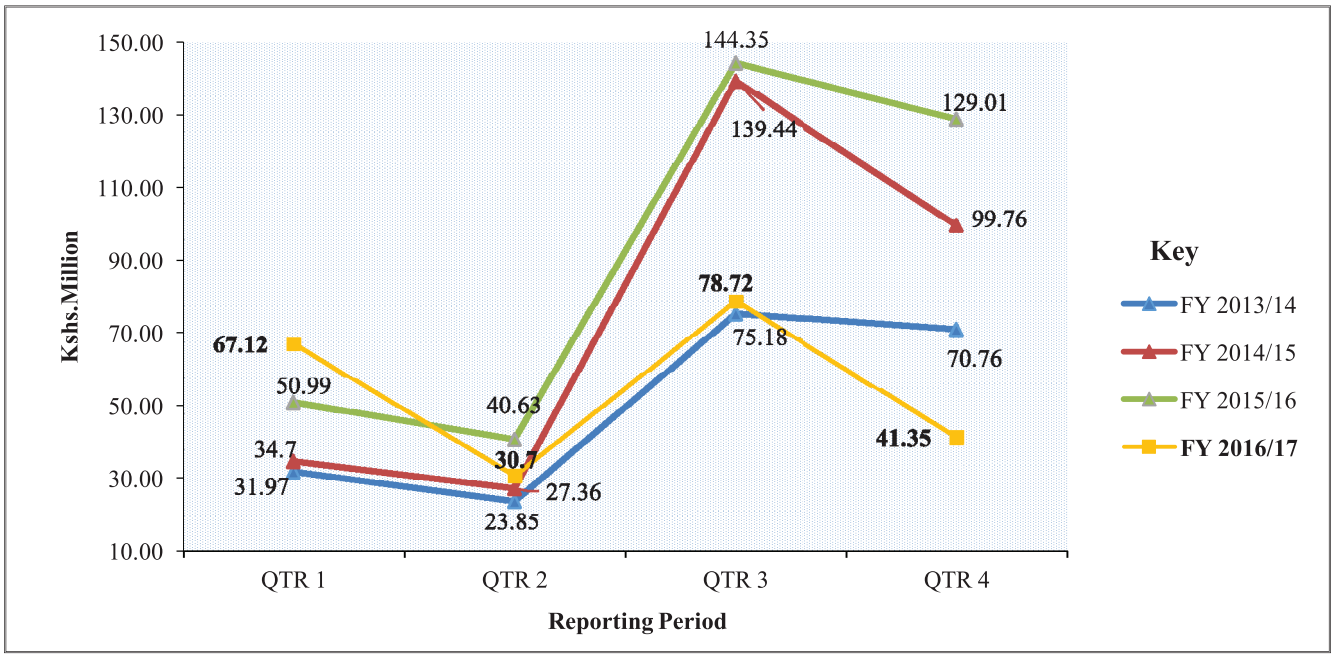
During the year, the County received Kshs.5.5 billion as equitable share of the revenue raised nationally, Kshs.257.73 million as total conditional allocations, raised Kshs.217.89 million from local revenue sources, and had a cash balance of Kshs.261.08 million brought forward from FY 2015/16.

Figure 3.4 shows the quarterly trend in local revenue collection from FY 2013/14 to FY 2016/17.

Figure 3.124 shows the quarterly trend in local revenue collection from the first quarter of FY 2013/14 to the fourth quarter FY 2016/17.

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Figure 3.124: Trans Nzoia County, Trend in Local Revenue Collection by Quarters in FY 2013/14 to FY 2016/17



Source: *Trans Nzoia County Treasury*

The total local revenue collected in FY 2016/17 amounted to Kshs.217.89 million, representing a decrease of 40.3 per cent compared to Kshs.364.98 million generated in FY 2015/16, and represented 43.6 per cent of the annual local revenue target of Kshs.500 million.

3.42.3 Conditional Grants

Table 3.124 shows an analysis of conditional grants released in FY 2016/17.

Table 3.124: Trans Nzoia County Analysis of Conditional Grants Released in FY 2016/17

S/No.	Conditional Grant	CARA, 2016 Annual Allocation in Kshs	Actual receipts in FY 2016/17 in Kshs.	Actual receipts as a percentage of Annual Allocation (%)
1	Road Maintenance Fuel Levy Fund	84,546,600	84,546,600	100
2	User Fees Foregone	20,209,153	99,847,152	494.1
3	Free Maternal Healthcare	76,292,795	67,667,500	88.7
4	DANIDA Grant	5,665,000	5,665,000	100.0
Total		**186,713,548**	**257,726,252**	**138.3**

Source: *Trans Nzoia County Treasury*

Analysis of the conditional grants released during the period under review indicates that, User Fees Foregone grant and the Road Maintenance Fuel Levy recorded the highest receipts at 494.1 per cent of annual allocation, as a result of receiving Kshs.79.64 million balance from FY 2015/16.

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3.42.4 Exchequer Issues

During the year, the Controller of Budget authorised withdrawal of Kshs.6.20 billion from the CRF account which was 90.3 per cent of the Approved Supplementary Budget. This amount represented an increase of 5.3 per cent from Kshs.5.89 billion authorized in FY 2015/16 and consisted of Kshs.4.22 billion (68.1 per cent) for recurrent expenditure and Kshs.1.98 billion (31.9 per cent) for development activities.

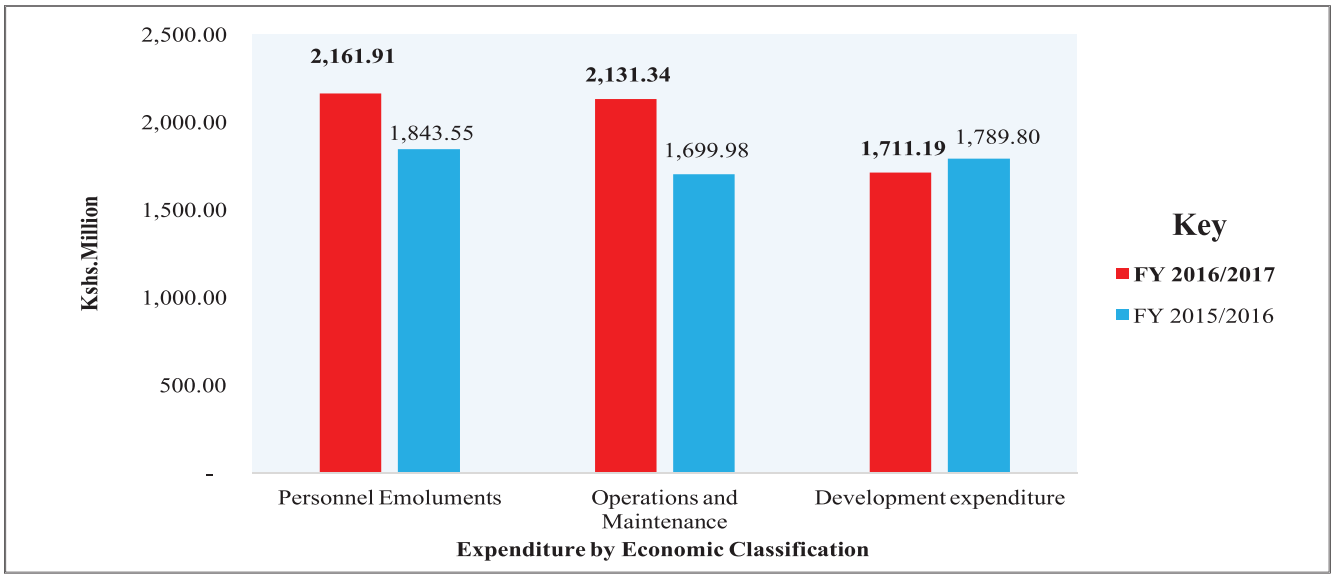
3.42.5 Overall Expenditure Review

The County spent Kshs.6 billion, which was 96.8 per cent of the total funds released for operations. This was an increase of 12.6 per cent from Kshs.5.33 billion spent in FY 2015/16.

A total of Kshs.4.29 billion was spent on recurrent activities, while Kshs.1.71 billion was spent on development activities. The recurrent expenditure was 101.6 per cent of the funds released for recurrent activities while development expenditure accounted for 86.4 per cent of the funds released for development activities. The expenditure excluded pending bills as at June 30, 2017 that amounted to Kshs.467.87 million for development and Kshs.234.26 million for recurrent expenditure.

The recurrent expenditure represented 101.6 per cent of the annual recurrent budget, a decrease from 109.1 per cent spent in FY 2015/16. Development expenditure recorded an absorption rate of 64.6 per cent, which was an increase from 61.5 per cent attained in FY 2015/16. Figure 3.125 presents a comparison between the total expenditure in FY 2016/17 and FY 2015/16.

Figure 3.125: Trans Nzoia County, Expenditure by Economic Classification in FY 2015/16 and FY 2016/17



Source: *Trans Nzoia County Treasury*

3.42.6 Analysis of Recurrent Expenditure

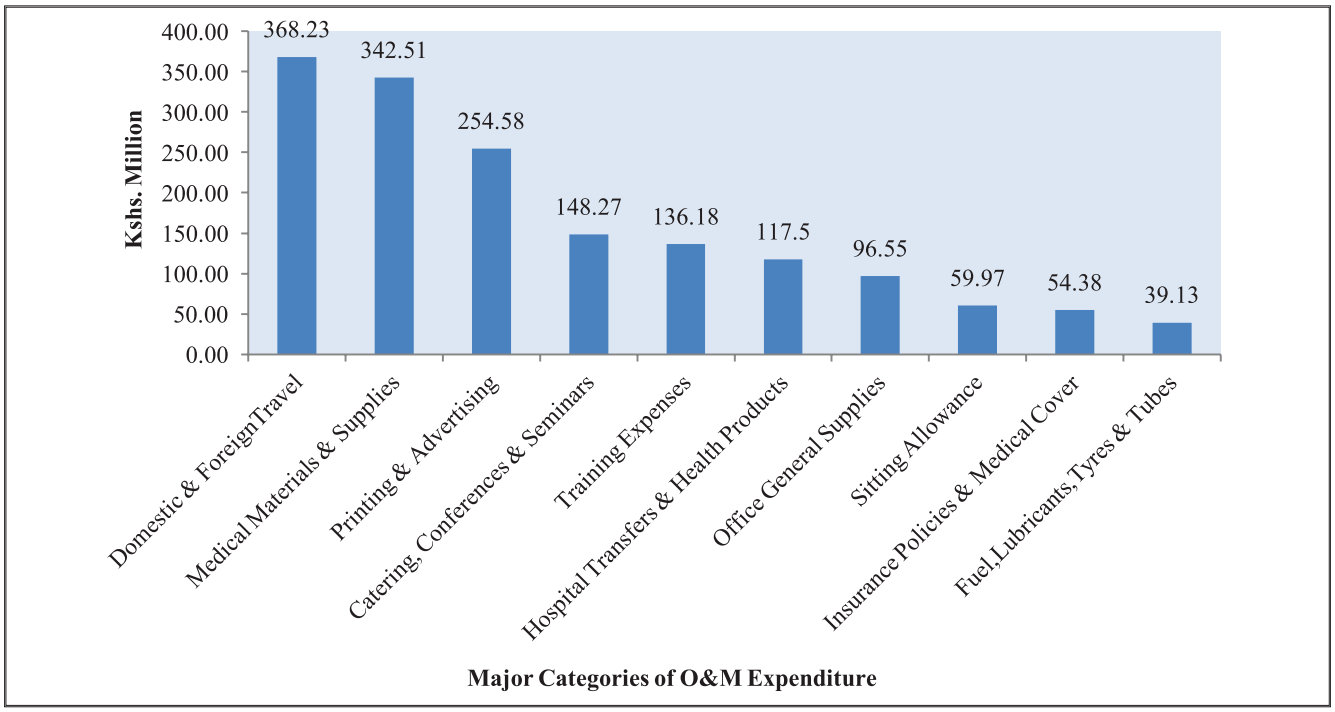
The total recurrent expenditure of Kshs.4.29 billion consisted of Kshs.2.16 billion (50.4 per cent) spent on personnel emoluments and Kshs.2.13 billion (49.6 per cent) on operations and maintenance as shown in Figure 3.125.

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Expenditure on personnel emoluments represented an increase of 17.4 per cent compared to FY 2015/16 when the County spent Kshs.1.84 billion. Figure 3.126 shows a summary of operations and maintenance expenditure by major categories.

The expenditure on personnel emoluments of Kshs.2.16 billion was 36 per cent of overall total expenditure in FY 2016/17 and 50.4 per cent of total recurrent expenditure of Kshs.4.29 billion.

Figure 3.126: Trans Nzoia County, Operations and Maintenance Expenditure by Major Categories for FY 2016/17



Source: *Trans Nzoia County Treasury*

The County spent Kshs.59.97 million on sitting allowances for the 39 MCAs and the Speaker against the annual budget allocation of Kshs.82.27 million. This was a decrease of 20.5 per cent compared to Kshs.75.45 million spent in FY 2015/16. The average monthly sitting allowance was Kshs.124,930 per MCA compared to SRC's recommended monthly ceiling of Kshs.124,800.

Expenditure on domestic and foreign travel amounted to Kshs.368.23 million and consisted of Kshs.70.98 million spent by the County Assembly and Kshs.297.24 million by the County Executive. This expenditure represented 8.6 per cent of total recurrent expenditure and was an increase of 50.7 per cent compared to Kshs.197.25 million spent in FY 2015/16.

3.42.7 Development Expenditure Analysis

The total development expenditure of Kshs.1.71 billion represented 64.6 per cent of the annual development budget of Kshs.2.65 billion. Table 3.125 provides a summary of development projects with the highest expenditure in FY 2016/17.

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Table 3.125: Trans Nzoia County, List of Development Projects with the Highest Expenditure in FY 2016/17

S/No.	Project name/details	Project location	Annual project budget (Kshs.)	Annual project expenditure (Kshs.)	Absorption rate (%)
1	5 Tipper Trucks	Countywide	500,000,000	42,435,000	97.8
	10 Motor Graders			194,200,000	
	2 Water Bowsers			16,675,000	
	5 Drum Rollers			47,200,000	
	2 Excavators			49,990,000	
	Wheel Loader			12,956,000	
	Ashok Service Vehicle			13,397,500	
	Drag Line Crane			54,242,250	
	A Bulldozer			29,000,000	
	A Backhoe			19,842,672	
	A Skip loader			8,918,535	
	Sub Total			***488,856,957***	
2	Construction of County Referral Hospital	Matisi	390,500,000	375,337,873	96.1
3	Installation of Revenue Management System	Countywide	80,000,000	37,510,000	46.9
4	Construction of grain store	Kwanza	6,000,000	1,841,121	30.7
5	Construction of modern bus park	Tuwan	170,000,000	50,702,448	29.8
6	Construction of fresh produce market	Kwanza	27,500,000	3,566,866	18.8
	Construction of fresh produce market	Endebess		1,602,357	
7	Road Maintanance	Njoro Chuma	149,328,639	3,608,158	16.1
		Ngonyek		2,755,417	
		Goseta		3,491,782	
		Naisambu		3,709,849	
		Sikhendu		3,404,311	
		Kapkoi Kanyarkwat		3,630,361	
	Sub Total			***20,599,878***	
8	Twin Workshop construction	Kiminini	115,500,000	1,860,682	3.8
	ECDE classroom construction	Saboti		1,221,605	
	Twin workshop construction	Kabomboi		1,352,088	
	Sub Total			***4,434,375***	

Source: *Trans Nzoia County Treasury*

Analysis of the development expenditure by project indicates that, the highest expenditure of Kshs.488.86 million was spent on acquisition of road machinery, followed by Kshs.375.34 million on construction of County Referral Hospital, and Kshs.37.51 million on installation of a local revenue management system.

3.42.8 Budget and Budget Performance Analysis by Department

Table 3.126 shows a summary of budget estimates and budget performance by department in FY 2016/17

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Table 3.126: Trans Nzoia County, Budget Performance by Department in FY 2016/17

Department	Annual Supplementary Budget Allocation (Kshs.Million)		Exchequer Issues in FY 2016/17 (Kshs.Million)		Expenditure in FY 2016/17 (Kshs.Million)		FY 2016/17 Expenditure to Exchequer Issues (%)		FY 2016/17 Absorption rate (%)	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
Agriculture, Livestock, Fisheries & Cooperative Development	311.03	120	311.03	49.13	286.13	129.82	92	264.2	92	108.2
Econ. Planning, Commerce & Industry	82.81	61.5	82.81	22.9	46.62	14.81	56.3	64.7	56.3	24.1
Environ, Water & Natural Resources	74.74	265.45	74.74	114.76	61.67	141.07	82.5	122.9	82.5	53.1
Public Works, Transport and Infrastructure	371.6	1,067.32	371.6	1,020.92	279.39	871.29	75.2	85.3	75.2	81.6
Health Services	1,516.3	622.9	1,516.3	479.82	1,581.42	420.53	104.3	87.6	104.3	67.5
Lands, Housing and Urban Development	92.06	74.42	92.06	11.91	28.52	16.25	31	136.6	31	21.8
Gender, Youth, Sports, Culture, Children & Tourism	123.7	102.7	123.7	80.99	64.35	34.01	52	42	52	33.1
Education , ICT & Vocational Training	373.12	140.3	373.12	94.98	368.79	17.89	98.8	18.8	98.8	12.7
Governance & Public Service Management	284.25	31.49	284.25	16.36	650.43	7.09	228.8	43.3	228.8	22.5
Finance	460.60	115.45	460	88.47	415.94	58.43	90.3	66	90.3	50.6
County Assembly	534.27	48.99	534.27	-	509.99	-	95.5	-	95.5	-
TOTAL	**4,224.48**	**2,650.52**	**4,224.48**	**1,980.24**	**4,293.25**	**1711.19**	**101.6**	**86.4**	**101.6**	**64.6**

Source: *Trans Nzoia County Treasury*

Analysis of budget performance by department shows that the Department of Agriculture, Livestock, Fisheries and Cooperative Development attained the highest absorption of development budget at 108.2 per cent while the County Assembly did not incur any development expenditure. On the other hand, the Department of Governance and Public Service Management had the highest percentage of recurrent expenditure to recurrent budget at 228.8 per cent while the Department of Lands, Housing and Urban Development had the lowest at 31per cent.

3.42.9 Observations and Recommendations

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

i. Improvement in absorption of development funds by 3.1 per cent from 61.5 per cent achieved in FY 2015/16 to 64.6 per cent in FY 2016/17.

ii. Improved staff capacity especially in the application of IFMIS, E-procurement module and the Internet Banking platform.

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

1. Under-performance in local revenue collection. Local revenue collection declined by 40.3 per cent from Kshs.364.98 million in FY 2015/16 to Kshs.217.89 million in FY 2016/17, and represented 43.6 per cent of the annual local revenue target.
2. Delay in submission of the quarterly financial reports by the County Government to the Controller of Budget.
3. Intermittent use of IFMIS, which is the prescribed financial system for recording and reporting on financial transactions per Section 12 of the PFM Act, 2012.
4. Failure to establish an Internal Audit Committee to oversee financial operations in the County contrary to Section 155 of the PFM Act, 2012.
5. Non- adherence to the SRC's recommended MCA monthly sitting allowance of Kshs.124,800. In the reporting period, the average monthly sitting allowance was Kshs.124,930 per MCA.
6. High expenditure on domestic and foreign travel that exceeded the approved budget allocation by 145.2 per cent and amounted to Kshs.368.23 million. The expenditure was an increase of 50.7 per cent compared to Kshs.197.25 million spent in FY 2015/16.

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

1. *The County Treasury should formulate and implement strategies to enhance local revenue collection.*
2. *The County Treasury should ensure timely preparation and submission of financial reports to the Controller of Budget in line with Section 166 of PFM Act, 2012.*
3. *The County Treasury should liaise with the National Treasury to ensure IFMIS is adopted by all county public entities in processing financial transactions.*
4. *The County should establish an Internal Audit Committee in line with Section 155 of the PFM Act, 2012.*
5. *The County Assembly should ensure compliance with SRC guidelines on the maximum allowable sitting allowance per MCA.*
6. *The county should ensure the travel expenditure is within the approved budget.*

3.43 Turkana County

3.43.1 Overview of the FY 2016/17 Budget

The County's FY 2016/17 Approved Supplementary Budget was Kshs.14.37 billion, comprising of Kshs.5.49 billion (38.2 per cent) and Kshs.8.88 billion (61.8 per cent) allocations for recurrent and development expenditure respectively.

To finance the budget, the County expected to receive Kshs.11.31 billion (79.5 per cent) as equitable share of revenue raised nationally, Kshs.305.11 million (2.1 per cent) as total conditional grants, generate Kshs.180 million (1.3 per cent) from local sources, and had a cash balance of Kshs.2.44 billion (17.1 per cent) from FY 2015/16. The conditional grants comprised of Kshs.31.96 million (10.5 per cent) for Free Maternal Healthcare, Kshs.173.73 million (56.9 per cent) from the Road Maintenance Fuel Levy Fund, Kshs.26.12 million (8.6 per cent) for User

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Fees Foregone, Kshs.6.04 million (2 per cent) grant from DANIDA, and Kshs.67.26 million (32 per cent) as World Bank Loan to health facilities.

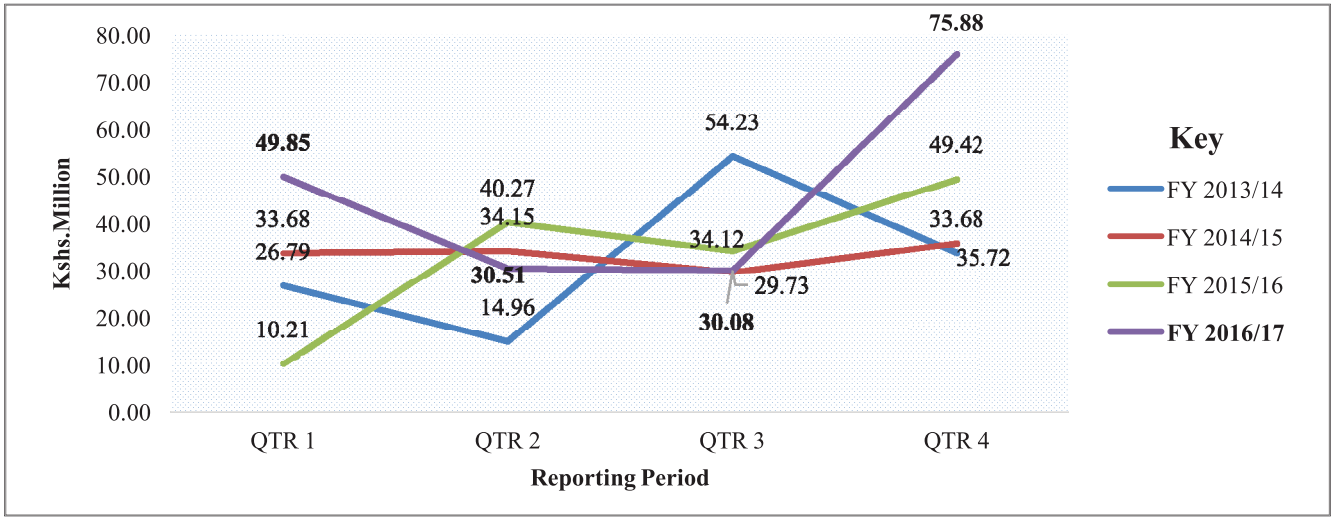
Further, the County budgeted to receive Kshs.8 million for World Food Programme Grant (supporting food distribution for secondary transporters), Kshs.50 million for World Bank - Transforming Health Care Systems, Kshs.43.44 million for Kenya Devolution Support Programme, and Kshs.32.56 million from Other Loans and Grants, which were not contained in CARA,2016.

3.43.2 Revenue Analysis

During the year, the County received Kshs.11.31 billion as equitable share of the revenue raised nationally, Kshs.245.85 million as total conditional allocations, raised Kshs.186.32 million from local revenue sources, and had a cash balance of Kshs.2.44 million brought forward from FY 2015/16.

Table 3.127 shows the quarterly trend in local revenue collection from the first quarter of FY 2013/14 to the fourth quarter FY 2016/17.

Figure 3.127: Turkana County, Trend in Local Revenue Collection by Quarter from FY 2013/14 to FY 2016/17



Source: *Turkana County Treasury*

The total local revenue collected in FY 2016/17 amounted to Kshs.186.32 million, representing an increase of 39 per cent compared to Kshs.134.02 million generated in FY 2015/16, and represented 103.5 per cent of the annual local revenue target of Kshs.180 million.

3.43.3 Conditional Grants

Table 3.127 shows an analysis of conditional grants released in FY 2016/17.

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Table 3.127: Turkana County Analysis of Conditional Grants Released in FY 2016/17

S/No.	Conditional Grant	Amount allocated as provided in CARA, 2016 (Kshs.)	FY 2016/17 Actual receipt of the Conditional Grant (Kshs.)	Actual receipts as a percentage of Annual Allocation (%)
1	Road Maintenance Fuel Levy Fund	173,732,145	173,732,145	100
2	Free Maternal Healthcare	31,964,040	31,964,040	100
3	World Bank Loan to health facilities	67,258,982	-	-
4	User Fees Foregone	26,122,720	26,122,720	100
5	World Food Programme Grant (GFD Secondary Transporters Payment)	-	8,000,000	-
6	DANIDA Grant to health	6,035,000	6,035,000	100
Sub total		**305,112,887**	**245,853,905**	**80.6**

Source: *Turkana Treasury*

Analysis of the conditional grants released during the period under review indicates that, County received all the conditional grants in full except for the World Bank loan to health facilities.

3.43.4 Exchequer Issues

During the year, the Controller of Budget authorised withdrawal of Kshs.12.8 billion from the CRF account, which was 89.1 per cent of the Approved Supplementary Budget. This amount represented an increase of 10.7 per cent from Kshs.11.56 billion authorized in FY 2015/16 and consisted of Kshs.5.16 billion (40.3 per cent) for recurrent expenditure and Kshs.7.63 billion (59.7 per cent) for development activities.

3.43.5 Overall Expenditure Review

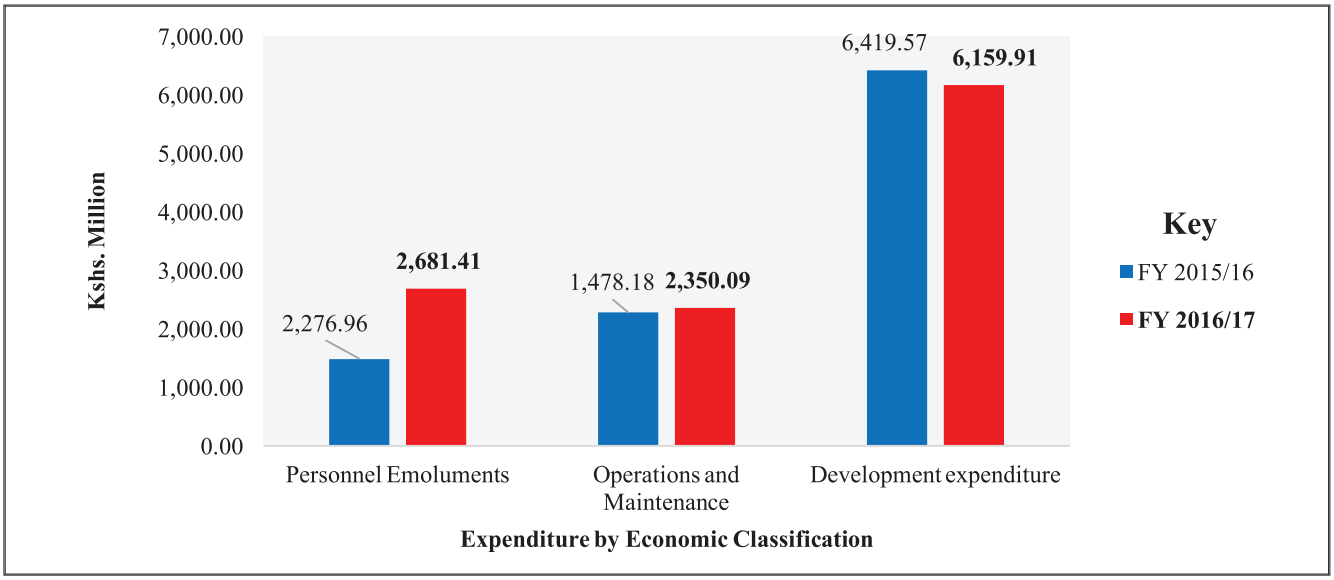
The County spent Kshs.11.19 billion, which was 87.5 per cent of the total funds released for operations. This was an increase of 10.1 per cent from Kshs.10.16 billion spent in FY 2015/16.

A total of Kshs.5.03 billion was spent on recurrent activities, while Kshs.6.16 billion was spent on development activities. The recurrent expenditure was 97.5 per cent of the funds released for recurrent activities while development expenditure accounted for 80.7 per cent of the funds released for development activities. The expenditure excluded pending bills as at June 30, 2017 that amounted to Kshs.2.9 billion for development expenditure.

The recurrent expenditure represented 91.7 per cent of the annual recurrent budget, a decrease from 97.8 per cent spent in FY 2015/16. Development expenditure recorded an absorption rate of 69.4 per cent, which was an increase from 66.3 per cent attained in FY 2015/16. Figure 3.128 presents a comparison between the total expenditure in FY 2016/17 and FY 2015/16.

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Figure 3.128: Turkana County, Expenditure by Economic Classification in FY 2015/16 and FY 2016/17



Source: *Turkana County Treasury*

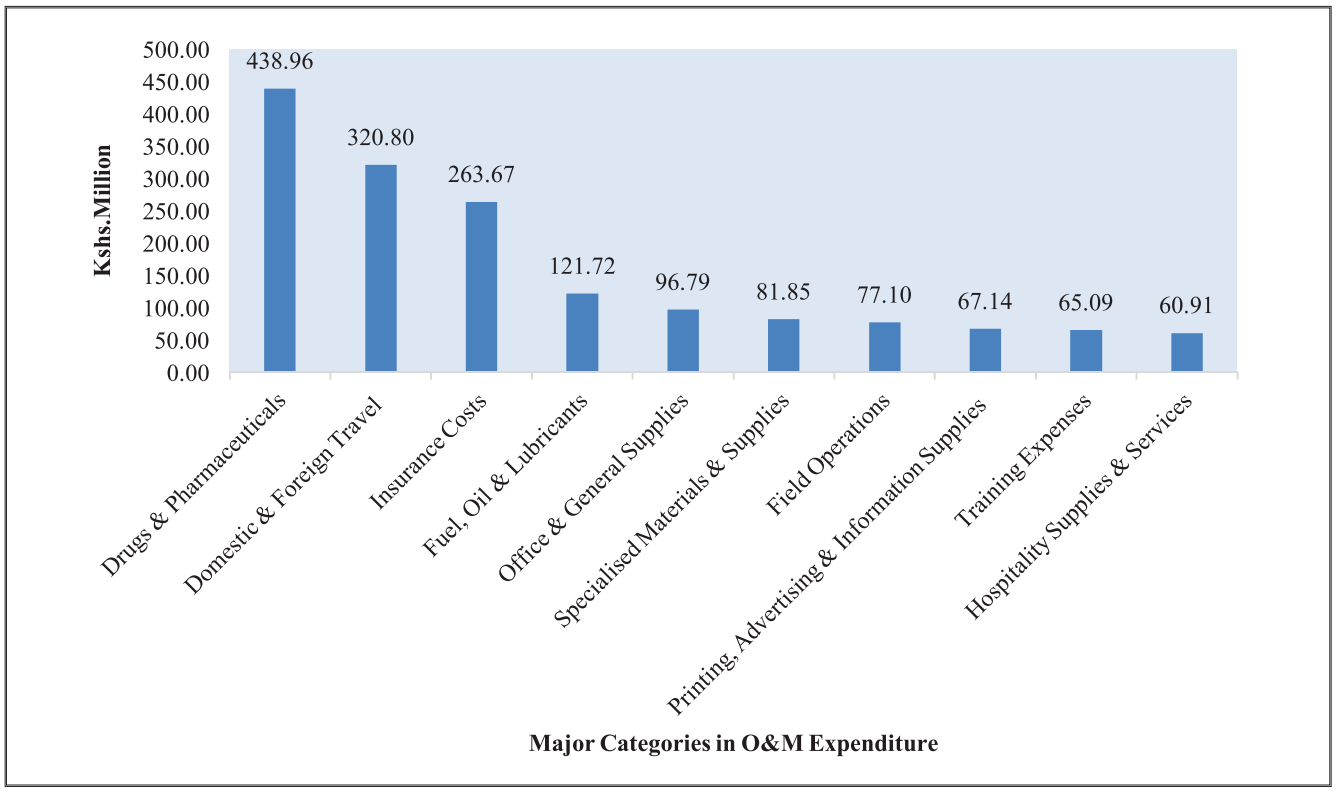
3.43.6 Analysis of Recurrent Expenditure

The total recurrent expenditure of Kshs.5.03 billion consisted of Kshs.2.68 billion (53.3 per cent) spent on personnel emoluments and Kshs.2.35 billion (46.7 per cent) on operations and maintenance as shown in Figure 3.128. Expenditure on personnel emoluments represented an increase of 81.4 per cent compared to FY 2015/16 when the County spent Kshs.1.49 billion.Figure 3.129 shows a summary of operations and maintenance expenditure by major categories.

The expenditure on personnel emoluments of Kshs.2.68 billion was 24 per cent of overall total expenditure in FY 2016/17 and 53.3 per cent of total recurrent expenditure of Kshs.5.03 billion.

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Figure 3.129: Turkana County, Operations and Maintenance Expenditure by Major Categories for FY 2016/17



Source: *Turkana County Treasury*

The County spent Kshs.35.77 million on sitting allowances for the 47 MCAs and the Speaker against the annual budget allocation of Kshs.88.61 million. This was an increase of 3.4 per cent compared to Kshs.34.6 million spent in FY 2015/16. The average monthly sitting allowance was Kshs.62,093 per MCA compared to SRC's recommended monthly ceiling of Kshs.124,800.

Expenditure on domestic and foreign travel amounted to Kshs.320.8 million and consisted of Kshs.87.1 million spent by the County Assembly and Kshs.233.7 million by the County Executive. This expenditure represented 6.4 per cent of total recurrent expenditure and was a decrease of 18.7 per cent compared to Kshs.394.79 million spent in FY 2015/16.

3.43.7 Development Expenditure Analysis

The total development expenditure of Kshs.6.16 billion represented 69.4 per cent of the annual development budget of Kshs.8.88 billion. Table.3.128 provides a summary of development projects with the highest expenditure in FY 2016/17.

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Table.3.128: Turkana County, List of Development Projects with the Highest Expenditure in FY 2016/17

S/No.	Name of project	Location	Department	Budgeted Amount in Kshs.	FY 2016/17 Actual Expenditure in Kshs.	Absorption Rate
1	Humanitarian Relief Assistance	Spread across the county	Public Service, Decentralized Administration & Disaster Management	1,055,924,872	782,414,623	74.1
2	Construction of new dispensaries, 1 per Ward	Spread across the county	Health and Sanitation	312,505,498	377,650,594	120.8
3	Construction and Protection of 13 Water Pans	All the 6 sub counties	Water, Irrigation and Agriculture	257,195,213	318,111,996	123.7
4	Construction of 4 irrigation Schemes	Nakwamu, Kaptir, Kanaodon	Water, Irrigation and Agriculture	171,949,901	305,178,300	177.5
5	Construction of 2 ecd per ward	2 per ward	Education, Culture, Sports, Gender and Social Services	392,055,482	190,830,926	48.7
6	Improvement of sub-county headquarters water supplies (Lokichar, Lokori, Lokitaung, Lorugum, Kalokol, Kakuma and Kibish)	Lokichar, Lokori, Lokitaung, Lorugum, Kalokol, Kakuma and Kibish	Water, Irrigation and Agriculture	140,000,000	190,197,103	135.9
7	Rural Roads at Wards	Spread across the county	Roads, Transport and Public Works	131,022,292	174,398,801	133.1
8	ECDE Development Programme	Spread across the county	Education, Culture, Sports, Gender and Social Services	178,228,658	165,972,342	93.1
9	Construction of County Headquarters	Lodwar town	Finance and Economic Planning	150,000,000	126,787,480	84.5
10	Conflict Prevention, Mitigation and Resettlement	Spread across the county	Office of the Governor	86,000,000	100,770,598	117.2

Source: *Turkana County Treasury*

Analysis of the development expenditure by project indicates that, the highest expenditure of Kshs.782.41 million was incurred by the Department of Public Service, Decentralized Administration & Disaster Management Department on humanitarian relief assistance followed by Kshs.377.65 million spent on construction of one new dispensary in each of the 30 wards by the Department of Health and Sanitation.

3.43.8 Budget and Budget Performance Analysis by Department

Table 3.129 shows a summary of budget estimates and budget performance by department in FY 2016/17

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Table 3.129: Turkana County, Budget Performance by Department in FY 2016/17

Department	Annual Supplementary Budget Allocation (Kshs.Million)		Exchequer Issues in FY 2016/17 (Kshs.Million)		Expenditure in FY 2016/17 (Kshs.Million)		FY 2016/17 Expenditure to Exchequer Issues (%)		FY 2016/17 Absorption rate (%)	
	Rec	Dev	Rec	Dev	Rec	Rec	Rec	Dev	Rec	Dev
Governance (Office of the Governor and Liaison)	338.84	292.03	338.84	255	152.77	433.19	45.1	169.9	45.1	148.3
Office of the Deputy Governor	29.52	-	29.52	-	10.07	-	34.1	-	34.1	-
Finance and Planning	410.69	678.77	364.92	495.19	390.86	745.76	107.1	150.6	95.2	109.9
Water services, Irrigation & Agriculture	64.03	1,472.99	65.33	1,511.50	33.82	1,009.85	51.8	66.8	52.8	68.6
Health & Sanitation Services	723.96	1,294.39	735.28	1,253.75	781.12	1,188.7	106.2	94.8	107.9	91.8
Tourism, Trade & Industrialization	201.60	336.77	170.56	243.06	51.55	228.85	30.2	94.2	25.6	68
Education and Social Services	54.89	1,355.93	56.38	860.44	19.49	518.29	34.6	60.2	35.5	38.2
Public Services, Decentralized Admin. & Disaster Management	2,329.32	1,228.80	2,149.32	1,048.36	2,537.44	698.71	118.1	66.6	108.9	56.9
Transport, Roads & Public Works	59.24	875.73	59.24	852.05	68.62	520.80	115.8	61.1	115.8	59.5
Pastoral Economy & Fisheries	169.10	363.40	225.96	285.45	46.64	286.90	20.6	100.5	27.6	78.9
Energy, Environment & Natural Resources	48.88	269.72	48.88	263.7	45.83	162.56	93.8	61.6	93.8	60.3
Lands, Physical Planning, Housing & Urban Areas Mgt.	85.42	355.32	85.53	281.78	52.63	258.47	61.5	91.7	61.6	72.7
County Public Service Board	69.46	48.01	69.46	30	76.34	66.21	109.9	220.7	109.9	137.9
County Assembly	902.90	306.26	763.43	253	764.33	41.63	100.1	16.5	84.7	13.6
TOTAL	**5,487.83**	**8,878.12**	**5,162.65**	**7,633.29**	**5,031.50**	**6,159.91**	**97.5**	**80.7**	**91.7**	**69.4**

Source: *Turkana County Treasury*

Analysis of budget performance by department shows that the Office of the Governor and Liaison attained the highest absorption of development budget at 148.3 per cent while the County Assembly had the lowest at 13.6 per cent. On the other hand, the Department of Transport, Roads and Public Works had the highest percentage of recurrent expenditure to recurrent budget at 115.8 per cent while the Department of Tourism, Trade & Industrialization had the lowest at 25.6 per cent.

3.43.9 Observations and Recommendations

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

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implementation. Some of the progress made included:

i. Improvement in absorption of development funds. In the reporting period, the County attained an absorption rate of 69.6 per cent compared to 66.3 per cent in FY 2015/16.

ii. Improvement in local revenue collection by 39 per cent from Kshs.134.02 million attained in FY 2015/16 to Kshs.186.32 million in FY 2016/17.

iii. Establishment of the County Budget and Economic Forum (CBEF) in line with Section 137 of the PFM Act, 2012.

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

1. Late submission of financial reports by the County Treasury to the Controller of Budget, which affected timely preparation of Budget Implementation Review Reports.
2. Delay by Fund Administrators to submit expenditure reports on the Bursary Fund, Emergency Fund, Car & Mortgage Fund and Youth and Women Development Programme (Grants) contrary to Section 168 of the PFM Act, 2012.
3. Failure to establish an Internal Audit Committee to oversee financial operations in the County contrary to Section 155 of the PFM Act, 2012.
4. Intermittent use of IFMIS, which is the prescribed financial system for recording and reporting on all financial transactions per Section 12 of the PFM Act, 2012.
5. Expenditure by some departments exceeded the appropriated amounts such as the Office of the Governor and Liaison (148.3 per cent absorption of development budget), County Public Service Board (137.9 per cent absorption of development budget), Finance and Planning (109.9 per cent absorption of development budget), Health & Sanitation Services (107.9 per cent absorption of recurrent budget), Public Services, Decentralized Administration & Disaster Management (108.9 per cent absorption of recurrent budget, and the Transport, Roads & Public Works Department (115.8 per cent absorption of recurrent budget).
6. Delay by the National Treasury to disburse the equitable share of revenue raised nationally.

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

1. *The County Treasury should ensure timely preparation and submission of financial reports in line with Section 166 of PFM Act, 2012.*
2. *The Fund Administrator for Bursary Fund, Emergency Fund, Car Loan and Mortgage Fund and Youth and Women Development should ensure timely submission of expenditure reports in line with Section 168 of the PFM Act, 2012.*
3. *The County should establish an Internal Audit Committee in line with Section 155 of the PFM Act, 2012.*
4. *The County Treasury should liaise with the National Treasury to ensure IFMIS is used by all County entities in processing financial transactions.*
5. *The County Treasury should improve Vote book and budgetary control to ensure that expenditure is within the Approved Budgeary allocations.*
6. *The County Treasury should liaise with the National Treasury to ensure that funds allocated to the County are released in a timely manner in line with the CARA Disbursement Schedule.*

3.44 Uasin Gishu County

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3.44.1 Overview of the FY 2016/17 Budget

The County's FY 2016/17 Approved Supplementary Budget was Kshs.7.72 billion, comprising of Kshs.5.04 billion (65.3 per cent) and Kshs.2.68 billion (34.7 per cent) allocation for recurrent and development expenditure respectively.

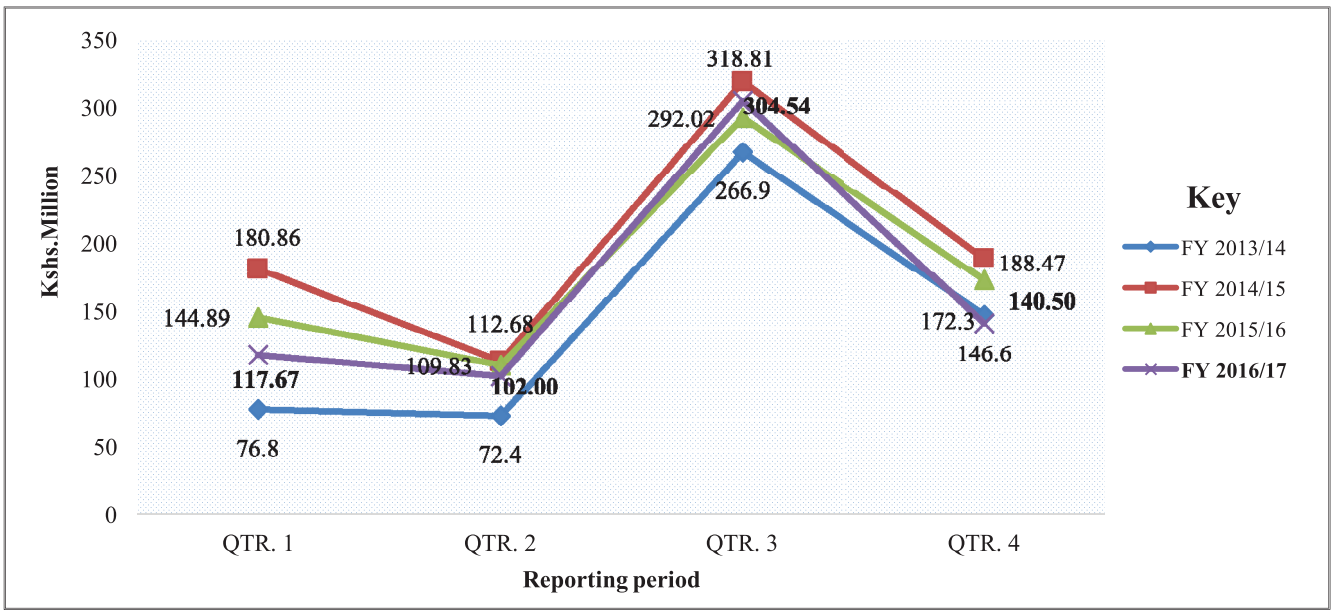
To finance the budget, the County expected to receive Kshs.5.6 billion (72.9 per cent) as equitable share of revenue raised nationally, Kshs.212.32 million (2.8 per cent) as total conditional grants, generate Kshs.1.19 billion (15.5 per cent) from local revenue sources, and had a Kshs.672.85 million (8.8 per cent) cash balance from FY 2015/16. The conditional grants comprised of Kshs.40.77 million (19.2 per cent) for Free Maternal Healthcare, Kshs.86.06 million (40.5 per cent) from the Road Maintenance Fuel Levy Fund, Kshs.22.18 million (10.4 per cent) for User Fees Foregone, Kshs.8.66 million (4.1 per cent) from DANIDA, and Kshs.54.65 million (25.7 per cent) as Other Loans and Grants.

3.44.2 Revenue Analysis

During the year, the County received Kshs.5.61 billion as equitable share of the revenue raised nationally, Kshs.153.79 million as total conditional allocations, raised Kshs.663.83 million from local revenue sources, and had a cash balance of Kshs.672.85 million brought forward from FY 2015/16.

Figure.3.130 shows the quarterly trend in local revenue collection from the first quarter of FY 2013/14 to the fourth quarter FY 2016/17.

Figure.3.130: Uasin Gishu County, Trend in Local Revenue Collection by Quarter from FY 2013/14 to FY 2016/17



Source: *Uasin Gishu County Treasury*

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The total local revenue collected in FY 2016/17 amounted to Kshs.663.83 million, representing a decrease of 7.7 per cent compared to Kshs.719.04 million generated in FY 2015/16, and represented 55.7 per cent of the annual local revenue target of Kshs.1.19 billion.

3.44.3 Conditional Grants

Table.3.130 shows an analysis of conditional grants released in FY 2016/17.

Table.3.130: Uasin Gishu County Analysis of Conditional Grants Released in FY 2016/17

S/No	Conditional Grant	CARA, 2016 Annual Allocation in Kshs)	Actual receipts in FY 2016/17 in Kshs.	Actual Receipts as Percentage of Annual Allocation (%)
1	Road Maintenance Fuel Levy Fund	86,059,722	86,059,722	100
2	Free Maternal Healthcare	40,766,831	36,885,500	90.5
3	World Bank loan to Health Facilities	25,591,703	-	-
4	Foregone User Fees	22,181,068	22,181,068	100
5	DANIDA grant	8,660,000	8,660,000	100
TOTAL		**212,318,324**	**153,786,290**	**72.4**

Source: *Uasin Gishu Treasury*

Analysis of the conditional grants released during the period under review indicates that, both the Road Maintenance Fuel Levy Fund, User Fees Foregone, and DANIDA grants recorded the highest receipts at 100 per cent of the annual allocation.

3.44.4 Exchequer Issues

During the year, the Controller of Budget authorised withdrawal of Kshs.6.46 billion from the CRF account, which was 83.6 per cent of the Approved Supplementary Budget. This amount represented a decrease of 1.1 per cent from Kshs.6.53 billion authorized in FY 2015/16 and consisted of Kshs.4.59 billion (71.2 per cent) for recurrent expenditure and Kshs.1.86 billion (28.8 per cent) for development activities.

3.44.5 Overall Expenditure Review

The County spent Kshs.5.59 billion, which was 86.7 per cent of the total funds released for operations. This was a decrease of 10 per cent from Kshs.6.21 billion spent in FY 2015/16.

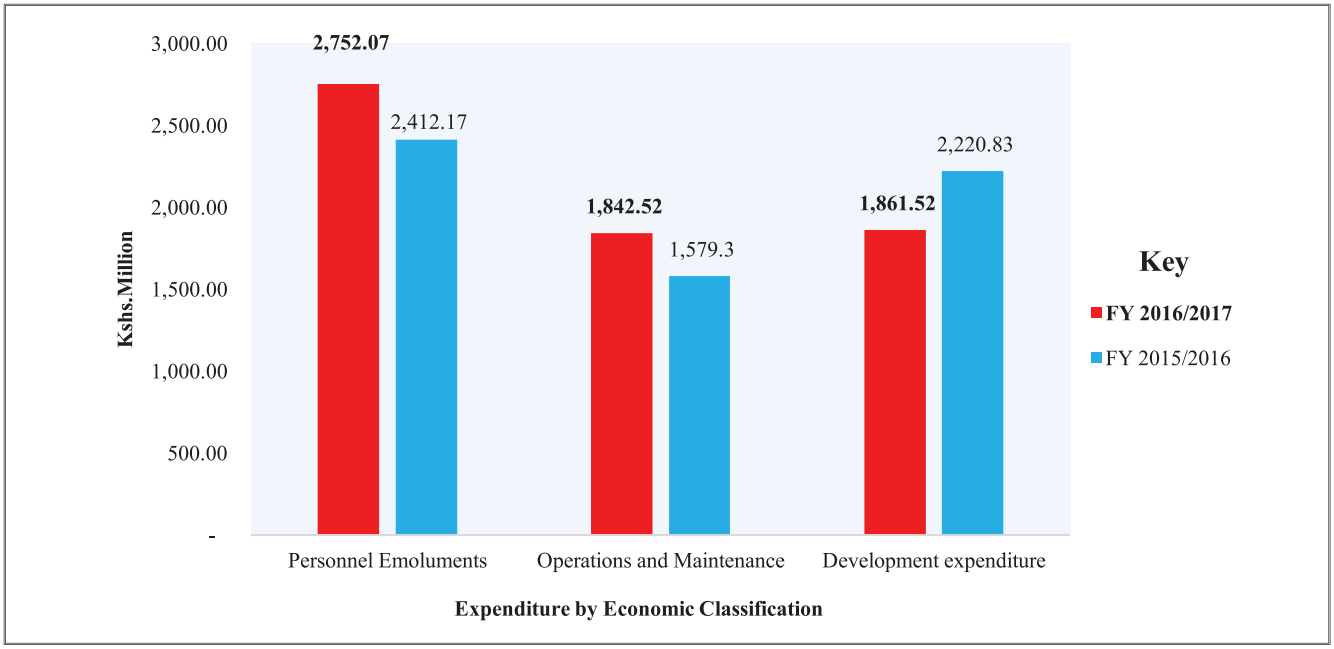
A total of Kshs.4.13 billion was spent on recurrent activities, while Kshs.1.46 billion was spent on development activities. The recurrent expenditure was 90 per cent of the funds released for recurrent activities while development expenditure accounted for 78.4 per cent of the funds released for development activities. The expenditure excluded pending bills as at June 30, 2017 that amounted to Kshs.127.17 million for development and Kshs.145.5 million for recurrent expenditure.

The recurrent expenditure represented 82 per cent of the annual recurrent budget, a decrease from 87.0 per

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cent spent in FY 2015/16. Development expenditure recorded an absorption rate of 54.6 per cent, which was a significant decrease from 75.2 per cent attained in FY 2015/16. Figure.3.131 presents a comparison between the total expenditure in FY 2016/17 and FY 2015/16.

Figure.3.131: Uasin Gishu County, Expenditure by Economic Classification in FY 2015/16 and FY 2016/17



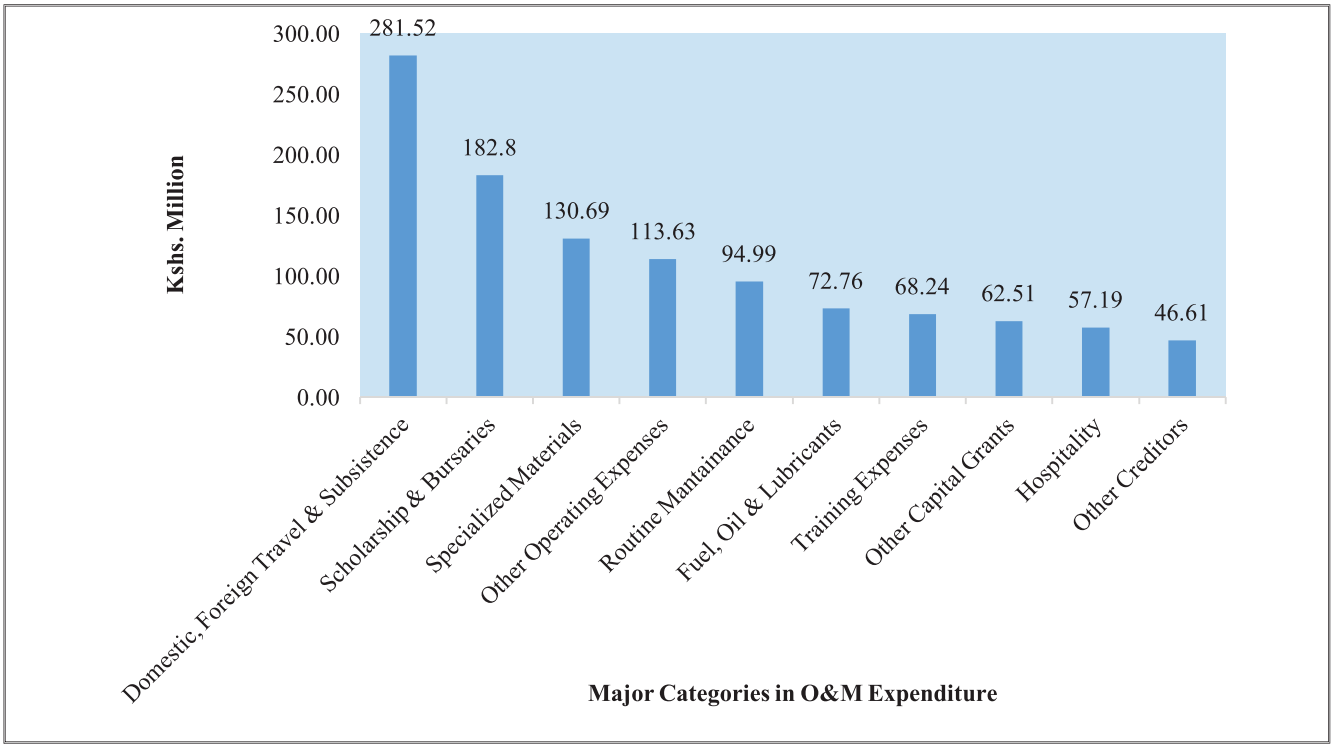
Source: *Uasin Gishu County Treasury*

3.44.6 Analysis of Recurrent Expenditure

The total recurrent expenditure of Kshs.4.13 billion consisted of Kshs.2.75 billion (66.6 per cent) spent on personnel emoluments and Kshs.1.38 billion (33.4 per cent) on operations and maintenance as shown in Figure.3.131. Expenditure on personnel emoluments represented an increase of 14.1 per cent compared to FY 2015/16 when the County spent Kshs.2.41 billion and was 49.2 per cent of overall total expenditure in FY 2016/17 and 66.6 per cent of total recurrent expenditure of Kshs.4.13 billion. Figure.3.132 shows a summary of operations and maintenance expenditure by major categories.

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Figure.3.132: Uasin Gishu County, Operations and Maintenance Expenditure by Major Categories for FY 2016/17



Source: *Uasin Gishu County Treasury*

The County spent Kshs.43.64 million on sitting allowances for the 45 MCAs and the Speaker against the annual budget allocation of Kshs.61.56 million. This was an increase of 5.6 per cent compared to Kshs.41.32 million spent in FY 2015/16. The average monthly sitting allowance was Kshs.80,809 per MCA compared to SRC's recommended monthly ceiling of Kshs.124,800.

Expenditure on domestic and foreign travel amounted to Kshs.281.52 million and consisted of Kshs.74.01 million spent by the County Assembly and Kshs.207.51 million by the County Executive. This expenditure represented 6.8 per cent of total recurrent expenditure and was an increase of 61.9 per cent compared to Kshs.173.84 million spent in FY 2015/16.

3.44.7 Development Expenditure Analysis

The total development expenditure of Kshs.1.46 billion represented 54.6 per cent of the annual development budget of Kshs.2.68 billion.Table.3.131 provides a summary of development projects with the highest expenditure in FY 2016/17.

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Table.3.131: Uasin Gishu County, List of Development Projects with the Highest Expenditure in FY 2016/17

S/No.	Project name	Project location	Annual project budget (Kshs.)	Annual project expenditure (Kshs.)	Absorption rate (%)
1	Construction of Cooling plants	County wide	225,600,184	151,104,494	67
2	Chagaiya High Altitude Training Camp (Fencing)	Kaptagat	172,310,405	14,646,789	8.5
3	Fertilizer Subsidy	County wide	144,000,000	31,356,690	21.8
4	Preparation of Spatial Planning	County wide	97,839,915	19,568,136	20
5	Construction of Kimbilio Bridge	Nginyel	40,940,750	40,528,714	99
6	Construction of Panvilla-Rivatex Road Phase II	Kipkenyo	33,326,039	28,428,847	85.3
7	Fabrication of Modern Kiosks	Huruma	28,500,000	-	-
8	Construction of Besiobor Kosachei Bridge	Tapsagoi	26,330,176	12,336,879	46.9
9	Vaccine and Sera – Disease control	County Wide	27,139,400	26,042,525	96
10	Land banking and administration	County wide	20,490,000	20,490,000	100

Source: *Uasin Gishu County Treasury*

Analysis of the development expenditure by project indicates that, the highest expenditure of Kshs.151.10 million was spent on construction of cooling plants in various wards. Kshs.40.53 million was spent on construction of Kimbilio bridge in Nginyel ward, Turbo sub-county while Kshs.31.36 million was spent on fertilizer subsidy in various wards. Although fabrication of modern kiosks had an allocation of Kshs.28.5 million, there was no expenditure incurred during the reporting period.

3.44.8 Budget and Budget Performance Analysis by Department

Table.3.132 shows a summary of budget estimates and budget performance by department in FY 2016/17

Table.3.132: Uasin Gishu County, Budget Performance by Department in FY 2016/17

Department	Annual Supplementary Budget Allocation (Kshs.Million)		Exchequer Issues in FY 2016/17 (Kshs.Million)		Expenditure in FY 2016/17 (Kshs.Million)		FY 2016/17 Expenditure to Exchequer Issues (%)		FY 2016/17 Absorption rate (%)	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
Office of the Governor	187.65	-	143.68	-	147.84	-	102.6	-	78.6	-
Public Service Management	463.07	3.71	415.58	-	348.56	-	83.9	-	75.3	-
Finance	305.66	8.85	262.66	-	241.41	-	91.9	-	79	-
Budget and Economic Planning	74.63	-	59.83	-	36.29	-	60.7	-	48.6	-
Education, Social, and Culture Services	456.18	80.41	417.01	43.6	400.32	16.16	96	37.1	87.8	20.1

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Youth and Sports	103.19	43	90.29	16.1	89.92		99.6	-	87.1	-
Health Services	1,638.88	19.3	1,580.41	104.91	1,445.63	103.33	91.5	98.4	82.1	54.4
ICT and E-Government	45.79	64.27	36.99	-	25.36		68.6	-	55.4	-
Lands, Housing and Physical Planning	115.12	151.84	91.71	91.66	77.42	93.09	84.4	101.6	67.3	61.3
Roads and Public Works	501.16	874.07	449.29	790.74	383.13	555.11	85.3	70.2	76.4	63.5
Trade, Industrialization and Tourism	101.67	193.59	78.15	150.2	72.28	68.01	92.5	45.3	71.1	35.1
Agriculture, Livestock & Fisheries	247.38	545.36	235.49	244.4	218	254.56	92.6	104.2	88.1	46.7
Water, Environment and Natural resources	156.12	454.91	142.62	357.79	116.95	348.62	82	97.4	74.9	76.6
County Public Service Board	63.59	-	54.16	-	36.35	-	67.1	-	57.2	-
Public Administration and Coordination	82.74	50.2	54.6	50.11	3.4	10.30	55.0	20.6	36.3	20.5
County Assembly	50.9	15.91	482.13	12	464.73	11.16	96.4	-	92.9	-
TOTAL	**5,042.92**	**2,676.15**	**4,594.59**	**1,861.52**	**4,134.22**	**1,460.35**	**9 -**	**78.4**	**82**	**54.6**

Source: *Uasin Gishu County Treasury*

Analysis of budget performance by department shows that the Department of Water, Environment and Natural Resources attained the highest absorption of development budget at 76.6 per cent while the Department of Finance, Public Service Management, Youth and Sports development did not incur any development expenditure. On the other hand, the County Assembly had the highest percentage of recurrent expenditure to recurrent budget at 92.9 per cent while the Department of Public Administration and Coordination had the lowest at 36.3 per cent.

3.44.9 Observations and Recommendations

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

i. Improved capacity of technical staff through training and recruitment of qualified staff.

ii. The County Government entities submitted quarterly reports on time and in line with Section 166 of the PFM Act, 2012.

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

1. Delay by the National Treasury to disburse the equitable share of revenue raised nationally.
2. Under-performance in local revenue collection. Despite automation of local revenue collection, local revenue declined by 7.7 per cent from Kshs.719.04 million in FY 2015/16 to Kshs.663.83 million in FY 2016/17 representing 55.7 per cent of annual target of Kshs.1.19 billion.
3. Intermittent use of IFMIS by the County Assembly, which is the prescribed financial system as per Section 12 of the PFM Act, 2012.
4. Expenditure on personnel emoluments represented an increase of 14.1 per cent compared to FY 2015/16

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when the County spent Kshs.2.41 billion, and represnted 49.2 per cent of overall total expenditure in FY 2016/17. Increase in wage bill may affect implementation of development projects.

5. Slow implementation of development activities. In FY 2016/17, the County's expenditure on development projects of Kshs.1.46 billion represented 54.6 per cent of the annual development budget of Kshs.3.73 billion.

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

1. *The County Treasury should liaise with the National Treasury to ensure that funds allocated to the County are released in a timely manner in line with the CARA Disbursement Schedule.*
2. *The County Treasury should formulate and implement strategies to enhance local revenue collection.*
3. *Accounting Officers in the County should ensure all payments are made online through the prescribed accounting system.*
4. *The County Public Service Board should establish an optimal staffing structure in order to ensure a sustainable wage bill.*
5. *The County should identify and address issues that cause delays in implementation of development projects.*

3.45 Vihiga County

3.45.1 Overview of the FY 2016/17 Budget

The County's FY 2016/17 Approved Supplementary Budget was Kshs.5.04 billion, comprising of Kshs.3.53 billion (70 per cent) and Kshs.1.51 billion (30 per cent) allocation for recurrent and development expenditure respectively.

To finance the budget, the County expected to receive Kshs.4.18 billion (82.8 per cent) as equitable share of revenue raised nationally, Kshs.150.74 million (5.5 per cent) as total conditional grants, generate Kshs.220 million (4.4 per cent) from local revenue sources, and Kshs.367.41 million (7.3 per cent) cash balance from FY 2015/16. The conditional grants comprised of Kshs.66.47 million (24.1 per cent) for Free Maternal Healthcare, Kshs.64.18 million (23.3 per cent) from the Road Maintenance Fuel Levy Fund, Kshs.13 million (4.7 per cent) for User Fees Foregone, Kshs.7.09 million (2.6 per cent) from DANIDA and Kshs.125.19 million (45.4 per cent) as Other Loans and Grants not contained in CARA, 2016.

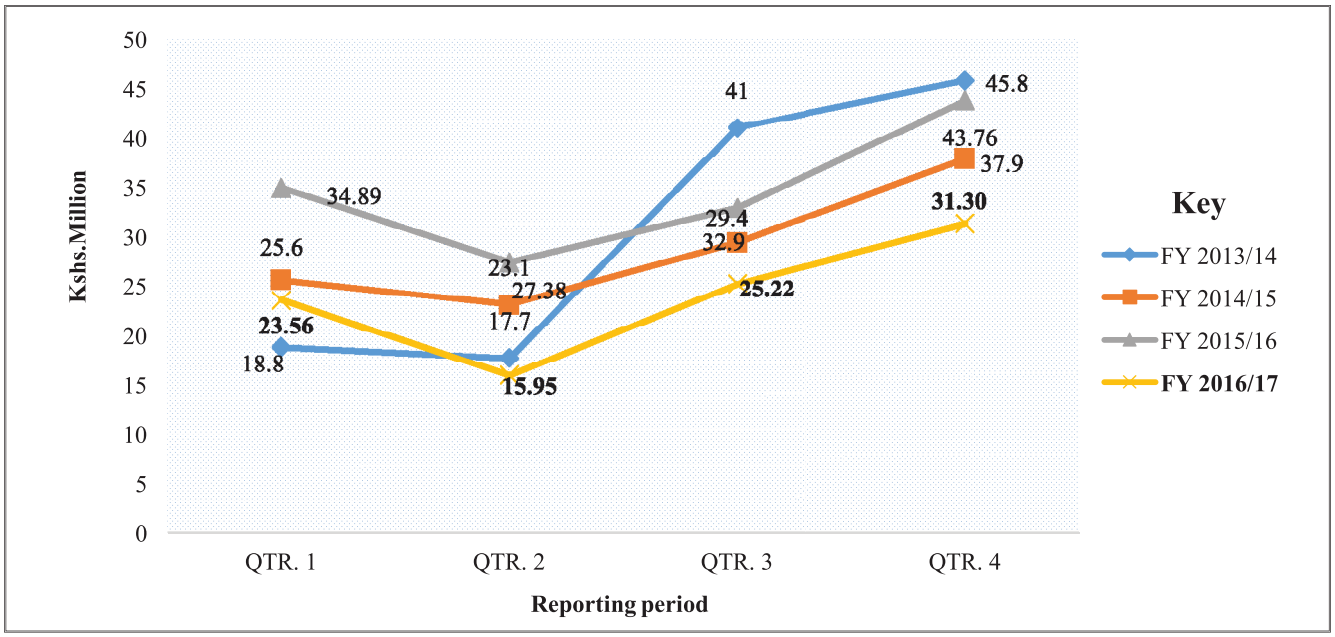
3.45.2 Revenue Analysis

During the year, the County received Kshs.4.18 billion as equitable share of the revenue raised nationally, Kshs.211.4 million as total conditional allocations, raised Kshs.96.03 million from local revenue sources, and had a cash balance of Kshs.367.41 million brought forward from FY 2015/16.

Figure.3.133 shows the quarterly trend in local revenue collection from the first quarter of FY 2013/14 to the fourth quarter FY 2016/17.

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Figure.3.133: Vihiga County, Trend in Local Revenue Collection by Quarter from FY 2013/14 to FY 2016/17



Source: *Vihiga County Treasury*

The total local revenue collected in FY 2016/17 amounted to Kshs.96.03 million, representing a decrease of 30.9 per cent compared to Kshs.138.9 million generated in FY 2015/16, and represented 43.7 per cent of the annual local revenue target of Kshs.220 million.

3.45.3 Conditional Grants

Table.3.133 shows an analysis of conditional grants released in FY 2016/17.

Table.3.133: Vihiga County Analysis of Conditional Grants Released in FY 2016/17.

S/No	Conditional Grant	CARA,2016 Annual Allocation in Kshs)	Actual receipts in FY 2016/17 in Kshs.	Actual Receipts as Percentage of Annual Allocation (%)
1	Road Maintenance Fuel Levy Fund	64, 184, 231	64, 184, 231	100
2	Free Maternal Healthcare	66, 469, 814	66, 469, 814	100
3	Foregone User Fees	13, 002, 761	13, 002, 761	100
4	DANIDA grant	7, 085, 000	7, 085, 000	100
TOTAL		**150,741,806**	**150,741,806**	**100**

Source: *Vihiga county Treasury*

Analysis of the conditional grants released during the period under review indicates that, Road Maintenance Fuel Levy Fund, DANIDA, Free Maternal Healthcare and User Fees Foregone grants recorded the highest receipts at 100 per cent of the annual allocation.

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3.45.4 Exchequer Issues

During the year, the Controller of Budget authorised withdrawal of Kshs.4.31 billion from the CRF account which was 85.5 per cent of the Approved Supplementary Budget. This amount represented an increase of 11.9 per cent from Kshs.3.85 billion authorized in FY 2015/16 and consisted of Kshs.3.29 billion (76.3 per cent) for recurrent expenditure and Kshs.1.02 billion (23.7 per cent) for development activities.

3.45.5 Overall Expenditure Review

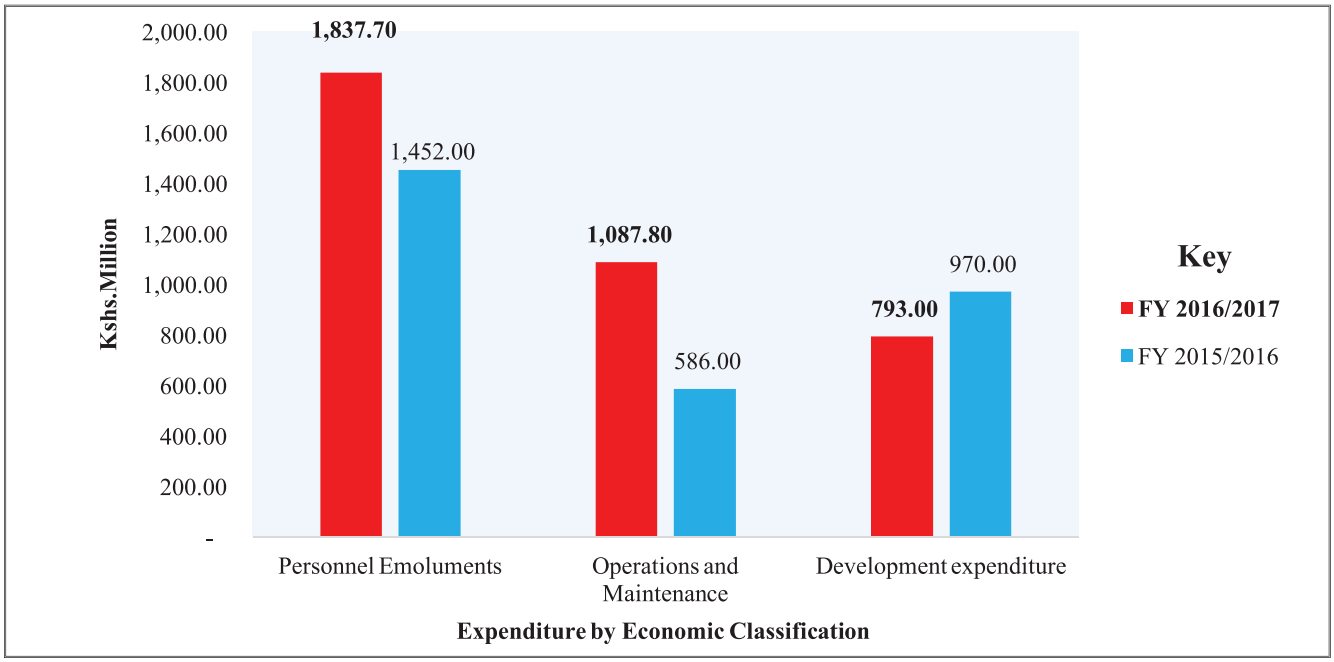
The County spent Kshs.3.72 billion, which was 86.3 per cent of the total funds released for operations. This was an increase of 23.6 per cent from Kshs.3.01 billion spent in FY 2015/16.

A total of Kshs.2.93 billion was spent on recurrent activities, while Kshs.793.12 million was spent on development activities. The recurrent expenditure was 89.1 per cent of the funds released for recurrent activities while development expenditure accounted for 77.5 per cent of the funds released for development activities. The expenditure excluded pending bills as at June 30, 2017 that amounted to Kshs.207.33 million for development and Kshs.977.48 million for recurrent expenditure.

The recurrent expenditure represented 82.9 per cent of the annual recurrent budget, an increase from 74.8 per cent spent in FY 2015/16. Development expenditure recorded an absorption rate of 52.5 per cent, which was a decrease from 59.1 per cent attained in FY 2015/16.

Figure.3.134 presents a comparison between the total expenditure in FY 2016/17 and FY 2015/16.

Figure.3.134: Vihiga County, Expenditure by Economic Classification in FY 2015/16 and FY 2016/17.



Source: *Vihiga County Treasury*

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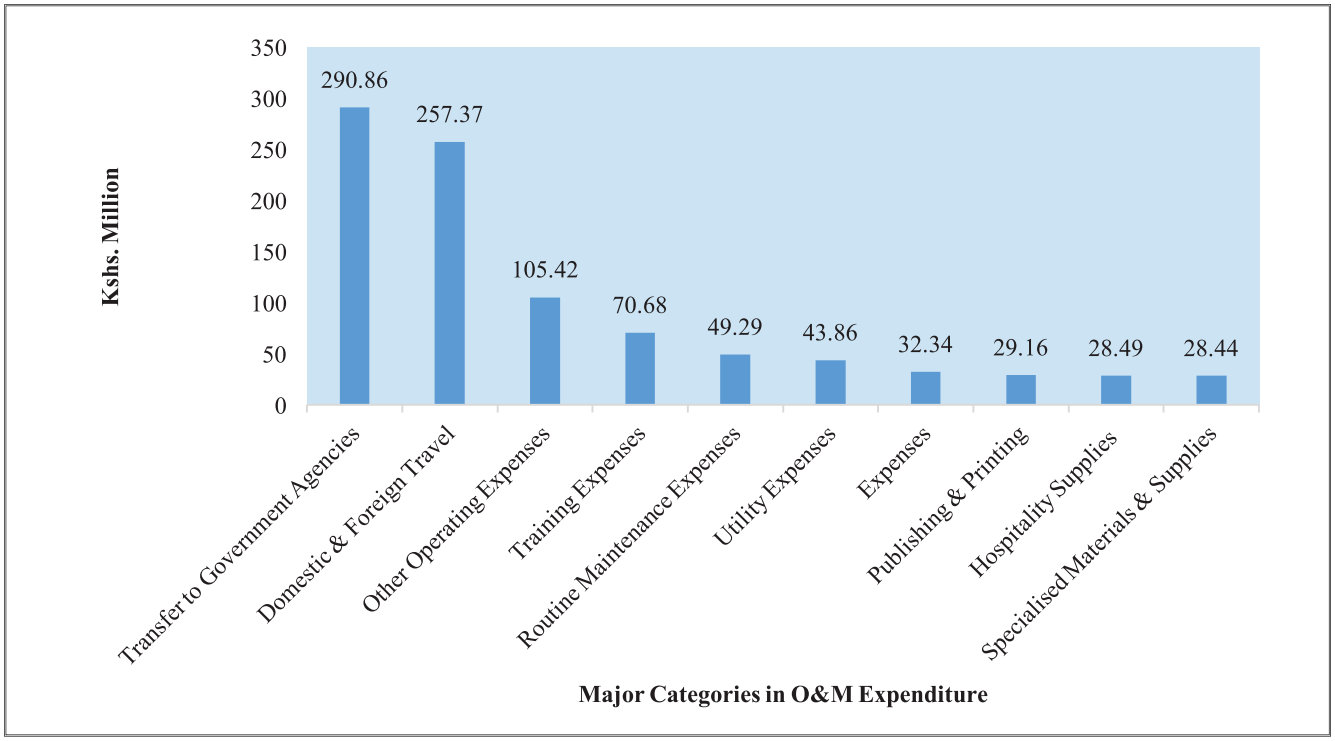
3.45.6 Analysis of Recurrent Expenditure

The total recurrent expenditure of Kshs.2.93 billion consisted of Kshs.1.84 billion (62.8 per cent) on personnel emoluments and Kshs.1.09 billion (37.2 per cent) on operations and maintenance as shown in Figure.3.134. Expenditure on personnel emoluments represented an increase of 26.2 per cent compared to FY 2015/16 when the County spent Kshs.1.45 billion.

Figure.3.135 shows a summary of operations and maintenance expenditure by major categories.

The expenditure on personnel emoluments of Kshs.1.84 billion was 49.4 per cent of overall total expenditure in FY 2016/17 and 62.8 per cent of total recurrent expenditure of Kshs.2.93 billion.

Figure.3.135: Vihiga County, Operations and Maintenance Expenditure by Major Categories for FY 2016/17.



Source: *Vihiga County Treasury*

The County spent Kshs.10.33 million on sitting allowances for the 39 MCAs and the Speaker against the annual budget allocation of Kshs.10.33 million. This was a decrease of 88.4 per cent compared to Kshs.89.26 million spent in FY 2015/16. The average monthly sitting allowance was Kshs.21,520 per MCA compared to SRC's recommended monthly ceiling of Kshs.124,800.

Expenditure on domestic and foreign travel amounted to Kshs.257.41 million and consisted of Kshs.125.21 million spent by the County Assembly and Kshs.132.2 million by the County Executive. This expenditure represented 8.8 per cent of total recurrent expenditure and was an increase of 18.4 per cent compared to Kshs.217.32 million spent in FY 2015/16.

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3.45.7 Development Expenditure Analysis

The total development expenditure of Kshs.793 million represented 52.3 per cent of the annual development budget of Kshs.1.51 billion. Table.3.134 provides a summary of development projects with the highest expenditure in FY 2016/17.

Table.3.134: Vihiga County, List of Development Projects with the Highest Expenditure in FY 2016/17

S/No.	Project name	Project location	Annual project budget (Kshs.)	Annual project expenditure (Kshs.)	Absorption rate (%)
1	Construction of male ward at Ipali	Ipali	15,426,596	15,426,596	100
2	Purchase of medical equipment	Vihiga R.H.	15,175,400	15,175,400	100
3	Furniture for ward administrators	County HQ	12,451,000	12,451,000	100
4	Construction of Givudimbuli bridge	Wodanga	10,231,200	10,231,200	100
5	Supply of laundry machines	Vihiga R.H.	9,860,000	9,860,000	100
6	Constuction of Viyalo dispensary	Viyalo	9,200,000	9,200,000	100
7	Construction of Omena market	Luanda	22,514,585	9,173,669	40.7
8	Construction of Shiru youth polytechnic	Musunji	8,978,346	8,978,346	100
9	Construction of health center	Mwibona	8,930,000	8,930,000	100
10	Construction of Muhudu youth polytechnic	Muhudu	7,743,000	7,743,000	100

Source: *Vihiga County Treasury*

Analysis of the development expenditure by project indicates that, the highest expenditure of Kshs.15.43 million was spent on construction of male ward at Ipali Health Centre and Kshs.15.18 million on purchase of medical equipment at Vihiga Referral Hospital by the Department of Health Services.

3.45.8 Budget and Budget Performance Analysis by Department

Table 3.135 shows a summary of budget estimates and budget performance by department in FY 2016/17

Table.3.135: Vihiga County, Budget Performance by Department in FY 2016/17

Department	Annual Budget Allocation (Kshs. Million)		Exchequer Issues in FY 2016/2017 (Kshs.Million)		Expenditure in FY 2016/2017 (Kshs.Million)		FY 2016/17 Expenditure to Exchequer Issues (%)		FY 2016/17 Absorption rate (%)	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
Agriculture, Livestock, Fisheries	125.89	57.60	125.89	53.66	101.61	3.23	80.7	6.0	80.7	5.6
Lands, Housing & Physical planning	57.53	28.46	57.53	28.45	40.75	1.65	70.8	5.8	70.8	5.9

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Transport & Infrastructure	105.63	490.07	105.63	359.15	69.48	344.79	65.8	96.0	65.8	70.4
Trade & Tourism	51.84	36.2	51.84	32.72	32.70	18.90	63.1	57.8	63.1	52.2
Health Services	1,030.06	223.65	1,030.06	148.44	782.88	103.75	76.0	69.9	76.0	46.4
Education, Science & Technology	329.77	138.92	136.22	107.1	328.76	36.79	241.3	34.4	99.7	26.5
County Executive	258.22	45	258.22	-	252.48	-	97.8	-	97.8	0
County Assembly	533.77	115	533.77	61.37	512.08	89.42	95.9	145.7	95.9	77.8
Finance & Economic planning	242.62	230.17	242.62	104.59	209.76	139.84	86.5	133.7	86.5	60.8
County Public Service Board	61.99	-	61.99	-	43.32	-	69.9	-	69.9	-
Public Service & Administration.	465.05	15	465.05	15	380.22	15.15	81.8	101.0	81.8	101
Gender, Culture, Youth & Sports.	205.20	51.05	158.48	51.05	124.42	13.49	78.5	26.4	60.6	26.4
Environment, Water & Forestry	62.02	79.93	62.02	79.93	47.19	26.12	76.1	32.7	76.1	32.7
TOTAL	**3,529.59**	**1,511.05**	**3,289.32**	**1,023.73**	**2,925.55**	**793.12**	**88.9**	**77.5**	**82.9**	**52.5**

Source: *Vihiga County Treasury*

Analysis of budget performance by department shows that the County Assembly attained the highest absorption of development budget at 77.8 per cent while the County Executive did not incur any development expenditure. On the other hand, the Department of Education, Science and Technology had the highest percentage of recurrent expenditure to recurrent budget at 99.7 per cent while the Department of Gender, Culture, Youth & Sports had the lowest at 60.6 per cent.

3.45.9 Observations and Recommendations

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

i. Establishment of the County Budget and Economic Forum (CBEF) in line with Section 137 of the PFM Act, 2012.

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

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

1. The County's wage bill has remained high, having increased by 26.2 per cent from Kshs.1.45 billion in FY 2015/16 to Kshs.1.87 billion during the period under review and was 49.4 per cent of overall total expenditure in FY 2016/17. Increase in wage bill may affect implementation of development projects.
2. Under-performance in local revenue collection, which declined by 30.1 per cent from Kshs.138.9 million in FY 2015/16 to Kshs.96.03 million in FY 2016/17, representing 43.7 per cent of the annual target of Kshs.220 million.
3. IFMIS connectivity challenges, which slowed down approval of procurement requests and payments to suppliers.

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4. Delay by the National Treasury to disburse the equitable share of revenue raised nationally.

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

1. *The County Public Service Board should establish an optimal staffing structure in order to ensure a sustainable wage bill.*
2. *The County Treasury should formulate and implement strategies to enhance local revenue collection.*
3. *The County Treasury should liaise with the IFMIS Directorate for support in application of IFMIS and the E-procurement module.*
4. *The County Treasury should liaise with the National Treasury to ensure that funds allocated to the County are released in a timely manner in line with the CARA Disbursement Schedule.*

3.46 Wajir County

3.46.1 Overview of the FY 2016/17 Budget

The County's FY 2016/17 Approved Supplementary Budget was Kshs.8.68 billion, comprising of Kshs.4.59 billion (52.9 per cent) and Kshs.4.09 billion (47.1 per cent) allocations for recurrent and development expenditure respectively.

To finance the budget, the County expected to receive Kshs.7.8 billion (89.9 per cent) as equitable share of revenue raised nationally, Kshs.247.71 million (2.85 per cent) as total conditional grants, generate Kshs.230.12 million (2.7 per cent) from local sources, and Kshs.365.27 million (4.2 per cent) cash balance from FY 2015/16. The conditional grants comprised of Kshs.55.57 million (22.4 per cent) for Free Maternal Healthcare, Kshs.119.91 million (48.4 per cent) from the Road Maintenance Fuel Levy Fund, Kshs.16.01 million (6.5 per cent) for User Fees Foregone, Kshs.10.05 million (4.1 per cent) as a grant from DANIDA, and Kshs.46.17 million (18.6 per cent) as World Bank loan to health facilities.

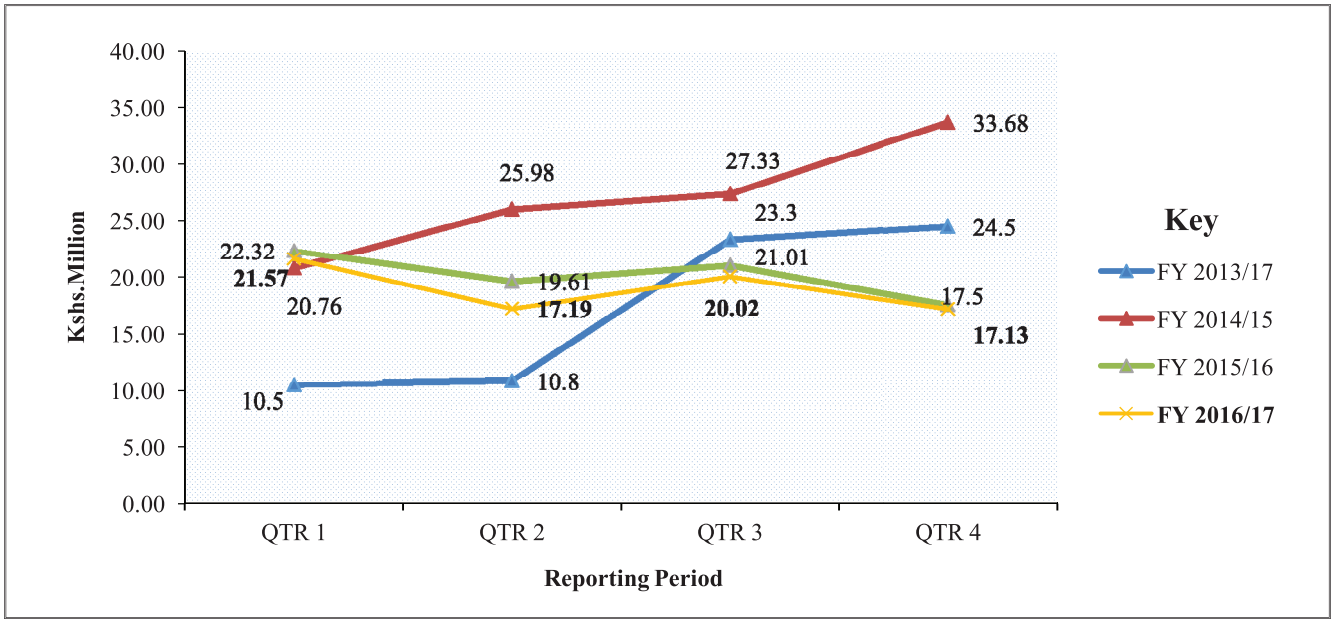
3.46.2 Revenue Analysis

During the year, the County received Kshs.7.8 billion as equitable share of the revenue raised nationally, Kshs.237.66 million as total conditional allocations, raised Kshs.75.91 million from local revenue sources, and had a cash balance of Kshs.365.27 million brought forward from FY 2015/16.

Figure3.136 shows the quarterly trend in local revenue collection from the first quarter of FY 2013/14 to the fourth quarter FY 2016/17.

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Figure3.136: Wajir County, Trend in Local Revenue Collection by Quarter from FY 2013/14 to FY 2016/17



Source: *Wajir County Treasury*

The total local revenue collected in FY 2016/17 amounted to Kshs.75.91 million, representing a decrease of 5.6 per cent compared to Kshs.80.44 million generated in FY 2015/16, and represented 33 per cent of the annual local revenue target of Kshs.230.12 million.

3.46.3 Conditional Grants

Table 3.136 shows an analysis of conditional grants released in FY 2016/17.

Table 3.136: Wajir County Analysis of Conditional Grants Released in FY 2016/17

S/No	Conditional Grant	CARA, 2016 Annual Allocation in Kshs)	Actual receipts in FY 2016/17 in Kshs.	Actual Receipts as Percentage of Annual Allocation (%)
1	Road Maintenance Fuel Levy Fund	119,911,775	119,911,775	100
2	Free Maternal Healthcare	55,574,174	55,574,174	100
3	World Bank loan to health facilities	46,166,458	46,166,458	100
4	User Fees Foregone	16,011,344	16,011,344	100
5	DANIDA grant	10,045,000	-	-
Total		**247,708,751**	**237,663,751**	**95.9**

Source: *Wajir County Treasury*

Analysis of the conditional grants released during the period under review indicates that except for DANIDA, all the other grants were fully received.

3.46.4 Exchequer Issues

During the year, the Controller of Budget authorised withdrawal of Kshs.8.1 billion from the CRF account, which

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was 93.3 per cent of the Approved Supplementary Budget. This amount represented an increase of 5.2 per cent from Kshs.7.8 billion authorized in FY 2015/16 and consisted of Kshs.4.55 billion (56.2 per cent) for recurrent expenditure and Kshs.3.55 billion (43.8 per cent) for development activities.

3.46.5 Overall Expenditure Review

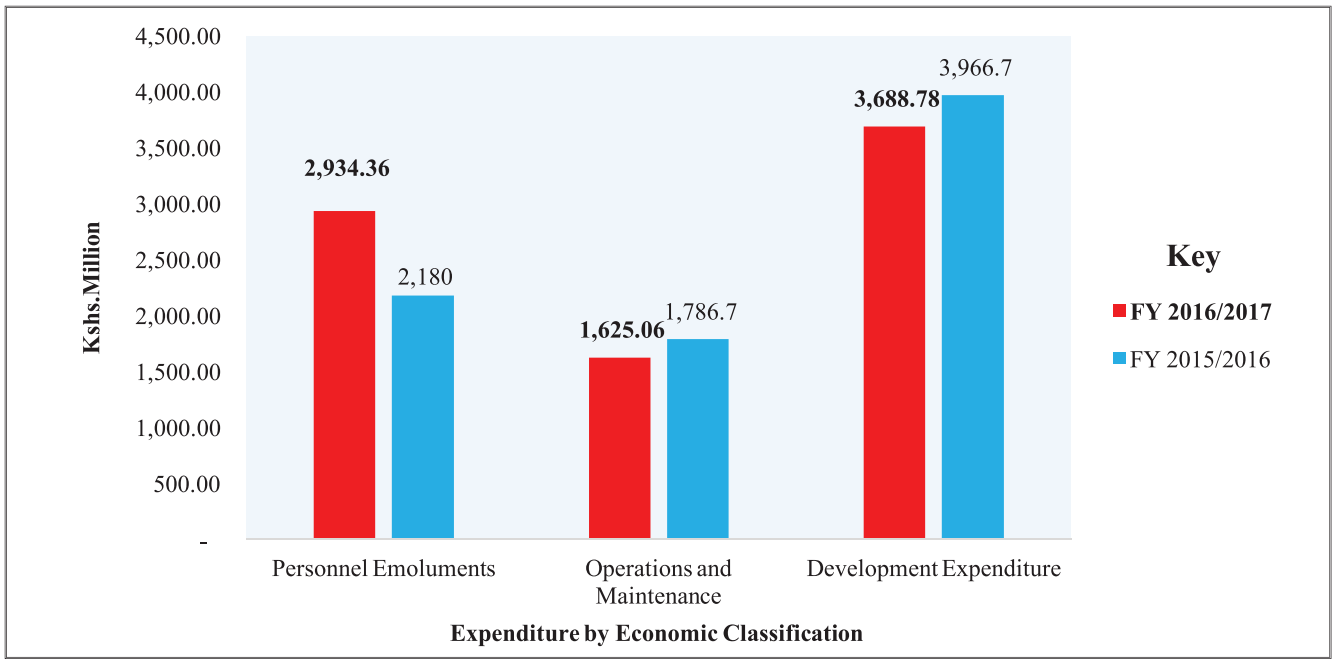
The County spent Kshs.8.25 billion, which was 101.8 per cent of the total funds released for operations. This was an increase of 6.2 per cent from Kshs.7.77 billion spent in FY 2015/16.

A total of Kshs.4.56 billion was spent on recurrent activities, while Kshs.3.69 billion was spent on development activities. The recurrent expenditure was 100.1 per cent of the funds released for recurrent activities while development expenditure accounted for 103.9 per cent of the funds released for development activities. The expenditure excluded pending bills as at June 30, 2017 that amounted to Kshs.216.56 million for development and Kshs.192.81 million for recurrent expenditure.

The recurrent expenditure represented 99.4 per cent of the annual recurrent budget, a decrease from 104.1 per cent spent in FY 2015/16. Development expenditure recorded an absorption rate of 90.1 per cent, which was an increase from 85.1 per cent attained in FY 2015/16.

Figure 3.137 presents a comparison between the total expenditure in FY 2016/17 and FY 2015/16.

Figure 3.137: Wajir County, Expenditure by Economic Classification in FY 2015/16 and FY 2016/17



Source: *Wajir County Treasury*

3.46.6 Analysis of Recurrent Expenditure

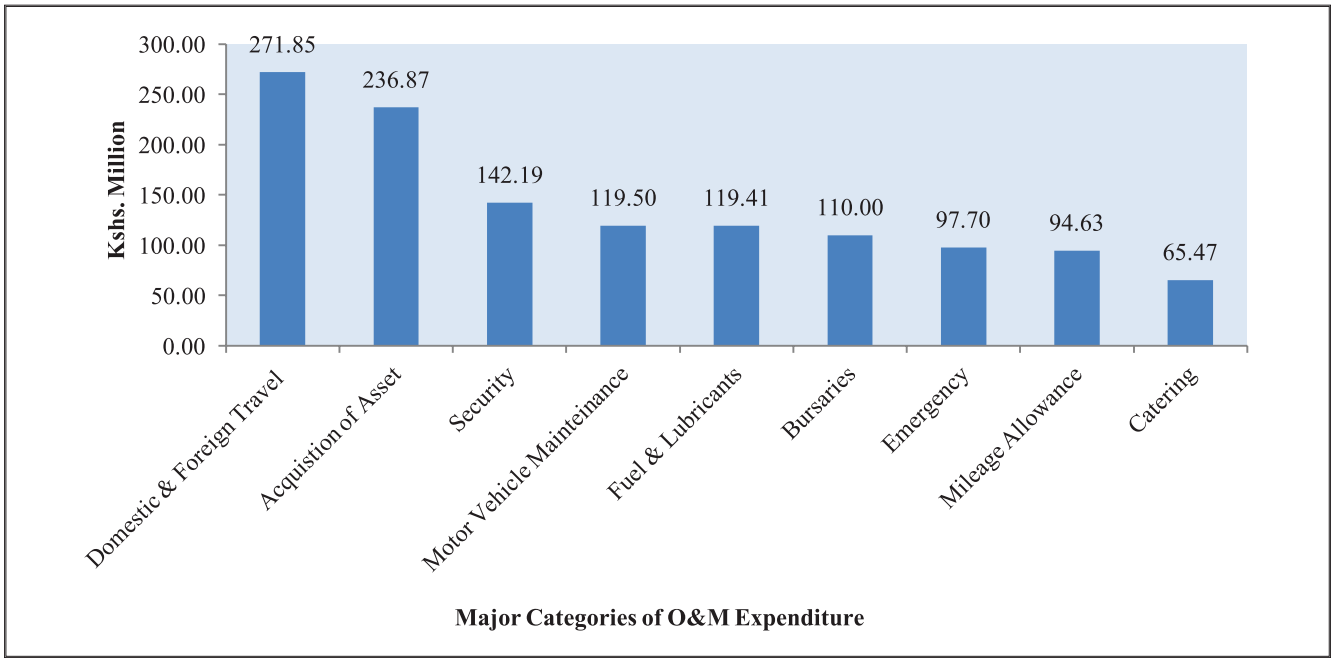
The total recurrent expenditure of Kshs.4.56 billion consisted of Kshs.2.93 billion (64.6 per cent) spent on personnel emoluments and Kshs.1.63 billion (35.4 per cent) on operations and maintenance as shown in Figure 3.137.

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Expenditure on personnel emoluments represented an increase of 34.6 per cent compared to Kshs.2.18 billion when the County spent Kshs.2.18 billion. Figure 3.138 shows a summary of operations and maintenance expenditure by major categories.

The expenditure on personnel emoluments of Kshs.2.93 billion was 35.6 per cent of overall total expenditure in FY 2016/17 and 64.4 per cent of total recurrent expenditure of Kshs.4.56 million.

Figure 3.138: Wajir County, Operations and Maintenance Expenditure by Major Categories for FY 2016/17



Source: *Wajir County Treasury*

The County spent Kshs.24.64 million on sitting allowances for the 45 MCAs and the Speaker against the annual budget allocation of Kshs.70.36 million. This was a decrease of 41.5 per cent compared to Kshs.42.12 million spent in FY 2015/16. The average monthly sitting allowance was Kshs.44,630 per MCA compared to SRC's recommended monthly ceiling of Kshs.124,800.

Expenditure on domestic and foreign travel amounted to Kshs.271.85 million and consisted of Kshs.60.53 million spent by the County Assembly and Kshs.211.32 million by the County Executive. This expenditure represented 6 per cent of total recurrent expenditure and was an increase of 1.7 per cent compared to Kshs.267.24 million spent in FY 2015/16.

3.46.7 Development Expenditure Analysis

The total development expenditure of Kshs.3.69 billion represented 90.1 per cent of the annual development budget of Kshs.4.09 billion. Table.3.137 provides a summary of development projects with the highest expenditure in FY 2016/17.

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Table.3.137: Wajir County, List of Development Projects with the Highest Expenditure in FY 2016/17

S/No.	Project name	Ward (Location of the Project)	Budgeted Amount in Kshs.	FY 2016/17 Actual Expenditure in Kshs.	Absorption Rate
1	5 Mega water pan	Across the County	280,000,000	275,600,000	98.4
2	Water works	Across the County	160,000,000	140,690,000	87.9
3	Drilling of boreholes	Across the County	120,000,000	120,112,450	100.1
4	Gravelling and Grading	Across the County	119,911,775	119,900,100	100
5	Construction of dispensaries	Across the County	114,000,000	113,543,758	99.6
6	Purchase of medical and dental Equipment	Across the County	110,000,000	98700000	89.7
7	ECD classroom	Across the County	108,000,000	90,121,020	83.4
8	Abbatoir	Wajir Town	100,000,000	78,000,000	78
9	Roads Bridges	Across the County	30,000,000	29,500,000	98.3
10	Underground water tanks	Across the County	26,396,960	26,300,800	99.6

Source: *Wajir County Treasury*

Analysis of the development expenditure by project indicates that, the highest expenditure of Kshs.275.6 million was spent on construction of five water dams, followed by Kshs.140.69 million on water works, and Kshs.120.11 million on drilling of boreholes in varies locations in the County.

3.46.8 Budget and Budget Performance Analysis by Department

Table.3.138 shows a summary of budget estimates and budget performance by department in FY 2016/17

Table.3.138: Wajir County, Budget Performance by Department in FY 2016/17

Department	Annual Budget Allocation (Kshs. Million)		FY 2016/17 Exchequer Issues (Kshs.Million)		FY 2016/17 Expenditure (Kshs.Million)		FY 2016/17 Expenditure to Exchequer Issues (%)		FY 2016/17 Absorption rate (%)	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
County Executive	450.34	-	450.34	-	450.34	-	100	-	100	-
Finance	480.48	10.04	445.11	-	446.14	9.24	100.2	-	92.9	92
County Assembly	645.13	-	645.13	-	645.13	-	100	-	100	-
Roads and Transport	300.42	937.97	300.42	894.57	300.42	924.82	100	103.4	100	98.6
Water Resources	184.64	959.15	184.64	913.4	184.64	757.21	100	82.9	100	78.9
Energy and Environment	82.1	308.91	82.1	229.9	82.1	60.47	100	26.3	100	19.6
Public Health	922.32	450.5	922.32	381.59	922.32	432.39	100	113.3	100	96
Education and Social services	413.12	200.77	413.12	170.43	413.12	198.16	100	116.3	100	98.7
Agriculture, livestock and Fisheries	178.9	555.93	178.90	473.91	178.9	529.63	100	111.8	100	95.3
Trade and cooperative	120.18	276.09	120.18	158.47	120.18	269.01	100	169.8	100	97.4
Lands and Housing	89.33	273.54	89.33	208.17	89.33	164.84	100	79.2	100	60.3

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Public Services	581.33	44.6	581.33	44.6	581.33	269.01	100	603.2	100	603.2
WAJWASCO	68.85	76	68.85	74	68.85	74	100	100	100	97.4
County Public Service Board	71.31	-	71.31	-	71.31	-	100	-	100	-
Total	**4,588.45**	**4,093.5**	**4,553.08**	**3,549.04**	**4,554.11**	**3,688.78**	**100.1**	**103.9**	**99.4**	**90.1**

Source: *Wajir County Treasury*

Analysis of budget performance by department shows that the Department of Public Service attained the highest absorption of development budget at 603.2 per cent while the Energy and Environment Department attained the lowest absorption rate at 19.6 per cent. On the other hand, except for the Department of Finance and Economic Planning all other departments reported 100 per cent of recurrent expenditure to recurrent budget.

3.46.9 Observations and Recommendations

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

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

ii. Improvement in the absorption of development budget from 85.1 per cent in FY 2015/16 to 90.1 per cent in the reporting period.

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

1. Delay by Fund Administrators to submit expenditure reports for the Emergency Fund, County Revolving Fund, and the Bursary Fund contrary to Section 168 of the PFM Act, 2012.
2. Under-performance in local revenue collection, which declined by 5.6 per cent from Kshs.80.44 million in FY 2015/16 to Kshs.75.91 million in FY 2016/17, and represented 33 per cent of annual target.
3. Failure to establish an Internal Audit Committee to oversee financial operations in the County contrary to the provisions of Section 155 of the PFM Act, 2012.
4. Delay by the National Treasury to disburse the equitable share of revenue raised nationally.

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

1. *Fund Administrators should ensure timely submission of expenditure reports in line with Section 168 of the PFM Act, 2012.*
2. *The County Treasury should formulate and implement strategies to enhance local revenue collection.*
3. *The County should establish an Internal Audit Committee in line with Section 155 of the PFM Act, 2012.*
4. *The County Treasury should liaise with the National Treasury to ensure that funds allocated to the County are released in a timely manner in line with the CARA Disbursement Schedule.*

3.47 West Pokot County

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3.47.1 Overview of the FY 2016/17 Budget

The County's FY 2016/17 Approved Supplementary Budget was Kshs.5.25 billion, comprising of Kshs.3.41 billion (65.1 per cent) and Kshs.1.83 billion (34.9 per cent) allocations for recurrent and development expenditure respectively.

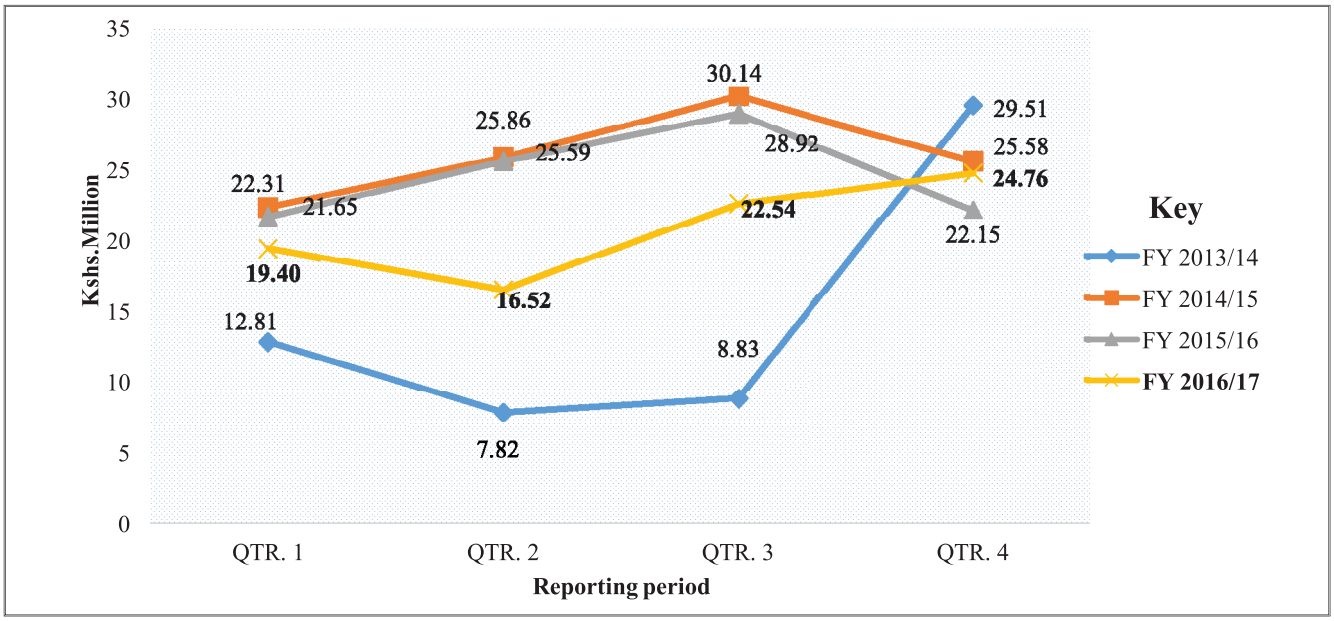
To finance the budget, the County expected to receive Kshs.4.65 billion (88.7 per cent) as equitable share of revenue raised nationally, Kshs.197.02 million (4.3 per cent) as total conditional grants, generate Kshs.122.25 million (2.3 per cent) from local revenue sources, and Kshs.245.89 million (4.7 per cent) cash balance from FY 2015/16. The conditional grants comprised of Kshs.51.05 million (22.8 per cent) for Free Maternal Healthcare, Kshs.71.52 million (32 per cent) from the Road Maintenance Fuel Levy Fund, Kshs.12.32 million (5.5 per cent) for User Fees Foregone, Kshs.6.09 million (2.7 per cent) grant from DANIDA, Kshs.56.05 million (25.1 per cent) for World Bank grant to health facilities and Kshs.26.71 million (11.9 per cent) from the Kenya Devolution Support Programme Trust not contained in CARA, 2016.

3.47.2 Revenue Analysis

During the year, the County received Kshs.4.65 billion as equitable share of the revenue raised nationally, Kshs.140.33 million as total conditional allocations, raised Kshs.83.22 million from local revenue sources, and had a cash balance of Kshs.245.89 million brought forward from FY 2015/16.

Figure 3.139 shows the quarterly trend in local revenue collection from the first quarter of FY 2013/14 to the fourth quarter FY 2016/17.

Figure 3.139: West Pokot County, Trend in Local Revenue Collection by Quarter from FY 2013/14 to FY 2016/17



Source: *West Pokot County Treasury*

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The total local revenue collected in FY 2016/17 amounted to Kshs.83.22 million, representing a decrease of 15.3 per cent compared to Kshs.98.31 million generated in FY 2015/16, and represented 68.1 per cent of the annual local revenue target of Kshs.122.25 million.

3.47.3 Conditional Grants

Table 3.139 shows an analysis of conditional grants released in FY 2016/17.

Table 3.139: West Pokot County Analysis of Conditional Grants Released in FY 2016/17

S. No	Conditional Grant	CARA, 2016 Annual Allocation in Kshs)	Actual receipts in FY 2016/17 in Kshs.	Actual Receipts as Percentage of Annual Allocation (%)
1	Road Maintenance Fuel Levy Fund	71,516,809	71,573,470	100
2	World Bank grant to Health Facilities	56,049,761	-	-
3	Free Maternal Healthcare	51,050,356	50,347,500	98.6
4	User Fees Foregone	12,316,429	12,316,430	100
5	DANIDA Grant to health	6,090,000	6,090,000	100
TOTAL		**197,023,355**	**140,327,400**	**62.7**

Source: *West Pokot Treasury*

Analysis of the conditional grants released during the period under review indicates that, Road Maintenance Fuel Levy Fund recorded the highest actual receipt at 100 per cent, Foregone User Fees, and DANIDA Grant at 100 per cent each of the annual allocation, respectively.

3.47.4 Exchequer Issues

During the year, the Controller of Budget authorised withdrawal of Kshs.4.96 billion from the CRF account, which was 94.5 per cent of the Approved Supplementary Budget. This amount represented an increase of 8.5 per cent from Kshs.4.57 billion authorized in FY 2015/16 and consisted of Kshs.3.26 billion (65.7 per cent) for recurrent expenditure and Kshs.1.70 billion (34.3 per cent) for development activities.

3.47.5 Overall Expenditure Review

The County spent Kshs.4.80 billion, which was 96.9 per cent of the total funds released for operations. This was an increase of 10.4 per cent from Kshs.4.35 billion spent in FY 2015/16.

A total of Kshs.3.24 billion was spent on recurrent activities, while Kshs.1.57 billion was spent on development activities. The recurrent expenditure was 99.4 per cent of the funds released for recurrent activities while development expenditure accounted for 92 per cent of the funds released for development activities. The expenditure excluded pending bills as at June 30, 2017 that amounted to Kshs.89.89 million for development and Kshs.23.18 million for recurrent expenditure.

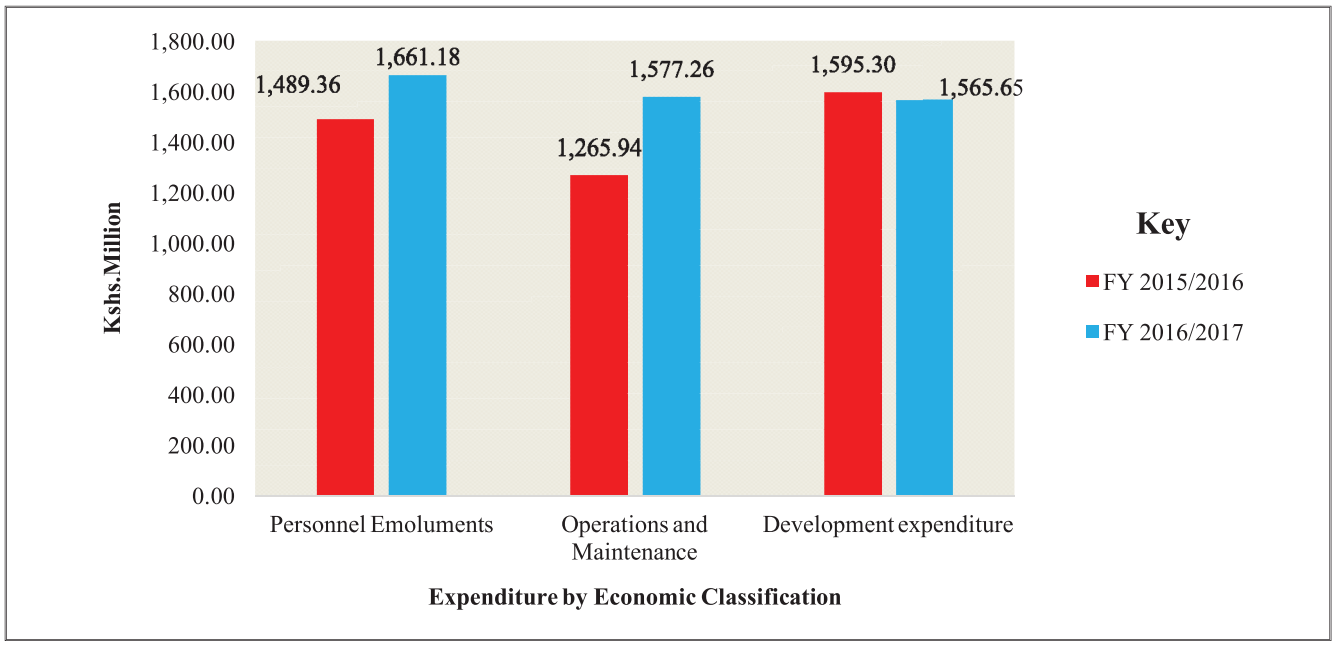
The recurrent expenditure represented 94.9 per cent of the annual recurrent budget, a decrease from 97.6 per

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cent spent in FY 2015/16. Development expenditure recorded an absorption rate of 85.5 per cent, which was an increase from 79.5 per cent attained in FY 2015/16.

Figure 3.140 presents a comparison between the total expenditure in FY 2016/17 and FY 2015/16.

Figure 3.140: West Pokot County, Expenditure by Economic Classification in FY 2015/16 and FY 2016/17



Source: *West Pokot County Treasury*

3.47.6 Analysis of Recurrent Expenditure

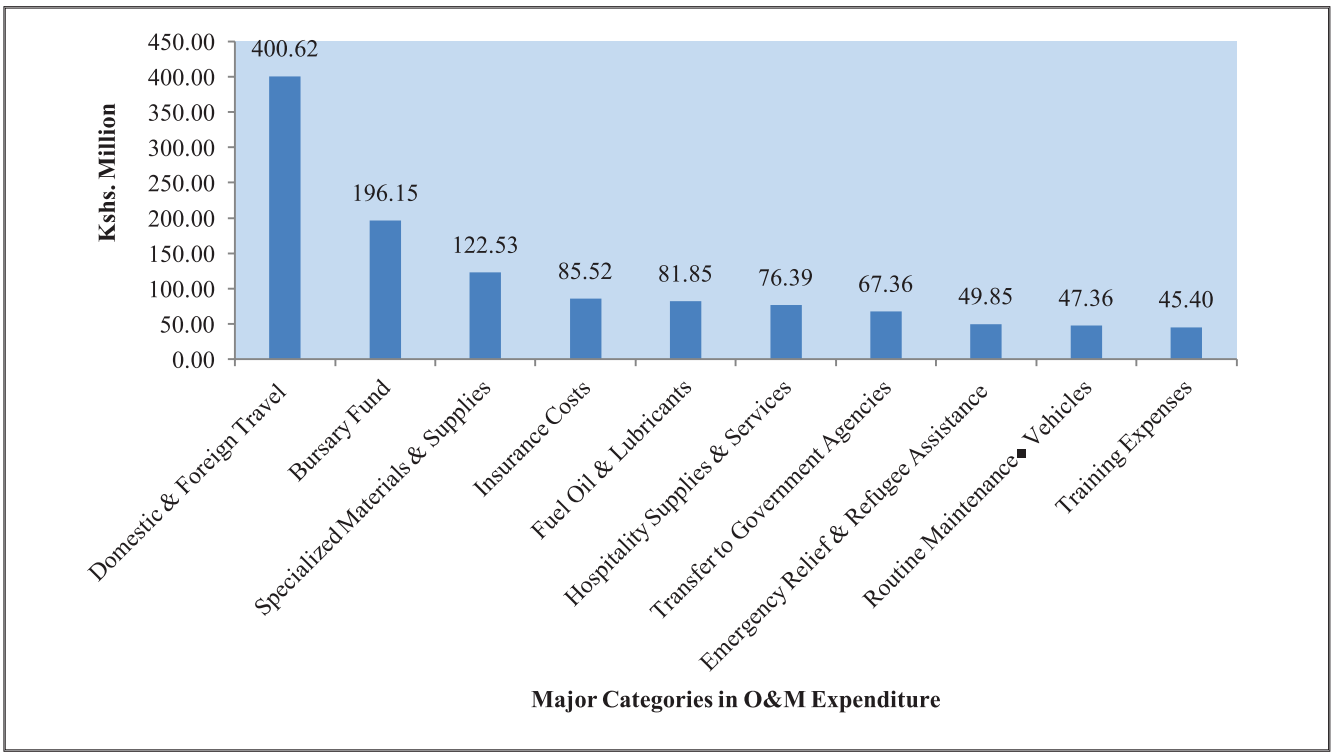
The total recurrent expenditure of Kshs.3.24 billion consisted of Kshs.1.66 billion (51.3 per cent) spent on personnel emoluments and Kshs.1.58 billion (48.7 per cent) on operations and maintenance as shown in Figure 3.140. Expenditure on personnel emoluments represented an increase of 11.5 per cent compared to FY 2015/16 when the County spent Kshs.1.49 billion.

Figure 3.141 shows a summary of operations and maintenance expenditure by major categories.

The expenditure on personnel emoluments of Kshs.1.66 billion was 34.6 per cent of overall total expenditure in FY 2016/17 and 51.3 per cent of total recurrent expenditure of Kshs.3.24 billion.

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Figure 3.141: West Pokot County, Operations and Maintenance Expenditure by Major Categories for FY 2016/17



Source: *West Pokot County Treasury*

The County spent Kshs.46.91 million on sitting allowances for the 32 MCAs and the Speaker against the annual budget allocation of Kshs.46.91 million. This was decrease of 10.3 per cent compared to Kshs.52.29 million spent in FY 2015/16. The average monthly sitting allowance was Kshs.118,452 per MCA compared to SRC's recommended monthly ceiling of Kshs.124,800.

Expenditure on domestic and foreign travel amounted to Kshs.400.62 million and consisted of Kshs.89.3 million spent by the County Assembly and Kshs.311.32 million by the County Executive. This expenditure represented 12.4 per cent of total recurrent expenditure and was an increase of 46.4 per cent compared to Kshs.273.56 million spent in FY 2015/16.

3.47.7 Development Expenditure Analysis

The total development expenditure of Kshs.1.57 billion represented 85.6 per cent of the annual development budget of Kshs.1.83 billion. Table 3.140 provides a summary of development projects with the highest expenditure in FY 2016/17.

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Table 3.140: West Pokot County, List of Development Projects with the Highest Expenditure in FY 2016/17

S/No	Project Name	Ward (Location of the Project)	Estimated Budget (Kshs.)	Annual project Expenditure(Kshs)	Absorption Rate (%)
1	Construction of Agriculture Training Centre	Mnagei	100,000,000	100,000,000	100
2	Construction of county hospitality and training center at Kopoch	Riwo	43,342,085	48,029,100	110.8
3	Construction of Sub county offices at Makutano	Mnagei	26,000,000	35,182,075	135.3
4	Construction of main Governor's residence building	Kapenguria	30,000,000	29,112,848	97
5	Construction of Hostels at ECDE College	Kapenguria	24,000,000	22,733,104	94.7
6	Purchase of 1 Motor Grader	Kapenguria	30,000,000	21,000,000	70
7	Completion of Multi-Purpose Hall and Kitchen at ECDE College Kapenguria	Kapenguria	24,000,000	19,129,766	79.7
8	Construction of Sigor water supply project	Weiwei	22,641,804	18,014,700	79.6
9	Construction of Makutano car park Phase II	Mnagei	24,000,000	15,324,360	63.9
10	Construction of Hostel Block for girls	Masol	14,585,460	14,385,460	98.6

Source: *West Pokot County Treasury*

Analysis of the development expenditure by project indicates that, the highest expenditure of Kshs.100 million was spent on construction of the Agriculture Training Centre in Keringet, followed by Kshs.48.03 million on construction of County Hospitality and Training Centre at Kopoch, and Kshs.35.18 million on construction of sub county offices in Makutano

3.47.8 Budget and Budget Performance Analysis by Department

Table 3.141 shows a summary of budget estimates and budget performance by department in FY 2016/17

Table 3.141: West Pokot County, Budget Performance by Department in FY 2016/17

Department	Annual Supplementary Budget Allocation (Kshs.Million)		Exchequer Issues in FY 2016/17 (Kshs.Million)		Expenditure in FY 2016/17 (Kshs. Million)		FY 2016/17 Expenditure to Exchequer Issues (%)		FY 2016/17 Absorption rate (%)	
	Rec.	Dev.	Rec.	Dev.	Rec.	Dev.	Rec.	Dev.	Rec.	Dev.
Office of the Governor	346.85	125.3	330.68	120.4	334.6	115.16	101.2	95.6	96.5	91.9
Finance and Economic Planning	342.65	60.95	316.9	59.1	312.12	59.68	98.5	101	91.1	97.9
Roads, Public Works and Transport	93.8	508.23	84.58	418.67	91.69	460.81	108.4	110.1	97.7	90.7
Health and Sanitation	1,124.42	238.68	1,107.42	238.60	1,065.52	126.91	96.2	53.2	94.8	53.2

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Education, Communication and ICT	381.15	198.33	369.81	198.25	377.2	181.88	102	91.7	99.1	91.7
Agriculture and Irrigation	101.77	144.6	97.04	138.5	101.27	139.59	104.4	100.8	99.5	96.5
Livestock, Fisheries and Veterinary Services	88.37	67	85.97	58.6	86.59	57.03	100.7	97.3	98	85.1
Trade, Industry and Cooperatives	53.09	30.82	32.49	29.35	30.93	21.46	95.2	73.1	58.3	69.6
Land, Physical Planning and Urban Development	83.76	57.87	80.51	57.47	83.07	52.38	103.2	91.1	99.2	90.5
Water development, Environment & Natural Resources	66.51	125.15	60.38	113.8	57.05	103.6	94.5	91	85.8	82.8
Tourism, Culture, Sports, Youth and Gender Development	40.18	87.21	39.63	81.3	37.08	76.09	93.6	93.6	92.3	87.2
County Public Service Management	136.17	31	130.39	31	135.53	22	103.9	71	99.5	71
Intergovernmental and Special Initiatives	85.52	72	82.79	71.5	85.19	69.53	102.9	97.2	99.6	96.6
County Assembly	470	85	440	84.98	440.62	79.53	100.1	93.6	93.7	93.6
TOTAL	3,414.3	1,832.1	3,258.6	1,701.5	3,238.44	1,565.65	99.4	92	94.9	85.5

Source: *West Pokot County Treasury*

Analysis of budget performance by department shows that the Department of Finance and Economic Planning attained the highest absorption of development budget at 97.9 per cent while the Department of Health and Sanitation had the lowest at 53.2 per cent. On the other hand, the Department of Intergovernmental and Special Initiatives had the highest percentage of recurrent expenditure to recurrent budget at 99.6 per cent while the Department of Trade, Industry and Co-operative had the lowest at 58.3 per cent.

3.47.9 Observations and Recommendations

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

i. Establishment of the County Budget and Economic Forum (CBEF) in line with Section 137 of the PFM Act, 2012.

ii. Improvement in absorption of development budget. In the reporting period, the County attained an absorption rate of 85.5per cent compared to 79.5 per cent in a similar period FY 2015/16.

iii. Timely approval by the County Assembly of key planning policy documents such as the ADP (October 16, 2016), CBROP (October 16, 2016), CFSP (December 20, 2016) and FY 2017/18 Budget estimates (March 30, 2017).

iv. Full adoption of IFMIS, which is the prescribed financial system to record and report on all financial transactions per Section 12 of the PFM Act, 2012.

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

1. Failure to establish an Internal Audit Committee to oversee financial operations in the County contrary to Section 155 of the PFM Act, 2012.
2. Failure by Fund Administrators to submit expenditure reports for the Bursary Fund, Educational Development and Infrastructure Fund, Car Loan and Mortgage Fund, County Assembly Members Car Loan and Mortgage Fund and the Biashara Mashinani Funds contrary to Section 168 of the PFM Act, 2012.
3. Under-performance in local revenue collection, which declined by 15.3 per cent from Kshs.98.31 million in FY 2015/16 to Kshs.83.22 million in FY 2016/7.
4. Failure to reconcile the IFMIS payroll data to the IPPD data resulting in discrepancies between the two records. The IFMIS reports indicated total expenditure on personnel emoluments for the County Executive as Kshs.1.4 billion while data form the IPPD indicated Kshs.1.37 billion as the total payroll costs for the same period.
5. Operational delays and IFMIS connectivity challenges, which slowed down approval of procurement requests and payments to suppliers.
6. High expenditure on domestic and foreign travel that exceeded the approved budgetary allocation by 19.6 per cent and amounted to Kshs.400.62 million. The expenditure was an increase of 46.4 per cent compared to Kshs.273.56 million spent in FY 2015/16.
7. Delay by the National Treasury to disburse the equitable share of revenue raised nationally.

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

1. *The County should establish an Internal Audit Committee and also strengthen the internal audit function in line with Section 155 of the PFM Act, 2012.*
2. *All Fund Administrators should ensure timely submission of expenditure reports in line with Section 168 of the PFM Act, 2012.*
3. *The County Treasury should formulate and implement strategies to enhance local revenue collection.*
4. *The County should reconcile the IFMIS and IPPD data on a monthly basis to enhance accuracy in reporting.*
5. *The County Treasury should liaise with IFMIS Directorate for support in application of IFMIS and the E-procurement module.*
6. *The County Treasury should enhance Vote book and budgetary control to ensure that all expenditure is within the Approved Budget.*
7. *The County Treasury should liaise with the National Treasury to ensure that funds allocated to the County are released in a timely manner in line with the CARA Disbursement Schedule.*

4 KEY CHALLENGES AND RECOMMENDATIONS

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This section highlights cross-cutting issues that affected budget implementation in FY 2016/17. It also makes appropriate recommendations aimed at addressing the challenges in order to enhance smooth budget execution by the County Governments.

4.1 High Expenditure on Personnel Emoluments

The County Governments' spent an aggregate of Kshs.130.97 billion on personnel emoluments (PE) in FY 2016/17, which accounted for 41.1 per cent of the total expenditure for the period, and an increase of 10.4 per cent from Kshs.118.65 billion incurred in FY 2015/16. A total of thirty four counties reported expenditure on personnel emoluments that exceeded 35 per cent of their total expenditure for FY 2015/16.

The Office notes that, the high wage bill is unsustainable and will negatively affect spending on development activities. County Governments should ensure that expenditure on personnel emoluments is contained within sustainable levels in compliance with Regulation 25 (1) (b) of the Public Finance Management (County Governments) Regulations, 2015.

4.2 Delay in Submission of Financial Reports

Section 166 (4) of the PFM Act, 2012 requires the County Treasury to prepare and submit financial reports to the Office of the Controller of Budget not later that one month after the end of each quarter. Further, Section 168 of the PFM Act, 2012 requires designated Fund Administrators of a county established Fund to submit financial reports to the Controller of Budget, not later than fifteen days after the end of each quarter.

During the period under review, the Office experienced delay in submission of quarterly financial reports by some Counties. This resulted in late preparation of the Budget Implementation Review Reports (BIRR), thereby affecting budget oversight by institutions such as Parlianment.

The Office therefore, urges the County Governments to ensure timely preparation and submission of financial reports in line with Section 166 (4) and 168 of the PFM Act, 2012 and Section 16 of the Controller of Budget Act, 2016.

4.3 Under-Performance in Local Revenue Collection

Article 209 (3) of the Constitution, 2010 empowers County Governments to impose property rates, entertainment taxes and any other tax that it is authorized to impose by an Act of Parliament.

During the reporting period, the Counties collected Kshs.32.52 billion, representing 56.4 per cent of the annual target of Kshs.57.66 billion, and a decrease of 7.1 per cent from Kshs.35.02 billion realized in FY 2015/16. Low local revenue performance implied that some planned activities could not be implemented due to insufficient funding.

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Counties should therefore, develop and implement strategies aimed at enhancing local revenue collection.

4.4 Delay by the National Treasury to Disburse the Equitable Share of Revenue Raised Nationally Contrary to the CARA, 2016 Disbursement Schedule

Section 5 of the County Allocation of Revenue Act (CARA), 2016 provides that County Government's allocations shall be transferred to the respective County Revenue Funds, in accordance with a Disbursement Schedule approved by the Senate. It is the responsibility of the National Treasury to disburse the national equitable share of revenue to County Governments in line with the approved Disbursement Schedule, which set monthly amount to be disbursed to each County.

In FY 2016/17, the national equitable share of revenue to County Governments was Kshs.280.3 billion. Although the National Treasury had disbursed the full allocation by the end of the financial year, Kshs.25.55 billion was disbursed on June 30, 2017, which was the last day in the financial year. This therefore, implied that some planned activities in FY 2016/17 could not be implemented due to funding constraints.

We recommended that the national equitable share of revenue raised nationally should be disbursed in line with the CARA Disbursement Schedule.

4.5 High Pending Bills

As at June, 2017 the County Governments had accumulated pending bills amounting to Kshs.35.84 billion. This figure could have been higher if all Counties had submitted their pending bills.

Accumulation of huge pending bills erodes investor confidence, negatively affects the business community and could result in litigation by creditors.

County Governments should therefore, ensure effective management of pending bills by aligning procurement plans to cash flow projections as well as ensuring that all pending bills are budgeted for and paid promptly in the following financial year.

4.6 IFMIS Connectivity Challenges and Frequent Downtime

The National Treasury prescribed IFMIS for processing of financial transactions in line with Section 12 (1) (e) of the PFM Act, 2012. The use of IFMIS enhances fiscal transparency, accountability and improves efficiency in public financial management.

The Office observed that, most Counties experienced IFMIS connectivity challenegs which affected approval of procurement requests and payments. The frequent IFMIS interruption was also indicated as a reason for delayed financial reporting by the County Treasuries.

The Office recommends that the County Treasuries should liaise with the IFMIS Directorate for support in order to ensure smooth financial operations.

5 CONCLUSION

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This report provides the progress made on budget implementation during the financial year 2016/17 by County Governments. It was prepared in fulfilment of Article 228(6) of the Constitution of Kenya, 2010 and Section 9 of the Controller of Budget Act, 2016.

The Counties made good progress in implementing their FY 2016/17 budgets. They received Kshs.369.45 billion (92.54 per cent) of their total revenue target for the year of Kshs.399.24 billion. On aggregate, the Counties spent Kshs.215.71 billion on recurrent expenditure and Kshs.103.34 billion on development activities against the recurrent budget of Kshs.240.89 billion and development budget of Kshs.158.36 billion respectively. This expenditure translated to an absorption rate of 89.6 per cent and 65.3 per cent for recurrent and development expenditure respectively, while overall absorption of funds declined marginally to79.9 compared to 80.4 per cent attained in FY 2015/16.

The Office inditified some challenges that hindered effective budget execution in the FY 2016/17. These challenges included; high expenditure on personnel emoluments, late submission of financial reports by County Treasuries contrary to Section 166 and 168 of the PFM Act, 2012, under-performance of local revenue collection, failure by the National Treasury to disburse the equitable share of revenue in line with the CARA, 2016 Disburement Schedule, high pending bills which stood at Kshs.35.84 billion as at end of the financial year, and IFMIS connectivity challenges. The report also provides appropriate recommendations aimed at addressing the challenges in order to enhance smooth execution of the budget by the County Governments.

The Office of the Controller of Budget (OCOB) will continue to oversee budget implementation by the County Governments and shall continue to provide quarterly Budget Implementation Review Reports to all stakeholders in order to enhance prudent use of public funds in the country.

NOTES

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